



COUNCIL REPORT

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TO: Vancouver City Council
FROM: Director of Finance
SUBJECT: 2024-2028 Budget Outlook

Recommendations

THAT Council receive for information the 2024-2028 Budget Outlook which outlines the City's projected Multi-year Operating Financial Outlook and Capital Expenditures based on the current state service levels.

Purpose and Executive Summary

The purpose of this report is to provide Council with the Multiyear Budget Outlook for the years 2024 to 2028. This report provides an overview of the key factors impacting the City's financial Outlook, and the steps the City is taking to balance the budget and improve how services and capital projects are delivered.

Although there has been an increased economic activity post pandemic, the City's budget continues to be impacted by challenges such as high inflation environment leading to cost escalations, a tight labour market, and supply chain challenges, all of which will inform the annual budget and multiyear plan. While economic forecasts suggest that inflation will normalize, many of the City's costs are driven by factors which differ from general inflation.

The 2024-2028 Capital Expenditure Outlook of \$730 million per year is based on the expected delivery of existing projects that are underway and continued progress on delivering the 2023-2026 Capital Plan. This level of project delivery is a significant increase from past levels and is required to meet asset renewal requirements, provide new amenities in response to population growth, and address City goals such as the Climate Emergency Action Plan. In order to deliver this increased level of investment, staff are working to optimize key city processes, preserve & re-prioritize financial capacity, and augment delivery through external capacity.

The effects of a high inflationary environment will increase costs which will put pressure on fees and property tax over the next 5 years. The Outlook serves as the starting point and first opportunity for Council discussion as staff works to build the 2024 Budget. The outlook for operating expenditures is driven by higher fixed costs to provide existing service levels, full year

implementation of key initiatives from the 2023 Budget such as the hiring of additional police officers, renewal of infrastructure and public amenities and Metro Vancouver levies.

The outlook for operating revenue projects growth of 3-5% in line with historical increases. Risks remains in certain revenue streams such as parking due to behavioural changes from the pandemic. These financial challenges have exceeded the City's ongoing measures to reduce costs, resulting in higher than historical tax increases. To balance the budget over the Outlook period at the current state service levels without further actions, an average property tax increase of ~9% each year would be needed, which equates to an additional \$116 per year for a median strata property.

The Budget Outlook also serves as a starting point for staff to begin the work of building the budget. The City continues to concentrate on the sustainable multiyear financial planning strategies to address ongoing fixed cost pressures and service needs. These strategies include initiatives that will enable revenue generation, service improvements and capacity building, and advocacy for senior government funding and partnerships. The City will continue to monitor revenue risks and take measures to manage costs while balancing with the need to protect core services.

Staff will continue to support the Mayor's Budget Taskforce in examining where funds are allocated, finding efficiencies, potential new revenue streams and any duplications that may exist, in preparation for the annual budget process.

As part of City's annual budget process, Vancouver residents and businesses will have the opportunity to provide input on the City's spending priorities and preferences for balancing the budget, via our annual Talk Vancouver budget survey. It is anticipated that engagement will take place in August through September 2023. Input will be used to help inform Council deliberations in December 2023, along with 2023 Civic Satisfaction Survey data (conducted in Q1).

Council Authority/Previous Decisions

The Vancouver Charter, the Library Act, the Police Act, and the City's Operating and Capital Budget policies govern the requirements for the City budget.

On December 6, 2022 and February 28, 2023, Council approved the 2023 Capital Budget and 2023 Operating Budget, respectively.

On February 28, 2023, Council directed staff to develop strategies to address cost pressures in the multiyear financial plan through new revenue opportunities, process improvements to reduce costs or increase capacity, senior government funding, and partnerships that will inform the multiyear property tax increases for Council's consideration as part of future budget processes.

Council does not approve the budget as part of the 2024-2028 Budget Outlook as it will be brought forward for Council consideration as part of future annual budget processes.

City Manager's Comments

Following the severe financial disruption that the City managed over the course of pandemic, the organization continues to face extraordinary fiscal pressures associated with cost inflation, new investments, increasing demand for service and infrastructure renewal. Staff are acutely conscious of the implications for tax and utility rates and are focused on identifying opportunities

for new revenues and operating efficiencies. However, absent substantial reallocation or reduction of existing operating funding or reductions in capital investment, the delivery of a balanced budget over the coming years will depend on property tax and utility fee increases that exceed historical averages.

The City Manager concurs with the foregoing recommendations.

Context and Background

The Budget Outlook is an important step in the budget process to provide Council and the public with information about the financial landscape that will inform the budget development process. The Budget Outlook will be followed by public consultation and the development of detailed budgets and service plans in quarter four of this year.

