

June 11, 2021

2021 FIRST 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 assumes 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, a transfer of \$57 million from the general revenue stabilization reserve is included in the 2021 Budget.

The forecast shows an increase in the revenue shortfall in the City's year-end operating position as compared to earlier estimates primarily as a result of COVID restrictions which have limited capacity at City facilities and decreased parking activity. This revenue loss has been partially offset by cost mitigations from holding vacancies and the financial impacts of limited capacity at City facilities. The remaining \$8.8 million in revenue loss would need to be offset from stabilization reserves at year-end if it is not mitigated, which would bring the total draw from reserve to \$66 million. The mentioned forecast does not reflect adjustments based on recent PHO orders. The City is working on updated forecasts based on the restart plans that could possibly improve revenue forecasts.

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 %
TOTAL REVENUES	\$373.7	\$390.8	\$17.1	4.6%	\$1,597.9	\$1,589.1	(\$8.8)	(0.6%)
TOTAL EXPENDITURES & TRANSFERS	\$325.3	\$321.9	\$3.4	1.0%	\$1,597.9	\$1,589.1	\$8.8	0.6%
SURPLUS (DEFICIT)	\$48.4	\$68.8	\$20.4	42.3%	\$0.0	\$0.0	\$0.0	

NOTE: Totals may not add due to rounding.

CAPITAL BUDGET

Total capital expenditures to the end of the first quarter of 2021 were \$97 million, which is 13% of the total 2021 Capital Expenditure Budget of \$771 million. Total expenditures for the year are forecast to be \$750 million, which is 97% 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. Q1 YTD 2021 OPERATING BUDGET RESULTS AND FULL YEAR 2021 FORECAST

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

The City recorded an Operating Budget surplus of \$20.4 million for the first quarter of 2021 primarily driven by the timing difference in the first quarter between actual and budgeted revenues and expenditures as well as vacancy savings and other salary related savings, which are expected to continue to year-end.

At year-end, the forecasted variances in the revenue categories reflect lost revenues due to limited capacity at City facilities, lost parking revenues and increased costs due to COVID-19 related expenditures, partially offset by salary related savings.

The City is taking a balanced approach to mitigating the impact of COVID-19 including actions such as cost containment, 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 three months of the year and a projection of revenues, expenditures and transfers for the remaining nine months. The forecast includes an estimate of year-end transfers from reserves, including transfers from revenue stabilization to address the funding gap.

