

December 15, 2020

2020 THIRD QUARTER REVIEW – OPERATING AND CAPITAL BUDGETS

EXECUTIVE SUMMARY

OPERATING BUDGET

The City continues to experience significant financial impacts as a result of COVID 19, however, the forecast shows in improvement in the City’s year-end operating position from earlier estimates primarily as a result of increased parking activity and revenues from reopened services such as golf, libraries, and recreation facilities such as rinks and pools. As of Q3, the current forecast is for a revenue decline of \$89 million in 2020 from the original budget approved by Council. This revenue loss has been partially offset by cost mitigations of \$54 million from holding vacancies, exempt pay reductions and delayed merit increases, reviewing discretionary spending, and the financial impacts of facility closures. The remaining \$25 million in revenue loss will be offset from stabilization reserves at year end. 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.

2020 Operating Budget- Year-to-Date and Full year Forecast								
\$ millions	Year-to-date				2020 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
TOTAL REVENUES	\$1,241.1	\$1,183.0	(\$58.1)	(4.7%)	\$1,616.9	\$1,528.3	(\$88.6)	(5.5%)
TOTAL EXPENDITURES & TRANSFERS	\$1,061.8	\$1,003.9	\$58.0	5.5%	\$1,616.9	\$1,528.3	\$88.6	5.5%
SURPLUS (DEFICIT)	\$179.2	\$179.1	(\$0.1)	(0.1%)	(\$0.0)	\$0.0	\$0.0	

NOTE: Totals may not add due to rounding.

CAPITAL BUDGET

Total capital expenditures to the end of the third quarter of 2020 were \$260.7 million, which is 37% of the total 2020 Annual Capital Expenditure Budget of \$701.8 million. Total expenditures for the year are forecast to be \$420.3 million, which is around 60% of the 2020 Capital Expenditure Budget. The forecast reflects overall slowdown of project work and aligns with the Capital Plan recalibration. Commentary on variances between full-year forecast actuals and corresponding budgets in specific service categories are provided in the body of this document.

2020 Annual Capital Expenditure Budget - Q3 Year-to-Date Actual Expenditures (\$ millions)					
Service Category	2020 Budget	Q3 Year-to-date Actuals	2020 Full Year Expenditures		
			Forecast Expenditure	Variance (\$)	Variance (%)
AFFORDABLE HOUSING	\$78.1	\$27.4	\$34.8	\$43.3	55.5%
CHILDCARE	\$27.3	\$15.3	\$20.2	\$7.1	26.0%
PARKS, OPEN SPACES AND RECREATION	\$55.1	\$18.1	\$38.5	\$16.7	30.2%
COMMUNITY FACILITIES	\$32.5	\$5.4	\$9.3	\$23.2	71.4%
ARTS AND CULTURE	\$30.8	\$5.6	\$7.0	\$23.8	77.2%
PUBLIC SAFETY	\$14.8	\$9.3	\$11.6	\$3.2	21.8%
CIVIC FACILITIES AND EQUIPMENT	\$35.5	\$14.5	\$20.7	\$14.8	41.6%
TRANSPORTATION AND STREET USE	\$99.7	\$51.8	\$88.4	\$11.3	11.3%
ONE WATER	\$116.0	\$74.9	\$111.4	\$4.5	3.9%
RENEWABLE ENERGY	\$18.4	\$3.8	\$12.8	\$5.7	30.7%
SOLID WASTE	\$36.3	\$16.3	\$31.3	\$5.0	13.8%
TECHNOLOGY	\$31.9	\$13.7	\$26.9	\$5.1	15.9%
CITY-WIDE	\$125.4	\$4.7	\$7.5	\$117.9	94.0%
TOTAL	\$701.8	\$260.7	\$420.3	\$281.5	40.1%

OPERATING BUDGET

Since 2010, the Director of Finance has committed to reporting quarterly on the Operating Budget status. Council Policy regarding the Operating Budget, as per the Vancouver Charter, is to ensure a balanced operating budget.

A. Q3 YTD 2020 OPERATING BUDGET RESULTS AND FULL YEAR 2020 FORECAST

This third 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 2020 Operating Budget.

