

January 26, 2022

## 2021 THIRD QUARTER REVIEW – OPERATING AND CAPITAL BUDGETS

### EXECUTIVE SUMMARY

#### OPERATING BUDGET

The City continues to experience significant financial impacts as a result of COVID 19. The 2021 Budget assumed that revenues will be \$77 million below 2020 budget levels; largely driven by revenues streams such as parking, permit fees, program fees, and provincial revenue sharing. To offset the revenue shortfall, the 2021 budget assumed that a transfer of \$57 million from the general revenue stabilization reserve would be required to balance the budget.

The forecast as of the third quarter of 2021 shows an improvement in the City's year-end operating position as compared to the Budget and second quarter forecast update primarily as a result of lifting some COVID-related public health restrictions during 2021 which increased capacity at City facilities, and an increase in some revenues related to general business activity higher traffic fines as part of the provincial revenues sharing agreement and increased bylaw fines for parking enforcement. In addition to the revenue improvement, the year-end forecast was also impacted by additional cost mitigations from holding vacancies as well as higher expenses due to increased capacity at City facilities. These reduction to expense are forecast to help offset unbudgeted costs related to the Vancouver Police Board budget appeal and Vancouver Fire and Rescue service costs related to higher overtime. As a result, the total draw down from general revenue stabilization reserve is expected to be \$38 million at year end as compared to expected \$57 million as per the 2021 budget.

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.

2021 Operating Budget - Year-to-Date and Full year Forecast								
\$ millions	Year-to-date				2021 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
<b>TOTAL REVENUES</b>	\$1,227.0	\$1,320.5	\$93.5	7.6%	\$1,597.0	\$1,633.5	\$36.6	2.3%
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	\$1,083.9	\$1,104.1	(\$20.3)	(1.9%)	\$1,597.0	\$1,633.5	(\$36.6)	(2.3%)
<b>SURPLUS (DEFICIT)</b>	\$143.1	\$216.4	\$73.3	51.2%	(\$0.0)	\$0.0	\$0.0	

NOTE: Totals may not add due to rounding.

#### CAPITAL BUDGET

Total capital expenditures at the end of the third quarter of 2021 were \$364 million, which is 47% of the total 2021 Capital Expenditure Budget of \$771 million. Total expenditures for the year are forecast to be \$511 million, which is 66% of the 2021 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. Q3 YTD 2021 OPERATING BUDGET RESULTS AND FULL YEAR 2021 FORECAST**

This third quarter year-to-date review provides an indication of the City's financial direction for the year and the identification of any significant variances from the 2021 Operating Budget.

The City recorded an Operating Budget surplus of \$73.3 million for the third quarter of 2021 primarily driven by revenue improvements as a result of continuing the re-opening and the lifting of some Public Health Order (PHO) restrictions, 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 revenues surplus due to higher than anticipated traffic fines in addition to higher forecast for program fees and bylaw parking enforcement fines offset by limited capacity at City facilities and lost parking revenues in the first two quarters. The forecasted deficit in the expenditures category is mainly due to the forecasted department deficit for Vancouver Police Department and Fire and Rescue Services, in addition to increased costs related to re-opening facilities, 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, holds on vacancies and utilizing reserves. Through these mitigation actions the City is forecasting the Operating Budget to be balanced for 2021 year-end. The forecast reflects the financial results for the first nine months of the year and a projection of revenues, expenditures and transfers for the remaining three months. The forecast includes an estimate of year-end transfers from reserves, including transfers from revenue stabilization to address the funding gap.

The table below shows the 2021 Operating Budget revenue and expenditures, year-to-date variances and full year forecasts.

