



## ADMINISTRATIVE REPORT

Report Date: September 18, 2015  
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Meeting Date: September 29, 2015

TO: Vancouver City Council  
FROM: Director of Finance  
SUBJECT: 2016-2020 Budget Outlook

### ***RECOMMENDATION***

THAT Council receive for information the 2016-2020 Budget Outlook, as outlined in Appendix 1.

### **COMMENTS OF THE CITY MANAGER AND DIRECTOR OF FINANCE**

The 2016-2020 Budget Outlook provides the context and factors that will influence the development of the 2016-2020 Operating and Capital Budget and five-year Financial Plan to be presented to Council for approval in December 2015.

The City of Vancouver is regulated under the Vancouver Charter, a provincial statute. Other municipalities in the province are regulated under the British Columbia Community Charter. While the Vancouver Charter requires only that the City present a one-year budget, other local municipalities present five-year financial plans as required under the BC Community Charter. Over the past few years, the City has been including a 3-year financial view in the annual budget document. Going forward, in order to better align with best practice, the Budget to be presented to Council in December will include a financial plan covering a five-year period, from 2016 to 2020. The Budget Outlook describes the intended approach to budgeting and its anticipated direction, all of which will be reviewed by Council and the public prior to Council approving the final 2016-2020 Budget and five-year Financial Plan.

Between now and December 2015, under the direction of Council, staff will continue to refine estimates, undertake a public engagement process to seek input on the 2016-2020 Operating and Capital Budget and five-year Financial Plan, and develop strategies to achieve Council's priorities within available resources.

## **COUNCIL POLICY**

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

## **PURPOSE**

The purpose of this report is to present the 2016-2020 Budget Outlook to Council for information. The final budget strategy along with the results of the public engagement process will be presented to Council in early December 2015, for deliberation and final approval.

## **BACKGROUND**

In order to improve the transparency, accountability and understanding of the City's finances, the 2015 Budget included, for the first time, a comprehensive consolidated budget across all entities and funds and, as well, was presented in a format that more closely aligns with the City's Annual Financial Statements. The 2016 Budget document will continue to follow this public sector budgeting best practice, and will also now include a four-year forecast, resulting in a full five-year Financial Plan, consistent with the reporting presentation used by other municipalities in British Columbia.

## **STRATEGIC ANALYSIS**

Vancouver's economy is projected to remain strong over the coming years; however, the relationship of Vancouver's economy with the global economy calls for cautiousness, based on recent volatility in global markets. Looking forward to 2016 and beyond, continuing to deliver the same or improved service levels with tax increases that align with inflation, and continuing to deliver on public priorities including affordable housing, childcare, and transportation, will require continued transformation of City services. Significant progress has been achieved over the past several years, and opportunities still exist, particularly through leveraging technology and updating service delivery models; however, the transformations require increasingly more investment, take more time, and will have a greater impact on the organization and the public. Collective agreements for the majority of City bargaining units will expire at the end of 2015. Limiting future wage growth to levels affordable to taxpayers will be an important aspect of achieving a balanced budget while keeping property tax increases in line with inflation.

## Budget Timeline

The timeline for the 2016-2020 Operating and Capital Budget and five-year Financial Plan is as follows:

- **October 1, 2015:** Public consultation launches.
- **November 25, 2015:** The 2016-2020 Budget report is posted to the City website, available for viewing by the public. The report provides a recommendation to Council for the 2016-2020 Operating and Capital Budget, and summarizes the results of the public engagement and the proposed budget strategies developed by the Corporate Management Team to finalize the estimates and bring the five-year 2016-2020 Budget into balance.
- **December 9, 2015:** Council meeting for staff presentation of 2016-2020 Budget and to hear from speakers.
- **December 16, 2015:** Council meeting for final voting to approve the 2016-2020 Budget.
- **May 11, 2016:** Council Report with 2016 Property Taxation Bylaws and Averaging Resolution.

## CONCLUSION

The 2016-2020 Budget Outlook provides the context and factors that will influence the development of the 2016-2020 Operating and Capital Budget and five-year Financial Plan to be presented to Council for approval in December 2015. The development of the budget will continue to reflect the public sector budgeting best practices incorporated into City budgets over the past three years.

The 2016-2020 Budget Outlook identifies the potential revenue and expenditure changes for the 2016 budget year. Over the next two months, the public engagement activities will give citizens an opportunity to provide feedback on their priorities and concerns. As well, the Corporate Management Team will continue to explore options for bringing the budget into balance, and prioritize funding for capital projects and ongoing operations. The 2016-2020 Operating and Capital Budget and five-year Financial Plan will be presented to Council in December 2015.

\* \* \* \* \*

# 2016-2020 BUDGET OUTLOOK

## Looking ahead to 2016-2020

The 2016-2020 Budget Outlook provides the context and factors that will influence the development of the City of Vancouver's 2016 Budget and the five-year financial plan. It describes the City's 2015 Budget, current Council priorities, and the financial considerations for the 2016 - 2020 Budget, all of which will be reviewed by Council and the public prior to Council final approval in December 2015.

Vancouver is one of the world's most beautiful, livable and diverse cities, attracting people from around the world. While its population is over 600,000, it is a global, cultural and economic centre in a larger region of 2.5 million people, many of whom come to the City of Vancouver every day to visit, work and play. A great city does not happen by accident. It happens through careful planning and investment, and by continuing to ensure Vancouver's residents and visitors can enjoy and rely on the services it provides.

Property taxes have been among the lowest in the region as a result of hard work and focused effort. This has been achieved while sustaining core services and delivering on priorities including new affordable housing units, initiatives to support the Downtown Eastside, infrastructure enhancements, delivery of

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more online services like trade permits and recreation, as well as successfully hosting the FIFA Women's World Cup Canada 2015 tournament among many other important accomplishments.

The full cost increases of City services have not been passed on to property owners as the City has continued to transform its services to provide more value for money, and redirecting existing staff and funds to its highest priorities while sustaining core services. As part of the City's Digital Strategy, service models continue to evolve to leverage online, mobile and social media technologies to provide timely information and convenient service. Through these changes, the City has maintained high satisfaction ratings from both residents and businesses. These changes require investment, but without these changes, over the next five years, costs will continue to trend above inflation and put pressure on property tax affordability.

Vancouver's economy is projected to remain strong in 2016; however, the international nature of Vancouver's

### City of Vancouver's Mission:

To create a great city of communities that cares about its people, its environment, and the opportunities to live, work and prosper.

economy calls for cautiousness based on recent volatility in global markets. Global uncertainty can reduce demand for exports, and impact City revenue sources such as permit and licence fees that are related to economic strength. Some costs are affected by the Canadian dollar exchange rate which has fallen recently, and as other levels of government reduce program budgets to cope with decreasing revenue forecasts, there may be further impacts to the City. There is a continuing need to budget prudently and transform services to deliver the same or improved service levels with tax increases that are in line with inflation

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while continuing to deliver on public priorities, including affordable housing, childcare, and transportation.

Collective agreements for the majority of City bargaining units will expire at the end of 2015. Limiting future compensation increases to levels affordable to taxpayers will be important. Significant pressure on the 2016 Budget and five-year budget outlook is anticipated as a result of this uncertainty in wage levels, particularly related to Police and Fire Rescue services, which represent 40% of the tax budget and have historically exceeded both inflation and comparable increases for other public sector unions.

## Economic Context

A healthy economy encourages viable businesses and sustainable employment, and helps retain professionals, families and individuals to live and work in Vancouver.

When developing the long-term financial and capital plan (which informs the annual budget), the City considers local, regional and global economic factors, which are in a constant state of change. Understanding the necessary economic context allows the City to plan for near-term risks and uncertainties, and target for long-term financial sustainability and resilience.

The economic outlook commentary for Metro Vancouver, British Columbia and Canada in the following sections is drawn from the Conference Board of Canada Metropolitan Outlook Spring 2015 Report which forecasts key economic indicators through 2019.

### Local Context

A key measure of the economy is Gross Domestic Product (GDP). Sustained GDP growth leads to more business investments, stronger job growth, higher-paying wages, robust residential and office development, and a growing property tax base.

Metro Vancouver is projected to have some of the highest economic growth among major Canadian municipalities over the next four years. Real GDP growth is expected to reach 3.1% in 2015, accelerate to 3.2% in 2016 and 3.5% in 2017, and stabilize at 2.8% on average from 2018 to 2019. Inflation is projected to be 0.7% in 2015 and accelerate to 2.1% on average from 2016 to 2019.

The strong economic outlook would drive job growth in the coming years, with the unemployment rate projected to fall from 6.8% in 2012 to 5.6% in 2015 and to 4.5% by 2019<sup>1</sup>. Annual population growth is expected to be 1.5% in 2015, and accelerate to 1.8% on average from 2016 to 2019<sup>1</sup>. A growing population, stronger employment and improving household income will continue to fuel housing demand and consumer spending.

The City of Vancouver had a record year for housing starts in 2013 with 6,070 units. In 2014, housing starts cooled to 4,650 units and reached 2,240 units in the first half of 2015<sup>2</sup>, much closer to the average historical level. Even with an increase in housing completion from 4,370 units in 2012 to 4,600 units in 2013 and 5,770 units in 2014<sup>2</sup>, a growing population and stronger job market will continue to put pressure on housing demand and affordability for the foreseeable future.

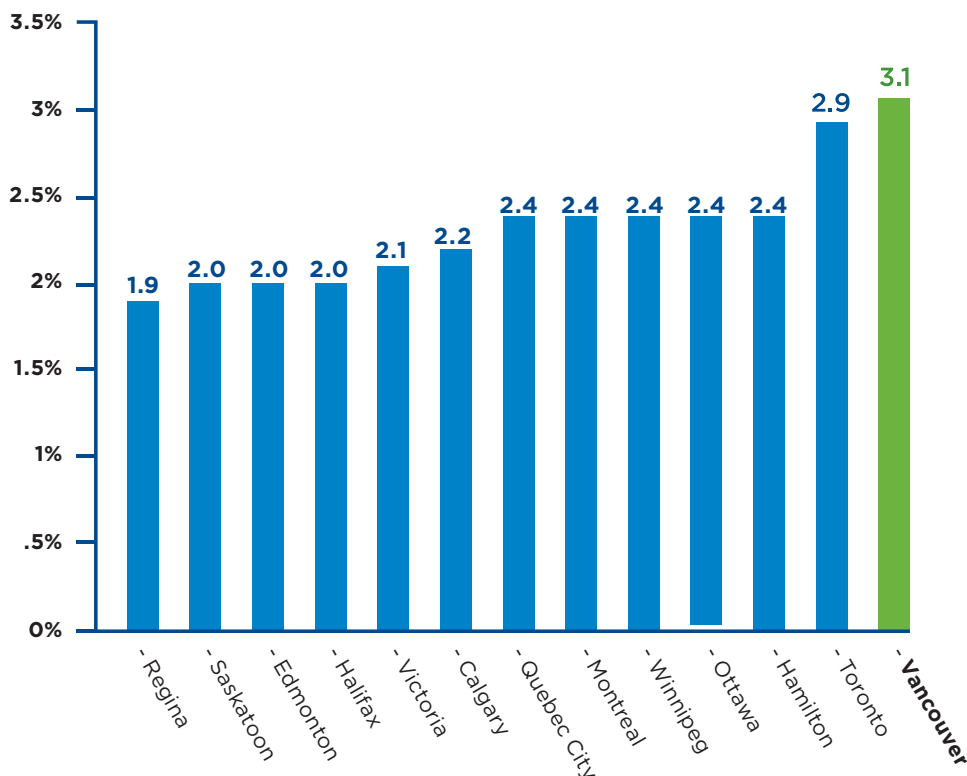
By contrast, after falling 2% to 18,700 units in 2013, Metro Vancouver housing starts have since recovered, increasing 3% to 19,200 units in 2014. It is projected that the trend will continue, increasing 3% to 19,900 units in 2015 and another 3% to 20,500 units in 2016, before stabilizing

at 1% average annual growth from 2017 to 2019 (20,800 units in 2017 and 2018, 21,000 units in 2019)<sup>1</sup>.

Non-residential construction in the City of Vancouver has been robust in recent years, and over 14 million square feet of new office space will be added over the next few years. Projects currently underway include Exchange Tower on Howe Street, TELUS Garden on Robson Street, Burrard Place on Burrard Street, and the East Tower near Rogers Place, among others.

The Government of Canada has announced a number of multi-year funding programs, including the Build Canada Fund and the Public Transit Fund, to help contribute toward the development and renewal of public infrastructure and community facilities across Canada. The upcoming federal election on October 19, 2015 adds further uncertainties to national infrastructure investment priorities. As well, the recent sharp drop in oil prices will continue to put pressure on the federal budget, which could trigger a new round of spending control resulting in more programs and services downloaded to local governments.

### PROJECTED REAL GDP GROWTH, 2016-2019



1 - Conference Board of Canada: Metropolitan Outlook, Spring, 2015  
 2 - Canada Mortgage & Housing Corporation; Housing Now

## National / Regional Context

Metro Vancouver's economy is highly sensitive to the health of the national and provincial economies.