The City recorded an Operating Budget surplus of \$0.1 million for the third quarter of 2020. The variances in the revenue categories reflect lost revenues due to Facility closures, lost parking revenues and increased costs due to COVID-19 related expenditures, partially offset by salary related savings, as well as the timing difference in the third quarter between actual and budgeted revenues and expenditures.

The City is taking a balanced approach to mitigating the impact of COVID-19 including actions such as temporary staff layoffs, wage adjustments, cost containment, holds on hiring and utilizing reserves. Through these mitigation actions the City is forecasting the Operating Budget to be balanced for 2020 year-end. The forecast reflects the financial results for the first nine months of the year and a projection of revenues, expenditures and transfers for the remaining three months. The forecast includes an estimate of year-end transfers from reserves, including transfers from revenue stabilization to address the funding gap.

The table below shows the 2020 Operating Budget revenue and expenditures, year-to-date variances and full year forecasts.

2020 Operating Budget - Year-to-Date and Full year Forecast								
\$ millions	Year-to-date				2020 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
REVENUES								
Property tax revenue	\$677.7	\$686.4	\$8.7	1.3%	\$890.6	\$890.6	\$0.0	0.0%
Utility revenue	\$261.3	\$253.8	(\$7.5)	(2.9%)	\$329.7	\$321.1	(\$8.6)	(2.6%)
Program revenue	\$49.2	\$24.4	(\$24.7)	(50.3%)	\$66.1	\$33.6	(\$32.4)	(49.1%)
Licence & Development fees	\$76.1	\$58.0	(\$18.1)	(23.7%)	\$95.8	\$73.4	(\$22.4)	(23.4%)
Parking revenue	\$57.8	\$36.2	(\$21.6)	(37.3%)	\$77.1	\$48.9	(\$28.2)	(36.6%)
Cost recoveries, grants & donations	\$44.5	\$50.4	\$5.9	13.2%	\$61.9	\$68.2	\$6.2	10.1%
Provincial revenue sharing	\$15.6	\$16.2	\$0.6	3.9%	\$19.2	\$16.2	(\$3.0)	(15.5%)
Investment income	\$12.1	\$14.7	\$2.6	21.6%	\$15.2	\$16.5	\$1.3	8.7%
Other revenue	\$30.6	\$29.7	(\$0.9)	(2.8%)	\$39.6	\$39.2	(\$0.4)	(1.0%)
Bylaw fines	\$16.3	\$13.1	(\$3.2)	(19.6%)	\$21.7	\$20.5	(\$1.2)	(5.5%)
TOTAL REVENUES	\$1,241.1	\$1,183.0	(\$58.1)	(4.7%)	\$1,616.9	\$1,528.3	(\$88.6)	(5.5%)
EXPENDITURES & TRANSFERS								
Utilities	232.0	227.7	4.2	1.8%	375.4	367.7	7.7	2.0%
Engineering	79.1	73.1	6.0	7.6%	105.6	93.8	11.8	11.2%
Police Services	248.1	247.9	0.3	0.1%	339.5	338.3	1.2	0.4%
Fire & Rescue Services	106.2	106.3	(0.1)	(0.1%)	142.0	142.7	(0.6)	(0.5%)
Parks & Recreation	101.6	78.4	23.1	22.8%	136.1	114.6	21.5	15.8%
Library	41.4	33.3	8.1	19.5%	55.8	47.7	8.1	14.5%
Britannia	4.1	3.1	1.0	24.7%	5.5	4.7	0.8	14.0%
Civic Theatres	11.2	6.0	5.2	46.5%	15.1	8.0	7.2	47.4%
Arts, Culture & Community Services	30.6	36.3	(5.7)	(18.5%)	40.0	52.3	(12.3)	(30.7%)
Grants	19.8	18.5	1.3	6.5%	22.7	22.7	0.0	0.0%
Development, Buildings & Licensing	30.3	28.9	1.4	4.6%	41.4	39.7	1.7	4.1%
Planning, Urban Design & Sustainability	26.5	22.0	4.5	16.8%	32.1	27.6	4.6	14.2%
Mayor	1.1	1.0	0.1	7.0%	1.4	1.3	0.2	11.0%
Council	1.5	1.2	0.3	21.0%	2.0	1.6	0.4	19.1%
Corporate Services	88.3	79.2	9.1	10.4%	119.6	110.7	8.9	7.5%
General Government, Debt and transfers	40.1	40.9	(0.9)	(2.2%)	182.4	154.9	27.5	15.1%
TOTAL EXPENDITURES & TRANSFERS	\$1,061.8	\$1,003.9	\$58.0	5.5%	\$1,616.9	\$1,528.3	\$88.6	5.5%
SURPLUS (DEFICIT)	\$179.2	\$179.1	(\$0.1)	(0.1%)	(\$0.0)	(\$0.0)	\$0.0	

