

May 26, 2016

## 2016 FIRST QUARTER REVIEW - OPERATING AND CAPITAL BUDGETS

### OVERVIEW

The City is forecasting to be on budget at year end. Revenues and expenditures for the first quarter of 2016 are each above their respective first quarter budget, primarily due to higher than budgeted demand for trade permit fees, as well as the differences in the timing of actual revenues and expenditures in Q1 compared to the quarterly budget. The forecast for the year reflects the financial results of the first three months of the year and a projection of revenues, expenditures and transfers for the remaining nine months.

Capital expenditures for the first quarter of 2016 were \$98.6 million, representing 30% of the total 2016 Annual Capital Expenditure Budget of \$325.2 million. On May 3, 2016, Council approved the 2016 Q1 Capital Budget Adjustments and Closeouts Administrative Report with adjustments to the 2016 Capital Budget that included \$59.4 million for the Arbutus Corridor, increasing the 2016 Annual Capital Expenditure Budget to \$384.6 million.

### OPERATING BUDGET

#### A. BACKGROUND - OPERATING BUDGET

Since 2010, the Director of Finance has committed to report quarterly on the Operating Budget status. Council Policy regarding the Operating Budget, as per the Vancouver Charter, is to ensure a balanced operating budget.

#### B. Q1 2016 OPERATING BUDGET RESULTS AND FULL YEAR 2016 FORECAST

While still early in the year, this First Quarter report provides an indication of the City's financial direction for the year and identification of any significant variances from the 2016 Operating budget.

The City recorded an Operating Budget surplus of \$6.5 million in Q1. The variances in the revenue and expenditure categories reflect higher than budgeted demand for trade permit

fees, as well as the timing of actual revenues and expenditures within the year compared to the first quarter budget.

The City is currently forecasting the Operating Budget to be on budget for 2016 year-end. The forecast reflects the financial results of 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 and other funds primarily in the areas of debt, insurance and deferred payroll costs to provide for the City's unfunded liability.

Table 1 on the next page shows the 2016 Operating Budget revenue and expenditures, Q1 variances and year-end projections.

## 2016 First Quarter Review - Operating and Capital Budgets

**City of Vancouver**  
**2016 Operating Budget**  
**1st Quarter Review**

2016 Operating Budget - Q1 and Full Year Forecast								
\$ millions	Q1			2016 Full Year Forecast				
	Q1 Budget	Q1 Actuals	Q1 Variance	Q1 Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
<b>REVENUES</b>								
Property tax revenue	\$171.9	\$170.4	(\$1.5)	(0.9%)	\$716.8	\$716.8	\$0.0	0.0%
Utility revenue	\$48.4	\$48.3	(0.1)	(0.1%)	\$239.0	\$239.0	\$0.0	0.0%
Program revenue	\$11.0	\$12.6	1.7	15.4%	\$59.6	\$60.3	\$0.7	1.2%
License & Development fees	\$25.2	\$28.9	3.7	14.8%	\$58.3	\$59.2	\$0.9	1.5%
Parking revenue	\$13.0	\$13.4	0.5	3.6%	\$55.1	\$55.8	\$0.7	1.3%
Cost recoveries, grants & donations	\$12.9	\$16.2	3.3	25.6%	\$49.4	\$58.8	\$9.4	19.1%
Provincial revenue sharing	\$6.9	\$6.9	0.0	0.0%	\$21.7	\$21.7	\$0.0	0.0%
Investment income	\$5.3	\$5.3	(0.0)	(0.3%)	\$20.1	\$20.1	\$0.0	0.0%
Other revenue	\$7.9	\$8.3	0.4	5.2%	\$27.8	\$29.4	\$1.7	6.0%
Bylaw fines	\$4.2	\$4.9	0.7	16.7%	\$16.6	\$17.7	\$1.0	6.2%
<b>TOTAL REVENUES</b>	<b>\$306.5</b>	<b>\$315.2</b>	<b>\$8.7</b>	<b>2.8%</b>	<b>\$1,264.5</b>	<b>\$1,278.9</b>	<b>\$14.4</b>	<b>1.1%</b>
<b>EXPENDITURES &amp; TRANSFERS</b>								
Utilities	36.5	35.6	0.9	2.6%	283.6	283.9	(0.3)	(0.1%)
Engineering	19.7	19.2	0.5	2.7%	80.0	84.2	(4.2)	(5.2%)
Police Services	64.7	69.0	(4.3)	(6.6%)	274.9	280.8	(5.9)	(2.1%)
Fire & Rescue Services	30.1	29.8	0.3	0.9%	117.0	117.0	0.0	0.0%
Parks & Recreation	26.2	24.2	2.0	7.7%	114.7	114.6	0.0	0.0%
Library	13.2	13.3	(0.1)	(0.5%)	48.0	48.0	0.0	0.1%
Britannia	1.2	1.1	0.1	10.3%	4.7	4.7	0.0	0.8%
Civic Theatres	2.2	2.6	(0.3)	(15.7%)	9.0	9.4	(0.4)	(3.9%)
Community Services	9.6	10.1	(0.5)	(4.7%)	40.2	41.4	(1.2)	(3.0%)
Grants	3.7	3.6	0.2	4.4%	19.1	19.1	0.0	0.2%
Planning & Development	7.8	8.1	(0.4)	(4.9%)	32.6	34.3	(1.7)	(5.2%)
Mayor	0.3	0.3	0.0	16.0%	1.2	1.2	0.0	0.0%
Council	0.3	0.3	0.0	10.0%	1.3	1.3	0.0	0.0%
Corporate Services	22.9	21.9	0.9	4.1%	89.4	90.0	(0.6)	(0.7%)
General Government, Debt and transfers	8.8	10.6	(1.8)	(20.2%)	148.6	148.9	(0.4)	(0.3%)
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>\$247.3</b>	<b>\$249.5</b>	<b>(\$2.2)</b>	<b>(0.9%)</b>	<b>\$1,264.5</b>	<b>\$1,278.9</b>	<b>(\$14.4)</b>	<b>(1.1%)</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$59.2</b>	<b>\$65.7</b>	<b>\$6.5</b>	<b>11.0%</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	

