



OFFICE OF THE GENERAL MANAGER  
FINANCIAL SERVICES GROUP

## MEMORANDUM

September 19, 2013

TO: Mayor and Council

FROM: Patrice Impey, General Manager and CFO, Financial Services

CC: Corporate Management Team  
Penny Ballem, City Manager  
Janice MacKenzie, City Clerk  
Mike Magee, Chief of Staff, Mayor's Office  
Kevin Quinlan, Director of Policy and Communications, Mayor's Office  
Lynda Graves, Administrative Manager, City Manager's Office

SUBJECT: 2013 Operating and Capital Budget - 2<sup>nd</sup> Quarter Review

The purpose of this memo is to provide Council with:

1. A review of the Q2 2013 Operating results and variances from the Q2 Operating Budget, as well as forecasts to 2013 year-end for revenues and expenditures, with identification of any significant variances from the 2013 Operating Budget.
2. A review of the Q2 2013 Capital expenditures by service category, as well as a review of the 2013 forecasted Capital expenditures by service category in comparison with the 2013 Capital Budget.

As the quarter financial report is for information only, it is provided quarterly to Council as a memo and is placed on the City of Vancouver external website at

<http://vancouver.ca/fs/budgetServices/index.htm>.

## **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 the Vancouver Charter, is to ensure a balanced operating budget.

### **A) Q2 2013 OPERATING BUDGET RESULTS AND FULL YEAR 2013 FORECAST:**

This 2nd Quarter Review provides Q2 actual results compared to the Q2 budget, as well as the forecasted 2013 year-end revenues and expenditures compared to the annual budget. The year-end forecasts are based on actual results for the first six months of the year and best estimates of revenues and expenditures over the remaining three months.

Since mid-2010, quarterly reporting frameworks, systems and processes have been developed and have been used to inform and support the year-end forecasts.

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 forecasts contained in this report, and continue to be addressed in our budget and reporting process to better align the accuracy of quarterly budget profiling.

A further initiative implemented beginning 2012 is the reporting and review of results on a Gross Basis (meaning revenues and recoveries are reported as revenues with corresponding expenses reported as expenses). In the past, the expenditures would be shown net of related revenues/recoveries). Best practices identified in the November 2011 CD Howe Institute report on public sector reporting supports the Gross Basis view of governmental finances to bring more transparency of the City's financial position, and to better align with other entities. The City of Vancouver has adopted these principles and applied this approach going forward.

This memo gives an indication of the financial status of City Departments and Boards looking forward to the end of 2013. In summary, as of Q2, the City is tracking towards a surplus of \$2.1 million. Revenues are expected to be slightly higher than budget due primarily to increased cost recoveries which therefore have little impact on the overall net budget position. Balancing the budget will continue to require careful oversight by the Corporate Management Team across all Departments and Boards.

### **Summary of Operating Budget Variances**

#### **1) Q2 2013 Results and variances to Budget**

Table 1 summarizes Q2 results vs. budget. Appendix A provides details by department of Q2 actual results and variance to budget.

Table 1 - 2013 Q2 Operating Budget Review City Summary

\$ millions	Q2 Actuals	Q2 Budget	Q2 Variance \$	Q2 Variance %
TOTAL REVENUES	320.7	307.1	13.6	4.4%
TOTAL EXPENDITURES	262.0	260.2	(1.8)	(0.7%)
NET BUDGET POSITION	58.7	46.9	11.8	

A positive Net Budget Position for the City of Vancouver in this second quarter reflects the timing and seasonality differences between revenues and expenditures, most of which will be adjusted by year-end.

Highlights of the main revenues and expenditure variances to budget in the quarter are provided below.

