

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JULY 6, 2011

Item 1, Report No. 15, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on July 6, 2011.

1 CITY HALL AUDIT REPORT

The Finance and Administration Committee recommends:

- 1) That the recommendation contained in the following report of the City Manager, dated July 6, 2011, be approved;
- 2) That staff develop and bring forward by the end of this calendar year a set of policies regarding processes and procedures for the monitoring of all future construction projects from a cost engineering and general best practices perspective;
- 3) That the following deputations be received:
 - 1) Mr. Guido Masutti, 144 Riverview Avenue, Woodbridge, L4L 2L6;
 - 2) Mr. Savino Quatela, 134 Grand Valley Boulevard, Maple, L6A 3K6;
 - 3) Ms. Gila Martow, President, Beverley Glen Ratepayers Association, 70 Coldwater Court, Thornhill, L4J 7S4;
 - 4) Mr. Richard Lorello, 235 Treelawn Boulevard, P.O. Box 927, Kleinburg, L0J 1C0;
 - 5) Mr. Nick Pinto, West Woodbridge Homeowners Association, 57 Mapes Avenue, Woodbridge, L4L 8R4;
 - 6) Mr. Paul DeBuono, President, Vaughan Watch Inc., 14-3650 Langstaff Road, Suite 391, Woodbridge, L4L 9A8; and
 - 7) Ms. Josie Fedele, 35 Albany Drive, Woodbridge, L4L 2X5; and
- 4) That the following communications be received:
 - C1 Mr. Joe Maio, President, Maystar General Contractors Inc., 71 Buttermill Avenue, Concord, L4K 3X2, dated June 30, 2011;
 - C2 Mr. Joe Maio, President, Maystar General Contractors Inc., 71 Buttermill Avenue, Concord, L4K 3X2, dated June 30, 2011; and
 - C6 Mr. Jake Ortego, Vice President of Construction Consulting Commercial Cost Control, Inc., 540 Clark Road, Hopewell, PA 16650, dated July 1, 2011.

Recommendation

The City Manager recommends that the attached Audit Report prepared by Commercial Cost Control and presentation be received and that the auditor's recommendations with management's responses be approved.

Contribution to Sustainability

The City Hall project itself is a Gold LEEDS building. The audit to understand the reasons for the increased cost is appropriate and the results of the audit will be useful in the future as resources for future projects continue to be limited.

Economic Impact

There is no direct economic impact to approving this report. Implementing the auditor's recommendations and achieving the desired results will keep the City Hall project within the revised budget.

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Communications Plan

The full audit report is available to the public through the agenda process and available on the City's website.

Purpose

The purpose of this report is to provide Council with the results of the audit of the City Hall Project.

Background - Analysis and Options

Staff provided a report recommending Terms of Reference for the scope of the audit to a Special Council meeting on March 29, 2011. Following approval of the Terms of Reference the City issued an RFP for audit services. Council awarded the audit to Commercial Cost Control on May 3, 2011.

The City Hall project was based on a design competition. At the time of tender award the project budget was \$107m. This project was the largest capital project the City had undertaken.

At the outset of the project the City recognized the size and complexity of the project and retained the services of a fairness monitor during the tendering process. In 2007, the City's internal auditor conducted an audit. The audit covered the selection of the Architect and the selection of the Contractor, including the complete purchasing process from the issuance of the RFI (Request for Expression of Interest); RFP (Request for Proposal) from the Architects; RFPQ (Pre-qualification for the General Contractor selection) and Tender for the construction of City Hall. The audit covered from the commencement of the project up to the pre-construction phase.

As part of the completion of the City Hall project it was appropriate to conduct an audit of the project costs, particularly since the budget was increased significantly. A project audit is not an uncommon practice. The internal auditor has audited other capital projects as part of his departmental audit program. For this audit particular expertise was required, which was only available externally.

The completion of the audit in a timely manner was dependent upon the auditors receiving the documentation requested and responses to their questions in a timely manner from the City, the General Contractor and the Architect. To assist in this regard and to ensure that the auditors meet the Terms of Reference approved by Council the City retained a project manager.

The audit is now complete and staff are in agreement with all the auditor's recommendations. The audit was conducted independently and as such the audit report and findings are those of the auditor's, Commercial Cost Control. Management's comments in response to the auditor's recommendations are provided separately in the report.

Relationship to Vaughan Vision 2020/Strategic Plan

In consideration of the strategic priorities related to Vaughan Vision 2020:

STRATEGIC GOAL

Organizational Excellence – Ensure a High Performing Organization.

Regional Implications

NA

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Conclusion

Staff brought forward the Terms of Reference for an audit of the city Hall project on March 29, 2011 and the RFP was awarded by Council on May 3, 2011. Staff are pleased that the audit has been completed within Council's desired timeframe and staff are also in agreement with the auditor's recommendations.

Attachments

Commercial Cost Control Audit Report

Report prepared by:

Clayton D. Harris
City Manager

(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.)

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Item 2, Report No. 15, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on July 6, 2011.

2 OPERATING BUDGET QUARTERLY REPORT ENDING DECEMBER 31, 2010

The Finance and Administration Committee recommends:

- 1) That the recommendation contained in the following report of the Commissioner of Finance/City Treasurer and the Director of Budgeting and Financial Planning dated July 6, 2011, be approved; and
- 2) That staff provide a report with respect to moving forward on the construction of libraries in the City of Vaughan and include updates on lot levies as they come in; and
- 3) That Communication C3 from Mr. Gino Ruffolo, dated July 4, 2011, be received.

Recommendation

The Commissioner of Finance/City Treasurer and the Director of Budgeting and Financial Planning recommend:

That the 2010 Fourth Quarter Variance Report be received for information purposes.

Contribution to Sustainability

Not applicable

Economic Impact

Not applicable

Communication Plan

Not applicable

Purpose

To report on the year-end 2010 actual results compared to the operating budget, as at December 31, 2010.

Background – Analysis and Options

The attached year-end variance report compares actual departmental and corporate operating results to the annual operating budget for the period ending December 31, 2010. The actuals presented include all necessary year-end entries and accruals to recognize revenues and expenses that were received or earned but not yet paid by the end of the year.

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Fourth Quarter Overview – Ahead of Budget

At the end of the fourth quarter, the favourable variance, before any carry forward or surplus transfers was \$7.5m, representing a 3.6% variance on the City's 2010 Annual Operating Budget of \$205.4m. This favourable variance is comprised of revenues exceeding the budget by \$4.4m and by a favourable \$3.1m variance in expenses. Most notable is the \$4.2m favourable variance in supplemental taxation and without this variance the overall City position would be \$3.3m favourable. As per the City's policy, a maximum of \$2.5m is carried forward to reduce the levy requirements in the following year and the remaining surplus portion was equally transferred to the general working capital (\$2.5m) and tax rate stabilization reserves (\$2.5m).

A detailed report is attached, which provides specific variance detail by department and corporate categories.

The main areas that contributed to the above positive variances are summarized below.

City Revenue Variance

Excluding general taxation, actual revenues were \$80.8m as of December 31, 2010, and represent a \$4.4m favourable variance when compared to the year-to-date revenue budget of \$76.4m. The variance resulted from the following *main* components.

- Roughly 95% of the favourable variance, approximately \$4.2m, was related to supplemental taxation revenue and was the result of MPAC's response to the 2009 municipal complaint regarding the lack of growth on the assessment role information for billing purposes which consequently resulted in a much larger than expected supplementary roll in 2010 that generated a significant favourable variance.
- A \$2.6m favourable variance in fees and service charges was largely related to the higher than anticipated revenues in Building Standards permit applications (\$1.1m), Development Planning (\$499k), Fire and Rescue Services (\$368k), Enforcement Services (\$235k), Building & Facilities (\$172k), and Clerks – Licensing (\$152k). The remainder contained other minor favourable variances in Development & Transportation Engineering, Recreation etc. Specific details can be found in the related section.
- A \$1.1m favourable corporate revenue position due to higher than expected investment income and Hydro dividends, approximately \$1.0m and \$0.4m, respectively. The above favourable positions were partially offset by less than expected tax certificates revenue caused by a budget error and fine & penalties revenue due to a change in the City's policy for tax default penalties.
- The above favourable variances were offset by a \$3.6m unfavourable variance in reserves and other transfers.
 - The largest contributor to this variance was related to \$2.8m planned Tax Rate Stabilization Reserve withdrawal which was not required due to the City's favourable position.
 - Anticipated reserve transfers funding for Debenture Payment, Engineering, Fleet Management, Planning, Building Standards, Public Works - Winter operations were less than expected, by a combined \$2.3m, as a result of related favourable departmental variances.
 - The above unfavourable variance was offset by variance in insurance reserve withdrawal of \$0.7m due to unforeseen increases in the 2010-2011 insurance premium and higher than anticipated transfers of \$0.8m from capital (Finance from Capital) to recover related capital project administration and overhead costs.

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City Expenditure Variance Overview

Actual total expenditures were \$202.4m as of December 31, 2010, and represent a \$3.1m favourable variance when compared to the annual year-to-date expenditure budget of \$205.4m. The variance resulted from the following *main* components.

- The largest component driving the City's favourable expenditure variance was a favourable position in total department expenses, approximately \$4.9m. More than 90% of the department variance was attributed to salary savings of \$4.6m resulting from vacancies and delays in hiring staff. Adding to the above variance is a \$0.4m favourable variance in contingency for unrealized contingent items and a \$0.6m favourable variance in long-term debt due to an accounting error. This error has an overall net neutral impact as it is offset by a transfer from reserves revenue variance.
- The above noted favourable variances were reduced by a \$2.8m variance in corporate expenses, of which \$1.1m resulted from a Building Standards reserve contribution due to higher than anticipated permit applications and a \$2m variance related to planned salary gapping and savings. In 2011, this budget was increased to \$3.0m to better reflect future actual performance. Favourable variances in other corporate expenditures also contributed to the remaining variance.

Variance Summary:

For quick reference purposes, a high level variance summary sorted by impact is provided below, followed by explanations for specific department major revenue and expenditure variances.

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**City of Vaughan
2010 Operating Budget
FOURTH QUARTER VARIANCE REPORT**

<u>Revenues (variance greater than \$300k)</u>	Variance in \$mil (rounded)	
Taxation Supplementals		4.2
<i>Reserves and Other Transfers</i>		
Finance - From Capital	0.8	
Insurance Reserve	0.7	
Winterization Reserve	(0.4)	
Debenture Payment Reserve	(0.6)	
Engineering Reserve	(0.5)	
Planning Reserve	(0.5)	
Tax Rate Stab. Reserve	(2.8)	
Other	<u>(0.3)</u>	(3.6)
<i>Fees & Service Charges</i>		
Building Standards	1.1	
Development Planning	0.5	
Fire & Rescue	0.4	
Other	<u>0.6</u>	2.6
Corporate Revenue		
Investment Income	1.0	
Hydro Dividends	0.4	
Fines & Penalties	<u>(0.3)</u>	1.1
Other/Rounding		<u>0.1</u>
Total Revenues		4.4
<u>Expenditures (variances greater than \$300k)</u>		
<i>Departmental Expenses</i>		
Buildings & Facilities	1.6	
City Clerk - Insurance	0.7	
Public Works Operations	0.6	
Engineering Services	0.6	
Building Standards	0.5	
Development & Trans. Engineering	0.4	
Information & Technology Management	0.4	
Enforcement Services	0.4	
Legal Services	(0.4)	
Fire And Rescue Services	(0.6)	
Other-(various departments)	<u>0.7</u>	4.9
<i>Corporate Expenditures</i>		
Major OMB Hearings	0.3	
Building Stds Service Continuity Res. Contr'n	(1.1)	
Anticipated Labour Savings	<u>(2.0)</u>	(2.8)
Long Term Debt		0.6
Contingency		<u>0.4</u>
Total Expenditures		<u>3.1</u>
Fourth Quarter Revenues Net of Expenditures		\$ 7.5
Less:		
Transfer to		
Tax Rate Stabilization Reserve		\$ (2.5)
General Working Capital Reserve		<u>\$ (2.5)</u>
Carryforward to 2011		<u>\$ 2.5</u>

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Specific Variance Explanations:

Listed below are explanations for significant revenue and expenditure variances. ***As per prior practice, department explanations are required for all unfavourable variances and any favourable variances in excess of \$100,000.*** Variances are provided in a department order similar to that illustrated in the enclosed attachment. Explanations for corporate revenue and expenditure variances are also included, following the major department variance explanations.

