

May 18, 2018

2018 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, 2018, revenues are above their 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 budgets, primarily due to the differences in the timing of actual expenditures in Q1 compared to the Q1 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.

2018 Operating Budget - Year-to-Date and Full Year Forecast								
\$ millions	Year-to-date				2018 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
TOTAL REVENUES	\$334.5	\$340.6	\$6.1	1.8%	\$1,409.4	\$1,417.0	\$7.6	0.5%
TOTAL EXPENDITURES & TRANSFERS	\$280.5	\$279.4	\$1.1	0.4%	\$1,409.4	\$1,417.0	(\$7.6)	(0.5%)
SURPLUS (DEFICIT)	\$54.0	\$61.2	\$7.2	13.4%	\$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 2018 were \$59.2 million, representing 14% of the total adjusted 2018 Annual Capital Expenditure Budget of \$435.9 million. As of March 31, 2018, total expenditures for the year are forecast to be \$433.6 million, or 99% of the Capital Expenditure Budget. The City is currently on-track to deliver planned outcomes for all of the top ten projects in the 2018 Expenditure Budget. Commentary on variances between full-year forecast actuals and corresponding budgets in specific service categories are provided in the body of this review report.

2018 Annual Capital Expenditure Budget - Year-to-Date and Full Year Forecast (\$ millions)					
Service Category	2018 Budget	Year-to-date Actuals	2018 Full Year Forecast		
			Forecast Expenditures	Variance \$	Variance %
HOUSING	\$46.3	\$1.4	\$40.5	\$5.8	12.5%
CHILDCARE	24.5	3.2	23.0	\$1.5	5.9%
PARKS, OPEN SPACES AND RECREATION	64.2	6.4	61.1	\$3.1	4.8%
COMMUNITY FACILITIES	26.9	4.9	27.3	-\$0.4	-1.4%
CIVIC FACILITIES	30.4	3.5	31.4	-\$0.9	-3.1%
TRANSPORTATION	69.5	12.9	74.1	-\$4.6	-6.6%
UTILITIES	124.8	20.1	126.0	-\$1.2	-0.9%
EQUIPMENT AND TECHNOLOGY	40.8	5.4	41.9	-\$1.1	-2.6%
CITY-WIDE	8.4	1.4	8.3	\$0.1	1.2%
TOTAL	\$435.9	\$59.2	\$433.6	\$2.2	0.5%

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 2018 OPERATING BUDGET RESULTS AND FULL YEAR 2018 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 2018 Operating Budget.

The City recorded an Operating Budget surplus of \$7.2 million for the first quarter of 2018. The variances in the revenue categories reflect higher than budgeted Licence & Development fees and higher than budgeted cost recoveries which have offsetting related expenses, as well as the timing of actual revenues and expenditures within the year compared to the timing reflected in the first quarter budget.

Overall, the City is forecasting the Operating Budget to be balanced for 2018 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 2018 Operating Budget revenue and expenditures, year-to-date variances and full year forecasts.

