

September 13, 2022

**2022 SECOND QUARTER REVIEW – OPERATING AND CAPITAL BUDGETS**

**EXECUTIVE SUMMARY**

**OPERATING BUDGET**

The City continues to experience financial impacts as a result of COVID-19. The 2022 Budget assumes that revenues will recover to pre-pandemic budget levels due to the re-opening and release of Public Health Orders (PHO). However, as a result of increased public health restrictions early in the year, the City is forecasting a revenue shortfall in parking and program fees. Above budget cost recoveries and development fees result in overall revenues being above budget. However, these expenses are offset by related expenditures. The City will continue to monitor COVID financial impacts as part of ongoing quarterly reporting, as well as continued economic growth, which is expected to improve financial results later in the year.

The forecast as of the second quarter of 2022 shows an improvement in the City’s year-end operating position compared to the first quarter, primarily due to higher investment income and traffic fines as part of the provincial revenues sharing agreement. In addition to the revenue improvement, the year-end forecast was also impacted by cost mitigations from holding vacancies and the financial impacts of limited capacity at City facilities. As a result, the total drawdown from the general revenue stabilization reserve is expected to be \$6.0 million at year-end compared to \$11.3M as per the first quarter forecast.

Commentaries 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.

2022 Operating Budget - Year-to-Date and Full year Forecast								
\$ millions	Year-to-date				2022 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
<b>TOTAL REVENUES</b>	\$927.6	\$949.5	\$21.9	2.4%	\$1,748.0	\$1,762.7	\$14.7	0.8%
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	\$705.7	\$708.7	(\$3.0)	(0.4%)	\$1,748.0	\$1,762.7	(\$14.7)	(0.8%)
<b>SURPLUS (DEFICIT)</b>	\$221.9	\$240.8	\$18.9	8.5%	\$0.0	\$0.0	\$0.0	

NOTE: Totals may not add due to rounding.

**CAPITAL BUDGET**

Total capital expenditure up until the second quarter of 2022 is \$152.0 million, which is 22% of the total 2022 Capital Expenditure Budget of \$683.4 million. Expenditures typically ramp up during the third and fourth quarters based on the seasonality of projects/programs schedule. Total expenditure for the year is forecast to be \$560 million, which is 82% of the 2022 Capital Expenditure Budget. Commentaries 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 2022 OPERATING BUDGET RESULTS AND FULL YEAR 2022 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 2022 Operating Budget.

The City recorded an Operating Budget surplus of \$18.9 million for the second quarter of 2022, primarily driven by the timing difference in the second quarter between actual and budgeted revenues and expenditures, 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 lost revenues due to limited capacity at City facilities and lost parking revenues, 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, holding vacancies and utilizing reserves. Through these mitigation actions, the City is forecasting the Operating Budget to be balanced for the 2022 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 2022 Operating Budget revenue and expenditures, year-to-date variances and full-year forecasts.

