

VanRIMS No.: 01-9000-20

MEMORANDUM

August 26, 2015

TO: Mayor and Council

CC: Penny Ballem, City Manager
Sadhu Johnston, Deputy City Manager
Janice MacKenzie, City Clerk
Lynda Graves, Manager, Administration Services, City Manager's Office
Rena Kendall-Craden, Director, Communications
Mike Magee, Chief of Staff, Mayor's Office
Kevin Quinlan, Deputy Chief of Staff, Mayor's Office
Braeden Caley, Director, Policy and Communications, Mayor's Office
Corporate Management Team

FROM: Patrice Impey, General Manager, Finance, Risk and Business Planning

SUBJECT: 2015 Operating and Capital Budget - 2nd Quarter Review

Dear Mayor and Council,

The purpose of this memo is to provide Council with:

1. A review of the Q2 2015 Operating results and variances from the Q2 Operating Budget, as well as forecasts to 2015 year-end for revenues and expenditures, with identification of any significant variances from the 2015 Operating Budget.
2. A review of the Q2 2015 Capital expenditures by service category, as well as a review of the 2015 forecasted Capital expenditures by service category in comparison with the 2015 Annual Capital Expenditure Budget.

As the quarter financial report is for information only, it is provided quarterly to Council as a memo and is placed on the City of Vancouver external website at <http://vancouver.ca/your-government/financial-reports-and-information.aspx>

COUNCIL POLICY

Council's standing instructions require that the Director of Finance report on the status of the Operating Budget as at September 30 each year. Since 2010, the Director of Finance has committed to report quarterly on the Operating Budget status, and beginning in 2011, to also report quarterly on the Capital Budget status. Council Policy regarding the Operating Budget, as per the Vancouver Charter, is to ensure a balanced operating budget.

A. Q2 2015 OPERATING BUDGET RESULTS AND FULL YEAR 2015 FORECAST

Operating Budget Summary

The City recorded an Operating Budget surplus of \$0.2 million in Q2. The variances across the revenue and expenditure categories reflect a higher level of secondments and recoverable expenses vs budget, as well as variances in the timing of actual revenues and expenditures within the year compared to the quarter budget.

The City is forecasting a surplus of \$1.6 million for 2015 year end. The forecast is based on the 1st 6 months of the year and projects the remaining 6 months. The forecast includes an estimate of year end transfers to reserves and other funds primarily in the areas of debt, insurance and deferred payroll costs to provide for the City's unfunded liability.

