

## CITY OF VAUGHAN

### **EXTRACT FROM COUNCIL MEETING MINUTES OF SEPTEMBER 16, 2015**

Item 14, Report No. 11, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on September 16, 2015.

#### **14                      ENDING JUNE 30, 2015 – CONSOLIDATED QUARTERLY REPORT**

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer, the Director of Financial Planning & Analytics and the Director of City Financial Services/Deputy Treasurer, dated September 8, 2015:

##### **Recommendation**

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

1. That the 2015 Consolidated Second Quarter Variance Report be received.

##### **Contribution to Sustainability**

Not applicable.

##### **Economic Impact**

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

##### **Communication Plan**

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

##### **Purpose**

To report on the City's financial results for the second quarter ended June 30, 2015, including an update on grant activity, and high profile capital projects.

##### **Background – Analysis and Options**

The attached second quarter variance report compares actual operating, water and wastewater operations and capital results for the period ending June 30, 2015, relative to approved budgets and on the same basis as the budget.

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 benefits are excluded while transfers to and from reserves and net debenture financing requirements are included.

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.

##### **Second Quarter Overview**

##### **At the end of the second quarter expenses exceeded revenues by \$1.3 million**

Revenues were approximately \$2.6 million less than planned. This was partially offset by expenditures that were approximately \$1.3 million less than planned. Lower revenues were driven by lower reserve draws and fees and charges that are trending about 8% lower than plan.

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Staff are working with departments to assess the prospects for these revenues to recover in the remainder of the year. Lower expenditures were driven by department expenditures that are trending about 4% lower than planned. This trend is expected to continue and staff are working with departments to identify additional measures that can be taken to help ensure the year ends in a balanced position.

#### **Water and Wastewater operations were substantially on target**

The City's combined Water and Wastewater/Stormwater operations resulted in a slightly unfavourable variance of \$40 thousand. Lower than expected consumption and growth contributed to the unfavourable sales revenue. Water purchases and wastewater treatment costs were favourable as a result. Maintenance and installation expenses are favourable overall, primarily due to lower than expected contractor and materials, flow monitoring and main inspections. Additional favourable expenses from general administration are a result of cost savings in discretionary expenses and new positions or vacancies not yet filled.

#### **The overall capital position was on target**

The overall capital position was on target. There are 612 open projects with a remaining budget of \$251.5 million. There were 43 closed capital projects were completed on or below budget, returning \$0.78 million to their original funding sources.

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 Q2 2015 Financial Results**

Operations (M\$)				
	City	Water	Wastewater/ Storm	Total
<b>Revenue</b>				
YTD Budget*	210.7	23.9	29.8	264.4
YTD Actual	208.1	22.9	28.4	259.5
Variance	-2.6	-1.0	-1.4	-4.9
%	-1.22%	-4.14%	-4.64%	-1.87%
<b>Expenditure</b>				
YTD Budget	130.9	22.3	27.8	181.0
YTD Actual	129.7	21.0	26.7	177.3
Variance	1.2	1.3	1.1	3.7
%	0.95%	5.92%	3.92%	2.02%
<b>Net fav. / (unfav.) variance</b>	-1.3	0.3	-0.3	-1.3
<b>Add'l Resv. Transfers</b>	0.0	-0.3	0.3	0.0
<b>Surplus/ (Deficit)</b>	-1.3	0.0	0.0	-1.3

*\* City Related Budget is comprised of \$42.8M in Non-tax revenues and \$167.9M in Taxation Revenues*

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**Table 1**  
**Capital (\$M)**