Council

Expenditure variance - \$223,198 or 16.5% unfavourable

The above variance reflects severances paid to former Members of Council. However, it was offset by savings in a variety of accounts. As per policy, specific details are posted monthly on-line.

City Manager

City Manager

Expenditure variance - \$237,068 or 29.5% favourable

The variance was largely caused by temporary vacancies i.e. Executive Assistant and Project Manager. Staff development and training accounts were also favourable due to the above vacancies. A variance was also experienced in professional fees due to postponed projects.

Fire and Rescue Services

Revenue variance - \$367,849 or 94.4% favourable

The fourth quarter revenue position has exceeded the year to date budget by 94.40%. The majority of the favourable variance, approximately \$128k, was mainly attributed to fees collected from the new fire fighter employment applications, which on a net department basis were partially offset by an increase in the training and development expenditures. Another \$155k favourable variance was a result of higher emergency call outs due to an increase in motor vehicle accidents. In addition, external mechanical services provided to municipalities resulted in a \$70k favourable position. The remaining variance is an outcome from a JEPP grant which contributed to a positive variance.

Expenditure variance - \$569,986 or 1.7% unfavourable

The unfavourable variance was largely a result of a total \$387k unfavourable labour variance. The unfavourable variance comprised of \$898k in overtime and \$229k in benefit spending which was to cover temporary vacancies at a higher rate of pay. This unfavourable variance was partially offset by \$589k in salary (including part-time) and the associated \$151k benefit savings for temporary vacancies i.e. retirees, maternity-paternity leave, people on modified work schedule and staff on long term disability. The remainder of the variance was due to differences in estimates versus actual retro pay for the new Vaughan Fire Fighters Contractual Agreement.

There were favourable and unfavourable variances in other accounts which are outlined below.

- There were additional expenditures of approximately \$73k in training and development related to Firefighter recruitment training, which was more than recovered through application fees.
- Increased fleet usage and the associated fuel price increase resulted in an unfavourable variance of \$36k for Internal Fuel cost.

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- Heavy vehicle usage and vehicle testing added extra purchases for materials and supplies which contributed an unfavourable variance of \$44k.
- The increase in fire fleet and its usage contributed to a total unfavourable variance of \$81k for the general vehicle repairs.
- Due to less than expected call-outs in the Kleinburg area, there were savings of approximately \$51k from Volunteer Firefighters at station 7-4.

The remainder of the variance was an equalized combination of minor variances across multiple accounts.

Commissioner of Finance and City Treasurer

City Financial Services

Expenditure variance - \$227,626 or 8.3% favourable

The favourable variance was largely related to \$184k of savings as a result of temporary staffing vacancies due to various employees being on medical leave and maternity leave split between Accounting Services and Property Tax Divisions, \$144k and \$40k, respectively. There was an unfavourable variance of \$49k in contracted services for unplanned assistance to cover the medical and maternity leaves. The remainder of the variance was favourable in various accounts such as computer supplies, training, computer hardware, office equipment and other accounts.

Purchasing Services

Expenditure variance - \$59,125 or 5.0% unfavourable

The unfavourable variance was largely related to \$93k expense transfer to reserves for sale of fixed assets which was offset equitably by revenue received from the sale of assets. There was a favourable variance of \$34k in office supplies, copier lease charges, office supplies among other accounts.

Commissioner of Legal and Administrative Services

City Clerk - Licensing

Revenue variance - \$151,809 or 17.3% favourable

The favourable variance was made up of various revenue components. Marriage licenses were higher than expected by \$43k caused by a combination of an increase in fees and growth. Eating establishment licenses were higher than anticipated by \$32k. Taxi licensing revenues were higher by \$17k as a result of growth of new taxi cab owner licenses. Animal licensing was higher than expected by \$11k as a result of streamlining one fee for licenses and process improvements. The remainder of the variance was a cumulative favourable variance related to growth in licenses for personal services, public garage, adult entertainment, film and special events, etc.

Expenditure variance - \$10,110 or 1.8% unfavourable

The unfavourable variance was caused by the temporary assignment of a Licensing Clerk to a Licensing Officer at a higher salary to meet the demand of the division. This was fully offset by a higher than expected favourable revenue variance.

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City Clerk - Insurance

Expenditure variance - \$685,154 or 25.8% unfavourable

The unfavourable variance was a result of higher than expected claims and deductibles. The City's insurance policy was under review and paid a \$346k unbudgeted premium for short-term policy extension to review insurance proposals. There was a \$331k higher than anticipated deductible as the City's insurance policy was under review. The above expenses are fully counter balanced by a transfer from the insurance reserve, which is directly funded by departments. This is done to allocate insurance costs to departments.

Legal Services

Revenue variance - \$14,668 or 17.6% unfavourable

This variance was a result of lower than anticipated electronic registration fees caused by the development slowdown i.e. site plan, subdivision, easement, and other registrations. Also, the lower revenues were caused by registration of site plan agreements that were phased out between 2009 and 2010 and are no longer required or to be registered.

Expenditure variance - \$388,933 or 23.2% unfavourable

The unfavourable variance was a result of greater than forecasted professional fee costs, approximately \$381k, related to the legal fees paid for external legal counsel regarding prosecutions arising from compliance audits. The remaining balance consists of a combination of minor variances in several accounts such as labour, registration fees among other accounts.

Enforcement Services

Revenue variance - \$234,721 or 12.9% favourable

The favourable revenue variance was mostly due to the benefits realized from the Administrative Monetary Penalty program demonstrated by favourable variance in fines revenue

Expenditure variance - \$277,134 or 6.4% favourable

The favourable variance was mainly a result of \$187k in labour costs resulting from staff vacancies that are in the process of being filled. In addition, a \$23k favourable variance in service contracts for delayed invoice dispute with providers of the Enforcement Services Information System which was not accrued because there was no reasonable cost estimate. The remainder of the variance was in other accounts associated with the vacancies i.e. materials and supplies, training, phone charges, etc.

Human Resources

Expenditure variance - \$102,592 or 3.3% favourable

The favourable variance was mostly due to \$88k lower than anticipated advertising costs for employment opportunities. These funds have been reallocated in the 2011 budget to the professional fees account for legal and recruitment expenditures which had an unfavourable variance of \$62k. In addition, due to the delay in implementing the Learning and Development Strategy, there was a favourable variance of \$40k in the corporate training account. Also, there was a \$31k in labour savings for temporary vacancies. The remainder of the variance was savings in various accounts such as copier lease charges, protective clothing/uniforms, training and development and other accounts.

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Commissioner of Community Services

Communities in Bloom

Expenditure variance - \$23,722 or 20.6% unfavourable

The unfavourable variance was offset by an equitable favourable variance in revenue with a net favourable variance of \$3k favourable.

Communities Grants and Advisory Committees

Expenditure variance - \$110,830 or 68.4% favourable

There was a favourable variance of \$90k in salaries and benefit accounts attributable to the Safe City Coordinator position that was budgeted in this area but charged to the Parks Operations Department. Furthermore, there was savings in other accounts as several activities were put on hold during the election process.

Recreation

Revenue variance - \$255,838 or 1.5% unfavourable

The unfavourable variance consisted of the following:

- \$353k revenue shortfall due to the delayed opening of the North Thornhill Community Centre
- \$331k decrease in revenues in general programs, camps, fitness center memberships and City Playhouse tickets due to the implementation of HST, full day kindergarten and increased private sector competition
- \$131k decrease in rental revenues at City Playhouse due to increased theatre competition, HST and a \$50k transfer not processed for use of the theatre for summer camps, which was offset by a decline in rental expenses.
- The unfavourable variance was offset by:
 - \$492k higher than expected York Region Transit ticket sales
 - \$70k in grants received and not budgeted
- The remainder of the variance consisted of multiple minor variances.

Expenditure variance - \$200,716 or 1.1% unfavourable

The unfavourable variance was a combination of favourable and unfavourable variances. The main contributor to the variance was a \$556k unfavourable variance in York Region Transit ticket purchases, which includes \$61k in prepaid 2011 tickets which was not accrued in 2010 because of year-end timing issues. Excluding this amount, YRT expenses would have been offset by increased ticket sales. A contributor to the unfavourable variance was caused by an unplanned transfer of \$150k to infrastructure replacement reserves for the revenue that was received for soccer permits for the maintenance of the McNaughton artificial soccer turf. Also, there was an unfavourable variance of \$33k for bank charges that was a result of NTCC opening.

To offset the unfavourable variance, there was a favourable variance of \$274k labour savings consisting of staff vacancies created by temporary leaves and delayed hiring at North Thornhill Community Centre. A \$63k favourable variance was also experienced in the purchase of small tools and equipment due to reduced spending in camps and fitness. There was a \$56k favourable variance in rental expenses for the use of City Playhouse not processed, offset by a decline in rental revenues. The remaining \$145k favourable balance consisted of a variety of accounts i.e. materials and supplies, computer hardware, printing external, copier lease etc.

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Cultural Services

Expenditure variance - \$122,907 or 15.3% favourable

The overall favourable variance was due to \$105k in savings for not replacing a temporary vacancy which was partially offset by \$16k due to an increase in part time due to extra hours required due to the increase in workload. The remainder of the favourable variance was in various accounts due to the Vaughan Cultural Interpretive Centre program not being fully operational.

Building and Facilities

Revenue variance - \$171,588 or 94.7% favourable

The variance was a result of settling a joint service lease agreement with York Region EMS for joint use of station 7-8 and 7-9, which included cumulative retroactive payments.

Expenditure variance - \$1,580,651 or 7.9% favourable

The overall favourable variance was comprised of many favourable variances. Utility expenses (hydro and gas) were favourable by \$1,156k as a result of a mild winter in the beginning of the year, a milder and less humid summer and conservation practices. Budget adjustments were made in 2011 to reflect this favourable trend. There was also a savings of \$819k in salaries and benefits related to seven temporary vacancies in Al Palladini, Dufferin Clark, Rosemount, Vellore Village and Garnet Williams community centres. Three vacancies were filled early 2011. There was a favourable variance of \$104k in garbage disposal expenditure because of efficient recycling practices. The balance of the variance consisted of various minor account variances.

The above favourable variances were offset by \$259k in the building rental leases account for the continued occupancy of Tigi Court as departments could not move as planned to the Civic Centre. Also, there was an unfavourable variance of \$118k in water due to flooding caused by water pipe damage in fire hall # 7-3 on Woodbridge Avenue and a whirlpool leak at Al Palladini. In addition, there was a unfavourable variance of \$123k in the general maintenance account caused by mechanical breakdowns at Maple, Al Palladini and Father Ermanno Bulfon Community Centres.

Fleet Management

Expenditure variance - \$130,923 or 14.1% favourable

The overall favourable variance was mainly comprised of temporary vacancies which generated labour cost savings of \$73k. The remainder of the variance was for charges from other departments that did not materialize for the period and various other accounts such as printing and automotive parts.

