



## ADMINISTRATIVE REPORT

Report Date: September 14, 2011  
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Meeting Date: September 22, 2011

TO: Standing Committee on City Services and Budgets  
FROM: General Manager of Financial Services/Director of Finance  
SUBJECT: 2011 Operating Budget and Capital Budget- 2<sup>nd</sup> Quarter Review

### RECOMMENDATION

- A. THAT Council receive the 2011 Operating Budget and Capital Budget Second Quarter Review for INFORMATION.
- B. THAT Council approve the reallocation of Capital funding within the 2011 Capital Budget for emerging projects as outlined in Appendix C of this report.

### COUNCIL POLICY

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

Policy governing the Capital budget requires that any projects with deviations >15% and \$50,000 be reported to Council and Council approval is required for new capital projects and for reallocation of approved funding within the existing Capital Budget greater than \$50,000.

### PURPOSE

This report provides to Council:

- 1) A review of the Q2 year-to-date results and variances from the Q2 Operating Budget, projections to 2011 year-end for revenues and expenditures, with identification of any significant variances from the approved 2011 Operating Budget

- 2) A review of the Q2 year-to-date results and variances from the 2011 Capital Budget, as well as a projection for the 2011 year-end capital expenditures with identification of any significant variances from the approved 2011 Capital Budget. As well, forecasted spending across all capital projects is compared to the overall project budget. This is the second quarterly report on the Capital Budget, and reflects the continued evolution of our financial reporting processes to improve transparency and accountability for the City's financial performance.

## DISCUSSION

### A) Q2 2011 YEAR-TO-DATE OPERATING BUDGET RESULTS AND 2011 FORECAST:

The 2nd Quarter Budget Review provides Q2 year-to-date actual results compared to the Q2 year-to-date budget, as well as the projected 2011 year-end revenues and expenditures compared to the budget approved by Council in December 2010. The projections are based on actual results for the first half of the year and best estimates of revenues and expenditures over the remaining six months.

In 2010, the finance organization committed to quarterly financial reporting for Management and Council. Since mid-2010, quarterly reporting frameworks, systems and processes have been developed and have been used to inform and support the year-end projections.

It should be noted that there are still some variances to budget on a quarterly basis due to seasonality issues within the budget and some accounting processes that take place on an annual rather than quarterly basis, but the significant work to date is being reflected in increasingly refined quarterly numbers. These variances are adjusted for in the year-end projections contained in this report, and continue to be addressed in our budget and reporting process to better align the accuracy of quarterly budget profiling. One of the adjustments undertaken this quarter is the realignment of revenue and expenditures budgets within the Park Board to better reflect their seasonal operations. The realignment had no net impact on the Park Board global budget position as previously approved by Council.

The approved 2011 contingency budget of \$4 million has a current unallocated balance of \$3M, following draws of \$0.5M for January 2011 snow removal and \$0.4M funding for the Terry Salman Branch priority initiative. Further draws in the remainder of the year include an anticipated \$1M for the Stanley Cup playoffs in Q3 (RTS 9324), and potential December snow removal. Projections assume that the 2011 contingency will be fully expended by year-end.

This report gives an indication of the financial status of City Departments and Boards looking forward to the end of 2011. In summary, the City is tracking towards a balanced budget, with a small surplus projected to year end. Balancing the budget will continue to require careful oversight by the Corporate Management Team across all Departments and Boards.

## Summary of Operating Budget Variances

Table 1 summarizes the 2011 revenue and expenditure year-end projections. Appendix A provides additional detail of this projection. Appendix B provides details of Q2 year-to-date actual results and variance to budget. While our variance shows a surplus of \$23 million, this surplus is primarily due to timing differences between the budget relative to actual expenditures, and entries that take place at yearend but are not reflected in quarterly budgets. Timing differences at June 30th include \$5 million of Civic grants in the budget but not yet distributed, \$2 million in recoveries from other levels of government, \$3 million in tax revenue timing vs budget, and transfers to reserves which will take place at year end including utility transfers of \$7 million and a number of other reserve adjustments. As we move from an annual view to a quarterly view in our reporting, we will continue to adjust our quarterly budget profiling to better reflect our actual quarterly financial flows.

Table 1 - 2011 Operating Budget Review Summary (as at 2<sup>nd</sup> Quarter)

| \$ millions         | Annual Plan | Projected Year-End | Variance \$ | Variance % |
|---------------------|-------------|--------------------|-------------|------------|
| TOTAL REVENUES      | 1,037.5     | 1,035.5            | (2.0)       | -0.13%     |
| TOTAL EXPENDITURES  | 1,037.5     | 1,034.3            | 3.1         | 0.27%      |
| NET BUDGET POSITION | 0.0         | 1.1                | 1.1         |            |

Based on the results to date and initial projections for the remaining six months of the year, the Operating Budget is expected to be in a surplus position of \$1.1 million.

Revenues are anticipated to be lower than budget at year-end due primarily due to Park Board revenue being impacted by inclement weather in the spring and early summer and Parking Meter Revenue below expected forecasted levels for 2011, largely the result of decreased revenue from vehicles parking downtown.

