

June 1, 2022

## 2022 FIRST 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, as a result of the re-opening and release of Public Health Orders (PHO). However, as a result of increased public health restrictions early in the year, the first quarter results revealed a revenue shortfall in parking and program fees. The City will continue to monitor COVID financial impacts as part of ongoing quarterly reporting, and the opening of restrictions after March, as well as continued economic growth, are expected to improve financial results later in the year.

The full year forecast includes \$16 million in revenue shortfalls primarily as a result of COVID restrictions which limited capacity at City facilities and decreased parking activity until March. This revenue loss has been partially offset by cost mitigations from holding vacancies and the financial impacts of limited capacity at City facilities. The remaining \$11.3 million in revenue loss would need to be offset from stabilization reserves at year-end, if it is not mitigated.

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.

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	\$407.0	\$421.2	\$14.3	3.5%	\$1,746.8	\$1,749.9	\$3.1	0.2%
TOTAL EXPENDITURES & TRANSFERS	\$356.5	\$332.3	\$24.1	6.8%	\$1,746.8	\$1,749.9	(\$3.1)	(0.2%)
SURPLUS (DEFICIT)	\$50.5	\$88.9	\$38.4	76.0%	\$0.0	\$0.0	\$0.0	

NOTE: Totals may not add due to rounding.

#### CAPITAL BUDGET

Total capital expenditures in the first quarter of 2022 are \$56.0 million, which is 8% of the total 2022 Capital Expenditure Budget of \$683.4 million. Expenditures typically ramp up during the second and third quarters to based on seasonality of construction. Total expenditures for the year are forecast to be \$614.5 million, which is 90% of the 2022 Capital Expenditure Budget. Commentary on variances between full-year forecasts and corresponding budgets in specific service categories are provided in the body 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. Q1 YTD 2022 OPERATING BUDGET RESULTS AND FULL YEAR 2022 FORECAST**

This first 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 \$38.4 million for the first quarter of 2022 primarily driven by the timing difference in the first 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 lost revenues due to limited capacity at City facilities, lost parking revenues and increased costs due to COVID-19 related expenditures, partially offset by salary related savings.

