FINANCE, RISK & SUPPLY CHAIN MANAGEMENT
Office of the General Manager

MEMORANDUM

December 5, 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

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Dear Mayor and Council,

The purpose of this memo is to provide responses to the additional questions submitted by Councillors. We still have a few questions that we are addressing, and the responses to those will be shared as soon as they become available.

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.

City of Vancouver, Finance, Risk & Supply Chain Management
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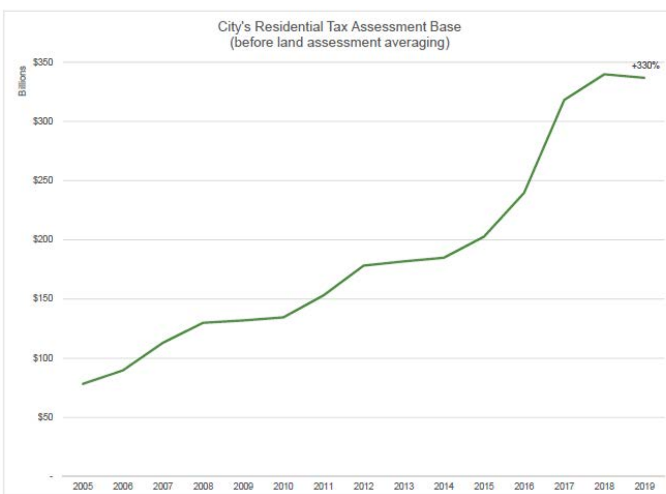
1. **What is our annual debt servicing cost?**
   Please see the table below for our debt servicing charges.

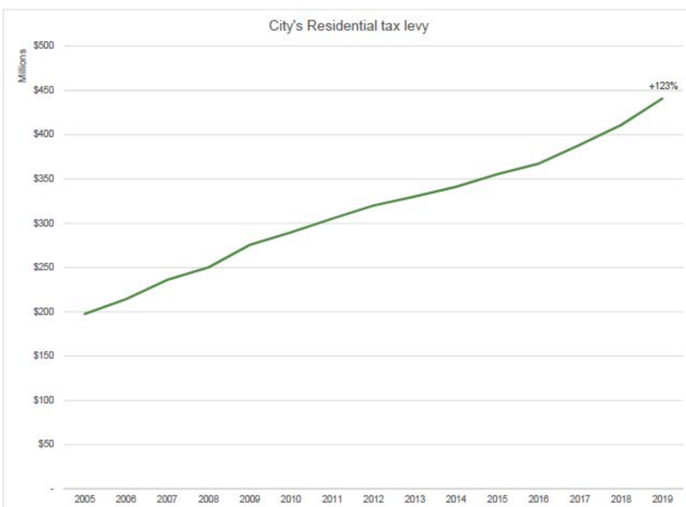
Debt service charges

Description ($ in millions)	2019 Restated Budget	2020 Draft Budget	YOY Change
Utility - Debt service charges	**$62.4**	**$58.8**	**($3.6)**
Water Utility	**$14.9**	**$13.3**	**($1.6)**
Sewer Utility	**$42.8**	**$40.6**	**($2.1)**
Neighbourhood Energy	**$4.7**	**$4.8**	**$0.1**
Non-Utility Debt service charges	**$64.6**	**$71.5**	**$7.0**
General purpose debentures	**$63.8**	**$70.9**	**$7.1**
Local improvement debentures	**$0.8**	**$0.7**	**($0.1)**
Total Debt service charges	**$126.9**	**$130.3**	**$3.4**

2. **What is the actual tax rate (relative to property values)? I'd find this number helpful over the last 10 years if possible.**

   As presented in the charts below, summarizing information over the last 15 years:
   - The residential tax rate (taxes per $1,000 of assessed value) has reduced 52%
   - The residential tax base (assessment value net of exemptions) has increased 330% as a result of market value changes and new construction
   - The above is reflected in the 123% increase in the residential tax levy collected annually between 2005 & 2019





3. **Co-op lease program (pg. 120) Please explain this. Is it like the grant that 4 sisters got for upgrading?**
   This is to offer a grant program to preserve affordability as part of co-op/non-mkt housing lease extension/renewal.