Total Expenditures are anticipated to be close to budget at year-end, made up of a number of variances, positive and negative across departments. These projections reflect the significant work by departments to meet the challenges of the 2011 budget. Specifically, departments are closely managing vacancies and spending. Ongoing review of revenues and expenditures over the remaining months will take place and estimates will be adjusted accordingly as we progress through the year.

### 1. Variances to Revenue Budget

There are several areas where revenues are expected to exceed budget and where shortfalls are anticipated.

Projected Year-End  
Variance as at 2<sup>nd</sup> Quarter

|                          |               |
|--------------------------|---------------|
| Payment in Lieu of Taxes | \$0.4 million |
|--------------------------|---------------|

Payments-in -Lieu-of-Taxes are expected to exceed budget by year-end due to higher than expected revenues from some large in-lieu properties.

|   |                        |
|---|------------------------|
| <b>License Fees</b>   | <b>\$0.6 million</b>   |
| License fees are tracking above budget mainly due to higher than anticipated Business License fees.   |                        |
| <b>Service and Inspection Fees</b>  | <b>\$3.0 million</b>   |
| After the global economic decline that began in 2008, the development market showed significant signs of improvement throughout 2010. This trend is projected to continue through 2011, and although the operating budget for service and inspection fees was increased for 2011 to reflect the increasing activity in the market, Service and Inspection fees are forecasted to exceed this budget by \$3.0 million by year-end. |                        |
| <b>On-Street Parking Revenues</b>   | <b>(\$1.9 million)</b> |
| Although On-Street Parking meter revenue has increased over 2010 levels, the year-end revenues are projected to be lower than budget by \$1.9 million. This projection is based upon the first half of 2011 parking revenues levels being below forecast, largely the result of decreased revenue from vehicles parking downtown.   |                        |
| <b>Miscellaneous Revenues</b>   | <b>\$0.2 million</b>   |
| Service Agreement fees and Property Tax search fees are projected ahead of expectations and are anticipated to end the year with a slight surplus.  |                        |
| <b>Short-term Interest</b>  | <b>\$0.9 million</b>   |
| Higher cash balances at the start of the year continue to offset lower than budgeted interest rates.  |                        |
| <b>Provincial Revenues</b>  | <b>(\$0.1 million)</b> |
| The City's share of Gaming revenue from the Edgewater and Hastings casino's is expected to be \$0.1 million lower than originally budgeted.   |                        |
| <b>Civic Theatres Revenues</b>  | <b>(\$0.4 million)</b> |
| The Civic Theatres department is projecting a shortfall of \$0.4 million mainly attributable to lower than anticipated show bookings and rental income.   |                        |
| <b>Park Board Revenue</b>   | <b>(\$1.6 million)</b> |
| The Park Board revenue shortfall is due to areas impacted by unseasonably poor weather, such as parking, golf, pitch & putt and concessions.  |                        |
| <b>Utilities Revenue</b>  | <b>(\$3.0 million)</b> |
| Utilities Revenue is also projecting a shortfall of \$3.0 million mainly due to lower water consumption within the Water Utility. Any net operating surplus or deficits is offset by a transfer to the Rate Stabilisation Reserves at year end.   |                        |

|   |                 |
|---|-----------------|
| <b>Other Revenues/Transfers</b>   | <b>Balanced</b> |
| Revenues that are expected to be on budget, or with minor variances, by year-end include Property Taxation, Civic Property Rentals and Transfers. |                 |

|                            |                        |
|----------------------------|------------------------|
| <b>Net Revenue Deficit</b> | <b>(\$2.0 million)</b> |
|----------------------------|------------------------|

## 2. Variances to Expenditure Budget

As indicated in Appendix A, most departments are projected to complete the year with expenditures close to the budgets approved by Council in December 2010. Below are explanations for any projected surplus or any shortfalls that have been identified based on the first half of the year's results and anticipated events for the remaining six months. It is the responsibility of departments to remain within budget by adjusting expenditures as necessary with the exception of expenses that are beyond their control. In the remaining months of the year, adjustments to expenditures through vacancy management and spending constraints will continue to be made as new information and estimates are developed.

|   | <u>Projected Year-End Variance as at 2<sup>nd</sup> Quarter</u> |
|---|---|
| <b>Utilities Expenditures *</b>   | <b>\$2.7 million</b>  |
| Utilities expenditures is projecting a surplus of \$2.7 million mainly due to lower water consumption within the Water Utility. Any net operating surplus or deficits are offset by a transfer to the Rate Stabilisation Reserves at year end.  |   |
| <b>Engineering Services</b>   | <b>(\$0.7 million)</b>  |
| Engineering Services is projecting a shortfall of \$0.7 million, due to staff retirements and payouts and increased maintenance costs in Traffic and Electrical Branch. This is partially offset by additional recoveries.  |   |
| <b>Business Planning</b>  | <b>\$0.7 million</b>  |
| Business Planning is projecting a surplus of \$0.7 million due mainly to lower costs for building management services, including staffing and related materials, as well as salary savings and strategic filling of vacant positions in other areas.  |   |
| <b>Fire Department</b>  | <b>\$0.6 million</b>  |
| Vancouver Fire and Rescue Services are anticipating a surplus of \$0.6 million. This variance is mainly related to vacancy and auto allowance savings and reduced communications equipment expenditures. This is partially offset by higher than anticipated fleet costs, and retirement payouts. |   |