	Prior Years			2015					2015 Adjusted	
	Total Available Budget	Total Actual Spend	Variance Q4-14	2015 Budget	Available Budget (A)	Actual Spend	Variance Q2-15		Major Y/E 2015 Accrual Reversals (B)	Adjusted Variance Q2-15 (C)
							\$	%		
2015 Budget Projects - Closed	0.0	0.0	0.0	0.1	0.1	0.0	0.1	100%	0.0	0.1
2015 Budget Projects - Active	0.0	0.0	0.0	73.0	73.0	0.9	72.1	99%	0.0	72.1
<b>Total 2015 Budget Projects</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>73.1</b>	<b>73.1</b>	<b>0.9</b>	<b>72.2</b>	<b>99%</b>	<b>0.0</b>	<b>72.2</b>
Prior Budget Projects - Closed	31.5	28.3	3.2	0.0	3.2	0.0	3.2	100%	0.0	3.2
Prior Budget Projects - Active	553.3	391.1	162.2	21.7	183.9	18.4	165.5	90%	13.8	179.3
<b>Total Prior Budget Projects</b>	<b>584.8</b>	<b>419.4</b>	<b>165.4</b>	<b>21.7</b>	<b>187.1</b>	<b>18.4</b>	<b>168.7</b>	<b>90%</b>	<b>13.8</b>	<b>182.5</b>
<b>Total</b>	<b>584.8</b>	<b>419.4</b>	<b>165.4</b>	<b>94.8</b>	<b>260.2</b>	<b>19.3</b>	<b>240.9</b>	<b>93%</b>	<b>13.8</b>	<b>254.7</b>

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

B) Y/E 2014 audit accrual reversals illustrated separately to focus on actual unspent values

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

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

### City Operating Budget Results

The annual Operating Budget for the City is \$258.7 million; \$210.7 million in revenues and \$130.9 million in expenditures were budgeted for the six months ended June 30, 2015. For the second quarter, revenues were budgeted at \$110.9M and expenditures were budgeted at \$61.9M. At the end of the second quarter, the City experienced a \$1.3 million net unfavourable variance.

Second quarter revenue for 2015 revenues were not achieved by \$2.56 million as a result of lower transfers to the operating budget from reserves and lower than anticipated user fees revenue. These lower than anticipated revenues were partially offset by lower than anticipated department expenditures in the amount of \$1.25 million.

The table below illustrates the net results for the City as of June 30, 2015.

Net Results (\$M)	YTD* Budget	YTD* Actual	-Under / Over	% Variance
Taxation	167.9	167.9	0.0	0.0%
Grant / Payment In Lieu	1.5	1.5	0.1	4.4%
Reserves And Other Transfers	-7.3	-9.0	-1.7	23.2%
Departmental Expenditures	-90.1	-87.7	2.4	-2.7%
Corporate	7.8	5.8	-2.0	-26.2%
<b>Net City Operations</b>	<b>79.8</b>	<b>78.5</b>	<b>-1.3</b>	<b>-1.6%</b>

\*YTD – timeframe is from January 1 - June 30, 2015

**City Revenues were \$2.56 million less than budgeted**

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### City Revenue Variance Overview

Revenue (\$M)	YTD* Budget	YTD* Actual	-Under / Over	% Variance
Taxation	167.9	167.9	-0.0	0.0%
Grant / Payment In Lieu	1.5	1.5	0.1	4.4%
Reserves And Other Transfers	7.3	5.6	-1.7	-23.3%
Fees And Service Charges	19.7	18.1	-1.6	-8.2%
Corporate	14.4	15.1	0.7	5.1%
<b>Total City Operations</b>	<b>210.7</b>	<b>208.1</b>	<b>-2.56</b>	<b>-1.2%</b>

\*YTD – timeframe is from January 1 - June 30, 2015

Revenues were \$208.1 million as of June 30, 2015, \$2.56 million less than planned. This variance stems from the following:

- **Reserves And Other Transfers** – are \$1.7 million less than budgeted as a result of planned transfers not being required in the second quarter. Details of these variances are:
- Almost all of the variance (\$1.6 million) is a result of planned withdrawals that were not required for Engineering Services and Building Standards Service Continuity Reserve as a result of lower than expected department expenditures due to vacancies within these departments.
- **Fees And Services Charges** – are \$1.6 million less than budgeted, largely attributed to revenue shortfalls in Development Planning and Building Standards.
  - Development Planning revenue is \$1.1 million less than planned due to delayed development applications. High rise applications are anticipated to partially recover by the end of 2015 which should offset some of this revenue shortfall.
  - Building Standards revenue is \$0.7 million less than planned due to lower than expected building permit fees despite an increase in construction activity in the residential sector. A future initiative to be undertaken includes an indexing of Building Permit fees which should better align these fees with the industry.
- **Corporate** – are \$0.7 million greater than budget, largely attributed to sponsorships received for the Mayor's Gala/Golf Classic. A portion of the Mayor's Gala/Golf Classic revenues are offset by matching expenditures. At year end, a reconciliation to record expenditures associated with these events will be completed and any surplus revenues will be redistributed to charities of the Mayor's choice.

