

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 24, 2014

Item 6, Report No. 7, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on June 24, 2014.

6 ENDING DECEMBER 31, 2013 – 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, dated May 26, 2014:

Recommendation

The Commissioner of Finance & City Treasurer recommends:

1. That the 2013 Consolidated Fourth Quarter Variance Report be received; and
2. That in accordance with Section 9 of the Capital Project Financial Administration and Reporting Policy, the funding sources for the budget overages of three capital projects illustrated in attachment #8 be approved and projects closed.

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.

The budget overages for capital projects illustrated in attachment #8 total \$8,354 and can be accommodated within the referenced reserves. Due to the immaterial value a budget amendment is not required and capital project overages will be reported.

Communication Plan

Not applicable

Purpose

To report on 2013 actual year end results and compare them to the approved annual budgets. An update on grant activity within the fourth quarter is also provided.

Background – Analysis and Options

The attached fourth quarter variance report compares actual operating and capital results for the period ending December 31, 2013, relative to approved budgets.

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.

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/Grants. Additional detail will be provided as attachments.

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Year End Overview – On Target

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

- The City's net operating position was favourable by \$2.5M above target. This surplus was carried forward to reduce the 2014 levy requirements. It should be noted that despite the overall net position, 2013 was faced with a mixture of significant unplanned financial challenges related to supplemental taxation, reorganization requirements, ice storm, fire arbitration adjustments, etc. These items were mitigated through additional PowerStream dividends, liability write-downs, winter control and tax rate stabilization reserves withdrawals and other financial elements. More details on these variances are provided in the City Operating Budget Results section below and attachment #2
- The City's combined Water and Wastewater operations resulted in a minor favourable variance despite lower than budgeted revenue. Record rainfall in the GTA attributed to lower than expected consumption volumes which were offset by lower water and wastewater treatment charges. Other contributing expense savings such as lower installations, replacements, contracted work and materials are also a result of lower demand.
- The overall capital position was on target. The majority of closed projects were completed on or below budget. There were significant draws from the Tax Rate Stabilization and Winterization reserve to fund one-time expenditures.

The below tables summarize the City's financial results, which are followed by a brief summary for each area.

Table 1 - Summary of the City's Q4 2013 Financial Results

Operations				
(In millions)				
	City	Water	Wastewater/ Storm	Total
Revenue				
YTD Budget	238.4	49.8	55.2	343.4
YTD Actual	240.1	46.8	51.9	338.8
Variance	1.7	(3.0)	(3.3)	(4.6)
%	0.71%	-6.02%	-5.98%	-1.34%
Expenditure				
YTD Budget	238.4	44.5	49.2	332.1
YTD Actual	237.6	41.2	46.0	324.8
Variance	0.8	3.3	3.2	7.3
%	0.33%	7.42%	6.50%	2.20%
Net fav./ (unfav.) variance	2.5	0.3	(0.1)	2.7
Carryforward (see Note)	2.5	0.0	0.0	2.5
Reserve Adjustment	0.0	0.3	(0.1)	0.2
Surplus/ (Deficit)	0.0	0.0	0.0	0.0

Note: Carryforward is applied to the future budgets to reduce tax rate pressures.

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Capital

(In millions)

	Prior Years			2013					2013 Adjusted		
	Total Available Budget	Total Actual Spend	Variance Q4-12	2013 Budget	Available Budget (A)	Actual Spend	Variance Q4-13		Major Y/E 2012 Accrual Reversals (B)	Major Y/E 2013 Accruals Booked (C)	Adjusted Variance Q4-13 (D)
							\$	%			
2013 Budget Projects - Closed	0.0	0.0	0.0	0.6	0.6	0.5	0.1	18%	0.0	0.0	0.1
2013 Budget Projects - Active	0.0	0.0	0.0	47.1	47.1	12.9	34.1	72%	0.0	0.0	34.1
Total 2013 Budget Projects	0.0	0.0	0.0	47.7	47.7	13.4	34.2	72%	0.0	0.0	34.2
Prior Budget Projects - Closed	43.1	38.1	5.1	(2.6)	2.5	1.0	1.5	61%	0.0	0.0	1.5
Prior Budget Projects - Active	510.9	377.5	133.4	31.4	164.8	43.5	121.3	74%	15.2	17.5	119.0
Total Prior Budget Projects	554.0	415.6	138.4	28.9	167.3	44.5	122.8	73%	15.2	17.5	120.5
Total	554.0	415.6	138.4	76.5	215.0	57.9	157.0	73%	15.2	17.5	154.7