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 2022 year-end. The forecast reflects the financial results for the first three months of the year and a projection of revenues, expenditures and transfers for the remaining nine 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	\$240.1	\$241.6	\$1.5	0.6%	\$1008.1	\$1008.1	\$0.0	0.0%
Utility revenue	\$71.2	\$76.0	\$4.8	6.7%	\$356.5	\$360.4	\$3.9	1.1%
Program revenue	\$11.2	\$9.4	(\$1.8)	(16.1%)	\$65.4	\$62.6	(\$2.7)	(4.2%)
Licence & Development fees	\$34.8	\$39.3	\$4.5	12.9%	\$91.5	\$93.4	\$1.9	2.1%
Parking revenue	\$17.7	\$13.5	(\$4.2)	(23.5%)	\$75.3	\$62.6	(\$12.7)	(16.9%)
Cost recoveries, grants & donations	\$13.4	\$20.4	\$7.0	52.4%	\$61.4	\$71.8	\$10.4	16.9%
Provincial revenue sharing	\$1.2	\$1.2	\$0.0	0.0%	\$16.6	\$16.6	\$0.0	0.0%
Investment income	\$3.5	\$4.5	\$1.0	30.0%	\$13.8	\$13.9	\$0.0	0.3%
Other revenue	\$8.5	\$8.7	\$0.2	2.6%	\$36.6	\$37.7	\$1.1	3.0%
Bylaw fines	\$5.4	\$6.6	\$1.2	22.3%	\$21.6	\$22.8	\$1.2	5.6%
<b>TOTAL REVENUES</b>	<b>\$407.0</b>	<b>\$421.2</b>	<b>\$14.3</b>	<b>3.5%</b>	<b>\$1,746.8</b>	<b>\$1,749.9</b>	<b>\$3.1</b>	<b>0.2%</b>
<b>EXPENDITURES &amp; TRANSFERS</b>								
Utilities	46.5	42.4	4.1	8.9%	407.0	410.4	(3.3)	(0.8%)
Engineering	27.6	29.9	(2.3)	(8.5%)	110.7	111.5	(0.8)	(0.8%)
Police Services	94.0	96.5	(2.5)	(2.7%)	366.9	370.1	(3.2)	(0.9%)
Fire & Rescue Services	38.8	40.6	(1.8)	(4.6%)	153.5	158.5	(5.0)	(3.2%)
Parks & Recreation	31.9	31.0	0.9	2.9%	143.0	143.8	(0.8)	(0.6%)
Library	14.9	14.6	0.3	1.8%	58.0	58.0	0.0	0.1%
Britannia	1.4	1.4	(0.0)	(0.5%)	6.0	6.1	(0.1)	(2.1%)
Civic Theatres	3.5	2.6	0.8	24.3%	14.9	14.8	0.1	0.4%
Arts, Culture & Community Services	11.4	9.1	2.3	20.5%	42.7	45.1	(2.3)	(5.4%)
Grants	9.0	8.7	0.3	3.4%	23.7	23.7	(0.0)	(0.0%)
Development, Buildings & Licensing	10.8	9.8	1.0	9.2%	43.3	42.9	0.4	1.0%
Planning, Urban Design & Sustainability	8.3	8.0	0.3	3.8%	32.7	33.6	(1.0)	(3.0%)
Mayor & Council	0.9	0.8	0.1	11.7%	3.6	3.6	(0.0)	(0.0%)
Office of the Auditor General	0.4	0.1	0.3	76.7%	1.6	1.4	0.2	13.8%
Corporate Services	30.8	27.4	3.4	11.1%	125.0	125.1	(0.0)	(0.0%)
General Government, Debt and transfers	24.4	7.7	16.7	68.3%	206.6	193.8	12.7	6.2%
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>\$356.5</b>	<b>\$332.3</b>	<b>\$24.1</b>	<b>6.8%</b>	<b>\$1,746.8</b>	<b>\$1,749.9</b>	<b>(\$3.1)</b>	<b>(0.2%)</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$50.5</b>	<b>\$88.9</b>	<b>\$38.4</b>	<b>76.0%</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 Q1 Year-to-Date and the full year forecast by revenue category include:**

01. Property Tax Revenue	Forecast on budget
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Property Tax Revenue is above budget for Q1 YTD due to higher penalties and interest from delayed Tax Payment, in addition to higher than budgeted supplementary roll adjustments.

<b>02. Utility Revenue</b>	<b>Forecast \$3.9 million above budget</b>
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Utility Revenues are forecasted to be higher than budget due to higher than anticipated transfer of tonnes in Solid Waste disposal revenues and higher water meter service charges in Q1, fully offset by a transfer to reserve at year-end.

<b>03. Program Revenue</b>	<b>Forecast \$2.7 million below budget</b>
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Program Revenue is below budget by \$1.8 million for Q1 YTD and forecast to be \$2.7 million below budget for the year primarily due to lower than budgeted volume of recreation revenues and lower programming levels due to PHO restrictions in the first quarter, partially offset by strong golf revenues.

<b>04. Licence &amp; Development Fees</b>	<b>Forecast \$1.9 million above budget</b>
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Licence and Development Fees are \$4.5 million above budget for YTD and forecast to be \$1.9 million above budget for the year primarily due to 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 \$12.7 million below budget</b>
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Parking revenues are \$4.2 million below budget YTD and forecast to be below budget by \$12.7 million for the year reflective of current parking trends due to reduced travelling during the pandemic.

<b>06. Cost Recoveries and Grants</b>	<b>Forecast \$10.4 million above budget</b>
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Cost recoveries are forecasted to be \$10.4M 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 higher cost recoveries for externally funded projects and programs. These above budget cost recoveries are fully offset by higher costs.