2022 Operating Budget - Year-to-Date and Full year Forecast								
\$ millions	Year-to-date				2022 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
<b>REVENUES</b>								
Property tax revenue	\$529.3	\$531.7	\$2.3	0.4%	\$1008.1	\$1008.1	\$0.0	0.0%
Utility revenue	\$194.9	\$196.2	\$1.3	0.7%	\$356.5	\$358.4	\$1.9	0.5%
Program revenue	\$28.9	\$27.8	(\$1.1)	(3.6%)	\$65.2	\$63.5	(\$1.8)	(2.7%)
Licence & Development fees	\$57.6	\$65.3	\$7.7	13.5%	\$91.7	\$93.2	\$1.5	1.6%
Parking revenue	\$38.2	\$32.3	(\$5.9)	(15.4%)	\$75.1	\$65.5	(\$9.6)	(12.8%)
Cost recoveries, grants & donations	\$30.0	\$40.5	\$10.5	35.2%	\$63.0	\$76.9	\$13.9	22.0%
Provincial revenue sharing	\$14.3	\$15.3	\$0.9	6.6%	\$16.6	\$17.6	\$0.9	5.7%
Investment income	\$6.9	\$8.8	\$1.9	27.6%	\$13.8	\$16.5	\$2.6	19.0%
Other revenue	\$16.7	\$19.6	\$2.9	17.2%	\$36.3	\$40.7	\$4.4	12.1%
Bylaw fines	\$10.8	\$12.0	\$1.2	11.2%	\$21.6	\$22.4	\$0.8	3.8%
<b>TOTAL REVENUES</b>	<b>\$927.6</b>	<b>\$949.5</b>	<b>\$21.9</b>	<b>2.4%</b>	<b>\$1,748.0</b>	<b>\$1,762.7</b>	<b>\$14.7</b>	<b>0.8%</b>
<b>EXPENDITURES &amp; TRANSFERS</b>								
Utilities	104.4	100.4	4.0	3.9%	407.0	409.3	(2.3)	(0.6%)
Engineering	54.5	59.3	(4.8)	(8.7%)	111.0	114.0	(2.9)	(2.6%)
Police Services	186.9	190.3	(3.4)	(1.8%)	373.8	379.7	(5.9)	(1.6%)
Fire & Rescue Services	78.0	83.6	(5.6)	(7.2%)	153.6	164.0	(10.5)	(6.8%)
Parks & Recreation	68.4	66.7	1.7	2.5%	144.1	144.1	0.1	0.1%
Library	29.0	28.0	1.0	3.3%	58.0	58.6	(0.6)	(1.0%)
Britannia	3.0	2.9	0.1	3.8%	6.0	5.9	0.1	2.1%
Civic Theatres	7.2	7.2	0.0	0.5%	14.9	14.9	(0.0)	(0.2%)
Arts, Culture & Community Services	23.0	18.7	4.3	18.8%	43.0	46.5	(3.4)	(7.9%)
Grants	16.5	17.8	(1.3)	(7.9%)	23.6	23.6	0.0	0.0%
Development, Buildings & Licensing	21.6	19.9	1.7	7.9%	43.3	42.2	1.1	2.6%
Planning, Urban Design & Sustainability	17.1	16.8	0.3	1.5%	32.7	31.3	1.3	4.1%
Mayor & Council	1.8	1.6	0.2	9.6%	3.6	3.4	0.2	5.5%
Office of the Auditor General	0.8	0.3	0.5	58.5%	1.6	1.3	0.3	19.7%
Corporate Services	61.8	59.5	2.3	3.8%	125.1	124.3	0.8	0.7%
General Government, Debt and transfers	28.1	32.2	(4.1)	(14.4%)	199.0	192.1	6.9	3.5%
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>\$705.7</b>	<b>\$708.7</b>	<b>(\$3.0)</b>	<b>(0.4%)</b>	<b>\$1,748.0</b>	<b>\$1,762.7</b>	<b>(\$14.7)</b>	<b>(0.8%)</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$221.9</b>	<b>\$240.8</b>	<b>\$18.9</b>	<b>8.5%</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	

NOTE: Totals may not add due to rounding.

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

<b>01. Property Tax Revenue</b>	<b>Forecast on budget</b>
---------------------------------	---------------------------

Property Tax Revenue is above budget for Q2 YTD due to higher penalties and interest from delayed Tax Payment, in addition to higher than budgeted supplementary roll adjustments.

**02. Utility Revenue****Forecast \$1.9 million above budget**

Utility Revenues are forecasted to be higher than budget due to higher than anticipated transfer of tonnes in Solid Waste disposal revenues and higher water meter service charges in Q2, fully offset by a transfer to reserve at year-end.

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

Program Revenue is below budget by \$1.1 million for Q2 YTD and is forecasted to be \$1.8 million below budget for the year primarily due to lower than the budgeted volume of recreation revenues and lower programming levels due to PHO restrictions in the first half of the year, partially offset by strong golf revenues.

