CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 26, 2012

Item 1, Report No. 7, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on June 26, 2012.

1 DEVELOPMENT CHARGES – SEMI-ANNUAL ADJUSTMENT

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer, dated June 18, 2012:

Recommendation

The Commissioner of Finance & City Treasurer recommends:

1) That in accordance with the appropriate semi-annual adjustments sections of each respective development charge by-law, the City Wide Development Charge rates and Special Service Area Development Charge rates be increased by 1.1% effective July 1, 2012; and

2) That the following revised Development Charge Rates (Attachment 1 & 2) be approved.

Contribution to Sustainability

This is not applicable to this report.

Economic Impact

The semi-annual adjustment will provide a 1.1% increase in City-Wide Development Charges and Special Area Development Charges.

Communications Plan

Public notice of the development charges semi-annual adjustment is through the agenda process.

Purpose

To obtain Council approval to index the City of Vaughan Development Charges pursuant to the semi-annual adjustment provision in the respective City of Vaughan Development Charge By-laws.

Background - Analysis and Options

The Development Charges Act authorizes municipalities to pass By-laws for the recovery of capital costs incurred to provide services to all new development and re-development. A clause in each of the City of Vaughan's Development Charge By-laws states the development charges may be adjusted semi-annually without amendments to the by-laws, as of the 1st day of January and the 1st day of July in each year in accordance with the most recent change in the Statistics Canada Quarterly, Construction Price Statistics (catalogue No. 62-007 Table 327-0043).

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In order to reflect economic conditions and based on a review of the Statistics Quarterly Construction Price Statistics (catalogue No. 62-007 Table 327-0043), the City Wide Development Charges and Special Service Area Development Charge Rates should be increased by 1.1% which reflects the six (6) month increase in the Statistics Quarterly Construction Price Statistics Index (catalogue No. 62-007 Table 327-0043) for the period October 1, 2011 to March 31, 2012.

Relationship to Vaughan Vision 2020

This report is consistent with the priorities previously set by Council, specifically; Ensure Financial Sustainability and the necessary resources have been allocated and approved.

Regional Implications

Not applicable.

Conclusion

Staff recommend that the City of Vaughan Development Charges be increased by 1.1%. The City Wide Development Charge and the Special Service Area Development Charges may be indexed without amending the existing by-law. The revised schedules reflecting the new rates are attached.

Attachments

Attachment 1 – Development Charge Rates
Attachment 2 – Summary of Special Area Charges

(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 JUNE 26, 2012

Item 2, Report No. 7, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on June 26, 2012.

2 CAPITAL PROJECT CO-0054-09 UPDATE
VAUGHAN HOSPITAL LAND ACQUISITION AND DEVELOPMENT LEVY

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer, dated June 18, 2012:

Recommendation

The Commissioner of Finance & City Treasurer recommends:

That the following report be received.

Contribution to Sustainability

Not applicable

Economic Impact

There is no economic impact associated with this report.

Communications Plan

Not applicable

Purpose

The purpose of this report is to update Council on the status of tax revenues raised to date for the contribution towards the local share for land acquisition and development of a hospital in Vaughan approved by Council in 2009, as well as a summary of expenses to December 31, 2011.

Background Analysis and Options

On June 15, 2009 Council approved a funding option for the $80 million community contribution towards the land acquisition and development of a hospital in Vaughan, which was to be raised through property taxes. A special tax rate increase of 5.45% was approved in 2009, to be phased in over four years to raise the funds necessary to cover the cost of the anticipated 20 year debt financing for the local share of the hospital land acquisition and development. During the 2011 budget discussions, the four year plan was amended to a five year phase-in.

Tax Revenues
Since 2009, the City has phased in the approved tax increases, and billed the following amounts though property taxes:

2009	$2,491,450
2010	$3,349,549
2011	$4,630,084
Total	$10,471,083

Final 2012 tax levy	$5,728,036
Forecast 2013 tax levy	$7,000,000 (final phase of increases)

Once the final phase of tax increases is achieved in 2013, the annual levy will increase slightly each year, as a result of assessment growth.

Hospital Land Acquisition and Development – Capital Project Expenses

The expenses recorded to December 31, 2011 total $60,869,904, and are broken down as follows:

Land Purchase	$59,450,000
Land Transfer Tax	$890,225
Other costs related to land acquisition including engineering consulting for transportation, access, servicing and storm drainage, surveyors, title insurance, appraisal fees, legal fees and closing costs	$529,679
Total Expenses to December 31, 2011	$60,869,904

Interest Expense

By-law 135-2009, which was enacted by Council June 15, 2009, authorizes debenture financing of up to $80 million toward the local share for land acquisition and the development of a hospital, and also permits internal financing to the extent possible, and as appropriate to the satisfaction of the City Treasurer. The current Infrastructure Ontario (IO) 20 year borrowing rates are 3.64%, which would result in an annual interest cost of approximately $1.8 million based on the outstanding principal owing as of December 31, 2011. Utilizing internally funding will result in the $60.87 million in expenses incurred to date being paid more quickly, as the internal borrowing rate is more in line with the City's average rate of return earned on investments.

The total accumulated interest cost charged to the Hospital Land and Development account, reflecting internal borrowing from surplus reserve funds, is $1,239,615 million since 2009.

Relationship to Vaughan Vision 2020

Not applicable

Regional Implications

No Implications

Conclusion

The total amount raised through property taxes for the hospital land acquisition and development, including the 2012 levy, is $16.2 million. The total expenses charged to capital project CO-0054-09 - Vaughan Hospital Land Acquisition and Development as of December 31, 2011 is $62.1 million, which includes capital project expenses of $60.9 million and interest expense of $1.2 million.

Attachments

Not applicable

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Report prepared by:

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

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 26, 2012

Item 3, Report No. 7, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on June 26, 2012.

3 2011 ANNUAL INVESTMENT REPORT

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer, dated June 18, 2012:

Recommendation

The Commissioner of Finance & City Treasurer recommends that:

This report be received for information.

Contribution to Sustainability

Not applicable.

Economic Impact

Investment income generated from the investment portfolio in 2011 amounted to $15.0 million. Investment earnings are distributed to the City's reserve funds and operating budget reducing the need for tax revenues. The Operating Budget for 2011 Investment Income was $3.75 million. The actual Investment Income allocated to the Operating Budget was $4.59 million, a favourable variance of $844 thousand.

Communications Plan

Not applicable.

Purpose

To report to Council on the City's investment portfolio activities during the year 2011, as required by Ontario Regulation 438/97 (as amended) of the *Municipal Act* and the City's Investment Policy.

Background - Analysis and Options

The Municipal Act is the governing legislation for the investment of municipal funds. Ontario Regulation 438/97, as amended to O. Regulation 292/09 outlines the criteria for eligible investments. The City's investment policy approved by Council in December 2009 conforms to this legislation and acts as the governing guideline in managing the City's investment portfolio.

The reporting requirements in the City's investment policy and the Municipal Act require the Treasurer or designate to submit an investment report to Council at least annually, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last year. The report submitted to Council each year must contain the following:

a) Listing of individual securities held at the end of the reporting period;
b) Listing of investments by maturity date;

c) Realized and unrealized gains or losses resulting from investments that were not held until maturity;
d) Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks;
e) Percentage of the total portfolio which each type of investment represents and;
f) A statement about the performance of the investment portfolio during the period covered by the report;

The Development Finance & Investment Department manages the investment portfolio for the City with a maturity value of approximately $452.5 million (cash and investments) at December 31, 2011 ($475.9 million 2010), (Attachment 1). These funds represent the funding requirements for day to day operations of the Corporation and represent investments funds held in the reserves, reserve funds, working capital and other funds of the organization. The credit quality of all investments are in compliance with the City's Investment Policy and the Ontario Regulation 438/97 (as amended) of the *Municipal Act*.

The financial credit crisis caused Central banks across the globe to lower interest rates to historic lows during 2008 and 2009. These low rates continued into 2010. The Bank of Canada began removing monetary stimulus in 2010 raising the overnight rate to 1%.

The overnight rate remained unchanged at 1% throughout 2011. During the first quarter of 2011 the global economic recovery was under way and expected to grow at a steady pace. Economic activity in the US expanded moderately as employment, manufacturing and consumer confidence rose. Robust growth in emerging markets boosted demand for Canadian exports. The Bank of Canada forecasted for the Canadian economy to grow at 2.9%.

As the year progressed the European debt crisis escalated posing a threat to global growth. Chinese growth also decelerated. The Bank of Canada revised their growth forecast down to 2.1% in October.

In the more recent Monetary Policy Report the Bank acknowledged Canada's economy was improving at a much faster pace than had been expected, partially driven by household spending and business investment. The Bank projected the Canadian economy to grow to 2.4% in 2012 and 2013. With core inflation rising economists are forecasting a central bank rate increase later this year. However, should the European sovereign debt crisis intensify, Canadian growth can weaken erasing the possibility of a rate hike in 2012.

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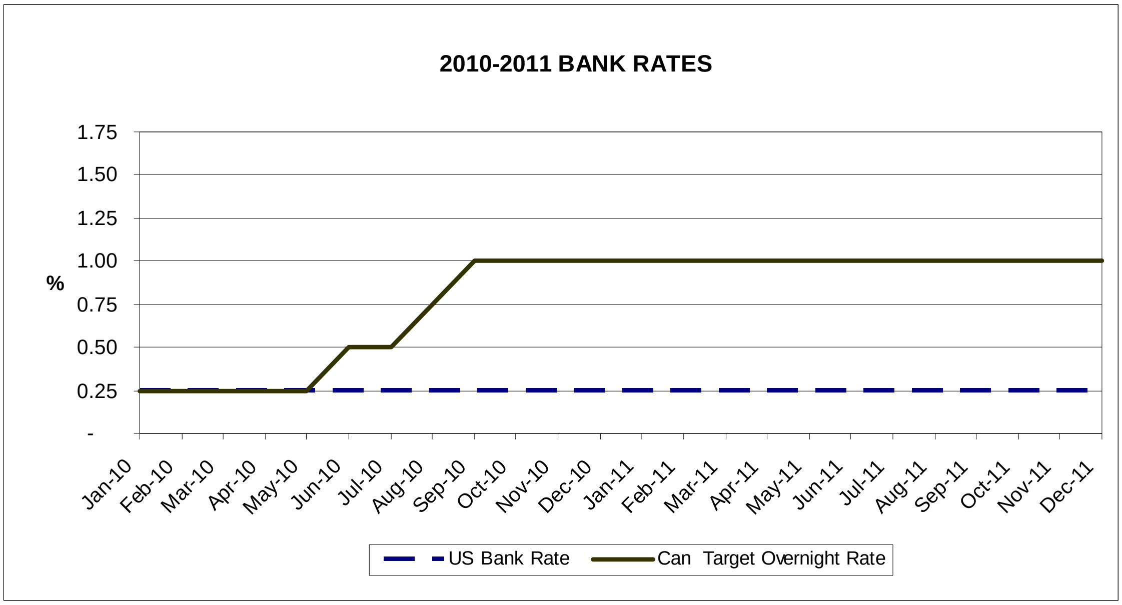

During 2011 the investment portfolio generated investment income in the amount of $15.0 million ($13.1 million in 2010). The Money Market portfolio averaged a rate of return of 1.30% outperforming the 90 day T-bill rate of .92% by .38 % and the ONE Money Market Fund which returned 1.19% by .11%. The Bond Fund portfolio averaged a rate of return of 5.29% outperforming the ONE Bond Fund of 4.19% by 1.10%. The ONE Fund, a benchmark used by the City, is a pooled investment fund sponsored by the Association of Municipalities of Ontario (AMO) and the Municipal Finance Officers' Association (MFOA) for Ontario municipalities. Capital gains of $1.0 million were recognized through bond sales. A large amount of cash is being held in the City's bank account due to the higher rate of return than that of Money Market instruments. At the end of the year the bank account earned a rate of return 1.25% while a Money Market instrument earned 1.06% resulting in a high cash balance in the City's bank account.

Over the past number of years, the City's investment program has changed its focus from just providing liquidity for the day-to-day operations to a long term reserve management. This change focused on transforming the investment portfolio from a short term money market portfolio to one that is more diversified in terms of credit and term exposure.

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

In 2011 the City's investment portfolio performed well given the weak global economic and financial market conditions. Increased investment income revenue contributes to reserves and reduces the need for tax revenues. Investments were in compliance with the City's Investment Policy approved by Council December 14, 2009 and the Ontario Regulation 438/97 (as amended) of the *Municipal Act*.

Attachments

Attachment 1 – Listing of Securities Held As At December 31, 2011
Attachment 2 – Investments Held by Institution

Report prepared by:

Terry Liuni Ext 8354
Capital Revenue Analyst

(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 JUNE 26, 2012

Item 4, Report No. 7, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on June 26, 2012.

