
MEMORANDUM

December 10, 2012

TO: Mayor and Council

FROM: General Manager Financial Services Group/CFO

CC: Corporate Management Team
Penny Ballem, City Manager
Sadhu Johnston, Deputy City Manager
David McLellan, Deputy City Manager
Janice MacKenzie, City Clerk
Mike Magee, Chief of Staff, Mayor's Office
Mairi Welman, Director, Communications
Kevin Quinlan, Director, Policy and Communication, Mayor's Office
Lynda Graves, Administrative Manager, City Manager's Office

SUBJECT: 2013 Capital and Operating Budget follow-up answers

On Tuesday December 4, 2012, a Special Standing Committee of Council on City Finance and Services was held at which the 2013 Capital and Operating Budget was presented to Council.

Following the presentation, the Committee heard from members of the public and asked City staff questions relating to the budget. The purpose of this memo is to provide a response to outstanding questions arising from the meeting. The questions have been documented below and responses have been provided.

Further, there is a correction as well as additional clarification to the Budget Report that staff would like to bring to the attention of Councillors. A summary is provided below highlighting changes that will be made to the final version of the Budget Report.

Finally, outside of the public meeting, Councillors Affleck and Ball requested additional budget information, and data related to that request is included in this memo.

A. RESPONSE TO QUESTIONS

Question 1:

Councillor Ball had questions regarding the Survey (pg 18): *Exactly how many people did we engage with and how many businesses? What is the total number of residents and businesses?*

Response:

Vancouver has a population of about 600,000 people (with 419,000 eligible voters) and 54,000 active business licences. For the size of Vancouver's population, a statistically relevant sample size for a public opinion survey is 500 people. The community panel survey was conducted with 754 residents, which is a 50% greater sample size than required to be statistically relevant with a margin of error +/-3.6%. Further, the community panel was demographically and geographically representative. The total businesses surveyed via community panel survey were 251 with a margin of error of +/-6.5%.

The residents and businesses who participated in the survey via vancouver.ca, 311 and the kiosk were as follows:

169 residents and 19 businesses via vancouver.ca survey

351 respondents via 311 and kiosk (not differentiated between residents and businesses)

The 13 Advisory Committee members who participated did not take the survey but commented on its contents and our analysis of the results.

Total people and businesses reached through our consultation tools was 1,544.

Question 2:

Councillor Ball had a questions regarding Gaming Revenue: *What is total Gaming Revenue, where is it reported, and how is it spent?*

Response:

On page 59 of the Budget Report, Gaming Revenue is included as a part of Other Revenue. Total Budgeted Gaming Revenue for 2013 of \$7.2 million remains unchanged from 2012. There are restrictions on a very small portion of this revenue (approximately \$300k to Social Responsibility Funds) while the remaining majority contributes to reducing the level of property taxes required to be collected by the City in balancing its annual Operating Budget.

Question 3:

Councillor Ball had a questions regarding VEC: *What is the budget for VEC? What is their activity?*

Response:

In March, 2012, Council approved the VEC funding for 2012 totaling \$2.9 million (RTS #9562). The proposed City funding for VEC for 2013 is unchanged from this amount. VEC will bring forward their 2013 budget based on the city's funding and other revenues to their Board for approval in early 2013 along with a summary of 2012 activities and the projected program for 2013. This report will be sent to Council for information when approved by their Board.

Question 4:

Councillor Ball had a question regarding Voting Machines: *Requested additional information about voting machines.*

Response:

Currently the City owns 160 vote tabulators. The tabulator system uses paper ballots. The tabulator scans the ballot and stores the information and prints cumulative totals of all votes cast after the close of voting.

On an annual basis funding is placed in a reserve for the holding of the election AND for the eventual replacement of the voting machines. The existing 160 machines were purchased in approximately

1995 and are in need of replacement (due to maintenance costs and increasing unreliability of performance) before the next general local election in 2014.

Two options are being considered with respect to replacing the machines - lease and purchase. The replacement machines will have the same functionality as the current machines - scan of a paper ballot marked by the elector, and will report the cumulative results at the close of voting. The 2013 Capital budget includes \$2 million for this expenditure to be funded from the reserve.

