



RR-1

ADMINISTRATIVE REPORT

Report Date: November 15, 2010
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Meeting Date: November 30, 2010

TO: Vancouver City Council
FROM: General Manager of Financial Services
SUBJECT: 2011 Operating Budget: Proposed Budget and Public Consultation Update

RECOMMENDATION

- A. THAT Council approve "in-principle" the 2011 Proposed Operating Budget, pending public input on December 2, 2010, as outlined in this report and detailed in Table 1, and instruct the Director of Finance to bring the budget into balance with a 2.0% general purposes tax increase.

AND THAT Council approve the funding requests outlined on page 16 and the proposed funding adjustments outlined in Appendix 3.

AND THAT Council approve the Parking Meter program enhancements outlined in Appendix 4, reflecting \$1.5 million of net revenues incorporated in the 2011 estimates, and instruct the Director of Legal Services to amend the appropriate By-Laws.

AND THAT Council approve the Park Board Global Budget of \$55,340,000, comprised of \$96,798,600 expenditures and \$41,458,600 revenues.

All positions are subject to classification by the General Manager of Human Resource Services

- B. THAT Council directs all City Departments and Boards to continue with the implementation of the Vancouver Services Review shared services and process improvement initiatives.

COMMENTS OF THE CITY MANAGER AND DIRECTOR OF FINANCE

On October 19, 2010, staff presented to Council the 2011 Operating Budget Preliminary Estimates, and began the process of bringing the budget into balance.

This Proposed Budget and Public Consultation Update report is the second opportunity that Council has to review the 2011 Operating Budget. The budget proposal outlined in this report brings the 2011 Operating Budget into balance with a 2% property tax increase.

This proposal shows total pressures on the 2011 operating budget of \$55.6 million. These pressures reflected a number of fixed cost drivers including a compensation increase for staff (both exempt staff and unionized staff), incremental operational costs of new facilities, and increases imposed by other agencies (including the Greater Vancouver Sewerage and Drainage District). Funding requests of \$1.7 million, for key initiatives, are included in this proposed budget, and are outlined on page 16.

The budget proposal outlined in this report provides for \$55.6 million in adjustments, to bring the 2011 Operating Budget into balance as outlined in Table 2. These adjustments include \$40.4 million in revenue increases (including a 2% property tax increase), \$1.8 million of funding from reserves, and \$13.4 million of departmental adjustments, as summarized below:

| | \$million |
|---------------------------------|------------------|
| Net Revenue Increases | 29.0 |
| 2% Property Tax Increase | 11.4 |
| Funding from Reserves | 1.8 |
| Proposed Department Adjustments | 13.4 |
| Total Budget Adjustments | 55.6 |

The report includes the results of the public consultation process which provides important input to the Corporate Management Team, Council and Boards in understanding the public's views regarding services and taxes.

The Final Budget report will be presented to Council on December 14, 2010.

COUNCIL POLICY

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

Council had provided direction in a number of areas that helped inform the 2011 Budget strategy:

- Maintain core programs
- Protect Council priorities

- Protect vulnerable populations
- Continue to examine the service delivery of all city services, and move forward with shared services and transformational changes identified through the Vancouver Services Review; and
- As much as possible, minimize the impact of any budget initiatives on citizens and staff

PURPOSE

The purpose of this report is to present to Council the results of the 2011 public consultations and the budget strategy to balance the budget with a property tax increase of 2.0%.

BACKGROUND

There are four key reports in the 2011 Operating Budget process:

- **October 19, 2010:** The “Preliminary Estimates” report provides Council with the 2011 opening budget position, and advises Council about the next steps in the 2011 budget process.
- **November 30, 2010:** The “Interim Estimates & Public Consultation Results” report reviews the results of the 2011 Budget Consultation process, and summarizes the proposed budget strategies developed by the Corporate Management Team to finalize the estimates and bring the 2011 Operating Budget into balance.
- **December 14, 2010:** The “Final Estimates” report presents the final 2011 revenue and expenditure estimates approved by Council, and is accompanied by a resolution in which Council adopts the estimates for the year.
- **May 2011:** Council Report with 2011 Property Taxation Bylaws and Averaging Resolution.

Upon receiving the 2011 Proposed Budget and Public Consultation Update report, Council is requested to approve “in-principle” the recommendations on November 30, 2010. The public will then have the opportunity to provide feedback on December 2, 2010 at a Special Council Meeting. The Final Budget report will be presented to Council on December 14, 2010.

Vancouver Services Review (VSR)

In 2009, the City undertook a comprehensive strategic review of its businesses, service delivery practices and operations, resulting in a number of transformational projects. In addition, hundreds of ideas and suggestions from staff were compiled into an Opportunity Log that departments continue to mine for innovative ways to provide services to our citizens and internal customers and for potential savings.

Following the review, the VSR Program Office (PMO) was created to provide program management for the selected projects, and to provide standardized reporting and tracking of benefits. The VSR program has been a critical enabler of transformation in the City. By

providing the structure and support to key city-wide transformation projects and departmental initiatives, significant changes are being made in the way the city manages and delivers services.

VSR's current projects include: IT Shared Services, Supply Chain Shared Services, Rationalization of Sanitation Services, Attendance Management, Permits and Licenses, Capital Program, Electronic Pay Notices and Web Redevelopment.

To date in 2010, five projects have been completed (or partially completed) and have achieved financial savings. These are:

1. Sanitation - Sanitation services in the Park Board and Engineering were consolidated. Through the changes implemented in July and September 2010, the city will achieve annual savings of \$0.7M.
2. IT Shared Services (Phase 1) - IT resources were aligned into a single IT organization. Through the changes implemented in July 2010, the city will achieve annual savings of \$0.8M. Phase 2 of this project has begun, with additional savings expected in 2011.
3. Supply Chain Strategic Sourcing - Through our procurement activities to date in 2010, \$8.1M of reduced costs have been achieved. This initiative will continue, and further savings will be identified as additional strategic sourcing opportunities are reviewed. These reductions in cost are realized primarily in the capital fund, with a smaller percentage impacting the operating fund.
4. Attendance Management - This initiative is underway throughout city departments and will continue on an ongoing basis. To date, the absentee rates have been reduced on a city-wide basis from an average of 15.7 days annualized in 2009 to 15.1 days as of Q2 2010. While absentee rates do not all translate to direct savings, they represent increased capacity for the organization. The 0.6 day reduction equates to over 30,000 additional productive hours, the equivalent of which is approximately \$0.8M per year of increased productivity.
5. Electronic Pay Notices - Delivering employee pay statements via email (with an encrypted password) versus paper, this project will launch within the coming weeks and is estimated to reduce annual costs by \$0.14M as well as improving our environmental impact.

These savings figures are based on the latest data available to the VSR PMO. The annualization represents the first 12 consecutive months of savings from each respective project.

Projects undertaken by the VSR have many other benefits including: standardization, consolidation, removal of duplication, service responsiveness for our customers and partners, and providing value for money in service delivery. Sustainability is also an overarching goal as we improve processes and technology to reduce the need for paper, printing and driving of vehicles. Other projects currently underway include:

- Capital Program - focuses on process improvement and will provide greater efficiency, accuracy, and accountability, improved stewardship of capital projects and enhanced reporting of capital status, costs and outcomes.

- Permits and Licenses - focuses on improving customer service and operating efficiencies across the City by transforming the process for City permits and licenses. The project will involve significant investment in information technology, review and reduction of regulation and enhanced sustainability.
- Web Redevelopment - The purpose of this project is to create an integrated, citizen-centric web presence for the City that will provide users with an easy-to-use and reliable platform for fulfilling online transactions, accessing timely and authoritative information; and participating in consultation processes. This improved web presence will be enabled and supported by a new content management system.

A number of other projects relating to shared services are planned to launch in late 2010 or 2011:

- Communications Shared Services
- Finance Shared Services
- Facilities Shared Services
- HR Shared Services
- Inventory & Warehouse Management
- Manufacturing & Fabrication
- Time Entry
- Public Works consolidation

In addition to the VSR specific city wide projects, departments have also undertaken other initiatives and transformations, which have resulted in improvements and savings. Many of these were identified in the Opportunity Log of the VSR. These include reduction of take home vehicles in Engineering, restructuring of EQS services, reduced debt requirements for the 2010 capital budget, electronic distribution of Council reports (reducing printing costs), and consolidated advertising spend across the organization. These initiatives have resulted in a savings of approximately \$2M, reflected in departmental results.

In summary, the VSR has been a collaborative effort between departments and business units, key stakeholders and the project teams and has resulted in some key accomplishments in addition to the ones already discussed, including:

- Framework for tracking performance measures and qualitative benefits
- Tools for the implementation of shared services
- Enhanced project management tools and oversight strategies

In the coming year, VSR will continue to be facilitating departmental initiatives arising from the Opportunity Log as well as the projects outlined above.

DISCUSSION

The proposed 2011 Operating Budget indicates operating budget pressures of \$55.6 million. Major drivers of these pressures are:

- Salary increases related to exempt staff compensation plans and collective agreements
- Inflationary Increases eg, rents and leases, insurance, fleet expenses, and utilities
- Incremental costs of outside agencies eg, GVS&DD
- Incremental operating costs of new facilities such as the Hillcrest Community Centre and Library, new Park Board facilities, the VPD Relocation to Graveley Site Facilities and the VPD Property Forensic Storage facility
- Impact of the Capital program - increased debt financing costs and capital from revenue
- Revenue, although projected to increase, still remains down from prior year levels due to the continued downturn in the economy

The global economic downturn that began in 2008 has significantly impacted Vancouver's development sector. In early 2009, staff anticipated lower development related revenues and adjusted revenue projections downwards by \$12.6M (approximately 50% of previous levels). This reduced level of development activity was projected to continue throughout the 2010 fiscal year.

The development market is showing signs of improvement throughout 2010, with Development and Trade Permit fees projected to exceed budget by year-end.

The 2011 proposed budget includes an increase from the 2010 budget of approximately \$9.2M for development, trade permit and inspection fees, reflecting increasing activity in this sector of the economy and the increased fees approved by Council.

As directed by Council, the City completed a public consultation process that included open houses, advisory group meetings, Learning City interviews with business leaders, telephone and web surveys, displays and information booklets, and web pages. The results of the consultations, which have been included in this report, have been used to inform the budget strategy detailed in this report. The web survey remained open until November 22, 2010, to provide the public the opportunity to provide input to the budget.