<b>07. Other revenue</b>	<b>Forecast \$1.1 above budget</b>
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Other revenues are forecasted to be \$1.1 million above budget at year-end mainly due to higher advertising revenues from the street furniture vendor and an increase in Ferry Dock revenues as a result of a new agreement with False Creek Ferry Company.

<b>08. Bylaw fines</b>	<b>Forecast \$1.2 million above budget</b>
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Bylaw fines are currently being forecast to be above budget by \$1.2 million mainly due to unbudgeted vacancy tax fully offset by a transfer to Empty Homes Tax reserve at year-end.

**B. Expenditures and Transfer highlights for Q1 Year-to-Date and the full-year forecast by department include:**

<b>01. Utilities</b>	<b>Forecast \$3.3 million above budget</b>
<p>Utilities expenditures are \$4.1 million below budget for Q1, primarily due to vacancy savings and hiring delays, in addition lower water purchases that reflect lower consumption of water. The year-end forecast is \$3.3 million above budget reflecting the higher solid waste removal, equipment costs and higher transfers to reserves offsetting higher revenues. The overall forecast for Utilities department is on budget for the year-end.</p>	
<b>02. Engineering</b>	<b>Forecast \$0.8 million above budget</b>
<p>Engineering expenditures are higher than budget by \$2.3 million for Q1 YTD, primarily due significant snow removal costs at the beginning of the year fully offset by a transfer from snow storm reserve and vacancy savings. The overall forecast for Engineering department is on budget at year-end.</p>	
<b>03. Police Services</b>	<b>Forecast \$3.2 million above budget</b>
<p>The Provincial government and Council approved the Police Budget appeal of \$5.7 million, which will be transferred from reserve in Q2.</p> <p>Police Services expenditures are above budget by \$2.5 million for Q1 YTD primarily due to higher salary expenses related to the budget appeal amount and higher than budgeted sworn overtime costs. The year-end forecast for Police expenditures is \$3.2 million above budget primarily due to higher sworn overtime and higher professional legal fees since more functions require legal oversight. However, the overall forecast for Police department is on budget at yearend.</p>	
<b>04. Fire &amp; Rescue Services</b>	<b>Forecast \$5.0 million above budget</b>
<p>Fire &amp; Rescue Services expenditures are above budget by \$1.8 million for Q1 YTD, primarily due to higher overtime partially offset by salary savings from hiring delays. Fire expenditures for year-end are forecasted to be \$5.0 million over budget, primarily driven by higher overtime and higher spend on fleet maintenance. However, the overall forecast for Fire and Rescue Services is \$0.3 million surplus as a result of one-time cost recoveries.</p>	
<b>05. Parks</b>	<b>Forecast \$0.8 million above budget</b>
<p>Parks and recreation expenditures are forecasted to be above budget by \$0.8 million for the year, primarily due to unbudgeted fleet and equipment charges, partially offset by vacancy</p>	

savings as well as lower revenue related expenditures offsetting lost revenues as mentioned above.

#### **06. Arts, Culture & Community Services**

**Forecast \$2.3 million above budget**

Arts, Culture and Community Services expenditures are forecasted to be above budget by \$2.3 million, primarily due to higher spend on externally funded projects fully offset by higher recoveries, in addition unbudgeted spend on warming centers fully offset by transfer from snow storm reserve.

#### **07. Planning, Urban Design & Sustainability**

**Forecast \$1.0 million above budget**

Planning, Urban Design & Sustainability expenditures are forecasted to be above budget by \$1.0 million primarily due to unbudgeted Planning project salaries partially offset by unbudgeted developer recoveries and vacancy savings. The net department position is forecasted to be \$0.4 million below budget at year-end.

#### **08. Corporate Services**

**Forecast on budget**

Corporate Services expenditures are below budget by \$3.4 million for Q1 YTD primarily due to delay in computer expenses as a result of new vendor agreement with Technology Services and vacancy savings in HR, FRS, and City Manager Office. The forecast at year-end is on budget.