**City of Vancouver
2015 Operating Budget
2nd Quarter Review**

2015 Operating Budget - Q2 and Full Year Forecast

\$ millions	Q2				2015 Full Year Forecast			
	Q2 Budget	Q2 Actuals	Q2 Variance	Q2 Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
REVENUES								
Property tax revenue	\$198.7	\$203.7	\$5.0	2.5%	\$693.4	\$695.0	\$1.6	0.2%
Utility revenue	\$79.4	\$83.6	4.3	5.4%	\$228.9	\$233.3	\$4.4	1.9%
Program revenue	\$15.2	\$17.1	2.0	13.1%	\$56.8	\$60.0	\$3.3	5.7%
License & Development fees	\$10.9	\$12.0	1.1	10.5%	\$55.3	\$57.4	\$2.1	3.9%
Parking revenue	\$14.0	\$15.9	1.9	13.5%	\$53.2	\$54.7	\$1.4	2.7%
Cost recoveries, grants & donations	\$11.4	\$14.6	3.2	28.4%	\$49.0	\$57.7	\$8.7	17.7%
Provincial revenue sharing	\$12.7	\$11.9	(0.8)	(6.2%)	\$21.7	\$21.6	\$0.0	0.0%
Investment income	\$5.0	\$5.9	0.9	17.9%	\$20.1	\$20.1	\$0.0	0.0%
Other revenue	\$8.1	\$9.9	1.8	22.4%	\$29.4	\$30.0	\$0.6	2.2%
Bylaw fines	\$4.1	\$4.3	0.2	4.3%	\$16.3	\$16.3	\$0.0	0.0%
TOTAL REVENUES	\$359.3	\$378.9	\$19.6	5.4%	\$1,224.0	\$1,246.1	\$22.1	1.8%
EXPENDITURES & TRANSFERS								
Utilities	49.6	51.8	(2.2)	(4.5%)	272.7	277.0	(4.4)	(1.6%)
Engineering	19.2	21.6	(2.5)	(13.0%)	79.6	81.9	(2.4)	(3.0%)
Police Services	68.4	71.8	(3.4)	(5.0%)	273.6	279.0	(5.4)	(2.0%)
Fire & Rescue Services	28.3	28.6	(0.3)	(0.9%)	113.3	112.7	0.6	0.6%
Parks & Recreation	29.1	31.7	(2.6)	(8.9%)	113.2	114.4	(1.2)	(1.0%)
Library	11.3	11.2	0.1	1.2%	48.0	47.9	0.0	0.0%
Britannia	1.3	1.2	0.1	6.8%	5.0	5.1	0.0	0.0%
Civic Theatres	2.1	2.6	(0.6)	(26.7%)	7.4	8.2	(0.8)	(10.9%)
Community Services	9.7	9.9	(0.3)	(2.6%)	38.3	39.0	(0.6)	(1.6%)
Grants	7.9	8.0	(0.1)	(1.6%)	19.1	19.1	0.0	0.0%
Planning & Development	7.9	8.1	(0.2)	(2.5%)	31.0	31.9	(0.9)	(3.0%)
Mayor	0.3	0.3	0.0	11.1%	1.2	1.2	0.0	0.0%
Council	0.3	0.3	0.0	7.1%	1.3	1.3	0.0	0.0%
Corporate Services	21.3	21.4	(0.2)	(0.8%)	83.9	84.2	(0.2)	(0.3%)
General Government, Debt and transfers	29.3	36.6	(7.4)	(25.1%)	136.5	141.7	(5.2)	(3.8%)
TOTAL EXPENDITURES & TRANSFERS	\$285.9	\$305.3	(\$19.4)	(6.8%)	\$1,224.0	\$1,244.5	(\$20.4)	(1.7%)
SURPLUS (DEFICIT)	\$73.4	\$73.6	\$0.2	0.2%	\$0.0	\$1.6	\$1.6	

Revenues

Q2 revenues are higher than budget by \$19.6 million (5.4%) in Q2. For the full year 2015, revenues are forecast to be higher than budget by \$22.1 million (1.8%) primarily due to cost recoveries which have offsetting related expenses, as well as higher than budgeted utility fee revenue, program revenue, and licence and development fees revenue.

Revenue highlights for Q2 and the full year forecast include:

- Higher Q2 revenues than budget from:
 - Property Tax above budget in Q2 primarily due to timing of supplementary rolls and appeal adjustment and Payments-in-lieu of taxes, a portion of which is

transferred to reserve; forecasted to be above budget by \$1.6 million at year end.

