

September 10, 2021

2021 SECOND QUARTER REVIEW – OPERATING AND CAPITAL BUDGETS

EXECUTIVE SUMMARY

OPERATING BUDGET

The City continues to experience significant financial impacts as a result of COVID 19. The 2021 Budget assumes that revenues will be \$77 million below 2020 budget levels; largely driven by revenues streams such as parking, permit fees, program fees, and provincial revenue sharing. To offset the revenue shortfall, the 2021 budget assumed that a transfer of \$57 million from the general revenue stabilization reserve would be required to balance the budget.

The forecast as of the second quarter of 2021 shows an improvement in the City’s year-end operating position as compared to the first quarter primarily as a result of lifting COVID restrictions which increased capacity at City facilities, increased parking activity and higher traffic fines as part of the provincial revenues sharing agreement. In addition to the revenue improvement, the year-end forecast was also impacted by additional cost mitigations from holding vacancies as well as higher expenses due to increased capacity at City facilities and retro wage impacts for the CUPE1004 and CUPE15 collective agreement settlements. As a result, the total draw down from general revenue stabilization reserve is expected to be \$46 million at year end as compared to expected \$57M as per the 2021 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.

2021 Operating Budget - Year-to-Date and Full year Forecast								
\$ millions	Year-to-date				2021 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
TOTAL REVENUES	\$833.9	\$872.3	\$38.4	4.6%	\$1,596.9	\$1,620.6	\$23.7	1.5%
TOTAL EXPENDITURES & TRANSFERS	\$665.3	\$648.3	\$17.0	2.6%	\$1,596.9	\$1,620.6	(\$23.7)	(1.5%)
SURPLUS (DEFICIT)	\$168.7	\$224.1	\$55.4	32.8%	\$0.0	\$0.0	(\$0.0)	

NOTE: Totals may not add due to rounding.

CAPITAL BUDGET

Total capital expenditures to the end of the second quarter of 2021 were \$270 million, which is 35% of the total 2021 Capital Expenditure Budget of \$771 million. Total expenditures for the year are forecast to be \$728 million, which is 94% of the 2021 Capital Expenditure Budget. Commentary on variances between full-year forecasts and corresponding budgets in specific service categories are provided in the body of this review report.

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 2021 OPERATING BUDGET RESULTS AND FULL YEAR 2021 FORECAST

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 2021 Operating Budget.

The City recorded an Operating Budget surplus of \$55.4 million for the second quarter of 2021 primarily driven by revenue improvements as a result of lifting Public Health Order (PHO) restrictions, as well as vacancy savings and other salary related savings, which are expected to continue to year-end.

At year-end, the forecasted variances in the revenue categories reflect revenues surplus due to higher than anticipated traffic fines in addition to higher forecast for program fees and parking activity offset by limited capacity at City facilities and lost parking revenues in the first two quarters. The forecasted deficit in the expenditures category is mainly due to the forecasted Vancouver Police Department deficit, in addition to increased costs related to re-opening facilities, COVID-19 related expenditures and retro wage impacts of settled collective bargaining agreements, partially offset by salary related savings.

The City is taking a balanced approach to mitigating the impact of COVID-19 including actions such as cost containment, holds on vacancies and utilizing reserves. Through these mitigation actions the City is forecasting the Operating Budget to be balanced for 2021 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 from reserves, including transfers from revenue stabilization to address the funding gap.

The table below shows the 2021 Operating Budget revenue and expenditures, year-to-date variances and full year forecasts.

