



ADMINISTRATIVE REPORT

Report Date: September 24, 2013
Contact: Neal Stratton
Contact No.: 604.673.8243
RTS No.: 10007
VanRIMS No.: 08-2000-20
Meeting Date: October 8, 2013

TO: Vancouver City Council
FROM: Director of Finance
SUBJECT: 2014 Budget Outlook

RECOMMENDATION

THAT Council receive for information, the 2014 Budget Outlook as outlined in Appendix 1.

COMMENTS OF THE CITY MANAGER AND DIRECTOR OF FINANCE

The Budget Outlook provides the context and factors that will influence the creation of the 2014 operating and capital budget to be presented to Council in December. The Budget Outlook also describes the intended approach to budgeting and its anticipated direction, all of which will be reviewed by Council and the public prior to Council passing the final budget.

Between now and the beginning of December 2013, under the direction of Council, staff will continue to refine estimates, undertake a public engagement process to seek input on the 2014 Operating and Capital Budgets, and develop strategies to achieve Council's priorities within available resources.

The final Budget will be presented to Council in December, 2013.

COUNCIL POLICY

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

PURPOSE

The purpose of this report is to present the 2014 Budget Outlook to Council. The final budget strategy along with the results of the public engagement process will be presented to Council in early December 2013, when Council will deliberate on the 2014 Operating and Capital Budget.

BACKGROUND

On March 5th, 2012, Vancouver City Council approved the 2012 operating budget. At that meeting, Council directed Staff to:

"...Report back, in advance of or concurrent to the initiation of the 2013 Budget process, on best practices in Canadian cities for budget process in relation to both robust public consultation and ensuring council members are adequately equipped to discharge their fiduciary responsibilities."

Separately, the Vancouver Services Review (VSR) program identified the Budget process as one of the Financial Shared Services' transformation initiatives, recognizing that the current budget process was both time intensive and limited in its strategic value. Council's request to report on budget best practices provided an opportunity to accelerate the Budget transformation initiative to meet Council's request and the VSR project goals.

In July 2012, staff provided Council with the following findings of the budget review:

Leading Practices

Staff engaged PricewaterhouseCoopers' (PwC) public sector practice to identify leading practices in public sector budgeting. PwC is a global professional services firm with more than 169,000 people in 158 countries.

PwC examined over 100 leading practice documents and material from the following sources:

- PwC best practice database
- PwC subject matter advisors
- Canadian municipal, provincial and federal governments
- American municipal, state and federal governments
- Public sector organizations
- Private sector organizations
- Third-party best practice documentation

The work of PwC established that, while we are not yet leaders in our budget practices, we are primed to move ahead quickly given the work we have done in our VSR program and improvements in our financial reporting and rigour. Other municipalities are already moving ahead. A summary of leading budget practices identified by PwC included:

1. Linking Budget to Strategy
 - Performance-based budget decisions informed by service plans aligned to the City's strategic goals
 - Use of a financial framework which outlines the City's financial health, sets financial goals and guides budget allocation in advance of the budget process
2. Enhancing Public Consultation
 - Public consultation in advance of the budget process every three years versus annual
 - Consultation informs strategic goals and goals inform the budget
3. Providing relevant Budget Information
 - Performance metrics aligned to the City's strategic goals
 - Align operating and capital budget information
 - Budget for all City funds and entities
 - Budget and financial statements aligned in an understandable way
 - User-friendly information tailored to the needs of each audience (Council, Management, Public)
4. Streamlining the Budget Process
 - Minimize budget versions and reviews
 - Integrate operating and capital budget processes
 - Integrate the budget process with the other corporate planning and performance management processes

STRATEGIC ANALYSIS

Budget Process

Building on the changes made with the 2013 Operating and Capital Budgets, staff have continued to move forward in 2014 with the stabilization of processes aligned to these leading practices in 4 key areas:

1. Public Engagement
2. Budgeting for Results
3. Budget information for Council
4. Streamlining the budget process

Key features of the for the 2014 budget include:

1. Public Engagement

Council has directed staff to enhance and improve public engagement, and this includes discussing the City's budgets. Our new budgeting process will include a robust and strategic public consultation once every three years, following municipal elections, to discuss financial trends, strategic objectives, public values, relative importance of services, and areas of concern for the public. The broad consultation will be designed in 2014 for implementation in time for the 2015 budget.

In between those in-depth consultations, there will be annual check-ins on the public's satisfaction with service levels and to highlight any areas of concern. For the 2014 budget this will happen through October and November.

Throughout the year, the City makes it a priority to continually engage with citizens, partners and stakeholders. Public opinion shapes much of what directs our budget priorities as each departmental service plan is based on the needs of their clients and the feedback they receive from them throughout the year on a variety of projects. Our annual check-in process is therefore a pulse-check on what we have been hearing throughout the year.

Staff will provide the first Budget Outlook report to the public in early October and undertake a comprehensive survey of public satisfaction related to city services as well as areas of concern. The questionnaire will be hosted on the City's online engagement platform, Talk Vancouver, using Vision Critical proprietary software, Sparq. Talk Vancouver is currently made up of more than 1,200 people and businesses with increasing participation as the program develops. The questionnaire will also be open to non-Talk Vancouver participants and shared widely with the community through various mechanisms including 3-1-1. Metrics will be collected on engagement input as well as levels of participation via the various channels.

Questionnaire reporting will focus on gathering a snap-shot of service satisfaction and tax tolerance attitudes from a sample that reflects the current demographic make-up of Vancouver residents and businesses. The process to ensure that the budget sample is representative of the City of Vancouver population is two-fold: 1) **Targeted** recruitment to ensure census representation, as well as geographic distribution and average business size; 2) Once the overall sample is collected they will be **weighted** to census figures and geographic/size targets. Minimum targets are 750 Vancouver residents and 250 businesses.

Staff will also conduct a multi-stakeholder workshop with groups such as advisory committees and Business Improvement Associations (BIA), to encourage discussions with a focus on what value means to the public and how we can best balance individual needs with city-wide pressures. Combined with past years' consultation metrics, this year's questionnaire results and discussions with stakeholder groups will help inform the design of the final 2014 budget.

An information session will be held with the general public to provide an opportunity to learn more about the budget process and specifics of the 2014 budget and to ask questions.

2. Budget for Results

The purpose of the City's budget is to allocate resources to enable achievement of Council's goals while sustaining the City's long-term financial health. In the 2013 Budget Report, service metrics were provided for the first time by the City. Since then, Staff have streamlined the collection of metrics and started to integrate the data into decision-making on allocation of resources. This year, the City will continue to build on the metrics published with the 2013 Budget.

3. Budget Information for Council

Based on best practice information from PWC, the budget process includes 2 reports:

3.1 Budget Outlook

The Budget Outlook report provides Council with the City's recent accomplishments, an overview of the external environment impacting the City's budget, an outlook for the 2014 budget position for both Capital and Operating budgets, and advises Council about the next steps in the 2014 budget process. The intent of this report is to highlight key challenges and pressures and initial direction for funding of Council priorities and opportunities for transformation.

3.2 Budget Report

In December, a budget report will be presented to Council. The 2014 Budget Report will provide a recommendation to Council for both the 2014 Operating and Capital Budgets, will summarize the results of the Public engagement, and outline the proposed budget strategies developed by the Corporate Management Team to finalize the estimates and bring the 2014 Budget into balance. Similar to last year, the Budget report will include Service plans for our major services, and will project the budget over a 3-year budget window (2014-2016).

4. Streamlining the Budget process

PWC identified a number of ways to streamline the budget process. Leading practices show that organizations which streamline the budget process can accomplish their goals in less time, at lower cost, and with fewer disruptions to their core, value-added services. It was noted that shortening the budget cycle does not negatively affect the quality of the budget, and instead focuses managers on the most significant issues.

For the 2014 budget, to the City has continued to align capital and operating budget information using a streamlined process.

The new budget timeline for the 2014 Operating and Capital Budget process follows:

- **October 2, 2013:** The 2014 Budget Outlook report is available to the public to review.
- **October 8, 2013:** The Budget Outlook report provides Council with an overview of the external environment impacting the City's budget, an outlook for the 2014 budget position for both Capital and Operating budgets, and advises Council about the next steps in the 2014 budget process.
- **October 8, 2013:** Public Consultation launch.
- **December 3, 2013:** The 2014 Budget Report is available to the public for review.
- **December 10, 2013:** The 2014 Budget Report provides a recommendation to Council for the 2014 Operating and Capital Budgets, and summarizes the results of the Public engagement and the proposed budget strategies developed by the Corporate Management Team to finalize the estimates and bring the 2014 Budget into balance.
- **December 17, 2013:** Council meeting for final voting to approve the 2014 Budget.
- **May 2014:** Council Report with 2013 Property Taxation Bylaws and Averaging Resolution.

CONCLUSION

The 2014 Budget Outlook, attached as Appendix 1, builds on the changes initiated with the 2013 budget process, incorporating the budget best practices identified by PWC. The Budget Outlook identifies the potential revenue and expenditure changes for the 2014 year. Over the next 2 months, the public engagement activities will give citizens an opportunity to provide feedback on their priorities and concerns. As well, the Corporate Management Team will continue to look for opportunities to bring the budget into balance, and prioritize funding for capital projects and ongoing operations. The 2014 Operating and Capital Budget will be presented to Council in December, 2013.

