



# Mayor's Budget Task Force Report

## January 2024



**R**efocus Vancouver's Role.  
**O**perate with Excellence.  
**I**nvest for the Future.



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# Letter to Mayor and Council

## Urgent: Vancouver's Path Forward — Mayor's Budget Task Force Findings

Dear Mayor Sim and Vancouver City Council,

As the Chair of the Mayor's Budget Task Force for the City of Vancouver, I am writing to provide you with our final report. Our team, convened in light of the City Council's decision to implement a significant budget and property tax hike in 2023, has, over the past nine months, reviewed the City's operational and capital budgets, operational structures and processes, and policies. Our aim? To confront the pressing financial challenges facing Vancouver. The City of Vancouver cannot continue spending taxpayer dollars at a rate that is unaffordable for its residents and businesses.

Our findings are profound. We have focused our limited time and resources on understanding long-term structural issues that confront the City: bridging the infrastructure funding deficit, scrutinizing the City's scope and mandate, and exploring opportunities for operational excellence, all with an eye to fiscal responsibility that will underpin Vancouver's quality of services and growth for future generations. Our city, a pivotal economic hub linking Canada and Asia, must have the highest standards of efficiency and transparency.

Enclosed is our detailed report. It boldly addresses two dire issues: the unsustainable climb in property taxes and the staggering \$500 million annual gap in infrastructure funding. The recommendations in this report don't just seek to address immediate fiscal hurdles; they endeavor to find clarity in the Council's mandate, propose oversight and decision-making models that will ensure greater transparency, efficiency, and accountability, and offer creative options to maximize the value of the City's assets for the benefit of all.

This is a defining moment for Vancouver. Our suggestions are more than recommendations; they are a blueprint for a sustainable, thriving future. I urge you to delve into the report, critically evaluate our strategies, and recognize the urgency of these proposals.

Together, we have the power to enact these changes, securing Vancouver's status as a world-class city. Your involvement and support in this journey is crucial.

Thank you for your dedication to our city's welfare and success. I eagerly anticipate your insights and partnership in bringing about these vital transformations.

Sincerely,



**Randy Pratt**, CPA, CA

*Chair*

**Mayor's Budget Task Force, City of Vancouver**



# Executive Summary

The City of Vancouver (the “City”) is not only home to approximately 700,000 residents, but it also serves as a central hub for the entire Metro Vancouver region. Boasting Canada’s largest port and serving as the gateway for all Canadian goods destined to markets throughout the Pacific, Vancouver plays a crucial role not only for the Province of British Columbia (the “Province”), but also for the rest of Canada. Consequently, it is imperative that Vancouver remains economically viable for both its residents and its businesses.

Endowed with its strategic location, skilled workforce, vibrant communities, diverse cultures, and natural beauty, Vancouver holds immense potential for prosperity. The United Nations defines a ‘prosperous’ city as one that is productive, provides adequate infrastructure, has good quality of life, offers equity and social inclusion, and is practicing environmental sustainability. Although not explicitly stated, what is implicit in achieving these goals is the City’s affordability for its residents and businesses, coupled with having sufficient funding to deliver essential services and infrastructure to meet the needs of its residents and the broader region.

City Council should no longer allow property tax increases that outpace inflation and must find ways to efficiently and transparently manage the City’s operating and capital budgets. This report evaluates Vancouver’s financial and operational challenges, offering a suite of recommendations aimed at ensuring the City’s long-term sustainability and prosperity.

## Urgent Challenges

### Unsustainable Property Taxes and an Infrastructure Funding Gap

Vancouver is in a critical situation. Its property tax increases are unsustainable, yet it still faces a staggering \$500 million annual infrastructure funding deficit.<sup>1</sup> This situation requires immediate attention. The City must find cost savings and efficiencies, find new revenue sources that do not increase taxes, and collaborate with senior levels of government to sufficiently fund infrastructure and programs.

### The City’s Role Is Expanding Beyond Its Core Jurisdiction

The City of Vancouver has expanded its role significantly, taking on responsibilities traditionally handled by provincial or federal governments (often referred to as ‘downloading’). This expansion, driven by crises in areas such as housing access and affordability, opioid use, mental health, climate change, child care, and cost-of-living, has led to increased costs for the City’s residents and businesses, creating an unsustainable financial burden.

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1. The infrastructure funding deficit is defined as the difference between the estimated amount of annual levelized capital reinvestment required to renew or replace the City’s existing infrastructure and amenities, based on current replacement values, and the amount that is currently being funded. For further details, please refer to page 9 of the City of Vancouver’s 2023-2026 Capital Plan dated June 29, 2022.

## Key Recommendations

As reflected on the inside cover of this report, Refocus Vancouver's Role, Operate with Excellence, and Invest for the Future are the three overarching themes that embody the spirit of the recommendations presented in this report. The acronym, 'ROI', is apropos and emblematic of our belief that the proposed actions, when implemented, will enable the City to effectively enhance the 'return' on taxpayers' dollars and on the City's assets through improvements in how the City Refocuses, Operates, and Invests across various facets of its operations and asset portfolios.

While acknowledging the positive progress made by City Council and staff on several initiatives during the past year, it is imperative to recognize that there is still considerable work ahead. To that end, the Mayor's Budget Task Force offers 17 recommendations (outlined in detail within this report), each aligning with one of the three overarching themes. A high-level summary of these recommendations is provided below:

### **Refocus Vancouver's Role**

#### **Define City's Core Jurisdictional Scope**

Establish policies that clearly delineate Vancouver's core jurisdictional service areas, including a decision-making framework that triages decisions related to out-of-jurisdiction service areas for separate consideration, enabling more disciplined decision-making and preventing the City from overextending itself into non-core areas.

#### **Enhance Intergovernmental Coordination**

Enhance collaboration with regional, provincial, federal, and First Nations governments, ensuring that clear accountability and effective service

delivery for any roles undertaken by the City, coupled with requisite funding.

### **Modernize Municipal Funding Model**

Secure a more equitable distribution of tax and grant revenues from senior governments to address an imbalance in the municipal funding model.

### **Operate with Excellence**

#### **Achieve Operational Excellence**

Implement a series of measures to optimize budget and governance processes, performance management, and resource use. This includes establishing a finance committee, adopting a long-term budget horizon, and enhancing transparency and efficiency in operations.

### **Invest for the Future**

#### **Manage Assets Strategically**

Address the \$500 million annual infrastructure funding deficit by implementing a robust capital asset management framework. The increase in property taxes and utility levies alone will not be able to eliminate this shortfall. Resolving this deficit involves optimizing the City's asset portfolio, including evaluating and potentially divesting some of the City's non-core assets, expediting the transformation of the City's Property Endowment Fund, and maximizing the value of its social housing dollars.

#### **Foster Strategic Partnerships**

Enhance engagement with philanthropic, business, and non-profit communities to secure their support for essential services and collaborating on innovative solutions to current problems, particularly those aligning with the City's strategic priorities.

## Urgency and Call to Action

While the City currently enjoys an 'AAA' credit rating, if the City fails to address the infrastructure funding deficit, it will ultimately lead to financial strain and adversely impact the quality of life of its residents and the core services they rely on. There are also numerous implications from property tax levels remaining unsustainable: businesses may opt to relocate to lower-cost jurisdictions, which is easier than ever for them to do in a work-from-home economy and which will cause property tax revenues to decline further. Residents will encounter increasing challenges in sustaining their

standard of living as escalating costs get passed on to homeowners, renters, restaurants, services, and businesses alike. Directly or indirectly, we all pay property taxes.

We urge the City to critically evaluate the strategies we have presented within this report and recognize that the need to implement these proposals is immediate if Vancouver is to sustainably support its citizens with the essential services and infrastructure necessary to support both our current and future generations. Failure to act will lead to increased financial strain and compromise the City's ability to meet its residents' needs effectively.



