

CITY OF VAUGHAN

**EXTRACT FROM COUNCIL MEETING MINUTES OF DECEMBER 10, 2013**

Item 2, Report No. 17, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on December 10, 2013.

**2 ENDING SEPTEMBER 30, 2013 – CONSOLIDATED QUARTERLY REPORT**

The Finance and Administration Committee recommends:

- 1) That staff investigate the feasibility of continuing with the Dazzle Me program and the Curb Appeal, Winter Lights and Vaughan Alive initiatives under the Communities in Bloom program, including the costs and possibility of securing sponsorships to run these programs, and bring forward a report to the January 15, 2014, Finance, Administration and Audit Committee meeting; and
- 2) That the report of the Acting Commissioner of Finance & City Treasurer, dated December 2, 2013, be received.

**Recommendation**

The Acting Commissioner of Finance & City Treasurer recommends:

1. That the 2013 Consolidated Third 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 as budgets and projects have been previously approved by Council. This information is intended for reporting purposes only.

**Communication Plan**

Not applicable

**Purpose**

To report on 2013 actual third quarter results, as of September 30, 2013 and compare them to the approved annual budgets. An update on grant activity within the third quarter is also provided.

**Background – Analysis and Options**

The attached third quarter variance report compares actual operating and capital results for the period ending September 30, 2013, relative to approved budgets. It is important to note, the combined favorable variance is not directly indicative of the City's final year-end position; it simply compares the City's actual financial position to the quarterly budget at a point in time. At this stage in the process it is early to determine if the City's position will continue, as a number of events such as a shifting of trends, timing differences, corporate transfers or unforeseen activities in the last quarter of the year could change the current position.

The actual balances presented include all necessary entries and accruals. However, it should be noted, the full amortization of tangible capital assets and post retirement employee benefits are excluded and presented differently from the City's financial statements.

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The quarterly results for City Operations, Water and Wastewater Operations, and Capital are presented together in one consolidated report. This action is intended to provide stakeholders with a more fulsome and complete view of the City's financial results. The item will provide a brief executive summary followed by summaries for City Operations, Water and Wastewater Operations, and Capital/Grants. Additional detail will be provided as attachments.

#### **Third quarter Overview – On Target**

Overall, the City's financial performance is favorable when compared with the year-to-date (YTD) budget.

- The City's net operating position \$0.8M above target. The overall department variance was favourable, which in turn resulted in less than planned reserve withdrawals. Unexpected unfavorable variances did occur in Public Works and Parks due to increased weather related activity and Fire resulting from increased overtime to backfill vacancies. It should be noted, the City has a Winter Reserve in place to mitigate the impacts of non-typical weather patterns related to road snow clearing. However, this transfer along with other planned transfers will not occur until year-end, when the City's final position is known.
- The City's Water Budget is on target however the Waste Water Budget came in unfavourable by \$1.0M. Sales revenues dropped substantially this quarter as a result of the record rainfall in July. Favourable water maintenance activities contributed to a more positive position whereas the Wastewater maintenance variance is much lower.
- The overall capital position was on target. Most closed projects were completed on or below budget.

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

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**Table 1 - Summary of the City's Q3 2013 Financial Results**

**Operations**

(In millions)

	City	Water	Wastewater/ Storm	Total
<b>Revenue</b>				
YTD Budget	204.1	37.7	41.7	283.4
YTD Actual	202.3	34.5	38.4	275.2
Variance	(1.7)	(3.2)	(3.3)	(8.2)
%	-0.9%	-8.4%	-8.0%	-2.9%
<b>Expenditure</b>				
YTD Budget	175.7	37.7	41.7	255.1
YTD Actual	173.2	34.6	39.4	247.1
Variance	2.5	3.1	2.3	8.0
%	1.4%	8.3%	5.6%	3.1%
<b>Net fav./(unfav.) variance</b>	0.8	(0.0)	(1.0)	(0.2)
<b>Reserve Adjustment</b>	0.0	(0.0)	(1.0)	(1.0)
<b>Surplus/ (Deficit)</b>	0.8	0.0	0.0	0.8

**Note:** Surplus is carried forward and applied to the future budgets to reduce tax rate pressures.

**Capital**

(In millions)

