

August 28, 2020

## **2020 SECOND QUARTER REVIEW – OPERATING AND CAPITAL BUDGETS**

### **EXECUTIVE SUMMARY**

#### **OPERATING BUDGET**

The City continues to experience significant financial impacts as a result of COVID 19, however, the forecast shows improvement in the City's year-end operating position from earlier estimates primarily as a result of increased parking activity and revenues from reopened services such as golf. As of Q2, the current forecast is for a revenue decline of \$88 million in 2020 from the original budget approved by Council. This revenue loss has been partially offset by cost mitigations of \$64 million from holding vacancies, exempt pay reductions and delayed merit increases, reviewing discretionary spending, and the financial impacts of facility closures. The remaining \$24 million in revenue loss will be offset from stabilization reserves at year end. . 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.

2020 Operating Budget- Year-to-Date and Full year Forecast								
\$ millions	Year-to-date				2020 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
TOTAL REVENUES	\$850.6	\$826.3	(\$24.2)	(2.8%)	\$1,616.9	\$1,532.3	(\$84.6)	(5.2%)
TOTAL EXPENDITURES & TRANSFERS	\$663.8	\$634.3	\$29.6	4.5%	\$1,616.9	\$1,532.3	\$84.6	5.2%
SURPLUS (DEFICIT)	\$186.7	\$192.0	\$5.3	2.8%	(\$0.0)	\$0.0	(\$0.0)	

*NOTE: Totals may not add due to rounding.*

#### **CAPITAL BUDGET**

Total capital expenditures to the end of second quarter of 2020 were \$164.7 million, representing 23.5% of the total 2020 Annual Capital Expenditure Budget of \$701.8 million. Total expenditures for the year are forecast to be \$530.0 million, being 24.5% below the Capital Expenditure Budget. The forecast reflects overall slowdown of project work, but does not fully reflect the results of the 2019-2022 Capital Plan Mid-Term Update and Recalibration that is underway. Commentary on variances between full-year forecast actuals and corresponding budgets in specific service categories are provided in the body of this document.

Service Category	2020 Budget	Q2 Year-to-date Actuals	2020 Full Year Expenditures		
			Forecast Exenditure	Variance (\$)	Variance (%)
AFFORDABLE HOUSING	\$77.9	\$16.0	\$71.6	\$6.3	8.1%
CHILDCARE	\$25.6	\$9.0	\$23.5	\$2.1	8.1%
PARKS, OPEN SPACES AND RECREATION	\$55.1	\$10.9	\$50.1	\$5.1	9.2%
COMMUNITY FACILITIES	\$32.0	\$2.8	\$24.0	\$8.0	25.0%
ARTS AND CULTURE	\$30.7	\$3.0	\$19.5	\$11.3	36.6%
PUBLIC SAFETY	\$14.6	\$6.6	\$12.8	\$1.8	12.2%
CIVIC FACILITIES AND EQUIPMENT	\$35.2	\$8.4	\$27.0	\$8.1	23.1%
TRANSPORTATION AND STREET USE	\$107.5	\$35.0	\$90.4	\$17.1	15.9%
ONE WATER	\$139.2	\$48.6	\$122.9	\$16.3	11.7%
RENEWABLE ENERGY	\$21.7	\$1.9	\$15.0	\$6.7	30.9%
SOLID WASTE	\$47.4	\$8.9	\$36.9	\$10.6	22.3%
TECHNOLOGY	\$31.9	\$10.3	\$27.6	\$4.4	13.7%
CITY-WIDE	\$82.8	\$3.3	\$8.8	\$74.1	89.4%
<b>TOTAL</b>	<b>\$701.8</b>	<b>\$164.7</b>	<b>\$530.0</b>	<b>\$171.8</b>	<b>24.5%</b>

## 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. Q2 YTD 2020 OPERATING BUDGET RESULTS AND FULL YEAR 2020 FORECAST

This second 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 2020 Operating Budget.

The City recorded an Operating Budget surplus of \$5.3 million for the first half of 2020. The variances in the revenue categories reflect lost revenues due to Facility closures, lost parking revenues and increased costs due to COVID-19 related expenditures, partially offset by salary related savings, as well as the timing difference in the first half of the year between actual and budgeted revenues and expenditures.