# Introduction

The City of Vancouver stands at a crossroads, grappling with complex challenges that demand strategic and sustainable solutions. The Mayor’s Budget Task Force has undertaken an assessment of the City’s operational and financial budgets and frameworks. This report encapsulates our findings and recommendations, and aims to steer Vancouver towards a more financially sustainable and operationally efficient future.

## Situation

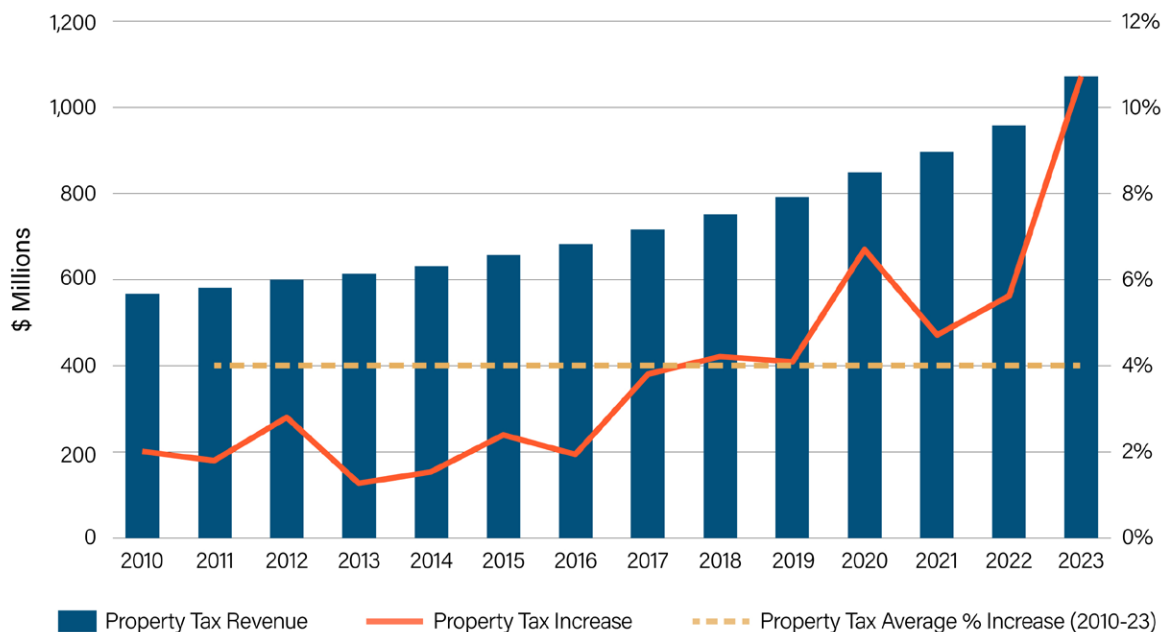
The April 11, 2023 motion to Council to establish the Mayor’s Budget Task Force emphasized that the “10.7% property tax increase is neither a sustainable nor desirable financial path for the City of Vancouver.”

The City’s property taxes have increased by an average of 8% per annum over the last 3 years, including the 7.5% increase recently approved by Council for 2024 and reflecting a total operating budget of \$2.154 billion. The City’s

operating budget has experienced an average annual growth of approximately 10% during the same period, including increased user fees and significantly higher utility fees levied by other taxing authorities.

Despite the recent substantial increases in property taxes, utility fees and user fees, the City is still facing an estimated annual \$500 million infrastructure funding shortfall, funds it needs for the ongoing renewal of its aging infrastructure and amenities. The City’s capital expenditures have surged from \$481 million in 2021 to \$782 million

**Figure 1: City of Vancouver Property Tax Revenue 2010-2023**



in the 2024 Capital Expenditure Budget, with expectations of further increases in subsequent years to deliver the 2023-2026 Capital Plan and to complete existing open projects.

## Approach and Methodology

Formed by a motion in Council and beginning on April 13, 2023, the mandate of the Mayor's Budget Task Force was to review the current City of Vancouver budget and examine where funds are allocated. The Task Force's priorities were to find efficiencies, identify potential new revenue streams or opportunities, and flag any duplications that may exist. The Task Force was to provide actionable recommendations to enable the Mayor and Council, as well as City and political staff, to make the best decisions about City of Vancouver finances, services, and infrastructure, and to pinpoint opportunities and challenges for consideration in the 2024 budget deliberations and beyond.

Our approach was multifaceted and focused on understanding the long-term structural issues facing the City, including the infrastructure funding gap, the scope and responsibilities of the City, and the opportunities for operational excellence. While we initially adopted a 'line-by-line' approach in some budget areas, it became evident very early in our efforts that achieving lasting and meaningful change necessitated a shift towards a more structural and foundational focus. This approach also enabled us to make the best use of our allotted time and resources.

Our mandate explicitly excluded the Vancouver Board of Parks and Recreation, the Vancouver Police Department, the Vancouver Public Library, and Metro Vancouver as each of these organizations have their own separate governance

boards and models. While our review did not specifically include these budgets, many of our recommendations have indirect applicability to these areas. Nevertheless, we would encourage City Council to consider reviewing these areas in the future given their substantial share of the City's operating budget and their notable contribution to property taxes, in the case of Metro Vancouver, utility fee increases. For instance, a major driver of property tax increases stems from public safety costs, constituting police and fire rescue services and making up approximately 29% of the City's 2024 operating budget. These costs, which are primarily funded by property taxes, have risen significantly mainly due to wage growth that has exceeded the rate of inflation and the wage growth negotiated by other city unions as well as costs associated with having to provide regional policing. Without addressing this, ongoing property tax increases may continue to exceed inflation.

Another noteworthy example pertains to Metro Vancouver, where utility fees and development charges passed on to Vancouver residents and businesses have been escalating almost in tandem with property taxes, thereby impacting overall affordability. It may be beneficial to review the fairness and reasonableness of these cost allocations to the City of Vancouver in this context.

The Mayor's Budget Task Force's methodology involved the following:

- **A Volunteer Team.** A team of individuals from the local business community each dedicated hundreds of hours of their time to plan, detail, examine, and analyze data from multiple sources. Further, they conducted dozens of interviews to understand the details and issues involved.

- **Recruitment of Research Teams.** The volunteer team recruited a dedicated group of students from Simon Fraser University, Langara College, and the University of British Columbia across multiple disciplines including finance, accounting, infrastructure, business, and data analytics to help examine and analyze all the data gathered.
- **An In-Depth Analysis.** The Task Force reviewed the City's operational and capital budgets and its operational structures to uncover inefficiencies and areas for improvement.
- **Stakeholder Engagement.** The Task Force consulted with a range of stakeholders, including City officials, academics, and experts, to obtain diverse perspectives on the challenges facing the City and their potential solutions.
- **A Comparative Study.** The Task Force examined best practices from other cities

and municipalities to identify innovative approaches and strategies that Vancouver could adapt.

- **Data-Driven Decision-Making.** The Task Force used data and evidence to inform its recommendations, thereby ensuring that its suggestions are grounded in reality and have a high potential for yielding a positive impact.
- **First Nations Considerations.** The Task Force considered the observations and recommendations through the lens of reconciliation as Vancouver resides on the unceded traditional territories of the Musqueam, Squamish, and Tsleil-Waututh.

This report's "ROI" blueprint for action, therefore, is grounded in inquiry and analysis of the unique challenges and opportunities facing Vancouver.



# Theme 1: Refocus Vancouver's Role

The role of the Canadian city is evolving. Across Canada, residents have increasingly relied on cities and municipal governments to provide many of the services that would traditionally be delivered by provincial or federal governments.

