



## CITY OF VANCOUVER

# A8

### ADMINISTRATIVE REPORT

Date: April 9, 2008  
Author: Annette Klein  
Phone No.: 873-7789  
RTS No.: 07018  
VanRIMS No.: 05-1000-30  
Meeting Date: April 15, 2008

TO: Vancouver City Council  
FROM: Director of Finance  
SUBJECT: 2008 Operating Budget - Final Estimates

### RECOMMENDATION

THAT Council approve the budget resolution attached as Appendix 2 thereby adopting the final 2008 Operating Budget with a property tax increase of 1.23%.

### CITY MANAGER'S COMMENTS

The City Manager RECOMMENDS approval of the foregoing.

If Council is to make changes to the in-principle approvals made on April 1, 2008, as a result of the evening public meeting on April 9, 2008, the Director of Finance will resubmit the Final Estimates Report on April 17, 2008 to reflect Council's final direction.

### COUNCIL POLICY

The Vancouver Charter requires the Director of Finance to present the estimates of revenues and expenditures to Council no later than April 30 each year and for Council to adopt a resolution approving the budget and a rating bylaw establishing general purpose tax rates as soon thereafter as possible.

There are five reports in the 2008 budget process:

- The *Operating Budget Schedule and Public Consultation Options Report* seeks direction from Council on the budget schedule and the public consultation program.
- The *Target Property Tax Increase Report* provides Council with the first indication of the cost of maintaining existing service levels and the additional funding requests from

Departments and Boards and seeks direction from Council on an acceptable level of property tax increase for planning purposes.

- The *Interim Estimates Report* provides the results of the detailed administrative reviews and summarizes the budget strategies to meet the target property tax increase.
- The *Interim Estimates Update and Public Consultation Results Report* provides the results of the budget consultation and an update on the budget estimates.
- The *Final Estimates Report* presents the final revenue and expenditure estimates which are based on the recommendations and amendments that Council approved in-principle on April 1, subject to public input on April 9. The *Final Estimates Report* is accompanied by a resolution in which Council adopts the estimates for the year.

## PURPOSE

The purpose of this report is to have Council approve the budget resolution included in Appendix 2 in order to adopt the final revenue and expenditure estimates based on the direction provided by Council on April 1, 2008.

## BACKGROUND

On April 1, 2008, Council considered the *2008 Interim Budget Estimates Update and Public Consultation Results Report* and approved in-principle all the recommendations, subject to public input on April 9, 2008. Two amendments were made by Council to the Vancouver Police funding requests:

- With regards to the approval of 48 patrol officers (RECOMMENDATION C i): *Funding to be reduced by any federal government contribution that would finance the deployment needs in the Administrative Report Vancouver Police Department Operational Review dated December 5, 2007.*
- With regards to the Chief Constable, in consultation with the Police Board and the City Manager, reporting back to Council on a full review of the deployment strategy after one year of implementation of the recommendations (RECOMMENDATION C iv), *including an update on how new initiatives such as Project Civil City contributions, strategies around supporting people with mental illness, the returnable warrants program (ConAir), have also had an impact.*

As a result of these in-principle approvals, Council instructed the Director of Finance to bring the 2008 Operating Budget into balance with a general purpose tax increase of 1.41% which includes:

- 2.32% tax reduction related to the one-time 2007 work stoppage savings of \$11.8 million;
- 0.28% tax increase related to the cost of outside agencies;
- 2.14% tax increase to maintain existing services, including the Park Board Global Budget of \$59,339,100, which includes an increase of \$444,600 for operating costs of new and expanded facilities and one-time adjustments; (The Park Board Global Budget will be increased to include a budget of \$296,000 for new and non-recurring items.)
- 0.56% tax increase for non-Police funding requests (\$2.8 million); and
- 0.75% tax increase for Police funding requests (\$3.8 million).

Council also approved on March 13, 2008 a 1% redistribution of the property tax levy from the non-residential property class to the residential property tax. Based on the Interim Estimates, this represented a 2% increase for residential properties and a 1.9% reduction for non-residential properties, resulting in a net 3.41% increase for residential properties and a net 0.49% reduction for non-residential properties.