The City is taking a balanced approach to mitigating the impact of COVID-19 including actions such as temporary staff layoffs, wage adjustments, cost containment, holds on hiring and utilizing reserves. Through these mitigation actions the City is forecasting the Operating Budget to be balanced for 2020 year-end. The forecast reflects the financial results for the first six months of the year and a projection of revenues, expenditures and transfers for the remaining six 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 2020 Operating Budget revenue and expenditures, year-to-date variances and full year forecasts.

2020 Operating Budget- Year-to-Date and Full year Forecast								
\$ millions	Year-to-date				2020 Full Year Forecast			
	Budget	Actuals	Variance	Variance %	Annual Budget	Year end forecast	Year-end Variance \$	Variance %
<b>REVENUES</b>								
Property tax revenue	\$464.8	\$471.2	\$6.4	1.4%	\$890.6	\$890.6	\$0.0	0.0%
Utility revenue	\$181.2	\$181.0	(\$0.2)	(0.1%)	\$329.7	\$328.4	(\$1.3)	(0.4%)
Program revenue	\$29.4	\$15.5	(\$13.9)	(47.2%)	\$66.1	\$28.2	(\$37.9)	(57.4%)
License & Development fees	\$54.3	\$45.9	(\$8.4)	(15.4%)	\$95.8	\$81.2	(\$14.6)	(15.2%)
Parking revenue	\$37.4	\$21.8	(\$15.6)	(41.7%)	\$77.1	\$46.6	(\$30.5)	(39.5%)
Cost recoveries, grants & donations	\$29.7	\$34.2	\$4.6	15.4%	\$61.8	\$69.2	\$7.4	12.0%
Provincial revenue sharing	\$13.8	\$16.2	\$2.4	17.4%	\$19.2	\$16.2	(\$3.0)	(15.5%)
Investment income	\$8.6	\$11.4	\$2.8	32.2%	\$15.2	\$15.2	\$0.0	0.0%
Other revenue	\$20.5	\$20.9	\$0.4	1.9%	\$39.8	\$38.1	(\$1.8)	(4.5%)
Bylaw fines	\$10.9	\$8.2	(\$2.7)	(24.9%)	\$21.7	\$18.7	(\$3.0)	(13.8%)
<b>TOTAL REVENUES</b>	<b>\$850.6</b>	<b>\$826.3</b>	<b>(\$24.2)</b>	<b>(2.8%)</b>	<b>\$1,616.9</b>	<b>\$1,532.3</b>	<b>(\$84.6)</b>	<b>(5.2%)</b>
<b>EXPENDITURES &amp; TRANSFERS</b>								
Utilities	99.6	96.8	2.8	2.8%	375.4	376.0	(0.6)	(0.1%)
Engineering	53.5	49.2	4.3	8.0%	105.6	93.5	12.1	11.4%
Police Services	164.0	166.0	(2.0)	(1.2%)	339.5	338.0	1.5	0.4%
Fire & Rescue Services	72.7	72.1	0.6	0.8%	143.7	144.2	(0.5)	(0.4%)
Parks & Recreation	65.2	52.7	12.4	19.1%	136.1	110.3	25.8	19.0%
Library	28.1	23.4	4.7	16.7%	55.8	47.7	8.2	14.6%
Britannia	2.7	2.3	0.4	15.3%	5.5	4.2	1.3	23.1%
Civic Theatres	7.6	4.8	2.7	35.9%	15.1	9.1	6.1	40.1%
Arts, Culture & Community Services	20.2	23.5	(3.3)	(16.5%)	40.0	47.7	(7.7)	(19.3%)
Grants	17.8	17.3	0.5	3.0%	22.7	22.7	0.0	0.0%
Development, Buildings & Licensing	20.2	19.4	0.9	4.3%	41.4	39.5	1.8	4.4%
Planning, Urban Design & Sustainability	17.8	14.9	2.9	16.3%	32.1	27.7	4.5	13.9%
Mayor	0.7	0.6	0.1	8.6%	1.4	1.2	0.2	12.6%
Council	1.0	0.8	0.2	20.9%	2.0	1.7	0.4	18.2%
Corporate Services	58.8	54.8	4.0	6.8%	117.8	108.3	9.5	8.0%
General Government, Debt and transfers	34.2	35.8	(1.6)	(4.5%)	182.5	160.4	22.2	12.1%
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>\$663.8</b>	<b>\$634.3</b>	<b>\$29.6</b>	<b>4.5%</b>	<b>\$1,616.9</b>	<b>\$1,532.3</b>	<b>\$84.6</b>	<b>5.2%</b>
<b>SURPLUS (DEFICIT)</b>	<b>\$186.7</b>	<b>\$192.0</b>	<b>\$5.3</b>	<b>2.8%</b>	<b>(\$0.0)</b>	<b>\$0.0</b>	<b>(\$0.0)</b>	

NOTE: Totals may not add due to rounding.