\$ millions	Year-to-date				2018 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
REVENUES								
Property tax revenue	\$189.9	\$188.5	(\$1.4)	(0.7%)	\$789.9	\$789.9	\$0.0	0.0%
Utility revenue	\$54.7	\$52.0	(\$2.7)	(4.9%)	\$274.4	\$271.6	(\$2.8)	(1.0%)
Program revenue	\$12.1	\$12.9	\$0.8	6.9%	\$62.3	\$63.8	\$1.4	2.3%
License & Development fees	\$30.1	\$33.9	\$3.8	12.5%	\$75.1	\$75.7	\$0.6	0.8%
Parking revenue	\$14.9	\$15.4	\$0.4	2.9%	\$67.1	\$66.7	(\$0.4)	(0.6%)
Cost recoveries, grants & donations	\$13.3	\$15.6	\$2.2	16.9%	\$52.4	\$59.2	\$6.8	12.9%
Provincial revenue sharing	\$1.8	\$1.8	\$0.0	0.0%	\$19.2	\$19.2	\$0.0	0.0%
Investment income	\$3.2	\$4.4	\$1.3	39.8%	\$11.1	\$11.4	\$0.4	3.2%
Other revenue	\$9.2	\$10.8	\$1.6	17.7%	\$37.0	\$38.5	\$1.5	4.0%
Bylaw fines	\$5.4	\$5.4	\$0.0	0.6%	\$20.9	\$21.1	\$0.1	0.6%
TOTAL REVENUES	\$334.5	\$340.6	\$6.1	1.8%	\$1,409.4	\$1,417.0	\$7.6	0.5%
EXPENDITURES & TRANSFERS								
Utilities	38.0	37.1	0.9	2.3%	315.0	312.2	2.8	0.9%
Engineering	25.4	24.5	0.9	3.4%	95.4	97.3	(1.9)	(2.0%)
Police Services	76.4	78.4	(2.0)	(2.6%)	307.7	310.5	(2.8)	(0.9%)
Fire & Rescue Services	34.1	34.8	(0.7)	(2.0%)	131.5	132.0	(0.5)	(0.4%)
Parks & Recreation	26.9	26.9	(0.0)	(0.1%)	122.3	122.3	0.0	0.0%
Library	15.8	15.4	0.4	2.6%	54.1	54.1	0.0	0.0%
Britannia	1.3	1.3	0.0	1.3%	5.3	5.3	(0.0)	(0.5%)
Civic Theatres	3.1	3.2	(0.2)	(5.2%)	12.3	13.0	(0.7)	(5.8%)
Arts, Culture & Community Services	8.2	9.4	(1.3)	(15.6%)	34.6	37.1	(2.5)	(7.3%)
Grants	5.7	6.5	(0.7)	(12.8%)	20.7	20.7	0.0	0.0%
Development, Buildings & Licensing	9.0	8.3	0.7	8.1%	35.2	35.4	(0.2)	(0.6%)
Planning, Urban Design & Sustainability	4.5	4.7	(0.2)	(4.9%)	25.4	26.7	(1.3)	(5.0%)
Mayor	0.3	0.3	0.0	12.6%	1.3	1.3	(0.0)	(0.0%)
Council	0.4	0.4	0.0	10.0%	1.7	1.7	0.0	0.3%
Corporate Services	26.9	24.3	2.5	9.4%	105.2	105.1	0.1	0.1%
General Government, Debt and transfers	4.6	3.9	0.7	15.0%	141.6	142.2	(0.6)	(0.4%)
TOTAL EXPENDITURES & TRANSFERS	\$280.5	\$279.4	\$1.1	0.4%	\$1,409.4	\$1,417.0	(\$7.6)	(0.5%)
SURPLUS (DEFICIT)	\$54.0	\$61.2	\$7.2	13.4%	\$0.0	\$0.0	\$0.0	

NOTE: Totals may not add due to rounding.

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

01. Property Tax Revenue **Forecast to be on budget**

Property Tax Revenue is below budget for Q1 YTD and forecast to be on budget for the year. The revenues are below 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 payments in lieu of taxes.

02. Utility Revenue **Forecast \$2.8 million below budget**

Utility Revenue is below budget by \$2.7 million for Q1 YTD and forecast to be below budget by \$2.8 million for the year:

- Water Utility revenues are below budget in Q1 due to lower than budgeted metered revenues because of lower than anticipated water consumption and the timing of original budget revenues relative to actual budget revenues. The overall Water Utility is forecast to be below budget by \$1.3 million at year-end, reflecting a continued lower forecasted consumption.
- Sewer Utility revenues are below budget in Q1 due to lower than budget metered revenue because of lower than anticipated consumption in the quarter. The overall 2018 Sewer Utility is forecast to be below budget by \$0.6 million at year-end, reflecting a continued lower forecasted consumption.
- Solid Waste Utility revenues are below budget in Q1 primarily due to lower than expected disposal site tonnage at the Vancouver Landfill in the quarter. The overall Solid Waste Utility is forecast to be below budget by \$0.9 million at year-end reflecting an expected continuation of these lower volumes of disposal site tonnage.
- Neighbourhood Energy Utility revenues are on budget for Q1 and are forecast to be on budget for the year.

03. Program Revenue

Forecast \$1.4 million above budget

Police Services program revenues are above budget for Q1 YTD by \$0.3 million and forecast to be \$0.3 million above budget for the year, primarily due to higher than anticipated program fees for training and fingerprinting fees fully offset by higher expenditures.

Greater than anticipated cemetery fees at Mountain View Cemetery has contributed to Q1 YTD revenues being above budget by \$0.2 million and are forecast to be above budget by \$0.5 million for the year, offset by related expenditures.