* * * * *



2014 BUDGET OUTLOOK

LOOKING TO 2014

Vancouver is one of the world's most beautiful and livable cities, diverse in nature and demographics, and attractive to residents and businesses from around the world. More than 600,000 people call it home, and even more enjoy and rely on the services our city provides. Such a great city does not happen by accident. It happens through careful planning and investment.

The 2014 Budget Outlook provides the context and factors that will influence the creation of the 2014 Budget, which will be released in coming months. The Budget Outlook also describes the intended approach to budgeting and its anticipated direction, all of which will be reviewed by Council and the public prior to Council passing the final 2014 Budget in December.

The intent for the 2014 Budget is to use a responsible and balanced approach that maintains a focus on the long term. The City will align spending with Council and community priorities to provide services that Vancouverites value and deliver them as efficiently as possible.

LONG-TERM PRIORITIES

Council has supported the 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" by aligning spending with programs that support Vancouver's people, environment, and prosperity. Key plans that represent these priorities inform the budget direction. Public consultation conducted during development of these plans is designed to help inform the budget in directing spending toward the services that Vancouverites want and need.

City of Vancouver's Mission:
"to create a great city of communities that cares about its people, its environment, and the opportunities to live, work and prosper."

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PEOPLE

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.

Did you know...

Vancouver consistently ranks as one of the Most Livable Cities in the World.

Economist Intelligence Unit

Vancouver is the eighth largest city in Canada. Our city is remarkable for its diverse population, with half of our residents speaking English as a second language. The health and vitality of Vancouver's communities and the celebration of their diversity make the city a magnet for people from around the world. New residents bring creativity and cultural richness to our city, and Vancouver's vibrancy provides significant economic opportunity in a global economy.

With 5,249 people per square kilometre, Vancouver is one of the most densely populated cities in the country. Our limited land base and growing population have given rise to unique issues related to affordability and the availability of land for housing and a full range of economic activity.

Council has prioritized the issues of housing, environmental sustainability, a vibrant economy, and a safe, inclusive, and creative community. Key plans that support Vancouverites and encourage them to engage with the City, and

that provide direction to policy development and resource allocation, include:

- 2012–2021 Housing and Homelessness Strategy
- 2012 Report on Mayor's Taskforce on Housing Affordability
- Greenest City 2020 Action Plan
- Vancouver Economic Action Strategy
- Transportation 2040
- 2011 Regional Growth Strategy
- Long-Term Cultural Plan
- Healthy City Strategy
- Park Board Strategic Plan
- Library Board Strategic Plan
- Police Board Strategic Plan
- Report of the Engaged City Task Force
- Digital Strategy

ENVIRONMENT

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

Vancouver is home to world-class parks and green spaces and the wealth that stems from our abundant natural setting. Council supports the protection and enhancement of Vancouver's climate, ecology, and natural resources for future generations, and has prioritized the goal to become the world's greenest city.

The Greenest City 2020 Action Plan was launched in 2011 with measurable and ambitious targets for reducing carbon and waste and improving ecosystems. This key plan addresses goals and issues across diverse areas and has put Vancouver on the path to sustainability in most aspects of life and work in the city.

Since the plan was approved, city-wide carbon emissions, waste production, and water consumption are down 4%, 11% and 16%, respectively. In addition, trips made with sustainable modes of transportation are up 10% and the number of amenities to support local food has increased by 24%. In 2013, the World Wildlife Fund named Vancouver the Global Earth Hour Champion. Vancouver is well on its way to becoming the greenest city in the world by 2020.

PROSPERITY

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

Vancouver is fortunate to have one of the most diverse and resilient economies in North America. Building on the foundation of our robust natural resource sector, our growing digital media and clean technology sectors as well as our strong tourism and international education sectors also contribute to the city's continued economic growth, prosperity, and livability.

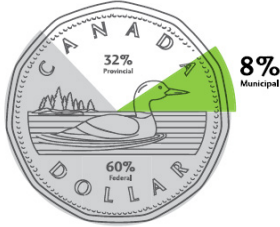
Vancouver is North America's gateway to Asia and a major regional transportation hub. The city is home to Port Metro Vancouver—the busiest and largest port in Canada, and is in close proximity to the Vancouver International Airport, often rated as one of the world's best. Our well-educated, highly skilled, and culturally diverse labour force further reinforces our competitive position in the global market.

Council has prioritized economic development by promoting and strengthening local businesses while also making the city an attractive destination for businesses from around the world. In 2011, the Vancouver Economic Commission (VEC) launched Vancouver's first economic strategy, the Vancouver Economic

Action Strategy, which focuses on changes that will most improve Vancouver's business climate, support existing local businesses, facilitate new investment, and attract the people essential to our future economic success. It places particular emphasis on our global leadership in creative industries and clean technology and on opportunities for greening our local businesses.

The Vancouver Economic Commission's strategy to boost economic activity also includes: an expedited review of the City's regulatory framework on job spaces, taxes, and regulatory burden on business; a Green Enterprise Zone that showcases and nurtures innovation in globally emerging sectors such as clean technology and green buildings; working with partners to develop a technology incubation and acceleration centre with a focus on social innovation; and increasing trade with new global markets, targeting Asia, the United States, and Europe.

FISCALLY RESPONSIBLE, BALANCED, AND FOCUSED ON THE LONG TERM



Did you know...

Canadian cities receive 8% of total tax revenues to all levels of government, yet are responsible for 60% of the country's infrastructure.

Vancouver, like other Canadian cities, offers a broad range of services but has only a narrow revenue stream. For every tax dollar collected by cities in Canada, the federal government receives 60 cents, the provincial government receives 32 cents, and the city receives 8 cents.

The Vancouver Charter is legislation that prohibits the City from running a deficit in our operating budget and using debt to finance day-to-day operations, so we rely on careful planning and prudent fiscal stewardship to balance the budget each year and live within our means. This means balancing short-term operating needs with long-term capital and infrastructure requirements.

BUDGETING WITHIN A LONG-TERM FRAMEWORK

Long-term financial planning is a vital discipline for achieving financial sustainability. It requires a shift from the short-term perspective associated with annual budgeting to the proper blending of short-term (1-2 years), medium-term (3-5 years), and long-term (10+ years) perspectives.

The City has recently adopted a multi-year financial planning horizon, which provides a structure to plan for services and expenditures over a longer term. Financial resources are aligned with business plans and service metrics, and financial decisions are made under the guidance of a strategic ten-year financial and capital planning framework, a three-year financial plan, and annual operating and capital budgets. Aligning the capital and operating budgets

within this longer framework has improved accountability and enabled a strategic view across all City expenditures. Quarterly reporting has added additional rigor to the oversight of our operating and capital budgets.

Financial Sustainability Guiding Principles

These principles will guide how service plans, annual budgets, and medium- to long-term financial and capital plans are developed.

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
-

ECONOMIC CONTEXT

How we plan and manage our finances is influenced, in part, by external factors. The global economy is an interconnected web of local economies that are in a constant state of change. Our financial planning decisions must be made with an understanding of how Vancouver's economy is affected by external forces. This provides us with the necessary context to plan for known risks and focus on long-term financial sustainability.

GLOBAL, NATIONAL, AND PROVINCIAL CONTEXTS

Despite some improvement observed in recent months, the projections for the next few years in the global economy remain uncertain and could potentially have an impact on Vancouver's economy.

The United States' economy is experiencing modest employment growth, a recovering housing market, fewer mortgage delinquencies, and growing consumer credit.

After declining for the last year and a half, Europe appears to be emerging from recession and is expected to stabilize and resume economic growth, led by Germany, France, and the United Kingdom. However, Portugal, Italy, Greece, and Spain are still struggling with historically high unemployment and prolonged recession. Though positive growth is anticipated in the second half of 2013, it will likely remain below average as the region continues to address sovereign debt and structural economic reform.

After slowing for the last two years, China's economy is showing signs of stabilizing. However, growth is not expected to exceed 7.5%—which is much lower than the double-digit growth China experienced over the last decade—as the government continues to focus on economic reform.

Canada's economy has been underperforming lately, with real GDP having gained only 1.7% in 2012. It is unlikely that economic growth will advance significantly this year given the spending restraints across various levels of government, moderate business investments and hiring plans, and financially constrained households. Economic growth for 2013 is forecasted to remain at 1.7%.

Canada's housing market continues to soften with some signs of stabilizing. Tighter mortgage rules introduced last summer, coupled with higher mortgage rates in recent months, may limit growth in new and existing home sales and prices. Annual housing starts will likely lessen by 15% to around 183,000 starts in 2013 and 2014. As well, Canadians' high household debt will likely limit future consumer spending.

In 2014, Canadian economic growth is expected to climb to 2.4%. A more robust recovery in the United States, particularly in auto and housing sectors, should help lift Canadian automobile production and lumber exports and is expected to bolster our country's economy. However, the strong Canadian dollar and weak productivity will continue to have a negative impact on export-based activity.

For British Columbia, the economy is expected to be led by strong growth in the forestry and mining sectors, offset by a slowing housing market and weak employment growth, which will limit service activity and household spending. While the province has benefited from a diversified economy and growing business ties with Asian markets in recent years, these emerging economies have been underperforming due to ongoing economic reform, rising interest rates, and loss of competitiveness relative to the Japanese yen, which could limit our economic growth in the near term.

