

Council Meeting - 2023 Draft Operating Budget

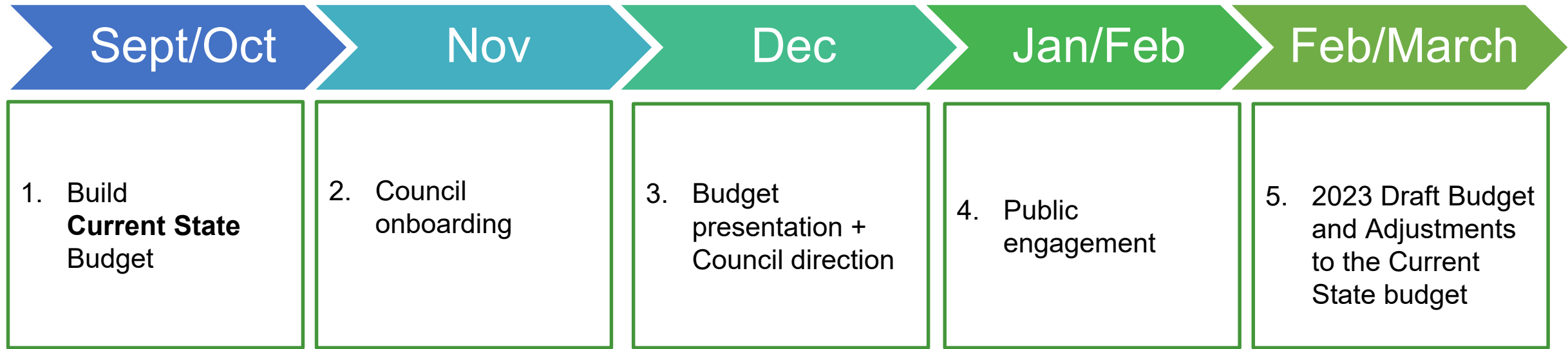
February 28, 2023



1. Budget Process and Approach
2. 2023 Budget Walkthrough
 1. Approved Capital Plan and Budget
 2. Approved Utility Fees
 3. Draft Operating Budget
3. Public Engagement Results
4. Vancouver Police Department Presentation – Council Motion for additional officers

1. Budget Process and Approach

2023 Budget Timeline – Council Engagement



‘Current State’ budget

- ✓ License and Permits fees approved in July
- ✓ Includes only fixed and contractually obligated costs for COV
- ✓ No new investments or enhanced service levels

Orientation

- ✓ Orientation on Financial Structure and Capacity to incoming council

Debate/ Discussion / Interim Decision

- ✓ Received current state operating budget for **information**
- ✓ **Approved** 2023 capital budget
- ✓ **Approved** 2023 utility and other fees

Public Engagement

- ✓ Feedback from residents and businesses on how the city is managing its finances on their behalf

Final Approval

- a) Final approval of the operating budget required by early March to enable tax calculations for April per Vancouver Charter

- Council report includes recommendations for approval of the 2023 Draft Operating Budget, including:
 - Vancouver Police Board, Vancouver Public Library, and Vancouver Board of Parks and Recreation, Property Endowment Fund (PEF) Operating Budget, and Vancouver Affordable Housing Endowment Fund (VAHEF) Operating budgets
 - Property tax levy, with a **property tax rate increase of 9.7%**
 - Direction to Staff to develop strategies to address cost pressures in the **multi-year financial plan through new revenue opportunities, process improvements to reduce costs or increase capacity, senior government funding and partnerships** that will inform the multi-year property tax increases for Council's consideration as part of future Budget processes.
- The 2023 Draft Operating Budget will then be deliberated and approved by Council in accordance with the **Vancouver Charter requirements**

2. 2023 Budget Walkthrough

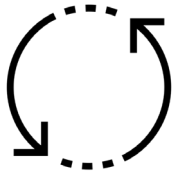
2.a. Capital Plan and Capital Budget

2023-2026 Capital Plan **\$3.5B**

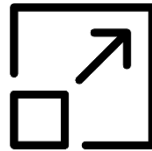
(\$3.3B City assets; \$0.2B Partner assets)

Council approved
June, 2022

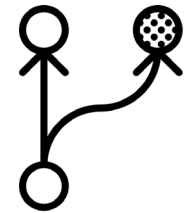
Capital Planning Goals



Renew existing aging infrastructure & amenities



Build new/expanded infrastructure & amenities to serve population & employment growth



Evolve infrastructure & amenities to address emerging needs, policies, and service delivery models / partnerships

2023 Multi-year Budget requests **\$0.6 B**

2023 Annual Capital Budget **\$0.7B**

Council approved
Dec 2022

Continued high inflation and supply chain challenges have created a challenging environment for capital planning and budgeting

\$0.97B unspent budget from previously approved project budgets from prior capital plans informed the 2023-2026 Capital Plan budget allocations and 2023 budget requests

New Capital plan 4 year allocations have been aligned to **delivery and funding capacity**

Capital Budget includes investments with the **objective** to:

- 1) **replace** and **renew** aging infrastructure and amenities
- 2) provide **new assets** to serve population and employment growth;

Highlights of the 2023 Capital Budget

- **2023 Multi-Year Capital Budget \$0.6B**

- Funding required for procurement for **design and/or construction phases** for a few of the major projects included in the 2023-2026 Capital Plan, such as rehabilitation of and seismic upgrades to the Granville and Cambie bridges, the Vancouver Landfill Phase 5 closure, and renewal and expansion of Vancouver Aquatic Centre.
- Funding required for initial phases, such as **planning/scoping and detailed design**, of most of the one-time projects included in the 2023-2026 Capital Plan, such as renewal and expansion of Downtown South Firehall No. 8, renewal and expansion of Firehall Arts Centre and interim rehabilitation/renovation of Vancouver Archive facilities.
- Funding for **ongoing programs** such as the Sewer and Water asset renewal programs, Active Transportation Corridors program, capital maintenance and renovations of infrastructure, and capital granting programs.



- **Annual Capital Expenditure Budget \$0.7B**

- expenditures for one-time projects, e.g. the seismic upgrades to Cambie Bridge, renewal and expansion of Grandview Firehall
- expenditures for ongoing annual capital programs, such as sewer main replacements, acquisition of land for affordable and social housing, and capital granting programs.



2.b. Utility Fees Growth Drivers

What is included in Utilities?



1,500km of buried pipelines
100,000 service connections
6,600 fire hydrants
30,000 valves
25,000 water meters

Potable Water

- Provides potable water to residents and businesses
- Purchase of water from Metro Vancouver and maintain our distribution network
- Advance water conservation strategy
- 100% funded by water utility rate



2,140 km of sewer mains
93,000 service connections
42,000 catch basins
24 pump stations

Drainage and Sewer

- Provides sanitary drainage (wastewater from homes and businesses) and storm sewer drainage (surface run-off from public and private properties)
- Approx. 63% funded from sewer utility rate (sanitary) and 37% funded from tax (storm sewer)



Solid Waste Utility

- Provides garbage and organic pick-up for single family residents and street cleaning in front of private properties
- 100% funded by solid waste utility rate

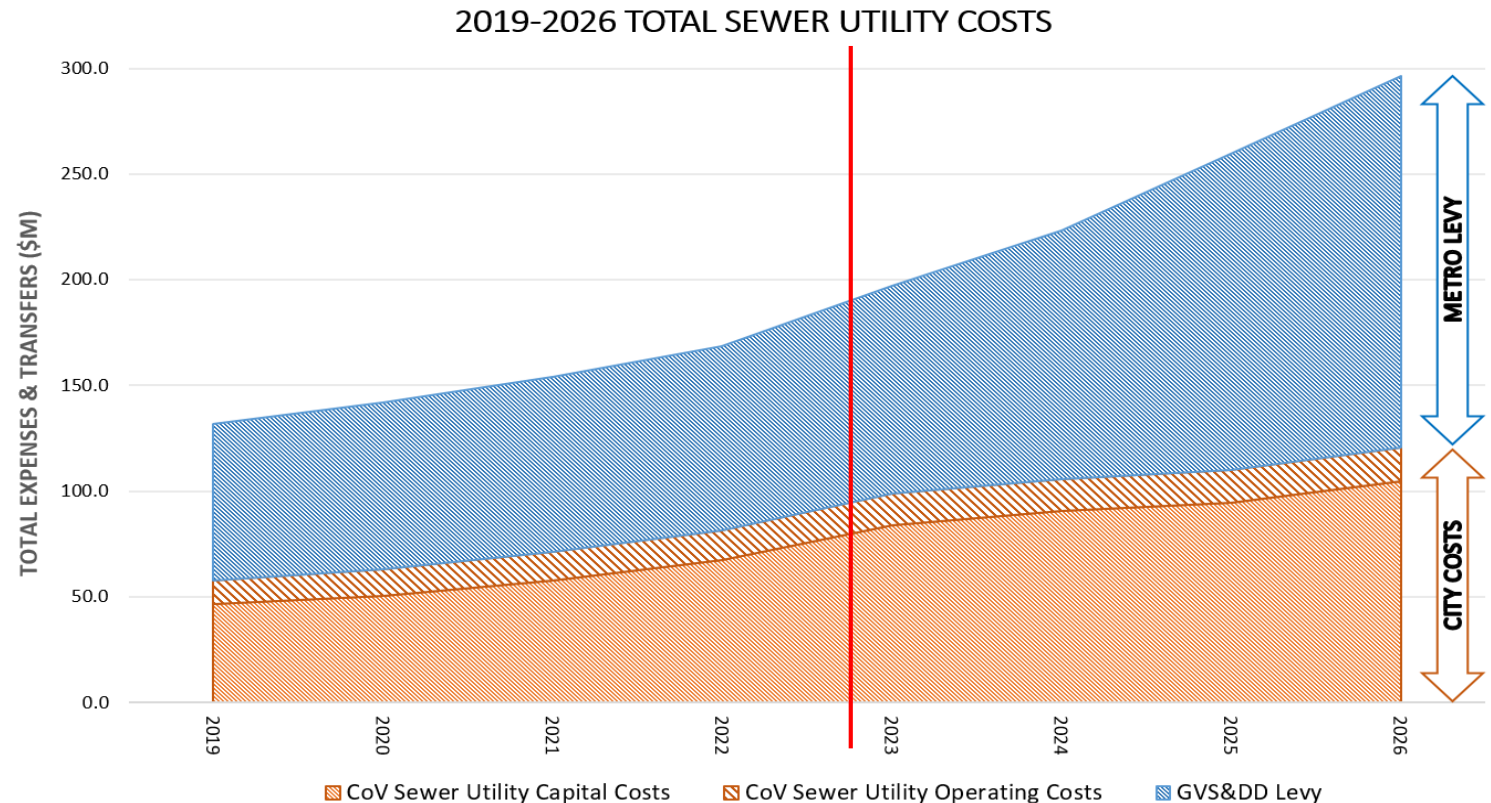
Does not include general street cleaning, which is funded by tax



Sewer utility rates: Metro v/s City Costs

Key Drivers Impacting Rate Increase over the next few years:

- **Metro Levy:** Increase in Metro Levy up to 2-3 times from 2019-2026
- **City Capital:** Increase in expenditures to increase the renewal rate of aging and deteriorating assets
 - 2023-2026 Capital Plan will enable catch up to 0.8% renewal rate, though longer-term renewal target is ~1.2%.
 - Continued transition of ongoing fee-funded capital to pay-as-you-go financing model
- **Operating Costs:** Funding for ongoing maintenance of the aging infrastructure and sanitary/drainage pipes, maintained at a manageable level.