Parks program revenues are above budget by \$0.6 million for Q1 YTD, due to a higher than budgeted volume of recreation pass sales in the quarter and higher than budgeted attendance at VanDusen during Easter and Spring break. Parks program revenues are forecasted to be on budget at year-end.

Civic Theatres program revenues are under budget by \$0.4 million for Q1 YTD, due to a fewer than expected number of events in January and February. Program revenues are forecasted to be on budget at year-end.

Britannia Community Services revenues are forecast to be \$0.3 million above budget at year-end, primarily due to higher than anticipated attendance for the Britannia Aquatic Pool, fully offset by expenditures.

04. License & Development Fees

Forecast \$0.6 million above budget

License and Development Fee revenues are above budget for Q1 YTD due to timing of Q1 revenues relative to the Q1 budget, higher than budgeted anchor rod fees due to strong development activity and higher street furniture revenues. License and Development Fees are forecast to be above budget by \$0.6 million for the year, primarily due to expected continued higher street furniture revenues and anchor fees reflecting the strong development activity.

05. Cost Recoveries and Grants**Forecast \$6.8 million above budget**

Cost recoveries, grants and donations are above budget by \$2.2 million for Q1 YTD, and are forecast to be above budget by \$6.8 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 \$2.4 million for the year, attributable to a higher than expected demand for these services.
- Arts, Culture and Community Services recoveries are forecast to be above budget by \$0.5 million for the year, primarily due to recoveries from senior governments for winter shelters, and the Missing Indigenous Women program.
- Planning & Urban Design recoveries from developer projects are forecast to be above budget by \$1.3 million for the year (e.g., St. Paul's Hospital, Oakridge Transfer Centre Bus Barn, Little Mountain Redevelopment, etc.).
- General Government cost recoveries are forecast to be above budget by \$0.6 million due to Great Beginnings projects primarily related to the Downtown Eastside (Carnegie -Safe Vending project, Strathcona community centre Soccer academy) and the Chinatown UNESCO project.
- Engineering cost recoveries of \$1.3 million from street degradation rehabilitation, street cuts and recoverable work expected to be offset by their respective costs.
- Development, Building & Licensing cost recoveries are forecast to be above budget by \$0.2 due to cost recoveries for boarding up problem premises.

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

06. Investment Income**Forecast \$0.4 million above budget**

Investment Income is above budget by \$1.3 million for Q1 YTD as a result of interest rates trending higher than what was anticipated at the time the budget was developed. The forecast for the year is for investment income to be above budget by \$0.4 million.

07. Other Income**Forecast to be \$1.5 million above budget**

Other Income is above budget for Q1 YTD primarily due to greater than anticipated developer public art contributions in Arts, Culture and Community Services (offset by higher related transfers to public art reserves). The forecast for the year for Other Income is to be above budget by \$1.5 million, fully offset by a corresponding higher transfer to reserve.

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

01. Utilities**Forecast \$2.8 million below budget**

Utility expenditures are under budget for Q1 YTD and are forecast to be under budget by \$2.8 million for the year:

- Water Utility expenditures are under budget for Q1 YTD primarily due to lower than budgeted water purchases from MetroVancouver in the quarter, savings in Water Main Maintenance due to fewer large breakages during Q1 and staff savings in Q1 in One Water Strategy due to timing of staff hiring. The overall forecast is to be under budget by \$1.3 million at year-end, reflecting an unbudgeted transfer from reserve to cover the forecast lower than budget water revenues.
- Sewer Utility expenditures are under budget for Q1 YTD due to delays in the timing of hiring staff in Q1 in Sewer Design, partially offset by higher staffing costs in the quarter in Sewer Operations Administration. The overall forecast is to be under budget by \$0.6 million at year-end, reflecting a lower transfer to reserve due to a lower forecast for water consumption for the year.
- Solid Waste Utility expenditures are over budget for Q1 YTD primarily due to higher than anticipated Delta sewer and soil fees in the quarter as a result of higher than anticipated precipitation in Q1 leading to more water runoff into sewer channels. The overall forecast for Solid Waste Utility is to be under budget by \$0.9 million at year-end, reflecting a lower than budgeted transfer to reserve as a result of lower forecast volumes of disposal site tonnage.
- Neighbourhood Energy Utility expenditures are forecast to be on budget for the year.

