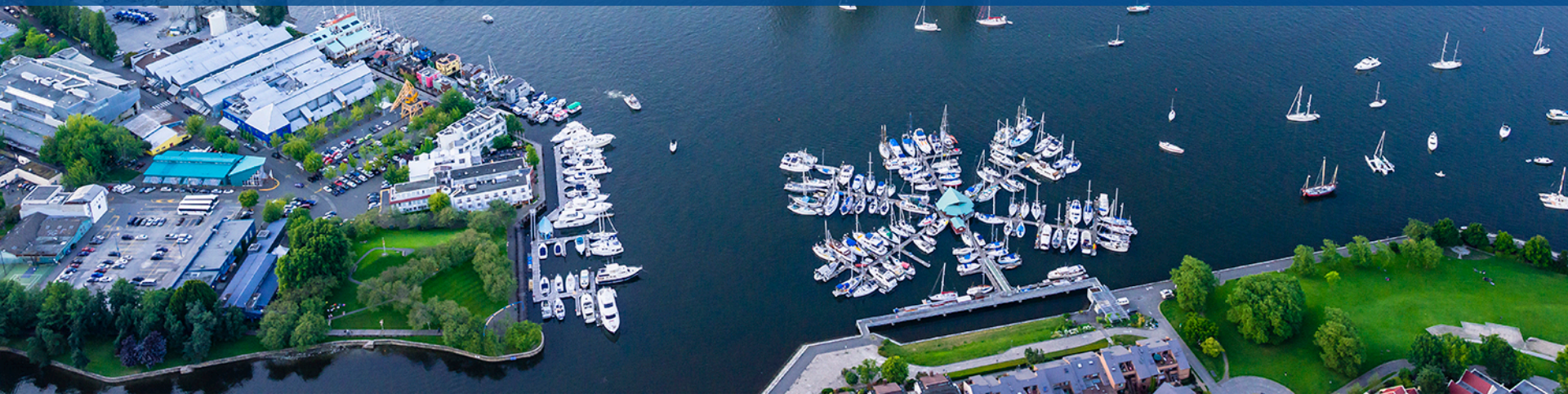




2019 Capital and Operating Budget Update to Council

December 18, 2018



- Proposed 2019 Utility Rates
- Response to Councillors' 2019 Budget Questions
 - Budget process and Structure
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- **5 Engineering Reports:**
 - Water
 - Sewer
 - Solid Waste
 - Neighbourhood Energy Utility (NEU)
 - Engineering Fees (overall 2% increase)
- Rates are **effective January 1** based on December Council approval
- Established under **Vancouver Charter** providing Council the authority to raise user fees for the purposes of paying for utility services

Water 2019 Rate Proposal – 9.7%

2019 Proposed Rate Increase	Annual Impact on Average Single Family Home	Average Single Family Home
9.7%	\$63	\$716

Major Drivers Impacting Proposed Rate Increase:

- 9.6% increase pay-as-you-go to support renewal on aging infrastructure
- 4.0% due to Metro rate increases
- (0.9%) metered service and fire-line charge volume increase
- (2.8%) transfer from the stabilization reserve

Sewer 2019 Rate Proposal – 11.0%

2019 Proposed Rate Increase	Annual Impact on Average Single Family Home	Average Single Family Home
11.0%	\$47	\$471

Major Drivers Impacting Proposed Rate:

- 4.3% due to Metro Levy increase
- 4.1% higher debt servicing costs
- 3.4% increase pay-as-you-go to support renewal on aging infrastructure
- 0.6% Investments (ex. Vernon Grit, maintenance programs)
- (2.7%) transfer from the stabilization reserve

Solid Waste 2019 Rate Proposal – 3.1%

2019 Proposed Rate Increase	Annual Impact on Average Single Family Home	Combined rate Average Single Family Home
3.1%	\$9	\$303

Major Drivers Impacting Proposed Rate Increase:

- 2.4% due to pay-as-you-go capital
- 2.2% due to annualized organics processing costs
- (1.2%) due to equipment savings

- **Full** cost recovery
- **Long term financial stability**
 - Reducing burden on future generations through pay as you go
- Manage **reserves** within target thresholds
- Encourage **changes in behaviour** to reduce consumption of water (seasonal pricing) and generation of waste (cart size)
- Maintain **assets in a state of good repair**