5-Year Rate Outlook

	Budget	Council approved Dec 2022	Projection	Projection	Projection	Projection	YoY CHANGE
Utility	2022	2023	2024	2025	2026	2027	Change over 2022
Water	2.0%	3.0%	8.0%	8.0%	9.0%	10.0%	
Sewer	12.5%	15.0%	15.0%	15.0%	15.0%	15.0%	
Solid Waste	4.5%	5.9%	2.4%	2.0%	2.0%	2.0%	
Blended Rate	6.0%	7.9%	9.6%	9.7%	10.4%	11.0%	
Water	\$ 810	\$ 834	\$ 901	\$ 973	\$ 1,061	\$ 1,167	\$ 24
Sewer	\$ 653	\$ 751	\$ 864	\$ 993	\$ 1,142	\$ 1,313	\$ 98
Solid Waste	\$ 356	\$ 377	\$ 386	\$ 394	\$ 402	\$ 410	\$ 21
Total rates	\$ 1,819	\$ 1,962	\$ 2,151	\$ 2,360	\$ 2,604	\$ 2,890	\$ 143

Increase in 2023 Blended Utility rate 7.9% or \$143 in household bill

2.c. Draft Operating Budget Highlights

2023 Draft Budget will maintain the delivery of **current City services**, enhance **public safety**, expand **mental health services**, revitalize **Chinatown**, renew and maintain **infrastructure and public amenities**, Indigenous Relations and UNDRIP planning and strengthen the City's **financial sustainability**

First full year that reflects much needed investments and initiatives that were deferred due to the pandemic

Growing inflationary pressures driven by pent-up demand from the COVID-19 pandemic and continued global supply chain disruptions

City costs have increased by **more than CPI**, putting significant pressure on property taxes and fees

The City continues to focus on the **multi-year financial planning** to more strategically address ongoing cost pressures and service needs

Draft 2023 Operating Budget

\$1.96B



Revenue streams

9.7%

Property tax increase

\$113 / year for median strata
\$296 / year for median single family home
\$498 / year for median businesses

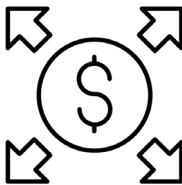
7.9%

Blended utility fees increase

\$143 / year for median single family home
\$138 / year for median businesses

5%

Licence, Permit & Program fee increases



Cost to deliver services

Fixed and contractually obligated costs

Regional costs from Metro Vancouver to support ongoing services

Infrastructure renewal

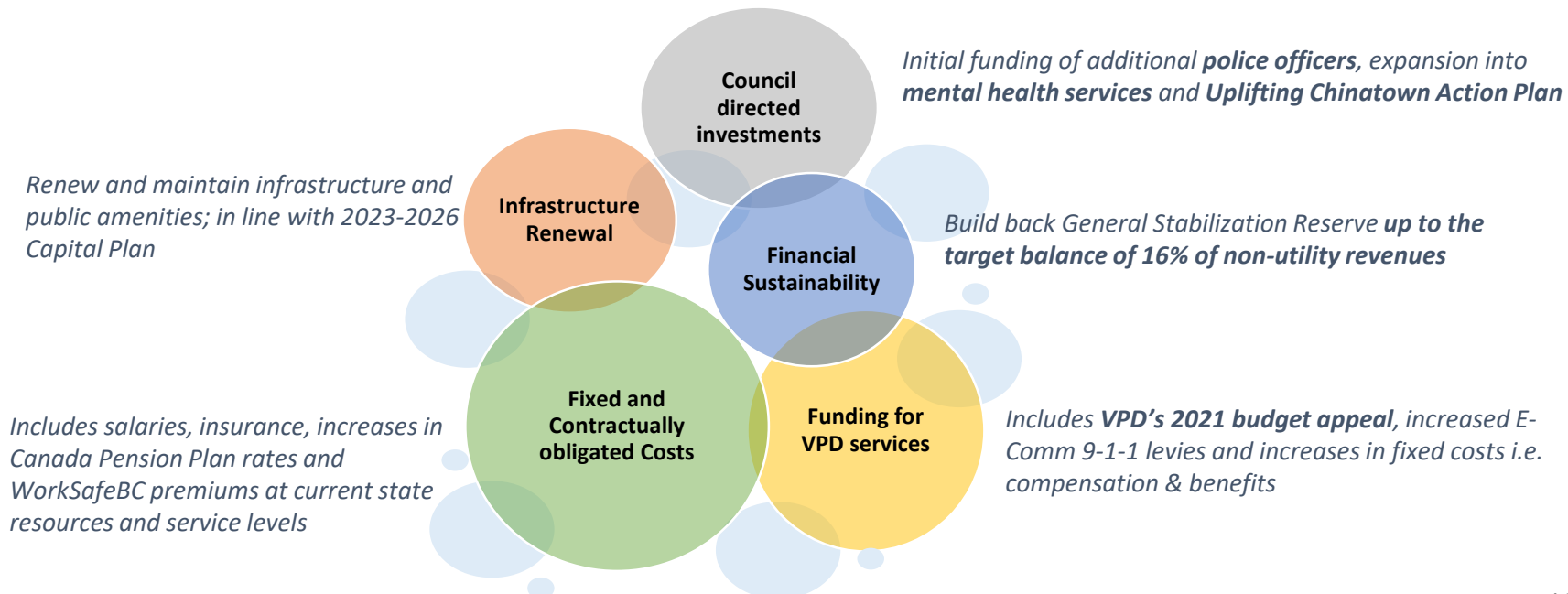
Funding for Vancouver Police Department (VPD)'s 2021 budget appeal

Funding for new initiatives directed by Council

2023 Draft Operating Budget Highlights

\$ in M	2022 Restated Budget	2023 Draft Budget	\$ Change	% Change
Revenues	1,748	1,961	213	12.2%
Expenses & Transfers	1,748	1,961	213	12.2%
Net Budget	-	-		

Empty Homes tax revenue is included in the Draft Operating Budget for the first time; excluding EHT YOY change would be \$169M or 9.7%



Highlights of Adjustments to Current State Budget (Nov 2022)

Council / Park Board approved

Revised estimates



**Public
Safety**
\$8.0 M

Initial funding for
hiring of
**additional police
officers**



**Health
Services**
\$8.0 M

Funding for
**enhancing mental
health services**



**Support
Residents**
\$2.16 M

Uplifting
Chinatown
Action Plan



**Park Board
Investments**
\$2.8 M

Park Board approved fee
and volume increases to
fund initiatives such as
additional Park Rangers,
Park Activation,
Accessibility strategy etc.



**Financial
Sustainability**
\$9.5 M

Replenishing the
**General
Stabilization
Reserve**

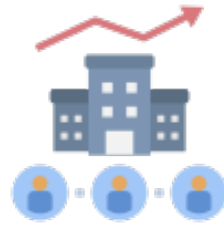


**Core
Services**
\$20.9 M

Revised **revenue and
cost estimates** including
contingencies in
response to **inflationary
pressures and risks**

Realignments & Other Adjustments Highlights

- The 2023 Draft Budget has been adjusted to reflect external recoveries and reorganizations within the City
 - These adjustments have no overall budgetary impact



Internal Reorganization

Creation of Workplace
Safety team within
the Office of the Chief
Safety Officer (OCSO)



