

2012 Operating Budget

February 28, 2012



Agenda

1. Budget Process Improvements
2. Environment & Trends
3. Budget Pressures
4. Public Consultation
5. Strategy to Resolve Budget Pressures
6. Proposed 2012 Budget
7. Three Year Outlook
8. Next Steps

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Improvements Achieved in Financial Rigor and Transparency

- **Long-term Financial Planning**

- 10 year Strategic Capital Outlook
- 3 year Capital Plan

- **2012 Operating Budget**

- 3 year Budget View (1 year budget; 2 year forecast)
- Gross Revenue and Expenditure

- **Oversight and Reporting**

- Quarterly Reporting - Capital and Operating
- Quarterly Forecasting

- **Transparency**

- Website now updated with annual and quarterly financial reports and Council Expenses
- Open data initiative will provide more opportunities

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Environment

- Economy:
 - Uncertainty in global economy
 - Long term structural issues
 - Impact on local economic environment
 - City Revenue being impacted
- Public sector wages and benefits under scrutiny
- BC provincial budget deficit for 2012-13
- Federal and provincial government cutbacks put pressure on local services
- Impact from other taxing authorities (eg. Translink tax)
- Low appetite for increased taxes

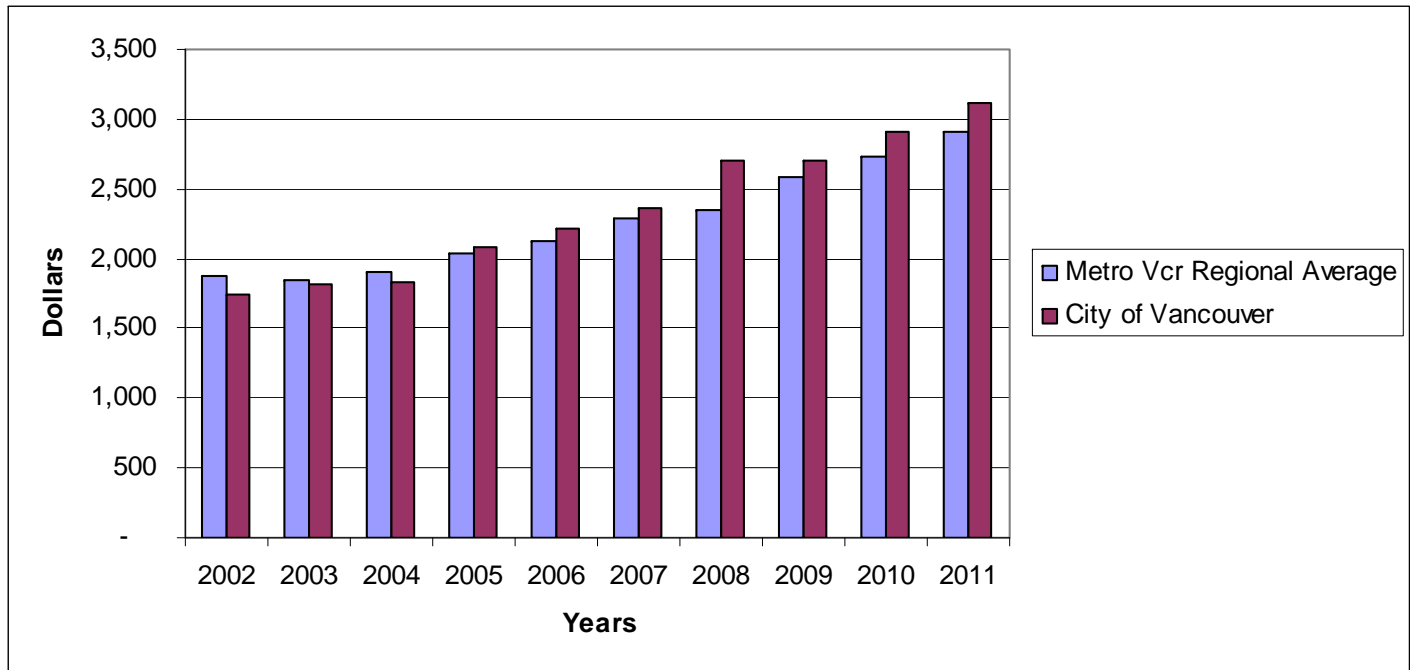
BC Provincial Budget 2012-13

- \$1 Billion deficit
 - Surplus in 2013-14
- Expenses will increase 2% per year over three years
- Growth differs by Department
 - Health, Education and Justice increasing
 - All other departments flat to decreasing
- Net-zero public sector wage increases

Metro Vancouver Comparisons: Property Tax & Utilities Paid Average Single Family Home Owner

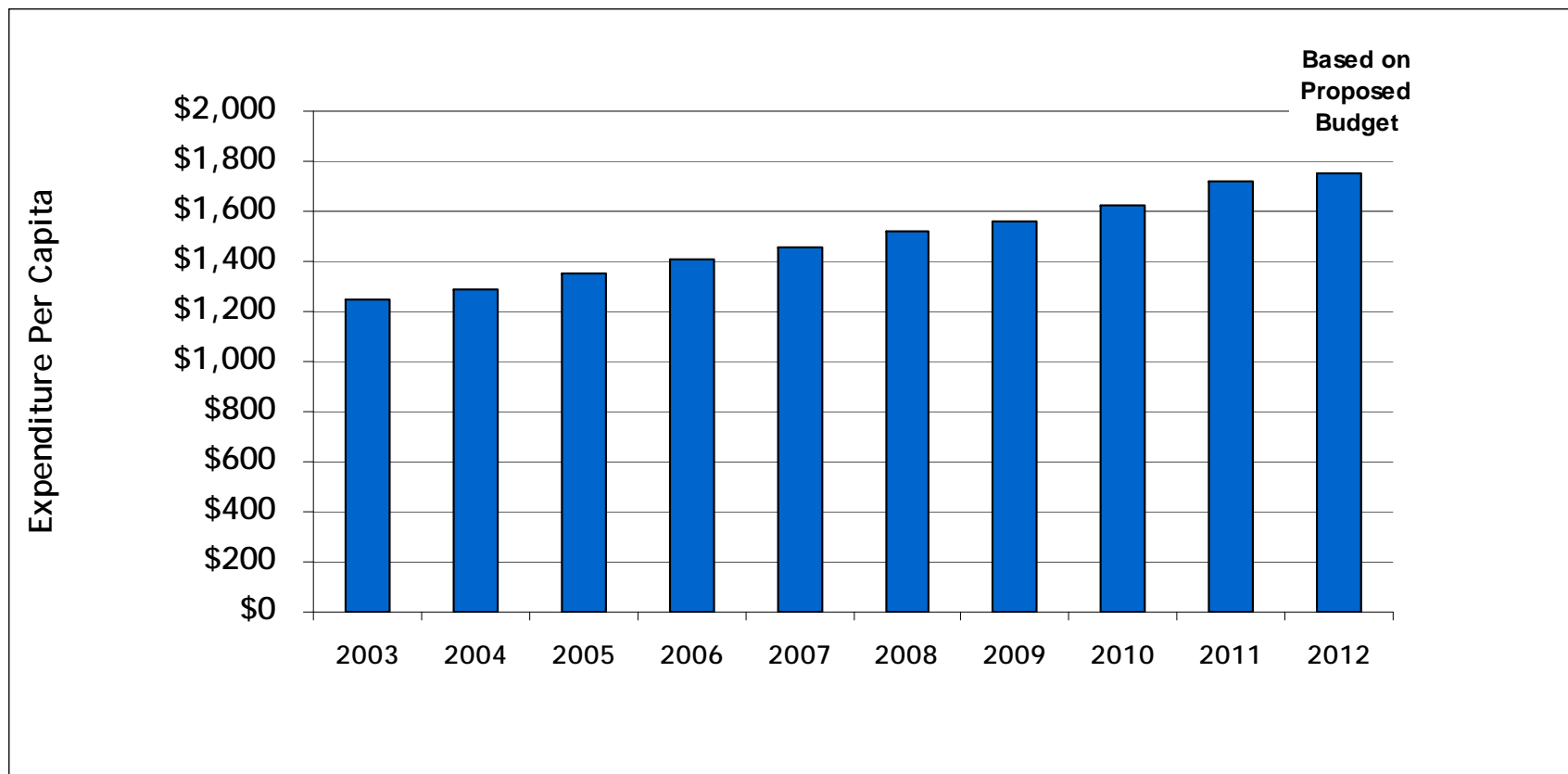
	10 Year Ave	2011
Metro Vancouver	\$2,267	\$2,911
City of Vancouver	\$2,347	\$3,111

