



ADMINISTRATIVE REPORT

Report Date: September 14, 2011
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VanRIMS No.: 05-1400-30
Meeting Date: September 22, 2011

TO: Standing Committee on City Services and Budgets
FROM: Director of Finance
SUBJECT: 2012-2014 Capital Plan: Approval of Final Plan

RECOMMENDATION

A. THAT Council approve the 2012-2014 Capital Plan as outlined in this report, consisting of \$702 million in expenditures in the following areas:

- Community Facilities: \$79 million
- Parks and Open Spaces: \$39 million
- Housing: \$60 million
- Public Safety: \$13 million
- Transportation: \$154 million
- Utilities and Public Works: \$228 million
- Civic Infrastructure: \$95 million
- Emerging Priorities, Inflation Contingency and Overhead: \$34 million

with anticipated funding from the following sources:

- Debenture borrowing and Capital from Revenue: \$391 million, consisting of:
 - Plebiscite-approved borrowing authority: \$181 million
 - Council-approved borrowing authority: \$142 million
 - Capital from Revenue: \$68 million
- Other sources of funds: \$311 million, consisting of:
 - Operating Budget that funds capital projects: \$14.5 million
 - Special purpose reserves: \$82 million
 - Internal loans: \$2.5 million
 - Development Cost Levies: \$75 million
 - Community Amenity Contributions: \$12 million
 - User fees: \$46 million
 - Contributions from Senior Governments and other partners: \$79 million

- B. THAT Council instruct the Director of Finance to report back on October 4, 2011 with:
 - i. The proposed breakdown of funding sources for each capital program; and
 - ii. The proposed wording for the plebiscite borrowing authority questions that will be submitted to the electorate during the November municipal election.

- C. THAT Council express its gratitude to the Library, Park and Police Boards for their participation in and contributions to the City's new capital planning process.

CITY MANAGER'S COMMENTS

This Capital Plan is the first 3 year plan which has been through the enhanced capital process as outlined in reports to Council over the last 12 months. Our focus has been to ensure we are aligned with Council and Board priorities, addressing growth related needs, as well as investing in renewal and repair of our existing infrastructure. Demand for capital investment is always greater than available resources - this plan reflects an appropriate balance across all areas of need for capital investment across the city and is the result of a rigorous process including many staff from across the City. Our recommended plan maintains a very significant spending level - at just over \$700M. Considerable work has been done to reduce the dependency on borrowing through debentures in order to address the growing impact of past capital plans on the operating budget. With the institution of quarterly reporting on capital expenditure, the organization is better positioned to be able to fine tune our annual budgets to have the resilience to meet emerging issues as they arise.

DIRECTOR OF FINANCE'S COMMENTS

Balancing capital needs with fiscal prudence and mitigating long-term impact to tax payers is a key consideration and a significant challenge when preparing the Capital Plan.

Earlier this year, a financial target of approximately \$700 million was set for the 2012-2014 Capital Plan, based on estimates of the City's fiscal capacity given the significant increases in borrowing over the past 3 capital plans. A key driver was the desire to manage the long-term impacts of the capital plan (both borrowing and Capital from Revenue) on the Operating Budget, as outlined in Draft Capital Plan Report to Council on June 28th (RTS#9261).

After reviewing economic risk factors that may affect the City's finances, residents' reaction to meet the financial target, and the condition of many of the City's assets in relation to other metropolitan areas, staff have formulated a Final Plan that essentially meets the financial target. The Final Plan stands at \$702 million, with \$391 million from debenture borrowing and Capital from Revenue.

The City's first ever 10-year Capital Strategic Outlook (completed in early 2011) provided clear information to guide the prioritization of programs in the 2012-14 Capital Plan (see

Appendix C). Programs seeing increases in funding include non-market housing, childcare, entertainment and exhibition (which includes Hastings Park) and street tree planting.

COUNCIL POLICY

The City has a policy to plan for capital expenditures on a multi-year cycle. Since 1990, capital plans have been developed in 3 year terms in order to match the term of Council and allow for a borrowing plebiscite to be held in conjunction with the civic election.

It is Council policy to fund capital expenditures for the waterworks, sewerage & drainage and energy utility systems from debenture borrowing; the balance of capital expenditures are funded from a combination of debenture borrowing, direct contribution from the annual Operating Budget (Capital from Revenue), Development Cost Levies (DCLs) and Community Amenity Contributions (CACs) from developers, special-purpose reserves, internal loans, fees and levies collected from property owners and contributions from senior governments and other funding partners.

Section 242 of the *Vancouver Charter* gives Council the authority to borrow funds for the construction, installation, maintenance, replacement, repair and regulation of waterworks, sewerage & drainage and energy utility systems without the assent of the electorate. Section 245 requires that the borrowing authority for all other purposes be established through the electorate's approval of a borrowing plebiscite.

The requirement to borrow funds to finance capital expenditures is established by Council at the time of the approval of the annual capital budget and through special approvals. Borrowed funds are generally paid back over 10 years to ensure that a systematic borrowing program can be administered, that outstanding debt does not accumulate to unacceptable levels and that interest and repayment costs are maintained at a level that does not put undue pressure on the operating budget.

Section 247 A of the *Vancouver Charter* requires that full provision of annual debt servicing charges, both principle and interest, be made in the annual operating budget. This ensures that debenture holders are paid the interest component at the prescribed rate and time, and that sufficient funding is available to retire the obligation at maturity.

