

2014 Budget Outlook

Outlook Report
Financial Services Group
Fall 2013

- The Outlook is not the budget
- The Outlook is designed to provide:
 - An update on our redesigned Budget process and reporting
 - Highlight City Priorities
 - Principles related to Fiscal Responsibility
 - Update on the Economy:
 - local, provincial, federal and global
 - key metrics (City Pulse)
 - Plans for Public Engagement
 - A context for the 2014 budget
- Detailed budget to Council and posted on COV Web Nov 26

2014 BUDGET TIMELINE

OCTOBER 1

OCTOBER 8

THRU OCTOBER

NOVEMBER 26

DECEMBER 10

Budget Outlook
Report to
Council and
Posted to Web

Council Meeting
re Budget
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Council
Meeting re
Budget

Development of
Budget Strategies
by staff



Budget Redesign and Reporting

KEY BUDGET PROCESS IMPROVEMENTS : 2009-2013



	Past Practice	New Practice
Budget decision	March/April	December
Budget Outlook		New
Outlook and Budget report	Finance focus only	Citizen focus; Finance & Services
Service Plans and Metrics in annual budget		New
Financial sustainability principles		New
Operating and Capital Budget Reports	Separate	Consolidated
Financial reporting on Operating & Capital Budgets	Annually	Quarterly
3 year Operating and Capital Budget view		New
10 year Capital Strategic Outlook		New
3 year Capital Plan Category	Department	Service - based
Capital Budget	Partial	Comprehensive



PwC Best Practices Review – 2012

1. Linking Budget to Strategy

- ✓ Budget decisions informed by service plans aligned to the City's strategic goals
- ✓ Use of a financial framework to set financial goals

2. Enhancing Public Consultation Process over 3 year cycle

2014 Consultation informs strategic goals and goals inform the budget

3. Providing Appropriate Level Relevant Budget Information

- ✓ Performance metrics aligned to the City's strategic goals

2014 Budget and financial statements aligned

- ✓ User-friendly information tailored to the needs of each audience (Council, Management, Public)

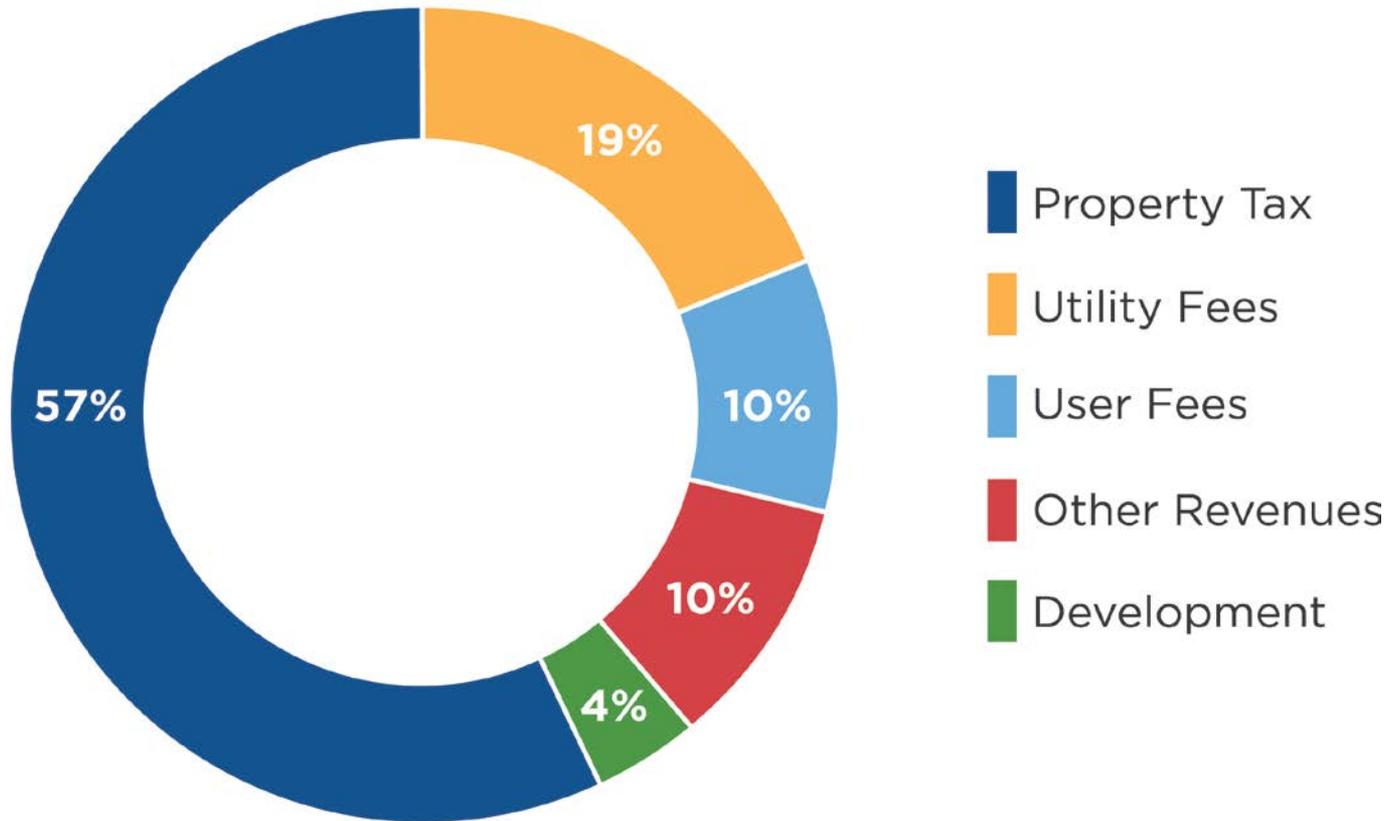
4. Streamlining the Budget Process

- ✓ Integrate operating and capital budget processes

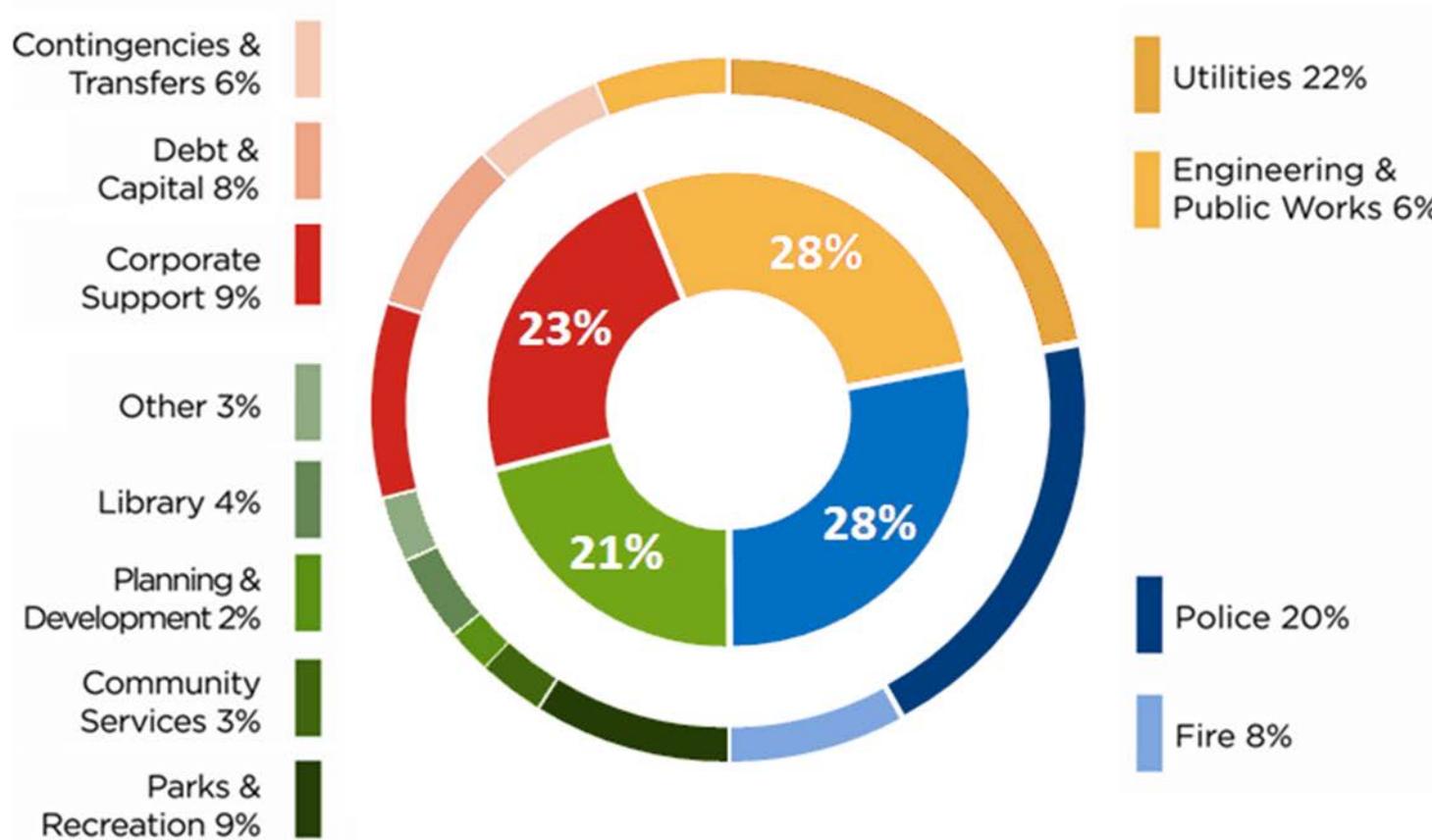
2014 Integrate the budget process with the other corporate planning and performance management processes

