From: "Johnston, Sadhu" <Sadhu.Johnston@vancouver.ca>
To: "Direct to Mayor and Council - DL"
CC: "City Manager's Correspondence Group - DL"
"Impey, Patrice" <Patrice.Impey@vancouver.ca>
Date: 12/17/2018 2:11:32 PM
Subject: Response to Councillor questions on 2019 Budget (Dec 17, 2018)
Attachments: VEC Board Approved 2018 Budget.pdf
Memo to Mayor and Council - Response to Councillor Questions on 2019 Budget Dec 17 2018.pdf

---

Dear Mayor and Council,

As discussed this morning, attached are the responses to recent questions from Councillors. We wanted to get this to you asap in advance of tomorrow's budget meeting. We will follow-up again with responses to remaining questions as soon as they are available. We have also attached the detailed VEC budget which was one of the requests.

Feel free to contact me or Patrice Impey should you have further questions.

Best,
Sadhu

**Sadhu Aufochs Johnston** | City Manager
City of Vancouver | 453 W 12th Avenue
Vancouver | BC V5Y 1V4
604.873.7627 | Sadhu.johnston@vancouver.ca
Twitter: sadhuajohnston

CITY OF VANCOUVER

VANCOUVER ECONOMIC COMMISSION

# Vancouver Economic Commission

## Budget 2018

| | | Budget 2018 | |
|---|---|---|---|
| **REVENUE** | | | |
| **Income** | | | |
| City Funding:Core Operation | Note 1 | 3,100,000 | |
| City Funding:Special Projects | Note 2 | 0 | |
| City Funding: VCAI | Note 3 | 0 | |
| City Funding | | | 3,100,000 |
| Federal DFAITContribution | Note 4 | 16,667 | |
| Public or NPO Contribution | Note 5 | 35,150 | |
| Private Sector Sponsorship | Note 6 | 65,833 | |
| Provincial Contribution | Note 7 | 0 | |
| Ticket Revenue | Note 8 | 0 | |
| Interest Income and Other Revenue | Note 9 | 8,000 | |
| Other Revenues | | | 125,650 |
| **TOTAL REVENUE** | | | **3,225,650** |
| **EXPENSE** | | | |
| Salaries & Benefits | Note 10 | | 2,418,901 |
| Contracted Services | Note 11 | | 175,000 |
| Partnership & Sponsorship Fees | Note 12 | | 20,000 |
| Business Travel | Note 12 | | 25,000 |
| Subscription & Membership | Note 13 | | 106,000 |
| Registrations | Note 12 | | 8,590 |
| Business Meetings/Events | Note 12 | | 22,000 |
| Communications and Media | Note 12 | | 22,000 |
| Rent & Lease | Note 14 | | 349,577 |
| Professional Fees | Note 15 | | 22,500 |
| General and Administrative | Note 16 | | 263,000 |
| **TOTAL EXPENSE** | | | **3,432,568** |
| **NET INCOME** | | | **-206,918** |
| Unused VCAI Surplus from 2016 | | | |
| Allocation of Lease Reserve | | | 206,918 |
| **Excess (Use of Surplus over Deficit)** | | | **0** |

# Vancouver Economic Commission

## Budget 2018 Notes

For the purposes of the VEC's Budget for 2018, we have taken a more conservative approach. Only incomes that we are reasonably sure we are going to receive have been included.

**Note 1** City Funding: Core Operations: The VEC expects to receive a minimum of $3.1m funding from the City of Vancouver again in 2018. The City will not be able to confirm the exact amount of funding they can give us until the afternoon of September 29th. As a result, this is a provisional budget based on a conservative estimate.

**Note 2** City Funding: Special Projects: No funding has yet been allocated to us by the Sustainability Group. This may change throughout 2018 as we pitch our initiatives to them but as at the time this Budget was received, no funding is expected to come our way.

**Note 3** City Funding: VCAI: The VCAI funding ran for 3 consecutive years, from 2015 to 2017. This is expected to end in 2018.

**Note 4** Federal DFAIT Contribution: NRC-IRAP have committed $50,000 to fund a Startup Liaison employment position and some Startup support activities over the period September 2017 to February 2018. The funding is pro-rated for the purposes of the Budget.

**Note 5** Public or NPO Contribution: We are in the final stages of negotiations with the Real Estate Foundation of BC with regards the Gritty City Industrial Affordability project. This project will be funded until Q3-2018.

**Note 6** Private Sector Sponsorship: The VEC has made significant steps towards bringing in private sector sponsorship in 2017 for our various projects and also on a foundational level. Using our newly launched CRM system, employees have been able to record potential sponsorship opportunities and their progress. For the purpose of our 2018 budget, we have recorded only those incomes which we believe have a reasonable chance of getting over the line. Many of these sponsorships have relating obligations and costs which are reflected in the cost figures. Included here also is $25,000 from BC Hydro which is due to us when the Flats Climate Action project comes to a close. This is expected in Q4-2018.

