

May 7, 2021

2020 YEAR-END REVIEW: CAPITAL BUDGET

EXECUTIVE SUMMARY

Total capital expenditures at the end of 2020 stood at \$394M, which is 56% of the total 2020 Annual Capital Expenditure Budget of \$702M. This is 4% below the forecasted 2020 Capital Expenditure of \$421M (around 60% of the 2020 Capital Expenditure Budget). The 2020 actuals reflect an overall slowdown of project work as a result of COVID-19 and align with the Capital Plan recalibration. Commentary on variances between full-year actuals and corresponding budgets in specific service categories are provided in the body of this document.

2020 Annual Capital Expenditure Budget: Year-End Actual Expenditures (\$M)				
Service Category	2020 Adjusted Expenditure Budget	2020 Expenditure Budget Actuals	2020 Full Year Expenditures	
			Variance (\$)	Variance (%)
AFFORDABLE HOUSING	\$78	\$53	\$25	32%
CHILDCARE	\$27	\$20	\$7	26%
PARKS, OPEN SPACES AND RECREATION	\$55	\$26	\$29	53%
COMMUNITY FACILITIES	\$32	\$8	\$24	75%
ARTS AND CULTURE	\$31	\$8	\$23	73%
PUBLIC SAFETY	\$15	\$12	\$2	16%
CIVIC FACILITIES AND EQUIPMENT	\$35	\$25	\$11	31%
TRANSPORTATION AND STREET USE	\$100	\$73	\$27	27%
ONE WATER	\$116	\$103	\$13	11%
RENEWABLE ENERGY	\$18	\$8	\$11	57%
SOLID WASTE	\$36	\$27	\$9	25%
TECHNOLOGY	\$32	\$23	\$9	29%
CITY-WIDE	\$125	\$7	\$118	94%
TOTAL	\$702	\$394	\$308	44%

CAPITAL BUDGET

The Annual Capital Expenditure Budget reflects one year's expenditures for capital projects that may span multiple years. Therefore, capital projects are examined on both an annual expenditure basis (annual capital expenditure actuals vs. budget) and a multi-year project basis.

On December 17, 2019, Council approved the 2020 Capital Budget, including a 2020 Annual Capital Expenditure Budget of \$702M. This report reflects the year-end performance against the

2020 Annual Capital Expenditure Budget. The actuals reflect overall slowdown of project work resulting from COVID-19 and align with the 2019-2022 Capital Plan Recalibration approved by Council on September 16, 2020.

A. 2020 ADJUSTED EXPENDITURE BUDGET VS. 2020 EXPENDITURE BUDGET ACTUALS (by Service Category)

Capital expenditures at the end of 2020 were \$394M, representing 56% of the total 2020 Annual Capital Expenditure Budget of \$702M. This is 4% below the forecasted expenditures for 2020: \$421M (around 60% of the 2020 Capital Expenditure Budget).

The table below summarizes the 2020 Capital Expenditure Budget variances for 2020 Year-End results by Service Category.

2020 Annual Capital Expenditure Budget: Year-End Results By Service Category (\$000s)			
Service Category 1	2020 Adjusted Expenditure Budget	2020 Expenditure Budget Actuals	Variance
01. Affordable Housing	78,083	52,762	25,321
02. Childcare	27,294	20,174	7,120
03. Parks and Open Spaces	55,122	26,166	28,956
04. Community Facilities	32,475	8,207	24,269
05. Arts & Culture	30,860	8,342	22,518
06. Public Safety	14,802	12,398	2,404
07. Civic Facilities and Equip	35,482	24,601	10,881
08. Transportation	99,688	73,078	26,610
09. One Water	115,954	102,653	13,301
10. Renewable Energy	18,442	7,907	10,534
11. Solid Waste	36,288	27,356	8,932
12. Technology	31,939	22,803	9,136
13. Overhead	125,373	7,448	117,925
Grand Total	701,802	393,895	307,907

The actuals reflect an anticipated overall slowdown of project work as a result of COVID-19 restrictions, which impact engagement timelines, and reflect the recalibration of the Capital Plan as well.