The planning framework for the City below illustrates the continuum that connects the public, City Council, Boards (Park, Library, and Police) and City staff. The continuum leads with vision, and integrates strategies, plans and budgets to ensure delivery of services to the public. The early setting of Council priorities for the 2024 budget is an important part of this continuum.



Discussion

In May 2023, the World Health Organization (WHO) declared the end of COVID-19 pandemic. However, the lasting economic impacts are still prevalent. Other factors contributing to the challenging landscape are the ongoing war in Ukraine, continuation of a high interest rates environment, and increasing risk of recession in North America. While the Consumer Price Index (CPI) for Metro Vancouver has eased from the peak of 6.8% in 2022 to 3.8% in May 2023, the current inflation rate still remains higher than the Bank of Canada's target range of 1 to 3 per cent. The most recent Conference Board of Canada CPI forecast for the period of 2024-2028 is currently estimated at 2%, however, the Canadian economy grew faster than expected in the first three months of 2023, with an expectation to continue expanding in April 2023. Although the City staff follow leading practices to ensure financial sustainability and prudence, the City is not immune to the impacts of the challenging financial landscape.

The City continues to see price escalations in construction materials and supplies costs, significantly impacting the City's capital delivery. This has resulted in higher revised cost estimates on notable capital projects such as the renewal & expansion of Marpole Oakridge Community Centre, Sunset Service Yard, Sewer Utility Growth projects, etc.

Employment in British Columbia continues to reflect a tight labour market impacting citywide capital and service delivery. Inflationary pressures are also beginning to have an impact on compensation trends across public and private sectors in Canada. As of January 1, 2023, the majority of the collective agreements between the City, its related Boards & bargaining agents representing unionized staff have expired. The results of collective agreement negotiations will

have a major impact on the City's budget and five-year financial plan, however, the impact is uncertain at this time. Based on demographic trends, labour markets will continue to be impacted by shortages of certain skilled labour over the longer term, and like all organizations, the City will need to continue to adapt to this environment by optimizing processes and leveraging the contributions of available staff and external partnerships to achieve service level and capital delivery objectives.

Spends related to construction work are experiencing significant increases due to the tight labor market and supply constraints for materials. Products used heavily by the City such as ductile iron and copper pipes and fittings, electrical supplies, wire and cabling, waterworks brass fittings, mechanical couplings and steel street lighting poles are anticipated to continue to increase in prices above CPI as they are related to the international metal prices. The uncertainties will create not only financial pressures but also impact timely service and capital delivery.

Over the past year, the Vancouver region has continued to experience a number of severe weather events, including extreme heat, cold and flooding. This trend will continue to result in increased pressure on infrastructure and reinforces the urgency and importance of a systematic "climate budget" approach to prioritize investment in infrastructure renewal and resilience. As per Council's direction, staff are currently developing a climate budget and will include early outcomes of that work in the 2024 budget process.

Capital Planning & Delivery

The City's capital planning framework consists of a longer-term 10-year Capital Strategic Outlook and a medium-term 4-year Capital Plan, which is implemented via Annual Capital Budgets. The level of specificity related to project details increases from the Capital Plan to Capital Budget. The Capital Plan is meant to be a living document which will change in response to changing circumstances over its four-year time frame. While some changes are accommodated every year, the plan is recalibrated in the second year of the Plan through the Mid-term Update.

2023-2026 Capital Plan Summary

The original 2023-2026 Capital Plan was approved by the Council in June 2022 and contemplates \$3.5 billion worth of capital investment, comprised of \$2.8 billion of city-led capital programs and \$0.7 billion of in-kind projects. Adjustments to the Plan are done throughout the 4 years to address new and emerging projects, incorporate additional external funding received as a result of partnership with senior level of Government or other grants/donations, and administrative reasons. To date a total of \$27 million of funding has been added to the Plan mainly due to additional external funding received from Senior Governments.

