

VanRIMS No.: 01-9000-20

## MEMORANDUM

November 16, 2015

**TO:** Mayor and Council

**CC:** Sadhu Johnston, Acting City Manager  
Paul Mochrie, Acting Deputy City Manager  
Janice MacKenzie, City Clerk  
Lynda Graves, Manager, Administration Services, City Manager's Office  
Rena Kendall-Craden, Director, Communications  
Mike Magee, Chief of Staff, Mayor's Office  
Kevin Quinlan, Deputy Chief of Staff, Mayor's Office  
Braeden Caley, Director, Policy and Communications, Mayor's Office  
Corporate Management Team

**FROM:** Patrice Impey, General Manager, Finance, Risk and Business Planning

**SUBJECT:** 2015 Operating and Capital Budget - 3<sup>rd</sup> Quarter Review

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Dear Mayor and Council,

The purpose of this memo is to provide Council with:

1. A review of the Q3 2015 Operating results and variances from the Q3 Operating Budget, as well as forecasts to 2015 year-end for revenues and expenditures, with identification of any significant variances from the 2015 Operating Budget.
2. A review of the Q3 2015 Capital expenditures by service category, as well as a review of the 2015 forecasted Capital expenditures by service category in comparison with the 2015 Annual Capital Expenditure Budget.

As the quarter financial report is for information only, it is provided quarterly to Council as a memo and is placed on the City of Vancouver external website at <http://vancouver.ca/your-government/financial-reports-and-information.aspx>

## **COUNCIL POLICY**

Council's standing instructions require that the Director of Finance report on the status of the Operating Budget as at September 30 each year. Since 2010, the Director of Finance has committed to report quarterly on the Operating Budget status, and beginning in 2011, to also report quarterly on the Capital Budget status. Council Policy regarding the Operating Budget, as per the Vancouver Charter, is to ensure a balanced operating budget.

### **A. Q3 2015 OPERATING BUDGET RESULTS AND FULL YEAR 2015 FORECAST**

#### **Operating Budget Summary**

The City recorded an Operating Budget surplus of \$20.7 million in Q3. The variances across the revenue and expenditure categories reflect a higher level of secondments and recoverable expenses vs budget, as well as variances in the timing of actual revenues and expenditures within the year compared to the quarter budget.

The City is forecasting a surplus of \$1.6 million for 2015 year end. The forecast is based on the first 9 months of the year and projects the remaining 3 months. The forecast includes an estimate of year end transfers to reserves and other funds primarily in the areas of debt, insurance and deferred payroll costs to provide for the City's unfunded liability.