Revenues are higher than budgeted by 4.4% or \$13.6 million due to:

- Stronger license and trade permit fee income, offset slightly by lower development permit revenues as the scope of projects are trending smaller
- Fire - higher federal grant monies received for Urban Search and Rescue program related to prior year commitments
- Police - higher recoveries for secondments, over-time and traffic authority
- Higher investment income resulting from higher investment balances
- Greater Engineering third party street work recoveries which fully recover all costs
- Lower Solid Waste revenue due to lower tonnage for garbage and lower revenues from sale of collected recyclables
- Higher parking, golf and recreation services (i.e. aquatics, arenas and outdoor sports) revenues as a result of good weather this quarter

Expenditures are higher than budgeted by 0.7% or \$1.8 million in the quarter due to:

- Seasonality and timing impacts in the quarter for Utilities and Engineering Public Works which are forecasted to be on budget by year-end.
- Higher expenditures which are fully recovered as noted above for Police costs, Engineering street work, and
- Higher golf and recreation services expenditures associated with higher revenues as noted above
- Support Services are below budget due to timing of filling of vacancies

## 2) 2013 Full Year Forecast and variances to Budget

Table 2 - 2013 Operating Budget Review Summary (Full Year Forecast)

\$ millions	Forecasted		Variance \$	Variance %
	Year-End	Annual Plan		
TOTAL REVENUES	1,156.1	1,148.8	7.3	0.6%
TOTAL EXPENDITURES	1,154.0	1,148.8	(5.2)	(0.4%)
NET BUDGET POSITION	2.1	0.0	2.1	

Appendix B provides additional details by department.

For the full year 2013, the City is forecasting a surplus primarily due to delayed building maintenance, lower equipment costs and vacancy savings. Increased revenues which are related to cost recoveries will have little impact on the net budget position. The forecast includes an estimate of year end transfers to reserves primarily in the areas of debt, insurance and deferred payroll costs to provide for the City's unfunded liability.

Highlights of the main revenue and expenditure variances to budget in the Full Year Forecast are provided below.

Revenues are forecasted to be higher than budgeted by 0.6% or \$7.3 million due to:

- Fire - higher federal grant monies received for Urban Search and Rescue program related to prior year commitments
- Police - higher Traffic Authority recoveries and secondment recoveries, higher grants and donations, and higher overtime recoveries
- Higher Engineering third party street work revenues which fully recover all costs
- Utility revenue- Greater commercial tonnage expected for the year; lower sale of collected recyclables; lower NEU revenues coming on-line later than expected
- Lower revenues for Mountain View Cemetery
- Community Services - Increase cost recoveries primarily in Provincial supported programs offset by higher expenditures
- Unbudgeted Public Art contribution which will be offset by program costs
- Civic theatres - fewer than anticipated shows and lower revenues at the Playhouse
- Park Board - increase in Parking, golf and recreation services (i.e. aquatics, arenas and outdoor sports) revenues as a result of good weather this year

Expenditures are forecasted to be higher than budgeted by 0.4% or \$5.2 million for the year due to:

- Higher expenditures which are fully recovered as noted above for Police costs, Engineering street work, Community Services and Public Art Contribution
- Lower expenditures for Mountain View Cemetery resulting from reduced activity
- Lower expenditures for Civic Theatre primarily due to fewer shows at the Playhouse
- Higher golf and recreation services expenditures associated with higher revenues as noted above

## **Risk and Opportunities**

Development fees are beginning to show a softening in activity but are offset by the continued strength of Trade Permit fees. While other risks exist, such as the impact of weather on revenue and expenses, at this time it is anticipated that the City will adjust to those situations and complete the year within budget.

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. Departments have an ongoing responsibility to monitor expenditures and adjust spending to remain on budget for the year.

## **B. Q2 2013 ANNUAL CAPITAL BUDGET RESULTS AND FULL YEAR 2013 FORECAST**

While the Operating Budget is built to reflect operating costs for one year only, the annual Capital budget reflects one year of what can be multi-year Capital projects. Therefore, Capital projects are viewed on both an annual budget basis (annual expenditure vs. annual budget), and a total project basis (multi-year project expenditures vs. budget).

On December 11, 2012 Council approved a 2013 Annual Capital Budget in the amount of \$261 million. Since that time approximately \$7 million has been added to the Capital Budget through Council Approvals. This report reflects performance against an approved total 2013 Annual Capital Budget of \$268 million.

A separate report to Council which includes Capital Budget adjustment requests collected during the Q2 review will be presented to Council on September 24, 2013 (RTS 009957).