NOTE: Totals may not add due to rounding.

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

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

Property Tax Revenue is above budget for Q3 YTD due to timing and forecast to be on budget for the year. Collection of property tax is currently being monitored, however, this is a risk to cash flow that will not impact the amount of revenue recognized in 2020.

02. Utility Revenue **Forecast \$8.6 million below budget**

Utility Revenues are forecasted to be lower than budget due to lower Sewer and Water consumption in Q3 along with less than anticipated Solid Waste disposal revenues as a result of a decrease in Commercial Disposal and Demo receipts.

03. Program Revenue**Forecast \$32.4 million below budget**

Program Revenue is below budget by \$24.7 million for Q3 YTD and forecast to be \$32.4 million below budget for the year partially offset by related expenditures.

Park Board program revenues are forecasted to be below budget at year-end by \$18.7 million primarily due to lower than budgeted volume of recreation revenues, golf revenues and rental revenues due to Facility closures. These expenses are partially offset by salary savings due to hiring restrictions, vacancy savings, and wage adjustments. After the Park Board's decision to reopen certain facilities such as golf courses, recreation facilities such as rinks and pools, and the VanDusen Botanical Garden, the overall revenue forecast has improved from Q2.

Civic Theatres program revenues are forecasted to be below budget at year-end by \$10.7 million offset by temporary lay-offs due to Civic Theatres closures.

Other departments such as Vancouver Public Library and Arts, Culture & Community Services are forecasting below budget program fees at year-end due to Library facility closures and Community facility closures.

04. Licence & Development Fees**Forecast \$22.4 million below budget**

Licence and Development Fees are \$18.1 million below budget for YTD and forecast to be \$22.4 million below budget for the year primarily due to lower development fees and anchor fees caused by lower development activity.

05. Parking revenue**Forecast \$28.2 million below budget**

Parking revenues are forecast to be below budget by \$28.2 million for the year due to reduced parking activity as a result of COVID-19. In recent months, parking activity has decreased and this has resulted in a decline of \$2.3 million to the year-end parking revenue position from the Q2 forecast.

06. Cost Recoveries and Grants**Forecast \$6.2 million above budget**

Cost recoveries are forecasted to be \$6.2M above budget, mostly due to anticipated COVID-19 related costs recoveries from senior governments, NEU flooding insurance recoveries and developer funded projects partially offset by a \$4 million reduction in Translink funding to the City's operating budget for major road maintenance. These above budget cost recoveries are offset by higher costs.

07. Provincial revenue sharing**Forecast \$3.0 million below budget**

Revenue sharing is forecast to be \$3.0 million below budget for the year primarily due to Casino closures resulting to lost revenue and lower traffic fine revenue from Provincial government.

08. Bylaw fines**Forecast \$1.2 million below budget**

The forecast for the year is to be below budget by \$1.2 million mainly due to reduced parking activity during COVID-19 restrictions period. As a result of improved parking activity in recent months, the forecast for bylaw fine revenue has improved by \$1.8 million from the Q2 forecast.

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

01. Utilities**Forecast \$7.7 million below budget**

Utility expenditures are forecasted to be below than budget due to lower water consumption for the year due to COVID-19 slowdown, in addition to reflecting expenses related to NEU flooding partially offset by salary and vacancy savings and a higher transfer to stabilization reserves.

