

From: "Mochrie, Paul" <Paul.Mochrie@vancouver.ca>

To: "[Direct to Mayor and Council - DL](#)"

Date: 9/26/2024 1:40:30 PM

Subject: 2025 operating and capital budgets - Q2 summary

Attachments: 2024 Second Quarter Review - Operating and Capital Budgets.pdf

Good afternoon Mayor and Council,

The attached memo provides a high-level summary of the City's financial performance through the end of the second quarter against the approved 2025 operating and capital budgets.

In brief, the organization recorded an operating surplus of \$59.5M to the end of the second quarter, driven primarily driven by a surplus in investment income, timing of debt and retroactive payments, as well as savings in salary budget; offset by higher overtime expenses in public safety and other non-salary expenses. The operating budget is projected to balance at year-end with higher expenditures in the second half of the year and planned transfers to reserves.

Total capital expenditures to the end of the second quarter of 2024 were \$309 million, which represents 40% of the total 2024 Capital Expenditure Budget of \$782 million.

Please do not hesitate to let me know if you have any questions or require any additional explanation of the attached information.

Best,
Paul

Paul Mochrie (he/him)
City Manager
City of Vancouver
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The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the x̱m̱ ḵ y̱ m̱ (Musqueam), S̱ wxw̱ú7mesh (Squamish), and s̱ lilw̱ ta̱ (Tsleil-Waututh) Nations.



MEMORANDUM

September 20, 2024

TO: Mayor and Council

CC: Paul Mochrie, City Manager
 Armin Amrolia, Deputy City Manager
 Karen Levitt, Deputy City Manager
 Maria Pontikis, Chief Communications Officer, CEC
 Rosemary Hagiwara, Director, Business & Election Services
 Teresa Jong, Administration Services Manager, City Manager's Office
 Mellisa Morphy, Deputy Chief of Staff & Director of Policy, Mayor's Office
 Trevor Ford, Chief of Staff, Mayor's Office

FROM: Colin Knight, Director, Financial Planning & Analysis, Finance and Supply Chain Management

SUBJECT: 2024 Second Quarter Review – Operating and Capital Budgets

Executive Summary

The purpose of this report is to provide Council with an overview of City's financial performance for the second quarter of 2024. The report includes details on the annual forecast of the City's Operating Revenue and Expenditure, and Capital Expenditures and the corresponding variances with the annual Operating and Capital Budget.

For 2024, the City is forecasting a balanced budget at year-end after all reserve transfers and adjustments. For the second quarter (year-to-date) of 2024, the City recorded an Operating Budget surplus of \$59.5 million, primarily driven by a surplus in investment income, timing of debt and retroactive payments, as well as savings in salary budget; offset by higher overtime expenses in public safety and other non-salary expenses.

Total capital expenditures to the end of the second quarter of 2024 were \$309 million, which is 40% of the total 2024 Capital Expenditure Budget of \$782 million. Total expenditures for the year are forecasted to be \$752 million, which is 96% of the 2024 Capital Expenditure Budget.

Operating Budget

The City is forecasting to be on budget at year-end. The City reported a \$59.5 million surplus in the second quarter of 2024, primarily driven by investment income, timing of debt and retroactive payments, as well as savings in salary budget. This is offset by higher overtime expenses in Public Safety; body armor, ammunition and equipment costs in VPD; as well as IT software renewal costs. The surplus reported in the second quarter is expected to be offset in the remaining portion of the year because of higher expenditures that will occur later in the year than planned as well as higher year end transfers.

Appendix A shows the 2024 Operating Budget revenues and expenditures, year-to-date variances and full-year forecasts. However, below are the major revenue and expenditure drivers for Q2 Year-to-Date and the full year forecast:

A. Revenue highlights:

- **Investment income** was approximately \$22.3 million above budget for year-to-date (YTD) and forecasted to be \$37.0 million above budget for 2024 year-end, due to high interest rates, larger portfolio size, and enhanced investment portfolio optimization strategies.
- **Street Parking revenue** was \$3.1 million below budget for quarter 2 YTD and forecasted to be \$1.8 million below for 2024 driven by delays in the parking meter expansion project because of longer engagement than planned and staffing constraints.
- **Program revenue** was \$1.8M above budget for YTD and forecasted to be \$4.0 million above 2024 budget primarily driven by strong recreational revenue from golf and seasonal attraction events managed by Parks & Recreation.

Surplus and deficit in Cost recoveries, Utility fees, and other revenues will be offset by related expenditures and transfers.