	Prior Years			2013					2013 Adjusted	
	Total Available Budget	Total Actual Spend	Variance Q4-12	2013 Budget	Available Budget (A)	Actual Spend	Variance Q3-13		Major Y/E 2012 Accrual Reversals (B)	Adjusted Variance Q3-13 (C)
							\$	%		
2013 Budget Projects - Closed	0.0	0.0	0.0	0.2	0.2	0.1	0.0	17%	0.0	0.0
2013 Budget Projects - Active	0.0	0.0	0.0	47.2	47.2	8.4	38.8	82%	0.0	38.8
<b>Total 2013 Budget Projects</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>47.4</b>	<b>47.4</b>	<b>8.6</b>	<b>38.8</b>	<b>82%</b>	<b>0.0</b>	<b>38.8</b>
Prior Budget Projects - Closed	32.9	29.4	3.5	(2.0)	1.5	0.4	1.1	71%	0.0	1.1
Prior Budget Projects - Active	521.1	386.2	134.9	32.9	167.9	30.8	137.1	82%	15.2	152.3
<b>Total Prior Budget Projects</b>	<b>554.0</b>	<b>415.6</b>	<b>138.4</b>	<b>30.9</b>	<b>169.4</b>	<b>31.2</b>	<b>138.2</b>	<b>82%</b>	<b>15.2</b>	<b>153.4</b>
<b>Total</b>	<b>554.0</b>	<b>415.6</b>	<b>138.4</b>	<b>78.3</b>	<b>216.8</b>	<b>39.8</b>	<b>177.0</b>	<b>82%</b>	<b>15.2</b>	<b>192.2</b>

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

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

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

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

**City Operating Budget Results**

The annual operating budget for the City is \$238.4M, of which 27.3% remains to be realized. At the end of the third quarter, the City experienced a positive variance on the City's 2013 net operating budget of \$0.8M. This favorable variance was comprised of a \$2.5M favourable

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expenditure variance offset by a \$1.7M unfavourable revenue variance. The main areas that contributed to the net positive position are summarized below;

#### City Revenue Variance Overview

Actual revenues were \$202.3M as of September 30, 2013, and represent a \$1.7M unfavourable variance when compared to the year-to-date revenue budget of \$204.0M. This variance stems from the following:

- **Reserves & Other Transfers** - There were several transfers that were not required as originally planned which contributed to the unfavorable revenue variance. \$1.9M 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.
- **User Fees/Services Charges** – There was a favourable variance of \$0.1M. Unfavourable variances experienced in Building Standards revenues (\$429K) and Development Planning (\$171K), which were offset by favourable variances in Recreation and Culture (\$406K), and Building and Facilities (\$182K). Department revenues variances are explained in more detail in Attachment #2.
- **Corporate Revenue** – An unfavourable variance of \$68K was mainly due to lower than anticipated investment income, caused by continued poor investment trends; offset by favorable variance in fines and penalties.

#### City Expenditure Variance Overview

Actual total expenditures were \$173.2M as of September 30, 2013, and represent a \$2.5M favourable variance to the year-to-date expenditure budget of \$175.7M. This variance stems from the following:

- **Department Expenses** - The largest favourable component driving the City's expenditure variance was total department expenses; approximately \$4.3M favourable. The following contributed to the overall City department variance:
  - A \$3.4M labour variance was attributable to general turnover vacancies and new complement vacancies in the recruitment process. A level of labour variance was anticipated and planned for corporately, but actual City performance was \$0.4M greater than the \$3.0M Q3 planned corporate balance.
  - Partially offsetting the above, was an unfavourable variance of \$1.18M experienced in the contractor account mainly a result of higher than anticipated winter activities caused by severe storms and wind damage, in Public Works (\$724K) and Parks & Forestry (\$519K) departments. This variance could be lessened by the end of the year dependant on winter conditions. It should be noted, the City has a Winter Reserve in place to mitigate the road snow clearing impacts of non-typical weather patterns.
  - In addition to the above, all other accounts total \$2.1M in net favourable variances. Favorable variances were seen in many accounts such as vehicle repairs, computer software, computer hardware and other staff related accounts. These were partially offset by unfavorable variances in accounts such as Hydro, professional fees, materials and supplies etc.

In general, variances were found throughout most departments. The largest favorable variances were found in the following departments:

- ITM (\$920K) – Primarily due to labour costs variances resulting from five vacant positions along with variances in professional fees, communications and service contracts due to invoice and activity timing.

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- Building Standards (\$879K) – Primarily due to labour variances resulting from seven vacant positions.
- Development and Transportation Engineering (\$644K) – Due to position vacancies.
- City Clerk – Insurance (\$590K) – Largely due to lower than budgeted spending in legal fees and the timing of a deductible payment and insurance premium invoices.