Provincial Recovery

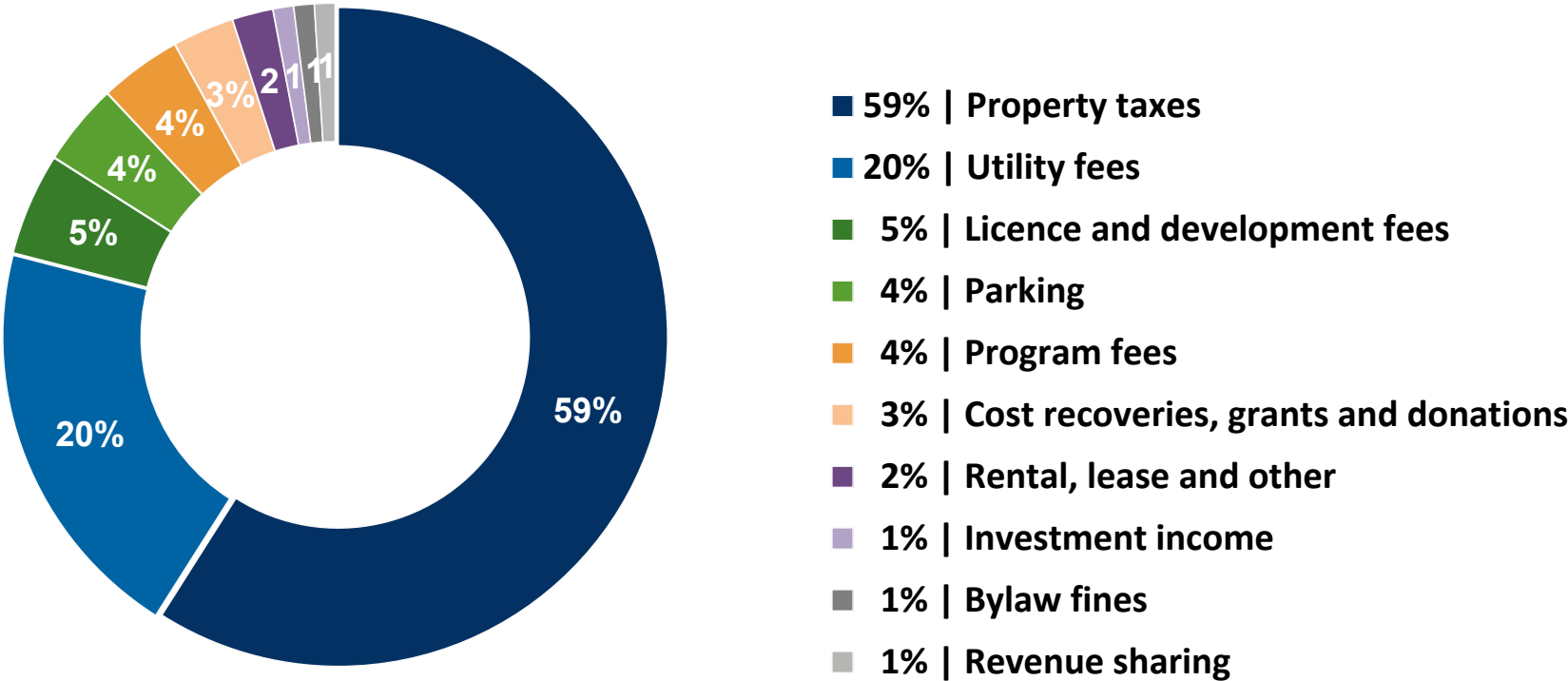
Local Government
Climate Action
Program (LGCAP)
Provincial recovery

Initiatives Not Included in Draft Budget

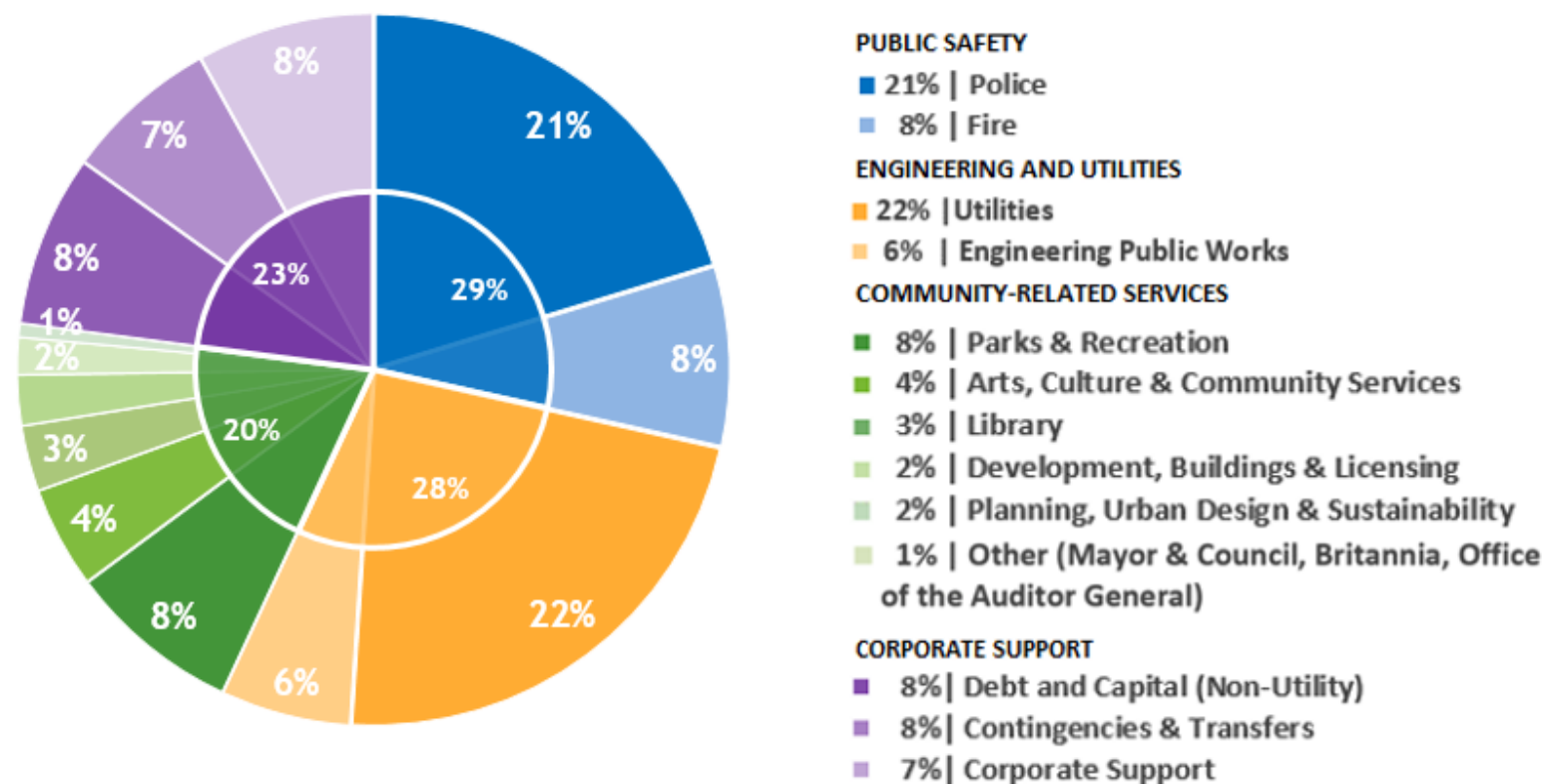
- The Draft Budget includes funding to support many ongoing initiatives
 - More than 300 priority plans are included in the Draft Budget, as described in the Departmental Service Plans
- A list of **unfunded initiatives**¹, not included in the Draft Budget, has been shared with Council
 - Specific Council direction is needed to include initiatives on the unfunded list, stop/slow down initiatives or adjust service levels
 - Staff capacity or other external factors may be a limiting factor

¹For Supporting Information to 2023 Draft Budget, click [here](#)

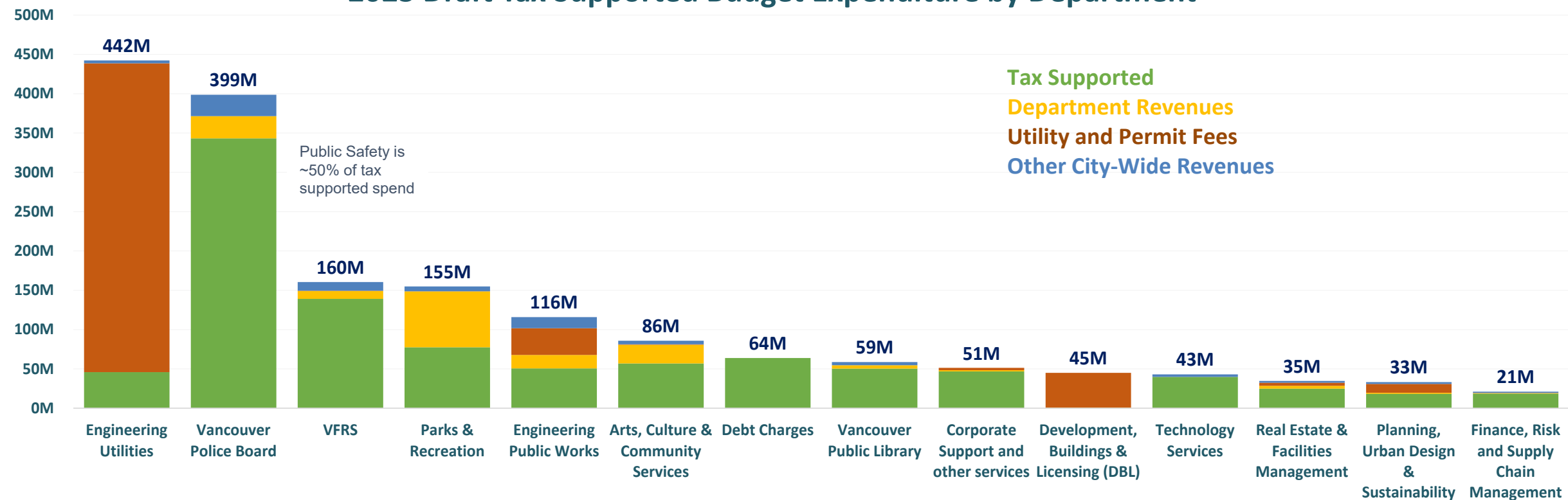
2023 OPERATING REVENUES \$1,961 MILLION



2023 OPERATING EXPENDITURES, DEBT & TRANSFERS BY SERVICE AREA (\$1,961 MILLION)



2023 Draft Tax Supported Budget Expenditure by Department



Notes:

- Other revenues include Citywide revenues such as parking, bylaws fines, investment income, revenue sharing, cost recoveries, etc., Other revenues with direct costs have been allocated to associated departments first, before getting allocated citywide

Indicative City Property Tax and Utility Fee Impact of Draft 2023 Budget for Council Consideration





Indicative City Property Tax and Utility Fee Impact of Draft 2023 Budget

	Median Single-Family Home \$1,997,000		Median Business Property \$1,098,700	
	ESTIMATED 2023 TAX BILL (CoV PORTION)	CHANGE OVER 2022	ESTIMATED 2023 TAX BILL (CoV PORTION)	CHANGE OVER 2022
Property taxes (Including 9.7% increase)	\$3,347	\$296	\$5,627	\$498
Water ¹	\$834	\$24	\$772	\$22
Sewer ¹	\$751	\$98	\$767	\$100
Solid Waste ²	\$377	\$21	\$283	\$16
Subtotal Utility fees	\$1,962	\$143	\$1,822	\$138
Combined	\$5,309	\$439	\$7,449	\$636

¹ The majority of single-family homes are charged a flat fee for utilities; newly constructed single-family homes and business properties are metered. Rate of increases in water and sewer charges for businesses are the same as those for residential properties.

