

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF DECEMBER 13, 2016

Item 5, Report No. 15, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on December 13, 2016.

5 FISCAL HEALTH REPORT – YEAR TO DATE FOR PERIOD ENDING SEPTEMBER 30, 2016

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Chief Financial Officer/City Treasurer, the Director of Financial Planning and Development Finance/Deputy City Treasurer and the Director of City Financial Services/Deputy Treasurer, dated December 5, 2016:

Recommendation

The Chief Financial Officer/City Treasurer, the Director of Financial Planning and Development Finance/Deputy City Treasurer and the Director of City Financial Services/Deputy Treasurer recommend:

1. That the Fiscal Health Report be received.

Contribution to Sustainability

Not applicable.

Economic Impact

The fiscal health report monitors actual spending performance to the City's calendarized financial plan. It provides a snapshot of the City's financial health at a point in time and indicates areas for closer monitoring.

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 fiscal health for the year to date period ending September 30, 2016.

Background – Analysis and Options

The attached fiscal health report compares year to date actual city operating, water and wastewater operations and capital results as of September 30, 2016, relative to approved budgets and on the same basis as the budget. 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 intent of these changes is to simplify and streamline the report with an increased use of tables and graphs to assist Council in carrying out their fiscal oversight accountability.

Summary

Operating Results – Year to Date period ending September 30, 2016

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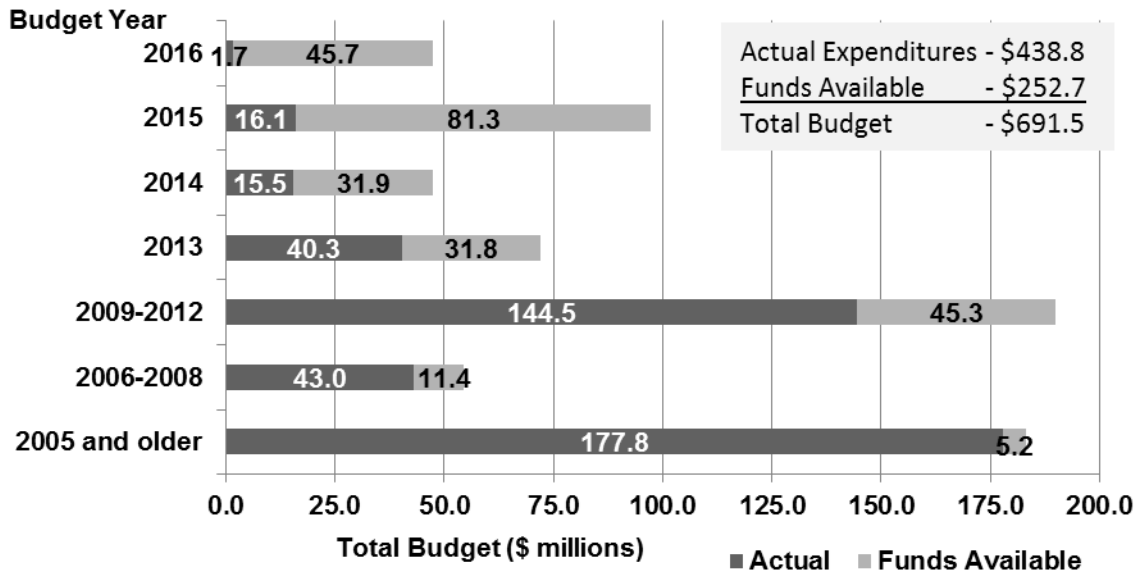
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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Property Tax Based Budget			
Revenues	238.4	239.4	1.0
Expenditures	195.7	195.9	-0.2
Net	42.7	43.5	0.8

Water Rate Based Budget			
Revenues	42.3	43.6	1.3
Expenditures	36.7	37.1	-0.4
Net	5.6	6.5	0.9

Wastewater Rate Based Budget			
Revenues	56.2	56.8	0.6
Expenditures	49	49.4	-0.4
Net	7.2	7.4	0.2