2021 Operating Budget - Year-to-Date and Full year Forecast								
\$ millions	Year-to-date			2021 Full Year Forecast				
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
<b>REVENUES</b>								
Property tax revenue	\$717.3	\$755.5	\$38.2	5.3%	\$942.2	\$942.2	\$0.0	0.0%
Utility revenue	\$269.5	\$270.4	\$0.9	0.3%	\$339.9	\$336.4	(\$3.5)	(1.0%)
Program revenue	\$30.0	\$32.4	\$2.4	8.0%	\$39.9	\$41.8	\$2.0	5.0%
Licence & Development fees	\$61.4	\$79.5	\$18.1	29.5%	\$78.0	\$82.0	\$4.0	5.1%
Parking revenue	\$48.3	\$44.6	(\$3.7)	(7.7%)	\$63.5	\$57.0	(\$6.4)	(10.1%)
Cost recoveries, grants & donations	\$40.2	\$59.0	\$18.8	46.6%	\$57.2	\$77.9	\$20.7	36.2%
Provincial revenue sharing	\$7.3	\$14.5	\$7.2	98.1%	\$7.3	\$14.5	\$7.2	98.1%
Investment income	\$9.4	\$11.4	\$1.9	20.5%	\$12.1	\$14.0	\$1.9	16.0%
Other revenue	\$30.3	\$34.2	\$3.9	12.9%	\$39.3	\$44.2	\$4.9	12.4%
Bylaw fines	\$13.2	\$19.1	\$5.9	44.6%	\$17.6	\$23.5	\$5.9	33.5%
<b>TOTAL REVENUES</b>	<b>\$1,227.0</b>	<b>\$1,320.5</b>	<b>\$93.5</b>	<b>7.6%</b>	<b>\$1,597.0</b>	<b>\$1,633.5</b>	<b>\$36.6</b>	<b>2.3%</b>
<b>EXPENDITURES &amp; TRANSFERS</b>								
Utilities	248.4	237.3	11.1	4.5%	387.8	384.4	3.4	0.9%
Engineering	83.4	81.8	1.6	1.9%	107.3	109.1	(1.9)	(1.8%)
Police Services	249.8	259.6	(9.7)	(3.9%)	340.9	351.4	(10.5)	(3.1%)
Fire & Rescue Services	107.7	112.0	(4.3)	(4.0%)	144.1	150.4	(6.3)	(4.4%)
Parks & Recreation	100.4	96.2	4.2	4.2%	135.9	132.8	3.2	2.3%
Library	41.1	40.8	0.3	0.7%	55.2	54.6	0.7	1.2%
Britannia	4.6	4.3	0.3	5.6%	6.2	6.0	0.2	3.6%
Civic Theatres	6.7	5.2	1.5	23.0%	11.0	6.9	4.1	37.5%
Arts, Culture & Community Services	37.8	39.4	(1.5)	(4.0%)	48.2	57.7	(9.6)	(19.9%)
Grants	20.5	19.9	0.6	2.9%	23.5	23.5	0.0	0.0%
Development, Buildings & Licensing	29.9	29.8	0.1	0.4%	40.8	40.3	0.5	1.2%
Planning, Urban Design & Sustainability	24.5	23.6	0.9	3.6%	31.8	32.0	(0.2)	(0.5%)
Mayor	0.8	0.8	0.1	7.2%	1.1	1.6	(0.5)	(47.2%)
Council	1.7	1.5	0.2	11.8%	2.3	1.5	0.8	33.9%
Corporate Services	93.3	90.7	2.5	2.7%	124.0	122.0	2.1	1.7%
General Government, Debt and transfers	32.7	61.1	(28.4)	(87.0%)	136.4	159.0	(22.6)	(16.5%)
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>\$1,083.9</b>	<b>\$1,104.1</b>	<b>(\$20.3)</b>	<b>(1.9%)</b>	<b>\$1,597.0</b>	<b>\$1,633.5</b>	<b>(\$36.6)</b>	<b>(2.3%)</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$143.1</b>	<b>\$216.4</b>	<b>\$73.3</b>	<b>51.2%</b>	<b>(\$0.0)</b>	<b>\$0.0</b>	<b>\$0.0</b>	

NOTE: Totals may not add due to rounding.

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

01. Property Tax Revenue	Forecast on budget
--------------------------	--------------------

Property Tax Revenue is above budget for Q3 YTD due to higher penalties and interest from

delayed Tax payments, in addition to higher Empty Homes Tax revenues fully offset by a transfer to reserve by year-end.

