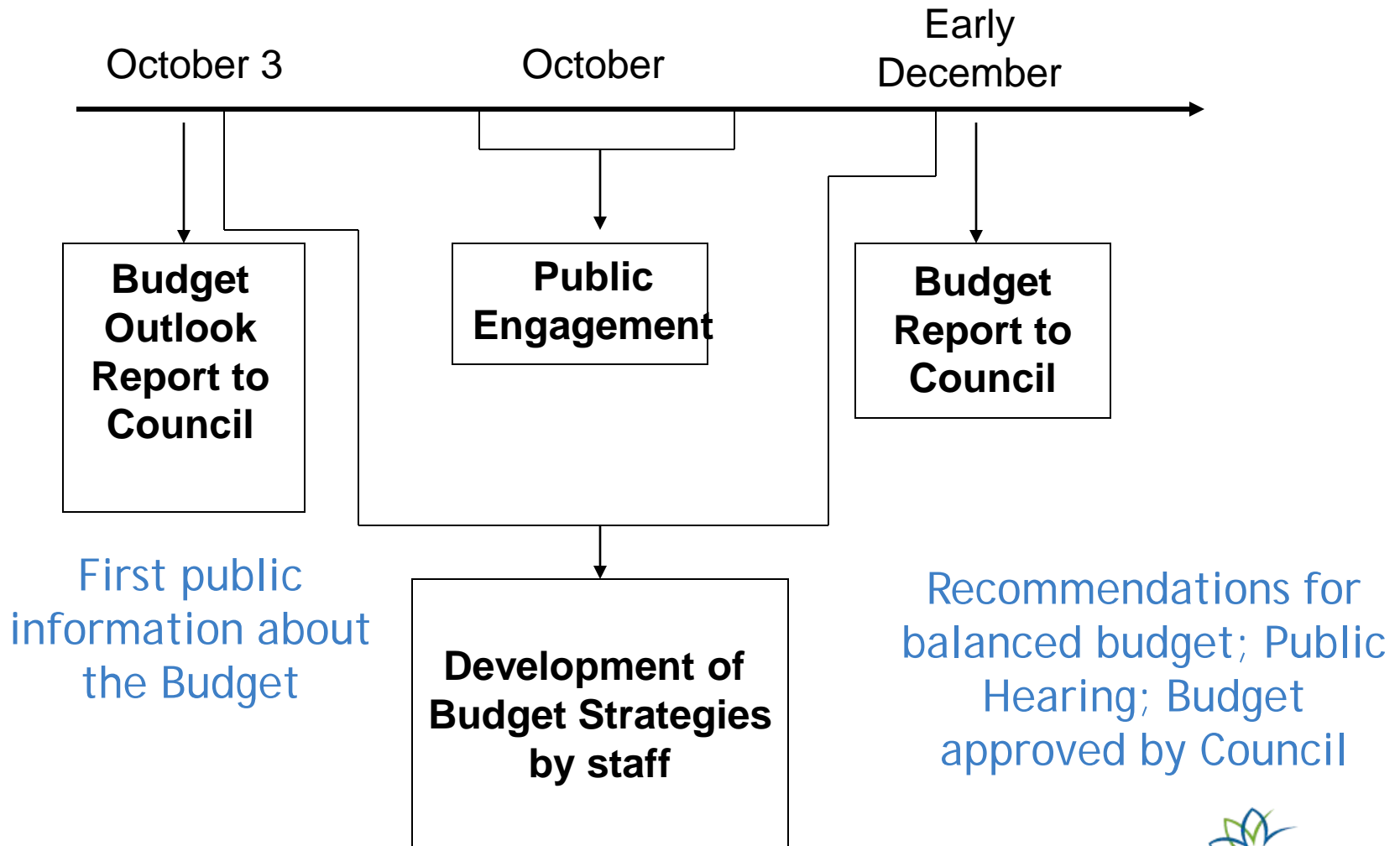


2013 Budget Outlook

October 3rd, 2012

October 1, 2012

Today is the beginning of a process that will end in December



Streamlining the Budget Process

- Budget Outlook Report
 - Staff provides council with an outlook of the Budget (capital and operating), and a preliminary view on balancing the budget.
 - Council has the opportunity to provide direction to staff regarding planning assumptions, giving clarity to staff in bringing forward proposed budget recommendations
 - Gives the public an overview in advance of the public engagement survey
- Budget Report
 - Staff provides Council with a recommended budget for the year. Council hears speakers and votes on any desired changes to staff recommendation; Budget report is adjusted accordingly.
 - Public is able to speak to council on both capital and operating budget (often capital projects are of most interest to the public)

Budget Outlook

1. Looking to 2013
2. Fiscally Responsible, Balanced and Focused on the Long Term
3. Economic Context
4. Reporting on the 2012 Budget
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Looking to 2013

Looking to 2013



2013 BUDGET OUTLOOK

- 2013 Budget Outlook provides context and factors which will influence the 2013 budget
- Provides the intended approach and anticipated direction of budget
- Intent is a responsible, balanced approach with focus on the long term
- Align spending with Council and resident priorities
- Provide services that Vancouverites value as efficiently as possible



Long-Term Priorities

Looking to 2013

City's Mission:

'to create a great city of communities that cares about its people, its environment, and the opportunities to live, work and prosper'