Plummeting oil prices are taking a toll on Canada's economy, which is expected to grow 1.9% in 2015, decelerating from 2.4% in 2014<sup>1</sup>. The sharp drop in oil prices could cost producers over \$50 billion in lost revenues, resulting in a substantial reduction in capital investments that would ripple through the economy. Consumer spending is expected to be held back by soft employment growth, job losses in oil-rich provinces, lower wage increases and higher levels of household debt.

An anticipated interest rate hike by the US Federal Reserve is expected to put further pressure on the Canadian dollar. With a soft domestic economy, excess capacity and a 20% drop in the Canadian dollar against the US dollar since 2014, business investments are not expected to turn around in the near term. On the other hand, lower oil prices are expected to provide further stimulus to an already strengthening US economy, fuelling demand for Canadian exports made more competitive by the lower Canadian dollar. Canada's real GDP growth is forecast to recover gradually in the next few years, increasing to 2.3% in 2016 and stabilizing at 2.1% from 2017 to 2019<sup>1</sup>.

With a strengthening US economy, British Columbia's economy is expected to grow by a nation-leading 3% in 2015 and 2.7% on average from 2016 to 2019 (2.7% in 2016, 3.3% in 2017, 2.8% in 2018, 1.8% in 2019)<sup>1</sup>. Annual employment growth projected at 1.7% on average from 2016 to 2019 is expected to outpace annual population growth projected at 1.3% on average during the same period, thereby lowering the unemployment rate from 6.9% in 2012 to 5.8% in 2015, and further to 4.7% in 2019<sup>1</sup>. It is expected that solid employment growth, low inflation and above-inflation wage gains of 2.7% on average in 2015 and 2016<sup>1</sup> will provide support to both housing and retail markets over the next few years.

Though British Columbia is one of a few provinces that managed to have a balanced budget since 2013, the main economic risk for the province over the next few years continues to be the liquefied natural gas industry as further delays in investments would lower the provincial economic growth from the current forecast. As such, fiscal restraint is expected to continue in the near term and could put further pressure on the City's finances through more downloading of

services or expectations for the City to fill the gap arising from provincial cuts.

## Global Context

Metro Vancouver's economy is highly sensitive to the state of major economies in the Americas, Asia and Europe, as a slowing global demand for British Columbia's key exports, such as energy and forest products, would negatively impact local businesses.

The global economy is expected to grow just 3.1% in 2015 with a slight increase to 3.5% in 2016, reflecting the cyclical underperformance and structural adjustments underway in a number of economically relevant countries. The contraction in international trade in early 2015 impacts both advanced and emerging market economies.

After a slow start in 2015, the US economy has shown substantial improvement led by consumer spending and housing, supported by a solid job market, reasonable affordability, low interest rates and easing credit conditions.

Economic growth in China, the world's second largest economy, has decelerated considerably in 2015 as it continues to transition to a consumer-led economy and rely less on government-sponsored investments and borrowing. As Canada's third largest trading partner, a continued softening of China's economy would reduce the demand for commodity and manufactured inputs from Canada. The equity market sell-off in the late summer of 2015 adds further uncertainty to the already fragile economic outlook.

After emerging from a recession in 2013, the European Union's economy has stalled since 2014. The United Kingdom is expected to lead in economic growth supported by strong domestic demand. Germany continues to experience relatively balanced growth. However, economic recovery for the rest of the Eurozone has not been too encouraging. Unemployment remains historically high, inflation remains stubbornly low, and progress on sovereign debt and structural economic reform has been slow. Prolonged austerity and drastic fiscal reforms, particularly for peripheral economies like Greece, are perceived as hindering recovery and could further destabilize the European integration.

These latest developments would add further uncertainties and volatility to the global economy. As such, the City needs to be prudent in developing 2016 budget estimates, as well as mid-term forecasts.

## Did you know...

Canadian cities receive 8% of total tax revenues to all levels of government, yet are responsible for 60% of the country's infrastructure?

- Federation of Canadian Municipalities

## Fiscally Responsible

Vancouver, like other Canadian cities, offers a broad range of services within a limited range of revenue sources. By legislation, the City is prohibited from running a deficit in its operating budget, or using debt to finance day-to-day operations. Prudent fiscal stewardship and careful financial planning are needed to balance the budget each year while ensuring long-term priorities are pursued in a financially sustainable and resilient manner. Macro-economic conditions that could impact businesses and residents must also be considered.

The City has adopted a set of Financial Sustainability Guiding Principles to guide the development of its service plans, medium- to long-term financial and capital plans, and annual budgets.

### Financial Health Indicators

For long-term financial and capital planning purposes, the City tracks a number of metrics to gauge its financial health and borrowing capacity for long-term capital investments. In developing the 2015-2018 Capital Plan, a key consideration was the impact of capital investments on the operating budget and property tax and fee increases arising from debt servicing, future operating costs and asset lifecycle costs. The City's goal is to minimize the year-over-year increase in debt servicing costs, stabilize the debt level and reduce the debt per capita over the long term. This way, the capital program will not drive significant operating budget increases, helping to maintain property tax and user fees at affordable levels.

### Keep Debt at a Manageable Level

Like most major Canadian cities and senior levels of government, the City of Vancouver uses debt in its mix of payment methods to fund capital investments. This allows payments to be made over a longer timeframe to align with the useful life of the underlying capital assets, and

## Financial Sustainability Guiding Principles

These principles guide the development of our service plans, annual budgets and medium-term to long-term financial and capital plans.

### Fiscal Prudence

- Live within our means
- Consider long-term implications in all decisions
- Maintain a stable and predictable revenue stream
- Keep debt at a manageable level
- Build in flexibility and contingencies for emerging priorities and opportunities

### Affordability and Cost Effectiveness

- Deliver services that are relevant and result in desired public outcomes
- Ensure value for money through productivity and innovation
- Keep property tax and fees affordable (in line with inflation)

### Asset Management

- Maintain assets in an appropriate state of repair
- Optimize capital investments to meet public and economic needs while achieving value for the investment

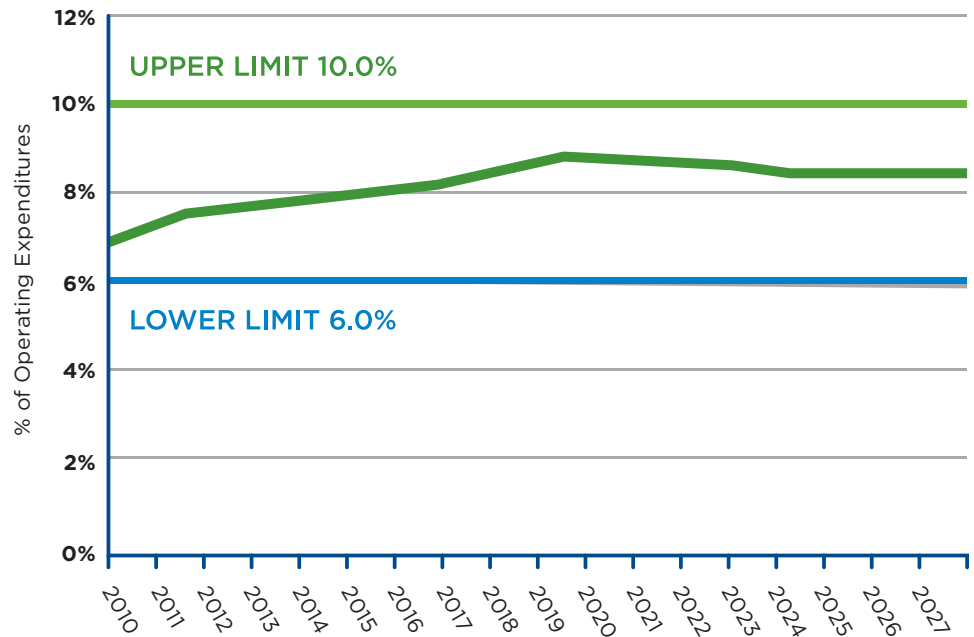
These Guiding Principles are all considered in developing the 2015-2018 Capital Plan and the 2016-2020 Service Plan and Budget.

ensures that generations of residents and businesses that benefit from the capital investments participate in paying for them.

The City takes a careful approach to its use of debt to renew and enhance its public amenities and infrastructure to serve businesses and residents on an ongoing basis, while ensuring a balanced operating budget and keeping property tax and fees at an affordable level. The City's consistently strong credit ratings and favourable borrowing rates reflect this careful approach.

As part of the City's long-term debt management strategy, water and sewer utilities are transitioning their

## TAX-SUPPORTED DEBT SERVICING AS % OF OPERATING EXPENDITURES



Tax-supported debt = general debt + 50% sewer debt

infrastructure lifecycle replacement programs from debt financing to a pay-as-you-go model. This will help lower the City's overall debt and save interest costs over the long term. Looking ahead, the City will continue to explore opportunities, where appropriate, to transition its general capital program to a higher proportion of pay-as-you-go to enhance the City's long-term debt profile and credit ratings.

### Maintain Strong Credit Ratings and Access to Low Borrowing Costs

In 2015, Standard and Poor's upgraded the City of Vancouver's debt rating from AA to AA+. This upgrade reflects the significant decline in debt burden following the full repayment of the Olympic-related debt in 2014, continued improvement in cash position and consistently strong budgetary performance. The City continues to maintain its AAA debt rating from Moody's, which improved their outlook for the City from negative to stable.

The City's strong credit ratings are among the best for a Canadian city, and are supported by a diverse economy and a strong and stable tax base. Continued management of debt within target levels is critical to maintaining and enhancing the City's credit ratings and securing the most favourable borrowing rates to finance the capital program.

### Keep Property Tax and User Fees Affordable

Increases in property taxes in recent years, ranging from 1.4% to 2.8%, have been modest when compared to annual inflation, which has run between 0.1% and 2.3%. During this period, the City has enhanced its network of public amenities in the areas of housing, community services and public safety, and has invested in core infrastructure, such as sewer separation and renewal, and upgraded transportation infrastructure for pedestrians, bikes and vehicles. All these were accomplished through continuous innovation, business transformation and productivity enhancement, while absorbing above-inflation wage increases.

Looking ahead, the growth in public amenities and infrastructure will put increasing pressure on the City's budget. Understanding the long-term impacts on property tax and fee payers arising from its capital investment decisions, including debt servicing, ongoing operating costs and asset lifecycle costs, was a key consideration in developing the 2015-2018 Capital Plan and will continue to guide the annual budget process.



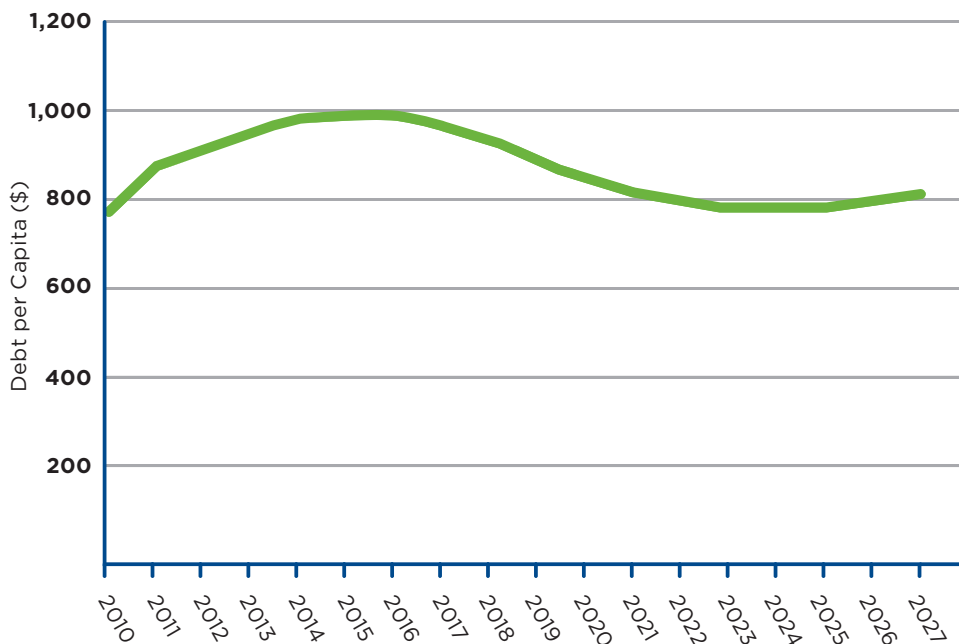
## Maintain Assets in an Appropriate State of Repair

Maintaining core infrastructure and amenities in an appropriate state of repair is critical to the City's long-term financial health and resilience, and helps ensure asset management obligations are not deferred and infrastructure deficits do not accumulate to unacceptable levels. The City's target is to ensure at least two-thirds of City assets are in good or fair condition at any given time.

## Optimize Capital Investments

Before adding new facilities, the City considers repurposing and right-sizing existing facilities, and continues to advance on co-location and functional integration of services to enhance customer service and operational efficiency. All new facilities will be designed with flexible, adaptable and expandable spaces to accommodate changing demographics and future growth.