The table below shows the 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 %
REVENUES								
Property tax revenue	\$224.9	\$226.9	\$2.0	0.9%	\$942.2	\$942.2	\$0.0	0.0%
Utility revenue	\$68.0	\$68.3	\$0.3	0.4%	\$339.9	\$340.5	\$0.6	0.2%
Program revenue	\$6.7	\$6.1	(\$0.6)	(8.9%)	\$39.9	\$32.7	(\$7.2)	(18.1%)
Licence & Development fees	\$29.9	\$35.9	\$6.0	20.0%	\$78.0	\$82.2	\$4.2	5.3%
Parking revenue	\$15.0	\$12.6	(\$2.4)	(15.9%)	\$63.5	\$53.1	(\$10.4)	(16.3%)
Cost recoveries, grants & donations	\$12.9	\$22.7	\$9.8	76.6%	\$58.1	\$64.3	\$6.2	10.7%
Provincial revenue sharing	\$0.0	\$0.0	\$0.0	-	\$7.3	\$7.3	\$0.0	0.0%
Investment income	\$3.3	\$3.8	\$0.5	14.2%	\$12.1	\$12.6	\$0.5	3.9%
Other revenue	\$8.6	\$9.9	\$1.3	14.7%	\$39.3	\$37.9	(\$1.4)	(3.5%)
Bylaw fines	\$4.4	\$4.6	\$0.2	4.9%	\$17.6	\$16.3	(\$1.3)	(7.4%)
TOTAL REVENUES	\$373.7	\$390.8	\$17.1	4.6%	\$1,597.9	\$1,589.1	(\$8.8)	(0.6%)
EXPENDITURES & TRANSFERS								
Utilities	47.3	41.0	6.3	13.3%	387.8	387.8	0.0	0.0%
Engineering	28.0	28.1	(0.1)	(0.3%)	107.0	107.4	(0.4)	(0.4%)
Police Services	84.7	86.9	(2.2)	(2.6%)	340.9	340.9	0.0	0.0%
Fire & Rescue Services	37.0	36.6	0.3	0.9%	144.1	145.7	(1.6)	(1.1%)
Parks & Recreation	30.4	26.5	3.8	12.5%	136.6	133.2	3.4	2.5%
Library	14.2	13.3	1.0	6.8%	55.2	54.5	0.7	1.3%
Britannia	1.2	1.2	(0.0)	(4.1%)	6.1	5.9	0.2	2.9%
Civic Theatres	1.7	1.6	0.1	3.1%	11.0	6.9	4.1	37.6%
Arts, Culture & Community Services	11.9	13.5	(1.6)	(13.6%)	47.8	53.5	(5.7)	(12.0%)
Grants	13.2	13.5	(0.4)	(2.7%)	23.5	23.5	0.0	0.0%
Development, Buildings & Licensing	10.0	9.2	0.8	7.9%	40.8	40.8	(0.0)	(0.0%)
Planning, Urban Design & Sustainability	7.7	6.9	0.8	10.1%	31.3	32.4	(1.1)	(3.5%)
Mayor	0.3	0.2	0.0	12.6%	1.1	2.8	(1.6)	(146.9%)
Council	0.6	0.5	0.1	15.1%	2.3	0.5	1.8	78.8%
Corporate Services	30.3	27.5	2.8	9.2%	123.1	122.1	1.0	0.8%
General Government, Debt and transfers	7.0	15.2	(8.2)	(116.8%)	138.9	130.9	8.1	5.8%
TOTAL EXPENDITURES & TRANSFERS	\$325.3	\$321.9	\$3.4	1.0%	\$1,597.9	\$1,589.1	\$8.8	0.6%
SURPLUS (DEFICIT)	\$48.4	\$68.8	\$20.4	42.3%	\$0.0	\$0.0	\$0.0	

NOTE: Totals may not add due to rounding.

A. Revenue highlights for Q1 Year-to-Date and the full year forecast by revenue category include:

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

Property Tax Revenue is above budget for Q1 YTD due to higher penalties and interest from delayed Tax Payment.

02. Utility Revenue	Forecast \$0.6 million above budget
----------------------------	--

Utility Revenues are forecasted to be higher than budget due to higher than anticipated transfer

of tonnes in Solid Waste disposal revenues offset by lower than anticipated Sewer and Water consumption in Q1.

03. Program Revenue**Forecast \$7.2 million below budget**

Program Revenue is below budget by \$0.6 million for Q1 YTD and forecast to be \$7.2 million below budget for the year partially offset by related expenditures.

Park Board program revenues are forecasted to be below budget at year-end by \$2.7 million primarily due to lower than budgeted volume of recreation revenues and lower programming levels due to pandemic closures partially offset by strong golf revenues.

Civic Theatres program revenues are forecasted to be below budget at year-end by \$3.9 million due to continued COVID-19 restrictions.

The mentioned forecast does not reflect adjustments based on recent PHO orders. The City is working on updated forecasts.

04. Licence & Development Fees**Forecast \$4.2 million above budget**

Licence and Development Fees are \$6.0 million above budget for YTD and forecast to be \$4.2 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.

05. Parking revenue**Forecast \$10.4 million below budget**

Parking revenues are \$2.4 million below budget YTD and forecast to be below budget by \$10.4 million for the year due to reduced parking activity as a result of COVID-19 restrictions.

The mentioned forecast does not reflect adjustments based on recent PHO orders. The City is working on updated forecasts.

06. Cost Recoveries and Grants**Forecast \$6.2 million above budget**

Cost recoveries are forecasted to be \$6.2M above budget at year-end mostly due to anticipated COVID-19 related costs recoveries from senior government, and higher than planned Street recoveries offset by shortfall in recreation recoveries. These above budget cost recoveries are fully offset by higher costs.

07. Bylaw fines**Forecast \$1.3 million below budget**

Bylaw fines are currently being forecast to be below budget by \$1.3 million mainly due lower than planned Municipal Ticket Information System revenues related to Marijuana licences.

