MEMORANDUM

December 3, 2019

TO: Mayor and Council

CC: Sadhu Johnston, City Manager
Paul Mochrie, Deputy City Manager
Lynda Graves, Administration Services Manager, City Manager's Office
Rena Kendall-Craden, Civic Engagement and Communications Director
Katrina Leckovic, City Clerk
Neil Monckton, Chief of Staff, Mayor's Office
Alvin Singh, Communications Director, Mayor's Office
Anita Zaenker, Chief of Staff, Mayor's Office

FROM: Patrice Impey
General Manager, Finance, Risk and Supply Chain Management

SUBJECT: Draft 2020 Capital and Operating Budget for Council consideration – additional responses to Councillors' questions

Dear Mayor and Council,

The purpose of this memo is to provide responses to the additional questions submitted by Councillors.

Please note that the page numbers noted below are referring to the published version of the Appendix 1 – Draft 2020 Budget Book that was distributed via email, and also in hard copy on Monday, November 25th.

I. Questions – General

1. **If Council were to decide to decrease the overall tax increase by a certain amount without impacting current Council priorities, would it be possible to direct staff to find the savings rather than Council identifying specific amounts to be reduced in specific line items?**
   The budget is set out to enable Council to see the property tax needed for existing services, addressing services gaps /risks and new items to address Council priorities. The priority from staff perspective is:
   i. Fund fixed costs to maintain staffing and service levels while reprioritizing existing staff toward Council priorities.
   ii. Fund operating costs for new capital projects previously approved by Council, infrastructure renewal, risks, then address existing service gaps.
   iii. Add additional funds to further advance council priorities.

   Fixed costs are not optional.
   Core service increases are primarily public safety so services levels would not improve in those areas. New facilities and assets would not have operational funding (reducing service levels) and infrastructure would not be renewed in accordance with asset management plans.

2. **When did the city shift to pay-as-you-go financing for water and sewer?**
   For the Water utility, transition from debt financing to pay as you go began in 2012 (https://council.vancouver.ca/20111213/documents/a10.pdf) with a detailed cost-benefit analysis. The transition was completed in the 2015-2018 capital plan.

   For the Sewer utility, pay-as-you-go was introduced in 2015, but the transition was paused due to rate pressure (including rate increase contemplated by Metro Vancouver). An part of the 2019-2022 capital plan, pay-as-you-go was expanded to accommodate the increased need for renewal while keeping within the City's debt capacity.

   While transitioning from debt financing to pay-as-you-go for these ongoing renewal programs creates short-term rate pressures (as the budget needs to pay for debt servicing for previous work and funding for current work), the long-term interest savings from reduced borrowing are the key benefit.

3. **Yet another option I've heard discussed is delaying the property tax shift from commercial to residential tax classes. What would be the negative impacts on commercial properties vs. the positive impacts on residential properties?**
   The draft 2020 budget tax increase is 8.2% and would be 9.2% for residents and 7% for business. If the shift is not implemented it would be 8.2% for both. In the staff presentation in April staff did not recommend a shift as the metrics and feedback from external experts did not suggest a shift would make a meaningful impact on small business.

4. **If we postponed the property tax shift from business to residential, how much would that reduce the residential tax increase?**
Without the tax shift, the median residential property tax increase would change from $151 per year to $135. The median commercial property tax increase would change from $273 per year to $320.

5. **What is driving the increases in shared support services?**
Key drivers of 2020 corporate support budget growth are itemized in Pages 393-394 of the 2020 Budget document.

6. **Why are the EHT revenues not reflected in 2019 restated budget and proposed 2020 budget?**
As a budgeting practice, revenues are not included in the budget until they can be estimated. EHT process, including declarations, audits, and appeals, is not completed until after the budget is presented to Council, making estimation difficult. On an annual basis, EHT revenues received are reported to Council and at that time, Council approves the allocation of EHT which are then reflected in the annual operating and capital budgets.

7. **What are we paying in credit card charges?**
The Bank charges are directly related to the value and number of transactions processed on credit cards and charges are 2% of the transaction value. The November 2019 YTD costs are $530K for credit card expense.

