

November 21, 2016

2016 THIRD QUARTER REVIEW - OPERATING AND CAPITAL BUDGETS

EXECUTIVE SUMMARY

OPERATING BUDGET

in \$ millions	2016 Operating Budget - Q3 and Full Year Forecast				2016 Full Year Forecast			
	Budget	Actuals	Variance \$	Variance %	Budget	Forecast	Variance \$	Variance %
TOTAL REVENUES	\$305.0	\$317.4	\$12.3	4.0%	\$1,265.0	\$1,293.3	\$28.4	2.2%
TOTAL EXPENDITURES & TRANSFERS	\$311.9	\$314.3	(\$2.4)	-0.8%	\$1,265.0	\$1,293.3	(\$28.4)	-2.2%
TOTAL	(\$6.9)	\$3.1	\$10.0	-144.8%	\$0.0	\$0.0	\$0.0	

NOTE: Totals may not add due to rounding.

Revenues and expenditures are each forecasted to be above their respective budget and the City is forecasting a balanced budget at year end after all reserve transfers and adjustments. Revenues and expenditures for the third quarter of 2016 are each above their respective second quarter budget, primarily due to higher than budgeted demand for trade permit fees, higher cost recoveries with offsetting expenditures, as well as the differences in the timing of actual revenues and expenditures in Q3 compared to the quarterly budget.

CAPITAL BUDGET

Service Category in \$ millions	2016 Annual Capital Expenditure Budget - Q3 and Full Year Forecast					
	2016 Budget	Actuals YTD Q3	2016 Full Year Forecast			
			Forecast Expenditures	Variance \$	Variance %	
HOUSING	\$70.4	\$35.0	\$54.4	\$16.0	22.7%	
CHILDCARE	\$6.1	\$0.8	\$2.6	\$3.4	56.4%	
PARKS, OPEN SPACES AND RECREATION	\$39.7	\$21.6	\$37.3	\$2.4	6.0%	
COMMUNITY FACILITIES	\$25.8	\$11.8	\$18.8	\$7.0	27.1%	
CIVIC FACILITIES	\$19.5	\$6.0	\$15.5	\$4.0	20.6%	
TRANSPORTATION	\$121.4	\$94.4	\$119.9	\$1.5	1.2%	
UTILITIES AND PUBLIC WORKS	\$94.2	\$62.1	\$84.3	\$9.9	10.5%	
EQUIPMENT AND TECHNOLOGY	\$65.7	\$33.7	\$60.6	\$5.1	7.7%	
CITY-WIDE	\$4.7	\$4.1	\$6.5	(\$1.8)	-37.5%	
TOTAL	\$447.4	\$269.4	\$399.9	\$47.5	10.6%	

NOTE: Totals may not add due to rounding.

Capital expenditures to the end of the third quarter of 2016 were \$269.4 million, representing 60% of the total 2016 Annual Capital Expenditure Budget of \$447.4 million. As of September 30, 2016, total expenditures for the year are forecast to be \$399.9 million, or 89% of the Capital Expenditure Budget. The City is currently on-track to deliver planned outcomes for seven of the top ten projects in the 2016 Expenditure Budget. Outcomes for the Sewer Separation program, the Georgia Dunsmuir Viaduct Removal Phase 1 project, and the nə̄ ca?mat ct Strathcona Branch Library project are now expected to be less than originally planned, reflecting a change in the complexity of some of the major sewer trunk replacements for the sewer separation program and in the timing of planned expenditures for the viaducts removal and nə̄ ca?mat ct Strathcona Branch Library projects.

OPERATING BUDGET

Since 2010, the Director of Finance has committed to report 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 2016 OPERATING BUDGET RESULTS AND FULL YEAR 2016 FORECAST

Reflecting results for the first nine months of the year, this Third Quarter report provides an indication of the City's financial direction for the year and identification of any significant variances from the 2016 Operating Budget. The City recorded an Operating Budget surplus of \$3.1 million in Q3. The variances in the revenue and expenditure categories reflect higher than budgeted demand for trade permit fees, higher than budgeted parking revenues and, higher cost recoveries which have offsetting related expenses, as well as the timing of actual revenues and expenditures within the year compared to the third quarter budget.

The City is forecasting the Operating Budget to be balanced for 2016 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 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.

The following organizational changes became effective in Q3:

1. Planning and Development Services was reconfigured into two separate departments: Planning, Urban Design & Sustainability and Development Building & Licensing.
2. Licensing, Property Use and Animal services functions were re-aligned from Community Services to Development, Building & Licensing.
3. Sustainability function aligned to Planning, Urban Design & Sustainability.
4. Consolidation of the Vancouver Services Review (VSR) and Business Planning functions into a Business Planning Project Support function.

Table 1 on the next page is reflective of the new organizational changes to the 2016 Operating Budget revenue and expenditures, Q3 variances and year-end projections.

