



COUNCIL REPORT

Report Date: September 17, 2024
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Meeting Date: October 15, 2024
[Submit comments to Council](#)

TO: Mayor's Budget Task Force Implementation Oversight Committee
FROM: City Manager
SUBJECT: Context for Defining Core Municipal Services

Recommendation

THAT the Mayor's Budget Task Force Implementation Oversight Committee receive this report for information.

Purpose and Executive Summary

This report provides the Mayor's Budget Task Force Implementation Oversight Committee ("the Committee") contextual information concerning the question of defining a set of core municipal services for the City of Vancouver, intended to support an investigation into the advisability and feasibility of defining a set of core services for the City of Vancouver.

- **Jurisdictional review.** A jurisdictional survey of definitions and organizational frameworks for "core services" in comparable North American municipalities.
- **Historical context.** An overview of the key new services that have been added to the City's budget over the past two decades.
- **Legal/regulatory context.** A legal opinion concerning the relevant regulatory context has been shared with the Committee under separate cover.

Council Authority/Previous Decisions

- On [January 23, 2024](#), Council received the Mayor's Budget Task Force Report for information and appointed the Mayor's Budget Task Force Implementation Oversight Committee to bring recommendations back to Council.

City Manager's Comments

The City Manager concurs with the foregoing recommendation.

Context and Background

The [Mayor's Budget Task Force Report](#), under Theme 1: "Refocus Vancouver's Role," recommends a sustainable, evidence-based, and long-term approach to service delivery goals, and suggests that a "... *principled Council policy that defines where the City of Vancouver has core jurisdiction could provide 'guardrails' for the decision-making process.*" Appendix A lays out Recommendations 1 and 2 of the Task Force report, which speak to the concept of defining a set of core municipal services for the City of Vancouver.

Discussion

1. Jurisdictional review

In July 2024, the City Clerk's Office surveyed a set of medium and large municipalities in Canada and the United States, asking (a) whether they had any "municipal core service" definitions in place, and if yes, (b) how they updated the scope of these definitions over time. Seven Canadian and one American municipality responded, and none of the eight indicated that they had an explicit definition of municipal core services in place. The more detailed findings of this work are contained in Appendix B of this report.

2. Historical context for defining core municipal services

New City of Vancouver lines of service and costs since 2000

Appendix C contains an overview of the substantial services and obligations the City has taken on over the past two decades, summarised below. For the purposes of this report, this is intended to be an illustrative rather than a comprehensive list.

- A. Hastings Park-Pacific National Exhibition (PNE)
- B. Supportive housing
- C. Social housing
- D. Market rental housing
- E. Empty Homes Tax
- F. Climate action and sustainability staff complement and initiatives
- G. Reconciliation staff complement and initiatives
- H. Southeast False Creek Energy Utility

Downloaded services and costs

Appendix D of this report contains a November 2022 memo from the GM, Finance, Risk and Supply Chain to Council, articulating major categories of City funds allocated to services that were traditionally delivered by senior government (colloquially referred to as "downloading"). This memo delineates service areas that have been taken on by the City of Vancouver, organised into a number of different categories, listed below.

Downloaded services/costs

1. direct funding cuts (e.g., reduced funding for public libraries),
2. areas where policy and/or service delivery should fall under federal or provincial jurisdiction and where the City is directly delivering service (e.g., housing, childcare),
3. areas where service is delivered by senior government and there are gaps in the service levels versus the needs, resulting in impacts to City operations (e.g., homelessness, mental health and addictions supports, BC Ambulance Service medical response),

Local government spending resulting from senior government policy changes or gaps

4. senior government legislative and regulatory changes that result in required spending by municipalities (e.g., cannabis legalization, diking standards),
5. senior government changes to property tax policy, which impact the City's ability to collect or increase taxes (e.g., Major Industrial (Class 4) port property tax rate cap, Supportive Housing (Class 3) exemptions),
6. existing policy and legislation that limits local government's ability to manage cost increases (e.g., the collective bargaining legislative framework, the BC *Police Act* provisions around Police Board budgeting), and

Emerging service needs

7. new emerging areas of service need where senior government leadership is needed (e.g., climate emergency response, climate adaptation, resilience, cyber security, supporting communities through economic and labour market transitions).

While this memo was prepared two years ago, the information it contains is still relevant today, in the context of discussing core municipal services. The estimated order-of-magnitude quantifiable cost of downloaded services to the City of Vancouver provided by the GM, Finance, Risk and Supply Chain Management presented in this memo was approximately \$123 million per year in ongoing operating costs, another \$230 million in capital costs, offset by (at that time) \$44 m in revenues from senior governments.

3. Legal/regulatory context for defining core municipal services

A legal opinion concerning the relevant regulatory context for a discussion about defining municipal core services has been shared with the Committee under separate cover.

Financial Implications

There are no financial implications associated with this report.

Legal Implications

There are no legal implications associated with this report.

APPENDIX A
MAYOR'S BUDGET TASK FORCE RECOMMENDATIONS
RELATED TO DEFINING A SET OF CORE SERVICES

Mayor's Budget Task Force Recommendation 1

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.

Mayor's Budget Task Force Recommendation 2

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.

