



## CITY OF VANCOUVER

# A25

### ADMINISTRATIVE REPORT

Date: July 16, 2007  
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Meeting Date: July 24, 2007

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

#### RECOMMENDATION

THAT Council receive the 2007 Operating Budget May Review for INFORMATION.

#### COUNCIL POLICY

Council's standing instructions require that the Director of Finance report on the status on the Operating Budget as at August 31 each year.

#### PURPOSE

This report reviews the status of the revenue and expenditure appropriations in the 2007 Operating Budget at May 31, 2007, provides a projection for year-end and identifies any significant variances for Council.

#### DISCUSSION

The May Budget Review is a high level review of both revenues and expenditures compared to the budget approved by Council in March. All service groups were asked to review their budget status and provide projections of their year-end position. The purpose of the review is to identify areas of significant variance that could impact on the budget position at year-end. A thorough review of the financial status as at the end of August will be conducted to further validate the projections submitted by the service groups.

## 1. Summary of Variances to Revenue & Expenditure Appropriations

Table 1 summarizes the 2007 revenue and expenditure year-end projections. Appendix A provides additional detail of this projection.

Table 1 - August Review Summary

	Year-End Estimated Surplus/(Shortfall)
Revenues	\$2.91 million
Expenditures	<u>\$1.58 million</u>
Net Budget Position	\$4.49 million
Unallocated Contingency	\$1.69 million
<b>Target Year-End Financial Projection</b>	<b>\$6.18 million</b>

Total Revenues are anticipated to end the year with a \$2.91 million surplus due primarily to surpluses expected from Service and Inspection Fees (\$1.00 million) and Provincial Revenues (\$2.50 million), offset by a shortfall in Property Taxes of (\$0.84 million). Total Expenditures are also anticipated to have a year-end surplus of \$1.58 million due mainly to surpluses expected in the following departments; Fire Department (\$0.52 million), Police Board (\$0.43 million), Community Services Group (\$0.30 million) and Corporate Services (\$0.19 million). Uncommitted funding within Contingency Reserve of \$1.69 million allows the City to come in with a potential total surplus of \$6.18 million by year-end.

## 2. Variances to Revenue Appropriations

The review of revenue appropriations at May 31 and the projection to year-end indicates several areas where revenues will exceed budget and where shortfalls are anticipated.

	<u>Surplus (Shortfall)</u>
<b>Property Taxes</b>	<b>(\$0.84 million)</b>

Due to a change in zoning in the Kingsway - Knight Neighbourhood Centre, approved by Council in December 2005, approximately 1,600 residential properties were excluded from the 2007 Averaging Program. City staff are of the view that since this was a City's initiated zoning change, with no intent to increase property value by its owners, and resulting in little change in the value, that these properties should be included back in the Averaging Program. If averaging is extended to all of the identified properties, the property tax levy would be reduced by \$840,000. Staff will report back seeking Council authority to include these properties in the Averaging Program.

<b>License Fees</b>	<b>(\$0.25 million)</b>
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License fees are tracking below budget mainly due to lower alarm bylaw permit fees and lower license fees such as for commercial permits and municipal vehicle plates.

**Service and Inspection Fees** **\$1.00 million**

Due to the major construction that is currently taking place in the City, Service and Inspections Fees revenue, in particular Building Permit and Electrical Inspection Fees are currently tracking ahead of expectations.

**Short Term Interest** **\$0.50 million**

Short term interest income is expected to be in a surplus of \$0.50 million due to higher than anticipated interest rates and cash balances.

**Provincial Revenues** **\$2.50 million**

Provincial Revenues consist of the City's share of Traffic Fine Revenue and Gaming Revenue.

**Traffic Fine Revenue** **\$1.6 million**

On May 25, 2007, the Provincial Government announced that a total of \$58.8 million, representing 100% of traffic fine revenues, would be returned to municipalities. For 2007, the City of Vancouver's share, based on a percentage of policing expenditures, is \$14.1 million; compared to the previously budgeted amount of \$12.5 million, an increase of \$1.6 million.

**Gaming Revenue** **\$0.90 million**

With the sale of the Edgewater Casino to Paragon BC ULC in August 2006, and customer service initiatives implemented by the new owners, the financial performance of the casino has improved based on results for the first six months of 2007 compared to 2006. If the quarterly trends continue, the projected annual revenue received from Vancouver's two casinos is estimated to be \$0.90 million better than budget.

**Utility Revenues** **\$0.30 million**

**Net After Transfer to Utility Reserves** **\$0.00 million**

Solid waste revenue is expected to be \$0.30 million higher than budget for 2007. This is due to higher recycling revenues due to a strong market and increasing quantities. The water and sewer utility revenues are heavily dependent on the water volume consumption which is difficult to estimate prior to the end of the summer months.