The largest unfavorable variances were found in the following departments:

- Fire and Rescue Services (\$1.0M) – related to increased overtime costs due to vacancies and the timing of the recruitment process. New recruits started in Q3 will lessen this impact and the shortfall is being partially addressed as part of the Budget process.
- Parks and Forestry Operations (\$878K) - Majority of the variance relates to labour and materials due to number and severity of snow events. Other activities related to the emerald ash bore and park grass cutting also contributed, but to a lesser extent.
- Public Works (\$674K) – Unfavorable variance in winter control due to snow events offset by favorable variances in Waste due to lower than anticipated growth.
- **Corporate Expenses** – There was a combined unfavourable variance of \$2.7M in corporate expenditures, mainly as a result of anticipated labour savings of \$3.0M. As illustrated in the above department expenses section, actual department performance was \$0.7M greater than the corporate balance planned for the quarter. The remaining corporate variance consists of minor net unfavourable variances in tax adjustments, professional fees, etc.

Variance Summary:

For quick reference purposes, a summary of the variances by major category is provided below. A more detailed financial summary is provided as Attachment #1. Further explanations on specific variances are provided as Attachment #2.

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**Table 2  
City of Vaughan  
2013 OPERATING BUDGET  
THIRD QUARTER VARIANCE REPORT**

<u>Revenues</u>	Variance in \$mil (rounded)	
<b>Reserves and Other Transfers</b>		
Building Std Continuity Reserve	(0.9)	
Engineering Reserve	(0.6)	
DC Growth Projects	(0.3)	
Other (under \$100K var.)	<u>(0.0)</u>	<b>(1.9)</b>
<b>Fees &amp; Service Charges</b>		
Recreation	0.2	
Culture	0.2	
Building & Facilities	0.2	
Building Standards	(0.4)	
Development Planning	(0.2)	
Development & Transportation Eng.	(0.1)	
Other (under \$100K var.)	<u>0.3</u>	<b>0.1</b>
<b>Corporate Revenue</b>		
Fines and Penalties	0.2	
Investment Income	(0.3)	
Other (under \$100K var.)	<u>0.1</u>	<b>(0.1)</b>
<b>Other</b>		<u><b>0.1</b></u>
<b>Total Revenues</b>		<b>(1.7)</b>
<b><u>Expenditures</u></b>		
<b>Departmental Expenses</b>		
Information Technology Management	0.9	
Building Standards	0.9	
Development & Transport. Engineering	0.6	
City Clerk - Insurance	0.6	
Building & Facilities	0.5	
Engineering Services	0.4	
Development Planning	0.4	
Recreation	0.3	
Innov. & Cont. Improvement	0.3	
Vaughan Public Libraries	0.3	
Parks Development	0.2	
Purchasing Services	0.2	
City Clerk - Admin	0.2	
Fire and Rescue	(1.0)	
Parks & Forestry Operations	(0.9)	
Public Works	(0.7)	
Human Resources	(0.3)	
Other-(various departments under \$200k var.)	<u>1.2</u>	<b>4.3</b>
<b>Corporate Expenditures</b>		
Professional Fees	0.2	
Major OMB Hearing	0.2	
Anticipated Labour Savings	(3.0)	
Other (under \$100K var.)	<u>(0.1)</u>	<b>(2.7)</b>
<b>Long Term Debt</b>		<b>1.0</b>
<b>Other</b>		<u><b>(0.0)</b></u>
<b>Total Expenditures</b>		<u><b>2.5</b></u>
<b>Net Favourable Variance</b>		<u><b>\$ 0.8</b></u>

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

The water/wastewater system in York Region operates as a two-tier system. The Region of York is responsible for the supply of water and wastewater services and the lower tier municipalities are responsible for the water and wastewater distribution systems within the local municipality. The net revenues that are generated annually by the City of Vaughan from the operations of the water and wastewater/storm utilities fund costs associated with the purchase of water supply and wastewater services from the Region of York, as well as the City's administration, financing costs, system operational and maintenance costs and most importantly funding to build the reserves for future infrastructure renewal.

**Water Operations**

Year to date (YTD) actual water revenues for the period ending September 30, 2013 are unfavourable by \$2.9M which is comprised of unfavourable residential \$2.3M, unfavourable commercial revenue of \$517K and unfavourable other revenue \$76K.

Water consumption levels per household dropped 28% this quarter compared to the same period last year. This is due primarily to the record rainfall in the GTA in July, 2013, which represents \$2.1M not captured in the year to date budget. The remaining unfavourable variance of \$207K is due to new account activity which continues to trend below budget and likely will continue throughout 2013.

