

June 20, 2019

**2019 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, 2019, revenues are above their Q1 year-to-date budgets, primarily due to higher than budgeted utility fees and higher cost recoveries with offsetting expenditures. Expenditures are above 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.

2019 Operating Budget- Year-to-Date and Full year Forecast								
\$ millions	Year-to-date				2019 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
TOTAL REVENUES	\$351.9	\$363.8	\$11.9	3.4%	\$1,513.7	\$1,531.9	\$18.2	1.2%
TOTAL EXPENDITURES & TRANSFERS	\$291.0	\$291.3	(\$0.3)	(0.1%)	\$1,513.7	\$1,531.9	(\$18.2)	(1.2%)
SURPLUS (DEFICIT)	\$60.9	\$72.5	\$11.6	19.1%	\$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 2019 were \$55.2 million, representing 10% of the total adjusted 2019 Annual Capital Expenditure Budget of \$571.2 million. Capital expenditures typically are lower in the first quarter and increase in later quarters, due to seasonality of construction activity. As of March 31, 2019, total expenditures for the year are forecast to be \$542.7 million, or 95% of the Capital Expenditure Budget. The City is currently on-track to deliver planned outcomes for 8 out of the top ten projects in the 2019 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.

2019 Annual Capital Expenditure Budget - Year-to-Date Actual Expenditures (\$ millions)					
Service Category	2019 Budget	Year-to-date Actuals	2019 Full Year Expenditures		
			Forecast Expenditure	Variance (\$)	Variance (%)
AFFORDABLE HOUSING	\$78.2	\$2.8	\$81.2	-\$3.0	-3.8%
CHILDCARE	\$18.4	\$2.6	\$23.2	-\$4.8	-25.8%
PARKS, OPEN SPACES AND RECREATION	\$54.0	\$2.9	\$47.7	\$6.3	11.6%
COMMUNITY FACILITIES	\$32.8	\$1.7	\$35.3	-\$2.5	-7.5%
ARTS AND CULTURE	\$20.9	\$1.1	\$17.1	\$3.8	18.1%
PUBLIC SAFETY	\$20.2	\$3.2	\$18.5	\$1.7	8.5%
CIVIC FACILITIES AND EQUIPMENT	\$44.8	\$4.3	\$39.5	\$5.3	11.8%
TRANSPORTATION	\$97.4	\$9.0	\$97.0	\$0.5	0.5%
ONE WATER	\$106.5	\$15.6	\$99.2	\$7.3	6.8%
RENEWABLE ENERGY	\$8.5	\$0.3	\$8.7	-\$0.1	-1.6%
SOLID WASTE	\$51.0	\$6.2	\$35.6	\$15.4	30.2%
TECHNOLOGY	\$32.3	\$4.3	\$33.8	-\$1.5	-4.7%
OVERHEAD	\$6.2	\$1.4	\$5.9	\$0.2	3.7%
<b>TOTAL</b>	<b>\$571.2</b>	<b>\$55.2</b>	<b>\$542.7</b>	<b>\$28.5</b>	<b>5.0%</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 2019 OPERATING BUDGET RESULTS AND FULL YEAR 2019 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 2019 Operating Budget.

The City recorded an Operating Budget surplus of \$11.6 million for the first quarter of 2019. The variances in the revenue categories reflect higher than budgeted Utility fees and higher than budgeted cost recoveries which have offsetting related expenses, as well as the timing difference in the first quarter between actual and budgeted revenues and expenditures.

Overall, the City is forecasting the Operating Budget to be balanced for 2019 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.

The table below shows the 2019 Operating Budget revenue and expenditures, year-to-date variances and full year forecasts.

