



RR-1

CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Date: February 6, 2008
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VanRIMS No.: 05-1000-30
Meeting Date: February 12, 2008

TO: Vancouver City Council

FROM: Director of Finance in Consultation with the Corporate Management Team

SUBJECT: 2008 Operating Budget: Interim Estimates

RECOMMENDATION

- A. THAT Council receive this report for INFORMATION and defer decision on Recommendations B through E to the April 1, 2008, Council meeting, to allow for public input.

RECOMMENDATION B: To Maintain Existing Services Including Outside Agency Costs

Approval of RECOMMENDATION B provides the funding to maintain existing service levels (Base Budget) including the cost of outside agencies. These Interim Estimates include all administrative review adjustments, Corporate and Departmental/Board efficiencies, and new revenues but exclude 2008 funding requests.

- B. THAT Council approve the 2008 Operating Budget - Interim Estimates as outlined in this report and detailed in Appendix 1 and instruct the Director of Finance to bring the budget into balance with a 2.71% general purposes tax increase before the application of the 2007 Work Stoppage savings, reflecting an increase of:
- 2.43% related to growth in City costs
 - 0.28% cost of outside agencies

AND THAT Council approve the revenue increases totaling approximately \$90,000 as outlined on page 15 of this report effective May 2008 and instruct the Director of Legal Services to amend the Impounding By-Law No. 3519 to reflect the increase in storage fee from \$5 to \$8 for the first day, or a portion thereof, that the vehicle remains impounded.

AND THAT Council approve the Park Board Global Budget of \$59,339,100 which includes approximately \$444,600 of added Basic and one-time adjustments in the Park Board estimates.

RECOMMENDATION C: To Fund All Non-Police Requests and Achieve 2.99% Property Tax Increase Prior to Outside Agency Impact

Approval of RECOMMENDATION C provides funding for all Non-Police Funding Requests bringing the property tax increase to 2.99% excluding the impact of outside agencies and the one-time 2007 Work Stoppage savings.

- C. THAT Council approve the RECOMMENDATIONS included in Appendix 4 for all non-police funding requests, increasing property taxes by 0.56%.

RECOMMENDATION D - E: Police Funding Requests

Approval of RECOMMENDATIONS D and E provides funding for all Police Funding Requests increasing property taxes by 0.75%.

- D. THAT Council approve the following recommendations, Vancouver Police Department Operational Review (RTS#7054), at an adjusted cost of \$3,348,000 as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0.66%:
- i) *THAT Council approve an increase to the Vancouver Police Department (VPD) authorized strength by 48 sworn officers to complete the deployment requested from the Patrol Deployment Study reported to Council in February 2007 and also implement the internal efficiencies identified (Stage 1); with deployment to be achieved in 2008 at an ongoing annual cost of approximately \$4.9 million (2010) including salaries, benefits and one-time and ongoing outfitting and equipment costs; with costs to be added to the budget beginning 2008 (\$1.3 million); 2009 (\$3.9 million) and 2010 (\$4.9 million); subject to annual budget review;*
 - ii) *THAT Council approve an additional increase to the Vancouver Police Department (VPD) authorized strength by 48 sworn officers and 22 civilian employees to implement the highest priority requirements arising from the Investigative and Administrative Deployment Study completed in 2008; with deployment to be achieved in stages over 2008 and 2009 at an ongoing annual cost of \$5.9 million including salaries, benefits and one-time and ongoing outfitting and equipment costs; with costs to be added to the budget beginning 2008 (\$2.1 million); 2009 (\$4.2 million) and 2010 (\$5.9 million); subject to annual budget review;*
 - iii) *THAT all vehicles identified after applying the Key Vehicle Ratios to the increased staffing complement approved as part of Recommendations A and B be purchased through the Plant and Equipment Reserve (Plant Account) based on the VPD Master Schedule and after a thorough analysis done by EQS and VPD Fleet*

Services to determine the exact number of vehicles necessary. Final approval of the purchases will be subject to final approval of the City Manager;

- iv) THAT the Chief Constable, in consultation with the Police Board and the City Manager, report to Council on a full review of the deployment strategy after one year of implementation of the recommendations;*
 - v) THAT Council approve a one-year extension of the service agreement between the City, Police Board and the Community Policing Centres at a cost of \$979,900 AND THAT the Police Board and the Community Police Centres be instructed to report back before the funding is renewed for 2009 on a service agreement revision which includes:
 - Identification of common goals and objectives between the department and the CPCs;*
 - A regular process for ensuring that the policies and direction of the CPCs and the VPD are coordinated;*
 - Establishment of appropriate performance indicators to ensure the effectiveness of the city's investment in the CPCs; and*
 - A recommended funding level for the following five years and a recommended resource allocation from the department.**
- E. THAT Council approve the following recommendations [Granville Entertainment District, RTS#6951] at an adjusted cost of \$460,000 as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0.09%:*
- i) THAT Council approve an increase in funding to the Vancouver Police Department for year round deployment of policing resources ("LIMA Squad") in the Granville Street Entertainment District with an on-going cost of \$225,000 starting in 2008. Source of funding to be an increase to the annual Operating Budget without offset;*
 - ii) THAT Council approve a one-time increase in funding to the Vancouver Police Department for an enhanced summer LIMA squad and street closure in the Granville Street Entertainment District with a one time cost of \$235,000 in 2008. Source of funding to be an increase to the annual Operating Budget without offset;*
 - iii) THAT Council direct the Vancouver Police Department report back in the fall of 2008 of the effectiveness of the deployment described above;*
 - iv) THAT Council direct the Chief License Inspector to review the Food Primary and Liquor Primary business license fees for 2009, including industry consultation, and report back to Council on options to increase these fees to offset the Vancouver Police Department costs for enforcement as outlined in this report.*

All positions in Recommendations C to E are subject to classification by the General Manager of Human Resource Services

COMMENTS OF THE CITY MANAGER AND DIRECTOR OF FINANCE

On December 13, 2007, staff presented to Council the first estimates on the 2008 Operating Budget which indicated a funding shortfall of \$24.3 million, equivalent to a property tax increase of 4.86%, excluding the impact of outside agencies. This same report also identified \$6.3 million of new funding requests, including \$3.7 million for the Vancouver Police Department, which brought the potential property tax increase to 6.1%.

The major funding requests (approximately 90% of total funding requests) were submitted to Council in detail in November and December 2007. The requests that have not been reported to Council are detailed within this report including requests with available funding (mainly for conversion of temporary positions) that do not have any property tax implications.

Council instructed the Director of Finance, in consultation with the Corporate Management Team, to report back on options to achieve a target property tax increase of 2.99% that:

Included:

- inflationary increases to maintain current service levels; and
- all non-police new or expanded programs.

But excluded:

- new police funding requests;
- costs from outside agencies;
- one-time net savings from the 2007 work stoppage; and
- a possible tax redistribution from non-residential to residential properties.

To achieve the target property tax increase, the Corporate Management Team focused its effort on reducing overall budget estimates (\$6.3 million), identifying corporate and departmental/Board efficiencies (\$5.6 million), and identifying new revenue sources (\$0.1 million). This resulted in \$12.0 million savings.

These efficiencies identified by the Corporate Management Team will have no impact on regular full time and regular part time staffing or positions and their associated service levels, and may, at most, marginally impact available auxiliary/seasonal casual hours and service levels. User fee increases have been kept to a minimum as most user fee increases were incorporated in the budget as a result of Council direction in previous years.

The Interim Estimates in this report enable Council to achieve its property tax increase target of 2.99%, to cover inflationary increases to maintain existing City services and fund all non-police new or expanded programs prior to considering the impact of outside agencies. Including external agency costs of 0.28%, the property tax increase will be 3.27%.

Financial Governance Decisions

There are three Council decisions that have further implications for 2008 property taxes: the Vancouver Police Department funding request, the one-time savings from the 2007 Work Stoppage, and the recommendations of the Property Tax Policy Review Commission.

Vancouver Police Department Request: With the culmination of two years of effort on the joint City/VPD Operational Review, the Steering Committee has recommended that Council add 96 sworn officers and 22 civilian staff to the Vancouver Police Department. This request would add a further \$3.8 million to the budget and would increase property taxes by 0.75% to 4.02%. This request would continue to increase property taxes in 2009 (0.85%) and in 2010 (0.50%) as officers are recruited and deployed for a total property tax increase of 2.10% over three years, with an annual cost of \$10.8 million commencing 2010.

2007 Work Stoppage Savings: On July 24, 2007, Council had directed that "...any tax savings incurred in this labor dispute be used to reduce property taxes for City taxpayers in 2008". The savings has been determined to be \$11.8 million, as identified in the accompanying report "2007 Work Stoppage Financial Analysis", representing approximately a one-time property tax savings of 2.32%. The final 2008 estimates to be reported to Council on April 15, 2008 will reduce the property tax levy by this amount on a one-time basis.

