

RR-1(c)



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Date: February 20, 2004
Author: Annette Klein
Phone No.: 873-7789
RTS No.: 3616
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Meeting Date: March 9, 2004

TO: City Council

FROM: General Manager of Corporate Services/Director of Finance in
Consultation with the Corporate Management Team

SUBJECT: 2004 Operating Budget: Interim Estimates

RECOMMENDATION

- A. THAT Council approve the Park Board Global Budget of \$49,003,900, including approximately \$493,800 of added Basic and one-time adjustments in the Park Board estimates, this amount to exclude any reductions approved by Council to balance the 2004 Operating Budget.
- B(i). THAT Council approve the 2004 Operating Budget - Interim Estimates as outlined in this report and detailed in Appendix 1 and instruct the Director of Finance to bring the budget into balance with a 3.45% general purposes tax increase, reflecting 2.97% in growth in City Costs and 0.48% in growth in outside agency costs;
- OR
- B(ii). THAT Council consider the budget adjustments put forward by the Corporate Management Team (itemized on page 12 of the report) to reduce the general purposes tax increase to 2.68%, reducing the City share of the anticipated tax increase to approximately 2.20%;

OR

B(iii). THAT Council consider further budget adjustments, as described on page 13 of the report, to bring the property taxes below 2.68% by choosing from one or more of the following options:

• Department Group 1 adjustments	860,200	0.21%
• Department Group 2 adjustments	1,362,800	0.33%
• Department Group 3 adjustments	2,475,500	0.59%
• Defer Capital-from-Revenue	1,000,000	0.24%
• Further Deferral of Capital From Revenue	1,000,000	0.24%
• Increase Transfer from the PEF	1,000,000	0.24%

Noting that if Council chooses to adopt any of these options, Council will be absorbing the cost of outside agencies at 0.48% of the property tax increase.

C. THAT Council approve the creation of the following position at no additional cost to the City:

- Corporate Services Group 1.0 fte Systems Analyst

Subject to classification by the General Manager of Human Resources

D. THAT Council approve the creation of the following positions at a net cost of \$106,250 in 2004 (\$123,000 ongoing) to be funded as a first draw from the 2004 Contingency Reserve:

- City Clerks 1.0 fte Assistant Director of Communications
- City Clerks 1.0 fte Graphics/Project Assistant

Subject to classification by the General Manager of Human Resources

E. THAT Council approve renewal of the annual contract with the Vancouver Economic Development Commission (VEDC) for the 2004 fiscal year at a cost of \$587,000 plus applicable net GST (a net increase of 3% from the 2003 budget of \$570,000); source of funds included in the 2004 Operating Budget.

F. THAT Council defer the decision on the programs that were referred to the 2004 Operating Budget (itemized in Appendix 2(c) on page 32) to CS&B on March 11, 2004. Should Council approve these programs, funding would be provided from Contingency Reserve.

G. THAT Council instruct staff to report back on the revenue expectations and the policies for utilizing additional gaming revenue and the recently announced Federal GST rebate.

CONSIDERATION

- H(i). THAT Council approve the establishment of a Sexual Predator Observation Team with 13 sworn officers and 1 civilian at a net cost of \$1,048,700 to the 2004 Police Operating Budget at a tax increase of 0.25% (\$1,714,700 in 2005 and \$1,572,200 in 2006);
- OR
- H(ii). THAT Council defer support for the Sexual Predator Observation Team until commitment from other policing agencies are received.
- I. THAT Council, in consultation with the Vancouver Police Board, undertake an independent review of the Vancouver Police Department's Long Range Strategic Staffing Plan, including an evaluation of potential process improvements, and instruct the City Manager and the Chief Constable to report back to Council and the Police Board on the study scope, funding and results of the review.

COMMENTS OF THE CITY MANAGER AND DIRECTOR OF FINANCE

The City Manager and Director of Finance note that this has been a challenging year for developing the Operating Budget. Inflationary increases in the cost of the City's core programs, new program costs, requisitions from the GVS&DD and E-Comm, the impact of changes in provincial programs and the capital program are all running ahead of local inflation. Moreover, the City's non-taxation revenue has not shown sufficient growth to offset these cost increases. This has led to a budget position where Council is faced with approving a tax increase above inflation or making adjustments to the services the City provides.

The Preliminary Budget Estimate indicated a tax increase of 5.3% would be required to balance the 2004 Operating Budget. Council instructed staff to bring forward options that will reduce the property tax increase to the rate of inflation or 2.0%.

In response to Council's instruction to staff to report back on adjustments necessary to achieve a tax increase of 2.0%, the Corporate Management Team has proposed a number of adjustments to the operating budget, exclusive of any consideration for new initiatives.

The first order of adjustments made to the Preliminary Budget position related to the administrative review of the Operating Budget. This process involves a detailed review of funding requirements related to base levels of service, workload, and health and safety issues. The administrative review resulted in a \$7.5 million reduction to the Preliminary Budget position reducing the property tax increase to 3.45%. The tax increase is represented by 2.97% of growth in City costs and 0.48% of growth in outside agency costs. This budget position is reflected in Appendix 1 (page 25 of the report) and is represented in Recommendation B(i).

The second set of budget adjustments target Corporate funds that do not impact front line services or staffing. Included in this series of adjustments is a \$1 million reduction allocated to departments on the basis that they can achieve efficiencies which do not impact staff or services. The second set of adjustments will reduce the property tax increase to 2.68%, of which 2.20% is directly attributed to City costs. This budget position is reflected in Recommendation B (ii).

The City Manager and the Director of Finance support Recommendation B(ii) given that this tax increase would not impact service levels, yet achieve a reasonable tax increase of which City costs would only represent 2.20%.

The third set of adjustment is designed to give Council options to achieve a 2.0% tax increase. These adjustments involve reductions in service levels throughout the organization and the loss of staff positions. In addition to departmental adjustments, options are provided to defer a share of Capital-from-Revenue and to increase the transfer from the Property Endowment Fund. This budget position is reflected in Recommendation B(iii).

- Departmental adjustments are prioritized on the basis of overall impact to City Services and staffing, with Group 1 having the least impact and Group 3 the most service significant impact. Should Council consider any service adjustments, the City Manager and Director of Finance recommend that Council only approve Group 1 adjustments in that they do not have any staffing impact and minimal service impacts.
- A deferral of Capital-from-Revenue funding of \$1 to \$2 million can be done without significantly impacting the 2003-2005 Capital Plan with the caveat that alternate funding sources are available to make up the difference in 2005, such as the GST Rebate (see below). Other options may be to find joint projects or seek additional senior government or community partner funding. However, if these alternatives are not available, funding will have to be eliminated from the 2003-2005 Capital Plan or reconsidered in the 2006-2008 Capital Plan.
- Increasing the transfer by \$1 million from the Property Endowment Fund is problematic given future demands on the Fund especially in relation to the development in the South East False Creek, #1 Kingsway, and the Gastown Parkade.

Should Council wish to reduce the property tax increase below 2.68%, the City Manager and the Director of Finance recommend that Council choose first the Group 1 adjustments. These adjustments have the least impact on services and will reduce the tax increase to 2.47%, of which City costs would be only 1.99% of this increase which is slightly lower than the target inflation rate.

To reduce the property tax further, the City Manager and the Director of Finance recommend that Council choose, as a second order of adjustments, a deferral of Capital-from-Revenue at \$1 million to reduce the tax increase to 2.23%, of which City costs would represent 1.76% of this increase.

To reduce the tax increase below 2.23% would require cuts in programs, a further deferral of Capital-from-Revenue, or an increase in the transfer from the PEF. The City Manager and Director of Finance believe that all three of these options would significantly impact service levels and are therefore not recommended.

Overall, the City Manager and Director of Finance would caution Council that 0.48% of the tax increase is related to increase in outside agency costs, of which Council has no control. Therefore, lowering the tax increase below 2.48% will result in reduced service levels to pay for these outside agency increases.

A number of initiatives were reported to Council in the Preliminary Budget Report that, should Council approve all of them, would total \$2.3 million. Further, since the Preliminary Budget Report was written, Council referred a number of new programs to the 2004 Operating Budget at a net cost of \$0.7 million. At the same time, Departments have identified further initiatives which have not been prioritized by CMT that total \$0.8 million. Of these initiatives, three are considered a priority for direct approval within the 2004 Operating Budget and are included in Recommendations C, D, and E.

Recommendation F refers several reports already seen by Council, but deferred to the 2004 Budget process, to City Services and Budgets on March 11, 2004. These reports will be packaged and circulated for Council's consideration now that the Contingency Reserve provision in the budget has been established.