1. 2011 PROPOSED OPERATING BUDGET

Table 1 below shows the 2011 Proposed Budget of \$1.02 billion. This budget reflects a 6.0% growth in revenues over 2010, attributed to a 2% property tax, new construction revenues, 2.75% fee increases, and a 6.9% increase to Utility Revenues associated with solid waste, sewer, and water utility rate increases proposed in three accompanying reports.

On the expenditure side, overall expenditures will increase by 6.0%, after consideration of proposed adjustments outlined in this report. The most significant changes include increases

to utility costs, capital costs and transfers to reserves for deferred payroll expenses. The budget strategy utilized for this proposed budget is outlined in this report along with the public consultation results that informed the strategy.

Table 1: 2011 Proposed Budget

| | 2010 Approved Budget \$M | 2011 Proposed Budget \$M | % Change |
|----------------------------|-----------------------------|-----------------------------|-------------|
| Revenues | | | |
| Taxation Revenue | 602.9 | 622.1 | |
| General Revenue | 174.2 | 197.1 | |
| Utility Fees | 186.4 | 199.2 | |
| Transfers | 7.2 | 10.7 | |
| Total Revenues | 970.7 | 1,029.1 | 6.0% |
| Expenditures | | | |
| Departmental Expenditures | 680.0 | 711.5 | |
| Utility Expenditures | 214.2 | 228.4 | |
| Capital Program & Debt | 76.5 | 89.2 | |
| Total Expenditures | 970.7 | 1,029.1 | 6.0% |
| Net Budget Position | 0.0 | 0.0 | |

2. PUBLIC CONSULTATION

Appendix 1 includes a detailed analysis of the 2011 Operating Budget consultation activities and outreach.

Appendix 2 is a full report of the 2011 telephone survey conducted by Market Dimensions, and additional tables with results of the:

- Web survey
- Online and paper surveys submitted via City website and ballot boxes at 24 City community centres

a) Elements of the Public Consultation Program

Each year, the City consults with the public, businesses and stakeholders to gather feedback about the proposed operating budget. This year, the program included strategic information

for the public in regard to what comprises the City budget and generally how things work in the area of budgeting. The City completed a consultation process including open houses open to all and hosted by advisory committees and external agencies (VEDC, Arts Alliance, BC persons with Disabilities). The Learning City network performed one on one interviews (separate from open houses) and led a special event at Langara College.

The goals of the consultation are fourfold:

- 1) Inform the public about how budgeting works
- 2) Obtain information on priorities for operational spending
- 3) Understand tax tolerance of business and residents respectively
- 4) Solicit feedback on how to continuously improve the consultation process

Consultation feedback in previous years requested better information and understanding of how the budget process works. Previous consultation feedback also indicated that the city would do better to focus consultations by sector, and partner with existing organizations to ensure the public is aware that there is an opportunity for input to the budget process. The changes to this year's process reflect this feedback.

Overall, active participation was about 50% higher for the 2011 Operating Budget consultations compared to previous years - with 260 session participants versus 173 last year, and involving roughly the same number of sessions (10).

Survey participation numbers are similar to last year; in addition, the City worked hard to reach a broader group of citizens through displays and the newsletter insert mailed with the property tax statement - these initiatives boosted the audience reach several-fold over previous years. Highlights of the process are outlined below and in Appendix 1.

Methods to reach people this year for budget consultation included:

i) General Education and Advertising

This year there was an emphasis to increase the available information about how the City operates and its budget. In the past, essential information about how the City's budget works and how it's built has been presented in financial charts or tables, which were less reader friendly.

This year, a "Budget 101" theme was developed to emphasize and explain key elements of the City's operating budget and its importance to residents and businesses. An integrated campaign was created including: a Budget 101 booklet, custom displays that circulated widely across places where the public access city facilities, a new suite of web pages, print advertising (reduced from last year), mail and e-mail notices, and multiple in-person public sessions and presentations.

ii) Information Sessions/Advisory Committees

Ten 'Budget 101' sessions were held, primarily at City Hall and individually with specific stakeholder and advisory groups.

A concise presentation themed 'Budget 101' kicked off each session to highlight basic information on the City's budget process. Stakeholder groups ranged from the general public to the specifically focused, such as the city's advisory groups for Women, People with Disabilities, Seniors, the Multicultural community and even for the Bicycle and Food Advisory Committees and the Planning Commission. Special sessions were also held for businesses and the arts and culture community. A general open house sponsored by the city was also held. Feedback was generally positive, with sessions held in the afternoon or evening to accommodate schedules.

A lively 'Budget 101' game show was held at Langara College during its 40th Anniversary Open House, which had over 10,000 visitors - over 100 participants took part in three 'Budget 101' sessions of over 30 participants each.

iii) Surveys

A traditional telephone survey of residents and businesses was conducted between early October until mid-November. Online surveys were utilized as well, and paper surveys were collected from boxes which accompanied the displays travelling across the city.

It should be noted that online and paper surveys are considered "self-selected" and while an important tool, not statistically reliable. They do, however, indicate many of the same trends as in the telephone surveys.

iv) Displays

Six sets of 'Budget 101' displays were created that summarize the City financial picture and the municipal tax structure. There were two sets of six panels and four sets of two panels. One of the pairs was created using Chinese language.

These displays rotated through all of the City's community centres and the larger sets were placed at City Hall and the Central library. Library traffic can reach up to 7,000 visitors per day and there was substantial interest in the displays. The displays were up for over five weeks, including a week at each community centre.

v) Learning City One-on-one Consultations

Over 10 special consultations were held with business, community and educational leaders across the city through an outreach program conducted by Learning City, a network of 45+ organizations who endorse and support a culture of lifelong learning. Learning City sat down with leaders to have hour-long discussions about City priorities. These leaders provided their insight into major issues facing Vancouver and how they thought the City should approach them. Some details are included with the session comments at the end.

Other Forms of Feedback

The public was also invited to provide comment and feedback through e-mail, and via the City's 3-1-1 phone service. A few people opted to do this, however most participants chose to

participate through the online survey instead. The web has often been indicated by the public as a preferred way to communicate with the City.

This year, a question was added to the telephone and web survey asking people whether they had previously heard that the City was consulting the public and businesses on its budget. Just over 38% of respondents had heard of the consultations.

Survey respondents mentioned newspaper ads as the main source of information about the consultation. Residents and businesses indicated that surveys and email were preferred options for consultation methods.

b) Consultation Results

Telephone, Web and Paper Surveys

This is wave/year 13 of the annual budget survey. The key areas of the survey that the City sought feedback on were:

- General satisfaction with City services
- Top of mind / Most important local issues
- Most valued service areas
- Tax tolerance
- The choice of approach to balance the budget - service cuts vs. tax increases, and
- Most palatable service areas for possible cuts

Details of the surveys are contained in Appendix 2 however, in general, some trends are continuing from previous years consultation results. In particular, there is concern over the economy and a somewhat reduced tolerance for a tax increase from both the public and businesses.

One notable technical difference in this year's survey was a change in the properties used as examples for the impacts of a tax increase. The \$200,000 property value level was removed from the lower end, and after reviewing the change in property values in Vancouver a value of \$1.2 million was added on the top end of the scale.

In addition, for the first time, feedback was sought by having the online survey in Chinese as well as English. In the course of the consultation, the City was asked to consider the use of 'simplified' versus 'traditional' characters to better meet the needs of citizens born in the People's Republic of China who have been the largest single group of new immigrants in the past decade. The city will be reviewing this issue for next year's budget consultation.

Summary of key metrics in the survey results

General Satisfaction with City Services

On the issue of City Services, 80.9 percent of residents and 85.6 percent of businesses were generally satisfied.

Top of mind/most important local issues:

The top issues of concern for **residents** were (in order of precedence):

1. Homelessness
2. Affordable Housing
3. Public Transit
4. City Finances and Property Tax
5. Traffic Congestion

The top areas of concern for **businesses** were (in order of precedence):

1. City Finances and Property Tax
2. The Economy
3. Development and Planning
4. Crime and Personal Safety
5. Public Transit

These concerns were also echoed in the information sessions, where business attendees and advocates clearly stated that although they very much support the City's social agenda of addressing homelessness and the environment, they also believe that continuing to relieve the tax burden on businesses and improving the City's approach and promotion of business was essential.

This year, green initiatives were added to the list of important city issues. Green initiatives were rated in the middle and were neither a top priority nor an area which should be considered as non-essential. Considering the difficult economic times and the focus on the global, national and provincial economy, this is a positive endorsement.

Most valued service areas

The top five most valued areas that **residents** indicated in the telephone survey were (ranked in order of precedence):

1. Public Libraries
2. Fire Services
3. Garbage Collection

4. Parks
5. Policing

For **businesses**, the services they most value are:

1. Fire Services
2. Policing
3. Parks
4. Sewage and Water Services
5. Streets

Tax increase tolerance

The level of tax tolerance has dropped again amongst residents and businesses compared to previous years, although a clear majority of residents still support a 2 percent tax increase (69 percent of residents overall - 62 percent of homeowners, and 78 percent of renters).

Of note however, only 36.7 percent of businesses would support even a modest tax increase of 2 percent, down significantly from last year (47 percent) and continuing a trend of year-over-year sharp declines since 2008 (and despite the tax shift from businesses to residents).

By comparison, the survey last year asked about tax tolerance rates from 2 percent and ranging up to 7 percent. The responses ranged from 71 percent to 63 percent in favour from residents—and from 65 percent to 55 percent from businesses. Amongst residents and businesses the tolerance decreases as the value of the property increases (very noticeable in the newly added \$1.2 million bracket - at just 50 percent support among residents in highest property value amount).

Options to balance the budget - Service cuts vs. tax increases vs. mixed approach

By a small margin, **Businesses** prefer that the City's approach be a mixture of service cuts and tax/fee increases with very little support for tax increases alone as a solution (44 percent for mixed approach vs. 43 percent for cuts/fee increases and 13 percent in favour of tax increases alone). **Residents** also prefer a mixed approach by 50 percent vs. 26 percent for service cuts/fee increases and 24 percent for tax increases alone.

Most likely service areas for possible reductions

In terms of identifying specific areas where the City might find efficiencies or make reductions, there is only weak support for any particular approach. This is at odds with people's stated desire to mix cuts with fee increases vs. tax increases etc. This trend continues from previous year's surveys.