Property Tax Distribution: Should Council approve the Property Tax Policy Review Commission recommendations on a long-term property tax policy including the redistribution of property taxes between residential and non-residential properties of 1% per year, there will be different property tax impacts on these property classes in 2008. A 1% redistribution of the tax levy (or about \$5 million) from non-residential to residential properties in 2008 would result in a 2.0% increase to residential property taxes and a 1.9% reduction to non-residential property taxes.

The impact of the different decisions Council will need to make are outlined below:

Decision Date	Description	Property Tax Impact	Overall Property Tax Increase	Property Tax Distribution	
				Residential Properties	Non-Residential Properties
04/15/08	Opening Budget Position	2.99%	2.99%	2.99%	2.99%
	<i>Maintain Existing Services</i>	2.43%			
	<i>Non-Police Funding Requests</i>	0.56%			
04/15/08	Outside Agency Impact	0.28%	3.27%	3.27%	3.27%
	<i>Property Tax Impact of Property Valued at \$700,000¹</i>			+\$56	+\$310
04/15/08	Vancouver Police Request	0.75%	4.02%	4.02%	4.02%
	<i>Property Tax Impact of Property Valued at \$700,000¹</i>			+\$69	+\$381
07/24/07	2007 Work Stoppage Savings	(2.32%)	1.70%	1.70%	1.70%
	<i>Property Tax Impact of Property Valued at \$700,000¹</i>			+\$28	+\$156
03/13/08	Property Tax Redistribution of \$5 million from Non-Residential to Residential Properties²			3.70%	(0.20%)
	<i>Property Tax Impact of Property Valued at \$700,000¹</i>			+\$64	(\$21)

¹Calculated using 2008 base levy of \$507 million

²2.0% increase for residential property taxes and 1.9% decrease for non-residential property taxes

As directed by Council, upon receipt of this report, staff will undertake a public consultation process to seek public input on the 2008 Operating Budget and the Property Tax Policy Review Commission's recommendations. Council will receive the results of the consultations in two stages: first, on March 13, 2008, in time for Council's final decisions on the recommendations from the Property Tax Policy Review Commission including any property tax redistribution in 2008; and second, in time for the final deliberations on the 2008 Operating Budget on April 1, 2008. The final estimates will be presented on April 15, 2008, and will include one-time savings from the 2007 Work Stoppage.

Finally, the decisions in 2008 will have implications on property taxes in 2009. Estimates indicate that property taxes will increase between 4.1% and 5.6% due to anticipated inflationary/wage increases and the police funding requests.

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 over which Council has no control, 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 police staffing.

Council approvals are required for changes in service levels, either expansions or reductions; creation and deletion of regular full time and regular part time positions; and allocation of funding from general revenues or taxation.

Appendix 2 details Council policies pertaining to City revenues.

PURPOSE

The purpose of this report is to present to Council for INFORMATION the budget proposals to achieve Council's target property tax increase of 2.99% that:

Included:

- inflationary increases to maintain current service levels; and
- all non-police new or expanded programs.

But excluded:

- new police funding requests;
- costs from outside agencies;
- one-time net savings from the 2007 work stoppage; and
- a possible tax redistribution from non-residential to residential properties.

The proposals are being presented to the public as part of the budget consultation process and the results will be presented to Council on April 1 when Council will deliberate on the 2008 Operating Budget.

BACKGROUND

The 2008 Operating Budget process involves a series of Council reports that update, and seek Council direction as well as, a public consultation process. The key Council reports related to the 2008 Operating Budget and 2008 Property Taxes are:

- **October 18, 2007:** 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.
- **November 13, 2007:** Report on Enforcement Initiatives for Granville Entertainment District deferred for consideration as part of the 2008 Operating Budget process.
- **December 13, 2007:** 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.
- **December 11 and 13, 2007:** Departments and Boards presented reports that provide Council with major new or expanded service/program initiatives for consideration as part of the 2008 Operating Budget process.
- **February 12, 2008:** 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.
- **February 12, 2008:** The "2007 Work Stoppage Financial Analysis" report that summarizes the savings associated with the 2007 work stoppage and corresponding property tax impact.
- **March 13, 2008:** Council Reports related to property taxation including: Land Assessment Averaging; Final Decision on Property Tax Policy Review Commission Recommendations; Distribution of the Property Tax Levy; and Report Back on Property Tax Policy Public Consultations.
- **April 1, 2008:** The "Public Consultation Results" report summarizes the results of the 2008 Budget Consultation process.
- **April 15, 2008:** 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.
- **May 1, 2008:** Council Report with 2008 Property Taxation Bylaws and Averaging Resolution.

As well, Council approved on July 24, 2007 that *"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."*

DISCUSSION

1. Budget Position as at December 13, 2007

On December 13, 2007, the Director of Finance presented the potential 2008 budget position to Council for information. This budget position was based on approved levels of service and key inflationary guidelines prior to a detailed administrative review. The budget position presented a potential property tax increase of 4.86% to maintain current service levels, excluding any impacts from outside agencies.

In addition to the above, the Corporate Management Team identified a series of funding requests totalling \$6.3 million comprised of non-police funding requests of \$2.6 million and police funding requests of \$3.7 million. The major funding requests were reported to Council in November and December 2007. A number of recommendations received immediate approval, mainly those with no funding implications, while the majority were deferred to the 2008 Operating Budget process.

Based on the above, Council passed the following motion:

THAT Council set a target for a 2008 property tax increase of 2.99% to cover inflationary increases to current levels of service and added costs of all new initiatives, but that this target increase not include:

- *Vancouver Police Department's new initiatives;*
- *pass-through billing from outside agencies;*
- *net savings from the strike; and*
- *a possible tax redistribution from non-residential to residential property owners.*

THAT the final decision on the tax rate be made after input from public consultations.

THAT the Director of Finance, in consultation with the Corporate Management Team, report back on options to achieve this target tax increase, identifying the impact on city services and programs.

2. Interim Budget Position as at February 12, 2008 (Base Services)

The current budget position, excluding funding requests, has improved by \$12.0 million since estimates were presented to Council in December 2007. The current budget position reflects the results of the detailed administrative reviews of the estimates and efficiencies identified by the Corporate Management Team, and new revenues.

Table 1 - Summary of Interim Budget Estimates

Revenues	\$000	\$000
Taxation Revenue	543,299	
General Revenue	177,558	
Utility Fees	144,245	
Transfers	8,660	873,762
Expenditures		
Departmental Expenditures	624,827	
Utility Expenditures	180,553	
Capital Program	74,629	
Transfers	7,495	887,504
Net Budget Position		13,742
Potential Property Tax Increase		2.71%

The budget shortfall reflected above is \$13.7 million equivalent to 2.71% tax increase reflecting 2.43% City costs and 0.28% outside agency costs. Additional detail of these estimates is provided in Appendix 1, along with comparative information from the 2007 Operating Budget.

Given Council's direction to exclude the 2007 Work Stoppage Savings from the target property tax increase, the savings from 2007 Work Stoppage (\$11.8 million or 2.32% property tax reduction) are not included in the estimates above. These savings will be included in the 2008 Operating Budget so as to reflect Council's decision that "...any tax savings incurred in this labor dispute be used to reduce property taxes for City taxpayers in 2008".

Therefore the Property Tax Levy will be reduced by \$11.8 million in the Final Estimates on April 15, 2008, reducing property taxes by 2.32%. As well, the Final Estimates will be adjusted for any funding requests approved by Council.

3. The Park Board Global Budget

The interim estimate for the Park Board Global Budget is \$59,339,100 and includes added basic funding of \$444,600. The global budget has been determined by the City and Board staff according to the principles approved by 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 inflationary adjustments to expenditures. The base budget has been adjusted by the same percentages provided to all departments.

Added Basic is the ongoing operating cost of completed 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 2008 Added Basic includes \$382,100 for maintenance and support of new buildings and parks infrastructure, and one-time funding of \$62,500 for operations impacted by construction

4. 2008 Interim Estimates - Budget Drivers

The details on the changes to the Revenue and Expenditure Estimates in Appendix 1 are described in Appendix 2. In summary, the key changes to the estimates are highlighted in Table 2 below.