**Note 7** Provincial Contribution: As of yet, the VEC do not expect to receive any funding from the province.

**Note 8** Ticket Revenue: This line item relates to the DE&I Career Fair. While ticket revenue covered part of the costs of the event in 2017, almost two-thirds had to be footed by the VEC. As there is no room in the $3.1m City funding for this in 2018, neither the revenue or costs have been recognised. For 2018, this event will only go ahead if it is fully funded from external sources.

**Note 9** Interest Income: Based the balance in our investments GIC's, we expect to receive interest income of approximately $8,000 in 2018.

**Note 10** Salaries and Benefits: The VEC has performed a detailed analysis of the salary costs of the VEC in 2017 including all benefit and other compensation costs. This gave us a more accurate forecast of this cost. This exercise has also been done for 2018 given what we are aware of at this point in time.

**Note 11** Contracted Services: This includes the cost of our bookkeeper (reduced to one day a week since last year) and contracted services expected to be incurred relating to the projects that we are receiving funding and sponsorship for, i.e. Gritty City, It's Your Move To Make, Flats Climate Action, etc.

**Note 12** Various Line Items: These costs have reduced significantly since the Budget for 2017 and also the Forecast for 2017. It seems the $3.1m City funding will mainly cover the Finance, Admin and Operations costs of the company as well as some of the planned Marketing and Research sepend. Beyond that there is not a large portion available to cover the other business units. If there are projects that the other departments would like to fund or be involved in, additional external income will need to be found.

**Note 13** Subscriptions and Memberships: A large portion of this relates to the CRM system through which we need a licence for each employee to use it. This accounts for over $45,000. The rest is general company subscriptions and memberships.

**Note 14** Rent and Lease: It is expected our rent cost will be relatively in line with the prior year.

**Note 15** Professional Fees: These are expected to be relatively in line with 2017.

**Note 16** Generals and Administrative: These are expected to be relatively in line with 2017. Included in this are plans for professional development, an upgrade to our server and computer equipment as it is out of warranty and then general office expenses.

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. ***We have received a letter from UDI requesting a tax shift of 2% from commercial to residential properties. Ms. Impey noted this would mean increasing residential property tax rate by 3.7% to 8.6% in this budget. How much would a 3.7% increase to residential properties cost to mitigate?***

   To mitigate a 3.7% increase to residential properties approximately $28 million in savings/reductions in tax funded services would need to be identified. This would maintain the tax increase at 4.9% for residents, and would result in a property tax *reduction* for non-residential properties of approximately 3.3% for, including the impact of the 2% tax shift.

2. ***Does the figure presented by Mr. Gauthier of DVBIA that the shift of 2% tax from commercial to residential property tax will cost an average SF homeowner $80/year jive with your statement that it would result in increasing residential property tax by 3.7% (to 8.6%) and decrease commercial tax by 4.4% to 2.5%.***

   Mr. Gauthier's calculation of $80 for an average homeowner is similar to the impact on a median strata owner. A median residential owner would pay $132 more and a median Single Family would pay $189 more. The table below from the budget highlights is updated to reflect the impact of a shift. The City uses median as a benchmark vs average as median reflects the impact on most taxpayers.

**Indicative City Property tax impacts**

| | Budget | Shift | Overall |
|---|---|---|---|
| **Residential impact %** | **4.90%** | **3.65%** | **8.73%** |
| Median strata impact ($) | 41 | 31 | 72 |
| Median residential impact ($) | 76 | 56 | 132 |
| Median single-family impact ($) | 108 | 81 | 189 |
| | | | |
| **Non-residential impact** | **4.90%** | **(4.42%)** | **0.26%** |
| Median commercial ($) | 193 | (175) | 19 |

These calculation are based on 2018 un-averaged assessments.
Actual impact will depend on 2019 assessment and averaging as applicable.

Please note that the 3.7% number provided was the increase compounded on the proposed 4.9% increase base, for overall increase of 8.7%.

3. ***With revenues collected from the "Empty Homes Tax" only able to go towards initiatives to increase affordable housing, is the city able to:***

   a. **Apply revenue to lowering the property tax charged to residential property, citywide to create positive impacts on affordable housing?**
   Empty Homes Tax revenue must be used in respect to affordable housing initiatives. Legal services has advised that lowering property tax would not meet this requirement.

   b. **How are 2 fire inspectors funded by the revenues from this tax, how does this directly and legally fit into affordable housing?**
   The two fire inspector positions to be funded from the Empty homes tax will be actively involved with improving livability and safety for the renters in the existing stock of 158 problem buildings (SROs). The staff are involved in educating occupants, inspecting buildings to ensure fire safety is maintained, write

violations for fire safety related issues and then re-inspect to ensure those violations have been corrected by the owners. Staff have provided residents with smoke alarms if needed, worked with the owners to comply with the fire bylaw violations and have had numerous conversations with the residents about fire safety. Fires in older SRO buildings represent a material risk to this housing stock and life safety concerns, including Fire Bylaw violations, have resulted in the evacuation and closure of 2 SRO buildings since 2017. This investment will helps keep the buildings and residents safer and allow the City to maintain the current inventory of SROs; these buildings stock represent a critical supply of housing for low-income residents.