For the City of Vancouver, that has meant playing a leading role in navigating the concurrent crises of housing affordability, opioid use and drug poisoning, climate change, mental health, and the rising cost of living. To address these pressing challenges, the City has and continues to expand its role and increase the services it offers – and is seeing costs increase as a result.

Although delivering much-needed services is crucial to supporting the well-being of our communities, the City must consider the implications for its taxpayers and residents of expanding its business model.

To ensure that its service delivery goals are sustainable, the City of Vancouver must adopt an evidence-based and long-term approach. This approach must critically evaluate the City's evolving roles and responsibilities, including considering the long-term implications of expanding the scope of its services, opportunities for collaborating across other levels of government, and advocating for the modernization of its funding model.

## 1A: The Scope of Vancouver's Core Jurisdiction

The City of Vancouver is governed by the Vancouver Charter (the "Charter"), a provincial statute enacted in 1953. The Charter was designed to give the City greater autonomy and flexibility in local governance, beyond the *Community Charter* and the *Local Government Act*. The Charter does not specifically define the City of Vancouver's "core jurisdiction" or "core mandate." Rather, it gives Vancouver City Council broad regulatory authority and the ability to provide services.<sup>2</sup> To that end, the services that are delivered and funded by the City of

Vancouver are largely done so at the discretion of our elected City Councillors.

As the needs of the residents of Vancouver have grown, so too have the matters that the City has taken on. A significant increase in demand has put pressure on the City to deliver more municipal civic services, driven in part by the overlapping crises present within Vancouver.

To address the evolving and acute needs of our communities and their residents, the City of Vancouver has increased spending in a number of areas, including social housing, health care, child care, climate initiatives, and emergency aid. For example, even though health care is a

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2. More specifically, the Vancouver Charter: (1) authorizes, but does not require, City Council to regulate the activities of its residents through the use of bylaws; (2) authorizes, but does not require, City Council to provide the municipal services described in the Vancouver Charter – with the exception of policing; (3) states that maintaining law and order in the city—and the associated expense—is a duty of the City. The Police Act also requires that law and order be maintained.

provincial responsibility, the City has assumed a significant role in providing first responder and medical responses through the Vancouver Fire and Rescue Service.

While decisions made by City Council to expand services and spending have benefited our communities, they have also come at a significant cost. Estimates are that in 2023 alone, the City of Vancouver spent more than \$150 million in operating expenses and more than \$230 million in capital expenditures outside of traditional service areas.

Although the Charter may technically permit City Council decisions that expand its service areas, the City needs a more disciplined focus to determine what it must do, what it should do, what it cannot do, and what trade-offs exist within these decisions. Effectively, City Council requires formal controls to guide decisions related to matters beyond the City's core jurisdiction. At present, when Council decides to provide services outside of the City's core jurisdiction, the current process does not allow for the internal segregation of operations or funding in order to track, manage, and report on the associated costs.

A principled Council policy that defines where the City of Vancouver has core jurisdiction could provide "guardrails" for the decision-making process. While this policy should not be prescriptive or prevent the City from making spending decisions, it would provide a standard and rigorous evaluation framework that would protect the residents of Vancouver from the consequences of decisions that reach beyond Vancouver's core jurisdiction. Ideally, the decision-making tool would be politically neutral and could be used by any city council

to understand which decisions relate to the City's "core jurisdiction" versus decisions where another level of government has "core jurisdiction".

### **Recommendation 1: Establish a Policy Articulating the City of Vancouver's Core Jurisdiction**

In the short term, develop and approve a policy that defines the City of Vancouver's core jurisdiction. The policy should explain how decisions and investments may be made in respect to matters outside of the core jurisdiction to ensure that such approvals are made only after the City's interests have been carefully considered.

### **Recommendation 2: Managing Spending Beyond Vancouver's Core Jurisdiction**

If Council is considering a decision in respect of a service or investment that is outside of the scope of Vancouver's core jurisdiction as set out in a Council policy, then it must undertake a rigorous evaluation and due diligence exercise in advance of approval. This could include sufficient analysis related to program alternatives, benefits and risks, cost implications, long-term funding strategies, and service capacity limits. Once Council decides, it must implement special monitoring and controls to ensure full accountability and transparency.

If Council does adopt a policy that outlines its core jurisdiction, complete with appropriate controls to ensure full information and monitoring, we expect a reduced number of decisions that extend beyond the City's core jurisdiction. In cases where decisions do extend beyond the City's core jurisdiction, we expect that they will be accompanied with enough



discipline to ensure an offsetting source of funding or managed spending.

## **1B: Intergovernmental Coordination**

All levels of government have a shared goal: to support our current and future communities by providing the essential services and infrastructure we need to live, work, and play. However, there is an opportunity to achieve this goal more effectively through greater formal collaboration protocols across municipal, regional, provincial, and federal governments, as well as with First Nations.

Presently, in areas where jurisdiction is not clear, limited agreements or guidelines clarify which level of government is responsible for the delivery of a service and its related revenue

source. Public service delivery currently lacks effective coordination. This results in a lack of accountability and minimal cross-jurisdictional collaboration, ultimately resulting in suboptimal service delivery. For example, Vancouver's Downtown Eastside receives a range of services and supports from multiple levels of government and various organizations. However, an integrated approach should produce far superior outcomes.

Better collaboration between different levels of government would ensure that decisions around increasing taxes are considered holistically, from the perspective of the taxpayer (whether it be the City itself or the individual taxpayer). For example, decisions made by Metro Vancouver affect the City's utility rates, and therefore the aggregate amount of taxes and fees that Vancouver residents pay.

The spending of finite tax dollars should be considered across more than one level of government. A set of clear collaboration protocols and expectations could help optimize service delivery for residents, ensure that matters do not fall between levels of government, avoid duplication and overlap, and achieve efficiencies. In addition, such protocols could help to ensure that a matter beyond Vancouver's core jurisdiction is not transferred to Vancouver without a funding agreement. Where appropriate, agreements across multiple levels of government could bring optimal collaboration and cooperation. Standing protocols with First Nations in Vancouver can help to ensure their effective participation and that the City is providing culturally appropriate supports.

### **Recommendation 3: Build Mandatory Collaboration Protocols with All Levels of Government**

Establish a set of clear protocols for collaboration between the City of Vancouver and regional, provincial, and federal governments, as well as First Nations. These protocols should be specific to Vancouver, recognizing its economic importance and unique needs as Canada's largest port and Western Canada's metro-centre. The protocols should set consultation expectations, provide an ongoing and standardized discussion forum for decision-makers, and address approval processes for decisions that could affect other jurisdictions and Nations.

## **1C: Municipal Funding Model**

Canadian municipalities have very limited revenue tools, especially in comparison to provincial and federal governments. Most cities, including Vancouver, are restricted by statute from collecting income and sales taxes that capture economic growth and, as a result, rely heavily on property taxes and user fees to sustain municipal services and infrastructure. In addition, the contribution from Vancouver residents towards provincial taxes levied on properties are disproportionately higher than its share of population.

Property taxes, the most critical revenue source for all municipal governments in the province, make up approximately 60% of the City of Vancouver's annual operating revenues. However, the provincial government and other taxing authorities such as Translink and Metro Vancouver also levy property taxes.

As property values in Vancouver are typically higher than elsewhere in the province, Vancouver taxpayers have consistently contributed significantly more provincial taxes per capita than have taxpayers from other municipalities. In particular, the combined amount of Provincial School Tax and the Additional School Tax<sup>3</sup> collected from Vancouver residents in 2023 reached approximately \$735 million, accounting for 21% of the provincial total, while Vancouver's population accounts for only 13% of our province's population. If based on a per-capita contribution, the total collected from Vancouver taxpayers would be approximately \$280 million less than the provincial property taxes collected at present.

