



**City of Vancouver**  
**2011-2021 Capital Strategic Outlook**  
Draft (May 2, 2011)



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## Executive Summary

From community centres to fire halls, an art gallery to non-market housing, libraries to City Hall, the City of Vancouver's capital assets total 400 buildings (approx. 6 million square feet), 4,700 km of sidewalks, bikeways and roads, 3,600 km of underground pipes and 1,360 hectares of parks and open spaces, with a replacement value estimated at \$19 billion.

In June 2009, Council approved a motion: "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." While the Community Charter requires other BC municipalities to have a 5 year financial plan, the Vancouver Charter has no such provision.

So, the City of Vancouver began 2010 with no formal long-term capital investment strategy. One year later, Vancouver has its first 10 year strategic outlook for capital assets and has made a number of significant changes and improvements in its capital processes, including:

- Reduced 2010 capital requests by \$60M
- Reprioritized funding and surpluses to fund Council priorities (such as \$14M funding for affordable housing at South East False Creek)
- Reduced borrowing requirements
- Received \$63.5M of government infrastructure funding for capital projects
- Introduced quarterly financial reporting on capital spending

Historically, planning processes have focused on the 3 year capital allocation that aligns with each Council term. The *2011-2021 Capital Strategic Outlook* will guide capital investments for the City for both existing assets, as well as new assets over a 10 year timeframe. The strategic outlook's purpose is to:

- Improve long-term asset management
- Provide a longer term framework to inform the 3 year capital plan and 1 year capital budget processes
- Highlight projects which could be ready to advance should additional funding become available
- Guide the selection of public amenities which are generated via rezoning & developments

With the introduction of the *2011-2021 Capital Strategic Outlook*, capital planning at the City of Vancouver now has 3 components:

- Capital Strategic Outlook (10 year, high-level, strategy regarding capital assets and investments)
- Capital Plan (3 year agenda with public consultation culminating in a referendum)
- Capital Budget (combines a 1 year budget with a 2 year forecast)

The City of Vancouver's 10 year strategic outlook for capital is a composite of many factors including a 10 year economic outlook and an assessment of the organization's fiscal capacity. Vancouver's economic growth is highly correlated with that of Metro Vancouver's. Gross Domestic Product (GDP) growth for Metro Vancouver is projected to average 3% annually over the next decade. Vancouver's continued economic growth is supported by its role as a provincial commercial/administrative centre, its role as a Pacific Gateway for international trade, its diversified economic base, a comparatively low unemployment rate and anticipated population growth.

Financial capacity which reflects the City's capacity to generate revenue from taxes and the ability to take on debt over the 2011-2021 period is estimated at close to \$2.4 billion. Notwithstanding the size of this figure, projected needs currently exceed financial capacity.

As part of the regular 3 year plan process, submissions for capital will be evaluated based on value for citizens, strategic priority and a number of overarching principles which include:

- The need to adequately maintain existing assets
- A requirement to embed sustainability in our capital assets
- Evidence of public need for new or expanded assets
- Prioritization of multi-use strategic assets to achieve both operational and capital economies of scale and flexibility of space while serving citizens
- Using City assets to leverage partners to help address our goals

The *2011-2021 Capital Strategic Outlook* signals a new, integrated approach to planning for capital assets through the use of new service-based categories and a move away from department-based categories:

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

Major capital projects (\$100M or more) represent 40% of the investments under consideration as part of the *2011-2021 Capital Strategic Outlook*. Contemplated in the next 10 years is the Vancouver Art Gallery/concert hall, a responsive housing strategy, a police headquarters, a City Hall annex and Hastings Park. Given the magnitude of these projects and the limits of the City's financial capacity, these significant projects will be dependent on outside funding and partnerships.

Based on the guidelines and direction outlined in the *2011-2021 Capital Strategic Outlook*, the following outcomes regarding Vancouver's capital assets would be expected:

- Fewer stand-alone facilities and more multi-use community facilities
- Substantial increases in non-market rental housing
- Substantial completion of greenways and bikeways networks
- Significant increases in tree planting (parks, open spaces, along streets)
- Substantial increases in sewer separation
- New transfer station and recycling facility
- Initiation of a service yards co-location strategy
- Greener buildings

Immediately following the finalization of the 10 year strategic outlook, staff will begin the work of drafting the 3 year capital plan in preparation for the referendum vote on capital borrowing which takes place as part of the civic election in November 2011.

Following the 3 Year Capital Plan, the Capital Budget (comprised of 1 year budget and a 2 year forecast) will be developed and presented to Council in early 2012. The budget process provides the final approval of funding for a project to be initiated.

Given the interdependencies between the 10 year strategic outlook, 3 year capital plan and subsequent 1 year budgets, this document is very much a work in progress and the intent is to refresh it every 3 years.

The challenges faced in this process include finding a balance between recapitalization and the funding of new or significantly expanded assets, the impact of choices regarding capital on the operating budget and the realities of the City's fiscal capacity. What was achieved as part of the *2011-2021 Capital Strategic Outlook* is a more integrated organizational approach to capital planning that includes all areas of the City and is intended to optimize both value and outcomes. The strategic outlook represents a significant cultural and operational shift that supports optimal decision-making, based on improved data and transparency of priorities.

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## Introduction

One measure of a City's vitality and success is its commitment to capital investments and infrastructure – be it greenways and roads, sewers and IT networks, or fire halls, parks and cultural facilities. Capital planning is a key component to the City of Vancouver's comprehensive planning process, funding capital maintenance and major upgrades as well as construction of new assets to meet community needs.

Over the past 10 years, the City of Vancouver has spent approximately \$200M annually of its own funds on capital. The City's goals for capital planning are simple:

- Maintain existing assets in good condition
- Meet emerging needs of the community and Council priorities

The planning process has historically focused on a 3 year outlook including a 3 year capital plan and 1 year capital budgets. This year, the City has created Vancouver's first 10 year capital strategic outlook. The *2011-2021 Capital Strategic Outlook* will guide capital investments for the City for both existing assets as well as new assets. The strategic outlook will:

- Improve long-term asset management
- Provide a longer term framework to inform the 3 year capital plan and 1 year capital budget processes
- Highlight projects which could be ready to advance should additional funding become available
- Guide the selection of public amenities which are generated via rezoning & developments

This longer-term outlook will set the vision for Vancouver through integrated planning of infrastructure and facilities, creative partnerships, phased implementation of complex projects and a commitment to maintaining our existing infrastructure. It will also achieve financial efficiencies, support more innovative funding models and support long term capital investment predictability and sustainability.

Through this process, the City of Vancouver is committed to managing its capital assets and investments comprehensively and with rigour and transparency. By yielding 'value for money', we will use our resources innovatively and more efficiently.

The *2011-2021 Capital Strategic Outlook* is one component of the City's overall asset strategy which includes the City's and departments' Strategic Plans, Community Plans (e.g. CityPlan), Financing Growth Policy, Non-Profit Capital Asset Review, along with relevant benchmarks, demand and Census data.

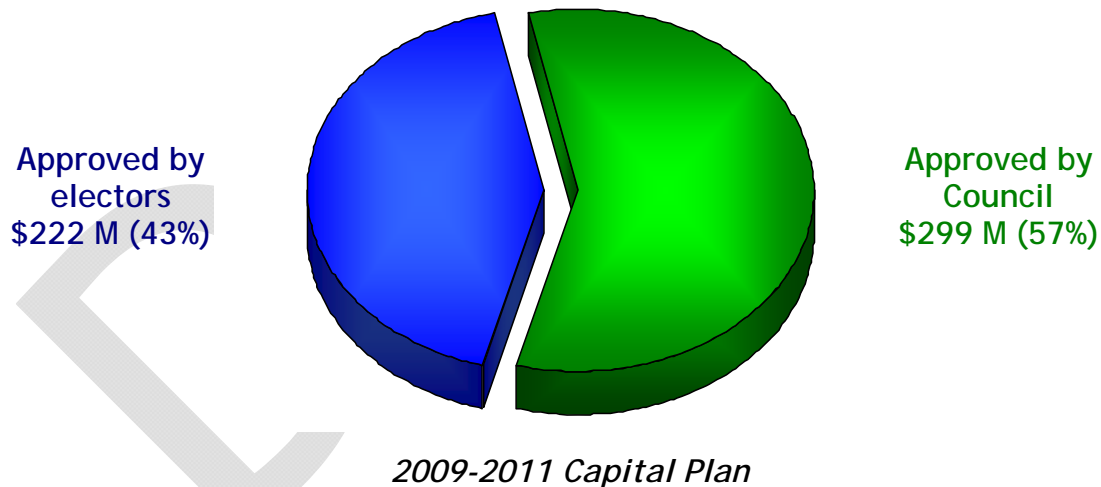
## Background

Law and municipal policy prescribe the City's capital financing policies. Municipalities in British Columbia are not legally allowed to incur budget deficits and long-term debt is permissible for capital funding only. Vancouver is the only municipality in the province that places its own debt directly. The Municipal Financing Authority raises debt on behalf of other B.C. municipalities.

The City's financial policies establish the appropriate funding sources for capital expenditures to ensure the capital expenditure program remains within limits that preserve the financial health of the City and its credit rating. The main funding sources are:

- Borrowed funds - The Vancouver Charter permits Council to approve borrowing for water and sewer capital projects; all other borrowing must first be approved by the electors, which occurs via a referendum at the civic election every three years
- Funding from the Operating Budget (often called Capital from Revenue)
- Funding from City Reserves (e.g. parking reserve, solid waste capital reserve)
- Funding collected from developers and builders (e.g. development cost levies, community amenity contributions)
- Funding from non-City sources (e.g. TransLink, senior governments, non-profit partners)

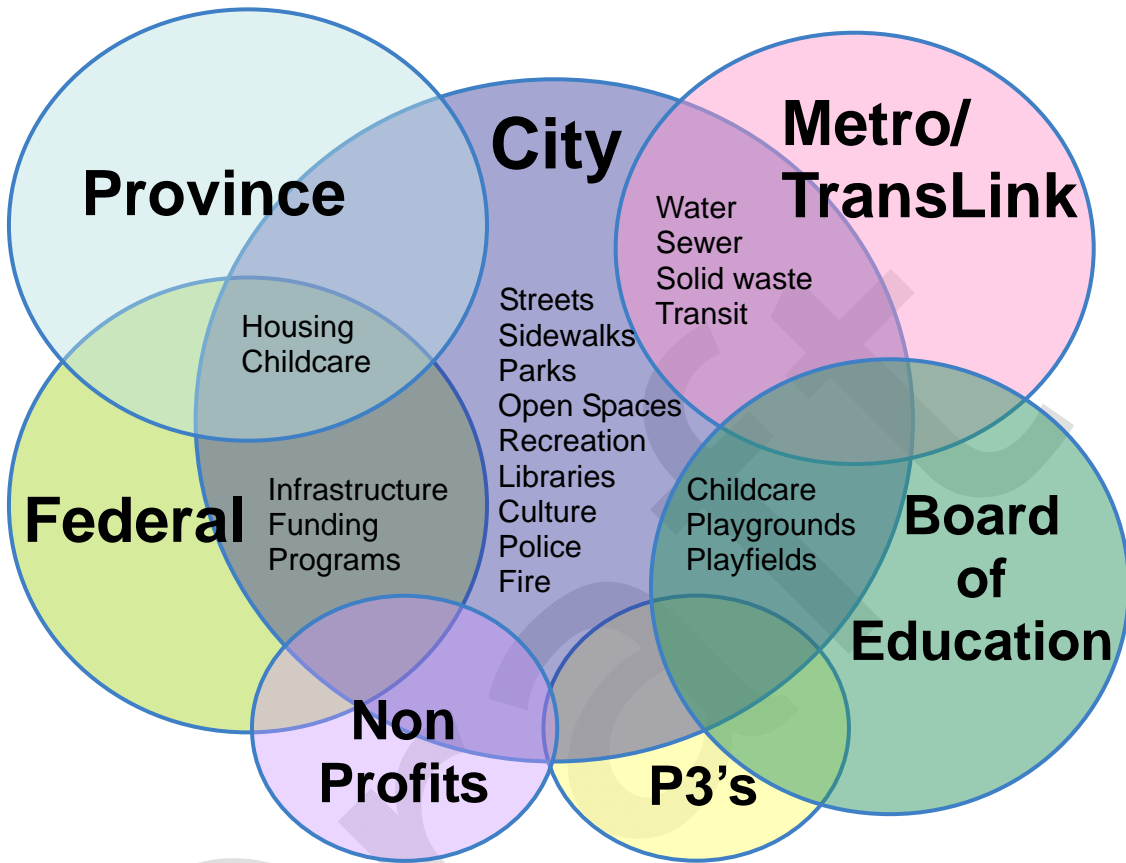
The chart below shows the split between funds approved by the electors and those approved by Council when the 2009-2011 Capital Plan was prepared in 2008.



