

August 3, 2018

2018 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, 2018, revenues are above their year-to-date budgets, primarily due to the receipt of Vacancy Tax revenues as described in the report to Council on Housing Vancouver on June 20, 2018, higher than budgeted trade permit fees, and higher than budget cost recoveries with offsetting expenditures. Expenditures and Transfers are above their respective year-to-date budgets, primarily due to the differences in the timing of actual expenditures compared to the budget and the planned transfer of Vacancy Tax Revenue to reserve in advance of funding approved housing initiatives. Commentary on variances between full-year forecast actuals and corresponding budgets in specific categories of revenues and expenditures are provided in the body of this review report.

2018 Operating Budget - Year-to-Date and Full Year Forecast								
\$ millions	Year-to-date				2018 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
<u>REVENUES</u>								
TOTAL REVENUES	\$748.2	\$808.7	\$60.6	8.1%	\$1,409.8	\$1,469.1	\$59.3	4.2%
TOTAL EXPENDITURES & TRANSFERS	\$599.9	\$631.0	(\$31.1)	(5.2%)	\$1,409.8	\$1,469.1	(\$59.3)	(4.2%)
SURPLUS (DEFICIT)	\$148.3	\$177.7	\$29.4	19.9%	\$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 2018 were \$149.4 million, representing 34% of the total adjusted 2018 Annual Capital Expenditure Budget of \$444.0 million. As of June 30, 2018, total expenditures for the year are forecast to be \$396.9 million, or 89% of the Capital Expenditure Budget. The City is currently on-track to deliver planned outcomes for six of the top ten projects in the 2018 Expenditure Budget. Commentary on variances between full-year forecast actuals and corresponding budgets in specific service categories are provided in the body of this review report.

2018 Second Quarter Review - Operating and Capital Budgets

Service Category	2018 Budget	Year-to-date Actuals	2018 Full Year Forecast		
			Forecast Expenditures	Variance \$	Variance %
HOUSING	\$44.3	\$5.4	\$37.3	\$7.1	15.9%
CHILDCARE	24.0	5.2	15.0	\$9.0	37.6%
PARKS, OPEN SPACES AND RECREATION	64.4	23.5	49.5	\$14.9	23.2%
COMMUNITY FACILITIES	27.1	10.4	22.6	\$4.5	16.5%
CIVIC FACILITIES	33.1	9.1	29.1	\$4.0	12.1%
TRANSPORTATION	74.3	33.0	76.6	(\$2.4)	(3.2%)
UTILITIES	126.0	44.1	120.8	\$5.2	4.1%
EQUIPMENT AND TECHNOLOGY	42.5	14.8	37.9	\$4.6	10.8%
CITY-WIDE	8.4	3.8	8.2	\$0.2	2.7%
TOTAL	\$444.0	\$149.4	\$396.9	\$47.0	10.6%

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 2018 OPERATING BUDGET RESULTS AND FULL YEAR 2018 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 2018 Operating Budget.

The City recorded an Operating Budget surplus of \$29.4 million for the first two quarters of 2018. The variances in the revenue categories reflect the receipt of Vacancy Tax revenues as described in the report to Council on Housing Vancouver on June 20, 2018, higher than budgeted Licence & Development fees and higher than budgeted cost recoveries which have offsetting related expenses, as well as the timing of actual revenues and expenditures within the year compared to the timing reflected in the second quarter year-to-date budget.

Overall, the City is forecasting the Operating Budget to be balanced for 2018 year-end. The forecast reflects the financial results for the first 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 Vacancy Tax, revenue stabilization, asset management, future capital facilities and infrastructure, utility rate stabilization, debt repayment, and deferred payroll costs to provide for the City's unfunded liability.

