

August 20, 2019

2019 SECOND 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 June 30, 2019, revenues are above their Q2 year-to-date budgets, primarily due to higher than budgeted utility fees, investment income and higher cost recoveries with offsetting expenditures. Expenditures are above their respective Q2 year-to-date budgets, primarily due to snow removal costs in Q1 as well as the differences in the timing of actual expenditures in Q2 compared to the Q2 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	\$800.1	\$856.4	\$56.3	7.0%	\$1,514.5	\$1,572.9	\$58.3	3.9%
TOTAL EXPENDITURES & TRANSFERS	\$624.6	\$666.0	(\$41.4)	(6.6%)	\$1,514.5	\$1,572.9	(\$58.3)	(3.9%)
SURPLUS (DEFICIT)	\$175.5	\$190.4	\$14.9	8.5%	(\$0.0)	\$0.0	\$0.0	

NOTE: Totals may not add due to rounding.

CAPITAL BUDGET

Total capital expenditures year-to-date to the end of June 2019 were \$146.5 million, representing 25% of the total adjusted 2019 Annual Capital Expenditure Budget of \$574.9 million. Capital expenditures are typically lower in the first half of the year and then increase in the second half, reflecting the seasonality of construction activity for major projects and programs as significant progress for this type of work tends to occur during the drier months of the year. As of June 30, 2019, total expenditures for the year are forecast to be \$497.2 million, or 86% of the Capital Expenditure Budget. The City is currently on-track to deliver planned outcomes for nine of the top ten projects in the 2019 Capital 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 - Q2 Year-to-Date Actual Expenditures (\$ millions)					
Service Category	2019 Budget	Q2 Year-to-date Actuals	2019 Full Year Expenditures		
			Forecast Expenditure	Variance (\$)	Variance (%)
AFFORDABLE HOUSING	\$77.6	\$7.5	\$80.0	-\$2.4	-3.1%
CHILDCARE	\$20.2	\$5.1	\$17.3	\$2.9	14.1%
PARKS, OPEN SPACES AND RECREATION	\$54.0	\$9.8	\$41.4	\$12.6	23.3%
COMMUNITY FACILITIES	\$34.2	\$4.3	\$25.0	\$9.2	26.8%
ARTS AND CULTURE	\$20.9	\$3.5	\$13.0	\$7.9	37.8%
PUBLIC SAFETY	\$19.3	\$8.1	\$16.6	\$2.7	14.1%
CIVIC FACILITIES AND EQUIPMENT	\$43.0	\$10.7	\$37.4	\$5.6	13.0%
TRANSPORTATION	\$96.4	\$25.1	\$85.0	\$11.4	11.8%
ONE WATER	\$111.2	\$38.1	\$99.3	\$11.9	10.7%
RENEWABLE ENERGY	\$10.0	\$2.0	\$5.0	\$5.1	50.6%
SOLID WASTE	\$48.5	\$15.4	\$36.2	\$12.2	25.2%
TECHNOLOGY	\$33.6	\$14.1	\$33.9	-\$0.4	-1.1%
OVERHEAD	\$6.2	\$2.8	\$7.0	-\$0.9	-13.9%
TOTAL	\$574.9	\$146.5	\$497.2	\$77.7	13.5%

NOTE: Totals may not add up 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. Q2 YTD 2019 OPERATING BUDGET RESULTS AND FULL YEAR 2019 FORECAST

