

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 24, 2014

Item 7, 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.

7 ENDING MARCH 31, 2014 – CONSOLIDATED QUARTERLY REPORT

The Finance, Administration and Audit Committee recommends:

- 1) That the recommendation contained in the following report of the Commissioner of Finance & City Treasurer and the Director of Financial Services, dated May 26, 2014, be approved; and
- 2) That the presentation by the Manager of Capital & Reserve Planning and the Acting Manager of Operating Budget, and C4, presentation material entitled “*Ending March 31, 2014 – Consolidated Quarterly Report*” dated May 26, 2014, be received.

Recommendation

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

1. That the 2014 Consolidated First Quarter Variance Report be received; and
2. That the funding source for capital project PO-6744-13 be amended to Capital from Taxation as illustrated in the Funding Source Amendment section of this report.

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. Amending the funding source to Capital from Taxation for project PO-6744-13 Meeting House Cemetery – Memorial Wall will not have an economic impact as this can be accommodated within the funds returned as a result of closed capital projects in the first quarter .

Communication Plan

Not applicable

Purpose

To report on 2014 first quarter financial results, as of March 31st, 2014, including an update on grant activity. New to the process is the provision of high profile capital project summaries included as attachment 4.

Background – Analysis and Options

The attached first quarter variance report compares actual operating and capital results for the period ending March 31st, 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.

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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. Additional detail will be provided as attachments.

First Quarter Overview

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

The City has come in \$3.6M unfavourable to budget in City of Vaughan Operations. Typically, the first quarter of operations shows a favourable variance to budget as the level of spending is usually restrained until Budget approval, which occurred on Feb. 18th, 2014. However, the impact of the long and cold winter and continuing efforts related to the December 2013 ice storm resulted in additional financial pressure and significantly contributed \$8.2M 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 combined \$2.0M favourable variance due to stronger sales revenues from higher than expected growth and consumption in the first quarter. Other favourable contributing factors are lower expenses for maintenance repairs, contractor labour and materials due to lower demand. Additional cost savings were derived from general administration discretionary expenses and salaries due to timing.

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 \$8.2 M 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 Q1 2014 Financial Results

Operations

(In millions)

	<i>City</i>	<i>Water</i>	<i>Wastewater/ Storm</i>	<i>Total</i>
Revenue				
YTD Budget	95.5	10.3	11.4	117.2
YTD Actual	93.8	10.9	12.1	116.8
Variance	(1.7)	0.6	0.7	(0.4)
%	-1.78%	5.85%	6.48%	-0.31%
Expenditure				
YTD Budget	74.6	9.4	10.5	94.6
YTD Actual	76.5	9.2	10.1	95.8
Variance	(1.9)	0.2	0.4	(1.2)
%	-2.50%	2.50%	4.03%	-1.28%
Net fav. / (unfav.) variance	(3.6)	0.8	1.2	(1.6)
Add'l Resv. Contributions	0.0	0.8	1.2	2.0
Surplus/ (Deficit)	(3.6)	0.0	0.0	(3.6)

Capital

	Prior Years			2014					2014 Adjusted	
	Total Available Budget	Total Actual Spend	Variance Q4-13	2014 Budget	Available Budget (A)	Actual Spend	Variance Q1-14		Major Y/E 2013 Accrual Reversals (B)	Adjusted Variance Q1-14 (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	28.0	28.0	0.0	28.0	100%	0.0	28.0
Total 2014 Budget Projects	0.0	0.0	0.0	28.0	28.0	0.0	28.0	100%	0.0	28.0
Prior Budget Projects - Closed	31.8	30.3	1.5	0.0	1.5	0.1	1.4	90%	0.0	1.4
Prior Budget Projects - Active	557.6	406.0	151.6	23.7	175.2	6.7	168.5	96%	17.5	186.1
Total Prior Budget Projects	589.4	436.3	153.1	23.7	176.7	6.8	169.9	96%	17.5	187.4
Total	589.4	436.3	153.1	51.7	204.8	6.8	197.9	97%	17.5	215.5

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.