## DISCUSSION

### 1. Final Budget Position

Based on the direction provided by Council on April 1, 2008, staff has worked to bring the budget into balance within the property tax guidelines approved by Council.

Subsequent to the *Interim Budget Estimates Update and Public Consultation Results Report*, the Revised Roll received from the BC Assessment Authority on April 1, 2008 resulted in a further increase of \$0.78 million in new construction revenues; hence reducing the final tax levy from 1.41% to 1.23%.

Appendix 1 reflects the final estimates that include the above adjustment from the Revised Roll and all the recommendations approved in-principle by Council on April 1. The general purposes tax levy has been updated to 1.23% reflecting 0.95% City costs and 0.28% outside agency costs, adding \$6.4 million taxation revenue to the budget.

These adjustments bring the 2008 Operating Budget into a balanced position as follows:

	(\$000)	(\$000)
<b>Revenues</b>		
Taxation Revenue	\$552,222	
General Revenue	177,558	
Utility Fees	144,245	
Transfers	<u>20,460</u>	\$894,485
<b>Expenditures</b>		
Departmental Expenditures <sup>1</sup>	\$632,084	
Utility Expenditures	180,553	
Capital Program	74,353	
Transfers	<u>7,495</u>	<u>\$894,485</u>
<b>Net Budget Position</b>		<u>\$0</u>
<b>Property Tax Increase Applied to Budget</b>		<b>1.23%</b>

<sup>1</sup>Departmental budgets will be adjusted to include Council approved Corporate adjustments (New and Non-recurring).

The 2008 property tax components are summarized as follows:

	RESIDENTIAL	NON-RESIDENTIAL
Cost to Maintain Services	1.96%	1.96%
Outside Agency Impacts	0.28%	0.28%
Non-Police Funding Requests	0.56%	0.56%
Police Funding Requests	0.75%	0.75%
One-Time 2007 Work Stoppage Savings	(2.32%)	(2.32%)
<b>2008 Property Taxes</b>	<b>1.23%</b>	<b>1.23%</b>
<b>1% Property Tax Redistribution<sup>1</sup></b>	<b>2.13%</b>	<b>(1.93%)</b>
<b>Impact after Property Tax Redistribution</b>	<b>3.36%</b>	<b>(0.70%)</b>

<sup>1</sup>Impact of the 1% property tax redistribution is based on the final tax levy.

## 2. Impact of the Budget on Property in the City

The table below summarizes the impact of the property tax and utilities increases on residential and non-residential properties valued at \$942,000 (the average valued home in Vancouver based on the Revised Roll received from the BC Assessment Authority on April 1, 2008).

	RESIDENTIAL 3.36% Tax Increase		NON-RESIDENTIAL (0.70%) Tax Decrease	
	2008 Taxes & Fees	Change	2008 Taxes & Fees	Change
Property Taxes <sup>1</sup>	\$2,357	\$77	\$12,486	(\$88)
Solid Waste Utility	150	(9)	150	(9)
Sewer Utility	179	8	186	8
Water Utility	361	12	347	11
Total Utilities <sup>2</sup>	690	11	683	10
<b>Total City Charges</b>	<b>\$3,047</b>	<b>\$88</b>	<b>13,169</b>	<b>(\$78)</b>

<sup>1</sup>Based on Revised Roll prior to Averaging.

<sup>2</sup>Non-residential properties are charged for utility services based on consumption of services rather than as a flat fee. Water and Sewer charges for these properties increased by the same percentages as residential properties - to calculate impact, assumed average flat water consumption levels. Only 800 businesses receive garbage collection services by the City.

In addition to these City charges, the levies from other taxing authorities may increase. At the time of writing, the City has not been notified of the exact amounts and percent increase.

#### 4. 2009 Tax Increase Estimate

Council's decisions from April 1, 2008, along with other known impacts, are anticipated to impact the 2009 property taxes in the range of 4.3% to 5.8%.