APPENDIX B DEFINING MUNICIPAL CORE SERVICES, 2024 JURISDICTIONAL REVIEW

This appendix summarises the approach to defining “municipal core services” taken by eight jurisdictions comparable to the City of Vancouver. This survey was conducted via email in July 2024 by the City Clerk’s Office. As can be seen in Table B1 below, none of the eight municipalities surveyed indicated that they had an explicit definition of “core services” in place.

TABLE B1. JURISDICTIONAL REVIEW CONCERNING DEFINITION OF CORE MUNICIPAL SERVICES

	<i>Does your municipality have any by-laws, policies, or guidelines in place to define and prioritize its core services and jurisdictions?</i>	<i>How does your municipality evaluate and update the scope of its core services and jurisdictions to address changing needs and priorities?</i>
Atlanta, Georgia	<ul style="list-style-type: none"> • The municipal code defines core services and jurisdiction. • City Council may pass legislation to establish priorities. 	<ul style="list-style-type: none"> • Core services and jurisdictions are updated through legislation passed by City Council.
Edmonton, Alberta	<ul style="list-style-type: none"> • The City of Edmonton operates under Alberta's <i>Municipal Government Act</i>, with both Administration and Council responsible for determining which services are considered "core." • Before the 2023–2026 multi-year budget, the City used a priority-based budgeting (PBB) approach to assess and rank about 140 sub-services based on their alignment with the City Plan. This process established priorities, but did not formally define which services were "core." • The PBB criteria included legal mandates, practical necessity, demand, population served (external services), organizational impact (internal services), and cost recovery. • In 2023, during a budget realignment, the City further classified these into 350 service units, of which around 60% were considered core. 	<ul style="list-style-type: none"> • Council evaluates services based on citizen engagement, legal mandates, practical necessity, and alignment with Council priorities, which evolve during each term (elections occur every four years). • These priorities remain consistent with the City Plan and are shaped by priority-based budgeting. In 2023–2024, the “OP12” project identified \$240 million in savings, which were reallocated to key priorities and core services.

	<i>Does your municipality have any by-laws, policies, or guidelines in place to define and prioritize its core services and jurisdictions?</i>	<i>How does your municipality evaluate and update the scope of its core services and jurisdictions to address changing needs and priorities?</i>
Mississauga, Ontario	<ul style="list-style-type: none"> The City of Mississauga does not have policies directing changes in its service portfolio. 	<ul style="list-style-type: none"> Changes to the City's service areas, whether adding or transferring services between the City and the Region or other entities, are handled through Council resolution.
Ottawa, Ontario	<ul style="list-style-type: none"> A 2023 memorandum from the City's CFO outlines the City's approach to "mandated" and "non-mandated" services. The City must provide services mandated by provincial legislation, such as long-term care, child care, highway maintenance, and fire protection, and offers additional services established by City Council, which are also considered "mandated." Historically, only Sponsorship and Events, and Communications were identified as non-mandated, representing a small part of the budget. Mandated services have increased due to evolving legislation and Council policies. 	<ul style="list-style-type: none"> Ongoing service reviews focus on improving efficiency and reducing costs. In March 2023, City Council approved the Service Review Framework, which outlines a structured methodology for reviewing services. This review process helps identify savings and informs decisions in the budget process.
Richmond, British Columbia	<ul style="list-style-type: none"> Richmond adheres to the <i>Local Government Act</i> and <i>Community Charter</i> for jurisdictional matters but does not have a specific by-law or policy outlining core service priorities. The City allocates resources based on current needs. 	<ul style="list-style-type: none"> Factors that influence service reviews include public feedback, budgetary limitations, legislation from senior governments, economic conditions, and public safety. The City reviews these factors and recommends shifts in services to Council. Additionally, after each civic election, Council establishes a Strategic Plan outlining focus areas and priorities. The plan can be updated throughout the term to meet community needs.

	<i>Does your municipality have any by-laws, policies, or guidelines in place to define and prioritize its core services and jurisdictions?</i>	<i>How does your municipality evaluate and update the scope of its core services and jurisdictions to address changing needs and priorities?</i>
Surrey, British Columbia	<ul style="list-style-type: none"> • The City has no specific by-laws or policies defining core services. 	<ul style="list-style-type: none"> • There is no formal process for evaluating or updating core services.
Victoria, British Columbia	<ul style="list-style-type: none"> • Victoria does not have stand-alone by-laws governing or defining core services. • Instead, the Financial Plan Bylaw serves as the mechanism for Council to approve or change service levels and programs. • Changes must align with authorities granted under the <i>Local Government Act</i>, existing collective agreements, and obligations to regional services. 	<ul style="list-style-type: none"> • Services are guided by both organizational and Council priorities as outlined in the Corporate Plan, as well as regulatory obligations. • Departments review service levels annually, considering stakeholder feedback, trends, pressures, and resource availability. • While Council direction can inform changes, there is no formal service evaluation process outside of these reviews.
Winnipeg, Manitoba	<ul style="list-style-type: none"> • The City of Winnipeg Charter and Organization By-law define the City's jurisdictions, while specific services are guided by other Council policies. • The City maintains additional strategic plans, which can be accessed on the city's website. 	<ul style="list-style-type: none"> • Service documents are updated either as directed (for example, by the Organization By-law), or according to specific timeframes (annually, biannually, or every Council term).

APPENDIX C
KEY SERVICES AND OBLIGATIONS TAKEN ON BY
THE CITY OF VANCOUVER SINCE APPROXIMATELY 2000

This appendix contains a list of some of the major services and obligations the City has taken on since approximately 2000; this is intended to be an illustrative rather than a comprehensive list. All dollar and headcount figures in this table are estimates.