**c. How much to date has been collected from the Empty Homes Tax? Can you please provide a break down- also including the Mayor's "jam"**

The City estimates it will receive $38 million in total revenue for the 2017 reference period. Approximately $21 million has been collected as at Nov 1, 2018. The revenue will be used to fund:

- $10 M: Project costs ($7.5 M) and the 1st year operating costs ($2.5M).
- $8 M: allocated by the prior council (see below table);
- $0.845 M: Additional items proposed in the draft 2019 budget including:
  - Additional resources for Housing policy team to review applications for social, moderate income and rental housing projects $0.545 M.
  - Two Fire Prevention Inspectors focused on Single Residence Occupancy (SRO) buildings $0.3 M
- $1.2M for existing Vancouver Affordable Housing Agency (VAHA) affordable housing staffing and related costs.

Note: There will be remaining funds which can be added to the 2019 budget during the year as revenue is collected and additional projects are identified and brought forward to Council for approval. EHT funds are also anticipated to be added to VAHEF for new units.

d. **And the $8 million allocated to the program.**

| | EHT Allocation | Budget link |
|---|---|---|
| Land and Resources for more affordable and Co op housing | **3,175,000** | Capital |
| More co-op housing – grants to update and improve existing co-ops and build new co-ops | **1,000,000** | Capital |
| Contribute to purchase buildings and/or provide assistance toward improved living conditions in SROs | **3,500,000** | Capital |
| Support for Renters facing eviction | **100,000** | Capital |
| Funding for Vancouver Rent bank | **75,000** | Operating |
| Funding for skills training in peer support affordable housing management and asset training for residents of supportive housing | **100,000** | Operating |
| Matching empty underused homes and rooms with renters looking for shared housing | **50,000** | Operating |
| **TOTAL EHT Allocated** | **8,000,000** | |

4. ***In 2016, Vancouver City Council passed a 0.5% property tax increase to provide funding for the Overdose Crisis, with this funding built into our budget:***

    a. **If the Province was to respond to the Mayor's letter and grant the funding to the City of Vancouver, what initiatives would this funding specifically cover (Please provide a breakdown of costs for the $3.5 million dollars)**
    The Mayor's task force will report back to council on the overdose crisis on Dec 20th. The report will include recommendations on priorities and costs.

    b. **If the Province of BC responded with funding before the COV end of year in April; yet after the budget was passed, how would the funding be allocated?**
    As part of the quarterly budget adjustment process, Council may approve adjustments to the budget to allocate external funding received after the budget has been approved.

5. ***The Downtown BIA is proposing and asking Council to support a 2% tax shift to support business.***

    a. **Is this the best way to achieve affordability, or are there other structures that may have a greater impact on affordability?**

Over the last decade, Council twice engaged the Tax Commission to review the impact of property tax on businesses. In 2007, the Tax Commission recommended shifting $23.8 million in property taxes from non-residential to residential property classes at a rate of 1% of tax levy per year to achieve a target distribution of 52% residential and 48% non-residential. The program was completed in 2012.

In 2013, Council reconvened the Tax Commission to reassess the situation. In 2014, the Tax Commission concluded there was no evidence of an increasing business tax differential between Vancouver and other Metro Vancouver municipalities, or of business investment moving from Vancouver to neighboring municipalities. This suggests the tax shift program was effective in bringing Vancouver's business tax share in line with its peers. As a result, the Tax Commission recommended that the tax share for business property classes be maintained; and that metrics be tracked to gauge Vancouver's ability to retain and attract business investment relative to its neighbors.

The Tax Commission remained concerned about assessment volatility and the resulting tax impact on businesses, particularly those that rent space under triple-net leases which could be hard hit by assessment spikes with no ability of sharing any upside in property values upon redevelopment.

In assessing viable mitigation measures, the Tax Commission sets out the following guiding principles:

- targeted
  - "hot" properties only (defined as those that have experienced significant year-over-year increases in property values above the "threshold" set by Council)
  - unanticipated increases only, not owner-induced increases (rezoning, improvement upgrades)
- tailored mitigation to intensity of volatility
- time-limited to allow tenants time to react (re-negotiate, relocate)
- easy to understand
- straightforward to administer
- minimize unintended consequences
- maintain market assessment as much as possible
- not to unduly defer redevelopment to highest and best use

Staff from the City of Vancouver and Metro Vancouver have engaged with the Province to review alternative measures to address the situation in accordance with the above principles. (See below)

b. **Have staff considered ways that may provide relieve or greater affordability in the way the City of Vancouver applies property tax to commercial property?**

In February 2018, Council endorsed staff recommendation to request the Province to lead an inter-governmental working group (including BC Assessment, City of Vancouver, and other major Metro Vancouver municipalities) to address provincial assessment & taxation issues to enable the long term viability of independent small businesses in Metro Vancouver. This included a number of policy options put forward by City of Vancouver including clarity regarding split classification in the assessment act, Split tax bill, and tax deferral for commercial property owners.

To proceed, the Province required specific endorsement from Metro Vancouver & UBCM.

- Metro Vancouver (through RAAC) provided written support in July 2018
- UBCM passed a motion in September 2018

The Province engaged City of Vancouver in the fall of 2018. A work group has been established with representation from the Province, City of Vancouver, City of Burnaby, District of North Vancouver, District of West Vancouver, City of Richmond, City of Surrey, and the City of Coquitlam. BC Assessment has also been engaged on specific assessment related issues.

