

# 2017-2021 BUDGET OUTLOOK

## Facing the opportunities and challenges of a growing city

Vancouver is a vibrant city with a strong economy that consistently attracts global attention for its livability and green initiatives. It's a great place to live, work and thrive. As a result, Vancouver's population, now at more than 600,000 (2.5 million in the Vancouver metropolitan area), continues to grow.

While having more people increases Vancouver's vitality, it also challenges the City of Vancouver's finances, and puts pressure on the city's affordability. The City must continuously balance the need to provide targeted services, infrastructure and programs, with the need to keep property-tax increases manageable for businesses and homeowners—while monitoring the impact of global, national and provincial financial and economic issues along the way.

The City has successfully addressed its financial challenges. Vancouver's tax increases in recent years have been consistently below the Lower Mainland average, while the City continues to maintain or improve its service levels to its residents. However, challenges remain especially in the areas of housing affordability, and addressing the health and safety issues among our most vulnerable populations.

development of the City of Vancouver's 2017 Budget and five-year financial plan. It describes the City's 2016 Budget, current Council priorities and the financial considerations for the 2017 Budget and the five-year financial plan. The 2017 Budget and five-year financial plan will be reviewed by Council and the public before final Council approval in December 2016.

## Today and tomorrow

The City's long-term priorities focus on its residents and making sure there are vibrant, safe communities as well as opportunities for jobs and a sustainable environment.



### People

Goal: Cultivate and sustain vibrant, creative, safe and caring communities for the wide diversity of individuals and families who live in, work in and visit Vancouver.

Vancouver is a lively and safe city with its vibrant arts and culture, green spaces and parks and strategies to enhance our health, environment and homes. The City continues to support the arts, this year funding five new, innovative Quick-Start Public Art Boost projects as well as future art projects for 2017 and 2018. As a City of Reconciliation, Vancouver supports our Aboriginal community and is a welcoming city for all.

Addressing the challenges of income disparities, drug addiction and mental health have meant that the City has taken on further investments in housing and the Downtown Eastside, and is managing increased demand for emergency services.

Housing affordability is an ongoing concern as Vancouver has some of the most expensive real estate in the world and housing and rental costs continued to

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This Budget Outlook outlines how the City sets its priorities for spending and how the City derives its income in formulating the City's budget and five-year financial plan, with the objectives of:

- Building a sustainable city
- Enhancing the city's vibrancy, affordability and livability
- Maintaining the City's financial health and enhancing operational effectiveness
- Fostering Canada's leading economy

In doing so, the City must:

- Support our residents and keep our neighborhoods safe and vibrant
- Encourage business growth and investments
- Provide sustainable strategies to accommodate population growth

The 2017-2021 Budget Outlook provides the context and factors that influence the

escalate through the first half of 2016. The City remains committed to housing as an investment priority.

Key housing initiatives in 2016 included:

- Housing Strategy Re:set: at the halfway point in our 10-year Housing and Homelessness Strategy (2012-2021) and in response to the emerging housing affordability crisis in Vancouver, the City will review and update the Housing Strategy and ensure the most up-to-date thinking is reflected in Vancouver's submission to the federal government's National Housing Strategy.
- Family Housing policy: a policy that will help make our neighbourhoods more family friendly with a minimum requirement of 35% family units in new residential strata projects.
- Empty Homes tax: a targeted tax aimed at converting long-term vacant homes to rental housing units.
- Affordable Home Ownership pilot program: a program to make 300 homes available for local buyers, subject to appropriate authority being granted by the provincial government.
- Vancouver Affordable Housing Agency: 650 new affordable-housing units are in the planning-and-design phase with the expectation they will advance through the development-permit stage in the next few months.
- Modular Homes – the City's first pre-fabricated modular housing pilot project, which will deliver 40 self-contained units in the spring of 2017 and up to 80 units of shelters in the fall of 2016.
- Jubilee House: 162 new affordable homes for low-income seniors relocating from the existing Jubilee House and to accommodate additional low- to moderate-income residents.
- Vancouver Land Trust Partnership: a partnership to build more than 350 new rental homes on City-owned properties.

## Environment



The City's Greenest City 2020 Action Plan is an ambitious roadmap for Vancouver becoming the greenest city in the world by 2020. With a number of environmental and sustainability directives, the plan is divided into 10 goals addressing three focus areas: zero carbon, zero waste and healthy ecosystems.