## 2019 First Quarter Review – Operating and Capital Budgets

2019 Operating Budget- Year-to-Date and Full year Forecast								
\$ millions	Year-to-date				2019 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
<b>REVENUES</b>								
Property tax revenue	\$199.4	\$197.6	(\$1.9)	(0.9%)	\$831.5	\$831.5	\$0.0	0.0%
Utility revenue	\$60.2	\$62.4	\$2.1	3.6%	\$302.0	\$305.6	\$3.5	1.2%
Program revenue	\$11.4	\$12.3	\$0.9	8.0%	\$62.4	\$63.8	\$1.4	2.2%
License & Development fees	\$29.1	\$32.6	\$3.5	11.9%	\$90.1	\$90.1	\$0.0	0.0%
Parking revenue	\$16.3	\$16.7	\$0.5	2.9%	\$74.7	\$72.9	(\$1.9)	(2.5%)
Cost recoveries, grants & donations	\$14.8	\$17.4	\$2.6	17.4%	\$60.0	\$69.3	\$9.3	15.5%
Provincial revenue sharing	\$1.8	\$1.8	\$0.0	0.0%	\$19.2	\$19.2	\$0.0	0.0%
Investment income	\$4.0	\$6.0	\$2.0	50.3%	\$12.8	\$14.8	\$2.0	15.7%
Other revenue	\$9.5	\$10.5	\$0.9	9.9%	\$39.4	\$42.2	\$2.7	7.0%
Bylaw fines	\$5.3	\$6.6	\$1.3	24.1%	\$21.4	\$22.5	\$1.1	5.0%
<b>TOTAL REVENUES</b>	<b>\$351.9</b>	<b>\$363.8</b>	<b>\$11.9</b>	<b>3.4%</b>	<b>\$1,513.7</b>	<b>\$1,531.9</b>	<b>\$18.2</b>	<b>1.2%</b>
<b>EXPENDITURES &amp; TRANSFERS</b>								
Utilities	39.8	38.5	1.3	3.3%	346.6	353.8	(7.1)	(2.1%)
Engineering	24.6	26.9	(2.3)	(9.3%)	100.0	101.5	(1.5)	(1.5%)
Police Services	79.7	81.7	(2.0)	(2.6%)	317.3	320.1	(2.8)	(0.9%)
Fire & Rescue Services	34.6	36.4	(1.8)	(5.2%)	136.5	137.8	(1.3)	(0.9%)
Parks & Recreation	28.4	28.3	0.1	0.2%	128.7	129.8	(1.2)	(0.9%)
Library	14.3	13.5	0.8	5.9%	54.3	54.2	0.0	0.1%
Britannia	1.2	1.0	0.1	11.2%	5.4	5.4	0.0	0.6%
Civic Theatres	3.5	3.6	(0.1)	(1.8%)	14.3	15.2	(0.9)	(6.5%)
Arts, Culture & Community Services	8.8	8.9	(0.1)	(1.2%)	35.7	38.5	(2.8)	(7.8%)
Grants	5.1	3.4	1.7	32.8%	21.7	21.7	0.0	0.0%
Development, Buildings & Licensing	10.0	9.1	0.8	8.2%	39.8	39.6	0.2	0.6%
Planning, Urban Design & Sustainability	6.3	5.7	0.6	9.1%	25.6	26.6	(1.0)	(3.9%)
Mayor	0.3	0.3	0.1	22.0%	1.4	1.1	0.3	22.0%
Council	0.5	0.4	0.0	9.3%	2.0	2.0	0.0	1.2%
Corporate Services	27.8	26.6	1.2	4.4%	111.1	111.3	(0.2)	(0.2%)
General Government, Debt and transfers	6.0	6.8	(0.8)	(12.9%)	173.3	173.3	(0.1)	(0.0%)
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>\$291.0</b>	<b>\$291.3</b>	<b>(\$0.3)</b>	<b>(0.1%)</b>	<b>\$1,513.7</b>	<b>\$1,531.9</b>	<b>(\$18.2)</b>	<b>(1.2%)</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$60.9</b>	<b>\$72.5</b>	<b>\$11.6</b>	<b>19.1%</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:

#### 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 timing difference between the original budget revenues and the actual revenues, primarily due to supplementary rolls, appeal adjustments, and payments in lieu of taxes.

