

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JANUARY 20, 2015

Item 4, Report No. 1, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on January 20, 2015.

4 ENDING JUNE 30, 2014 – CONSOLIDATED QUARTERLY REPORT

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer, the Director of Financial Planning & Analytics and the Director of Financial Services, dated January 12, 2015:

Recommendation

The Commissioner of Finance & City Treasurer, the Director of Financial Planning & Analytics and the Director of Financial Services recommend:

1. That the 2014 Consolidated Second Quarter Variance Report be received

Contribution to Sustainability

Not applicable.

Economic Impact

The quarterly variance report monitors actual spending performance to the City's calendarized financial plan. There is no economic impact as budgets and projects have been previously approved by Council.

Communication Plan

Not applicable

Purpose

To report on 2014 second quarter financial results, as of June 30, 2014, including an update on grant activity. Additionally, there is continued reporting on high profile capital projects with summaries included as attachment.

This report is provided later than in previous years resulting from the modified Council schedule to accommodate the recent election and reports were therefore placed on the first Finance, Administration and Audit Committee meeting. It should be noted internal budget performance monitoring occurs on a monthly basis.

Background – Analysis and Options

The attached second quarter variance report compares actual operating and capital results for the period ending June 30, 2014, relative to approved budgets. It is important to note, the combined unfavourable variance is not directly indicative of the City's final year-end position; it simply compares the City's actual financial position to the approved budget at a point in time. At this stage in the process it is too early to determine the final City's position, as a number of events such as a shifting of trends, timing differences, or unforeseen activities in the latter part of the year could easily improve or erode the current position. For example, the receipt of funding through the Provincial Ice Storm Assistance Program could have a material impact on the 2014 results.

The actual balances presented include all necessary entries and accruals. However, it should be noted, the full amortization of tangible capital assets and post retirement employee benefits are excluded and presented differently from the City's financial statements.

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The quarterly results for City Operations, Water and Wastewater Operations, and Capital are presented together in one consolidated report. This action is intended to provide stakeholders with a more fulsome and complete view of the City's financial results. The item will provide a brief executive summary followed by summaries for City Operations, Water and Wastewater Operations, and Capital. Additional detail will be provided as attachments.

Second Quarter Overview

Overall, the City's net financial performance is unfavourable.

The City has come in \$5.2M unfavourable to budget in City of Vaughan Operations. Typically, the second quarter of operations shows the City's financial performance is on target with the year-to-date (YTD) budget; however, the impact of the long and cold winter and continuing efforts related to the December 2013 ice storm resulted in additional financial pressures and significantly contributed \$9.4M to the overall unfavourable position. The current budget shortfall is larger than the Winterization Reserve balance (\$4.4M) and it may not be possible to fully mitigate the impact of the past winter and ice storm. Staff are hopeful that Ontario Disaster Relief funding and positive performance for the remainder of the year will minimize these impacts. More detailed report on Winter Control and the Ice Storm will be presented separately. Further details regarding the quarterly results are provided later in the report and in Attachment #2.

The City's combined Water and Wastewater operations resulted in a \$3.4M favourable variance as a result of sales revenues continuing to remain steady into the second quarter combined with a favourable non-revenue variance. Other favourable contributing factors are lower expenses for installations and repairs in contractor labour and materials due to lower demand and shift in priorities due to the harsh winter conditions. Additional cost savings were derived from general administration discretionary expenses and costs related to positions not yet filled.

The overall capital position was on target. The majority of closed projects were completed on or below budget. As stated above, the first quarter winter activities are expected to negatively impact the Winterization Reserve, with the current reserve balance of \$4.4 M being insufficient to mitigate the \$9.4M unfavourable position.

Table 1 below summarizes and illustrates the City's financial results, which is followed by a brief summary for each area.

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Table 1 - Summary of the City's Q2 2014 Financial Results

| Operations (In millions) | | | | |
|-------------------------------------|-------------|--------------|------------------------------|--------------|
| | City | Water | Wastewater/ Storm | Total |
| Revenue | | | | |
| YTD Budget | 196.9 | 22.1 | 25.0 | 244.0 |
| YTD Actual | 198.3 | 22.2 | 25.4 | 245.9 |
| Variance | 1.4 | 0.1 | 0.4 | 1.9 |
| % | 0.71% | 0.45% | 1.60% | 0.78% |
| Expenditure | | | | |
| YTD Budget | 129.0 | 21.4 | 24.6 | 175.0 |
| YTD Actual | 135.6 | 20.2 | 22.9 | 178.7 |
| Variance | (6.6) | 1.2 | 1.7 | (3.7) |
| % | -5.12% | 5.61% | 6.91% | -2.11% |
| Net fav. / (unfav.) variance | (5.2) | 1.3 | 2.1 | (1.8) |
| Add'l Resv. Contributions | 0.0 | 1.3 | 2.1 | 3.4 |
| Surplus/ (Deficit) | (5.2) | 0.0 | 0.0 | (5.2) |

