

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 19, 2015

Item 1, Report No. 9, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on May 19, 2015.

1 ENDING DECEMBER 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, the Director of Financial Planning & Analytics and the Director of Financial Services, dated May 4, 2015, be approved; and**
- 2) That the presentation by the Director of Financial Planning & Analytics and C1, presentation material entitled: “*Ending December 31, 2014 – Consolidated Quarterly Report*”, dated May 4, 2015, be received.**

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 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 five 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 arising from this report as budgets and projects have been previously approved by Council.

Actual performance was unfavorable by \$4.4m, largely a result of severe winter events. This required an unanticipated withdrawal from the winterization reserve to balance the City's position. The winterization reserve is intended for this purpose as authorized through policy. Previous quarterly variance reports advised the Winterization reserve would be drawn upon once the extent of the City's year end position was known.

Attachment 8 provides details of five capital projects that will be closed with budget overages totalling \$19,235, funded from the referenced funding sources. The amounts noted are within the threshold set out in section 8 of the Capital Project Financial Administration and Reporting Policy, therefore budget amendments were not required.

Communication Plan

The report and all attachments are available publicly on the Agenda, Minutes & Extract page of the City's website (www.vaughan.ca).

Purpose

To report on the City's financial results for the fourth quarter ended December 31, 2014, including an update on grant activity, and high profile capital projects.

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Background – Analysis and Options

The attached fourth quarter variance report compares actual operating and capital results for the period ending December 31, 2014, relative to approved budgets and on the same basis as the budget. Consequently, amortization of tangible capital assets and post retirement employee benefits are excluded, while transfers to and from reserves and net debenture financing requirements are included.

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 complete view of the City's financial results. The report provides a brief executive summary followed by summaries for City Operations, Water and Wastewater Operations, and Capital. Additional detail is provided as attachments.

Fourth Quarter Overview

The City ended the year in a balanced position by drawing on reserves and applying for Ice Storm Assistance from the Province

At December 31, 2014, prior to any additional year-end transfers from reserves, the City's year end position was \$4.4M unfavourable. This was primarily as a result of the costs associated with a longer and colder winter at the beginning of 2014. A transfer from the Winterization Reserve was processed to fully offset this unfavourable variance, resulting in a balanced final unaudited operation result.

Revenue for 2014 was \$6.7M greater than budgeted, largely as a result of the accrual of the Ice Storm grants which are offset by planned corporate reserve transfers that were not required. Expenditures were \$11.1M greater than budgeted, largely as a result of the Ice Storm costs and \$4.5M in costs associated with the longer and colder winter at the start of 2014 offset by expenditures associated with standard City Operations. Combined, the City's year end financial position was \$4.4M unfavourable.

A \$4.4M transfer from the Winterization reserve was processed to fund this difference. The purpose of this reserve is to offset significant unfavourable budget variances due to severe winter conditions. Past quarterly variance reports stated that the Winterization reserve would be drawn upon to fund these winter control costs once the extent of the City's year end position was known. If not for these increased winter control costs, the City's year end position would have been \$0.1M favourable. As such, it was appropriate that a draw of \$4.4M on the Winterization reserve be processed. This draw represents 86% of the available reserve balance, resulting in a year-end Winterization reserve balance of \$0.7M.

Staff reported at the January 12th Finance, Administration and Audit Committee meeting that the application for financial assistance to reimburse a portion of the total cost of the 2013 Ice storm was submitted to the Ontario Ice Storm Assistance Program on December 21, 2014. The amount of the claim was \$10.2M, which represents 57% of the estimated \$17.8M 2013 Ice Storm related damage estimate. The remaining costs, most related to tree replacement, are not eligible for reimbursement.

The amount of the claim has been accrued as a receivable from the Province. The accrued revenue fully offsets the clean-up costs incurred during the year. A preliminary review of the accrual occurred during the interim audit work by the City's auditors. Final audit results are expected in June 2015.

In March 2015 the Province notified the City that an interim payment of \$3.6M was approved. The interim payment is expected to be received in the early part of 2015. It should be noted that staff have been advised that the province's full review could take up to two years.

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Water and Wastewater operations were substantially on target for the year, requiring only a small additional draw from reserves

The City's combined Water and Wastewater operations resulted in a \$339K unfavourable variance. Sales revenues experienced a significant decline during the summer months likely due to conservation efforts and weather. However, new account activations for both residential and commercial exceeded budget. Favourable contributing factors are a result of lower than expected installation service requests and repairs in contractor labour and materials. This is primarily due to lower demand and a shift in priorities experienced from the harsh winter conditions, earlier in the year. Additional favourable expenses from general administration are a result of cost savings in discretionary and new positions or vacancies not yet filled.