02. Engineering

Forecast \$1.9 million above budget

Engineering expenditures are under budget by \$0.9M for Q1 YTD, due to timing of expenditures relative to the timing in the budget for the quarter, for contract payments for Public Bike Share, timing of replacement of equipment from Engineering, Fire and Parks departments and delays in the timing of hiring staff in Q1. The overall forecast for Engineering expenditures is to be over budget by \$1.9 million for the year, due to higher than budgeted costs associated with street degradation rehabilitation, street cuts, and other cost recoverable work.

03. Police Services

Forecast \$2.8 million above budget

Police Services expenditures are over budget for Q1 YTD and are forecast to be over budget by \$2.8 million for the year primarily due to higher than budgeted overtime costs for callouts required to meet minimum staffing levels. These higher expenditures, however, are expected to be partially offset by cost recoveries and additional fee and donation revenue.

04. Fire

Forecast \$0.5 million above budget

Fire expenditures are over budget by \$0.7 million for Q1 YTD, primarily due to higher than budgeted labour-related expenditures. Fire expenditures for year-end are forecast to be \$0.5M over budget, primarily due to increased labour-related expenditures and fuel costs. These expenditures will be monitored carefully over the remaining months of the year.

05. Parks

Forecast to be on budget

Parks expenditures are on budget for Q1 YTD and the overall forecast for Parks expenditures is to be on budget for the year.

06. Civic Theatres	Forecast \$0.7 million above budget
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Civic Theatres expenditures are forecast to be \$0.7 million over budget for the year due to additional staff required to support events and staff training costs tied to alignment with health & safety guidelines.

07. Arts, Culture & Community Services	Forecast \$2.5 million above budget
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Arts, Culture and Community Services expenditures are over budget by \$1.3 million for Q1 YTD and are forecast to be \$2.5 million over budget for the year, primarily due to developer art contributions flowed through to reserve and repayment to the Capital fund, higher DTES program spending and winter shelter spending offset by recoveries, higher Mountain View Cemetery spending offset by higher fees. All higher than budget expenses are expected to be fully offset by corresponding higher than budget cost recoveries.

08. Grants	Forecast to be on budget
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Grants expenditures are over budget by \$0.7 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.

9. Development, Buildings & Licensing	Forecast \$0.2 million above budget
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Development, Buildings & Licensing expenditures are forecast to be over budget by \$0.2 million, primarily due to higher than anticipated costs for boarding up problem premises, fully offset by corresponding higher cost recoveries.

10. Planning, Urban Design & Sustainability	Forecast \$1.3 million above budget
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Planning, Urban Design & Sustainability expenditures are forecast to be over budget by \$1.3 million for 2018, fully recoverable from corresponding cost recoveries from developer projects (e.g., St. Paul's Hospital, Oakridge Transfer Centre Bus Barn, Little Mountain Redevelopment).

11. Corporate Services	Forecast \$0.1 million below budget
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Corporate Services expenditures are below budget in Q1 YTD primarily reflecting the timing of staff hiring and are forecast to be below budget by \$0.1 million for the year.

12. General Government, Debt and Transfers	Forecast \$0.6 million above budget
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General Government expenditures, debt and transfers are forecast to be \$0.6 million over budget for the year 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.

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.

Emerging issues: Over the remainder of the year, unanticipated costs and unplanned activities may be realized. Departments make efforts to absorb those unplanned costs and activities to manage within the existing budgets.

CAPITAL BUDGET

While the Operating Budget reflects operating costs for one year only, the annual Capital Expenditure Budget reflects one year's expenditures for capital projects which may span multiple years. 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 budget).

On December 12, 2017, Council approved the 2018 Capital Budget, including a 2018 Annual Capital Expenditure Budget of \$426.4 million. Council subsequently approved an increase to the capital budget, increasing the 2018 Annual Capital Expenditure Budget to \$435.9 million. This report reflects first quarter performance against this revised 2018 Annual Capital Expenditure Budget, not including adjustments to the Annual Expenditure Budget approved by Council subsequent to the end of the first quarter (RTS 12471, approved May 1, 2018).