SERVICE/OBLIGATION	IMPLICATIONS FOR THE CITY OF VANCOUVER
<p>A. Hastings Park-Pacific National Exhibition (PNE). The Province transferred responsibility for the PNE-Hastings Park to City in 2004.</p>	<ul style="list-style-type: none"> • Significant deferred maintenance associated with the property and facilities, requiring substantial capital funding. • Capital funds spent on HP-PNE maintenance compete with capital funding for municipal infrastructure and amenities.
<p>B. Supportive housing. The City signed a memorandum of understanding with BC Housing in 2007 to provide 14 supportive housing sites at nominal cost (only 13 sites were eventually developed). In the interceding years the City has partnered on more supportive housing projects with BC Housing, including both temporary and permanent modular housing with on-site support services. The land for these facilities is owned by the Vancouver Affordable Housing Endowment Fund (VAHEF).</p>	<ul style="list-style-type: none"> • At the time of the 2007 14-site MOU, the market value of these properties was estimated to be \$67 million, but the properties were leased to BC Housing at essentially no cost. • Provision of City land for these supportive housing projects at nominal rates represents a substantial capital investment and foregone financial returns on these properties that could otherwise be directed elsewhere.

SERVICE/OBLIGATION	IMPLICATIONS FOR THE CITY OF VANCOUVER
<p>C. Social housing. Up until late 2000s, the City's investment in social housing had been largely land and capital grants, with senior governments providing funding to develop and operate the housing.</p> <p>In a departure from this model, leading up to the 2010 Winter Games, the City funded the development of three social housing buildings on City-owned land in the Olympic Athletes' Village.</p> <p>Since approximately 2010, the City has been securing turnkey social housing through development contributions, in which the construction is fully funded by "land lift" and delivered by a private developer.</p> <p>The 2011 <i>City of Vancouver's Housing and Homelessness Strategy</i> and the 2017 <i>Housing Vancouver Strategy</i> have resulted in the City investing further funds in delivering social housing.</p>	<ul style="list-style-type: none"> • The City now has a number of staff who are dedicated to the housing delivery function, representing incremental operating costs. • The City's capital investments in social housing mean that these funds are not available to fund other critical City infrastructure and amenities. • Similarly, to the extent the City dedicates development contributions to social housing, these funds are being diverted from more traditional municipal infrastructure and amenities. • To provide an order-of-magnitude sense of these costs, the City has allocated \$650 million to housing (cash and in-kind) in the 2023-2026 Capital Plan. • \$1.6 billion of Development Cost Levies (DCLs) and Community Amenity Contributions (CACs) have been allocated to housing since inception of the Financing Growth Strategy in the 2000s.
<p>D. Market rental housing. In 2009 the City adopted the first rental incentive program, offering additional density and DCL waivers (subject to certain conditions) as incentives to build purpose-built rental.</p> <p>Since then, the City has evolved the program to include the requirement of 20% below-market rental units as part of certain rental projects, with DCL waivers still in place.</p>	<ul style="list-style-type: none"> • With the incentives in place, most market rental housing developments do not contribute CACs and DCLs. This means that while these developments have contributed to population growth, they do not contribute toward funding that growth, which results in the City having to find other funding mechanisms to fund growth-related infrastructure and amenity costs.
<p>E. Empty Homes Tax. The Empty Homes Tax (EHT) was introduced in 2017, as a policy tool intended to increase the availability of housing in Vancouver by reducing the number of vacant homes.</p>	<ul style="list-style-type: none"> • The Empty Homes Tax generates revenues that can be applied toward the City's housing initiatives. Over the three-year period from 2021 to 2023, the City collected \$85 million in EHT revenues.

SERVICE/OBLIGATION	IMPLICATIONS FOR THE CITY OF VANCOUVER
<p>F. Climate action and sustainability staff complement and initiatives. The City established a sustainability department in the early 2000s, and the Climate Change Adaptation Plan was adopted in 2018, the <i>Greenest City 2020 Action Plan</i> in 2011, and the <i>Climate Emergency Action Plan</i> (CEAP) in 2020.</p>	<ul style="list-style-type: none"> • The City has invested substantial operating and capital funds into sustainability and climate action initiatives. • There are current approximately 35-40 staff members comprising the City of Vancouver Sustainability Group team. • In November 2020 it was estimated by staff that \$500 million was required over five years to meet the CEAP targets (source: Greenest City Climate Emergency, Council Meeting, 2020-11-03) – noting not all of the 2011 CEAP initiatives have been funded, to date. • In November 2023, the GM, PDS reported to Council that the City’s 2024 “climate budget” was \$64 million, a combination of capital and operating funds, and projected that an incremental investment of \$97 million was required between 2024-2026 to address the “climate investment deficit.”
<p>F. Reconciliation staff complement and initiatives. The City established a Indigenous Relations function in the City Manager’s Office approximately ten years ago, and established a <i>Framework for City of Reconciliation</i> in 2014. In 2022, Council adopted the City’s United Nations Declaration on the 2024-2028 Rights of Indigenous Peoples (UNDRIP) Action Plan, an omnibus plan comprised of a wide range of proposed actions.</p>	<ul style="list-style-type: none"> • The City’s Indigenous Relations team is comprised of approximately seven people, and there are also a number of other staff members dedicated to the Indigenous Relations function who are dispersed among various City departments. • Substantial cross-department resources were dedicated to the development of the City’s UNDRIP Action Plan, and, there are potentially significant costs associated with the actions of the 2024-2028 UNDRIP Action Plan, most of which will be evaluated for feasibility/implications before moving forward.
<p>G. Southeast False Creek Energy Utility. In 2010, the City commissioned the Southeast False Creek Neighbourhood Energy Utility (SEFC NEU), a City-owned system that provides heat and hot water to residential and commercial buildings within a specified geographic range. Since 2010, the neighbourhood energy utility has expanded to cover a substantially larger service area.</p>	<ul style="list-style-type: none"> • While the SEFC NEU is self-supporting via utility fees, including a target return on investment similar to a commercial utility, the City has invested substantial capital funds into the heat generation and distribution system. For example, in the 2019-2022 Capital Plan, the City invested \$29 million, and in the 2023-2026 Capital Plan, the City allocated an incremental \$40 million.

