

January 23, 2023

## 2022 THIRD QUARTER REVIEW – OPERATING AND CAPITAL BUDGETS

### EXECUTIVE SUMMARY

#### OPERATING BUDGET

The City continues to experience financial impacts as a result of COVID-19. The 2022 Budget assumes that revenues will recover to pre-pandemic budget levels due to the re-opening and release of Public Health Orders (PHO). However, as a result of increased public health restrictions early in the year, the City is forecasting a revenue shortfall in parking and program fees. Above-budget cost recoveries and development fees result in overall revenues being above budget. However, these revenues are offset by related expenditures. The City will continue to monitor COVID financial impacts as part of ongoing quarterly reporting and continued economic growth, which is expected to improve financial results later in the year.

The forecast as of the third quarter of 2022 shows an improvement in the City's year-end operating position compared to the second quarter forecast, primarily due to higher investment income and traffic fines as part of the provincial revenues sharing agreement. In addition to the revenue improvement, the year-end forecast was also impacted by cost mitigations from salary savings and the financial impacts of limited capacity at City facilities. As a result, no drawdown from the general revenue stabilization reserve is expected, compared to \$6.0M as per the second quarter forecast.

Commentaries 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.

2022 Operating Budget - Year-to-Date and Full year Forecast								
\$ millions	Year-to-date				2022 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
TOTAL REVENUES	\$1,354.8	\$1,449.4	\$94.6	7.0%	\$1,748.0	\$1,775.4	\$27.4	1.6%
TOTAL EXPENDITURES & TRANSFERS	\$1,158.4	\$1,221.9	(\$63.5)	(5.5%)	\$1,748.0	\$1,775.4	(\$27.4)	(1.6%)
SURPLUS (DEFICIT)	\$196.4	\$227.5	\$31.2	15.9%	\$0.0	\$0.0	\$0.0	

#### CAPITAL BUDGET

Total capital expenditure up until the third quarter of 2022 is \$274.4 million, which is 40% of the total 2022 Capital Expenditure Budget of \$683.4 million. Total expenditure for the year is forecasted to be \$445.7 million, which is 65% of the 2022 Capital Expenditure Budget. Commentaries on variances between full-year forecasts and corresponding budgets in specific service categories are provided in the capital budget section of this review report.

## **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. Q3 YTD 2022 OPERATING BUDGET RESULTS AND FULL YEAR 2022 FORECAST**

This third 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 2022 Operating Budget.

The City recorded an Operating Budget surplus of \$31.2 million for the third quarter of 2022, primarily driven by the surplus in investment income, the timing difference in the third quarter between actual and budgeted revenues and expenditures, as well as vacancy savings and other salary-related savings, which are expected to continue to year-end.

At year-end, the forecasted variances in the revenue categories reflect the lost revenues due to limited capacity at City facilities and lost parking revenues partially offset by the surplus in investment income and provincial revenue sharing. The surplus in other revenue categories such as cost recoveries, licence and development fees, and utility revenue is offset by related expenditures and transfers.

The City is taking a balanced approach to mitigating the impact of COVID-19, including actions such as cost containment, holding vacancies and utilizing reserves. Through these mitigation actions, the City is forecasting the Operating Budget to be balanced for the 2022 year-end. The forecast reflects the financial results for the first nine months of the year and a projection of revenues, expenditures and transfers for the remaining three months. The forecast includes an estimate of year-end transfers from reserves, including transfers from revenue stabilization to address the funding gap.

The table below shows the 2022 Operating Budget revenue and expenditures, year-to-date variances and full-year forecasts.