Municipalities are regularly confronted with difficult choices in setting priorities and then funding those priorities. Important tenets when making decisions regarding capital investments include:

- Maintaining existing assets in good condition (recapitalization), e.g. maintaining the City's affordable housing stock
- Meeting needs of new residents (growth-related investments), e.g. community facilities in new developments
- Responding to new community or Council priorities (new or expanded mandates), e.g. building the greenways network

When it comes to capital assets and infrastructure, there are a variety of overlapping responsibilities and interdependencies between the City of Vancouver and other government and non-government agencies. The graph below illustrates some of these interdependencies.



## Overview of Capital Planning

With the introduction of the *2011-2021 Capital Strategic Outlook*, capital planning at the City of Vancouver will have 3 components:

- Capital Strategic Outlook (10 year, high-level, strategic outlook regarding capital assets and investments)
- Capital Plan (3 year agenda with public consultation culminating in a plebiscite)
- Capital Budget (combines a 1 year budget with a 2 year forecast)

The following table describes each of the 3 stages of capital planning as originally envisioned, detailing the purpose of each phase along with responsibility and consultation through a public plebiscite every 3 years. As the capital planning process evolves, so will the elements described below.

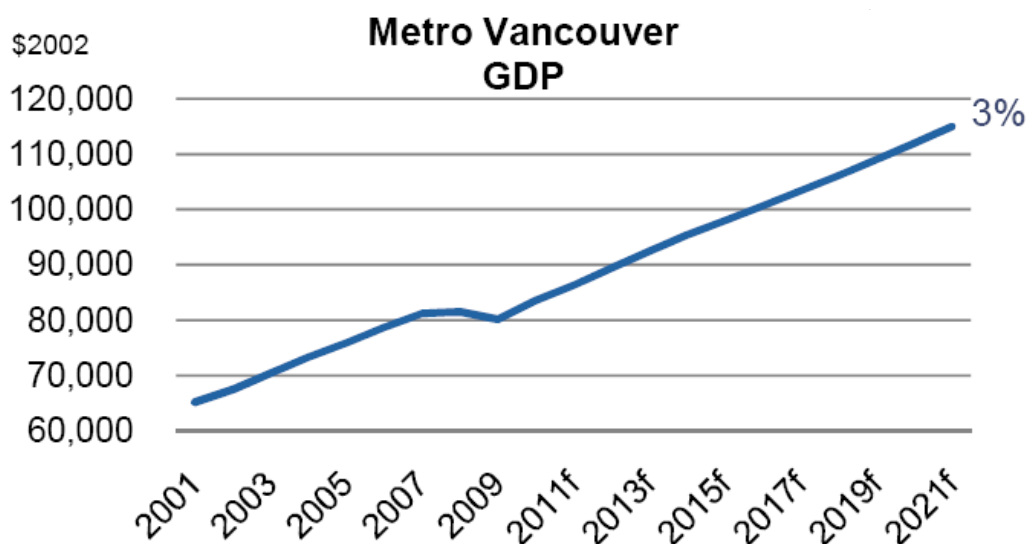
<b>Tool:</b>	<b>Capital Strategy</b>	→	<b>Capital Plan</b>	→	<b>Capital Budget</b>
<b>Timeframe:</b>	<b>10 years</b>		<b>3 years</b>		<b>1 yr budget + 2 yr forecast</b>
<b>Purpose:</b>	<b>strategic choices about investments</b>	→	<b>sets shorter term priorities</b>	→	<b>approves funding for projects</b>
<b>Fiscal capacity:</b>	<b>high-level estimate</b>		<b>mid-level estimate</b>		<b>fixed amount</b>
<b>Capital works for each major asset class:</b>	<b>identifies objectives to be achieved (may include specific projects)</b>	→	<b>identifies specific projects and program priorities to be completed</b>	→	<b>provides detailed information/plans about projects to be completed</b>
<b>Cost estimates:</b>	<b>high-level</b>		<b>mid-level</b>		<b>detailed with cash flow</b>
<b>Funding for each major asset class:</b>	<b>assigns order-of-magnitude funding and identifies possible funding sources</b>	→	<b>assigns specific funding level and identifies specific funding sources</b>	→	<b>assigns fixed funding level from specific funding sources</b>
<b>Prepared:</b>	<b>every 3 years</b>		<b>every 3 years</b>		<b>every year</b>
<b>Approved by:</b>	<b>CMT, then presented to Council</b>		<b>Council</b>		<b>Council</b>
<b>Consult public:</b>	<b>no</b>	→	<b>yes</b>	→	<b>no</b>

Municipalities across Canada have taken a variety of approaches to capital planning. Several larger cities have 10 year plans, including Toronto, Ottawa and Calgary, although none in BC. For a summary, see Appendix A.

## Economic Outlook

Vancouver's 10 year strategic outlook is a composite of many factors including an analysis of the external factors impacting Vancouver's economy in the next 10 years and the organization's fiscal capacity. PricewaterhouseCoopers performed this work on behalf of the City of Vancouver.<sup>1</sup>

Vancouver's economic growth is highly correlated with that of Metro Vancouver's. Gross Domestic Product (GDP) growth for Metro Vancouver is projected to average 3% annually over the next decade. The growth rate will vary year-to-year. Vancouver's economic growth projection is based on historical trends, consensus forecasts and examination of key drivers.



The historic GDP rates for Metro Vancouver, British Columbia and Canada from 2001 to 2010 are shown in the following chart. The chart highlights the strong economic growth in the 2001-2007 period, the economic downturn caused by the global financial crisis in 2008 and the strong recovery since.

Vancouver has several unique characteristics that support continued economic growth:

- Vancouver's role as the provincial commercial and administrative centre and as a Pacific Gateway for international trade
- Vancouver's relatively diversified economic base and skilled labour force contribute to economic stability and lower unemployment rate than that of other regions of the province
- Population growth is expected to continue as a result of its recognized attractiveness as a liveable city, albeit at a lower rate of growth than previously experienced. From 2001 to 2010, population growth was approximately 1.2% per year but is now expected to grow by 0.7% per year<sup>2</sup>

Risks to the 10 year economic outlook include impacts from changing demographics, lower than expected population growth, interest rate increases and external economic events.

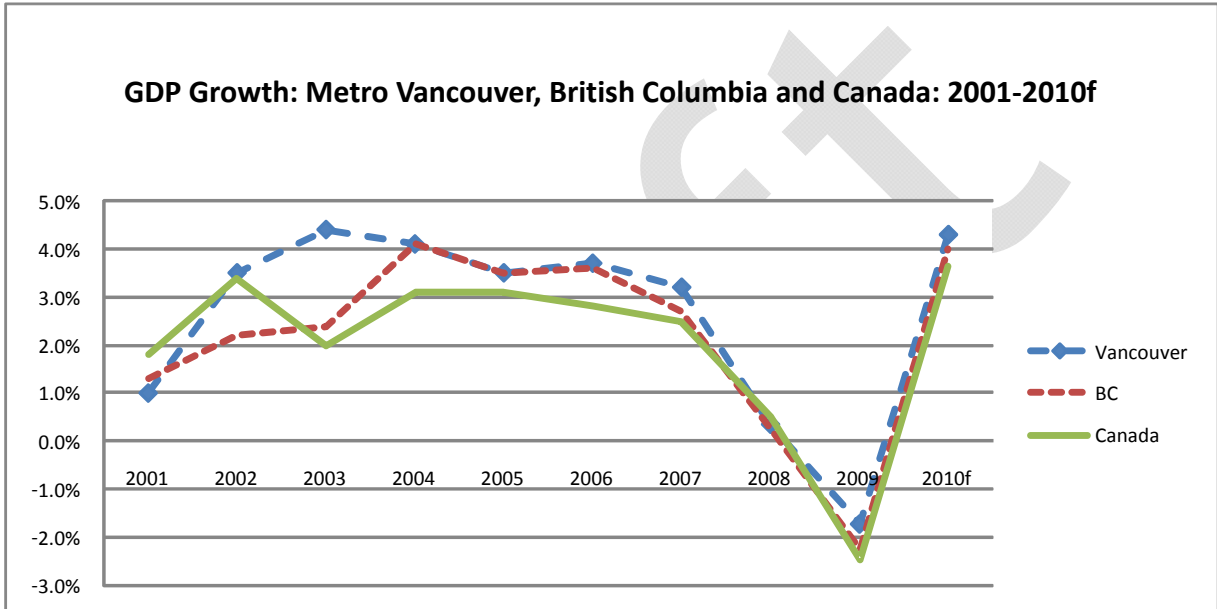
As well, additional risks include:

<sup>1</sup> Prepared by PricewaterhouseCoopers - 'Vancouver's Economic Outlook & Financial Capacity' (March 2011).

<sup>2</sup> Source: Metro Vancouver 2040 Regional Growth Strategy

- An aging population and low unemployment rates may act as a catalyst for wages to increase as organizations compete for scarce labour
- Increased competition from other Canadian urban centres for immigrants could negatively impact immigration rates in Vancouver placing pressure on scarce labour resources
- A decrease in immigration would also negatively impact population growth rates

Increases in interest rates may negatively affect residential and commercial construction. Interest rates are likely to increase as the Bank of Canada considers raising its target interest rate in 2011 from where it currently sits at 1%. In light of positive, national growth indicators, the Bank anticipates core inflation to gradually increase to 2% by 2012.



## Financial Capacity

Financial capacity is a reflection of the City's ability to carry debt, tax and raise funds through other sources. Total financial capacity over the 2011-2021 period is estimated at close to \$2.4 billion. Annual financial capacity ranges from \$160 million to \$401 million, depending on existing debt maturities. The average over the ten year period is approximately \$243 million. A summary based on sources of capital spending is shown in the following table.

Base Case Projection of Capital Envelope

\$Millions	10 Year Total	Average
Tax Supported Incremental Debt Capacity	844	84
Capital From Revenue	294	29
<b>Total Tax Supported Capital Envelope</b>	<b>1,138</b>	<b>114</b>
Utility Debt	494	49
Development Cost Levies	318	32
Community Amenity Contributions	79	8
Capital From Reserves	406	41
<b>Total Non-Tax Capital Envelope</b>	<b>1,297</b>	<b>130</b>
<b>Total</b>	<b>2,434</b>	<b>243</b>

The analysis is primarily based on historical ratios; changes over time based on the Economic Outlook; benchmark ratios developed from comparisons with similar municipalities and rating agencies; and best practices in municipal debt management. A base case is designed to allow for matching with infrastructure needs.

