

September 8, 2016

2016 SECOND QUARTER REVIEW - OPERATING AND CAPITAL BUDGETS

EXECUTIVE SUMMARY

OPERATING BUDGET

2016 Operating Budget - Q2 and Full Year Forecast								
in \$ millions	Q2				2016 Full Year Forecast			
	Budget	Actuals	Variance \$	Variance %	Budget	Forecast	Variance \$	Variance %
TOTAL REVENUES	\$369.6	\$387.6	\$18.0	4.9%	\$1,265.0	\$1,287.1	\$22.1	1.7%
TOTAL EXPENDITURES & TRANSFERS	\$293.4	\$301.5	(\$8.1)	-2.8%	\$1,265.0	\$1,287.0	(\$22.1)	-1.7%
TOTAL	\$76.2	\$86.1	\$9.9	13.0%	\$0.0	\$0.0	\$0.0	

NOTE: Totals may not add due to rounding.

Revenues and expenditures are each forecasted to be above their respective budget and the City is forecasting a balanced budget at year end after all reserve transfers and adjustments. Revenues and expenditures for the second quarter of 2016 are each above their respective second quarter budget, primarily due to higher than budgeted demand for trade permit fees, higher cost recoveries with offsetting expenditures, as well as the differences in the timing of actual revenues and expenditures in Q2 compared to the quarterly budget.

CAPITAL BUDGET

2016 Annual Capital Expenditure Budget - Q2 and Full Year Forecast					
Service Category in \$ millions	2016 Budget	Actuals YTD Q2	2016 Full Year Forecast		
			Forecast Expenditures	Variance \$	Variance %
HOUSING	\$59.8	\$26.7	\$65.3	(\$5.5)	-9.2%
CHILDCARE	\$6.5	\$0.6	\$4.0	\$2.5	38.3%
PARKS, OPEN SPACES AND RECREATION	\$39.5	\$13.2	\$40.1	(\$0.6)	-1.4%
COMMUNITY FACILITIES	\$24.0	\$7.1	\$25.4	(\$1.3)	-5.6%
CIVIC FACILITIES	\$19.0	\$3.0	\$17.0	\$2.0	10.4%
TRANSPORTATION	\$121.5	\$74.3	\$118.6	\$2.9	2.4%
UTILITIES AND PUBLIC WORKS	\$79.1	\$38.4	\$75.5	\$3.6	4.6%
EQUIPMENT AND TECHNOLOGY	\$65.7	\$18.8	\$59.4	\$6.3	9.5%
CITY-WIDE	\$4.5	\$2.7	\$5.7	(\$1.2)	-26.5%
TOTAL	\$419.6	\$184.9	\$411.0	\$8.6	2.0%

NOTE: Totals may not add due to rounding.

Capital expenditures to the end of the second quarter of 2016 were \$184.9 million, representing 44% of the total 2016 Annual Capital Expenditure Budget of \$419.6 million. As of

June 30, 2016, total expenditures for the year are forecast to be \$411.0 million, or 98% of the Capital Expenditure Budget. The City is currently on-track to deliver planned outcomes for eight of the top ten projects in the 2016 Expenditure Budget; outcomes for the Sewer Separation program and the Georgia Dunsmuir Viaduct Removal Phase 1 project are expected to be less than originally planned, reflecting a change in the complexity of some of the major sewer trunk replacements and in the timing of planned expenditures, respectively.

OPERATING BUDGET

Since 2010, the Director of Finance has committed to report quarterly on the Operating Budget status. Council Policy regarding the Operating Budget, as per the Vancouver Charter, is to ensure a balanced operating budget.

A. Q2 2016 OPERATING BUDGET RESULTS AND FULL YEAR 2016 FORECAST

Reflecting results for the first half of the year, this Second Quarter report provides an indication of the City's financial direction for the year and identification of any significant variances from the 2016 Operating budget. The City recorded an Operating Budget surplus of \$9.9 million in Q2. The variances in the revenue and expenditure categories reflect higher than budgeted demand for trade permit fees, higher than budgeted parking revenues and by-law fines, higher cost recoveries which have offsetting related expenses, as well as the timing of actual revenues and expenditures within the year compared to the second quarter budget.

The City is forecasting the Operating Budget to be balanced for 2016 year-end. The forecast reflects the financial results for the first six months of the year and a projection of revenues, expenditures and transfers for the remaining six months. The forecast includes an estimate of year-end transfers to reserves, including transfers relating to revenue stabilization, asset management, future capital facilities and infrastructure, utility rate stabilization, debt repayment, and deferred payroll costs to provide for the City's unfunded liability.

Table 1 on the next page shows the 2016 Operating Budget revenue and expenditures, Q2 variances and year-end projections.

