

## MEMORANDUM

August 9, 2017

### 2017 SECOND QUARTER REVIEW - OPERATING AND CAPITAL BUDGETS

#### EXECUTIVE SUMMARY

##### OPERATING BUDGET

Revenues and expenditures are each forecast to be above their respective budget and the City is forecasting a balanced budget at year end after all reserve transfers and adjustments. As of June 30, 2017, revenues and expenditures are above their respective Q2 year-to-date budgets, primarily due to higher than budgeted trade permit fees and higher cost recoveries with offsetting expenditures, as well as the differences in the timing of actual revenues and expenditures in Q2 compared to the Q2 budget. Commentary on variances between full-year forecast actuals and corresponding budgets in specific categories of revenues and expenditures are provided in the body of this review report.

2017 Operating Budget - Year-to-Date and Full Year Forecast								
\$ millions	Year-to-date				2017 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
TOTAL REVENUES	\$707.3	\$731.0	\$23.7	3.3%	\$1,323.2	\$1,342.2	\$19.0	1.4%
TOTAL EXPENDITURES & TRANSFERS	\$566.3	\$576.3	(\$9.9)	(1.8%)	\$1,323.2	\$1,342.2	(\$19.0)	(1.4%)
SURPLUS (DEFICIT)	\$141.0	\$154.8	\$13.7	9.8%	\$0.0	\$0.0	\$0.0	

*NOTE: Totals may not add due to rounding.*

##### CAPITAL BUDGET

Capital expenditures to the end of the second quarter of 2017 were \$141.6 million, representing 29% of the total 2017 Annual Capital Expenditure Budget of \$485.5 million. As of June 30, 2017, total expenditures for the year are forecast to be \$438.3 million, or 90% of the Capital Expenditure Budget. The City is currently on-track to deliver planned outcomes for eight of the top ten projects in the 2017 Expenditure Budget. Anticipated outcomes for the Sewer Main Replacement/Separation program and the capital support for Vancouver Affordable Housing Agency projects have changed from what was originally planned. The Sewer Main Replacement/Separation program will not meet its original outcome, reflecting a split of the Oakridge Trunk major sewer separation project into a two-phase approach over 2017 and 2018, while VAHA capital funding has been reprioritized to be used for development soft costs interim support instead of land acquisitions for future non-market housing use. Commentary on variances between full-year forecast actuals and corresponding budgets in specific service categories are provided in the body of this review report.

Service Category	2017 Budget	Year-to-Date Actuals	2017 Full Year Forecast		
			Forecast Expenditures	Variance \$	Variance %
HOUSING	\$77.8	\$25.0	\$57.7	\$20.1	25.9%
CHILDCARE	12.4	2.4	8.1	4.3	34.8%
PARKS, OPEN SPACES AND RECREATION	49.3	12.0	47.2	2.1	4.2%
COMMUNITY FACILITIES	32.2	6.6	28.1	4.1	12.7%
CIVIC FACILITIES	30.3	7.3	27.4	2.9	9.5%
TRANSPORTATION	110.9	38.6	107.0	3.9	3.5%
UTILITIES AND PUBLIC WORKS	123.4	38.8	112.7	10.8	8.7%
EQUIPMENT AND TECHNOLOGY	42.4	7.6	42.5	(0.1)	-0.2%
CITY-WIDE	6.7	3.3	7.5	(0.8)	-12.2%
<b>TOTAL</b>	<b>\$485.5</b>	<b>\$141.6</b>	<b>\$438.3</b>	<b>\$47.2</b>	<b>9.7%</b>

*NOTE: Totals may not add due to rounding.*

## OPERATING BUDGET

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

### A. Q2 YTD 2017 OPERATING BUDGET RESULTS AND FULL YEAR 2017 FORECAST

At the mid-point for the year, this second quarter year-to-date review provides an indication of the City's financial direction for the year and the identification of any significant variances from the 2017 Operating Budget.

The City recorded an Operating Budget surplus of \$13.7 million for the first two quarters of 2017. The variances in the revenue categories reflect higher than budgeted trade permit fees and higher than budgeted cost recoveries which have offsetting related expenses, while the variances in the expenditure categories reflect primarily higher than budgeted expenditures in VPD and VFRS as a result of the timing of actual expenditures compared to the timing of cost recoveries. These higher expenditures, however, are expected to be offset by costs recoveries by end of year.

In February, Council authorized an increase to the City's 2017 operating budget by up to \$9.4 million for costs related to the January and February snow events and up to \$1.2 million for costs arising from missed solid waste collections during these snow events, for costs that cannot be absorbed in the current operating budget over the remainder of the year.