4 GFOA DISTINGUISHED BUDGET PRESENTATION AWARD

The Finance and Administration Committee recommends:

1) **That the recommendation contained in the following report of the Commissioner of Finance & City Treasurer and the Director of Budgeting and Financial Planning, dated June 18, 2012, be approved; and**

2) **That a copy of the award be sent to C. D. Howe Institute.**

Recommendation

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

That the following report and formal presentation on the receipt of the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) for the City's 2011 Budget be received.

Contribution to Sustainability

The GFOA Distinguished Budget Presentation Award encourages governments to prepare and issue budget documents of the highest quality. This is essential for our citizenry to be fully informed of the City's policies, corporate initiatives, and financial plans. Better budget documents also contribute to better decision making and enhanced accountability.

Vaughan has always taken the management and stewardship of public funds very seriously and continues to demonstrate financial leadership and discipline, ensuring residents receive value for their tax dollars. Obtaining the 2011 GFOA Distinguished Budget Presentation Award is another example of Vaughan's pursuit of organizational excellence and the dedication of staff associated with its publication, (i.e. Budgeting, Financial Services, Corporate Communication and City Departments).

Economic Impact

Not applicable - There are no direct financial implications

Communications Plan

N/A

Purpose

The purpose of this report is to advise the Finance and Administration Committee of the receipt of GFOA's Distinguished Budget Presentation Award for the City's 2011 Budget. This is Vaughan's third consecutive year receiving this prestigious award.

Background - Analysis and Options

The Government Finance Officers Association (GFOA)

The Government Finance Officers Association is a nonprofit international professional association serving more than 17,400 government finance professionals throughout North America. It provides top quality publications, training programs, services, and products designed to enhance the skills and performance of those responsible for government finance policy and management.

The GFOA has a very strong Canadian presence, which is demonstrated by Canadians holding the Executive Board positions, including past GFOA President, Mr. Len Brittain, Director of Corporate Finance, City of Toronto. There are also a number of other Canadian representatives serving on many GFOA policy committees, which include:

Eric Sawyer, Chief Financial Officer City of Calgary, Alberta, ***Catherine Brubacher,*** City Treasurer, City of Brantford, Ontario ***Trevor Bingler***, Director of Municipal Finance Policy Branch at the Ministry of Municipal Affairs, ***Ed Hankins***, Director of Policy, Risk and Treasury for the Regional Municipality of York, ***Ronald Kaufman***, Deputy CAO/Director of Corporate Services/Treasurer, Town of Caledon, ON.

The GFOA's Distinguished Budget Award Program has been promoting the preparation of high quality budget documents for more than 28 years. Currently, more than 1,350 governments of all levels across North America have received this award, including Canadian cities such as, Calgary, Vancouver, Winnipeg, Toronto, Burlington, Mississauga, Oakville, etc. Award recipients have pioneered efforts to improve the quality of budgeting and provide an excellent example for other governments throughout North America.

City of Vaughan receives the GFOA Budget Award

The Government of Financial Officers Association presented the Distinguished Budget Presentation Award to the City of Vaughan, Ontario for its annual budget for the fiscal year beginning January 1st, 2011. The award represents a significant achievement by the City of Vaughan, as it reflects the commitment of the municipality and staff to meet the highest principles of Government budgeting. In order to receive this budget award, the City of Vaughan had to satisfy nationally recognized guidelines for effective budget presentation. The 2011 budget document was rated by 3 independent reviewers on 27 criteria, covering 4 categories. These guidelines are designed to assess how well the budget document serves as:

- A policy document
- A financial plan
- An operational guide
- A communications device

.

Having successfully achieved this goal, the City and the Budgeting and Financial Planning Department have received certificates of recognition. Copies of these are enclosed as an attachment.

Relationship to Vaughan Vision 2020/Strategic Plan

Obtaining the 2011 GFOA Distinguished Budget Presentation Award is another example of Vaughan's dedication to the pursuit of organizational excellence.

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Regional Implications

There are no Regional implications associated with this report.

Conclusion

The Distinguished Budget Presentation Award Program actively strives to assist organizations achieve the goal of improving their budget document. As a program participant City Finance staff benefit from access to a wealth of financial guidance and independent budget document review. This is extremely helpful and aides the City in its pursuit of developing a better budget document, which contributes to better decision making and enhanced accountability.

The City of Vaughan Budgeting and Financial Planning Department, Financial Services Department and Corporate Communications Department are extremely proud to receive the City's third consecutive Distinguished Budget Presentation Award from the GFOA for its 2011 Budget.

Attachments

Attachment 1: 2011 Certificate of Recognition & Budget Award

Report prepared by:

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

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 26, 2012

Item 5, Report No. 7, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on June 26, 2012.

5 **PARKS DEVELOPMENT RE-ORGANIZATION**

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Community Services and the Commissioner of Planning, dated June 18, 2012:

Recommendation

The Commissioner of Community Services and the Commissioner of Planning in consultation with the City Manager recommend:

1) That the "Review of Parks Development" report, dated May 2012, by Ms. Mary L. Baetz of Western Management Consultants be received; and,

2) That the recommendation and staffing outlined in the report be approved:

   a. The Parks Development Department remain within the Community Services Commission with the dotted line relationship with the Commissioner of Planning,

   b. That the recommended Landscape Architect position (contract) that will increase the Department's ability to provide input and support on a timely basis to Development Planning, be referred to the 2013 budget deliberations,

   c. That the position role and responsibilities of an existing Construction Coordinator be expanded to help manage the unit on a day-to-day basis.

Contribution to Sustainability

This report is consistent with the priorities previously set by Council in the Green Directions, Vaughan, Community Sustainability Environmental Master Plan, Goal 6, Objective 6.1:

- To fully support the implementation of Green Directions at all levels of City operations.

Economic Impact

The Director position is included in the base budget. The Landscape Architect position would cost $92,000 will be included in the 2013 budget deliberations. To upgrade the existing Coordinator position to a Supervisor would cost $10,000 and this will be absorbed in the current budget due to gapping of the Director's position and will be added in the 2013 budget. The total impact of the recommendations if approved is $102,000 to the Parks Development operating budget.

Communications Plan

Once the recommendations have been approved, all staff will be notified.

Purpose

To seek Council approval for the recommendation and staffing scenario for Parks Development as outlined the "Review of Parks Development" report, dated May 2012, Western Management Consultants.

Background - Analysis and Options

Council at their meeting of November 29, 2011 approved Item 1, Report 8, of the Special Priorities and Key Initiatives Committee with the following amendment:

"That a future report be provided on the reporting structure for those operational units providing overlapping services identified in Western Management Consultants report such as boulevard maintenance, waste collection and parks development."

The Parks Development Department is a 10 person unit headed by a Director (as of the date of this report, the position is vacant.) The Parks Development Department designs and co-ordinates and oversees the construction of new parks and open spaces as well as the renovation of existing parks. Much of the work of Parks Development involves participation on cross-departmental projects with two other departments, the Parks and Forestry Operations Department (which also reports to the Commissioner of Community Services) and to a lesser degree the Development Planning Department (which reports to the Commissioner of Planning).

There is no consensus within Vaughan's peer group of municipalities, about the "proper" location of Parks Development Departments in their corporate structures. In some cities, Parks Development reports, as it does in Vaughan, to the equivalent of the Community Services Commission. In others, Parks Development reports to the Planning Commission or to Operations.

The Vaughan Official Plan 2010 Volume 1, Section 7.3 sets out the City's Parks and Open Spaces policies. These policies recognize a rising importance for creating park amenities in areas of urban intensification where "space for larger parks is no longer available."

The Parks Development Department has traditionally dealt with designing large parks in open spaces. The need for these skills will continue for new parks where land is still available near the outer limits of the City or to renovate or re-purpose existing parks. However, new skills and new ways of thinking will be required in order to deal with the complexities of developing parks within urban areas, such as the planned new downtown.

Options Considered by the Consultants

During the interviews, the following three options for the reporting relationship of the Parks Development Department were considered:

1. Move it to Planning: Fill the currently empty Director position and move Parks Department to Planning reporting to the Commissioner.

2. The Status Quo: Fill the currently empty Director position and keep Parks Development under Community Services reporting to the Commissioner

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3. Split the Department: Separate the Parks Development functions into “design” and “construction co-ordination.” Put the “design” function into Development Planning under a manager, that is, do not fill the Director level position. Put the “construction co-ordination” function into Parks and Forestry Operations under a manager reporting to the Director.

There is little evidence supporting option #1, a move of Parks Development to the Planning Commission. The status quo, Option #2, is not sufficient either. Option #3, splitting up the Department based on design and on construction co-ordination will not work.

However, the Parks Development Department does need to develop the capability and resources to deal with the consequences of urban intensification. It does need to better fulfill its input obligations to the Development Planning Department and participation in OMB hearings.

The recommend solution is a custom made for Vaughan solution which will meet the future urban intensification needs of the City while preserving the capabilities, efficiencies and effectiveness of the present model.

The Recommendation

The recommend solution is that the Parks Development Department be led by a Director who has a direct reporting relationship to the Commissioner of Community Services *and a dotted line reporting relationship with the Commissioner of Planning*.

The Parks Development Department would remain within the Community Services Commission and would remain located physically close to the Parks and Forestry Operation Department thereby facilitating an interconnected working relationship. The dotted line relationship with the Commissioner of Planning would help ensure collaboration across boundaries with the various planning departments. This reporting structure helps achieve better cross-departmental functioning as recommended in the Corporate Structure Review prepared by Western Management Consultants in November 2011.

Other Staffing Requirements

The new reporting relationship involves the Director attending management meetings of two departments each week. This is an additional workload, but one that is critical to the success of the structure. Given the increase in work required by intensification, the City should also add another landscape architect (on a contract basis) to increase the Department’s ability to provide input and support on a timely basis to Development Planning. Like the Director position, this person should have prior experience in an urban intensification environment.

In addition, consider upgrading one of the existing coordinator positions to a supervisor to help manage the unit day-to-day when the Director is attending Planning meetings and/or dealing with Planning issues.

Relationship to Vaughan Vision 2020/Strategic Plan

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

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- STRATEGIC GOAL:
  Service Excellence – Providing service excellence to citizens.
  Staff Excellence – Providing and organizational environment which fosters staff excellence.
  Management Excellence – Providing excellence in the management of our city.

- STRATEGIC OBJECTIVE:
  Pursue Excellence in Service Delivery – To deliver a high quality of services within approved service standards to all City stakeholders e.g. staff, citizens and businesses.
  Value and Encourage a Highly Motivated Workforce – To provide a positive and rewarding working environment for staff.
  Enhance Productivity, Cost Effectiveness and Innovation – to develop and implement innovative solutions and technological infrastructure, providing enhanced productivity and operational efficiency.

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

Regional Implications

None.

Conclusion

The Parks Development Department is intimately involved in and affected by the urban intensification underway in the City of Vaughan. As such, the Department needs new skills and ways of working collaboratively on cross-departmental projects. The recommended direct / dotted line reporting structure will help achieve those goals, in addition to achieving better cross-department functions. The attached report address the reporting relationship of the Parks Development Department and elaborates on the advantages of the recommendation.

Attachments

1. "Review of Parks Development" report, dated May 2012, by Ms. Mary L. Baetz, Western Management Consultants, 4 King Street West, Suite 400, Toronto, M5H 1B6.