2013 BUDGET OUTLOOK



People

Looking to 2013

City's Goal: *Cultivate and sustain vibrant, creative, safe and caring communities for the wide diversity of individuals and families who live in, work in and visit Vancouver*

- 2012-2021 Housing and Homelessness Strategy
- 2012 Report on Mayor's Taskforce on Housing Affordability
- Greenest City 2020 Action Plan
- Transportation 2040
- 2011 Regional Growth Strategy
- Long-Term Cultural Plan
- Urban Health Strategy
- Park Board Strategic Plan
- Library Board Strategic Plan
- Police Board Strategic Plan

Environment

Looking to 2013

City's Goal: *Protect and enhance Vancouver's climate , ecology, natural resources and connections to the city's remarkable natural settings for future generations.*

Greenest City 2020 Action Plan
launched in 2011

Recent results include

- 11% decrease in residential water consumption since 2006
- 4% decrease in waste going to landfills since 2008
- 50% increase in number of trees planted annually on City land since 2010



Prosperity

Looking to 2013

City's Goal: *Provide and enhance the services, infrastructure and conditions that sustain a healthy, diverse and resilient economy.*

- 2011 Vancouver Economic Action Strategy, first launched in City's history
- 2011 Vancouver Economic Action Strategy focused on
 - Improving Vancouver's business climate
 - Supporting existing local businesses
 - Facilitating new investment
 - Attracting human capital
 - Global leadership in clean technology and creative industries
 - Opportunities for greening our local business sector

Metro Vancouver Commerce Program:

Foreign Investment - \$194 million

Economic Impact - \$350 million

GDP Growth - \$179 million

New jobs across Metro Vancouver - nearly 3,000.

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Budgeting Within a Long Term Framework

Fiscally Responsible,
Balanced and Focused on
the Long Term

Financial Sustainability Guiding Principles

These principles, combined with a long-term view of our overall financial planning, will be the platform on which the 2013 and future budgets are built.

Fiscal Prudence

- live within our means
- consider long-term implications in all decisions
- maintain a stable and predictable revenue stream
- keep debt at a manageable level
- build in flexibility and contingencies for emerging priorities and opportunities

Affordability and Cost Effectiveness

- deliver services that are relevant and result in desired public outcomes
- ensure value for money through productivity and innovation
- keep property tax and fees affordable (in line with inflation)

Asset Management

- maintain assets in a state of good repair
- optimize capital investments to meet public and economic needs while achieving value for the investment



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Global and National Economic Context

Economic Context

Global

- Slowing economic growth in emerging economies (China, India, Brazil, etc.) and US
- Ongoing financial crisis in EU, risk of impact outside EU

National

- Slowing economic and employment growth in Canada
- Elevated Canadian dollar a potential drag on export base activity
- Possibility of housing market correction
- High household debt and mortgage lending rules likely to limit future consumer spending
- Senior government constraints putting pressure on local governments

Local Economic Context

Economic Context

British Columbia

- Economic outlook slightly better than rest of Canada
- Diversified economy and growing business ties with Asian economies

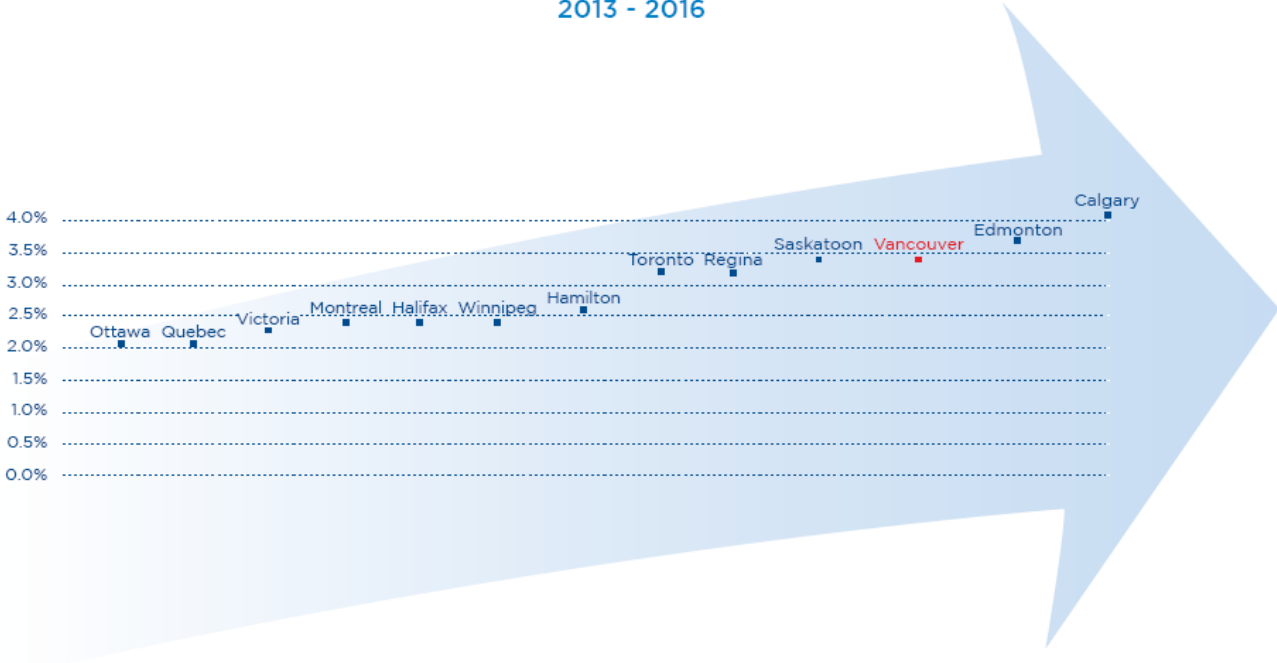
Vancouver

- 7% unemployment rate showing signs of improving
- Ongoing housing affordability challenge - discretionary income under pressure
- GDP one of the highest in Canada
- Conflicting business metrics: slowing retail sales, Office space vacancies declining, development permit activity strong, number of new businesses growing