Variance explanations between full-year 2020 expenditure actuals and the 2020 Annual Capital Expenditure Budget by Service Category:

Affordable Housing	\$25M below budget
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Housing projects are managed by Housing Policy & Regulation in Planning, Urban Design and Sustainability, Affordable Housing Programs in Arts, Culture & Community Services, Real Estate & Facilities Management, and Vancouver Affordable Housing Agency.

As of December 31, 2020, capital expenditures for Affordable Housing projects in 2020 were \$25M below budget, primarily because of COVID-19 impacts as well as:

- a change in timing of Housing capital grant disbursements because of recipient organizations requiring more time to satisfy grant conditions than originally planned, and alteration of development schedules of certain grant programs
- a change in timing of planned social housing land acquisitions, resulting from building permit issuance factors, which are now expected in 2021 and subsequent years
- excavation issues encountered during site preparation for Roddan Lodge Redevelopment project resulting in an adjustment to the construction schedule

Childcare	\$7M below budget
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Childcare projects are managed by Arts, Culture & Community Services, and Real Estate & Facilities Management.

As of December 31, 2020, capital expenditures for Childcare projects in 2020 were \$7M below budget, primarily because of COVID-19 impacts as well as:

- complexities associated with the Gastown Parkade Childcare project
- extended timeline resulting from Vancouver School Board's budget finalization and value analysis process for the Henry Hudson Childcare project

Parks and Open Spaces	\$29M below budget
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Parks and Open Spaces projects are managed by Board of Parks and Recreation, Real Estate & Facilities Management, and Arts, Culture & Community Services.

As of December 31, 2020, capital expenditures for Parks and Open Spaces projects in 2020 were \$29M below budget, primarily because of COVID-19 impacts as well as:

- underspend in Smithe and Richards Park project due to subsurface conditions not uncovered initially, including significant amount of buried building materials - underground tanks, building foundations, etc., requiring special handling and disposal
- extended timeline for several projects resulting from redeployment of resources
- deferral of land purchase and related building deconstruction, based on timing of availability of park land

Community Facilities	\$24M below budget
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Community Facilities projects are managed by various departments including Real Estate & Facilities Management, Arts, Culture & Community Services, and Planning, Urban Design and

Sustainability.

As of December 31, 2020, capital expenditures for Community Facilities projects in 2020 were \$24M below budget, primarily because of COVID-19 impacts as well as:

- an underspend in Capital Maintenance projects due to staff constraints and disruption of supply chain, primarily resulting from COVID, enhanced design requirements and specific timing of construction, unique to Capital Maintenance projects
- a change in timing for capital grant disbursement (i.e. Chinese Society Building Grant, Downtown East Side Capital Grant, Facade Rehabilitation Grant, etc.) as eligibility requirements have not yet been met
- an extended timeline for the Marpole-Oakridge Community Centre Redevelopment project

Arts and Culture	\$23M below budget
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Arts and Culture projects are managed by various departments including Real Estate & Facilities Management, Arts, Culture & Community Services, Planning, Urban Design and Sustainability, and Hastings Park/Pacific National Exhibition.

As of December 31, 2020, capital expenditures for Arts and Culture projects in 2020 were below budget by \$23M, primarily because of COVID-19 impacts as well as:

- an underspend in Capital Maintenance projects due to staff constraints and disruption of the supply chain, primarily resulting from COVID, enhanced design requirements and specific timing of construction, unique to Capital Maintenance projects
- deferred disbursement of Heritage Incentive Program Grants and other grants to allow grant recipients additional time to meet grant eligibility conditions; similar to other grants, this arises from delays in completing studies over potential facilities and finalization of projects
- deferred scheduling and underspend for Heritage Hall Building Envelope resulting from advanced age of building and subsequent need of a holistic assessment for the actual implementation, and requirement of review for obtaining a Heritage grant

Public Safety	\$2M below budget
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Public Safety projects are managed by Real Estate & Facilities Management, Engineering Services, and Arts, Culture & Community Services.

