



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: December 5, 2007
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VanRIMS No.: 05-4200-10
Meeting Date: December 11, 2007

TO: Standing Committee on City Services and Budgets
FROM: Director of Finance
SUBJECT: 2008 Target Property Tax Increase

RECOMMENDATION

THAT Council instruct the Director of Finance on a target property tax increase that includes new or expanded services / programs but excludes impact of outside agencies; and THAT the Director of Finance, in consultation with the Corporate Management Team, report back on options to achieve this target tax increase by identifying the impact on City services / programs.

CITY MANAGER'S COMMENTS

This report is intended to seek Council's direction on a target property tax increase to allow the Director of Finance, in consultation with the Corporate Management Team, to begin formulating budget proposals within Council's taxation target. Giving staff direction on a target property tax increase does not commit Council to that level of tax increase. Council will be asked after the budget consultation process to provide final direction on the property tax increase at which point an evening public meeting will be held.

As noted in this report, to maintain existing City services / programs, a property tax increase of 4.86% will be required. In addition, the Corporate Management Team has identified new or expanded service / program initiatives totaling \$6.3 million, bringing the potential property tax increase to 6.12%. Of the \$6.3 million initiatives, \$2.6 million (or 0.52% property tax increase) relate to non-public safety initiatives while \$3.7 million (or 0.74% property tax increase) relate to public safety initiatives.

It should be noted that the budget position presented in the report does not include any net savings from the 2007 work stoppage. On July 24, 2007, Council adopted a motion *“THAT staff report to Council on any labor dispute savings and that any tax savings incurred in this labor dispute be used to reduce property taxes for City taxpayers in 2008.”* Staff are currently conducting detailed analysis of the overall net savings and will report to Council in early 2008. It is then up to Council to decide how to apply the one-time savings.

Between now and January, staff will be conducting detailed administrative reviews of the budget and develop strategies to achieve Council’s taxation target which will include, but are not limited to, revenue increases, corporate efficiency, and service / program adjustments. On February 12, Council will be presented with the Interim Budget Estimates and options to meet the target tax increase, and the public consultation process will commence thereafter. Included in the public consultation package will be the new or expanded service / program initiatives as well as proposed budget adjustments and impact on City services / programs.

COUNCIL POLICY

The Vancouver Charter requires that the Director of Finance presents the estimates of revenues and expenditures to Council no later than April 30 each year and that Council adopt a resolution approving the budget and a rating bylaw establishing general purpose tax rates as soon thereafter as possible.

In approving the annual Operating Budget, Council has also adopted a practice of passing on to taxpayers the tax increases related to requisitions from outside agencies, including the Greater Vancouver Sewerage and Drainage District and E-Comm which Council has no control over, rather than providing offsetting reductions in City services / programs to meet Council’s target tax increase. As well, Council in the past has passed on tax increases related to major funding initiatives, in particular for significant increase in policing resources.

PURPOSE

The purpose of this report is to seek Council direction on a target property tax increase that maintains existing City services / programs, includes new or expanded services / programs, but excludes impact of outside agencies. Obtaining this direction would allow the Director of Finance, in consultation with the Corporate Management Team, to develop budget strategies within the context of Council’s target property tax increase.

BACKGROUND

There are five key reports in the 2008 Operating Budget building process:

- The “Operating Budget Schedule and Public Consultation Options” report provides Council with a proposed 2008 budget timeline and options for the 2008 budget consultation process.
- The “Target Property Tax Increase” report provides Council with the 2008 opening budget position as well as new or expanded services / programs proposed for 2008, and requests that Council provide direction on a target property tax increase.

- The “Public Consultation Results” report summarizes the results of the 2008 Budget Consultation process.
- The “Interim Estimates” report summarizes the budget strategies developed by the Corporate Management Team within the context of Council’s target property tax increase, and seeks Council approval to finalize the estimates, bringing the 2008 Operating Budget into balance.
- The “Final Estimates” report presents the final 2008 revenue and expenditure estimates approved by Council, and is accompanied by a resolution in which Council adopts the estimates for the year.

In addition to the above, departments and Boards also prepare reports that provide Council with new or expanded service / program initiatives for consideration as part of the 2008 Operating Budget process.

On October 18, 2007, Council approved the 2008 Operating Budget timeline and budget consultation options.

DISCUSSION

Council approved a number of new or expanded services / programs and one-time budget adjustments during the 2007 Operating Budget process and throughout 2007 that have financial implications to the 2008 Operating Budget. To maintain existing City services / programs, the 2008 opening budget position (excluding outside agencies) would be equivalent to 4.86% property tax increase. Incorporated herein are outlined as follow:

- Annualized impact of the new or expanded services / programs approved by Council in 2007;
- Increased capital and IT program operating costs, including Park Board’s “added basic” request;
- Re-instatement of the one-time budget adjustments utilized to balance the 2007 Operating Budget; and
- General inflationary increases.

