

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 1, Report No. 17, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on October 18, 2011.

1 CAPITAL PROJECTS QUARTERLY REPORT ENDING JUNE 30, 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 October 3, 2011:

Recommendation

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

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 and monitoring purposes only.

Communications Plan

Not Applicable.

Purpose

The purpose of this report is to provide Finance and Administration Committee with the 2011 second quarter update on the financial status of all approved capital projects and reserves and reserve fund balances.

Background - Analysis and Options

The attached quarterly report provides an update on the following:

- *Capital Work Plan Progress Report*
- *Capital Projects Closed as of June 30th*
- *Continuity Schedule of Reserves and Reserve Funds*

Capital Work Plan Progress Report

Attachment 1 provides the budget to actual financial status for currently approved and active capital projects as at June 30, 2011. It is important to note this information is compiled at a point in time and the reader is cautioned on the following:

- This information does not imply any work-in-progress percentage of completion, but rather a financial representation of capital spending for the period reported

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 1, Finance Report No. 17 – Page 2

- A completed capital project will remain active or open until all invoices are paid and funding is complete. Projects are not closed until approved by the department. As a result, projects that are substantially funded will reside on the capital work plan progress report
- Projects that are debenture financed, as approved by Council, are not closed until debenture financing is acquired through the Region of York. Furthermore, project financing is not typically requested until the project is substantially complete, which is contingent on a timeframe to determine outstanding invoices and settlement issues. In the case of Engineering Projects, this may take up to two years.
- Capital work is continuously underway and current information will vary from this report

Staff has reviewed the capital work plan report and general highlights are provided below. In addition, individual capital project status comments are provided in attachment # 1.

- 540 open projects valued at \$651 million
- The above open projects were approved as follows
 - 67% are current projects approved in 2009-2011
 - 23% were approved in 2006-2008
 - 10% relate to 2005 and older approvals
- As of June 30th, 67% of the budget was spent
- 100 projects are substantially complete
 - ✓ 43 projects were closed
 - ✓ 28 open projects are complete and will close next quarter
 - ✓ 29 open projects are complete awaiting final invoicing and approval
- 25 capital projects with a budget value of \$56 million are complete of which \$15m is awaiting debt issuance
 - ✓ 16 Engineering Service projects budgeted at 16.6m are complete and will be closed once debentures in the amount of \$2.14 are issued later this fall. There is a \$3.2m favorable variance on the combined total budget of the 16 projects, which will result in the future release of commitments.
 - ✓ 5 Engineering Service projects budgeted at 12.3m are substantially complete of which \$10.6m will be issued in fall. There is a \$1.1m favorable variance on the combined total budget of the 5 projects, which may result in the future release of commitments. However, these projects are on a maintenance period and the exact amount cannot be determined until outstanding invoices and settlement issues are finalized.
 - ✓ 2 Fire Services projects budgeted at \$6.5m are complete and will be closed once debentures in the amount of \$1.2m are issued later this fall. There is a \$70k favorable variance on the combined total budget of the 2 projects, which will result in the future release of commitments.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 1, Finance Report No. 17 – Page 3

- ✓ 2 Community Centre projects budgeted at 21.3m are complete and will be closed once debentures in the amount of \$1.2 are issued later this fall. There is a \$5k favorable variance on the combined total budget of the 2 projects, which will result in the future release of commitments.
- 7 capital projects are complete awaiting outstanding invoices from the Region of York
- 36 open engineering projects are substantially complete and potentially coming in under budget by \$9.5m. These funds will be returned to the original funding source and are contingent on a timeframe to determine outstanding invoices and settlement issues.

Capital projects closed as of June 30th

Staff together with the operational departments reviewed all active capital projects listed as at June 30, 2011 to determine which capital projects could be consolidated and/or closed. In total 43 projects, totaling \$19.2m were closed in the first half of 2011. Total actual project costs came in at 95% of budget returning \$868,000 in funding to the original funding source for future project consideration. The drivers behind the \$868,000 are as follows:

- Approximately 50% or \$432k of the above project savings are related to 12 fleet projects. On average, these projects were completed at 67% of the project budget.
- A 2004 capital project for Shady Vale Lane in the amount of \$141k was cancelled.
- Approximately \$126k of the above project savings are related to 12 Fire projects, which on average closed at 87.5% of the project budget.
- Approximately \$87k of the above project savings are related to 7 Parks projects, which on average closed at 97.2% of the project budget.
- The remaining balance is spread over 7 departments and 11 projects

A complete list of closed capital projects is provided as Attachment 2.