B. Expenditures and Transfers highlights:

- **Vancouver Police Board** Q2 YTD expenditures were \$13.8 million above budget and the year-end costs is forecasted to be \$9.3 million above budget driven primarily by overtime costs due to protests, demonstrations and public events; unplanned replacement costs of safety body armor and ammunition and legal fees for on-going files partially offset by Provincial and Federal government transfers.
- **Vancouver Fire & Rescue Services** Q2 YTD expenditures were \$3.5 million above budget and the year-end costs are forecasted to be at \$8.4 million above budget primarily due to higher than budgeted overtime and extra shifts to meet operational staffing requirements due to higher staff absences, as well as higher fleet maintenance costs. As a result of provincial changes to the Employment Standards Act, VFRS cost recoveries related to staff absences have reduced and overtime costs have increased causing an adverse impact to the year end forecast.
- **Community Services** year-end forecasted expenditures are \$8.1 million above budget due to outreach and shelter programs which are fully offset by external funding.
- **Engineering** year-end costs are forecasted to be \$4.9 million above budget in Public Works and \$4.6 million above budget in Utilities due to higher street infrastructure maintenance needs and higher solid waste maintenance costs, which are offset by cost recoveries.
- **Board of Parks and Recreation** year-end forecasted expenditures are \$4 million above budget due to cost escalations on recreation building maintenance, park bylaw enforcement support and Hillcrest CCA settlement.
- **Civic Theaters** year-end costs are forecasted to be \$3.5 million above budget due to higher costs associated with extra events and increased concession sales at events, which are offset by higher event revenues.
- **IT, Digital Strategy & 311** year-end costs are forecasted to be \$2.5 million above budget due to Microsoft EA renewal costs offset by budget reallocations.

Capital Budget

The Annual Capital Expenditure Budget reflects one year's expenditures for projects that may span multiple years. On December 12, 2023, the Council approved the 2024 Capital Budget, which included a Capital Expenditure Budget of \$782 million. Expenditures up until the second quarter were \$309 million, or 40% of the budget. The expenditure forecast for 2024 is \$752 million or 96% of the budget. Although Appendix B includes details on budget variances by service

category, the following lists the major Service Categories with their corresponding variance explanations:

- **Streets** expenditures are forecasted to be \$18 million below budget, due delays in various projects owing to external factors such as delays from contractors and supply chain issues.
- **Utilities** expenditures are forecasted to be \$15 million below budget, which include Water, Sewers & Drainage, Waste Collection, Diversion & Disposal, and Renewable Energy related projects. The underspend is mainly due to external factors such as delays from third-party contractors and supply chain issues.

Conclusion

The City recorded an Operating Budget surplus of \$59.5 million in YTD Q2 and is projecting a balanced budget at year-end. Significant variances in the revenue and expenditure categories include higher than budgeted investment income, higher salary-related savings partially offset by higher overtime mainly in Public Safety, and higher non-salary expenses. The City also incurred \$309 million in capital expenditures up until the end of the second quarter of 2024, or 40% of the 2024 budget of \$782 million. The City is forecasting to spend \$752 million by the end of 2024 representing a forecasted variance of \$30 million.