Economic Environment

Economic Context

Projected Real GDP Growth
2013 - 2016



Tax Shift - Increasingly competitive business environment

Economic Context

- Council directed implementation of a 5 year plan to reduce the share of taxes paid by businesses
- In 1980s non-residential properties carried 60% of the property tax burden - businesses now pay 47% of property tax collected

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2 Elements - Operating and Capital Budget

Reporting on the 2012
Budget

The City's annual budget has two elements:

- 1. Operating budget** - sets the spending targets for day-to-day operations of the City such as policing, fire and rescue services, street cleaning, Park Board recreation programs, and library services
- 2. Capital budget** - sets the spending targets for major capital projects such as building a new facility (recreational, cultural, or other civic use), upgrading sewer and water infrastructure, major bridge and street repair, and information technology to enhance our business operations

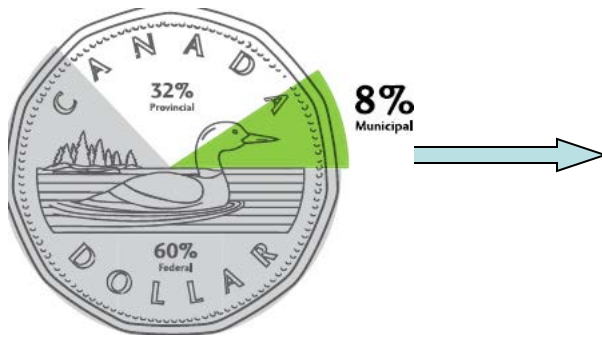
City Revenues

Reporting on the 2012
Budget

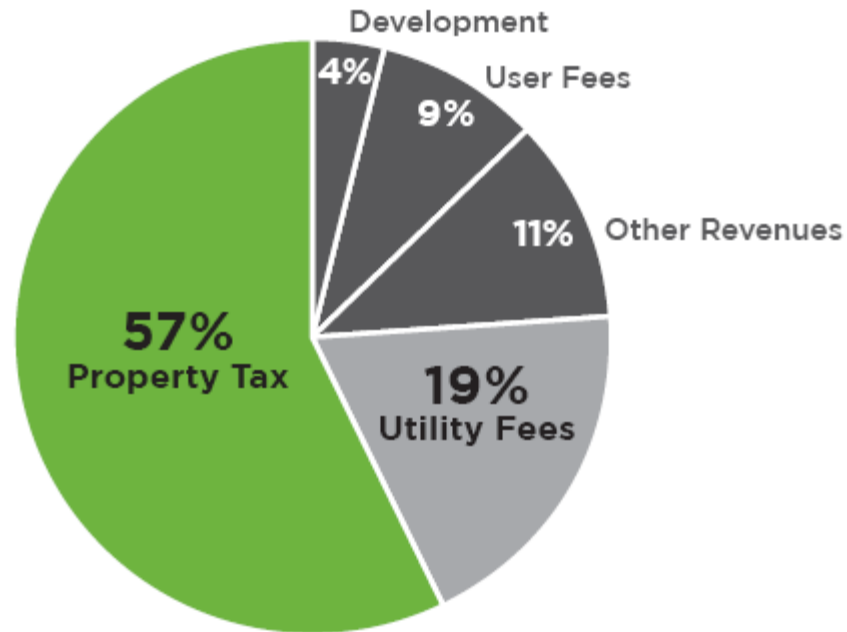
The City draws on a narrow revenue stream to fund the broad range of services that make our city world-class.

City of Vancouver Revenue (2012)