The working group has met twice - once in November and once in December. The next meeting will be in January.

There is general agreement that there are challenges and that appropriate policies need to be explored based on best practices & guiding principles.
It was also acknowledged that challenges are beyond property assessment & taxation - including land speculation and pace of change as well.

A full analysis and exploration of all potential tools and ideas will be considered prior to making recommendations. Existing tools will also be analyzed to understand what works and what doesn't work.
The upcoming deliverables for the working group are:

- finalizing a set of guiding principles that must be considered for any policy options
- developing an evaluation framework for policy options
- developing a consultation, engagement and communication strategy
- finalizing timelines

Major changes not anticipated for 2019 Tax Year

6. ***Where are the revenues for Easy Park in the budget? The expenses at $18.5M (p. 166) seem high. What revenues are there that could be allocated for transportation-related projects? What are the requirements of such spending?***

   The EasyPark revenues are part of the Property Endowment Fund operating budget and are also shown on page 166. Parking revenue of $29.3M is listed as the 3rd item under the Revenue heading. The $18.5M expense budget is for operational costs that include building and equipment maintenance, wages, insurance, utilities, credit card charges, enforcement patrols, security patrols, snow removal, emergency customer service. The net revenue of $10.8M is transferred to the Parking Site Reserve and is used for future transit purposes and to fund parking related Capital.
   The PEF Capital budget will be reported to Council in Camera on Dec 18th and the details on funding will be addressed in that report.

7. ***Page 85 – What are 'other engineering fees'?***

   Other engineering fees include fees associated with merchandise display in the public realm, street vendor fees, road closure fees and portable washroom inspection fees.

## II. Questions – VPD

1. ***What are the details on the $21M in vehicles and equipment replacement requested on p. 6: is any portion of the funds from Police Vehicle Reserve fund, for example; are they all EVs?***

   The total capital fund request for vehicles and equipment replacement is $31M (p. 261 for Engineering Public Works under notable capital projects). The details are captured in Appendix B according to the following categories:

   - Vehicles and Equipment – public works $9.75M (Appendix B, p. 21)
   - Vehicles and Equipment – parks $2.6M (Appendix B, p. 21
   - Vehicles and Equipment – (other/small equipment) - $.5K (Appendix B, p. 22)
   - Vehicles and Equipment – VPD - $6.76M (Appendix B, p. 22)
   - Vehicles and Equipment – VFRS - $1.5M (Appendix B, p. 22)
   - Vehicles and Equipment – Solid Waste/Sanitation - $5M (Appendix B, p. 33)
   - Vehicles and Equipment – Solid Waste Disposal (landfill) - $4M (Appendix B, p. 33)

   All of this is funded through the engineering plant and equipment account, not through police vehicle reserve. Twenty-one percent of the total unit count for replacement program are for EV and hybrid units, which accounts for $5M of the spend, in 2019 but anticipated to ramp up over the life of the four year capital planning process.

2. ***DNA analysis of $700K/year represents a lot of DNA tests. Can any of these costs by cost-recovered?***

   Starting in 2016, under a revised funding model for DNA services provided by the RCMP Forensic Sciences and Identification Service lab under the National Police Services, the federal government will contribute 46% of the costs and the Province of British Columbia will contribute 54% of the costs. On April 12, 2016, a letter from the Mayor on behalf of City Council was sent to the Minister of Public Safety and Solicitor General Mike Morris to reinstate full funding. A response from the Minister was received on May 26, 2016 reaffirming the Province of British Columbia's commitment to only continue to make the historical annual contribution of $1.366 million such that any difference in the remaining costs are now to be paid by the participating police agencies, proportionate to their actual use of the services.

   DNA analysis is a crucial investigative tool that is vital to VPD operations. The estimate for DNA costs attributable to VPD for services used in 2018 are $560,000, which are not cost recoverable from external sources, as these are incurred for VPD's investigations.

3. ***Questions: Engineering – Transportation***

   a. **Can you please provide Council with an update of costs to date and future costs of Richards Street Protected Bike Lane?**
   **Also, are these costs allocated from the 2018 capital budget? If so how much? Or the 2019 budget? And again, if so, how much?**
   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.

   b. **What is the new joint Engineering-VSB program mentioned by Mr. Dobrovolny to provide cycling education in every school in Vancouver? Please provide some details on the program, how it compares to the cycling education programs that have been offered by non-profits such as HUB, the timeline on visiting all schools and cost. ALSO – there has been suggestion of offering bikes on loan to kids who don't have a bike and who participate in their schools' community service programs. Are there any opportunities in transportation grant programs for this?**
   In collaboration with the VSB, we are working to develop an Active Transportation Initiative that will support schools, teachers and parents to create a positive culture around walking and cycling in schools. We are hiring a dedicated staff person to scope and lead this initiative alongside VSB staff. The

intent is to build on our current programs, like the walking and cycling training provided by HUB to 4-6 elementary schools a year, in order to reach more students in the VSB in a cost effective way. We plan to continue with our walking and cycling training until we are ready to implement a new strategy that will reach more students. Through the Active Transportation Initiative we welcome the idea of partnering with others to offer a program that loans bikes to kids, however at this time we are not aware of any existing grant programs. Equity is a core principle guiding this initiative – we hope to reach all students in the VSB and work with school communities to better understand and tackle the barriers students are facing to active travel, including access to bikes and helmets. However, as a first step, our Active Transportation Coordinator will need to identify with school communities what kinds of initiatives will best meet the needs of their community.

