

2024 Draft Budget Presentation

December 05, 2023





Walkthrough of the Draft Budget for Council Consideration

Context

Engagement Overview

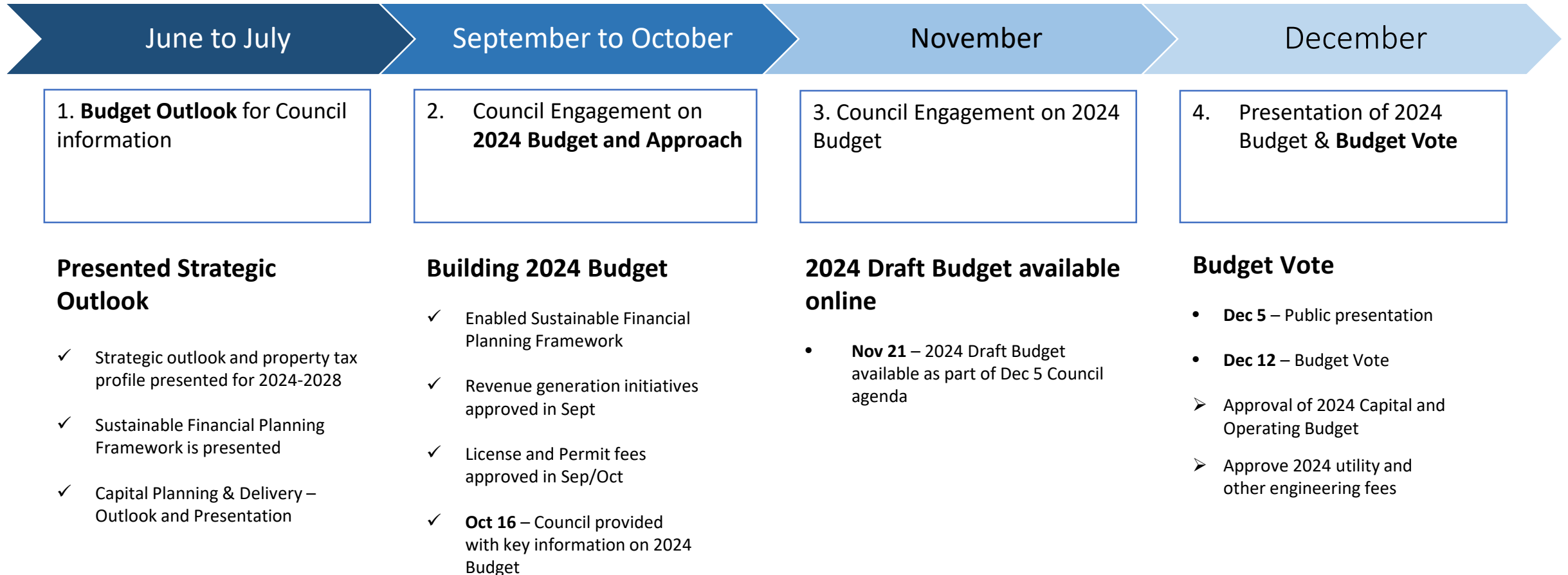
Draft 2024 Capital Budget

Draft 2024 Operating Budget

Questions

1. Context

2024 Budget Timeline



2024 Budget Overview

Working toward a lower tax rate	Following the 10.7% property tax increase in 2023, City Council tasked staff with reducing the increase for subsequent years, supported by recommendations from the Mayor's Budget Taskforce.
2024 tax increase forecast at 7.6%	The draft Budget Outlook forecast the 2024 property tax increase at 9.5%. In alignment with the City's Sustainable Financial Planning Framework, the draft Budget is balanced at existing service levels, with a revised property tax increase to 7.6%.
Innovations and efficiencies	The reduction was achieved through additional non-tax revenues as well as innovations and changes to City processes resulting in efficiencies and lower expenses, more of which have been identified for out-years.
External pressures	The City continues to face fiscal pressures in 2024, including high costs for construction and supplies, increased charges by regional authorities and increased labour costs in a tight labour market.
Ramping up capital delivery	The 2024 Capital Budget focuses on increasing delivery of infrastructure and amenities, within the City's funding capacity.

2. 2024 Budget: Engagement & Market Research

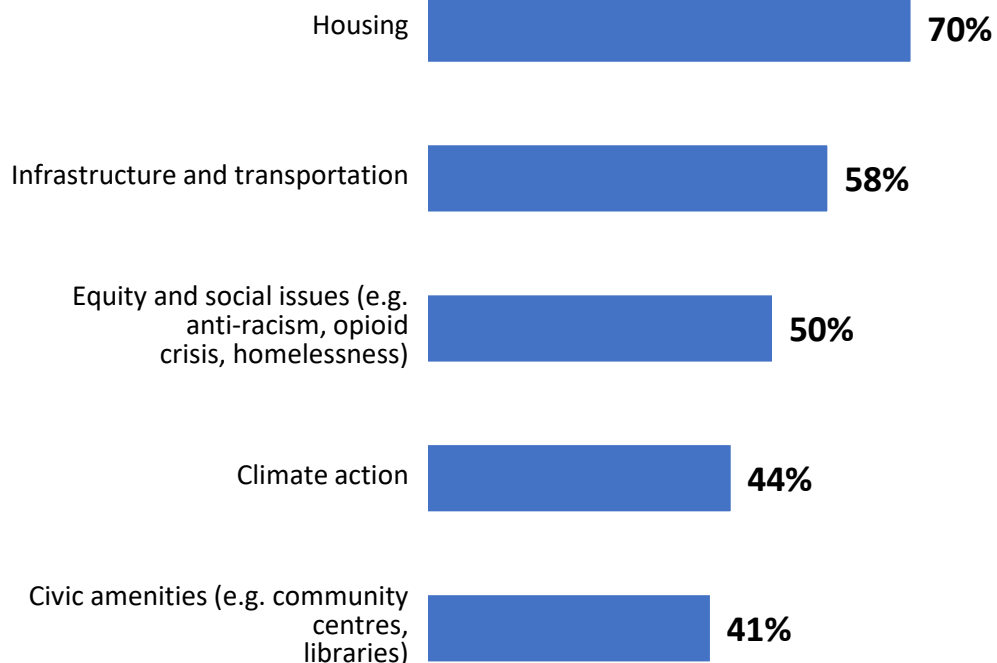


- Purpose of annual budget engagement is to better understand:
 - Priorities for City spending
 - Preferences for delivering a balanced budget
- Talk Vancouver budget survey fielded Aug. 24 to Sept. 17 in English, Simplified Chinese, Traditional Chinese and Punjabi
 - n = 2,845 residents
 - n = 502 businesses
- Final data weighted by age and geographic zone (residents) and business size (businesses)
- Civic Satisfaction Survey undertaken in Jan. 2023 to provide insight service priorities

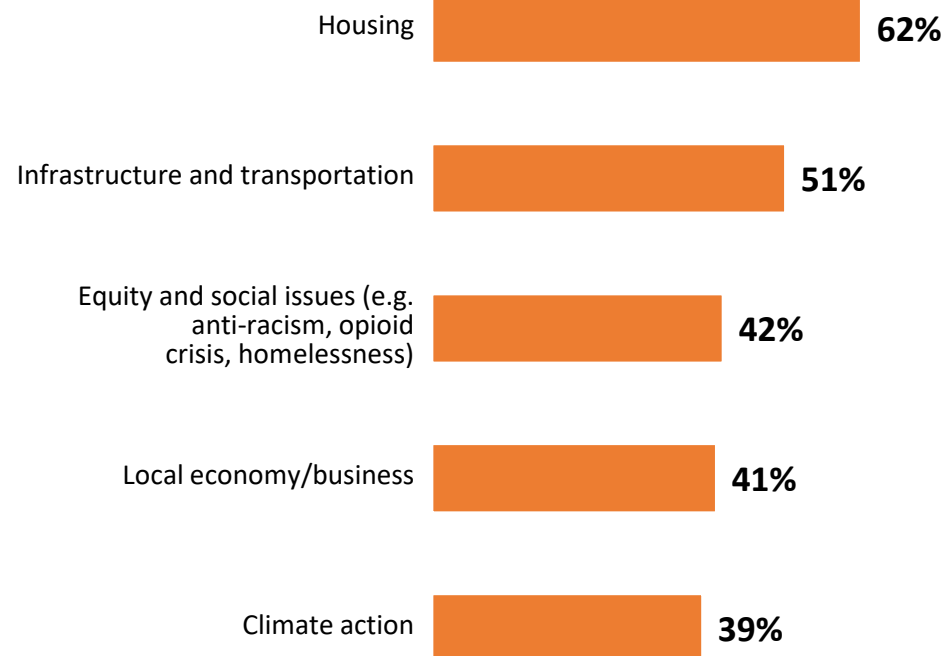
Top Five Budget Priorities

- Housing is the number one budget priority for both residents (70%) and businesses (62%)
- Followed by infrastructure and transportation (58% residents, 51% businesses) and equity and social issues (50% residents, 42% businesses)