Total Operating Budget: \$1.13 Billion



Revenues by Source

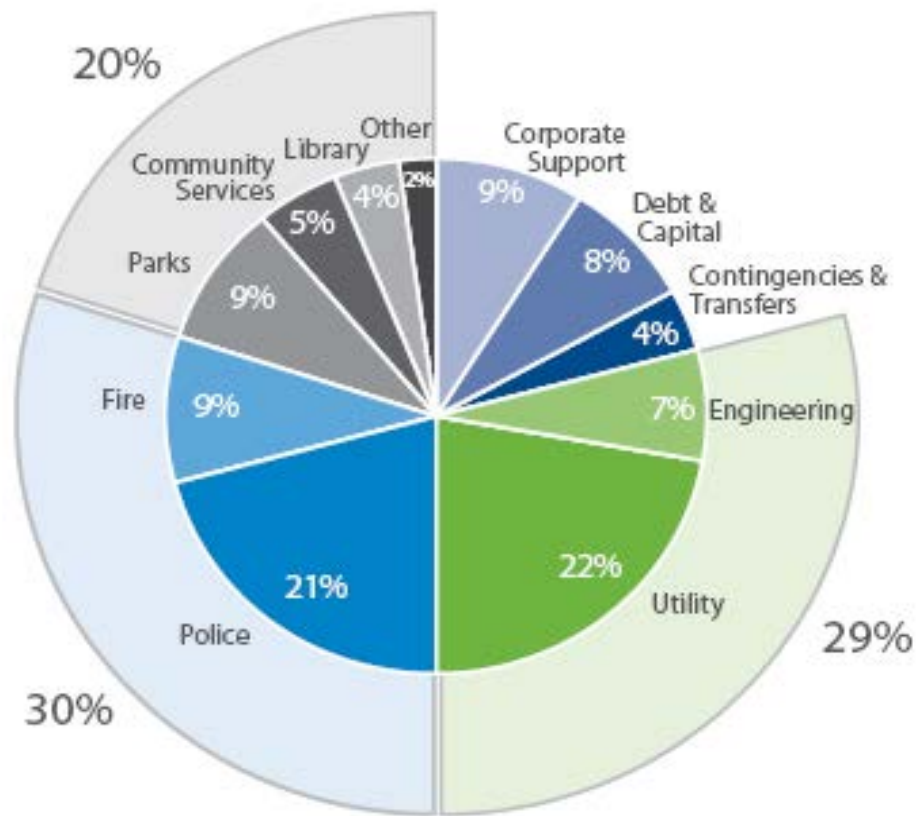
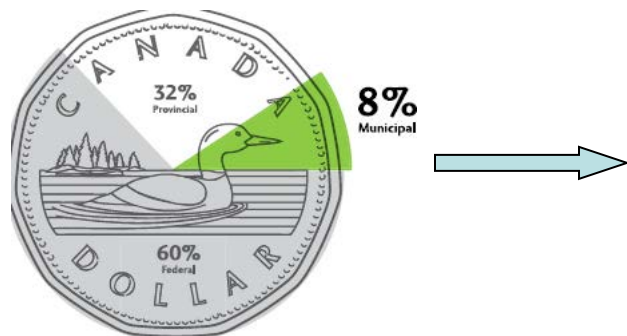


Operating Budget Expenditures

Reporting on the 2012
Budget - Operating

City of Vancouver Expenditures (2012)
Total Operating Budget: \$1.13 Billion

Expenditures by Department (2012)

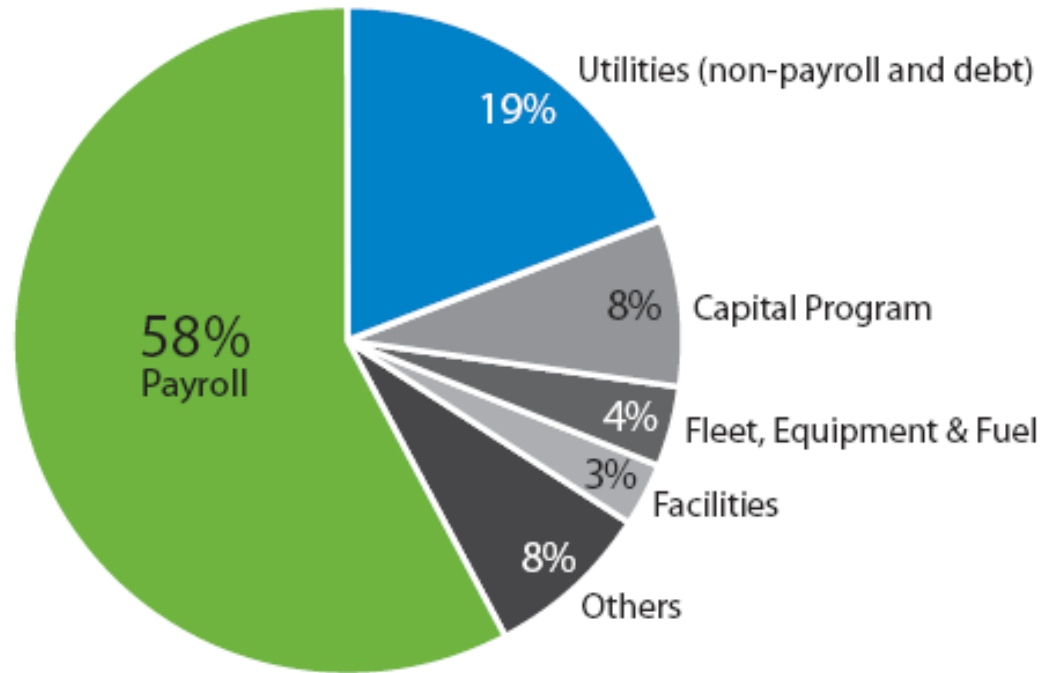
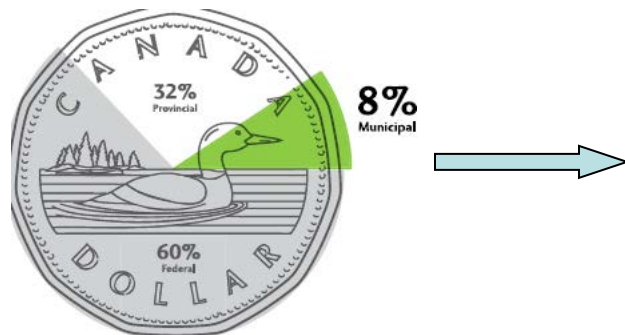