Table 1	2016 Operating Budget - Q2 and Full Year Forecast							
	Q2				2016 Full Year Forecast			
\$ millions	Q2 Budget	Q2 Actuals	Q2 Variance	Q2 Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
REVENUES								
Property tax revenue	\$204.0	\$209.3	5.3	2.6%	\$716.8	\$716.8	\$0.0	0.0%
Utility revenue	\$82.7	\$83.5	0.8	1.0%	\$239.2	\$241.9	\$2.7	1.1%
Program revenue	\$16.8	\$16.9	0.1	0.7%	\$60.8	\$63.4	\$2.6	4.2%
License & Development fees	\$12.4	\$16.1	3.7	29.9%	\$58.4	\$61.4	\$3.0	5.1%
Parking revenue	\$15.1	\$15.8	0.7	4.8%	\$55.8	\$56.8	\$1.0	1.8%
Cost recoveries, grants & donations	\$11.7	\$16.4	4.7	40.7%	\$49.6	\$61.4	\$11.8	23.7%
Provincial revenue sharing	\$11.2	\$10.6	(0.6)	(5.4%)	\$21.7	\$21.0	(\$0.6)	(2.8%)
Investment income	\$5.9	\$4.9	(1.0)	(16.7%)	\$20.1	\$17.8	(\$2.4)	(11.7%)
Other revenue	\$5.7	\$9.3	3.6	64.2%	\$26.0	\$29.0	\$3.0	11.7%
Bylaw fines	\$4.2	\$4.7	0.5	13.0%	\$16.6	\$17.6	\$1.0	6.0%
TOTAL REVENUES	\$369.6	\$387.6	\$18.0	4.9%	\$1,265.0	\$1,287.1	\$22.1	1.7%
EXPENDITURES & TRANSFERS								
Utilities	51.5	51.7	(0.1)	(0.3%)	283.8	286.9	(3.1)	(1.1%)
Engineering	19.8	18.6	1.2	5.9%	80.0	84.4	(4.5)	(5.6%)
Police Services	72.4	69.9	2.5	3.4%	275.0	282.0	(7.1)	(2.6%)
Fire & Rescue Services	29.0	29.2	(0.2)	(0.7%)	117.0	116.4	0.6	0.5%
Parks & Recreation	29.6	29.8	(0.1)	(0.5%)	114.8	115.3	(0.5)	(0.4%)
Library	11.2	11.5	(0.3)	(2.4%)	48.4	48.4	0.0	0.0%
Britannia	1.1	1.1	(0.0)	(0.5%)	4.7	4.7	(0.0)	(0.2%)
Civic Theatres	2.4	2.8	(0.5)	(20.0%)	9.2	9.3	(0.1)	(1.2%)
Community Services	10.1	10.9	(0.8)	(8.1%)	40.6	44.0	(3.4)	(8.3%)
Grants	7.7	10.3	(2.6)	(33.3%)	19.1	19.1	(0.0)	(0.0%)
Planning & Development	8.0	8.6	(0.7)	(8.7%)	32.6	34.8	(2.2)	(6.8%)
Mayor	0.3	0.3	(0.0)	(5.0%)	1.3	1.3	0.0	0.0%
Council	0.6	0.6	(0.0)	(1.4%)	1.8	1.8	0.0	0.0%
Corporate Services	21.2	21.9	(0.8)	(3.6%)	89.3	91.0	(1.7)	(1.8%)
General Government, Debt and transfers	28.5	34.1	(5.7)	(19.9%)	147.5	147.7	(0.2)	(0.1%)
TOTAL EXPENDITURES & TRANSFERS	\$293.4	\$301.5	(\$8.1)	(2.8%)	\$1,265.0	\$1,287.0	(\$22.1)	(1.7%)
SURPLUS (DEFICIT)	\$76.2	\$86.1	\$9.9	13.0%	\$0.0	\$0.0	\$0.0	

NOTE: Totals may not add due to rounding.

Revenue highlights for Q2 and the full year forecast by revenue category include:

01. Property Tax Revenue

Forecasted to be on budget

Property Tax revenue is above budget in Q2 and forecast to be on budget at year end. Revenues are above budget in Q2 due to the timing of the original budget revenues, primarily in supplementary rolls, appeal adjustments and Payment-in-lieu of taxes, of which a portion is transferred to reserve.

02. Utility Revenue

Forecasted \$2.7 million above budget

Utility Revenue is above budget by \$0.8 million in Q2 and forecast to be above budget by \$2.7 million at year end:

- Water Utility revenues are above budget in metered revenue and metered service

charges in Q2 reflecting higher than anticipated water consumption in June as a result of the warmer weather in the month. Metered revenues are projecting higher based on rising trends in consumption. The overall forecast for the Water Utility is to be above budget by \$2.2 million at year end.

- Sewer Utility revenues are forecast to be below budget in metered fee revenue by \$0.3 million at year end as the 2016 budget for these revenues did not fully reflect metered properties that have a portion exempt from metered fees.
- Solid Waste Utility demolition waste revenues are below budget due to lower than expected volumes in Q2 and are forecast to be below budget by \$0.5 million at year end reflecting an expected continuation of these lower volumes. Vancouver and Metro garbage disposal site revenues are forecast to be above budget by \$1.5 million at year end due to an expected increase in tonnage to the Vancouver Landfill in Q3 and Q4.

03. Program Revenue

Forecasted \$2.6 million above budget

Parks program revenues are forecast to be \$1.3 million above budget at year end, primarily as a result of higher volume in restaurant lease revenue, moorage charge fees, golf green fees, and clubhouse food and concession revenues.

Police Services program revenues are above budget in Q2 by \$0.1 million and forecast to be \$0.5 million above budget at year end primarily due to a higher volume of record checks, search fees and training course fees.