4. **Under New Affordable Housing (pg. 118): The capital plan is only calling for 330 non-cac units over 4 years? 83 units a year?**
   The Community Housing Incentive Program (CHIP) program supports the construction of new non-City-owned housing on non-City land, through the provision of City grants. This program was approved by Council in Oct. 2019. The $25 M program can support the delivery of a minimum of 330 units ($75k per unit).This is only one of the tools that being used to deliver Affordable housing.

5. **Page 14 of Dec 3 update on Affordability and Housing Crisis: which city residences are being replaced for $12m. Is this part of Roddan costs? Or another place?**
   The City-owned non market buildings are all being considered as part of the VAHEF asset strategy, particularly as it relates to asset maintenance and/or renewal and staff will report back.

6. **Page 6 of Dec 3 update on Affordability and Housing Crisis: it says CHIP will enable 600-700 shelter, hils, and LEM units. Is this in addition to what is already proposed?**
   The 330 units referenced on page 118 of the Budget Book describe the minimum Shelter Rate and HILs units that are anticipated to be enabled through the new CHIP program, approved by Council in October. The 600 – 700 units referenced in the December 3rd update also includes the Low-end of Market units that are expected to be enabled. In total 600 – 700 social housing units (Shelter Rate, HILs, and LEM units) are anticipated to be enabled; at least 330 of these will be Shelter Rate and HILs units.

7. **Page 4 of Dec 3 update on Affordability and Housing Crisis: it looks like the turnkey cac units will have about half units with LEM rents and half at shelter and hils. If the operating costs for one unit are about $500 a month and replacement reserve is $300 (it's about $120 a month in my co-op) then the LEM units would be paying a high enough rent to cover all the cost for the shelter and hils units. Couldn't we increase the affordability of these units? And what is the plan for spending this extra rent money on?**
   Appendix D pg. 600: What will the rents be in these cac funded units?

   The majority of the inclusionary projects shown have not had final affordability secured (as shown in the table below). Therefore, the breakdowns are minimum targets at this point. Staff will report back as part of VAHEF strategy regarding portfolio optimization, including how we optimize affordability and social return on a portfolio basis while ensuring long-term operational and financial viability of projects as well as portfolio.

   The tables below show the CAC funded units (referenced on page 600) by affordability breakdown.

   Note: The affordability breakdown for Arbutus Centre has been corrected from the Dec 3 update. Further, 128 Powell St and 436 E Hastings St are inclusionary units that are included in the chart on page 600; however, they will not be delivered to the City but to non-profit partners as per the DTES Plan.

Under Construction units breakdown:

Address	Units	Shelter Rate units	HILs RGI units	Low-end of Market units	Affordability Secured
1488 Robson St (Empire Landmark)	84	17	25	42	HV interim - final TBD
1345 Davie St	68	24	0	44	Final affordability secured
969 Burrard St	61	0	41	20	Final affordability secured
1810 Alberni St	24	5	7	12	HV interim - final TBD
Pearson-Dogwood (Phase 1)	138	28	41	69	Policy statement interim - final TBD
Arbutus Centre	125	26	43	56	Policy statement interim- final TBD
1847 Main St (Main & 2nd)	30	0	30	0	Final affordability secured
	530	**100**	**187**	**243**	
	100%	**19%**	**35%**	**46%**	

Development-Building Permit units breakdown:

Address	Units	Shelter Rate units	HILs RGI units	Low-end of Market units	Affordability Secured
Oakridge Centre – Phase 1	188	38	56	94	HV interim - final TBD
Pearson Dogwood – Phase 2	223	45	67	111	Policy statement interim - final TBD
1485 Davie / 1188 Nicola	51	10	15	26	HV interim - final TBD
1055 Harwood	43	9	13	21	HV interim - final TBD
1068-1080 Burnaby St & 1318 Thurlow	39	8	12	19	HV interim - final TBD
1555 Robson / 788 Cardero	24	5	7	12	HV interim - final TBD
128 Powell St	20		6	14	*Min affordability
436 E Hastings St	14	5	5	4	*DEOD affordability
	602	**120**	**181**	**301**	
	100%	**20%**	**30%**	**50%**	