**04. Licence & Development Fees****Forecast \$1.5 million above budget**

Licence and Development Fees are \$7.7 million above budget for YTD and forecast to be \$1.5 million above budget for the year primarily due to a higher than anticipated volume of development, building, and rezoning applications. Note that this higher revenue is offset by higher than budgeted costs and transfers to reserve to fund future permit work.

**05. Parking revenue****Forecast \$9.6 million below budget**

Parking revenues are \$5.9 million below budget YTD and forecast to be below budget by \$9.6 million for the year, reflective of current parking trends due to reduced travelling during the pandemic.

**06. Cost Recoveries and Grants****Forecast \$13.9 million above budget**

Cost recoveries are forecasted to be \$13.9 million above budget at year-end, mostly due to higher than planned sick pay recoveries and one-time UEL recovery for Fire and Rescue Services; higher Police recoveries for an anticipated increase in events and filming; in addition to higher cost recoveries for externally funded projects and programs. These above-budget cost recoveries are fully offset by higher costs.

**07. Provincial Revenue Sharing****Forecast \$0.9 million above budget**

Provincial revenue fees are forecasted to be \$0.9 million above budget at year-end due to higher than anticipated traffic fine revenues.

**08. Investment Income****Forecast \$2.6 million above budget**

Investment income is \$1.9 million above budget YTD and forecast to be \$2.6 million above budget at year-end, mainly due to higher returns than anticipated on the investment portfolio.

**09. Other revenue****Forecast \$4.4 million above budget**

Other revenues are forecasted to be \$4.4 million above budget at year-end, mainly due to higher digital advertising revenues from the street furniture vendor and an increase in revenue collected from public art and externally funded program, fully offset by higher expenses.

**10. Bylaw fines****Forecast \$0.8 million above budget**

Bylaw fines are currently being forecast to be above budget by \$0.8 million mainly due to unbudgeted penalties on vacancy tax fully offset by a transfer to Empty Homes Tax reserve at year-end.

***B. Expenditures and Transfer highlights for Q2 Year-to-Date and the full-year forecast by departments include:*****01. Utilities****Forecast \$2.3 million above budget**

Utilities expenditures are \$4.0 million below budget for Q2, primarily due to vacancy savings and hiring delays, in addition to lower water purchases that reflect lower consumption of water. The year-end forecast is \$2.3 million above budget, reflecting the higher solid waste removal and higher transfers to reserves offsetting higher revenues. The overall forecast for Utilities department is on budget for the year-end.

**02. Engineering****Forecast \$2.9 million above budget**

Engineering expenditures are higher than budget by \$4.8 million for Q2 YTD, primarily due to significant snow removal costs at the beginning of the year fully offset by a transfer from snow storm reserve and vacancy savings. The overall forecast for the Engineering department is on budget at year-end.

**03. Police Services****Forecast \$5.9 million above budget**

Police Services expenditures are above budget by \$3.4 million for Q2 YTD primarily due to higher than budgeted sworn overtime costs as a result of backfills for vacancies and injuries, in addition to higher legal costs for ongoing files. The year-end forecast for Police expenditures is \$5.9 million above budget primarily due to higher sworn overtime, higher legal fees, unbudgeted JIBC recruit costs, and fringe benefit rates increase, partially offset by higher cost recoveries,

grants and donations due to more events and filming. The overall forecast for the Police department is a deficit of \$2.2 million.

**04. Fire & Rescue Services**

**Forecast \$10.5 million above budget**

Fire & Rescue Services expenditures are above budget by \$5.6 million for Q2 YTD, primarily due to higher than budgeted overtime and WSBC premiums partially offset by salary savings from hiring delays. Fire expenditures for year-end are forecasted to be \$10.5 million over budget, primarily driven by higher overtime, WSBC premiums and unbudgeted separation costs. However, the overall forecast for Fire and Rescue Services is \$4.3 million deficit as a result of one-time cost recoveries.