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City Operating Budget Results

The annual Operating Budget for the City is \$254.0M, of which \$95.5M in revenues and \$74.6M in expenditures were budgeted for the first quarter of the year. At the end of the first quarter, the City experienced a \$3.6M net unfavourable variance. This unfavourable variance is comprised of a \$1.9M unfavourable expenditure variance and a \$1.7 M unfavourable revenue variance. The main areas that contributed to the negative \$3.6M variance are summarized below;

City Revenue Variance Overview

Actual revenues were \$93.8M as of March 31, 2014, and represent a \$1.7M unfavourable variance when compared to the year-to-date revenue budget of \$95.5M. This variance stems from the following:

- **Reserves & Other Transfers** - There were several factors that contributed to the \$1.7M variance below plan. These are:
 - \$1.5M 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 and higher revenue within Building Standards department.
 - \$280K in Administration Recovery from Capital as a result of a reversal of a 2013 year end accrual.
- **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 \$0.4M mostly within Building Standards, Cultural Services, and Licensing offset with unfavourable variances in Development Planning, By-law & Compliance and Development Transportation Engineering revenues. All these variances are explained in more detail in Attachment #2.

City Expenditure Variance Overview

Actual total expenditures were \$76.5M as of March 31, 2014, and represent a \$1.9M unfavourable variance to the year-to-date expenditure budget of \$74.6M. 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 \$2.6M. The major components of this variance included:
 - **Ice Storm 2013** – There were unfavourable expenditures of \$2.1M 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 province has set a process for submissions and a decision on reimbursement amounts is expected later this summer.
 - **Anticipated Labour Savings** – Unfavourable variance of \$1.5M 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 \$2.1M or \$0.6M greater than plan. It is normal that the Q1 labour variance is high as most of the approved positions in the budget have not yet been hired.

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- **OMB and VMC projects** – These two projects have not yet been fully staffed resulting in a combined favourable variance to budget of \$0.9M. Recruitment is currently underway to fill these roles. Residual balances at year-end will be carried forward into future years.
- **Department Expenses** – The next largest component driving the City's unfavourable expenditure variance relates to total department expenses, which were over budget by \$1.7M. This position was generated by a \$5.5M 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 favourable positions in most other departments related to:
 - A \$2.1M labour variance attributable to general turnover vacancies, new compliment 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 \$1.5M Q1 planned corporate balance.
 - There were favourable variances in a variety of accounts totalling \$876K in General Maintenance, YRT Ticket Purchases, Radio Operations, Protective Clothing, Computer Hardware and Software, Professional Fees and Communications

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

	Variance in \$mil (rounded)	
<u>Revenues</u>		
<i>Taxation</i>		0.0
<i>Reserves and Other Transfers</i>		
Building Std Continuity Reserve	(1.0)	
Engineering Reserve	(0.4)	
Administrative Recovery from Capital	(0.3)	
Other (under \$100K var.)	<u>(0.0)</u>	(1.7)
<i>Fees & Service Charges</i>		
Building Standards	0.3	
Culture	0.2	
Clerks - Licensing	0.2	
By-law & Compliance	(0.1)	
Development Planning	(0.1)	
Other (under \$100K var.)	<u>0.0</u>	0.4
<i>Corporate Revenue</i>		
Mayor's Gala/Golf Classic	(0.1)	
OMB Hearings, Professional Fees & Resource	(0.1)	
Fines and Penalties	(0.1)	
Investment Income	(0.1)	
Other (under \$100K var.)	<u>(0.0)</u>	(0.4)
<i>Supplemental Taxation</i>		0.0
<i>Other</i>		<u>(0.0)</u>
Total Revenues		(1.7)
<u>Expenditures</u>		
<i>Departmental Expenses</i>		
Development & Transport. Engineering	0.4	
Recreation	0.4	
Building & Facilities	0.4	
Building Standards	0.3	
Information Technology Management	0.2	
By-Law & Compliance	0.2	
Engineering Services	0.2	
Vaughan Public Libraries	0.2	
Development Planning	0.2	
Fleet Management	0.1	
Policy Planning	0.1	
Council	0.1	
Parks & Forestry Operations	(0.8)	
Public Works	(4.7)	
Other-(various departments under \$200k var.)	<u>1.0</u>	(1.7)
<i>Corporate Expenditures</i>		
Major OMB Hearing	0.5	
VMC Dev & Implementation	0.4	
Electon	0.2	
Mayor's Gala/Golf Classic	0.1	
Tax Adjustments	(0.2)	
Anticipated Labour Savings	(1.5)	
Ice Storm 2013	(2.1)	
Other (under \$100K var.)	<u>0.0</u>	(2.6)
<i>Long Term Debt</i>		2.5
<i>Contingency</i>		(0.0)
<i>Capital from Taxation</i>		0.0
<i>Other</i>		<u>0.0</u>
Total Expenditures		<u>(1.9)</u>
Net Unfavourable Variance		<u>\$ (3.6)</u>