The overall capital position was on target

The majority of closed projects were completed on or below approved budget. Five memos under Section 8 of the Capital Project Administration and Reporting Policy totaling \$0.02M were received requesting approval to complete with actuals exceeding the capital budget. Other than the above noted draw from the Winterization reserve, all other transfers from reserves were processed as required.

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

Table 1 - Summary of the City's Q4 2014 Financial Results

Operations (M\$)				
	City	Water	Wastewater/ Storm	Total
Revenue				
YTD Budget*	254.0	51.8	59.6	365.4
YTD Actual	260.7	49.4	56.8	366.9
Variance	6.7	-2.4	-2.8	1.5
%	2.63%	-4.63%	-4.70%	0.41%
Expenditure				
YTD Budget	254.0	46.1	53.6	353.7
YTD Actual	265.1	44.1	50.7	359.9
Variance	-11.1	2.0	2.9	(6.2)
%	-4.35%	4.34%	5.41%	-1.74%
Net fav. / (unfav.) variance	-4.4	-0.4	0.1	-4.7
Add'l Resv. Transfers	4.4	0.4	-0.1	4.7
Surplus/ (Deficit)	0.0	0.0	0.0	0.0

** City Related Budget is comprised of \$93.7M in Non-tax revenues and \$160.3M in Taxation Revenues*

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Capital (\$M)

	Prior Years			2014					2014 Adjusted	
	Total Available Budget	Total Actual Spend	Variance Q4-13	2014 Budget	Available Budget (A)	Actual Spend	Variance Q4-14		Major Y/E 2013 Accrual Reversals (B)	Adjusted Variance Q4-14 (C)
							\$	%		
2014 Budget Projects - Closed	0.0	0.0	0.0	0.0	0.0	0.1	(0.1)	0%	0.0	(0.1)
2014 Budget Projects - Active	0.0	0.0	0.0	34.3	34.3	1.8	32.5	95%	0.0	32.5
Total 2014 Budget Projects	0.0	0.0	0.0	34.3	34.3	1.9	32.4	94%	0.0	32.4
Prior Budget Projects - Closed	69.1	56.5	12.6	0.0	12.6	5.5	7.1	56%	0.0	7.1
Prior Budget Projects - Active	520.3	379.8	140.4	7.1	147.5	55.7	91.8	62%	17.5	109.3
Total Prior Budget Projects	589.4	436.3	153.1	7.1	160.2	61.2	98.9	62%	17.5	116.4
Total	589.4	436.3	153.1	41.4	194.4	63.1	131.3	68%	17.5	148.8

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 2014 Operating Budget for the City was \$254.0M. At the end of the fourth quarter, the City experienced a \$4.4M net unfavourable variance before any mitigating reserve transfers. Revenue for 2014 was \$6.7M greater than budgeted, largely as a result of the accrual of the Ice Storm grants which are offset by planned corporate reserve transfers that were not required. Expenditures were \$11.1M greater than budgeted, largely as a result of the Ice Storm costs and \$4.5M in costs associated with the longer and colder winter at the start of 2014 offset by expenditures associated with standard City Operations.

The table below illustrates the net year end results for the City.

Net Results (\$M)	Budget	Actual	-Under / Over	% Variance
Supplemental Taxation	3.5	3.3	-0.2	-5.6%
Grant / Payment In Lieu	2.6	2.6	0.1	4.5%
Reserves And Other Transfers	10.6	6.2	-4.4	-41.6%
Departmental Expenditures	-182.1	-181.0	1.1	-0.6%
Corporate	5.0	4.3	-0.7	-14.4%
Net City Operations	-160.3	-164.7	-4.4	2.7%
Ice Storm 2013	0.0	10.2	10.2	
Subtotal	-160.3	-154.4	5.8	-3.7%
Ice Storm 2013 Accrual	0.0	-10.2	-10.2	
Winterization Reserve Draw	0.0	4.4	4.4	
Levy Funded	-160.3	-160.3	0.0	0.0%

At year end a transfer from the Winterization Reserve was processed to offset the unfavourable variance. The main areas that contributed to this negative \$4.4M variance are summarized in the sections below.