Report Prepared By

Marlon Kallideen, Commissioner of Community Services, ext. 8501
John MacKenzie, Commissioner of Planning, ext. 8445

(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 JUNE 26, 2012

Item 6, Report No. 7, of the Finance and Administration Committee, which was adopted, as amended, by the Council of the City of Vaughan on June 26, 2012, as follows:

By receiving the following Communications:

C2. ***Mr. Duane E. Aubie, York Major Holdings Inc., 10,000 Dufferin Street, P.O. Box 403, Maple, L6A 1S3, dated June 18, 2012;***
C3. ***Mr. Ryan Mino-Leahan, KLM Planning Partners Inc., 64 Jardin Drive, Unit 1B, Concord, L4K 3P3, dated June 18, 2012; and***
C22. ***Mr. Marco Filice, Liberty Development, 1 Steelcase Road, Unit 8, Markham, L3R 0T3, dated June 14, 2012.***

6 **CASH-IN-LIEU OF PARKLAND DEDICATION**
HIGH DENSITY RESIDENTIAL DEVELOPMENT

The Finance and Administration Committee recommends:

1) **That consideration of this matter be deferred to allow for proper industry consultation and that it be brought back in September 2012 with identified rates and appropriate phasing options, including looking at a retroactive formula to recover any loss;**

2) **That the presentation of the Director of Legal Services and the Senior Manager of Real Estate, and Communication C8, presentation material, be received;**

3) **That the report of the Commissioners of Legal and Administrative Services, Community Services, Finance, and Planning, dated June 18, 2012, be received;**

4) **That the following deputations and Communication be received:**

1. **Ms. Paula Tenuta, Building Industry and Land Development Association, 20 Upjohn Road, Suite 100, North York, M2B 2V9, and Communication C1, dated June 14, 2012;**
2. **Mr. Marco Filice, Liberty Developments, 1 Steelcase Road, Unit 8, Markham, L3R 0T3; and**
3. **Mr. John Taglieri, Lormel Homes, 331 Cityview Boulevard., Suite 300, Vaughan, L4H 3M3; and**

5) **That the following Communications be received:**

C2. **Mr. Scott Zavaros, The Metrontario Group, One Yorkdale Road, Suite 601, Toronto, M6A 3A1, dated June 15, 2012;**
C3. **Mr. Luch Ognibene, The Remington Group, 7501 Keele Street, Suite 100, Vaughan, L4K 1Y2, dated June 14, 2012;**
C4. **Mr. Aaron Hershoff, TACC Developments, 600 Applewood Crescent, Vaughan, L4K 4B4, dated June 14, 2012;**
C5. **Mr. Paulo Stellato, Cityzen Urban Lifestyle, 56 The Esplanade, Suite 308, Toronto, M5E 1A7, dated June 15, 2012;**
C6. **Mr. Nick Pileggi, Malone Given Parsons Ltd., 140 Renfrew Drive, Suite 201, Markham, L3R 6B3, dated June 15, 2012; and**
C7. **Mr. Maurizio Rogato, Solmar Development Corp., 122 Romina Drive, Concord, L4K 4Z7, dated June 15, 2012.**

Recommendation

The Commissioners of Legal and Administrative Services, Community Services, Finance, and Planning, recommend:

1. That a by-law be enacted to provide that the current formula of 1hectare/300 units for the determination of cash-in-lieu of parkland dedication continue to be used, and that on an average of medium density values, the unit rate for high density residential development shall be $8,500.00 per unit.

2. That Council provide direction regarding the preferred implementation option.

3. That the current formula for estimating parkland credits, being "area of parkland dedicated x 300 u/ha equals the number of units to be deducted from total units on which cash-in-lieu is payable" continue to be used.

4. AND That staff be directed to complete a review of appropriate parkland credits within the intensification areas being the Vaughan Metropolitan Centre and the Yonge/Steeles Secondary Plan area and report to a future Committee.

Contribution to Sustainability

Section 6.4 of the "Active Together Master Plan", recommends that the City develop a policy for dealing with higher density developments as it relates to Parks and Open Space. The plan supports a policy of Cash-in-lieu of park land as it accommodates the sustainable development of communities by encouraging denser development, encouraging alternative transportation and requiring reduced servicing.

Economic Impact

A higher per unit rate for high density residential development will result in increased cash-in-lieu revenue to the municipality. The higher rate would come into effect and be applied upon enactment of the by-law by Council on June 26, 2012.

Communications Plan

Council decision's will communicate to applicants through the development process. A copy of this report has been provided to BILD. Staff will be meeting with representatives from BILD on June 13, 2012, and will provide further comments to the June 18, 2012 Finance & Administration Committee.

Purpose

The purpose of this report is to provide information on policies, practices, and issues concerning the collection of cash-in-lieu of parkland dedication for high density development and to seek approval to increase the per unit rate for cash-in-lieu of parkland.

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Background

Cash-in-Lieu is the primary source of revenue

Cash-in-lieu is an important source of revenue for municipalities to establish a fund to ensure the provision of parkland appropriate to meet the needs of the residents. Cash-in-lieu is generally required to be paid by developers of land where the developer would have insufficient lands to be able to convey the land otherwise required to be conveyed as parkland under the legislation. Under the Planning Act, this is 5% of the area of land proposed for residential development, and 2% for commercial or industrial development. Alternatively, a rate of 1 hectare per 300 dwelling units may be utilized.

Council may require payment of cash-in-lieu, being the value of the lands otherwise required to be conveyed. Valuation is determined as of the day before the building permit is issued pursuant to Section 42.

Generally, municipalities apply 5% for low density residential and 1 ha/300 units or some reduced standard for high density residential development. For medium density development, both methods are being used by municipalities.

The Vaughan Official Plan 2010 will usher in a more urban form of development, and it is timely for staff to undertake a review of the City's cash-in-lieu policies. GSI Real Estate & Planning Advisors Inc. were retained to review current policies and practices and provide a comprehensive report regarding the City's Cash-in-lieu of Parkland Policies specifically for high density development and values.

The goal was to identify alternative methodologies used for cash-in-lieu calculations, and current trends in other municipalities. Emerging issues for high density development were reviewed and the development industry concerns are discussed in this report. The analysis led to proposed policies that will maximize revenue opportunities to protect the current parkland standard while staying competitive in encouraging appropriate development.

Legislative Framework Establishes Cash-in-Lieu Requirement

The Planning Act provides the authority for municipalities to require the dedication of parkland or a cash payment in lieu of parkland dedication as follows:

As a condition of development, redevelopment, draft plan approval, site plan, and severance, parkland or cash in lieu is required at a rate of 2% for industrial or commercial and 5% for residential of the land proposed to be developed, draft approved or severed.

Alternatively, parkland or cash in lieu may be required at a rate of up to 1 hectare per 300 dwelling units proposed

City of Vaughan Policy Contains Appropriate Authorizing Provisions

The City's current Official Plans and Vaughan Official Plan 2010 contain provisions authorizing the use of the alternative requirement of 1 ha/300 units for residential development above low density.

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In June 1991, Council authorized that for the purpose of estimating land that would be required to be conveyed on the basis of 1 hectare for 300 units, a fixed unit rate was to be applied for high density development. In 1994 this amount was set at $2,200 per unit, and Bylaw 211-2005 changed the rate to $4,100/unit.

This rate was based on an "average" low-density raw residential acreage value. It was similar in methodology and rates being used by other large GTA municipalities. The theory behind this rate per unit is that municipalities normally purchase low density residential land for park purposes and not land designated for high density.

Supply of Parkland May Fall Short of Current Target Service Level

The main objective of a cash-in-lieu policy is to ensure that there are sufficient revenues collected to acquire the parklands necessary to meet City standards.

Vaughan's current parkland dedication policies require the provision of new parkland for all residential development at the rate of 5% of the total gross land area for low density and 1 hectare of parkland per 300 dwelling units for medium and high density land.

The Active Together Master Plan provides an overview and long-term strategy to guide planning for parks, recreation, and other facilities. In terms of service levels, the City is providing 4.19 hectares of active and passive parks and open space for every 1,000 residents. Within this overall target, the objective is to achieve 2.5 hectare of active parkland per 1,000 residents. Vaughan's current ratio of active parkland is 2.85 hectares per 1,000 residents.

Under the existing Parkland criteria only lands classified as Regional District parks, neighborhood parks and public squares are eligible for dedication under the development process. Parks and public squares must be visible with prominent public street frontage and such parkland must be free of all encumbrances including utilities, easements, underground parking facilities or any buffer land adjacent to rail or hydro corridors.

In addition, current parkland supply includes woodlots, open space areas, and shared facilities. These areas are acquired through the development process, but not the parkland dedication process.

There are currently communities that do not meet the recommended standard of 2.5 ha/1000 of active parkland. Based on current population forecasts, the Active Together Master Plan estimated that additional active parkland will be needed by build out in 2031 to achieve the current standard. Active parkland at the current service level may be unattainable in light of high land costs. The Active Together Master Plan is currently under review.

High Density & Residential Intensification Areas

Under Provincial legislation (i.e. Place to Grow Act) Vaughan has been identified as a community that will be allocated significant new growth through new Greenfield development and intensification. In addition, the Provincial Policy Statement also requires all urban areas to establish intensification targets within all settlement areas. The objective is to produce a more compact urban form that encourages the efficient use of lands, mixed land uses, transit options, and reduced infrastructure. The result will be smaller lots, higher densities and more mixed use developments.

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Section 7.3.3.2 of Vaughan Official Plan 2010 requires the provision of new parkland for all new residential development at the rate of 5% or 1ha/300 units, or a combination thereof, whichever is greatest. Cash-in-lieu of parkland dedications or a combination of cash-in-lieu and parkland may be considered where such contributions may be more effective in achieving local parkland targets and the objectives of the Active Together Master Plan, such as intensification areas where parcels may be too small to result in an effective parkland dedication. Another section provides direction for considering alternative means of establishing parkland such as land purchases or partnership.

It is the policy of Council and the Vaughan Official Plan 2010 to consider the parkland objectives and targets of the Active Together Master Plan, in the application of parkland dedication requirements in the development process.

Cash-in-Lieu Methodologies

1. Fixed Unit Rate

   - A dollar cap per unit based on the market value of 1 ha of low or medium density residential development land, divided by 300 units.

2 (a) P.P.U. Model – Using Site Specific High Density Values

   - Area of the parkland requirement is calculated using a person-per-unit (PPU) multiplier applied to 1-bedroom and 2-bedroom units included in the proposed development. The value of the land used to calculate the ‘cash-in-lieu’ is based on the estimated market value of the specific development site (i.e. Markham model outside Markham Centre). This method generates a requirement which is less than 1 ha/300 units, for example 1.1214 ha/1000 population.

2 (b) P.P.U. Model – Using Less Than High-density Values

   - Area of the parkland requirement is calculated using a person-per-unit (PPU) multiplier applied to 1-bedroom and 2-bedroom units included in the proposed development. The value of the land used to calculate the ‘cash-in-lieu’ is based on the estimated Markham Centre values of medium to high density development land (i.e. Markham model inside Markham Centre).

3. Percentage of Land Values

   - Method uses a fixed percentage of the estimated Market Value of the specific High Density Development Site. (Toronto model – currently 10% of land value for majority of sites).

4. Fixed Percentage of Land

   - This method refers to the 5% of gross land area usually used for low density sites.

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Practices in GTA Municipalities

As the real estate market is relatively consistent in the GTA suburbs, particularly Brampton, Richmond Hill and Markham, the practices of those municipalities were surveyed and are summarized in the following chart.

#	Municipality	Method for Calculating the CIL Charge	Rate per Unit (Suite)	Credit for on-site Parkland
1	Vaughan	**FIXED RATE:** Market Value of medium density land divided by 300 units.	$8,500.00 *(proposed)*	Yes *(conveyance only)*
2	Markham	Market Value of the high density site based on 1.2141 ha. per 1,000 population.	Typically equates to $4,900 to $7,800 per unit	Yes
3	Richmond Hill	**FIXED RATE:** Recently passed a fixed rate charge. Previous rate was based on 5% of the market value of the site.	$10,000	Yes *(conveyance only)*
4	Mississauga	**FIXED RATE:** Market Value of medium density land divided by 300 units.	$7,800	Yes *(not significant given small site size)*
5	Toronto	10% to 20% of the Market Value of the high density site	$5,000 to $10,000	No
6	Brampton	**FIXED RATE:** Market Value of low density land divided by 300 units.	$3,300 *(is reviewing CIL)*	Yes *(conveyance only)*

Markham applies a pre-set land value to development occurring in Markham Centre. This value reflects the market value of all lands in Markham Centre. Mississauga rates are based on medium density land values.

Toronto's cash-in-lieu charge is equal to 10% - 20% of the market value of the development site depending on the size of the site (smaller site = 10%, larger site = 20%). Given the typical size of a development site in the City, most are charged 10%.

Rates

As illustrated, most municipalities collect cash-in-lieu based on either a "fixed rate per unit" or on the basis of a "percentage of market value of the development site". These methods recognize that collecting cash-in-lieu based on the market value of 1 hectare of high density land is cost prohibitive to development given current development densities, declining P.P.U. rates and unit sizes.

In 2009, Toronto and Richmond Hill considered changing cash-in-lieu using the 1 ha/300 units formula based on high density land value. In 2011, Richmond Hill passed an interim by-law for 1 year, pending review, charging $10,000 per unit.

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Vaughan and Brampton collect the fixed rate charge based on the market value of low density land while Mississauga bases the rate on medium density land. This recognizes that parkland is usually acquired in low and medium density areas. Markham uses a formula that considers the population using persons per unit (ppu) multiplier.

Brampton, Richmond Hill and Markham are reviewing their cash-in-lieu policies. Within the GTA, real estate values tend to be higher in Mississauga and as such, the $7,800/unit should represent the highest rate. However, the $10,000/unit in Richmond Hill may set a new standard. It is noted that the $10,000/unit was set without using a specific method, and appears to represent an estimate based on medium density values.

