



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Date: April 30, 2004
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TO: City Services and Budgets Committee
FROM: General Manager of Corporate Services/Director of Finance
SUBJECT: 2004 Basic Capital Budget

RECOMMENDATIONS

- A. THAT the allocation of 2004 Capital from Revenue funding of \$16.3 million to the 2004 Capital Budget be as follows:

Engineering	\$ 4,110,000
Parks & Recreation Facilities	\$ 3,030,000
Public Safety	\$ 50,000
Community Service Initiatives	\$ 2,945,000
Civic Property Management	\$ 2,055,000
Other	\$ 3,110,000
Supplementary Capital	<u>\$ 1,000,000</u>
Total	\$16,300,000

- B. THAT the project/program expenditures in the Community Service Initiatives, Civic Property Management, Public Safety and Other components of the 2004 Basic Capital Budget as summarized in this report and detailed in Appendix 2 be approved with the source of funding to be:

	Capital from Revenue	Development Cost Levies
Community Services Initiatives	\$2,945,000	\$ 500,000
Civic Property Management	\$2,055,000	
Public Safety	\$ 50,000	
Other	\$3,110,000	

- C. THAT the transfers of Capital Funds, as detailed in Appendix 3, for various capital account closeouts, be approved.

COUNCIL POLICY

It is Council policy to identify capital funding priorities in three year Capital Plans. These Plans and the associated Financing Plan are developed such that the plan and necessary borrowing authority can be put to the voters at the time of triennial civic elections.

Closeouts of completed Capital projects, whose expenditures exceed \$50,000 and 15 % of the approved budgets, require Council approval.

PURPOSE

This report is one of five which seek approval of the programs and projects in the 2004 Capital Budget and their funding sources as well as close out of completed capital projects:

- This report provides an overall summary of the 2004 Capital Budget and the sources of funding for the program and seeks Council approval for the Community Service Initiatives, Civic Property Management, Public Safety and Other components and close out of completed capital projects.;
- The 2004 Engineering Basic Capital Budget report reviews the capital expenditure program for Streets, Sewers and Waterworks and seeks Council approval of necessary borrowing and other funding sources and close out of completed capital projects;
- The 2004 Park Board Basic Capital Budget report reviews the capital expenditure program for the Park Board and seeks Council approval of necessary borrowing and other funding sources; while the Pre 2000 and 2000-2002 Capital Plan Close Outs report closes out completed capital projects; and
- The 2004 Supplementary Capital Budget seeks Council approval of the allocation of Supplementary Capital funding to specific project expenditures.

BACKGROUND

The Capital Plan forms the framework within which annual capital budgets are prepared. The two components of the annual capital budget are:

- Basic Capital, which includes project/program - specific items that were included in the Capital Plan, and
- Supplementary Capital, which includes items which had not been anticipated in the Capital Plan but which have become a priority during the course of the Plan.

The Capital Plan approved in September 2002, totaling \$282.4 million, guides the development of annual capital budgets in 2003, 2004 and 2005. Funding for the plan is

derived from borrowing authority approved by plebiscite (\$96.8 million) and by Council for sewer and water projects (\$104.8 million). In addition, the 2003-2005 Capital Plan includes a provision of \$45.9 million Capital from Revenues, \$13.0 million from Development Cost Levies, \$2 million from Community Amenity Contributions, and \$20 million for potential cost sharing.

The 2003-2005 Capital Plan includes several construction related projects that have faced significant cost increases since the initial estimates were developed in 2001/2002. The Capital Plan Staff Review Group met with the Director of Finance in February 2004 to consider the funding shortfalls and the options available to provide sufficient funding to allow the projects to proceed as provided in the Capital Plan.

On April 20, 2004, Council considered a report from the Director of Finance recommending funding adjustments to the 2003-2005 Capital Plan. Council approved the following recommendations:

A. *THAT Council approve the following adjustments to the 2003-2005 Capital Plan funding allocations:*

Mount Pleasant Civic Centre (1 Kingsway):

- *the allocation of additional city-wide DCL funds to the day-care component (\$1.5 million),*
- *reallocation of tax-supported day-care borrowing authority to the community centre component (\$1.0 million),*
- *allocation of the estimated 2004 GST rebate savings in the Operating Budget (\$2.0 million).*

AND THAT the Director of Finance, in consultation with the Director of Facilities Design and Management, be instructed to report back once the tender process is completed on the final budget and funding requirements necessary to complete the project as envisioned.