Did you know...

Gross Domestic Product (GDP) is the value of all goods and services produced by a country in a given year. Real GDP is that same value adjusted for inflation over time, reflecting future values as if they were measured in the starting year.

VANCOUVER CONTEXT

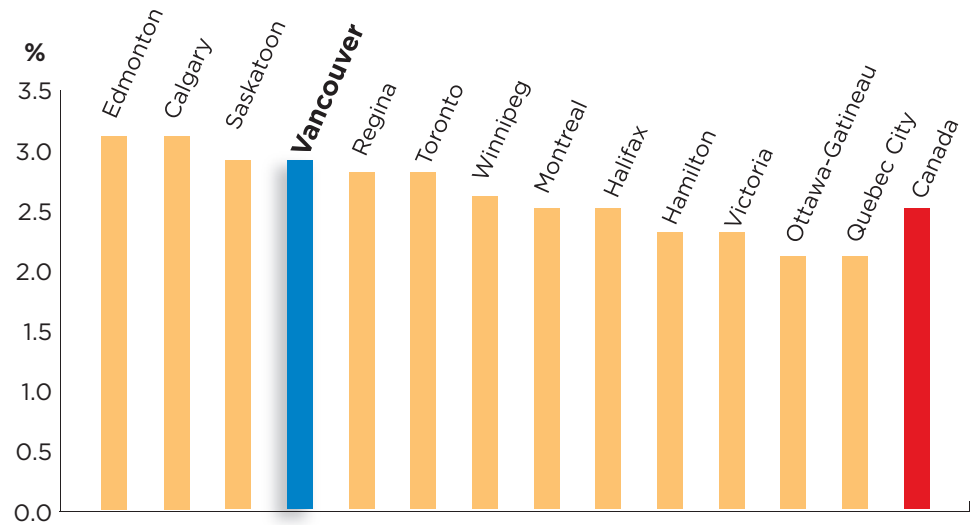
Vancouver's economy is continuing its recovery from the 2008 economic downturn. Projected real GDP growth for Vancouver remains above the Canadian average at 2.2% in 2013 and slightly higher in 2014. Vancouver's population is expected to grow at 1.7% a year. Unemployment has improved a little over the last year, estimated at 6.5% for 2013 and expected to gradually come down to 5.1% by 2017.

Development permit activity in 2013 will be slightly below the 2012 level. However, total permit values and square footage continue to exceed pre-2008 levels. Office vacancies are among the lowest in the region, and the number of new businesses is growing—approaching pre-2008 levels.

Housing starts are set to decline by 9% to about 17,290 in 2013, and by another 5% to 16,390 in 2014, before picking up in 2015. Property values in Vancouver have hit a national high in recent years, and even with the recent slowdown in the housing market, affordability remains a concern for the foreseeable future. As well, household after-tax income has not kept pace with inflation during the past five years, and discretionary household income will continue to be under pressure.

Furthermore, financial constraints at federal and provincial government levels will put added pressure on local governments to provide additional services to taxpayers.

PROJECTED REAL GDP GROWTH, 2014-2017



The City's annual budget has three 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
 - 3. Service Metrics** - measure key results for each major service delivered by the City, demonstrating the value delivered for the money that is spent
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REPORTING ON THE 2013 BUDGET

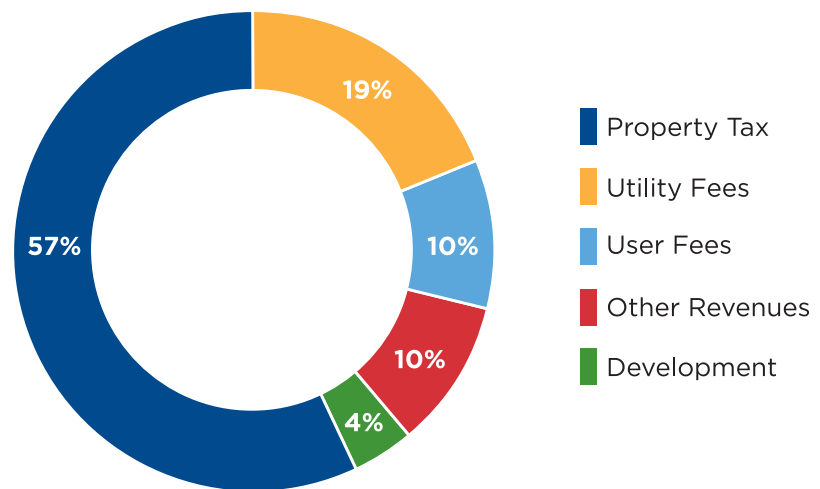
The City has a long history of strong fiscal management and well-maintained civic infrastructure, and has demonstrated consistent, positive financial results. The City's high credit ratings (AAA/AA) are among the best for Canadian municipalities, and are supported by a diverse economy and a strong and stable tax base.

OPERATING BUDGET REVENUES FOR 2013: \$1,148 MILLION

The City has a stable and predictable revenue base. Funds for the operating budget come from several sources, but property tax is the primary source of revenue for the City. User fees, such as recreation program fees, parking meters, and business licenses and permits provide additional sources of funds. Property development-related fees and permits are the most variable and account for only 4% of our revenue base. Utility fees are influenced to a large extent by Metro Vancouver decisions, since much of the planning and delivery for public works and utilities is integrated with the regional district.

The City has four utility services that are operated on a user-pay basis—water, sewers, solid waste, and neighborhood energy utilities (NEUs). The water, solid waste (garbage, compost, recycling, and landfill), and NEUs are fully funded by the fees paid by consumers who use the services. Higher expenditures are matched by higher fees so that there is no impact on property tax. The sewer utility is funded at approximately 60% by user fees and 40% by property taxes. Council sets the rates and budgets every fall, incorporating input from Metro Vancouver.

2013 OPERATING REVENUE



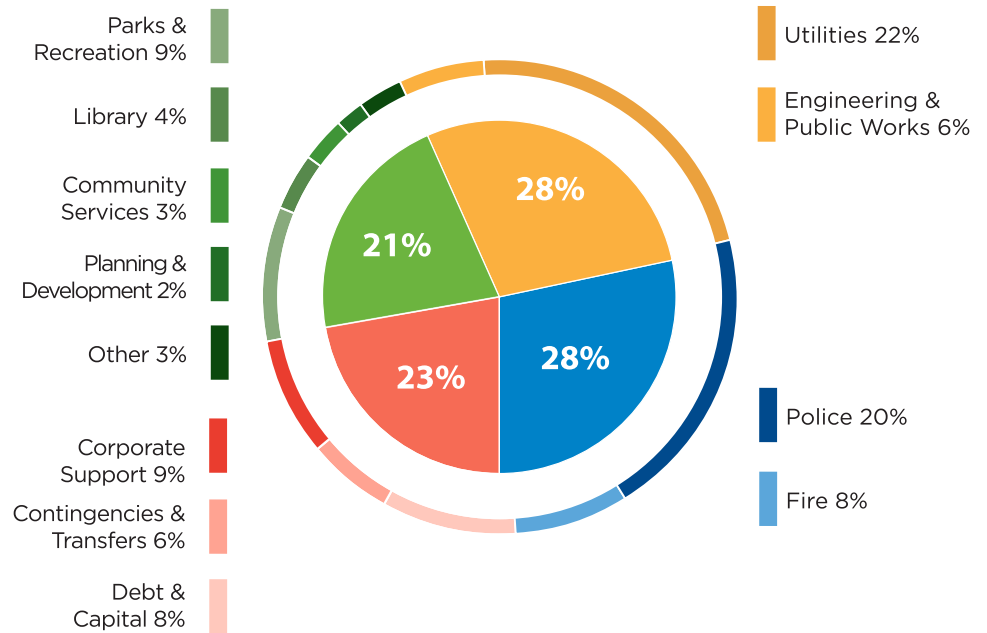
OPERATING BUDGET EXPENDITURES FOR 2013

The City's expenditure profile is also relatively stable and predictable. Public safety (police and fire) accounts for 28% of expenses. Engineering works and utilities, which cover transportation planning, sewer and water operations, and sanitation services, account for 28%. Park services, community services, planning and development, library, and community grants (in "other") account for 21% of operating expenses, and corporate support (overhead, human resources, finance, legal, risk management, information technology, city clerks) accounts for 9%. Debt and funding for capital is 8% of expenses.