02. Engineering**Forecast \$11.8 million below budget**

Engineering expenditures are below budget by \$6.0 million for Q3 YTD, primarily due vacancy savings partially offset by significant snow removal costs beginning of the year. The overall forecast for Engineering expenditures is to be \$11.8M below budget due salary cost mitigations including salary savings as well as cost savings related to events cancellation and professional fees.

03. Police Services**Forecast \$1.2 million below budget**

Police Services expenditures are below budget by \$0.3 million for Q3 YTD primarily due to salary savings partially offset by higher than budget equipment and fleet expenses as a result of ICBC insurance rate increases. Expenditures are expected to below budget by the end of the year reflecting salary savings due to hiring delays and lower travel and training expenses.

04. Parks**Forecast \$21.5 million below budget**

Parks and recreation expenditures are forecasted to be below budget by \$21.5 million for the year, primarily due to facility closures during the pandemic, vacancy savings and wage adjustments as well as lower revenue related expenditures offsetting lost revenues as mentioned above. These savings are \$4.3 million lower than projected in Q2 due to re-opening of certain facilities such as recreation facilities including rinks, pools and fitness centers however, these facilities also have increases to forecasted revenue as a result of reopening.

05. Library**Forecast \$8.1 million below budget**

Library expenditures are forecast to be below budget by \$8.1 million for the year, primarily due temporary layoffs due to Library branches closures during the pandemic, as well as savings in building maintenance and safety costs.

06. Civic Theatres**Forecast \$7.2 million below budget**

Civic Theatres expenditures are forecast to be below budget by \$7.2 million for the year, primarily due to temporary layoffs due to theatre closures and event cancellations offsetting lost revenues as mentioned above.

07. Arts, Culture & Community Services	Forecast \$12.3 million above budget
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Arts, Culture and Community Services expenditures are forecast to be to be above budget by \$12.3 million, primarily due DTES COVID-19 related costs partially offset by cost recoveries.

08. Development, Buildings & Licensing	Forecast \$1.7 million below budget
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Development, Buildings & Licensing expenditures are forecast to be below budget by \$1.7 million, primarily due to hiring freeze and vacancy savings.

09. Planning, Urban Design & Sustainability	Forecast \$4.6 million below budget
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Planning, Urban Design & Sustainability expenditures are below budget by \$4.6 million primarily due to Vancouver Plan expenditure delays.

10. Corporate Services	Forecast \$8.9 million below budget
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Corporate Services expenditures are forecast to be below budget by \$8.9 million for the year reflecting COVID-19 cost mitigations in REFM, FRS, HR and Technology Services, and City-Wide energy savings due to closed facilities partially offset by higher COVID-19 related expenditures.

12. General Government, Debt and Transfers	Forecast \$27.5 below budget
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General Government expenditures, debt and transfers are forecast to be below budget by \$27.5 million primarily due to transfer from reserve to offset a portion of the City's lost revenue due to COVID-19. 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. Based on best practice guidance from the GFOA, the recommended balance in the stabilization reserve is 8-16% of non-utility revenue. A \$ 25 million transfer from reserve is required to offset the revenue declines resulting from COVID-19, which provides room to offset revenue declines in the remaining 3 months of the year should there be a second wave. After considering the provincial recovery of \$16M and the upcoming commitments, the current forecast of the reserve balance at year-end will be 1.5%.

B. RISKS AND OPPORTUNITIES

Forecast risk arising from changes in economic outlook: A number of City revenue streams are sensitive to changes in the economy. Given the uncertainty around the economic recovery from COVID, 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 including expenses related to COVID response. The opioid crisis continues to impact City operations, and there is a risk of snow and weather events in the fall and winter that may result in additional costs. 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 that may span multiple years. Therefore, capital projects are viewed on both an annual expenditure basis (annual capital expenditure actuals vs. budget) and a multi-year project basis (multi-year capital project actuals vs. budget).

