



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Date: February 28, 2007
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Meeting Date: March 13, 2007

TO: Vancouver City Council
FROM: General Manager of Corporate Services/Director of Finance
SUBJECT: 2007 Operating Budget - Final Estimates

RECOMMENDATION

THAT Council approve the budget resolution attached as Appendix 2 thereby adopting the final 2007 Operating Budget with a property tax increase of 3.98%.

CITY MANAGER'S COMMENTS

The City Manager RECOMMENDS approval of the foregoing.

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 five reports in the budget building process:

- the Budget Schedule Report seeks direction from Council on the budget schedule, the public consultation process and a target property tax increase that includes new funding requests but excludes the cost of outside agencies.
- the Preliminary Estimates Report provides Council with the first indication of the cost of maintaining existing service levels and the additional funding requests from Departments and Boards.

- the Interim Estimates Report provides the results of the detailed administrative reviews and summarizes the budget strategies to meet the target property tax increase and seeks Council approval to finalize the estimate, bringing the budget into balance.
- The Public Consultation Report provides the results of the budget public consultation.
- the Final Report on the Operating Budget presents the finalized revenue and expenditure estimates including any final adjustments approved by Council at the Interim Estimates Report stage. The final report is accompanied by a resolution in which Council adopts the estimates for the year.

PURPOSE

The purpose of this report is to have Council approve the budget resolution included in Appendix 2 in order to adopt the final revenue and expenditure estimates based on the direction provided by Council on February 27, 2007.

BACKGROUND

On February 27, 2007, Council considered the Interim Report on the 2007 Operating Budget and approved a number of recommendations related to the 2007 Operating Budget. Council also instructed the Director of Finance to bring the 2007 Operating Budget into balance with a general purpose tax increase of 3.98% which includes 0.47% tax increase related to the cost of outside agencies. The specific approvals include:

- The Park Board Global Budget of \$55,513,900, which includes an increase of \$442,100 for operating costs of new and expanded facilities and one-time adjustments. Note - the Park Board Global Budget will be adjusted to include a budget for any new and non-recurring items and an allocation of turnover.
- The following program approvals without any impact to the operating budget:
 - Regularization of a Councillors' Assistant Position (\$50,000)
 - Three Engineering Services finance positions (\$230,000)
- The following funding requests for new programs, approved and funded from taxation:
 - Social Planning resources for the YouthPolitik Program (\$51,000)
 - Official Visits and Protocol Funding (\$228,000)
 - Homelessness Action Plan (\$100,000)
 - Permitted Resource Strategy (\$154,400)
 - Multilingual Communications Coordinator (\$59,000)
 - Community Services Occupational Health & Safety Practitioner (\$35,100)
 - Consolidation of Property Information - System Analyst (\$83,000)
 - South East False Creek Extension of 2 Temporary Planners (\$71,300)
 - Support for Future Area Planning Programs (\$166,600)
 - Vancouver Fire Department Vehicle Repeaters (\$181,500)
 - Vancouver Sports Strategy (\$150,000)
 - Funding for the Vancouver Economic Development Commission (\$133,150)
 - An increase of 17 police officers to implement Stage A1 operational efficiencies and one roving metro team (\$900,000);
 - A bylaw prosecutor position (\$100,000)
 - Social Planning resources related to the 2010 Garden Plots (\$50,000 one-time)

- o Cultural tourism funding, subject to report back by staff (\$300,000)

Adjustments totaling \$6.7 million to the Operating Budget included in RECOMMENDATION S as identified in the Interim Estimates Appendices 3 and 4, with the following exclusions or amendments to:

- # 14 (page 45) - **amended** raising Vancouver Police Department charge out rates to an overall efficiency adjustment (\$48,000)
- #29 (page 49) - **excluded** Engineering - Sustainability - Climate Change Action Plan (\$100,000)
- #35 (page 51) - **excluded** Library Board - Decrease Auxiliary Staffing (\$35,000)
- #36 (page 51) - **excluded** Library Board - Decrease expenses related to subscription cards (\$14,000)
- #37 (page 51) - **excluded** Library Board - Decrease to Collections budget (\$41,000)
- #38 (page 51) - **excluded** Park Board - Global Budget Adjustment (\$440,800)