All these variances are explained in more detail in Attachment 2.

**City expenditures were \$1.25 million less than planned**

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### City Expenditure Variance Overview

Expenditures (\$M)	YTD* Budget	YTD* Actual	-Under / Over	% Variance
Departmental Expenditures	109.8	105.8	4.0	3.7%
Reserve Contrib. & Corp. Exp.	8.0	10.4	2.4	-30.1%
Long Term Debt	6.7	6.8	0.1	-2.0%
Contingency	-0.2	0.0	0.2	0.0%
Capital from Taxation	6.7	6.7	0.0	0.0%
<b>Total City Operations</b>	<b>130.9</b>	<b>129.7</b>	<b>1.2</b>	<b>1.0%</b>

\*YTD – timeframe is from January 1 - June 30, 2015

Second quarter expenditures from City operations were \$129.7 million as of June 30, 2015, \$1.2 million less than the budgeted \$130.9 million. This variance stems from the following:

- **Department Expenditures** – Department expenditures were \$4.0 million less than budgeted. This is as a result of:
  - Labour costs that were \$2.9 million less than budget. This was primarily attributable to general turnover vacancies and new complement positions that were not filled in the first half of the year. The 2015 Budget includes a corporate estimate of labour savings associated with normal turnover of \$2.2 million in the second quarter.
  - Other expenditures were \$1.2 million less than budget. This was primarily attributable to lower than planned spending in contracts due to the timing of activities in boulevard maintenance, road maintenance and streetlight maintenance. Lower than anticipated expenditures in fuel as a result of the calendarization of fuel budgets for winter activities contribute to this favourable variance. It is anticipated that these expenditures will align with the budget by year end.
- **Reserve Transfers and Corporate Expenditures** – There is no variance in the transfers to reserves. Corporate expenditures were \$2.4M more than budgeted due to:
  - Anticipated labour savings of \$2.2 million associated with normal turnover vacancies was budgeted corporately but the actual savings of \$2.9 million have been accounted for in the departments.
  - Tax adjustments were \$0.2 million greater than budget due to increased approved property tax appeals.
- **Long-term Debt** – Calendarization of the budget has resulted in a \$0.1 million unfavourable variance. This should correct itself during the year as debenture payments are processed.
- **Contingency** – Contingency is \$0.2 million less than budgeted due to job evaluation budget transfers to various departments which occurred during the second quarter. The budget for this is accounted for in the corporate contingency line and transferred to departments once the job evaluation has occurred. The job evaluation actuals are contained within the department expenditures.

### 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.

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**City of Vaughan  
2015 OPERATING BUDGET  
SECOND QUARTER VARIANCE REPORT**