**Revenue highlights for Q2 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 Q2 YTD due to timing and forecast to be on budget for the year. Collection of property tax is currently being monitored, however, this is a risk to cash flow that will not impact the amount of revenue recognized in 2020.

**02. Utility Revenue**

**Forecast \$1.3 million below budget**

Utility Revenues are forecasted to be lower than budget due to lower Sewer and Water consumption in Q2 along with less than anticipated Solid Waste disposal revenues as a result of a decrease in Commercial Disposal and Demo receipts.

<b>03. Program Revenue</b>	<b>Forecast \$37.9 million below budget</b>
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Program Revenue is below budget by \$13.9 million for Q2 YTD and forecast to be \$37.9M below budget for the year partially offset by related expenditures.

Park Board program revenues are forecasted to be below budget at year-end by \$26.1 million primarily due to lower than budgeted volume of recreation revenues, golf revenues and rental revenues due to Facility closures. These expenses are partially offset by salary savings due to hiring restrictions, vacancy savings, and wage adjustments. After the Park Board's decision to reopen certain facilities such as golf courses and the VanDusen Botanical Garden, the overall revenue forecast has improved from Q1.

Civic Theatres program revenues are forecasted to be below budget at year-end by \$9.5 million offset by temporary lay-offs due to Civic Theatres closures.

Other departments such as Vancouver Public Library and Arts, Culture & Community Services are forecasting below budget program fees due to Library facility closures and Community facility closures respectively during Q1 and early Q2.

<b>04. License &amp; Development Fees</b>	<b>Forecast \$14.6 million below budget</b>
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License and Development Fees are \$8.4 million below budget for YTD and forecast to be \$14.6 million below budget for the year primarily due to lower development fees and Anchor fees caused by lower development activity.

<b>05. Parking revenue</b>	<b>Forecast \$30.5 million below budget</b>
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Parking revenues are forecast to be below budget by \$30.5 million for the year due to reduced parking activity as a result of COVID-19. In recent months, parking activity has increased and this has resulted in an improvement of \$14 million to the year-end parking revenue position from the Q1 forecast.

<b>06. Cost Recoveries and Grants</b>	<b>Forecast \$7.4 million above budget</b>
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Cost recoveries are forecasted to be \$7.4M above budget, mostly due to anticipated COVID-19 related costs recoveries from senior governments, NEU flooding insurance recoveries and developer funded projects partially offset by a \$4 million reduction in Translink funding to the City's operating budget for major road maintenance. These above budget cost recoveries are offset by higher costs.

<b>07. Provincial revenue sharing</b>	<b>Forecast \$3.0 million below budget</b>
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Revenue sharing is forecast to be \$3.0 million below budget for the year primarily due to Casino closures resulting to lost revenue and lower traffic fine revenue from Provincial government.

**08. Bylaw fines****Forecast \$3.0 million below budget**

The forecast for the year is to be below budget by \$3.0 million mainly due to reduced parking activity during COVID-19 restrictions period. As a result of increased parking activity in recent months, the forecast for bylaw fine revenue has improved by \$10 million from the Q1 forecast.

***Expenditures and Transfer highlights for Q2 Year-to-Date and the full-year forecast by department include:***

**01. Utilities****Forecast \$0.6 million above budget**

Utility expenditures are forecasted to be higher than budget, reflecting expenses related to NEU flooding partially offset by salary and vacancy savings and a higher transfer to stabilization reserves.

**02. Engineering****Forecast \$12.1 million below budget**

Engineering expenditures are below budget by \$4.3 million for Q2 YTD, primarily due to vacancy savings partially offset by significant snow removal costs beginning of the year. The overall forecast for Engineering expenditures is to be \$12.1M below budget due to salary cost mitigations including salary savings as well as cost savings related to events cancellation and professional fees.