For residents, the top five areas of strongest support for possible reductions are in:

1. By-law enforcement (34%)
2. Service hour reductions (30%)
3. Garbage and recycling (29%)
4. Arts and culture grants (28%)
5. Green initiatives (27%)

For businesses, the top five areas of strongest support for possible reductions are in:

1. By-law enforcement (36%)
2. Maintenance and cleaning of city buildings (32%)
3. Arts and culture grants (29%)
4. Service hour reductions (29%)
5. Planning (27%)

Comments from the Information Sessions

As noted above, the consultation included meetings with a variety of advisory committees to the City, including the Women's, the Multicultural, the Persons with Disabilities, Seniors, Bicycle, Food, and GCAT Advisory committees. In addition staff met with the City Planning Commission, residents from the Arts and Culture and Business community. Most groups found the 'Budget 101' presentation helpful in understanding how the City and its operating budget function. While many people were content knowing the basics, there were several requests for a more detailed breakdown of departmental expenditures.

The Women's Advisory Group session in particular requested an explanation of how budget spending or cuts might affect issues of concern to women, such as affordable housing or community programs. The Multicultural and People with Disabilities groups focused on the City being able to provide culturally responsive services.

Below are some of the notable comments, suggestions and themes which were raised by the advisory groups:

Main themes:

- Clear support for affordable housing and homelessness initiatives
- Increase understanding of the budget by publishing a more detailed breakdown of the operating budget
- Conduct more research and benchmarking
- Better understand and minimize the affect of any service reductions on vulnerable populations

- Generate more revenue by increasing business opportunities, investments and partnerships

Some unique themes that were mentioned include:

- As criminal activity is decreasing, consider reallocating funds from police to recreation, the arts, and programs related to responsible alcohol use as crime prevention measures.
- Review community services through a cultural and disability lens to ensure accessibility for diverse multicultural community (eg. Muslim women in pools)
- Generate more revenue through fines for construction and other by-law infractions
- Reduce time for planning and permit approvals.
- Maintain tax competitiveness with other jurisdictions
- Continue with initiatives such as green and homelessness initiatives and the Vancouver Services Review
- Continue promotion of the city to attract tourists and other business
- Review employee benefit options to reduce the future employee benefit obligations in line with private sector

Threads from the Learning City consultation meetings

- There is a very positive reaction to the City's leadership in recognizing learning as a fulcrum for achieving virtually all of its other goals. People not only understand but also applaud the City linking support for "Vancouver-as-a-learning-culture" with its core goals around homelessness issues, environmental sustainability, safe and inclusive neighbourhoods, and creative capital and economic innovation. There is an appetite for more positioning of Vancouver as a culture of lifelong learning - at the community level, among learning providers, as an investment opportunity, and in terms of the city's national and international profile.
- There is considerable empathy for the City's budget situation - and a willingness to be reasonable and supportive with respect to the hard choices the City has to make. However, two strands of issues or "missed opportunities" (one operational and the other process-oriented) undermine this support and goodwill to some extent. The City may want to "reflect back" these concerns at the conclusion of this process.
- Operational alignment issues have been flagged on several fronts including, land usage and the coordination of services. Do the various City departments - eg. planning/development, taxation, community services -- 'get' the larger return on investment from investing in learning-related projects and partnerships? Are there ways these partnerships can be approached more as mutually-advantageous opportunities rather than obligatory permission-granting activities? Can more synergy and win-win outcomes be affected across departments - space availability and utilization, property taxation breaks, programming coordination, provision of support services (eg. daycare, transportation), etc?

- Process issues have also been flagged, particularly with respect to the way in which consultation happens. How can the City make better use of the rigorous due diligence and strategic thinking that's happening on the ground in different circles? How can it absorb and synthesize and act on all this good thinking so that the effort and intelligence behind it is honoured and we move beyond the sometimes-fatiguing cycle of problem/solution description into action.

3. 2011 OPERATING BUDGET STRATEGY

The 2011 Operating Budget has been built based in a two-stage process: budget build based on approved levels of service and key inflationary guidelines, identification of significant budget pressures or unfunded programs of high priority, and identification of more discretionary areas within Department and Board budgets for adjustment; and a second stage comprised of refined revenue and expenditure estimates, and proposed service adjustments, to bring forward to Council a proposed tax increase 2.0%. Table 2 summarizes these two steps while the following describes key aspects of this strategy.

Table 2: 2011 Operating Budget Summary

| | <u>\$million</u> |
|--|---|
| Drivers of Operating Budget Pressures | \$55.6 |
| <ul style="list-style-type: none"> • Salary and Fringe Benefit Increases • New Facilities Operating Costs • Capital Program • Outside Agency Impact • Funding Requests • Council Approvals and Other | 33.2 7.9 8.7 3.7 1.7 0.4 |
| Projected Net Revenue Increases | (29.0) |
| <ul style="list-style-type: none"> • Fee Increases • Net Property Tax Increase incl. New Construction • Removal of transfer to Olympic Legacy Reserve • On-Street Parking and Enforcement Revenues • Civic Theatres bookings • Development Revenues • Provincial Traffic Fine Share • Reduction in Investment Income | |
| Departmental Adjustments | (13.4) |
| Strategic use of Reserve Funding | (1.8) |
| Proposed Property Tax Increase (2.0%) | \$11.4 |

Priority Investments

During the budget process, a number of unfunded programs were considered to be of high ranking priority and closely aligned to core services. These activities, totalling \$1.7 million, are considered critical and are proposed for funding. These include:

- Replacement of VFRS Personal protective equipment;
- Initiatives required under the BC Police Act;
- Activities related to Vancouver's 125th Anniversary;
- Funding to support the transition for the repatriation of Metro Vancouver Labour Relations functions;
- Support for environment and sustainability initiatives including soil remediation, corporate waste diversion and climate change adaptation
- E-learning initiatives to allow training obligations to be met more efficiently

Departmental Adjustments

Recognizing the continued pressure on costs, Departments and Boards were requested, during the 2011 Operating budget process, to review areas within their budget that could be adjusted, with the least impact to services, to help balance the budget. A total of \$13.4 million of adjustments, from each of the City's departments and Boards, is proposed to balance the budget with a 2% property tax increase.

Much work has been done across all City departments and agencies to reduce expenditures over the last two fiscal years - many of the strategies being proposed to manage the projected 2011 budget pressure will involve the strategic use of vacancy management, reductions in overtime and temporary help along with the further reduction of more discretionary spending such as consulting and contract services, travel and training. We are also using opportunities identified through the opportunity log of the VSR to achieve savings and are reviewing appropriate cost allocation from operating to capital.

Other adjustments which may involve a change in service reflect Council direction and input from the public. Details of the proposed adjustments are included in Appendix 3 and summarized by Department in Table 3 below.

Table 3 - Summary of proposed adjustments by Department

| | \$ million | Estimated FTE ¹ | Estimated Net FTE ² |
|------------------------------------|-------------|----------------------------|--------------------------------|
| Community Services Group | 1.2 | 7.5 | 0.0 |
| Britannia Services Centre | 0.1 | 0.0 | 0.0 |
| Vancouver Fire and Rescue Services | 0.5 | 0.0 | 0.0 |
| Engineering Services | 2.3 | 13.5 | 0.0 |
| Vancouver Public Library | 1.1 | 7.5 | 0.0 |
| Vancouver Police Department | 2.0 | 0.0 | 0.0 |
| Parks and Recreation | 2.7 | 11.4 | 8.0 |
| Corporate Support Services | 3.6 | 4.0 | 2.0 |
| Total Adjustments | 13.4 | 43.9 | 10.0 |

¹ Estimated FTE includes regular full-time and part-time positions as well as a calculated temporary & auxiliary FTE's

² Estimated Net FTE is equal to the Estimated FTE less positions currently vacant and temporary/auxiliary FTE's

Utility Fees

The City has established four utilities that are operated on a user-pay basis. The water, solid waste and neighbourhood energy utilities are fully funded from user fees so that increased expenditures are matched by increased user fees with no impact on property taxes. The sewer utility is funded approximately 63% from user fees (sanitary) and 37% from property taxes (storm).

The table below summarizes the proposed impact of utilities increases on the average residential and non-residential properties in Vancouver:

| | RESIDENTIAL | | | NON-RESIDENTIAL | | |
|------------------------|--------------------|-------------|-------------|--------------------|-------------|-------------|
| | 2011 Proposed Fees | \$ Change | % Change | 2011 Proposed Fees | \$ Change | % Change |
| Solid Waste Utility | 228 | 6 | 2.6% | 135 | 2 | 1.5% |
| Sewer Utility | 248 | 21 | 9.3% | 261 | 22 | 8.4% |
| Water Utility | 467 | 50 | 11.9% | 445 | 48 | 10.8% |
| Total Utilities | \$943 | \$77 | 8.2% | \$841 | \$72 | 8.6% |

- 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. Approximately 800 commercial and institutional properties receive garbage collection services by the City.

Solid Waste Utility: Solid Waste Utility Fees are made up of three components: garbage collection fees, recyclables collection fees, and yard trimmings/food waste collection fees. Cost increases anticipated in 2011 are attributed primarily to salary increases and increased

costs related to replacement of recycling trucks. A combined fee increase of approximately \$6 or 2.6% per homeowner is proposed to recover the full cost of solid waste operations (\$4 for garbage collection, \$2 for recycling collection, with no increase for yard trimmings and food waste collection).

Future new program cost increases will be necessary for Vancouver to implement aggressive new waste diversion and management actions anticipated under the new Regional Solid Waste Management Plan. The specifics of these programs are uncertain at this time. Staff will report back to Council as the details become known.

Sewer Utility: There are two main drivers of costs in the Sewer Utility: the Greater Vancouver Sewerage and Drainage District (GVS&DD) levy (over which Council has no direct control), and debt charges. In 2011, GVS&DD levy is estimated to increase by 6% over the 2010 levy. The Sewer Utility debt costs are estimated to increase by 8%. As a result of these factors, it is estimated that the sewer user rates will increase by approximately 9.3% per homeowner. For single family dwellings, the annual flat rate for sewer fees is anticipated to increase from \$227 to \$248.

Water Utility: Water utility costs are driven by increases in the cost of water purchased from the Regional District, over which Council has no direct control, and by debt charges. The Regional unit cost of water is expected to increase by approximately 14% in 2011 as a result of capital expenditures related to the water filtration project at the Seymour and Capilano Reservoirs. The City's water utility debt cost is estimated at \$19.25 million, a 9% increase over 2010. Other City costs are not expected to change significantly. As a result of these factors, the Water Utility rates are estimated to increase by approximately 11.5% in 2011. For single family dwellings, the annual flat rate for water is anticipated to increase from \$417 to \$467.