2022 Operating Budget - Year-to-Date and Full year Forecast								
\$ millions	Year-to-date				2022 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
<b>REVENUES</b>								
Property tax revenue	\$770.2	\$834.6	\$64.4	8.4%	\$1008.1	\$1008.1	\$0.0	0.0%
Utility revenue	\$282.5	\$280.5	(\$2.1)	(0.7%)	\$356.5	\$358.2	\$1.7	0.5%
Program revenue	\$49.1	\$48.7	(\$0.5)	(0.9%)	\$65.2	\$61.3	(\$3.9)	(6.0%)
Licence & Development fees	\$77.7	\$87.5	\$9.8	12.6%	\$91.7	\$100.2	\$8.5	9.2%
Parking revenue	\$58.8	\$51.4	(\$7.4)	(12.6%)	\$75.1	\$64.8	(\$10.3)	(13.7%)
Cost recoveries, grants & donations	\$45.8	\$60.6	\$14.8	32.4%	\$63.0	\$79.9	\$16.8	26.7%
Provincial revenue sharing	\$15.5	\$16.4	\$0.9	6.1%	\$16.6	\$17.6	\$0.9	5.7%
Investment income	\$10.4	\$17.6	\$7.2	69.9%	\$13.8	\$20.8	\$6.9	50.1%
Other revenue	\$28.6	\$34.4	\$5.8	20.3%	\$36.3	\$42.0	\$5.7	15.7%
Bylaw fines	\$16.2	\$17.7	\$1.5	9.5%	\$21.6	\$22.7	\$1.1	5.0%
<b>TOTAL REVENUES</b>	<b>\$1,354.8</b>	<b>\$1,449.4</b>	<b>\$94.6</b>	<b>7.0%</b>	<b>\$1,748.0</b>	<b>\$1,775.4</b>	<b>\$27.4</b>	<b>1.6%</b>
<b>EXPENDITURES &amp; TRANSFERS</b>								
Utilities	255.2	250.0	5.2	2.0%	407.0	409.2	(2.2)	(0.5%)
Engineering	83.5	88.9	(5.4)	(6.5%)	111.7	115.1	(3.4)	(3.0%)
Police Services	279.4	283.6	(4.2)	(1.5%)	373.8	380.8	(7.0)	(1.9%)
Fire & Rescue Services	116.0	124.8	(8.8)	(7.6%)	153.6	163.0	(9.4)	(6.1%)
Parks & Recreation	107.2	105.8	1.4	1.3%	144.1	143.4	0.7	0.5%
Library	43.1	43.5	(0.4)	(0.9%)	58.0	58.9	(0.9)	(1.6%)
Britannia	4.4	4.3	0.1	2.3%	6.0	5.9	0.2	2.6%
Civic Theatres	10.7	11.1	(0.4)	(3.4%)	14.9	15.2	(0.4)	(2.4%)
Arts, Culture & Community Services	34.5	28.0	6.5	18.7%	43.0	47.0	(4.0)	(9.3%)
Grants	20.3	20.6	(0.3)	(1.4%)	23.6	23.6	0.0	0.0%
Development, Buildings & Licensing	32.6	30.1	2.5	7.5%	43.3	40.8	2.6	5.9%
Planning, Urban Design & Sustainability	25.4	26.0	(0.6)	(2.5%)	32.7	31.9	0.7	2.2%
Mayor & Council	2.7	2.4	0.3	11.1%	3.6	3.4	0.2	4.8%
Office of the Auditor General	1.2	0.7	0.5	44.2%	1.6	1.1	0.5	30.8%
Corporate Services	93.7	88.7	5.0	5.3%	125.8	124.3	1.5	1.2%
General Government, Debt and transfers	42.9	107.3	(64.4)	(150.2%)	197.5	203.6	(6.1)	(3.1%)
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>\$1,158.4</b>	<b>\$1,221.9</b>	<b>(\$63.5)</b>	<b>(5.5%)</b>	<b>\$1,748.0</b>	<b>\$1,775.4</b>	<b>(\$27.4)</b>	<b>(1.6%)</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$196.4</b>	<b>\$227.5</b>	<b>\$31.2</b>	<b>15.9%</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	

NOTE: Totals may not add due to rounding.

**A. Revenue highlights for Q3 Year-to-Date and the full year forecast by revenue category include:**

<b>01. Property Tax Revenue</b>	<b>Forecast on budget</b>
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Property Tax Revenue is above budget for Q3 YTD mainly due to unbudgeted vacancy tax which will be transferred to Empty Home Tax reserve.

