



ADMINISTRATIVE REPORT

Report Date: November 24, 2015
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VanRIMS No.: 08-2000-20
Meeting Date: December 9, 2015

TO: Vancouver City Council

FROM: Director of Finance

SUBJECT: 2016 Capital and Operating Budget

RECOMMENDATION

THAT Council approve the following recommendations related to the 2016 Operating Budget:

- A. THAT Council approve the budget resolution attached as Appendix 2 thereby adopting the final 2016 Operating Budget as outlined in Appendix 1, the City of Vancouver 2016 Budget, with a property tax increase of 2.3%.
- B. THAT Council approve the Vancouver Board of Parks & Recreation 2016 Operating Budget of \$115,018,100 in expenditures, and \$53,895,100 in fee and program revenues and \$61,123,000 of tax-based operating funds.
- C. THAT Council approve the 2016 Property Endowment Fund (PEF) Operating Budget of \$49.9 million revenue and \$49.9 million expenses (including transfers) as outlined in Appendix 1.

And THAT Council approve the following recommendations related to the 2016 Capital Budget:

- D. THAT Council approve the 2016 Capital Budget (expenditure budget) as outlined in Appendix 1, the City of Vancouver 2016 Capital and Operating Budget and detailed in Appendix B, in the amount of \$325.2 million, consisting of:

(\$ millions)	Previously Approved Projects	New Projects	Total 2016 Expenditures
Housing	\$25.4	\$4.1	\$29.5
Childcare	5.1	1.4	6.5
Parks, Open Spaces and Recreation	25.3	13.9	39.2
Community Facilities	20.0	4.0	24.0
Civic Facilities	16.4	2.1	18.5
Transportation	21.9	37.3	59.1
Utilities and Public Works	24.3	54.8	79.1
Equipment and Technology	58.0	6.9	64.9
Citywide	0.1	4.5	4.5
Total	\$196.3	\$128.9	\$325.2

NOTE: Totals may not add due to rounding

- E. THAT Council approve funding sources for new Capital Projects to begin in 2016 as outlined in Appendix 1, the City of Vancouver 2016 Capital and Operating Budget, and with specific project detail in Appendix A, in the amount of \$230.6 million, of which \$128.9 million is budgeted in the 2016 Capital Budget and \$101.7 million is forecast to be spent in future years for projects spanning multiple years.

(\$ millions)	2016 New Funding Requests	2016 Expenditures	Future Year Expenditures
Housing	\$7.4	\$4.1	\$3.3
Childcare	10.0	1.4	8.6
Parks, Open Spaces and Recreation	20.1	13.9	6.2
Community Facilities	9.4	4.0	5.4
Civic Facilities	7.7	2.1	5.6
Transportation	49.4	37.3	12.1
Utilities and Public Works	103.1	54.8	48.3
Equipment and Technology	19.1	6.9	12.2
Citywide	4.5	4.5	0.0
Total	\$230.6	\$128.9	\$101.7

NOTE: Totals may not add due to rounding

Funding sources as follows:

- Capital from Revenue and Debenture Borrowing \$80.43 million, consisting of:
 - Capital from Revenue \$13.48 million
 - Debenture Borrowing Authority \$66.95 million
- Other Sources of funding \$150.13 million, consisting of:
 - Operating Revenue that funds Capital Projects \$16.32 million
 - Special Purpose Reserves \$45.03 million, consisting of:
 - Parking Meter Reserve \$0.75 million
 - Plant and Equipment Reserve \$10.00 million
 - Public Art Maintenance Reserve \$0.59 million
 - Signature Project Public Art Reserve \$0.10 million

