



ADMINISTRATIVE REPORT

Report Date: December 17, 2009
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Meeting Date: December 18, 2009

TO: Vancouver City Council
FROM: General Manager of Financial Services
SUBJECT: 2010 Operating Budget - Final Estimates

RECOMMENDATION

- A. THAT Council approve the budget resolution attached as Appendix 2 thereby adopting the final 2010 Operating Budget with a property tax increase of 2.0%
- B. THAT Council approve the funding requests and the proposed service adjustments as outlined in the Administrative Report dated December 1, 2009, entitled 2010 Operating Budget: Proposed Budget and Public Consultation Update.
- C. THAT Council approve the Parking Meter program enhancements outlined in the Administrative Report dated December 1, 2009, entitled 2010 Operating Budget: Proposed Budget and Public Consultation Update, reflecting \$4.4 million of revenues incorporated in the 2010 estimates, and instruct the Director of Legal Services to amend the appropriate By-Laws and be authorized to execute and deliver on behalf of the City all legal documents required to implement this recommendation.
- D. THAT Council approve the Park Board Global Budget of \$60,293,500 outlined in the Administrative Report dated December 1, 2009, entitled 2010 Operating Budget: Proposed Budget and Public Consultation Update. Adjustments to the Global Budget will be made at a later date once the Vancouver Services Review implementation plans have been developed.
- E. THAT Council approve the recommendation of the Corporate Management Team to change the planned January 1, 2010 salary increase of 4% for exempt staff to a 2% increase commencing January 1, 2010 followed by the remaining 2% increase on July 1, 2010. Council will request that the Library and Police Boards consider this same recommendation for their exempt staff, and that their budgets, the Park Board budget and the City departmental budgets be adjusted accordingly with the savings allocated to Contingency Reserve.

CITY MANAGER'S COMMENTS

The City Manager RECOMMENDS approval of the foregoing.

COUNCIL POLICY

The Vancouver Charter requires that the Director of Finance presents the estimates of revenues and expenditures to Council no later than April 30 each year and that Council adopt a resolution approving the budget and a rating bylaw establishing general purpose tax rates as soon thereafter as possible.

Council approvals are required for changes in service levels, either expansions or reductions, and allocation of funding from general revenues or taxation.

PURPOSE

The purpose of this report is to present the final estimates of revenue and expenditures for 2010 to Council for approval and adoption of the budget resolution in Appendix 2.

BACKGROUND

On December 1, 2009, Council considered the *2010 Operating Budget: Proposed Budget and Public Consultation Update Report* and approved in-principle the following recommendations, subject to public input on December 3, 2009, December 9, 2009, and December 14, 2009:

- A. The 2010 Proposed Operating Budget as outlined in the Administrative Report dated November 12, 2009, entitled "2010 Operating Budget: Proposed Budget and Public Consultation Update" and detailed in Table 1 in that report, and instruct the Director of Finance to bring the budget into balance with a 2.0% general purposes tax increase.
- B. THAT Council approve the funding requests outlined on page 12 of the Administrative Report dated November 12, 2009, entitled "2010 Operating Budget: Proposed Budget and Public Consultation Update" and the proposed service adjustments outlined in Appendix 3 of that report.
- C. THAT Council approve the Parking Meter program enhancements outlined in Appendix 4, reflecting \$4.4 million of revenues incorporated in the 2010 estimates, and instruct the Director of Legal Services to amend the appropriate By-Laws.
- D. THAT Council approve the Park Board Global Budget of \$60,293,500, comprised of \$102,535,200 expenditures and \$42,241,700 revenues. Adjustments to the Global Budget will be made at a later date once the Vancouver Services Review implementation plans have been developed.

All positions are subject to classification by the General Manager of Human Resource Services

- E. THAT Council directs all City Departments and Boards to commit to the implementation of the Vancouver Services Review and shared services and process improvement initiatives with target savings of \$10.2 million in 2010, including a review of the "span of control" or balance between supervisory and other personnel to ensure an appropriate, efficient and effective level of supervision.