Parks Operations

Expenditure variance - \$169,453 or 1.5% favourable

The favourable expenditure variance was largely a result of salaries and benefits savings of \$259k related to unpaid leave of absences, positions filled later than anticipated, etc. Contracts and materials were favourable by \$156k but offset by \$130k unfavourable variance in material and supplies account due to an allocation error. There was a favourable variance of \$128k in charges from other departments which was associated to sidewalk ploughing machinery on loan from Public Works – Winter Division. The \$32k favourable variance associated with education was not spent but is anticipated to be utilized in 2011 when a facilitator is secured.

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The above favourable variances were offset by \$157k unfavourable in transfer to reserves account for a year-end transfer to complete a project in 2011 for fence repairs contract at Melville. Also, there was an unfavourable variance of \$100k in the machine time account. Moving forward, a review of machine time is being conducted.

The remainder of the favourable variance consisted of minor savings in other accounts.

Parks Development

Expenditure variance - \$106,300 or 9.8% favourable

The favourable expenditure variance was largely a result of salaries and benefits savings of \$104k related to temporary vacancy. The remainder of the favourable variance consists of minor savings in other accounts.

Commissioner of Planning

Development Planning

Revenue variance - \$498,931 or 20.5% favourable

The favourable revenue variance is due to increased zoning by-law amendments and site plan agreements processed during this quarter, almost exactly offset by \$500K budgeted reserve revenue which was not required due to larger than budgeted actual revenue as discussed above. For most of the year, the revenue forecast was significantly under budget but increased activity was seen in the fourth quarter which resulted in the favourable variance to budget.

Expenditure variance - \$216,207 or 8.4% favourable

The favourable expenditure variance is related to labour and benefit savings of \$144k due to 2 vacant positions for Planner and Planner 1 and the secondment of Manager of Development Planning to the Policy Planning department. In addition, the professional fee account came in less than expected by \$19k and this variance has been accounted for by the removal of one-time funding item of \$25K. Also, the minor variance of \$14k in the computer hardware account was due to delay in purchasing computer peripherals related to the delay in the corporate computer refresh program; now scheduled to be completed in 2011. The balance of the variance summary consists of multiple accounts, ie: office equipment, sundries and supplies, etc.

Building Standards

Revenue variance - \$1,145,299 or 14.0% favourable

The favourable building standards revenue variance is a result of higher than budgeted building permit volumes received during the year. In addition, there have been higher than expected title restriction revenues (154K) due to the approval of a large apartment condominium project and sign permit fees (166K) as a result of increased sign enforcement activities by Enforcement Services.

This positive revenue variance resulted in a transfer into the Building Standards Continuity Reserve fund. This transfer into the reserve for 2010 continues a trend over the last 5 years of contributions to the point where the reserve is currently above the target. Watson and Associates have been retained by the City to assist in the development of revenue forecasting for a number of revenue generating departments. As part of this exercise, long range permit activity and the changing fabric of development will be reviewed to assist the Building Standards department in understanding the future permit activity, and how this relates to costs, reserves and fee structure.

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Expenditure variance - \$466,248 or 7.7% favourable

The majority of the favourable expenditure variance is related to temporary vacancies which have resulted in savings of \$279K in the salary, benefits and overtime. The temporary vacancies resulted in a further savings in the associated accounts, including office equipment, computer hardware, software, training and development. In conjunction with Human Resources Department, the Building Standards Department is presently in the process of filling two of the three vacant full-time positions.

Commissioner of Economic and Technology Development and Corporate Communications

Commissioner of Economic and Technology Development and Corporate Communications

Expenditure variance - \$233,830 or 98.7% favourable

The total budget variance was a result of staff vacancies for 2010.

Economic and Business Development

Revenue variance - \$221,045 or 82.3% unfavourable

The unfavourable revenue variance of \$221K was partially caused by change in direction regarding Tourism initiatives (\$131k). In addition, there was \$28k variance in miscellaneous revenue and \$60k of Ontario grant revenue caused by a change in VBEC accounting treatment, now a separate entity from the City.

Expenditure variance - \$277,468 or 18.5% favourable

In anticipation of the Economic Development Strategy being approved, a number of activities were deferred which resulted in savings in advertising, promotion and special events. The Tourism Program was eliminated, as recommended in the Strategy, and therefore contributed to a favourable expenditure variance across a number of accounts. There was a favourable variance of \$98K in labour accounts due to staff vacancies that did not get filled until 2011. There was a \$79k favourable variance in Special Events/Public Relations accounts due to budgeted activities for VBEC which are now treated separately. This favourable variance was completely offset by \$79K unfavourable expenditure in Outside Services that can be attributed to additional design costs for materials, as well as a transfer and to cover VBEC's expenses from 2009. There was a \$48k favourable variance in promotion and education account due to a delay in production of marketing materials associated with availability of data/inputs. There was a favourable variance of \$40k in advertising which was attributed to the change in direction as per the Strategy. A \$39K favourable variance in expenses was created due to a reserve transfer to cover foreign and international business travel, i.e. 2011 China Business Trade Mission. Due to a change in accounting practice, VBEC accounts and costs were transferred to a separate reporting entity. This occurred after the 2010 Budget approval and has created many variances, which are largely offsetting.

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Information Technology Management

Expenditure variance - \$385,969 or 5.6% favourable

The favourable expenditure variance was largely a result of \$105k in salaries and benefits savings related to temporary leaves. Furthermore, a net \$119k favorable variance in profession fees and service contracts (\$249k - \$130k) was related to the new City Hall as some services and projects were halted in order to concentrate efforts on the move. Also, there were favourable variances in accounts such as training and development (\$46k) was under spent due to timing and workload issues pertaining to the move and other projects, communications (\$46k) was under spent due to cost savings from implementing new telephone services provider and computer hardware/software (\$32k) was under spent due to project delays caused by work efforts required for the move. The balance of the variance was in various other accounts; such as seminars/workshops, computer supplies, office supplies etc.

Commissioner of Engineering and Public Works

Development and Transportation Engineering

Revenue variance - \$100,419 or 34.1% favourable

The favourable variance was attributable to \$60k higher than anticipated recoverable expenses associated with work carried out by the City on behalf of the developer due to non-compliance of the terms of the subdivision agreement. This favourable variance was partially offset by the contractor expense accounts. The balance of the favourable variance was \$36k and is a result of a higher than expected number of lot grading permits over the period.

Expenditure variance - \$387,720 or 10.5% favourable

The favourable variance was primarily a result of labour savings. Approximately \$412k was a result of two vacancies and a maternity leave for most of the year. Both vacant positions have been filled and the department is at full complement. There was an unfavourable variance of \$19k in contractor expense account which was completely offset by higher revenues in recoverable expenses. The balance of the favourable variance was in various accounts such as computer hardware, training, membership fees among other accounts.

Engineering Services

Expenditure variance - \$550,761 or 15.5% favourable

The favourable variance was primarily a result of labour savings, approximately \$245k, caused by hiring delays for two positions. There was a \$176k favourable variance in the service contracts account attributable to the Applewood Bridge not being commissioned by the Ministry of Transportation in 2010; maintenance expenses are expected to apply in 2011. In addition, there was a \$54k favourable variance in contractor account due to savings generated by the new pavement markings tender and a number of roads were better than expected and did not require markings. The remainder of the variance was in various other accounts such as machine time, computer hardware, professional fees etc.

Public Works-Operations

Revenue variance - \$96,549 or 10.9% favourable

The above variance is largely due to a \$147k favourable variance for higher than expected blue box tonnage, which generated a larger grant revenue from the Waste Diversion Ontario (WDO) program. The favourable variance was offset by \$39k in lower than expected revenue of recoverable expenses in the Roads and Winter divisions and \$21k in service charge revenue for appliance pick-up in the Waste Division.

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Expenditure variance - \$621,529 or 2.2% favourable

There were favourable and unfavourable variances in the Roads, Administration and Waste divisions.

Roads

A \$502k favourable variance was experienced in the Roads Division which consisted of the following components:

- A \$692k favourable variance in contractor and contractor materials was caused by streetlight maintenance contractor not able to complete all the necessary work by year end. A \$382K transfer to a reserve account has since been made to complete the required works in 2011.
- A \$195k unfavourable variance in associated machine time for use of City vehicles and machines. The unfavourable variance was partially offset by savings of \$89k in hydro costs for street lights.
- The remainder of the variance consisted of minor variances in other accounts such as materials and supplies, computer hardware, dumping charges etc.

Waste/Administration

The remaining variance consists of \$67k savings in the Waste Division. This was due to reduced costs experienced in waste diversion promotion & education initiatives, and other minor variances. Also, there was a \$53k variance in Administration Division as a result of temporary vacancies and various associated accounts.

Winter

There was a total of \$2m favourable variance in contractor costs, materials and supplies, fuel and rental leases as the winter season was milder than normal. This favourable variance, as per City policy, was transferred to the Winter Reserve account, which eliminated the above favourable variance.

Vaughan Public Libraries

Expenditure variance - \$164,682 or 1.4% favourable

The variance resulted from \$149k in savings from salary and benefit costs due to staff turnover, replacement staff salary differentials and leave of absences. Other variance contributors included: reduced spending on natural gas because of mild 2010 winter and recovery of prior year over expenditure; reduced computer hardware costs based on capital funding for new equipment; eliminating portion of current obsolete security system service contract in anticipation of replacement equipment in 2011; and an overspend on the joint service agreement for the Dufferin Clark and Maple libraries as well as higher charges by the City for service rendered to VPL.

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Corporate Revenues

Supplemental Taxation

Revenue variance - \$4,228,113 or 192.2% favourable

In 2009, Area Treasurers voiced a concern to MPAC, a third party provider, about the seemingly lack of assessment growth throughout the Region. In 2010, MPAC improved processes by providing municipalities with assessment roll information for tax billing purposes. Consequently, this resulted in a much larger than expected supplementary roll for 2010, which in turn generated bigger than expected favourable year-end supplemental taxation variance. It is unlikely this variance is sustainable and due to our dependency on a third party provider and the general forecast uncertainty, a cautious approach is warranted. In 2011, the budget was conservatively adjusted and Watson and Associates have been retained to assist in projecting assessment growth and supplemental taxation revenue.

Reserves & Other Transfers

Revenue variance - \$3,615,223 or 21.0% unfavourable

Actual transfers from reserves and other funds were \$2.8m less than anticipated. The largest contributor to this variance was related to \$2.8m planned Tax Rate Stabilization Reserve withdrawal, which was not needed at year-end due to the City's overall favourable position. For a similar reason, a variance was also experienced in Planning (\$500k), Engineering, Fleet Management, Building Standards and Winterization and Election operations were less than expected, by a combined \$1.3m, as a result of related favourable departmental variances.

The above variances were partially offset by a \$758k favourable position in Finance from Capital due to an increase in completed capital projects. Also, a larger than anticipated insurance reserve withdrawal of \$685k as the City's insurance policy was under review and a short term policy was issued at a premium. The debenture payment reserve transfer was higher by \$269k to offset the long term debt payment which was also \$269k higher.

General Corporate Revenues

Revenue variance - \$1,136,232 or 6.2% favourable

Corporate revenues were favourable largely as a result of a greater than anticipated investment income earnings and Hydro dividend, \$1.0m and \$0.4m, respectively.

The above figures were offset by a \$316k unfavourable variance in fines and penalties due to a change in City penalty and interest payment policy. This change in policy is not reflected in the 2011 Budget and a revenue shortfall is expected to continue. In addition, tax certificate and document revenue was an unfavourable \$112k, due to an estimate error that was adjusted in the 2011 Budget. The remaining balance consisted of small variances in miscellaneous revenues, purchasing, Provincial Offenses Act etc.