**03. Police Services****Forecast \$1.5 million below budget**

Police Services expenditures are over budget for Q2 YTD primarily due to higher than budgeted overtime costs for callouts required to meet minimum staffing levels. These higher expenditures, however, are offset by cost recoveries and additional fee and donation revenue. Expenditures are expected to be below budget by the end of the year reflecting salary savings due to hiring delays and lower travel and training expenses.

**04. Parks****Forecast \$25.8 million below budget**

Parks and recreation expenditures are forecast to be below budget by \$25.8 million for the year, primarily due to facility closures during the pandemic, vacancy savings and wage adjustments as well as lower revenue related expenditures offsetting lost revenues as mentioned above. These savings are lower than projected in Q1 due to re-opening of certain facilities such as golf courses and VanDusen garden, however, these facilities also have increases to forecasted revenue as a result of reopening.

**05. Library****Forecast \$8.2 million below budget**

Library expenditures are forecast to be below budget by \$8.2 million for the year, primarily due to temporary layoffs due to Library branches closures during the pandemic, as well as savings in

building maintenance and safety costs. These savings are lower than Q1 projection as part of the re-opening plan of library branches.

**06. Civic Theatres****Forecast \$6.1 million below budget**

Civic Theatres expenditures are forecast to be below budget by \$6.1 million for the year, primarily due to temporary layoffs due to theatre closures and event cancellations offsetting lost revenues as mentioned above.

**07. Arts, Culture & Community Services****Forecast \$7.7 million above budget**

Arts, Culture and Community Services expenditures are forecast to be above budget by \$7.7 million, primarily due DTES COVID-19 related costs partially offset by cost recoveries.

**08. Development, Buildings & Licensing****Forecast \$1.8 million below budget**

Development, Buildings & Licensing expenditures are forecast to be below budget by \$1.8 million, primarily due to COVID-19 cost mitigations.

**09. Planning, Urban Design & Sustainability****Forecast \$4.5 million below budget**

Planning, Urban Design & Sustainability expenditures are below budget by \$4.5 million primarily due to Vancouver Plan expenditure delays..

**10. Corporate Services****Forecast \$9.5 million below budget**

Corporate Services expenditures are forecast to be below budget by \$9.5 million for the year reflecting COVID-19 cost mitigations in REFM, FRS, HR and Technology Services, and City-Wide energy savings due to closed facilities partially offset by higher COVID-19 related expenditures.

**12. General Government, Debt and Transfers****Forecast \$22.2 million below budget**

General Government expenditures, debt and transfers are forecast to be below budget by \$22.2 million primarily due to transfer from reserve to offset a portion of the City's lost revenue due to COVID-19. When favorable conditions, such as weather, enable higher than expected revenue generation in a period, a portion of those revenues are transferred to the general stabilization reserve to provide support for future years when revenues may be lower than expected. Based on best practice guidance from the GFOA, the recommended balance in the stabilization reserve is 8-16% of non-utility revenue. The current forecast of the reserve balance at year-end will be 9% after COVID-related reserve transfer noted above to offset revenue declines in 2020, which provides room to offset revenue declines in the remaining half of the year should there be a second wave.

**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 COVID response. 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. Departments make efforts to absorb those unplanned costs and activities to manage within the existing budgets.

## 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 which 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 17, 2020, Council approved the 2020 Capital Budget, including a 2020 Annual Capital Expenditure Budget of \$701.8 million. This report reflects second quarter year-to-date performance against 2020 Annual Capital Expenditure Budget, including reallocations or adjustments within the Annual Expenditure Budget subsequent to the end of the second quarter approved by the City Manager in accordance with the Capital Budget Policy, with no change to the overall 2020 Annual Capital Expenditure Budget as approved by Council. The forecast reflects an overall slowdown of project work resulting from COVID-19, but does not fully reflect the results of the 2019-2022 Capital Plan Mid-Term Update and Recalibration that is underway.

### A. 2020 CAPITAL EXPENDITURES vs. 2019 CAPITAL BUDGET by Service Category

Capital expenditures for the second quarter of 2020 were \$164.7 million, representing 23.5% of the total 2020 Annual Capital Expenditure Budget of \$701.8 million. Expenditures for the year are currently forecast to be \$530.0 million, being 75.5% of the Capital Expenditure Budget.