Excluding Provincial Ice Storm Assistance and additional transfers from reserves, non-tax revenue was \$3.5M less than planned

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City Revenue Variance Overview

Revenue	Budget	Actual	-Under / Over	% Variance
Taxation	160.3	160.2	-0.1	-0.1%
Supplemental Taxation	3.5	3.3	-0.2	-5.6%
Grant / Payment In Lieu	2.6	2.8	0.1	4.5%
Reserves And Other Transfers	24.4	20.0	-4.4	-18.2%
Fees And Service Charges	39.5	38.4	-1.1	-2.9%
Corporate	23.7	25.9	2.2	9.4%
City Operations	254.0	250.5	-3.5	-3.6%
Winterization Reserve	0.0	4.4	4.4	
Ice Storm 2013 Accrual	0.0	10.2	10.2	
Total	254.0	265.1	11.1	11.7%

Revenues were \$250.5M as of December 31, 2014, \$3.5M less than planned. This variance stems from the following:

- **Taxation** – was \$0.1M lower than budgeted as a result of slightly lower than anticipated assessment growth.
- **Supplemental Taxation** – was \$0.2M lower than anticipated due to fewer tax roll additions processed by the Municipal Property Assessment Corporation during the year. The 2015 Budget has been adjusted to align with recent experience.
- **Reserves & Other Transfers** – Before the additional winterization reserve transfer, this category was \$4.4M less than budgeted as a result of planned transfers of \$7.1M not being required during the year, partially offset by an unplanned transfer from the Insurance Reserve. Details of these variances are:
 - \$3.2M 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
 - A \$0.4M lower transfer from the Election Reserve as a result of lower than anticipated election costs
 - A \$0.4M lower Administration Recovery from Capital as a result of a reversal of 2013 year end accruals
 - A planned \$3.1M transfer from the Tax Rate Stabilization reserve which was not required
 - A \$2.6M transfer from the Insurance Reserve as a result of a settlement payment has reduced the above position, but is fully offset by increased insurance expenditures in the City Clerk Department
- **User Fees/Services Charges** – are \$1.1M less than budget as a result of varying and offsetting variances within By-law & Compliance, Development Planning, Building Standards, Development Transportation Engineering, Recreation, Fire & Rescue Services, Licensing, and Buildings & Facilities. All these variances are explained in more detail in Attachment 2.
- **Corporate Revenue** – A favourable variance of \$2.2M can be largely attributed to better than anticipated PowerStream investment revenues of \$1.9M. The remaining \$0.3M is made up of smaller favourable variances in a number of other Corporate Revenue accounts. Details on these variances are provided in Attachment 2.

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At year-end, \$4.4M was transferred from the Winterization Reserve to fund the greater than anticipated winter control activities associated with the extreme winter at the beginning of 2014. A corporate accrual in the amount of \$10.2M was processed to account for the anticipated funding to be received as a result of the Ontario Ice Storm Assistance Program application which fully offset the storm clean-up costs.

Excluding reimbursable Ice Storm related costs, City expenditures were \$0.9M more than planned

City Expenditure Variance Overview

Expenditures	Budget	Actual	-Under / Over	% Variance
Departmental Expenditures	221.6	219.3	2.3	1.0%
Reserve Contrib. & Corp. Exp.	11.6	17.1	-5.5	-136.0%
Long Term Debt	14.0	12.1	1.9	13.6%
Contingency	0.4	-0.1	0.5	117.3%
Capital From Taxation	6.4	6.4	0.0	0.0%
City Operations	254.0	254.7	-0.9	0.28%
Ice Storm 2013	0.0	10.2	-10.2	
Total	254.0	264.9	-11.1	4.3%

Actual total expenditures from normal City operations were \$250.2M as of December 31, 2014, \$3.8M less than the budgeted \$254.0M. Layering in costs associated with pressures resulting from the harsh winter conditions at the beginning of 2014, the expenditure position is \$0.9M more than budget. This variance stems from the following:

- **Department Expenditures** – Department expenditures excluding Ice Storm related costs, were \$2.3M less than budgeted. This is as a result of:
 - Labour costs that were \$7.5M less than budget. This was primarily attributable to general turnover vacancies, and new complement positions that were not filled for most of the year. The year-end payroll accrual reversals due to past year payment timing have self-corrected at year-end. The 2014 Budget include a corporate estimate of labour savings associated with normal turnover of \$4.4M.
 - Winter control costs were \$6.2M greater than budgeted, of which \$4.5M can be attributed to the harsh 2014 winter conditions at the beginning of the year. The remaining \$1.7M is attributed to costs associated with to additional unplanned salt purchases.
 - Additional savings totalling \$0.9M in General Maintenance, YRT Ticket Purchases, Protective Clothing, Computer Hardware and Software, Professional Fees, Communications and Training and Development.
- **Reserve Transfers and Corporate Expenditures** – Excluding Ice Storm Costs, the overall, transfers to reserves and corporate expenditures were \$5.4M more than budgeted due to:
 - Anticipated labour savings of \$4.4M associated with normal turnover vacancies was budgeted corporately but the actual savings of \$7.5M have been accounted for in the departments.
 - As at December 31, 2014, OMB and VMC projects were not fully staffed, resulting in a combined favourable variance to budget of \$0.4M. Recruitment is currently underway to fill these roles. These year-end savings were transferred to the Year-End Expenditure reserve to carry sufficient funds forward into future years
 - Unplanned expenditure of \$0.9M related to a corporate reorganization.

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2013 Ice Storm costs equate to \$10.2M, increasing total variance for transfers to reserves and corporate expenditures to \$15.6M. These are the costs associated with clean-up efforts that occurred in the first half of 2014. As mentioned above, an application for financial assistance to reimburse these costs was submitted to the Ontario Ice Storm Assistance Program on December 21, 2014. An accrual has been made to record expected funds to be received from the province, resulting in a net impact of \$0 related to the 2013 Ice Storm on the City's year-end financial position.

- **Long-term Debt** – There were no new debt issuances in 2014, resulting in less than planned principal and interest payment equating to the \$1.9M favourable variance.
- **Contingency** – A year-end accounting entry to adjust the accounts receivable balance contributes to a favourable variance of \$0.5M

Variance Summary:

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 FOURTH QUARTER VARIANCE REPORT			Variance ('000,000)
<u>Revenues</u>			
Reserves and Other Transfers			
Winterization Reserve *	4.4		
Insurance	2.7		
DC Growth Projects	-0.3		
Admin Recovery from Capital	-0.4		
Election Reserve	-0.4		
Engineering Reserve	-1.3		
Building Std Continuity Reserve	-1.6		
Tax Rate Stabilization	-3.1		-0.1
Fees & Service Charges			
Clerks - Licensing	0.3		
Fire And Rescue Services	0.2		
Culture	0.2		
Development & Transportation Eng.	-0.2		
Recreation	-0.2		
Building Standards	-0.4		
By-law & Compliance	-0.4		
Development Planning	-0.9		
Other (under \$100K var.)	0.4		-1.1
Corporate Revenue			
Ice Storm Emergency – ODRAP*	10.2		
PowerStream Dividends	1.5		
Mayor's Gala/Golf Classic	0.5		
Investment Income	0.3		
Miscellaneous Revenue	-0.3		
Other (under \$100K var.)	0.2		12.5
Supplemental Taxation			-0.2
Other (Grants/PIL)			-0.0
Total Revenues			11.1
			Variance ('000,000)

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Expenditures

Departmental Expenses

Building & Facilities	2.3	
Building Standards	1.4	
Development & Transport. Engineering	1.2	
Engineering Services	1.0	
Vaughan Public Libraries	0.8	
By-Law & Compliance	0.4	
Development Planning	0.4	
Financial Planning & Analytics	0.4	
Recreation	0.3	
Fleet Management	0.3	
Council	0.3	
Information Technology Management	0.2	
Policy Planning	0.2	
Human Resources	-0.3	
Clerks - Insurance	-3.1	
Public Works	-5.3	
Other-(various departments under \$200k var.)	1.5	2.3

Corporate Expenditures

Major OMB Hearing	0.4	
Election	0.3	
Tax Adjustments	-0.4	
Mayor's Gala/Golf Classic	-0.5	
Corporate Reorganization	-0.9	
Anticipated Labour Savings	-4.4	
Ice Storm 2013 *	-10.2	
Other (under \$100K var.)	0.1	-15.8

Long Term Debt

1.9

Contingency

0.5

Total Expenditures

-11.1

Net Variance

\$ 0.0

*Unexpected events

Water and Wastewater/Storm Operating Budget Results

Following are the fourth quarter financial operating results and analysis for both the water and wastewater/storm operations.

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 December 31, 2014 are unfavourable by \$2.5M which is comprised of unfavourable residential revenue at \$2.4M, commercial revenue at \$216K offset by favourable miscellaneous water revenue at \$106K.

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The residential consumption per household is down by 7.9% attributing to lower than expected billing revenue. Compared to budget a significant decline in consumption revenue was experienced during the summer months likely due to precipitation, weather and conservation. Actual growth by the end of the year exceeded budget by 30% which represents new account activations.