APPENDIX D
NOVEMBER 2022 MEMO TO COUNCIL ON DOWNLOADED
SERVICES TRADITIONALLY DELIVERED BY SENIOR GOVERNMENTS



FINANCE, RISK & SUPPLY CHAIN MANAGEMENT
Office of the General Manager

MEMORANDUM

November 16, 2022

TO: Mayor and Council

CC: Paul Mochrie, Acting City Manager
Karen Levitt, Deputy City Manager
Lynda Graves, Administration Services Manager, City Manager's Office
Maria Pontikis, Director, Civic Engagement and Communications
Rosemary Hagiwara, Acting City Clerk
Anita Zaenker, Chief of Staff, Mayor's Office
Neil Monckton, Chief of Staff, Mayor's Office
Alvin Singh, Communications Director, Mayor's Office

FROM: Patrice Impey
General Manager, Finance, Risk and Supply Chain Management

SUBJECT: Report back on City funds allocated to downloaded services that have traditionally been delivered by senior governments

Dear Mayor and Council,

The purpose of this memo is to provide information to Council in response to direction from Council to quantify the impacts of senior government downloading on the City budget.

On July 6, 2021, Council provided the following direction to staff:

THAT Council direct staff to quantify City funds allocated to downloaded services that have previously traditionally been delivered by senior governments, including in areas such as but not limited to childcare, housing and homelessness services, so this information can support engagement with the Province on Municipal Finance Reform, as well as funding discussions for these critical services, including the potential for uploading the cost of these non-traditional services back to the Province;

FURTHER THAT the report include the revenues received from senior governments to deliver these services;

Overview

The issue of downloading is complex and involves difficult questions of how to best deliver services across all levels of government for the ultimate benefit of taxpayers. Demands for service delivery are increasing, particularly in urban centres such as Vancouver where issues such as poverty, homelessness, and the overdose crisis continue to have a major impact. At the same time, financial challenges at all levels of government, including those exacerbated by the pandemic, require all governments to look at priorities and align resources to where services can be delivered most effectively. Municipalities also have a role to play in examining how previous Council decisions have expanded the municipal mandate. In partnership with UBCM, work is underway with provincial and federal governments to look at municipal financial reform and where it may make sense to “upload” services to senior levels of government where they are the most effective level of government to deliver the services, and to provide more revenue tools to municipalities to fund activities best provided at the local level. In 2021, UBCM released a policy paper *Ensuring Local Government Financial Resiliency: Today’s Recovery and Tomorrow’s New Economy* that includes recommendations on how UBCM and local governments can partner with the province.

This memo will look at different forms of downloading that have occurred and impacts to the City’s budget, where it is possible to quantify them.

What is meant by downloading?

The term downloading has been used to describe responsibility for a range of services, traditionally under senior governments’ mandate, which have been explicitly or implicitly passed to municipal government without adequate funding or revenue streams. In addition to downloading, in many cases, additional local government spending is required or revenues are impacted as a result of the consequences of senior government policy changes. Lastly, as new areas of service need emerge - for example, climate emergency response and climate adaptation – there is an opportunity for senior government leadership to mitigate the demands on municipalities.

Downloading can take a number of different forms. For the purposes of this report, they are grouped as indicated below:

1. Programs where direct funding has been cut (example: CARIP funding, Police DNA testing). This can also include areas where senior government funding is provided, but the funding has not kept pace with cost increases over time, creating a burden on local government to fill the gap to maintain the needed service level (example: reduced provincial funding for the Vancouver Public Library)
2. Areas where policy and/or service delivery should fall under federal or provincial jurisdiction and where the City is directly delivering service (examples: housing, childcare)
3. Areas where service is delivered by senior government and there are gaps in the service level vs the needs, resulting in impacts to City operations (examples: homelessness, mental health and addictions supports, BC Ambulance Service medical response)

In addition to downloading, in many cases, additional local government spending is required or revenues are impacted as a result of senior government policy changes or gaps in existing policies

4. Legislative and regulatory changes that requires spending by municipalities (example: Cannabis legalization, diking standards)
5. Senior government changes to property tax policy, which impacts the City's ability to collect or increase taxes (example: class 4 port property tax rate cap, support housing class 3 exemptions)
6. Existing policy and legislation that limit local government's ability to manage cost increases (examples: the collective bargaining legislative framework, the Police Act provisions around Police Board budgeting)

Lastly, there are a number of areas of emerging service need that have resulted in an expanded mandate for municipalities:

7. New emerging areas of service need where senior government leadership is needed (example – climate emergency response, climate adaptation, resilience, cyber security, supporting communities through economic and labour market transition)

In some cases, there is a clear constitutional or historical precedent that guides which level of government is responsible for policy and service delivery. For services where the historical precedent is less clear, tax policy principles can help guide the appropriate funding responsibility and whether responsibility should reside at the federal, provincial, or municipal level. In particular, redistributive services such as support for low income housing, should be funded through progressive taxation such as income tax (provincial and federal) rather than property tax.