Property Tax & Utilities Paid - Average Single Family Home Owner (\$)



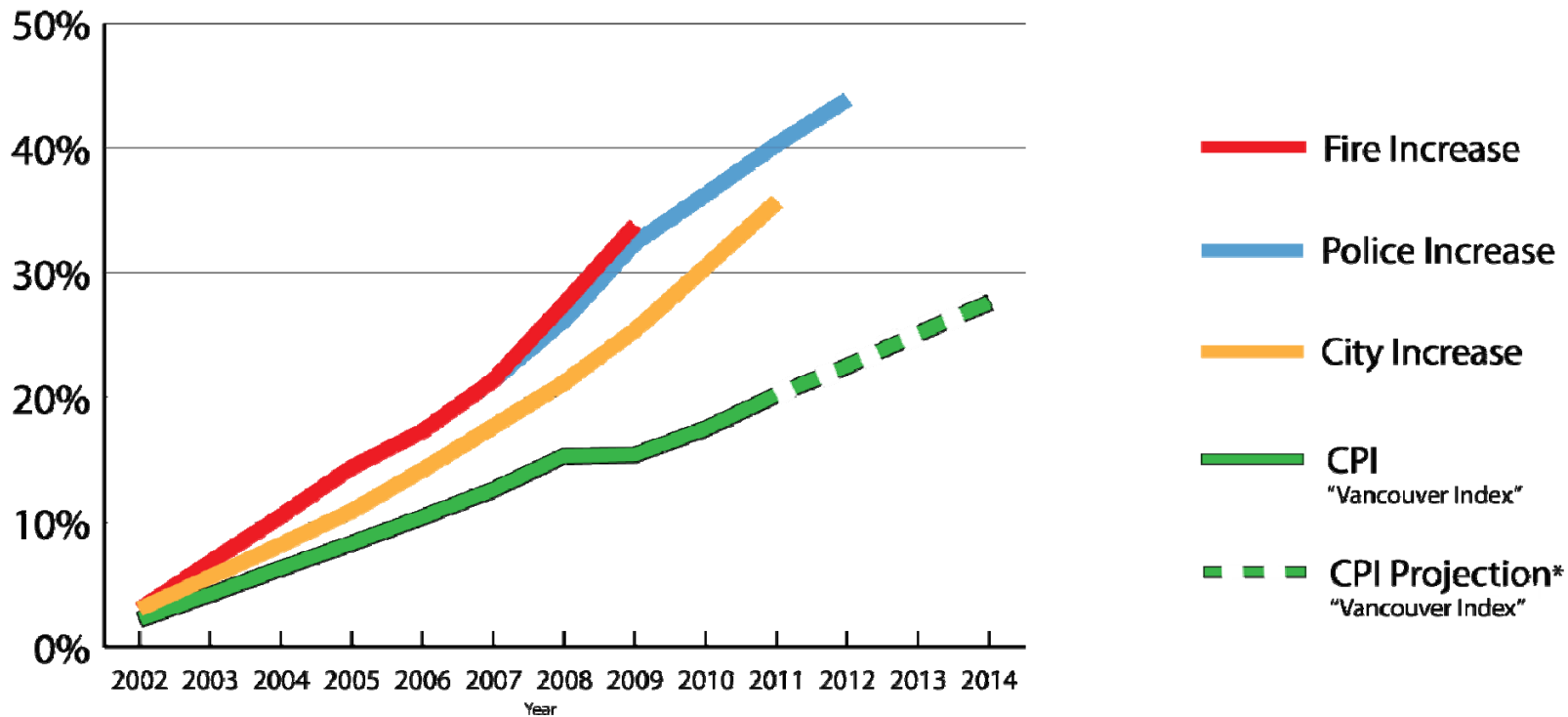
Impact of property tax redistribution

Operating Expenditures Per Capita Increasing



City of Vancouver and Boards Compounded Wage Increases (2002 to 2011)

Compounded %
Wage Increases



note:

CPI index base year = 2002: source BC Stats January 2012

Statistics Canada, CANSIM Table 326-0021 (corrected Jan 23/12), Vancouver Index

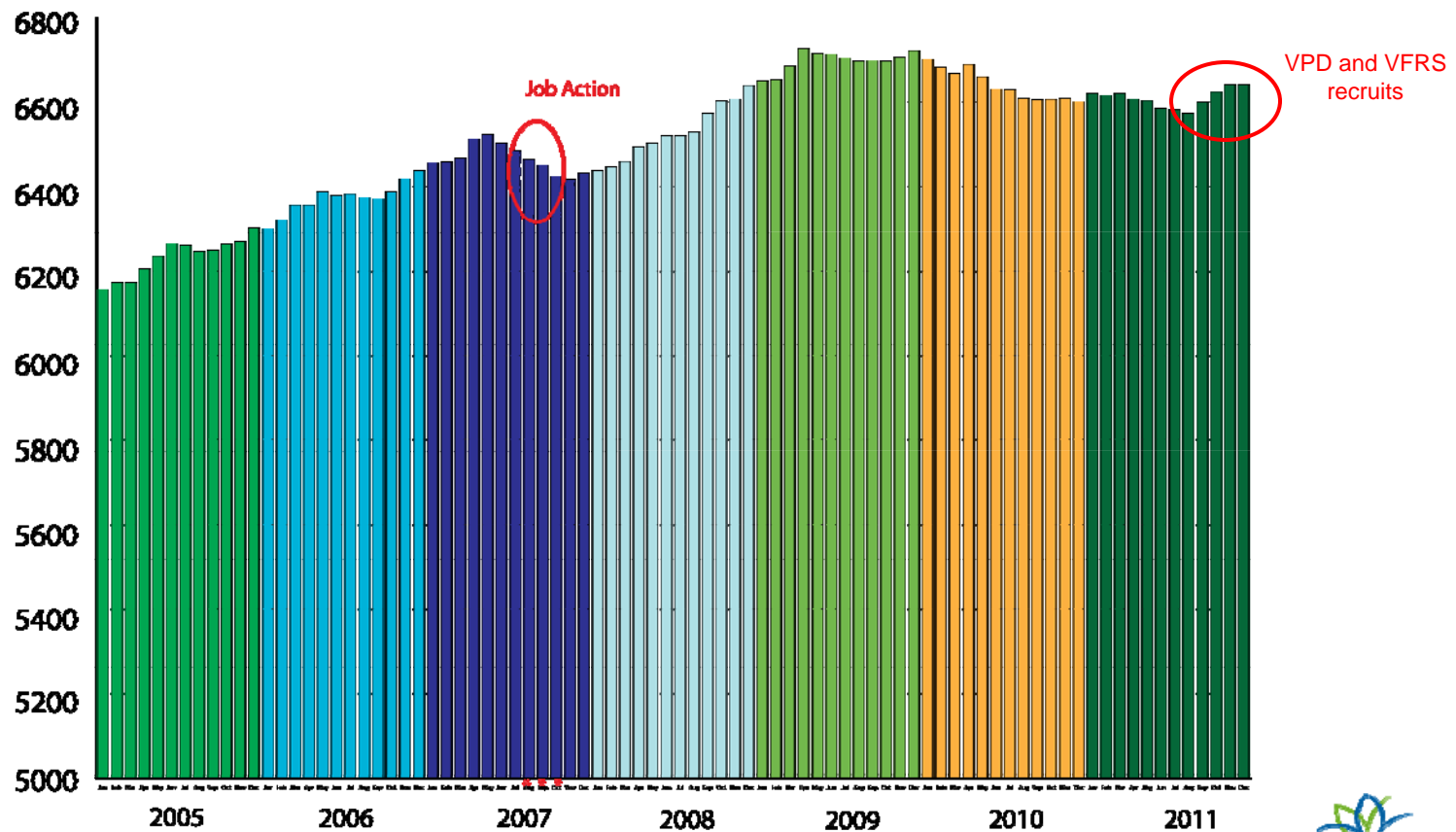
*Vancouver CPI projections provided by Conference Board of Canada, Metropolitan Outlook, Winter 2011

