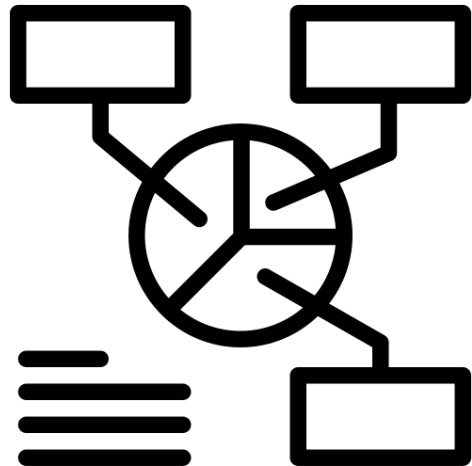


# Council Meeting – 2024 - 2028 Budget Outlook

June 27, 2023





**Objective:** Present the Multiyear Budget Outlook for the years 2024-2028.

1. Budget Outlook Overview & Process
2. 2024 - 2028 Budget Outlook Walkthrough
  - a. Capital Planning and delivery
  - b. Operating Multiyear Financial Outlook
  - c. Sustainable Financial Planning Framework
3. Public Engagement Update

# 1. Outlook Overview & Process

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**Outlook serves as the starting point and first opportunity for Council discussion** as Staff works to build the 2024 Budget

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Overview of the **key factors** impacting the City's financial Outlook such as high **inflationary** environment, tight **labor market**, and **supply chain** disruptions

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To balance the budget at existing service levels and without further actions, an **average property tax increases of ~9% each year** will be required

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To **support & accelerate Capital & Service delivery**, staff to continue **optimizing** key processes, **reprioritizing** financial capacity, and **augmenting delivery** through external capacity

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City continues to focus on the **Sustainable Multiyear Financial Planning Framework** to address multiyear cost pressures

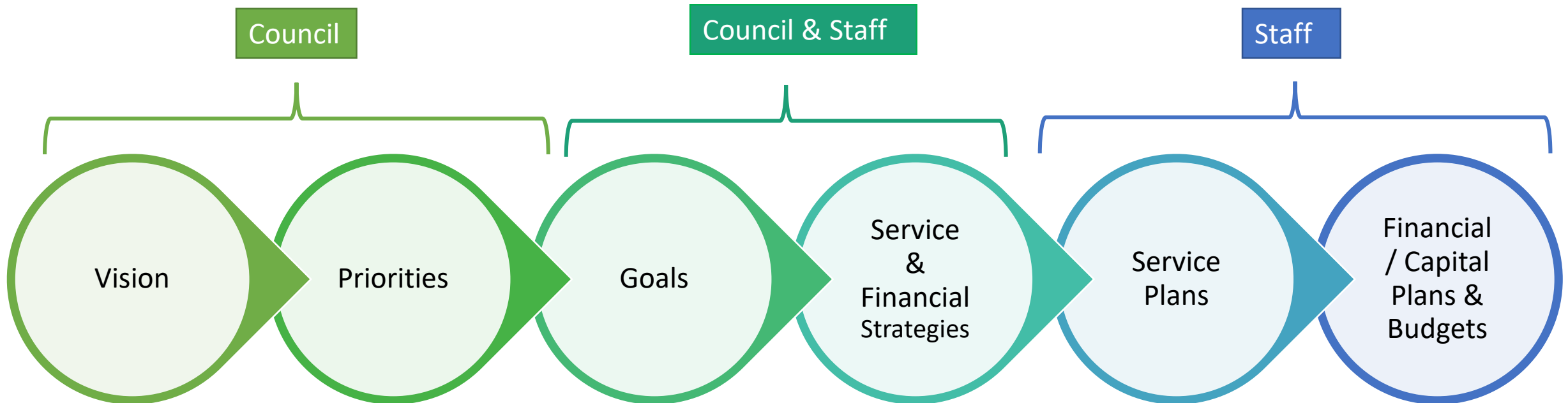
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Staff will continue to support the **Mayor's Budget Taskforce** in preparation of the 2024 Budget and multiyear plan

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# Planning Framework & Continuum

The continuum leads with vision and integrates strategies, plans and budgets to ensure delivery of services to the public



# 2024 - 2028 Budget Outlook Walkthrough

# Capital Planning & Delivery



# Focus remains on Capital Planning and Delivery in spite of challenges

*Even in light of challenges below, the focus remains on Capital delivery of existing projects and larger 2023-2026 Capital Plan (\$3.5 billion)*