***Revenue highlights for Q1 and the full year forecast by revenue category include:***

<b>01. Property Tax Revenue</b>	<b>Forecasted to be on budget</b>
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Property Tax revenue is below budget in Q1 due to the timing of revenues, primarily in supplementary rolls, appeal adjustments and Payment-in-lieu of taxes, of which a portion is transferred to reserve. Overall, Property Tax revenue is forecast to be on budget at year end.

<b>02. Utility Revenue</b>	<b>Forecasted to be on budget</b>
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Utility Revenue is below budget by \$0.1 million in Q1 and forecast to be on budget at year end:

- Water Utility is above budget in metered revenue and metered service charges in Q1. Metered revenues are projecting higher based on trends in consumption. The overall forecast for the Water Utility is to be above budget by \$0.9 million at year end.
- Sewer Utility is below budget in metered fee revenue as the 2016 budget for these revenues did not fully reflect metered properties that have a portion exempt from metered fees, resulting in below budget metered revenues by \$1.0 million at year end.
- Solid Waste Utility demolition waste revenues are below budget due to lower than expected volumes in Q1 and are forecast to be below budget by \$0.7 million at year end. Fee revenues for asbestos, garbage, and nuisance wastes are above budget due to an increase in volumes in Q1 and are forecast to be above budget by \$0.5 million at year end.

<b>02. Program Revenue</b>	<b>Forecasted \$0.7 million above budget</b>
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Q1 Parks program revenues are above budget primarily as a result of a revenue adjustment in Q1 to reflect final 2015 sales-based restaurant lease revenue, as well as higher than planned revenues from bookings of Arenas and Recreation Facilities. Revenues for Parks programs are forecast to be on budget at year end.

Greater than anticipated facility fee bookings at Civic Theatres and an increased volume of Food & Beverage revenues has contributed to Q1 revenues being above budget by \$0.7 million. Revenues for Civic Theatres are forecast to be \$0.7 million above budget at year end, primarily due to an anticipated overall increase in show bookings and Food & Beverage sales.

<b>03. License &amp; Development Fees</b>	<b>Forecasted \$0.9 million above budget</b>
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License and Development Fee revenues are above budget in Q1 primarily due to the timing of revenues and higher than budgeted demand for trade permit applications. This reflects an increased volume in construction activity and clearing a backlog of demand in development permit applications in Q1. Revenues for License and Development Fees are forecast to be above budget by \$0.9 million at year end.