		<b>Variance ('000,000)</b>
<b><u>Revenues</u></b>		
<b>Reserves and Other Transfers</b>		
Engineering Reserve	-0.8	
Building Std Continuity Reserve	-0.8	
Other (under \$100K var.)	<u>-0.0</u>	-1.7
<b>Fees &amp; Service Charges</b>		
Culture	0.2	
Recreation	0.2	
Executive Director	-0.2	
By-law & Compliance	-0.3	
Building Standards	-0.7	
Development Planning	-1.1	
Other (under \$100K var.)	<u>0.2</u>	-1.6
<b>Corporate Revenue</b>		
Mayor's Gala/Golf Classic	0.8	
Powerstream Dividends	0.4	
Investment Income	-0.4	
Other (under \$100K var.)	<u>-0.1</u>	0.7
<b>Supplemental Taxation</b>		0.0
<b>Other (Grants/PIL)</b>		<u>0.0</u>
<b>Total Revenues</b>		-2.6
<b><u>Expenditures</u></b>		
<b>Departmental Expenses</b>		
Trans. Serv and Parks & Forestry	1.0	
Building Standards	0.5	
Develop. Eng & Infra. Planning Serv	0.3	
ITM	0.3	
Commissioner of Community Services	0.2	
Fire and Rescue	0.2	
Purchasing	0.2	
Development Planning	0.2	
Fleet Management	0.2	
Executive Director	0.2	
Capital Delivery & Asset Mgmt.	0.1	
Vaughan Public Libraries	0.1	
Building & Facilities	0.1	
Policy Planning	0.1	
City Financial Services	0.1	
Human Resources	-0.1	
City Clerk - Insurance	-0.2	
Other-(various departments under \$100k var.)	<u>0.6</u>	4.0
<b>Corporate Expenditures</b>		
Professional Fees	0.1	
Mayor's Gala/Golf Classic	-0.1	
Tax Adjustments	-0.2	
Anticipated Labour Savings	-2.2	
Other (under \$100K var.)	<u>0.0</u>	-2.4
<b>Long Term Debt</b>		-0.1
<b>Contingency</b>		<u>-0.2</u>
<b>Total Expenditures</b>		<u>1.2</u>
<b>Net Variance</b>		<u><u>- \$ 1.3</u></u>

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#### Water and Wastewater/Storm Operating Budget Results

Following are the second quarter financial operating results and analysis for both the water and wastewater/stormwater 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 distribution and wastewater collection 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/stormwater 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, operations and maintenance costs, and most importantly, funding to build the reserves for future infrastructure renewal.

#### Water Operations

Year to date actual Water Revenues for the period ending June 30, 2015 are unfavourable by \$1 million which is mostly due to residential revenue which is unfavourable by \$928 thousand. The residential consumption per household in the second quarter is lower than budget by 7 per cent. Precipitation in June was the highest recorded, for the month of June, in the last five years. New account activations for the second quarter are trending below budget. Both are contributing factors in lower billing revenue in the quarter.

Overall, Water Purchases are favourable by \$235 thousand due to lower sales demands (\$650 thousand favourable) offset by non-revenue water (NRW) consumption (\$415 thousand unfavourable). Due to accruals/estimates that are incorporated into the NRW amounts, the NRW will be reviewed at year end. Non-revenue water is trending at seasonal values.

Water operating expenses are favourable by \$1.1 million which is the result of favourable Maintenance and Installation costs of \$596 thousand and favourable General Administration of \$481 thousand.

Thawing activity for contractor and in-house labour under Maintenance and Installation costs exceeded budget in the second quarter by \$280 thousand. Increased customer demand was the contributing factor due to frozen pipes during an extreme cold spell in the first quarter. This was more than offset by favourable variances largely due to timing differences with respect to contractor labour and materials for main repairs, valve replacement and other contracted activity.

General Administration expenses are favourable due to timing differences in discretionary spending such as professional fees and costs related to new positions and vacancies not yet filled. Recruitment process began in the second quarter. As a result of the above, the second quarter 2015 water Lifecycle Contribution of \$2.0 million is favourable by \$329 thousand.

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City of Vaughan  
Statement of Operations  
Water Division  
For The Period Ending June 30, 2015