Operating Budget Expenditures by Cost Category

Reporting on the 2012 Budget - Operating

City of Vancouver Expenditures (2012)
Total Operating Budget: \$1.13 Billion

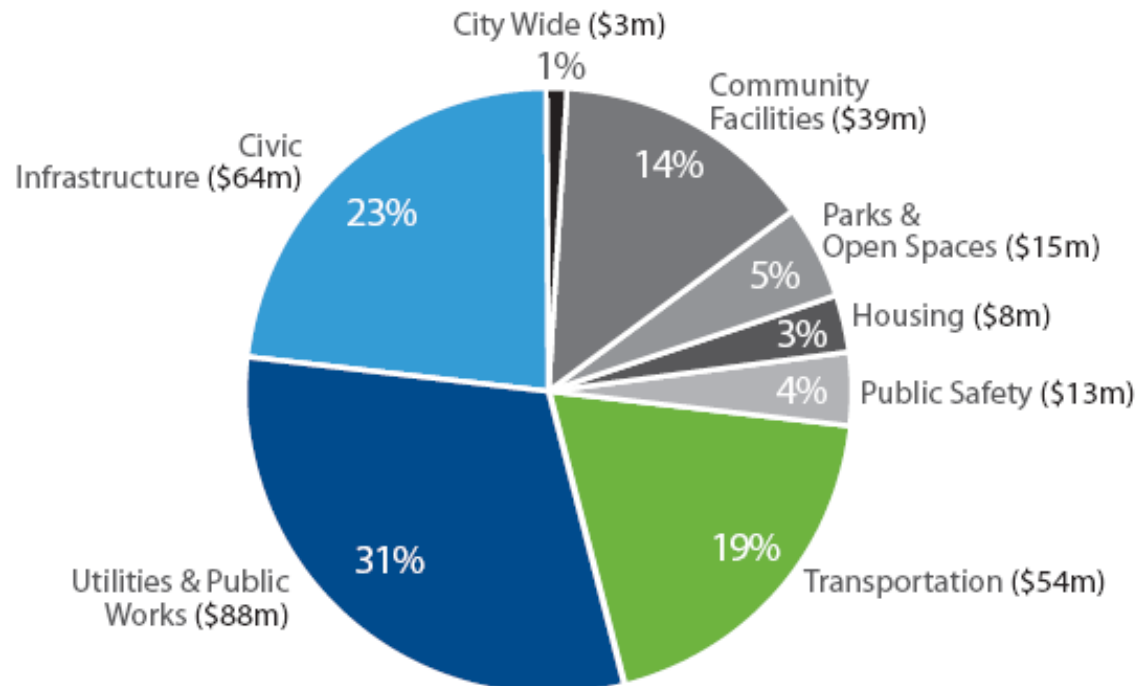
Expenditures by Cost Category (2012)



Capital Budget

Reporting on the 2012
Budget - Capital

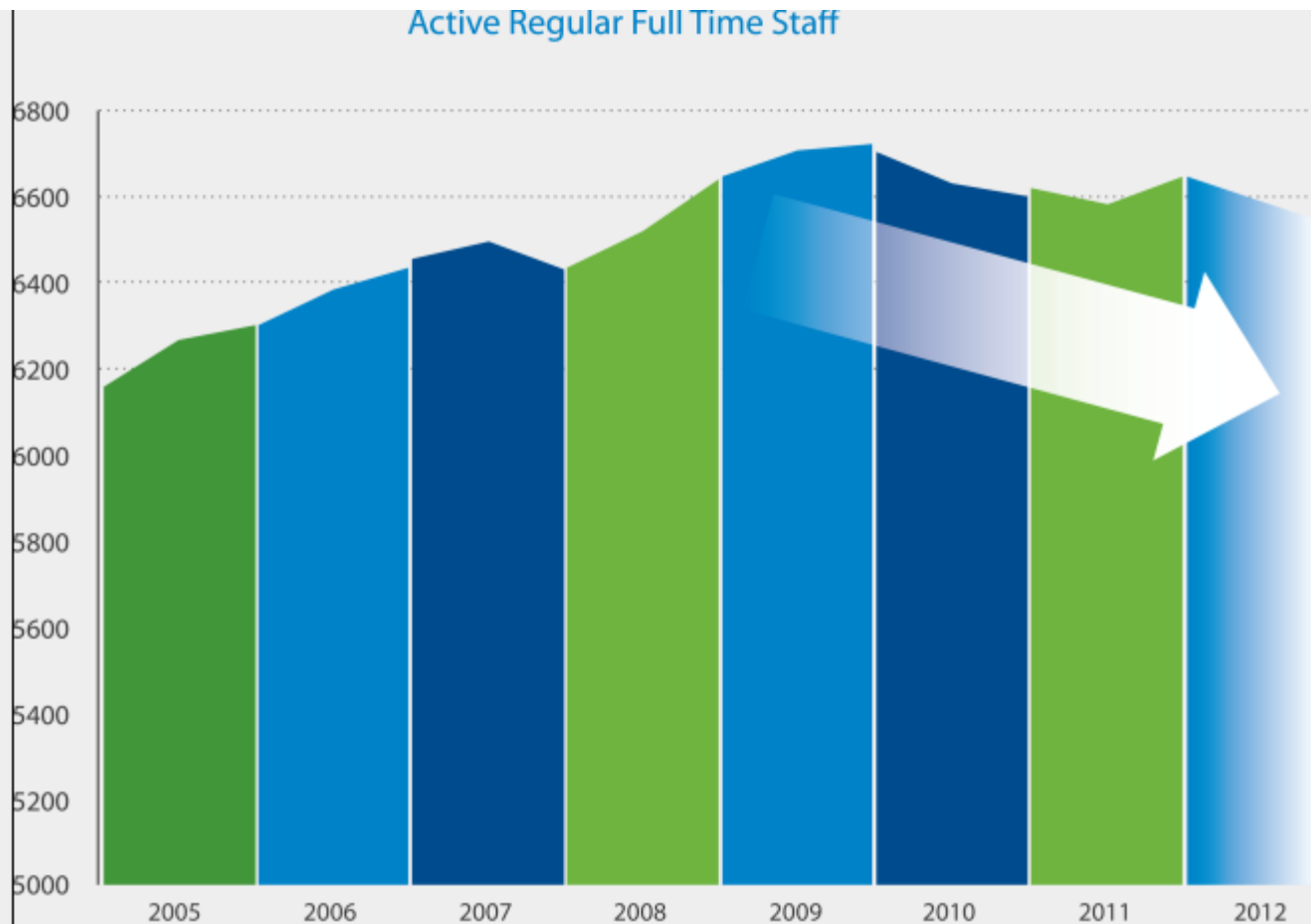
Capital Budget by Service Category (2012)
(Total \$284m)