Operating budget expenditures are sensitive to overall inflationary pressures but are expected to increase at rates higher than inflation in response to rising wage expectations, energy costs and other cost escalations from third-party suppliers not directly controllable by the City. Efforts to limit expenditures may be necessary as property taxes generally rise in step with the operating budgets. Offsetting the impact of property tax increases are the rising per capita incomes projected in the economic outlook.

Stable economic growth and relatively low interest rates should encourage continued development in Vancouver thereby generating a fairly stable flow of revenue from Development Cost Levies (DCLs), Community Amenity Contributions (CACs) and other sources. Generation of DCL revenues is largely based on market-driven sources such as GDP growth and interest rates that are expected to be favourable. If growth rate drops to 2%, capacity drops by about \$0.2 billion.

## Financial Indicators

The following table highlights certain tax-supported debt ratios examined by credit rating agencies<sup>3</sup>.

Ratios	2010	2012-2021 Average	2012-2021 Max	Criteria
Debt per capita (\$)	507	572	679	Below \$500 (Low) \$500-\$2,000 (Moderate) \$2,000-\$3,500 (Moderately high) Above \$3,500 (High)
Debt as a percentage of personal income	1.4%	1.3%	1.7%	Below 2% (Low) 2%-4% (Moderate) 4%-7% (Moderately high) Above 7% (High)
Debt service as a percentage of expenditures	6.7%	9.7%	9.7%	Below 2% (Low) 2%-6% (Moderate) 6%-10% (Moderately high) Above 10% (High)

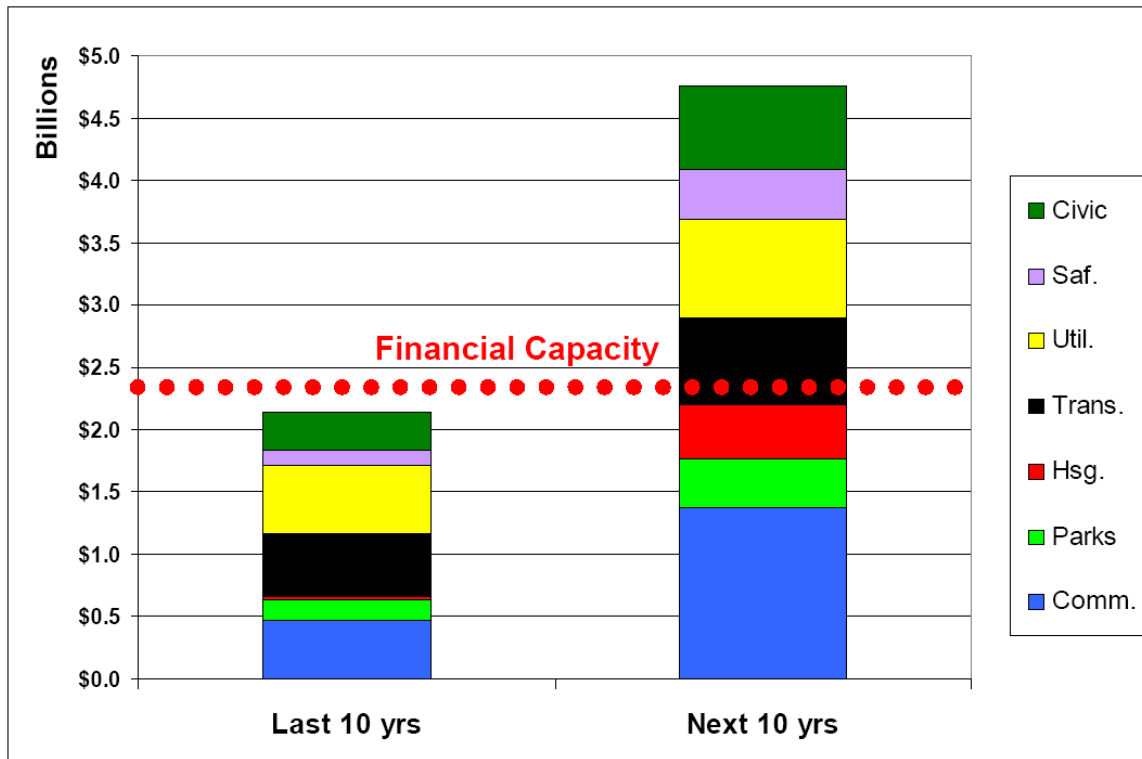
The base case that was developed suggests there is unlikely to be any negative impact on the City's credit rating at the forecasted debt levels. However, the current tax-supported debt charges as a percentage of operating expenditures are approaching high at 9.7% in the base case. The debt charges would limit future capacity and will influence the 3 Year Capital Plan funding recommendations. To mitigate this, it is prudent for the City to take a more conservative fiscal approach to its capital envelope and target an average capital spend of \$200-225 million per year (i.e. below the \$243 million per year under the base case).

<sup>3</sup> Does not include South East False Creek Village debt.

## Financial Capacity and Capital Submissions

In preparing the 10 year strategic outlook, departments and Boards across the City were asked to forecast capital needs over the next 10 years. Department submissions were summarized by category (included in subsequent sections) as part of development of the *2011-2021 Capital Strategic Outlook*, totalling \$4.7 billion. \$0.7billion in possible external funding sources has been identified, reducing the requested funding envelope to approx. \$4.0 billion. As would be expected at this stage of the capital planning process, requests currently exceed financial capacity. As part of the 3 Year Plan process, the submissions will be evaluated based on value, strategic priority and the overarching principles (detailed in an upcoming section).

Next 10 Years: \$4.7 Billion in Submissions<sup>4</sup>



<sup>4</sup> \$0.7B has been identified in possible external funding sources.

## Classification System

In the past, the City structured its capital planning by department. As part of the 10 year strategic outlook, a service-based classification system was introduced, moving away from the previous categories:

- Public Works
- Public Safety
- Library
- Community Services
- Park Board
- Corporate

The benefits of the new classification system include improved transparency, accountability and decision-making. Details of the new categories can be found below with examples of assets that can be found in each asset category. Typically the asset types are buildings or leasehold improvements, land or land improvements, infrastructure (e.g. water or sewer systems), vehicles, equipment/furniture and technology.

Categories	Examples
Community Facilities	<ul style="list-style-type: none"> <li>• Recreation, social and cultural facilities</li> <li>• Libraries and childcare centres</li> <li>• Entertainment and exhibition</li> </ul>
Housing	<ul style="list-style-type: none"> <li>• Non-market housing</li> <li>• Market rental housing</li> </ul>
Parks and Open Spaces	<ul style="list-style-type: none"> <li>• Parks and open spaces</li> <li>• Street trees and public art</li> </ul>
Public Safety	<ul style="list-style-type: none"> <li>• Police buildings and fire halls</li> <li>• Animal control</li> </ul>
Transportation	<ul style="list-style-type: none"> <li>• Transit, walking and cycling networks</li> <li>• Roads and sidewalks</li> <li>• Parking structures</li> </ul>
Utilities & Public Works	<ul style="list-style-type: none"> <li>• Water and sewers</li> <li>• Solid waste</li> <li>• Neighbourhood energy</li> </ul>
Civic Infrastructure	<ul style="list-style-type: none"> <li>• Administrative offices and service yards</li> <li>• Vehicles and computers</li> </ul>

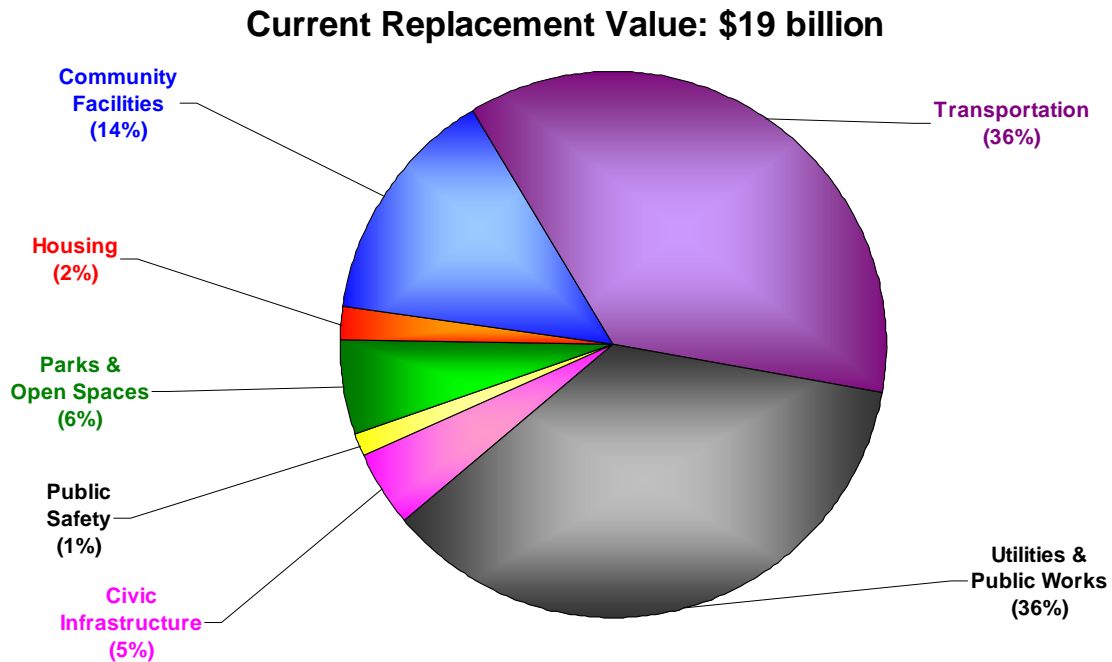
There are several categories that include 'capital grants', funding that the City grants to non-profit groups (e.g. childcare, social and cultural grants) or private property owners (e.g. sewer separation and heritage façade).

## Asset Inventory

The City of Vancouver’s capital assets can be summarized as follows:

- 400 buildings totalling approx. 6 million square feet
- 4,700 km of sidewalks, bikeways, roads
- 3,600 km of underground pipes
- 1,360 hectares of parks/open spaces

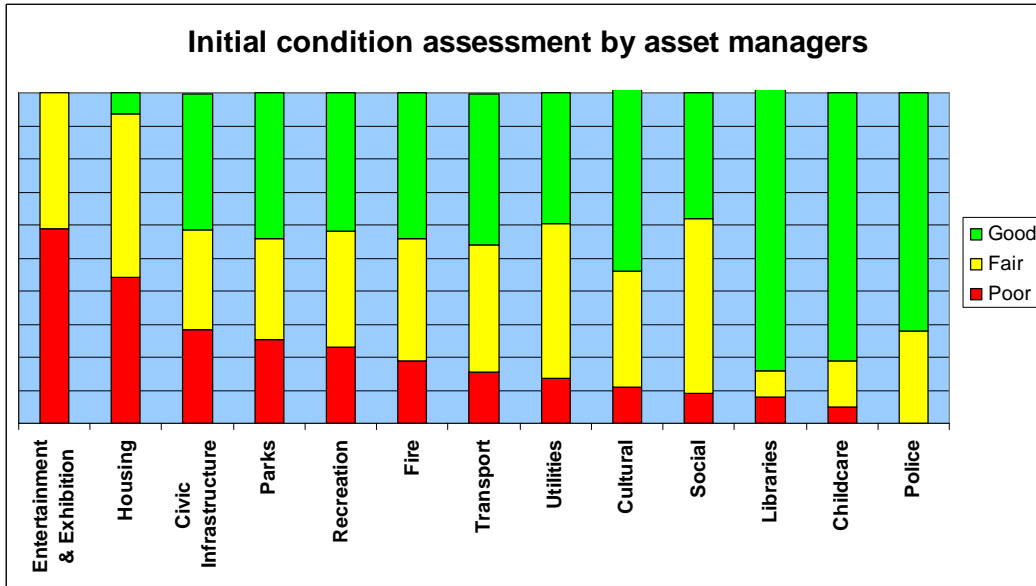
The replacement value of these assets is currently estimated at \$19B. The following chart summarizes the replacement value of the assets by category. The value of the land is excluded from replacement value.