Solid Waste program revenues are above budget by \$0.2 million in Q2 due to collection of revenues that were not anticipated at the time the 2016 budget was developed. Program revenues are forecast to be above budget by \$0.3 million at year end, reflecting the full year impact of the additional revenue stream.

Civic Theatres revenues are below budget by \$0.2 million in Q2 due to the timing of scheduled theatre events relative to the timing that had been estimated in the Q2 budget. Revenues for Civic Theatres are forecast to be \$0.5 million above budget at year end, reflecting an anticipated overall increase in show bookings and Food & Beverage sales.

04. License & Development Fees

Forecasted \$3.0 million above budget

License and Development Fee revenues are above budget in Q2 primarily due to the timing of revenues relative to the Q2 budget and higher than budgeted demand for trade permit applications. This reflects an increased volume in construction activity and reducing wait times for development permit applications in Q2. Revenues for License and Development Fees are forecast to be above budget by \$3.0 million at year end, reflecting the anticipated continued higher than budgeted demand for trade permit applications.

05. Cost Recoveries and Grants

Forecasted \$11.8 million above budget

Cost recoveries, grants and donations are above budget by \$4.7 million in Q2, and are forecast to be above budget by \$11.8 million at year-end primarily due to:

- Police Services cost recoveries for seconded officers and work incurred on behalf of other agencies are forecast to be above budget by \$6.6 million at year end reflecting higher than expected demand.
- Engineering cost recoveries for street cuts are forecast to be above budget by \$1.1 million at year end reflecting higher than expected demand.
- Community Services recoveries are forecast to be above budget by \$2.2 million at year end, primarily due to above budget developer public art contributions (offset by higher related Transfers) and recoveries from senior government for local immigration and Downtown Eastside (DTES) outreach programs and provincial recoveries for Carnegie Centre.
- Planning and Development recoveries from developer projects (e.g., Oakridge Transfer Centre Bus Barn, Little Mountain Redevelopment) are forecast to be above budget by \$1.2 million at year end.
- Park Board recoveries are forecast to be above budget by \$0.5 million at year end, reflecting an unanticipated grant received from the Ministry of Transportation and Infrastructure in Q2 towards the ecological restoration of Beaver Lake in Stanley Park.
- Sustainability recoveries are forecast to be above budget by \$0.1 million at year end, reflecting unanticipated recoveries from BC Hydro and BC Housing for the Zero Emissions New Building Planning program in Sustainability introduced in 2016.

These above budget cost recoveries are offset by above budget related expenditures.

06. Parking Revenue	Forecasted \$1.0 million above budget
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Parking revenues are above budget in Q2 primarily due to an increase in pay-by-phone transactions and coin usage, both of which are expected to continue through Q3 and Q4 at these higher levels resulting in revenues forecast to be above budget by \$1.0 million at year end, before offsetting related increased transaction costs.

07. Investment Income	Forecasted \$2.4 million below budget
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Investment Income is below budget by \$1.0 million in Q2, due to lower than budgeted interest rates. The forecast for the year is for investment income to be below budget by \$2.4 million.

Expenditures and Transfer highlights for Q2 and the full year forecast by department include:

01. Utilities **Forecasted \$3.1 million over budget**

Utility Expenditures are over budget in Q2 and are forecast to be over budget by \$3.1 million at year end:

- Water Utility expenditures are forecast to be over budget by \$2.2 million at year end, reflecting a higher than budgeted trend in water consumption.
- Sewer Utility year-end transfer from reserve is forecast to be higher than budget by \$0.3 million due to an anticipated shortfall in metered revenue as the 2016 budget for these revenues did not fully reflect metered properties that have a portion exempt from metered fees.
- Solid Waste Utility year-end transfer to solid waste reserve is forecast to be higher than budget by \$1.3 million at year end, reflecting the higher revenues expected from an anticipated increase in tonnage going to the Vancouver Landfill in Q3 and Q4.

02. Engineering **Forecasted \$4.5 million over budget**

Engineering expenditures are under budget in Q2 primarily due to the timing of fleet replacements and is forecast to be over budget by \$4.5 million at year end:

- Streets Division expenditures are forecast to be \$1.5 million over budget in degradation and street cut work, but fully offset by recoveries, and \$0.7 million over budget in Pay-by-Phone transaction costs, partly due to increased volume, but fully offset by higher parking revenues.
- Equipment Services Division (EQS) expenditures are forecast to be over budget at year end due to anticipated lower than planned EQS staff work assignments outside of routine maintenance work, but substantially offset by related lower than planned fleet costs.

03. Fire **Forecasted \$0.6 million under budget**

Fire expenditures are over budget in Q2 primarily due to higher than budget labour-related expenditures, offset by salary savings from vacancies, a delay in the delivery of new equipment that had been expected to come into service earlier in the year, lower expenditures in the Heavy Urban Search and Rescue (HUSAR) program, and lower fuel costs. The overall forecast for Fire expenditures is to be under budget by \$0.6 million at year end, primarily due to an anticipated lower utilization of the HUSAR program and salary savings from higher than expected vacancies.

