

November 10, 2017

2017 THIRD 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 September 30, 2017, revenues and expenditures are above their respective Q3 year-to-date budgets, primarily due to higher than budgeted trade permit fees and higher cost recoveries with offsetting expenditures, as well as the differences in the timing of actual revenues and expenditures in Q3 compared to the Q3 budget. 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								
\$ millions	Year-to-date				2017 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
TOTAL REVENUES	\$1,027.3	\$1,066.2	\$38.8	3.8%	\$1,325.6	\$1,353.7	\$28.1	2.1%
TOTAL EXPENDITURES & TRANSFERS	\$897.6	\$919.7	(\$22.1)	(2.5%)	\$1,325.6	\$1,353.7	(\$28.1)	(2.1%)
SURPLUS (DEFICIT)	\$129.7	\$146.5	\$16.8	12.9%	\$0.0	\$0.0	\$0.0	

NOTE: Totals may not add due to rounding.

CAPITAL BUDGET

Capital expenditures to the end of the third quarter of 2017 were \$241.5 million, representing 50% of the total 2017 Annual Capital Expenditure Budget of \$485.5 million. As of September 30, 2017, total expenditures for the year are forecast to be \$397.3 million, or 82% of the Capital Expenditure Budget. The City is currently on-track to deliver planned outcomes for five of the top ten projects in the 2017 Expenditure Budget. Anticipated outcomes for the Sewer Main Replacement/Separation program, Capital Support for Vancouver Affordable Housing Agency projects, the Bikeways and Greenways program, and the Vancouver Landfill Phase 3 Southeast Closure and Western 40 Hectare Closure projects have changed from what was originally planned as a result of scope changes and timing required for materials and contract procurement. 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	\$77.9	\$37.8	\$59.0	\$18.9	24.2%
CHILDCARE	11.5	3.3	6.4	5.1	44.2%
PARKS, OPEN SPACES AND RECREATION	50.2	21.9	42.8	7.3	14.6%
COMMUNITY FACILITIES	32.4	12.2	22.8	9.6	29.7%
CIVIC FACILITIES	29.9	12.0	23.2	6.6	22.1%
TRANSPORTATION	113.6	66.1	93.2	20.3	17.9%
UTILITIES AND PUBLIC WORKS	120.8	68.0	106.3	14.5	12.0%
EQUIPMENT AND TECHNOLOGY	41.9	15.4	36.2	5.6	13.5%
CITY-WIDE	7.5	4.8	7.3	0.2	2.3%
TOTAL	\$485.5	\$241.5	\$397.3	\$88.2	18.2%

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. Q3 YTD 2017 OPERATING BUDGET RESULTS AND FULL YEAR 2017 FORECAST

Reflecting results for the first nine months of the year, this third quarter report 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 \$16.8 million for the first three quarters of 2017. The variances in the revenue categories primarily 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 primarily higher than budgeted expenditures in Police Services and Fire & Rescue Services as a result of the timing of actual expenditures compared to the timing of cost recoveries. These higher expenditures, however, are expected to be offset by cost recoveries by the end 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 nine months of the year and a projection of revenues, expenditures and transfers for the remaining three 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.