Given that priorities may shift in the year and/or the scope of the initiatives may change, the City Manager and Director of Finance recommend that initiatives be funded from the current Contingency Reserve.

The City Manager and Director of Finance RECOMMENDS approval of Recommendations C, D, E, and F.

The next set of decisions involves requests from the Vancouver Police Department. The VPD has requested funding to establish a Surveillance Team for high risk sexual offenders (ISPOT). The ISPOT initiative being proposed by the Vancouver Police Department is being developed as a result of the department's experience with a pilot program in 2002. The City Manager notes, however, like most criminal activities, the most effective means of implementing such a program is to have all regional agencies participate in ISPOT. At this point the VPD has not indicated when or if the other police agencies in the Region would be participating. Council has the following options when considering this request from the Police Department (as outlined in Consideration H):

- a) Fund the program as defined by the Vancouver Police Department and create a team of 13 officers and 1 civilian at a cost of \$1.0 million in 2004 and \$1.7 million per year; or
- b) Delay the implementation of ISPOT until such time as other police agencies have agreed to participate in a regional sexual surveillance team.

The City Manager and the Director of Finance are concerned that the City is being asked to fund a project that should involve all of the policing agencies in the region. As a result, it is RECOMMENDED that Council approve H(ii) which defers the City's involvement until such time as there is some commitment from regional police agencies or until the department can identify requirements that meet the City's needs alone.

The Vancouver Police Department has identified the need for additional resources over the last few years through reports and workshops with Council. Further, the recommendation from the Mayor's Forum on Neighbourhood Livability and Safety requested that the City Manager and the Chief Constable report back on the implications of matching the VPD sworn strength to the per capita national average.

Consideration Item I deals with the issue of the longer term staffing requirements of the department as outlined in VPD's strategic plan. The City Manager and the Director of Finance believe that the most effective way to establish appropriate sworn and civilian staffing levels at the Police Department is to seek an independent review of the department's strategic plan, including the possibilities for process improvements. Consideration I invites the Police Board and Council to jointly participate in commissioning this review to be managed by the City Manager and Chief Constable.

Finally, the City Manager and Director of Finance note that the 2004 Operating Budget does not include a provision for new revenues related to the Federal Government's recently announced GST rebate to municipalities nor the enhanced gaming revenues related to the Plaza of Nations casino development. Since there is some uncertainty as to the timing, overall revenue potential, and any federal limitation on the use of GST funds, to increase the revenue budget, at this point, is considered to be premature. However, noting the potential benefit to the City of Vancouver, Recommendation G will require staff to report back to Council not only with an estimate of the potential revenue but the policies for the use of these new funds.

The City Manager and the Director of Finance RECOMMEND approval of Recommendation G.

The decisions to be made by Council arising from this report will provide the instructions necessary for staff to complete the budget cycle. The City Manager and Director of Finance believe that in order not to impact services or staff, that Council should pass on the 0.48% property tax increase related to outside agencies, and limit the tax increase related to City costs to 2.20%.

In deliberating over the final decision to balance the position, Council should consider the feedback received through the public participation process. The City canvassed the views of the public in relation to the current budget position in a formal opinion poll. The results of that process indicate that the public values City services, believes they have seen the quality of services maintained or improved over the years and believes they get good value for the property taxes they pay. Of the respondents to the survey, 57% indicate a willingness to accept a tax increase of 6.0% in order to avoid service reductions, increasing to 70% at a 4.0% increase. The results of the public participation process are provided in an accompanying report.

COUNCIL POLICY

The Vancouver Charter requires the Director of Finance to present the estimates of revenues and expenditures to Council no later than April 30 each year and for Council to adopt a resolution approving the budget and a rating bylaw establishing general purpose tax rates as soon thereafter as possible. There are generally three reports to Council in the budget building process.

- The Preliminary Budget Report provides Council with the first indication of the budget request from Departments and Boards and seeks Council guidance on the policies that will govern the administrative review of the estimates. This report was considered by Council on November 18, 2003.
- The Interim Report summarizes the results of the detailed administrative review of the budget and seeks Council approval to finalize the estimates, bringing the budget into balance.
- The Final Report on the Operating Budget presents the finalized revenue and expenditure estimates including any final adjustments approved by Council at the Interim Report stage. The Final Report is accompanied by a resolution in which Council adopts the estimates for the year.

It has been Council policy that general purpose tax increases associated with development of the Operating Budget be held within the range of local inflation. However, in approving the annual budget, Council has also adopted a practice of passing tax increases related to requisitions from outside agencies, including the Greater Vancouver Sewerage and Drainage District and E-Comm, through to taxpayers rather than forcing offsetting reductions in City programs and services to meet Council's taxation objectives.

It is Council policy that changes in service levels, either expansions or reductions are approved by Council. This includes the creation and deletion of regular positions and the allocation of funding from general revenues or taxation.

PURPOSE

The purpose of this report is to:

- bring the updated estimates in the 2004 Operating Budget to Council;
- offer a series of budget adjustments to provide Council options to reduce the property tax increase to the rate of inflation or 2.0%;
- identify a number of new initiatives for the coming year; and
- update Council on the status of potential new revenue sources.

BACKGROUND

On November 18, 2003, the Director of Finance presented the preliminary estimates of the 2004 Operating Budget to Council for information. That report indicated that, prior to a detailed review of the estimates, a property tax increase of 5.3% would be required to bring the budget into balance. The report confirmed that the driving factors impacting on the 2004 Operating Budget were:

- inflationary salary and non-salary costs
- "added basic" costs for new programs and services
- increased capital expenditure program costs; and
- costs imposed on the City from outside organizations that amounts to a 0.48% tax increase due to:
 - 0.10% related to the growth in regional sewer costs,
 - 0.14% related to the increase in E-Comm costs, and
 - 0.19% related to the Provincial tax exemption of Port Berth Corridors
 - 0.05% related to the loss of recovery for Port Policing Costs

Staff indicated that the normal process of reviewing revenues, departmental expenditure requests and other aspects of the budget would proceed based on standing instructions to provide only for approved levels of service and for increases necessary to deal with workload and health and safety issues. The report anticipated that this review was likely to improve the budget position, reducing the level of program adjustments or tax increase that would be required to balance the budget. Following from the report, Council approved the following recommendations:

A. THAT Council receive for information the preliminary estimates for the 2004 operating budget as outlined in the Administrative Report "2004 Operating Budget: Preliminary Estimates" dated October 31, 2003 and summarized in Appendix 1 of the Administrative Report.

B. THAT the Director of Finance, in consultation with the Corporate Management Team, report the interim estimates to Council by February 2004 along with options to achieve a property tax increase below 5.3% and no lower than inflationary levels.

C. THAT Council receive a list of Departmental initiatives for information as outlined in Appendix 2 of the Administrative Report and defer any decisions on these initiatives until the Interim Budget Report.

D. THAT Council instruct the Director of Finance to proceed with a public consultation process by choosing one or more of the following options, source of funding to be the 2004 Operating Budget without offset:

i) a public opinion poll on the 2004 Operating Budget issues at an estimated cost of \$20,000;

ii) a "City Choice" flyer outlining the budget issues faced by Council at a cost of approximately \$35,000;

iii) a public meeting on the 2004 Operating Budget to be held prior to the Interim Report on the 2004 Budget.

DISCUSSION

1. The Current Budget Position

The Operating Budget position has improved since the preliminary estimates were presented to Council in late 2003. Overall, as a result of the detailed budget review, the budget shortfall has been reduced by \$7.5 million. The following table summarizes the current position of the estimates. This position is presented prior to consideration of a property tax increase.

Revenues		\$000
Taxation Revenue	\$464,097	
General Revenue	128,709	
Utility Fees	115,284	
Transfers	<u>7,710</u>	\$715,800
Expenditures		
Departmental Expenditures	\$515,874	
Utility Expenditures	147,542	
Capital Program	61,366	
Transfers	<u>5,396</u>	\$730,178
Net Budget Position		(\$14,378)
Indicated Property Tax Increase		<u>3.45%</u>

The budget shortfall reflected above is \$14.4 million equivalent to 3.45% tax. Additional detail of these estimates is provided in Appendix 1, along with comparative information from the 2003 Operating Budget.

The major changes since the preliminary budget position are summarized in Table 1 below.

