



## CITY OF VANCOUVER

### ADMINISTRATIVE REPORT

Date: January 23, 2006  
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Meeting Date: January 31, 2006

TO: City Council

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

SUBJECT: 2006 Operating Budget: Preliminary Estimates

#### RECOMMENDATION

- A. THAT Council receive for information the preliminary estimates for the 2006 operating budget as outlined in this report and summarized in Appendix 1.
- B. THAT the Director of Finance, in consultation with the Corporate Management Team, report the interim estimates to Council by early April 2006 along with options to achieve a property tax increase below 6.4% and no lower than inflationary levels.
- C. THAT Council receive a list of new funding requests for information as outlined in Appendix 2 and defer any decisions on these requests until the Interim Budget Report.
- D. THAT Council approve a March recruit class of 25 for the Vancouver Police Department, with no increase in authorized strength, at a cost of \$1.25 million to be added to the 2006 Operating Budget without offset.
- E. THAT Council instruct the Director of Finance to proceed with a public consultation process by choosing one or more of the following options:
  - i) a public opinion poll on the 2006 Operating Budget challenge at an estimated cost of \$25,000;
  - ii) a "City Choice" flyer outlining the budget challenge faced by Council at a cost of approximately \$35,000;
  - iii) a "Mayor's Forum" approach to seeking public input on the 2006 Operating Budget challenge, at a cost of approximately \$9,000 per forum and that Council instruct Staff on the number of forums;

iv) a public meeting on the 2006 Operating Budget to be held prior to the Interim Report on the 2006 Budget at minimal cost to the City.

An additional \$8,000 is required for overall advertising should E(ii), E(iii), and/or E(iv) be chosen; funding for the public consultation program is to added to the 2006 Operating Budget without offset.

#### COMMENTS OF THE CITY MANAGER

The Preliminary Report on the 2006 Operating Budget is the first opportunity that Council has had to review the budget position and to begin the process of bringing the estimates into balance. As noted in this report, the 2006 estimates show a funding shortfall of \$29.2 million, equivalent to a property tax increase of 6.4%. This increase is based on providing adequate funding to maintain current service levels, to accommodate new/expanded programs approved by Council in 2005 and to pass through increases other agencies impose on our budget that Council has no direct control.

Staff are not requesting Council to make specific funding decisions at this stage of the budget process. However, to move the process forward, staff look to Council to provide direction, in Recommendation B, to the Corporate Management Team to report back on options for adjusting the revenue and expenditure estimates that will reduce the tax increase to below 6.4% and no lower than the level of inflation. Achieving a tax increase at inflation may involve changes in service levels and/or revenues.

A further implication is a number of initiatives requested by the previous Council in 2005 to be reported back on, including the additional police staffing of 50 officers and 27 civilian staff for 2006 approved by the previous Council subject to report back. As well, a number of 2006 priority funding requests have been identified by the Corporate Management Team. The 6.4% tax increase will not provide sufficient funding to deal with these funding requests.

Council will have an opportunity to review these funding requests along with potential adjustments to the budget through budget briefings in March 2006 and, specifically, a report back from the Vancouver Police Department and City Steering Committee on VPD's Strategic Operating Plan, potential savings from civilianization, overtime and shared services opportunities and the implementation of recommendations from the University College of Fraser Valley.

Due to the timing of budget process, the Vancouver Police Department is requesting pre-approval of a recruit class of 25 for March at a total cost of \$1.25 million as provided for in Recommendation D. Recommendation D does not result in an increase in authorized strength but rather provides the funding to allow the department to begin the recruitment process in preparation for the potential increase in authorized strength.

Recommendations from the City Manager and CMT on all of these funding requests will be brought forward in the Interim Budget Report that will be presented to Council in early April.

If there are major new initiatives that Council wishes to be included in the 2006 Operating Budget, it would be appropriate to identify them between now and the Interim Budget to ensure that adequate funding is available.

Moving forward from this report, staff will work to achieve Council's priorities and to meet Council's taxation targets. Further, Council is asked to provide direction on a public information and input process that would proceed in February. The results of the public participation process will be reported in the Interim Budget Report to Council, at which time Council will be asked to make the decisions necessary to bring the budget into balance.

## **PURPOSE**

The purpose of this report is to:

- bring forward to Council the preliminary revenue and expenditure estimates of the 2006 Operating Budget;
- provide a list of new funding requests prioritized by the Corporate Management Team, that impact the 2006 and subsequent budgets;
- seek Council approval on scheduling a March police recruit class of 25; and
- seek Council directive on the budget public participation process.

## **BACKGROUND**

The preliminary estimates for the 2006 Operating Budget indicate a potential tax rate increase in excess of local inflation. Major factors contributing to this increase are:

- Salary increases due to collective bargaining
- Costs associated with new and expanded services approved in 2005
- Cost of outside agencies
- Costs associated with the Capital Program

Staff began preparing the 2006 Operating Budget estimates during the fall of 2005 based on approved levels of service. Finance staff have completed the administrative review of the revenue and expenditure estimates. This review includes discussions with service groups to ensure that departmental budgets meet target expenditure levels that provide sufficient funding to maintain programs, services and staffing at approved levels, and that requests for additional funding beyond these targets could be justified on the basis of Council approvals, health and safety concerns or short-term workload issues. The preliminary budget position includes decisions arising from these Budget Reviews.

## DISCUSSION

### The Current Budget Position

The following table summarizes the current position of the estimates following the target reviews described above. This position is presented prior to consideration of a property tax increase.

Revenues		\$000
Taxation Revenue	\$496,747	
General Revenue	152,857	
Utility Fees	135,341	
Transfers	<u>7,160</u>	\$792,104
<b>Expenditures</b>		
Departmental Expenditures	\$576,019	
Utility Expenditures	169,641	
Capital Program	70,186	
Transfers	<u>5,496</u>	<u>\$821,342</u>
Net Budget Position		(\$29,238)
Preliminary Property Tax Increase		<u>6.4%</u>

Additional detail of these estimates is provided in Appendix 1, along with comparative information from the 2005 Operating Budget.

### The Budget Challenge

Balancing the 2006 Operating Budget with a tax increase in the range of local inflation without impacting City programs and services presents a challenge.

The City relies on a small number of non-taxation revenue sources and, where possible, revenues are increased annually to reflect service costs. However, many of these revenues do not relate to the activities they support, and as such, cannot grow at the same rate as their associated expenditure budgets. Many of these revenues are subject to significant external influences such as decisions driven by outside organizations, the economy or the weather.

The impact of this mismatch between expenditure and non-taxation revenue growth and the fact that property tax revenues provide almost two-thirds of the funding in the operating

budget means that, when expenditures rise, the pressure is on property tax increases to maintain service levels.

Changes in the City's budget do not track with changes in the Consumer Price Index, which is based on a basket of consumer goods and services. City costs, rather than being driven by consumer goods, are mainly driven by employment costs, external agency costs, and annualized costs of new programs approved during the 2005 budget year. However, as CPI is understood by the public, it is often used as a benchmark for increases in property taxes.

The challenge in balancing the Operating Budget is that, as costs increase, it is very difficult to hold property tax increases to local inflation without affecting the delivery of programs and services. As a result, the current budget position reflects a tax increase above local inflation. Moving below this level will require adjustments in the estimates, either on the revenue or expenditure side of the budget or a combination thereof.

A further challenge in 2006 is a number of funding being proposed by Departments including report backs requested by the previous Council in 2005. Once again, to hold taxes to inflation and allow for many of the new initiatives will require adjustments to these estimates.

The following summarizes the major revenue and expenditure areas in the budget.

### 1. The Revenue Estimates

The revenue side of the Operating Budget comprises of four components: Taxation Revenue, General Revenues, Transfers from Reserves/Funds, and Utility Revenues (as they relate to the utility expenditures). The preliminary estimates include revenues of \$792.1 million in 2006, up 1.8% from 2005. This revenue position is prior to consideration of a property tax increase.

#### *Taxation Revenue*

Taxation revenues are those derived from property taxation sources including the general purpose tax levy, receipts-in-lieu of taxes (revenues from properties not subject to property taxation) as well as penalty and interest charges for outstanding and arrears taxes. The preliminary estimates establish these revenues at \$496.7 million, up 0.6% from 2005.

- i) The general purposes tax levy has been set at \$458.9 million prior to consideration of a tax increase. This includes \$5.0 million in tax revenue from new construction.
- ii) The provision for tax adjustments was increased from \$2.0 million to \$3.0 million, reflecting the increase in assessment appeals before the Assessment Review Panel that increases the City's exposure to subsequent adjustments to the property tax levy.
- iii) Receipts-in-lieu of taxes totals \$32.3 million, reflecting modest increase in revenues based on 2005 experience.
- iv) Penalties and Interest has been set at \$4.8 million, a decrease of \$1.1 million, due to the City's improved collection of property taxes. This improved collection is directly

related to the increased participation in the Tax Installment Prepayment Program (TIPPs) that allows property owners to pre-pay their taxes.