Commercial consumption activity is lower than budget by 405,000 m<sup>3</sup> or \$500K. New account activity continues to trend slightly below budget.

Water purchases are favourable by \$1.3M as a result of the above mentioned lower demand and includes slightly favourable non-revenue water (NRW) consumption of \$63K which is trending on budget.

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 \$1.6M as result of lower revenue.

Other revenues consist primarily of installation and service fees and are unfavourable by \$221K, actual activity is based on demand which is lower than expected.

Water expenses are favourable by \$1.8M as a result of favourable maintenance and installations expenditures of \$1.4M largely due to fewer customer service requests and lower than expected activity levels in contracted works and materials. As evidenced by unfavourable new account activity in sales levels, meter installation and replacement expenses are also favourable.

The favourable general administration variance of \$426K is primarily due to temporary staffing vacancies and gapping from the first half of the year at \$240K. The remaining \$170K for discretionary spending will decrease by the end of the fourth quarter.

As a result of the above, the YTD third quarter water lifecycle contribution of \$3.8M is on budget.

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**Table 3**  
 City of Vaughan  
 Statement of Operations  
 Water Division  
 For the period ending September 30, 2013

	2013 Budget	2013 YTD Budget	2013 YTD Actual	2013 YTD Variance
<b>Water Revenues</b>				
Residential Billings	29,658,660	22,644,960	20,297,835	(2,347,125)
Commercial Billings	18,753,720	13,994,740	13,478,101	(516,639)
Other	293,430	214,615	139,014	(75,601)
	<b>\$48,705,810</b>	<b>\$36,854,315</b>	<b>\$33,914,950</b>	<b>(\$2,939,365)</b>
<b>Water Purchases</b>				
Metered Water Purchases	29,871,880	21,929,210	20,667,210	1,262,000
Non-Revenue Water	4,450,000	4,612,300	4,548,654	63,646
	<b>\$34,321,880</b>	<b>\$26,541,510</b>	<b>\$25,215,864</b>	<b>\$1,325,646</b>
<b>Gross Margin</b>	<b>\$14,383,930</b>	<b>\$10,312,805</b>	<b>\$8,699,086</b>	<b>(\$1,613,719)</b>
<b>Other Revenues</b>	<b>\$1,106,000</b>	<b>\$823,990</b>	<b>\$602,154</b>	<b>(\$221,836)</b>
<b>Expenses</b>				
Maintenance and Installation	5,530,365	3,847,550	2,472,628	1,374,922
General Administration	3,932,215	2,949,015	2,522,707	426,308
Joint Service Costs	776,490	547,580	547,580	0
	<b>\$10,239,070</b>	<b>\$7,344,145</b>	<b>\$5,542,915</b>	<b>\$1,801,230</b>
<b>Net Water Operations</b>	<b>\$5,250,860</b>	<b>\$3,792,650</b>	<b>\$3,758,325</b>	<b>(\$34,325)</b>
<b>Budgeted Lifecycle Contribution</b>	<b>\$5,250,860</b>	<b>\$3,792,650</b>	<b>\$3,792,650</b>	<b>\$0</b>
<b>Reserve Adjustment</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$34,325)</b>	<b>(\$34,325)</b>
<b>Surplus</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Wastewater/Storm Operations**

Wastewater billing is based on water consumption; therefore trending is very similar to water revenues. Wastewater YTD billings are unfavourable by \$3.5M for the period ending September 30, 2013 which is comprised of unfavourable residential billings of \$2.7M and unfavourable commercial revenue of \$824K.

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The favourable treatment variance of \$1.7M is due primarily to lower sales revenues because of the unexpected record rainfall in July 2013 as well as slightly favourable non-revenue treatment charges. This relates directly to the non-revenue water variance which is also slightly favourable.

The unfavourable gross margin of \$1.8M is due to unfavourable sales net of favourable treatment charges.

Other revenues consist of installation and other fees which are favourable by \$138K primarily due to local improvements at \$88K which will clear by end of year; the remaining portion is related to reserve interest.

Expenses are favourable by \$668K due to favourable maintenance and installation at \$454K primarily due to favourable new development recovery timing and lower than expected activity such as contracted work and materials. General administration is favourable at \$98K due to favourable seasonal labour and timing of discretionary spending. Storm sewer maintenance is favourable at \$116K due to lower than expected activity.