## Challenges



### Cost Escalations

- Higher material costs
- Inflationary increases
- Ex: Sunset Service Yard Ph 1



### Staffing / Labour Issues

- Higher vacancies
- Staffing Constraints
- Ex: Sewer Main renewal program



### Supply Chain Issues

- Procurement delays
- Sub-trades shortages
- Ex: Infrastructure maintenance/replacement

## Impacts



- **Prioritize funding** towards delivery of projects in progress
- **Adjust** scope and phase/defer some projects
- Slower delivery of existing projects/programs leading to **potential cost escalations**

## Mitigation Strategy

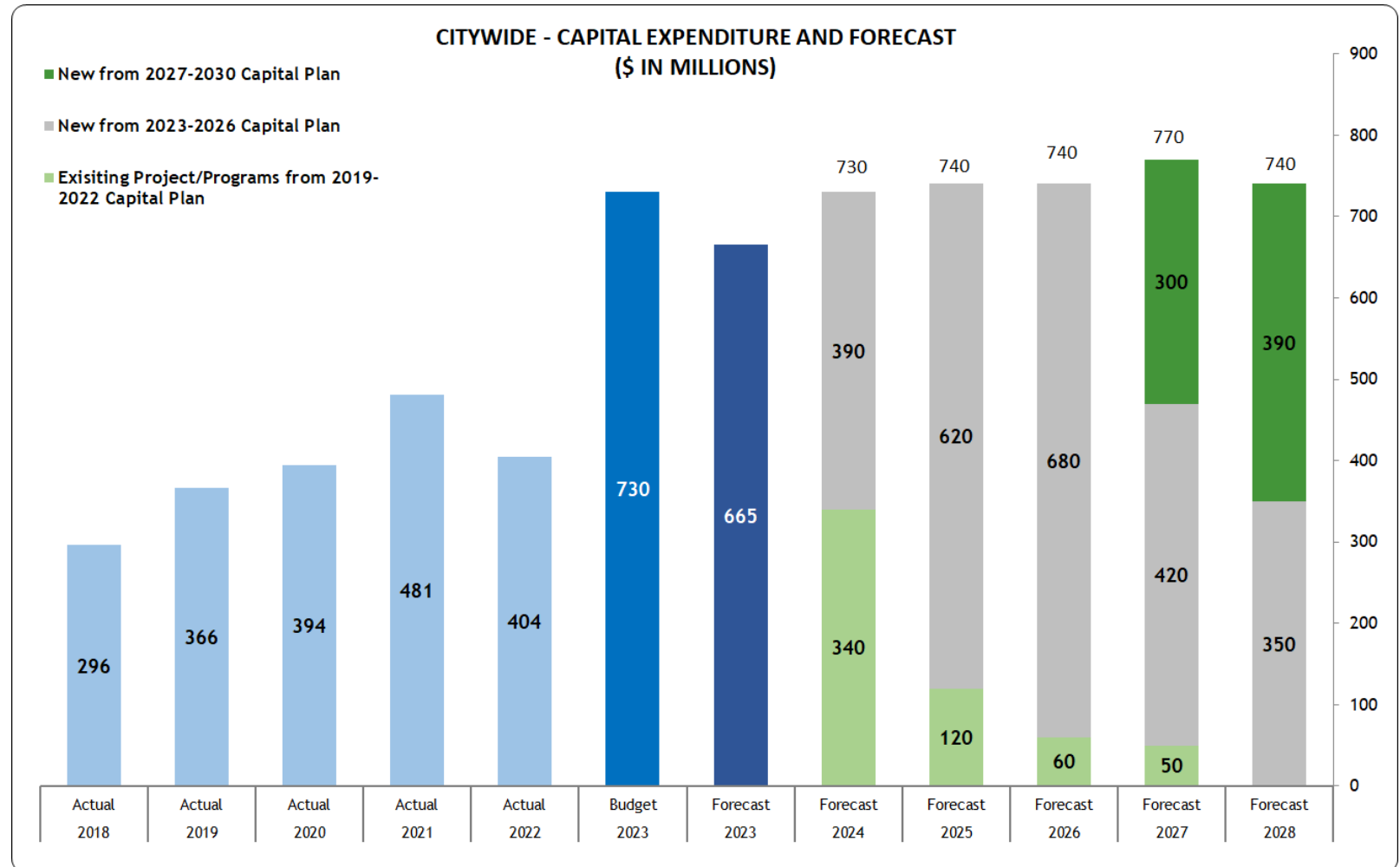


- Review opportunities to **optimize key city processes** that have a larger impact on project timelines and schedules
- Focus on **key high priority projects in progress** to support / accelerate delivery
- **Preserve and direct financial capacity** to support prioritized projects during Mid-term Update (2024)
- Augment delivery through **external capacity**