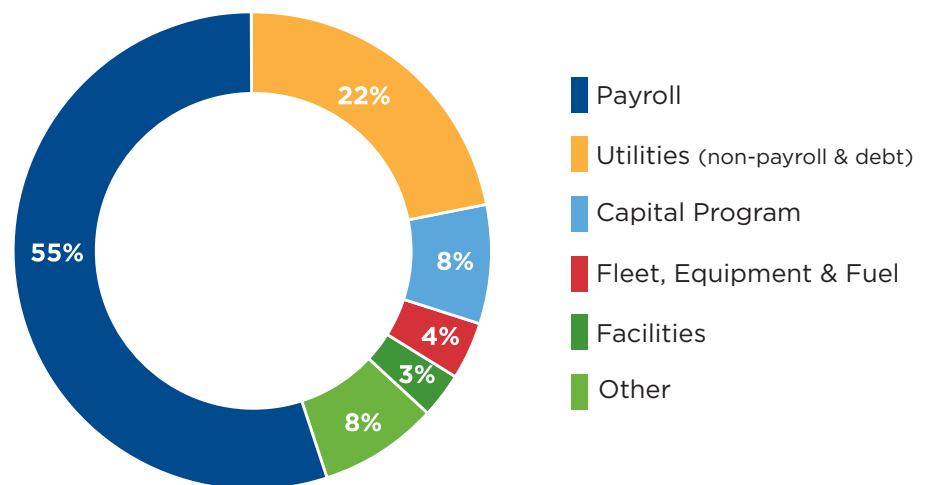
Wages and benefits are the largest component of the City's cost structure, representing 55% of expenses. By streamlining the way we do business, the growth of the organization has been slowed down without affecting the quality of service we offer to residents and businesses. Over the last three years, by carefully watching vacancies and retirements to manage staffing levels, the number of staff has been reduced with minimal disruption to service delivery.

Utility expenditures (water, sewer, solid waste, NEU) account for about 22% of total expenditures, but over 60% of the costs for water and sewer services represent Metro Vancouver costs that are set at the regional level. Generally, utility expenses have grown at a higher rate than other areas due to the need for heavy capital investments to replace aging infrastructure across the region.

2013 OPERATING EXPENDITURES BY SERVICE AREA



2013 OPERATING EXPENDITURES BY COST CATEGORY



INCREASING THE VALUE

The City has undertaken a number of business and service transformation activities over the past four years. The Vancouver Services Review identified significant long-term productivity savings that have allowed us to better serve residents and businesses and to become a more efficient and innovative organization. Transformational activities have included introducing the 311 phone service, greening our fleet for sustainability with smaller police vehicles and new medical response vehicles for our fire department, a more efficient planning process, and generally streamlining how we do business.

Property taxes in the past four years have seen a modest increase, generally aligned with inflation. During this period the City has enhanced services to the public through new libraries and community centres, an increase in supportive housing services, and significant investment in police and fire facilities. We have invested in core infrastructure, such as continuing with the sewer separation program (to separate stormwater and sanitary sewers) and upgrading transportation infrastructure for pedestrians, bikes, and vehicles, all while absorbing above-inflation wage increases.

Transformational changes continue to play a key role in the improvement of the planning and budgeting process. Service metrics are helping us plan for more efficient services and improved services for the future, and will inform the 2014 Budget.

COLLECTIVE AGREEMENT

The City has successfully negotiated collective agreements covering approximately 5,500 employees represented by CUPE Local 15, CUPE Local 1004, IBEW, and IATSE. The term of the agreements is January 1, 2012 to December 31, 2015. The new agreements provide a modest wage increase that strikes a fair and balanced outcome for workers and Vancouver taxpayers: 1.25% for 2012, 1.75% in each of 2013 and 2014, and 2.0% in 2015. The City and the unions also agreed to contractual changes that provide some additional operational flexibility.

Comparable agreements have been concluded between Vancouver Public Library and CUPE Local 391, and between Vancouver Police Department and Teamsters, representing the department's civilian staff.

The contracts covering police officers and firefighters have expired. Negotiations are in progress with Vancouver Police Union but have not yet commenced with Vancouver Fire Fighters' Union or Vancouver Police Officers Association.

Budget Public Opinion Survey:

Satisfaction with Overall Quality

2013

- Public - 81% somewhat or very satisfied or neutral
- Businesses - 82% somewhat or very satisfied or neutral

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

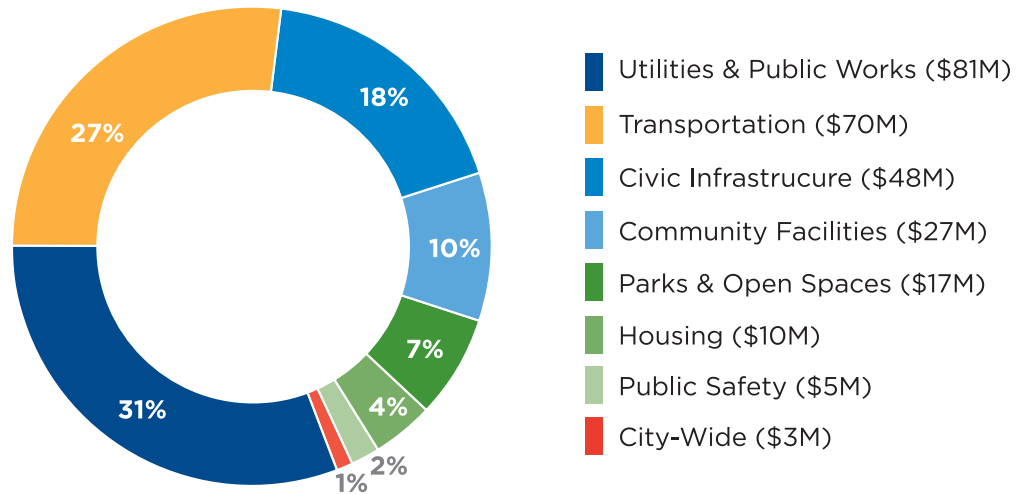
- Public - 84% somewhat or very satisfied
 - Businesses - 68% somewhat or very satisfied
-

ANNUAL CAPITAL BUDGET FOR 2013: \$261 MILLION

Investment in capital projects varies from year to year depending on funding availability and capital needs. In recent years, significant investment was required to host the 2010 Olympic Winter Games. This placed extra pressure on the operating budget and the City's overall debt profile. In response to this, the 2012-2014 Capital Plan has stabilized the total capital spend and has deliberately reduced funding from debt and from our operating budget, both of which are supported by taxes.

Development-related fees and contributions are key to our ability to provide public amenities for our growing city. Through strategic partnerships we are also finding new partners from whom to source capital, particularly in the area of housing, to meet our ambitious targets for affordable housing in the city.

2013 CAPITAL EXPENDITURES BY SERVICE AREA



CAPITAL BUDGET EXPENDITURES FOR 2013

The City's capital program consists of a ten-year strategic outlook, a three-year plan, and an annual budget with quarterly reports at the project level.

Although capital investment grew in advance of the 2010 Olympic Winter Games, the trend for capital expenditures in recent years has been a gradual decrease, stabilizing at approximately \$250 million per year. At halfway through the 2013 year, the capital program is projecting

expenditures of approximately \$9 million less than budgeted, reflecting enhanced project management, increased transparency through quarterly reporting and forecasting, and adjustments to expenditure planning timelines.

By the end of 2013, utilities and public works will have accounted for the largest share of planned capital investments at about 31%. Civic infrastructure will make up nearly 18%, and transportation investments will make up

approximately 27%. Community facilities (10%), parks and open spaces (7%), housing (4%), and public safety (2%) together account for almost a quarter of expenses. Though only 4% of the capital budget is designated for housing, the City leverages these housing investments (and in some cases City-owned land) to a high degree to meet our housing targets as outlined in the 2012-2021 Housing and Homelessness Strategy.

RISKS

DEBT FINANCING

It has been Council's practice to finance a portion of the City's regular capital expenditures from debenture borrowing. Borrowing for programs not related to utilities must have the approval of Vancouver voters. Borrowed funds are typically amortized over 10 years to limit growth in outstanding debt and to maintain annual debt-servicing charges (principal and interest) at a level that does not overly affect the operating budget.

The City determines its long-term borrowing capacity for regular, non-utility capital programs by limiting its tax-supported debt servicing charges to 10% of non-utility operating revenues. In 2012, these charges were 8% of non-utility operating revenues, and are forecast to increase slightly to 8.2% in 2013 and 8.5% in 2014. The ratio is expected to peak in 2016, but will gradually stabilize and decrease as new debt becomes better aligned with debt repaid, and as debt reduction continues on the City's regular capital program.

There are a number of internal and external factors that can affect the City's financial outlook and are considered in developing the City's capital and operating budgets.

The City's revenue and expenditure profiles are relatively stable and predictable. Roughly 80% of the operating revenues come from property taxes and utility fees, and less than 5% of the revenues come from cyclical revenues such as development and permit fees. The remainder is made up of user fees, investment income, and other revenues that are moderately influenced by the economy.

To ensure that taxes and fees are competitive and affordable to businesses and residents, the City tries to align tax and fee increases with inflation as much as possible. Since payroll accounts for approximately 55% of the operating budget and wage increases have historically been higher than inflation, this creates a structural gap in our financial plan where expenses grow faster than revenues. However, this is before factoring in the ongoing productivity improvements that reduce our expenses.

We have been proactively driving productivity improvements and managing the growth of our workforce by streamlining the way we do business without affecting the quality of service we offer. Through the careful management of vacancies over the last three years, the number of active regular full-time staff (as of mid-2013) has been brought to below the

If we do not continue to transform our business operations and drive productivity, service levels will not be sustainable over the long term.

2008 year-end level. As well, the most recent round of contract renewals included wage increases that are aligned more closely with inflation forecasts than they have been in the past. But similar to other Canadian municipalities, our public safety expenditures remain high, with wage increases significantly greater than general inflation (and greater than non-public safety staff), posing a significant and unsustainable financial impact on the City. Public safety costs continue to grow, and account for over 47% of all property tax revenue collected. If we do not continue to transform our business operations and drive productivity, service levels will not be sustainable over the long term.