Contractual data source: Metro Vancouver Labour Relations

Staffing Trends: Active Regular Full Time Staff

Trajectory of staffing level has been lowered – 65% of 2005-11 increase VPD

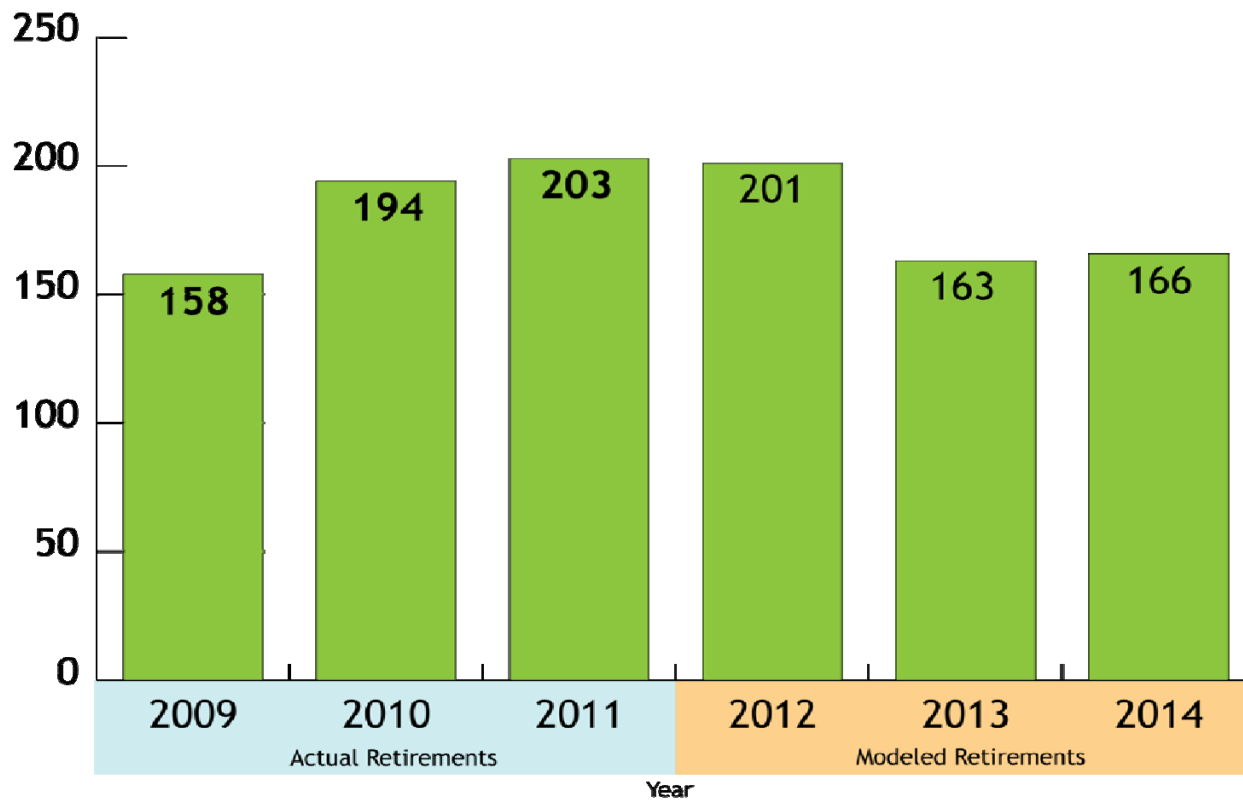
Active Regular Full Time Staff



note: Count as of last day of month (includes employees who retired on that day)
 • Job Action of 2007

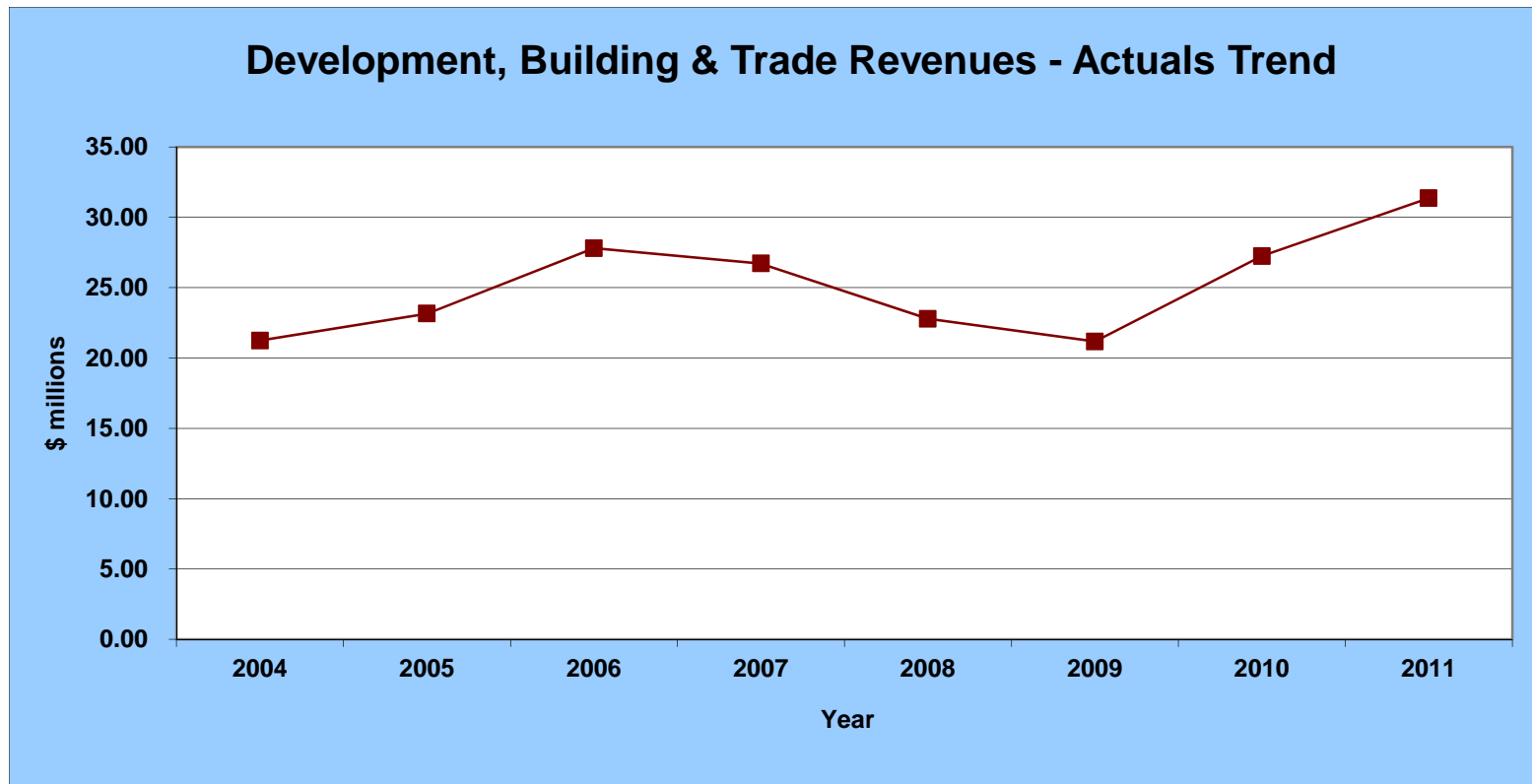
Projected Retirements

Actual / Modeled
RFT Retirements



note:
Retirement model is based on age and service probabilities for eligible RFT staff