Corporate Expenditures

Reserve Contributions and Corporate Expenditures

Expenditure variance - \$2,764,720 or 42.7% unfavourable

The majority of the unfavourable variance consists of the following explanations:

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1. A \$1.1m unfavourable variance was due to a substantial transfer to Building Standards Reserve Contribution, resulting from a combination of lower than anticipated expenditures and higher building code permit revenues. Bill 124 imposes cost and price restrictions on the building code permit fees to the extent that revenues cannot exceed reasonable and anticipated costs. For this reason the revenue surplus was transferred to the reserve to provide future service continuity, as per the City's policy. There have been transfers into the reserve for the last 5 years. The 2010 transfer of \$1.1m continues a trend of decreasing transfers in the period of 2007-2010 (\$6.3m, \$2.4m, \$1.8m and \$1.1m, respectively)
2. A \$2.0m unfavourable variance was experienced in salary gapping and was anticipated since salary savings of \$4.6m which were budgeted corporately, but realized within individual departments. To address the 2010 salary savings, the 2011 budget was adjusted to \$3.0m to better reflect actuals.
3. The Major OMB hearings account was a favourable \$270k as a result of three lengthy and significantly complex Ontario Municipal Board matters which were settled. The 2011 budget was not adjusted as it is anticipated that matters related to the Official Plan will require external consultants for legal advice and representation and to provide expert evidence on policy and development planning, traffic and transportation, heritage architecture and market economy matters. This trend is expected to continue until 2012 and will be reviewed for potential adjustment in 2013.
4. The remainder was a combination of unfavourable and favourable variances in tax adjustments, joint services, and professional fees among other expenditures.

Long Term Debt

Expenditure variance - \$565,000 or 6.3% favourable

The favourable variance is a result of an account error, where the Debenture Payment Reserve transfer was booked against the long-term debt expense. Overall the net impact is neutral as the transfer from reserve has an offsetting variance.

Contingency

Expenditure variance - \$373,521 or 38.2% favourable

This expense has a favourable variance resulting from unrealized contingent items.

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 2010 year end results, the overall \$2.5m favourable variance was available to be carried forward to the 2011 Operating Budget. Over the past few years, the operating budget has relied on prior year's surplus of \$2.5m to assist in balancing the budget.

Attachments

Attachment 1: Fourth Quarter Variance Report

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JULY 6, 2011

Item 2, Finance Report No. 15 – Page 16

Report prepared by:

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Manager of Operating Budgets
Ext. 8401

(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.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JULY 6, 2011

Item 3, Report No. 15, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on July 6, 2011.

3 OPERATING BUDGET QUARTERLY REPORT ENDING MARCH 31, 2011

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance/City Treasurer and the Director of Budgeting and Financial Planning, dated July 6, 2011:

Recommendation

The Commissioner of Finance/City Treasurer and the Director of Budgeting and Financial Planning recommend:

That the 2011 First Quarter Variance Report be received for information purposes.

Economic Impact

Not applicable

Communication Plan

Not applicable

Purpose

To report on the year-to-date actual 2011 Operating Budget results versus the calendarized 2011 Operating Budget, as at March 31, 2011.

Background – Analysis and Options

The attached first quarter variance report compares the current status of actual departmental and corporate operating results for the three-month period ending March 31, 2011, relative to the 2011 year-to-date operating budget. The year-to-date operating budget is calendarized based on available current year information, historical spending patterns and trends and future projections. The intent and focus of this report is to monitor and communicate actual performance to the annual plan and highlight trends and variances beyond specified thresholds.

First Quarter Overview – Ahead of Budget

The annual Operating Budget for the City is \$216.5m, of which 73.3% remains to be realized. At the end of the first quarter, the City experienced a \$1.8m net favourable variance on the City's 2011 first quarter net operating budget. This favourable variance is comprised of a \$1.5m favourable expenditure variance and a \$0.3m favourable revenue variance. A detailed report is attached, which provides specific variance detail by department and corporate categories.

It is important to note, the combined favourable variance is not directly indicative of the City's final year-end position; it simply compares the City's actual financial position to the approved budget at a point in time. At this stage in the process it is too early to determine if this favourable position can be sustained as a number of events such as a shifting of trends, timing differences, or unforeseen events in the latter part of the year could easily erode the current position.

The main areas that contributed to the positive \$1.8m variance are summarized below.

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City Revenue Variance

Actual revenues were \$79.1m as of March 31, 2011, and represent a \$0.3m favourable variance when compared to the year-to-date expenditure budget of \$78.8m. This variance stems from the following items:

User fees and service charges had a favourable variance of \$426k which includes the following:

- \$239k in Recreation mainly due to YRT ticket sales,
- \$69k in Clerk's licensing due to license volume ,
- \$58k in Fire and Rescue Services for higher than anticipated call out
- The remainder of the variance was made up of a variety of minor variances in other departments.

Offsetting the above is a \$136k unfavourable variance in Corporate revenue mainly due to lower than expected Hydro Investment Income of \$95k and lower than expected fines and penalties revenue of \$59k.

City Expenditure Variance Overview

Actual total expenditures were \$57.9m as of March 31, 2011, and represent a \$1.5m favourable variance to the year-to-date expenditure budget of \$59.4m.

The largest component driving the City's favourable expenditure was a favourable position in total department expenses, approximately \$3.0m. Variances can be found throughout most departments and is largely due to a later than usual budget approval. The largest variances reside in Recreation, Building Standards, Libraries, etc, and specific department variances are provided within this report.

The majority of the above noted department variance was mostly attributed to savings in salaries and benefits, approximately \$2.2m. This variance was anticipated and planned for corporately, but actual performance was slightly greater (\$0.4m) than the \$1.8m planned offset for first quarter due to the continuation of a number of past year's vacancies.

The balance of the department variance, approximately \$0.8k, resided in contract, machine time, and other accounts. Contributing to the overall variance were offsets in contingency and professional fee accounts created by timing differences.

Variance Summary:

For quick reference purposes, a summary of the variances by major category is provided below followed by explanations for major variances.

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**City of Vaughan
2011 OPERATING BUDGET
FIRST QUARTER VARIANCE REPORT**

<u>Revenues</u>	Variance in \$mil (rounded)	
<i>Fees & Service Charges</i>		
Recreation	0.2	
Clerks - Licensing	0.1	
Fire & Rescue	0.1	0.4
Corporate Revenue		
Hydro Investment Income		(0.1)
Total Revenues		0.3
<u>Expenditures</u>		
<i>Departmental Expenses</i>		
Recreation	0.4	
Building Standards	0.3	
Vaughan Public Libraries	0.3	
Engineering Services	0.2	
Buildings & Facilities	0.2	
Development & Trans. Engineering	0.2	
Enforcement Services	0.1	
Development Planning	0.1	
Information & Technology Management	0.1	
City Financial Services	0.1	
Public Works Operations	0.1	
Legal Services	0.1	
City Manager	0.1	
Other-(various departments)	0.7	3.0
<i>Corporate Expenditures</i>		
Anticipated Labour Savings	(1.8)	
Major OMB Hearings	0.1	
Professional Fees	0.1	(1.6)
Contingency		0.1
Total Expenditures		1.5
First Quarter Revenues Net of Expenditures		\$ 1.8

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Specific Variance Explanations:

Listed below are explanations for significant revenue and expenditure variances. As per prior practice, department explanations are required for all unfavourable variances and any favourable variances in excess of \$100,000. Explanations for corporate revenue and expenditure variances are also included, following the major department variance explanations.

Commissioner of Legal and Administrative Services

Legal Services

Revenue variance - \$8,375 or 42.3% unfavourable

This variance was a result of lower than anticipated registration fees. The revenue shortfall is expected to meet budget forecast by the end of the year.

Enforcement Services

Revenue variance - \$36,435 or 8.3% unfavourable

The unfavourable revenue variance was mostly in fines, largely due to a temporarily reduced workforce created by staff vacancies.

Expenditure variance - \$140,468 or 12.4% favourable

The favourable variance was a result of salary savings of \$351k mainly attributable to four vacancies in By-law Enforcement Services and seven full time and five part time vacancies in Animal Services as the division was not functional in the first quarter. This favourable variance was offset by an unfavourable variance of \$181k in the service contracts account as Kennel Inn contract, animal services provider, was extended to April 30, 2011. There was an unfavourable variance of \$35k in transfer to reserve insurance account as the department was charged corporately earlier than expected. The remainder of the variance was in other accounts such as materials and supplies, rental lease vehicles, cellular line charges etc.

Commissioner of Community Services

Recreation

Revenue variance - \$239,374 or 4.7% favourable

The favourable revenue variance was primarily due to higher than expected York Region Transit ticket sales, approximately \$210k. Also, there was a favourable variance of \$196k in instructional aquatics, mainly in North Thornhill and Vellore Village community centres.

Overall, revenues continue to be challenged by the ongoing impact of HST and full day kindergarten and the above favourable variance was offset by a slight decline of \$80k in fitness revenue, including slower than expected growth at North Thornhill Community Centre. In addition, there was also a \$100k unfavourable variance in miscellaneous revenue attributable to a decline in rental permits, pool rentals and the City Playhouse.

Expenditure variance - \$417,727 or 9.2% favourable

There was a favourable variance of \$204k in York Region Transit ticket purchases due to payment timing which is expected to correct itself by fourth quarter. There was a \$178k net favourable variance in labour costs due to a savings of \$362k in full time caused by temporary vacancies offset by a \$184k increase in part time staff. The remainder of the variance was made up of small variances in printing, rental lease equipment, professional fees and various other accounts.

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Building and Facilities

Expenditure variance - \$161,267 or 3.2% favourable

The overall favourable variance was comprised of salaries and benefits savings of approximately \$274k related to temporary vacancies of five Facility Operators and one Assistant Foreperson, which were filled in the second quarter. There was a favourable variance of \$25k in joint service revenue due to PowerStream renting additional space in the City Hall.

The above favourable position was offset by various unfavourable variances. There was a \$96k unfavourable variance in rental lease buildings account for three months of unplanned occupancy of Tigi Court location due to the delayed move to City Hall. The building was vacated in April. There was an unfavourable variance in the general repairs account for \$25k due to an accounting error, which will be corrected in the second quarter. Joint service recovery for Library was unfavourable by \$20k due to processing timing differences.

Parks Operations

Revenue variance - \$3,832 or 55.4% unfavourable

The unfavourable variance was for internments and selling of plots which was slightly lower than expected.

Expenditure variance - \$10,445 or 0.4% unfavourable

The favourable expenditure variance was a combination of unfavourable and favourable variances.

There was a net favourable variance of \$99k in the labour accounts, which consists of full time vacancies being offset by temporary part time staff replacements and overspending in overtime due to higher than anticipated sidewalk ploughing for the winter season in the early part of the first quarter. There was \$25k net favourable variance in charges from other departments and internal cost recovery accounts. There were also savings of \$91k in the contractor account and \$55k in hydro due to processing timing differences.

The favourable variances were offset by \$282k in machine time due to higher than anticipated use of sidewalk ploughs during the winter season.

The remainder of the variance consisted of minor variances in materials, small tools, and other accounts.

Commissioner of Planning

Commissioner of Planning

Expenditure variance - \$20,551 or 21.1% unfavourable

The unfavourable variance was a result of an unplanned vacation payout due to a retirement.

