



ADMINISTRATIVE REPORT

Report Date: November 17, 2014
Contact: Sarah Kapoor
Contact No.: 604-873-7824
RTS No.: 10766
VanRIMS No.: 08-2000-20
Meeting Date: December 17, 2014

TO: Standing Committee on City Finance and Services
FROM: Director of Finance
SUBJECT: Request for Approvals in Advance of the 2015 Capital Budget

RECOMMENDATION

- A. THAT Council approve Capital project budgets and associated funding as summarized in the body of the report and in the Appendices in the amount of \$31,437,000, in advance of the 2015 Capital Budget, with the source of funds as follows:
- Capital from Revenue and Debenture Borrowing of \$15,332,000 consisting of:
 - Capital from Revenue \$645,000;
 - 2015 Plebiscite Debenture Borrowing Authority \$9,260,000; and
 - 2015 Utility Debenture Borrowing Authority \$5,427,000;
 - Other Sources of funding of \$16,105,000 consisting of:
 - Water Pay-as-you-go Utility Fees \$2,500,000;
 - Other Operating Funding \$1,250,000;
 - Plant and Equipment Reserve \$9,060,000;
 - Solid Waste Capital Reserve \$100,000;
 - Park Board Green Fund \$50,000;
 - City-Wide Development Cost Levies \$1,670,000; and
 - Water & Sewer Connection Fees \$1,475,000.
- B. THAT Council approve a Capital Expenditure Budget of \$61,363,000 for the First Quarter of 2015 in advance of the 2015 Capital Budget.

REPORT SUMMARY

The 2015 Capital Budget is scheduled for Council consideration and approval in early March 2015. Several ongoing, annual capital programs are currently funded only to the end of December 2014, and several projects planned to commence in 2015 require funding commitment in advance of the 2015 Capital Budget to allow for procurement timelines.

The purpose of this report is to request Council approval of Project Budget and funding of \$31.44 million in advance of the 2015 Capital Budget report to initiate a small number of critical, time sensitive new projects to the procurement stage and to enable a number of regular ongoing annual capital programs, primarily performed by internal staff, to carry on the planned first quarter activities for those projects.

In conjunction with the request for advance project budget and funding approval, this report also requests approval of an expenditure budget of \$61.36 million for the first quarter of 2015. This includes \$18.64 million of spending related to the newly approved projects as well as \$42.72 million of spending on projects that Council approved in prior year budgets where work is not yet complete and continuing into Quarter 1 of 2015. All programs and projects included in this report will be presented as part of the overall 2015 Capital Budget report.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Council approves Capital projects and priorities, including approvals in advance of the Capital Budget.

The City has a policy to plan for capital project expenditures on a multi-year cycle. Capital plans are developed to match the term of Council and allow for a borrowing plebiscite to be held in conjunction with the civic election. On May 29, 2014, the Province enacted legislation to extend the term of Council from three years to four years, effective 2014. In September 2014, Council approved the 2015-2018 Capital Plan in the amount of \$1.085 billion (RTS 10507; <http://former.vancouver.ca/ctyclerk/cclerk/20141001/documents/rr3.pdf>).

It has been Council practice to fund capital expenditures for waterworks, sewerage and drainage, and energy utility systems from debenture borrowing. As part of the City's debt management strategy, commencing in the 2012-2014 Capital Plan, the water utility began to transition its infrastructure lifecycle replacement program from debt financing to pay-as-you-go over two Capital Plans. The transition will be completed in the 2015-2018 Capital Plan. 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.

Funding from the four-year Capital Plan is allocated to specific capital programs and projects through the annual Capital Budgeting process. Council approval of the annual Capital Expenditure Budget is required before work can proceed on specific programs/projects.

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 and 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. Borrowed funds are generally paid back over 10 years to ensure that outstanding debt does not accumulate to unacceptable levels, and that annual debt servicing charges (principal and interest) are maintained at a level that does not put undue pressure on the operating budget.

Section 247A 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.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The Capital Budget is the main tool by which the City implements its four-year capital plan, as it provides the authority to proceed with specific programs/projects, and defines the approved annual expenditure for Capital. It is important in fostering and maintaining public accountability and transparency, and provides detailed information about specific programs/projects, such as budgets by cost category, identification of specific funding sources, and outcomes that are clearly identifiable and measurable.

The City's Capital Budget process has been developed to ensure assets and investments are managed comprehensively, with rigor and transparency, in a manner that ensures the City is achieving value for money, and that staff resources are used efficiently.

