

## MEMORANDUM

May 23, 2017

### 2017 FIRST QUARTER REVIEW - OPERATING AND CAPITAL BUDGETS

#### EXECUTIVE SUMMARY

##### OPERATING BUDGET

Revenues and expenditures are each forecast to be above their respective budget and the City is forecasting a balanced budget at year end after all reserve transfers and adjustments. As of March 31, 2017, revenues are above their respective Q1 year-to-date budgets, primarily due to higher than budgeted trade permit fees and higher cost recoveries with offsetting expenditures. Expenditures are below their respective Q1 year-to-date budget, primarily due to lower than planned street cleaning activity as a result of redeployment of street cleaning staff to salting and snow removal in January and February, as well as the differences in the timing of actual revenues and expenditures in Q1 compared to the Q1 budget. In February, Council authorized an increase to the City's 2017 operating budget if required, by up to \$9.4 million for costs related to the January and February snow events and up to \$1.2 million for costs arising from missed solid waste collections during these snow events, for costs that cannot be absorbed in the current operating budget over the remainder of the year. Commentary on variances between full-year forecast actuals and corresponding budgets in specific categories of revenues and expenditures are provided in the body of this review report.

2017 Operating Budget - Year-to-Date and Full Year Forecast								
in \$ millions	Year-to-Date				2017 Full Year Forecast			
	Budget	Actuals	Variance \$	Variance %	Budget	Forecast	Variance \$	Variance %
TOTAL REVENUES	\$313.2	\$321.8	\$8.6	2.7%	\$1,322.9	\$1,333.1	\$10.2	0.8%
TOTAL EXPENDITURES & TRANSFERS	\$257.3	\$253.9	\$3.5	1.3%	\$1,322.9	\$1,333.1	(\$10.2)	(0.8%)
TOTAL	\$55.9	\$67.9	\$12.0	21.6%	\$0.0	\$0.0	\$0.0	

NOTE: Totals may not add due to rounding.

##### CAPITAL BUDGET

Capital expenditures to the end of the first quarter of 2017 were \$52.5 million, representing 11% of the total 2017 Annual Capital Expenditure Budget of \$485.5 million. As of March 31, 2017, total expenditures for the year are forecast to be \$466.9 million, or 96% of the Capital Expenditure Budget. The City is currently on-track to deliver planned outcomes for eight of the top ten projects in the 2017 Expenditure Budget. Outcomes for the Sewer Main Replacement/Separation program and bikeways and greenways (Active Transportation Corridors program) have changed from what was originally planned. The Oakridge Trunk

sewer separation project has now been split into a two-phase approach over 2017 and 2018, and some Active Transportation projects have been reprioritized in order to provide resourcing to support conceptual design work for the Arbutus Greenway project. Commentary on variances between full-year forecast actuals and corresponding budgets in specific service categories are provided in the body of this review report.

2017 Annual Capital Expenditure Budget – Year-to-Date and Full Year Forecast (\$ millions)					
Service Category	2017 Budget	Year-to-Date Actuals	2017 Full Year Forecast		
			Forecast Expenditures	Variance \$	Variance %
HOUSING	\$80.1	\$7.9	\$64.7	\$15.3	19.1%
CHILDCARE	14.7	0.9	12.5	2.2	15.0%
PARKS, OPEN SPACES AND RECREATION	46.9	5.6	44.3	2.7	5.7%
COMMUNITY FACILITIES	32.3	3.3	32.0	0.3	0.8%
CIVIC FACILITIES	28.8	3.9	29.8	(1.0)	(3.5%)
TRANSPORTATION	108.4	12.5	114.1	(5.6)	(5.2%)
UTILITIES	125.9	14.9	120.3	5.6	4.5%
EQUIPMENT AND TECHNOLOGY	41.6	2.4	42.4	(0.9)	(2.1%)
CITY-WIDE	6.7	1.1	6.7	0.0	0.0%
<b>TOTAL</b>	<b>\$485.5</b>	<b>\$52.5</b>	<b>\$466.9</b>	<b>\$18.6</b>	<b>3.8%</b>

NOTE: Totals may not add due to rounding.

## OPERATING BUDGET

Since 2010, the Director of Finance has committed to reporting 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. Q1 YTD 2017 OPERATING BUDGET RESULTS AND FULL YEAR 2017 FORECAST

While still early in the year, this First Quarter year-to-date review provides an indication of the City’s financial direction for the year and the identification of any significant variances from the 2017 Operating Budget.