Capital

| | Prior Years | | | 2014 | | | | | 2014 Adjusted | |
|------------------------------------|------------------------------|--------------------------|-------------------|----------------|----------------------------|-----------------|----------------|-------------|--|--------------------------------------|
| | Total Available Budget | Total Actual Spend | Variance Q4-13 | 2014 Budget | Available Budget (A) | Actual Spend | Variance Q2-14 | | Major Y/E 2013 Accrual Reversals (B) | Adjusted Variance Q2-14 (C) |
| | | | | | | | \$ | % | | |
| 2014 Budget Projects - Closed | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0% | 0.0 | 0.0 |
| 2014 Budget Projects - Active | 0.0 | 0.0 | 0.0 | 35.2 | 35.2 | 0.0 | 35.2 | 100% | 0.0 | 35.2 |
| Total 2014 Budget Projects | 0.0 | 0.0 | 0.0 | 35.2 | 35.2 | 0.0 | 35.2 | 100% | 0.0 | 35.2 |
| Prior Budget Projects - Closed | 43.0 | 38.9 | 4.1 | 0.0 | 4.1 | 0.1 | 4.0 | 97% | 0.0 | 4.0 |
| Prior Budget Projects - Active | 546.4 | 397.5 | 148.9 | 27.0 | 175.9 | 12.2 | 163.7 | 93% | 17.5 | 181.1 |
| Total Prior Budget Projects | 589.4 | 436.3 | 153.1 | 27.0 | 180.1 | 12.4 | 167.7 | 93% | 17.5 | 185.2 |
| Total | 589.4 | 436.3 | 153.1 | 62.2 | 215.3 | 12.4 | 202.9 | 94% | 17.5 | 220.4 |

Note: A) Above available budget balance includes in-year budget amendments

B) Y/E 2013 audit accrual reversals illustrated separately to focus on actual unspent values

C) Combined Active Adjusted Variance equals the Variance on Attachment 3, and combined Closed Adjusted Variance equals the Variance on Attachment 6

General Note: Capital project timing can span multiple years. The above chart aims to illustrate this occurrence and presents activity related to prior budgets separately.

City Operating Budget Results

The annual Operating Budget for the City is \$254.0M; \$196.9M in revenues and \$129.0M in expenditures were budgeted for year to date as of the second quarter. At the end of the second quarter, the City experienced a \$5.2M net unfavourable variance. This unfavourable variance is comprised of a \$1.4M favourable revenue variance and a \$6.5M unfavourable expenditure variance. The main areas that contributed to the negative \$5.2M variance are summarized below;

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City Revenue Variance Overview

Actual revenues were \$198.3M as of June 30, 2014, and represent a \$1.4M favourable variance when compared to the year-to-date revenue budget of \$196.9M. This variance stems from the following:

- **Reserves & Other Transfers** - There were several factors that contributed to the \$0.5M favourable variance. These are:
 - Unfavourable \$2.0M of planned withdrawals that were not required for Engineering Services, Building Standards Service Continuity Reserve and DC Growth projects as a result of lower than expected department expenditures
 - Unfavourable \$88K in Administration Recovery from Capital as a result of a reversal of a 2013 year end accrual
 - Favourable \$2.6M in Insurance Reserve as a result of a settlement payment; this is offset by a corresponding increase in City Clerk – Insurance Expenditures
- **Corporate Revenue** – An unfavourable variance of \$0.4M is made up of smaller unfavourable variances in a number of Corporate Revenue accounts. Details on these variances are provided in Attachment #2.
- **User Fees/Services Charges** – Are relatively on target with a minor favourable variance of \$1.0M mostly within Fire & Rescue Services, Recreation & Cultural Services, Licensing, Policy Planning and Development Planning with unfavourable variances in By-law & Compliance, Building Standards, Engineering Services and Development Transportation Engineering revenues. All these variances are explained in more detail in Attachment #2.

City Expenditure Variance Overview

Actual total expenditures were \$135.6M as of June 30, 2014, and represent a \$6.5M unfavourable variance to the year-to-date expenditure budget of \$129.0M. This variance stems from the following:

- **Corporate Expenses** – The largest component driving the City's unfavourable expenditure variance was in Reserve Contribution and Corporate Expenses which had an unfavourable variance of \$6.0M. The major components of this variance included:
 - **Ice Storm 2013** – There were unfavourable expenditures of \$4.6M related to the December 2013 Ice Storm clean-up. These amounts are all unbudgeted costs and are being tracked in a separate business unit as part of the provincial government requirements for partial reimbursement. The City was informed in August that the expression of interest has been accepted and can proceed to the full claim stage. Forms and detailed guidelines will be sent out to the City in late summer 2014 and the application deadline is October 31, 2014.
 - **Anticipated Labour Savings** – Unfavourable variance of \$2.5M for budgeted labour savings due to vacant positions in departments. This is budgeted corporately with the actual savings being realized in the departments and the offset would be seen in the overall departmental expenditure amounts. The actual labour favorable variance in the departmental expenditures was \$4.4M or \$1.9M greater than plan.
 - **OMB and VMC projects** – These two projects have not yet been fully staffed resulting in a combined favourable variance to budget of \$1.4M. Recruitment is currently underway to fill these roles. Residual balances at year-end will be carried forward into future years.

