



REPORT

Report Date: October 11, 2021
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Meeting Date: October 19, 2021
[Submit comments to Council](#)

TO: Vancouver City Council
FROM: Director of Finance
SUBJECT: Quarterly Capital Budget Adjustments and Closeouts

RECOMMENDATIONS

- A. THAT Council approve capital budget and funding adjustments as outlined in this report and Appendix 2, which will result in:
 - a. An increase of \$0.12 million to the 2019-2022 Capital Plan;
 - b. An increase of \$12.1 million to the Multi-Year Capital Project Budgets;
and
 - c. No change to the current Citywide overall 2021 Capital Expenditure Budget.
- B. THAT, as part of the Capital Budget closeout process, Council approve the closeout of 1 capital project that was completed with surplus exceeding \$200,000, as outlined in this report and Appendix 3.
- C. THAT Council receive for information the budget surpluses or deficits for capital projects included in this closeout that were funded by voter-approved capital funding, as noted in Appendix 4.

REPORT SUMMARY

The 2019-2022 Capital Plan was approved by Council in July 2018. The plan presents a comprehensive overview of planned City capital investments in infrastructure and amenities across various service categories, along with the associated funding strategy and debt capacity for the capital investment priorities over the four years.

Reflecting significant adjustments proposed in response to COVID-related financial pressures, a recalibrated 2019-2022 Capital Plan was approved by Council in September of 2020. The recalibrated 2019-2022 Capital Plan includes adjustments to (1) reduce the Capital Plan funding as part of the COVID-19 pandemic response and recovery and (2) allocate the emerging priorities funding within the plan to support Council priorities on Climate Emergency Response, equity and resilience. The [Recalibrated 2019-2022 Capital Plan](#) is available online.

Summary of Adjustments

The following is a synopsis of the adjustments and more details are outlined in the strategic analysis content of this report, while detailed numbers are provided in Appendix 2 of this report.

The increase to the Capital Plan recommended in this report represents grant funding received from Urban Sustainability Directors Network Grant towards a project targeting food waste prevention.

There are other adjustments included in this report that do not increase the capital plan:

- allocate funding from the current Capital Plan to support the work to be undertaken by the City for the province's contractor with funding from the Broadway Subway Project Corporation.
- allocate funding from the current Capital Plan to support project schedule acceleration and project delivery, including Transmission Main Replacement for Bute Transmission Main upgrades between Haro and Robson, and Traffic Signal Rehabilitation program to support higher than anticipated reactive replacement work which helps maintain safe operation of traffic signals.
- administrative adjustments including the collection of connection fees revenue into the Capital Project Budgets for Sewer and Water Connections Programs and New Water Meters Program.

In accordance with the City's Capital Budget Policy, this report includes for Council information all budgets surpluses or deficits for completed capital projects in this period that were funded by voter-approved capital funding, in the appendix.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

- In April 2018, Council approved a revised Capital Budget Policy.
- In July 2018, Council approved the 2019-2022 Capital Plan.
- In December 2018, Council approved the 2019 Capital Budget.
- In December 2019, Council approved the 2020 Capital Budget.
- In September 2020, Council approved the Recalibrated 2019-2022 Capital Plan.
- In December 2020, Council approved the 2021 Capital Budget.

CITY MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing.

REPORT

Background/Context

In July 2018, Council approved the 2019-2022 Capital Plan as a guiding document for the four-year period. The original Capital Plan contemplated \$2.771 billion of capital investments, comprised of \$2.203 billion City-led capital programs and \$0.569 billion in-kind contributions achieved through development.

The COVID-19 pandemic has posed significant financial strain on the City, our business community, non-profit partners, and residents. Extensive work has been undertaken to recalibrate the Capital Plan to reflect the fiscal reality while maintaining a keen focus on maintaining the City's infrastructure and amenities in a state of good repair, as well as to advance Council priorities on climate emergency response, equity and resilience. In September of 2020, Council approved the recalibrated Capital Plan in principle, including \$253.2 million adjustments to the 2019-2022 Capital Plan. Those adjustments had the effect of reducing the Capital Plan from ~\$2.90 billion to ~\$2.636 billion.

Subsequent to approval the recalibrated capital plan in September 2020, approximately \$176 million has been added to the plan, primarily from senior government and Empty Homes Tax funding as outlined below. The adjusted 2019-2022 Capital Plan to date is \$2.812 billion, including \$2.238 billion of City-led capital investments and \$574.4 million of in-kind contributions achieved through development.