\* Utilities Expenditures is net of reserve transfer

|   |                        |
|---|------------------------|
| <b>Office of the City Manager</b>   | <b>\$0.3 million</b>   |
| The Office of the City Manager is projecting to be under budget by \$0.3 million mainly due to vacancy savings.   |                        |
| <b>Civic Theatres</b>   | <b>\$0.2 million</b>   |
| The Civic Theatres department is projecting lower than budgeted expenditures reflecting reduced costs associated with lower than anticipated show bookings (see Revenues).  |                        |
| <b>Britannia Community Services Centre</b>  | <b>(\$0.2 million)</b> |
| The Britannia Community Services Centre is projecting a net shortfall of \$0.2 million, mainly in lower than anticipated pool and fitness centre revenues as a result of a longer than planned shutdown for renovations, combined with a higher than anticipated use of auxiliary staffing at the ice rink, and retirement payouts. Offsetting these is a favourable variance on maintenance costs. |                        |
| <b>Library Board</b>  | <b>\$0.1 million</b>   |
| The Library Board is estimating a \$0.1 million surplus at year end primarily as a result of turnover and strategic filling of vacant positions.  |                        |
| <b>Community Services</b>   | <b>\$0.1 million</b>   |
| Community Services (CSG) is anticipating a \$0.1 million net surplus due to expected vacancy savings in the areas of Cultural Services, Social Development, Development Services, and Licensing and Inspections, and savings in various non salary accounts. This is offset by increased bank charges for debit and credit card transactions.   |                        |
| <b>Debt Charges</b>   | <b>(\$0.7 million)</b> |
| Debt expenditures are forecasted to exceed budget by \$0.7 million mainly due to lower than anticipated investment income in the Sinking Fund.  |                        |
| <b>Other Departmental Variances</b>   | <b>Balanced</b>        |
| The remaining departments are projecting to be balanced, or with minor variances, by year-end. They include: Mayor and Council, Equal Employment Opportunity Program (EEO), Law Department, Civic Grants, City Clerks, Human Resources, Financial Services, Vancouver Police Department and Park Board.   |                        |
| <b>Net Expenditure Surplus</b>  | <b>\$3.1 million</b>   |
| <b>Target Year-End Projection at 2<sup>nd</sup> Quarter</b>   | <b>\$1.1 million</b>   |

**B) Q2 2011 CAPITAL BUDGET RESULTS AND 2011 FORECAST:**

The Second Quarter Budget Review provides a summary of Q2 year to date expenditures as well as estimated 2011 capital expenditures compared to the budget approved by Council in February 2011. The projections are based on actual results for the first half of the year and best estimates of expenditures over the remaining six months. The review also includes a summary of overall project status vs budget for all large projects (those with project budgets above \$500,000).

In 2011, the finance organization initiated a project to develop Capital budget quarterly financial reporting for Management and Council. Q2 is the second report to include quarterly Capital results.

It should be noted that there are significant variances to budget on a quarterly basis due to seasonality issues related to project expenditures, and budget profiling will continue to be refined through the budget and reporting process. These variances are adjusted for in the year-end projections contained in this report. Continued refinement of our reporting will improve the visibility into our capital spend going forward.

**Capital Status as of June 30, 2011**

2011 is the first year where Capital projects are reported upon quarterly. Reports reflect the quarterly spending compared to budget as well as the overall status of the programs/projects, and expected 2011 spending compared to the 2011 capital budget. As this is the second quarterly report, seasonality of the budget is still being developed and understood, and will continue to improve through the year.

Actual expenditures as of June 30, 2011 are \$134.4 million, against a total 2011 Capital budget of \$330.3 million (excluding debenture costs and overhead costs) or 41% of the Annual Capital Budget.

It is important to note that while the Operating Budget is built to reflect operating costs for one year only, the Capital budget is built to reflect one year of what can be a multi-year Capital project. With this in mind, Capital projects can be viewed both on an annual budget basis, and a total project basis.

A review of project expenditures relative to the project budget (which may cross calendar years), identifies which projects will be completed on or under budget and which are projected to have variances. As of June 30, 2011, Capital programs/projects underway at this time have budgets totaling \$1.031 Billion, with actual expenditures of \$748.5 million and an unexpended total balance of \$283.0 million.

A more detailed analysis on projected expenditures and projected variances has been completed for all large projects (total project budget of \$0.50 million or more).

Table 2 below provides a summary of the 2011 expenditures as of June 30, 2011 relative to the overall 2011 budget for all projects and for the group of large projects (those projects with a total project budget of \$0.50 m or more). When all projects are included, 41% of the 2011 budget has been expended by the end of second quarter of 2011. Looking at just the large projects, 44% of the 2011 budget has been expended. Large projects account for 89% of the 2011 budget and 96% of the year to date expenditures in 2011.

**TABLE 2: LARGE PROJECTS AS A PERCENT OF ALL PROJECTS**

| Expenditures to June 30 versus 2011 Budget<br>All Projects versus Projects With Total Budget >= \$0.5M |                                      |                   |                            |
|--|--------------------------------------|-------------------|----------------------------|
|  | YTD Expenditures<br>to June 30, 2011 | 2011 Budget (\$M) | % of Total Spent<br>YTD Q2 |
| All Projects   | \$134.4                              | \$329.8           | 41%                        |
| Large Projects*  | \$128.2                              | \$292.6           | 44%                        |
| Large Projects as a % of Total Projects  | 95%                                  | 89%               |                            |

\* Large Projects are defined as those projects with a total budget >=\$0.5 Million

### **2011 Projected Expenditures**

Projected expenditures have been provided for large projects (those projects with a total project budget of \$0.50 million or more). These large projects make up 89% of the 2011 Capital Budget.