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

01. Utilities	Forecast on budget
Utilities expenditures are \$6.3 million below budget for Q1, primarily due to hiring delays and lower water purchases that reflect lower consumption of water in January. The overall forecast for Utilities expenditure is on budget for the year-end.	
02. Engineering	Forecast \$0.4 million above budget
Engineering expenditures are higher than budget by \$0.1 million for Q1 YTD, primarily due significant snow removal costs at the beginning of the year partially offset by vacancy savings. The overall forecast for Engineering expenditures is forecasted to be \$0.4 million over budget due to increased spend on street maintenance (offset by external revenue).	
03. Police Services	Forecast on budget
Police Services expenditures are above budget by \$2.2 million for Q1 YTD primarily due to higher than anticipated overtime costs and higher fleet insurance costs as a result of ICBC insurance rate increases. The Vancouver Police Board submitted an appeal to the Provincial government related to Council's decision related to the Police Board's 2021 budget. The appeal amount is \$5.6 million, which is a risk to the City's operating budget.	
04. Fire & Rescue Services	Forecast \$1.6 million above budget
Fire & Rescue Services expenditures are below budget by \$0.3 million for Q1 YTD, primarily due to savings from COVID-19 related spending, travel, training and other expenses offset by higher spend on equipment maintenance. Fire expenditures for year-end are forecasted to be \$1.6 million over budget, primarily driven by higher sick leave pay and higher spend on fleet maintenance.	
05. Parks	Forecast \$3.4 million below budget
Parks and recreation expenditures are forecasted to be below budget by \$3.4 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.	
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 \$5.7 million above budget

Arts, Culture and Community Services expenditures are forecasted to be above budget by \$5.7 million, primarily due to higher spend on non-market housing COVID-19 related costs and warming centers fully offset by higher recoveries.

08. Planning, Urban Design & Sustainability	Forecast \$1.1 million above budget
--	--

Planning, Urban Design & Sustainability expenditures are above budget by \$1.1 million primarily due to unbudgeted Planning project salaries partially offset by unbudgeted developer recoveries and delayed spending on Vancouver Plan and vacancy savings. The net department position is forecasted to be \$0.4 million above budget at year-end.

09. Corporate Services	Forecast \$1.0 million below budget
-------------------------------	--

Corporate Services expenditures are forecast to be below budget by \$1.0 million for the year reflecting COVID-19 cost mitigations and vacancy savings in FRS, Clerks and City Manager Office, and City-Wide energy savings due to closed facilities.

10. General Government, Debt and Transfers	Forecast \$8.1 million below budget
---	--

General Government expenditures, debt and transfers are forecast to be below budget by \$8.1 million primarily due to a higher transfer from reserve to offset a portion of the City's lost revenue due to COVID-19. Based on best practice guidance from the GFOA, the recommended balance in the stabilization reserve is 8-16% of non-utility revenue. A \$64 million transfer from reserve is required to offset the revenue declines resulting from COVID-19. After considering the upcoming commitments, the current forecast of the reserve balance at year-end will be 0.1%.

B. RISKS AND OPPORTUNITIES

Forecast risk arising from changes in economic outlook: A number of City revenue streams are sensitive to changes in the economy. Given the uncertainty around the economic recovery from COVID, any forecasting or planning associated with these potential increased revenues must be considered carefully and monitored over time.

Emerging issues: Over the remainder of the year, unanticipated costs and unplanned activities may be realized including 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, including the 2021 Capital Expenditure Budget of \$771 million. This report reflects first quarter results against the 2021 Capital Expenditure Budget, including reallocations and adjustments within the Annual Expenditure Budget subsequent to the end of the first 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 first quarter of 2021 are \$97 million, representing 13% of the total 2021 Capital Expenditure Budget of \$771 million. Expenditures for the year are currently forecast to be \$749 million, representing 97% of the 2021 Capital Expenditure Budget.

The table below summarizes the 2021 Capital Expenditure Budget variances at the 2021 Q1 reporting cycle by service category.