Table 2 - Major Drivers for the 2008 Operating Budget

Driver	Impact (\$M)	Tax Increase	Cumulative Tax Increase
Inflationary Increases - revenues & expenditures	13.3	2.63%	2.63%
New Construction Revenue	(7.5)	(1.48%)	1.15%
Short-Term Interest Revenue	(4.5)	(0.89%)	0.26%
New Programs Approved in 2007 plus Added Basic	2.1	0.41%	0.67%
Capital Program	5.3	1.05%	1.72%
One-Time Budget Adjustments	3.6	0.71%	2.43%
Impact of Outside Agencies	1.4	0.28%	2.71%
Interim Budget Position	13.7	2.71%	2.71%

5. Funding Requests for 2008

As much as possible, the Corporate Management Team attempts to anticipate the need for additional funding as part of the annual Operating Budget process so as to limit requests to be funded from the Contingency Reserve, after the Operating Budget is set for the year.

For 2008, the Corporate Management Team has identified new or expanded services/programs totalling \$6.3 million (\$2.6 million non-police funding requests and \$3.7 million police funding requests). The major funding requests were reported to Council in November and December 2007. Some recommendations received immediate approval while the majority were deferred to the 2008 Operating Budget process. As well, since reporting to Council, two funding requests, Council Motion to improve Street Cleaning in Downtown Eastside (\$0.2 million) and Northeast False Creek Update & BC Place Stadium Work Request (\$0.1 million), were deferred by Council to the 2008 Operating Budget.

Appendix 3 provides details on the funding request that have not been presented to Council and Appendix 4 provides a summary of all the non-police funding requests and their associated recommendations for approval. All funding requests have been updated to reflect collective bargaining changes.

Total funding requests without funding sources now total \$6.6 million and a further \$1.3 million of requests that have funding have been identified.

Table 3 - Summary of Funding Requests

Type of Funding Request	RFT / RPT	\$Impact ('000)	Tax Impact
Non- Police Funding Requests			
a) Council Requested Report Back	-	278	0.05%
b) New or Expanded Programs	22.3	1,707	0.34%
c) Outside Agency Requests ¹	-	518	0.10%
Total Non-Police Funding Requests as of December 13, 2007	22.3	2,503	0.49%
d) Funding Requests Identified After December 13, 2007	-	345	0.07%
Total Non-Police Funding Request Without Funding Source	22.3	2,848	0.56%
e) Funding Approved on December 13, 2007 (incl. in Estimates)	6.5	539	n/a
f) Funding Requests With Funding Source	10.0	747	n/a
Total Non-Police Requests With Funding Source	16.5	1,286	n/a
Total Non-Police Funding Requests	38.8	4,134	0.56%
Vancouver Police Funding Requests²	118	3,807	0.75%
TOTAL FUNDING REQUESTS	156.8	7,941	1.31%

¹ Vancouver Economic Development Commission: 2008 Business Plan & Budget

The Vancouver Police funding request, the most significant request, relates to the joint City/VPD Operational Review recommendations for Patrol Deployment and Investigative and Administrative Deployment, as well as the enforcement for the Granville Entertainment District. The implementation and associated funding requirements have been phased in over three years as shown in Table 4.

Table 4: Financial Implications of Vancouver Police Department Funding Request

	Total Estimated Cost (\$ million)		
	2008	2009	2010
Patrol Deployment			
48 Sworn Officers	1.27	3.94	4.85
Investigative and Administrative Deployment			
48 Sworn Officers	0.82	2.89	4.55
22 Civilians	1.26	1.35	1.35
Total Investigative and Administrative	2.08	4.24	5.90
Total Operational Review	3.35	8.18	10.75
Granville Entertainment District Report*	0.46	n/a	n/a
Total VPD Funding Request	3.81	8.18	10.75
Net Incremental Impact	3.81	4.37	2.57
Property tax Impact	0.75%	0.85%	0.50%

*After 2008, based on consultations and a report back to Council, it is expected that these policing costs will be funded by increased license fees.

5. Achieving Council's Target Property Tax Increase

In December 2007, Council provided staff a target property tax increase of 2.99% to cover the cost to maintain service levels and all non-police funding requests but excluding outside agency costs and the 2007 Work Stoppage savings. To achieve the target property tax increase of 2.99%, the Corporate Management Team focused its effort on refining overall budget estimates, identifying corporate and departmental efficiencies, and identifying new revenue sources.

Update Budget Position as at December 13, 2007 **\$27.2 million**

Includes: Cost of City Services, Non-Police Funding Requests

Excludes: Outside Agency Impact and Police Funding Request

The budget estimates presented to Council on December 13, 2007, identified a net gap of \$26.9 million to fund City Services and Non-Police funding requests. At the same time, two new additional funding requests were identified after December 13, 2007, increasing the potential budget shortfall of \$27.2 million. Council's target tax increase of 2.99% requires adjustments to the estimates totalling \$12.0 million.

Budget Position as of December 13, 2008:

Cost of City Services	\$24.3 million
Non-Police Funding Requests	\$ 2.6 million
Potential Budget Position (prior to VPD initiatives)	\$26.9 million

Net Change in Funding Requests ²	\$ 0.3 million
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Adjusted Budget Position	\$27.2 million	5.36%¹
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Target Tax Increase	\$15.2 million	2.99% ¹
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Budget Challenge	\$12.0 million	2.37%¹
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¹ Property tax calculation based on December 2007 estimated property tax levy (\$507 million)

²Two funding requests referred to the Budget Process (\$0.3 million) and adjustments to estimates to reflect collective agreement changes

To meet the challenge established by Council, savings have been identified as a result of the detailed administrative review of the operating budget, the identification of efficiencies by the Corporate Management Team, and the identification of new revenues.

• Administrative Review - Refined Estimates	\$6.3 million	(1.24% Tax Reduction)
• Corporate and Departmental Efficiencies	\$5.6 million	(1.11% Tax Reduction)
• New Revenues	\$0.10 million	(0.02% Tax Reduction)
Total	\$12.0 million	(2.37% Tax Reduction)

Step 1: Refined Estimates \$6.3 million (1.24% Tax Reduction)

Between December 2007 and January 2008, staff completed a detailed administrative review of the 2008 Operating Budget estimates. This review included not only an examination of revenue and expenditure estimates but also an assessment of the merits of departmental appeals. As a result of the administrative review, adjustments totalling \$6.3 million were made reducing property taxes by 1.24%.

Some of the key positive changes to the estimates include an increase in new construction property tax revenues based on more recent information from BC Assessment, higher investment income based on updated assumptions on cash balances and market rates, and increased gaming revenue related to the introduction of slot machines at Hastings Race Track that compensate for the closure of Great Canadian Casino at the Holiday Inn. These revenue increases have been slightly offset by increased salary costs related to negotiated settlements.

Step 2: Efficiencies

\$5.6 million (1.11% Tax Reduction)

The Corporate Management Team's priority for meeting Council's target property tax increase of 2.99% was to identify efficiencies that did not impact services and staffing. Between December 2007 and January 2008 the CMT identified \$5.6 million of Corporate and Departmental/Board efficiencies. These efficiencies will have no impact on regular full time and regular part time staffing or positions and their associated service levels, and may, at most, marginally impact available auxiliary/seasonal casual hours and service levels.

The key Corporate opportunities in 2008 are due to the reduced need for New and Non-recurring funding, re-instating Contingency Reserve to 2007 levels, anticipated increase in turnover, and reduced demand for project funding from the Strategic Initiative Fund.

\$2.2 million of efficiencies were identified as a result of initiatives within Departments and Boards. Examples of some creative initiatives that have provided saving opportunities include utilizing in-house street maintenance equipment, route restructuring, reducing under utilized budgets, reducing the need for backfill through improved scheduling, improved maintenance operations by changing schedules and equipment, and identifying additional areas for cost recoveries. Once again, these efficiencies have no impact on services or regular full time and regular part time positions and will not result in any layoffs. Finding and implementing these types of efficiencies is a standard responsibility of managers at every level of the organization, especially during budget development.

Step 3: Revenue Increases

\$0.1 million (0.02% Tax Reduction)

Opportunities for increased revenues were limited given that most increases have been pursued and implemented by Council in previous budgets. However, two areas of opportunity were identified:

Impound Storage Fee - The City operates two motor vehicle Impoundment Yards, one for By-law Infraction Impounds and another for Abandoned Vehicles. While some of the operating costs are covered by the Towing Contractor, many of the costs are charged to Parking Enforcement's operating budget and recovered by charging the customers a storage fee. The current charge is \$5.00 for the first day and \$8.00 per day for the second and subsequent days. It is recommended that the first day fee be increased from \$5.00 to \$8.00. The impact for 2008 is estimated at \$80,000 and \$120,000 in subsequent budget years. Should Council approve Recommendation B, these rates will be increased.

Civic Theatres Concession Pricing - Civic Theatres will be increasing Concessions pricing effective September 1, 2008, increasing revenues by \$9,600.

6. Property Tax Implications for 2008

The final impact on property taxes to residential and non-residential properties will change given two factors: the impact of the 2007 Work Stoppage and the potential redistribution of the property tax levy between residential and non-residential properties.

