

November 14, 2018

## 2018 THIRD QUARTER REVIEW – OPERATING AND CAPITAL BUDGETS

### EXECUTIVE SUMMARY

#### OPERATING BUDGET

Revenues and expenditures are each forecast to be above their respective budgets and the City is forecasting a balanced budget at year-end after all reserve transfers and adjustments. As of September 30, 2018, revenues are above their year-to-date budgets, primarily due to the receipt of Vacancy Tax revenues as described in the report to Council on Housing Vancouver on June 20, 2018, higher than budgeted trade permit fees, and higher than budgeted cost recoveries with offsetting expenditures. Expenditures and Transfers are above their respective year-to-date budgets, primarily due to the differences in the timing of actual expenditures compared to the budget and the planned transfer of Vacancy Tax Revenue to reserve in advance of funding approved housing initiatives. 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.

2018 Operating Budget - Year-to-Date and Full Year Forecast								
\$ millions	Year-to-date				2018 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
TOTAL REVENUES	\$1,089.1	\$1,170.3	\$81.2	7.5%	\$1,409.8	\$1,480.2	\$70.4	5.0%
TOTAL EXPENDITURES & TRANSFERS	\$955.5	\$991.4	(\$35.9)	(3.8%)	\$1,409.8	\$1,480.2	(\$70.4)	(5.0%)
SURPLUS (DEFICIT)	\$133.5	\$178.9	\$45.3	33.9%	\$0.0	\$0.0	\$0.0	

NOTE: Totals may not add due to rounding.

#### CAPITAL BUDGET

Capital expenditures to the end of the third quarter of 2018 were \$224.4 million, representing 51% of the total 2018 Annual Capital Expenditure Budget of \$444.0 million. As of September 30, 2018, total expenditures for the year are forecast to be \$334.6 million, or 75% of the Capital Expenditure Budget. The City is currently on track to deliver planned outcomes for five of the top ten projects in the 2018 Expenditure Budget. Commentary on variances between full-year forecast actuals and corresponding budgets in specific service categories are provided in the body of this review report.

2018 Annual Capital Expenditure Budget - Q3 Year-to-Date and Full Year Forecast (\$ millions)					
Service Category	2018 Budget	2018 Q3 Year-to-Date Actuals	2018 Full Year Forecast		
			Forecast Expenditures	Variance \$	Variance %
HOUSING	\$41.5	\$11.3	\$25.5	\$16.0	38.6%
CHILDCARE	21.7	5.8	10.7	11.0	50.7%
PARKS, OPEN SPACES AND RECREATION	61.0	31.2	45.9	15.1	24.8%
COMMUNITY FACILITIES	28.0	15.3	20.3	7.7	27.4%
CIVIC FACILITIES	31.0	12.9	23.2	7.8	25.1%
TRANSPORTATION	81.4	46.4	62.7	18.7	22.9%
UTILITIES	125.5	71.0	100.4	25.0	19.9%
EQUIPMENT AND TECHNOLOGY	38.0	24.5	37.8	0.2	0.5%
CITY-WIDE (including 2018 spend contingency)	15.9	5.9	8.0	7.9	49.9%
<b>TOTAL</b>	<b>\$444.0</b>	<b>\$224.4</b>	<b>\$334.6</b>	<b>\$109.4</b>	<b>24.6%</b>

NOTE: Totals may not add due to rounding.

## OPERATING BUDGET

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

### A. Q3 YTD 2018 OPERATING BUDGET RESULTS AND FULL YEAR 2018 FORECAST

Reflecting results for the first nine months of the year, 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 2018 Operating Budget.

The City recorded an Operating Budget surplus of \$45.3 million for the first three quarters of 2018. The variances in the revenue categories reflect the receipt of Vacancy Tax revenues as described in the report to Council on Housing Vancouver on June 20, 2018, higher than budgeted Licence & Development fees and higher than budgeted cost recoveries which have offsetting related expenses, as well as the timing of actual revenues and expenditures within the year compared to the timing reflected in the third quarter year-to-date budget.

Overall, the City is forecasting the Operating Budget to be balanced for 2018 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 to reserves, including transfers relating to Vacancy Tax, 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.

Table 1 shows the 2018 Operating Budget revenue and expenditures, year-to-date variances and full year forecasts.

