



ADMINISTRATIVE REPORT

Report Date: March 2, 2012
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Meeting Date: March 5, 2012

TO: Vancouver City Council
FROM: General Manager of Financial Services
SUBJECT: 2012 Operating Budget - Final Estimates

RECOMMENDATION

- A. THAT Council approve the budget resolution attached as Appendix 2 thereby adopting the final 2012 Operating Budget with a general purpose property tax levy increase of 2.5%
- B. THAT Council approve the 2012 Grants budget of \$16.4 million, held to 2011 levels.
- C. THAT Council approve the Vancouver Board of Parks & Recreation Global Budget of \$55,935,900, comprised of \$103,808,800 expenditures and \$47,872,900 revenues.

CITY MANAGER'S COMMENTS

The City Manager RECOMMENDS approval of the foregoing. Senior staff will also be bringing forward to Council, at the Special Council meeting on March 5, 2012, a proposal for establishment of an Innovation Fund as per Council's direction at the Special Council meeting on February 29, 2012.

COUNCIL POLICY

The Vancouver Charter requires that the Director of Finance presents 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 approvals are required for changes in service levels, either expansions or reductions, and allocation of funding from general revenues or taxation.

PURPOSE

The purpose of this report is to present the final estimates of revenue and expenditures for 2012 to Council for approval and adoption of the budget resolution in Appendix 2.

BACKGROUND

On February 28, 2012, Council received the *2012 Operating Budget: Proposed Budget and Public Consultation Update Report*, and referred the hearing of speakers to a Special Council meeting on February 29, 2012, after which it approved the following recommendations:

- A. THAT Council approve "in principle" the 2012 Proposed Operating Budget, as outlined in the Administrative Report dated February 20, 2012, entitled "2012 Operating Budget: Proposed Budget and Public Consultation Update", and detailed in Table 1 of the aforementioned report, and instruct the Director of Finance to bring the budget into balance with a 2.5% general purposes tax increase;
- B. FURTHER THAT Council approve "in principle" the 2012 Grants budget of \$16.4 million, held to 2011 levels.
- C. AND FURTHER THAT Council approve "in principle" the Vancouver Board of Parks & Recreation Global Budget of \$55,935,900, comprised of \$103,808,800 expenditures and \$47,872,900 revenues.
- D. AND FURTHER THAT Council receive for information the 2012-2014 Operating Budget outlook as shown on Table 5 of aforementioned report.
- E. AND FURTHER THAT, as part of the 2012 operating budget, Council request the City Manager to report back with a range of options for the creation of an Innovation Fund that would be used to leverage additional monies from external funding sources. (e.g. other orders of government, not for profit organizations, private sector, universities and foundations). The use of the Innovation Fund is to advance City policy while attaining an enhanced value for the City's investment.

As a result of these in principle approvals, Council instructed the Director of Finance to bring the 2012 Operating Budget into balance with a 2.5% increase in the general purpose tax levy.

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 2007 Assessment Roll) by shifting \$23.8 million proportionately from Classes 2, 4, 5 and 6 to Classes 1, 8 and 9. 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 one percent of the overall tax levy per year. Between 2008 and 2011, \$22.2 million has been redistributed with a balance of \$1.6 million (0.27% of the annual tax levy) remaining for the 2012 tax year

which is the fifth and final year of the program. This shift represents an approximate 0.51% increase for residential properties and an approximate 0.57% decrease for non-residential properties, resulting in an estimated net 3.01% increase for residential properties and 1.93% increase for non-residential properties for 2012.

DISCUSSION

1. Final Budget Position

Based on the direction provided by Council on February 29, 2012, staff has worked to bring the budget into balance within the property tax guidelines approved in principle by Council.

Appendix 1 reflects the final estimates and all the recommendations approved in-principle by Council on February 29, 2012. The general purposes tax levy has increased by 2.5%, adding \$15 million in taxation revenue to the budget. These adjustments bring the 2012 Operating Budget into a balanced position as follows:

	(\$M)	(\$M)
Revenues		
Taxation Revenue	\$640.9	
General Revenue	155.3	
Utility Fees	214.9	
Departmental Revenue	114.2	
Total Revenues	<u>114.2</u>	\$1,125.3
Expenditures		
Departmental Expenditures	\$793.3	
Utility Expenditures	245.4	
Capital Program & Debt	86.6	
Total Expenditures	<u>86.6</u>	\$1,125.3
Net Budget Position		<u><u>\$0.0</u></u>
Property Tax Increase Applied to Budget		2.5%

2. Impact of the Budget on Property Taxes and Utility Fees

The table below summarizes the impact of the property tax and utilities increases on a residential and non-residential property valued at \$800,000.

	RESIDENTIAL		NON-RESIDENTIAL	
	2012 Taxes & Fees	Change	2012 Taxes & Fees	Change
Property Taxes Residential 3.01% increase Non-Residential 1.93% increase	\$1,429	\$42	\$6,641	\$125
Solid Waste Utility	242	14	147	12
Sewer Utility	273	25	287	26
Water Utility	513	46	489	44
Total Utilities	\$1,028	\$85	\$923	\$82
Total City Charges	\$2,457	\$127	\$7,564	\$207

- 2012 opening municipal tax levy is calculated based on 2012 Completed Roll and new construction estimates subject to refinement
- 0.27% municipal tax levy redistribution is equivalent to 0.51% increase for residential municipal tax levy and 0.57% 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
- Utility rate changes were approved by Council at the end of 2011
- 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.