City of Vancouver  
2015 Operating Budget  
3rd Quarter Review

2015 Operating Budget - Q3 and Full Year Forecast

\$ millions	Q3				2015 Full Year Forecast			
	Q3 Budget	Q3 Actuals	Q3 Variance	Q3 Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
<b>REVENUES</b>								
Property tax revenue	\$165.8	\$166.4	\$0.6	0.3%	\$693.4	\$694.9	\$1.6	0.2%
Utility revenue	\$56.3	\$56.3	(0.0)	(0.0%)	\$228.9	\$233.0	\$4.1	1.8%
Program revenue	\$16.7	\$16.4	(0.3)	(2.0%)	\$56.8	\$60.1	\$3.3	5.9%
License & Development fees	\$9.6	\$13.8	4.2	43.8%	\$55.3	\$57.4	\$2.1	3.8%
Parking revenue	\$14.6	\$15.4	0.9	5.9%	\$53.2	\$55.2	\$2.0	3.8%
Cost recoveries, grants & donations	\$11.1	\$15.2	4.2	37.9%	\$49.0	\$62.7	\$13.7	27.9%
Provincial revenue sharing	\$1.8	\$2.4	0.6	31.8%	\$21.7	\$21.7	\$0.0	0.0%
Investment income	\$5.0	\$5.7	0.6	12.9%	\$20.1	\$20.1	\$0.0	0.0%
Other revenue	\$7.2	\$11.9	4.7	65.6%	\$29.4	\$30.0	\$0.6	1.9%
Bylaw fines	\$4.1	\$4.4	0.3	8.0%	\$16.3	\$16.3	\$0.0	0.0%
<b>TOTAL REVENUES</b>	<b>\$292.1</b>	<b>\$307.8</b>	<b>\$15.7</b>	<b>5.4%</b>	<b>\$1,224.0</b>	<b>\$1,251.4</b>	<b>\$27.4</b>	<b>2.2%</b>
<b>EXPENDITURES &amp; TRANSFERS</b>								
Utilities	98.4	97.6	0.9	0.9%	272.7	277.3	(4.7)	(1.7%)
Engineering	19.7	20.2	(0.6)	(2.8%)	79.6	83.6	(4.0)	(5.1%)
Police Services	68.4	66.6	1.8	2.7%	273.6	280.6	(7.0)	(2.5%)
Fire & Rescue Services	27.9	26.8	1.2	4.2%	113.3	112.6	0.7	0.6%
Parks & Recreation	30.2	29.2	1.0	3.2%	113.2	114.1	(0.9)	(0.8%)
Library	11.3	11.2	0.1	0.6%	48.0	48.0	0.0	0.0%
Britannia	1.2	1.1	0.2	13.0%	5.0	5.0	0.0	0.0%
Civic Theatres	1.3	2.1	(0.8)	(57.1%)	7.4	9.0	(1.6)	(21.4%)
Community Services	9.6	10.5	(1.0)	(10.0%)	39.6	41.1	(1.5)	(3.9%)
Grants	5.0	5.0	(0.0)	(0.5%)	19.1	19.1	0.0	0.0%
Planning & Development	7.8	8.4	(0.6)	(7.7%)	31.0	32.2	(1.2)	(4.0%)
Mayor	0.3	0.3	0.0	4.8%	1.2	1.2	0.0	0.0%
Council	0.3	0.3	0.0	6.9%	1.3	1.3	0.0	0.0%
Corporate Services	21.0	21.6	(0.6)	(3.0%)	83.9	84.4	(0.4)	(0.5%)
General Government, Debt and transfers	4.6	1.2	3.4	73.5%	135.3	140.4	(5.2)	(3.8%)
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>\$307.1</b>	<b>\$302.1</b>	<b>\$5.0</b>	<b>1.6%</b>	<b>\$1,224.0</b>	<b>\$1,249.9</b>	<b>(\$25.8)</b>	<b>(2.1%)</b>
<b>SURPLUS (DEFICIT)</b>	<b>(\$14.9)</b>	<b>\$5.7</b>	<b>\$20.7</b>	<b>(138.4%)</b>	<b>\$0.0</b>	<b>\$1.6</b>	<b>\$1.6</b>	

## Revenues

Q3 revenues are higher than budget by \$15.7 million (5.4%). For the full year 2015, revenues are forecast to be higher than budget by \$27.4 million (2.2%) primarily due to cost recoveries which have offsetting related expenses, as well as higher than budgeted utility fee revenue, program revenue, and licence and development fees revenue.

Revenue highlights for Q3 and the full year forecast include:

- Higher Q3 revenues than budget from:
  - Property Tax above budget in Q3 primarily due to timing of supplementary rolls and appeal adjustment and Payments-in-lieu of taxes, a portion of which is transferred to reserve; forecasted to be above budget by \$1.6 million (0.2%) at year end.
  - Utility revenue on budget in Q3 and forecast to be above budget for year end, driven by:
    - Solid Waste Utility revenues higher than budget in Q3, forecasted to be \$1.0 million above budget at year end due to higher than estimated commercial waste disposal volume;
    - Sewer & Water Utility revenues below budget in Q3 due to the Metro Vancouver water restriction in place during the hot summer months; forecasted to be \$3.1 million above budget due to higher water consumption from the hot spring.
  - Program revenues below budget in Q3 and expected to be above budget by \$3.3 million at year end due to:
    - Parks program revenue below budget in Q3 due to program demand largely related to unfavourable September weather; forecast to be above budget by \$1.3 million at year end due to favourable summer weather;
    - Civic Theatres program revenue above budget due to increase in facility fee revenues, forecast to be above budget by \$1.4 million at year end;
  - Licence and Development fee revenue above budget in Q3 as a result of timing of revenues and higher than budgeted demand for trade permits; forecast to be above budget by \$2.1 million at year-end.
  - Parking revenue above budget in Q3 due to favorable weather; forecast to be above budget by \$2.0 million at year end.
  - Cost recoveries, grants, and donations above budget in Q3 and expected to be above budget by \$13.7 million at year end due to:
    - Police recoveries for seconded officers and work incurred on behalf of other agencies; forecast to be above budget by \$7.0 million at year end;
    - Fire cost recoveries from University Endowment Land, Squamish Fire and Heavy Urban Search & Rescue; forecast to be above budget by \$2.5 million
    - Engineering recoveries for street cuts and sustainability programs; forecast to be above budget by \$2.2 million at year end;
    - Engineering recoveries for ICBC Accident Recovery & Insurance Refunds from aged out vehicles to be above budget by \$0.6 million at year end;