Staffing Trends: Active Regular Full Time Staff

Reporting on the 2012
Budget - Operating

Trajectory of staffing level has been lowered



Increasing the Value:

Reporting on the 2012
Budget

- Business and Service transformational activities
 - Vancouver Services Review - a more efficient and innovative organization
 - 311 phone service
 - Greening City's fleet for sustainability
 - Smaller police vehicles
 - New and smaller fire department medical response vehicles
 - More efficient planning process
 - Streamlining how we do business
- With a modest tax increase, the City has:
 - Enhanced services to the public
 - New libraries, community centers, supportive housing services, investment in police and fire facilities
 - Invested in core infrastructure
 - Sewer Separation Program
 - Upgraded transportation infrastructure for Pedestrians, Bikes, Vehicles
 - Absorbed above-inflation wage increases

Public Engagement- Satisfaction with Services

Reporting on the 2012
Budget

2012 Budget Public Opinion Survey: Satisfaction with Overall Quality

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
-

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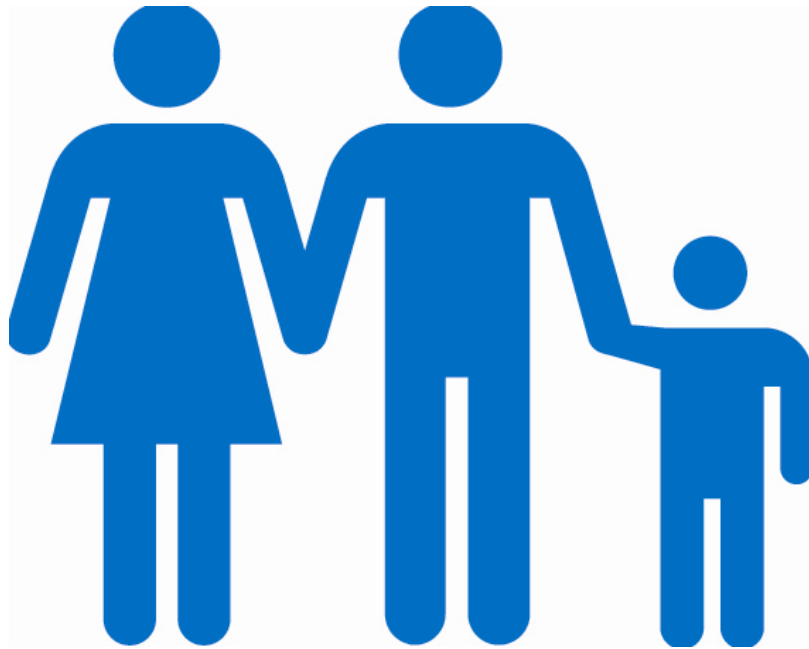
8. Budget Outlook Summary



