

From: "Johnston, Sadhu" <Sadhu.Johnston@vancouver.ca>
To: "Direct to Mayor and Council - DL"
CC: "City Manager's Correspondence Group - DL"
Date: 12/10/2019 10:56:52 AM
Subject: budget questions and answers

Hello Mayor and Council:

Please find below questions and answers on the budget.

Best

Sadhu

1. Reviewing vehicle acquisitions (\$10.3m engineering, \$5.7m sanitation, \$10.5m disposal, \$6.7m VFRS, \$2m VPD, \$2.1m Parks) each describe procurement in 2020 but delivery spread over 2020/21. With over \$37m in vehicles procurement can we not stagger this cost over the two years of scheduled delivery, rather than "frontloading" entire purchase to this budget? Are all 100 plus vehicles at end of life, is this normal turnover?

Internal Controls: operations staff cannot start the external market sounding and RFP or Ordering off a contract without having the multi-year budget approved ahead of time. Fleet & equipment is funded from a fleet replacement/reserve account and has no impact on property taxes for like for like replacements. Best practice would be to have enough lead time to start the purchasing process and getting the item into our Equipment Outfitting shops to have a smooth transition from the old to the new fleet. No borrowing of funds or new money for replacement of "existing" fleet /equipment. All fleet associated with the \$37M are replacement of existing with a mix of long and short lead times from purchase to in-service date. Are all 100 plus vehicles at end of life, is this normal turnover? Yes, all fleet are either at the end or nearing end of life.

2. We heard that we are playing catchup after a decade of chronic underspending by the previous administration. Is this true? Why is this not being articulated in the "service gaps" while "new council priorities" are singled out as a driver of budget increases?

The infrastructure investment reflects work some over past few years in advance of then 2019-23 capital plan to identify the asset conditions and renewal requirements which informed the capital plan. In several areas the demand for infrastructure relates to life cycle of when original assets were implemented. The infrastructure investment is included in Appendix F – investments to address risk and fill service gaps (Page 622). The increases are also highlighted as a driver of the operating budget increase on page 67.

3. CUPE 15 President pointed to a Columbia Institute study suggesting contracted out work being less cost efficient than utilizing in-house, Dunbar parent complained outsource workers less efficient; yet commercial real-estate investor complaint suggested opposite that outsourcing is more efficient than unionized employment. To what extent are city services outsourced? Is this efficient?

The largest portion of the city operating budget is for salary and benefit costs which relate to in-house staffing. When considering hiring or contracting decisions, staff will consider a variety of operational and financial factors including specialized skills sets required and the frequency and duration of the work required. The efficiency will depend on the specific service need taking into account these factors. The City has not undertaken a city-wide review of contracting out.

4. Technology expenses under "new requests": Infrastructure Maintenance Upgrades and Expansion appear identical to 2019 for City (\$4.6m), VPD (\$2.5m), VPL (\$.7m) – are these new requests or annual operating expenses? Similarly for Technology Services Business Projects (\$5m 2019, \$5m 2020) and CTO Priorities (\$.56m 2019, \$.5m 2020). Tech budgets are typically arcane and these are very vague asks – have we looked for areas to tighten this budget item up? Have we done a value audit? Are we bringing technological innovation or are we maintaining the status quo?

Deloitte conducted a comprehensive review on the City's Technology Capabilities and Cybersecurity Readiness in

2017. The reviews baselined the current state of technology at the City and informed a multi-year transformation roadmap. Deloitte recently conducted an audit to validate the outcomes of the transformation and reported that the transformation program had resulted in the remediation of considerable technology and cybersecurity risks. The Infrastructure Maintenance Upgrades and Expansion budgets (\$4.6m), VPD (\$2.5m), VPL (\$.7m) – are renewal and maintenance costs associated with managing and maintain our core infrastructure such as our Cisco infrastructure; our Cybersecurity remediation roadmap; our Network and Telephony infrastructure and monitoring equipment. It is primarily targeted at replacement of end of life hardware infrastructure and management of hardware in our 2 data centres that enables all our MS Office software as well as hosts our ~400 internal software applications such as ActiveNet for swim lesson registration, Posse for Permits, Amanda for business licensing, Tempest for Tax and Utilities, ESRI for GIS and many more. These costs are allocated over a detailed risk-managed infrastructure roadmap harmonized with the capital plan.

The CTO priorities budget funds tools and programs that are aimed at continual improvement and transformation of the 'business of IT'. In a rapidly evolving technical environment, productivity tools and ongoing maintenance of practices is essential to maintaining the technical skillsets necessary to support business needs. It also supports productivity and management tools to enable the project management office to monitor capital spending within the entire project portfolio.

The Technology Services Business Projects (\$5m 2019, \$5m 2020) is a budget that is allocated via a very detailed intake process which produces a ten year total cost of ownership demonstrating value before investments can be made. Typically projects funded from this budget have demonstrable benefits that are tracked and result in managing business continuity.