<b>04. Cost Recoveries and Grants</b>	<b>Forecasted \$9.4 million above budget</b>
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Cost recoveries, grants and donations are above budget by \$3.3 million in Q1, and are forecast to be above budget by \$9.4 million at year-end primarily due to:

- Police Services recoveries for seconded officers and work incurred on behalf of other agencies are forecast to be above budget by \$5.5 million at year end, before offsetting related expenditures.
- Engineering recoveries for street cuts are forecast to be above budget by \$1.5 million at year end, before offsetting related expenditures.
- Community Services recoveries are forecast to be above budget by \$1.2 million at year end, primarily due to above budget developer public art contributions (offset by higher related Transfers) and recoveries from senior government for local immigration and Downtown Eastside (DTES) outreach programs and provincial recoveries for Carnegie Centre, before offsetting higher related expenditures.
- Planning and Development recoveries from developer projects (e.g., Oakridge Transfer Centre Bus Barn, Little Mountain Redevelopment) are forecast to be above budget by \$0.9 million at year end, before offsetting related expenditures.
- Park Board Community Centre Association (CCA) staff cost recoveries are forecast to be below budget by \$0.1 million at year end due to lower use by CCAs, before offsetting related expenditures.
- Sustainability recoveries are forecast to be above budget by \$0.1 million, reflecting unanticipated recoveries from BC Hydro and BC Housing for zero emissions new building planning, before offsetting related expenditures.

<b>05. Parking Revenue</b>	<b>Forecasted \$0.7 million above budget</b>
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Parking revenues are above budget in Q1 primarily due to an increase in pay-by-phone transactions and are forecast to be above budget by \$0.7 million at year end, before offsetting related increased transaction costs.

***Expenditures and Transfer highlights for Q1 and the full year forecast by department include:***

<b>01. Utilities</b>	<b>Forecasted \$0.3 million over budget</b>
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Utility Expenditures are under budget in Q1 but are forecast to be over budget at year end:

- Water Utility expenditures are forecast to be over budget by \$0.9 million at year end due to higher than anticipated water consumption.
- Sewer Utility year-end transfer from reserve is forecast to be higher than budget by \$1.0 million due to metered revenue shortfall.
- Solid Waste Utility year-end transfer to solid waste reserve is forecast to be over budget by \$0.2 million at year end.

<b>02. Engineering</b>	<b>Forecasted \$4.2 million over budget</b>
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Engineering expenditures are under budget in Q1 primarily due to the timing of fleet replacements and is forecast to be over budget by \$4.2 million at year end:

- Streets Division expenditures are forecast to be \$1.4 million over budget in degradation and street cut work, but fully offset by recoveries, and \$0.7 million over budget in Pay-by-Phone transaction costs, partly due to increased volume, but fully offset by higher parking revenues.
- Equipment Services Division (EQS) expenditures are forecast to be over budget at year end due to anticipated lower than planned EQS staff work assignments outside of routine maintenance work, but substantially offset by related lower than planned fleet costs.

<b>03. Fire</b>	<b>Forecasted to be on budget</b>
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Fire expenditures are under budget in Q1 primarily due to planned costs that were not incurred due to a delay in the delivery of new equipment that had been expected to come into service in Q1, an underspend in the Heavy Urban Search and Rescue (HUSAR) program, and lower fuel costs. These under budget items are offset by higher than budgeted expenditures for acting pay, overtime costs, and WCB, EHB and MSP fringe benefit. The overall forecast for Fire expenditures is to be on budget at year end.

<b>04. Parks</b>	<b>Forecasted to be on budget</b>
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Parks expenditures are under budget in Q1 primarily due to the timing of staff hiring and vacancies, the timing of costs relating to fuel and small equipment usage, building occupancy and horticultural supplies, and Community Centre Association (CCA) staff cost savings due to lower use by CCAs (offset by cost recoveries in Revenues). The overall forecast for Parks expenditures is to be on budget at year end.

<b>05. Corporate Services</b>	<b>Forecasted \$0.6 million over budget</b>
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Corporate Services expenditures are forecast to be over budget by \$0.6 million at year end due to higher 311 staffing costs required to service the volume of calls received, and costs related to zero emissions new building planning in Sustainability, offset by unanticipated cost recoveries from BC Hydro and BC Housing.

<b>06. Police Services</b>	<b>Forecasted \$5.9M over budget</b>
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Police Services expenditures are over budget by \$4.3 million in Q1 and forecast to be over budget by \$5.9 million at year end. Higher expenditures are anticipated for increased salary costs relating to a higher number of recruits, higher overtime costs due to overall increases in violent and property crime and theft from vehicles, as well as callouts to meet minimum staffing levels in Operations. These higher expenditures, however, are expected to be fully offset by cost recoveries and additional fee and donation revenue.

Higher expenditures are also anticipated for travel and training costs and professional fees, offset by recoveries.

<b>07. Civic Theatres</b>	<b>Forecasted \$0.4 million over budget</b>
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Civic Theatres expenditures are over budget by \$0.3 million in Q1 and forecast to be \$0.4 million over budget at year end, but fully offset by an overall forecast increase in show bookings and Food & Beverage revenues.