<b>02. Utility Revenue</b>	<b>Forecast \$1.7 million above budget</b>
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Utility Revenues are forecasted to be higher than budget due to higher than anticipated Solid Waste disposal revenues partially offset by lower metered revenue due to lower water consumption; fully offset by a transfer to reserve at year-end.

<b>03. Program Revenue</b>	<b>Forecast \$3.9 million below budget</b>
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Program Revenue is below budget by \$0.5 million for Q3 YTD and forecasted to be \$3.9 million below budget for the year primarily due to lower than the budgeted volume of recreation revenues and lower programming levels due to PHO restrictions, partially offset by strong golf revenues and additional event bookings at Civic theatres.

<b>04. Licence &amp; Development Fees</b>	<b>Forecast \$8.5 million above budget</b>
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Licence and Development Fees are \$9.8 million above budget for YTD and forecasted to be \$8.5 million above budget for the year primarily due to a higher than anticipated volume of development, building, and rezoning applications. Note that this higher revenue is offset by higher than budgeted costs and transfers to reserve to fund future permit work.

<b>05. Parking revenue</b>	<b>Forecast \$10.3 million below budget</b>
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Parking revenue is \$7.4 million below budget YTD and forecasted to be below budget by \$10.3 million for the year, reflecting current parking trends due to reduced travelling during the pandemic.

<b>06. Cost Recoveries and Grants</b>	<b>Forecast \$16.8 million above budget</b>
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Cost recoveries are forecasted to be \$16.8 million above budget at year-end, mostly due to higher than planned sick pay recoveries and one-time UEL recovery for Fire and Rescue Services; higher Police recoveries for an anticipated increase in events and filming; in addition to unbudgeted Revenue Sharing from Province for Climate Change actions and higher cost recoveries for externally funded projects and programs. These above-budget cost recoveries are fully offset by higher costs.

<b>07. Provincial Revenue Sharing</b>	<b>Forecast \$0.9 million above budget</b>
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Provincial revenue fees are forecasted to be \$0.9 million above budget at year-end due to higher than anticipated traffic fine revenues.

<b>08. Investment Income</b>	<b>Forecast \$6.9 million above budget</b>
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Investment income is \$7.2 million above budget YTD and forecasted to be \$6.9 million above budget at year-end, mainly due to higher returns than anticipated on the investment portfolio.

<b>09. Other revenue</b>	<b>Forecast \$5.7 million above budget</b>
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Other revenues are forecasted to be \$5.7 million above budget at year-end, mainly due to higher digital advertising revenues from the street furniture vendor, higher recoveries by sale of scraps, auctions of fleet and equipment, and an increase in revenue collected from public art and externally funded program, fully offset by higher expenditures and transfers.

<b>10. Bylaw fines</b>	<b>Forecast \$1.1 million above budget</b>
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Bylaw fines are currently being forecasted to be above budget by \$1.1 million mainly due to unbudgeted penalties on vacancy tax fully offset by a transfer to Empty Homes Tax reserve at year-end.

**B. Expenditures and Transfer highlights for Q3 Year-to-Date and the full-year forecast by departments include:**

<b>01. Utilities</b>	<b>Forecast \$2.2 million above budget</b>
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Utilities expenditures are \$5.2 million below budget for Q3, primarily due to vacancy savings and hiring delays, in addition to lower water purchases that reflect lower water consumption. The year-end forecast is \$2.2 million above budget, reflecting the higher solid waste removal partially offset by lower water purchases and higher transfers to reserves offsetting higher revenues. The overall forecast for Utilities department is on budget for the year-end.

<b>02. Engineering</b>	<b>Forecast \$3.4 million above budget</b>
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Engineering expenditures are higher than budget by \$5.4 million for Q3 YTD, primarily due to significant snow removal costs at the beginning of the year offset by a transfer from snow storm reserve, vacancy savings and hiring delays. The overall forecast for the Engineering department is on budget at year-end.