Where are we now? Where are we going?

- Community greenhouse gas emission decreased by 15% since 2007, in line with our goal of a 33% reduction by 2020.
- Exceeded the 2020 target to decrease kilometres-driven per person since 2007 by 20%. This year we reached 27%.
- Already met the 2020 target to have 50% of all trips made by walking, cycling or transit.
- Reduced the amount of solid waste going to the landfill by 23%, well on the road to our goal of a 50% reduction by 2020.
- The amount of water consumption per person has reduced by 15% compared to 2006 levels, aiming towards a 33% reduction by 2020.

Vancouver is also a global leader in its green goals and was a major force at the United Nations Climate Change Conference in 2015, joining other countries aligned in negotiating the Paris Agreement to reduce climate change around the world.



## Prosperity

**Goal:** Provide and enhance the services, infrastructure and conditions that sustain a healthy, diverse and resilient local economy.

Vancouver's economy is strengthened by new and emerging businesses settling in the city such as tech, film and green industries, alongside long-term industries already firmly established, such as the Port of Vancouver and the construction industry. With Vancouver's transportation networks, skilled talent and appealing communities, the City is a draw for new

and varied businesses. This economic diversity helps Vancouver weather global and national economic volatility and uncertainty.

## Economic context

A resilient economy fosters dynamic businesses and sustainable employment and helps retain professionals, families and individuals to live and work in Vancouver.

When developing the long-term financial and capital plan, which informs the annual budget and five-year financial plan, the City considers local, regional and global economic factors. Understanding these constantly changing factors allows the City to manage near-term risks and uncertainties and to plan for long-term financial resilience and sustainability.

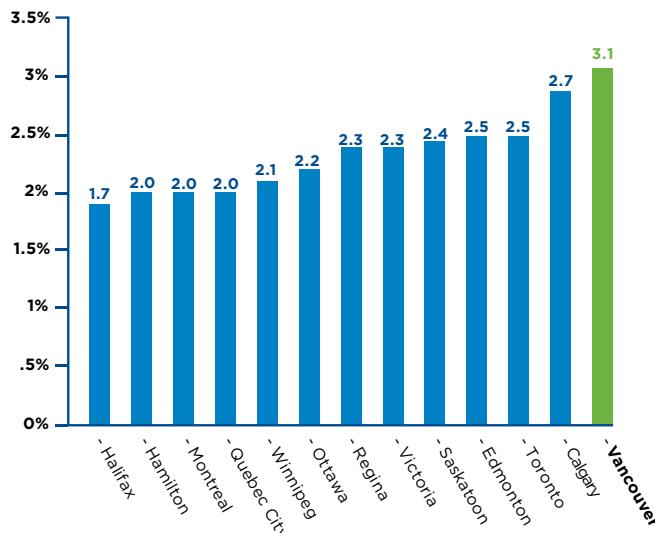
The economic outlook for Metro Vancouver, BC and Canada in the following sections is taken from the Conference Board of Canada Metropolitan Outlook Spring 2016 Report, which forecasts key economic indicators through 2020.

## Local context

A key measure of the economy is Gross Domestic Product (GDP). Sustained GDP growth is expected to drive business investments and job creation, leading to higher-paying wages, robust residential and office development and a growing property-tax base.

Metro Vancouver is projected to have the highest economic growth among major Canadian municipalities over the next four years. Real GDP growth is projected to increase from 3.2% in 2016 to 3.3% in 2017 and 2018 before receding to 3% in 2019 and 2.7% in 2020<sup>1</sup>. Inflation is projected to

PROJECTED REAL GDP GROWTH, 2017-2020



increase from 1.8% in 2016 to 2.1% in 2017 and 2018, and further accelerate to 2.5% in 2019 before receding to 2.1% in 2020<sup>1</sup>. The strong economic outlook is expected to drive job growth in the coming years, with the unemployment rate projected to fall from 5.9% in 2016 to 4.9% by 2020<sup>1</sup>. Annual population growth is projected to increase from 1.3% in 2016 to 1.7% in 2017 and 2018, and a further 1.8% in 2019 and 2020<sup>1</sup>.