	2008 Funding (\$000)	2009 Budget (\$000)	2009 Budget Increase (\$000)	2009 Tax Impact <sup>1</sup>
Non-Police Funding Request	2,848	2,943	95	0.02%
Police Funding Request	3,808	8,183	4,375	0.83%
One-time Efficiencies		3,440	3,440	0.65%
One-time Administrative Budget Adjustments		376	376	0.07%
Opening of # 1 Kingsway (subject to report back)	68	202	134	0.03%
Fuel/Hydro Increases			1,200	0.23%
Cost to Maintain Base Services			\$13,210 to 21,130	2.50% to 4.00%
<b>Total</b>			<b>\$22,830 to \$30,750</b>	<b>4.33% to 5.83%</b>

<sup>1</sup>2009 Base Taxes at \$528 million based on: 2008 1.23% property tax increase and the inclusion of one-time 2007 work stoppage savings.

Along with the budgetary impacts noted above, property taxpayers will see an artificially higher year over year percentage increase on their tax bill given that the 2008 City of Vancouver General Levy includes \$11.8 million in one-time 2007 work stoppage savings.

#### 5. The Budget Resolution

With approval of the Recommendation in this report, the 2008 Operating Budget will be brought into balance and the 2008 budget cycle completed. Council approval of this final position requires adoption of the budget resolution attached as Appendix 2.

#### 6. Final Steps

On May 1, 2008, the Director of Finance will bring forward a report summarizing the property tax levies, bylaws establishing general purpose and regional district property tax rates and introducing resolutions to adjust tax rates of the other taxing authorities to give effect to the averaging program.

#### CONCLUSION

The approval of the attached resolution will finalize the process of balancing the 2008 Operating Budget.

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**City of Vancouver  
2008 Operating Budget Projections**

**Appendix 1**

	2007 budget	2008 budget	\$ change	% change
	(\$000s)	(\$000s)		
<b>SECTION 1: Summary of Revenues</b>				
<b>Taxation Revenues</b>				
Base Levy	493,216	506,287	13,071	2.7%
New Construction	6,549	10,276	3,727	56.9%
<b>Total Taxation Revenues</b>	<b>499,765</b>	<b>516,563</b>	<b>16,798</b>	<b>3.4%</b>
Tax Adjustments	(4,000)	(4,000)	0	0.0%
Local Improvement Taxes	3,389	3,113	(276)	(8.1%)
Receipts in Lieu of Taxes	33,232	32,045	(1,187)	(3.6%)
Penalties and Interest	3,500	4,500	1,000	28.6%
<b>Total Revenue from Taxation</b>	<b>535,886</b>	<b>552,222</b>	<b>16,336</b>	<b>3.0%</b>
<b>Other Revenues</b>				
Provincial Revenue Sharing Programs	17,938	20,500	2,563	14.3%
Investment Income	11,700	16,185	4,485	38.3%
License Fees	14,824	15,622	798	5.4%
Property Rental Income	1,459	1,509	50	3.4%
Service and Inspection Fees	31,340	33,160	1,820	5.8%
Municipal By-Law Fines	11,360	12,420	1,060	9.3%
On Street Parking Revenue	25,742	27,805	2,063	8.0%
Civic Theatres Revenue	5,786	5,977	191	3.3%
Park Board Revenues	36,258	38,508	2,250	6.2%
Miscellaneous Revenues	4,867	5,873	1,006	20.7%
<b>Total Other Revenues</b>	<b>161,272</b>	<b>177,558</b>	<b>16,287</b>	<b>10.1%</b>
<b>Utility Fees</b>				
Waterworks	74,060	75,901	1,842	2.5%
Solid Waste	34,033	31,708	(2,325)	(6.8%)
Sewers	35,507	36,636	1,129	3.2%
<b>Total Utility Fees</b>	<b>143,600</b>	<b>144,245</b>	<b>645</b>	<b>0.4%</b>
<b>Total Revenues before Transfers</b>	<b>840,758</b>	<b>874,024</b>	<b>33,266</b>	<b>4.0%</b>