### **i. 2013 Q2 Capital Expenditures and Year End Forecast vs 2013 Capital Budget**

2013 Capital Budget expenditures to the end of Q2 were \$103 million (\$77 million in Q2 2012), representing 38% of the total 2013 Annual Capital Budget of \$268 million. Forecasted total capital expenditures for 2013 are currently projected to be \$259 million, or \$9 million (3%) less than budget.

Table 3 provides a summary of the Quarter 2 Capital expenditures as well as forecasted annual expenditures by service category compared to the 2013 Annual Capital Budget.

**Table 3 - Q2 2013 Annual Capital Budget Results by Service Category (\$000's)**

Service Category 1	Service Category 2	2013 Budget	Q2 YTD Actuals	2013 Forecast	Expected Variance
01. Community Facilities	A. Childcare	\$ 5,477	\$ 938	\$ 5,428	\$ 49
	B. Social Facilities	3,228	336	2,008	1,220
	C. Cultural Facilities	5,434	964	5,224	209
	D. Entertainment and Exhibition	4,295	3,218	4,946	(652)
	E. Libraries and Archives	4,658	154	3,463	1,195
	F. Recreation Facilities	4,187	884	3,918	269
<b>01. Community Facilities Total</b>		<b>27,278</b>	<b>6,495</b>	<b>24,988</b>	<b>2,290</b>
02. Parks and Open Spaces	A. Parks and Open Spaces	13,949	4,406	14,415	(467)
	B. Seawall and Recreation Trails	-	87	87	(87)
	C. Street Trees	950	327	892	58
	D. Public Art	1,006	215	769	237
<b>02. Parks and Open Spaces Total</b>		<b>15,904</b>	<b>5,036</b>	<b>16,163</b>	<b>(258)</b>
03. Housing	A. Non-Market Rental Housing	10,045	2,113	9,323	721
	B. Market Rental Housing	905	-	425	480
<b>03. Housing Total</b>		<b>10,950</b>	<b>2,113</b>	<b>9,748</b>	<b>1,201</b>
04. Public Safety	A. Police	2,018	780	1,675	343
	B. Fire	2,180	237	2,132	48
	C. Animal Control	133	4	132	0
<b>04. Public Safety Total</b>		<b>4,330</b>	<b>1,021</b>	<b>3,939</b>	<b>392</b>
05. Transportation	A. Walking and Cycling	10,886	6,650	12,396	(1,510)
	B. Transit	1,000	63	713	287
	C. Major Roads	52,124	20,396	48,945	3,179
	D. Local Roads	4,364	1,289	3,286	1,078
	E. Parking	2,417	434	3,193	(775)
<b>05. Transportation Total</b>		<b>70,791</b>	<b>28,832</b>	<b>68,532</b>	<b>2,259</b>
06. Utilities and Public Works	A. Waterworks	16,500	7,786	16,279	221
	B. Sewers	49,131	29,424	47,298	1,833
	C. Solid Waste	21,755	1,442	22,900	(1,145)
	D. Neighbourhood Energy	653	153	504	149
<b>06. Utilities and Public Works Total</b>		<b>88,039</b>	<b>38,804</b>	<b>86,981</b>	<b>1,058</b>
07. Civic Infrastructure	A. Administrative Facilities	10,144	2,933	8,569	1,574
	B. Service Yards	1,115	66	1,942	(827)
	C. Vehicles and Equipment	15,381	12,358	15,381	0
	D. Information Technology	21,425	4,171	19,834	1,591
<b>07. Civic Infrastructure Total</b>		<b>48,064</b>	<b>19,527</b>	<b>45,726</b>	<b>2,339</b>
08. City-Wide	C. City-Wide Overhead	3,000	759	3,404	(404)
<b>08. City-Wide Total</b>		<b>3,000</b>	<b>759</b>	<b>3,404</b>	<b>(404)</b>
<b>Grand Total</b>		<b>\$ 268,357</b>	<b>\$ 102,587</b>	<b>\$ 259,480</b>	<b>\$ 8,877</b>

Explanations for projected variances by service category are provided below:

<b>01. Community Facilities</b>	<b>\$2.3m positive variance</b>
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As of the end of the Q2 2013, Community Facilities is projecting a positive variance of approximately \$2.3 million.

