



COUNCIL REPORT

Report Date: September 6, 2023
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Meeting Date: September 13, 2023
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TO: Vancouver City Council
FROM: Director of Finance
SUBJECT: Approach to Identifying Opportunities for Increased Revenues for the 2024 Budget

Recommendations

- A. THAT Council receive for information an update on the City's assumptions with respect to generation of non-tax revenues in the 2024 Budget. These assumptions will inform the 2024 Draft Budget.

Alternative Consideration:

- B. THAT Council provide alternate direction to staff regarding the assumptions for non-tax revenue generation for purposes of developing the 2024 Draft Budget.

Purpose and Executive Summary

In the [2024-2028 Budget Outlook](#) presented to Council on June 27, 2023, staff outlined a revenue strategy that would be used to develop the 2024 Budget in the aim of limiting the pressure on property tax rates. In the Budget Outlook, staff committed to report back to Council on the progress as part of the 2024 budget process. The purpose of this report is to present an update on non-property tax revenue initiatives that staff will include as part of the 2024 Budget, and provide a timeline of Council decisions required in advance of the 2024 Budget. Through this report, Council has the opportunity to provide direction on adjustments to areas within this revenue approach.

Through prior years' public engagement, residents and businesses have expressed preference for new or increased user fees for City services to balance the budget where possible, rather than increase property tax. As part of the 2023 Budget approval, Council provided direction to staff to report back to Council on options to increase fees in a number of areas including business licence fees, dog licence fees, food truck licence fees, permit parking fees, and on-street parking.

The Budget Outlook identified a number of short-term opportunities that could be incorporated into the 2024 Budget, as well as longer term opportunities that required further work and would impact future years. Staff are acutely conscious of the implications for tax and utility rates and are focused on identifying opportunities for new revenues and operating efficiencies. Short-term opportunities including fee optimization and review of cost recovery in fee areas including business licences, development permit fees, and Park Board fees; expansion of on-street and Parks parking; and short-term opportunities related to sponsorship, advertising, naming rights, and donations. This report will outline the assumptions in each of these revenue opportunity areas that staff proposed to apply in developing a draft budget for Council consideration. The total value of the new revenue opportunities that staff propose to include in the 2024 Draft Operating Budget is approximately \$15.2 million. That revenue, which represents the equivalent of a 1.4% increase in property tax, would offset the increase to property taxes that would be required to balance the budget in 2024.

As staff develop the 2024 draft budget, we will continue to identify opportunities for service improvements and capacity building. These opportunities will be incorporated into the draft budget for Council's consideration along with revenue opportunities.

Council Authority/Previous Decisions

On February 28, 2023, Council directed staff to develop strategies to address the impact of cost pressures through new revenue opportunities, process improvements to reduce costs or increase capacity, senior government funding, and partnerships for Council's consideration as part of future budget processes.

On February 28, 2023, Council directed staff to provide options for increasing business and dog licence fees in 2024.

City Manager's Comments

The City Manager concurs with the foregoing recommendations.

Context and Background

The 2024-2028 Budget Outlook identified significant financial pressures for 2024 and future years. Absent action to increase non-tax revenues or reduce costs, those cost pressures will require increases to property tax and utility fees that are higher than historical levels to balance the budget. New revenue initiatives as outlined in this report, as well as service improvements and capacity building, provide an opportunity to moderate property tax increases while continuing to fund services valued by residents and business.

Discussion

The City's annual budget process typically incorporates an assessment of fees and cost recoveries and inclusion of an adjustment to those fees to reflect known cost increases. This report focuses on short-term revenue opportunities beyond that typical inflationary adjustment and provides details on specific revenue assumptions that staff propose to incorporate into the 2024 draft Budget for consideration by Council later this year.

Short-term Revenue Opportunities to be included in the 2024 Draft Budget

Staff have identified the following opportunities to generate incremental non-tax revenues in 2024:

- **Licence Fees:** The 2024 Business Licence, Vehicles for Hire and Animal Control Fees report are the subject of a separate report that will be considered by Council on The City adjusts fees annually to ensure that revenue aligns with increases to City costs. The report includes recommended increases to a number of license categories that, if implemented, would generate incremental net revenues over and above the increasing cost of service.

Highlights of recommended fee increases are as follows:

- **Standard business licence** fee increase from \$171 to \$250. This adjustment would align the fee more closely with other Metro Vancouver municipalities, and will generate \$1.6 million in incremental revenues
- **Trades and Contractors** Licence fees increase from \$171 and \$207, respectively, to \$340. This increase would align the fees for these categories with larger municipalities like Surrey, and will generate \$0.9 million in incremental revenues
- **Short Term Rental** business licence fee increase from \$109 to \$450. This increase would generate \$1.0 million in incremental revenues. The \$450 fee is not inconsistent with other municipalities and the additional revenue would address a current shortfall relative to the costs for the City's Short Term Rental licensing and enforcement program.