	2007 budget (\$000s)	2008 budget (\$000s)	\$ change	% change
<b>Transfer from Other Funds/Reserves</b>				
Sinking Fund Prior Year Surplus	0	0	0	0.0%
Property Endowment Fund	7,000	7,000	0	0.0%
Art Gallery Reserve	160	160	0	0.0%
Revenue Surplus	0	0	0	0.0%
One-time 2007 Work Stoppage Savings	0	11,800	11,800	100.0%
Other	0	1,500	1,500	100.0%
<b>Total Transfer from Other Funds</b>	<b>7,160</b>	<b>20,460</b>	<b>13,300</b>	<b>185.8%</b>
<b>Total Revenues after Tax Increase</b>	<b>847,918</b>	<b>894,485</b>	<b>46,567</b>	<b>5.5%</b>

## SECTION 2: Summary of Expenditures

### General Government

Mayor and Councillors	1,902	1,976	75	3.9%
City Manager / EEO	2,946	3,367	421	14.3%
City Clerk	3,502	5,208	1,707	48.7%
Legal Services	4,613	4,899	287	6.2%
Corporate Services	32,570	34,489	1,919	5.9%
Human Resources	7,696	8,162	465	6.0%
Other General Government	7,469	11,214	3,745	50.1%
Community Services Administration	7,675	8,226	551	7.2%
City-Wide and Community Planning	6,888	7,807	919	13.3%
<b>Total General Government</b>	<b>75,261</b>	<b>85,349</b>	<b>10,088</b>	<b>13.4%</b>

### Protection to Persons and Property

Police Services	168,196	180,857	12,661	7.5%
Fire and Rescue Services	77,431	78,955	1,524	2.0%
E-COMM Services	18,584	18,238	(346)	(1.9%)
Permits and Licenses	21,632	22,928	1,295	6.0%
Animal Control	1,787	1,853	65	3.7%
Vancouver Emergency Program	701	1,550	849	121.0%
<b>Total Protection to Persons and Property</b>	<b>288,332</b>	<b>304,381</b>	<b>16,048</b>	<b>5.6%</b>

	2007 budget	2008 budget	\$ change	% change
	(\$000s)	(\$000s)		
<b>Public Works</b>				
Administration and General	11,224	12,382	1,158	10.3%
On Street Parking Program	9,414	10,511	1,097	11.7%
Traffic Planning and Control	10,159	10,982	823	8.1%
Street Lighting and Communications	5,102	5,206	105	2.0%
Street Cleaning	8,527	8,954	428	5.0%
Streets, Bridges and Walkways	16,707	17,071	364	2.2%
<b>Total Public Works</b>	<b>61,133</b>	<b>65,106</b>	<b>3,973</b>	<b>6.5%</b>
<b>Utilities - Waterworks</b>				
Operating Costs	8,913	9,196	283	3.2%
Water Purchase	44,354	49,444	5,090	11.5%
City Debt Charges	21,692	21,313	(379)	(1.7%)
Transfer to/(from) Reserve	(899)	(4,052)	(3,153)	350.9%
<b>Total Utilities - Waterworks</b>	<b>74,060</b>	<b>75,901</b>	<b>1,842</b>	<b>2.5%</b>
<b>Utilities - Solid Waste</b>				
Operating Costs	29,617	30,496	879	3.0%
Transfer to/(from) Reserve	4,416	1,212	(3,204)	(72.6%)
<b>Total Utilities - Solid Waste</b>	<b>34,033</b>	<b>31,708</b>	<b>(2,325)</b>	<b>(6.8%)</b>
<b>Utilities - Sewer</b>				
City Operating Costs	7,323	7,970	647	8.8%
City Debt Charges	24,826	22,302	(2,524)	(10.2%)
Regional Sewerage Levy	39,054	42,672	3,618	9.3%
Transfer to/(from) Reserve	0	0	0	0.0%
<b>Total Utilities - Sewer</b>	<b>71,203</b>	<b>72,944</b>	<b>1,741</b>	<b>2.4%</b>