#### 02. Utility Revenue

Forecast \$3.5 million above budget

Utility Revenue is above budget by \$2.1 million for Q1 YTD and forecast to be above budget by \$3.5 million for the year:

- Water Utility revenues are above budget in Q1 due to higher than anticipated water consumption . The overall Water Utility is forecast to be above budget by \$1.3 million at year-end, reflecting a continued higher forecasted consumption.
- Sewer Utility revenues are above budget in Q1 due to higher than anticipated consumption in the quarter. The overall 2019 Sewer Utility is forecast to be above budget by \$1.1 million at year-end, reflecting a continued higher forecasted consumption.
- Solid Waste Utility revenues are forecast to be above budget by \$1.0 million at year-end due to higher green bin collection fees because of a mid-year increase to cover higher green bin processing rates being offset by under budget in Commercial Disposal site receipts due to fewer than budgeted tones.
- Neighbourhood Energy Utility revenues are on budget for Q1 and are forecast to be on budget for the year.

<b>03. Program Revenue</b>	<b>Forecast \$1.4 million above budget</b>
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Police Services program revenues are above budget for Q1 YTD by \$0.2 million and forecast to be \$0.5 million above budget for the year, primarily due to higher than anticipated program fees for training and fingerprinting fees fully offset by higher expenditures.

Mountain View Cemetery fees are forecast to be above budget by \$0.2 million for the year, offset by related expenditures.

Parks program revenues are above budget by \$0.5 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 and Bloedel. Parks program revenues are forecasted to be above budget at year-end by \$0.2 million offset by related expenditures

Civic Theatres program revenues are above budget by \$0.4 million for Q1 YTD, due to higher than expected number of events in January and February. Program revenues are forecasted to be above at year-end by \$0.5 million offset by related expenditures.

<b>04. License &amp; Development Fees</b>	<b>Forecast to be on budget</b>
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License and Development Fee revenues are above budget for Q1 YTD due to timing of Q1 revenues relative to the Q1 budget, specifically due to seasonality of Business Licence fees. License and Development Fees are forecast to be on budget for the year.

<b>05. Parking revenue</b>	<b>Forecast \$1.9 million below budget</b>
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Parking revenues are above budget for Q1 YTD due to increased metered lots and film related parking partially offset by lower than budget on-street parking. Parking revenues are forecast to

be below budget by \$1.9 million for the year due to delays in meter expansion and new parking rates that came into effect later than planned.

<b>06. Cost Recoveries and Grants</b>	<b>Forecast \$9.3 million above budget</b>
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Cost recoveries, grants and donations are above budget by \$2.6 million for Q1 YTD, and are forecast to be above budget by \$9.3 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 \$2.8 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 non-market housing (e.g. Evelyne Saller Centre and Antoinette & Oppenheimer Lodges).
- Planning & Urban Design recoveries from developer projects are forecast to be above budget by \$1.2 million for the year.
- Engineering cost recoveries of \$1.9 million from street degradation rehabilitation, street cuts and recoverable work expected to be offset by their respective costs.
- Neighbourhood Energy Utility cost recoveries of \$3.3 million due to reimbursement for flood-related expenses fully offset by expenditures.
- General Government cost recoveries of \$0.3 million lower than budget due timing of cost recoveries for DTES and Chinatown UNESCO projects. The lower than anticipated cost recoveries were offset by below budget project expenses.

<b>07. Investment Income</b>	<b>Forecast \$2.0 million above budget</b>
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Investment Income is above budget by \$2.0 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 \$2.0 million.

<b>08. Other Income</b>	<b>Forecast \$2.7 million above budget</b>
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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 \$0.9 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:***

<b>01. Utilities</b>	<b>Forecast \$7.1 million above budget</b>
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Utility expenditures are under budget for Q1 YTD and are forecast to be over budget by \$7.1 million for the year:

- Water Utility expenditures are below budget for Q1 YTD primarily due to staff savings in Water Design due to timing of staff hiring partially offset by higher than average Water Main Maintenance incidents during Q1. The overall forecast is to be over budget by \$1.3 million at year-end, reflecting higher than budget water consumption.
- Sewer Utility expenditures are under budget for Q1 YTD due to delays in the timing of hiring staff in Sewer Design and Drainage. The overall forecast is to be over budget by \$1.1 million at year-end, reflecting a higher forecast for water consumption for the year as well as higher safety and training costs.
- Solid Waste Utility expenditures are under budget for Q1 YTD primarily due to lower than anticipated Delta sewer and soil fees in the quarter as a result of lower than anticipated precipitation in Q1. The overall forecast for Solid Waste Utility is to be over budget by \$1.0 million at year-end, primarily due to higher vendor Green bin processing costs and unbudgeted Japanese beetle-related costs offset by recoveries.
- Neighbourhood Energy Utility expenditures are above budget in Q1 and forecast to be above budget by \$3.7 million primarily due to flood related expenses fully offset by recoveries, higher than budget energy costs due to weather related demand and an increase in natural gas prices.