During the months of November and December, departments and Boards have presented to Council new or expanded service / program initiatives amounting to \$6.3MM (or 1.26% property tax increase) as follow:

- Non-Public Safety Initiatives - \$2.6MM (or 0.52% property tax increase)
 - Vancouver Economic Development Commission: 2008 Business Plan and Budget (RTS#6974)
 - Planning Department Resource Proposals (RTS#6952)
 - Office of the Chief Building Official Resource Proposal - Green Building Engineer Position (RTS#7042)
 - Carnegie Centre - Cashier Positions and Outreach Program (RTS#6934)
 - Emergency Management Priorities (RTS#6993)
 - Enhanced Enforcement of Street Usage at Construction Sites Through Additional Staffing and Technological Improvements (RTS#7307)
 - Real Estate Services Re-organization (RTS#7044)
 - Facilities Design & Management Re-organization (RTS#7053)

- Human Resource Services Staffing Request (RTS#7080)
- Public Safety Initiatives - \$3.7MM (or 0.74% property tax increase)
 - Vancouver Police Department Operational Review - Phase II (RTS#7054)
 - Granville Entertainment District (LIMA) (RTS#6951)

Taking into account all new or expanded service / program initiatives, the 2008 potential budget position would be equivalent to 6.12% property tax increase.

Details of the 2008 Opening / Potential Budget Position are outlined in Table #1 below.

Table #1 - 2008 Opening / Potential Budget Position

	2008 Impact	
	\$000	tax %
<u>Full Year Impact of Council Approvals as part of the 2007 Operating Budget</u>		
Increase VPD's Authorized Strength by 17 Sworn Officers	669	0.13%
Other Funding Requests (incl. reversal of one-time program funding)	(264)	-0.05%
	405	0.08%
<u>Full Year Impact of Council Approvals outside of the 2007 Operating Budget Process</u>		
Information Technology Project Sustainment Costs	335	0.07%
Ongoing costs Related to Capital Projects	512	0.10%
Costs for New Office Space	182	0.04%
Incremental New Program Costs	745	0.15%
	1,774	0.35%
<u>Re-instatement of One-time Budget Adjustments & Other Adjustments</u>		
New and Non-Recurring Budget	1,200	0.24%
Contingency Reserve	900	0.18%
Strategic Initiative Fund	500	0.10%
Turnover	840	0.17%
Departmental Adjustments	433	0.09%
	3,873	0.77%
Parking Meter Rates Approved as Part of the 2007 Operating Budget	(844)	-0.17%
Park Board Added Basic for 2008 (to be reviewed by Dec 07)	725	0.15%
Departmental Budget Appeals (to be reviewed by Dec 07)	1,106	0.22%
Inflationary Increases	17,298	3.46%
Potential Opening Budget Position (excl. Outside Agencies)	24,337	4.86%
Non-Public Safety New Initiatives / Funding Requests (incl. VEDC)	2,588	0.52%
Potential Budget Position (before Public Safety Initiatives)	26,925	5.38%
Public Safety New Initiatives / Funding Requests ¹	3,706	0.74%
Potential Budget Position (incl. Public Safety Initiatives)	30,631	6.12%

¹ Includes VPD Operational Review \$3.3MM and Granville Entertainment District (LIMA) \$0.4M

It should be noted that the 2008 budget position presented above only reflects the funding required for City services / programs, and does not include any net savings from the 2007 work stoppage.

Further to the Council motion adopted on July 24, 2007 - *"BE IT RESOLVED THAT staff report to Council on any labor dispute savings and that any tax savings incurred in this labor dispute be used to reduce property taxes for City taxpayers in 2008."* - staff are currently conducting detailed analysis of the overall net savings from the 2007 work stoppage and will report to Council in early 2008. It is then up to Council to decide how to apply the savings.

2008 OPERATING BUDGET CYCLE - NEXT STEPS

Between December and January, the Corporate Management Team will be developing strategies to bring down the anticipated property tax increase from 6.12% to Council's taxation target. This will include, but are not limited to, revenue increases, corporate efficiency, and budget adjustments.

In addition, Finance staff will be conducting detailed administrative reviews of the revenue and expenditure estimates. These reviews encompass discussions with all departments and Boards to ensure that adequate funding is provided to maintain existing services / programs and staffing at approved levels; and that requests for additional funding beyond these targets can be justified on the basis of Council approvals, health and safety concerns, or short-term workload issues.