04. Parks **Forecasted \$0.5 million over budget**

Parks transfers to reserve are above budget, reflecting a \$0.5 million grant received from the Ministry of Transportation and Infrastructure in Q2 towards the ecological restoration of Beaver Lake in Stanley Park which will take place in future periods.

05. Corporate Services	Forecasted \$1.7 million over budget
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Corporate Services expenditures are forecast to be over budget by \$1.7 million at year end due to higher security costs, higher 311 staffing costs required to service the volume of calls received, and costs related to the Zero Emissions New Building Planning program in Sustainability introduced in 2016, offset by above budget cost recoveries from BC Hydro and BC Housing.

06. Police Services	Forecasted \$7.1M over budget
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Police Services expenditures are under budget in Q2 due primarily to higher vacancies in civilian staffing and the timing of actual statutory holiday and benefit expenses relative to the Q2 budget.

Police Services expenditures are forecast to be over budget by \$7.1 million at year end primarily due to higher expenditures anticipated for increased salary costs relating to a higher number of recruits and higher overtime costs. These higher expenditures, however, are expected to be fully offset by cost recoveries and additional fee and donation revenue.

07. Civic Theatres	Forecasted \$0.1 million over budget
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Civic Theatres expenditures are over budget by \$0.5 million in Q2 due to the timing of theatre events relative to the timing reflected in the Q2 budget. Civic Theatres expenditures are forecast to be \$0.1 million over budget at year end, but fully offset by an overall forecast increase in show bookings and Food & Beverage revenues.

08. Community Services	Forecasted \$3.4 million over budget
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Community Services expenditures are over budget by \$0.8 million in Q2 and forecast to be \$3.4 million over budget at year end, primarily due to higher expenditures in the Local Immigration Partnership, DTES Outreach, Homeground & Smart Arts programs, partially offset by higher recoveries from senior governments for these programs. The year-end forecast also reflects anticipated higher expenditures for consulting costs relating to the Housing Restart program.

09. Grants	Forecasted to be on budget
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Grants expenditures are over budget by \$2.6 million in Q2 due to the timing of the grant disbursements relative to the Q2 budget. Grant expenditures are forecast to be on budget at year end.

10. Planning & Development	Forecasted \$2.2 million over budget
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Planning & Development expenditures are over budget by \$0.7 million in Q2, reflecting increased staffing to reduce permit wait times and development project work. The forecast for the full year is to be over budget by \$2.2 million, of which \$1.2 million is recoverable from developer projects (e.g., Oakridge Transfer Centre Bus Barn, Little Mountain Redevelopment Site) and \$1.0 million will be offset by higher licensing and development fee revenues.

11. General Government, Debt and Transfers Forecasted \$0.2 million over budget

General Government expenditures are over budget by \$0.5 million in Q2, primarily due to a foreign exchange loss on USD cash acquired in early 2015 for the purchase of 25 fire trucks scheduled for delivery throughout 2016. A foreign exchange gain of \$3.6 million on this USD cash was recognized in 2015 and will be used to offset currency fluctuations occurring in 2016.

Transfers to reserves were above budget in Q2 due to re-profiling of timing of transfers as revenue for Q2 exceeded budget. When favorable conditions such as weather enable revenue generation above the norm, updating the weather stabilization reserve provides support for future years where revenue may be impacted by negative conditions. General Government expenditure and transfers are forecast to be above budget by \$0.2 million at year end.

B. RISKS AND OPPORTUNITIES

Forecast risk arising from changes in economic outlook: While development revenues and trade permit revenue show a favourable trend to budget, which provides an opportunity for stronger than anticipated revenues for the remainder of the year, these revenues are sensitive to changes in the economic cycle and forecast/planning alongside the potential increased revenue has to be monitored carefully.

CAPITAL BUDGET

While the Operating Budget reflects operating costs for one year only, the annual Capital Expenditure Budget reflects one year of what can be multi-year capital projects. Therefore, capital projects are viewed on both an annual budget basis (annual expenditure vs. annual budget), and a total project basis (multi-year project expenditures vs. total multi-year project budget).

On December 17, 2015, Council approved a 2016 Annual Capital Expenditure Budget of \$325.2 million. Council subsequently approved net additions totaling \$94.4 million for a current 2016 Annual Capital Expenditure Budget of \$419.6 million. This report reflects second quarter performance against the 2016 Annual Capital Expenditure Budget as of June 30, 2016 and does not include adjustments to the Annual Expenditure Budget approved by Council subsequent to the close of Q2 (RTS 11303, approved July 26, 2016).

Staff closely manage the capital spend on a quarterly basis to ensure optimal delivery of projects within the annual expenditure budget. Strategic review of progress on projects is

conducted on a regular basis, and where the timing of projects is advanced or delayed, adjustments to the corresponding expenditure budgets are recommended. Expenditure budget adjustments are generally managed within the department overall Capital Expenditure Budget or, if necessary, within the total Citywide overall Capital Expenditure Budget, whereby additions to the budget are offset by corresponding reductions in budgets elsewhere in the overall Capital Expenditure Budget.

This report on second quarter expenditures reflects a continuing focus on aligning our budget with our capacity to spend, providing regular quarterly reports on spending and forecast expenditures, and appropriately scheduling projects.