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- **Department Expenses** – Total department expenses contributed \$0.5M to the City's overall unfavourable position. This position was generated by a \$4.8M combined unfavourable variance found in Public Works Winter and in Parks and Forestry Operations resulting from unusually harsh and persistent winter conditions, excluding the impacts of the Ice Storm. This variance was largely offset by a \$4.4M labour variance attributable to general turnover vacancies, new complement vacancies in the recruitment process, and year-end payroll accrual reversals due to past year payment timing. A level of labour variance is anticipated and planned for corporately, though actual City performance was even greater than the \$2.5M Q2 planned corporate balance.

Variance Summary:

For quick reference purposes, a summary of the variances by major category is provided below. A more detailed financial summary is provided as Attachment #1. Further explanations on specific variances are provided as Attachment #2.

**City of Vaughan
2014 OPERATING BUDGET
SECOND QUARTER VARIANCE REPORT**

| | Variance in \$mil (rounded) | |
|--|--|------------|
| <u>Revenues</u> | | |
| <i>Reserves and Other Transfers</i> | | |
| Insurance | 2.6 | |
| Engineering Reserve | (0.9) | |
| Building Std Continuity Reserve | (1.1) | |
| Other (under \$100K var.) | <u>(0.2)</u> | 0.5 |
| <i>Fees & Service Charges</i> | | |
| Recreation | 0.6 | |
| Clerks - Licensing | 0.3 | |
| Culture | 0.2 | |
| Development Planning | 0.2 | |
| Fire And Rescue Services | 0.1 | |
| Policy Planning | 0.1 | |
| Development & Transportation Eng. | (0.1) | |
| Building Standards | (0.2) | |
| By-law & Compliance | (0.2) | |
| Other (under \$100K var.) | <u>0.1</u> | 1.0 |
| Corporate Revenue | (0.4) | |
| Supplemental Taxation | 0.0 | |
| Other (Grants/PIL) | <u>0.3</u> | |
| Total Revenues | | 1.4 |

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Expenditures

Departmental Expenses

| | | |
|---|-------|-------|
| Building & Facilities | 0.9 | |
| Building Standards | 0.7 | |
| Development & Transport. Engineering | 0.7 | |
| Information Technology Management | 0.5 | |
| Engineering Services | 0.5 | |
| By-Law & Compliance | 0.4 | |
| Vaughan Public Libraries | 0.3 | |
| Recreation | 0.3 | |
| Fleet Management | 0.2 | |
| Budgeting and Financial Planning | 0.2 | |
| Council | 0.2 | |
| Development Planning | 0.2 | |
| Parks & Forestry Operations | (0.3) | |
| Clerks - Insurance | (2.3) | |
| Public Works | (4.5) | |
| Other-(various departments under \$200k var.) | 1.5 | (0.5) |

Corporate Expenditures

| | | |
|----------------------------------|-------|-------|
| VMC Development & Implementation | 0.7 | |
| Major OMB Hearing | 0.7 | |
| Mayor's Gala/Golf Classic | 0.2 | |
| Tax Adjustments | (0.7) | |
| Anticipated Labour Savings | (2.5) | |
| Ice Storm 2013 | (4.6) | |
| Other (under \$100K var.) | 0.1 | (6.1) |

Total Expenditures (6.5)

Net Variance \$ (5.2)

Water and Wastewater/Storm Operating Budget Results

Following are the financial operating results and analysis for both the water and wastewater/storm operations from January 2014 to June 2014. The variance analysis is a comparison of the year to date budget to the year to date actual results.

The water/wastewater system in York Region operates as a two-tier system. The Region of York is responsible for the supply of water and wastewater services and the lower tier municipalities are responsible for the water and wastewater distribution systems within the local municipality. The net revenues that are generated annually by the City of Vaughan from the operations of the water and wastewater/storm utilities fund costs associated with the purchase of water supply and wastewater services from the Region of York, as well as the City's administration, financing costs, system operational and maintenance costs and most importantly funding to build the reserves for future infrastructure renewal.

Water Operations

Year to date actual water revenues for the period ending June 30, 2014 are favourable by \$137K which is comprised of residential \$64K, commercial revenue of \$151K offset by unfavourable miscellaneous water revenue \$79K.

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The slightly favourable Residential Billing revenue is due primarily to a higher net accrual offset by slightly lower consumption. New account activations are trending slightly higher than budget at 3%.