In June 2003, Council approved the Financing Growth Policy which sets out policy for the collection and use of DCLs and CACs. Pursuant to Section 523D of the *Vancouver Charter*, DCLs are collected to assist in recovering growth-related capital costs that arise from new developments. DCLs are generally allocated on a 'cash available' basis among park, replacement housing, transportation and childcare projects in proportions specified in various DCL By-laws. CACs are developer contributions that arise from rezonings; these are directed toward the cost of public amenities in the area affected by the rezoning. The allocation of both DCL and CAC funding to specific amenities requires Council approval.

SUMMARY

The 2012-2014 Capital Plan identifies the investment priorities for the City of Vancouver for the next 3 years. On June 28, 2011, Council received for information the 2012-2014 Draft Capital Plan and directed staff to obtain public feedback during the summer using a variety of

engagement tools. While the Draft Plan had a financial target of \$700 million, it identified \$770 million of priority projects.

Public engagement included public forums, public Council and Board presentations, print materials, a website on talkvancouver.com, a Facebook application “build your own capital plan” and a telephone survey of residents.

Staff made revisions to the Capital Plan over the summer months, reflecting input from the public engagement process, in order to meet the financial target. The Final Plan recommended to Council stands at \$702 million (see Appendix A for details), with expenditures in the following areas:

- Community Facilities: \$79 million
- Parks and Open Spaces: \$39 million
- Housing: \$60 million
- Public Safety: \$13 million
- Transportation: \$154 million
- Utilities and Public Works: \$228 million
- Civic Infrastructure: \$95 million
- Contingency and Overhead: \$34 million

Following Council approval of the 2012-2014 Capital Plan, staff will report back by October 4, 2011 with the proposed wording for the borrowing authority questions that will be submitted to the electorate during the November municipal election.

PURPOSE

The purpose of this report is to seek Council approval of the 2012-2014 Capital Plan, which includes allocations to various capital programs and anticipated funding sources.

BACKGROUND

Capital Assets and Investments - Overview

The City provides a wide range of services and programs to its citizens that require a diverse portfolio of capital assets. City capital assets include:

- 400 buildings (approx. 6.3 million square feet)
- 1,360 hectares of parks and open spaces
- 4,700 km of sidewalks, bikeways and roads
- 3,600 km of underground pipes

The current replacement value of these capital assets (excluding land value) is estimated to be \$19 billion.

The lifespan of capital assets varies considerably: water and sewer pipes (60-120 years), buildings, sidewalks, trees (40-60 years), road pavement, traffic signals (20-40 years), playgrounds/playfields (10-20 years) and vehicles and other equipment (less than 10 years).

Investments through our capital plan are targeted at three basic objectives:

- To maintain existing assets in good condition
- To meet the basic infrastructure needs of new residents
- To advance key priorities of the community, Council and Boards

The goal of capital planning is to achieve the right balance between sound asset management and prudent fiscal management.

New Capital Program

On June 11, 2009, Council approved *“THAT staff review capital planning processes of other public sector organizations and come back to Council with recommendations on changes to the City’s capital planning process that supports more rigour in financial estimates, timelines and project oversight and completion.”*

In October 2010, the City’s Corporate Management Team approved a new three-stage process for capital planning, consisting of:

- 10 year Capital Strategic Outlook
- 3 year Capital Plan
- 1 year Capital Budget with a 2 year Forecast

Also approved were revised categories for capital assets, moving away from assets identified by department to categories which identify assets by function:

- Community Facilities
- Housing
- Parks and Open Spaces
- Public Safety
- Transportation
- Utilities and Public Works
- Civic Infrastructure

All Capital Funding Sources

Another change in the capital planning process is to present capital planning documents on a gross budget basis, incorporating all funding sources rather than the net City investment which has been the norm over many years. In the previous three capital plans, the following funding sources were specifically identified:

- Debenture borrowing
- Direct contribution from the Operating Budget (Capital from Revenue)
- City-wide Development Cost Levies (DCLs)

Going forward, the City’s capital planning documents will reflect all capital investments including those funded by the following sources:

- Area-specific Development Cost Levies (DCLs)
- Community Amenity Contributions (CACs) that are received in cash
- Operating Budget that funds capital projects (e.g. truck and equipment replacement)
- Special purpose reserves

- Internal loans
- User fees (e.g. water and sewer connection fees)
- Local improvement levies
- Contributions from senior governments and other funding partners

This change will provide Council with a holistic view of all capital expenditures and capital projects that the City undertakes regardless of the funding source. As well, oversight and reporting on the status of capital projects will apply to all capital projects.