2007 Work Stoppage

On July 24, 2007, Council had requested that "...any tax savings incurred in this labor dispute be used to reduce property taxes for City taxpayers in 2008". The savings has been determined to be \$11.8 million (please refer to the accompanying report *2007 Work Stoppage Financial Analysis* RTS#7015) represents approximately a 2.32% one-time property tax savings.

The one-time savings will be reflected in the 2008 Final Estimates to be reported on April 15, 2008.

Property Tax Distribution

In September 2006, City Council created the Property Tax Policy Review Commission and gave them the task of engaging Vancouver's business and residential communities, as well as other key stakeholders, in order to:

- recommend to City Council a long-term policy that will define and achieve a "fair tax" for commercial property taxpayers, addressing the perceived inequity in the share of the City of Vancouver's property tax levy that is paid by the non-residential property classes, as compared to the share paid by the residential property class; and
- recommend a strategy to enhance the stability and predictability of property taxes for individual properties in the face of sudden, large, year-over-year increases in market value.

The Commission, made up of three property tax experts, has made five recommendations to City Council that could affect property taxes. Three recommendations are related to redistributing property taxes between residential and non-residential properties, and two are related to managing the year-over-year volatility in property taxes paid by individual properties.

One of the issues that impacts property taxes in 2008 is the recommendation that the "City should reduce the tax share borne by business by one percentage point per year in each of the next years until the 48% share is achieved."

Assuming a tax redistribution of 1% or about \$5 million from non-residential to residential properties in 2008, residential property taxes would increase by 2.0%, while non-residential property taxes would decrease by 1.9%.

The City is undertaking a joint public consultation process for both the 2008 Operating Budget and the Property Tax Policy Review Commission's recommendations to gauge the public's views on both budgetary and property tax issues.

Table 5 provides the potential property tax increase for the three major issues faced by Council: the Vancouver Police funding request, the 2007 Work Stoppage Savings, and the potential property tax redistribution between residential and non-residential properties.

Table 5 - Total Potential Impact on 2008 Property Taxes

Decision Date	Description	Property Tax Impact	Overall Property Tax Increase	Property Tax Distribution	
				Residential Properties	Non-Residential Properties
04/15/08	Opening Budget Position	2.99%	2.99%	2.99%	2.99%
	<i>Maintain Existing Services</i>	2.43%			
	<i>Non-Police Funding Requests</i>	0.56%			
04/15/08	Outside Agency Impact	0.28%	3.27%	3.27%	3.27%
	<i>Property Tax Impact of Property Valued at \$700,000¹</i>			+\$56	+\$310
04/15/08	Vancouver Police Request	0.75%	4.02%	4.02%	4.02%
	<i>Property Tax Impact of Property Valued at \$700,000¹</i>			+\$69	+\$381
07/24/07	2007 Work Stoppage Savings	(2.32%)	1.70%	1.70%	1.70%
	<i>Property Tax Impact of Property Valued at \$700,000¹</i>			+\$28	+\$156
03/13/08	Property Tax Redistribution of \$5 million Between Residential and Non-residential Property ²			3.70%	(0.20%)
	<i>Property Tax Impact of Property Valued at \$700,000¹</i>			+\$64	(\$21)

¹Calculated on using base levy of \$507 million

²2.0% increase for residential property taxes and 1.9% decrease for non-residential property taxes

7. Estimated Tax Impact in 2009

In considering the 2008 Operating Budget adjustment proposals and funding requests, Council should be aware that decisions in 2008 will impact the 2009 Operating Budget. To calculate the 2009 potential property tax increase, the following will be considered.

Table 6 - 2009 Property Tax Increase Estimate

	2008 Funding (\$000)	2009 Budget (\$000)	2009 Budget Increase (\$000)	2009 Tax Impact ¹
Non-Police Funding Request	2,848	2,943	95	0.02%
Police Funding Request	3,808	8,183	4,375	0.85%
One-time Efficiencies		3,440	3,440	0.65%
One-time Administrative Budget Adjustments		376	376	0.07%
Opening of # 1 Kingsway (subject to report back)	68	202	134	0.03%
Cost to Maintain Base Services			\$13,200 to 20,120	2.50% to 4.00%
Total			\$21,620 to \$29,540	4.10% to 5.60%

¹2008 Base Taxes at \$528 million assuming Council approves 4.02% property tax increase

The potential property tax increase to maintain Council approved service levels will range from 4.1% to 5.6% due to anticipated inflationary/wage increases and the 2008 funding requests.

The Final Estimates on April 15, 2008, will include the one-time savings from the 2007 Work Stoppage. In 2009, property taxpayers will see an artificially high year over year percentage increase on their tax bill given that their 2008 Property tax bills will reflect the applicable 2007 Work Stoppage savings, which is only a one time saving. To avoid any taxpayer confusion, Staff will ensure that adequate information will be provided both in 2008 and in 2009.

8. Completing the Budget Cycle

The next steps to the 2008 Operating Budget and the property tax setting process are outlined in Appendix 5. Public consultations will be held between now and April 1, 2008, when Council is expected to provide staff with directions on how to balance the 2008 Operating Budget. The key dates in the budget process are:

- February 16, 2008 - Weekend Public Meeting at VanDusen Gardens
- February 20, 2008 - Evening Public Meeting at City Hall
- February 23, 2008 - Weekend Public Meeting at Killarney Secondary School
- March 13, 2008 - Council Reports related to property taxation
- April 1, 2008 - 2008 Budget Consultation results and Council deliberation over the 2008 Operating Budget
- April 9, 2008 - Evening Public Meeting at City Hall to receive input on Council's deliberations
- April 15, 2008 - 2008 Final Estimates
- May 1, 2008 - Council Report with 2008 Property Taxation Bylaws and Averaging Resolution

CONCLUSION

The Corporate Management Team have met Council's target property tax increase of 2.99% to maintain existing City service levels and to fund non-police funding requests. This target has been met through an administrative review of the operating budget and identification of efficiency opportunities. Looking beyond the target property tax increase, there are three further factors that have implications for 2008 property taxes: the Vancouver Police Department request, the one-time savings from the 2007 Work Stoppage, and potential redistribution of property taxes.

The next stage in completing the 2008 Operating Budget involves hearing input from the public on these budget proposals. Report back will be received on March 13, 2008, on the public input to the Property Tax Policy Review Commission's recommendations and April 1, 2008, on the budget proposals.

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Appendix 1 - City of Vancouver 2008 Operating Budget Projections

	2007 budget	2008 Interim	\$ change	% change
	(\$000s)	(\$000s)		

SECTION 1: Summary of Revenues

Taxation Revenues

Base Levy	493,216	499,865	6,649	1.3%
New Construction	6,549	7,500	951	14.5%
Total Taxation Revenues	499,765	507,365	7,600	1.5%
Tax Adjustments	(4,000)	(4,000)	0	0.0%
Local Improvement Taxes	3,389	3,389	0	0.0%
Receipts in Lieu of Taxes	33,232	32,045	(1,187)	(3.6%)
Penalties and Interest	3,500	4,500	1,000	28.6%
Total Revenue from Taxation	535,886	543,299	7,413	1.4%

Other Revenues

Provincial Revenue Sharing Programs	17,938	20,500	2,563	14.3%
Investment Income	11,700	16,185	4,485	38.3%
License Fees	14,824	15,622	798	5.4%
Property Rental Income	1,459	1,509	50	3.4%
Service and Inspection Fees	31,340	33,160	1,820	5.8%
Municipal By-Law Fines	11,360	12,420	1,060	9.3%
On Street Parking Revenue	25,742	27,805	2,063	8.0%
Civic Theatres Revenue	5,786	5,977	191	3.3%
Park Board Revenues	36,258	38,508	2,250	6.2%
Miscellaneous Revenues	4,867	5,873	1,006	20.7%
Total Other Revenues	161,272	177,558	16,287	10.1%

	2007 budget	2008 Interim	\$ change	% change
	(\$000s)	(\$000s)		
Utility Fees				
Waterworks	74,060	75,901	1,842	2.5%
Solid Waste	34,033	31,708	(2,325)	(6.8%)
Sewers	35,507	36,636	1,129	3.2%
Total Utility Fees	143,600	144,245	645	0.4%
Total Revenues before Transfers	840,758	865,103	24,345	2.9%
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	1,500	1,500	0.0%
Total Transfer from Other Funds	7,160	8,660	1,500	20.9%
Total Revenues after Tax Increase	847,918	873,763	25,845	3.0%

	2007 budget (\$000s)	2008 Interim (\$000s)	\$ change	% change
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SECTION 2: Summary of Expenditures