While still mid-year, this second 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 \$14.9 million for the second 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 second 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 six months of the year and a projection of revenues, expenditures and transfers for the remaining six 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 Second 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 %
REVENUES								
Property tax revenue	\$436.7	\$469.1	\$32.4	7.4%	\$831.5	\$865.1	\$33.6	4.0%
Utility revenue	\$164.7	\$167.6	\$3.0	1.8%	\$302.0	\$305.7	\$3.7	1.2%
Program revenue	\$27.7	\$30.1	\$2.5	9.0%	\$62.4	\$64.4	\$2.0	3.2%
License & Development fees	\$52.2	\$53.4	\$1.2	2.3%	\$90.1	\$88.6	(\$1.5)	(1.6%)
Parking revenue	\$35.9	\$36.1	\$0.3	0.7%	\$74.7	\$73.2	(\$1.5)	(2.1%)
Cost recoveries, grants & donations	\$29.6	\$37.5	\$7.9	26.8%	\$60.8	\$75.3	\$14.5	23.8%
Provincial revenue sharing	\$15.6	\$16.2	\$0.6	4.1%	\$19.2	\$19.8	\$0.6	3.3%
Investment income	\$7.6	\$12.1	\$4.5	59.0%	\$12.8	\$17.3	\$4.5	35.0%
Other revenue	\$19.4	\$22.3	\$2.8	14.6%	\$39.5	\$40.9	\$1.4	3.6%
Bylaw fines	\$10.8	\$11.9	\$1.1	9.7%	\$21.4	\$22.5	\$1.0	4.9%
TOTAL REVENUES	\$800.1	\$856.4	\$56.3	7.0%	\$1,514.5	\$1,572.9	\$58.3	3.9%
EXPENDITURES & TRANSFERS								
Utilities	94.7	92.9	1.8	1.9%	346.6	355.2	(8.5)	(2.5%)
Engineering	50.1	53.8	(3.7)	(7.3%)	99.6	99.6	0.0	0.0%
Police Services	159.4	164.7	(5.2)	(3.3%)	318.5	323.0	(4.4)	(1.4%)
Fire & Rescue Services	69.7	71.5	(1.9)	(2.7%)	136.7	139.2	(2.4)	(1.8%)
Parks & Recreation	59.8	62.0	(2.2)	(3.7%)	129.3	131.8	(2.5)	(1.9%)
Library	28.3	27.8	0.5	1.9%	55.1	55.3	(0.1)	(0.2%)
Britannia	2.4	2.2	0.2	7.5%	5.4	5.2	0.2	3.2%
Civic Theatres	7.2	7.2	(0.0)	(0.4%)	14.5	14.7	(0.3)	(1.8%)
Arts, Culture & Community Services	17.9	18.1	(0.2)	(1.0%)	36.5	39.8	(3.3)	(9.1%)
Grants	12.0	11.8	0.2	1.6%	21.5	21.6	(0.0)	(0.2%)
Development, Buildings & Licensing	19.9	18.6	1.3	6.6%	39.9	39.5	0.4	1.1%
Planning, Urban Design & Sustainability	12.9	12.4	0.5	3.7%	27.1	28.4	(1.4)	(5.1%)
Mayor	0.7	0.6	0.1	17.3%	1.4	1.1	0.2	17.5%
Council	1.0	0.8	0.2	16.1%	2.0	1.8	0.0	1.6%
Corporate Services	56.6	54.1	2.6	4.5%	112.4	110.9	1.5	1.3%
General Government, Debt and transfers	32.0	67.5	(35.5)	(111.1%)	167.9	205.8	(38.0)	(22.6%)
TOTAL EXPENDITURES & TRANSFERS	\$624.6	\$666.0	(\$41.4)	(6.6%)	\$1,514.5	\$1,572.9	(\$58.3)	(3.9%)
SURPLUS (DEFICIT)	\$175.5	\$190.4	\$14.9	8.5%	(\$0.0)	\$0.0	\$0.0	

NOTE: Totals may not add due to rounding.

Revenue highlights for Q2 Year-to-Date and the full year forecast by revenue category include:

01. Property Tax Revenue Forecast \$33.6 million above budget

Property Tax Revenue is above budget for Q2 YTD and forecast to be above budget for the year. The revenues are above budget due to Empty Homes Tax revenues \$30.8M fully offset by transfer to empty homes tax reserve, higher business improvement area taxes fully offset by business improvement area disbursements. Moreover, higher penalties for late tax payments and higher than budgeted payment in lieu of taxes revenues from federal properties offset by lower payment in lieu of taxes revenues from private and provincial properties.