Housing starts in Metro Vancouver continued to increase in recent years, from 18,700 units in 2013 to 19,210 units in 2014 and 20,860 units in 2015. It is projected that the trend will continue, reaching 21,880 units in 2016 before stabilizing between 21,410 and 21,820 units per year through 2017 to 2020<sup>1</sup>. After reaching a record high in 2013 with 18,390 units, housing completion slowed to 17,540 units on average in 2014 and 2015 before picking up in the first half of 2016<sup>2</sup> with 10,240 units.

Housing starts in Vancouver reached a record in 2013 with 6,070 units, and stabilized at 4,650 units in 2014 and 4,620 units in 2015, much closer to the average historical level. Housing starts in 2016 are poised to set another record with 5,780 units already in the first half of 2016<sup>2</sup>. Similarly, after reaching a record in 2014 with 5,770 units, housing completion slowed to 3,840 units in 2015 before picking up in the first half of 2016<sup>2</sup> with 3,110 units.

As well, a number of large developments are currently in the development-and-building-application stages, and will deliver about 28,000 housing units over the next few years. Despite the significant increase in new housing stock, a growing population and healthy job market will continue to put pressure on housing demand and affordability. New policies, provincially and locally, were developed to improve housing availability and affordability:

- Starting August 2, 2016, foreign individuals and corporations were required to pay an additional 15% land transfer tax when buying residential property in Metro Vancouver.
- With \$75 million, a Housing Priority Initiatives Fund was set up to support provincial housing and rental projects.
- The provincial government has made a commitment of \$500 million to create 2,900 affordable rental housing units for families in partnership with non-profit societies, local governments and the private sector.
- City Council is developing a tax on empty homes to increase the number of rental units available.

Non-residential construction in Metro Vancouver has also been robust in recent

years. Major economic development projects underway or announced include: Vancouver International Airport expansion, Centerm container terminal expansion, Roberts Bank port-container expansion, Millennium Line SkyTrain extension, and a 10-lane bridge over the Fraser River to replace the Massey Tunnel.

Within the City of Vancouver, major projects on the way will add about 11-million square feet of office, commercial and industrial floor space mainly in the downtown and central business district and along Broadway and other major transit corridors. The TELUS Garden on Robson Street was recently completed and projects currently underway include: Exchange Tower on Howe Street, Burrard Place on Burrard Street, the East Tower near Rogers Place, and the new Emily Carr University of Art and Design as part of the Great Northern Way Campus development in North Creek Flats.

## National and provincial context

While Metro Vancouver has a nation-leading economic outlook, it is dependent on the health of the national and provincial economies.

With plummeting oil and commodity prices, sluggish global and domestic economies and weak business confidence over the last two years, Canada's economic performance has registered its lowest growth since the economic crisis in 2008/2009.

Despite a weak Canadian dollar and a strengthening US economy, Canada continues to struggle to transition from a resource-based economy to an export-based economy. Total business investment is expected to fall by 2.4% in 2016, following a 7.8% decline in 2015<sup>1</sup>. Lower demand and rising vacancy rates are expected to dampen non-residential construction activities.

With high inventories and modest employment growth, housing starts nationally are also expected to trend below their 20-year average with 184,500 units in 2016 and 177,400 units in 2017, before recovering with 180,000 units in 2018 and reaching 192,900 units in 2020<sup>1</sup>. Consumer spending is expected to be held back by soft employment growth, job losses in oil-rich provinces, lower wage increases and elevated household debt.

Recognizing the slow-down in Canada's economy and the need for stimulus, the federal government committed significant infrastructure spending as part of its 2016 budget, totaling \$26.5 billion over two fiscal years. It also introduced the Canada Child Benefit, which will increase

household income for many families. Taken together, real GDP is expected to improve slightly from 1.2% in 2015 to 1.7% in 2016, and further to 2.3% on average in 2017 and 2018, before stabilizing to 2% in 2019 and 2020<sup>1</sup>.

With continuous growth in exports, manufacturing and construction, BC's economy is expected to grow by a nation-leading 2.7% in 2016 and 3.4% in 2017, stabilize at 3% on average in 2018 and 2019, before receding to 2.3% in 2020<sup>1</sup>. Annual employment growth is expected to accelerate from 1.3% in 2015 to 2.2% on average from 2016 to 2018, before receding to 1.4% on average for 2019 and 2020<sup>1</sup>. As job creation outpaces population growth, projected at 1.3% on average from 2016 to 2020, the unemployment rate is expected to decrease from 6.1% in 2015 to 5.3% in 2020<sup>1</sup>. A solid labour market and higher disposable income will continue to provide support to housing and retail markets over the next few years.