- Community services recoveries primarily due to above budget provincial recoveries for Carnegie Centre reflecting higher activity level; forecast to be above budget by \$0.6 million at year end;
- Planning and Development recoveries related to development processing; forecast to be over budget by \$0.6 million at year end;
- Library recoveries above budget as the Provincial Interlink grant was received one quarter earlier than budgeted; forecast to be above budget by \$0.1 million at year end;
- Investment Income is above budget by \$0.6 million in Q3, due to higher than forecasted investment balances; forecast to be on budget at year end;
- Other Revenue above budget in Q3 primarily due to timing of Translink recoveries, which are forecast to be on budget at year end.

## Expenditures and Transfers

Expenditures and transfers are higher than budgeted by \$5.0 million (1.6%) in Q3. For the full year 2015, expenditures and transfers are forecast to be higher than budget by \$25.8 million (2.1%) primarily due to higher costs related to revenue generation and recoverable expenditures, including secondments and other 3<sup>rd</sup> party funded activities. The following are highlights of areas where spending exceeded budget and where increased expenses are offset by increased revenue, this is noted:

- Over budget Q3 expenditures and transfers:
  - Utilities:
    - Water and Sewer Utilities under budget in Q3 due to the Metro Vancouver water restriction in place during the hot summer months. However, with the higher consumption level in the first half of the year, the year end is still forecast to be over budget by \$4.7 million at year end.
  - Police: Under budget in Q3 due to timing of actual benefit expenses vs. the budget seasonalization; forecast to be over budget at year end by \$7.0 million due to expenses fully offset by secondment recoveries;
  - Parks: Under budget expenses in Q3 due to timing of expenditures and savings in natural gas. The favourable summer weather was a driver of higher than budgeted activity, giving an opportunity to add to the weather stabilization reserve used to manage revenues shifts related to weather year on year, and an opportunity to transfer to loan reserves to pay back outstanding capital loans given the strong performance; expenditure forecast to be over budget by \$0.9 million at year end.
  - Fire: Under budget expenses in Q3 due to timing of uniform purchase; forecast to be under budget by \$0.7 million at year end due to timing of Heavy Urban Search & Rescue.
  - Community Services: Over budget in Q3 by \$1 million, of which \$0.2 million related to spending on program enhancements at Carnegie Centre, funded by provincial recoveries; \$0.3 million due to unbudgeted public art contributions offset by contributions from developers; \$0.1 million is due to higher Mountain View Cemetery costs offset by higher revenues, and \$0.4 million is due to timing of expenses that will be on budget by year end. Community Services is forecast to be over budget by \$1.5 million at year end;
  - Engineering: Over budget in Q3 due to development funded activities as well as increased demand for street cleaning; forecast to be over budget by \$4.0 million at

- year end related to recoverable expenses and by \$1.0 million related to a higher spend projected in street cleaning to meet demand.
- Civic Theatres: over budget in Q3, and forecast to be over budget by \$1.6 million at year end due to \$1.4 million costs offset by program revenues, and \$0.2 million due to unforeseen one-time restructuring costs.
  - Corporate Services: forecasted to be over budget by \$0.4 million at year end related to 311 service demand and unbudgeted costs in the second quarter of 2015 associated with the City's emergency response to English Bay Oil Spill and Port Metro fire events. The City is seeking to recover costs from provincial and/or federal programs; however there is a risk that some costs may be deemed ineligible for recovery;
  - Planning and Development: over budget by \$0.6 million in Q3 and forecasted to be over budget by \$1.2 million at year end, recoverable through revenue and reflecting increased activity in planning and development.
  - General Government, Debt, and Transfers: 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 \$5.2 million at year end reflecting these higher reserves.

