

File No.: Doc/2014/100404

## MEMORANDUM

March 11, 2014

TO: Mayor and Council

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

CC: Penny Ballem, City Manager  
Sadhu Johnston, Deputy City Manager  
Janice MacKenzie, City Clerk  
Kevin Quinlan, Director, Policy and Communication, Mayor's Office  
Lynda Graves, Manager, Administration Services, City Manager's Office  
Mike Magee, Chief of Staff, Mayor's Office  
Rena Kendall-Craden, Director, Communications  
Corporate Management Team

SUBJECT: 2013 Capital Budget - Year End Review

The purpose of this memo is to provide Council with a review of the 2013 Capital expenditures by service category in comparison with the 2013 Capital Budget.

As the quarter financial report is for information only, it is provided to Council as a memo. The memo is also available for public access 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. total multi-year project budget).

On December 11, 2012 Council approved a 2013 Annual Capital Budget in the amount of \$261 million. Since that time, \$28 million in quarterly Capital Budget adjustments have been approved by Council. This report reflects performance against an approved total 2013 Annual Capital Budget of \$289 million.

In 2013, Capital Budget expenditures were \$266 million, representing 92% of the total 2013 Annual Capital Budget. This actual expenditure reflects a continuing focus on aligning our

budget with our capacity to spend, providing regular quarterly reports on spending and forecast expenditures, and appropriately scheduling projects.

In addition, a separate report to Council which includes 2013 Q4 Closeouts and 2014 Capital Budget Adjustments will be presented for approval on March 12, 2014 (RTS 10444).

## **B. 2013 Capital Expenditures vs. 2013 Capital Budget**

2013 Capital Budget expenditures were \$266 million (Q3 \$182 million) compared to the 2013 Annual Capital Budget of \$289 million.

Table 1 provides a summary of the total 2013 Capital expenditures by service category compared to the 2013 Annual Capital Budget.

Table 1 - 2013 Annual Capital Results By Service Category (\$000's)				
Service Category 1	Service Category 2	2013 Budget	2013 Actuals	Variance
<b>01. Community Facilities</b>	A. Childcare	5,853	5,010	844
	B. Social Facilities	2,515	1,493	1,022
	C. Cultural Facilities	6,655	6,033	621
	D. Entertainment and Exhibition	4,295	6,022	(1,727)
	E. Libraries and Archives	1,508	599	909
	F. Recreation Facilities	16,895	15,342	1,553
<b>01. Community Facilities Total</b>		<b>37,720</b>	<b>34,499</b>	<b>3,221</b>
<b>02. Parks and Open Spaces</b>	A. Parks and Open Spaces	18,399	17,189	1,210
	B. Seawall and Recreation Trails	0	31	(31)
	C. Street Trees	950	780	170
	D. Public Art	1,006	569	436
<b>02. Parks and Open Spaces Total</b>		<b>20,354</b>	<b>18,568</b>	<b>1,786</b>
<b>03. Housing</b>	A. Non-Market Rental Housing	14,435	7,873	6,562
	B. Market Rental Housing	235	131	104
<b>03. Housing Total</b>		<b>14,670</b>	<b>8,004</b>	<b>6,666</b>
<b>04. Public Safety</b>	A. Police	2,118	1,751	367
	B. Fire	2,180	1,154	1,026
	C. Animal Control	133	96	37
<b>04. Public Safety Total</b>		<b>4,430</b>	<b>3,000</b>	<b>1,430</b>
<b>05. Transportation</b>	A. Walking and Cycling	12,436	12,492	(56)
	B. Transit	477	253	224
	C. Major Roads	51,139	51,984	(845)
	D. Local Roads	4,469	3,926	543
	E. Parking	2,417	2,392	25
<b>05. Transportation Total</b>		<b>70,938</b>	<b>71,046</b>	<b>(108)</b>
<b>06. Utilities and Public Works</b>	A. Waterworks	16,500	16,242	258
	B. Sewers	46,811	48,688	(1,877)
	C. Solid Waste	22,685	19,602	3,083
	D. Neighbourhood Energy	853	904	(52)
<b>06. Utilities and Public Works Total</b>		<b>86,849</b>	<b>85,436</b>	<b>1,412</b>
<b>07. Civic Infrastructure</b>	A. Administrative Facilities	8,618	7,279	1,339
	B. Service Yards	515	168	347
	C. Vehicles and Equipment	20,046	18,366	1,680
	D. Information Technology	21,710	16,295	5,415
<b>07. Civic Infrastructure Total</b>		<b>50,889</b>	<b>42,108</b>	<b>8,781</b>
<b>08. City-Wide</b>	C. City-Wide Overhead	3,000	3,307	(307)
<b>08. City-Wide Total</b>		<b>3,000</b>	<b>3,307</b>	<b>(307)</b>
<b>Grand Total</b>		<b>\$288,850</b>	<b>\$265,969</b>	<b>\$22,881</b>

Explanations for variances by service category are provided below:

<b>01. Community Facilities</b>	<b>\$3.2 million variance</b>
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Community Facilities projects are managed by various departments within the City including Real Estate and Facilities Management, Parks and Recreation, Community Services, Planning and Development, and Vancouver Public Library.

Total expenditures on Community Facilities Capital projects were \$3.2 million less than budget in 2013.

Expenditures were lower than the budget primarily due to extended timelines for planning

and/or design for Community Facilities: Kensington Hall and Childcare replacement, rezoning for Strathcona/Downtown Eastside Library, and contractor delays for CityGate II Childcare. These lower-than-budgeted expenditures were partially offset by higher-than-budgeted expenditures arising from a strategic opportunity to advance the Hastings Park Livestock Building Roof replacement ahead of schedule by combining phases of the project.