Development Planning

Expenditure variance - \$110,232 or 15.6% favourable

The favourable expenditure variance was related to labour and benefit savings of \$106k due to three vacant positions which will be filled during the second quarter. The balance consists of multiple related accounts such as office furniture, computer hardware etc.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JULY 6, 2011

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Building Standards

Expenditure variance - \$328,737 or 19.4% favourable

The vast majority of the positive expenditure variance was the result of salary savings of \$218k caused by two vacant full-time positions and timing differences in overtime with a favourable variance of \$57k. The Building Standards Department in conjunction with Human Resources Department are in the process of actively filling these two vacant positions. The training and development and membership accounts combined favourable variance was \$25k, which was attributable to the vacancies and timing differences. The remainder of the variance is a combined savings in copier leases, office equipment, computer hardware etc.

Commissioner of Economic and Technology Development and Corporate Communications

Corporate Communications

Expenditure variance - \$13,347 or 6.3% unfavourable

The unfavourable variance was attributable mainly to over spending in part-time for a casual position which will be offset by future savings in professional fees, advertising, and other accounts.

Commissioner of Engineering and Public Works

Development and Transportation Engineering

Revenue variance - \$31,769 or 60.2% unfavourable

The unfavourable variance was mainly due to a \$24k variance in recoverable expenses due to the vacant TTC Coordinator contract position. This unfavourable revenue variance was offset by associated favourable expenses. The remainder of the variance was a result of lower than anticipated infill lot grading permits due to market trends.

Expenditure variance - \$159,578 or 15.9% favourable

The favourable variance was primarily a result of labour savings, approximately \$151k for two vacancies, a full time and the TTC Coordinator contract position, and the reversal of a 2010 accrual. Both vacancies are expected to be filled by the second quarter. The favourable variance was slightly offset with contractor services that will be charged back to developers and other minor accounts.

Engineering Services

Expenditure variance - \$186,136 or 19.6% favourable

The favourable variance was mainly attributable to salaries and benefits savings of \$139k caused by a 2010 payroll accrual, and vacancies of three newly approved positions and one existing position, which are expected to be filled in the second quarter. The favourable variance in service contracts of \$45K was due to a payment timing difference in the maintenance agreement with MTO for the Applewood extension. The remainders of the variances were in various accounts.

Vaughan Public Libraries

Expenditure variance - \$305,374 or 9.3% favourable

The favourable variance of \$257k was in labour accounts caused by temporary vacancies, and a result of a 2010 accrual.

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There was a combined resource books and periodicals favourable variance of \$54k caused by a timing difference in purchases. This was offset by an unfavourable variance of \$37k in materials processing as result of bulk purchases. There was a \$16k favourable variance in service contracts attributable to the delay of security provider contract. The remainder of the variance was in various accounts such as innovative programs, utilities, cleaning services etc.

Corporate Revenues

General Corporate Revenues

Revenue variance - \$136,484 or 4.5% unfavourable

The unfavourable variance is largely a result of lower than expected Hydro investment income, approximately \$95k. Tax fines and penalties were lower than expected by \$59k due to a change in City default payment policy that was not reflected in the 2011 budget. This variance is expected to continue and grow to approximately \$300k, similar to 2010 results, and will be adjusted for in the 2012 Budget process. The unfavourable variance was offset by other minor account variances.

Corporate Expenditures

Corporate and Election Expenditures

Expenditure variance - \$1,658,291 or 45.4% unfavourable

The majority of the unfavourable variance consists of the following four explanations:

1. A \$1.8m unfavourable variance was experienced in salary gapping and was anticipated since salary savings are budgeted corporately, but realized within individual departments. This variance will continue to increase throughout the year and naturally offset the actual salary savings performance realized within departments, which was \$2.2m for the first quarter.
2. A \$75k favourable variance in professional fees for 2010 accrual reversal related to audit fees.
3. A \$74k favourable variance in OMB hearings for professional fees as matters related to the Official Plan were slightly delayed.
4. The remainder of the variance was related to a combination of minor variances in the election costs and by election costs, bank charges, etc.

Contingency

Expenditure variance - \$124,328 or 0% favourable

The majority of the favourable variance consisted of a 2010 accrual reversal for legal fees.

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

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Conclusion

Based on the 2011 quarter ending March 31, 2011 there was a favourable variance of \$1.8m. It is very early in the year, but if trends continue and barring any unforeseen events, it's likely that our year-end position will be favourable. Over the past few years, the operating budget has relied on a prior year's surplus of \$2.5m to assist in balancing the budget. At this point in time, indicators suggest that 2011 will not be different than previous years.

Attachments

Attachment 1: First Quarter Variance Report

Report prepared by:

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Ursula D'Angelo, CGA
Manager of Operating Budgets
Ext. 8401

(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.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JULY 6, 2011

Item 4, Report No. 15, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on July 6, 2011.

4 CAPITAL PROJECTS QUARTERLY REPORT ENDING DECEMBER 31, 2010

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance/City Treasurer and the Director of Reserves & Investments, dated July 6, 2011:

Recommendation

The Commissioner of Finance/City Treasurer and the Director of Reserves & Investments recommends:

That this report be received for information purposes.

Contribution to Sustainability

This is not applicable to this report.

Economic Impact

There is no economic impact as all capital projects have been previously approved by Council and the Reserves and Reserve Fund continuity schedule is for information purposes only.

Communications Plan

Not Applicable.

Purpose

The purpose of this report is to provide Finance and Administration Committee with the 2010 fourth quarter update on the financial status of all approved capital projects and reserves and reserve fund balances.

Background - Analysis and Options

The Reserves and Investments department is responsible for:

- managing capital processes on an ongoing basis to provide departmental management with the information to ensure that their projects are completed within their approved budgets
- ensuring the appropriate approvals are obtained if circumstances determine additional funding is necessary
- maintaining reserve and reserve fund balances to ensure required funding is available to finance all approved capital projects
- providing quarterly financial updates to Council

The attached quarterly report provides an update on the financial status of all approved and active capital projects and reserve and reserve fund balances.

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EXTRACT FROM COUNCIL MEETING MINUTES OF JULY 6, 2011

Item 4, Finance Report No. 15 – Page 2

Attachment 1 provides the Budget to Actual Status for all currently approved and active capital projects as at December 31, 2010. It is important to note that while a capital work plan may be complete (the road done or the park built) the project is still considered active until all invoices are paid and all funding completed. It should also be noted that this report is a financial representation of payments made to December 31, 2010 and is not an indication of the percentage completion of capital work-in-progress. This information is compiled at a point in time and as capital work plan information is continuously changing current information may vary from this report.

Reserves & Investments has reviewed the Budget to Actual Status report as at December 31, 2010 and provides the following analysis:

- there are 448 open capital projects with a capital budget value of \$551 Million
- to date approximately 77% of this capital budget has been spent (payments processed)
- capital work-in-progress to be completed is valued at approximately \$123 Million
- 14 of the 448 open capital projects are complete awaiting the issuance of long term debenture financing; thus, subsequently releasing \$2.4 Million of long term debt commitments
- 7 of the 448 open capital projects are complete and subject to Region of York invoicing
- 35 of the 448 open capital projects are complete and on maintenance and potentially releasing an additional \$10 Million to the original funding source
- 58 of the 448 open capital projects are complete and will be closed during Q1-2011
- 32 of the 448 open capital projects are complete awaiting final invoicing
- 132 projects were closed in 2010 releasing \$8.3 Million in funding for future projects (funding returned to the original funding source)

Reserves staff together with the operational departments reviewed all active capital projects listed as at December 31, 2010 to determine which capital projects could be consolidated and/or closed. The new Public Sector Accounting Board reporting requirements for tangible capital assets will result in amortization expense being applied to new assets in their first year of service/use. Therefore, staff are closing capital projects once they are in service/use in order to ensure compliance with the new PSAB reporting standards. A complete list of closed capital projects in 2010 is provided as Attachment 3.

Attachment 2 provides the Reserves Continuity Schedule as at December 31, 2010. This schedule provides information on the individual and aggregate reserve balances and the outstanding financial commitments required to fund approved projects. These commitments also include any payments required in future years where approved multi-year payment agreements exist. The balance available after commitments is compiled at a point in time and as reserve activity is ongoing the current available balances may vary from this report.

Relationship to Vaughan Vision 2020/Strategic Plan

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

Regional Implications

Not Applicable.

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Conclusion

The Capital Projects Quarterly Report ending December 31, 2010 provides the Finance and Administration Committee with the financial status of all approved capital projects and reserve balances as at December 31, 2010. The Budget to Actual Status Report and Reserves Continuity Schedule provide point in time information to provide assurance of ongoing management of approved capital projects and the reserves required to fund them.

Attachments

Attachment 1 – Budget to Actual Status Report by Department as at December 31, 2010
Attachment 2 – Continuity of Reserves & Reserve Funds Schedule as at December 31, 2010
Attachment 3 – List of Capital Projects Closed in 2010

Report prepared by:

Ferrucio Castellarin, CGA
Director of Reserves & Investments
Ext. 8271

(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.)

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Item 5, Report No. 15, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on July 6, 2011.

5 **UPLANDS GOLF AND SKI CENTRE**
CHAIR LIFT REPAIR / REPLACEMENT – WARD 5

The Finance and Administration Committee recommend:

- 1) That the recommendation contained in the following report of the Commissioner of Community Services, dated July 6, 2011, be approved; and**
- 2) That Communication C4 from the Commissioner of Finance/City Treasurer, dated July 5, 2011, be received.**

Recommendation

The Commissioner of Community Services, in consultation with Uplands Operations Committee recommends:

- 1) That Option 2 for the purchase and installation of a new quad, fixed grip chair lift located at the Uplands Golf and Ski Centre at an estimated maximum cost of \$1,100,000 (excl. HST.) be approved; and,
- 2) That the project for the chairlift repair / replacement be added to the 2011 Capital Budget in an amount not exceeding \$1,100,000 (excl. HST.) with the funding source being the Uplands Reserve; and,
- 3) That staff immediately proceed to issue a tender for the replacement of the existing chairlift at Uplands Golf and Ski Centre; and,
- 4) That Council waive its policy, on a one time basis, to exclude the Uplands Reserve from the financial policy of the requirement of funds to be on hand to permit the account to be in a deficit position in advance of the revenue to be received from Uplands; and,
- 5) That the inclusion of the matter for the funding request for the Chairlift Replacement is deemed sufficient notice pursuant to Section 2(1)(C) and Section 2(1)(E).

Contribution to Sustainability

This report is consistent with the priorities previously set by Council in the Green Directions Vaughan, Community Sustainability Environmental Master Plan, Goal 4, Objective 4.1, Action 4.1.9:

- Support outdoor recreation activities that engage citizens and visitors in our natural and green spaces as described in Vaughan's "Active Together" Master Plan.

Economic Impact

It is the intent of the Uplands Golf and Ski Centre to be revenue neutral. All revenues received from the proponent will be deposited in the Uplands Reserve account and that all future capital projects for repair and replacement put forward through the annual capital budget process, as appropriate, be funded from the Uplands Reserve account.

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The cost to replace the existing chairlift with a new quad chairlift is estimated between \$850,000 and \$1,100,000 with the source of funding being the Uplands Reserve. There are currently insufficient funds on hand to fund this request. There will be a reliance/commitment of future revenues. The Uplands Golf and Ski Pro Forma – Option 2 (Attachment 6) depicts that in order to fulfill the proposed Uplands Capital Plan, the Uplands Reserve will be in a deficit position until 2021, based on a conservative estimate of annual revenues (increasing from \$160,000 in 2011 to \$200,000 in 2013 and beyond). The average annual revenue received by the City of Vaughan over the last 5 years is \$196,917.

Communications Plan

The Management Company operating the Uplands Golf and Ski Club on behalf of the City of Vaughan will be made aware of Council's decision in this regard.