The City recorded an Operating Budget surplus of \$12.0 million for the first quarter of 2017. The variances in the revenue categories reflect higher than budgeted trade permit fees and higher than budgeted cost recoveries which have offsetting related expenses, while the variances in the expenditure categories reflect lower than budgeted expenditures in street cleaning in the first quarter as a result of the redeployment of street cleaning staff to salting and snow removal activities, as well as the timing of actual revenues and expenditures within the year compared to the timing reflected in the first quarter budget. The lower than budgeted expenditures in street cleaning in the first quarter are expected to be reprioritized and spent by year-end.

In February, Council authorized an increase to the City’s 2017 operating budget if required, by up to \$9.4 million for costs related to the January and February snow events and up to \$1.2 million for costs arising from missed solid waste collections during these snow events, for costs that cannot be absorbed in the current operating budget over the remainder of the year.

Overall, the City is forecasting the Operating Budget to be balanced for 2017 year-end. The forecast reflects the financial results for the first three months of the year and a projection of revenues, expenditures and transfers for the remaining nine 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 shows the 2017 Operating Budget revenue and expenditures, year-to-date variances and full year forecasts.

Table 1	2017 Operating Budget - Year-to-Date and Full Year Forecast							
	Year-to-date				2017 Full Year Forecast			
\$ millions	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
<b>REVENUES</b>								
Property tax revenue	\$181.3	\$180.4	(\$0.9)	(0.5%)	\$752.5	\$752.7	\$0.1	0.0%
Utility revenue	\$51.0	\$52.7	\$1.7	3.3%	\$256.0	\$257.1	\$1.1	0.4%
Program revenue	\$12.2	\$12.3	\$0.1	0.8%	\$63.5	\$65.2	\$1.7	2.7%
License & Development fees	\$26.0	\$29.4	\$3.3	12.7%	\$60.8	\$64.0	\$3.1	5.1%
Parking revenue	\$14.0	\$14.3	\$0.4	2.6%	\$59.9	\$59.9	\$0.1	0.1%
Cost recoveries, grants & donations	\$10.1	\$12.5	\$2.4	23.3%	\$45.8	\$52.4	\$6.6	14.4%
Provincial revenue sharing	\$1.8	\$1.8	\$0.0	0.0%	\$21.7	\$21.7	\$0.0	0.0%
Investment income	\$4.3	\$3.8	(\$0.5)	(11.5%)	\$13.8	\$11.1	(\$2.7)	(19.5%)
Other revenue	\$7.6	\$9.7	\$2.2	28.8%	\$29.3	\$29.5	\$0.2	0.8%
Bylaw fines	\$5.0	\$5.0	(\$0.0)	(0.9%)	\$19.5	\$19.5	\$0.0	0.0%
<b>TOTAL REVENUES</b>	<b>\$313.2</b>	<b>\$321.8</b>	<b>\$8.6</b>	<b>2.7%</b>	<b>\$1,322.9</b>	<b>\$1,333.1</b>	<b>\$10.2</b>	<b>0.8%</b>
<b>EXPENDITURES &amp; TRANSFERS</b>								
Utilities	34.9	34.4	0.4	1.2%	293.8	294.8	(1.1)	(0.4%)
Engineering	20.0	17.5	2.5	12.7%	85.2	85.6	(0.4)	(0.5%)
Police Services	73.0	74.0	(1.0)	(1.4%)	289.5	295.5	(5.9)	(2.0%)
Fire & Rescue Services	30.3	31.4	(1.1)	(3.6%)	122.3	122.3	0.0	0.0%
Parks & Recreation	26.6	25.2	1.5	5.6%	118.8	118.8	0.0	0.0%
Library	12.8	12.7	0.1	1.1%	49.9	49.9	0.0	0.0%
Britannia	1.1	1.2	(0.0)	(3.4%)	5.1	5.1	0.0	0.3%
Civic Theatres	2.7	2.8	(0.0)	(1.7%)	11.0	11.2	(0.1)	(1.2%)
Community Services	8.3	8.7	(0.4)	(4.5%)	32.9	34.2	(1.2)	(3.8%)
Grants	3.3	3.7	(0.4)	(10.7%)	19.7	19.7	(0.0)	(0.1%)
Development, Buildings & Licensing	7.7	7.6	0.1	1.8%	31.3	31.3	0.0	0.0%
Planning, Urban Design & Sustainability	3.9	3.9	(0.0)	(0.8%)	17.0	17.9	(1.0)	(5.7%)
Mayor	0.3	0.3	0.1	16.8%	1.3	1.3	0.0	0.0%
Council	0.4	0.4	0.0	5.3%	1.7	1.7	0.0	0.0%
Corporate Services	23.3	22.3	1.0	4.4%	89.9	90.4	(0.5)	(0.6%)
General Government, Debt and transfers	8.5	7.9	0.6	6.7%	153.5	153.5	0.0	0.0%
<b>TOTAL EXPENDITURES &amp;</b>	<b>\$257.3</b>	<b>\$253.9</b>	<b>\$3.5</b>	<b>1.3%</b>	<b>\$1,322.9</b>	<b>\$1,333.1</b>	<b>(\$10.2)</b>	<b>(0.8%)</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$55.9</b>	<b>\$67.9</b>	<b>\$12.0</b>	<b>21.6%</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	