## DEBT PER CAPITA



Debt = total debt less sinking fund

## Long-Term Priorities

The City's strategic plans and priorities inform the 2016-2020 Budget and five-year financial plan. Priorities include the City's Housing Initiative, Greenest City 2020 Action Plan, Digital Strategy, Transportation 2040 Plan, Healthy City Strategy, and Vancouver Economic Action Strategy. Public consultation, conducted during development of these plans, helps inform the budget in directing spending toward the services that Vancouverites want and need.

Council supports the City's mission "to create a great city of communities that cares about its people, its environment, and the opportunities to live, work and prosper" by aligning spending with programs that support Vancouver's people, environment and prosperity.

## People

**City's Goal:** Cultivate and sustain vibrant, creative, safe and caring communities for the wide diversity of individuals and families who live in, work in and visit Vancouver.

As the eighth largest city in Canada, Vancouver is also one of Canada's most diverse, with neighbourhoods that are hubs of cultural richness. City Council has prioritized the issues of housing, environmental sustainability and health, and inclusion of people regardless of sexual orientation and identity. These priorities demonstrate Vancouver's commitment to creating a safe, inclusive and creative community.

Vancouver is also one of the most densely populated cities in Canada, with 5,600 people per square kilometre. Its growing population and limited land base have

given rise to unique issues related to affordability, economic activity and the availability of land for housing.

Council has prioritized the issues of housing, environmental sustainability, a vibrant economy, and a safe, inclusive and creative community. Council's direction is reflected in key strategic plans that support Vancouverites, encouraging them to engage with the City, and providing direction to policy development and resource allocation.

These include:

- Vancouver Housing Initiative — 2012-2021 Housing and Homelessness Strategy
- 2012 Report on Mayor's Taskforce on Housing Affordability

- Healthy City Strategy - Phase 2
- Culture Plan for Vancouver 2008-2018
- Vancouver Immigration Partnership
- 2011-2021 Capital Strategic Outlook
- Greenest City 2020 Action Plan
- Vancouver Economic Action Strategy
- Transportation 2040
- Digital Strategy
- Report of the Engaged City Task Force
- 2011 Regional Growth Strategy
- 2014-2018 Cultural Plan
- Park Board Strategic Plan
- Library Board Strategic Plan
- Police Board Strategic Plan
- Mayor's Task Force on Mental Health and Addictions



## Environment

**City's Goal: Protect and enhance Vancouver's climate, ecology, natural resources and connections to the city's remarkable natural settings for future generations.**

Vancouver is located in a beautiful natural setting. Council supports the protection and enhancement of Vancouver's climate, ecology and natural resources for future generations, and has prioritized the goal to become the world's greenest city.

The City's Greenest City 2020 Action Plan has measurable and ambitious targets for reducing carbon and waste and improving ecosystems. This key plan addresses goals and issues across diverse areas—including citywide carbon emissions, waste production and water consumption—and has put Vancouver on the path to sustainability in most aspects of life and work in the city.

## Prosperity

**City's Goal: Provide and enhance the services, infrastructure and conditions that sustain a healthy, diverse and resilient local economy.**

Vancouver is fortunate to have one of the most diverse and resilient economies in North America. Vancouver has a strong foundation in the robust natural resource sector, augmented by its strong tourism brand and the growing and unmistakable prominence of Vancouver's technology community. These all contribute to the city's continued economic growth, prosperity and livability.

Vancouver is a major regional transportation hub and a gateway to Asia. The city is home to Port Metro Vancouver—the busiest and largest port in Canada—and is in close proximity to the Vancouver International Airport, often rated as one of the world's best. Vancouver's well-educated, highly skilled and culturally diverse labour force further reinforces its competitive position in the global market.

Council has prioritized economic development by promoting and strengthening local businesses, while also making the City an attractive destination for businesses from around the world.

The Vancouver Economic Action Strategy, spearheaded by the Vancouver Economic Commission, focuses on changes that will most improve Vancouver's business climate, support existing local businesses, facilitate new investment and attract the people essential to the city's future economic success. It places particular emphasis on Vancouver's global leadership in creative industries and clean technology, and on opportunities for greening local businesses.

## Budget Public Opinion Survey:

Satisfaction with Overall Service Quality

### 2015 Budget

- Residents - 81% somewhat or very satisfied or neutral
- Businesses - 73% somewhat or very satisfied or neutral

### 2014 Budget

- Residents - 71% somewhat or very satisfied or neutral
- Businesses - 84% somewhat or very satisfied or neutral

### 2013 Budget

- Residents - 81% somewhat or very satisfied or neutral
- Businesses - 82% somewhat or very satisfied or neutral

### 2012 Budget

- Residents - 84% somewhat or very satisfied
- Businesses - 71% somewhat or very satisfied

### 2011 Budget

- Residents - 81% somewhat or very satisfied
- Businesses - 85% somewhat or very satisfied

are highlights of the investments and achievements accomplished in recent years across the City's five main priority areas: Housing Affordability and Homelessness; Safety, Inclusion and Social Services; Economic Development; Greenest City; and Value for Money.



## Housing and Homelessness

### Housing and Affordability

As a growing and diverse city, increasing the availability and range of affordable housing choices for all residents is critical to the social and economic health of Vancouver. The 2015-2018 Capital Plan earmarked an unprecedented \$125 million of strategic investments in affordable housing. Through policies and partnerships, the City has leveraged almost 10,000 new affordable housing units geared toward low and moderate income households, ranging from supportive and non-market housing to secured market rental, laneway housing and secondary suites.

### Vancouver Affordable Housing Agency (VAHA)

In June 2014, Council created the Vancouver Affordable Housing Agency (VAHA) with a mandate to enable 500 affordable housing units by 2017 and 2,500 units by 2021 through innovative partnerships with non-profit housing partners, developers and senior levels of government. In 2015, VAHA put forward a development plan where 12 City-owned and optioned sites were selected to deliver over 1,000 units over the next several years, with Phase I development in the River District, Downtown Eastside and Kensington-Cedar Cottage. Two additional sites have also been acquired (55-95 and 115 Southwest Marine Drive and 501 Powell Street) for future development. VAHA will work to drive affordability through density optimization, economies of scale, partner equity and low-cost financing. A Request for Qualifications for construction partners earlier this year has generated considerable response, and shortlisted partners will be invited to participate in site-specific tender. In addition, VAHA has procured external consultancy to research the vacant home issue and plans to report to Council in fall 2015.

## Spending to Support Valued Services

Looking ahead to 2020, it is important to note the significant progress being made in advancing Council and community priorities for affordable housing, ending homelessness, promoting economic development, becoming the world's greenest city, and ensuring a safe, inclusive and creative community, while working within budgets defined by modest tax increases. While reshaping the organization to provide services more efficiently, the City has maintained or increased the quality of services, initiated new programs and demonstrated leadership as a sustainable and livable city. The following

## Non-market Housing

A number of projects enabled through strategic partnerships with the City's housing partners are underway in 2015:

- náca?mat ct Strathcona VPL/YWCA project is currently under construction and will create 21 units for low-income single mothers;
- Fire Hall #5/YWCA project has recently been approved to create 31 units for low-income single mothers; and
- Community Housing Land Trust Foundation project is commencing construction in fall 2015 to create 358 units on four City-owned sites, targeting low to moderate income households, seniors and singles.

In addition to the City-led projects, through implementation of various Community Plans, the City continues to secure affordable housing units across the city through inclusionary zoning policies and community amenity contributions (CACs) from rezonings.

There has been a growing interest from developers to partner with the City and other non-profit housing operators to deliver social housing in the Downtown Eastside and the West End as a result of the new Community Plans.

## Supportive Housing and Support to the Homeless

Since 2010, under the 2007 Memorandum of Understanding (MOU) between the City of Vancouver and BC Housing and with significant contributions from the Streethome Foundation, over 1,600 units have been constructed and tenanted.

Between the 2014 homeless count and the 2015 homeless count, as part of this partnership, 383 units were completed. In May 2015 new supportive housing was brought on stream at City-owned Taylor Manor (a 56-unit supportive housing project), serving homeless individuals with mental illness. The following table highlights that over 450 homeless individuals were housed in a net new supply of shelter beds and housing units that opened between March 2014 and March 2015.

After the March 2015 homeless count, Taylor Manor was fully tenanted and another MOU partnership site with 147 supportive housing units, opened at 606 Powell Street/220 Princess Avenue, for women and families needing support.

## Single Room Occupancy (SRO) Hotels

Single Room Occupancy hotels are often the last resort before homelessness for

many vulnerable citizens. The Downtown Eastside Community Plan, adopted by Council in 2014, included actions to improve livability in the stock while minimizing room loss and maintaining affordability. In July 2015, Council earmarked \$2 million to leverage partner funding to support private SRO upgrades and maintain affordability, and amended the Single Room Accommodation (SRA) Bylaw to:

- increase the amount Council can attach to an SRA permit for the permanent removal of an SRO from the SRA Bylaw from \$15,000 to \$125,000 to fund replacement housing; and
- require all repairs involving tenant relocation to obtain an SRA conversion permit.

For non-profit SROs, a \$5,000 per door grant is available to help fund the necessary upgrades. In 2015, Council approved \$530,000 for the renovation of Murray Hotel (1119 Hornby Street) to improve livability in 106 units and \$180,000 for renovation of Asia Hotel (137-139 East Pender Street) to upgrade 36 units, with one third of the units in both projects to be rented at shelter rates.

## Market Rental

Since 2010, through innovative land use policies and incentives, the City has enabled almost 4,000 secured market rental units, of which 968 units have been completed and occupied

and another 1,500 units are under construction. Nearly 600 units have been approved to date in 2015.

Between 2005 and 2009, prior to the introduction of the Short-term Incentives for Rental (STIR) program (currently Rental 100), only 5% of housing starts in Vancouver consisted of rental units; now nearly 20% of total housing starts are rental.

Council amended the Development Cost Levy (DCL) Bylaws to allow DCL waivers for eligible three-bedroom units in June 2015 to encourage family units with more bedrooms.

In addition, the City has approved approximately 2,800 secondary suites and laneway houses since 2012, with over 400 units approved so far in 2015, all of which add to the affordable rental capacity across the city, and toward the goal of 11,000 new units (5,000 purpose-built, 6,000 secondary market such as suites, laneway housing) of market rental stock by 2021.

## Ending Street Homelessness

The City remains committed to solving street homelessness. The annual homeless count helps assess and recalibrate the demand for shelters and supportive services.

Drivers of homelessness include discharge rates of patients leaving hospitals,

### HOUSING FOR HOMELESS: CHANGE BETWEEN MARCH 2014 AND MARCH 2015

Category	Sites	Incremental Units	Housing for Homeless
<b>Supportive Housing Units: BC Housing and City of Vancouver 2007 MOU</b>	1134 Burrard Street; 111 Princess Avenue; 2465 Fraser Street	383	301
<b>Non-MOU Supportive/ Non-Market Housing Units</b>	Kingsway Continental; Taylor Manor Inn	66	41
<b>Interim Housing Units</b>	3475 East Hastings Street; 395 Kingsway; 1335 Howe Street; 1060 Howe Street	199	149
<b>Winter Shelter Beds</b>	900 Pacific Avenue; 1647 East Pender Street; Salvation Army Winter Shelter	35 (Beds)	35 (Beds)
<b>BC Housing SRO P3</b>	Reduction in room capacity due to on-going renovations	-68	-68
<b>Total New Capacity</b>		<b>615</b>	<b>458</b>

inmates released from correctional institutions and youth leaving the foster care system with no fixed address. As well, delays in developing permanent supportive housing and inadequate low-barrier shelters and interim housing, often used to transition homeless into permanent housing, put further pressure on the system.

The 2015 Homeless Count showed that homelessness in Vancouver has stabilized relative to 2014, at 1,746 (1,258 sheltered homeless and 488 unsheltered homeless). This is a result of the significant City investment in and opening of purpose-built supportive housing, and ensuring shelter capacity exists for those street homeless wanting to move in.

### Interim Housing

In 2015, the City enabled 257 units through leases and grants, and provincial rental allowances, all operated by the Community Builders Foundation:

- Conversion of Quality Inn (1335 Howe Street) to a two-year, 157-unit interim housing project;
- Reopening of Bosman Hotel (1060 Howe Street) as a five-year, 100-unit interim housing project named Metson Rooms.

### Vancouver Rent Bank (VRB)

In May 2015, Council approved additional grants to extend the operation of the Vancouver Rent Bank (VRB) through June 2017. The VRB offers short-term, interest-free loans to low-income individuals and families who are in temporary financial crisis and at risk for eviction or essential utility disconnection. It also provides financial counseling, advocacy and referrals to other services.

### Rental Standards Database

The City continues to refine the Rental Standards Database to motivate landlords to maintain their rental buildings and to help renters understand the building conditions and outstanding health and safety bylaw violations to enable them to make more informed decisions about where to live.



## Safety, Inclusion and Social Services

To create a safe and inclusive place for people to live, work, and play, the City has to continue to create innovative programs to address the needs of all its citizens. In 2015, the City released Phase 2 of its Healthy City Strategy, found a safe new home for the Downtown Eastside (DTES) Street Market, created an amazing place for people to interact with new recording technology (Vancouver Public Library Inspiration Lab), and took steps to include trans- and gender-variant citizens into community spaces.