Credits

Most municipalities do not have a written policy regarding the methodology for determining the value of on-site parkland to be conveyed.

Except for Toronto, municipalities provide credits for on-site parkland to offset the cash-in-lieu amount. Municipalities, except for Markham, require that on-site parkland be conveyed to the municipality. To date, only Markham accepts parkland under strata-title which is evaluated on a case-to-case basis. Markham also provides credits for on-site parkland improvements. However, over-improving on-site parkland increases the value and overall appeal of the units thereby resulting in a benefit to the developer and less cash contribution. Such credits impact the overall net cash-in-lieu amounts.

Concern has been expressed by the development industry that large sites can accommodate some parkland (10% - 20%) while smaller sites cannot due to size constraints. The issue is that the larger sites are not losing development density as the density is simply transferred to the remaining site and yet the parkland area offsets the cash contribution.

The Vaughan Official Plan 2010 provides for parkland dedication credits through the development process for Regional, District, and Neighbourhood parks and public squares. Within the Intensification areas, neighbourhood parks and public squares may be smaller and accommodate less intensive uses.

The formula used by Vaughan is “area of parkland multiplied by 300 (ha x 300) equals number of units” to be used as a credit. Richmond Hill is using the same formula.

There are four (4) methods for determining the value of credits for the conveyance of on-site parkland.

Richmond Hill – In a recent situation, the land area was converted back to a unit equivalent using the 1 ha/300 unit formula and subtracted it from total number of units. This method is similar to the City’s method. Richmond Hill is using this method on an interim basis and intends to review other methods.

Vaughan – The area of the on-site parkland to be conveyed is multiplied by a development density of 300 units per 1 hectare, and the resulting yield (i.e. number of units) is deducted from the total units.

Mississauga – The area of the on-site parkland to be conveyed is multiplied by the development density of the specific development (as proposed; say 500 units over 1 hectare based on recent developments), and the resulting yield (i.e. number of units) is multiplied by the fixed rate charge for cash-in-lieu of parkland.

Markham – Markham is the only municipality surveyed that provides credit for on-site parkland without the requirement that the land be conveyed to the municipality. The methodology for determining the credit for on-site parkland begins with a calculation of the gross area of parkland required from the proposed development (based on 1.2141 hectares per 1,000 people) and then deducts the area of the on-site parkland (including strata-title area). The cash-in-lieu of parkland charge is then based on the market value of the "net" parkland requirement as determined by an appraiser or pre-set value). Markham's methodology often results in the highest credit for on-site parkland relative to other GTA-based municipalities.

City of Toronto – Toronto does not provide a credit for on-site parkland. Given the small size of the vast majority of high density development sites in Toronto, there is extremely limited opportunity to provide on-site parkland.

Values

a) High Density Land

The City's appraiser reviewed high density land sales that occurred in the 2007 to 2011 period in the GTA suburban market. The analysis included the anticipated development density on the basis of the FSI and units per hectare (UPH). Wherever possible, the anticipated development reflected the proposed development or alternatively density within the area.

Based on this data, the estimates are:

- The current market value of high density development land is within the range of approximately $8,000,000 to $13,000,000 per hectare or $3,500,000 to $5,500,000 per acre. (Density of 3.5 x to 5.0 x FSI).

- On a per unit basis, the current market value of high density residential development land is approximately $25,000 per unit.

- On a per square foot (PSF) of buildable gross floor area (GFA) basis the current market value of high density residential development land is approximately $25.00 PSF.

- Recent development proposals suggest an average development density of 450 units per hectare (UPH), which is 50% higher than the 300 UPH envisioned under Section 51.1(2) of the Planning Act. Based on our review of several recent development proposals, development densities can reach as high as 600 UPH (100% higher than the 300 UPH envisioned in the Planning Act). We anticipate similar development densities for Vaughan Metropolitan Centre.

The market value of vacant high density development land is typically set through a "land residual" approach to value, whereby a developer will estimate the gross revenue generated through the sale of finished units, and deduct from this amount the costs associated with development and required profit; the remaining balance represents the land residual value or purchase price for the site. According to the land residual approach, an increase in municipal fees (including an increase in the payment for cash-in-lieu of parkland) will result in a lower land value. Typically, an increase in overall market inflation tends to offset the negative impact that additional municipal fees have on the value of development land.

b) Low Density Residential

The City retained an appraisal firm who completed an appraisal report estimating the value for low density residential land in the fall of 2011. In addition to raw land sales, a notional subdivision approach to value was included using a density of 7 lots per net acre which is slightly higher than typical 35 – 40 foot frontage lot in subdivisions. Lot values were estimated and deductions made for time between servicing and receipt of cash, hard services, all levies, development engineering, overhead, planning costs, etc. and profit.

The net value per acre produced by a range of lot prices was then used to arrive at an average per acre value. The median per acre value based on an average lot of 40 foot frontage is $885,000 per acre. This value assumes the City would acquire unserviced land. An infill site or high efficiency site can sell for more.

Based on the City's existing cash-in-lieu formula, the calculation is as follows:

Price per acre $885,000 x 2.471	= $2,187,000 ha (rounded)
Number of units per ha	= 300
Average charge per unit	= $7,300 (rounded) Based on low density residential

In summary, if Vaughan continues to use the existing formula based on low density residential values, then this value estimate sets the lowest per unit rate applicable at $7,300.

Issues and Analysis

Cash-in-lieu Increase Must Be Balanced To Achieve Intensification Objectives

Under Section 42 of the Planning Act, the conveyance of parkland in high density areas at the 1ha/300 unit formula creates issues that need to be addressed.

Due to increasing development densities and escalating land values combined with the inability to provide on-site parkland as a result of the small size of most high-density development sites, the alternative of paying cash-in-lieu of parkland must be realistic to achieve the objective of intensification areas. Some of the issues are summarized below:

Industry concerns - Establishing a Reasonable Basis for Land Area and Values

Concerns

The Planning Act requires land to be conveyed for park purposes at a rate of 1 ha/300 unit or at such lesser rate as may be specified.

The development industry is concerned that the application of the 1ha/300 units alternative at the maximum rate for calculating the parkland dedication results in a significant area and/or financial burden on high rise developments, potentially creating project delays or appeals to conditions of approval.

Historically the 1 ha/300 units alternative was introduced into the Planning Act in the 1970's in recognition of development trends towards reduced single-family lot frontages and increased densities i.e. townhouses. The land area generated at 5% would not be sufficient for the increase in population. Whereas 5% of the area of a plan yields a larger parkland dedication in a subdivision of low density single-family homes, the alternate calculation method of 1 ha/300 units (or 300 uph) yields a larger dedication for developments with densities greater than 15 units/1 ha.

This use of this formula produces a significant amount of parkland dedication requirement. For example in Yonge-Steeles area, a 2.28 hectare parcel assuming development at 3.5 times density would require parkland dedication of about 2.04 hectares; a 7.3 hectare parcel at 3.5 times density would require 3.85 hectare parkland dedication. The land required to satisfy the parkland dedication can be so substantial that it effectively prohibits such development.

In today's market, developments can reach densities of 500 – 600 units per hectare rather than the 300 units per hectare envisioned in the Planning Act. Theoretically, at 600 units per hectare the density can result in a parkland dedication requirement equivalent to twice the size of the land for the proposed development. This is the industry basis for the position that a lower land requirement should be used.

The industry is also concerned that "the value of the land" will be interpreted as the value of "high density land".

The development industry takes the position that to use high density land values in the calculation could result in a cash-in-lieu payment so excessive that it might strain a project's financial feasibility and act as a disincentive to high density development.

Response

GTA municipalities have recognized that charging cash-in-lieu based on 1 ha of high density value per 300 units may be cost prohibitive to development, and therefore have used low/medium density values or have reduced the land requirement.

In estimating the value of land for the purposes of establishing a rate, comparisons need to be made regarding low density, medium density or high density land values.

In the past, municipalities such as Mississauga, Brampton and Vaughan have used a rate per unit based on low-medium density residential acreage rates, and Richmond Hill used an escalating/density calculation. The trend is now towards using average medium density values to calculate a unit rate.

Financial Framework for Development Industry

Concern

The financial industry requires that the majority of units be pre-sold prior to obtaining overall project financing. In order to determine the unit selling price, a pro-forma is completed which outlines land costs, construction costs, financing costs, development charges, parkland charges and a series of other components which equal total costs to create the product. A reasonable return on the capital outlay is also forecasted. Although recent sales have been active, it may take one year to achieve sufficient pre-sales to satisfy criteria and an additional 18 months for construction plus one year for registration of the condominium plan.

The development industry bears any risks that costs may escalate for construction after the pre-sales. For the developer, this includes uncertainty related to unexpected increases in cash-in-lieu or development charges.

In summary, the development industry position is that significant increases in the City's cash-in-lieu of parkland dedication will adversely affect development.

Response

From a public perspective, however, the City and the Region have invested significant resources in infrastructure upgrading including transit systems in order to accommodate intensification, and the future residents will require the parkland level of service to be delivered.

Further, municipalities have implemented reasonable rates to encourage high density development.

Market's Ability to Absorb

Concern

The development industry believes that land acquired prior to an unanticipated increase may not have the time for the increase to be absorbed by the market. An absence of significant inflation in the retail price of the units could undermine the financial viability of a project.

Response

According to valuation theory, an increase in fees will result in a lower land value; however, overall inflation tends to offset this negative impact. While the development industry may argue this issue, there is room for the market to absorb the increase, and there is no need to grandfather any developments. In fact Vaughan's current rate has been absorbed into the market. Market trends are changing and an increase can be absorbed.

A rate of $7,300/u calculated on the basis of the average low density residential land sets the low end of a justifiable range for the unit rate.

Further, municipalities acknowledge that any increase that reflects the value of high density land (i.e. $3M/ac = $24,710/u or $7,413,000/ha divided by 300) may not be absorbed into the land market.

Person Per Unit Ratio

Concern

Some members of the development industry believe that the PPU formula accounts for current development trends, including declining person-per-unit ratio, smaller suite size and increasing development densities.

Response

Markham uses this formula which is based on the market value of 1.2141 ha (3 ac) of parkland per 1,000 residents generated from the development. The population yield is calculated using PPU multipliers referenced in their Development Charge Background Study. Then, the total population count is divided by 1,000 persons and multiplied by 1.2141 ha to arrive at the parkland dedication area. This area is then multiplied by the value of the site. Further, the area of the parkland requirement is reduced for on-site parkland, strata-title parkland and off-site parkland conveyance is permitted, thereby effectively reducing the per unit rate.

In Markham Centre the same formula is applied to calculate cash-in-lieu requirements except that a pre-set land value (presently $1.5/ac) is used rather than a site specific value. The pre-set value is reviewed annually and includes a mix of medium and high density land values. The pre-set value is significantly lower than the value of high density development land located outside Markham Centre ($3M/ac to $4M/ac). Thus, high density development along Yonge Street will pay a higher amount than development within Markham Centre.

If Vaughan used the same formula with an average medium/high density value and the City's current PPU then the per unit rate is between $9,500 to $10,000 and higher than Markham. This method has numerous variables which may affect the outcome.

Credits

Concern

The development industry expects credits for parkland to be applied against cash-in-lieu payments.

As previously noted, only Toronto does not give credits for on-site parkland. Historically, the development industry has been given credits for parkland dedication. Richmond Hill and Vaughan use a similar method based on 1 ha/300 units. Mississauga applies the specific site density to arrive at a unit yield and a higher credit.

Markham accepts parkland under strata-title at 100% of the fee simple value when calculating credits for on-site parkland. And in estimating credits, the on-site parkland area is deducted from the gross parkland requirement thereby yielding the highest credit.

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Response

Larger developments can usually provide 5% to 10% of the site area for parkland whereas smaller ones cannot. Offering credits to offset cash-in-lieu requirements benefits the developer as the site does not lose development density. Most municipalities except Markham credits upon conveyance of fee simple interest only. However, based on existing municipal practices Vaughan should continue using the current method of estimating parkland credits, being “area x 300u/ha equals number of units to be deducted from total units as a credit.” It is also noted that strata title issues and parkland credits in intensification areas will require further review.

Commercial Component

Concern

Higher density development sites often incorporate a commercial component which are generally accessible to the public.

Most developers are of the opinion that the commercial value is incorporated in the market value of the high density land rate. Therefore, this area should not be subject to an additional 2% charge for commercial.

Response

Separate pricing in the value of the land is rarely specified for the commercial area given that a blended price per buildable area is the most common measurement of value and the commercial may not be a significant component of value.

As provided for in the Planning Act, this area may be subject to 2% cash-in-lieu payment. Vaughan has applied a 2%calculation for the commercial component on a smaller mixed use developments such as live work units. Other municipalities consider this component as part of the overall rate, however it is under review.