Delivering the 2023-2026 Capital Plan

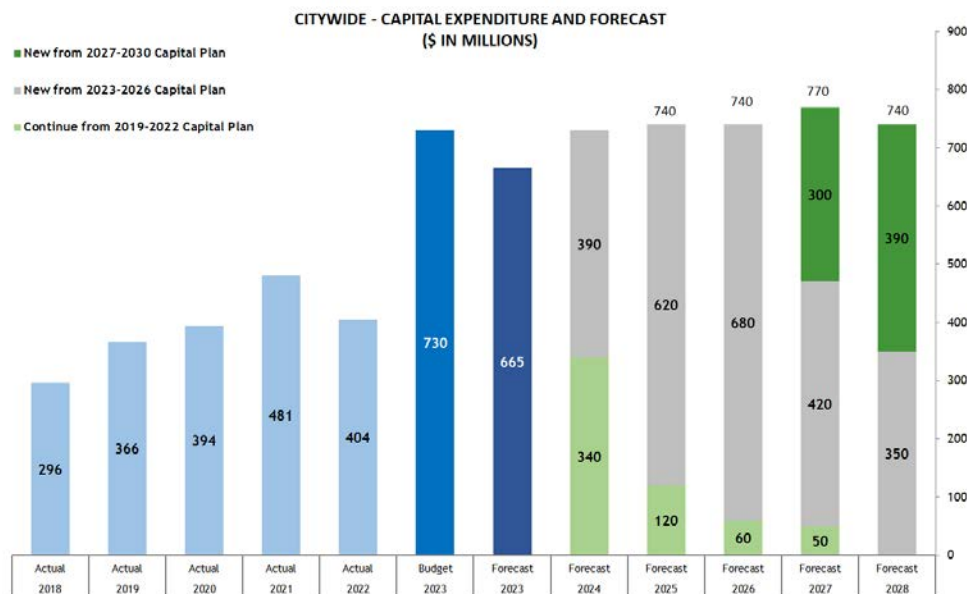
For optimal management of the City's capital projects and programs, staff have developed a framework for capital delivery to guide the implementation of the Capital Plan. Different delivery strategies dictate budget allocations over the four-year period. The table in **Appendix A** provides a summary of the major capital projects and programs in the 2023-2026 Capital Plan along with their respective delivery and funding strategy. Staff will report back to Council in July 2023 highlighting progress on the delivery of major Capital projects/programs with the focus on achieving Citywide priorities such as renewing of critical infrastructure (bridges, aging water & sewer mains), renewing and expanding of aging community, public safety and civic facilities, preserving and creating affordable housing and childcare, and advancing climate mitigation and adaptation work.

To date a total of \$660.8 million has been allocated to approved capital projects from the 2023-2026 Capital Plan. As part of 2024 Capital Budget process, staff will seek Council approval for additional funding for:

- 2nd year of the 2023-2026 Capital Plan for ongoing programs
- Procurement for design and/or construction phases for existing approved projects
- Initial phases such as planning/design for new one-time projects included in the 2023-2026 Capital Plan

2024-2028 Capital Expenditure Forecast

The Five-Year Financial Plan includes expenditure forecasts for previously approved multiyear capital project budgets continuing into 2024, new multiyear capital project budgets to be included in the 2024 Capital Budget, and for new capital projects anticipated to be approved from the current Plan and the first two year of the yet-to-be-developed 2027-2030 Capital Plan. The following chart shows the trending of historical and forecasted capital expenditures.



It is important to note that the forecasts for 2024 through 2028 are preliminary and represent early estimates, which will be further refined as part of the 2024 Capital Budget process.

Impacts of External Landscape on Capital Planning and Delivery

Owing to the challenging external Landscape, the City’s financial outlook and ability to deliver projects and services in timely manner is impacted. Some of the key and notable impacts are:

- Reprioritizing the 2023-26 Capital Plan funding towards delivery of existing projects in progress
- Slower delivery of existing projects/programs due to staffing/supply chain disruptions further leading to potential cost escalations
- Decrease in the planned outcomes to be achieved for the 2023-2026 Capital Plan

Staff are working on various strategies to mitigate the impact of the above mentioned challenging external economic landscape. Following lists some of the initiatives that City is undertaking to accelerate Capital delivery:

- Optimize key city processes, including procurement and public engagement, that have a larger impact on capital project timelines and schedules
- Focus on key high priority capital projects in progress to accelerate delivery
- Preserve and direct financial capacity to support prioritized capital projects/programs during the 2023-2026 Capital Plan Mid-term Update (2024)
- Maximize internal capacity to produce own materials as applicable and standardize specifications of products to allow more options of suppliers/vendors

Operating Multi Year Financial Plan

The Operating Outlook for the next five years continues to show expenses growing faster than revenues. Without taking action to increase revenues or reduce costs, the Budget Outlook over the next 5 years would require property tax increases and blended utility fee increases much higher than historical levels to balance the budget and replenish reserves to target levels.

Expenditure Outlook

The expenditure growth in the next five years are driven by:

- General labour market trends and collective agreements including compensation increases are projected to be above historical trends based on the current inflation environment. These pressures have resulted in a need for increased contingencies to mitigate potential risks & ensure service levels are not disrupted. Estimates are expected to peak in 2024-2025 and projected to normalize by 2026 in line with a lower inflation.
- 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.
- Assets coming due for replacement (i.e. Water/sewer). In particular, the Metro Vancouver replacement of the Iona sewage treatment facility will have substantial multiyear impacts on both property taxes and utility rates, specifically in 2026-2028.
- Growth in certain expenses at rates above historical levels of CPI – Metro utility charges, fuel, construction and raw material costs.
- For ongoing financial stability, the outlook includes replenishment of the General Stabilization Reserve to replace capacity utilized to offset revenue losses associated with the pandemic.