2021 Operating Budget - Year-to-Date and Full year Forecast								
\$ millions	Year-to-date				2021 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
REVENUES								
Property tax revenue	\$492.5	\$498.9	\$6.4	1.3%	\$942.2	\$942.2	\$0.0	0.0%
Utility revenue	\$186.7	\$185.4	(\$1.2)	(0.7%)	\$339.9	\$338.7	(\$1.2)	(0.4%)
Program revenue	\$17.2	\$17.9	\$0.6	3.6%	\$39.9	\$38.0	(\$1.8)	(4.6%)
Licence & Development fees	\$46.1	\$58.5	\$12.4	27.0%	\$78.0	\$81.0	\$2.9	3.8%
Parking revenue	\$31.7	\$27.5	(\$4.2)	(13.2%)	\$63.5	\$59.9	(\$3.7)	(5.8%)
Cost recoveries, grants & donations	\$26.6	\$42.4	\$15.9	59.7%	\$57.1	\$75.9	\$18.8	32.9%
Provincial revenue sharing	\$0.0	\$0.0	\$0.0	-	\$7.3	\$14.5	\$7.2	98.1%
Investment income	\$6.5	\$7.8	\$1.3	19.7%	\$12.1	\$13.4	\$1.3	10.7%
Other revenue	\$17.9	\$20.5	\$2.6	14.6%	\$39.3	\$40.6	\$1.3	3.4%
Bylaw fines	\$8.8	\$13.5	\$4.7	53.1%	\$17.6	\$16.5	(\$1.1)	(6.0%)
TOTAL REVENUES	\$833.9	\$872.3	\$38.4	4.6%	\$1,596.9	\$1,620.6	\$23.7	1.5%
EXPENDITURES & TRANSFERS								
Utilities	104.5	92.8	11.7	11.2%	387.8	386.5	1.4	0.3%
Engineering	55.0	54.7	0.3	0.5%	107.0	109.7	(2.7)	(2.5%)
Police Services	167.7	173.8	(6.0)	(3.6%)	340.9	347.2	(6.3)	(1.8%)
Fire & Rescue Services	72.9	74.0	(1.0)	(1.4%)	144.1	147.4	(3.2)	(2.3%)
Parks & Recreation	64.0	59.5	4.5	7.0%	135.6	134.8	0.8	0.6%
Library	27.4	26.4	1.0	3.8%	55.2	54.2	1.0	1.9%
Britannia	3.0	2.8	0.2	5.2%	6.1	5.9	0.2	3.1%
Civic Theatres	4.0	3.1	0.9	23.6%	11.0	6.9	4.1	37.6%
Arts, Culture & Community Services	24.3	27.0	(2.7)	(11.0%)	48.1	57.1	(9.0)	(18.8%)
Grants	15.8	15.6	0.1	0.9%	23.5	23.5	(0.0)	(0.0%)
Development, Buildings & Licensing	20.0	18.8	1.2	6.0%	40.8	40.4	0.4	0.9%
Planning, Urban Design & Sustainability	15.6	14.7	0.9	5.5%	31.8	32.2	(0.4)	(1.4%)
Mayor	0.6	0.5	0.0	8.3%	1.1	2.2	(1.0)	(93.1%)
Council	1.1	1.0	0.2	15.4%	2.3	1.0	1.3	57.7%
Corporate Services	62.0	55.9	6.1	9.9%	123.4	121.5	2.0	1.6%
General Government, Debt and transfers	26.9	27.7	(0.8)	(2.9%)	137.7	149.9	(12.2)	(8.8%)
TOTAL EXPENDITURES & TRANSFERS	\$665.3	\$648.3	\$17.0	2.6%	\$1,596.9	\$1,620.6	(\$23.7)	(1.5%)
SURPLUS (DEFICIT)	\$168.7	\$224.1	\$55.4	32.8%	\$0.0	\$0.0	(\$0.0)	

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

01. Property Tax Revenue	Forecast on budget
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Property Tax Revenue is above budget for Q2 YTD due to higher penalties and interest from delayed Tax payments.

02. Utility Revenue**Forecast \$1.2 million below budget**

Utility Revenues are forecasted to be lower than budget due to lower than anticipated water consumption as a result of COVID restrictions, partially offset by more than budgeted solid waste direct haul and transfer tonnes revenue. The full impact of heat-wave related water consumption in late June and July is not yet reflected in year-to-date actuals and may result in changes to the year-end forecast once updated consumption data is available.

03. Program Revenue**Forecast \$1.8 million below budget**

Program Revenue is above budget by \$0.6 million for Q2 YTD and forecast to be \$1.8 million below budget for the year, an improvement from Q1 forecast.

Park Board program revenues are forecasted to be above budget at year-end by \$2.6 million primarily due to strong golf revenues and anticipation of more tourists and events revenue as part of the BC restart plan, partially offset by lower recreation program revenues in the first two quarters of the year.

Civic Theatres program revenues are forecasted to be below budget at year-end by \$3.9 million due to COVID-19 restrictions in the first two quarters.