NEU 2019 Rate Proposal – 3.2%

2019 Proposed Rate Increase	Annual Impact of Average 800 sqft. residence	Average 800 sqft. residence
3.2%	\$29	\$931

- Supported by independent Expert Panel. NEU effective rate will be ~11% less expensive than the BC Hydro 2019 forecast effective rate
- Financial model: Stand-alone utility, funded by rate payers, with customer rates set to model a commercial utility including capital and operating costs, plus a return on investment
- Ownership: Structured so City can divest. Review ownership prior to each expansion/major investment. Last reviewed in 2018 prior to 2019 investment recommendations

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Structure of the budget

(C. Hardwick, C. Swanson and C. Carr)

- Departmental budgets and subunits aligned to financial statement structure and organizational structure.
 - Service based budgets are an alternative which some municipalities are considering
 - Enables benchmarking by service
 - Aligns more directly to service outcomes
- Shift to service-based budget would require structural and technology investments and significant change management

Structure of the budget

(C. Hardwick, C. Swanson and C. Carr)



Adhoc reporting can be done for key service areas:

Housing budget

- 4 year Capital Plan – \$540 million
- Year 1 - 2019 Capital Budget - \$145 million
 - \$30 million in new funding and \$115 million in continuing projects
- New 2019 operating budget investments proposed - \$7.7m
- Existing Budget related to Housing - \$49.2m
 - ACCS – Housing Projects staffing and Operation - \$8.2m
 - DBL – Housing related permitting and licensing - \$24m
 - PDS – Housing related planning - \$17m

Structure of the budget

(C. Hardwick, C. Swanson and C. Carr)



GhG reduction / Climate change investments:

- 2019 Capital budget related to greenhouse gas reductions - \$60M
- 2019 Operating budget of close to \$20M

2019 breakdown of these expenditures includes:

- City Facilities –
 - Energy Optimization program in capital fund buildings and Property Endowment Fund buildings - \$3.7m
 - Capital Maintenance program for all city facilities, including PEF –\$80m with \$4m energy portion for 2019
 - Zero emission new and renewed buildings – Capital fund \$4m
 - Zero Emissions Building Exchange to jump-start zero emissions building knowledge-sharing within the industry and beyond
 - Purchase of renewable natural gas – funded by operating budget of up to \$200k in 2019
- Corporate Fleet / Green Operations:
 - Fuel Contract – \$7.3m - 97% emissions reductions compared to conventional diesel
 - Vehicle and Equipment Replacement capital program - \$5m of \$30m spend focused on EV conversion of highest GHG emitting asset classes
 - Zero Waste Strategic plan and actions in 2019:
 - Kent Materials Branch recycled construction materials
 - \$1.3M annual operating recoveries for materials reuse
 - Sanitation fleet transitioning to Electric Vehicles in 2019 per capital replacement plan

Structure of the budget (Cont'd)

(C. Hardwick, C. Swanson and C. Carr)



- Neighbourhood Energy:
 - Low carbon District Energy – upgrading and expanding the existing neighbourhood energy utility to transition additional buildings from fossil fuel to renewable in order to serve customers that are expecting service in 2019 - \$22.6M in capital and \$2.6M in operating
- Transportation:
 - Active Transportation - \$26.5m in capital for sustainable transportation (walking, cycling and transit infrastructure and improvements) funded from DCL's and Translink; plus the majority of \$3.9M operating budget (staff) for Transportation
 - Continued implementation of Electric Vehicle Ecosystem Strategy – \$0.9M in capital
- Green Buildings (city-wide):
 - Staffing related to high performance building requirements, plan-checking and inspections – estimated at \$0.5-1.0M in operating budget
- Climate Policy Leadership
 - Approximately \$3M of the Sustainability Group's budget is dedicated to reducing carbon pollution--with a focus on advancing zero emissions buildings and building retrofits and accelerating the update of electric vehicles.

What is the breakdown of Empty Homes Tax revenue and spending to date?

- \$38 million estimated in total revenue for the first year of the program
- Approximately \$21 million collected (as at Nov. 1, 2018)
 - \$10 million in costs to date: project costs (\$7.5m) and operating costs (\$2.5m)
 - \$8 million allocated by prior Council for specific initiatives, in response to public feedback
 - \$845k: Additional items proposed in the draft 2019 budget
 - Additional resources for Housing policy team to review applications for social, moderate income and rental housing projects \$545k.
 - Two Fire Prevention Inspectors focused on Single Residence Occupancy (SRO) buildings \$300k
 - \$1.2M for existing Vancouver Affordable Housing Agency (VAHA) affordable housing staffing and related costs.