There are a few major items contributing to the addition:

- The Coal Harbour Project includes external funding from VBE contribution, development contribution funding towards housing and childcare components of the project and Provincial Government childcare funding, adding total of \$80.8 million to the Capital Plan.
- The Housing Land Acquisition Project Budget increase of \$51.5 million from the Federal Rapid Housing Initiative (RHI) for the purchase of Days Inn and Best Western Hotels to deliver social/supportive housing and \$8 million from Empty Homes Tax to enable more housing on City land to support the delivery of the Housing Vancouver strategy priorities and targets.
- The Community Housing Incentive Program Budget (CHIP) increase of \$2 million from Empty Homes Tax to the CHIP Grants to deepen affordability of social housing and meet affordability targets in the Housing Vancouver strategy.
- The Roddan Lodge Redevelopment Project Budget increase of \$1.4 million from Empty Homes Tax to support additional scope to improve security, facility durability, hygienic and safety components and to minimize operating costs.
- Solid waste projects include utilization of \$6.1 million Provincial Clean BC funding toward closure maintenance and landfill gas works (LFG).
- Grandview Firehall Project includes addition of \$5 million development contributions toward the housing component of the project.
- Administrative adjustment to increase \$6.2 million to support overhead required for the Current Capital Plan.
- The rest of the Capital Plan increases include various projects and programs from external funding such as modular housing external funding, transportation projects Translink funding, Metro landfill funding, UBCM grant, FCM grant, Gas Tax Funding and developer service agreements.

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. Based on the principle that the Capital Budget is the primary tool by which the City implements its four-year Capital Plan, this Council report focuses on project budget requests to implement the recalibrated Capital Plan, to advance projects corresponding to Council priorities and to recognize external funding contributed by partners.

As part of the capital budgeting process and in accordance with the City's Capital Budget Policy, proposed adjustments to the Capital Plan and the Capital Budgets that require Council approval, and proposed closeouts of completed projects with surpluses or deficits greater than \$200,000 are presented to Council for approval.

Strategic Analysis

A. Capital Budget Adjustments

As part of the on-going work and oversight related to the City's Capital Plan and Capital Budget, staff periodically review priorities, respond to emerging needs, and where appropriate bring forward recommendations for adjustments to the Capital Budget and/or Capital Plan.

Changes to 2019-2022 Capital Plan and Multi-Year Capital Project Budgets

This report proposes an increase of \$0.1 million to the 2019-2022 Capital Plan and an increase of \$12.1 million to the Multi-Year Capital Project Budgets, reflecting utilization of external partner funding as well as allocating funding from the 2019-2022 Capital Plan to advance specific projects.

With the adjustments recommended in this report, the revised total 2019-2022 Capital Plan will be \$2.812 billion. The following highlights the primary driving themes of the adjustments:

1. *External Grant Funding*

Zero Waste Efforts – Food Waste Prevention \$0.1 million

This budget adjustment request is to increase funding for the Zero Waste Efforts - Food Waste Prevention project to factor in receipt of an external grant - Urban Sustainability Directors Network Grant. This grant would enable an additional fourth phase of Circular Economy Study in this project.

2. *Project Schedule Acceleration & Delivery*

2019 Transmission Main Replacement \$0.9 million

This Budget adjustment request is to reflect additional budget needs from revised and accelerated schedule estimates for Bute Transmission Main upgrades between Haro and Robson.

Broadway Subway Project Office \$0.5 million

This budget adjustment request is to increase the budget for the Broadway Subway Project Office to enable construction support and on-time delivery of the project. The funding is planned in the Capital Plan as provided by the Broadway Subway Project Corporation based on municipal agreement to support the work to be undertaken by the City for the province's contractor.

2019-22 Traffic Signal Rehab \$0.5 million

This budget adjustment request is to increase the budget for the 2019-22 Traffic Signal Rehabilitation program with funding from the 2019-2022 Capital Plan. This adjustment will support higher than anticipated reactive replacement work, which helps maintain safe operation of traffic signals.

3. Administrative: Revenues Collected

2021 Sewer & Water Combined Connections Program \$8.5 million

This Budget adjustment request is to increase the Multi-Year Capital Project Budget for the 2021 Sewer & Water Combined Connections program to reflect revenues collected during the period. These revenues are driven by residential and commercial construction.

2021 Water Commercial Connections Program \$1.5 million

This Budget adjustment request is to increase the Multi-Year Capital Project Budget for the 2021 Water Commercial Connections program to reflect revenues collected during the period. These revenues are driven by commercial construction.

2021 New Water Meters Program \$0.1 million

This Budget adjustment request is to increase the Multi-Year Capital Project Budget for the 2021 New Water Meters program to reflect revenues collected during the period. These revenues are driven by residential and commercial construction.