### *General Revenues*

A variety of general revenue sources support the expenditure budget. Overall, General Revenues are anticipated to increase to \$152.9 million or \$3.8 million over the 2005 budget level of \$149.1 million, a 2.5% increase. These revenues are summarized below:

- i) Provincial Revenue Sharing is comprised of two components :

#### *Provincial Traffic Fine Revenue*

The Provincial traffic fine revenue program increased substantially in 2005 based on the Provincial initiative to transfer 100% of traffic fine revenue to municipalities. This traffic fine revenue is provided to municipalities in order to defray the cost of local police enforcement.

The Preliminary Budget includes \$12.9 million for Provincial Traffic Fine Revenue, an increase of \$0.2 million. The increase is based on 2005 actual experience since 2006 estimates have not yet been received from the Province.

#### *Gaming Revenue*

In 2005 Council approved the introduction of slot machines at the Plaza of Nations and Hastings Park. The 2006 Operating Budget only includes revenues from Plaza of Nations since it is not anticipated that the Hastings Park slot machines will be operational in 2006. The Preliminary Budget includes \$5.0 million for gaming revenue, a reduction of \$2 million, reflecting the closure of the Mandarin Casino in April 2005 and the changing regional gaming market. In particular, the City's gaming revenue is affected by the growth of full service casinos in the Region which draw potential clientele away from the City of Vancouver. Below are some of the full service facilities that are either open or plan on opening in the next year.

	<b># of Slot Machines</b>	<b>Amenities</b>
Richmond's River Rock Casino	1000	Restaurant/Parking/Theatre
Langely's Cascade's Casino (opened in May '05)	500	Restaurant/Parking/Theatre
Coquitlam to open full service casino in 2006	950	Restaurant/Parking/Theatre

As part of the 2005 Operating Budget deliberations, Council established a General Program Account (GPA) with the incremental revenues from slot machines, to support community, social, sustainable and cultural programs. The GPA was used to fund the first year of these type of initiatives with on-going funding added to the Operating Budget in the subsequent year.

Given the anticipated decrease in gaming revenue, the General Program Account has been correspondingly reduced from \$3.1 million to \$1.1 million to eliminate any impact on the operating budget. In summary, only the incremental revenue from slot

machines was used to fund the General Program Account while base revenues was used to support the operating budget.

\$ million	2004	2005	2006	Change
Gaming Revenue	\$3.9	\$7.0	\$5.0M	(\$2.0)
GPA	n/a	\$3.1	\$1.1M	(\$2.0)
Net Gaming Revenues	\$3.9	\$3.9	\$3.9M	(\$0.0)

- ii) Investment Income is dependent on the cash balances the City has to invest and on market interest rates. An overall increase in the cash pool is anticipated resulting in increased short term interest earnings of \$1.4 million.
- iii) On-Street Parking Revenue has been increased by \$0.8 million to reflect program changes approved by Council in 2005 and historical experience.
- iv) Service and Inspection Fees have been increased by \$1.6 million reflecting increasing activity in this sector of the economy and the increased fees approved by Council, in particular trade permit fees which are anticipated to increase by \$1.3 million.
- v) License Fees have decreased by \$0.4 million mainly due to a reduction in liquor license revenues for temporary late night bar closure fee in the Entertainment District that expired in 2005, pending Council direction. Offsetting this reduction is a corresponding decrease in liquor call out overtime in the Police Department.
- vi) Park Board and Civic Theatres revenues have been set based on inflationary guidelines and anticipated event bookings respectively and have increased by \$1.8 million.
- vii) Miscellaneous Revenue is anticipated to increase by \$0.28 million due mainly to increased revenues from Translink used to fund maintenance on the Major Road Network.

*Transfers from Reserves*

The transfer from other funds and reserves includes:

- i) The annual surplus on the City's sinking fund was eliminated in 2005 due to the decline in market rates. The declining rates will continue to impact in 2006, therefore, as in 2005, included in City's budget for debt is a transfer \$0.60 million to the Sinking Fund from both the General Fund and Utilities to ensure that the Sinking Fund meets its actuarial obligations.
- ii) The annual dividend from the Property Endowment Fund is held at \$7.0 million.
- iii) The transfer from the Art Gallery Reserve remains unchanged at \$160,000. It partially offsets the Art Gallery operating grant.

- iv) "Other transfers" have declined by \$1.3 million because the 2005 budget included a transfer to cover election expenditures. The operating budget provides annual installments to this reserve to fund the triennial election, as noted in the Transfer to Reserve section below.

## 2. The Expenditure Estimates

The expenditure side of the budget is comprised of four components: Departmental Expenditures, Utility Expenditures; the Capital Program and Transfers to other Funds/Reserves. The preliminary estimates include expenditures of approximately \$821.3 million in 2006, up 5.6% from the 2005 final budget. If approved at this level, expenditures of \$651.7 million would be supported by property taxes, general revenues, and transfers and \$169.6 million would be supported by utility user fees.

### *Departmental Expenditures*

Departmental expenditures are those related to the programs and services provided by the City. The increases in program costs totals \$27.7 million and are driven by the following factors.

#### i) Salary and Benefit Costs

Collective agreements provide wage increases for most employee groups in the City. The wage provision is a significant driver, as employment costs make up over 60% of the City operating expenditures. The wage increase for most employee groups in the City increased by 2.25%, while, the police and fire officer employee groups increased by 3.4%.

Fringe benefit costs has mainly been impacted by the decision of the Municipal Pension Board of Trustee in 2005 to increase the contribution rates for both employees and employers by 1.98% over two years. Other fringe benefit increases include the Canada Pension Plan and Extended Health Benefits with decreases due to Worker Compensation and Employment Insurance rate reductions.

The result of these salary and benefits changes is an overall increase of \$12.6 million equivalent to a 2.8% tax increase.

#### ii) Inflation in Non-Salary Costs

Besides the costs associated with salaries and benefits, a variety of material, equipment and other input costs associated with the programs offered by the City also face inflationary pressures. The budget provided a general allowance of 2.0% in departmental budgets to account for these increases. This general inflation adjustment adds approximately \$3.3 million to the budget, equivalent to a 0.7% tax increase.

Some specific non-salary items worth noting that have changed at a different rate than inflation are:



- Energy costs for natural gas and hydro has increased by \$1.2 million mainly due to an assumed 20.5% increase in natural gas costs translating to a 0.3% tax increase.
- Equipment costs have increased by \$0.4 million, equivalent to a 0.1% tax increase. The increase is mainly related to increases in fuel and insurance costs offset by reduced maintenance costs reflecting the reduction in the average age of the fleet.
- Insurance budgets have decreased by \$0.10 million due to improvements in the insurance market.

ii) One Time Budget Adjustments

As part of the budget setting exercise, Council made some one-time budget adjustments to balance the 2005 Operating Budget. These budgets have been reinstated adding \$1.4 million to the 2006 Operating Budget. These included new and non-recurring funds (\$0.75 million), Strategic Initiative Fund (\$0.45 million), and Corporate Training (\$0.20 million).

Contingency Reserve has been reinstated to \$4.0 million from the final budget approved by Council of \$5.2 million, reducing the net impact of these other one-time adjustments to \$0.2 million.

iii) New Programs and Services Approved in 2005

There are a number of new or increased expenditures related to programs and services totalling \$14.5 million equivalent to a 3.2% tax increase. These included Park Board "Added Basic" (\$1.0 million), programs approved throughout 2005 by Council (\$13.2 million), and known Council initiatives (\$0.3 million) such as RAV and Olympics.

*Park Board "Added Basic"*

When Park Board facilities are repaired, maintained or upgraded through the Capital Budget, additional operating costs arising from the approved work are added to the budget each year. Funding of \$629,300 has been added to the Park Board's preliminary budget in 2006 to pay for the cost of operating renovated recreation facilities at Renfrew and Killarney Pools and Champlain Height Community Centre, for maintaining new and redeveloped City parks, and for maintaining new street trees. As well, one-time funding of \$327,500 has been added for net loss of revenues due to emergency repairs at Fraserview Golf Course and reservoir redevelopment at Queen Elizabeth Park.

*2005 Approvals:*

*Community Initiatives*

In 2005, the previous Council approved the following initiatives adding \$2.66 million and 11 regular full time positions (fte) to the Operating Budget translating to a 0.6% tax increase.