8. **Ms. Nelms noted that 27% of city water pipes are in poor or very poor condition with a projection that that will go up to 40%, with sewer pipes in a similar condition. But renewal of infrastructure was proceeding at .5% per year, and more recently to .7% per year. I thought the renewal rate was supposed to be 1% per year. What are the risks of taking so long to renew water and sewer pipes?**
   The industry standard for renewal is 1.2% per year. In the last 10 years, the average renewal rate has been 0.5%. The risks of taking longer consist in having more asset failure. For water, this will materialize as increased water main breaks and leaks. For sewers this materializes in blockages and pipe collapses. Council agreed to raise the funding in renewal in the 4 year capital plan to get from 0.5% renewal to 0.7% renewal. Engineering plans to request further increases in funding in the next capital plan to further increase the rate of renewal.

9. **Ms. Nelms also noted 46% fewer collisions at intersections with LED lighting. What % of intersections have had lighting replaced with LED lighting? If not 100%, what is the timeline to complete the switch to LED lights?**
   Since 2013, 175 intersections have been updated to LEDs. There are around 890 signalized intersections. This means the City has upgraded 20% of signalized intersections by now. City upgrades roughly 25 intersections per year. With the current pace (and funding level of $100k per year) it will take another 29 years to complete all the signalized intersections. We upgrade intersections based on locations identified by ICBC and TDM, roughly 25 intersections per year. In addition to that new developments are mandated to use LEDs for their intersections and roadway lighting applications. All back lane lighting upgrades coming under H-Frame projects are also using LEDs. Citywide there are around has around 1700 LED Roadway lights. This is around 4% from the total of all Roadway lights.

10. **Ms. Nelms noted a $1.4 million allocation to EV charging stations. What is in this budget for the power drops we have committed to providing to eliminate diesel and gas generators in the city? How many power drops are planned for 2020? What are the revenues we will be collecting from permit fees/rentals to help cover the cost of installing the power drops?**
    $1.8m is the capital allocated for power drops for food trucks, film, e-bikes etc. Staff forecast approximately $400k annual revenue due to diesel generator eco-fees once the program gets up and running.

11. **Andrew Ledger, President of CUPE 1004, told us that many of vehicles needing replacement have been in use far longer than they should be. Please detail why so many vehicles are being purchased in this budget and how many have passed their "best before" date and could be dangerous?**
    The vehicles being replaced are a mix of light, medium and heavy duty vehicles. The average age of the vehicles being replaced is approximately 10 years, which is in-line with the expected replacement rate. Vehicle replacement is prioritized by age, condition, mileage and maintenance history to achieve optimum asset life/usage. All commercial vehicles are subject to required inspections for road worthiness. If a vehicle does not pass inspection, the vehicle is kept off the road until repairs are complete and passed inspection, before being put back into service.

12. **Why is such a high % of Library staff (53%) precarious? What can we do to provide more security and stability in employment?**
    The agreement with CUPE 391 limits full time staff to working one Sunday in four, and those hired before 2003 are not required to work on Sundays. There are also other Sunday restrictions in the agreement. This results in requiring part-time and auxiliary staff to cover weekends. The Library and CUPE 391 have a shared goal of reducing precarious work, and are in active discussion about alternative models; however, some changes will need to be negotiated through bargaining. Some of the staff who work part-time and auxiliary choose to do so, and do not apply for full time work. Employees who choose to work part time have the opportunity to apply for more stable part time positions consisting of 20 or more hours that include health benefits.

