

OPERATING BUDGET QUARTERLY REPORT ENDING DECEMBER 31, 2010

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.

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.

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.

**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
Reserves and Other Transfers		
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)
Fees & Service Charges		
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
Expenditures (variances greater than \$300k)		
Departmental Expenses		
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
Corporate Expenditures		
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>

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.
- 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.

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.

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.

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.

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.

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.

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.

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.

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:

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

Report prepared by:

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Respectfully submitted,

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Commissioner of Finance/City Treasurer

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Director of Budgeting and Financial Planning



CITY OF VAUGHAN

2010 OPERATING BUDGET

FOURTH QUARTER VARIANCE REPORT

**AS AT
DECEMBER 31, 2010**

**CITY OF VAUGHAN
2010 OPERATING BUDGET
FOURTH QUARTER VARIANCE REPORT
DECEMBER 31, 2010**

REVENUE / EXPENDITURE SUMMARY

	2010 ANNUAL BUDGET	2010 YTD ACTUAL	VARIANCE	
			FAV. / (UNFAV) \$	%
REVENUES:				
TAXATION	129,027,687	129,015,660	(12,027)	0.0%
SUPPLEMENTAL TAXATION	2,200,000	6,428,113	4,228,113	192.2%
GRANT / PAYMENT IN LIEU	2,945,240	3,002,177	56,937	1.9%
RESERVES AND OTHER TRANSFERS	17,192,431	13,577,208	(3,615,223)	-21.0%
FEES AND SERVICE CHARGES	33,341,536	35,954,188	2,612,652	7.8%
CORPORATE	18,247,529	19,383,761	1,136,232	6.2%
PRIOR YEAR'S SURPLUS CARRYFORWARD	2,500,000	2,500,000	0	0.0%
TOTAL REVENUES	205,454,423	209,861,107	4,406,684	2.1%
EXPENDITURES:				
DEPARTMENTAL	182,378,736	177,468,023	4,910,713	2.7%
CORPORATE EXPENDITURES	6,469,015	9,233,735	(2,764,720)	-42.7%
LONG TERM DEBT	9,000,000	8,435,000	565,000	6.3%
CONTINGENCY	977,150	603,629	373,521	38.2%
CAPITAL FROM TAXATION	6,629,522	6,629,522	0	0.0%
TOTAL EXPENDITURES	205,454,423	202,369,909	3,084,514	1.5%
CARRYFORWARD TO 2011	0	2,500,000	2,500,000	
TRANSFER TO:				
TAX RATE STABILIZATION RESERVE	0	2,495,599	2,495,599	
GENERAL WORKING CAPITAL RESERVE	0	2,495,599	2,495,599	
SURPLUS/(DEFICIT)	0	0	0	