As of December 31, 2020, capital expenditures in 2020 for Public Safety projects were \$2M below budget, primarily because of:

- staff constraints resulting from COVID-19 related review of hiring
- lower than anticipated expenditures for the Fire Hall renovation project on account of updated operational routines, demanded by the COVID-19 pandemic

Civic Facilities and Equipment	\$11M below budget
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Civic Facilities and Equipment projects are managed by Real Estate & Facilities Management and Engineering Services.

As of December 31, 2020, capital expenditures in 2020 for Civic Facilities and Equipment projects were \$11M below budget, primarily because of COVID-19 impacts as well as:

- an underspend in Capital Maintenance projects due to staff constraints and disruption of the supply chain, primarily resulting from COVID, enhanced design requirements and specific timing of construction, unique to Capital Maintenance projects
- a change in timeline of contract award for Energy Optimization programs leading to expenditures originally planned in 2020 now expected in 2021
- deferred renovation of Administrative Facilities resulting from discovery and abatement of hazardous materials impacting construction progress
- an underspend in Service Yards renovation program resulting from administrative issues of charging costs, which shall be corrected soon

Transportation	\$27M below budget
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Transportation projects are managed by the Engineering Services department.

As of December 31, 2020, capital expenditures in 2020 for Transportation projects were \$27M below budget, primarily because of COVID-19 impacts as well as:

- an underspend in the Arbutus Greenway project arising from a decision to slow down the project until partial completion of detailed design for zones 3 & 8 and deferral of the Fraser River Extension until finalization of a comprehensive plan
- lower than anticipated expenditures for New Sidewalks projects because of project unfeasibility for Joyce Collingwood location; funding will be reprioritized to other items
- an underspend in Street Lighting projects due to delays resulting from COVID-19 impact on vendors, from discussions/decisions on West End developer contributions' location-specific funding use, and from arrival of materials for the Cambie Bridge project
- deferral of project scope and expenditures for the Northeast False Creek Redevelopment project, resulting from implementation planning

One Water	\$13M below budget
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One Water projects are managed by the Engineering Services department.

As of December 31, 2020, capital expenditures in 2020 for One Water projects were \$13M below budget, primarily because of COVID-19 impacts as well as:

- underspends due to project schedule delays on GI projects (Cambie Corridor, Drake Street, etc.), Pump Station renewal projects, and other programs
- lower than expected expenditures in some projects, which are completed/progressing with lower costs than expected

Renewable Energy	\$11M below budget
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Renewable Energy projects are managed by Engineering Services and Planning, Urban Design and Sustainability departments.

As of December 31, 2020, capital expenditures in 2020 for Renewable Energy projects were \$11M below budget primarily because of:

- an underspend in the Deep Emission Building Retrofits program due to staff constraints and contract issues (internal and external), etc., all arising from COVID
- lower than anticipated expenditures in 2020 for Neighborhood Energy Utility expansion and Connections projects, resulting from delays in completion of developments projects

Solid Waste	\$9M below budget
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Solid Waste projects are managed by the Engineering Services department.

As of December 31, 2020, capital expenditures for Solid Waste projects in 2020 were \$9M below budget, primarily because of:

- an underspend in the Landfill projects due to slower progress in project schedule in the Landfill phase 4 project, arising from issues at the contractor's end
- rescheduling of Gas Works project in order to accommodate Clean BC induced additional scope
- lower than anticipated expenditures for completed projects

Technology	\$9M below budget
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Technology projects are managed by Information Technology Department.