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

B) Y/E 2012 audit accrual reversals illustrated separately to focus on actual unspent values

C) Y/E 2013 audit accruals are illustrated separately to focus on actual unspent values

D) Combined Active Adjusted Variance equals the Variance on Attachment 3, and combined Closed Adjusted Variance equals the Variance on Attachment 5

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

At the end of the fourth quarter, the City experienced a favourable variance, before any carry forward or surplus transfers, on the City's 2013 net operating budget of \$2.5M equal to 1.0% on the City's 2013 Annual Operating Budget of \$238.4M. This favourable variance was comprised of a \$0.8M favourable expenditure variance and a \$1.7M favourable revenue variance. The main areas that contributed to the net positive position are summarized below:

City Revenue Variance Overview

Actual revenues for 2013 were \$240.1M and represented a \$1.7M favourable variance when compared to the revenue budget of \$238.4M. This variance stems from the following:

Corporate Revenue - There was a favourable variance of \$5.3M (30.3%) due to:

- Larger than anticipated PowerStream Dividends, \$0.6M.
- Fines and penalties were \$0.3M greater than budget due to higher than budgeted tax receivable in Q4.
- Higher than budgeted investment revenue of \$0.3M due to larger than projected entries and larger than projected cash balances during the year available to invest in short term investments.
- An insurance recovery of \$0.7M relating to a facility claim was fully offset by a corresponding expense transferring the amount into the Tax Rate Stabilization Reserve.
- Liabilities write-downs of \$1.7M. The majority of this balance relates to very dated liabilities carried on the balance sheet that are no longer relevant, have limited referencing information and therefore cleared resulting in returned income. These items are of a non-recurring nature. A portion of the above was set out a contingent liability, approximately \$0.6M, and applied as an intended offset to a labour expense shown in the Fire and Rescue departmental results related to an arbitration decision.

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Other Items

- In the interest of improved and transparent reporting the Mayor's Gala/Golf Classic has transitioned from a single line item to a formal business unit with dedicated revenue and expense accounts. As this event is not formally budgeted a \$1.7M revenue variance is generated, which is equally offset by a corresponding \$1.7M expenditure variance. There is no overall impact to the City. Going forward budgets will be set, which should minimize future variances reported.

User Fees/Services Charges – There was a favourable variance of \$2.3M due to higher than planned revenues in Development Planning (\$1.1M) (due to large Zoning By-law Applications in the Kleinburg intensification area and in Block 31), By-law & Compliance (\$433K), Fire and Rescue Services (\$266K) and Building Standards (\$228K). These favourable variances were offset by unfavourable variances experienced in Development and Transportation Engineering (\$187K). Department revenues variances are explained in more detail in Attachment #2.

Supplemental Taxation – In 2012, the Municipal Property Assessment Corporation (MPAC) was focused on reassessment activities. This resulted in lower than expected Supplemental Taxation revenue in 2012 but led to higher estimated Supplemental Taxation budget for 2013 with the expectation that MPAC would return to concentrating their efforts on getting properties on the assessment roll. However, the expected increase did not occur in the amount that was anticipated, and as a result Supplemental Taxation had an unfavourable variance of almost \$2M.

Reserves & Other Transfers - There were several transfers that were not required as originally planned which contributed to a variance of \$4.1M. Although treated as revenue variances, funds remain in the reserves for a future event. The variance was generated largely by the following areas: Building Standards Service Continuity Reserve (\$1.5M) and Engineering Services (\$0.6M), as a result of lower than expected department expenditures; Administrative Recovery from Capital (\$0.6M) due to lower spending on capital projects, DC Growth projects (\$0.5M) due to delay in the Zoning By-Law review project and Debenture Payment Reserve (\$1.9M) due to no issuance of debt in 2013.