Table 1 - Adjustments to Preliminary Budget Position

REVENUE ADJUSTMENTS

Description		Budget Impact (\$000)	Tax Impact
On-Street Parking Revenues	Based on actual experience in the latter part of 2003, rate increases and expansion of parking meters approved by Council	910	0.21%
License Fees	Based on actual experience in the latter part of 2003 and rate increases approved by Council. This increase also relates to the increase to Liquor License fees of \$670,000 that offset police overtime costs related to 4AM bar closure	1,136	0.27%
Property Taxes	The BC Assessment final roll includes taxable property previously exempt from taxation and an increase in new construction revenues	4,828	1.16%
Short Term Interest	Lower interest rates and a decrease in overall cash balances	(1,600)	(0.38%)
Sinking Fund	Surplus funds in the Sinking Fund have declined as a result of lower interest income and cash balances	(750)	(0.18%)
Miscellaneous Revenues Adjustments	Budget Review Adjustments	971	0.23%
TOTAL REVENUE ADJUSTMENTS		5,495	1.32%

Table 1 - Adjustments to Preliminary Budget Position (continued)

EXPENDITURE ADJUSTMENTS

Description		Budget Impact (\$000)	Tax Impact
Debt Charges Tax Supported	Debt costs have been reduced to reflect actual debt costs in 2004.	3,327	0.80%
E-Comm	The final levy received was lower than preliminary estimates provided from E-Comm	644	0.15%
Richmond- Airport- Vancouver Rapid Transit (RAV)	Final budget for the City's support for the RAV project was reduced due to reduced staffing requirements and cost sharing opportunities with other agencies.	422	0.10%
Contracting Back Senior Officers at the Police Department	Due to the large number of retirements within VPD, funding was provided to contract back 18 senior officers for a period no longer than April 2005 to deal with staff shortages	(1,085)	(0.26%)
Expenditures Related to Revenue Increases included above	\$670,000 for enforcing 4AM bar - offset by Business License Fees \$284,000 Parking Meter Costs - offset by Parking Meter Revenue	(954)	(0.23%) <i>no impact overall</i>
Budget Review Adjustments	Miscellaneous administrative adjustments	(301)	(0.07%)
Total Expenditure Adjustments		2,053	0.49%
Net Improvement in the Budget Position		7,548	1.81%

2. The Park Board Global Budget

The interim estimates make provision for the Park Board Global Budget of \$49,003,900. This allocation includes "added basic" funding of approximately \$374,800 and one-time funding of \$119,000 related to forgone revenue at Bloedel Conservatory during the rebuild of the Queen Elizabeth Park Reservoir and cost savings at Killarney Pool during closure for major renovations. The global budget has been calculated by the City and Board staff according to the principles agreed upon in the arrangement with Council. In short, these principles require the Park Board to increase its fees and charges based on the increase in City costs in order to receive adjustments on the expenditure side (employment costs, inflation and added basic) of its budget on the same basis as other departments.

Added basic is the ongoing operating cost that arises from the Park Board capital program. Under the global budget arrangement, Council has agreed to add these costs to the Park Board budget. The 2004 allocation includes \$ 374,800 of additional funding for maintenance and support of buildings and parks infrastructure.

Should Council approve any budget reductions to achieve its taxation targets in 2004, adjustments would be required to the Park Board Global Budget.

3. Achieving the Council-Mandated Property Tax Increase

In order to respond to Council's policy of holding tax increases near the rate of inflation, the Director of Finance, in conjunction with the Corporate Management Team, developed a series of proposals to further reduce the budget. CMT categorized these proposals into those adjustments that could be made without significant impact on services and those that would result in more significant service level reductions. In putting these proposals forward, the Corporate Management Team notes that it is increasingly difficult to make changes in the budget without impacting on service, both internally or to the public.

STEP 1 - Corporate Adjustments

The first set of adjustments are mainly corporate in nature in that they do not target individual departmental budgets. While they will impact on the funding available at a corporate level, these adjustments are expected to have only minor impacts on service levels. These adjustments are indicated below, along with the impact each would have on the property tax increase.

Proposal	Budget Impact	Tax Impact
Reduce New and Non-Recurring Budget	\$750,000	0.18%
Reduce Corporate Training	\$200,000	0.05%
Reduce Strategic Initiative Fund (SIF)	\$750,000	0.18%
Increase Vacancy Savings/Turnover	\$500,000	0.12%
Department Efficiencies	\$1,000,000	0.24%
Total Corporate Adjustments	\$3,200,000	0.77%

In considering these adjustments, it should be noted that only one - the general capture of efficiencies within departmental adjustments - represents an ongoing reduction to the budget. The balance of the proposed reductions will need to be re-budgeted in 2005. The impact of bringing back \$2.2 million into the 2005 Operating Budget is equivalent to a property tax increase of approximately 0.5%.

Should Council approve these adjustments, the property tax increase would be reduced by 0.77% to 2.68%.

STEP 2 - Further Reductions to Reach 2%

Working with the Corporate Management Team, the Director of Finance has identified a second set of possible adjustments that total \$7.9 million, well beyond what is necessary to achieve a 2% tax increase. These adjustments, which impact City programs and services, offer a variety of ways in which Council may choose to reduce the budget below the 2.68% property tax increase after considering STEP 1 adjustments.

i) Departmental Adjustments

The Corporate Management Team has identified a number of departmental budget adjustments (detailed in Appendix 3 on page 33), which total approximately \$4.8 million on an annual basis. To provide some measure of the impact of these proposals on service levels, a ranking was developed. Group 1 adjustments have only minor impacts on service levels. Group 2 adjustments have more significant impacts on service levels, including major changes to the Anti-Graffiti program, to Central Library hours; and, to the Tree By-Law program. Group 3 adjustments have the most significant impact on services, including funding reductions in a number of administrative areas that support the City's operations and reductions in Police and Fire department funding.

Park Board staff have worked with the Corporate Management Team in this process; however, the Board has not approved specific reductions. As a result, Council would approve general reductions in the Board budget, leaving the Board to determine the specific adjustments that would be implemented.

Should Council approve these reductions, the impact would be:

	<u>Budget Adjustment</u>	<u>Tax Impact</u>
• Group 1 Adjustments	\$ 860,200	0.21%
• Group 2 Adjustments	\$1,362,800	0.33%
• Group 3 Adjustments	\$2,475,500	0.59%

ii) Deferral/Reduction in the 2003-2005 Capital Plan

Another option open to Council to reduce the property tax increase would be to defer or reduce Capital from Revenue funding for the 2003 - 2005 Capital Plan. The 2003 - 2005 Capital Plan anticipates funding from the Operating Budget of \$45.9 million over a three year term, including \$16.3 million in 2004. Timing of that allocation is flexible and it is possible to defer a portion of the 2004 funding until the last year of the Capital Plan. However, in order to complete the Capital Plan by 2005, the deferred funding would have to be replaced by an increased provision for Capital from Revenue in the last year of the Plan. This additional allocation would result in a larger property tax impact in 2005 should alternate funding not be identified.

Council has utilized this mechanism in the past. In 2002, Council reduced \$1.0 million in capital funding from the 2000-2002 Capital Plan and, in 2003, deferred \$2.0 million in funding. In the former situation, Council eliminated a specific project expenditure from the Plan, while in the latter case, provision of the funding was deferred from 2003 to the last two years of the Capital Plan. The 2004 budget includes \$1.0 million of that deferred funding, while the balance will be included in the 2005 Operating Budget.

A deferral of Capital-from-Revenue provides immediate relief in the Operating Budget, but it also results in a shift of funding and, therefore, a postponement of the property tax increase to subsequent years. Moreover, if the funding cannot be provided during the Capital Plan, then some projects in the plan will have to be cancelled or deferred to subsequent capital plans, such as the 2006-2008 Capital Plan.

One option Council could consider as a source of funding for capital expenditures is the Federal Government's increase to the GST rebate. This use would be consistent with the position taken by municipalities that the federal government should provide funding for infrastructure (capital) programs/projects. At this stage, we do not know if there are any stipulations whether these new funds are to be added to existing capital funding levels rather than used to offset existing funding levels. However, the potential GST savings would be greater than the deferral and as such would still be considered an enhancement to the program.

Council could choose to defer up to \$2.0 million in capital from revenue in the 2004 Operating Budget. This deferral would be reconsidered later in the year when staff report back on the application of the GST savings in the Operating Budget. If Council agrees, these funds might then be considered to fund the component of capital from revenue deferred by Council.

For reference, a deferral of \$1.0 million of Capital from Revenue is equivalent to a tax decrease of 0.24%.

iii) Increased Transfer from the Property Endowment Fund

The City has a long standing practice of allocating an annual dividend from the Property Endowment Fund (PEF) of \$7.0 million. The City also offsets \$1.9 million of operating costs directly incurred to support the PEF, bring the total funds allocated from the PEF to \$8.9 million.

