



ADMINISTRATIVE REPORT

Report Date: November 23, 2012
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 VanRIMS No.: 08-2000-20
 Meeting Date: December 4, 2012

TO: Vancouver City Council
 FROM: Director of Finance
 SUBJECT: 2013 Operating and Capital Budget

RECOMMENDATION*

THAT Council approves the following recommendation related to the Operating Budget:

- A. THAT Council approve the budget resolution attached as Appendix 2 thereby adopting the final 2013 Operating Budget as outlined in Appendix 1, the City of Vancouver 2013 Capital and Operating Budget, with a general purpose property tax levy increase of 2.0%;
- B. THAT Council approve the Vancouver Board of Parks & Recreation Global Budget of \$57,569,500, comprised of \$106,202,300 expenditures and \$48,632,800 revenues;

And THAT Council approves the following recommendations related to the Capital Budget:

- C. THAT Council approve the 2013 Capital Budget (expenditure budget) as outlined in Appendix 1, the City of Vancouver 2013 Capital and Operating Budget and detailed in Appendix B, in the amount of \$258.3 million, consisting of:

Service Category	2013 Capital Budget expenditures (in millions)		
	Previously Approved Projects	2013 New Projects	Total
Community Facilities	\$ 16.21	\$ 10.65	\$ 26.87
Parks and Open Spaces	\$ 5.85	\$ 8.61	\$ 14.46
Housing	\$ 5.04	\$ 4.60	\$ 9.64
Public Safety	\$ 4.45	\$ 1.09	\$ 5.54
Transportation	\$ 17.29	\$ 52.67	\$ 69.96
Utilities and Public Works	\$ 17.05	\$ 63.89	\$ 80.94
Civic Infrastructure	\$ 25.03	\$ 22.88	\$ 47.90
Overhead	\$ 1.00	\$ 2.00	\$ 3.00
Total	\$ 91.93	\$ 166.37	\$ 258.30

- D. THAT Council approve funding sources for new Capital Projects to begin in 2013 as outlined in Appendix 1, the City of Vancouver 2013 Capital and Operating Budget, and with specific project detail in Appendix A, in the amount of \$211.8 million, of which \$166 million is budgeted in the 2013 capital budget and \$45 million is forecast to be spent in future years, for projects spanning multiple years.

Service Category	2013 Capital Budget funding (in millions)		
	2013 New Funding Required	2013 Expenditures	Future Years Expenditure
01. Community Facilities	\$ 15.51	\$ 10.65	\$ 4.86
02. Parks and Open Spaces	\$ 13.78	\$ 8.61	\$ 5.17
03. Housing	\$ 12.67	\$ 4.60	\$ 8.08
04. Public Safety	\$ 8.59	\$ 1.09	\$ 7.50
05. Transportation	\$ 57.17	\$ 52.67	\$ 4.50
06. Utilities and Public Works	\$ 69.39	\$ 63.89	\$ 5.50
07. Civic Infrastructure	\$ 32.66	\$ 22.88	\$ 9.78
08. City-Wide	\$ 2.00	\$ 2.00	\$ -
	\$ 211.76	\$ 166.37	\$ 45.39

Funding sources as follows:

- Capital from Revenue and Debenture Borrowing \$119.76 consists of:
 - Capital from Revenue \$11.20 million
 - Debenture Borrowing Authority \$108.56 million

- Other Sources of funding \$92.01 million consisting of:
 - Operating Budget that funds Capital Projects \$4.83 million
 - Special Purpose Reserves \$14.33 million consisting of:
 - Public Art Maintenance Reserve \$0.12 million
 - Parking Sites Reserve \$0.65 million
 - Solid Waste Capital Reserve \$0.70 million
 - Parking Meter Equipment Reserve \$0.78 million
 - Truck and Equipment Reserve \$9.63 million
 - Future Revenue Fund Budgets Reserve (Voting Equipment) \$2.00 million
 - Mobile Data Terminals Reserve \$0.40 million
 - Stanley Park Restoration Reserve \$0.06 million
 - City Wide DCL \$19.89 million
 - Area Specific DCL (downtown south) \$2.10 million
 - User Fees/Property Owners \$14.00 million
 - Reallocation of existing funding \$10.25 million
 - City Wide unallocated \$1.00 million
 - Property Sale Proceeds \$0.60 million
 - Translink \$5.00 million
 - Other External \$20.00 million

REPORT SUMMARY*

The purpose of this report is to present the Operating Budget final estimates of revenue and expenditures for 2013 to Council for approval and adoption of the budget resolution in Appendix 2; and to request Council approval of the 2013 Capital Budget which includes new Capital programs/projects and associated funding requests, and 2013 capital expenditures for continuing (carryforward) programs/projects. Forecast capital expenditures for 2014 and 15 are also provided for information.