Purpose

To obtain Council authorization to replace the existing chairlift at Uplands Golf and Ski Centre.

Background - Analysis and Options

The Uplands Golf and Ski Club has a long history of providing leisure services and facilities to a large number of Vaughan residents and to a lesser degree, the Greater Toronto Area (GTA) citizens. The Uplands Golf and Ski Centre has been operational since the 1960's and provides year round recreational opportunities for residents of the City of Vaughan and surrounding municipalities.

The extensive community consultation as part of the City of Vaughan's "Active Together" Master Plan for the Provision of Parks, Recreation, and current trends indicate that participation (per capita) in both golf and skiing is increasing. Golfing or skiing at the Uplands Golf and Ski Centre promotes physical activity and social interaction – two primary focuses of the Physical Activity Strategy contained within the "Active Together" Master Plan.

The Uplands Ski Centre is an extremely popular and busy facility that is utilized by skiers of all ages and ability levels – on average 22,000 skiers per season. On any given weekday, Uplands Ski Centre welcomes between 40 – 100 students who are eager to learn to ski while enjoying the outdoors. Additionally, the Ski School conducts upwards of 10,000 lessons (individual and group) each ski season.

The existing chairlift was originally manufactured in 1982. In 1994, the previous facility operator (DDL) purchased and installed this used chairlift at the Uplands Golf and Ski Centre. The City of Vaughan contributed 50% of the total cost to supply and install the used chairlift in the amount of \$105,000. Given the age of the chairlift, regular inspections governed by the Technical Standards and Safety Authority (TSSA) Guidelines are mandatory before the lift can be used by the public (refer to Attachment 2). The last complete engineering review and assessment was completed on the chair lift in 2005. The cost for the review and subsequent repairs to the lift in accordance with TSSA directions totaled \$260,000. A complete engineering review and assessment is now required prior to the 2012 ski season.

In July 2010, Council awarded the Request for Proposal (RFP) for the Management of Uplands Golf and Ski Centre to Smirnov Golf Management Ltd. As identified in the RFP, the term of the agreement is five (5) years, commencing November 1, 2010 with two (2) five years optional extensions. The extensions are subject to review of the proponent's performance including revenue payments, operational efficiency of the golf and ski operations, and mutual agreement between the selected proponent and Uplands Operations Committee.

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The City of Vaughan entered into a legal agreement with Smirnov Golf Management Ltd. (who have managed the Uplands Golf and Ski Centre since 2000) for the management of Uplands Golf and Ski Centre. This agreement was approved by Council on September 7, 2010. Clause 46 (iv) obliges the City of Vaughan to be responsible for any major structural repair of new construction required for the buildings, ski lift, water supply system, electrical system and any other physical plant at this facility, at the sole and absolute discretion of the City of Vaughan. In the options noted below, under the terms of the recently executed Management Agreement, it is the responsibility of the City of Vaughan to undertake major repairs or replacements of the facilities at the Uplands Golf and Ski Centre.

The Uplands Operations Committee (comprised of the Commissioner of Community Services, the Director of Parks Development, the Director of Parks Operation, the Director of Reserves and Investments and the Buildings Manager) and the Management Company have considered the potential options as outlined below:

Option 1 – Complete Engineering Assessment & Refurbishing

The existing double chair lift has been in service for 29 years and was assembled utilizing components from several different chairlifts systems. The average life cycle for this type of chairlift is between 25 – 30 years. A complete engineering assessment in accordance with TSSA directions is required prior to the 2012 ski season otherwise the ski facility can not open to the public. The complete engineering assessment is comprised of, but not necessarily limited to the following:

- Axel sheaves removed and NTD ultrasound tested;
- Chairlift towers – magnetic particle testing and base thickness measurements;
- Bull wheel and shaft NTD ultrasound tested;
- Service brake, emergency brake and anti-rollback brake tested;
- Counterweight cable inspected & tested;
- Concrete counterweight volume and mass inspected & tested;
- 24 volt electrical safety system for towers inspected & tested;
- Chairs removed, dismantled, inspected and tested.

The Management Company has received preliminary quotations for the engineering assessment of the lift. The cost, based on discussions with chairlift service companies is estimated to be \$85,800. This cost does not include any major remedial / repair to the lift that may be identified through the engineering assessment. There is also no guarantee of available parts as this lift is over 29 years old.

Additionally, it is estimated that up to \$30,000 may be required each year to keep this aging chairlift operational and safe for public use. It should be noted that there is no guarantee that the chairlift, even after it is repaired, would last more than two (2) years. Should Council approve this Option, the chairlift would be subject to a complete engineering assessment and refurbishing again prior to the 2017 ski season (every 5 years). Future costs for the complete engineering assessment and refurbishing can not be estimated at this time. The engineering assessment and any subsequent repairs can likely be completed prior to December 15, 2011.

Option 2 – Purchase a New Chairlift

The purchase of a new quad, fixed grip chairlift, will double the uphill capacity at the Uplands Golf and Ski Centre. This increased capacity will facilitate a more enjoyable skiing experience by reducing wait times that have been problematic at Uplands in recent years. It is anticipated that, through the installation of a new quad chairlift, revenues from the ski operation will increase. Preliminary estimates indicate that revenues to the City may increase by \$140,000 for the period 2011-2015.

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The cost for the design, supply and installation of a new quad, fixed grip chair lift is estimated to be \$850,000 - \$1,100,000 (excl. HST). TSSA annual inspections are still required with a new chairlift; however, the complete engineering assessment would not be required before 2026. A new chair lift would come with a five (5) year full warranty on the gear box and a two (2) year full warranty on all other parts and installation.

The Uplands Operations Committee investigated the feasibility of purchasing a double or a triple chair, fixed grip chairlift however, the cost of these are similar to that of a quad chairlift (the physical plant is the same). For the same capital investment, a quad chair lift will double the uphill capacity of the Uplands Ski Centre.

Staff have prepared 11 year pro forma for Options 1 and 2 identifying future expected capital expenditures and projected revenues. In either Option, future revenues are required to fund the projects. A key financial policy approved by Council is the requirement of funds to be on hand prior to project approval. In order to proceed with the funding of this project, the Uplands Reserve account will be in a deficit position under further revenues are received. Should Council wish to proceed with Option 2, staff requests that Council waive its policy, on a one time basis, and exclude the Uplands Reserve from the financial policy of the requirement of funds to be on hand to permit the account to be in a deficit position. Appropriate interest expense will be charged to the account in order to ensure other City reserves are not subsidizing this program.

Option 3 – Conveyor Lift Systems

During the Infrastructure Stimulus Fund intake cycle, a grant application was made for the supply and installation of two (2) conveyor lift systems (Magic Carpet) that would have serviced the beginner hill and also the larger hills at Uplands. At the time of the grant application, the cost estimate for the supply and installation of the conveyor lift systems was \$850,000. This type of lift system is ideal for beginner skiers on small hills and is considered to be accessible.

The grant submission was not successful. In discussions regarding next steps to have the ski hill operational for the upcoming season, the Uplands Operations Committee determined that the best approach would be move forward with the replacement of the chairlift.

In making the decision on how best to service the existing skiers, the committee noted that 25% of the skiers that utilize Uplands are beginner skiers that would benefit from a conveyor lift system. However, the remainder of the skiers are accustomed to riding a chairlift to the top of the hill and their experience would be diminished if they were forced to ride two (2) conveyor systems to the top of the hill. Additionally, the location proposed for the conveyor systems will not adequately serve all of the ski runs as it situated along the northern most ski run (the conveyor system is limited by slope of the hill). The southerly runs will be more difficult to access utilizing this type of lift system. Further, riding two (2) conveyor lift systems to the top of the hill will take longer than riding a chair lift reducing the uphill capacity. For these reasons, this Option is not recommended by the Uplands Operations Committee.

It should be noted, and as indicated in Pro Forma 2, that the Uplands Operations Committee anticipates replacing the existing handle tow rope on the beginner hill with a Magic Carpet conveyor lift system.

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Option 4 – Purchased Used Chairlift

The Uplands Operations Committee also considered the purchase of a used (between 3 – 7 years old), fixed grip, quad chairlift. Notwithstanding that there are no used chairlifts currently available for acquisition, the overall total costs to purchase, ship to the Uplands Ski Club, install, perform an engineering assessment and affect any TSSA required repairs approach \$500,000. A used chairlift (depending on its age) once operational also be subject to all TSSA inspections and any required repairs. For these reasons, this Option is not deemed viable by the Uplands Operations Committee.

Relationship to Vaughan Vision 2020 / Strategic Plan

In consideration of the strategic priorities related to Vaughan Vision 2020, the project will provide:

- STRATEGIC GOAL:
Service Excellence - Providing service excellence to citizens.
- STRATEGIC OBJECTIVES:
Pursue Excellence in Service Delivery; and Enhance and Ensure Community Safety, Health and Wellness - To deliver high quality services and to promote health and wellness through design and program.

Regional Implications

Skiers of all abilities from across York Region, including many public schools utilize the Uplands Golf and Ski Centre in the winter months for outdoor recreation purposes.

Conclusion

The Uplands Operations Committee support Option 2 – Purchase a New Chairlift. Some of the benefits of replacing the chairlift include:

- It supports outdoor recreation activities that engage citizens and visitors in our natural and green spaces as described in Vaughan's "Active Together" Master Plan;
- Uplands Ski Centre is an extremely popular and busy facility that is utilized by skiers of all ages and ability levels – on average 22,000 skiers per season;
- the Ski School conducts upwards of 10,000 lessons (individual and group) each ski season;
- potential for increased revenue through increased uphill skier capacity.

If Council approves Option 2 staff would be prepared to issue a tender for the supply and installation of a new chairlift and associated facilities by the end of July 2011 with a potential tender award being executed under the Hiatus By-law. It is anticipated that the new lift could be supplied and installed by mid-January 2012 at an estimated cost of between \$850,000 - \$1,100,000 (excl. HST).

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Should Council concur with the proposed funding request, this action would be considered an amendment to the Capital Budget. Pursuant to Bylaw 394-2002 before amending a budget, the municipality shall give notice of an intention to adopt an amendment to a budget consisting of publication of notice in a newspaper of a public meeting to consider the proposed amendment. Exception to this notice requirement is where such notice will interfere with Council's ability to conduct business with respect to an urgent or time sensitive matter. Council could specifically direct that some other public notice to be given which may be for a longer or shorter period or in a different form that Council considers adequate to give reasonable notice. Therefore, the inclusion of the matter in a staff report requesting funding for an urgent or time sensitive matter is deemed to be sufficient notice pursuant to Section 2(1) (C) and Section 2(1) (E) of Bylaw 394-2002.

Attachments

- Attachment 1 – Active TSSA Directives for Uplands Golf and Ski Club
- Attachment 2 – Director's Guidelines Elevating and Amusement Devices Safety Division
- Attachment 3 – Existing Double Chair Lift (photos)
- Attachment 4 – Correspondence from Management Company
- Attachment 5 – Uplands Golf and Ski Centre Pro Forma – Option 1
- Attachment 6 – Uplands Golf and Ski Centre Pro Forma – Option 2

Report prepared by:

Paul Gardner, Director, Parks Development, Ext. 8858
Ferrucio Castellarin, Director of Reserves and Investments, Ext. 8271

(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.)

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Item 6, Report No. 15, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on July 6, 2011.