<b>02. Utility Revenue</b>	<b>Forecast \$3.5 million below budget</b>
Utility Revenues are forecasted to be lower than budget due to lower than anticipated water consumption as a result of COVID restrictions, partially offset by more than budgeted solid waste direct haul and transfer. The net forecast for Utilities department is on budget for the year-end.	
<b>03. Program Revenue</b>	<b>Forecast \$2.0 million above budget</b>
Program Revenue is above budget by \$2.4 million for Q3 YTD and forecast to be \$2.0 million above budget for the year, an improvement from Q2 forecast.	
Park Board program revenues are forecasted to be above budget at year-end by \$6.5 million primarily due to strong golf revenues and anticipation of adjusted holiday forecast surpluses at Stanley Park Train and VanDusen, partially offset by lower recreation program revenues in the first three quarters of the year from pandemic capacity limits.	
Civic Theatres program revenues are forecasted to be below budget at year-end by \$4.3 million due to COVID-19 restrictions in the first three quarters.	
<b>04. Licence &amp; Development Fees</b>	<b>Forecast \$4.0 million above budget</b>
Licence and Development Fees are \$18.1 million above budget for YTD and forecast to be \$4.0 million above budget for the year primarily due to higher than anticipated volume of development, building, and rezoning applications and decal fees. Note that this higher revenue is fully offset by higher than budgeted costs and transfers to reserve to fund future permit work.	
<b>05. Parking revenue</b>	<b>Forecast \$6.4 million below budget</b>
Parking revenues are \$3.7 million below budget YTD and forecast to be below budget by \$6.4 million for the year due to reduced parking activity as a result of COVID-19 restrictions. The forecast has declined from Q2 due to lower traffic volumes.	
<b>06. Cost Recoveries and Grants</b>	<b>Forecast \$20.7 million above budget</b>
Cost recoveries are forecasted to be \$20.7 million above budget at year-end mostly due to anticipated COVID-19 related costs recoveries from external parties and senior government. These above budget cost recoveries are fully offset by higher costs. The surplus includes \$6.8 million for Police recoveries that are fully offset by the deficit in expenses mentioned below.	
<b>07. Provincial Revenue Sharing</b>	<b>Forecast \$7.2 million above budget</b>

Provincial revenue fees are forecasted to be \$7.2 million above budget at year-end due to higher than anticipated traffic fine revenues.

<b>08. Bylaw fines</b>	<b>Forecast \$5.9 million above budget</b>
------------------------	--

The Bylaw revenue is forecasted to be above budget at year-end due to higher parking enforcement and a one-time reversal of bad debts from previous years. 2021 Budget was reduced in expectation that bylaw revenues will fall during the pandemic, but the actual revenues have been consistent with pre-pandemic levels.

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

<b>01. Utilities</b>	<b>Forecast \$3.4 million below budget</b>
----------------------	--

Utilities expenditures are \$11.7 million below budget for Q3 YTD, primarily due to hiring delays and lower water purchases that reflect lower consumption of water in the first nine months of the year. The net forecast for Utilities department is on budget for the year-end.

<b>02. Engineering</b>	<b>Forecast \$1.9 million above budget</b>
------------------------	--

Engineering expenditures are below budget by \$1.6 million for Q3 YTD, primarily due to vacancy savings partially offset by snow removal costs at the beginning of the year. The overall forecast for Engineering expenditures are forecasted to be \$1.9 million above budget due to increased spend on street maintenance and fleet maintenance and parts.

<b>03. Police Services</b>	<b>Forecast \$10.5 million above budget</b>
----------------------------	---

Police Services expenditures are above budget by \$9.7 million for Q3 YTD partially offset by higher than anticipated cost recoveries mentioned above primarily due to special events returning back to normal, in addition to higher outside grants and donations. The YTD net forecast is a deficit of \$3.9 million.

The Vancouver Police department also forecasted an additional \$4 million deficit in expenditures primarily due to the budget appeal submitted to the Provincial government. This deficit is a risk to the City's balanced operating budget and we will continue to monitor it in the remaining quarter of the year.

<b>04. Fire &amp; Rescue Services</b>	<b>Forecast \$6.3 million above budget</b>
---------------------------------------	--

Fire & Rescue Services expenditures are above budget by \$4.3 million for Q3 YTD, primarily due to higher spend on equipment maintenance and higher than budgeted WorkSafeBC rate increases, offset by savings from COVID-19 related spending, travel and training. Fire expenditures for year-end are forecasted to be \$6.3 million over budget, primarily driven by higher sick leave, WorkSafeBC benefits, overtime pay and higher spend on fleet maintenance.

**05. Parks****Forecast \$3.2 million below budget**

Parks and Recreation expenditures are forecast to be below budget by \$4.2 million for Q3 YTD and \$3.2 million for the year, primarily due to facilities operating at lower capacity and staffing levels due to the pandemic, vacancy savings as well as lower revenue related expenditures offsetting lost revenues as mentioned above. The yearend surplus for expenditures increased compared to Q2 forecast due to the increase in recreation-related savings resulting from the timing of full re-opening of facilities as part of Phase 4 of BC restart plan.