Continuity Schedule of Reserves and Reserve Funds

A continuity schedule of reserves and reserve funds as at June 30, 2011 is provided as Attachment #3. This schedule provides information on the individual and aggregate reserve balances. It also provides information on outstanding financial commitments, payment estimates required in future periods, to fund approved projects. Forecasting commitments is intended to provide a proactive view of the reserve position and should not be interpreted as the year-end position due to many outcome influencing factors. Reserve positions before commitments are all in a positive position, with exception for management studies. Adding commitments to the schedule reveals that 11 reserves are in a future negative position, including management studies. Below is a brief description for positioning of these 11 reserves.

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

City Hall Reserve - Minor negative cash position due to a timing difference, which should be accommodated by year-end.

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

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item , Finance Report No. 17 – Page 4

CWDC Fire – A Council commitment to move forward with fire station 7-10 will temporarily place this reserve into a negative position, which will be replenished through future growth based development charges. This position may impact on the timing of future projects.

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

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

- D13 – Woodlot Acquisition
- D15 PD#5 Woodbridge Water
- D18 PD#6 Maj., Mac Water
- D23 Dufferin Teston Sanitary
- D25 Zenway/Fogal Sub-Trunk

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.

Conclusion

The Capital Projects Quarterly Report ending June 30, 2011 provides the Finance and Administration Committee with the financial status of all approved capital projects and reserve balances as at June 30, 2011. 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 – Capital Work Plan Progress Report as at June 30, 2011
- Attachment 2 – Closed Projects for 2nd Quarter Ending June 30, 2011
- Attachment 3 – Continuity of Reserves & Reserve Funds as at June 30, 2011

Report prepared by:

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

Nancy Yates BComm CA
Manager of Capital and Asset Management, Ext. 8984

(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 OCTOBER 18, 2011

Item 2, Report No. 17, of the Finance and Administration Committee, which was adopted, as amended, by the Council of the City of Vaughan on October 18, 2011, as follows:

By approving the following:

That the following motion regarding insurance costs be referred to staff to review the concerns raised and provide a report before the end of the year:

WHEREAS, in order to discharge its fiduciary responsibilities to the taxpayers of this municipality, Council requires a better understanding of the direction insurance costs have taken and are taking, both in this and comparable municipalities;

NOW THEREFORE BE IT RESOLVED, that staff be directed to prepare a report addressing:

- 1. The matters raised in Communications C3 and C5; and***
- 2. The need for a plan to replenish the insurance reserve prior to the expiry of the current premium on or about April 30, 2012;***

THAT staff provide to Members of Council copies of the recent survey conducted by municipal risk managers as reported on page 3 of the memorandum to Council from the Commissioner of Legal and Administrative Services and City Solicitor, dated April 1, 2011, and received by Council on April 5, 2011 as Communication 4, Item 17, Committee of the Whole Report No. 14;

THAT recommendation 2 in the same report, authorizing the City Clerk to renew the current contract on a year to year basis for a maximum period of two (2) years, depending upon quality of service, mutual agreement, and annual premium negotiations, be repealed; and

THAT a request for proposals (RFP) be issued immediately to all insurance carriers who have over the last three years provided services to any municipality in Canada; and

That the following Communications be received:

- C3 Mr. Anthony Niro, dated October 17, 2011;***
C5 Mr. Richard Lorello, dated October 18, 2011; and
C6 Ms. Carrie Liddy, dated October 18, 2011.

2 OPERATING BUDGET QUARTERLY REPORT ENDING JUNE 30, 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 October 3, 2011:

Recommendation

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

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

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 2, Finance Report No. 17 – Page 2

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 June 30, 2011.

Background – Analysis and Options

The attached second quarter variance report compares the current status of actual departmental and corporate operating results for the three-month period ending June 30, 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.

Second quarter Overview – Ahead of Budget

The annual Operating Budget for the City is \$216.5m, of which 51.9% remains to be realized. At the end of the second quarter, the City experienced a \$2.8m net favourable variance on the City's 2011 second quarter net operating budget. This favourable variance is comprised of a \$1.3m favourable expenditure variance and a \$1.5m 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 potentially erode the current position.

The main areas that contributed to the positive \$1.5m revenue variance are summarized below.

City Revenue Variance

Actual revenues were \$151.7m as of June 30, 2011, and represent a \$1.5m favourable variance when compared to the year-to-date expenditure budget of \$150.2m. This variance stems from the following items:

There was a favourable variance of \$0.7m in Reserves and Other Transfers. The largest contributor was a \$1.4m variance of the transfer from insurance reserve to cover the expenditure which was caused by unanticipated industry increases observed in most municipalities. The favourable variance was offset by lower than anticipated contributions from several reserves such as Building Standards, Water and Wastewater recovery, Fleet etc.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 2, Finance Report No. 17 – Page 3

Also, there was a favourable variance of \$700k in corporate revenues attributable to higher than expected investment income of \$399k and Provincial Offences Act (POA) revenue of \$444k. This favourable variance was offset by lower than expected property tax fines and penalties of \$143k. This trend is expected to continue and will be reflected in the 2012 Budget submission.

