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To: "Direct to Mayor and Council - DL"
CC: "City Manager's Correspondence Group - DL"
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Date: 12/17/2018 8:31:01 PM
Subject: Memo to Council - final Q&A
Attachments: Memo to Mayor and Council - Response to Councillor Questions on 2019 Budget Dec 17 2018 - Part II.pdf

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Greetings Mayor and Council,

Attached is the final list of questions and answers from Council for the 2019 Budget.

Should you have any questions, please feel free to contact me or Patrice Impey.

Sadhu

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

M E M O R A N D U M December 17, 2018

TO: Mayor and Council

CC: Sadhu Johnston, City Manager
John Miles, Director of FP&A
Paul Mochrie, Deputy City Manager
Lynda Graves, Administration Services Manager, City Manager's Office
Rena Kendall-Craden, Civic Engagement and Communications Director
Katrina Leckovic, City Clerk
Neil Monckton, Chief of Staff, Mayor's Office
Alvin Singh, Communications Director, Mayor's Office
Anita Zaenker, Chief of Staff, Mayor's Office

FROM: Patrice Impey
General Manager, Finance, Risk & Supply Chain Management

SUBJECT: 2019 Capital and Operating Budget and 5 Year Plan - follow-up answers

Dear Mayor and Council,

On Tuesday, December 11, 2018 a Special Council Meeting was held at which the 2019 Capital and Operating Budget was presented to Council. Following the Council presentation, a number of questions and requests relating to the budget were submitted by Councillors.

The purpose of this memo is to document the questions and requests, and to provide responses.

I. Questions – Taxes and Revenues

1. Are there service areas that we didn't explore in terms of fee increases (since this was preferred by the public over tax increases)?

The City of Vancouver provides a variety of different services in which we charge a fee for. With over a thousand different fee categories, City fees are traditionally adjusted annually according to an established index; however, this method alone does not make up for new staff positions that are brought in over time to support our services. To better recover the City's costs (when appropriate), staff undertaken periodic reviews of City fees.

In 2015-2018, staff performed a number of fee reviews on the City's building and development permitting and rezoning services. These fees are primarily managed and administered through the City's Development, Building & Licensing and Planning, Urban Design & Sustainability departments, and Engineering Services. Building on this work staff have also reviewed fee rates for other City services and programs:

- City deposits (i.e. advance payments, road repair, etc.), water and sewer connection and street cut fees related to development activities
- Film and special events fees
- Sign Permits
- Major rezoning application service charges

Going forward, and as part of an ongoing City initiative to develop a more robust review program, staff will be expanding reviews in many other service areas, such as Business Licensing, short-term facility rentals, and fire permitting/services, to ensure fees are set optimally and as per Council direction.

II. Questions: Engineering – Transportation

1. What is the cost of the Richards street upgrade?

To date, we have spent $5,521.50 on Richards Street Bike Lane Upgrades from the 2018 Active Transportation Corridors Budget. A more detailed design will be completed once feedback from stakeholders and the public have been incorporated, at which time an estimate will be done to set the project budget. If approved, the project is expected to start in fall 2019 and extend into 2020. $3M dollars has been identified in the 2019 budget for the 2019 component of the work which may need to be adjusted once the estimates are complete.

III. Questions – Affordable Housing and Childcare Centers

1. ***The General Manager of Planning, Urban Design and Sustainability has provided information that the City of Vancouver Schedule of Development Fees, specifically for Air Space Parcel (application fees) at $81, 400 for FSR greater than 3.0 and less than 3.0 or non-profit $42,600:***

   a. **How is it that the City of Vancouver fee is over 10 times more than the cost some municipalities charge, if the fee is based on cost recovery?**

   In 2015 an external consultant was hired to undertake a comprehensive review of all planning and development related fees. The review found that some permit fees, including subdivision fees, were set lower than full cost recovery when factoring in all appropriate direct and indirect costs. Public feedback on the budget has consistently indicated that fees should cover direct services rather than through property tax dollars and so the City has been working to align all development-related costs and services to development fees. Since 2016, the City has conducted more frequent fee reviews to better align permit revenues with costs. In 2017 Council approved a 2 year plan to ensure planning and development related costs were fully recovered by appropriate fees.