DISCUSSION

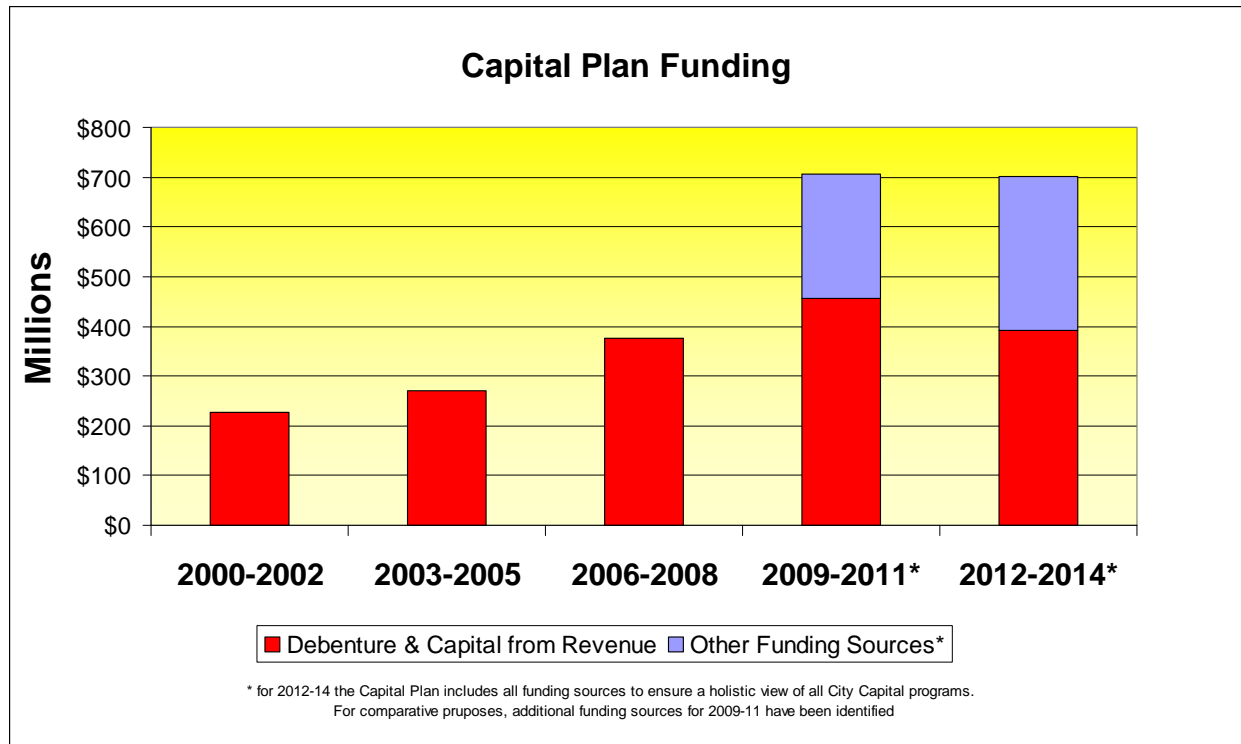
The financial target for the 2012-2014 Capital Plan was set at \$700 million, about the same level as the 2009-2011 Capital Plan (\$707 million in total - \$521 million reported in 2008 representing Debt, Capital from Revenue and DCL's, plus \$186 million in other funding sources). It should be noted that historically, the City has not fully expended the funding from the Capital plan in the Capital plan timeframe. The 2012-2014 Capital Plan target reflects consideration of the need for investment, the impact of borrowing on the operating budget, the City's capacity to complete projects in this timeframe, and sets a more achievable plan level.

The financial target of \$700 million for 2012-2014 included a specific target of \$385 million for Debenture Borrowing and Capital from Revenue, both of which are funded from the City's Operating Budget (the remaining \$315 million of the target is from other funding sources). The \$385 million figure was established as a level that would limit the growth in Debt servicing costs and Capital from Revenue as part of the Operating revenue (property taxes and fees) over the next 10 years, given the significant growth in Debt levels over the past several years (see Figure 1).

Although it is a reduction from the amount of Debenture Borrowing and Capital from Revenue in the 2009-2011 Capital Plan (\$457 million), which was unusually high as it included a number of initiatives that were advanced in order to be completed for the 2010 Olympic and Paralympic Winter Games, the target for 2012-2014 is approximately the same amount as in the 2006-2008 Capital Plan (\$377 million).

The drop in funding from Debenture Borrowing and Capital from Revenue between 2009-2011 and 2012-2014 is offset by an increase in other funding sources, including Development Cost Levies, Community Amenity Contributions and Special Purpose Reserves (from \$250 million in 2009-2011 to \$315 million in 2012-2014), as outlined in Figure 1.

Figure 1



In May 2011, an initial list of submissions from departments for the 2012-2014 Capital Plan process totalled approximately \$1.2 billion. The submissions were reviewed by the Capital Plan Staff Review Group (a committee with representatives from Business Planning and Services, Community Services, Engineering Services, Fire and Rescue Services, Information Technology, Library, Parks and Recreation and Police) and the Capital Plan Oversight Committee (City Manager/Deputy City Manager, with the General Managers of Financial Services, Business Planning & Services, Community Services, Engineering Services and Parks and Recreation).

In June 2011, a Draft Capital Plan was formulated with \$770 million of priority projects (\$70 million in excess of the financial target) and presented to Council (RTS 9261) and Library, Park and Police Boards. The Draft Capital Plan was received for information and staff was directed to obtain public feedback during the summer using a variety of engagement tools.

Public Engagement

The City's Corporate Communications department developed a public engagement strategy for the 2012-2014 Capital Plan called "Investing in Our City", integrating previously separate consultation streams into a unified approach for all City departments, including the Park, Library and Police Boards.