Neighbourhood Energy Utility (NEU): The Southeast False Creek Neighbourhood Energy Utility (SEFC NEU) provides space heating and domestic hot water to multi-family residential, commercial, institutional and industrial buildings in SEFC. SEFC NEU rates are comprised of two components: a fixed Capacity Charge (related to the fixed capital and operating costs associated with the NEU) and a variable Energy Use Charge (related to customers' actual energy consumption). For 2011, these rates will increase by 3.15% over the 2010 customer rates, based on a 2.0% inflationary increase plus a 1.15% Rate Escalation Factor.

4. PROPOSED 2011 BUDGET

In 2010, a number of changes took place in the city's organizational structure:

- Through the VSR program, Information Technology became a shared service, and Engineering and Parks Sanitation was combined.
- The 311 implementation continued, with customer service activities transitioning from departments to the 311 call center.
- Facilities costs, including rents and lease expenses, which in prior years were reflected in the operating budgets of each department, are now consolidated into the Facilities branch of the Support Services budget.

These changes are reflected in the 2011 budget. In order to make a comparison between the 2011 proposed budget and the 2010 approved budget, the 2010 budget has been restated to reflect these organizational changes, and offers a more comparable year over year view.

The 2011 proposed budget is summarized in Table 4 for each of the major service groups.

Table 4: 2011 Proposed Budget - Summary

| | 2010 Council Approved Budget | 2010 Budget after Restatements | 2011 Proposed Budget | Change over 2010 Restated Budget | % Change over 2010 Restated Budget |
|--|---------------------------------|--------------------------------------|-------------------------|--|---|
| Summary of Revenues | | | | | |
| Taxation Revenues | (602.9) | (602.9) | (610.8) | (7.9) | 1.3% |
| Required Increase in Taxation Revenues | 0.0 | 0.0 | (11.4) | (11.4) | |
| Other Revenues (excl. PB and Civic Theatres) | (128.4) | (129.6) | (147.1) | (17.5) | 13.5% |
| - Park Board Revenue | (39.0) | (39.0) | (41.5) | (2.4) | 6.3% |
| - Civic Theatres Revenue | (6.9) | (6.9) | (8.5) | (1.7) | 24.1% |
| Utility Fees | (186.4) | (186.4) | (199.2) | (12.8) | 6.9% |
| Transfers from Other Funds/Reserves | (7.2) | (7.2) | (10.7) | (3.6) | 49.7% |
| | (970.8) | (972.0) | (1,029.1) | (57.1) | 5.9% |
| Summary of Expenditures | | | | | |
| Community Services | 52.1 | 45.5 | 47.0 | 1.5 | 3.3% |
| Civic Theatres | 7.5 | 5.1 | 6.1 | 1.0 | 19.0% |
| Grants | 15.9 | 15.9 | 16.3 | 0.4 | 2.6% |
| Engineering (incl Utilities) | 282.1 | 278.4 | 292.8 | 14.4 | 5.2% |
| Vancouver Public Library | 39.7 | 37.2 | 37.8 | 0.6 | 1.7% |
| Parks and Recreation | 99.3 | 95.0 | 96.8 | 1.8 | 1.9% |
| Britannia Community Centre | 3.2 | 3.2 | 3.4 | 0.2 | 6.7% |
| Fire and Rescue * | 85.8 | 85.5 | 88.0 | 2.5 | 3.0% |
| - Fire share of E-Comm | 4.1 | 4.1 | 4.1 | 0.0 | 0.0% |
| SUBTOTAL FIRE | 89.9 | 89.6 | 92.2 | 2.5 | 2.8% |
| Vancouver Police Department * | 198.5 | 193.1 | 198.6 | 5.5 | 2.8% |
| - VPD share of E-Comm | 16.6 | 16.6 | 16.6 | 0.0 | 0.0% |
| SUBTOTAL VPD | 215.1 | 209.8 | 215.3 | 5.5 | 2.6% |
| Support Services | 69.8 | 86.9 | 99.7 | 12.9 | 14.8% |
| Contingency | 6.0 | 6.0 | 6.2 | 0.2 | 2.5% |
| General Government | 8.0 | 17.3 | 20.0 | 2.7 | 15.9% |
| Capital Program & Debt | 76.5 | 76.5 | 89.2 | 12.7 | 16.6% |
| Transfers | 5.7 | 5.7 | 6.5 | 0.8 | 13.1% |
| | 970.8 | 972.0 | 1,029.1 | 57.1 | 5.9% |
| Indicated Property Tax Increase | | | | | 2.0% |

* Fire and Rescue and the Vancouver Police Department budgets do not include full year wage increases due to the expiration of their contract in March 2010

Summary of key changes in the 2011 Operating Budget:

Staff began preparing the 2011 Operating Budget estimates during the summer of 2010 based on approved levels of service and key inflationary guidelines, with a consistent approach applied across all Departments and Boards.

Budgets were built based on detailed salary calculations for all approved positions, and a thorough review of key non-salary accounts such as utilities, rents and leases, fleet and insurance. Budgets have been adjusted to reflect changes in costs and fleet composition. Finance staff conducted detailed administrative reviews of revenues.

At the same time, departments were asked to identify any significant budget pressures or unfunded programs which are considered to be of high priority and closely aligned to core services, Council priorities and the Corporate Strategic Business Plan. The Corporate Management Team has prioritized only the most critical funding requests, and these funding requests are being brought forward to Council for recommendation.

Recognizing the continued pressure on costs, Departments and Boards were requested to review areas within their budget that were considered more discretionary in nature. Many of the strategies being proposed to manage the projected 2011 budget pressure will involve the strategic use of vacancy management, reductions in overtime and temporary help along with the further reduction of more discretionary spending such as consulting and contract services, travel and training.

The 2011 proposed budget includes a provision for funding deferred payroll costs to assist with reducing the City's ongoing unfunded liability. This is a significant liability for the City (\$83.9M at the end of 2009) which is only partially supported through the existing reserve of \$31M.

Details of the proposed adjustments are included in Appendix 3.

• Support Services (2010 \$86.9M: 2011 \$99.7M)

The following departments and major projects are included within Support Services: Mayor and Council, City Clerks, the City Manager's Office, the Equal Employment Opportunity program, Human Resources, Legal Services, Corporate Communications, Vancouver Services Review, Business Planning & Services, Financial Services and Information Technology.

The Support Services expenditure increase is driven primarily by facility costs related to the VPD partial relocation to Gravelly Street, the tactical training center and the new forensic storage facility.

In addition, the Support Services budget contains salary and fringe benefit cost increases, partially offset by reductions in fleet and utility expenditures.

One-time funding to support the 2011 municipal election are reflected in the 2011 support services budget, offset by an election reserve transfer into revenue.

Human Resources budget increases in 2011 are related to transition activities associated with taking on the additional responsibilities currently performed by the Metro Vancouver Labour Relations function. On November 30th, 2009 the City of Vancouver gave notice to discontinue the retention of the regional district for labour related services.

Reductions to the budgets for support services have been made to reflect changes to business processes and reduced spending on consulting, temporary help, meeting and protocol expenses, training, postage and office supplies, and to reflect a lower spend on janitorial, facilities and real estate support.

- **Vancouver Fire and Rescue Service** (2010 \$89.6M: 2011 \$92.2M)

The Vancouver Fire and Rescue Service (VFRS) 2010 budget includes only a partial year wage increase due to the expiration of their contract in March 2010; the 2011 budget does not include any wage increase for unionized staff pending finalization of the negotiations. Instead, there is a corporate payroll provision for deferred payroll costs.

Included in the proposed 2011 budget are funding requests of \$230K to support VFRS's e-learning initiatives to allow training obligations to be met more efficiently, diversity hiring initiatives, and the reinstatement of personal protective equipment funding which was reduced in the 2008 budget.

VFRS's share of E-Comm costs remain static from 2010 to 2011.

- **Vancouver Police Department** (2010 \$209.8M: 2011 \$215.3M)

The Vancouver Police Department (VPD) 2010 budget includes only a partial year wage increase for Sworn staff due to the expiration of their contract in March 2010; the 2011 budget does not include any wage increase for Sworn staff. Instead, there is a corporate payroll provision for deferred payroll costs.

Included in the proposed 2011 budget are funding requests of \$80K to support mediation and legal costs required under changes to the BC Police Act.

Additional cost increases for VPD relate to higher costs associated with non-lead ammunition, and increased fleet-related costs for maintenance, insurance and operations.

The VPD's expenditure budget has been adjusted to maintain existing civilian vacancies or future vacancies due to attrition/retirement, and to reflect lower expenditures on equipment, meeting expenses, subscriptions and magazines, and building occupancy costs.

VPD's share of E-Comm costs remain static from 2010 to 2011.

- **Vancouver Public Library** (2010 \$37.2M: 2011 \$37.8M)

The Vancouver Public Library (VPL) expenditure increase is driven primarily by salary and fringe benefit cost increases.

Revenues have been adjusted to reflect inflationary guidelines (a 2.75% fee increase).

The repayment of a loan in 2010 is resulting in reduced funding required for loan expenses in the 2011 budget and availability of these resources for other pressures in the 2011 budget. In addition, the VPL budget has been adjusted to reflect a lower spend on insurance and fleet requirements, and proposed changes to service levels at the Central Library to reflect utilization.

- **Vancouver Board of Parks and Recreation** (2010 \$95.0M: 2011 \$96.8M)

The Park Board expenditure increase is driven primarily by salary and fringe benefit cost increases, and an increase for the incremental operational costs of new facilities.

Fees and charges have been adjusted to reflect market conditions and inflationary cost increases.

The Park Board expenditure budget has been adjusted to reflect a lower spend on utilities and fleet requirements, access to and cleaning of washrooms, naturalization of passive turf and garden areas, and recreation operational efficiencies.

- **Community Services Group** (2010 \$45.5M: 2011 \$47.0M)

The Community Services Group (CSG) expenditure increase is driven primarily by salary and fringe benefit cost increases.

Included in the proposed 2011 budget are funding requests of \$350K to support the Vancouver 125th Anniversary.

The CSG expenditure budget has been adjusted to reflect a lower spend on contractors and consulting help; training and travel; overtime and temp support; and public consultations.

- **Engineering Services (incl Utilities)** (2010 \$278.4M: 2011 \$292.8M)

Inflationary revenue increases, and a significantly lower anticipated spend on fleet and equipment rental, have helped to offset salary and fringe benefit cost increases for 2011.

General reductions in the budgets for public works will be achieved from reduced hiring to fill vacancies created by attrition. This will reduce the size of the labour pool available for work on programs and capital work. It is not expected that there will be layoffs as a result of these program reductions.