The 4 year capital roadmap was pre-planned in advance, also facilitated by Deloitte to ensure that the capital asks addressed major risks, remediated technical debt, and enabled business continuity. Year over year numbers are relatively consistent as they reflect the ability to manage within the resources we have in Technology Services. A recently conducted Gartner benchmarking report using their Enterprise Comparison Tool compared our budgets and team size with 167 similarly sized state and local governments and found that the City of Vancouver investments in Technology are consistent with peer norms.

5. Cultural Facilities list \$2.7m in non-maintenance and capital expense – given limited revenue of civic theatres are digital bar signs at the Orpheum, office renovations at the QET and new digital marquees nice to have or need to have?

Civic Theatres capital expenditures are funded from a facilities reserve, which is provided for by a facilities ticket surcharge, and as such, is restricted to Civic theatres. Civic theatre capital investments are prioritized based on a business analysis that considers many factors including need and future revenue impacts.

6. What are the upgrades to at-rail crossings (p.586)? Are there cost sharings with port, rail and Transport Canada?

Upgrade at-grade rail crossings to meet Federal regulation and standards by 2021. The city does receive some funding from the Minister of Transport Canada 80% cost sharing to a maximum of ~\$220K which is not included in the capital plan. 2019-22 Capital plan is \$3.5M funded from Streets Debenture - generally, it's signs, sometimes signals, sometimes its crossing guards (arms), sometimes its reconfiguration of the roadway, sometimes clearing obstacles (like shrubs) to improve sightlines, sometimes prohibiting some turns or movements, and sometimes it means closing the road crossing altogether.

7. VPD budget represents 21% compared to other nearby Canadian cities like Calgary (13%) and Edmonton (15%) yet both of these cities rank higher than Vancouver on the Stats Can crime severity index. What are justifiable differences in budgets?

Comparisons to other cities must take into account the differences in budget structure for those Cities and the services provided. For example, Calgary delivers a variety of services not delivered by the City of Vancouver. Public Transit is funded by the City of Calgary budget, which reduces the percentage of budget for other services. Another factor is that as an urban centre, Vancouver provides policing services for the region, including costs related to major public events, whereas other cities may include more of a mix of urban centre and suburban areas, allowing urban centre policing costs

to be spread more widely across the region.

8. Concurrent Renovations to City Hall Administrative Facilities (\$3.8m) and Planning and Design for Renewal of City Hall Campus (\$3m) – is this fiscal prudence, can we hold off on the former pending the latter?

The Concurrent Renovations to City Hall Administrative Facilities are needed on an interim basis to accommodate staffing requirements, until the renewal of City Hall Campus is complete which will be several years in the future.

9. One speaker evoked references to scope creep versus the function of the City in 1986. What has changed? How have services been downloaded to cities?

Over the past decade, the City has become increasingly active in addressing needs that have traditionally been the jurisdiction and mandate of the provincial government, in areas that include Housing, Childcare, opioid response, and social issues. Details have been included in page 97 of the draft 2020 Budget.

10. Where can we generate efficiencies and savings in the form of cuts to this budget to show we are tightening our belt and recognizing challenges to affordability?

As part of the budget process, \$2.2 million was identified in savings and \$10.1 million in additional revenues to help balance the budget. In addition, over 380 initiatives were reprioritized within existing budgets to further Council's priorities as outline in appendix H of the budget report. Information on the reprioritization and additional revenues can be located in the Excel file containing the draft 2020 budget appendices on this page: <https://vancouver.ca/your-government/financial-reports-and-information.aspx>

11. How many midlevel management, senior management and executive members have 1:1 clerical staff?

This information is not readily available. 1-1 support would not be the norm outside of executive positions. Administrators would generally support a department vs an individual.

12. How much is left in the innovation fund?

In the draft 2020 budget, \$1 million is allocated for the Innovation Fund.

13. Do we know the operating budgets associated to capital projects if we want to move on from some including the Bute-Robson Plaza?

As part of the annual budget process, we consider the operating impact on budget for those capital projects and include operating budgets for those projects which are complete and will have impacts in the 2020 year. The capital project for 800 Robson Permanent Plaza Construction will continue in 2020 and as such, operating impacts are not included in the draft 2020 budget.

14. Do we have a list of the 3.5% of the items in the fixed cost funding?

A listing of fixed costs is provided on Page 67 of the budget report, and includes wage costs, benefits, the portion of Metro Vancouver charges for Sewer that are funded through property taxes, as well as non-salary costs which are increasing by more than inflation including insurance and fuel. In prior years, revenue increases in areas including parking have partially offset fixed cost increases. In 2020, revenue growth in these areas is less.

15. What items of the filling service gaps list would stop service to the public?

In general, the items in the filling service gaps list would not stop services to the public but service levels may decrease in the areas identified. In some cases, risks and compliance-related investments such as the staffing requirement at Park Board Arenas, are required for the service to continue to operate.

sadhu.johnston@vancouver.ca
604.873.7627



The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the Musqueam, Squamish, and Tsleil-Waututh peoples.