On December 17, 2019, Council approved the 2020 Capital Budget, including a 2020 Annual Capital Expenditure Budget of \$701.8 million. This report reflects third quarter year-to-date performance against 2020 Annual Capital Expenditure Budget, including reallocations and adjustments within the Annual Expenditure Budget subsequent to the end of the third quarter approved by the City Manager in accordance with the Capital Budget Policy, with no change to the overall 2020 Annual Capital Expenditure Budget as approved by Council. The forecast reflects overall slowdown of project work resulting from COVID-19 and aligns with the 2019-2022 Capital Plan Mid-Term Update and Recalibration approved by Council on September 16, 2020.

A. 2020 CAPITAL EXPENDITURES vs. 2019 CAPITAL BUDGET by Service Category

Capital expenditures to the end of the third quarter of 2020 were \$260.7 million, representing 37% of the total 2020 Annual Capital Expenditure Budget of \$701.8 million. Expenditures for the year are currently forecast to be \$420.3 million, representing 60% of the Capital Expenditure Budget.

The table below summarizes the 2020 Capital Expenditure Budget variances for Q3 year-to-date by service category.

Q3 2020 Annual Capital Budget Results By Service Category (\$000's)				
Service Category 1	2020 Expenditure Budget ☒	2020 YTD Expenditures	2020 Expenditure Forecast ☒	Forecast Variance ☒
01. Affordable Housing	78,083	27,391	34,752	43,331
02. Childcare	27,294	15,332	20,200	7,093
03. Parks and Open Spaces	55,122	18,135	38,458	16,664
04. Community Facilities	32,475	5,376	9,285	23,191
05. Arts & Culture	30,840	5,561	7,023	23,817
06. Public Safety	14,837	9,287	11,598	3,240
07. Civic Facilities and Equip	35,467	14,480	20,714	14,753
08. Transportation	99,688	51,818	88,390	11,298
09. One Water	115,954	74,911	111,418	4,536
10. Renewable Energy	18,442	3,812	12,771	5,670
11. Solid Waste	36,288	16,259	31,273	5,014
12. Technology	31,939	13,688	26,873	5,066
13. Overhead	125,373	4,682	7,506	117,867
Grand Total	701,802	260,733	420,262	281,540

The forecast estimate reflects an anticipated overall slowdown of project work as a result of COVID-19 restrictions, which impact engagement timelines, and reflects the Capital Plan recalibration as well.

Variance explanations between forecast full-year 2020 expenditures as of September 30 and the 2020 Annual Capital Expenditure Budget by service category:

Affordable Housing \$43.3 million below budget

Housing projects are managed by Housing Policy & Regulation in Planning, Urban Design and Sustainability Department, Affordable Housing Programs in Arts, Culture & Community Services, Real Estate & Facilities Management, and Vancouver Affordable Housing Agency.

As of September 30, capital expenditures for Affordable Housing projects in 2020 were forecast to be \$43.3 million below budget, primarily due to the impact of COVID-19 as well as:

- excavation issues encountered during site preparation for Roddan Lodge Redevelopment project resulting in an adjustment to the construction schedule
- a change in timing of planned social housing land acquisitions which are now expected in 2021 and subsequent years
- a change in timing of Housing capital grant disbursements as recipient organizations require more time to satisfy grant conditions than originally planned

Childcare \$7.1 million below budget

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

As of September 30, capital expenditures for Childcare projects in 2020 were forecast to be \$7.1 million below budget, primarily due to impact of COVID-19 as well as:

- complexities associated with the Gastown Parkade Childcare project, leading to lower than expected expenditure in 2020
- extended timeline of planning, scoping, and construction tendering for Vancouver School Board childcare facility partnership projects

Parks and Open Spaces

\$16.7 million below budget

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

As of September 30, capital expenditures for Parks and Open Spaces projects in 2020 are forecast to be \$16.7 million below budget, primarily due to impact of COVID-19 as well as:

- extended timeline for several projects resulting from limited staffing capacity and redesign of projects such as Coopers Park, and deferred tendering for Montgomery playfield project
- deferral of land purchase based on timing of availability for park land

Community Facilities

\$23.2 million below budget

Community Facilities projects are managed by various departments including Real Estate & Facilities Management, Arts, Culture & Community Services, Board of Parks and Recreation, Planning, Urban Design and Sustainability, and Vancouver Public Library.