Revenue Outlook

The revenue growth in the next five years is estimated based on:

- Program, Licence and Development Fees projected to increase by 3% to 5% corresponding to historical levels of revenue growth; however, this would not fully cover the City's cost increases. As part of the City's sustainable financial planning framework & ongoing permit program transformation initiative, staff will review revenue opportunities & options to fully align fees to program costs through the Budget Process.
- Utility fees are estimated to increase by approximately 10% annually on average for the next five years, based on Metro Vancouver regional utility charge forecasts and the increased pace to replace and maintain the city's infrastructure and assets.
- To balance the budget over the Outlook period at the current state service levels without further actions, an average property tax increase of approximately 9% each year would be needed, which equates to an additional \$116 per year for a median strata property.

Shortfalls in non-tax revenues, including parking and program fees, continue to pose a risk as to the budget for 2024. Staff will continue to review cost assumptions and recovery of these

revenue streams based on the economic environment. The impact on the 2024 budget will be addressed through the 2024 budget process.

Appendix B provides incremental impact and details of Operating Revenue and Expenditure Outlook for 2024-2028.

Sustainable Financial Planning Framework

Staff have explored new revenue opportunities, process improvements to reduce costs or increase capacity, senior government funding and partnerships to address ongoing cost pressures. The following key initiatives underway will inform the 2024 Budget and multiyear financial plan:

Revenue Generation Strategy

Staff have reviewed existing and new revenue streams, focussing efforts on the highest impact opportunities that will contribute to a sustainable financial plan for future years.

These initiatives will be evaluated and recommended based on their financial benefits and impact on affected stakeholder groups. The opportunities will be presented to Council for consideration either through specific fee reports or as part of the annual budget process. The following are highlights of these initiatives:

Short-Term Opportunities	Detail
Fee Optimization	Services include ride hailing, commercial vehicle decal program, business licences fees and Park Board Parking Strategy.
Permitting Program	Process review to ensure permit fees fully fund program costs.
Expansion of On-Street Parking	Additional pay parking locations in areas with high parking demand to better manage curbside regulations and increasing benefits to residents, visitors, and businesses.
Sponsorships, Advertising, Naming Rights & Donations	Project scope includes sponsorships (i.e. events, programs, fixed and moving assets), advertising (i.e. digital signage & billboards), naming rights and donations for City and Park Board.
Long-Term Opportunities	<i>Estimates and timing are to be determined</i>
Projects include advertising with street furniture assets, naming rights & donations for the City and Park Board, Park Board’s Think Big Strategy, leasing City-owned fibre optic capacity and underground ducts, and Public Realm Marketing & Private Events.	

Appendix C provides detailed information on short and long term opportunities with estimates and timing.

Service Improvements & Capacity Building

A number of process and technology improvement projects are underway and although not exhaustive, the following initiatives highlighted provide insights into the significant improvement effort across the City:

Initiative Highlights	Detail
Simplified Processes	By working with the City’s recruitment partners, the new position request process has been shortened. This has resulted in a decrease in cycle time for posting open positions and a decrease in administrative workload. Other projects to highlight are Permitting Improvement Project including conditions improvement project, policy rationalization and permit conditions simplification, as well as, simplification of land use and licensing regulations. Staff will continue to review processes to create further organizational capacity.
Streamlining & Decreasing Cycle Time	Projects such as streamlining procurement process, requests for transportation safety upgrades, commercial vehicle decal program, Readsoft replacement project or improved Worksafe BC administrative process, focused consultation and engagement process, all focus on building capacity by eliminating non-value added activities and automating repetitive tasks using cutting edge technology such as robotic process automation.
Creating Financial Capacity	Reduction in software service through consolidation of meeting and messaging tools and continued expansion of the M365 platform will optimize the organization’s technology spend. This is further supplemented by contractual review of the City’s cellular and data provider and terms for further opportunities, and reduction in injury and absenteeism costs.
Business Optimization	The City has enabled the SAP program upgrade and is currently in its initial phase. The organization aims to leverage essential SAP modules for capacity building. A few other projects to highlight are Permitting Improvement Program, vehicle routing optimization, and rationalization of leased office space to effectively implement business optimization strategies of the City.

Staff will continue to embark on a longer-term approach identifying operational financial opportunities and direct tax payer benefits for 2024 and beyond.

Senior government funding and partnerships

While City staff continue to pursue strategic inter-government partnerships and predictable long-term funding sources to address critical infrastructure and community needs, staff are also focusing on demonstrating the City’s value as partners in achieving the shared goals of all levels of government.