Table 1 2018 Operating Budget - Year-to-Date and Full Year Forecast								
\$ millions	Year-to-date				2018 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
<b>REVENUES</b>								
Property tax revenue	\$603.7	\$638.5	\$34.8	5.8%	\$789.9	\$819.9	\$30.0	3.8%
Utility revenue	\$217.1	\$220.8	\$3.7	1.7%	\$274.4	\$280.8	\$6.4	2.3%
Program revenue	\$46.7	\$51.3	\$4.6	9.9%	\$62.4	\$66.9	\$4.5	7.2%
License & Development fees	\$60.2	\$72.0	\$11.8	19.6%	\$75.1	\$79.5	\$4.4	5.9%
Parking revenue	\$50.8	\$52.6	\$1.8	3.6%	\$67.1	\$67.1	\$0.0	0.0%
Cost recoveries, grants & donations	\$40.0	\$50.9	\$10.9	27.3%	\$52.8	\$67.1	\$14.3	27.1%
Provincial revenue sharing	\$17.4	\$19.5	\$2.1	12.3%	\$19.2	\$21.3	\$2.1	11.2%
Investment income	\$9.1	\$13.0	\$4.0	43.5%	\$11.1	\$15.0	\$3.9	35.7%
Other revenue	\$28.4	\$34.5	\$6.1	21.5%	\$37.0	\$40.4	\$3.4	9.2%
Bylaw fines	\$15.8	\$17.0	\$1.3	8.1%	\$20.9	\$22.3	\$1.3	6.4%
<b>TOTAL REVENUES</b>	<b>\$1,089.1</b>	<b>\$1,170.3</b>	<b>\$81.2</b>	<b>7.5%</b>	<b>\$1,409.8</b>	<b>\$1,480.2</b>	<b>\$70.4</b>	<b>5.0%</b>
<b>EXPENDITURES &amp; TRANSFERS</b>								
Utilities	207.6	207.8	(0.2)	(0.1%)	315.0	321.3	(6.3)	(2.0%)
Engineering	72.8	76.5	(3.8)	(5.2%)	96.2	102.0	(5.8)	(6.1%)
Police Services	229.7	235.7	(6.0)	(2.6%)	309.1	315.2	(6.1)	(2.0%)
Fire & Rescue Services	100.7	101.9	(1.2)	(1.2%)	131.7	132.5	(0.7)	(0.5%)
Parks & Recreation	90.7	92.5	(1.8)	(1.9%)	122.9	125.4	(2.5)	(2.1%)
Library	42.2	41.4	0.8	1.9%	54.6	54.4	0.1	0.3%
Britannia	3.8	3.0	0.8	20.6%	5.3	5.3	(0.0)	(0.7%)
Civic Theatres	9.2	10.1	(0.8)	(9.2%)	12.3	13.1	(0.8)	(6.4%)
Arts, Culture & Community Services	26.1	28.9	(2.8)	(10.8%)	34.8	38.5	(3.7)	(10.7%)
Grants	18.4	18.3	0.1	0.5%	20.6	20.6	(0.0)	(0.1%)
Development, Buildings & Licensing	26.8	26.3	0.5	1.9%	35.4	35.9	(0.5)	(1.5%)
Planning, Urban Design & Sustainability	17.2	15.6	1.6	9.3%	25.1	24.5	0.6	2.6%
Mayor	1.0	0.9	0.1	11.1%	1.3	1.3	0.1	4.4%
Council	1.3	1.2	0.1	10.2%	1.7	1.6	0.0	2.5%
Corporate Services	80.8	75.9	4.9	6.1%	107.2	107.2	0.0	0.0%
General Government, Debt and transfers	27.2	55.4	(28.3)	(104.0%)	136.6	181.4	(44.7)	(32.7%)
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>\$955.5</b>	<b>\$991.4</b>	<b>(\$35.9)</b>	<b>(3.8%)</b>	<b>\$1,409.8</b>	<b>\$1,480.2</b>	<b>(\$70.4)</b>	<b>(5.0%)</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$133.5</b>	<b>\$178.9</b>	<b>\$45.3</b>	<b>33.9%</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	

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 \$30.0 million above budget**

Property Tax Revenue is above budget for Q3 YTD and forecast to be above budget for the year. The revenues are above budget due to Vacancy Tax revenues as described in the report to Council on Housing Vancouver on June 20, 2018 and the timing of actual revenues relative to the budgeted revenues, primarily in supplementary rolls, appeal adjustments, and payments in lieu of taxes.

**02. Utility Revenue Forecast \$6.4 million above budget**

Utility Revenue is above budget by \$3.7 million for Q3 YTD and forecast to be above budget by \$6.4 million for the year:

- Water Utility revenues are above budget in Q3 YTD primarily due to higher than budget metered revenues because of higher than anticipated water consumption in the third

quarter of the year and the timing of actual revenues relative to the budgeted revenues. The overall Water Utility is forecast to be above budget by \$1.7 million at year-end, due to higher water consumption as well as an expected continuation of increased meter service fees in Q4 as a result of higher development activity.

- Sewer Utility revenues are above budget in Q3 YTD due to higher than budget metered revenue reflecting the higher than anticipated water consumption. The overall 2018 Sewer Utility is forecast to be above budget by \$0.6 million at year-end, reflecting anticipated continued higher than budget water consumption.
- Solid Waste Utility revenues are above budget in Q3 YTD and are forecast to be above budget by \$4.1 million at year-end primarily due to an expected continuation of increased Metro Vancouver recoveries related to higher municipal waste volumes and transition to pay-as-you-go funding, offset by an anticipated continuation of lower volumes of disposal site tonnage to the Vancouver Landfill in Q4.
- Neighbourhood Energy Utility revenues are on budget for Q3 YTD and are forecast to be on budget for the year.

