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MEMORANDUM

March 8, 2013

TO: Mayor and Council

FROM: Patrice Impey, General Manager Financial Services Group/CFO

CC: Corporate Management Team

SUBJECT: 2012 Capital Budget - Year End Review

The purpose of this memo is to provide Council with a review of the 2012 Capital expenditures by service category in comparison with the 2012 Capital Budget.

As this quarterly financial update is for information only, it is provided to Council as a memo and is placed on the City of Vancouver external website at <http://vancouver.ca/fs/budgetServices/index.htm>.

A. Introduction/Background

While the Operating Budget is built to reflect operating costs for one year only, the annual Capital budget reflects one year of what can be multi-year Capital projects. Therefore, Capital projects are viewed on both an annual budget basis (annual expenditure vs. annual budget), and a total project basis (multi-year project expenditures vs. budget).

On February 14, 2012 Council approved a 2012 Annual Capital Budget in the amount of \$255 million. Since that time, \$29 million in quarterly Capital Budget adjustments have been made. This review reflects performance against the approved total 2012 Annual Capital Budget of \$284 million.

A separate report to Council which includes the 2012 Q4 Capital Project closeouts will be presented for approval on March 12, 2013 (RTS 9959).

B. 2012 Capital Expenditures vs. 2012 Capital Budget

2012 Capital Budget expenditures for the year were \$188 million (\$120 million through Q3), representing 66% of the total 2012 Annual Capital Budget of \$284 million.

The variance of \$96 million between the 2012 Capital Budget and actual 2012 expenditures is due to a combination of projects coming in under budget and shifts in expenditure timing for a number of reasons (delays related to funding or development partners, weather, public consultation, scope changes, design complexities and delay in capital budget approval until February of 2012 related to the first year post election of a new Council).

Quarterly reporting of capital expenditures is providing critical information to the Corporate Management Team as they oversee the large number of diverse capital projects across the organization. Analysis of areas behind project budget variances indicates that more can be done to tighten the scheduling of work before it is included in annual capital budgets. For example, budgeting of planning work around complex projects can be separated from the actual construction budgets thus making timing of construction spending more certain. These options are being explored as part of ongoing process improvement. 2012 was the first full year of quarterly Capital reporting which has provided valuable information and visibility to our Capital spend rates, capacity management, and overall Capital Project Management. Quarterly capital reporting will continue to be used as a mechanism to improve the management of our Capital program in 2013.

Table 1 provides a summary of the total 2012 Capital expenditures by service category compared to the 2012 Annual Capital Budget.

Table 1 - Q4 2012 Annual Capital Budget by Service Category (\$millions)

Service Category 1	Service Category 2	2012 Budget	2012 Actuals	Variance
01. Community Facilities	A. Childcare	\$ 7.7	\$ 1.7	\$ 6.1
	B. Social Facilities	6.9	3.2	3.6
	C. Cultural Facilities	7.1	2.1	5.0
	D. Entertainment and Exhibition	5.0	1.0	4.0
	E. Libraries and Archives	6.2	2.3	3.9
	F. Recreation Facilities	5.5	3.6	1.9
Total		38.4	13.9	24.5
02. Parks and Open Spaces	A. Parks and Open Spaces	12.0	6.7	5.3
	B. Seawall and Recreation	0.5	0.4	0.0
	C. Street Trees	1.1	1.2	(0.1)
	D. Public Art	1.1	1.0	0.2
Total		14.7	9.3	5.4
03. Housing	A. Non-Market Rental Housing	7.9	3.7	4.2
	B. Market Rental Housing	0.2	-	0.2
Total		8.1	3.7	4.4
04. Public Safety	A. Police	7.0	3.3	3.6
	B. Fire	5.7	3.4	2.3
	C. Animal Control	0.4	0.0	0.4
Total		13.1	6.7	6.4
05. Transportation	A. Walking and Cycling	16.0	10.3	5.6
	B. Transit	0.3	0.4	(0.1)
	C. Major Roads	28.1	23.1	5.1
	D. Local Roads	5.2	5.0	0.2
	E. Parking	4.2	1.4	2.8
Total		53.8	40.2	13.5
06. Utilities and Public Works	A. Waterworks	14.8	16.8	(2.0)
	B. Sewers	47.8	50.6	(2.9)
	C. Solid Waste	24.2	12.7	11.5
	D. Neighbourhood Energy	1.5	0.9	0.6
Total		88.2	81.0	7.2
07. Civic Infrastructure	A. Administrative Facilities	14.8	8.3	6.5
	B. Service Yards	0.1	0.4	(0.3)
	C. Vehicles and Equipment	20.3	10.3	10.0
	D. Information Technology	29.4	12.4	16.9
Total		64.7	31.5	33.1
08. City-Wide	C. City-Wide Overhead	3.0	2.1	0.9
Total		3.0	2.1	0.9
Grand Total		\$ 284.0	\$ 188.4	\$ 95.6