<b>03. Police Services</b>	<b>Forecast \$7.0 million above budget</b>
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Police Services expenditures are above budget by \$4.2 million for Q3 YTD primarily due to higher than budgeted sworn overtime costs as a result of backfills for vacancies and injuries, in addition to higher legal costs for ongoing files. The expenditures year-end forecast for Police expenditures is \$7.0 million above budget primarily due to higher sworn overtime, higher legal fees, unbudgeted JIBC recruit costs, and fringe benefit rates increase, partially offset by higher cost recoveries, grants and donations due to more events and filming. The overall forecast for the Police department is a deficit of \$1.7 million.

<b>04. Fire &amp; Rescue Services</b>	<b>Forecast \$9.4 million above budget</b>
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Fire & Rescue Services expenditures are above budget by \$8.8 million for Q3 YTD, primarily due to higher than budgeted overtime and WSBC premiums partially offset by salary savings from hiring delays. Fire expenditures for year-end are forecasted to be \$9.4 million over budget, primarily driven by higher overtime, WorkSafeBC premiums and unbudgeted separation costs. However, the overall forecast for Fire and Rescue Services is \$4.4 million deficit as a result of one-time cost recoveries.

<b>05. Parks</b>	<b>Forecast \$0.7 million below budget</b>
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Parks and recreation expenditures are forecasted to be below budget by \$0.7 million at year-end. However, the overall forecast is \$2.8 million deficit primarily due to the program revenues shortfall mentioned above, partially offset by vacancy savings as well as lower revenue-related expenditures.

<b>06. Library</b>	<b>Forecast \$0.9 million above budget</b>
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Library expenditures are above budget by \$0.4 million for Q3 YTD, primarily due to higher transfer to reserve for restricted donations disbursed from the VPL foundation, partially offset by savings from full-time positions. The overall forecast shows \$0.2 million surplus due to higher than expected donations receipts from VPL foundation, savings from full-time positions partially offset by a higher transfer to reserve for restricted donations disbursed from the VPL foundation.

<b>07. Arts, Culture &amp; Community Services</b>	<b>Forecast \$4.0 million above budget</b>
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Arts, Culture and Community Services expenditures are forecasted to be above budget by \$4.0 million, primarily due to higher spend on externally funded projects offset by savings in salary expenses, in addition to unbudgeted spending on warming centers fully offset by transfer from snow storm reserve. Most of these expenditures are offset with higher recoveries. The overall forecast is \$0.5 million deficit due to the higher spend on Downtown Eastside – Hasting support.

<b>08. Development, Buildings and Licensing</b>	<b>Forecast \$2.6 million below budget</b>
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Development, Buildings and Licensing expenditures are forecasted to be below budget by \$2.6 million, primarily due to vacancy savings and hiring delays.

<b>09. Planning, Urban Design &amp; Sustainability</b>	<b>Forecast \$0.7 million below budget</b>
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Planning, Urban Design & Sustainability expenditures are forecasted to be below budget by \$0.7 million, primarily due to lower expenses resulting from the Vancouver Plan Project scope reduction and salary savings.

<b>10. Corporate Services</b>	<b>Forecast \$1.5 million below budget</b>
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Corporate Services expenditures are below budget by \$5.0 million for Q3 YTD primarily due to vacancy savings and hiring delays in Human Resources, Finance Risk and Supply Chain Management, City Manager Office, Law Department, and Technology Service, partially offset by Real Estate and Facilities Management deficit resulting from an increase in contractual and energy costs. The expenditures forecast at year-end is \$1.5 million below budget, driven by vacancy savings and hiring delays.

<b>11. General Government, Debt and Transfers</b>	<b>Forecast \$6.1 million above budget</b>
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General Government expenditures, debt and transfers are forecast to be above budget by \$6.1 million primarily due to higher transfers to reserves for taxation revenue and other general revenues. After considering the upcoming commitments, the current forecast of the reserve balance at year-end will be 0.3%. Based on best practice guidance from the GFOA, the recommended balance in the stabilization reserve is 8-16% of non-utility revenue.

## B. RISKS AND OPPORTUNITIES

**Forecast risk arising from changes in economic outlook:** A number of City revenue streams are sensitive to changes in the economy. Given the uncertainty around the economic recovery from COVID, any forecasting or planning associated with these potential increased revenues must be considered carefully and monitored over time.