As a result of the above, the third quarter year to date wastewater/storm lifecycle contribution of \$2.9M is unfavourable by \$1.0M. The main reason for the difference in position from the Water Statement of Operations variance is largely due to differences in maintenance and installation expense activity. This might be minimized in the last quarter of the year and is being monitored.



**Table 4**  
City of Vaughan  
Statement of Operations  
Wastewater/Storm Division  
For the period ending September 30, 2013

	2013 Budget	2013 YTD Budget	2013 YTD Actual	2013 YTD Variance
<b>Wastewater Revenues</b>				
Residential Billings	32,743,180	24,960,890	22,312,054	(2,648,836)
Commercial Billings	21,746,480	16,191,750	15,367,808	(823,942)
	<b>\$54,489,660</b>	<b>\$41,152,640</b>	<b>\$37,679,862</b>	<b>(\$3,472,778)</b>
<b>Wastewater Expense</b>				
Regional Treatment Charges	<b>\$41,344,290</b>	<b>\$31,923,195</b>	<b>\$30,255,222</b>	<b>\$1,667,973</b>
<b>Gross Margin</b>	<b>\$13,145,370</b>	<b>\$9,229,445</b>	<b>\$7,424,640</b>	<b>(\$1,804,805)</b>
<b>Other Revenues</b>	<b>\$738,200</b>	<b>\$553,650</b>	<b>\$691,411</b>	<b>\$137,761</b>
<b>Expenses</b>				
Maintenance and Installation	3,611,240	2,639,110	2,185,240	453,870
General Administration	2,103,925	1,577,690	1,479,663	98,027
Storm Sewer Maintenance	1,697,825	1,273,785	1,157,899	115,886
Joint Service Costs	517,665	365,055	365,055	0
	<b>\$7,930,655</b>	<b>\$5,855,640</b>	<b>\$5,187,857</b>	<b>\$667,783</b>
<b>Net Wastewater Operations</b>	<b>\$5,952,915</b>	<b>\$3,927,455</b>	<b>\$2,928,195</b>	<b>(\$999,260)</b>
<b>Budgeted Lifecycle Contribution</b>	<b>\$5,952,915</b>	<b>\$3,927,455</b>	<b>\$3,927,455</b>	<b>\$0</b>
<b>Reserve Adjustment</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$999,260)</b>	<b>(\$999,260)</b>
<b>Surplus</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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***Capital Budget Results***

Overall, the Capital Budget performance is favourable, with the majority of projects coming in under assigned budget. This section is intended to provide an update on quarterly activity for the following:

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

**Open Capital Project Spend Report (Attachment #3)**

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

- As of Quarter 3-2013, 522 projects with a budgeted valued of \$601M are open.
  - ✓ 527 capital projects were open in Quarter 2-2013
  - ✓ 8 projects were closed in Quarter 3-2013
  - ✓ 3 net new capital project added in Quarter 3-2013
- The above open projects were approved as follows
  - ✓ 33% 2013
  - ✓ 53% 2009-2012
  - ✓ 10% 2006-2008
  - ✓ 4% 2005 and older approvals
- As of September 30 2013, 68% of the available budgets were spent
- Capital projects substantially complete and nearing closing
  - ✓ 29 projects are substantially complete
    - 23 open projects are complete and should be closed next quarter
    - 6 open projects are complete, awaiting final external invoicing and approval
  - ✓ 6 Engineering projects are completed and awaiting outstanding invoices from the Region.
  - ✓ 30 open engineering projects are substantially complete and potentially coming in under budget by \$7.5M. Once closed, commitments will be reduced freeing up unused project funding in the original funding source. These items are on maintenance and closing is contingent on a timeframe to determine outstanding invoices and settlement issues.
  - ✓ 18 open parks projects are substantially complete and awaiting final invoices. Once closed, commitments will be reduced freeing up unused project funding in the original funding source. These items are under warranty and closing is contingent on a timeframe to determine outstanding invoices and settlement issues.
- Unfavourable variances from budget include:
  - ✓ Previous reporting indicated that OPA 620 East West Collector EA (Capital Project DT-7011-07) was over budget by \$149K as a result of increase in scope of the project from the addition of work funded by the TTC regarding the extension of the Spadina Subway. The TTC has submitted payment for work completed in the amount of \$143,561.41, leaving a remaining unfunded balance of \$5,744. Staff are reviewing the project to determine next steps.

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- ✓ OPA 332 Sanitary Sewer projects DT-7007-07 and DT-7043-10 were completed with a \$381 overage (0.03% of the budget) that was funded via the projects original funding sources. These projects will be closed in Q4-13.