<b>08. Community Services</b>	<b>Forecasted \$1.2 million over budget</b>
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Community Services expenditures are over budget by \$0.5 million in Q1 and forecast to be \$1.2 million over budget at year end, primarily due to higher expenses, offset by recoveries from senior government programs for Local Immigration Partnership, DTES Outreach, Homeground & Smart Arts Programs.

<b>09. Planning &amp; Development</b>	<b>Forecasted \$1.7 million over budget</b>
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Planning & Development expenditures are over budget by \$0.4 million in Q1, reflecting increased staffing to clear a permit backlog and development project work. Expenditures are forecast to be over budget by \$1.7 million at year end, of which \$0.9 million is recoverable from developer projects (e.g., Oakridge Transfer Centre Bus Barn, Little Mountain Redevelopment Site) and \$0.8 million will be offset by higher licensing and development fee revenues.

<b>10. General Government, Debt and Transfers</b>	<b>Forecasted \$0.4 million over budget</b>
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General Government expenditures are over budget by \$1.8 million in Q1, primarily due to a foreign exchange loss on USD cash acquired in early 2015 for the purchase of 25 fire trucks scheduled for delivery throughout 2016. A foreign exchange gain of \$3.6 million on this USD

cash was recognized in 2015 and will be used to offset currency fluctuations occurring in 2016.

General Government transfers are forecast to be above budget by \$0.4 million at year end due to the transfer of above budget interest revenues to reserve.

## C. RISKS AND OPPORTUNITIES

### Forecast Risks:

- Changes in economic outlook – While development revenues and trade permit revenue show a favourable trend to budget, which provides an opportunity for stronger than anticipated revenues for the remainder of the year, these revenues are sensitive to changes in the economic cycle and forecast/planning alongside the potential increased revenue has to be monitored carefully.

## CAPITAL BUDGET

### A. BACKGROUND - CAPITAL BUDGET

While the Operating Budget reflects operating costs for one year only, the annual Capital Expenditure 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. total multi-year project budget).

On December 17, 2015, Council approved a 2016 Annual Capital Expenditure Budget of \$325.2 million. This report reflects first quarter performance against the 2016 Annual Capital Expenditure Budget as of March 31, 2016 and does not include adjustments to the Annual Expenditure Budget approved by Council subsequent to the close of Q1 (RTS 11306, approved May 3, 2016).

Staff closely manage the capital spend on a quarterly basis to ensure optimal delivery of projects within the annual expenditure budget. Strategic review of progress on projects is conducted on a regular basis, and where the timing of projects is advanced or delayed, adjustments to the corresponding budgets are recommended. Budget adjustments are generally managed within the total overall Capital Expenditure Budget, whereby additions to the budget are offset by corresponding reductions in budgets elsewhere in the overall Capital Expenditure Budget. With the exception of emergency situations, expenditures are not permitted until the corresponding new expenditure budget or increase to the existing expenditure budget is approved by Council.

This report on first quarter expenditures reflects a continuing focus on aligning our budget with our capacity to spend, providing regular quarterly reports on spending and forecast expenditures, and appropriately scheduling projects.

**B. 2016 CAPITAL EXPENDITURES vs. 2016 CAPITAL BUDGET by Service Category**

Capital expenditures for the first quarter of 2016 were \$98.6 million, representing 30% of the total 2016 Annual Capital Expenditure Budget of \$325.2 million. On May 3, 2016, Council approved the 2016 Q1 Capital Budget Adjustments and Closeouts Administrative Report with adjustments to the 2016 Capital Budget that included \$59.4 million for the Arbutus Corridor, increasing the 2016 Annual Capital Expenditure Budget to \$384.6 million.

Table 2 on the next page shows the 2016 Capital Expenditure Budget variances by service category.