- Utility revenue above budget in Q2 and forecast to be above budget for year end, driven by:
 - Solid Waste Utility revenues higher than budget in Q2; forecasted to be \$0.6 million above budget at year end due to higher than estimated commercial waste disposal volume;
 - Sewer and Water Utility revenues higher than budget in Q2 due to higher water consumption from the hot spring, expected to reduce in 2nd half with implementation of water restrictions; forecasted to be \$3.8 million above budget at year end.
- Program revenues above budget in Q2 and expected to be above budget by \$3.3 million at year end due to:
 - Parks program revenue above budget due to program demand largely related to favourable weather; forecast to be above budget by \$2.1 million at year end;
 - Civic Theatres program revenue above budget due to increase in facility fee revenues, forecast to be above budget by \$0.7 million at year end;
- Licence and Development fee revenue over budget in Q2 as a result of timing of revenues and higher than budgeted demand for trade permits; forecast to be above budget by \$2.1 million at year-end.
- Parking revenue above budget in Q2 due to favorable weather; forecast to be above budget by \$1.4 million at year end.
- Cost recoveries, grants, and donations above budget in Q2 and expected to be above budget by \$8.7 million at year end due to:
 - Police recoveries for seconded officers and work incurred on behalf of other agencies; forecast to be above budget by \$5.4 million at year end;
 - Engineering recoveries for street cuts and sustainability programs; forecast to be above budget by \$1.4 million at year end;
 - Community services recoveries primarily due to above budget provincial recoveries for Carnegie Centre reflecting higher activity level; forecast to be above budget by \$1.3 million at year end;
 - Planning and Development recoveries related to development processing; forecast to be over budget by \$0.5 million at year end;
 - Library recoveries above budget as the Provincial Interlink grant was received one quarter earlier than budgeted; forecast to be above budget by \$0.1 million at year end;
 - Parks cost recoveries under budget in Q2 due to timing of CCA revenues; forecast to be under budget by \$0.2 million at year end.
- Investment Income is above budget by \$0.9 million in Q2, due to higher than forecasted investment balances; forecast to be on budget at year end following transfers to other funds and reserves;
- Other Revenue above budget in Q2 primarily due to timing of Translink recoveries, which are forecast to be on budget at year end;

Expenditures and Transfers

Expenditures and transfers are higher than budgeted by \$19.4 million (6.8%) in Q2. For the full year 2015, expenditures and transfers are forecast to be higher than budget by \$20.4 million (1.7%) primarily due to higher costs related to revenue generation, including secondments and other 3rd party funded activities. The following are highlights of areas where spending exceeded budget and where increased expenses are offset by increased revenue, this is noted:

- Over budget Q2 expenditures and transfers:
 - Utilities:
 - Water and Sewer Utilities over budget in Q2 due to increased volume of water purchases related to higher water consumption during the hot May and June months. With implementation of water restrictions, consumption is expected to reduce in the 2nd half, and the year end is forecast to be over budget by \$3.8 million at year end.
 - The Solid Waste Utility, which was under budget in Q2 due to delay in timing of spending on road construction related to improvements at the Vancouver Landfill and implementation of separate glass collection is forecast to be over budget by \$0.6 million at year end.
 - Police: Over budget in Q2 due to overtime expenses which are offset by recoveries, as well as timing of actual benefit expenses vs. the budget seasonalization; forecast to be over budget at year end by \$5.4 million due to expenses fully offset by secondment recoveries, donations, and other revenues;
 - Parks: Over budget expenses in Q2 reflecting demand driving above budget and transfer to reserves. Favourable weather was a driver of higher than budgeted activity, giving an opportunity to add to the weather stabilization reserve used to manage revenues shifts related to weather year on year, and an opportunity to transfer to loan reserves to pay back outstanding capital loans given the strong performance; expenditure forecast to be over budget by \$1.2 million at year end.
 - Fire: Over budget expenses in Q2 due to timing issues; forecast to be under budget by \$0.6 million at year end;
 - Community Services: Over budget in Q2 related to spending on program enhancements at Carnegie Centre, funded by provincial recoveries; forecast to be over budget by \$0.6 million at year end;
 - Engineering: Over budget in Q2 due to development funded activities as well as increased demand for street cleaning; forecast to be over budget at year end related to recoverable expenses and by \$1.0 million related to a higher spend projected in street cleaning to meet demand.
 - Civic Theatres: over budget in Q2, and forecast to be over budget by \$0.8 million at year end due to \$0.7 million costs offset by program revenues, and \$0.1 million due to unforeseen one-time restructuring costs.
 - Corporate Services: forecasted to be over budget by \$0.2 million at year end related to 311 service demand;
 - Planning and Development: over budget by \$0.2 million in Q2 and forecasted to be over budget by \$0.9 million at year end reflecting increased activity in planning and development.
 - General Government, Debt, and Transfers: Transfers to reserves were above budget in Q2 due to reprofiling of timing of transfers as revenue for Q2 exceeded budget. When favorable conditions such as weather enable revenue generation

above the norm, updating the weather 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 reflecting these higher reserves, as well as anticipated spend on significant projects such as start-up costs for implementation of the Marijuana dispensary regulations and the new DTES street market.