### Risks

- Changes in economic outlook. While development revenues and trades permit revenue show a favorable trend to budget providing an opportunity for stronger than anticipated revenues for the remainder of the year, these revenues are sensitive to changes in the economic cycle.
- Continued pressure on the Canadian dollar exchange rate as interest rate forecasts are adjusted. This impacts procurement costs, primarily for capital items.

The 2015 year end forecast reflects the financial results for the first 9 months of the year and a projection of revenue, expenditures and transfers for the remaining 3 months. General Managers will continue to closely monitor revenue trends and manage expenditures over the following 3 months to ensure a balanced year end position.

## **B. Q3 2015 ANNUAL CAPITAL EXPENDITURE BUDGET RESULTS AND FULL YEAR 2015 FORECAST**

This memo comments on the 2015 Capital Expenditure Budget and expenditure results as of September 30, 2015 and does not reflect budget adjustments approved by Council subsequent to the close of the third quarter.

While the Operating Budget is built to reflect 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 expenditure budget) and a total project basis (multi-year project expenditures vs. multi-year project budgets).

On March 3, 2015, Council approved a 2015 Annual Capital Expenditure Budget of \$306.0 million. Council subsequently approved net additions totaling \$5.8 million through the quarterly capital budget adjustment process, for a current 2015 Annual Capital Expenditure Budget of \$311.8 million.

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 done on a regular basis, and where timing of projects are advanced or delayed, budgets are recommended for adjustment. Budget adjustments are generally managed within the total overall Capital Expenditure Budget, whereby additions to the budget are offset by corresponding reductions in budgets elsewhere in the overall Capital Expenditure Budget. With the exception of emergency situations, expenditures are not permitted until the corresponding expenditure budget or increase to the expenditure budget is approved by Council.

### **i. Q3 2015 Capital Expenditures and Year-End Forecast vs 2015 Annual Capital Expenditure Budget**

#### **Capital Budget Summary:**

Total 2015 capital expenditures to the end of Q3 were \$158.3 million (\$96.0 million to the end of Q2), representing 51% of the 2015 Annual Capital Expenditure Budget of \$311.8 million. Forecasted total capital expenditures for 2015 are projected to be \$261.1 million, or \$50.6 million (16%) less than the 2015 Annual Capital Expenditure Budget.

Table 2 provides a summary of the 2015 Quarter 3 capital expenditures as well as forecasted annual expenditures by service category compared to the 2015 Annual Capital Expenditure Budget as of September 30, 2015.

Table 2 - Q3 2015 Annual Capital Budget Results By Service Category (\$000's)

