



Report Date: November 26, 2024  
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Meeting Date: December 3, 2024  
[Submit comments to Council](#)

TO: Vancouver City Council  
FROM: General Manager of Finance and Supply Chain  
SUBJECT: 2025 Draft Operating and Capital Budget

**RECOMMENDATIONS:**

- A. THAT Council approve the following increases to the Vancouver Police Board (VPB) Operating Budget, as outlined in the 2025 Draft Operating Budget section of Appendix 1 of this report:
- a) \$4.5 million increase for the levy payment to E-Comm 9-1-1 for dispatch and radio services;
  - b) \$3.9 million salaries and benefits adjustments and increments per collective agreements expiring in December 2024;
  - c) \$1.7 million for fixed cost increases for items such as fleet maintenance, insurance, utilities, and other expenditures;

FURTHER THAT the above constitutes Council's approval of the Vancouver Police Board 2025 Draft Operating Budget of \$453,433,698 in expenditures and transfers and \$31,982,020 in revenues as outlined in the operating budget section of Appendix 1 of this report.

- B. THAT Council approve the Vancouver Board of Parks and Recreation 2025 Draft Operating Budget of \$183,894,419 in expenditures and transfers and \$85,173,300 in fee and program revenues as outlined in the operating budget section of Appendix 1 of this report.
- C. THAT Council approve the Vancouver Public Library Board 2025 Operating Budget of \$64,454,081 in expenditures and transfers and \$3,798,200 in fee and program revenues as outlined in the operating budget section of the operating budget section of Appendix 1 of this report.
- D. THAT Council approve the 2025 Property Endowment Fund (PEF) Operating Budget of \$62,511,507 in revenues and \$62,511,507 in expenses (including transfers) as outlined in Appendix 1 of this report.

- E. THAT Council approve the 2025 Vancouver Affordable Housing Endowment Fund (VAHEF) Operating Budget of \$15,624,304 in revenues and \$15,624,304 in expenses (including transfers) as outlined in Appendix 1 of this report.
- F. THAT, subject to approval of recommendations A to E, Council approve the 2025 Draft Operating Budget of \$2,355,890,505 outlined in Appendix 1, resulting in an overall property tax increase of 5.5%, and direct staff to bring forward for adoption by Council a resolution consistent with the above approval to authorize the 2025 General Purposes Tax Levy in accordance with the Vancouver Charter.
- G. THAT Council approve VPB’s draft 2025 Capital Budget as outlined in the Capital Budget section of Appendix 1 of this report with details in Appendix A & B:
- a. Funding for new Multi-Year Capital Projects totalling \$18.5 million, with details in Appendix A and B of Appendix 1 of this report. Funding source for the multi-year requests are:
    - i. Operating revenue that funds capital projects \$6.5 million
    - ii. Plebiscite and Utilities Debenture borrowing \$0.2 million
    - iii. Fleet Reserve \$11.8 million
  - b. 2025 Capital Expenditure Budget of \$12.1 million, with details in Appendix B of Appendix 1 of this report.
- H. THAT Council approve \$629 million for new Multi-year Capital Projects to begin in 2025, as outlined in the capital budget section of Appendix 1 of this report with details in Appendix A and B. Funding sources for total 2025 budget requests as follows:
- a. Operating revenue that funds capital projects (Property Tax) \$96.1 million
  - b. Operating revenue that funds capital projects (Utility Fees) \$77.3 million
  - c. Plebiscite and Utilities Debenture borrowing \$154.3 million
  - d. Special purpose reserves \$146.7 million:
    - i. Fleet Reserve \$72.8 million
    - ii. Empty Home Tax (EHT) Reserve \$15.0 million
    - iii. Capital Financing Fund \$16.0 million
    - iv. Capital Facilities Reserve \$36.3 million
    - v. Hastings Park (HP) Reserve \$3.6 million
    - vi. Meter Reserve \$3.0 million
  - e. Developer contributions \$119.6 million:
    - i. Development Cost Levies \$80.8 million
    - ii. Community Amenity Contributions (Cash) \$38.8 million
  - f. Other/External \$35.0 million
- I. THAT Council, subject to approval of recommendations G to H, or as amended, approve the 2025 Capital Expenditure Budget in the amount of \$880 million outlined in the capital budget section of Appendix 1 of this report with details in Appendix B.

## Purpose and Executive Summary

This report summarizes the 2025 Draft Operating and Capital Budget as developed by staff for Council's consideration. The document attached as Appendix 1 includes comprehensive details about the 2025 Draft Budget.