Table 1	2016 Operating Budget - Q3 and Full Year Forecast							
	Q3				2016 Full Year Forecast			
\$ millions	Q3 Budget	Q3 Actuals	Q3 Variance	Q3 Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
REVENUES								
Property tax revenue	\$172.2	\$173.9	1.6	1.0%	\$716.8	\$716.8	\$0.0	0.0%
Utility revenue	\$58.1	\$59.1	1.0	1.8%	\$239.2	\$241.5	\$2.3	1.0%
Program revenue	\$17.6	\$19.0	1.5	8.4%	\$60.8	\$64.3	\$3.5	5.7%
License & Development fees	\$11.5	\$13.7	2.2	19.6%	\$58.4	\$63.5	\$5.1	8.7%
Parking revenue	\$15.3	\$16.4	1.1	7.0%	\$55.8	\$58.1	\$2.3	4.0%
Cost recoveries, grants & donations	\$11.6	\$15.8	4.3	36.8%	\$49.6	\$61.5	\$11.9	24.0%
Provincial revenue sharing	\$1.8	\$2.3	0.5	28.1%	\$21.7	\$21.5	(\$0.1)	(0.5%)
Investment income	\$5.2	\$4.9	(0.4)	(6.9%)	\$20.1	\$18.2	(\$1.9)	(9.7%)
Other revenue	\$7.6	\$7.8	0.2	2.7%	\$26.0	\$30.0	\$4.0	15.4%
Bylaw fines	\$4.2	\$4.4	0.3	6.2%	\$16.6	\$18.0	\$1.3	8.1%
TOTAL REVENUES	\$305.0	\$317.4	\$12.3	4.0%	\$1,265.0	\$1,293.3	\$28.4	2.2%
EXPENDITURES & TRANSFERS								
Utilities	101.6	101.9	(0.2)	(0.2%)	283.8	285.2	(1.5)	(0.5%)
Engineering	19.9	19.2	0.6	3.1%	80.0	83.3	(3.3)	(4.2%)
Police Services	66.2	69.9	(3.7)	(5.6%)	275.0	282.7	(7.7)	(2.8%)
Fire & Rescue Services	28.4	28.6	(0.3)	(1.0%)	117.0	117.4	(0.4)	(0.4%)
Parks & Recreation	29.9	30.8	(0.9)	(3.0%)	114.2	114.8	(0.6)	(0.5%)
Library	12.0	11.0	0.9	7.9%	48.4	47.8	0.5	1.1%
Britannia	1.2	1.2	0.1	7.2%	5.1	5.0	0.1	1.1%
Civic Theatres	2.2	2.5	(0.2)	(10.6%)	9.2	10.1	(0.9)	(9.4%)
Community Services	8.3	8.5	(0.1)	(1.7%)	33.8	37.0	(3.2)	(9.4%)
Grants	5.2	2.8	2.4	46.0%	19.1	19.1	(0.0)	(0.0%)
Development, Buildings & Licensing	7.0	7.4	(0.4)	(5.0%)	27.0	27.9	(0.9)	(3.3%)
Planning, Urban Design & Sustainability	3.5	3.6	(0.1)	(2.9%)	15.8	17.9	(2.0)	(12.8%)
Mayor	0.4	0.4	0.0	5.3%	1.3	1.3	(0.0)	(1.8%)
Council	0.4	0.5	(0.1)	(13.1%)	1.8	1.9	(0.1)	(5.6%)
Corporate Services	21.5	21.3	0.2	1.1%	85.3	86.3	(0.9)	(1.1%)
General Government, Debt and transfers	4.1	4.8	(0.7)	(17.2%)	148.3	155.6	(7.3)	(4.9%)
TOTAL EXPENDITURES & TRANSFERS	\$311.9	\$314.3	(\$2.4)	(0.8%)	\$1,265.0	\$1,293.3	(\$28.4)	(2.2%)
SURPLUS (DEFICIT)	(\$6.9)	\$3.1	\$10.0	(144.8%)	\$0.0	\$0.0	\$0.0	

NOTE: Totals may not add due to rounding.

Revenue highlights for Q3 and the full year forecast by revenue category include:

01. Property Tax Revenue

Forecasted to be on budget

Property Tax revenue is above budget in Q3 and forecast to be on budget at year end. Revenues are above budget in Q3 due to the timing of the original budget revenues, primarily in supplementary rolls, appeal adjustments and Payment-in-lieu of taxes, of which a portion is transferred to reserve.

02. Utility Revenue

Forecasted \$2.3 million above budget

Utility Revenue is above budget by \$1.0 million in Q3 and forecast to be above budget by \$2.3 million at year end:

- Water Utility revenues are above budget in metered revenue and metered service charges in Q3 reflecting higher than budgeted water consumption. The overall 2016 forecast for the Water Utility is forecast to be above budget by \$1.5 million at year end and the 2017 budget assumption for water consumption has been aligned with estimated population growth and the Greenest City Action Plan (GCAP) target of reduced per capita water use.
- Sewer Utility revenues are forecast to be below budget in metered fee revenue by \$1.0 million at year end primarily due to properties that have a portion exempt from metered fees.
- Solid Waste Utility demolition waste revenues are below budget due to lower than expected volumes in Q3 and are forecast to be below budget by \$1.3 million at year end reflecting an expected continuation of these lower volumes. Vancouver and Metro garbage disposal site revenues are forecast to be above budget by \$3.2 million at year end due to an expected increase in tonnage to the Vancouver Landfill in Q4.