\$ millions	Year-to-date				2017 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
REVENUES								
Property tax revenue	\$577.4	\$578.0	\$0.7	0.1%	\$752.5	\$752.8	\$0.2	0.0%
Utility revenue	\$202.1	\$206.2	\$4.1	2.0%	\$256.0	\$259.8	\$3.8	1.5%
Program revenue	\$44.7	\$48.0	\$3.3	7.3%	\$60.0	\$63.1	\$3.2	5.3%
License & Development fees	\$50.8	\$59.2	\$8.3	16.4%	\$60.5	\$64.9	\$4.4	7.3%
Parking revenue	\$46.4	\$49.1	\$2.7	5.9%	\$59.9	\$61.0	\$1.1	1.8%
Cost recoveries, grants & donations	\$33.9	\$46.3	\$12.4	36.5%	\$48.5	\$62.4	\$13.9	28.6%
Provincial revenue sharing	\$19.9	\$18.5	(\$1.3)	(6.7%)	\$21.7	\$20.3	(\$1.3)	(6.2%)
Investment income	\$12.1	\$11.2	(\$0.9)	(7.2%)	\$13.8	\$12.0	(\$1.8)	(12.8%)
Other revenue	\$25.5	\$33.2	\$7.7	30.3%	\$33.2	\$37.1	\$4.0	12.0%
Bylaw fines	\$14.6	\$16.4	\$1.8	12.6%	\$19.5	\$20.2	\$0.7	3.7%
TOTAL REVENUES	\$1,027.3	\$1,066.2	\$38.8	3.8%	\$1,325.6	\$1,353.7	\$28.1	2.1%
EXPENDITURES & TRANSFERS								
Utilities	192.2	195.1	(2.9)	(1.5%)	293.8	297.5	(3.7)	(1.3%)
Engineering	63.7	61.8	1.8	2.9%	85.6	84.2	1.4	1.6%
Police Services	217.1	226.7	(9.6)	(4.4%)	289.6	301.0	(11.4)	(3.9%)
Fire & Rescue Services	95.4	98.4	(3.1)	(3.2%)	126.4	130.2	(3.8)	(3.0%)
Parks & Recreation	89.2	87.5	1.7	1.9%	119.2	118.7	0.5	0.4%
Library	38.8	38.4	0.5	1.2%	51.3	50.7	0.5	1.1%
Britannia	3.7	3.6	0.1	2.4%	5.1	5.2	(0.0)	(0.7%)
Civic Theatres	8.1	8.9	(0.8)	(10.4%)	11.1	11.8	(0.8)	(6.9%)
Community Services	25.0	27.5	(2.6)	(10.3%)	32.3	36.5	(4.2)	(13.0%)
Grants	18.1	18.8	(0.7)	(3.7%)	20.7	20.7	(0.0)	(0.0%)
Development, Buildings & Licensing	23.3	23.6	(0.3)	(1.4%)	32.8	32.9	(0.1)	(0.2%)
Planning, Urban Design & Sustainability	13.3	13.9	(0.6)	(4.4%)	17.3	18.7	(1.4)	(8.3%)
Mayor	1.0	0.9	0.1	10.5%	1.3	1.2	0.1	11.4%
Council	1.3	1.2	0.1	7.1%	1.7	1.7	(0.0)	(0.0%)
Corporate Services	71.3	71.5	(0.2)	(0.2%)	94.3	94.7	(0.4)	(0.4%)
General Government, Debt and transfers	36.3	41.8	(5.5)	(15.2%)	143.1	148.0	(4.9)	(3.4%)
TOTAL EXPENDITURES & TRANSFERS	\$897.6	\$919.7	(\$22.1)	(2.5%)	\$1,325.6	\$1,353.7	(\$28.1)	(2.1%)
SURPLUS (DEFICIT)	\$129.7	\$146.5	\$16.8	12.9%	\$0.0	\$0.0	\$0.0	

NOTE: Totals may not add due to rounding.

Revenue highlights for Q3 Year-to-Date and the full year forecast by revenue category include:

01. Property Tax Revenue	Forecast \$0.2 million above budget
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Property Tax revenue is above budget in Q3 YTD due to the seasonalization of original budget revenues relative to the actual revenues, primarily in supplementary rolls, appeal adjustments and payments-in-lieu-of-taxes, of which a portion is transferred to reserve. The year-end forecast is above budget due to higher than budgeted penalties on late taxes.

02. Utility Revenue	Forecast \$3.8 million above budget
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Utility Revenue is above budget by \$4.1 million for Q3 YTD and forecast to be above budget by \$3.8 million for the year:

- Water Utility revenues are above budget in Q3 due to higher than budgeted flat 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 \$2.3 million at year-end.
- Sewer Utility revenues are above budget in Q3 due to higher than budgeted metered water consumption from March to September and higher flat revenues due to higher than budgeted average rate for flat-rate properties. The overall Sewer Utility is forecast to be above budget by \$1.0 million at year-end
- Neighborhood Energy Utility revenues are higher than budget for Q3 and are forecast to be above budget by \$0.4 million for the year, reflecting the colder than expected weather in the early part of the year.

03. Program Revenue	Forecast \$3.2 million above budget
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Police Services program revenues are above budget for Q3 YTD by \$0.8 million and forecast to be \$1.0 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 Q3 YTD revenues being above budget by \$0.5 million and are forecast to be above budget by \$0.7 million for the year.