Park Board Capital Plan Allocations:

- *reallocation of \$695,000 of existing funding within the Park Board envelope as identified in Appendix A,*
- *reallocation of \$680,000 of existing tax-supported funding for Park Enhancement and Playfields to the Queen Elizabeth Park Reservoir and Killarney Pool projects, and*
- *allocation of an additional \$680,000 of City-wide DCL funds to the Park Enhancement (\$385,000) and Playfields (\$295,000) components.*

B. *THAT Council approve the funding for the grant to the Millennium Sports Facility project (estimated to be \$1.0 million) from the \$20 million of borrowing authority approved by the voters in 2002 for the City share of cost shared capital projects.*

- C. *THAT Council confirm its commitment to a 30,000 square foot LEED Silver redevelopment of Sunset Community Centre and instruct the Director of Finance, in consultation with the General Manager of Parks and Recreation to report back on final costs and funding options.*

The adjusted total for the 2003-2005 Capital Plan is \$285.94 million, with the Capital from Revenue increased to \$47.9 million and Development Cost Levies funding increased to \$14.5 million. In addition, Council allocated an additional \$1.0 million from the \$20 million in borrowing authority approved by the voters for cost-shared projects to the Millennium Sports Facility Society.

The budget presented in this report is based on the adjusted 2003-2005 Capital Plan as approved by Council.

Council has approved the following programs in advance of the 2004 Capital Budget:

	Project	Funding
1	Road Paving adjacent New National Works Yard *	\$865,000
2	Street and Sidewalk Rehabilitation Projects *	1,500,00
3	Local Improvement by Initiatives *	1,048,295
4	Local Improvement by Petition	1,214,854
5	Urban Transportation Showcase Program	\$3,000,000
6	Gladstone Bikeway	47,500
7	Hornby Bike Lane	370,000
8	Traffic Signals Program *	992,000
9	Downtown Transportation - Streetscape	80,000
10	Leasing of Watson House at 1125 Pendrell	280,000
11	Dr Sun Yat Sen Garden Expansion	13,000
12	Millennium Sports Facility	1,000,000
13	Park Board - various 2004 projects ¹ *	2,030,000

1. includes external funding of \$1.25 million

* funding for these projects have been approved in advance of 2004 Capital Budget, the remaining projects are subject to approval of the 2004 Capital Budget.

Funding for these projects has been included in the recommendations in this report and in the accompanying Engineering and Park Board Capital Budget Reports.

DISCUSSION

1. Funding for the 2004 Basic Capital Budget.

The following table summarizes the total funding for the 2003 - 2005 Capital Plan, as adjusted, and the funding recommendation of this report and the accompanying reports from the City Engineer and Park Board. The table also shows the budget allocated in 2003, the

funding to be allocated to the 2004 Capital Budget and the balance of funding available for 2005.

(\$'000)	Capital Plan Summary*	2003 Budget (1 st Year) Allocation	2004 Budget (2 nd year) Allocation	Unallocated Balance For 2005
Capital from Revenue:	\$47,900	\$12,600	\$16,300	\$19,000
Capital from DCL & CAC Funding	\$16,500	\$2,400	\$6,230	\$7,870
Debenture Authority:				
Plebiscite 2003 - 2005				
Capital Plan	\$96,790	\$31,722	\$27,732	\$37,336
Cost Sharing Projects	\$20,000	0	\$4,100	\$15,900
Sewer	\$58,750	\$18,030	\$22,310	\$18,410
Water	<u>\$46,000</u>	<u>\$18,902</u>	<u>\$11,911</u>	<u>\$15,187</u>
Total Debentures	\$221,540	\$68,654	\$66,053	\$86,833
Total Funding (\$'000)	<u>\$285,940</u>	<u>\$83,654</u>	<u>\$88,583</u>	<u>\$113,703</u>

*As adjusted by Council on April 20, 2004

A summary of the projects/programs and funding in the 2003 - 2005 Capital Plan and in the 2004 Capital Budget is included in Appendix 1. Appendix 2 provides additional details about the projects/programs funded in the Community Service Initiatives and Other categories of the 2004 Capital Budget. Details of the Engineering and Park Board capital budgets are included in accompanying reports.

As noted in the table, \$66,053,000 of the funding for the 2004 Basic Capital Budget comes from debenture authority, including \$31,832,000 from plebiscite authority, and \$34,221,000 from authority approved by Council for sewer and water programs.

The 2003-2005 plebiscite authority originally included \$20 million of Cost Sharing Projects Funding, however, \$6.1 million was approved for allocation to programs on April 20, 2004, leaving \$13.9 million unallocated (as shown in Appendix 1). Plebiscite authority for 2004 budget allocation includes \$4.1 million from the \$20 million of borrowing authority approved by the voters for the City share of cost-share projects that arise during the Capital Plan. The 2004 Capital Budget includes allocations to the Urban Transportation Showcase project (Engineering, \$2.0 million); Sunset Community Centre (Park Board, \$1.0 million) and the Millennium Sports Facility (Park Board, \$1.1 million).