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. 2018 CAPITAL EXPENDITURES vs. 2018 CAPITAL BUDGET by Service Category

Capital expenditures to the end of the first quarter of 2018 were \$59.2 million, representing 14% of the total 2018 Annual Capital Expenditure Budget of \$435.9 million. Expenditures for the year are forecast to be \$433.6 million, or 99% of the Capital Expenditure Budget.

Table 2 summarizes the 2018 Capital Expenditure Budget variances by major service category.

Service Category 1	2018 Expenditure Budget	2018 YTD Expenditures	2018 Total Expenditure Forecast	Forecast Variance
01. Housing	46,313	1,432	40,530	5,783
02. Childcare	24,462	3,208	23,011	1,452
03. Parks, Open Spaces and Recreation	64,170	6,369	61,111	3,059
04. Community Facilities	26,917	4,919	27,283	(366)
05. Civic Facilities	30,424	3,458	31,363	(939)
06. Transportation	69,537	12,927	74,137	(4,600)
07. Utilities	124,796	20,064	125,974	(1,177)
08. Equipment and Technology	40,847	5,394	41,914	(1,067)
09. City-Wide	8,385	1,396	8,284	101
Grand Total	435,851	59,167	433,606	2,245

Explanations for variances between total forecast 2018 expenditures as of March 31 and the 2018 Annual Capital Expenditure Budget by service category follow:

01. Housing Forecast \$5.8 million below budget

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

As of March 31, capital expenditures for Housing projects in 2018 were forecast to be \$5.8 million below budget, primarily due to:

- construction of the developer-built Social Housing facility in SEFC Area 3B progressing faster than anticipated in late 2017, and as a result some project expenditures that had been expected for 2018 were incurred before the end of 2017, and
- lower than anticipated cost for the demolition and abatement contract for the redevelopment of Roddan Lodge and Evelyne Saller Centre.

02. Childcare Forecast \$1.5 million below budget

Childcare projects are managed by Arts, Culture & Community Services and Real Estate &

Facilities Management.

As of March 31, capital expenditures for Childcare projects in 2018 were forecast to be \$1.5 million below budget, primarily due to lower than budgeted expenditures for the Gastown Parkades childcare project as a result of a later than anticipated start for the schematic design phase, and a later than planned start of construction for one of the City/Vancouver School Board childcare facility partnership projects.

03. Parks, Open Spaces and Recreation **Forecast \$3.1 million below budget**

Parks, Open Spaces and Recreation projects are managed by Parks and Recreation; Real Estate & Facilities Management; Arts, Culture & Community Services; Planning, Urban Design and Sustainability; and Engineering Services.

As of March 31, capital expenditures for Parks, Open Spaces and Recreation projects in 2018 were forecast to be overall \$3.1 million below budget, primarily due to:

- postponing of expenditures that had been planned for 2018 for drainage improvements at the Langara golf course pending staff reporting back to Council in the summer regarding a Council motion to review options for transitioning some of the golf course lands into a public park;
- lower than anticipated expenditures for the Stanley Park seawall repairs project as a result of consultant-related delays and phasing of a portion of the planned work to 2019;
- lower than anticipated expenditures in the year for several playground renewal projects as a result of an extended procurement process to combine design and tender phases into one package with construction expected to begin in late 2018 and continuing into 2019.

These lower than budgeted expenditure forecasts are offset by an expenditure in the first quarter for the acquisition of land for development of a new park that had not included in the 2018 expenditure budget given the opportunistic nature of land purchases and the inherent challenges with predicting the timing and final cost of such acquisitions.

04. Community Facilities **Forecast \$0.4 million above budget**

Community Facilities projects are managed by various departments within the City including Real Estate & Facilities Management; Arts, Culture & Community Services; Planning, Urban Design and Sustainability; and Vancouver Public Library.

As of March 31, capital expenditures for Community Facility projects in 2018 were forecast to be above budget by \$0.4 million, primarily reflecting an unanticipated expenditure for an opportunity that arose in the first quarter to cost-share the replacement and upgrading of technical equipment at the Orpheum Theatre.

05. Civic Facilities **Forecast \$0.9 million above budget**

Civic Facilities projects are managed by Real Estate & Facilities Management; Vancouver Fire and Rescue Services; and Engineering Services.