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

2018 Second Quarter Review - Operating and Capital Budgets

2018 Operating Budget - Year-to-Date and Full Year Forecast								
\$ millions	Year-to-date				2018 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
REVENUES								
Property tax revenue	\$413.3	\$447.2	\$34.0	8.2%	\$789.9	\$822.9	\$33.0	4.2%
Utility revenue	\$150.7	\$150.7	(\$0.1)	(0.0%)	\$274.4	\$278.4	\$4.0	1.5%
Program revenue	\$28.6	\$30.9	\$2.3	8.1%	\$62.3	\$65.2	\$2.8	4.5%
License & Development fees	\$45.6	\$55.1	\$9.5	20.9%	\$75.1	\$79.5	\$4.4	5.9%
Parking revenue	\$32.1	\$33.6	\$1.5	4.7%	\$67.1	\$66.1	(\$1.0)	(1.5%)
Cost recoveries, grants & donations	\$26.8	\$31.7	\$4.9	18.4%	\$52.8	\$61.9	\$9.1	17.3%
Provincial revenue sharing	\$15.6	\$16.9	\$1.3	8.6%	\$19.2	\$20.5	\$1.3	7.0%
Investment income	\$6.3	\$8.0	\$1.7	26.7%	\$11.1	\$12.7	\$1.7	15.2%
Other revenue	\$18.5	\$23.3	\$4.7	25.5%	\$37.0	\$40.4	\$3.4	9.3%
Bylaw fines	\$10.6	\$11.2	\$0.6	5.6%	\$20.9	\$21.3	\$0.4	1.9%
TOTAL REVENUES	\$748.2	\$808.7	\$60.6	8.1%	\$1,409.8	\$1,469.1	\$59.3	4.2%
EXPENDITURES & TRANSFERS								
Utilities	92.0	90.3	1.6	1.8%	315.0	319.1	(4.1)	(1.3%)
Engineering	48.9	48.4	0.5	1.0%	95.4	97.2	(1.7)	(1.8%)
Police Services	153.3	158.1	(4.9)	(3.2%)	309.1	314.2	(5.1)	(1.7%)
Fire & Rescue Services	68.3	68.3	(0.0)	(0.0%)	131.7	132.2	(0.4)	(0.3%)
Parks & Recreation	57.8	59.2	(1.4)	(2.4%)	122.4	123.1	(0.8)	(0.6%)
Library	29.5	28.9	0.6	2.1%	54.6	54.5	0.1	0.1%
Britannia	2.5	2.0	0.5	18.8%	5.3	5.3	(0.0)	(0.4%)
Civic Theatres	6.2	6.7	(0.5)	(8.5%)	12.3	13.6	(1.3)	(10.8%)
Arts, Culture & Community Services	16.9	19.4	(2.5)	(14.7%)	34.8	38.4	(3.6)	(10.3%)
Grants	12.9	12.3	0.6	4.8%	20.6	20.6	(0.0)	(0.0%)
Development, Buildings & Licensing	17.9	17.0	0.9	4.9%	35.3	35.7	(0.4)	(1.2%)
Planning, Urban Design & Sustainability	9.9	10.1	(0.3)	(2.8%)	24.9	26.4	(1.6)	(6.4%)
Mayor	0.7	0.6	0.1	11.9%	1.3	1.3	(0.0)	(0.0%)
Council	0.9	0.8	0.1	9.4%	1.7	1.7	0.0	0.0%
Corporate Services	54.2	49.8	4.4	8.1%	106.3	106.1	0.2	0.2%
General Government, Debt and transfers	28.2	59.0	(30.8)	(109.1%)	139.0	179.5	(40.5)	(29.1%)
TOTAL EXPENDITURES & TRANSFERS	\$599.9	\$631.0	(\$31.1)	(5.2%)	\$1,409.8	\$1,469.1	(\$59.3)	(4.2%)
SURPLUS (DEFICIT)	\$148.3	\$177.7	\$29.4	19.9%	\$0.0	\$0.0	\$0.0	

NOTE: Totals may not add due to rounding.

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

01. Property Tax Revenue	Forecast \$33.0 million above budget
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Property Tax Revenue is above budget for Q2 YTD and forecast to be above budget for the year. The revenues are above budget due to Vacancy Tax revenues as described in the report to Council on Housing Vancouver on June 20, 2018 and the timing of actual revenues relative to the budgeted revenues, primarily in supplementary rolls, appeal adjustments, and payments in lieu of taxes.

02. Utility Revenue	Forecast \$4.0 million above budget
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Utility Revenue is below budget by \$0.1 million for Q2 YTD and forecast to be above budget by \$4.0 million for the year:

- Water Utility revenues are below budget in Q2 YTD primarily due to lower than budget

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metered revenues because of lower than anticipated water consumption in the first two quarters of the year and the timing of actual revenues relative to the budgeted revenues. The overall Water Utility is forecast to be above budget by \$0.2 million at year-end, due to an expected continuation of increased meter service fees in Q3 & Q4 as a result of higher development activity offset by anticipated continued lower than budget water consumption.