BC is one of only a few provinces that have had a balanced budget since 2013. The primary economic risk for BC over the next few years continues to be the liquefied natural gas industry, as further delays in investments would lower the provincial economic growth from the current forecast. As such, fiscal restraint is expected to continue in the near term and could put further pressure on the City's finances through more downloading of services or expectations for the City to fill the gap arising from provincial government cuts.

## Global context

The global economy is expected to grow modestly from 3% in 2016 to 3.3% in 2017, reflecting the prolonged under performance and structural adjustments underway in a number of economically relevant countries. The continued weakness in international trade in 2016 impacts advanced- and emerging-market economies.

The US economy faltered in the first half of 2016, as consumer spending and business investment both stalled in the midst of the US presidential election and UK leaving the European Union (Brexit). Annual economic growth is expected to slow substantially from 2.6% in 2015 to 1.5 to 1.9% in 2016, before returning to 2.2% in 2017. The household sector is expected to continue to drive consumer spending and housing demand, but the stronger US dollar could lead to weaker exports and investments.

The Eurozone's economic recovery remains volatile. Brexit cast a major economic shock over the UK and the rest of Europe. The most immediate impact has been the rapid depreciation of the British pound against the US dollar, which

also dragged down the euro. As consumer spending and business investment is expected to slow down, the UK could experience a minor recession in late 2016 and no growth in 2017. While Germany continues to experience relatively balanced growth and the economic prospects in some countries start to improve, Italy, Europe's fourth largest economy, continues to struggle with: weak economic growth, high public debt, a deteriorating banking system, high unemployment and a rapidly aging demographic. Eurozone's real GDP is expected to retreat from 1.4% in 2016 to 1.1% in 2017.

Economic growth in China, the world's second largest economy, is expected to decelerate further from 6.9% in 2015 to 6.5% in 2016 and further to 6.1% in 2017, as it continues to transition from external, demand-driven growth to a consumer-led economy, relying less on government-sponsored investments and borrowing. The complex reforms required to support the transition are unprecedented globally, due to the size of the Chinese economy, and remain one of the key sources of global uncertainties. As Canada's third largest trading partner, a continued softening of China's economy could reduce the demand for commodity and manufactured inputs from Canada.

## Federal budget and infrastructure partnership

The following key federal government commitments in the 2016 federal budget align with the City of Vancouver priorities and offer promising partnership opportunities:

### Public transit

- Contribute up to 50% of eligible costs, including repair and refurbishment of existing systems and planning for expansion projects
- Commit Phase I investment in cost-effective, sustainable and integrated transportation networks

### Affordable housing

- Develop a National Housing Strategy
- Increase funding for the Homelessness Partnering Strategy
- Increase affordable housing for seniors
- Maintain rent geared to income for low-income households affected by the expiry of social housing operating agreements

### Green infrastructure

- Contribute up to 50% of eligible costs for improvements to water distribution and treatment

- Support climate-change mitigation and adaptation infrastructure projects to build resilient, sustainable communities
- Provide grants and loans to improve community sustainability and environmental performance

Building on the Phase 1 infrastructure plan, as outlined in the 2016 federal budget, the Canadian government has committed to announcing the Phase 2 plan in the coming year. Vancouver City Council will be working closely with the federal government in shaping the plan.

## Fiscal responsibility

By legislation, the City can't run a deficit or use debt financing for its operating budget. The budget must be balanced every year. As a result, the City has adopted a set of Financial Sustainability Guiding Principles to guide the development of its service plans, annual budgets, and medium- to long-term financial and capital plans.

### Financial sustainability guiding principles

These principles guide the development of our service plans, annual budgets and medium-term to long-term financial and capital plans.