It is also important to consider the municipal role in taking on services which have traditionally been the role of senior government. The Vancouver Charter provides Council with broad authority to determine which services will be delivered by the City, and the authority to set property tax rates necessary to fund the services that current and previous Councils have directed.

Collectively, the impacts of downloading, combined with the municipal role in actively taking on responsibility for certain service delivery areas, has resulted in significant ongoing pressures on the City budget and property taxes. This creates challenges for Councils who must make difficult choices between delivery of important services and increases to property tax to deliver those services, which as a regressive form of taxation can adversely impact residents and businesses. It also points to an opportunity for improved collaboration with senior levels of governments, to ensure that the delivery of services, as well as the policy and funding tools, are aligned across all levels of government to optimize how taxpayer dollars are used to address the increasingly complex challenges facing society.

Downloaded services – budget impacts

1. Programs where direct funding has been cut

This can also include programs that have been transferred without funding, or invoicing of services that were previously provided for local governments without charge. In other cases, funding is provided, but the funding does not cover the full cost of providing the service, or has not kept pace with cost increases over time.

Police DNA - The RCMP and provincial government decided to limit the financial contribution to municipalities for the cost of DNA analysis services beginning in 2016, resulting in additional costs being downloaded and borne by municipalities. DNA analysis is an important policing tool, and its use will continue to grow in the future. The cost to the Vancouver Police Department for DNA analysis is estimated to be \$0.6 million annually.

Climate Action Revenue Incentive Program (CARIP) - The Climate Action Revenue Incentive Program (CARIP) is a conditional grant program that typically provides funding to local governments that have signed the B.C. Climate Action Charter equal to 100 percent of the carbon taxes they pay directly to support local government operations. In 2021, the Ministry for Municipal Affairs announced it would end its Climate Action Revenue Incentive Program and a replacement program has not yet been announced. The annual cost of the CARIP program is \$1.2 million.

Reduction in provincial grant allocation to VPL - The provincial grant allocation to VPL was reduced by \$76,293 in 2019, in addition to a \$49,755 grant reduction in 2018. During this time, inflation has increased the cost of providing library services.

2. Areas where policy and/or service delivery should fall under federal or provincial jurisdiction, and where current gaps have resulted in impacts to City operations

Affordable Housing – The City works in partnership with the provincial government and BC housing to deliver non-market housing. The City's housing operations provide safe homes and tenant services at 12 City-owned and BC Housing-owned social housing buildings across the city, providing over 1,000 units. The majority of the buildings in the portfolio offer housing at shelter rates and prioritize low-income households, supporting tenants to connect with healthcare services and community supports. The cost to the city to deliver this non-market housing is \$9.5 million annually.

The City also supports housing by providing land for affordable housing and securing in-kind contributions from developers as part of rezoning. The allocation of development contributions, including in-kind, towards housing comes at an implicit cost to the city, since those allocations could be allocated to support other growth-related amenities. In the 2019- 2022 capital plan, there is an average of \$100 million per year in in-kind contributions from developers and an average of \$58 million per year of City-led capital spending to support affordable housing amenities, including non-market rental, supportive housing, SROs, and temporary modular housing. In addition to this, revenues of \$58 million from senior government are expected in the 2019-2022 capital plan.

Childcare - The City has been working with developers, the Vancouver School Board and senior levels of government to address the existing gap in licensed childcare and increase the

number of licensed childcare spaces. The City provides \$2 million annually in operating funding in the form of childcare grants. In addition, the City allocates development contributions of \$21 million annually and \$9.5 million in-kind contributions, on average per year through the 2019-2022 Capital Plan. Senior government have also committed funding of \$11 million per year for 3 years.

3. Areas where service is delivered by senior government and there are gaps in the service level vs the needs that have resulted in impacts to City operations (examples: homelessness, BC ambulance service medical response).

This category has a significant impact on city service delivery and costs, but is also the most difficult to quantify because they impact services in many different ways and can be difficult to track. Where costs can be identified, they have been indicated.

Medical response – In addition to fire suppression, Vancouver Fire and Rescue Service (VFRS) fire fighters provide pre-hospital care as first responders at medical calls. VFRS response to medical calls (including overdose calls) is approximately 49% of total response calls. In the last three years, the total medical responses have been 25,198 in 2019, 15,142 in 2020, and 25,598 as of the end of Q3 2021. Within these calls, the response to overdose incidents has increased from 5,351 in 2019 to 6,447 as of the end of Q3 2021. The incident duration average (on scene time) for all medical calls has increased from 17 minutes 37 seconds in 2019 to 22 minutes 41 seconds up to Q3 2021 (an almost 30% increase in on scene time). This increased call volume and longer call response duration are creating an environment of higher burnout for VFRS staff.