<u>Program</u>	<u>fte</u>	<u>Incremental Funding Impact (\$M)</u>
Carnegie Outreach Program	-	0.30
Drug Policy Program	-	0.10
Mountain View Cemetery	-	0.07
Single Room Accommodation	-	0.03
Harm Reduction Conference	-	0.25
Revised Homeless Action Plan	1	0.18
Victory Square Concept	1	0.08
Coordinated Enforcement	1	0.02
Chinatown Revitalization	-	0.26
Children's Literacy Outreach Program	5	0.29
Library - Additional Opening Hours	-	0.46
Library - Kensington Branch Opening	2	0.25
Women's Task Force	-	0.08
Britannia Volunteer Coordinator position	1	0.05
Britinnia Outreach Coordinators (contract)	-	0.01
Celebration of Light	-	0.22
<b>Total Community Initiatives</b>	<b>11</b>	<b>\$2.66</b>

*Development Process Improvements*

On March 17, 2005, Council approved 13.5 positions to be added to Community Services Group, Law, Corporate Services, and Engineering to improve the City's development applications process. Included in this initiative was consultant funds to review the development permit regulations and their impact on complexity, processing times and resource requirements. The total 2006 impact of this initiative is \$0.75 million or a 0.2% tax increase.

*Civic Cultural Initiatives*

In 2005 Council increased resources for cultural programs by creating a senior position to manage the City's collective interests in the cultural and creative sectors, and to co-chair the Creative City strategic planning process, establishing the Creative Task Force, and increasing the investment in cultural programs by \$1 million in 2005, \$2.0 million in 2006, and \$3.0 million in 2007. The total impact of this initiative in 2006 is \$2.08 million resulting in a 0.5% tax increase.

*Planning Projects*

Council approved a number of planning projects and resources totalling \$1.4 million with a net \$0.65 million on the 2006 Operating Budget or a 0.1% tax increase. The major initiatives were the False Creek Flats Planning (\$0.21 million), Community Visions Implementation (\$0.06 million), Metro Job/Lands Study (\$0.36 million) and the South East False Creek Project Office (total annual budget of \$0.6 million funded from the Property Endowment Fund at no net impact to the tax supported Operating Budget).

*Sustainability*

Council approved a number of sustainability initiatives in 2005 including the Community Climate Change Action Plan (\$1.27 million), staffing for the Sustainability Office (\$0.15 million) and the Ethical Purchasing Policy (\$0.53 million). The total impact of these programs in 2006 is \$1.95 million resulting in a 0.4% tax increase.

*Streets*

Council approved a number of street improvement initiatives in 2005 including increased maintenance on non-arterial streets (\$0.69 million), additional Major Road Network maintenance utilizing increased Translink revenues (gross impact \$0.24 million before revenues), streets reorganization, and additional cycling staff resources (\$0.08 million) for a total net impact of \$1.01 million or a tax increase of 0.2% tax.

*Public Safety*

In 2005, Council approved a number of public safety initiatives including regularizing the Growbusters program (gross impact \$0.48 million before revenue recoveries), continued implementation of the Animal Control Strategic Plan (\$0.24 million), a new records management system for the Fire Department (\$0.72 million), transferring the City's Jail operations from the Province to the Vancouver Police Department (\$1.22 million) increased funding for Community Policing (\$0.14 million) and additional staffing for the Vancouver Police Department (\$1.56 million). The total impact of these programs in 2006 is \$3.88 million establishing 119 regular full time positions resulting in a 0.8% tax increase.

Below is a summary of these approvals:

<i>\$ millions</i>	<i>fte</i>	<b>Gross Budget</b>	<b>Incremental Funding Required</b>
Growbusters Program	7	\$0.48	funded through fees
Animal Control Services	3	\$0.24	\$0.24
Fire Records Management System (RMS)		\$0.72	\$0.72
Sworn & Civilian Staffing	77	\$4.60	\$1.39
VPD Information Management Section	26	\$0.56	(\$0.01)
VPD - Information Technology Review	6	\$0.51	\$0.18
Community Policing		\$0.89	\$0.14
VPD Jail	tba	\$4.09	\$1.22 report back required
<b>Total Public Safety Initiatives</b>	<b>119</b>	<b>\$12.09</b>	<b>\$3.88</b>

### *Other Council Approvals*

There were a number of administrative approvals by Council throughout the 2005 budget year that have added a further \$0.26 million to the 2006 Operating Budget. These include:

- Establishment of an External Relations Program two positions - Director of External Relations and External Relations Coordinator (\$0.23 million)
- Establishment of a Digital Archivist position with City Clerks (\$0.02 million)
- Additional staffing within Community Services Group Support Services section (no impact funded from internal sources)
- Additional Staffing within Corporate Services - Small Claims Adjuster, Security, and Information Technology Security (\$0.01 million)
- Parking Program initiatives including Pay by Phone and increased staffing funded from increased parking meter revenues (\$0.15 million prior to revenues).

### *Known Council Initiatives - based on 2005 Direction*

The previous Council has supported two major initiatives and they have been included in the opening budget position. These include support costs for the 2010 Olympics (\$0.23 million impact) and joint engineering and planning support for the Richmond/Airport - Vancouver Rapid Transit (RAV) (\$0.10 million impact).

#### iv) Charges from Outside Agencies

The City's Operating Budget must also fund costs imposed by outside organizations over which Council has little or no direct control. The following organizations have increased or are anticipated to increase their requisitions to the City in 2006:

- GVS&DD levies the City for its share of regional sewerage costs. In 2006, these costs are estimated to increase by 1.2%. These costs are recovered 48% from user fees and 52% from property taxes. The impact on the tax supported operating budget of this increase is \$0.23 million over 2005.
- The requisition from E-Comm for radio and dispatch services is estimated to increase by \$1.3 million over 2005 mainly due to increased dispatching costs attributed to wage increases.
- The GVRD introduced a satellite-based reference system (GVRD GPS) in 2005. The City's share of these regional costs in 2006 is \$0.15 million.
- All municipal police agencies belong to CISBC, a provincial arm of CIS Canada. Historically, participation in CISBC was cost neutral to municipalities, however, starting in 2006, municipalities will be required to provide funding. The Vancouver Police Department's share of the cost of CISBC is \$0.11 million.

It has been Council practice to pass these expenditure increases through to taxpayers as a tax increase rather than forcing reductions in the City's program to remain within acceptable taxation targets. Together these additional charges total \$1.8 million and represent a property tax increase of about 0.4%

### *Utility Expenditures*

The City has established three utilities that are operated on a user pay basis. The water and solid waste utilities are fully funded from user fees so that increased expenditures are matched by increased user fee revenues with no impact on property taxes. The sewer utility is funded approximately 48% from user fees and 52% from property taxes. The budgets and rates for these utilities was approved by Council in early December 2005.

Water utility costs are driven by increases in the cost of water purchased from the Regional District and debt charges. The Regional cost of water is to increase by 16.2% in anticipation of future capital expenditures related to water filtration projects at Seymour and Capilano Reservoirs and has resulted in an overall increase \$5.1 million or 15.6%, factoring in consumption. The City's utility debt is to increase by \$1.6 million or 6.4%. This debt cost includes \$0.17 million of sinking fund payments to compensate for declining rates to ensure that the Sinking Fund meets its actuarial obligations, as was provided in 2005. Even with these increases, the 2006 Water Utility rates were increased by Council by only 7.5% by providing a \$2.5 million contribution from the Waterworks stabilization reserve.

The Solid Waste utility shows a \$1.8 million or 6.1% increase mainly due the introduction of automated garbage collection program. The garbage collection program increased by \$9.2 million or 8.7% resulting in weighted average residential fee increase of \$8. This increase was less than anticipated during the planning phase of the automated garbage program due to the increased distribution of larger cans. The net recycling budget increased by \$3.5 million or 10.5% (resulting in a \$1 residential fee increase) mainly due to a decrease in expected recycling revenues impacted by reduced volumes and commodity prices. Lastly, yard trimmings program increased by \$3.5 million or 6.4% (resulting in a \$2 residential fee increase) mainly due to increased volumes.

Sewer utility costs were driven by an increase in the Regional District costs for sewage treatment (\$0.44 million) and increases in debt charges (\$2.93 million) including \$0.13 million of sinking fund payment, as was provided in 2005. The rate increase approved by Council for the sewer levy is 2.5%.

As noted, water and solid waste operations have no impact on taxes while the increases to the sewer costs is partially impacting the general tax levy (the net impact to the tax supported portion of the sewer utility is \$0.23 million).

### *Capital Program*

The City's capital program is planned over a three year period with financing provided by a combination of debt and pay-as-you-go funding. The costs of this financing plan are carried in the Operating Budget through payments of principal and interest on debt and funded by the property tax levy.

In 2006, these costs will increase for three reasons:

- i) The 2006 Operating Budget assumes debt charges based on current and planned debenture program. This includes interest on a general purpose \$120 million issuance

in October 2005. The total cost of this debenture is offset by maturities during 2005 increasing debt costs by \$6.4 million in 2006. Included in the debt costs is an \$0.30 million sinking fund reserve payment similar to the provision in 2005.

- ii) The 2006-2008 Capital Plan anticipates capital from revenue of \$18.0 million in 2006, a reduction of \$1.0 million from 2005. The higher allocation in 2005 reflected the need to replace capital from revenue that was deferred to balance the 2003 Operating Budget.