2021 Annual Capital Expenditure Budget (in \$ millions)					
Service Category	2021 Expenditure Budget	2021 Q1 Actual Expenditure	2021 Forecast Expenditure	Variance	Variance %
AFFORDABLE HOUSING	\$197.0	\$36.6	\$197.0	\$0.0	0.0%
CHILDCARE	\$22.4	\$1.2	\$18.5	\$3.9	17.5%
PARKS, OPEN SPACES AND RECREATION	\$113.0	\$6.3	\$97.5	\$15.5	13.7%
COMMUNITY FACILITIES	\$36.9	\$1.7	\$32.9	\$4.0	10.9%
ARTS AND CULTURE	\$37.9	\$2.1	\$30.1	\$7.8	20.5%
PUBLIC SAFETY	\$17.4	\$1.2	\$16.1	\$1.3	7.5%
CIVIC FACILITIES AND EQUIPMENT	\$43.5	\$5.4	\$34.7	\$8.7	20.1%
TRANSPORTATION AND STREET USE	\$112.4	\$11.8	\$106.3	\$6.1	5.4%
ONE WATER	\$131.3	\$23.8	\$128.8	\$2.5	1.9%
RENEWABLE ENERGY	\$21.9	\$.6	\$18.9	\$3.0	13.7%
SOLID WASTE	\$37.0	\$2.1	\$31.8	\$5.2	14.0%
TECHNOLOGY	\$34.5	\$2.5	\$31.0	\$3.5	10.2%
CITY-WIDE OVERHEAD	(\$34.4)	\$1.9	\$6.8	(\$41.2)	119.7%
TOTAL	\$770.7	\$97.2	\$750.4	\$20.3	2.6%

Variance explanations between 2021 full-year expenditure forecasts as of March 31, 2021 and the 2021 Capital Expenditure Budget by service category:

Affordable Housing	Forecast on 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 on budget.

Childcare	Forecast \$3.9 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 \$3.9 million below budget, primarily due to:

- Vancouver School Board (VSB) specific issues leading to reissue and review of drawings
- COVID-19 related challenges to hold in-person neighbor engagement for the West Fraser Lands project, and requirements of additional design considerations arising from project locational factors

Parks and Open Spaces	Forecast \$15.5 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 \$15.5 million below budget, primarily due to impact of COVID-19 as well as:

- extended timeline for several projects resulting from either redeployment or scarcity of resources
- delay in developers obtaining provincial permits in East Fraser Lands (EFL) Parks projects
- extended public and other stakeholder engagement process for several projects

Community Facilities	Forecast \$4 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 \$4 million below budget, primarily due to:

- longer equipment lead time in Capital Maintenance projects
- uncertainty with the timing of the Library Square Humidifiers project, which is linked to the deferred Archives Relocation project
- project delays that occurred late in 2020, after the 2021 budget had been finalized, which result in updated 2021 expenditure forecasts

Arts and Culture	Forecast \$7.8 million below budget
-------------------------	--

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 \$7.8 million, primarily due to the impact of COVID-19 as well as:

- deferred disbursement of Heritage Incentive Program grants, arising from delay in construction, and where the grant is paid upon completion
- longer equipment lead time, facilities' being rented out for movies delaying work, fair weather requirement for certain work and contractor issues in Capital Maintenance projects

Public Safety	Forecast \$1.3 million below budget
----------------------	--

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 \$1.3 million below budget, primarily due to:

- delay in manufacturing and delivery of materials for Capital Maintenance projects, resulting from COVID-19
- delays in Burn Tower project, resulting from underestimation of pre-work by contractor

Civic Facilities and Equipment	Forecast \$8.7 million below budget
---------------------------------------	--

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 \$8.7 million below budget, primarily due to:

- changes in the timing of expenditures for Energy Optimization program and Sunset Yards Renewal project
- higher energy standards and comprehensive scoping process leading to extended timelines in complex Capital Maintenance projects
- project delays that occurred late in 2020, after the 2021 budget had been finalized, which result in updated 2021 expenditure forecasts

Transportation and Street Use	Forecast \$6.1 million below budget
--------------------------------------	--

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

Capital expenditures in 2021 for Transportation projects are forecast to be \$6.1 million below budget, primarily due to:

- deferral of project scope and expenditures for the Northeast False Creek Redevelopment project, especially resulting from longer than anticipated timelines required for rezoning enactments and ongoing consulting work
- reduction of expenditure forecast for Robson and Alberni projects, reflecting the consideration to broaden scope to include public space improvements in the West End area, resulting in construction deferral

One Water	Forecast \$2.5 million below budget
------------------	--

One Water projects are managed by the Engineering Services department.