Changes in Utilities are described above on page 16.

5. Implications of the Municipal Tax Levy Redistribution ("the shift") in 2011

In March 2008, Council adopted the recommendations of the Property Tax Policy Review Commission ("PTPRC") that a target distribution of 52% residential and 48% non-residential be achieved (based on the *2008 Assessment Roll*) by shifting \$23.8 million proportionately from non-residential to residential properties. In order to avoid the significant impact of the shift in one year, the PTPRC recommended that the shift be implemented at a rate of 1% of the overall tax levy per year. The 2011 tax year is the fourth year of the program.

Along with the change in the total municipal tax levy from year to year determined by Council, property taxes will also be impacted by the continuation of the 1% redistribution of the municipal tax levy from non-residential to residential properties.

Table 5 demonstrates the impact of the 1% municipal tax levy redistribution to the total municipal tax levy with the related impact on a range of residential and non-residential properties.

**Table 5 - Potential Impact of Municipal Tax Levy Redistribution ("the shift")
 Based on a Proposed 2% Increase to 2011 Municipal Tax Levy**

| Property Value | 2011 Municipal Tax Levy | Prior to Shift | After Shift from Non-residential to Residential |
|-----------------------------|-------------------------|----------------|---|
| Residential Property | | | |
| \$400,000 | \$862 | \$17 | \$34 |
| \$700,000 | \$1,508 | \$30 | \$60 |
| \$800,000 | \$1,723 | \$34 | \$69 |
| \$900,000 | \$1,938 | \$39 | \$77 |
| \$1,200,000 | \$2,585 | \$52 | \$103 |
| Commercial Property | | | |
| \$400,000 | \$3,909 | \$78 | (\$3) |
| \$700,000 | \$6,841 | \$137 | (\$6) |
| \$800,000 | \$7,818 | \$156 | (\$7) |
| \$900,000 | \$8,795 | \$176 | (\$8) |
| \$1,200,000 | \$11,727 | \$235 | (\$10) |

Assumptions/Notes:

- 2011 opening municipal tax levy is calculated based on 2010 Supplementary Roll Cycle 7 and new construction estimates subject to refinement
- Effect of legislative tax rate cap on Class 2 properties and eligible Class 4 tenant-occupied port properties not included
- 1% municipal tax levy redistribution is equivalent to 2.0% increase for residential municipal tax levy and 2.0% decrease for non-residential municipal tax levy
- Impact on individual properties may vary depending on the relative change in value of a property compared to other properties in the same class; and the impact that the City's rolling three-year land assessment averaging program has on the value of a property for tax calculation purposes

- Taxes levied by other taxing authorities - Provincial School, Translink, BC Assessment, Greater Vancouver Regional District (now known as Metro Vancouver), and Municipal Finance Authority - are not included. Council has no control over the amounts collected by these taxing authorities

6. Estimated Tax Impact in 2012

The challenges faced in bringing forward a plan for a balanced budget in 2011 are linked to our knowledge of projections for the 2012 budget year. There are a number of fixed costs which will cause pressure on the budget in 2012, with compensation across all staff groups being the most significant, and as yet, unquantifiable (Collective bargaining will commence when many Collective Agreements expire at the end of 2011). It is imperative that the City and its Agencies continue to work throughout 2011 to put in place transformations which will not only assure a balanced budget for 2011, but will continue to reduce costs throughout 2012.

The potential property tax increase to maintain Council approved service levels will be dependent upon key drivers including: wage increases; inflationary increases; incremental costs of new facilities; the impact of the Capital program; and increases imposed by other agencies (including the Greater Vancouver Sewerage and Drainage District) over which Council has no control.

Key offset to these drivers include: ongoing VSR business transformations; and increased revenues as the economy continues to recover.

Ultimately it is the question of compensation that creates the most uncertainty in projecting next year's budget position.

7. Completing the Budget Cycle

The following outlines the next steps in the budget process:

| | |
|---|---------------------------|
| Interim Estimates & Public Consultation Results | November 30, 2010 |
| Special Council Meeting - Public | December 2, 2010 (7:30pm) |
| Final Budget Estimates* | December 14, 2010 |
| Tax Reports April - May | May 2011 |

*The final roll from BC Assessment will not be available prior to the Final Budget Estimates, therefore there may be changes to the 2011 budget once the final roll is received and tax rates are set in the spring of 2011.

PERSONNEL IMPLICATIONS

To bring the 2011 budget into balance with a with a 2% property tax increase, departmental adjustments have been identified for each of the City's departments and Boards. Total savings are estimated at \$13.4 million, impacting approximately ten (10) regular full-time and part-time positions.

The Corporate Management Team and the City Manager are committed to minimizing the impact on employees wherever possible, and supporting the organization and its staff through the anticipated period of transition.

The Vacancy Management Committee (VMC), which was created in 2010, will continue to ensure that there is a cross organizational approach to dealing with the impact of position reductions, minimizing staff/organizational impacts. The Committee will focus on filling critical vacancies with internal staff, identifying opportunities to limit the impact on staff affected by some reductions and continue to look for opportunities for internal staff development and promotion.

The Human Resources Transition Team will support departments with identifying and planning their adjustment strategies. This team will also support managers and staff with the required information to effectively manage through this transition period.

The approach to Vacancy Management/Transition Strategy within the organization will be subject to our collective agreements and other statutory obligations. As much as possible we will be considering other options to layoff that range from employee transfers, placements, attrition. Where layoffs occur, impacted individuals will be provided with appropriate support from their managers and the Human Resources transition team.

The City Manager and representatives from the related Boards have met with their Unions to brief them on the nature of the proposed recommendations proceeding any reporting to Council and their Boards. Discussions with our Unions will continue, and their continued active engagement will be essential to support the changes envisioned by the VSR and fully manage the employee impacts of the overall FTE reductions that have been estimated in this report.

CONCLUSION

The 2011 Operating Budget has been developed in the context of a continued challenging external economic environment with significant internal and external cost drivers. The City has been able to mitigate the majority of these costs through a review of revenues, and by business transformations through the Vancouver Services Review. Guided by Council priorities and public input, the budget also includes a series of departmental adjustment to bring the budget into balance with a 2% property tax increase.

* * * * *

Appendix 1: 2011 Operating Budget Consultation - Participation Summary

This summary outlines the methods used in consulting with the public and stakeholders for the City's 2011 Operating Budget, as well as the total participation numbers. This consultation was taken out under the banner of "Budget 101", with a goal to communicate essential facts about the budget as widely as possible.

The totals reflect a substantial increase over last year and also versus previous years - as measured either by purely active participation as well as through softer forms of engagement, which can be equally effective.

The total cost of this year's consultation was \$128K. This compares to approximately \$130K last year and \$180K in 2008 for the 2009 operating budget (a consultant was used rather than internal staff resources).

The 2011 consultation program began on October 11, 2010 and ran until November 22, 2010, although the displays will remain in circulation until the end of the November 2010.

Consultation tactics

ACTIVE PARTICIPATION:

| | |
|--|---------------------------------------|
| Information and other session attendance | 260 |
| Langara game show event, Multicultural and six other advisory groups, public open house, business open house and Vancouver Learning City one on ones | |
| Surveys | |
| Telephone: | 509 resident/250 business |
| Online: | 300 resident/100 business (estimated) |
| Community Centres | 112 resident |
| Total surveys | 1,271 |
| <i>Total active participation</i> | <u>1,531</u> (2010 Total: 1,206*) |

OTHER CONSULTATION TACTICS:

| | |
|--------------------------------------|--|
| Budget 101 displays | viewings |
| Langara | 30 |
| VPL | 10,000 - 20,000 (lower conservative figure used) |
| Community Centres | 2,000 - 5,000 |
| City Hall | 250 |
| Total estimated budget display views | 12,280 |
| Budget 101 booklets distributed | 2,500 |

| | |
|---|---|
| Newsletter insert into tax bill | 167,000 |
| Budget web pages views limitations) | 1,300 (October portion is estimated due to IT |
| Active participation | 1,520 |
| <i>Total 2011 budget engagement</i> | <u>184,602</u> (2010 Total: 2,606*) |

Active participation, as indicated above, represents a 25% increase over 2010 and at least the same over previous years, which typically had lower numbers. In total, the two methods of engagement resulted in a significant total audience increase over prior years.

Note: Calculations above exclude other tax mailing notice sent in May of each year

* **public/stakeholder sessions:** 173; **survey:** 1,400; **online forum:** 120 comments; **webpage views:** 913

Appendix 2: 2011 Budget Survey - Wave 13 - Market Dimensions

Appendix 2 available electronically. See agenda for link.

Appendix 3: 2011 Proposed Budget Adjustments

| | | | | | Estimated FTE Impact | |
|---|------------------------------------|--------------------|--------------------|--|------------------------|----------------------|
| | Department | Program | \$000s Amount | Description & Impact | Total FTE ¹ | Net FTE ² |
| 1 | Community Services Group | All divisions | (1,217.3) | Budget adjusted to reflect lower spend on contractors and consulting help; training and travel; overtime and temp support; and public consultations. Maintaining some existing vacancies. | (7.5) | 0.0 |
| Total Community Services Group | | | (\$1,217.3) | | (7.5) | 0.0 |
| 2 | Britannia | | (81.6) | Alignment of fees and charges to reflect market conditions and increased service costs | 0.0 | 0.0 |
| Total Britannia | | | (\$81.6) | | 0.0 | 0.0 |
| 3 | Vancouver Fire and Rescue Services | Corporate Revenue | (500.0) | Cost recovery of fees for Fire Prevention re-inspection activities and increases to various permits and fees under the Vancouver Fire By-law | 0.0 | 0.0 |
| Total Vancouver Fire & Rescue Services | | | (\$500.0) | | 0.0 | 0.0 |
| 4 | Engineering Services | Program Reductions | (1,631.7) | General reduction in engineering public works program costs - to be managed partially by maintaining existing or future vacancies or future vacancies | (13.5) | 0.0 |
| 5 | Engineering Services | All divisions | (481.0) | Reduced equipment and fleet rental requirements mainly related to the elimination of take home vehicles and the purchase of specialized equipment | 0.0 | 0.0 |
| 6 | Engineering Services | Cost Allocation | (150.0) | Allocation of costs in the transportation area to capital, projects and other funds to ensure correct allocation to tax supported activities | 0.0 | 0.0 |
| Total Engineering Services | | | (\$2,262.7) | | (13.5) | 0.0 |
| 7 | Vancouver Public Library | Central Library | (115.0) | Service level adjustments at Central Library | (2.0) | 0.0 |