CITY OF VAUGHAN
2010 OPERATING BUDGET
FOURTH QUARTER VARIANCE REPORT
DECEMBER 31, 2010

REVENUE BY MAJOR SOURCE

	2010 ANNUAL BUDGET	2010 YTD ACTUAL	VARIANCE	
			FAV. / (UNFAV) \$	%
TAXATION				
Supplementals	2,200,000	6,428,113	4,228,113	192.2%
GRANT				
Library Grant	145,240	196,686	51,446	35.4%
PAYMENT IN LIEU / OTHER				
Payment In Lieu / Other	2,800,000	2,805,491	5,491	0.2%
RESERVES AND OTHER TRANSFERS				
Engineering Reserve	4,500,000	4,000,770	(499,230)	-11.1%
By-Election Cost	0	1,625	1,625	0.00%
Inauguration Sponsorship	0	38,000	38,000	0.00%
Election Cost	985,000	893,438	(91,562)	-9.3%
C.I.L. Recreation Land Reserve	640,000	640,000	0	0.0%
Finance - From Capital	1,110,000	1,868,067	758,067	68.3%
Fleet Management Reserve (Vehicle Replacement)	925,021	790,154	(134,867)	-14.6%
Planning Reserve	500,000	0	(500,000)	-100.0%
Building Standards Service Continuity Reserve	200,000	0	(200,000)	-100.0%
Insurance Reserve	2,660,000	3,345,154	685,154	25.8%
Tax Rate Stabilization Reserve	2,757,410	0	(2,757,410)	-100.0%
Debenture Payment Reserve	565,000	0	(565,000)	-100.0%
Winterization Reserve	350,000	0	(350,000)	-100.0%
Water & Wastewater Recovery	2,000,000	2,000,000	0	0.0%
TOTAL RESERVES	17,192,431	13,577,208	(3,615,223)	-21.0%
FEES/SERVICE CHARGES				
CITY MANAGER				
Fire And Rescue Services	389,561	757,410	367,849	94.4%
TOTAL CITY MANAGER	389,561	757,410	367,849	94.4%
COMMISSIONER OF LEGAL & ADMIN. SERV.				
Clerks	30,496	35,015	4,519	14.8%
Clerks - Licensing	877,144	1,028,953	151,809	17.3%
Committee Of Adjustment	372,207	445,317	73,110	19.6%
Legal Services	83,300	68,632	(14,668)	-17.6%
Enforcement Services	1,824,450	2,059,171	234,721	12.9%
TOTAL COMMISSIONER OF LEGAL & ADMIN. SERV.	3,187,597	3,637,088	449,491	14.1%
COMMISSIONER OF COMMUNITY SERVICES				
Communities In Bloom Sponsorship	15,000	41,868	26,868	179.1%
Non-Profit Housing	9,000	8,962	(38)	-0.4%
Community Grants & Advisory Comm.	0	4,380	4,380	0.0%
Recreation	16,920,849	16,665,011	(255,838)	-1.5%
Buildings And Facilities	181,275	352,863	171,588	94.7%
Parks Operations	41,561	116,401	74,840	180.1%
Cemeteries	71,855	74,483	2,628	3.7%
TOTAL COMMISSIONER OF COMMUNITY SERVICES	17,239,540	17,263,968	24,428	0.1%
COMMISSIONER OF PLANNING				
Development Planning	2,433,738	2,932,669	498,931	20.5%
Building Standards - Licenses/Permits	7,332,500	7,790,318	457,818	6.2%
- Plumbing Permits	445,000	726,733	281,733	63.3%
- Service Charges	385,650	791,398	405,748	105.2%
TOTAL COMMISSIONER OF PLANNING	10,596,888	12,241,118	1,644,230	15.5%
COMMISSIONER OF ECONOMIC & TECHNOLOGY DEVELOPMENT & COMMUNICATIONS				
Economic And Business Development	268,655	47,610	(221,045)	-82.3%
Corporate Communications	84,530	161,619	77,089	91.2%
TOTAL COMMISSIONER OF ECONOMIC & TECH. DEVELOPMENT & COMMUNICATIONS	353,185	209,229	(143,956)	-40.8%
COMMISSIONER OF ENGINEERING & PUBLIC WORKS				
Development And Transport. Engineering	294,167	394,586	100,419	34.1%
Engineering Services	116,322	142,695	26,373	22.7%
Public Works - Operations	886,006	982,555	96,549	10.9%
TOTAL COMMISSIONER OF ENGINEERING & PUBLIC WORKS	1,296,495	1,519,836	223,341	17.2%
VAUGHAN PUBLIC LIBRARIES	278,270	325,539	47,269	17.0%
TOTAL FEES / SERVICE CHARGES	33,341,536	35,954,188	2,612,652	7.8%
TOTAL CORPORATE REVENUES	18,247,529	19,383,761	1,136,232	6.2%
TOTAL REVENUE	73,926,736	78,345,447	4,418,711	6.0%

**CITY OF VAUGHAN
2010 OPERATING BUDGET
FOURTH QUARTER VARIANCE REPORT
DECEMBER 31, 2010**

**REVENUE BY MAJOR SOURCE
CORPORATE REVENUE DETAIL**

	2010 ANNUAL BUDGET	2010 YTD ACTUAL	VARIANCE	
			FAY. / (UNFAY) \$	%
<i>CORPORATE REVENUE DETAIL :</i>				
Fines And Penalties	4,900,000	4,583,952	(316,048)	-6.4%
Tax Certificates And Documents	534,379	421,854	(112,525)	-21.1%
Investment Income	3,750,000	4,778,655	1,028,655	27.4%
Hydro Investment Income	4,853,450	4,853,451	1	0.0%
Hydro Dividends	3,175,000	3,579,432	404,432	12.7%
Provincial Offenses Act	890,000	949,020	59,020	6.6%
Miscellaneous Revenue	69,000	43,608	(25,392)	-36.8%
Purchasing	50,700	121,216	70,516	139.1%
Capital Admin. Revenue	25,000	52,573	27,573	110.3%
TOTAL CORPORATE REVENUE	18,247,529	19,383,761	1,136,232	6.2%