This report proposes a \$2.4 billion 2025 Draft Operating Budget supported by a property tax increase of 4.5% for City Services, and a continued 1% increase for infrastructure renewal, for a total increase of 5.5%. The 2025 Draft Budget includes increases for fixed and contractually obligated costs to maintain existing service levels, inflationary increases for material and supplies, negotiated salaries and benefits increases, contingencies, increased costs passed on to the City by external agencies, and the annualized impact of Council-directed investments. The 2025 Draft Budget also includes the impact of proposed fee increases for utilities averaging 18.2%. In 2025, Sewer utility fees are increasing by 37%, largely because of significant additional charges from Metro Vancouver. These charges stem from the costs associated with North Shore Wastewater Treatment Plant and required regional infrastructural investments.

This report outlines the significant new revenues and efficiencies that have been identified in order to balance the budget in accordance with Council's direction to develop the budget with a property tax increase not higher than 5.5%. All City departments and Boards have cost pressures that are not funded within the draft budget, and while many of these are managed through new revenues, efficiencies, and prioritization, this report provides a list of unfunded initiatives that could not be accommodated with the Draft Budget. This report also includes new revenues and efficiencies identified subsequent to the finalization of the 2025 Draft Budget, and Council can incorporate these into the budget through amendments to the recommendations. These revenues and efficiencies could further lower the property tax increase to as low as 3.9%, or could be directed by Council to fund initiatives not currently included in the 2025 Draft Budget.

The recommended 2025 Capital Budget supports delivery of initiatives outlined in the 2023-2026 Capital Plan. For 2025, the City is prioritizing the delivery of \$1.18 billion in previously approved multi-year capital projects, alongside \$629 million in new investments. The total capital expenditure budget for 2025 is \$880 million, marking a 13% increase from 2024, reflecting an increased rate of renewing end-of-life assets and supporting new investments to accommodate growth. Notable projects in the 2025 Capital Budget include rehabilitation and seismic upgrades to the Granville and Cambie bridges; renewal and expansion of the Grandview FireHall No. 9; continued implementation of the Sewer Main Renewal; and ongoing capital maintenance of community centres and other City facilities.

As a companion to this 2025 budget report, the City is also publishing a [mid-term progress report](#) against Council priorities, as articulated in [Vibrant Vancouver: City Council's 2023-2026 Strategic Priorities](#).

## Council Authority/Previous Decisions

The Vancouver Charter, the Library Act, the Police Act, and the City's Operating and Capital Budget policies govern the requirements for the City budget. The Director of Finance is to present the estimates of revenues and expenditures to Council no later than April 30 of each fiscal year and Council must adopt a resolution approving the budget and a rating by-law establishing general purpose tax rates as soon thereafter as possible.

In alignment with best practices and following the recommended criteria for transparency of municipal budgets outlined by the C.D. Howe Institute, it has been Council practice to approve

the City's Operating and Capital Budget before the beginning of the fiscal year. This ensures a budget is in place to guide operational decisions and spending throughout the fiscal year, so the Draft 2025 Budget is presented here for Council's consideration.

### **City Manager's Comments**

The City Manager concurs with the foregoing recommendations.

In the development of the 2025 Draft Budget, including ongoing work since the publication of the Draft Budget to identify additional opportunities to mitigate tax and fee increases, staff have been acutely conscious of the affordability challenges facing residents and businesses in Vancouver. Taking into account that affordability imperative, the Draft Budget reflects the aim of preserving current service levels and the mandate to deliver outcomes articulated by Council in *Vibrant Vancouver: 2023-2026 Strategic Priorities*.

The property tax adjustment recommended in the 2025 Draft Budget includes an increase of 1% specifically targeted to address the historical shortfall in investment to renew the City's aging infrastructure. This incremental property tax increase builds on similar increases approved by Council in recent years to fund infrastructure renewal. Recognizing that the additional 1% property tax increment represents an immediate cost for residents and businesses, this funding will provide critical capacity to replace aging assets in a timely and cost-effective manner, mitigating future costs and the substantial risks associated with failure of essential infrastructure. The City Manager strongly supports Council's commitment to accelerate the pace of infrastructure renewal as a prudent direction that is fundamental to the City's financial sustainability over the long term.