04. Licence & Development Fees**Forecast \$2.9 million above budget**

Licence and Development Fees are \$12.4 million above budget for YTD and forecast to be \$2.9 million above budget for the year primarily due to higher than anticipated volume of development, building, and rezoning applications and decal fees. Note that this higher revenue is fully offset by higher than budgeted costs and transfers to reserve to fund future permit work.

05. Parking revenue**Forecast \$3.7 million below budget**

Parking revenues are \$4.2 million below budget YTD and forecast to be below budget by \$3.7 million for the year due to reduced parking activity as a result of COVID-19 restrictions. However, the forecast has improved from Q1 in line with public health orders.

06. Cost Recoveries and Grants**Forecast \$18.8 million above budget**

Cost recoveries are forecasted to be \$18.8 million above budget at year-end mostly due to anticipated COVID-19 related costs recoveries from external parties and senior government. These above budget cost recoveries are fully offset by higher costs. The surplus includes \$6 million for Police recoveries that are fully offset by the deficit in expenses mentioned below.

07. Provincial Revenue Sharing**Forecast \$4.2 million above budget**

Provincial revenue fees are forecasted to be \$4.2 million above budget at year-end due to

higher than anticipated traffic fine revenues and partial recovery of casino gaming revenues forecasted at Q4 as a result of lifting PHO restrictions.

08. Bylaw fines

Forecast \$1.1 million below budget

The Bylaw revenue is forecasted to be below budget at year-end due to lower number of parking violation tickets, as a result of lower parking activity during the first half of the year.

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

01. Utilities

Forecast \$1.4 million below budget

Utilities expenditures are \$11.7 million below budget for Q2 YTD, primarily due to hiring delays and lower water purchases that reflect lower consumption of water in the first half of the year. The net forecast for Utilities department is on budget for the year-end.

02. Engineering

Forecast \$2.7 million above budget

Engineering expenditures are below budget by \$0.3 million for Q2 YTD, primarily due to vacancy savings partially offset by snow removal costs at the beginning of the year. The overall forecast for Engineering expenditures is forecasted to be \$2.7 million above budget due to increased spend on street maintenance and fleet service delays.

03. Police Services

Forecast \$6.3 million above budget

Police Services expenditures are above budget by \$6.3 million for Q2 YTD fully offset by higher than anticipated cost recoveries mentioned above primarily due to special events returning back to normal, in addition to higher outside grants and donations.

The Vancouver Police department also forecasted an additional \$7 million deficit in expenditures related to the budget appeal submitted to the Provincial government and higher fringe benefit costs related to higher rates for WSBC, CPP etc. This deficit is a risk to the City's balanced operating budget and we will continue to monitor it in the remaining half of the year.

04. Fire & Rescue Services

Forecast \$3.2 million above budget

Fire & Rescue Services expenditures are above budget by \$1.0 million for Q2 YTD, primarily due to higher spend on equipment maintenance and higher than budgeted WorkSafeBC rate increases, offset by savings from COVID-19 related spending, travel and training. Fire expenditures for year-end are forecast to be \$3.2 million over budget, primarily driven by higher sick leave, WorkSafeBC benefits, overtime pay and higher spend on fleet maintenance.

05. Parks**Forecast \$0.8 million below budget**

Parks and recreation expenditures are forecast to be below budget by \$4.5 million for Q2 YTD and \$0.8 million for the year, primarily due to facilities operating at lower capacity and staffing levels due to the pandemic, vacancy savings as well as lower revenue related expenditures offsetting lost revenues as mentioned above. The yearend surplus for expenditures decreased compared to Q1 forecast due to the anticipated increase in expenses resulting from reopening of facilities for the second half of the year.

06. Civic Theatres**Forecast \$4.1 million below budget**

Civic Theatres expenditures are forecast to be below budget by \$4.1 million for the year, primarily due to theatre closures and in-person event cancellations, which result in some expenditure savings that partially offset lost revenues.

07. Arts, Culture & Community Services**Forecast \$9.0 million above budget**

Arts, Culture and Community Services expenditures are forecast to be above budget by \$9.0 million, primarily due to higher spend on non-market housing COVID-19 related costs and warming centers fully offset by higher recoveries.