These were offset by a combined \$1.0M withdrawal from the Winterization reserve to offset some of the costs related to Winter Control (\$0.3M) and the December 2013 Ice Storm (\$0.7M). Ice storm costs are not limited to 2014 and the bulk of these costs are continuing well into 2014. Separating these costs will assist with submissions for provincial funding and tracking. The Province has announced available grant funding with a submission deadline of June 2014 and funding allocations in August 2014

City Expenditure Variance Overview

Actual total expenditures were \$237.6M as of December 31, 2013, and represent a \$0.8M favourable variance to the full year expenditure budget of \$238.4M. This variance stems from the following:

Corporate Expenses – There was a combined unfavourable variance of \$8.7M in corporate expenditures due to:

- Anticipated labour savings of \$4.1M. As illustrated in the department expenses section below, actual department performance was \$6.1M, \$2M greater than the corporate balance planned for the year.
- \$2.7M unfavourable variance due to costs related to Corporate Reorganization

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- Due to a change in reporting treatment a \$1.7M variance is illustrated due to Mayor's Gala/Golf Classic as this activity is not formally budgeted. As previously discussed there is no overall City impact and the variance is fully offset by a corresponding revenue variance.
- \$0.9M of unbudgeted costs related to the clean-up from the December Ice Storm. To help understand the impact of the Ice-Storm associated costs, reserve transfers and grant funding will be isolated. Ice storm costs are not limited to 2013 and the bulk of these costs are continuing well into 2014. Separating these costs will assist with submissions for provincial funding and tracking. The Province has announced available grant funding with a submission deadline of June 2014 and funding allocations in August 2014
- The above unfavourable variances were offset by a favourable variance of \$1.5M in tax adjustments due to a decision from the Superior Court of Justice as a result of an assessment appeal action from a large property owner. The decision resulted in a significant recovery of property taxes in the City's favour.

Department Expenses - The largest favourable component driving the City's expenditure variance was total department expenses; approximately \$6.1M favourable. The following contributed to the overall City department variance:

- A \$5.9M labour variance was attributable to general turnover vacancies and new complement vacancies in the recruitment process. A level of labour variance was anticipated and planned for corporately, but actual City performance was \$1.8M greater than the \$4.1M planned corporate balance.
- All other accounts total \$0.2M in net favourable variances. Favourable variances were seen in many accounts such as general maintenance, computer software, computer hardware and other staff related accounts. These were partially offset by unfavourable variances in accounts such as Contractor and Contractor materials, Hydro, professional fees, etc.
- In general, variances were found throughout most departments. The largest favourable variances were found in the following departments:
- Building Standards (\$1.1M) – Primarily due to labour variances resulting from seven vacant positions and for costs associated with the Zoning By-Law review which has been delayed.
- Development and Transportation Engineering (\$915K) – Due to position vacancies.
- Building and Facilities (\$809K) – Mainly due to General Maintenance account as not all planned work was completed due to insufficient resources.
- ITM (\$695K) – Primarily due to labour costs variances resulting from five vacant positions.
- Engineering Services (\$690K) – Largely due to five vacancies and lower spending in Service Contracts for a bridge not yet commissioned.

The largest unfavourable variances were found in the following departments:

- Fire and Rescue Services (\$2.6M or 6.8%) mostly related to increased overtime costs and related benefits due to vacancies and the timing of the recruitment process, approximately \$1.6m. There was a \$0.8M impact due to a year-end payroll accrual accounting entry as a result of an arbitration award changing the payroll cycle. There is

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offsetting revenue of \$0.6M in Corporate Revenue under Liabilities Write-Down to partially offset this expense. The remaining balance relates to non-labour related variances.

- Parks and Forestry Operations (\$358K) - Majority of the variance relates to labour and materials due to the number and the severity of snow events. Other activities related to the emerald ash bore and park grass cutting also contributed, but to a lesser extent. Costs associated with the ice storm have been removed and reported separately.

Long Term Debt - Long term debt expense was favourable by \$1.9M as debt was not issued as anticipated due to fewer capital projects being closed than planned. This is offset with a decrease in the revenue from the Debenture Payment reserve. The net impact is zero.

Contingency - The favourable variance of \$1.1M in contingency resulted from a reconciliation of amounts reserved for contingency as compared to the actual retro payments associated with labour agreements that were completed in 2013. There were some savings realized due to vacancies and collective bargaining interpretations that allowed for a reversal of some contingency amounts that had been reserved in previous years.

Capital from Taxation - The favourable variance of \$430K resulted from the closing of completed capital projects and the return of the funds to the original funding source, which assisted with the City's overall financial position.