Service Category 1	Service Category 2	2015 Expenditure Budget	2015 YTD Expenditures	2015 Total Expenditure Forecast	Expected Variance
<b>01. Housing</b>	A. Non-Market Rental Housing	61,302	21,736	48,038	13,264
<b>01. Housing Total</b>		<b>61,302</b>	<b>21,736</b>	<b>48,038</b>	<b>13,264</b>
<b>02. Childcare</b>	A. Daycare & Preschool (0-4 Yrs)	1,605	419	1,157	448
	B. Before & After School Care (5-12 Yrs)	1,150	(18)	925	225
<b>02. Childcare Total</b>		<b>2,755</b>	<b>401</b>	<b>2,082</b>	<b>673</b>
<b>03. Parks, Open Spaces and Recreation</b>	A. Urban Forest and Natural Features	2,005	1,071	1,800	204
	B. Activity Features	4,858	2,378	4,029	829
	C. New Parks and Renewals	8,837	3,906	6,548	2,289
	D. Seawall and Waterfront	1,280	163	598	682
	E. Park Infrastructure	371	156	1,190	(819)
	F. Park Buildings	2,121	702	1,636	485
	G. Public Art	1,380	63	242	1,138
	H. Recreation Facilities	8,435	3,396	7,858	577
	I. Entertainment and Exhibition	2,052	411	1,583	469
<b>03. Parks, Open Spaces and Recreation Total</b>		<b>31,339</b>	<b>12,246</b>	<b>25,484</b>	<b>5,855</b>
<b>04. Community Facilities</b>	A. Libraries and Archives	8,281	3,196	5,524	2,757
	B. Social Facilities	6,503	2,675	4,897	1,606
	C. Cultural Facilities	13,233	6,799	11,255	1,978
<b>04. Community Facilities Total</b>		<b>28,017</b>	<b>12,670</b>	<b>21,676</b>	<b>6,341</b>
<b>05. Civic Facilities</b>	A. Police	1,631	283	1,282	349
	B. Fire	3,076	862	2,395	681
	C. Animal Control	160	5	92	68
	D. Administrative Facilities	6,319	2,444	4,070	2,249
	E. Service Yards	2,709	795	2,371	338
<b>05. Civic Facilities Total</b>		<b>13,895</b>	<b>4,389</b>	<b>10,210</b>	<b>3,686</b>
<b>06. Transportation</b>	A. Walking and Cycling	8,898	5,203	7,873	1,025
	B. Transit	2,123	618	968	1,154
	C. Major Roads	21,195	14,813	19,955	1,240
	D. Local Roads	5,060	3,131	5,245	(185)
	E. Parking	950	64	283	667
<b>06. Transportation Total</b>		<b>38,226</b>	<b>23,829</b>	<b>34,325</b>	<b>3,901</b>
<b>07. Utilities and Public Works</b>	A. Waterworks	13,749	11,115	12,915	834
	B. Sewers	25,223	17,410	25,209	14
	C. Solid Waste	6,624	1,631	3,394	3,230
	D. Neighbourhood Energy	2,595	1,408	2,330	265
	E. Water and Sewer Connections	25,913	20,508	26,092	(179)
<b>07. Utilities and Public Works Total</b>		<b>74,105</b>	<b>52,071</b>	<b>69,940</b>	<b>4,165</b>
<b>08. Equipment and Technology</b>	A. Vehicles and Equipment	30,972	14,859	24,302	6,670
	B. Information Technology	26,793	13,240	20,702	6,091
<b>08. Equipment and Technology Total</b>		<b>57,766</b>	<b>28,099</b>	<b>45,004</b>	<b>12,762</b>
<b>09. City-Wide</b>	C. City-Wide Overhead	4,361	2,896	4,361	(0)
<b>09. City-Wide Total</b>		<b>4,361</b>	<b>2,896</b>	<b>4,361</b>	<b>(0)</b>
<b>Grand Total</b>		<b>311,766</b>	<b>158,337</b>	<b>261,118</b>	<b>50,647</b>

Explanations for projected variances to the annual capital budget by service category are:

<b>01. Housing</b>	<b>\$13.3 million positive variance</b>
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Housing projects are managed by Real Estate & Facilities Management and Housing Policy & Projects.

2015 annual capital expenditures on Housing projects are anticipated to be \$13.3 million under budget primarily due to the timing of planned acquisitions of land for housing purposes and the opportunistic nature of land purchases. Opportunities to acquire suitable properties have been fewer than anticipated when the 2015 expenditure budget was established, shifting the expected acquisitions to 2016. The variance also reflects delays in grant



disbursements planned for 2015 but now expected in 2016 due to delays in grant recipients completing grant conditions.

## **02. Child Care**

**\$0.7 million positive variance**

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

2015 expenditures on Child Care projects are anticipated to be \$0.7 million under budget in 2015, primarily due to a slower than anticipated uptake by schools in the VSB (Vancouver School Board) Community Partnership grant program, the Little Mountain child care project work being placed on hold pending finalization of the Little Mountain neighbourhood redevelopment plan, and the cancellation of child care work planned for Marpole Place as the location has now been determined to be unsuitable for a child care facility (building is located on a designated commercial truck route).

## **03. Parks, Open Spaces and Recreation**

**\$5.9 million positive variance**

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

2015 forecast capital expenditures on Parks, Open Spaces and Recreation projects are anticipated to be under budget by approximately \$5.9 million, reflecting a number of positive budget variances arising from delays or deferrals in the start-up of several projects:

- Construction tendering for Riley Park & Hillcrest Park Renewal project originally planned for January 2015 was delayed to June 2015 due to the unforeseen absence of key staff;
- Planned 2015 expenditures for the New Public Art Installations program were delayed as a result of a longer than anticipated timeline for Park Board approval of sculptural artwork at Hastings Park;
- Construction of a planned new skate park has been delayed as the public engagement process to determine the location is requiring more time than originally anticipated.
- Upgrades to a retaining wall at Empire Fields required more time than originally planned for project scoping and procurement.