² City staff provide weekly green bin and bi-weekly garbage collection to single-family and duplex homes in Vancouver. The collection of garbage and green bin material from multi-family and commercial establishments is provided primarily by the private sector.

9.7% Property Tax Increase Impact

		Median residential strata unit \$759,000	Median overall residential unit \$1,301,000	Median single- family home \$1,997,000	Median business property \$1,098,700
	Total Change over 2022	\$113	\$193	\$296	\$498
	1% for additional infrastructure renewal	\$12	\$20	\$31	\$51
	1% for financial sustainability reserve replenishment	\$12	\$20	\$31	\$51
	2.7% for increased funding for VPD services including new police officers	\$31	\$54	\$82	\$139
	5.0% for increased funding for enhanced mental health support, Chinatown and across City services and risks	\$58	\$99	\$153	\$257

Vancouver Police Budget – 2023 Draft Operating Budget

Vancouver Police Department (VPD) \$ in Millions	2022 Restated Budget	2023 Draft Budget	YoY Change (\$)	YoY Change (%)	Current State Budget (as of Nov 2022)
Revenues	\$(25.4)	\$(28.3)	\$(2.9)	11.2%	\$(28.3)
Expenses & Transfers	\$370.1	\$398.2	\$28.2	7.6%	\$390.1
Net Budget	\$344.7	\$370.0	\$25.3	7.3%	\$361.8

- The Draft Operating Budget for VPD has **increased by \$8.2M from the Current State Budget** (as of Nov 2022):
 - Primarily related to initial funding to enable VPD to start the requisition and hire additional police officers (\$8m) and increase in E-COMM dispatch levies (\$.2m)
- The Draft Operating Budget for VPD has **increased by \$25.3M over 2022 Budget, equivalent to a property tax impact of 2.7%**
 - Primarily related to higher E-COMM levies, new requirements from the JIBC recruit training, permanent funding of the 2021 VPD budget appeal, and initial funding to hire additional police officers

Vancouver Police Board Proposed Budget vs. Draft Budget

Vancouver Police Department \$ in Millions	2023 Draft Budget	Board Proposed Budget
Revenues	\$(28.3)	\$(27.9)
Expenses & Transfers	\$398.2	\$411.1
Net Budget	\$370.0	\$383.1

- The Draft Operating Budget for VPD **does not include** the following items which are included in the **Board Proposed Budget**
 - \$7.7M or 0.8% tax impact to fund the remainder of the 100 new police officers (total \$15.7M was proposed)
 - \$2.1M or 0.2% tax impact for New Community Investments such as Digital evidence management systems, cell phones, body-worn cameras, community policing centre costs
 - \$3.6M or 0.4% tax impact for adjustments to underfunded budgets such as, statutory holiday pay, overtime etc.
- Fully funding these items (noted in the unfunded list of initiatives) would require an **additional property tax increase of 1.4%**

Ongoing Risks to 5 Year Financial Plan

- High inflationary environment impacting cost estimates and contingencies
- Collective agreement impact
- Revenue risks

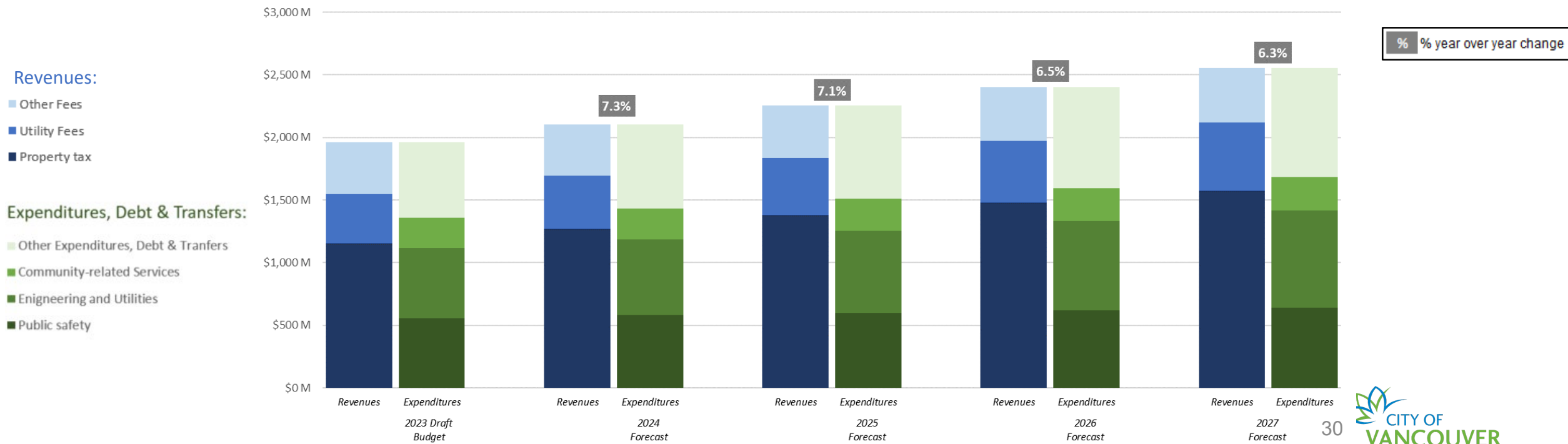
Staff will continue to explore opportunities in the multi year plan to address ongoing tax pressures through strategies for

- new revenue streams
- process improvements to reduce costs or increase capacity
- senior Governments funding and partnerships
- additional strategic operational investments

5-Year Financial Plan

- Operating budget is projected to increase by an average of **7% annually** from 2023 to 2027
- Estimated average property tax increase of **~8.6% per year** to maintain current state service levels, mainly driven by
 - high inflationary pressures which are expected to continue until 2024 and projected to moderate by 2026
 - higher fixed costs estimates and contingencies, incremental funding for renewal and maintenance of infrastructure and public amenities, and increases in regional utility charges assessed by Metro Vancouver

2023-2027 Gross Budget and Forecasts



General Stabilization Reserve (GSR)

- The General Stabilization Reserve is utilized to mitigate risks to the City's financial stability and unplanned events/unforeseen emergencies
 - *Drawn down during the pandemic to offset cost pressures and revenue shortfalls*
- 2023 Draft Budget includes a **reserve replenishment equivalent of 1% tax increase** to help build back the reserve, bringing the uncommitted balance to ~5.5%
- Based on the 5 year plan, GSR is forecasted to be at ~8% by the end of 2027 toward pre-pandemic levels and subsequently the target of 16% non-utility budgeted revenue

2019

- **10%** uncommitted reserve balance

2027

- **8%** forecasted uncommitted reserve balance

2022

- **5.5%** uncommitted reserve balance
- Drawdowns to offset financial impacts of pandemic

Building back the reserve

Target: 16% of non-utility budgeted revenue

Property Taxation & User Fees Benchmarking

- 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.

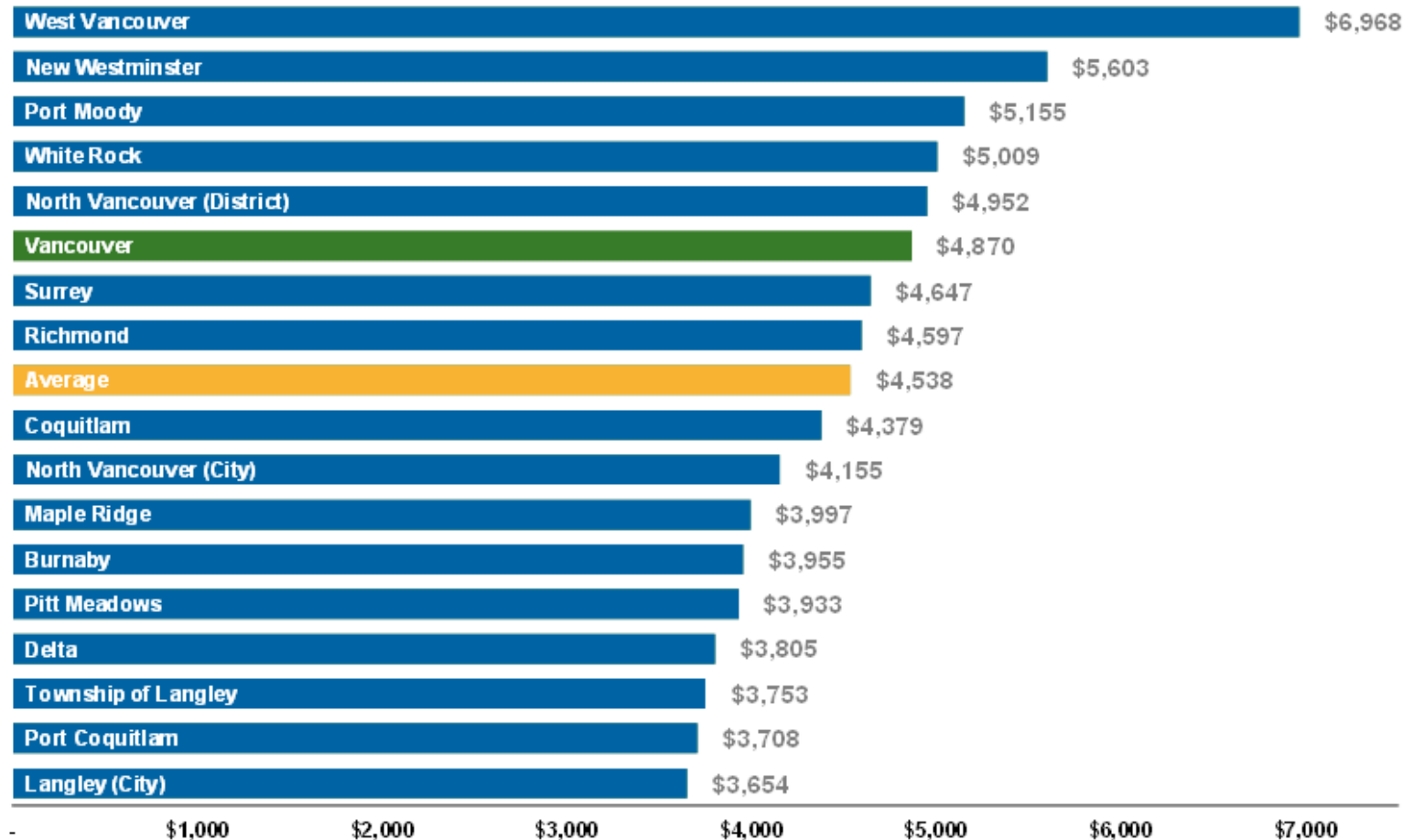
The City does not generate higher property tax revenues
as a result of rising property values

- 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.