| | Department | Program | \$000s Amount | Description & Impact | Estimated FTE Impact | |
|--|-----------------------------|-----------------------|--------------------|--|------------------------|----------------------|
| | | | | | Total FTE ¹ | Net FTE ² |
| 8 | Vancouver Public Library | Branches | (535.0) | Align incremental funding for Hillcrest branch with anticipated branch opening; reduce loan expenses | 0.0 | 0.0 |
| 9 | Vancouver Public Library | Collections | (125.0) | Reduction in book, CD and DVD purchase levels | 0.0 | 0.0 |
| 10 | Vancouver Public Library | Public Services | (300.0) | Reduced spending on temp help; Maintain existing vacancies or future vacancies due to attrition/retirement | (5.5) | 0.0 |
| Total Vancouver Public Library | | | (\$1,075.0) | | (7.5) | 0.0 |
| 11 | Vancouver Police Department | | (1,400.0) | Maintain existing and increasing future sworn officer vacancies through attrition/retirement by continuing the hiring freeze | 0.0 | 0.0 |
| 12 | Vancouver Police Department | | (459.5) | Maintain existing civilian vacancies or future vacancies due to attrition/retirement | 0.0 | 0.0 |
| 13 | Vancouver Police Department | | (170.8) | Adjust budget to reflect lower spend on equipment, meeting expenses, subscriptions and magazines, and building occupancy costs | 0.0 | 0.0 |
| Total Vancouver Police Department | | | (\$2,030.3) | | 0.0 | 0.0 |
| 14 | Park Board | Recreational Services | (200.0) | Prioritize recreation services with reductions in areas with least impact to the public | (3.0) | (1.0) |
| 15 | Park Board | Facility Maintenance | (300.0) | Close some public washrooms and reduce cleaning at others (will not reduce maintenance for washrooms in the Downtown Eastside) - specific washrooms and cleaning schedules to be determined to minimize public impacts | (3.0) | (3.0) |
| 16 | Park Board | Parks Maintenance | (400.0) | Increased emphasis on sustainability in park landscaping, through expanded naturalization of park space, creation of prairies, and prioritization of tree pruning | (5.4) | (4.0) |
| 17 | Park Board | Recreation Services | (100.0) | Alignment of Play Field Fees | 0.0 | 0.0 |

| | Department | Program | \$000s Amount | Description & Impact | Estimated FTE Impact | |
|----|--|---------|---------------------|---|------------------------|----------------------|
| | | | | | Total FTE ¹ | Net FTE ² |
| 18 | Park Board | Other | (30.0) | Cost efficiencies in hosting Community Board Meetings | 0.0 | 0.0 |
| 19 | Park Board | Other | (1,650.0) | Adjustments to fees and charges to reflect market conditions and cost increases; net new revenues for events, attractions, restaurants and new parking facilities. Additional savings from farmyard closure. | 0.0 | 0.0 |
| | Total Vancouver Board of Parks and Recreation | | (\$2,680.0) | | (11.4) | (8.0) |
| 20 | Corporate Support | | (850.0) | Changes to accounting cost allocations to ensure correct allocation to tax supported activities | 0.0 | 0.0 |
| 21 | Corporate Support | | (946.2) | Adjust budget to reflect lower spend on janitorial, facilities and real estate support | 0.0 | 0.0 |
| 22 | Corporate Support | | (514.5) | Adjust budget to reflect lower spend on meeting and protocol expenses, corporate training, postage and office supplies | 0.0 | 0.0 |
| 23 | Corporate Support | | (343.9) | Adjust budget to reflect lower spend for temp help, training and administrative support | (2.0) | (1.0) |
| 24 | Corporate Support | | (99.4) | Reduction in City administration, HR and archives support | (2.0) | (1.0) |
| 25 | Corporate Support | | (607.8) | Process changes in Financial Services and 311 | 0.0 | 0.0 |
| 26 | Corporate Support | | (225.0) | Alignment of employee and public parking fees at City Hall precinct to reflect market conditions | 0.0 | 0.0 |
| | Total Corporate Support Services | | (\$3,586.8) | | (4.0) | (2.0) |
| | Total City-wide Adjustments | | (\$13,433.7) | | (43.9) | (10.0) |

¹ FTE refers to temporary and regular positions

²Net FTE excludes vacant and temporary position to identify any Human Resource implications

Appendix 4: On-Street Parking Program

RECOMMENDATION

- A. THAT Council approve the following actions in order to provide a net increase to the on-street parking program and parking fine revenue of \$2.05 million annually with an increase of \$1.5 million expected in 2011 as reflected in the 2011 Budget Estimates:
- i. Parking meter rate changes and new parking meter areas for 2011 as detailed in Appendix 4A;
 - ii. The purchase and installation of new parking meter equipment at an estimated Capital Cost of \$800K in 2011 to be funded from the Parking Meter Replacement Fund;
 - iii. An increase to the meter maintenance funding of \$77K in 2011 and \$90K annually starting in 2012 to be funded by increased meter revenues;
 - iv. An increase to the budget for coin collection funding of \$137K in 2011 and \$205K annually starting in 2012 to be funded by increased meter revenues;
 - v. An increase to the budget for funding for customer service, credit card fees and IT support of \$135K in 2011 and \$210K annually starting in 2012 to be funded by increased meter revenues;
 - vi. An increase in parking enforcement funding of \$190K in 2011 and \$230K annually starting in 2012 to be funded by increased parking fine revenue;
 - vii. An increase in the annual provision for parking meter equipment replacement of \$80K annually starting in 2012 to be funded by increased meter revenues.

FURTHER THAT Council approve the purchase of replacement parking meter equipment at an estimated cost of \$150K in 2011, with funds provided from the Parking Meter Replacement Fund.

COUNCIL POLICY

Council Policy is to use parking pricing in order to improve turnover of street parking for short-term use and to set meter rates to reflect market demand.

PURPOSE

This report summarizes a proposal for changes to the Parking Meter Program that includes modest rate increases in areas with the highest demand for parking, rate decreases in areas with low demand for parking plus the expansion of the program into areas of high parking demand that do not currently have parking meters.

DISCUSSION

PARKING METER RATE CHANGES

Council policy is that parking meter rates reflect market demand, and that they be set to provide short term parking for visitors to commercial/retail areas. The optimal price for parking is one that guarantees 1 or 2 available street parking spaces per block at all times throughout the day (i.e. 85% parking occupancy). This means that meter prices are usually set higher than the rates in off-street lots or parkades in order to provide the appropriate balance between use of street space, for short-term parking, and use of off-street space, for longer term parking. However, it also means that street parking with too many available spots is perhaps priced too high and is not serving the customers of adjacent commercial/retail areas.

In order to evaluate parking rates and peak parking times by area, staff surveyed the demand for parking at all meters in the city at different times throughout the day. Staff performed "parking occupancy counts" to identify areas with peak occupancy levels either too low or too high, compared to the target occupancy of 85%. As a result, it is recommended that Council adjust parking rates in a number of areas, including areas in need of rate decreases and those in need of rate increases.

As you can see from the table below, the areas where rate reductions are recommended have parking occupancies of approximately 50%. A parking occupancy this low is indicative that the meter rate is higher than market value and does not promote efficient use of the street. As a comparison, the areas where rates are recommended to be increased, have an extremely high demand for parking and are most often full (100% occupancy) at the peak times. The majority of the high occupancy areas were also found to have a problem with several vehicles double-parking or stopping in prohibited areas (bus stops, corner clearance areas) while they waited for a metered space to become available. Competition for on-street parking also led to observable congestion problems as vehicles circling the block looking for parking.

| Area | Current Rate (per hour) | Proposed Rate (per hour) | Avg. Peak Occupancy Rate (% of parking spaces full) |
|---|-------------------------|--------------------------|---|
| Coal Harbour W Hastings (1200-1300) Bayshore Dr (1600-1700) | \$2/\$3 | \$1.50/\$2 | 50% |
| Nelson (400-500) Richards/Seymour (1000) Homer (700) | \$2.50/\$3 | \$2/\$2.50 | 50% |
| Kitsilano W 4th (1800-2300) | \$2 | \$2.50 | 100% |
| West Broadway (2600-3200) | \$1.50 | \$2 | 100% |
| Yaletown Hamilton/Mainland (600, 900-1100) Helmcken (300,600-800) Smithe (700) | \$2/\$2.50/\$3 | \$2.50/\$3/\$4 | 100% |
| Fairview/W 8th (400-600) and (2300-2400) | \$2.50 | \$3 | 100% |
| Coal Harbour Quay (1500) Cardero/Nicola (500) | \$2 | \$2.50/\$3 | 95% |
| Chinatown Main St (300-500) Gore (200-700) Keefer/Pender/Hastings (100-200) | \$1/\$1.50 | \$1.50/\$2 | 100% |

The changes recommended for 2011 would take effect in January 2011 and are expected to increase gross parking meter revenues by \$0.6 million in 2011 (based on implementation over the first few months of 2011) and \$0.8 million annually. This increase will apply to the total revenue gained in 2010 from coins plus the pay-by-phone system.

NEW PARKING METER ZONES

New parking meters are recommended for areas in the City where there is a high demand for parking adjacent to busy commercial/retail districts. Parking meters encourage short-term parking and parking turnover by reducing long-term usage of street parking, typically by employees. Introducing parking meters into a new area will help to open up parking spaces, improve customer access and reduce traffic congestion caused by drivers circling the block looking for a space.

The areas listed below have an observed, measured high demand for parking, in excess of 85% occupancy. Staff met with businesses in these areas and feel that there is general agreement that street parking is a problem. With these factors in mind, it is recommended to install parking meters at a rate of \$1 per hour in the following areas:

- Broadway, Ontario to Prince Edward;
- Main Street, 12th to 18th; and
- Kingsway, Tyne to Kerr (although meters are proposed only for McKinnon to Stamford at this time)

Parking meters are only installed in parking meter zones as approved by Council. In addition to the new areas noted above, additional meters are also recommended as expansions to existing meter zones such as the expansion of the existing zone on West Broadway. All of these zones are identified in Appendix 4A.

Staff also investigated other areas that currently do not have meters but which do have a high demand for parking at peak times. These areas include:

- East Hastings Street, Kaslo to Lakewood (85% peak occupancy);
- Main Street, 20th to King Edward (91% peak occupancy);
- Fraser 43rd to 51st (88% peak occupancy); and
- Victoria, 33rd to 43rd and 48th to 51st (86% peak occupancy).