\$M	2015 Budget	2015 YTD Budget	2015 Actual	2015 Variance
<b>Water Revenues</b>				
Residential Billings	30.87	14.29	13.36	-0.93
Commercial Billings	20.50	8.98	8.92	-0.05
Other	0.23	0.11	0.08	-0.03
	<b>51.60</b>	<b>23.38</b>	<b>22.37</b>	<b>-1.01</b>
<b>Water Purchases</b>				
Metered Water Purchases	32.48	14.63	13.99	0.65
Non-Revenue Water	4.85	3.37	3.78	-0.41
	<b>37.34</b>	<b>18.0</b>	<b>17.77</b>	<b>0.24</b>
<b>Gross Margin</b>	<b>14.27</b>	<b>5.38</b>	<b>4.60</b>	<b>-0.78</b>
<b>Other Revenues</b>	<b>1.11</b>	<b>0.55</b>	<b>0.57</b>	<b>0.01</b>
<b>Expenses</b>				
Maintenance and Installation Cost	5.93	2.50	1.91	0.60
General Administration	3.25	1.48	0.98	0.50
Joint Service Costs	0.59	0.30	0.30	-0.01
	<b>9.77</b>	<b>4.28</b>	<b>3.19</b>	<b>1.09</b>
<b>Net Water Operations</b>	<b>5.60</b>	<b>1.65</b>	<b>1.98</b>	<b>0.33</b>
<b>Budgeted Lifecycle Contribution</b>	<b>5.60</b>	<b>1.65</b>	<b>1.65</b>	<b>0.00</b>
<b>Additional Reserve Contribution</b>	<b>0.00</b>	<b>0.00</b>	<b>0.33</b>	<b>0.33</b>
<b>Surplus</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

### Wastewater/Stormwater Operations

Wastewater year to date billing is based on water consumption therefore trending is very similar to water revenues. Wastewater Revenues are unfavourable by \$1.4 million due mostly to unfavourable residential billings at \$1.0 million and commercial revenue at \$345 thousand. The favourable Regional Treatment variance of \$299 thousand 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.

Total operating expenses are favourable by \$792 thousand. This is primarily due to Stormwater operations favourable by \$511 thousand which is attributable to lower than expected activity in main inspections, flushing/ cleaning and drainage repairs offset by unfavourable contractor catch basin, manhole and inlet/outlet repairs and pond management costs.

Maintenance and Installation costs are favourable by \$99 thousand primarily due to lower flow monitoring, and main inspections offset by unfavourable CCTV sewer assessment contractor charges.



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General Administration is favourable by \$189 thousand primarily due to timing differences in discretionary spending such as professional fees and vacant positions not yet filled.

As a result of the above, the wastewater/stormwater Lifecycle Contribution of \$1.7 million is unfavourable by \$289 thousand.

**City of Vaughan  
Statement of Operations  
Wastewater Division  
For The Period Ending June 30, 2015**

<b>\$M</b>	<b>2015 Budget</b>	<b>2015 YTD Budget</b>	<b>2015 Actual</b>	<b>2015 Variance</b>
<b>Wastewater Revenues</b>				
Residential Billings	38.61	17.55	16.53	-1.02
Commercial Billings	26.71	11.65	11.31	-0.35
Other	0.17	0.09	0.05	-0.04
	<b>65.49</b>	<b>29.29</b>	<b>27.89</b>	<b>-1.40</b>
<b>Wastewater Expenses</b>				
Regional Treatment Charges	48.70	23.23	22.93	0.30
<b>Gross Margin</b>	<b>16.79</b>	<b>6.06</b>	<b>4.96</b>	<b>-1.10</b>
<b>Other Revenues</b>	<b>0.96</b>	<b>0.48</b>	<b>0.50</b>	<b>0.02</b>
<b>Expenses</b>				
Maintenance and Installation	3.99	1.76	1.66	0.10
General Administration	2.34	1.15	0.96	0.19
Storm Sewer Maintenance	3.51	1.31	0.80	0.51
Joint Services	0.70	0.35	0.35	-0.01
	<b>10.54</b>	<b>4.57</b>	<b>3.78</b>	<b>0.79</b>
<b>Net Wastewater Operations</b>	<b>7.20</b>	<b>1.97</b>	<b>1.68</b>	<b>-0.29</b>
<b>Budgeted Lifecycle Contribution</b>	<b>7.20</b>	<b>1.97</b>	<b>1.97</b>	<b>0.00</b>
<b>Reserve Adjustment</b>	<b>0.00</b>	<b>0.00</b>	<b>-0.29</b>	<b>-0.29</b>
<b>Surplus</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

### 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	
	Q1 Open	Closed	New	Q2 Open	\$M	%	\$M	%
2015	140	2		138	72.8	11%	72.1	99%
2014	195	11		184	47.4	7%	44.3	94%
2013	107	17		90	63.3	10%	36.9	58%
2009-2012	169	9		160	212.9	33%	78.8	37%
2006-2008	30	4		26	57.4	9%	12.7	22%
2005 and older	14			14	193.4	29%	6.4	3%
<b>Total</b>	<b>655</b>	<b>43</b>		<b>612</b>	<b>647.3</b>	<b>100%</b>	<b>251.4</b>	<b>39%</b>