As of March 31, capital expenditures in 2018 for Civic Facilities projects were forecast to be \$0.9 million above budget, primarily relating to expenditures for 2018 for a new project approved in early March for additional civic office space in close proximity to the City Hall Precinct to address immediate and longer term staff accommodation requirements. An expenditure budget for this new project was included in adjustments to the Annual Expenditure Budget approved by Council subsequent to the end of the first quarter (RTS 12471, approved May 1, 2018).

06. Transportation

Forecast \$4.6 million above budget

Transportation projects are managed by Engineering Services; and Planning, Urban Design and Sustainability.

As of March 31, capital expenditures in 2018 for Transportation projects were forecast to be \$4.6 million above budget, primarily due to externally funded scope increases to several projects in the Active Transportation and Spot Improvements program, and increased expenditures for the 2015-18 Street Lighting Rehabilitation (Local Roads) program as a result of acceleration in timelines to replace the aging street light poles in the City's street lighting system. Increases to the corresponding program expenditure budgets were included in adjustments to the Annual Expenditure Budget approved by Council subsequent to the end of the first quarter (RTS 12471, approved May 1, 2018).

07. Utilities

Forecast \$1.2 million above budget

Utilities projects are managed by Engineering Services.

As of March 31, capital expenditures in 2018 for Utilities projects were forecast to be above budget by \$1.2 million, reflecting the following:

- an increase in expenditures for the year for the Sewer & Water Combined Connections program reflecting a first quarter update to the number of requests received by the City to connect new properties to the City's water, sanitary, and stormwater sewer services;
- an increase in expenditures for the year for the Water System Extensions & Minor Improvements program for water system work required in advance of upcoming developer construction in the area;
- an increase in 2018 expenditures for the Phase 3 Northeast and Phase 4 South Closure and Gas Works projects at the Vancouver Landfill, offset by a decrease in expenditures that had been planned for the year for the landfill Phase 3 Southeast Additional Gas Works project but subsequently determined to not be required;
- a decrease in expenditures that had been planned for 2018 for the replacement of gas flares at the landfill, which has been delayed by a longer than anticipated design phase, which in turn has delayed the planned start of construction; and
- a decrease in 2018 expenditures for the Reconstruction of Vancouver Landfill Entrance project to reflect a shift in the timing of work to be completed by the project contractor.

Adjustments to the expenditure budgets for these projects and programs were included in the adjustments to the Annual Expenditure Budget approved by Council subsequent to the end of the first quarter (RTS 12471, approved May 1, 2018).

08. Equipment and Technology

Forecast \$1.1 million above budget

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

As of March 31, capital expenditures in 2018 for Equipment and Technology projects were forecast to be above budget by \$1.1 million, primarily reflecting expenditures now anticipated in 2018 that were not included in the 2018 Annual Capital Expenditure Budget as the budget details had not been finalized until now, including the replacement of laptops (Mobile Data Terminals) in police vehicles and the implementation of the Vancouver Police Department's eTicketing program (electronic traffic violation ticketing), part of an initiative being piloted by the provincial government. The establishment of expenditure budgets for these projects was included in the adjustments to the Annual Expenditure Budget approved by Council subsequent to the end of the first quarter (RTS 12471, approved May 1, 2018).

09. City-Wide

Forecast to be on budget

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 2018 for City-wide overhead costs are forecast to be on budget.

B. TOP 10 CAPITAL PROGRAMS/PROJECTS: 2018 Anticipated vs. Actual Outcomes

Table 3 on the next page summarizes the progress on outcomes related to the Top 10 projects by expenditure budget in the overall 2018 Annual Capital Expenditure Budget. All of the projects are currently on track to deliver the outcomes anticipated during development of the 2018 Budget.

Table 3 - Outcomes for Top 10 Projects and Programs in 2018 (\$ millions)