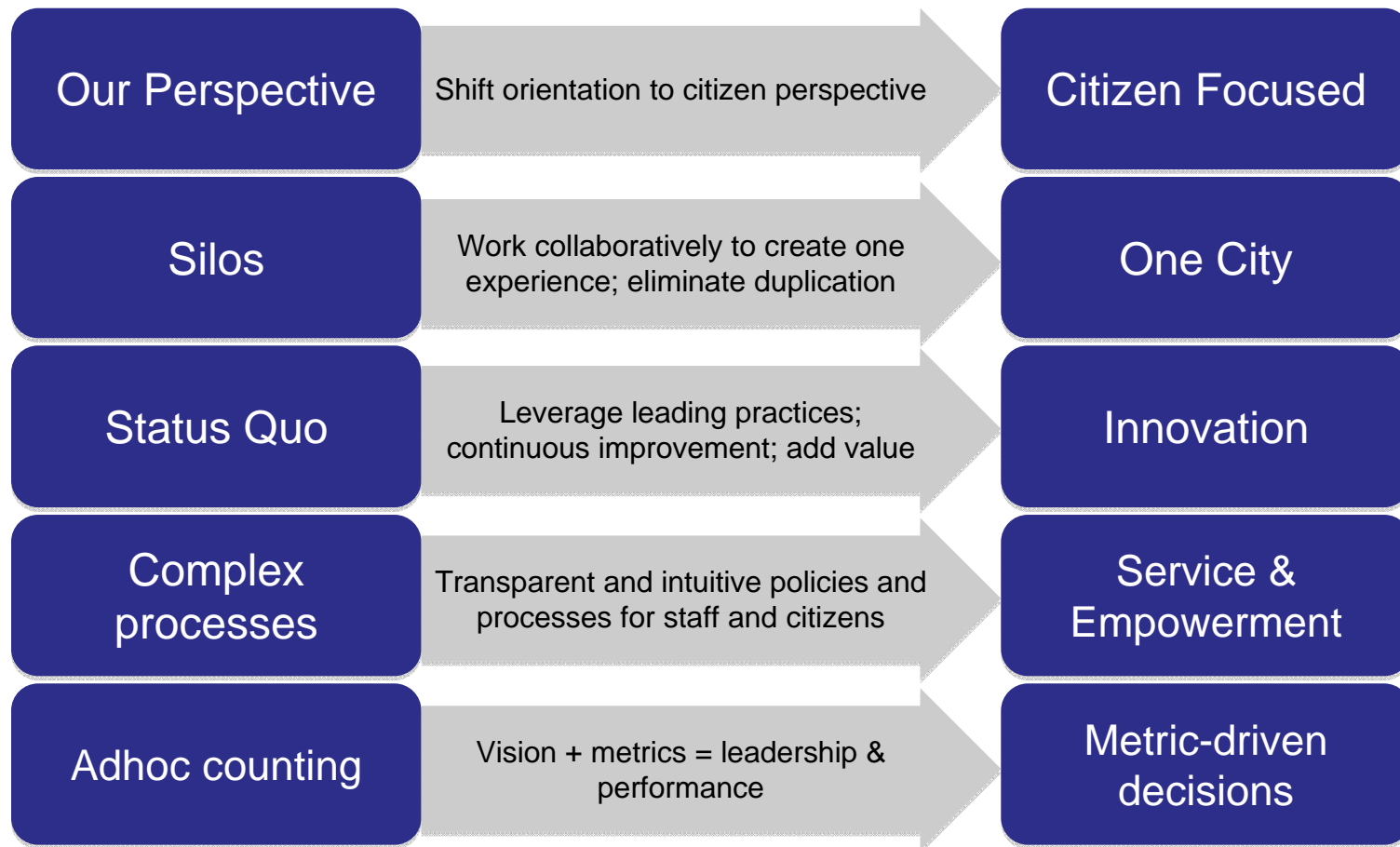
Economic Impact - Development Revenues





Business Transformation Initiatives

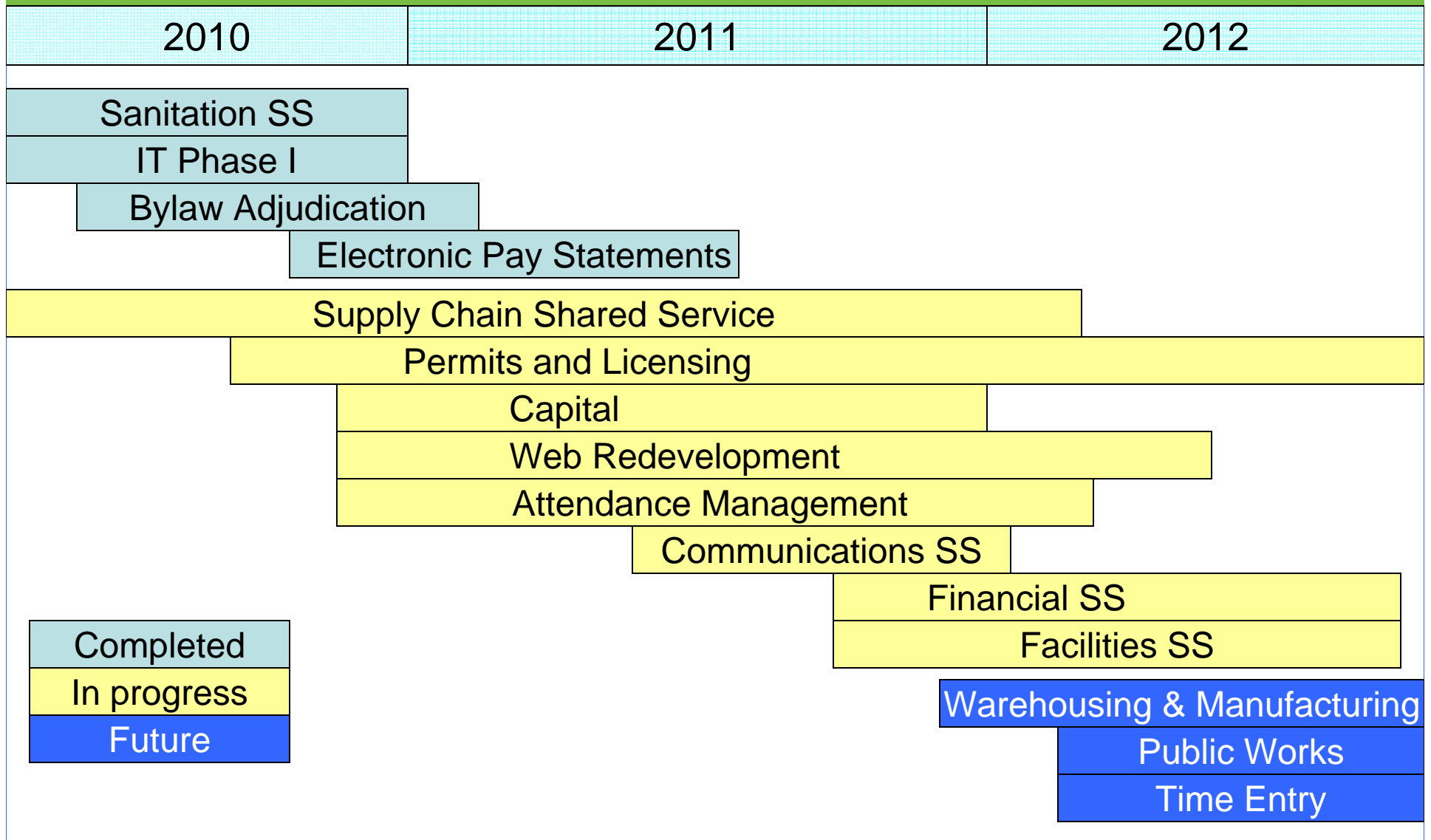
Business Transformation Shift



Business Transformation Initiatives

- Vancouver Economic Commission
- Open Data
- Greenest City initiatives
 - Reduce fleet and fuel usage by 5%
- Civic Theatres Review
- Metro Vancouver Labor Relations Review
- Community/Civic Planning

VSR Transformation Initiatives



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\$52 Million Preliminary Budget Gap @ December 15, 2011