**06. Civic Theatres****Forecast \$4.1 million below budget**

Civic Theatres expenditures are forecast to be below budget by \$4.1 million for the year, primarily due to theatre closures and in-person event cancellations, which result in some expenditure savings that partially offset lost revenues.

**07. Arts, Culture & Community Services****Forecast \$9.6 million above budget**

Arts, Culture and Community Services expenditures are forecast to be above budget by \$9.6 million, primarily due to higher spend on non-market housing COVID-19 related costs, timing of one-time funded projects, and warming centers fully offset by higher recoveries.

**08. Corporate Services****Forecast \$2.1 million below budget**

Corporate Services expenditures are forecast to be below budget by \$2.1 million for the year reflecting COVID-19 cost mitigations and vacancy savings in Real Estate and Facilities Management, Finance, Risk and Supply Chain Management, Legal, Clerks and City Manager Office, project delays, and City-Wide energy and occupancy savings due to closed facilities.

**09. General Government, Debt and Transfers****Forecast \$22.6 million below budget**

General Government expenditures, debt and transfers are forecast to be below budget by \$22.6 million primarily due to a lower transfer from reserve to reflect an improvement in City's year end position largely driven by improved revenue projections. The forecast also includes a transfer from reserve to offset the higher permits pricing cost. Based on best practice guidance from the GFOA, the recommended balance in the stabilization reserve is 8-16% of non-utility revenue. A \$38 million transfer from reserve is required to offset the revenue declines resulting from COVID-19 and expense pressures including the VPD forecasted year end deficit risk. After considering the upcoming commitments, the current forecast of the reserve balance at year-end will be 4%.

**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 and potential for activity restrictions to be imposed in the fall, 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 expenses related to Police Department budget appeal, COVID-19 response, and the settlement of collective agreements. 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 8, 2020, Council approved the 2021 Capital Budget, which included the 2021 Capital Expenditure Budget of \$771 million. This report reflects third quarter results against the 2021 Capital Expenditure Budget, which includes reallocations and adjustments within the Annual Expenditure Budget subsequent to the end of the third quarter, approved by the City Manager in accordance with the Capital Budget Policy, with no change to the overall city-wide 2021 Capital Expenditure Budget, as approved by Council.

### A. 2021 CAPITAL EXPENDITURE FORECAST vs. 2021 CAPITAL BUDGET by Service Category

Capital expenditures at the end of the third quarter of 2021 are \$364 million, representing 47% of the total 2021 Capital Expenditure Budget of \$771 million. Expenditures for the year are currently forecast to be \$511 million, representing 66% of the 2021 Capital Expenditure Budget.

The table below summarizes the 2021 Capital Expenditure Budget variances by service category.

2021 Annual Capital Expenditure Budget: Budget vs. YTD Actual Expenditure vs. Forecast vs. Variance (in \$ millions)					
Service Category	2021 Expenditure Budget	2021 YTD Actual Expenditure (as of Q3 2021)	2021 Forecast Expenditure	Variance	Variance %
AFFORDABLE HOUSING	\$194.4	\$78.6	\$98.8	\$95.6	49.2%
CHILDCARE	\$15.4	\$4.2	\$5.0	\$10.4	67.6%
PARKS, OPEN SPACES AND RECREATION	\$111.5	\$64.8	\$77.9	\$33.6	30.1%
COMMUNITY FACILITIES	\$30.8	\$7.9	\$12.2	\$18.5	60.2%
ARTS AND CULTURE	\$45.6	\$8.7	\$18.1	\$27.5	60.3%
PUBLIC SAFETY	\$18.0	\$6.1	\$10.9	\$7.2	39.7%
CIVIC FACILITIES AND EQUIPMENT	\$36.5	\$19.8	\$27.2	\$9.3	25.5%
TRANSPORTATION AND STREET USE	\$88.0	\$54.4	\$77.5	\$10.5	11.9%
ONE WATER	\$120.5	\$79.5	\$109.9	\$10.6	8.8%
RENEWABLE ENERGY	\$15.8	\$4.5	\$11.0	\$4.8	30.4%
SOLID WASTE	\$32.2	\$16.3	\$25.8	\$6.4	19.8%
TECHNOLOGY	\$34.5	\$14.8	\$29.4	\$5.1	14.9%
CITY-WIDE OVERHEAD	\$27.6	\$4.9	\$7.2	\$20.4	73.8%
<b>TOTAL</b>	<b>\$770.7</b>	<b>\$364.5</b>	<b>\$510.9</b>	<b>\$259.8</b>	<b>33.7%</b>

**Variance explanations between 2021 full-year expenditure forecasts as of September 30, 2021 and the 2021 Capital Expenditure Budget by service category:**

Affordable Housing	Forecast \$95.6 million below budget
--------------------	--------------------------------------

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 Agency.