The City owns about 4,853 hectares of land as follows:

Category	Land (hectares)	Land (%)
Community Facilities	35	0.7%
Public Safety	5	0.1%
Housing	75	1.5%
Parks & Open Spaces	1,343	28%
Transportation and Utilities & Public Works	3,360	69%
Civic Infrastructure	35	0.7%
<b>Total</b>	<b>4,853</b>	<b>100%</b>

As part of the *2011-2021 Capital Strategic Outlook*, staff conducted a preliminary evaluation of current assets, rating the asset conditions as Good, Fair or Poor. This assessment was not standardized across City departments or benchmarked against other municipalities that have conducted similar assessments.



As a mechanism to cross-check this preliminary evaluation process, the City’s Corporate Management Team reviewed the groups of assets on a scale of 1-10 - with the following results:

Overall State	Poor 1-4	Average 5-7	Good 8-10
Community Facilities	Entertainment & Exhibition Social Facilities	Recreational Facilities Childcare	Libraries Cultural Facilities
Housing	Non-Market Housing		Market Housing
Parks and Open Spaces		Parks Seawall	Street trees Cemetery
Public Safety	Fire Halls Animal Control		Police Offices
Transportation		Major & Local Roads Sidewalks	Parking
Utilities & Public Works	Transfer Station	Sewers Water	Neighbourhood Energy Utility Landfill
Civic Infrastructure		IT Admin Offices	Service Yards

Generally there was good alignment with the two processes, with two exceptions: assets in the Fire and Social categories are likely in poorer condition than reported by staff. As part of the Vancouver Services Review, a best practice asset management program will be put in place across the city. In the future, a standardized best practice approach will be taken in the assessment of asset condition.

The City also undertook a high-level gap analysis, neighbourhood by neighbourhood, identifying the status of key assets and infrastructure and where there were significant gaps or oversupply (greater than or less than 10%) against benchmarking “standards” or averages. The results can be found below, with red indicating the neighbourhoods in which the community facilities fall more than 10% below the City-wide average or benchmark. This is one more lens by which to view Vancouver’s longer-term capital asset strategy.

Neighbourhood	Parks and Open Space	Rec, Leisure & Community Fac.	Libraries excl Central, Outreach & Archives	Childcare # Spaces per # children 0 - 12	Firehall	Cultural Facilities	CPCs
Arbutus Ridge/Kerrisdale/Shoughnessy (ARKS)	Green	Green	Red	Red	Green	Green	Green
Downtown/West End	Green	Green	Green	Green	Green	Red	Green
DTES/Strathcona	Yellow	Green	Green	Green	Green	Green	Green
Dunbar/Southlands	Green	Green	Green	Red	Yellow	Green	Green
Grandview Woodlands	Red	Green	Green	Green	Green	Green	Green
Hastings Sunrise	Green	Green	Green	Red	Green	Yellow	Green
Kensington Cedar Cottage	Yellow	Green	Red	Red	Green	Green	Green
Kitsilano Fairview	Red	Green	Green	Green	Green	Yellow	Green
Mt Pleasant	Red	Green	Green	Green	Green	Red	Red
Oakridge Marpole	Yellow	Green	Green	Green	Green	Yellow	Yellow
Renfrew Collingwood	Green	Green	Green	Red	Green	Green	Green
Riley Park South Cambie	Green	Green	Green	Red	Green	Green	Green
Sunset	Red	Yellow	Red	Red	Red	Green	Green
Victoria/ Fraserview/ Killarney	Green	Green	Green	Yellow	Green	Green	Green
West Point Grey	Green	Green	Green	Red	Green	Yellow	Green

Green = above 10%      Yellow = within +/- 10%      Red = below 10%

Across Canada, renewal, replacement and expansion of infrastructure in Canada remains a challenge. The Canadian Federation of Municipalities recently estimated that \$123B would be needed to renew aging municipal infrastructure (60% of which is for transportation, sewer and water). They also highlighted new demands emerging such as transit expansions and sewer treatment capacity estimated at an additional \$115B.<sup>5</sup>

<sup>5</sup> McKenna, Barrie. Canada’s Crumbling Infrastructure: The Silence is Deafening. *Globe and Mail*. April 10, 2011.

## Overarching Principles

The process for developing the strategic outlook identified several overarching themes and principles that apply across the asset categories. They can be summarized into 4 themes: vision, plan, innovate and sustain/create. Within the themes, the guiding principles for the *2011-2021 Capital Strategic Outlook* include:

### Vision

- Support Council, Board and community priorities
- Align with the City's strategic plan
- Respond to emerging priorities throughout the strategic outlook's term
- Embed sustainability (Greenest City)
- Inspire community pride/spirit

#### **Did you know?**

Vancouver's population has grown by 185,000 over the last 30 years and is anticipated to grow by 130,000 over the next 30 years.

Source: Statistics Canada, City of Vancouver

### Innovate

- Partner strategically across all sectors (government, non-profit and private)
- Integrate functionally
- Be opportunistic
- 'Incentivize' business transformation by leveraging existing investments and resources
- Review and determine best model for delivering each service
- Prioritize multi-use facilities (within City and with external partners)<sup>6</sup>

### Plan Strategically

- Provide core services across communities
- Adapt demographic changes through flexible and re-purposable spaces
- Synchronize across projects (both new and recapitalized) to increase efficiency
- Decommission aging/obsolete facilities and infrastructure as part of renewal strategy
- Phase large-scale projects
- Prioritize by need and risk
- Demonstrate financial prudence

### Sustain and Transform

- Maintain existing assets (prioritize recapitalization)
- Re-purpose rather than re-place
- Ensure operational/financial sustainability
- Build flexible, adaptable and expandable assets

#### **Did you know?**

The City owns 64 heritage buildings. The oldest is Roundhouse Community Centre (1888). The 'youngest' is Bloedel Conservatory (1969).

Source: City of Vancouver

<sup>6</sup> Possible principles for multi-use facilities include: location (siting, access), operations (synergy, adaptability and governance), space (amount, expansion, critical mass), costs, funding and timing.

## Asset Category Summaries

In the past, capital asset planning was based on department based categories (e.g. Public Works, Public Safety, Library, Community Services, Park Board and Corporate). The *2011-2021 Capital Strategic Outlook* signals a new, integrated approach to planning for capital assets with the introduction of new service-based categories. They are:

- A. Community Facilities
- B. Housing
- C. Parks and Open Spaces
- D. Public Safety
- E. Transportation
- F. Utilities and Public Works
- G. Civic Infrastructure

Examples of the categories were previously described under 'Classification System'. The following sections contain a summary of the existing assets (quantities, unit costs and replacement values) in each category along with objectives, specific strategies to the individual classes of assets and priorities identified for the next 10 years, be they existing assets or new ones.

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## A. Community Facilities

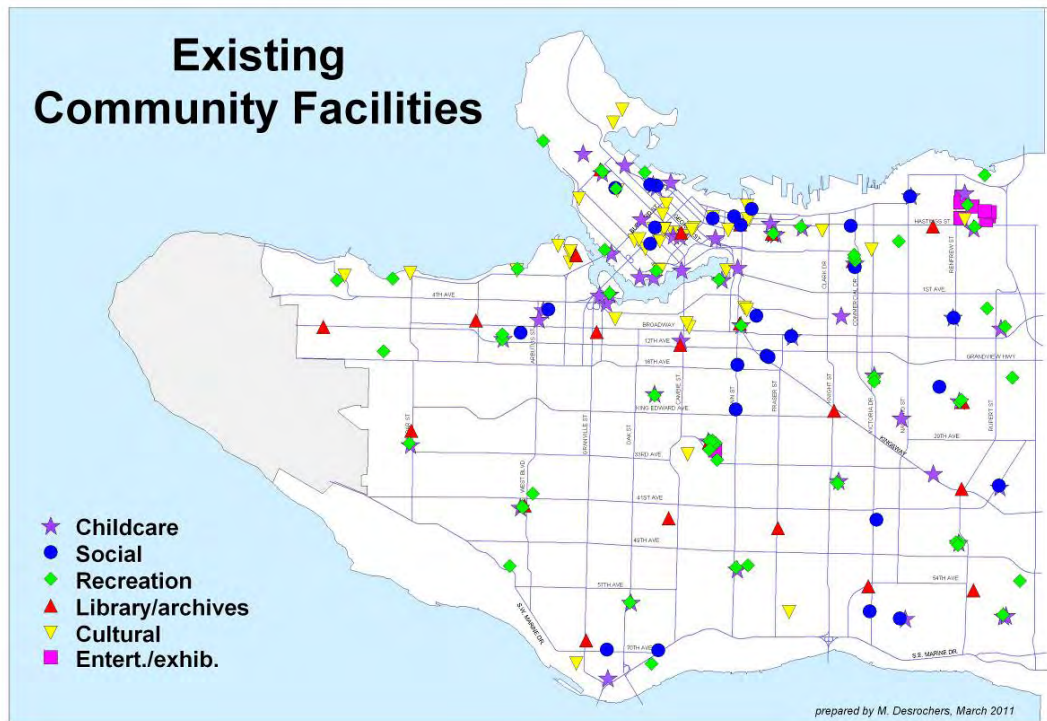
### Purpose

Community facilities offer a wide range of community services and programs to Vancouver’s diverse and growing population. Their service mandates range from neighbourhood-wide to city-wide. They are operated by both City and partner organizations.

### Inventory of existing assets

	Facilities	Floor Area (Square Feet)	Approximate Unit Cost	Approximate Replacement Value
Childcare	53	180,000	\$550 / sq.ft.	\$100 M
Social Facilities	28	270,000	\$550 / sq.ft.	\$150 M
Recreation Facilities	56	1,700,000	\$700 / sq.ft.	\$1.2 B
Libraries & Archives	23	520,000	\$850 / sq.ft.	\$450 M
Cultural Facilities	47	1,100,000	\$450 / sq.ft.	\$500 M
Entertainment & Exhibition	6	380,000 + Amusement park	\$600 / sq.ft. & \$4 M / hectare	\$300 M
<b>TOTAL</b>	<b>217</b>	<b>4,200,000</b>	<b>\$650 / sq.ft.</b>	<b>\$2.7 B</b>

Note: 'replacement value' excludes the value of the land.



**General Strategies**

1. Co-locate and functionally integrate community facilities for multi use purposes; explore co-location opportunities with other civic uses (e.g. schools, affordable housing, public safety uses).
2. Community facilities built as part of residential and/or commercial developments must align with City policies and plans and be financially sustainable.