   There are two key reasons that could explain why fees, including air space parcel fees, across municipalities are different. First, while all municipalities are likely to follow similar cost accounting principles, the definition and application of full cost recovery can be different across municipalities. When setting our fees, Vancouver considers all direct and indirect costs, as well as investments (i.e. Posse) that are attributable to our permitting services. Since 2016, Vancouver implemented a number of fee increases to ensure full cost recovery will be achieved at the program level. Other municipalities could be deploying a cost recovery model that is different than that of Vancouver or in some cases fees are set intentionally lower than full cost recovery. Second, fees across municipalities can be different due to differences in overall review services. For example, Winnipeg's air space parcel fee excludes a number of costly services (i.e. spatial separation, legal agreements, and plan approvals) which the City provides at the current fee rate.

   For example, while the City charges a discounted air space parcel fee of $42.6K, these fees are paid for by developers. In 2017 and 2018, there were 12 subdivision applications where the City applied the discounted air space parcel fee but none were related to childcare spaces. During the same period there were four applications where the City applied the full fee rate (Section 5a) to development projects that included childcare spaces as they did not qualify for the discount. These childcare spaces were part of major development projects which are usually subdivided into multiple air space parcels for market strata, market rental and commercial and as such did not meet the *"solely for the purpose of creating air space parcels to secure separate tenure for public benefits….. daycare*" bylaw criteria. All four development projects were CD-1 rezoning sites where the childcare spaces were provided as part of the public benefit strategy (developers would have been compensated with extra density as part of the rezoning process). All costs, including subdivision and other permit fees, would have been factored into the calculation for additional density. Title of these childcare spaces that require air space subdivision will be transferred to the City upon completion. The City will typically lease out these spaces to non-profit childcare operators usually at a nominal rate while receiving the highest level of support from the City for building repairs and replacements.

Other ways the City supports Childcare operators

- Each year, the City provides discount to around 20-30 non-profit operators requiring a Development Permit for creating childcare spaces or social and cultural facilities (Zoning and Development Bylaw 5585 (Schedule 1) Section 7). While most development applications trigger the standard development permit fees, non-profit societies pay a flat one-time alternative fee. This fee is applied to standalone daycare, cultural or social service facilities. A typical application eligible for this reduced fee receives a discount of about $3,000 - $4,000.
- Childcare also benefits from a reduced DCL rate. The City-wide Utilities DCL and Utilities DCL are both set at $10/permit. Based on our DCL fee calculation formula, a typical 37-space childcare (4,600 sq.ft) could pay around $90K if the discount didn't exist.

b. If this fee were to be decreased, what other areas of the budget (if the fee creates revenues above the amount of cost recovery) may be affected?

Given the small number of annual applications that receive the discounted air space subdivision fee, Staff do not anticipate any major impact to the budget by further reducing the air space subdivision fee. That being said, Staff recommend taking a closer look at the air space parcel fee in the upcoming 2019 comprehensive fee review and will recommend any changes as part of the overall 2020 fee adjustments. It is also important for Council to acknowledge that if discounts are significant, staff would need to secure appropriate funding either through other permit fees or from property tax revenue.

IV. Questions – Permits and Licenses

1. ***One speaker asked us to establish a small business one-stop shop for licensing and permitting. I thought we had this. If not, are we considering it? Could some of the 85 new staff to speed up permitting to assign to this?***

   Yes, the Commercial Renovation Centre (CRC) was launched for small businesses in February 2017 with the goal of providing dedicated and knowledgeable staff to work directly with small business owners to:

   - help assess development project scope or location viability;
   - understand city regulations and policies;
   - map out the key steps and requirements to get permits and licences;
   - provide support until a business opens its doors.

   The centre was aimed at business with fewer than 5-10 employees and has proven successful for those businesses that have used it. The centre launched with no additional city resources, shifting 2 existing experienced resources to this new dedicated work. The experienced manager who led the effort recently retired and staff have identified a need and opportunity to scale the size and scope of the centre to serve more businesses. Further, through our Commercial Renovation Review project, we have collected a volume of feedback from businesses at all scales, all of whom have expressed an interest in this service.