As part of the City’s advocacy strategy, the City is messaging to senior governments that the organization is committed to delivering housing using regulatory tools. To address the housing crisis, the City has intentionally transitioned to delivering the “right supply” of housing, focusing on rental, non-market and co-op housing. This shift to the right supply, coupled with land and construction cost escalation and successive interest rate hikes has meant relying on the “growth

pays for growth” principle to pay for infrastructure and amenities through land value capture is becoming more and more challenging. In light of this, Staff are asking senior governments to modernize the municipal funding framework to provide funding to upgrade basic infrastructure (water, sewer) and amenities (childcare, parks, etc.) to support growth. The Federal Housing Accelerator Fund and the Provincial Growing Communities Fund are two recent examples of funding programs that recognize this need.

Priorities for the upcoming year include:

1. Working with the Province, Metro Vancouver (both the Regional District and the municipalities within the region) to develop an integrated regional 10-year Infrastructure and Financial Plan to ensure a coordinated and sustainable approach to renewal of infrastructure and amenities, and capital investments to support population growth.
2. Advocating for regional coordination on the “growth pays for growth” principle to ensure the cumulative impact of developer fees does not hinder development viability.
3. Advocating for predictable funding for infrastructure and amenities to unlock housing delivery particularly, particularly rental, social and co-op housing.
4. Advocating for an increase in Provincial funding for housing & childcare to reflect cost escalation.
5. Working with the Province on DPRP enhancements – When Council approved the Pilot Development Potential Relief Program on March 8, 2023, Staff were directed to engage the Province to explore viable options to address some of the implementation challenges for the DPRP, including but not limited to assessment data limitations.

Currently, the majority of senior government funding is secured through applications to specific programs or negotiated funding agreements with senior governments. Some projects are delivered by the City with senior government support while others are delivered by our non-profit partners. The City has secured approximately \$14 million through funding applications submitted in 2022 and the first half of 2023 and \$42 million through negotiated funding agreements over the same period

Appendix D provides status and details on Competitive Funding Applications, as well as Secured Funding via Non-Competitive Funding Programs.

In summary, the City’s Budget Outlook is based on the City’s Long-Term Financial Sustainability Guidelines and reflects the impacts of the 2023-2026 Capital Plan. The multiyear financial plan is an outlook for the future to guide decisions in the 2024 Budget. Council does not approve the budgets or tax increases as part of the 2024-2028 Budget Outlook, and those will be brought forward for Council consideration as part of future annual budget processes.

Financial Implications

There are no financial implications associated with this report. Staff will work over the next few months to build the 2024 Budget and Multiyear Financial Plan and present to Council for approval in December 2023.

Legal Implications

There are no legal implications associated with this report’s recommendations. The report complies with the relevant statutory framework.

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APPENDIX A 2023-2026 Capital Plan: Major Projects and Implementation Strategy (as of May 2023)

Service Category	Program/Project Name	Sub-Projects	Planned Outcomes	Project phasing and anticipated schedule																Approved Project Budget from Prior Capital Plan (\$M)	2023-2026 Cap Plan Amount (in \$M)	Planned allocations (\$M)*				Capital Plan Delivery / Implementation Strategy
				2022				2023				2024				2025						2026				
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3			Q4	Q1	Q2	Q3	
Childcare	Renewal & expansion of Childcare at RayCam Centre		0-4 year old childcare: renewal of 40 spaces + 108 new spaces; and 5-12 year old childcare: renewal of 55 spaces + 5 new spaces	[Blue]				[Green]				[Orange]					\$31.4		\$3.1		\$28.3	<ul style="list-style-type: none"> Currently in planning phase which is expected to finish by 2023 with design work in 2024 and construction in 2026. Planning budget included as part of the RayCam Community Centre project Project to be delivered in partnership with BC Housing. 				
Childcare	New Childcare at Vancouver Aquatic Centre		0-4 year old childcare: 74 new spaces	[Blue]				[Green]				[Orange]					\$15.9	\$2.4			\$13.5	<ul style="list-style-type: none"> Childcare component is exploratory at this point. To be reviewed once planning & design is complete Planning work to start in 2023 with design in 2024 & construction in 2026 Childcare spaces to be delivered along with Vancouver Aquatic Centre, with the same delivery schedule 				
Arts, Culture, and Heritage	Outdoor Amphitheatre at Hastings Park/PNE		Construction of an open air venue of 65,000 sq.ft. including weather protection and front and back-of-house support buildings of approximately 25,000 sq.ft.	[Green]				[Orange]				[Blue]				\$11.0	\$54.0		\$54.0		<ul style="list-style-type: none"> Currently in planning & design phase which is expected to finish in 2024 (Development Permit submission targeting Q4 2023) Construction work to be initiated in 2025 Capital Plan amount has been reduced by \$5M based on latest estimate of available funding from prior capital plans 					
Community Facilities	RayCam Community Centre		• Renewal & expansion of community centre (from 27,250 to 40,000 square feet)	[Blue]				[Green]				[Orange]				\$2.0	\$49.0		\$7.4	\$41.7	<ul style="list-style-type: none"> Currently in planning phase which is expected to finish in 2024 (funded by 2019-2022 Capital Plan) with design work in 2024 and construction in 2026. Project is in partnership with BC Housing, who are providing funding to build social housing above community centre. Overall project planning & delivery is led by BC Housing 					
Community Facilities	Vancouver Aquatic Centre - renewal & expansion		• Plan, design and start construction on the first phase, focusing on the renewal of the 50m lap pool and diving pool	[Blue]				[Green]				[Orange]					\$140.0	\$21.0			\$119.0	<ul style="list-style-type: none"> Planning phase expected to start in 2023 with design in 2024 and construction in end of 2026. 				
Community Facilities	West End Community Hub		Renewal & expansion: Recreation (Community Centre, Ice Rink), Library, Childcare, Secondary school, Fire Hall (possible relocation from Nelson St.) New: social & cultural facilities; possibly housing	[Blue]				[Green]				[Orange]					\$9.1		\$9.1		Currently in Planning & Scoping phase, possibly entering design phase in 2025.					