The table below summarizes the 2020 Capital Expenditure Budget variances for Q2 year-to-date by service category.

<b>Q2 2020 Annual Capital Budget Results By Service Category (\$000's)</b>				
<b>Service Category 1</b>	<b>2020 Expenditure Budget</b>	<b>2020 YTD Expenditures</b>	<b>2020 Expenditure Forecast</b>	<b>Forecast Variance</b>
01. Affordable Housing	77,933	16,012	71,588	6,345
02. Childcare	25,586	8,974	23,510	2,076
03. Parks and Open Spaces	55,122	10,889	50,070	5,053
04. Community Facilities	31,957	2,847	23,967	7,990
05. Arts & Culture	30,728	3,005	19,467	11,262
06. Public Safety	14,585	6,580	12,804	1,782
07. Civic Facilities and Equip	35,167	8,401	27,032	8,135
08. Transportation	107,520	34,964	90,435	17,085
09. One Water	139,214	48,641	122,887	16,327
10. Renewable Energy	21,742	1,858	15,017	6,724
11. Solid Waste	47,436	8,929	36,877	10,560
12. Technology	31,939	10,333	27,566	4,373
13. Overhead	82,826	3,304	8,750	74,076
<b>Grand Total</b>	<b>701,757</b>	<b>164,736</b>	<b>529,970</b>	<b>171,787</b>

The forecasts are early estimates that reflect an anticipated overall slowdown of project work as a result of COVID-19 social distancing restrictions which impacted engagement timelines, but does not fully reflect the results of the 2019-2022 Capital Plan Mid-Term Update and Recalibration that is currently underway.

***Explanations for variances between forecast full-year 2020 expenditures as of June 30 and the 2020 Annual Capital Expenditure Budget by service category follow:***

<b>Affordable Housing</b>	<b>\$6.3 million below budget</b>
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Housing projects are managed by Housing Policy & Regulation in Planning, Urban Design and Sustainability Department, Affordable Housing Programs in Arts, Culture & Community Services, Real Estate & Facilities Management (REFM), Vancouver Affordable Housing Agency (VAHA) and Vancouver Affordable Housing Endowment Fund (VAHEF).

As of June 30, capital expenditures for Affordable Housing projects in 2020 were forecast to be \$6.3 million below budget, primarily due to the impact of COVID-19 as well as:

- an adjustment in the Roddan Lodge Redevelopment project construction schedule as a result of excavation issues encountered during site preparation; and
- a change in the timing of an affordable housing land acquisition that had been expected in 2020 but now expected in 2021 or later.

<b>Childcare</b>	<b>\$2.1 million below budget</b>
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Childcare projects are managed by Arts, Culture & Community Services and Real Estate &

Facilities Management (REFM).

As of June 30, capital expenditures for Childcare projects in 2020 were forecast to be \$2.1 million below budget, primarily due to:

- lower expenditure now expected in 2020 for the Gastown Parkades Childcare project reflecting complexities associated with this unique childcare project; and
- longer than expected timelines for finalizing planning and scoping/construction tendering for some City/Vancouver School Board childcare facility partnership projects.

<b>Parks and Open Spaces</b>	<b>\$5.1 million below budget</b>
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Parks and Open Spaces projects are managed by Parks and Recreation; Real Estate & Facilities Management (REFM); Arts, Culture & Community Services; Planning, Urban Design and Sustainability; and Engineering Services.

As of June 30, capital expenditures for Parks and Open Spaces projects in 2020 were forecast to be overall \$5.1 million below budget, primarily due to:

- lower than expected expenditures in the year for several Parks and Recreation projects reflecting extended timelines now anticipated for public engagement and project resource planning.

<b>Community Facilities</b>	<b>\$8.0 million below budget</b>
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Community Facilities projects are managed by various departments including Real Estate & Facilities Management (REFM); Arts, Culture & Community Services; Parks and Recreation; Planning, Urban Design and Sustainability; and Vancouver Public Library.