03. Program Revenue	Forecasted \$3.5 million above budget
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Parks program revenues are forecast to be \$1.2 million above budget at year end, primarily as a result of higher volume in restaurant lease revenue, moorage charge fees, golf green fees, and clubhouse food and concession revenues.

Police Services program revenues are above budget in Q3 by \$0.2 million and forecast to be \$0.6 million above budget at year end primarily due to a higher volume of record checks, search fees and external training course fees.

Solid Waste program revenues are forecast to be above budget by \$0.2 million at year-end due to collection of revenues that were not anticipated at the time the 2016 budget was developed reflecting the full year impact of the additional revenue stream.

Civic Theatres revenues are above budget by \$0.4 million due to the timing of scheduled theatre events relative to the timing that had been estimated in the budget. Revenues for Civic Theatres are forecast to be \$0.8 million above budget at year end, reflecting an anticipated overall increase in show bookings and Food & Beverage sales.

04. License & Development Fees	Forecasted \$5.1 million above budget
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License and Development Fee revenues are above budget in Q3 primarily due to the timing of revenues relative to the Q3 budget and higher than budgeted demand for trade permit applications. This reflects an increased volume in construction activity. Revenues for License and Development Fees are forecast to be above budget by \$5.1 million at year end, reflecting the anticipated continued higher than budgeted demand for trade permit applications.

05. Cost Recoveries and Grants	Forecasted \$11.9 million above budget
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Cost recoveries, grants and donations are above budget by \$4.3 million in Q3, and are forecast to be above budget by \$11.9 million at year-end primarily due to:

- Police Services cost recoveries for seconded officers and work incurred on behalf of other agencies are forecast to be above budget by \$7.9 million at year end reflecting higher than expected demand.
- Engineering cost recoveries for street cuts are forecast to be above budget by \$1.7 million at year end reflecting higher than expected demand.
- Community Services recoveries are forecast to be above budget by \$1.9 million at year end, primarily due to above budget developer public art contributions (offset by higher related Transfers) and recoveries from senior government for local immigration and Downtown Eastside (DTES) outreach programs and provincial recoveries for Carnegie Centre.
- Planning, Urban Design and Sustainability recoveries from developer projects (e.g., Oakridge Transfer Centre Bus Barn, Little Mountain Redevelopment) are forecast to be above budget by \$1.1 million at year end. Sustainability recoveries are forecast to be above budget by \$0.1 million at year end, reflecting unanticipated recoveries from BC Hydro and BC Housing for the Zero Emissions New Building Planning program in Sustainability introduced in 2016.
- Park Board recoveries are forecast to be above budget by \$0.6 million at year end, reflecting an unbudgeted grant received from the Ministry of Transportation and Infrastructure in Q2 towards the ecological restoration of Beaver Lake in Stanley Park.
- Solid Waste cost recoveries are forecast to be below budget by \$1.7 million at year-end due to the transition of recycling services to Multi Materials British Columbia (MMBC).

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

06. Parking Revenue	Forecasted \$2.3 million above budget
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Parking revenues are above budget in Q3 primarily due to an increase in pay-by-phone transactions and coin usage, both of which are expected to continue through Q4 at these higher levels resulting in revenues forecast to be above budget by \$2.3 million at year end, before offsetting related increased transaction costs.

07. Investment Income	Forecasted \$1.9 million below budget
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Investment Income is below budget by \$0.4 million in Q3, due to lower than budget interest rates. The forecast for the year is for investment income to be below budget by \$1.9 million.

Expenditures and Transfer highlights for Q3 and the full year forecast by department include:

01. Utilities	Forecasted \$1.5 million over budget
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Utility Expenditures are under budget in Q3 and are forecast to be over budget by \$1.5 million at year end:

- Water Utility expenditures are forecast to be over budget by \$1.5 million at year end, reflecting a higher than budgeted trend in water consumption.
- Sewer Utility year-end transfer from reserve is forecast to be higher than budget by \$1.0 million primarily due to properties that have a portion exempt from metered fees.
- Solid Waste Utility expenditures and transfers are forecast to be over budget by \$1.1 million year-end, primarily due to savings of \$2.5 million from the transition of recycling in Q4 to MMBC, offset by a forecasted \$3.6 million higher transfer to reserve at year end, reflecting the higher revenues expected from an anticipated increase in tonnage going to the Vancouver Landfill in Q3 and Q4.

02. Engineering	Forecasted \$3.3 million over budget
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Engineering expenditures are under budget in Q3 primarily due to the timing of fleet replacements and is forecast to be over budget by \$3.3 million at year end:

- Streets Division expenditures are forecast to be \$1.7 million over budget in degradation and street cut work, but fully offset by recoveries, \$1.1 million over budget in Pay-by-Phone transaction costs, partly due to increased volume and fully offset by higher parking revenues.
- Equipment Services Division (EQS) expenditures are forecast to be over budget at year end due to anticipated lower than planned EQS staff work assignments outside of routine maintenance work, but substantially offset by related lower than planned fleet costs.

