



2020 – 2024 Budget Outlook

Council Meeting July 10, 2019



What is the Budget Outlook?

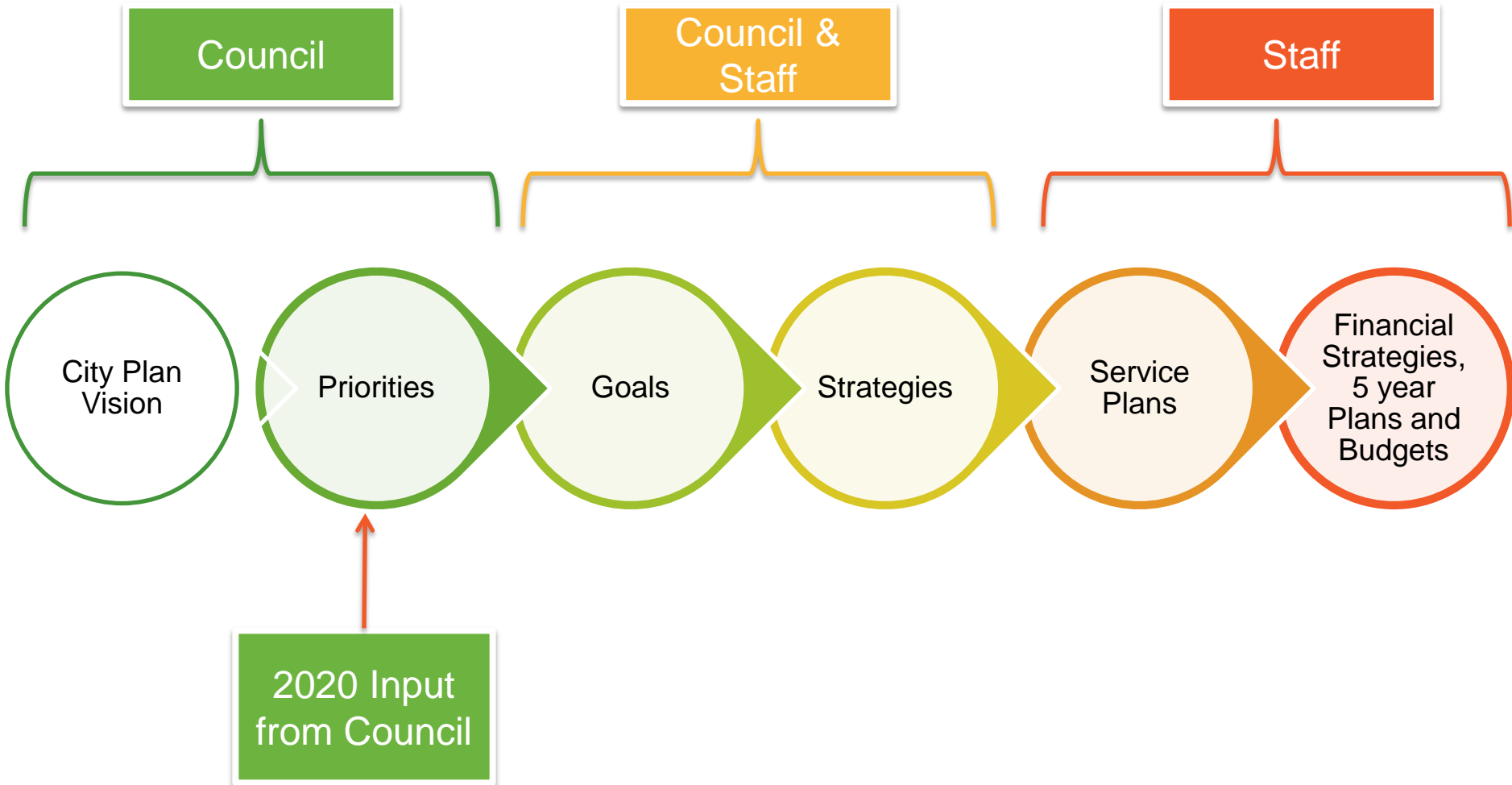
The Outlook as a 'Preview'

- The start of the annual City budgeting process
- Review of the external and internal factors that can influence the City's financial state
 - Considerations such as economic trends, increased costs related to negotiated labour agreements, and other internal and external pressures and challenges impacting the cost of running our city
- Based on current state / what we know today
- Includes projection of taxes, utility rates and fees required to support both:
 - Maintaining and improving core City services, and
 - Support for new projects and initiatives as approved by Council

Why do we do a Budget Outlook?

- Solicit direction from City Council with respect to their priorities for funding for the upcoming Budget year
 - Guides the business areas as they develop their Service Plans for 2020, including how to deliver core services to residents, decisions about where to focus resources, and proposed programs and initiatives for new investments
 - May include direction on property tax levels and fees
- Educate residents/the public about the challenges of maintaining and improving services, facilities and infrastructure while keeping a balanced budget
 - Majority of the budget supports the quality core services that meet residents' needs
 - Need to identify trade offs to address new initiatives approved by Council
 - Engagement will take place from August through the fall to solicit the public's input on the priorities for the 2020 Budget

Planning Continuum



Agenda

- 2020 Budget Key Dates
- Proposed Budget Priorities
- Financial Capacity
- Economic Context
- Balancing Affordability
- 2020-2024 Budget Outlook
- Civic Satisfaction Survey Results
- Public Engagement
- Questions/Feedback



2020 Budget Key Dates

Key Dates	
Council Meeting: 2020 to 2024 Budget Outlook Civic Service Satisfaction survey final results	July 10
Public Consultation: The Draft 2020 Budget will be presented to City Council in December. The public can visit vancouver.ca/budget in late August for details about how to provide input	Aug-Dec
Draft 2020 Budget and 5 Year Financial Plan Report Public	Nov 22
Council Meeting: Draft 2020 Budget and 5 Year Financial Plan Presentation and Speakers	Dec 3
Council Meeting: 2020 Budget Final Vote	Dec 10

Proposed Budget Priorities

The Budget Outlook includes the proposed priorities for alignment of spending for the annual budget and five-year financial plan, both in terms of maintaining and improving core services, and for new projects and initiatives in response to Council motions and direction.

The primary priority which reflects the core business of the City is to continue to “Deliver Quality Core Services that Meet Residents’ Needs”.

As well, the following priority areas will also be considered in prioritizing service plans and budgets:

- Address Affordability and the Housing Crisis
- Protect and Build our Economy
- Increase Focus on Diversity and Critical Social Issues
- Accelerate Action on Climate Change

Guiding Principles

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

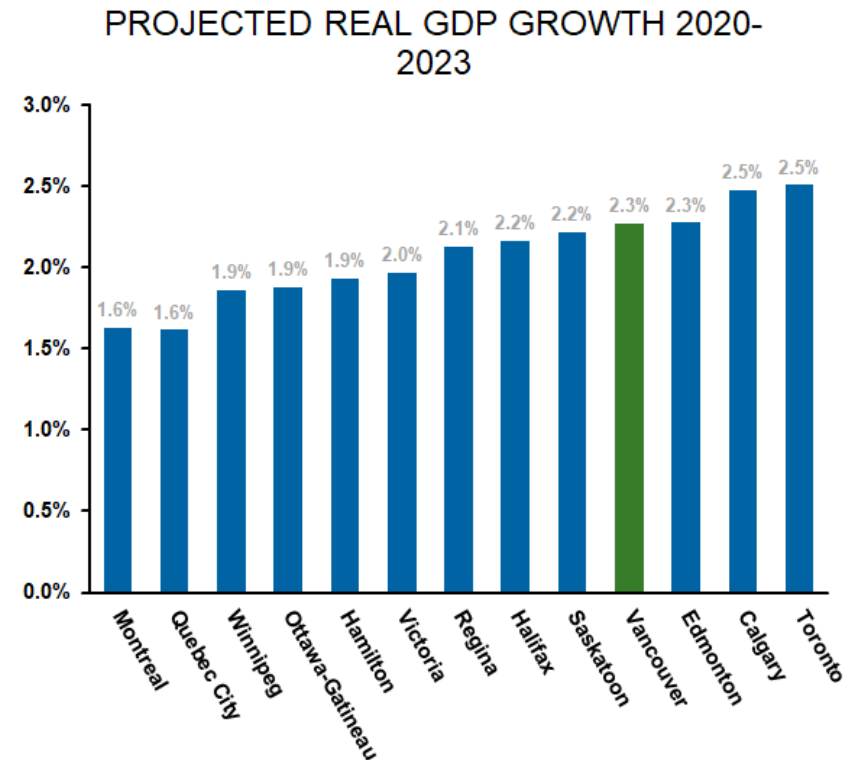
- Deliver services that are relevant and result in desired public outcomes
- Ensure value for money through productivity and innovation
- Keep property tax and user fees affordable and competitive

Asset Management

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

Economic Context

- While Metro Vancouver's economy is forecast to moderate from an average growth of 3.8% in 2015 - 2018, to 2.3% in 2019; forecast growth for 2020-2023 is among the highest among major Canadian municipalities.
- Employment growth is anticipated to pick up to from 1.8% in 2018 to 2.1% for 2019 before slowing in 2020 to 1.0%.
- The unemployment rate is forecast to rise from a recent low of 4.3% in 2018 to 4.6% for 2019 year before stabilizing to an average of 4.4% through 2023.
- Inflation for the region is forecast to stabilize at 2.0% through 2023 after higher inflation in recent years including 2.9% for 2018.