- ✓ Minimize budget versions and reviews

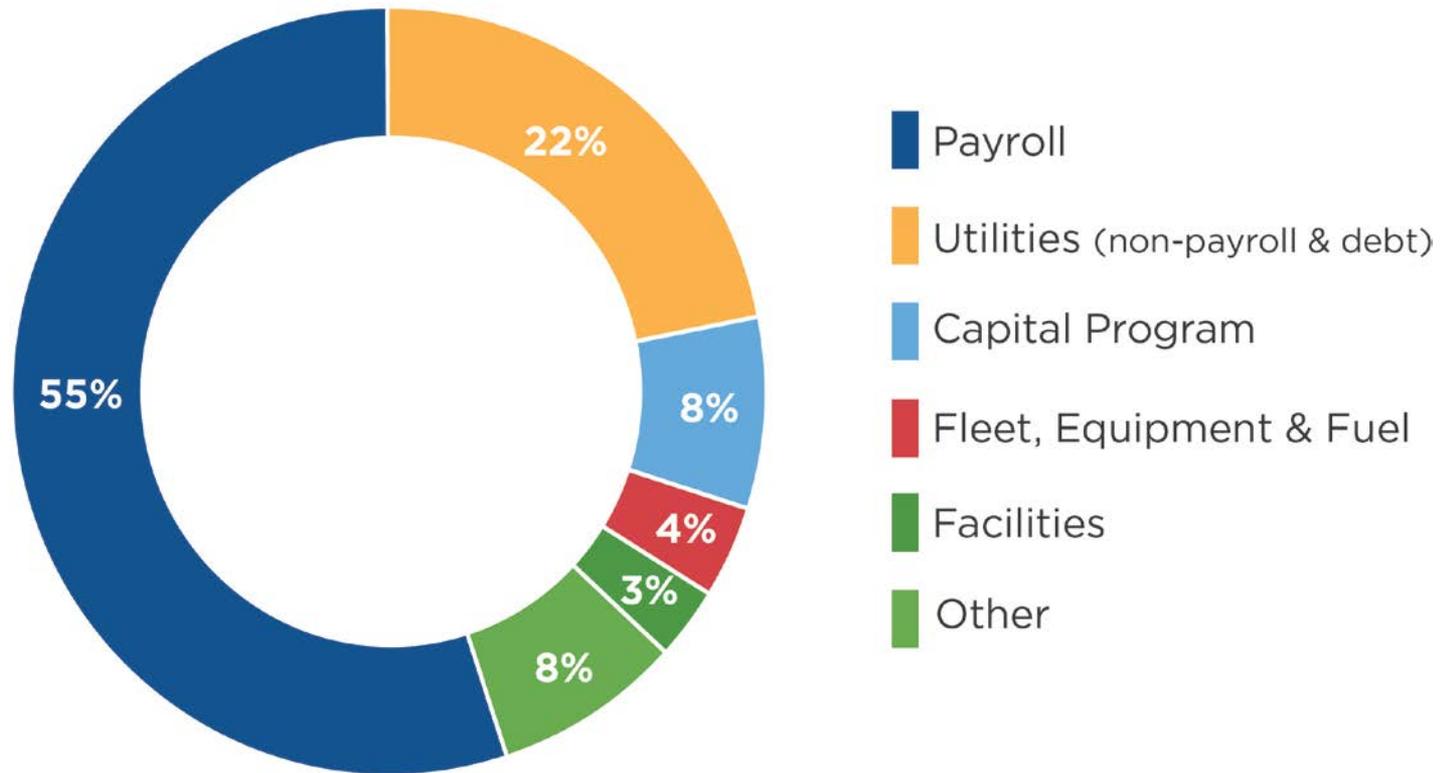
2013 Operating Budget: Revenue



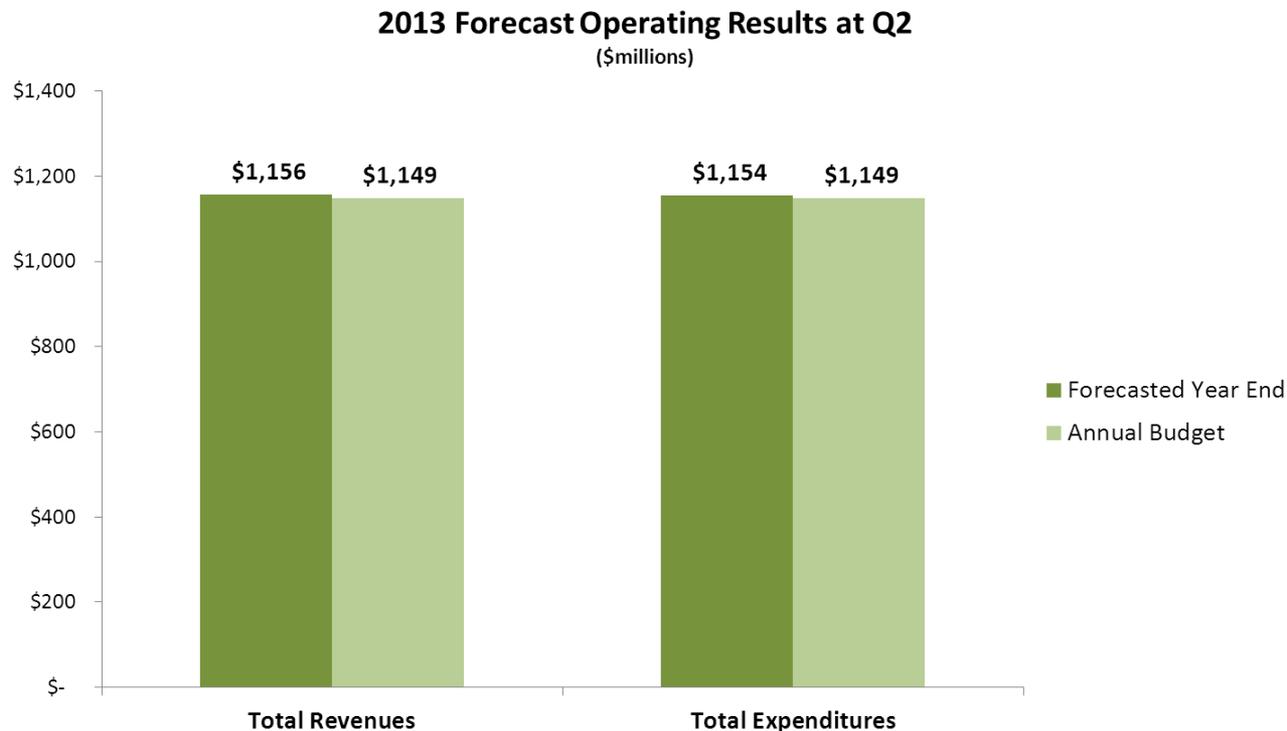
2013 Operating Budget: Expense



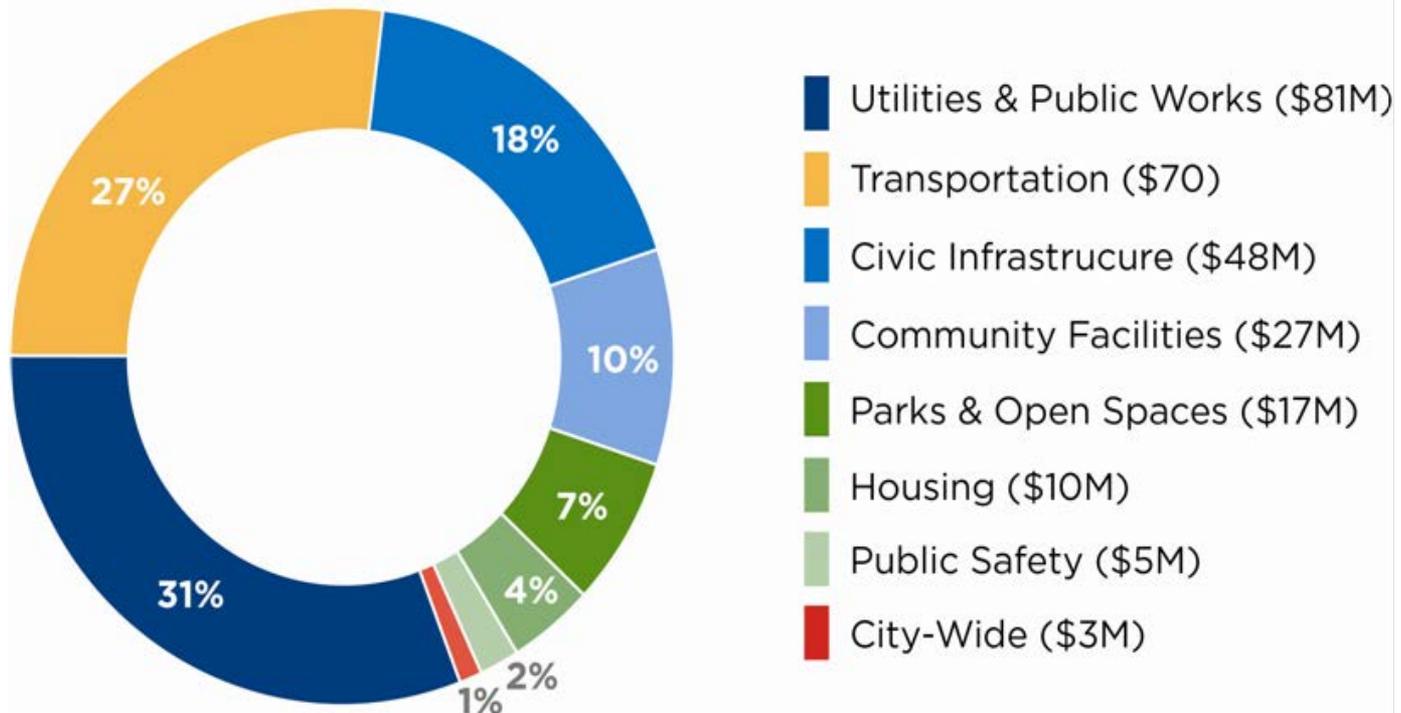
2013 Budgeted Expense by Cost Category



- Operating Budget results are reported to Council Quarterly and published on the City's website
- Q2 report: City is on target to year end with a small surplus
- Q3 results will further inform 2014 budget recommendations