03. Fire	Forecasted \$0.4 million over budget
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Fire expenditures are over budget in Q3 primarily due to higher than budget labour-related expenditures, offset by a delay in the delivery of new equipment that had been expected to come into service earlier in the year, lower expenditures in the Heavy Urban Search and Rescue (HUSAR) program, and lower fuel costs. The overall forecast for Fire expenditures is to be over budget by \$0.4 million at year end, primarily due to the costs associated with new recruits offset by anticipated lower utilization of the HUSAR program.

04. Parks	Forecasted \$0.6 million over budget
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Parks expenditures are forecast to be over budget by \$1.1 million at year end primarily due to higher spend on supplies and materials associated with and fully offset by volume increases in restaurant lease revenues, moorage charge fees, golf green fees, and clubhouse food and concession revenues.

Parks transfers to reserves are above budget, reflecting a \$0.6 million grant received from the Ministry of Transportation and Infrastructure in Q2 towards the ecological restoration of Beaver Lake in Stanley Park which will take place in future periods.

Parks expenditures are forecast to be under budget by \$1.2 million primarily due to timing delays in hiring of Parks and Recreation staff.

05. Corporate Services	Forecasted \$0.9 million over budget
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Corporate Services expenditures are forecast to be over budget by \$0.9 million at year end due to higher security costs and higher 311 staffing costs required to service the volume of calls received.

06. Mayor & Council	Forecasted \$0.1 million over budget
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Mayor and Council expenditures are forecast to be over budget by \$0.1 million at year end for deferred remuneration per the Mayor and Councilor remuneration By-law approved by Council on April 5, 2016.

07. Police Services	Forecasted \$7.7 million over budget
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Police Services expenditures are over budget in Q3 and forecast to be over budget by \$7.7 million at year end primarily due to higher expenditures anticipated for increased salary costs relating to a higher number of recruits and higher overtime costs. These higher expenditures, however, are expected to be fully offset by cost recoveries and additional fee and donation revenue.

08. Civic Theatres	Forecasted \$0.9 million over budget
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Civic Theatres expenditures are over budget by \$0.2 million in Q3 due to the timing of theatre events relative to the timing reflected in the Q3 budget. Civic Theatres expenditures are forecast to be \$0.9 million over budget at year end, but fully offset by an overall forecast increase in show bookings and Food & Beverage revenues.

09. Community Services	Forecasted \$3.2 million over budget
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Community Services expenditures are over budget by \$0.1 million in Q3 and forecast to be \$3.2 million over budget at year end, primarily due to higher expenditures in the Local Immigration Partnership, DTES Outreach, and Homeground & Smart Arts programs, partially offset by higher recoveries from senior governments for these programs. The year-end forecast also reflects anticipated higher expenditures for consulting costs relating to the Housing Strategy Re:Set program.

10. Grants	Forecasted to be on budget
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Grants expenditures are over budget by \$2.4 million in Q3 due to the timing of the grant disbursements relative to the Q3 budget. Grant expenditures are forecast to be on budget at year end.

11. Development, Buildings & Licensing	Forecasted \$0.9 million over budget
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Development, Buildings & Licensing expenditures are over budget by \$0.4 million in Q3, reflecting increased staffing to reduce permit wait times and development project work. The forecast for the full year is to be over budget by \$0.9 million, which will be fully offset by higher licensing and development fee revenues.

12. Planning, Urban Design & Sustainability	Forecasted \$2.0 million over budget
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Planning, Urban Design & Sustainability expenditures are forecast for the full year to be over budget by \$2.0 million, of which \$1.3 million is recoverable from developer projects (e.g., Oakridge Transfer Centre Bus Barn, Little Mountain Redevelopment Site), as well as costs related to the Zero Emissions New Building Planning program in Sustainability introduced in 2016 which are partially offset by above budget cost recoveries from BC Hydro and BC Housing.

13. General Government, Debt and Transfers	Forecasted \$7.3 million over budget
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General Government expenditures are over budget by \$2.1 million in Q3, primarily due to a foreign exchange loss on USD cash acquired in early 2015 for the purchase of 25 fire trucks scheduled for delivery throughout 2016. A foreign exchange gain of \$3.6 million on this USD cash was recognized in 2015 and will be used to offset currency fluctuations occurring in 2016.

Transfers to reserves were above budget in Q3 due to re-profiling of timing of transfers vs. the original budget. When favorable conditions such as weather enable revenue generation above the norm, transfer to the general revenue stabilization reserve provides support for future years where revenue may be impacted by negative conditions. General Government expenditure and transfers are forecast to be above budget by \$5.2 million at year end.

B. RISKS AND OPPORTUNITIES

Forecast risk arising from changes in economic outlook: While development revenues and trade permit revenue show a favourable trend to budget, which provides an opportunity for stronger than anticipated revenues for the remainder of the year, these revenues are sensitive to changes in the economic cycle and forecast/planning alongside the potential increased revenue has to be monitored carefully.