## **02. Engineering**

**Forecast \$1.5 million above budget**

Engineering expenditures are above budget by \$2.3 million for Q1 YTD, due to significant snow removal costs beginning of the year. The overall forecast for Engineering expenditures is over budget by \$1.5 million for the year, due to higher than budgeted costs associated with the snow response partially offset by vacancy savings.

## **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 offset by cost recoveries and additional fee and donation revenue.

## **04. Fire**

**Forecast \$1.3 million above budget**

Fire expenditures are over budget by \$1.8 million for Q1 YTD, primarily due to higher than budgeted staffing costs to meet operational requirements. Fire expenditures for year-end are forecast to be \$1.3 million over budget, primarily due to increased staffing, fleet and equipment related costs. These expenditures will be monitored carefully over the remaining months of the year.

**05. Parks** **Forecast \$1.2 million above budget**

Parks expenditures are forecast to be above budget by \$1.2 million for the year, primarily due to natural gas price increases, rink safety and maintenance requirements as well as revenue-related expenditures.

**06. Civic Theatres** **Forecast \$0.9 million above budget**

Civic Theatres expenditures are forecast to be \$0.9 million over budget for the year due to additional staff required to support events fully offset by revenues.

**07. Arts, Culture & Community Services** **Forecast \$2.8 million above budget**

Arts, Culture and Community Services expenditures are forecast to be \$2.8 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**

Grants expenditures are below budget by \$1.7 million for Q1 YTD, reflecting the timing of the grant disbursements. . Grant expenditures are forecast to be on budget for the year.

**9. Development, Buildings & Licensing** **Forecast \$0.2 million below budget**

Development, Buildings & Licensing expenditures are forecast to be below budget by \$0.2 million, primarily due to hiring delays.

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

Planning, Urban Design & Sustainability expenditures are below budget by \$0.6 due to delays in hiring and are forecast to be over budget by \$1.0 million for 2019, fully recoverable from corresponding cost recoveries from developer-funded projects.

**11. Corporate Services** **Forecast \$0.2 million above budget**

Corporate Services expenditures are below budget in Q1 YTD primarily reflecting the timing of staff hiring and are forecast to be above budget by \$0.2 million for the year reflecting snow removal costs at City facilities..

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



General Government expenditures, debt and transfers are above budget by \$0.8 million in Q1 primarily due to higher than budgeted transfers to reserves.

When favorable conditions, such as weather, enable higher than expected revenue generation in a period, a portion of those revenues are transferred to the general stabilization reserve to provide support for future years when revenues may be lower than expected as a result of unfavorable conditions.

## B. RISKS AND OPPORTUNITIES

**Forecast risk arising from changes in economic outlook:** Development 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 expenditure basis (annual expenditure actuals vs. annual expenditure budget), and a multi-year project basis (multi-year project actuals vs. multi-year project budget).

On December 18, 2018, Council approved the 2019 Capital Budget, including a 2019 Annual Capital Expenditure Budget of \$562.7 million. Council subsequently approved adjustments to the capital budget, including increasing the 2019 Annual Capital Expenditure Budget to \$571.2 million. This report reflects the first quarter performance against this revised 2019 Annual Capital Expenditure Budget, not including adjustments to the Annual Expenditure Budget approved by the City Manager in accordance with the new Capital Budget Policy (approved by Council in April 2018) subsequent to the end of the first quarter.

Staff closely manage the capital spend on a quarterly basis to ensure optimal delivery of projects within the Annual Capital 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.

This report on the first quarter expenditures reflects a continuing focus on aligning our budget with our capacity to deliver, by providing regular quarterly reports on actual spending and forecast expenditures, and appropriately scheduling project deliverables.