#### Fiscal prudence

- Live within our means
- Consider long-term implications in all decisions
- Maintain a stable and predictable revenue stream
- Keep debt at a manageable level
- Build in flexibility and contingencies for emerging priorities and opportunities

#### Affordability and cost effectiveness

- Deliver services that are relevant and result in desired public outcomes
- Ensure value for money through productivity and innovation
- Keep property tax and fees affordable (in line with inflation)

#### Asset management

- Maintain assets in an appropriate state of repair
- Optimize capital investments to meet public and economic needs while achieving value for the investment

These guiding principles are all considered in developing the 2015-2018 Capital Plan and the 2017 Budget and five-year financial plan.

## Track financial-health indicators

For long-term financial and capital planning purposes, the City tracks a number of metrics to gauge its financial health and borrowing capacity for long-term capital investments. In developing the 2015-2018 Capital Plan, a key consideration was the impact of capital investments on the operating budget and property-tax and fee increases arising from debt servicing, future operating costs and asset life-cycle costs. The City's goal is to minimize the year-over-year increase in debt-servicing costs, stabilize the debt level and reduce the debt-per-capita over the long term. This way, the capital program will not drive significant operating budget increases, helping to maintain property tax and user fees at affordable levels.

## Keep debt manageable

The City uses debt in its mix of payment methods to fund capital investments. This allows payments to be made over a longer time-frame to align with the useful life of the underlying capital assets, and ensures that generations of residents and businesses that benefit from the capital investments participate in paying for them.

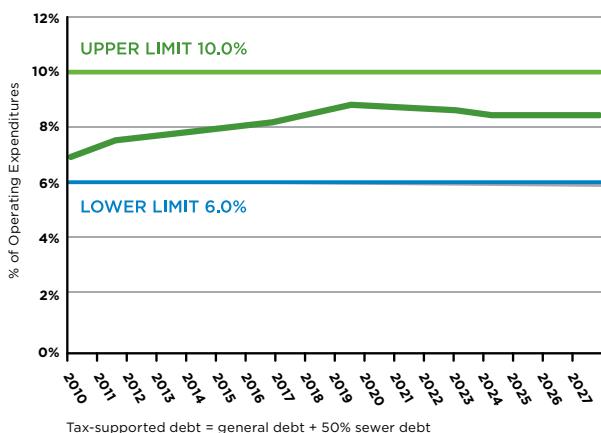
The City takes a careful approach to its use of debt to renew and enhance its public amenities and infrastructure to serve businesses and residents on an ongoing basis, while ensuring a balanced operating budget and keeping property tax and fees at an affordable level. The City's consistently strong credit ratings and favourable borrowing rates reflect this careful approach.

As part of the City's long-term, debt-management strategy, water and sewer utilities have been transitioning their infrastructure life-cycle replacement programs from debt-financing to a pay-as-you-go model. This will help lower the City's overall debt and save interest costs over the long term. Looking ahead, the City will continue to explore opportunities, where appropriate, to transition its general capital program to a higher proportion of pay-as-you-go to enhance the City's long-term debt profile and credit ratings.

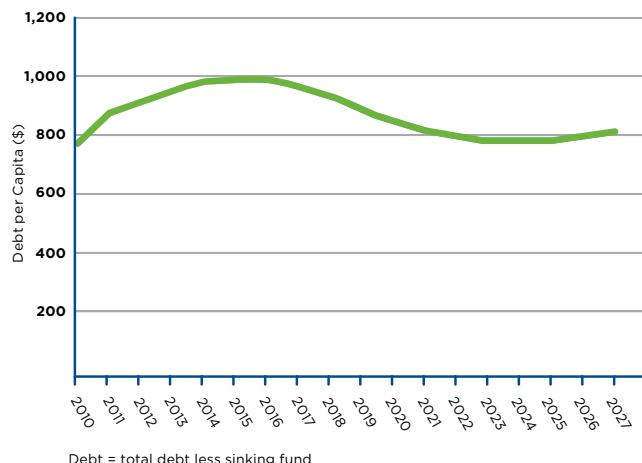
## Maintain strong credit ratings

Standard and Poor's upgraded the City of Vancouver's credit rating from AA to AA+ in 2015, and further upgraded its outlook from stable to positive in 2016. These successive upgrades reflected the significant decline in debt burden following the full repayment of the Olympic-related debt in 2014, continued improvement in cash position, consistently solid budgetary

### TAX-SUPPORTED DEBT SERVICING AS PERCENT OF OPERATING EXPENDITURES



### DEBT PER CAPITA



performance and the City's commitment to strong financial discipline. The City continues to maintain its AAA credit rating with a stable outlook from Moody's.