Question 5:

Councillor Ball had questions regarding grants: *(Pg. 61) The \$300,000 increase in new cultural and social grants - is there a plan for division of funds between the two? Is this for new activities?*

Response:

The \$300K in the 2013 budget for social and/or culture grants is unallocated which means these dollars may be awarded to applicants for new and/or existing social or cultural grants. How and when these dollars will be allocated will be determined early next year.

Question 6:

Councillor Affleck questioned the number used for inflation: *(pg 68) Consumer price index is .7 for Vancouver - how did you get 2%? Is the budget using the rate of inflation or CPI?*

Response:

Staff considered the 12-mth average change in CPI (which was 1.9% in July 2012) for setting 2013 budget target (rounded to 2%). The 0.7% increase noted by Councillor Affleck was the year-over-year change in CPI between October 2012 and October 2011. For budgeting purposes, we do not use one month year-over-year change as it's more volatile than 12-month average. The year-over-year fluctuated from 2.1% (highest) to 0.7% (lowest) while the 12-month average ranged from 2.2% (highest) to 1.6% (lowest).

The link to BC Stats CPI/Inflation reports and tables is provided below for further reference.

<http://bcstats.gov.bc.ca/Publications/PeriodicalsReleases.aspx>

Under terms and definitions in the CPI Highlights report, the following is noted regarding use of the indexes:

“Annual average indexes are calculated by averaging index levels over the 12 months of the calendar year. These data should not be confused with the 12-month change in the CPI. By the nature of the calculation, averaging indexes over the calendar year gives a better representation of price behaviour over the whole year and is closer to the concept of an average price. The use of annual averages is considered the preferred option for indexation purposes.”

Question 7:

Councillor Reimer had questions regarding service metrics *(pg 82) - What is being monitored? Can we monitor sheer amounts of composting, garbage, recycle, etc?*

Response:

Yes, these metrics are being monitored as part of the collections program, and will be reported to council the next time Engineering provides an update on the collections program.

Question 8:

Councillor Reimer had questions regarding the Tax and Utility change (p. 64): *The blended tax and utility fee change is about a 2.75% increase: part is 2% increase in taxes and part is related to fees with usage; when you bring that info back it would be good to get a sense on behaviour in water usage, what that would do to average taxpayer?*

Response:

The example on P.64 shows the impact of tax and utility fee changes on single-family homes and businesses. For single-family homes, the majority are charged for water on a flat rate basis, while Businesses, and most condominiums and rental buildings, are charged on a metered-rate basis. The example included in the report assumes no change in consumption. The Utility fee report and the proposed 2013 budget, however, does anticipate that consumption will be decreasing for the metered customers.

An alternative example of the impact of the tax and utility fee change is provided below where the water usage assumption for a metered customer would be expected to decrease (in line with expectations in the fee report and proposed Utility budget) resulting in an overall decrease in the water bill as illustrated below. The example below is for businesses, however, this impact is reflective of trend data across all metered properties (including rental buildings and condominiums).

| | Alternate example (metered water consumption decreasing) | | Current example in Report (flat level of water consumption) | | Difference between examples | |
|------------------------------|---|------------------|---|------------------|-----------------------------|------------------|
| | Business | | Business | | Business | |
| | Estimated 2013 tax bill | Change over 2012 | Estimated 2013 tax bill | Change over 2012 | Estimated 2013 tax bill | Change over 2012 |
| Property Taxes (2% increase) | 8,492 | 167 | 8,492 | 167 | - | - |
| Solid Waste Utility Fee | 203 | (44) | 203 | (44) | - | - |
| Sewer Utility Fee | 301 | 14 | 301 | 14 | - | - |
| Water Utility Fee | 486 | (3) | 504 | 15 | (18) | (18) |
| Total Utility Fees | 990 | (33) | 1,008 | (15) | (18) | (18) |
| Total City Taxes and Fees | 9,482 | 134 | 9,500 | 152 | (18) | (18) |

B. CORRECTIONS/CLARIFICATIONS TO THE BUDGET REPORT

1) Page 81 of the Report - Metric Table for Sewer and Storm Water.