The 2021 Budget for fire suppression and medical response is \$120 million, and given the large portion of response calls that are medical in nature, there is an implicit cost related to the increase in on scene time as a result of delays in BC Ambulance Service response.

VFRS overtime costs have increased by \$1.9 million since 2019. However, it is important to note that VFRS responding to medical calls while on duty provides a value added service to the citizens of Vancouver and Vancouver fire fighters are required to be ready in firehalls and respond to incidents in case of fire emergency. Delay in BC Ambulance Service response impacts VFRS response times to other calls, and over time, if not addressed, may create a need for additional staffing across the system to address response time delays.

Identifying opportunities to decrease BC Ambulance response times and reduce VFRS on scene time would reduce the burden on VFRS. . The VFRS service plan includes an initiative to engage in joint planning discussions with provincial health authorities to better understand challenges and opportunities with current medical calls and identify methods to optimize VFRS and BC Emergency Health Service resources and collaborate with these partners to address issues and gaps in the healthcare system.

Mental Health crisis and the Overdose crisis – cost impacts of the mental health and overdose crisis include the impacts to VFRS as noted above under medical response, as well as incremental costs to the Vancouver Police Department (VPD) for overdose response and training to administer Naloxone. It is difficult for VPD to estimate the full cost of members' time dealing with fentanyl, including related deaths, calls, overdoses, opportunity costs of doing other investigational work and dedicated patrol calls. The cost of Naloxone continues to be covered by the provincial government.

Of note, starting in 2017, funding for Medic 11 of \$2.5 million was added to the annual operating budget to address the impacts of the overdose crises and that funding has been continued.

VFRS combined overdose response team, CORT, with VCH objective is to identify individuals who have overdosed and to make efforts to reduce repeat overdoses, improving health and wellness through patient-driven options.

Unsupported mental health conditions can also drive people into or keep people in poverty and homelessness. The gap in mental health supports is further intensified by inequities. People who are most vulnerable to inadequate access to mental health care are those from equity denied communities, such as people living in poverty, who have language barriers, who have trauma arising from or continue to experience systemic racism, and people who are otherwise unable to advocate for their health services. Aside from significant impacts on the individual which is, of course, the first focus, inadequate mental health service levels also then result in the impacts noted below as the City tries to respond to the increasing impacts of deep, persistent, compounding poverty and homelessness. Identifying impacts of mental health-related service gaps in the community is complex and something that cannot be easily tracked or quantified, but it extends to many of the complex public realm challenges to which the City is often called on to respond operationally through Engineering Services, Park Board, and ACCS.

Homelessness – Homelessness has been a growing challenge in the city and across the region. Since 2003, the City has steadily increased resources to address the growing and intensifying homelessness crisis. In the early 2000s, the City's investments were land and capital grants for shelter and housing. In subsequent years, City support grew in response to increasing challenges alongside the absence of sufficient senior government funding. These investments were made in part as an effort to signal to senior government the importance of these issues and the gaps in the community, and as an effort to incentivise their engagement.

Insufficient safe and affordable housing and resulting homelessness, impacts demand on City services in a number of ways, including costs related to street and park-based encampments accrued by numerous departments, including Engineering, Parks, ACCS, Fire, and VPD.

Further, the City's investments now include costs for broader responses, such as co-funding the Homelessness Outreach team, creating temporary shelter spaces, activating warming centres, co-funding social service centres, low cost meal delivery, implementing emergency responses such as washroom trailers, etc.

While it is challenging to fully track and identify all costs to city services related to homelessness, a recent analysis identified approximately \$20 million in incremental costs. In addition, the ACCS department includes the homelessness outreach team at an annual cost of \$0.9 million.

The City was approved for \$19 million from the Strengthening Communities' Services fund in 2021 to offset these cost impacts for the time period from Sep 17, 2020 to Jun 30, 2022.

Half of the approved funding was received in 2021 and the remaining half will be received in late 2022 upon meeting the reporting requirements of the program.

Staff note that significant recent investments in Vancouver by the Province through BC Housing and by the federal government through Reaching Home and CMHC have been significant and are an important step in the collective tri-level work to end homelessness.

Income assistance – inadequate income assistance rates impact the City's costs for provisioning low-cost meal service in the inner city as food costs continue to increase, while the ability to cost recover is limited given current income assistance levels. Further, the shelter component of income assistance is inadequate to maintain the City's directly managed low-income housing stock, requiring a City subsidy to maintain the buildings while offering shelter rate units. Further, the persistent poverty resulting from inadequate income assistance drives reliance on free or very low cost services to meet basic needs, some of these offered through City services.

Senior government legislative and regulatory framework that impacts municipal budgets

Municipalities are often impacted by senior government policy and legislation that require new spending by municipalities. While not considered downloading, they collectively result in significant budget impacts for the City of Vancouver and for municipalities generally. In some cases, improved consultation with municipalities would enable better coordination and help minimize additional costs. Where costs cannot be avoided, local government would benefit from consideration of the cost impacts to municipalities and the potential for stable and predictable senior government funding to enable local governments to effectively implement senior government policy change.

The section that follows considers several different ways that senior government legislation has impacted the City of Vancouver's budget.