A. 2016 CAPITAL EXPENDITURES vs. 2016 CAPITAL BUDGET by Service Category

Capital expenditures to the end of the second quarter of 2016 were \$184.9 million, representing 44% of the total 2016 Annual Capital Expenditure Budget of \$419.6 million. Expenditures for the year are forecast to be \$411.0 million, or 98% of the Capital Expenditure Budget as of June 30.

On July 26, 2016, Council approved adjustments of \$54.0 million to the 2016 capital budget, increasing the 2016 Annual Capital Expenditure Budget to \$443.4 million. The 2016 capital expenditure forecasts included in this Q2 report are as of June 30, 2016.

Table 2 shows the 2016 Capital Expenditure Budget variances by service category.

Table 2 - Q2 2016 Annual Capital Budget Results By Service Category (\$000's)

Service Category 1	Service Category 2	2016 Expenditure Budget	2016 YTD Expenditures	2016 Total Expenditure Forecast	Forecast Variance
01. Housing	A. Non-Market Rental Housing	59,782	26,674	65,296	(5,514)
01. Housing Total		59,782	26,674	65,296	(5,514)
02. Childcare	A. Daycare & Preschool (0-4 Yrs)	5,026	469	3,069	1,957
	B. Before & After School Care (5-12 Yrs)	1,425	121	909	516
02. Childcare Total		6,451	589	3,978	2,473
03. Parks, Open Spaces and Recreation	A. Urban Forest and Natural Features	2,302	883	1,972	329
	B. Activity Features	12,763	1,638	13,212	(449)
	C. New Parks and Renewals	8,801	5,825	10,686	(1,884)
	D. Seawall and Waterfront	1,405	936	1,728	(323)
	E. Park Infrastructure	1,433	709	1,296	136
	F. Park Buildings	1,530	471	1,283	247
	G. Public Art	1,498	171	728	770
	H. Recreation Facilities	8,492	2,261	7,866	426
	I. Entertainment and Exhibition	1,277	324	1,286	(9)
03. Parks, Open Spaces and Recreation Total		39,501	13,218	40,057	(756)
04. Community Facilities	A. Libraries and Archives	12,891	2,466	12,067	824
	B. Social Facilities	7,152	1,296	6,097	1,055
	C. Cultural Facilities	3,976	3,384	7,193	(3,217)
04. Community Facilities Total		24,019	7,146	25,356	(1,337)
05. Civic Facilities	A. Police	1,638	421	1,947	(309)
	B. Fire	6,862	573	5,068	1,794
	C. Animal Control	210	38	215	(5)
	D. Administrative Facilities	8,398	1,318	8,386	12
	E. Service Yards	1,900	696	1,407	493
05. Civic Facilities Total		19,008	3,045	17,023	1,986
06. Transportation	A. Walking and Cycling	90,707	64,133	92,394	(1,687)
	B. Transit	840	232	820	20
	C. Major Roads	24,815	8,276	20,345	4,470
	D. Local Roads	4,135	1,626	4,272	(137)
	E. Parking	1,018	57	811	207
06. Transportation Total		121,515	74,324	118,643	2,872
07. Utilities and Public Works	A. Waterworks	11,586	6,830	11,187	399
	B. Sewers	33,326	17,552	33,106	220
	C. Solid Waste	12,078	2,751	9,163	2,915
	D. Neighbourhood Energy	1,307	89	1,083	224
	E. Water and Sewer Connections	20,819	11,223	20,964	(145)
07. Utilities and Public Works Total		79,115	38,444	75,503	3,613
08. Equipment and Technology	A. Vehicles and Equipment	39,860	10,144	39,387	473
	B. Information Technology	25,827	8,645	20,040	5,786
08. Equipment and Technology Total		65,687	18,790	59,427	6,259
09. City-Wide	C. City-Wide Overhead	4,512	2,657	5,710	(1,197)
09. City-Wide Total		4,512	2,657	5,710	(1,197)
Grand Total		419,592	184,887	410,993	8,399

Explanations for variances between total forecast 2016 expenditures and the 2016 Annual Capital Expenditure Budget by service category are:

01. Housing \$5.5 million negative variance

Housing projects are managed by Real Estate & Facilities Management and Housing Policy & Projects.

Capital expenditures for Housing projects in 2016 are forecast to be \$5.5 million above budget, primarily due to the timing of an acquisition of land in East Fraser Lands for housing purposes that had been planned for 2015 but has now shifted into 2016 as negotiations for the land purchase continue.

02. Child Care \$2.5 million positive variance

Child Care projects are managed by Community Services and Real Estate & Facilities Management.

Capital expenditures for Child Care projects in 2016 are forecast to be \$2.5 million below budget, primarily due to a later than planned start of construction for two Vancouver School Board led partnership projects which will provide childcare spaces for children ages 0 to 4 at the Lord Nelson Elementary School and Sir Sandford Fleming Elementary School sites. The projects are to be delivered by the Vancouver School Board with the City providing project oversight.

03. Parks, Open Spaces and Recreation \$0.1 million negative variance

Parks, Open Spaces and Recreation projects are managed by Parks and Recreation, Real Estate & Facilities Management, Community Services, and Engineering Services.