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.

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Table 2

City of Vaughan		
2013 OPERATING BUDGET		
FOURTH QUARTER VARIANCE REPORT		
		Variance in \$mil
<u>Revenues</u>		(rounded)
Reserves and Other Transfers		
* Debenture Payment Reserve	(1.9)	
Building Std Continuity Reserve	(1.5)	
Engineering Reserve	(0.6)	
Administrative Recovery from Capital	(0.6)	
DC Growth Projects	(0.5)	
Winterization Reserve (winter operations)	0.3	
Winterization Reserve (ice storm)	0.7	
Other (under \$100K var.)	<u>(0.0)</u>	(4.1)
Fees & Service Charges		
Development Planning	1.1	
By-law & Compliance	0.4	
Fire And Rescue Services	0.3	
Building Standards	0.2	
Building & Facilities	0.2	
Recreation	0.2	
Culture	0.1	
Development & Transportation Eng.	(0.2)	
Other (under \$100K var.)	<u>0.0</u>	2.3
Corporate Revenue		
Liabilities Writedown (one-time)	1.6	
* Mayor's Gala/Golf Classic	1.7	
* Insurance Recovery (one-time)	0.7	
Hydro Dividends	0.6	
Investment Income	0.3	
Fines and Penalties	0.3	
Tax Certificates And Documents	0.1	
Other (under \$100K var.)	<u>0.0</u>	5.3
Supplemental Taxation		(2.0)
Other		<u>0.1</u>
Total Revenues		1.7
<u>Expenditures</u>		
Departmental Expenses		
Building Standards	1.1	
Development & Transport. Engineering	0.9	
Building & Facilities	0.8	
Information Technology Management	0.7	
Engineering Services	0.7	
Fleet Management	0.5	
Public Works	0.5	
Vaughan Public Libraries	0.4	
Budgeting and Financial Planning	0.3	
City Clerk - Admin	0.3	
Development Planning	0.3	
Recreation	0.3	
Parks Development	0.3	
Council	0.2	
City Financial Services	0.2	
Policy Planning	0.2	
Purchasing Services	0.2	
Parks & Forestry Operations	(0.4)	
Human Resources	(0.4)	
Fire and Rescue	(2.6)	
Other-(various departments under \$200k var.)	<u>1.3</u>	6.1
Corporate Expenditures		
Tax Adjustments	1.5	
Major OMB Hearing	(0.2)	
* Tax Rate Stabilization Reserve	(0.7)	
Ice Storm 2013	(0.9)	
* Mayor's Gala/Golf Classic	(1.7)	
Corporate Reorganization	(2.7)	
Anticipated Labour Savings	(4.1)	
Other (under \$100K var.)	<u>0.2</u>	(8.7)
*Long Term Debt		1.9
Contingency		1.1
Capital from Taxation		0.4
Other		<u>0.0</u>
Total Expenditures		<u>0.8</u>
Net Favourable Variance		<u>\$ 2.5</u>
Less:		
Carryforward to 2014		\$ 2.5
Surplus/Deficit		\$

*Note: Items with * are revenues and expenses that are related and offset each other with no impact on the overall City's position.

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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 2013 to December 2013. 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 (YTD) actual water revenues for the period ending December 31, 2013 are unfavourable by \$3.0M which is comprised of unfavourable residential revenue of \$2.2M, unfavourable commercial revenue of \$575K and unfavourable other revenue of \$38K.

Residential billings at \$27.4M decreased by 7.5% compared to budget due to lower than expected consumption. Precipitation levels in the spring and summer months experienced higher than expected levels as a result of July's record breaking rainfall in the GTA. In addition lower than expected growth attributed to the unfavourable revenue reaching 70% of target.

Commercial billings at \$18.2M are down 3.0% compared to budget or unfavourable by \$575K. Although growth is below budget, lower than budgeted average consumption attributed to the unfavourable billings variance at approximately \$500K. Bulk sales from hydrant rentals, temporary water and flushing were unfavourable by \$38K primarily due to lower than expected activity.

Water purchases are favourable by \$1.8M as a result of lower demand which includes slightly unfavourable non-revenue water (NRW) consumption of \$75K.

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 unfavourable by \$1.2M as a result of lower revenue.