NOTE: Totals may not add due to rounding.

**Revenue highlights for Q1 Year-to-Date and the full year forecast by revenue category include:**

<b>01. Property Tax Revenue</b>	<b>Forecast to be on budget</b>
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Property Tax revenue is above budget for Q1 YTD and forecast to be on budget for the year. The revenues are above budget in Q1 YTD due to the timing of the original budget revenues relative to the actual revenues, primarily in supplementary rolls, appeal adjustments and Payment-in-lieu of taxes, of which a portion is transferred to reserve.

<b>02. Utility Revenue</b>	<b>Forecast \$1.1 million above budget</b>
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Utility Revenue is above budget by \$1.7 million for Q1 YTD and forecast to be above budget by \$1.1 million for the year:

- Water Utility revenues are above budget in Q1 due to higher than budgeted metered revenues and metered service charges primarily due to the higher than budgeted addition of new meters as a result of higher development activity. The overall Water Utility is forecast to be above budget by \$0.3 million at year end.
- Sewer Utility revenues were above budget in metered revenue in Q1. The overall 2017 Sewer Utility is forecast to be above budget by \$0.1 million at year end.
- Solid Waste Utility revenues are above budget in Q1 primarily due to a Q1 accounting error that will be adjusted in Q2 and from higher than expected disposal site tonnage to the Vancouver Landfill. The overall Solid Waste Utility is forecast to be above budget by \$0.5 million at year end reflecting an expected continuation of these higher volumes of disposal site tonnage.
- Neighbourhood Energy Utility revenues are higher than budget for Q1 and are forecast to be above budget by \$0.2 million for the year, reflecting the colder than expected weather in the early part of the year.

<b>03. Program Revenue</b>	<b>Forecast \$1.7 million above budget</b>
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Police Services program revenues are above budget for Q1 YTD by \$0.3 million and forecast to be \$0.6 million above budget for the year, primarily due to a higher than anticipated volume of record checks, search fees and external training course fees.

Greater than anticipated cemetery fees at Mountain View Cemetery has contributed to Q1 revenues being above budget by \$0.1 million and are forecast to above budget by \$0.2 million for the year.

Civic Theatres revenues are above budget by \$0.1 million for Q1 due to the timing of scheduled theatre events relative to the timing that had been estimated in the budget. Revenues for Civic Theatres are forecast to be \$0.2 million above budget for the year, reflecting an anticipated overall increase in show bookings and Food & Beverage sales.

Parks program revenues are below budget by \$0.9 million for Q1, primarily as a result of snow-related reduced recreation centre admission revenues and golf green fee revenues. Parks program revenues are forecast to be above budget for the year, however, as revenues are expected to recover as the weather improves into spring and summer.

#### **04. License & Development Fees**

**Forecast \$3.1 million above budget**

License and Development Fee revenues are above budget for Q1 YTD primarily due to the timing of revenues relative to the Q1 budget and higher than budgeted demand for trade permit applications as a result of an increased volume in construction activity. Revenues for License and Development Fees are forecast to be above budget by \$3.1 million for the year, reflecting an anticipated continued higher than budgeted demand for trade permit applications.