Capital expenditures for Parks, Open Spaces and Recreation projects in 2016 are forecast to be effectively on budget. While forecast expenditures in this service category are on budget overall, expenditures for several major projects in this category are expected to be significantly less than originally planned while expenditures for several others are expected to be significantly higher than originally planned. Expenditures in 2016 for the Southeast Vancouver Seniors Centre will be less than planned reflecting an unanticipated delay in issuing the design-build contract Request for Proposal (RFP) and the resulting construction contract award, and the spending timeline for the New Public Art Installations program has been revised as several large scale signature projects will require a longer term planning and construction timeline spanning multiple years. Offsetting these lower 2016 expenditure forecasts are higher than budgeted expenditures for the acquisition of land for park development and an accelerated construction timeline for redevelopment underway for the Vancouver Art Gallery north plaza.

04. Community Facilities \$1.3 million negative variance

Community Facilities projects are managed by various departments within the City including Real Estate & Facilities Management, Community Services, Planning and Development, and Vancouver Public Library.

Capital expenditures for Community Facility projects in 2016 are forecast to be higher than budget by \$1.3 million primarily due to the timing of a large cultural grant related to Mount Pleasant artist production spaces and the acceleration of the timing of a planned replacement of the rigging system at the Queen Elizabeth Theatre (QET). The cultural grant was expected to be disbursed in 2015 but is now expected to be disbursed in 2016 due to the recipient organization requiring more time than originally anticipated to satisfy grant conditions. The QET rigging replacement project was initially planned as a Phase II project in the Vancouver Civic Theatre Business Transformation project and was accelerated to summer of 2016. Also contributing to the forecast higher 2016 Community Facilities expenditures is the expansion of levels 8 and 9 at the Central Library where project planning consulting work is progressing faster than originally anticipated.

05. Civic Facilities	\$2.0 million positive variance
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Civic Facilities projects are managed by Real Estate & Facilities Management, Vancouver Fire and Rescue Services, Police Services, Parks and Recreation, and Engineering Services.

Capital expenditures in 2016 for Civic Facilities projects are forecast to be \$2.0 million less than budget, primarily due to an extended planning timeline for the replacement of Fire Hall No. 5 delaying the related construction RFP and contract award. Deconstruction of the old facility commenced in May and is scheduled to be completed in August. Construction of the new fire hall is scheduled to commence in the summer with completion in 2018. Also contributing to the lower than budgeted expenditures for 2016 is a delay in the replacement of fuel tanks at Manitoba Yard reflecting an extended timeline required for needs analysis, scope review and site consulting. These lower than planned expenditures for 2016 are partially offset by higher than planned expenditures in the year for Vancouver Police Department office renovations which were originally planned for 2015 but subsequently rescheduled to 2016.

06. Transportation	\$2.9 million positive variance
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Transportation projects are managed by Engineering Services.

Capital expenditures in 2016 for Transportation projects are forecast to be \$2.9 million less than budget, primarily due to delays in planned expenditures for Phase 1 of the Georgia Dunsmuir Viaducts Removal arising from an extended timeline required for staffing resource coordination and vendor procurement. The lower than budgeted expenditures for the viaducts removal project are partially offset by higher than budgeted active transportation project expenditures in 2016 reflecting increased Council direction to deliver active transportation priorities in 2016, including the new downtown bike network expansion, an increase in scope to the Southwest Marine Drive bike lane project and a more complex, detailed design for the Oak Street & 7th Avenue intersection bike lane project.

07. Utilities and Public Works

\$3.6 million positive variance

Utilities and Public Works projects are managed by Engineering Services.

Capital expenditures in 2016 for Utilities and Public Works projects are forecast to be less than budget by \$3.6 million, primarily due to:

- a delay in Transfer Station improvements work arising from an adjustment to the work schedule to coordinate with Transfer Station ongoing operational needs;
- a revised schedule for Landfill and Transfer Scale Software Project work to reflect the expected timing of the related contract award and to coordinate with the Landfill branch schedule;
- a revised schedule for the Landfill Entrance Reconstruction project to reflect the expected timing of the related contract award;
- an acceleration of expenditures in 2015 for water distribution and transmission main replacement programs in order to minimize disruptions to local businesses, reducing the corresponding expenditures originally planned for 2016. The 2015 programs also included a significant number of high-cost, high-value projects, including coordinating with multi-branch projects, working with new materials (earthquake resistant pipe) and new construction methodologies (trenchless).

08. Equipment and Technology

\$6.3 million positive variance

Equipment and Technology projects are managed by Engineering Services and Information Technology departments.

Capital expenditures in 2016 for Equipment and Technology projects are forecast to be less than budget by \$6.3 million, reflecting project scheduling adjustments in several Information Technology projects:

- Some expenditures originally anticipated for 2016 for a software solution for Fleet Services have been deferred to Q1 2017 to accommodate anticipated additional time required for scoping and contract negotiations related to software procurement.

- Planned expenditures for 2016 for the Contract Lifecycle Management project have been delayed due to limited availability of staff earlier in the year and additional process analysis and planning being performed, delaying the software purchase and implementation phases of the project.
- Planned expenditures for 2016 for the Parking Enforcement Ticket Manager Platform project have been delayed due to limited availability of staff earlier in the year, delaying process analysis and scope planning, and consequently delaying the contract procurement phase of the project.
- Expenditures planned for 2016 for the Emergency Management Information System project have been delayed due to an extended timeline required for defining and finalizing the project scope, consequently delaying the contract procurement phase of the project.