These positive expenditure variances are partially offset by negative expenditure variances relating to the acquisition of land acquired for new park development in Q2 and an acceleration of the 2015 work timeline for upgrades to the Stanley Park electrical distribution system. Due to the opportunistic nature of land purchases, the land acquisition expenditure had not been included in the 2015 Annual Capital Expenditure Budget and therefore created a negative budget variance.

## **04. Community Facilities**

**\$6.3 million positive 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.

2015 annual capital expenditures on Community Facilities projects are anticipated to be under budget by \$6.3 million primarily due to a delay in the construction of the new Strathcona Branch Library, a delay in the start of renovation work for the Green House at the Vancouver East Cultural Centre, and delays in the planned disbursement of several capital grants. Soil and encroachment issues were discovered earlier in the year during excavation for the new Strathcona Branch Library building foundation, which delayed the construction schedule. Construction is now forecast to be 30% complete in 2015, instead of the 75%-80% originally anticipated, and the project is now scheduled to be complete in summer 2016. Project planning for the Green House renovations has required more time than originally estimated, shifting the start of construction to 2016. Finally, several grant disbursements planned for 2015 are now expected to shift to 2016 due to delays in recipient organizations satisfying grant conditions (e.g., securing matching funding).

#### **05. Civic Facilities**

**\$3.7 million positive variance**

Civic Facilities projects are managed by Real Estate & Facilities Management, Vancouver Fire and Rescue Services, Vancouver Police Department, Parks and Recreation, and Engineering Services.

2015 expenditures on Civic Facilities capital projects are expected to be \$3.7 million under budget, primarily due to delays in seismic upgrade work for the City Hall West Annex and the rescheduling of deconstruction of the City Hall East Annex from 2015 to 2016, both requiring more time than originally estimated for project planning, scoping, and costing. Some office renovations planned for 2015 at Vancouver Police Department headquarters have also been delayed to 2016 due to a longer timeframe required for prioritizing proposed renovation projects. In addition, work planned for 2015 for the replacement of fuel tanks at Manitoba Yard has been delayed to 2016 pending completion of project planning and a site assessment.

#### **06. Transportation**

**\$3.9 million positive variance**

Transportation projects are managed by Engineering Services.

2015 expenditures on Transportation capital projects are expected to be \$3.9 million under budget, primarily due to:

- The planned sale of residual land from the Powell Street Overpass project in 2015; land was purchased as part of the project with the understanding that a portion would be sold at the end of the project. Revenue from the surplus land sale will create a net positive variance against the 2015 expenditure budget due to timing of the sale.
- Seaside Greenway and York Bikeway project is forecast to be below the 2015 expenditure budget due to an extended timeline required for stakeholder engagement.
- Replacement of the ferry dock at the Vancouver Aquatic Centre planned for 2015 has been rescheduled for 2016/2017.
- Water Street road rehabilitation project planned for 2015 has been delayed in order to complete a Gastown Transportation Study to identify related potential transportation network improvements, and to schedule construction after Gastown's 150 year anniversary celebration in 2017.

**07. Utilities and Public Works****\$4.2 million positive variance**

Utilities and Public Works projects are managed by Engineering Services.

2015 expenditures on Utilities and Public Works capital projects are anticipated to be \$4.2 million under budget in 2015, primarily due to delays in several Vancouver Landfill projects:

- Transfer Station improvements work planned for 2015 has been delayed into 2016 due to an extended timeframe required for project design.
- Preliminary work planned for 2015 on the reconstruction of the landfill entrance was delayed to allow for consultation with impacted business, local cranberry farms, as well as consideration of input from the Ministry of Transportation and Infrastructure (MOTI) and FortisBC.
- The award of the construction contract for work relating to the Phase 3 closure of the Landfill was delayed in 2015 to allow for additional time required for scoping and costing.