### Healthy City

In July 2015, Council approved the Healthy City Strategy Phase 2 Action Plan (2015-2018), which identifies 19 priority actions for the first four years of the Healthy City Strategy. These actions include developing a Social Amenities Priorities Plan to identify neighbourhoods underserved by social, health and/or community services; launching a Sharing City framework to enable the sharing economy in Vancouver; integrating Active Living design best practices to increase physical activity in the built environment; and assessing the steps to become a Living Wage employer.

The 19 actions were developed through consultation with the Healthy City for All Leadership Table, comprised of Vancouver leaders representing a range of sectors; an inter-departmental staff team; and key stakeholders that include provincial and federal governments, public institutions, foundations, and the private sector. The actions augment existing plans and fill in gaps where strategies do not currently exist. The Action Plan supports the existing Healthy City Strategy framework that was adopted by Council in 2014.

### Mental Health and Addictions

The Mayor's Task Force on Mental Health and Addictions, established in 2013, is a leadership forum modelled on the four pillar approach (harm reduction; prevention; treatment; enforcement).

The task force includes over 60 members, including health care executives, government representatives, academics, non-profit leaders and advisors with lived experience.

With its key partners, the task force develops solutions for better mental health and addiction services in Vancouver. The mandate of the task force is to help the City identify priority actions to improve quality, accessibility, and choice within the system of care for people with serious mental health and addiction issues.

In September 2014, the task force completed its first phase of work and outlined 23 priority actions in the report *Caring for All: Priority Actions to Address Mental Health and Addictions*. Significant progress has been made in implementing the 23 priority actions set out to improve the health and housing needs of residents living with mental health and addiction issues, including new housing for people with mental illness and addictions, funding for two aboriginal wellness centres, and providing funding grants to Family Services and the Bloom Group.

### Downtown Eastside (DTES) Street Market and Community Economic Development (CED) Hub

On August 1, 2015, the Downtown Eastside (DTES) Street Market began operations at its new permanent and secure home at 501 Powell Street. One of the actions identified in the DTES Plan was to find a more permanent place for the DTES Street Market which had outgrown its original home at Pigeon Park.

The DTES Street Market began with a market day every Saturday, and will eventually build up to two to three days per week. The new location will enable the DTES Street Market to triple the number of legal vending opportunities in the DTES to nearly 700 vending positions per week, selling a diverse mix of items, as well as local arts and crafts.

The site will eventually be the home of the City's Community Economic Development (CED) Hub, complete with an urban garden and a maker space later this fall. The CED Hub offers an innovative approach to community economic development, providing opportunities for low-income residents to earn income, participate in meaningful activity, build skills, and bring the neighbourhood together in a shared space. The Hub also achieves several City Council priorities including safe and inclusive neighbourhoods and a strong and vibrant economy.

## VPD Cadet Program

The Vancouver Police Department VPD Cadet program celebrated the completion of its inaugural year in 2015, exceeding all expectations and benefitting the participants in many different ways. The program received over 300 applications (out of the 500 forms handed out at Vancouver schools during the initial recruiting process) and selected 61 youth from a variety of socioeconomic and ethnic backgrounds, reflecting the diversity of Vancouver. An additional 60 cadets have been recruited for 2015 with another 60 anticipated in 2016. These youth have been taught teamwork, leadership, excellence, discipline, and a variety of basic law enforcement skills that will be applied to their everyday lives with the global aim of reducing youth negative behaviours, crime and victimization.

The Cadet Program, which is funded by the City, the Province and the Vancouver Police Foundation, has generated significant interest and has hosted the Lieutenant Governor and the Attorney General of British Columbia. Numerous cadets have been selected to speak at various events in Vancouver.

## Vancouver Public Library Inspiration Lab

The Vancouver Public Library opened its Inspiration Lab in 2015, with funding from the City, the Library, and the Vancouver Public Library Foundation. The Inspiration Lab is a place dedicated to digital creativity, collaboration and storytelling without cost. It features high-performance computers, analog-to-digital conversion, sound studios, video editing and self-publishing software, as well as free access to online resources for thousands of video tutorials on design, video, photography, production and more.

## Vancouver Board of Parks and Recreation Trans-Inclusive Awareness Campaign

In 2015, the Vancouver Park Board launched an awareness campaign for transgender and gender-variant people. The campaign reinforces a key Park Board priority to make all community facilities friendly, safe and open to everyone. The campaign highlights the faces and stories of transgender people, and includes educational posters, brochures and postcards. It is a continuation of the Park Board's trans-inclusive initiative and ongoing programming, including the launch of Vancouver's first trans-inclusive public swim and signage on washrooms and change rooms.



## Economic Development

As a world-class city, Vancouver is continuing to play a major role on the world stage. In the summer of 2015, the City played host to the FIFA Women's World Cup Canada 2015, hosting a number of events, including the final. Next year, the City is getting ready to host the first-ever Americas Masters Games, Canada Sevens Vancouver (World Rugby Sevens Series) and another great TED Conference. Providing attractive amenities like efficient transit and digital connectivity helps drive awareness of our city's economic potential on the international stage.

## Broadway Transit

The City's Transportation 2040 Plan identified the implementation of a Broadway subway as the City's number one transportation priority and is one of the City's most important economic initiatives. The Broadway Corridor, which runs from Commercial Drive to UBC's Point Grey campus, is BC's second largest business and innovation area and North America's busiest bus route. More than 200,000 people currently live and work in the area, and 50% of the corridor transit riders currently come from outside the City of Vancouver. Vancouver Coastal Health and BC Cancer Agency operations along the corridor create the largest health care and life sciences precinct in the province, bringing an estimated 10,000 workers to the area. Vancouver Community College, on the eastern part of the corridor, brings 6,000 students.

The public declined to support the use of provincial sales tax as a funding source for the Mayors' Council on Regional Transportation Plan in the 2015 Metro Vancouver Transportation and Transit Plebiscite; however, both the federal and provincial governments have clearly stated their support of urban public transit projects as fundamental to the success of our economy. In the case of the Broadway subway, critical design work for the project is still underway in partnership with TransLink. This design work is important for improving cost certainty, identifying key project risks,

and establishing business case inputs, all of which are necessary for planned funding applications to senior levels of government.

## TED Conference

TED (Technology, Entertainment, Design) is a global set of conferences, under the slogan "Ideas Worth Spreading." TED was founded in 1984 as a one-off event, with the annual conference series beginning in 1990. In 2014, for the first time in its history, the TED conference was held outside the United States—Vancouver was selected by the Conference organizers to host this annual event in 2014, 2015 and 2016 and potentially for a more extended period.

TED talks are known around the world for being a source of inspiration, innovation and an opportunity to rethink some of the world's most pressing challenges. Millions of people watch the talks in person and online. Being chosen as the host of a TED conference is a vote of confidence in the creative entrepreneurs, social innovators and community leaders who make Vancouver a leading-edge city.

While most of the talks are later released online for free, the conference has offered free live-streaming locally, available at some 60 locations during the conference, including libraries, colleges and universities, public plazas and non-profit and community centres.

The TED2016: Dream conference will be held in Vancouver in February 2016.

## Digital Strategy

The City's Digital Strategy continues to serve as a precedent setting roadmap for Vancouver to become an open, connected and digitally enabled city. This strategy outlines both immediate and future ways to enhance digital engagement and access, improve infrastructure, and support the digital economy, for people who live, work and play in Vancouver.

In 2015, the City of Vancouver saw a significant increase in digital capabilities leading to an enhanced citizen experience and \$30 million in online transactions. Recognizing that overall mobile access to the City's website now regularly exceeds 40% of total visits to the website—an increase of between 10% and 15% compared with 2014—a key theme for 2015 was increased mobility. To this end, the City rolled out VanConnect, a new app and platform for accessing up-to-date information. The VanConnect app enables citizens to request City services,



get emergency updates, find recreation facilities, view road closures and much more—anywhere, anytime. Within two months of being launched, the app was downloaded nearly 7,000 times. The Digital Strategy continues to serve as a strategic foundation for moving the City's approach to digital from an ad hoc approach to an integrated and strategic approach that prioritizes key actions which will have the most value for citizens, business and the City organization.

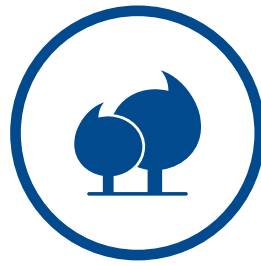
### **Sport Hosting Partnership**

The City of Vancouver has created a novel partnership with the Vancouver Hotel Destination Association, Tourism Vancouver, BC Pavilion Corporation (PavCo)/BC Place, the University of British Columbia, and Sport BC to leverage significant sport hosting opportunities which are the legacy from the City's hosting of the Vancouver 2010 Olympic and Paralympic Winter Games.

Vancouver was selected as a host city for the FIFA Women's World Cup Canada 2015, hosting a number of events, including the final game. The Park Board is leveraging the City's status as a host city to improve access to sport for girls and women in Vancouver. Empire Fields at Hastings Park received a legacy gift from FIFA: a new synthetic turf field surface that will provide a decade of soccer play for all ages at this destination location.

The City will host two more major international events in 2016: the first ever Americas Masters Games and the World Cup Rugby Sevens Series tournament. The Americas Masters Games will welcome over 7,500 amateur athletes from around the world, from ages 35 to over 100, and will have a positive impact for the economy, tourism, and sport development in Vancouver and the region.

The Canada Sevens will be a two-day indoor rugby tournament hosted at the world-class BC Place Stadium, host venue to Canada's most prestigious events, and will feature sixteen of the world's top men's rugby sevens teams. These two major sports initiatives will generate important economic and tourism benefits, and provide lasting sport development legacies in Vancouver and surrounding communities.



## **Greenest City**

Vancouver made a commitment to become the World's Greenest City and it continues to take critical steps to meeting this goal. New multi-family residential and commercial regulations on the dumping of garbage are helping divert solid waste from the landfill and incinerators. Commitments to water reduction and regrowing our urban forest will help make Vancouver greener and more liveable.

### **Solid Waste Diversion - Multi-Unit Residential Buildings Composting**

The Greenest City 2020 Action Plan includes measurable and ambitious targets for reducing and diverting waste. The citywide food scraps diversion program for single family dwellings and duplexes is in its third full year in 2015. Since the start of the program, the City has collected approximately 64% more compostable organics and 40% less garbage. In 2014 and early 2015, the opportunity to participate in the food scraps program was extended to all the City-served Multi-Unit Residential Buildings (MURBs). Of these City-served buildings, 99% now have the infrastructure in place to divert food scraps. About 70% of MURBs in the City of Vancouver are not served by the city in the area of green waste. City staff have been working with property managers, building owners and waste collectors to support the further rollout of the Green Bin program to this sector. In 2015, the City passed a bylaw bringing into our regulatory framework the obligation of both commercial establishments and MURBs to put in place and use a food scraps diversion program—all consistent with Metro Vancouver's Integrated Solid Waste and Resource Management Plan and the regulatory ban on food scraps established by Metro Vancouver.

### **Keep Vancouver Spectacular - 20th Anniversary Year**

Keep Vancouver Spectacular (KVS) was established in 1996 by the City and Tourism Vancouver as a way to empower residents to help keep the city beautiful.

Vancouver has been recognized for environmental leadership with many awards:

**Canadian Earth Hour Champion - World Wildlife Fund (2015)**

**#1 City in North America - Global Green Economy Index (2014)**

**#1 City in North America - Economist Intelligence Unit Global Livability Index (2014)**

**Sustainable Communities Award: Transportation (for Electric Vehicle Charging Infrastructure) - Federation of Canadian Municipalities (2014)**

**Green Champion Award for Climate Leadership - Federation of Canadian Municipalities (2014)**

**Best Green Building Policy - World Green Building Council (2013)**

**Canada's Greenest Employer - Mediacorp (2012)**

**CityStudio: The Greenest City is the Classroom - Canadian Association of Municipal Administrators Willis Award for Innovation (2013)**

Since then, volunteers and volunteer groups from school groups to sports teams, from business improvement associations to community policing centres and neighbourhood associations, have helped clean Vancouver streets throughout the year with a special focus in May.

The KVS program marked its 20th anniversary in 2015. In recognition of this milestone, extra emphasis was placed on the thousands of volunteers who have taken to the streets to keep the city beautiful for those who live here and visit. The City set a goal to encourage 20,000 people to volunteer in KVS neighbourhood cleanups. Thanks to the dedicated volunteers, that goal has been surpassed. To date nearly 20,100 people have participated in 400 cleanups, collecting more than 5,600 bags of litter.

The City would like to extend a thank you to the dedicated individuals, businesses, and neighbourhood groups who participated in the neighbourhood cleanups. Volunteer support and participation in the KVS program help spark a stronger sense of community throughout Vancouver.