The total impact of the capital program, after minor adjustments to Local Improvements and the exclusion of Sewer Debt, is \$5.2 million equivalent to a tax increase of 1.13%.

### *Transfers to Reserves/Funds*

There are a number of transfers included on the expenditure side of the operating budget remain relatively unchanged at:

- i) \$4.24 million net for the Information Technology Long Term Financing Plan. This funding provides for the replacement and continued development of the City's core information technology infrastructure and equipment.
- ii) \$0.50 million for the 2006 election, and
- iii) \$0.75 million for the Liability Insurance Reserve.

### 3. Summary of Budget Drivers

Budget Driver	Budget Change (\$ millions)	Indicated % Tax Increase
<b>Revenues &amp; Transfers From (Excluding Utility Revenues)</b>		
Taxation - New Construction	\$5.0	(1.1%)
Penalties & Interest on Delinquent Taxes	(1.1)	0.2%
Provision for Tax Adjustment	(1.0)	0.2%
Provincial Contribution - Gaming & Traffic Fine Revenue*	(1.8)	0.4%
Service & Inspection Fees	1.6	(0.4%)
On-Street Parking Program	0.8	(0.2%)
Park Board and Civic Theatre Revenue	1.8	(0.4%)
Civic Election Transfer	(1.3)	0.3%
Short Term Interest	1.4	-0.3%
Miscellaneous	0.1 <sup>1</sup>	(0.1%) <sup>1</sup>
<b>Total Change</b>	<b>\$5.5</b>	<b>(1.20%)</b>

\*Defrays Policing Costs

<b>Expenditures &amp; Transfers To (Excluding User Fee Supported Utility Expenditures)</b>		
Salaries and Benefits	\$12.6	2.8%
Non-Salary Inflation	3.3	0.7%
Civic Election	(1.3)	(0.3%)
New Programs		
- Park Board Added Basic	1.0	0.2%
- New Programs Approved in 2005	13.2	2.9%
- Council Initiatives	0.3	0.1%
One Time Budget Adjustments (SIF/NNR/Training/Contingency)	0.2	0.1%
General Program Account (offset Gaming Revenue)	(\$2.0)	(0.4%)
Outside Impact - E-Comm Levy, GVSDD, GPS, CISBC	1.8	0.4%
Capital Program - including Sewer Debt	6.7	1.5%
Miscellaneous	(1.1) <sup>1</sup>	(0.4%) <sup>1</sup>
<b>Total Change</b>	<b>\$34.7</b>	<b>7.6%</b>

<b>Net Budget Position</b>	<b>\$29.2</b>	<b>6.4%</b>
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<sup>1</sup>Rounding

## 5. Park Board Global Budget

The preliminary estimates make full provision for the Park Board Global Budget of \$55,205,700 including added basic funding of \$956,800. The global budget has been determined 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. The base budget has been adjusted to reflect changes in salary and benefit costs arising from collective agreements and non-salary costs have been increased by the same percentage provided to all departments.

Added basic is the ongoing operating cost of capital projects approved by the Park Board and Council. Under the global budget arrangement, Council has agreed to add these costs to the Park Board budget. The 2006 request includes \$629,300 of additional funding for maintenance and support of new buildings and parks infrastructure. One-time funding of \$327,500 for loss of 2006 net revenue due to on-going capital work at Fraserview Golf Course and reservoir redevelopment at Queen Elizabeth Park is also included in the added basic calculation.

Included in the Park Board global budget is \$246,000 related to Council approved ethical purchasing program.



## 6. Vancouver Police Department - Staffing

In 2005 the Vancouver Police Department completed a Strategic Planning and Long Range Staffing Review that was evaluated, at the request of Council, by an independent consultant (University of Fraser Valley). This review was presented to Council on March 3, 2005:  
Administrative Staff Report: <http://vancouver.ca/ctyclerk/cclerk/20050303/cs1.htm>  
Consultant Report: <http://vancouver.ca/ctyclerk/cclerk/20050303/cs1consultantreport.pdf>

From the results of this review, Council approved an increase of 50 officers and 27 civilian staff each year in 2005 and 2006 on March 17, 2005, during the 2005 budget deliberation process (see authorized sworn staffing levels changes in Table 1 below). The approval for 2006 was subject to Council approving a strategic operating plan, a joint City and VPD review of overtime and shared services opportunities, and implementation of the recommendations of the independent consultant.

*PART T.a.iii THAT Council establish 50 additional sworn police positions and 27 additional full-time civilian positions in 2006, including associated one-time and vehicle rental costs, subject to approval of a strategic operating plan and the report from the Steering Committee as specified in T (b).*

*PART T.b. THAT Council direct the Steering Committee to report back in late 2005 on projected overtime savings, shared services opportunities and other potential efficiencies relative to the 2006 staffing request.*

*PART T.c. THAT Council direct the Steering Committee to continue to implement the recommendations of the independent consultants, as outlined on pages xx through xxii of the Executive Summary of the Review of the Vancouver Police Department's Staffing Requirements;*

Table 1 - VPD Staffing Levels - Authorized Strength

	2004	2005	2006 <sup>1</sup>
Sworn Officer Approval		50	50
Authorized Staffing	1,124	1,174	1,224
Civilian Approval		57	27
Authorized Civilian Staffing	230	287	314

<sup>1</sup>2006 authorized staffing level is subject to report back by Steering Committee

The Steering Committee, made up of senior Vancouver Police and City Staff reconvened in early summer of 2005 and established a project framework for achieving the objectives outlined in the Council request. The Steering Committee will be reporting to Council in mid March prior to final budget deliberations on the results of the first phase of this review. The second phase of the review, which includes detailed business plans, will be completed in 2007.

The financial impact of adding 50 police officers and 27 Civilian staff based on Council approving these positions in April 2006 has been estimated to be \$3.01 million in 2006 (0.7% tax increase) and \$5.65 million in 2007, prior to consideration of any savings identified by the joint VPD and City working group.

#### *Pre-approval of Recruits*

The Preliminary Budget position does not include funding for the 2006 additional staffing levels since Council approval cannot be provided until the Steering Committee reports back. The recruitment process for the Vancouver Police Department requires 2 month notification to the Justice Institute. Given that Council approval of the increase in authorized strength will not be sought until April 2006, the Department will not be able to begin its recruitment process until later in 2006. This means that, should Council confirm the 2006 increase in sworn strength of 50 officers, the Department will not reach the 2006 authorized staffing levels of 1,224 sworn officers until the fall of 2007.

For this reason, the Department is requesting pre-approval of a recruit class of 25 for March at a total cost of \$1.25 million or 0.3% tax increase reflected in RECOMMENDATION D. Approval of RECOMMENDATION D does not result in an increase in authorized strength but rather provides the funding to allow the department to begin the recruitment process in preparation for the potential increase in authorized strength. Should Council approve RECOMMENDATION D and subsequently not approve an increase in authorized strength, the Department will be over authorized in the short term, but through natural attrition will balance out its staffing levels in 2007.

Approving the March recruit class will increase the overall funding requirement for the additional staffing given that there will be a greater number of recruits having graduated versus a slower recruitment process. The impact therefore is to increase the 2006 funding requirement by \$1.0 million and a further \$0.4 million in 2007.

Table 2 below compares the cost of increasing staff levels for the Police Department based on three possible scenarios:

- Scenario 1 - Council approves an increase of 50 police officers and 27 Civilian staff in April without pre-approving a March recruit Class.
- Scenario 2 - Council approves an increase of 50 police officers and 27 Civilian staff in April and pre-approving a March recruit Class
- Scenario 3 - Council approves a March recruit class but does not approve an increase in staffing levels in April.

**Table 2-Financial Impacts of Adding Police Staffing & Pre-Approving a March Recruit Class**

\$000

Comparison to Base Funding of 1174 Authorized Strength	2006 <sup>1</sup>	2007 <sup>1</sup>	Incremental Impact '07
<i>Scenario 1</i>			
Approve Increased Staffing - No March Recruit Class	3,008	5,651	2,643
<i>Scenario 2</i>			
Approve Increased Staffing - with March Recruit Class	4,008	6,049	2,041
<i>Scenario 3</i>			
Do Not Approve Increased Staffing - with March Recruit Class	1,246	1,766 <sup>2</sup>	519

<sup>1</sup>Funding is dependent on recruit and attrition schedule as developed in January 06

<sup>2</sup> The incremental funding in 2006 and 2007 will be offset by attrition in 2008

In summary, RECOMMENDATION D would allow the Vancouver Police Department to schedule a March recruit class of 25 but does not increase the authorized strength at a total cost of \$1.25 million or 0.3% tax increase.

## 7. New Funding Requests for 2006

Anticipating the budget challenge for 2006, the Corporate Management Team (CMT) had agreed to limit the number of initiatives submitted through the budget process as well as limit requests to be funded through Contingency Reserve, after the 2006 Operating Budget is set. Funding requests that were given priority for submission to the budget process included:

- Previous Council requested report back;
- Requests for program continuation;
- Requests deemed to be of a high priority by CMT; and
- Programs that have an identifiable source of funds.