Overall, the City is forecasting the Operating Budget to be balanced for 2017 year-end. The forecast reflects the financial results for the first half of the year and a projection of revenues, expenditures and transfers for the remaining six 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.

Table 1 shows the 2017 Operating Budget revenue and expenditures, year-to-date variances and full year forecasts.

Table 1 2017 Operating Budget - Year-to-Date and Full Year Forecast								
\$ millions	Year-to-date				2017 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
<b>REVENUES</b>								
Property tax revenue	\$395.7	\$397.7	\$2.0	0.5%	\$752.5	\$752.7	\$0.2	0.0%
Utility revenue	\$139.7	\$142.2	\$2.6	1.8%	\$256.0	\$258.4	\$2.4	0.9%
Program revenue	\$29.6	\$29.6	(\$0.1)	(0.2%)	\$63.5	\$64.5	\$1.0	1.6%
License & Development fees	\$39.5	\$45.5	\$5.9	14.9%	\$60.8	\$63.9	\$3.1	5.0%
Parking revenue	\$29.8	\$31.3	\$1.5	5.2%	\$59.9	\$60.3	\$0.5	0.8%
Cost recoveries, grants & donations	\$21.4	\$30.0	\$8.5	39.8%	\$46.2	\$58.4	\$12.2	26.5%
Provincial revenue sharing	\$18.1	\$16.3	(\$1.8)	(9.8%)	\$21.7	\$19.9	(\$1.8)	(8.2%)
Investment income	\$8.7	\$7.5	(\$1.2)	(13.5%)	\$13.8	\$10.6	(\$3.2)	(23.0%)
Other revenue	\$15.1	\$20.4	\$5.3	35.2%	\$29.3	\$33.9	\$4.6	15.6%
Bylaw fines	\$9.7	\$10.5	\$0.8	8.6%	\$19.5	\$19.5	\$0.0	0.0%
<b>TOTAL REVENUES</b>	<b>\$707.3</b>	<b>\$731.0</b>	<b>\$23.7</b>	<b>3.3%</b>	<b>\$1,323.2</b>	<b>\$1,342.2</b>	<b>\$19.0</b>	<b>1.4%</b>
<b>EXPENDITURES &amp; TRANSFERS</b>								
Utilities	86.9	87.0	(0.1)	(0.1%)	293.8	296.0	(2.2)	(0.7%)
Engineering	40.8	39.1	1.7	4.2%	85.6	84.5	1.1	1.3%
Police Services	146.6	150.9	(4.4)	(3.0%)	289.6	299.2	(9.6)	(3.3%)
Fire & Rescue Services	63.2	66.2	(3.0)	(4.7%)	126.3	129.2	(2.9)	(2.3%)
Parks & Recreation	57.2	55.6	1.6	2.9%	119.2	119.0	0.2	0.2%
Library	25.8	25.5	0.3	1.3%	50.3	50.0	0.3	0.5%
Britannia	2.3	2.3	0.0	2.0%	5.1	5.1	0.0	0.4%
Civic Theatres	5.7	5.9	(0.2)	(3.1%)	11.1	11.6	(0.6)	(5.2%)
Community Services	16.8	18.1	(1.4)	(8.0%)	32.2	35.3	(3.0)	(9.4%)
Grants	12.6	12.6	(0.1)	(0.5%)	19.9	19.9	0.0	0.1%
Development, Buildings & Licensing	15.5	15.5	0.0	0.0%	31.3	31.6	(0.3)	(1.1%)
Planning, Urban Design & Sustainability	8.1	8.3	(0.2)	(2.4%)	17.0	18.2	(1.3)	(7.4%)
Mayor	0.7	0.6	0.1	12.3%	1.3	1.3	0.0	2.3%
Council	0.9	0.8	0.0	3.9%	1.7	1.7	0.0	0.0%
Corporate Services	46.7	46.2	0.5	1.1%	91.2	91.9	(0.7)	(0.8%)
General Government, Debt and transfers	36.5	41.6	(5.1)	(14.0%)	147.6	147.6	(0.0)	(0.0%)
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>\$566.3</b>	<b>\$576.3</b>	<b>(\$9.9)</b>	<b>(1.8%)</b>	<b>\$1,323.2</b>	<b>\$1,342.2</b>	<b>(\$19.0)</b>	<b>(1.4%)</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$141.0</b>	<b>\$154.8</b>	<b>\$13.7</b>	<b>9.8%</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	

NOTE: Totals may not add due to rounding.