On February 12, Council will be presented with the 2008 Interim Budget Estimates and budget adjustment options to achieve Council taxation target. The public consultation process will commence thereafter. Included in the public consultation package will be all new or expanded service / program initiatives as well as proposed budget adjustments to meet Council's target tax increase and impact on City services and programs.

On April 1, staff will present the results of the budget consultation process to Council and Council will deliberate over the 2008 Interim Operating Budget and provide direction to staff on the types of budget adjustments and a property tax increase. An evening public meeting will take place on April 9 for Council to hear input on the budget proposals. On April 15, Council will consider the final estimates that reflect the decisions made based on the 2008 Interim Budget Estimates, taking into consideration the public input received on April 9. Council will then be asked to adopt a balanced budget resolution confirming the estimates for 2008.

The 2008 Operating Budget Schedule is outlined in Table #2.

Table#2 - 2008 Operating Budget Master Schedule

DATE	COUNCIL / COMMITTEE MEETINGS & REPORTS	LOCATION
Oct-16-2007	Report - 2008 Operating Budget Schedule & Budget Consultation Options (COMPLETED)	Council Chamber
Nov-26-2007	Staff Briefing (Council) - Staff Analysis of Property Tax Policy Review Commission Recommendations (COMPLETED)	Strathcona Room
Nov-27-2007	Report - Report Back on VPU's Acceptance of Recommended Shift Patterns re. Increase of 17 Police Officers to Implement Stage A1 Operational Efficiencies (COMPLETED)	Council Chamber
Nov-29-2007	Reports - 2008 Solid Waste Utility Fees and Bylaw Changes & Annual Review of 2008 Water & Sewer Rates (COMPLETED)	Council Chamber
Dec-10-2007	Staff Briefing (Council) - VPD Operational Review	Strathcona Room
Dec-11-2007 (<i>backup - Dec-13-2007</i>)	Reports - VEDC 2008 Business Plan & Budget, Non-Public Safety Initiatives, VPD Operational Review, Staff Analysis of Property Tax Policy Review Commission Recommendations	Council Chamber
Dec-13-2007	Report - 2008 Target Property Tax Increase	Council Chamber
Jan-17-2008	BCAA Presentation - 2008 Assessment Roll Report	Council Chamber
Feb-04-2008	Staff Briefing (Council/Board) - 2008 Operating Budget: Base Budget/ Initiatives /Adjustments	Strathcona Room
Feb-12-2008	Report - 2008 Operating Budget: Base Budget/ Initiatives/ Adjustments [Report Reference]	Council Chamber
Feb-13-2008	Staff Briefing (Council/Unions) - 2008 Operating Budget: Base Budget/ Initiatives/Adjustments	Strathcona Room
Mid-Feb to Mid-Mar 2008	Public Consultation - Tax Commission Recommendations & 2008 Operating Budget:	
Feb-16-2008	Joint Public Meeting #1	VanDusen Gardens Floral Hall
Feb-20-2008	Joint Evening Public Meeting #2	Committee Room #1
Feb-23-2008	Joint Public Meeting #3	Killarney High School
Mar-11-2008	Report - Final decision on Property Tax Policy Review Commission Recommendations	Council Chamber
Mar-13-2008	Reports - 2008 Property Taxation: Land Assessment Averaging and Distribution of the Property Tax Levy	Council Chamber
Apr-01-2008 (<i>backup - Apr-03-2008</i>)	Report - 2008 Operating Budget: Public Consultation Results [Report Reference] Council Deliberation - 2008 Operating Budget: Base Budget /Initiatives/Adjustments & Potential Tax Increase	Council Chamber
Apr-09-2008 (<i>backup - Apr-10-2008</i>)	Evening Public Meeting - Public to comment on Council's decisions on balancing the 2008 Operating Budget	Council Chamber
Apr-15-2008 (<i>backup - Apr-17-2008</i>)	Report - Final 2008 Operating Budget & Tax Increase brought to Council; Council may make further changes based on the evening public meeting	Council Chamber
Apr-29-2008	Report - Final Approval of 2008 Operating Budget & Tax Increase	Council Chamber
May-01-2008	Report - 2008 Property Taxation Bylaws and Averaging Resolution	Council Chamber

CONCLUSION

This report requests that Council provide direction on a target property tax increase for the 2008 Operating Budget that maintains existing City services / programs, provides for new or expanded services / programs, but excludes impact of outside agencies. Giving staff direction on a target property tax increase does not commit Council to that level of tax increase. Council will be asked after the budget consultation process to provide final direction on the property tax increase. Obtaining this direction at this point in the process would allow the Director of Finance, in consultation with the Corporate Management Team, to develop budget strategies within the context of Council's target property tax increase.

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