**Emerging issues and risks:** Over the remainder of the year, unanticipated costs and unplanned activities may be realized, including the citywide impact of inflation, including fuel price increases. Unplanned costs related to homelessness and encampments continue to put pressure on the City budget. There is a risk of extreme weather events in the fall and winter that may result in additional costs.

## 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 that may span multiple years. Therefore, capital projects are viewed on both an annual expenditure basis (annual capital expenditure actuals vs. budget) and a multi-year project basis (multi-year capital project actuals vs. budget).

On December 7, 2021, Council approved the 2022 Capital Budget, which included a Capital Expenditure Budget of \$683.4 million. This report reflects third quarter results, actual expenditure and forecasted expenditure, against the 2022 Capital Expenditure Budget. Actual Capital expenditures up until the third quarter were \$274.4 million, representing 40% of the total 2022 Capital Expenditure Budget of \$683.4 million. The Capital expenditure forecast for 2022 is \$445.7 million representing 65% of the total 2022 Capital Expenditure Budget. A total of \$171.3 million is anticipated to be spent in the fourth quarter.

**A. 2022 EXPENDITURE BUDGET VS. 2022 ACTUAL EXPENDITURE VS 2022 EXPENDITURE BUDGET FORECAST (by Service Category)**

The table below summarizes the 2022 Capital Expenditure Budget variances by service category.

2022 Annual Capital Expenditure Budget: Budget vs YTD Actual Expenditure vs Forecast vs Variance (in \$ millions)					
Service Category	2022 Expenditure Budget	2022 YTD Actual Expenditure (as of Q3 2022)	2022 Expenditure Forecast	Variance	Variance %
AFFORDABLE HOUSING	\$125.7	\$45.0	\$71.6	\$54.1	43.0%
CHILDCARE	\$18.8	\$6.5	\$7.9	\$10.9	57.8%
PARKS, OPEN SPACES AND RECREATION	\$54.0	\$18.7	\$31.7	\$22.3	41.3%
COMMUNITY FACILITIES	\$37.3	\$10.4	\$18.2	\$19.1	51.2%
ARTS AND CULTURE	\$19.2	\$6.1	\$7.1	\$12.1	62.8%
PUBLIC SAFETY	\$14.0	\$7.4	\$12.5	\$1.6	11.3%
CIVIC FACILITIES AND EQUIPMENT	\$32.3	\$15.3	\$21.6	\$10.7	33.2%
TRANSPORTATION AND STREET USE	\$120.4	\$49.6	\$74.7	\$45.7	38.0%
ONE WATER	\$148.2	\$72.6	\$127.5	\$20.6	13.9%
RENEWABLE ENERGY	\$21.0	\$7.9	\$13.1	\$7.9	37.7%
SOLID WASTE	\$26.4	\$13.1	\$22.7	\$3.7	13.9%
TECHNOLOGY	\$32.8	\$17.0	\$29.6	\$3.3	9.9%
CITY-WIDE OVERHEAD	\$33.2	\$4.9	\$7.4	\$25.8	77.6%
<b>TOTAL</b>	<b>\$683.4</b>	<b>\$274.4</b>	<b>\$445.7</b>	<b>\$237.7</b>	<b>34.8%</b>

**Outlined below are the variance explanations, by service category, between the 2022 full year expenditure forecast as of September 30, 2022, and the full year 2022 Capital Expenditure Budget:**

<b>Affordable Housing</b>	<b>Forecast \$54.1 million below budget</b>
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Housing projects are managed by Housing Policy & Regulation in Planning, Urban Design and Sustainability department, Affordable Housing Programs in Arts, Culture & Community Services, Real Estate & Facilities Management, and Vancouver Affordable Housing Endowment Fund. Capital expenditures for Affordable Housing projects in 2022 are forecasted to be \$54.1 million below budget, which is mainly due to:

- delay in land acquisitions as they are opportunistic in nature
- lower expenditures for the Community Housing Incentive Program because developments are in early stages, pending for grantees to complete the requirements

<b>Childcare</b>	<b>Forecast \$10.9 million below budget</b>
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Childcare projects are managed by Arts, Culture & Community Services, and Real Estate & Facilities Management departments. Capital expenditures for Childcare projects in 2022 are

forecasted to be \$10.9 million below budget due to longer than planned time taken for the construction phase for various childcare projects as a result of contractor delays from contractors or unexpected soil conditions.