- Solid Waste Capital Reserve \$29.25 million
 - Stanley Park Restoration Reserve \$0.04 million
 - Translink OMR Reserve \$4.30 million
 - Developer Contributions of \$51.64 million, consisting of:
 - Citywide Development Cost Levies (DCL) \$41.97 million
 - Community Amenity Contributions (CAC) of \$9.67 million, consisting of:
 - Rezoning of 998 Expo Boulevard (Concord 5B West) \$1.26 million
 - Rezoning of 1600 Beach Avenue and 1641 Harwood Street \$0.24 million
 - Rezoning of 1754-1772 Pendrell Street \$0.25 million
 - Rezoning of 2806-2850 Cambie Street, 454 West 12th Avenue and 465 West 13th Avenue \$0.17 million
 - Rezoning of 357, 375 & 391 West King Edward Avenue \$0.15 million
 - Rezoning of 1400 Howe Street and 1305-1355 Burrard Street \$2.30 million
 - Anticipated rezonings in the Downtown area \$5.30 million
 - User Fees and Levies \$16.01 million
 - Reallocations of existing funding \$1.67 million
 - Other/External \$19.45 million
- F. THAT Council approve five (5) Capital Grants totaling \$1.45 million as outlined in this report; source of funds to be Capital from Revenue (\$0.96 million) and CAC (\$0.49 million) funding included in Recommendation E above.
- Approval of grant recommendations requires eight affirmative votes.
- G. THAT Staff consider all available programs from senior levels of government and other entities to leverage additional funding to support the City's capital and operating plans. Staff to report back to Council on a regular basis as funds are confirmed.

REPORT SUMMARY

The purpose of this report is to present the Operating Budget final estimates of revenue and expenditures for 2016 to Council for approval and adoption of the budget resolution in Appendix 2; to present the Property Endowment Fund 2016 Operating Budget to Council for approval; and to request Council approval of the 2016 Capital Budget which includes new Capital programs/projects and associated funding requests, and 2016 capital expenditures for continuing (carryforward) programs/projects. Forecast capital expenditures for 2017, 2018, 2019 and 2020 are also provided for information.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

The Vancouver Charter requires that the Director of Finance presents the estimates of Operating budget revenues and expenditures to Council no later than April 30 each year and

that Council adopt a resolution approving the budget and a rating bylaw establishing general purpose tax rates as soon thereafter as possible.

The City has a policy to plan for capital project expenditures on a multi-year cycle. Since 1990, capital plans were developed in 3-year terms in order to match the term of Council and allow for a borrowing plebiscite to be held in conjunction with the civic election. On May 29, 2014, the Province enacted legislation to extend the term of Council from 3 years to 4 years effective 2014. Capital Plans are now developed in 4-year terms, starting with the 2015-2018 Capital Plan. In October 2014 (RTS 10507), Council approved the 2015-2018 Capital Plan in the amount of \$1.085 billion. The Capital Plan was subsequently adjusted to reflect a change in cost allocation methodology for corporate shared services implemented with the 2015 Operating and Capital Budget to better reflect the cost of the City's Capital Program (\$10.8 million), and in Q2 2015 to include user-fee funded utilities connections programs in the Capital Plan (\$20.0 million). With these adjustments, the revised 2015-2018 Capital Plan is currently \$1.116 billion.

It has been Council practice to fund capital expenditures for waterworks, sewerage and drainage, and energy utility systems from debenture borrowing. As part of the City's debt management strategy, commencing in the 2012-2014 Capital Plan, the water utility began to transition its infrastructure lifecycle replacement program from debt financing to pay-as-you-go over two Capital Plans. The transition will be completed in the 2015-2018 Capital Plan. Similarly, commencing in the 2015 Capital Budget, the sewer utility also began a transition to a pay-as-you-go funding model. The balance of capital expenditures are funded from a combination of debenture borrowing, direct contribution from the annual Operating Budget (Capital from Revenue), Development Cost Levies (DCLs) and Community Amenity Contributions (CACs) from developers, special-purpose reserves, internal loans, fees and levies collected from property owners and contributions from senior governments and other funding partners.

Funding from the 4 year Capital Plan is allocated to specific capital programs and projects through the annual Capital Budgeting process. Council approval of the annual Capital Budget is required before work can proceed on specific programs/projects.