	2007 budget	2008 budget	\$ change	% change
	(\$000s)	(\$000s)		
<b>Recreation and Community Services</b>				
Parks and Recreation	93,581	97,847	4,265	4.6%
Britannia Service Centre	2,905	2,960	55	1.9%
Social Planning	1,845	1,856	11	0.6%
Housing Programs	1,758	1,832	74	4.2%
Office of Cultural Affairs	1,426	1,497	71	5.0%
Carnegie Centre	3,113	3,308	195	6.3%
Downtown South Gathering Place	2,143	2,222	79	3.7%
Vancouver Public Library	35,824	37,611	1,787	5.0%
Civic Theatres	6,672	7,045	373	5.6%
Archives	1,288	1,445	156	12.1%
Cemetery	811	820	9	1.1%
<b>Total Recreation and Community Services</b>	<b>151,367</b>	<b>158,443</b>	<b>7,075</b>	<b>4.7%</b>
<b>Civic Grant Program</b>	<b>15,505</b>	<b>15,705</b>	<b>201</b>	<b>1.3%</b>
<b>Contingency Reserve</b>	<b>3,400</b>	<b>3,100</b>	<b>(300)</b>	<b>(8.8%)</b>
<b>Total before Capital Program and Transfers</b>	<b>774,293</b>	<b>812,636</b>	<b>38,343</b>	<b>5.0%</b>
<b>Capital Program</b>				
General Debt Charges	46,241	49,540	3,300	7.1%
Capital From Revenue	18,500	19,700	1,200	6.5%
Local Improvements	3,389	3,113	(276)	(8.1%)
Debt Repayment Reserve	0	2,000	2,000	100.0%
<b>Total Capital Program</b>	<b>68,130</b>	<b>74,353</b>	<b>6,224</b>	<b>9.1%</b>
<b>Transfers to Reserves/Funds</b>				
Other Transfers	5,496	7,495	2,000	36.4%
<b>Total Transfers to Reserves/Funds</b>	<b>5,496</b>	<b>7,495</b>	<b>2,000</b>	<b>36.4%</b>
<b>Total Expenditures</b>	<b>847,918</b>	<b>894,485</b>	<b>46,567</b>	<b>5.5%</b>
<b>Tax Increase Used to Balance Budget</b>				<b>1.23%</b>

## Appendix 2 RESOLUTION

MOVED BY Councillor:

SECONDED BY Councillor:

THAT WHEREAS, the Vancouver Charter, Section 219 requires that the Director of Finance submit to Council each year the detailed estimates of revenues and expenditures of the City for the year;

AND WHEREAS the Vancouver Charter, Section 372 requires that Council adopt the estimates of revenues and expenditures for the City as soon thereafter as possible;

AND WHEREAS Council has reviewed the development of the estimates in reports submitted by the Director of Finance on February 12, 2008, and April 1, 2008 and approved measures to bring the estimates into balance, including approval of a 1.23% general purposes property tax increase;

AND WHEREAS the total estimated expenditures of the City to pay all debts and obligations of the City falling due in the year 2008, exclusive of the amounts required for school, Greater Vancouver Regional District, Greater Vancouver Transportation Authority, British Columbia Assessment Authority and Municipal Finance Authority purposes and not otherwise provide for, as amended by Council, amount to \$894,485,000;

AND WHEREAS the total estimated expenditures as aforesaid is the sum of the appropriation requests of all departments and boards properly supported by detailed analysis of those expenditures and listings of the salaried staff;

AND WHEREAS the total estimated revenue of the City for 2008 from sources other than real property taxes, as amended by Council, amounts to \$377,922,000;

AND WHEREAS the amount of the General Purposes Tax Levy so required is \$516,563,000;

THEREFORE be it resolved that the said estimates, both as to totals and individual items pertaining thereto, of the Director of Finance as so amended by Council be and the same are hereby adopted by Council.