08. Corporate Services**Forecast \$2.0 million below budget**

Corporate Services expenditures are forecast to be below budget by \$2.0 million for the year reflecting COVID-19 cost mitigations and vacancy savings in Real Estate and Facilities Management, Finance, Risk and Supply Chain Management, Legal, Clerks and City Manager Office, and City-Wide energy and occupancy savings due to closed facilities.

09. General Government, Debt and Transfers**Forecast \$5.4 million below budget**

General Government expenditures, debt and transfers are forecast to be below budget by \$5.4 million primarily due to a lower transfer from reserve to reflect an improvement in City's year end position largely driven by improved revenue projections, in addition to a higher transfer from reserve to cover the wage increases of the pending collective bargaining agreements. The forecast also includes a transfer from reserve to offset the higher permits pricing cost. Based on best practice guidance from the GFOA, the recommended balance in the stabilization reserve is 8-16% of non-utility revenue. A \$46 million transfer from reserve is required to offset the revenue declines resulting from COVID-19 and expense pressures including the VPD forecasted year end deficit risk. After considering the upcoming commitments, the current forecast of the reserve balance at year-end will be 3%.

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 and potential for activity restrictions to be imposed in the fall, 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 Police Department budget appeal, COVID-19 response, and the settlement of collective agreements. 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. There is also the risk of fringe benefit rate increases, including WorkSafe BC rates.

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 8, 2020, Council approved the 2021 Capital Budget, including the 2021 Capital Expenditure Budget of \$771 million. This report reflects second quarter results against the 2021 Capital Expenditure Budget, including reallocations and adjustments within the Annual Expenditure Budget subsequent to the end of the second quarter approved by the City Manager in accordance with the Capital Budget Policy, with no change to the overall city-wide 2021 Capital Expenditure Budget, as approved by Council.

A. 2021 CAPITAL EXPENDITURE FORECAST vs. 2021 CAPITAL BUDGET by Service Category

Capital expenditures at the end of the second quarter of 2021 are \$270 million, representing 35% of the total 2021 Capital Expenditure Budget of \$771 million. Expenditures for the year are currently forecast to be \$728 million, representing 94% of the 2021 Capital Expenditure Budget.

The table below summarizes the 2021 Capital Expenditure Budget variances by service category.

2021 Annual Capital Expenditure Budget (in \$ millions)					
Service Category	2021 Expenditure Budget	2021 Q2 Actual Expenditure	2021 Forecast Expenditure	Variance	Variance %
AFFORDABLE HOUSING	\$197.0	\$74.3	\$195.3	\$1.7	0.9%
CHILDCARE	\$18.1	\$2.2	\$14.9	\$3.2	17.8%
PARKS, OPEN SPACES AND RECREATION	\$113.0	\$56.7	\$97.5	\$15.6	13.8%
COMMUNITY FACILITIES	\$32.4	\$5.5	\$29.0	\$3.4	10.6%
ARTS AND CULTURE	\$38.5	\$6.2	\$30.9	\$7.6	19.8%
PUBLIC SAFETY	\$16.5	\$3.1	\$20.2	(\$3.7)	(22.2%)
CIVIC FACILITIES AND EQUIPMENT	\$37.3	\$13.9	\$35.7	\$1.6	4.2%
TRANSPORTATION AND STREET USE	\$115.0	\$29.8	\$107.6	\$7.4	6.4%
ONE WATER	\$124.3	\$54.7	\$111.5	\$12.8	10.3%
RENEWABLE ENERGY	\$19.8	\$3.4	\$16.6	\$3.2	16.0%
SOLID WASTE	\$33.5	\$8.9	\$30.9	\$2.6	7.6%
TECHNOLOGY	\$34.5	\$7.6	\$30.4	\$4.1	11.8%
CITY-WIDE OVERHEAD	(\$9.1)	\$3.6	\$7.3	(\$16.4)	179.7%
TOTAL	\$770.7	\$269.8	\$727.8	\$43.0	5.6%

Variance explanations between 2021 full-year expenditure forecasts as of June 30, 2021 and the 2021 Capital Expenditure Budget by service category:

Affordable Housing

Forecast \$1.7 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.

Capital expenditures for Affordable Housing projects in 2021 are forecast to be \$1.7 million below budget, primarily due to Little Mountain Neighborhood House construction delay to Q2 2022 arising from delays with external developers.