COUNCIL AUTHORITY/PREVIOUS DECISIONS*

The Vancouver Charter requires that the Director of Finance presents the estimates of Operating budget 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.

Council approvals are required for changes in service levels, either expansions or reductions, and allocation of funding from general revenues or taxation.

The City has a policy to plan for capital expenditures on a multi-year cycle. Since 1990, capital plans have been developed in 3-year terms in order to match the term of Council and allow for a borrowing plebiscite to be held in conjunction with the civic election. In September 2011, Council approved the 2012-2014 Capital Plan in the amount of \$702M (RTS 9318).

It has been Council practice to fund capital expenditures for the waterworks, sewerage & drainage and energy utility systems from debenture borrowing. Starting in 2012, there is a strategy in place to transition waterworks capital work from debenture borrowing to pay as you go. The balance of capital expenditures are funded from a combination of debenture borrowing, direct contribution from the annual Operating Budget (Capital from Revenue), Development Cost Levies (DCLs) and Community Amenity Contributions (CACs) from developers, special-purpose reserves, internal loans, fees and levies collected from property owners and contributions from senior governments and other funding partners.

Funding from the three year Capital Plan is allocated to specific Capital Programs and Projects through the annual Capital Budgeting process. Council approval of the annual Capital Budget is required before work can proceed on specific programs/projects.

Section 242 of the *Vancouver Charter* gives Council the authority to borrow funds for the construction, installation, maintenance, replacement, repair and regulation of waterworks, sewerage & drainage and energy utility systems without the assent of the electorate. Section 245 requires that the borrowing authority for all other purposes be established through the electorate's approval of a borrowing plebiscite.

The requirement to borrow funds to finance capital expenditures is established by Council at the time of the approval of the annual capital budget and through special approvals. Borrowed funds are amortized over 10 years to ensure that a systematic borrowing program can be administered, that outstanding debt does not accumulate to unacceptable levels and that interest and repayment costs are maintained at a level that does not put undue pressure on the operating budget.

Section 247 A of the *Vancouver Charter* requires that full provision of annual debt servicing charges, both principle and interest, be made in the annual operating budget. This ensures that debenture holders are paid the interest component at the prescribed rate and time, and that sufficient funding is available to retire the obligation at maturity.

In June 2003, Council approved the Financing Growth Policy which sets out policy for the collection and use of DCLs and CACs. Pursuant to Section 523D of the *Vancouver Charter*, DCLs are collected to assist in recovering growth-related capital costs that arise from new developments. DCLs are generally allocated on a "cash available" basis among park, replacement housing, transportation and childcare projects in proportions specified in various DCL By-laws. CACs are developer contributions that arise from rezonings; these are directed toward the cost of public amenities in the area affected by the rezoning. The allocation of both DCL and CAC funding to specific amenities requires Council approval.

Council authority is required to reallocate capital funding over \$50,000.

COMMENTS OF THE CITY MANAGER AND DIRECTOR OF FINANCE

The City has undergone a significant transformation with the annual budget process in preparing the 2013 budget for Council to approve. Amongst the major improvements, Council is being presented with a single report for approval of both the 2013 Operating and Capital budget.

A substantial enhancement in building the budget has been the incorporation of Departmental Service Plans and Key Performance Metrics as a step towards a results-based budget approach. Metrics allow Council and Vancouverites to see which services are performing well and which services may need attention to ensure that they provide good value while meeting City responsibilities. In prior years, the focus was primarily on budget for expenditures. Establishing connections between results and outcomes with the money spent in order to understand the value provided by the City has been a strategic shift in helping to establish the budget for 2013. Although this is our first year beginning the alignment of financial resources with performance, this approach will play a much greater role over time in developing the budget in future years.

Resulting from the work noted above, the budget report includes a comprehensive section on departmental services, key performance metrics and annual budget comparison. Other reporting improvements include providing a greater level of detail on gross revenues and expenditures and highlights of major changes to the budget.