02. Utility Revenue Forecast \$3.7 million above budget

Utility Revenue is above budget by \$3.0 million for Q2 YTD and forecast to be above budget by \$3.7 million for the year:

Water Utility revenues are above budget in Q2 due to higher than anticipated water consumption. The overall Water Utility is forecast to be above budget by \$1.6 million at year-end, reflecting a continued higher forecasted consumption.

Sewer Utility revenues are above budget in Q2 due to higher than anticipated consumption in the quarter. The overall 2019 Sewer Utility is forecast to be above budget by \$1.2 million at year-end, reflecting a continued higher forecasted consumption.

Solid Waste Utility revenues are forecast to be above budget by \$0.9 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 Q2 and are forecast to be on budget for the year.

03. Program Revenue	Forecast \$2.0 million above budget
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Police Services program revenues are above budget for Q2 YTD by \$0.4 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 \$1.5 million for Q2 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 \$0.9 million offset by related expenditures

Civic Theatres program revenues are above budget by \$0.1 million for Q2 YTD, due to higher than expected number of events in January and February. Program revenues are forecasted to be above at year-end by \$0.3 million offset by related expenditures.

04. License & Development Fees	Forecast \$1.5 million below budget
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License and Development Fee revenues are above budget for Q2 YTD due to timing of Q2 revenues relative to the Q2 budget. License and Development Fees are forecast to be below budget for the year primarily due to lower development fees and Anchor fees caused by lower development activity.

05. Parking revenue **Forecast \$1.5 million below budget**

Parking revenues are forecast to be below budget by \$1.5 million for the year due to below anticipated meter expansion and new parking rates that came into effect later than planned partially offset by higher parking revenues due to favourable weather and film activity.

06. Cost Recoveries and Grants **Forecast \$14.5 million above budget**

Cost recoveries, grants and donations are above budget by \$7.9 million for Q2 YTD, and are forecast to be above budget by \$14.5 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 \$3.8 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 \$1.7 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 \$1.4 million for the year.
- Fire recoveries are forecast to be above budget by \$0.9 million primarily due to HUSAR funding fully offset by expenses and transfer to reserve.
- Engineering cost recoveries of \$1.6 million from street degradation rehabilitation, street cuts and recoverable work expected to be offset by their respective costs.
- Neighbourhood Energy Utility cost recoveries of \$4.4 million due to reimbursement for flood-related expenses fully offset by expenditures.

07. Investment Income **Forecast \$4.5 million above budget**

Investment Income is above budget by \$4.5 million for Q2 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 \$4.5 million.

08. Other Income **Forecast \$1.4 million above budget**

Other Income is above budget for Q2 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 \$1.4 million due to the above external recoveries.

Expenditures and Transfer highlights for Q2 Year-to-Date and the full-year forecast by department include:

01. Utilities **Forecast \$8.5 million above budget**

Utility expenditures are under budget for Q2 YTD and are forecast to be over budget by \$8.5 million for the year:

- Water Utility expenditures are below budget for Q2 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 Q2. The overall forecast is to be over budget by \$1.6 million at year-end, reflecting higher than budget water consumption.
- Sewer Utility expenditures are under budget for Q2 YTD due to delays in the timing of hiring staff in Sewer Design and Drainage. The overall forecast is to be over budget by \$1.8 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 Q2 YTD primarily due to lower than anticipated Delta sewer and soil fees in the quarter as a result of lower than anticipated precipitation in Q2. The overall forecast for Solid Waste Utility is to be over budget by \$1.0 million at year-end, primarily due to higher Green bin processing costs and unbudgeted Japanese beetle-related costs offset by recoveries.
- Neighbourhood Energy Utility expenditures are above budget in Q2 and forecast to be above budget by \$4.1 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 on budget

Engineering expenditures are above budget by \$3.7 million for Q2 YTD, primarily due to significant snow removal costs beginning of the year partially offset by vacancy savings. The overall forecast for Engineering expenditures is to be on budget excluding snow response costs, which is anticipated to be managed within the existing budget and/or through transfers from reserve.