RESIDENTS (n=2,845)



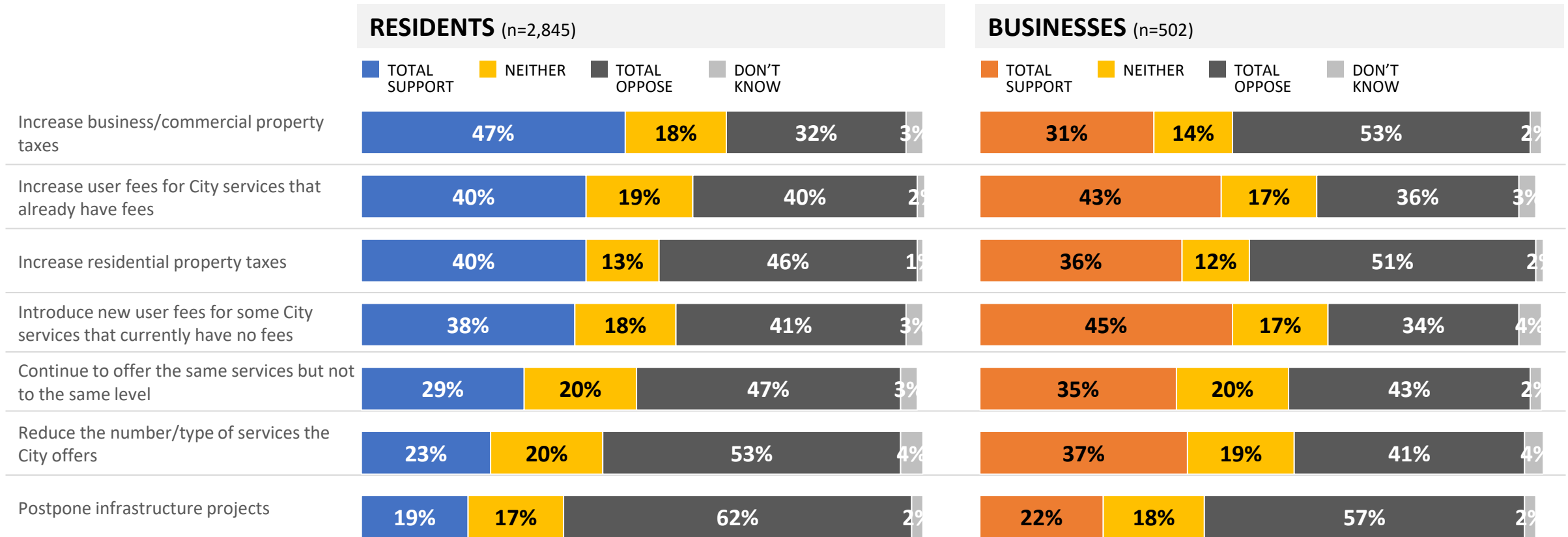
BUSINESSES (n=502)



Q1. What areas or services do you think City Council should prioritize in the budget for next year? Select your top five.

Support for Financial Tools to Balance the Budget

- To balance the budget, residents are most likely to support an increase in business/commercial property taxes (47%).
- Businesses prefer user fees, both new (45%) and increased (43%).
- Residents and businesses alike are the least likely to support postponing infrastructure projects (19% and 22%, respectively).



Q2. The City has a number of financial tools that can be used to balance the budget. Tell us how much you support or oppose each of the following options.
Select one response for each row.

Support for Financial Tools: Historical Comparison (Residents)

- In previous years (Budgets 2022 and 2021), user fees consistently receive the most support among both residents (40%-50%) and businesses (43%-50%).
- Over the same period among residents, relative support for increases in business/commercial property taxes and residential property taxes have gone up (from 31% to 47% for business property taxes, and from 28% to 40% for residential property taxes, between 2020 and present)

RESIDENTS

Budget 2024 (in 2023)	Budget 2022 (in 2021)	Budget 2021 (in 2020)
Increase business/commercial property taxes – 47%	Increase user fees for City services which already have fees – 50%	Increase user fees for City services already with fees – 52%
Increase user fees for services which already have fees – 40%	Increase business/commercial property taxes – 46%	Postpone infrastructure projects – 51%
Increase residential property taxes – 40%	Introduce new user fees – 40%	Introduce new user fees – 44%
Introduce new user fees – 38%	Continue to offer same services, but reduced level – 40%	Reduce the level of City services – 39%
Continue to offer same services but reduced level – 29%	Increase residential property taxes – 38%	Reduce level of staff that provide City services – 34%
Reduce number/type of services City offers – 23%	Postpone infrastructure projects – 31%	Increase business property taxes – 31%
Postpone infrastructure projects – 19%	Reduce number/type of services City offers – 26%	Increase residential property taxes – 28%


Note: Did not ask about financial tools in Budget 2023 due to change in engagement format

Q2. The City has a number of financial tools that can be used to balance the budget. Tell us how much you support or oppose each of the following options.
Select one response for each row.

Support for Financial Tools: Historical Comparison (Businesses)

- In previous years (Budgets 2022 and 2021), user fees consistently receive a high level of support among both residents (40%-50%) and businesses (43%-50%).
- Over the same period among businesses, relative support for postponing infrastructure projects has decreased (from 53% to 22%, between 2020 and present)

BUSINESSES

Budget 2024 (in 2023)	Budget 2022 (in 2021)	Budget 2021 (in 2020)
Introduce new user fees – 45%	Increase user fees for City services which already have fees – 44%	Postpone infrastructure projects – 53%
Increase user fees for services which already have fees – 43%	Introduce new user fees – 43%	Increase user fees for services with fees – 50%
Reduce number/type of services City offers – 37%	Continue to offer same services but reduced level – 42%	Introduce new user fees – 49%
Increase residential property taxes – 36%	Reduce number/type of services City offers – 37%	Reduce the level of City services – 49%
Continue to offer same services but reduced level – 35%	Postpone infrastructure projects – 36%	Reduce level of staff that provide City services - 44%
Increase business/commercial property taxes – 31%	Increase residential property taxes – 36%	Increase residential property taxes – 37%
 Postpone infrastructure projects – 22%	Increase business/commercial property taxes – 31%	Increase business property taxes – 31%

Note: Did not ask about financial tools in Budget 2023 due to change in engagement format

Q2. The City has a number of financial tools that can be used to balance the budget. Tell us how much you support or oppose each of the following options.
Select one response for each row.