As of September 30, capital expenditures for Community Facilities projects in 2020 were forecast to be \$23.2 million below budget, primarily due to the impact of COVID-19 as well as:

- lower than anticipated expenditures for Community Facilities projects as a result of an extended timeline required for project planning
- a change in timing for capital grant disbursement (i.e. Chinese Society Building Grant, Downtown East Side Capital Grant, Facade Rehabilitation Grant, Atira Grant) as eligibility requirements have not yet been met
- an extended timeline to finalize project design for Marpole-Oakridge Community Centre Redevelopment project, leading to lower than anticipated 2020 expenditure

Arts and Culture

\$23.8 million below budget

Arts and Culture projects are managed by various departments including Real Estate & Facilities Management, Arts, Culture & Community Services, Board of Parks and Recreation; Planning, Urban Design and Sustainability, and Hastings Park/Pacific National Exhibition.

As of September 30, capital expenditures for Arts and Culture projects in 2020 were forecast to be below budget by \$23.8 million, primarily due to the impact of COVID-19 as well as:

- lower expenditures for some cultural, entertainment, and exhibition facilities, reflecting a longer than anticipated timeline for the planning and design phases of these projects
- deferred disbursement of Heritage Incentive Program to 2021 to allow grant recipients additional time to meet grant eligibility conditions; similar to other grants, this arises from delays in completing studies over potential facilities and finalization of projects
- deferred scheduling and underspend for Heritage Hall Building Envelope due to challenges arising from advanced age of building and resulting need of a holistic assessment for the actual implementation

Public Safety

\$3.2 million below budget

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

As of September 30, capital expenditures in 2020 for Public Safety projects were forecast to be \$3.2 million below budget, primarily due to:

- longer planning and validation process of assessing risk and meeting implementation requirements, as well as staff constraints for several programs such as police facilities and fire halls
- lower than anticipated expenditures for the Fire Hall renovation project on account of staff constraints and updated operational routines given the COVID-19 pandemic

Civic Facilities and Equipment

\$14.8 million below budget

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

As of September 30, capital expenditures in 2020 for Civic Facilities and Equipment projects were forecast to be \$14.8 million below budget, primarily due to the impact of COVID-19 as well as:

- a change in timeline of contract award for Energy Optimization programs leading to expenditures originally planned in 2020 now expected in 2021
- deferred renovation of administrative facilities resulting from discovery and abatement of hazardous materials impacting construction progress
- extended timeline for projects as a result of scope changes, staff turnover, new software implementation, and procurement delays
- lower than anticipated expenditures for several projects as a result of an extended timeline required for annual program scope analysis and review, including the annual programs for Civic Facilities Capital Maintenance and Cultural/Social Facilities Plan & Research

Transportation

\$11.3 million below budget

Transportation projects are managed by the Engineering Services department.

As of September 30, capital expenditures in 2020 for Transportation projects were forecast to be \$11.3 million below budget, primarily due to the impact of COVID-19 as well as:

- lower than anticipated expenditures for Active Transportation Corridors due to extended construction timeline and scope reduction, resulting from unexpected complexities encountered on the construction site
- deferral of project scope and expenditures for the Northeast False Creek Redevelopment project, resulting from longer than anticipated timelines required for rezoning enactments

One Water	\$4.5 million below budget
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One Water projects are managed by the Engineering Services department.

As of September 30, capital expenditures in 2020 for One Water projects are forecasted to be \$4.5 million below budget, primarily due to the impact of COVID-19 as well as:

- a change in timeline due to Cambie corridor construction deferral and reduced spend on planning for Green Infrastructure implementation
- scope reduction for Utility Planning and Modeling resulting from lower UDCL pipeline

Renewable Energy	\$5.7 million below budget
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Renewable Energy projects are managed by the Engineering Services and Planning, Urban Design and Sustainability departments.