Capital expenditures for Affordable Housing projects in 2021 are forecast to be \$95.6 million below budget, mainly due to:

- delay in land acquisitions and delays in building permits for PEF acquisition transfers
- Community Housing Incentive Program (CHIP) underspent because developments are in early stages, pending for grantees to complete the requirements

Childcare	Forecast \$10.4 million below budget
-----------	--------------------------------------

Childcare projects are managed by Arts, Culture & Community Services, and Real Estate & Facilities Management departments.

Capital expenditures for Childcare projects in 2021 are forecast to be \$10.4 million below budget, mainly due to delays in VSB managed Childcare projects concerning finalization of agreements

Parks and Open Spaces	Forecast \$33.6 million below budget
-----------------------	--------------------------------------

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 2021 are forecast to be \$33.6 million below budget, primarily due to the impact of COVID-19 and resulting staff redeployment, as well as:

- delay in land acquisitions, owing to its opportunistic nature
- delay in developers obtaining provincial permits in East Fraser Lands (EFL) Parks projects

Community Facilities	Forecast \$18.5 million below budget
----------------------	--------------------------------------

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 2021 are forecast to be \$18.5 million below budget, mainly due to:

- delays in capital maintenance projects because of redesign requirements, schedule alignment issues, supply chain issues, detailed additional review in some projects and reprioritization of projects
- grant payment delays arising from unmet grant requirements

<b>Arts and Culture</b>	<b>Forecast \$27.5 million below budget</b>
-------------------------	---

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 2021 are forecast to be below budget by \$27.5 million, mainly due to the impact of COVID-19 as well as:

- delay in project expenditure timeline in the Hastings Park – PNE project due to council approval being received later than anticipated
- delays in Public Art Maintenance and Installations projects due to external factors and less development taking place post COVID-19
- grant payment delays due to unmet requirements

<b>Public Safety</b>	<b>Forecast \$7.2 million below budget</b>
----------------------	--

Public Safety projects are managed by Real Estate & Facilities Management and Engineering Services departments.

Capital expenditures in 2021 for Public Safety projects are forecast to be \$7.2 million below budget, mainly due to:

- revision of scope, coordination and tendering delays in the Firehall 12 Seismic Upgrades project,
- capital maintenance program issues including more than anticipated complexity in pre-work, obsolete parts being unavailable and unplanned exigencies,

<b>Civic Facilities and Equipment</b>	<b>Forecast \$9.3 million below budget</b>
---------------------------------------	--

Civic Facilities and Equipment projects are managed by Real Estate & Facilities Management and Engineering Services.

Capital expenditures in 2021 for Civic Facilities and Equipment projects are forecast to be \$9.3 million below budget, primarily due to the impact of COVID-19 as well as:

- delays arising from greater project complexity, higher standards requirement, redesign requirements, additional scope, etc., in capital maintenance projects
- delays in decision-making and redesign requirements in the Accessibility program

<b>Transportation and Street Use</b>	<b>Forecast \$10.5 million below budget</b>
--------------------------------------	---

Transportation and Street Use projects are managed by the Engineering Services department.

Capital expenditures in 2021 for Transportation projects are forecast to be \$10.5 million below budget, primarily due to:

- redesign and extended design requirements for the New Sidewalks program
- various projects (Curb Ramps and Sidewalks, Active Transportation Corridors & Cambie Bridge) being delayed in order to coordinate with other engineering groups for preliminary works, design and to improve efficiency

<b>One Water</b>	<b>Forecast \$10.6 million below budget</b>
------------------	---

One Water projects are managed by the Engineering Services department.

Capital expenditures in 2021 for One Water projects are forecast to be \$10.6 million below budget, primarily due to:

- various factors concerning sewer projects, including extended planning needs in some projects such as drainage, design, etc., less reactive work than initially expected, developer side delays and funding recalibration considerations
- less reactive work than expected in Water programs, extended planning and staff constraints

<b>Renewable Energy</b>	<b>Forecast \$4.8 million below budget</b>
-------------------------	--

Renewable Energy projects are managed by the Engineering Services and Planning, Urban Design and Sustainability departments.