c. **Are there any discretionary city funds (i.e., not tied to contractual obligations) allocated in the budget to the MOBI public bike share program? Does MOBI cover the entire cost to the city of lost revenues from parking meters that have been replaced with their docking stations? (see p. 49 details on MOBI)**

Vancouver Bike Share Inc. manages the daily operations of Mobi. Vancouver Bike Share is contractually obligated to reimburse the City of Vancouver up to $400k annually for use of space including lost parking meter revenue.

City staff are involved in the deployment of the Mobi system and provide oversight to the contract with Vancouver Bike Share. Staff also review applications for use of space requested by Vancouver Bike Share, and through rezoning and redevelopment applications, and are involved in discussions to advance shared mobility within the region.

## III. Questions: Engineering – NEU

***1. What is the net cost of the False Creek NEU to the City (i.e., costs minus fees collected)?***

The NEU is operated as a stand-along utility, with customer rates that are set to fully recover its capital and operating costs, plus a return on investment to the City that is comparable to what is allowed for a commercially operated private utility, regulated by the BCUC. The independent Neighbourhood Energy Expert Panel reviews rates to ensure that they are fair and appropriate.

2. ***District Energy and the NEU strives to meet the City of Vancouver's Greenest City goals and targets.***

   a. **How many households are served by the NEU?**
   There are approximately 6,300 residential units currently served by the NEU, with an estimated population of 9,300 residents. The NEU also provides service to Science World, Emily Carr University, the Creekside Community Centre, two large office buildings and more than 50 businesses in the area.

   b. **What are the revenues/ costs for the NEU, total?**
   Under the commercial utility model, the 2018 and 2019 forecast revenues and operating costs are as follows:

| | 2018 Forecast | 2019 Budget |
|---|---|---|
| Total Revenues | $5,561,000 | $5,933,000 |
| Total Expenses | $5,577,000 | $6,125,000 |

   c. **The Neighbourhood Energy Utility System Expansion for $6,548,000 How many households will this expansion serve?**
   In this response it's assumed that this figure refers to the $6,548,000 allocated for 2019 towards initial NEU distribution system expansion activities in Mount Pleasant and Northeast False Creek. Based on current forecasted development, these expansions will facilitate approximately 9,200 new residential units being served by the NEU over the long term, plus a significant quantity of commercial space.

   d. **Will costs from this expansion be recovered from utility fees? If so, when will the revenue on the fee balance the investment?**
   The utility is fully funded over time by the users. Revenues are currently forecast to exceed costs (factoring in all operating and financing costs) beginning in 2023, with the balance of under-recovered costs forecast to be fully recovered by 2029. Page 7 of the NEU 2019 Customer Rate Report provides detailed information on the financial performance of the utility.

   e. **The NEU expansion, upgrades and expansion total $22,662,000**
   Sorry, but staff are uncertain regarding what the question is. The 2019 Capital Budget recommends Council approval of $22,662,000 for all NEU expansion activities. This figure includes the above $6,548,000 for NEU distribution system expansion, plus costs associated with:

   a) expanding sewage heat recovery capacity at the existing False Creek Energy Centre ($12.1M), which will increase the NEU's renewable energy generation capacity to allow it to continue to achieve its GHG performance targets,

b) new building customer connections ($2.3M), which in the future will be funded through a development connection levy (subject to Council approval of the 2019 NEU Rate Report),

c) a new satellite boiler plant ($1.3M), to provide improved resiliency and heat generation capacity for a growing customer base, and

d) $400k for system planning and overhead.

***3. Has the City of Vancouver considered selling a portion or all of the NEU, through a partnership, shares, non-profit, or any other funding model? Would some type of financial partnership help the City of Vancouver to fund the costs outlined in the 2019 budget for the NEU?***

In February 2018, Council approved the NEU investment decision making framework, which is applied prior to major NEU investment decisions by Council (e.g. prior to Council's consideration of Capital Plans). Under this framework, at each future major investment decision point, an evaluation considers the optimal NEU business, ownership and operating model with respect to energy generation and distribution; emerging technology and options to best achieve desired GHG outcomes; and funding availability in future Capital Plans.

Following the most recent analysis, which occurred prior to Council's adoption of the 2019-2022 Capital Plan, staff recommended to maintain City ownership of the NEU distribution system, with flexibility for other parties to own, operate and finance future energy production facilities. This approach retains direct City control over achieving GHG performance outcomes and securing the connection of new building developments, without the need for BC Utilities Commission oversight. This is because municipally-owned and operated utilities are not subject to BC Utilities Commission regulation, and at a minimum the City must own the NEU distribution network to maintain direct control over decision making.