Combined Property Tax and Utility Fees

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

2022 COMBINED MUNICIPAL PROPERTY TAX AND UTILITY FEES FOR
MEDIAN SINGLE-FAMILY HOME (\$)

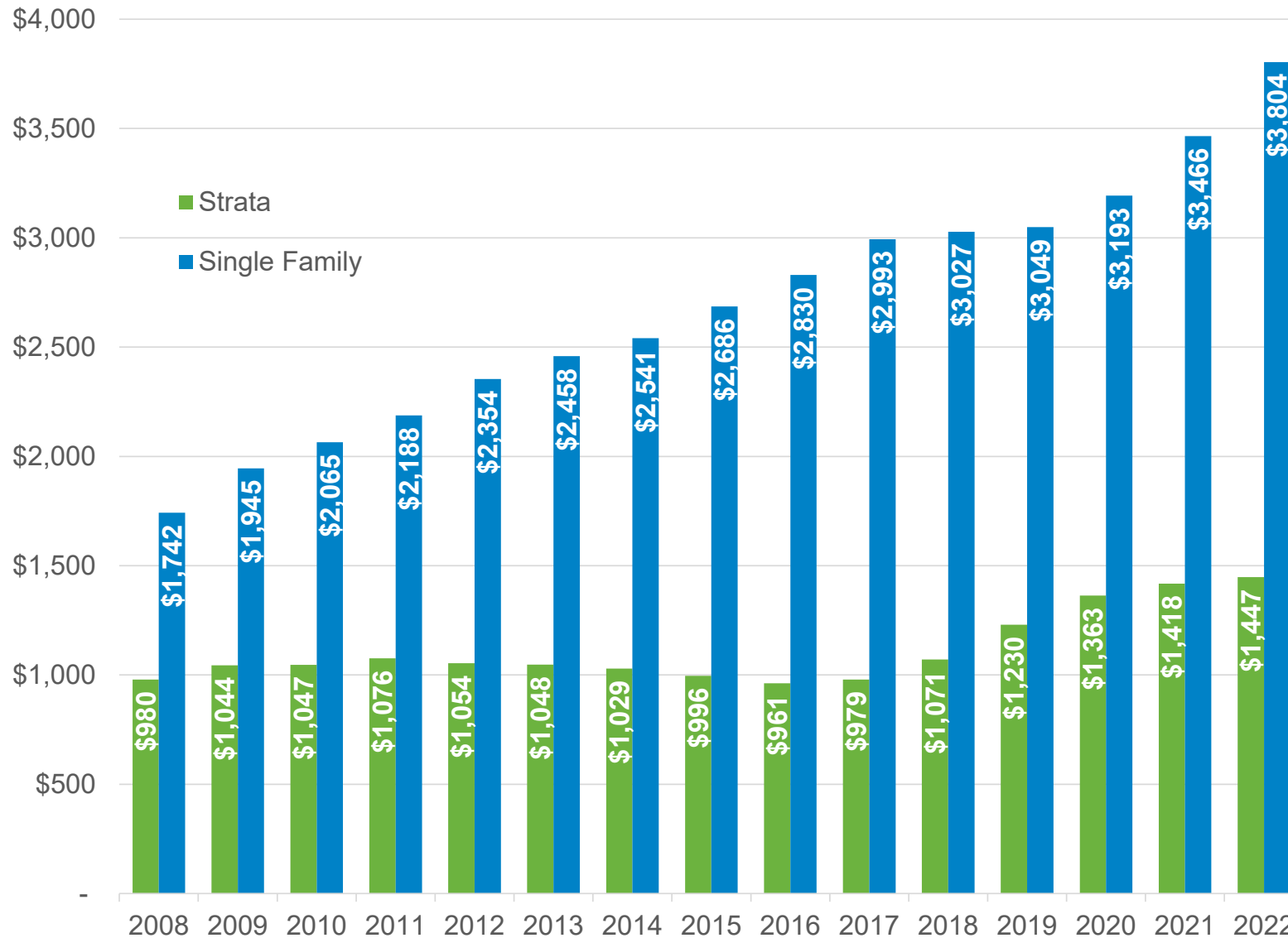


Historical tax increase (Residential and Non-residential)

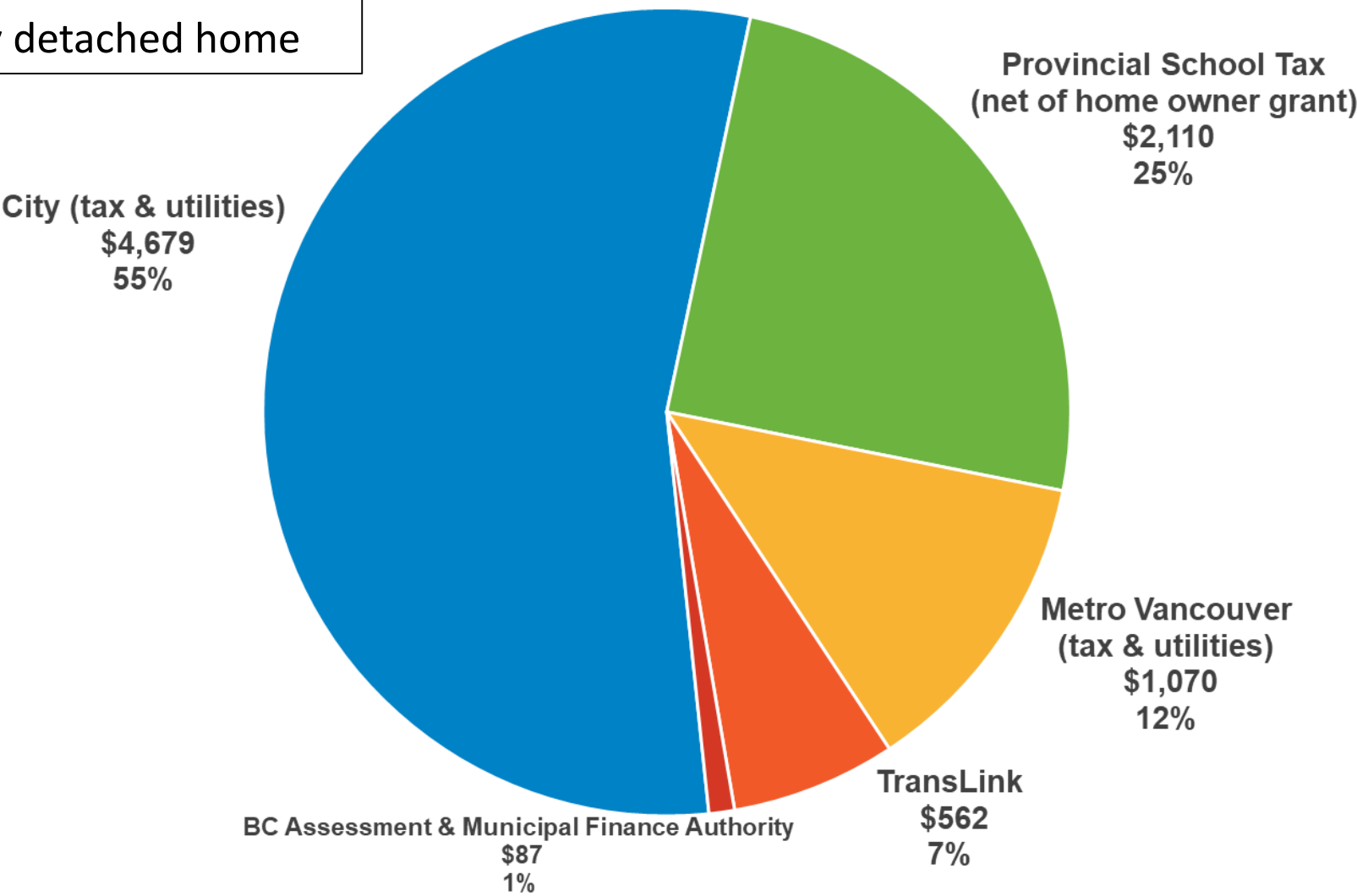
Historical tax increases (2013-2022)