Appendix 2 includes a list of those funding requests under the following criteria:

Type of Funding Request	Number	\$Impact (millions)	Tax Impact
<b>Type A - Vancouver Police Staffing - Report Back</b>	1		
• March Recruit Class		\$1.25	0.27%
• Position Approval (50 Officers & 25 Civilian)		<u>\$2.76</u>	<u>0.60%</u>
<b>Total Type A Funding Requests</b>		<b>\$4.01</b>	<b>0.87%</b>
<b>Type B - Previous Council Requested Report Back</b>			
Type B (i) - High Priority	3	\$0.67	0.15%
Type B (ii) - Low Priority	<u>3</u>	<u>\$0.05</u>	<u>0.01%</u>
<b>Total Type B Funding Requests</b>	<b>6</b>	<b>\$0.72</b>	<b>0.16%</b>
<b>Type C - Programs With No Funding Source</b>			
Type C (i) - Program Continuation	3	\$0.38	0.08%
Type C (ii) New or Expanded Programs	1	\$0.04	0.01%
Type C (iii) Outside Agency Requests	<u>2</u>	<u>\$0.55</u>	<u>0.12%</u>
<b>Total Type C Funding Requests</b>	<b>6</b>	<b>\$0.97</b>	<b>0.21%</b>
<b>Total Programs With Funding Impact</b>	<b>13</b>	<b>\$5.70</b>	<b>1.24%</b>
<b>Type D - Programs with Available Funding Sources</b>	8	\$0.99	n/a
<b>Total Funding Requests</b>	<b>21</b>	<b>\$6.69</b>	<b>1.24%</b>

### *Type A: Vancouver Police Department Staffing - Subject to Report Back*

As noted previously, the Vancouver Police Department 77 staffing increase will require \$4.0 million adding a further 0.9% tax increase, assuming Council approves a March recruit class of 25. The report back from the Steering Committee in March will include a review of potential overtime, civilianization, and shared services savings to offset these expenditures.

### *Type B - Council Requested Report Back*

There are 6 initiatives listed in Appendix 2 that have been requested by the previous Council to be reported back on for final approval. The total funding request for 2006 is \$0.72 million which is not included in the current estimates and would add a further 0.2% tax increase should they be solely funded through taxation.

During the Interim Budget phase funding options will be presented to Council, in the short term, the Corporate Management Team prioritized these initiatives and recommend reducing the funding requirement to \$0.67 million.

The Corporate Management Team has prioritized these initiatives as follows:

#### Type B (i) High Priority Report Back - Recommended For Funding

	<u>fte</u>	<u>\$ Impact</u>	<u>Tax Impact</u>
Development Application Process (Second Phase)	4.00	\$165,700	0.04%
Employee Relations and Advisory Services Resources	3.00	\$175,900	0.04%
World Urban Forum (one time funding)	n/a	\$330,000	0.07%
<b>Total</b>	<b>7.00</b>	<b>\$671,600</b>	<b>0.15%</b>

#### Type B(i) - Lower Priority Report Back

- Neighbourhood Delivery Program - incorporated into the Community Vision and Area Planning initiative detailed in the following section.
- Vancouver Heritage Register Update - should Council determine the program to be a priority, funding would be required in 2007 at an estimated \$100,000.
- Four Pillars Prevention Plan - to be combined with the Drug Policy Program detailed in the following section. Originally this program was estimated at \$100,000 and involved funding for Public Education, a Prevention Summit, a Safer Bars program.
- LGBT Feasibility Study - should Council determine the program to be a priority, the funding requirement is \$45,000

### *Type C - Programs With No Funding Source*

There are 6 funding requests listed in Appendix 2 determined by the Corporate Management to be of high priority or have been requested by outside agencies. The total funding requests for 2006 is \$0.97 million and would add a further 0.3% tax increase should they be solely funded through taxation. During the Interim Budget phase funding options will be presented to Council.

	<u>fte</u>	<u>\$ Impact</u>	<u>Tax Impact</u>
<u>Type C (i) - Program Continuation</u>			
Community Visions & Area Planning	n/a	\$64,000	0.01%
Visions & Area Planning Implementation	2.0	\$94,300	0.02%
Drug Policy & Prevention Program	3.0	\$220,000	0.05%
<b>Total</b>	<b>7.00</b>	<b>\$378,300</b>	<b>0.08%</b>
<u>Type C (ii) New or Expanded Programs</u>			
Chinese Media Monitoring	n/a	\$45,000	0.01%
<u>Type C(iii) Outside Agency Requests</u>			
Vancouver Economic Development Commission	n/a	\$446,000	0.10%
Board of Variance	n/a	\$100,000	0.02%
<b>Total</b>	<b>n/a</b>	<b>\$546,000</b>	<b>0.12%</b>
<b>Total Type C Funding Requests</b>	<b>7.00</b>	<b>969,300</b>	<b>0.21%</b>

*Type D - Programs With Funding Source*

There are 7 requests listed in Appendix 2 that Departments have internal funding sources which the Corporate Management Team has determined to be of high priority. The total funding required in this category for 2006 is \$0.99 million with no increase in taxes.

	<u>fte</u>	<u>\$ Impact</u>
GIS Systems Analyst	1.0	\$80,000
Web Master	1.0	\$65,000
Systems Analyst: City Manager/Council	1.0	\$80,00
Ergonomic Program	n/a	\$325,000
Library Assistant for Oakridge Branch	1.0	\$40,000
Trades Maintenance & Building Maintenance Workers	2.0	\$99,000
Newcomers Guide		\$45,000
3-1-1 Feasibility Study		\$260,000
<b>Total</b>	<b>9.0</b>	<b>\$994,000</b>

*Summary of New Funding Requests*

Type of Funding Request	FTE	\$Impact (millions)	Tax Impact
Type A - Vancouver Police Staffing - Report Back	77	\$4.01	0.87%
Type B - Council Requested Report Back	7	\$0.72	0.16%
Type C - Programs With No Funding Source	7	\$0.97	0.21%
<b>Total Programs With Funding Impact</b>	<b>91</b>	<b>\$5.70</b>	<b>1.24%</b>
Type D - Programs with Available Funding Sources	9	\$0.99	n/a
<b>Total Funding Requests</b>	<b>100</b>	<b>\$6.69</b>	<b>1.24%</b>

### 8. Indicated Property Tax Increase

As noted, to maintain current service levels, the budget shortfall reflected above is \$29.2 million and would require a 6.4% tax increase. The main drivers are listed below.

#### Base Funding To Maintain Current Service Levels

Tax Increase	Impact (\$M)	Driver
2.9%	\$12.6	Salary Wage and Fringe Benefits
3.2%	\$14.5	New Programs Approved in 2005 plus Added Basic
1.5%	\$6.7	Capital Program Costs
0.4%	\$1.8	Charges from Outside Agencies
(1.6%)	(\$6.4)	Revenues & Other Adjustments
<b>6.4%</b>	<b>\$29.2</b>	<b>Preliminary Budget Position</b>

The new funding requests if all approved and funded from taxation will result in another 1.2% tax increase bringing the cumulative tax increase to 7.6%.

#### New Funding Requests

Tax Increase	Impact (\$M)	Funding Request	Cumulative Tax Increase
0.3%	\$1.25	Vancouver Police Staffing Report Back	6.7%
0.6%	\$2.76	<ul style="list-style-type: none"> <li>Recommendation D - March Recruit Class <i>(No increase in Police Authorized Strength)</i></li> <li>Increased Police Authorized Strength <i>(50 Officers/25 Civilian Staff)</i></li> </ul>	7.3%
0.2%	\$0.72	Council Requested Report Back	7.4%
0.2%	\$0.97	Priority Programs with No Funding Source	7.6%
n/a	\$0.99	Programs with Available Funding Sources	7.6%
<b>1.2%</b>	<b>\$6.69</b>	<b>Total Impact of New Initiatives</b>	<b>7.6%</b>



## 9. Inflation Benchmark

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. The annual City of Vancouver inflation rate (CPI) is approximately 1.9%.

Council has adopted a practice of passing tax increases related to requisitions from outside agencies (E-Comm, GVRD and the Province) through to taxpayers rather than forcing offsetting reductions in City programs and services to meet Council's taxation objectives. As outlined in this report, the impact of these outside agencies on the 2006 Operating Budget is equivalent to a tax increase of approximately 0.4%.

Should Council wish to continue with the practice of setting tax rate increases based on past practice, the total property tax increase would translate to approximately 2.3%. To provide for this level of tax increase, Corporate Management Team would need to identify adjustments to the revenue or expenditure estimates of approximately \$18.3 million prior to consideration of any of the new funding requests going forward as part of the 2006 Operating Budget.

## Council Direction

The recommendations provided in this report request that Council receive for information the 2006 preliminary estimates and a list of new funding requests.