As of December 31, 2020, capital expenditures for 2020 Technology projects were \$9M below budget because of COVID-19 induced effects - deferral of projects to 2021 to alleviate funding pressure on the overall 2020 budget, procurement delays, and overall slowdown in execution of discretionary projects, resulting from departmental reprioritization.

Other City-wide	\$118M below budget
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This service category includes the cost of City staff supporting the capital program, as well as financing fees incurred by the City as part of the debenture program.

As of December 31, 2020, capital city-wide expenditures for 2020 were \$118M below budget, reflecting the changes to project expenditure estimates to align with revised project timelines.

This category also includes an expenditure budget contingency allowance that accumulates throughout the year as various projects experience delays or deferrals in planned spend timelines and corresponding project expenditure budgets are decreased. While individual

capital 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 capital expenditure budget to offset changes to spending timelines and corresponding increase of spend budgets that may also occur during the year. Under the provisions of the Capital Budget Policy approved by Council in April 2018, the City Manager has the authority to approve changes to capital project expenditure budgets provided there is no increase to the Citywide Annual Capital Expenditure Budget approved by Council. If an increase to the Citywide Annual Capital Expenditure Budget is required, the increase request is presented to Council for approval.

B. 2019-2022 CAPITAL PLAN

In July 2018, Council approved the 2019-2022 Capital Plan as a guiding document for the next four years. The original Capital Plan contemplated \$2.771B of capital investments, comprised of \$2.203B City-led capital programs and \$0.569B in-kind contributions achieved through development. The Capital Plan will evolve over the course of the four-year period, in order to address emerging needs and as additional development contributions and partnership funding are secured or reserve funding becomes available. The adjusted 2019-2022 Capital Plan, as of the end of August 2020 and before the Capital Plan recalibration, stood at \$2.88B, including \$2.319B worth of City led capital investments and \$570.0M worth of in kind contributions achieved through development.

The COVID-19 pandemic has posed significant financial strain on the City, our business community, non-profit partners, and residents. Extensive work has been undertaken to recalibrate the Capital Plan to reflect the fiscal reality while maintaining a keen focus on maintaining the City's infrastructure and amenities in a state of good repair, as well as to advance Council priorities on climate emergency response, equity and resilience. In September of 2020, Council approved the recalibrated Capital Plan in principle, including \$253.2M adjustments to the 2019-2022 Capital Plan, reducing from ~\$2.90B to ~\$2.64B. Subsequent to the recalibrated capital plan approval, \$88.4M has been added to the capital plan. The addition is primarily from the implementation the Coal Harbour project by bringing in external funding from a VBE contribution and development contribution funding towards housing component of the project. The rest of the capital plan increase is from modular housing external funding, Grandview Firehall housing component development contribution funding, transportation projects Translink funding, solid waste projects Provincial Clean BC funding and Metro landfill funding. The adjusted 2019-2022 Capital Plan to date is \$2.724B, including \$2.150B of City-led capital investments and \$574.4M of in-kind contributions achieved through development.

C. RISKS AND OPPORTUNITIES

Given the longer-term timeframe for capital projects, capital expenditures are subject to changes 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 progress
- unforeseen site conditions encountered in construction phase of projects
- resolution of factors external to the City, such as partnership funding commitments

- the impact of COVID-19 Pandemic

Opportunities to initiate or accelerate capital investments in the City's capital infrastructure may arise as the City actively pursues funding partnership and contributions from external partners, including senior levels of government (e.g., Build Canada Fund, Community Works Fund), private and community partners (e.g., BC Housing, developers).

CONCLUSION

CAPITAL BUDGET:

The City incurred \$394M in capital expenditures up to the end of 2020, representing 56% of the total 2020 Annual Capital Expenditure Budget of \$702M. Expenditures for 2020 were forecast to be \$421M, being around 60% of the 2020 Capital Expenditure Budget. Therefore, an underspend variance of 44% was experienced in the 2020 Capital Expenditure Budget.