The total variance of \$96 million is explained below, broken down by service category:

01. Community Facilities	\$24.5 million variance
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Community Facilities projects include facilities supporting departments across the City including Real Estate and Facilities Management, Parks and Recreation, Community Services, Planning and Development, and Vancouver Public Library.

Overall, total expenditure on Community Facilities Capital projects was \$24.5 million less than budget.

The majority of this variance relates to key projects which were budgeted in 2012 but

delayed. Projects are moving forward, with expenditures flowing into 2013. Updates on these projects, by major category, are as follows:

Childcare:

The Tenant Improvement work for the Woodward's Childcare was delayed in 2012 and is now substantially complete. The City is currently engaging a childcare operator that will be procuring the remaining startup equipment and supplies for operations which account for a positive variance on this project.

Investigations are continuing in an effort to find and acquire the most appropriate site for the Marpole Community Center and Childcare Facility. The capital budget for land has therefore not been spent; however staff continue to consider options for the site.

The programming and design for the Citygate II Childcare is now complete. Due to the extensive development permit review process and the Community Care Facility Licensing requirements, the building permit was only issued in November 2012. The project is now in the tendering phase for the tenant improvement work. We expect the capital attributed to this project to be spent by fall 2013.

Social Facilities:

Additional community planning input as part of the Downtown Eastside Local Area Plan has meant delays in delivery of Downtown Eastside Revitalization programs. A number of grant payments budgeted in 2012 will be paid in 2013 when conditions of grant disbursement will be met.

Culture Facilities:

The Art Gallery Plaza envelope project was deferred to optimize public consultation and stakeholder feedback. The final stage of phased Queen Elizabeth Theatre redevelopment was completed under budget. Disbursement of Cultural Capital Grant payments will move to 2013 when agencies will have met the conditions of grant disbursement. The Maritime Museum project was delayed due to modification of site conditions required to ensure artifact preservation.

Entertainment and Exhibition:

The project schedule for the Hastings Park Livestock Building Roof Replacement was revised to capitalize on the economies of scale by combining two proposed phases of work into one - this has delayed the spend on this project but will diminish project budget risks for this heritage renewal project.

Installation of the PNE boiler/chiller was delayed and is now scheduled for completion in the first half of 2013. Nat Bailey Stadium improvements have been delayed as part of a lease agreement with the Vancouver Canadians who are reconsidering their capital requirements.

02. Parks and Open Spaces**\$5.4 million variance**

Parks and Open Spaces projects include projects across Parks and Recreation, Community Services, Planning and Development, and a small amount in Engineering Services.

Overall, total expenditures on Parks and Open Spaces Capital projects were \$5.4 million less than budget.

The majority of this variance can be explained by the following:

Parks and Open Spaces:

Hastings Park New Brighton Connection and Internal Trail & Park Connections and Hastings Park Greening project required more time for planning and design and consultation than originally estimated. This project has been approved by Council and is in progress.

Funding set aside for conversions of streets to mini-parks has not been spent pending completion of community consultation/neighborhood engagement processes and ongoing community planning.

In addition, the community gardens program was delayed in 2012 due to community engagement and site selection, and the renewal of Hillcrest/Riley Park was pushed out to 2013 due to ongoing work on the Park Master Plan.