Table 2 - Q1 2016 Annual Capital Budget Results By Service Category (\$000's)					
Service Category 1	Service Category 2	2016 Expenditure Budget	2016 YTD Expenditures	2016 Total Expenditure Forecast	Forecast Variance
01. Housing	A. Non-Market Rental Housing	29,482	867	32,726	(3,244)
01. Housing Total		<b>29,482</b>	<b>867</b>	<b>32,726</b>	<b>(3,244)</b>
02. Childcare	A. Daycare & Preschool (0-4 Yrs)	5,026	143	4,353	674
	B. Before & After School Care (5-12 Yrs)	1,425	56	1,475	(50)
02. Childcare Total		<b>6,451</b>	<b>199</b>	<b>5,828</b>	<b>624</b>
03. Parks, Open Spaces and Recreation	A. Urban Forest and Natural Features	2,302	366	2,229	73
	B. Activity Features	12,363	696	12,556	(192)
	C. New Parks and Renewals	8,801	2,711	8,965	(163)
	D. Seawall and Waterfront	1,405	584	1,687	(282)
	E. Park Infrastructure	1,433	493	1,356	77
	F. Park Buildings	1,630	200	1,673	(43)
	G. Public Art	1,546	52	1,580	(33)
	H. Recreation Facilities	8,198	1,139	6,498	1,700
	I. Entertainment and Exhibition	1,522	165	1,477	45
03. Parks, Open Spaces and Recreation Total		<b>39,201</b>	<b>6,406</b>	<b>38,020</b>	<b>1,181</b>
04. Community Facilities	A. Libraries and Archives	12,891	1,270	13,170	(279)
	B. Social Facilities	7,168	921	7,130	37
	C. Cultural Facilities	3,976	1,748	5,376	(1,400)
04. Community Facilities Total		<b>24,035</b>	<b>3,939</b>	<b>25,677</b>	<b>(1,642)</b>
05. Civic Facilities	A. Police	1,638	137	1,638	0
	B. Fire	7,256	318	6,629	626
	C. Animal Control	210	21	210	(0)
	D. Administrative Facilities	7,673	481	7,673	(0)
	E. Service Yards	1,684	504	1,851	(167)
05. Civic Facilities Total		<b>18,461</b>	<b>1,460</b>	<b>18,002</b>	<b>459</b>
06. Transportation	A. Walking and Cycling *	27,457	56,595	82,130	(54,672)
	B. Transit	840	150	839	1
	C. Major Roads	24,915	3,108	20,978	3,937
	D. Local Roads	4,065	732	4,192	(127)
	E. Parking	1,847	28	1,847	0
06. Transportation Total		<b>59,124</b>	<b>60,613</b>	<b>109,985</b>	<b>(50,861)</b>
07. Utilities and Public Works	A. Waterworks	11,586	3,181	10,354	1,231
	B. Sewers	33,326	6,984	33,011	315
	C. Solid Waste	12,078	675	9,807	2,271
	D. Neighbourhood Energy	1,307	13	1,160	147
	E. Water and Sewer Connections	20,819	5,367	19,707	1,113
07. Utilities and Public Works Total		<b>79,115</b>	<b>16,221</b>	<b>74,038</b>	<b>5,078</b>
08. Equipment and Technology	A. Vehicles and Equipment	39,860	4,300	40,445	(585)
	B. Information Technology	24,997	3,240	19,503	5,494
08. Equipment and Technology Total		<b>64,857</b>	<b>7,540</b>	<b>59,949</b>	<b>4,908</b>
09. City-Wide	C. City-Wide Overhead	4,512	1,335	5,715	(1,202)
09. City-Wide Total		<b>4,512</b>	<b>1,335</b>	<b>5,715</b>	<b>(1,202)</b>
Grand Total		<b>325,240</b>	<b>98,580</b>	<b>369,939</b>	<b>(44,700)</b>

\* 2016 Q1 expenditures for Transportation includes \$55 million acquisition of Arbutus Corridor land that was not anticipated in 2016 Budget. Council approved an increase to the 2016 Annual Expenditure budget for this project in the May 3<sup>rd</sup> Q1 Capital Budget and Close out report, following the close of the quarter.

***Explanations for variances between total forecast 2016 expenditures and the 2016 Annual Capital Expenditure Budget by service category are:***

<b>01. Housing</b>	<b>\$3.2 million negative variance</b>
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Housing projects are managed by Real Estate & Facilities Management and Housing Policy & Projects.

Capital expenditures for Housing projects in 2016 are forecast to be \$3.2 million above budget, primarily due to the timing of an acquisition of land in East Fraser Lands for housing purposes that had been planned for 2015 but has now shifted into 2016 as negotiations for the land purchase continue.

<b>02. Child Care</b>	<b>\$0.6 million positive variance</b>
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Child Care projects are managed by Community Services and Real Estate & Facilities Management.

Capital expenditures for Child Care projects in 2016 are forecast to be \$0.6 million below budget, primarily due to a later than planned start of construction for a Vancouver School Board led partnership project which will provide 69 childcare spaces for children ages 0 to 4 at the new Lord Nelson Elementary School site. The project is to be delivered by the Vancouver School Board with the City providing project oversight.