Service Category	Program/Project Name	Sub-Projects	Planned Outcomes	Project phasing and anticipated schedule												Approved Project Budget from Prior Capital Plan (\$M)	2023-2026 Cap Plan Amount (in \$M)	Planned allocations (\$M)*				Capital Plan Delivery / Implementation Strategy
				2022		2023		2024		2025		2026		2023 Budget	2024 Forecast			2025 Forecast	2026 Forecast			
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3			Q4				
Public Safety	Animal Control Centre renewal & expansion		<ul style="list-style-type: none"> renew 16,000 sq.ft. and expand by 8,000 sq.ft. facility planned to be relocated with SPCA facility 	[Blue]		[Green]		[Orange]							\$2.5	\$22.0	\$22.0		<ul style="list-style-type: none"> Currently in detailed design phase which is expected to finish in first half of 2025 with construction work expected to start in mid-2025 Project delivery will be led by BC SPCA Although construction work to be initiated in 2025, the construction budget to be allocated in 2024 as part of delivery contract / agreement with BC SPCA 			
Public Safety	Downtown South fire hall (FH#8) - renewal & expansion		Renew and expand from a 2-bay to a 4-bay fire hall. 7,700 sq ft (renewal) 10,300 sq ft (new)	[Blue]	[Green]	[Green]	[Green]	[Orange]	[Orange]						\$35.6	\$3.6	\$32.0		<ul style="list-style-type: none"> Design phase expected to start in 2023 with construction in mid-2025 			
Streets	Granville Bridge rehabilitation & seismic upgrades	Granville Bridge structural steel repairs & recoating (Phase 2)	Steel repairs and renewal of steel protective coating to maintain the integrity of the steel structure (phase 2 of 5)	[Blue]	[Green]	[Green]	[Green]	[Orange]	[Orange]						\$34.0	\$34.0			<ul style="list-style-type: none"> Currently in phase 1 for structural repairs and recoating work Budget required in 2023 to allow for procurement for design and construction work (start Q1 2024) 			
		Granville Bridge South approach rehabilitation (Phase 1)	Concrete repairs and other rehabilitation work on the main Granville Street south approach and the ramps to/from 4th Avenue, Fir Street and Hemlock Street	[Blue]	[Green]	[Green]	[Green]	[Orange]	[Orange]						\$11.0	\$0.5	\$10.5		<ul style="list-style-type: none"> Procurement for design consultant to start in 2023 for design and 2025 for construction (phase 1 of 2) 			
Streets	Cambie Bridge rehabilitation & seismic upgrades		Rehabilitation on the south end of the bridge and seismic upgrades on the downtown segment of the bridge (phase 2 of 5)	[Green]	[Green]	[Orange]	[Orange]	[Orange]	[Orange]	[Orange]	[Orange]	[Orange]	[Orange]	[Orange]	\$30.0	\$30.0			<ul style="list-style-type: none"> Planning and scoping work has been completed Currently in detailed design phase Construction to start by end of 2023 			
Streets	Gastown / Water St. public space & transportation improvements**	Near term repairs & reconstruction	<ul style="list-style-type: none"> Near-term repairs and construction in: Targeted sidewalk repairs Interim repairs to Maple Tree Square Refresh to public space in Maple Tree Square Restoration of Trounce Alley 	[Green]	[Orange]	[Orange]	[Orange]	[Orange]	[Orange]	[Orange]	[Orange]	[Orange]	[Orange]	[Orange]	\$4.5	\$4.5			<ul style="list-style-type: none"> Design and construction phase is expected to start in 2023. 			
		Projects to increase Host Nations visibility in the public realm	Develop projects through partnerships with the Host Nations to increase their visibility in the public realm	[Blue]	[Green]	[Green]	[Green]	[Orange]	[Orange]						\$1.5	\$0.3	\$0.6	\$0.6	<ul style="list-style-type: none"> Funding for staff and consultant costs for with First Nation and subsequent construction work to implement initiatives. 2023 Budget request is for hiring consultants to assist with design work. 2023 Budget request is to initiate planning / scoping with design phase scheduled to start in 2024. Opportunities to advance to construction phase will be explored as part of Capital Plan Mid-term Update in 2024 			
		Water St. rehab planning & design	Design update and plan for rehabilitation of Water Street and Maple Tree Square	[Blue]	[Green]	[Green]	[Green]								\$4.0	\$1.0	\$3.0					