Capital Results – Year to Date period ending September 30, 2016



Discussion

Operating Budget Results

Overall, City Revenues were \$1.0 million greater than plan

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Department Revenues	35.4	36.9	1.5
Corporate Revenues	25.6	25.2	-0.4
Taxation	177.4	177.3	-0.1
Total Revenues	238.4	239.4	1.0

Note – numbers may not add due to rounding

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- Department Revenues were 4% greater than planned. These revenues were primarily a result of better than anticipated registrations for aquatic programmes and fitness memberships in Recreation, increased sponsorship dollars and City Playhouse revenues in Community Development and Events, and better than expected infill and subdivision lot grading revenues and administration recovery revenues for service connections in Development Engineering and Infrastructure Planning. Although Development Planning application revenues, and fines and revenues in By-Law, Compliance, Licensing and Permit Services were below plan, the previously mentioned departmental revenues were sufficient to offset this shortfall.
- Corporate Revenues were 2% less than plan. Planned reserve transfers to Building Standards and Development Engineering and Infrastructure Planning from reserves were not required as these department's expenditures were less than planned, primarily due to vacancies. Offsetting this was higher investment revenues and dividends payments from PowerStream being received.

Overall, City expenditures were on target with the plan

	Budget	Actual	Variance
Service Contracts & Materials	23.7	21.9	1.8
Other	21.2	19.7	1.5
Utilities & Fuel	7.5	7.7	-0.2
Insurance	5.7	6.0	-0.3
Labour	114.7	116.1	-1.4
Capital Related	22.9	24.5	-1.6
Total Expenditures	195.7	195.9	-0.2

Note – numbers may not add due to rounding

- Service contracts and materials were 8% less than budget. This is primarily attributable to a delay in invoicing for maintenance and contract work within Parks and Forestry and Facility Maintenance Services, which will correct itself throughout the year. Also there has been an increase in recovery for service connections that will be invoiced out by year end.
- Other expenditures were 7% less than budget due to several factors:
 - Timing delay for YRT ticket purchases from York Region
 - Election tabulator lease that was budgeted, however contract was not renewed
 - Corporate Reorganization funds that have not yet been used or allocated to specific initiatives
 - Timing delay relating to the Mayor's Gala/Golf Classic event expenses which have been realized. These expenses will be fully offset at year end with revenue generated by these events.
- Utilities & Fuel were 2% greater than budget. The milder winter in the first half of the year has resulted in less than planned expenditures for fuel. This is helping to offset increased hydro costs that are largely due to rising utility rates and increased water usage due to the warmer summer.
- Insurance was 5% greater than budget as a result of more OMEX claims at the maximum deductible and reaching settlement in the first half of the year.
- Labour costs were 1% greater than budget. This was primarily attributable to an increase in part-time labour due to seasonal staff over the summer months.

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- Capital related expenditures were 7.1% greater than budget. This was due to timing difference in the budget related to debt repayments. It is anticipated that this trend will correct itself by year end.

Attachment 2 provides commentary at the Portfolio/Office level.

Risks and Pressures

Some revenues have been identified in the section above as below plan at the end of the third quarter. Staff will continue to monitor these revenues and report back to Council if corrective action is required.

At the end of the third quarter, the City is trending to complete the year close to target. The Transportation Services and Parks and Forestry Operations department is currently trending expenditures below plan, primarily due to decreased contract costs due to milder winter conditions in the first half of the year. If a severe weather event should occur in the last quarter of the year, this could reduce these savings. If these savings continue, they will be available to offset overall pressures or replenish the Winterization Reserve.

Service contracts with the Office of the Chief Information Officer are trending to be above plan. The department has been able to offset this with reduced spending in other areas, but this is not sustainable for the remainder of the year. It is anticipated that this pressure can be offset by expenditure savings in other areas.

Staff will continue to monitor the overall position of the City.