Childcare

Forecast \$3.2 million below budget

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

Capital expenditures for Childcare projects in 2021 are forecast to be \$3.2 million below budget, primarily due to:

- Little Mountain Neighborhood House (Childcare) construction delay to Q2 2022 arising from project timeline and expenditure being controlled by the external developer
- Childcare at Marpole Library on hold due to coordination of engagement with Musqueam

Parks and Open Spaces

Forecast \$15.6 million below budget

Parks and Open Spaces projects are primarily managed by Board of Parks and Recreation, and Real Estate & Facilities Management.

Capital expenditures for Parks and Open Spaces projects in 2021 are forecast to be \$15.6 million below budget, primarily due to impact of COVID-19 and resulting staff redeployment, as well as:

- delay in developers obtaining provincial permits in East Fraser Lands (EFL) Parks projects
- extended public and other stakeholder engagement process for several projects such as the new Mt. Pleasant park at Main and 7th

Community Facilities

Forecast \$3.4 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.

Capital expenditures for Community Facilities projects in 2021 are forecast to be \$3.4 million below budget, primarily due to:

- delays in scoping the Urban Agriculture renovation project as a result of staff constraints
- delays in Capital Maintenance projects because of external funding seeking and detailed internal review in some projects
- cost efficiencies are expected in several projects

Arts and Culture

Forecast \$7.6 million below budget

Arts and Culture projects are managed by various departments including Real Estate & Facilities Management, Arts, Culture & Community Services, Planning, Urban Design and Sustainability, and Business Planning and Project Support.

Capital expenditures for Arts and Culture projects in 2021 are forecast to be below budget by \$7.6 million, primarily due to the impact of COVID-19 as well as:

- deferred disbursement of Heritage Incentive Program grants, arising from delay in construction, and where the grant is paid upon completion
- delay in project expenditure timeline in the Hastings Park – PNE project due to council approval being received later than anticipated

Public Safety

Forecast \$3.7 million above budget

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

Capital expenditures in 2021 for Public Safety projects are forecast to be \$3.7 million above budget, primarily due to Fire and Police fleet replacement catchup later this year.

Civic Facilities and Equipment

Forecast \$1.6 million below budget

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

Capital expenditures in 2021 for Civic Facilities and Equipment projects are forecast to be \$1.6 million below budget, primarily due to:

- delayed construction work for Manitoba Yards Fuel Tank Replacement project, arising from supply constraints
- minor variances spread over multiple planning & research programs

Transportation and Street Use

Forecast \$7.4 million below budget

Transportation and Street Use projects are managed by the Engineering Services department.

Capital expenditures in 2021 for Transportation projects are forecast to be \$7.4 million below budget, primarily due to:

- extension of project timeline; enactment of milestones including infrastructure construction and implementation of the NEFC plan is contingent upon two packages of developer funding and the timing of which is uncertain.

- reduction of expenditure forecast for Robson and Alberni projects, reflecting the consideration to broaden scope to include public space improvements in the West End area, resulting in construction deferral

One Water

Forecast \$12.8 million below budget

One Water projects are managed by the Engineering Services department.

Capital expenditures in 2021 for One Water projects are forecast to be \$12.8 million below budget, primarily due to:

- cost efficiencies and timeline extension to 2022 in several Green Infrastructure implementation projects, arising due to schedule sensitivity with other projects
- lower forecasted spend on Sewer and Water connections, which is to be addressed through the next quarterly adjustment
- timing delays resulting from extended design for Pump Station program and Forcemain replacement project

Renewable Energy

Forecast \$3.2 million below budget

Renewable Energy projects are managed by the Engineering Services and Planning, Urban Design and Sustainability departments.

Capital expenditures in 2021 for Renewable Energy projects are forecast to be \$3.2 million below budget, primarily due to:

- delays in partner capacity in the Resilient Rental Program, resulting from COVID-19
- Non-Market Housing Retrofits program experienced delays in partner capacity (Provincial Government and BC Non-Profit Housing) to finalize contribution agreement; program targeting condominium buildings moved from 2021 work plan due to staff capacity as well as opportunities to align with regional efforts underway

Solid Waste

Forecast \$2.6 million below budget

Solid Waste projects are managed by the Engineering Services department.