**Did you know?**  
 About 25% of community facilities serve a city-wide or metro-wide audience, including the Central Library, Queen Elizabeth Theatre, Maritime Museum and Pacific Coliseum.  
 Source: City of Vancouver



**Identified Priorities**

	Existing Assets To Be Replaced Or Upgraded	New Assets To Be Added
Childcare	<ul style="list-style-type: none"> <li>• 7 childcare centres</li> </ul>	<ul style="list-style-type: none"> <li>• 15 childcare centres</li> </ul>
Social Facilities	<ul style="list-style-type: none"> <li>• 3 social facilities</li> </ul>	<ul style="list-style-type: none"> <li>• 3 facilities</li> </ul>
Recreation Facilities	<ul style="list-style-type: none"> <li>• 8 recreation facilities</li> </ul>	<ul style="list-style-type: none"> <li>• 3 or 4 facilities</li> </ul>
Libraries & Archives	<ul style="list-style-type: none"> <li>• 3 branch libraries</li> <li>• Relocation of Archives 'front of house'</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of Central library onto levels 8 and 9</li> </ul>
Cultural Facilities	<ul style="list-style-type: none"> <li>• Maritime Museum</li> <li>• Bloedel Conservatory</li> <li>• Garden Auditorium (PNE)</li> </ul>	<ul style="list-style-type: none"> <li>• Vancouver Art Gallery/Concert Hall<sup>1</sup></li> <li>• Playhouse theatre</li> <li>• Two outdoor performance spaces</li> </ul>
Entertainment & Exhibition	<ul style="list-style-type: none"> <li>• Playland amusement park</li> <li>• Livestock bldg (PNE)</li> <li>• Nat Bailey Stadium</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>

*Note: VAG/Concert Hall project: subject to the City limiting its contribution to the provision of the site, the foregoing of debt linked to site and cash to fund preliminary studies.*

## B. Housing

### Purpose

The City’s goal is to increase the supply of affordable housing in Vancouver with a broad range of dwelling types across the housing continuum, to meet the needs of a diverse population.



The City focuses its capital investments with a goal of increasing the stock of housing across the continuum with a key emphasis on non-market rental housing (supportive or social housing). The City’s most frequent capital contribution is the provision of land upon which housing is built. Occasionally, the City will build and/or operate the housing.

There are two types of market rental housing that the City itself owns: a) purpose-built (e.g. #1 Kingsway) and b) housing that is more incidental in nature (e.g. the City acquires a residential property for a transportation project and the housing is rented out until the project proceeds).

### Inventory of existing assets

	Quantity	Approximate Unit Cost	Approximate Replacement Value
<b>Non-Market Rental Housing</b> (Supportive & social housing)	<ul style="list-style-type: none"> <li>• 21 buildings operated and owned by City (1,367units)</li> <li>• 198 City-owned sites with the housing operated and owned by others (9,847 units)</li> </ul>	\$400 / sq.ft.	\$365 M
<b>Market Rental Housing</b> (Purpose-built & 'incidental')	<ul style="list-style-type: none"> <li>• 1 purpose-built building (98 units)</li> <li>• 37 'incidental' buildings (75 units)</li> </ul>	\$400 / sq.ft.	\$45 M
<b>TOTAL</b>			<b>\$0.4 B</b>

*Note: 'replacement value' excludes the value of the land.*



Specific strategies

1. NON-MARKET RENTAL HOUSING (supportive and social housing):

- Increase non-market rental housing capacity in all communities across the city.
- Secure land for and, in some cases, construct non-market rental housing.
- Explore opportunities to build non-market rental housing on vacant City-owned land or as part of a co-location project with other civic uses.
- Explore key partnerships to secure non-City funding for the construction of non-market rental housing on City-owned sites.



2. MARKET RENTAL HOUSING (purpose-built and 'incidental'):

- Explore opportunities to construct new purpose-built market rental housing on vacant City-owned land or as part of a co-location project with other civic uses or as part of public amenities from community amenity contributions (e.g. proposed Cambie corridor rezoning policy pending Council approval).
- Establish a long-term strategy for the existing 'incidental' market rental housing properties at Arbutus & 6<sup>th</sup> in Kitsilano (22 buildings, 15 of which are on Heritage Register) that were originally acquired for expanding Delamont Park.

Identified Priorities

	Existing Assets To Be Replaced Or Upgraded	New Assets To Be Added
Non-Market Rental Housing	<ul style="list-style-type: none"> <li>• Rebuild 2 City-owned non-market rental housing buildings</li> </ul>	<ul style="list-style-type: none"> <li>• Increase non-market rental housing capacity by about 7,200 units:                             <ul style="list-style-type: none"> <li>▪ 1,200 units of supportive housing</li> <li>▪ 1,000 units to replace privately-owned Single-room occupancy (SRO) units anticipated to be lost</li> <li>▪ 1,000 units to replace privately-owned market rental units anticipated to be lost</li> <li>▪ 4,000 units of social housing for singles and families</li> </ul> </li> </ul>
Market Rental Housing	<ul style="list-style-type: none"> <li>• Rebuild 5 City-owned 'incidental' market rental housing buildings</li> </ul>	<ul style="list-style-type: none"> <li>• 10 'incidental' market rental housing buildings are anticipated to be added.</li> </ul>

Considerations

- Prepare plan for acquisition of land required for development of non-market rental housing.
- Prepare strategy that outlines the City's role in the provision of market rental housing.

## C. Parks And Open Spaces

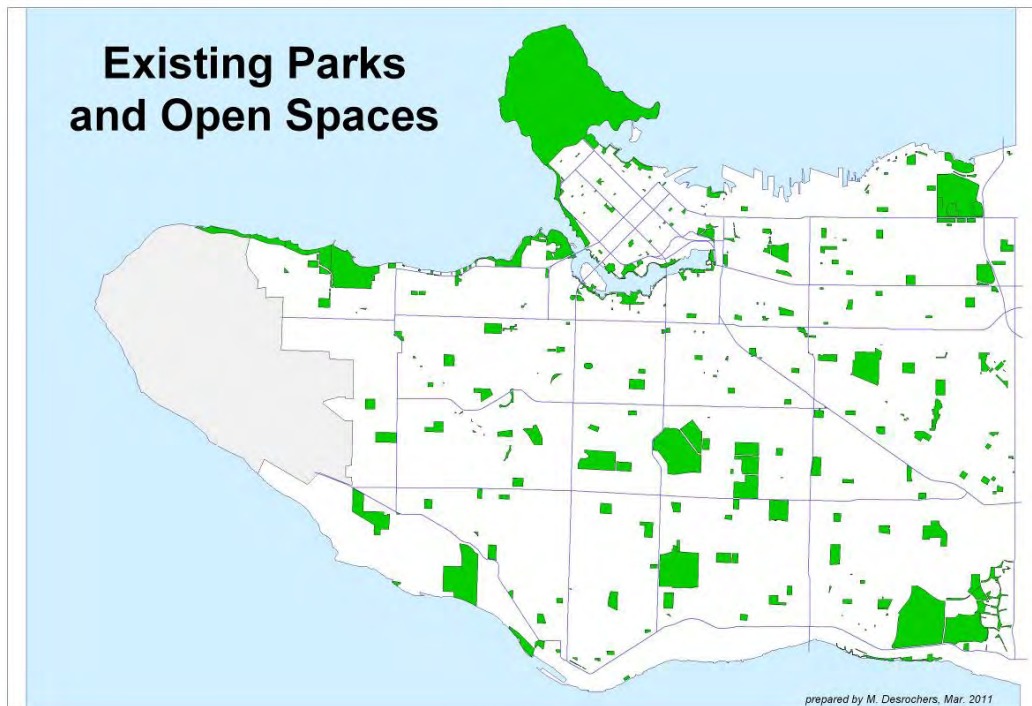
### Purpose

Parks and open spaces provide opportunities for residents and visitors to interact with nature, participate in leisure or recreational activities and celebrate community and civic life. This category includes neighbourhood parks, destination parks, seawalls and public art.

### Inventory of existing assets

	Quantity	Approximate Unit Cost	Approximate Replacement Value
Parks & Open Spaces	<ul style="list-style-type: none"> <li>1,360 hectares of land</li> <li>155 buildings (e.g. field houses)</li> </ul>	Park features: varies Bldgs: \$450 / sq.ft.	\$720 M
Seawall & Recreation Trails	<ul style="list-style-type: none"> <li>32 km of seawall</li> </ul>	\$8.25 M / km	\$265 M
Street Trees	<ul style="list-style-type: none"> <li>138,000 street trees</li> </ul>	\$350 / tree	\$50 M
Public Art	<ul style="list-style-type: none"> <li>266 pieces of public art</li> </ul>	\$100,000 / piece	\$25 M
<b>TOTAL</b>			<b>\$1.1 B</b>

Notes: 'replacement value' excludes the value of the land; recreation trails not yet included.



**Did you know?**

There are more than 30,000 cherry and plum trees along Vancouver's streets.

Source: City of Vancouver



**Specific strategies**

**1. PARKS AND OPEN SPACES:**

- Add new features to existing parks to address service gaps, serve new residents, meet needs of a diverse community and/or meet a Greenest City target.
- Acquire/create park and open space through rezonings, via purchase or by converting other uses to park use (e.g. fair grounds at Hastings Park, portions of roadways into open space).

**2. SEAWALL AND RECREATION TRAILS:**

- Systematically replace existing portions of the seawall and enhance waterfront walkway-bikeway system where safety issues are greatest.

**3. STREET TREES:**

- Increase planting of new street trees to meet Greenest City target.

**4. PUBLIC ART:**

- Coordinate provision of new public art with significant City projects (e.g. community facilities, parks and open spaces, seawall, greenways) and secure maintenance funds.

**Identified Priorities**

	Existing Assets To Be Replaced Or Upgraded	New Assets To Be Added
Parks And Open Spaces	<ul style="list-style-type: none"> <li>• Replace about \$190 M of landscape features, buildings and infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Acquire/create about 25 hectares of park and open space</li> </ul>
Seawall And Recreation Trails	<ul style="list-style-type: none"> <li>• Reconstruct Stanley Park seawall between Prospect Point and Second Beach.</li> <li>• Enhance walkway-bikeway on north shore of False Creek (Burrard-Granville) and south shore of False Creek (Fir-Cambie)</li> </ul>	<ul style="list-style-type: none"> <li>• Provide separate paths in Vanier Park and build a bikeway through Hadden and Kitsilano Parks</li> </ul>
Street Trees	<ul style="list-style-type: none"> <li>• Replace approx. 17,000 street trees</li> </ul>	<ul style="list-style-type: none"> <li>• Plant approx. 45,000 new street trees</li> </ul>
Public Art	<ul style="list-style-type: none"> <li>• Refurbish public art pieces as needed</li> </ul>	<ul style="list-style-type: none"> <li>• Target 1-2% of capital spending for commissioning and maintenance of new public art</li> </ul>