**05. Parks**

**Forecast \$0.1 million below budget**

Parks and recreation expenditures are forecasted to be below budget by \$0.1 million at year-end. However, the overall forecast is \$2.8 million deficit primarily due to the program revenues shortfall mentioned above, partially offset by vacancy savings as well as lower revenue-related expenditures.

**06. Library**

**Forecast \$0.6 million above budget**

Library expenditures are below budget by \$1 million for Q2 YTD, primarily due to salary savings from full-time positions. The year-end forecast shows \$0.6 million deficit due to a higher transfer to reserve for restricted donations disbursed from the VPL foundation, fully offset by higher recoveries.

**07. Arts, Culture & Community Services**

**Forecast \$3.4 million above budget**

Arts, Culture and Community Services expenditures are forecasted to be above budget by \$3.4 million, primarily due to higher spend on externally funded projects fully offset by higher recoveries, in addition to unbudgeted spending on warming centers fully offset by transfer from snow storm reserve. The overall forecast is \$0.2 million deficit due to the unbudgeted cleaning and security costs for The Gathering Place Program after re-opening.

**08. Development, Buildings and Licensing**

**Forecast \$1.1 million below budget**

Development, Buildings and Licensing expenditures are forecasted to be below budget by \$1.1 million, primarily due to vacancy savings and hiring delays.

**09. Planning, Urban Design & Sustainability**

**Forecast \$1.3 million below budget**

Planning, Urban Design & Sustainability expenditures are forecasted to be below budget by \$1.3 million, primarily due to lower expenses resulting from the Vancouver Plan Project scope reduction.

## 10. Corporate Services

Forecast \$0.8 million below budget

Corporate Services expenditures are below budget by \$2.3 million for Q2 YTD primarily due to vacancy savings in TS, HR, FRS, and City Manager Office, partially offset by REFM deficit resulting from an increase in contractual and energy costs. The forecast at year-end is \$0.8 million below budget, driven by vacancy savings and hiring delays.

## 11. General Government, Debt and Transfers

Forecast \$6.9 million below budget

General Government expenditures, debt and transfers are forecast to be below budget by \$10.3 million primarily due to an unbudgeted transfer from reserve to offset a portion of the City-wide revenue shortfalls for Parking revenues and Program mentioned above. A \$6.0 million transfer from reserve is required to offset the revenue declines resulting from COVID-19. After considering the upcoming commitments, the current forecast of the reserve balance at year-end will be 3.7%. Based on best practice guidance from the GFOA, the recommended balance in the stabilization reserve is 8-16% of non-utility revenue.

## 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 and risks:** Over the remainder of the year, unanticipated costs and unplanned activities may be realized, including the citywide impact of inflation, including fuel price increases. The opioid crisis continues to impact City operations, and there is a risk of downloading of costs from the senior government. Unplanned costs related to homelessness and encampments continue to put pressure on the City budget. There is a risk of extreme weather events in the fall and winter that may result in additional costs.

## 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 7, 2021, Council approved the 2022 Capital Budget, which included a Capital Expenditure Budget of \$683.4 million. This report reflects first quarter results, actual expenditure and forecasted expenditure, against the 2022 Capital Expenditure Budget. Actual Capital expenditures up until the second quarter were \$152.0 million, representing 22% of the total 2022 Capital Expenditure Budget of \$683.4 million. The Capital expenditure forecast for 2022 is \$560.0 million representing 82% of the total 2022 Capital Expenditure Budget.



**A. 2022 EXPENDITURE BUDGET VS. 2022 ACTUAL EXPENDITURE VS 2022 EXPENDITURE BUDGET FORECAST (by Service Category)**

The table below summarizes the 2022 Capital Expenditure Budget variances by service category.