**08. Equipment and Technology****\$12.8 million positive variance**

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

2015 expenditures on Equipment and Technology projects are anticipated to be \$12.8 million under budget in 2015, primarily due to a shift in the timing of planned expenditures from 2015 to 2016, including:

- Replacement of two bulldozers at the Vancouver Landfill planned for 2015 delayed to 2016 as finalization of operational requirements required more time than originally anticipated.
- Purchases of four CNG rear-loading refuse trucks are currently on hold due to vendor design issues with previously delivered units. Vendor is working to resolve issues and anticipates delivery of these vehicles in 2016.
- Light duty, medium duty, and truck body equipment contracts planned for 2015 have taken 3-4 months longer than anticipated to execute, delaying units being ordered and delivered.
- Deliveries of fire trucks originally planned for 2015 delayed into 2016 due to an extended timeline that was required for finalizing vehicle specifications and awarding the contract.
- Some contingency and consultant costs that had been anticipated for 2015 for the Permit & Licence Transformation Program are no longer expected to be required.

**ii. Progress on Top 10 Projects and Programs in 2015**

The table below shows progress on outcomes related to the top 10 projects by 2015 Annual Capital Expenditure Budget. As shown in the table, we are currently on track to deliver outcomes anticipated during development of the 2015 Budget for four of the top 10 projects. Six projects are now expecting outcomes less than originally anticipated for 2015 reflecting changes in priorities or in the timing of planned expenditures.

**Table 3 - Progress on Top 10 Projects and Programs in 2015 (\$ millions)**

Program/Project	2015 Annual Expenditure Budget	2015 YTD Expenditures	2015 Total Expenditure Forecast	Expected Variance	Anticipated Outcomes in 2015 (based on original 2015 Expenditure Budget)	Anticipated Outcomes at end of Q3 2015
Vehicles and equipment replacement (Annual program) (Original 2015 budget \$25.95M)	25.76	12.92	19.43	6.33	250 vehicles and pieces of equipment replaced	On Track. Expecting to be slightly lower than target by 7 units from the overall projection of 250 units.
Sewer separation (Annual program) (Original 2015 budget \$25.8M)	21.63	15.09	22.31	-0.69	11.5 km of combined (stormwater and sanitary) sewer mains separated (1.1%)	Not on Track. Anticipated 2015 outcome expected to be approximately 7.2 km to be delivered by 3 City crews and contracted benchmarking projects. Work on Trunk Sewers required more work and time resulting in a higher cost per km. Trunks are larger, require more excavation and backfill, and take longer to construct. They are also typically located in areas with poor ground conditions, adding to the cost of the work.
Land acquisition for new non-market housing (Original 2015 budget \$20.0M)	18.22	11.49	13.29	4.93	Purchase of land as opportunities arise, as well as site remediation where appropriate, to enable strategic partners (e.g., senior government, non-profit agencies) to deliver 750 units of affordable housing on City-owned land over the next 4 years	Not on Track. The City is expecting to spend \$13.3 million on land acquisitions in 2015, which will enable the delivery of 750 affordable housing units by 2018. Opportunities to acquire suitable properties have been fewer than anticipated when the 2015 expenditure budget was established.
Affordable rental housing on City-owned land	19.87	0.00	19.87	0.00	Delivery of 358 units of affordable housing by 2018 on City-owned land through agreements with Community Housing Land Trust Foundation	On Track. The Land Trust lease has been signed and the payment of \$19.87 million to the Property Endowment Fund (PEF) is imminent.
Water pipe replacement (Annual program) (Original 2015 budget \$12.5M)	12.37	10.42	11.68	0.69	<ul style="list-style-type: none"> <li>• 6.5 km of distribution water pipe replaced (water distribution to homes, businesses, and industry)</li> <li>• 1.5 km of transmission water pipe replaced (transmission of bulk quantities of water throughout the City)</li> </ul>	Not on Track. <ul style="list-style-type: none"> <li>• 6.2 km of distribution water pipe replaced at a slightly higher cost per km.</li> <li>• 0.65 km of transmission mains to be constructed by end of year. Less transmission main work in 2015 due to planned Pender Street project being deferred to 2016 to accommodate Coast Mountain trolley wire move and a request from the local business association to avoid interfering with a scheduled street celebration.</li> </ul>
Water/sewer connections replacement (Annual program) (Original 2015 budget \$11.2M)	18.12	13.21	17.24	0.88	<ul style="list-style-type: none"> <li>• 1,200 residential water and sewer connections replaced</li> <li>• 100 commercial sewer connections replaced</li> <li>• 200 commercial water connections replaced</li> </ul>	On Track. The number of connections replaced is directly related to development and are only completed after a permit fee is paid and the developer is ready. The anticipated outcome is based on an average replacement rate and 2015 will be close to the average. As of the end of the third quarter: <ol style="list-style-type: none"> <li>1) 814 residential connection were completed</li> <li>2) 73 sewer commercial connections were completed</li> <li>3) 120 water commercial connections were completed</li> </ol>
Rehabilitation of major City roads (Annual program) (Original 2015 budget \$8.97M)	8.80	5.41	8.85	-0.06	10.2 km of arterial City pavements rehabilitated	Not on Track. Now expected to complete 7.7 km of full-width pavement rehabilitation in 2015 due to reduced overall capacity of the rehabilitation program for the year. The 2015 workplan was also altered to include more partial rehab projects where the outcome/metric is not defined as full rehabilitation kms.
Land acquisition in East Fraser Lands for non-market housing	8.10	0.00	0.00	8.10	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 4 years	Not on Track. The payment of the City option price for a targeted land acquisition is now anticipated for Q1 2016 and will form part of the purchase price for 300 turn-key affordable housing units by 2018.