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

The requirement to borrow funds to finance capital expenditures is established by Council at the time of the approval of the annual capital budget. Borrowed funds are generally paid back over 10 years to ensure that outstanding debt does not accumulate to unacceptable levels, and that annual debt servicing charges (principal and interest) are maintained at a level that does not put undue pressure on the operating budget.

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

In June 2003, Council approved the Financing Growth Policy which sets out policy for the collection and use of DCLs and CACs. Pursuant to Section 523D of the Vancouver Charter, DCLs are collected to assist in recovering growth-related capital costs that arise from new developments. DCLs are generally allocated on a “cash available” basis among park, replacement housing, transportation and childcare projects in proportions specified in various DCL By-laws. CACs are developer contributions that arise from rezonings. Within the context of the City’s Financing Growth Policy, an offer of a CAC to address the impacts of rezoning can be anticipated from the owner of a rezoning site. CAC offers typically include either the provision of on-site amenities or a cash contribution towards other public benefits and they take into consideration community needs, area deficiencies and the impact of the proposed development on City services. The allocation of both DCL and CAC funding to specific amenities requires Council approval.

Council authority is required to close capital accounts with variances exceeding \$50,000 and 15% of the approved budget, and to reallocate capital funding over \$50,000.

Approval of grant recommendations requires eight affirmative votes.

The Property Endowment Fund (PEF) was created by Council in 1975, at which time “[it] was agreed by Council that the Property Endowment Fund should be regarded as a legacy or an endowment which belongs to all the taxpayers and should be managed for the benefit of future generations.”

Since that time, the PEF has continued as a separate fund of the City. Key property transactions have been brought forward to council for approval, and financial operations have been reported publicly as a supplementary schedule to the Annual Financial Statements.

PEF operating budgets were formerly approved by Council in camera, but beginning with the 2015 Budget are now included in the City’s annual public consolidated budget report to provide a more comprehensive view of the City’s financial plans. The PEF capital budget, due to the confidential nature of the property transactions accounted for in that budget, will continue to be approved by Council in camera.

COMMENTS OF THE CITY MANAGER AND DIRECTOR OF FINANCE

The 2016 Budget and five-year Financial Plan will enable continued progress in advancing City Council and community priorities: addressing housing and homelessness; cultivating and sustaining vibrant, creative, and safe communities; promoting economic development; advancing our Greenest City 2020 Action Plan; and delivering value for money.

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. In order to better align with best practice and improve the transparency, accountability and understanding of the City’s finances, the 2016 Budget document now includes a financial plan covering a five-year period, from 2016 to 2020. With

the inclusion of this five-year financial plan, the City's reporting is now consistent with the reporting presentation used by other municipalities in British Columbia.

The 2016 Budget includes a property tax increase of 2.3%, which is competitive with most other Canadian municipalities. Through careful management of costs, and thoughtful evaluation of services and staffing across all City departments, the budget sustains core services while continuing to invest in key priorities by leveraging technology and updating service models to the public and within City departments. These changes require investment, take time, and will positively impact the organization and the public. Without these and future improvements, it would be difficult to maintain tax rates at competitive levels over the next five years.

REPORT

Background/Context

The 2016 Capital and Operating Budget (Appendix 1) contains information about the City of Vancouver's fiscal plans, steps involved in creating the budget, economic outlook and long term priorities, public engagement results, and an update of the progress of achieving Council's priorities. It also includes the 2016 Capital and Operating Budget detail as well as departmental service plans and performance metrics (metrics are reported in departmental service plans in Appendix 1 as well as in Appendix C).

A proposed 2016 PEF Operating Budget is included in this report, to be approved in conjunction with the City's Operating and Capital budgets.

As part of the 2015-2018 Capital Plan and in the 2016 Capital Budget, leverage of funding from senior levels of government is anticipated in order to meet the objectives of the Plan. A number of federal and provincial programs have been announced and during 2016 staff will review the applicability to the City's capital program and apply to those programs as appropriate. Funding will be confirmed through the regular quarterly Capital Budget updates.