As of June 30, capital expenditures for Community Facilities projects in 2020 were forecast to be below budget by \$8.0 million, primarily due to the impact of COVID-19 as well as:

- expenditures originally planned for 2020 for some Community Facilities capital maintenance projects are now anticipated to be less than planned as a result of an extended timeline required for project planning;
- lower than anticipated 2020 capital expenditure forecast for the Marpole Community Centre Redevelopment project reflecting an extended timeline for finalizing the overall project design with Park Board; and
- lower than planned expenditures for the Britannia Rink & Pool Upgrade project reflecting a reduced overall project cost forecast.

<b>Arts and Culture</b>	<b>\$11.3 million below budget</b>
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Arts and Culture projects are managed by various departments including Real Estate & Facilities Management (REFM); Arts, Culture & Community Services; Parks and Recreation; Planning, Urban Design and Sustainability; and Hastings Park/Pacific National Exhibition (PNE).

As of June 30, capital expenditures for Arts and Culture projects in 2020 were forecast to be below budget by \$11.3 million, primarily due to the impact of COVID-19 as well as:

- lower capital maintenance project expenditures for some cultural, entertainment and exhibition facilities reflecting a longer than anticipated timeline for the planning and design phases for these projects;
- lower than anticipated expenditures in 2020 for PNE Infrastructure Implementation project reflecting an extended timeline for finalizing the overall project design; and
- deferred disbursement of Heritage Incentive Program from 2020 to 2021 to allow grant recipients additional time to meet grant eligibility conditions.

**Public Safety****\$1.8 million below budget**

Public Safety projects are managed by Real Estate & Facilities Management (REFM) and Engineering Services.

As of June 30, capital expenditures in 2020 for Public Safety projects were forecast to be \$1.8 million below budget, primarily due to lower than anticipated expenditures for the Renewal of Fire Hall 17 project owing to social distancing on construction sites resulting in delay in construction schedule.

**Civic Facilities and Equipment****\$8.1 million below budget**

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

As of June 30, capital expenditures in 2020 for Civic Facilities and Equipment projects were forecast to be \$8.1 million below budget, primarily due to the impact of COVID-19 as well as:

- lower than anticipated capital expenditures for the renovations of administrative facilities owing to a longer planning phase to prioritize the facilities to be renovated;
- lower than anticipated 2020 capital expenditures for accessibility program, reflecting longer than expected time to finalize the action plan from feasibility study; and
- lower than planned 2020 capital expenditures for several Civic Facilities projects as a result of an extended timeline required for annual program scope analysis and review, including the annual programs for Civic Facilities Capital Maintenance and Cultural/Social Facilities Plan & Research.

**Transportation****\$17.1 million below budget**

Transportation projects are managed by the Engineering Services department.

As of June 30, capital expenditures in 2020 for Transportation projects were forecast to be \$17.1 million below budget, primarily due to the impact of COVID-19 as well as:

- lower than anticipated capital expenditures in 2020 for the Arbutus Greenway Fraser River Extension project reflecting a longer than anticipated timeline required for consultation with the Musqueam community;
- lower than planned capital expenditures for 2020 Active Transportation Corridors and Spot Improvements Program due to extended construction timeline resulting from unexpected issues encountered on the construction site as well as the reduction of some of the planned program scope; and
- some of the project scope and expenditures that had been planned for 2020 for the Northeast False Creek Redevelopment project is deferred to 2021, reflecting longer than anticipated timelines required for rezoning enactments.

<b>One Water</b>	<b>\$16.3 million below budget</b>
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One Water projects are managed by the Engineering Services department.

As of June 30, capital expenditures in 2020 for One Water projects are forecasted to be \$16.3 million below budget, primarily due to the impact of COVID-19 as well as:

- lower than anticipated expenditures in the year for the Water Distribution Main replacement program as a result of program resourcing constraints;
- lower than anticipated expenditures in 2020 for the design stage of the replacement of three Pump Stations, reflecting a longer than anticipated timeline required for consultation with Tsleil-waututh First Nations to refine the detailed design of the project;
- lower than anticipated expenditures in 2020 for the Green Infrastructure Implementation program as a result of reduced scope due to resourcing constraints; and
- lower than planned 2020 capital expenditures for EFL shoreline protection project reflecting additional time required to coordinate the delivery plan with developers.

<b>Renewable Energy</b>	<b>\$6.7 million below budget</b>
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Renewable Energy projects are managed by the Engineering Services department.