The \$7 million transfer represents approximately half the net annual income of the PEF, reflecting the dual need to invest in future civic interests and to provide a benefit to current taxpayers. The PEF manages the City's non-civic use property for strategic and civic policy purposes. The PEF also purchases land to support non-market housing initiatives which in turn is leased to third party sponsors of non-market housing.

Council could increase the transfer from the PEF to the Operating Budget by \$1 million. The City Manager and Director of Finance caution Council that reducing the income of the PEF may reduce the PEF's ability to meet its strategic objectives and long term commitments, including the development of South East False Creek, #1 Kingsway, and the Gastown Parkade. Further, increasing the transfer from the PEF to the Operating Budget could create pressure on future budgets if the transfer cannot be sustained.

Increasing the Transfer from the PEF by \$1 million is equivalent to a tax decrease of 0.24%.

4. New Initiatives and Projects Referred to the 2004 Operating Budget

A number of initiatives were put forward by the Corporate Management Team in the Preliminary Budget Report (listed in Appendix 2 (a) on page 28). Assuming Council approves all these initiatives, approximately \$2.3 million would be required in 2004.

Also, since the Preliminary Budget Report was presented to Council, other initiatives have been identified totalling \$1.5 million, some of which have been reported to Council and deferred to the 2004 Operating Budget (a list of these initiatives are included in Appendix 2(b) on page 31 and 2(c) on page 32). The 2004 Operating Budget does not include funding for these deferred items except the Vancouver Economic Development Commission (VEDC).

In the evaluation of initiatives, three positions have been identified as being important in meeting the business needs of the City and are recommending their approval as part of the budget.

The Preliminary Budget Report identified two positions within Communications as being integral for approval. These positions include:

- **Assistant Director:** The position is required to develop and manage contentious public/media issues and projects. The division's workload is currently too heavy and resources are too scarce to allow for timely response on these type of issues.
- **Graphics/Project Assistant:** Additional resources are required in the specialized area of graphics (layout, design, print coordination, and mapping). Demand, particularly in the area of ad layout and booking, has strained resources within Corporate Communications.

Since the Preliminary Report was written, a third position, within Corporate Services Group, has been identified as being critical to the organization. Specifically, a position is being requested to provide resources to undertake additional business process reviews, including projects like the evaluation of shared services. As improved business processes

can lead to increased efficiencies, this position will be integral to allowing the capture of efficiencies in the future. Recommendation C requests the creation of a Systems Analyst position for this purpose. Funding for the position is available within the existing Corporate Services Operating Budget.

Funding Implications of New Programs and Initiatives in 2004:

Total initiatives and deferred programs total approximately \$3.8 million. Rather than add funding to the 2004 Operating Budget to fund these initiatives, it is recommended that new programs be funded through Contingency Reserve, including the two Communication positions described above. The annualized cost of these new programs approved by Council will have to be budgeted in the 2005 Operating Budget.

The Director of Finance notes that the 2004 Operating Budget will not provide for all of the initiatives that have been identified and will result in decisions on service priorities to be made during the year. However, it is doubtful that all of these requests would be submitted to Council or that Council would approve all of the initiatives.

With regards to the programs referred to the 2004 Operating budget, Recommendation F defers the approval of these programs to CS&B on March 11, 2004, so that Council can have the opportunity to review the programs and approve each separately. The exception, however, is the approval for VEDC, which is being recommended as part of the 2004 Operating Budget due to the need to renew their contract which expires in March 2004.

5. Vancouver Police Department Initiatives

The Vancouver Police Department has two initiatives that require resources in 2004 and beyond. The Vancouver Police Board met with Council on November 12, 2003, to provide City Council with information respecting the key challenges of policing in Vancouver and to identify emerging trends and issues that impact organizational resource requirements.

i) Long Term Staffing Needs/Strategic Plan:

The VPD and its Board is preparing a strategic plan that will ultimately result in identification of sworn and civilian staffing needs over the next five years that will also include facilities, and equipment requirements associated with an increase in staffing. The intention is to have VPD, in consultation with City staff, report to Council on the implications of the department's strategic plan in 2004, separate from the budget process. The plan will be sent for public consultation to determine the public's input into policing in the City. Funding is not being sought in 2004 since the VPD cannot recruit sufficient officers to increase their overall strength given the number of retirements in 2003.

The Mayor's Forum on Neighbourhood Livability and Safety Forum and the subsequent Mayor's Forum on the Budget specifically identified policing resources as an issue for the City. The recommendation out of these forums was:

That City Council ask the City Manager, in consultation with the Chief of Police, to report on the cost and time required to restore the Vancouver Police Department to the number of sworn officers that was authorized at May 1, 2003, and then to raise the force to the national average of officers on a per capita basis, keeping in mind the time required to recruit and train new officers, and the need to protect other City services while holding taxes as low as possible.

In the short term, funding is sufficient in the 2004 Operating Budget to reinstate the department's sworn strength by year end. The department's budget includes funding for 90 recruits which will bring the Police Department to a deployable level at their authorized strength of 1,124. Further, the 2004 Operating Budget has provided approximately \$1.1 million to the Police Department to contract back 18 senior officers until April 2005 to assist the department transition during this difficult year.

The anticipated increases to be requested by the Police Department to their authorized strength could significantly impact taxation over the next few years. As noted in the City Manager and Director of Finance Comments section, it is appropriate that, given these large impacts, a comprehensive and independent review of overall staffing needs in the Department be conducted. The purpose of this review would be to identify opportunities for process improvements so that the overall demand for resources can be minimized.

ii) Surveillance Team for Sexual High Risk Offenders

The VPD also requested funding for a Surveillance Team for high risk sexual offenders. Opportunities for co-ordination of this initiative with other Provincial law enforcement agencies are currently being explored. The request of 13 officers and one civilian at \$1.05 million (\$1.7 million annually) is provided to Council as a separate report but with the funding decision deferred to the Interim Budget. If approved, funding will need to be added to the Operating Budget given that the magnitude of the request could not be absorbed by the existing budget.

6. Impact of Initiatives in 2005

In considering the priorities for initiatives in 2004, Council should be aware that decisions in 2004 will impact the 2005 Operating Budget. Should Council approve all of the initiatives listed in Appendix 2 and fund them from Contingency Reserve, as well as approve the Police Department's request for ISPOT, a total of \$5.2 million will need to be added to the 2005 operating budget reflecting a 1.24% tax increase - \$4.5 million for departmental initiatives and \$0.7 million for the incremental cost of the ISPOT initiative. Compounding this effect, should Council agree to a 2.68% tax increase, will be the return of \$2.2 million of one time corporate adjustments to the 2005 Operating Budget which would add a further 0.53% tax increase. (see table below)

	2004 Funding (\$000)	2005 Funding (\$000)	2005 Budget Increase (\$000)	2005 Tax Impact
Department Initiatives	n/a*	4,536	4,536	1.09%
VPD ISPOT	1,043	1,715	666	0.15%
Corporate One-Time Adjustments	(2,200)	0	2,200	0.53%
Total	(1,157)	6,251	7,402	1.77%

*Funded from Contingency Reserve in 2004 - therefore funding would need to be added to the 2005 base budget.

The Director of Finance believes that in order to properly manage the growth of the operating budget, Council needs to assess these initiatives in relation to existing services and provide support for only those initiatives that are of a significant priority to Council.

7. New Revenue Sources - GST Rebate and Gaming Revenue

GST Rebate

The Federal Government recently announced the increase in the GST rebate for municipalities. The Speech from the Throne and information from the Department of Finance indicates that the change, through legislative amendments, would be effective February 1, 2004. Until the legislative amendments are passed into law, Canada Revenue Agency (CRA) cannot pay the rebate to municipalities.

Based on 2003 actual expenditures, the net gain to the City could be approximately \$5.7 million. Approximately \$2.4 million relates to savings in the Operating Budget while the balance, \$3.3 million relates to capital expenditures. Should the legislative changes proceed as planned, the rebate in 2004 would be prorated over 11 months.

Given the uncertainty whether the Federal Government will place any limitations on the rebate, the Director of Finance does not feel it is appropriate to recognize the GST rebate at this time. **Recommendation G** directs staff to report back to Council on the total funding available and on the recommended policies for the use of the funds.

Gaming Revenue - Plaza of Nations and Hastings Park

The City of Vancouver, similar to other municipalities hosting casinos in British Columbia, receives a portion of casino revenue. At present, the City receives 10% of the net casino revenue. The 2004 Operating Budget includes \$3.9 million from casino revenue.