4. Legislative and regulatory changes that require spending by the City

Cannabis legalization – In April 2021, Vancouver City Council requested the Province to enter into an agreement with the City for cannabis excise tax revenue sharing to offset incremental local government costs. Formalizing a provincial revenue sharing agreement would allow the City to address the costs and responsibilities resulting from the legalization of non-medical cannabis, without placing the cost burden on legal cannabis retail operators through higher license fees.

Diking standards - In 2004, the Province delegated coastal flood-protection/diking responsibilities to local governments. This downloaded responsibility did not include a continuous funding source from the Province or the Federal government. The work is now partially funded through competitive grants, which pose the risk of applications not being successful, and also require a contribution of City funds. The current draft of the City's 10 year strategic capital outlook includes \$10 million for the initiation of the construction of coastal diking/flood protection works.

This lack of ongoing, consistent and reliable funding from senior levels of government is a persistent concern for municipalities within the lower Fraser River region, given the new funding pressures, and the difficulty it presents in implementing long-term plans without secure funding. Some municipalities have adjusted to the additional costs by instituting new taxes for diking, drainage and flood mitigation. Vancouver is developing a financial strategy for coastal flood protection.

Next generation 911 – costs for implementing an improved 911 service are still to be determined. This is a federal regulatory requirement for local governments.

Policies towards substance use and access to safe supply – these policies impact the overdose crisis, both the community of users and broader community as well. These contribute to the cost of delivering City services as described in the medical response section above.

Professional Governance Act changes - The Professional Governance Act is new governing legislation for Engineers and Geoscientists that came into effect in February 2021 introducing a requirement for Engineers and Geoscientists BC to regulate firms. This means that all firms engaging in the practice of professional engineering or geoscience in BC are required to apply for a Permit to Practice on a mandatory basis. This new requirement supersedes the previous voluntary requirements of the Organizational Quality Management Program (OQM). The new PGA requirements will increase consistency in quality management standards across organizations practicing engineering, including municipalities. The City of Vancouver had already achieved high standards of quality management through attaining the voluntary OQM certification; nonetheless there will be some one-time and ongoing costs associated with implementing and adhering to the new mandatory PGA requirements.

Employer Health Tax – the introduction of the Employer Health tax resulted in an increase of \$11 million in costs annually to the City's budget.

5. Senior government changes to property tax policy, which impacts the City's ability to collect or increase taxes (example: class 4 port property tax rate cap, support housing class 3 exemptions)

Supportive Housing exemption - In addition to statutory and permissive exemptions, eligible properties designated as Supportive Housing (Class 3) are assessed at a nominal value and effectively exempt from property taxes. This property class was created by the Province pursuant to the Small Business and Revenue Statutes Amendment Act 2008. This exemption results in approximately \$3 million per year in foregone property tax revenue at a given tax rate.

Class 4 port property tax rate cap - As part of the Ports Competitiveness Initiative that took effect in 2004, the Province has legislated municipal tax rate caps to eligible tenant-occupied port properties: \$27.50 per \$1,000 on existing properties and \$22.50 per \$1,000 on new investments. Seven folios are eligible under this provision, resulting in ~\$1.2 million of forgone property tax revenue at a given tax rate.

6. Existing policy and legislation that limit local government's ability to manage cost increases (examples: the collective bargaining legislative framework, the Police Act provisions around Police Board budgeting)

The collective bargaining legislative framework – under provincial legislation, police and fire are designated as essential services, and as a result, collective agreement outcomes have been driven by regional or city arbitrations, not voluntary settlements. This is distinct from other city bargaining units that are not designated as essential services and cannot access arbitration to settle bargaining disputes.

Examined over the previous two decades:

- Essential services have outpaced other City bargaining units by an average of 0.6% per year between 2000 and 2021; and,
- EY identified this factor as a key driver of the overall city's budget growth during the 2008-2018 time period.

When examining just the collective agreement years between 2016 and 2019 inclusive, the results of bargaining for essential services have included levels of compensation increases that exceeded other City bargaining units by 0.5%-1% per year, resulting a cumulative annual differential of \$10 million that continues in the City's budget each year.

Police Act provisions around Police Board budgeting – the Police Act allows for the Vancouver Police Board to appeal to the Provincial Director of Police Services should Council choose not to approve an expenditure that the Police Board has submitted to Council in their Board-approved budget. In 2021, the Vancouver Police Board submitted an appeal for \$5.6 million in annual budget that was not approved by Council. Due to the timing required for a decision to be reached, the Vancouver Police Board has forecasted that approximately \$4.5 million in over budget expenses will be incurred in 2021 while waiting for the director's ruling.

Emerging Areas of potential senior government partnership

These areas are new and emerging and are not traditionally the responsibility of any one level of government, and will require partnership at all levels given the scope of challenges faced by local government. While difficult to quantify, they potentially may result in large financial impacts if not managed proactively and without effective senior government partnership, including stable and predictable funding support.

7. Areas of emerging service need that have resulted in an expanded mandate for municipalities:

Climate Emergency Response – In November 2020, Council approved the Climate Emergency Response Plan, which recognized the need to increase efforts to reduce carbon pollution in Vancouver. This will require additional sustained investment by the City, as well as from senior government and partner organizations. The additional investment required from the City and others will enable new and accelerated work on pedestrian and cycling infrastructure, zero emission buildings, transit priority corridors, and electric vehicle infrastructure, amongst other climate actions. As outlined in the Climate Emergency Action Plan's financial framework, over the next five years, the total required investment by the City is estimated to be \$500M to meet the 2030 climate goal. The City's annual budget includes

\$42 million in operating spending and an average of \$50 million per year in capital as part of the 2019-2022 capital plan.