CAPITAL BUDGET

While the Operating Budget reflects operating costs for one year only, the annual Capital Expenditure Budget reflects one year of what can be multi-year capital projects. Therefore, capital projects are viewed on both an annual budget basis (annual expenditure vs. annual budget), and a total project basis (multi-year project expenditures vs. total multi-year project budget).

On December 17, 2015, Council approved a 2016 Annual Capital Expenditure Budget of \$325.2 million. Council subsequently approved net additions totaling \$122.2 million for a current 2016 Annual Capital Expenditure Budget of \$447.4 million. This report reflects third quarter performance against the 2016 Annual Capital Expenditure Budget as of September 30, 2016 and does not include adjustments to the Annual Expenditure Budget approved by Council subsequent to the close of Q3 (RTS 11301, approved November 1, 2016).

Staff closely manage the capital spend on a quarterly basis 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 budgets are recommended. Expenditure budget adjustments are generally managed within the department overall Capital Expenditure Budget or, if necessary, within the total Citywide overall Capital Expenditure Budget, whereby additions to the budget are offset by corresponding reductions in budgets elsewhere in the overall Capital Expenditure Budget.

As capital projects progress through planning and design and final costing, the nature and final scope of work becomes more refined and in some cases requires an update to the originally planned funding source(s). The required update to funding source(s) will be brought to Council at quarterly Capital Budget adjustments.

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

A. 2016 CAPITAL EXPENDITURES vs. 2016 CAPITAL BUDGET by Service Category

Capital expenditures to the end of the third quarter of 2016 were \$269.4 million, representing 60% of the total 2016 Annual Capital Expenditure Budget of \$447.4 million. Expenditures for the year are forecast to be \$399.9 million, or 89% of the Capital Expenditure Budget as of September 30.

On November 1, 2016, Council approved a net reduction of \$8.0 million to the 2016 capital budget, decreasing the 2016 Annual Capital Expenditure Budget to \$439.4 million. The 2016 capital expenditure forecasts included in this Q3 report are as of September 30, 2016.

Table 2 shows the 2016 Capital Expenditure Budget variances by service category.

Table 2 - Q3 2016 Annual Capital Budget Results By Service Category (\$000's)

Service Category 1	Service Category 2	2016 Expenditure Budget	2016 YTD Expenditures	2016 Total Expenditure Forecast	Forecast Variance
01. Housing	A. Non-Market Rental Housing	70,413	35,029	54,418	15,995
01. Housing Total		70,413	35,029	54,418	15,995
02. Childcare	A. Daycare & Preschool (0-4 Yrs)	5,026	622	1,978	3,048
	B. Before & After School Care (5-12 Yrs)	1,025	128	661	364
02. Childcare Total		6,051	751	2,640	3,412
03. Parks, Open Spaces and Recreation	A. Urban Forest and Natural Features	2,532	1,203	1,787	745
	B. Activity Features	13,823	4,483	11,485	2,339
	C. New Parks and Renewals	8,789	7,649	11,300	(2,511)
	D. Seawall and Waterfront	1,405	1,008	1,414	(9)
	E. Park Infrastructure	1,433	831	1,031	401
	F. Park Buildings	1,530	660	1,005	525
	G. Public Art	1,348	272	639	709
	H. Recreation Facilities	7,542	5,092	7,792	(251)
	I. Entertainment and Exhibition	1,277	368	843	434
03. Parks, Open Spaces and Recreation Total		39,679	21,566	37,297	2,383
04. Community Facilities	A. Libraries and Archives	13,341	4,330	6,827	6,515
	B. Social Facilities	7,152	2,153	4,378	2,774
	C. Cultural Facilities	5,296	5,338	7,604	(2,308)
04. Community Facilities Total		25,789	11,822	18,808	6,981
05. Civic Facilities	A. Police	1,938	1,079	1,704	234
	B. Fire	6,862	1,538	4,992	1,871
	C. Animal Control	210	60	128	82
	D. Administrative Facilities	8,604	2,469	7,436	1,168
	E. Service Yards	1,900	877	1,227	673
05. Civic Facilities Total		19,514	6,023	15,488	4,027
06. Transportation	A. Walking and Cycling	92,957	76,197	92,291	666
	B. Transit	2,040	487	1,262	778
	C. Major Roads	20,165	14,826	20,418	(253)
	D. Local Roads	5,185	2,821	5,153	32
	E. Parking	1,018	59	784	233
06. Transportation Total		121,365	94,391	119,909	1,456
07. Utilities and Public Works	A. Waterworks	11,586	9,119	10,750	835
	B. Sewers	40,326	29,813	39,742	584
	C. Solid Waste	14,118	5,557	9,539	4,579
	D. Neighbourhood Energy	1,307	237	1,610	(303)
	E. Water and Sewer Connections	26,826	17,388	22,631	4,196
07. Utilities and Public Works Total		94,162	62,114	84,272	9,890
08. Equipment and Technology	A. Vehicles and Equipment	39,860	21,310	43,660	(3,800)
	B. Information Technology	25,827	12,370	16,953	8,874
08. Equipment and Technology Total		65,687	33,680	60,613	5,074
09. City-Wide	C. City-Wide Overhead	4,692	4,058	6,451	(1,759)
09. City-Wide Total		4,692	4,058	6,451	(1,759)
Grand Total		447,354	269,433	399,895	47,458

Explanations for variances between total forecast 2016 expenditures and the 2016 Annual Capital Expenditure Budget by service category are:

01. Housing	\$16.0 million positive variance
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Housing projects are managed by Real Estate & Facilities Management and Housing Policy & Projects.