Civic Theatres revenues are above budget by \$0.4 million for Q3 YTD due to timing of scheduled theatre events relative to the timing that had been estimated in the budget. Revenues for Civic Theatres are forecast to be \$0.8 million above budget for the year, reflecting an anticipated overall increase in show bookings and Food & Beverage sales.

Parks program revenues are above budget by \$0.7 million for Q3 YTD, primarily as a result of higher golf revenues due to improved summer weather; the above budget park program revenues are expected to continue to the end of the year.

04. License & Development Fees	Forecast \$4.4 million above budget
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License and Development Fee revenues are above budget for Q3 YTD primarily due to the timing of revenues relative to the Q3 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 \$4.4 million for the year, reflecting an anticipated continued higher than budgeted demand for trade permit applications.

05. Cost Recoveries, Grants, and Donations	Forecast \$13.9 million above budget
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Cost recoveries, grants, and donations are above budget by \$12.4 million for Q3 YTD, and are forecast to be above budget by \$13.9 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 \$10.1 million for the year, attributable to a higher than expected demand for these services.
- Fire & Rescue Services recoveries are forecast to be above budget by \$2.5 million for the year, primarily due to \$2.0 million federal Heavy Urban Search and Rescue (HUSAR) funding received.
- Planning & Urban Design recoveries from developer projects are forecast to be above budget by \$1.4 million for the year (e.g., St. Paul's Hospital, Oakridge Transit Centre, Little Mountain, Langara Gardens and Pearson Dogwood Site).
- Engineering cost recoveries for third-party requested street cuts (e.g., hydro, gas, telecommunications utility installations) are forecast to be below budget by \$0.4 million for the year, reflecting lower than expected activity for the year as a result of the January and February snow events.
- Community Services recoveries are forecast to be above budget by \$0.5 million for the year, primarily due to recoveries from senior governments for local immigration and winter shelters.

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

06. Investment Income	Forecast \$1.8 million below budget
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Investment Income is below budget by \$0.9 million for Q3 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 \$1.8 million.

07. Other Revenue	Forecast \$4.0 million above budget
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Other Revenue is above budget for Q3 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 Revenue to be above budget by \$4.0 million.

Expenditures and Transfer highlights for Q3 Year-to-Date and the full year forecast by department include:

01. Utilities	Forecast \$3.7 million over budget
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Utility expenditures are over budget for Q3 YTD and are forecast to be over budget by \$3.7 million for the year:

- Water Utility expenditures are over budget for Q3 YTD primarily due to higher than budgeted metered water purchases during the summer season. Water Utility expenditures are forecast to be over budget by \$2.3 million at year-end, reflecting a higher than budgeted trend in water consumption.
- Sewer Utility expenditures are above budget for Q3 YTD and forecast to be over budget by \$1.0 million at year-end, reflecting higher water consumption and a higher transfer to the sewer rates stabilization reserve.
- Solid Waste Utility expenditures are over budget for Q3 YTD due to increased staffing levels at the landfill required to deal with an increase in the volume of Metro transfer waste. The overall forecast for the Solid Waste Utility is to be on budget.
- Neighbourhood Energy Utility expenditures are forecast to be over budget by \$0.4 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 \$1.4 million under budget
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Engineering expenditures are under budget for Q3 YTD, primarily due to underspending in street cleaning earlier in the year as a result of reallocating crew resources to the snow management response in January and February. These expenditures are expected to continue at an under-budget level to the end of the year, with the overall forecast for Engineering expenditures to be under budget by \$1.4 million for the year.

03. Police Services	Forecast \$11.4 million over budget
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Police Services expenditures are over budget for Q3 YTD and are forecast to be over budget by \$11.4 million for the year primarily due to higher expenditures anticipated for increased salary costs relating to higher than budgeted overtime costs. These higher expenditures, however, are expected to be fully offset by cost recoveries and additional fee and donation revenues.

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

04. Fire & Rescue Services	Forecast \$3.8 million over budget
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Fire & Rescue Services expenditures are over budget for Q3 YTD, primarily due to higher than budgeted fleet maintenance and labour-related expenditures. These expenditures will be monitored carefully over the remaining months of the year. The overall forecast for Fire & Rescue Services is to be over budget by \$3.8 million at year-end, partially offset by higher than budgeted recoveries, primarily for the Heavy Urban Search and Rescue (HUSAR) program.