The remainder of the favourable variance were minor variances in payment in lieu and user fees and charges.

City Expenditure Variance Overview

Actual total expenditures were \$104.0m as of June 30, 2011, and represent a \$1.3m favourable variance to the year-to-date expenditure budget of \$105.3m. This is consistent with the \$1.5m favourable variance reported in the first quarter. The second quarter expenditure variance stems from the following items:

- The largest component driving the City's favourable expenditure was a favourable position in total department expenses, approximately \$3.6m. Variances can be found throughout most departments and is largely due to temporary vacancies in existing positions and new positions not being filled as a result of a later than usual budget approval.
 - The majority of the above noted department variance was mostly attributed to savings in salaries and benefits, approximately \$2.8m. This variance was anticipated and planned for corporately, but actual performance was slightly greater (\$0.6m) than the \$2.2m planned offset for second quarter due to the continuation of a number of past year's vacancies.
 - Another \$2.2m favourable variance was related to spending timing differences. A \$1m favourable variance was in contracts in the Public Works and Parks Operations departments and the remainder was in several accounts.
 - The above variance was largely offset by \$1.4m higher than anticipated insurance premium expenditure due to overall increases in cost of insured liability claims experienced by Ontario municipalities.
- As indicated above, labour savings experienced within departments is planned for corporately. Actual performance was slightly greater (\$0.6m) than the \$2.2m anticipated labour savings due to the continuation of a number of vacancies.
- Netting the above department variance with the anticipated labour savings yields a \$1.4m expenditure variance. The net remaining \$100k favourable variance resides OMB hearing professional fees due to OMB hearing timing.

Further explanations on specific variances are provided within this report.

Variance Summary:

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

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 2, Finance Report No. 17 – Page 4

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

<u>Revenues</u>	Variance in \$mil (rounded)	
Payment in Lieu		0.1
 <i>Reserves and Other Transfers</i>		
Insurance Reserve	1.4	
Water/Wastewater Recovery	(0.2)	
Bldg Stds Continuity Reserve	(0.3)	
Other	<u>(0.2)</u>	0.7
 <i>Fees & Service Charges</i>		
Development Planning	0.4	
Building Standards	(0.2)	
Recreation	(0.2)	
Other	<u>0.1</u>	0.1
 <i>Corporate Revenue</i>		
Provincial Offenses Act	0.4	
Investment Income	0.4	
Fines and Penalties	<u>(0.1)</u>	<u>0.7</u>
 Total Revenues		 1.5
 <u>Expenditures</u>		
<i>Departmental Expenses</i>		
Public Works Operations	0.7	
Building Standards	0.5	
Vaughan Public Libraries	0.5	
Engineering Services	0.4	
Fire And Rescue Services	0.3	
Enforcement Services	0.3	
Development & Trans. Engineering	0.2	
Information & Technology Management	0.2	
Development Planning	0.2	
City Clerk - Insurance	(1.4)	
Other-(various departments)	<u>1.7</u>	3.6
 <i>Corporate Expenditures</i>		
Anticipated Labour Savings	(2.2)	
Tax Adjustments	(0.2)	
Major OMB Hearings	<u>0.1</u>	(2.3)
 Contingency		 <u>0.0</u>
 Total Expenditures		 <u>1.3</u>
 First Quarter Revenues Net of Expenditures		 \$ 2.8

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 2, Finance Report No. 17 – Page 5

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.

City Manager

Fire and Rescue Services

Revenue variance - \$104,725 or 38.6% favourable

This variance was attributed to increased call-outs for chargeable services and a slight increase in the retail component of the Mechanical Division.

Expenditure variance - \$326,919 or 1.8% favourable

Similar to the first quarter, the favourable variance was largely a result of total labour savings. The favourable variance was comprised of full time savings of \$359k for temporary vacancies maternity leave, modified work and long term disability offset by increased overtime and benefit spending. The remainder of the favourable variance was due to payment timing differences for expenses related to radio operations, protective clothing and other accounts.

Commissioner of Finance and City Treasurer

City Financial Services

Expenditure variance - \$140,986 or 10.0% favourable

This variance was a result of a vacancy remaining within the department and combined savings of \$13k in other accounts.

Commissioner of Legal and Administrative Services

Clerks - Administration

Expenditure variance - \$118,752 or 6.1% favourable

This variance was a result of salary savings of \$72k due to temporary vacancies. In addition, an \$81k favourable variance was found in the mailroom/print shop area and related to payment timing differences for equipment leases, block purchases and supplies. This was partially offset by an unfavourable variance in records management.

Clerks - Licensing

Revenue variance - \$103,876 or 25.0% favourable

This variance was a result of growth in businesses registering for licenses for tow truck operators, massage parlors, taxi licenses, eating establishments etc.