In recent years, the Province has introduced a number of taxes on properties, including the

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3. The Additional School Tax applies up to an additional 0.4% property tax to high-valued residential properties assessed above \$3 million

Speculation and Vacancy Tax<sup>4</sup> and the Additional Property Transfer Tax.<sup>5</sup> Similarly, the provincial revenue generated from Vancouver residents from these taxes is disproportionately higher relative to the rest of the region.

While Vancouver taxpayers are contributing a disproportionate amount to provincial property taxes, such taxes are not necessarily fully spent on services for residents of Vancouver. At present, the City of Vancouver has limited ability to trace back property taxes diverted from City taxpayers. Although it may not always be appropriate for tax revenue to be balanced or allocated based on source, the opportunity cost of taxes collected within Vancouver that are diverted from Vancouver must be evaluated with scrutiny.

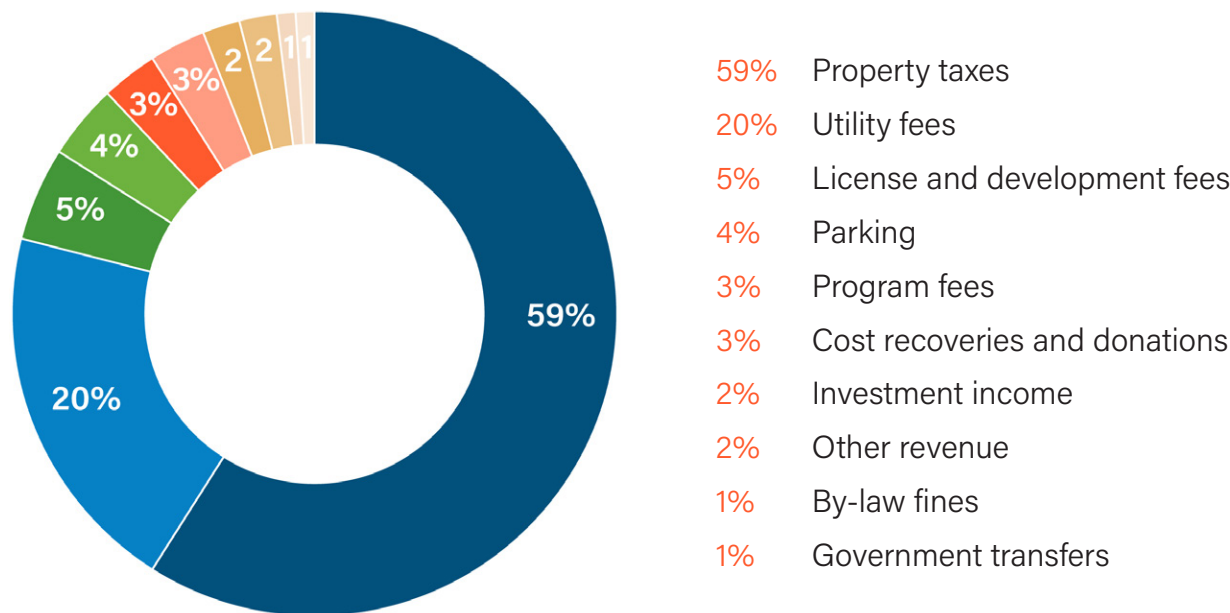
As affordability continues to be a challenge for residents and businesses in Vancouver, the gradual expansion of various property-based

taxes collected by the Province and other taxing authorities will erode municipalities' ability to raise property taxes to sustain municipal services and address critical infrastructure and amenity needs. This diversion of tax revenue is in an environment where Vancouver is already shouldering the responsibility for delivering certain services that benefit the entire region.

**The City of Vancouver currently receives insufficient funding from other levels of government**

Although the City of Vancouver has increasingly been expected to deliver services that may fall outside of its core jurisdiction and responsibilities, it has received limited fiscal support from other levels of government to help pay for these services.

**Figure 2: City of Vancouver Sources of Revenue**



4. The Speculation & Vacancy Tax applies up to an additional 2% property tax based on a homeowner's use of their residential property, their residency status, or where they earn and report their income.

5. The Additional Property Transfer Tax applies an additional 20% property transfer tax to foreign nationals, foreign-controlled corporations and certain trustees purchasing residential property in certain areas of the province including Metro Vancouver.

Figure 2 shows the sources of revenue that the City uses to fund the budget.<sup>6</sup> Almost all of the funds the City of Vancouver needs to pay for the services it provides comes from property taxes, utility fees, license and development fees, and parking fees. Only about 1% comes from government transfers. This means that the City of Vancouver collects almost 100% of its revenues from its own sources.

Its funding model makes Vancouver one of the most autonomous of all metropolitan municipalities in Canada. By contrast, most cities in Canada obtain at least 10% of their funding from senior government grants.<sup>7</sup> Although direct comparisons are complicated by varying expectations for municipal service delivery (for example, the City of Vancouver is not responsible for delivering transit services), it is evident that Vancouver receives very little funding from other levels of government, even though it has had to expand service delivery beyond its core jurisdiction to address gaps and the acute needs of its residents.

## Participating in the growth of our City

Municipal funding has not typically been correlated to municipal economic growth. Taxes that have economic ties, such as income tax or sales tax, are levied by provincial and federal governments.

Recently, in recognition of the role of municipal governments in fostering favourable economic conditions for our cities, there has been a growing call for cities to have a share of

economic-linked taxes. The Federation of Canadian Municipalities (“FCM”) has led the development of a new municipal growth framework that would result in municipal financial capacity being more closely linked to national population growth, inflation, and economic growth.<sup>8</sup>

At present, the City of Vancouver does not receive any portion of the taxes raised from the economic activity it generates for the region. As previously noted, the City drives significant economic activity not only for the province and Western Canada, but for the country as a whole.

## Recommendation 4: Use Empirical Evidence to Ensure Equity and Modernize the Funding Model

Use empirical evidence to demonstrate the critical importance of modernizing the municipal funding model. This effort should advocate for practical redistribution of taxes based on principles of equity. The City should create formal controls and reporting structures that isolate and track the following data to support its advocacy efforts:

- Disproportionate contributions to provincial revenue by City of Vancouver taxpayers
- Services absorbed by the City of Vancouver that could be the jurisdiction of other levels of government
- Lack of revenue contribution from senior levels of government compared to other urban metropolitan municipalities in Canada

6. City of Vancouver (2023), *Money in: Funding the Budget*.

7. See the Urban Project (2021), *IMFG Papers on Municipal Finance and Governance*, Number 52, p. 20.

8. Federation of Canadian Municipalities [FCM] (2023), “New Growth Framework for Canadian Municipalities” [Resolution], *Annual Conference – 2023*.

- Economic contributions to the wider economy stemming from the City of Vancouver

In recognition of the overlapping national crises to which the City of Vancouver is acutely exposed, it is imperative that our public leaders understand the opportunity cost of every dollar diverted away from the City of Vancouver.

Over the long-term, and using evidence-based advocacy, the City and other levels of government have an opportunity to modernize the tax system and ensure the effective delivery and funding of public services for the taxpayers of Vancouver.

## Summary of Theme 1 Recommendations

The City of Vancouver must better define its role and responsibilities, differentiating between what

it *must* do and what it *chooses* to do. In doing so, it would be advantageous for the City to better advocate for collaboration and support from regional, provincial, and federal governments, as well as First Nations. This would promote a more sustainable and effective civic service delivery model, putting our City in a position to support both current and future generations.