APPENDIX A

2024 Operating Budget – Year-to-date and Full year Forecast

2024 Operating Budget - Year-to-Date and Full year Forecast								
\$ millions	Year-to-date				2024 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
REVENUES								
Property tax revenue	\$634.1	\$636.6	\$2.5	0.4%	\$1259.5	\$1261.5	\$2.0	0.2%
Utility revenue	\$228.8	\$230.9	\$2.1	0.9%	\$424.6	\$428.3	\$3.8	0.9%
Program revenue	\$36.2	\$37.9	\$1.8	4.8%	\$75.0	\$79.0	\$4.0	5.4%
Licence & Development fees	\$74.6	\$89.2	\$14.6	19.6%	\$116.7	\$131.8	\$15.0	12.9%
Parking revenue	\$40.9	\$37.7	(\$3.1)	(7.7%)	\$78.7	\$76.9	(\$1.8)	(2.3%)
Cost recoveries, grants & donations	\$34.3	\$35.6	\$1.4	4.0%	\$72.0	\$74.8	\$2.8	3.9%
Government Transfer	\$18.2	\$27.3	\$9.1	49.8%	\$22.9	\$37.8	\$14.9	65.2%
Investment income	\$29.5	\$51.7	\$22.3	75.6%	\$46.9	\$83.9	\$37.0	78.8%
Other revenue	\$18.9	\$20.4	\$1.5	7.9%	\$37.3	\$40.5	\$3.2	8.7%
Bylaw fines	\$12.4	\$13.6	\$1.2	9.3%	\$23.2	\$23.3	\$0.1	0.2%
TOTAL REVENUES	\$1,127.8	\$1,181.0	\$53.2	4.7%	\$2,156.7	\$2,237.8	\$81.1	3.8%
EXPENDITURES & TRANSFERS								
Utilities	120.4	115.6	4.7	3.9%	483.8	488.4	(4.6)	(0.9%)
Engineering	68.0	71.1	(3.2)	(4.7%)	133.3	138.2	(4.9)	(3.7%)
Police Services	221.1	234.8	(13.8)	(6.2%)	443.3	452.6	(9.3)	(2.1%)
Fire & Rescue Services	97.0	100.5	(3.5)	(3.6%)	187.9	196.3	(8.4)	(4.5%)
Parks & Recreation	87.5	88.3	(0.7)	(0.9%)	172.8	176.8	(4.0)	(2.3%)
Library	34.2	30.4	3.7	10.9%	63.0	63.0	0.0	0.1%
Britannia Community Services Centre	3.2	3.2	0.0	0.6%	6.4	6.4	(0.0)	(0.5%)
Civic Theatres	7.8	9.4	(1.6)	(20.9%)	15.5	19.1	(3.5)	(22.7%)
Community Services	24.4	27.1	(2.8)	(11.4%)	48.7	56.8	(8.1)	(16.6%)
Grants	15.3	17.5	(2.2)	(14.6%)	32.8	32.8	0.0	0.0%
Planning, Urban Design & Sustainability	18.5	18.6	(0.1)	(0.3%)	34.9	35.8	(0.9)	(2.4%)
Development, Buildings & Licensing	25.1	23.0	2.1	8.2%	50.5	47.8	2.6	5.2%
Mayor & Council	2.1	2.0	0.2	8.3%	4.2	4.1	0.1	2.0%
Office of the Auditor General	1.2	1.0	0.2	19.9%	2.4	2.3	0.1	5.9%
Corporate Services	79.3	80.6	(1.3)	(1.6%)	152.7	155.7	(3.0)	(1.9%)
REFM	19.2	19.4	(0.2)	(1.0%)	37.9	38.5	(0.6)	(1.5%)
Finance, Risk & Business Planning	10.6	10.7	(0.1)	(0.9%)	20.8	21.2	(0.4)	(2.0%)
IT, Digital Strategy & 311	25.8	28.2	(2.4)	(9.1%)	47.5	50.0	(2.5)	(5.3%)
Human Resources	4.6	4.3	0.3	6.2%	9.0	9.0	0.0	0.1%
Legal	3.5	3.7	(0.2)	(6.2%)	6.9	7.2	(0.2)	(3.6%)
City Clerk	3.6	3.2	0.3	9.5%	7.2	7.1	0.1	1.8%
City Manager's Office	6.5	5.8	0.7	11.2%	12.4	11.9	0.5	3.8%
Office of the CSO	5.5	5.3	0.2	4.3%	11.0	10.8	0.1	1.3%
General Government	10.4	14.1	(3.7)	(36.0%)	151.8	189.1	(37.3)	(24.6%)
General debt & Transfers to Capital Fund	38.8	10.6	0.3	0.9%	172.5	172.5	0.0	0.0%
TOTAL EXPENDITURES & TRANSFERS	\$854.2	\$848.0	6.2	0.7%	\$2,156.7	\$2,237.8	(81.1)	(3.8%)
SURPLUS (DEFICIT)	\$273.6	\$333.1	\$59.5	21.7%	\$0.0	\$0.0	\$0.0	-

NOTE: Totals may not add due to rounding.

Note:

Forecasted over budget expenditures are fully offset by cost recoveries, additional revenues, and funding reallocations with the exception of Vancouver Police Board and Vancouver Fire and Rescue Services. For those areas, a report will be brought to Council in November 2024 to request approval for funding from budget reallocations and/or reserve.

APPENDIX B
2024 Capital Expenditure Budget variances by Service Category

2024 Annual Capital Expenditure Budget: Budget vs YTD Actual Expenditure vs Forecast vs Variance (in \$ millions)					
Service Category	2024 Expenditure Budget	2024 YTD Actual Expenditure (as of Q2 2024)	2024 Expenditure Forecast	Variance (Budget - Forecast)	Variance %
HOUSING	\$125.0	\$42.1	\$118.2	\$6.8	5.4%
CHILDCARE	\$28.9	\$9.1	\$28.7	\$2.2	0.7%
PARKS & PUBLIC OPEN SPACES	\$52.1	\$18.4	\$51.9	\$2.2	0.4%
ARTS, CULTURE & HERITAGE	\$35.4	\$12.2	\$39.3	(\$3.9)	-11.1%
COMMUNITY FACILITIES	\$64.2	\$29.2	\$63.4	\$8.8	1.2%
PUBLIC SAFETY	\$18.3	\$14.9	\$19.5	(\$1.2)	-6.3%
CIVIC FACILITIES & EQUIPMENT	\$28.5	\$10.5	\$28.4	\$1.1	0.5%
STREETS	\$148.1	\$52.8	\$130.0	\$18.2	12.3%
WATER, SEWERS & DRAINAGE	\$170.8	\$81.2	\$165.8	\$5.0	2.9%
WASTE COLLECTION, DIVERSION & DISPOSAL	\$37.2	\$8.9	\$32.5	\$4.7	12.7%
RENEWABLE ENERGY	\$24.9	\$6.2	\$20.8	\$4.1	16.4%
TECHNOLOGY	\$38.4	\$19.3	\$44.2	(\$5.8)	-15.2%
EMERGING PRIORITIES, CONTINGENCY & PROJECT DELIVERY	\$10.1	\$4.5	\$9.7	\$4.4	4.2%
TOTAL	\$782.0	\$309.3	\$752.4	\$29.6	3.8%