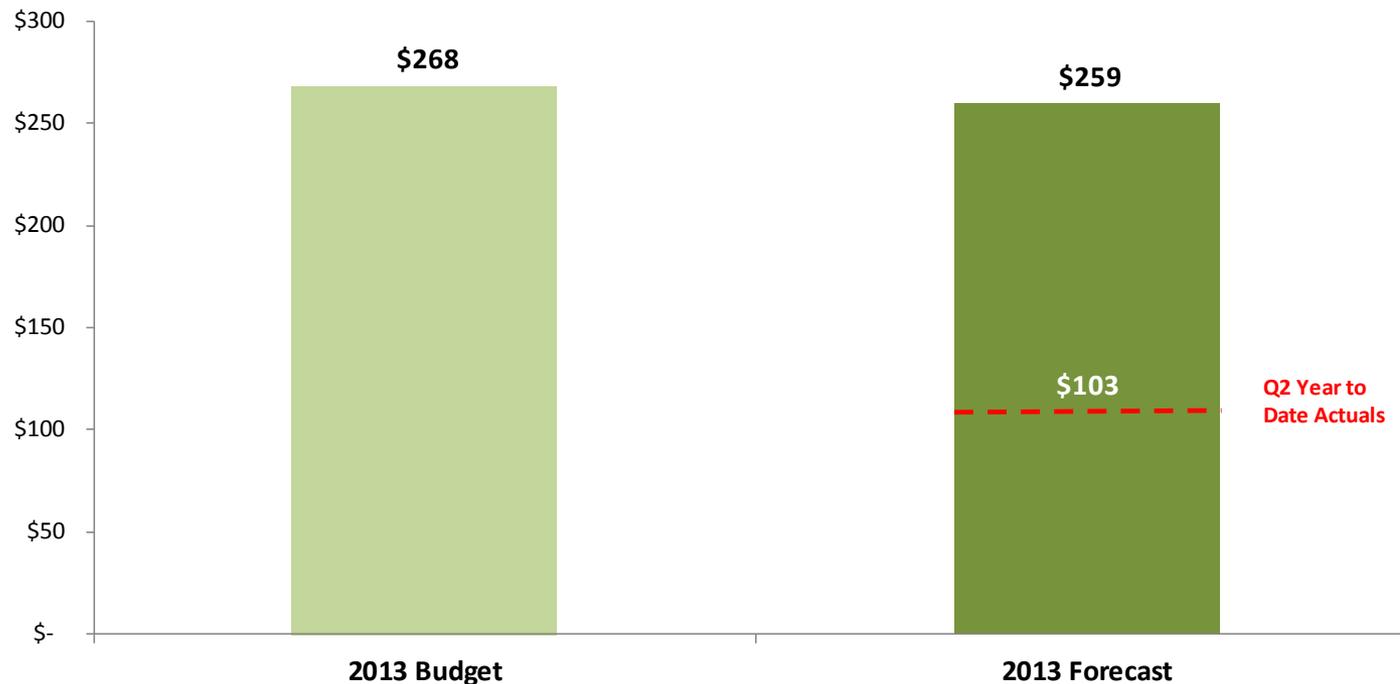


2013 Capital Budget by Service Category

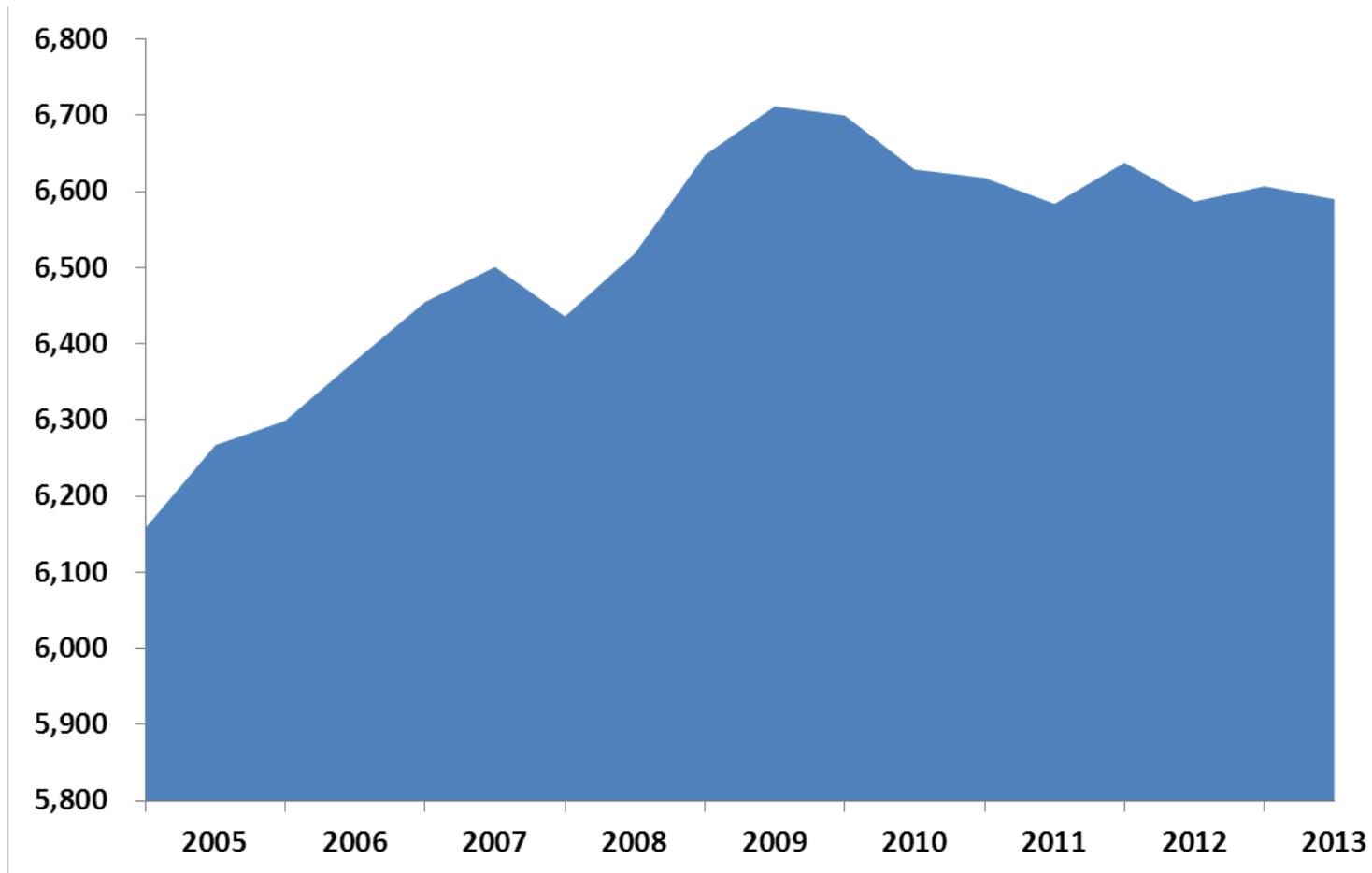


- Capital Budget results are reported to Council Quarterly and published on the City's website to report on progress to budget
- Q2 report indicated City is forecasting to be within budget
- Q3 results will further inform 2014 budget recommendations

Capital Budget Summary: Q2 2013
(Millions)



Active Regular Full Time Staff



VPD staff increases were 59% of City growth (2005-2009)



Looking Ahead: Budget 2014

- Continue providing valued services while keeping taxes reasonable and address public priorities
- Seek productivity improvements and improve value for money to align the cost of services with revenue.
- New and enhanced services aligned with Council priorities.