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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 2014 to March 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 (YTD) actual water revenues for the period ending March 31, 2014 are favourable by \$620K which is comprised of residential \$601K, commercial revenue of \$76K offset by slightly unfavourable miscellaneous water revenue \$57K.

The favourable residential billings are due to higher than budgeted average consumption levels per household and new account activations. Actual consumption is trending at 10 cubic meters per household more than budget and 50 new accounts came in higher than budgeted or 28%.

Commercial average consumption activity is trending higher than budget at 5% whereas new account activity remains unchanged for this first quarter.

Water purchases are unfavourable by \$113K partly due to higher demand (\$43K) and slightly unfavourable non-revenue water (NRW) consumption of \$71K.

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 \$507K due to higher sales revenue.

Other revenues consist primarily of installation and service fees and are slightly unfavourable by \$33K, actual activity is based on demand offset by favourable sundry and interest revenue at \$15K.

Water expenses are favourable by \$349K which is the result of favourable maintenance and installations expenditures of \$188K and favourable general administration of \$159K. The favourable variances are largely due to fewer customer service requests due to contractor labour and materials, lower than expected for repair activity. General administration expenses are favourable due to the timing of discretionary spending such as professional fees.

As a result of the above, the quarterly water lifecycle contribution of \$1.7M is favourable by \$837K.

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City of Vaughan
Statement of Operations
Water Division
For the period ending March 31, 2014

	2014 Budget	2014 YTD Budget	2014 YTD Actual	2014 Variance
Water Revenues				
Residential Billings	31,387,680	6,195,660	6,796,711	601,051
Commercial Billings	19,079,840	3,754,940	3,831,229	76,289
Other	335,540	83,880	26,524	-57,356
	\$50,803,060	\$10,034,480	\$10,654,463	\$619,983
Water Purchases				
Metered Water Purchases	31,378,540	6,371,575	6,414,137	-42,562
Non-Revenue Water	4,700,000	623,520	694,195	-70,675
	\$36,078,540	\$6,995,095	\$7,108,332	(\$113,237)
Gross Margin	\$14,724,520	\$3,039,385	\$3,546,132	\$506,747
Other Revenues	\$1,016,250	\$254,055	\$235,702	(\$18,353)
Expenses				
Maintenance and Installation Costs	5,007,935	1,218,685	1,030,826	187,859
General Administration	4,224,450	1,030,050	871,124	158,926
Joint Service Costs	759,855	189,960	188,005	1,955
	\$9,992,240	\$2,438,695	\$2,089,955	\$348,740
Net Water Operations	\$5,748,530	\$854,745	\$1,691,879	\$837,134
Budgeted Lifecycle Contribution	\$5,748,530	\$854,745	\$854,745	\$0
Additional Reserve Contribution	\$0	\$0	\$837,134	\$837,134
Surplus	\$0	\$0	\$0	\$0

Wastewater/Storm Operations

Wastewater billing is based on water consumption, therefore trending is very similar to water revenues. Wastewater YTD billings are favourable by \$787K for the period ending March 31, 2014 which is comprised of residential billings \$652K and commercial revenue of \$135K. Wastewater revenue is billed based on water consumption.

The unfavourable treatment variance of \$116K is a combination of unfavourable treatment charges due to higher sales and unfavourable non-revenue treatment charges. This relates directly to the non-revenue water variance.

The favourable gross margin of \$671K is the result of favourable sales less unfavourable treatment charges.

Other revenues consist of installation and service fees which are slightly unfavourable by \$37K. Actual activity is based on demand. Interest revenue is unfavourable by \$10K.