### **03. Program Revenue**

**Forecast \$4.5 million above budget**

Police Services program revenues are above budget for Q3 YTD by \$1.0 million and are forecast to be \$1.2 million above budget for the year, primarily due to higher than anticipated program fees for training and fingerprinting fees fully offset by corresponding higher program expenditures.

Cemetery fees at Mountain View Cemetery in the first three quarters have been higher than anticipated, contributing to Q3 YTD revenues being above budget by \$0.4 million and are forecast to be above budget by \$0.6 million for the year, offset by related expenditures.

Parks program revenues are above budget by \$2.3 million for Q3 YTD, primarily as a result of favourable weather leading to a higher volume of recreation pass sales, higher revenues in golf and concessions, and stronger attendance at VanDusen Botanical Garden and the Bloedel Conservatory. Parks program revenues are forecasted to be above budget by \$1.9 million for the year, offset by related expenditures.

Civic Theatres program revenues are above budget by \$0.3 million for Q3 YTD, due to a higher than expected number of theatre events in the third quarter. Program revenues are forecasted to be on budget at year-end.

### **04. License & Development Fees**

**Forecast \$4.4 million above budget**

License and Development Fee revenues are above budget for Q3 YTD due to the timing of revenues relative to the budget, higher than budgeted anchor rod fees reflecting strong development activity, and higher street furniture revenues. License and Development Fees are forecast to be above budget by \$4.4 million for the year, primarily due to expected continued higher street furniture revenues and continued strong development activity driving higher anchor rod fee revenues.

### **05. Parking Revenue**

**Forecast to be on budget**

Parking revenues are above budget for Q3 YTD primarily due to additional parking lot revenues driven by favourable weather in Q3 and forecast to be above budget at year-end. Overall parking revenues are forecast to be on budget at year-end, however, as the higher parking lot

revenues will be offset by lower than budget on-street parking meter revenues for the year as a result of delays in an expansion of parking meters that had been planned for 2018.

#### **06. Cost Recoveries and Grants**

**Forecast \$14.3 million above budget**

Cost recoveries, grants and donations are above budget by \$10.9 million for Q3 YTD, and are forecast to be above budget by \$14.3 million for the year, driven by several factors:

- Police Services cost recoveries for seconded officers and work incurred on behalf of other agencies are forecast to be above budget by \$4.7 million for the year, attributable to a higher than expected demand for these services.
- Engineering cost recoveries are forecast to be above budget by \$5.8 million for the year, primarily reflecting higher than budget activity in street degradation rehabilitation, street cuts and recoverable work, expected to be offset by their respective costs.
- Planning & Urban Design recoveries from developer projects are forecast to be above budget by \$1.6 million for the year (e.g., St. Paul's Hospital, Heatherlands, East Fraser Lands, Oakridge Centre Redevelopment, Pearson/Dogwood Site Redevelopment, etc.).
- Arts, Culture and Community Services recoveries are forecast to be above budget by \$0.8 million for the year, primarily due to recoveries from senior governments for winter shelters and the Missing Indigenous Women program.
- Development, Building & Licensing cost recoveries are forecast to be above budget by \$0.5 million for the year, reflecting cost recoveries associated with boarding up problem premises.
- General Government cost recoveries are forecast to be above budget by \$0.4 million for the year due to higher than budgeted activity in Great Beginnings projects, primarily related to the Downtown Eastside (Carnegie -Safe Vending project, Strathcona Community Centre Soccer Academy) and the Chinatown UNESCO project.
- Fire cost recoveries are forecast to be above budget by \$0.3 million for the year, reflecting unbudgeted fire boat insurance proceeds, offset by their respective costs.

These above-budget cost recoveries are fully offset by above-budget related expenditures.

#### **07. Investment Income**

**Forecast \$3.9 million above budget**

Investment Income is above budget by \$4.0 million for Q3 YTD as a result of interest rates trending higher than what was anticipated at the time the budget was developed. The forecast for the year is for investment income to be above budget by \$3.9 million.

#### **08. Other Income**

**Forecast \$3.4 million above budget**

Other Income is above budget for Q3 YTD and is forecast to above budget by \$3.4 million for the year, primarily reflecting greater than anticipated developer public art contributions of \$2.9 million in Arts, Culture and Community Services (offset by higher related transfers to public art reserves) and greater than anticipated civic rental income.