This variance is made up of \$2.9 million positive variances within the childcare, social facilities, cultural facilities, libraries and archives, and recreation facilities categories, offset by \$0.6 million negative variances within the entertainment and exhibition category.

The positive variance relates primarily to delays in the construction of the Strathcona/Downtown East Side Library as a result of delays obtaining rezoning approval which was subject to the submission, review and approval of revised architectural drawings and development plan. The development plan is currently under review by the City and expected to be approved in 2013.

The negative variance relates primarily to a strategic opportunity to advance the Hastings Park Livestock Building Roof replacement ahead of schedule by combining phases of the project.

<b>02. Parks and Open Spaces</b>	<b>\$0.3 m negative variance</b>
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As of the end of the Q2 2013, Parks & Open Spaces is projecting a negative variance of approximately \$0.3 million.

The negative variance relates primarily to Hastings Park projects (Brighton Connection, Trail & Park Connection) as the external contractor was able to move ahead of schedule due to better than expected spring and summer weather.

<b>03. Housing</b>	<b>\$1.2m positive variance</b>
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As of the end of the Q2 2013, Housing is projecting a positive variance of approximately \$1.2 million.

The non-market rental housing positive variance is primarily attributed to delays in the disbursement of Immigrant Services Society Housing Grants as funding commitment from external partners has not been secured. The market rental housing projects positive variance is primarily attributed to delays in the disbursement of the Salsbury Community Society Grant and the SUCCESS Grant (611 Main St.) with both being delayed due to funding commitment from external partners not been secured.

<b>04. Public Safety</b>	<b>\$0.4m positive variance</b>
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As of the end of the Q2 2013, Public Safety is projecting a positive variance of approximately \$0.4 million. There were no individual significant forecast variances comprising the total positive variances.

<b>05. Transportation</b>	<b>\$2.3m positive variance</b>
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As of the end of the Q2 2013, Transportation is projecting a positive variance of approximately \$2.3 million.

This variance is made up of \$4.6 million positive variances within Transit, Major Roads and Local Roads categories, offset by \$2.3 million negative variances within the Walking & Cycling, and Parking categories.

The positive variance relates primarily to the Granville Bridge Bearing Replacement program and the Burrard Bridge program being under budget for 2013 as extended tendering processes to reduce environmental risk and secure more favorable pricing has shifted planned spending from 2013 to 2014.

The negative variance relates primarily to a delay in the greenways program for construction of the North Arm Trail and acceleration of active transportation capital work for the north end of the Cambie Street bridge. The North Arm Trail project had been anticipated to complete in 2012, but completion was shifted to 2013 to optimize coordination with street construction scheduling, while active transportation work on the Cambie Street bridge has been accelerated to address safety concerns with cyclists riding on the sidewalk to access the bridge.

<b>06. Utilities and Public Works</b>	<b>\$1.1m positive variance</b>
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As of the end of the Q2 2013, Utilities & Public Works is projecting a positive variance of approximately \$1.1 million.

This variance is made up of \$2.2 million positive variances within the waterworks, and sewers, offset by \$1.1 million negative variances within the solid waste category.

The positive variance relates mainly to sewers which is projecting a positive spend variance due primarily to a delay in Pump station construction as a result of design changes.

The negative variance primarily relates to the Landfill Closure & Gas Collection project spending more than anticipated due to the final landfill height being achieved sooner than anticipated with higher garbage volumes than expected. The Ministry of Environment requires that final closure be constructed within one year of final placement of garbage. This negative variance was offset by delays in the Solar Compactor program due to unexpected design issues.

<b>07. Civic Infrastructure</b>	<b>\$2.3m positive variance</b>
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As of the end of the Q2 2013, Civic Infrastructure is projecting a positive variance of approximately \$2.3 million.

This variance is made up of \$3.1 million positive variances within the administrative facilities, and information technology categories, offset by \$0.8 million negative variances within the service yards category.

The positive variance within administrative facilities relates primarily to: 2012-14 City Hall Renovations which has seen delays in department movements within City Hall, changes in the Accommodation Plan due to department requirements and timing of resource availability.