Source: Conference Board of Canada Metropolitan Outlook, Spring 2010
(released 30 May 2019)

- To establish the City's tax rates, Vancouver City Council first determines the total property tax levy that is required to support the City's operating budget, then divides the property tax levy by the assessment base provided by BC Assessment.

The City does not generate higher property tax revenues as a result of rising property values.

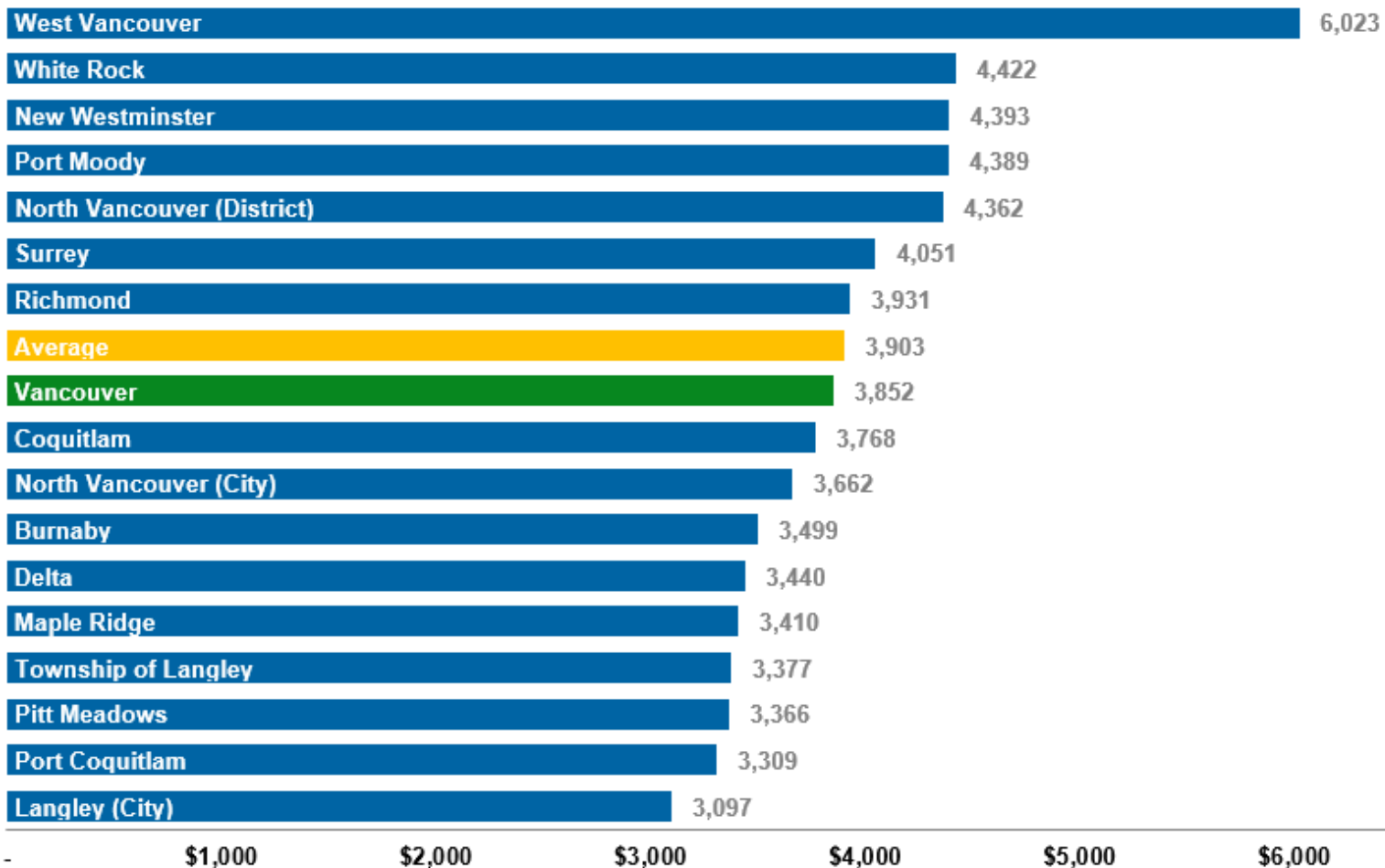
- The City has always strived to ensure property tax and user fees in Vancouver remain competitive and affordable while sustaining the breadth and quality of services for businesses and residents.
- The distribution of the property tax burden between residential and non-residential properties is another key factor in balancing affordability for residents and businesses. In April 2019, Council approved a 2% tax shift from non-residential properties to residential properties over three years in an effort to support small businesses.
- It is worth noting that more than half of the property tax collected by the City are set by provincial and regional taxing authorities.

Combined Property Tax and Utility Fees



- Comparing median single-family homes, Vancouver tax and utility fees are mid-range in Metro Vancouver

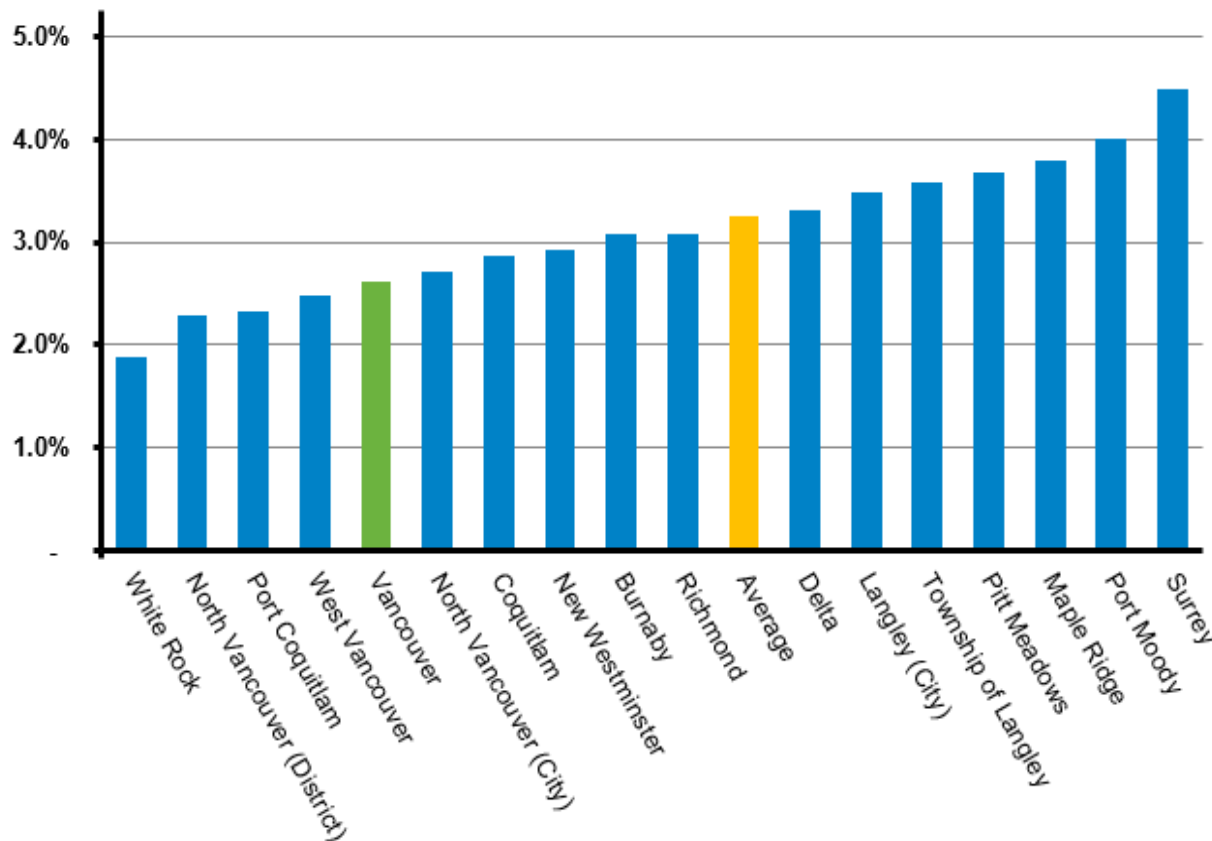
2019 PRELIMINARY COMBINED MUNICIPAL PROPERTY TAX AND UTILITY FEES FOR MEDIAN SINGLE-FAMILY HOME (\$)