	2011 Budget* (\$ Millions)	2012 Preliminary Estimates (\$ Millions)	Change (\$ Millions)	Change %
Total Revenue	\$1,037.5	\$1,048.1	\$10.6	1.0%
Total Expense	\$1,037.5	\$1,099.8	\$62.3	6.0%
Net Budget	\$0.0	(\$51.7)	(\$51.7)	

* 2011 Budget was restated for mid-year VPD settlement and Development & Permit revenue and changes

Note: Preliminary Report (December 15, 2011) shown on a Net Basis

\$52 Million Preliminary Budget Gap Summary @ December 15, 2011

Estimated Revenue Increase:	
Utilities fees (in linewith expenditures)	15
Taxation Revenue (new construction)	2
General Revenue: - Development, trade permit, inspection fees increasing - Decreased revenue in Park Board, parking and by-law revenue	(3)
Transfers (one time transfers from reserve)	(3)
Estimated Revenue Increase:	11

Estimated Expenditure Pressure:	
Departmental Pressures: - Inflationary increases - Program prioirites - New facility operating costs - Charges from outside agencies	44
Utility Expenditures (in line with revenue plus sewer separation costs)	16
Capital program costs:	2
Estimated Expenditure Pressure:	62

Premilinary budget gap	52
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2012 Operating Budget Public Engagement Program



TALK VANCOUVER.com

2012 Operating Budget

 CITY OF
VANCOUVER

Public Engagement - Approach

1. Budget literacy - build understanding of cost of services, revenue sources, etc



Public Engagement - Approach

2. Survey residents and businesses on their priorities and tax tolerance

Suggestion Box 2012 Budget Survey

2012 City Operating Budget

1. As you may know, the City of Vancouver provides a variety of different services to you as a resident or business owner. We'd like to know how important each service is to you.

Rate the services below using a scale from 0 to 2, where "0" means the service is "Not important" to you, and should not be given priority by City Council, "2" means the service is "Extremely important" to you, and should be given top priority. You can also choose "n/a" which means you don't know, or you are not familiar with the service.


* Maintenance and repair of sewage and drainage systems

* Maintenance and repair of city parks and beaches



Public Engagement - Approach

3. Gather ideas for cost efficiencies

 Suggestion Box: What are your creative and productive solutions to ensure we continue to deliver good services without unduly raising property taxes?

Automatic approval of conforming plans
Contract out major sewer and road construction Enforce driving and cycling infractions for fine revenues
Eliminate money spent on working infrastructure
Change city facility hours to optimize times of low utilization
Reduce civic theatre support, promote partnerships and amateur artists
Reduce costs of landfill operations with food scraps program
Convert city-owned parkades to more productive uses
Replace tax waivers on undeveloped lots Wage freeze
Reduce utility spending for bioswales, efficient buildings, cooler pools
Reduce parks budget for maintenance **Reduce police budget**
Raise business taxes **Reduce fire budget**
Postpone all scheduled 2012 vehicle replacements for one year
Zone protections for food service operations in the Flats Offer more opportunity to access services online



Public Engagement - Foundation

Statistically relevant annual phone survey of residents (500) and businesses (250) using year-over-year questions to gauge:

- General satisfaction level with City services
- Top of mind/most important issues
- Most valued service areas
- Tax tolerance
- Preferences on service cuts vs. tax increases
- Most likely service areas for possible cuts

Phone Survey Feedback: Key Service Priorities (residents & business)



2012	2011	2010
Fire & rescue services	Police	Libraries
Police	Fire & rescue services	Waste management
Sewage maintenance/ Waste management	Libraries	Fire & rescue services
Planning & future development	Waste management	Police



Phone Survey Feedback: Quality of Service

Consistently High Satisfaction Rating

2012

Public - 84% somewhat or very satisfied

Businesses - 71% somewhat or very satisfied

2011

Public - 81% somewhat or very satisfied

Businesses - 85% somewhat or very satisfied

2010

Public - 84% somewhat or very satisfied

Businesses - 68% somewhat or very satisfied



Phone Survey Feedback : Top Local Issues Facing the City

Residents:

- *Affordable housing*
 - *Homelessness/poverty*
 - *City finances/property tax*
- 2012
- *Homelessness/poverty*
 - *Affordable housing*
 - *Public transit*
 - *City finances/property tax*
- 2011
- *Homelessness/poverty*
 - *Public transit*
 - *Traffic congestion*
- 2010

Business:

- *City finances/property tax*
 - *Homelessness/poverty*
 - *Traffic congestion*
- *City finances/property tax*
 - *Economy*
 - *Crime and personal safety*
 - *Public Transit*
- *City finances/property tax*
 - *Homelessness/poverty*
 - *Traffic congestion*

Phone Survey Feedback : Tax Tolerance (2012)

Tax and Fee Increases:

- *Residents divided on a 9% property tax increase, reach a majority at a 6% hike and large majority agrees to a 3% hike.*
- *Businesses resistant to 9% and 6% tax increase but majority agrees to 3% increase. However, one-third objects to any increase at all.*

Overall Approach:

- *If given 2 choices, best approach – Both residents and businesses agree that ‘reducing city services and/or increasing user fees’ is better than raising property taxes.*

Phone Survey Feedback : Cost Saving Measures (2012)

Most supported by residents and business

- Reduce enforcement of nuisance or minor by-laws
- Hold fewer public consultations and hearings
- Reduce hours of operation at city facilities

Least supported by residents and business

- Reduce public safety services
- Reduce road and building maintenance
- Reduce park and recreation programs

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Balanced approach to addressing the Budget Gap:

- 1) Incremental funding focused on priority programs
- 2) Savings through productivity and transformation
- 3) Strategic adjustments to existing programs and services
- 4) 2.5% property tax increase

Increase Property Taxes

Municipality	Tax Rate Increase
Port Coquitlam	4.80% *
Coquitlam	3.56% *
Richmond	2.98%
Surrey	2.90%
Langley (City)	2.77% *
Vancouver	2.50% *
New Westminister	1.98% *
West Vancouver	1.75% *

* proposed to respective Councils

2.5% Property Tax increase: Impact on Typical Residence

Property Value	2012 Municipal Tax Levy	Prior to Shift	After Shift from Non-residential to Residential
Residential Property			
\$400,000	\$694	\$17	\$21
\$700,000	\$1,214	\$30	\$37
\$800,000	\$1,388	\$35	\$42
\$900,000	\$1,561	\$39	\$47
\$1,200,000	\$2,081	\$52	\$63

2.5% Property Tax increase: Impact on Typical Business

Property Value	2012 Municipal Tax Levy	Prior to Shift	After Shift from Non-residential to Residential
Commercial Property			
\$400,000	\$3,258	\$81	\$62
\$700,000	\$5,702	\$143	\$109
\$800,000	\$6,516	\$163	\$125
\$900,000	\$7,331	\$183	\$141
\$1,200,000	\$9,775	\$244	\$187

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Summary of Proposed 2012 Budget

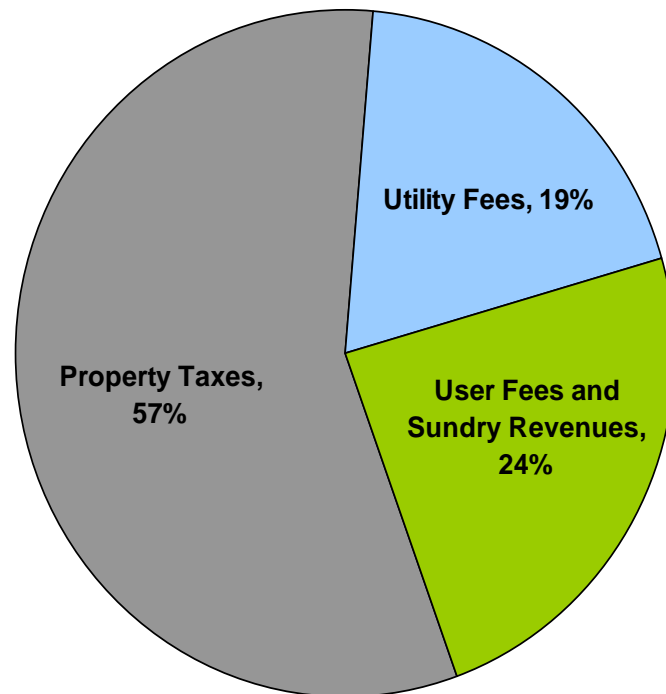
	2011 Budget* (\$ Millions)	2012 Proposed Budget (\$ Millions)	Change (\$ Millions)	Change %
Total Revenue	\$1,091.2	\$1,125.3	\$34.1	3.1%
Total Expense	\$1,091.2	\$1,125.3	\$34.1	3.1%
Net Budget	\$0.0	\$0.0	\$0.0	

* Approved 2011 budget adjusted for mid-year VPD settlement and Development and Permit revenues and changes

* Approved 2011 budget figures differ from the December 15, 2011 Preliminary Report as they are now presented on a Gross Basis.