   As such, we re-prioritized the originally planned allocation of 2019 FTE's, shifting resources to expand the CRC. Note that of the 85 resources planned over 2 years, about 42 have been hired in 2018 and the remaining 43 are planned to be hired in 2019. The 2019 fees and budget will add 7 new FTE's to support the CRC, which includes positions from both DBL and PDS. This largely expanded team will be able to provide the same level of high-touch support to owners, and is also designed to provide ready-access to a variety of technical resources who can help address issues and make decisions in the Centre (vs. the current process of escalating much of the technical work to other teams).

   In addition to re-prioritizing 2019 resources toward improving commercial renovations, in Q2 of 2018 we began engaging with stakeholders through focus groups, interviews, and surveys to understand key issues and ideas for improvement for all commercial renovations projects. We used the feedback to design quick-wins that would help to alleviate some if the immediate challenges as well as potential pilots to test new processes to help improve permit timelines. We shared those ideas with industry in December and expect to finalize the proposals, present them to Council in January, and roll them out early next year.

2. ***Page 85 – What are 'other trade permit fees'?***

   Other trade permit fees is a revenue category that captures building grade fees, sewer discharge fees, alternative solutions, as well as other miscellaneous fees. Note that as part of the 2019 resource and fee review for rezoning, development, building and related services, FP&A worked closely with IT on a new detailed fee report from the POSSE system which allowed for the ability to realign revenue streams where appropriate and to forecast volumes and revenue with a greater degree of accuracy.

3. ***I understand from our briefings there are efforts underway to reduce development and building permit wait times, as well as to review/align policies and expedite DP applications for purpose built rentals, along with affordable housing projects. I would like to understand how additional $$ allocated to your department might help with reduce wait times and streamline policies (over and above what is currently allocated in the draft 2019 budget). If additional $$ were available, then is there a magic number in your mind that would make a difference (e.g. resourcing). What would an additional $1-3M allocation enable you to achieve?***

- The increase in development-fee funded staffing to address permit-related workload reflects our recommended investment at this point. There are practical constraints on the number of staff we can recruit and onboard in a single year, both in terms of the labour market as well as availability of office space to house the additional employees. The request for 2019 represents the second year of a 2-year phased increase and we plan to review the workload and process outputs in developing the 2020 operating budget. If there is a recommendation for further investments, we would identify through that process.
- As part of our 2 year resource review, we identified that work volumes had increased by 24% where staff resources had increased by 6% over the previous 8 years. At the initial review, we estimated that we would need to hire 150 resources to catch up to this demand. However, recognizing a need and opportunity to streamline processes and policies, we decided to hire half of the estimated projected FTE's and in parallel we would pursue initiatives to find efficiencies over the 2 year period.
- The other point to note is that the staff referenced above are funded by development-related fees, not property tax revenues. The fee adjustments required to cover the cost of the additional staffing for 2019 were approved by Council this past summer.

V. Questions - Green Operations and Sustainability

1. ***Do Sustainability staff have any specific near-term priorities for actions that can decrease the city's GhGs? Are specific funds needed to establish a Vancouver "carbon trust" to receive and spend carbon offset monies?***

   Yes. Staff are working on many near-term projects to decrease GHGs. Please see the Renewable City Strategy. If Council wishes to direct staff to explore accelerating this work we can bring back additional actions for consideration. Setting up a carbon trust has been reviewed by staff with the province and while it may be a viable program in the future right now there are other projects underway that will be more effective in reducing carbon. A more detailed briefing can be arranged if requested.

VI. Questions – Civic Theatres

1. ***What steps are being taken to address overruns in terms of civic theatres staffing (over budget, over time)?***

   Civic Theatres (VCT) staff incur overtime as a result of incoming productions, at times requiring technical staff to work from a morning start of a production to a late evening. Incoming productions require that the technical staff be consistent and pay the related overtime. VCT bills and recovers the majority of its overtime costs. As of November 2018, VCT had recovery revenue of $762K with overtime costs at $291K.
   VCT is closely monitoring the staffing per event and ensuring it is sufficient to balance safety and customer service with costs and revenue. 2018, while profitable for VCT had some unexpected costs related to Occupational health and safety items requirements. These additional costs have been included in the 2019 Draft operating budget for VCT.

