



A10

ADMINISTRATIVE REPORT

Report Date: December 3, 2010
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Meeting Date: December 14, 2010

TO: Vancouver City Council
FROM: General Manager of Financial Services
SUBJECT: 2011 Operating Budget - Final Estimates

RECOMMENDATION

- A. THAT Council approve the budget resolution attached as Appendix 2 thereby adopting the final 2011 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 November 15, 2010, entitled 2011 Operating Budget: Proposed Budget and Public Consultation Update.
- C. THAT Council approve the Parking Meter program enhancements outlined in the Administrative Report dated November 15, 2010, entitled 2011 Operating Budget: Proposed Budget and Public Consultation Update, reflecting \$1.5 million of net revenues incorporated in the 2011 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 \$55,325,906.

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

- E. THAT Council directs all City Departments and Boards to continue with the implementation of the Vancouver Services Review shared services and process improvement initiatives.

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 2011 to Council for approval and adoption of the budget resolution in Appendix 2.

BACKGROUND

On November 30, 2010, Council considered the *2011 Operating Budget: Proposed Budget and Public Consultation Update Report* and approved in-principle the following recommendations, subject to public input on December 2, 2010:

- A. THAT Council approve “in-principle” the 2011 Proposed Operating Budget, pending public input on December 2, 2010, as outlined in this report and detailed in Table 1, 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 16 and the proposed funding adjustments outlined in Appendix 3.
- C. THAT Council approve the Parking Meter program enhancements outlined in Appendix 4, reflecting \$1.5 million of net revenues incorporated in the 2011 estimates, and instruct the Director of Legal Services to amend the appropriate By-Laws.
- D. THAT Council approve the Park Board Global Budget of \$55,340,000, comprised of \$96,798,600 expenditures and \$41,458,600 revenues.

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

- E. THAT Council directs all City Departments and Boards to continue with the implementation of the Vancouver Services Review shared services and process improvement initiatives.

As a result of these in-principle approvals, Council instructed the Director of Finance to bring the 2011 Operating Budget into balance with a 2.0% increase in the general purpose tax levy.

In March 2008, Council adopted the recommendations of the Property Tax Policy Review Commission (“PTPRC”) that a target distribution of 52% residential and 48% non-residential be achieved (based on the 2008 Assessment Roll) by shifting \$23.8 million proportionately from Classes 2, 4, 5 and 6 to Classes 1, 8 and 9. In order to avoid the significant impact of the shift in one year, the PTPRC recommended that the shift be implemented at a rate of one percent of the overall tax levy per year.

This shift represents an approximate 2.0% increase for residential properties and an approximate 2.0% decrease for non-residential properties, resulting in an estimated net 4.0% increase for residential properties and no increase for non-residential properties for 2011.

DISCUSSION

1. Final Budget Position

Based on the direction provided by Council on November 30, 2010, 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 November 30, 2010. The general purposes tax levy has increased by 2.0%, adding \$11.4 million taxation revenue to the budget. These adjustments bring the 2011 Operating Budget into a balanced position as follows:

| | (\$M) | (\$M) |
|---|-------------|------------------|
| Revenues | | |
| Taxation Revenue | \$622.2 | |
| General Revenue | 197.5 | |
| Utility Fees | 199.2 | |
| Transfers | <u>10.7</u> | \$1,029.7 |
| Expenditures | | |
| Departmental Expenditures | \$712.1 | |
| Utility Expenditures | 228.4 | |
| Capital Program & Debt | <u>89.2</u> | <u>\$1,029.7</u> |
| Net Budget Position | | <u>\$0</u> |
| Property Tax Increase Applied to Budget | | 2.0% |

The 2011 Operating Budget is summarized as follows:

| | \$ MILLION |
|------------------------------|-------------|
| Budget Pressures | 55.6 |
| Net Revenue Increases | (29.0) |
| Funding from Reserves | (1.8) |
| Department Adjustments | (13.4) |
| Property Tax Increase | 11.4 |

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. Impact of the Budget on Property Taxes and Utility Fees

The table below summarizes the impact of the property tax and utilities increases on a residential and non-residential property valued at \$800,000.

| | RESIDENTIAL 4.0% Tax Increase | | NON-RESIDENTIAL 0.0% Tax Increase | |
|---------------------------|----------------------------------|--------------|--------------------------------------|-------------|
| | 2011 Taxes & Fees | Change | 2011 Taxes & Fees | Change |
| Property Taxes | \$1,792 | \$69 | \$7,811 | (\$3) |
| Solid Waste Utility | 228 | 6 | 135 | 2 |
| Sewer Utility | 248 | 21 | 261 | 22 |
| Water Utility | 467 | 50 | 445 | 48 |
| Total Utilities | \$943 | \$77 | \$841 | \$72 |
| Total City Charges | \$2,735 | \$146 | \$8,652 | \$69 |

- 2011 opening municipal tax levy is calculated based on 2010 Supplementary Roll Cycle 7 and new construction estimates 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
- 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 2011 Operating Budget will be brought into balance and the 2011 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 2011 Operating budget is occurring prior to the finalization of the 2011 Assessment roll.