*Council Presentation in July to highlight progress on capital delivery to address citywide priorities*

# Capital Expenditure Forecast in line with new Capital Plan

- 2024-28 Expenditure forecast focuses
  - *first on the delivery of projects in progress*
  - *achieves a good balance between a larger 2023-26 Capital Plan and capacity and ability to deliver*
- 2024 Capital Budget to include funding for:
  - *Ongoing 2023-26 Capital Plan programs*
  - *Procurement for design and/or construction phases for existing projects*
  - *Planning/design for new projects from the 2023-2026 Capital Plan*



# Operating Multiyear Financial Plan

- To balance the budget at the existing service levels without further actions, **an average property tax increase of ~9% each year would be needed**
  - *\$116 for a median strata*
  - *\$198 for median overall residential*
  - *\$304 for median single-family and \$511 for median commercial properties*
- **Expenditure Outlook is driven by higher citywide costs to maintain existing service levels**
  - General labour market trends and collective agreements projected higher than historical trends resulting in increased contingencies
  - Includes full year implementation of key initiatives from 2023 Budget i.e. additional police officers
  - Fixed costs, utilities & renewal and maintenance of City's infrastructure and public amenities
- **Revenue Outlook is expected to continue to grow by 3% - 5% in line with historical increases, but does not fully cover expenditure increases impacted by higher levels of inflation**
  - *Risks remain in certain revenue streams due to behavioral changes from the pandemic*
- Continue to focus on **sustainable financial planning framework to address cost pressures** within this Council term

# Higher expenditure outlook puts pressure on property tax



## Revenues are projected to increase primarily due to:



**Program and Development fee** revenues projected to increase in line with historical levels of revenue growth

- Does not fully cover City's cost increases
- Staff will review revenue opportunities and options to fully align fees to program costs through the Budget Process



**Utility fees** are estimated to increase by ~10% annually on average for the next five years

- Based on regional utility charge forecasts & renewal rate of aging and deteriorating assets



**Property tax** increases of average ~9% are required in order to balance at current state service levels and without further action



Revenue risks to consider in parking revenues and recreation program fees due to behavioral changes from the pandemic