Though utility expenditures account for about 22% of our operating budget, over 60% of the costs for water and sewer represent Metro Vancouver costs that are set at the regional level. Utility expenses have been growing at a faster rate than other areas due to the need for significant capital investments to replace ageing infrastructure across the region. Upcoming projects include two

Utility expenses have been growing at a faster rate than other areas due to the need for significant capital investments to replace ageing infrastructure across the region.

secondary sewerage treatment plants as well as waste diversion and food scrap programs, which will add pressure to utility fees. Other costs such as insurance, gas, hydro, and telecommunications have been increasing at rates above inflation, putting additional pressure on the City's budgets.

The City borrows between \$110 million and \$120 million a year in long-term debt to finance our capital program, and debt service costs (principal and interest) are provided for in our operating budget. Any significant increase in interest rates will increase the City's debt servicing on new debt and limit future borrowing capacity.

The building and construction market contributes to the City's finances through development and permit fees, development cost levies, and community amenity contributions. Any significant downturn in this sector will have a negative impact on the City's operating and capital programs.

The health of our infrastructure directly relates to the success of our local economy. We strive to strike a balance between maintaining and optimizing existing assets and adding new assets needed for the city's growth. The need for rapid transit represents a major capital investment, and the costs of public works are increasing. As the owner of vast infrastructure networks and many buildings, the City conducts ongoing maintenance and upgrades to ensure that major infrastructure assets such as

bridges, roads, sewers and water infrastructure are functioning and resilient. City facilities must be in good condition to provide citizens with necessary services and programs. The increasing cost of maintaining and replacing these structures contributes to a growing infrastructure gap.

The City is continuing to prepare for the threats posed by climate change and natural disaster—particularly earthquakes, striving for fiscally responsible investment in all planning, response, and mitigation techniques. The flooding and severe storms witnessed throughout Canada in recent months offer lessons to help us be as prepared as possible to respond to such events as they happen and to quickly resume business across the city. Such events and their lessons influence our capital infrastructure investments and our focus on preparedness. In turn, these increase financial pressure on both our medium-term and long-term financial and capital plans.

SPENDING TO SUPPORT VALUED SERVICES

The City has been working within budgets defined by modest tax increases, yet we have made significant progress in advancing Council and community priorities on housing and ending homelessness, economic development, becoming the greenest city, and ensuring a safe, inclusive, and creative community. While reshaping the organization to provide services more efficiently, we have maintained or increased the quality of service, initiated new programs, and demonstrated leadership as a sustainable and livable city. What do these results look like? The following are highlights of the investments and achievements accomplished in recent years.



HOUSING

RENTAL STANDARDS DATABASE

The City of Vancouver launched a new online searchable database of rental buildings to assist renters to make more informed decisions about their housing. The Rental Standards Database includes information about all licensed rental buildings in Vancouver with five or more residential units that have any open bylaw issues, or issues that have been addressed and resolved within the past 12 months.

The types of buildings included in the Rental Standards Database are single-room occupancy hotels, private rental housing, social housing, and supportive housing units. These make up approximately 2,500 buildings, or 70,000 of Vancouver's 131,000 rental units.

Through coordinated partnerships and initiatives, including the SRO Task Force, City of Vancouver Integrated Enforcement, and the Coordinated Working Group for Troubled Buildings, the City is now seeing bylaw compliance for standards of maintenance issues completed in approximately half the time—down from approximately 250 days in 2009 to 125 days in 2011.

NEW AND UPDATED HOUSING UNITS

We are balancing the need to update older housing stock with the need to add more units. The City has purchased the 123-unit Ramada Kingsway Hotel for \$15.5 million to replace the Old Continental, and has added more social and supportive housing units with a 6-year lease of the 100-room Howard Johnson Hotel, to which the City will contribute \$1.1 million for building renovations. We have also taken innovative steps to create more permanent

affordable housing through requests for expressions of interest (RFEOI) on City-owned land and facilities. RFEOIs have been issued for:

- Access to a long-term lease of four City sites, valued at \$20 million. The Land Trust (a consortium of non-profit agencies led by BC Co-op Federation) successfully won the bid to build up to 355 rental units, many of which will be below market rates.
- The site of the Vancouver Fire and Rescue Services' fire hall. The RFEOI has been issued for a partner to work with the City in building up to 20 units of social or supportive housing.

Since the beginning of 2012, 3,418 secured market rental housing units have either been completed or are under development. We are working towards our 2021 target of 5,000 additional units.



SAFETY, INCLUSIVITY, AND CREATIVITY

SOCIAL POLICY AND ACCESS TO SOCIAL SERVICES

The Healthy City Strategy was created as a comprehensive approach to urban health and well-being that integrates and aligns various key City initiatives. The strategy is composed of a guiding vision, principles, 12 long-term goals, targets, and deliverables with a view to achieving a healthy city for all Vancouver citizens. A Healthy City Partnership MOU with Vancouver Coastal Health, significant collaboration across sectors, and ongoing community engagement are all part of the strategy over the next three years and beyond.

YEAR OF RECONCILIATION

The City of Vancouver is the first municipality in Canada to proclaim June 21, 2013 to June 20, 2014 as the Year of Reconciliation. Vancouver's Year of Reconciliation is about building a common understanding of the experience of Aboriginal peoples in the residential school system and working to build a future together, one that acknowledges the historical impacts that have shaped the experiences of Aboriginal peoples across the country. Supporting Reconciliation Canada is a way to help all cultures in Vancouver develop new relationships, heal from the past, and move forward with shared understanding and respect.

The City of Vancouver is embracing reconciliation through a year-long initiative that includes a series of gatherings, intercultural

dialogue and storytelling workshops, public education, and cultural and arts programs as ways to mend the past, build shared understanding, and create a legacy of meaningful change in society.

There are a host of City programs in the works that connect to Reconciliation. These include Aboriginal components within the Stanley Park 125 celebrations, the creation of a reconciliation legacy carving centre at Britannia Park, and the development of a Newcomer's Guide to Aboriginal Communities, Elders and Arts.

Programming will also be included from the Vancouver Public Library's (VPL) dialogue sessions, author readings, and documentaries, including a dedicated series with a focus on British Columbia. VPL is re-energizing its Aboriginal Storyteller in Residence program, which returns later this year with a new storyteller who will share the tradition and craft in free workshops and sessions.

VANCOUVER POLICE COMMUNITY SAFETY OFFICERS

The Vancouver Police Department (VPD) is committed to improving the safety and quality of life of Vancouver residents, businesses, and visitors through advocacy, crime prevention, and enforcement. However, lower-priority calls for service are regularly met with lengthy delays as patrol officers are busy with administrative duties, court, serious incidents,

incoming emergency calls, and other police duties. During the busiest periods, patrol officers are often unable to attend certain types of calls, such as suspicious circumstances and complaints for noise and annoyance.

To improve service to citizens, in 2013 the VPD began the three-year Community Safety (CS) pilot program. CS personnel are unarmed peace officers who wear distinct clothing that identifies them as VPD personnel, while differentiating them from regular, more highly trained and skilled police officers. They support front-line operations and enhance the level of customer service provided to Vancouver residents, businesses, and visitors. The work of CS members frees the more highly trained and skilled police officers to perform more complex police tasks, conduct proactive policing, and enhance neighbourhood patrols, which have been instrumental in reducing Vancouver's violent crime rate by 17% and the property crime rate by 48% over the last 10 years.

The VPD will conduct a thorough evaluation of the program's effectiveness by late 2015, but the early anecdotal feedback from frontline members is very positive.

INVESTING IN OUR SOCIAL SERVICE AND SOCIAL ENTERPRISE PARTNERS

During the past 10 years, there has been more than a 40% increase in the amount of funding requested as organizations face reduced

financial support from other levels of government as well as from public and private sources.

In 2012, funding from the City of Vancouver served over 100,000 Vancouver residents, engaged more than 11,000 volunteers, and supported 690 staff positions (approximately 280 full-time-equivalent positions). Organizations that received grant support from the City leveraged approximately \$33 million in further support from a range of other funding sources and in-kind contributions. This translates into a 5-to-1 ratio with \$5 committed by other funders for every \$1 invested by the City.

In 2013, the City increased grants by \$1 million to address identified gaps in service to align with City priorities. The City also stepped up its support for Vancouver's growing social enterprise sector, providing grant funding totalling \$380,000 over two years to support social enterprise capacity and enable businesses to hire and train people with barriers to employment. This investment will leverage an additional \$950,000 in grants and sponsorships from the private and non-profit sectors, including Vancity Community Foundation, Vancity Credit Union, Potluck Café Society, and the Hastings Crossing Business Improvement Association, among others.

City of Vancouver funding is expected to create at least three new social enterprise organizations, support 15 other social enterprises, add 90 new jobs, and



<< SAFETY, INCLUSIVITY, AND CREATIVITY

assist in retaining 110 jobs within Vancouver's economic community. As part of this funding, Potluck Café Society will receive \$80,000 for its Recipes for Success program to provide businesses, including social enterprises, with practical and proactive strategies to assist their workers who face barriers in their work lives.