The proposed license fee adjustments are anticipated to generate approximately \$5.0M above the budgeted revenue for 2023, including \$3.9 million in incremental revenues relative to the assumptions reflected in the 2024-2028 Budget Outlook. The proposed increases will align the fees more closely with fees in other BC municipalities.

- **Building & Development Program:** The recommended adjustment to rezoning, development permit and building permit fees will be the subject of a separate report that will be presented for Council's consideration in October 2023.
- **Parking** initiatives include on-street parking, residential parking permit fees, and parking on land controlled by Park Board. Staff have identified the following opportunities would generate \$5.5 million of incremental parking revenue in 2024:
 - **On-street parking:** Expansion of metered on-street parking will support improved management of on-street parking and ensure adequate parking turnover, increased parking availability and reduced congestion for residents and business patrons. This initiative is projected to generate \$4.8 million in incremental revenues.
 - **Residential parking permit fees:** The City's residential parking permit fee is currently priced below market levels (ranging from \$52 to \$104 annually for most permit zones). Staff are recommending an increase to the residential parking permit fees, and the proposed fees would range from \$65 to \$131 annually respectively. This initiative will generate \$0.2 million in incremental revenues.

- **Park Board parking:** The Park Board is developing a strategy for parking within Parks with a focus on where pay parking would be beneficial. This initiative is part of the “Think Big Strategy”, and will require approval by Park Board. This initiative would generate \$0.5 million in incremental revenues.
- **Ride hailing:** fees are used as a lever to manage congestion and curb use associated with ride hailing service during peak hours. The current service fee is \$0.30 and the revised service fee would be increased to \$0.45 in 2024 and \$0.60 in 2025. A phased approach is recommended to monitor impacts on congestion and usage, and this initiative is expected to generate \$2.9 million in incremental revenues in 2024 and \$3.0 million in 2025.
- **Commercial Vehicle Decal Program** will improve curbside access for the delivery of goods and services. The current permit fee based on Gross Vehicle Weight (GVW) is \$27 - \$43 and would increase to \$50 - \$150. The revised fee would generate approximately \$1.0 million in incremental revenue.
- **Sponsorships, Advertising, Naming Rights & Donations:** Staff is currently working to quantify and realize opportunities to generate revenue through sponsorship, naming rights, advertising and donations and are securing external expertise to support this work. For 2024, staff expect to generate additional \$0.5 million of revenue through increased advertising within the scope of existing contract relationships. As further opportunities emerge, additional revenue may be added to the operating budget through the year. Council will receive further updates in early 2024.
- **Park Board Fees** are set based on a variety of factors, including cost recovery, market comparison and revenue optimization. The 2024 draft budget will be built with an assumption that Park Board incremental revenue increases will cover Park Board inflationary cost increases and service investments. The budget will also include options to incorporate short-term revenue opportunities from the Park Board Think Big strategy, including parking revenue opportunities.

In addition to the foregoing revenue opportunities for 2024, staff are assessing other potential non-tax revenues that could be realized in 2025 and beyond and will continue to update Council as those incremental revenues can be quantified.

Summary of Revenue Opportunities

This table below highlights revenue generation opportunities as published in 2024-2028 Budget Outlook that are refined and will be updated in 2024 Draft Budget:

Short-Term Opportunities	Budget Outlook 2024 Budget estimate	Revised 2024 Budget estimate
Residential Parking Permit Fees	\$0.2	\$0.2
On-Street Parking	\$2.8	\$4.8
Ride Hailing	\$5.9	\$2.9
Commercial Vehicle Decal Program	\$1.0	\$1.0

Business Licenses	\$1.4-\$1.5	\$3.9
Food Truck Licenses	N/A	Immaterial
Building & Development Program	\$4 - \$12	Update on Oct 3, 2023
Park Program Fees Increase to 6% from 3%		\$1.4
Parks Parking Strategy	\$0.5	\$0.5
Sponsorships, Advertising, Naming Rights & Donations	To be determined	\$0.5
Total Incremental Estimates	\$15.8 - \$23.9	\$15.2
Property Tax Impact	1.5% - 2.2%	1.4%

If adopted by Council in the 2024 Operating Budget, these revenue initiatives would reduce pressure on property taxes identified in the 2024-2028 Budget Outlook. As part of the annual budget process, Council can consider how these revenue increases, as well as other savings opportunities and adjustments to service levels, can be used to reduce the required property tax increase, improve service levels, or add investments in priority areas as part of finalizing a balanced budget.

Timelines and Next Steps

The 2024 Budget Process incorporates the following key steps and engagement with Council and Park Board:

Standalone Report Back to Council and Park Board	Date
Business Licence Fees	September 13, 2023
Permitting Fees	October 3, 2023
Park Board Approval of Fees & Charges	November 28, 2023
Mountain View Cemetery Fees	December 3, 2023
Utility Fees	December 12, 2023
Engineering User Fees	December 12, 2023

Financial Implications

Subject to any alternate direction from Council, the foregoing new revenue opportunities totalling approximately \$15.2 million will be included in 2024 Draft Operating Budget. Staff will continue to work over the next few months in building the 2024 Budget for Council 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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