VII. Questions – Corporate Support

1. ***Page 90 - $4.5M lift to Information Technology – I would like to understand of the $4.5M allocation what is critical for 2019 and what is not critical. (FYI I've reviewed the notes table…so looking for something beyond that)***

   Almost exclusively, the proposed adjustment for Information Technology reflects unavoidable cost increases associated with inflation on software and hardware maintenance contracts, contracted compensation increases, the Employer Health Tax and incremental operating costs associated with approved capital projects. However, this amount also includes a proposed investment of $450K to support the addition of five staff on our Helpdesk and Desktop teams. Relative to industry benchmarks for the number of users and the dramatic increase in the number of devices they are supporting, these teams are considerably under-resourced. As a consequence, other

City departments that rely on these services are experiencing increasing inefficiencies related to delays in obtaining devices and access for staff and resolving day-to-day technology issues.

2. ***Page 91 – $7.1M General Government expenses – I would like to understand what the $7.1M lift represents and again – what is critical for 2019 and what is not critical. (FYI I've reviewed the notes table…so looking for something beyond that)***

The General Government increase of $7.2 million is primarily due to
(1) new risk- and compliance-based investments for housing operations and emerging issues, financial health and operational effectiveness, information assurance and Payment Card Industry (PCI) compliance to accept credit card payments, and occupational health and safety compliance. (2) workspace requirements to support the City's development and permitting process, and (3) higher expenses related to the Great Beginnings projects (offset by recoveries).

The risk and compliance based investments are based on a city-wide enterprise risk management process and would be considered critical. For example, the PCI compliance investment is needed in order for the city to continue to accept credit card payments. Workspace requirements are critical to support new staffing in permitting and other service groups. The Great Beginnings projects are offset by external funding and do not impact property tax.

3. ***How much interest are we paying for credit cards across the organization?***

There is no interest on Credit cards as all payments are made when due and therefore no interest is paid.

4. ***How much is public servant travel annually across the organization (on average)?***

The budget for travel and training across the organization in 2018 is $3.5 million (0.2% of the total City operating budget of $1.4 billion). Of this amount, 60% is related to public safety (VPD and VFRS) travel and training, including mandatory and operational travel.

5. ***Operating/Capital budgets – what areas do we have overlap with respect to planning and consulting? (e.g. staff resourcing)***

Planning and consulting would be allocated to capital projects when the planning and consulting activities are related to that project and will result in the creation of a new capital asset. More general planning and consulting activities that do not result in the creation of a new capital asset (ie. city-wide planning) are included in the operating budget. There is no overlap in the allocation of costs (costs can only be allocated to one place depending on the activity).

6. ***When the last strategic core was review done of city operations and services?***

   In 2009 Council directed the City Manager to engage an external consultant to review a number of areas including a review of core services. The initiative extended from 2010 through to 2014.

7. ***Remind me - what is the innovation fund and what is the $2M allocation for? (breakdown)***

   The Innovation Fund is expected to build on the City's experience in leveraging funding and expertise with outside agencies, other levels of government, private sector, universities and not-for-profits to advance key City priorities through aggressive leveraging of external partners.

   One-time innovative projects can be funded to advance key agendas in the city. Accessing the City of Vancouver Innovation is at Council discretion; however, the following guidelines have been established to optimize the use of the fund:

   - Aligns with City's priorities
   - Demonstrates clear outcomes
   - Matching requirements – target leverage of 3:1 (minimum 1:1) 3rd party investment (cash and in-kind) to City funding
   - Size of CoV contribution should enable a broad range of programs to be supported by fund (Guideline - maximum project size of $250,000 recommended).
   - Projects which are one-time innovative opportunities; maximum commitment for expenditure of funds - up to 2 years
   - Supports transformation and innovation in meeting City goals; shines a spotlight on Vancouver

VIII. Questions – Civic Engagement and Communication

1. ***Are actions outlined for 2019 in Gender/Women's Equity Strategy being funded?***

   The Women's Equity Strategy 2018-2028 was approved by Council last January with Phase 1 Actions over 2 years. The draft 2019 budget includes funding to implement the first year of Phase 1. A report back to Council on progress and the next set of actions will be end of 2019 or early 2020.