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

#### **01. Utilities**

**Forecast \$6.3 million above budget**

Utility expenditures are under budget for Q3 YTD, primarily due to the timing of the expenditures relative to the timing reflected in the budget and are forecast to be above budget by \$6.3 million for the year:

- Water Utility expenditures are below budget for Q3 YTD primarily due to fewer than expected large water main breakages, and lower than budgeted labour costs due to the timing of One Water Strategy staff hiring. The overall forecast for Water Utility expenditures and transfers is to be above budget by \$1.7 million at year-end, reflecting a higher year-end transfer to the reserve as a result of higher Water Utility revenues as noted in the comments for Utility revenues above.
- Sewer Utility expenditures are below budget for Q3 YTD primarily reflecting delays in the planned timing of hiring staff in Sewer Design. The overall forecast for Sewer Utility expenditures and transfers is to be above budget by \$0.6 million at year-end, due to higher training costs related to respectful workplace and airbrake training.
- Solid Waste Utility expenditures are above budget for Q3 YTD primarily due to higher than anticipated Delta sewer and soil fees as a result of higher than anticipated precipitation leading to more water runoff into sewer channels. The overall forecast is to be above budget at year-end primarily due to the costs of transitioning to pay-as-you-go funding, continued higher than anticipated Delta sewer and soil fees expected through the balance of the year, costs of a surface fire at the Vancouver Landfill in June, and higher staffing costs in Sanitation reflecting an increase in garbage and green bin collections shifts and an increased volume of warehouse cart and lid replacements. The overall forecast for Solid Waste Utility expenditures and transfers is to be above budget by \$4.1 million offset by a lower than budgeted transfer to reserve as a result of the items described here.
- Neighbourhood Energy Utility expenditures are forecast to be on budget for the year.

## **02. Engineering**

**Forecast \$5.8 million above budget**

Engineering expenditures are above budget by \$3.8 million for Q3 YTD due to higher than budgeted costs associated with street degradation rehabilitation and street cuts, fully offset by recoveries, and higher equipment maintenance costs offset by a lower transfer to reserve. The overall forecast for Engineering expenditures is to be above budget by \$5.8 million for the year, due to higher than budgeted costs associated with street degradation rehabilitation, street cuts, and other cost recoverable work.

## **03. Police Services**

**Forecast \$6.1 million above budget**

Police Services expenditures are above budget for Q3 YTD and are forecast to be above budget by \$6.1 million for the year primarily due to higher than budgeted overtime costs for callouts required to meet minimum staffing levels. These higher expenditures, however, are expected to be offset by cost recoveries and additional fee and donation revenue.

## **04. Fire & Rescue Services**

**Forecast \$0.7 million above budget**

Fire & Rescue Services expenditures are forecast to be \$0.7 million above budget for the year, primarily due to higher than budget fuel costs and labour-related expenditures, expected to be fully offset by higher than budget cost recoveries noted above. These expenditures will be monitored carefully over the remaining months of the year.

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

Parks expenditures are above budget by \$1.8 million for Q3 YTD and the overall forecast for Parks expenditures is to be \$2.5 million above budget for the year, primarily due to new EasyPark enforcement costs, offset by revenues and higher than budgeted costs related to program revenues.

**06. Civic Theatres** **Forecast \$0.8 million above budget**

Civic Theatres expenditures are forecast to be \$0.8 million above budget for the year due to additional staff required to support an increase in events and staff training costs tied to alignment with health and safety guidelines.

**07. Arts, Culture & Community Services** **Forecast \$3.7 million above budget**

Arts, Culture and Community Services expenditures are above budget by \$2.8 million for Q3 YTD and are forecast to be \$3.7 million above budget for the year, primarily due to higher than budgeted developer public art contributions flowing through to public art reserves, higher DTES program spending and winter shelter spending offset by recoveries, and higher Mountain View Cemetery spending offset by higher fees. All higher than budget expenses are expected to be fully offset by corresponding higher than budget cost recoveries.

**08. Grants** **Forecast to be on budget**

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

**9. Development, Buildings & Licensing** **Forecast \$0.5 million above budget**

Development, Buildings & Licensing expenditures are below budget in Q3 YTD reflecting the timing of staff hiring and are forecast to be \$0.5 million above budget for the year, primarily due to higher than anticipated costs relating to a higher than planned volume of problem premises requiring boarding up, fully offset by corresponding higher cost recoveries.

**10. Planning, Urban Design & Sustainability** **Forecast \$0.6 million below budget**

Planning, Urban Design & Sustainability expenditures are forecast to be below budget by \$0.6 million for the year, reflecting the timing of staff hiring, partially offset by fully recoverable expenses from corresponding cost recoveries from developer projects (e.g., St. Paul's Hospital, Heatherlands, East Fraser Lands, Oakridge Centre Redevelopment, Pearson/Dogwood Site Redevelopment).

**11. Corporate Services** **Forecast to be on budget**

Corporate Services expenditures are below budget in Q3 YTD primarily reflecting the timing of staff hiring and are forecast to be on budget by year-end.

**12. General Government, Debt and Transfers** **Forecast \$44.7 million above budget**

General Government expenditures, debt and transfers are forecast to be \$44.7 million above budget for the year primarily due to a higher than budgeted transfer to reserve associated with

the new Vacancy Tax revenues in advance of funding approved housing initiatives and higher revenues as mentioned above. When favourable conditions, such as weather, enable higher than expected revenue generation in a period, transfers of a portion of the revenues to the general stabilization reserve provide support for future years when revenues may be lower than expected as a result of unfavourable conditions.