03. Police Services

Forecast \$4.4 million above budget

Police Services expenditures are over budget for Q2 YTD and are forecast to be over budget by \$4.4 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. VFRS

Forecast \$2.4 million above budget

VFRS expenditures are over budget by \$1.9 million for Q2 YTD, primarily due to higher than budgeted staffing costs to meet operational requirements. Fire expenditures for year-end are forecast to be \$2.4 million over budget, primarily due to increased staffing, fleet and equipment related costs. Of the \$2.4 million over budget expenditures, \$0.9M in expenditures are offset by

above budget revenues, resulting in a net position of \$1.5 million above budget. These expenditures will be monitored carefully over the remaining months of the year.

05. Parks **Forecast \$2.5 million above budget**

Parks expenditures are forecast to be above budget by \$2.5 million for the year, primarily due to revenue-related expenditures, natural gas price increases, rink safety and maintenance requirements. The expenditures are forecast to be offset by above budget revenue.

06. Civic Theatres **Forecast \$0.3 million above budget**

Civic Theatres expenditures are forecast to be \$0.3 million over budget for the year due to additional staff required to support events, fully offset by revenues.

07. Arts, Culture & Community Services **Forecast \$3.3 million above budget**

Arts, Culture and Community Services expenditures are forecast to be \$3.3 million over budget for the year, primarily due to developer art contributions flowed through to reserve, 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**

Grant expenditures are forecast to be on budget for the year.

9. Development, Buildings & Licensing **Forecast \$0.4 million below budget**

Development, Buildings & Licensing expenditures are forecast to be below budget by \$0.4 million, primarily due to hiring delays.

10. Planning, Urban Design & Sustainability **Forecast \$1.4 million above budget**

Planning, Urban Design & Sustainability expenditures are below budget by \$0.5 due to delays in hiring and are forecast to be over budget by \$1.4 million for 2019, fully recoverable from corresponding cost recoveries from developer-funded projects.

11. Corporate Services **Forecast \$1.5 million below budget**

Corporate Services expenditures are forecast to be below budget by \$1.5 million for the year reflecting vacancy savings partially offsetting snow removal costs at City facilities.

12. General Government, Debt and Transfers **Forecast \$38.0 above budget**

General Government expenditures, debt and transfers are forecast to be above budget by \$38.0 million in Q2 primarily due to higher than budgeted transfers to reserves for Vacancy Tax and Snow removal costs.

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 \$574.9 million. This report reflects second quarter year-to-date performance against this revised 2019 Annual Capital Expenditure Budget, not including adjustments within 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 second quarter, with no change to the overall 2019 Annual Capital Expenditure Budget as approved by Council.

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 2019 second quarter year-to-date 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 half of 2019 were \$146.5 million, representing 25% of the total 2019 Annual Capital Expenditure Budget of \$574.9 million. Capital expenditures are typically lower in the first half of the year and then increase in the second half, reflecting the seasonality of construction activity for major projects and programs as significant progress for this type of work tends to occur during the drier months of the year. Expenditures for the year are forecast to be \$497.2 million, or 86% 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 planned timing of project delivery without impacting the overall project multi-year budget as, for example, where a project’s delivery timeline is accelerated to take advantage of a funding partnership opportunity or a project’s execution is delayed due to unfavourable weather or site conditions. Expenditure forecast variances may also result from changes to a project’s scope or cost estimate; proposed changes to multi-year capital budgets are presented to Council for approval on a quarterly basis as set out in the Capital Budget policy.

Service Category 1	2019 Expenditure Budget	2019 YTD Expenditures	2019 Expenditure Forecast	Forecast Variance
01. Affordable Housing	77,577	7,531	80,006	(2,429)
02. Childcare	20,166	5,058	17,316	2,850
03. Parks and Open Spaces	53,992	9,833	41,399	12,593
04. Community Facilities	34,173	4,260	25,000	9,173
05. Arts & Culture	20,899	3,540	13,001	7,899
06. Public Safety	19,286	8,093	16,562	2,723
07. Civic Facilities and Equip	43,044	10,719	37,437	5,606
08. Transportation	96,409	25,058	85,034	11,375
09. One Water	111,180	38,146	99,298	11,882
10. Renewable Energy	10,020	1,967	4,950	5,070
11. Solid Waste	48,466	15,358	36,249	12,217
12. Technology	33,559	14,136	33,940	(380)
13. Overhead	6,171	2,758	7,031	(860)
Grand Total	574,942	146,457	497,223	77,719

NOTE: Totals may not add up due to rounding.