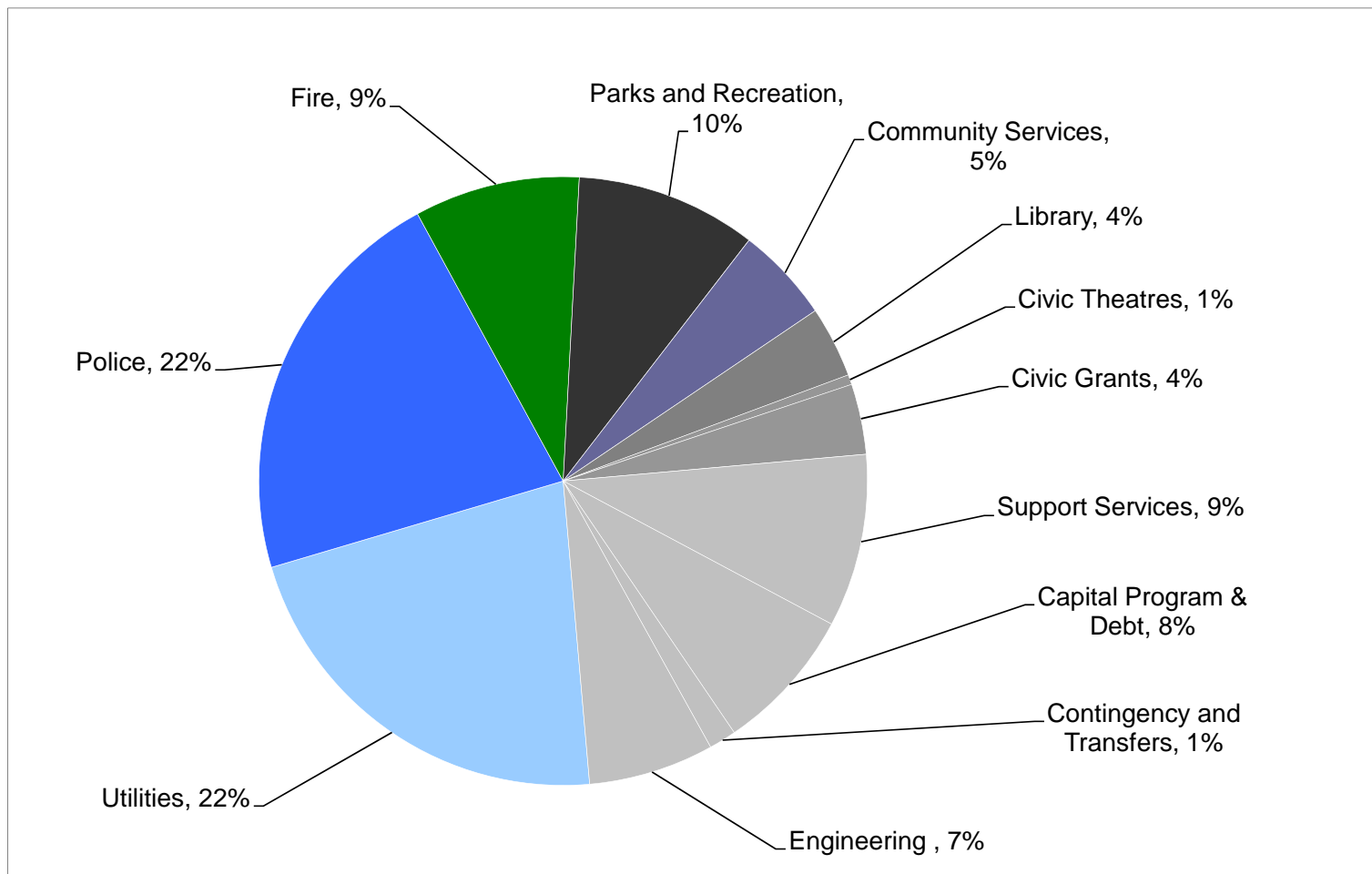
City Revenues

City of Vancouver 2012 Budget Revenues: **\$1.1 Billion**



City Expenditures

City of Vancouver 2012 Budget Expenditures: **\$1.1 Billion**



2012 Budget Expenditures

- Increase in fixed costs and new facilities
- Priority Investments
- Strategic Departmental Adjustments

City Expenditures – Increase in Fixed Cost and new facilities

Increased Expenditures:

\$ 37 million

- **Utility Costs**

- Metro Sewer levy and Water Costs
- Debt repayment

- **VPD**

- Step increments and Collective Agreement Wage increases
- Recruitment (approx. 35 replacement hires)

- **New and Full Year Facilities**

- Trout Lake, Hillcrest Community Centers
- VPD Facilities (Property storage/forensics, Graveley, 312 Main Annex)
- Woodwards Childcare
- Firehall #15

- **Library and Parks**

- Terry Salman Branch at Hillcrest
- New and enhanced parks

- **Capital/Debt and Outside Agency costs**

Priority Investments in 2012

Priority Investments:

\$ 5 million

- Earthquake Preparedness and Emergency Planning
- 3 Additional Firefighters to focus on City Emergency Planning (leveraging USAR investments)
- Affordable Housing Operations support
- Metro Vancouver Labor Relations transfer to City
- Economic Development Initiatives
- Driver Training Program
- Other initiatives and emerging issues - examples:
 - 4 community plans, business transformation, housing and affordability strategy, climate adaptation strategy

Department Strategic Adjustments - Highlights

Key Departmental Strategies: \$ (10) million

- **Parks and Recreation**
 - Increased Organizational Span of Control
 - Optimizing facility programming during low-use periods
 - Focusing beachguarding to key swimming beaches
 - Consistent park maintenance standards and practices
- **Engineering**
 - Street Cleaning frequency based on needs assessment
 - Street lighting maintenance based on needs and timing
 - Use of in-house equipment
 - Changing workflow of building site inspectors
- **Community Services**
 - Risk based management for building inspectors
 - Optimize planning, development and permitting
- **Library**
 - Central library information services
 - Technical services efficiencies
- **Support Services**
 - Operational costs of facilities; janitorial service
 - Shared Services optimization
 - Non-core CityLearn programs; Optimize Health Wellness and Safety Program

Personnel Implications – Impacted positions

Estimated Reduction of Positions:
Primarily vacant positions or upcoming retirements

	Estimated Positions (FTE) ¹
Vancouver Police Department	0
Parks and Recreation	21
Vancouver Fire and Rescue Services	0
Engineering Services	27
Community Services Group	14
Vancouver Public Library	9
Corporate Support Services	18
Total Adjustments	89