INVESTING IN THE CULTURAL SECTOR AND OUR CREATIVE ECONOMY

Cultural grants support a diverse range of activities in performing and studio arts, festivals, and community-engaged practices that reflect historic cultural traditions as well as contemporary art forms and practices. In 2013, Council approved \$7.5 million in cultural grants for 165 arts and cultural organizations including the City's five major exhibiting institutions, 93 operating organizations, and 67 project organizations. This year's grants included an inflationary increase of \$200,000.

A number of organizations received operating funding for the first time, including Reel to Real: Celebration of Moving Images Society and the Vancouver Inter-Cultural Orchestra. Societies receiving first-time project funding include the Association of BC Book Publishers, Vancouver Poetry House, OCW Arts & Publishing Foundation, Canadian Alliance of Dance Artists - BC Chapter, Delinquent Theatre, Alley Theatre, and Astrolabe Musik Theatre.

Other ways the City is supporting culture and the arts include:

- zoning change to allow artist studios in industrial districts, increasing the permitted space from 2 million to 28 million square feet
- launch of the Arts Factory, a new 21,000-square-foot artist space at 281 Industrial, which will provide up to 40 new studio spaces in a City-owned building
- creation of a citizen-led Arts and Culture Policy Council
- over 20,000 square feet of new artist space approved in 2012
- nine previously vacant field houses offered by Park Board rent-free to artists, in exchange for community-engaged arts projects and programming

SPORT

The City of Vancouver has been named host city for the final soccer game of the FIFA Women's World Cup Canada 2015 and eight other games leading up to the final. Twenty-four national teams will participate in the FIFA Women's World Cup Canada 2015 in a series of coast-to-coast games. Last year, Vancouver, Edmonton, Winnipeg, Montreal, Ottawa, and Moncton were all named host cities for the

Did you know...

The City of Vancouver provides over \$10 million in operating grants to cultural organizations annually, which is two-thirds of what the provincial government spends across BC, and is the highest cultural funding per capita of the major municipalities in Canada.

tournament. The tournament is slated to run from June 6 to July 5, 2015.

INNOVATION AT THE LIBRARY

From 2010 to 2012, Vancouver Public Library (VPL) transformed its materials handling operations through the implementation of a Radio Frequency Identification (RFID) inventory management system, enabling the widespread rollout of self-service technology. Self-serve checkout machines are now in place at all VPL locations, and self-serve check-in machines are in place at the Central Library, Mount Pleasant, and Terry Salman branches.

The widespread public adoption self-service enabled VPL to reassign staff in order to open 11 more community branch libraries on Sundays in 2013, an increase of 2,300 public service hours per year at no additional operating cost. In addition, VPL has initiated a transformation of its reference services, blending the traditional iconic reference desk with mobile technology.

ENGAGING OUR PUBLIC

The City of Vancouver has made engagement with citizens, partners, and stakeholders a priority. This year the City developed a government-to-government relationship with First Nations councils, meeting to discuss ways

we can develop partnerships and raise issues for resolution. The City also launched TalkVancouver.com, a new online forum for people who live, work, or attend school in Vancouver to participate in dialogue about issues and provide feedback to Council. Face-to-face engagement with citizens will always form part of the City's engagement toolkit, but new and innovative ways of achieving that connection are being explored and tested through projects such as the Transportation 2040 plan and the community plans.

Did you know...

Over 200 of Vancouver's non-profit social service and neighbourhood-based organizations receive \$7.5 million annually in grants from the City of Vancouver.

This funding is an important contribution to the delivery of needed social programs and support services that promote social inclusion and help vulnerable communities, at-risk populations, and children in licensed childcare settings.



ECONOMIC DEVELOPMENT

GOING DIGITAL

The City recently released its first Digital Strategy, and is the first Canadian city to develop such a strategy. Advances in digital technology are changing how cities deliver service and the ways they engage with citizens. Digital technology can be leveraged to improve access to information about the City and its services, improve service delivery, enhance community engagement, optimize organizational and infrastructure investments, and strengthen the local economy.

Vancouver's Digital Strategy and associated initiatives comprise a significant commitment by the City to improve service, access information, and compete economically. The Digital Strategy sets out a four-year roadmap that moves our approach to digital from ad hoc and department-specific to strategic and integrated, prioritizing key initiatives that demonstrate the greatest value for citizens, businesses, and the City. The Chief Digital Officer will be joining the City in October 2013.

VANCOUVER INNOVATION HUB

The VEC is leading the development of an Innovation Hub at 312-324 Main Street, with the purpose of fostering innovation and creating sustainable companies. The goal of this facility, formerly known as the Vancouver Tech

Centre, is to accelerate early-stage technology companies and social enterprises. The hub's guiding principles require that it be inclusive and collaborative, community driven, and focused on technology and social innovation while also being complementary and adding capacity to the existing ecosystem. A RFEOI process has been completed and negotiations are underway.

INTER-MUNICIPAL BUSINESS LICENSE

This fall, as a result of the work we have completed with municipal partners in Metro Vancouver, the City is launching an Inter-Municipal Business License Pilot for all construction trades. This means that a tradesperson will no longer need to purchase multiple licenses in order to work in Vancouver, Surrey, Burnaby, Richmond, New Westminster, and Delta, considerably easing the regulatory burden and making Metro Vancouver an easier and more business-friendly place to work.

B2B IN CHINA

The VEC has designed a results-driven Trade Mission to China, which will take place in November 2013. Executive business guests from Vancouver's green, creative, and information and communication technologies sectors have been invited to join the Mayor of Vancouver and City staff on a

trade mission to Beijing, Shanghai, Guangzhou, Shenzhen, and Hong Kong.

Participants will partake in a number of activities with significant emphasis on business content and business-to-business (B2B) matching. Program activities will include: business networking events with Chinese and Canadian business leaders, media, government leaders, and distinguished guests; B2B meetings with prospective business partners; and site visits to leading Chinese companies in relevant sectors.

BROADWAY SUBWAY

The Broadway corridor, which runs from Commercial Drive to UBC's Point Grey campus, is BC's second largest business and innovation area and North America's busiest bus route. More than 200,000 people currently live and work in the area and 50% of the corridor transit riders currently come from beyond Vancouver. Vancouver Coastal Health and BC Cancer Agency operations along the corridor create the largest health care and life sciences precinct in the province, bringing an estimated 10,000 workers to the area. Vancouver Community College, on the eastern part of the corridor, brings 6,000 students.

The City of Vancouver and the University of British Columbia released a KPMG study that shows the employment and population

of the UBC-Broadway corridor will grow by 150,000 in the next 30 years, and that a rail-based rapid transit system is needed to meet the corridor's population growth and significant economic potential.

The City's transportation strategy has identified the implementation of the Broadway subway as the City's number one transportation priority. The City and TransLink are exploring interim solutions to increase capacity, however, with overcrowding and chronic pass-ups, the demand can only be met with an extension of the Millennium Line to at least Central Broadway. There is sufficient existing ridership demand on the corridor that ridership is expected to more than double on opening day.

MINIMIZING CONSTRUCTION IMPACTS, MAXIMIZING BENEFITS

The City collaborated with the Kitsilano 4th Avenue BIA to ensure a positive experience for pedestrians and merchants during the recent water and sewer line construction project. The BIA invested in a marketing and advertising campaign to educate and attract customers, and the City worked to minimize the impact of work crews in the area.

Though the primary driver of the West 4th construction project was to replace the ageing combined sewer systems with separated sewer systems, the work also

provided an opportunity to replace some water mains, renew water services, rebuild sidewalks, and replace pedestrian curb drops. Construction started in January 2013 and included:

- 15 blocks of new separated storm and sanitary sewer mains
- 3 blocks of new water main and service connections
- 18 blocks of road restoration and curb-to-curb paving
- sidewalk and curb rehabilitation, bus pads, and wheelchair ramps

A FAIR SHARE

Vancouver has been benefiting from an increasingly competitive business environment due in part to a Council-directed five-year tax shift program. Completed in 2012, this program lowered the tax share paid by businesses. Non-residential properties, including businesses, now carry only 46% of the property tax burden, compared to the 60% they carried in the 1980s.

To ensure taxes and fees remain competitive and enable a vibrant city for businesses and residents, Council has recently reconvened the Property Tax Policy Review Commission to assess how best to stabilize taxes and address tax share. The Commission will make recommendations to Council in the spring of 2014.



GREENEST CITY

SETTING A CLEAR PATH

The Greenest City 2020 Action Plan (GCAP) describes the path to achieve ambitious targets that address the impacts of climate change, as well as help the city develop a low-carbon economy and build a thriving environment for its residents. From local food production and food security to green transportation, access to nature, and a lighter footprint, the 10 GCAP goals call for local, national, and international leadership.

The goals set out a clear path towards a bright green future for our community and our planet. In addition to a 33% reduction in greenhouse gas emissions from the community as a whole, the goals require that all new buildings are carbon neutral in their operations by 2020, that we double the number of green jobs in Vancouver, that we reduce the amount of waste going to landfill by 50%, that residents make over 50% of trips by foot, bike, or transit, and that we increase residents' access to nature both in quantity and quality. The goals also set out a clear path for clean air and water and access to local food resources. The vision for the plan is to create opportunities for today, while building a strong local economy, vibrant and inclusive neighbourhoods, and an internationally recognized city to meet the needs of generations to come.