#### **05. Cost Recoveries and Grants**

**Forecast \$6.6 million above budget**

Cost recoveries, grants and donations are above budget by \$2.4 million for Q1 YTD, and are forecast to be above budget by \$6.6 million for the year, driven by several factors:

- Police Services cost recoveries for seconded officers and work incurred on behalf of other agencies are forecast to be above budget by \$5.0 million for the year, attributable to a higher than expected demand for these services.
- Community Services recoveries are forecast to be above budget by \$0.2 million for the year, primarily due to recoveries from senior governments for local immigration and Downtown Eastside (DTES) outreach programs, and provincial recoveries relating to Carnegie Centre.
- Planning & Urban Design recoveries from developer projects are forecast to be above budget by \$0.9 million for the year (e.g., St. Paul's Hospital, Oakridge Transfer Centre Bus Barn, Little Mountain Redevelopment).
- Corporate Services recoveries are forecast to be above budget by \$0.5 million for the year, primarily reflecting an unbudgeted funding contribution received from the Federal government in Q1 toward the Canada 150 celebration.
- Sustainability recoveries are forecast to be above budget by \$0.1 million for the year, as a result of unbudgeted recoveries from Metro Vancouver for a Green Building Strategy Energy advisor to support the Greenest City Action Plan.
- Engineering cost recoveries for third-party requested street cuts (e.g., hydro, gas, telecommunications utility installations) are forecast to be below budget by \$0.6 million for the year, reflecting lower than expected activity for the year as a result of the January and February snow events.

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

**06. Investment Income****Forecast \$2.7 million below budget**

Investment Income is below budget by \$0.5 million for Q1 YTD as a result of interest rates trending lower than had been anticipated at the time the budget was developed. The forecast for the year is for investment income to be below budget by \$2.7 million.

**07. Other Income****Forecast to be \$0.2 million above budget**

Other Income is above budget for Q1 YTD primarily due to greater than anticipated developer public art contributions in Community Services (offset by higher related transfers to public art reserves) and greater than anticipated civic rental income. The forecast for the year is for Other Income to be above budget by \$0.2 million.

***Expenditures and Transfer highlights for Q1 Year-to-Date and the full year forecast by department include:***

**01. Utilities****Forecast \$1.1 million over budget**

Utility expenditures are under budget for Q1 YTD and are forecast to be over budget by \$1.1 million for the year:

- Water Utility expenditures are under budget for Q1 YTD primarily due to the timing of water conservation program expenditures and the timing of invoice and payroll costs. The overall forecast is to be over budget by \$0.3 million at year end, reflecting a higher year-end transfer to the reserve as a result of higher revenues as noted in the comments for Utility Revenue above, partially offset by higher than expected water main maintenance costs due to repairs required for a couple of major water main breaks that occurred in January.
- Sewer Utility expenditures are under budget for Q1 YTD primarily due to the timing of invoice and payroll costs, and the timing of staff hiring. The overall forecast is to be over budget by \$0.1 million at year end, reflecting a higher year-end transfer to the reserve as a result of higher revenues as noted in the comments for Utility Revenue above.
- Solid Waste Utility expenditures are over budget for Q1 YTD due to increased staffing levels at the landfill required to deal with an increase in the volume of Metro transfer waste and unforeseen equipment repairs required in Q1 for some landfill heavy equipment. The overall forecast for Solid Waste Utility is to be over budget by \$0.5 million at year-end, reflecting reflecting a lower year-end transfer to the reserve due to the higher staffing costs associated with the anticipated continued higher tonnage going to the landfill.
- Neighbourhood Energy Utility expenditures are forecast to be over budget by \$0.2 million for the year due to higher than expected natural gas costs resulting from the colder than anticipated weather in the early part of the year.

**02. Engineering****Forecast \$0.4 million over budget**

Engineering expenditures are under budget for Q1 YTD, primarily due to underspending in street cuts and infrastructure maintenance as a result of reallocating crew resources to the snow management response in January and February. These under-budget expenditures are due to timing and expected to be reprioritized and spent by year-end. The overall forecast for Engineering expenditures is to be over budget by \$0.4 million for the year, reflecting increased plan review staffing costs relating to TELUS Project Falcon with offsetting License & Development fee revenues.

**03. Fire****Forecast to be on budget**

Fire expenditures are over budget for Q1 YTD, primarily due to higher than budgeted labour-related expenditures. These expenditures will be monitored carefully over the remaining months of the year.

**04. Parks****Forecast to be on budget**

Parks expenditures are under budget for Q1 YTD, primarily due to snow-related impacts resulting in lower expenditures on recreation activities labour, supplies, and materials and fully offset by volume decreases in recreation centre admission revenues and golf green fee revenues. A weather stabilization reserve for managing revenue shifts related to adverse weather is also available to help offset parks expenditures affected by weather-related revenue instability, as set out in the City's reserves policy.