Operating Transfers Authorized by the Chief Financial Officer/City Treasurer

The following table summarizes the one operating budget transfer the Chief Financial Officer/City Treasurer approved through the office's delegated authority as granted by Council at the Special Council meeting of December 15, 2015 (Finance, Administration and Audit Committee, Rpt 16, Item 1):

That the Chief Financial Officer/City Treasurer be authorized to approve any operating or capital realignments between departments, provided they are fiscally neutral and a summary of these changes be incorporated into the quarterly reporting process

That the Chief Financial Officer/City Treasurer be authorized to approve any fiscally neutral transfers between corporate contingency and departments and a summary of these changes be incorporated into the quarterly reporting process

Departments		Description	Amount transferred between Departments
From:	To:		
Contingency	Deputy City Manager, Legal and Human Resources	To establish the office budget	218,300

City's net position was \$0.8 million favourable at the end of the third quarter.

Attachment 1 provides the net position for all City departments. Staff will continue to work with departments to monitor their position throughout the year. There are no current indications that the year will end in a deficit position.

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Water Operating Results

Water Operations gross margin was \$0.2 million less favourable than budget

	Budget	Actual	Variance
Residential Billings	25.1	25.7	0.6
Commercial Billings	16.1	16.8	0.7
Other	0.2	0.4	0.2
Less Metered Water Purchases	-25.4	-26.1	-0.7
Less Unmetered Water	-3.8	-4.8	-1.0
Gross Margin	12.2	12.0	-0.2
Other Revenues	0.9	0.7	-0.2

- Residential and commercial sales of water for the second quarter are trending higher than budget by 2% and 4% respectfully. The increase in consumption is largely attributed to warmer and drier weather Vaughan has experienced over the year. As a result of increased sales, Regional water purchases are higher than budgeted as a direct cost.

Water Operations City expenditures were \$1.3 million less than planned

	Budget	Actual	Variance
Maintenance and Installation Cost	4.4	3.6	0.8
General Administration	2.6	2.1	0.5
Joint Service Costs	0.5	0.5	0.0
Total Expenses	7.5	6.2	1.3

- Proactive, planned maintenance has resulted in fewer emergency and reactive repairs. Seasonal work will be completed this Fall.

The Water Operations net lifecycle contribution is trending \$0.9 million favourable at the end of the third quarter.

Wastewater/Stormwater Operating Results

Wastewater/Stormwater Operations gross margin was \$1.6 million lower than budget

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Residential Billings	32.8	33.5	0.7
Commercial Billings	22.6	22.6	0.0
Other	0.3	0.3	0.0
Less Regional Treatment Charges	-41.5	-43.8	-2.3
Gross Margin	14.2	12.6	-1.6
Other Revenues	0.5	0.4	-0.1

- Residential sales for the second quarter are trending 2% higher than budget while commercial sales for the second quarter are trending on budget. As a result, Regional treatment charges are higher than budget as a direct cost.

Wastewater/Stormwater Operations City expenditures were \$1.9 million less than planned

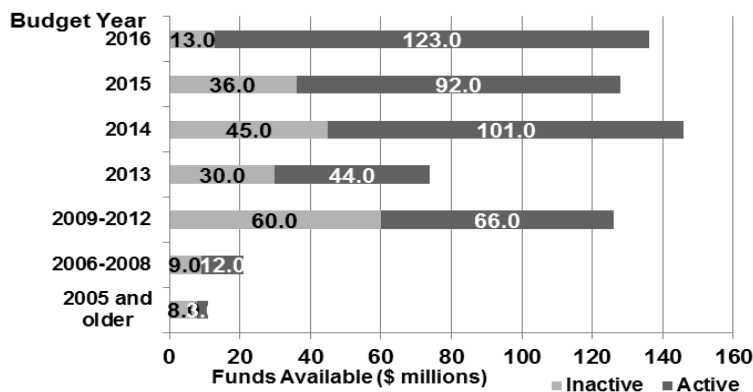
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Maintenance and Installation	2.2	1.4	0.8
General Administration	2.1	1.8	0.3
Storm Sewer Maintenance	2.8	2.0	0.8
Joint Services	0.4	0.4	0.0
Total Expenditures	7.5	5.6	1.9

- Proactive, planned maintenance has resulted in fewer emergency and reactive repairs. Seasonal work will be completed this Fall.

The Wastewater/Stormwater Operations net lifecycle contribution is trending \$0.2 million favourable at the end of the second quarter.