Commercial consumption activity is trending slightly lower than budget (1%), attributing to slightly unfavourable revenue, however new account activity has exceeded budgeted growth expectations by the end of the year.

Overall water purchases are favourable by \$1.6M due to significantly lower sales demands at \$1.1M offset by unfavourable non-revenue water (NRW) consumption of \$500K or 1.7%. Higher than expected watermain breaks due to weather conditions contribute to the unfavourable NRW.

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 \$1.5M.

Other revenues consist of installation, service fees and interest which are favourable by \$64K, primarily due to interest at \$69K. Favourable meter installations exceeded budget which offset much lower than expected service connections. Both services are based on demand.

Water operating expenses are favourable by \$925K which is the result of favourable maintenance and installation costs of \$466K and favourable general administration of \$464K. The favourable variances are largely due to lower than expected service requests in areas such as water connections, meter and valve repairs and valve exercising. These are offset by higher than expected activities for contractor labour and material due to harsh winter conditions experienced in the first quarter. Watermain and water service repairs were unfavourable due to increased frozen services and higher than normal watermain breaks in 2014.

General administration expenses are favourable due to savings in discretionary spending such as professional fees and costs related to new positions and vacancies not yet filled.

As a result of the above, the 2014 water lifecycle contribution of \$5.3M is unfavourable by \$485K.

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

	2014 Budget	2014 Actual	2014 Variance
Water Revenues			
Residential Billings	31.4	28.9	-2.4
Commercial Billings	19.1	18.9	-0.2
Other	0.3	0.4	0.1
	\$50.8	\$48.3	-\$2.5
Water Purchases			
Metered Water Purchases	31.4	29.8	1.6
Unmetered Water	4.7	5.2	-0.5
	\$36.1	\$35.0	\$1.1
Gross Margin	\$14.7	\$13.3	-\$1.5
Other Revenues	\$1.0	\$1.1	\$0.1

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Expenses

Maintenance and Installation Cost	5.0	4.5	0.5
General Administration	4.2	3.8	0.5
Joint Service Costs	0.8	0.8	0.0
	\$10.0	\$9.1	\$0.9
Net Water Operations	\$5.7	\$5.3	-\$0.5
Budgeted Lifecycle Contribution	\$5.7	\$5.7	\$0.0
Reserve Adjustment	\$0.0	-\$0.5	-\$0.5
Surplus	\$0.0	\$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 unfavourable by \$2.8M for the period ending December 31, 2014 comprised of residential billings \$2.9M offset by slightly favourable commercial revenue at \$52K.

The favourable treatment variance of \$1.5M is a combination of favourable treatment charges relative to lower than expected sales and unfavourable non-revenue treatment charges. This relates directly to the non-revenue water variance.

The unfavourable gross margin of \$1.3M is the result of unfavourable sales, primarily residential revenue at \$2.9M net of favourable treatment charges.

Other revenues consist of installation, service fees and interest which overall are slightly favourable by \$26K. New development recoveries exceeded budget which offset much lower than expected sanitary service connections and slightly lower interest.

Operating expenses are favourable by \$1.4M primarily due to maintenance and installation at \$733K and storm operations at \$386K attributed by lower than expected contractor labour and materials related to emergency repairs, service connections, flushing and cleaning activities.

General administration is favourable by \$297K due to **costs related to new positions and vacancies not yet filled** and discretionary spending such as professional fees.

As a result of the above, the wastewater/storm lifecycle contribution of \$6.2M is favourable by \$146K.

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

	2014 Budget	2014 Actual	2014 Variance
Wastewater Revenues			
Residential Billings	36.2	33.3	-2.9
Commercial Billings	22.5	22.6	0.1
	\$58.7	\$55.9	-\$2.8
Wastewater Expenses			
Regional Treatment Charges	\$45.2	\$43.7	\$1.5
Gross Margin	\$13.5	\$12.2	-\$1.3
Other Revenues	\$0.9	\$0.9	\$0.0
Expenses			
Maintenance and Installation	3.8	3.0	0.7
General Administration	2.3	2.0	0.3
Storm Sewer Maintenance	1.8	1.4	0.4
Joint Services	0.5	0.5	0.0
	\$8.4	\$7.0	\$1.4
Net Wastewater Operations	\$6.0	\$6.2	\$0.1
Budgeted Lifecycle Contribution	\$6.0	\$6.0	\$0.0
Additional Reserve Contribution	\$0.0	\$0.1	\$0.1
Surplus	\$0.0	\$0.0	\$0.0