*The planned allocations include approved project budgets for 2023 till date and forecasted allocations for 2024-2026 in line with project schedule
 **The project is pending further directions from Council

APPENDIX B

Operating Revenue and Expenditure Outlook

Expenditure Outlook

Through a preliminary scan of the financial drivers, the outlook reflects initial estimates that operating expenses will increase in the following areas:

- Council directed investments for an additional \$9 million for full costs of expansion into mental health initiatives, additional police officers, initiatives outlined in Uplifting Chinatown Action Plan and addition of 33 firefighters in 2023.
- An additional \$20 to \$29 million each year to maintain our infrastructure and public amenities in a state of good repair as outlined in the 2023-2026 Capital Plan. Over the multiyear plan, based on projected asset condition, there will be a need for continued growth in renewal funding to address aging infrastructure and maintain current assets resulting in an average of ~1% property tax increase.
- Regional utility charges passed on to the City by Metro Vancouver are forecast to increase between 6% and 10% for Water and between 12% and 25% for Sewer from 2024-2028, in line with Metro Vancouver levies and renewal rate of aging and deteriorating assets.
- Replenishment of the General Stabilization Reserve from 2025-2028 for ongoing financial stability.
- The outlook for 2024-2028 show higher estimates in fixed costs, wage expenses and fringe benefits. Fringe benefit costs for the City have increased during 2023 as a result of Canada Pension Plan and WorkSafe BC rates, however, total wage impacts are unknown at this time as they are dependent on the terms of future collective agreement settlements.
- Contingencies to reflect the significant projected impacts of inflation on City's costs to maintain current service levels.
- Other Fixed costs are projected to increase in the range of 2% to 25% for the next five years (such as energy, fleet, rent and insurance), with a 2024 increase mainly attributable to higher fuel rates reflective of current global oil supply issues, higher insurance claim rates, and significant increases in the cost of dispatch services provided by ECOMM.

These are estimates representative of maintaining the City's current resource and service levels.

Operating Budget Preliminary Expense Pressures (\$ in millions)	2024	2025	2026	2027	2028
External Agency Costs passed on to the City:					
Increased Metro Vancouver charges for Water and Sewer utility	\$28	\$42	\$39	\$36	\$56
Anticipated external party cost increases (including ECOMM levies)	\$4	\$4	\$5	\$5	\$6
Debt, Transfers and Capital Program Costs:					
Infrastructure Renewal, Pay-as-you-go Sewer & Water, Transfers and Debt Financing	\$26	\$21	\$21	\$29	\$20
Operating impacts of previously approved capital projects	\$5	\$5	\$5	\$5	\$5
Salary and benefit costs:					
Salary and benefit projected increases <i>(includes contractual increments, negotiated wage settlements and projected benefit cost increases, excludes collective agreement increases without agreements*)</i>	\$16	\$15	\$16	\$16	\$16
Other Cost Pressures:					
Fixed costs (Hydro, Gas rates, IT, Rents & leases, Insurance, Grants)	\$23	\$17	\$18	\$19	\$21
Council directed investments (i.e. police officers, fire fighters and Uplifting Chinatown Action Plan)	\$9				
Reserve Replenishment		\$5	\$5	\$5	\$5
Preliminary Expense Pressures (excluding impact of collective agreements under negotiation not included above)	\$111	\$109	\$108	\$116	\$129
Contingencies to mitigate risks	\$50 - \$75				

Note: Totals may not add due to rounding

Revenue Outlook

Through a preliminary scan of the financial drivers, the outlook reflects initial estimates that operating revenues will increase in the following areas:

- Program fee revenues are estimated to increase by 3% and License and Development fees by 5% each year. This would be in line with historical levels of revenue growth; however, would not fully cover the City’s cost increases.
- Utility fees are estimated to increase by ~10% annually on average for the next five years, based on Metro Vancouver regional utility charge forecasts and the increased pace to replace and maintain the city’s infrastructure and assets.
- To balance the budget over the Outlook period at the current state service levels without further actions, an average property tax increase of ~9% each year would be needed. This would equate to the following annual increases for the identified properties: \$116 for a median strata, \$198 for median overall residential, \$304 for median single-family and \$511 for median commercial. This reflects only the City portion of the tax bill, and does not include increases from other taxing authorities. Taxes from new development are estimated to increase by \$5 million annually representing less than 1% of our property tax base.