Uses of Empty Homes Tax

(C. Carr, C. Swanson, C. DeGenova)



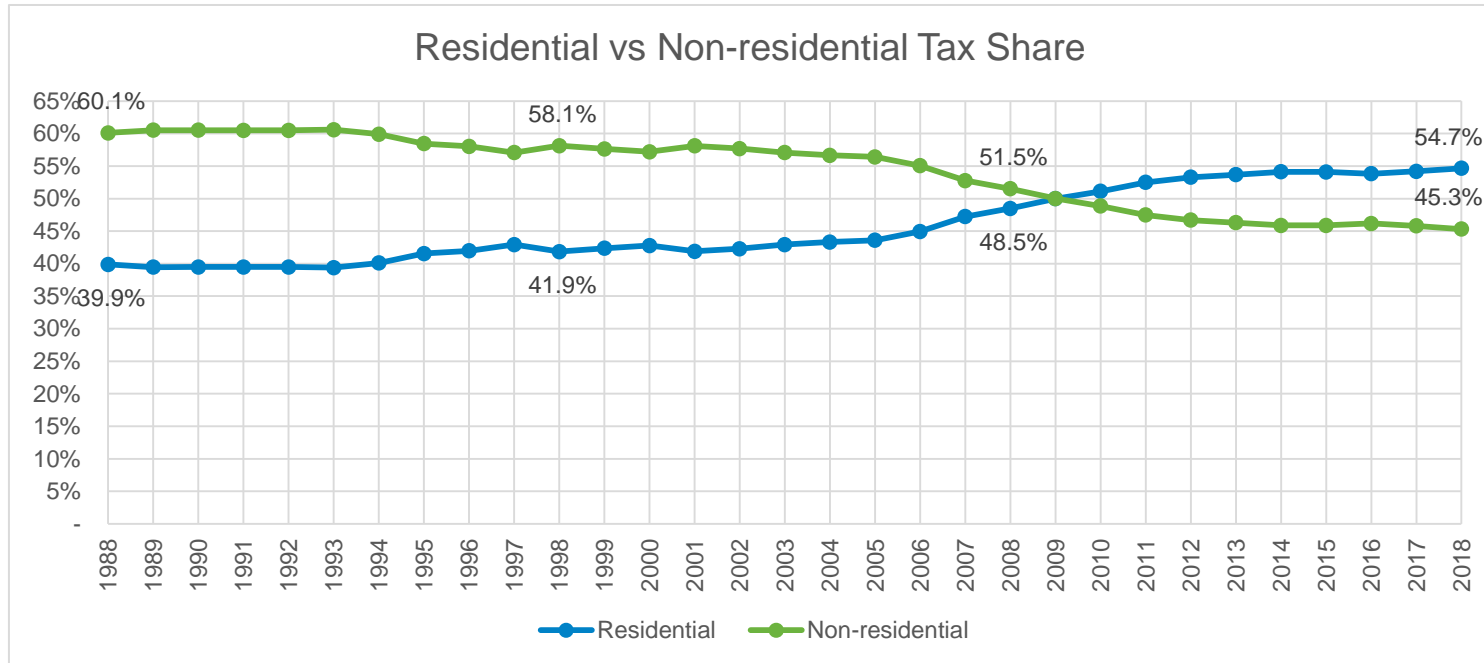
How can Empty Homes Tax revenue be used?

- Revenue is designated for affordable housing initiatives (Vancouver Charter).
- Additional funds will be received in 2019 and can be allocated to new housing initiatives

Business Tax share (C. Fry, C. Weibe, C. De Genova)



- Tax Share for Non-residential/Residential classes:



Non-Residential is primarily comprised of Commercial Class 6, and also includes Class 5 Light Industrial, Class 4 Industrial, and Class 2 Utilities

Decisions regarding the tax share is made in April as part of the Tax Distribution Report

Business Tax share

(C. Fry, C. Weibe, C. De Genova)



The following table outlines the \$ impact of a 2% tax shift:

Indicative City Property tax impacts

	Budget	Shift	Overall
Residential impact %	4.90%	3.65%	8.73%
Median strata impact (\$)	41	31	72
Median residential impact (\$)	76	56	132
Median single-family impact (\$)	108	81	189
Non-residential impact	4.90%	(4.42%)	0.26%
Median commercial (\$)	193	(175)	19

These calculation are based on 2018 un-averaged assessments

Actual impact will depend on 2019 assessment and averaging as applicable

Please note that the 3.7% number provided was the increase compounded on the proposed 4.9% increase base, for overall increase of 8.7%.