Based on Council's instruction, the Corporate Management Team would prepare options for any budget adjustments in time for the Interim Budget Report to bring down the anticipated tax increase from 6.4% to the rate of inflation.

## 10. Public Consultation Options

It is anticipated that the Interim Report on the budget will be reported to Council in April 2006. The interim stage is the point at which it is expected that Council will make the decisions necessary to bring the budget into balance. Between the Preliminary Report and the Interim Report time frame the City could consult the public on the budget challenges and provide them an opportunity to make their views known.

The following are options that are available and staff seek Council decisions on which option(s) should be pursued.

### i) Committee Meetings/Council Reports

The City's Council Meeting process is a minimum form of public consultation in that the public has access to reports and can attend meetings to provide input to Council. Council reports are available five days prior to Council meetings which are attended by the public. Speakers that desire to provide input to the budget process would have the opportunity to speak to

Council at City Services and Budget Committee meeting at the time Council is deliberating over the Interim Budget Report.

The positive elements of this option is that it may expedite the budget process and does not result in incremental cost. On the other hand, the process does not have broad public reach, does not engage the public in a dialogue on budget issues, nor does it allow for significant input.

#### ii) Public Opinion Poll

The City has used surveys of public opinion in 1997, 1999, 2001, 2002, 2003, 2004, and 2005. This consultation tool involves the use of a professional polling firm to undertake telephone surveys with approximately 600 City residents. The sample would take into consideration a number of demographic characteristics to ensure the results represented the view of a statistically significant sample of the population. The survey firm provides translation services to ensure that all those contacted have the opportunity to provide input. The survey would cost approximately \$25,000 and take about 14 days to complete. Polling would be done immediately after the Preliminary Budget report on January 31, 2006.

The format and the responses to the surveys has generally been consistent. The City has used a set of questions that were developed in 1997, allowing for trend information. Questions cover:

- the most important issues facing the City;
- perceptions of City services and property taxation;
- reactions to the budget options facing the City;
- acceptance of property tax increases; and
- priorities for City services

In 2005 the survey was expanded to address the anticipated receipt of new revenue sources and requested increase in police staffing levels.

The telephone survey provides the City with an opportunity to obtain the views of taxpaying citizens who may not attend a public meeting or complete a questionnaire in a newspaper or on-line. It also has the advantage of providing us with statistically reliable input on issues that are of interest to Council in making its budget decisions at a relatively low cost for the number of responses. It also offers the City an opportunity to examine the trends in how citizens are feeling about different issues. The disadvantage, on the other hand, is that the survey does not engage the public in a dialogue on those issues.

#### iii) Newspaper Flyer

The City has also made use of newspaper flyers distributed in the community newspapers and at City facilities. "City Choices" flyers were published in 1997, 2002, 2003, 2004, and 2005. The cost of developing and publishing approximately 145,000 copies of the flyer is estimated

at \$35,000 plus staff time. The flyer would be published on the basis of the City's advertising policy in community and a Chinese language paper, distributed through Community Centres and Branch Libraries, and posted on the City's website. The flyer will most likely be published in the first week of February.

The flyer normally contains background information on the budget process, where the City spends its money and where it comes from and the issues that are facing Council in bringing the budget into balance. In the last few years, these issues tended to be choices between raising taxes to maintain City services at one extreme and cutting City services to keep tax increases down at the other.

An integral part of the flyer was the opportunities it offered for providing feedback on the issues identified. Flyers contain a number of questions similar to those utilized in the public opinion poll. The questionnaire will also be made available on-line on the City's website and will be widely advertised.

The flyer is an educational vehicle for the public. It is especially valuable in years when there is a considerable budget challenge because it gives Council the opportunity to explain the issues to the public in more detail than a public survey.

The survey is self-selecting, and therefore, not statistically reliable: the results do not necessarily reflect the opinions of the community as a whole. Response rates have been low, usually less than 700 questionnaires have been returned, despite allowing a number of weeks for completion. In 2005, the City received approximately 1000 responses with approximately 300 submitted through the Mayor's Forum process described below.

On the other hand, the flyer offers more citizens the opportunity to learn about the budget debate and the issues facing Council. In that way, it serves as a public education tool. As well, it provides one more avenue for residents, who for certain reasons may not attend a public meeting on the budget, to offer their opinion. The flyer is an excellent vehicle when Council wishes to engage the public in a dialogue related to a significant budget issue but has less value in seeking input on more routine matters.

#### iv) Mayor's Forums/Meetings

A "Mayor's Forum" was utilized in 2003, 2004, and 2005 each year taking a slightly different approach. In 2003, two meetings were convened by the Mayor at which a short presentation on the budget issue was presented and the public was invited to respond. In 2004, the Forums revolved around two themes - "Crime and Safety" and "Poverty, Homelessness and Provincial Offloading" - and included panel discussions. For 2005, the consultation program consisted of 10 meetings with community organizations and 7 meetings that were open to the public at community centers.

The estimated cost of holding a Mayor's Forum is \$9,000 per forum which includes the cost of materials and rental of a hall.

#### v) Public Meeting

The City has not used specific public meetings to deal with the budget for many years. This followed from experience in the early 1980s where public meetings were poorly attended. Instead, Council invited the public to make its views known at regular Committee meetings at which the budget was being discussed.

Council could hold a special public meeting to hear input from individuals and groups on the decisions that have to be set. If that is Council's wish, then a meeting date preceding the Interim Budget report would have to be found. There is little cost to holding a public meeting in the Council Chambers

#### Advertising and Funding:

Should Council choose any of options iii, iv, and/or v above advertising funding of \$8,000 would be required to ensure that the public was aware of the public process. Funding for these programs, including advertising, has been provided in the 2006 Preliminary Estimates.

#### Next Steps

The next steps to the budget process are the following:

- Joint Council/Board Workshop - February 9, 2006
- Public Consultation Process - Mid February to Mid March 2006
- Departmental Presentation of new funding requests and potential budget balancing strategies- Early March, 2006
- Report back from the Joint Vancouver Police and City Steering Committee-March 21, 2006
- Interim Budget Report - April 4, 2006
- Final Budget Report and Resolution - April 20, 2006
- Council Reports on Land Averaging and Tax Shifts - February - March 2006
- Tax Rating Report and Approval of Rating Bylaws - April 2006

#### CONCLUSION

The preliminary estimates of the 2006 Operating Budget indicate that a property tax increase of 6.4% is required to maintain current service levels. This tax increase is necessary to provide for:

- Salary and inflationary increases
- Costs associated with new and expanded services approved in 2005
- Park Board Added Basic
- Cost of outside agencies
- Costs associated with the Capital Program
- Cost of known priority initiatives (RAV and Olympics)

In addition, there are number of new funding requests proposed. The remaining budget process will determine the trade-offs that Council needs to make with regards to tax increases, new services and service adjustments.

\* \* \* \* \*

## City of Vancouver 2006 Operating Budget Projections

## Appendix 1

	2005 budget	2006 projection	\$ change	% change
	(\$000s)	(\$000s)		
<b>SECTION 1: Summary of Revenues</b>				
<b>Taxation Revenues</b>				
Base Levy	445,624	453,877	8,253	1.9%
New Construction	8,253	5,000	(3,253)	(39.4%)
<b>Net Taxation Revenues</b>	<b>453,877</b>	<b>458,877</b>	<b>5,000</b>	<b>1.1%</b>
Tax Adjustments	(2,000)	(3,000)	(1,000)	50.0%
Local Improvement Taxes	3,964	3,752	(212)	(5.4%)
Receipts in Lieu of Taxes	32,062	32,318	256	0.8%
Penalties and Interest	5,850	4,800	(1,050)	(17.9%)
<b>Total Revenue from Taxation</b>	<b>493,754</b>	<b>496,747</b>	<b>2,993</b>	<b>0.6%</b>
<b>Other Revenues</b>				
Provincial Revenue Sharing Programs	19,737	17,938	(1,800)	(9.1%)
Investment Income	10,000	11,400	1,400	14.0%
License Fees	14,845	14,423	(422)	(2.8%)
Property Rental Income	1,407	1,509	102	7.3%
Service and Inspection Fees	26,128	27,769	1,641	6.3%
Municipal By-Law Fines	9,994	10,207	213	2.1%
On Street Parking Revenue	22,625	23,218	593	2.6%
Civic Theatres Revenue	6,282	5,982	(300)	(4.8%)
Park Board Revenues	32,967	35,058	2,091	6.3%
Miscellaneous Revenues	5,077	5,353	276	5.4%
<b>Total Other Revenues</b>	<b>149,062</b>	<b>152,857</b>	<b>3,794</b>	<b>2.5%</b>
<b>Utility Fees</b>				
Waterworks	64,806	69,693	4,887	7.5%
Solid Waste	29,686	31,497	1,811	6.1%
Sewers	32,374	34,151	1,777	5.5%
<b>Total Utility Fees</b>	<b>126,866</b>	<b>135,341</b>	<b>8,475</b>	<b>6.7%</b>
<b>Total Revenues before Transfers</b>	<b>769,682</b>	<b>784,944</b>	<b>15,262</b>	<b>2.0%</b>

