

From: "Johnston, Sadhu" <Sadhu.Johnston@vancouver.ca>

To: "Direct to Mayor and Council - DL"

CC: "City Manager's Correspondence Group - DL"

"Impey, Patrice" <Patrice.Impey@vancouver.ca>

Date: 12/10/2018 10:05:00 PM

Subject: Memo to Mayor and Council - 10 year budget trends

Attachments: Memo to Mayor and Council 10 year budget trends.pdf  
ATT00001.htm

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Good evening Mayor and Council,

Attached please find a memo updating Council on work done regarding the 2008 – 2018 budget trend and differences. This is in response to a referral motion from November 14<sup>th</sup> Standing Committee meeting.

The memo outlines the growth trends and the key changes over the years.

Further analysis will be provided to Council as it is completed, however I thought you'd be interested in getting the information that is currently available.

Should you have any questions, feel free to contact me or Patrice Impey.

Regards,

Sadhu

Sadhu Johnston  
City Manager  
City of Vancouver  
O: (604) 873 7627

## MEMORANDUM

December 10, 2018

TO: Mayor and Council

CC: Sadhu Johnston, City Manager  
John Miles, Director of FP&A  
Paul Mochrie, Deputy City Manager  
Lynda Graves, Administration Services Manager, City Manager's Office  
Rena Kendall-Craden, Civic Engagement and Communications Director  
Katrina Leckovic, City Clerk  
Neil Monckton, Chief of Staff, Mayor's Office  
Alvin Singh, Communications Director, Mayor's Office  
Anita Zaenker, Chief of Staff, Mayor's Office

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

SUBJECT: 10 year trend analysis 2008 - 2018

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Dear Mayor and Council,

This memo is to provide City Council with an update regarding the motion at the November 15<sup>th</sup> Standing Committee to report back on how the City's Budgets have changed in the years of 2008 to 2018. Staff have completed the initial analysis below with more information to be provided as available.

The City of Vancouver faces the challenges of a growing city – from renewing city infrastructure to ensuring new amenities to address increasing population and business in the City. Over the past 10 years, the City has gone through significant change in its spending and revenue mix impacting service areas and service delivery models to address changing demands and expectations, as well as its financial reporting methodologies to align more with best practices. Budget data from 2008 to 2018 is not fully comparable due to these changes in delivery models and reporting. Examples of service delivery and organizational changes include the introduction of shared services, new department configurations such as Development, Building and Licencing, and changing solid waste services such as organics and recycling.

Some of the key drivers of expenditure growth over the past 10 years include:

- Between 2006 and 2016, population in the City of Vancouver increased by over 50,000 residents over this 10-year period, approximately 1% per year (sourced from Statistics Canada from the 2006, 2011, and 2016 Census programs). The regional population for all of Metro Vancouver increased by nearly 350,000 residents in this same 10-year period. A growing population means more people are using City services, which puts pressure on existing infrastructure and public amenities and also drives the need for new and improved services.
- In the 10 year period, costs of Metro Vancouver utility infrastructure have grown well above CPI. There has also been increasing pressure for local governments to take on additional services and responsibilities from senior levels of governments, such as affordable housing and homelessness, childcare, and services related to mental health and the opioid crisis.
- The City has invested in improved services in the area of public realm cleanliness, sustainability, and green infrastructure as a few examples.
- License and development fee revenues have increased as a result of recent record permit volumes, with a corresponding investment in permitting resources.
- From 2000 to 2017, wages and benefits have growth above inflation, particularly for public safety wages which have grown at nearly double the rate of CPI over the same period.

The following table shows the 10 year growth trend on an inflation adjusted basis (using CPI) for Revenues, including the major revenue categories and Expenditures and Transfers (due to organization changes, further analysis on expenditure categories is needed).

Operating Budget (\$000)	2008	2018	Net Change	Net Change	Compounded	Inflation	Inflation	Net Change(%)
Major Growth Areas	Approved Budget	Approved Budget	2018/2008 (\$)	2018/2008 (%)	Annual Growth (CAGR) 2008-2018	Adjusted CAGR 2008-2018	CAGR	2018/2008 Adjusted for Inflation
<b>Total Revenues</b>	<b>945,879</b>	<b>1,407,293</b>	<b>461,414</b>	<b>48.8%</b>	<b>4.1%</b>	<b>2.6%</b>	<b>1.4%</b>	<b>29.1%</b>
<b>Major Growth Areas by CAGR</b>								
Property taxes	549,585	789,894	240,309	43.7%	3.7%	2.2%		24.7%
Other revenue	243,896	342,943	99,047	40.6%	3.5%	2.0%		22.0%
Utility Fees	152,398	274,455	122,057	80.1%	6.1%	4.6%		56.3%
<b>Total Expenditures &amp; Transfers</b>	<b>945,879</b>	<b>1,407,293</b>	<b>461,414</b>	<b>48.8%</b>	<b>4.1%</b>	<b>2.6%</b>	<b>1.4%</b>	<b>29.1%</b>

\*Property taxation compounded growth of 3.6% includes growth in new construction and other tax related revenues such as PILS...etc

\*\*Source 2008 audited financial statements; these may not be apples to apples comparison. Additional work is required.

Inflation adjusted growth in the operating budget from 2008 to 2018 is 29.1% or a compounded annual rate of 2.6%. Revenue streams have grown at different rates. Property tax revenue has grown 2.2% - note this includes compounded annual property tax increase of 2.8% over 10 years (1.4% on an inflation adjusted basis) and revenue from new construction and other tax related revenues.

Going forward as noted in the Budget Outlook, the City will continue to face challenges in the years ahead – such as renewing aging city infrastructure, continued downloading of services,

yearly pressures from growth in population and service expectations to continuing to build growing and livable communities. At the same time, responding to critical issues such as Climate change and seismic resilience will put pressure on maintaining financial sustainability. While property taxes increases have been below other lower mainland cities, there will be significant pressure on our cost structure going forward.

As noted in the Budget Outlook, over the next year we will be working with external consultants to chart a course for the next 10 years to grow our city in a financially sustainable way, including considering new and enhanced revenue opportunities and updating our service delivery models to increase capacity to deliver services to the public under the pressure of a growing city.

Should you have any questions, please feel free to contact me 604-873-7600 or [patrice.impey@vancouver.ca](mailto:patrice.impey@vancouver.ca).

Best regards,

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

Patrice Impey  
General Manager, Finance, Risk & Supply Chain Management  
604.873.7610 | [patrice.impey@vancouver.ca](mailto:patrice.impey@vancouver.ca)