Although parking at peak times is in short supply in these areas, the businesses in these areas strongly opposed the installation of parking meters. Staff feel that new meter zones are better served with the direct involvement and support of affected businesses and have not included these areas for implementation in 2011. Staff will continue to consult with these businesses and their BIA's regarding the warrant and benefits of metered parking in the future.

CONSULTATIONS

Businesses were consulted about the changes proposed in this report through the representation of their respective Business Improvement Associations (BIA's). Each affected BIA was contacted by phone and by e-mail and asked for comments and questions about the proposed changes.

For those BIA's in areas *where parking meter rates are proposed to be increased*, staff presented the parking data that showed a need for rate increases and asked for feedback. In most cases, the BIA's were uncomfortable with the rate increases but understood staff's rationale for the changes. At this point, staff recommends proceeding with the rate increases outlined in this report in order to decrease congestion in the areas and open up a few parking spaces in the busiest areas.

In the case of those BIA's with *proposed new parking meter zones*, staff also hosted an information session for each area to find out what the businesses thought of parking in their areas and whether or not they supported installation of parking meters. At the sessions, businesses were given an opportunity to fill out a survey and give feedback directly to staff present at the sessions. In addition to the feedback collected by staff, the BIA in each area also conducted their own survey on the support for parking meters.

Further to the area-specific feedback described in the previous section, these sessions were extremely valuable for staff and provided the basis for which staff has included, or not included, new metered areas in this report.

PARKING METER EQUIPMENT PURCHASE AND PROGRAM FUNDING

To ensure the parking meter program's continued effectiveness and value for businesses and the general public, additional meter equipment is required. This equipment will support both the installation of new metered spaces and the replacement of existing equipment at the end of its service life.

It is estimated that approximately 720 new metered spaces will be created in 2011. Funding for equipment and installation is proposed to be drawn from a one-time transfer from a surplus in the Parking Meter Replacement Reserve (\$800K). This surplus is the result of longer than anticipated equipment lifecycles due, in part, to improved maintenance practices.

Despite the current surplus, as the City transitions to new technologies, future equipment lifecycles are less certain. With the significant growth in the number of metered spaces proposed, there is a need to increase the annual provision for equipment replacement to keep pace with this growth. Similarly, with the purchase and installation of new equipment to support this expansion, there is a need to proportionately increase the annual budget for maintenance, coin collection, enforcement and customer support.

As new equipment is purchased, staff continue to evaluate new parking meter technologies which offer increased payment options, new security features and real-time reporting. This evaluation is on-going within regular funding levels and as part of normal operating programs.

FINANCIAL IMPLICATIONS

The parking meter program provides significant revenues to the City, totalling approximately \$36 million in 2010, net of HST.

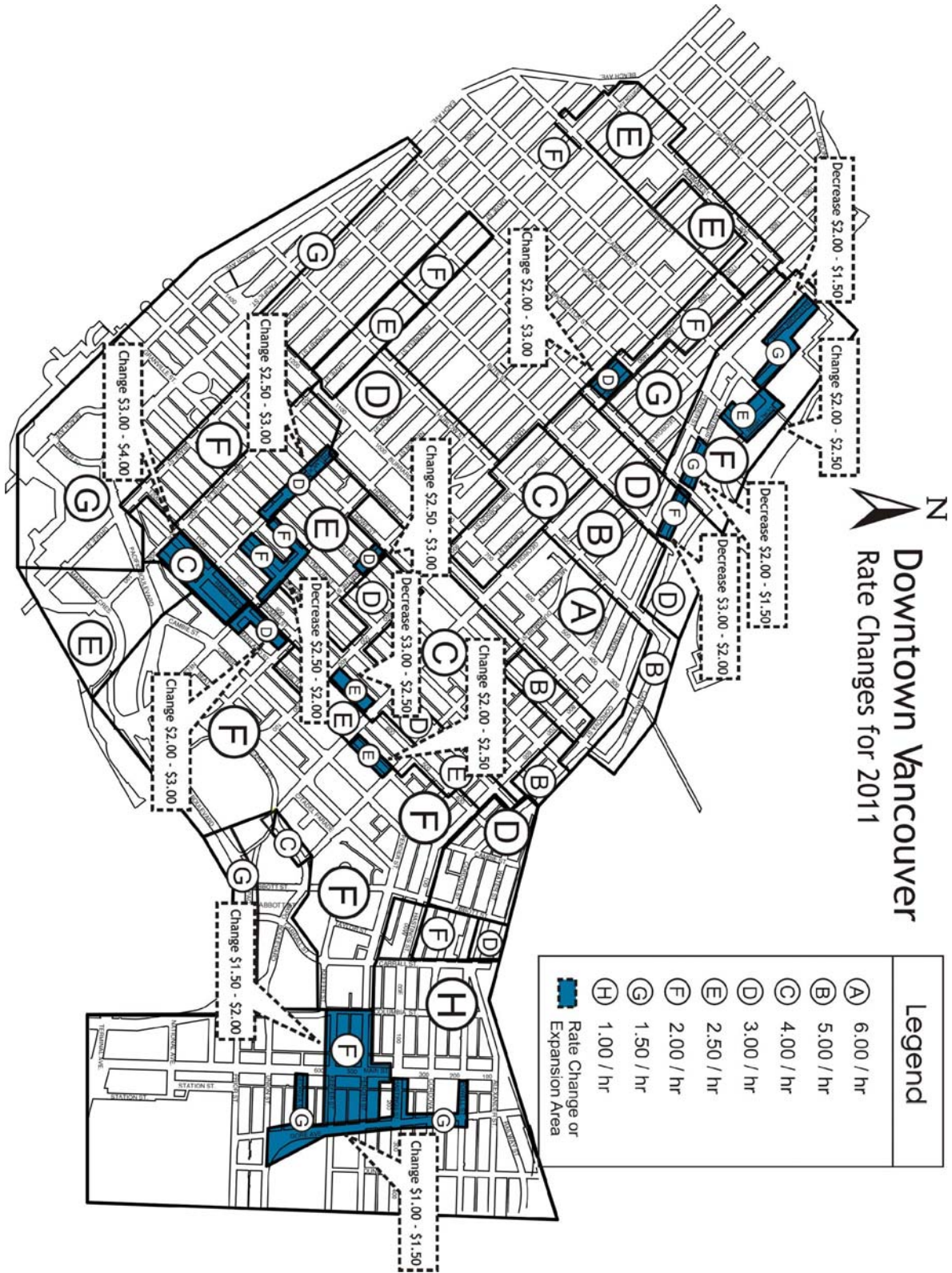
The proposed new meter zones together with the proposed parking meter rate changes are expected to increase gross parking meter revenues by \$1.65 million in 2011 and \$2.385 million on an annual basis starting in 2012. There will also be a small increase to the parking fines budget (\$390K in 2011, and \$480K on an annual basis starting in 2012). These revenue increases (meters and fines), together with the increases in equipment, operating and pay-by-phone costs, will result in a net revenue increase to the City of \$1.5 million in 2011 and an ongoing net revenue increase thereafter of \$2.05 million. These increases are applied to 2010 revenues and will be an increase to the total revenue gained from a combination of coin collection and the pay-by-phone system. A summary of the financial impact on the operating budget, including all budget adjustments, is summarized in the table below:

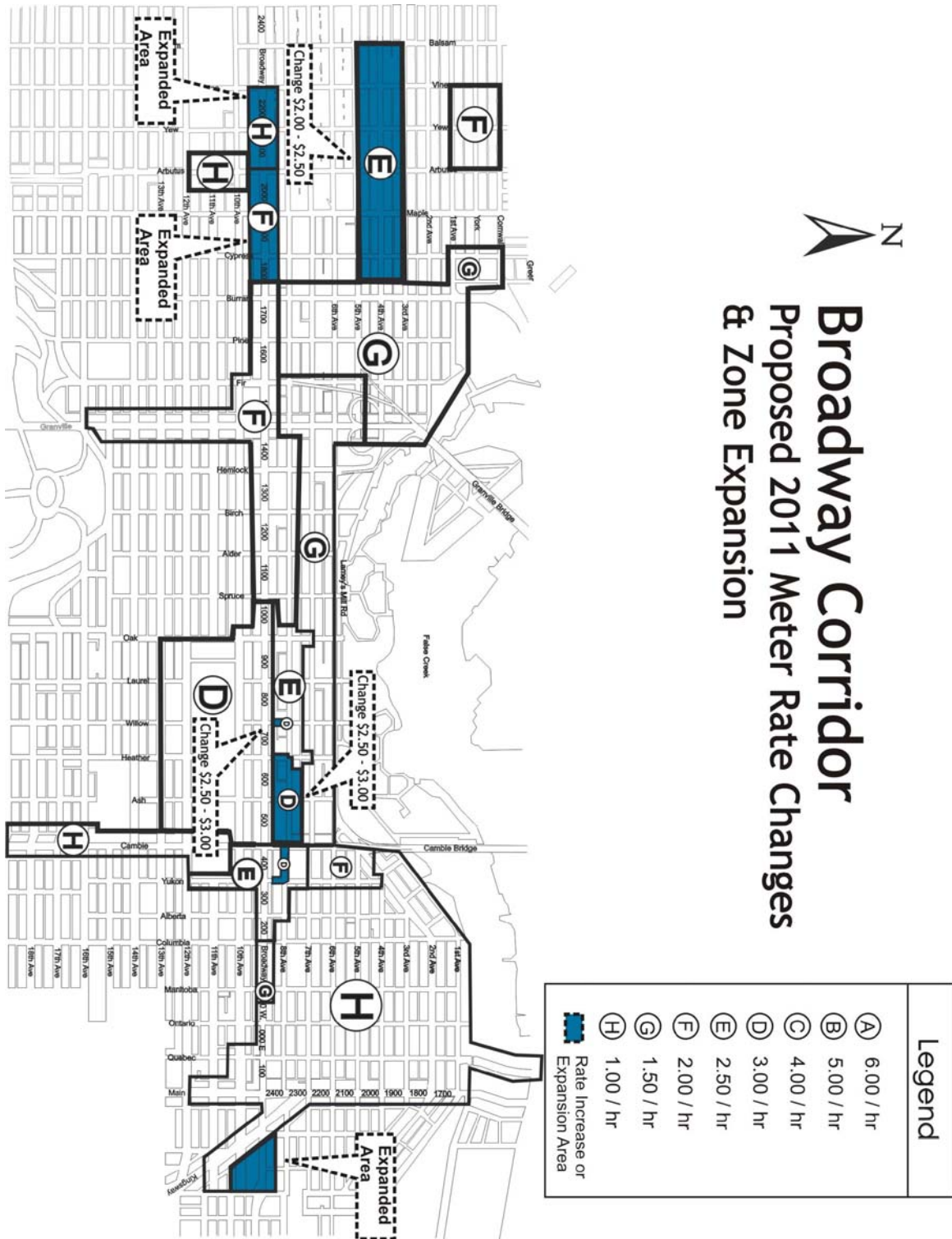
| | 2011 | Annual Impact |
|--|---------------------|---------------------|
| Revenue from Rate Increases | \$ 600,000 | \$ 800,000 |
| Revenue from New Meter Zones | \$ 1,050,000 | \$ 1,585,000 |
| Fine revenue | \$ 390,000 | \$ 480,000 |
| Coin Collections Salary Costs | \$ (87,000) | \$ (130,000) |
| Coin Collections Non-Salary Costs | \$ (50,000) | \$ (75,000) |
| Meter Maintenance Salary Costs | \$ (62,000) | \$ (75,000) |
| Meter Maintenance Non-Salary Costs | \$ (15,000) | \$ (15,000) |
| Customer service, credit card fees and IT support - Salary Costs | \$ (20,000) | \$ (30,000) |
| Customer service, credit card fees and IT support - Non-Salary Costs | \$ (116,000) | \$ (180,000) |
| Parking Enforcement Salary Costs | \$ (155,000) | \$ (187,000) |
| Parking Enforcement Non-Salary Costs | \$ (35,000) | \$ (43,000) |
| Meter Cost | \$ (800,000) | - |
| Transfer from Reserve | \$ 800,000 | |
| Provision for Future Meter Replacement | - | \$ (80,000) |
| | | |
| Net Revenue Increase | \$ 1,500,000 | \$ 2,050,000 |