Other revenues experienced an unfavourable variance of \$164K primarily due to installation and service fees at \$203K, actual activity is based on demand which is lower than expected. Interest revenues were favourable by \$39K compared to budget as a slightly lower interest rate was predicted.

Water expenses are favourable by \$1.7M as a result of favourable maintenance and installations expenditures of \$1.3M largely due to fewer customer service requests and lower than expected activity levels in contracted works and materials. As evidenced by unfavourable new account activity in sales levels, meter installation and replacement expenses are also favourable combined with favourable salaries and benefits due to gapping of 2 new hires and 1 unfilled position.

The favourable general administration variance of \$281K is primarily due to temporary staffing vacancies and gapping from the first half of the year.

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As a result of the operations, the fourth quarter year to date water lifecycle contribution of \$5.6M is favourable by \$322K. Despite lower than expected water sales the contribution is on target.

Table 3



City of Vaughan
Statement of Operations
Water Division
For the period ending December 31, 2013

	2013 Budget	2013 Actual	2013 Variance
Water Revenues			
Residential Billings	29,658,660	27,428,234	(2,230,426)
Commercial Billings	18,753,720	18,179,188	(574,532)
Other	293,430	255,869	(37,561)
	\$48,705,810	\$45,863,291	(\$2,842,519)
Water Purchases			
Metered Water Purchases	29,871,880	28,121,768	1,750,112
Unmetered Water	4,450,000	4,525,279	(75,279)
	\$34,321,880	\$32,647,047	\$1,674,833
Gross Margin	\$14,383,930	\$13,216,244	(\$1,167,686)
Other Revenues	\$1,106,000	\$941,557	(\$164,443)
Expenses			
Maintenance and Installation Cost	5,530,365	4,203,409	1,326,956
General Administration	3,932,215	3,651,191	281,024
Joint Service Costs	776,490	730,108	46,382
	\$10,239,070	\$8,584,708	\$1,654,362
Net Water Operations	\$5,250,860	\$5,573,093	\$322,233
Budgeted Lifecycle Contribution	\$5,250,860	\$5,250,860	\$0
Additional Reserve Contribution	\$0	\$322,233	\$322,233
Surplus	\$0	\$0	\$0

Wastewater/Storm Operations

Wastewater billing is based on water consumption; therefore trending is very similar to water revenues. Wastewater billings are unfavourable by \$3.5M or 6% for the period ending December 31, 2013 which is comprised of unfavourable residential billings of \$2.5M and unfavourable commercial revenue of \$975K.

Wastewater treatment purchases are favourable by \$2.1M as a result of lower demand. The Gross Margin indicates the net funding available to the City after the Region of York has been paid for the wastewater treatment services and is unfavourable by \$1.4M as a result of lower revenue.

Other revenues are favourable by \$137K and consist of installation and service fees, local improvements and interest revenue. Local improvement collections for sanitary connections were favourable by \$83K due to lump sum and prior year payments. Interest revenues were favourable by \$59K compared to budget as a slightly lower interest rate was predicted, offset by slightly unfavourable installation and service fees at \$5K.

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Expenses overall are favourable by \$1.1M due to the following:

- Favourable maintenance and installation at \$955K or 26%, primarily due to new development sewer camera inspections and lift station maintenance and operations cost recoveries for pending assumptions combined with lower than expected activity such as contracted work and materials.
- General administration is favourable at \$118K due to favourable seasonal labour and timing of discretionary spending.
- Storm sewer maintenance is slightly favourable at \$25K.

As a result of the above, the fourth quarter year to date wastewater/storm lifecycle contribution of \$6.0M is unfavourable by \$0.1M.

Table 4



City of Vaughan
Statement of Operations
Wastewater Division
For the period ending December 31, 2013

	2013 Budget	2013 Actual	2013 Variance
Wastewater Revenues			
Residential Billings	32,743,180	30,234,185	(2,508,995)
Commercial Billings	21,746,480	20,771,624	(974,856)
	\$54,489,660	\$51,005,808	(\$3,483,852)
Wastewater Expenses			
Regional Treatment Charges	\$41,344,290	\$39,232,060	\$2,112,230
Gross Margin	\$13,145,370	\$11,773,748	(\$1,371,622)
Other Revenues	\$738,200	\$875,120	\$136,920
Expenses			
Maintenance and Installation	3,611,240	2,656,053	955,187
General Administration	2,103,925	1,985,841	118,084
Storm Sewer Maintenance	1,697,825	1,672,774	25,051
Joint Services	517,665	486,739	30,926
	\$7,930,655	\$6,801,407	\$1,129,248
Net Wastewater Operations	\$5,952,915	\$5,847,461	(\$105,454)
Budgeted Lifecycle Contribution	\$5,952,915	\$5,952,915	\$0
Reserve Adjustment	\$0	(\$105,454)	(\$105,454)
Surplus	\$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:

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- Open Capital Project Spend Performance
- Closed Capital Projects Budget vs. Actual
- Reserve and Reserve Fund positions

Open Capital Project Spend Report (Attachment #3)

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

- As of Quarter 4-2013, 494 projects with a budgeted valued of \$589M are open.
 - 522 capital projects were open in Quarter 3-2013
 - 32 projects were closed in Quarter 4-2013
 - 4 net new capital project added in Quarter 4-2013
- The above open projects were approved as follows
 - 34% 2013
 - 51% 2009-2012
 - 10% 2006-2008
 - 5% 2005 and older approvals
- As of Dec 31, 2013, 74% of the available budgets were spent
- Capital projects substantially complete and nearing closing
 - 19 projects are substantially complete
 - 6 open projects are complete and should be closed next quarter
 - 3 open projects are nearing completion and should be closed in the first half of the 2014
 - 12 open projects are complete, awaiting final invoicing and approval
 - 26 open engineering projects are in the maintenance period of the project and potentially coming in under budget by \$7.2M. Once closed, commitments will be reduced freeing up unused project funding in the original funding source. Closing is contingent on a timeframe to determine outstanding invoices and settlement issues.
 - 23 open parks development projects are in the warranty period of the project and potentially coming in under budget by \$1.9M. Once closed, commitments will be reduced freeing up unused project funding in the original funding source. Closing is contingent on a timeframe to determine outstanding invoices and settlement issues.
- Unfavourable variances from budget include the following:

PSAB compliance requires year-end accruals to record the full liability relating to agreements; as such, some capital projects are in an unfavourable position:

 - Block 11 Valley Crossing (Capital Project DT-7045-11) is over budget by \$4.3M due to the year-end audit accrual of the full amount owing to the developer, a percentage of which has not been budgeted. The City entered into agreements with developers to pay for the construction of Block 11 Valley Crossings as development charges are collected. There is no impact anticipated as capital budget requests will be made for repayments when significant development charges are collected.

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- 1589-0-06 Rutherford Road PD 6 East Watermain is over budget by \$35K due to the year-end audit accrual of the full amount owing to the developer, a small portion of which has not been budgeted. The City entered into agreements with the developers to pay for the construction of a watermain on Rutherford Road within Block 11 as development charges are collected. There is no impact anticipated as capital budget requests will be made for repayments when significant development charges are collected.
- McNaughton Road Extension (Capital Project 1414-2-03) is over budget by \$181K due to year-end accrual of legacy costs owing to developer. A 2014 capital budget has been approved to account for this amount.
- Animal Shelter Leasehold Improvement (Capital Project BY-2508-10) is over budget by \$244K due to a year-end audit accrual for the full amount owing. The animal shelter was developed through leasehold improvements. The landlord financed the cost, and the City has entered into a 5 year promissory note. Additional funds will be approved annually in the capital budget to pay the promissory note.
- Capital Budget Overages:
 - In accordance with Section 9 of the Capital Project Financial Administration and Reporting Policy, funding sources for any budget overages require Council approval before projects are closed. As a result there are three capital projects requiring a total additional balance of \$8,354. These items are further detailed in attachment #8.

Individual Capital Project Detail - In addition to the above, budget to actual financial status and comments for currently approved and open capital projects are provided in Attachment 3. It is important to note this information is compiled at a point in time 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.

Capital projects added during the 4th Quarter

- HR Integration Project (Capital Project HR-9537-13, \$72,100) was added to the 2013 Capital Budget in response to the need to integrate systems with our benefit provider and explore an e-recruit tool (F&A Sep 9 2013). An existing 2012 Capital Budget HR-2516-12 JD Edwards - Position Control Module was repurposed to permit this new project to proceed.
- City Wide Secondary Suites Study (Capital Project PL-9539-13, \$75,000) was added to the 2013 Capital Budget in response to the need to develop the Official Plan policies,

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zoning standards and other tools to regulate secondary suites (CoW Dec 3 2103). The project was funded from City Wide – Management Studies development charges and repurposed operating funds.