***Revenue highlights for Q2 Year-to-Date and the full year forecast by revenue category include:***

<b>01. Property Tax Revenue</b>	<b>Forecasted \$0.2 million above budget</b>
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Property Tax revenue is above budget in Q2 due to the seasonalization of original budget revenues relative to the actual revenues, primarily in supplementary rolls, appeal adjustments and Payment-in-lieu of taxes, of which a portion is transferred to reserve. Year-end forecast is above budget due to higher than budget penalties on late taxes.

<b>02. Utility Revenue</b>	<b>Forecast \$2.4 million above budget</b>
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Utility Revenue is above budget by \$2.6 million for Q2 YTD and forecast to be above budget by \$2.4 million for the year:

- Water Utility revenues are above budget in Q2 due to higher than budgeted flat revenues and metered service charges primarily due to the higher than budgeted addition of new meters as a result of higher development activity. The overall Water Utility is forecast to be above budget by \$0.8 million at year end.
- Solid Waste Utility revenues are above budget in Q2 primarily due to higher than expected disposal site tonnage to the Vancouver Landfill. The overall Solid Waste Utility is forecast to be above budget by \$1.2 million at year end reflecting an expected continuation of these higher volumes of disposal site tonnage.
- Neighborhood Energy Utility revenues are higher than budget for Q2 and are forecast to be above budget by \$0.4 million for the year, reflecting the colder than expected weather in the early part of the year.

<b>03. Program Revenue</b>	<b>Forecast \$1.0 million above budget</b>
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Police Services program revenues are above budget for Q2 YTD by \$0.6 million and forecast to be \$1.0 million above budget for the year, primarily due to a higher than anticipated volume of record checks, search fees and external training course fees.

Greater than anticipated cemetery fees at Mountain View Cemetery has contributed to Q2 revenues being above budget by \$0.4 million and are forecast to be above budget by \$0.5 million for the year.

Civic Theatres revenues are below budget by \$0.1 million for Q2 due to postponement of a show from June to July reflecting lower than budgeted revenues in June. Revenues for Civic Theatres are still forecast to be \$0.5 million above budget for the year, reflecting the timing of scheduled theatre events relative to the timing that had been estimated in the budget and anticipated overall increase in Food & Beverage sales.

Parks program revenues are below budget by \$1.4 million for Q2, primarily as a result of snow-related reduced recreation centre admission revenues and golf revenues which is expected to continue to the end of the year.

<b>04. License &amp; Development Fees</b>	<b>Forecast \$3.1 million above budget</b>
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License and Development Fee revenues are above budget for Q2 YTD primarily due to the timing of revenues relative to the Q2 budget and higher than budgeted demand for trade permit applications as a result of an increased volume in construction activity. Revenues for License and Development Fees are forecast to be above budget by \$3.1 million for the year, reflecting an anticipated continued higher than budgeted demand for trade permit applications.

<b>05. Cost Recoveries and Grants</b>	<b>Forecast \$12.2 million above budget</b>
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Cost recoveries, grants and donations are above budget by \$8.5 million for Q2 YTD, and are forecast to be above budget by \$12.2 million for the year, driven by several factors:

- Police Services cost recoveries for seconded officers and work incurred on behalf of other agencies are forecast to be above budget by \$8.3 million for the year, attributable to a higher than expected demand for these services.
- Fire recoveries are forecast to be above budget by \$2.0 million for the year, primarily due to \$1.7 million Federal HUSAR funding received and \$0.3 million timing of University Endowment Land recovery.
- Planning & Urban Design recoveries from developer projects are forecast to be above budget by \$1.1 million for the year (e.g., St. Paul's Hospital, Oakridge Transfer Centre Bus Barn, Heatherlands, Oakridge Centre and Little Mountain Redevelopment).
- Engineering cost recoveries for third-party requested street cuts (e.g., hydro, gas, telecommunications utility installations) are forecast to be below budget by \$0.7 million for the year, reflecting lower than expected activity for the year as a result of the January and February snow events.
- Corporate Services recoveries are forecast to be above budget by \$0.7 million for the year, primarily reflecting an unbudgeted funding contribution received from the Federal government in Q2 toward the Canada 150 celebration.
- Community Services recoveries are forecast to be above budget by \$0.4 million for the year, primarily due to recoveries from senior governments for local immigration and winter shelters.
- Sustainability recoveries are forecast to be above budget by \$0.2 million for the year, as a result of unbudgeted recoveries from Bullitt Foundation for the Zero Emissions Building Program received in Q2 and from Metro Vancouver for a Green Building Strategy Energy advisor to support the Greenest City Action Plan in Q1.