The actual 2011 expenditures for large projects as of June 30, 2011 total \$128.2 million and the projected expenditures for the remainder of 2011 total \$172.3 million for a revised 2011 projection of \$300.6 million for large projects. This results in a projected negative variance of \$8.0 million for year-end when compared to the 2011 Capital Budget for these projects of \$292.6 million. It is important to note that this projected variance is largely due to timing, as a number of projects underspent against the 2010 capital budget with costs incurred in 2011 instead. A number of commitments that were expected to be paid out in 2010 did not take place until 2011, and thus the 2010 capital budget shows a significant surplus. Normalizing for the 2010 timing differences of approximately \$30.3M, actual 2011 capital expenditures would be \$22.3M lower than the original 2011 budget. Projects are therefore also reviewed based on project budgets compared to forecast costs at completion to understand the actual project status.

Table 3 below shows a breakdown by department of the 2011 expenditures to date and the projected expenditures to year end compared to the 2011 Capital Budget, for projects with total project budgets greater than \$0.5 million.

**TABLE 3: 2011 PROJECTED EXPENDITURES FOR PROJECTS >= \$0.5 MILLION**

| 2011 Projected Expenditures for Projects with Budgets >= \$0.5 Million (\$'000's) |                     |                                      |  |                             |   |
|---|---------------------|--------------------------------------|--|-----------------------------|---|
| Department/Area   | 2011 Capital Budget | Actual Expenditures to June 30, 2011 | Projected Expenditures Jul to Dec 2011 | 2011 Projected Expenditures | 2011 Projected Expenditure Variance to Year-End |
| Engineering Services - Public Works   | 51,273              | 36,098                               | 16,093                                 | 52,191                      | (918)   |
| Engineering Services - Utilities  | 75,061              | 36,904                               | 35,082                                 | 71,986                      | 3,076   |
| Neighbourhood Energy Utility  | 4,960               | 1,011                                | 3,227                                  | 4,238                       | 722   |
| Landfill  | 10,463              | 1,921                                | 5,747                                  | 7,669                       | 2,794   |
| Parking Operations  | 1,082               | 855                                  | 1,529                                  | 2,384                       | (1,301)   |
| Easy Park   | 2,735               | 289                                  | 2,382                                  | 2,671                       | 64  |
| Parks & Recreation  | 43,301              | 23,266                               | 34,745                                 | 58,011                      | (14,709)  |
| Community Services  | 40,707              | 2,776                                | 31,498                                 | 34,274                      | 6,433   |
| Civic Property Management   | 20,409              | 6,075                                | 11,420                                 | 17,495                      | 2,914   |
| Information Technology  | 18,469              | 4,329                                | 10,864                                 | 15,193                      | 3,276   |
| Vancouver Police Department   | 11,577              | 11,796                               | 11,721                                 | 23,517                      | (11,940)  |
| Vancouver Fire & Rescue Services  | 7,668               | 2,113                                | 5,160                                  | 7,273                       | 394   |
| Library   | 4,867               | 811                                  | 2,891                                  | 3,703                       | 1,165   |
| <b>TOTAL</b>  | <b>292,574</b>      | <b>128,246</b>                       | <b>172,360</b>                         | <b>300,606</b>              | <b>(8,032)</b>                                  |

Note: The projected negative variance is due to timing of expenditures, not due to cost over-runs. Net expenditures that were budgeted in 2010 were not incurred until 2011. Approximately \$30.3M relates to timing differences relative to the budget year and reflected in a surplus vs the 2010 budget. Taking this into account, 2011 would show an estimated positive variance to budget of \$22.3 M.

### Project Portfolio Review:

Table 4 below shows a summary of the status of projects with total project budgets greater than or equal to \$0.5 million as of June 30, 2011 by department. Note: A Capital project is considered to be over or under budget when it finishes 15% and \$50,000 over/under budget. Of the 271 open projects with budgets of \$0.5 million or more, 224 (83%) are projected to be finished on budget, 37 (14%) are projecting to finish under budget and 10 (4%) are projecting a deficit, resulting overall in a \$6.6 million projected positive variance relative to the total project budgets. These projects have completion dates in 2011, 2012 as well as some expected to be completed into 2013.