<b>03. Parks, Open Spaces and Recreation</b>	<b>\$1.2 million positive variance</b>
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Parks, Open Spaces and Recreation projects are managed by Parks and Recreation, Real Estate & Facilities Management, Community Services, and Engineering Services.

Capital expenditures for Parks, Open Spaces and Recreation projects in 2016 are forecast to be \$1.2 million less than budget, primarily reflecting an unanticipated delay in issuing the Design-Build contract Request for Proposal (RFP) for the Southeast Vancouver Seniors Centre and the resulting contract award occurring later than originally planned. This positive variance is partially offset by a higher than planned 2016 expenditure required for Vanier dock and foreshore renewal due to the contract tendering coming in higher than had been expected at the time the project budget was set.

<b>04. Community Facilities</b>	<b>\$1.6 million negative variance</b>
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Community Facilities projects are managed by various departments within the City including Real Estate & Facilities Management, Community Services, Planning and Development, and Vancouver Public Library.

Capital expenditures for Community Facility projects in 2016 are forecast to be higher than budget by \$1.6 million primarily due to the timing of a large cultural grant related to Mount Pleasant artist production spaces. The grant was expected to be disbursed in 2015 but is now expected for 2016 due to the recipient organization requiring more time than originally

anticipated to satisfy grant conditions. Also contributing to the forecast higher 2016 Community Facilities expenditures is an expected acceleration of expenditures in the year for Central Library expansion of levels 8 and 9 as the project planning consulting work is progressing faster than anticipated at the time the 2016 expenditure budget was set.

<b>05. Civic Facilities</b>	<b>\$0.5 million positive variance</b>
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Civic Facilities projects are managed by Real Estate & Facilities Management, Vancouver Fire and Rescue Services, Police Services, Parks and Recreation, and Engineering Services.

Capital expenditures in 2016 for Civic Facilities projects are forecast to be \$0.5 million less than budget, primarily due to an extended planning timeline for the replacement of Fire Hall No. 5 delaying the related construction RFP and contract award. The contract is now expected to be awarded in June 2016, with construction to start in the summer. The lower than planned expenditures for Fire Hall No. 5 in 2016 are partially offset by higher than planned expenditures in the year for garage modifications for CNG vehicle servicing. The garage modifications were expected to be completed in 2015 but the work was delayed as a result of unforeseen unfavourable site conditions discovered prior to construction.

<b>06. Transportation</b>	<b>\$50.9 million negative variance</b>
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Transportation projects are managed by Engineering Services.

As of the end of the first quarter 2016, capital expenditures for the year for Transportation projects are forecast to be \$50.9 million higher than budget. It should be noted, however, that this forecast includes a \$55 million expenditure in the first quarter for the acquisition of land in the Arbutus Corridor that was not included in the 2016 Expenditure Budget. (This was subsequently added to the 2016 Annual Expenditure Budget in budget adjustments approved by Council May 3, 2016.) Excluding this Q1 \$55 million expenditure, the overall capital expenditures for Transportation projects are forecast to be \$4.1 million less than budget, reflecting delays in planned expenditures for Phase 1 of the Georgia Dunsmuir Viaducts Removal related to staffing resource coordination and vendor procurement.

<b>07. Utilities and Public Works</b>	<b>\$5.1 million positive variance</b>
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Utilities and Public Works projects are managed by Engineering Services.

Capital expenditures in 2016 for Utilities and Public Works projects are forecast to be less than budget by \$5.1 million, primarily due to:

- an acceleration of expenditures in 2015 for water distribution and transmission main replacement programs in order to minimize disruptions to local businesses, reducing the corresponding expenditures originally planned for 2016. The 2015 programs also included a significant number of high-cost, high-value projects, including coordinating with multi-branch projects, working with new materials (earthquake resistant pipe) and new construction methodologies (trenchless).

- a delay in Transfer Station improvements work arising from an adjustment to the work schedule to coordinate with Transfer Station ongoing operational needs;
- a revised schedule for Landfill and Transfer Scale Software Project work to reflect expected timing of contract award and to coordinate with the Landfill branch schedule;
- the rescheduling of construction contract award for work relating to Phase 3 of the landfill closure to allow for additional time that was required for scoping and costing.

<b>08. Equipment and Technology</b>	<b>\$4.9 million positive variance</b>
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Equipment and Technology projects are managed by Engineering Services and Information Technology departments.