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

<b>06. Investment Income</b>	<b>Forecast \$3.2 million below budget</b>
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Investment Income is below budget by \$1.2 million for Q2 YTD as a result of interest rates trending lower than had been anticipated at the time the budget was developed. The forecast for the year is for investment income to be below budget by \$3.2 million.

<b>07. Other Income</b>	<b>Forecast to be \$4.6 million above budget</b>
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Other Income is above budget for Q2 YTD primarily due to greater than anticipated developer public art contributions in Community Services (offset by higher related transfers to public art reserves) and greater than anticipated civic rental income. The forecast for the year is for Other Income to be above budget by \$4.6 million.

*Expenditures and Transfer highlights for Q2 Year-to-Date and the full year forecast by department include:*

<b>01. Utilities</b>	<b>Forecast \$2.2 million over budget</b>
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Utility expenditures are over budget for Q2 YTD and are forecast to be over budget by \$2.2 million for the year:

- Water Utility expenditures are under budget for Q2 YTD primarily due to less than budgeted metered water purchased during the winter season and due to timing of payroll costs. The overall forecast for expenditures and transfers is to be over budget by \$0.4 million at year end, reflecting a higher year-end transfer to the reserve as a result of higher revenues as noted in the comments for Utility Revenue above, partially offset by higher than expected water main maintenance costs due to repairs required for a couple of major water main breaks.
- Sewer Utility expenditures are \$0.9M above budget for Q2 YTD primarily due to timing of payroll costs. The overall forecast is to be on budget by year end.
- Solid Waste Utility expenditures are over budget for Q2 YTD due to increased staffing levels at the landfill required to deal with an increase in the volume of Metro transfer waste. The overall forecast for Solid Waste Utility is to be over budget by \$1.0 million at year-end, reflecting a lower year-end transfer to the reserve due to the higher staffing costs associated with the anticipated continued higher tonnage going to the landfill.
- Neighbourhood Energy Utility expenditures are forecast to be over budget by \$0.3 million for the year due to higher than expected natural gas costs resulting from the colder than anticipated weather in the early part of the year.

<b>02. Engineering</b>	<b>Forecast \$1.1 million under budget</b>
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Engineering expenditures are under budget for Q2 YTD, primarily due to underspending in street cleaning as a result of reallocating crew resources to the snow management response

in January and February. These under-budget expenditures are expected to continue till year-end with the overall forecast for Engineering expenditures is to be under budget by \$1.1 million for the year.

<b>03. Fire</b>	<b>Forecast \$2.9 million over budget</b>
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Fire expenditures are over budget for Q2 YTD, primarily due to higher than budgeted fleet maintenance and labour-related expenditures. These expenditures will be monitored carefully over the remaining months of the year. The overall forecast for Fire is to be over budget by \$2.9 million at year end, partially offset by higher than budgeted recoveries, primarily for the Heavy Search and Rescue (HUSAR) program.

<b>04. Parks</b>	<b>Forecast \$0.2 million under budget</b>
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Parks expenditures are under budget for Q2 YTD, primarily due to the timing of the original budgeted labour-related expenditures relative to the actual expenditures, as well as snow-related impacts resulting in lower expenditures on recreation activities labour, supplies, and materials, fully offset by volume decreases in recreation centre admission revenues and golf green fee revenues. A weather stabilization reserve for managing revenue shifts related to adverse weather is also available to help offset parks expenditures affected by weather-related revenue instability, as set out in the City's reserves policy.

The overall forecast for Parks expenditures is to be under budget for the year.

<b>05. Corporate Services</b>	<b>Forecast \$0.7 million over budget</b>
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Corporate Services expenditures are below budget for Q2 YTD primarily due to vacancy savings to be fully spent in the second half of the year on projects including Compliance. Corporate Services are forecast to be over budget by \$0.7 million for the year, primarily reflecting unbudgeted expenditures for Canada 150 celebration being drawn from the funds received from the Federal government.

<b>06. Police Services</b>	<b>Forecast \$9.6 million over budget</b>
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Police Services expenditures are over budget for Q2 YTD and are forecast to be over budget by \$9.6 million for the year primarily due to higher expenditures anticipated for increased salary costs relating to higher than budgeted overtime costs. These higher expenditures, however, are expected to be fully offset by cost recoveries and additional fee and donation revenues.

Higher expenditures are also anticipated for travel and training costs and professional fees, offset by related recoveries.