Capital expenditures for Housing projects in 2016 are forecast to be \$16.0 million below budget, primarily due to a longer than anticipated timeline required for several major VAHA projects currently underway, as well as the timing of several land acquisitions that were expected for 2016 but are now expected to close in 2017.

02. Child Care	\$3.4 million positive variance
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Child Care projects are managed by Community Services and Real Estate & Facilities Management.

Capital expenditures for Child Care projects in 2016 are forecast to be \$3.4 million below budget, primarily due to a later than planned start of construction for two Vancouver School Board led partnership projects which will provide childcare spaces for children ages 0 to 4 at the Lord Nelson Elementary School and Sir Sandford Fleming Elementary School sites. The projects are to be delivered by the Vancouver School Board with the City providing project oversight.

03. Parks, Open Spaces and Recreation	\$2.4 million positive variance
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Parks, Open Spaces and Recreation projects are managed by Parks and Recreation, Real Estate & Facilities Management, Community Services, and Engineering Services.

Capital expenditures for Parks, Open Spaces and Recreation projects in 2016 are forecast to be overall \$2.4 million below budget, primarily reflecting delays in some construction work for the Vancouver Art Gallery north plaza to accommodate special events occurring at the site in the third quarter, as well as delays in sand purchases for sports field maintenance. Partially offsetting these lower 2016 expenditure forecasts were expenditures in 2016 for park development land acquisitions that had not been included in the 2016 expenditure budget due to the opportunistic nature of land purchases and the inherent challenges with predicting the timing and final cost of such purchases.

04. Community Facilities	\$7.0 million positive variance
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Community Facilities projects are managed by various departments within the City including Real Estate & Facilities Management; Community Services; Planning, Urban Design and Sustainability; Development Services, Buildings, and Licensing; and Vancouver Public Library.

Capital expenditures for Community Facility projects in 2016 are forecast to be below budget by \$7.0 million primarily due to delays encountered in the final construction phases for the

new n̄ca?mat ct Strathcona Branch Library. Expenditures in 2016 for capital repairs to the Marpole Place building are also now forecast to be less than originally planned as the project scope review (including seismic assessment and energy efficiency requirements) required more time than had been anticipated in the budget. Partially offsetting these lower 2016 expenditure forecasts for Community Facilities are expenditures in the year that will be greater than budget, including the disbursement of a large cultural grant related to Mount Pleasant artist production spaces that was expected for 2015 but was delayed to 2016 to allow the grant recipient additional time to satisfy grant conditions.

05. Civic Facilities	\$4.0 million positive variance
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Civic Facilities projects are managed by Real Estate & Facilities Management, Vancouver Fire and Rescue Services, Police Services, Parks and Recreation, and Engineering Services.

Capital expenditures in 2016 for Civic Facilities projects are forecast to be \$4.0 million less than budget, primarily due to a later than planned start of construction for seismic upgrades to the City Hall West Annex in order to accommodate relocations of staff parking to other City parking sites, and an extended planning timeline for the replacement of Fire Hall No. 5 delaying the related construction RFP and contract award. Deconstruction of the old fire hall commenced in May and was completed in the summer. Construction of the new fire hall has commenced, with completion anticipated in 2018. Also contributing to the lower than budgeted civic facilities expenditures for 2016 is a rescheduling of the construction of a permanent shelter at Fire Hall No. 1 for fire heavy apparatus in order to coordinate with planning underway for the removal of the Georgia Dunsmuir viaducts in the same area, as well as a delay in the replacement of fuel tanks at Manitoba Yard reflecting an extended timeline required for needs analysis, scope review and site consulting.

06. Transportation	\$1.5 million positive variance
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Transportation projects are managed by Engineering Services.

Capital expenditures in 2016 for Transportation projects are forecast to be \$1.5 million below budget, primarily due to delays in planned expenditures for the Seaside Greenway project arising from an extended timeline required for detailed design and coordination with utility planning in the area. The lower than budgeted expenditures for the Seaside Greenway project are partially offset by higher than budgeted expenditures in the year for interim construction along the Arbutus Corridor reflecting an increase in the planned scope of work to extend construction to the southern portion of the corridor.

07. Utilities and Public Works	\$9.9 million positive variance
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Utilities and Public Works projects are managed by Engineering Services.