Expenditure variance - \$4,351 or 1.5% unfavourable

This unfavourable variance was attributable to a \$24k error that will be corrected by the third quarter. The unfavourable variance was mostly offset by savings of \$12k in labour costs due to temporary vacancies and other accounts.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 2, Finance Report No. 17 – Page 6

Clerks - Insurance

Expenditure variance - \$1,429,762 or 51.0% unfavourable

The unfavourable variance was a result of higher than expected insurance premium which expires April 30, 2012. As per a Clerk's department memorandum presented to Council on April 5th, other municipalities have experienced a rise in litigious cases which has affected insurance premiums. 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.

Committee of Adjustment

Revenue variance - \$4,445 or 2.0% unfavourable

This variance was a result of lower than anticipated applications. However, it is not expected to meet budget by the end of the year as the volume of applications have been lower than last year.

Legal Services

Revenue variance - \$12,285 or 31.3% unfavourable

As the first quarter trend continues, the variance was a result of lower than anticipated land and title registration fees. The revenue shortfall is expected to meet budget forecast by the end of the year.

Enforcement Services

Revenue variance - \$129,811 or 14.2% unfavourable

Similar to the first quarter, the unfavourable revenue variance of \$175k was mostly in fines, largely due to a temporarily reduced workforce created by staff vacancies. It is anticipated that most of the revenue generating positions will be backfilled by fourth quarter. It is unknown whether the revenue will recover to budgeted levels. The remainder of the variance was caused by a shortfall in sign impound fees which is expected to continue to the end of the year.

Expenditure variance - \$324,830 or 14.0% favourable

Similar to the first quarter, the favourable variance was a result of salary savings of \$513k mainly attributable to temporary vacancies in By-law Enforcement Services caused by attrition and in Animal Services which was not functional at the beginning of the year. This favourable variance was offset by an unfavourable variance of \$231k in the service contracts account for animal services provider, Kennel Inn, which was extended to April 30, 2011. The contract was extended due to the construction delay of the animal shelter caused by the delay in vacating the premises by City departments that were moving to the new City Hall. The remainder of the variance was in other accounts such as machine time, bank charges, rental lease vehicles, cellular line charges etc.

Human Resources

Expenditure variance - \$41,417 or 2.5% unfavourable

This variance was a result of \$81k higher than anticipated costs for legal fees related to a number of large cases. The unfavourable variance was partially offset by savings in labour accounts for temporary vacancies and other minor variances in other accounts.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 2, Finance Report No. 17 – Page 7

Commissioner of Community Services

Recreation

Revenue variance - \$240,521 or 3.0% unfavourable

Recreation Program Revenue

There was an unfavourable variance of \$513k in program revenues although at this time last year they were higher by \$490k. The same as the first quarter, program revenues continue to be challenged by economic pressures resulting in competition for consumer discretionary spending. Changes in buying patterns are evident (for example, many patrons who have historically registered for swimming four times a year are now registering once or twice a year, patrons are opting for shorter fitness membership terms rather than committing to one year memberships). Patron per capita spending is a key driver of our revenues and changes to buying patterns has negatively affected revenues and cost recovery. Furthermore, non-transit expenditures were favourable by \$70k which was mostly in hockey subsidy processing timing difference and other minor variance in various other accounts. It is expected that this budget trend will continue into the third and fourth quarters and the next few years, adversely affecting pre-established cost recovery targets. This is coupled with the negative impact of full day kindergarten and HST. In addition, there was a combined \$48k unfavourable variance in vending machines and rents and concessions.

York Region Transit Revenue

Similar to first quarter, the unfavourable recreation program revenue variance was offset with higher than expected York Region Transit ticket sales, approximately \$320k. Typically, there is a corresponding unfavourable variance in ticket purchases. However, there was only a \$54k unfavourable in the second quarter due to payment timing differences. It's anticipated that expense variances will closely match revenue variances in later quarters.

Parks Operations

Expenditure variance - \$122,313 or 2.3% favourable

Different from the first quarter \$10k unfavourable variance, the second quarter had a favourable expenditure variance. The net favourable variance in labour accounts continued in the second quarter. The second quarter variance was \$147k in the labour accounts, a \$48k increase from the first quarter, and 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 year. There was \$30k net favourable variance in charges from other departments and internal cost recovery accounts. There were also under spending of \$294k in the contractor account and \$82k in hydro due to processing timing differences.

Similar to the first quarter, the favourable variances were offset by \$436k in machine time (\$282k in first quarter) due to processing timing issues for 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.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 2, Finance Report No. 17 – Page 8

Parks Development

Expenditure variance - \$102,144 or 18.2% favourable

Similar to the first quarter, the favourable variance was largely a result of a temporary vacancy. The remainder of the favourable variance was savings in various other minor accounts.