- Sewer Utility revenues are below budget in Q2 YTD due to lower than budget metered revenue reflecting the lower than anticipated water consumption. The overall 2018 Sewer Utility is forecast to be below budget by \$0.2 million at year-end, reflecting anticipated continued lower than budget water consumption.
- Solid Waste Utility revenues are above budget in Q2 YTD and are forecast to be above budget by \$4.2 million at year-end primarily due to an expected continuation of increased Metro Vancouver recoveries from higher municipal waste volumes and higher operating costs associated with a transition to pay-as-you-go funding, offset by an anticipated continuation of lower volumes of disposal site tonnage to the Vancouver Landfill in Q3 and Q4.
- Neighbourhood Energy Utility revenues are on budget for Q2 YTD and are forecast to be on budget for the year.

03. Program Revenue	Forecast \$2.8 million above budget
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Police Services program revenues are above budget for Q2 YTD by \$0.5 million and are forecast to be \$0.8 million above budget for the year, primarily due to higher than anticipated program fees for training and fingerprinting fees fully offset by corresponding higher program expenditures.

Cemetery fees at Mountain View Cemetery in the first two quarters have been higher than anticipated, contributing to Q2 YTD revenues being above budget by \$0.3 million and are forecast to be above budget by \$0.5 million for the year, offset by related expenditures.

Parks program revenues are above budget by \$1.5 million for Q2 YTD, primarily as a result of favourable weather leading to a higher volume of recreation pass sales, higher revenues in golf and concessions, and stronger attendance at VanDusen Botanical Garden and the Bloedel Conservatory. Parks program revenues are forecasted to be above budget by \$0.4 million for the year, offset by related expenditures.

Civic Theatres program revenues are under budget by \$0.2 million for Q2 YTD, due to fewer than expected number of theatre events in first two quarters. Program revenues are forecasted to be above budget by \$0.7 million at year-end, reflecting an expected increase in commercial bookings.

04. License & Development Fees	Forecast \$4.4 million above budget
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License and Development Fee revenues are above budget for Q2 YTD due to the timing of revenues relative to the budget, higher than budgeted anchor rod fees reflecting strong development activity, and higher street furniture revenues. License and Development Fees are forecast to be above budget by \$4.4 million for the year, primarily due to expected continued higher street furniture revenues and continued strong development activity driving higher anchor rod fee revenues.

05. Parking revenue	Forecast \$1.0 million below budget
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Parks parking lot revenues are above budget by \$0.9 million for Q2 YTD and are forecast to remain \$0.9 million above budget at year-end, primarily due to a contract change with EasyPark resulting in unbudgeted new enforcement revenues, offset by related expenditures.

Parking lot revenues are above budget by \$0.4 million for Q2 YTD and are forecast to be above budget by \$0.6 million at year-end, primarily due to additional parking lot revenues driven by favourable weather in Q2.

On-street parking meter revenues are below budget for Q2 YTD and are forecast to be below budget by \$0.4 million at year end, primarily due to delays in meter expansion, with only select meters expected to be installed in Q3 and Q4.

06. Cost Recoveries and Grants	Forecast \$9.1 million above budget
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Cost recoveries, grants and donations are above budget by \$4.9 million for Q2 YTD, and are forecast to be above budget by \$9.1 million for the year, driven by several factors:

- Police Services cost recoveries for seconded officers and work incurred on behalf of other agencies are forecast to be above budget by \$4.1 million for the year, attributable to a higher than expected demand for these services.
- Engineering cost recoveries are forecast to be above budget by \$1.7 million for the year, primarily reflecting higher than budget activity in street degradation rehabilitation, street cuts and recoverable work, expected to be offset by their respective costs.
- Planning & Urban Design recoveries from developer projects are forecast to be above budget by \$1.5 million for the year (e.g., St. Paul's Hospital, Oakridge Centre Redevelopment, Pearson/Dogwood Redevelopment, etc.).
- Arts, Culture and Community Services recoveries are forecast to be above budget by \$0.6 million for the year, primarily due to recoveries from senior governments for winter shelters and the Missing Indigenous Women program.
- Development, Building & Licensing cost recoveries are forecast to be above budget by \$0.4 million for the year reflecting cost recoveries associated with boarding up problem premises.
- General Government cost recoveries are forecast to be above budget by \$0.3 million for the year due to higher than budgeted activity in Great Beginnings projects, primarily related to the Downtown Eastside (Carnegie -Safe Vending project, Strathcona community centre Soccer academy) and the Chinatown UNESCO project.
- Fire cost recoveries are forecast to be above budget by \$0.2 million for the year, reflecting unbudgeted insurance proceeds, offset by their respective costs.
- Parks cost recoveries are forecast to be below budget by \$0.2 million for the year, primarily reflecting lower than budget community centre association staff recoveries, offset by related staff cost savings.

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

07. Investment Income	Forecast \$1.7 million above budget
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Investment Income is above budget by \$1.7 million for Q2 YTD as a result of interest rates trending higher than what was anticipated at the time the budget was developed. The forecast for the year is for investment income to be above budget by \$1.7 million.

08. Other Income	Forecast to be \$3.4 million above budget
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Other Income is above budget for Q2 YTD and is forecast to be above budget by \$3.4 million for the year, primarily reflecting greater than anticipated developer public art contributions of \$2.7 million in Arts, Culture and Community Services (offset by higher related transfers to public art reserves) and greater than anticipated civic rental income of \$0.7 million, offset by Parks Other Income which is forecast to be below budget by \$0.3 million for the year primarily due to one-time revenue reductions related to the settlement of partnership agreements.

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

01. Utilities	Forecast \$4.1 million above budget
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Utility expenditures are under budget for Q2 YTD, primarily due to timing of the expenditures relative to the timing reflected in the budget and are forecast to be over budget by \$4.1 million for the year:

- Water Utility expenditures are under budget for Q2 YTD primarily due to lower than budgeted water purchases from Metro Vancouver, fewer than expected large water main breakages in the first two quarters, and lower than budgeted labour costs due to the timing of One Water Strategy staff hiring. The overall forecast for expenditures and transfers is to be over budget by \$0.2 million at year-end, reflecting a higher year-end transfer to the reserve as a result of higher Water Utility revenues as noted in the comments for Utility revenues above.
- Sewer Utility expenditures are under budget for Q2 YTD primarily reflecting delays in the planned timing of hiring staff in Sewer Design. The overall forecast for expenditures and transfers is to be under budget by \$0.2 million at year-end, reflecting a lower transfer to reserve due to lower Sewer Utility revenues as noted in the comments for Utility Revenue above.
- Solid Waste Utility expenditures are over budget for Q2 YTD primarily due to higher than anticipated Delta sewer and soil fees in the first two quarters of the year as a result of higher than anticipated precipitation leading to more water runoff into sewer channels. The overall forecast is to be over budget at year-end primarily due to the costs of transitioning to pay-as-you-go funding, continued higher than anticipated Delta sewer and soil fees expected through the balance of the year, costs of a surface fire at the Vancouver Landfill in June, and higher staffing costs in Sanitation reflecting an increase in garbage and green bin collections shifts and an increased volume of warehouse cart and lid replacements. The overall forecast for expenditures and transfers is to be over budget by \$4.2 million offset by a lower than budgeted transfer to reserve as a result of the items described here.
- Neighbourhood Energy Utility expenditures are forecast to be on budget for the year.

02. Engineering	Forecast \$1.7 million above budget
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Engineering expenditures are under budget by \$0.5 million for Q2 YTD, reflecting the timing of expenditures relative to the timing in the budget, including contract payments for Public Bike Share, equipment maintenance for Engineering, Fire and Parks departments, and staff hiring that was planned for the first two quarters. The overall forecast for Engineering expenditures is to be over budget by \$1.7 million for the year, due to higher than budgeted costs associated with street degradation rehabilitation, street cuts, and other cost recoverable work.

03. Police Services	Forecast \$5.1 million above budget
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Police Services expenditures are over budget for Q2 YTD and are forecast to be over budget by \$5.1 million for the year primarily due to higher than budgeted overtime costs for callouts required to meet minimum staffing levels. These higher expenditures, however, are expected to be offset by cost recoveries and additional fee and donation revenue.