## Expenditures are projected to increase primarily due to:



Increases in **fixed costs** to maintain existing service levels

**Collective agreement contingencies** to mitigate potential risks



**Full year implementation of key initiatives from 2023 Budget**



Renewal and maintenance of City's **infrastructure and public amenities**



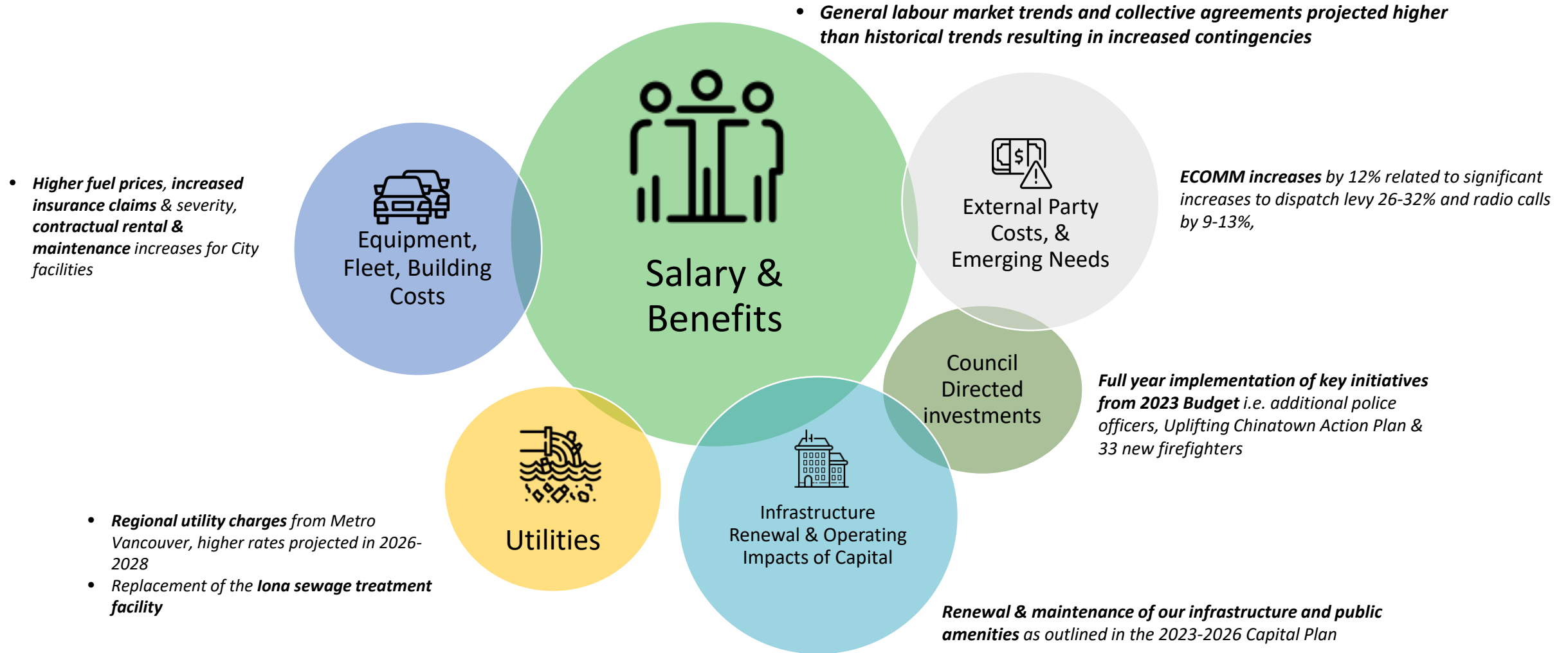
Regional **utility charges** increases passed on to the City by Metro Vancouver



Reserve replenishment for **ongoing financial stability (2025+)**

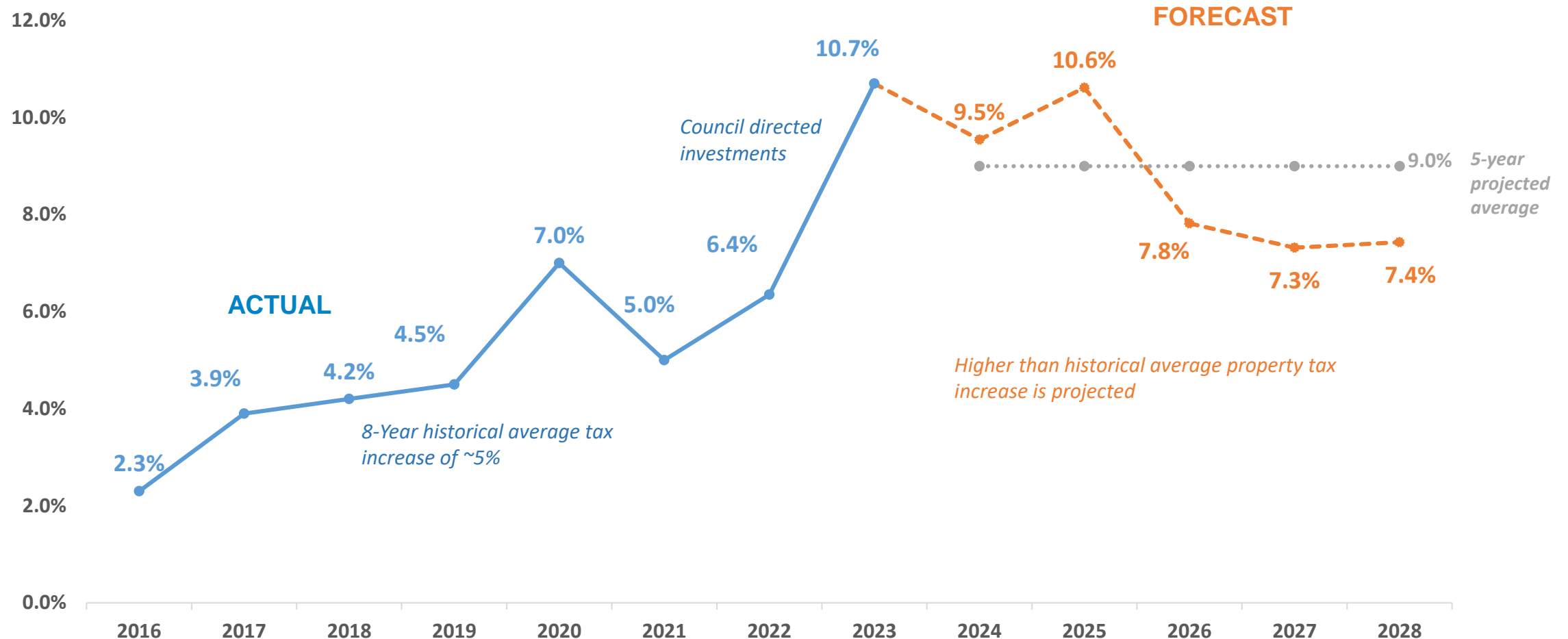
Risk in wage expenses significantly dependent on the terms of future collective agreement settlements