#### **09. General Government, Debt and Transfers**

**Forecast \$12.7 million below budget**

General Government expenditures, debt and transfers are forecast to be below budget by \$12.7 million primarily due to an unbudgeted transfer from reserve to offset a portion of the City-wide revenue shortfalls for Parking revenues and Program fees as a result of continued COVID restrictions until March. An \$11.3 million transfer from reserve is required to offset the revenue declines resulting from COVID-19. After considering the upcoming commitments, the current forecast of the reserve balance at year-end will be 3.9%. 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:** Over the remainder of the year, unanticipated costs and unplanned activities may be realized including the citywide impact of fuel price increases, attrition and tight labour markets. The opioid crisis continues to impact City operations, and there is a risk of snow and weather events in the fall and winter that may result in additional costs. There is also the risk of fringe benefit rate increases, including WorkSafe BC rates.

## 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 first quarter results, actual expenditure and forecasted expenditure, against the 2022 Capital Expenditure Budget. Actual Capital expenditures in the first quarter were \$56.0 million, representing 8% of the total 2022 Capital Expenditure Budget of \$683.4 million. The Capital expenditure forecast for 2022 is \$614.5 million representing 90% of the total 2022 capital Expenditure Budget.

### 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.

Service Category	2022 Annual Capital Expenditure Budget: Budget vs YTD Actual Expenditure vs Forecast vs Variance (in \$ millions)				
	2022 Expenditure Budget	2022 YTD Actual Expenditure (as of Q1 2022)	2022 Expenditure Forecast	Variance	Variance %
AFFORDABLE HOUSING	\$132.2	\$3.4	\$123.7	\$8.6	6%
CHILDCARE	\$35.6	(\$1.9)	\$23.5	\$12.1	34%
PARKS, OPEN SPACES AND RECREATION	\$55.6	\$4.2	\$51.4	\$4.2	8%
COMMUNITY FACILITIES	\$35.7	\$1.7	\$31.3	\$4.4	12%
ARTS AND CULTURE	\$23.2	\$1.4	\$21.9	\$1.3	6%
PUBLIC SAFETY	\$21.3	\$1.7	\$13.3	\$8.0	38%
CIVIC FACILITIES AND EQUIPMENT	\$31.9	\$3.4	\$27.1	\$4.8	15%
TRANSPORTATION AND STREET USE	\$134.6	\$11.5	\$98.2	\$36.4	27%
ONE WATER	\$140.0	\$23.2	\$139.0	\$1.0	1%
RENEWABLE ENERGY	\$21.0	\$.8	\$20.0	\$1.1	5%
SOLID WASTE	\$28.0	\$1.2	\$25.8	\$2.2	8%
TECHNOLOGY	\$31.2	\$3.5	\$31.9	(\$.7)	(2%)
CITY-WIDE OVERHEAD	(\$7.1)	\$1.7	\$7.5	(\$14.6)	206%
<b>TOTAL</b>	<b>\$683.4</b>	<b>\$56.0</b>	<b>\$614.5</b>	<b>\$68.9</b>	<b>10%</b>

**Outlined below are the variance explanations, by service category, between the 2022 full year expenditure forecast as of March 31, 2022 and the full year 2022 Capital Expenditure Budget:**

Affordable Housing	Forecast \$8.6 million below budget
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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 were \$8.6 million below budget

due to delays from the developers in resubmitting the development permit package for a social housing project.

<b>Childcare</b>	<b>Forecast \$12.1 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 were \$12.1 million below budget due to:

- 1) delays in city's contribution towards a childcare project as a result of revised grant payment schedule;
- 2) delays in receiving developer and building permit for Vancouver School Board projects.

<b>Parks and Open Spaces</b>	<b>Forecast \$4.2 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 were \$4.2 million below budget, primarily due to staffing constraints and supply chain delays.