Appendix 1 provides an overview of the updates to 2019-2022 Capital Plan, including updates since the capital plan recalibration and allocations proposed in this report.

Appendix 2 provides details on the Multi-Year Capital Project Budgets adjustments recommended in this report.

Summary of Proposed Changes

The current total recalibrated 2019-2022 Capital Plan is \$2.8122 billion, with the addition of \$0.1 million proposed in this report, the revised total 2019-2022 Capital Plan will be \$2.8123 billion.

The current total of approved Multi-Year Capital Project Budgets for all open projects is \$2.139 billion. This report proposes an increase of \$12.1 million for new or increased capital projects budgets and a decrease of \$53.3 million for capital projects that were completed in the third quarter of 2021, resulting in a net decrease of \$41.2 million to the overall Multi-Year Capital Project Budgets. With the project adjustments and closeouts recommended in this report, the

revised total of the approved Multi-Year Capital Project Budgets for all open projects will be ~\$2.098 billion.

Table 1 summarizes the changes to the 2019-2022 Capital Plan and Multi-Year Capital Project Budgets as a result of the capital budget adjustments and closeouts recommended in this report.

Table 1 - Proposed Changes to 2019-2022 Capital Plan and Multi-Year Projects Budgets (\$ Millions)		
	2019-2022 Capital Plan	Multi-Year Capital Projects Budgets (for open projects)
Current Capital Plan / Budget	\$ 2,812.2	\$ 2,139.2
Adjustment Category		
A. Budget increases / decreases to existing projects and programs*	\$ 0.1	\$ 12.1
B. Administrative consolidations, funding source changes	\$ -	\$ -
Proposed Adjustments	\$ 0.1	\$ 12.1
Multi-year Project Closeouts		\$ (53.3)
Proposed Revised Capital Plan / Budget	\$ 2,812.3	\$ 2,098.0

Note: Totals may not add due to rounding

2021 Annual Capital Expenditure Budget

Adjustments to annual expenditure budgets at a project level are generally managed within the departmental or Citywide annual capital expenditure budget envelope, with no changes to the overall Citywide Annual Capital Expenditure Budget.

Expenditures in 2021 relating to the new or adjusted Multi-Year Capital Project Budgets will be managed within the current overall 2021 Annual Capital Expenditure Budget of \$770.7 million.

B. Capital Closeouts

The Capital Closeout process is the mechanism by which the City's capital programs/projects are closed and completion deficits and surpluses identified. Closeout surpluses are transferred to a City-Wide capital account for funding future capital programs/projects. Funding of closeout deficits are addressed through budget adjustments included as part of the corresponding report's capital budget adjustments.

A total of 19 programs/projects with Multi-Year Capital Project Budgets totalling \$53.3 million and expenditures of \$52.7 million were closed in the second quarter of 2021, with a net surplus of approximately \$0.58 million.

This report seeks Council approval to close one capital project/program that was completed in the third quarter of 2021 with surplus exceeding \$200,000. Explanations for the closeout surplus are provided in Appendix 3.

Appendix 4 provides for Council information a summary of capital projects closed in the third quarter of 2021 that were funded from voter-approved capital funding.

CONCLUSION

The purpose of this report is to request Council approval of \$12.1 million increase to Multi-Year Capital Project Budgets (funded from Urban Sustainability Directors Network Grant external funding and 2019-2022 Capital Plan). Expenditures in 2021 relating to the increases to Multi-Year Capital Project Budgets will be managed within the current overall Citywide 2021 Capital Expenditure Budget of \$770.7 million.

A total of 19 projects/programs were completed in the second quarter of 2021, with an overall net surplus of approximately \$0.58 million. This report also requests Council approval for the closeout of one capital program that was completed with a surplus exceeding \$200,000. This report also provides for Council information a summary of capital projects that were closed in the third quarter of 2021 that were funded from voter-approved capital funding.