## Water Conservation

The City's commitment to reducing city-wide water use is supported by the Greenest City 2020 Action Plan and the implementation of a comprehensive city-wide water reduction strategy. Accentuating this need was 2015's unprecedented drought conditions experienced both locally and province-wide, making reduced discretionary potable water use for irrigation and greater water efficiency within all sectors a greater priority to prevent summertime water shortages and defer costly expansion of source water infrastructure. The City is currently halfway towards its water target under the Greenest City Action Plan of 33% total per capita water reduction from 2006 levels.

Water conservation efforts going forward will be to leverage the momentum behind drought response behaviour change through strategic communication, expanding into corporate reduction efforts to demonstrate leadership and eliminating wasteful water use practices, identifying utility partnerships for projects with dual water and energy reduction benefits, and developing water efficiency policy and incentive programs for industrial, institutional and commercial sectors.

## Urban Forest Strategy

In 2014, the City and Vancouver Park Board rolled out the Urban Forest Strategy, which will provide the necessary tools to protect existing trees, plant trees more strategically, and manage a healthy, resilient urban forest for future generations. Vancouver is home to an urban forest that comprises approximately 140,000 street trees, 300,000 park trees and many trees on private property. The urban forest plays important environmental and social roles, such as cleaning the air, absorbing stormwater, storing carbon, providing habitat, and improving health and well-being. In 2014, the Park Board planted over 10,000 new trees on both private and public property, and is on track to exceed that number for 2015.

## Protecting our Climate and our Local Economy

In late 2013, Kinder Morgan applied to the National Energy Board to triple the capacity of its Trans Mountain Pipeline system. This expansion would result in a seven-fold increase in the number of oil tankers traversing Vancouver's harbour. The City of Vancouver is an intervener in the National Energy Board hearings and commissioned expert evidence on the potential impacts of the pipeline, including the risks from increased oil tanker traffic.

Expert evidence was received on a variety of topics, including: the long-term need for the pipeline given climate change; the potential impact of a spill to the brand of Vancouver, the economic impact to the marine dependent parts of our economy, the available oil spill response capacity, and the ecological impacts of an oil spill.

Based on the expert evidence and public input, in May 2015, staff recommended that Council confirm its position to oppose the pipeline expansion. The reports have also had spin-off benefits informing the work of the City's Emergency Management, Risk Management and Sustainability departments as well as the Vancouver Economic Commission.

The Southeast False Creek (SEFC) development was awarded LEED Neighborhood Development (ND) Platinum certification with the highest point allocation achieved in North America. SEFC had committed to meeting the LEED silver standard, with the goal of meeting the gold standard. The development surpassed this goal in 2011, however, by becoming the second neighbourhood in the world to meet the platinum standard at that time.



## Value for Money

In order to continue to provide increasing services for residents of Vancouver without significantly increasing taxes, the City needs to deliver value for the money invested. Registering for Park Board programs is now easier thanks to an improved online system; trade permit requests can now be made online, with building and development applications available online by year's end; and printing is becoming more economical with less waste created. Together these changes allow the city to better serve its residents while creating more efficient internal systems and processes.

## Performance Metrics

The City has embedded the value-for-money concept into all of its services by linking budgetary decisions with service

metrics. These service metrics are the key component of the City's performance measurement framework and drive performance and cost efficiency by answering the following four questions for each service:

1. Quantity – How much did the City do?
2. Quality – How well did the City do it?
3. Cost Efficiency – Was it cost effective?
4. Result – Is anyone better off?

The City began implementing this framework in 2012, and the 2015 Budget included service plans and more than 270 metrics across all City services. These metrics and plans will continue to be enhanced in the 2016-2020 Budget.

## Embracing Technology and Improving Business Processes

Through technology and business process improvements, the City of Vancouver continues to transform both internal processes and its services delivery.

## Recreation Registration System

In May 2015, a new registration system called ActiveNet was activated as a pilot for summer season registration for the West End Community Centre and Coal Harbour Community Centre, followed by full implementation at all other centres in July and August, including a total of 23 community centres, nine pools and eight ice rinks. ActiveNet replaces an outdated and unreliable system with significant advances in system stability, increased online user experience, greater program registration flexibility and compliance with PCI (payment card industry) requirements, and better reporting capabilities. By the end of August 2015, enrollments for close to 34,000 people had been completed, online traffic was approaching 130,000, and a total of more than \$3.4 million in transactions had been processed.

## Did you know...

Vancouver is going green!  
Vancouver has been named the #1 City in North America by the Global Green Economy Index (2014).

**Managed Print Services**

In 2015, the City began implementing an internal pay-per-use printing service to minimize costs, reduce the City's environmental footprint, change printing behaviour and improve productivity. As of August 31, 2015 the project was on track to its goal of reducing overall print costs by more than 15%.

This replaces the previous patchwork of printing services covered by machines that were often past their serviceable

life and were acquired through leases, purchases and contract for services. Many of these were near the end of their serviceable life and were not economical to maintain.

**Online Permits and Licences**

In the past, applications for dog licences, business licences, and residential parking permits required an in-person visit to a City office during weekday office hours, and booking permit inspections required calling 3-1-1 and waiting.

These requests, including trades permits, can now be made online—any day, any

time. Inspection results are also available faster. Trades contractors can obtain their permit, book inspections, and monitor progress through their online accounts. This transformation is due for completion in early 2016.

Online processing of trades permits (electrical, gas, plumbing, sprinkler) went from 0% to 65% in less than 12 months for over 1,250 contractor accounts, with a contractor satisfaction rate of 95% based on an online survey taken in July 2015. In total, 50% of the approximately 180,000 permits and licences issued annually by the City are now processed online.

## 2015 Budget Overview

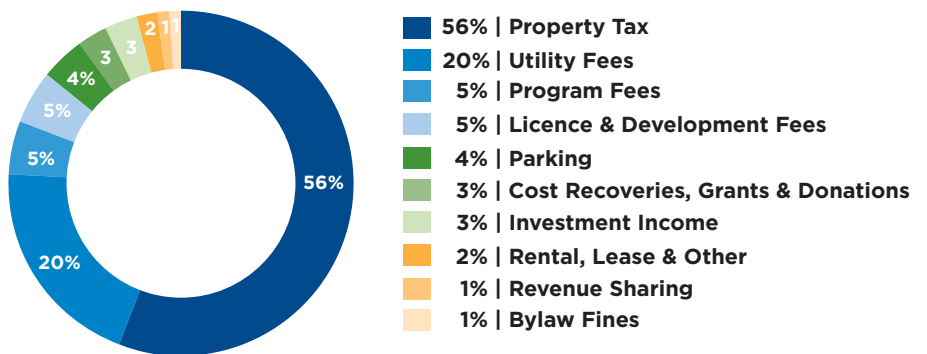
The 2016 Capital and Operating Budget will be developed by building on the current 2015 Budget, for operating revenues and expenses, as well as for capital budget expenditures. Legislation requires that the City balance its operating budget each year, ensuring revenues are sufficient to fund all planned expenditures. The 2016-2020 five-year Outlook looks ahead to ensure a sound strategy is in place to manage expenses, sustain and grow revenues, and to achieve a balanced budget.

### Operating Budget Revenues for 2015: \$1,223 Million

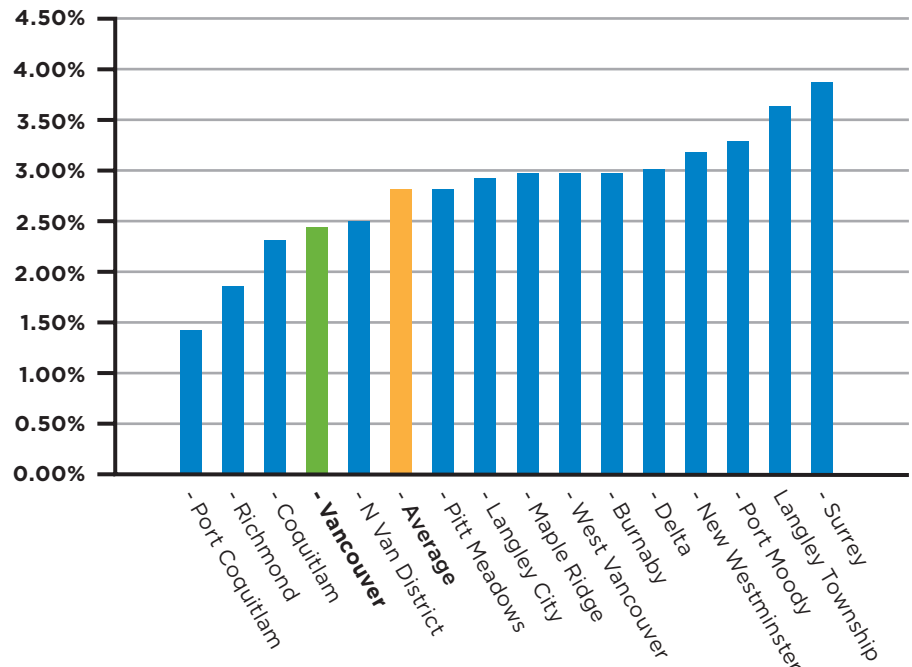
Property tax and utility fees for water, sewer and solid waste make up 76% of the 2015 Budget. These revenue sources are highly predictable. Property development-related fees and permits are the most unpredictable, but account for only 5% of the City's revenue base.

In 2015, Vancouver's property tax increase of 2.46% was one of the lowest property tax increases in the region.

2015 OPERATING REVENUE (\$1,223 MILLION)



2015 PROPERTY TAX INCREASE: CITY OF VANCOUVER VS. METRO VANCOUVER





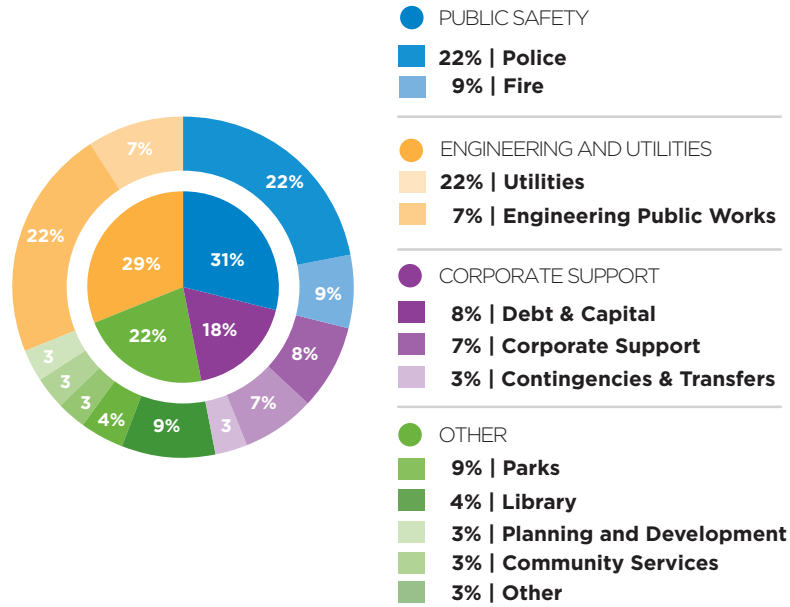
## Operating Budget Expenditures for 2015: \$1,223 Million

The City's expenditures are relatively stable from year to year. By streamlining the way the City does business the growth of the organization has slowed over the last five years, by carefully watching vacancies and retirements to manage staffing levels, without affecting the quality of service offered to residents and businesses.

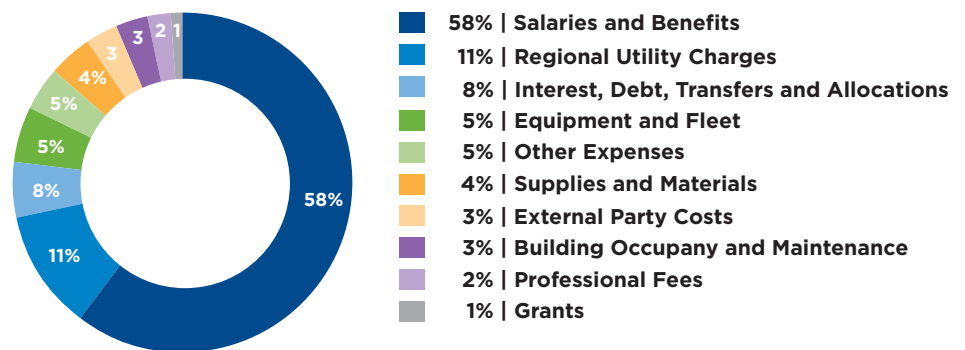
Fire and Rescue and Policing account for nearly one-third of total expenditures. Engineering and utility expenditures (water, sewer, solid waste, Neighbourhood Energy Utility) account for 29% of total expenditures. Together, these service delivery functions account for over half of total City expenditures. Many of these expenses fall in areas that are challenging to streamline. These have grown at a higher rate than other areas due to the need for heavy capital investments to replace aging regional infrastructure and significant wage growth in the public safety sector across the region. Community-related services such as parks and recreation, library, community services and planning make up 22% of the budget.

By type of expenditure staffing costs at over 58% are the largest component of the City's budget. Regional utilities charges represent 11% of operating expenditures which are passed on to the City directly by Metro Vancouver. Eight per cent of the operating budget funds interest and debt payments as well as transfers to other funds and reserves, including the capital fund which, along with development revenues and other external contributions, fund the City's capital budget. The remaining 23% of the budget funds other non-salary costs including building costs, equipment, and grant payments.