Commissioner of Planning

Development Planning

Revenue variance - \$377,521 or 37.4% favourable

The favourable revenue variance increased by \$340k over the first quarter. This was due to increased revenue associated with Zoning B-law, Official Plan Amendment, and Site Plan applications processed during this quarter.

Expenditure variance - \$155,066 or 11.7% favourable

Similar to the first quarter, the favourable expenditure variance was related to labour and benefit savings of \$145k, a \$36k increase from first quarter, due to three vacant positions which two filled this quarter. The balance consists of multiple related accounts such as office equipment and furniture, computer supplies and printing etc.

Building Standards

Revenue variance - \$221,304 or 5.8% unfavourable

The trend continues from the first quarter as building permits volumes and revenues received during the first half of the year are \$212k lower than expected, a \$187k increase from first quarter. Building Permit revenues are hard to predict with any great degree of accuracy and this negative variance may or may not continue to the end of the year.

Expenditure variance - \$493,909 or 15.6% favourable

Similar to the first quarter, the vast majority of the positive expenditure variance was the result of salary savings of \$302k (\$218k in first quarter) caused by four vacant full-time positions, two will be filled in the third quarter and the other two are new complements approved in April. This savings will continue to year end. There was also savings of \$103k in overtime due to timing differences. The training and development and membership accounts combined favourable variance was \$34k of which are 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

Commissioner of Economic and Technology Development and Corporate Communications

Expenditures variance - \$141,255 or 97.4% favourable

The favourable variance was a result of the position being vacant.

Economic and Business Development

Revenue variance - \$800 or 47.1% unfavourable

The unfavourable revenue variance was the result of lower than anticipated Business Directory sales.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 2, Finance Report No. 17 – Page 9

Information and Technology Management

Expenditure variance - \$198,683 or 5.9% favourable

The favourable variance was attributable to savings of \$151k in staffing vacancies and late approval of budget that included added staff complement. Payment timing issues created a \$123k favourable variance in service contracts and an \$86k unfavourable variance in communications accounts. The remaining balances consisted of multiple smaller account variances such as computer software, professional fees and various other accounts.

Commissioner of Engineering and Public Works

Development and Transportation Engineering

Revenue variance - \$79,288 or 40.7% unfavourable

Similar to the first quarter trend, the unfavourable variance is on account of two vacant positions (TTC Coordinator and TTC Project Manager contract positions) funded from external agencies. This unfavourable revenue variance was offset by associated favourable expenses. These positions were not filled due to a reallocation of internal staff resources and a secondment provided by the TTC. The remainder of the variance was a result of lower than anticipated infill lot grading permits due to market trends.

Expenditure variance - \$246,137 or 12.7% favourable

The favourable variance continued in the second quarter which was primarily a result of \$231k of labour savings (\$151k in first quarter) attributable to the two TTC Subway Extension Project contract positions and the reversal of a 2010 accrual. The full time position is currently in the job evaluation process and it is anticipated that the position will be filled by the end of the fourth quarter. The remainder of the variance was in other minor accounts.

Engineering Services

Revenue variance - \$5,454 or 6.5% unfavourable

The slight unfavourable variance was due to an invoicing delay that will be rectified in third quarter.

Expenditure variance - \$390,640 or 21.4% favourable

The favourable variance, similar to the first quarter, was mainly attributable to salaries and benefits savings of \$243k (\$139k in the first quarter) caused by a 2010 payroll accrual and vacancies which are expected to be filled in the third quarter. In addition, there was a similar savings of \$90K in contract maintenance costs due to the delay in the commissioning the Applewood extension. This trend will continue until the Applewood extension is commissioned to the City. The remainder of the variance was in various other accounts.

Public Works

Revenue variance - \$4,563 or 4.2% unfavourable

The unfavourable revenue was a slight timing difference in revenue from recoverable expenses which is completely offset in expenditures.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 2, Finance Report No. 17 – Page 10

Expenditure variance - \$715,433 or 4.7% favourable

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

Administration

There was a favourable variance of \$153k largely a result of temporary vacancies which are expected to be filled in the fall.

Waste

There was a favourable variance of \$408k in contractor and contractor materials account for waste collection which was over estimated in growth and unit counts were updated by Powerstream. This favourable variance will continue in 2011, however, the growth projection was corrected for the 2012 Operating Budget process.

Winter & Roads

There was a combined favourable variance of \$154k in Winter and Roads division. The largest contributor was a favourable variance of \$291k in the contractor account attributable to the delay of platform and streetlight maintenance repairs due to a wet spring. In addition, there was \$104k savings in salaries and benefits from temporary vacancies. The favourable variance was offset by a combined \$265k of overspending in machine time materials and supplies related road sweeping activities. The remainder of the variance was in various minor accounts such as internal recoverable, hydro, rental lease equipment etc.