Risks

- Changes in economic outlook. While development revenues show a favorable trend to budget providing an opportunity for stronger than anticipated revenues for the remainder of the year, these revenues are sensitive to changes in the economic cycle.
- Continued pressure on the Canadian dollar exchange rate as interest rate forecasts are adjusted. This impacts procurement costs, primarily for capital items.
- Unforeseen events. The second quarter of 2015 included unbudgeted costs of associated with the City's emergency response to English Bay Oil Spill and Port Metro fire events. The City is seeking to recover costs from provincial and/or federal programs; however, there is a risk that some costs may be deemed ineligible for recovery.

The 2015 year end forecast reflects the financial results for the 1st six months of the year and a projection of revenue, expenditures and transfers for the remaining 6 months. General Managers will continue to closely monitor revenue trends and manage expenditures over the following 6 months to ensure a balanced year end position.

B. Q2 2015 ANNUAL CAPITAL EXPENDITURE BUDGET RESULTS AND FULL YEAR 2015 FORECAST

This memo comments on the 2015 Capital Expenditure Budget and expenditure results as of June 30, 2015 and does not reflect budget adjustments approved by Council subsequent to the close of the second quarter.

While the Operating Budget is built to reflect 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 expenditure budget) and a total project basis (multi-year project expenditures vs. multi-year project budgets).

On March 3, 2015, Council approved a 2015 Annual Capital Expenditure Budget of \$306.0 million.

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 done on a regular basis, and where timing of projects are advanced or delayed, budgets are recommended for adjustment. Budget adjustments are generally managed within the total overall Capital Expenditure Budget, whereby additions to the budget are offset by corresponding reductions in budgets elsewhere in the overall Capital Expenditure Budget.

With the exception of emergency situations, expenditures are not permitted until the corresponding expenditure budget or increase to the expenditure budget is approved by Council.

i. Q2 2015 Capital Expenditures and Year-End Forecast vs 2015 Annual Capital Expenditure Budget

Capital Budget Summary:

Total 2015 capital expenditures to the end of Q2 were \$96.0 million (\$44.0 million in Q1), representing 31% of the 2015 Annual Capital Expenditure Budget of \$306.0 million. Forecasted total capital expenditures for 2015 are projected to be \$292.4 million, or \$13.6 million (5%) less than the 2015 Annual Capital Expenditure Budget.

Table 2 provides a summary of the Quarter 2 capital expenditures as well as forecasted annual expenditures by service category compared to the 2015 Annual Capital Expenditure Budget as of June 30, 2015.