In January 2004, Council approved the introduction of slot machines at the Plaza of Nations. The BC Lottery Corporation has indicated that the City will also receive 10% of the net revenue generated by slot machines, which in the case of the combined casino at Plaza of Nations with 600 machines and 60 gaming tables, is projected to generate an additional \$10 to \$12 million a year for the City of Vancouver (BCLC estimates). However, these estimates have not been independently confirmed by City staff.

Given the uncertainty as to when the Plaza of Nations Casino will open and the overall potential revenues to be generated, this Operating Budget does not include any allowance for increased gaming revenue. **Recommendation G** directs staff to report back on the total funding available and on the recommended policies for the use of the funds.

8. Impact of the Budget on Property in the City

The following table summarizes the impact of tax increase on an average residential property, together with the changes in other user charges is summarized below:

Levy	2.0% Tax Increase		2.68% Tax Increase		3.45% Tax Increase	
	City Charges	Annual Change	City Charges	Annual Change	City Charges	Annual Change
Average Residential Property \$433,145						
General Taxes	\$1,235	\$30	\$1,243	\$39	\$1,252	\$48
Sewer Fee	157	5	157	5	157	5
Solid Waste Fee	147	0	147	0	147	0
Water Rates	287	16	287	16	287	16
Total City Charges	\$1,826	\$51	\$1,834	\$60	\$1,843	\$69
Business Properties¹						
	for each \$1,000,000 of value					
General Levy	\$16,478	\$386	\$16,588	\$496	16,713	\$620

1) *Non-residential properties are charged for utility services based on consumption of services rather than as a flat fee. Water and Sewer charges for these properties increased by the same percentages as those for residential properties.*

In addition to these City charges, the levies from other taxing authorities may increase. At the time of writing, the City has not been notified of other levies.

9. Summary

Table 2 on the next page provides a summary of the potential strategies Council can utilize to balance the 2004 Operating Budget. Since Council reviewed the Preliminary Estimates, a detailed administrative review has reduced the net gap from \$21.9 million to \$14.4 million which reduces the potential tax increase from 5.3% to 3.45%.

The Corporate Management Team has prioritized a number of adjustments totalling \$3.2 million to bring the property tax increase to 2.68%. This budget position has been recommended by the City Manager and Director of Finance. However, to provide options for Council to meet their target tax increase, a number of further adjustments have been provided to bring the budget down from 2.68% to 2.00% property tax increase. These adjustments include reductions in Departmental Budgets, deferral of capital from revenue, and an increase to the transfer from the Property Endowment Fund.

Along with adjustments, a number of initiatives have been identified throughout the budget process. All of the initiatives are recommended to be funded through Contingency Reserve. With regards to the Vancouver Police Department initiatives, the City Manager and Director of Finance recommends that the Police Board and Council jointly participate in commissioning an independent review of the Police Department's long term resource needs and defer the approval of the Surveillance Team for Sexual High Risk Offenders.

TABLE 2 - SUMMARY

BUDGET ADJUSTMENTS TO LOWER TAX INCREASE

	Adjustment (\$000)	Tax Impact	Budget Position (\$000)	Net Tax Increase
Preliminary Budget Position			21,926	5.26%*
Revenue Adjustments	5,495	1.32%		
Expenditure Adjustments	2,053	0.49%		
Interim Budget Position RECOMMENDATION B(i)	7,548	1.72%	14,378	3.45%*
STEP 1 - Corporate Adjustments	<i>Recommended by the City Manager and Director of Finance</i>			
New and Non-Recurring Budget	750	0.18%		
Turnover Savings	500	0.12%		
Corporate Training	200	0.05%		
Strategic Initiative Fund	750	0.18%		
Department Efficiencies	1,000	0.24%		
Budget Position After Step 1 Adjustments RECOMMENDATION B(ii)	3,200	0.77%	11,178	2.68%*
STEP 2 - further Reductions to Get to 2%	<i>Options total \$7.7 million, however, only \$2.8 million required to meet target</i>			
<i>Department Group 1 Adjustments</i>	<i>860,200</i>	<i>0.21%</i>		<i>1st Order Adjustment by City Manager / DOF</i>
<i>Department Group 2 Adjustments</i>	<i>1,363</i>	<i>0.33%</i>		
<i>Department Group 3 Adjustments</i>	<i>2,476</i>	<i>0.59%</i>		
<i>Defer Capital from Revenue</i>	<i>1,000</i>	<i>0.24%</i>		<i>2nd Order Adjustment by City Manager / DOF</i>
<i>Further Deferral of Capital From Revenue</i>	<i>1,000</i>	<i>0.24%</i>		
<i>Increase Transfer from the PEF</i>	<i>1,000</i>	<i>0.24%</i>		
Budget After Step 2 Adjustments RECOMMENDATION B(iii)	Combination to reach target of \$2.8 million		8,330	2.00%

* of the property tax increase, 0.48% is due to the impact of outside agencies

* Funding for initiatives reported in Preliminary Budget Report through Contingency Reserve

TABLE 2 - SUMMARY

POTENTIAL INCREASES TO PROPERTY TAXES

	Potential Funding Need (\$000)	Tax Impact	Increase Proposed (\$000)	Net Tax Increase
Programs Deferred by Council to the Operating Budget	693	0.17%		
Initiatives Identified by Departments & Not included in the Preliminary Report	811	0.19%		
Fund through Contingency Reserve - Defer decision on Council reports referred to the 2004 Operating Budget to CS&B on March 11, 2004				
CONSIDERATION I Fund through Contingency Reserve			none	0.00%
Vancouver Police Board Sexual Predator Observation Team	1,049	0.25%		
CONSIDERATION III Refer Approval Until Other Agency Commitments Confirmed			Deferral	0.00%
Vancouver Police Board Long Term Staffing Needs	Not Yet Determined			
CONSIDERATION I Council and Vancouver Police Board conduct independent review of long term staffing needs			n/a	0.00%

10. Completing the Budget Cycle

With the decisions made as part of this report, the Operating Budget can be brought into balance. The budget process would be completed as follows:

- Should Council choose to hear delegations related to the budget decisions, these would be heard at City Services and Budgets Committee on March 11, 2004.
- On March 25, 2004, Council will consider the final estimates reflecting the decisions made based on this report and the requests for additional funding at City Service and Budgets Committee. Council will be asked to adopt a balanced budget resolution confirming the estimates for 2004.

- On April 22, 2004, the Director of Finance will bring forward a report summarizing the options of the distribution of the property tax levy. Following the decisions on this report, the 2002 General Purposes Rating Bylaw will be brought forward for approval on May 4, 2004.

CONCLUSION

The interim estimates of the 2004 Operating Budget indicate that a property tax increase of 3.45% would be necessary to provide for the costs of base City programs and the added basic costs associated with new programs approved by Council in 2003 and outside agencies. A series of budget adjustments are put forward should Council wish to reduce the tax increase below this level. These include proposals to increase revenues and reduce expenditure levels.

Along with directing staff on the adjustments necessary to balance the budget, Council will need to deliberate over requests for new programs that Council has deferred to the Operating Budget and requests from the Police Department to establish a Sexual Predator Observation Team. Though not requesting funding in 2004, there has been a request by the Police Department to increase sworn strength based on a long range plan.

The Corporate Management Team and Council have identified a number of additional initiatives that will come forward during the year for consideration. Funding for those initiatives approved by Council will be funded from Contingency Reserve.

The final stage in completing the 2004 Operating Budget involves bringing a final budget forward for approval. Following the decisions of Council related to the budget, the Director of Finance will make final adjustments to the budget and report back to Council on March 25, 2004.