Expenses are favourable by \$540K primarily due to favourable maintenance and installation at \$220K, and storm operations favourable by \$165K attributed by lower than expected contractor labour and materials related to repairs, inspections, flushing and pond management. General administration is favourable by \$155K due to timing of discretionary spending, salaries and debenture payments. All other expenses are on budget.

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As a result of the above, the quarterly wastewater/storm lifecycle contribution of \$2.0M is favourable by \$1.2M.



City of Vaughan
Statement of Operations
Wastewater Division
For the period ending March 31, 2014

	2014 Budget	2014 YTD Budget	2014 YTD Actual	2014 Variance
Wastewater Revenues				
Residential Billings	36,211,940	6,905,980	7,557,650	651,670
Commercial Billings	22,502,440	4,306,090	4,441,228	135,138
	\$58,714,380	\$11,212,070	\$11,998,878	\$786,808
Wastewater Expenses				
Regional Treatment Charges	\$45,230,670	\$8,485,855	\$8,601,723	(\$115,868)
Gross Margin	\$13,483,710	\$2,726,215	\$3,397,155	\$670,940
Other Revenues	\$912,210	\$174,750	\$126,066	(\$48,684)
Expenses				
Maintenance and Installation Costs	3,502,580	850,740	631,008	219,732
General Administration	2,585,890	641,145	486,626	154,519
Storm Sewer Maintenance	1,772,615	436,462	271,845	164,617
Joint Service Costs	506,570	126,630	125,336	1,294
	\$8,367,655	\$2,054,977	\$1,514,815	\$540,162
Net Wastewater Operations	\$6,028,265	\$845,988	\$2,008,406	\$1,162,418
Budgeted Lifecycle Contribution	\$6,028,265	\$845,988	\$845,988	\$0
Reserve Adjustment	\$0	\$0	\$1,162,418	\$1,162,418
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:

- Funding Source Amendment: PO-6744-13
- Open Capital Project Spend Performance
- High Profile Capital Projects (NEW)
- Closed Capital Projects Budget vs. Actual
- Reserve and Reserve Fund positions
- Grant Activity

Funding Source Amendment

Capital Project PO-6744-13 Meeting House Cemetery – Memorial Wall was approved for \$26,800 as part of the 2013 Capital Budget process for the renovation and repair of the memorial wall at Meeting House Cemetery. During the budget process staff had received information from the

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Ministry of Consumer Services that the project qualified as a project that could be funded from the Cemetery Trust as it relates to the care and maintenance of the cemetery. When completing the Year End Trust Return staff were informed that only the portion of funds equivalent to the interest earned on the Trust could be used for care and maintenance.

During 2013, capital expenditures of \$25,441 were incurred related to capital project PO-6744-13. The annual interest of \$5,538 earned on Trust Bank Account during 2013 was transferred to fund the capital project, leaving \$19,903 as the unfinanced amount. Hence, it is requested that Capital from Taxation be used to fund the remaining balance of \$19,903; the available funds are as a result of closed capital projects with the same funding source.

Open Capital Project Spend Report (Attachment #3)

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

- As of Quarter 1-2014, 637 projects with a budgeted value of \$609M are open.

	#	Budget
Q4-13 Close	494	589,407,615
2014 Projects:		
Net new	196	28,029,418
Additions to existing Projects (23)		23,673,331
Closed Projects	(53)	(31,832,755)
Q1-14 Close	637	609,277,609

- The above open projects were approved as follows:

Year	Projects		Budget		Unspent Funds	
	#	%	\$	%	\$	% of Budget
2014	196	31%	28,029,418	5%	28,029,418	100%
2013	144	23%	64,474,236	11%	51,712,990	80%
2009-2012	229	36%	251,510,493	41%	108,169,978	43%
2006-2008	47	7%	68,052,493	11%	16,504,150	24%
2005 and older	21	3%	197,210,969	32%	9,697,967	5%
Grand Total	637	100%	609,277,609	100%	214,114,503	35%

- As of Mar 31, 2014, 65% of the available budgets were spent
- Capital projects substantially complete and nearing closing