The 2013 GCAP Implementation Update to Council included a report on the GCAP's 10 goals, which collectively strengthen Vancouver's natural environment, create new economic opportunities, and further establish Vancouver's reputation as a city that balances economic growth with environmental leadership. The accomplishments outlined in the Implementation Update include:

- 11% reduction of total solid waste going to the landfill or incinerator since 2008
- 10% growth in walk, bike, and transit mode share since 2007
- 16% reduction in overall water consumption since 2006
- 4% reduction in carbon emissions across the entire city since 2007

RAISING THE BAR ON CLIMATE CHANGE ACTION

Cities around the world are grappling with the effects of climate change, and in Vancouver we are proving that it's possible to have a strong, healthy economy while reducing carbon pollution. The climate crisis is a daunting global challenge and Vancouver's leadership shows other cities what can be achieved, so it is crucial that we keep raising the bar. Council adopted the new Climate Change Adaptation Strategy in 2012, which charts a course for a resilient community for future generations.

The 2013 GCAP Implementation Update shows we are making good progress in addressing community-based carbon pollution, but there is much more to do. The costly impacts of climate change require us to continue to work hard and strengthen our partnerships with other levels of government, businesses, non-profit organizations, and residents.

GREENER WAYS OF GETTING AROUND

Vancouver's economy relies on the local and regional movement of goods and services and emergency response vehicles. Vancouver has 2,066 km of streets and lanes and the busiest bus corridor in North America—Central Broadway between Commercial Drive and UBC. Vancouver also has a comprehensive 255-kilometre bike network, which includes 39 kilometres of painted bike lanes and 6 kilometres of separated bike lanes, as well as an extensive seawall route of over 28 kilometres.

The City's goal to have at least half of all trips made by foot, bike, or transit by 2020 is within reach. While Vancouver's population and economy continue to grow, vehicle use is declining and walking, cycling, and transit use are steadily increasing. The 2012–2014 Capital Plan includes \$12 million invested in active transportation corridors (bikeways and greenways) and spot improvements.

SUPPORTING ACTION WITHIN VANCOUVER'S COMMUNITIES

The City, in partnership with the Vancouver Foundation, granted \$538,492 in 2012 to 150 community organizations through the Greenest City Fund to support community implementation of the Greenest City 2020 Action Plan. An amount of \$53,000 went to support cycling skills courses and to provide cycling assistance for recent immigrants, among other cycling projects.

Other types of projects supported include a school farm at Windermere High School, reducing take-out containers from restaurants, improving access to more sustainable seafood, additional community gardens, and planting and stewardship of trees within the city. Through these grants, thousands of Vancouver residents were engaged in the greening of Vancouver's diverse neighborhoods.

TURNING ORGANIC WASTE INTO COMPOST

In the spring of 2013, green bin and garbage service frequencies for houses and duplexes were switched to weekly collection of green bins and biweekly collection of garbage, to encourage people to recycle their food scraps. The service frequency changes began in May and were complete in July, covering approximately 105,000 households.



<< GREENEST CITY

The green bin program has resulted in an overall reduction in garbage of 40% and a 60% increase in diversion of food scraps away from our landfill to composting each year. It also helps reduce our carbon pollution by up to 3,000 tonnes per year. The City took steps to make the transition as easy as possible for residents by providing a green kitchen container to make separating food scraps more convenient.

The City expanded the service with RECOLLECT, which allows residents to look up their collection day online and sign up for automatic reminders by email, phone, text, or twitter of their service days and when to put their bins out for emptying.

RECOGNIZING OUR SUCCESS

In 2012, the City of Vancouver was recognized for its Greenest City and housing affordability initiatives with the inaugural Guangzhou International Award for Urban Innovation. At a ceremony in Guangzhou, China, Vancouver was presented with the top prize in the Sustainable City category. The award is aimed at inspiring innovations to improve municipal social, economic, and environmental sustainability by sharing experiences and best practices among cities, regions, and countries.

The City of Vancouver was named Global Earth Hour Champion in 2013 by the World Wildlife Fund (WWF) at an awards ceremony in Malmo, Sweden. This prestigious award recognizes a city taking serious action to address climate change. As the global winner of

the WWF greenest city challenge award, Vancouver was up against other finalists from India, Italy, the US, Sweden, and Norway. Voters from around the world selected Vancouver as the People's Choice winner out of all 17 cities that were National Champion finalists.

Vancouver has been recognized with many awards:

Global Earth Hour Champion
- World Wildlife Fund (2013)

Canada's Greenest Employer
-Mediacorp (2012)

#2 Green City in North America
-Economist Intelligence Unit (2011)

Canada's Clean 50
- Delta Management Corp. (2013)

CityStudio: The Greenest City is the Classroom
- Canadian Association of Municipal Administrators Willis Award for Innovation (2013)

Environmental Award - Public Sector category, for the Greenest City 2020 Zero Waste Action Plan
- Recycling Council of BC (2012)

Greenest City and housing affordability initiatives
- Inaugural Guangzhou International Award for Urban Innovation (2012)

Sustainable Community
-Federation of Canadian Municipalities (2012)

Sign up for RECOLLECT at vancouver.recollect.net

WHAT CAN WE EXPECT IN 2014?

We anticipate a 1% increase in user fees to align with inflation.

Over the last four years, Council has approved a modest annual property tax increase that aligns with inflation. This reflects the City's desire to continue providing valued services to the community while keeping taxes reasonable. This approach has enabled Council to continue to address specific priorities such as housing, public safety, economic development, and the environment. Grants to community non-profit organizations in the areas of arts and culture and social services have been maintained, which has provided important stability during a time of senior government cutbacks in these areas.

The budget for 2014 will continue these trends. The City will continue to look for productivity improvements and improve the value for money to align the cost of existing services with revenue from existing services. New and enhanced services will be aligned with Council priorities.

In preparing the budget, there are a number of financial risks and uncertainties that will not be fully known at the time the budget is set, so these must be managed through the coming year. Contingencies are budgeted and other expenditures will be adjusted to compensate for unanticipated events.

Looking ahead, we already know of many factors that will affect the 2014 operating and capital budgets. Some factors are more certain than others, however, and the final 2014 Budget will ultimately depend on direction

from Council and feedback from Vancouver residents and business owners.

2014 OPERATING BUDGET - INFLUENTIAL FACTORS

The expenditure outlook anticipates investment of \$3-5 million for new and enhanced programs and services. A number of programs will be recommended by staff to Council in the proposed budget for 2014, focused primarily on areas that are Council and Board priorities such as emergency management, the Digital Strategy, social grants, and housing, among others.

Fixed costs for providing existing services are expected to increase, including fuel costs, lease rates, utility costs, and insurance costs. Supportive housing expenses and maintenance costs are also expected to increase. Maintaining core services and support for community programs and grants will be a cornerstone of the 2014 Budget.

Principal and interest costs on debt borrowed for capital projects also add to our operating costs. A number of civic facilities are very old and require significant maintenance over the next several years. Seismic considerations will also influence the City's facility plans. These cost pressures are anticipated to exceed general inflation and will continue to push the City to look for innovative ways to transform service delivery to keep expenditures in line with revenues.

The rising costs of local and regional infrastructure and regulatory requirements will increase utility costs by 4.5%.

Compensation cost is a significant challenge for the 2014 Budget. With the exception of police officers and firefighters, all of the collective agreements covering the City's unionized employees have been ratified. The new bargaining agreements call for an increase exceeding the current rate of general inflation and therefore above the anticipated tax rate increase. The discrepancy between the growth in the City's compensation costs and the rate of inflation presents a financial sustainability challenge. Uncertainty about wages for police officers and firefighters in 2014 and future years adds additional risk to the budget.

Other expenditures in 2014 include contribution to a new Public Bike Share program as well as expenses for the 2014 election. The Public Bike Share program will be funded from the Parking Sites Reserve while the election expense is funded from annual election reserve contributions.

While contingencies are in place to manage one-time risks, we anticipate that continued business transformation and rationalization will be required to offset the range of costs unknown at this time. As additional information is received through the budget process, refinements to these estimates will be made and brought forward with the 2014 Budget.

We anticipate continuing the recent trend of modest tax increases, using this as a general principle of our planning. We expect a 1% increase in user fees, to align with historic and forecasted inflation.

New property taxes generated from an increased tax base (a greater number of properties) are expected to be in the area of \$3 million.

Overall, revenues from parks and recreation are projected to increase—in golf, parking, leases, and concessions—due to revenue-enhancing initiatives. City parking revenue will remain fairly stable, as will permits, licenses, and development-related revenues. Utility revenues are anticipated to increase 4.7%, approximately \$10 million, to reflect higher costs. Increases to investment income from higher cash balances will be offset by projected decreases in revenue generated from municipal bylaw fines, due to fewer tickets being issued and prompt payment before penalties are incurred.