Property Tax Increases

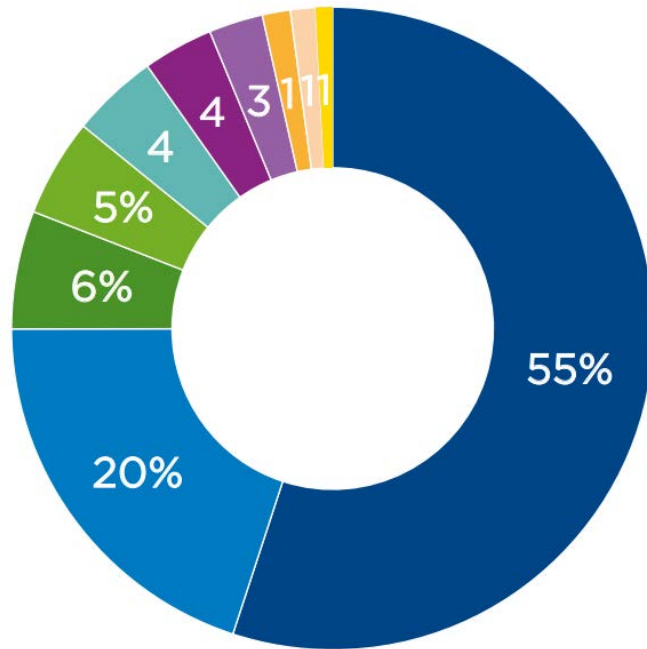
Over the last 10 years, Vancouver's average tax increase has been below the Metro Vancouver average

**Vancouver vs Metro Vancouver Ten-Year Average
Property Tax Increase (2010-2019)**



Operating Revenues by Type

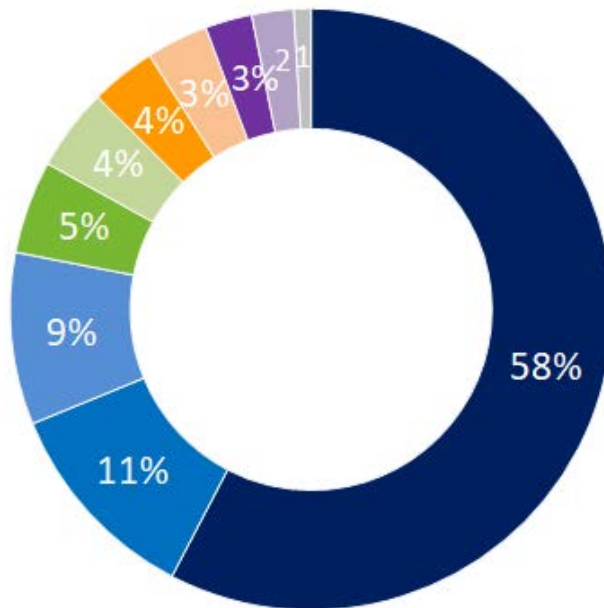
2019 Operating Revenues by Type \$1,513.5 Million



- 55% | Property Taxes
- 20% | Utility Fees
- 6% | Licence & Development Fees
- 5% | Parking
- 4% | Program fees
- 4% | Cost Recoveries, Grants & Donations
- 3% | Rental, Lease & Other
- 1% | Bylaw Fines
- 1% | Revenue Sharing
- 1% | Investment Income

Operating Expenditures by Type

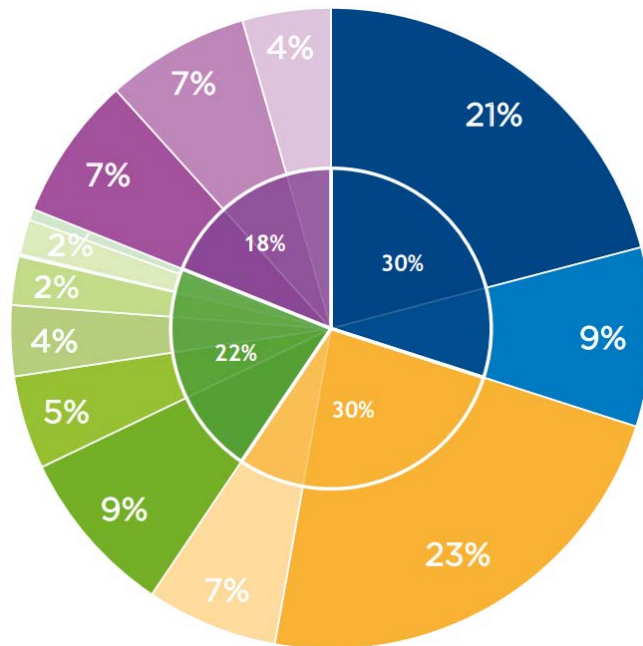
2019 Operating Expenditures by Type \$1,513.5 Million



- 58% | Salaries and Benefits
- 11% | Regional Utility Charges
- 9% | Interest, Debt, Transfers and Allocations
- 5% | Other Expenses
- 4% | Equipment and Fleet
- 4% | Supplies and Materials
- 3% | Building Occupancy and Maintenance
- 3% | External Party Costs
- 2% | Professional Fees
- 1% | Grants

Operating Expenditures by Service Area

2019 Operating Expenditures by Service Area \$1,513.5 Million



- **PUBLIC SAFETY**
 - 21% | Police
 - 9% | Fire

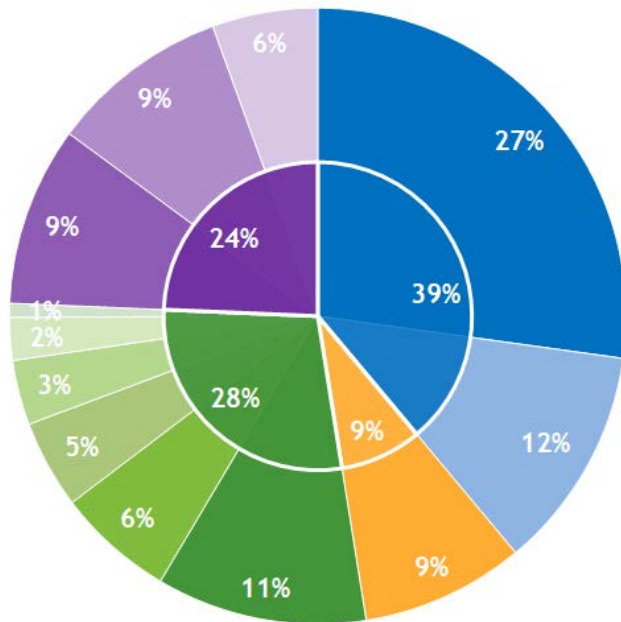
- **ENGINEERING & UTILITIES**
 - 23% | Utilities
 - 7% | Engineering Public Works

- **COMMUNITY-RELATED SERVICES**
 - 9% | Parks & Recreation
 - 5% | Community Services
 - 4% | Library
 - 2% | Development, Buildings & Licensing
 - 2% | Planning, Urban Design & Sustainability

- **CORPORATE SUPPORT**
 - 7% | Corporate Support
 - 7% | Debt & Capital (Non-Utility)
 - 4% | Contingencies & Transfers

Expenditures by Service Area (Excl. Utilities)