05. Parks & Recreation	Forecast \$0.5 million under budget
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Parks & Recreation expenditures are under budget for Q3 YTD, primarily due to the timing of the original budgeted labour-related expenditures relative to the actual expenditures, as well as snow-related impacts earlier in the year resulting in lower overall expenditures for the year on recreation activities labour, supplies, and materials. 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 under budget for the year.

06. Civic Theatres	Forecast \$0.8 million over budget
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Civic Theatres expenditures are forecast to be \$0.8 million over budget for the year, but fully offset by an overall forecast increase in revenues from show bookings and Food & Beverage sales.

07. Community Services	Forecast \$4.2 million over budget
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Community Services expenditures are over budget by \$2.6 million for Q3 YTD and are forecast to be \$4.2 million over budget for the year, primarily due to a higher than budgeted transfer to public art reserves (related to higher than anticipated developer public art contributions received in the year) and higher than budgeted expenditures in the Local Immigration Partnership and DTES Outreach 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.

08. Grants	Forecast on budget
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Grants expenditures are over budget by \$0.7 million for Q3 YTD, primarily reflecting the timing of grant disbursements relative to the timing anticipated in the Q3 YTD budget. Grant expenditures are forecast to be on budget for the year.

09. Planning, Urban Design & Sustainability	Forecast \$1.4 million over budget
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Planning, Urban Design & Sustainability expenditures are forecast to be over budget by \$1.4 million for 2017, which are fully recoverable from developer projects (e.g., St. Paul's Hospital, Oakridge Transit Centre, Heatherlands, Oakridge Centre, and Little Mountain Redevelopment) and vacancy savings.

10. Corporate Services

Forecast \$0.4 million over budget

Corporate Services expenditures are above budget for Q3 YTD and are forecast to be over budget by \$0.4 million for the year primarily due to a one-time purchase of ammunition for the Tactical Training Centre to be offset by Tactical Training Centre revenues.

11. General Government, Debt, and Transfers

Forecast \$4.9 million over budget

General Government expenditures are over budget by \$5.5 million for Q3 YTD, primarily due to higher than budgeted transfers to reserves reflecting a re-profiling of the timing of transfers as revenues exceed budget.

When favorable conditions such as weather enable higher than expected revenue generation in a period, transfers of a portion of the revenues to the general stabilization reserve provide support for future years when revenues may be lower than expected as a result of unfavourable conditions. General Government expenditures, debt and transfers are forecast to be above budget by \$4.9M at year-end.

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 expenditure budget), and a total project basis (cumulative 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 third quarter year-to-date performance against the 2017 Annual Capital Expenditure Budget and does not include adjustments to the Annual Expenditure Budget approved by Council subsequent to the end of the third quarter (RTS 11832, approved November 1, 2017).

Staff closely manage the capital spend to ensure optimal timing of project deliverables. 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 managed within the related 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 third quarter year-to-date expenditures reflects a continuing focus on aligning our budget with our capacity to spend, scheduling project commencement and execution accordingly, and providing regular quarterly reports on spending and forecast expenditures.

A. 2017 CAPITAL EXPENDITURES vs. 2017 CAPITAL BUDGET by Service Category

Capital expenditures to the end of the third quarter of 2017 were \$241.5 million, representing 50% of the total 2017 Annual Capital Expenditure Budget of \$485.5 million. Expenditures for the year are forecast to be \$397.3 million, or 82% of the Capital Expenditure Budget.

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

Service Category 1	2017 Expenditure Budget	2017 YTD Expenditures	2017 Total Expenditure Forecast	Forecast Variance
01. Housing	77,890	37,772	59,002	18,888
02. Childcare	11,463	3,346	6,400	5,064
03. Parks, Open Spaces and Recreation	50,166	21,893	42,839	7,327
04. Community Facilities	32,378	12,203	22,755	9,623
05. Civic Facilities	29,851	11,971	23,243	6,608
06. Transportation	113,556	66,141	93,214	20,341
07. Utilities	120,809	67,987	106,285	14,525
08. Equipment and Technology	41,862	15,422	36,212	5,650
09. City-Wide	7,516	4,811	7,345	171
Grand Total	485,491	241,547	397,294	88,196

Explanations for variances between total forecast 2017 expenditures as of September 30 and the 2017 Annual Capital Expenditure Budget by service category follow:

01. Housing Forecast \$18.9 million below budget

Housing projects are managed by Housing Policy & Projects, Vancouver Affordable Housing Agency (VAHA) and Real Estate & Facilities Management.