As of September 30, capital expenditures in 2020 for Renewable Energy projects were forecast to be \$5.7 million below budget primarily due to:

- COVID-19 impacting expenditure delays in the Deep Emission Retrofit Program and the resulting planned recovery schedule for 2021 and 2022
- lower than anticipated expenditures in 2020 for Neighborhood Energy Utility expansion, Energy Transfer Station and connections projects, reflecting revised total project cost estimates

Solid Waste	\$5.0 million below budget
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Solid Waste projects are managed by the Engineering Services department.

As of September 30, capital expenditures for Solid Waste projects in 2020 were forecast to be overall \$5.0 million below budget, primarily due to:

- revised spend schedule for Zero Waste projects arising from additional time required for the planning phase as a result of completed scoping
- various landfill non-closure projects forecast to be under budget as a result of extended timelines for planning & scoping and stakeholder coordination

- lower than anticipated expenditures for completed Landfill Entrance Reconstruction project

Technology	\$5.1 million below budget
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Technology projects are managed by Information Technology and Engineering Services department.

As of September 30, capital expenditures for 2020 technology projects are forecast to be \$5.1 million below budget due to projects deferred to late 2020 and 2021 to alleviate COVID-19 related funding pressure on the overall 2020 budget.

Overhead	\$117.9 million below budget
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This service category includes the cost of City staff supporting the capital program, as well as financing fees the City incurs as part of the debenture program.

As of September 30, capital overhead expenditures for 2020 are forecast to be \$117.9 million below budget, primarily reflecting the changes to project overhead estimates to align with revised project timelines.

This category also includes an expenditure budget contingency allowance that accumulates throughout the year as various projects experience delays or deferrals in planned spend timelines and corresponding project expenditure budgets are decreased. While individual capital project expenditure budgets are decreased to reflect the revised spend forecasts for the year, the overall Citywide expenditure budget approved by Council is left unchanged. These reductions in project spend budgets are accumulated and held as a contingency within the overall Citywide capital expenditure budget to offset changes to spending timelines and corresponding increase of spend budgets that may also occur during the year. Under the provisions of the Capital Budget Policy approved by Council in April 2018, the City Manager has the authority to approve changes to capital project expenditure budgets provided there is no increase to the Citywide Annual Capital Expenditure Budget approved by Council. If an increase to the Citywide Annual Capital Expenditure Budget is required, the increase request is presented to Council for approval.

B. MULTI-YEAR CAPITAL PROJECT BUDGET

As of September 30, 2020, the total Multi-Year Capital Budget for open capital projects and programs totaled \$1.667 billion.

C. 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 through the Capital Plan Recalibration resulting in a total of \$2.661 billion.

The COVID-19 pandemic has posed significant strain on the City's finances. Staff conducted the 2019-2022 Capital Plan Recalibration to reflect the City's fiscal reality while contributing towards post-COVID recovery efforts.

D. RISKS AND OPPORTUNITIES

Given the longer-term timeframe for capital projects, forecast capital expenditures are subject to changes 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
- the impact of COVID-19 Pandemic

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 \$0.1 million in YTD Q3 and a balanced budget at year end, after taking into account cost mitigations of \$54 million as a result of COVID-19 and \$25 million draw from transfers from reserve to offset revenue declines resulting from COVID-19. The variances in the revenue categories reflect lost revenues due to Facility closures and lost parking revenues offset by salary related savings, as well as the timing difference in the third quarter of the year between actual and budgeted revenues and expenditures.

The forecast reflects the financial results for the first nine months of the year and a projection of revenues, expenditures and transfers for the remaining three months. The forecast includes an estimate of year-end transfers to reserves, including transfers relating to revenue stabilization, asset management, future capital facilities and infrastructure, utility rate stabilization, debt repayment, and deferred payroll costs to provide for the City's unfunded liability.

Actual results may differ from the forecast. Departments and Boards will continue to monitor their budgets carefully and to adjust expenditures accordingly to ensure a balanced year-end position.

CAPITAL BUDGET:

The City incurred \$260.7 million in capital expenditures up to the end of the third quarter of 2020, representing 37% of the total 2020 Annual Capital Expenditure Budget of \$701.8 million. Expenditures for the year are forecast to be \$420.3 million, being around 60% of the 2020

Capital Expenditure Budget. Therefore, an underspend variance of 40% is expected by end of 2020.