### **Context and Background**

In May 2024, staff presented the 2025 Budget Outlook that indicated that without taking further action to increase revenues or reduce costs, a property tax increase of 7% would be required to balance the budget. Council provided direction to staff to develop the 2025 budget with a property tax increase not higher than 5.5%, and to provide scenarios to Council for a lower property tax increase. The 2025 Draft Budget was developed in accordance with Council's direction.

### **Discussion**

The Budget Highlights, Capital Budget and Operating Budget section of Appendix 1 of this report includes comprehensive details about the 2025 Draft Budget.

### **2025 Draft Operating Budget**

The 2025 Draft Operating Budget of \$2.4 billion is supported by an average increase of 6% for program and licence fees and 3% in permitting and development fees, in addition to a property tax increase of 5.5% and utility rate increase of 18.2%. This translates to an increase of \$226 million or 10.6% from the 2024 restated budget. The increase in the Operating Budget is related to increases for fixed and contractually obligated costs reflective of the current inflationary environment and Council-directed investments for maintaining service levels, including the following:

- Ongoing costs related to fleet replacement, building maintenance in Parks & Recreation, software license fee increases, cost of living adjustments for Community Policing Centres and stabilizing operations in Vancouver Public Library
- Core service gaps such as ongoing inspection requirements for Stanley Park train, increase in City costs related to shelter provision, tree maintenance and urban forestry, and costs for DTES washrooms
- Council-approved investments for additional staffing resources approved in the 2023 Budget to support the Vancouver Fire Rescue Services operational review that would capture a full staffing impact for 2025 as well as for the transition to PFAS-free bunker gear approved in the 2024 Budget for fire fighters
- Utilities fees primarily driven by Sewer fees increase in levies charged by Metro Vancouver due to significant cost escalation associated with the North Shore Wastewater Treatment facility

In alignment with the City's Sustainable Financial Planning Framework, the 2025 Draft Operating Budget is focused on identifying new revenue opportunities, leveraging existing capacity to deliver service improvements, and advocating for senior government funding and partnerships. The 2025 Budget includes approximately \$9.5 million of additional revenue through fee optimization, expansion of specific services and sponsorship, naming rights, advertising and donations.

### **Options for lowering property taxes**

In response to the 2025 Budget Outlook presentation in May 2024, Council directed staff to develop the 2025 Operating Budget with a property tax increase not higher than 5.5%, and to provide scenarios for Council to consider with a lower property tax increase.

Based on information received after the 2025 Draft Budget was finalized, staff have identified additional revenue opportunities which are incremental to 2025 Draft Budget, and which could be incorporated into the final budget to result in a lower property tax increase or reallocated to fund items currently not included in the Draft Budget. For clarity, the recommendations contained in this report are aligned to match the 2025 Draft Budget in appendix 1, and Council may incorporate the additional items in this section through amendments to the recommendations.

- Tax levy adjustment of \$5 million. The City received an estimate of the 2025 assessment roll from BC Assessment in November, which results in a \$5 million increase in the estimate of property tax from new construction.
- Investment income increase of \$4.3 million. Based on an updated forecast of investment income surpluses and a review of projections for 2025, staff have identified an additional \$4.3 million that could be incorporated into the 2025 budget.
- Allocation of the PEF dividend to offset property tax of \$8.4 million. As a result of continued work to optimize returns generated from PEF assets, in alignment with the Mayor's Budget Task Force recommendations, ongoing increases to the PEF dividend are supported and could be used to further reduce the property tax increase or to reallocate to fund items currently not included in the Draft Budget.

- Capital efficiencies of \$1 million. Through the identification of efficiencies in the overall capital program, savings will be identified that will provide a \$1 million annual savings in the operating budget while continuing to deliver outcomes as identified in the updated Capital Plan. Staff will report back in 2025 with details of specific project implementation and adjustment to project budgets.

Should Council amend the final budget to incorporate these revenues, and assuming no other adjustments to fund pressures not included in the Draft Budget, the property tax increase could be reduced from 5.5% total to 3.9% total.

As part of developing the 2025 budget, all City departmental areas, including Boards, identified cost pressures that could not be funded within the 5.5% property tax scenario. All departments were asked to identify efficiencies that could help manage cost pressures and advance work on Council's priorities within the 5.5% scenario. The efficiencies are itemized in Appendix 2 of this report. In cases where there are potential service implications related to pressures not funded in the 2025 Draft Budget, those unfunded items are noted in Appendix 3, and include \$16.1 million in funds under consideration from the Vancouver Police Board, as well as Board of Parks & Recreation, Engineering Services and Vancouver Public Library

For the VPD items, the Vancouver Police Board will provide Council with a summary of the approved Board budget prior to the December 3<sup>rd</sup> Budget presentation. Staff have advised the Board that several items, which have previously been managed from contingency, could continue to be managed in this way. This includes requested additional funding for protests, integrated homelessness response, and the Alcohol on Beaches program.