Capital expenditures in 2016 for Utilities and Public Works projects are forecast to be less than budget by \$9.9 million, primarily due to:

- a reduction in water and sewer connections work that had been planned for 2016 but delayed in order to deploy crews to more critical mainline sewer replacement work;
- a delay in Transfer Station improvements work arising from an adjustment to the work schedule to coordinate with Transfer Station ongoing operational needs;
- a revised schedule for Landfill and Transfer Scale Software Project work to reflect the expected timing of the related contract award and to coordinate with the Landfill branch schedule;
- acceleration of expenditures in 2015 for water distribution and transmission main replacement programs in order to minimize disruptions to local businesses, reducing the corresponding expenditures originally planned for 2016. The 2015 programs also included a significant number of high-cost, high-value projects, including coordinating with multi-branch projects, working with new materials (earthquake resistant pipe) and new construction methodologies (trenchless).

08. Equipment and Technology	\$5.1 million positive variance
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Equipment and Technology projects are managed by Engineering Services and Information Technology departments.

Capital expenditures in 2016 for Equipment and Technology projects are forecast to be less than budget by \$5.1 million, primarily reflecting lower than planned expenditures for several Information Technology projects due to project scheduling adjustments, offset by an acceleration in expenditures for fire truck deliveries that had been anticipated for early 2017 but which are now expected before the end of 2016.

- Some expenditures originally anticipated for 2016 for a software solution for Fleet Services have been deferred to Q1 2017 to accommodate anticipated additional time required for scoping and contract negotiations related to software procurement.
- Planned expenditures for 2016 for the Contract Lifecycle Management project have been delayed due to limited availability of staff earlier in the year and additional process analysis and planning being performed, delaying the software purchase and implementation phases of the project.
- Planned expenditures for 2016 for the Parking Enforcement Ticket Manager Platform project have been delayed due to limited availability of staff earlier in the year, delaying process analysis and scope planning, and consequently delaying the contract procurement phase of the project.
- Expenditures planned for 2016 for the Emergency Management Information System project have been delayed due to an extended timeline required for defining and finalizing the project scope, consequently delaying the contract procurement phase of the project.

In addition to these expenditure timing adjustments, some contingency costs expected in 2016 for the Permit & Licence Transformation Program are no longer anticipated, resulting in a lower 2016 expenditure for the program which is scheduled to be completed in Q1 2017.

09. City-Wide	\$1.8 million negative variance
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This service category represents City-wide overhead costs relating to support of the City's capital program and funding for emerging priority capital projects. The forecast negative variance represents 2016 expenditures for this overhead category to the end of Q3; an adjustment to the 2016 Annual Capital Expenditure Budget was approved by Council subsequent to the end of Q3 to formally add an expenditure budget for facilities planning overhead (RTS 11301, approved November 1, 2016).

B. TOP 10 CAPITAL PROGRAMS/PROJECTS: 2016 Anticipated vs. Actual Outcomes

Table 3 on the next page shows progress on outcomes related to the top 10 projects by 2016 Annual Capital Expenditure Budget. As shown in the table, seven of the top 10 projects are currently on track to deliver outcomes anticipated during development of the 2016 Budget.

Three projects are currently expecting outcomes less than originally anticipated for 2016:

- Sewer Separation program (some priority projects for 2016 involve large-diameter trunk separations which require more expense and labour per kilometre than the more typical shallower and smaller diameter sewer separations)
- n̄c̄a?mat ct Strathcona Branch Library (construction delays have been encountered in the late stages of the completion phase)
- Dunsmuir Viaduct Removal Phase 1 project (timing of planned 2016 expenditures has been delayed due to additional time required for staffing resource coordination and vendor procurement)

Table 3 - Outcomes for Top 10 Projects and Programs in 2016 (\$ millions)