Based on the Budget 101 consultation process for the 2011 Operating Budget and the results of a telephone survey conducted for the City by the Mustel Group in April 2011 that indicated low awareness of the City's capital planning process, the Capital Plan consultation strategy was designed to primarily utilize online tools to engage the public, supplemented by public forums and a telephone survey conducted by an external consultant. Print materials were

available in English and Chinese. The telephone survey was conducted in English, Mandarin and Cantonese.

Summary information is provided below. Refer to Appendix B for details.

- Three public forums were held at City Hall (July 21), Hastings Community Centre (July 25) and Kerrisdale Community Centre (July 27). A total of 50 citizens attended these sessions. The 2012-2014 Capital Plan: Investing in Our City booklet and a questionnaire were given to all participants. Many who attended the public sessions supported ongoing investments to renew and upgrade community facilities and parks and open spaces.
- The Capital Plan website was launched on talkvancouver.com on July 15 and contained online versions of the 2012-2014 Capital Plan: Investing in Our City booklet and questionnaire, moderated discussion forums, a copy of the presentation made at the public forums with a voice-over and the 'Capital Plan Calculator' (which was available through Facebook). About 4,000 individuals visited the website between mid-July and end of August.
- Citizens were given the opportunity to create their own Capital Plan using the 'Capital Plan Calculator'. 39 plans were received, and while not statistically significant, the average of the plans submitted totalled \$739 million, approximately midway between the list of projects contained in the Draft Plan (\$770 million) and the financial target (\$700 million). Citizens reduced proposed spending in all categories, noting that the largest reductions were in Transportation and Civic Infrastructure (each reduced by about \$10 million).
- A total of 200 questionnaires (print and online) were completed. Results include:
 - Respondents indicated that their top areas for investments are: Community Facilities (60% of respondents listed it as one of their top 3 priority areas), Parks and Open Spaces (54%) and Transportation (50%).
 - 57% of respondents favoured the option to prioritize projects to meet the \$700 million financial target.
- A telephone survey of 600 residents was conducted by the Mustel Group in August. Results include:
 - Respondents indicated that their top areas for investments are: Housing (57% of respondents listed it as one of their top 3 priority areas), Public Safety (53%) and Transportation (52%).
 - 55% of respondents favoured the option to include all projects in the Draft Capital Plan (i.e. \$770 million).

Recommended Capital Plan for 2012-2014

The Final Plan being recommended to Council stands at \$702 million, and is very close to the financial targets set out earlier this year.

Factors that were considered in determining the final amount (\$702 million) include:

- The additional costs that would be passed on to residents and businesses via property tax and user fees such as water and sewer fees.
- The City's fiscal capacity in the medium and longer terms due to increased costs associated with its capital program and the related impact on the Operating Budget.
- The current uncertainty associated with the global economy in the short and medium terms.
- The fact that the public's appetite for paying for the additional capital investment is limited - about half of those who participated in the telephone survey or who filled in a questionnaire favoured meeting the financial target of \$700 million.
- The need for investment to maintain the City's existing infrastructure and facilities in a reasonable state of repair.
- Recognition that while the 2012-2014 plan represents a level similar to the 2009-2011 plan, the actual annual spend for capital projects has consistently been below the allotted capital plan. In essence, prior plans exceeded the level of the City's capacity to complete capital projects.

A number of strategies were applied in assessing how to reduce capital spending from \$770 million to \$702 million:

- Identification of larger scale projects that could be phased over the next two capital plans (2012-2014 and 2015-2017) to reflect the realistic timeline and capacity.
- Identification of larger scale programs where efficiencies (same outcomes with similar funding levels) can be generated through strategic procurement, better project planning and more effective project management, and careful oversight of scope creep.
- Identification of asset classes which had above-average condition assessments.

Allocation to Capital Programs for 2012-2014

A summary of the identified priority programs and projects that are included in the Final Capital Plan is listed below by category - Community Facilities, Housing, Parks and Open Spaces, Public Safety, Transportation, Utilities and Public Works and Civic Infrastructure. A detailed listing is in Appendix A.

The allocation of funding to the various programs in the 2012-2014 Capital Plan has responded to priorities identified by Council, Boards and the community and the relative condition and needs of each asset class. Programs seeing increases in funding include non-market housing, childcare, entertainment and exhibition (Hastings Park) and street tree planting.

1. COMMUNITY FACILITIES: \$79 million

1.1. Childcare: \$11 million

The City owns 53 childcare centres which provide about 2,300 spaces (totals include Park Board facilities). While maintaining the existing facilities is important, the overriding goal has been to increase the supply of childcare across the city. The City partners with Park Board, School Board and non-profit partners to achieve this goal. Over the last 10 years, the City opened 11 new facilities with about 550 spaces. Over the next 3 years, it is anticipated that an additional 150 spaces will be provided. Some of these additional spaces will be achieved by expanding preschool programs delivered at Park Board community centres into full-sized childcare centres – an example is the plan for Kensington Community Centre.

1.2. Social: \$5 million

The City owns 28 social facilities and funds three granting programs: social capital grants, Downtown Eastside capital program and heritage façade grants. The main focus is to maintain these social facilities in a reasonably good state of repair and upgrade them based on need. A new social facility is occasionally added – over the last 10 years, two new facilities have been built: the non-profit offices for social groups at Woodward’s and offices for Volunteer Vancouver in downtown Vancouver. Over the next three years, the plan is to upgrade two facilities: the Downtown South Gathering Place and the Urban Native Youth Centre. In addition, one new social facility is anticipated to be built: a neighbourhood house at Arbutus Village (as an “in-kind” Community Amenity Contribution secured at rezoning).