Table 2 - Q2 2015 Annual Capital Budget Results By Service Category (\$000's)					
Service Category 1	Service Category 2	2015 Expenditure Budget	2015 YTD Expenditures	2015 Total Expenditure Forecast	Expected Variance
01. Housing	A. Non-Market Rental Housing	61,302	17,558	61,529	(227)
01. Housing Total		61,302	17,558	61,529	(227)
02. Childcare	A. Daycare & Preschool (0-4 Yrs)	1,880	24	1,735	146
	B. Before & After School Care (5-12 Yrs)	1,150	0	1,015	135
02. Childcare Total		3,030	24	2,749	281
03. Parks, Open Spaces and Recreation	A. Urban Forest and Natural Features	2,005	584	1,921	83
	B. Activity Features	6,074	1,527	4,208	1,867
	C. New Parks and Renewals	7,521	2,322	7,006	515
	D. Seawall and Waterfront	1,280	70	1,293	(13)
	E. Park Infrastructure	371	100	444	(73)
	F. Park Buildings	2,121	582	1,987	135
	G. Public Art	1,380	27	161	1,219
	H. Recreation Facilities	8,335	1,715	8,371	(36)
	I. Entertainment and Exhibition	2,152	251	2,002	150
03. Parks, Open Spaces and Recreation Total		31,239	7,178	27,392	3,847
04. Community Facilities	A. Libraries and Archives	8,281	1,837	8,281	0
	B. Social Facilities	6,098	1,612	4,614	1,484
	C. Cultural Facilities	13,463	2,624	11,669	1,794
04. Community Facilities Total		27,842	6,072	24,564	3,278
05. Civic Facilities	A. Police	1,631	251	1,700	(69)
	B. Fire	3,076	681	2,996	81
	C. Animal Control	160	2	162	(2)
	D. Administrative Facilities	6,319	1,652	6,343	(25)
	E. Service Yards	2,709	507	2,800	(90)
05. Civic Facilities Total		13,895	3,093	14,001	(105)
06. Transportation	A. Walking and Cycling	8,108	2,575	7,112	996
	B. Transit	2,123	490	1,058	1,064
	C. Major Roads	21,985	8,854	21,547	438
	D. Local Roads	5,060	1,330	5,182	(122)
	E. Parking	950	39	1,035	(85)
06. Transportation Total		38,226	13,288	35,935	2,291
07. Utilities and Public Works	A. Waterworks	13,675	7,864	12,433	1,242
	B. Sewers	28,223	9,616	24,635	3,588
	C. Solid Waste	6,524	1,127	6,237	287
	D. Neighbourhood Energy	2,595	150	1,750	846
	E. Water and Sewer Connections	15,363	13,631	22,561	(7,198)
07. Utilities and Public Works Total		66,382	32,388	67,616	(1,235)
08. Equipment and Technology	A. Vehicles and Equipment	32,472	6,558	30,178	2,294
	B. Information Technology	27,293	7,910	24,040	3,254
08. Equipment and Technology Total		59,766	14,468	54,218	5,547
09. City-Wide	C. City-Wide Overhead	4,361	1,931	4,384	(23)
09. City-Wide Total		4,361	1,931	4,384	(23)
Grand Total		306,042	95,999	292,388	13,654

Explanations for projected variances to the annual capital budget by service category are:

01. Housing	\$0.2 million negative variance
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Housing projects are managed by Real Estate & Facilities Management and Housing Policy & Projects.

2015 annual capital expenditures on Housing projects are anticipated to be \$0.2 million over budget primarily due to a shift in the timing of planned expenditures including:

- City payment to the The Bloom Group (formerly St. James Community Services Society) for the Powell Place Shelter originally budgeted for Q4 2014 which did not occur until Q1 2015 due to a delay in the organization's grant application;
- Taylor Manor Reconstruction project is forecast to be \$0.7 million above the 2015 annual expenditure budget due to a revised schedule for completion (work originally planned for 2014 was delayed into 2015 due to unknown pre-existing site conditions, as part of the project is a heritage building restoration), and additional scope and related adverse impacts on the work sequencing. The project was substantially completed in February 2015 and has been occupied for supportive housing; weather dependent work and other minor deficiency work is anticipated to be fully completed by September 2015. As a result of the unplanned additional scope, the final costs for the total project are anticipated to be approximately \$0.5 million (3%) greater than the multi-year project budget;
- Offsetting these over budget 2015 expenditures is a \$0.5 million below budget expenditure on the Roddan Lodge Redevelopment project, reflecting a longer than anticipated process to initiate project scoping and assess options and cost estimates with stakeholders.

02. Child Care	\$0.3 million positive variance
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Child Care projects are managed by Community Services and Real Estate & Facilities Management.

2015 expenditures on Child Care projects are anticipated to be \$0.3 million under budget in 2015, primarily due to a slower than anticipated uptake by schools in the VSB (Vancouver School Board) Community Partnership grant program and the Little Mountain child care project work being placed on hold pending finalization of the Little Mountain neighbourhood redevelopment plan.