On an annual basis, the capital budget is brought to Council prior to the end of the calendar year to enable capital projects to begin in January. On the election cycle, the budget timeline is delayed to the end of the 1st quarter. To facilitate continued uninterrupted capital work, Council has a practice of pre-approving capital budgets for the 1st quarter of the year.

REPORT

Background/Context

On October 1, 2014, Council approved the 2015-2018 Capital Plan totalling \$1.085 billion of expenditures, and the associated funding strategy for the Plan (RTS 10507; <http://former.vancouver.ca/ctyclerk/cclerk/20140930/documents/rr3.pdf>).

At the end of the third quarter of 2014, the capital program was projecting to spend approximately \$266 million for the year, or 90% of the planned 2014 expenditure budget.

Strategic Analysis

The 2015 Capital Budget is scheduled for Council consideration and approval in early March 2015. A small number of critical, time sensitive new projects to be included in the 2015 Capital Budget require funding commitment in advance of the 2015 Capital Budget to allow for procurement timelines. Several regular, ongoing annual capital programs, primarily performed by internal staff are currently funded only to the end of December 2014 and

require project budget and funding to complete the planned work for the 1st quarter as well as avoid the necessity of laying off staff.

All programs and projects included in this report will be presented as part of the overall 2015 Capital Budget report scheduled for Council deliberation in March 2015.

Appendix 1 provides a listing of requests for project budget and funding approval in advance of the 2015 Capital Budget, including project description as well as scope of work for Quarter 1.

Appendix 2 provides a listing of proposed funding sources for the advance approval funding requests.

The following table highlights the top ten advance approval requests by advance approval amount.

2015 Capital Budget Advance Approval Requests					
	Program/Project Name	Service Category	Project/Program Description for Q1 2015	Reason for Advance Approval	Advance Approval Amount
1	Fleet Replacement	Civic Infrastructure	Approximately \$9 million for procurement of fleet replacements in VPD and Engineering.	Procurement	\$9,000,000
2	Transportation Capital Programs	Transportation	Ongoing Transportation capital programs, including new/rehabilitation of street lighting, traffic signals, sidewalks, neighbourhood traffic calming, etc.	Required for ongoing program	3,865,000
3	Sewer Main Replacement (Separation)	Utilities and Public Works	Ongoing sewer separation program that includes multiple individual projects sites throughout the City.	Required for ongoing program	3,700,000
4	2015-18 Capital Maintenance of City Facilities	Civic Infrastructure	Construction contract tendering for required ongoing capital maintenance of City facilities, primarily roof replacements.	Procurement	2,800,000
5	Utilities and Public Works Capital Programs	Utilities and Public Works	Required ongoing utilities and public works capital programs, including new and replacement water connections and meters, replacement sewer connections, and other repairs and maintenance of sewer and water infrastructure.	Required for ongoing program	2,302,000
6	Major Bridge Maintenance and Rehabilitation	Transportation	Required ongoing major bridge maintenance programs (Burrard Bridge, Granville Bridge, Main Street Overpass).	Procurement	1,840,000
7	Major Roads Rehabilitation - City	Transportation	Initiate work on the W King Edward rehabilitation project, including drainage, pavement structure, and curb repairs between Arbutus and MacDonald, and begin work on Granville to East Boulevard in coordination with Sewer Utility renewals.	Required for ongoing program	1,500,000
8	Water Distribution Main Replacement	Utilities and Public Works	Replace aging, deteriorating components of the water system including mains, valves, hydrants, etc.	Required for ongoing program	1,500,000
9	Ongoing Parks and Open Spaces Programs	Parks and Open Spaces	Required ongoing Parks and Open Spaces programs, including park/street trees, playgrounds, water parks, skate parks, and sports fields/courts.	Required for ongoing program	1,155,000
10	IT Infrastructure Maintenance, Upgrade & Expansion	Civic Infrastructure	Procurement of critical end-of-life IT infrastructure components including VOIP equipment at VPD and network security components (Firewall and IPS - Intrusion Protection System).	Procurement	1,050,000
Advance Approval Funding total for top ten requests					\$28,712,000
Remaining requests					2,725,000
Total Funding Advance Approval Requested					\$31,437,000

Expenditures for the first quarter of 2015 are estimated to be approximately \$61.36 million for the first quarter of 2015. This includes \$18.64 million of spending related to the newly approved projects as well as \$42.72 million of spending on projects that Council approved in prior year budgets where work is not yet complete and continuing into Quarter 1 of 2015.