8. **Does the City have a formal policy of repaying lenders within 10 years? What is the average lending rate for the 10 years? Does the city currently undertake any long-term capital loans? If yes, what is the current rate for capital loans amortized over 20, 30, 40 years?**
As part of the City's debt management strategy, 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 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 (principal and interest) be made in the annual 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.
Investors in the municipal bond market typically focus on the 10-yr debentures. However, due to the exceptionally low interest rate environment, there have been very limited circumstances where the City was able to issue longer term debt at very favorable rates (2 times over the last 10 yrs).
The interest cost ranges for the past 5 issuances of 10-yr debenture is between 2.70% and 3.10%. Look back 10 issuances of 10yr debenture range is 2.70% and 4.90%
Amortizing debt over 30 years, as compared to 10 years, would lead to tripling of both the interest expense over the duration of any given debt issuance and of the overall net debt balance outstanding, which will adversely impact the City's AAA credit rating.

9. **How does the COV compare to other major metro and Canadian cities with respect to limiting the ratio of annual debt servicing to operating expenditures at a maximum of 10%?**
   It is difficult to benchmark across Metro Vancouver and Canada because of the difference in mandates and funding tools for major cities. E.g. In Metro Vancouver, Translink is responsible for transit investments while in Greater Toronto, transit is part of local government's mandate. Toronto also has a much wider range of financial tools than Vancouver. Another consideration is the relative age of the city. Older cities such as Toronto and Montreal tend to have bigger needs for asset renewal vs. newer cities such as Surrey.
   Most cities have some form of debt service limit. Under the Community Charter, debt service for BC municipalities is capped at 25% of eligible municipal revenue. Toronto's debt service ratio (tax-supported debt charges as a percentage of City's property tax levy) cannot exceed 15 percent over a 10-year period.
   That said, it is all about budget flexibility to service debt. The higher level of debt the City takes on, the more property tax/utility fee increase we need to service o/s debt (principle and interest) as opposed to funding programs/projects.

10. **My friends in Chinatown tell me that there is a big need for the Chinatown Transformation Team to have Cantonese as well as Mandarin translation. How would I amend what part of the budget for this and how much would be required for their meetings to have translation in both languages?**
    The Chinatown Team does provide translation/interpretation service in Mandarin to members of the Legacy Stewardship Group which meets monthly. But we don't provide language support to members of the public who attend those meetings as observers and most of them require Cantonese interpretation. If we want to add additional language service, we will need about $5,000 for the year.

11. **Is the $1 million allocated for Oppenheimer Park impacts based on the expectation that the Park will have campers there for the entire year?**
    The amount reflects the 2019 spending level, so assumes a similar timeline.

II. Questions – Housing

12. Vancouver target for inclusionary sites is 20% shelter, 30% HILS at RGI, targeting 70% of MAX HILS and 50% LEM. Does this mean:

- **20% shelter**
- **30% up to HILS with 70% of this 30% being at Maximum HILS, namely $51,500 to 83,500??**
- **50% LEM (what are rates for LEM??)**

The Housing Vancouver target for inclusionary sites is:

- 20% of units at the Shelter Component of Income Assistance
- 30% of units renting at rent-geared-to-income (renting at 30% of the household's income)
    - The target of 70% refers to the average rent over the HILs units. For example, the maximum 2019 HILs rent for a studio unit is $1,287.50, if a building were all studio units the targeted average HILs unit rent would be 70% x $1,287.50 = $901.25

	HILs Annual Income 2019	**HILs Monthly Rent 2019**	**70% HILs Monthy Rent**
Studio	$ 51,500.00	$ 1,287.50	$ 901.25
1 Bed	$ 51,500.00	$ 1,287.50	$ 901.25
2 Bed	$ 63,000.00	$ 1,450.00	$ 1,015.00
3 Bed	$ 73,500.00	$ 1,700.00	$ 1,190.00
4 Bed	$ 83,500.00	$ 2,087.50	$ 1,461.25

- Low-end of Market Units - On inclusionary sties, LEM units (Low-end of Market) should rent for no more than 90% of the appraised market rent for a comparable unit in the local area, or in the absence of a comparable unit in the local area, CMHC's rental survey for Vancouver for the applicable year of construction (currently the 2005+ category). There is an expectation that an applicant would carry out a market appraisal just prior to occupancy.
    - There is also an expectation that the household income not exceed the low and moderate income limit set out by BC Housing. For 2019, this figure was $71,810 for a residential unit with less than 2 bedrooms and $107,000 for a unit with 2 or more units. A non-market operator may choose to deepen the affordability on these LEM units provided they can still make the project financially viable. The most recent inclusionary zoning building to open was 27 units at 1315 Davie,

managed by VNHS where the LEM unit rents range from $1101 for a studio up to $2,611 for a 3 BR.