**Recommendation 1:** Establish a Policy Articulating the City of Vancouver's Core Jurisdiction

**Recommendation 2:** Manage Spending Beyond Vancouver's Core Jurisdiction

**Recommendation 3:** Build Mandatory Collaboration Protocols with All Levels of Government

**Recommendation 4:** Use Empirical Evidence to Ensure Equity and Modernize the Funding Model



# Theme 2: Operate with Excellence

The City of Vancouver required a 10.7% property tax increase to balance its 2023 budget. Further, it has forecast significant increases for the next four years. According to City Staff, the City's operating costs have risen 29% above the Consumer Price Index during the past 10 years, primarily as a result of cost increases for public safety and utilities. Furthermore, those costs have risen faster than the population has grown in the same time period. This increase in costs is driven primarily by the cost of utilities growing by 41% above the rate of inflation (driven by Metro Vancouver costs that have been passed along to the City plus investment in sewer separation), wage growth for those providing public safety (driven by wage settlements that are not only in excess of inflation but are greater than labour settlements in other areas), as well as increased staffing levels.

While the City's fiscal challenges are not new, the onset of the pandemic has intensified these challenges as the City has sought to balance the need for high-quality and expanded services with the need for significant increases in revenue streams to fund them. It is therefore imperative that the City substantially revise its budget governance and processes to better align financial realities with Council priorities. A systematic approach towards managing, tracking, and where possible, reducing costs will enable the City to keep its tax increases within an acceptable range, and provide the City with more budget room for other priorities and services.

## 2A: Budget and Governance Processes

### City staff and Council must coordinate more effectively to better reflect Vancouver's priorities in budgets

To effectively fulfill their role as responsible stewards of taxpayers' dollars, elected officials must possess a comprehensive understanding of the City's budget. However, this task is inherently challenging due to the budget's complexity, demanding a certain level of financial acumen and expertise to meaningfully comprehend and interpret its contents. The technical nature of the meetings and briefings offered by City staff, coupled with the overwhelming amount of information, can lead to a suboptimal decision-

making process, especially considering that attendance is optional. Enhancing coordination within the budget process can foster greater predictability and transparency, creating an opportunity for constructive collaboration between Council and City staff in the overall budget development process.

At present, the operating budget has a 12-month frame of reference. While an annual operating budget is necessary for staff and Council to set the annual property tax mill rate, many, if not all priorities stretch over a number of years. The budget is also developed over several months within the fiscal year, leading to inefficiencies, redundancies, and increased opportunities for error. Overall, it would be beneficial for both

Council and staff if the budgeting process was more efficient and effective.

### **Recommendation 5: Create a Finance Committee**

Appoint a Finance Committee composed of Council members with financial expertise and a strong interest in budgetary matters. This committee would report to Council and engage fully with staff in all aspects of the budget process to ensure that Council's priorities and directions are appropriately reflected. The Committee and staff would be jointly responsible for briefing Council in advance of the budget approval process to ensure that all Council members are confident about the budgetary decisions that had been made, along with the financial and service implications of those decisions. In upholding the Vancouver Charter's requirements that the Council provide budgetary directive in public forums, the Committee would act as a consistent intermediary between Council and City staff, where all decisions related to budgetary matters would remain reserved for Council Chambers in public.

### **Recommendation 6: Adopt a Long-Term Horizon and a Shorter Budget Cycle**

Adopt a four-year rolling budgetary plan to ensure that Council, staff, and budget outcomes are aligned to the City's long-term priorities. This plan should integrate with existing budgetary processes and require the same level of Council engagement and diligence as is necessary for the development of the annual operating budget. The City should also look to execute a more concise budget schedule to improve budget quality, including improved financial analysis, training, decision-making support, and the efficient use of staff resources. When built upon

solid principles of cost and risk management and asset allocation, a shorter budget development process can yield a budget produced more quickly, yet without compromising quality.

The above recommendations should be incorporated into the Budget Policy document which Council uses to govern and guide the budget process.

## **2B: Performance Management**

### **Understanding the City's goals and the performance required to achieve the goals**

To achieve a goal, you must first define it. Typically, organizations use performance measures to track and manage their progress towards those goals. Although the City currently has operational performance measures in place, there is a significant opportunity to improve the alignment, tracking, and management of operational performance within the City.

While the City uses several datapoints to track performance measures across various departments, there is currently no discrete set of effective key performance indicators ("KPIs") that both the Council and staff fully understand and agree upon to track performance against Council priorities. Also, the majority of the KPIs currently used to measure operational performance reflect the volume of services delivered (quantity measures), but do not reflect how well they are delivered (quality measures).

Further, there is currently no measure that reflects the cost efficiency of each department. In fact, of the 70 performance measures the VanDashBoard identifies, none represent goals related to the cost of service. In the absence of



cost-of-service measures, the City's assessment of overall performance may be skewed, as it may neglect efficiency and how resources are used. The lack of cost-of-service measures may result in suboptimal decision-making, the overlooking of opportunities for cost optimization by departments, and hinder oversight by Council.

In the absence of effective performance indicators, it can be challenging to organize, motivate, or direct workforces towards a strategic priority or goal. Creating an innovative culture that embraces necessary change is a difficult challenge for all organizations, perhaps even more so in the public sector due to the enhanced level of scrutiny under which political environments operate. In recognizing the opportunity for transformation currently before the City, quantitative and qualitative performance measures can create a platform to recognize

outstanding performance across departments, teams, and individuals.

### **Recommendation 7: Reinforce Council Priorities through Performance Indicators**

Council and staff must agree on a set of performance measures that will be used directly for service planning, budgeting, and performance monitoring. The chosen performance measures must include cost-of-service metrics to ensure that resources are used efficiently, and departments are accountable for controlling spending. These performance measures should be agreed upon as part of the budget process to form an executive-level 'dashboard' for decision-making and monitoring. The performance measures should be regularly reviewed and updated by both Council and staff. As the annual

budget is adjusted quarterly, the performance measures should be reviewed and evaluated on a similar timeline to ensure the goals and measures they set out are integrated into the City budgetary and planning processes.

## 2C: Optimize the Use of Resources

### Transformation for change

There is a significant opportunity to promote a culture of continuous improvement at the City of Vancouver. The crucial step of any strategy is its execution through a culture that embraces and is rewarded for change. Recently, certain City departments have demonstrated a willingness to improve and modernize the execution and delivery of services including through initiatives such as the Six-Sigma Lean process pilot program, or the centralization of certain shared functions (e.g., recruiting).

Although these initiatives are a step in the right direction, transformational programs are not presently occurring at a City-wide level, but rather in parts of departments or programs, and accordingly have not been executed at scale. There are opportunities for the City to encourage more inter-departmental collaboration to leverage particular expertise across departments and to eliminate the duplication of services and resources that typically results when functions are decentralized.

### Recommendation 8: Implement a City-Wide Continuous Improvement Program ("CIP")

Formalize the Six-Sigma Lean Process program and implement it City-wide. This program should be championed by senior City and Council leaders (i.e., the City Manager and Mayor), and

include a broad-based team including labour leaders (i.e., union representatives).

The program should follow a rigorous application of the CIP methodology, and include considerations for the following:

- Development of performance targets, monitoring, and rewards consistent with the aforementioned performance measure recommendations.
- Reward and recognition of staff who embrace and promote practical change, through a non-financial incentive program that may include various forms of recognition, as deemed appropriate.
- Regular integration and reporting to Council, enabling consistent monitoring and oversight of progress and priorities.
- Leveraging evidence-based decision-making through the use of process optimization models for delivery of City services, such as refuse collection.

### Recommendation 9: Achieve Economies of Scale through Centralized Functional Leadership and Resource Sharing

Continue to promote efficiencies across departments, with a renewed focus on centralizing functional leadership and inter-departmental resource sharing and collaboration.

For example, centralizing lease management leadership could give the City stronger negotiating power across all departments, significantly reduce costs, and create efficiencies in the use of space across City departments. This approach would enable departments to better coordinate people in other departments for certain tasks, where appropriate and when they are performing similar functions, to save costs.

Similarly, the City may promote inter-departmental collaboration by creating a centralized resourcing program that identifies specialized resources across departments, and matches needs with existing resources within the City. For example, other departments should use engineering expertise inherent in the Engineering Department to fulfill their respective mandates. This approach promotes knowledge sharing, cost-effectiveness, and efficient project execution.