Although funding for the Downtown Eastside Capital Program and heritage grants is lower than in previous capital plans, total investment in the Downtown Eastside will be substantially higher in 2012-2014 because of significantly higher investment in non-market housing (see section 3) and the construction of the Downtown Eastside-Strathcona library (see section 1.5).

1.3. Culture: \$13 million

The City owns 47 cultural facilities and funds the cultural grants program. The main focus is to rebuild and upgrade aging facilities, and to add new facilities based on need. Over the last 10 years, a large number of these facilities were upgraded, including the Queen Elizabeth Theatre, the Playhouse Theatre, the Orpheum, the Vancouver East Cultural Centre, Science World, the Aquarium and Malkin Bowl in Stanley Park, and the plaza at Roundhouse Community Centre. New facilities have also been added, such as the Film Centre, the CBC festival facility, and the recital hall/music school at the Orpheum. Over the next three years, the focus will be on facility maintenance, including the replacement of the membrane protecting the underground vault at the Vancouver Art Gallery and the first phase of roof replacement at Bloedel Conservatory. Funding for the cultural grants program will be maintained at \$3 million.

In recent years, Council has allocated more than \$10 million to the following social and cultural projects that are still at the fundraising or planning stage:

- Kitsilano Neighbourhood House
- Little Mountain Neighbourhood House
- Immigrant Services Society
- Seniors centre in Southeast Vancouver
- York Theatre

1.4. Entertainment and Exhibition: \$8 million

Facilities included in this category include many of the buildings at Hastings Park, Playland amusement park and Nat Bailey Stadium. Although the Pacific Coliseum was upgraded because it was a host facility at the 2010 Olympic and Paralympic Winter Games, most of the buildings at Hastings Park are in poor condition. In 2010, Council approved a master plan for the renewal of the site. The plan includes a revitalized and expanded amusement park, a strategy for building renewal and the provision of additional green space (see section 2.1). Funding is provided for two projects: phase 1 of Playland renewal and the initial phase for renewing the Livestock Building.

1.5. Libraries and Archives: \$24 million

The Library Board operates 21 branch libraries and the City operates the City Archives. The main focus is to rebuild and upgrade aging facilities, particularly libraries that are undersized. Over the last 10 years, three libraries were rebuilt and expanded: Kensington, Mount Pleasant and Hillcrest (the Terry Salman Branch, which will soon replace the Riley Park Branch). Over the next three years, the main project will be the construction of the Downtown Eastside-Strathcona library on Hastings Street (housing for low-income single mothers with children will be built above the library, with funding from external parties). Other projects include phase 1 funding for the Marpole library replacement, phase 1 funding for the expansion of the Central Library onto levels 8 and 9, and phase 2 funding for the building envelope repairs for the Archives building in Vanier Park (phase 1 was funded in 2009-2011).

1.6. Recreation: \$17 million

The City and Park Board have 56 recreation facilities (community centres, pools, rinks and non-profit recreation facilities). The main focus is to rebuild and upgrade aging facilities, particularly those built between 1945 and 1970.

In the last 10 years, a total of 11 facilities have been completely rebuilt:

- 4 community centres (Hillcrest, Mount Pleasant, Sunset and Trout Lake),
- 3 pools (Hillcrest, Killarney and Renfrew),
- 3 rinks (Hillcrest, Killarney and Trout Lake)
- one recreation facility (curling club).

Three existing facilities were either expanded or upgraded: Britannia Rink, Champlain Heights Community Centre and False Creek Community Centre. Two new facilities were also built: the Creekside Community Centre in Southeast False Creek and the Millennium Sports Facility (gymnastics and lawn bowling) at Hillcrest Park.

The investments in recreation facilities has been significant in the past two plans as the City prepared for the 2010 Olympic and Paralympic Winter Games, with a number of projects being advanced for that event.

The pace for renewing the large recreation facilities will slow down for the 2012-2014 capital plans. Over the three years, one smaller scale project will proceed (replacement of the community hall at Kensington Community Centre) and one larger scale project (Marpole Community Centre) will be started but finished in the 2015-2017 Capital Plan. Marpole Community Centre is the top priority among the candidate facilities. It is the oldest community centre in the system (built 1949). The new Marpole facility will be located in/near the heart of the neighbourhood and proposed to include a community centre, library, childcare and social services.

2. PARKS AND OPEN SPACES: \$39 million

2.1 Parks and Seawall: \$36 million

In this category are 200+ parks accounting for 1,300 hectares of land, one cemetery (40 hectares) and 32 km of seawall. For parks, there are two main goals: maintaining existing parks in reasonably good condition and adding features to existing parks/building new parks to keep up with population growth. Over the last 10 years, significant additions include 20 hectares of new park, 9 new children's playgrounds, 6 new perimeter pathways, 6 new synthetic turf playfields and 5 new skateboard parks. Another key accomplishment is the new visitor centre at VanDusen Botanical Garden, scheduled for completion this fall.