03. Parks, Open Spaces and Recreation	\$3.8 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.

2015 forecast capital expenditures on Parks, Open Spaces and Recreation projects are anticipated to be under budget by approximately \$3.8 million, reflecting a number of positive budget variances arising from delays or deferrals in the start-up of several projects:

- Construction tendering for Riley Park & Hillcrest Park Renewal project originally planned for January 2015 was delayed to June 2015 due to the unforeseen absence of key staff;
- Planned expenditures for the New Public Art Installations program have been delayed pending Park Board approval for sculptural artwork at Hastings Park;
- Construction of a planned new skate park has been delayed as the public engagement process to determine the location is requiring more time than originally anticipated.
- Replacement of the synthetic turf field at Eric Hamber originally planned for 2015 has been rescheduled to 2016 to avoid conflict with the use of the field for the field hockey season.

These positive expenditure variances are partially offset by a negative expenditure variance relating to the acquisition of land acquired for new park development in Q2. Due to the opportunistic nature of land acquisitions, the expenditure had not been included in the 2015 Annual Capital Expenditure Budget and therefore created a negative budget variance.

04. Community Facilities	\$3.3 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 and Development, and Vancouver Public Library.

2015 annual capital expenditures on Community Facilities projects are anticipated to be under budget by \$3.3 million primarily due to delays in the recipient organizations satisfying grant conditions (e.g., securing matching funding). As well, some remaining grants under the 2010 Cultural Infrastructure Program that were expected to be disbursed in 2015 were disbursed instead in Q4 2014 as the grant recipients met required conditions sooner than anticipated.

05. Civic Facilities	\$0.1 million negative variance
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Civic Facilities projects are managed by Real Estate & Facilities Management, Vancouver Fire and Rescue Services, Vancouver Police Department, Parks and Recreation, and Engineering Services.

2015 expenditures on Civic Facilities capital projects are expected to be \$0.1 million over budget, primarily due to the timing of the completion of service yard improvements at Manitoba Yard in 2015 which was budgeted in 2014.

06. Transportation	\$2.3 million positive variance
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Transportation projects are managed by Engineering Services.

2015 expenditures on Transportation capital projects are expected to be \$2.3 million under budget, primarily due to:

- The planned sale of residual land from the Powell Street Overpass project in 2015; land was purchased as part of the project with the understanding that a portion would be sold at the end of the project. Revenue from the surplus land sale will create a net positive variance against the 2015 expenditure budget due to timing of the sale.
- Seaside Greenway and York Bikeway project is forecast to be below the 2015 expenditure budget due to an extended timeline required for stakeholder engagement.
- Burrard Bridge South End Improvements project is forecast to be below the 2015 expenditure budget due to an extended timeline required for scope finalization for the Burrard Corridor Rehabilitation and Safety project.
- These variances are largely offset by higher-than-budget expenditures relating to road rehabilitation work at Gore Street and King Edward Avenue originally planned for 2014 but deferred to 2015 due to unfavourable weather and co-ordination issues.

07. Utilities and Public Works	\$1.2 million negative variance
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Utilities and Public Works projects are managed by Engineering Services.

2015 expenditures on Utilities and Public Works capital projects are anticipated to be \$1.2 million over budget in 2015, primarily due to increased activity in development funded activities.

The negative variance in the Water and Sewer Connections program is partially offset by a positive variance in the Sewer program due to the deferral of some planned Sewer projects from 2015 to 2016.

08. Equipment and Technology	\$5.5 million positive variance
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Equipment and Technology projects are managed by Engineering Services and Information Technology departments.