**07. Civic Theatres****Forecast \$0.6 million over budget**

Civic Theatres expenditures are forecast to be \$0.6 million over budget for the year, but fully offset by an overall forecast increase in revenues from show bookings and Food & Beverage sales.

**08. Community Services****Forecast \$3.0 million over budget**

Community Services expenditures are over budget by \$1.4 million for Q2 YTD and are forecast to be \$3.0 million over budget for the year, primarily due to developer public art contribution through to reserve, higher than budgeted 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 Mountain View Cemetery supplies and equipment in order to generate increased revenues.

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

Grants expenditures are over budget by \$0.1 million for Q2 YTD, reflecting the timing of the grant disbursements relative to the timing anticipated in the Q2 YTD budget. Grant expenditures are forecast to be on budget for the year.

**10. Planning, Urban Design & Sustainability****Forecast \$1.3 million over budget**

Planning, Urban Design & Sustainability expenditures are forecast to be over budget by \$1.3 million for 2017, of which \$1.1 million is fully recoverable from developer projects (e.g., St. Paul's Hospital, Oakridge Transfer Centre Bus Barn, Heatherlands, Oakridge Centre and Little Mountain Redevelopment) and \$0.2 million is fully recoverable from external parties for Zero Emissions Building programs.

**11. General Government, Debt and Transfers****Forecast to be on budget**

General Government expenditures are over budget by \$5.1 million for Q2 YTD with transfers to reserves being above budget due to re-profiling of timing of transfers as revenue exceeded budget.

General Government expenditures, debt and transfers are forecast to be on budget for the year.

**B. RISKS AND OPPORTUNITIES**

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

## 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 13, 2016, Council approved the 2017 Capital Budget, including a 2017 Annual Capital Expenditure Budget of \$485.5 million. This report reflects second quarter year-to-date performance against the 2017 Annual Capital Expenditure Budget and does not include adjustments to the Annual Expenditure Budget approved by Council subsequent to the end of the second quarter (RTS 11831, approved July 25, 2017).

Staff closely manage the capital spend to ensure optimal timing of project deliverables. Strategic review of progress on projects is conducted on a regular basis, and where the timing of projects is advanced or delayed, adjustments to the corresponding expenditure forecasts are made. Capital expenditure budgets are managed within the related overall department Capital Expenditure Budget or, if necessary, within the overall total Citywide Capital Expenditure Budget, whereby additions to individual project capital expenditure forecasts required as a result of a change in project scheduling or a procurement event, for example, are offset by corresponding reductions in project expenditure forecasts elsewhere within the overall department Capital Expenditure Budget or reductions in project expenditure forecasts for other projects within the overall total Citywide Capital Expenditure Budget.

This report on second quarter year-to-date expenditures reflects a continuing focus on aligning our budget with our capacity to spend, scheduling project commencement and execution accordingly, and providing regular quarterly reports on spending and forecast expenditures.

### A. 2017 CAPITAL EXPENDITURES vs. 2017 CAPITAL BUDGET by Service Category

Capital expenditures to the end of the second quarter of 2017 were \$141.6 million, representing 29% of the total 2017 Annual Capital Expenditure Budget of \$485.5 million. Expenditures for the year are forecast to be \$438.3 million, or 90% of the Capital Expenditure Budget.

Table 2 summarizes the 2017 Capital Expenditure Budget variances by major service category.

**Table 2 - Q2 2017 Annual Capital Budget Results By Service Category (\$000's)**

<b>Service Category 1</b>	<b>2017 Expenditure Budget</b>	<b>2017 YTD Expenditures</b>	<b>2017 Total Expenditure Forecast</b>	<b>Forecast Variance</b>
01. Housing	77,813	25,035	57,691	20,122
02. Childcare	12,388	2,352	8,074	4,315
03. Parks, Open Spaces and Recreation	49,316	11,953	47,246	2,069
04. Community Facilities	32,200	6,592	28,102	4,098
05. Civic Facilities	30,293	7,340	27,422	2,871
06. Transportation	110,920	38,650	107,036	3,884
07. Utilities	123,445	38,795	112,689	10,756
08. Equipment and Technology	42,419	7,587	42,514	(95)
09. City-Wide	6,696	3,262	7,516	(820)
<b>Grand Total</b>	<b>485,491</b>	<b>141,568</b>	<b>438,291</b>	<b>47,200</b>

*Explanations for variances between total forecast 2017 expenditures as of June 30 and the 2017 Annual Capital Expenditure Budget by service category follow:*

<b>01. Housing</b>	<b>Forecast \$20.1 million below budget</b>
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Housing projects are managed by Housing Policy & Projects, Vancouver Affordable Housing Agency (VAHA) and Real Estate & Facilities Management.