2013 Budget Public Opinion Survey: Possible Cost-Saving Measures

Most supported by residents and business

- reduce enforcement of nuisance or minor bylaws
- 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
-

Objectives of capital investments:

- maintain existing assets
- meet basic infrastructure needs for growth
- advance or adjust to priorities of Council and the community

2014 CAPITAL BUDGET - INFLUENTIAL FACTORS

The 2014 Capital Budget will be based on the 2012–2014 Capital Plan, which outlines key projects across City departments for these three years. Specific projects will be prioritized based on need, the opportunity to leverage senior government funding, and the enabling of business transformation through capital investments. Utility maintenance and upgrading remain a critical mandate. Some of the key capital investments planned for 2014 are described below.

COMMUNITY FACILITIES

Construction will continue on the new Strathcona Library, and community and childcare facilities are planned for Citygate, Kensington, and Downtown South. Work will also continue on the Bloedel Conservatory roof replacement, and restoration work is expected to commence on the Vancouver Art Gallery plaza.

PARKS AND PUBLIC OPEN SPACES

Capital works include completion of the renewed Empire Fields, Plateau Park and Greenways in Hastings Park, and the Hastings Community Park field renewal for the upcoming 2016 Little League National Championships. Also scheduled are the greening of Hillcrest Park and Riley Park, completion of the final phase of the Trillium Park site in Strathcona, and Seaside Greenway construction.

Greenest City 2020 Action Plan projects include the construction

of new park spaces at 6th Avenue and Fir Street and at Yukon Street and 17th Avenue, and the planting of 10,600 new trees throughout the city.

HOUSING

The City will continue new social and supportive housing development by leveraging our land and capital grants. Construction on the Taylor Manor supportive housing project will complete in 2014, creating 56 new units.

PUBLIC SAFETY

Work is expected to begin on the construction of Fire Hall #5, continuing the multi-year program to upgrade and replace the City's fire halls.

TRANSPORTATION

Construction will continue on the Powell Street Overpass, where the street will be realigned to improve rail traffic. Construction will also continue on Phase 1 of the Point Grey-Cornwall Active Transportation Corridor featuring walking and cycling corridor improvements from Jericho Beach Park to Burrard Bridge.

CIVIC INFRASTRUCTURE

Development and implementation of the Permit and License Transformation Program will continue, modernizing the way the City delivers permit and license services and establishing the City of Vancouver as a leader in government service delivery. Fleet purchases will be focused on reduced GHG impact and improving operational efficiencies.

BUDGET OUTLOOK SUMMARY

As we look to 2014, the City will continue to be influenced by the uncertain and unpredictable world economic environment and Vancouver's changing demographics and community needs. We will continue to focus on achieving Council, Board, and public priorities while adapting to these external drivers and maintaining a cautious approach to our plans and budgets to maintain long-term financial sustainability.

Through the operating and capital budgets, the City will look to allocate limited increased revenues to the priority areas. The information in this 2014 Budget Outlook provides a current snapshot for citizens and Council to begin the discussion on the 2014 Budget. At this time, the outlook for 2014 reflects the following key elements in the operating and capital budgets.

2014 OPERATING BUDGET OUTLOOK

Over the next several months, the City will look at opportunities to bring the budget into balance by refining the estimates, and by looking for opportunities to continue to transform the organization and find innovative ways to deliver on the increasing demand for services while maintaining a reasonable cost structure.

THREE-YEAR OUTLOOK

Similar risks and pressures are anticipated in the outlook for 2014–2016. With increases to property tax, user fees, utility fees, and new construction revenues, total revenues are expected to increase by close to \$20 million in 2015 and also in 2016.

Continued pressure on expenditures for investment in new and enhanced services, cost increases to fixed expenses, capital program costs, and collective agreement increases are anticipated to exceed revenues in both 2015 and 2016.

Ongoing productivity improvement initiatives and funding alternatives will continue to be required to balance the budget in the future.

Staff will recommend to Council the use of modest tax increases as seen in the past four years as a general principle in our planning.

Staff will also continue to refine and confirm revenue and expense estimates and pressures, and look for opportunities to bring the budget into balance through transformation of operations.

**2014 OPERATING BUDGET
PROJECTED REVENUE CHANGES**

Increased utility fee revenue	+ \$10 million
Increased property taxes	+ \$9 million
New tax revenue from new construction	+ \$3 million
Transfer from reserve for election costs	+ \$3 million
Transfer from reserve for Public Bike Share	+ \$2 million
Increased other fees	+ \$1 million
Increased investment income	+ \$1 million
Decreased municipal bylaw fines and parking revenues	- \$1 million
TOTAL PROJECTED REVENUE CHANGES	+ \$28 million

**2014 OPERATING BUDGET
PRELIMINARY EXPENSE PRESSURES**

Increased wage and benefit costs (estimated)	+ \$12 million
Impact of future public safety collective agreements	(currently unknown)
Increased utility costs	+ \$11 million
Increased capital program cost and fixed costs (e.g., fuel, leases)	+ \$9 million
Cost of new and enhanced services and programs	+ \$3 - 5 million
Election costs	+ \$3 million
Public bike share	+ \$2 million
Increased grants	+ \$1 million
TOTAL PRELIMINARY EXPENSE PRESSURES	+ \$41 - 43 million

2014 CAPITAL BUDGET OUTLOOK

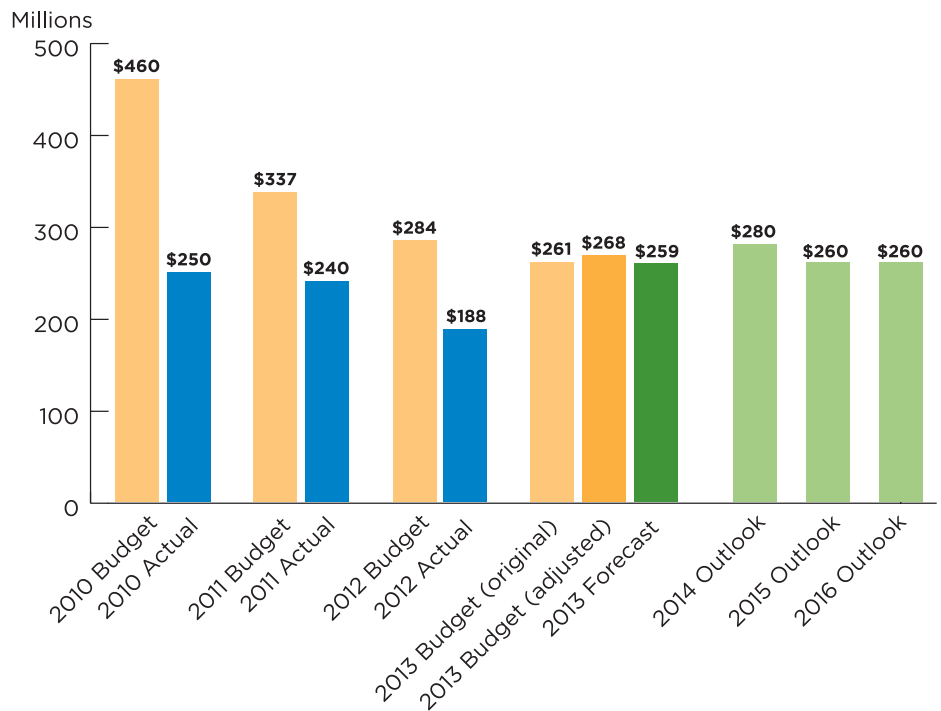
Capital funds will be directed toward the most critical infrastructure and asset management programs and projects of the highest priority to meet Council and Board direction and the public's needs. As the third and final year of the 2012-2014 Capital Plan, delivering the remainder of the planned projects will be a priority, together with completing several other ongoing, major projects—including the construction of the Powell Street Overpass and the City's capital contribution to the Housing Land Trust for the development of affordable housing on City-owned land.

Continuing to deliver projects on time and on budget while looking for opportunities to increase the value for money for these large capital investments will remain our focus. Reflecting the recent stabilizing trend in capital expenditures and completion of the 2012-2014 Capital Plan, the outlook for capital expenditure in 2014 is \$280 million. Anticipated capital expenditure in 2015 and 2016 is \$260 million each year, dependent on the final decisions yet to be made in the 2015-2017 Capital Plan.

2014 CAPITAL BUDGET

Current projects continuing into 2014	\$160 million (estimated)
New projects in 2014 (final year of 2012-2014 Capital Plan)	\$120 million (estimated)
TOTAL CAPITAL BUDGET ESTIMATE	\$280 million

CAPITAL EXPENDITURE TREND COMPARISON, 2010-2016



For more information on the City of Vancouver's priorities and actions, visit:

HOUSING STRATEGY

<http://vancouver.ca/people-programs/vancouver-housing-strategy>

COMMUNITY PLANS

<http://vancouver.ca/home-property-development/neighbourhood-planning-projects>

ECONOMIC ACTION STRATEGY

<http://www.vancouvereconomic.com>

TRANSPORTATION

<http://vancouver.ca/streets-transportation>

PARK BOARD STRATEGIC PLAN

<http://vancouver.ca/files/cov/park-board-strategic-plan-presentation-20120627.pdf>

GREENEST CITY

<http://vancouver.ca/green-vancouver/greenest-city-2020-action-plan>

CLIMATE CHANGE ADAPTATION STRATEGY

<http://former.vancouver.ca/ctyclerk/cclerk/20120724/documents/rr1.pdf>

To learn more about the City of Vancouver's budget, visit:
vancouver.ca/your-government/budgets

or call: 311

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