### **Recommendation 10: Take a Regionalized Approach to Procurement**

Investigate the opportunity to collaborate with neighbouring municipalities on the procurement of significant items and services. The development of a centralized regional procurement office would leverage economies of scale, streamline contracts, and align prices across the region for the benefit of all municipalities and ultimately their residents. The City should take a leadership role in developing such an office and ensuring that targeted efficiencies be set, measured, and objectively reported to Council.

This office may also explore opportunities to coordinate collective bargaining and develop a standardized compensation framework for municipal staff across various union agreements. This initiative should look to create consistency across the region, enhance equity and fairness for employees, and realize the potential for greater efficiencies in the delivery of services.

### **Maximizing the benefit of the City's finite resources**

The City could make meaningful progress towards transformation with today's resources. The City has an opportunity to improve existing processes and resource controls that would maximize the benefit of resources available to it today.

At present, the City has an absence rate of over 18 days per annum per full-time equivalent ("FTE"), ranging from under 5 days to over 23 days, depending upon the department (to a high of 25 days per annum per FTE at the Park Board). While some level of absenteeism is normal, with a concerted holistic effort including safety, support, and accountability, there is a significant opportunity to reduce absenteeism so that it is closer to the overall provincial average of 10 days per year per FTE. City staff estimate that each day of reduced absenteeism across-the-board would result in savings of approximately \$4.5 million per year.

In addition to resource controls, the City can continue to modernize its processes by appropriately deploying technology. The City has already embarked on a long-term technology plan. For example, among its preliminary steps is the launch of an AI-centric accounts payable system. While these initial endeavors underline the City's commitment to innovate by using technology, the full spectrum of AI's potential remains an avenue to be explored more deeply. The challenge lies in harnessing this expansive potential while ensuring the City's operational legacy and integrity remain intact. Deploying advanced technology practices is not merely about adoption; it's about ensuring the transformation harmoniously integrates with the current workforce and updated processes.

### **Recommendation 11: Proactively Manage Absenteeism**

Implement a strategic initiative to proactively manage absenteeism. This should include a number of interrelated activities (for example, ensuring holistic employee supports are in place, updating safety and health programs, and implementing time-tracking, etc.), and



should include labour leadership working with department leaders in developing and implementing the necessary changes.

### **Recommendation 12: Leverage Technology to Optimize Operations**

The City should investigate the benefits of significantly increasing the speed of adoption of advanced technology to improve its business processes, building on existing initiatives. A comprehensive approach to unlocking this opportunity would include assessment and training for workforce readiness, upskilling initiatives, documenting processes, undertaking cost benefit analyses, and benchmarking against global best practices.

### **Summary of Theme 2 Recommendations**

The City of Vancouver has an opportunity to renew its focus on achieving operational excellence. This focus will be driven by a closer alignment with and involvement by Council and staff, supported by changes to the City's budgeting approach, the development of revised performance measures, and a focus on making the best use of available resources. If these changes are implemented effectively, the City will see an increase in predictability, accountability, and transparency of the budget and an enhanced efficiency in the use of the City's scarce resources for the benefit of its residents.

**Recommendation 5:** Create a Finance Committee

**Recommendation 6:** Adopt a Long-Term Horizon and a Shorter Budget Cycle

**Recommendation 7:** Reinforce Council Priorities through Performance Indicators

**Recommendation 8:** Implement a City-Wide Continuous Improvement Program ("CIP")

**Recommendation 9:** Achieve Economies of Scale through Centralized Functional Leadership and Resource Sharing

**Recommendation 10:** Take a Regionalized Approach to Procurement

**Recommendation 11:** Proactively Manage Absenteeism

**Recommendation 12:** Leverage Technology to Optimize Operations

# Theme 3: Invest for the Future

The City of Vancouver faces the challenge of ensuring financial sustainability amidst escalating infrastructure demands and an ever-evolving spectrum of civic responsibilities. In addition to strategically refocusing its role, modernizing the municipal funding model, and striving for operational excellence, it is also critical that the City maximize the utility of Vancouver's capital assets.

This is especially important given the existing \$500 million annual funding deficit related to the City's infrastructure, which serves as the backbone for delivering the essential services that residents rely upon daily. It is paramount for the City to maintain and renew its infrastructure to ensure that Vancouver remains a livable and economically vibrant city while mitigating the risks of interruptions of critical services. If the City fails to adequately fund its infrastructure now, it may result in substantially higher future costs for repairs and upgrades, particularly in the face of disasters or unexpected failures. Although it may be prudent for Council to continue with the additional 1% increase to property taxes and the additional 4-5% increase to utility fees each year to partially address the infrastructure funding deficit, these incremental increases alone will not adequately bridge the shortfall.

Effectively addressing this challenge requires the implementation of a robust capital asset management framework, optimization of the City's asset portfolio, and cultivation of strategic partnerships. This section of the report presents key observations and recommendations aimed at enhancing the return on the City's capital assets and fortifying its resilience.

## 3A: Capital Asset Management Framework

### Managing the City's \$34 billion<sup>9</sup> asset portfolio requires a sophisticated approach

The demand for infrastructure stems from the dual pressures of having to renew existing assets that are aging and build new infrastructure to meet the evolving needs of our growing population.

Funding for infrastructure renewal predominantly comes from property taxes and utility fees. While

contributions from development projects have traditionally covered large portions of the upfront capital costs of growth-oriented infrastructure, the primary funding for asset lifecycle costs, including maintenance and operating costs, relies on future property taxes and utility fees. Put differently, today's asset is tomorrow's obligation. Furthermore, the recent shift towards developers building more lower-cost rental and social housing will likely lead to lower contributions from development projects that would fund future growth-related infrastructure, potentially putting even more pressure on property taxes and utility fees.

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9. Estimated current replacement value of the City of Vancouver's existing assets, excluding land.

Financially, it is imperative that the City rigorously assess and optimize service levels and standards associated with the renewal and new development of infrastructure, considering both quantity and quality. Additionally, a comprehensive understanding of future financial implications is essential to effectively guide capital expenditure decisions.

Many provinces and large cities have implemented capital asset management frameworks. They outline the standards and processes applied through an asset's full life cycle, from planning and acquisition through to operation, maintenance, and disposal or renewal. For instance, the the Province of British Columbia has developed a Capital Asset Management Framework ("CAMF") to support provincial public-sector agencies to help make informed, cost-effective decisions on capital plans and apply best practices in managing capital assets.

### **Recommendation 13: Implement a Rigorous Capital Asset Management Framework**

Establish a tailored version of a CAMF to streamline decision-making and enhance financial oversight of the City's capital plans. This framework should include a particular focus on determining appropriate service levels or standards and optimizing lifecycle costs when evaluating capital projects. In addition to providing guiding investment principles, the CAMF could also encompass the following elements:

- **Criteria for Prioritizing Capital Projects** would be designed to align with the City's strategic priorities, ensuring a cohesive approach.
- **Standardized Service Levels** established within each area would provide a uniform

baseline for decision-making. If deviations occur, a comprehensive costing analysis of alternative service levels should be developed.

- **Business Case Analysis** includes integrating the full lifecycle cost of assets and analyzing the long-term financial implications.
- **Project Execution and Governance Plans** includes elements such as risk assessment and mitigation, procurement options, resource planning, and project reporting and oversight.
- **Funding Strategy** should also consider the potential need for supplemental external funding, such as from donors and sponsors, to cover costs exceeding standardized service levels.
- **Post-Delivery Operating Strategy** addresses the strategic plan for operations following project delivery.

As part of CAMF, any capital projects exceeding a specified dollar amount should undergo a rigorous review by the newly proposed finance committee (discussed earlier in this report) before being presented to City Council. This will ensure that high-value capital projects are scrutinized and meticulously evaluated.