## D. Public Safety

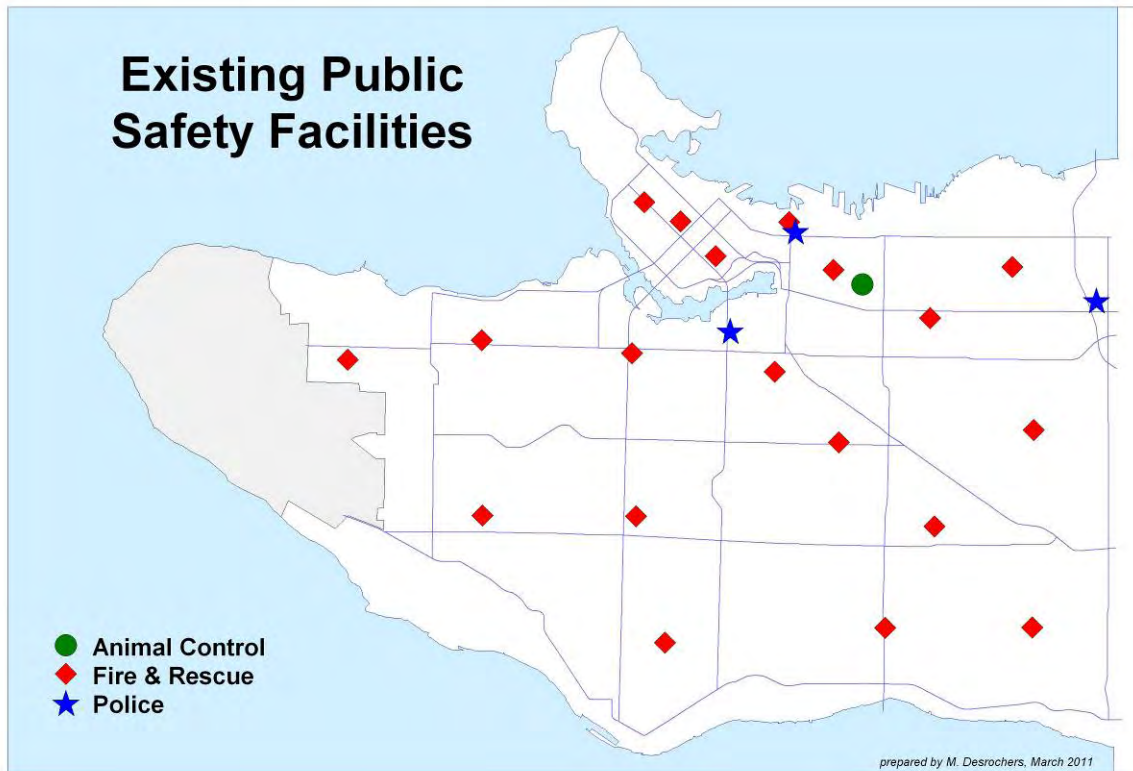
### Purpose

To provide facilities that supports the providers of public safety to Vancouver’s citizens.

### Inventory of existing assets

	Facilities	Floor Area (square feet)	Approximate Replacement Value
Police <sup>7</sup>	10	520,000	\$140 M
Fire & Rescue	19	140,000	\$90 M
Animal Control	1	15,000	\$10 M
<b>TOTAL</b>	<b>30</b>	<b>675,000</b>	<b>\$0.25 B</b>

*Note: 'replacement value' excludes the value of the land.*



### General strategies

1. Explore co-location opportunities, e.g. between police facilities and fire halls; between fire halls and community facilities and/or housing projects; and between Animal Control Shelter and City-operated service yard or other partners or outside agencies.
2. Design police facilities and fire halls to post-disaster construction standards.

<sup>7</sup> The map highlights 3 of the main VPD buildings (Graveley, Cambie and the Cordova Annex next to 312 Main). The other 7 VPD facilities include the training centre, the property storage facility, the dog squad, the mounted squad, the marine squad and two city-owned community policing centres.

### Specific strategies

#### 1. POLICE:

- Maintain existing facilities (Graveley and Cambie sites) in good functional order while taking steps (e.g. securing land) to eventually build new permanent facilities.

#### 2. FIRE & RESCUE:

- Accelerate the fire hall replacement program in response to the fact that only two fire halls were replaced over the last 10 years.

#### 3. ANIMAL CONTROL:

- Pursue co-location opportunities with a City-operated service yard or other partners or outside agencies.

### Identified Priorities

	Existing Assets To Be Replaced Or Upgraded	New Assets To Be Added
Police	<ul style="list-style-type: none"> <li>• Ongoing capital maintenance at Cambie site</li> </ul>	<ul style="list-style-type: none"> <li>• Secure land for new primary headquarters</li> </ul>
Fire & Rescue	<ul style="list-style-type: none"> <li>• Replace 4 fire halls</li> </ul>	<ul style="list-style-type: none"> <li>• Secure land for two new fire halls</li> </ul>
Animal Control	<ul style="list-style-type: none"> <li>• Replace Animal Control Shelter</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>

## E. Transportation

### Purpose

The transportation network offers a range of travel choices to residents, workers and visitors across the city.

### Inventory of existing assets

	Linear Assets	Other	Approximate Replacement Value
Walking & Cycling	<ul style="list-style-type: none"> <li>• Sidewalks: 2,400 km</li> <li>• Greenways: 51 km</li> <li>• Bikeways: 173 km</li> </ul>	<ul style="list-style-type: none"> <li>• 341 signals</li> <li>• 13 bridges and underpasses</li> <li>• 6 ferry docks</li> </ul>	\$1.15 B
Transit	<ul style="list-style-type: none"> <li>• Bus lanes: 18 km</li> <li>• Streetcar: 2 km</li> </ul>	<ul style="list-style-type: none"> <li>• 37 bus bulges</li> </ul>	\$11 M
Major Roads	<ul style="list-style-type: none"> <li>• Streets: 363 km</li> </ul>	<ul style="list-style-type: none"> <li>• 468 signals</li> <li>• 24 bridges</li> <li>• 27,000 street lights</li> </ul>	\$2.95 B
Local Roads	<ul style="list-style-type: none"> <li>• Streets: 1,050 km</li> <li>• Lanes: 650 km</li> </ul>	<ul style="list-style-type: none"> <li>• 28,000 street lights</li> </ul>	\$2.6 B
Parking	N.A.	<ul style="list-style-type: none"> <li>• 21 parkades</li> <li>• 12 surface lots</li> <li>• 9,200 meters</li> </ul>	\$220 M
<b>TOTAL</b>	<b>Approx. 4,700 km</b>		<b>\$6.9 B</b>

*Note: 'replacement value' excludes the value of the land.*

### General strategies

#### 1. GENERAL:

- Provide a transportation system that prioritizes the safe, comfortable and efficient movement of pedestrians, cyclists, transit users and trucks/trains (goods movement).
- Co-ordinate transportation and utility/public works projects whenever possible in order to minimize impact on residential, commercial, transportation and other community functions and to reduce overall construction cost.

#### 2. EXISTING ASSETS:

- Maintain the functionality, safety and integrity of the transportation system.

#### 3. NEW ASSETS:

- Prioritize funding for walking, cycling, transit and goods movement projects.
- Expand sidewalk network; complete greenway and bikeway networks.
- Support auto-oriented projects if they improve safety, are part of a corridor improvement plan and/or increase ride-sharing.

Specific strategies

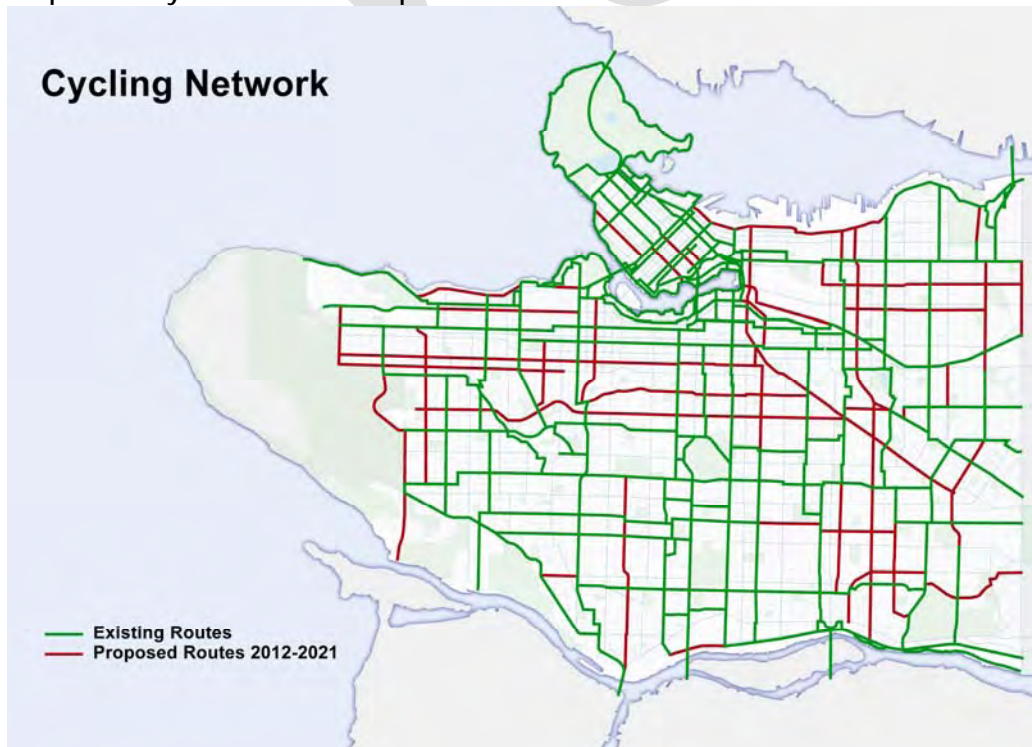
1. PARKING:

- Strategic redevelopment of surface parking and parkades.
- Install pay parking equipment in commercial districts outside of downtown where on-street parking is currently free.

Identified Priorities

	Existing Assets To Be Replaced Or Upgraded	New Assets To Be Added
Walking & Cycling	<ul style="list-style-type: none"> <li>• 75 km of sidewalk</li> </ul>	<ul style="list-style-type: none"> <li>• 140 km of new sidewalk</li> <li>• 150 km of greenways and bikeways</li> <li>• 120 pedestrian-bike signals</li> </ul>
Transit	<ul style="list-style-type: none"> <li>• Bus slab rehabilitation</li> </ul>	<ul style="list-style-type: none"> <li>• New bus bulges/landings</li> </ul>
Major Roads	<ul style="list-style-type: none"> <li>• 145 km of repaving/rehab</li> <li>• 3 bridges</li> </ul>	<ul style="list-style-type: none"> <li>• Safety improvements</li> <li>• Rail grade separation</li> <li>• New vehicular signals</li> </ul>
Local Roads	<ul style="list-style-type: none"> <li>• 160 km of road repaving</li> <li>• 110 km of lane repaving</li> </ul>	<ul style="list-style-type: none"> <li>• Local streets built as part of development projects</li> </ul>
Parking	<ul style="list-style-type: none"> <li>• No major projects</li> </ul>	<ul style="list-style-type: none"> <li>• New parking structure in Mt. Pleasant industrial area.</li> <li>• 5,000 new parking meter spaces</li> </ul>

Proposed bicycle routes to complete network



## F. Utilities & Public Works

### Purpose

The City's utility and public works systems (water, sewer, solid waste, neighbourhood energy) provide essential services to Vancouver's citizens. Therefore, it is critical that they are properly maintained and meet population growth demands.