IX. Questions – VFRS

1. ***What would be the cost to implement the Darkhorse Report recommendation for new staffing in VFRS over 5 years as opposed to 6 years currently budgeted?***

If we bring on staff earlier there is a higher overall incremental cost to the City. The 2019 incremental cost increase to the proposed budget to implement the recommendations over a 5 year period as opposed to the 6 year period is $1.3M

The total cumulative incremental cost increase to implement the recommendations over a 5 year period as opposed to a 6 year period is $10.4M. This accumulated cost increase occurs over the initial 9 years of the rollout.

Incremental costs per year are detailed in the table below:

6-Year Rollout	2019	2020	2021	2022	2023	2024	2025	2026	2027	TOTAL
Salary Costs	$642,217	$3,173,912	$5,943,218	$8,842,958	$11,627,081	$14,328,278	$15,027,557	$15,495,853	$15,685,703	
Equipment Costs	29,050	106,750	101,600	105,600	91,300	82,850	-	-	-	
Total Costs	**$671,267**	**$3,280,662**	**$6,044,818**	**$8,948,558**	**$11,718,381**	**$14,411,128**	**$15,027,557**	**$15,495,853**	**$15,685,703**	**$91,283,926**
Cumulative FTE Staff	***7***	***32***	***57***	***81***	***103***	***122***	***122***	***122***	***122***	***122***

5-Year Rollout	2019	2020	2021	2022	2023	2024	2025	2026	2027	TOTAL
Salary Costs	$1,860,989	$4,645,016	$7,748,285	$11,237,231	$14,084,638	$14,850,364	$15,407,256	$15,685,703	$15,685,703	
Equipment Costs	80,850	117,200	110,750	117,050	91,300	-	-	-	-	
Total Costs	**$1,941,839**	**$4,762,216**	**$7,859,035**	**$11,354,281**	**$14,175,938**	**$14,850,364**	**$15,407,256**	**$15,685,703**	**$15,685,703**	**$101,722,334**
Cumulative FTE Staff	***19***	***47***	***73***	***100***	***122***	***122***	***122***	***122***	***122***	***122***

Incremental Costs	**$1,270,572**	**$1,481,554**	**$1,814,217**	**$2,405,724**	**$2,457,557**	**$439,236**	**$379,699**	**$189,850**	**$0**	**$10,438,409**
Incremental Staff	**12**	**15**	**16**	**19**	**19**	**0**	**0**	**0**	**0**	

<u>Rational for 5-year roll-out as recommended by the Dark Horse Report:</u>

Resourcing is an immediate need. VFRS is running a very lean and efficient operation, but is reaching a breaking point in the face of unprecedented call growth. The recommendations for 122 positions are sequenced to address the most pressing needs first. What's clear in the report is that VFRS is stretched to its limits. The opioid crisis and overall rising call rates have taken a toll. Staff are feeling burnt out and experiencing empathy fatigue. The top priority identified is that VFRS does not have sufficient resources and equipment to handle challenges such as increased building heights, densification, new building materials and road impedances such as bike lanes.

The report compared VFRS to broadly to publicly available statistics for 45 North American cities and conducted in-depth interviews and surveys with 4 Canadian fire services (Toronto, Edmonton, Calgary, Ottawa) and two American integrated (Fire & EMS) services (San Diego, Seattle). The benchmarks supported much of what we heard in the stakeholder engagement phase - namely that Vancouver is busy, works efficiently, but is nearing a tipping point. To provide a clearer perspective, in 2017, VFRS saw 94 incidents per 1000 residents, while Canadian services ranged between 26 and 53. The average VFRS hall responded to 3,342 incidents, while most other Canadian cities were in the 1,500 range. The average firefighter in Vancouver responds to twice as many incidents as the average firefighter in any other Canadian city. They also have the highest injury rate and the fewest trainers per operations staff.

Most of the growth has occurred downtown, with smaller pockets around the periphery. Unfortunately, each hall has relatively minimal staffing, and VFRS is not set up well to quickly handle high-risk responses which require a larger crew. In addition VFRS is not able to meet standards for providing an effective response force for high and medium risk buildings. The vertical growth and densification of Vancouver mean the city has a relatively high risk profile.

Should you have any questions, please feel free to contact me 604-873-7610 or patrice.impey@vancouver.ca.

Best regards,

Patrice Impey
General Manager, Finance, Risk & Supply Chain Management

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