(Table continued on next page)

Table 3 - Progress on Top 10 Projects and Programs in 2015 (\$ millions)						
Program/Project	2015 Annual Expenditure Budget	2015 YTD Expenditures	2015 Total Expenditure Forecast	Expected Variance	Anticipated Outcomes in 2015 (based on original 2015 Expenditure Budget)	Anticipated Outcomes at end of Q3 2015
Permit and Licence Transformation Program (Total project budget \$26.0M, including completed phase for Online Services Implementation) (Original 2015 budget \$7.69M)	7.51	3.86	5.90	1.60	<ul style="list-style-type: none"> <li>Expansion of online permit self-service capabilities</li> <li>Expansion of mobile online field inspections capability</li> </ul>	<p><b>On Track.</b></p> <ul style="list-style-type: none"> <li>Continued expansion of online permit self-service capabilities. Over 65% of all trades permits are now processed online, resulting in an approximate 60% decrease of in-person traffic. Additional permits implemented during the quarter include alternate solutions, occupancy, special inspections, building grades, signs and awnings, street use, street crossing, and building site crossing.</li> <li>Additional permits to be deployed in the fourth quarter include sewer, water, fire, and tree. At this point approximately 55% of the approximate 182,000 permits, licenses, and approvals issued by the city are processed online. Mobile online field inspections capability has expanded to include engineering, with over 80% of trades inspections now being processed with mobile field devices.</li> </ul>
Strathcona Branch Library (Total project budget \$18.4M) (Original 2015 budget \$7.07M)	6.57	1.74	3.70	2.87	Construction 75%-80% complete	<p><b>Not on Track.</b></p> <p>Soil conditions and encroachment issue in January have delayed the construction work anticipated for 2015. As of now 30% complete.</p>
<b>Total</b>	<b>146.94</b>	<b>74.15</b>	<b>122.28</b>	<b>46.45</b>		

**iii. Multi-Year Capital Expenditures versus Multi-Year Capital Projects Budget**

As of September 30, 2015, the active Multi-Year Capital Projects Budget for current open capital programs/projects totaled \$1,020.9 million. As part of the quarterly adjustment and closeout process, additions to the Multi-Year Capital Projects Budget totaling \$1.1 million and closeouts totaling \$39.9 million were approved by Council November 3, 2015 (RTS 10897) for a revised total multi-year budget of \$982.1 million.

## **CONCLUSION**

### **OPERATING BUDGET:**

The City recorded an Operating Budget surplus of \$20.7 million in Q3. The variances across the revenue and expenditure & transfer categories reflect a higher level of secondments and recoverable expenses vs budget as well as the timing and seasonality differences between budgeted revenues and expenditures & transfers for the year and the actuals incurred to date.

The City is currently forecasting an Operating Budget surplus of \$1.6 million for 2015 year end. The forecast reflects the financial results for the first nine months of the year and a projection of revenue, expenditures and transfers for the remaining 3 months. 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:**

As of September 30, 2015, the City of Vancouver incurred \$158.3 million in capital expenditures for 2015 (51% of the 2015 Annual Capital Expenditure Budget) and is projecting to spend a total of \$261.1 million by the end of 2015, representing a positive spend variance of \$50.6 million (16%) against a 2015 expenditure budget of \$311.8 million.

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