As of June 30, capital expenditures for Housing projects in 2017 are forecast to be \$20.1 million below budget, primarily due to a longer than anticipated timeline required for several major Vancouver Affordable Housing Agency (VAHA) projects currently underway, as well as the timing of several supportive housing grant disbursements that were budgeted for 2017 but are now expected in 2018.

<b>02. Child Care</b>	<b>Forecast \$4.3 million below budget</b>
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Child Care projects are managed by Community Services and Real Estate & Facilities Management.

As of June 30, capital expenditures for Child Care projects in 2017 are forecast to be \$4.3 million below budget, reflecting a change in the timing of expenditures for a couple of City/Vancouver School Board child care partnership projects that have not yet moved into the construction phase and a City contribution toward the Kitsilano Montessori Daycare project that had been planned for 2017 but has now been deferred to 2018 as developer construction of the daycare facility is now expected to be completed later than originally planned.

<b>03. Parks, Open Spaces and Recreation</b>	<b>Forecast \$2.1 million below budget</b>
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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.

As of June 30, capital expenditures for Parks, Open Spaces and Recreation projects in 2017 are forecast to be overall \$2.1 million below budget, reflecting a shift in the timing from 2017 to 2018 for major expenditures that had been planned for Stanley Park seawall repairs and the new Smithe and Richards Park, offset by expenditures later this year for new park land acquisitions that were not anticipated at the time the 2017 expenditure budget was developed. The original construction contract tendering results for the seawall repairs were less favourable than anticipated resulting in the contract being retendered in two phases with work extending into 2018, and progress on the Smithe and Richards park is taking longer than anticipated in the budget due to complexities in the design of some of the critical park structures. The land acquisitions were not included in the 2017 budget given the opportunistic nature of land purchases and the inherent challenges with predicting the timing and final cost of such purchases.

<b>04. Community Facilities</b>	<b>Forecast \$4.1 million below budget</b>
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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.

As of June 30, capital expenditures for Community Facility projects in 2017 are forecast to be below budget by \$4.1 million, primarily reflecting a change in the planned timing of a major capital grant supporting artist production spaces in the Mount Pleasant neighbourhood that was anticipated for 2017 but is now on hold while the non-profit organizations finalize their facilities planning. The Community Facilities expenditure forecast for 2017 also reflects a shift in the timing of some planned expenditures from 2017 to 2018 as a result of a later than planned start of construction for a couple of major community facility projects, including the expansion of Central Library to levels 8 and 9 to replace formerly leased office space, and base building upgrades to Marpole Place.

<b>05. Civic Facilities</b>	<b>Forecast \$2.9 million below budget</b>
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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.

As of June 30, capital expenditures in 2017 for Civic Facilities projects are forecast to be \$2.9 million below budget, reflecting slower than planned construction progress on the Fire Hall No. 5 replacement project as a result of unanticipated site conditions and unfavourable weather conditions in the earlier part of the year. The lower expenditure forecast for the year also reflects a longer than anticipated planning timeline for the replacement of Fire Hall No. 17 as the facility is being designed for LEED Gold and Passive House certification, as well as a pilot for the new CaGBC (Canada Green Building Council) Zero Carbon Building Standard.

**06. Transportation****Forecast \$3.9 million below budget**

Transportation projects are managed by Engineering Services.

As of June 30, capital expenditures in 2017 for Transportation projects are forecast to be \$3.9 million below budget, primarily relating to a shift in planned expenditures from 2017 to 2018 for several projects, including the project for the conversion of 800 Robson Street into a permanent pedestrian plaza (design timeline and coordination with provincial government requiring more time than anticipated) and the Arbutus greenway development project (conceptual design for the permanent greenway requiring more time than anticipated).

**07. Utilities and Public Works****Forecast \$10.8 million below budget**

Utilities and Public Works projects are managed by Engineering Services.

As of June 30, capital expenditures in 2017 for Utilities and Public Works projects are forecast to be below budget by \$10.8 million, primarily due to:

- a favourable construction contract award for the Vancouver Landfill Western 40 Hectares closure project, resulting in forecast 2017 expenditures for this project being less than originally expected at the time the 2017 expenditure budget was developed;
- a revised timeline for reconstruction of the entrance to the Vancouver Landfill, reflecting additional time required for pre-load material to settle before construction work can begin on the compacted soil.