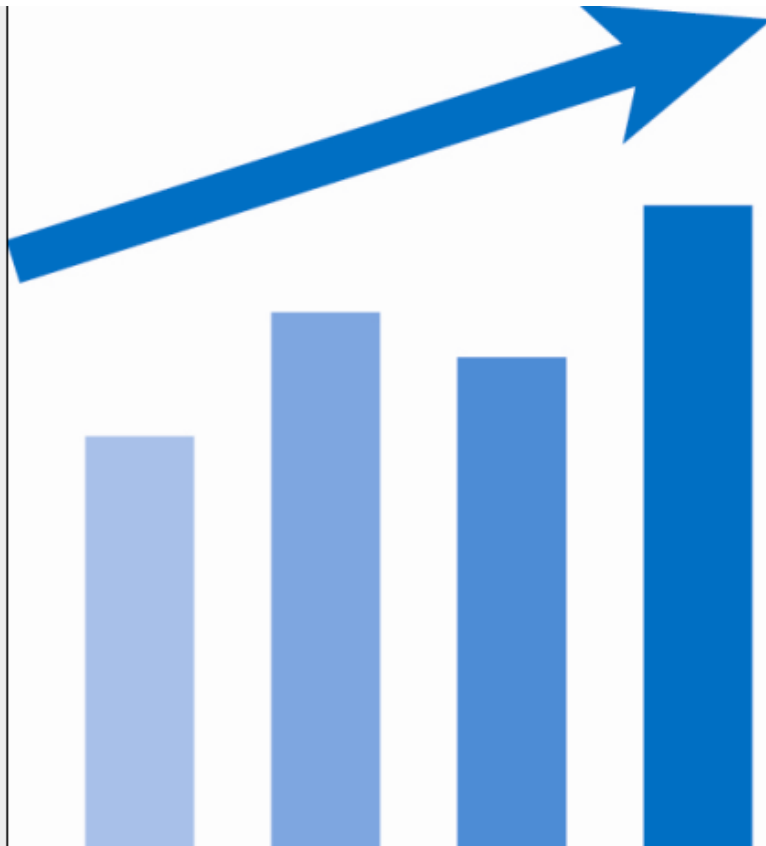
- \$500,000 committed to support 500 shelter beds
- \$42.2 million in capital set aside in the 2012-2014 Capital Plan to leverage other funds to enable 2000 new social and supportive housing units
- Funds committed to enable a shelter for Aboriginal street homeless and a new permanent shelter for women in the Downtown Eastside
- As of 2012 more than 2000 new purpose-built rental units created or in progress

Safety, Inclusivity and Creativity

Spending to Support
Valued Services



- Over \$80 million spent public safety facilities in the past 4 years
 - New police training and evidence storage buildings
 - Fire Hall renovations
 - Upgrades to the Emergency Operations Center
 - New Fire Hall Number 15`
- New Neighborhood Emergency Assistance team
- Community involvement in developing new community plans for
 - Grandview-Woodlands
 - Marpole
 - West End
- New Community Facilities at
 - Hillcrest
 - Mount Pleasant
 - Trout Lake
 - Creekside



- The City doubled its investment in economic development from \$1.5 million in 2008 to \$2.7 million in 2012
- Building permit values reached \$1.1 billion during the first half of 2012, increasing 39% over the same period last year and 16% higher than 2008 pre-recession levels
- Transportation 2040 envisions a smart and efficient transportation system supporting a thriving economy while increasing affordability, providing inexpensive transportation option.



- Greenest City Action Plan -outlines work towards becoming the greenest city in the world by 2020
- Greening City fleet vehicles
 - 22 hybrids
 - 24 smart cars
 - 17 electric vehicles
 - Portions of the fleet run on biodiesel and much of the fleet uses 10% ethanol fuel
- As of September 2010 all single-family home and duplex residents can recycle all food scraps and yard trimmings - potentially diverting an additional 25,000 tonnes of organic material annually and preventing about 3,000 tonnes of greenhouse gas emissions per year
- Vancouver is first Canadian municipality to adopt a comprehensive climate change adaptation strategy

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PEOPLE

Population

- 11% increase over 10 years

Median Age

- 7% increase over 10 years

Residents with Higher Education (post-secondary and higher)

- 7% increase over 5 years

Crime Rate

- 37% reduction in property crime over 5 years
- 15% reduction in violent crime over 5 years

ENVIRONMENT

Cycling on Separated Bike Lanes

- 26% increase since 2009

Trees Planted Each Year on City Land

- 50% increase since 2009

Community Garden Plots and Orchards

- 12% increase since 2010

Waste Going to Landfill

- 4% reduction since 2008

Residential Water Consumption

- 11% reduction over 5 years

PROSPERITY

Unemployment

- 12% reduction over 10 years

Average After-Tax Household Income

- 34% increase over 10 years
(but relatively flat over last 3 years)

Shelter Cost as % of After-Tax Household Income

- Relatively flat over 10 years
(at 25-28% of income)

Low-Income Households

- 9% reduction over 10 years

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2013 Operating Budget Influencers: Revenue

What Can we Expect in
2013 - Operating

- Continued trend of modest tax increase to align with inflation
- User fee increases aligned to inflation
- Increase in property tax generated from increased tax base
- Increase in development permit revenues
- Golf revenue to decline slightly. Hillcrest, Trout Lake and Creekside community centre revenues to increase
- Utility revenue based on cost recovery

2013 Operating Budget Influencers: Expenditures

What Can we Expect in
2013 - Operating

- Addition of new programs and services
- Costs for providing existing services (inflation/fee and volume increases)
- Other Service pressures (new technology, overtime, maintenance, etc.)
- Funding for Capital work - Debt servicing and direct funding from operating budget (pay-as-you-go)
- Employee Compensation costs
 - Increases in wage and benefit overall costs from Hiring/training/step increases/full year funding of new/changed positions
 - Unknown costs of collective agreements not yet confirmed for 2013
- Utility Costs
 - Driven primarily by Metro costs, Debt financing, and city overhead

2013 Capital Budget Influencers : Capital Service Categories

What Can we Expect in
2013 - Capital

- Community Facilities
- Parks and Public Open Space
- Public Safety
- Housing
- Transportation

Capital projects for 2013:

What Can we Expect in
2013 - Capital

Community Facilities -

- New Strathcona Library
- Community and childcare facilities planned for Citygate, Kensington and Downtown South Gathering Place.
- Hastings Park Master Plan implementation at the PNE, including major renovations and maintenance to the Livestock Building at the PNE.
- Bloedel Conservatory will receive a new roof.