## B. RISKS AND OPPORTUNITIES

**Forecast risk arising from changes in economic outlook:** While realized development revenues and trade permit revenues show a favourable trend to budget suggesting an opportunity for stronger than anticipated revenues for the remainder of the year, these revenues are sensitive to changes in the economic cycle and any forecasting or planning associated with these potential increased revenues must be considered carefully and monitored over time.

**Emerging issues:** Over the remainder of the year, unanticipated costs and unplanned activities may be realized. Departments make efforts to absorb those unplanned costs and activities to manage within the existing budgets.

## CAPITAL BUDGET

While the Operating Budget reflects operating costs for one year only, the annual Capital Expenditure Budget reflects one year's expenditures for capital projects which may span multiple years. Therefore, capital projects are viewed on both an annual budget basis (Annual Capital Expenditure Budget), and a total project basis (Multi-Year Capital Budget).

On December 12, 2017, Council approved the 2018 Capital Budget, including a 2018 Annual Capital Expenditure Budget of \$426.4 million. Council subsequently approved increases to the 2018 Annual Capital Expenditure Budget, raising it to \$444.0 million. This report reflects third quarter performance against this revised 2018 Annual Capital Expenditure Budget.

Staff closely manage the capital spend to ensure optimal delivery of projects within the annual expenditure budget. Strategic review of progress on projects is conducted on a regular basis, and where the timing of projects is advanced or delayed, adjustments to the corresponding expenditure forecasts are made. Capital expenditure budgets are generally managed within the overall department Capital Expenditure Budget or, if necessary, within the overall total Citywide Annual Capital Expenditure Budget, whereby additions to individual project capital expenditure forecasts required as a result of a change in project scheduling or a procurement event, for example, are offset by corresponding reductions in project expenditure forecasts elsewhere within the overall department Capital Expenditure Budget or reductions in project expenditure forecasts for other projects within the overall total Citywide Capital Expenditure Budget. Under the revised Capital Budget Policy approved by Council in April 2018, the City Manager has the authority to approve changes to project capital expenditure budgets provided there is no increase to the Citywide total Annual Capital Expenditure Budget approved by Council. Increases to the Citywide Annual Capital Expenditure Budget require Council approval.

This report on third quarter 2018 expenditures reflects a continuing focus on aligning our budget with our capacity to deliver and spend, providing regular quarterly reports on actual and forecast expenditures, and appropriately scheduling projects.

## A. 2018 CAPITAL EXPENDITURES vs. 2018 CAPITAL BUDGET by Service Category

Capital expenditures to the end of the third quarter of 2018 were \$224.4 million, representing 51% of the total 2018 Annual Capital Expenditure Budget of \$444.0 million. Expenditures for the year are forecast to be \$334.6 million, or 75% of the Capital Expenditure Budget.

Table 2 summarizes the 2018 Capital Expenditure Budget Q3 year-to-date results by major service category.

<b>Service Category 1</b>	<b>2018 Expenditure Budget</b>	<b>2018 Q3 YTD Expenditures</b>	<b>2018 Total Expenditure Forecast</b>	<b>Forecast Variance</b>
01. Housing	\$41,463	\$11,303	\$25,464	\$15,999
02. Childcare	21,662	5,819	10,679	10,983
03. Parks, Open Spaces and Recreation	61,040	31,227	45,903	15,136
04. Community Facilities	27,997	15,336	20,336	7,661
05. Civic Facilities	30,984	12,885	23,208	7,776
06. Transportation	81,400	46,440	62,730	18,670
07. Utilities	125,454	70,985	100,438	25,017
08. Equipment and Technology	38,032	24,489	37,849	183
09. City-Wide (including 2018 spend contingency)	15,935	5,919	7,990	7,945
<b>Grand Total</b>	<b>\$443,967</b>	<b>\$224,402</b>	<b>\$334,597</b>	<b>\$109,370</b>

NOTE: Totals may not add due to rounding.

**Explanations for variances between 2018 full-year forecast expenditures as of September 30 and the 2018 Annual Capital Expenditure Budget by service category follow:**

<b>01. Housing</b>	<b>Forecast \$16.0 million below budget</b>
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Housing projects are managed by Housing Policy & Projects, Vancouver Affordable Housing Agency (VAHA), and Real Estate & Facilities Management.

As of September 30, capital expenditures for Housing projects in 2018 were forecast to be \$16.0 million below budget, primarily due to:

- a change in the timing of an affordable housing land use payment, conditional upon commencement of a ground lease for the site, that was originally anticipated for 2018 but is now expected in 2019
- a change in the planned timing of the disbursement of Housing capital grants as recipient organizations are requiring more time than originally planned to satisfy grant conditions

<b>02. Childcare</b>	<b>Forecast \$11.0 million below budget</b>
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Childcare projects are managed by Arts, Culture & Community Services and Real Estate & Facilities Management.