Costs outpacing inflation

- Wage settlements and pressures
- Fixed costs (fuel, utilities, rents, credit card fees, software maintenance, leases)

Priorities for new/enhanced services

- Supportive and Social Housing
- Economic Development
- Green initiatives
- Emergency planning/earthquake preparedness
- Food Strategy/Healthy City Strategy including social grants

3 Year Window:

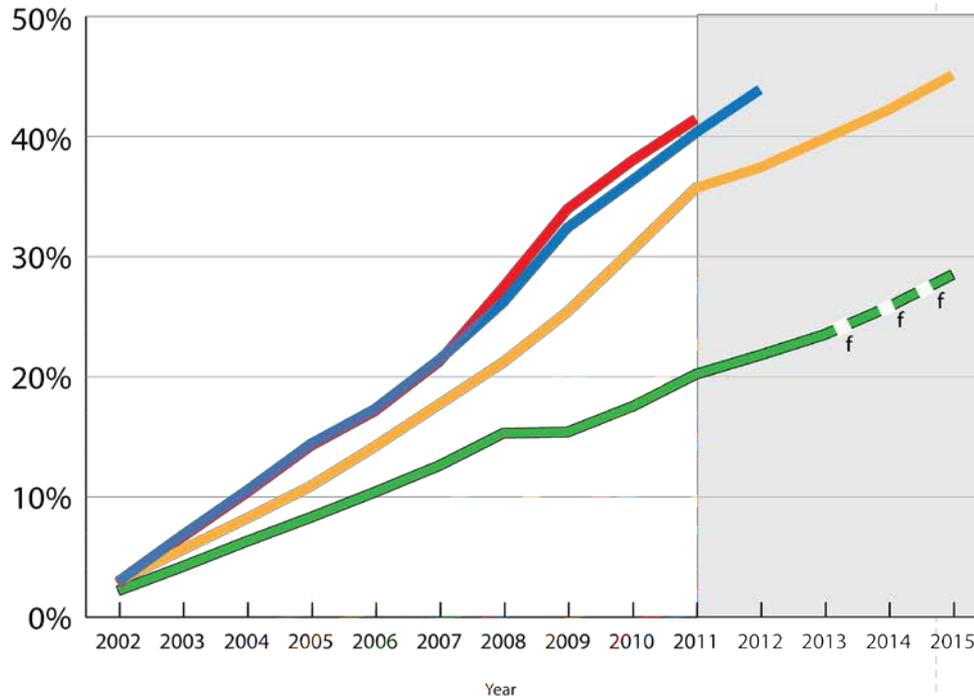
- 2014 – Gap of \$13-\$15 million
- 2015/16 – Gap of \$15-17 million each year

Productivity improvements required:

- Approximately 2% per year over next 3 years

City of Vancouver and Related Boards Compounded Wage Adjustments (2002 to 2015)

Compounded %
Wage Adjustment



Compounded
@ 2009

33.8% FFU

32.4% VPU

25.4% CUPE

15.4% CPI
"Vancouver
Index"

Compounded
@ 2011

41.3% FFU

40.3% VPU

35.7% CUPE

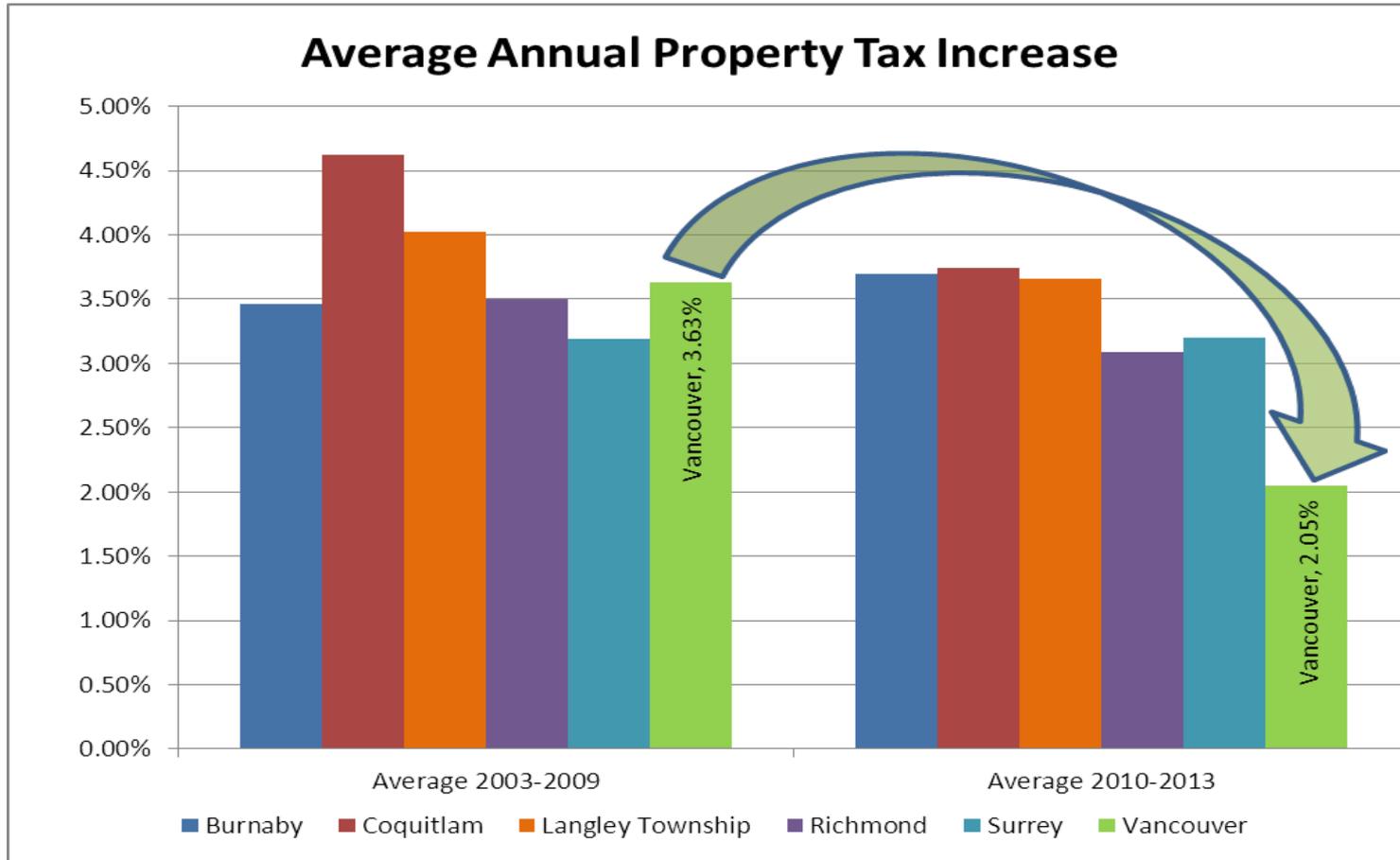
20.2% CPI
"Vancouver
Index"

note:
CPI "Vancouver" Index (2002 to 2012). Base year = 2002: source BC Stats June 2012
Statistics Canada, CANSIM Table 326-0021 (corrected Jan 23/12)
f=CPI Forecast (2013 to 2015): Conference Board of Canada "Metropolitan Outlook - Spring 2013"

Contractual data source: Metro Vancouver Labour Relations

updated June 21, 2013

Continue to align Property Tax increase with inflation through transformation



Average property tax increase comparison (2010-13):
Vancouver 2.1%, Richmond 3.1%, Surrey 3.2%, Burnaby & Coquitlam 3.7%

Projected Revenue Changes:

New tax revenue from new construction	+ \$3 million
Transfer from reserve for election costs	+ \$3 million
Increased property taxes (est. at a 1.5% increase)	+ \$9 million
Increased utility fee revenue (est. at a 4.6% increase)	+ \$10 million
Increased investment income	+ \$1 million
Public bike share (transfer from reserve)	+ \$2 million
Increased Other Fees	+ \$1 million
Decreased municipal bylaw fines and parking revenues	(\$1 million)

Total Projected Revenue Changes

+ \$28 million

Preliminary Expense Pressures:

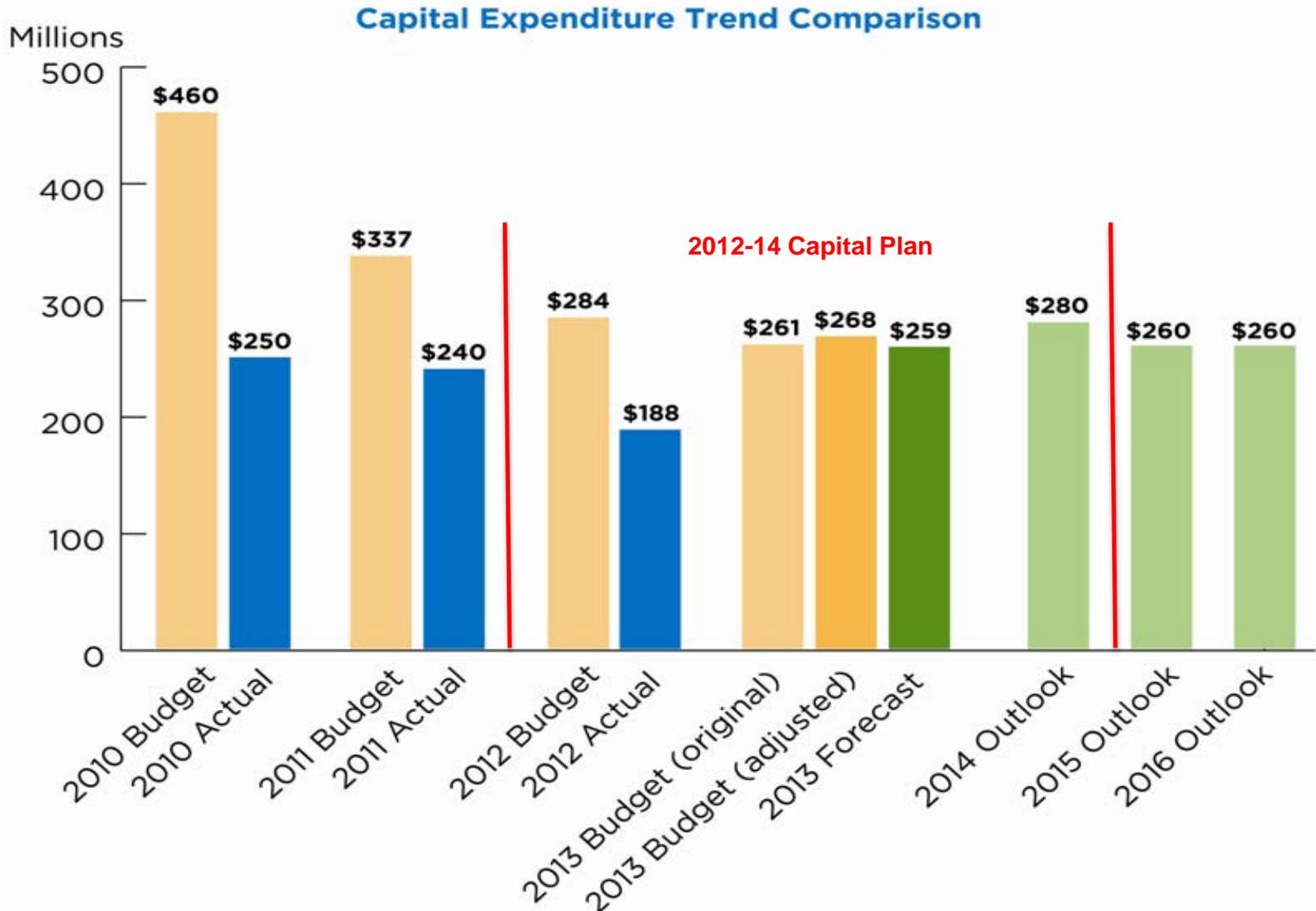
Cost of new services and programs (e.g. Emergency Management, Library, Parks & Recreation, etc.)	+ \$3 - \$5 million
Increased in capital program cost and fixed costs (e.g. fuel, leases, insurance)	+ \$9 million
Increased wage and benefit costs (estimated)	+ \$12 million
Wage increases from public safety collective agreements	+ (currently unknown)
Increased grants	+ \$1 million
Public bike share	+ \$2 million
Increased utility cost	+ \$11 million
Election costs	+ \$3 million
Total Preliminary Expense Pressures	+ \$41-\$43 million

- Capital Budgeting Program includes a 10 year Capital Strategic Outlook, 3 year Capital Plan, and an annual Capital Budget including two year forecast
- 2014 is the last year of the 3 year Capital Plan (2012-14 Capital Plan)
- The 2014 Capital Budget will include continuing capital projects/programs, as well as new capital projects/programs from the last year of the 3 year Capital Plan

- 2014 Annual Capital Budget Estimate \$280 million (est.)
 - Current projects/programs continuing into 2014: \$160 million (est.)
 - New projects/programs in 2014 \$120 million (est.)

- Capital funds directed towards the most critical infrastructure and asset management programs, and the highest priority projects to meet Council and Board direction and the public's needs.

CAPITAL TREND COMPARISON



2014 Budget will have a few new elements:

- Consolidated budget detail up front as part of core budget
 - Includes further breakdown of department categories
- Refreshed Service Plans from business units
- Reporting on metrics
 - Trend data
 - All business units
 - Some improved metrics to better reflect service provided

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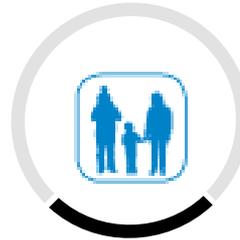


Budget Context - City Priorities

LONG-TERM THINKING

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.



PEOPLE



PROSPERITY



ENVIRONMENT

- Homelessness and Affordable Housing
- Economic Development
- Greenest City
- Safe and Inclusive City



Valued Services Highlighting Recent Achievements

Addressing Homelessness

- Winter Response Shelters – enabled 160 beds for street homeless
- New Supportive Housing from COV/BCH 14 Site Partnership – 257 units opened in 2013 and over 530 units opening in 2014

New Interim Housing

- Kingsway Continental - Purchased 123 room Ramada Hotel on Kingsway to relocate residents from the Old Continental -Total acquisition \$15.5M
- Howard Johnson - Facilitated lease of 100 room hotel for BC Housing to house street and sheltered homeless - City contributed \$1.1M for renovations
- East Hastings Ramada – Purchased 58 room Ramada Hotel on East Hastings: Total acquisition \$ 7.3M

Protecting Renters: Rental Standards Database and Rent Bank

- Information about rental buildings with outstanding bylaw issues now in searchable database
 - Covers approximately 2,500 buildings, or 70,000 of Vancouver's 131,000 rental units
 - Bylaw compliance now down from 250 days to 125 days
- Rent Bank established with Network of Inner-City Community Services Society, Street to Home and COV

Affordable Housing

- Land Trust Initiative: Consortium of non-profit/co-ops under BC Co-op Federation will create 355 rental units, 268 of them at below market rents. Long term lease of 4 City land sites
- 755 Units of non-market rental housing units is in the development process
- Laneway houses - over 1000 permitted by COV by 3rd quarter 2013

GREENEST CITY FUND

- In partnership with Vancouver Foundation granted \$538k to 150 Community Organizations

GREEN BIN



- The Single Family Home Green Bin program resulted in a 40% decrease in garbage with a 60% increase in food scraps diverted from the landfill

AWARDS

- Global Earth Hour Champion - World Wildlife Fund (2013)
- Inaugural Guangzhou International Award for Urban Innovation (2012)

Vancouver's economic future hinges on supporting existing businesses & attracting new business investment.

Digital Strategy

- *Supporting Digital Incubation, Demonstration and Proof-of-Concept, Creating a Digital District*

Innovation Hub

- *Supporting innovators to deliver programs in technology acceleration and social innovation*

Streamline Business Licences

- *Inter-municipal Business License reduces burden of multiple licenses across multiple municipalities*

Trade and Investment

- *TED Conference, GROW conference*
- *Missions to support green, creative and technology sectors*

Public Transit and Broadway Corridor

- *Broadway Corridor economic study UBC/VEC - strong support for Broadway Subway*

Commercial Tax

- *Non-residential properties now represent 46% of tax revenue compared to the 60% in the 80s.*

The Healthy City Strategy

- Third pillar in an integrated and sustainable approach to achieving the City's vision in partnership with Vancouver Coastal Health

Year of Reconciliation

- First municipality to proclaim as the Year of Reconciliation to build trust and understanding around the Indian residential school system

Culture

- Commitment of Larwill Park site for new VAG
- Artist production space enhanced – Arts Factory, Fieldhouses, amenity spaces
- Ongoing commitment of operating and capital infrastructure grants

Public Safety

- 10 year reduction of violent crime rate by 17% and property crime by 48%
- Introduction of 30 Community Safety personnel
 - From July to September 2013, Community Safety personnel have attended 1,039 VPD calls for service (average 18 per day)

Library Transformation and Service Hour Increase

- RFID implementation
- 11 community libraries now open on Sunday: nearly 2,300 hours of annual access added to the City's library system
- Vancouver Inspiration Pass

Social, cultural, community and sport grants

- OneCard introduced July 2013 – 68,000 issued to date
- Stanley Park 125 Celebration
- Davis Cup partnership with UBC and Tennis Canada
- Social grants budget increased – inflationary increase and new programs to address gaps
- Social enterprise commitment with Vancity partnership



Principles related to Fiscal Responsibility

GOAL

Achieving financial sustainability through long term financial planning.