General Government

Mayor and Councillors	1,902	1,976	75	3.9%
City Manager / EEO	2,946	3,067	121	4.1%
City Clerk	3,502	5,137	1,636	46.7%
Legal Services	4,613	4,899	287	6.2%
Corporate Services	32,570	34,242	1,672	5.1%
Human Resources	7,696	7,954	257	3.3%
Other General Government	7,469	11,505	4,036	54.0%
Community Services Administration	7,675	8,052	377	4.9%
City-Wide and Community Planning	6,888	7,454	566	8.2%
Total General Government	75,261	84,286	9,025	12.0%

Protection to Persons and Property

Police Services	168,196	176,158	7,961	4.7%
Fire and Rescue Services	77,431	78,955	1,524	2.0%
E-COMM Services	18,584	18,150	(434)	(2.3%)
Permits and Licences	21,632	22,527	894	4.1%
Animal Control	1,787	1,853	65	3.7%
Vancouver Emergency Program	701	1,274	573	81.7%
Total Protection to Persons and Property	288,332	298,916	10,584	3.7%

Public Works

Administration and General	11,224	12,382	1,158	10.3%
On Street Parking Program	9,414	10,511	1,097	11.7%
Traffic Planning and Control	10,159	10,982	823	8.1%
Street Lighting and Communications	5,102	5,206	105	2.0%
Street Cleaning	8,527	8,754	228	2.7%
Streets, Bridges and Walkways	16,707	16,996	289	1.7%
Total Public Works	61,133	64,831	3,698	6.0%

	2007 budget	2008 Interim	\$ change	% change
	(\$000s)	(\$000s)		
Utilities - Waterworks				
Operating Costs	8,913	9,196	283	3.2%
Water Purchase	44,354	49,444	5,090	11.5%
City Debt Charges	21,692	21,313	(379)	(1.7%)
Transfer to/(from) Reserve	(899)	(4,052)	(3,153)	350.9%
Total Utilities - Waterworks	74,060	75,901	1,842	2.5%
Utilities - Solid Waste				
Operating Costs	29,617	30,496	879	3.0%
Transfer to/(from) Reserve	4,416	1,212	(3,204)	(72.6%)
Total Utilities - Solid Waste	34,033	31,708	(2,325)	(6.8%)
Utilities - Sewer				
City Operating Costs	7,323	7,970	647	8.8%
City Debt Charges	24,826	22,302	(2,524)	(10.2%)
Regional Sewerage Levy	39,054	42,672	3,618	9.3%
Transfer to/(from) Reserve	0	0	0	
Total Utilities - Sewer	71,203	72,944	1,741	2.4%
Recreation and Community Services				
Parks and Recreation	93,581	97,847	4,265	4.6%
Britannia Service Centre	2,905	2,960	55	1.9%
Social Planning	1,845	1,856	11	0.6%
Housing Programs	1,758	1,832	74	4.2%
Office of Cultural Affairs	1,426	1,497	71	5.0%
Carnegie Centre	3,113	2,955	(157)	(5.1%)
Downtown South Gathering Place	2,143	2,222	79	3.7%
Vancouver Public Library	35,824	37,611	1,787	5.0%
Civic Theatres	6,672	7,045	373	5.6%
Archives	1,288	1,344	55	4.3%
Cemetery	811	820	9	1.1%
Total Recreation and Community Services	151,367	157,989	6,622	4.4%

	2007 budget	2008 Interim	\$ change	% change
	(\$000s)	(\$000s)		
Civic Grant Program	15,505	15,705	201	1.3%
Contingency Reserve	3,400	3,100	(300)	(8.8%)
Total before Capital Program and Transfers	774,293	805,380	31,087	4.0%
Capital Program				
General Debt Charges	46,241	49,540	3,300	7.1%
Capital From Revenue	18,500	19,700	1,200	6.5%
Local Improvements	3,389	3,389	0	0.0%
Debt Repayment Reserve	0	2,000	2,000	-
Total Capital Program	68,130	74,629	6,500	9.5%
Transfers to Reserves/Funds				
Other Transfers	5,496	7,495	2,000	36.4%
Total Transfers to Reserves/Funds	5,496	7,495	2,000	36.4%
Total Expenditures	847,918	887,505	39,586	4.7%
Tax Increase Used to Balance Budget		2.71%		

Appendix 2 - Interim Budget Estimates

Council Policies Pertaining to City Revenues:

Parking Meter Policy:

Council policy is to provide parking meters to improve turnover of street parking for short term use, with the support of local businesses. Rates are general set at levels above adjacent off-street parking with consideration of local market demand.

Charges and Fee Policy:

It is Council policy that fees and charges for City services be established on a cost recovery basis and at market levels in circumstances where they are provided in competition with the private sector.

Property Tax Policy:

Property Tax Distribution:

Since 1982, it has been Council's policy to collect a fixed share of the total property tax levy from each of the seven property tax classes in Vancouver. Over time, this share has been adjusted slightly by properties transferring between classes, by the addition of new construction value to a property class and by Council decisions that have affected the shares of the tax levy.

On April 28, 2005, Council confirmed the policy of managing the property tax levy through a "fixed burden" approach where the allocation of the levy among the classes of property is determined annually by Council, subject to physical changes in the classes or to Council action to adjust the allocation. In 2007, that distribution was 47% to the residential property classes and 53% to the non residential property classes. Council will give consideration to the 2008 distribution in March 2008 along with recommendations from the Property Tax Policy Review Commission on a long-term property tax policy.

Land Assessment Averaging:

Since 1994, Council has approved the use of three year land assessment averaging as the method for calculating property taxes for the residential and business classes (and light industrial class beginning in 2007), including the criteria for determining the eligibility of individual properties.

Property Tax Exemptions:

Section 396 of the Vancouver Charter governs eligibility for property tax exemptions in the City. With the exception of exemptions related to the City's Heritage Revitalization program, Council has not provided permissive exemptions from property taxation. A more comprehensive summary of exemptions will be reported to Council later in 2008.

The following summarizes the major revenue and expenditure areas included in the Appendix 1 Interim Estimates

REVENUE ESTIMATES

The revenue side of the Operating Budget is comprised of four components: Taxation Revenues, General Revenues, Transfers from Reserves/Funds, and Utility Revenues (as they relate to the utility expenditures). The Interim estimates include revenues of \$873.8 million in 2008, up 3.0% from 2007. This revenue position is prior to consideration of a property tax increase.

Taxation Revenues

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 estimates established these revenues at \$543.3 million.

- i) The general purpose tax levy has been set at \$507.4 million prior to consideration of a tax increase. This includes \$7.5 million in tax revenue from new construction.
- ii) The provision for tax adjustments remained at \$4.0 million based on 2007 experience in assessment appeals before the Assessment Review Panel.
- iii) Receipts-in-lieu of taxes totals \$32.0 million, reflecting a \$1.2 million decrease due to offsets previously not budgeted for.
- iv) Penalties and Interest has been set at \$4.5 million, an increase of \$1.0 million that better reflects actual experience.

General Revenues

A variety of general revenue sources support the expenditure budget. Overall, General Revenues are anticipated to increase to \$177.6 million or \$16.3 million over the 2007 budget level of \$161.3 million, a 10.1% 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 2004 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 Interim estimates include \$14.1 million in Provincial Traffic Fine Revenue, an increase of \$1.6 million based on 2007 actual experience (2008 estimates have not yet been received

from the Province). This increase is attributed to the rate of growth of the Vancouver Police Department.

Gaming Revenue - The Interim estimates include \$6.4 million in gaming revenue, an increase of \$1.0 million over 2007. The change reflects 2007 experience, an estimate for the impact of the closure of the Great Canadian Casino at the Holiday Inn, and the introduction of slot machines at Hastings Racetrack.

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 as well as increased interest rates is anticipated resulting in increased short term interest earnings of \$4.5 million.

iii) On-Street Parking Revenue has increased by \$2.1 million to reflect program changes approved by Council in 2007 and historical experience.

iv) Service and Inspection Fees have increased by \$1.8 million based on inflationary guidelines and 2007 experience.

v) License Fees have increased by \$0.8 million based on inflationary guidelines and historical experience.

vi) Park Board Revenues have increased by \$2.3 million or 6.2% based on inflationary guidelines and reversal of one time adjustments included in the 2007 budget.

vii) Civic Theatres Revenues are anticipated to increase by \$0.2 million based on inflationary guidelines and the planned closure of the Queen Elizabeth Theatre from May to October 2008 for capital work.

viii) Miscellaneous Revenue is anticipated to increase by \$1.0 million based on inflationary guidelines, specific increases approved by Council as part of the 2007 Operating Budget process, and actual experience.