Capital expenditures in 2016 for Equipment and Technology projects are forecast to be less than budget by \$4.9 million, reflecting project scheduling adjustments in several Information Technology projects:

- Some expenditures originally anticipated for 2016 for a software solution for Fleet Services have been deferred to Q1 2017 to accommodate anticipated additional time required for scoping and contract negotiations related to software procurement.
- Planned expenditures for 2016 for the Contract Lifecycle Management project have been delayed due to limited availability of staff earlier in year and additional process analysis and planning being performed, delaying the software purchase and implementation phases of the project.
- VPD Major Case Management System project is currently on hold pending finalization of coordinated plan and timeline from the provincial government on the provincial standards and requirements each law enforcement agency must meet.
- Expenditures planned for 2016 for the VPD Digital Evidence Management project have been delayed due to an extended timeline required for defining and finalizing the project scope.

In addition to these expenditure timing adjustments, some contingency costs expected in 2016 for the Permit & Licence Transformation Program are no longer anticipated, resulting in a lower 2016 expenditure for the program which is scheduled to be completed in Q2 2016.

These lower than planned expenditures for IT projects in 2016 are partially offset by a higher than planned expenditure in the year for the replacement of the City's fireboats. The fireboats were expected to be delivered before the end of 2015, but the delivery schedule has been revised to Q2 2016.

<b>09. City-Wide</b>	<b>\$1.2 million negative variance</b>
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This service category represents City-wide overhead costs relating to support of the City's capital program and funding for emerging priority capital projects. The overhead costs relating to Real Estate & Facilities Management (REFM) staff providing facilities planning support for the City's capital program were inadvertently omitted in the 2016 Capital Budget and corrected in the first quarter of 2016 (RTS 11307). The forecast negative variance

represents 2016 expenditures for this overhead category and will be managed within the City's overall 2016 Annual Capital Expenditure Budget.

### C. TOP 10 CAPITAL PROGRAMS/PROJECTS: 2016 Anticipated vs. Actual Outcomes

Table 3 on the next page shows progress on outcomes related to the top 10 projects by 2016 Annual Capital Expenditure Budget. As shown in the table, we are currently on-track to deliver outcomes anticipated during development of the 2016 Budget for eight of the top 10 projects.

Two projects are currently expecting outcomes less than originally anticipated for 2016:

- Sewer Separation program (some priority projects for 2016 involve large-diameter trunk separations which require more expense and labour per kilometre than the more typical shallower and smaller diameter sewer separations)
- Dunsmuir Viaduct Removal Phase 1 project (timing of planned 2016 expenditures has been delayed due to additional time required for staffing resource coordination and vendor procurement)

## 2016 First Quarter Review - Operating and Capital Budgets

Table 3 - Outcomes for Top 10 Projects and Programs in 2016 (\$ millions)						
Program/Project	2016 Annual Expenditure Budget	2016 YTD Expenditures	2016 Total Expenditure Forecast	Forecast Variance	Anticipated Outcomes in 2016	Anticipated Outcomes as of Q1 2016
Sewer separation (Annual program)	30.0	6.5	30.0	0.0	10 km of combined (stormwater and sanitary) sewer mains separated (1.1%)	Not on track. 1.8 kilometre separated in Q1. Total kilometres delivered in 2016 will be lower than anticipated because some priority projects for 2016 involve large-diameter trunk separations which require more expense and labour per kilometre than the more typical shallower and smaller diameter sewer separations. Major planned projects include: <ul style="list-style-type: none"><li>• Burrard South 1.2 Km, Burrard North 0.6 km, South West Marine 1.4 km, and Pt Grey Rd 1.1 km (City crews)</li></ul>
2014 Fire Truck Replacement	27.8	2.5	27.8	0.0	17 apparatus and 6 life support units replaced	On track.
2015-17 Burrard Bridge Upgrades	16.0	0.2	16.0	0.0	* 0.34 km of new AAA bike lane added * 0.75 km of new means prevention fence on the Burrard Bridge added * 0.75 km of electrical, street lighting and sidewalk rehabilitated * 0.34 km of partial road and sidewalk rehabilitated	On track. Construction began on time in March 2016, design of bridge and road proceeding on schedule. Means prevention requirement and other scope changes have been approved by the Steering Committee and contracted.
Vehicles and equipment replacement (Annual program)	12.0	1.8	12.0	0.0	120 to 160 vehicles and equipment replaced	On track.
Social Housing - SEFC Area 3B	12.0	0.6	12.0	0.0	Working drawings to be completed, excavation of the site, start construction of the building.	On track. Excavation and foundation to be completed. Construction about 35% to 40% completion by end of 2016.
náča?mat ct Strathcona Branch Library (Total project budget \$18.4M)	11.0	0.9	11.0	0.0	Construction 100% complete	On track.
Water/sewer connections replacement (Annual program)	11.0	2.0	11.0	0.0	1,200 residential water and sewer connections replaced	On track. As of the end of Q1: <ul style="list-style-type: none"><li>• 165 combined residential completed</li><li>• 23 sewer commercial completed</li><li>• 33 water commercial completed</li></ul>
Water pipe replacement (Annual program)	10.0	2.8	8.8	1.2	* 6.0 km of distribution water and sewer connections replaced (water distribution to homes, businesses, and industry) * 0.85 km of transmission water pipe replaced (transmission of bulk quantities of water throughout the City)	On track. As of the end of Q1: <ul style="list-style-type: none"><li>• 1.2 km distribution water pipe constructed</li><li>• 395 m of transmission water pipe constructed</li></ul>
Rehabilitation of major City roads (Annual program)	8.2	1.2	8.1	0.1	* 5 km of arterial MRN pavements rehabilitated * 3 km of arterial City pavements rehabilitated	On track. As of the end of Q1, the West 10th, Blanca to Trimble (.7 km) is complete and the Pender & Columbia Intersection Rehab project (.1 km) is nearing completion.
Georgia Dunsmuir Viaduct Removal Phase I	8.1	0.1	4.6	3.5	Year one of a two-year planning and consultation process to complete detailed planning, design, and the necessary agreements to advance removal of the viaducts and development of the remaining NEFC lands including areas 6C, 10C, and the future parks and open spaces.	Not on track. Delays related to staffing coordination and vendor procurement for consulting services. Completed preliminary environmental investigations on City land.
Land acquisition in East Fraser Lands for non-market housing	8.1	0.0	8.1	0.0	Purchase of land to enable strategic partners (e.g., senior government, non-profit agencies) to deliver 300 units of affordable housing on City-owned land over the next three years.	On track. Discussion with developer is ongoing and the option payments for the various land parcels are now anticipated to be exercised in Q3.
<b>Total</b>	<b>154.3</b>	<b>18.7</b>	<b>149.6</b>	<b>4.7</b>		