Table currently states: # of sewer connection trouble calls as follows:

- 2008 - blank
- 2009 - blank
- 2010 - 1063
- 2011 - 1267
- 2012 - 1303

It was discovered that there was some double counting on the number of sewer connection trouble calls in 2010-12 figures; as well, figures for 2008-2009 are now available and will be included in the report. The figures have been adjusted accordingly to reflect this:

- 2008 - 959
- 2009 - 964
- 2010 - 903
- 2011 - 761
- 2012 - 740

2) Page 68:

Reference to “Consumer Price Index (CPI Rate of Inflation)” will be clarified to say annual rate of inflation.

3) Page 23:

A note to the survey results will be included: In 2013, the satisfaction with services question was adjusted, based on industry best practice, to include a neutral category. To ease comparison with previous years, this year only, the neutral category is combined with the satisfied category. Based on analysis, the survey firm determined the vast majority of those who responded neutral had answered other questions in the survey positively, and judged the combination to be appropriate.

C. ADDITIONAL INFORMATION REQUESTED BY COUNCILLORS:

Councillors Affleck and Ball requested additional information regarding 10 year historical trends in a number of areas. While not all information is readily available, staff has collected a large portion of the requested information. Wherever possible, staff referred back to historic budget reports and budget books to provide the historically reported level of detail in prior years, in addition to the 5 year trend data that was made available in the 2013 budget document.

In some instances, where the requested information has not been historically reported in the budget, staff have looked back into the SAP system to extract the data. It should be noted that they City has not had robust financial systems reporting to enable consolidated reporting, which makes adhoc reporting time consuming and resource intensive. The focus in 2011 and 2012 has been on developing quarterly reports which had never been regularly reported to council or the corporate management team. Building on this exercise, standardized and automated reporting will allow more timely and accurate quarterly reports as well as enhanced reporting on trends going forward. The 2013 budget reflects 5 year trending on departmental next level details, and 5 year actual staffing levels.

Information request #1:

- Park Board budget with line items for the last ten years including the Capital expenditures on recreation facilities annually for the past 10 years