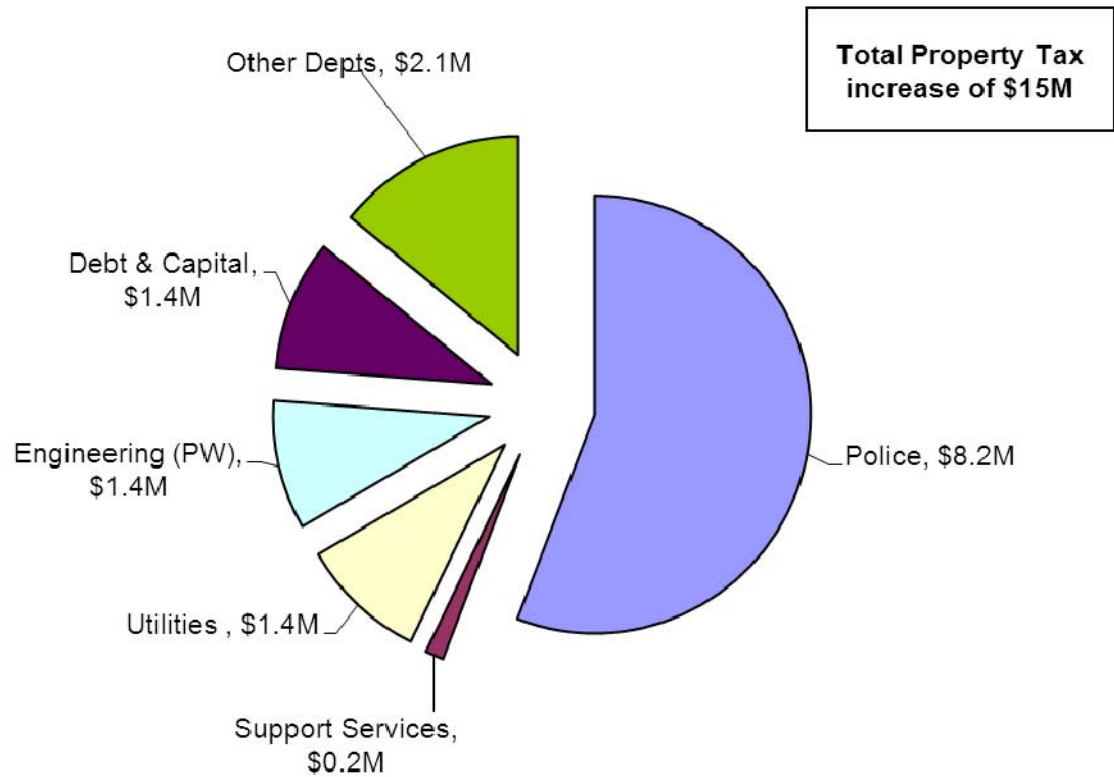
¹ Estimated Full Time Equivalent (FTE) includes regular full-time and part-time positions as well as calculated temporary & auxiliary FTEs



2012 Departmental Expenditure Budgets

Policing costs largest recipient of increased taxes

Property Tax Increase Distribution to Departments



Department Expenditure Budgets: 2012 vs 2011

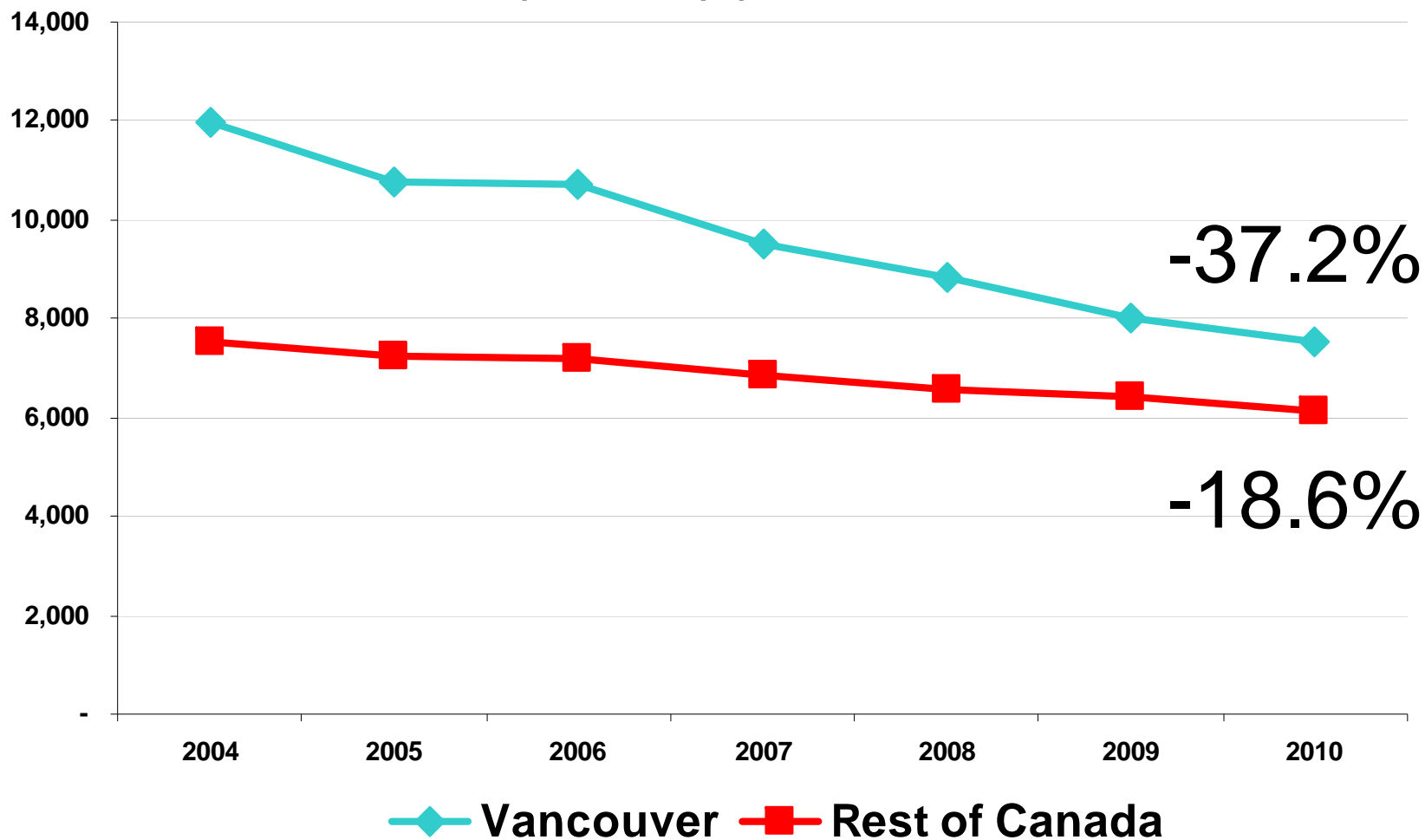


*Vancouver Police Department:
\$ 227 million - Increase \$8m, 4%*

- Primarily cost of negotiated wage increases and increments as average seniority and cost per officer increasing*
- Approx. 35 recruits to bring vacancies to average rate of 4% (does not include proposed 30 Metro officers)*
- Riot related recommendations*
- Strategic focus on Riot related investigations, reduced violent and property crimes, emergency management working with VFRS and City staff*

Crime rates decreasing - still above Canadian average

Overall Crime Rate
per 100,000 population



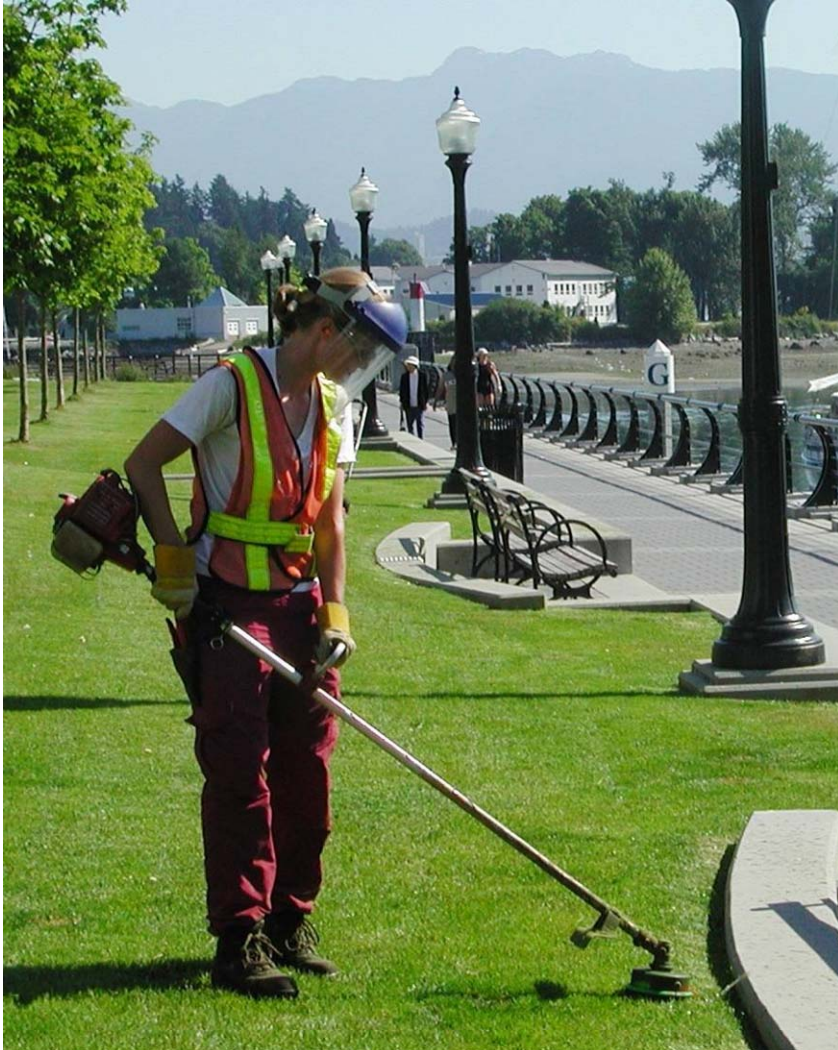
Department Expenditure Budgets: 2012 vs 2011