STRATEGIC ANALYSIS

1. 2016 Budget

The balanced 2016 Operating Budget presented in Appendix 1 is \$1.264 billion.

The 2016 Capital Budget (expenditure budget), also presented in Appendix 1, totalling \$325.2 million includes new program/project requests and associated funding, and continuing Capital program/project expenditures from prior year. Forecast capital expenditures for 2017, 2018, 2019 and 2020 are also provided for information.

The 2016 PEF Operating Budget of \$49.9 million revenue and \$49.9 million expenses (including transfers) is detailed in Appendix 1.

2. Capital Grant Recommendations

Included in the 2016 Budget are five capital grant recommendations, summarized in the following table:

Organization	Purpose of Grant	Grant Recommendation
Gordon Neighbourhood House	To provide funding toward urgently required building envelope repairs and interior renovations	\$1,100,000
Cedar Cottage Neighbourhood House	To assist with soft costs associated with planning for a renewed facility.	50,000
Mount Pleasant Family Centre Society	To assist with hiring a consultant to develop a more sophisticated functional program that will inform the City about the organization's facility needs.	50,000
Omunity - BC's Queer Resource Centre	To assist with the process of identifying and designing a new and expanded purpose-built facility.	200,000
Boys & Girls Clubs of South Coast BC	To assist with the hiring of consultants to develop a functional program for the Boys and Girls Club to assist them in determining their longer term facility needs.	50,000
Total Recommended Capital Grants		\$1,450,000

Additional details for these grant recommendations are provided in the Appendixes to this report.

3. Public Engagement

In October 2015, more than 3,000 people provided feedback on City services and the value they feel they are getting from those services, collected through three different methodologies:

- Online Service Satisfaction survey
- Pop-Up City Hall in-person survey (three key questions asked from the Service Satisfaction survey)
- Random 3-1-1 caller survey (three key questions asked from the Service Satisfaction survey)

The feedback received from these surveys has been used to inform the priorities of the proposed 2016 budget. A summary of results is included in the 2016 budget report.

4. The Budget Resolution

With approval of the Recommendations for the Operating Budget in this report, the 2016 budget will be brought into balance and the 2016 budget cycle completed. Council approval of this final position requires adoption of the budget resolution attached as Appendix 2. The resolution identifies estimates of revenues and expenditures of the City for the year 2016 with total estimated gross expenditures of \$1,264,476,000, including a General Purpose Tax Levy of \$682,256,000 and other revenue sources of \$582,220,000.

5. Final Steps

Approval of the 2016 Operating Budget is occurring prior to the finalization of the 2016 Assessment roll. In mid-April 2016, the Director of Finance will seek Council approval on the distribution of the general purpose tax levies among the property classes in 2016. After receiving Council direction, the Director of Finance will, in early May 2016, bring forward a report summarizing the property taxes levied by the City and other taxing authorities for each property class, and seek Council adoption of the applicable rating by-laws and resolutions.

Based on the 2016 Revised Assessment Roll, the final property tax increase will be adjusted in April to collect \$682.3 million of general purpose tax levy as set out in the attached 2016 Budget Resolution.

CONCLUSION

The approval of the attached resolution will finalize the process of balancing the 2016 Operating Budget totaling \$1.264 billion with a property tax increase of 2.3%.

This report has provided an overview of funding requested for new Capital Projects to begin in 2016 including specific funding sources, a summary of the 2016 Capital Budget (expenditure budget) of \$325.2 million, and capital expenditure forecasts for 2017, 2018, 2019 and 2020 for information. Capital Budget detail is provided in Appendices A and B in the 2016 Capital and Operating Budget report.

The 2016 PEF operating budget of \$49.9 million revenue and \$49.9 million expenses is also included in this public consolidated budget document.

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