As of September 30, capital expenditures for Childcare projects in 2018 were forecast to be \$11.0 million below budget, primarily due to:

- acceleration of a City contribution to a developer-constructed daycare facility that had been anticipated for the second quarter of 2018 but was paid in December 2017 upon earlier than expected acceptance of the facility by the City;
- lower expenditures now expected for the childcare projects at two Gastown parkades, reflecting a longer than planned detailed design consulting process resulting in a later than expected start of construction in 2018;
- lower expenditures in the year for City/Vancouver School Board child care facility partnership projects due to a later than planned start of construction.

### **03. Parks, Open Spaces and Recreation**

**Forecast \$15.1 million below budget**

Parks, Open Spaces and Recreation projects are managed by 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, Open Spaces and Recreation projects in 2018 were forecast to be overall \$15.1 million below budget, primarily due to:

- lower than anticipated expenditures for a new downtown park at Smithe & Richards, due to a later than planned start of construction in 2018 as a result of an extended public engagement process and two rounds of urban design panel reviews to finalize the park design;
- postponing of expenditures that had been planned for 2018 for drainage improvements at the Langara golf course pending staff reporting back to Council in the summer regarding a Council motion to review options for transitioning some of the golf course lands into a public park;
- lower than anticipated expenditures for the Stanley Park seawall repairs project as a result of consultant-related delays and phasing of a portion of the planned work to 2019;
- lower than anticipated expenditures in the year for several playground renewal projects as a result of an extended procurement process to combine design and tender phases into one package with construction expected to begin in late 2018 and continuing into 2019.

### **04. Community Facilities**

**Forecast \$7.7 million below budget**

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

As of September 30, capital expenditures for Community Facility projects in 2018 were forecast to be below budget by \$7.7 million, primarily due to a change in the planned timing of a major capital grant supporting artist production spaces in the Mount Pleasant neighbourhood that was anticipated for the first quarter of 2018 but is now on hold while the non-profit organizations finalize their facilities planning. As well, expenditures originally planned for 2018 for several Community Facilities projects are now anticipated to be less than planned as a result of an extended timeline required for project scope analysis and review, including projects for tenant improvements for a new Indigenous Wellness Centre in the Downtown Eastside and pre-move work in advance of the relocation of the Vancouver Archives from its current location in Vanier Park to the Central Library building downtown.

**05. Civic Facilities****Forecast \$7.8 million below budget**

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

As of September 30, capital expenditures for Civic Facilities projects in 2018 were forecast to be \$7.8 million below budget, primarily due to:

- lower expenditures now expected in the year for a couple of office space expansion projects, reflecting an extended timeline required for building lease finalization which in turn resulted in a later than planned start of construction of tenant improvements;
- lower expenditures for some Civic Facilities capital maintenance and renovation projects reflecting a longer than anticipated timeline for the planning and design phases for the projects.

**06. Transportation****Forecast \$18.7 million below budget**

Transportation projects are managed by Engineering Services; and Planning, Urban Design and Sustainability.

As of September 30, capital expenditures in 2018 for Transportation projects were forecast to be \$18.7 million below budget, primarily due to shifts in the timing of expenditures from 2018 to 2019 for several projects and programs, including:

- major improvements to walking and cycling infrastructure that had been planned for 2018 for the Quebec and 1st area shifting to 2019 to accommodate delays in developer driven work in the area;
- a revised timeline for consultant engineering services for detailed design of roads and utilities for the Northeast False Creek Redevelopment project;
- a longer than anticipated timeline for completion of detailed design work for the Arbutus Corridor project;
- deferral of a project that had been planned for 2018 to replace marine fenders for the Burrard Bridge.

**07. Utilities****Forecast \$25.0 million below budget**

Utilities projects are managed by Engineering Services.

As of September 30, capital expenditures for Utilities projects in 2018 were forecast to be \$25.0 million below budget, primarily due to:

- lower expenditures for projects in the Sewer Main Replacement program as a result of resource deployment efficiencies and less than expected use of contingencies included in the budget;
- a change in the construction timeline for the replacement of the 7<sup>th</sup> Avenue & Glen Street pump station as a result of a longer than anticipated timeline required for stakeholder coordination and public engagement;
- a change in timeline for detailed design and partial construction of structural protection measures that had been planned for 2018 along the Fraser River foreshore at East Fraser Lands;

- lower expenditures for Vancouver Landfill closure projects, reflecting revised cost estimates provided by the on-site contractors.

### 08. Equipment and Technology

**Forecast to be on budget**

Equipment and Technology projects are managed by Engineering Services and Information Technology departments.

As of September 30, capital expenditures in 2018 for Equipment and Technology projects were forecast to be on budget.

### 09. City-Wide

**Forecast to be \$7.9 million below budget**

This service category includes the cost of City staff supporting the capital program, as well as the financing fees the City incurs as part of the debenture program. This category also includes an expenditure budget contingency allowance that accumulates through the year as various projects experience delays or deferrals in planned spend timelines and corresponding project expenditure budgets are decreased. While individual 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 expenditure budget to offset increases to spend timelines and corresponding spend budgets that may also occur during the year. Under the revised Capital Budget Policy approved by Council in April 2018, the City Manager has the authority to approve changes to project capital expenditure budgets provided there is no increase to the Citywide total 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.