Parks and Public Open Spaces -

- Restoration of the Vancouver Art Gallery North Plaza
- Empire Fields restoration at Hastings Park.
- The Trillium Park extension in Strathcona
- Park Board planting 1100 new trees



Capital projects for 2013:

What Can we Expect in
2013 - Capital

Public Safety -

- Fire Hall Number 5, continuing multi-year program to upgrade and replace the City's Fire Halls

Transportation -

- Comox-Helmcken Greenway
- Upgrades to Adanac bikeway
- Powell Street realigned to improve rail traffic
- Granville and Burrard bridges environment, seismic and structural repairs

Housing -

- The City will continue to work with partners for housing development by leveraging Capital Grants.
- Construction on the Taylor Manor supportive housing project



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OPERATING BUDGET OUTLOOK

POTENTIAL REVENUE CHANGES:

New tax revenue from new construction	+ \$3 million
Higher revenue from development permits and licenses	+ \$2 million
Increased user fees (est. at a 2% increase)	+ \$3 million
Increased property taxes (est. at a 2% increase)	+ \$12 million
Increased utility revenue (est. at a 6% increase)	+ \$14 million

POTENTIAL EXPENDITURE CHANGES:

Cost of new services and programs (e.g. Recreation, Public Safety)	+ \$3 to 5 million
Other service pressures	+ \$10 million
Increase in capital program cost and fixed costs (e.g. fuel, leases, insurance)	+ \$8 million
Increase in known wage and benefit costs	+ \$7 million
Wage increases from collective agreements	(currently unknown)
Utility costs	+ \$15 million

Capital Budget Outlook Summary

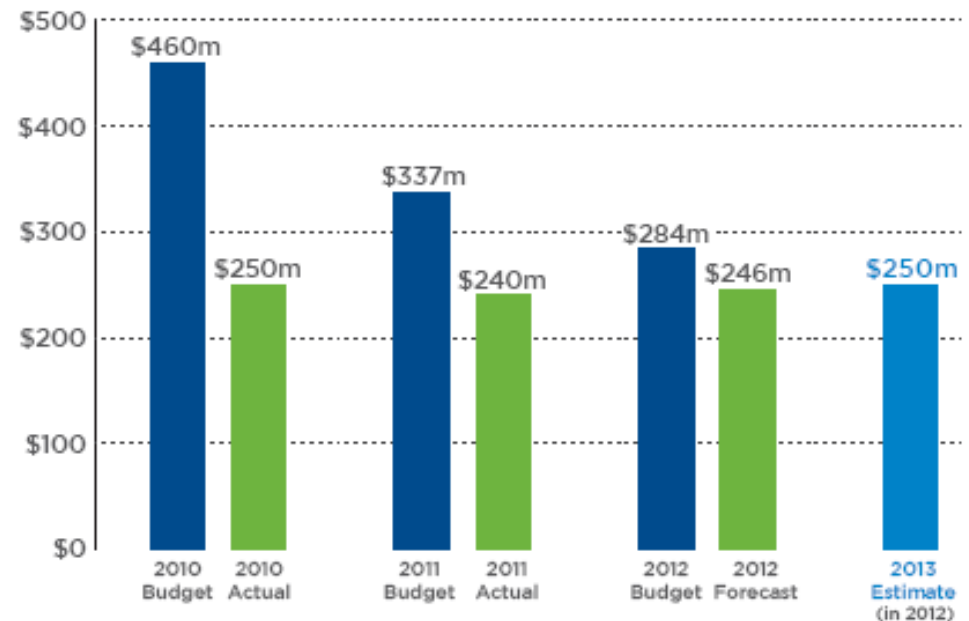
Budget Outlook
Summary - Capital

CAPITAL BUDGET OUTLOOK

ANNUAL CAPITAL BUDGET ESTIMATE (250 MILLION):

- Current projects continuing into 2013 \$100 million (est.)
- New projects in 2013 (from the three-year capital plan) \$150 million (est.)

Capital Expenditure Trend Comparison



Approach to Balancing Budget

- Refine estimates (revenue and expenditures)
- Prioritize new and enhanced programs/services to align with Council priorities
- Continued focus on Business Transformation
 - City wide initiatives (eg. Facility occupancy, Fleet)
 - Departmental initiatives



PUBLIC ENGAGEMENT

Engagement Methods

- Public opinion survey using a variety of methods (in person and online) to check satisfaction with service levels and monitor areas of concern.
- Metrics will be collected on engagement input as well as levels of participation via the various channels.
- Combined with past years' consultation metrics, this year's surveying results will help inform the design of the final 2013 budget and the larger once-every-three-years consultation program for execution in 2015.

Engagement Actions:

- Advertising and Promotion
- City Website
- In Person
- Online

Today is the beginning of a process that will end in December