**6 AWARD OF TENDER T11-143 - REPLACEMENT OF POOL
DEHUMIDIFICATION UNIT AT GARNET A. WILLIAMS COMMUNITY CENTRE**

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Community Services, dated July 6, 2011:

Recommendation

The Commissioner of Community Services, in consultation with the Directors of Purchasing Services, Building and Facilities, and Reserves and Investments recommends:

1. That T11-143, Replacement of Pool Dehumidification Unit at Garnet A. Williams Community Centre Project BF-8187-08 be awarded to Bomben Plumbing & Heating Ltd, for the amount of \$277,867, includes HST; and,
2. That a contingency allowance in the amount of 10% be approved within which the Commissioner of Community Services is authorized to approve amendments to the contract; and,
3. That the budget for capital project BF-8187-08 be increased by \$39,600 and funded by Post-1998 Building and Facilities Infrastructure Reserve; and,
4. That the inclusion of the matter on a public Committee or Council agenda with respect to increasing the capital budget identified as Award of Tender 11-143/Additional Funding Replacement of Pool Dehumidification Unit at Garnet A. Williams Community Centre is deemed sufficient notice pursuant to Section 2 (1) (c) of By-law 394-2002; and,
5. That the City Manager and the City Clerk be authorized to sign the necessary documents.

Contribution to Sustainability

This report is consistent with the priorities previously set by Council in the Green Directions, Vaughan, Community Sustainability Environmental Master Plan, Objective 1.5:

- To reduce the amount of waste generated in City owned facilities and procure sustainable products for the City's use.

The new dehumidifier that has been specified will be equipped with a high efficiency motor and electronic controls that conform to the most recent energy efficiency ratings.

Economic Impact

The total cost to complete the project is \$297,100. Project BF-8187-08 Garnet A. Williams C.C. Pool Dehumidifier Unit was approved in the Capital Budget in the amount of \$257,500. Additional funding from the Post Building and Facilities Infrastructure Reserve in the amount of \$39,600 is requested to complete the works

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Purpose

The purpose of this report is to seek approval to award tender T11-143 for the Replacement of the Pool dehumidification Unit at Garnet A. Williams Community Centre and an increase in the project budget of \$39,600.

Background – Analysis

The pool dehumidifier located at Garnet A. Williams Community Centre was installed during the original construction of 1984. Since the original installation, regular maintenance and repairs has been performed on the dehumidifier however due to the age, breakdowns are frequent. The compressor has had many breakdowns the past few years and repairs and replacement parts are becoming costly and difficult to source. The new unit will have current energy efficient controls for motor and compressor, and will include an air conditioning component. As a result the space within the pool envelope will be reduced, along with maintenance costs.

The tender was advertised in the Ontario Public Buyers Association (OPBA) website and Biddingo, The City Webpage and the Daily Commercial News. Four (4) bids were issued. Tenders were closed and publicly opened on Wednesday, June 1, 2011 at 3:30 p.m. with three (3) bids received. The bid results are as follows:

<u>Contractor</u>	<u>Total Tendered Price</u> (Including HST)
Bomben Plumbing & Heating Ltd. Mississauga, Ontario	\$277,867.00
Nutemp Mechanical Systems Ltd Oakville, Ontario	\$282,629.95
Servocraft Limited Toronto, Ontario	\$293,800.00

The estimated cost for this project, including a contingency allowance and all applicable taxes is \$297,100 and is calculated as follows:

Bomben Plumbing and Heating Ltd (before HST)	\$245,900.00
Contingency Amount (+-10%)	<u>24,590.00</u>
Sub-total	\$270,490.00
Non-refundable portion of HST (1.76%)	<u>4,760.62</u>
Sub-total	\$275,250.62
Spent and committed to date	<u>13,181.32</u>
Sub-total	\$288,431.94
Treasury Administration (3%)	8,652.96
Net Total Cost	<u>297,084.90</u>
Rounded	<u>\$297,100</u>
Total cost	\$297,100
BF-8187-08 Original Budget	<u>257,500</u>
Additional Funds Requested	<u>\$ 39,600</u>

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Relationship to Vaughan Vision 2020

In consideration of the strategic priorities related to Vaughan Vision 2020, this project will provide:

- STRATEGIC GOAL:
Management Excellence - Providing excellence in the management of our city.
- STRATEGIC OBJECTIVE:
Maintain Assets and Infrastructure - To optimize existing infrastructure through sound asset management.

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

Regional Implications

None

Conclusion

Building and Facilities Department and Purchasing Services Department staff has reviewed the bid submissions and have determined that the low bid contractor, Bomben Plumbing & Heating Ltd., has met the requirements of the contract. The project will commence immediately, after approval is granted and the completion of the necessary documents.

Should Council concur with this proposed additional funding request, this action would be considered as an amendment to the Capital Budget. Pursuant to the Municipal Act 2001 Sec 291(1) before amending a budget, a municipality shall give notice of its intention to amend the budget at a Council meeting. Where a capital project has been subject to a public meeting during the adoption of the approved Capital Budget, and where additional funding is required to complete the approved works, inclusion of the matter in a staff report requesting additional funding on a public Committee or Council agenda is deemed to be sufficient notice pursuant to Section 2(1)(c) of By-law 394-2002.

Attachments

None

Report prepared by:

John Faubert, Manager Building, Facilities and Contract Services, Ext 8853
Jeff Peyton, Director of Building and Facilities, Ext. 6173

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Item 7, Report No. 15, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on July 6, 2011.

7 PROGRAM REVIEW APPROACH, FRAMEWORK AND TIMETABLE

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance/City Treasurer, dated July 6, 2011:

Recommendation

The Commissioner of Finance/City Treasurer, in consultation with the City Manager and the Senior Management Team recommends:

That the Program Review framework, process and timetable be approved

Contribution to Sustainability

Sustainability by definition focuses on the ability to maintain an activity over an extended time horizon. A program review is intended to re-evaluate the City's programs and services and validate their alignment with the City's vision, obligations, and community interest. Through a series of program review "filters", the City will assess the appropriateness of programs. This will assist key stakeholders focusing on specific programs/services and determine if they are to be sustained or will be subject to further review. To ensure the sustainability of Vaughan's future, the results of the program review will be integrated with the corporate planning process.

Economic Impact

The initial steps associated with a program review will require significant staff time, in addition to regular work loads. Although this does not directly impact on department budgets, it may create a need for departments to reprioritize work efforts and initiatives.

The results and subsequent decisions stemming from the program review can have short and long term economic implications. Identified future implications will be discussed in a subsequent future report.

Communications Plan

Upon Council's adoption, a memo to staff will be provided through the Commissioner of Finance & City Treasurer's office.

Purpose

The purpose of this report is to obtain the Finance & Administration Committee/Council approval for the program review framework, process and timetable.

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Background - Analysis and Options

Council Direction and the Inception of a Program Review

Like all municipalities, the City of Vaughan continues to be challenged with limited resources to meet service demands and the long term planning of the City. As demonstrated by the recent 2011 -2012 budget process, the task of prioritizing resources, allocating the marginal tax dollar, and sustaining operations is extremely important, but also very challenging. In this regard, Council approved the following Member's resolution, submitted by the Mayor, the Honourable Maurizio Bevilacqua:

"Whereas Vaughan residents work hard to earn a living: and where as the City of Vaughan wants to provide value for their property tax dollars; and where as residents deserve to know, that as Council, we are providing leadership in the area of fiscal responsibility; it is therefore recommended that a Program Review framework be developed

To assist Council achieve this objective, the enclosed proposed program review approach, framework, and timeline were developed and are presented for Committee and Council consideration. Specific process details are provided in the following sections:

The Program Review Concept

A "Program Review" is a part of the overarching continuous improvement process and works in tandem with other City efforts aimed at prioritizing and focusing the use of limited resources. Examples include the corporate planning cycle, operational studies, suggestion program, etc.

The definition of a "Program Review" varies widely, but overall it is considered a broad based exercise to review service offerings or core service with the intent to clarify the appropriateness of programs and identify areas for improvement or further review.

Generally, the focus of a program review is at a high-level and serves to reflect on programs offered to residents and businesses, for the purpose of setting priorities and determining what services the City will provide in the future. This dialogue can begin once key decision makers have a clear picture of what programs are provided and for whom. From this point, decisions can be made and, if required, further effort can be applied on more specific areas of interest through service delivery reviews or operational reviews.

It is important to reiterate, the purpose of conducting a program review is to validate the City's program and service offerings. Although the opportunity for savings exists, the expectation for savings should be conservative, as some services are regulated and others may be operating close to minimum standards. Furthermore, should savings be realized, similar annual savings may not be sustainable, as opportunities will diminish as the City nears optimal program offerings. For these reasons it is best to utilize program reviews on a continuous basis thus assisting the City to adjust to its evolving needs.

Exercise Magnitude & Scope

The magnitude and effort required to undertake a city-wide program review is significant and should not be underestimated. Within the City of Vaughan, there are over 45 departments represented by 600 plus business units, all offering multiple services. The complexity of this structure is further complicated by varying systems, processes and department interconnectivity as it relates to program delivery.

What is a Program? As per the business dictionary definition, a "program" is a plan of action or grouping of activities aimed at accomplishing a clear business objective.

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Unfortunately, the above interpretation is subjective and does not provide clear direction. To assist departments in performing a program review, the above definition has been augmented to reflect the following: ***“A program is a service offering or core function, consisting of activities to achieve a common business objective”.***

Scope: The program review will focus on all City departments, including the Library. Excluded from the program review is the Water & Waste Water Operation as this division prepares a separate budget supported by user fees, follows a separate approval process, and will undergo a separate review in order to align with provincial requirements.

Recognizing the diversity of services and mandates within the City, a Proposed Program Guide is provided as Attachment #1 outlining the draft scope of programs for each department to review. Overall, there are approximately 200 programs listed, all reflecting a relatively high level perspective. It should be noted, the Program Guide is intended as a reference point and departments have the flexibility to augment the scope, keeping within the overall approach context, to better reflect the their programs.

Program Review Approach

Recognizing the above challenge and to assist the City achieve a successful and meaningful program review, a filter based approach is recommended, focusing on the appropriateness of programs.

What is a filter based approach? Recognizing that the time to complete this project is short, it is necessary to quickly focus in on the important larger based topics. To accomplish this we will use a multi – filter approach to quickly focus the City’s efforts. These are as follows:

- 1) Program Level Filter: Through a consistent approach, departments will review at a macro level the programs provided in the attached program guide.

Each program will be subjected to a series of filtering questions, which will quickly elevate the City’s understanding of the department programs and succinctly focus attention on areas of particular interest. A standardized questionnaire template with the filter questions described later in this report will be provided in July. This document, once completed, will form the basis for discussion at the next stage.

- 2) Director/Manager Workshop Session & SMT Review Filter:

- Directors and Managers will present their program and responses to the questions to a group of peers in a workshop format, who will critique the information, ensure it follows the approved framework and provide a level of consistency across the organization. It is anticipated that there will be the need for several facilitated workshop sessions to complete all programs.
- The peer group will complete a summary sheet for each program presented, which will provide the group’s consensus regarding “yes/no” answers, or rankings for each questions, as well as an overall recommendation for the next step for that particular program. This scoring template will be developed in July.
- SMT will review the consolidated program summary sheets and the proposed recommendations.

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- 3) Council Directed Next Steps: In the fall, a staff report, presentation and the consolidated summary sheets with findings and recommendations will be provided to the Finance and Administration Committee for consideration. Members of Council will be able to quickly focus their attention to particular areas of interest. At this stage, Committee can provide direction on recommendations or add additional focused actions, for example: revise the program mandate, adjust services levels, restate service objectives, deliverables and/or measures, conduct operational reviews, consultants etc.

Program Test Framework

An important characteristic of the process is the reliance on Commissioners and Directors to perform a self-study within the framework provided.