- F. THAT the City Manager continue efforts across Departments and Boards to identify and assess cost saving measures, revenue generation models and alternate funding sources in order to preserve priority programs and services.

As a result of these in-principle approvals, Council instructed the Director of Finance to bring the 2010 Operating Budget into balance with a general purpose tax increase of 2.0%.

Council also approved on March 13, 2008 a 1% annual redistribution of the property tax levy from the non-residential property class to the residential property tax over five years. This represented a 2.0% increase for residential properties and a 2.0% decrease for non-residential properties, resulting in an estimated net 4.0% increase for residential properties and net 0.0% increase for non-residential properties for the 2010 property tax levy.

DISCUSSION

1. Final Budget Position

Based on the direction provided by Council on December 1, 2009, staff has worked to bring the budget into balance within the property tax guidelines approved in principle by Council.

Appendix 1 reflects the final estimates and all the recommendations approved in-principle by Council on December 1, 2009. The general purposes tax levy has increased by 2.0%, adding \$11.1 million taxation revenue to the budget. These adjustments bring the 2010 Operating Budget into a balanced position as follows:

| | (\$m) | (\$m) |
|--|------------|----------------|
| Revenues | | |
| Taxation Revenue | \$602.7 | |
| General Revenue | 174.2 | |
| Utility Fees | 175.7 | |
| Transfers | <u>7.2</u> | \$959.8 |
| Expenditures | | |
| Departmental Expenditures ¹ | \$674.2 | |
| Utility Expenditures | 203.5 | |
| Capital Program | 76.5 | |
| Transfers | <u>5.7</u> | <u>\$959.8</u> |
| Net Budget Position | | <u>\$0</u> |
| Property Tax Increase Applied to Budget | | 2.0% |

¹Departmental budgets will be adjusted to include Council approved adjustments (311, Vancouver Services Review).

The 2010 Operating Budget is summarized as follows:

| | \$ MILLION | % TAX |
|---|-------------|-------------|
| Opening Budget Pressures | 61.7 | 11.2% |
| Revenue Opportunities | (10.9) | |
| 2010 Bridging Strategies | (12.6) | |
| 2010 Vancouver Services Review Savings | (10.2) | |
| Priority Investments | 1.9 | |
| Proposed Service Reductions | (20.2) | |
| Increase in Contingency Reserve | 1.3 | |
| Council Target Property Tax Increase | 11.1 | 2.0% |

Along with the change in the total municipal tax levy from year to year determined by Council, property taxes will also be impacted by the continuation of the 1% redistribution of the municipal tax levy from non-residential to residential properties as recommended by the Property Tax Policy Review Commission and adopted by Council in March 2008.

This municipal tax levy redistribution is equivalent to a 2.0% increase for residential properties and a 2.0% decrease for non-residential properties.

2. Proposed Exempt Salary Increase

Recognizing the difficult economic and market conditions, low wage inflation rates and the challenging financial position of the City, the Corporate Management Team has recommended that the planned salary increase for exempt staff (across the City and its Boards) of 4% be changed to a 2% increase commencing January 1, 2010 followed by the remaining 2% increase on July 1, 2010. The Library Board & Police Board will be requested to formally consider this proposed change. CMT has recommended that the estimated savings of \$650,000 from this adjusted increase be removed from Boards and departmental budgets and added to the Contingency Reserve, increasing it from \$5.3 million to \$5.95 million. (This change is not reflected in Appendix 1 pending Council's approval.) As noted in the December 1, 2010 Operating Budget report, a number of risks exist in the current budget including the time to realize savings from service adjustments and the VSR, and additional Contingency will reduce this risk and support the organization as it proceeds with these changes.