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Appendix 1 - 2019-2022 Capital Plan Summary																	
Service Categories	2019-2022 Capital Plan (\$ Millions)				Allocated vs. Balance Remaining in the Revised 2019-2022 Capital Plan (\$ Millions)												
	Capital Plan AFTER Recalibration	Changes Approved to date	Proposed Changes*	2019-2022 Capital Plan	Budgets Approved to date	Proposed Adjustments	Reserves	Capital from Revenue	Utility Pay-as- you-go	Connections Fees	Debt	Development Contributions	Federal / Provincial	Donations / Other Partners	Total Budget Allocations	Remaining in Capital Plan	
Affordable Housing	\$ 183.6	\$ 105.9	\$ -	\$ 289.6	\$ 250.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250.5	\$ 39.1	14%
Childcare	120.0	(2.2)	-	117.8	44.5	-	-	-	-	-	-	-	-	-	44.5	73.3	62%
Parks and Open Spaces	225.6	3.2	-	228.8	172.0	-	-	-	-	-	-	-	-	-	172.0	56.9	25%
Arts & Culture	83.9	6.1	-	90.0	59.7	-	-	-	-	-	-	-	-	-	59.7	30.2	34%
Community Facilities	140.6	27.5	-	168.2	89.0	(0.4)	-	-	-	-	(0.4)	-	-	-	88.6	79.5	47%
Public Safety	88.4	1.4	-	89.8	46.2	-	-	-	-	-	-	-	-	-	46.2	43.6	49%
Civic Facilities & Equipment	105.7	2.7	-	108.4	85.8	0.4	-	-	-	-	0.4	-	-	-	86.1	22.3	21%
Transportation & Street Use	316.6	18.4	-	334.9	271.4	1.0	-	-	-	-	0.5	-	0.5	-	272.4	62.5	19%
One Water (Water, Sewer & Green Infrastructure)	503.5	0.1	-	503.5	348.8	11.0	-	-	0.9	10.1	-	-	-	-	359.8	143.7	29%
Solid Waste	92.0	6.5	0.1	98.6	77.3	0.1	-	-	-	-	-	-	-	0.1	77.4	21.2	22%
Renewable Energy	53.1	0.5	-	53.6	39.6	-	-	-	-	-	-	-	-	-	39.6	14.0	26%
Technology	104.8	-	-	104.8	81.2	-	-	-	-	-	-	-	-	-	81.2	23.5	22%
Overhead	20.6	6.3	-	26.9	26.4	-	-	-	-	-	-	-	-	-	26.4	0.6	2%
Emerging Priorities	23.0	-	-	23.0	-	-	-	-	-	-	-	-	-	-	-	23.0	100%
Total City-led Capital Investments	\$ 2,061.4	\$ 176.4	\$ 0.1	\$ 2,237.9	\$ 1,592.4	\$ 12.1	\$ -	\$ -	\$ 0.9	\$ 10.1	\$ 0.5	\$ -	\$ 0.5	\$ 0.1	\$ 1,604.5	\$ 633.4	28%
In-Kind Contributions **	574.4	-	-	574.4	-	-	-	-	-	-	-	-	-	-	-	574.4	100%
Total 2019-2022 Capital Plan	\$ 2,635.8	\$ 176.4	\$ 0.1	\$ 2,812.3	\$ 1,592.4	\$ 12.1	\$ -	\$ -	\$ 0.9	\$ 10.1	\$ 0.5	\$ -	\$ 0.5	\$ 0.1	\$ 1,604.5	\$ 1,207.8	43%

* Includes 2019-2022 Capital Plan changes proposed in this Council Report, subject to Council approval

** In-Kind Contributions are not allocated to Budget

NOTE: Totals may not add due to rounding.