REPORT

Background/Context*

On March 5th, 2012, Vancouver City Council approved the 2012 operating budget. At that meeting, Council directed Staff to:

"...Report back, in advance of or concurrent to the initiation of the 2013 Budget process, on best practices in Canadian cities for budget process in relation to both robust public consultation and ensuring council members are adequately equipped to discharge their fiduciary responsibilities."

Staff engaged PricewaterhouseCoopers' (PwC) public sector practice to identify leading practices in public sector budgeting. Four key areas were summarized in the PWC report and staff are moving forward over the next few budget cycles with process changes aligned to these leading practices in the areas below:

1. Public Engagement
2. Budgeting for Results
3. Budget information for Council
4. Streamlining the budget process

The 2013 budget incorporates four major improvements to our budget process.

1. Budget Outlook report - The initial report to council in October provided Council with an outlook that set the parameters for the 2013 budget
2. Aligning Capital and Operating budgets - In previous years, these came to council separately in 2 reports at 2 different times. Aligning Capital and Operating budgets recognizes the financial and operational linkage between the two.
3. Public Friendly format for the Budget Outlook and Budget Reports - improves the understanding of the budget, its drivers and its components for the public
4. Service plans & performance metrics - The development of service plans and performance metrics enable better linkage between the City's strategies and plans with the financial resources to enable those plans.

STRATEGIC ANALYSIS*

1. The 2013 Budget document

To improve the user-friendliness of budget information being presented to Council and the public, a new format has been created and included in this report. The attached document Appendix 1, the City of Vancouver 2013 Capital and Operating Budget, is a stand-alone document that contains the necessary budget details for Council to make an informed decision on the recommendations presented. Formatting will be made more public friendly once the process is complete, pending any possible changes from Council.

For the first time the budget report includes both the operating and capital budgets together enabling Council to make operating and capital decisions at the same time.

The balanced Operating Budget presented in Appendix 1, the City of Vancouver 2013 Capital and Operating Budget is \$1.148 billion, of which \$615.0 million is to be funded from general purpose tax levy (incorporating a 2% tax increase) and \$532.9 million from other revenue sources.

The City of Vancouver 2013 Capital and Operating Budget also provides the details of requests for Council approval of 2013 Capital expenditure budget which includes new program/project requests and associated funding, and continuing (carryforward) Capital program/project expenditures. Forecast Capital expenditures for 2014 and 2015 are also provided for information.

2. The Budget Resolution

With approval of the Recommendations for the Operating Budget in this report, the 2013 budget will be brought into balance and the 2013 budget cycle completed. Council approval of this final position requires adoption of the budget resolution attached as Appendix 2.

3. Final Steps

Final approval of the 2013 Operating budget is occurring prior to the finalization of the 2013 Assessment roll.

In mid-April, 2013, the Director of Finance will seek Council approval on the distribution of the general purpose tax levies among the property classes in 2013. After receiving Council direction, the Director of Finance will, in early May 2013, bring forward a report summarizing the property taxes levied by the City and other taxing authorities for each property class, and seek Council adoption of the applicable rating by-laws and resolutions.

Based on the 2013 Revised Assessment Roll, the final property tax increase will be adjusted in April to collect \$615.0 million of general purpose tax levy as set out in the attached 2013 Budget Resolution.

CONCLUSION

The approval of the attached resolution will finalize the process of balancing the 2013 Operating Budget totaling \$1.148 billion with a property tax levy increase of 2%, approximating the rate of inflation.

This report has provided an overview of funding requested for new Capital Projects to begin in 2013 including specific funding sources, the detailed 2013 Capital expenditure Budget of \$258 million the 2014 and 2015 Capital expenditure forecast.

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Appendix 1 - City of Vancouver 2013 Capital and Operating Budget

(See attached 2013 Budget document)

Appendix 2 RESOLUTION

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

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

AND WHEREAS the total estimated gross expenditures of the City to pay all debts and obligations of the City falling due in the year 2013, exclusive of the amounts required for school, Greater Vancouver Regional District, Greater Vancouver Transportation Authority, British Columbia Assessment Authority and Municipal Finance Authority purposes and not otherwise provide for, as amended by Council, amount to \$1,147,900,400;

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

AND WHEREAS the total estimated revenue of the City for 2013 from sources other than real property taxes, as amended by Council, amounts to \$532,907,200;

AND WHEREAS the amount of the General Purposes Tax Levy so required is \$614,993,200;

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