| Parks and Recreation Operating Budget \$ millions | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Proposed Budget 2013 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|----------|----------------------------|
| Revenues | | | | | | | | | | | | |
| Parks | | | | | | | | \$ 3.3 | \$ 3.4 | \$ 3.1 | \$ 2.7 | \$ 3.1 |
| Recreation | | | | | | | | \$ 12.2 | \$ 13.3 | \$ 17.4 | \$ 18.2 | \$ 19.7 |
| Revenue Services | | | | | | | | \$ 23.5 | \$ 25.3 | \$ 26.6 | \$ 27.0 | \$ 25.5 |
| General Parks & Recreation | | | | | | | | \$ 0.1 | \$ 0.1 | \$ 0.4 | \$ 0.0 | \$ 0.3 |
| Total Revenues | \$ 29.3 | \$ 31.2 | \$ 32.4 | \$ 33.0 | \$ 34.8 | \$ 36.3 | \$ 38.5 | \$ 39.1 | \$ 42.1 | \$ 47.5 | \$ 47.9 | \$ 48.6 |
| Expenditure | | | | | | | | | | | | |
| Parks | | | | | | | | \$ 30.8 | \$ 31.2 | \$ 29.2 | \$ 29.3 | \$ 30.0 |
| Recreation | | | | | | | | \$ 36.8 | \$ 38.1 | \$ 41.1 | \$ 41.4 | \$ 44.2 |
| Revenue Services | | | | | | | | \$ 12.0 | \$ 11.0 | \$ 11.9 | \$ 12.1 | \$ 11.0 |
| General Parks & Recreation | | | | | | | | \$ 20.0 | \$ 21.1 | \$ 20.9 | \$ 21.0 | \$ 21.0 |
| Planning & Operations | \$ 15.0 | \$ 15.9 | \$ 17.1 | \$ 17.2 | \$ 17.7 | \$ 18.4 | \$ 19.4 | | | | | |
| Stanley District | \$ 18.6 | \$ 18.9 | \$ 19.8 | \$ 20.8 | \$ 21.4 | \$ 22.0 | \$ 23.0 | | | | | |
| Administration | \$ 0.2 | \$ 0.3 | \$ 0.2 | \$ 0.2 | \$ 0.2 | \$ 0.2 | \$ 0.2 | | | | | |
| Recreation services | \$ 7.9 | \$ 8.1 | \$ 8.3 | \$ 8.9 | \$ 8.9 | \$ 9.1 | \$ 9.3 | | | | | |
| Revenue Services | \$ 4.2 | \$ 4.1 | \$ 4.3 | \$ 4.5 | \$ 4.6 | \$ 4.7 | \$ 4.9 | | | | | |
| Operations | \$ 6.3 | \$ 6.4 | \$ 7.0 | \$ 7.3 | \$ 7.6 | \$ 7.9 | \$ 8.2 | | | | | |
| Queen Elizabeth District | \$ 18.8 | \$ 19.4 | \$ 20.1 | \$ 20.8 | \$ 21.0 | \$ 21.5 | \$ 23.3 | | | | | |
| Administration | \$ 0.3 | \$ 0.3 | \$ 0.3 | \$ 0.3 | \$ 0.3 | \$ 0.3 | \$ 0.3 | | | | | |
| Recreation services | \$ 9.5 | \$ 10.1 | \$ 10.3 | \$ 10.8 | \$ 11.1 | \$ 11.1 | \$ 11.9 | | | | | |
| Operations | \$ 8.9 | \$ 9.0 | \$ 9.6 | \$ 9.6 | \$ 9.6 | \$ 10.1 | \$ 11.1 | | | | | |
| Vancouver East District | \$ 21.0 | \$ 21.5 | \$ 22.1 | \$ 23.0 | \$ 25.1 | \$ 25.8 | \$ 27.4 | | | | | |
| Administration | \$ 0.5 | \$ 0.6 | \$ 0.5 | \$ 0.5 | \$ 0.5 | \$ 0.5 | \$ 0.6 | | | | | |
| Recreation services | \$ 9.4 | \$ 9.8 | \$ 9.8 | \$ 10.2 | \$ 11.7 | \$ 12.0 | \$ 12.9 | | | | | |
| Operations | \$ 11.1 | \$ 11.2 | \$ 11.8 | \$ 12.3 | \$ 12.9 | \$ 13.3 | \$ 13.9 | | | | | |
| Corporate Services | \$ 3.6 | \$ 3.8 | \$ 3.8 | \$ 4.0 | \$ 4.0 | \$ 4.0 | \$ 4.8 | | | | | |
| Total Expenditures | \$ 76.9 | \$ 79.4 | \$ 82.8 | \$ 85.8 | \$ 89.3 | \$ 91.8 | \$ 97.8 | \$ 99.6 | \$ 101.5 | \$ 103.0 | \$ 103.8 | \$ 106.2 |

2009 - 2013 shows Functional Organizational, following reorganization from District view.

Due to regional structure, budgets for Administration, Recreation Services, Revenue Services and Operations are repeated across districts.

The above summary reflects the line item details provided in the prior year budget reports and budget books in addition to the prior 5 year information provided in the 2013 budget report.

| Capital Expenditures 2002-2011 : | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|-------|-------|-------|--------|-------|--------|--------|--------|--------|--------|
| Total Park Recreation Facilities | \$2.6 | \$2.5 | \$9.8 | \$11.2 | \$8.6 | \$19.6 | \$49.2 | \$16.1 | \$31.4 | \$32.1 |

The above summarizes actual capital expenditures from the past 10 years as requested.

Multi-year projects executed/completed between 2006 and 2011 include: Trout Lake Rink upgrade, Killarney Rink upgrade, Percy Norman Aquatic Centre, Hillcrest curling venue, Trout Lake Community Centre and VanDusen Gardens Visitor Centre.

Information request #2:

Mayor's Office including communications - detailed line items including staffing for the past 10 years

| Mayors Office Operating Budget \$ millions | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Proposed Budget 2013 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------------------------|
| Expenditures | \$ 0.5 | \$ 0.7 | \$ 0.7 | \$ 0.7 | \$ 0.8 | \$ 0.8 | \$ 0.8 | \$ 0.9 | \$ 0.9 | \$ 0.9 | \$ 1.0 | \$ 1.0 |

The above summary reflects the Mayor's office, separate from Council, as requested.