New parking meter equipment is also required to replace old equipment. In the next year, an estimated \$150K of equipment needs to be replaced. Funds for this purchase are available from the Parking Meter Replacement Fund.

Appendix 4A


| | Existing Rate | Proposed Rate | Last change |
|-------------------------------------|----------------------|----------------------|-------------|
| Downtown | | | |
| Central Core CBD | \$2.50 to \$6.00 | no change | 2009 |
| Yaletown North | \$2.50 | \$2.00 | 2006 |
| Yaletown South | \$3.00 | \$4.00 | 2010 |
| Coal Harbour Quay | \$2.00 | \$2.50 | 2009 |
| Coal Harbour (Hastings/Bayshore) | \$2.00/\$3.00 | \$1.50/\$2.00 | 2009 |
| Downtown South | \$1.50/\$2.00/\$2.50 | \$1.50/\$2.00/\$2.50 | 2007 |
| Downtown Stadium | \$1.50/\$2.00/\$3.00 | no change | 2007 |
| Robson Street | \$2.00/\$3.00/\$4.00 | \$2.00/\$3.00/\$4.00 | 2005 |
| Denman Street | \$2.50 | no change | 2005 |
| Davie Street | \$2.00/\$2.50 | no change | 2005 |
| Gastown | \$2.00/\$3.00 | no change | 2005 |
| Chinatown | \$1.00/\$1.50/\$2.00 | \$1.00/\$1.50/\$2.00 | 2000 |
| Central Core CBD | \$2.50 to \$6.00 | no change | 2009 |
| Central Broadway | | | |
| Broadway Mt Pleasant | \$1.00/\$1.50 | no change | 2009 |
| VGH | \$3.00 | no change | 2009 |
| West Broadway/Kits | \$1.50 | \$1.00/\$2.00 | 2009 |
| South Granville | \$2.00 | no change | 2008 |
| Burrard Slopes | \$1.00 | no change | 2008 |
| Main Street | | | |
| Uptown/King Ed | \$1.00 | no change | 2004 |
| 1 Kingsway | \$1.00 | no change | 2004 |
| Cambie Street | | | |
| Crossroads | \$2.50 | \$3.00 | 2008 |
| Cambie Village | \$1.00 | no change | 2001 |
| Kerrisdale | | | |
| West 41st/Blvd | \$2.00/\$2.50 | no change | 2009 |
| Kitsilano | | | |
| 1st Ave | \$1.50 | no change | 2006 |
| West 4th Ave | \$2.00 | \$2.50 | 2009 |
| Yew | \$1.00 | no change | 2006 |
| Commercial Dr | \$2.00 | no change | 2009 |

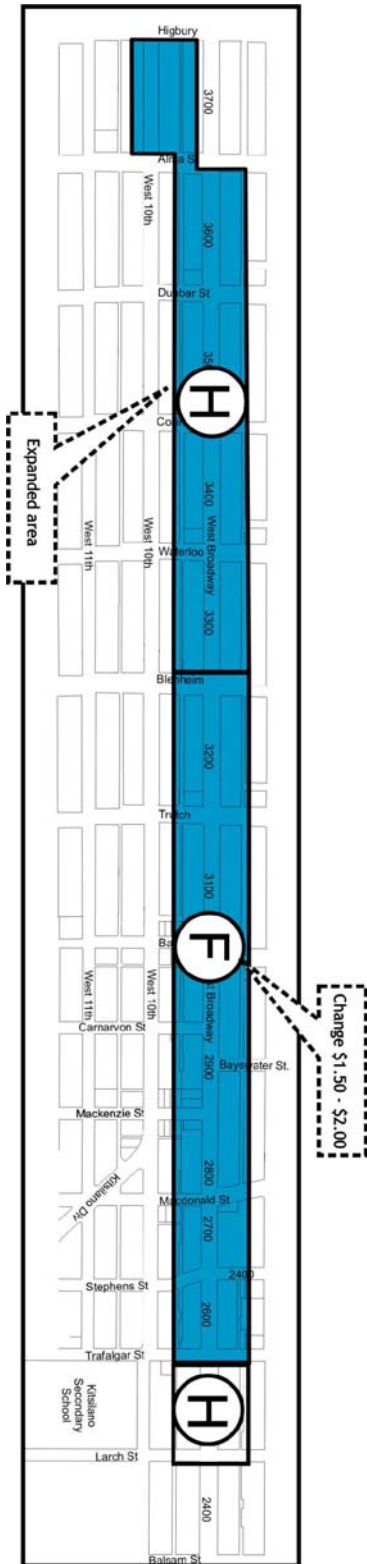


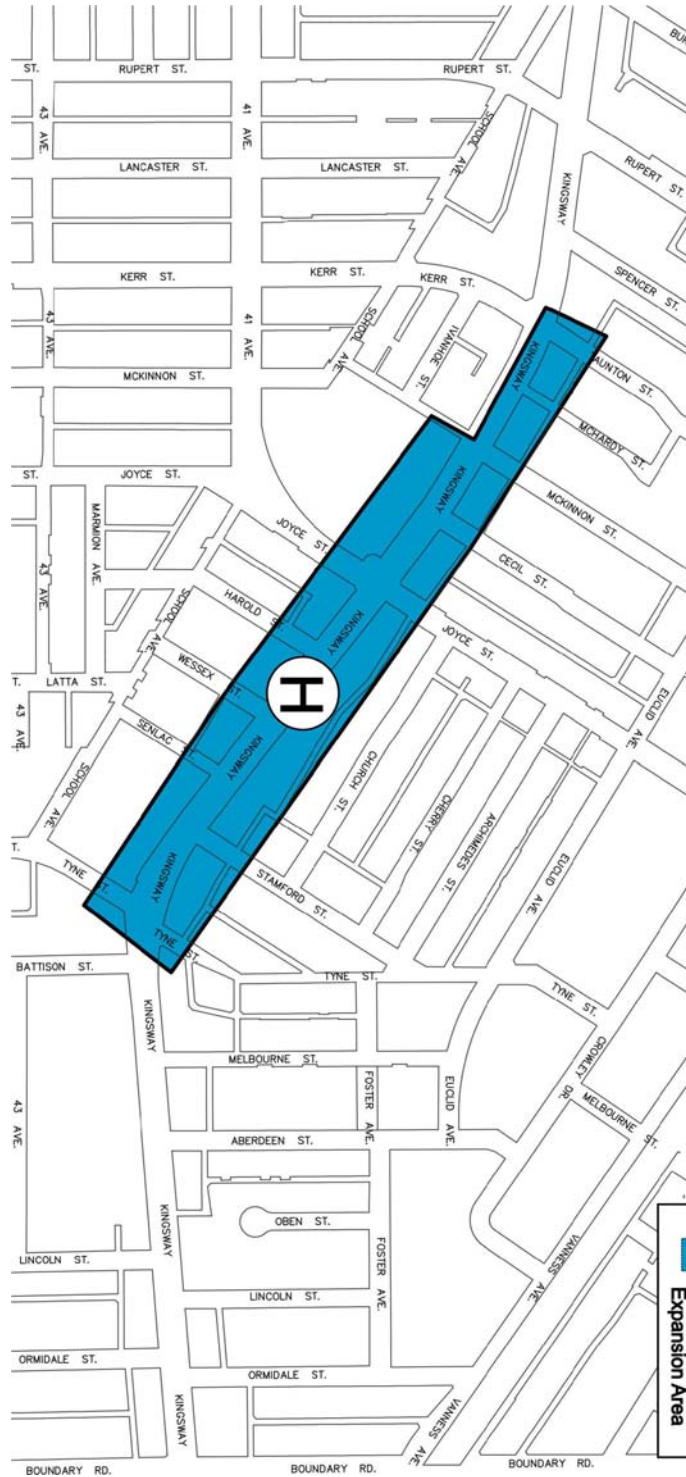


West Broadway Proposed 2011 Meter Rate Changes & Zone Expansion



| Legend | |
|---|---------------------------------|
| (A) | 6.00 / hr |
| (B) | 5.00 / hr |
| (C) | 4.00 / hr |
| (D) | 3.00 / hr |
| (E) | 2.50 / hr |
| (F) | 2.00 / hr |
| (G) | 1.50 / hr |
| (H) | 1.00 / hr |
|  | Rate Increase or Expansion Area |





Collingwood Proposed 2011 New Zone



| Legend | |
|--------|---------------------------------|
| Ⓐ | 6.00 / hr |
| Ⓑ | 5.00 / hr |
| Ⓒ | 4.00 / hr |
| Ⓓ | 3.00 / hr |
| Ⓔ | 2.50 / hr |
| Ⓕ | 2.00 / hr |
| Ⓖ | 1.50 / hr |
| Ⓕ | 1.00 / hr |
| ■ | Rate Increase or Expansion Area |