At June 30, 2015, there were 612 open capital projects with \$251.4 million of available budget remaining. A total of 43 capital projects were closed during the second quarter, returning \$0.75 million to the projects original funding sources. There are 200 projects that have been open since 2012 or earlier; but 56 or 28 per cent of these older projects are considered inactive for the following reasons:

- DC repayment – agreements are in place whereby payment is dependent on development charge collection timing
- 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
- External Invoice – waiting to receive final invoices to be received and paid
- Completed – works are completed and the project will be closed in the following quarter
- On Hold – project may be on hold
- Woodlot repayment – agreements are in place whereby payment is dependent on collections from developers on this special charge

In total, there are 95 inactive projects, 56 of the projects have been open since 2012 or earlier. The breakdown of the classification of the 90 open inactive projects is as follows:

Classification	#	\$M
DC Repayment	38	42.8
Regional Invoice	6	10.6
Maintenance	9	3.8
External Invoice	16	2.3
Warranty	19	0.9
Complete	6	0.3
On Hold	1	0.1
<b>Grand Total</b>	<b>95</b>	<b>60.8</b>

A further 32 projects are annual projects for which new funds are approved each budget cycle, with the approved funds added to the existing project number. The following table provides a further breakdown of open capital projects:

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Year	Q2 Open		Inactive		Annual		Active	
	#	\$M	#	\$M	#	\$M	#	\$M
2015	138	72.1	10	23.4	10	6.87	118	41.8
2014	184	44.3	14	5.3	1	0.28	169	38.7
2013	90	36.9	15	2.6	2	1.22	73	33.1
2009-2012	160	78.8	39	16.9	17	3.65	104	58.2
2006-2008	26	12.7	8	8.9	2	0.13	16	3.7
2005 and older	14	6.5	9	3.6			5	3.0
<b>Total</b>	<b>612</b>	<b>251.4</b>	<b>95</b>	<b>60.8</b>	<b>32</b>	<b>12.1</b>	<b>485</b>	<b>178.5</b>

At June 30, 2015, of the 612 open projects, 95 projects with a project balance of \$60.8 million are inactive, leaving 517 annual and active projects with a project balance of \$190.6 million.

### Administrative Corrections/Budget Amendments

Two existing capital projects received additional funding approval with the April 1, 2015 approval of the 2015 Capital budget. Some figures were not reflected in the last quarterly report. An administrative correction has been processed to reflect the approved budgets as outlined below:

- EN-1913-14 Pavement Management Program Phase 2 - \$3,465,000 approved as part of the original 2015 capital budget. This is an adjustment to include the approved amount.
- 1332-0-00 Bass Pro Mills Interchange - \$133,900 approved as part of the original 2015 capital budget, however was not captured. This is an adjustment to include the approved amount.

The four projects listed below required an administrative correction to remove the 3% administration recovery fee. These projects are funded from Gas Tax, and as such the 3% administration recovery fee is not applicable to the projects.

- CD-1920-15 2015 Road Rehabilitation and Watermain Replacement – Phase 3 – (\$39,800)
- CD-2015-15 2016 Road Rehabilitation – (\$8,050)
- CD-2018-15 2017 Road Rehabilitation – (\$9,900)
- PK-6474-15 Keffer Marsh – Bridge Replacement – (\$2,613)

During the second quarter, Council approved two capital budget amendments totalling \$0.96 million (76% of original budgets):

- FR-3599-13 Expand/Update Crew Quarters Station 7-5 - \$222,000 (42% of original budget) funded from the Fire Equipment Replacement Reserve – Item 28, Report No 17 Committee of the Whole April 14, 2015 – to cover City expenses as part of the public consultation program
- DI-0072-13 Woodlot Acquisition Block 12 - \$600,000 as per the original Woodlot repayment agreement. Payments are made once the development charges have been collected.