# Fixed costs drive higher than historical expenditure increases



# Significant upward pressure on property tax rates

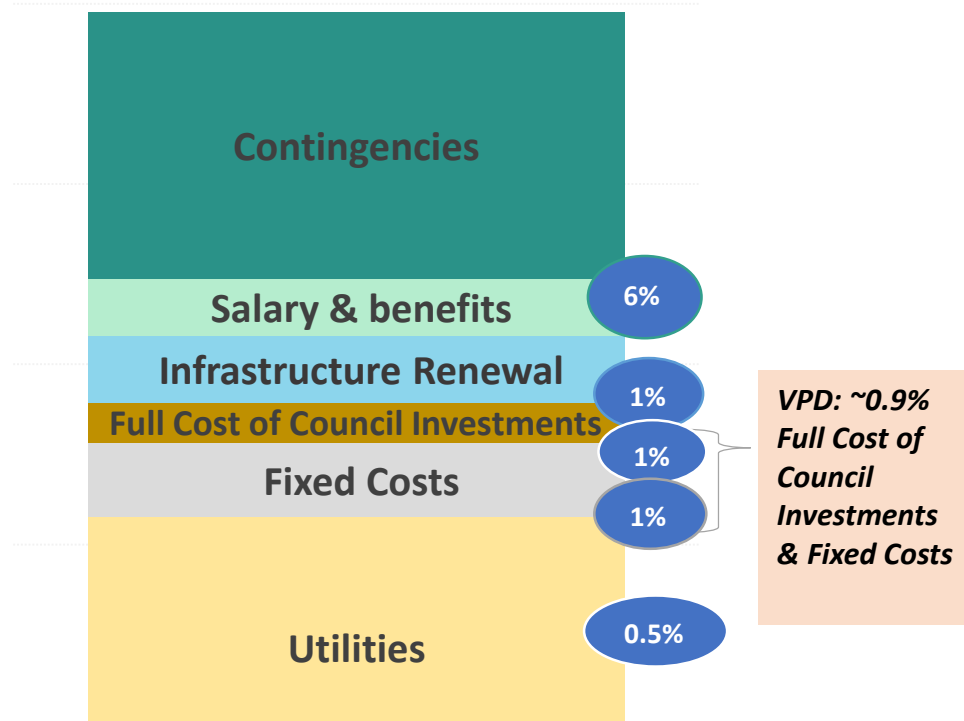
These financial challenges have exceeded the City's ongoing measures to reduce costs, resulting in higher than historical tax increases



# Projected 2024 Property Tax increase of ~9.5%

## Collective agreement contingencies create significant tax pressure

### Tax Impact



2024 Expenditure by Categories

Collective agreement contingencies to mitigate potential risks

Maintaining our infrastructure renewal and public amenities as outlined in the 2023-2026 Capital Plan

Full year costs of Council directed investments for expansion into mental health initiatives & additional police officers, initiatives outlined in the Uplifting Chinatown Action Plan and addition of 33 firefighters in 2023

Fixed costs to maintain existing services and service levels

Utilities expenditures are higher as a result of increase in Metro levies and renewal rate of aging and deteriorating assets



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Ongoing inflationary pressures resulting from current and forecasted market conditions

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Impacts of senior government policies on local conditions

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Costs for unforeseen events such as public emergencies

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Costs related to climate change and unusual weather events

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higher water consumption during periods of low rainfall

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costs for flooding and wind damage

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higher costs for snow and ice removal