As part of planning for a future energy production facility (likely needed in the 2023-2026 Capital Plan, depending on the rate of customer growth), staff will evaluate a range of ownership models to potentially facilitate investment by other parties, and reduce CoV debt financing requirements. This planning work will take place over the course of the next three years, and within the above decision framework, staff will report to Council with the results of a comprehensive analysis prior to the next Capital Plan.

While staff recommend continued ownership of the NEU, the utility is set up to recover its long-term costs under a commercial utility rate model, which helps to preserve the long-term ability to divest at a later date if warranted.

## IV. Questions - REFM

1. ***What is the full plan to implement water conservation in city-owned buildings? What is the overall cost and what have we planned to do in this budget?***

   To help implement water conservation in city-owned buildings, there is a Corporate Water Reduction Plan (REFM, Park Board, and Engineering). Water conservation is also part of Green Operations program, with a target to reduce water consumption by 33% from 2006 levels by 2020. REFM generates a quarterly Energy and Water Performance Report for accountability. Engineering has a full-time Trades II Plumber who is focused exclusively on high-priority water conservation initiatives at civic facilities, such as water meter installation.

   Civic and Community facilities capital replacement budget (major projects such as Second Beach Pool), Parks Board budgets (capital and operating), partnership funding of select projects through the Engineering Water Design Works Branch (capital and operating budget) and through provincial and federal government grants (such as Green Municipal Fund Federal Grants).

   The water conservation efforts are implemented thru ongoing programs, as noted below, with multiple specific project timelines ranging from small to major projects (time of completion ranges from 2 months to 2 years).

| | | |
|---|---|---|
| Civic Use<br><br>(Parks, Facilities, Water System) | Once through systems/Ornamental fountains | 3 fountains retrofitted per year |
| | Eliminate potable water to natural features | 4 lakes/creeks per year to allow for monitoring |
| | System leak detection; reducing response time to leaks | Increase frequency |
| | Retrofit with high efficiency fixtures (faucets, toilets, and showerheads) | 250 retrofits per year |
| | Metering of connections | 89 properties over 3 years, select Parks connections in years 4 & 5 |

   a. **Are we testing for lead in the water of all city-owned buildings?**
   The City conducts regular drinking water quality sampling in accordance with Vancouver Coastal Health requirements. This program includes testing for lead and incorporates samples throughout the City's distribution system. While periodic tests may be done, the City does not routinely sample within all city-owned buildings.

b. **What is the full plan for implementing water conservation initiatives in city-owned buildings? How many buildings and what is the cost overall and in this budget? What is the timeline for completing this initiative?**
See response to question 2 above.

c. **How many city-owned buildings are planned to be energy-retrofitted in the Energy Optimization Program of $1.2M detailed on p. 21 of Appendix B? Do we have a master plan for energy-retrofitting city-owned buildings? How many buildings would that encompass, and what is the overall budget and timeline? Have we talked with BC Government staff re: the opportunity that the upcoming BC budget is expected to bring in in terms of incentives for energy retrofitting of buildings, especially our 11 city-owned housing buildings?**
Approximately 10 to 12 buildings are planned to be energy-retrofitted in the Energy Optimization Program of $1.2M. The master plan for energy -retrofitting city-owned buildings is the "Renewable City Strategy for City Owned Buildings" which is an eight point strategy that includes zero emissions new and retrofit, gas to electric conversion, energy retrofits, connection to low carbon district energy, on site renewables, and purchase of renewable natural gas. All city owned buildings are included in the plan and the goal is to achieve 100% renewable energy and 100% ghg reduction in all city owned buildings by 2040. Progress to date is a 23% reduction in ghg emissions between 2007 and 2018, and 40% reduction since 1990.
Energy retrofit budgets are requested in each four year budget cycle and energy and ghg reduction retrofits are also addressed through the capital replacement program. The capital replacement budget is also used for major capital projects which are required to meet a zero emission standard for all new construction and renewal projects. Incentives and grants for energy retrofits and ghg reduction projects are applied for from utilities, the province, and the federal government and others as they become available, and we have recently received grants for energy retrofit and renewable energy projects from BC Hydro, Fortis BC, the Green Municipal Fund, Canada 150 Community Infrastructure Program, Clean Energy Canada's Solar Now program, and through the issuance of City of Vancouver Green Bonds. Grants created out of the upcoming BC budget will also be applied for as they become available.

## V. Questions – Parks

1. ***Overall share of city budget is going to Parks. If $610,000 request from Park Board is approved, what share of the city budget will go to Parks?***

   2019 Parks proposed Budget is **8.45%** of the total COV Budget and **10.95%** of the COV Budget excluding Utilities. If Parks Board request for $610k funding is approved then 2019 Parks Proposed Budget will be **8.49%** of the total COV Budget and **11.00%** of the COV budget excluding utilities respectively.

2. ***Is there an urgent need for $175,000 for a "contract review of Parks commercial leases"? (p. 76)***

   The Park Board manages over 1000 leases in its portfolio. These range from multi-year restaurant leases to, annual telecom leases. These are managed manually by a small team, with minimal administrative support. As a result, a review of only a few leases has been able to be conducted over the past few years. These reviews have uncovered benefits such as uncollected revenues as per lease terms, which has resulted in catch up revenues exceeding $100,000. A delay in this project would not have a negative impact on the current operations, but will result in further delays to a number of improvements, including potential financial improvements, that are expected.
   Note this investment is intended to be funded through incremental revenues to be generated through this review. It is not tax funded.