Commercial Billing revenue continues to remain favourable as consumption activity is slightly higher than budget and new account activity has exceeded budgeted expectations into the second quarter.

Water Purchases favourable gross margin variance of \$384K is primarily due to favourable non-revenue water (NRW) consumption of \$310K offset by slightly favourable water purchases at \$74K due to slightly higher sales demands.

The Gross Margin indicates the net funding available to the City after the Region of York has been paid for the water supply and is favourable by \$521K.

Other revenues have a net unfavourable variance of \$12K; this consists primarily of installation and service fees which are slightly unfavourable by \$18K, but offset by favourable sundry revenue at \$6K.

Water expenses are favourable by \$790K which is the result of favourable maintenance and installations expenditures of \$469K and favourable general administration of \$317K. These favourable variances are largely due to lower than expected service requests in areas such as water connections, meter installations and repairs as opposed to higher than expected activities for contractor labour and materials for watermain and water service repairs due to the harsh winter conditions. Favourable activity will pick up by the end of the year.

General administration expenses are favourable due to the timing of discretionary spending for professional fees and costs related to positions not yet filled.

As a result of the above, the year to date water lifecycle contribution of \$2.0M is favourable by \$1.3M.

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City of Vaughan
Statement of Operations
Water Division
For the period ending June 30, 2014

| | 2014 Budget | 2014 YTD Budget | 2014 YTD Actual | Variance Fav./Unfav.) |
|--|---------------------|---------------------|---------------------|--------------------------|
| Water Revenues | | | | |
| Residential Billings | 31,387,680 | 13,316,390 | 13,380,881 | 64,491 |
| Commercial Billings | 19,079,840 | 8,098,950 | 8,249,845 | 150,895 |
| Other | 335,540 | 167,760 | 88,931 | (78,829) |
| | \$50,803,060 | \$21,583,100 | \$21,719,656 | \$136,556 |
| Water Purchases | | | | |
| Metered Water Purchases | 31,628,540 | 13,378,667 | 13,304,407 | 74,260 |
| Unmetered Water | 4,450,000 | 3,109,708 | 2,800,000 | 309,708 |
| | \$36,078,540 | \$16,488,375 | \$16,104,407 | \$383,968 |
| Gross Margin | \$14,724,520 | \$5,094,725 | \$5,615,249 | 520,524 |
| Other Revenues | \$1,016,250 | \$508,120 | \$495,851 | (12,269) |
| Expenses | | | | |
| Maintenance and Installation Cost | 5,007,935 | 2,437,175 | 1,968,316 | 468,859 |
| General Administration | 4,224,450 | 2,060,100 | 1,742,718 | 317,382 |
| Joint Service Costs | 759,855 | 379,920 | 376,009 | 3,911 |
| | \$9,992,240 | \$4,877,195 | \$4,087,043 | \$790,152 |
| Net Water Operations | \$5,748,530 | \$725,650 | \$2,024,057 | 1,298,407 |
| Budgeted Lifecycle Contribution | \$5,748,530 | \$725,650 | \$725,650 | \$0 |
| Additional Reserve Contribution | \$0 | \$0 | \$1,298,407 | \$1,298,407 |
| Surplus | \$0 | \$0 | \$0 | \$0 |

Wastewater/Storm Operations

Wastewater year to date billing is based on water consumption, therefore trending is very similar to water revenues. Wastewater billings are favourable by \$378K for the period ending June 30, 2014 which is comprised of residential billings \$32K and commercial revenue of \$346K. Wastewater revenue is billed based on water consumption.

The favourable treatment variance of \$552K is a combination of slightly favourable treatment charges relative to higher sales and favourable non-revenue treatment charges. This relates directly to the non-revenue water variance.

The favourable gross margin of \$930K is the result of favourable sales, primarily commercial revenue at \$346K and favourable non-revenue treatment charges.

Other revenues consist of installation and service fees which are favourable by \$96K due to final local improvement billings at \$137K which will clear by end of year offset by unfavourable installation and service fees at \$44K based on demand.

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Expenses are favourable by \$1.1M due to favourable maintenance and installation at \$529K, general administration at \$194K and storm operations favourable by \$350K, attributed by lower than expected contractor labour and materials related to repairs, inspections, flushing and cleaning. General administration is favourable due to the timing of discretionary spending such as professional fees, part time labour and debenture payments lower than budget.

As a result of the above, the year to date wastewater/storm lifecycle contribution of \$2.5M is favourable by \$2.1M.