The commercial area cannot be marketed as a separate entity on the open market. Therefore, a suitable method of valuation would be comparison with free-standing development and adjusting for shared/reduced parking, exposure, use restrictions, zoning, size, etc. Typically, coverage ratios of 25 – 30% recognize these factors.

On high density development, staff agree with the development industry and consider the commercial component to be part of the overall development provided it is a small component.

Analysis of Alternatives

Municipalities use slightly different methodologies when calculating the cash-in-lieu of parkland requirement and credits for on-site parkland. Alternative formulas and corresponding rates for cash-in-lieu calculations based on market data and land values specific to the City of Vaughan were done as part of the City’s background research. In order to provide a comparison between the formulas, estimates for cash-in-lieu payments were predicted upon a high density development of 1,100 units over 2 ha (550 uph, 4.6 FSI) with 0.2 ha of on-site parkland to be conveyed. Except for Toronto, and Brampton, the applicable rates were within a range of $7,300 to $10,000/u.

Most of the municipalities are increasing rates by using medium density values or a combination rather than strictly low density values. In Vaughan, the low and medium density rates are as follows:

#	Alternative	Gross Unit Levy
1	Value of 1 ha. of low density land per 300 units with Vaughan's current formula for determining credits for on-site parkland	$7,300
2	Value of 1 ha. of medium density land per 300 units, at the high end of the range, with Vaughan's current formula for determining credits for on-site parkland	$10,000.00
3 Recommended	Value of 1ha of medium density land per 300 units, at the median of the value range, with Vaughan's current formula for determining credits for on-site parkland	$8,500.00

Alternative #1 formula reflects the current methodology used in Vaughan to determine the fixed rate. It is based on the current average market value of low density residential land. On-site parkland provides credit, but usually serves the residents of the development and often increases the value of the units.

Alternative #2 mirrors the Mississauga and Brampton model, of using average medium density land values. Medium density land in Vaughan was estimated at about $1.2M/ac or $3M/ha.

The analysis justifies a range of $7,300/u based on low density residential value to $10,000/u for high end of medium density values.

While the Town of Richmond Hill has passed a fixed rate of $10,000 per unit, appeals are underway, which may compromise the rate on a go forward basis.

Staff recommend Alternative #3 at a fixed rate of $8,500 per unit for cash-in-lieu of parkland for high density development. This fixed rate is based on the market value of over $2,500,000/ha for an average of medium density land at a ratio of 1 hectare per 300 units as permitted under the Planning Act. Based on the analysis, this value at over $2,500,000/ha ($1M/ac) reflects the median of the market value range.

Staff also recommend that the current method of estimating parkland credits, being "area x 300 u/ha equals number of units to be deducted from total units as a credit" continue to be used in the formula.

Given the escalation in the market value of high density residential units over the 2005 to 2012 period and the rates successfully collected by other municipalities, applying the rate of $8,500 per unit is reasonable and justified relative to the marketplace.

Relationship to Vaughan Vision 2020/Strategic Plan

This report is consistent with the priorities previously set by Council in the Green Directions Vaughan, community Sustainability Environmental Master Park Plan.

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- Goal 2, Objective 2.2: To develop Vaughan as a City with maximum green space and an urban form that supports our expected population growth.

Regional Implications

None

Conclusion

Staff are continuing to do further review on strata title arrangements and appropriate parkland credits, particularly for the VMC and Yonge/Steeles Secondary Plan Areas. Staff have reviewed the methodologies available and the practices of surrounding municipalities. Staff have also undertaken consultation with the development industry to identify concerns and clarify the City's methodology and values. Staff have looked at concerns regarding the performance of a high density residential market; slower economic growth and overall economic uncertainty. Municipalities have applied alternative methodologies that produce realistic and attainable rates.

Based on the analysis in the report staff recommend that the current formula of 1 ha/300 units continue to be used and that on an average of medium density values, the unit rate for high density residential development be $8,500.00 per unit.

Based on the above, there are options for implementation:

1. Implementation to be effective July 1, 2012 at the rate of $8,500/unit.

2. Implementation of the $4,100/unit increase be phased as follows:

    - July 1, 2012, increase by $1,000/unit

    - September 1, 2012. increase by $1,700/unit

    - November 1, 2012, increase by $1,700/unit

3. Implementation to be effective September 1, 2012 at the rate of $8,500/unit.

Attachments

None

Report prepared by:

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Heather Wilson

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 26, 2012

Item 7, Report No. 7, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on June 26, 2012.

7 ENDING DECEMBER 31, 2011 – CONSOLIDATED QUARTERLY REPORT

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer, the Director of Budgeting and Financial Planning, and the Director of Financial Services, dated June 18, 2012:

Recommendation

The Commissioner of Finance & City Treasurer, the Director of Budgeting and Financial Planning, and the Director of Financial Services recommend:

That the 2011 Consolidated Fourth Quarter Variance Report be received.

Economic Impact

Not applicable

Communication Plan

Not applicable

Purpose

To report on 2011 actual year-end results, as at December 31, 2011, and compare them to the approved annual budgets. There is no economic impact as budgets and projects have been previously approved by Council. This information is intended for reporting and monitoring purposes only.

Background – Analysis and Options

The attached year end variance report compares actual operating and capital results for the period ending December 31, 2011, relative to approved budgets. The actual balances 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. However, it should be noted, the full amortization of tangible capital assets and post retirement employee benefits are excluded and presented differently from the City's financial statements.

Fourth Quarter Overview

On a go forward basis, quarterly results for City operations, Water and Wastewater operations, and capital will be presented together in a single report. This action is intended to provide stakeholders with a more fulsome and complete view of the City's financial results. The item will provide a brief executive summary followed by summaries for city operations, water and waste water operations, and capital. Additional detail will be provided as attachments.

Ahead of Budget

Overall, the City's financial performance is favourable. As illustrated in the below table #1 the City has come in under budget in all three areas. It is important to note, the City takes financial stewardship very seriously and has implemented policies and actions to best use surplus funds. These actions consist of:

- Applying a portion of surplus funds to the following budget year to reduce pressure on the tax rate
- Allocating funds to infrastructure reserves to sustain the community's network
- Transferring remaining surplus funds to working capital and tax rate stabilization reserves to help mitigate future tax implications due to unanticipated events, as per City policy.
- Returning unused capital funds to their original source for future community projects

Table #1 summarizes and illustrates the City's financial results, which is followed by brief summary for each area.

Table 1 - Summary of the City's 2011 Financial Results

Operations

(In millions)

	City	*Water*	*Wastewater/ Storm*	*Total*
Revenue				
Budget	216.5	42.1	43.3	301.9
Actual	218.6	42.0	43.4	304.0
Variance	2.1	(0.1)	0.1	2.1
%	0.96%	-0.32%	0.26%	0.68%
Expenditure				
Budget	216.5	42.1	43.3	301.9
Actual	214.0	39.9	42.4	296.3
Variance	2.5	2.2	0.9	5.7
%	1.16%	5.29%	2.18%	1.88%
Net favourable variance	4.6	2.1	1.1	7.8
%	2.13%	4.97%	2.43%	2.57%
Add'l Resv. Contributions	2.1	2.1	1.1	5.3
Surplus/ (Deficit)	2.5	0.0	0.0	2.5

Note: *Surplus is carried forward and applied the 2012 budget to reduce tax rate pressures.*

Capital

(In millions)

	2011 Budget Projects		*Prior Budget Projects*		*Total*
	Closed	*Active*	*Closed*	*Active*	
Available Budget	0.4	81.3	15.7	128.9	226.2
Actual Spend	0.3	25.8	7.1	39.5	72.7
Variance/Unspent	0.1	55.5	8.6	89.3	153.6
%	27%	68%	55%	69%	68%

Note: *A) Above available budget balance includes in-year budget amendments*
B) Capital project timing can span multiple years. The above chart aims to illustrated this occurrence and presents activity related to prior budgets separately..

City Operating Budget Results

At the end of the fourth quarter, the favourable variance, before any carry forward or surplus transfers was $4.6m representing a 2.1% variance on the City's 2011 Annual Operating Budget of $216.5m. This favourable variance is comprised of revenues exceeding the budget by $2.1m and expenses below budget by a favourable $2.5m variance. Of the $4.6m favourable position $2.5m was carried forward to reduce the 2012 levy requirements and the remaining portion, per policy, was equally transferred to the general working capital ($1.05m) and tax rate stabilization reserves ($1.05m).

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

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

City Revenue Variance Overview
Actual revenues were $218.6m as of December 31, 2011, and represent a $2.1m favourable variance, up $763k from third quarter, when compared to the revenue budget of $216.5m. This variance stems from the following items:

- ***Supplemental Taxation*** - Roughly 95% of the favourable variance, approximately $3.2m, was related to supplemental taxation revenue. In 2009 concerns were expressed to MPAC regarding the importance of capturing assessment growth promptly on the annual assessment roll, which has resulted in increased supplementary tax revenues since 2009 and a much larger than expected supplementary roll in 2011 and corresponding variance. Without this variance the overall City position would have been $1.4m favourable which would not be sufficient to support the planned 2012 $2.5m carry forward. Moving forward, it would be a best practice to reduce dependence on carry forward balances.

- ***Corporate Revenue*** **-** There was a favourable variance of $2.9m ($2.1m in third quarter) in corporate revenues mostly attributable to higher than expected Hydro Dividend Income of $1.5m. This trend is expected to continue and is reflected in the 2012-14 Operating Budget. Another large variance was in investment income which was higher than anticipated by $844k. For the 2012-14 Budget, investment income was conservatively increased by $750k. Also, similar to the last two quarters, there was a favourable variance of $444k for one time Provincial Offences Act revenue. The remainder were minor variances in Fines & Penalties, Tax Certificates etc.

- ***Fees & Service Charges*** - In addition, there was a $1.6m favourable variance, $890k higher than in the third quarter, in user fees due to higher than anticipated revenues in Recreation, Development Planning, and Fire & Rescue, offset by lower than anticipated revenues in Building Standards, Development Transportation Engineering and Enforcement departments. A further analysis can be found under each department's variance explanation.

- ***Reserves & Other Transfers*** **-** The above combined favourable variances were partially offset by a $5.7M variance in Reserves and Other Transfers (up from the $2.8m variance reported in the third quarter), which consisted of:

    - $2.8m variance in tax rate stabilization reserve funding, which was planned but not necessary due to the City's overall favourable position.

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- $2.6m variance in debenture reserve funding. Instead, both the transfer from reserves (revenue) and actual long term debt expense were netted against the long-term debt corporate expenditure account. Corporately this has a neutral affect despite the illustration of revenue and expenditure variances. For 2012-14 Budgets, there is no transfer from debenture reserve (revenue) budget as it will be netted against long term debt expense to simplify the transaction.

- A combined $1.0m variance for less than required reserve transfer funding for Engineering, Roads, Building Standards, Fleet Management, and DC Management Studies as a result of related favourable departmental variances. These reserves are calculated annually and were adjusted in 2012-14 Budgets.

- Unfavourable variances were offset by a combined by-election and municipal election reserve transfers of $341k for unplanned costs related to tabulator leases and elections coordinator and by-election. Also, reserve transfer was higher than expected by $352k in the capital administration recovery revenues stemming from the timing of capital project spending. The Finance from Capital reserve transfers were increased slightly by $150k in the 2012-14 Budget.

- The remainder of the variance was a result of other minor variances in Water and Wastewater Recovery, Insurance Reserve and CIL Recreation Land Reserve.

City Expenditure Variance Overview
Actual total expenditures were $214m as of December 31, 2011, and represent a $2.5m favourable variance to the expenditure budget of $216.5m. This variance was up $1.4m from third quarter results. The expenditure variance stems from the following items:

- ***Department Expenses*** - The largest component driving the City's favourable expenditure was a favourable position in total department expenses, approximately $3.2m. Variances can be found throughout most departments. Below are some highlights of major variances for the City:

  - The majority of the above noted department variances were attributed to savings in salaries and benefits, approximately $5.3m ($5.5m in third quarter) due to vacancies and delays in hiring staff. This variance was anticipated and planned for corporately at $3.0m in anticipated labour savings. The 2012-14 Budget was increased by $1.0m to reflect current trend.

  - The above favourable variances were offset by a $2.0m unfavourable insurance premium position. This was anticipated and due to overall increase in the cost of insured liability claims experienced by Ontario municipalities (e.g. $1.4m in third quarter). On April 17th, 2012 Council adopted a change in insurance practice by moving from traditional insurance premiums to a reciprocal membership arrangement with OMEX. The 2012-14 Budget reflected increases based on historical trends and any savings will be transferred to the Insurance Reserve Account. The impact of this decision is expected to affect the 2013-16 Budgets.