Explanations for variances between forecast full-year 2019 expenditures as of June 30 and the 2019 Annual Capital Expenditure Budget by service category follow:

Affordable Housing	Forecast \$2.4 million above budget
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Housing projects are managed by Housing Policy & Projects, Vancouver Affordable Housing Agency (VAHA) and Real Estate & Facilities Management (REFM).

As of June 30, capital expenditures for Affordable Housing projects in 2019 were forecast to be \$2.4 million above budget, primarily due to:

- the disbursement of some Affordable Housing capital grants in 2019 that were initially planned for 2018 but deferred to 2019 to allow grant recipients additional time to meet grant eligibility conditions;
- higher than anticipated expenditures in 2019 for the Affordable Housing facilities capital maintenance program to address additional scope identified through an in-depth REFM condition assessment of City housing facilities; and
- higher than anticipated expenditures in 2019 for the Temporary Modular Housing program relating to site preparation costs for new projects being developed under the program and for feasibility analysis of potential new sites suitable for the next phase of temporary modular housing.

Childcare	Forecast \$2.9 million below budget
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Childcare projects are managed by Arts, Culture & Community Services and Real Estate & Facilities Management (REFM).

As of June 30, capital expenditures for Childcare projects in 2019 were forecast to be \$2.9 million below budget, primarily due to a delay in the start of construction of new childcare facilities planned for two Gastown parkades, as a result of an extended timeline required for construction tendering.

Parks and Open Spaces	Forecast \$12.6 million below budget
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Parks and Open Spaces projects are managed by Parks and Recreation; Real Estate & Facilities Management (REFM); Arts, Culture & Community Services; Planning, Urban Design and Sustainability; and Engineering Services.

As of June 30, capital expenditures for Parks and Open Spaces projects in 2019 were forecast to be overall \$12.6 million below budget, primarily due to:

- lower than budgeted expenditures for the Langara Golf Drainage project in 2019 as Parks and Recreation staff is currently working on an alternative plan for drainage improvements;
- 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 fall 2019;
- expenditures that had been planned for 2019 for the grass playfield renewal program now rescheduled to 2020 to address evolving current Park Board priorities;
- deferral of expenditures for upgrades to Clinton Park that had been planned for 2019 but now shifted to 2020 to align upgrades with recommendations from the pending public engagement process for synthetic turf playfields; and

- lower than anticipated expenditures in 2019 for the construction of a new park in the Southeast False Creek area as a result of a longer than anticipated timeline for project staff resourcing.

Community Facilities

Forecast \$9.2 million below budget

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

As of June 30, capital expenditures for Community Facilities projects in 2019 were forecast to be below budget by \$9.2 million, primarily due to:

- lower than planned expenditures in 2019 for the Marpole Community Centre Redevelopment project as the completion of the Oak Park Master Plan, which the community centre redevelopment project is dependent on, is requiring more time to complete than originally anticipated due to its large scope and complexity;
- lower than planned expenditures in 2019 for the Britannia Community Services Centre Redevelopment project as a result of a longer than anticipated timeline required for land rezoning, delaying the start of master plan consulting; and
- a change in the planned timing of a major capital grant disbursement supporting the redevelopment of the Little Mountain Neighbourhood House that had been anticipated for 2019 but is currently on hold pending developer and rezoning decisions.

Arts and Culture

Forecast \$7.9 million below budget

Arts and Culture projects are managed by various departments within the City including Real Estate & Facilities Management (REFM); Arts, Culture & Community Services; Parks and Recreation; Planning, Urban Design and Sustainability; and Hastings Park/Pacific National Exhibition (PNE).