(Note that the Mayor's office includes the Mayor's communication staff.)

The prior year Budget report and budget books reflect the following permanent staffing below. The total budgeted expenditures of the Mayor's office include funding for additional staffing, not reflected below, as these positions are budgeted as temporary positions,

| Mayors Office Operating Budget \$ millions | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Proposed Budget 2013 |
|--|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------------------------|
| FTE (incl. Mayor) | n/a | n/a | 4 FTE | 4 FTE | 4 FTE | 4 FTE | 4 FTE | 4 FTE | 4 FTE | 4 FTE | 4 FTE | 4 FTE |

FTE's for the temporary staff has not been reflected in prior budget reports. Additional information regarding historical data for temporary staffing will require additional time/resources to summarize.

Information Request #3:

Cultural Services - detailed line items, staff, grants, programs over 10 years

| Operating Budget | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Proposed Budget 2013 |
|--------------------------------|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|----------------------------|
| Cultural Services (operations) | \$ 0.6 | \$ 0.6 | \$ 0.8 | \$ 1.2 | \$ 1.2 | \$ 1.4 | \$ 1.5 | \$ 1.3 | \$ 1.9 | \$ 1.8 | \$ 1.8 | \$ 2.0 |
| Cultural Grants | \$ 3.2 | \$ 3.3 | \$ 3.3 | \$ 3.5 | \$ 5.2 | \$ 10.1 | \$ 10.5 | \$ 10.3 | \$ 10.1 | \$ 10.6 | \$ 10.6 | \$ 10.6 |

For Cultural Services Operations, the above summary reflects the line item details provided in the prior year budget reports and budget books in addition to the prior 5 year information provided in the 2013 budget report

Major changes year to year:

Cultural Services:

2005 Mid year Council approved for the Strategic Investment in the City's cultural services.

2010 Investment in Cultural services staffing following reduction in 2009 - note other Cultural Olympiad spending from Olympic Legacy fund 2008 - 2010 not included in this regular cultural services budget above.

FTE information at this level is not available in the published budget reports

Additional information regarding staffing and/or programs will require additional time/resources to summarize.

Cultural Grants

2006

Council approved \$1.0M for the Strategic Investment in the City's cultural services.

2007

Major Exhibiting Organizations including the Vancouver Art Gallery and Vancouver Maritime Museum, previously reported in Other Grants, were classified within Cultural Grants beginning in 2007.

2011

Council approved \$.25M RTS #8461- THEATRE GRANT RENTAL GRANTS ALLOCATION and 2% inflation

Information Request #4:

Sustainability Group - detailed line items, staff, grants, programs over 10 years

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Proposed Budget 2013 |
|-----------------------------|------------|------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|----------------------|
| Operating Budget | | | | | | | | | | | | |
| Revenues | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 0.0 | 0.0 | 0.0 | 2.2 | 2.2 |
| Expenditures | n/a | n/a | 0.3 | 0.5 | 1.5 | 1.5 | 1.5 | 1.6 | 1.6 | 1.7 | 4.3 | 4.2 |
| Net Operating Budget | n/a | n/a | \$ 0.3 | \$ 0.5 | \$ 1.5 | \$ 1.5 | \$ 1.5 | \$ 1.6 | \$ 1.6 | \$ 1.7 | \$ 2.1 | \$ 2.0 |
| FTE | n/a | n/a | 3.0 FTE | 3.0 FTE | 5.0 FTE | 6.0 FTE | 6.0 FTE | 5.0 FTE | 5.0 FTE | 5.0 FTE | 12.0 FTE | 12.0 FTE |

The above summary reflects the line item details provided in the prior year budget reports and budget books in addition to the prior 5 year information provided in the 2013 budget report

In 2012, the City required all departments to start reporting on a gross basis (versus net budget) - this change has been evident across a number of departments, and agencies (VPD, Utilities, and others including Sustainability) - this makes sure that we are transparent in regard to revenues which are project based or transfers from other governments and account for the expenditures related to these. This is reflected in the Sustainability budget in the transition from 2011 to 2012. In addition, across the organization we have committed in response to grievances from CUPE 15 and 1004 and to our exempt staff to regularize “temporary” staff many of whom have been in their “temporary” positions for up to 5 years. In the case of Sustainability, 7 such staff were regularized (4 of whom were CUPE 15 members). This is reflected in the FTE allocation increase in 2012.