13. **Relocating the Archives - why is this cost so high, and does it all need to happen in 2020?**
    In order to initiate the public procurement process for the construction phase of the project the associated capital budget must be approved. The intention is to tender the Archives construction contract in Q4 2020 with construction starting in Q1 2021. While the budget must be in place in 2020 to award the contract, the majority of the cash expenditure outlays will occur in 2021 through early 2022.

    The Relocation of the Vancouver Archives from Vanier Park to the Central Library will provide an increase in capacity that will be approximately twice the current capacity. This move will significantly increase public access due to the new central location and will allow for growth. Archives spaces are unique, particularly when it comes to the specialized mechanical systems required to achieve the appropriate class of environmental control and the specialized storage systems to house the collections. Mechanical systems and specialized storage/shelving costs for this project each comprise 25% of the total budget. Construction of the Archives on the 7th floor of the highly utilized Central Library also adds complexity and a cost premium to minimize operational impacts of the active construction.

    Several alternatives were evaluated including remaining at the existing Vanier park site, however this area is not resilient as it is subject to flooding and vulnerable to sea level rise, is not easily accessible to the public and the existing facility has no capacity for growth. A new Archives building, not including land, is estimated to cost over $50M in current dollars. If the start of this project is postponed to 2021 with cash expenditure outflows occurring in 2022-2023 we can expect to require additional funding to accommodate construction cost escalation projected to be 6% (approximately $1M).

14. **$5M for planning for the seismic upgrade of Fire Hall No 12 seems high.**
    The total project budget for the Fire Hall No 12 Seismic Retrofit is $6M. $1M is included in the 2019 Capital Budget for professional consulting that includes design work. $5M is included in the draft 2020 Capital Budget to accommodate the award of construction services. In order to initiate the public procurement process for the construction phase of the project the associated capital budget must be approved. The intention is to tender this construction contract toward the end of 2020 with construction starting in early 2021.

While the budget must be in place in 2020 to award the contract, the majority of the cash expenditure outlays will occur in 2021 through 2022.

The Fire Hall No 12 Seismic Retrofit project is part of REFM’s program to mitigate structural seismic risk in our building portfolio. Fire Halls provide emergency response services and are included in the City’s highest priority for seismic retrofits. Fire Hall No 12 does not require relocation or redevelopment, is in generally good condition, and a seismic study confirmed a retrofit was viable at a fraction of the cost of a replacement facility.

15. What is the year over year increase in the Strategic Operations budget in Real Estate and Facilities Management (REFM) for?

The Strategic Operations division in REFM delivers Environmental Services and City Protective Services. More detailed descriptions of what comprises these services are described on page 440 of the 2020 Draft Budget book.

As part of our on-going efforts to improve operational efficiencies, safety and compliance oversight within REFM, in 2019 some of the existing staff responsible for facilities management within the Facilities Maintenance and Operations division were reorganized into a new team within the Strategic Operations division called ‘Facilities Sustainment’ to better integrate our planning processes for building system replacement and preventative maintenance in existing buildings. Previously this planning work was performed in two different divisions within REFM.

Of the $1.5M increase in the Strategic Operations budget, $1M is a result of the reorganization of existing staff and associated budgets from the Facilities Maintenance & Operations division into the new Facilities Sustainment team (net zero effect on operating budget). The remaining $0.5M of the increase is attributable to the following proposed investments, which are outlined in Appendix F, page 624 of the 2020 Draft Budget and reflected below for reference:

Facilities Sustainment - $291,500 for:
• $95K 1 RFT Preventative maintenance planning resource to update, refine and sustain preventative maintenance plans.
• $71K 1 RFT Project coordination resource to oversee multi-shop, major and emerging operating maintenance projects.
• $125K 2 RFT Maintenance Technician resources to proactively maintain the City's increasing number of building automation systems

Corporate Protective Services - $165,804 for:
• $77K 2 RFT Fire Safety Advisors focused on compliance with all building fire safety regulations
• $89K 1 RFT Threat Management Specialist to proactively address an increasing volume of threat management files.

If you have any questions, please feel free to contact me at patrice.impey@vancouver.ca /604.873.7610.

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