As of June 30, capital expenditures for Arts and Culture projects in 2019 were forecast to be below budget by \$7.9 million, primarily due to:

- a change in the planned timing of a major capital grant disbursement supporting artist production spaces in the Mount Pleasant neighbourhood that had been anticipated for 2018 and then 2019 but continues to be on hold while the non-profit organizations finalize their facilities planning;
- lower than anticipated expenditures in 2019 for the Playland Redevelopment project reflecting a shift in timing for the design phase that had been planned for 2019 but now moved to 2020 to accommodate additional project scope recommended by the project steering committee; and
- lower than anticipated expenditures in 2019 for building envelope maintenance planned for Heritage Hall, reflecting a revised timeline to accommodate tenant's available window for construction.

Public Safety

Forecast \$2.7 million below budget

Public Safety projects are managed by Real Estate & Facilities Management (REFM) and Engineering Services.

As of June 30, capital expenditures in 2019 for Public Safety projects were forecast to be \$2.7 million below budget, primarily relating to lower than anticipated expenditures for 2019 for replacement of end-of-life vehicles and equipment for the Vancouver Police Department and Vancouver Fire and Rescue Services, reflecting equipment procurement resource availability constraints earlier in the year.

Civic Facilities and Equipment

Forecast \$5.6 million below budget

Civic Facilities and Equipment projects are managed by Real Estate & Facilities Management (REFM) and Engineering Services.

As of June 30, capital expenditures in 2019 for Civic Facilities and Equipment projects were forecast to be \$5.6 million below budget, primarily due to:

- lower than anticipated expenditures for 2019 for replacement of end-of-life City vehicles and equipment, reflecting equipment procurement resource availability constraints earlier in the year; and
- the deferral of the 2019 Energy Optimization program to 2020 as staff focus on developing various projects for 2020 to accelerate the implementation of the Renewable Energy Strategy, including additional deep emission retrofit reduction projects for City-owned buildings, as directed by Council in April 2019.

Transportation

Forecast \$11.4 million below budget

Transportation projects are managed by the Engineering Services department.

As of June 30, capital expenditures in 2019 for Transportation projects were forecast to be \$11.4 million below budget, primarily due to:

- the deferral to 2020 of some of the project scope and expenditures that had been planned for 2019 for the Northeast False Creek Redevelopment project, reflecting longer than anticipated timelines required for rezoning enactments;
- the deferral to 2020 of some of the project scope and expenditures that had been planned for 2019 for the Granville Bridge Upgrade/Rehabilitation project, reflecting a refinement of the project timeline with the construction contract awarded in late June 2019; and
- lower than anticipated expenditures in 2019 for the Arbutus Greenway Fraser River Extension project reflecting a longer than anticipated timeline required for consultation with the Musqueam community.

One Water

Forecast \$11.9 million below budget

One Water projects are managed by the Engineering Services department.

As of June 30, capital expenditures in 2019 for One Water projects were forecast to be below budget by \$11.9 million, primarily due to:

- lower than anticipated expenditures in 2019 for the Sewer Growth-Related Utility Upgrades program, reflecting delays in the planning and design phases as a result of program resourcing constraints;
- lower than anticipated expenditures in 2019 for the Pump Station Replacement program, reflecting a change to the project construction schedule as a result of an longer than anticipated timeline that was required for construction tendering; and
- lower than anticipated expenditures in 2019 for the Green Infrastructure Planning program reflecting a deferral of Combined Sewer Overflow studies to future years due to current resourcing constraints.

Renewable Energy

Forecast \$5.1 million below budget

Renewable Energy projects are managed by the Engineering Services department.

As of June 30, capital expenditures in 2019 for Renewable Energy projects were forecast to be \$5.1 million below budget primarily due to the deferral of various Neighborhood Energy Utility System extension projects to 2020 as a result of construction delays in building developments in the area.

Solid Waste

Forecast \$12.2 million below budget

Solid Waste projects are managed by the Engineering Services department.