Program/Project	2016 Annual Expenditure Budget	2016 YTD Expenditures	2016 Total Expenditure Forecast	Forecast Variance	Anticipated Outcomes in 2016	Anticipated Outcomes as of Q3 2016
Sewer separation (Annual program)	37.0	28.6	37.0	0.0	10 km of combined (stormwater and sanitary) sewer mains separated (1.1%)	Revised projected outcome is now 7.5 km; 2016 projects included more complex trunk work which impacts ability to deliver more km's.
2014 Fire Truck Replacement	27.8	15.5	31.7	-3.9	17 apparatus and 6 life support units replaced	On Track overall: Projected overspend is due to accelerated 2016 delivery of 8 heavy apparatus partially offset by delay in receiving 6 Life Support Units (now expected for 2017)
2015-17 Burrard Bridge Upgrades	16.0	10.1	15.7	0.3	<ul style="list-style-type: none"> • 0.34 km of new AAA bike lane added • 0.75 km of new means prevention fence on the Burrard Bridge added • 0.75 km of electrical, street lighting and sidewalk rehabilitated • 0.34 km of partial road and sidewalk rehabilitated 	On Track overall: <ul style="list-style-type: none"> • 0.34 km new AAA Bike Lane & 0.34km partial road & sidewalk rehab: completed Pacific Street between Thurlow & Burrard • 0.75 km new means prevention and 0.75km of electrical, street lighting & sidewalk rehab: bridge contractor is progressing on the west side of the bridge
Vehicles and equipment replacement (Annual program)	12.0	5.6	11.7	0.3	120 to 160 vehicles and equipment replaced	On Track
Social Housing - SEFC Area 3B	12.0	8.4	12.4	-0.4	Working drawings to be completed, excavation of the site, start construction of the building.	On Track: Excavation and foundation to be completed. Construction about 35% to 40% completion by end of 2016. Developer anticipates entire project to complete by March 2018.
náca?mat ct Strathcona Branch Library (Total project budget \$18.4M)	11.0	3.4	4.9	6.1	Construction 100% complete	Not On track. Construction delays encountered in final phases of project. Revised anticipated date for the branch opening is February 2017.
Water/sewer connections replacement (Annual program)	16.2	8.8	12.2	4.0	1,240 residential water and sewer connections replaced.	On Track: There will be a quarterly installation information lag, due in part to administrative processes and street repairs which follow construction. 2015 Program 1,115 projects established. Approximately 876 paid for with a forecast variance of \$1.8 M. 2016 Program 846 projects established. Approximately 253 paid for with a forecast variance of \$2.2 M. Surplus has resulted in less than actual connections being completed due to more crew time being spent on critical mainline sewer replacement work; operations is expecting to be on track for spend within the current capital plan
Water pipe replacement (Annual program)	10.0	8.4	9.6	0.4	<ul style="list-style-type: none"> • 6.0 km of distribution water and sewer connections replaced (water distribution to homes, businesses, and industry) • 0.85 km of transmission water pipe replaced (transmission of bulk quantities of water throughout the City) 	On track overall. Revised projected outcome is 6.12 km. Projected totals are Distribution Main 5.26 km and Transmission Main 0.86 km.
Rehabilitation of major City roads (Annual program)	8.2	7.1	7.9	0.3	<ul style="list-style-type: none"> • 5 km of arterial MRN pavements rehabilitated • 3 km of arterial City pavements rehabilitated 	On Track: Projecting a slight surplus due to less than expected scope for SW Marine Drive Project & lower than expected tender prices for Broadway, estimating to pave 4.6 km under the MRN program for 2016. Additional City Arterial projects are being planned at present for quick release in August/September/October as summer 2016 project are completed and actual project costs are known.

(continued on next page)

Table 3 - Outcomes for Top 10 Projects and Programs in 2016 (\$ millions)

Program/Project	2016 Annual Expenditure Budget	2016 YTD Expenditures	2016 Total Expenditure Forecast	Forecast Variance	Anticipated Outcomes in 2016	Anticipated Outcomes as of Q3 2016
Georgia Dunsmuir Viaduct Removal Phase I	3.7	2.1	3.6	0.0	<i>Year one of a two-year planning and consultation process to complete detailed planning, design, and the necessary agreements to advance removal of the viaducts and development of the remaining NEFC lands including areas 6C, 10C, and the future parks and open spaces.</i>	<i>Not on Track: Retained staff and procured consulting services. Completed preliminary environmental investigations on City land. Progressed terms of reference and agreements with key partners eg. Landowners and third party utility providers. Project still on track overall.</i>
Land acquisition in East Fraser Lands for non-market housing <i>(Original 2016 budget \$8.1M)</i>	4.7	0.0	4.7	0.0	<i>Purchase of land to enable strategic partners (e.g., senior government, non-profit agencies) to deliver 300 units of affordable housing on City-owned land over the next three years. Acquiring Land- EFL 8A</i>	<i>On Track. Discussions with Wesgroup are still ongoing and the EFL land acquisition option payments (Parcel 3 & 5A) are now anticipated to be exercised in Q4 2016.</i>
Total	158.6	97.9	151.4	7.2		

C. MULTI-YEAR CAPITAL PROJECT EXPENDITURES vs. BUDGET

As of September 30, 2016, the active Multi-Year Capital Project Budgets for current open capital programs/projects totaled \$1.150 billion. As part of the quarterly adjustment and closeout process, additions to the Multi-Year Capital Project Budgets totaling \$4.2 million and closeouts totaling \$3.5 million were approved by Council November 1, 2016 (RTS 11301) for a revised total multi-year budget of \$1.151 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, 2016 with subsequent Council approved changes, has a current total of \$1.225 billion covering projects across all City departments and agencies. As part of the quarterly adjustment and closeout process, a further increase of \$2.9 million to the Capital Plan was approved by Council November 1, 2016 (RTS 11301) primarily relating to the recently acquired Arbutus Corridor, bringing the total 2015-2018 Capital Plan to \$1.228 billion.

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 due to 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 \$3.1 million in Q3. The variances across the revenue and expenditure categories reflect a higher level of secondments and recoverable expenses relative to the third quarter budget, higher than budgeted demand for trade permit fees as well as variances in the timing of actual revenues and expenditures within the year compared to the second quarter budget.

Revenues and expenditures are each forecasted to be above their respective budget 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 \$269.4 million in capital expenditures during the first three quarters of 2016, representing 60% of the total 2016 Annual Capital Expenditure Budget of \$447.4 million. On November 1, 2016, Council approved a net reduction of \$8.0 million to the 2016 capital budget, for a revised 2016 Annual Capital Expenditure Budget of \$439.4 million.