Financial Sustainability Guiding Principles:

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

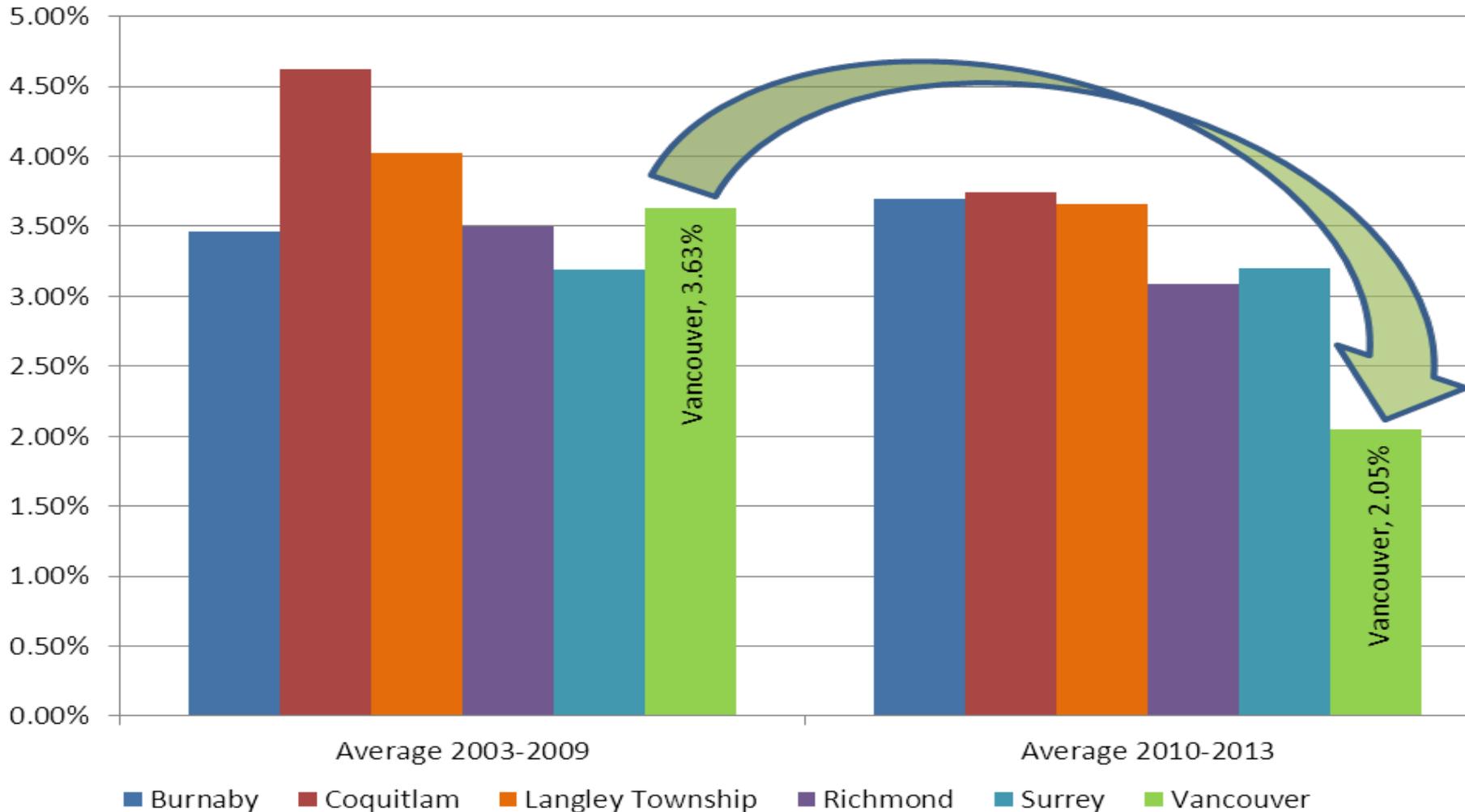
- deliver services that are relevant and result in desired public outcomes
- ensure value for money through productivity and innovation
- keep property tax and fees affordable (in line with inflation)

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



Average Annual Property Tax Increase



Credit Rating:

- The City of Vancouver is rated at the high end of the range for Canadian municipalities: Moody's: Aaa Standard & Poor's: AA

"The City of Vancouver's Aaa debt rating reflects consistent, positive financial results and a strong liquidity position" *Moody's 2012 rating*

The strength of the city's credit rating is based on a number of factors where the City performs very favorably:

- Liquidity – Adequate Reserves and Investment/Cash balances
- Financial Management – Transparency and accountability through regular financial reporting, long term financial view, business transformation
- Debt Profile – Moderate debt and limited debt growth
- Economy – Diverse and stable, growing economy
- Budget performance - Consistent conservative budgeting
- Contingent liabilities - Limited external risks affecting debt repayment



The Economy

Global & National

- **Global economy remains volatile and uncertain:** potential negative impact on **Vancouver**
- **United States:** experiencing modest employment growth, a recovering housing market, fewer mortgage delinquencies, and growing consumer credit. Potential negative economic impact of a prolonged government shutdown.
- **Europe emerging from recession:** Portugal, Italy, Greece and Spain continue to struggle
- **China showing signs of stabilization** with growth is not expected to exceed 7.5%
- **Canada:** underperforming with GDP growth of 1.9% in 2012 and 2.1% forecasted for 2013



BC & Vancouver

- **British Columbia:** strong growth in forestry and mining; weak housing and employment
- **Vancouver:** population growth expected to grow at 1.7% per year; unemployment 6.5% forecast for 2013 and expected to decline to 5.1% by 2017
- Vancouver's Real GDP expected to remain above Canadian average: 2.2% in 2013 and slightly higher in 2014
- Development activity in 2013 slightly below 2012 levels with total permit values exceeding pre-2008 levels
- Office vacancies among lowest in the region
- Number of new businesses approaching pre-2008 levels
- Housing starts expected to decline by 9% in 2013 and by another 5% in 2014
- Housing affordability remains a challenge



City Pulse



PEOPLE

- 11% increase in population over 10 years
- 7% increase in median age over 10 years
- 34% increase in residents with higher education over 10 years
- 48% reduction in property crime over 10 years
- 17% reduction in violent crime over 10 years



PROSPERITY

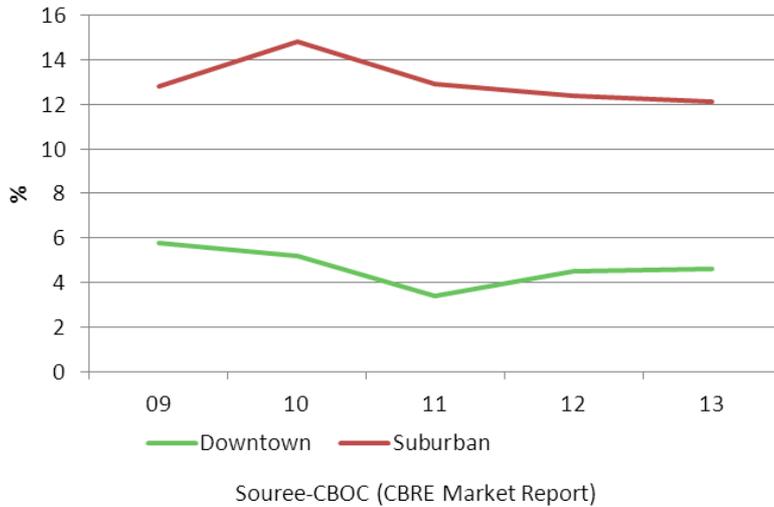
- 13% reduction in unemployment over 10 years
- 27% increase in average before-tax household income over 10 years
- 18% reduction in low-income households over 10 years



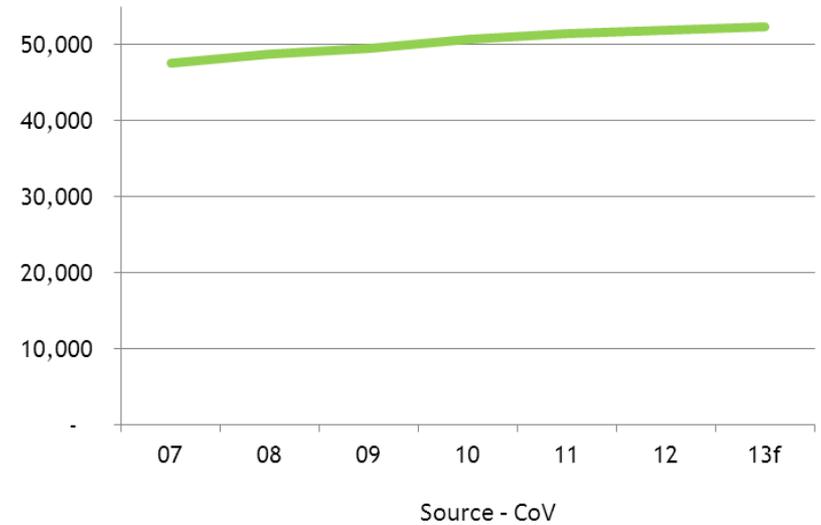
ENVIRONMENT

- 4% reduction in greenhouse gas emissions since 2007
- 10% increase in trips made by foot, bike and transit since 2008
- 11% reduction in waste to landfill since 2008
- 16% reduction in total water consumed per capita since 2006
- 24% increase in local food production and processing amenities since 2010