The 2003-2005 Capital Plan includes City-Wide Development Cost Levy (DCLs) funding totalling \$14.5 million (Parks, Daycare and Housing) and Community Amenity Contribution (CAC) funding of \$2 million (Mt Pleasant Civic Centre). The 2004 Basic Capital Budget includes \$6.23 million of DCL and CAC funding: \$500,000 for Affordable Housing and \$5.73 million for the Park Board.

2. Funding for the 2004 Supplementary Capital Budget

The 2003 - 2005 Capital Plan includes provision for \$3.0 million in Supplementary Capital expenditures to be funded from the Operating Budget (Capital from Revenue) over the three years of the plan. The 2004 Supplementary Budget includes funding of \$1,000,000, therefore leaving unallocated funds of \$1,000,000 for 2005.

The allocation of these funds to specific projects has been submitted as an accompanying report.

COMMENTS ON THE BASIC CAPITAL BUDGET REQUESTS

1. Engineering Basic Capital Budget

The 2003 - 2005 Capital Plan includes provision of \$175.7 million for Engineering Public and Water Works projects. The 2004 Engineering Basic Capital Budget, totaling \$57.8 million, is submitted in an accompanying report which includes the recommendations necessary to provide funding for identified projects.

The City Engineer has requested funding totaling \$57,787,000 which fits within the 2003 - 2005 Capital Plan allocation. This funding is provided from 2003 - 2005 borrowing authority approved by plebiscite (\$19,456,000) and by Council for sewer and water (\$34,221,000) and from capital from revenue (\$4,110,000).

2. Park Board Capital Budget

The 2003 - 2005 Capital Plan includes provision of \$44.5 million for the Park Board, of which \$21.1 million is allocated to the 2004 Park Board Basic Capital Budget and the details are submitted in an accompanying report. Funding for the 2004 Basic Capital budget is provided from plebiscite authority (\$12,376,000), from capital from revenue (\$3,030,000), and DCL and CAC funding (\$4,480,000 and \$1,250,000 respectively).

The report also requests approval of funding (\$487,850) from partner organizations of the Park Board, bringing their gross capital budget to \$21,618,850. Also, approved funding transfer (\$557,000) from prior capital plan will provide additional funding for the projects identified in the 2004 Park Capital Budget.

3. Community Services Initiatives

The 2003 - 2005 Capital Plan includes funding of \$14,800,000, for projects related to social and cultural facilities owned by the City and by others. These include: upgrading or relocation

of social service, daycare and cultural facilities; a contribution to the Affordable Housing Fund; funding for the Downtown Eastside revitalization program; and continuation of the Public Art program. These projects are funded from Capital from Revenue and Development Cost Levies.

The 2004 Capital Budget includes funding of \$3,445,000 allocated to the following projects/programs

Affordable Housing - New Neighbourhoods	\$1,250,000
Childcare Facilities - General	\$ 315,000
Social Service and Cultural Facilities	\$ 200,000
Capital Grants	\$ 150,000
Civic Public Art Program	\$ 250,000
Emerging Neighbourhoods - DTES Revitalization Program	\$1,280,000

Funding for the 2004 Capital program is provided from Capital from Revenue (\$2,945,000) and Development Cost Levies (\$ 500,000)

Approval of expenditures under some of the allocations will be the subject of future reports.

4. Public Safety

The 2003 -2005 Capital Plan provides \$300,000 for preliminary study and design of Firehall #15, of which \$50,000 is being requested in 2004. The 2004 Basic Capital Budget is funded from Operating revenue.

5. Other

The Other Category of the Capital Plan includes allocations for maintenance of the City Hall Precinct (City Hall, East Wing and West Annex buildings), maintenance for other civic facilities, QET Security System Installation, Information Technology maintenance and expansion. The Capital Plan provides \$24,135,000 over three years, of which, \$5,165,000 is being requested for 2004 to be funded from Capital from Revenue.

The 2004 Capital Budget includes:

City Hall & Civic Buildings Major Maintenance Program	\$2,055,000
QET Security System Installation	\$150,000
Information Technology Maintenance and Expansion	\$2,960,000

The \$2,960,000 Information Technology of this capital category is made up of:

Information Technology Infrastructure \$1,965,000

- To replace obsolete IT infrastructure, which includes corporate networks, information servers and voice systems (\$1,660,000) and the SAP IBM Hardware (\$305,000). The IT Infrastructure program for 2004 will be reported to Council later in the year.

SAP Evolution \$995,000

- There are a number of SAP related projects to be considered and the funding being requested in 2004 will provide the resources on the priority projects. These include expansion of the Plant Maintenance and Asset Accounting modules to other City departments, implementation of the Project Systems and Investment Management modules to facilitate the budgeting and monitoring of the City's capital expenditure program and the SAP system version upgrade. The specific projects to be undertaken will be reported separately to Council for approval.

CONCLUSION

The 2004 Capital Budget represents the second annual budget arising from the 2003- 2005 Capital Plan and provides for the allocation of funding included in that Plan to individual projects and programs.

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