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

- A completed capital project will remain active or open until all invoices are paid and funding is complete. Projects are not closed until approved by the department. As a result, projects that are substantially funded will reside on the Open Capital Project Spend Report. It is important to note this report represents projects from current and prior budget years and total balances are the combined value.
- Projects that are debenture financed, as approved by Council, are not closed until debenture financing is acquired. Furthermore, project financing is not typically requested until the project is substantially complete, which is contingent on a timeframe to determine outstanding invoices and settlement issues. In the case of Engineering Projects, this may take up to several years.
- Capital work is continuously underway and current information will vary from this report.

#### Capital projects added during the 3<sup>rd</sup> Quarter

- Implementation of Corporate Asset Management (Capital Project EN-1997-13 for \$154,500) was added to the 2013 Capital Budget in response to the Corporate Asset Management Initiative. The funding for this project was approved in the 2011 Capital Budget under Capital Project RI-0056-10 Implementation of Corporate Asset Management. The original project was under the Finance Commission, but the current initiative is headed by the Engineering & Public Works Commission.
- Woodlot Acquisition Block 12 (Capital Project DI-0072-13 for \$500,000) was added to the 2013 Capital Budget in response to the requirement to reimburse Block 12 Properties for woodlot conveyances with an agreement dated June 15, 2010. The reimbursement is in accordance with the Woodlot Acquisition Front End Funding Agreement item adopted by Council on June 30, 2009.
- Dufferin Clark Community Centre Heat Pump Replacement (Capital Project BF-8128-12 for \$67,000) was re-opened in the third quarter to pay invoices received after the project was closed in the second quarter. Funding for these invoices is within the original award. This project will be closed in the fourth quarter.

#### Capital projects closed during the 3<sup>rd</sup> Quarter

Staff together with City departments reviewed all active capital projects listed as of September 30<sup>th</sup>, 2013 to determine which capital projects could be consolidated and/or closed. Overall, 8 capital projects totalling a budget of \$4.28M were closed in the third quarter of 2013. Total actual project costs came in at 94% of budget, freeing up \$236K in the original funding sources for future project consideration. The drivers behind the \$236K are as follows:

- Approximately 96% or \$228K of the above project savings are related to Engineering Services projects. The project savings are not associated with any large capital project being closed, but the closing of seven projects with an average spend of 94%.
- The remaining balance is the result of the close of one project in City Clerks, CL-2505-09 High Density Mobile Shelving Units, freeing up \$8K.

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

Continuity Schedule of Reserves and Reserve Funds

A continuity schedule of reserves and reserve funds as at September 30, 2013 is provided as Attachment 6. This schedule provides information on the individual and aggregate reserve balances. It also provides information on outstanding financial commitments and payment estimates required in future periods to fund approved projects. Forecasting commitments is intended to provide a proactive view of the reserve position and should not be interpreted as the year-end position due to the fact that commitments are not incorporated into financial statements until the actual expenses have incurred.

Reserve positions before commitments are all in a positive position, with the exception of development charge management studies. Adding commitments to the schedule reveals that 8 reserves are in a future negative position. Below is a brief description for positioning of these 8 reserves:

Sale of Public Lands – Future obligations are currently greater than the balance on hand. Dedicated surplus land is authorized for sale to cover this obligation but is pending.

Uplands Capital Improvement – A commitment to replace the uplands chairlift was approved by Council in 2011. As a result, the future position of this reserve will be in a negative position and replenished over time through Uplands revenue received.

CWDC Fire – A Council commitment to move forward with Fire Station 7-10 has temporarily placed this reserve into a pre-financing negative reserve position, which through future collections and spending constraints was anticipated to recover to a positive balance. However, as a result of a change in collections timing and adjustments and as a result of the difference in service level measures, this negative position is expected to continue. The Fire & Rescue Services department is measured by response time which is greatly impacted by intensification and traffic congestion. The Development Charge document provides new development funding based on a historical service level per capita measure. The two measures provide very different project timing and funding needs, which will require further discussion to address the forecast trend and service requirements.

CWDC Management Studies – Due to timing of events, this reserve is permitted to be in a deficit position. Growth related studies are incurred in advance of growth and recovered through subsequent development charges.