<b>Parks and Open Spaces</b>	<b>Forecast \$22.3 million below budget</b>
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Parks and Open Spaces projects are primarily managed by Board of Parks and Recreation, and Real Estate & Facilities Management. Capital expenditures for Parks and Open Spaces projects in 2022 are forecasted to be \$22.3 million below budget, primarily due to delays in various programs (such as Dogs off leash area, Park bridges, marine structures and playgrounds and water spray parks) as a result of resource and staffing constraints, and delays in acquiring Parkland (opportunistic in nature).

<b>Community Facilities</b>	<b>Forecast \$19.1 million below budget</b>
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Community Facilities projects are managed by various departments including Real Estate & Facilities Management, Arts, Culture & Community Services, Board of Parks and Recreation, Planning, Urban Design and Sustainability, and Vancouver Public Library. Capital expenditures for Community Facilities projects in 2022 are forecasted to be \$19.1 million below budget, mainly due to underspend in various capital maintenance and renovation programs, social capital grants, and multiple social infrastructure projects as a result of delay in work due to revised cost estimates, reprioritization of project scope, and staffing constraints.

<b>Arts and Culture</b>	<b>Forecast \$12.1 million below budget</b>
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Arts and Culture projects are managed by various departments including Real Estate & Facilities Management, Arts, Culture & Community Services, Planning, Urban Design and Sustainability, and Business Planning and Project Support. Capital expenditures for Arts and Culture projects in 2022 are forecasted to be below budget by \$12.1 million mainly due to delay in grantees meeting the grant requirements for cultural capital grants and delays in various capital maintenance and renovation programs.

<b>Public Safety</b>	<b>Forecast \$1.6 million below budget</b>
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Public Safety projects are managed by Real Estate & Facilities Management and Engineering Services departments. Capital expenditures in 2022 for Public Safety projects are forecasted to be \$1.6 million below budget, mainly due to delay in procurement process as a result of cost escalation issues for the renewal and expansion of Grandview firehall (FH#9) project.

<b>Civic Facilities and Equipment</b>	<b>Forecast \$10.7 million below budget</b>
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Civic Facilities and Equipment projects are managed by Real Estate & Facilities Management and Engineering Services. Capital expenditures in 2022 for Civic Facilities and Equipment projects are forecasted to be \$10.7 million below budget, primarily due to underspend in various civic facility maintenance and renovation programs as a result of reprioritization of scope

and supply chain delays.

<b>Transportation and Street Use</b>	<b>Forecast \$45.7 million below budget</b>
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Transportation and Street Use projects are primarily managed by the Engineering Services department. Capital expenditures in 2022 for Transportation projects are forecasted to be \$45.7 million below budget, primarily due to:

- longer than expected procurement process and change in project timelines for Granville Bridge related projects. (Granville Bridge Greenway and Granville Bridge coating projects)
- delays due to longer than anticipated timelines to complete the design and construction phase for the West End and Robson/Alberni street upgrade projects
- revision in 2022 scope for Street Lighting LED replacement program due to delays in the procurement process as a result of ongoing supply chain issues

<b>One Water</b>	<b>Forecast \$20.6 million below budget</b>
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One Water projects are managed by the Engineering Services department. Capital expenditures in 2022 for One Water projects are forecasted to be \$20.6 million below budget due to supply chain delays and staffing constraints for the Sewer Main reconstruction, upgrade and replacement of Pump Stations and various Green Infrastructure implementation programs.

<b>Renewable Energy</b>	<b>Forecast \$7.9 million below budget</b>
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Renewable Energy projects are managed by the Engineering Services and Planning, Urban Design and Sustainability departments. Capital expenditures in 2022 for Renewable Energy projects are forecasted to be \$7.9 million below budget, due to delays in various projects such as Neighborhood Energy Utility (NEU) waste heat recovery expansion, electric vehicles fleet and infrastructure program and new satellite energy generation program as a result of ongoing supply chain issues.