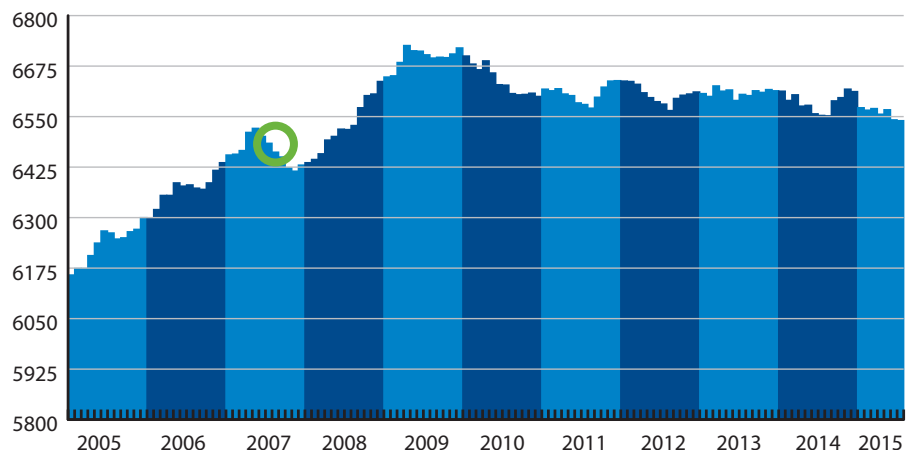
## 2015 OPERATING EXPENDITURES BY SERVICE AREA



## 2015 OPERATING EXPENDITURES BY TYPE (\$1,223 MILLION)



## ACTIVE REGULAR FULL-TIME STAFF



(Note: Count as of last day of month. Job Action 2007)

## Capital Planning

The City owns over \$20 billion of capital assets (replacement value, excluding land) encompassing parks and recreation, community facilities, affordable housing, public safety, roadways, walkways and bikeways, and underground water and sewer infrastructure. The need for renewing, upgrading and expanding infrastructure and facilities to support residents and businesses is significant and growing. Renewing and expanding the City's infrastructure is a way of investing in the future of the City, and an important factor in achieving good value for money by extending the operational lifespan of the City's assets. The City's capital program consists of a 10-year strategic outlook, a four-year plan, and an annual budget plus four-year forecast, with quarterly status reports at a project level.

The City's 2015-2018 Capital Plan was approved October 1, 2014 in the amount of \$1,085 million. Capital investments included in the four-year plan target the following areas of Council Policy:

- Affordable housing and childcare to attract and retain a strong workforce, as part of the Economic Action Strategy;
- Infrastructure and facility rehabilitation and renewal;
- Sewer separation and renewal to meet the regulatory target by 2050;
- Climate change adaptation and seismic upgrades; and
- Various initiatives and commitments relating to the Greenest City 2020 Action Plan.

Since investment in capital projects varies from year to year depending on funding availability, capital needs, facility condition, and changing priorities. The key objective of the 2015-2018 Capital Plan is to strike a balance among maintaining the City's infrastructure and facilities in an appropriate state of repair at any given time, optimizing the City's network of public amenities to best serve residents, business and people who visit and work here, and advancing Council and community priorities within the City's long-term financial capacity. The Capital Plan is designed to be flexible to accommodate changing priorities, as well as emerging priority projects.

Development-related fees and contributions are key to providing public amenities for a growing city. Through strategic partnerships, the City of Vancouver is also finding new partners from whom to source capital, particularly in the area of housing, to meet ambitious targets for affordable housing in the city.

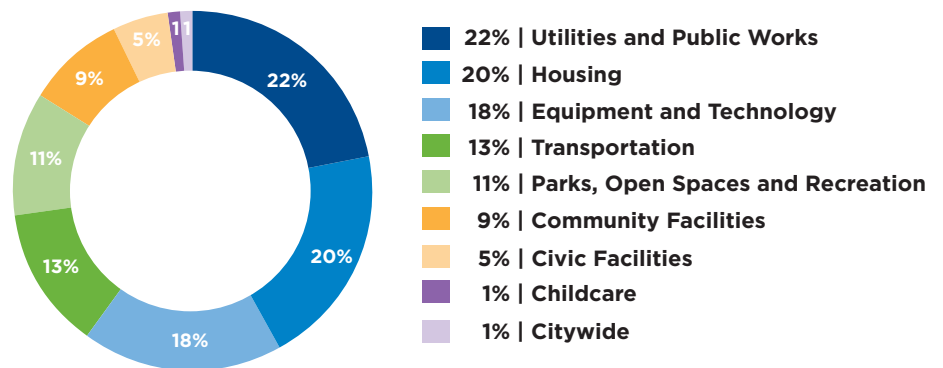
In 2015, the City was successful with several applications to obtain modest federal government funding toward the City's capital program (approximately 0.2% of the City's projected five-year capital expenditures), including improvements to transportation infrastructure, childcare, and the Stanley Park seawall.

### Annual Capital Expenditure Budget for 2015: \$306 Million (Original)

The 2015 annual capital expenditures budget was set at \$306 million with mid-year Council-approved additions of \$6 million, for an adjusted total of \$312 million. As of the second quarter

of 2015, the capital program is projecting to spend approximately 95% of the 2015 expenditure budget, an improvement over prior years' average spending of 85%, and the result of enhanced project management, increased transparency through quarterly status reporting and forecasting, and adjustments to expenditure planning timelines. In 2015, utilities and public works are expected to account for the largest share of planned capital investments at about 22%. Housing investments represent the next largest proportion at about 20%, followed by equipment and technology at 18%, transportation at 13%, parks, open spaces and recreation at approximately 11%, and community facilities, civic facilities, childcare together accounting for about 16% of planned expenditures.

### 2015 ANNUAL CAPITAL EXPENDITURE BUDGET (\$306 MILLION, ORIGINAL)



# Looking Ahead: 2016-2020 Operating and Capital Financial Plan

The purpose of the 2016-2020 Outlook is to provide Council and staff with a longer term view of the City's revenue and expense direction as well as provide insights on potential pressures and risks. Many decisions have multi-year impacts, and developing a financial plan with a longer term view will allow for more informed planning and decision making and reflects public sector budgeting best practice.

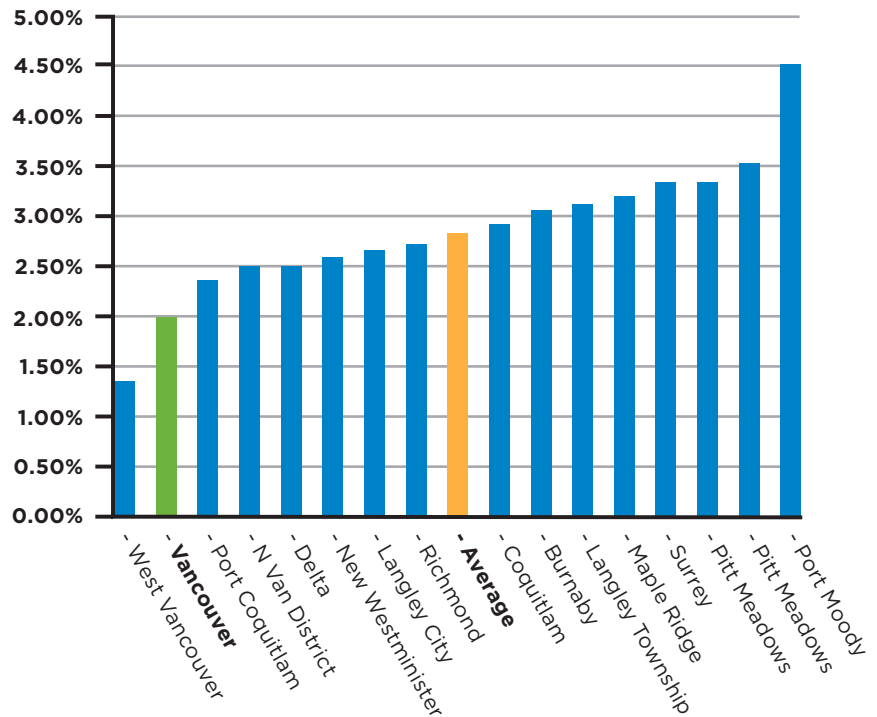
In 2015, Council approved a modest annual property tax increase that was among the lowest in the region, and this follows a similar trend for the last few years. This reflects the City's desire to continue providing valued services to the community while keeping property taxes reasonable, and continuing to address public priorities such as housing, public safety, economic development and the environment.

Looking forward to 2016-2020, wages and benefits make up nearly 60% of the City's operating costs and collective agreements for the majority of City bargaining units will expire at the end of 2015. For each 1% wage increase citywide, the cost is approximately \$7 million, which equates to a 1.1% property tax increase. This represents the most significant challenge to keeping property taxes in line with inflation through 2016-2020, and from 2002-2015, compounded wage growth has been above CPI. Limiting future compensation increases to levels affordable to taxpayers will be important.

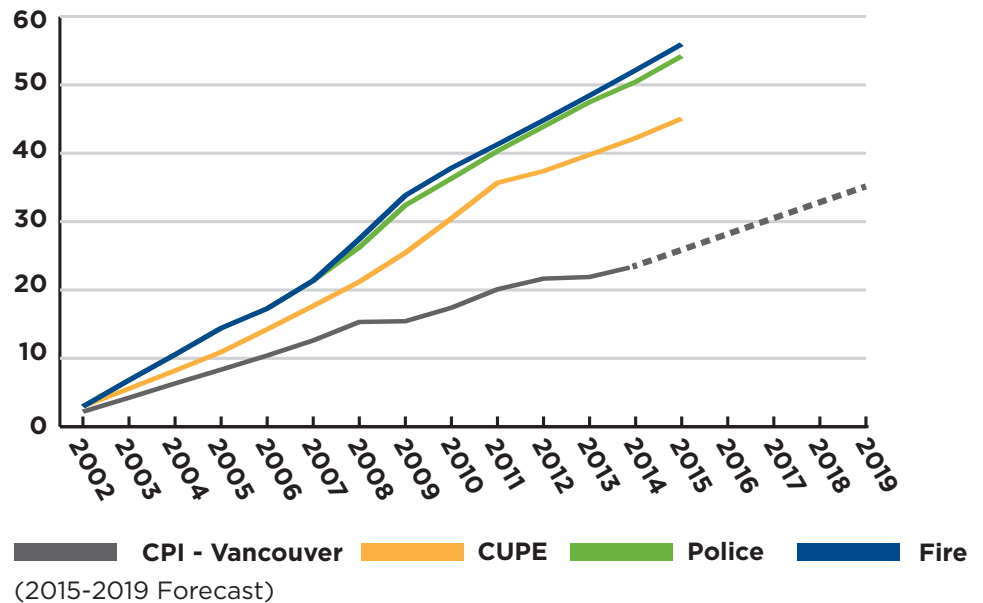
While the City's revenue base is largely stable and predictable, and Vancouver's economy is projected to be one of the strongest performers in Canada in the coming years, the City's economic strength remains linked to the global economy. Recognizing this, City staff will continue to closely monitor the effects of recent international volatility.

The City will also continue to take a cautious approach to the budget outlook and explore areas of opportunity for business transformation to help alleviate pressure on property tax revenues while continuing to deliver on public priorities, including affordable housing, childcare, and a healthy city.

## VANCOUVER VS METRO VANCOUVER FIVE-YEAR AVERAGE PROPERTY TAX INCREASE (2011-2015)



## COMPOUNDED ANNUAL WAGE INCREASES



### Compounded Annual Increase at 2015



## 2016 Operating Budget

Looking out toward 2016, the projected growth in revenues is fairly predictable and consistent with prior years; however, wage cost increases, which are uncertain in 2016 and beyond, will be a key factor in determining the City's rate of expense growth. Keeping wage growth at levels affordable to taxpayers will be an important part of achieving a balanced five-year budget.

### Costs Rising Faster than Inflation

Costs for maintaining both existing staff levels and existing levels of public services are rising faster than inflation in a number of areas:

- Regional utility charges passed on to the City by Metro Vancouver are forecast to increase 5-6% annually from 2016-2020, driven by investment in infrastructure.
- BC Hydro electricity rates are increasing 6% in 2015, followed by projected increases of 4% in 2016, 3.5% in 2017, and 3% in 2018 based on BC Hydro's 10-year plan.
- Operating impacts of capital projects in the Sewer and Water Utility with the change from debt financing to pay-as-you-go projects.
- Depreciation for new fire trucks scheduled to be placed in service in 2016 will have a substantial impact on the operating baseline.

The outlook for 2016 shows the potential for a significant gap between the growth in expenses and the growth in revenues, significantly dependent on the terms of future collective agreement settlements. This trend—shared by all municipalities—will require continued ongoing improvements in productivity and in the way services are delivered in all areas of City services, including process improvements, information technology transformation, and rationalization of service delivery models to address the higher costs of labour, facilities and operations.