The overall forecast for Parks expenditures is to be on budget for the year.

**05. Corporate Services****Forecast \$0.5 million over budget**

Corporate Services transfers to reserve are forecast to be over budget by \$0.5 million for the year, primarily reflecting unbudgeted funds received from the Federal government in Q1 toward the Canada 150 celebration and transferred to the Cultural tourism reserve.

**06. Police Services****Forecast \$5.9 million over budget**

Police Services expenditures are over budget for Q1 YTD and are forecast to be over budget by \$5.9 million for the year primarily due to higher expenditures anticipated for increased salary costs relating to a higher than budgeted number of recruits and higher than budgeted overtime costs. These higher expenditures, however, are expected to be fully offset by cost recoveries and additional fee and donation revenue.

Higher expenditures are also anticipated for travel and training costs and professional fees, offset by related recoveries.

**07. Civic Theatres****Forecast \$0.1 million over budget**

Civic Theatres expenditures are forecast to be \$0.1 million over budget for the year, but fully offset by an overall forecast increase in revenues from show bookings and Food & Beverage sales.

**08. Community Services****Forecast \$1.2 million over budget**

Community Services expenditures are over budget by \$0.4 million for Q1 YTD and are forecast to be \$1.2 million over budget for the year, primarily due to higher than budgeted expenditures in the Local Immigration Partnership, DTES Outreach, and 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 Mountain View Cemetery supplies and equipment in order to generate increased revenues.

**09. Grants****Forecast to be on budget**

Grants expenditures are over budget by \$0.4 million for Q1 YTD, reflecting the timing of the grant disbursements relative to the timing anticipated in the Q1 YTD budget. Grant expenditures are forecast to be on budget for the year.

**10. Planning, Urban Design & Sustainability****Forecast \$1.0 million over budget**

Planning, Urban Design & Sustainability expenditures are forecast to be over budget by \$1.0 million for 2017, of which \$0.9 million is recoverable from developer projects (e.g., St. Paul's Hospital, Oakridge Transfer Centre Bus Barn, Little Mountain Redevelopment) and \$0.1 million of unbudgeted costs for the Green Building Strategy Energy advisor to support the Greenest City Action Plan in Sustainability are fully offset by above-budget cost recoveries from Metro Vancouver.

**11. General Government, Debt and Transfers****Forecast to be on budget**

General Government expenditures are under budget by \$0.6 for Q1 YTD, primarily due to the timing of staff hiring, secondments and vacancies in the Business Planning & Project Support division.

General Government expenditures, debt and transfers are forecast to be on budget for the year.

**B. RISKS AND OPPORTUNITIES**

**Forecast risk arising from changes in economic outlook:** While realized development revenues and trade permit revenues show a favourable trend to budget suggesting an opportunity for stronger than anticipated revenues for the remainder of the year, these revenues are sensitive to changes in the economic cycle and any forecasting or planning associated with these potential increased revenues must be considered carefully and monitored over time.



## 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 13, 2016, Council approved the 2017 Capital Budget, including a 2017 Annual Capital Expenditure Budget of \$485.5 million. This report reflects first quarter performance against the 2017 Annual Capital Expenditure Budget as of March 31, 2017 and does not include adjustments to the Annual Expenditure Budget approved by Council subsequent to the end of the first quarter (RTS 11830, approved May 2, 2017).

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 forecasts are made. Capital expenditure budgets are generally managed within the overall department Capital Expenditure Budget or, if necessary, within the overall total Citywide Capital Expenditure Budget, whereby additions to individual project capital expenditure forecasts required as a result of a change in project scheduling or a procurement event, for example, are offset by corresponding reductions in project expenditure forecasts elsewhere within the overall department Capital Expenditure Budget or reductions in project expenditure forecasts for other projects within the overall total Citywide Capital Expenditure Budget.

This report on first 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. 2017 CAPITAL EXPENDITURES vs. 2017 CAPITAL BUDGET by Service Category

Capital expenditures to the end of the first quarter of 2017 were \$52.5 million, representing 11% of the total 2017 Annual Capital Expenditure Budget of \$485.5 million. Expenditures for the year are forecast to be \$466.9 million, or 96% of the Capital Expenditure Budget.

Table 2 summarizes the 2017 Capital Expenditure Budget variances by major service category.