Capital Budget Results

At September 30, 2016, there were 642 open capital projects with \$252.7 million of available budget remaining. The open projects are made up of 441 annual and active programs and 201 inactive projects.



	<u>Inactive</u>	<u>Active</u>
2016	13	123
2015	36	92
2014	45	101
2013	30	44
2009-2012	60	66
2006-2008	9	12
2005 and older	8	3
Total # Projects	201	441
Total Project \$	70.8	181.9

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A semi-annual Term of Council Service Excellence Strategy Map Progress Report was presented at the September 6, 2016 meeting of the Finance, Administration and Audit Committee (Rpt. 9, Item 3) that reported on the status of key activities for the projects that have been identified as a key support to the initiatives in 2016.

Capital spending detail for all projects can be found [online](#).

There are 201 Inactive Projects

Of the 642 open capital projects, there are 201 projects that are considered inactive; 38 of the projects have been open since 2012 or earlier. Inactive projects are primarily made up of projects that are substantially complete but are required to remain open until a future event occurs. The breakdown of the classification of the 201 open inactive projects is as follows:

Classification	#	\$M
Completed - To be Closed	57	6.1
Completed - Under Warranty/Maintenance	53	7.4
Completed - Waiting for final invoices	10	2.1
Completed - Waiting for Regional invoices	1	2.0
DC repayment agreement in place	34	41.3
Project Deferred	26	8.4
Project On Hold	20	3.6
Grand Total	201	70.8

A complete list of Inactive Projects can be found [online](#).

Departments closed 31 projects in the Quarter, Returning \$0.3 million to Reserves

The table below summarizes the number of projects closed in each Portfolio/Office:

Portfolio/Office	# Closed	% Spend	\$M to Reserves
Community Services	9	96	0.1
Public Works	15	64	0.2
Planning & Growth Management	2	100	0.0
Human Resources & Legal Services	2	100	0.0
Office of the Chief Information Officer	3	*	0.0
Grand Total	31	99	0.3

*The projects under the Office of the Chief Information Officer were consolidated into newly approved 2016 capital projects.

In Public Works, eight of the 15 projects were for fleet vehicle and equipment purchases. One project for a multi-use pathway and street lighting on Dufferin Street was cancelled due to York Region's work that included a paved shoulder. The projects returned \$0.2 million to the reserve. A complete list of Closed Projects can be found [online](#).

Capital Budget Amendments

For capital projects for which a budget amendment is required, departments bring to Committee a report outlining the request for the amendment. There are also instances in which there is pre-existing Council approval to process repayments as funds become available in reserves.

The following table summarizes these budget amendments that have been processed during the second quarter:

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Departments			Amount of Amendment
From:	To:		
York Region Contribution	DE-7144-15 Woodbridge Core Area – Functional Servicing Strategy	CoW R27, I15	24,000
Recreation Land Reserve	RL-0008-13 MNR Tablelands	CoW R27, I15	30,000
Vehicle Infrastructure Reserve and Fleet Development Charges	Various Fleet projects	FAA R1, I3	71,136
Grant funding and Department operating funds	PL-9557-16 Embedded Energy Manager	FAA R1, I5	100,000
Engineering Development Charges and Taxation	PL-9535-13 New Community Areas Secondary Plan – Block 27	FAA R5, I2	173,000
Gas Tax Funds	PF-6050-16 Woodbridge Highlands Open Space Erosion Stabilization	FAA R7, I8	50,040
Sewer Reserve	CO-0074-14 VHPD Culver Work on Major Mackenzie	FAA R8, I3	862,473
LI-4508-09 Civic Centre Resource Library Materials	LI-4539-14 Vellore Village South Library – Design/Construction	FAA R8, I4	500,000
5987-0-04 Maple Artificial Turf Subdivider Contributions and Donation	PK-6305-15 North Maple Regional Park – Phase I	FAA R8, I6	858,924
Engineering Development Charges	DT-7058-11 Black Creek Regional Storm Improvements Class EA Study	FAA R9, I12	192,500

Capital Transfers Authorized by the Chief Financial Officer/City Treasurer

As outlined in the section above, *Operating Transfers Authorized by the Chief Financial Officer/City Treasurer*, the Chief Financial Officer/City Treasurer has the delegated authority to approve any operating or capital realignments between departments, provided they are fiscally neutral and a summary of these changes be incorporated into the quarterly reporting process.