2022 Annual Capital Expenditure Budget: Budget vs YTD Actual Expenditure vs Forecast vs Variance (in \$ millions)					
Service Category	2022 Expenditure Budget	2022 YTD Actual Expenditure (as of Q2 2022)	2022 Expenditure Forecast	Variance	Variance %
AFFORDABLE HOUSING	\$125.7	\$12.8	\$124.1	\$1.6	1.3%
CHILDCARE	\$21.9	\$4.7	\$21.1	\$0.8	3.7%
PARKS, OPEN SPACES AND RECREATION	\$54.0	\$12.7	\$45.0	\$9.0	16.7%
COMMUNITY FACILITIES	\$38.2	\$5.2	\$31.8	\$6.4	16.7%
ARTS AND CULTURE	\$23.0	\$3.9	\$18.0	\$5.0	21.7%
PUBLIC SAFETY	\$14.0	\$4.3	\$13.2	\$0.8	5.7%
CIVIC FACILITIES AND EQUIPMENT	\$33.5	\$9.7	\$27.5	\$6.0	17.8%
TRANSPORTATION AND STREET USE	\$121.7	\$26.8	\$81.8	\$39.9	32.8%
ONE WATER	\$149.2	\$49.6	\$114.7	\$34.5	23.1%
RENEWABLE ENERGY	\$21.0	\$3.4	\$15.7	\$5.4	25.6%
SOLID WASTE	\$28.0	\$5.3	\$25.7	\$2.2	8.0%
TECHNOLOGY	\$32.8	\$10.2	\$31.9	\$0.9	2.7%
CITY-WIDE OVERHEAD	\$20.3	\$3.3	\$9.1	\$11.3	55.4%
<b>TOTAL</b>	<b>\$683.4</b>	<b>\$151.9</b>	<b>\$559.6</b>	<b>\$123.8</b>	<b>18.1%</b>

*Outlined below are the variance explanations, by service category, between the 2022 full year expenditure forecast as of June 30, 2022, and the full year 2022 Capital Expenditure Budget:*

**Affordable Housing Forecast \$1.6 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 Endowment Fund. Capital expenditures for Affordable Housing projects in 2022 were \$1.6 million below budget, which is a minor variance compared to the 2022 expenditure budget for Housing.

**Childcare Forecast \$0.8 million below budget**

Childcare projects are managed by Arts, Culture & Community Services, and Real Estate & Facilities Management departments. Capital expenditures for Childcare projects in 2022 were \$0.8 million below budget due to delays in receiving developer and building permits for Vancouver School Board projects.



**Parks and Open Spaces****Forecast \$9.0 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 2022 were \$9.0 million below budget, primarily due to delays in various projects as a result of staffing constraints and ongoing supply chain issues.

**Community Facilities****Forecast \$6.4 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 2022 were \$6.4 million below budget, mainly due to:

- underspending in various capital maintenance and renovation programs as a result of revised cost estimates, reprioritization of project scope, and staffing constraints
- extended consultation and engagement with site partners and non-profit organizations .

**Arts and Culture****Forecast \$5.0 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 2022 were below budget by \$5 million due to:

- underspending in Planning of the Playland Redevelopment project due to reprioritizing of project scope and timelines.
- delay in disbursement of Heritage Façade Rehabilitation grants

**Public Safety****Forecast \$0.8 million below budget**

Public Safety projects are managed by Real Estate & Facilities Management and Engineering Services departments. Capital expenditures in 2022 for Public Safety projects were \$0.8 million below budget, mainly due to the reprioritization of project scope for multiple capital maintenance programs.

**Civic Facilities and Equipment****Forecast \$6.0 million below budget**

Civic Facilities and Equipment projects are managed by Real Estate & Facilities Management and Engineering Services. Capital expenditures in 2022 for Civic Facilities and Equipment projects were \$6.0 million below budget, primarily due to underspending in various city facility renovation and maintenance programs as a result of reprioritization of scope and revised cost estimates.