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

3. The Budget Resolution

With approval of the Recommendation in this report, the 2012 Operating Budget will be brought into balance and the 2012 budget cycle completed. Council approval of this final position requires adoption of the budget resolution attached as Appendix 2.

4. Final Steps

Final approval of the 2012 Operating budget is occurring prior to the finalization of the 2012 Assessment roll.

On February 28, 2012, Council approved the continuous application of the three-year land assessment averaging program in 2012 for the purpose of calculating property taxes for Residential (Class 1), Light Industrial (Class 5) and Business & Other (Class 6) properties.

On April 17 2012, the Director of Finance will seek Council approval on the distribution of the general purpose tax levies among the property classes in 2012. After receiving Council direction, the Director of Finance will, in early May 2012, bring forward a report summarizing the property taxes levied by the City and other taxing authorities for each property class, and seek Council adoption of the applicable rating by-laws and resolutions.

The final property tax increase will be adjusted in April to reflect the Final 2012 Assessment roll.

CONCLUSION

The approval of the attached resolution will finalize the process of balancing the 2012 Operating Budget.

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Appendix 1: 2012 Budget - Summary

City of Vancouver 2012 Operating Budget In Millions of Dollars

	2011 Budget *	2012 Proposed Budget	Change over 2011	% Change over 2011	% change adjusted for Transfers**
Revenues					
Taxation Revenue	623.3	640.9	17.6	2.8%	2.8%
General Revenue	158.9	155.3	(3.6)	-2.3%	-2.3%
Utilities	199.2	214.9	15.6	7.9%	7.9%
Police	13.2	13.5	0.4	2.7%	2.7%
Parks	47.4	47.9	0.4	0.9%	0.9%
Fire	6.8	6.8	-	0.0%	0.0%
Engineering (PW)	5.8	9.9	4.1	70.5%	70.5%
CSG	9.5	9.4	(0.1)	-0.6%	-0.6%
Library	4.1	4.1	-	0.0%	0.0%
Civic Theatres	8.6	8.3	(0.3)	-3.7%	-3.7%
Britannia	1.0	1.0	-	0.0%	0.0%
Support Services	2.2	2.2	-	0.0%	0.0%
Contingency & General Government	11.1	11.1	-	0.0%	0.0%
Debt & Capital	-	-	-	-	-
	1,091.2	1,125.3	34.1	3.1%	3.1%
Expense					
Utilities	228.4	245.4	17.0	7.5%	7.5%
Police (incl. E-Comm)	235.0	243.5	8.5	3.6%	3.8%
Parks	103.1	103.8	0.7	0.7%	1.6%
Fire (incl. E-Comm)	99.1	99.0	(0.1)	-0.1%	0.0%
Engineering (PW)	70.4	75.0	4.6	6.6%	7.8%
CSG	57.1	57.2	0.1	0.2%	0.3%
Library	42.1	42.6	0.6	1.4%	1.7%
Grants	16.3	16.4	0.0	0.3%	0.3%
Civic Theatres	6.1	5.9	(0.2)	-3.3%	-2.5%
Mayor	0.9	0.9	0.1	5.6%	5.6%
Council	1.3	1.3	0.0	1.1%	1.1%
Britannia	4.4	4.4	(0.0)	-0.6%	0.1%
Support Services	100.5	101.3	0.8	0.8%	-1.1%
Contingency & General Government	41.5	42.1	0.6	1.5%	1.5%
Debt & Capital	85.1	86.6	1.4	1.7%	1.7%
	1,091.2	1,125.3	34.1	3.1%	3.3%

Indicated Property Tax Increase

2.5%

* Represents council approved 2011 budget adjusted for mid-year VPD settlement and Development and Permit revenues and changes

** Represents the true year-over-year change in operations normalized for inter-departmental transfers such as IT shared-services and other funding transfers

*** There are some small rounding differences

Appendix 2 RESOLUTION

MOVED BY Councillor:

SECONDED BY Councillor:

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

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

AND WHEREAS Council has reviewed the development of the estimates in reports submitted by the Director of Finance on December 15, 2011 and February 28, 2012 and approved measures to bring the estimates into balance, including approval of a general purposes property tax increase;

AND WHEREAS the total estimated gross expenditures of the City to pay all debts and obligations of the City falling due in the year 2012, exclusive of the amounts required for school, Greater Vancouver Regional District, Greater Vancouver Transportation Authority, British Columbia Assessment Authority and Municipal Finance Authority purposes and not otherwise provide for, as amended by Council, amount to \$1,125,293,000;

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

AND WHEREAS the total estimated revenue of the City for 2012 from sources other than real property taxes, as amended by Council, amounts to \$526,758,500;

AND WHEREAS the amount of the General Purposes Tax Levy so required is \$598,534,500;

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