The City's strong credit ratings are among the best for a Canadian city, particularly in light of the recent downgrades experienced by a number of major municipalities, such as the Region of York, City of Ottawa and City of Winnipeg, due mainly to increasing debt-load to support capital investment. Continued management of debt within target levels is critical to maintaining and enhancing the City's credit ratings and securing the most favorable borrowing rates to finance the City's capital program.

## Keep property tax affordable

Increases in property taxes in recent years, ranging from 1.4% to 2.8%, have been modest when compared to annual inflation, which has run between 0.1% and 2.5%. During this period, the City has enhanced its network of public amenities in the areas of affordable housing, childcare, recreational and community services and public safety, and has invested in core infrastructure, such as sewer separation and renewal, and upgraded transportation infrastructure for pedestrians, bikes and vehicles. All these were accomplished through continuous innovation, business transformation and productivity enhancement, while absorbing above-inflation wage increases.

Looking ahead, the growing demand for public amenities and infrastructure will continue to put pressure on the City's budget in years to come. Understanding the long-term impacts on property tax and fee payers arising from its capital investment decisions, including debt servicing, ongoing operating costs and asset lifecycle costs, was a key

consideration in developing the 2015-2018 Capital Plan and will continue to guide the annual budget process.

## Maintain assets

Maintaining core infrastructure and amenities in an appropriate state of repair is critical to the City's long-term financial health and resilience and helps ensure asset-management obligations are not deferred and infrastructure deficits do not accumulate to unacceptable levels. The City's target is to ensure at least two-thirds of City assets are in good or fair condition at any given time.

## Optimize capital investments

Before adding new facilities, the City considers repurposing and right-sizing existing facilities, and continues to advance on co-location and functional integration of services to enhance customer service and operational efficiency. All new facilities will be designed with flexible, adaptable and expandable spaces to accommodate changing demographics and future growth.

## Spending priorities

Significant progress has been made in advancing Council priorities for affordable housing, ending homelessness, promoting economic development, becoming the world's greenest city and ensuring a safe, inclusive and creative community, while working within budgets defined by modest tax increases. By reshaping the organization to provide services more efficiently, the City has maintained or increased the quality of services, initiated new programs and demonstrated leadership as a sustainable and livable city.

The following are highlights of the investments and achievements accomplished in recent years across the City's five main priority areas: housing affordability and homelessness; safety,

inclusion and creativity; economic development; greenest city; and value for money.

## Budget public opinion survey

Satisfaction with overall service quality:

### 2016 Budget

- Residents - 84% somewhat or very satisfied or neutral
- Businesses - 81% somewhat or very satisfied or neutral

### 2015 Budget

- Residents - 81% somewhat or very satisfied or neutral
- Businesses - 73% somewhat or very satisfied or neutral

### 2014 Budget

- Residents - 71% somewhat or very satisfied or neutral
- Businesses - 84% somewhat or very satisfied or neutral

### 2013 Budget

- Residents - 81% somewhat or very satisfied or neutral
- Businesses - 82% somewhat or very satisfied or neutral

### 2012 Budget

- Residents - 84% somewhat or very satisfied
- Businesses - 71% somewhat or very satisfied



## Housing, affordability and homelessness

### Housing and affordability

As a growing and diverse city, Vancouver faces the need to increase the availability and range of affordable housing choices for all residents; it's a critical step in building a healthy, resilient and sustainable city. The challenge is that Vancouver has the highest housing costs and the lowest median incomes among Canada's major cities.

With persistently strong population growth and constraining topography, it has become more challenging for Vancouver residents of varying economic means to access affordable housing within the city. Vancouver has one of the lowest vacancy rates in Canada at 0.6%. Rental housing options for families are limited; less than 1% of the rental stock has three or more bedrooms and only 3% is ground-oriented, such as townhouses or row-houses.

Rental rates are also a key consideration. According to 2011 census data, 34% of renter households spend more than 30% of their monthly gross income on housing. Older rental stock is more affordable, but most of them are over 40-years old and require significant rehabilitation.