In addition to these expenditure timing adjustments, some contingency costs expected in 2016 for the Permit & Licence Transformation Program are no longer anticipated, resulting in a lower 2016 expenditure for the program which is scheduled to be completed in Q4 2016.

These lower than planned expenditures for IT projects in 2016 are partially offset by a higher than planned expenditure in the year for the replacement of the City's fireboats. The fireboats were expected to be delivered before the end of 2015, but the delivery schedule has been revised to Q2 2016.

09. City-Wide	\$1.2 million negative variance
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This service category represents City-wide overhead costs relating to support of the City's capital program and funding for emerging priority capital projects. The overhead costs relating to Real Estate & Facilities Management (REFM) staff providing facilities planning support for the City's capital program were inadvertently omitted in the 2016 Capital Budget and corrected in the first quarter of 2016 (RTS 11307). The forecast negative variance represents 2016 expenditures for this overhead category and will be managed within the City's overall 2016 Annual Capital Expenditure Budget.

B. TOP 10 CAPITAL PROGRAMS/PROJECTS: 2016 Anticipated vs. Actual Outcomes
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Table 3 on the next page shows progress on outcomes related to the top 10 projects by 2016 Annual Capital Expenditure Budget. As shown in the table, we are currently on-track to deliver outcomes anticipated during development of the 2016 Budget for eight of the top 10 projects.

Two projects are currently expecting outcomes less than originally anticipated for 2016:

- Sewer Separation program (some priority projects for 2016 involve large-diameter trunk separations which require more expense and labour per kilometre than the more typical shallower and smaller diameter sewer separations)
- Dunsmuir Viaduct Removal Phase 1 project (timing of planned 2016 expenditures has been delayed due to additional time required for staffing resource coordination and vendor procurement)

Table 3 - Outcomes for Top 10 Projects and Programs in 2016 (\$ millions)

Program/Project	2016 Annual Expenditure Budget	2016 YTD Expenditures	2016 Total Expenditure Forecast	Forecast Variance	Anticipated Outcomes in 2016 (based on Original 2016 Expenditure Budget)	Anticipated Outcomes as of Q2 2016
Sewer separation (Annual program)	37.0	16.5	37.0	0.0	10 km of combined (stormwater and sanitary) sewer mains separated (1.1%)	<p>Not on track: 6.9 km to be delivered for 2016</p> <ul style="list-style-type: none"> • 2.92 km separated as of end of Q2 • Total kilometres to be delivered in 2016 now anticipated to be 6.9 km — lower than original budget because some priority projects for 2016 involve large-diameter trunk separations which require more expense and labour per kilometre than the more typical shallower and smaller diameter sewer separations. <p>Major planned projects include:</p> <ul style="list-style-type: none"> • City Crews: Burrard South 1.3 km, Burrard North 0.3 km, South West Marine 1.4 km, Pt Grey Rd 0.5 km • Contracted sewer separation 2.0 km
2014 Fire Truck Replacement	27.8	6.4	27.8	0.0	17 apparatus and 6 life support units replaced	On track.
2015-17 Burrard Bridge Upgrades	16.0	4.3	16.0	0.0	<ul style="list-style-type: none"> • 0.34 km of new AAA bike lane added • 0.75 km of new means prevention fence on the Burrard Bridge added • 0.75 km of electrical, street lighting and sidewalk rehabilitated • 0.34 km of partial road and sidewalk rehabilitated 	<p>On track.</p> <p>Construction began on time in March 2016, design of bridge and road proceeding on schedule. Prevention requirement and other scope changes have been contracted.</p>
Vehicles and equipment replacement (Annual program)	12.0	3.5	11.2	0.9	120 to 160 vehicles and equipment replaced	On Track.
Social Housing - SEFC Area 3B	12.0	4.5	12.0	0.0	Working drawings to be completed, excavation of the site, start construction of the building.	<p>On track.</p> <p>Excavation and foundation to be completed. Construction about 35% to 40% completion by end of 2016. Developer anticipates entire project to complete by March 2018.</p>
Branch Library (Total project budget \$18.4M)	11.0	2.0	9.8	1.2	Construction 100% complete	On track.
Water/sewer connections replacement (Annual program)	17.0	5.1	17.0	0.0	1,240 residential water and sewer connections replaced	<p>On track.</p> <p>There will be a quarterly installation information lag, due in part to administrative processes and street repairs which follow construction. 2015 Program 1,115 projects established. Approximately 845 paid for. 2016 Program 587 projects established. Approximately 125 paid for.</p>
Water pipe replacement (Annual program)	10.0	6.3	9.7	0.3	<ul style="list-style-type: none"> • 6.0 km of distribution water and sewer connections replaced (water distribution to homes, businesses, and industry) • 0.85 km of transmission water pipe replaced (transmission of bulk quantities of water throughout the City) 	<p>On track.</p> <p>Revised projected outcome for 2016 will be slightly lower at 5.51 km Water Pipe Replacement. Projected totals are distribution main replacement 4.7 km and transmission main replacement 0.81 km.</p> <p>As of the end of Q2:</p> <ul style="list-style-type: none"> • 2.25 km distribution water pipe constructed • 0.81 km of transmission water pipe constructed
Rehabilitation of major City roads (Annual program)	8.2	3.2	8.1	0.1	<ul style="list-style-type: none"> • 5 km of arterial MRN pavements rehabilitated • 3 km of arterial City pavements rehabilitated 	<p>On track.</p> <p>The West 10th, Blanca to Trimble (0.7 km) is complete and the Pender & Columbia intersection rehabilitation project (0.1 km) is nearing completion. Other projects that are commencing include the Burrard St (Cornwall - 17th) and the Beatty St projects.</p> <p>NOTE: The 3rd quarter generally has the most optimal/favourable weather conditions and as such major rehabilitation projects are scheduled for that quarter (i.e. program spending is not linear over the year).</p>