Average City Property Tax Strata vs. Single Family

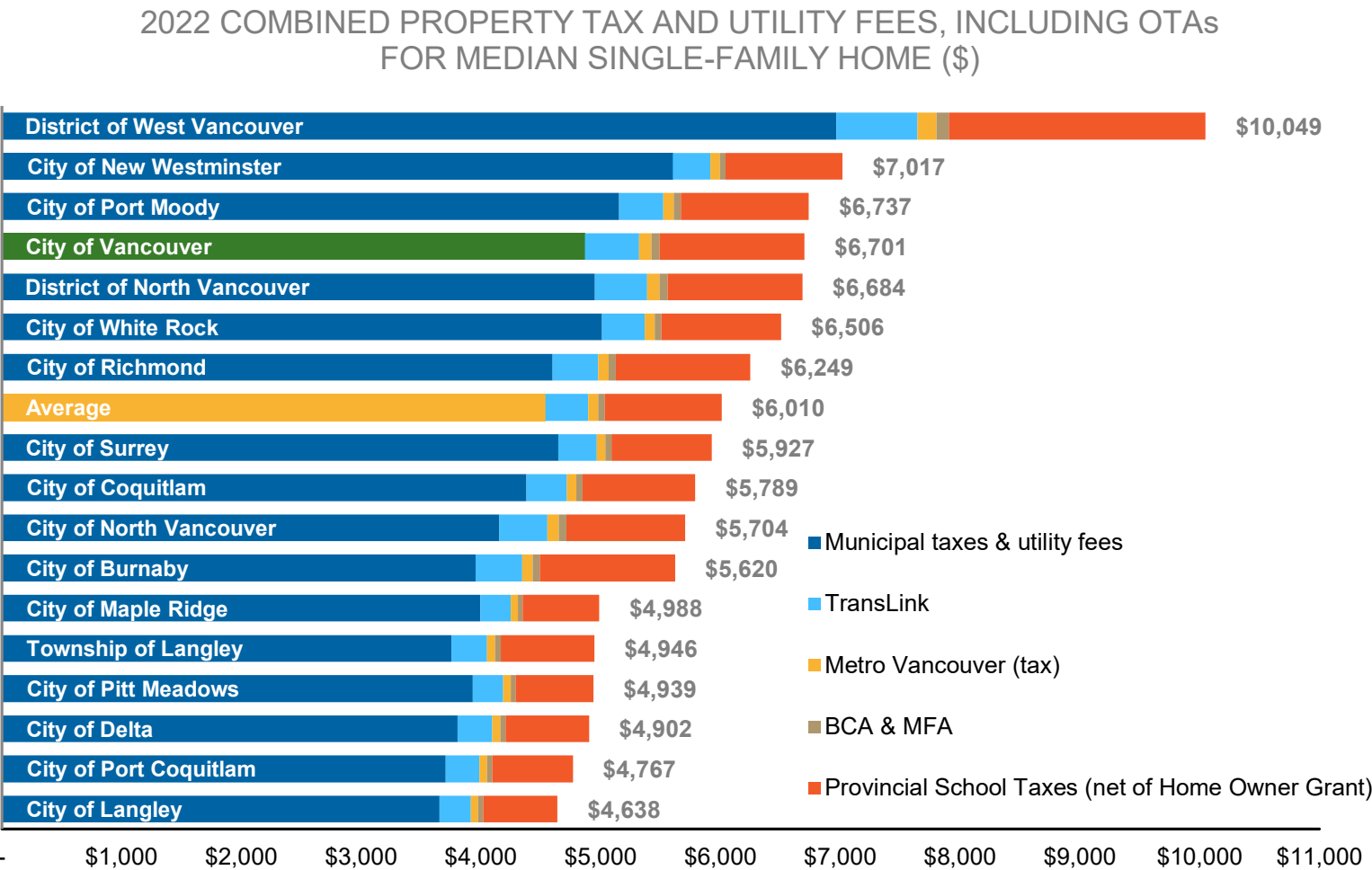


2022 Property Taxes & Fees
for an average single family detached home

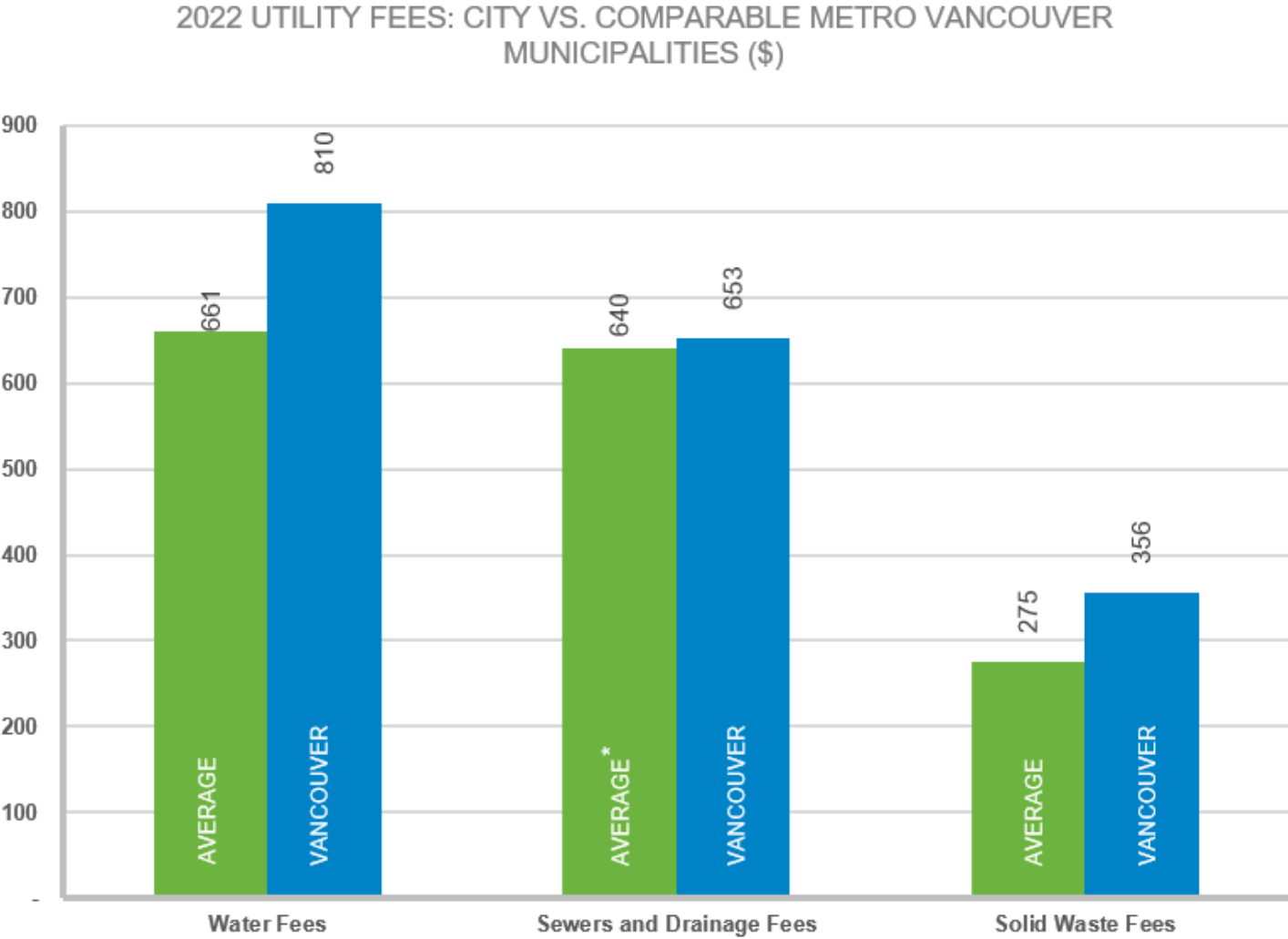


Combined Property Tax and Utility Fees, including Other Taxing Authorities

Looking at the overall tax bill for a median single family home, Vancouver is above average due to a higher share of provincial and regional taxes



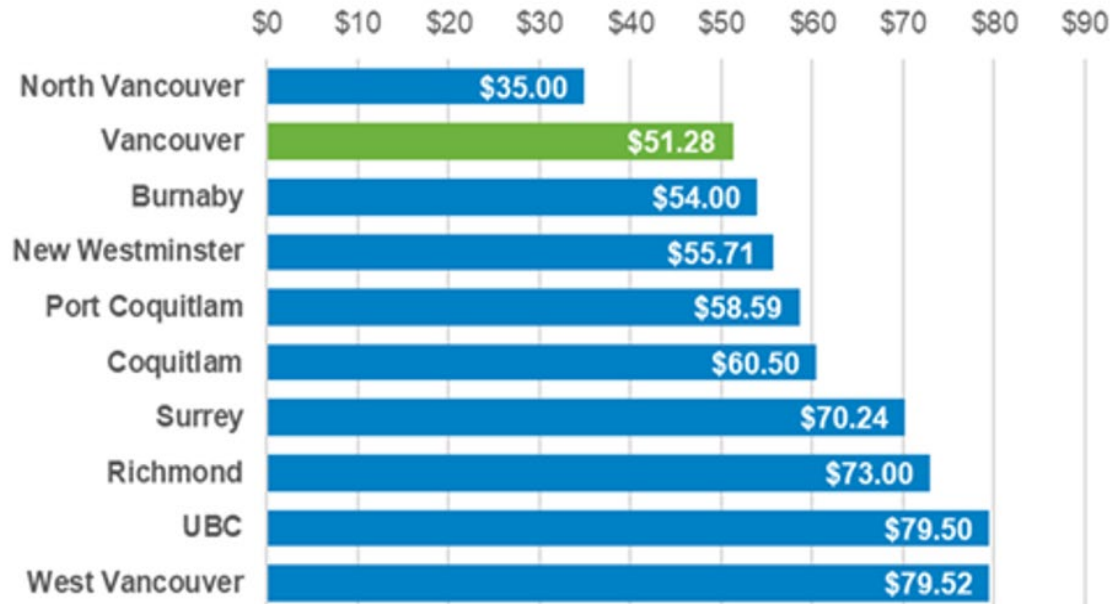
Overall 2022 Utility Fees above Metro Average



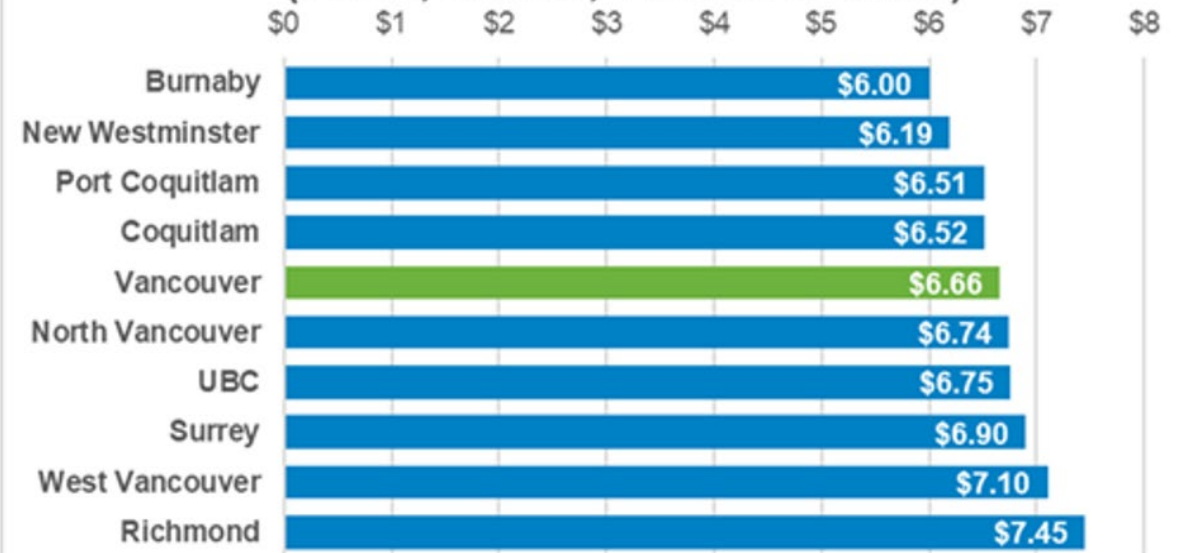
*Includes diking fees charged in certain municipalities.