- MNR Tablelands (Capital Project RL-0008-13, \$13,835) was added to the 2013 Capital Budget to determine the best use and an appropriate value for the lands (CoW(CS) Jun 25 2013).
- Real Estate Acquisition Strategy (Capital Project RL-0009-13, \$103,000) was added to the 2013 Capital Budget to assist with future land acquisitions for the City. A 2009 Capital Project PK-6236-09 Park Land Acquisition was repurposed to fund the works planned to develop a city-wide land acquisition strategy.

Capital projects closed during the 4th Quarter

Staff together with City departments reviewed all active capital projects listed as of December 31, 2013 to determine which capital projects could be consolidated and/or closed. Overall, 32 capital projects totalling a budget of \$10M were closed in the 4th quarter of 2013. Total actual project costs came in at 95% of budget, freeing up \$529K in the original funding sources for future project consideration. The drivers behind the \$529K are as follows:

- Approximately \$185K (35%) of the above project savings are related to the closing of seven Engineering Services projects.
- Approximately \$187K (35%) of the above project savings is related to Public Works Project PW-2040-12; the project tender award was under budget and the works were 100% completed.
- The remaining balance is spread over 6 departments and 24 projects.

A complete list of closed capital projects is provided as Attachment 5.

Continuity Schedule of Reserves and Reserve Funds

A continuity schedule of reserves and reserve funds as at December 31, 2013 is provided as Attachment 6. 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 incurred.

In 2013 reserve balances experienced an YTD increase of \$2.4M; Obligatory Reserve balances increased by \$19.9M whereas Discretionary Reserves decreased by \$17.4M. The decrease in Discretionary Reserves is attributable to a net draw from the Tax Rate Stabilization Reserve, \$21.7M (94% of the reserve balance) to fund one-time expenditures, resulting in a year-end balance of \$1.4M. The Winterization reserve had a net draw of \$1M (18% of the reserve balance); \$302K associated with non-ice storm related winter activity and \$704K associated with ice-storm related activities.

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 8 reserves are in a future negative position. Below is a brief description for positioning of these 8 reserves:

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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 recently approved by Council. As a result, the future position of this reserve will be in a negative position and replenished over time through Uplands revenue received.

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 provides an overview of the grant portfolio's Fourth Quarter results with respect to government Annual Grant Programs, an update on the CIIF approved projects and a 2013 summary.

Annual Grants Program Submissions: Awarded, Pending Award and Not Awarded

During the fourth quarter 10 applications were developed for Annual Funding Programs equating to approximately \$5,193,112 in potential grant revenue as summarized below:

- Three submissions were notified of awards to be received
- Six submissions are currently pending notification of award.

The following details the results of these submissions to date:

Q4 SUBMISSIONS AWARDED/FUNDS RECEIVED:			
<i>PROGRAM</i>	<i>TOTAL PROJ. COST</i>	<i>AMT RECEIVED</i>	<i>USE OF FUNDS</i>
Federal Gas Tax 2nd Installment	7,000,000	3,663,607	Various roads, bridges, parks, water projects
Municipal Streetscape Partnership Program	1,044,118	522,059	LED Pedestrian Lighting Notified of Award
Municipal Infrastructure Investment 2008 Final Report	975,410	872,543	Confirmation from Ministry per Final Report
Total Q\$ Awards Received	9,019,528	5,058,209	

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Q4 SUBMISSIONS PENDING AWARD NOTIFICATION			
PROGRAM	TOTAL PROJ. COST	AMT PENDING DECISION	USE OF FUNDS
Places to Grow	25,000	25,000	Work shops
Ministry of Energy	33,747	24,815	Development of Municipal Energy plan
2014 Canada Summer Jobs (Library)	5,000.	2,500	Summer Students
Swim to Survive 2014	15,588	15,588	Notified of award approval
Celebrate Canada (2014 Application)	15,000	5,000	Canada Day Event
Municipal Partnership Program	400,000	87,000	William Granger Greenway
TOTAL Q4 Submissions Pending Award Notification	494,335	159,903.	