The positive variance within information technology primarily relates to the Legal Services Case Management System which has been delayed as it is being re-scope and will be run internally as a business transformation project.

The negative variance arises from the service yards category and is primarily due to the Manitoba Yards Improvements project where work was delayed from late 2012 into 2013.

## **ii. Multi Year Capital Projected Expenditures versus Budget**

The review of the multi-year capital program/projects identifies specific projects and indicates which projects are projected to complete on, over, or under budget.

As of June 30 2013, open Capital programs/projects have budgets totaling \$1.15 billion with an overall projected positive variance of approximately \$7 million (or less than 1%) excluding a small number programs or projects which did not receive a 2013 budget in error. Prior to 2012, when the Capital Budget process was redesigned to be inclusive of all projects, some projects received funding outside of the capital budget and were not reported. In 2013, \$16.6 million of forecast costs which relate to Combined Sewer and Water Connection programs and the Vehicle and Equipment Replacement program were not fully captured in the 2013 budget. It is anticipated that the majority of these programs will be closed in 2013.

## **CONCLUSION**

### **OPERATING BUDGET:**

Results for Q2 show an \$11.8 million favourable variance to budget. The variance is primarily a reflection of timing and seasonality differences between budgeted revenues and expenditures and actuals incurred to date.

The Full Year Forecast shows an anticipated surplus of \$2.1 million, including estimated year-end adjustments to reserves, primarily in the area of debt, insurance and deferred payroll costs to provide for the City's unfunded liability.

The forecasted year-end position will change given that the estimates are based only on three months of actual performance and that unanticipated items between now and year-end will impact the City's final financial position. 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:**

The City of Vancouver incurred \$103 million in capital expenditures for the second quarter of 2013 (38% of the 2013 Capital Budget) and is projecting to spend a total of \$259 million by the end of 2013, representing a positive spend variance of \$9 million against a budget of \$268 million.

If you have any questions in regards to the above please don't hesitate to contact me.

Best regards,  
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**City of Vancouver  
2013 Operating Budget  
2nd Quarter Review**

**Appendix A**

**2013 Operating Budget Q2 Plan to Actual Review Summary**

\$ millions	Q2 Actuals	Q2 Plan	Q2 Variance \$	Q2 Variance %
<b>REVENUES</b>				
Taxation Revenue	174.6	172.6	2.0	1.2%
General Revenue	35.9	30.3	5.6	18.4%
Utilities *	78.9	76.7	2.3	3.0%
Police	4.8	3.1	1.6	51.4%
Parks	13.4	12.2	1.2	10.1%
Fire	2.1	1.8	0.3	15.3%
Engineering (PW)	3.1	2.7	0.4	13.7%
Community Services	2.7	2.6	0.1	2.8%
Planning & Development	0.2	0.2	0.0	11.6%
Library	0.8	0.7	0.0	3.5%
Grants	0.0	0.0	0.0	-
Civic Theatres	2.3	2.4	(0.1)	(5.1%)
Mayor	0.0	0.0	0.0	-
Council	0.0	0.0	0.0	-
Britannia	0.3	0.3	0.0	14.9%
Support Services	0.4	0.4	0.1	15.9%
Contingency & General Govt	1.1	1.0	0.1	14.8%
Debt & Capital	0.0	0.0	0.0	-
<b>TOTAL REVENUES</b>	<b>320.7</b>	<b>307.1</b>	<b>13.6</b>	<b>4.4%</b>
<b>EXPENDITURES</b>				
Taxation Revenue	0.0	0.0	0.0	-
General Revenue	0.0	0.0	0.0	-
Utilities *	45.9	43.9	(2.0)	(4.5%)
Police	58.9	60.6	1.6	2.7%
Parks	26.9	26.4	(0.6)	(2.1%)
Fire	25.2	24.0	(1.2)	(4.8%)
Engineering (PW)	17.1	18.8	1.7	9.0%
Community Services	9.7	9.8	0.1	0.6%
Planning & Development	5.0	4.9	(0.1)	(2.0%)
Library	10.2	10.4	0.2	1.7%
Grants	5.1	5.2	0.1	1.6%
Civic Theatres	1.6	1.6	0.0	1.5%
Mayor	0.2	0.2	0.0	6.6%
Council	0.3	0.3	0.1	16.9%
Britannia	1.1	1.1	(0.0)	(0.5%)
Support Services	26.8	27.5	0.7	2.5%
Contingency & General Govt	9.9	8.4	(1.5)	(17.5%)
Debt & Capital	18.1	17.1	(1.0)	(5.6%)
<b>TOTAL EXPENDITURES</b>	<b>262.0</b>	<b>260.2</b>	<b>(1.8)</b>	<b>(0.7%)</b>
Transfer to/from Utilities Reserve*	0.0	0.0	0.0	-
<b>REVISED ESTIMATED EXPENDITURES</b>	<b>262.0</b>	<b>260.2</b>	<b>(1.8)</b>	<b>(0.7%)</b>
<b>NET BUDGET POSITION</b>	<b>58.7</b>	<b>46.9</b>	<b>11.8</b>	