DISCUSSION

1. Final Budget Position

Based on the direction provided by Council on February 27, 2007, staff has worked to bring the budget into balance within the property tax guidelines approved by Council. Appendix 1 reflects the final estimates including the changes itemized in the previous Background section. The general purposes tax levy has been increased by 3.98%, reflecting 3.51% City costs and 0.47% outside agency costs, adding \$19.1 million taxation revenue to the budget.

These adjustments bring the 2007 Operating Budget into a balanced position as follows:

	(\$000)	(\$000)
Revenues		
Taxation Revenue	\$535,886	
General Revenue	161,272	
Utility Fees	143,600	
Transfers	<u>7,160</u>	\$847,918
Expenditures		
Departmental Expenditures ¹	\$588,322	
Utility Expenditures	179,295	
Capital Program	72,305	
Transfers	<u>7,996</u>	<u>\$847,918</u>
Net Budget Position		<u>\$0</u>
Property Tax Increase Applied to Budget		3.98%

¹Departmental budgets will be adjusted to include Council approved Corporate adjustments (New and Non-recurring and Turnover)

2. Funding Report Backs

On February 27, 2007, Council requested that staff report back on a number of initiatives that have financial implications for this year and future budgets. These include:

a) Vancouver Police Department

On February 27, 2007, Council approved an increase to the Vancouver Police Department (VPD) staffing levels by 17 sworn officers to implement Stage A1 efficiencies and one of two Stage A2 metro roving units as identified in Vancouver Police Department Operational Review (RTS 06504). Council provided \$900,000 towards these two initiatives with the condition that funding be allocated to the Police Department only after Council receives confirmation from VPD of the Vancouver Police Union's (VPU) acceptance of the shift patterns recommended in the report (see decision R iv) below). Therefore funding for both Stage A1 and the one metro roving team is currently being held in "Other General Government" pending the report back from the VPU.

R iv) THAT the Chief Constable report, in consultation with the Police Board, the confirmation of the Vancouver Police Union's agreement to the recommended shifting strategy or other shifting patterns that meet the operational and financial objectives outlined in this report. Further, THAT funding shall not be allocated for these recommendations until this confirmation is received by Council.

Below is a summary of the financial implications of approving 17 sworn officers:

Funding Requirements	2007	2008	2009
One Time	\$247,000	\$34,400	-
Ongoing	\$653,000	\$1,752,800	\$2,170,900
Total Funding Requirements	\$900,000	\$1,787,200	\$2,170,900
Incremental Impact	\$900,000	\$887,200	\$383,700

Further, Council instructed staff to report back on performance metrics related to the Patrol Deployment Study as well as "*...Phase 2 of the VPD Operational Review including further opportunities related to overtime, shared services, and deployment efficiencies to offset VPD resource requirements including options to maximize and prioritize service levels without increasing staffing levels.*"

b) Olympic Legacy Reserve

On February 27, 2007, Council approved the creation of an Olympic Legacy Reserve and instructed staff to "*...report back in 2007 on specific guidelines for the use of Olympic Legacy Funds and a funding strategy that minimizes the impact on property taxes.*"

c) Vancouver Economic Development Commission (VEDC)

Council approved an increase of \$133,150 for the Vancouver Economic Development Commission related to the: additional costs related to the maintenance of existing services (\$15,650), the implementation of the Business Climate Strategy (\$50,000),

permanent research position (\$67,500). As well Council requested that the VEDC continue working with the different teams associated with the 2010 Winter Games “...in order to maximize benefits/coordination and create synergies. Any extra funding required by VEDC should be drawn from the Olympic Legacy Reserve if Council approves setting up the reserve, subject to a report to Council on a Business Plan and cost-benefit rationale prior to Council’s release of the funds.”

d) Cultural Tourism Strategy

Council approved an increase of \$300,000 to the Contingency Reserve with the intent that funding “...be used as leverage with other agencies and funders, in conjunction with the arts and cultural community to support cultural tourism strategies such as the City’s 125th anniversary recognition. Release of funds is subject to staff reporting back in 2007 with a business plan (including funding requirements) and opportunities for joint planning and funding associated with the 2010 Games.”