### Collective Agreements

At the end of 2015, collective agreements will expire for the City of Vancouver and its related Boards, including the Vancouver Police Department and the Vancouver Public Library. As a result of arbitrated settlements expiring in 2015 for both the Vancouver Police Union and Vancouver Fire Services, the final year of the settlement includes

## 2016 OPERATING BUDGET PRELIMINARY EXPENSE PRESSURES

<b>External Agency Costs passed on to the City:</b>	
Increased Metro Vancouver charges for Water and Sewer utility	\$7 million
Anticipated external party cost increases (including eComm)	\$1 million
<b>Debt and Capital Program Costs:</b>	
Operating impacts of capital projects (Permit and Licence project implementation, fire trucks, and náca?mat ct Strathcona library)	\$4 million
Pay-as-you go Sewer and Water - change from debt financing to operating	\$4 million
Increased non-utility debt cost	\$2 million
<b>Inflationary Cost Pressures:</b>	
Inflationary costs (hydro and gas rates, leases, insurance, materials)	\$2 million
<b>New Programs:</b>	
Investments in new and enhanced services and programs	\$5 million
<b>Salary and benefit costs:</b>	
Salary and benefit increases required by existing collective agreements (contractual increments and projected benefit cost increases)	\$2 million
<b>PRELIMINARY EXPENSE PRESSURES (EXCLUDING IMPACT OF COLLECTIVE AGREEMENTS)</b>	
<b>Wage increases related to collective agreements under negotiation (each 1% increase equals approximately \$7 million annually)</b>	<b>\$27 million</b>
	<b>Plus impact of wage increases to be determined</b>

## 2016 OPERATING BUDGET PROJECTED REVENUE CHANGES

<b>Property Tax:</b>	
Increase in property tax revenue (estimated at 2%)	\$13 million
New construction tax revenue	\$5 million
<b>Utility fees:</b>	
Increase in utility fee revenue (Water, Sewer, Solid Waste, NEU)	\$10 million
<b>Program fees:</b>	
Inflationary increases in program fees and development fees	\$4 million
Increased permit and license volume	\$1 million
Increased program volume	\$1 million
<b>TOTAL PROJECTED REVENUE CHANGES</b>	<b>\$34 million</b>

annual wage increases of 2.5%, higher than the equivalent increase of 2.0% for civic unions for the same final year. Some Lower Mainland municipalities have negotiated Fire agreements until 2018 at 2.5% per annum but none have negotiated deals beyond 2015 for other civic unions.

Given the magnitude of public safety wages relative to the rest of the City, the recent trend of public safety wage increases above inflation will continue to put significant pressure on the City's budget and property tax rates.

### Additional Challenges

The growing trend of federal and provincial governments transferring responsibility for service delivery to municipalities has put increasing pressure on the City's ability to keep expenditure growth below inflation. Examples of some of the challenges the City faces include:

- BC Ambulance Service resource allocations implemented by the Provincial Health Services Authority have presented challenges for both Vancouver Police and Vancouver Fire and Rescue Services first responders.

- The RCMP and provincial government's decision to limit the financial contribution for the cost of DNA analysis services, resulting in costs being downloaded and borne by the municipalities.
- Deterioration of the SRO hotels and the aging social housing stock along with relative decreases in investments in social housing by senior levels of government is having a cumulative impact on homelessness, street disorder and related crisis response costs at the municipal level.
- Closure of the Kitsilano Coast Guard Base has put increased pressure on our Fire and Police deployments in the inner harbour and the waters around Vancouver.
- Inadequate access to treatment for serious mental health and addictions: About 20,000 Vancouver residents are living with serious mental health and addictions, and 3,000 of these are estimated to be at extremely high health risk; two-thirds of the City's homeless are currently in need of adequate mental health and addictions supports. There has been a 43% increase in emergency mental health visits between 2009 and 2013 and an increase in emergency responses, including mental health apprehensions.
- The provincial income assistance rates have not changed since 2007, and have not increased significantly in 20 years. Current income assistance rates do not allow for individuals to access housing and a healthy, nutritious diet.
- The availability of daycare spaces continues to be well below the number needed to meet current demand.

2016-2020 OPERATING BUDGET OUTLOOK PRELIMINARY EXPENSE PRESSURES (\$ in millions)	2016	2017	2018	2019	2020
<b>External Agency Costs passed on to the City:</b>					
Increased Metro Vancouver charges for Water and Sewer utility	\$7	\$8	\$8	\$8	\$8
Anticipated external party cost increases (including eComm)	\$1	\$1	\$1	\$1	\$1
<b>Debt and Capital Program Costs:</b>					
Operating impacts of capital projects (Permit and Licence project implementation, fire trucks, and néca?mat ct Stratchcona library)	\$4	\$4	\$2	\$2	\$2
Pay-as-you-go Sewer and Water - change from debt financing to operating	\$4	\$4	\$4	\$4	\$4
Increased non-utility debt cost	\$2	\$5	\$3	\$3	\$3
<b>Inflationary Cost Pressures:</b>					
Inflationary costs (hydro and gas rates, leases, insurance, materials)	\$2	\$2	\$2	\$4	\$4
<b>New Programs:</b>					
Investments in new and enhanced services and programs	\$5	\$5	\$5	\$5	\$5
<b>Salary and benefit costs:</b>					
Salary and benefit increases required by existing collective agreements (contractual increments and projected benefit cost increases)	\$2	\$2	\$4	\$4	\$4
<b>PRELIMINARY EXPENSE PRESSURES (EXCLUDING IMPACT OF COLLECTIVE AGREEMENTS)</b>	<b>\$27</b>	<b>\$31</b>	<b>\$29</b>	<b>\$31</b>	<b>\$31</b>
<b>Wage increases related to collective agreements under negotiation (each 1% increase equals approximately \$7 million annually)</b>	<b>Plus impact of wage increases to be determined</b>				

2016-2020 OPERATING BUDGET OUTLOOK PROJECTED REVENUE CHANGES	2016	2017	2018	2019	2020
<b>Property Tax:</b>					
Increase in property tax revenue (estimated at 2%)	\$13	\$13	\$13	\$13	\$13
New construction tax revenue	\$5	\$5	\$5	\$5	\$5
<b>Utility fees:</b>					
Increase in utility fee revenue (Water, Sewer, Solid Waste, NEU)	\$10	\$10	\$10	\$10	\$10
<b>Program fees:</b>					
Inflationary increases in program fees and development fees	\$4	\$4	\$4	\$4	\$4
Increased permit and license volume	\$1	—	—	—	—
Increased program volume	\$1	—	—	—	—
<b>TOTAL PROJECTED REVENUE CHANGES</b>	<b>\$34</b>	<b>\$32</b>	<b>\$32</b>	<b>\$32</b>	<b>\$32</b>



## Operating Budget 2016-2020 Five-Year Outlook

Budget decisions will be based on a five-year financial plan to ensure Council priorities are addressed, to enable proactive planning for business transformation opportunities, and to respond to emerging risks. The 2016 Budget is the first year of a five-year outlook. The following outlines the main budget drivers over the next five years.

Operating revenue is projected to increase by an average of 3% per year from 2016-2020. This increase is driven by the following assumptions:

- Property tax increases to continue to be in line with inflation rates (forecast at 2% annually);
- Property taxes from new construction to increase \$5 million annually, representing less than 1% of our property tax base;
- Utility rates to increase an average of 4% per year, based on Metro Vancouver regional utility charge forecasts (subject to change when Metro Vancouver rates for 2016 are finalized in October 2015);
- Program fee revenues to increase in line with inflation, and license and development fees to be adjusted as part of a regular fee review.

Expenditures are projected to increase primarily due to:

- Increases to regional utility charges assessed by Metro Vancouver of 5%-6% per year to fund the cost of new capital infrastructure (based on Metro forecasts). Note: Increased Metro Vancouver sewer utility charges exclude costs to relocate Iona biosolids, in preparation for secondary treatment upgrading. Metro Vancouver is currently developing a funding proposal for this work.
- Increasing costs supporting the 2015-2018 Capital Plan and reflecting increasing debt costs, the operating cost of new facilities and equipment, and a transition to increasing use of pay-as-you-go capital for water and sewer utilities.
- \$5 million annually for investment in new and enhanced services.
- Estimate of \$1 million to \$2 million per year for cost increases passed on from external parties and senior levels of government, as service costs continue to be passed down to municipalities.

• Impact of implementing a proposed living wage policy in the City (unknown at this time). While most internal staff earn wages at or above the living wage, the impact on third-party costs will need to be evaluated and would be expected to add to the City's cost structure.

The 2016-2020 Budget will incorporate feedback from public consultation with Vancouver residents and business owners.

Note: The estimates contained in this report are preliminary and are based on assumptions related to future events and rate changes that have been estimated based on the current economic outlook, recent expenditure growth trends, and available Metro forecasts. These assumptions will be refined and adjusted over the coming months to reflect ongoing productivity improvements and service delivery changes to bring the 2016-2020 Budget into balance.

## Capital Budget 2016-2020 Five-Year Outlook

The 2015-2018 Capital Plan ([vancouver.ca/your-government/capital-plan.aspx](http://vancouver.ca/your-government/capital-plan.aspx)) was approved by Council in October 2014 and includes \$1,085 million of capital investments. Funding from the multi-year capital plan is allocated to specific capital programs and projects through the annual Capital Budget process. The 2015-2018 Capital Plan provides the framework for 2016 funding allocations to new projects included in the 2016 Capital Budget. The historical spend has varied over the past several years depending on the timing of projects within the capital plan period. Currently the City is forecasting to spend approximately \$292 million in 2015. The capital budget for 2016 is expected to increase given that many of the City's major projects will be moving from the planning or initial phases to implementation or operational phases (e.g., Burrard Bridge rehabilitation and upgrades, fire truck replacement, etc.). Anticipated capital expenditures in 2017 are estimated at \$330 million, reflecting the continuation and completion of the major capital projects in construction or

implementation phases in 2016. Capital expenditures are expected to return to more historical levels of approximately \$300 million in 2018, 2019, and 2020. The forecasts for 2019 and 2020 are early estimates given that the 2019-2022 Capital Plan has not been developed yet and will not be presented to Council for review and approval until 2018.

The 2016 Capital Budget will be based on the 2015-2018 Capital Plan, which outlines key projects across City departments for the four years of the plan. Specific projects will be prioritized based on need, the opportunity to leverage senior government funding, and the enabling of business transformation through capital investments. Utility maintenance and upgrading remain a critical priority. As factors affecting capital priorities change subsequent to the approval of the Capital Plan, the Plan is adjusted as necessary to align with current capital priorities and budget challenges (e.g., addition of new funding or changes in funding sources, or addition or deletion of projects).

Included in the 2016 Capital Budget are expenditures related to multi-year capital projects and new projects that will start in 2016 based on the approved Capital Plan. The table below provides an estimate of the expenditures for current approved projects continuing into 2016 and expenditures for new 2016 projects. Over the next few months, staff will review the scheduling of projects across the five-year outlook to further refine the 2016-2020 Budget Outlook based on priorities, as well as capacity to deliver.

In 2015, the City received some senior government funding to support the City's capital program. As of September 1, a total of \$2.15 million was committed by the Government of Canada and \$1.175 million by the Province of British Columbia. Key projects are improvements to the intersection of Knight Street and Marine Drive (\$1 million in federal funding), delivery of childcare centres at Lord Nelson Elementary School and Sir Sandford Fleming Elementary School (\$1 million in provincial funding), expansion of

### 2016 Annual Capital Expenditure Budget Preliminary Outlook

2016 capital expenditures for continuing projects	\$203 million (estimated)
2016 capital expenditures for new projects (second year of 2015-2018 Capital Plan)	\$167 million (estimated)
<b>Total Capital Expenditure Budget Estimate</b>	<b>\$370 million (estimated)</b>

the Central Library onto Levels 8 and 9 (\$500,000 in federal funding) and renewal of Stanley Park seawall: (\$500,000 in federal funding). The City will be implementing these projects over the next one to three years.

The following highlights key capital investments being planned for 2016 to 2020:

### Affordable Housing

The City will continue to create and renew social and supportive housing through innovative partnerships with non-profit partners, senior levels of government, and the private sector. The Vancouver Affordable Housing Agency (VAHA) will lead this initiative by leveraging City and partner land and capital grants. The construction of affordable housing units on City-owned land through agreements with the Community Housing Land Trust Foundation will continue in 2016 with expected Phase One occupancy in late 2016. Construction of affordable housing units in the River District (East Fraser Lands) is also planned to start in 2016, with anticipated completion in 2018. The City will also continue to work with non-profit organizations in 2016 to seek opportunities for an investment program that would support the upgrading of private SRO (Single Room Occupancy) hotels, and support non-profit organizations purchasing or leasing these buildings to maintain housing affordability. Construction of social housing in the Southeast False Creek Area 3B development is expected to commence in 2016, while consulting for development plan and rezoning is planned to commence in 2016 for the redevelopment of Roddan Lodge (social housing) and the Evelyne Saller Centre (community social facility).