Transfers from Reserves

The transfer from other funds and reserves includes:

i) Annual dividend from the Property Endowment Fund remains unchanged at \$7.0 million.

ii) Transfer from the Art Gallery Reserve remains unchanged at \$0.16 million; which partially offsets the Art Gallery operating grant.

iii) Transfer from the Election Reserve for the upcoming civic election for \$1.5 million.

EXPENDITURE ESTIMATES

The expenditure side of the budget is comprised of four components: Departmental Expenditures, Utility Expenditures; Capital Program; and Transfers to Other Funds/Reserves. The estimates include expenditures of approximately \$887.5 million in 2008, up 4.7% from the 2007 final budget. Expenditures of \$743.3 million would be supported by property taxes, general revenues, transfers, and utility user fees.

Departmental Expenditures

Departmental expenditures are those related to the programs and services provided by the City. The increases in program costs total \$29.9 million and are driven by the following factors.

i) Salary and Benefit Costs

Collective agreements for most employee groups expired at the end of 2006 whose settlements are reflected in the estimates. A provision is currently provided for the outstanding agreements with the Vancouver Fire Union (Local 18), Teamsters, and IBEW. Wages are a significant driver, as employment costs make up over 60% of the City operating expenditures.

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 \$1.5 million to the budget, equivalent to a 0.3% tax increase.

Equipment costs have increased at a different rate than inflation by \$1.3 million, equivalent to a 0.3% tax increase. Though there are budgeted increases to fuel and maintenance, the main increase is due to replacement of 18 emergency service vehicles in the Plant Account.

iii) One Time Budget Adjustments

As part of the budget setting exercise, Council made one-time budget adjustments to balance the 2007 Operating Budget. These budgets have been reinstated adding \$3.5 million to the 2008 Operating Budget, equivalent to a 0.7% property tax increase. These included new and non-recurring funds (\$1.2 million), additional turnover allocation (\$0.8 million), contingency (\$0.6 million), strategic initiative fund (\$0.5 million), and departmental adjustments (\$0.4 million).

iv) New or Expanded Services / Programs Approved in 2007

There are a number of new or increased expenditures related to services / programs approved by Council in 2007 totaling \$2.9 million, equivalent to a 0.6% tax increase. These included Park Board "Added Basic" (\$0.4 million), services / programs approved in 2007 (\$2.5 million). This is offset by parking meter rate increases of \$0.8 million, equivalent to a 0.2%.

Park Board "Added Basic"

Added basic is the ongoing operating cost of capital projects approved by the Park Board and Council. An estimate of \$0.44 million has been added to the Park Board's December estimates for 2008 after the administrative budget review. \$0.38 million relate to maintenance and support of new buildings and parks infrastructure, and \$0.06 million relates to one-time funding for loss of 2008 net revenue from operations impacted by construction.

Council approved the following services / programs in 2007 with a net impact of \$2.5 million or a 0.5% tax increase:

Public Safety - Addition of 17 Sworn Officers to the Vancouver Police Department and a By-law Prosecutor to Legal Services as a result of the Operational Review - Patrol Deployment Study Stage 1 Implementation (\$0.7 million)

Information Technology Project Sustainment -

- Infrastructure Management Strategy - Autodesk Software maintenance, support, and upgrades (\$0.1 million)
- SAP E-Recruitment - creation of a technical support position and annual licensing costs (\$0.1 million)
- IT Infrastructure Expansion and Replacement Program (\$0.1 million)

Capital Project Added Basic -

- Kensington Library - additional operating costs (\$0.2 million)
- Various Public Works Projects - additional maintenance costs (\$0.3 million)

Cultural Initiatives -

- Funding to support the hosting of the Juno Awards in 2009 (\$0.15 million)
- Funding for the development of a Cultural Tourism Strategy (\$0.30 million)

New Office Space - Relocation of Materials Management and Film & Special Events from City Hall (\$0.2 million)

Other Programs -

- Funding for the Federation of Canadian Municipalities' Conference in 2013 (\$0.15 million)
- Broadway West Rapid Transit Alternatives Study program funding (\$0.1 million)

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 are anticipated to increase their requisitions to the City in 2008:

- GVS&DD levies the City for its share of regional sewerage costs. In 2008, these costs are estimated to increase by 9.3%. 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 \$1.9 million over 2007 or 0.4% tax increase.

- The requisition from E-Comm for radio and dispatch services is to decrease by 2.3% resulting in a levy decrease of \$0.4 million over 2007 translating to a 0.1% tax decrease.

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 \$1.4 million and represent a property tax increase of about 0.28%.

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. In late November 2007, Council approved the budgets and rates for these utilities including the use of the 2007 Work Stoppage savings to reduce utility rates.

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 9.9% 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 11.5%, factoring in consumption. The City's utility debt marginally decreased by \$0.4 million or 1.7%. The 2007 Water Utility rates were increased by Council by 3.3%.

The Solid Waste utility shows a \$0.8 million or 3.0% increase mainly related to inflationary increases. The garbage collection program increased by \$0.6 million or 6.0%. Recycling collections program decreased slightly by 1.6% while the Yard trimming collections program increased by 2.2%. With the savings from the 2007 Work Stoppage, the weighted average residential fee increased of \$8.

Sewer utility costs were driven by an increase in the Regional District costs for sewage treatment (\$3.5 million) offset by a decrease in debt charges (\$2.5 million). The rate increase approved by Council for the sewer levy is 4.7%.

As noted, water and solid waste operations have no impact on taxes while the increase to the sewer costs is partially impacting the general tax levy (the net impact to the tax supported portion of the sewer utility is \$0.6 million).

Capital Program

The City's capital program is planned over a three-year horizon with financing provided by a combination of Debentures, Capital from Revenue (pay-as-you-go), Development Cost Levies / Community Amenity Contributions, and external funding. The costs of this program are

carried in the Operating Budget through payments of principal and interest on Debentures with funding provided from utility user fees and the property tax levy.

In 2008, the Operating Budget includes debt charges related to all outstanding debentures and from an anticipated \$125 million debenture issue for general (\$85.0 million) and utility (\$40.0 million) purposes.

The 2006-2008 Capital Plan anticipates Capital from Revenue totaling \$55.6 million, of which \$35.9 million was allocated in 2006 and 2007. The remaining \$19.7 million will be allocated in 2008, representing an increase of \$1.2 million from 2007.

The impact of the tax-supported portion of the capital program (excluding Sewer Utility debt and Local Improvements debt) will be an increase of \$5.4 million, equivalent to a tax increase of 1.1%.

Transfers to Reserves/Funds

There are a number of transfers included on the expenditure side of the operating budget, the main transfers include:

- i) Information Technology Long Term Financing Plan - \$4.2 million for the replacement and continued development of the City's core information technology infrastructure and equipment
- ii) \$0.5 million for the 2011 Civic Election
- iii) Liability Insurance Reserve - \$0.75 million

Appendix 3 - New Funding Requests Not Yet Reported to Council (\$'000)

Department	Request	RFT / RPT	2008 \$	2009 \$	2010 \$	Description
Funding Requests With No Funding Source						
Departments' Under the City Manager's Office	Project Civil City	-	300	-	-	\$300,000 was approved in December 2006 to implement activities in 2007. In October 2007, staff presented to Council a Progress Report and an Agenda for Action. Council directed staff to continue with the work program in 2008 and report back on a number of areas including legislative and by-law changes, panhandler survey results, ambassador program expansion, crime-free multi-housing, positive ticketing, and safer parking programs. Continuation of the work program requires funding for the following: - PCC Commissioner \$160,000 - Planner II \$70,000 - Planning Assistant \$45,000 - consultancy services for communications, by-law reviews, benchmarking, and evaluation \$25,000
	City Clerk's Department - Corporate Communications	1	71	111	116	Funding request for an additional regular full time Assistant Director position to meet workload requirements.
	City Clerk's Department - Archives	1	101	105	109	Request to regularize a temporary full time Manager position (since 2005), currently funded from long term disability, to implement the Long Term Strategic Plan.

Department	Request	RFT / RPT	2008 \$	2009 \$	2010 \$	Description
Community Services Group	Financing Growth Program & Business Improvement Areas	1	37	58	60	Funding request for a regular full time Planning Assistant III position to update Development Cost Levy rates on a timely basis and to support the BIA Planner.
Corporate Services	Financial Services - PSAB Capital Asset Reporting (Regulatory Requirement)	-	61	94	33	Funding request for a 2-year temporary full time Capital Asset Accountant position to implement the Public Sector Accounting Board Capital Asset Reporting Requirements by December 2009.
	Risk Management - Claims Investigator	0.5	2	4	4	Funding request to convert a regular part time Claims Investigator position to a regular full time position at a cost of \$38,300 to allow for better coverage of claims and to facilitate training to support the Manager of Claim's Services; source of fund to be Liability Reserve 70% (\$26,800), PEF 20% (\$7,700), and Operating Budget 10% (\$3,800).
Engineering Services	Bridge Inspection Program	-	75	75	75	Funding request for consultancy services for principal inspections of 33 bridge structures on a 5-year rotational basis at a cost of \$125,000; partially offset by Street Leaf Removal Program internal efficiencies of \$50,000.