City of Vaughan
Statement of Operations
Wastewater & Storm Division
For the period ending June 30, 2014

| | 2014 Budget | 2014 YTD Budget | 2014 YTD Actual | Variance Fav./(Unfav.) |
|--|---------------------|---------------------|---------------------|---------------------------|
| Wastewater Revenues | | | | |
| Residential Billings | 36,211,940 | 15,153,010 | 15,185,428 | 32,418 |
| Commercial Billings | 22,502,440 | 9,460,330 | 9,805,944 | 345,614 |
| | \$58,714,380 | \$24,613,340 | \$24,991,372 | \$378,032 |
| Wastewater Expenses | | | | |
| Regional Treatment Charges | \$45,230,670 | \$20,479,925 | \$19,927,965 | 551,960 |
| Gross Margin | \$13,483,710 | \$4,133,415 | \$5,063,407 | 929,992 |
| Other Revenues | \$912,210 | \$349,500 | \$445,485 | 95,985 |
| Expenses | | | | |
| Maintenance and Installation | 3,502,580 | 1,837,480 | 1,308,107 | 529,373 |
| General Administration | 2,585,890 | 1,146,290 | 952,392 | 193,898 |
| Storm Sewer Maintenance | 1,772,615 | 872,899 | 523,049 | 349,850 |
| Joint Services | 506,570 | 253,260 | 250,673 | 2,587 |
| | \$8,367,655 | \$4,109,929 | \$3,034,220 | \$1,075,709 |
| Net Wastewater Operations | \$6,028,265 | \$372,986 | \$2,474,672 | 2,101,686 |
| Budgeted Lifecycle Contribution | \$6,028,265 | \$372,986 | \$372,986 | \$0 |
| Reserve Adjustment | \$0 | \$0 | \$2,101,686 | \$2,101,686 |
| Surplus | \$0 | \$0 | \$0 | \$0 |

Capital Budget Results

Overall, the Capital Budget performance is favourable, with the majority of projects coming in under assigned budget. This section is intended to provide an update on quarterly activity for the following:

- Open Capital Project Spend Performance
- High Profile Capital Projects (NEW)
- Closed Capital Projects Budget vs. Actual
- Reserve and Reserve Fund positions
- Grant Activity

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Open Capital Project Spend Report (Attachment #3)

Staff reviewed the Open Capital Project Spend Report and general highlights are provided below.

- As of Quarter 2-2014, 623 projects with a budgeted value of \$609M are open.

| | # | Budget |
|--------------------|------------|--------------------|
| Q1-14 Close | 637 | 609,277,609 |

2014 Projects:

| | | |
|------------------|------|--------------|
| New Projects | 3 | 8,020,216 |
| Budget Amendment | | 2,501,236 |
| Closed Projects | (17) | (11,185,877) |

| | | |
|--------------------|------------|--------------------|
| Q2-14 Close | 623 | 608,613,184 |
|--------------------|------------|--------------------|

- The above open projects were approved as follows:

| Year | Projects | | Budget | | Unspent Funds | |
|--------------------|------------|-------------|--------------------|-------------|--------------------|-------------|
| | # | % | \$ | % | \$ | % of Budget |
| 2014 | 197 | 32% | 35,230,134 | 6% | 35,219,330 | 100% |
| 2013 | 143 | 23% | 64,107,836 | 11% | 48,235,730 | 75% |
| 2009-2012 | 221 | 35% | 247,960,829 | 41% | 109,288,207 | 44% |
| 2006-2008 | 45 | 7% | 67,510,152 | 11% | 15,747,541 | 23% |
| 2005 and older | 17 | 3% | 193,804,233 | 32% | 7,873,287 | 4% |
| Grand Total | 623 | 100% | 608,613,184 | 100% | 216,364,095 | 36% |

- As of June 30, 2014, 64% of the available budgets were spent
- Capital projects substantially complete and nearing closing:

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| Department | | | Estimated Project Completion | # Projects | Total Budget | Total Actual | Unspent Funds |
|------------------------|------------------------------|-------|------------------------------|------------|--------------|--------------|---------------|
| | Buildings & Facilities | Q2-14 | 14 | 1,144,673 | 1,007,568 | 137,105 | |
| | | Q3-14 | 2 | 396,550 | 293,479 | 103,071 | |
| | Development Planning | Q3-14 | 1 | 92,700 | 86,594 | 6,106 | |
| | Fire & Rescue Services | Q1-14 | 1 | 4,640,175 | 4,583,339 | 56,836 | |
| | | Q2-14 | 2 | 257,600 | 232,154 | 25,446 | |
| | Fleet Management | Q3-14 | 1 | 30,900 | 27,426 | 3,474 | |
| | Library Services | Q3-14 | 2 | 202,500 | 147,777 | 54,723 | |
| | Parks Operation | Q2-14 | 2 | 172,100 | 164,367 | 7,733 | |
| | Policy Planning | Q1-14 | 1 | 80,000 | 0 | 80,000 | |
| | | Q2-14 | 1 | 100,000 | 45,552 | 54,448 | |
| | Corporate Communitcations | Q2-14 | 1 | 74,600 | 75,361 | (761) | |
| | By-law & Compliance | Q2-14 | 1 | 77,250 | 0 | 77,250 | |
| | Total | | | 29 | 7,269,048 | 6,663,617 | 605,431 |
| Warranty | Parks Development | Q1-14 | 1 | 41,200 | 39,279 | 1,921 | |
| | | Q2-14 | 3 | 281,250 | 234,438 | 46,812 | |
| | | Q3-14 | 1 | 91,100 | 44,827 | 46,273 | |
| | | Q4-14 | 9 | 4,201,570 | 3,867,644 | 333,926 | |
| | Parks Operation | Q3-14 | 1 | 159,900 | 148,887 | 11,013 | |
| Warranty Total | | | 15 | 4,775,020 | 4,335,075 | 439,945 | |
| Maintnance | Engineering Services | Q3-14 | 6 | 12,335,776 | 10,456,370 | 1,879,406 | |
| | | Q4-13 | 2 | 5,616,410 | 5,511,557 | 104,853 | |
| | | Q4-14 | 6 | 5,312,739 | 3,678,294 | 1,634,445 | |
| Maintenance Total | | | 14 | 23,264,925 | 19,646,221 | 3,618,704 | |
| External Invoice | Development & Transportation | Q4-14 | 6 | 1,438,311 | 1,332,344 | 105,967 | |
| | | | | | | | |
| | Engineering Services | Q4-14 | 2 | 14,879,000 | 14,248,338 | 630,662 | |
| | Fire & Rescue Services | Q4-14 | 1 | 189,000 | 151,177 | 37,823 | |
| | Parks Development | Q4-14 | 3 | 3,114,716 | 1,941,853 | 1,172,863 | |
| External Invoice Total | | | Q4-14 | 12 | 19,621,027 | 17,673,712 | 1,947,315 |
| Grand Total | | | 70 | 54,930,020 | 48,318,625 | 6,611,395 | |

- Unspent funds leveraged for projects completion and unknown costs associated with maintenance and warranty periods
- 29 projects are anticipated to close in the upcoming quarter.
- 15 projects are on their warranty period. The closure of these projects is anticipated at the end of their warranty period.
- 14 projects are on their maintenance period. The closure of these projects is anticipated at the end of their maintenance period.
- 12 invoices are waiting for invoices from the external parties. The closure of these projects is anticipated for when the final invoices are received and processed.

A complete list of capital projects that are substantially complete and nearing completion is provided as Attachment 5.

New Capital Projects

Council approved the following projects addition to the 2014 Capital Budget:

- BF-8469-14 City Hall Various Department Renovations - \$334,755
- CO-0074-14 VHPD Culver Work on Major MacKenzie - \$4,085,461 – portion of the Phase I works that is to be funded from the Sewer Reserve
- EN-1999-14 Watermain Replacement on Centre Street - \$3,600,000 – coordinate the timing of City works with the works planned by the BRT

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Budget Amendments

Council approved an increase to the capital budget for project LI-4519-09 Civic Centre Library – Construction which accounts for \$2.1M of the \$2.5M in budget amendments. The remaining \$0.4M is a result of approved funding for project LI-4538-13 Kleinburg Library Building repairs and Improvements.

Capital Project Status

Attachment #3 provides the budget to actual financial status with managing departments' comments for each open capital project. It is important to note this information is compiled as of June 30, 2014 and the reader is cautioned on the following:

- A completed capital project will remain active or open until all invoices are paid and funding is complete. Projects are not closed until approved by the department. As a result, projects that are substantially funded will reside on the Open Capital Project Spend Report. It is important to note this report represents projects from current and prior budget years and total balances are the combined value.
- Projects that are debenture financed, as approved by Council, are not closed until debenture financing is acquired through the Region of York. Furthermore, project financing is not typically requested until the project is substantially complete, which is contingent on a timeframe to determine outstanding invoices and settlement issues. In the case of Engineering Projects, this may take up to several years.
- Capital work is continuously underway and current information will vary from this report.

High Profile Capital Projects

Section 10.2 High Profile Capital Project Reporting states that as part of the quarterly report, each identified high profile capital project will require an additional status report with comprehensive details submitted by the appropriate department.

High Profile Projects are selected based on one of the following criteria:

- A total capital project budget value equal to or greater than \$5 million
- A contingency level of 20% or more
- Identified as a high visibility or sensitive project by SMT or Council

The following projects were selected for reporting and status reports are provided as Attachment #4:

| Project Title | Total | >\$5M | =>20% |
|--|------------|-------|-------|
| Lead Department: Building & Facilities | | | |
| Civic Centre Resource Library - Construction | 12,857,400 | X | |
| Civic Centre - Demolition, Parking and Storm Drainage | 23,040,100 | X | |
| North Thornhill Branch Library (Block 10) | 4,220,550 | | |
| Station 7-3 Relocation | 9,537,975 | X | |
| Lead Department: City Manager | | | |
| Vaughan Hospital Precinct Development | 80,000,000 | X | |
| Lead Department: Development Transportation Engineering | | | |
| Black Creek Renewal | 47,289,313 | X | X |
| Vaughan Metropolitan Centre NE Storm Water Management Pond | 6,912,666 | X | X |
| Millway Avenue Widening & Realignment | 6,769,800 | X | |
| Lead Department: Engineering | | | |
| Corporate Asset Management | 2,635,720 | | |
| Lead Department: Parks Development | | | |
| Maple Valley Plan | 21,807,323 | X | |