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

Note: Totals may not add due to rounding

Based on projected expenditures, including contingencies for collective agreements, higher than historical average of property tax rate is required to balance the multi year picture. Staff is continuing to review and take measures to reduce costs while monitoring risks to revenue streams. Staff will report back through the Budget Process with a proposed tax rate for Council consideration.

Risks to Multiyear Financial Plan

The following are a number of risks that may impact the City's financial revenue or expenses over the multiyear period. These will be considered over the next months as the 2024 budget and multiyear financial plan is developed.

- Compensation costs arising out of collective bargaining
- Ongoing inflationary pressures resulting from current and forecasted market conditions and any significant increase in interest rates will increase the City's debt servicing on new debt and will limit future borrowing capacity
- Uncertainty related to the ongoing impact of the COVID-19 pandemic in areas such as continued global supply chain disruptions that are affecting the City's ability to maintain and deliver key services.
- Impacts of senior government policies on local conditions, such as income assistance rates, health system responses to complex mental health issues, and homelessness response.
- Costs for unforeseen events such as public emergencies
- Costs related to climate change and unusual weather events, such as higher water consumption during periods of low rainfall, costs for flooding and wind damage, and higher costs for snow and ice removal in periods of high winter storm activity.

APPENDIX C
Revenue Generation Strategy – Short and Long Term Opportunities

Short-Term Opportunities	Incremental Estimate (\$ in millions)
Residential Parking Permit Fees – continue to increase residential parking permit fees to better reach market rates	\$0.2
On-Street Parking – expand pay parking locations to areas with high parking demand	\$2.8
Ride Hailing - Congestion and Curbside Management Permit fee increase and extension of hours	\$5.9
Commercial Vehicle Decal Program - overall program review, fee schedule increases accompanying additional benefits to decal holders.	\$1.0
Business Licenses – various options for fee increase under assessment. Detailed options to be presented as part of the annual fee review process.	\$1.4-\$1.5
Food Truck Licenses – current revenue not substantial, as program aims to support local small business and fees are based on cost recovery.	N/A
Building & Development Program – in line with direction from Council to ensure the fees and cost recovery program fully cover costs. Various options for fee increase under assessment. Detailed options to be presented as part of the annual fee review process.	\$4 - \$12
Parks Parking Strategy - review underway, off-street Parks facilities focused on where pay parking would be beneficial. Part of “Think Big Strategy”, will require approval by Park Board.	\$0.5
Sponsorships, Advertising, Naming Rights & Donations (SAND) - Project scope includes relative advertising (including digital signage, billboards), sponsorship (events, programs, fixed and moving assets (buildings, fleet), naming rights and donations for City and Park Board.	<i>To be determined</i>
Total Incremental Estimates	\$15.8 - \$23.9

Longer-Term Opportunities (estimates and timing to be determined)
Residential Parking Permit Fees – Examine expansion of residential permit parking into currently unregulated areas
Street Furniture Contract Renewal – Advertisement with street furniture assets (i.e. benches, bus shelters, digital panels) for the new contract
Park Board Motion “Think Big Strategy” - Initiatives will include development of guiding principles & policy related to revenue generation. Park Board approval would be required.
Public Realm Marketing, Private Events & Fibre and Duct Work - project scoping for public space activation and opportunity to leverage current investments in new 80km fibre network to generate fibre revenue and investments in expanding city network to license fibre

APPENDIX D
Senior Government Funding & Partnerships Overview

Status of Competitive Funding Applications by Priority Area Jan - 2022 to Jun 2023

	Requested		Approved		In Progress		Unsuccessful	
	# App	\$ Value	# App	\$ Value	# App	\$ Value	# App	\$ Value
Housing	8	\$11.2 M	5	\$7.7 M	-	\$-	3	\$2.2
Climate Emergency & Resiliency Infrastructure	20	\$92.1 M	5	\$3.1 M	10	\$54.5 M	5	\$33.7 M
Community & Cultural Infrastructure	2	\$1.3 M	2	\$0.8 M	0	\$0.0 M	0	\$0.0 M
Rapid Transit & Transportation Infrastructure	10	\$23.7 M	3	\$2.8 M	5	\$10.4 M	2	\$10.0 M
TOTAL	40	\$128.3 M	15	\$14.3 M	15	\$64.9 M	10	\$45.7 M

Funding Secured via Non-Competitive Funding Programs – Jan 2022 to Jun 2023

Type	Description	Amount
Federal	Housing	\$30.9 M
Federal	Sunset Seniors Centre	\$10.6 M
TransLink	Operations and Road Maintenance	\$7.7 M
TOTAL		\$49.2M