Capital Budget Results

Overall, the Capital Budget performance is favourable, with the majority of projects completed in the year 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
- Closed Capital Projects Budget vs. Actual
- Reserve and Reserve Fund positions
- Grant Activity

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Open Capital Project Spend Report (Attachment 3)

Year	# of Projects				Budget		Unspent Funds	
	Q3 Open	Closed	New	Q4 Open	\$M	%	\$M	%
2014	197	2	1	196	34.3	6%	32.5	95%
2013	129	22		107	61.4	10%	36.0	59%
2009-2012	205	26		179	231.3	40%	80.3	35%
2006-2008	42	8		34	64.5	11%	10.7	17%
2005 and older	17	3		14	193.4	33%	6.0	3%
Total	590	61	1	530	584.8	100%	165.4	28%

At December 31, 2014, there were 530 open capital projects with \$165.4M of available budget remaining. There are 227 projects that have been open since 2012 or earlier; but 90 or 40% of these older projects are considered inactive for the following reasons:

- Regional Invoice – waiting to receive and pay final invoices from the Region
- Maintenance/Warranty – project is complete but is on a maintenance or warranty period; project will be closed at the end of the maintenance or warranty period
- DC repayment – agreements are in place whereby payment is dependent on development charge collection timing
- External Invoice – waiting to receive final invoices to be received and paid
- On Hold – project may be on hold
- Completed – works are completed and the project will be closed in the following quarter

In total, there are 137 inactive projects, 90 of the projects have been open since 2012 or earlier. The breakdown of the classification of the 137 open inactive projects is as follows:

Classification	#	\$M
Regional Invoice	9	11.3
Maintenance	26	8.8
DC Repayment	28	8.0
External Invoice	23	3.6
Warranty	27	1.7
On Hold	4	0.7
Complete	20	0.4
Grand Total	137	34.7

A further 40 projects are annual projects for which new funds are approved each budget cycle, with the approved funds added to the existing project number. The table below provides a further breakdown of open capital projects:

Year	Q4 Open		Inactive		Annual		Active	
	#	\$M	#	\$M	#	\$M	#	\$M
2014	196	32.5	14	5.4	4	0.77	178	26.3
2013	107	36.0	33	6.5	7	1.79	67	27.7
2009-2012	179	80.3	61	12.3	23	7.13	95	60.9
2006-2008	34	10.7	19	7.3	6	1.21	9	2.2
2005 and older	14	6.0	10	3.2			4	2.8
Total	530	165.4	137	34.7	40	10.9	353	119.8

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At December 31, 2014, of the 530 open projects, 137 projects with a project balance of \$37.7M are inactive, leaving 393 annual and active projects with a project balance of \$130.7M.

New Capital Projects

During the fourth quarter, Council approved one new project to the 2014 Capital Budget:

- PL-9547-14 Land Use Study – Kipling/Highway 7 - \$57,657 – a study for the area at the northeast quadrant of the Kipling Avenue and Regional Road 7 intersections to address land use designations, density and building heights and identify opportunities where intensification may occur.

Budget Amendments

During the fourth quarter, Council approved one capital budget amendments:

- CO-0066-11 Block 40 Parkland Acquisition – per By-Law 116-2014 a final payment for land compensation for the acquisition of lands municipally known as 4020 Major Mackenzie Drive.

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 December 31, 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 of the City's Capital Project Financial Administration and Reporting Policy 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:

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Project Title	Approved Budget	Future Budget Requests	Total	>\$5M	=>20%
Lead Department: Building & Facilities					
North Thornhill Branch Library (Block 10)	4,220,550		4,220,550		
Station 7-3 Relocation	9,537,975		9,537,975	X	
Civic Centre Resource Library - Construction	15,177,972		15,177,972	X	
Civic Centre - Demolition, Parking and Storm Drainage	2,069,300	20,970,800	23,040,100	X	
Lead Department: Parks Development					
Maple Valley Plan	8,005,514	27,494,486	35,500,000	X	
Lead Department: Development Transportation Engineering					
Millway Avenue Widening & Realignment	6,769,800		6,769,800	X	
Vaughan Metropolitan Centre NE Storm Water Management Pond	630,360	6,282,306	6,912,666	X	X
Black Creek Renewal	2,342,580	45,398,233	47,740,810	X	X
Lead Department: Engineering					
Corporate Asset Management	3,044,000		3,044,000		
Lead Department: City Manager					
Vaughan Hospital Precinct Development	80,000,000		80,000,000	X	

Financial Planning & Analytics staff worked with the identified Lead Departments to complete the reports for fourth quarter reporting.