### **3B: Asset Portfolio Optimization**

The City of Vancouver manages three key asset portfolios: the Capital Fund, the Property Endowment Fund (the "PEF"), and the Vancouver Affordable Housing Endowment Fund (the "VAHEF"). Each fund operates with a distinct mandate, as described below and summarized in the accompanying table. As shown in the table, the City of Vancouver's real estate portfolio is substantial, and represents the City's most valuable asset and has the potential to help address the infrastructure funding deficit. Our

## City of Vancouver Asset Portfolio: Working Together to Achieve the City's Priorities

	Capital Fund	Property Endowment Fund (PEF)	Vancouver Affordable Housing Endowment Fund (VAHEF)
<b>Mandate</b>	<ul style="list-style-type: none"> <li>Hold land and facilities for civic uses to deliver Council, Board &amp; community priorities</li> </ul>	<ul style="list-style-type: none"> <li>Hold land and facilities for non-civic uses to preserve the real value of the endowment and generate a reasonable economic return/dividend to the City</li> </ul>	<ul style="list-style-type: none"> <li>Hold land and facilities to deliver affordable housing</li> </ul>
<b>Holdings</b>	<ul style="list-style-type: none"> <li>Streets &amp; bridges</li> <li>Parks</li> <li>Community facilities</li> <li>Firehalls</li> <li>Police stations</li> <li>Civic facilities &amp; equipment</li> <li>Etc.</li> </ul>	<ul style="list-style-type: none"> <li>Strategic Portfolio<sup>1</sup></li> <li>Core Income Portfolio<sup>2</sup></li> <li>Parking Site Reserve<sup>3</sup></li> <li>Other</li> </ul>	<ul style="list-style-type: none"> <li>Non-market housing</li> </ul>
<b>Funding Sources</b>	<ul style="list-style-type: none"> <li>Development contributions</li> <li>Property taxes &amp; utility fees</li> <li>Senior government funding</li> <li>Partner funding</li> <li>Project income</li> </ul>	Self-sustaining: <ul style="list-style-type: none"> <li>Operating income</li> <li>Deployment income (redevelopments, dispositions, ground leases, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Development contributions</li> <li>Empty Homes Tax</li> <li>Property taxes</li> <li>Senior government funding</li> <li>Partner funding</li> <li>Project income</li> </ul>
<b>Assessed Value of Land and Facilities</b>	\$20.8 billion	\$5.7 billion	\$1.7 billion

1. The Strategic Portfolio acquires and holds assets primarily for the purposes of future development to support city building. These assets generally have long-term deployment horizons.
2. The Core Income Portfolio acquires and holds assets primarily for the purposes of generating ongoing operating income and cash flow to fund operating and capital costs of the PEF and to support a regular distribution of cash dividends to the City.
3. The Parking Site Reserve holds off-street parking facilities managed by EasyPark. It is funded by net revenues from parking operations and supports a regular distribution of cash dividends to the City.

comprehensive review has identified specific opportunities to further optimize each fund, as outlined below. The strategic allocation and management of the City's scarce capital within these funds are pivotal to shaping a sustainable financial future for both the current and future residents of Vancouver.

### Growth in the Capital Fund is contributing to the infrastructure funding deficit

The Capital Fund holds properties and assets required for civic purposes, excluding non-market

housing assets which are held in the VAHEF, and the real estate assets held in the PEF. The Capital Fund comprises the predominant share of the City of Vancouver's total assets and includes such things as roads, bridges, water and sewer systems, buildings, community facilities, fire halls, parks, and civic theatres.

Despite having one of the highest total cost of assets per capita in Canada, the City anticipates that this figure will grow further due to expected population growth and other factors. This expansion in the City's asset base will bring

increased responsibilities, ultimately leading to higher future operating expenses.

Not only does the City own many assets, but it also manages many of its civic assets including some that might be considered outside of its core mandate. This expansive asset management approach poses both funding and operational challenges, particularly due to labour shortages. The City is confronting the dual challenge of managing its growing asset portfolio efficiently and contending with limitations in resource availability.

### **Recommendation 14: Evaluate and Optimize the Capital Fund's Portfolio**

Conduct a formal and comprehensive review of the Capital Fund's asset portfolio, categorizing assets based on their strategic importance and alignment with the City's core mandate. Then it would treat the assets in the following way:

- **Core Assets:** The City should retain ownership of those assets that are critical to the City's core mandate and long-term strategies, including essential infrastructure such as roads, water and sewer systems, parks, and emergency services facilities.
- **Non-Core Assets:** Consider private sector ownership of non-core assets, and/or private management or public-private partnerships for them, enabling the City to better prioritize resources and focus on operational excellence within core areas.
- **Underutilized Assets:** Identify underutilized assets, whether core or non-core, then sell, redevelop, or modify them, ensuring they bring the City maximum benefit.

With over \$20 billion in assets in the Capital Fund, even a small improvement in asset use or capital

efficiency could provide the City with a meaningful benefit. Moreover, the City should further explore ways to generate additional revenue from civic assets through expanding sponsorships and naming rights as will be discussed later in the Enhancing Strategic Partnerships for Greater Impact section of this report.

### **The Property Endowment Fund holds significant untapped value**

The PEF was established in 1975 to hold strategic land purchases separate from the ongoing City operations. It accounts for properties leased to third parties and those being developed or held to support the City's public objectives, excluding non-market housing assets which were transferred into the VAHEF in 2021.

Guided by input from prior third-party expert advisory panels, there are plans in place to transform the PEF from predominantly a land bank to a more actively managed property endowment fund with a greater focus on generating sustainable income and creating long-lasting value to benefit future generations of residents. There are many examples of such property endowment funds, including the UBC Properties Trust which has successfully grown from \$100 million in assets in the 1980s to currently over \$2 billion in assets and is generating positive cash flows for the university.

While the current assessed value of the City's PEF is approximately \$5.7 billion, only a small portion of this portfolio currently generates recurring cash flows, contributing only \$13 million in dividends to fund the City's operations in 2023, a mere 0.2% cash yield.

The low cash yield is mainly because a significant portion of the existing properties are

under long-term leases that were prepaid upfront to the City many years ago. Although it may take many years—in some cases even decades—for these leases to expire, once they do, there is the potential for the properties to be leased out at significantly higher market levels than is now the case. Moreover, the portfolio includes other assets that have more immediate opportunities to generate cash flows. With a current assessed value of roughly \$5.7 billion, the PEF's assets hold the potential to provide substantial future income streams, offering a viable means to help fund the City's operations and infrastructure needs while reducing dependence on property taxes. For perspective, each additional \$10 million in dividends currently translates to an approximate 1% reduction in property taxes.

Presently, the PEF is jointly managed by existing staff within the City's finance and real estate departments. Although the City recently hired an individual to oversee the PEF's management, we believe the fund's management is under-resourced. Given the substantial value that can be unlocked throughout various parts of the real estate supply chain particularly over the longer term, it is imperative that the City expedite the transformation of the PEF.

### **Recommendation 15: Create Perpetual Value from the PEF to Help Narrow the Infrastructure Funding Deficit**

Establish robust governance and operating structures to optimize and safeguard the enduring value of the PEF. Key components should encompass:

- **Mandate:** Update and formalize the PEF's mandate, outlining the fund's vision, strategies, risk tolerance, asset mix, roles and responsibilities, target returns, and other pertinent elements.
- **Ownership Structure:** Consider transferring the PEF assets into a distinct entity earmarked for the City's benefit. For individual assets or projects within the PEF, consider using special-purpose entities when involving external partners, employing varying ownership levels and financial leverage as needed.
- **Governance Structure:** Institute a dedicated fiduciary board, including external experts, who are tasked with steering and overseeing the PEF's mandate.
- **Operating Structure:** Ensure the availability of adequate resources essential for effective PEF management. Explore collaboration or outsourcing options with external parties, leveraging their expertise and resources. This approach will not only expedite the PEF's transformation but will ensure that the PEF's assets are clearly segregated and safeguarded for the City's benefit.