2019 Operating Expenditures (Excluding Utilities) \$1,166.7 Million



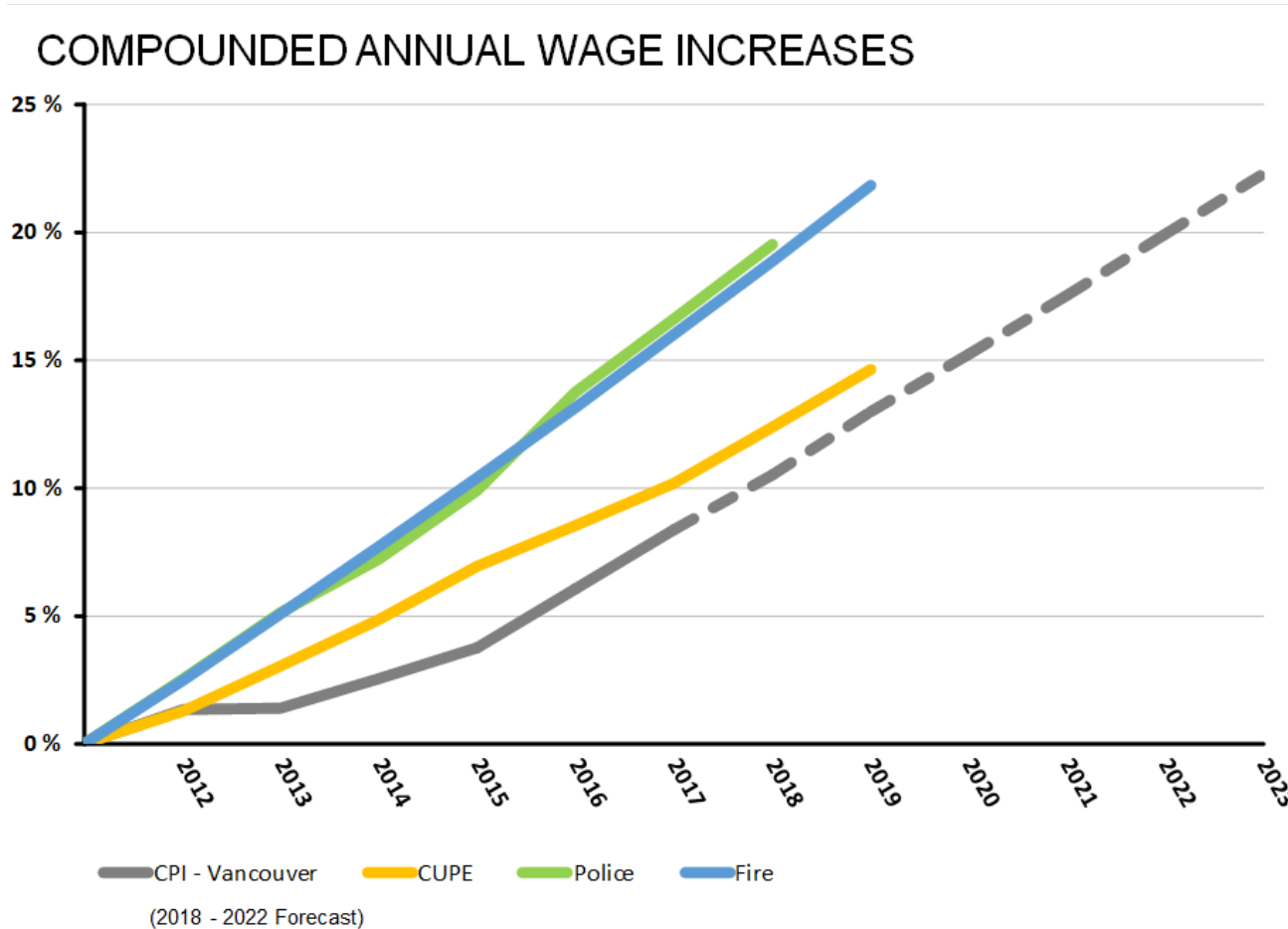
- **PUBLIC SAFETY**
 - 27% | Police
 - 12% | Fire

- **ENGINEERING & UTILITIES**
 - 9% | Engineering Public Works

- **COMMUNITY-RELATED SERVICES**
 - 11% | Parks & Recreation
 - 6% | Community Services
 - 5% | Library
 - 3% | Development, Buildings & Licensing
 - 2% | Planning, Urban Design & Sustainability
 - 1% | Other

- **CORPORATE SUPPORT**
 - 9% | Corporate Support
 - 9% | Debt and Capital (Non-Utility)
 - 6% | Contingencies & Transfers

Inflation (CPI) vs. City Wage Increases



Compounded Annual Increase from 2012 to 2018



2020-2024 Operating Budget Projected Revenue Changes



Operating Budget Projected Revenue Changes (\$ in millions)	2020	2021	2022	2023	2024
Property Tax:					
Increase in property tax revenue: estimated ~ 4.9% (as published in the 2019-2023 Financial Plan)	\$39	\$41	\$43	\$45	\$48
New construction tax revenue	\$5	\$5	\$5	\$5	\$5
Utility fees:					
Increase in utility fee revenue (Average blended rate estimated ~ 9%)	\$28	\$28	\$26	\$32	\$29
User fees:					
Inflationary increases in Program fees, Licence and Development fees	\$3	\$3	\$3	\$3	\$3
Total Projected Revenue Changes	\$75	\$77	\$77	\$85	\$85

Note: Totals may not add due to rounding

2020-2024 Operating Budget Projected Expense Pressures

Operating Budget Preliminary Expense Pressures (\$ in millions)	2020	2021	2022	2023	2024
External Agency Costs passed on to the City:					
Increased Metro Vancouver charges for Water and Sewer utility	\$13	\$13	\$16	\$16	\$18
Anticipated external party cost increases (including EComm)	\$1	\$1	\$1	\$1	\$1
Debt, Transfers and Capital Program Costs:					
Pay-as-you-go Sewer & Water, Transfers and Debt Financing	\$17	\$23	\$14	\$26	\$18
Infrastructure renewal strategy in the 2019-2022 Capital Plan	\$6	\$5	\$10	\$9	\$9
Operating impacts of capital projects	\$6	\$6	\$6	\$6	\$6
Salary and benefit costs:					
Salary and benefit projected increases (contractual increments and projected benefit cost increases)	\$5	\$5	\$5	\$5	\$5
2020 MSP Premiums phased out	(\$3)				
CPP increase	\$2	\$2	\$2	\$3	\$3
VFRS Operational Review staffing recommendations	\$4	\$3	\$4	\$3	
VPD Operational Review staffing recommendations	\$4	\$4	\$4	\$2	
Other Cost Pressures:					
Inflationary costs (Hydro, Gas rates, IT, Rents & leases, Insurance, Grants)	\$10	\$6	\$6	\$7	\$6
Workspace	\$3	\$2	\$2	\$2	\$2
Other costs	\$4	\$4	\$4	\$4	\$4
Snow Contingency	\$2	\$2	\$2	\$2	\$2
Total Preliminary Expense Pressures (Excluding impact of collective agreements)	\$74	\$76	\$76	\$86	\$74
	+ impact of wage increases to be determined				
Estimated 2020 Tax Increase % to meet service levels incl. staffing increases to Public Safety	6% to 7%				

2020-2024 Operating Budget Council Motions Expense Pressures



Major Council Motions (Operating Impact) (\$ in millions)	2020	2021	2022	2023	2024
Climate Change					
Global Warming (Sea level and storm water)	\$5 - \$6	\$5 - \$6	\$5 - \$6	\$5 - \$6	\$5 - \$6
Carbon Neutral before 2050	\$2 - \$3	\$3- \$6		TBD	
City Plan	\$7	\$5	\$3		
Other initiatives	\$7- \$8			TBD	
Estimated Expense Pressure	\$21 - \$24			TBD	
Potential taxation impact of new initiatives for 2020	2.6% to 3%			TBD	

Major Council Motions (Capital Funded) (\$ in millions)	2020	2021	2022	2023	2024
Climate Change	\$14 - \$19		\$50 - \$100		
Vancouver's Watershed Revival Plan	\$2 - \$3		TBD		
Canadian Pride in Vancouver's Chinatown Memorial Square	\$1		TBD		
Formalize the False Creek to the Fraser River Blueways	\$1		TBD		
Estimated Total Cost	\$18 - \$24		TBD		