Other actions underway to support small businesses in Vancouver:

- The City recognizes the challenge of small independent business in this environment, and has initiated a Small Business Review which includes:
 1. A Retail Business Study to better understand the areas of risk for independent small business.
 2. Development, Building and Licensing initiatives such as Commercial Renovation Center and other permitting improvements.
 3. In February 2018, Council endorsed staff recommendation to request the Province to lead an inter-governmental working group to address provincial assessment & taxation issues *to enable the long term viability of independent small businesses in Metro Vancouver.*
 - The Province has engaged with the City and other Metro Vancouver municipalities in the Fall of 2018

Innovation Fund

(C. Dominato)



- \$2,000,000 annual budget
- The Innovation Fund is expected to build on the City's experience in leveraging funding and expertise with outside agencies, other levels of government, private sector, universities and not-for-profits to advance key City priorities through aggressive leveraging of external partners.
- One-time innovative projects can be funded to advance key agendas in the city.
- Accessing the City of Vancouver Innovation is at Council discretion; however, the following guidelines have been established to optimize the use of the fund:
 - Aligns with City's priorities
 - Demonstrates clear outcomes
 - Matching requirements – target leverage of 3:1 (minimum 1:1) 3rd party investment (cash and in-kind) to City funding
 - Size of CoV contribution should enable a broad range of programs to be supported by fund (Guideline - maximum project size of \$250,000 recommended).
 - Projects which are one-time innovative opportunities; maximum commitment for expenditure of funds - up to 2 years
 - Supports transformation and innovation in meeting City goals; shines a spotlight on Vancouver

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VPD staffing and investment

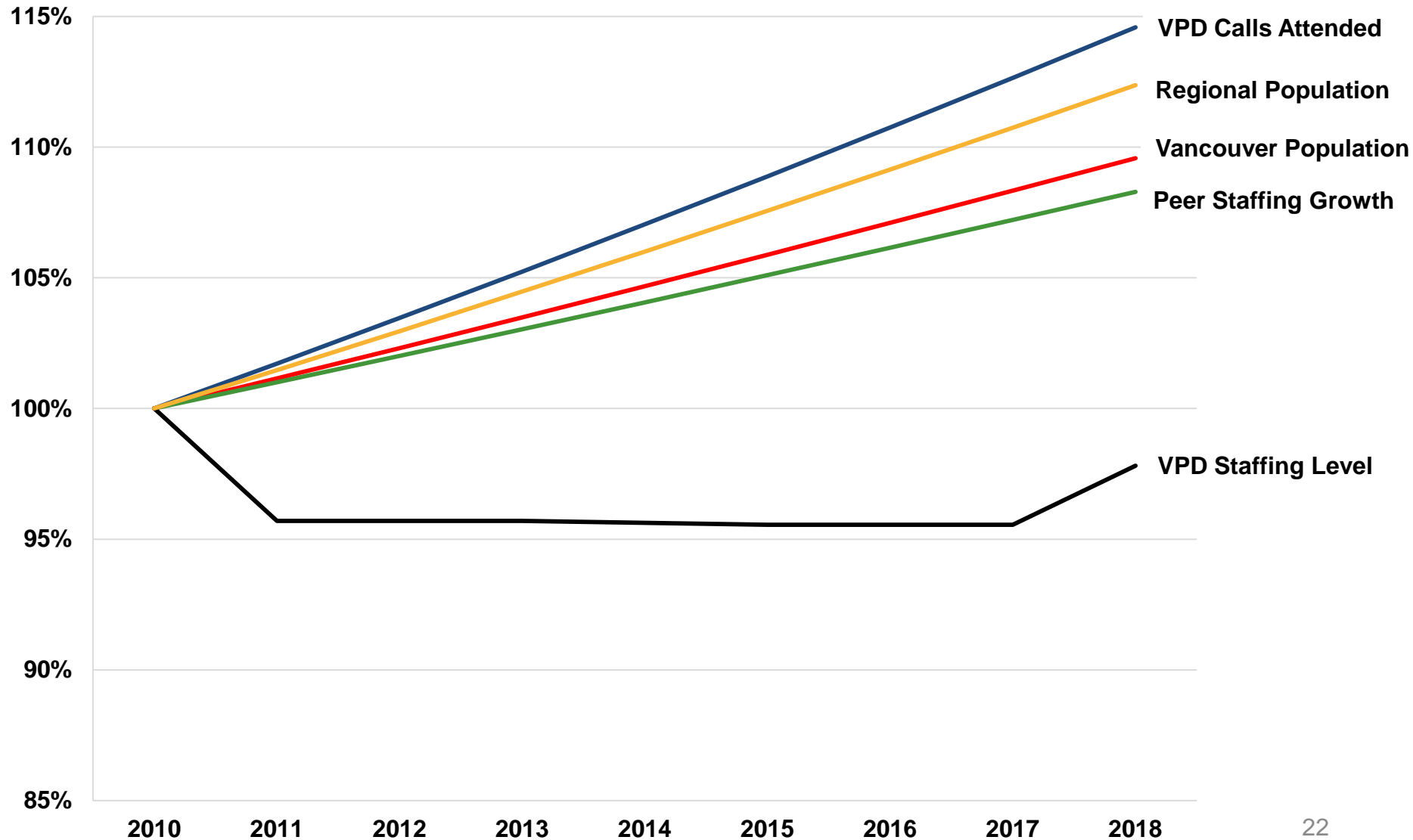
(Mayor Stewart; C. Swanson; C. Carr)