2015 expenditures on Equipment and Technology projects are anticipated to be \$5.5 million under budget in 2015, primarily due to a shift in the timing of planned expenditures from 2015 to 2016 including:

- Replacement of two bulldozers at the Vancouver Landfill planned for 2015 delayed to 2016 as operational requirements continue to be refined;
- Deliveries of fire trucks originally planned for 2015 delayed into 2016 due to an extended timeline that was required for finalizing vehicle specifications and awarding the contract;
- Timing of a milestone payment in 2015 toward the replacement of the City's fireboats which was budgeted in 2014.

ii. Progress on Top 10 Projects and Programs in 2015

The table below shows progress on outcomes related to the top 10 projects by 2015 Annual Capital Expenditure Budget. As shown in the table, we are currently on track to deliver outcomes anticipated during development of the 2015 Budget for seven of the top 10 projects. Three projects are now expecting outcomes less than originally anticipated for 2015 with two projects at risk of not meeting original outcomes as priorities have changed.

Table 3 - Progress on Top 10 Projects and Programs in 2015 (\$ millions)

Program/Project	2015 Annual Expenditure Budget	2015 YTD Expenditures	2015 Total Expenditure Forecast	Expected Variance	Anticipated Outcomes in 2015 (based on original 2015 Expenditure Budget)	Anticipated Outcomes at end of Q2 2015
Land acquisition for new non-market housing <i>(Original budget \$20.0M)</i>	18.22	11.49	18.22	0.00	<i>Purchase of land as opportunities arise, as well as site remediation where appropriate, to enable strategic partners (e.g., senior government, non-profit agencies) to deliver 750 units of affordable housing on City-owned land over the next 4 years</i>	On Track. The City is still expecting to spend \$20 million on land acquisitions in 2015, which will enable the delivery of 750 affordable housing units by 2018.
Affordable rental housing on City-owned land	19.87	0.00	19.87	0.00	<i>Delivery of 358 units of affordable housing by 2018 on City-owned land through agreements with Community Housing Land Trust Foundation</i>	On Track. The total budget of \$19.87 million for the Land Trust is anticipated to be spent in fall 2015, which will enable the delivery of 358 units of affordable housing by 2018.
Land acquisition in East Fraser Lands for non-market housing	8.10	0.00	8.10	0.00	<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 4 years</i>	On Track. Negotiations are ongoing. The acquisition of land will form part of the purchase price for 300 turn-key affordable housing units by 2018.
Vehicles and equipment replacement <i>(Annual program)</i> <i>(Original budget \$25.95M)</i>	25.76	5.11	24.22	1.54	<i>250 vehicles and pieces of equipment replaced</i>	On Track. Expecting to be slightly lower than target by 2 units from the overall projection of 250 units: 1) 2013-14 City Vehicles & Equipment Replacement/Additions Program - 82 units @ \$12.76 million 2) 2013-14 Police Vehicles & Equipment Replacement/Additions Program - 31 units @ \$2.19 million 3) 2015-18 Vehicles & Equipment Replacement/Additions Program - 135 units @ \$9.2 million (replacement of 2 bulldozers at Vancouver Landfill has been delayed to 2016).
Sewer separation <i>(Annual program)</i> <i>(Original budget \$25.8M)</i>	24.63	7.94	21.17	3.46	<i>11.5 km of combined (stormwater and sanitary) sewer mains separated (1.1%)</i>	Not on Track. Anticipated 2015 km now expected to be approximately 9 km as a result of being able to use only 3 sewer mainline crews rather than the 4 that were originally planned, due to staff turnover limiting design and construction capacity. Several of the projects are also large-diameter trunk sewer projects which are slower to build and have a higher cost per km due to requiring more time and materials vs typical shallower and smaller diameter sewer projects.
Water pipe replacement <i>(Annual program)</i> <i>(Original budget \$12.5M)</i>	12.37	7.31	11.12	1.25	<i>• 6.5 km of distribution water pipe replaced (water distribution to homes, businesses, and industry) • 1.5 km of transmission water pipe replaced (transmission of bulk quantities of water throughout the City)</i>	On Track. 5.4 km of distribution water pipe replaced as of the end of the second quarter.