3. Impact of the Budget on Property Taxes and Utility Fees

The table below summarizes the impact of the property tax and utilities increases on residential and non-residential properties valued at \$782,000 (the average valued home in Vancouver based on the 2009 Completed Roll).

| | RESIDENTIAL 4.0% Tax Increase | | NON-RESIDENTIAL 0.0% Tax Increase | |
|---------------------------|----------------------------------|--------------|--------------------------------------|-------------|
| | 2010 Taxes & Fees | Change | 2010 Taxes & Fees | Change |
| Property Taxes | \$1,682 | \$65 | \$7,560 | (\$3) |
| Solid Waste Utility | 221 | 18 | 133 | 6 |
| Sewer Utility | 227 | 32 | 239 | 36 |
| Water Utility | 417 | 38 | 397 | 36 |
| Total Utilities | 865 | 88 | 769 | 78 |
| Total City Charges | \$2,547 | \$153 | \$8,329 | \$75 |

- 2010 opening municipal tax levy is calculated based on 2009 Supplementary Roll Cycle 8 with preliminary new construction and non-market adjustments as of November 13, 2009 subject to refinement
- Effect of legislative tax rate cap on Class 2 properties and eligible Class 4 tenant-occupied port properties not included
- 1% municipal tax levy redistribution is equivalent to 2.0% increase for residential municipal tax levy and 2.0% decrease for non-residential municipal tax levy
- The 2009 Average Residential Property was \$782,000
- Impact on individual properties may vary depending on the relative change in value of a property compared to other properties in the same class; and the impact that the City's rolling three-year land assessment averaging program has on the value of a property for tax calculation purposes
- Taxes levied by other taxing authorities - Provincial School, Translink, BC Assessment, Greater Vancouver Regional District (Now known as Metro Vancouver), and Municipal Finance Authority - are not included. Council has no control over the amounts collected by these taxing authorities.
- Non-residential properties are charged for utility services based on consumption of services rather than as a flat fee. Water and Sewer charges for these properties increased by the same percentages as residential properties - to calculate impact, assumed average flat water consumption levels.

Approximately 800 commercial and institutional properties receive garbage collection services by the City.

In addition to these City charges, the levies from other taxing authorities may change. At the time of writing, the City has not been notified of the exact amounts and percent change.

3. The Budget Resolution

With approval of the Recommendation in this report, the 2010 Operating Budget will be brought into balance and the 2010 budget cycle completed. Council approval of this final position requires adoption of the budget resolution attached as Appendix 2.

4. Final Steps

Final approval of the 2010 Operating budget is occurring prior to the finalization of the BC Assessment roll.

In spring 2010, the Director of Finance will seek Council consideration of the 2010 land assessment averaging program as the method for calculating property taxes, and will seek Council approval on the distribution of the general purpose tax levies among the property classes in 2010.

After receiving Council direction, the Director of Finance will, in early May 2010, bring forward a report summarizing the property tax levies, bylaws establishing general purpose and regional district property tax rates and introducing resolutions to adjust tax rates of the other taxing authorities to give effect to the averaging program, if approved.

Adjustments will be made in May 2010 to the final property tax increase to reflect the finalization of the BC Assessment roll.

CONCLUSION

The approval of the attached resolution will finalize the process of balancing the 2010 Operating Budget.

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Appendix 1: 2010 Budget - Summary