Vaughan Public Libraries

Expenditure variance - \$458,830 or 7.6% favourable

The majority of the favourable variance was in labour accounts (\$345k) which was the result of temporary vacancies, wage differentials and a 2010 accrual reversal. There was a combined favourable variance in resource and periodical purchases of \$50k caused by timing differences; however, this has been offset by higher material processing expenditures of \$48k due to accelerated bulk purchases. The remainder of the favourable spending variance of \$139k was in various minor accounts that were attributable to billing delays experienced from the City, reduced security provider contract costs, lower utility expenditures and leased machine costs. To offset the favourable variance, there was sooner than anticipate computer hardware costs (\$27k) which was a timing issue with total spending expected to be in line with budget by year-end.

The above variance is a continuation of the \$305k variance reporting in the first quarter. Variances in staffing improved, but account timing differences increased.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 2, Finance Report No. 17 – Page 11

Corporate Revenues

Reserves & Other Transfers

Revenue variance - \$674,833 or 7.9% favourable

Actual transfers from reserves and other funds were \$675k more than anticipated. There was a \$1.4m variance for a larger than anticipated insurance reserve withdrawal as the City's insurance policy for a one year term policy. The variance was offset by under spending in several planned reserve withdrawals. Most notably:

- \$260k in Building Standards, as a result of related favourable departmental variances
- \$249 in Water and Wastewater Recovery due to processing timing issues
- The remaining \$204k variance was from multiple reserve withdrawal variances and largely related to favourable department positions and timing differences and there for requiring less reserve funding.

General Corporate Revenues

Revenue variance - \$696,699 or 10.0% favourable

The favourable variance was a result of \$444k of unexpected revenue from Provincial Offences Act related to 2010 and \$399k of higher than anticipated investment income. The variance in investment income is largely due to a capital gain. The above favourable variance was partially offset by \$143k less than anticipated revenue in tax fines and penalties, which is a trend that is expected to continue, and will be adjusted in the 2012 Operating Budget submission. The remainder of the variance was in other minor accounts.

Corporate Expenditures

Corporate and Election Expenditures

Expenditure variance - \$1,623,036 or 33.8% unfavourable

This variance is similar in content to that which was reported in the first quarter. The majority of the unfavourable variance consists of the following four explanations:

1. A \$2.2m 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 \$2.8m for the second quarter.
2. A \$209k unfavourable variance in tax adjustments due to increasing volume of Elderly Homeowner Grants and a large adjustment due to a recent decision by the Assessment Review Board.
3. A \$116k 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, joint service charges, etc.

.../12

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 2, Finance Report No. 17 – Page 12

Contingency

Expenditure variance - \$8,991 or 56.2% unfavourable

The slight unfavourable variance relates to minor corporate 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

Conclusion

Based on the 2011 quarter ending June 30, 2011 there was a favourable variance of \$2.8m. It is 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: Second Quarter Variance Report

Report prepared by:

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

Ursula D'Angelo, CGA
Manger 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 OCTOBER 18, 2011

Item 3, Report No. 17, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on October 18, 2011.

3 EXTERNAL AUDIT SERVICES TWO YEAR CONTRACT EXTENSION

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 Financial Services, dated October 3, 2011:

Recommendation

The Commissioner of Finance/City Treasurer and the Director of Financial Services recommends:

That the contract for the provision of external auditing services be extended to the City's current auditing firm KPMG LLP for a two year period.

Economic Impact

The cost impact will be based on the current agreement and will increase no higher than the cost of inflation. Funds have been provided in the 2011 operating budget.

Purpose

To request a two year extension of the current contract with the City's external auditing firm KPMG LLP.

Background - Analysis and Options

The external auditing contract with KPMG LLP has expired with the 2010 audit. An extension of the auditing services contract is required. The extension is required as a result of the timing in finalizing the City's 2010 Financial Statements. There is insufficient time available to initiate an effective Request for Proposal (RFP) for external auditing services for the 2011 audit as the interim audit is due to begin in November 2011.

In addition, there are a number of corporate priority projects being undertaken in the City, a number of them lead by Finance. The preparation of an RFP and the impact across the organization if there was to be a change in auditors must also be taken into consideration.

For the reasons stated above, staff is requesting that the external audit service contract be extended for two (2) years.

Relationship to Vaughan Vision 2020

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

Conclusion

It is recommended that the external audit services be extended for two years as a result of the timing in finalizing the 2010 City Financial Statements, the number of corporate priorities currently being undertaken as well as the significant amount of time required across the organization if there is a change in auditors.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 3, Finance Report No. 17 – Page 2

Attachments

None

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 4, Report No. 17, of the Finance and Administration Committee, which was adopted, as amended, by the Council of the City of Vaughan on October 18, 2011, as follows:

By amending the Operating and Capital Budget Meeting Schedule by deleting December 12, 2011 7:00-10:00 p.m. and replacing it with December 13, 2011 7:00-10:00 p.m.