<b>Solid Waste</b>	<b>Forecast \$3.7 million below budget</b>
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Solid Waste projects are managed by the Engineering Services department. Capital expenditures for Solid Waste projects in 2022 are forecasted to be \$3.7 million below budget mainly as a result of supply chain delays related to Electrification Of Vehicles & Equipment program.

<b>Technology</b>	<b>Forecast \$3.3 million below budget</b>
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Technology projects are managed by Information Technology Services. Capital expenditures for 2022 technology projects are forecasted to be \$3.3 million below budget primarily due to delays in various Technology projects as a result of staffing constraints.

<b>Overhead</b>	<b>Forecast \$25.8 million below budget</b>
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This service category includes the cost of City staff supporting the capital program, as well as financing fees the City incurs as part of the debenture program. There is no significant forecasted expenditure variance for the Capital overhead programs for 2022.

This category also includes an expenditure budget contingency allowance that accumulates throughout the year, which accounts for all of the \$25.8 million forecasted variance as shown above. As various service categories' projects experience delays or deferrals in planned spend timelines, corresponding project expenditure budgets are decreased. Similarly, as various projects experience re-forecasting, acceleration considerations and additional deliverables, corresponding project expenditure budgets are increased. While individual capital project expenditure budgets are either increased or decreased to reflect the revised spending forecasts for the year, the overall Citywide expenditure budget approved by Council remains intact. These reductions or increases to project spend budgets are accumulated and held as a contingency within the overall Citywide capital expenditure budget to offset changes to spending timelines that may occur during the rest of the year. Under the provisions of the Capital Budget Policy approved by Council in April 2018, the City Manager has the authority to approve changes to capital project expenditure budgets provided there is no increase to the Citywide Annual Capital Expenditure Budget approved by Council. If an increase to the Citywide Annual Capital Expenditure Budget is required, the increase request is presented for Council approval.

## **B. MULTI-YEAR CAPITAL PROJECT BUDGET**

The total Multi-Year Capital Budget for open capital projects and programs is \$2.5 billion out of which \$1.357 billion has been spent as of September 30, 2022.

## **C. 2019-2022 CAPITAL PLAN**

The 2019-2022 Capital Plan approved by Council on July 25, 2018 included \$2.8 billion of capital investments over the four years of the plan, consisting of \$2.2 billion of City-led capital programs and \$569 million of in-kind development contributions.

Subsequent to approval of the original capital plan, there have been adjustments made to the capital plan to reflect changes due to COVID impacts, changes in project priorities and availability of external or additional funding such as senior government funding opportunities and Empty Homes Tax funding. The adjusted 2019-2022 Capital Plan, subsequent to the 2022 Capital Budget, is \$2.9 billion, including \$2.3 billion of City-led capital investments and \$574.4 million of in-kind contributions achieved through development.

## **CONCLUSION**

### **OPERATING BUDGET**

The City recorded an Operating Budget surplus of \$31.2 million in YTD Q3 and a balanced budget at year-end. The variances in the revenue categories reflect lost revenues due to public health restrictions and limited capacity at City facilities and lost parking revenues offset by higher investment income, salary-related savings, as well as the timing difference in the second quarter of the year between actual and budgeted revenues and expenditures. After considering the upcoming commitments, the current forecast of the reserve balance at year-end shows a limited uncommitted balance left.

The forecast reflects the financial results for the first nine months of the year and a projection of revenues, expenditures and transfers for the remaining three months. The forecast includes an estimate of year-end transfers to reserves, including transfers relating to revenue stabilization, asset management, future capital facilities and infrastructure, utility rate stabilization, debt repayment, and deferred payroll costs to provide for the City's unfunded liability.

Actual results may differ from the forecast. Departments and Boards will continue to monitor their budgets carefully and adjust expenditures accordingly to ensure a balanced year-end position.

### **CAPITAL BUDGET**

The City incurred \$274.4 million in capital expenditures up until the third quarter of 2022, representing 40% of the total 2022 Annual Capital Expenditure Budget of \$683.4 million. Therefore, an underspend variance of 35% is expected by the end of 2022.

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