As of September 30, capital expenditures for Housing projects in 2017 are forecast to be \$18.9 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 anticipated land acquisitions that were budgeted for 2017 but are now expected in 2018.

02. Child Care Forecast \$5.1 million below budget

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

As of September 30, capital expenditures for Child Care projects in 2017 are forecast to be \$5.1 million below budget, reflecting a change in the timing of expenditures for a couple of City/Vancouver School Board child care partnership projects that had been expected to be further into the construction phase in 2017 and a City contribution toward the Kitsilano Montessori Daycare project that had been planned for 2017 but has now been deferred to 2018 as developer construction of the daycare facility is now expected to be completed later than originally planned.

03. Parks, Open Spaces and Recreation	Forecast \$7.3 million below budget
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Parks, Open Spaces and Recreation projects are managed by Parks and Recreation, Real Estate & Facilities Management, Community Services, and Engineering Services.

As of September 30, capital expenditures for Parks, Open Spaces and Recreation projects in 2017 are forecast to be overall \$7.3 million below budget, reflecting a shift in the timing from 2017 to 2018 for major expenditures that had been planned for Stanley Park seawall repairs, repaving in Stanley Park, and the new Smithe and Richards Park, offset by a park land acquisition expenditure now expected later this year that had not been anticipated at the time the 2017 expenditure budget was developed. The original construction contract tendering results for the seawall repairs were less favourable than anticipated resulting in the contract being retendered in two phases with work extending into 2018, progress on the Stanley Park paving has been less than anticipated due to additional time required for further stakeholder engagement, and progress on the Smithe and Richards park is taking longer than anticipated as a result of complexities in the design of some of the critical park structures. The land acquisition was not included in the 2017 budget given the opportunistic nature of land purchases and the inherent challenges with predicting the timing and final cost of such purchases.

04. Community Facilities	Forecast \$9.6 million below budget
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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 September 30, capital expenditures for Community Facility projects in 2017 are forecast to be below budget by \$9.6 million, primarily reflecting a reduced estimate of final phase expenditures required for the recently completed náca?mat ct Strathcona branch library and a change in the planned timing of a major capital grant supporting artist production spaces in the Mount Pleasant neighbourhood that was anticipated for 2017 but is now on hold while the non-profit organizations finalize their facilities planning. The Community Facilities expenditure forecast for 2017 also reflects a shift in the timing of some planned expenditures from 2017 to 2018 as a result of a later than planned start of construction for a couple of major community facility projects, including the expansion of Central Library to levels 8 and 9 to replace formerly leased office space, and base building upgrades to Marpole Place.

05. Civic Facilities**Forecast \$6.6 million below budget**

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 September 30, capital expenditures in 2017 for Civic Facilities projects are forecast to be \$6.6 million below budget, primarily reflecting slower than planned construction progress on the Fire Hall No. 5 replacement project as a result of unanticipated site conditions and unfavourable weather conditions in the earlier part of the year. The lower expenditure forecast for this service category for the year also reflects a delay in the replacement of fuel tanks at Manitoba Yard as a result of an extended timeline required for needs analysis, scope review and site consulting, and favourable contract costs for structural/non-structural civic facilities seismic assessment consulting work in the year.

06. Transportation**Forecast \$20.3 million below budget**

Transportation projects are managed by Engineering Services.

As of September 30, capital expenditures in 2017 for Transportation projects are forecast to be \$20.3 million below budget, primarily relating to a shift in planned expenditures from 2017 to 2018 for several major projects, including:

- the deferral of street rehabilitation on 16th Avenue in order to coordinate with traffic restrictions around Burrard, and on Cornwall Avenue to coordinate with other transportation improvements in the area;
- the deferral of the conversion of 800 Robson Street into a permanent pedestrian plaza, while cost-sharing negotiations with the provincial government are underway;
- the deferral of the replacement of marine fenders for the Burrard Bridge as a result of a later than anticipated completion of the bridge rehabilitation project;
- a delay in the planned start of construction for active transportation upgrades along 10th Avenue through the Health Precinct between Oak Street and Cambie Street;
- a delay in the Arbutus Corridor temporary pathway construction due to an extended timeline required for project scoping, and a later start than anticipated for detailed conceptual design for the permanent greenway; and
- a contractor-related delay in construction of planned improvements to the Seaside Greenway between Burrard Bridge and Cambie Bridge.