04. Fire	Forecast \$0.4 million above budget
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Fire expenditures are forecast to be \$0.4 million over budget for the year, primarily due to increased labour-related expenditures, expected to be partially offset by increased cost recoveries noted above. These expenditures will be monitored carefully over the remaining months of the year.

05. Parks	Forecast \$0.8 million above budget
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Parks expenditures are over budget by \$1.3 million for Q2 YTD and the overall forecast for Parks expenditures is to be \$0.8 million over budget for the year, primarily due to new EasyPark enforcement costs offset by revenues and higher than budgeted costs for park safety and building maintenance.

06. Civic Theatres	Forecast \$1.3 million above budget
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Civic Theatres expenditures are forecast to be \$1.3 million over budget for the year due to additional staff required to support an increase in events and staff training costs tied to alignment with health & safety guidelines, of which \$0.7 million is expected to be offset by above budget revenues.

07. Arts, Culture & Community Services	Forecast \$3.6 million above budget
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Arts, Culture and Community Services expenditures are over budget by \$2.5 million for Q2 YTD and are forecast to be \$3.6 million over budget for the year, primarily due to higher than budget developer public art contributions flowing through to public art reserves, higher DTES program spending and winter shelter spending offset by recoveries, and higher Mountain View Cemetery spending offset by higher fees. All higher than budget expenses are expected to be fully offset by corresponding higher than budget cost recoveries.

08. Grants	Forecast to be on budget
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Grants expenditures are over budget by \$0.6 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.

9. Development, Buildings & Licensing	Forecast \$0.4 million above budget
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Development, Buildings & Licensing expenditures are forecast to be over budget by \$0.4 million, primarily due to higher than anticipated costs relating to a higher than planned volume of problem premises requiring boarding up, fully offset by corresponding higher cost recoveries.

10. Planning, Urban Design & Sustainability	Forecast \$1.6 million above budget
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Planning, Urban Design & Sustainability expenditures are forecast to be over budget by \$1.6 million for 2018, fully recoverable from corresponding cost recoveries from developer projects (e.g., St. Paul's Hospital, Oakridge Centre Redevelopment, Pearson/Dogwood Redevelopment).

11. Corporate Services	Forecast \$0.2 million below budget
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Corporate Services expenditures are below budget in Q2 YTD primarily reflecting the timing of staff hiring planned for the first two quarters of the year and are forecast to be below budget by \$0.2 million for the year.

12. General Government, Debt and Transfers	Forecast \$40.5 million above budget
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General Government expenditures, debt and transfers are forecast to be \$40.5 million over budget for the year primarily due to a higher than budgeted transfer to reserve associated with the new Vacancy Tax revenues in advance of funding approved housing initiatives, as well as reflecting a re-profiling of the timing of transfers as revenues exceed budget.

When favourable conditions, such as weather, enable higher than expected revenue generation in a period, transfers of a portion of the revenues to the general stabilization reserve provide support for future years when revenues may be lower than expected as a result of unfavourable conditions.

B. RISKS AND OPPORTUNITIES

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

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

CAPITAL BUDGET

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

On December 12, 2017, Council approved the 2018 Capital Budget, including a 2018 Annual Capital Expenditure Budget of \$426.4 million. Council subsequently approved an increase to the capital budget, increasing the 2018 Annual Capital Expenditure Budget to \$444.0 million. This report reflects second quarter performance against this revised 2018 Annual Capital Expenditure Budget, not including adjustments to the Annual Expenditure Budget approved subsequent to the end of the second quarter.

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

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

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

Capital expenditures to the end of the second quarter of 2018 were \$149.4 million, representing 34% of the total 2018 Annual Capital Expenditure Budget of \$444.0 million. Expenditures for the year are forecast to be \$396.9 million, or 89% of the Capital Expenditure Budget.

Table 2 summarizes the 2018 Capital Expenditure Budget variances by major service category.