### Inventory of existing assets

	Linear Assets	Other	Approximate Replacement Value
Waterworks	<ul style="list-style-type: none"> <li>Water mains: 1,483 km</li> <li>Service connections: 1,120 km</li> </ul>	<ul style="list-style-type: none"> <li>14,000 water meters</li> <li>27 pressure reducing valve stations</li> </ul>	\$1.85 B
Sewers	<ul style="list-style-type: none"> <li>Sewer mains: 2,082 km</li> <li>Service connections: 1,100 km</li> </ul>	<ul style="list-style-type: none"> <li>24 pump stations</li> </ul>	\$5.0 B
Solid Waste	<ul style="list-style-type: none"> <li>N.A.</li> </ul>	<ul style="list-style-type: none"> <li>Transfer Station</li> <li>Landfill</li> </ul>	\$40 M
Neighbourhood Energy Utility	<ul style="list-style-type: none"> <li>Pipes: 4 km</li> </ul>	<ul style="list-style-type: none"> <li>1 energy centre</li> <li>15 transfer stations</li> </ul>	\$35 M
<b>TOTAL</b>	<b>Approx. 5,800 km</b>		<b>\$6.9 B</b>

*Note: 'replacement value' excludes the value of the land.*

### General strategies

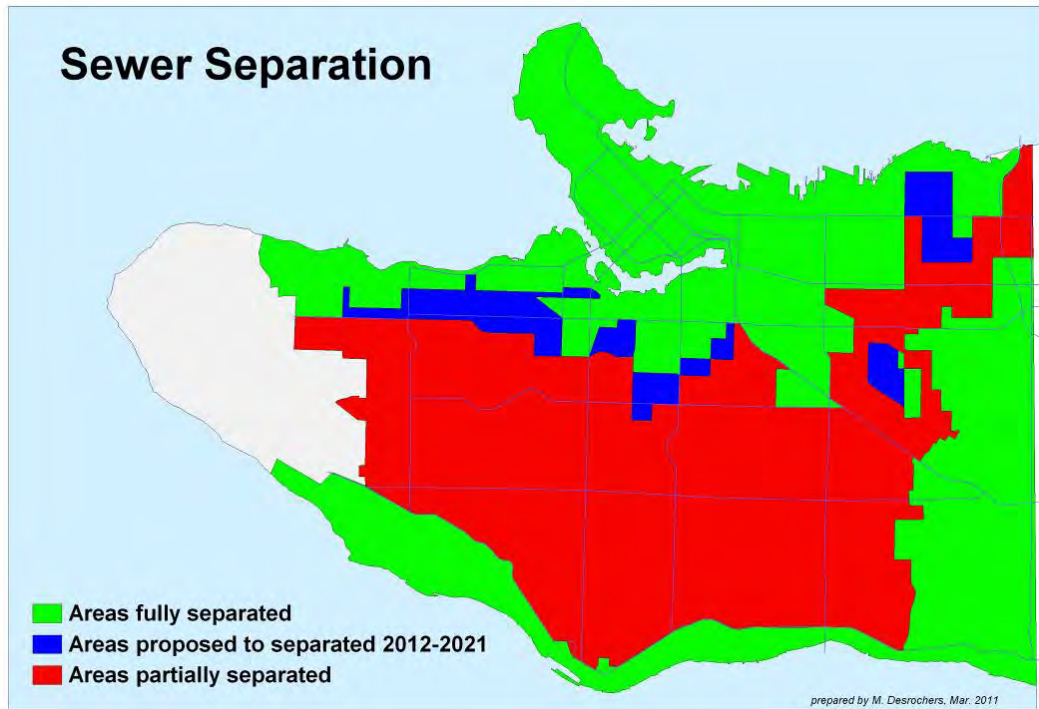
1. Provide utility and public works systems to meet the needs of Vancouver's growing population, in a sustainable and financially viable way.
2. Sustain recapitalization of existing assets at the rate adequate to the asset class life expectancy.
3. Co-ordinate and co-locate utility and public works projects whenever possible in order to minimize impact on residential, commercial, transportation and other community functions and to reduce overall construction cost.



### Specific strategies

1. **WATERWORKS:**
  - Continue systematic recapitalization of existing assets.
2. **SEWERS:**
  - Accelerate the sewer separation program (i.e. taking existing combined sewers and separating them into two pipes - one for 'sanitary' sewage and one for storm/rain)

water), in order to eliminate situations where untreated sanitary sewage can flow into Burrard Inlet, English Bay, False Creek or the Fraser River by 2050.



**3. SOLID WASTE:**

- Rebuild Transfer Station and enhance facilities at the Landfill, in coordination with Metro Vancouver, in response to aging infrastructure and increased demand due to waste diversion initiatives. Review location choices for a new Transfer Station within the context of a city-wide service yards strategy.

**4. NEIGHBOURHOOD ENERGY UTILITY:**

- Extend services to all of the SEFC Official Development Plan area.

**Identified Priorities**

	Existing Assets To Be Replaced Or Upgraded	New Assets To Be Added
Waterworks	<ul style="list-style-type: none"> <li>• 115 km of water mains</li> <li>• 180 km of service connections</li> <li>• 7 PRV stations</li> </ul>	<ul style="list-style-type: none"> <li>• Water mains built as part of development projects</li> </ul>
Sewers	<ul style="list-style-type: none"> <li>• 170 km of sewer pipes</li> <li>• 100 km of service connections</li> <li>• 6 pump stations</li> </ul>	<ul style="list-style-type: none"> <li>• Sewers built as part of development projects</li> </ul>
Solid Waste	<ul style="list-style-type: none"> <li>• Replace Transfer Station</li> <li>• Rebuild residential drop-off station at Landfill</li> </ul>	<ul style="list-style-type: none"> <li>• Landfill closure works</li> <li>• Landfill compost upgrade</li> <li>• Landfill gas ring header</li> </ul>
Neighbourhood Energy	<ul style="list-style-type: none"> <li>• None</li> </ul>	<ul style="list-style-type: none"> <li>• 2 km of pipes</li> </ul>

## G. Civic Infrastructure

### Purpose

To provide appropriate civic infrastructure levels to operate the City in an efficient manner, which supports Vancouver’s population growth, liveability standards and a complex variety of services.

### Inventory of existing assets

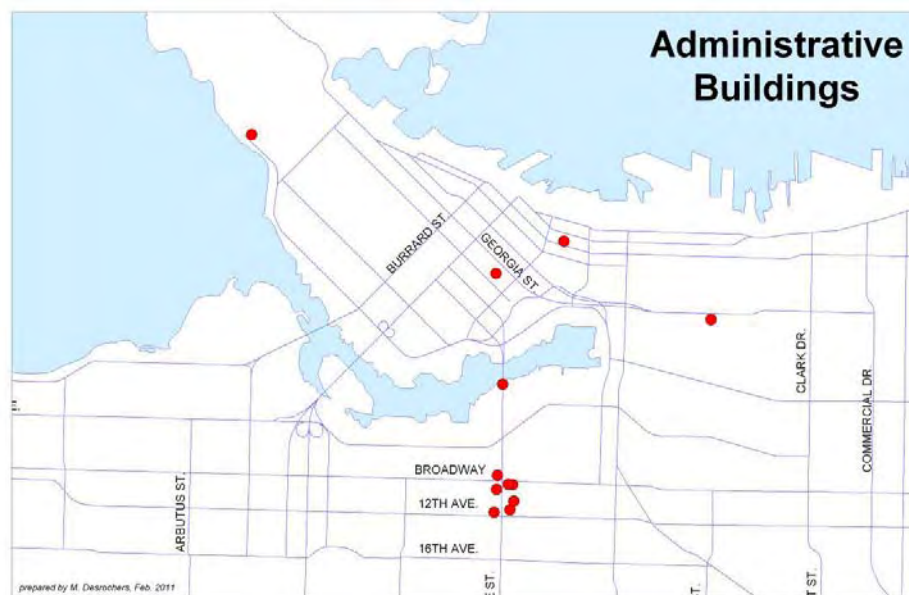
	Quantity	Approximate Replacement Value
Administrative Buildings	<ul style="list-style-type: none"> <li>• 12 buildings or portions of buildings with 460,000 sq. ft.</li> </ul>	\$230 M
Service Yards	<ul style="list-style-type: none"> <li>• 18 yards with about 100 buildings</li> </ul>	\$210 M
Vehicles & Equipment	<ul style="list-style-type: none"> <li>• 1,850 vehicles</li> <li>• 2,850 pieces of equipment</li> </ul>	\$200 M
Information Technology	<ul style="list-style-type: none"> <li>• 5,300 computers</li> <li>• 300 servers</li> <li>• 250 specialized software applications</li> </ul>	\$130 M
<b>TOTAL</b>		<b>\$0.8 B</b>

*Note: 'replacement value' excludes the value of the land.*

### Specific strategies

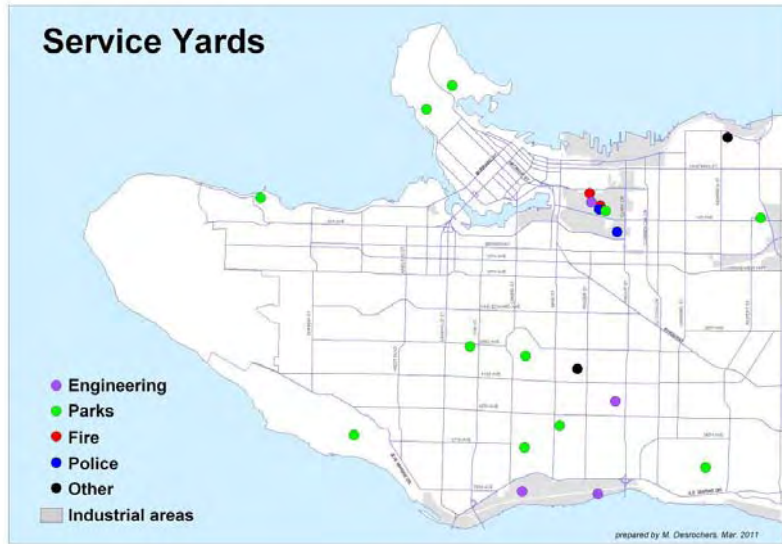
#### 1. ADMINISTRATIVE BUILDINGS:

- Maintain existing facilities in good functional order. Prepare and implement a seismic upgrade strategy for administrative buildings. Pursue construction of new City Hall annex based on completion of a full accommodation study and if there is a viable public-private partnership opportunity.



2. SERVICE YARDS:

- Explore opportunities for co-location and functional integration among various service yards (e.g. Engineering’s Manitoba Yard and Park Board’s Sunset Yard).



3. VEHICLES & EQUIPMENT:

- Continue with life-cycle replacement programs.

4. INFORMATION TECHNOLOGY:

- Continue with life-cycle replacement programs and replacement of outdated application systems.
- Provide system upgrades to improve operational efficiency (e.g. Mobilizing the workforce) and to offer new public services (e.g. Citizen self-service).

Identified Priorities

	Existing Assets To Be Replaced Or Upgraded	New Assets To Be Added
Administrative Buildings	<ul style="list-style-type: none"> <li>• To be determined once seismic upgrade strategy is completed.</li> </ul>	<ul style="list-style-type: none"> <li>• None</li> </ul>
Service Yards	<ul style="list-style-type: none"> <li>• To be determined within context of city-wide service yards strategy</li> </ul>	<ul style="list-style-type: none"> <li>• To be determined within context of city-wide service yards strategy</li> </ul>
Vehicles & Equipment	<ul style="list-style-type: none"> <li>• Assets replaced based on life-cycle replacement programs</li> </ul>	<ul style="list-style-type: none"> <li>• To be determined based on corporate and departmental needs.</li> </ul>
Information Technology	<ul style="list-style-type: none"> <li>• Hardware replacement</li> <li>• Replacement of PRISM, citywire (intranet), EQS software, Library ILS software, Digital fingerprinting</li> </ul>	<ul style="list-style-type: none"> <li>• Mobilizing the workforce</li> <li>• Business intelligence</li> <li>• Asset management</li> <li>• Citizen self-service</li> </ul>

## Major Capital Projects (>\$100M)

Major capital projects (with values of \$100 Million or more) represent 40% of the assets under consideration as part of the *2011-2021 Capital Strategic Outlook*. They are:

- New Vancouver Art Gallery / Concert hall
- Non-market housing program
- New Police Headquarters
- New City Hall annex
- Hastings Park / Pacific National Exhibition

Given the significant cost of these projects and inability to fund within the City's financial capacity, a number of strategies have been developed to reduce the net cost to the City while enabling progress on these significant projects.