Capital expenditures in 2021 for One Water projects are forecast to be \$2.5 million below budget, primarily due to lower deliverables in the Growth Main Renewal program for 2021, resulting from construction deferral in the Cambie corridor projects because of uncertainty in the Utility Development Contribution funding pipeline.

Renewable Energy	Forecast \$3.0 million below budget
-------------------------	--

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 \$3.0 million below budget, primarily due to project schedule delays in the Deep Emissions Building Retrofit program, resulting from staff constraints, which has been holding up the procurement process.

Solid Waste	Forecast \$5.2 million below budget
--------------------	--

Solid Waste projects are managed by the Engineering Services department.

Capital expenditures for Solid Waste projects in 2021 are forecast to be \$5.2 million below budget, primarily due to COVID-19 as well as:

- slower than expected progress in various projects, for example: slower fill up of landfills due to lower quantity of waste from commercial premises and from the dependency on dry weather in summer months as to when a landfill area can be closed; other projects due to slower procurement, contractor issues and staff constraints
- potential reduction of capital work for various projects based on project reassessment

Technology**Forecast \$3.5 million below budget**

Technology projects are managed by Information Technology Services.

Capital expenditures for 2021 technology projects are forecast to be \$3.5 million below budget due to reforecasting to ensure capacity to deliver 2021 committed projects and large initiatives to support Development, Buildings and Licensing (DBL) revenue generation and implementation of Residential Parking Permits, in the context of substantial COVID-19 driven project deferral from 2020.

Overhead**Forecast \$41.2 million above budget**

This service category includes the cost of City staff supporting the capital program, as well as financing fees the City incurs as part of the debenture program.

Capital overhead expenditures for 2021 are forecast to be \$41.2 million above 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 \$2.19 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. The COVID-19 pandemic has posed significant strain on the City's finances. Staff conducted the 2019-2022 Capital Plan Recalibration to reflect the City's fiscal reality while contributing towards post-COVID recovery efforts. In September 2020, Council approved changes to the 2019-2022 Capital Plan through the Capital Plan Recalibration resulting in a total of \$2.636 billion. Subsequent to the

recalibrated capital plan approval, approximately \$148 million has been added to the capital plan, primarily from sources external to the City, including the Federal Rapid Housing Initiative (RHI) funding, the Provincial Government childcare funding and Vancouver School Board contribution. The adjusted 2019-2022 Capital Plan to date is \$2.784 billion, including \$2.209 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 the City's limited funding sources, it will not be possible for the City to address the critical infrastructure and community needs in a meaningful way without strategic intergovernmental partnerships and a predictable, long-term funding arrangement. There are five priority areas that City staff have been focusing on to seek senior government support:

- Affordable housing
- Childcare
- Climate emergency and resilience infrastructure
- Community and cultural infrastructure
- Rapid transit and transportation infrastructure

Currently, funding is typically secured through applications to specific programs or negotiated funding agreements with senior governments. Some projects are delivered by the City with senior government support, while others are delivered by its non-profit partners.

CONCLUSION

OPERATING BUDGET:

The City recorded an Operating Budget surplus of \$20.4 million in YTD Q1 and a balanced budget at year-end. The variances in the revenue categories reflect lost revenues due to limited capacity at City facilities and lost parking revenues offset by salary related savings, as well as the timing difference in the first quarter of the year between actual and budgeted revenues and expenditures. The remaining revenue shortfall resulting from COVID-19 restrictions will be offset by \$66 million draw from general revenue stabilization reserve. After considering the upcoming commitments, the current forecast of the reserve balance at year-end shows no uncommitted balance left.

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

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

CAPITAL BUDGET:

The City incurred \$97 million in capital expenditures up to the end of the first quarter of 2021, representing 13% of the total 2021 Annual Capital Expenditure Budget of \$771 million. Expenditures for the year are forecast to be \$750 million, being around 97% of the 2021 Capital Expenditure Budget. Therefore, an underspend variance of 3% is expected by end of 2021.