**Table 2 - Q1 2017 Annual Capital Budget Results By Service Category (\$'000's)**

<b>Service Category 1</b>	<b>2017 Expenditure Budget</b>	<b>2017 YTD Expenditures</b>	<b>2017 Total Expenditure Forecast</b>	<b>Forecast Variance</b>
01. Housing	80,057	7,896	64,738	15,318
02. Childcare	14,711	933	12,502	2,209
03. Parks, Open Spaces and Recreation	46,942	5,622	44,268	2,673
04. Community Facilities	32,317	3,263	32,048	269
05. Civic Facilities	28,844	3,888	29,844	(1,000)
06. Transportation	108,420	12,507	114,062	(5,643)
07. Utilities	125,945	14,914	120,303	5,643
08. Equipment and Technology	41,559	2,387	42,419	(860)
09. City-Wide	6,696	1,133	6,696	0
<b>Grand Total</b>	<b>485,491</b>	<b>52,543</b>	<b>466,880</b>	<b>18,611</b>

*Explanations for variances between total forecast 2017 expenditures as of March 31 and the 2017 Annual Capital Expenditure Budget by service category follow:*

**01. Housing Forecast \$15.3 million below budget**

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

As of March 31, capital expenditures for Housing projects in 2017 were forecast to be \$15.3 million below budget, primarily due to a longer than anticipated timeline required for several major Vancouver Affordable Housing Agency (VAHA) projects currently underway, as well as the timing of several supportive housing grant disbursements that were budgeted for 2017 but are now expected in 2018.

**02. Child Care Forecast \$2.2 million below budget**

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

As of March 31, capital expenditures for Child Care projects in 2017 were forecast to be \$2.2 million below budget, primarily due to a change in timing of planned child care expenditures that occurred subsequent to the development of the 2017 expenditure budget, relating to a late-2016 approval of a third child care facility partnership project with the Vancouver School Board.

**03. Parks, Open Spaces and Recreation Forecast \$2.7 million below budget**

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

As of March 31, capital expenditures for Parks, Open Spaces and Recreation projects in 2017 were forecast to be overall \$2.7 million below budget, primarily reflecting a shift in the timing from 2017 to 2018 for major expenditures planned for Stanley Park seawall repairs. The original construction contract tendering results were less favourable than anticipated and therefore the contract is being retendered in two phases, with work extending into 2018. This reduction in planned expenditures for 2017 for the seawall repairs is partially offset by higher than planned expenditures in 2017 relating to some construction work for the Vancouver Art Gallery north plaza that had been deferred from the originally planned 2016 timing to 2017 in order to accommodate special events occurring at the site in the third quarter of 2016.

<b>04. Community Facilities</b>	<b>Forecast \$0.3 million below budget</b>
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Community Facilities projects are managed by various departments within the City including Real Estate & Facilities Management; Community Services; Planning, Urban Design and Sustainability; Development Services, Buildings, and Licensing; and Vancouver Public Library.

As of March 31, capital expenditures for Community Facility projects in 2017 were forecast to be below budget by \$0.3 million primarily due a later than planned start of construction for the expansion of Central Library to levels 8 and 9 to replace formerly leased office space. The construction contract award for this work was approved by Council in March 2017.

<b>05. Civic Facilities</b>	<b>Forecast \$1.0 million above budget</b>
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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.

As of March 31, capital expenditures in 2017 for Civic Facilities projects were forecast to be \$1.0 million above budget, primarily due to higher than planned expenditures for the deconstruction of the City Hall East Annex relating to unforeseen unfavourable site conditions encountered during the course of the deconstruction.

<b>06. Transportation</b>	<b>Forecast \$5.6 million above budget</b>
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Transportation projects are managed by Engineering Services.

As of March 31, capital expenditures in 2017 for Transportation projects were forecast to be \$5.6 million above budget, primarily relating to expenditures for the replacement of marine fenders for the Burrard Bridge approved in February 2017 and additional scope identified for the Georgia Dunsmuir viaducts removal project work in Northeast False Creek, including project advisory services and property negotiation support.

<b>07. Utilities and Public Works</b>	<b>Forecast \$5.6 million below budget</b>
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Utilities and Public Works projects are managed by Engineering Services.