CONCLUSION

The purpose of this report is to request Council approval of funding of \$31.44 million in advance of the 2015 Capital Budget in order to initiate a small number of critical, time sensitive new projects to the procurement stage and to enable a number of regular ongoing annual capital programs, primarily performed by internal staff, to carry on the planned first quarter activities for those projects, until the final budget approval in March 2015. In conjunction with the request for advance funding approval, this report also requests an expenditure budget of \$61.36 million for the first quarter of 2015. All programs and projects included in this report will be presented as part of the overall 2015 Capital Budget report.

* * * * *

2015 Capital Budget Advance Approval Requests						
	Service Category	Program/Project Name	Project/Program Description for Q1 2015	Project/Program Deliverables for Q1 2015	Advance Approval Amount	Q1 2015 Spend Forecast
Projects requiring project budget and funding to begin in Q1 2015 - primarily to initiate procurement process						
1	Civic Infrastructure	Fleet Replacement	Approximately \$9 million for procurement of fleet replacements in VPD and Engineering (approx 91 fleet) <ul style="list-style-type: none"> • Marked and unmarked patrol cars (44) • Construction equipment (loaders) (6) • Sweepers (2) • Trucks with service, cube and dump bodies (22) • Sewer cleaner trucks (4) • Various other light duty vehicles (13) 	Q1 delivery of approximately \$2 million of VPD patrol vehicles (41 like-for-like replacements) and \$1 million of other fleet.	\$9,000,000	\$3,000,000
2	Civic Infrastructure	IT Infrastructure Maintenance, Upgrade & Expansion	Procurement of critical end-of-life IT infrastructure components including VOIP equipment at VPD and network security components (Firewall and IPS - Intrusion Protection System).	Procure telecom switches and network security components, VOIP servers, routers and related software upgrades ordered, with delivery of \$670k expected in Q1.	1,050,000	670,000
3	Civic Infrastructure	Pictometry LiDAR (Light Detection and Ranging) Orthographics Upgrade	Commission and obtain updated aerial photography used within the City GIS (Geographic Information System)/mapping applications.	Contract issued and flights scheduled for early spring to avoid foliage blockage of ground structures.	100,000	0
4	Civic Infrastructure	2015-18 Capital Maintenance of City Facilities	Construction contract tendering for required ongoing capital maintenance of City facilities: <ul style="list-style-type: none"> ▶ roof replacements: <ul style="list-style-type: none"> • Transfer Station (\$300,000) • West End Community Centre (\$600,000) • Vancouver Art Gallery (\$500,000) • Abbeyfield housing facility (\$300,000) • Prospect Point picnic area and Seasons in the Park restaurant (\$700,000) ▶ caulking at Library Square (\$400,000) 	RFP's for construction contracts; critical timing as weather dependent.	2,800,000	200,000
5	Parks and Open Spaces	False Creek Seawall - Waterfront Wharf	Inspection and rehabilitation design of engineering waterfront structures with the Expo Deck and Waterfront Wharf being the primary focus, however the entire inventory will be inspected.	Issue and award RFP for the procurement of services.	200,000	50,000
6	Transportation	Major Bridge Maintenance and Rehabilitation	Required ongoing major bridge maintenance programs: <ul style="list-style-type: none"> • Burrard Bridge Rehabilitation (\$790,000) • Burrard Bridge upgrades (\$300,000) • Granville Bridge gantry repairs and Main Street overpass repairs (\$750,000) 	<ul style="list-style-type: none"> • Complete design work • Tender issuance for Burrard Bridge bird exclusionary netting, Granville Bridge repairs, Main Street Overpass repairs 	1,840,000	550,000