## A. 2019 CAPITAL EXPENDITURES vs. 2019 CAPITAL BUDGET by Service Category



Capital expenditures to the end of the first quarter of 2019 were \$55.2 million, representing 10% of the total 2019 Annual Capital Expenditure Budget of \$571.2 million. Expenditures for the year are forecast to be \$542.7 million, or 95% of the Capital Expenditure Budget.

Table 2 below summarizes the 2019 Capital Expenditure Budget variances by service category. A forecast variance in the annual budget may result from changes in the timing of project delivery without impacting the overall project multi-year budget; for example, an acceleration in a project to take advantage of partnership opportunities or a project delay due to unforeseen circumstances. Variances may also result from changes to project scope or cost, and changes to multi-year capital budgets are reported to Council on a quarterly basis for approval as set out in the Capital budget policy. Staff review opportunities to manage project variances and reallocate funding as part of the quarterly review process.

<b>Service Category 1</b>	<b>2019 Expenditure Budget</b>	<b>2019 YTD Expenditures</b>	<b>2019 Expenditure Forecast</b>	<b>Forecast Variance</b>
Affordable Housing	78,232	2,754	81,197	(2,965)
Childcare	18,416	2,555	23,167	(4,752)
Parks and Open Spaces	53,992	2,861	47,727	6,265
Community Facilities	32,820	1,704	35,273	(2,453)
Arts and Culture	20,899	1,089	17,119	3,781
Public Safety	20,186	3,158	18,472	1,713
Civic Facilities and Equipment	44,784	4,334	39,518	5,266
Transportation	97,447	8,969	96,984	463
One Water	106,480	15,614	99,206	7,275
Renewable Energy	8,520	253	8,654	(135)
Solid Waste	50,966	6,244	35,591	15,375
Technology	32,329	4,261	33,843	(1,514)
Overhead	6,171	1,397	5,942	229
<b>Grand Total</b>	<b>571,242</b>	<b>55,192</b>	<b>542,693</b>	<b>28,549</b>

***Explanations for variances between forecast 2019 expenditures as of March 31 and the 2019 Annual Capital Expenditure Budget by service category follow:***

<b>Affordable Housing</b>	<b>Forecast \$3.0 million above budget</b>
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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 2019 were forecast to be \$3.0 million above budget, primarily due to:

- Additional scope identified for 2019 Capital Maintenance program for Housing facilities based on an in depth review resulting in a greater number of projects with a higher sense of urgency than initially anticipated.
- Disbursement of Housing capital grants that were initially anticipated in late 2018 but that were deferred to 2019 due to delay in grant recipients meeting the grant conditions.

<b>Childcare</b>	<b>Forecast \$4.8 million above budget</b>
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Childcare projects are managed by Arts, Culture & Community Services and Real Estate & Facilities Management.

As of March 31, capital expenditures for Childcare projects in 2019 were forecast to be \$4.8 million above budget, primarily due to acceleration in project construction timelines for two of the City/Vancouver School Board childcare facility partnership projects.

<b>Parks and Open Spaces</b>	<b>Forecast \$6.3 million below budget</b>
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Parks and Open Spaces 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 2019 were forecast to be overall \$6.3 million below budget, primarily due to:

- Lower than anticipated expenditures in the year for several playground renewal projects as a result of extended procurement process to combine design and tender phases into one package, and construction expected to begin in 2019.
- Lower than anticipated expenditures for the Grass Field renewal program as a result of some of scope related to Montgomery Park being deferred to 2020 due to reprioritization of capital projects/programs by Park Board and consultant delays.
- Postponing of expenditures that had been planned for 2019 for upgrades to Clinton Park to align with the recommendations from the public engagement process for synthetic turf playfields.
- Lower than anticipated expenditures for the construction of a new park in the Southeast False Creek area due to resource constraints (hiring of new positions in progress).

<b>Community Facilities</b>	<b>Forecast \$2.5 million above budget</b>
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Community Facilities projects are managed by various departments within the City including Real Estate & Facilities Management; Arts, Culture & Community Services; Parks and Recreation; Planning, Urban Design and Sustainability; and Vancouver Public Library.