Vancouver Fire and Rescue: \$ 95 million - flat growth

- Investment in 3 additional fire fighters focused on City's Emergency preparedness and Community safety*
- Longer vehicle life estimates reduce current year costs*
- Demographic changes reduce overall wages as new junior recruits replace retirees*
- Temporary mechanic position regularized*
- Program revenues adjusted to reflect current estimates*

Department Expenditure Budgets: 2012 vs 2011



Vancouver Board of Parks & Recreation:

*\$ 104 million - Increase \$.7 m, .7%
(1.6% adjusted for transfers)*

- Full year operations at several facilities, including Hillcrest, SouthEast False Creek and Trout Lake Community Centers*
- Increase in park maintenance for new or enhanced parks*
- Shift in timing of annual fee changes to September*
- Organizational span of control, programming changes, Beachguarding, consistent Park maintenance standards*

Department Expenditure Budgets: 2012 vs 2011



- Vancouver Public Library:*
\$ 43 million - Increase \$.6m, 1.4%
(1.7% adjusted for transfers)
- *Primary increase - Terry Salman library at Hillcrest Community Centre - full year operations*
 - *Central Library information service adjustments and Technical Services adjustments*

Department Expenditure Budgets: 2012 vs 2011



Community Services Group:

\$ 57 million -flat growth

- Grant program funding unchanged*
- Increase in Non-market housing operations funding*
- Wage and benefit increases due to increments and full year positions*
- Offset by One-time funding for Vancouver 125 anniversary not required in 2012*
- Vacancies held to enable efficiencies from Risk based inspections and Planning, development and permitting optimization*

Department Expenditure Budgets: 2012 vs 2011



Engineering (Public Works):

\$ 75 million - Increase \$5 m, 7%

(8% adjusted for transfers)

Offsetting revenue increase of \$4 m

- Increased street cutting work - offsetting revenue*
- Sustainability initiatives - offsetting Senior government funding*
- Wage and benefit increases*
- Driver Training investment*
- Business Process improvements moving to needs based work allocations; Increased in-house equipment use*

Department Expenditure Budgets: 2012 vs 2011



Utilities:

\$ 245 million - Increase \$17m, 7.5%

- Water, Solid Waste and NEU utilities fully funded by fees*
- Sewer utility a combination of fee and tax funded (\$30 m tax supported)*
- Increase driven by Metro Vancouver water charges*
- Debt repayment charges and capital replacement*
- Shifting from debt funded to pay as you go funding for water*
- Stabilization reserve increases to mitigate future impact on user fees*

Department Expenditure Budgets: 2012 vs 2011



Support Services:

*\$ 104 million - Increase \$.8m, 1%
(negative 1% adjusted for transfers)*

- Includes Mayor & Council, Corporate & Shared Services (City Clerks, City Manager Office, EEO, HR, Legal, Communications, VSR, BPS, Finance, IT, Supply Chain)*
- Includes transfers from other departments to Shared Services*
- Increase in Labor Relations service due to transfer from Metro Vancouver*
- Numerous efficiency and operational changes to offset business level increases*

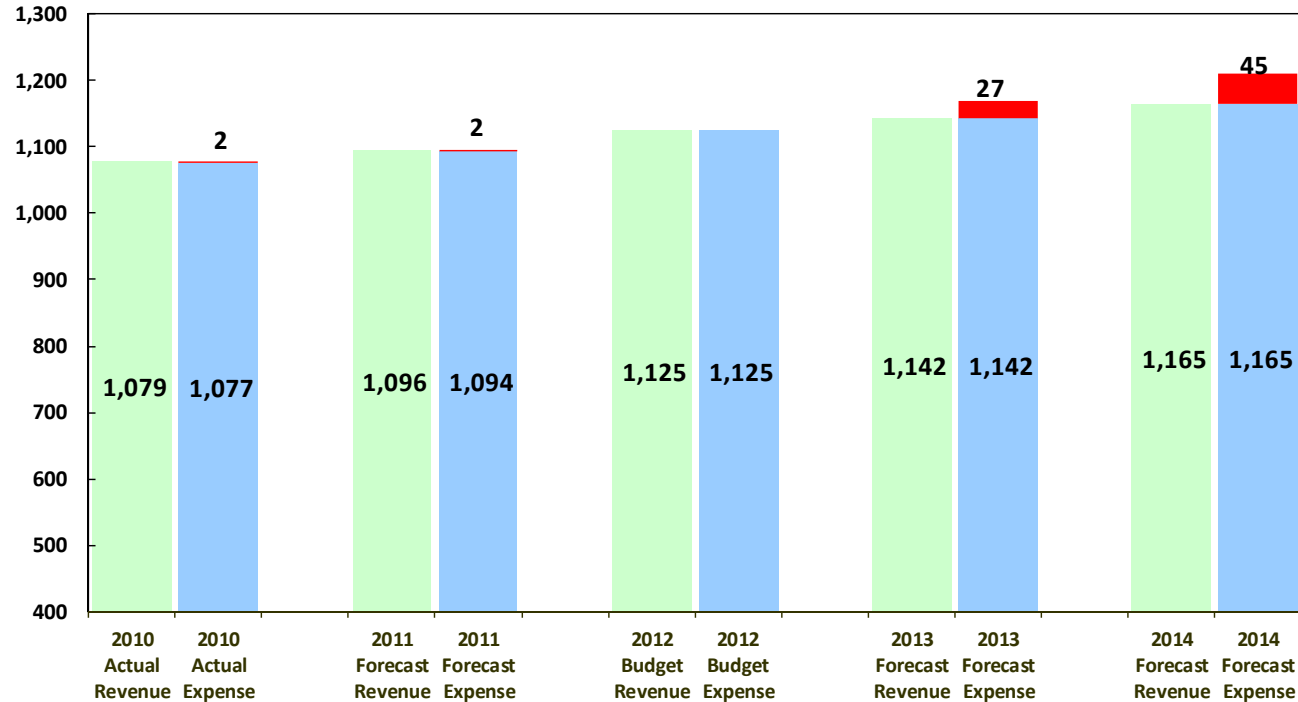
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Three Year Operating Budget Outlook - Continued pressures on Operating Budget

\$ Millions

Trend Operating Budget Outlook



Anticipated “gap” of \$27m and \$45m in 2013 and 2014 assuming a zero property tax increase

Key Assumptions:

- *Inflationary increases for key purchases*
- *Utility cost increase based on Metro projections*
- *General revenue increase at BC CPI*
- *Workforce demographics (retirements, increments)*
- *New program estimates*
- *Ongoing savings and efficiencies*
- *Incremental operational costs of Capital projects*
- *VSR project savings*

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Completing the Budget Cycle - next steps

- Public Hearing February 29, 2012 (6:00 pm)
- Final Budget Report March 5, 2012 (7:30 pm)
- Tax Reports April/May 2012