



City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** February 18, 2009

**From:** Jerry Chong  
Director, Finance

**File:** 03-0970-01/2009-Vol 01

**Re:** 2009 Capital Budget – Report back on referrals

### Staff Recommendation

That the attached report from the Manager of Budgets & Accounting on the 2009 Capital Budget referrals be received for information.

Jerry Chong  
Director, Finance  
(4064)

<b>FOR ORIGINATING DIVISION USE ONLY</b>		
<b>CONCURRENCE OF GENERAL MANAGER</b>		
<b>REVIEWED BY TAG</b>	YES	NO
	<input checked="" type="checkbox"/> <i>JA</i>	<input type="checkbox"/>
<b>REVIEWED BY CAO</b>	YES	NO
	<input checked="" type="checkbox"/>	<input type="checkbox"/>

## Origin

At the January 26, 2009 Finance Committee meeting staff presented the 2009 Capital Budget and Operating Budget. Following the discussion of the reports a motion was carried requiring staff to provide additional information and report on the items discussed in the section below.

*That:*

- (1) *the 2009 Capital Budget be approved as the basis for preparing the 5 Year Financial Plan (2009-2013); and*
- (2) *the staff be authorized to commence 2009 capital projects.*

and

*That staff provide additional information and report on:*

- (1) *the allocation of funds to reserves for artificial surface fields;*
- (2) *the allocation of funds to reserves for the Britannia Heritage Shipyard*
- (3) *a general discussion related to priorities;*
- (4) *the question of general property acquisition and park land acquisition, including details regarding the DCC Program;*
- (5) *the general outline and parameters for the Community Legacy Fund; and*
- (6) *the allocation of funds to reserves for an emergency back-up generator.*

## Analysis

### 1. The allocation of funds to reserves for artificial surface fields;

As at December 31, 2008 (unaudited), the balance available for artificial turf within the Special Sports Reserve is \$401,670. Contributions to the reserve include a certain percentage of the revenues generated from the turf fields. Staff continue to search for an authorized annual transfer to reserves for artificial surface fields from taxes but have been unsuccessful in finding a Council resolution so far.

As at December 31, 2008 a total of \$7.4 million has been spent on the construction of artificial turf fields with the majority of this being funded through Development Cost Charges, Revolving Fund and the Community Legacy and Land Replacement Reserve.

### 2. The allocation of funds to reserves for the Britannia Heritage Shipyard;

As at December 31, 2008 the total funds approved and committed for Britannia Heritage Shipyard since 1991 are approximately \$7 million, of which, \$5.9 million has been spent. Work is ongoing and is in the process of being completed and at December 31, 2008 \$1.1 million is unspent.

The funding source for Britannia Heritage Shipyard improvements has been the Revolving Fund.

### 3. A general discussion related to priorities;

The Land and Capital Team ("the Team"), which contains members from all departments within the City, utilizes a ranking system (in conjunction with comments and recommendations from all stakeholders) that is contained within the Capital Planning Model

("the model"). The model has proven to be an effective mechanism for prioritizing capital funding requests to ensure that infrastructure needs are dealt with in a timely fashion and that available financial resources are utilized to provide the maximum benefit to the community. The ranking criteria include:

- The level of need for a project i.e. health/safety, opportunity, etc.
- Consistency with Council approved plans or direction.
- Financial costs and benefits.
- Financial risk associated with a project.
- Social/environmental/liveability (i.e. sustainability) benefits.
- Funding sources and availability

The model was refined with input from Council and was adopted to ensure that Council's objectives and criteria were reflected in the planning process. The model was also adopted due to the fact that it helped reduce the subjectivity in choosing projects while also providing the financial discipline needed to ensure that reserves were not exhausted.

Before and during the capital process projects that are directed or approved in principal by the committees and Council or as a result of public input are clearly identified in their submissions. Staff ensure that Council's objectives are reflected in submissions and they are then analyzed and discussed in an independent, systematic and consistent manner.

Prioritization of 2009 Capital submissions is based on the points scored by applying the above ranking criteria and the funding availability. The plan is then brought forward and reviewed by TAG before submission to Council for approval.

**4. The question of general property acquisition and park land acquisition, including details regarding the DCC Program;**

The amount available in DCC Parks Acquisition account for future capital projects is approximately \$2.2 million. This balance is arrived at after taking into account \$5.1 million allocated for 2009 capital projects

The unspent amount in prior year's capital projects that remain are approximately \$12.3 million. The specific land acquisitions are not disclosed due to the confidentiality of the subject matter.