| | 2009 Council Approved Budget | 2010 Proposed Estimates | Change over 2009 | % Change over 2009 Budget |
|--|------------------------------------|-------------------------------|---------------------|---------------------------------|
| <u>Summary of Revenues</u> | | | | |
| Taxation Revenues | (552.2) | (554.7) | (2.5) | 0.5% |
| Required increase in Taxation Revenues | - | (11.1) | (11.1) | -2.0% |
| Other Revenue from Taxation | (36.9) | (36.9) | (0.0) | 0.0% |
| Other Revenues (excl. PB and Civic Theatres) | (122.2) | (125.4) | (3.2) | 2.6% |
| - Park Board Revenue | (40.6) | (42.2) | (1.6) | 4.0% |
| - Civic Theatres Revenue | (6.4) | (6.6) | (0.3) | 4.0% |
| Utility Fees | (158.1) | (175.7) | (17.6) | 11.2% |
| Transfers from Other Funds/Reserves | (7.2) | (7.2) | - | 0.0% |
| | (923.5) | (959.8) | (36.3) | 3.9% |
| <u>Summary of Expenditures</u> | | | | |
| Total CSG (incl. Civic Theatres & Grants) | 74.0 | 75.4 | 1.5 | 2.0% |
| Engineering Services (excluding Utilities) | 64.8 | 66.2 | 1.4 | 2.2% |
| Utilities Expenditures | 189.8 | 203.5 | 13.7 | 7.2% |
| Vancouver Public Library | 38.0 | 39.0 | 1.0 | 2.6% |
| Parks and Recreation | 102.0 | 102.5 | 0.5 | 0.5% |
| Britannia Community Centre | 3.1 | 3.2 | 0.1 | 2.4% |
| Fire & Rescue | 86.4 | 85.8 | (0.6) | -0.7% |
| - Fire share of E-Comm | 3.9 | 4.1 | 0.2 | 5.0% |
| SUBTOTAL FIRE | 90.3 | 89.9 | (0.4) | -0.5% |
| Vancouver Police Department | 195.1 | 198.5 | 3.4 | 1.8% |
| - VPD share of E-Comm | 15.2 | 16.6 | 1.4 | 9.4% |
| SUBTOTAL VPD | 210.3 | 215.2 | 4.9 | 2.3% |
| Total Support Services | 63.0 | 69.4 | 6.4 | 10.1% |
| General Government | 9.1 | 8.1 | (1.1) | -11.7% |
| Contingency | 4.0 | 5.3 | 1.3 | 31.3% |
| Capital Program & Debt | 71.4 | 76.5 | 5.1 | 7.1% |
| Transfers | 3.7 | 5.7 | 2.0 | 53.4% |
| | 923.5 | 959.8 | 36.3 | 3.9% |

| | |
|--|-------------|
| Indicated Property Tax Increase | 2.0% |
|--|-------------|

*Fire and Rescue and the Vancouver Police Department 2010 budget estimates do not include full year wage increases due the expiration of their contract in March 2010

Appendix 2 RESOLUTION

MOVED BY Councillor:

SECONDED BY Councillor:

THAT WHEREAS, the Vancouver Charter, Section 219 requires that the Director of Finance submit to Council each year the detailed estimates of revenues and expenditures of the City for the year;

AND WHEREAS the Vancouver Charter, Section 372 requires that Council adopt the estimates of revenues and expenditures for the City as soon thereafter as possible;

AND WHEREAS Council has reviewed the development of the estimates in reports submitted by the Director of Finance on November 17, 2009, December 1, 2009, and December 18, 2009, and approved measures to bring the estimates into balance, including approval of a general purposes property tax increase;

AND WHEREAS the total estimated expenditures of the City to pay all debts and obligations of the City falling due in the year 2010, exclusive of the amounts required for school, Greater Vancouver Regional District, Greater Vancouver Transportation Authority, British Columbia Assessment Authority and Municipal Finance Authority purposes and not otherwise provided for, as amended by Council, amount to \$959,849,000;

AND WHEREAS the total estimated expenditures as aforesaid is the sum of the appropriation requests of all departments and boards properly supported by detailed analysis of those expenditures and listings of the salaried staff;

AND WHEREAS the total estimated revenue of the City for 2010 from sources other than real property taxes, as amended by Council, amounts to \$394,021,000;

AND WHEREAS the amount of the General Purposes Tax Levy so required is \$565,828,000.

THEREFORE BE IT RESOLVED THAT the said estimates, both as to totals and individual items pertaining thereto, of the Director of Finance as so amended by Council be and the same are hereby adopted by Council.

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