Capital projects closed during the Fourth Quarter

Financial Planning & Analytics staff together with City departments reviewed all active capital projects listed as of December 31, 2014 to determine which capital projects could be consolidated and/or closed. Overall, 61 capital projects with budgets totalling \$18.8M were closed in the fourth quarter of 2014. Total actual project costs came in at 89% of budget, freeing up \$2.0M in the original funding sources for future project consideration. Savings occurred across many departments as follows:

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Department	Budget	Actual	Remaining	Spend	# Projects
Innovation & Continuous Improvement	205,700	0	205,700	0.0%	1
Public Works	314,749	103,260	211,489	32.8%	2
Access Vaughan	100,970	59,371	41,599	58.8%	2
Financial Planning & Analytics	309,000	183,387	125,613	59.3%	1
Development & Transportation	1,252,350	814,502	437,848	65.0%	7
Parks Development	168,350	119,943	48,407	71.2%	2
Building & Facilities	1,425,300	1,034,601	390,699	72.6%	7
Information Technology	195,700	142,504	53,196	72.8%	2
By-law & Compliance	77,250	62,729	14,521	81.2%	1
Development Planning	103,000	87,168	15,832	84.6%	1
Policy Planning	227,783	198,041	29,742	86.9%	2
Recreation	22,151	19,304	2,847	87.1%	1
Fleet Management	1,508,088	1,399,045	109,042	92.8%	16
Fire & Rescue Services	369,300	346,120	23,180	93.7%	2
Parks Operation	26,800	25,441	1,359	94.9%	1
Engineering Services	11,692,206	11,399,531	292,675	97.5%	8
Library Services	571,900	566,505	5,395	99.1%	3
Development Finance and Investment	150,000	150,000	0	100.0%	1
City Clerk	30,000	31,025	(1,025)	103.4%	1
Grand Total	18,750,597	16,742,477	2,008,119	89.3%	61

Some explanations for the larger variances are as follows:

- Innovation and Continuous Improvement – Point of Sale Initiative capital funds were redirected through the budget process to resource the Procure to Pay initiative.
- Public Works – a project for SCADA wireless with a revised scope was submitted during the 2015 budget process; a water system flow analysis is no longer required as York Region and the City will be conducting a joint Leak Detection Program.
- Financial Planning and Analytics – project closed as work for Fixed Asset reporting will be completed with the Corporate Asset Management Initiative.
- Development Transportation Engineering – three older projects were closed as works were completed and the funds were no longer required.
- Building and Facilities – five older projects were closed as works were completed and the funds were no longer required.
- Information Technology Management - two older projects were closed as works were completed and the funds were no longer required.
- By-law and Compliance – leased vehicle buyout is complete; funds are no longer required.

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

Capital Project Financial Administration and Reporting Policy – Section 8 Memos

There were five memos received requesting approval for five projects to complete with actuals exceeding the capital budget:

- BF-8137-08 Thornhill Outdoor Pool Shell - \$1,764 funded from department operating account 160268.7310.01

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- 1583-0-06 Highway 400 Avenue Overpass Class EA - \$4,758 funded from Citywide Engineering Development Charges
- 1596-0-06 VMC Servicing Strategy Master Plan Class EA - \$4,256 funded from Citywide Engineering Development Charges
- DT-7026-09 Citywide Drainage Study Phase II - \$1,380 funded from the Sewer Reserve
- PW-2055-13 Double-Walled Brine Tanks - \$7,077 funded from closed capital projects and a transfer of funds from capital project PW-2052-14

Attachment 8 provides more detail regarding these requests.

Continuity Schedule of Reserves and Reserve Funds

A continuity schedule of reserves and reserve funds as at December 31, 2014 is provided as Attachment 7. This schedule provides information on the individual and aggregate reserve balances at year end. These balances will be the opening reserve balances for 2015. The schedule also provides information on outstanding financial commitments for approved projects.

Reserve positions before commitments are all in a positive position, with the exception of development charge management studies and fire, special area charge PD6 East and PD6 West, and Uplands reserve. Adding commitments to the schedule reveals that 8 reserves could be in a negative position by year end. Below is a brief description for positioning of these 8 reserves:

Sale of Public Lands – Future obligations are currently greater than the balance on hand. Dedicated surplus land has been authorized for sale and any proceeds will be used to cover this obligation.