(continued on next page)

Table 3 - Outcomes for Top 10 Projects and Programs in 2016 (\$ millions)

Program/Project	2016 Annual Expenditure Budget	2016 YTD Expenditures	2016 Total Expenditure Forecast	Forecast Variance	Anticipated Outcomes in 2016 (based on Original 2016 Expenditure Budget)	Anticipated Outcomes as of Q2 2016
Georgia Dunsmuir Viaduct Removal Phase I	8.1	0.9	3.6	4.5	Year one of a two-year planning and consultation process to complete detailed planning, design, and the necessary agreements to advance removal of the viaducts and development of the remaining NEFC lands including areas 6C, 10C, and the future parks and open spaces.	Not on track. Timeline for retaining staff and procuring consulting services has been longer than originally planned. Completed preliminary environmental investigations on City land. Progressed terms of reference and agreements with key partners (e.g., landowners and third party utility providers).
Land acquisition in East Fraser Lands for non-market housing (Original 2016 budget \$8.1M)	4.7	0.0	4.7	0.0	Purchase of land to enable strategic partners (e.g., senior government, non-profit agencies) to deliver 300 units of affordable housing on City-owned land over the next three years.	On track. Discussion with developer is ongoing and the option payments for the various land parcels are now anticipated to be exercised in Q3.
Total	163.8	52.8	156.9	6.9		

C. MULTI-YEAR CAPITAL PROJECT EXPENDITURES vs. BUDGET

As of June 30, 2016, the active Multi-Year Capital Project Budgets for current open capital programs/projects totaled \$1.163 billion. As part of the quarterly adjustment and closeout process, additions to the Multi-Year Capital Project Budgets totaling \$54.0 million and closeouts totaling \$151.9 million were approved by Council July 26, 2016 (RTS 11303) for a revised total multi-year budget of \$1.065 billion.

D. 2015-2018 CAPITAL PLAN

The 2015-2018 Capital Plan was approved in October 2014 at \$1.085 billion (RTS 10507), and with subsequent Council approved changes, has a current total of \$1.186 billion covering projects across all City departments and agencies. As part of the quarterly adjustment and closeout process, a further increase of \$35.3 million to the Capital Plan was approved by Council July 26, 2016 (RTS 11303) in order to advance several priority capital projects at the Vancouver Landfill and to reflect updated forecast work volumes in residential and commercial construction-driven sewer and water connections, bringing the total 2015-2018 Capital Plan to \$1.221 billion.

E. RISKS AND OPPORTUNITIES

Given the longer-term timeframe for capital projects, forecast capital expenditures are subject to change as a result of City capital priorities shifting during the year or due to factors beyond the City's control, including for example:

- delays or acceleration in third-party contracted construction progress,
- unforeseen site conditions encountered in construction projects,
- resolution of factors external to the City, such as partnership funding commitments.

Opportunities to initiate or accelerate the timing of capital investment in the City's capital infrastructure may also arise as the City actively pursues funding contributions/participation from senior levels of government (e.g., Build Canada Fund, Community Works Fund) and private and community partnerships (e.g., BC Housing, developers).

CONCLUSION

OPERATING BUDGET:

The City recorded an Operating Budget surplus of \$9.9 million in Q2. The variances across the revenue and expenditure categories reflect a higher level of secondments and recoverable expenses relative to the second quarter budget, higher than budgeted demand for trade permit fees as well as variances in the timing of actual revenues and expenditures within the year compared to the second quarter budget.

Revenues and expenditures are each forecasted to be above their respective budget and the City is forecasting a balanced budget at year end after all reserve transfers and adjustments. The forecast reflects the financial results for the first six months of the year and a projection of revenues, expenditures and transfers for the remaining six months. The forecast includes an estimate of year-end transfers to reserves, including transfers relating to revenue stabilization, asset management, future capital facilities and infrastructure, utility rate stabilization, debt repayment, and deferred payroll costs to provide for the City's unfunded liability.

Actual results may differ from the forecast. Departments and Boards will continue to monitor their budgets carefully and to adjust expenditures accordingly to ensure a balanced year-end position.

CAPITAL BUDGET:

The City incurred \$184.9 million in capital expenditures during the first two quarters of 2016, representing 44% of the total 2016 Annual Capital Expenditure Budget of \$419.6 million. On July 26, 2016, Council approved adjustments of \$54.0 million to the 2016 capital budget, increasing the 2016 Annual Capital Expenditure Budget to \$443.4 million.