Department	Request	RFT / RPT	2008 \$	2009 \$	2010 \$	Description
New Funding Requests With Funding Source						
City Manager's Office	Human Resource Services - Attraction, Retention, Recognition, and Succession Planning Strategic Initiative	1	100	100	100	Request to regularize a temporary full time Human Resource Consultant III position (since 2003) to support city-wide attraction and retention strategies in light of today's challenging labor market; source of fund to be existing program budget.
	Human Resource Services - Employee Health & Safety - WCB Compliance	1	80	80	80	Request to regularize a temporary full time Human Resource Consultant II position (since 2002) to support city-wide Occupational Health and Safety projects; source of fund to be existing program budget.
	Legal Services - Additional Staffing	2	92	92	92	Request for 2 regular full time Legal Assistant positions to meet increased workload relating to PEF activities; source of fund to be PEF.
Corporate Services	Information Technology Security	1	91	91	91	Request to regularize a temporary full time Security Analyst position to support city-wide IT Security program; source of fund to be existing temporary help budget.
	Information Technology	1	68	68	68	Request to regularize a temporary full time Asset Coordinator/Buyer position to coordinate and manage city-wide IT purchases, licenses, and maintenance contracts; source of fund to be maintenance savings.

Department	Request	RFT / RPT	2008 \$	2009 \$	2010 \$	Description
Engineering Services	Equipment Services Fleet Management	2	181	181	181	Request to regularize 2 temporary full time Civil Engineer 1 positions to meet ongoing fleet management requirements; source of fund to be rental rates for the first year and temporary help budget in subsequent years (\$80,000), and anticipated annual maintenance savings (\$80,000 - \$100,000).
	Landscape Design	1	68	68	68	Request to regularize a temporary full time Landscape Designer to support ongoing capital projects; source of fund to be existing temporary help budget (\$30,900) and Capital (37,300).

Appendix 4: Recommendations Non-Police Funding Requests

The following is a summary of all the non-police funding requests included in the recommendations starting on the next page.

	Adjustment (\$000)	Tax Impact %	Budget Position (\$000)	Net Tax Increase %
Non-Police Funding Requests (Recommendations 1 - 23)				
1 Regularize 1 HRC III Position - Attraction, Retention, Recognition, and Succession Planning	100	-		
2 Regularize 1 HRC II Position - Occupational Health & Safety	80	-		
3 2 RFT Legal Assistant Positions	92	-		
4 Green Building Strategy	67	-		
5 Regularize 1 Security Analyst Position	91	-		
6 Regularize 1 IT Asset Coordinator/Buyer Position	68	-		
7 Regularize 2 EQS Civil Engineer Positions	181	-		
8 Regularize 1 Landscape Designer at Engineering	68	-		
Total Funding Requests With No Net Budget Impact	747	-		
9/16 Carnegie Outreach & Cashier Position	353	0.07%		
10 Project Civil City (Council Initiative)	300	0.06%		
11 Human Resource Services Staff Request	208	0.04%		
12 Corporate Communications Resource	71	0.01%		
13 Regularize Manager of Archives Position	101	0.02%		
14 Planning Department Resource Proposals	317	0.06%		
NE False Creek Update / BC Place Stadium (Approved Jan. 29/08 with funding deferred)	145	0.03%		
15 Financing Growth & BIA Program Resource	37	0.01%		
17 Facilities Design & Management Reorganization	179	0.04%		
18 PSAB Capital Asset Reporting Implementation	61	0.01%		
19 Convert 0.5 RPT Claims Investigator Position	2	-		
20 Emergency Management Priorities	281	0.06%		
21 DTES Street Cleaning (Council Motion)	200	0.04%		
22 Bridge Inspection Program	75	0.01%		
23 Vancouver Economic Development Commission	518	0.10%		
Total Funding Requests Requiring New Funding	2,848	0.56%		

RECOMMENDATION 1 - 8: Non-Police Funding Requests With No Net Budget Impact

1. THAT Council approve the regularization of an existing Temporary Full Time Human Resource Consultant III position within the Attraction, Retention, Recognition, and Succession Planning Strategic Initiative Program at an annual cost of \$100,000, including benefits, offset by existing program funding with no net budget impact.
2. THAT Council approve the regularization of an existing Temporary Full Time Human Resource Consultant II position within Human Resource Services' Occupational Health & Safety Division at an annual cost of \$80,000, including benefits, offset by existing program funding with no net budget impact.
3. THAT Council approve the establishment of two Regular Full Time Legal Assistant positions within Legal Services at an annual cost of \$92,000, including benefits, offset by contribution from the Property Endowment Fund with no net budget impact.
4. THAT Council approve the following recommendation, Office of the Chief Building Official Resource Proposal - Green Building Engineer Position (RTS#7042), at an adjusted cost of \$67,000 offset by a reduction in the Structural Review Program budget with no net budget impact in 2008 and \$20,000 increase to the 2009 Operating Budget without offset:

THAT Council approve the establishment of one regular full time Engineer position in the Office of the Chief Building Official at an estimated cost of \$67,000 for 2008 and \$99,000 for 2009 and beyond (including benefits), partially offset by an ongoing \$75,000 reduction from the Structural Review program.
5. THAT Council approve the regularization of an existing Temporary Full Time Information Technology Security Analyst position within Corporate Services at an annual cost of \$91,000, with benefits, offset by a reduction in the existing Temporary Help budget with no net budget impact.
6. THAT Council approve the regularization of an existing Temporary Full Time Asset Coordinator/Buyer position within Corporate Services' Information Technology Division at an annual cost of \$68,000, including benefits, offset by maintenance savings with no net budget impact.
7. THAT Council approve the regularization of two existing Temporary Full Time Civil Engineer I positions with Engineering Services' Equipment Services Branch at a cost of \$181,000, including benefits, offset by a reduction in existing Temporary Help Budget of \$81,000 and anticipated maintenance savings of \$100,000 with no net budget impact.
8. THAT Council approve the regularization of an existing Temporary Full Time Landscape Designer position within Engineering Services at an annual cost of \$68,200, including benefits, offset by a reduction in the existing Temporary Help

budget of \$30,900 and contribution from Capital of \$37,300 with no net budget impact.

RECOMMENDATION 9 - 22: Non-Police Funding Requests Requiring New Funding

9. THAT Council approve the following recommendation, Carnegie Centre - Cashier Positions and Outreach Program (RTS#6934), at a cost of \$277,600 as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0.05%:

THAT Council approve the extension of the Carnegie Centre Outreach Program for three years to December 2010 at an estimated annual cost of \$277,600 in 2008, \$285,300 in 2009, and \$294,500 in 2010 (includes wage settlement and inflation); AND FURTHER THAT the Carnegie Centre be instructed to report back in 2010.

10. THAT Council approve one-time funding of \$300,000 for Project Civil City to continue with the work program in 2008 as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0.06%.

11. THAT Council approve the following recommendation, Human Resource Services Staff Request (RTS#7080), at an adjusted cost of \$208,100 as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0.04%:

THAT Council approve the establishment of four (4) Regular Full-Time exempt positions (a Human Resource Consultant III; a Human Resource Consultant II; an Administrative Assistant and a Web and Systems Security position) subject to review and classification by the General Manager of Human Resources, at an estimated cost of \$208,100 for 2008 and \$290,000 for 2009 and beyond (including benefits, at April 2006 rates) to be added to the Operating Budget without offset subject to budget review.

12. THAT Council approve the establishment of a Regular Full Time Assistant Director position within City Clerk's Department's Corporation Communications Division at an annual cost of \$111,000 (2008 pro-rated cost - \$71,000), including benefits, as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0.01%.

13. THAT Council approve the regularization of an existing Temporary Full Time Manager position within City Archives at an annual cost of \$101,000, including benefits, as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0.02%.