Information Request #5:

Expenditures of the VEC over last 10 years

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Proposed Budget 2013 |
|-------------------------|------|------|------|------|------|------|------|------|------|------|------|----------------------|
| Operating Budget | | | | | | | | | | | | |
| Expenditures | 0.6 | 0.6 | 0.6 | 0.6 | 0.8 | 1.0 | 1.6 | 1.9 | 2.6 | 2.6 | 2.9 | 2.9 |

The above summary reflects the Council approved VEC funding from the City over the last 10 years. The RTS report references are provided below:

| Year | RTS |
|-----------|------|
| 2002 | 2402 |
| 2003 | 2885 |
| 2004-2005 | 4888 |
| 2006-2007 | 6401 |
| 2008 | 6974 |
| 2009 | 7744 |
| 2010 | 8499 |
| 2011 | 8375 |
| 2012 | 9562 |

Information Request #6:

Annual revenue from Gaming over the last 10 years

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Proposed Budget 2013 |
|--|------|------|------|------|------|------|------|------|------|------|------|----------------------|
| Gaming Revenue Operating Budget \$ Millions | | | | | | | | | | | | |
| Revenues | 3.7 | 3.7 | 3.9 | 7.0 | 5.0 | 5.4 | 6.4 | 7.2 | 7.2 | 7.2 | 7.2 | 7.2 |

The above summary reflects details reported in the SAP financial system. Prior year budget reports have been inconsistent in the method of reporting.

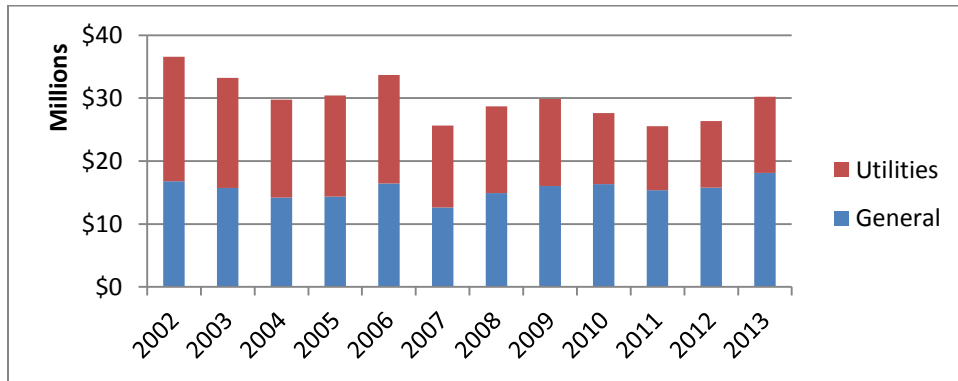
Information Request #7:

How much has been spent on subsidized housing over the last 10 years?

This information will take additional investigation and clarification.

Information request #8:

Interest the city has paid on debt over the last 10 years?



Interest on Debt over last 10 years City of Vancouver (does not include SEFC Millennium related debt)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Proposed Budget 2013 |
|-------------------------|------|------|------|------|------|------|------|------|------|------|------|----------------------|
| Operating Budget | | | | | | | | | | | | |
| Expenditures | 36.6 | 33.2 | 29.8 | 30.4 | 33.7 | 25.7 | 28.7 | 29.9 | 27.6 | 25.5 | 26.4 | 30.2 |

The above summary reflects details reported in the SAP financial system as this level of detail has not been reported in the past.

The downward trending of interest expenses despite higher debt financing for expanded infrastructure programs in the last 2 capital plans was mainly due to lower interest rates.

The decline in 2007 was due mainly to timing of debt maturity as no new debt issue was in 2008 due to economic crisis.

Best Regards,

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