  - The remainder of the variance was in various accounts such as general maintenance, materials, YRT, contracts, utilities etc.

- ***Corporate Expenses*** - The above favourable variances were offset by a combined unfavourable variance of $3.7m in corporate expenditures mainly as a result of anticipated labour savings of $3.0m. Please note that incorporating the above department favourable variance of $5.3m, the net result is a favourable $2.3m savings in labour costs. There was an unfavourable variance of $606k for tax adjustments due to recent decisions from the Assessment Review Board that were processed before the 2011 year end.

- ***Long-term Debt & Contingency*** - These unfavourable variances were offset by long term debt variance of $2.6m which completely offsets the debenture reserve transfer variance. Lastly, there was a $357k favourable in contingency due to projects not materializing or project funding not required.

Variance Summary:

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

City of Vaughan
2011 OPERATING BUDGET
FOURTH QUARTER VARIANCE REPORT

		Variance in $mil (rounded)	
Revenues			
Supplemental Taxation		**3.2**	
Reserves and Other Transfers			
Finance - From Capital	0.4		
Election costs	0.3		
Engineering Reserve	(0.3)		
Building Standard Continuity Reserve	(0.4)		
Debenture Payment Reserve	(2.6)		
Tax Rate Stablization Reserve	(2.8)		
Other	(0.3)	**(5.7)**	
Fees & Service Charges			
Development Planning	1.2		
Recreation	0.6		
Fire & Rescue Services	0.3		
Building Standards	(0.4)		
Other	(0.1)	**1.6**	
Corporate Revenue			
Hydro Dividends	1.5		
Investment Income	0.8		
Provinical Offenses Act	0.4		
Other	0.2	**2.9**	
Total Revenues			**2.1**
Expenditures			
Departmental Expenses			
Public Works	1.1		
Building Standards	0.7		
Engineering Services	0.6		
ITM	0.5		
Enforcement Services	0.5		
Fire & Rescue Services	0.4		
Dev. & Trans Engineering	0.4		
Recreation	(0.8)		
Buildings & Facilities	(1.0)		
City Clerk - Insurance	(2.0)		
Other-(various departments under $250K var.)	2.8	**3.2**	
Corporate Expenditures			
Major OMB Hearings	0.2		
Election	(0.3)		
Tax Adjustments	(0.6)		
Anticipated Labour Savings	(3.0)	**(3.7)**	
Long Term Debt		**2.6**	
Contigency		**0.4**	
Total Expenditures			**2.5**
Net Variance			**4.6**
Less:			
Carryforward to 2012			**2.5**
Transfer to			
Tax Rate Stabilization Reserve			**1.05**
General Working Capital Reserve			**1.05**
Surplus/Deficit			-

Water and Wastewater/Storm Operating Budget Results

At the end of the fourth quarter, the favourable variance for water operations was $2.1m and the favourable variance for wastewater/storm operations was $1.1m. Following are the financial operating results and analysis for both the water and wastewater/storm operations from January 2011 to December 2011. The variance analysis is a comparison of the annual budget to the actual annual results.

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

Water Operations

Year-to-date (YTD) actual water revenues for the period ending December 31, 2011 came in slightly under budget by $13K. This is attributed by a favorable increase in commercial billings of $581 and other water revenue at $46K offset by unfavourable residential billing revenue at $640K. The unfavourable residential billings were due to lower than expected growth levels combined with lower average household consumption. Residential consumption of water continues to decline, as a result of conservation efforts and to some extent by seasonal factors. Although commercial growth activity is lower than budget, commercial average water consumption remains steady at 2010 levels.

The Gross Margin indicates the net funding available to the City after the Region of York has been paid for the water supply. The favourable gross margin variance of $1.2M is a result of favourable water purchases reflecting a lower annual consumption resulting in a small favourable variance of $115k, a favourable unmetered (non-revenue) water consumption variance of $113K and a Regional prior year billing adjustment of $1.0m.

Other revenues consist primarily of installation and service fees and are unfavourable by $123K, actual activity is based on demand. Water expenses are favourable by $991K which is the result of favourable maintenance and installations expenditures of $736K and favourable general administration of $257K. The favourable variances are largely the result of temporary vacancies, fewer customer service requests and lower than expected activity levels in contracted works.

The 2011 actual year to date net water operations is favourable by a net of $2.1m as a result of a higher gross margin level and less than expected annual expenses. As a result $6.1M in funding will be transferred into the water reserve for the future renewal of the water infrastructure system, 2.1m more than the budgeted transfer.

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City of Vaughan
Statement of Operations
Water Division
For the period ending December 31, 2011

	2011 Budget	2011 Actual	Variance Fav. / (Unfav.)
Water Revenues			
Residential Billings	25,073,925	24,434,517	(639,408)
Commercial Billings	15,496,335	16,077,400	581,065
Other	223,110	268,887	45,777
	$40,793,370	**$40,780,804**	**($12,566)**
Water Purchases			
Metered Water Purchases	24,945,810	24,830,529	115,281
Unmetered Water	3,727,085	3,614,481	112,604
Regional Billing Adjustment	0	(1,009,580)	1,009,580
	$28,672,895	**$27,435,430**	**$1,237,465**
Gross Margin	**$12,120,475**	**$13,345,374**	**$1,224,899**
Other Revenues	**$1,295,000**	**$1,171,896**	**($123,104)**
Expenses			
Maintenance and Installation	5,545,950	4,810,090	735,860
General Administration	3,146,075	2,889,388	256,687
Joint Service Costs	731,580	733,455	(1,875)
	$9,423,605	**$8,432,933**	**$990,672**
Net Water Operations	**$3,991,870**	**$6,084,337**	**$2,092,467**
Budgeted Lifecycle Contribution	**$3,991,870**	**$3,991,870**	**$0**
Additional Reserve Contribution	**$0**	**$2,092,467**	**$2,092,467**
Surplus	**$0**	**$0**	**$0**

Wastewater/Storm Operations

Wastewater billing is based on water consumption; therefore trending is very similar to water revenues. Wastewater YTD billings were favourable by $189K for the period ending December 31, 2011. Residential billings were unfavourable by $829K offset by favourable commercial billings totaling $1.0M. Wastewater revenue is billed based on water consumption. The net favourable variance is offset by the $256K unfavourable variance in payments to York Region for wastewater services and includes a prior year adjustment from York Region totaling $174K.

Other revenues are unfavourable by $78K offset by favourable expenses totaling $1.2M. Maintenance and installation at $463K and storm sewer maintenance at $729K are lower than budget as a result of less than expected activity such as contracted work related to repairs.

The 2011 actual year to date net wastewater/storm operations is favourable by a net of $1.0m as a result of than less than expected annual expenses. As a result $4.8M in funding will be transferred into the wastewater/storm reserve for the future renewal of the wastewater/storm infrastructure system, 1.0m more than the budgeted transfer.

City of Vaughan
Statement of Operations
Wastewater Division
For the period ending December 31, 2011

	2011 Budget	2011 Actual	Variance Fav. / (Unfav.)
Wastewater Revenues			
Residential Billings	26,352,520	25,523,853	(828,667)
Commercial Billings	16,290,180	17,308,235	1,018,055
	$42,642,700	**$42,832,088**	**$189,388**
Wastewater Expense			
Regional Treatment Charges	31,673,225	31,755,650	(82,425)
Regional Billing Adjustment	0	174,300	(174,300)
	$31,673,225	**$31,929,950**	**($256,725)**
Gross Margin	**$10,969,475**	**$10,902,138**	**($67,337)**
Other Revenues	**$668,200**	**$590,488**	**($77,712)**
Expenses			
Maintenance and Installation	3,645,560	3,182,645	462,915
General Administration	1,686,245	1,677,805	8,440
Storm Sewer Maintenance	2,104,605	1,375,129	729,476
Joint Service Costs	487,720	488,934	(1,214)
	$7,924,130	**$6,724,513**	**$1,199,617**
Net Wastewater Operations	**$3,713,545**	**$4,768,113**	**$1,054,568**
Budgeted Lifecycle Contribution	**$3,713,545**	**$3,713,545**	**$0**
Additional Reserve Contribution	**$0**	**$1,054,568**	**$1,054,568**
Surplus	**$0**	**$0**	**$0**

Capital Budget Results

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

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

Open Capital Project Spend Report (Attachment #3)

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

- As of fourth quarter, 429 projects with a budgeted value of $576M are open. This is lower than the 481 open capital projects reported in the third quarter due to the closing of 52 projects.
- The above open projects span multiple years and were approved as follows:
  - ✓ 73% are current projects approved in 2009-2011
  - ✓ 20% were approved in 2006-2008
  - ✓ 7% relate to 2005 and older approvals
- As of Dec 31st 2011, 75% of the available budgets were spent
- Capital projects substantially complete and nearing closing
  - ✓ 32 projects are substantially complete
    - 17 open projects are complete and should be closed next quarter
    - 15 open projects are complete awaiting final invoicing and approval
  - ✓ The Block 11 Community Centre Land project with a budget value of $12M is complete, of which $1M is awaiting debt issuance. Debentures of $1M representing the 10% co-funding on this growth project will be issued in 2012.
  - ✓ 6 capital projects are complete awaiting outstanding invoices from the Region
  - ✓ 35 open engineering projects are substantially complete and potentially coming in under budget by $16.8M. These funds will be returned to the original funding source and are contingent on a timeframe to determine outstanding invoices and settlement issues.
- Unfavourable variances (> $10K) from budget include:
  - ✓ MacMillian Farm Property (Capital Project CO-0064-11) over budget by $123K due to the fact that land transfer tax and 3% administration recovery were not included in the budget forecast approved in closed session. Additional funds were approved by Council in Q01-2012 through By-law 31-2012.
  - ✓ York Catholic District School Board Land Acquisition (Capital Project CO-0067-11) over budget by $62K due to the fact that land transfer tax and 3% administration recovery were not included in the budget forecast approved in closed session. Additional funds were approved by Council in Q01-2012 through By-law 32-2012.
  - ✓ Block 11 and Block 12 Valley Crossing (Capital Projects DT-7001-08 and DT-7076-11) are over budget by a total of $6.0 M due to the year-end audit accrual of the full amount owing to developers, a percentage of which has not been budgeted. The City entered into agreements with developers to pay for the construction of Block 11 and Block 12 Valley Crossings as development charges are collected. There is no impact anticipated as capital budget requests will be made for repayments when significant development charges are collected.

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- ✓ OPA 620 East West Collector EA (Capital Project DT-7011-07) over budget by \$128K as a result of increase in scope of the project from the addition of work funded by the TTC regarding the extension of the Spadina Subway. This has a zero effect on the net budget and Committee/Council is advised of this change by way of quarterly reporting.
- ✓ Animal Shelter Leasehold Improvement (Capital Project BY-2508-10) is over budget by \$432K due to a year-end audit accrual for the full amount owing. The animal shelter was developed through leasehold improvements. The landlord financed the cost, and the City has entered into a 5 year promissory note. Additional funds will be approved annually in the capital budget to pay the promissory note.

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

- This information does not imply any work-in-progress percentage of completion, but rather a financial representation of capital spending for the period reported.
- A completed capital project will remain active or open until all invoices are paid and funding is complete. Projects are not closed until approved by the department. As a result, projects that are substantially funded will reside on the Open Capital Project Spend Report. It is important to note this report represents projects from current and prior budget years and total balances are the combined value.
- Projects that are debenture financed, as approved by Council, are not closed until debenture financing is acquired 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 several years.
- Capital work is continuously underway and current information will vary from this report.

Capital projects closed during the 4th Quarter (Attachments 4 & 5)

Staff together with City departments reviewed all active capital projects listed as at Dec 31, 2011 to determine which capital projects could be consolidated and/or closed. Overall, 52 projects totalling a budget of \$44.6M were closed in the fourth quarter of 2011. Total actual project costs came in at 88% of budget and returned \$5.5M in funding to the original funding source for future project consideration. The drivers behind the \$5.5M are as follows:

- Approximately 84% or \$4.7M of the above project savings are related to 24 engineering projects, which on average closed at 85% of the project budget. The largest component of this variance was due to the savings of \$2.7M that were primarily attributable to tenders coming in significantly lower than estimated for road reconstruction projects. Additionally, the favourable variance of \$1.1M for the Upland Storm Sewer project 1269-4-04 was attributable to the project being designed and constructed with a rural cross-section, instead of the initial budget proposal for concrete curbs along with the storm sewers to convey run off.

- Approximately $380K of the above project savings are related to 9 Building and Facilities projects, which on average closed at 96% of the project budget.
- Approximately $375K of the above project savings are related to 6 Public Works projects. $314K of this balance was a result of PW-2022-08 where operating funds were used to complete the project.
- The remaining balance is spread over 8 departments and 13 projects.