<b>Community Facilities</b>	<b>Forecast \$4.4 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 were \$4.4 million below budget, mainly due to:

- underspend in various capital maintenance and renovation projects as a result of cost savings, change in project scope, equipment delays and staffing constraints
- extended consultation and engagement with external parties.

<b>Arts and Culture</b>	<b>Forecast \$1.3 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 were below budget by \$1.3 million due to:

- underspend in capital maintenance and renovation projects as a result of procurement delays and additional time spent coordinating grant funding with external parties.
- delay in disbursement of Heritage Façade Rehabilitation grants

**Public Safety****Forecast \$8.0 million below budget**

Public Safety projects are managed by Real Estate & Facilities Management and Engineering Services departments. Capital expenditures in 2022 for Public Safety projects were \$8.0 million below budget, mainly due to:

- reduction in project scope for the renewal of Grandview Fire-Hall project
- underspend in Firehall 12 Seismic Upgrades and other renovation projects due to delays in procuring vendors due to ongoing supply chain issues.

**Civic Facilities and Equipment****Forecast \$4.8 million below budget**

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 were \$4.8 million below budget, primarily due to underspend in various renovation and maintenance of city infrastructure as a result of scope changes, and cost savings.

**Transportation and Street Use****Forecast \$36.4 million below budget**

Transportation and Street Use projects are primarily managed by the Engineering Services department. Capital expenditures in 2022 for Transportation projects were \$36.4 million below budget, primarily due to:

- longer than expected procurement process for the Granville Bridge Greenway project.
- revision in 2022 scope for various projects such as the Metered Parking program, Street Lighting LED replacement program, etc. due to delays in procurement process as a result of ongoing supply chain issues

**One Water****Forecast \$1.0 million below budget**

One Water projects are managed by the Engineering Services department. Capital expenditures in 2022 for One Water projects were \$1.0 million below budget, primarily due to the planning process for the HydroVac facility (storage facility for HydroVacs trucks) project being longer than expected as a result of cost estimates being higher than the budgeted amount.

**Renewable Energy****Forecast \$1.1 million below budget**

Renewable Energy projects are managed by the Engineering Services and Planning, Urban Design and Sustainability departments. Capital expenditures in 2022 for Renewable Energy projects were \$1.1 million below budget, due to procurement delays.

**Solid Waste****Forecast \$2.2 million below budget**

Solid Waste projects are managed by the Engineering Services department. Capital expenditures for Solid Waste projects in 2022 were \$2.2 million below budget, mainly due to procurement delays for replacement of the sweeper trucks used in City's sanitation services.

**Technology****Forecast \$0.7 million above budget**

Technology projects are managed by Information Technology Services. Capital expenditures for 2022 technology projects were \$0.7 million above budget primarily due to cost estimates being higher than planned as a result of changes in scope for Technology projects.

**Overhead****Forecast \$14.6 million above budget**

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. Capital overhead expenditures for 2022 are \$14.6 million above budget as a result of timing. This variance will be addressed through an administrative budget adjustment based on funding that was approved in the 2023 budget that funds capital overhead.

This category also includes an expenditure budget contingency allowance that accumulates throughout the year. 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 spend 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 \$2.4 billion.

**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 2022 Capital Budget, is \$2.8 billion, including \$2.2 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 \$38.4 million in YTD Q1 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 salary related savings, as well as the timing difference in the first quarter of the year between actual and budgeted revenues and expenditures. The remaining revenue shortfall resulting from COVID-19 restrictions will be offset by \$11.3 million draw from general revenue stabilization reserve. After considering the upcoming commitments, the current forecast of the reserve balance at year-end shows limited uncommitted balance left.

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

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

### **CAPITAL BUDGET:**

The City incurred \$56.0 million in capital expenditures in the first quarter of 2022, representing 8% of the total 2022 Annual Capital Expenditure Budget of \$683.4 million. Therefore, an underspend variance of 10% is expected by the end of 2022.

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