2015 Capital Budget Advance Approval Requests						
	Service Category	Program/Project Name	Project/Program Description for Q1 2015	Project/Program Deliverables for Q1 2015	Advance Approval Amount	Q1 2015 Spend Forecast
7	Transportation	Gastown Transportation and Street Rehabilitation	Project team for reviewing Water Street related transportation improvement option will be established and begin related research, analysis and public consultation to define the scope.	<ul style="list-style-type: none"> Hiring of new staff for the project team, and Launching heritage evaluation consultancy 	200,000	200,000
8	Utilities and Public Works	Water Transmission Main Replacement	Replace aging, deteriorating components of the transmission water system including mains, valves, etc.	Completion of all remaining components of Phase 1 & 2 of the Pender Transmission Main. Commission new water transmission main between Clark Drive and Gore Street. Purchase of fittings for Phase 3 of Pender Transmission Main with construction to commence in Q2.	1,000,000	300,000
Total for Projects requiring project budget and funding to begin in Q1 2015					\$16,190,000	\$4,970,000
Ongoing Programs requiring project budget and funding for Q1 work - primarily with staff that are regular employees working on ongoing capital programs						
1	Civic Infrastructure	IT PMO (Project Management Office) Project Planning	Provide for ongoing IT PMO Project Planning funding that will be utilized to begin planning & analysis work on the following projects: <ul style="list-style-type: none"> - Tee Time Replacement - VFRS Scheduling Assessment - Application Rationalization - Urban Forest Inventory System - Fleet software replacement 	Project charters Requirements analysis Project planning & prioritization	\$225,000	\$225,000
2	Parks and Open Spaces	Ongoing Parks and Open Spaces Programs	Required ongoing Parks and Open Spaces programs: <ul style="list-style-type: none"> • Urban Forest: Park and street trees (\$375,000) • Playgrounds, water parks, and skate parks (\$150,000) • Sports fields and courts (\$100,000) • Park planning and policy studies (\$75,000) • Park project management (\$375,000) • Golf course improvements (\$50,000) • Stanley Park cliff scaling (\$30,000) 	Park staff plants trees in January, February and March and funding is required to cover staff (approx \$200K), equipment and materials (trees and soil). Note there are 2 tree planting seasons Winter (Q1) and Fall (Q4) Other programs are Q1 portion of annual programs.	1,155,000	1,155,000
3	Transportation	Major Roads Rehabilitation - City	Initiate work on the W King Edward rehabilitation project, including drainage, pavement structure, and curb repairs between Arbutus and MacDonald, and begin work on Granville to East Boulevard in coordination with Sewer Utility renewals.	<ul style="list-style-type: none"> • Install drain tile and initiate curb and pavement structure repairs between Arbutus and MacDonald • Initiate pavement structure repairs and reconstruction in areas between Oak and East Boulevard in coordination with Sewer utility work planned for Q1 	1,500,000	1,500,000

2015 Capital Budget Advance Approval Requests						
	Service Category	Program/Project Name	Project/Program Description for Q1 2015	Project/Program Deliverables for Q1 2015	Advance Approval Amount	Q1 2015 Spend Forecast
4	Transportation	Transportation Capital Programs	<p>Required ongoing Transportation capital programs:</p> <ul style="list-style-type: none"> • Street Lighting Rehabilitation - Major Roads (\$575,000) and Local Roads (\$375,000) • Traffic Signal Rehabilitation (\$500,000) • Sidewalk Rehabilitation (\$500,000), new Construction (\$100,000) • Local Roads Rehabilitation (\$400,000) • Active Transportation Corridors and Spot Improvements (\$300,000) • Pedestrian and Bicycle Signals - New (\$220,000) and Rehabilitation (\$190,000) and Curb Ramps (\$150,000) • Transportation Monitoring (\$200,000) • Engineering Capital Project Management Office (\$130,000) and Community Planning (\$50,000) • Neighbourhood Traffic Calming (\$125,000) • Bridgeway Slope Stabilization (\$50,000) 	Q1 portion of annual programs.	3,865,000	3,865,000
5	Utilities and Public Works	Sewer Main Replacement (Separation)	This is part of the on-going sewer separation program that includes multiple individual projects sites throughout the City.	In the first quarter, some of the larger sewer main replacement/separation jobs include MacDonald, SW Marine to W. 45th; and King Edward, Maple to Cypress. It is expected that approximately 2.5 kms will be completed in Q1.	3,700,000	3,700,000
6	Utilities and Public Works	Water Distribution Main Replacement	Replace aging, deteriorating components of the water system including mains, valves, hydrants, etc.	Approximately 1.2 km of water main including valves, hydrants, services, etc.	1,500,000	1,500,000
7	Utilities and Public Works	Sewer & Water Combined Connections (Developer User Fee Funded)	This is an ongoing program driven by the City's permit process. Work scheduled in Q1 will install service connections for developers and homeowners who have paid for their permit and passed all inspections. Budget approval is required in order to set up the WBS in 2015 to receive revenue and charge costs.	Approximately 300 water/sewer connections will be installed in Q1; 200 from 2014 funding which will be carried over from 2014 and 100 from funds received in 2015.	1,000,000	1,000,000