Attachment 3 provides the budget to actual financial status with managing departments' comments for each open capital project. It is important to note this information is compiled as of June 30, 2015 and the reader is cautioned on the following:

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- 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:

Project Title	Approved Budget	Future Budget Requests	Total	>\$5M	=>20%
<b>Lead Department: Building &amp; Facilities</b>					
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	
<b>Lead Department: Parks Development</b>					
Maple Valley Plan	8,005,514	27,494,486	35,500,000	X	
<b>Lead Department: Development Transportation Engineering</b>					
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
<b>Lead Department: Engineering</b>					
Corporate Asset Management	3,044,000		3,044,000		
<b>Lead Department: City Manager</b>					
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 second quarter reporting.

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##### Capital projects closed during the Second Quarter

Financial Planning & Analytics staff together with City departments reviewed all active capital projects listed as of June 30, 2015 to determine which capital projects could be consolidated and/or closed. Overall, 43 capital projects with budgets totalling \$17.2 million were closed in the second quarter of 2015. Total actual project costs came in at 96 per cent of budget, freeing up \$0.75 million in the original funding sources for future project consideration. Savings occurred across many departments as follows:

Department (\$M)	Budget	Actual	Remaining	Spend	# Projects
Development Engineering & Infrastructure Planning	1.2	1.2	-0.0	101%	7
Transportation Services and Parks & Forestry	9.3	9.3	-0.0	100%	10
Parks Development	2.1	2.1	0.0	99%	4
Fire and Rescue Services	1.7	1.6	0.1	96%	5
By-Law & Compliance	0.1	0.1	0.0	92%	2
Capital Delivery & Asset Management	1.6	1.5	0.1	92%	3
Fleet Management	0.2	0.1	0.0	89%	4
Buildings & Facilities	0.3	0.2	0.1	62%	6
Environmental Services	0.8	0.4	0.4	49%	2
<b>Grand Total</b>	<b>17.2</b>	<b>16.5</b>	<b>0.7</b>	<b>96%</b>	<b>43</b>

Some explanations for the larger variances are as follows:

- Environmental Services – two projects were closed at a project spend of 49%, returning \$0.4M to the original funding sources. The tender costs to complete the works were less than original estimates.
- Buildings & Facilities –four projects closed with a project spend of 46%. The costs to complete were less than originally estimated. Two additional projects were closed with a project spend of 92%. In all, six projects were closed at a project spend of 62%, returning \$0.1M to the original funding sources.

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

##### Continuity Schedule of Reserves and Reserve Funds

A continuity schedule of reserves and reserve funds as at June 30, 2015 is provided as Attachment 7. 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, special area charge PD6 East and PD6 West, and Uplands reserve. Adding commitments to the schedule reveals that 7 reserves could be in a negative position by year end. Below is a brief description for positioning of these 7 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.

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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

#### Grants Update

The following provides an overview of the grant portfolio's 2015 Second 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 second quarter was related to fifteen programs totaling to approximately \$21 million. Specific award status and details are as follows:

- Eight submissions have received funding: \$3,101,291
- Twenty two department applications are pending notification of award: \$2,667,942
- Two corporate grants are pending notification of award: \$15,574,874
- Two requests were declined: \$18,000

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

#### **2014 Grant Program Activity**

##### **Q2 Submissions Awarded/Fund Received**

Program	Total Project Cost	Award	Use of Funds
Ont. Sports & Rec Fund	36,883	27,291	Support Rec & Culture's Multi-Sensory Outdoor program
Age Friendly Community Grant	108,602	50,000	Offset costs of future recreational programming for seniors
Celebrate Canada 2015	106,610	6,500	Fund 2015 Canada Day event
Federal Pan Am Funding	23,183	10,000	Offset costs of torch relay event
Provincial Pan Am Funding		7,500	Offset costs of torch relay event
ODRAP	10,227,000	3,000,000	Ice Storm Damage: up-front payment
<b>TOTAL</b>	<b>10,502,278</b>	<b>3,101,291</b>	