- Earlier this year, the City had Ipsos conduct a telephone survey with a randomly selected representative sample of Vancouver residents and businesses to track satisfaction with City services and provide insight into *service priorities*.
 - Residents prioritize investment in affordable housing, homelessness and social policies
 - Businesses' top investment priorities are fire rescue services, street infrastructure and cleanliness
- In both this year's budget engagement and market research:
 - Housing and infrastructure/transportation are the *top issues* for both residents and businesses.
 - Residents and businesses support increasing and introducing new user fees
 - There is mixed support for property tax increases (level of support varies based on \$ amount)

3. 2024 Capital Budget

- 2024 Capital Budget goal to enhance capital project delivery, prioritizing **completion of \$1.25B previously approved project budgets**
- New 2024 Capital multi-year budget requests total **\$368M**
 - Additional multi-year budgets will be brought forward for approval throughout 2024 to align with project/program delivery strategy and timelines
- 2024 Expenditure Budget of **\$782M is 7% higher than the 2023 Budget**, and will need to increase further in future years to **deliver** the 2023-26 Capital Plan and existing open projects

Delivery Of Existing Multi-year Project Budgets: \$1.25B Unspent

Ongoing Programs \$623M

- Renewal of City's fleet
- Sewer main renewal (Hastings-Sunrise)
- Pump station renewal
- Sewer Separation Upgrades (Oak Street)
- New Parks in East Fraser Land area
- Ongoing Capital Maintenance/Renovations of infrastructure & facilities

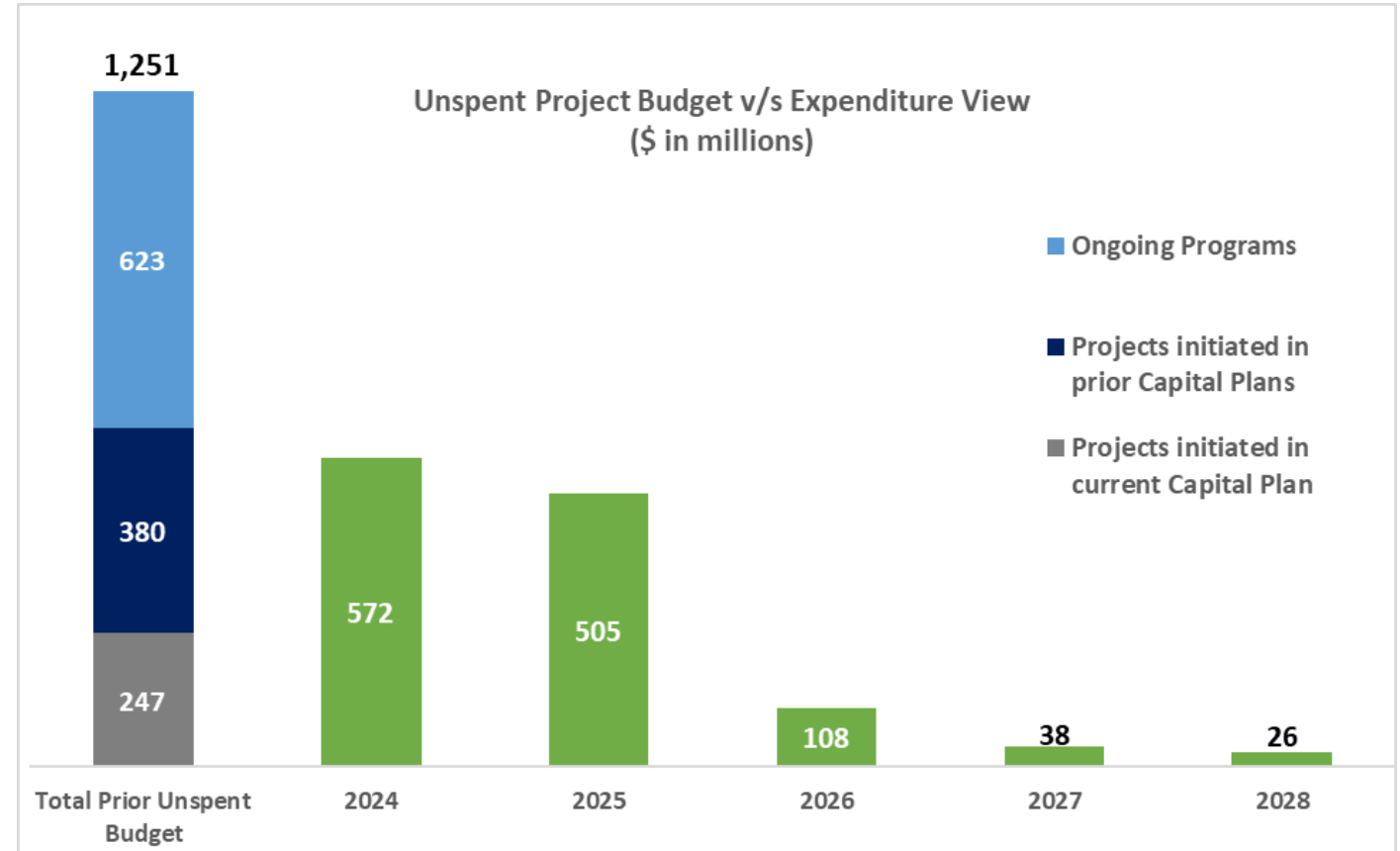
Approved major projects \$627M

Initiated in prior Capital Plans \$380M

- Granville Bridge cycling/walking connection
- Marpole Community Centre
- Grandview Fire Hall
- Coal Harbour (Housing/School/Childcare)

Initiated in 2023-26 Capital Plan \$247M

- Granville Bridge structural steel repairs & recoating (Phase 2)
- PNE Amphitheatre renewal & expansion



85-90% of existing unspent budgets will be spent in 2024 & 2025

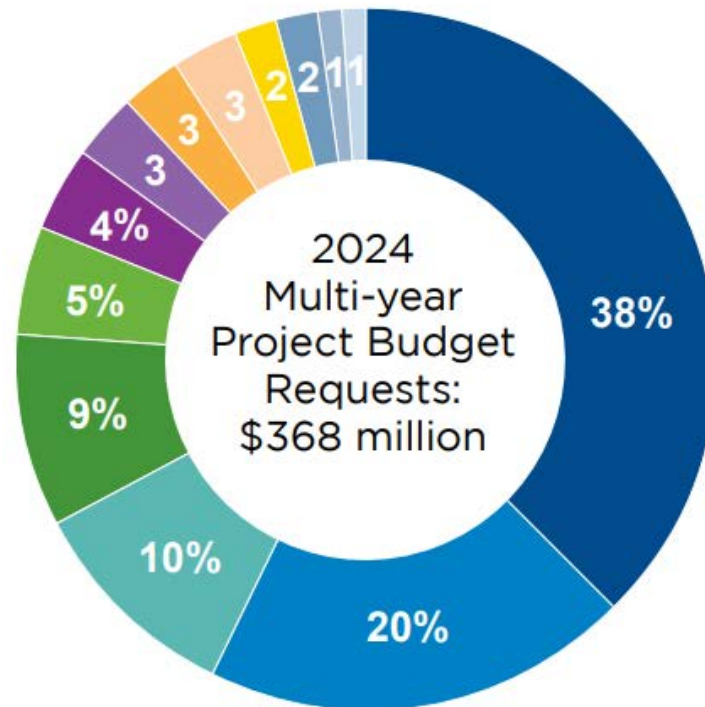
2024 New Multi-Year Project Budget requests: \$368 million

Renewal/Maintenance of Infrastructure (\$256 M)

- Sewer and Water Main renewal
- Capital Maintenance/Renovations of facilities
- Renewal of City's Fleet
- Rehabilitation of Road network and Street Lighting

Growth (\$112 M)