	2005 budget	2006 projection	\$ change	% change
	(\$000s)	(\$000s)		
<b>Transfer from Other Funds/Reserves</b>				
Sinking Fund Prior Year Surplus	0	0	0	0.0%
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	1,268	0	(1,268)	(100.0%)
<b>Total Transfer from Other Funds</b>	<b>8,428</b>	<b>7,160</b>	<b>(1,268)</b>	<b>(15.0%)</b>
<b>Total Revenues before Tax Increase</b>	<b>778,110</b>	<b>792,104</b>	<b>13,994</b>	<b>1.8%</b>

## SECTION 2: Summary of Expenditures

### General Government

Mayor and Councillors	1,800	1,838	38	2.1%
City Manager / EEO	2,377	2,662	285	12.0%
City Clerk	4,022	3,156	(866)	(21.5%)
Legal Services	3,994	4,318	325	8.1%
Corporate Services	30,279	31,762	1,483	4.9%
Human Resources	6,549	7,075	526	8.0%
Other General Government	11,005	10,862	(143)	(1.3%)
Community Services Administration	7,574	7,819	245	3.2%
City-Wide and Community Planning	6,117	6,156	39	0.6%
<b>Total General Government</b>	<b>73,717</b>	<b>75,648</b>	<b>1,931</b>	<b>2.6%</b>

### Protection to Persons and Property

Police Services	150,934	158,966	8,032	5.3%
Fire and Rescue Services	73,534	76,372	2,838	3.9%
E-COMM Services	15,825	17,959	2,133	13.5%
Permits and Licences	19,759	21,008	1,249	6.3%
Animal Control	1,525	1,670	145	9.5%
Vancouver Emergency Program	683	691	8	1.2%
<b>Total Protection to Persons and Property</b>	<b>262,259</b>	<b>276,664</b>	<b>14,405</b>	<b>5.5%</b>

	2005 budget	2006 projection	\$ change	% change
	(\$000s)	(\$000s)		
<b>Public Works</b>				
Administration and General	9,247	11,430	2,183	23.6%
On Street Parking Program	8,759	9,134	375	4.3%
Traffic Planning and Control	7,971	8,000	29	0.4%
Street Lighting and Communications	4,865	4,857	(9)	(0.2%)
Street Cleaning	7,826	8,087	261	3.3%
Streets, Bridges and Walkways	16,888	17,901	1,013	6.0%
<b>Total Public Works</b>	<b>55,556</b>	<b>59,408</b>	<b>3,851</b>	<b>6.9%</b>
<b>Utilities - Waterworks</b>				
Operating Costs	8,228	7,606	(622)	(7.6%)
Water Purchase	32,532	37,609	5,076	15.6%
City Debt Charges	24,449	26,964	2,514	10.3%
Transfer to/(from) Reserve	(404)	(2,485)	(2,081)	515.4%
<b>Total Utilities - Waterworks</b>	<b>64,806</b>	<b>69,693</b>	<b>4,887</b>	<b>7.5%</b>
<b>Utilities - Solid Waste</b>				
Operating Costs	27,375	29,322	1,947	7.1%
Transfer to/(from) Reserve	2,311	2,175	(136)	(5.9%)
<b>Total Utilities - Solid Waste</b>	<b>29,686</b>	<b>31,497</b>	<b>1,811</b>	<b>6.1%</b>
<b>Utilities - Sewer</b>				
City Operating Costs	7,000	7,250	249	3.6%
City Debt Charges	21,367	24,298	2,930	13.7%
Regional Sewerage Levy	36,460	36,904	444	1.2%
Transfer to/(from) Reserve	0	0	0	0.0%
<b>Total Utilities - Sewer</b>	<b>64,828</b>	<b>68,451</b>	<b>3,623</b>	<b>5.6%</b>

	2005 budget (\$000s)	2006 projection (\$000s)	\$ change	% change
<b>Recreation and Community Services</b>				
Parks and Recreation	85,763	90,263	4,501	5.2%
Britannia Service Centre	2,626	2,876	250	9.5%
Social Planning	1,665	1,604	(61)	(3.7%)
Housing Programs	1,531	1,588	57	3.7%
Office of Cultural Affairs	1,194	1,248	54	4.5%
Carnegie Centre	2,792	2,985	193	6.9%
Downtown South Gathering Place	1,941	2,004	63	3.2%
Vancouver Public Library	32,777	34,612	1,835	5.6%
Civic Theatres	6,675	6,470	(204)	(3.1%)
Archives	1,346	1,186	(160)	(11.9%)
Cemetery	829	830	1	0.1%
<b>Total Recreation and Community Services</b>	<b>139,139</b>	<b>145,665</b>	<b>6,526</b>	<b>4.7%</b>
<b>Civic Grant Program</b>	<b>12,489</b>	<b>14,634</b>	<b>2,145</b>	<b>17.2%</b>
<b>Contingency Reserve</b>	<b>5,200</b>	<b>4,000</b>	<b>(1,200)</b>	<b>(23.1%)</b>
<b>Total before Capital Program and Transfers</b>	<b>707,680</b>	<b>745,660</b>	<b>37,980</b>	<b>5.4%</b>
<b>Capital Program</b>				
General Debt Charges	40,772	48,184	7,412	18.2%
Capital From Revenue	19,000	18,000	(1,000)	(5.3%)
Local Improvements	3,964	3,752	(212)	(5.4%)
Debt Repayment Reserve	1,250	250	(1,000)	
<b>Total Capital Program</b>	<b>64,986</b>	<b>70,186</b>	<b>5,200</b>	<b>8.0%</b>
<b>Transfers to Reserves/Funds</b>				
Other Transfers	5,444	5,496	52	0.9%
<b>Total Transfers to Reserves/Funds</b>	<b>5,444</b>	<b>5,496</b>	<b>52</b>	<b>0.9%</b>
<b>Total Expenditures</b>	<b>778,110</b>	<b>821,342</b>	<b>43,232</b>	<b>5.6%</b>
<b>Tax Increase Used to Balance Budget</b>		<b>6.37%</b>		



## Appendix 2 - 2006 Funding Requests

Department	Description	FTE	Funding Required			Description
			2006 \$Amount	2007 \$Amount	2008 \$Amount	

### Type A - Vancouver Police Department Staffing - Council Report Back

Vancouver Police Department	Approval of March Recruit Class	n/a	1,246,000	1,766,000	1,766,000	The Police Department is requesting pre-approval of a recruit class of 25 for March at a total cost of \$1.25 million reflected in RECOMMENDATION D. Recommendation D does not result in an increase in authorized strength but rather provides the funding to allow the department to begin the recruitment process in preparation for the potential increase in authorized strength from 1174 to 1224.
Vancouver Police Department	Approval of Increased Authorized Strength (50) and 27 Civilian Staff	77	2,755,000	4,283,000	4,283,000	Council approved on March 17, 2005, an increase of 50 police offices and 27 civilian staff for 2006 subject to Council approving a strategic operating plan, a joint City and VPD review of overtime and shared services opportunities, and implementation of the recommendations of the independent consultant. The report back from the Steering Committee is scheduled for March 21, 2006.
<b>Total Type A Funding Requests Vancouver Police Department staffing</b>		<b>77</b>	<b>4,001,000</b>	<b>6,049,000</b>	<b>6,049,000</b>	

Department	Description	FTE	Funding Required			Description
			2006 \$Amount	2007 \$Amount	2008 \$Amount	

**Type B - Council Requested Report Back**

**Type B (i) High Priority Initiatives - Recommended For Funding**

Community Service Group	Development Application Process - Completion of Resources Strategy	4.0	165,700	298,000	306,200	On March 17, 2005, Council approved the first phase of a Resources Strategy to improve the Development Application Process adding 13.5 positions in five departments. Phase 2 of this strategy involves adding a further four FTEs in Development Services, subject to a report back to Council. The four positions are focused primarily on training and specialized customer service with particular emphasis on novice applicants.
Community Service Group/City Clerks/Police	World Urban Forum		330,000	0	0	In 2006, the City of Vancouver will host the UN World Urban Forum, Meetings of Local Government officials and other related conferences. While most costs are covered by the United Nations, the Federal Government, and the RCMP, the City will be responsible for the costs associated with hosting and events duties as well as some policing costs. The cost estimate includes \$70,000 for the Police to provide basic perimeter security around the venue and to liaise with the RCMP. The VPD has estimated that if there are any significant security issues, policing costs could increase to \$320,000. The Corporate Management Team recommends having a provision within Contingency Reserve of \$250,000 dedicated to policing the World Urban Forum that would be accessed only if required.