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Financial Planning & Analytics Staff worked with the identified Lead Departments to complete the reports for Q2-14 reporting. The Lead Department for a project may change dependant on the stage of the project. As with any new process, changes are expected as experience is gained and the process evolves.

Capital projects closed during the 2nd Quarter

Staff together with City departments reviewed all active capital projects listed as of June 30, 2014 to determine which capital projects could be consolidated and/or closed. Overall, 17 capital projects totalling a budget of \$11.2M were closed in the 2nd¹ quarter of 2014. Total actual project costs came in at 76% of budget, freeing up \$2.6M in the original funding sources for future project consideration. The drivers behind the \$2.6M are as follows:

| Department | Budget | Actual | Variance | % Spend | # Projects |
|------------------------------|-------------------|------------------|------------------|------------|------------|
| Buildings & Facilities | 6,109,131 | 5,514,203 | 594,927 | 90% | 5 |
| Development & Transportation | 25,500 | 0 | 25,500 | 0% | 1 |
| Engineering Services | 5,051,246 | 3,028,417 | 2,022,829 | 60% | 11 |
| Grand Total | 11,185,877 | 8,542,620 | 2,643,256 | 76% | 17 |

- Engineering Services – Actual expenses for various projects were lower than anticipated as a result of tendering with a larger Regional project
- Development & Transportation – Project consolidated into DT-7040-10

A complete list of closed capital projects is provided as Attachment 6.

Continuity Schedule of Reserves and Reserve Funds

A continuity schedule of reserves and reserve funds as at June 30, 2014 is provided as Attachment 7. This schedule provides information on the individual and aggregate reserve balances. It also provides information on outstanding financial commitments and payment estimates required in future periods to fund approved projects. Forecasting commitments is intended to provide a proactive view of the reserve position and should not be interpreted as the year-end position due to the fact that commitments are not incorporated into financial statements until the actual expenses have occurred.

Reserve positions before commitments are all in a positive position, with the exception of development charge management studies and fire and Uplands reserve. Adding commitments to the schedule reveals that 9 reserves are in a future negative position. Below is a brief description for positioning of these 9 reserves:

Sale of Public Lands – Future obligations are currently greater than the balance on hand. Dedicated surplus land is authorized for sale to cover this obligation but is pending.

Uplands Capital Improvement – A commitment to replace the uplands chairlift was approved in 2011 by Council. As a result, the future position of this reserve will be negative and is planned to be replenished over time through Uplands revenue received.

Tax Rate Stabilization Reserve - Surplus revenues are not accounted for in this reserve. The current planned commitments are illustrating that this reserve will be in a negative position at yearend. The draw from the reserve will be amended at year end to prevent it from going into a negative position, but it is anticipated that this reserve will be at a zero balance by the end of 2015.

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CWDC Fire – A Council commitment to move forward with fire station 7-10 will temporarily place this reserve into a negative position, which will be replenished through future growth based development charges. This position may impact the timing of future projects.

CWDC Management Studies – Due to timing of events, this reserve is permitted to be in a deficit position. Growth related studies are incurred in advance of growth and recovered through subsequent development charges.

Special Charges and Area Development Charges (Developer Build Reserves) – These reserves relate to projects generally built by developers. Essentially, the developer has agreed to develop a structure, which will be funded by the City once funds are collected and available. Although, the continuity schedule illustrates a negative position after commitments, these reserves will never be in a deficit cash position as payments will only occur when funds are on hand. Reserves with a negative balance after commitments in this category are as follows:

- D15 PD#5 Woodbridge Water
- D18 PD#6 Maj., Mac Water
- D19 PD#6 E. Rutherford Water
- D25 Zenway/Fogal Sub-Trunk

Grants Update

The following report provides an overview of the grant portfolio's 2014 Second Quarter results with respect to:

- Annual Government Grant Programs
- Community Infrastructure Investment Fund (CIIF) update
- New Opportunities

Annual Grants Program Submissions Status regarding: Awarded, Pending Award Notification or Declined

Grant activity in the first quarter was related to 16 programs equating to approximately \$4.4 Million dollars. Specific award status and details are as follows:

- 4 submissions have received funding (\$401,275)
- 10 submissions are pending notification of award (\$4.4M)
- 1 submission request was declined