The foundation of the test framework is based on the program review filtering questions provided by the Mayor during the 2011/2012 budget process. Where necessary, guiding questions were added to provide additional clarity.

After proceeding through the filtering questions for a program, the following answers to the statement “to what degree is the program right or suitable for the City to provide” will be developed, for example:

- Retain
- Phase out
- Upload
- User fee review
- Operational review
- Performance Measures required
- Further consideration required

The above “Framework” is further detailed below.

Program Description

- *Program name /description/overall objective/annual cost*

Program Review Questions approved by Council:

1. ***Is the program still in the public interest?***
Guides: Surveys, public engagement measures, etc?
Does the program serve the community or an individual/group?
2. ***Does this service fit with the public priorities?***
Guides: Surveys, public engagement measures, etc.
3. ***Is the delivery of the program a legitimate and necessary role of the City?***
Guides: Is the program legislated?
Is there a compliance, health & safety or control requirement?
Does the program provide access to basic needs?
Is the program a necessity or convenience oriented?
Are other appropriate City programs dependant?
 - Delivery, subsidy, etc.

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4. Should the program be realigned with other levels of government?

Guides: Is the program provided by other levels of government?
Is there a jurisdiction constraint?
Is there a need for municipal influence or control?
Would program service be improved?
Would synergies be achieved?

5. Should it be delivered in partnership with the private or voluntary sector?

Guides: Is the service also delivered by the private sector or the not-for-profit sector?
Is there any external interest in a program partnership?

6. Is the program affordable given our financial situation?

At this stage of the review process, this question may be difficult to answer. As the performance measures initiative is not yet underway, which would provide additional information to answer this question, a rating can be determined based on the following scale:

Scale of 1 to 5

- 5) Mandated municipal program
- 4) Between 3 and 5
- 3) Standard municipal program (typically provided at the local municipal level)
- 2) Between 1 and 3
- 1) A premium program infrequently provided at the local level

7. Can the program be redesigned for efficiency?

Guides: What are the cost trends in the program's 2011 Budget business case?
What is the reason for the cost trend?
Are there fees for this program?
Is there a target level for fee subsidy and has it been achieved?
If there are severe budget constraints, would this program be a high or low level priority?
Are there program delivery alternatives?
Can technology be leveraged?
Can it be outsourced?
What is the approximate cost of the redesign?
Would the benefits of the redesign be short-term or long-term?

The above framework will provide the foundation for Directors, Managers and SMT to base their review, findings, report and recommendations. Areas of interest for further review will be highly visible in a summarized table.

At this point, Member's of Council will have a clearer picture of what services are provided, and for whom. Decisions can be made and, if required, further effort can be focused to more specific areas of interest through service delivery reviews, operational reviews, or other specific actions.

Sequence of Events & Timeframe

- Framework/process development July 6th, 2011
- Department information collection/submission July – August, 2011
- Director/Manager Workshop Session & SMT Review Filter: Sept. – October, 2011
- Committee/Council presentation & report Nov. – December, 2011
- Service delivery/operation review action plans TBD in 2012

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Program Review Deliverables

Using a standardized format, a report/presentation package on the program review outcomes will be provided to Committee/Council. Each program will include a recommendation for a minimum of one of the following actions:

- Retain
- Phase out
- Upload
- User fee review
- Operational review
- Performance Measures required
- Further consideration required

Recommendations for the Future

The City is constantly evolving and programs should be reviewed on a regular basis to ensure alignment with the City's vision, obligations and community needs. After the City completes this year's review of all department programs, it is recommended the review continue on a 3-5 year rotating cycle. This will alleviate the compressed time commitment, maintain continuous improvement efforts, and foster communication and collaboration. This is very typical among those who undertake a program review. In addition, this methodology should be applied when considering any requests for new or enhanced services. This approach is consistent with the prioritized strategic theme "Ensure a High Performing Organization", the strategic initiatives supporting this theme will begin upon completion of the 2011 Program Review:

- Further evolve performance indicators
- Operational/Business reviews

Relationship to Vaughan Vision 2020 / Strategic Plan

The report is consistent with the priority initiatives set by Council.

Regional Implications

Not applicable at this point in the program review.

Conclusion

A "Program Review" is a part of an overarching continuous improvement process and works in tandem with other City efforts aimed at prioritizing and focusing the use of limited resources. The intent of a program review is to re-evaluate the City's programs and services and validate their alignment with the City's vision, obligations, and community interest. Through the recommended program review approach and framework, the City will determine the appropriateness of its programs and will assist in determining if programs are to be sustained or subject to further review.

Attachments

Attachment #1 – Department Program Guide

Report prepared by:

Barbara Cribbett, CMA
Commissioner of Finance/City Treasurer
Ext. 8475

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John Henry, CMA
Director of Budgeting and Financial Planning
Ext. 8348

(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.)

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Item 8, Report No. 15, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on July 6, 2011.

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**RFP AWARD – RFP11-001
VAUGHAN CORPORATE STRUCTURE REVIEW**

The Finance and Administration Committee recommend:

- 1) That the recommendation contained in the following report of the City Manager, the Commissioner of Finance & City Treasurer, the Director of Human Resources and the Manager of Policy Planning, dated July 6, 2011, be approved; and**
- 2) That Communication C5 from Mr. Antony Niro, dated July 5, 2011, be received.**

Recommendation

The City Manager, the Commissioner of Finance & City Treasurer, the Director of Human Resources and the Manager of Policy Planning, in consultation with the Director of Purchasing Services, recommend:

1. That RFP11-001 for the retention of consulting services to prepare the City of Vaughan Corporate Structure Review, be awarded to the firm Western Management Consultants of Ontario in the amount of \$107,100.00 excluding HST and administration;
2. That the Mayor and Clerk be authorized to execute all necessary documents.

Economic Impact

Funding for the review has been budgeted.

Communications Plan

The Request for Proposal (RFP11-001) was advertised on the City Webpage, the Electronic Tendering Network and on the Ontario Public Buyer's Association Website on May 26, 2011. Members of Council, the respective union presidents and staff have been advised of the RFP process by way of a memo from the City Manager. Further updates will be provided.

Purpose

The purpose of this report is to recommend the award of the RFP for consulting services to prepare City of Vaughan Corporate Structure Review.

Background – Analysis and Options

Background

On July 13, 2010, Council adopted a recommendation from the Audit and Operational Review Committee that a corporate structure review be initiated with an outside consultant to work with the City Manager, Members of Council and the Senior Management Team; and that a report be brought back to Council. Staff has completed the consultant selection process and is recommending that the City proceed with the award of the RFP to Western Management Consultants of Ontario.

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The Corporate Structure Review

This is an opportune time to renew the City's corporate organization. In September of 2010 Council adopted the municipality's first comprehensive official plan in 50 years as part of the *Vaughan Tomorrow* growth management program. This will facilitate the next round of infrastructure, population and employment growth that will take the City to 2031. Further, the City has updated the Strategic Plan, Vaughan Vision 20/20, and a new corporate planning process was approved by Council in May 2011. The City is also welcoming two new members to the Senior Management Team. These measures, together with the organizational review, will help shape the City of the future.

The Corporate Structure Review will assess the City's current organizational structure including the current distribution of responsibilities and reporting framework, the impact of future municipal growth taking into account experience in other municipalities, best practices and the direction of the municipal sector in general. It will provide recommendations to the City Manager on the City's future organizational structure and the implementing actions and timelines.

The review will ensure that the City's organizational structure is optimized to deliver exemplary, cost effective public services, meet future challenges and take advantage of opportunities as they emerge in the municipal sector and in the City's next phase of growth. It will provide the City with recommendations that can be implemented in the near term; and recommendations for a desired "end state" that the City will move toward as opportunities present themselves.

The Consultant will be investigating "best practices" and the experiences of other municipalities as part of the assignment. The Consultant will also be drawing on the expertise and experience of the City. As such, the study program will include consultation with Members of Council, the Senior Management Team, Directors and Managers. This will provide critical input about the current organizational structure and position ourselves to achieve the City's strategic goals in a changing world.

The study will take approximately four months to complete and will result in a report to the Finance and Administration Committee in the fall of this year.

The Procurement Process

The Request for Proposal (RFP11-001) was advertised on the City WebPage, the Electronic Tendering Network and the Ontario Public Buyers' Association Website on May 26, 2011. A total of ten (10) documents were issued.

A total of six proposals were received from the following proponents.

Consultant

KPMG LLP
Hamilton, Ontario

Deloitte Inc.
Toronto, Ontario

DPRA Canada Inc.
Vaughan, Ontario

Western Management Consultants of Ontario
Toronto, Ontario

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MNP LLP
Toronto, Ontario

ROCG Consulting
Newmarket, Ontario

An Evaluation Committee of City Staff was struck to review the proposals. The Committee included the City Manager, the Commissioner of Finance & City Treasurer, the Director of Human Resources and the Manager of Policy Planning. A representative from the Purchasing Department provided support with the process and administrative matters.

The Committee evaluated the written proposals on the basis of the criteria set out in the RFP, as summarized below:

Qualifications and Experience: 45%

- Capability of the Consultant Team Leader;
- Degree of Participation of the Consultant's senior staff;
- Qualifications and expertise of the team members;
- Skills consistent with the needs of the project;
- Experience in similar studies;
- Level of public sector experience;
- Experience in the operation of multi-disciplinary organizations;
- Demonstrated success in public/stakeholder consultation; and the quality of the proposed consultation plan.

Quality of the Proposal: 20%

- Complete and comprehensive submission;
- Demonstrated understanding of the project requirements;
- Organization and clarity of presentation;
- Introduction of innovative ideas and concepts;
- Skill in communicating the project plan and innovative ideas and concepts.

Project Management: 25%

- Work program and scheduling of major milestones and meetings;
- Timelines consistent with study requirements;
- Approach to reporting and invoicing;
- Monitoring of budget;
- Appropriate allocation of resources to various phases or study tasks.
- Ability to commit to the timing objectives for the completion of the study;

Financial: 10%

- Proposal Fee

As a result of the evaluation of the written proposals, the Committee determined that the following three firms should be interviewed: KPMG LLP; Western Management Consultants of Ontario; and MNP LLP. The RFP provided that a bonus of up to 25 points could be awarded as a result of the interviews. The three firms were interviewed on June 15, 2011.

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The Recommended Consultant

Based on the evaluation process, including consideration of the written proposals, the interviews and a positive reference check, it is recommended that the highest scoring consultant, Western Management Consultants of Ontario, be retained to prepare the City of Vaughan Corporate Structure Review.

Western Management Consultants was found to have the skills and experience best attuned to the needs of this review. It has recently undertaken similar studies for the Region of Niagara, the City of Edmonton and City of Kitchener. The core consulting team assigned to the review is made up of senior staff of the firm, at the Director level, all of whom have more than 25-years in management consulting and the range of expertise necessary to conduct the review.

Relationship to Vaughan Vision 20/20

The preparation of the Corporate Structure Review will support the City's mission of "Citizens first through Service Excellence" through the promotion of Organizational Excellence including:

- Ensure a High Performing Organization;
- Manage of Corporate Assets;
- Ensuring Financial Sustainability; and
- Manage Growth and Economic well-being.

Regional Implications

There are no Regional implications resulting from the adoption of this report.

Conclusion

Based on the evaluation of the written proposals, the subsequent interviews and reference checks, Western Management Consultants of Ontario were found to have the experience and expertise that best addressed the requirements of the Request for Proposal. Therefore, it is recommended that Western Management Consultants of Ontario be retained to undertake the preparation of the City of Vaughan's Corporate Structure Review.

Attachments

N/A

Report Prepared by:

Roy McQuillin, Manager of Policy Planning, ext. 8211