As of June 30, capital expenditures in 2020 for Renewable Energy projects were forecast to be \$6.7 million below budget primarily due to:

- Neighbourhood Energy Utility (NEU) heat pump procurement is on hold pending an opportunity to obtain Federal funding that could offset up some of the total project costs; and
- Capital expenditures that had been planned for 2020 for the Deep Emission Retrofit Program are now anticipated to extend into 2021/ 2022 due to the impact of COVID.

<b>Solid Waste</b>	<b>\$10.6 million below budget</b>
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Solid Waste projects are managed by the Engineering Services department.

As of June 30, capital expenditures for Solid Waste projects in 2020 were forecast to be overall \$10.6 million below budget, primarily due to:

- lower than expected capital expenditures in 2020 for Vancouver Landfill Western 40 Hectare Closure and phase 3 projects reflecting revised total project cost estimates;
- actuals lower than 2020 budget for the Vancouver Landfill Closure Phase 4 project reflecting a change in the fieldwork timeline;
- various landfill non closure projects 2020 forecast to be under budget as a result of extended planning/scoping timeline as well as longer than expected timeline required for stakeholder coordination; and
- lower expenditures in the year for the Landfill Gas Work program due to an extended procurement process.

<b>Technology</b>	<b>\$4.4 million below budget</b>
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Technology projects are managed by Information Technology and Engineering Services department.

As of June 30, capital expenditures for 2020 technology projects are forecast to be \$4.4 million below budget to defer projects to late 2020 and 2021 to alleviate COVID-19 related funding pressure on the overall 2020 budget.

<b>Overhead</b>	<b>\$74.1 million below budget</b>
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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.

As of June 30, capital overhead expenditures for 2020 are forecast to be \$74.1 million below budget, primarily reflecting the changes to project overhead estimates to align with revised project timelines.

This category also includes an expenditure budget contingency allowance that accumulates through the year as various projects experience delays or deferrals in planned spend timelines and corresponding project expenditure budgets are decreased. While individual capital project expenditure budgets are decreased to reflect the revised spend forecasts for the year, the overall Citywide expenditure budget approved by Council is left unchanged. These reductions in project spend budgets are accumulated and held as a contingency within the overall Citywide capital expenditure budget to offset changes to spending timelines and corresponding increase of spend budgets that may also occur during 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 total 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

As of June 30, 2020, the total Multi-Year Capital Budget for open capital projects and programs totaled \$1.690 billion. On July 22, 2020, Council approved two standalone Council reports (RTS 13980 and RTS 13912) with additions totaling \$2.9 million, leading to a revised total Multi-Year Capital Budget of \$1.693 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. Subsequently, Council approved changes to the 2019-2022 Capital Plan bringing the total to \$2.872 billion.

The COVID-19 pandemic has posed significant strain on the City's finances. Staff is conducting the 2019-2022 Capital Plan Mid-Term Update and Recalibration and will be recommending for Council consideration corresponding adjustments to the Capital Plan to reflect the City's fiscal reality while contributing towards post-COVID recovery efforts.

## D. RISKS AND OPPORTUNITIES

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

- delays or acceleration in third-party contracted 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

Opportunities to initiate or accelerate capital investments in the City's capital infrastructure may arise as the City actively pursues funding partnership and contributions from external partners, including senior levels of government (e.g., Build Canada Fund, Community Works Fund), private and community partners (e.g., BC Housing, developers).

## CONCLUSION

### OPERATING BUDGET:

The City recorded an Operating Budget surplus of \$5.3 million in YTD Q2 and a balanced budget at year end, after taking into account cost mitigations of \$64 million as a result of COVID-19 and transfers from reserve to offset revenue declines resulting from COVID-19. The variances in the revenue categories reflect lost revenues due to Facility closures and lost parking revenues offset by salary related savings, as well as the timing difference in the first half of the year between actual and budgeted revenues and expenditures.

The forecast reflects the financial results for the first six months of the year and a projection of revenues, expenditures and transfers for the remaining six 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 \$164.7 million in capital expenditures during the second quarter of 2020, representing 23.5% of the total 2020 Annual Capital Expenditure Budget of \$701.8 million. Expenditures for the year are forecasted to be \$530.0 million, being 75.5% of the 2020 Capital Expenditure Budget.

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