Cost to Deliver Services - Examples



\$1.08M

to hire and train 10 new police officers



\$0.6M

initial investment for 7 new fire staff and equipment



\$1.35M

to operate a swimming pool for one year



\$6.3M

to grow and maintain Vancouver's urban forest



\$1.5M

to purchase one fire truck

\$8.3M

to fuel city vehicles for one year



\$350K

to procure, install and rehabilitate pedestrian and cycling traffic signal

2019-2022 Capital Plan: \$2.8B New Investments



Affordable Housing



Childcare



Parks & Open Spaces



Arts, Culture & Community Facilities



Public Safety & Civic Facilities



Transportation & Street Use



One Water



Renewable Energy



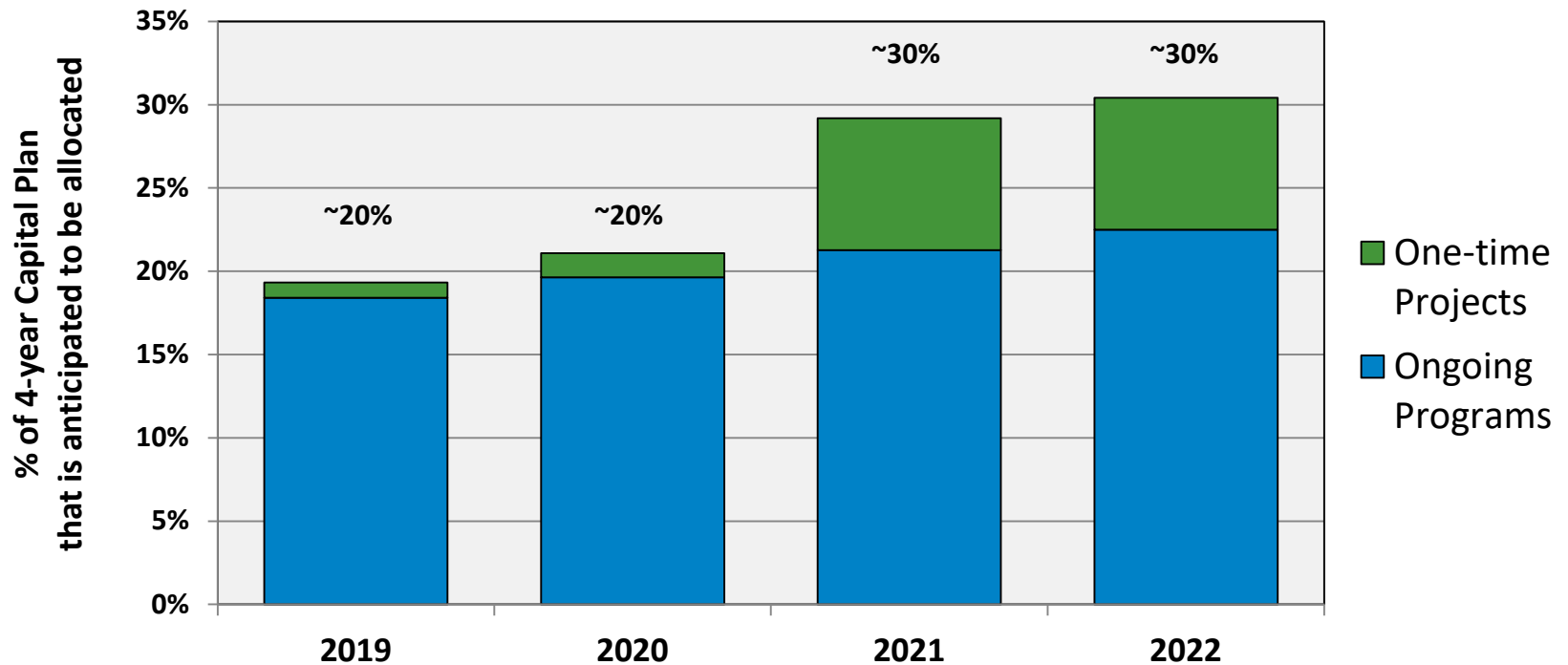
Emerging Priorities

2019 – 2022 Capital Plan

Service Categories	Original 2019-2022 Capital Plan (approved by Council in July 2018) (\$ millions)			Council approved Changes to 2019- 2022 Capital Plan (\$ millions)		Current Total 2019- 2022 Capital Plan (\$ millions)
	City-led Capital Investments	In-Kind Contributions	Total	City-led Capital Investments	In-Kind Contributions	
Affordable Housing	\$ 140	\$ 400	\$ 540	\$ 0.8	\$ -	\$ 541
Childcare	86	38	123	4.7	-	128
Parks and Open Spaces	264	-	264	-	-	264
Arts & Culture	142	43	185	0.6	-	186
Community Facilities	146	88	234	-	-	234
Public Safety	48	-	48	0.3	-	48
Civic Facilities & Equipment	108	-	108	-	-	108
Transportation & Street Use	311	-	311	7.6	-	318
One Water (Water, Sewer & Green Infrastructure)	616	-	616	-	-	616
Solid Waste	92	-	92	-	-	92
Renewable Energy	41	-	41	1.5	-	43
Technology	100	-	100	0.1	-	100
Overhead	20	-	20	-	-	20
Emerging Priorities	88	-	88	-	-	88
Total	\$ 2,203	\$ 569	\$ 2,771	\$ 16	\$ -	\$ 2,787

Capital Plan Allocation

**Conceptual Diagram Showing
Year-by-year Allocation of 2019-2022 Capital Plan**



2019 Capital Budget Allocation



Service Categories	2019-2022 Current Capital Plan City-led Capital Investments (\$ millions)	Budget Allocations (\$ millions)			
		2019 Budget Allocations (approved by Council in Dec'18)	Council approved changes to Budget allocations	Current Total Budget Allocations	2020 Proposed Budget Allocations*
Affordable Housing	\$ 141	\$ 30	\$ 1	\$ 31	
Childcare	91	1	12	12	
Parks and Open Spaces	264	44	-	44	
Arts & Culture	143	9	16	25	
Community Facilities	146	12	1	13	
Public Safety	48	12	1	13	
Civic Facilities & Equipment	108	27	2	29	
Transportation & Street Use	318	72	17	90	
One Water (Water, Sewer & Green Infrastructure)	616	86	6	93	
Solid Waste	92	15	-	15	
Renewable Energy	43	23	2	25	
Technology	100	27	0	27	
Overhead	20	6	-	6	
Emerging Priorities	88	-	-	-	
Total City-led Capital Investments	\$ 2,218	\$ 366	\$ 57	\$ 423	\$ 450
% of total City-led Capital Investments	100%	16%	3%	19%	20%

*Service Category breakdown for 2020 proposed budget allocations not available

Capital Budget 2020 Estimates

Assumptions:

- Most of the one-time projects that initiated planning/scoping in 2019 will complete this phase of work and move to the detailed design phase in 2020.
- Funding will be included for the ongoing programs.

Estimate for 2020 New Multi-Year Project Budgets: ~ \$450 million

- approximately 20% of the \$2.2 billion contemplated in the 2019-2022 Capital Plan total

Estimate for 2020 Annual Capital Expenditure Budget: ~ \$600 million

- Reflects expenditures for major capital projects from prior capital plan moving to construction/implementation phases
- Above the 2019 expenditure budget of \$575 million

Capital – What's next?

Capital Plan to be reviewed:

- Status update of capital plan to review results/outcomes
- Mid term update to adjust to strategic changes of the City

Alignment between Capital Plan Implementation and Capital Budgeting:

- Present capital budget within the 4 year capital plan context
- Include multi-year outcomes
- Include in-kind Community Amenity Contributions
- Highlight community perspective

Staff will work on changes to processes, reports and budget documents for 2020 and future years' capital planning and budgeting as part of continuous process improvement.

2020-2024 Budget Outlook – Summary



- Budget preparation will focus on:
 - Aligning existing strategies and plans to the priorities of this new Council
 - Reprioritizing work to take on additional initiatives requested by Council over the past year
 - Costing out the impact of additional initiatives that cannot be accommodated with the current resources
- Look to balance the need to maintain and improve services, facilities and infrastructure, and to accommodate requests for new initiatives, with acceptable levels of taxation, utility rates, and fees
- The City has limited funding sources; we will continue to explore additional sources of revenue and partner funding
- City staff continue to find ways to work more efficiently and to save costs, including through continuous improvement and new technology
- Assumptions in the Outlook will be informed by public input and ongoing dialogue with City Council, to bring the 2020 Budget into balance

OBJECTIVES

- Obtain Vancouver residents and businesses' feedback on municipal services and the value they perceive they are receiving from the City

METHODOLOGY

- Random and representative telephone survey conducted between May 1 and 22, 2019

Residents

- 602 interviews with adult Vancouver residents
- 70% landlines, 30% cellphones
- Conducted in English, Cantonese, and Mandarin
- Final data weighted by gender/age and neighbourhood according to 2016 Census data
- MOE: $\pm 4.0\%$, 19 times out of 20

Businesses

- 201 interviews with Vancouver businesses
- 100% landlines
- Conducted in English
- Final data weighted by business size according to 2017 BC Stats data
- MOE: $\pm 6.9\%$, 19 times out of 20

Key Findings

1

Most survey measures are stable and strong

- Quality of life (89% good residents, 92% good businesses)
- Overall service satisfaction (86% satisfied residents, 80% satisfied businesses)
- Value for taxes (81% good residents, 76% good businesses)

2

Satisfaction with individual services is largely unchanged and any shifts in overall satisfaction are positive

3

Issues related to cost of living and housing are still making more see quality of life worsening versus improving