Departments		Amount transferred between Departments
From:	To:	
BF-8220-09 Vellore School Window Replacements	BF-8431-16 Michael Cranny House - HVAC Upgrades	4,228
BF-8464-14 Gymnasium Safety Padding PO-6709-10 Storm Water Management Pond Life Saving Stations PO-6750-14 Park and Walkway Fencing	BF-8498-14 Dynamic Digital Signs	131,718

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IT-3012-16 Enterprise Telephone System	IT-3011-16 Central Computing Infrastructure	711,371
BF-8406-14 Al Palladini Community Centre – Westside concrete curbs and interlock removal BF-8407-15 Al Palladini Community Centre – Island Curb replacement BF-8409-13 Al Palladini Community Centre – Curb and Walkway replacement	PK-8408-15 All Palladini Community Centre – Patio Stones/slab replacement	141,005

Continuity Schedule of Reserves and Reserve Funds

	Opening	Revenue	Spend	Closing	Future Activity	Open POs	After POs
Obligatory							
City-Wide Development Charges	198.9	40.4	8.0	231.3	0.0	109.5	121.7
Areas Specific Development Charges	-5.1	1.4	-10.9	7.3	0.0	13.5	-6.2
Restricted Grant	25.4	4.6	0.1	29.9	4.4	31.5	2.7
Other	90.0	7.3	12.7	84.6	1.3	2.9	80.3
Sub-total	309.2	53.7	9.9	352.9	5.7	157.4	198.6
Discretionary							
Sustainability	36.0	4.9	5.2	35.7	6.3	0.4	36.9
Infrastructure	152.2	10.5	7.9	154.9	2.7	51.3	101.2
Capital from Taxation	0.0	25.3	4.0	21.3	0.0	20.8	0.5
Corporate	22.3	0.4	0.0	22.6	3.9	1.2	17.5
Special Purpose	6.4	0.1	0.0	6.5	0.0	13.5	-7.0
Sub-total	217.0	41.1	17.0	241.1	12.8	87.2	149.1
Total	526.2	94.8	27.0	594.0	18.5	244.6	347.7

Note – numbers may not add due to rounding

The reserve balance before commitments is \$94.0 million. There are \$263.1 million in funds that have been allocated to approved projects for which works are either underway or are planned to begin in 2016. After these commitments are accounted for, there is \$347.7 million in reserve funds available, \$198.6 million for obligatory reserves and \$149.1 million in discretionary reserves.

Development Charges collected up to September 30, 2016 equate to \$40.1 million, with interest earned on reserve balances making up the difference. The large revenue in the Capital from Taxation reserve is a result of the establishment of the reserve, but as indicated by the \$20.8 million in outstanding commitments, the majority of these funds are already committed to ongoing capital works.

The Detailed Reserve Continuity Schedule can be found [online](#).

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Comments from the Chief Financial Officer/City Treasurer

Overall, as of September 30, 2016 the City, Water and Wastewater/Stormwater operations are tracking slightly better than planned. Staff will continue to monitor the financial health of the organization and provide advice and guidance to departments as necessary.

Relationship to Term of Council Service Excellence Strategy Map (2014-2018)

The report is consistent with the priorities set in the Service Excellence Strategic Initiatives under Operational Performance: Financial Sustainability.

Regional Implications

None

Conclusion

At September 30, 2016, the overall City position is slightly favourable by \$0.8 million. This position will continue to be monitored closely by staff to determine if it is anticipated to maintain itself or reverse.

Attachments

1. City Operating – Third Quarter Financial Summary
2. City Operating – Portfolio/Office Summary

Report prepared by:

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Senior Manager, Corporate Financial Planning & Analysis

Sean Skinkle
Finance Manager, Water & Wastewater

(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.)