07. Utilities**Forecast \$14.5 million below budget**

Utilities projects are managed by Engineering Services.

As of September 30, capital expenditures in 2017 for Utilities and Public Works projects are forecast to be below budget by \$14.5 million, primarily due to:

- a shift in the timing of planned expenditures from 2017 to 2018 for the Vancouver Landfill Phase 3 Southeast and Western 40 Hectares closure projects due to longer

than expected lead times experienced for project materials which delayed the start of planned work by the contractor which must be done during the dry times of the year; and

- a revised timeline for reconstruction of the entrance to the Vancouver Landfill, reflecting additional time required for pre-load material to settle before construction work can begin on the compacted soil.

08. Equipment and Technology	Forecast \$5.6 million below budget
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Equipment and Technology projects are managed by Engineering Services and Technology Services departments.

As of September 30, capital expenditures in 2017 for Equipment and Technology projects are forecast to be below budget by \$5.6 million, primarily due to a delay in the planned procurement of some heavy equipment as a result of the more complex procurement process required for the vehicles, and a longer than expected procurement process and the consequent delayed contract award for the replacement of the City's fleet management system.

09. City-Wide	Forecast \$0.2 million below budget
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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 September 30, capital expenditures in 2017 for City-wide overhead costs are forecast to be below budget by \$0.2 million, reflecting expanded capital facilities planning required as a result of an increased City focus on strategic land and civic facility planning.

B. TOP 10 CAPITAL PROGRAMS/PROJECTS: 2017 Anticipated vs. Actual Outcomes
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Table 3 below summarizes the progress on outcomes related to the top ten projects by expenditure budget in the overall 2017 Annual Capital Expenditure Budget. As indicated in the table, five of the ten projects are currently on track to deliver outcomes that were anticipated during development of the 2017 Budget, while five are not on track:

- The sewer main replacement program is expecting an outcome less than what was originally anticipated for 2017, as one of the major projects planned in 2017 for this program (the Oakridge trunk sewer separation project) has been split into two phases to coordinate with funding participation conditions with the provincial and federal governments, with the first phase to be completed in 2017 and the second phase in 2018;
- A large portion of Vancouver Affordable Housing Agency (VAHA) capital funding that had been anticipated to be used toward interim support for development soft costs in 2017 is being reprioritized to be used instead for land acquisition opportunities for future non-market housing;

- Elements of the Bikeways and Greenways program have been deferred into 2018, to accommodate procurement planning/timelines and cost-sharing negotiations;
- The completion of the Vancouver Landfill Phase 3 Southeast Closure and Western 40 Hectares Closure projects that was expected in 2017 is now scheduled for 2018 due to longer than expected lead times experienced for project materials which delayed the start of planned work in the summer.

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 Q3 2017
Sewer main replacement (Annual program)	31.5	13.8	31.5	\$0.0	5.8 km of combined (stormwater and sanitary) sewer mains separated (1.1%).	Not on Track: Oakridge Trunk project has been 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. Overall forecast for 2017 program is 4.6 km.
Capital to support Vancouver Affordable Housing Agency (VAHA) projects (Original 2017 budget \$25.8M)	19.9	1.7	7.3	12.7	Completion of planning & design phases for 12 VAHA affordable housing projects (approximately 1,270 units).	Not on Track: A large portion of this funding is being reprioritized toward securing land for future non-market rental housing. The remaining funding will continue to be used to assist with interim soft costs relating to affordable housing projects.
Social Housing in Southeast False Creek Area 3B	19.0	17.7	19.0	0.0	Project in construction phase, anticipated 80% completion by end of 2017.	On track: Construction proceeding as planned – concrete 100% complete; building envelope 85% complete; interior work ongoing.
Vehicles and equipment replacement (Annual program) (Original 2017 budget \$18.8M)	17.6	4.4	15.0	2.6	160 to 180 vehicles & equipment replaced	On track
Burrard Bridge Upgrades (Original 2017 budget \$17.7M)	18.4	13.8	18.7	-0.3	<ul style="list-style-type: none"> • 0.75 km of new means prevention fence on the Burrard Bridge (east side) • 0.75 km of electrical, street lighting and sidewalk rehabilitated (east side) • 0.40 km of new AAA bike lane • 0.08 km of new marked bike lane • 0.34 km of pavement and sidewalk rehabilitated • 0.34 km of upgraded (LED) street lights • "Fully protected" intersection for pedestrians/cyclists at Burrard and Pacific • 4 upgraded traffic signals • Upgraded bus passenger facilities at 2 bus stops 	On track