**08. Equipment and Technology****Forecast to be on budget**

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

As of June 30, capital expenditures in 2017 for Equipment and Technology projects are forecast to be on budget overall. A forecast higher-than-budget expenditure for the 2017 vehicles/equipment replacement program as a result of an emerging priority replacement/upgrade of a fire services aerial platform truck is offset by lower-than-budget forecast expenditures for several 2017 technology projects, including the replacement of the City's fleet management system replacement (a later than planned project start due to extended timeline required for vendor procurement) and the Empty Homes Tax system implementation (contractor timeline revised to extend into 2018 to address full scope of planned work).

**09. City-Wide****Forecast to \$0.8 million above budget**

This service category represents City-wide overhead costs relating to support of the City's capital program and funding for emerging priority capital projects.

As of June 30, capital expenditures in 2017 for City-wide overhead costs are forecast to be above budget by \$0.8 million, reflecting expanded capital facilities planning required as a result of an increased City focus on strategic land and civic facility planning.

## B. TOP 10 CAPITAL PROGRAMS/PROJECTS: 2017 Anticipated vs. Actual Outcomes

Table 3 below summarizes the progress on outcomes related to the top ten projects by expenditure budget in the overall 2017 Annual Capital Expenditure Budget. As indicated in the table, eight of the projects are currently on track to deliver outcomes that were anticipated during development of the 2017 Budget.

The sewer main replacement program is now expecting an outcome less than what was originally anticipated for 2017, as one of the major projects planned in 2017 for this program (the Oakridge trunk sewer separation project) has now been split into two phases, with the first phase to be completed in 2017 and the second phase in 2018. As well, a large portion of VAHA capital funding that had been anticipated to be used toward interim support for development soft costs in 2017 is being reprioritized to be used instead for land acquisition opportunities for future non-market housing.

Table 3 - Outcomes for Top 10 Projects and Programs in 2017 (\$ millions)

Program/Project	2017 Annual Expenditure Budget (REVISED)	2017 YTD Expenditures	2017 Total Expenditure Forecast	Forecast Variance	Anticipated Outcomes for 2017 (based on original 2017 Expenditure Budget)	Anticipated Outcomes as of Q2 2017
Sewer main replacement (Annual program)	31.5	9.0	31.5	\$0.0	5.8 km of combined (stormwater and sanitary) sewer mains separated (1.1%).	Not on Track: Oakridge Trunk project to be split into two phases, extending into 2018. Anticipated outcomes for 2017 for the Oakridge Trunk project was planned at 1.4 km; current projection is approximately 0.7 km.
Capital to support Vancouver Affordable Housing Agency (VAHA) projects	25.8	1.1	5.1	20.8	Completion of planning & design phases for 12 VAHA affordable housing projects (approximately 1,270 units).	Not on Track: A large portion of this funding is being reprioritized toward securing land for future non-market rental housing. The remaining funding will continue to be used to assist with interim soft costs relating to affordable housing projects.
Social Housing in Southeast False Creek Area 3B	19.0	12.5	19.0	0.0	Project in construction phase, anticipated 80% completion by end of 2017.	On track: Construction proceeding as planned – concrete 100% complete; building envelope 80% complete; interior work ongoing.
Vehicles and equipment replacement (Annual program) (Original 2017 budget \$18.8M)	17.6	1.0	17.6	0.0	160 to 180 vehicles & equipment replaced	On track

(table continued on next page)