The acceleration of the transformation of the PEF should bolster cash flows, thereby helping to narrow the City's infrastructure funding deficit while concurrently safeguarding and augmenting the PEF's overall value.

## The Vancouver Affordable Housing Endowment Fund can be optimized to provide more social housing

In 2021, all of the City's non-market housing assets were consolidated into the VAHEF, aligning with its mandate and in collaboration with other levels of government, to make an enduring contribution to meet the affordable housing needs of Vancouver residents.

The shortage of affordable housing is a significant challenge not only in Vancouver but in other major municipalities across Canada. Working in collaboration with senior levels of government, First Nations, and other partners, it is imperative that the City of Vancouver explore avenues for providing social housing in the most cost-effective manner possible. Given that the cost of land is typically the most significant component of the total cost of housing, optimizing land use is vital to reducing the per-unit cost for social housing. For instance, there exist underdeveloped social housing sites that, if redeveloped, could yield significantly more housing units.

Additionally, the decentralized management of the City's social housing sites, often overseen by smaller organizations, results in the lack of economies of scale in their operations.

### Recommendation 16: Optimize Land Use and Transform the Operating Model for Social Housing

Optimize the land use for social housing sites to drive down per-unit costs. For example, redeveloping existing sites that are currently underdeveloped, particularly those nearing the end of their lifecycle, would be a more cost-

effective approach to providing more social housing units than would acquiring new land for housing projects. However, while optimizing land use is laudable, the City will also need to manage the delicate balance between cost considerations and the importance of fostering social integration within our communities when selecting the locations for social housing sites.

Furthermore, the City should contemplate transforming its operating model by engaging professional property management firms to consolidate the building maintenance requirements of the City's portfolio of housing assets. This would help streamline operations, realizing economies of scale and improving the overall efficiency of social housing initiatives. The not-for-profit housing societies would continue to oversee the non-building maintenance aspects of the housing sites, including interfacing with tenants.

Optimizing our social housing dollars can ultimately deliver much more affordable housing to Vancouver residents.

## 3C: Enhance Strategic Partnerships for Greater Impact

Donations to the City and sponsorships by businesses presently contribute only a marginal portion of the City's overall revenues. These are currently managed through a decentralized departmental approach, resulting in varied efforts and outcomes. If the City were to shift towards a more centralized model, with a distinct mission, initiatives, and goals, it could become a good investment for Vancouver, potentially resulting in a substantial increase in philanthropic revenue and other benefits. A centralized approach would not only boost financial contributions but also

foster broader participation in delivering services and resources, ultimately enhancing the quality of life for Vancouverites in alignment with the City's priorities, values, and mission.

There is a noticeable increase in the public's desire to invest time and resources in self-directed passion projects. Foundations increasingly acknowledge the pivotal role of government as a crucial partner for implementing systemic changes at a scalable level, and the private sector is recognizing the benefits of social responsibility and active civic engagement.

To capitalize on these evolving dynamics, the City of Vancouver has the opportunity to become an enabler of broader community and stakeholder participation in making Vancouver better. Such collaborations can yield significant advantages, including resource sharing, cost efficiencies, expertise and knowledge exchange, technology and innovation adoption, and increased philanthropy and community engagement. Embracing a proactive and collaborative approach can pave the way for a more robust and sustainable relationship between the City and its diverse stakeholders.

### **Recommendation 17: Create an Office of Strategic Partnerships**

Centralize coordination with philanthropic, business, and non-profit communities through the creation of an Office of Strategic Partnerships. This office should focus on increasing the funding for essential services while also aligning with stakeholders on shared challenges and priorities, including:

- **Naming Rights/Sponsorship Campaigns:** Generate revenues by selling naming rights and running sponsorship campaigns for various City assets.
- **Program Recognition:** Allow donors to fund specific programs or initiatives over a project's duration.
- **Large-Scale Philanthropic Partnership Projects:** Collaborate on transformative initiatives involving government, community entities, and philanthropic organizations as was the case in a recent housing project in Burnaby that includes child care spaces for women and children leaving violent situations.
- **Website Online Portal:** Establish a portal to showcase partners, individuals, and initiatives, and to facilitate crowdfunding and provide an online system for matching residents, volunteers, partners, and funders with the programs they are interested in.
- **Ongoing Relationship Development:** Foster and cultivate relationships with strategic partners and bridge intergovernmental coordination.

The City has many opportunities to enhance its engagement with strategic partners through targeted campaigns and comprehensive strategies that are aligned with Council's strategic priorities. This strategy may also include investigating infrastructure delivery through private-public partnerships.

## Summary of Theme 3 Recommendations

Investing for the future involves getting the most out of the City's capital investments and optimizing its asset portfolios to align with the evolving needs of Vancouver residents. To accomplish this, it is imperative for the City to establish appropriate processes, structures, and resources, ensuring that it optimizes capital allocation and asset management decisions. Additionally, the City can realize substantial benefits by intensifying its focus on cultivating strategic partnerships. These combined efforts are instrumental in shaping a sustainable and resilient future for Vancouver.

**Recommendation 13:** Implement a Rigorous Capital Asset Management Framework

**Recommendation 14:** Evaluate and Optimize the Capital Fund's Portfolio

**Recommendation 15:** Create Perpetual Value from the PEF to Help Narrow the Infrastructure Funding Deficit

**Recommendation 16:** Optimize Land Use and Transform the Operating Model for Social Housing

**Recommendation 17:** Create an Office of Strategic Partnerships



# Call to Action

To effectively implement the key recommendations of the *Mayor's Budget Task Force Report*, it is crucial that the City initiate a comprehensive action plan centered around the **formation of an oversight committee** that will report to the Council. We recommend the following:

**Step 1:** Formalize the acceptance of the *Mayor's Budget Task Force Report* and establish the oversight committee with a clear objective to **oversee and report on the implementation of the report's recommendations**. This will entail identifying potential committee members who bring diverse expertise and backgrounds, defining the committee's scope, roles, responsibilities, and establishing a reporting framework, followed by securing Council approval for its formation.

**Step 2:** **Review and prioritize the recommendations** in the *Mayor's Budget Task Force Report*. This step involves thoroughly examining all recommendations, prioritizing them based on factors such as urgency, impact, and feasibility, and subsequently developing a phased plan for their implementation.

**Step 3:** **Develop detailed implementation plans for each prioritized recommendation.** Craft specific action plans for each recommendation. Set timelines, allocate the necessary resources, outline key milestones, identify potential challenges and their mitigation strategies, and establish key performance indicators to track progress.

Other key components of Step 3 include **stakeholder engagement and effective communication**. Identify key stakeholders such as City departments, community groups, and residents, and develop a communication plan to keep them regularly informed of the progress of the various recommendations. Incorporate their feedback into the implementation process.

Another vital part of Step 3 is monitoring, reporting, and evaluating progress. Establish regular monitoring and reporting schedules. **Use KPIs to assess the success of the implementation efforts, and in preparing periodic progress reports for the Council and public.**

Finally, it is also necessary that improvements are continuous and are adjusted based on ongoing evaluations. This includes regularly reviewing the effectiveness of the implementation strategies, making necessary adjustments based on feedback and evaluation results, and fostering a culture of continuous improvement.

Overall, this action plan should be dynamic and should be regularly reviewed and updated to reflect changing priorities, challenges encountered, and the evolving needs of the City. **Its success hinges on active stakeholder engagement, transparent communication, and a strong commitment to continuous improvement.**

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