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.

Library Material Reserve - Future planned expenditures are currently greater than the balance on hand. Project spend will be limited to available reserve funds.

CWDC Fire – A Council commitment to move forward with fire station 7-10 and the increase in land value for Station 7-3 has placed this reserve into a negative position. It is anticipated that this will be replenished through future growth based development charges. This position may impact the timing of future projects.

CWDC Management Studies – This reserve is permitted to be in a deficit position. Growth related studies are completed in advance of growth. The associated costs are expected to be recovered through subsequent development charges.

Special Charges and Area Development Charges (Developer Build Reserves) – These reserves relate to projects generally built by developers. Developers agree to develop projects, 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

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Grants Update

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

- Annual Government Grant Programs
- New Opportunities

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

Grant activity in the fourth quarter was related to twelve (12) programs equating to approximately \$14.8 Million dollars. Specific award status and details are as follows:

- 7 submissions have received funding: \$4,439,711
- 4 applications are pending notification of award: \$10,284,376
- One request was declined: \$90,000

The following table provides a summary of the fourth quarter application activities:

2014 Grant Program Activity
Q4 Submissions Awarded/Fund Received

Program	Total Project Cost	Award	Use of Funds
Embedded Energy Manager Program	85,000	85,000	Ministry of Energy to hire an Energy Manager
Gas Tax Second Installment	4,173,937	4,173,937	Second Installment
National Trail Commission	172,500	57,000	Bartley Smith Trail
Measuring Sustainability	22,500	22,500	Reimbursement from matrix of measures
Tree Planting	5,000	1,274	York Region Planting Program
VBEC	90,000	90,000	Ministry Program Support
ICCI	20,000	10,000	Foreign Office Marketing
TOTAL	4,568,937	4,439,711	

Q4 Submission Pending Award Notification

Program	Total Project Cost	Request	Use of Funds
Ministry of Culture	43,075	10,000	Pan Am Para Pan Event support
ODRAP*	10,700,000	10,227,000	Ice Storm Damage (less cost of tree replacement)
Power Play	25,000	25,000	Recreation Programs for Physically Challenged Children
New Horizons for Seniors	22,376	22,376	
TOTAL	10,790,451	10,284,376	

2014 Not Awarded Q4

Program	Total Project Cost	RATIONAL
100 Resilient Cities Challenge	90,000	Very limited number cities chosen from across the world
TOTAL	90,000	

*Notification has been received in early 2015 of the approval of an interim payment of \$3.6M from the Ministry of Municipal Affairs and Housing.

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A summary of the Grant Activity for 2014 is provided as Attachment 9. For 2014, there were 35 grant applications submitted for funding consideration to various programs; 28 applications were successful, resulting in \$6.3M in grant funding for City initiatives, and 4 grant applications are pending which could result in an additional \$27.0M in grant funding.

New Opportunities

The City endeavors to continually research new grant funding opportunities and proactively plan submission where possible. During the first quarter of 2015 applications will be developed and submitted to various government agencies:

- Age Friendly Community Grant: Provides a maximum of \$50,000 in support of Age Friendly Community planning initiatives.
- Ontario Sport Recreation Fund: Provides a maximum of 50% of eligible costs regarding youth recreation education and programs which support physically challenged children.
- Seniors Community Grant Fund: Provides up to 80% of eligible costs in support of programs/initiatives for inclusion of seniors in community activities.
- Green Municipal Fund: Call for pending in 2015: Provides a maximum of 50% of projects which promote unique green initiatives with an educational value for other agencies.

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

Prior to a year-end transfer from the Winterization Reserve, the overall City position was unfavourable by \$4.4M. This unfavourable result was attributable to the severe winter costs which were completely out of the City's control. Sufficient funds, accumulated during milder winters, were available in the Winterization reserve to address this unfavourable variance.

A year-end accrual has been processed to account for the ODRAP funding to be received as a result of the claim package to the Province submitted in December of 2014. The ability to process this accrual has aligned the offsetting revenues with the expenditures processed, resulting in a net impact of \$0 on the 2014 year end position.

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, 2014
- Attachment 4: High Profile Capital Project Reports
- Attachment 5: Inactive Project Listing
- Attachment 6: Closed Capital Projects Report for Quarter Ending December 31, 2014
- Attachment 7: Continuity Schedule of Reserves & Reserve Funds as at December 31, 2014
- Attachment 8: Capital Budget Overages
- Attachment 9: 2014 Grant Summary

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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.)