As of September 30, capital expenditures in 2018 for City-wide overhead costs were forecast to be \$0.3 million below budget; the expenditure budget contingency allowance (cumulative net 2018 project expenditure forecast reductions) as of September 30 was \$7.6 million.

## B. TOP 10 CAPITAL PROGRAMS/PROJECTS: 2018 Anticipated vs. Actual Outcomes

Table 3 below summarizes the progress on outcomes related to the Top 10 projects by expenditure budget in the overall 2018 Annual Capital Expenditure Budget. As indicated in the table, five of the ten projects are currently on track to deliver outcomes that were anticipated during development of the 2018 Budget, while five are not on track:

- The vehicles and equipment replacement program is expecting an outcome less than what was originally anticipated for 2018, reflecting an alignment of fleet procurement with the Greenest City Action Plan and increasing the number of CNG (natural gas) and electric powered vehicles in the City's fleet. Due to the complexity in applying these technologies to medium and heavy duty fleet vehicles, a smaller number of unit replacements are now expected for 2018.
- Elements of the Bikeways and Greenways program have been deferred into 2019, due to internal crew availability and to coordinate with the developer driven work happening at one of the project sites;

- The completion of the Fire Hall No. 5 replacement project, including a Social Housing component, that was expected in 2018 is now scheduled for 2019 due to a longer than expected construction phase as a result of unfavorable weather conditions earlier in the year and unforeseen unfavourable site conditions encountered in the pre-construction phase of the project;
- The construction contract for the Vancouver Landfill Phase 3 North East Closure & Gas Works Phase 3 Northeast closure work was awarded later in the year than planned and the work is also progressing slower than planned. Gas wells have been installed and liner installation is in progress but will likely not be completed before the start of prolonged wet weather.
- Coordination with other work in the area and a longer than planned public engagement process will push the start of construction to later in the year for the 7<sup>th</sup> and Glen pump station replacement project, with completion now expected in 2019.

Table 3 - Outcomes for Top 10 Projects and Programs in 2018 (\$ millions)						
Program/Project	2018 Annual Expenditure Budget (Revised)	2018 YTD Expenditures	2018 Total Expenditure Forecast	Variance (Total Forecast vs. Budget)	Anticipated Outcomes for 2018 (based on original 2018 Expenditure Budget)	Anticipated Outcomes as of Q3 2018
Sewer main replacement (Annual program)	29.5	17.5	24.8	\$4.7	In 2018, a minimum of 4.0 kms of combined sewer separation is planned to be delivered including the following multi-branch coordinated projects: St. Catherines, Fraser Street, and sewer projects in the 64th-Cartier-Park and Montcalm areas	On Track: Forecast outcome for 2018 is now 5.6 kms of combined sewer separation. The forecasted expenditure budget variance reflects a lower cost of performing work with City crews instead of a trenchless contract as originally planned.
Vehicles and equipment replacement (Annual program) (Original 2018 budget \$17.8M)	13.8	10.2	13.5	\$0.3	Replacement of 115 to 125 end-of-life equipment and vehicles by the end of 2018; mix of heavy duty and light duty items.	Not On Track: Reduced outcome for 2018 is now expected, reflecting an alignment of fleet procurement with the Greenest City Action Plan and increasing the number of CNG and electric powered vehicles in the City's fleet. Due to the complexity in applying these technologies to medium and heavy duty fleet vehicles, a smaller number of unit replacements are now expected for 2018.
Bikeways and greenways (Original 2018 budget \$17.3M)	23.1	15.2	18.0	\$5.2	Key projects will expand and improve the cycling network by approximately 10km. Upgrades to the network include the improvements to achieve cycling routes for all ages and abilities (AAA). With a recalibration of the percentage of AAA cycling facilities, this will bring the City to over 1/4 of all bike facilities being AAA.	Not On Track: Some of the project work has been deferred to 2019 due to internal crew availability and also to coordinate with the timing of the developer work happening at one of the project sites.
Replacement of Fire Hall No.5 (including Social Housing) (Original 2018 budget \$10.3M)	8.8	5.1	8.1	\$0.6	Construction is anticipated to complete in 2018.	Not On Track: Construction of the fire hall progressed slower than anticipated due to unfavorable weather and unforeseen site conditions. The construction is now anticipated to be completed by spring 2019.
Vancouver Landfill Phase 3 North East Closure & Gas Works (Original 2018 budget \$10.0M)	15.0	5.9	9.4	\$5.6	In 2018, approximately 10 hectares of the Landfill will be closed in Phase 3NE. In addition, gas works will be constructed in Phase 3NE and Phase 4.	Not On Track: Contract for Phase 3 NE landfill closure work was awarded later in the year than planned and the work is also progressing slower than planned. Gas wells have been installed and liner installation is in progress but will likely not be completed before the start of prolonged wet weather.
Distribution Main Replacement (Annual program)	9.9	7.35	9.5	\$0.4	Replace approximately 0.5% of the total distribution main system. Approximately 20 separate capital projects are planned including major projects on Fraser St, Nanaimo St. and Adanac.	On Track
Landfill Western 40 Hectare Closure	9.5	9.7	10.7	-\$1.2	In 2018, the second stage of the Western 40 Hectare closure will be completed, closing the next 15 hectares of the area. In addition, gas works will be constructed as part of the closure.	On Track Closure progress has been faster than expected for 2018 as a result of favourable weather conditions, with 24.5 hectares now expected to be completed by the end of this year. The 2018 expenditure variance reflects the higher than planned progress for the year, but the total expenditure forecast remains within the overall project budget.
Roddan Lodge Redevelopment and Evelyn Saller Centre (Original 2018 budget \$8.2M)	5.2	3.5	4.8	\$0.5	Demolition and commence construction (anticipated completion 2020).	On Track: Contract for demolition and abatement was awarded in early February. Abatement work has started, to be followed by demolition. Contract for construction was awarded in September, with construction to start in Q4.
Upgrade & Replace Pump Station (Original 2018 budget \$7.3M)	3.1	0.3	0.5	\$2.5	Major replacement of the 7th & Glen pump station which will take place in 2018, along with other pump station works such as system upgrades, repairs and planning work for future pump station replacement and refurbishment projects.	Not On Track: Coordination with other work in the area and a longer than planned public engagement process will push construction to later in the year, with completion now expected in 2019.
Central Library Level 8 & 9 Expansion (Original 2018 budget \$6.8M)	7.7	6.7	7.8	-\$0.1	Construction complete and operation to start in summer.	On Track: Project progress was slower than planned due to site condition and contractor delays; however, substantial completion was achieved in the summer, with the expanded space officially opened to the public in September.
<b>Total</b>	<b>125.7</b>	<b>81.4</b>	<b>107.2</b>	<b>18.5</b>		
<b>Total City-Wide</b>	<b>444.0</b>	<b>224.4</b>	<b>334.6</b>	<b>109.4</b>		
<b>% of City-Wide</b>	<b>28%</b>	<b>36%</b>	<b>32%</b>	<b>17%</b>		