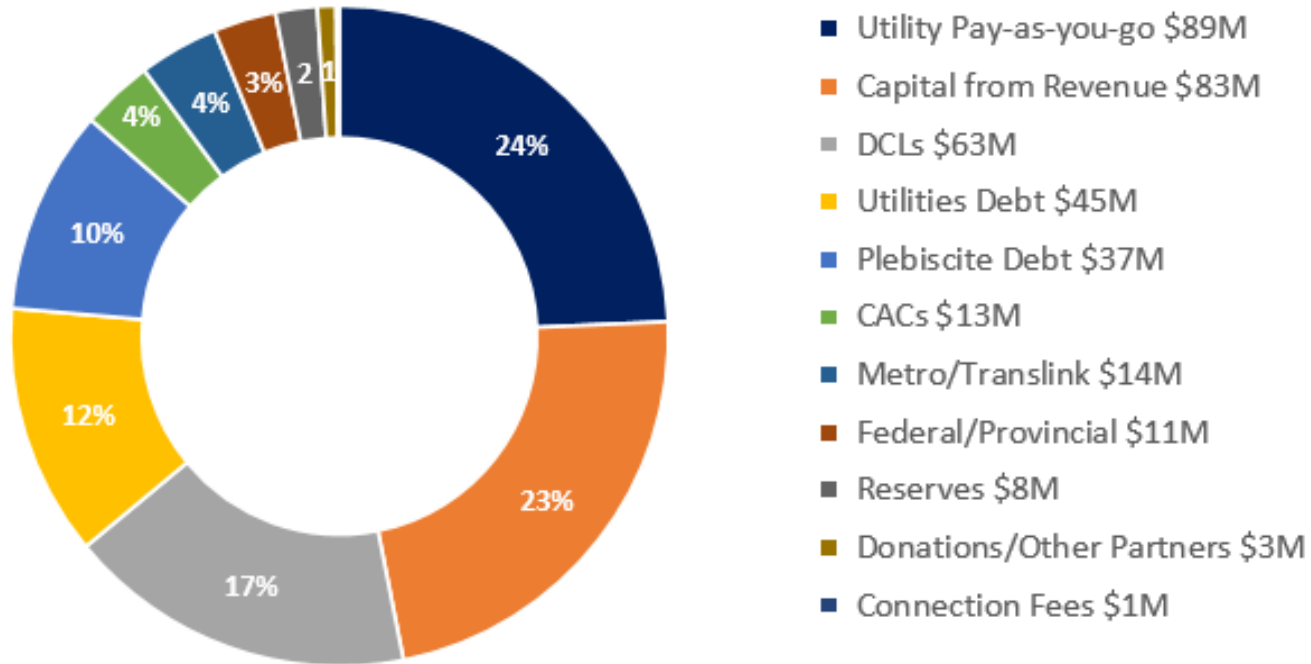
- Sewer and Water upgrades to support growth
- Land acquisition for New Parks
- New Bikeways and greenways



	Water, sewers & drainage	\$139M	38%
	Streets	\$73M	20%
	Parks & public open spaces	\$36M	10%
	Technology	\$32M	9%
	Community facilities	\$19M	5%
	Housing	\$13M	4%
	Waste collection, diversion & disposal	\$11M	3%
	Emerging priorities, contingency & project delivery	\$10M	3%
	Civic facilities & equipment	\$10M	3%
	Renewable energy	\$9M	2%
	Public safety	\$6M	2%
	Arts, culture & heritage	\$5M	1%
	Childcare	\$4M	1%

2024 New Multi-year Budget Requests within City's Funding Capacity

2024 New Multi-Year Project Budget requests: \$368 million

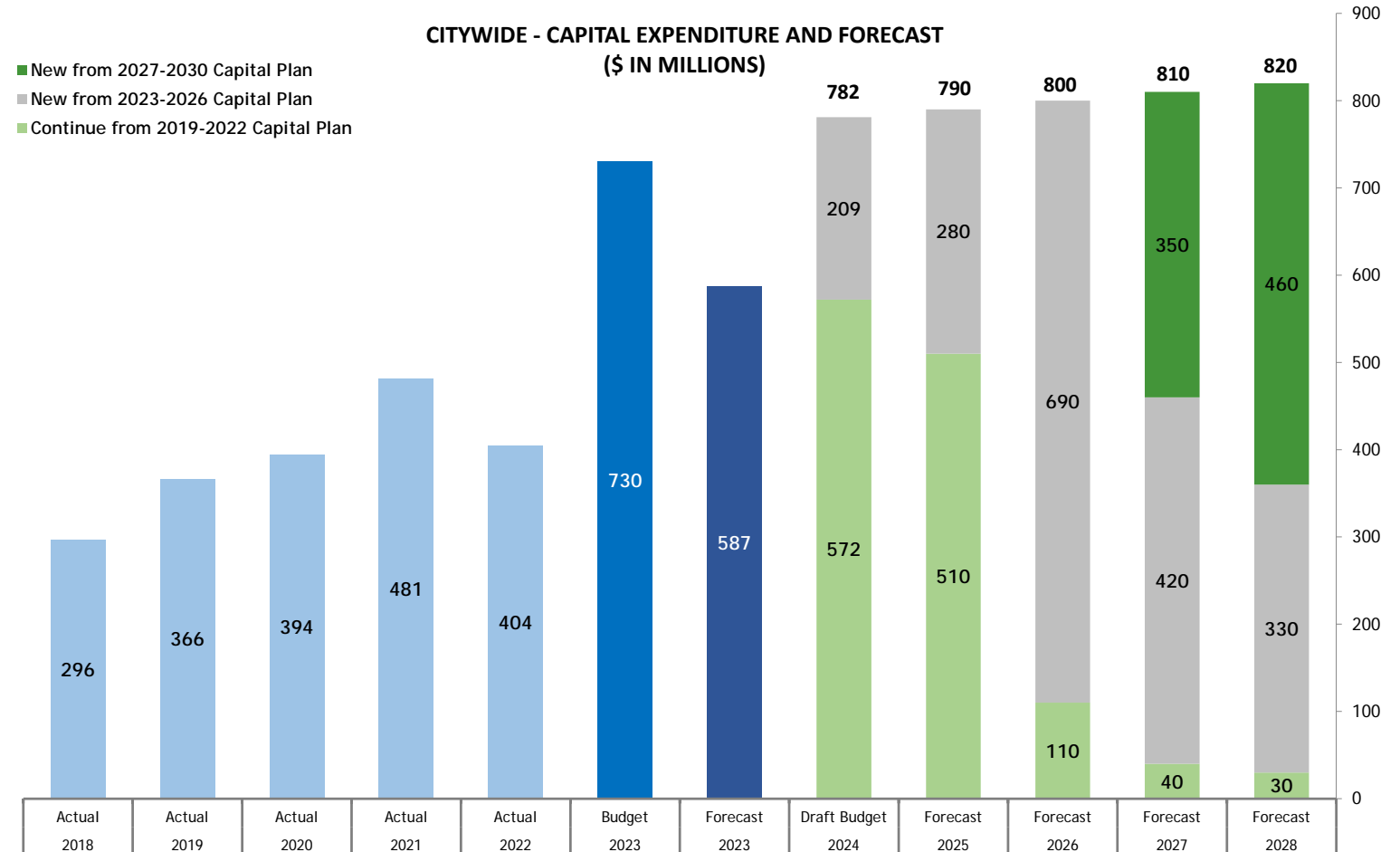


~70% of Capital projects/programs funded through Operating Budget (Tax and Utility Rates)

2024-28 Capital Expenditure Budget Alignment with Capital Delivery

- 2024 expenditure budget **higher by \$50M** over 2023

- Catch up of deferred/delayed work from prior plans, impact of pandemic-related disruptions



4. 2024 Draft Operating Budget

\$2.2B Draft 2024 Operating Budget

↑ 9.8% increase from 2023

Revenue stream increases



Property tax increase of 7.6%

- \$100/year for median strata unit
- \$263/year for median single-family home
- \$478/year for median businesses



Blended utility fees increase of 7.7%

- \$151/year for median single-family home
- \$148/year for median businesses



User, licence and development fee increases of

6% to 15% on average consistent with actual increases in service costs to ensure full cost recovery



Incremental non-tax revenue through

- Fee optimization and review of cost recovery in fee areas
- Expansion of on-street and short-term opportunities related to sponsorship, advertising, naming rights, and donations

Service delivery cost increases



Increases in fixed costs to maintain existing service levels

including compensation and benefit expenses arising from negotiated settlements for existing staff (excl. VPD), and contingencies to mitigate potential risks



Regional utility charges increases passed on to the City by Metro Vancouver & higher pay-as-you-go contributions

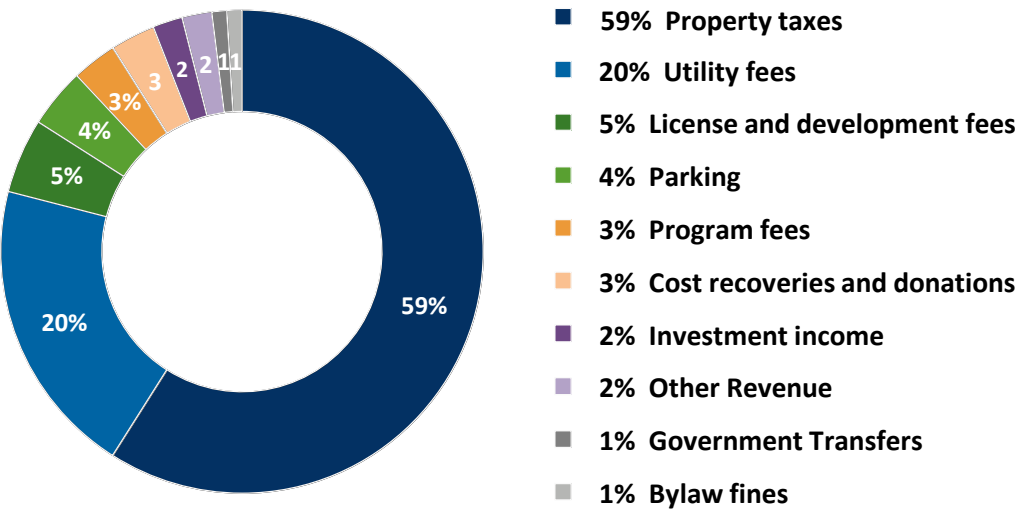


Additional funding to maintain infrastructure and public amenities in a state of good repair as outlined in the 2023-2026 Capital Plan