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<b>Q2 Submission Pending Award Notification (Department)</b>			
<b>Program</b>	<b>Total Project Cost</b>	<b>Request</b>	<b>Use of Funds</b>
Enabling Accessibility	450,000	50,000	Accessible play areas for York Hill District Park
VBEC MIT	75,618	75,618	2015 Core Funding
Swim to Survive (YRDSB)	6,579	6,579	Instructor fees
Swim to Survive (YCDSB)	35,740	35,740	Instructor fees
Job Start	162,575	7,000	Offset part time summer students in Recreation's camp program
COSTI	162,575	49,000	Offset part time summer students in Recreation's camp program
<b>TOTAL</b>	<b>893,087</b>	<b>223,937</b>	
<b>Q2 Submission Pending Award Notification (Corporate)</b>			
Gas Tax	8,347,874	8,347,874	2 installments in July and November
ODRAP	10,227,000	7,227,000	Ice Storm Damage (less cost of tree replacement)
<b>TOTAL</b>	<b>18,574,874</b>	<b>15,574,874</b>	
<b>2015 Not Awarded Q2</b>			
<b>Program</b>	<b>Total Project Cost</b>	<b>RATIONAL</b>	
Bringing Safety Home	10,000	Fire education program -Priority given to US applications	
Seniors Community Grant	8,000	Funder felt the program did not fit within their mandate	
<b>TOTAL</b>	<b>18,000</b>		

### New Opportunities

#### *Canada 150 – Community Infrastructure Fund*

The Federal Government announced \$44M in funding for municipalities located in southern Ontario. The funds are for projects which support the rehabilitation, renovation and expansion of existing public infrastructure. Eighteen applications were submitted for consideration in June of 2015. In the third quarter the City has been notified of six successful applications for which grant funding totaling \$780,000 is to be received.

#### *Canadian Heritage: Canada 150 Fund*

A call for proposals was released on April 30<sup>th</sup>. The funds will support activities which celebrate Canada's 150<sup>th</sup> birthday. The goal of the program is to create opportunities for Canadians to participate in celebrations that contribute to building a sense of pride and attachment to Canada. The amount of funding awarded will be determined on a project by project basis, but the program could support 100 per cent of eligible costs. Program information has been shared with departments who are in the process of reviewing potential eligible initiatives.

#### *Ontario Libraries Capacity Fund*

This program provides \$2 million over two years to support research and innovation projects in public libraries and \$10 million over three years to improve IT resources. The Vaughan Public Library Board will be submitting an application in Q3 2015.

#### *CN EcoConnexions - From the Ground Up*

This program promotes the greening of municipal properties across Canada especially in communities where CN operates. EcoConnexions will provide up to \$25,000 per project to help

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municipalities establish tree planting, natural landscaping, groundcover improvement, floral displays and healthy urban forests in a sustainable, environmentally responsible manner. Eligible project categories include: Urban Forests, Traffic Calming, Transforming Spaces, Naturalized Areas, Park Creation or Restoration. Program information has been disseminated to the departments who are considering potential greening initiatives which may be eligible for funding.

*Ontario Tire Stewardship – Community Renewal Fund*

This program provides up to a maximum of \$50,000 to support projects that incorporate sustainable recycled rubber materials, made from recycled Ontario tires, into public spaces. Funds can be used to purchase and install Ontario made materials for incorporation into municipal projects. An application is currently being developed for submission in Q3 2015.

**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**

At June 30, 2015, the overall City position is unfavourable \$1.3 million. This position will continue to be monitored closely by staff to determine if it is anticipated to correct itself or continue. Potential mitigation strategies will be developed should this deficit position be anticipated to continue to year end. Consistent with current practices, quarterly updates advising of changes in the City's financial landscape will be brought forth to Council.

**Attachments**

1. City Operating – Second Quarter Variance Report
2. City Operating – Q2 Specific Variance Explanations
3. Open Capital Project Spend Report as at June 30, 2015
4. High Profile Capital Project Reports
5. Inactive Project Listing
6. Closed Capital Projects Report for Quarter Ending June 30, 2015
7. Continuity Schedule of Reserves & Reserve Funds as at June 30, 2015

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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.)