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Table 2 - Q2 2018 Annual Capital Budget Results By Service Category (\$000's)

Service Category 1	2018 Expenditure Budget	2018 YTD Expenditures	2018 Total Expenditure Forecast	Forecast Variance
01. Housing	44,313	5,399	37,260	7,053
02. Childcare	23,962	5,237	14,960	9,002
03. Parks, Open Spaces and Recreation	64,420	23,484	49,496	14,923
04. Community Facilities	27,067	10,417	22,613	4,454
05. Civic Facilities	33,074	9,131	29,083	3,991
06. Transportation	74,287	33,037	76,637	(2,351)
07. Utilities	125,974	44,106	120,823	5,151
08. Equipment and Technology	42,486	14,811	37,887	4,599
09. City-Wide	8,385	3,798	8,160	225
Grand Total	443,967	149,419	396,919	47,047

Explanations for variances between total forecast 2018 expenditures as of June 30 and the 2018 Annual Capital Expenditure Budget by service category follow:

01. Housing	Forecast \$7.1 million below budget
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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 2018 were forecast to be \$7.1 million below budget, primarily due to:

- a change in the planned timing of the disbursement of Housing capital grants as recipient organizations are requiring more time than originally planned to satisfy grant conditions;
- lower than anticipated cost for the demolition and hazardous materials abatement phase of the redevelopment of Roddan Lodge and Evelyne Saller Centre.

02. Childcare	Forecast \$9.0 million below budget
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Childcare projects are managed by Arts, Culture & Community Services and Real Estate & Facilities Management.

As of June 30, capital expenditures for Childcare projects in 2018 were forecast to be \$9.0 million below budget, primarily due to:

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

03. Parks, Open Spaces and Recreation	Forecast \$14.9 million below budget
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Parks, Open Spaces and Recreation projects are managed by Parks and Recreation; Real Estate & Facilities Management; Arts, Culture & Community Services; Planning, Urban Design and Sustainability; and Engineering Services.

As of June 30, capital expenditures for Parks, Open Spaces and Recreation projects in 2018 were forecast to be overall \$14.9 million below budget, primarily due to:

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

04. Community Facilities	Forecast \$4.5 million below budget
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Community Facilities projects are managed by various departments within the City including Real Estate & Facilities Management; Arts, Culture & Community Services; Planning, Urban Design and Sustainability; and Vancouver Public Library.

As of June 30, capital expenditures for Community Facility projects in 2018 were forecast to be below budget by \$4.5 million, primarily due to a change in the planned timing of a major capital grant supporting artist production spaces in the Mount Pleasant neighbourhood that was anticipated for the first quarter of 2018 but is now on hold while the non-profit organizations finalize their facilities planning. As well, expenditures originally planned for 2018 for several Community Facilities projects are now anticipated to be less than planned as a result of an extended timeline required for project scope analysis and review, including projects for tenant improvements for a new Indigenous Wellness Centre and the relocation of Central Library offices in advance of the Vancouver Archives moving from Vanier Park to the Central Library building.

05. Civic Facilities	Forecast \$4.0 million below budget
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Civic Facilities projects are managed by Real Estate & Facilities Management and Engineering Services.

As of June 30, capital expenditures for Civic Facilities projects in 2018 were forecast to be

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\$4.0 million below budget, primarily due to:

- lower expenditures for the replacement of Fire Hall No. 5 project due to a later than planned start of construction in the year as a result of unfavorable weather conditions earlier in the year and unforeseen unfavourable site conditions requiring additional work to address prior to the start of building construction;
- lower expenditures for some Civic Facilities capital maintenance and renovation projects reflecting a longer than anticipated timeline for the planning and design phases for the projects.

06. Transportation	Forecast \$2.4 million above budget
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Transportation projects are managed by Engineering Services; and Planning, Urban Design and Sustainability.

As of June 30, capital expenditures in 2018 for Transportation projects were forecast to be \$2.4 million above budget, primarily due to expenditures relating to finalizing design work and change orders for the Northeast False Creek (NEFC) Georgia Viaduct Removal project that were not anticipated at the time the 2018 capital expenditure budget was developed. The forecast higher than budget Transportation capital expenditures are partially offset by expected lower than budget expenditures for the Arbutus Corridor project as a result of a longer than anticipated timeline for completion of detailed design work, as well as the deferral of some planned work to 2019 for the Active Transportation Corridors and Spot Improvements program to align with resource availability.

07. Utilities	Forecast \$5.2 million below budget
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Utilities projects are managed by Engineering Services.