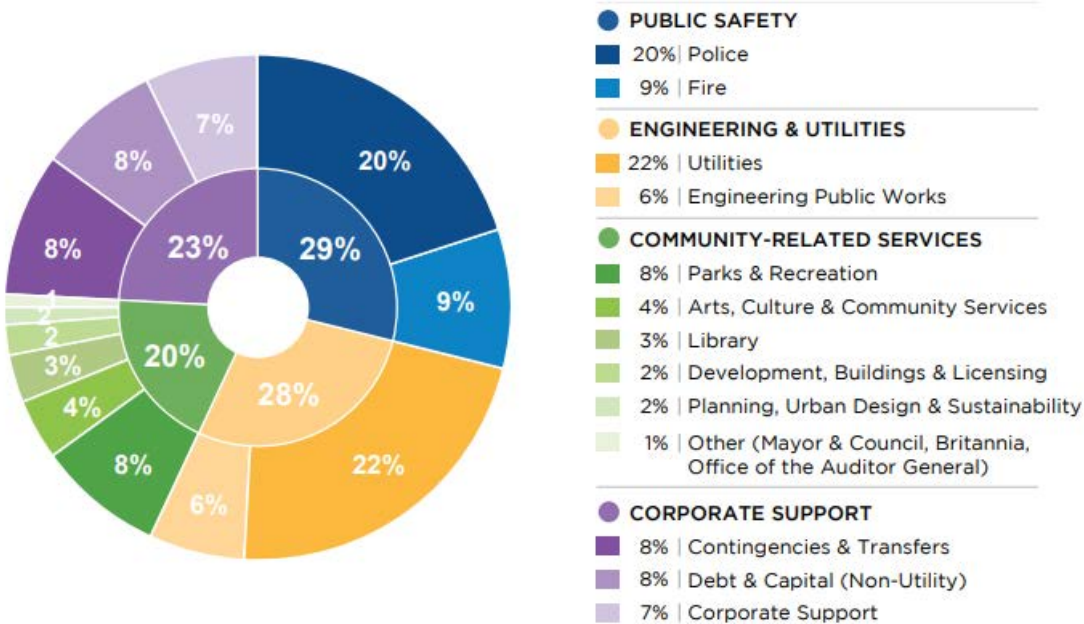


Council-directed investments including addition of 22 new firefighters in 2024 and full-year costs of 100 police officers, 33 firefighters, and the Uplifting Chinatown Action Plan approved in 2023

2024 Operating Revenues (\$2,155 Million)

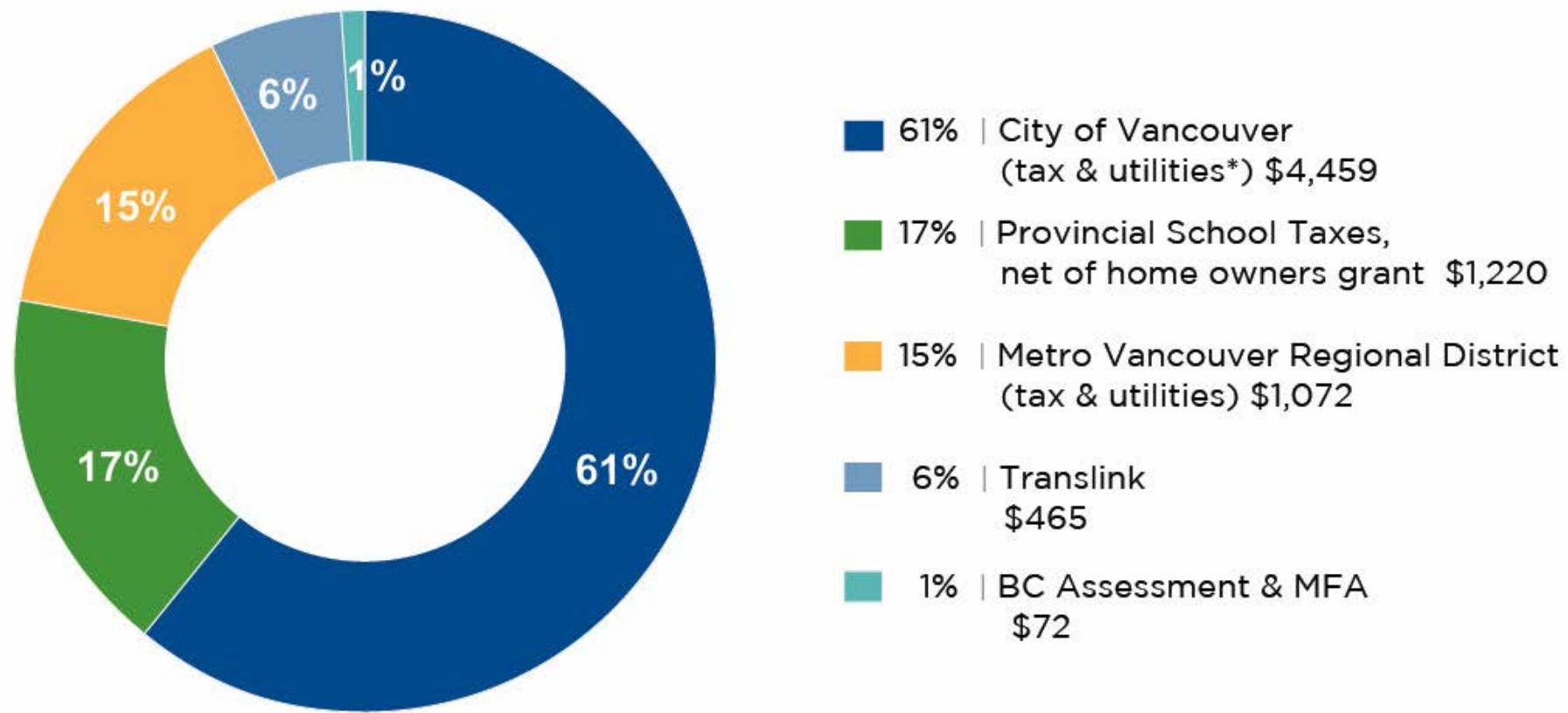


2024 Operating Expenditures and Transfers (\$2,155 Million)*



*Collective agreement impacts between the City, its related Boards and the bargaining agents representing unionized staff are not known at this time. Negotiations are pending with agreements expiring as of January 1, 2023

2023 Property Taxes & Fees for a Median Single-Household Detached



*~62% of City water revenue and ~49% of Sewer revenue included in Metro Vancouver share to reflect flow through of Metro costs

Breaking down the 2024 Property Tax increase of 7.6%

5.0%	Fixed costs including negotiated settlements	Salary & contractual benefits including expenses arising from negotiated settlements for existing staff and collective agreement contingencies, premium increases (e.g., Worksafe BC), and increased regional utility charges from Metro Vancouver and higher pay-as-you-go contributions to fund sewer & solid waste capital projects
2.8%	Vancouver Police Department (VPD)	Service costs including full year costs of requisitioning and hiring additional police officers from the 2023 budget, in addition to estimated increases for compensation and benefits for existing staff and costs for police dispatch services provided by EComm
1.0%	Infrastructure Renewal	Incremental funding for renewal of aging infrastructure and public amenities as outlined in the 2023-2026 Capital Plan
0.2%	VFRS staffing and Council directed investment	22 additional firefighters in 2024 and annualized costs for 33 firefighter positions and Uplifting Chinatown Action Plan approved in 2023
(1.4%)	Revenue Generation	Incremental non-tax revenue through City and Park Board fee optimization, expansion of on-street parking & Sponsorships, Advertising, Naming Rights & Donations
7.6%	Net Tax Increase	