Funding for parks and seawall in 2012-2014 will be comparable to what it has been in previous capital plans. Over the next three years, emphasis will be placed on the greening of Hastings Park, the final phase at Riley-Hillcrest Parks, and Greenest City initiatives. Two synthetic turf playfields will be added at Empire Fields, and funding will allow for the construction of an additional skateboard park. About \$7 million is earmarked for park land acquisition and conversion of streets into mini-parks (a joint project between Park Board and City Engineering). There is also a project at Mountain View Cemetery (which is operated by the City): the provision of additional interment capacity.

2.2 Street Trees: \$3.3 million

There are about 138,000 trees planted along streets in Vancouver. The main focus is to replace dying and diseased trees, while planting new trees to increase the total stock across the city. A Greenest City objective is to accelerate the number of new trees planted over the next 10 years. Funding for new trees will double from \$750,000 in the last two capital plans to \$1.5 million in the 2012-2014 Capital Plan. Over the next three years, about 5,000 street trees will be replaced and 4,200 new trees planted.

2.3 Public Art: \$0.65 million

There are over 250 public art installations across the city. Over the next three years, a total of \$400,000 is earmarked for maintenance of existing public art. Funding provided by the City to build new public art has remained relatively steady over the years (\$0.75 to \$1.0 million per capital plan between 1994 and 2008). Funding was increased to \$2 million in the 2009-2011 Capital Plan in order to fund public art to be provided in time for the 2010 Winter Olympic and Paralympic Games. Funding for new public art in the 2012-2014 Capital Plan is accompanied by a significant increase in public art contributions generated through rezonings, a mechanism which is standing Council Policy (developers can either build the artwork or make a cash contribution to the City). In the last 12 months alone, a total of \$7.5 million has been secured for new public art installations as part of rezonings of private lands.

3. HOUSING: \$60 million

The City's goal is to increase the supply of affordable housing in Vancouver with a broad range of dwelling types to meet the needs of a diverse population. The City has been a partner in providing affordable housing since the 1950s, along with the Federal government, the Provincial government and non-profit groups. On July 28, 2011, Council approved the City's "Housing and Homelessness Strategy 2012-2021".

The first component of the strategy is to maintain the existing stock of affordable housing in satisfactory condition. The City owns and operates 22 buildings with just under 1,500 housing

units. A total of \$18 million will be invested over the next three years to maintain, upgrade and rebuild existing affordable housing owned by the City.

The second component is the creation of new affordable housing. The City's most frequent contribution is the provision of land upon which affordable is built by housing partners (currently about 10,000 housing units have been built by partners on 200 parcels owned by the City). The City also has a granting program to facilitate the construction of affordable housing. A total of \$42 million will be invested by the City over the next three years to create new affordable housing. This investment will lead to the creation of about 1,100 units.

The total investment in affordable housing is substantially higher than in previous capital plans and represents Council's strong commitment to this program.

4. PUBLIC SAFETY: \$13 million

4.1 Police: \$0.2 million

There are 10 police facilities across the city. Over the last 10 years, there has been considerable investment in police facilities, including the relocation of offices from 312 Main to Graveley Street, a new training centre, a new property storage facility and a new dog squad facility. The strategy for this capital plan is to maintain police facilities in a state of good repair. Over the next three years, a total of \$160,000 will be invested in facility maintenance and minor upgrades.

4.2 Fire: \$13 million

There are 19 fire halls in Vancouver. The Plan signals investments designed to commit more investment to addressing issues in local fire halls. The general strategy is to replace one fire hall each capital plan, noting, however, that only 2 fire halls were replaced in the last ten years. In the 2009-2011 Capital Plan, funding was provided to prepare the design for Fire Hall #5 (at Kerr and 54th). In the 2012-2014 Capital Plan, funding will be provided to construct Fire Hall #5 and to prepare the design for the replacement of Fire Hall #17 (at Knight and 57th), with construction scheduled for 2015. In addition, there will be an increase in the maintenance budget for fire halls - a total of \$1.85 million in the 2012-2014 Capital Plan - to improve conditions at many of the fire halls.

4.3 Animal Control: \$0.2 million

There is one animal control facility in the city, built in the mid-1970s. The strategy is to replace the facility over the next ten years. In the interim, the focus is on maintaining the building in a state of good repair and keeping it functional. Over the next three years, a total of \$0.2 million will be invested at the facility.

5. TRANSPORTATION: \$154 million

The goal is to provide a transportation system that prioritizes the safe, comfortable and efficient movement of pedestrians, cyclists, transit users and trucks/trains (goods movement), recognizing that auto-oriented projects are supported if they improve safety, are part of a corridor improvement plan and/or increase ride-sharing. As changes to the transportation systems are gradually implemented, it is equally important to maintain the functionality, safety and integrity of the existing transportation systems.

Over the last 10 years, significant large scale projects have been completed, including the reconstruction of Granville Street downtown, the reconstruction of Cambie Street (Cambie

Bridge to Marine Drive) and the Carrall Street Greenway. An extensive consultation is currently underway for the next 10 year Transportation Plan. Details on transportation spending over the next three years will be positioned to respond to the recommendations expected in the latter half of 2012 from this planning exercise.

5.1 Walking and Cycling: \$25 million

Assets include 2,400 km of sidewalks, 225 km of bikeways and greenways, 341 pedestrian-bike signals and 13 bridges and underpasses. Over the last 20 years, there have been substantial investments in new walking and cycling infrastructure, particularly bikeways, greenways and pedestrian-bike signals. A total of \$16 million is earmarked for new walking and cycling assets in the 2012-2014 Capital Plan. In addition, a total of \$8 million is provided to maintain existing assets, mostly sidewalk reconstruction and replacement of aging pedestrian-bike signals.