As of June 30, capital expenditures for Solid Waste projects in 2019 were forecast to be overall \$12.2 million below budget, primarily due to:

- lower than anticipated expenditures in 2019 for the Vancouver Landfill Closure Phase 3 project as progress by the principal contractor has been slower than had been anticipated at the time the 2019 budget was developed (the contractor has revised the project delivery timeline accordingly);
- lower than anticipated expenditures in 2019 for the Landfill Gas Work program reflecting the deferral of some of the planned project work to future years following a reprioritization of the 2019 Solid Waste work plan; and
- lower than anticipated expenditures in 2019 for the replacement of end-of-life Sanitation vehicles and equipment, reflecting equipment procurement resource availability constraints earlier in the year.

Technology

Forecast \$0.4 million above budget

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

As of June 30, capital expenditures for Technology projects for 2019 are forecast to be on budget.

Overhead Forecast \$0.9 million above budget

This service category includes the cost of City staff supporting the capital program, as well as the financing fees the City incurs as part of the debenture program.

As of June 30, capital expenditures in 2019 are \$0.9 million above budget primarily due to higher than budgeted capital support costs required in the year for Supply Chain and Human Resources relating to the implementation of 2019-2022 Capital Plan.

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

Table 3 below summarizes the progress on outcomes related to the Top 10 projects by expenditure budget in the overall 2019 Annual Capital Expenditure Budget. As indicated in the table, nine of the ten projects are currently on track to deliver outcomes that were anticipated during development of the 2019 Budget. Expenditures in the Vehicles and Equipment Replacement program are forecast to be lower than planned for 2019 due to resource constraints and staff hiring delays earlier in the year.

Table 3 - Outcomes for Top 10 Projects and Programs in 2019 (\$ millions)						
Program/Project	2019 Annual Expenditure Budget	2019 YTD Expenditures	2019 Total Expenditure Forecast	Variance (Total Forecast vs. Budget)	Anticipated Outcomes for 2019 (based on original 2019 Expenditure Budget)	Anticipated Outcomes as of Q2
Vehicles and Equipment Replacement (Annual program)	\$23.6	\$5.5	\$16.9	\$6.6	Replacement of 150 to 180 end-of-life equipment and vehicles. Major replacement categories include snow-response ready tandem dump trucks, police motorcycles and patrol vehicles, sanitation container trucks, sewer cleaner trucks, landfill bulldozer, driving simulator and electric open body dump trucks.	Not On Track: Expenditures in 2019 are anticipated to be less than originally planned due to equipment procurement resourcing constraints earlier in the year.
Sewer Main Replacement (Annual program)	\$28.7	\$12.0	\$28.7	\$0.0	In 2019, a minimum of 3.7 kms of combined sewer separation (stormwater/sewage) is planned to be delivered, chosen through asset management tools and multi-branch coordinated projects: Nanaimo, St Catherines, Cartier, 10th Ave, Tatlow St. and Kitsilano Beach Park.	On Track

(table continued on next page)