13. **Nov 29 budget memo – Question 15. Is the $1.5M grant to Landlord BC in addition to the $4.1M allocated for deep emission building retrofits?**

    No, it's part of it. $1m of the $4.1m will go to this Landlord BC project. The remaining $0.5m has already been identified within existing budgets. Another $1m of the $4.1m will go toward a similar retrofit project with the BC Non-profit Housing Association. The remaining $2.1m will be used mostly to incentivize heat pumps for new and existing buildings in partnership with the Province.

III. Questions – Climate Emergency Response & Sustainability

14. **What $ and % of budget is allocated to be spent on the Climate Emergency?**
    The total aligned to the Accelerated action on Climate Change priority is $99 million, $48 million in Operating Budget and $51 in Capital Budget. Please see pages 41-45 of the Draft 2020 Budget Book for more details.

15. **Have we calculated what are the actual actions/investments needed to meet climate mitigation needs – e.g., to reduce GhGs by 50% by 2030?**
    Not yet. The Climate Emergency report due back in Oct 2020 will be mapping out the full actions and investments needed to meet our 2030 goals. Part of the 2020 budget ask is to fund this research.

16. **How many city-owned buildings, including Park Board facilities, need retrofitting?**
    All City- owned buildings (approximately 595) have opportunities to reduce energy and GHG emissions. To achieve our target of 100% reduction in GHG emissions from City owned and operated buildings by 2040, we need to reduce portfolio wide annual emissions by approximately 800 tonnes per year, each year, which we can achieve through targeted GHG reduction projects on approximately 10 to 15 large facilities. However as we reduce emissions portfolio wide we will have to complete an increasing number of smaller projects to achieve the same GHG reduction results.

17. **Another option I've heard being posed is reducing the city incentives for zero emission buildings. What impact would that have on our goals for GhG reductions? What would we potentially lose in terms of matching provincial funding?**
    This building incentive work/budget is tied to the 2018 Budget motion where Cllr Carr suggested $5m for building retrofits. It is also directly tied to the climate emergency response. 58% of GHGs are from buildings and prior to using our regulatory authority to move new and existing buildings to zero emission we need to move the industry quickly in this direction. To do this we need these incentives to develop the local supply chain, expertise and experience as well as the removal of regulatory (city/province) barriers

otherwise regulation by itself will be too expensive/complex to implement. Therefore if we are unable to jump start the retrofit market with these and future incentives between now and 2025 it's unlikely our regulatory approach to retrofits would be successful. If we are unable to regulate retrofits staff estimate 20% to 30% of our GHG reduction goals would not be obtained.

There are a number of projects attached to this $4.1m city investment with varying degrees of provincial and public investment. This $4.1m in incentives in 2020 will leverage approximately $15m in provincial and public investment in zero emission buildings, through heat pumps, insulation and other energy efficiency measures.

18. Priority plans for 2020 – PDS Sustainability (p. 339)

a. Why are we not requiring an actual annual report on GhG reductions?

We do require an annual report on GHG reduction and have reported annually on GHG reductions since 2011 and will continue to do so. We are currently at 12% below our 2007 baseline (see attached 2018 update) - https://vancouver.ca/files/cov/greenest-city-action-plan-implementation-update-2018-2019.pdf

b. Regarding the Resilient Buildings program, what does "optimal use of limited resources" mean?

This means instead of treating how buildings manage energy, water and seismic issues as individual silos we are combining the oversight of these three important priorities to ensure we minimize costs to building owners while maximizing community resilience and equity.

19. Sustainability - Looking ahead 2021-2024 (p. 339): Why, in the section on Sea level rise, are we not specifying that we intend to base our plans and actions on the latest science?

Vancouver's Climate Change Adaption Strategy clearly states that we will continually monitor the latest science and best practices and adjust our responses to sea level rise accordingly. This also applies to heat, storms and air quality – other threats that are changing due to climate change.

20. Why under "Risks and opportunities" (p. 97 of Budget) is the global climate emergency noted as "unforeseen events" rather than a known risk we must plan for both in terms of mitigation and adaptation?

Climate Change by itself is not an unforeseen risk and the City has been preparing for it officially since 2012 with our first Climate Change Adaption Strategy and unofficially since 1990 with Clouds of Change. The bullet on page 97 (Costs for unforeseen events, such as public emergencies and issues related to climate change and unusual weather events) means that while we are preparing for climate change, the actual weather events (wind, flood, heat, air quality) are getting more and more unpredictable due to climate change, therefore making it difficult to plan for them.