### C. MULTI-YEAR CAPITAL PROJECT EXPENDITURES vs. BUDGET

As of September 30, 2018, the active Multi-Year Capital Project Budgets for current open capital programs/projects totaled \$1.323 billion. As part of the quarterly adjustment and closeout process, additions to the Multi-Year Capital Project Budgets totaling \$11.1 million and closeouts totaling \$77.2 million were approved by Council November 13, 2018 (RTS 12473) for a revised total multi-year budget of \$1.257 billion.

### D. 2015-2018 CAPITAL PLAN

The 2015-2018 Capital Plan was approved in October 2014 at \$1.085 billion (RTS 10507) and as of September 30, 2018, with subsequent Council approved changes, was \$1.536 billion covering projects across all City departments and agencies. As part of the quarterly adjustment and closeout process, a further increase of \$7.6 million to the Capital Plan was approved by Council November 13, 2018 (RTS 12473), bringing the total 2015-2018 Capital Plan to \$1.543 billion.

In July 2018, Council approved the 2019-2022 Capital Plan. Recommended funding allocations from the new Capital Plan to new capital project budgets will be brought to Council for approval through the upcoming 2019 Capital Budget process and subsequent annual and quarterly capital budgeting processes.

### E. RISKS AND OPPORTUNITIES

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

- delays or acceleration in third-party contracted construction progress,
- unforeseen site conditions encountered in construction projects,
- resolution of factors external to the City, such as partnership funding commitments.

Opportunities to initiate or accelerate the timing of capital investment in the City's capital infrastructure may also arise as the City actively pursues funding contributions/participation from senior levels of government (e.g., Build Canada Fund, Community Works Fund) and private and community partnerships (e.g., BC Housing, developers).

### CONCLUSION

#### OPERATING BUDGET:

The City recorded an Operating Budget surplus of \$45.3 million for the first three quarters of 2018. The variances across the revenue and expenditure categories reflect the new Vacancy Tax revenues, a higher level of secondments and recoverable expenses relative to the Q3 YTD budget, higher than budgeted Licence & Development fees, as well as differences in the timing of actual revenues and expenditures within the year compared to the Q3 YTD budget.

Revenues and expenditures are each forecast to be above their respective budgets and the City is forecasting a balanced budget at year-end after all reserve transfers and adjustments. The forecast reflects the financial results for the first 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 \$224.4 million in 2018 year-to-date capital expenditures through the end of the third quarter of 2018, representing 51% of the total 2018 Annual Capital Expenditure Budget of \$444.0 million. Expenditures for the year are forecast to be \$334.6 million, or 75% of the Capital Expenditure Budget.

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