Climate adaptation – recent extreme weather events have highlighted the unpredictable and potentially costly impacts of climate change, and the requirement for climate adaptation measures to protect infrastructure and property. The City's climate change adaptation strategy includes areas such as climate robust infrastructure, climate resilient buildings, healthy and vigorous natural areas and green space, connected and prepared communities, and coastline preparedness. Further work is required to fully quantify the potential costs impacts of climate adaptation.

Supporting communities through economic and labour market transition – the events of the past several years have generated a significant amount of economic and labour market change, and this has in turn placed a significant burden on disadvantaged groups in finding stable employment. This degree of change calls for new partnership approaches with senior government to ensure economic opportunities within the city. In 2021, the City will spend an estimated \$1.5 million in capital and \$0.7 million in operating on initiatives such as the DTES market and resources.

Cyber Security – emerging cyber security risks create the potential for municipalities to experience financial losses and operational impacts that are difficult to quantify but could be severe based on examples from other jurisdictions. Current expenses for the city include higher insurance costs and staffing costs related to cyber security.

8. Vancouver as a regional centre.

As the centre of a metropolitan region, the City supports a number of regional activities. Revenue associated with these events accrues to the provincial government as corporate income tax and provincial sales tax (PST), for example:

- Support for the City as a regional cultural centre, including Vancouver Civic Theatres and support for cultural facilities and cultural grants.
- Grants to non-profits that play a regional role.
- Events such as Celebration of Light, sport and cultural events, and sport hosting (\$2 million annual budget).
- Costs of streets, bridges and other renewal to support regional traffic.
- Support for local economic development that benefits the region led by the Vancouver Economic Commission (\$3 million annual budget)

Improved revenue tools and funding supports for these types of regional activities would continue to provide benefits to the region and the province.

Summary

Below is a summary of downloading cost impacts, senior government legislative and regulatory cost impacts, and City spending in emerging areas of potential senior government partnership. The costs included are the costs that the City has been able to quantify, however, as noted in this report there are many significant impacts in addition to these amounts that are not possible to quantify.

Summary of Downloading cost impacts, Senior Government legislative and regulatory impacts, and emerging areas of potential senior government partnership (\$ in millions)	Operating (\$)	Capital (\$)	Total (\$)	Senior Govt. Revenue (\$)
A. Downloading				
1. Programs where direct funding has been cut				
a. Police DNA	0.6		0.6	
b. CARIP	1.2		1.2	
c. VPL grant funding	0.1		0.1	
2. Areas where policy and/or service delivery should fall under federal or provincial jurisdiction				
a. Affordable Housing	9.5	158.0	167.5	14.0
b. Childcare	2.0	20.6	22.6	11.0
3. Areas where service is delivered by senior government and there are gaps in the service level vs the needs that have resulted in impacts to City operations				
a. Mental Health crisis and the Overdose crisis	3.8		3.8	
b. Homelessness	23.3		23.3	19.0
c. Medical response			Not Available	
d. Income Assistance			Not Available	
Subtotal (where quantified)	40.5	178.6	219.1	44
B. Senior government legislative and regulatory framework that impacts municipal budgets				
4. Legislative and regulatory changes that requires spending by the City				
a. Cannabis legalization			Not Available	
b. Diking standards			Not Available	
c. Next generation 911			Not Available	
d. Policies towards substance use and access to safe supply			Not Available	
e. Professional Governance Act changes			Not Available	
f. Employer Health Tax			Not Available	
	15.0		15.0	
5. Provincial government changes to property tax policy				
a. Supportive Housing exemption	3.0		3.0	
b. Class 4 port property tax rate cap	1.2		1.2	
6. Existing policy and legislation that limit local government's ability to manage cost increases				
a. The collective bargaining legislative framework	10.0		10.0	
b. Police Act provisions around police board budgeting	5.6		5.6	
Subtotal (where quantified)	34.8	-	34.8	-
C. Emerging Areas of potential senior government partnership				
7. Areas of emerging service need that have resulted in an expanded mandate for municipalities				
a. Climate Emergency Response	42.0	50.0	92.0	
b. Climate adaptation			Not Available	
c. Cyber Security			Not Available	
d. Supporting communities through economic and labour market transition	0.7	1.5	2.2	
8. Vancouver as a regional centre				
a. Support for the City as a regional cultural centre			Not Available	
b. Costs of streets, bridges and other renewal to support regional traffic			Not Available	
c. Events such as Celebration of Light	2.0		2.0	
d. Support for local economic development	3.0		3.0	
Subtotal (where quantified)	47.7	51.5	99.2	-
Grand total (where quantified)	123.0	230.1	353.1	44.0

The cost impacts noted in this report represent a significant ongoing financial challenge for the City, and also a significant opportunity to build partnerships with senior government and look for ways to improve coordination, expand revenue tools, and provide stable and predictable funding.

If you have any questions, please feel free to contact me at patrice.impey@vancouver.ca / 604.873.7610.

Best Regards,

A handwritten signature in black ink, appearing to read 'Patrice Impey', written in a cursive style.

Patrice Impey

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