(Table continued on next page)

Table 3 - Progress on Top 10 Projects and Programs in 2015 (\$ millions)

Program/Project	2015 Annual Expenditure Budget	2015 YTD Expenditures	2015 Total Expenditure Forecast	Expected Variance	Anticipated Outcomes in 2015 (based on original 2015 Expenditure Budget)	Anticipated Outcomes at end of Q2 2015
Water/sewer connections replacement (Annual program)	11.20	9.18	15.54	-4.34	<ul style="list-style-type: none"> • 1,200 residential water and sewer connections replaced • 100 commercial sewer connections replaced • 200 commercial water connections replaced 	<p>On Track.</p> <p>The number of connections replaced is directly related to development and are only completed after a permit fee is paid and the developer is ready. The anticipated outcome is based on an average replacement rate.</p> <p>As of the end of the second quarter:</p> <p>1) 592 residential connection were completed 2) 43 sewer commercial connections were completed 3) 72 water commercial connections were completed</p>
Rehabilitation of major City roads (Annual program) (Original budget \$8.97M)	8.75	2.70	8.81	-0.06	10.2 km of arterial City pavements rehabilitated	<p>Not on Track.</p> <p>The revised estimate is 7.6 kms of full width pavement rehabilitation in 2015 due to reduced overall capacity of the rehabilitation program for the year. The 2015 workplan was also altered to include more partial rehab projects where the outcome/metric is not defined as full rehabilitation kms.</p>
Permit and Licence Transformation Program (Total project budget \$26.0M, including completed phase for Online Services Implementation)	7.69	2.55	7.51	0.18	<ul style="list-style-type: none"> • Expansion of online permit self-service capabilities • Expansion of mobile online field inspections capability 	<p>On Track.</p> <p>• Continued expansion of online permit self-service capabilities. Over 65% of all trade permits are now being processed online, resulting in an approximate 60% decrease of in-person traffic. Additional permits to be offered online will include, among others, occupancy permits, special inspections, signs and awnings and building grades.</p> <p>• Continued expansion of mobile online field inspections capability, with over 75% of all inspections now being processed with mobile field devices.</p>
náca?mat ct Strathcona Branch Library (Total project budget \$18.4M) (Original budget \$7.07M)	6.57	1.74	6.57	0.00	Construction 75%-80% complete	<p>Not on Track.</p> <p>Project completion delay now estimated at 3 months due to soil condition and encroachment issues, which have now been addressed. Construction is almost out of the ground at June 2015 and estimate achieving 60%-70% completion in 2015. Final completion estimated to be August 2016.</p>
Total	143.15	48.01	141.12	2.02		

iii. Multi-Year Capital Expenditures versus Multi-Year Capital Projects Budget

As of June 30, 2015, the active Multi-Year Capital Projects Budget for current open capital programs/projects totaled \$984.3 million. As part of the quarterly adjustment and closeout process, additions to the Multi-Year Capital Projects Budget totaling \$20.8 million and closeouts totaling \$18.6 million were approved by Council July 21, 2015 (RTS 10898) for a revised total multi-year budget of \$986.5 million.

CONCLUSION

OPERATING BUDGET:

The City recorded an Operating Budget surplus of \$0.2 million in Q2. The variances across the revenue and expenditure & transfer categories reflect a higher level of secondments and recoverable expenses vs budget as well as the timing and seasonality differences between budgeted revenues and expenditures & transfers for the year and the actuals incurred to date.

The City is currently forecasting an Operating Budget surplus of \$1.6 million for 2015 year end. The forecast reflects the financial results for the 1st six months of the year and a projection of revenue, expenditures and transfers for the remaining 6 months. 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:

As of June 30, 2015, the City of Vancouver incurred \$96.0 million in capital expenditures for 2015 (31% of the 2015 Annual Capital Expenditure Budget) and is projecting to spend a total of \$292.4 million by the end of 2015, representing a positive spend variance of \$13.6 million (5%) against a 2015 expenditure budget of \$306.0 million.

Patrice Impey
General Manager, Finance, Risk and Business Planning

(T) 604.873.7610
(E) patrice.impey@vancouver.ca