2019 Second Quarter Review – Operating and Capital Budgets

Table 3 - Outcomes for Top 10 Projects and Programs in 2019 (\$ millions)						
Program/Project	2019 Annual Expenditure Budget	2019 YTD Expenditures	2019 Total Expenditure Forecast	Variance (Total Forecast vs. Budget)	Anticipated Outcomes for 2019 (based on original 2019 Expenditure Budget)	Anticipated Outcomes as of Q2
Landfill Closure	\$25.8	\$8.2	\$17.8	\$8.0	In 2019, complete the closure construction of Phase 3 North East, installation of 6 horizontal collectors in Phase 4 North and the leachate collector in Phase 4, as well as the completion of the final 10 (out of 35) hectares of closure complete with gas collection system.	On Track
Land Acquisition for Affordable Housing	\$12.6	\$0.0	\$12.6	\$0.0	Purchase of land to enable strategic partners (e.g., senior government, non-profit agencies) to deliver affordable housing units on city-owned land.	On Track
Active Transportation Corridors & Spot Improvements	15.0	5.8	17.4	-\$2.4	The Active Transportation Corridors and Spot Improvements Program includes funding to expand the walking, cycling and greenways networks and to improve existing facilities to further enhance safety and comfort. Upgrades to the network include improvements to achieve cycling routes for all ages and abilities (AAA). The 2019 program will be focused on building out the 5-year bike map, as well as construction of new and improved walking and cycling infrastructure including major improvements to the Quebec & 1st area, Nanaimo Street and areas along 10th Avenue.	On Track
Viaducts Removal/Northeast False Creek Redevelopment	\$10.9	\$2.3	8.0	\$2.9	This project enables the development of the future Northeast False Creek neighbourhood, which has a 20-year implementation plan. In 2019, the budget will provide support for progressing infrastructure and park designs, coordinating the rezoning process, continuing negotiations with landowners and project partners, continuing important First Nations and community engagement, and preparing construction-phase related agreements for the viaducts replacement.	On Track
Roddan Lodge Redevelopment and Evelyn Saller Centre	\$10.0	\$0.8	10.0	\$0.0	Continue the construction phase with anticipated completion in 2021.	On Track
2019 Water Distribution Main Replacement	\$9.1	\$4.2	10.5	-\$1.5	For 2019, the goal is to replace approximately 6.7 km of the total distribution main system. Projects planned include Boundary Rd, 12th Ave, Prince Albert, 40th Ave, 55th Ave and 19th Ave.	On Track

(table continued on next page)

Table 3 - Outcomes for Top 10 Projects and Programs in 2019 (\$ millions)

Program/Project	2019 Annual Expenditure Budget	2019 YTD Expenditures	2019 Total Expenditure Forecast	Variance (Total Forecast vs. Budget)	Anticipated Outcomes for 2019 (based on original 2019 Expenditure Budget)	Anticipated Outcomes as of Q2
2019 Water Transmission Main Replacement	\$8.2	\$1.6	7.4	\$0.8	Transmission mains pipes are designed to move large quantities of water from the source of supply. The budget will support the replacement of 1.25 km of transmission main at the end of service life, on Haro Street and Trafalgar Street.	On Track
Childcare at Gastown Parkades	\$8.0	\$0.2	8.0	\$0.0	Continue the construction phase with anticipated completion in 2020.	On Track
Total	151.8	40.5	137.4	14.5		
Total City-Wide	574.9	146.5	497.2	77.7		
% of City-Wide	26%	28%	28%	19%		

C. MULTI-YEAR CAPITAL PROJECT BUDGET

As of June 30, 2019, the total Multi-Year Capital Budget for open capital projects and programs totaled \$1.326 billion. As part of the quarterly adjustment and closeout process, on July 23, 2019 (RTS 12829), Council approved additions totaling \$29.4 million and capital project closeouts totaling \$34.2 million, leading to a revised total Multi-Year Capital Budget of \$1.322 billion.

D. 2019-2022 CAPITAL PLAN

The 2019-2022 Capital Plan approved by Council on July 25, 2018 included \$2.771 billion of capital investments over the four years of the plan, consisting of \$2.203 billion of City-led capital programs and \$0.569 billion of in-kind development contributions. Subsequently, Council approved changes to the 2019-2022 Capital Plan bringing the total to \$2.787 billion. As part of the quarterly capital budget adjustment and closeout process, Council approved a further increase of \$1.4 million to the Capital Plan on July 23, 2019 (RTS 12829), bringing the total 2019-2022 Capital Plan to \$2.788 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 \$14.9 million in YTD Q2. The variances across the revenue and expenditure categories reflect a higher level of recoveries to the second quarter budget, higher than budgeted Investment income partially offsetting Snow removal costs, as well as differences in the timing of actual revenues and expenditures within the year compared to the second quarter budget. 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 six months of the year and a projection of revenues, expenditures and transfers for the remaining six 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 \$146.5 million in capital expenditures during the first six months of 2019, representing 25% of the total 2019 Annual Capital Expenditure Budget of \$574.9 million. Expenditures for the year are forecast to be \$497.2 million, or 86% of the Capital Expenditure Budget.