- VPD New Investment of \$2.58M
 - Year 2 of the Operational Review implementation
 - City Council approved in 2017
 - Externally & independently led by criminologists
 - 25 police officers, 12 civilians & related resources
 - Frontline police officers
 - Investigators: sexual assaults, missing persons, domestic violence, child abuse
 - On average, the VPD responds to 740 calls a day
 - One new call received every two minutes
 - These staff are required to:
 - Address rising calls for service from the public and business
 - Provide neighborhood policing services
 - Respond to emergency calls for service
 - Ensure the health and wellness of VPD staff
 - Ensure that Vancouver is a safe place to live, work, and visit

VPD staffing and investment

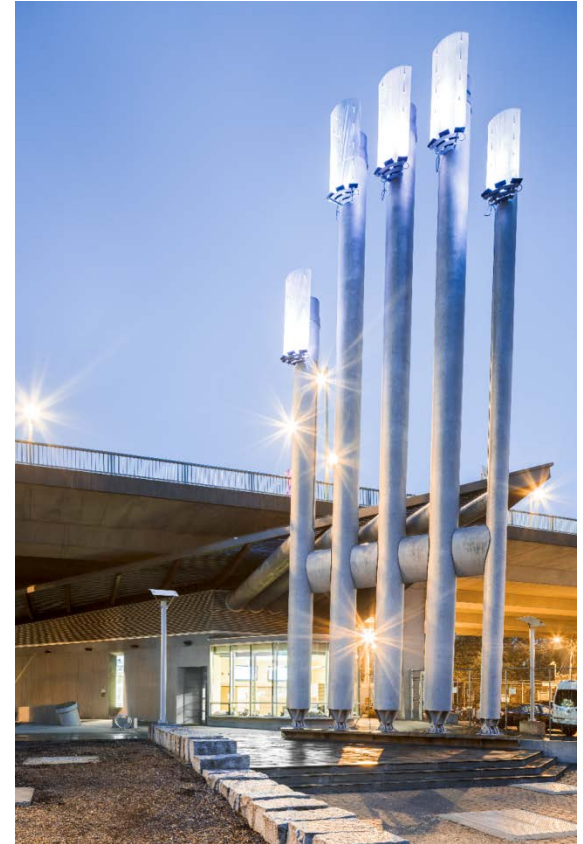
(Mayor Stewart; C. Swanson; C. Carr)



Engineering: NEU Update

(C. Carr, C. Swanson, C. De Genova)

- Major driver of GhG reductions for the City:
 - Current: ~5,700 tonnes of CO₂ emissions per year (5.4M sq ft served)
 - Expansion: near term ~8,000 additional tonnes per year for 14M sq ft served;
(with plans for up to 23M sq ft in the long term)
 - Provides the City with direct control to secure 100% renewable energy target for buildings in the long term, while maximizing local resource recovery
- Customer base:
 - Current: ~6,300 residential units, Science World, Emily Carr University, Creekside Community Centre, and 50+ businesses
 - Expansion: ~9,200 new residential units, plus a significant amount of commercial space
- NEU expansion, upgrades and expansion:
 - Connect to VAHA Development (occupancy 2020)
 - \$22.6m largely for distribution system expansion; sewage heat recovery expansion and resilience upgrades