The Table below summarizes this activity:

| Q2 SUBMISSIONS AWARDED/FUND RECEIVED | | | |
|--------------------------------------|------------------|----------------|---|
| PROGRAM | PROJECT COST | AWARD | USE OF FUNDS |
| Celebrate Canada 2014 | 15,000 | 6,500 | Canada Day Event |
| Gas Tax | 195,758 | 195,758 | City's portion of unspent AMO Service Fee allotment |
| Eco Connexions | 15,000 | 5,000. | Tree planting/landscaping rehabilitation project |
| CIIF | 1,310,300 | 194,017 | 1/3rd cost reimbursement program |
| TOTAL | 1,536,058 | 401,275 | |

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| Q2 SUBMISSION PENDING AWARD NOTIFICATION | | | |
|--|--------------------|----------------------------|---|
| PROGRAM | PROJECT COST | REQUEST | USE OF FUNDS |
| New Horizons for Seniors | 34,922 | 22,378 | Seniors program |
| Swim to Survive (YRDSB) | 5,217 | 5,217 | City's portion to cover instructor fees |
| Swim to Survive (YCDSB) | 3,607 | 3,607 | City's portion to cover instructor fees |
| COSTI Recreation Dept. | 43,400 | 10,000 | Request for 62 placements (Recreation) |
| Canada Summer Jobs | 309,502 | 109,141 | Request for 69 placements (Rec and PW) |
| Job Start (various departments) | 59,780 | 5,600 | Request for 8 placements |
| Job Start (Recreation) | 43,400. | 10,000 | Request for 62 placements (Recreation) |
| 2014 Federal Gas Tax | 8,347,674 | 4,173,837 | 1st Installment Pending execution of new Agreement |
| VBEC Business Plan | 90,000 | 90,000 | Annual Plan for Ministry of Economic Development and Innovation |
| Ontario Sports and Recreation Fund | 29,580 | 11,068 | Recreation Leadership Training Program |
| TOTAL | 8,967,082 | 4,440,848 | |
| 2014 Not Awarded (to date) | | | |
| PROGRAM | TOTAL PROJECT COST | RATIONAL | |
| ICCI | 55,000 | Highly competitive program | |
| TOTAL | 55,000 | | |

Sector and Term Specific Grant Programs

Community Improvement Investment Fund (CIIF)

The Community Improvement Investment Fund ended March 31, 2014. All City projects funded under the CIIF have finalized their claims and final reports. Payments are continuing to be received. To date, \$193,992 in claims has been processed.

New Opportunities

New Building Canada Fund (NBCF):

The program criteria and application process has not been released by the Provincial Government to date. The process was placed on hold pending the election. Staff continue to monitor the website for the release of information (www.gov.on.ca/en/infrastructure/bcf.asp).

Embedded Energy Manager Program – Ministry of Energy

This program will provide 80% of remuneration costs associated with hiring an Embedded Energy Manager by the City. This position will assist the City with implementation of the Municipal Energy Plan Program.

York Region Tree Planting Program

The Region offers and supports several subsidized tree planting programs for residents, schools, municipalities and community groups. The program supports to:

- Plant trees in ecologically important locations on public and private land
- Purchase trees for their properties at a reduced cost

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The City is investigating a partnership with the Region in support of National Arbor Day.

Relationship to Vaughan Vision 2020 / Strategic Plan

The report is consistent with the priorities set by Council and the necessary resources have been allocated and approved.

Regional Implications

None

Conclusion

Based on the 2014 second quarter results, the overall City position is unfavourable \$5.2M. This unfavourable result is attributable to the severe winter and the December 2013 ice Storm costs which were completely out of the City's control. The City was informed by the Provincial Government in August that the expression of interest has been accepted and can proceed to the full claim stage. Forms and detailed guidelines will be sent out to the City in late summer 2014 and the application deadline is October 31, 2014. This could potentially have a significant positive impact on the final 2014 City's financial position. At this stage it is too early to determine the final City's position, as a number of events such as a shifting of trends, timing differences, or unforeseen activities in the latter part of the year could easily improve or erode the current position. Staff will continue to provide quarterly updates advising of changes in the City's financial landscape.

Attachments

- Attachment 1: City Operating – Second Quarter Variance Report
- Attachment 2: City Operating – Q2 Specific Variance Explanations
- Attachment 3: Open Capital Project Spend Report as at June 30, 2014
- Attachment 4: High Profile Capital Project Reports
- Attachment 5: Projects on maintenance, warranty or awaiting regional invoicing
- Attachment 6: Closed Capital Projects Report for Quarter Ending June 30, 2014
- Attachment 7: Continuity Schedule of Reserves & Reserve Funds as at June 30, 2014

Report prepared by:

Jackie Macchiusi, CPA, CGA
Senior Manager, Corporate Financial Planning & Analysis
Ext. 8267

Carey Greenidge, CPA, CMA
Finance Manager, Water & Wastewater
Ext. 8486

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)