A complete list of closed capital projects is provided as Attachment 4. It should be noted that these closed projects are in addition to the 106 projects closed in the first, second & third quarters valued at $63.9M and returning $3.2M in funds to their original funding source. These projects are provided for reference as Attachment 5. For the 2011 year, 158 projects were closed valued at $108.5M with a total of $8.7M returned to the original funding source for use in future capital projects.

Continuity Schedule of Reserves and Reserve Funds (Attachment 6)

A continuity schedule of reserves and reserve funds as at December 31, 2011 is provided as Attachment 6. 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 the fact that commitments are not incorporated into financial statements until the expenses are incurred. Reserve positions before commitments are all in a positive position, with exception for development charge management studies and fire. Adding commitments to the schedule reveals that 9 reserves are in a future negative position, including management studies. Since the third quarter, the D13-Woodlot Acquisition Reserve has recovered to a positive balance. Below are brief explanations for the position of these 9 reserves.

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

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

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

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

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

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- D15 PD#5 Woodbridge Water
- D18 PD#6 Maj., Mac Water
- D19 PD#6 E. Rutherford Water
- D23 Dufferin Teston Sanitary
- D25 Zenway/Fogal Sub-Truck

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 year end results, the overall City position is favourable. $2.5 million is available and will be carried forward to the 2012 Operating Budget. Over the past few years, the budget has relied on prior year's surplus of $2.5m to assist in balancing the budget.

Attachments

Attachment 1: City Operating - Fourth Quarter Variance Report
Attachment 2: City Operating - Specific Variance Explanations
Attachment 3: Open Capital Project Spend Report as at December 31, 2011
Attachment 4: Closed Capital Projects Report for 4th Quarter Ending December 31, 2011
Attachment 5: Closed Capital Projects Report for 1st, 2nd and 3rd Quarter
Attachment 6: Continuity Schedule of Reserves & Reserve Funds as at December 31, 2011

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(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 26, 2012

Item 8, Report No. 7, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on June 26, 2012.

8 ENDING MARCH 31, 2012 – CONSOLIDATED QUARTERLY REPORT

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer, the Director of Budgeting and Financial Planning, and the Director of Financial Services, dated June 18, 2012:

Recommendation

The Commissioner of Finance & City Treasurer, the Director of Budgeting and Financial Planning, and the Director of Financial Services recommend:

That the 2012 Consolidated First Quarter Variance Report be received.

Economic Impact

Not applicable

Communication Plan

Not applicable

Purpose

To report on 2012 actual first quarter results, as at March 31st, 2012, and compare them to the approved annual budgets. There is no economic impact as budgets and projects have been previously approved by Council. This information is intended for reporting and monitoring purposes only.

Background – Analysis and Options

The attached first quarter variance report compares actual operating and capital results for the period ending March 31st, 2012, relative to approved budgets. 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 the City's position can be sustained, as a number of events such as a shifting of trends, timing differences, or unforeseen activities in the latter part of the year could easily erode the current position.

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

First Quarter Overview

On a go forward basis, quarterly results for City operations, Water and Wastewater operations, and capital will be presented together in a single report. This action is intended to provide stakeholders with a more fulsome and complete view of the City's financial results. The item will provide a brief executive summary followed by summaries for City operations, Water and Wastewater operations, and capital. Additional detail will be provided as attachments.

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Ahead of Budget

Overall, the City's financial performance is favourable. As illustrated in Table 1 the City has come in under budget in all three areas. It is important to note, the City takes financial stewardship very seriously and has implemented policies and actions to best use surplus funds. These actions consist of:

- Applying a portion of surplus funds to the following budget year to reduce pressure on the tax rate
- Allocating funds to infrastructure reserves to sustain the community's network
- Transferring remaining surplus funds to working capital and tax rate stabilization reserves to help mitigate future tax implications due to unanticipated events, as per City policy.
- Releasing unused capital funds to their original source for future community projects

Table 1 below summarizes and illustrates the City's financial results, which is followed by a brief summary for each area.

Table 1 - Summary of the City's Q1 2012 Financial Results

Operations

(In millions)

	City	Water	Wastewater/ Storm	Total
Revenue				
YTD Budget	87.5	9.7	10.1	107.2
YTD Actual	86.5	9.1	9.5	105.1
Variance	(1.0)	(0.6)	(0.6)	(2.1)
%	-1.09%	-5.72%	-5.73%	-1.94%
Expenditure				
YTD Budget	60.2	9.7	10.1	80.0
YTD Actual	58.3	9.1	9.5	76.9
Variance	1.9	0.6	0.6	3.0
%	3.14%	5.72%	5.73%	3.78%
Net favourable variance	0.9	0.0	0.0	0.9
Add'l Resv. Contributions	0.0	0.0	0.0	0.0
Surplus/ (Deficit)	0.9	0.0	0.0	0.9

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

Capital

(In millions)

	2012 Budget Projects		Prior Budget Projects		Total
	Closed	Active	Closed	Active	
Available Budget	0.0	49.4	0.6	145.1	195.0
Actual Spend	0.0	0.0	0.3	3.2	3.4
Variance/Unspent	0.0	49.4	0.3	141.9	191.6
%	0%	100%	53%	98%	98%
Major Y/E Accrual Reversals	0	0	0	17.4	17.4
Adjusted Variance/Unspent	0.0	49.4	0.3	159.3	208.9

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

B) Capital project timing can span multiple years. The above chart aims to illustrated this occurrence and presents activity related to prior budgets separately.

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

City Operating Budget Results

The annual Operating Budget for the City is $225.8M, of which 74.2% remains to be realized. At the end of the first quarter, the City experienced a $0.9M net favourable variance on the City's 2012 first quarter net operating budget. This favourable variance is comprised of a $1.9M favourable expenditure variance and a $1M unfavourable revenue variance. The main areas that contributed to the positive $0.9m variance are summarized below;

City Revenue Variance Overview
Actual revenues were $86.5M as of March 31, 2012, and represent a $1.0M unfavourable variance when compared to the year-to-date revenue budget of $87.5M. This variance stems from the following:

- ***Corporate Revenue*** - There was an unfavourable $1.2M variance generated by a Hydro Investment Income payment timing difference, which is anticipated to be received in the second quarter.

- The remainder of the variance was offset by small net favourable variances in user fees and reserves transfer.

City Expenditure Variance Overview
Actual total expenditures were $58.3M as of March 31, 2012, and represent a $1.9M favourable variance to the year-to-date expenditure budget of $60.2M. This variance stems from the following:

- ***Department Expenses*** - The largest component driving the City's favourable expenditure variance was a favourable position in total department expenses, approximately $4.4M. Although variances can be found throughout most departments, the largest variances reside in Recreation, Parks and Forestry Operations, Building Standards, and Libraries.

  - The department variance was largely attributed to savings in salaries and benefits resulting from vacancies across many departments, approximately $3.8M. The large actual balance is expected given the number of vacancies reported in the fourth quarter plus new 2012 complements approved early in the year. It is anticipated most of these positions will be filled by Q2. Staffing vacancies are anticipated and planned for corporately.

  - This variance was anticipated and planned for corporately, but actual department performance was $1M greater than the $2.75M corporate balance planned for first quarter.

  - There was a favourable variance of $320K for YRT ticket pass purchases for free rider passes for February and March as a result of the YRT strike. However, this was partially offset by a reduction in related revenues.

  - Other variances were also found in utilities, contract, contingency and other accounts.

- ***Corporate Expenses*** - The above favourable variances were offset by a combined unfavourable variance of $2.8M in corporate expenditures, mainly as a result of anticipated labour savings of $2.75M. As illustrated in the above department expenses section, actual department performance was $1M greater than the corporate balance planned for first quarter, largely due to higher than anticipated fourth quarter results. The remaining variance consists of minor net favourable variances in tax adjustments, professional fees, etc.

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- ***Contingency*** - there was a $252K favourable in contingency due to recovery of prior year legal expenses due to a recent favourable court decision.

Variance Summary:

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

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 26, 2012

City of Vaughan
2012 OPERATING BUDGET
FIRST QUARTER VARIANCE REPORT

			Variance in $mil (rounded)	
Revenues				
Reserves and Other Transfers				
Building Standards Service Continuity Res.	0.8			
Administration Recovery from Capital	(0.5)	0.2		
Engineering Reserve	(0.2)			
Fleet Mgmt. Reserve (Vehicle Replacement)	0.1			
Insurance Reserve	(0.1)	0.1	**0.1**	
Fees & Service Charges				
Building Standards	(0.6)	0.9		
Recreation	0.3			
Enforcement Services	0.2			
Cultural Services	0.1			
Development Planning	0.1		**0.1**	
Corporate Revenue				
Hydro Investment Income	(1.2)			
Tax Certificates And Documents	0.1	1.5	**(1.1)**	
Total Revenues				**(1.0)**
Expenditures				
Departmental Expenses				
Recreation	0.5			
Parks Operations	0.4			
Building Standards	0.4			
Libraries	0.4			
Enforcement Services	0.2			
Dev. & Trans Engineering	0.2			
Buildings & Facilities	0.2			
ITM	0.2			
Human Resources	0.2			
Other-(various departments under $150k var.)	1.7	1.4	**4.4**	
Corporate Expenditures				
Anticipated Labour Savings	(2.8)	2.6		
Tax Adjustments	(0.2)			
Other	0.2	0.1	**(2.8)**	
Contingency			**0.3**	
Total Expenditures				1.8
Net Variance				$ 0.9

Water and Wastewater/Storm Operating Budget Results

At the end of the first quarter, the unfavourable variance for water operations was $6K and the favourable variance for wastewater/storm operations was $18K. The following are the financial operating results and analysis for both the water and wastewater/storm operations for the first quarter of 2012.

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

Water Operations

Year to date (YTD) actual water revenues for the period ending March 31, 2012 are unfavourable by $456K which is comprised of residential $293K, commercial $138K and other revenue $25K. The unfavourable billings are due to a slightly lower average household consumption than budgeted which is offset by growth, trending on budget.

The Gross Margin indicates the net funding available to the City after the Region of York has been paid for the water supply. The unfavourable gross margin variance of $230K is a result of unfavourable consumption offset by favourable water purchases at $226K. Non-revenue water consumption variance is slightly favourable and is trending on budget.

Other revenues consist primarily of installation and service fees and are unfavourable by $97K, actual activity is based on demand. Water expenses are favourable by $321K which is the result of favourable maintenance and installations expenditures of $226K and favourable general administration of $95K. The favourable variances are largely due to fewer customer service requests and lower than expected activity levels in contracted works and temporary vacancies.

The 2012 actual YTD water lifecycle contribution of $490K is slightly unfavourable by $6K.

City of Vaughan
Statement of Operations
Water Division
For the period ending March 31, 2012

	2012 Budget	2012 YTD Budget	2012 YTD Actual	2012 YTD Variance
Water Revenues				
Residential Billings	27,057,540	5,790,270	5,496,985	(293,285)
Commercial Billings	17,679,720	3,493,230	3,355,457	(137,773)
Other	250,000	62,520	37,081	(25,439)
	$44,987,260	**$9,346,020**	**$8,889,523**	**($456,497)**
Water Purchases				
Metered Water Purchases	27,497,440	5,689,525	5,476,976	212,549
Unmetered Water	4,100,470	1,358,805	1,345,124	13,681
	$31,597,910	**$7,048,330**	**$6,822,100**	**$226,230**
Gross Margin	**$13,389,350**	**$2,297,690**	**$2,067,423**	**($230,267)**
Other Revenues	**$1,321,000**	**$330,240**	**$233,266**	**($96,974)**
Expenses				
Maintenance and Installation	5,503,020	1,070,890	844,848	226,042
General Administration	3,626,000	872,375	777,337	95,038
Joint Service Costs	753,880	188,475	188,469	6
	$9,882,900	**$2,131,740**	**$1,810,654**	**$321,086**
Net Water Operations	**$4,827,450**	**$496,190**	**$490,035**	**($6,155)**
Budgeted Lifecycle Contribution	**$4,827,450**	**$496,190**	**$490,035**	**($6,155)**
Additional Reserve Contribution	**$0**	**$0**	**$0**	**$0**
Surplus	**$0**	**$0**	**$0**	**$0**

Wastewater/Storm Operations

Wastewater billing is based on water consumption; therefore trending is very similar to water revenues. Wastewater YTD billings are unfavourable by $555K for the period ending March 31, 2012 which is comprised of residential billings $357K and commercial $198K. Wastewater revenue is billed based on water consumption. The net unfavourable gross margin variance of $275K is offset by a favourable variance in payments to York Region for wastewater services at $281K.