## **02. Parks and Open Spaces**

**\$1.8 million variance**

Parks and Open Spaces projects are managed by Parks and Recreation, Real Estate and Facilities Management, Community Services, and Engineering Services.

Total expenditures on Parks & Open Spaces capital projects were \$1.8 million less than budget in 2013.

Expenditures were lower than budget primarily due to delays in the Hastings Park greening project, delays in capital maintenance and upgrades of Park Board facilities.

For the Hastings Park greening project, the tendering process resulted in bids which exceeded the project budget and as such a thorough review was completed to identify cost savings in order to proceed with full scope of work. This review caused a delay in initiating the construction for the project.

For expenditures in the area of capital maintenance were lower due to longer than anticipated timeframes for project scoping (Sun Yat Sen Garden) and a combination of contract procurement preparation and scope change (Burrard Marina).

In addition, the rfp for sport facilities/fieldhouse upgrades were delayed into 2014 to provide more time to work with user groups to identify priority projects.

## **03. Housing**

**\$6.7 million variance**

Housing projects are managed by Real Estate and Facilities Management, and Community Services departments.

Total expenditures on Housing capital projects were \$6.7 million less than budget in 2013.

Expenditures were lower than budget primarily due to the change in timing of a \$3.4 million expenditure to 2014 originally planned for 2013 regarding development of a supportive housing project. Abatement and site conditions on Taylor Manor project impacted the contractors schedule in 2013, thus reducing the 2013 actual spend. However, the project is on schedule and is expected to complete in Fall of 2014.

## **04. Public Safety**

**\$1.4 million variance**

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

Total expenditures on Public Safety capital projects were \$1.4 million less than budget in 2013.

The Fire Hall fuel tanks/generators project schedule was delayed due to soil remediation work. Expenditures planned for 2013 for the reconstruction of Fire Hall #5 were deferred to 2014 to accommodate review of the project scope to include the addition of social housing components. Planned 2013 expenditures for the VPD Tactical Training Facility project were also deferred to 2014 for additional planning. Construction of the fire truck shelter is on hold pending results of the viaducts study.

<b>05. Transportation</b>	<b>-\$0.1 million variance</b>
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Transportation projects are managed by Engineering Services.

Total expenditures on Transportation capital projects exceeded the 2013 expenditure budget by \$0.1 million.

Spending on the Burrard Bridge program in 2013 resulted in higher-than-planned 2013 spending on the South End improvements project, reflecting construction starting one month earlier than originally anticipated.

<b>06. Utilities and Public Works</b>	<b>\$1.4 million variance</b>
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Utilities and Public Works projects are managed by Engineering Services.

Total expenditures on Utilities and Public Works capital projects were \$1.4 million less than budget in 2013.

Expenditures were lower than the budget primarily due to a delay in the Landfill Closure & Gas Collection project arising from settlement issues discovered during construction. The remaining closure work is scheduled to be completed in 2014.

<b>07. Civic Infrastructure</b>	<b>\$8.8 million variance</b>
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Civic Infrastructure projects are managed by Real Estate and Facilities Management, Engineering Services, and Financial Services (Information Technology).

Total expenditures on Civic Infrastructure capital projects were \$8.8 million less than budget in 2013, attributable primarily to deferred expenditures in the Permit & Licence Transformation Program arising from revisions to the project scope in 2013, and the delivery of firefighter equipment planned for 2013 but now anticipated for Q1 2014.

Overall expenditures within the Information Technology category were also less than budget, reflecting small variances across a number of projects including the Voting System project and the Safari Upgrade Project which were delayed and will commence in 2014. Several Information Technology initiatives were also delayed to optimize the proposal process and project setup.

<b>08. City-Wide</b>	<b>-\$0.3 million variance</b>
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City-Wide Overhead projects are managed by Financial Services.

Total expenditures on City-Wide Overhead Capital projects were \$0.3 million higher than budget in 2013.

This is primarily related to positions added to support capital projects which were not identified when the 2012-2014 Capital Plan was created.

### **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.

As of December 31, 2013, open Capital programs/projects have budgets totaling \$989 million, with overall projected forecast costs of \$983 million and an overall projected variance of positive \$6 million (less than 1%) excluding a small number programs or projects which did not receive a 2013 budget. When the Capital Budget process was redesigned to be inclusive of all projects, some projects received funding outside of the capital budget and were not included in the 2013 budget. Overall, \$12.6 million of costs which relate to Combined Sewer and Water Connection programs were not captured in the 2013 budget.

### **D. 2012-2014 Capital Plan**

The adjusted Capital Plan (after reflecting Council approved Quarter 3 adjustments) is currently \$778 million. Subject to Council approval of RTS 10444 2013 Q4 Closeouts and 2014 Adjustments which will be considered by Council on March 12, 2014, an additional \$10 million in multi-year project budget will be approved, with \$8.5 million as an addition to the 2012-14 capital plan, increasing the plan to \$787 million, and \$1.5 million from the previously approved 2009-2011 plan.

### **E. Conclusion**

The City of Vancouver incurred \$266 million in capital expenditures for 2013 (92% of the 2013 Capital Budget) representing a positive variance of \$23 million against a budget of \$289 million.

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

A handwritten signature in black ink, appearing to read 'Patrice Impey', written in a cursive style.

Patrice Impey

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