As of March 31, capital expenditures in 2017 for Utilities and Public Works projects were forecast to be below budget by \$5.6 million, primarily due to:

- a revised timeline for gas flare replacement at the Vancouver Landfill reflecting additional time required to review and finalize proposed flare design options, shifting expenditures that had been planned for 2017 out to 2018;
- favourable construction contract tenders for landfill closure projects (Phase 3 Southeast; Western 40 Hectares) resulting in 2017 expenditures being less than originally expected at the time the 2017 expenditure budget was developed.

<b>08. Equipment and Technology</b>	<b>Forecast \$0.9 million above budget</b>
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Equipment and Technology projects are managed by Engineering Services and Information Technology departments.

As of March 31, capital expenditures in 2017 for Equipment and Technology projects were forecast to be above budget by \$0.9 million, primarily reflecting software expenditures required in 2017 for the implementation of the Empty Homes Tax program. These expenditures represent an emerging priority identified subsequent to the approval of the 2017 Capital Expenditure Budget in December 2016.

<b>09. City-Wide</b>	<b>Forecast to be on budget</b>
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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. As of March 31, capital expenditures in 2017 for City-wide overhead costs are forecast to be on budget.

<b>B. TOP 10 CAPITAL PROGRAMS/PROJECTS: 2017 Anticipated vs. Actual Outcomes</b>
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Table 3 below summarizes the progress on outcomes related to the top 10 projects by expenditure budget in the overall 2017 Annual Capital Expenditure Budget. As indicated in the table, eight of the projects are currently on track to deliver outcomes anticipated during development of the 2017 Budget.

Two projects are currently expecting outcomes less than originally anticipated for 2017:

- Sewer main replacement program (the Oakridge trunk sewer separation project has now been split into a two-phase approach, to be completed over 2017 and 2018)
- Bikeways and greenways (some Active Transportation projects that had been planned for 2017 have been reprioritized in order to support conceptual design work for the priority Arbutus Greenway project).

**Table 3 - Outcomes for Top 10 Projects and Programs in 2017 (\$ millions)**

Program/Project	2017 Annual Expenditure Budget (REVISED)	2017 YTD Expenditures	2017 Total Expenditure Forecast	Forecast Variance	Anticipated Outcomes for 2017 (based on original 2017 Expenditure Budget)	Anticipated Outcomes as of Q1 2017
Sewer main replacement (Annual program)	31.5	3.5	31.5	0.0	5.8 km of combined (stormwater and sanitary) sewer mains separated (1.1%).	Not on Track: Oakridge Trunk project to be split into two phases, extending into 2018. Anticipated outcomes for 2017 for the Oakridge Trunk project was planned at 1.4 km; current projection is approximately 0.7 km.
Capital to support Vancouver Affordable Housing Agency (VAHA) projects	25.8	0.6	25.8	0.0	Completion of planning & design phases for 12 VAHA affordable housing projects (approximately 1,270 units).	On Track: Approximately \$24 million will be used to secure land for future non-market rental housing and the remaining will be used to assist with interim soft costs.
Social housing in Southeast False Creek Area 3B	19.0	6.8	19.0	0.0	Project in construction phase, anticipated 80% completion by end of 2017.	On Track: Construction proceeds as planned, concrete 80% complete, building envelope 25% complete.
Vehicles and equipment replacement (Annual program) (Original 2017 budget \$18.8M)	18.5	-0.3	18.5	0.0	160 to 180 vehicles & equipment replaced	On Track
Burrard Bridge upgrades (Original 2017 budget \$17.7M)	18.4	3.0	18.4	0.0	<ul style="list-style-type: none"> <li>• 0.75 km of new means prevention fence on the Burrard Bridge (east side)</li> <li>• 0.75 km of electrical, street lighting and sidewalk rehabilitated (east side)</li> <li>• 0.40 km of new AAA bike lane</li> <li>• 0.08 km of new marked bike lane</li> <li>• 0.34 km of pavement and sidewalk rehabilitated</li> <li>• 0.34 km of upgraded (LED) street lights</li> <li>• "Fully protected" intersection for pedestrians/cyclists at Burrard and Pacific</li> <li>• 4 upgraded traffic signals</li> <li>• Upgraded bus passenger facilities at 2 bus stops</li> </ul>	On Track
Bikeways and greenways (Original 2017 budget \$17.4M)	13.8	1.0	15.6	-1.8	The 2017 program will be focused on new and improved walking and cycling infrastructure including: <ul style="list-style-type: none"> <li>(i) 10th Avenue Bikeway AAA Upgrade through Hospital Precinct;</li> <li>(ii) Adanac Bikeway Improvements;</li> <li>(iii) Safety Improvements following the upcoming safety study;</li> <li>(iv) Schools, pedestrian/public realm spot improvements, and other misc. community transportation planning improvements;</li> <li>(v) Transportation Network Changes associated with 800 Robson Plaza Improvements;</li> <li>(vi) Rail Corridor improvements; and</li> <li>(vii) Studies leading towards future capital improvements, such as Commercial Drive Complete Street and Gastown Improvements</li> </ul>	Not on Track: Planned projects within the Active Transportation Corridors and Spot Improvement program have been reprioritized to provide resourcing to support Arbutus Greenway Project Conceptual Design work. Variance reflects higher than budgeted costs for detailed design and refined cost estimates for the Active Transportation component of the SW Marine Drive project.