Department	Description	FTE	Funding Required			Description
			2006 \$Amount	2007 \$Amount	2008 \$Amount	
Human Resources	Employee Relations & Advisory Services Resources	3.0	175,900	215,000	215,000	Three positions are requested for Employee Relations and Advisory Services. Two Human Resource Consultant positions are requested to support corporate policy initiatives that currently only one position is dedicated to. One administrative support position is also requested to not only provide general assistance but to help manage the City's temporary agency pool whose utilization has grown by 100% over 3 years. This initiative was identified in 2005 but was deferred to 2006.
Council Requested Report Back - Type B(i) High Priority		7.0	671,600	513,000	521,200	

**Type B(ii) - Low Priority**

Community Service Group	Neighbourhood Delivery Program		0	0	0	Incorporated in "Community Vision and Area Planning" Public Process Funding Initiative listed below. See section for Type C Initiatives below. Original funding request was \$100,000.
Community Service Group	LGBT Feasibility Study		45,000	0	0	In 2005, Council approved a motion for a feasibility study for a community centre for the Lesbian, Gay, Bisexual and Transgender community pending a report back to release funding. The study would include two parts: a) confirm the vision for a proposed new LGTB Community centre and b) analyze components and required next steps to develop such a centre.

Department	Description	FTE	Funding Required			Description
			2006 \$Amount	2007 \$Amount	2008 \$Amount	
Community Service Group	Vancouver Heritage Register Update	1.0	0	100,000	0	On March 31, 2005, Council requested that staff report back on a program to update the VHR. The register was created by Council in 1986 and has not been updated since that time. When non-Heritage Register sites undergo redevelopment that the community deems to have heritage value, substantive conflict is generated between community members, property owners, developers and staff applications. The purpose of the Register Update is to undertake research and public consultation to identify heritage values of Vancouver's communities and resources missed in 1986 that embody those values.
Community Service Group	Four Pillars Prevention Plan		0	0	0	Incorporated in "Drug Policy" Initiative listed in section below for Type C Initiatives.
Council Requested Report Back Type B(ii) - Low Priority		1.0	45,000	100,000	0	
Total Type B Funding Requests Council Requested Report Back		8.0	716,600	613,000	521,200	

Department	Description	FTE	Funding Required			Description
			2006 \$Amount	2007 \$Amount	2008 \$Amount	
<b>Type C - Programs With No Funding Source</b>						
<b>C(i) - Program Continuation</b>						
Community Services Group	Establishment of permanent program for Communities Vision and Area Planning		64,000	556,000	567,100	The City Plans Division, Planning Department, has 5 staff teams delivering area planning programs (e.g. Community Visions, Neighbourhood Centre Plans, Station Area Plans). All programs involve extensive public consultation. All other public process programs were approved and funded as one time projects in previous years' budgets. The 2006 funding request is for one new program of \$64,000 to augment other public process programs (with approximately \$400,00 funding) that Council has approved to date. For 2007 and beyond it is proposed that funding for ALL public processes supporting the 5 area planning programs be included in the Operating Budget to provide the necessary tools for the existing staff to efficiently conduct the necessary public processes.
Community Services Group	Establishment of permanent funding for Community Vision and Area Planning - Implementation	2.0	94,300	152,200	155,500	Following Council approval of new Community Visions/Area Plans, staff assist the community with Plan implementation. Each Community receives ½ Planner I and ½ Planning Assistant III ( plus a budget of \$10,000 per community for implementation support) to work with the community for several years to implement the plan. Following implementation, the Planning Team moves to assist another community. Council's approval of the Implementation Program assumed a team of 3 Planners and 3 Planning Assistant III to provide implementation support. The staff teams were to be added over time at the completion of two visions. This request provides implementation support for the recently approved Visions & brings the Implementation Team to full strength.

Department	Description	FTE	Funding Required			Description
			2006 \$Amount	2007 \$Amount	2008 \$Amount	
Community Services Group	Continuation of Drug Policy program and establishment of Prevention Program	3.0	220,000	329,300	337,100	The Four Pillars Drug Strategy, originally established by Council in 2001. In 2003, Council approved funding for 36 months at an annual estimated cost of \$300,000 ending April 2006. The Drug Policy Program works with senior governments and the community towards full implementation of the strategy. Implementation of the strategy is ongoing work that demands continuing efforts to mobilize public support to support investment by senior government in improved addiction services and appropriate policy changes that will lead to reduced harm from drug use in Vancouver.
<b>Total Type C (i) Funding Requests Program Continuation</b>		<b>5.0</b>	<b>378,300</b>	<b>1,037,500</b>	<b>1,059,700</b>	

**C(ii) - New or Expanded Programs**

City Clerks	Chinese Media Monitoring		45,000	45,000	45,000	This is a request for a media monitoring service to provide daily news summaries from the local Chinese-language print and electronic media. These summaries would be made available to elected officials and senior managers.
<b>Total Type C (ii) Funding Requests New or Expanded Programs</b>			<b>45,000</b>	<b>45,000</b>	<b>45,000</b>	

**C(iii) - Outside Agency Requests**

General Government	Additional funding requested by the Vancouver Economic Development Commission		446,000	446,000	446,000	The Vancouver Economic Development Commission has identified additional funding for core activities currently outlined in their mandate. This includes providing policy and economic analysis to City Council, developing an Economic Development strategy for the City of Vancouver and developing a marketing plan and identifiable Vancouver brand for business attraction, including 2010.
Community Services Group	Board of Variance		100,000	100,000	100,000	The Board of Variance has identified the need for increased funding to offset legal and staff overtime costs due to increased judicial review of BOV decisions
Total Type C (iii) Outside Agency Requests			546,000	546,000	546,000	
Total Type C Funding Requests Programs with No Funding		5.0	969,300	1,628,500	1,650,700	

Department	Description	FTE	Funding Required			Description
			2006 \$Amount	2007 \$Amount	2008 \$Amount	

**Type D - Programs with Funding Source**

City Clerks	Establishment of base budget for Newcomer's Guide		45,000	45,000	45,000	The Newcomers' Guide, which is produced in five languages, is designed to help new residents to understand how the City works and how to access government services. Originally, the guide was a one-off project with no funding set aside for future printing and revision. It has proven to be one of the City's most popular publications. Funding to be provided from Community Services Operating Budget.
City Manager's	311 Feasibility Study	3.0	260,000	0	0	Study to determine costs/benefits of providing 311 service at the City of Vancouver. Study will include development of a business case and a recommended model for implementation of 311. The funding will support a small staff team (approx 3 FTE) for 4-6 months, along with consulting services, travel and other incidental costs. Funding to come from the Strategic Initiative Fund
Corporate Services	GIS System Analyst	1.0	80,000	86,000	93,000	This is a conversion of a full time temporary position to maintain and enhance the technical infrastructure for City's Geographic Information Systems. This position helps to provide a more sustainable service.



Department	Description	FTE	Funding Required			Description
			2006 \$Amount	2007 \$Amount	2008 \$Amount	
Corporate Services	Web Master	1.0	65,000	70,000	75,000	This is a conversion of a full time temporary position. The position is required to meet increased demand for web support, because of an increase in the number of business applications running on the City's web servers, as well as an increase in public and staff customers, many of whom require access to City services on a 7/24 basis.
Corporate Services	Systems Analyst for City Manager's Office & Elected Officials	1.0	80,000	86,000	93,000	This is a conversion of a full time temporary position. This is required to perform critical analysis, liaison, and related services for Mayor and Council, as well as for City Managers' staff.
Human Resources	Ergonomic Program		325,000	325,000	325,000	Employee Health and Safety is proposing to establish a three year City Office Ergonomic Program at \$300,000 per year. Funding would be used to purchase new workstations, chairs and LCDs to improve ergonomic conditions for City staff in order comply with the WCB regulations. An additional \$25,000 would be used to augment the Fit City Program for Hearts@Work Health fairs to improve cardiac health of employees potentially reducing sick time and health benefit usage. Funding will be provided from WCB savings.

Department	Description	FTE	Funding Required			Description
			2006 \$Amount	2007 \$Amount	2008 \$Amount	
Library	Library Assistant for Oakridge Branch	1.0	40,000	40,000	40,000	The Oakridge branch is open seven days per week. The seven day access to service requires scheduling of circulation staff and the presence of a staff member capable of supervision, overseeing materials handling and assisting in customer service. The library would like to consolidate regular part time hours to create a regular full time Library Assistant 2 position, at no net cost to the City.
Library	Trades Maintenance & Building Maintenance Workers	2.0	99,000	99,000	99,000	Two regular part time staff in the Maintenance department are currently working full time hours and are now eligible for benefits under our Collective Agreement. Existing regular part time hours will be consolidated to fund these 2 regular full time positions at no net cost to the City.
<b>Total Type D Funding Requests Programs with Funding Source</b>		<b>9.0</b>	<b>994,000</b>	<b>751,000</b>	<b>770,000</b>	
<b>Total of Funding Requests</b>		<b>99.0</b>	<b>6,680,900</b>	<b>9,041,500</b>	<b>8,990,900</b>	