Appendix 2 - Capital Budget Adjustment Requests										
					BUDGET IMPACT					
					Multi-Year Project Budget					
A. Budget increases / decreases to new / existing projects and programs										
Programs/projects where costs or expenditure timing has increased/decreased due to unforeseen changes in market economic conditions or unavoidable changes in project scope; increases in scope afforded by external funding contribution opportunities; new projects that have been identified to address unforeseen urgent issues or new priorities emerging outside of the regular capital budget cycle.										
Impact on 2019-2022 Capital Plan	2019-2022 Capital Plan Service Category / Sub-Category		WBS	Project Name	Reason for Adjustment	Current	Change	Proposed	Funding Source(s) for Changes to Multi-Year Project Budget	Addition to 2019-2022 Capital Plan
Allocation from 2019-2022 Capital Plan	08. Transportation & Street Use	A. Expand Sustainable Transportation	NER-00063	Broadway Subway Project Office	Increase to Multi-Year Project Budget (funded from 2019-2022 Capital Plan): This budget adjustment request is to increase the budget for the Broadway Subway Project Office to enable construction support and on-time delivery of the project. The funding is planned in the Capital Plan as provided by the Broadway Subway Project Corporation based on municipal agreement to support the work to be undertaken by the City for the province's contractor.	4,000,000	500,000	4,500,000	Provincial Agencies Funding	
Allocation from 2019-2022 Capital Plan	08. Transportation & Street Use	B. Managing Transportation Network	CET-00030	2019-22 Traffic Signal Rehab (Cap)	Increase to Multi-Year Project Budget (funded from 2019-2022 Capital Plan): This budget adjustment request is to increase the budget for the 2019-22 Traffic Signal Rehabilitation program with funding from the 2019-2022 Capital Plan. This adjustment will support higher than anticipated reactive replacement work, which helps maintain safe operation of traffic signals.	7,668,636	500,000	8,168,636	Deventure 1b	
Addition to 2019-2022 Capital Plan	11. Solid Waste	C. Zero Waste	NEG-00018	Zero Waste Efforts - Food Waste Prevent	Increase to Multi-Year Project Budget and 2019-2022 Capital Plan: This budget adjustment request is to increase funding for the Zero Waste Efforts - Food Waste Prevention project to factor in receipt of an external grant. This grant would enable an additional fourth phase of Circular Economy Study in this project.	250,000	115,930	365,930	Urban Sustainability Directors Network Grant	115,930
Allocation from 2019-2022 Capital Plan	09. One Water	B. Potable Water	CEW-00104	2019 Transmission Main Replacement	Increase to Multi-Year Project Budget (funded from 2019-2022 Capital Plan): This Budget adjustment request is to reflect additional budget needs from revised and accelerated schedule estimates for Bute Transmission Main upgrades between Haro and Robson.	16,307,000	900,000	17,207,000	One Water PAYG	
Allocation from 2019-2022 Capital Plan	09. One Water	C. Sewerage & Drainage	CEC-00027	2021 Sewer & Water Combined Connections	Increase to Multi-Year Project Budget (funded from 2019-2022 Capital Plan): This Budget adjustment request is to increase the Multi-Year Capital Project Budget for the 2021 Sewer & Water Combined Connections program to reflect revenues collected during the period. These revenues are driven by residential and commercial construction.	5,100,000	8,500,000	13,600,000	2019-2022 Capital Plan (One Water/Sewerage & Drainage) Connection fees	
Allocation from 2019-2022 Capital Plan	09. One Water	B. Potable Water	CEW-00119	2021 New Water Meters	Increase to Multi-Year Project Budget (funded from 2019-2022 Capital Plan): This Budget adjustment request is to increase the Multi-Year Capital Project Budget for the 2021 New Water Meters program to reflect revenues collected during the period. These revenues are driven by residential and commercial construction.	40,000	100,000	140,000	2019-2022 Capital Plan (One Water/Potable Water) Connection fees	
Allocation from 2019-2022 Capital Plan	09. One Water	B. Potable Water	CEW-00120	2021 Water Commercial Connections (Cap)	Increase to Multi-Year Project Budget (funded from 2019-2022 Capital Plan): This Budget adjustment request is to increase the Multi-Year Capital Project Budget for the 2021 Water Commercial Connections program to reflect revenues collected during the period. These revenues are driven by commercial construction.	1,650,000	1,500,000	3,150,000	2019-2022 Capital Plan (One Water/Potable Water) Connection fees	
Total - Budget Increases/Decreases to New/Existing Projects/Programs						\$ 35,015,636	\$ 12,115,930	\$ 47,131,566		\$ 115,930
Total Capital Budget Adjustment Requests						\$ 35,015,636	\$ 12,115,930	\$ 47,131,566		\$ 115,930

Appendix 3 - Q3 2021 Capital Closeouts with surpluses or deficits exceeding \$200,000				
Project / Program Name	Budget	Actual	Surplus / (Deficit)	Closeout Variance Explanation
2018 Cap Mtce - Non-Market Housing	\$ 1,449,800	\$ 1,242,987	\$ 206,813	The Granville Residence Elevator Modernization project was completed with minimal unforeseen circumstances and therefore, minimal use of contingency, leading to a closeout surplus.
Total	\$ 1,449,800	\$ 1,242,987	\$ 206,813	

Appendix 4 - Q3 2021 Completed Capital Projects with funding from Voter-Approved Capital Funding			
Project / Program Name	Budget	Actual	Surplus / (Deficit)*
2018 Cap Mtce - Non-Market Housing	\$ 1,449,800	\$ 1,242,987	\$ 206,813
2019 Enviromental Program	\$ 275,000	\$ 106,700	\$ 168,300
2020 Ergonomic Furniture Program	\$ 250,000	\$ 174,963	\$ 75,037
2020 Reno - Childcare (0-4 Yrs)	\$ 200,000	\$ 136,573	\$ 63,427
Marpole Place Exterior Upgrades	\$ 600,000	\$ 545,266	\$ 54,734
Total	\$ 2,774,800	\$ 2,206,489	\$ 568,311

** Prior to reallocation of surplus funding to cover deficits for projects closed out this quarter*