### Preliminary Strategies for Major Projects

Project	Gross Cost	Strategy	Net Cost
New Vancouver Art Gallery and Concert Hall	\$700 M	<ul style="list-style-type: none"> <li>• Limit the City's financial contribution to:               <ul style="list-style-type: none"> <li>○ provision of Georgia/Cambie site (~\$60 M)</li> <li>○ foregoing of debt linked to site (~\$45 M)</li> <li>○ cash to fund preliminary studies (~\$5 M)</li> </ul> </li> <li>• Require balance to be funded by non-City contributors</li> <li>• Risk: will City be asked to increase its contribution if there is a funding gap?</li> </ul>	~\$110 M
Non-Market Housing: Land Acquisition Program	\$360 M	<ul style="list-style-type: none"> <li>• Reduce need to acquire land by:               <ul style="list-style-type: none"> <li>○ re-purposing some PEF properties</li> <li>○ using freed-up parcels after a co-location project is completed</li> </ul> </li> <li>• Consider constructing some non-market rental housing</li> </ul>	~\$270 M (75% of gross)
New Police Headquarters	\$350 M	<ul style="list-style-type: none"> <li>• Secure land for new building: pursue land that could be acquired from senior governments or purchase land (~\$25 M)</li> <li>• Keep existing facilities functional for 10-15 year period, including: capital maintenance at 2120 Cambie (~\$15 M) and parking lot near 2120 Cambie</li> <li>• Risk: needs may outpace space available at 2120 Cambie over 10-15 year period</li> </ul>	~\$40 M
New City Hall Annex	\$300 M	<ul style="list-style-type: none"> <li>• Pursue over the next 10 years only if there is a viable public-private partnership</li> </ul>	None
Hastings/PNE	\$100 M	<ul style="list-style-type: none"> <li>• Rely on PNE funding for about 20% of funding</li> </ul>	~\$80 M
<b>SUB-TOTAL</b>	<b>\$1.8 B</b>	<ul style="list-style-type: none"> <li>• Alternative funding sources: ~\$600 M</li> <li>• Additional strategies (e.g. phasing large scale projects, using existing City land rather than acquiring new land): ~\$700 M</li> </ul>	~\$500 M

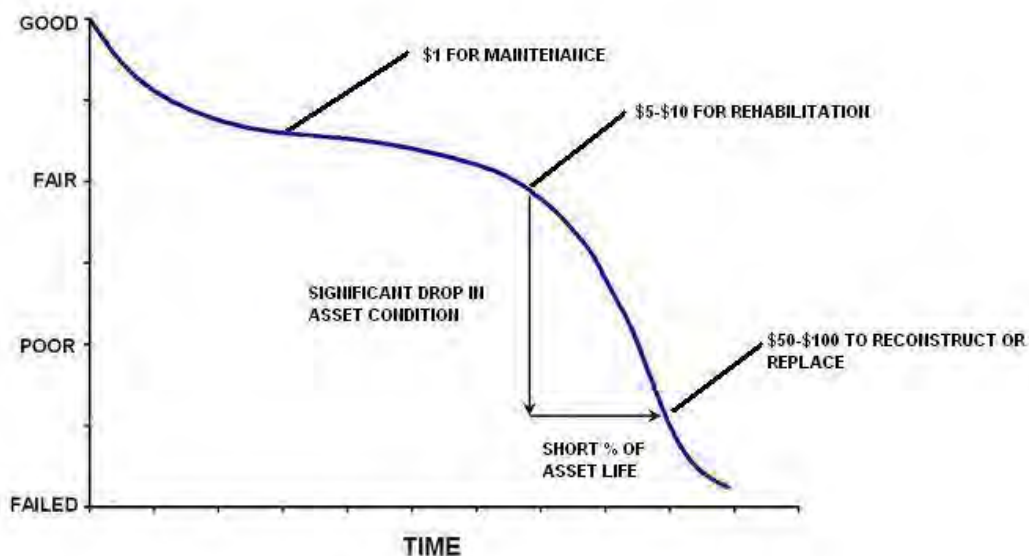
## Capital Investment and Funding Risks

Some of the capital investment and funding risks have already been highlighted, including impacts of changing demographics, lower than expected population growth and interest rate increases. If economic growth rates drops from 3% to 2%, that impacts capacity by \$0.2B.

External economic events may also create risk, for instance the impact of financial crises in certain European countries, the success of recovery in the United States and the ability of China to sustain economic growth indefinitely.

Continued restructuring of federal or provincial priorities and funding (downloading) may put pressure on capital and operating funds at the municipal level, creating additional risk.

Other risks include higher-than-anticipated demand, shorter life-cycle for certain assets than anticipated and the possible increased costs of new environmental standards.



Timing of capital investments can have a significant impact on the condition, functionality and life cycle operating costs for an asset. Most assets maintain a good to fair condition for a long period of time and then typically have a relatively short period of time where the condition deteriorates from fair to poor and ultimately failure. Best practices in asset management would prioritize spending on preventative maintenance and rehabilitation so that larger investments in reconstruction or replacement can be avoided or delayed. Put another way, \$100 spent on a poor or failed asset means we cannot spend \$1 to keep 100 assets in good condition or renew 10-20 fair assets back to a good condition.

## Next Steps

Immediately following the finalization of the *2011-2021 Capital Strategic Outlook*, staff will begin the work of drafting the 3 Year Capital Plan in preparation for the referendum in November 2011.

Following the 3 Year Capital Plan, the Capital Budget (comprised of a 1 Year Budget and a 2 Year Forecast) will be developed and presented to Council in early 2012. The budget approval process provides the final step in funding for a project.

## Conclusion

Council directed staff to make recommendations on changes to the City's capital planning process that supports more rigour in financial estimates, timelines and project oversight and completion. The *2011-2021 Capital Strategic Outlook* is one component to the changes and improvements that also include:

- Reduced 2010 capital requests by \$60M
- Reprioritized funding and surpluses to fund Council priorities (such as \$14M funding for affordable housing at South East False Creek)
- Reduced borrowing requirements
- Received \$63.5M of government infrastructure funding for capital projects
- Introduced of quarterly financial reporting on capital spending

For BC municipalities other than Vancouver, the Community Charter requires municipalities to have financial plans, the planning period for which is 5 years. Vancouver has chosen to extend that to 10 years.

With the introduction of the *2011-2021 Capital Strategic Outlook*, capital planning at the City of Vancouver now has 3 components:

- Capital Strategic Outlook (10 year, high-level, strategy regarding capital assets and investments)
- Capital Plan (3 year agenda with public consultation culminating in a referendum)
- Capital Budget (combines a 1 year budget with a 2 year forecast)

The *2011-2021 Capital Strategic Outlook* is the City of Vancouver's first 10 year strategic outlook for capital assets. It defines the city's current strategies, opportunities and challenges. Specifically, the 10 year strategic outlook will:

- Improve long-term asset management
- Provide a longer term framework to inform the 3 year capital plan and 1 year capital budget processes
- Highlight projects which could be ready to advance should additional funding become available
- Guide the selection of public amenities which are generated via rezoning and developments

The holistic approach to capital planning is supported by new tools (e.g. mapping/GIS tools and enterprise-wide information management systems such as Hansen and SAP), strategic public engagement processes, responsiveness to emerging priorities and alignment with Council priorities.

If the *2011-2021 Capital Strategic Outlook* is fully implemented in the next 10 years, the outcomes will include:

- Fewer stand-alone facilities and more multi-use community facilities
- Substantial increases in non-market rental housing
- Substantial completion of greenways and bikeways networks
- Significant increases in tree planting (parks, open spaces, along streets)
- Substantial increases in sewer separation
- New transfer station and recycling facility

- Initiation of a service yards co-location strategy
- Greener buildings

It is intended to be an iterative process, the goal being to review the 10 year strategic outlook every 3 years.

The challenges faced in this process include finding a balance between recapitalization of existing assets and funding of new assets, the impact of choices regarding capital on the operating budget and the realities of the city's fiscal capacity. What was achieved as part of the *2011-2021 Capital Strategic Outlook* is a more integrated organizational approach to capital planning and an optimization of both value and outcomes. The strategic outlook represents a significant culture and operational shift that supports optimal decision-making, based on improved data and transparency of priorities.

Draft

## Glossary of Frequently Used Terms

**Asset management:** Process aimed at strategic management of physical assets during their life cycle. Physical assets have a finite life: they are planned, created, used, managed and maintained and when no longer required they are prepared for disposal or salvage.

**Asset:** Assets are economic resources. Anything tangible or intangible that is capable of being owned or controlled to produce value and that is held to have positive economic value is considered an asset. Simply stated, assets represent ownership of value that can be converted into cash. Examples include buildings, real estate and equipment.

**Capital maintenance:** Maintenance work performed using a systematic management process to plan and budget for known cyclical repair and replacement requirements that extend the life and retain the usable condition of facilities and systems. Sometimes interchangeably used with "periodic maintenance" or "major maintenance". This maintenance is funded through the capital budget.

**Capital plan:** A documented financial plan developed by the City of Vancouver which details the city's strategy to acquire or construct new capital assets. Developing a capital plan is beneficial because it identifies: Projects and benefits to the community, costs associated with these projects and the potential sources of funding available to the city (I.e. internal saving levels, grants and partnering with other municipalities.)

**Co-location:** The act of placing multiple (sometimes related) entities (e.g. functions, uses) within a single location. Examples include co-locating libraries and community centres in the same physical facility.

**Facility:** A building or place that provides a particular service or is used for a particular industry. Examples include, fire halls, community centres and libraries.

**Infrastructure:** The basic physical systems of a country's or community's population, including roads, utilities/public works, water and sewer systems.

**Recapitalization (Capital Renewal):** Recapitalization, also known as capital renewal, is the replacement of building subsystems or infrastructure systems, including but not limited to, roofs, electrical distribution equipment, HVAC equipment, building control systems, sewer pipes, water mains and roads.

**Rehabilitation:** Rehabilitation is the construction work required in order to adapt existing facilities for new uses and/or correct building deficiencies. Work in this category will substantially alter buildings, equipment, grounds, or utilities. Building deficiencies include deferred maintenance.

**Replacement of asset:** Act of replacing an existing asset that has reached the end of its useful life with a new asset built at the same location for a similar function. In addition the replacement asset should be a similar size (+/- 20%).

**Replacement value:** The term replacement value or replacement cost refers to the price that will have to be paid to replace an existing asset with a similar asset.

**Strategic Outlook:** An elaborate and systematic plan that identifies the best approaches for an organization to achieve its long term goals and objectives.

**APPENDIX A****CAPITAL PLANNING ACROSS CANADA**

City / Agency	Longer-term tool:	Short/medium-term tool:
Vancouver (Currently)	None	3 Year Plan 1 Year Budget
All Other B.C. Municipalities	None	1 Year Budget + 4 Year Forecast
Translink	10 Year Plan (year-by-year allocations)	1 Year Budget
Calgary	10 Year Plan (allocations for first 5 year and second 5 year periods)	3 Year Budget + 2 Year Forecast
Edmonton	10 Year Plan (allocations for 10 year period)	3 Year Budget + 2 Year Forecast
Winnipeg	None	1 Year Budget + 5 Year Forecast
Toronto	10 Year Plan * (year-by-year allocations for first 5 years and general allocation for second 5 year period)	1 Year Budget + 9 Year Forecast *
Hamilton	10 Year Plan * (year-by-year allocations)	1 Year Budget + 9 Year Forecast *
Ottawa	10 Year Plan (allocations for 10 year period)	1 Year Budget
Montreal	None	3 Year Plan 1 Year Budget
Quebec	None	3 Year Plan 1 Year Budget

\* Denotes that it is the same tool for the longer-term and short/medium-term.