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## Estimated impact on the City Budget \$ 384 million

\$ 250 M

### A. Downloading

- **\$221M** Policy and service delivery under other jurisdiction i.e. **Affordable Housing and childcare**
- \$27M Service level gaps impacting City operations
- \$2M Direct funding has been cut

\$ 97 M

### B. Emerging Areas of potential government partnership

- Areas of emerging service need that have resulted in an expanded mandate for municipalities
- Vancouver as a regional centre

\$ 37 M

### C. Senior government framework impacting municipal budget

- Legislative and regulatory changes that requires spending by the City
- Provincial government changes to property tax policy

The City continues to pursue senior government grants to deliver Council priorities and City strategies.

Highlights of funding secured:

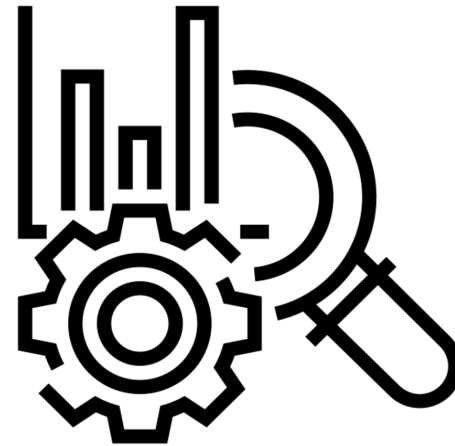
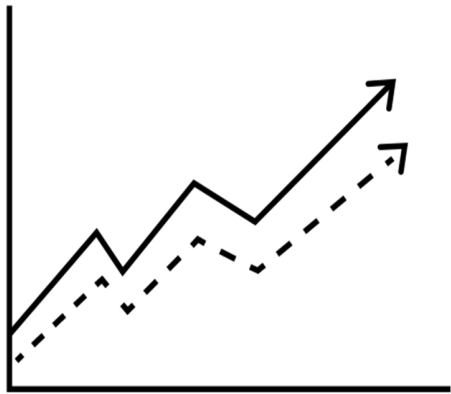
- \$18.9M to implement Rain City Strategy
- \$10M allocated to projects to advance Climate Emergency Action Plan
- \$112M from CMHC Rapid Housing Initiatives and operating subsidies from BCH to deliver affordable housing
- \$49M for growing communities fund to focus to accelerate delivery of community infrastructure and amenities

The funding received is **one time and unpredictable**. Council can help advocate for more permanent ongoing and predictable funding.

# Sustainable Financial Planning Framework

# Building a sustainable financial framework

Key streams of work underway to address the structural deficit through multiyear financial planning

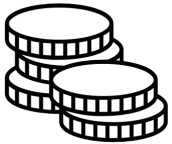


1. Revenue Generation

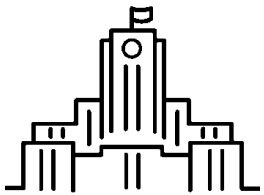
2. Service Improvements  
and Capacity Building

3. Senior Government  
Funding and Partnerships

# Revenue Generation Strategy



- Staff have reviewed **existing and new** revenue streams - short and long term opportunities



- Evaluated based on financial benefits to help guide **collective decision-making & prioritization** process



- All efforts focused on the **highest impact opportunities** that will contribute sustainable financial plan for future years

- Staff to perform further review and report back to Council either through specific fee reports or as part of the annual budget process

## Short-Term



- Fee Optimization
- Permitting Program
- Expansion of On-Street Parking
- Sponsorship, Advertising, Naming Rights & Donations