14. THAT Council approve the following recommendations, Planning Department Resource Proposals (RTS#6952), at a cost of \$316,600 as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0.06%:

- i) *THAT Council approve improving the efficiency of the Central Area Division through:*
- *converting 3 temporary full time Planner II positions and 1 temporary full time Planning Assistant III position to regular full time positions;*

- *creating 1 new regular full time Planning Analyst position;*
 - *providing annual funding of program expenses (public consultation and consultant studies);*
- At a cost in 2008 of \$144,400, and in subsequent years of \$590,700, without offset;*
- ii) *THAT Council approve increasing the level of service in the Urban Design Studio by creating 1 new regular full time Planner II position at a cost in 2008 of \$64,600 and in subsequent years of \$88,900, without offset;*
- iii) *THAT Council approve a temporary staff team to undertake the Capacity Options Review through creating a temporary full time Planner II and a temporary full time Planning Analyst positions for 12 months, at a cost of \$107,600 in 2008 and \$48,000 in 2009, without offset.*
15. THAT Council approve the establishment of a Regular Full Time Planning Assistant III position in Community Services Group's Planning Division to support the Financing Growth Program and Business Improvement Areas Program at an annual cost of \$58,000, (2008 pro-rated cost - \$37,000), including benefits, as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0.01%.
16. THAT Council approve the following recommendation, Carnegie Centre - Cashier Positions and Outreach Program (RTS#6934), at an adjusted cost of \$75,000 as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0.02%:
- That Council approve the establishment of three Regular Part Time Cashier positions (2.3 FTE) and Auxiliary hours (.17 FTE) at the Carnegie Centre, commencing May 1, 2008, at an estimated annual cost of \$109,300 (prorated for 2008 - \$75,000).*
17. THAT Council approve the following recommendation, Facilities Design & Management Reorganization (RTS#7053), at an adjusted cost of \$179,000 as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0.04%:
- THAT Council approve the following staff additions and changes to the Facilities Design and Management Department Structure at an estimated cost of \$179,000 for 2008 and \$161,000 ongoing, including benefits, to meet current and forecasted work loads:*
- *THAT two (2) regular/ full-time, exempt positions be created for a Manager, Facilities Planning and Manager, Capital Maintenance within the Facilities Development Division.*
 - *THAT one (1) CUPE 15 Administrative Assistant, position be deleted and a new, regular/ full-time exempt position of Manager, Property Management and Administration be created.*

- *THAT one (1) CUPE 15 Maintenance Technician III position be reclassified to a regular, full-time, CUPE 15 position of Construction Assistant (Facilities Planner).*
 - *THAT three (3) CUPE 15 temporary, full-time, Construction Assistant positions be created for a period of 23 months.*
 - *THAT two (2) temporary full-time, exempt Project Manager positions be converted to regular/ full-time.*
18. THAT Council approve the establishment of a 2-year Temporary Full Time Capital Asset Accountant position within Corporate Services' Financial Services Division to implement the Public Sector Accounting Board's Capital Asset Reporting Requirements at a cost of \$188,000 (2008 - \$61,000, 2009 - \$94,000, 2010 - \$33,000), including benefits, as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0.01%.
19. THAT Council approve conversion of an existing Claims Investigator position within Corporate Services' Risk Management Division from Regular Part Time to Regular Full Time at an incremental annual cost of \$38,300, including benefits, offset by contributions from the Liability Reserve (\$26,800) and Property Endowment Fund (\$7,700) with net funding of \$4,000 (2008 pro-rated cost - \$2,000) as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0%.
20. THAT Council approve the following recommendation, Emergency Management Priorities (RTS#6993), at a adjusted cost of \$281,000 as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0.06%:
- THAT Council authorize the creation of 2.5 regular full-time staff positions, as outlined in this report, at an estimated annual cost of \$281,000 (including benefits and incidental costs) to support the Emergency Management Program.*
21. THAT Council approve one-time funding of \$200,000 for the Downtown Eastside Street Cleaning Initiative as per Council Motion on January 15, 2008 as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0.04%.
22. THAT Council approve on-going funding of \$125,000 for consultancy services for the Bridge Inspection Program offset by Street Leaf Removal Program internal efficiencies of \$50,000; net funding of \$75,000 as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0.01%.

RECOMMENDATION 23: Vancouver Economic Development Commission

23. THAT Council approve the following recommendations, Vancouver Economic Development Commission: 2008 Business Plan and Budget (RTS#6974), as follows:
- i) *THAT Council approve the VEDC one-time 2008 funding request of \$125,000, to be applied toward Phase 2 of the VEDC Economic Development Strategy as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0.02%;*
 - ii) *THAT Council approve the request for \$828,000 in funding to maintain the existing service level; funding of \$828,000 has already provided for in the 2008 Interim Operating Budget;*
 - iii) *THAT Council approve an increase to the annual VEDC baseline funding for core services of \$295,000 without offset, prorated to \$196,700 in 2008 as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0.04%;*
 - iv) *THAT Council approve ongoing funding of \$295,000, prorated to \$196,700 in 2008, to fund selected recommendations in the October 2007 VEDC Report on the Business Climate in the City of Vancouver, to be released to the appropriate City department and/or to the VEDC, subject to report back to Council with the intended use and rationale, as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0.04%;*

CONSIDERATION

- v) *THAT Council approve an increase to the annual VEDC baseline funding for core services of \$590,000 without offset, prorated to \$393,300 in 2008 as an increase to the 2008 Operating Budget, increasing the 2008 property taxes by 0.08%.*

Appendix 5: Next Steps in the Budget Process

Key Council Report Dates - 2008 Operating Budget and Property Tax Reports			
DATE	TIME	COUNCIL / COMMITTEE MEETINGS & REPORTS	LOCATION
Feb-12-2008	2 - 6	Council Reports: <ul style="list-style-type: none"> • 2008 Operating Budget: Base Budget / Initiatives / Adjustments [Report Reference] (RTS#7016) • 2007 Work Stoppage Financial Analysis (RTS#7015) (Note: The public and stakeholders may speak on the 2008 Operating Budget report on February14, 2008 at CS&B)	Council Chamber
Mar-13-2008	9:30 - 1	Council Reports: 2008 Property Taxation: 1) Land Assessment Averaging 2) Final Decision on Property Tax Policy Review Commission Recommendations (RTS#6948) 3) Distribution of the Property Tax Levy 4) Report back on property tax policy public consultations	Council Chamber
Apr-01-2008 (<i>backup - Apr-03-2008</i>)	2 - 10 (<i>9:30 - 1</i>)	Reports - 1) 2008 Operating Budget: Public Consultation Results (RTS#7017) [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>)	6 - 10 (<i>6 - 10</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>)	2 - 6 (<i>9:30 - 1</i>)	Report (RTS#7018) - 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	2 - 6	Report - Final Approval of 2008 Operating Budget & Tax Increase (only required if Council makes changes on April 15, 2008)	Council Chamber
May-01-2008	9:30 - 1	Report - 2008 Property Taxation Bylaws and Averaging Resolution	Council Chamber

Joint Public Consultation - 2008 Operating Budget: & Property Tax Policy Review Commission Recommendations			
DATE	TIME	ACTIVITY	LOCATION
Jan-31-2008		Teaser ad in Georgia Straight	
Feb-01-2008		Teaser ad in Courier	
Feb-02-2008		Teaser ad in Ming Pao, Sing Tao, and Indo-Canadian Voice	
Feb-07-2008		<ul style="list-style-type: none"> • City Choices Flyer (4 pg integrated insert) in Georgia Straight • City Choices Flyer distributed to Community Centres, Libraries, BIAs • City Choices website activated • Advance Letter and City Choices Flyer sent by Polling Company to polling candidates 	
Feb-08-2008		City Choices Flyer (4 pg integrated insert) in Courier	
Feb-09-2008		<ul style="list-style-type: none"> • City Choices Flyer (4 pg integrated insert) in Ming Pao, Sing Tao, and Indo-Canadian Voice • Ad for 3 joint public meetings in Indo-Canadian Voice and Link (Indo-Canadian) 	
Feb-13-2008		Telephone poll starts	
Feb-12-2008		Ad for 3 joint public meetings in Business in Vancouver	
Feb-13-2008		Ad for 3 joint public meetings in Courier, Ming Pao, Sing Tao, and World Journal	
Feb-14-2008		Ad for 3 joint public meetings in Georgia Straight, Westender, Xtra West, and Indo Canadian Times	
Feb-18-2008		Telephone poll complete	
Feb-16-2008	9 - 12	Joint Public Meeting #1	VanDusen Gardens Floral Hall
Feb-20-2008	7 - 10	Joint <u>Evening</u> Public Meeting #2	Committee Room #1
Feb-23-2008	9 - 12	Joint Public Meeting #3	Killarney Secondary School
Feb-29-2008		City Choices website deactivated Last day for written submission	
Mar-20-2008 to Apr-03-2008		Ad for Evening Public Meeting on Apr-09-2008	
Apr-09-2008 (<i>backup - Apr-10-2008</i>)	6 - 10 (<i>6 -10</i>)	Evening Public Meeting - Public to comment on Council's decisions on balancing the 2008 Operating Budget	Council Chambers