As of March 31, capital expenditures for Community Facilities projects in 2019 were forecast to be above budget by \$2.5 million, primarily due to:

- Additional scope identified for 2019 Capital Maintenance program for Community Facilities based on an in depth review resulting in a greater number of projects with higher sense of urgency than initially anticipated;

- Higher expenditures than anticipated for the Central Library Level 8 and 9 expansion project to cater to the unforeseen combination of compound project complexities and emerging needs of existing Central Library

These higher than budgeted expenditure forecasts are partially offset by lower expenditures resulting from a delay in disbursement of Social and Façade Rehabilitation capital grants.

<b>Arts and Culture</b>	<b>Forecast \$3.8 million below budget</b>
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Arts and Culture projects are managed by various departments within the City including Real Estate & Facilities Management; Arts, Culture & Community Services; Parks and Recreation; Planning, Urban Design and Sustainability; and Pacific National Exhibition.

As of March 31, capital expenditures for Arts and Culture projects in 2019 were forecast to be below budget by \$3.8 million, primarily due to:

- Lower than anticipated expenditures in the year for the disbursement of the remaining portion of a cultural facility grant in support of the establishment of the artist production spaces in the Mount Pleasant neighbourhood.
- Lower than anticipated expenditures for the planning of the Playland Redevelopment project as a result of the delay in the design phase due to increase in the project scope.

<b>Public Safety</b>	<b>Forecast \$1.7 million below budget</b>
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Public Safety projects are managed by Real Estate & Facilities Management and Engineering Services.

As of March 31, capital expenditures in 2019 for Public Safety projects were forecast to be \$1.7 million below budget, primarily relating to lower expenditures for 2019 for replacement of end-of-life vehicles and equipment for the Vancouver Police Department and Vancouver Fire and Rescue Services departments due to resource constraints.

<b>Civic Facilities and Equipment</b>	<b>Forecast \$5.3 million below budget</b>
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Civic Facilities and Equipment projects are managed by Real Estate & Facilities Management and Engineering Services.

As of March 31, capital expenditures in 2019 for Civic Facilities and Equipment projects were forecast to be \$5.3 million below budget, primarily relating to lower expenditures for 2019 for replacement of end-of-life City vehicles and equipment due to resource constraints.

<b>Transportation</b>	<b>Forecast \$0.5 million below budget</b>
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Transportation projects are managed by the Engineering Services department.

This service category includes initiatives to build an integrated transportation network, pedestrian friendly and walkable neighborhoods, and public spaces that permit all residents to

access jobs, services and amenities by all modes of travel along with offering a range of travel choices to residents, workers and visitors.

As of March 31, capital expenditures in 2019 for Transportation projects are forecasting a minor variance.

<b>One Water</b>	<b>Forecast \$7.3 million below budget</b>
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One Water projects are managed by the Engineering Services department.

As of March 31, capital expenditures in 2019 for One Water projects were forecast to be below budget by \$7.3 million, reflecting the following:

- Lower than anticipated expenditures related to expansion of the sewer system to accommodate demand growth in high development areas such as the Cambie Corridor largely due to delays in the planning and design phases as a result of resources constraints.
- Lower than anticipated expenditures for the Replacement of Pump Station program due to changes in project timelines thus deferring the completion of the construction phase to 2020.
- Lower than anticipated expenditures for the Transmission Main Replacement program as a result of revised cost estimates being lower than the initial estimates.

<b>Renewable Energy</b>	<b>Forecast \$0.1 million above budget</b>
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Renewable Energy projects are managed by the Engineering Services department.

This service category includes initiatives to achieve city's strategy of becoming the greenest city by 2020 and having 100% renewable energy city wide by 2050 by improving energy efficiency and reducing energy consumption, along with actions to increase the supply and use of renewable energy.

As of March 31, capital expenditures in 2019 for Renewable Energy projects are forecasting a minor variance.

<b>Solid Waste</b>	<b>Forecast \$15.4 million below budget</b>
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Solid Waste projects are managed by the Engineering Services department.