## Long-Term

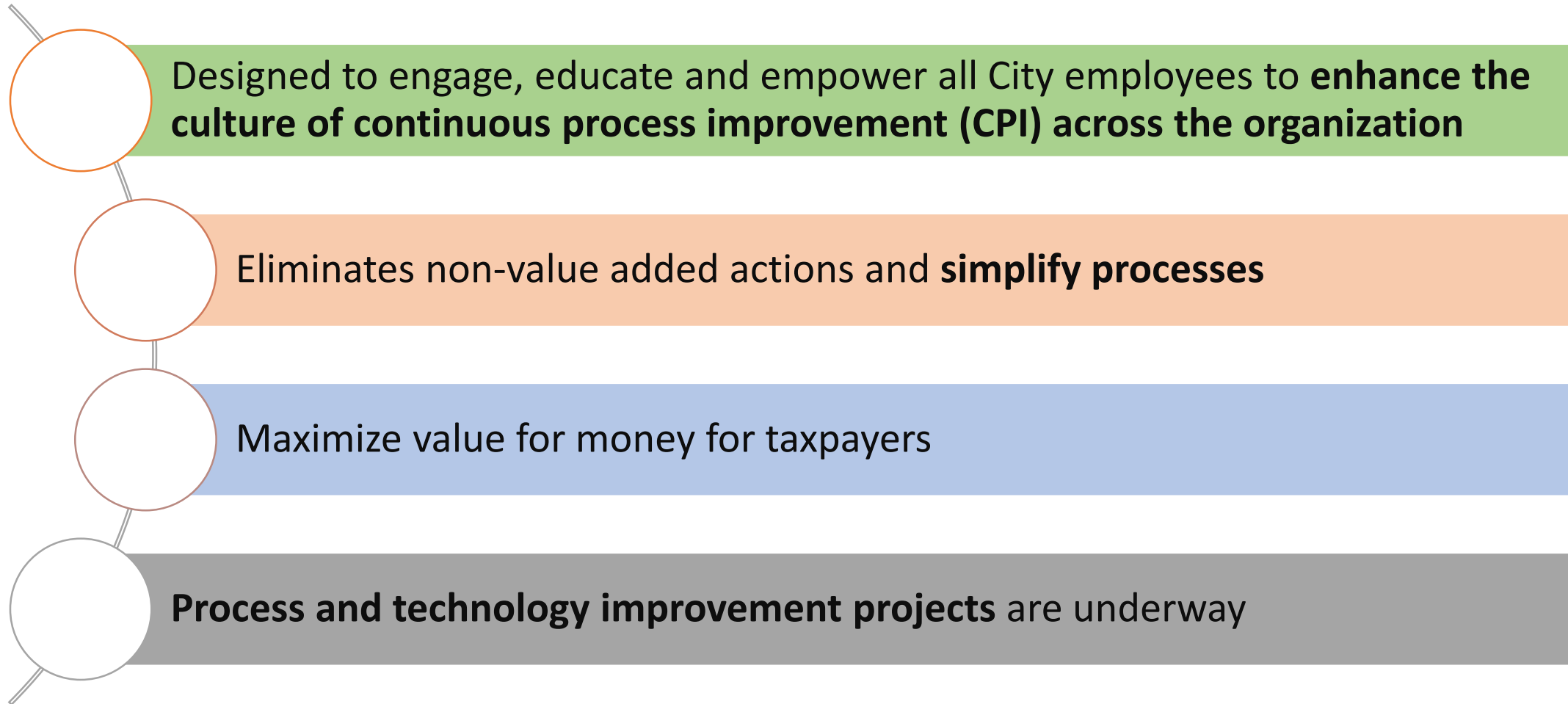
*(\$ and timing to be determined)*



- Park Board's Think Big Strategy
- Leasing City-owned fibre optic capacity and underground ducts
- Public Real Marketing & Private Events



# Service Improvement & Capacity Building



## Staff will continue to embark on a longer-term approach identifying financial opportunities for 2024 and beyond



### Simplified Processes

*Shortened recruitment process*

*Increased administrative capacity*

*Simplification of land use and licensing regulations*

*Simplification of development permit conditions*

*Policy rationalization*



### Streamlining & Decreasing Cycle Time

*Eliminating non-value added activities*

*Automation of repetitive tasks*

*More focused consultation and engagement processes*

*Streamline processes i.e. Procurement process, Accounts Payable workflow, transportation safety upgrades & licensing fees*



### Creating Financial Capacity

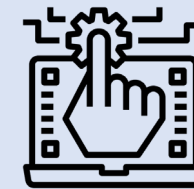
*Consolidation of meeting & messaging tools*

*Reduction in software services*

*Reduction in injury and absenteeism costs*

*Review of cellular provider and terms*

*Rationalization of leased office space*



### Business Optimization

*SAP Program Upgrades*

*E-comply - automating permit application reviews*

*PRET – online guidance to avoid re-work on permit applications*

*Online business license applications*

*Vehicle routing optimization, rationalization of leased office space*

# Senior Government Funding & Partnerships

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The **municipal funding framework** needs to be modernized to support the evolving mandate of local governments

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Relying on the **“growth pays for growth” principle** to pay for infrastructure and amenities is becoming more and more challenging