(table continued on next page)

Table 3 - Outcomes for Top 10 Projects and Programs in 2017 (\$ millions)

Program/Project	2017 Annual Expenditure Budget (REVISED)	2017 YTD Expenditures	2017 Total Expenditure Forecast	Forecast Variance	Anticipated Outcomes for 2017 (based on original 2017 Expenditure Budget)	Anticipated Outcomes as of Q1 2017
Acquiring land for affordable housing	16.3	0.0	18.2	-1.9	<i>Purchase of land to enable strategic partners (e.g., senior government, non-profit agencies) to deliver 500 units of affordable housing on City-owned land over the next five years.</i>	<i>On Track: Funding to be used to secure land for future non-market rental housing.</i>
Georgia/Dunsmuir Viaduct Removal Phase I Planning	15.3	1.5	19.0	-3.7	<i>Completion of all technical work to support a Council presentation for the NEFC project by end-2017 to provide the necessary information to determine whether the project can proceed into construction.</i>	<i>On track Project team is scheduled to provide recommendation to Council by the end of the year and the design consultant has been attained. Forecast variance reflects additional scope proposed as part of an acceleration in project timeline to be presented to Council in June.</i>
Vancouver Landfill Phase 3 Southeast closure	15.2	0.0	13.5	1.7	<i>Approximately 13 hectares will be closed. Additional gas works will assist in reaching/maintaining the Ministry of Environment's target of 75%.</i>	<i>On Track: Contractor bid received indicates costs to deliver 13 hectares will be less than initially budgeted.</i>
Vancouver Landfill Western 40 Hectare closure	15.0	0.1	13.0	2.0	<i>Approximately 13 hectares will be closed in 2017 (out of 40 hectares for entire project), and additional gas work will be constructed.</i>	<i>On Track: Contractor bid received indicates costs to deliver 13 hectares will be less than initially budgeted.</i>
<b>Total</b>	<b>188.8</b>	<b>16.4</b>	<b>192.5</b>	<b>-3.7</b>		

## C. MULTI-YEAR CAPITAL PROJECT EXPENDITURES vs. BUDGET

As of March 31, 2017, the active Multi-Year Capital Project Budgets for current open capital programs/projects totaled \$1.374 billion. As part of the quarterly adjustment and closeout process, additions to the Multi-Year Capital Project Budgets totaling \$4.9 million and closeouts totaling \$1.6 million were approved by Council May 2, 2017 (RTS 11830) for a revised total multi-year budget of \$1.377 billion.

## D. 2015-2018 CAPITAL PLAN

The 2015-2018 Capital Plan was approved in October 2014 at \$1.085 billion (RTS 10507), and as of March 31, 2017 with subsequent Council approved changes, has a current total of \$1.333 billion covering projects across all City departments and agencies. As part of the quarterly adjustment and closeout process, a further increase of \$1.9 million to the Capital Plan was approved by Council May 2, 2017 (RTS 11830), bringing the total 2015-2018 Capital Plan to \$1.335 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 as a result of 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 \$12.0 million in YTD Q1. The variances across the revenue and expenditure categories reflect a higher level of secondments and recoverable expenses relative to the first quarter budget, higher than budgeted trade permit fees as well as differences in the timing of actual revenues and expenditures within the year compared to the first quarter budget.

Revenues and expenditures are each forecast to be above their respective budgets 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 three months of the year and a projection of revenues, expenditures and transfers for the remaining nine 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 \$52.5 million in capital expenditures during the first quarter of 2017, representing 11% of the total 2017 Annual Capital Expenditure Budget of \$485.5 million. Expenditures for the year are forecast to be \$466.9 million, or 96% of the Capital Expenditure Budget.

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