Program/Project	2018 Annual Expenditure Budget	2018 Total Expenditures	2018 Total Expenditure Forecast	Variance	Anticipated Outcomes for 2018 (based on original 2018 Expenditure Budget)	Anticipated Outcomes as of Q1 2018
Sewer main replacement (Annual program)	29.5	5.9	29.5	\$0.0	In 2018, a minimum of 4.0 kms of combined sewer separation is planned to be delivered including the following multi-branch coordinated projects: St. Catherines, Fraser Street, and sewer projects in the 64th-Cartier-Park and Montcalm areas	On Track to deliver the anticipated outcomes.
Vehicles and equipment replacement (Annual program)	17.8	2.9	17.8	\$0.0	Replacement of 115 to 125 end of life equipment and vehicles by the end of 2018; mix of heavy duty and light duty items.	On Track to deliver the anticipated outcomes.
Bikeways and greenways (Annual program)	17.3	4.3	23.1	-\$5.8	Key projects will expand and improve the cycling network by approximately 10km. Upgrades to the network include the improvements to achieve cycling routes for all ages and abilities (AAA). With a recalibration of the percentage of AAA cycling facilities, this will bring the City to over 1/4 of all bike facilities being AAA.	On Track to deliver the anticipated outcomes: Forecast variance reflects externally funded scope increases to several projects in the Active Transportation and Spot Improvement programs. (An increase to the program expenditure budget was included in adjustments to the Annual Expenditure Budget approved by Council subsequent to the end of the first quarter – RTS 12471, approved May 1, 2018.)
Replacement of Fire Hall No.5 (including Social Housing)	10.3	1.6	10.3	\$0.0	Construction is anticipated to complete in 2018.	On Track to deliver the anticipated outcomes.
Vancouver Landfill Phase 3 North East Closure & Gas Works	10.0	0.1	15.0	-\$5.0	In 2018, approximately 10 hectares of the Landfill will be closed in Phase 3NE. In addition, gas works will be constructed in Phase 3NE and Phase 4.	On Track to deliver the anticipated outcomes: Forecast variance reflects revised cost estimate for Phase 3 Northeast Closure as well as expansion of project scope to include Phase 4 South closure and gas works in order to leverage available operational and contract cost efficiencies. (An increase to the project expenditure budget was included in adjustments to the Annual Expenditure Budget approved by Council subsequent to the end of the first quarter – RTS 12471, approved May 1, 2018.)
Distribution main replacement (Annual program)	9.9	2.17	9.9	\$0.0	Replace approximately 0.5% of the total distribution main system. Approximately 20 separate capital projects are planned including major projects on Fraser St, Nanaimo St. and Adanac.	On Track to deliver the anticipated outcomes.
Landfill Western 40 Hectare Closure	9.5	1.0	9.5	\$0.0	In 2018, the second stage of the Western 40 Hectare closure will be completed, closing the next 15 hectares of the area. In addition, gas works will be constructed as part of the closure.	On Track to deliver the anticipated outcomes.
Redevelopment of Roddan Lodge and Evelyne Saller Centre	8.2	0.4	5.0	-\$3.2	Demolition and commence construction (anticipated completion 2020).	On Track to deliver the anticipated outcomes: Forecast variance reflects lower than anticipated cost for the demolition and abatement contract, which was awarded in first quarter.
Upgrade & replace pump station	7.3	0.1	7.3	\$0.0	Major replacement of the 7th & Glen pump station which will take place in 2018, along with other pump station works such as system upgrades, repairs and planning work for future pump station replacement and refurbishment projects.	On Track to deliver the anticipated outcomes.
Expansion of public space at Central Library	6.8	3.1	7.0	-\$0.2	Construction complete and operation to start in summer.	On Track to deliver the anticipated outcomes.
Total	126.6	21.6	134.4	-7.8		

C. MULTI-YEAR CAPITAL PROJECT EXPENDITURES vs. BUDGET

As of March 31, 2018, the active Multi-Year Capital Project Budgets for current open capital programs/projects totaled \$1.406 billion. As part of the quarterly adjustment and closeout process, additions to the Multi-Year Capital Project Budgets totaling \$16.4 million and closeouts totaling \$14.8 million were approved by Council May 1, 2018 (RTS 12471) for a revised total multi-year budget of \$1.407 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, 2018, with subsequent Council approved changes, was \$1.463 billion covering projects across all City departments and agencies. As part of the quarterly adjustment and closeout process, a further increase of \$16.5 million to the Capital Plan was approved by Council May 1, 2018 (RTS 12471), bringing the total 2015-2018 Capital Plan to \$1.480 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 \$7.2 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 Licence & Development 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 \$59.2 million in capital expenditures during the first quarter of 2018, representing 14% of the total 2018 Annual Capital Expenditure Budget of \$435.9 million. Expenditures for the year are forecast to be \$433.6 million, or 99% of the Capital Expenditure Budget.