Capital expenditures for Solid Waste projects in 2021 are forecast to be \$2.6 million below budget, primarily due to:

- reduced spend in several projects due to monitoring work not triggering a requirement for capital work
- projects such as Zero Waste, Litter Cart Replacement, Cart Tech Improvements and New Phase preparation projects are progressing slower than originally planned
- slower progress on Tech building upgrades resulting from extended planning, which involves scope revision with Real Estate and Facilities Management

Technology**Forecast \$4.1 million below budget**

Technology projects are managed by Information Technology Services.

Capital expenditures for 2021 technology projects are forecast to be \$4.1 million below budget due to reforecasting to ensure capacity to deliver 2021 committed projects and large initiatives to support Development, Buildings and Licensing (DBL) revenue generation and implementation of Residential Parking Permits, in the context of substantial COVID-19 driven project deferral from 2020.

Overhead**Forecast \$16.4 million above budget**

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.

Capital overhead expenditures for 2021 are forecast to be \$16.4 million above budget.

This category also includes an expenditure budget contingency allowance that accumulates throughout the year. As various service categories projects experience delays or deferrals in planned spend timelines, corresponding project expenditure budgets are decreased. Similarly, as various projects experience re-forecasting, acceleration considerations and additional deliverables, corresponding project expenditure budgets are increased. While individual capital project expenditure budgets are either increased or decreased to reflect the revised spend forecasts for the year, the overall Citywide expenditure budget approved by Council remains intact. These reductions or increases to project spend budgets are accumulated and held as a contingency within the overall Citywide capital expenditure budget to offset changes to spending timelines that may occur during the rest of 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

The total Multi-Year Capital Budget for open capital projects and programs totaled \$2.02 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. 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. In September 2020, Council approved changes to the 2019-2022 Capital Plan through the Capital Plan Recalibration resulting in a total of \$2.636 billion.

Subsequent to the recalibrated capital plan approval, approximately \$170 million has been added to the capital plan, primarily from sources external to the City, including the Federal Rapid Housing Initiative (RHI) funding, the Provincial Government childcare funding, Vancouver School Board contribution, Provincial Clean BC funding, development contributions, and from Empty Homes Tax. The adjusted 2019-2022 Capital Plan to date is \$2.806 billion, including \$2.231 billion of City-led capital investments and \$574.4 million of in-kind contributions achieved through development.

D. RISKS AND OPPORTUNITIES

Given the longer-term timeframe for capital projects, forecast capital expenditures are subject to changes because of City capital priorities shifting during the year or because of factors beyond the City's control, including for example:

- delays or acceleration in third-party contracted project 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

With the City's limited funding sources, it will not be possible for the City to address the critical infrastructure and community needs in a meaningful way without strategic intergovernmental partnerships and a predictable, long-term funding arrangement. There are five priority areas that City staff have been focusing on to seek senior government support:

- Affordable housing
- Childcare
- Climate emergency and resilience infrastructure
- Community and cultural infrastructure
- Rapid transit and transportation infrastructure

Currently, funding is typically secured through applications to specific programs or negotiated funding agreements with senior governments. Some projects are delivered by the City with senior government support, while others are delivered by its non-profit partners.

CONCLUSION

OPERATING BUDGET:

The City recorded an Operating Budget surplus of \$55.4 million in YTD Q2 and a balanced budget at year-end. The forecasted variances in the revenue categories reflect revenues surplus due to higher than anticipated traffic fines in addition to higher forecast for program fees and parking activity offset by limited capacity at City facilities and lost parking revenues, as well as the timing difference in the second quarter of the year between actual and budgeted revenues and expenditures. The forecasted deficit in the expenditures category is mainly due to Vancouver Police Department's deficit, in addition to increased costs related to re-opening facilities, COVID-19 related expenditures and retro wage impacts of settled collective bargaining agreements, partially offset by salary related savings. The remaining revenue shortfall resulting

from COVID-19 restrictions will be offset by a forecasted \$46 million draw from general revenue stabilization reserve. After considering the upcoming commitments, the current forecast of the reserve balance at year-end will be 3%.

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 \$270 million in capital expenditures up to the end of the second quarter of 2021, representing 35% of the total 2021 Annual Capital Expenditure Budget of \$771 million. Expenditures for the year are forecast to be \$728 million, being around 94% of the 2021 Capital Expenditure Budget. Therefore, an underspend variance of 6% is expected by end of 2021.