Sector and Term Specific Grant Programs

The table below indicates the amount spent to December 31, 2013 and currently in the claim and reporting process as required by the program.

COMMUNITY IMPROVEMENT INVESTMENT FUND AWARDED PROJECTS			
	COST ESTIMATE	CIIF @33.3%	STATUS
Ainsley Grove Library (AODA Standards @ Front Counter)	100,000.00	33,333.33	In Progress
Dufferin District Park: Tennis Court Rehabilitation	139,300.00	46,433.33	In Progress
Dufferin Clark C.C. Relocate Seniors Room To The Ground Floor	50,600.00	16,866.00	Complete
Dufferin Clark C.C. Seniors Accessible Washrooms	51,500.00	17,166.00	Complete
Mackenzie Glen Park Replace Splash Pad Surfacing	61,800.00	20,600.00	In Progress
Mackenzie Glen Play Ground Rehabilitation	201,500.00	67,166.67	Complete
McClure Meadows Park-Splash Pad	25,800.00	8,600.00	Complete
Maple Lion Park Splash Pad	25,800.00	8,600.00	Complete
Father Ermanno CC: Out Door Rink	113,300.00	37,766.00	Complete
Garnet A. Williams CC - Floor Replacement	36,100.00	12,033.33	Complete
Glen Shield Park-Playground Replacement & Safety Surfacing	248,000.00	82,666.67	In Progress

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Vaughan Crest Park Bocce Court Re-development	137,000.00	45,666.70	Complete
York Hill Park-Tennis Court Replacement	56,700.00	18,900.00	In Progress
Maple Baseball Diamond Fencing Replacement	32,000.00	10,666.67	Complete
Sonoma Heights Park - Fencing Extension	30,900.00	10,300.00	Complete
TOTAL AMOUNT	1,310,300.00	436,764.70	

2013 Grant Summary

During 2013 a total of 38 submissions were made to Federal, Provincial and Regional grant programs. Of the 38 submission, 34 were successful (98%) in procuring approximately \$10.5M which funded 80 City projects/positions. The following chart depicts the amounts by grant type (Appendix 7 has details):

2013 GRANT PROGRAM ACTIVITY		
	Total Project Cost	Amount Received
Funding Received: 20 PROGRAM SUBMISSIONS	12,267,537	9,975,707
Funding Pending: 14 PROGRAM SUBMISSIONS	1,290,507	529,450
Not Awarded: 4 PROGRAM SUBMISSIONS	124,096	
GRAND TOTAL	13,682,140	10,505,157

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 2013 year end results, the overall City position is:

- The City's net operating position was favourable by \$2.5M as both revenues (\$1.7M) and expenses (\$0.8M) ended in a favourable year end position. This surplus was carried forward to reduce the 2014 levy requirements. It should be noted that despite the overall net position, 2013 was faced with a mixture of significant unplanned financial challenges related to supplemental taxation, reorganization requirements, ice storm, fire arbitration adjustments, etc. These items were mitigated through additional PowerStream dividends and tax adjustments. Winter control and tax rate stabilization reserves withdrawals and other financial elements were also leveraged minimize the effects of the above.
- The City's combined Water and Wastewater operations resulted in a minor favourable variance despite lower than budgeted revenue. Record rainfall in the GTA attributed to lower than expected consumption volumes which were offset by lower water and

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wastewater treatment charges. Other contributing expense savings such as lower installations, replacements, contracted work and materials are also a result of lower demand.

- The overall capital position was on target. The majority of closed projects were completed on or below budget. There was a significant decrease in the Tax Rate Stabilization reserve to fund one-time expenditures and a draw from the Winterization reserve to fund increased winter response activity. In 2013, the overall reserves position increased by \$2.4 M.

Attachments

- Attachment 1: City Operating – Fourth Quarter Variance Report
- Attachment 2: City Operating – Q4 Specific Variance Explanations
- Attachment 3: Open Capital Project Spend Report as at December 31, 2013
- Attachment 4: Projects on maintenance, warranty or awaiting regional invoicing
- Attachment 5: Closed Capital Projects Report YTD Ending December 31, 2013
- Attachment 6: Continuity Schedule of Reserves & Reserve Funds as at December 31, 2013
- Attachment 7: Grant Program Activity Ending December 31, 2013
- Attachment 8: Capital Budget Overages

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(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.)