Affordable & Competitive Recreation User Fees

2022 Adult One-Month/30-Day Pass



2022 Adult Drop-in Fee Comparisons (Pools, Arenas, Fitness Centres)



3. Public Engagement



Engagement period: January 4-24, 2023

- Background information provided in English, Simplified Chinese, Traditional Chinese and Punjabi (9,400 views)
- Comment form on Shape Your City, with same questions asked via 3-1-1 (2,894 and 306 responses, respectively)
- Promotion via City communication channels (35k+ impressions) and posters at civic facilities

Participation reflected a broad cross-section of Vancouver residents.

- Majority (86%) of respondents lived in Vancouver
- Half of respondents (52%) were under the age of 40; 45% were 40 and above
- Half of respondents (49%) identified as women, a third (36%) as men, and 7% as “non-binary/gender diverse”

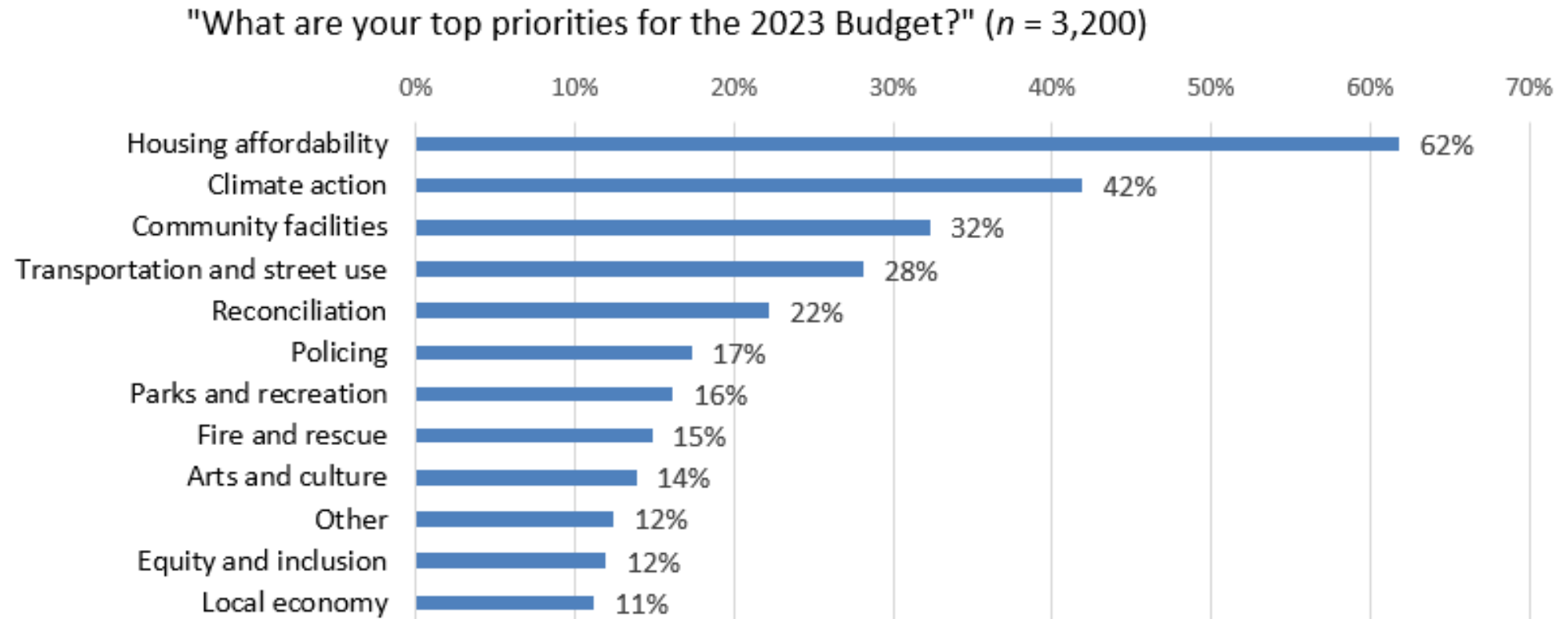
VANCOUVER 2023
BUDGET

您對市政府的開支有哪些優先考慮？

分享你的意見!

shapeyourcity.ca/budget

Housing affordability, climate action and community facilities (e.g., community centres, libraries)” were respondents’ top priorities:



Broad range of suggestions for balancing the City's budget, with policing as a recurring theme:

Frequency of comments (n = 1,957)	
Decrease police budget	28%
Reallocate funding from policing to other services	12%
Increase property taxes (e.g. higher-value properties, investment and empty properties)	12%
Focus on core municipal services (e.g. streets, parks and recreation, waste collection, fire and rescue and policing)	3%
Do not increase police funding	3%
Spend more cautiously (e.g. avoid unnecessary expenses)	3%
Increase parking fees (e.g. expand metered and permit parking coverage)	2%
Decrease funding for drug/addiction services (e.g. reduce grants)	2%
Decrease City staffing	2%
Focus on preventative measures to minimize future spending (e.g. resilient infrastructure)	2%
Seek more funding opportunities from senior levels of government	2%
Decrease funding for housing/homelessness	2%

Note: Results are not mutually exclusive.

Purpose: Determine resident and business satisfaction with municipal services and to provide insight into service priorities

Methodology

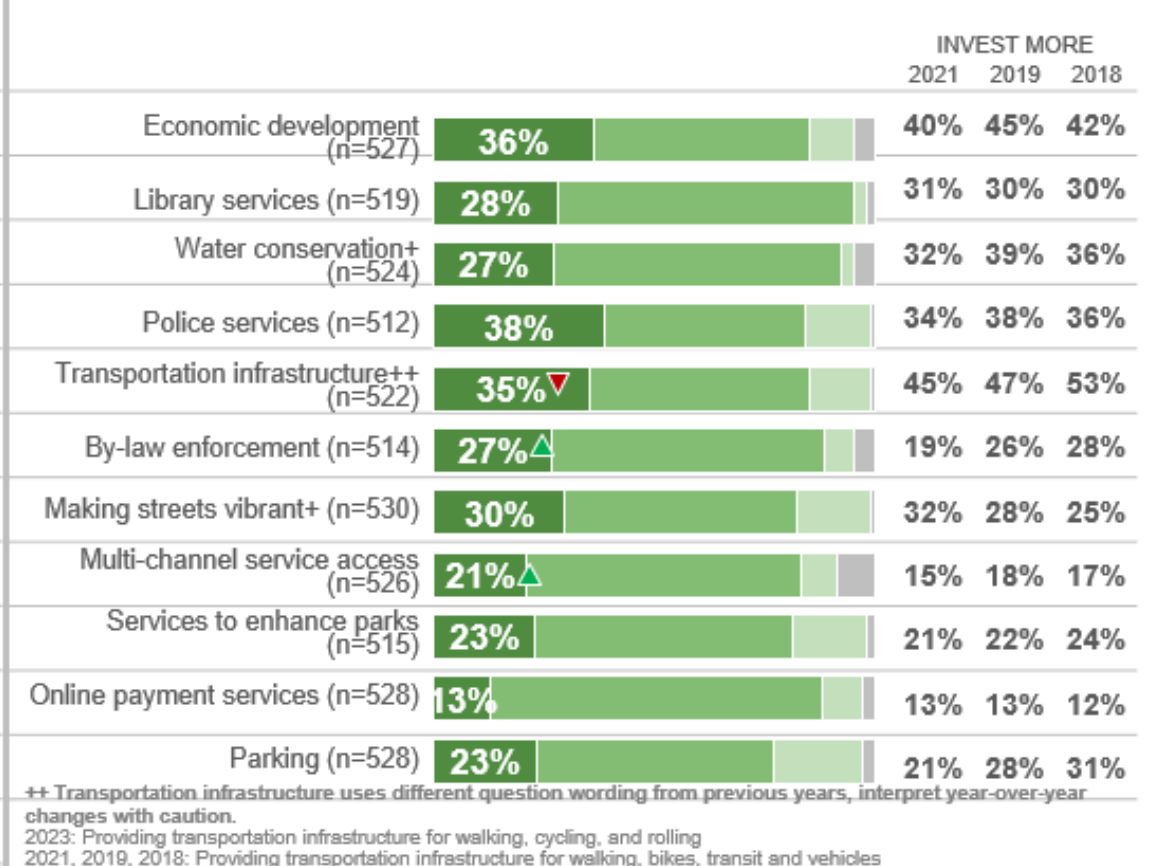
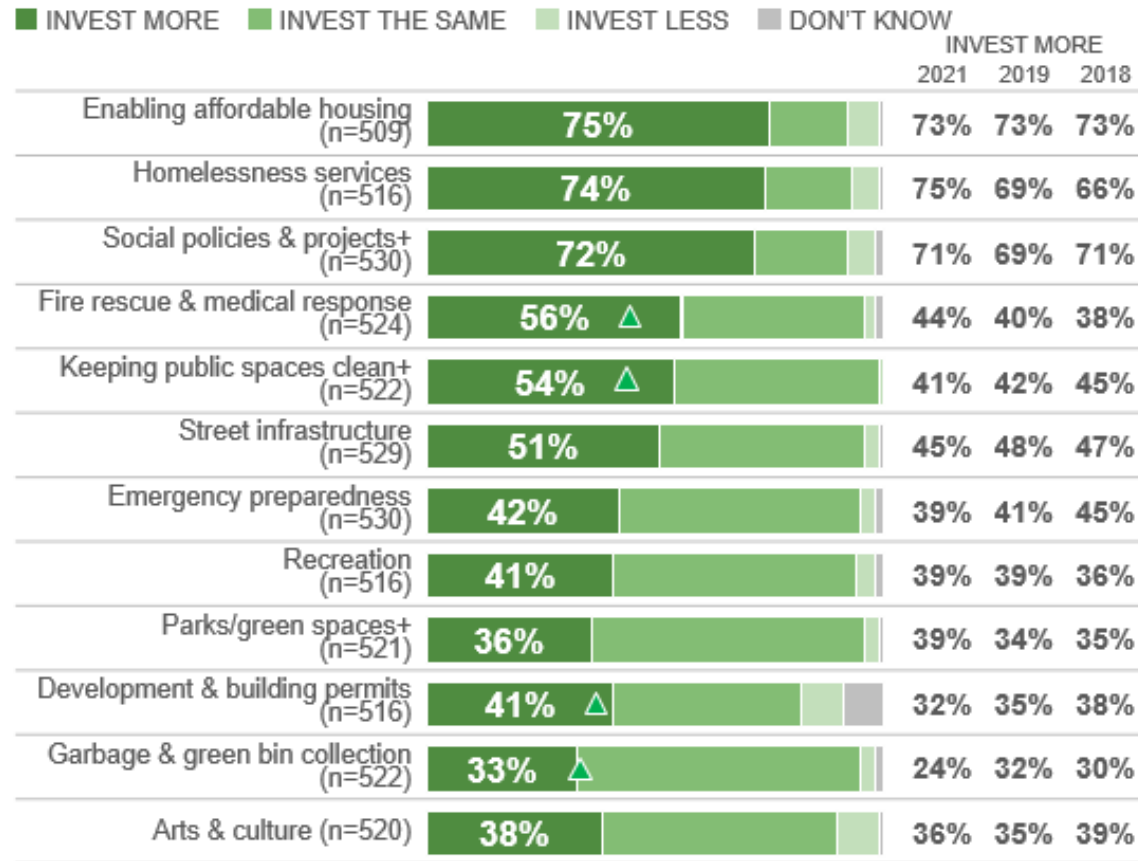
- Telephone survey conducted with a randomly selected representative sample of Vancouver residents and businesses
- Fielded January 4 to 20, 2023