Special Charges and Area Development Charges (Developer Build Reserves) – These reserves relate to projects generally built by developers. Essentially, the developer has agreed to develop a structure, which will be funded by the City once funds are collected and available. Although, the continuity schedule illustrates a negative position after commitments, these reserves will never be in a deficit cash position as payments will only occur when funds are on hand. Reserves with a negative balance after commitments in this category are as follows:

- D15 PD#5 Woodbridge Water
- D18 PD#6 Maj., Mac Water
- D19 PD#6 E. Rutherford Water
- D25 Zenway/Fogal Sub-Trunk

**Grants Update**

The following report provides an overview of the grant portfolio's Third Quarter activity with respect to Grant Programs, an update on the CIIF approved projects and recent grant announcements.

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**Annual Grant Program Activity**

During the third quarter, there was activity associated with 14 grants equating to approximately \$7,819,476 in potential grant revenue, as summarized below:

Annual Grant Programs:

- 7 submissions received funding (\$3.8M)
- 6 3<sup>rd</sup> quarter submissions are pending notification/receipt of award (\$3.9M)
- 1 submission was not awarded funding (\$25K)

The following details the results of these submissions:

**Table 5**

<b>GRANT PROGRAM ACTIVITY - 3<sup>rd</sup> Quarter 2013</b>			
<b>FUNDS RECEIVED/AWARDED</b>			
<b>PROGRAM</b>	<b>TOTAL PROJ. COST</b>	<b>AMT RECEIVED</b>	<b>USE OF FUNDS</b>
Gas Tax 1st Installments	3,663,607	3,663,607	2013 1st Installment
Library Operating Grant	143,234	143,234	Min of Culture Tourism & Sport: Annual Operating Grant
MFOA Internship (2012/13)	25,000	21,141	Internship placement completed Final payment received (initial payment received in 2012 equating to total of \$25,000)
Southern Ontario Library System	0	5,314	Min of Culture share to Vaughan of additional grant funds
Young Canada Works	5,869	4,402	Youth Wage Subsidy
Canada Council of the Arts	1,600	1,600	Author Visits to Library
Pay Equity	1,336	1,336	Min. of Culture, Tourism & Sport
<b>Total Q3</b>	<b>3,840,646</b>	<b>3,840,634</b>	

<b>Q3 GRANT SUBMISSIONS - AWARD PENDING</b>			
<b>PROGRAM</b>	<b>TOTAL PROJ. COST</b>	<b>AMT PENDING DECISION</b>	<b>USE OF FUNDS</b>
Federal Gas Tax Program	3,663,607	3,663,607	2013 2 <sup>nd</sup> Installment (due in November 2013)
Starter Company	222,676	95,000	Over two years
York Region Ped & Bike Partnership Program*	90,000	90,000	Bike Lanes portion of project of DT-7056-11
York Reg. Ped & Bike Partnership Prog*	244,110	52,203	Ped. & Bike Network Implementation Program
ICCI	55,000	27,500	Foreign Consultant Offices in Italy and Israel
VBEC Relocation	82,577	25,535	Move from Beaverbrook House to Ec. Dev. In Civic Centre
<b>Total Q3</b>	<b>4,357,970</b>	<b>3,953,845</b>	

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<b>PREVIOUSLY SUBMITTED - NOT AWARDED</b>		
<b>PROGRAM</b>	<b>TOTAL COST</b>	<b>RATIONAL</b>
MFOA Internship 2013/14	25,000	City received grant in 2012/13. Program does not fund two consecutive years
<b>TOTALS</b>	<b>25,000</b>	

**\*Regional Pedestrian and Cycling Partnership Program**

The City's Pedestrian and Bicycle Network Implementation Program is partially funded through the Region's Pedestrian and Bicycle Partnership Program. To date projects have been completed under the estimated cost leaving unclaimed grant funding. The City is proposing these funds be repurposed to cover a portion of project DT-7083-13 (bike network refinements in blocks 11, 12 and 18) pending completion of resident support survey and final Regional approval.

**Sector and Term Specific Grant Programs**

As noted in previous reports, the City is eligible to claim up to \$436,765 from the CIIF fund for 15 approved capital projects. These projects are now underway, per the table below, with the claims process to commence in September 2013 through to June 2014. The table below provides an update as to the status of the Projects as of the 3<sup>rd</sup> quarter:

**Table 6**

<b>COMMUNITY IMPROVEMENT INVESTMENT FUND – PROJECT PROGRESS</b>				
	<b>COST ESTIMATE</b>	<b>CIIF @33.3%</b>	<b>EXPENSED TO DATE</b>	<b>STATUS*</b>
Dufferin Clark C.C. Relocate Seniors Room To The Ground Floor	50,600.00	16,866.00	0.00	Tender Stage
Glen Shield Park-Playground Replacement & Safety Surfacing	248,000.00	82,666.67	11,145	Tender Stage
Father Ermanno CC: Out Door Rink	113,300.00	37,766.00	0.00	Tender in Q4-13
York Hill Park-Tennis Court Replacement	56,700.00	18,900.00	75.00	Tender Awarded Const: Spring 2014
Vaughan Crest Park Bocce Court Re-development	137,000.00	45,666.70	92.00	Substantially Complete - invoices to be processed in Q4
Ainsley Grove Library (AODA Standards @ Front Counter)	100,000.00	33,333.33	6,614.00	Projected completion in Q1/14
Dufferin Clark C.C. Seniors Accessible Washrooms	51,500.00	17,166.00	0.00	Finalize drawings
Dufferin District Park: Tennis Court Rehabilitation	139,300.00	46,433.33	4,842.00	Construction underway
Maple Baseball Diamond Fencing Replacement	32,000.00	10,666.67	75.00	Construction Phase
Sonoma Heights Park - Fencing Extension	30,900.00	10,300.00	75.00	Construction Phase
Mackenzie Glen Play Ground Rehabilitation	201,500.00	67,166.67	115.00	Bid process underway
Mackenzie Glen Park Replace Splash Pad Surfacing	61,800.00	20,600.00	49,013.00	COMPLETE
McClure Meadows Park-Splash Pad	25,800.00	8,600.00	4,336.00	COMPLETE **
Maple Lion Park Splash Pad	25,800.00	8,600.00	17,878.00	COMPLETE
Garnet A. Williams CC - Floor Replacement	36,100.00	12,033.33	0.00	COMPLETE-invoices to be processed in Q4
<b>TOTAL AMOUNT ALL PROJECTS</b>	<b>1,310,300.00</b>	<b>436,764.67</b>	<b>94,260.00</b>	

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Notes:

\* Projects will be closed once funding is received

\*\*Project intent was different than the scope submitted, resulting in limited work performed.

Attachment 7 of this report provides a Year-to-Date summary of all grant program submissions as of September 30, 2013.

#### **Recent Grant Announcements:**

1. CN Eco Connections:  
This program will provide matching grant funding of up to \$25,000 for the greening of municipal properties across Canada, especially areas close to rail lines, to projects related to urban forests, traffic calming/safety, schools, brownfields and naturalized areas such as park creation and restoration.
2. Provincial Drinking Water funding program.  
Provincial program recently announced to assist rural, small and northern communities. Cities such as Vaughan are not eligible for this round of funding. Staff will monitor for next intake for potential to submit.
3. Federal Budget: New Building Canada Plan Update:  
To date no new information has been released by the Federal Government concerning the Infrastructure program announced in February's budget. Staff are continuing to monitor and will relay new opportunities as they become available.

#### **Relationship to Vaughan Vision 2020 / Strategic Plan**

The report is consistent with the priorities set by Council and the necessary resources have been allocated and approved.

#### **Regional Implications**

None

#### **Conclusion**

Based on the 2013 third quarter results, the overall City position is on target.

- The City's net operating position was favorable by \$0.8M. The overall department variance was favourable, which in turn resulted in less than planned reserve withdrawals. Some unexpected variances occurred in Public Works and parks due to increased storm activity and Fire resulting from increased overtime to backfill vacancies. It should be noted, the City has a Winter Reserve in place to mitigate the impacts of non-typical weather patterns on road snow clearing. However, this transfer along with other planned transfers will not occur until year-end, when the City's final position is known.
- The City's Water Budget is on target however the Waste Water Budget came in unfavourable by \$1.0M. Sales revenues dropped substantially this quarter as a result of the record rainfall in July. Favourable water maintenance activities contributed to a more positive position whereas the Wastewater maintenance variance is much lower.
- The overall capital position was on target. All closed projects were completed on or below budget.

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**Attachments**

- Attachment 1: City Operating – Third Quarter Variance Report
- Attachment 2: City Operating – Q3 Specific Variance Explanations
- Attachment 3: Open Capital Project Spend Report as at September 30, 2013
- Attachment 4: Projects on maintenance, warranty or awaiting regional invoicing
- Attachment 5: Closed Capital Projects Report YTD Ending September 30 2013
- Attachment 6: Continuity Schedule of Reserves & Reserve Funds as at September 30, 2013
- Attachment 7: Grant Program Activity Ending September 30 2013

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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.)