**Transportation and Street Use****Forecast \$39.9 million below budget**

Transportation and Street Use projects are primarily managed by the Engineering Services department. Capital expenditures in 2022 for Transportation projects were \$39.9 million below budget, primarily due to:

- longer than expected procurement process and change in project timelines for Granville Bridge projects. (Granville Bridge Greenway and Granville Bridge coating projects)
- delays due to longer than anticipated design and construction phase in West End and Robson/Alberni street upgrade projects
- revision in 2022 scope for Street Lighting LED replacement program due to delays in the procurement process as a result of ongoing supply chain issues

**One Water****Forecast \$34.5 million below budget**

One Water projects are managed by the Engineering Services department. Capital expenditures in 2022 for One Water projects were \$34.5 million below budget due to supply chain delays and staffing difficulties for the Sewer Main reconstruction, upgrade and replacement of Pump Stations and various Green Infrastructure implementation programs.

**Renewable Energy****Forecast \$5.4 million below budget**

Renewable Energy projects are managed by the Engineering Services and Planning, Urban Design and Sustainability departments. Capital expenditures in 2022 for Renewable Energy projects were \$5.4 million below budget, due to supply chain issues causing delays in various NEU projects. As a result of these delays and the challenging market for contractors, there is a risk of cost escalation.

**Solid Waste****Forecast \$2.2 million below budget**

Solid Waste projects are managed by the Engineering Services department. Capital expenditures for Solid Waste projects in 2022 were \$2.2 million below budget due to a delay in the installation of vertical gas wells in the Vancouver Landfill.

**Technology****Forecast \$0.9 million below budget**

Technology projects are managed by Information Technology Services. Capital expenditures for 2022 technology projects were \$0.9 million below budget primarily due to staffing constraints.

**Overhead****Forecast \$11.3 million below 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 2022 are \$11.3 million below budget as a result of timing. This variance will be addressed

through an administrative budget adjustment based on funding that was approved in the 2022 budget that funds capital overhead.

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 spending 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 for Council approval.

## **B. MULTI-YEAR CAPITAL PROJECT BUDGET**

The total Multi-Year Capital Budget for open capital projects and programs is \$2.5 billion out of which \$1.264 billion has been spent as of June 30, 2022.

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

The 2019-2022 Capital Plan approved by Council on July 25, 2018 included \$2.8 billion of capital investments over the four years of the plan, consisting of \$2.2 billion of City-led capital programs and \$569 million of in-kind development contributions.

Subsequent to approval of the original capital plan, there have been adjustments made to the capital plan to reflect changes due to COVID impacts, changes in project priorities and availability of external or additional funding such as senior government funding opportunities and Empty Homes Tax funding. The adjusted 2019-2022 Capital Plan, subsequent to the 2022 Capital Budget, is \$2.8 billion, including \$2.2 billion of City-led capital investments and \$574.4 million of in-kind contributions achieved through development.

## **CONCLUSION**

### **OPERATING BUDGET**

The City recorded an Operating Budget surplus of \$18.9 million in YTD Q2 and a balanced budget at year-end. The variances in the revenue categories reflect lost revenues due to public health restrictions and limited capacity at City facilities and lost parking revenues offset by salary-related savings, as well as the timing difference in the second quarter of the year between actual and budgeted revenues and expenditures. The remaining revenue shortfall resulting from COVID-19 restrictions will be offset by \$6.0 million drawn from the general

revenue stabilization reserve. After considering the upcoming commitments, the current forecast of the reserve balance at year-end shows a limited uncommitted balance left.

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 adjust expenditures accordingly to ensure a balanced year-end position.

## **CAPITAL BUDGET**

The City incurred \$152.0 million in capital expenditures up until the second quarter of 2022, representing 22% of the total 2022 Annual Capital Expenditure Budget of \$683.4 million. Therefore, an underspend variance of 18% is expected by the end of 2022.

\*\*\*\*\*