**TABLE 4: STATUS OF OUTSTANDING CAPITAL BUDGETS FOR PROJECTS >= \$0.5 MILLION @ JUN 30, 2011**

| Outstanding Capital Programs/Projects with Budgets >= \$0.5 Million (\$000's) |                  |                  |                  |                    |
|---|------------------|------------------|------------------|--------------------|
| Department/Area   | Project Budget   | Actual Expended  | Balance          | Projected Variance |
| Engineering Services - Public Works   | \$164,263        | \$131,892        | \$32,371         | \$1,072            |
| Engineering Services - Utilities  | \$189,282        | \$148,048        | \$41,234         | (\$1,311)          |
| Neighbourhood Energy Utility  | \$38,536         | \$32,771         | \$5,765          | \$500              |
| Landfill  | \$28,643         | \$21,007         | \$7,636          | (\$996)            |
| Parking Operations  | \$7,323          | \$6,166          | \$1,157          | \$204              |
| Easy Park   | \$3,764          | \$1,227          | \$2,537          | \$155              |
| Parks & Recreation  | \$177,577        | \$140,305        | \$37,272         | \$2,401            |
| Community Services  | \$123,421        | \$70,911         | \$52,510         | \$624              |
| Civic Property Management   | \$82,409         | \$65,573         | \$16,835         | \$2,797            |
| Information Technology  | \$65,446         | \$44,733         | \$20,713         | \$1,708            |
| Vancouver Police Department   | \$73,605         | \$62,212         | \$11,394         | (\$594)            |
| Vancouver Fire & Rescue Services  | \$14,325         | \$5,611          | \$8,714          | \$47               |
| Library   | \$8,128          | \$3,967          | \$4,161          | \$10               |
| <b>TOTAL</b>  | <b>\$976,721</b> | <b>\$734,422</b> | <b>\$242,299</b> | <b>\$6,617</b>     |

Further detailed analysis has been done on projects with a total project budget of \$0.5 million or more.

The total budget for these large projects is \$976.7 million. As of June 30, 2011, \$734.4 million of this budget has been spent or committed. The projected variance on this budget is a \$6.6 million surplus projected on projects with completion dates to 2013.

Some of the major areas contributing to this surplus are:

Engineering - Public Works - Reduced scope of some projects and contracts coming in under budget; (\$1.0 million)

Parks and Recreation - Phase 2 of Emery Barnes Park came in under budget; (\$1.8 million)

Parks and Recreation - Tenders came in under budget for Synthetic Turf Fields; (\$1.3 million)

Facilities - Several Facilities projects were deferred to 2012 in order to make funds available for a higher priority project; (\$2.4 million)

Information Technology - The Access Vancouver 311 project component came in under budget. (\$1.3 million)

These surpluses are offset by deficits in other projects caused by increased scope, project delays or higher than expected costs.

As projected surpluses are confirmed, these funds will be made available to fund any deficits and if possible emerging priorities for the rest of the year that were not anticipated in the 2011 Capital Budget. Included in this report is a request to Council to approve a total of \$3,304,275 in funding reallocations above \$50,000 as listed In Appendix C.

## Federal and Provincial Infrastructure Projects

In 2010, 31 capital projects with an overall budget of \$159.9 million received funding through the Infrastructure Stimulus programs. A total of \$53.5 million in Federal Infrastructure Stimulus and Recreational Infrastructure Canada (RINC) funding, as well as \$10 million in infrastructure funding through the Province was received. A total contribution from senior governments of \$63.5 million from the Infrastructure Stimulus Programs was included in the 2010 Capital Budget.

As of June 30, 2011, 13 projects were completed (12 ISF projects and 1 RinC project) and the remaining 18 projects are expected to be complete by the October 31, 2011 deadline.

Overall 17 of the remaining 18 projects in the Federal Infrastructure Program are expected to be on budget. However, due to the ineligibility of some costs for Federal Infrastructure funding, there will be some budget reallocations among projects and an additional allocation from the 2011 Capital Budget to cover the additional City contribution required and to maximize the Federal contribution.

One project will require additional scope funded by the city - the Vancouver Police Department Relocation with the addition of the Annex project which relates to the DTES Beat Team location. The scope and funding are being reviewed and will be brought to Council in a separate report.

## CONCLUSION

### OPERATING BUDGET:

Current estimates as at the end of 2nd Quarter project the Operating Budget to be in a surplus position of \$1.1 million by year-end, prior to any adjustments that may be required to the Deferred Payroll Costs reserve or other reserves.

The projected year-end position will change given that the estimates are based on only six months of actual performance and that unanticipated items between now and year-end will impact the City's bottom line. For this reason, Departments and Boards will continue to monitor their budgets carefully and to adjust expenditures accordingly to ensure a balanced year-end position.

### CAPITAL BUDGET:

\$134 million in capital expenditures has been made by the end Q2 of 2011 against an annual budget of \$330 million. On review of project portfolio performance, to date, it is estimated that of the 271 open projects with budgets of \$0.5 million or more, 224 (83%) are projected to finish on budget, 37 (14%) are projecting to finish under budget and 10 (4%) are projecting a deficit, with a total overall estimated surplus of \$6.6 million on a total project basis.