Other revenues are slightly unfavourable by $21K offset by favourable expenses totaling $314K. Maintenance and installation at $140K and storm sewer maintenance at $152K are lower than budget as a result of less than expected activity such as contracted work related to repairs. General administration is favourable by $22K due to timing in discretionary spending.

The 2012 actual YTD wastewater/storm lifecycle contribution of $454K is slightly favourable by $18K.

City of Vaughan
Statement of Operations
Wastewater Division
For the period ending March 31, 2012

	2012 Budget	2012 YTD Budget	2012 YTD Actual	2012 YTD Variance
Wastewater Revenues				
Residential Billings	29,179,250	6,111,570	5,754,279	(357,291)
Commercial Billings	19,694,070	3,833,470	3,635,334	(198,136)
	$48,873,320	**$9,945,040**	**$9,389,613**	**($555,427)**
Wastewater Expense				
Regional Treatment Charges	**$36,437,860**	**$7,965,710**	**$7,685,074**	**$280,636**
Gross Margin	**$12,435,460**	**$1,979,330**	**$1,704,539**	**($274,791)**
Other Revenues	**$653,200**	**$109,990**	**$89,072**	**($20,918)**
Expenses				
Maintenance and Installation	3,491,115	767,670	628,156	139,514
General Administration	1,909,665	436,400	414,268	22,132
Storm Sewer Maintenance	2,059,505	323,430	171,568	151,862
Joint Service Costs	502,580	125,640	125,646	(6)
	$7,962,865	**$1,653,140**	**$1,339,639**	**$313,501**
Net Wastewater Operations	**$5,125,795**	**$436,180**	**$453,973**	**$17,793**
Budgeted Lifecycle Contribution	**$5,125,795**	**$436,180**	**$436,180**	**$0**
Additional Reserve Contribution	**$0**	**$0**	**$17,793**	**$17,793**
Surplus	**$0**	**$0**	**$0**	**$0**

Capital Budget Results

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

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

Open Capital Project Spend Report (Attachment #3)

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

- As of Quarter 1-2012, 540 projects with a budgeted valued of $620M are open. At Quarter 4-2011, 429 capital projects were open, out of which 24 projects were closed in Quarter 1-2012. During 2012 Capital Budget process, council approved 153 capital projects out of which 18 capital projects being consolidated with existing projects.
- The above open projects were approved as follows
  - ✓ 25% 2012
  - ✓ 54% 2009-2011
  - ✓ 15% 2006-2008
  - ✓ 6% 2005 and older approvals
- As of Mar 31, 2012, 66% of the available budgets were spent
- Capital projects substantially complete and nearing closing
  - ✓ 19 projects are substantially complete
    - 7 open projects are complete and should be closed in next quarter
    - 12 open projects are complete, awaiting final invoicing and approval
  - ✓ The Block 11 Community Centre Land project with a budget value of $12M is complete, of which $1M is awaiting debt issuance. Debentures of $1M representing the 10% co-funding on this growth project will be issued in Q3 2012.
  - ✓ 7 Engineering projects are completed and awaiting outstanding invoices from the Region.
  - ✓ 35 open engineering projects are substantially complete and potentially coming in under budget by $16.6M. Once closed, commitments will be reduced freeing up unused project funding in the original funding source. These items are on maintenance and closing is contingent on a timeframe to determine outstanding invoices and settlement issues.
- Unfavourable variances (> $10K) from budget include:
  - ✓ OPA 620 East West Collector EA (Capital Project DT-7011-07) over budget by $128K as a result of increase in scope of the project from the addition of work funded by the TTC regarding the extension of the Spadina Subway. This has a zero effect on the net budget and Committee/Council is advised of this change by way of this report.

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

- This information does not imply any work-in-progress percentage of completion, but rather a financial representation of capital spending for the period reported.
- A completed capital project will remain active or open until all invoices are paid and funding is complete. Projects are not closed until approved by the department. As a result, projects that are substantially funded will reside on the Open Capital Project Spend Report. It is important to note this report represents projects from current and prior budget years and total balances are the combined value.
- Projects that are debenture financed, as approved by Council, are not closed until debenture financing is acquired 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 several years.

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- Capital work is continuously underway and current information will vary from this report.

Capital projects closed during the 1st Quarter

Staff together with City departments reviewed all active capital projects listed as at March 31st, 2012 to determine which capital projects could be consolidated and/or closed. Overall, 24 capital projects totalling a budget of $6.6M were closed in the 1st quarter of 2012. Total actual project costs came in at 95% of budget, freeing up $309K in the original funding sources for future project consideration. The drivers behind the $309K are as follows:

- Approximately 72% or $223K of the above project savings are related to a Development & Transportation project 1312-0-99. The original budget was based on preliminary estimates. Developer's final costs and scope of work was reduced from the original estimate, resulting in savings of $223K.
- Approximately $26K of the above project savings are related to the Engineering Services project EN-1678-07 which closed at 51% of the project budget due to reduction in scope of the project.
- Approximately $17K of the above project savings are related to 14 Building and Facilities projects, which on average closed at 98% of the project budget.
- The remaining balance is spread over 6 departments and 8 projects.

A complete list of closed capital projects is provided as Attachment 4.

Continuity Schedule of Reserves and Reserve Funds

A continuity schedule of reserves and reserve funds as at March 31, 2012 is provided as Attachment 5. 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 the fact that commitments are not incorporated into financial statements until the actual expenses have incurred. In addition, reserve revenues are not included in the continuity forecast, due to variability and changing economic conditions.

Reserve positions before commitments are all in a positive position, with exception for development charge management studies and fire. Adding commitments to the schedule reveals that 8 reserves are in a future negative position. Since Quarter 4 - 2011, the D23 Dufferin Teston Sanitary Reserve has recovered to a positive balance. Below is a brief description for positioning of these 8 reserves:

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

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

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

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

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

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

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 2012 first quarter results, the overall City position is favourable $936k. It is early in the year. But if trends continue barring any unforeseen events, it is likely that the 2012 year-end will be favourable. Over the past few years, the operating budget has relied on prior year's surplus of $2.5 million to balance the operating budget. At this point in time, indicators suggest that 2012 will not be different than previous years.

Attachments

Attachment 1: City Operating – First Quarter Variance Report
Attachment 2: City Operating – Q1 Specific Variance Explanations
Attachment 3: Open Capital Project Spend Report as at March 31, 2012
Attachment 4: Closed Capital Projects Report for 1st Quarter Ending March 31, 2012
Attachment 5: Continuity Schedule of Reserves & Reserve Funds as at March 31, 2012

Report prepared by:

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(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

Item 9, Report No. 7, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on June 26, 2012.

9 POWERSTREAM REQUEST TO POSTPONE SHAREHOLDER DEBT

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Commissioner of Finance & City Treasurer and the Commissioner of Legal and Administrative Services & City Solicitor, dated June 18, 2012:

Recommendation

The Commissioner of Finance & City Treasurer and the Commissioner of Legal and Administrative Services & City Solicitor recommends:

1. That the Mayor and Clerk be authorized to execute the Postponement Agreement with the Bank of Montreal for backstop financing; and

2. That the Mayor and Clerk be authorized to execute a similar Postponement Agreement in relation to the new debenture issue.

Contribution to Sustainability

Not applicable.

Economic Impact

There is no economic impact associated with this report. Currently there are postponement agreements in place for PowerStream's EDFIN debenture (which is coming due in August 2012) and for PowerStream's financing arrangement with the Toronto Dominion Bank. Postponing the municipal promissory notes allows PowerStream to obtain lower borrowing rates, which benefits both PowerStream and the shareholders.

Staff has been advised by PowerStream staff that the extension or repayment of the City's Promissory note on the expiry date of May 31, 2024 will not be affected by either of the postponement agreements contemplated in this report.

Communications Plan

Not applicable.

Purpose

The purpose of this report is to obtain Council authority to execute the Postponement Agreement with the Bank of Montreal for PowerStream's backstop financing and a similar Postponement Agreement in relation to the new debenture issue.

Background Analysis and Options

In 2000, the assets and liabilities of Vaughan Hydro Commission were transferred to new Hydro Vaughan corporations incorporated under the *Business Corporations Act (Ontario),* pursuant to section 142 of the *Electricity Act, 1998.* The majority of the assets were transferred to Hydro Vaughan Distribution Inc. (HVDI) which was allocated to equity and a promissory note from HVDI to the City of Vaughan for $45,000,000.

On June 1, 2004 PowerStream was formed upon the amalgamation of Hydro Vaughan Distribution Inc., Markham Hydro Distribution Inc. and Richmond Hill Hydro Inc. (jointly owned by Vaughan and Markham) As part of the amalgamation agreement, the City of Vaughan and the Town of Markham agreed to adjust the capital structure of their respective utilities insofar that PowerStream's debt to equity ratio would not exceed 65:35 as a percentage of total capital. Prior to closing, in order to ensure that both of the shareholders were treated equally, this adjustment was achieved with the approval of both shareholders through the exchange of common shares for amendments to the promissory notes. In the City of Vaughan's case, this resulted in the Amended and Restated Promissory Note, dated June 1, 2004 in the amount of $78,236,285 in favour of the City of Vaughan. The note provides for an interest rate of 5.58% and payment is due to the City of Vaughan on May 31, 2024.

On May 14, 2012, PowerStream Inc. issued a letter to each of its shareholders, including Vaughan Holdings Inc. advising of the upcoming EDFIN debenture for $125 million coming due in August 2012, which PowerStream intends to refinance. In the event that there is market volatility at the time the EDFIN bond comes due, PowerStream is putting a financial backstop with BMO Nesbitt Burns in place to ensure that PowerStream has access to capital to refinance the EDFIN bond.

Included in the May 14, 2012 letter from PowerStream is a request that each of the City of Vaughan, Town of Markham and City of Barrie sign a postponement agreement with BMO, effectively subordinating their promissory notes to the backstop financing. As the promissory note is held by the City of Vaughan, not Vaughan Holdings Inc., the City must authorise the postponement. In addition, PowerStream notes in their letter that when the EDFIN bond is refinanced, the City will have to sign a similar postponement agreement in relation to the new debenture issue. The details regarding the postponement agreement for the new debenture issue are not known at this time.

Vaughan's promissory note was subordinate to the EDFIN note, pursuant to section 4.1 of the Amended and Restated Promissory Note and Vaughan further agreed in section 4.2. to subordinate its debt to other debt issued by PowerStream from time to time. Although these clauses requiring subordination are included in the Amended and Restated Promissory Note issued by PowerStream, Vaughan, Markham and Barrie sought an outside legal opinion in this regard and based on legal advice, the postponement agreements require Council approval.

Relationship to Vaughan Vision 2020

Not applicable.

Regional Implications

No Implications.

Conclusion

Staff recommends that the Mayor and Clerk be authorized to execute the Bank of Montreal postponement agreement for backstop financing. It is also recommended the Mayor and Clerk be authorized to execute the postponement agreement for PowerStream's new debenture issue, which may not be received prior to Council summer recess.

Attachments

1. PowerStream letter dated May 14, 2012

Report prepared by:

Barbara Cribbett, CMA
Commissioner of Finance & City Treasurer

(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 JUNE 26, 2012

Item 10, Report No. 7, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on June 26, 2012.

10 NEW BUSINESS – REVIEW OF POLICIES REGARDING THE UTILIZATION OF CASH-IN-LIEU FUNDS

The Finance and Administration Committee recommends that staff review City policies regarding the utilization of cash-in-lieu funds and develop a program that would consider that an appropriate percentage of the funds collected be used to retrofit parkland in the vicinity of the residential development providing the funds.

The foregoing was brought to the attention of the Committee by Councillor Shefman

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 26, 2012

Item 11, Report No. 7, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on June 26, 2012.

11 OTHER MATTERS CONSIDERED BY THE COMMITTEE

11.1 RECESS AND RECONVENE

The Finance and Administration Committee recessed at 9:59 a.m. and reconvened at 10:41 a.m. with the following members present:

Councillor Marilyn Iafrate, Chair
Hon. Maurizio Bevilacqua, Mayor
Regional Councillor Gino Rosati
Regional Councillor Michael Di Biase
Regional Councillor Deb Schulte
Councillor Tony Carella
Councillor Rosanna DeFrancesca
Councillor Sandra Yeung Racco
Councillor Alan Shefman

11.2 RECESS AND RECONVENE

The Finance and Administration Committee recessed at 12:30 p.m. and reconvened at 12:50 p.m. with the following members present:

Councillor Marilyn Iafrate, Chair
Hon. Maurizio Bevilacqua, Mayor (1:04 p.m.)
Regional Councillor Gino Rosati
Regional Councillor Michael Di Biase (1:03 p.m.)
Regional Councillor Deb Schulte
Councillor Tony Carella
Councillor Rosanna DeFrancesca
Councillor Sandra Yeung Racco
Councillor Alan Shefman