2015 Capital Budget Advance Approval Requests						
	Service Category	Program/Project Name	Project/Program Description for Q1 2015	Project/Program Deliverables for Q1 2015	Advance Approval Amount	Q1 2015 Spend Forecast
8	Utilities and Public Works	Utilities and Public Works Capital Programs	Required ongoing utilities and public works capital programs: <ul style="list-style-type: none"> • Aging Water Connection (\$450,000) and Water Meter Replacement (\$150,000) • New Water Meters (\$50,000) • Aging Hydrant Replacement (\$63,000) • Replace Sewer Connections and Manholes (\$400,000) • Water (\$200,000) and Sewer Commercial Connections (\$150,000) • Sewer Residential & At-Cost Connections (\$75,000) • Upgrading Sanitary Sewer Pipes (\$188,000) • Sewer Separation on Private Property (\$172,000) • Landfill and Transfer Station Scale Software (\$100,000) • TV Inspection of Sewers (\$75,000) • Utilities Design Investigation (\$66,000) and Engineering & Site Investigation (\$63,000) • Telemetry and Monitoring (\$50,000) • Local Repairs, Catch Basins & Spurs (\$50,000) 	Q1 portion of annual programs.	2,302,000	727,000
Total for Ongoing Programs requiring project budget and funding for Q1 work					\$15,247,000	\$13,672,000
Total for Projects/Programs Requesting Project and Funding Advance Approval					\$31,437,000	\$18,642,000
Q1 2015 Capital Expenditure Forecast for previously approved projects and programs continuing in 2015						\$42,721,000
Total Q1 2015 Capital Expenditure Forecast						\$61,363,000

Funding Sources for 2015 Capital Budget Advance Approval Requests

	Service Category	Program/Project Name	Advance Approval Amount	Plebiscite-approved Borrowing Authority	Council-approved Utility Borrowing Authority	Capital from Revenue	Water Pay-as-you-go Utility Fee	Other Operating Funding	Capital Reserves	City-Wide DCL	Water & Sewer Connection Fees
Projects requiring project budget and funding to begin in Q1 2015 - primarily to initiate procurement process											
1	Civic Infrastructure	Fleet Replacement	\$9,000,000						9,000,000		
2	Civic Infrastructure	IT Infrastructure Maintenance, Upgrade & Expansion	1,050,000					1,050,000			
3	Civic Infrastructure	Pictometry LIDAR (Light Detection and Ranging) Orthographics Upgrade	100,000			100,000					
4	Civic Infrastructure	2015-18 Capital Maintenance of City Facilities	2,800,000	2,800,000							
5	Parks and Open Spaces	False Creek Seawall - Waterfront Wharf	200,000	200,000							
6	Transportation	Major Bridge Maintenance and Rehabilitation	1,840,000	1,540,000						300,000	
7	Transportation	Gastown Transportation and Street Rehabilitation	200,000	200,000							
8	Utilities and Public Works	Water Transmission Main Replacement	1,000,000				1,000,000				
Total for Projects requiring project budget and funding to begin in Q1 2015			\$16,190,000	\$4,740,000	\$0	\$100,000	\$1,000,000	\$1,050,000	\$9,000,000	\$300,000	\$0
Ongoing Programs requiring project budget and funding for Q1 work											
1	Civic Infrastructure	IT PMO (Project Management Office) Project Planning	\$225,000			165,000			60,000		
2	Parks and Open Spaces	Ongoing Parks and Open Spaces Programs	1,155,000	330,000				200,000	50,000	575,000	
3	Transportation	Major Roads Rehabilitation - City	1,500,000	1,500,000							
4	Transportation	Transportation Capital Programs	3,865,000	2,690,000		380,000				795,000	
5	Utilities and Public Works	Sewer Main Replacement (Separation)	3,700,000		3,700,000						
6	Utilities and Public Works	Water Distribution Main Replacement	1,500,000				1,500,000				
7	Utilities and Public Works	Sewer & Water Combined Connections (Developer User Fee Funded)	1,000,000								1,000,000
8	Utilities and Public Works	Utilities and Public Works Capital Programs	2,302,000		1,727,000				100,000		475,000
Total for Ongoing Programs requiring project budget and funding for Q1 work			\$15,247,000	\$4,520,000	\$5,427,000	\$545,000	\$1,500,000	\$200,000	\$210,000	\$1,370,000	\$1,475,000
Total for Projects/Programs Requesting Project and Funding Advance Approval			\$31,437,000	\$9,260,000	\$5,427,000	\$645,000	\$2,500,000	\$1,250,000	\$9,210,000	\$1,670,000	\$1,475,000