Region / External Invoice	Department	Estimated Project Completion	# Projects	Total Budget	Total Actual	Total Variance
	Buildings & Facilities	Q2-14	3	4,832,281	4,461,176	371,105
	Parks Development	Q1-14	1	41,200	39,279	1,921
Total			4	4,873,481	4,500,455	373,026
External Invoice	Development & Transportation	Q1-14	2	122,000	112,429	9,571
	Development & Transportation	Q3-14	1	517,250	471,395	45,855
	Development & Transportation	Q4-14	2	399,500	343,215	56,285
	Engineering Services	Q4-14	1	515,000	0	515,000
External Invoice Total			6	1,553,750	927,039	626,711
Regional Invoice	Engineering Services	Q1-14	2	381,100	254,101	126,999
	Engineering Services	Q4-14	4	2,756,736	1,046,307	1,710,429
Regional Invoice Total			6	3,137,836	1,300,408	1,837,428
Grand Total			16	9,565,067	6,727,902	2,837,165

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- 4 projects are anticipated to close in the upcoming quarter.
- 6 projects are waiting for invoices from external parties. The closure of these projects is anticipated for when the final invoices are received and processed.
- 6 invoices are waiting for invoices from the region. 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.

- Unfavourable variances from budget include:
 - Relocate Fire Station 7-3 Land Acquisition (FR-3514-12) currently indicates a budget overage of \$108,164. Costs associated with taxes and external services required for the purchase of the lands were not accounted for in the original budget. Staff have recently presented a report to Council to address this shortfall and a budget amendment is anticipated for Q2-14.
 - Public Works – Roads Vehicle (FL-5296-13) has been closed with an overage of \$574 (2% of total budget of \$31,600). This overage is due to the outfitting required to make the vehicle functional for the Road division. Prior to the Capital Project and Financial Administration and Reporting Policy the practice was to allow overages up to the lower of 10% or \$10,000. This balance can be accommodated from closed project residual funds returned to the Vehicle Reserve.
 - Rimwood Park – Tennis Court Replacement (PK-6341-12) has been closed with an overage of \$2,830 (4% of total budget of \$67,000). This overage is due to the addition of sub drains and additional base preparation work before the asphalt surfacing could be installed. Prior to the Capital Project and Financial Administration and Reporting Policy the practice was to allow overages up to the lower of 10% or \$10,000. This balance can be accommodated from closed project residual funds returned to the Parks Infrastructure Reserve.
 - Requests in accordance with Section 8A of Policy 05.4.02 Capital Project Financial Administration and Reporting:
 - The following projects were reported on in 2013 Fourth Quarter Variance Report. The closure of these projects is anticipated for Q2-14,:
- DT-7011-07 OPA 620 East West Collector EA
 - PK-6545-13 Accessible Swings – 4 parks
 - FL-5208-12 Roads-New Vehicle

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

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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

In December of 2013 Council approved the *Capital Project Financial Administration and Reporting Policy*. This policy is intended to provide a consistent and consolidated approach to capital project financial administration and reporting.

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 Senior Management Team (SMT) was provided with a list of projects that met the first two criteria. After a careful review of the projects, those projects that only met the criteria of having a contingency equal to or greater than 20% were not included as the project budgets ranged between \$13,000 and \$500,000 adding very limited value and does not reflect the spirit of the policy.

As a result of SMT's review 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	

Budgeting & Financial Planning Staff worked with the identified Lead Departments to complete the reports for Q1-14 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 1st Quarter

Staff together with City departments reviewed all active capital projects listed as of March 31st, 2014 to determine which capital projects could be consolidated and/or closed. Overall, 53 capital

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projects totalling a budget of \$31.8M were closed in the 1st quarter of 2014. Total actual project costs came in at 96% of budget, freeing up \$1.4M in the original funding sources for future project consideration. The drivers behind the \$1.4M are as follows:

Department	Budget	Actual	Variance	% Spend	# Closed
Buildings & Facilities	3,422,748	3,119,880	302,868	91%	14
Development Planning	185,400	174,543	10,857	94%	1
Engineering Services	51,500	-	51,500	0%	1
Fire & Rescue Services	4,741,545	4,571,134	170,411	96%	5
Fleet Management	1,056,400	902,476	153,924	85%	20
Parks Development	2,929,650	2,918,323	11,328	100%	5
Public Works	710,000	265,941	444,059	37%	5
Real Estate	18,735,512	18,517,881	217,632	99%	2
Q1 Closed Projects	31,832,755	30,470,178	1,362,579	96%	53

- Engineering Services – The culvert removal on Peelar Road will be completed in conjunction with the future Black Creek remedial works; as such, the capital project for this work was closed.
- Fleet Management – Awards for equipment purchased were lower than the project budgets. Staff will review how these items are budgeted by researching market pricing of equipment prior to completing the upcoming 2015 budget process.
- Public Works – The lowest bidders to complete the Storm Pond Sediment removal were all significantly below the approved budget.