### **2025 Draft Capital Budget**

The Annual Operating Budget includes funding equivalent to 1% of property tax increase for infrastructure renewal in line with the 2023-2026 Capital Plan, which contemplates a total of \$3.8 billion in infrastructure investments to improve Vancouver's livability, sustainability and resilience. In developing the 2025 Budget, Staff have prioritized the delivery of existing approved multi-year projects, along with new investments from 2023-2026 Capital Plan. The Draft 2025 Capital Budget provides detailed information and outcomes on one-time projects and ongoing programs that will be starting in 2025, as well as their associated funding and spending for the year. The Draft Capital Budget includes new Multi-Year Capital Budget Allocations of \$629 million and Annual Expenditure Budget of \$880 million. Some of the new funding included in the Draft 2025 Capital Budget will advance the following work:

- Funding required to initiate the procurement process for the design and construction phases of major one-time projects, such as the Andy Livingstone synthetic turf renewal, the renewal and expansion of Grandview Woodland FireHall #9 and Downtown South Firehall #8, and the renewal and expansion of the PNE Amphitheatre.
- Funding for ongoing programs, such as the Sewer Main Renewal program and Active Transportation Corridors program, and ongoing capital maintenance and renovations of City infrastructure.

Additional multi-year capital budget requests will be brought forward to Council for approval throughout 2025 in alignment with the implementation and delivery schedules for the projects and programs.

## Mid-Term Progress Report on Vibrant Vancouver: City Council's 2023-2026 Strategic Priorities

As a companion to this 2025 budget report, the City is also publishing a mid-term progress report against Council priorities, as articulated in Vibrant Vancouver: City Council's 2023-2026 Strategic Priorities. This progress report contains an extensive list of accomplishments over the past two years that advance each of Council's nine stated strategic objectives, stated below.

1. **Vibrant and diverse.** We do all we can to ensure Vancouver is a dynamic and vibrant city, with a great range of exciting and engaging amenities and events throughout the city.
2. **Housing.** We work with senior governments and other partners to address the local housing crisis, with the goal of ensuring that appropriate housing options are available for everyone in Vancouver.
3. **Supporting business.** We ensure the City is doing our part to ensure our local economy is robust and resilient, and Vancouver is a place in which businesses can thrive and succeed.
4. **City services and infrastructure.** We deliver the high-quality city services and public infrastructure that make Vancouver a healthy, safe, beautiful and enjoyable place for everyone.
5. **Safety and security.** We work to provide effective emergency response and emergency planning services that make Vancouver safe and enjoyable for everyone.
6. **Climate emergency.** We are responding to the climate emergency through environmental initiatives, greenhouse gas emission reductions, and climate change adaptation measures.
7. **Healthy, inclusive and equitable.** We put Vancouverites' physical and mental health front and centre as we make service, infrastructure and policy decisions, and strive to alleviate barriers to residents' well-being and sense of belonging.
8. **Reconciliation.** We maintain mutually respectful relationships with and work to support and advance the rights of local Indigenous nations and Urban Indigenous people.
9. **Good government.** We responsibly steward the public funds with which we are entrusted, ensure we have an efficient administrative infrastructure, and maintain a high-performing, engaged workforce.

### Financial Implications

This report summarizes a \$2.4 billion Draft Operating Budget with an increase of \$226 million or 10.6% from the 2024 Restated Budget. The 2025 Draft Operating budget includes a proposed property tax rate increase of 5.5% and utilities rate increase of 18.2%. The estimated total tax increase for 2025 is on average an additional \$77 per year for median strata owners, \$211 per year for median single-family owners and \$403 per year for median businesses. The estimate total utilities fees increase for 2025 is on average an additional \$78 per year for median strata owners, \$386 per year for median single-family owners and \$377 per year for median businesses.

The 2025 Draft Capital Budget includes new Multi-Year Capital Budget Allocations of \$629 million and Annual Expenditure Budget of \$880 million.

**Legal Implications**

The City’s overall budgetary process is set out in the Vancouver Charter, and other statutes. The recommendations in this report comply with the relevant statutory framework.

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