In spring 2011, the Director of Finance will seek Council consideration of applying 2011 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 2011.

After receiving Council direction, the Director of Finance will, in early May 2011, bring forward a report summarizing the property taxes levied by the City and other taxing authorities for each property class, and seek Council adoption of the applicable rating by-laws and resolutions.

The final property tax increase will be adjusted to reflect the 2011 Assessment roll.

CONCLUSION

The approval of the attached resolution will finalize the process of balancing the 2011 Operating Budget.

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Appendix 1: 2011 Budget - Summary

| | 2010 Council Approved Budget | 2010 Budget after Restatements | 2011 Proposed Budget | Change over 2010 Restated Budget | % Change over 2010 Restated Budget |
|--|---------------------------------|--------------------------------------|-------------------------|--|---|
| Summary of Revenues | | | | | |
| Taxation Revenues | (602.9) | (602.9) | (610.8) | (7.9) | 1.3% |
| Required Increase in Taxation Revenues | 0.0 | 0.0 | (11.4) | (11.4) | |
| Other Revenues (excl. PB and Civic Theatres) | (128.4) | (129.9) | (147.5) | (17.7) | 13.6% |
| - Park Board Revenue | (39.0) | (39.0) | (41.5) | (2.4) | 6.3% |
| - Civic Theatres Revenue | (6.9) | (6.9) | (8.5) | (1.7) | 24.1% |
| Utility Fees | (186.4) | (186.4) | (199.2) | (12.8) | 6.9% |
| Transfers from Other Funds/Reserves | (7.2) | (7.2) | (10.7) | (3.6) | 49.7% |
| | (970.8) | (972.2) | (1,029.7) | (57.4) | 5.9% |
| Summary of Expenditures | | | | | |
| Community Services | 52.1 | 45.5 | 47.0 | 1.4 | 3.1% |
| Civic Theatres | 7.5 | 5.1 | 6.1 | 1.0 | 19.0% |
| Grants | 15.9 | 15.9 | 16.3 | 0.5 | 2.9% |
| Engineering Public Works | 67.9 | 64.4 | 64.7 | 0.4 | 0.6% |
| Utilities Expenditures | 214.2 | 214.2 | 228.4 | 14.2 | 6.6% |
| Engineering (incl Utilities) | 282.1 | 278.6 | 293.1 | 14.6 | 5.2% |
| Vancouver Public Library | 39.7 | 37.2 | 37.8 | 0.6 | 1.7% |
| Parks and Recreation | 99.3 | 95.0 | 96.8 | 1.8 | 1.8% |
| Britannia Community Centre | 3.2 | 3.2 | 3.4 | 0.2 | 6.7% |
| Fire and Rescue * | 85.8 | 85.5 | 88.0 | 2.5 | 3.0% |
| - Fire share of E-Comm | 4.1 | 4.1 | 4.1 | 0.0 | 0.0% |
| SUBTOTAL FIRE | 89.9 | 89.6 | 92.2 | 2.5 | 2.8% |
| Vancouver Police Department * | 198.5 | 193.1 | 198.6 | 5.5 | 2.8% |
| - VPD share of E-Comm | 16.6 | 16.6 | 16.6 | 0.0 | 0.0% |
| SUBTOTAL VPD | 215.1 | 209.8 | 215.3 | 5.5 | 2.6% |
| Support Services | 69.8 | 87.0 | 100.0 | 13.0 | 15.0% |
| Contingency | 6.0 | 6.0 | 6.2 | 0.2 | 2.5% |
| General Government | 8.0 | 17.2 | 19.9 | 2.7 | 15.7% |
| Capital Program & Debt | 76.5 | 76.5 | 89.2 | 12.7 | 16.6% |
| Transfers | 5.7 | 5.7 | 6.5 | 0.8 | 13.1% |
| | 970.8 | 972.2 | 1,029.7 | 57.4 | 5.9% |
| Indicated Property Tax Increase | | | | | 2.0% |

* Fire and Rescue and the Vancouver Police Department budgets do not include full year wage increases due to 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 October 19, 2010 and November 30, 2010 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 2011, 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 \$1,029,658,000;

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 2011 from sources other than real property taxes, as amended by Council, amounts to \$449,246,000;

AND WHEREAS the amount of the General Purposes Tax Levy so required is \$580,412,000;

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.