**CITY OF VAUGHAN
2010 OPERATING BUDGET
DECEMBER 31, 2010**

DEPARTMENTAL EXPENDITURES BY MAJOR CATEGORY (1)

	2010 ANNUAL BUDGET	2010 YTD ACTUAL	VARIANCE	
			FAV. / (UNFAV) \$	%
COUNCIL	1,352,306	1,575,504	(223,198)	-16.5%
OFFICE OF THE INTEGRITY COMMISSIONER	199,940	155,794	44,146	22.1%
<i>City Manager</i>	803,045	565,977	237,068	29.5%
Operational Audit	184,200	154,750	29,450	16.0%
Strategic Planning	210,375	186,575	23,800	11.3%
Environmental Sustainability	259,735	177,995	81,740	31.5%
Corporate Policy	127,395	125,331	2,064	1.6%
Fire and Rescue Services	32,595,831	33,165,817	(569,986)	-1.7%
Emergency Planning	176,010	171,101	4,909	2.8%
TOTAL CITY MANAGER	34,356,591	34,547,546	(190,955)	-0.6%
<i>Commissioner of Finance and Corporate Services</i>	401,050	353,556	47,494	11.8%
City Financial Services	2,747,365	2,519,739	227,626	8.3%
Budgeting and Financial Planning	1,338,291	1,289,882	48,409	3.6%
Reserves and Investments	1,037,056	947,744	89,312	8.8%
Purchasing Services	1,192,407	1,251,532	(59,125)	-5.0%
TOTAL COMM. OF FINANCE AND CITY TREASURER	6,716,169	6,362,453	353,716	5.3%
<i>Commissioner of Legal and Administrative Services</i>	376,635	358,722	17,913	4.8%
City Clerk	3,946,466	3,869,515	76,951	1.9%
Clerks - Licensing	557,366	567,476	(10,110)	-1.8%
Committee of Adjustment	533,094	512,462	20,632	3.9%
City Clerk - Insurance	2,660,000	3,345,154	(685,154)	-25.8%
Legal Services	1,674,260	2,063,193	(388,933)	-23.2%
Enforcement Services	4,300,145	4,023,011	277,134	6.4%
Human Resources	3,124,344	3,021,752	102,592	3.3%
TOTAL COMM. OF LEGAL AND ADMINISTRATIVE SERVICES	17,172,310	17,761,285	(588,975)	-3.4%
<i>Commissioner of Community Services</i>	498,955	410,306	88,649	17.8%
Communities In Bloom	115,070	136,792	(23,722)	-20.6%
Community Grants and Advisory Committees	162,030	51,200	110,830	68.4%
Recreation	18,119,698	18,320,414	(200,716)	-1.1%
Cultural Services	801,934	679,027	122,907	15.3%
Buildings and Facilities	19,907,508	18,326,857	1,580,651	7.9%
Fleet Management	930,361	799,438	130,923	14.1%
Parks Operations	11,517,710	11,348,257	169,453	1.5%
Parks Development	1,083,079	976,779	106,300	9.8%
TOTAL COMMISSIONER OF COMMUNITY SERVICES	53,136,345	51,051,070	2,085,275	3.9%
<i>Commissioner of Planning</i>	350,775	350,724	51	0.0%
Development Planning	2,585,701	2,369,494	216,207	8.4%
Policy Planning	1,314,836	1,279,459	35,377	2.7%
Building Standards	6,087,592	5,621,344	466,248	7.7%
TOTAL COMMISSIONER OF PLANNING	10,338,904	9,621,021	717,883	6.9%
<i>Commissioner of Economic and Technology Development and Communications</i>	236,980	3,150	233,830	98.7%
Economic and Business Development	1,502,972	1,225,504	277,468	18.5%
Access Vaughan	717,617	687,698	29,919	4.2%
Information and Technology Management	6,951,989	6,566,020	385,969	5.6%
Corporate Communications	1,556,960	1,501,916	55,044	3.5%
TOTAL COMMISSIONER OF ECONOMIC AND TECHNOLOGY DEVELOPMENT AND COMMUNICATIONS	10,966,518	9,984,288	982,230	9.0%
<i>Commissioner of Engineering and Public Works</i>	344,490	338,591	5,899	1.7%
Development and Transport. Engineering	3,684,356	3,296,636	387,720	10.5%
Engineering Services	3,545,371	2,994,610	550,761	15.5%
Public Works - Operations	28,903,986	28,282,457	621,529	2.2%
TOTAL COMMISSIONER OF ENGINEERING AND PUBLIC WORKS	36,478,203	34,912,294	1,565,909	4.3%
VAUGHAN PUBLIC LIBRARIES	11,661,450	11,496,768	164,682	1.4%
TOTAL DEPARTMENTAL EXPENDITURES	182,378,736	177,468,023	4,910,713	2.7%
CORPORATE EXPENDITURES	6,469,015	9,233,735	(2,764,720)	-42.7%
LONG TERM DEBT	9,000,000	8,435,000	565,000	6.3%
CONTINGENCY	977,150	603,629	373,521	38.2%
CAPITAL FROM TAXATION	6,629,522	6,629,522	0	0.0%
TOTAL DEPARTMENTAL AND CORPORATE EXPENDITURES	205,454,423	202,369,909	3,084,514	1.5%