3. Impact of the Budget on Property in the City

The table below summarizes the impact of tax increase on an average residential property and commercial property owners, together with the changes in other user charges.

Budget Impacts on Residential and Business Taxes¹

Levy	3.98% Tax Increase	
	City Charges	Annual Change

Average Residential Property \$713,790		
General Taxes	\$1,431	\$55
Sewer Fee	\$171	\$9
Solid Waste Fee	\$159	\$0
Water Rates	\$349	\$20
Total City Charges	\$2,110	\$84

Business Properties ² for each \$1 million of value		
General Levy	\$12,131	\$464

¹The estimated property tax impact is based on the “Completed Roll” given that the “Average Roll” has yet to be received by the City.

² 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 (approximately 4.5%) as 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 the exact amounts and percent increase.

4. 2008 Tax Increase Estimate

Council's decisions from February 27, 2007, along with other known impacts, are anticipated to impact the 2008 property taxes in the range of 3.73% to 5.23%.

Property Estimate for 2008 (excludes Olympic Legacy Reserve Fund)

	\$000			
	2007 Funding	2008 Budget	2008 Budget Increase	2008 Tax Impact ¹
VPD Patrol Staffing	\$900	\$1,787	\$887	0.18%
Funding Requests	\$1,862	\$1,544	(\$318)	-0.06%
One Time Corporate Adjustments	(\$4,440)	(\$1,000)	\$3,440	0.69%
One Time Departmental Adjustments	(\$2,892)	(\$2,459)	\$433	0.09%
Information Technology Projects ²			\$300	0.06%
Council approved Fire Apparatus			\$600	0.12%
Park Board Added Basic Estimate ³			\$800	0.16%
Cost to Maintain Base Services			\$12,490 to \$19,990	2.50% To 4.00%
Total	(\$4,570)	(\$128)	\$18,632 to \$26,132	3.73% 5.23%

¹2008 Base Taxes at \$499.8 million given 3.98% property tax increase

²Includes approved (IMS) and anticipated projects (E-Recruitment and Procurement)

³As estimated by the Park Board

5. The Budget Resolution

With approval of the Recommendation in this report, the 2007 Operating Budget will be brought into balance and the 2007 budget cycle completed. Council approval of this final position requires adoption of the budget resolution attached as Appendix 2.

6. Final Steps

The following three events are required of Council to put in place the necessary rating bylaws to provide for billing of the general purposes property tax levy:

- On March 15, 2007, the Property Taxation Policy Review Committee will report to City Services and Budgets Committee with interim recommendations arising from its review of the tax distribution of the property tax levy between residential and non-residential property classes.
- On March 15, 2007, City Services and Budgets Committee will consider the enactment of an averaging by-law. The by-law authorizes the continuation of three-year land averaging as the method for calculating property taxes for Class 1 (Residential) and

Class 6 (Business and Other) and the expansion of the averaging program to Class 5 (Light Industry) for 2007.

- On April 19, 2007, City Services & Budgets Committee will receive a report from the Director of Finance on the tax distribution of the property tax levy between residential and non-residential property taxes.
- On May 1, 2007, the Director of Finance will bring forward a report summarizing the property tax levies, bylaws establishing general purpose and regional district property tax rates and introducing resolutions to adjust tax rates of the other taxing authorities to give effect to the averaging program (if approved).

CONCLUSION

The approval of the attached resolution will finalize the process of balancing the 2007 Operating Budget.