Engineering: \$2.1M improved street and parks cleaning services with additional litter receptacles



- \$1.5 million to improve service levels in downtown parks and other public space and provide continuing support to a variety of urban issues
 - Add 2 additional crews plus equipment
 - Addresses current demand for service
 - \$300-\$400K toward improved service in parks
- \$0.6 million public realm cleanliness.
 - \$150k - Short 24/7 supervision - 1 superintendent, 2 sub-foremen
 - \$300k - Meet Servicing demand
 - \$240k Additional litter cans (100) - Arbutus Greenway, BIAs, Modular housing, New B-line
 - \$20k Dead Animal collection increasing demand,
 - \$40k Dog waste collection Pilot in Parks (previously from capital as pilot) – 6 parks plus 2 more in 2019,
 - Disposal of abandoned haz waste – licensed contractor - \$150k.

- Parks Investments in 2019
 - \$0.9 m invested in Park Operations to fund change in operations resulting from regulatory requirements (Japanese Beetle / WorkSafeBC digging procedures)
 - \$250k for additional Public realm horticulture work
 - \$280k for improved park safety including funding for a permanent security manager position; beach maintenance funding and monitoring of Stanley Park during peak fire season
- Engineering Investment in 2019
 - 300-400k to improve service levels in downtown parks and other public space and provide continuing support to a variety of urban issues
 - Investment provides incremental 2 days (totaling 7 day a week service) of engineering service at select downtown parks; includes emptying totes, removal of loose litter and large debris from encampments (4 staff + equipment)
 - Provides services to the following parks:
 - Strathcona, Victory Square, Pigeon, Oppenheimer, Wendy Poole, Crab Park at Portside, and the Downtown Skatepark

Park Board Motion- Additional investment request



- Park Board approved a motion to request an additional \$610,000 for 2019 to address horticultural standards and general cleanliness
- Funding split between staffing (\$340,000) and supplies/materials (\$270,000)
- Does not address Park Rangers; separate report planned in mid-2019
- Overall service levels and standards review also scheduled to begin in 2019

1. Budget for Archives move - \$18 million
2. Administration of School tax:
 - City reimbursed for \$2k plus 0.1% of tax revenue – total of \$620k in 2018
 - Additional school tax to follow similar structure
3. Indigenous Wellness Center
 - Indigenous healing and wellness center was identified as a priority and significant community discussions have advanced the concept.
 - 312 Main was identified as a possible site
 - Capital funds were approved in 2018, subject to additional funding from senior levels of government. 2018 capital budget of \$711K for planning - \$300K to be spent in 2019 and the remaining in 2020

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Impacts of delaying operating budget approval

- Expenses requiring immediate funding
 - Employer Health Tax
 - Infrastructure renewal (maintain in good state of repair)
 - Wages and benefits
- Metro Utility costs beginning January
- Delay in establishing new City rates would mean permanent loss of revenue for some utilities
- Delay in resourcing to handle permits and licensing volumes
- Delay in hiring / negative impacts on staff

Impacts of delaying capital budget approval

- **Lead time & Coordination** incl. design and public consultation (ie. Richards separated bike lane and 800 Robson)
- Impact to **Dig Once Policy** (i.e. Nanaimo sewer renewal)
- Significant **impact to construction schedule** for year
- Risk to **Regulatory** requirements (i.e. Landfill gas and closure works, elimination of combines sewer overflows by 2050)
- Risk to **External Funding and Partnership agreements**
 - Disaster Mitigation and Adaptation Fund – \$11.84M senior govt funding for \$35.2M total pump station program costs
 - TransLink Funding – Allocated and Competitive - ~\$10M funding for competitive and \$11.3M awarded for Granville Bridge (works to be completed by end of 2021), \$1M awarded for Cambie Bridge
 - New programs to support walking/cycling based on City support
 - ICBC, BC Hydro and Coast Mountain Bus Co. partnership agreements
- **Development** related dependencies

An aerial photograph of the Vancouver city skyline and waterfront. The image shows a dense cluster of high-rise buildings along the coast, with a large body of water in the foreground. A bridge is visible in the lower left, and a large ship is in the upper left. The water is a deep blue, and the sky is clear.

Questions