Office Vacancy Rate, Vancouver



Business License Issued, Vancouver



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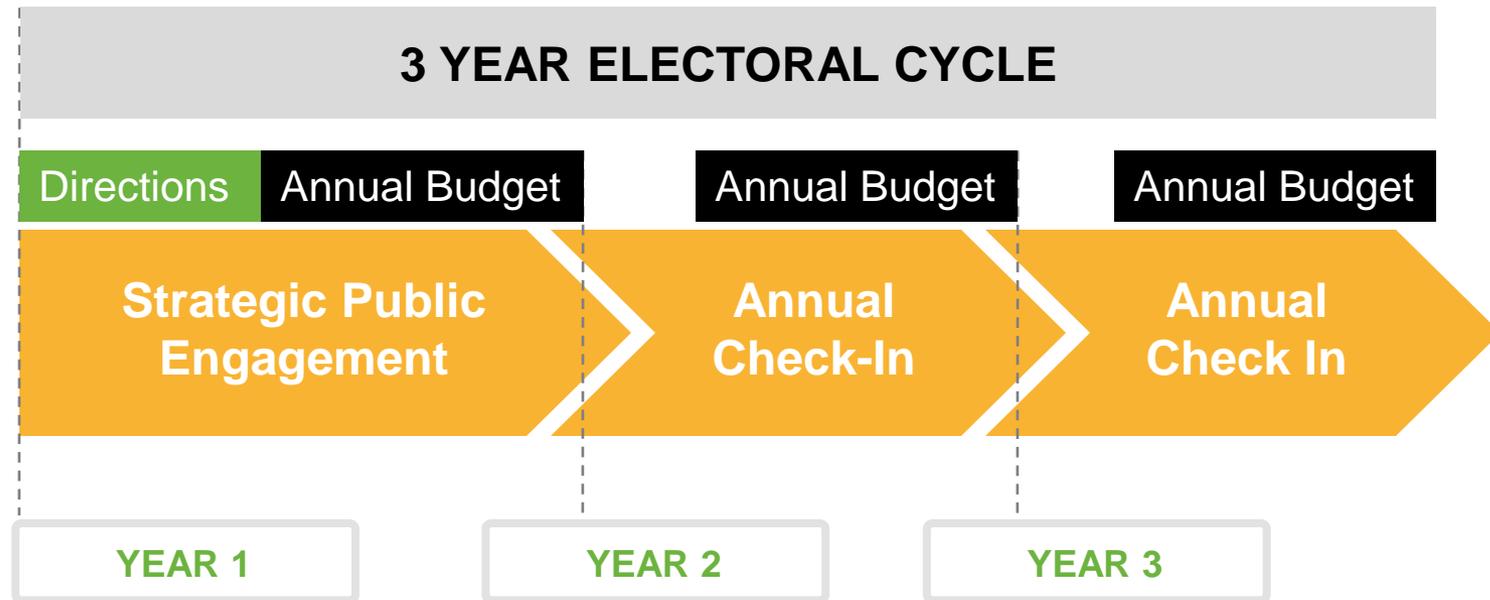
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Public Engagement – Budget 2014

PWC Best Practice Review - 2012

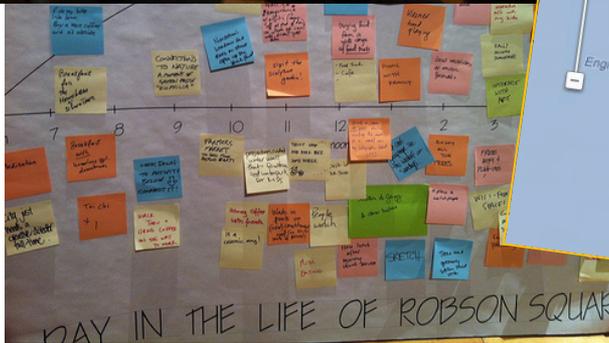
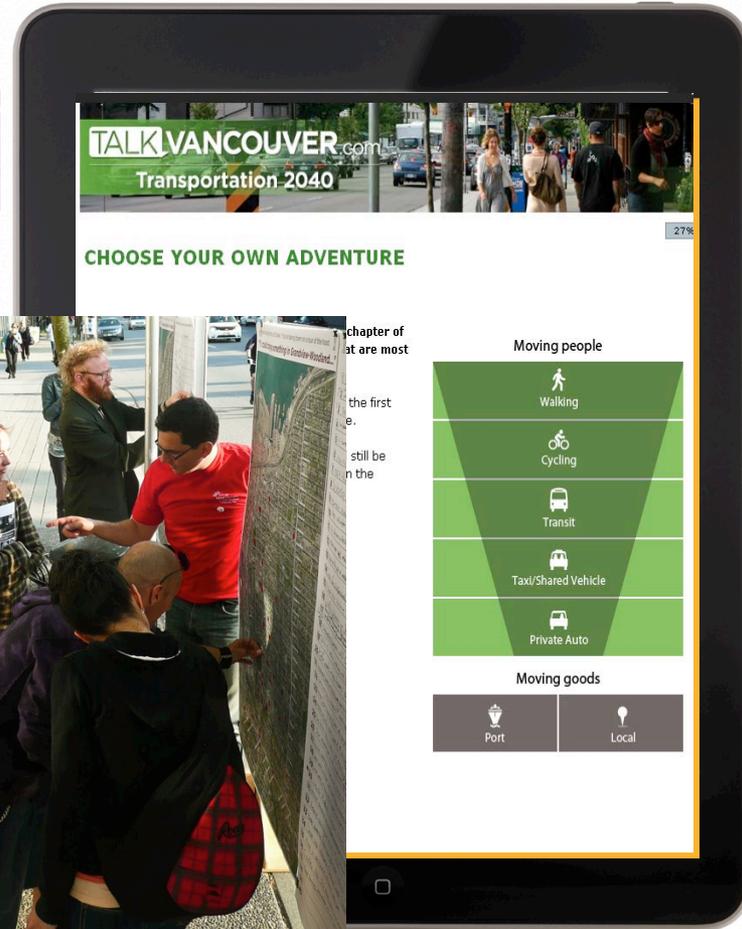


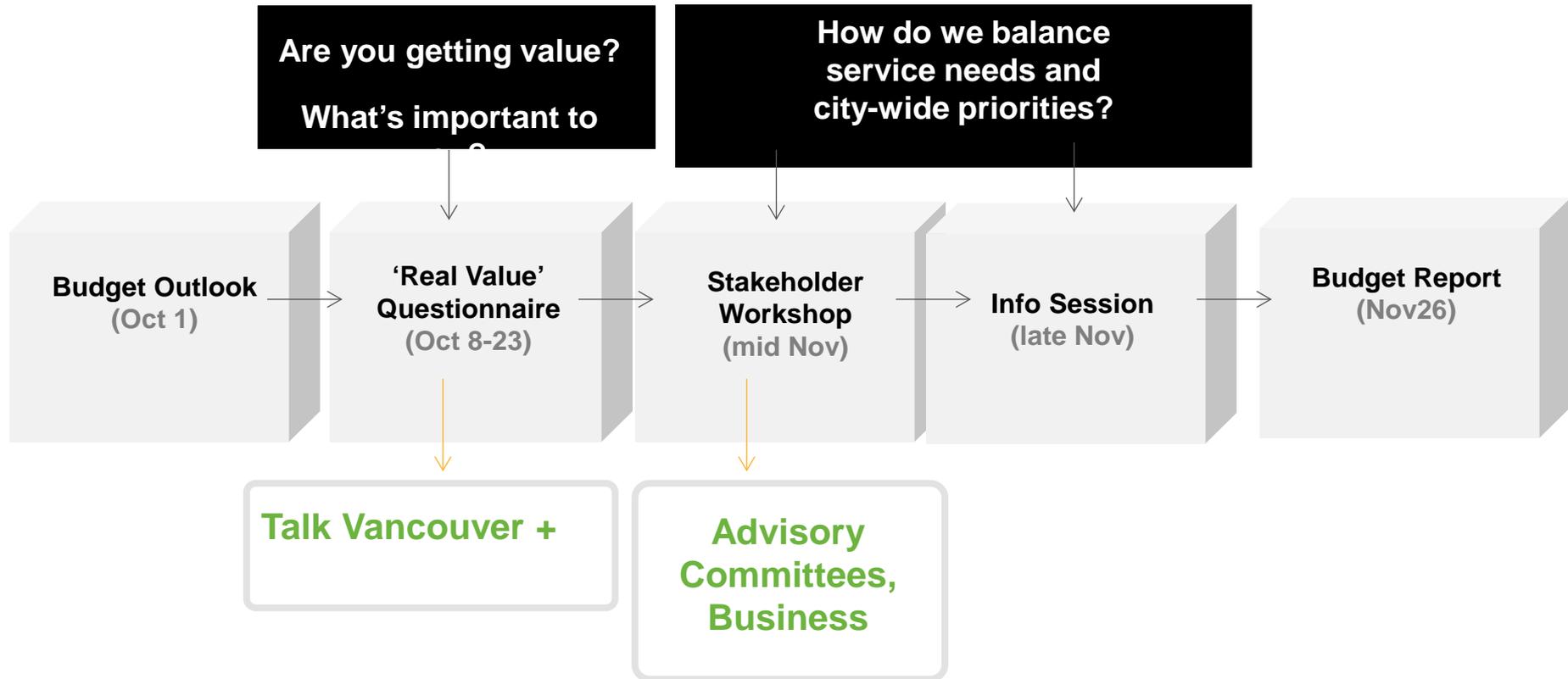
2014 budget will be an annual check-in

Year 1 aligns to 1st year of Council term (next cycle begins in 2015)

PUBLIC CONSULTATION: INFORMING BUDGET DECISIONS

- A year-round process
- City staff and Council are hearing the public's opinions on specific issues through multiple consultation processes.





TALK
VANCOUVER



- The Real Value Budget Questionnaire: annual service satisfaction and tax tolerance check-in as part of Budget Consultation.
- Mainly conducted through the City's online community, Talk Vancouver - sample approach reflecting Vancouver demographics.
- Target: **750** residents, **250** businesses
- Goal: expand sample size toward more balanced cohort representative of residents and businesses than traditional phone survey.

TALK VANCOUVER



- To date, Talk Vancouver has almost **1,400** participants (230 of which are businesses) and is growing daily.

Talk Vancouver is being actively promoted to the community through:

- Public marketing campaign – bus kings, posters, newspaper and online ads
- Direct invitation and public events



TALK
VANCOUVER



What do we learn from the questionnaire?