As of June 30, capital expenditures for Utilities projects in 2018 were forecast to be \$5.2 million below budget, primarily due to:

- lower expenditures for projects in the Sewer Main Replacement program as a result of resource deployment efficiencies and less than expected use of contingencies included in the budget;
- a change in the construction timeline for the replacement of the 7th Avenue & Glen Street pump station as a result of a longer than anticipated timeline required for stakeholder coordination and public engagement;
- lower expenditures for Vancouver Landfill closure projects, reflecting revised cost estimates provided by the on-site contractors.

08. Equipment and Technology	Forecast \$4.6 million below budget
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Equipment and Technology projects are managed by Engineering Services and Information Technology departments.

As of June 30, capital expenditures in 2018 for Equipment and Technology projects were forecast to be below budget by \$4.6 million, primarily reflecting lower than anticipated

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expenditures for the 2015-18 Vehicles and Equipment Replacement/Additions program and Snow Readiness - Vehicles and Equipment project in 2018 due to additional time required to align planned vehicle procurements with the City's Electric Vehicle Strategy.

09. City-Wide	Forecast to be on budget
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This service category represents City-wide overhead costs relating to support of the City's capital program and funding for emerging priority capital projects. As of June 30, capital expenditures in 2018 for City-wide overhead costs were forecast to be on budget.

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

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

- The vehicles and equipment replacement program is expecting an outcome less than what was originally anticipated for 2018, due to additional time required to align planned vehicle procurements with the City's new Electric Vehicle Strategy.
- Elements of the Bikeways and Greenways program have been deferred into 2019, due to internal crew availability and to coordinate with the developer driven work happening at one of the project sites;
- The completion of the Fire Hall No. 5 replacement project, including a Social Housing component, that was expected in 2018 is now scheduled for 2019 due to longer than expected construction phase as a result of unfavorable weather conditions earlier in the year and unforeseen unfavourable site conditions encountered in the pre-construction phase of the project;
- The completion of the 7th and Glen pump station replacement project that was expected in 2018 is now anticipated for 2019 due to a delay in the start of the construction phase as a result of a longer than anticipated timeline required for stakeholder coordination and public engagement.

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Table 3 - Outcomes for Top 10 Projects and Programs in 2018 (\$ millions)