**City of Vancouver
2004 Operating Budget - Interim Estimates**

Appendix 1

	2003 Budget (\$000s)	2004 Interim (\$000s)	\$ change	% change
SECTION 1: Summary of Revenues				
Taxation Revenues				
Base Levy	409,197	416,456	7,259	1.8%
New Construction	5,588	4,872	(716)	(12.8%)
Net Taxation Revenues	414,785	421,328	6,543	1.6%
Tax Adjustments	(2,020)	(2,020)	0	0.0%
Local Improvement Taxes	4,251	4,118	(133)	(3.1%)
Receipts in Lieu of Taxes	35,582	34,821	(761)	(2.1%)
Penalties and Interest	5,850	5,850	0	0.0%
Total Revenue from Taxation	458,447	464,097	5,649	1.2%
Other Revenues				
Provincial Revenue Sharing Programs	6,138	6,337	199	3.2%
Investment Income	11,600	10,000	(1,600)	(13.8%)
License Fees	12,892	14,148	1,256	9.7%
Property Rental Income	1,276	1,349	74	5.8%
Service and Inspection Fees	21,602	22,671	1,069	4.9%
Municipal By-Law Fines	9,454	9,654	200	2.1%
On Street Parking Revenue	19,490	20,800	1,310	6.7%
Civic Theatres Revenue	5,652	5,990	339	6.0%
Park Board Revenues	31,167	32,390	1,223	3.9%
Miscellaneous Revenues	5,445	5,370	(75)	(1.4%)
Total Other Revenues	124,715	128,710	3,994	3.2%
Utility Fees				
Waterworks	57,104	61,535	4,432	7.8%
Solid Waste	22,405	22,166	(239)	(1.1%)
Sewers	30,560	31,583	1,022	3.3%
Total Utility Fees	110,069	115,284	5,215	4.7%
Total Revenues before Transfers	693,231	708,090	14,859	2.1%
Transfer from Other Funds/Reserves				
Sinking Fund Prior Year Surplus	1,956	550	(1,406)	(71.9%)
Property Endowment Fund	7,000	7,000	0	0.0%
Art Gallery Reserve	160	160	0	0.0%
Revenue Surplus	0	0	0	0.0%
Other	250	0	(250)	(100.0%)
Total Transfer from Other Funds	9,366	7,710	(1,656)	(17.7%)
Total Revenues before Tax Increase	702,597	715,800	13,203	1.9%

	2003 Budget (\$000s)	2004 Interim (\$000s)	\$ change	% change
SECTION 2: Summary of Expenditures				
General Government				
Mayor and Councillors	1,590	1,738	148	9.3%
City Manager / EEO	1,008	1,021	13	1.3%
City Clerk	2,462	2,417	(45)	(1.8%)
Legal Services	3,459	3,565	106	3.1%
Corporate Services	27,406	28,174	768	2.8%
Human Resources	5,857	5,947	90	1.5%
Other General Government	7,631	7,513	(117)	(1.5%)
Community Services Administration	5,422	6,286	864	15.9%
City-Wide and Community Planning	5,300	5,378	78	1.5%
Total General Government	60,134	62,038	1,904	3.2%
Protection to Persons and Property				
Police Services	133,230	138,812	5,582	4.2%
Fire and Rescue Services	67,732	68,273	542	0.8%
E-COMM Services	14,094	14,655	560	4.0%
Permits and Licences	18,918	18,682	(236)	(1.2%)
Animal Control	997	1,007	10	1.0%
Vancouver Emergency Program	658	695	37	5.6%
Total Protection to Persons and Property	235,630	242,124	6,495	2.8%
Public Works				
Administration and General	7,422	7,698	276	3.7%
On Street Parking Program	7,230	8,260	1,030	14.2%
Traffic Planning and Control	7,077	7,194	116	1.6%
Street Lighting and Communications	4,527	4,755	228	5.0%
Street Cleaning	6,520	6,952	432	6.6%
Streets, Bridges and Walkways	14,957	16,491	1,534	10.3%
Total Public Works	47,732	51,349	3,616	7.6%
Utilities - Waterworks				
Operating Costs	7,419	7,942	523	7.0%
Water Purchase	24,425	28,985	4,560	18.7%
City Debt Charges	24,644	22,272	1,253	5.1%
Transfer to/(from) Reserve	615	2,336	(1,904)	(309.6%)
Total Utilities - Waterworks	57,104	61,535	4,432	7.8%
Utilities - Solid Waste				
Operating Costs	21,513	20,779	(734)	(3.4%)
Transfer to/(from) Reserve	892	1,387	495	55.5%
Total Utilities - Solid Waste	22,405	22,166	(239)	(1.1%)

	2003 Budget (\$000s)	2004 Interim (\$000s)	\$ change	% change
Utilities - Sewer				
City Operating Costs	5,311	6,124	813	15.3%
City Debt Charges	20,604	20,912	308	1.5%
Regional Sewerage Levy	36,090	36,755	665	1.8%
Transfer to/(from) Reserve	23	49	26	114.6%
Total Utilities - Sewer	62,028	63,841	1,813	2.9%
Recreation and Community Services				
Parks and Recreation	78,685	81,394	2,709	3.4%
Britannia Service Centre	2,430	2,459	30	1.2%
Social Planning	1,417	1,733	316	22.3%
Housing Programs	1,289	1,402	113	8.7%
Office of Cultural Affairs	612	772	160	26.1%
Carnegie Centre	2,767	2,415	(352)	(12.7%)
Downtown South Gathering Place	1,750	1,779	29	1.7%
Vancouver Public Library	30,661	30,865	203	0.7%
Civic Theatres	5,913	6,237	324	5.5%
Archives	882	1,264	382	43.4%
Cemetery	729	822	93	12.7%
Total Recreation and Community Services	127,134	131,140	4,006	3.2%
Civic Grant Program	10,855	11,004	149	1.4%
Contingency Reserve	14,696	18,219	3,523	24.0%
Total before Capital Program and Transfers	637,717	663,416	25,699	4.0%
Capital Program				
General Debt Charges	42,739	39,448	(1,791)	(4.2%)
Debt Repayment Reserve	0	1,500		
Capital From Revenue	12,600	16,300	3,700	29.4%
Local Improvements	4,251	4,118	(133)	(3.1%)
Total Capital Program	59,590	61,366	1,776	3.0%
Transfers to Reserves/Funds				
Other Transfers	5,290	5,396	106	2.0%
Total Transfers to Reserves/Funds	5,290	5,396	106	2.0%
Total Expenditures	702,597	730,178	27,581	3.9%
Tax Increase Used to Balance Budget				3.45%

Appendix 2 - New Initiatives and Projects Referred to the 2004 Operating Budget

a) Initiatives Included in the Preliminary Report

Department	Description	FTE	Funding Required			Description
			2004 \$Amount	2005 \$Amount	2006 \$Amount	
Clerks	Communications Resources <i>(priority for inclusion in Operating Budget)</i>	2.00	106,300	123,000	123,000	To address the demand for communications services from the organization, additional resources are recommended for the Communications Department.
Community Services Group & Engineering (Joint Project)	False Creek Flats Planning Study	3.0	190,000	190,000	0	The False Creek Flats Plan will provide land use and transportation directions to address the impacts of competing demands from high-tech jobs, medical services, universities, port support, downtown support services and transportation.
Human Resources	Creation of a Disability Management Division	4.0	236,500	366,800	366,800	Creation of a Disability Management Division to manage and reduce sick leave usage at the City by providing staff with safe early return to work opportunities matched to their functional capacity.
Parks	Pesticide Program <i>(reported to Council and deferred to Interim Report)</i>		94,200	15,000	15,000	Educational program to reduce residential pesticide use.

Department	Description	FTE	Funding Required			2006 \$Amount	Description
			2004 \$Amount	2005 \$Amount	2006 \$Amount		
Corporate Initiative	Corporate Climate Change Action Plan (Reported to Council and Approved)	2.0	200,000	170,000	170,000	Proposal to develop an action plan to reduce green house gases. The proposal includes some potential recoveries to offset costs.	
Corporate Initiative	Creating a Sustainable City	2.0	60,000	120,000	120,000	Resources to facilitate City sustainability initiatives.	
Community Services Group	Animal Control Services Review	3.0	137,500	250,000	225,000	Implement Animal Control Strategic Plan that will address issues around vicious dogs, shared use of parks, animal welfare, facilities, and improved licensing. Business Plan will see revenue offsets in future years.	
Community Services Group	Carnegie & Gathering Place -additional auxiliary staff	0.0	74,400	154,700	158,600	Carnegie staff provide programs in Oppenheimer Park and the surrounding area which have a very active drug and social problems. Additional staff are needed to deal with increased activity and public disorder, the demands of welfare week and internal Carnegie Security. Opening Sundays will better serve the Gathering Place patrons including local street youth in the area	
Library	Open Libraries an Additional 11 Sundays		77,500	155,000	155,000	Proposal to open Library system on an additional 11 Sundays.	
Engineering	Increase litter receptacles, placement & servicing	2.8	175,000	350,000	350,000	Engineering will be reporting back as part the original Street Furniture program on the additional 400 litter containers	
Engineering	Transit Area Planning Study	2.0	107,500	215,000	215,000	In conjunction with TransLink, a planning study of the City's transit network that will, in consultation with the public, form the basis of transit improvements in the City.	