\* \* \* \* \*

Report to Vancouver City Council  
2011 Operating Budget - 2nd Quarter Review

## Appendix A

## 2011 Operating Budget June Year-To-Date Review Summary

| \$ millions                           | Annual Plan    | Projected Year-End | Variance \$  | Variance %   |
|---------------------------------------|----------------|--------------------|--------------|--------------|
| <b><u>REVENUES</u></b>                |                |                    |              |              |
| Property Taxation                     | 585.7          | 585.7              | 0.0          | 0.0%         |
| Payments in Lieu (PIL)                | 37.7           | 38.0               | 0.4          | 1.0%         |
| License Fees                          | 15.7           | 16.3               | 0.6          | 3.8%         |
| Service & Inspection Fees             | 28.7           | 31.7               | 3.0          | 10.5%        |
| Municipal By-Law Fines                | 19.8           | 19.8               | (0.0)        | 0.0%         |
| Parking Meter Revenue                 | 42.1           | 40.2               | (1.9)        | -4.5%        |
| Civic Property Rentals                | 1.0            | 1.0                | 0.0          | 0.0%         |
| Miscellaneous Revenue                 | 7.5            | 7.6                | 0.2          | 2.1%         |
| Short-Term Interest                   | 11.8           | 12.7               | 0.9          | 7.6%         |
| Provincial Revenues                   | 21.7           | 21.5               | (0.1)        | -0.7%        |
| Civic Theatres Revenue                | 8.5            | 8.1                | (0.4)        | -5.1%        |
| Park Board Revenue                    | 47.0           | 45.4               | (1.6)        | -3.4%        |
| Utilities Revenue*                    | 199.7          | 196.7              | (3.0)        | -1.5%        |
| Transfers                             | 10.7           | 10.7               | 0.0          | 0.0%         |
| <b>TOTAL REVENUES</b>                 | <b>1,037.5</b> | <b>1,035.5</b>     | <b>(2.0)</b> | <b>-0.2%</b> |
| <b><u>EXPENDITURES</u></b>            |                |                    |              |              |
| Mayor                                 | 0.9            | 0.9                | 0.0          | 0.0%         |
| Council                               | 1.3            | 1.2                | 0.0          | 1.2%         |
| Office of the City Manager            | 7.9            | 7.6                | 0.3          | 3.7%         |
| Equal Employment Opportunity          | 0.6            | 0.6                | 0.0          | 1.8%         |
| Law Department                        | 4.7            | 4.7                | 0.0          | 0.2%         |
| Civic Theatres                        | 6.0            | 5.9                | 0.2          | 3.2%         |
| Britannia Community Services          | 3.4            | 3.5                | (0.2)        | -4.5%        |
| City Clerk's                          | 5.0            | 5.0                | 0.0          | 0.0%         |
| Community Services Group              | 47.7           | 47.6               | 0.1          | 0.1%         |
| Civic Grants                          | 16.5           | 16.5               | 0.0          | 0.0%         |
| Business Planning & Services          | 40.3           | 39.5               | 0.7          | 1.8%         |
| Engineering Public Works              | 64.9           | 65.6               | (0.7)        | -1.1%        |
| Utility Expenditures*                 | 228.2          | 221.5              | 6.7          | 2.9%         |
| Human Resources                       | 8.3            | 8.3                | (0.0)        | 0.0%         |
| Fire Department                       | 88.3           | 87.7               | 0.6          | 0.7%         |
| Library Board                         | 37.8           | 37.7               | 0.1          | 0.2%         |
| Park Board                            | 102.6          | 102.6              | 0.0          | 0.0%         |
| Police Board                          | 204.5          | 204.5              | 0.0          | 0.0%         |
| General Government                    | 72.5           | 72.5               | 0.0          | 0.0%         |
| Contingency Reserve                   | 4.0            | 4.0                | 0.0          | 0.1%         |
| Financial Services                    | 33.9           | 33.9               | 0.0          | 0.0%         |
| Total Debt Charges                    | 57.5           | 58.2               | (0.7)        | -1.2%        |
| <b>TOTAL EXPENDITURES</b>             | <b>1,036.7</b> | <b>1,029.6</b>     | <b>7.1</b>   | <b>0.7%</b>  |
| Transfer to/from Utilities Reserve*   | 0.7            | 4.7                | (4.0)        |              |
| <b>REVISED ESTIMATED EXPENDITURES</b> | <b>1,037.5</b> | <b>1,034.3</b>     | <b>3.1</b>   |              |
| <b>NET BUDGET POSITION</b>            | <b>0.0</b>     | <b>1.1</b>         | <b>1.1</b>   |              |

\*Other than Sewer Utilities, year-end surplus or deficit in the utilities are transferred to reserve.