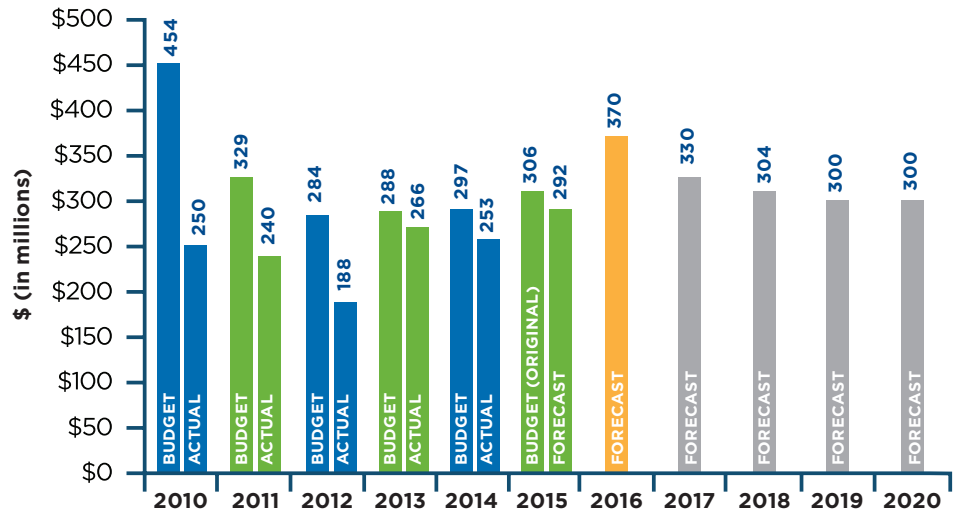
### Childcare

Design will continue for the Lord Nelson Elementary School child care project (partnership project with Vancouver School Board), with construction anticipated to commence in summer 2016. Design will also commence in 2016 for the Sir Sandford Fleming Elementary School childcare project (also in partnership with Vancouver School Board), with construction to follow in 2017.

### Parks, Open Spaces, and Recreation

Stanley Park projects are a focus for 2016, including capital maintenance and renewal of portions of the Stanley Park Seawall, separated pedestrian and cycling pathways in the park, and cycling paths linking to the upgraded Stanley Park Causeway. In the recreation area, the Eric Hamber/

## CAPITAL EXPENDITURE TREND COMPARISON, 2010-2020 (in millions)



Oak Park and West Point Grey synthetic turf surfaces will be replaced. The greening of Hillcrest and Riley Park, including a Challenger Diamond, youth soccer field, and neighbourhood amenities, are scheduled to be completed in 2016. New and upgraded playgrounds at Creekside and Andy Livingstone Parks are also scheduled for 2016. Projects planned for 2017 and 2018 include a new track-and-field at a location to be determined, starting work on a new waterfront park in North East False Creek, and planning for a new waterfront park east of the Creekside Community Centre on False Creek.

In line with the City's Urban Forest Strategy, new trees will be planted citywide to enhance the forest canopy. Work is also expected to commence on the Killarney Seniors' Centre, with completion in 2018. Stakeholder consultation will continue in 2016 for the Britannia Community Centre Renewal Phase 1, followed by preliminary design. Redevelopment of the North Plaza of the Vancouver Art Gallery has commenced with infrastructure repairs and the final redevelopment and refurbishment is expected to commence in 2016. Construction will continue on the upgrades to the electrical distribution system at Stanley Park, with completion planned for spring 2016. Work is also expected to commence in 2016 on upgrades to the Burrard Marina.

### Community Facilities

Construction will continue on the new néca?mat ct Strathcona Library with estimated completion in August 2016. Architectural design and construction documentation for the expansion of Central

Library to levels 8 and 9 is planned for 2016, with construction tendering in fall 2016 and construction to begin in early 2017.

### Civic Facilities

Construction of Fire Hall #5 will commence in 2016, part of a multi-year program to upgrade and replace the City's fire halls. Construction of the fire hall is scheduled to be completed in 2018. Preliminary design and rezoning for the replacement of Fire Hall #17 will also commence in 2016, with construction to commence 2017 and continuing into 2018.

### Transportation

Despite the public declining to support the use of provincial sales tax as a funding source for the Mayors' Council Transportation Plan in the 2015 plebiscite, both the federal and provincial governments have clearly stated their support of urban public transit projects as fundamental to the success of our economy. Critical design work for the Broadway subway project will continue in 2016 in partnership with TransLink to improve cost certainty, identify key project risks, and establish business case inputs, all of which will be necessary for planned funding applications to senior levels of government.

In 2016, the City will continue on work started in 2015 on modifications to the Burrard Bridge and nearby streets, to rehabilitate the bridge, improve safety at the Burrard Street/Pacific Street intersection, and restore walking to the east bridge sidewalk. The project is expected to be completed in mid-2017.



## Utilities

Design consultation will continue into 2016 for the closure and gas collection infrastructure for the western 40 hectare section of the Vancouver Landfill, and for the Phase 3 closure of the southeast section of the landfill. Construction is planned to commence in 2017, with completion in 2019. Reconstruction of the entrance to the landfill is also now planned for 2016, following the resolution of several regulatory and local business concerns that had delayed the project in recent years.

## Equipment and Technology

Implementation of the Permit and Licence Transformation Program will be completed in the first quarter of 2016, modernizing the way the City delivers permit and licence services and establishing the City of Vancouver as a leader in government service delivery.

### Work on the Legal Services

Transformation project is also planned to be completed in 2016, delivering business process efficiencies, organizational design improvements, and new technology tools that increase the effectiveness, efficiency, and capacity of the Legal Services department.

Also planned for 2016 is the procurement and implementation of a new Fleet Management software solution which will improve how the City manages and maintains the City's vehicles and equipment; the implementation of a modern fleet GPS technology to more effectively manage and track the City's vehicles by providing data on vehicle movement and the utilization of associated equipment; and the implementation of an electronic scheduling solution for Vancouver Fire & Rescue Services, replacing a manual process incorporating multiple systems to schedule 800 firefighters at 20 fire halls.

City fleet purchases in 2016 will continue to be focused on reduced greenhouse gas impact and improving operational efficiencies. Equipment deliveries planned for 2016 include 25 fire apparatus to replace end-of-service-life units.

## 2016-2020 Operating and Capital Budget Risks

There are a number of internal and external risks that can affect the City's five-year financial outlook and are considered in developing the City's budget.

## Revenue Risks

Approximately 76% of the City's operating revenue comes from property taxes and utility fees, which form a stable and predictable revenue base for the City. Less than 5% of the revenues come from cyclical revenues such as development and permit fees. However, because a significant portion of operating expense budgets are related to salary and contractual expenses that are fixed in the short-term, the City takes a prudent approach to revenue forecasting.

Revenue risks include:

- Development permits and licence fees, which represent 5% of the revenue budget, are sensitive to economic slowdown and downward changes in the economy may negatively affect revenues.
- Program fee revenue, parking, rental and lease income generate a combined 12% of City revenue and are also sensitive to general economic conditions in the City, seasonal weather factors and increased market competition.
- Cost recoveries, grants, and donations from external parties and provincial revenue sharing provide 5% of City revenue and 7% of the City's 2015-2018 Capital Program funding and are subject to risk of program reduction or discontinuation.
- Developer cost levies and community amenity contributions are a significant portion of capital budget revenues. An economic downturn could lead to less real estate development and therefore less development-related capital revenues, resulting in some capital projects being delayed or cancelled.

## Expenditure Risks

A significant portion of non-salary expenses are contractually fixed and predictable in the short term. For expenses that are less predictable during the year, the annual budget includes a \$4 million contingency fund to cover unanticipated expenses, subject to approval by Council before the funding is accessed.

Expenditure risks include:

- Costs associated with collective agreements from 2016-2020, including arbitrated agreements, for which the City has no control over final settlement costs.
- Unforeseen increases in employee benefit costs, including costs associated

with employer pension contributions, Worksafe B.C. premiums, employee extended health and dental benefit or long-term disability insurance claims.

- Unanticipated costs passed down to the City from other levels of government.
- Costs borne by the City in response to unforeseen events, such as public emergencies, and issues such as higher operating costs related to climate change or unusual weather events, including costs associated with higher water consumption during periods of low rainfall, costs associated with flooding, wind damage, or snow and ice removal in periods of high winter storm activity.
- Delays in the generation of financial benefits from service transformations.
- Any significant increase in interest rates, which will increase the City's debt servicing costs on new debt and limit future borrowing capacity.
- Future needs for rapid transit could be a potential pressure to the five-year plan.

## Summary

Vancouver's economy is projected to remain strong over the coming years, but the relationship of Vancouver's economy with the global economy calls for cautiousness, based on recent volatility in global markets. While significant progress is being achieved in 2015, there is a continuing need to transform services to deliver the same or improved service levels with tax increases in line with inflation, while continuing to deliver on public priorities including affordable housing, childcare, and transportation.

Opportunities still exist, particularly through leveraging technology and updating service delivery models; however, the transformations require increasingly more investment, take more time, and will have a greater impact on the organization, and the public. Collective agreements for the majority of City bargaining units will expire at the end of 2015. Limiting future wage growth to levels affordable to taxpayers will be an important aspect of achieving a balanced budget while keeping property tax increases in line with inflation.

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## For more information on the City of Vancouver's priorities and actions, visit:

### VANCOUVER HOUSING INITIATIVE 2012-2021 HOUSING AND HOMELESSNESS STRATEGY

[vancouver.ca/people-programs/vancouvers-housing-strategy.aspx](http://vancouver.ca/people-programs/vancouvers-housing-strategy.aspx)

### 2012 REPORT ON MAYOR'S TASK FORCE ON HOUSING AFFORDABILITY

[vancouver.ca/your-government/mayors-task-force-on-housing-affordability.aspx](http://vancouver.ca/your-government/mayors-task-force-on-housing-affordability.aspx)

### HEALTHY CITY STRATEGY - PHASE 2

[vancouver.ca/people-programs/healthy-city-strategy.aspx](http://vancouver.ca/people-programs/healthy-city-strategy.aspx)

### CULTURE PLAN FOR VANCOUVER 2008-2018

[vancouver.ca/parks-recreation-culture/culture-plan-2008-2018.aspx](http://vancouver.ca/parks-recreation-culture/culture-plan-2008-2018.aspx)

### VANCOUVER IMMIGRATION PARTNERSHIP

[vancouverimmigrationpartnership.ca/](http://vancouverimmigrationpartnership.ca/)

### 2011-2021 CAPITAL STRATEGIC OUTLOOK

[vancouver.ca/your-government/capital-strategic-plan.aspx](http://vancouver.ca/your-government/capital-strategic-plan.aspx)

### GREENEST CITY 2020 ACTION PLAN

[vancouver.ca/green-vancouver/greenest-city-action-plan.aspx](http://vancouver.ca/green-vancouver/greenest-city-action-plan.aspx)

### VANCOUVER ECONOMIC ACTION STRATEGY

[vancouver.ca/files/cov/vancouver-economic-action-strategy.pdf](http://vancouver.ca/files/cov/vancouver-economic-action-strategy.pdf)

### TRANSPORTATION 2040

[vancouver.ca/streets-transportation/transportation-2040.aspx](http://vancouver.ca/streets-transportation/transportation-2040.aspx)

### DIGITAL STRATEGY

[vancouver.ca/your-government/digital-strategy.aspx](http://vancouver.ca/your-government/digital-strategy.aspx)

### REPORT OF THE ENGAGED CITY TASK FORCE

[vancouver.ca/your-government/engaged-city-task-force.aspx](http://vancouver.ca/your-government/engaged-city-task-force.aspx)

### 2011 REGIONAL GROWTH STRATEGY

[vancouver.ca/docs/eastern-core/regional-growth-strategy.pdf](http://vancouver.ca/docs/eastern-core/regional-growth-strategy.pdf)

### 2014-2018 CULTURAL PLAN

[vancouver.ca/files/cov/presentation-culture-plan-strategic-directions-2013-oct.pdf](http://vancouver.ca/files/cov/presentation-culture-plan-strategic-directions-2013-oct.pdf)

### PARK BOARD STRATEGIC PLAN

[vancouver.ca/files/cov/park-board-strategic-plan-presentation-20120627.pdf](http://vancouver.ca/files/cov/park-board-strategic-plan-presentation-20120627.pdf)

### LIBRARY BOARD STRATEGIC PLAN

[vpl.ca/about/details/vpls\\_2013-2015\\_strategic\\_plan\\_mission\\_vision\\_values\\_priorities\\_and\\_goals](http://vpl.ca/about/details/vpls_2013-2015_strategic_plan_mission_vision_values_priorities_and_goals)

### POLICE BOARD STRATEGIC PLAN

[vancouver.ca/police/about/strategic-planning/index.html](http://vancouver.ca/police/about/strategic-planning/index.html)

### MAYOR'S TASK FORCE ON MENTAL HEALTH AND ADDICTIONS

[vancouver.ca/your-government/mayors-task-force-on-mental-health-and-addictions.aspx](http://vancouver.ca/your-government/mayors-task-force-on-mental-health-and-addictions.aspx)

To learn more about the City of Vancouver's budget, visit: [vancouver.ca/budget](http://vancouver.ca/budget) or call: 3-1-1



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