Property Tax Increase Annual \$ Impact

Median residential strata unit \$804,000 Median overall residential unit \$1,371,000 Median single-family home \$2,124,000 Median business property \$1,272,000

	Total Change over 2023*	\$100	\$170	\$263	\$478
 Increased funding for all City services		\$50	\$85	\$132	\$239
 Increased funding for VPD services		\$37	\$63	\$97	\$176
 Additional infrastructure renewal		\$13	\$22	\$35	\$63

*Numbers may not add due to rounding

Vancouver Police Board (VPB) Proposed 2024 Draft Budget

- VPB submitted to Mayor and Council a proposed 2024 Budget that is \$6.1 million higher than the 2024 Draft Budget for VPD. This includes the following additional funding pressures for Council consideration:
 - New ongoing funding for:
 - *\$1.9M or 0.2% tax impact to fund incremental costs related to jail nursing and physician contracts, salaries premiums, benefits and civilian professionals position reclassification*
 - *\$1.7M or 0.15% tax impact to fund operational right-sizing such as overtime funding for protests and demonstrations*
 - *\$2.0M or 0.2% tax impact to fund adjustments to base budgets such as JIBC recruit cost, statutory holiday pay, body worn cameras, etc.*
 - One time funding for:
 - *\$0.5M or 0.05% tax impact to fund jail HVAC and lighting replacements*
- Funding the full VPB proposed budget would require additional tax increase of 0.6%.

Utility rate increases

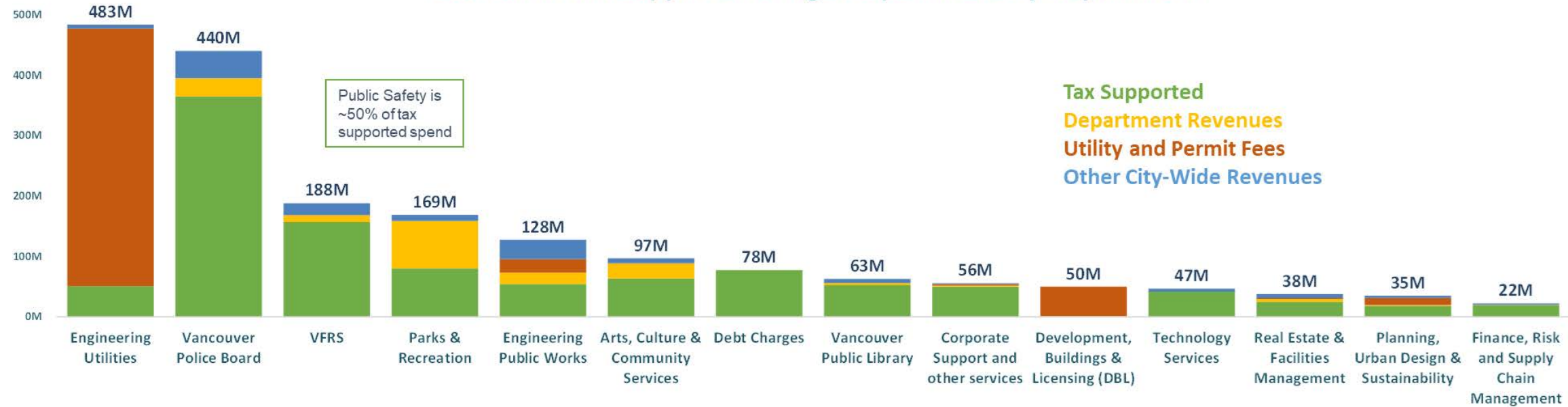
4%	Water Rates	Metro Vancouver water rate increases that fund regional infrastructure renewals and improvements to reservoirs, treatment and transmission infrastructure, as well as funding required for water capital projects within the approved 2023-2026 Capital Plan
14%	Sewer Rates	Increase in the Metro Vancouver levy, which includes costs for the planned upgrades to secondary treatment at Iona Island Wastewater Treatment Plant; funding required to deliver the sewer capital projects related to the approved 2023-2026 Capital Plan
3.4%	Solid Waste Collection Fees	Fixed cost increases including increased organics processing cost, collective agreement salary increases and additional staffing required to meet regulatory compliance requirements to ensure staff safety
3.2%	False Creek Neighbourhood Energy Utility	To recover NEU costs over time in accordance with the commercial utility rate model endorsed by the Expert Panel

Blended utility fees increase of 7.7%:

- *\$151/year for a median single-family home*
- *\$148/year for a median businesses*

Other Engineering fees – 6% increase in most areas to recover cost increases

2024 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

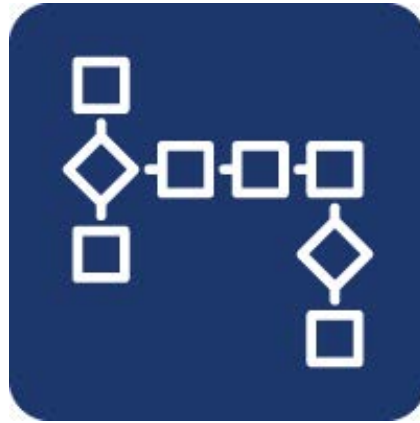
5. Sustainable Financial Planning Framework

Building a Sustainable Financial Planning Framework

Three 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

Highlights: New Revenue Generation Opportunities

Additional revenue to reduce tax pressure for 2024*:

 <p>Commercial Vehicle Decal Program \$1.0M</p>	 <p>Sponsorships, Advertising, Naming Rights & Donations \$0.5M</p>	 <p>Parking Initiatives \$5.5M</p>	 <p>Ride Hailing \$2.9M</p>
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Revenue increases to fully recover service costs:

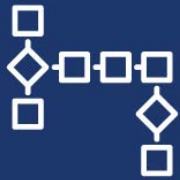
 <p>Business License Fees \$5.6M</p>	 <p>Building & Development Program \$3.8M</p>	 <p>Park Board Fees \$1.4M</p>
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**Includes revenue generation of approximately \$15M, equivalent to 1.4% property tax rate decrease*

Revenue Generation Highlights – long-term revenue opportunities

- Staff are reviewing other potential non-tax revenues that could be realized in 2025 and beyond
- Staff will update Council as those incremental revenues can be quantified **either through specific fee reports or as part of the annual budget process**

Public Realm Marketing & Private Events 	Sponsorships, Advertising, Naming Rights & Donations 	Park Board's Think Big Strategy 	Leasing City-owned fibre-optic capacity and underground ducts 
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1. Business Optimization

Re-distributed VPL hours **within existing staffing and budget** to optimize public service, resulting in:

- full-day opening of all branches on Sundays
- better meeting of the needs of children and families
- 39 new part-time positions with benefits

15% less overall drive time through vehicle routing optimization for City trucks, in addition to better service reliability, mandatory training and reduced fuel costs

80% reduction in overflowing litter can service requests from 2018-2022 through higher capacity litter receptacles in the downtown area reducing collections frequency from **3-4x** per day to **1x** per day

35% estimated average decrease in transactional workload through transformation of HR staff action process

2. Streamlining & Decreasing Cycle Time



2. Streamlining & Decreasing Cycle Time

50% decrease in staff processing time and **75%** decrease in customer processing time by enabling online applications for commercial vehicle decal program

580 staff hours saved annually by eliminating duplicate data entry for business licenses by implementing digital license applications

Permit Requirements Exploration Tool (PRET) tool to **streamline laneway home permit applications**, which will speed permit issuance with less staff effort

Streamlining VPL's credit card compliance process allowing for **resources to be redirected** to other cybersecurity and technology issues

Deployed Community Safety Personnel (CSPs) to relieve VPD officers from lower-priority scenes approximately **32 times per day**. In turn, VPD officers can attend **21 additional calls per day**

More than **50%** of invoices processed automatically through Accounts Payable workflow