Capital maintenance of existing park infrastructure and park buildings has been delayed into 2013 due to a longer than anticipated planning phase, however work is expected to commence within the first half of 2013.

03. Housing**\$4.4 million variance**

Housing projects involve Real Estate and Facilities Management, and Community Services departments.

Overall, total expenditures on Housing Capital projects were \$4.4 million less than budget.

The majority of this variance can be explained by the following:

Non-Market Rental Housing:

Taylor Manor redevelopment was delayed to accommodate the rezoning process. A number of grant payments were pushed into 2013 until conditions of grant disbursement required of partners have been met.

04. Public Safety**\$6.4 million variance**

Public Safety projects involve Real Estate and Facilities Management, Vancouver Fire and Rescue Services, and the Vancouver Police Department.

Overall, total expenditures on Public Safety Capital projects were \$6.4 million less than budget.

The majority of this variance can be explained by the following:

Police:

Capital maintenance project for the Cordova Street Annex came in below budget due to lower than expected contract prices for re-roofing, re-piping and mechanical works. Additionally, completion of jail and Interview CCTV project was delayed due to vendor contract negotiations and is expected to complete by mid-2013.

Fire:

Construction of Fire Hall #5 has been delayed due to delays in tender process related to the required feasibility studies. Construction is expected to commence in 2013. As well, the Fire Hall fuel tanks/Generators project was delayed in 2012 to enable further development of a strategic procurement strategy.

05. Transportation**\$13.5 million variance**

Transportation projects are managed by Engineering Services.

Overall, total expenditures on Transportation Capital projects were \$13.5 million less than budget. The majority of this variance can be explained by the following:

Walking & Cycling:

Construction of the Comox-Helmcken greenway project was deferred to January 2013 in order to complete public consultation and complete value engineering on the design.

The final project expenditure on the Carrall street greenway was delayed pending the installation of Trolley Wires by Coast Mountain Bus Company. The City is obligated through agreement to contribute funding; however the timing of the project is uncertain.

Additionally, several projects have been pushed to 2013 due to coordination and prioritization of resources (crew co-ordination, staffing and planning) across multiple projects.

Major Roads:

Design work on the Granville Bridge bearing replacement project was completed in 2012 but consultation with the Granville Island Trust led to deferral of actual construction until early 2013 to avoid disruptions to Granville Island during peak summer and Christmas business periods. This was discussed at Council prior to the Christmas break.

The Burrard Bridge phase one remediation work was delayed to 2013 to sequence it with the Granville bridge work. This bearing replacement and other work on the bridges is complex and these deferrals to 2013 represent a large component of the overall positive variance.

The Arterial Modifications program, which included work on Grandview/Boundary Left Turn Bay and Kingsway was delayed due to external co-ordination with contractors and adjacent developments.

Parking:

New street meters were expected to be required to accommodate the introduction of new coin weights by the Canadian Mint; however, an alternate, less costly solution was implemented resulting in a positive project variance.

06. Utilities and Public Works	\$7.2 million variance
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Utilities and Public Works projects are managed by Engineering Services.

Overall, total expenditures on Utilities and Public Works Capital projects were \$7.2 million less than budget.

The majority of this variance can be explained by the following:

Solid Waste:

Solid Waste has an overall projected positive variance. This is a result of favorable contract prices for work completed in 2012 on the Landfill Closure and Gas collection project and to project delays due to rain causing portions of the project to be pushed to 2013.

The design of the South Fraser perimeter road has led to a discussion with Delta about potential relocation of the Landfill entrance. Therefore the planned work on reducing queuing at the entrance has been delayed until this is resolved.

Waterworks/Sewer:

The negative variance in this area relates to a budgeting issue regarding expenditures for Combined Sewer and Water Connections which are 100% fee recovered. Historically, until 2012, approved work performed on a fee recovery basis was not

booked in the capital budget. This has now been changed, but work which was carried forward into 2012 from previous years was not built into the budget but is being included in the quarterly reporting.

07. Civic Infrastructure	\$33.1 million variance
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Civic Infrastructure projects are managed by Real Estate and Facilities Management, Engineering Services, and Financial Services.