- An understanding of service and program use and priorities.
- Whether residents and businesses feel they are getting value for the services they receive.
- Feedback on options for balancing the budget.

'REAL VALUE' QUESTIONNAIRE

TALK VANCOUVER

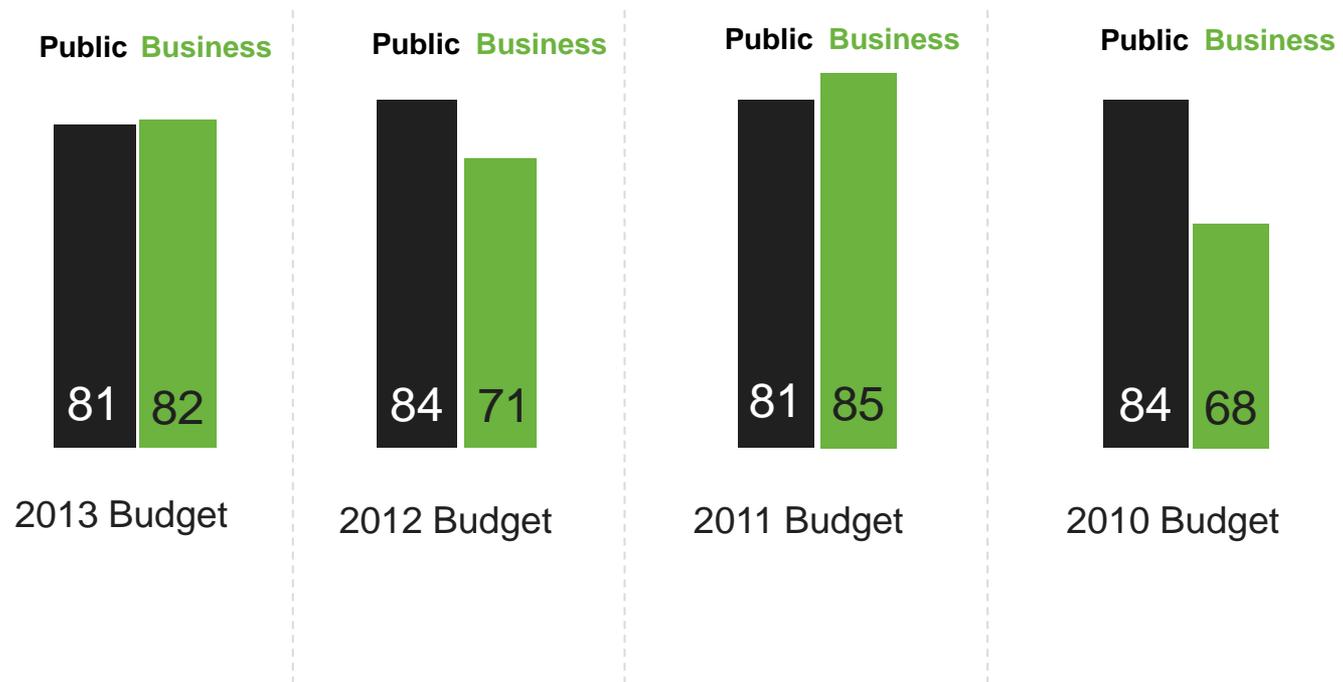


Please use a scale from 0 to 10, where "0" means you feel the City is doing a "very poor job", and "10" means you feel the City is doing an "excellent job". A "5" means they're doing an "average job". You can select any number between 0 and 10.

Please click on your selection or drag the slider to your selection.

		Very poor job	Average job										Excellent job	Don't know
		0	1	2	3	4	5	6	7	8	9	10		
Providing garbage collection, composting, and recycling services														
Managing curbside parking spaces														
Fire prevention & responding to fire and medical calls														
Property inspection and enforcement														
Distributing and conserving water														

% Satisfaction with Overall Quality of City Services 2010-2013



Source: Public opinion survey completed as part of annual budget process (Angus Reid, Mustel Group, Market Dimensions).

TALK
VANCOUVER



- To supplement and promote the questionnaire, we will work with **3-1-1**

When residents call in to 3-1-1 they will be randomly asked 3 questions from the questionnaire:

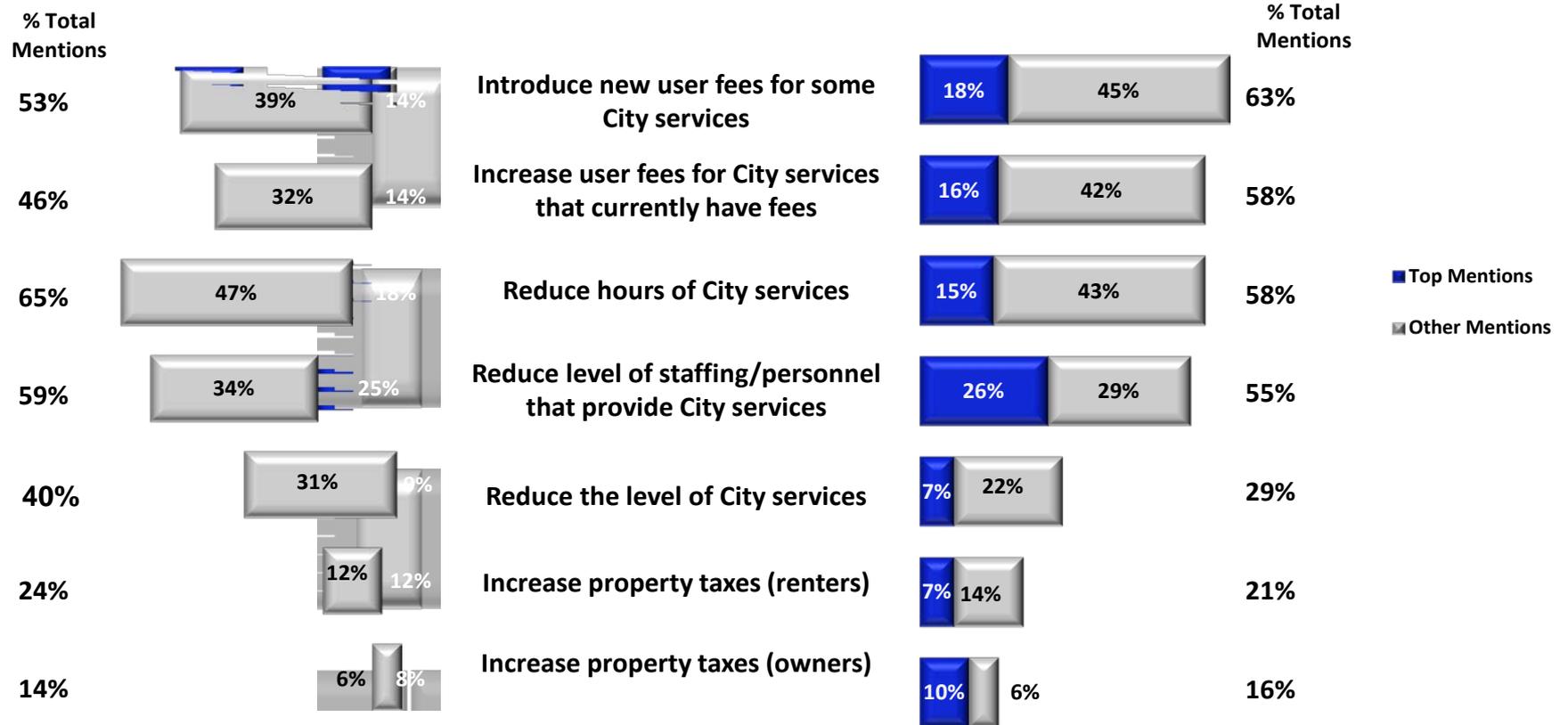
- ↘ *What do you feel are the most important local issues facing the City at the present time?*
- ↘ *Would you say that the overall quality of services provided by the City of Vancouver has got better or worse over the past few years?*
- ↘ *Thinking about all of the programs and services you receive from the City of Vancouver, and the amount of property taxes or rent you pay, would you say that you get overall good value for your tax dollars?*

2013 BUDGET PUBLIC OPINION RESULTS

Preferred Options for Balancing the City Budget

Business

Residents



Q12. Now, to balance the 2013 budget as required by law, the City of Vancouver has a number of options to consider. Which of the following options would you prefer the City to use to balance its budget?

- Traditionally, public open houses for the budget have not been well-attended but there is still a desire to provide opportunity for dialogue.

2012 Budget

- 1 evening info session
- 13 Attendees

2011 Budget

- 1 open house
- 10 Attendees



• Cross Sectoral Stakeholder Meeting

- Targeted discussion with community stakeholders representing diverse groups
- Small group discussions will focus on what 'real value' means and how we can best balance individual needs with city-wide pressures.
- Opportunity for discussion across groups

Example stakeholders

- Council Advisory Committees:
 - Seniors
 - Children, Youth & Family
 - Urban Aboriginal
 - LGBTQ
 - People with Disabilities
 - Women's
 - Active Transportation
 - Arts and Culture
 - Food Policy
- BIAs, VEC
- Neighbourhood Houses

- **Information Session:**

Information Session:

- Open opportunity for the general public to learn more about the budget process and the draft report
- Interactive dialogue

- Timing: mid-November
- Location: City Hall
- Notification: COV Web, radio and newspaper ads

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