Department	Description	FTE	Funding Required			Description
			2004 \$Amount	2005 \$Amount	2006 \$Amount	
Human Resources	Employee Relations	4.0	185,300	264,200	264,200	To continue to manage Human Resources issues in strategic partnership with our client groups and our employees. Additional resources are required to fully realize all of the demands of service and strategic initiatives necessary to become an "Employer of Choice"
Corporate Services	Accounts Payable Clerk	1.0	18,000	36,000	36,000	Addition of Accounts Payable Clerk to Improve Corporate Accounts Payable functions.
VPD	Fleet Review Recommendations	0.0	634,000	355,000	601,000	The Department and City are reviewing VPD fleet requirements. A joint proposal on funding and management of the fleet will be reported to Council in 2004
TOTAL GMT INITIATIVES		25.8	\$7,295,200	\$2,764,700	\$2,799,600	

Vancouver Police Initiatives - To be Reported Separately to Council

VPD	Long-Term Staffing Needs	tba	n/a	tba	tba	The Vancouver Police Department will be presenting a long term strategic plan that will include sworn staffing, equipment, and civilian support over the next five years. The proposal will be reviewed by staff and, once reported to Council, will include a public consultation process to allow public input into the plan.
VPD	Surveillance Team for Sexual High Risk Offenders	14.0	1,048,700	1,714,700	1,572,200	The VPD has expressed a need to establish a Surveillance Team for high risk sexual offenders that would ideally work with other Provincial law enforcement agencies.

Appendix 2 - Department Initiatives

b) Initiatives Not Included in the Preliminary Budget

Description	2004 \$ Funding	On-Going \$ Funding
Motion of Council - Women's Work Task Force	20,000	Uncertain
Fire Services - Extrication Tools	208,000	104,000
Community Services Planning Projects	90,000	180,000
Park Board - West Nile (Monitoring Funds) (Outbreak Funds)*	82,000	82,000
Engineering Special Events	65,000	82,000
Community Climate Change Action Plan	130,000	261,000
Vancouver Planning Commission	50,000	Uncertain
Day Care Grant	165,500	165,500
Community Services Visions Implementation	Internal funds available	92,000
Total Initiatives not Prioritized by CMT	\$810,500	\$966,500

*Funding would only be needed if an outbreak is to occur, therefore would be absorbed through contingency reserve

Appendix 2 - Department Initiatives

c) Programs Reported to Council and Deferred to the 2004 Operating Budget

Description	Council Decision	FTE	2004 \$ Funding	On-Going \$ Funding
Fire Staffing, Prevention & Education	THAT the Vancouver Fire and Rescue Services staffing request as outlined in the Administrative Report "Vancouver Fire and Rescue Services Staffing Request" dated November 4, 2003, be referred for consideration as part of the 2004 budget.	4.0	187,800	322,000
Carnegie Outreach Program	A. THAT Council approve in principle the continuation of the Carnegie Outreach program for another year at a cost of \$300,000, subject to overall 2004 budget priorities. B. THAT, subject to the program proceeding, staff report back on the progress of the program and the success in securing outside funds in July 2004, in order to allow Council the opportunity to extend the program or have it conclude in December 2004.	Aux	300,000	300,000
Food Policy Task Force Action Plan	B3. THAT subject to 2004 budget considerations, Council consider implementation support in the form of: i. One Regular Full Time Food Policy Coordinator, subject to classification by the General Manager of Human Resources, at an estimated annual cost of \$73,900, with a mandate to act as an on-going catalyst for leading, coordinating and facilitating both the existing work of the City on food system issues and new policy work in partnership with community groups, the Vancouver Agreement, higher levels of government, Vancouver School Board, Vancouver Park Board, Vancouver Coastal Health, and other stakeholders. The source of funds subject to 2004 budget considerations. ii. One Temporary Regular Full time Social Planner I for a period of two years, subject to classification by the General Manager of Human Resources, at an approximate annual cost of \$67,900 with a mandate to internally coordinate and implement both existing and new food-related programs and services within the City's jurisdiction. The source of funds subject to 2004 budget considerations.	1 FTE 1 Temp	111,200	166,800
Vancouver Economic Development	A. THAT Council approve interim funding of \$150,000 (which includes applicable GST and a 3% increase from the 2003 budget) for the Vancouver Economic Development Commission (VEDC) to the end of March 2004 so that VEDC's budget can be considered within the context of the overall City's Operating Budget for 2004; source of funds to be the 2004 Operating Budget.	n/a	Funding Available (604,600) Base	Funding Available (604,600) Base
Pesticide Program*	C. THAT Council refer the funding requests associated with the education program to the 2004 Operating Budget process.	n/a	94,000	15,000
Total Funding Required		5fte & 1Temp	693,000	803,800

Appendix 3 - Department Budget Adjustments

Department	Program	Description	2004 FTE	2004 \$ Amount	Impact Statement
Group 1 Revenue Adjustments					
Corporate Services	Revenue Services	Enforce penalties on all late Home Owner Grant Applications.		77,000	This recommendation is consistent with legislative authority and will provide for equal treatment for all taxpayers.
Corporate Services	Revenue Services	Raise Tax Search fee \$45 to \$55		67,000	Vancouver tax search fees are higher than other lower mainland municipalities.
Community Services	License and Inspections	Increase Large Retail License Fee		20,000	The creation of a new category of License for Big Box retail at \$3,000 has no operational impact.
Civic Theatres		Increase Event Revenues		12,400	Increase the number of events at the Civic Theatres
Britannia		Increase Revenue		15,000	Increase hockey revenue at Britannia by increasing minor hockey rates to reflect the Park Board rates, restructure & increase learn-to-skate lessons & hard to sell ice space
Total Group 1 Revenue Adjustments				191,400	

Department	Program	Description	2004 FTE	2004 \$ Amount	Impact Statement
Group 1 - Expenditure Adjustments					
Corporate Services	Information Technology	Reduce Telecomm. Costs		53,400	Given a reduction in service requirements Telecom is forecasting a reduction in overtime (50%), maintenance (40%) and equipment costs
Corporate Services	Information Technology	15% Reduction in Voice Systems costs		30,300	CO trunk and long distance costs have decreased thereby providing an overall savings opportunity.
Corporate Services	Information Technology	Reduction in contract services & mailroom supplies		25,600	This will result in the deferral of a customer survey in 2004 and have limited impact on Mailroom supplies
Corporate Services	Information Technology	15% reduction in PC maintenance		69,000	With the replacement of 500 non-warranted computers as part of the XP rollout, funding for maintaining these computers will not be required.
Corporate Services	Information Technology	Reduce funding for infrastructures software		48,400	This adjustment reflects actual experience
Community Services	General Manager	Board of Variance		5,700	Reduction of miscellaneous expenditures at the Board of Variance.
Engineering	Budgets & Admin	Implement Continuous Service Improvements	1.00	75,000	No Impact. However, department loses flexibility to fund smaller projects or unanticipated events. Position identified currently vacant.

Department	Program	Description	2004 FTE	2004 \$ Amount	Impact Statement
Engineering	Information Services	Reduce Microfilming Supplies and Services		13,000	Reduces department's flexibility to fund unanticipated expenditures.
Engineering	Materials	Reduce Budget for Materials Utility/Lab Investigations		10,000	No impact.
Engineering	Budget & Admin	Reduce Departmental Supply Accounts		14,000	These reductions, if taken, would limit the Department's ability to respond to emerging issues.
Engineering	Sewer & Water Utility	Allocate building operating cost related to City Hall to Water & Sewer Utility		63,000	No operational impact and better reflect the where costs are being incurred
Engineering	Information Services	Reduce Photo Supplies Budget		5,800	Reduce funds available for other departmental computer priorities.
Engineering	Information Services	Reduce Microfilm Temporary Help Budget		4,000	Revenue from additional work eliminates any operational impact.
City Clerks		Eliminate some multi-lingual phone lines		7,000	The closure of low volume lines will not have significant service impact, however, the closure could send the wrong signal to the multi-cultural communities

Department	Program	Description	2004 FTE	2004 \$ Amount	Impact Statement
Mayor's Office		Reduce office supplies		5,000	A reduction of office supplies would impact the quantity and quality of supplies used by the Mayor's office.
Park Board		Global Budget Adjustment	Not Available	239,600	For the Budget adjustment exercise, the Park Board allocated its \$895,800 target equally between Group 1, 2, & 3 adjustments. Achieving this budget reduction will require reductions to current services and/or significant increases to fees & charges. A reduction of \$239,600 will impact 4 to 6 FTEs, or 12-15 part-time &/or auxiliary staff. Examples of impacts could be: closure or reduced Recreation facility hours; less frequent garbage collection; longer maintenance intervals; fewer plantings; longer grass; reduced accessibility due to higher fees; potential public liabilities increase when maintenance/service levels are reduced. The final implementation plan for the reduction will be made by the Park Board.
Total Group 1 Expenditure Adjustments			1.00*	668,800	*Position currently vacant and total excludes Park Board positions.
Total Group 1 Adjustments			1.00	860,200	