Overall, total expenditures on Civic Infrastructure Capital projects were \$33.1 million less than budget.

Administrative Facilities:

\$6.5 million less than budget was spent on Administrative Facilities Capital Projects. This is primarily due to the following projects and reasons:

The City Hall accommodation planning and renovation project and the Facility Condition Audit project were delayed due to re-assessment/re-scoping. The City Hall re-piping project and the Archive re-roofing project had changes to the work schedule due to site condition. The actual contract value for water pipe replacement at 312 Main facility was lower than budgeted.

Vehicles & Equipment:

\$10.0 million less than budget was spent on vehicles and equipment as a result of a number of vehicle and equipment replacements that were procured in 2012 not being delivered until early 2013.

Information Technology:

\$16.9 million less than budget was spent on Information Technology Capital Projects. This was primarily due to: Permits & Licensing project software acquisition delayed to enable project re-scoping and scheduling; Client Hardware Refresh schedule adjusted to achieve savings; Business Intelligence program scope reduced thus reducing costs; and a number of projects delayed pending business case development and approval.

C. Multi Year Capital Projected Expenditures versus Budget

The review of the multi-year capital program/projects identifies specific projects and indicates which projects are projected to complete on, over, or under budget at the end of the project.

As of December 31, 2012, open Capital programs/projects have budgets totaling \$938 million, with overall projected forecast costs of \$972 million and an overall projected variance of negative \$34 million (3.6%), relating primarily to projects that did not receive a 2012 expenditure budget. Historically, some Capital work (i.e. Sewer and

Water Connections that are 100% fee recovered, and Vehicles and Equipment purchases that are funded via reserve) were not included in the Capital Budgeting process. This has now been changed, however work that was carried forward into 2012 from previous years was not built into the budget but is still be included in quarterly reporting.

D. Federal and Provincial Infrastructure Projects

In 2010, 31 capital projects with an overall budget of \$160 million received funding for “eligible” expenses through the Infrastructure Stimulus Funding (“ISF”) Programs, including up to \$53.5 million in Federal Infrastructure Stimulus and Recreational Infrastructure Canada (“RinC”) funding and up to \$10 million in infrastructure funding through the Province. This maximum funding contribution of \$63.5 million from the senior government ISF Programs was included in the 2010 Capital Budget.

Due to the expansion in project scope of some projects and to maximize the federal funding (e.g. VanDusen Garden Visitor Centre, Neighbourhood Energy Utility and Sewer Replacement), additional City funding was required and the total budget for all ISF Program projects was increased to \$164.5 million.

All 31 City of Vancouver projects under the ISF Programs were substantially complete and met the deadline set by the Federal Government of March 31 2012. At of the end of 2012, the City has spent approximately \$160 million on these 31 projects, with a total recovery under the ISF Programs of \$59.6 million. Also, external funding of \$1.35 million is expected to be received for the VanDusen Garden project.

The overall actual expenditure for the 31 projects is within the total project budget. However, since some of the project costs were determined in the final review by the Federal Government as not “eligible” under the Federal funding, additional funding by the City of approximately \$0.5 million will be required to cover these “ineligible” project costs (i.e. furniture, internal staff costs). There is available funding in the existing capital program for re-allocation to cover the shortfall in specific ISF projects and they will be covered by the departments in the closeout process.

E. Conclusion

The City of Vancouver incurred \$188 million in capital expenditures for 2012 (66% of the 2012 Capital Budget) representing a positive variance of \$96 million against a budget of \$284 million.

The variance between the 2012 Capital Budget and actual 2012 expenditures is due to a combination of projects coming in under budget, and shifts in expenditure timing for a number of reasons (weather, consultation, scope changes, design complexities and delay in overall budget approval until the end of Q1 this year to accommodate a new Council). Quarterly reporting of capital expenditures is providing critical information to the Corporate Management Team as they oversee our many diverse capital projects.

As part of the 2013 Capital Budget process, significant effort was given to scheduling

projects and aligning these schedules with spending profiles. This, along with the continuation of quarterly capital reporting will enable us to better manage our capital spend in 2013.

If you have any questions in regards to the above please don't hesitate to contact me.



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