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**City of Vancouver
2007 Operating Budget Projections**

Appendix 1

	2006 budget	2007 budget	\$ change	% change
	(\$000s)	(\$000s)		

SECTION 1: Summary of Revenues

Taxation Revenues

Base Levy	471,662	493,216	21,554	4.6%
New Construction	5,686	6,549	863	15.2%
Total Taxation Revenues	477,348	499,765	22,417	4.7%
Tax Adjustments	(3,000)	(4,000)	(1,000)	33.3%
Local Improvement Taxes	3,752	3,389	(363)	(9.7%)
Receipts in Lieu of Taxes	33,317	33,232	(85)	(0.3%)
Penalties and Interest	4,919	3,500	(1,419)	(28.8%)
Total Revenue from Taxation	516,336	535,886	19,550	3.8%

Other Revenues

Provincial Revenue Sharing Programs	17,538	17,938	400	2.3%
Investment Income	11,400	11,700	300	2.6%
License Fees	14,423	14,824	401	2.8%
Property Rental Income	1,509	1,459	(50)	(3.3%)
Service and Inspection Fees	28,610	31,340	2,729	9.5%
Municipal By-Law Fines	10,807	11,360	553	5.1%
On Street Parking Revenue	24,073	25,742	1,669	6.9%
Civic Theatres Revenue	5,999	5,786	(213)	(3.6%)
Park Board Revenues	34,752	36,258	1,506	4.3%
Miscellaneous Revenues	5,513	4,867	(647)	(11.7%)
Total Other Revenues	154,624	161,272	6,648	4.3%

Utility Fees

Waterworks	69,668	74,060	4,392	6.3%
Solid Waste	31,391	34,033	2,642	8.4%
Sewers	34,151	35,507	1,357	4.0%
Total Utility Fees	135,210	143,600	8,390	6.2%

Total Revenues before Transfers

	806,170	840,758	34,588	4.3%
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	2006 budget	2007 budget	\$ change	% change
	(\$000s)	(\$000s)		
Transfer from Other Funds/Reserves				
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	0	0	0	0.0%
Total Transfer from Other Funds	7,160	7,160	0	0.0%
Total Revenues after Tax Increase	813,330	847,918	34,588	4.3%

SECTION 2: Summary of Expenditures

General Government

Mayor and Councillors	1,887	1,877	(10)	(0.5%)
City Manager / EEO	2,569	2,875	306	11.9%
City Clerk	3,102	3,418	316	10.2%
Legal Services	4,292	4,475	183	4.3%
Corporate Services	31,241	31,938	697	2.2%
Human Resources	7,429	7,551	122	1.6%
Other General Government	8,417	11,469	3,052	36.3%
Community Services Administration	8,026	7,538	(488)	(6.1%)
City-Wide and Community Planning	6,012	6,710	698	11.6%
Total General Government	72,974	77,851	4,876	6.7%

Protection to Persons and Property

Police Services	160,506	164,379	3,873	2.4%
Fire and Rescue Services	75,641	77,349	1,708	2.3%
E-COMM Services	17,767	18,584	817	4.6%
Permits and Licences	20,881	21,041	160	0.8%
Animal Control	1,620	1,744	125	7.7%
Vancouver Emergency Program	668	681	13	2.0%
Total Protection to Persons and Property	277,082	283,778	6,696	2.4%

Public Works

Administration and General	10,841	10,882	41	0.4%
On Street Parking Program	9,417	9,233	(183)	(1.9%)
Traffic Planning and Control	7,865	9,541	1,676	21.3%
Street Lighting and Communications	4,797	5,054	257	5.4%
Street Cleaning	8,159	8,392	234	2.9%
Streets, Bridges and Walkways	17,260	16,334	(927)	(5.4%)
Total Public Works	58,338	59,436	1,098	1.9%