3. Creating Financial Capacity:



3. Creating Financial Capacity

\$2.0 million per year saved through reduction of leased office space

\$0.7 million annual savings through review of Citywide cellular provider, plus **service improvements** such as increased data size plans and unlimited call minutes nationwide

36% reduction in workplace injury rates from Q3 2022 to Q3 2023, resulting in **future lower WSBC premium rates**

\$0.1 million forecasted additional revenue in 2024 by expanding the Experiential Marketing and Private Events Pilot; significant potential for further increases in future years

Optimization of **cloud-based productivity** and collaboration platform resulting in **lower operational maintenance costs** of approx. **\$0.1 million** per year



4. Simplified Processes

Simplified land use and licensing regulations, including:

- **Repeal of 72 land use documents** through implementation of Vancouver Plan Land Use rationalization
- Consolidation of **8 district schedules into 1** with simplified zoning regulations
- Streamlined license by-law review and reduced business license types from **570 to 88 licenses**
- Simplified application process for Arts and Culture Event License Program by combining **5 separate City, VFRS and VPD reviews into 1** business license with a reduced fee

Eliminated **34%** of conditions that can be applied to Development permits, significantly simplifying the permit review process

1 – 2 weeks eliminated from recruitment cycle due to **simplified appointment process** in Applicant Tracking System

200-300 claim payments per week automated through WorkSafeBC claims filing process and shortened administration process



Current municipal funding model and the overreliance on property taxes are neither sustainable nor resilient (FCM, UBCM). Growth-related revenues, property tax and fees are insufficient.



City has become increasingly active in addressing needs that have previously been the jurisdiction and mandate of the provincial government (e.g., public safety, social housing, emergency response).



Funding from senior levels of government is often one-time and irregular. A resilient funding framework that aligns appropriate revenue sources with programs and services is needed.



Must advocate federal and provincial governments for additional funding tools that are appropriate and necessary. Require more permanent, ongoing and predictable funding.

Capital funding secured in 2022-23

\$112 million	To deliver affordable housing (CMHC Rapid Housing Initiatives and operating subsidies from BCH)
\$49 million	To focus to accelerate delivery of community infrastructure and amenities (BC Growing Communities fund)
\$28.9 million	To create housing units at 177 West Pender and 41 West Pender (from CMHC Rapid Housing Initiative – 3rd intake)
\$18.9 million	To implement Rain City Strategy (Federal Natural Infrastructure Fund administered through Infrastructure Canada)
\$10 million	To advance Climate Emergency Action Plan (various Federal and Provincial funding streams including Investing in Canada Infrastructure Program - Clean BC, Zero Emission Vehicle Infrastructure Program, Green and Inclusive Community Buildings Program)
\$3 million	For Climate Adaptation (from UBCM Disaster Risk Reduction)
\$2.3 million	From Federal Active Transportation Fund for Arbutus Greenway and for Seaside Greenway Project

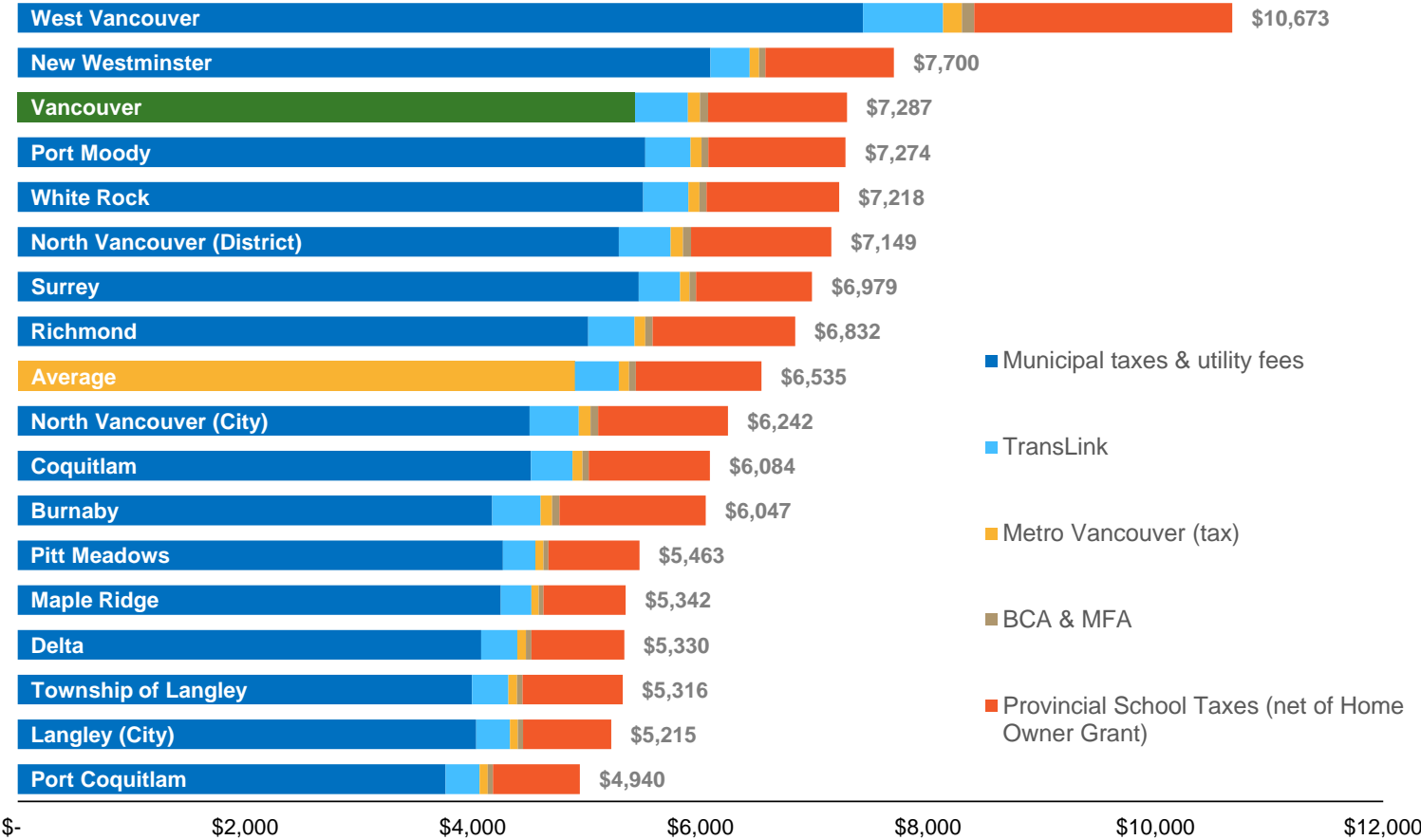
Ongoing risks create upward pressure on 2024 Budget

Labour Market Trends	General labour market trends and collective agreements projected to be above historical trends
Unforeseen Events	Unforeseen events such as public emergencies
Homelessness	Ongoing response to increase in homelessness
Weather Events	Costs related to climate change and unusual weather events such as: <ul style="list-style-type: none">• Higher water consumption during periods of low rainfall• Costs of flooding and wind damage impacts• Higher costs for snow and ice removal in periods of high winter storm activity
Revenue Shortfalls	Revenue shortfalls in street parking and Parks facilities admission based on 2023 forecasts
Non-Discretionary Risks	Non-discretionary and contractual risks impacting existing service levels: <ul style="list-style-type: none">• Stanley Park tree removals due to Hemlock Looper Moth issue• Additional support for Park Rangers to address homelessness and encampment at Park facilities• Resources for ongoing emergency planning and management of emergency supplies