Report to Vancouver City Council  
2011 Operating Budget - 2nd Quarter Review

## Appendix B

## 2011 Operating Budget Q2 YTD Plan to Actual Review Summary

| \$ millions                  | Q2 Plan YTD  | Q2 Actuals YTD | Q2 Variance YTD \$ | Q2 YTD Variance % |
|------------------------------|--------------|----------------|--------------------|-------------------|
| <b><u>REVENUES</u></b>       |              |                |                    |                   |
| Taxation - Other Authorities | 3.9          | 5.3            | 1.4                | 0.0%              |
| Property Taxation            | 293.7        | 293.9          | 0.2                | (0.1%)            |
| Payments in Lieu (PIL)       | 19.7         | 21.2           | 1.5                | (7.6%)            |
| License Fees                 | 14.4         | 15.1           | 0.7                | (4.6%)            |
| Service & Inspection Fees    | 14.5         | 17.9           | 3.4                | (23.4%)           |
| Municipal By-Law Fines       | 9.9          | 11.4           | 1.5                | (15.2%)           |
| Parking Meter Revenue        | 20.4         | 19.0           | (1.4)              | 7.0%              |
| Civic Property Rentals       | 0.5          | 0.8            | 0.3                | (53.3%)           |
| Miscellaneous Revenue        | 3.6          | 3.6            | 0.1                | (1.4%)            |
| Short-Term Interest          | 6.1          | 6.9            | 0.8                | (12.7%)           |
| Provincial Revenues          | 10.8         | 10.8           | (0.0)              | 0.1%              |
| Civic Theatres Revenue       | 4.9          | 4.4            | (0.4)              | 8.7%              |
| Park Board Revenue           | 19.7         | 18.5           | (1.1)              | 5.8%              |
| Utilities Revenue*           | 139.6        | 137.7          | (1.9)              | 1.3%              |
| Transfers                    | 7.0          | 7.0            | 0.0                | 0.0%              |
| <b>TOTAL REVENUES</b>        | <b>568.9</b> | <b>573.7</b>   | <b>4.9</b>         | <b>(0.9%)</b>     |
| <b><u>EXPENDITURES</u></b>   |              |                |                    |                   |
| Mayor                        | 0.4          | 0.4            | 0.0                | 2.8%              |
| Council                      | 0.5          | 0.6            | (0.1)              | 7.8%              |
| Office of the City Manager   | 5.0          | 3.5            | 1.5                | 30.1%             |
| Equal Employment Opportunity | 0.3          | 0.3            | 0.0                | 2.9%              |
| Law Department               | 2.8          | 2.9            | (0.1)              | (4.4%)            |
| Civic Theatres               | 3.4          | 3.0            | 0.3                | 10.0%             |
| Britannia Community Services | 1.6          | 1.4            | 0.2                | 14.5%             |
| City Clerk's                 | 1.9          | 1.8            | 0.1                | 3.5%              |
| Community Services Group     | 23.7         | 23.9           | (0.2)              | (1.0%)            |
| Civic Grants                 | 11.7         | 10.6           | 1.1                | 9.3%              |
| Business Planning & Services | 20.0         | 18.6           | 1.4                | 6.8%              |
| Engineering Public Works     | 33.5         | 33.0           | 0.5                | 1.3%              |
| Utility Expenditures*        | 89.1         | 82.1           | 7.0                | 7.9%              |
| Human Resources              | 4.3          | 3.9            | 0.4                | 9.1%              |
| Fire Department              | 44.1         | 43.1           | 1.0                | 2.3%              |
| Library Board                | 19.1         | 19.1           | 0.1                | 0.3%              |
| Park Board                   | 50.9         | 50.5           | 0.3                | 0.7%              |
| Police Board                 | 100.8        | 99.9           | 0.9                | 0.9%              |
| General Government           | 13.6         | 10.6           | 3.1                | 22.5%             |
| Contingency Reserve          | 0.1          | 0.0            | 0.1                | 0.0%              |
| Financial Services           | 16.9         | 16.5           | 0.4                | 2.4%              |
| Total Debt Charges           | 29.4         | 29.3           | 0.1                | 0.4%              |
| <b>TOTAL EXPENDITURES</b>    | <b>473.0</b> | <b>454.8</b>   | <b>18.2</b>        | <b>3.8%</b>       |
| <b>NET POSITION</b>          | <b>95.9</b>  | <b>118.9</b>   | <b>23.0</b>        |                   |

\*Other than Sewer expenditures covered by increased revenues, year-end surplus or deficit in the utilities are transferred to reserve.

It should be noted that there are still a number of variances to budget on a quarterly basis due to seasonality issues within the budget and some accounting processes that take place on an annual rather than quarterly basis. Significant work on moving from annual to quarterly reporting processes is being reflected in increasingly refined quarterly numbers. These variances are adjusted for in the year-end projections contained in this report, and continue to be addressed in our budget process to better align the quarterly budgets to expected quarterly results.

### Appendix C: 2011 Capital Budget Reallocation Request

| Department                      | Budget Source                                     | Project Description & Reason For Reallocation  | Amount \$        |
|---------------------------------|---|--|------------------|
| Community Services              | Hastings Park - Internal Trail & Park Connections | (New) Building envelope and structural engineering consulting services for the roof replacement and seismic upgrading of the Livestock building at Hastings Park. With completion of the comprehensive Hastings Park/PNE Master Plan, it has been determined that the Livestock Building will play a key role in the new vision for Hastings Park. With certainty on the future of Hastings Park, reinvestment in the renewal and protection of the Livestock Building is essential now to address basic building envelope and seismic needs.  | 280,000          |
| Community Services              | Hastings Park - Internal Trail & Park Connections | (Allocation within original project scope) The Hastings Park/PNE Master Plan was adopted by Council in 2010, outlined the high level goal to create a fair in a Park - a significantly greener and more publicly accessible Hasting Park which renews Vancouver's historic annual fair and amusement park, while ensuring economic vitality and long-term sustainability.<br><br>In order to complete the Playland Master Plan the following consulting work is required, professional design, planning and sustainability services, professional market and business analysis, and planning expertise for the development of a master plan for Playland amusement park. Currently \$150,000 in existing capital funds is available under the Playland Master Plan. An additional \$119,775 is required to complete this work, which is proposed to be reallocated from the Hastings Park - Internal Trail and Park Connections. | 119,775          |
| <b>Total Community Services</b> |   |  | <b>\$399,775</b> |
| Engineering                     | 2008 Higher Zoned Streets Local Improvements      | (Scope change) Per Federal Regulations regarding PCB, PCBs are required to be removed and disposed of from 35 bridge bearings on the Burrard and Granville Street Bridges by December 31st, 2014. In 2011 the City's consultant team developed a cleaning procedure that has provided promising results. \$200,000 is requested to implement a cleaning trial on one set of bearings (Pier M7) of the Granville Street Bridge and one set of bearing boxes on the Burrard Street Bridge. Based on the level of success of the cleaning trial, the City may be favorably positioned to amend the bearing decommissioning strategy (from replacement to cleaning), or to pursue a further extension to the bearing replacement (based on a risk managed approach) resulting in financial flexibility in the 2012-14 Capital plan.  | 200,000          |