3. ***How does the City of Vancouver allocate funding for the Park Board's operating budget? Is it based on a need and specific amount of funding, or a percentage of the overall budget?***

   The determination of tax funding is not determined based by a percentage, or a set figure at the time budgets are being prepared.

   The Park Board budget is prepared using the current year as a baseline, and is then adjusted for salary increases, operating impacts of capital projects, and any approved investments and productivity/efficiency initiatives. This expenditure budget is then supported by any volume and fee related increases that the Park Board can generate on its own, with the balance then being funded through tax-funding.

4. ***The December 10th Memo to Mayor and Council by Malcolm Bromley, General Manager of the Park Board, on behalf of the board asks for additional funding beyond the recommendations for the Park Board in the Budget:***

   *"FURTHER THAT, based on the information provided by staff in the memo reporting back on the Horticultural Standards in Vancouver Parks motion approved by the Board on December 3, 2018, the Vancouver Park Board request from Council an additional $610,000 for the 2019 Park Board Operating Budget to enable improvements to service provision to parks, with a focus on horticulture, cleanliness and safety."*

a. **If Council were to pass these recommendations, could funding be re-allocated from other areas of the budget, if so, what area would staff recommend?**
   A list of service reductions that staff considered but did not recommend in the draft budget has been provided to Council via a memo dated December 5th, and this list could be incorporated into the budget at the direction of Council.

b. **How will this $610,000 be allocated? Will it be specifically to Gardeners and Park Rangers, if not, please describe how the Park Board would like the funding allocated and if to specific staff, please provide the number of staff in each category**
   The $610K will be allocated as follows:
   - $340,000 for staffing related investment
   - $270,000 for materials, supplies and equipment
   - Staff are still to determine the specifics for hiring, with an estimate as follows:
     - a) Majority of spend likely on operations workers and park attendants – would look for flexibility through AUX/TEMP staff. $340,000 would only accommodate 3 FTE if we were to hire on a RFT basis.
     - b) Cover current shortfalls on overtime during peak periods, which will allow staff to fill existing gardener positions that are being held vacant to balance the current budget
   - None of this spend is intended for Park Rangers (A review of the role of Park Rangers is in process, expected report back to the Board in mid-2019)
   - Beyond the monetary investment, bringing in the above noted staff will allow highly skilled laborers such as gardeners to return to spending 100% of their time on the core skills and tasks for which they were originally hired. Currently anywhere from 15-25% of their time has been rerouted to more basic tasks such as paper picking. As a result, an investment in 3-4 operations workers and park attendants results in a productivity increase in gardening through this 15-25% pick-up in time.

## VI. Questions – Funding from senior levels of government

1. ***The City has projects that rely on investments from different levels of government:***

   a. **Are there any projects or programs in the operating or capital budget that imminently require City Council approval, in order to leverage funding from other organizations and/or senior levels of government?**
   We have submitted or will be submitting the applications below that require our share of funding in the 2019 Capital Budget. In most of the programs, the costs become eligible at the time of approval of the funding and there are timing requirements to complete the work. The general approach is to add the projects to the annual capital budget when the application is approved. The funding programs have timeline and completion requirements so a delay in starting the work due to a delay in having the budget approved could jeopardize the funding if the timing requirements are not met.

   **Investing in Canada Infrastructure Program (ICIP) Green Infrastructure – Environmental Quality Sub Stream – Application submitted in August**
   Project – Hastings Sunrise Sewer Renewal and Green Infrastructure Project
   Total project Cost - $33 Million
   Application Amount $22 Million
   City funding $11 Million – subject to the approval of the 2019 Capital Budget

   **Disaster Mitigation and Adaptation Fund – Application due Jan 11**
   Project – Coastal Sanitary Pump Station Resiliency Upgrades project
   Total Project Cost - $35.2 Million
   Application Amount - $11.84 Million
   City Funding - $23.4 Million – subject to successful application to be approved as part of the 2019 Capital Budget

   **TransLink Funding – Allocated and Competitive -**
   The City has applied for approximately $10 Million in competitive and allocated TransLink funding for 2019. City funding has to be in place in order to access these funds.

   In 2018, approximately $11.3 Million was approved by TransLink through the MRN Structures Program Projects for Granville Bridge and Cambie Seismic design work. The capital budget for work to begin in 2019 needs to be in place in January in order to meet the committed funding program completion timelines.

   **Other Partnership Agreements**

Engineering has partnership agreements with organizations such as ICBC, BC Hydro and Coast Mountain Bus Co. for which we need our share of funding in place at the beginning of the year.

## VII. Questions – Staff & Head Count

1. ***How many new staff or staff positions are funded by the 2019 operating budget?***

   A total of 353 new FTEs are included in the 2019 operating budget (Pg. 169). Staffing is part of the operating budget and costs are allocated to capital budget and PEF. Funding for the 353 new FTE positions comes from various sources including property tax, user fees, external funding and capital funding.