Key Findings cont'd

4

Housing and transportation/infrastructure continue to dominate the issue agenda

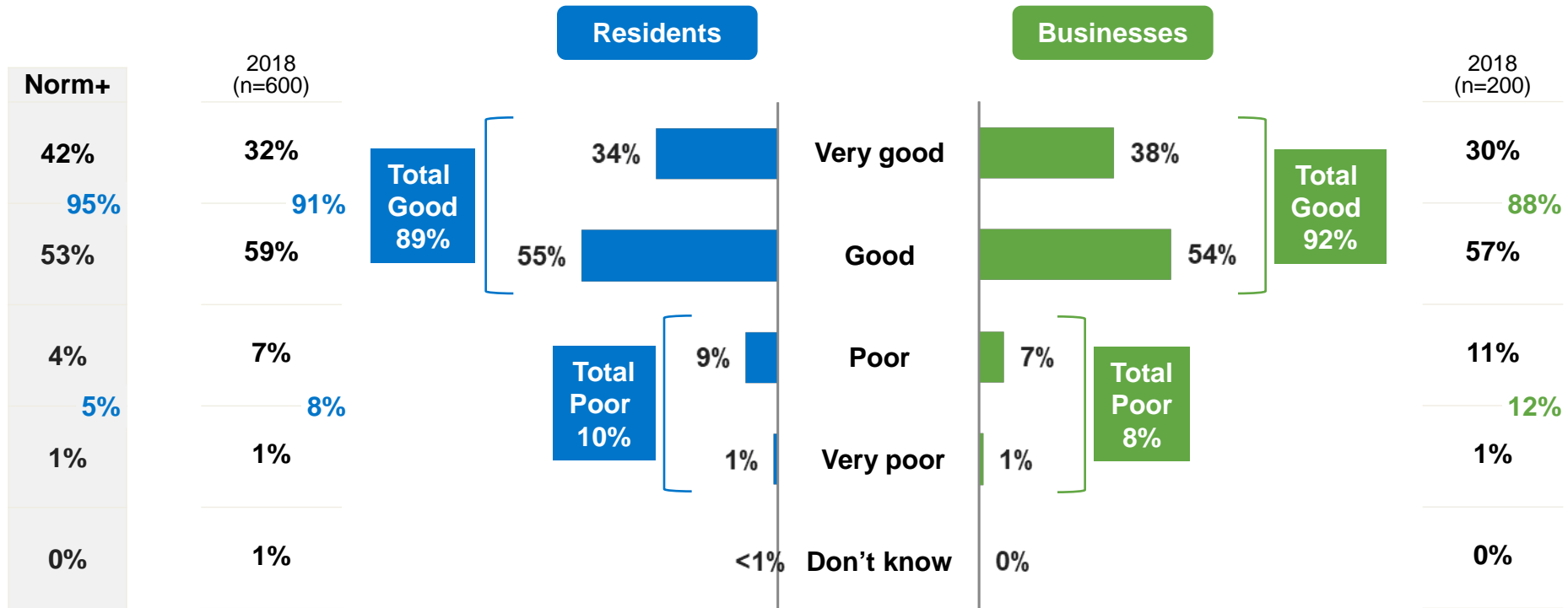
5

Residents prioritize investment in affordable housing, homelessness, and social policies. Businesses have more diverse priorities led by street infrastructure and economic development

6

New/increased user fees are preferred to raising property taxes or making cuts to City services/staff

Overall Quality of Life

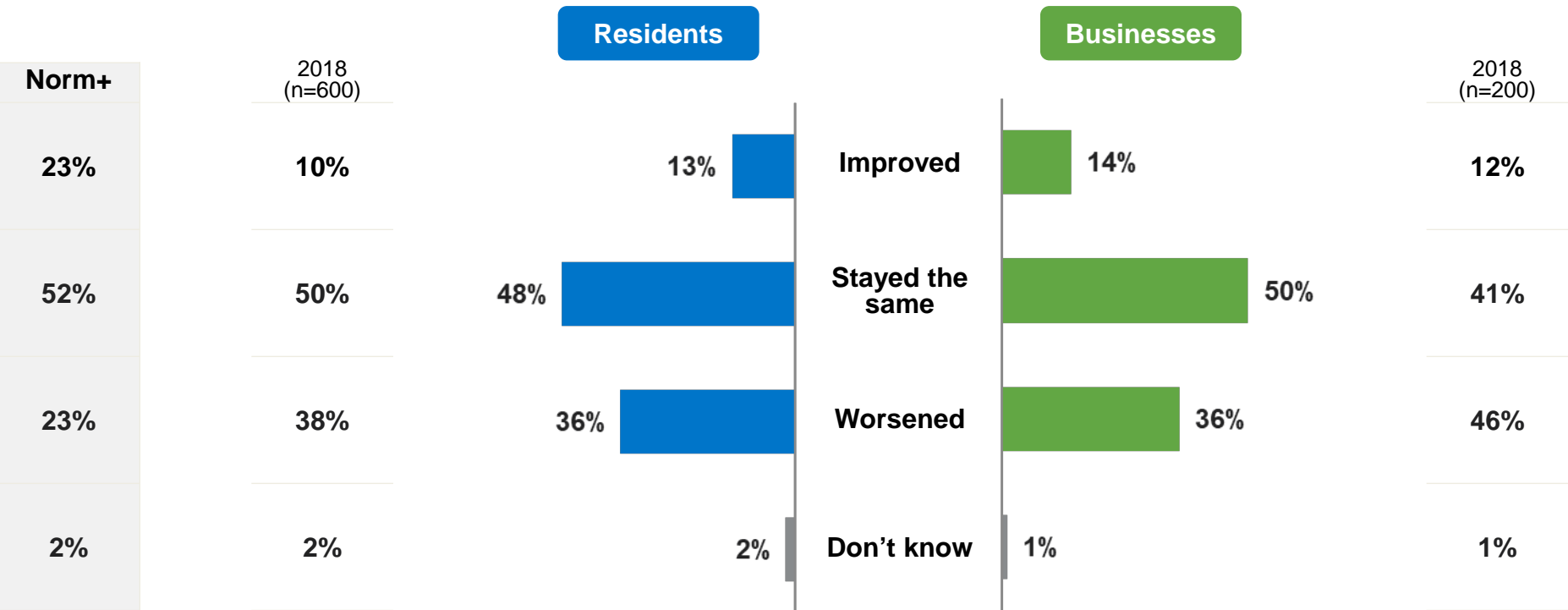


+The norm is the average rating from Canadian municipalities surveyed by Ipsos in the past five years.

- Q2. How would you rate the overall quality of life in the City of Vancouver today?
- Base: All residents (n=602); All businesses (n=201)

▲ / ▼ Significantly higher/lower than previous year.

Change in Quality of Life



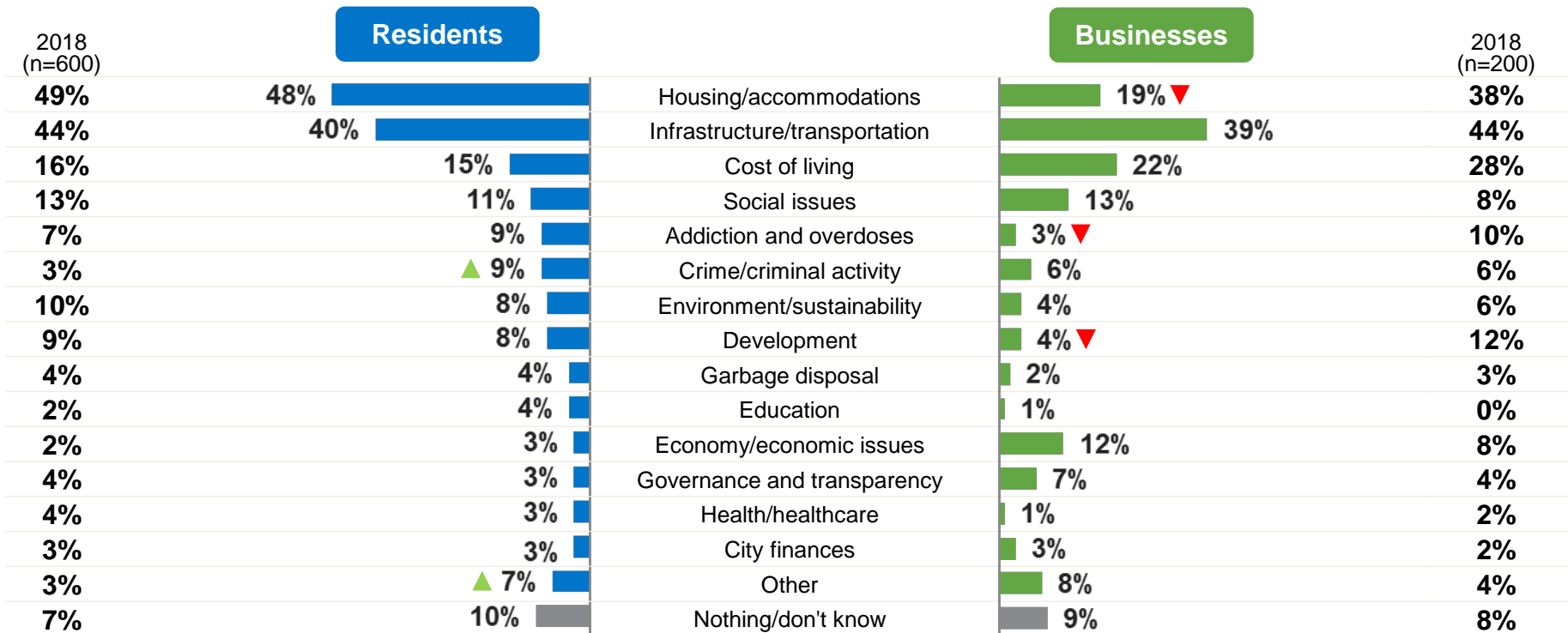
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- Q3. And, do you feel that the quality of life in the City of Vancouver in the past three years has improved, stayed the same, or worsened?
- Base: All residents (n=602); All businesses (n=201)