## D. MULTI-YEAR CAPITAL PROJECT EXPENDITURES vs. BUDGET

As of March 31, 2016, the active Multi-Year Capital Project Budgets for current open capital programs/projects totaled \$1.114 billion. As part of the quarterly adjustment and closeout process, additions to the Multi-Year Capital Project Budgets totaling \$9.8 million and closeouts totaling \$1.4 million were approved by Council May 3, 2016 (RTS 11306) for a revised total multi-year budget of \$1.122 billion.

## E. 2015-2018 CAPITAL PLAN

Council approved the 2015-2018 Capital Plan in October 2014 (RTS 10507), in the amount of \$1.085 billion. The Capital Plan was subsequently adjusted in 2015 to reflect a change in cost allocation methodology implemented in 2015 for corporate shared services to better reflect the cost of the City's Capital Program (\$10.8 million), and to include user-fee funded utilities connections programs in the Capital Plan (\$20.0 million). A further adjustment of \$60.7 million was approved by Council May 3, 2016 (RTS 11306) to reflect capital investments relating to the acquisition of the Arbutus Corridor (land acquisition, establishment of an Arbutus Corridor project office, and interim safety improvements and construction along the corridor). With these adjustments, the revised 2015-2018 Capital Plan is currently \$1.177 billion.

## F. RISKS AND OPPORTUNITIES

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

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

Opportunities to initiate or accelerate the timing of capital investment in the City's capital infrastructure may also arise as the City actively pursues funding contributions/participation from senior levels of government (e.g., Build Canada Fund, Community Works Fund) and private and community partnerships (e.g., BC Housing, developers).

## CONCLUSION

### OPERATING BUDGET:

The City recorded an Operating Budget surplus of \$6.5 million in Q1. The variances across the revenue and expenditure categories reflect a higher level of secondments and recoverable expenses relative to the first quarter budget, higher than budgeted demand for trade permit fees as well as variances in the timing of actual revenues and expenditures within the year compared to the first quarter budget.

The City is currently forecasting the Operating Budget to be on budget for 2016 year-end. The forecast reflects the financial results of the first three months of the year and a projection of revenue, expenditures and transfers for the remaining nine months. The forecast includes an

estimate of year end transfers to reserve and other funds primarily in the areas of debt, insurance 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 \$98.6 million in capital expenditures in the first quarter of 2016, representing 30% of the total 2016 Annual Capital Expenditure Budget of \$325.2 million. On May 3, 2016, Council approved adjustments to the 2016 capital budget that included \$59.4 million for the Arbutus Corridor, increasing the 2016 Annual Capital Expenditure Budget to \$384.6 million.

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