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 March 31, 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 incurred.

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. This reserve will never be in a negative position as the draws from the reserve will reflect the funds on hand.

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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 First 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 twenty-four (24) programs equating to approximately \$7.5 Million dollars. Specific award status and details are as follows:

- 11 submissions have received funding (\$591,821)
- 11 submissions are pending notification of award (\$4.8M)
- 2 submissions requests were declined

The table below summarizes this activity:

2014 GRANT PROGRAM ACTIVITY			
Q1 SUBMISSIONS AWARDED/FUND RECEIVED			
PROGRAM	TOTAL PROJ. COST	AWARD	USE OF FUNDS
Municipal Infrastructure Investment Fund*	144,680.00	144,680.00	Utilization of remaining funds for PK-6265-14 Senior Soccer Field Lighting
Swim to Survive 2014	15,588.00	15,588.00	Notified of award approval
Ministry of Energy	33,747.00	24,815.00	Community Energy Plan Consultant
2014 Canada Summer Jobs (Library)	5,000.00	2,500.00	2 Summer Students
VBEC Relocation	82,577.00	25,535.00	Move from Beaverbrook House to Ec. Dev. In Civic Centre
Starter Company	222,676.00	95,000.00	Over two years

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Mun. Partnership Program	400,000.00	87,000.00	William Granger Greenway
York Region Ped & Bike Partnership Program	90,000.00	90,000.00	Bike Lanes portion of project of DT-7056-11
York Reg. Ped & Bike Partnership Prog	244,110.00	52,203.00	Ped. & Bike Network Implementation Program
FCM Green Municipal Fund	45,000.00	22,500.00	Hire Consultant to develop the GHG Plan (notification in 2014)
Save on Energy Funding	32,000.00	32,000.00	Energy Audit
TOTAL	1,315,378.00	591,821.00	
Q1 SUBMISSION PENDING AWARD NOTIFICATION			
PROGRAM	TOTAL PROJ. COST	REQUEST	USE OF FUNDS
Celebrate Canada (2014 Application)	15,000.00	5,000.00	Canada Day Event
ICCI	55,000.00	27,500.00	Foreign Consultant Offices in Italy and Israel
COSTI Recreation Dept.	43,400.00	10,000.00	Request for 62 placements (Recreation)
Canada Summer Jobs	309,502.00	109,141.00	Request for 69 placements (Rec & PW)
Q1 SUBMISSION PENDING AWARD NOTIFICATION			
Job Start (various departments)	59,780.00	5,600.00	Request for 8 placements
Job Start (Recreation)	43,400.00	10,000.00	Request for 62 placements (Recreation)
Invest in Ontario Act Fund	2,011,406.00	861,900.00	Award=\$8,686,674; spent 31/12/13=6,675,268. 2014 Committed=861,900; Unspent balance: \$2,011,406
2013 Federal Gas Tax	3,663,607.00	3,663,607.00	Audit Complete. (New agreement pending)
VBEC Business Plan	90,000.00	90,000.00	Annual Plan for Ministry of Economic Development and Innovation
Eco Connexions	5,000.00	5,000.00	Tree planting/landscaping rehabilitation project
Ontario Sports and Recreation Fund	29,580.00	11,068.00	Recreation Leadership Training Program
TOTAL	6,325,675.00	4,798,816.00	
2013 Q4 NOT AWARDED			
PROGRAM	TOTAL PROJ. COST	RATIONAL	
Places to Grow	25,000.00	Program revenue depleted before end date	
2013 New Horizons for Seniors	24,809.00	Limited funding in a highly competitive program	
TOTAL	49,809.00		

* Municipal Infrastructure Investment Fund - This will result in returning \$144,800 to Capital from Taxation as this is the project's funding source. A report at a later date will be brought forward to Council with a recommendation on redirecting the funds to another capital project.