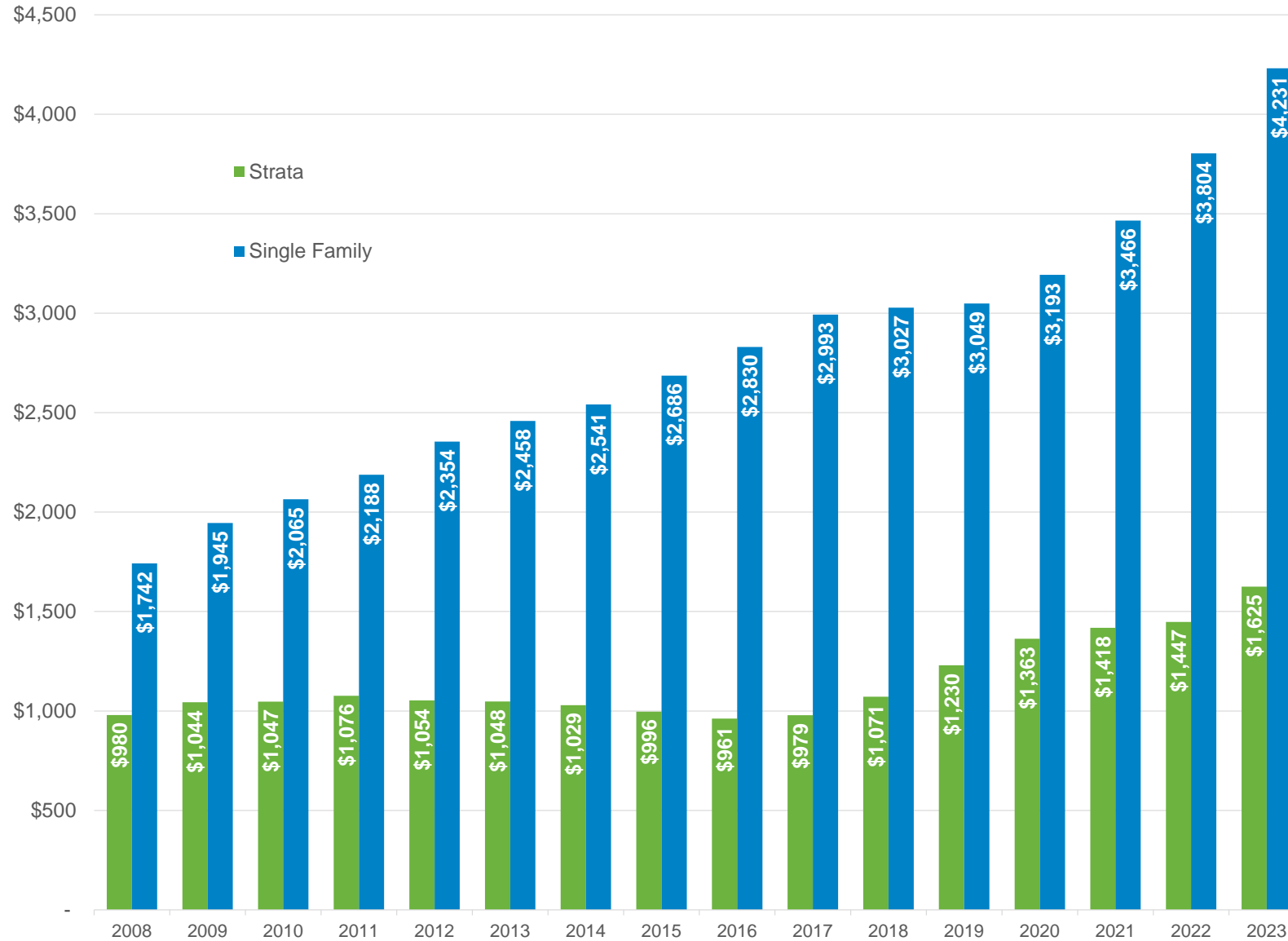
6. Property Tax Drivers & Trends

2023 Combined Property Tax & Utility Fees, Including Other Taxing Authorities

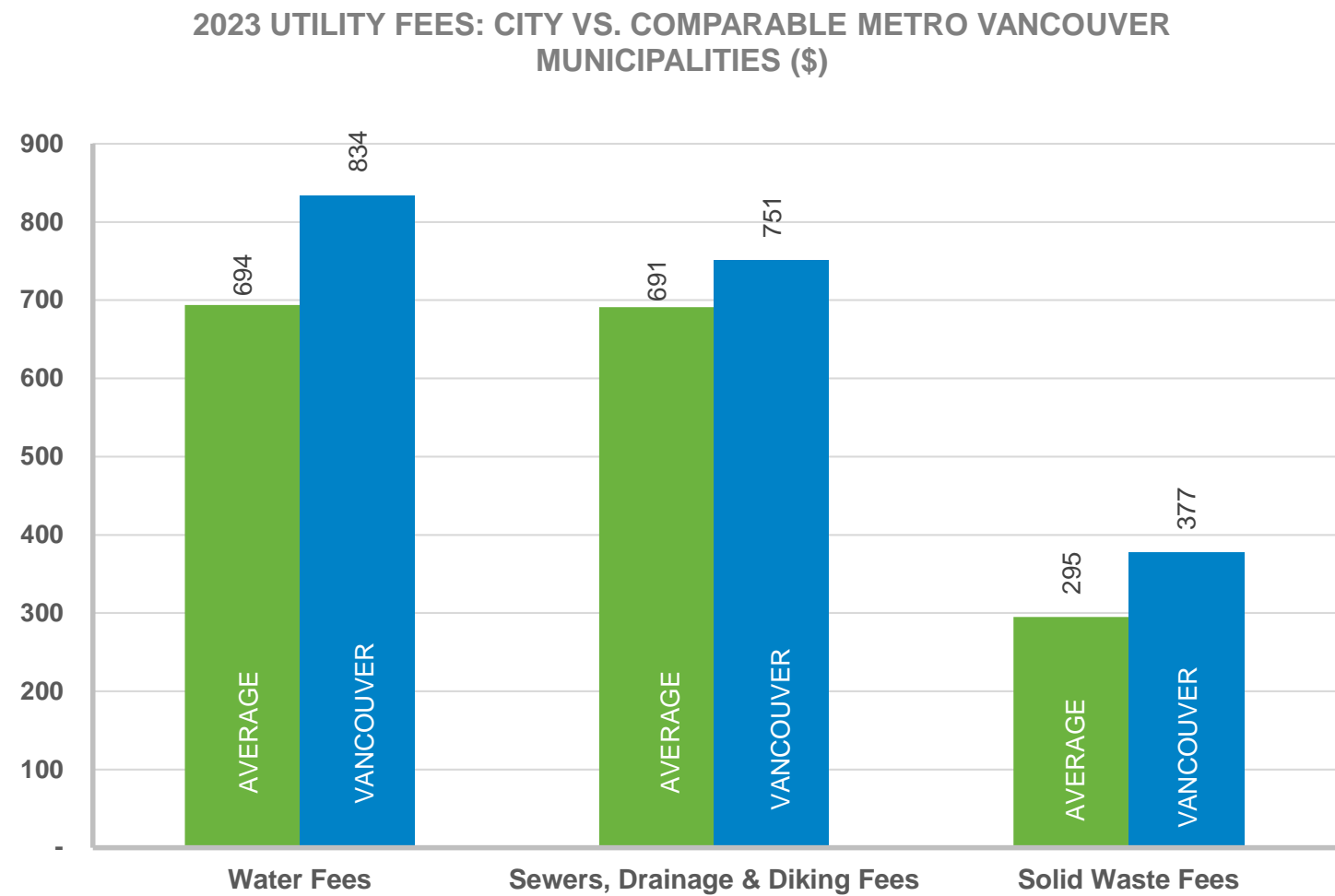
2023 COMBINED PROPERTY TAX AND UTILITY FEES, INCLUDING
OTAs FOR MEDIAN SINGLE-FAMILY HOME (\$)



Average City Property Tax Strata vs. Single-Detached Household



Overall 2023 Utility Fees Above Metro Average





2024 Draft Budget **maintains existing service levels**

Continued focus on **Sustainable Financial Planning Framework** to enhance capital and service delivery




Council to **consider** 2024 Draft Budget **on December 12, 2023** including Vancouver Police Board budget requests



Questions

Appendix

Property Tax Increase \$ Impact per Day

		Median residential strata unit \$804,000	Median overall residential unit \$1,371,000	Median single- family home \$2,124,000	Median business property \$1,272,000
Total Change over 2023*		\$0.27	\$0.46	\$0.72	\$1.31
	Increased funding for all City services	\$0.14	\$0.23	\$0.36	\$0.65
	Increased funding for VPD services	\$0.10	\$0.17	\$0.26	\$0.48
	Additional infrastructure renewal	\$0.04	\$0.06	\$0.09	\$0.17

*Numbers may not add due to rounding