Program/Project	2018 Annual Expenditure Budget (Revised)	2018 YTD Expenditures	2018 Total Expenditure Forecast	Variance (Total Forecast vs. Budget)	Anticipated Outcomes for 2018 (based on original 2018 Expenditure Budget)	Anticipated Outcomes as of Q2 2018
Sewer main replacement (Annual program)	29.5	11.6	27.1	\$2.4	<i>In 2018, a minimum of 4.0 kms of combined sewer separation is planned to be delivered including the following multi-branch coordinated projects: St. Catherines, Fraser Street, and sewer projects in the 64th-Cartier-Park and Montcalm areas</i>	<i>On Track:</i> <i>The forecasted variance reflects the project not using its budgeted contingency amount owing to project resources working more efficiently and quickly than anticipated. The forecast outcomes are now anticipated to be 5.8 kms.</i>
Vehicles and equipment replacement (Annual program) (Original 2018 budget \$17.7M)	17.7	6.5	13.8	\$3.9	<i>Replacement of 115 to 125 end of life equipment and vehicles by the end of 2018; mix of heavy duty and light duty items.</i>	<i>Not On Track:</i> <i>The forecasted outcomes have been revised downwards to reflect additional time required to align the vehicles procurement with the City's Electric Vehicle strategy.</i>
Bikeways and greenways (Original 2018 budget \$17.3M)	23.1	11.7	20.9	\$2.2	<i>Key projects will expand and improve the cycling network by approximately 10km. Upgrades to the network include the improvements to achieve cycling routes for all ages and abilities (AAA). With a recalibration of the percentage of AAA cycling facilities, this will bring the City to over 1/4 of all bike facilities being AAA.</i>	<i>Not On Track:</i> <i>Some of the project work has been deferred to 2019 due to internal crew availability and also to coordinate with the timing of the developer work happening at one of the project sites.</i>
Replacement of Fire Hall No.5 (including Social Housing)	10.3	3.6	8.8	\$1.5	<i>Construction is anticipated to complete in 2018.</i>	<i>Not On Track:</i> <i>Construction of the fire hall progressed slower than anticipated due to unfavorable weather and unforeseen site conditions. The construction is now anticipated to be completed by spring 2019.</i>
Vancouver Landfill Phase 3 North East Closure & Gas Works (Original 2018 budget \$10.0M)	15.0	1.9	15.6	-\$0.6	<i>In 2018, approximately 10 hectares of the Landfill will be closed in Phase 3NE. In addition, gas works will be constructed in Phase 3NE and Phase 4.</i>	<i>On Track:</i> <i>Forecast variance reflects revised cost estimate provided by the contractor.</i>
Distribution Main Replacement (Annual program)	9.9	5.05	9.9	\$0.0	<i>Replace approximately 0.5% of the total distribution main system. Approximately 20 separate capital projects are planned including major projects on Fraser St, Nanaimo St. and Adanac.</i>	<i>On Track.</i>
Landfill Western 40 Hectare Closure	9.5	4.9	8.5	\$1.0	<i>In 2018, the second stage of the Western 40 Hectare closure will be completed, closing the next 15 hectares of the area. In addition, gas works will be constructed as part of the closure.</i>	<i>On Track:</i> <i>Forecast variance reflects revised cost estimate provided by the contractor.</i>
Roddan Lodge Redevelopment and Evelyn Saller Centre	8.2	3.1	5.2	\$3.0	<i>Demolition and commence construction (anticipated completion 2020).</i>	<i>On Track:</i> <i>Forecast variance reflects lower than anticipated cost for the demolition and abatement contract.</i>
Upgrade & Replace Pump Station	7.3	0.2	3.1	\$4.2	<i>Major replacement of the 7th & Glen pump station which will take place in 2018, along with other pump station works such as system upgrades, repairs and planning work for future pump station replacement and refurbishment projects.</i>	<i>Not On Track:</i> <i>Due to longer than planned time taken for coordination with other stakeholders and public engagement process, the start of construction of the 7th and Glen pump station has been delayed, with completion now anticipated in 2019.</i>
Central Library - Expansion of Public Space (Original 2018 budget \$6.8M)	7.0	4.8	7.5	-\$0.5	<i>Construction complete and operation to start in summer.</i>	<i>On Track:</i> <i>Forecast variance reflects higher than anticipated expenditures due to complexities with the building conditions leading to change in the construction costs and schedules.</i>
Total	137.5	53.4	120.5	17.0		
Total City-Wide	444.0	149.4	396.9	47.0		
% of City-Wide	31%	36%	30%	36%		

C. MULTI-YEAR CAPITAL PROJECT EXPENDITURES vs. BUDGET

As of June 30, 2018, the active Multi-Year Capital Project Budgets for current open capital programs/projects totaled \$1.413 billion. As part of the quarterly adjustment and closeout

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process, additions to the Multi-Year Capital Project Budgets totaling \$24.3 million and closeouts totaling \$198.7 million were approved by Council July 24, 2018 (RTS 12472) for a revised total multi-year budget of \$1.238 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, 2018, with subsequent Council approved changes, was \$1.499 billion covering projects across all City departments and agencies. As part of the quarterly adjustment and closeout process, a further increase of \$13.8 million to the Capital Plan was approved by Council July 24, 2018 (RTS 12472), bringing the total 2015-2018 Capital Plan to \$1.513 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 \$29.4 million for the first two quarters of 2018. The variances across the revenue and expenditure categories reflect the new Vacancy Tax revenues, a higher level of secondments and recoverable expenses relative to the Q2 YTD budget, higher than budgeted Licence & Development fees, as well as differences in the timing of actual revenues and expenditures within the year compared to the Q2 YTD budget.

Revenues and expenditures are each forecast to be above their respective budgets and the City is forecasting a balanced budget at year-end after all reserve transfers and adjustments. The forecast reflects the financial results for the first 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.

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CAPITAL BUDGET:

The City incurred \$149.4 million in capital expenditures during the second quarter of 2018, representing 34% of the total 2018 Annual Capital Expenditure Budget of \$444.0 million. Expenditures for the year are forecast to be \$396.9 million, or 89% of the Capital Expenditure Budget.