4 2012 OPERATING AND CAPITAL BUDGET MEETING SCHEDULE

The Finance and Administration Committee recommends:

- 1) That the following meeting schedule incorporating additional meeting dates, be approved:

November 21, 2011	9:30 – 12:00 p.m.
November 28, 2011	7:00 – 10:00 p.m.
December 5, 2011	1:30 – 4:30 p.m.
December 12, 2011	7:00 – 10:00 p.m.
January 16, 2012	1:30 – 4:30 p.m.

- 2) That the following report of the Commissioner of Finance/City Treasurer, dated October 3, 2011, be received.

Recommendation

The Commissioner of Finance/City Treasurer recommends:

That the meeting schedule incorporating additional meeting dates be approved.

Contribution to Sustainability

Budgeting is the process of allocating limited resources to achieve the City's objectives and established priorities. Responsible budgeting allocates resources in a way that balances current needs without compromising the ability to meet those of the future, or in other words, is financially sustainable.

Economic Impact

There are no economic impacts of this report as written, however the economic impact of the 2012 budget process will be fully determined as a result of Council's deliberations and subsequent decisions regarding the 2012-2014 Operating Budget and 2012-2013 Capital Budget.

Communications Plan

A communication strategy will be developed to ensure that the public is aware of their opportunity to participate in the Finance and Administration Committee's budget deliberations. The communication methods will include publication on the City's website, advertising through e-bulletins to 6,600 subscribers, paid adds in local papers, media advisories and meetings posted to the Council agenda page.

Purpose

The purpose of this report is to set out the timetable for the Finance and Administration Committee 2012 budget deliberations which includes additional meeting dates.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 4, Finance Report No. 17 – Page 2

Background - Analysis and Options

The 2012 Budget process is comprised of several elements. Additional Finance and Administration meetings have been scheduled from mid November through to mid January 2012 to provide the Committee with ample opportunity for debate and discussion. As the Committee moves through the budget deliberations, adjustments to the schedule can be made as required. The current timeline aims to have Council approve the budget in January 2012.

The 2012 Budget deliberations will initially cover the Operating and Capital budgets and several related items that are linked to the budget discussion. The timing of the discussions will be dependant on the Committee's progress through the various components. The timelines for the 2012 Water/Wastewater Budget will be developed to occur following approval of the 2012 Operating and Capital Budgets.

The budget discussion and deliberations are based upon the following building blocks:

1. 2012 Operating Budget
 - a. Base Operating Budget
 - b. Program Review outcomes
 - c. Additional Resource Requests
 - d. General User Fees & Service Charges
 - e. Infrastructure funding and amortization
 - f. Related items as requests

2. 2012 Capital Budget
 - a. New capital projects
 - b. Capital funding and reserve continuity
 - c. Related items as requested

To facilitate timely discussion over the series of meetings, staff will endeavor to respond to questions from Committee as quickly as possible to keep the process efficient and moving along.

Relationship to Vaughan Vision 2020/Strategic Plan

N/A

Regional Implications

There are no Regional implications associated with this report.

Conclusion

The 2012 Budget process will take place over the timelines in the attached Finance and Administration Committee meeting dates. The schedule is aggressive and dependent on the extent and nature of the input from the public and the Committee during the budget deliberations.

Attachments

Attachment 1: Finance & Administration Committee Meeting Dates

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 4, Finance Report No. 17 – Page 3

Report prepared by:

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

(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 OCTOBER 18, 2011

Item 5, Report No. 17, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on October 18, 2011.

5 INTERNAL AUDIT REPORT OF COMPUTER HARDWARE AND SOFTWARE PURCHASE, REPLACEMENT AND DISPOSAL.

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the City Auditor, dated October 3, 2011:

Recommendation

The City Auditor recommends :

That the Internal Audit Report of Computer Hardware and Software Purchase, Replacement and Disposal be approved.

Economic Impact

The recommendations of the auditor and the implementation of corrective actions in the audit report, will improve the effectiveness of risk management, control and governance processes of the department. Some impact will be economic and measurable in dollar terms, while others will provide intangible benefits which may not be measurable. Other benefits will be an improvement in the efficiency and effectiveness in the operations of the department. Internal Audit adds value to all areas of City activity which are audited.

Communications Plan

The agenda containing this report is available in the office of the City Clerk and on the City's website.

Purpose

To present to the Finance and Administration Committee, the Internal Audit Report of Computer Hardware and Software Purchase, Replacement and Disposal.

Background - Analysis and Options

The audit was part of the 3 year risk-based Internal Audit Work Plan which was approved by the Audit and Operational Review Committee.

The internal audit report is provided as attachment 1.

The Executive Summary in the report summarizes the background, objectives, scope, methodology, observations. The report also includes in more detail, for all areas for improvement (1) the observations of the auditor, (2) the implications, (3) the auditor's recommendations, (4) operational management's response for corrective actions and (5) the auditor's response to the corrective actions.