The specific parkland acquisition decisions are made at the closed Council meetings. Details of the DCC Program will be issued to Committee in a separate Finance Committee information binder being prepared along with other pertinent financial information.

**5. The general outline and parameters for the Community Legacy Fund;**

At the April 2, 2007 General Purposes Committee, Committee received for consideration the following proposal with respect to the allocation of proceeds from the sale of the Riverfront lands.

Land Replacement	\$25.0
Social Housing	4.0
Seniors Housing	4.0
Reserves Assist	25.0
Special Needs (contingencies)	4.0
Facilities	5.0
Special Capital Projects & Major Initiatives	21.0
Sustainability	5.0
Arts & Culture	4.0
Contingency	3.0
	<u>\$100.0</u>

Subsequently the Community Legacy & Land Replacement Reserve Fund was established and the bylaw was adopted on September 10, 2007 with the following requirements:

1. The purposes of the Community Legacy & Land Replacement Reserve Fund are:
  - (a) to pay any debts remaining in relation to lands or improvements that have been sold; and
  - (b) to acquire land, improvements and other assets of a capital nature.
2. Money in the amount of \$83,214,724, being a portion of the proceeds received from the sale of the Oval Lands, is directed to the Community Legacy & Land Replacement Reserve Fund.

The City received gross proceeds of \$141.0 million from the sale and lease of the Oval Lands and after associated expenses and adjustments, allocations to the Oval project and the prepaid lease and parking fee accounts there was \$83.4 million remaining which was transferred into the Community Legacy & Land Replacement Reserve Fund.

Gross Proceeds	\$141,000,000
Expenses and Adjustments	<u>(1,578,641)</u>
Net Proceeds	139,421,359
Transfer to Oval project	<u>(43,000,000)</u>
Remaining for Allocation	\$96,421,359
Prepaid Leases and Parking Fee Liability Account	<u>(12,988,278)</u>
Community Legacy & Land Replacement Reserve Fund	<u>\$83,433,081</u>

As at December 31, 2008 the reserve has earned an estimated \$4,719,488 in interest.

The current amount available is as follows:

<b>Community Legacy &amp; Land Replacement Reserve</b>			
	<b>Committed</b>	<b>Unspent</b>	<b>Cash Balance</b>
<b>Net Proceeds September 10, 2007</b>	<b>\$ 83,433,081</b>		<b>\$ 83,433,081</b>
Interest allocation	2,504,488		2,504,488
<b>Dec 31, 2007</b>	<b>85,937,569</b>		<b>85,937,569</b>
<b>2008 Capital Budget</b>			
Alternative project funding *	(13,000,000)	-	(13,000,000)
Advancement to Oval Legacy	(16,000,000)	12,379,137	(3,620,863)
Artificial Turf Sports Field	(1,300,000)	322,013	(977,987)
Land replenishment	(31,000,000)	31,000,000	-
Interest allocation (estimate)	2,215,000	0	2,215,000
<b>Balance Dec 31, 2008 (Estimate)</b>	<b>\$ 26,852,569</b>	<b>\$ 43,701,150</b>	<b>\$ 70,553,719</b>

\* In lieu of other land sale (\$6.5M) and parking precinct fee (\$6.5M) from Oval land sale.

**6. The allocation of funds to reserves for an emergency back-up generator;**

The generator (\$150,000) was requested in order to provide enough electrical power to the Richmond Ice Center’s refrigeration plant so that the plant would be able to maintain the ice for the duration of a prolonged power failure. Currently, the City’s portable generator, which is required for other City operations, has been utilized to provide emergency power to the refrigeration plant.

This submission was not approved in the 2009 Capital Budget due to the annual limit of the amount of funding available from the Revolving Fund reserve. For the 2009 Capital Budget there was approximately \$13.3 million in Capital project submissions that were not included in the 2009 Capital Budget. This project was not the highest ranked project from the list of unfunded projects.

**Financial Impact**

None

**Conclusion**

The Capital budget for 2009 was approved on January 26, 2009 in the amount of \$70.4 million. The plan was done based on input from prior committees, meetings and the public and the ranking was done in a subjective and consistent process.

The Land & Capital team must be financially responsible and ensure that funding is available for future generations. Unfortunately not every capital project that was submitted could be included in the 2009 Capital Budget.



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 Manager, Budgets & Accounting

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