**Other Revenues/Transfers** **Balanced**

Revenues that are expected to be on budget by year-end include Payments in Lieu of Taxes, On-Street Parking and Enforcement Revenues, Civic Property Rentals, Miscellaneous Revenue and Transfers.

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**Net Revenue Surplus** **\$2.91 million**

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## Variances to Expenditure Appropriations

As indicated in Appendix A, most departments are projected to complete the year with expenditures close to the allocations approved by Council in March, being either balanced or with a slight surplus. Below are explanations for any projected surplus or any risks that have been identified based on the May Review. Many of these balanced positions reflect the responsibility of departments to remain within their budget by adjusting expenditures as necessary with the exception of expenses that are beyond their control.

### Surplus (Shortfall)

#### Community Services

**\$0.30 million**

Community Services (CSG) is anticipating a surplus of \$0.30 million due primarily to turnover and expected vacancy savings in Development Services of \$0.20 million.

#### Corporate Services

**\$0.19 million**

Corporate Services is projecting a surplus of \$0.19 million due to delay in hiring and the resulting vacancy savings, as well as lower bank fees. These items also help to offset significant payouts related to retirements.

#### Utilities (Water, Sewer and Solid Waste)

**(\$1.00 million)**

#### Net after Transfer from Utility Reserves

**Balanced**

The Water and Sewer Utility operating expenditures are heavily dependent on the level of water consumption which has higher utilization during the summer months. As a result, projections for these two utilities are premature. During the August Review the Engineering Department will be able to provide a better estimate for these utilities' year end projections.

The Solid Waste Utilities is expecting a total expenditures shortfall of \$1.00 million, \$0.40 million due to the higher than anticipated costs of maintaining the automated garbage trucks. The other \$0.60 million is due to higher costs for composting equipment and landfill road costs. With the offsetting higher recycling revenues of \$0.30 million, as noted above in the revenue section, this leaves a net shortfall of \$0.70 million which will be covered by a transfer from the Solid Waste Reserve at year end.

## Fire Department

**\$0.52 million**

Vancouver Fire and Rescue Services is anticipating a \$0.52 million surplus due mainly to vacancy savings and higher external recoveries, such as from WorkSafeBC, sick leave recoveries and recoveries from the Province for fire services at the University of British Columbia/University Endowment Land. Partially offsetting these savings are higher expenditures for safety related items, such as replacement of protective clothing and boots, fleet maintenance and general facilities maintenance costs.

## Police Department

**\$0.43 million**

The Vancouver Police Department (VPD) has projected a year end surplus of \$0.43 million.

Major areas of expected savings are:

- Civilian salary savings of \$0.77 million due to the VPD's difficulty in filling civilian positions, such as in their Information Management Section.
- Fringe benefits savings of \$0.49 million related to the salary savings from sworn and civilian positions.
- Expected savings in legal expenditures of \$0.29 million
- Expected surplus in the expense category 'Other Expenses' of \$0.22 million. This includes projected savings in medical expenses relating to the City's jail.

Major areas of projected shortfalls include:

- \$0.32 million resulting from higher than anticipated separation costs
- \$0.29 million from statutory overtime.
- Shortfall of \$0.79 million in overtime due to the Stanley Cup playoffs (\$0.23 million), Olympic demonstrations (\$0.14 million) and higher costs relating to liquor callouts (\$0.22 million)
- Shortfall in Fleet costs of \$0.31 million due primarily to higher vehicle repair costs as a result of the department's policy of using its vehicles to block suspect vehicles in order to prevent high speed pursuits.

As part of the 2007 Operating Budget process, Council approved an additional 17 officers subject to "...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 the Administrative Report *Vancouver Police Department Operational Review*, dated February 5, 2007." To date this requirement remains outstanding, therefore, funding has yet to be distributed and officers have not been recruited.

The following Departments expect to come in on budget by year end and have either identified either opportunities or risks.

**Engineering - Public Works**

**Balanced**

The Engineering Department is anticipating coming in on budget by the year-end. They are projecting a shortfall in Streets of \$0.22 million due to callouts for additional street cleaning or repairs. As well, the implementation of a new Engineering fee to be charged to external utilities for consultation has been delayed resulting in a shortfall of \$0.21 million. These shortfalls will be offset by vacancy savings.