Department	Program	Description	2004 FTE	2004 \$ Amount	Impact Statement
Group 2 Adjustments					
Corporate Services	Information Tech	Reduce Corporate Training by 40%	0.00	46,400	Staff would have to use alternatives to classroom training for intermediate and advanced courses.
Community Services	Chief Building Official	Eliminate Seismic specialist position	1.00	84,800	Reduces the City's ability to enforce earthquake standards for new construction, implement A coherent seismic mitigation program and provide seismic staff training programs.
Community Services	General Manager	Reduce Consulting Services	0.00	25,000	This reduction would result in the Community Services Group not being able to fund outside consulting work.
Community Services	City Plans	Eliminate Planning Assistant II position	1.00	46,800	Reduces support for professional and reduce citizen inquiry response time.
Community Services	Non Market Operations - Evelyn Saller	Eliminate RPT employee	0.79	31,500	The loss of this position would result in elimination of some specific activity programs provided for the residents of the DTES. A reduction in staff would eliminate staff coverage for two shifts in the Centre's Recreation department per week. Programs/Operation hours will be reduced.

Department	Program	Description	2004 FTE	2004 \$ Amount	Impact Statement
Community Services	Development Services	Eliminate the Tree Bylaw Program	4.00	82,000	This reduction requires council repeal the Private Property Tree Bylaw. Bylaw repeal could result in the loss of mature trees and replacement plantings. Some members of the public may have concern over the long-term impacts on the City's urban forest.
Community Services	Support Services	Eliminate 1 FTE from Graphics Section	1.00	46,700	Service level decrease which may result in users developing their own graphical solutions, looking for alternative city services, or contracting with outside parties.
Library		Service reductions at Central and Branches	7.00	305,000	This reduction is equivalent to 7 FTEs. While the Library Board has not made a decision on how to achieve this reduction, pending final approval of the operating budget, adjustments could result in library system closures and/or reduced openings hours.
Engineering	Street Operations	Tile Drain Program Reduction	0.60	50,000	This reduction will result in increased damage to sub-grades causing failure to areas of sidewalk, curb and roadway. The cost for these large repairs and/or rehabilitation of this costly infrastructure far outweighs the cost for maintenance of the drain tile system.

Department	Program	Description	2004 FTE	2004 \$ Amount	Impact Statement
Engineering	Street Operations	Streets - Spray cap Surfaces Program Reduction	1.00	100,000	A reduction in funding will result in major repairs or full replacement of the existing surface. Currently there is no funding for major repairs or replacement of these residential road surfaces, except for the Local Improvement process. Also, the reduction will result in additional complaints and risk management claims.
Engineering	Street Operations	Asphalt Lanes Program Reduction	0.35	50,000	Given that the majority of the City's paved lane inventory was installed 25 to 30 years ago, additional maintenance is actually required. Failure to maintain these lanes will result in accelerated deterioration and will eventually necessitate full replacement. Currently, funding for the full replacement of lanes does not exist.
Engineering	Graffiti Management	Reduce scope of Anti-Graffiti Program	2.00	220,000	This reduction will restore the anti-graffiti program close to the level of service the City provided two years ago.

Department	Program	Description	2004 FTE	2004 \$ Amount	Impact Statement
City Clerks		Discontinue hosting of events/decrease catering	0.00	22,000	May reflect poorly on the City to discontinue hosting some events
Britannia		Reduce pool operating hours	0.00	13,000	Reduction in operating pool operating hours would be a reduction in service level. Closure options include: close one day per week in summer; close at 5:00 pm one day per week; close between Christmas & New Year's; and close on all Statutory Holidays.
Park Board		Global Budget Adjustment	Not Available	239,600	For the Budget adjustment exercise, the Park Board allocated its \$895,800 target equally between Group 1, 2, & 3 adjustments. Achieving this budget reduction will require reductions to current services and/or significant increases to fees & charges. A reduction of \$239,600 will impact 4 to 6 FTEs, or 12-15 part-time &/or auxiliary staff. Examples of impacts could be: closure or reduced Recreation facility hours; less frequent garbage collection; longer maintenance intervals; fewer plantings; longer grass; reduced accessibility due to higher fees; potential public liabilities increase when maintenance/service levels are reduced. The final implementation plan for the reduction will be made by the Park Board.
Total Group 2 Adjustments			18.74*	1,362,800	*Does not include Park Board Positions

Department	Program	Description	2004 FTE	2004 \$ Amount	Impact Statement
Group 3 Adjustments					
Corporate Services	Accounting	Eliminate one receptionist	1.00	12,000	This will reduce service level to the public and increase administrative responsibilities for other staff.
Community Services	Current Planning	Eliminate Planning Assistant II position	0.80	37,500	This will reduce the support for Current Planning initiatives. Specific programs would have to be reviewed and reprioritized.
Fire and Rescue Services	Fire Suppression	Reduce fire emergency response by one rescue vehicle	10.00	850,000	Elimination of a fire fighting unit will result in an increase in response time which might have a negative impact.
Library	Library Board	Service reduction at Central and Branches	3.00	119,600	This reduction is equivalent to 3 FTEs. While the Library Board has not made a decision on how to achieve this reduction, pending final approval of the operating budget, adjustments could result in library system closures and/or reduced openings hours.

Department	Program	Description in Sworn staff	2004 FTE	2004 \$ Amount	Impact Statement
Vancouver Police Department		Reduction in Sworn staff	10.00	1,000,000	This adjustment will need to be achieved through the elimination of recruits and other non-salary resources. This will require additional recruitment in 2005 to bring staffing close to authorized staffing levels.
Engineering	Sewers	Reduce Sewer Catch Basin Cleaning and Maintenance	1.00	81,400	This reduction may result in flooding of the street and surrounding properties. Roadway surfaces may become hazardous to pedestrians, bicycle and vehicular traffic as a result. This will also have a negative financial impact on the operations as a shorter replacement cycles and higher rehabilitation costs are expected if the catch basins are not properly maintained and repaired in a timely fashion

Department	Program	Description	2004 FTE	2004 \$ Amount	Impact Statement
City Manager's Office		Reduction of Admin Asst position	0.25	8,500	Given increased demands on the City Manager's Office including support for the 2010 Olympics, reducing the position to part-time will be detrimental to the operation of the office and the City in the long term.
Human Resources	EH&S	Elimination of Fit City program	1.00	86,500	Eliminating the Fit City program would be very detrimental to employee relations at the City and could increase use of sick leave and health care benefits.
Law Department		Contract Services	0.00	10,000	This reduction will reduce the Law Departments flexibility in managing its workload.
Council Support		Reduction to Councillor's Budget	0.00	5,600	This reduction may impact Councillors ability to attend meetings and conferences
Mayor's Office		Reduce Mayor's Fund	0.00	3,100	The Mayor's fund is used for expenditures of a civic nature not covered in the base budget. This reduction in this fund would reduce the Mayor's ability to hold/conduct civic meetings, host dignitaries and travel on civic business.
Equal Employment Opportunity Office	EEO Program	Training budget will be reduced	0.00	5,500	This reduction may reduce EEO's ability to deliver training on issues of harassment & diversity to City staff.
Britannia		Reduce Maintenance Costs	0.00	16,200	A reduction in cleaning and maintenance service which would result in gradual deterioration of physical plant and an increase in complaints from the public

Department	Program	Description	2004 FTE	2004 \$ Amount	Impact Statement
Park Board		Global Budget Adjustment	Not available	239,600	For the Budget adjustment exercise, the Park Board allocated its \$895,800 target equally between Group 1, 2, & 3 adjustments. Achieving this budget reduction will require reductions to current services and/or significant increases to fees & charges. A reduction of \$239,600 will impact 4 to 6 FTEs, or 12-15 part-time &/or auxiliary staff. Examples of impacts could be: closure or reduced Recreation facility hours; less frequent garbage collection; longer maintenance intervals; fewer plantings; longer grass; reduced accessibility due to higher fees; potential public liabilities increase when maintenance/service levels are reduced. The final implementation plan for the reduction will be made by the Park Board.
Total Group 3 Adjustments			27.05*	2,475,500	*Excludes Park Board Positions
Total Department Adjustments			46.79*	4,698,500	*Excludes Park Board Positions