Capital expenditures in 2021 for Renewable Energy projects are forecast to be \$4.8 million below budget, primarily due to the impact of COVID-19 as well as:

- delays in various projects/programs (Heat Pump Top-up Incentives, Non-Market Buildings Implementation Support, Building Retrofits) arising from scope and funding negotiations with various partners

<b>Solid Waste</b>	<b>Forecast \$6.4 million below budget</b>
--------------------	--

Solid Waste projects are managed by the Engineering Services department.

Capital expenditures for Solid Waste projects in 2021 are forecast to be \$6.4 million below budget, mainly due to:

- delays in Gas Works arising from procurement efficiency requirements of bundling grants together
- supply chain issues, engagement, extended planning/coordination requirements, scope reduction, etc., in various projects (Fleet, Zero Waste, Landfill End Use, etc.)

<b>Technology</b>	<b>Forecast \$5.1 million below budget</b>
-------------------	--

Technology projects are managed by Information Technology Services.

Capital expenditures for 2021 technology projects are forecast to be \$5.1 million below budget due to:

- reprioritization to ensure capacity to deliver 2021 committed projects and large initiatives to support DBL revenue generation and implementation of Residential Parking Permits
- supply chain issues arising from lack of legal support and worldwide chip shortage

Overhead	Forecast \$20.4 million below 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 2021 are forecast to be \$20.4 million below budget.

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 to Council for approval.

## B. MULTI-YEAR CAPITAL PROJECT BUDGET

The total Multi-Year Capital Budget for open capital projects and programs totaled \$2.086 billion.

## C. 2019-2022 CAPITAL PLAN

The 2019-2022 Capital Plan approved by Council on July 25, 2018 included \$2.771 billion of capital investments over the four years of the plan, consisting of \$2.203 billion of City-led capital programs and \$0.569 billion 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 to date is \$2.812 billion, including \$2.238 billion of City-led

capital investments and \$574.4 million of in-kind contributions achieved through development.

#### D. RISKS AND OPPORTUNITIES

Given the longer-term timeframe for capital projects, forecast capital expenditures are subject to changes because of City capital priorities shifting during the year or because of factors beyond the City's control, including for example:

- delays or acceleration in third-party contracted project progress
- unforeseen site conditions encountered in construction phase of projects
- resolution of factors external to the City, such as partnership funding commitments
- the impact of COVID-19 pandemic

With its limited funding sources, it is not be possible for the City to address critical infrastructure and community needs in a meaningful way without strategic intergovernmental partnerships and a predictable, long-term funding arrangement. Over the past several years, there has been a significant increase in senior government funding in areas including housing and childcare. The 2019-2022 capital plan has seen increases in partner funding contributions including \$51.5 million from the Government of Canada's Rapid Housing Initiative (RHI) for the purchase of Days Inn and Best Western hotels to deliver social and supportive housing, and \$33 million has been committed by the BC Government for childcare. Currently, funding is typically secured through applications to specific programs or negotiated funding agreements with senior governments.

#### CONCLUSION

#### OPERATING BUDGET:

The City recorded an Operating Budget surplus of \$73.3 million in YTD Q3 and is forecasting a balanced budget at year-end. The forecasted variances in the revenue categories reflect revenues surplus due to higher than anticipated traffic fines in addition to higher forecast for program fees and bylaw parking enforcement fines offset by limited capacity at City facilities and lost parking revenues in the first two quarters, as well as the timing difference in the third quarter of the year between actual and budgeted revenues and expenditures. The forecasted deficit in the expenditures category is mainly due to the forecasted department deficit for Vancouver Police Department and Fire and Rescue Services, in addition to increased costs related to re-opening facilities, partially offset by salary related savings. The remaining revenue shortfall resulting from COVID-19 restrictions will be offset by a forecasted \$38 million draw from general revenue stabilization reserve. After considering the upcoming commitments, the current forecast of the reserve balance at year-end will be 4%.

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

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

**CAPITAL BUDGET:**

The City incurred \$364 million in capital expenditures up to the end of the third quarter of 2021, representing 47% of the total 2021 Annual Capital Expenditure Budget of \$771 million. Expenditures for the year are forecast to be \$511 million, being around 66% of the 2021 Capital Expenditure Budget. Therefore, an underspend variance of 34% is expected by end of 2021.

\*\*\*\*\*