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Sector and Term Specific Grant Programs

Community Improvement Investment Fund (CIIF)

The following table indicates the amount spent to March 31, 2014 and currently in the claim and reporting process as required by the program.

COMMUNITY IMPROVEMENT INVESTMENT FUND AWARDED PROJECTS				
	COST ESTIMATE	CIIF @33.3%	CLAIMED TO MAR 31	STATUS
Ainsley Grove Library (AODA Standards @ Front Counter)	100,000.00	33,333.33	3,316.00	In Progress
Dufferin District Park: Tennis Court Rehabilitation	139,300.00	46,433.33	1,705.00	In Progress
Dufferin Clark C.C. Relocate Seniors Room To The Ground Floor	50,600.00	16,866.00	15,158.00	Complete
Dufferin Clark C.C. Seniors Accessible Washrooms	51,500.00	17,166.00	13,783.00	Complete
Mackenzie Glen Park Replace Splash Pad Surfacing	61,800.00	20,600.00	16,338.00	In Progress
Mackenzie Glen Play Ground Rehabilitation	201,500.00	67,166.67	705.00	Complete
McClure Meadows Park-Splash Pad	25,800.00	8,600.00	1,445.00	Complete
Maple Lion Park Splash Pad	25,800.00	8,600.00	6,064.00	Complete
Father Ermanno CC: Out Door Rink	113,300.00	37,766.00	11,933.00	Complete
Garnet A. Williams CC - Floor Replacement	36,100.00	12,033.33	10,878.00	Complete
Glen Shield Park-Playground Replacement & Safety Surfacing	248,000.00	82,666.67	43,060.00	In Progress
Vaughan Crest Park Bocce Court Re-development	137,000.00	45,666.70	29,831.00	Complete
York Hill Park-Tennis Court Replacement	56,700.00	18,900.00	25.00	In Progress
Maple Baseball Diamond Fencing Replacement	32,000.00	10,666.67	4,593.00	Complete
Sonoma Heights Park - Fencing Extension	30,900.00	10,300.00	6,347.00	Complete
TOTAL AMOUNT ALL PROJECTS	1,310,300.00	436,764.70	165,181.00	

Final project reports as required by the signed contracts are required to be submitted to the Federal Government by June 2014.

New Opportunities

New Building Canada Fund (NBCF):

New Federal Infrastructure funding program that came into effect on April 1, of this year. NBCF is comprised of four separate programs:

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- National Infrastructure Component (NIC): \$4 Billion over 10 years and targets projects of a national significance
- Provincial-Territorial Infrastructure Component (PTIC): \$10 Billion over 10 years to assist municipalities and administered by each Province. Specific program details will be released once the Federal government and Province of Ontario have signed the agreement
- Gas Tax: program will be indexed at 2% per year commencing with the 2016 census and the eligible categories has increased to 17
- PPP Canada: Phase six (6) is now open for applications

Details regarding the application process are not yet available and may be further delayed pending Provincial Election results. Staff continues to monitor the provincial website (www.gov.on.ca/en/infrastructure/bcf.asp).

More information regarding the NBCF can be found in Attachment 8.

Edible Trees Program:

Offers assistance to groups to plant fruit and nut trees/shrubs to meet such criteria as protects and preserves the environment and providing access to healthy food.

Species at Risk:

The Species at Risk Stewardship Fund was established in 2007 to encourage people to start getting involved or continue their commitment to protection and recovery through stewardship activities.

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 first quarter results, the overall City position is unfavourable \$3.6M. 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. Details on the reimbursement of ice storm expenses from the Provincial Government are not yet known and 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 – First Quarter Variance Report
- Attachment 2: City Operating – Q1 Specific Variance Explanations
- Attachment 3: Open Capital Project Spend Report as at March 31, 2014
- Attachment 4: High Profile Capital Project Reports
- Attachment 5: Projects on maintenance, warranty or awaiting regional invoicing

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- Attachment 6: Closed Capital Projects Report for 1st Quarter Ending March 31, 2014
- Attachment 7: Continuity Schedule of Reserves & Reserve Funds as at March 31, 2014
- Attachment 8: Grant Opportunities – New Building Canada Fund

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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.)