	2006 budget (\$000s)	2007 budget (\$000s)	\$ change	% change
Utilities - Waterworks				
Operating Costs	8,537	8,913	376	4.4%
Water Purchase	37,609	44,354	6,745	17.9%
City Debt Charges	26,017	21,692	(4,326)	(16.6%)
Transfer to/(from) Reserve	(2,494)	(899)	1,595	(64.0%)
Total Utilities - Waterworks	69,668	74,060	4,391	6.3%
Utilities - Solid Waste				
Operating Costs	29,475	29,617	142	0.5%
Transfer to/(from) Reserve	1,916	4,416	2,500	130.5%
Total Utilities - Solid Waste	31,391	34,033	2,642	8.4%
Utilities - Sewer				
City Operating Costs	7,255	7,323	68	0.9%
City Debt Charges	24,298	24,826	528	2.2%
Regional Sewerage Levy	36,904	39,054	2,150	5.8%
Transfer to/(from) Reserve	0	0	0	0.0%
Total Utilities - Sewer	68,456	71,203	2,747	4.0%
Recreation and Community Services				
Parks and Recreation	89,261	91,772	2,511	2.8%
Britannia Service Centre	2,843	2,841	(2)	(0.1%)
Social Planning	1,567	1,797	230	14.7%
Housing Programs	1,586	1,714	127	8.0%
Office of Cultural Affairs	1,153	1,389	236	20.4%
Carnegie Centre	2,952	3,050	98	3.3%
Downtown South Gathering Place	2,001	2,101	100	5.0%
Vancouver Public Library	34,050	35,015	965	2.8%
Civic Theatres	6,469	6,602	133	2.1%
Archives	1,256	1,262	7	0.5%
Cemetery	832	811	(21)	(2.5%)
Total Recreation and Community Services	143,970	148,354	4,384	3.0%
Civic Grant Program	14,178	15,505	1,326	9.4%
Contingency Reserve	3,500	3,400	(100)	(2.9%)
Total before Capital Program and Transfers	739,558	767,618	28,059	3.8%

	2006 budget	2007 budget	\$ change	% change
	(\$000s)	(\$000s)		
Capital Program				
General Debt Charges	46,874	49,416	2,541	5.4%
Capital From Revenue	17,400	18,500	1,100	6.3%
Local Improvements	3,752	3,389	(363)	(9.7%)
Debt Repayment Reserve	250	1,000	750	300.0%
Total Capital Program	68,276	72,305	4,028	5.9%
Transfers to Reserves/Funds				
Other Transfers	5,496	7,996	2,500	45.5%
Total Transfers to Reserves/Funds	5,496	7,996	2,500	45.5%
Total Expenditures	813,330	847,918	34,588	4.3%

Tax Increase Used to Balance Budget	3.98%
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Appendix 2 RESOLUTION

MOVED BY Councillor:

SECONDED BY Councillor:

THAT WHEREAS, the Vancouver Charter, Section 219 requires that the Director of Finance submit to Council each year the detailed estimates of revenues and expenditures of the City for the year;

AND WHEREAS the Vancouver Charter, Section 372 requires that Council adopt the estimates of revenues and expenditures for the City as soon thereafter as possible;

AND WHEREAS Council has reviewed the development of the estimates in reports submitted by the Director of Finance on October 31, 2006, and February 27, 2007 and approved measures to bring the estimates into balance, including approval of a 3.98% general purposes property tax increase;

AND WHEREAS the total estimated expenditures of the City to pay all debts and obligations of the City falling due in the year 2007, exclusive of the amounts required for school, Greater Vancouver Regional District, Greater Vancouver Transportation Authority, British Columbia Assessment Authority and Municipal Finance Authority purposes and not otherwise provide for, as amended by Council, amount to \$847,918,000;

AND WHEREAS the total estimated expenditures as aforesaid is the sum of the appropriation requests of all departments and boards properly supported by detailed analysis of those expenditures and listings of the salaried staff;

AND WHEREAS the total estimated revenue of the City for 2007 from sources other than real property taxes, as amended by Council, amounts to \$348,153,000;

AND WHEREAS the amount of the General Purposes Tax Levy so required is \$499,765,000;

THEREFORE be it resolved that the said estimates, both as to totals and individual items pertaining thereto, of the Director of Finance as so amended by Council be and the same are hereby adopted by Council.