**City of Vancouver  
2013 Operating Budget  
2nd Quarter Review**

**Appendix B**

**2013 Operating Budget - Full Year Forecast**

\$ millions	Forecasted Year-end	Annual Plan	Variance \$	Variance %
<b>REVENUES</b>				
Taxation Revenue	657.4	657.4	0.0	0.0%
General Revenue	159.5	159.5	0.0	0.0%
Utilities *	217.4	217.8	(0.4)	(0.2%)
Police	17.7	13.8	3.9	28.0%
Parks	50.2	48.7	1.5	3.1%
Fire	7.7	7.5	0.2	3.2%
Engineering (PW)	11.3	10.0	1.3	12.7%
Community Services	11.7	10.6	1.2	10.9%
Planning & Development	0.3	0.3	0.0	4.2%
Library	4.5	4.5	(0.0)	(0.3%)
Grants	0.0	0.0	0.0	-
Civic Theatres	7.5	8.0	(0.4)	(5.4%)
Mayor	0.0	0.0	0.0	-
Council	0.0	0.0	0.0	-
Britannia	1.1	1.0	0.1	8.3%
Support Services	1.6	1.6	(0.1)	(5.5%)
Contingency & General Govt	8.3	8.2	0.1	0.7%
Debt & Capital	0.0	0.0	0.0	-
<b>TOTAL REVENUES</b>	<b>1,156.1</b>	<b>1,148.8</b>	<b>7.3</b>	<b>0.6%</b>
<b>EXPENDITURES</b>				
Taxation Revenue	0.0	0.0	0.0	-
General Revenue	0.0	0.0	0.0	-
Utilities *	247.8	246.8	(1.1)	(0.4%)
Police	237.4	233.6	(3.8)	(1.6%)
Parks	107.4	106.4	(1.0)	(0.9%)
Fire	97.4	97.5	0.0	0.0%
Engineering (PW)	77.6	76.4	(1.3)	(1.7%)
Community Services	40.6	39.8	(0.8)	(2.0%)
Planning & Development	18.8	18.9	0.0	0.2%
Library	43.5	43.6	0.1	0.3%
Grants	16.3	16.5	0.2	1.2%
Civic Theatres	5.6	5.8	0.3	4.6%
Mayor	1.0	1.0	0.0	0.0%
Council	1.2	1.3	0.1	5.9%
Britannia	4.6	4.5	(0.1)	(2.6%)
Support Services	107.5	107.9	0.5	0.4%
Contingency & General Govt	54.9	54.9	(0.1)	(0.1%)
Debt & Capital	90.2	90.5	0.3	0.3%
<b>TOTAL EXPENDITURES</b>	<b>1,152.0</b>	<b>1,145.4</b>	<b>(6.6)</b>	<b>(0.6%)</b>
Transfer to/from Utilities Reserve*	2.0	3.4	1.4	42.1%
<b>REVISED ESTIMATED EXPENDITURES</b>	<b>1,154.0</b>	<b>1,148.8</b>	<b>(5.2)</b>	<b>(0.4%)</b>
<b>NET BUDGET POSITION</b>	<b>2.1</b>	<b>0.0</b>	<b>2.1</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 forecasts contained in this report, and continue to be addressed in our budget process to better align the quarterly budgets to expected quarterly results.