**Park Board**

**Balanced**

The Park Board is anticipating a golf revenue shortfall of \$0.68 million due to the continued downward participation trend being experienced by golf courses in North America. Offsetting this are increasing revenue from recreation sources and cost containment measures to mitigate the golf revenue shortfall are in effect. By continuing to closely monitoring both revenues and expenditures, cost saving measures can be implemented if issues arise. Overall, the Park Board is committed to balancing the budget by the end of the fiscal year.

**Other Departmental Variances**

**\$0.14 million**

The remaining departments are projecting be either balanced by year-end or to have minor variances. They include: Mayor and Council, Office of the City Manager, Equal Employment Opportunity, Law Department, Civic Theatres, Britannia Community Services, City Clerk's, Civic Grants, Human Resources, and the Library Board.

<b>Net Expenditure Surplus</b>	<b>\$1.58 million</b>
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<b>Net Year-End Projection (Prior to Contingency)</b>	<b>\$4.49 million</b>
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**3. Contingency Reserve** **\$1.69 million**

After providing \$0.60 million for potential snow in the upcoming winter, the uncommitted contingency reserve is \$1.69 million.

<b>Target Year-End Projection</b>	<b>\$6.18 million</b>
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## CONCLUSION

Current estimates project the Operating Budget to be in a surplus position of \$6.18 million by year-end. This is mainly due to the large surplus in revenues of \$2.91 million, primarily from Provincial Revenue and Service and Inspection Fees, and presently uncommitted Contingency Reserve of \$1.69 million. If a work stoppage does occur at the City, impact to the City's revenues and expenditures will be closely monitored and reported back to Council later in the year. In addition, the projected year-end position could change given that unanticipated items between now and year-end could impact the City's bottom line. For this reason, Departments will continue to monitor their budgets carefully and to minimize spending from Contingency Reserve to ensure a balanced year-end position.

City Staff will be reporting back to Council on a more detailed review based on end of August financial performance.

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Appendix A  
2007 May Year-To-Date Review Summary

\$ millions	Annual Budget	Year-End Projection	Year-End Variance	Percent Variance
<b><u>REVENUES</u></b>				
Property Taxation	504.95	504.11	(0.84)	-0.2%
Payments in Lieu (PIL)	34.47	34.47	0.00	0.0%
License Fees	15.07	14.82	(0.25)	-1.7%
Service & Inspection Fees	31.60	32.60	1.00	3.2%
Municipal By-Law Fines	11.66	11.66	0.00	0.0%
Parking Meter Revenue	26.52	26.52	0.00	0.0%
Civic Property Rentals	1.51	1.51	0.00	0.0%
Miscellaneous Revenue	6.14	6.14	0.00	0.0%
Short-Term Interest	12.15	12.65	0.50	4.1%
Provincial Revenues	17.94	20.44	2.50	13.9%
Transfers	7.16	7.16	0.00	0.0%
Total Utility Revenues	143.60	143.60	0.00	0.0%
<b>TOTAL REVENUES</b>	<b>812.77</b>	<b>815.68</b>	<b>2.91</b>	<b>0.4%</b>
<b><u>EXPENDITURES</u></b>				
Mayor and Council	1.88	1.88	0.00	0.0%
Office of the City Manager	2.41	2.41	0.00	0.0%
Equal Employment Opportunity	0.46	0.46	0.00	0.0%
Law Department	4.57	4.57	0.00	0.0%
Civic Theatres (Net Budget)	0.85	0.77	0.08	9.4%
Britannia Community Services	2.84	2.84	0.00	0.0%
City Clerk's	4.74	4.74	0.00	0.0%
Community Services Group	48.52	48.22	0.30	0.6%
Civic Grants	15.55	15.55	0.00	0.0%
Corporate Services	32.09	31.90	0.19	0.6%
Engineering Public Works	60.60	60.60	0.00	0.0%
Total Utility Expenditures*	179.32	179.32	0.00	0.0%
Human Resources	7.55	7.49	0.06	0.9%
Fire Department	77.43	76.91	0.52	0.7%
Library Board	35.07	35.07	0.00	0.0%
Park Board	55.72	55.72	0.00	0.0%
Police Board	165.38	164.95	0.43	0.3%
General Government	63.09	63.09	0.00	0.0%
Total Debt Charges	51.30	51.30	0.00	0.0%
<b>TOTAL EXPENDITURES</b>	<b>809.37</b>	<b>807.79</b>	<b>1.58</b>	<b>0.2%</b>
Excess of Revenues Over Expenditures	3.40		4.49	
Contingency Reserve	3.40		1.69	
<b>NET POSITION</b>	<b>0.00</b>		<b>6.18</b>	

\* Projected net shortfall of \$0.7 million in the Solid Waste Utility, to be offset by transfer from the Solid Waste Reserve. See revenue and expenditure sections for additional details.