2. ***How many new staff and staffing positions, (separate to the operating budget) are funded in the capital plan (for planning & research etc.…?)***

   163 FTEs are included in the 2019 Budget to support capital work as outlined in the approved 2019-2022 Capital Plan as well as existing capital projects currently underway.

## VIII. Questions – Civic Engagement and Communication

1. ***Why does the communications department need an additional $167,000 over the 2018 year when they handled a large volume of communications for the 2018 election?***

   The increase in the Communications budget is primarily due to the addition of an Indigenous Relations Communications Coordinator that supports the City of Reconciliation framework and builds on the relationships with the Musquem, Squamish, Tsleil-Waututh First Nations, and Urban Indigenous community. Other increases are due to merit and collective agreement rate increases and increasing fringe benefit rates due to higher employer heath taxes. The communications and marketing costs (including resources) for the 2018 election were paid for out of the elections budget, not the Civic Engagement and Communications budget.

2. ***Why is sport hosting's budget up 9.6%? ($83,000). They said they didn't ask for an increase?***

   The total Sport Hosting year over year increase is $83K. The net change in the Sport Hosting budget is the addition of a $75K salary expense line item for the position of Assistant Manager, Sport Hosting. This expense is offset by a corresponding $75K recovery from the Venue Partners with Pavco, UBC and the PNE each contributing

$25K.  So the overall net impact to the operating budget for this position is nil. The remaining $8K expenditure increase is due to wage & fringe benefit rate increases.

3. ***There was a previous Council commitment to continue (but in a more modest way) the Canada 150+ aboriginal festival. Is this in the budget?***

   Although this is a priority for the department, a pragmatic decision was made not to include it in Cultural Services (CS) 2019 requests. CS requests in 2019 are primarily focused on building internal capacity, and on initiatives related to the Creative City Strategy. These items are considered a top priority, as they will provide the vision, and necessary resources for delivering impactful future arts and culture programs, such as the Canada 150+ Festival. The second key reason this request was omitted in 2019 was due to the fact the Indigenous Planner was not in place at the time the request was made. This position plays a crucial role in shaping the considerations and future vision for the 150+ legacy events.

4. ***What are our plans for an aboriginal healing and wellness centre in terms of funding and timelines?***

   Over the past three years, the City has provided funding for Indigenous healing and wellness by contributing along with other partners capital funding to clinics with healing and wellness components at Lu'ma and Urban Native Health. For the DTES, an Indigenous healing and wellness center was identified as a priority and significant community discussions have advanced the concept. Capital funds were approved for this center in 2018, subject to additional funding from senior levels of government. 312 Main was identified as a possible site and staff are awaiting further information on the suitability of this space, while still seeking out other potential locations.

   The aboriginal (indigenous) healing and wellness center project was included in the 2018 capital budget with a project budget of $711K. Out of the $711K, $300K would be spend in 2019 and the remaining in 2020.

5. ***What amount did Council approve a few years ago for the Vancouver Economic Commission for a Vancouver Film Commissioner? Can you provide a line-item budget for the VEC to us?***

   Council approved in the 2017 budget, an additional $0.2M as a result of creation of Vancouver Film Commission office.   A line-item budget for VEC has been included in this memo – please see attached.

## IX. Questions – Permits and Licenses

1. ***What in specific is prompting the need for an additional $545,000 (p. 76) for our housing policy team to review applications housing projects? How many new applications are expected compared to the numbers we received and handled last year?***

   The specific investment is for staff resources for the Housing Policy and Regulation team to review development applications, facilitate approvals and secure affordability for social, moderate income and secured rental housing projects. This work includes implementing inclusionary housing policies and securing affordable housing through rezoning, negotiating and securing Housing Agreements, and working with non-profits to advance their projects through the development process, to name a few specific roles. The City's Housing Policy functions were transitioned from ACCS to PDS in 2017, including the role in facilitating the delivery of affordable housing projects through the development approvals process. While the role was transitioned, the resources supporting this function remained in ACCS. Through a review led by Business Planning and Project Support, it was concluded that a significant increase in workload in ACCS meant that these positions could not be transferred to PDS without jeopardizing key initiatives that ACCS had taken on. These initiatives include leading the Temporary Modular Housing Initiative, for example. As a result, PDS requires new resources to fulfill these functions.

## X. Questions - Green Operations and Sustainability

1. ***In the Operating Budget New Priorities 2019 (p. 76), under sub-title "Maintain and Improve Operations and Service Levels", what is the $450,000 for "Sustainability projects related to Zero Emissions Building Plan"?***

   Council approved this funding (source to be determined) when they adopted the Zero Emissions Building Plan in 2016. The funding is meant to help support voluntary private-sector leaders to deliver near-zero emissions buildings (such as Passive House) before they are required to by the City, so as to foster design, construction, and supply chain capacity and thereby help make high performance homes more affordable for all residents. The funding will be used to:

   - Support training for construction trades on how to successfully build passive house and other near-zero emissions buildings.
   - Fund case studies for Passive House and ILFI Zero Energy buildings so that insights can be shared with the broader market and accelerate adoption of successful approaches.

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

604.873.7610 | patrice.impey@vancouver.ca