| Department  | Budget Source                   | Project Description & Reason For Reallocation  | Amount \$ |
|-------------|---------------------------------|--|-----------|
| Engineering | Cambie Bridge Pier Repairs      | (New) Priority repairs to a girder in the Burrard Bridge exhibiting significant deterioration. The repairs are necessary to restore the girder's capacity to within code-prescribed safety levels and avoid the propagation of damage to nearby bridge elements.   | 184,500   |
| Engineering | Grandview Viaduct Repairs       | (New) Repairs to Pier M7 of the Granville Bridge to halt crack propagation, prevent further deterioration, restore pier's capacity to resist lateral loads (wind and seismic), and allow for monitoring of the repairs prior to the major bearing replacement anticipated for 2013.  | 300,000   |
| Engineering | 2009 Greenways Program          | (New) Vancouver Pedestrian Safety Study, to gain a better understanding of the specific issues affecting pedestrian safety in Vancouver, through analysis of pedestrian crash data and development of an action plan the City can undertake to improve pedestrian safety.  | 150,000   |
| Engineering | Granville Bridge Strengthening  | (New) Resurfacing of two Skytrain guideway bridges (Earles and Slocan bridges), cost shared with Translink. Proposed work consists of the concrete deck replacement and installation of a waterproofing membrane and asphalt wearing surface on the two Skytrain guideway bridges.   | 225,000   |
| Engineering | 2011 NEU                        | (Scope change) Reallocate City funding from the 2011 NEU Capital Budget to the NEU ISF project budget to accommodate the increased NEU ISF project scope initiated to maximize the recovery of federal funding through the ISF program. All of the funding remains within the overall NEU program.   | 700,000   |
| Engineering | 2009 Cycling Program            | (New) Consulting work for the design of an equestrian trail in the Southlands community. Engineering has tendered ad received proposals for equestrian trail development and design. The consulting services are to assist the City with site assessment, public consultation, concept and design development of shared use paths for pedestrians and equestrians in Southlands. The construction portion of the project will be submitted for consideration in the 2012 Capital Budget with funding proposed to come from the 2950-3190 Celtic Avenue CAC approved in 2005. | 130,000   |
| Engineering | 2006-2008 Arterial Improvements | (New) Fall 2011 Downtown Transportation Monitoring Program to support City-wide current and long-term planning objectives. The data collected will be used in the Transportation Plan Update and build on the data collected as part of the Fall 2009 and Fall 2010 transportation monitoring programs.  | 250,000   |

| Department                                    | Budget Source   | Project Description & Reason For Reallocation  | Amount \$          |
|---|---|--|--------------------|
| <b>Total Engineering</b>                      |   |  | <b>\$2,139,500</b> |
| Business Planning & Services                  | Back-Up City Hall Planning and Implementation Review & Facility Security Systems Maintenance Upgrades | (Tender cost higher than planned) Reallocation of funding to Archives/Museum Roof Replacement project. The replacement of the Archives roof membrane and wall envelope components was included in the 2009-2011 Capital Plan but the wall envelope portion was subsequently deferred to the 2012-2014 Capital Plan. The roof replacement was recently tendered and the tender cost exceeds the currently available budget. This funding reallocation request is to cover the shortfall, with the funding to be replaced in the 2012 Capital Budget.  | 390,000            |
| <b>Total Business Planning &amp; Services</b> |   |  | <b>\$390,000</b>   |
| Park Board                                    | 2010 Synthetic Playfields   | (Allocation within original project scope) Connaught Park East Fields Phase 3. The current plan for the Connaught Park East field renovation was planned under 3 phases and funding was provided for Phase 1 and 2. The renovation under Phase 2 requires that the renovated fields be closed for a period of one year for grass establishment. Executing Phase 3 in the future will mean another partial park closure for a year and additional mobilization and demobilization costs. Completing Phase 3 concurrently with Phase 2 will minimize the impacts on all users of this busy park. | 275,000            |
| Park Board                                    | Great Beginnings / External funding   | (New project) Funding contributions from Great Beginnings (\$35,000) and BC Housing (\$15,000) toward the cost of upgrading the security system at Ray Cam Co-Operative Centre.  | 50,000             |
| Park Board                                    | External funding  | (Scope change) Contribution from Dunbar Community Association to supplement City facilities study funding in order to do a full facility study at Dunbar. (The existing Community Centre renewal study budget did not include this portion of the Dunbar study.)   | 50,000             |
| <b>Total Park Board</b>                       |   |  | <b>\$375,000</b>   |
| <b>Total Request</b>                          |   |  | <b>\$3,304,275</b> |