(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 Q3 2017
Bikeways and greenways (Original 2017 budget \$17.4M)	13.4	9.9	11.2	2.2	The 2017 program will be focused on new and improved walking and cycling infrastructure including: (i) 10th Avenue Bikeway AAA Upgrade through Hospital Precinct; (ii) Adanac Bikeway Improvements; (iii) Safety Improvements following the upcoming safety study; (iv) Schools, pedestrian/public realm spot improvements, and other misc. community transportation planning improvements; (v) Transportation Network Changes associated with 800 Robson Plaza Improvements; (vi) Rail Corridor improvements; and (vii) Studies leading towards future capital improvements, such as Commercial Drive Complete Street and Gastown Improvements	Not On Track: • On track for Adanac bikeway improvements, schools/ pedestrian/public realm spot improvements, rail corridor improvements, and transportation studies. • Not on track for the Transportation network changes for the 800 Robson project as the planned project start date was deferred in order to accommodate cost-sharing negotiations with province. • Not on track for 10th Avenue bikeway upgrades as portions of the project scope have been deferred to 2018 • Not on track for safety improvement studies which have been delayed into 2018 due to the complex nature of procuring for this type of work
Acquiring land for affordable housing (Original 2017 budget \$16.3M)	20.9	9.1	17.9	3.0	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.	On Track: Funding to be used to secure land for future non-market rental housing.
Georgia Dunsmuir Viaduct Removal Phase I	15.3	10.1	15.3	0.0	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.	On track: Project team is on schedule to provide recommendation to Council by the end of the year.
Vancouver Landfill Phase 3 Southeast Closure (Original 2017 budget \$15.2M)	11.8	6.9	7.8	3.9	Approximately 13 hectares will be closed. Additional gas works will assist in reaching/maintaining the Ministry of Environment's target of 75%.	Not On track: Completion has been delayed by longer than expected lead times for materials; the work must be performed during the dry times of the year.
Vancouver Landfill Western 40 Hectare Closure (Original 2017 budget \$15.0M)	12.5	6.5	7.5	5.0	Approximately 13 hectares will be closed in 2017 (out of 40 hectares for entire project), and additional gas work will be constructed.	Not On track: Completion has been delayed by longer than expected lead times for materials; the work must be performed during the dry times of the year.
Total	180.2	93.7	151.1	29.1		

C. MULTI-YEAR CAPITAL PROJECT EXPENDITURES vs. BUDGET

As of September 30, 2017, the active Multi-Year Capital Project Budgets for current open capital programs/projects totaled \$1.194 billion. As part of the quarterly adjustment and closeout process, additions to the Multi-Year Capital Project Budgets totaling \$6.4 million and closeouts totaling \$16.8 million were approved by Council November 1, 2017 (RTS 11832) for a revised total multi-year budget of \$1.183 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 September 30, 2017 with subsequent Council approved changes, has a current total of \$1.337 billion covering projects across all City departments and agencies. As part of the quarterly adjustment and closeout process, an increase of \$5.8 million to the Capital Plan was

approved by Council November 1, 2017 (RTS 11832), bringing the total 2015-2018 Capital Plan to \$1.343 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 \$16.8 million in YTD Q3. The variances across the revenue and expenditure categories reflect a higher level of Vancouver Police Department secondments and recoverable expenses relative to the third 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 third 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 nine months of the year and a projection of revenues, expenditures and transfers for the remaining three 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 \$241.5 million in capital expenditures during the first three quarters of 2017, representing 50% of the total 2017 Annual Capital Expenditure Budget of \$485.5 million. Expenditures for the year are forecast to be \$397.3 million, or 82% of the Capital Expenditure Budget.