As of March 31, capital expenditures for Solid Waste projects in 2019 were forecast to be overall \$15.4 million below budget, primarily due to:

- Lower than anticipated expenditures in 2019 for the Vancouver Landfill Phase 3 Northeast/Phase 4 Southeast Closure and Gas Works project as a result of slower progress made by the contractor.

- Lower than anticipated expenditures for the Vancouver Landfill Western 40 Hectare Closure project as a result of slower progress achieved in the construction phase due to unfavorable weather conditions at the beginning of 2019.
- Lower than planned expenditures for the Routine Landfill Gas works as a result of deferral of some of the project scope to 2020 as well as lower cost estimates than originally anticipated.
- Lower than anticipated expenditures in 2019 for the replacement of end-of-life Sanitation vehicles and equipment due to resource constraints.

**Technology**

**Forecast \$1.5 million above budget**

Technology projects are managed by Information Technology and Engineering Services department.

As of March 31, capital expenditures in 2019 for Technology projects were forecast to be above budget by \$1.5 million primarily due to:

- Higher than budgeted costs in 2019 for the Fleet Software Replacement project due to revised cost estimates and training costs for key resources resulting from more than expected complexity of the project
- Deferral of expenditures that were originally planned for 2018 to 2019 for the POSSE transition project to align with the revised project timelines.

**Overhead**

**Forecast \$0.2 million below budget**

This service category represents City-wide overhead costs relating to support of the City's capital projects and programs. As of March 31, capital expenditures in 2019 for City-wide overhead costs are forecasting a small variance.

**B. TOP 10 CAPITAL PROGRAMS/PROJECTS: 2019 Anticipated vs. Actual Outcomes**

Eight of the top 10 projects/programs are currently on track to deliver the anticipated outcomes of the 2019 Budget. The following two programs are not on track to achieve the 2019 anticipated outcomes:

- **Vehicles and Equipment Replacement program:**  
Lower expenditures than anticipated in 2019 for the replacement of end-of-life vehicles and equipment due to resource constraints and hiring delays.
- **Vancouver Landfill Closure program:**  
Lower expenditures than anticipated in 2019 due to some of the project work related to the Vancouver Landfill Phase 3 Closure being deferred to 2020 as a result of slower progress achieved by the contractor than originally planned.

**C. MULTI-YEAR CAPITAL PROJECT ACTUALS vs. BUDGET**

As of March 31, 2019, the Multi-Year Capital Budget for currently open capital projects and programs totaled \$1.550 billion. As part of the quarterly adjustment and closeout process,

additions to the Multi-Year Capital Budget totaling \$10.1 million and capital project closeouts totaling \$183.9 million were approved by Council on May 14, 2019 (RTS 12830), leading to a revised total Multi-Year Capital Budget of \$1.376 billion.

#### **D. 2019-2022 CAPITAL PLAN**

The 2019-2022 Capital Plan that was approved by Council on July 25, 2018 includes \$2.771 billion worth of capital investments over the four years of the plan, consisting of \$2.203 billion worth of City-led capital programs and \$0.569 billion worth of in-kind contributions achieved through development. Subsequently, Council approved changes to the 2019-2022 Capital Plan bringing the total to \$2.782 billion. As part of the quarterly capital adjustment and closeout process, a further increase of \$4.5 million to the Capital Plan was approved by Council on May 14, 2019 (RTS 12830), bringing the total 2019-2022 Capital Plan to \$2.787 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 progress,
- unforeseen site conditions encountered in construction phase of projects,
- resolution of factors external to the City, such as partnership funding commitments.

Opportunities to initiate or accelerate capital investments in the City's capital infrastructure may arise as the City actively pursues funding partnership and contributions from external partners, including senior levels of government (e.g., Build Canada Fund, Community Works Fund), private and community partners (e.g., BC Housing, developers).

#### **CONCLUSION**

##### **OPERATING BUDGET:**

The City recorded an Operating Budget surplus of \$11.9 million in YTD Q1. The variances across the revenue and expenditure categories reflect a higher level of 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 \$55.2 million in capital expenditures during the first quarter of 2019, representing 10% of the total 2019 Annual Capital Expenditure Budget of \$571.2 million. Expenditures for the year are forecast to be \$542.7 million, or 95% of the Capital Expenditure Budget.

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