Important Local Issues

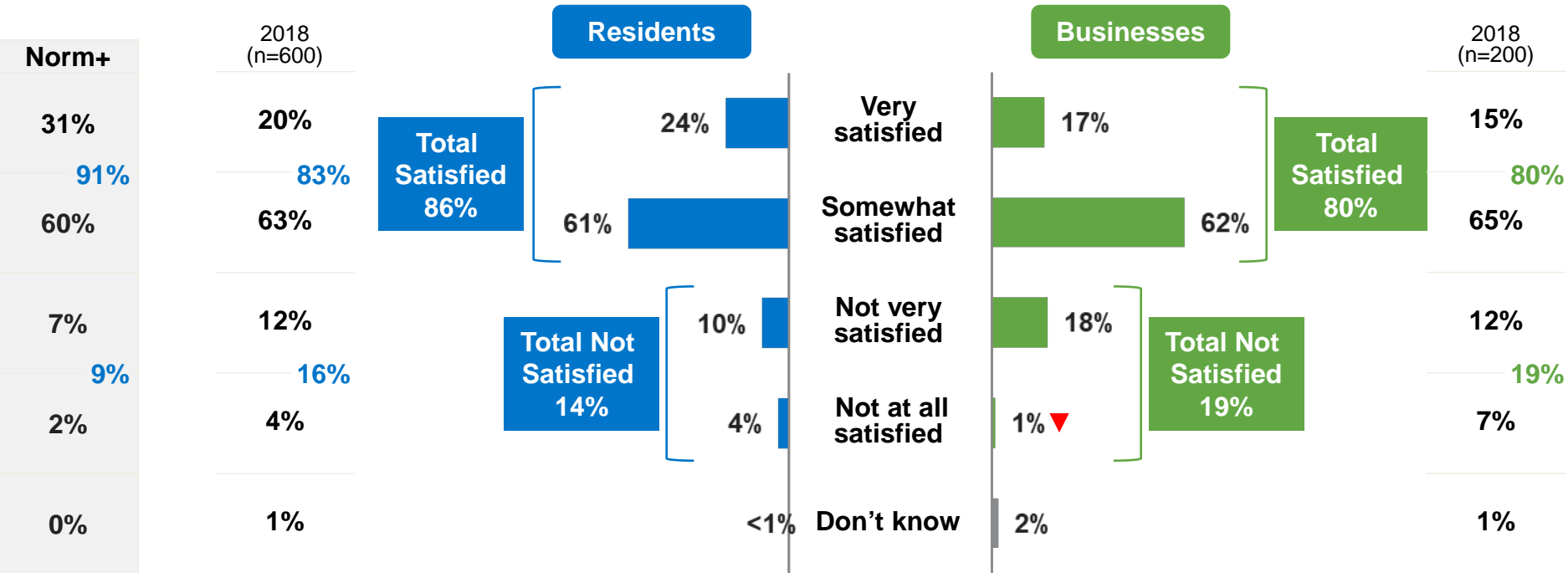
Coded open-ends, multiple responses allowed



▲ / ▼ Significantly higher/lower than previous year.

- Q1. From your perspective as a [RESIDENT: resident of] [BUSINESS: business owner, manager, or operator in] the City of Vancouver, what are the most important local issues facing the City at the present time? Anything else?
- Base: All residents (n=602); All businesses (n=201)

Overall Satisfaction with City Services



+The norm is the average rating from Canadian municipalities surveyed by Ipsos in the past five years.

▲ / ▼ Significantly higher/lower than previous year.

- Q6. How satisfied are you with the overall level and quality of services provided by the City of Vancouver?
- Base: All residents (n=602); All businesses (n=201)

Satisfaction with Specific Services

Services **residents** are most satisfied with – top five

Library services

Parks/green spaces

Recreation

Fire, rescue & medical services, tied with Services to enhance Parks

Police services

Services **business** are most satisfied with – top five

Fire, rescue & medical services

Police services

Online payment services

Library services

Urban design

Represents combined scores for a response of “very” or “somewhat” satisfied with the job the City is doing in delivering each service

More Investments in Specific Services

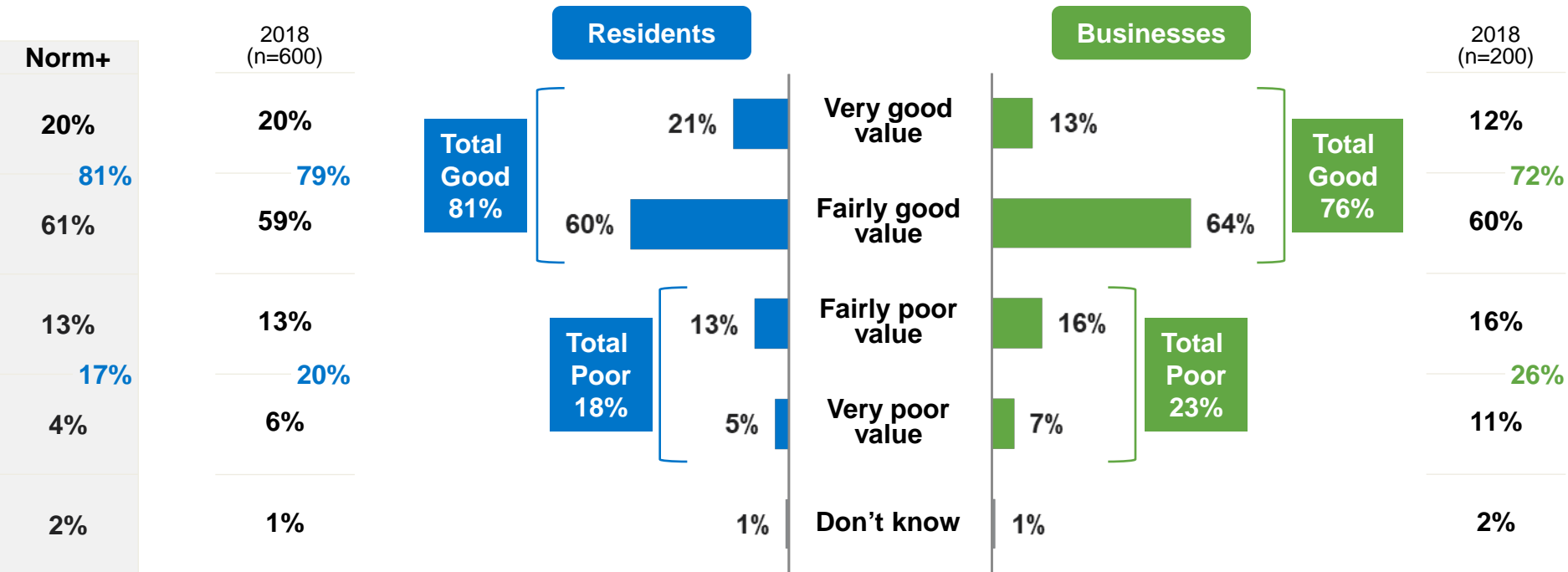
Where **residents** want the City to invest more – top five

Enabling affordable housing (73%)
Homelessness services (69%)
Social policies and projects (69%)
Street infrastructure (48%)
Transportation infrastructure (47%)

Where **businesses** want the City to invest more – top five

Street infrastructure (49%)
Economic development (46%)
Emergency preparedness (44%)
Long-range planning (43%)
Transportation infrastructure (43%)

Value for Taxes

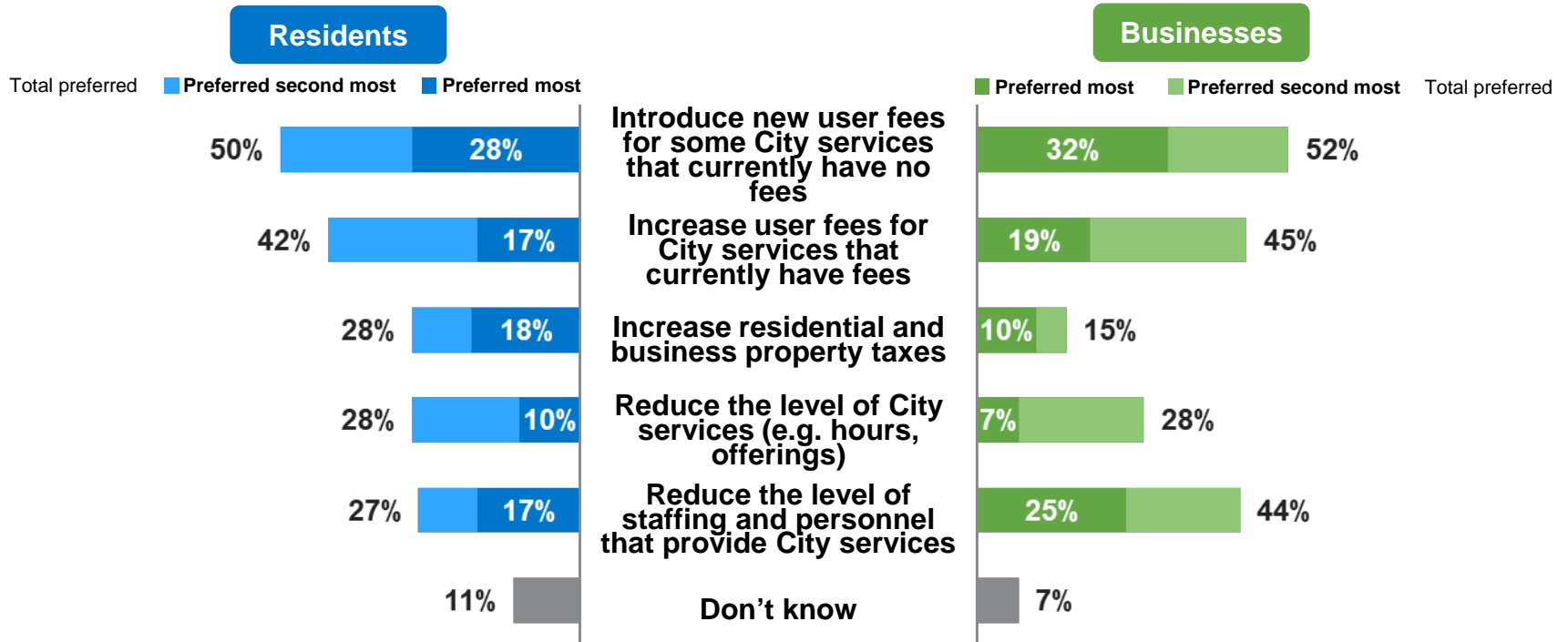


+The norm is the average rating from Canadian municipalities surveyed by Ipsos in the past five years.