Impacted by intentional transition to right supply (rental, non-market and co-ops), land and construction cost escalation, and successive interest rate hikes

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The City is a **trusted and progressive partner** in **housing & job space delivery** through land use policies

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Continue to pursue strategic inter-government partnerships and predictable long-term funding **to address critical infrastructure and community needs**

Develop an integrated regional 10-year Infrastructure and Financial Plan with Metro Vancouver

Advocate for regional coordination on DCCs/DCLs to mitigate cumulative impact on economic viability of housing projects

Advocate for predictable funding for basic infrastructure and amenities to support rental & social/co-op housing, building on the Growing Communities Fund & Housing Accelerator Fund concept

Advocate for an increase in Provincial funding for housing and child care to reflect cost escalation

Work with the Province & BC Assessment on Development Potential Relief Program (DPRP) enhancements

## 3. Public Engagement

- Engagement period: **August - September 2023**
  - Annual Talk Vancouver budget survey
  - Vancouver residents and businesses will have the opportunity to provide input on the City's spending priorities and preferences for balancing the budget
- Input will be used to help **inform Council deliberations in December 2023**, along with 2023 Civic Satisfaction Survey data





- Multiyear financial plan is **an outlook for the future to guide decisions in the 2024 Budget**
- Reflects the City's Long-Term Financial Sustainability Guidelines and impacts of the **2023-2026 Capital Plan and delivery**
- Staff will report back through the annual budget process with 2024 Draft Budget for **Council consideration in December 2023**

# 2024 Budget Timeline

We are here:



1. Budget Outlook for Council information

*Strategic outlook and property tax profile presented for 2024-2028*

*Sustainable Financial Planning Framework is presented*

*Capital Planning & Delivery – Outlook and Presentation*

2. Council Engagement on 2024 Budget and Multiyear Approach

*Mayor’s Budget Taskforce report delivered to the Mayor by **Oct 3** & presented to the public on **Oct 17***

*Staff to incorporate Taskforce feedback into 2024 Budget mid-Oct*

3. Presentation of the 2024 Budget & Multiyear Plan

*2024 Draft Budget, including short-term Taskforce results, available to the public*

*Investments/ Productivity Lists available for Council*

*Taskforce feedback incorporated into 2024 Budget*

4. Budget Vote & Report Back on Taskforce recommendations

*Council can provide direction on impact of long-term Taskforce initiatives*

# Questions

# Expenditure Outlook

Operating Budget Preliminary Expense Pressures (\$ in millions)	2024	2025	2026	2027	2028
External Agency Costs passed on to the City	\$31	\$46	\$44	\$42	\$62
Debt, Transfers and Capital Program Costs	\$31	\$26	\$26	\$34	\$25
Salary and benefit costs	\$16	\$15	\$16	\$16	\$16
Other Pressures					
Fixed costs (Hydro, Gas rates, IT, Rents & leases, Insurance, Grants)	\$23	\$17	\$18	\$19	\$20
Council directed investments (i.e. police officers, fire fighters and Uplifting Chinatown Action Plan)	\$9				
Reserve Replenishment		\$5	\$5	\$5	\$5
<b>Preliminary Expense Pressures (excluding impact of collective agreements under negotiation not included above)</b>	<b>\$111</b>	<b>\$109</b>	<b>\$108</b>	<b>\$116</b>	<b>\$128</b>
<b>Contingencies to mitigate risks</b>	<b>\$50 - \$75</b>				

*Note: Totals may not add due to rounding*

# Revenue Outlook



Operating Budget Preliminary Revenue Changes (\$ in millions)	2024	2025	2026	2027	2028
<b>Property Tax:</b>					
Increase in property tax revenue: average estimate of -9%	\$104	\$128	\$104	\$106	\$115
New construction tax revenue	\$5	\$5	\$5	\$5	\$5
<b>Utility fees:</b>					
Increase in utility fee revenue (Average blended rate estimated ~ 10.0%)	\$39	\$35	\$37	\$44	\$50
<b>User fees:</b>					
Increase in Program fees, Licence and Development fees (Rate increase of 3.0% - 5.0%)	\$7	\$7	\$7	\$8	\$8
Revenue Shortfall Risk	TBD				
<b>Total Preliminary Revenue Changes</b>	<b>\$155</b>	<b>\$175</b>	<b>\$154</b>	<b>\$163</b>	<b>\$179</b>

*Note: Totals may not add due to rounding*