Relationship to Vaughan Vision 2020

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

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 5, Finance Report No. 17 – Page 2

Regional Implications

Not applicable

Conclusion

1. The Internal Audit Report of Computer Hardware and Software Purchase, Replacement and Disposal is presented to the Finance and Administration Committee for approval.
2. The Chief Information Officer and Director of the department/operation audited, have generally agreed and responded favourably to the observations and recommendations in the Internal Audit Report.
3. When all corrective actions are implemented, (1) internal controls will be improved, (2) the quality of performance in carrying out assigned responsibilities will be enhanced, (3) the department/operation will operate more effectively and efficiently and (4) the Internal Audit department will have added value to the organization and assisted members of the organization in the effective discharge of their responsibilities.

Attachments

Internal Audit Report of Computer Hardware and Software Purchase, Replacement and Disposal.

Report prepared by:

Michael Tupchong, CA, CIA, CPA, CFE
City Auditor

(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 OCTOBER 18, 2011

Item 6, Report No. 17, of the Finance and Administration Committee, which was adopted, as amended, by the Council of the City of Vaughan on October 18, 2011, as follows:

By approving the Terms of Reference for the Council Member Expense Policy Task Force attached to Communication C1 from the City Clerk, dated October 18, 2011.

6 **RE: COUNCIL MEMBER EXPENSE POLICY 01.37**

The Finance and Administration Committee recommends:

- 1) That the Council Member Expense Policy 01.37 as amended, in the form set out as Attachment 1, be approved, subject to the deletion of the following phrase contained in the "Narrative" portion of Section 9.11 of the Policy:

"A monetary award/gift/promotion by way of a cheque is permissible."

- 2) That a Council Member Expense Policy Task Force be established comprised of the following Council Members and the City Auditor, to review the Policy and provide a Findings Report to a Finance and Administration Committee meeting in January 2012:

Regional Councillor Di Biase
Councillor Iafrate
Regional Councillor Rosati
Councillor Shefman

- 3) That the following report of the City Auditor, dated October 3, 2011, be received.

Recommendation

The City Auditor recommends:

That the Council Member Expense Policy 01.37 as amended, in the form set out as Attachment 1, be approved.

Contribution to Sustainability

Not applicable.

Economic Impact

There is no economic impact.

Communications Plan

The agenda containing this report is available in the office of the City Clerk and on the City's website.

Purpose

The purpose is to have a revised Council Member Policy which is more refined and clear with less potential for interpretation. Going forward this revised Policy will be clearer and easier to understand and conform to.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 18, 2011

Item 6, Finance Report No. 17 – Page 2

Background - Analysis and Options

On March 9, 2010 Council approved the Council Member Expense Policy which became effective retroactive to February 1, 2010.

From this time to current date, the City Auditor was assigned the task of reviewing expense submissions and ensuring compliance with the Council Member Expense Policy before forwarding the expense documentation to the Finance Department for payment. This was for the protection of Council Members and to provide a learning period for Council Member assistants and Finance staff to be more knowledgeable of the new Policy. The review of expense submissions was done beyond the assigned 6 month period of 2010 into 2011, and will continue until 31 December, 2011. Effective 1st January, 2012, Council Member expense submissions should be forwarded directly to the Finance department for processing. The City Auditor will also be available as before, to answer any questions regarding the Policy.

Due to the variety of expenses and documentation submitted since February 1, 2010 to present date, it became evident that certain sections of the approved Policy should be refined for further clarity, less ambiguity and better understanding. The City Auditor has made the appropriate refinements to the Policy which he considered necessary. The policy with the refinements highlighted in ***bold italics*** (Attachment 1), is presented for review and approval.

Relationship to Vaughan Vision 2020

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

Regional Implications

Not applicable

Conclusion

The Council Member Expense Policy has been in effect since February 1, 2010. Requirements of the Policy are now more clearly understood by Council Member assistants and Finance staff. However due to the variety of expense submissions and questions from assistants and staff from February 1, 2010 to present date, it became evident that the Policy needed further refinement for improved clarity and understanding. This has been done by the City Auditor and are highlighted in ***bold italics*** in the amended policy. (Attachment 1). The amended Council Member Expense Policy is hereby presented for review and approval.

Attachments

Amended Council Member Expense Policy -01.37-Attachment 1

Report prepared by:

Michael Tupchong CA, CIA, CPA, CFE
City Auditor

(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 OCTOBER 18, 2011

Item 7, Report No. 17, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on October 18, 2011.

7

OTHER MATTERS CONSIDERED BY THE COMMITTEE

7.1 EXTENSION OF THE TERM OF THE CHAIR

The Finance and Administration Committee recommends that Councillor Alan Shefman remain as the Chair of the Finance and Administration Committee until the completion of the 2012 Budget process.