**Table 3 (cont'd) - Outcomes for Top 10 Projects and Programs in 2017 (\$ millions)**

Program/Project	2017 Annual Expenditure Budget (REVISED)	2017 YTD Expenditures	2017 Total Expenditure Forecast	Forecast Variance	Anticipated Outcomes for 2017 (based on original 2017 Expenditure Budget)	Anticipated Outcomes as of Q2 2017
Burrard Bridge Upgrades (Original 2017 budget \$17.7M)	18.4	9.6	18.4	0.0	<ul style="list-style-type: none"> <li>• 0.75 km of new means prevention fence on the Burrard Bridge (east side)</li> <li>• 0.75 km of electrical, street lighting and sidewalk rehabilitated (east side)</li> <li>• 0.40 km of new AAA bike lane</li> <li>• 0.08 km of new marked bike lane</li> <li>• 0.34 km of pavement and sidewalk rehabilitated</li> <li>• 0.34 km of upgraded (LED) street lights</li> <li>• “Fully protected” intersection for pedestrians/cyclists at Burrard and Pacific</li> <li>• 4 upgraded traffic signals</li> <li>• Upgraded bus passenger facilities at 2 bus stops</li> </ul>	On track
Bikeways and greenways (Original 2017 budget \$17.4M)	13.4	5.1	13.4	0.0	<p>The 2017 program will be focused on new and improved walking and cycling infrastructure including:</p> <ul style="list-style-type: none"> <li>(i) 10th Avenue Bikeway AAA Upgrade through Hospital Precinct;</li> <li>(ii) Adanac Bikeway Improvements;</li> <li>(iii) Safety improvements following the upcoming safety study;</li> <li>(iv) Schools, pedestrian/public realm spot improvements, and other misc. community transportation planning improvements;</li> <li>(v) Transportation Network Changes associated with 800 Robson Plaza Improvements;</li> <li>(vi) Rail Corridor improvements; and</li> <li>(vii) Studies leading towards future capital improvements, such as Commercial Drive Complete Street and Gastown Improvements</li> </ul>	<p>On Track overall:</p> <ul style="list-style-type: none"> <li>• On track for 10th Avenue and Adanac bikeway improvements, safety and spot improvements, and rail corridor improvements, and transportation studies.</li> <li>• Not on track for the Transportation network changes for the 800 Robson project as the planned project start date was deferred in order to accommodate negotiations with province.</li> </ul>
Acquiring land for affordable housing (Original 2017 budget \$16.3M)	14.0	9.1	18.4	-4.3	Purchase of land to enable strategic partners (e.g., senior government, non-profit agencies) to deliver 500 units of affordable housing on City-owned land over the next five years.	<p>On Track:</p> <p>Funding to be used to secure land for future non-market rental housing.</p>
Georgia/Dunsmuir Viaduct Removal Phase I	15.3	5.8	15.3	0.0	Completion of all technical work to support a Council presentation for the NEFC project by end-2017 to provide the necessary information to determine whether the project can proceed into construction.	<p>On track:</p> <p>Project team is on schedule to provide recommendation to Council by the end of the year.</p>
Vancouver Landfill Phase 3 Southeast Closure	15.2	1.3	12.0	3.2	Approximately 13 hectares will be closed. Additional gas works will assist in reaching/maintaining the Ministry of Environment's target of 75%.	<p>On track:</p> <p>Completion expected on schedule pending weather related issues in October/November 2017. Forecast variance reflects favourable contract award cost.</p>
Vancouver Landfill Western 40 Hectare Closure	15.0	2.2	10.8	4.3	Approximately 13 hectares will be closed in 2017 (out of 40 hectares for entire project), and additional gas work will be constructed.	<p>On track:</p> <p>Completion expected on schedule pending weather related issues in October/November 2017. Forecast variance reflects favourable contract award cost.</p>
<b>Total</b>	<b>185.2</b>	<b>56.7</b>	<b>161.3</b>	<b>23.9</b>		

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

As of June 30, 2017, the active Multi-Year Capital Project Budgets for current open capital programs/projects totaled \$1.278 billion. As part of the quarterly adjustment and closeout process, additions to the Multi-Year Capital Project Budgets totaling \$1.2 million and

closeouts totaling \$95.4 million were approved by Council July 25, 2017 (RTS 11831) for a revised total multi-year budget of \$1.183 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 June 30, 2017 with subsequent Council approved changes, has a current total of \$1.338 billion covering projects across all City departments and agencies. As part of the quarterly adjustment and closeout process, a net decrease of \$1.1 million to the Capital Plan was approved by Council July 25, 2017 (RTS 11831), bringing the total 2015-2018 Capital Plan to \$1.337 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 as a result of factors beyond the City's control, including for example:

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

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

## CONCLUSION

### OPERATING BUDGET:

The City recorded an Operating Budget surplus of \$13.7 million in YTD Q2. The variances across the revenue and expenditure categories reflect a higher level of secondments and recoverable expenses relative to the second quarter budget, higher than budgeted trade permit fees as well as differences in the timing of actual revenues and expenditures within the year compared to the second quarter budget.

Revenues and expenditures are each forecast to be above their respective budgets and the City is forecasting a balanced budget at year end after all reserve transfers and adjustments. The forecast reflects the financial results for the first six months of the year and a projection of revenues, expenditures and transfers for the remaining six 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 \$141.6 million in capital expenditures during the first two quarters of 2017, representing 29% of the total 2017 Annual Capital Expenditure Budget of \$485.5 million. Expenditures for the year are forecast to be \$438.3 million, or 90% of the Capital Expenditure Budget.

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