IV. Questions – Development and permitting

21. We've added a significant number of staff to the department. What are we doing to redeploy staff, as well as to shift the culture of how business is being undertaken?
We have focused very heavily over the last two years on shifting permit applications on-line. So much so that we now see that 95% of Trades Permits and 99% of Noise Exception permits are now made on line. This has enabled us to shift data entry work away from customer-facing employees to more administrative back-office teams – creating greater capacity in our customer-facing Services Centre team to see more customers in less time. This is partly how we have achieved a 50% reduction in wait times for Development & Building Permit application customers.

We have also been allocating our new staff to the areas of greatest need: affordable housing, commercial renovations, and sprinkler permits.

In addition we have a program of work to shift the culture of our team – we have delivered extensive customer-service training to all of our front-line teams, and we continue to have targeted conversations with specific employees where customer-related issues are brought to our attention. Development, Building & Licensing is working in partnership with Planning, Urban Design & Sustainability to ensure that we jointly review complex development proposals and building permit applications as early as possible in the process, to prevent customers from being caught unawares by down-stream issues.

It should also be noted that the increase in development fee-funded staff across PDS, DBL and ENG in 2018/19 was roughly proportionate to 50% of the growth in demand for those services. We have been working to absorb the residual impact of that demand through process improvements and other efficiencies.

V. Questions – Vancouver Fire and Rescue Services (VFRS)

22. There was no accompanying memo or backgrounder document provided for the 2020 budget submission for VFRS unlike VPD. Having a summary of the rationale for the ask and Dark Horse highlights would be appreciated.
We have attached the Council Orientation deck (based on the Darkhorse report) from last year which provided the data, analysis, and background which drove the 5 year growth plan.

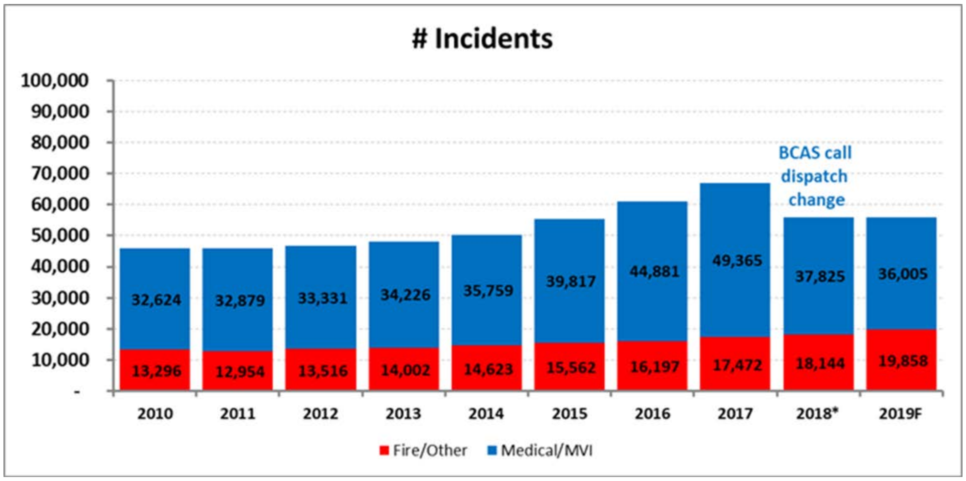
23. What are the plans to bring on more women as part of the requested additional firefighters for 2020?
We have implemented a number of programs and org changes to increase our diversity and inclusion, including:

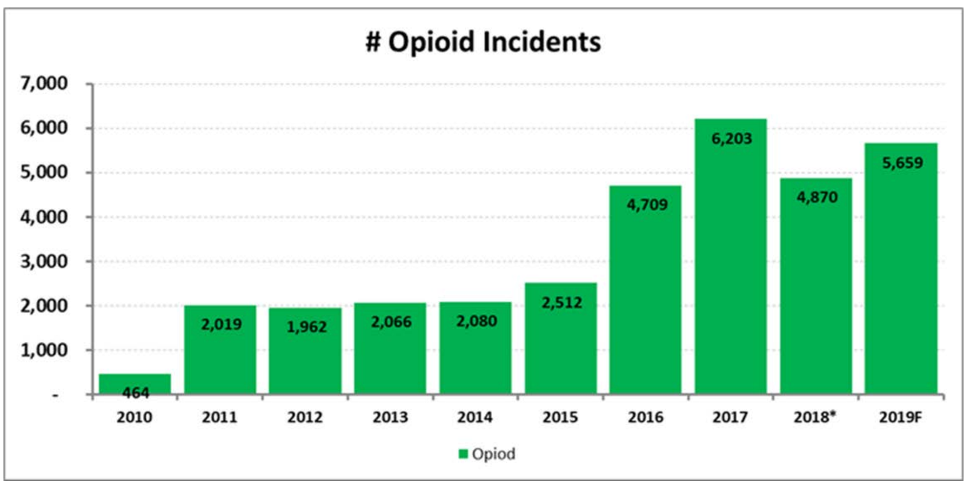
i. Creating a senior leadership position with the portfolio of recruitment, diversity and inclusion. This has allowed us to examine and incorporate best practices, and to focus on achieving best in class diversity and inclusion.
ii. A number of “town-halls” and focus groups with all of our women staff to get their feedback on how we can be better, both for current staff and in terms of attracting women to a fire service career with Vancouver. This has led to ongoing development of a staff-driven action plan.
iii. Making our leadership team diverse. “See it to be it.” With three highly respected Chief Officers who are women, and several other team members who represent diversity in other ways, we have become the most diverse Fire Service senior leadership team in Canada.
iv. Historically, about 4% of our operational staff are women. In direct correlation, 4% of our applicants have also been women. We are focused first on increasing the applicant ratio which we believe will directly drive the hiring ratio. We regularly run fire orientation camps for women, young women, and high-school aged women to allow them to learn about a career as a firefighter. Many of these camps are hosted by VFRS for not only Vancouver but for the region. Others are done in other locations with partners such as JIBC.
v. This year we have doubled the applicant rate, and there are two women who have been offered positions in our next class. As low as that number seems, it is still double the historical ratio (8%) and reflects the doubling of applicant %.
vi. As a department (and personally as a leader) we are outspoken advocates in the media, social media, and within the fire service for building a more diverse work force that better represents our community.
vii. One of the core goals of our 3 year VFRS Strategic Plan recognizes gender and ethnic diversity as important priorities to address, and ties together our programs, processes, and strategies to improve both diversity and inclusion.

This is a significant priority for VFRS.

24. What is the total VFRS call volume? Breakdown by type of calls? 5-year call trend? 10-year call trend? What has the impact been of the change in the Provincial call dispatch protocol? What stats are available prior and post change relating to overall volume directed to VFRS?

The recent inquest into the death of a Vancouver Resident and last year’s Auditor General’s Report on EMS performance are both factors which could lead to an increase in VFRS call volumes to medical calls. The overall critical nature of medical calls, particularly due to overdoses, is definitely much more critical than a few years ago.
It is important to note that a working fire has a much more significant impact on utilization of staff than medical calls. For example, an average sized working fire could have 40 firefighters deployed for an average of 3 hours, for a total of 120 hours of staff utilization. This is the same utilization of staff as approximately 40-60 medical calls. So the increase in fire calls means that our actual deployment of staff continues to increase.





*2018 BCAS dispatch change impacted call volume

VI. Questions – Prioritizing Public Realm Maintenance and Cleanliness in Vancouver

25. Can you confirm the Sidewalk Rehabilitation Program is proposed to go from $1M in 2019 to $1.4M in 2020?

Yes, this is correct. The Sidewalk Rehabilitation Program Multi-Year budget is $4M as approved on the 2019-2022 Capital Plan. The original expenditure rate was budgeted at $1M per year (2019 – 2022).

To support Big Move 1: Easy Walk and Roll, of the Climate Emergency Response, the City is proposing to accelerate the delivery of the Sidewalk Rehabilitation program in 2020. The proposed expenditure budget implies $0.4M additional expenditure in 2020 (to total $1.4M) with no net impact on the multi-year budget.

26. The 2020 budget proposes a $1.3M increase for public realm maintenance and cleanliness. Can you please confirm the 2019 budget allocation for this area? (it's not clear from the briefing note – investments between 2015-2017 totaled $5.9M (from $6.4M to $12.3M) – not clear what years we are referring to).

a) The budget allocation for the $1.3M increase is as follows:

- 300k for micro-cleaning grants
- 300k for improvements to core services(increased demand for litter pick-up, street sweeping, staff operations and safety training programs, as well as higher levels of service needed in the downtown core and tourist areas across the City)
- 250k for streetscape (public realm) recycling.
- 400k for sidewalk rehabilitation (capital - $0.4M in accelerated funds, see above)

b) 6.4M → 2015 total public realm cleanliness budget
+ $1.8M → 2016 incremental investment
+ $4.1M → 2017 incremental investment
= $12.3M → 2017 total public realm cleanliness budget

Total incremental investments between 2015 and 2017 → $5.9M ($1.8M + $4.1M)

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