In the last two capital plans, the City has focussed its investments for pedestrians on the construction of new sidewalks and accessibility improvements by building ramps at street corners. Over the next three years, priority will be placed on investments that improve pedestrian safety. The City will also be shifting its strategy with its cycling investments, focussing on core features that make cycling safe and comfortable and exploring options that involve lower cost changes to the road system.

5.2 Transit: \$3 million

Assets include 18 km of bus lanes, 37 bus bulges and about 250 concrete slabs at bus stops, with most of these assets built over the last 20 years. The strategy is to make ongoing investments to facilitate the movement of buses along the arterial street system and provide passenger amenities at bus stops. A total of \$2.6 million is earmarked for transit improvement projects in the 2012-2014 Capital Plan. In addition, a total of \$0.6 million is provided to replace 15 aging concrete slabs at bus stops.

5.3 Roads: \$117 million

Assets include 363 km of arterial roads, 1,050 km of local roads, 650 km of lanes, 24 bridges, 468 traffic signals and 55,000 street lights. The main focus for roads is to maintain existing assets in reasonably good condition. Over the last 10 years, about \$250 million have been invested in maintaining major and local roads. About \$62 million is allocated in the 2012-2014 Capital Plan for this purpose - including \$28 million for road repaving, \$17 million for bridge maintenance, and \$13 million for traffic signals and street lighting. This is a noticeable reduction compared to previous plans. While a short-term drop in maintenance is manageable, we will continue to monitor conditions of our road assets and factor that into future plans.

A second focus for roads is to build new assets to facilitate goods movement or improve safety for motor vehicles. Key outcomes over the last 10 years include the construction of three left-turn lanes on Knight Street (at 33rd, 49th and 57th Avenues) and installing 10 new vehicular signals. The 2012-2014 Capital Plan includes an important goods movement project: the construction of the Powell Street overpass, a \$48 million joint project which involves the railway companies, Transport Canada, the Port and the City.

5.4 Parking: \$9 million

Assets include 21 parkades, 12 surface parking lots and 9,200 parking meters. The main focus for these assets is to maintain them in reasonably good order, and a total of \$7.7 million is

allocated in 2012-2014 Capital Plan for this purpose. Another important focus is to gradually install pay parking in commercial districts outside downtown where on-street parking is currently free. Over the next 3 years, a total of about 1,650 new parking meters are planned to be installed.

6. UTILITIES AND PUBLIC WORKS: \$228 million

Utilities and public works is the largest component of the Capital Plan. These assets are long term assets and their good repair is critical to the health of our citizens and to achieving sustainability goals. Over the past 10 years, the City has invested more than \$500 million in utilities and public works.

6.1 Waterworks: \$48 million

Assets include 1,483 km of water mains, 1,120 km of service connections and 27 pressure reducing valve stations. The main focus for this plan is to maintain existing assets in good condition. In the short term, the strategy is to reduce funding for waterworks in order to facilitate additional sewer separation (see section 6.2). Over the last 10 years, about 11.5 km of water mains have been replaced per year and the water main break rate has remained stable. Over the next three years, the rate will drop to about 10 km per year. Staff will monitor leakage and failure rates for water mains and service connections to ensure that replacement levels are adequate.

6.2 Sewers: \$139 million

Assets include 2,082 km of sewer mains and 1,100 km of service connections and 24 pump stations. There are two main goals for the sewer system: one is to maintain existing assets in good condition, and the other is to separate combined sewers into one storm sewer and one sanitary sewer, to meet our regulatory commitment to eliminate combined sewer overflows (CSO's) by 2050. The sewer system is presently about 40% separated, including all of downtown and the east basin of False Creek. By 2050 the system will need to be 95% separated in order to eliminate CSO's.

The City's strategy is to gradually accelerate the sewer separation program, while focusing on areas providing the greatest environmental and flood-prevention benefits in the near term. Over the last 10 years, about 10.4 km of combined sewers have been separated per year. Over the next three years, the rate will increase to about 12.5 km per year.

6.3 Solid Waste: \$40 million

Assets include the transfer station on Kent Avenue and the landfill in Delta. The main focus over the next three years is at the landfill. A total of \$35 million will be allocated to a series of projects linked to the 'closure' of several sections at the landfill, including the capping of closed sections and infrastructure to capture gas that emanates from the landfill. There is also a \$5 million project to rebuild and reorganize the 'residential drop-off' area at the landfill.

6.4 Neighbourhood Energy Utility: \$1.4 million

Assets include one neighbourhood energy centre and 4 km of pipes in Southeast False Creek. The system became operational in 2009 in order to provide energy to the buildings in the Olympic Village. In time, all buildings in Southeast False Creek will be connected to the Neighbourhood Energy Utility. It is anticipated that 6 new buildings will need to be connected to the system over the next three years.

7. CIVIC INFRASTRUCTURE: \$95 million

7.1 Administrative Buildings: \$12 million

The City has about 460,000 square feet of offices in 12 different buildings. Over the last 10 years, new office spaces has been built at Woodward's (for Community Services) and leased at Crossroads (for Engineering Services). A focus of the Plan is to invest in seismic upgrades to enhance safety at the City Hall precinct - something which is much needed. Otherwise our strategy is to maintain our older administrative buildings in good functional order.