(1) Expenditures are net of Hydro Joint Services Revenue and Library Joint Service Charges.

**CITY OF VAUGHAN
2010 OPERATING BUDGET
DECEMBER 31, 2010**

CORPORATE EXPENDITURES - DETAILS

	2010 ANNUAL BUDGET	2010 YTD ACTUAL	VARIANCE	
			FAV. / (UNFAV) \$	%
CORPORATE EXPENDITURES DETAIL :				
RESERVE CONTRIBUTIONS:				
1998 & Prior Bldg & Facil. Infrast. Res. Contrib.	825,000	825,000	0	0.0%
Post 1998 Bldg & Facil. Infrast. Res. Contrib.	1,259,000	1,259,000	0	0.0%
Roads Infrastructure Reserve Contribution	475,000	475,000	0	0.0%
Parks Infrastructure Reserve Contribution	275,000	275,000	0	0.0%
Bldg Stds. Service Continuity Reserve Contribution	0	1,065,163	(1,065,163)	0.0%
Election Reserve Contribution	200,000	200,000	0	0.0%
TOTAL RESERVE CONTRIBUTIONS	3,034,000	4,099,163	(1,065,163)	-35.1%
CORPORATE EXPENDITURES:				
Bank Charges	90,000	78,931	11,069	12.3%
Professional Fees	236,820	175,220	61,600	26.0%
Major Omb Hearings - Professional Fees	400,000	129,616	270,384	67.6%
Joint Services	513,225	440,933	72,292	14.1%
Sundry	34,900	6,934	27,966	80.1%
City Hall Funding	1,000,000	1,000,000	0	0.0%
Tax Adjustments	1,400,000	1,495,033	(95,033)	-6.8%
Corporate Insurance	727,650	727,650	0	0.0%
Armo Membership	18,050	14,680	3,370	18.7%
Conferences	29,370	29,054	316	1.1%
By-Election	0	6,451	(6,451)	0.00%
Inauguration	0	64,364	(64,364)	
Election	985,000	968,438	16,562	1.7%
Unallocated Benefits	0	(2,732)	2,732	0.0%
Anticipated Labour Savings	(2,000,000)	0	(2,000,000)	100.0%
TOTAL CORPORATE EXPENSES	3,435,015	5,134,572	(1,699,557)	-49.5%
TOTAL RESERVE CONTRIBUTIONS & CORPORATE EXPENSES	6,469,015	9,233,735	(2,764,720)	-42.7%