Residents	Businesses
<ul style="list-style-type: none">• n=600• Cellphones and landlines• English, Cantonese & Mandarin• Final data weighted by gender/age & neighbourhood• MOE: ±4.0%, 19 times out of 20	<ul style="list-style-type: none">• n=200• Landlines• English• Final data weighted by business size• MOE: ±6.9%, 19 times out of 20

Investment in Specific Services (Residents)

RESIDENTS

(Service wording has been abbreviated to fit within the space provided. Please see the Appendix for the full service wording.)
Note: Items are listed in order of net investment (Net = invest more *minus* invest less). Don't know percentages are not labelled.



+ Slight wording change this year.
Base: Residents asked about a particular service (n varies, with each resident being randomly asked about 20 services)
Q11. And, should the City invest more, less, or the same amount on this service?

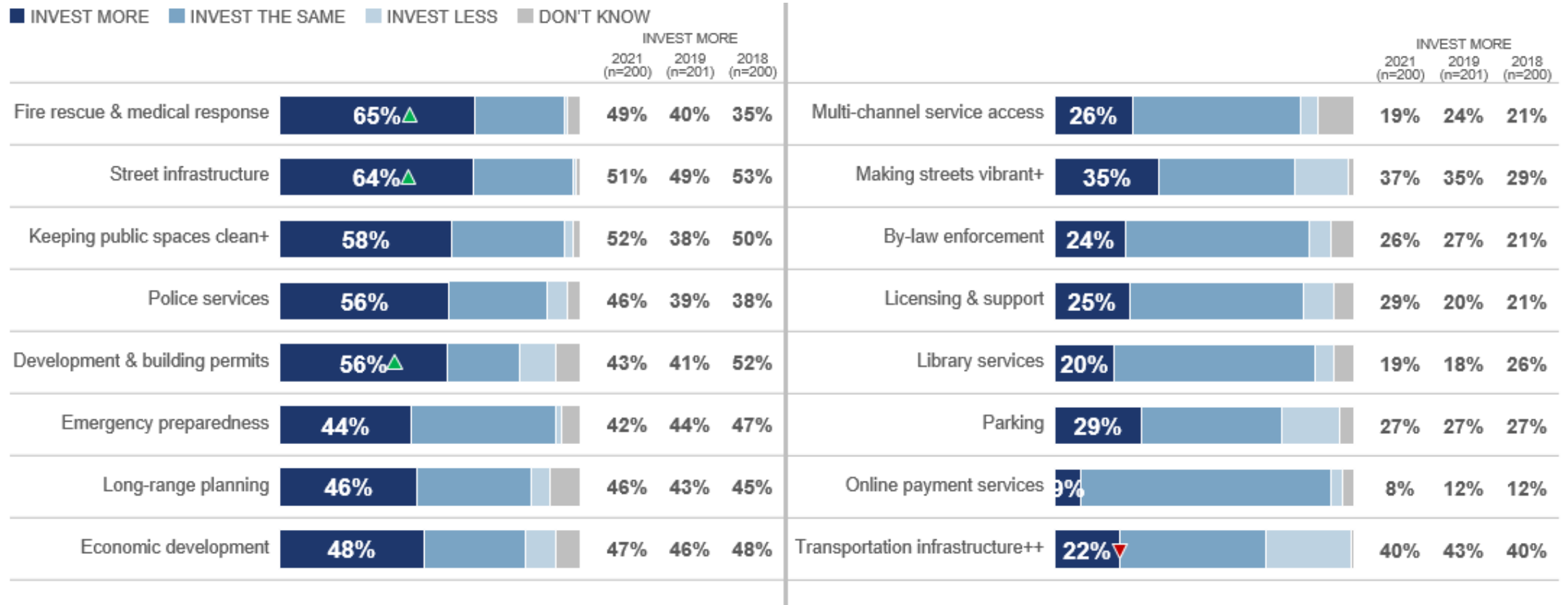
Only significant differences for invest more are shown.

▲ / ▼ Significantly higher/lower than 2021.

Investment in Specific Services (Businesses)

BUSINESSES

(Service wording has been abbreviated to fit within the space provided. Please see the Appendix for the full service wording.)
Note: Items are listed in order of net investment (Net = invest more *minus* invest less). Don't know percentages are not labelled.



+ Slight wording change this year.

Base: All businesses (n=200)

Q11. And, should the City invest more, less, or the same amount on this service?

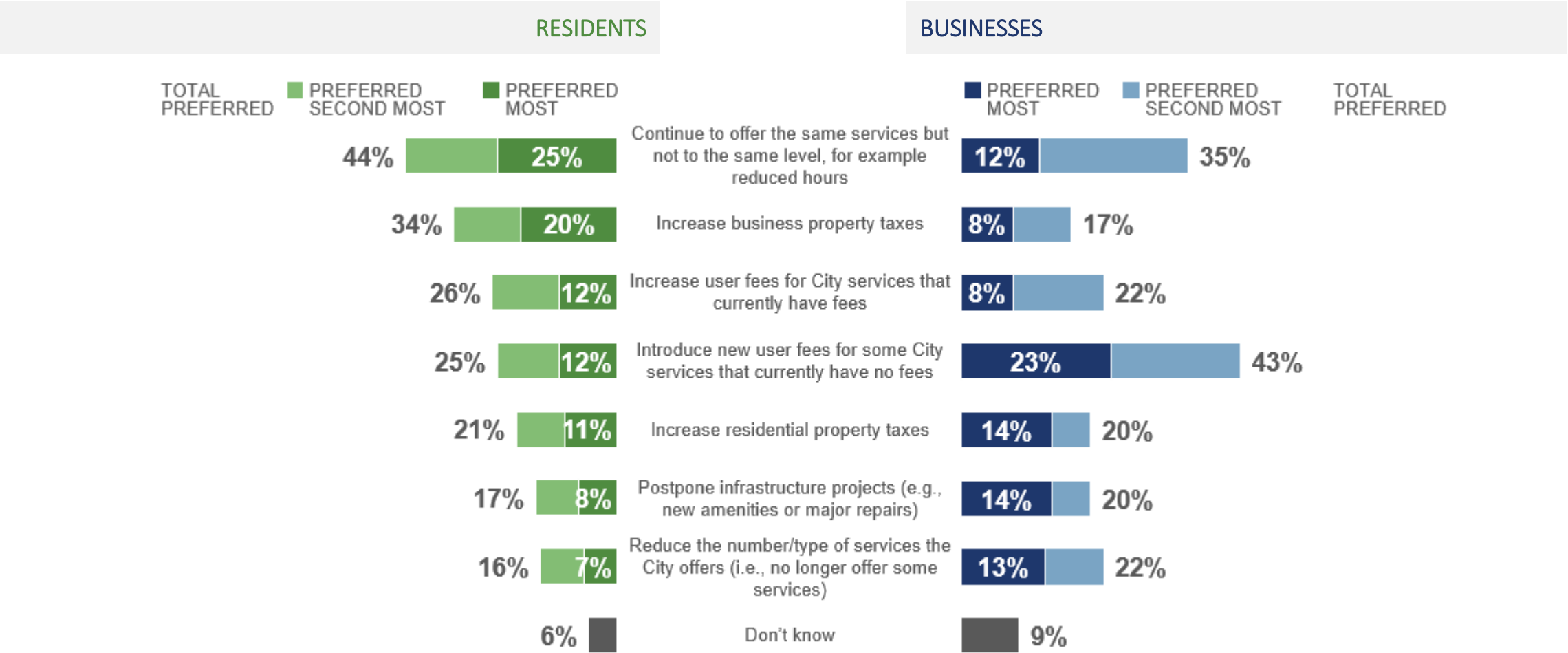
++ Transportation infrastructure uses different question wording from previous years, interpret year-over-year changes with caution.

2023: Providing transportation infrastructure for walking, cycling, and rolling

2021, 2019, 2018: Providing transportation infrastructure for walking, bikes, transit and vehicles

Only significant differences for invest more are shown. ▲ / ▼ Significantly higher/lower than 2021.

Preferred Options to Balance Budget



Base: All residents (n=600); All businesses (n=200)
Q13a. Now, to balance the 2023 budget as required by law, the City of Vancouver has a number of options to consider. Which of the following options would you most prefer the City use to balance its budget? (IF NECESSARY: User fees are monies paid to the City by the public to access specific services, facilities, and utilities. These include things like: the cost of licences, permits, use of City-owned facilities, and utilities.)
Q13b. Which one would you second most prefer?

Cannot be directly compared to 2021 due to differences in question wording

Questions