7.2 Service Yards: \$0.4 million

The City has 18 service yards covering 33 hectares of land. The focus for the next three years is on basic facility maintenance. During this period, the plan is to prepare a long-term strategy for all service yards, identifying opportunities to co-locate and functionally integrate.

7.3 Vehicles and Equipment: \$34 million

Assets include 1,850 vehicles and 2,850 pieces of equipment. The strategy is to continue with the life-cycle replacement programs and to ensure our choices are aligned with our green goals in this area. This means that about 270 vehicles and pieces of equipment will be replaced over the next three years.

7.4 Information Technology: \$48 million

Assets include 5,300 computers, 300 servers and 250 specialized software applications. The strategy is three-fold: to replace hardware (\$16.5 million) and software (\$11.3 million including library and voting systems) that have reached the end of life, to replace and enhance technology to transform our operations and improve customer service (\$12.2 million including Permits and Licensing systems and Web redevelopment), and to invest in new technology systems to support our ongoing business transformation (\$7.5 million is identified in the 2012-2014 Capital Plan).

8. Emerging Priorities, Inflation Contingency and City-wide Overhead: \$34 million

8.1 Emerging Priorities: \$15 million

During the course of a three-year capital plan, there will be a number of emerging priorities that need to be addressed. Examples include fulfilling strategic priorities identified by Council and/or Boards, or advancing projects if funding from partners materializes. A total of \$15 million has been reserved for this purpose, which represents 2.3% of program spending.

8.2 Inflation Contingency: \$10 million

The program spending identified above is calculated in current dollars. It is prudent to reserve an amount to cover potential cost increases due to inflation for projects that will be started in 2013 and 2014. A total of \$10 million has been earmarked as a contingency, which represents 1.5% of program spending.

8.3 City-wide Overhead: \$9 million

Two costs are built into this category: a) financing fees that the City incurs as part of the debenture program (not the interest associated with debenture borrowing); and b) the City's legal and finance costs that are needed to support the capital program. A total of \$9 million is identified for overhead, which represents 1.3% of program spending.

FINANCIAL IMPLICATIONS

The Capital Plan is one of the key components of the City's long-term financial planning. Capital investments impact the City's finance and ongoing operations in a number of ways: debt servicing charges (principal and interest) supported by the operating budget through property tax and utility fees, "pay as you go" funding for capital directly from the operating budget (Capital from Revenue) and ongoing operating costs associated with the new and expanded capital assets. In developing the 2012-14 Capital Plan, these factors, along with the operating budget impact arising from prior capital plan investments, have been carefully considered.

To mitigate further pressure on the operating budget over the next 3 years and limit the growth of the City's overall debt, the proposed Capital Plan spending is maintained at the same level as the prior Capital Plan (adjusted for additional funding sources), however, the portion to be funded from debenture and capital from revenue is reduced and while other funding sources such as DCLs and CACs, special-purpose reserves and contribution from senior government and other funding partners has increased. The intent is to align the growth of tax-supported debt servicing charges (principal and interest) and capital from revenue with the growth of the City's tax-supported revenue so that capital investments are not a major driver of property tax increases. Managing the City's overall debt level and ability to service the debt is critical to maintaining a strong credit rating which enables the City access to the credit market at very favourable financing rates.

In developing and refining the City's long-term financial plan and debt management strategy to support our capital investments, staff will continue to assess and determine the optimal balance between the use of debt financing and pay as you go for utilities and other general programs, as well as any implications on property taxes and fees, and bring forward any recommendations to Council for consideration.

PERSONNEL IMPLICATIONS

Capital projects are undertaken through a combination of resources - internal staff resources, temporary or contract resources and external contracts with vendors, depending on the nature of the project. While the total value of the 2012-2014 plan is consistent with the prior plan, shifts in the categories of investment will mean that some departments have less funding while others have more. Based on our experience with Infrastructure projects, substantial savings can be made through our strategic procurement processes and this will be a significant focus for reducing costs in some areas of our capital plan. In departments where the number of internal staff resources is affected by these funding shifts, the City will work diligently to manage impacts on regular employees through attrition, retirements, redeployment and strategic use of vacancies. As the Capital Budgets are developed over the next 3 years of the plan, staff implications will be better understood and discussed as part of the budget process.

CONCLUSION

The 2012-2014 Capital Plan outlined in this report was developed through a comprehensive capital process that began with a 10 year strategic outlook of our capital assets. This 10 year view provided valuable insights into the value of our assets, the prior investment levels, the

state of repair and maintenance and the needs and desires for investment over the next 10 year horizon, which have influenced the priority of investments across the service areas. Significant public input was received and informed the prioritization decisions. The plan also reflects the City's financial situation and is set at a fiscally responsible level with a debt level that can be carried by the City's operating budget without undue pressure on property taxes or fees. The level of the plan also takes into account the capacity of the organization to complete projects within the 3 year window. Following approval of the Capital plan, the next step in the process will be development of the budget for the first year of the plan, 2012. The 2012 Capital Budget, which will be brought forward in the new year, provides approval for funding of specific projects aligned to the capital plan.

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