- Q13. Thinking about all the programs and services you receive from the City of Vancouver, would you say that overall you get good value or poor value for your tax dollars? (Is that very or fairly good/poor value?)
- Base: All residents (n=602); All businesses (n=201)

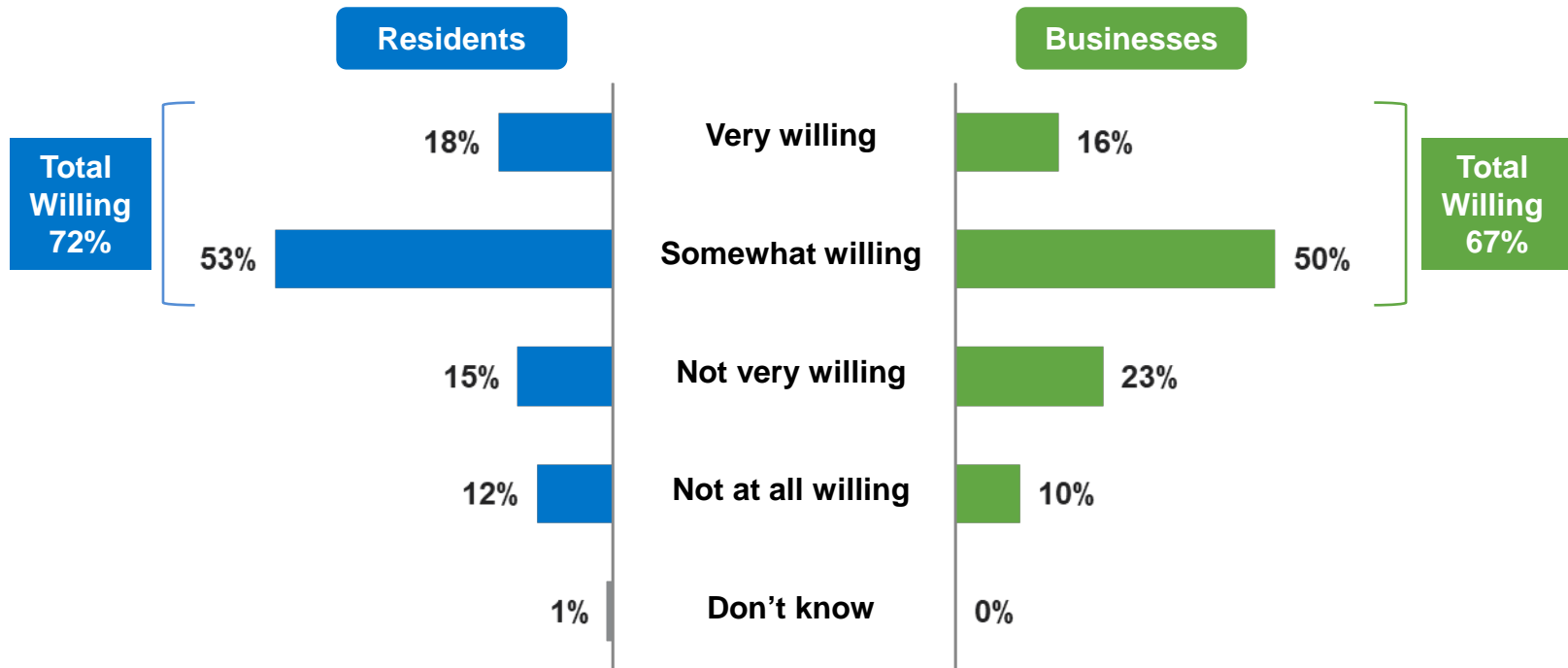
▲ / ▼ Significantly higher/lower than previous year.

Preferred Options to Balance Budget



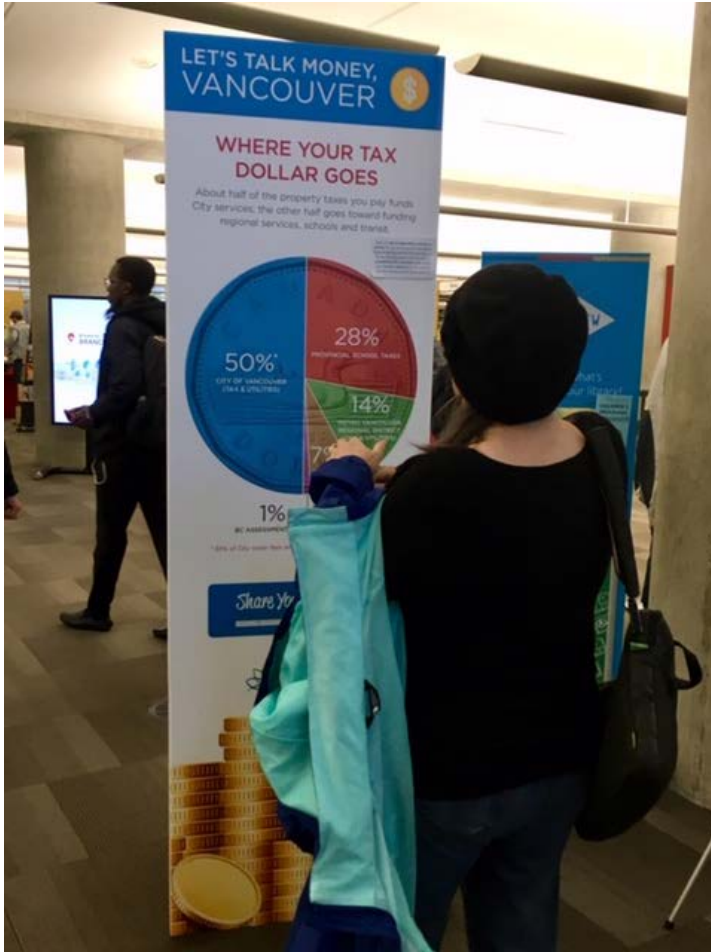
- Q13a. Now, to balance the 2019 budget as required by law, the City of Vancouver has a number of options to consider. Which of the following would you most prefer the City use to balance its budget?
- Q13b. Which one would you second most prefer?
- Base: All residents (n=602); All businesses (n=201)

Willingness to Pay More for User Fees



- Q13d. In the past, the public has indicated a preference for increasing user fees versus property tax as a mechanism to balance the budget. Now think about the City services that [RESIDENT: you use] [BUSINESS: your business uses]. How willing would you be to pay more in user fees for the services [RESIDENT: you use] [BUSINESS: your business uses] in order to maintain or improve them?
- Base: All residents (n=602); All businesses (n=201)

The 2020 Engagement Process



- 1) Building on Learning to Date
- 2) Setting the Stage for Meaningful Engagement
- 3) Framing the Trade-offs
- 4) Transparency

Proposed Phases and Activities

May - June	June – August	August – December
<p>Research to Date</p>	<p>Going Deeper – Recommended New Activities</p>	<p>Framing Trade-offs / Reporting Out</p>
<ul style="list-style-type: none"> • Scene setting sentiment Research • Service score cards • Listening year-to-year 	<ul style="list-style-type: none"> • Improved accessibility of key concepts - education and outreach • Outreach to community with priorities <ul style="list-style-type: none"> • Neighbourhood Houses • Libraries • Canvassing in DTES • Language and culturally appropriate outreach • Stakeholder Roundtables <ul style="list-style-type: none"> • Working with community partners, business and intergovernmental organizations to test and learn 	<ul style="list-style-type: none"> • Frame trade-offs and options for public input • Be clear about how public input will - and will not - impact final draft budget • Use online platform and second round of in-person outreach to test emerging options • Ensure staff have findings in a timely way to help shape draft budget • Report back via public information session – online and in person

Questions / Feedback