In 2011, Vancouver City Council adopted the Housing and Homelessness Strategy (2012-2021) that identifies Vancouver's growing housing needs, sets specific 10-year targets across the housing continuum and outlines how new housing units can be added through strategic partnerships with senior levels of government, the private sector and non-profit organizations.

The City has earmarked \$125 million in the 2015-2018 Capital Plan for affordable housing and put forward 20 housing sites worth \$250 million in order to

### CITY OF VANCOUVER HOUSING AND HOMELESSNESS STRATEGY TARGETS: 2012 TO 2021



deliver 3,500 affordable housing units in partnership with senior levels of government. This is the City's biggest housing contribution with the primary goal of driving affordable-housing supply across the continuum and providing greater diversity of housing forms, tenures and types. As the City implements community plans in the Downtown Eastside, Grandview-Woodland, the West End, Cambie Corridor, Marpole, Joyce-Collingwood, and other areas, the City will continue to secure affordable housing units through inclusionary zoning policies and community amenity contributions (CACs) from rezoning.

We are now at the halfway point of the 10-year Housing and Homelessness Strategy and solid progress has been made to increase the supply of affordable housing. Through policies and partnerships, the City has enabled more than 13,100 new affordable housing units geared toward low- to moderate-income households, ranging from supportive and social housing to secured market rental, laneway housing and secondary suites.

In mid-2016, Council adopted the following directions to address housing supply and affordability along the housing continuum.

#### Housing mix policy:

- Requires a minimum of 35% family units in rezoning applications;
- Targets a minimum of 35% family units in rental projects

- Modernizes the City's family-friendly apartment design guidelines to improve livability and affordability

- Explores innovative housing types such as co-housing

#### Empty homes tax:

- A levy on owners of long-term vacant homes—estimated to be more than 10,000 units—to encourage conversion of vacant units to rental units to ease the tight rental market

#### Affordable home-ownership pilot project:

- Subject to provincial government approval, an initiative to make 300 homes available to local, first-time buyers

The City also provides strong protection for tenants and rentals with the Rate of Change Policy, aimed at preserving existing affordable rental stock, and the Tenant Relocation Policy, aimed at minimizing the impact on displaced tenants. In addition, the City works with its housing partners to maintain and renew social and co-op housing units so that at least a third of the housing stock in Vancouver is affordable for low- and moderate-income households.

Over the years, Vancouver has continuously demonstrated innovative approaches to address housing affordability; however, there is a critical need for the federal and provincial governments to support deeper levels of affordability for local residents.

With the unprecedented, rapid and persistent escalation of housing costs in Vancouver, the City has commenced the Housing and Homelessness Strategy Re:set, which involves the following:

- Understanding current housing challenges.
- Analyzing the effectiveness of current housing policies and programs.
- Updating goals and targets for the next 10 years.
- Identifying further opportunities to partner with senior levels of government to address Vancouver's housing challenges.

### HOUSING TARGETS & ACCOMPLISHMENTS (MID-2016)

	Supportive Housing	Social Housing	Secured Market Housing	Suites & Laneway Housing
<b>5-year target (units)</b>	2,275	2,500	2,500	3,000
<b>Achieved (units)</b>	1,755	1,568	5,746	4,063
<b>Achieved (%)</b>	77%	63%	230%	135%

### FIVE-YEAR HOUSING ACCOMPLISHMENTS BY STATUS (MID-2016)

	Completed	Under Construction	Approved	Total
<b>Supportive Housing</b>	1,634	121	—	1,755
<b>Social Housing</b>	179	911	478	1,568
<b>Secured Market Housing</b>	1,352	2,363	2,031	5,746
<b>Total (units)</b>	<b>3,165</b>	<b>3,395</b>	<b>2,509</b>	<b>9,069</b>
<b>Total (%)</b>	<b>35%</b>	<b>38%</b>	<b>27%</b>	<b>100%</b>

## Vancouver Affordable Housing Agency

In 2014, Council created the Vancouver Affordable Housing Agency (VAHA) with a mandate to enable 500 affordable housing units by 2017 and 2,500 units by 2021 through innovative partnerships with non-profit housing partners, developers and senior levels of government. The primary goal is to deliver affordable housing for families and moderate-income households through density optimization, economies of scale and partner equity, and strive to achieve deeper levels of affordability through senior government funding and financing.

Sixteen City-owned and optioned sites have been committed to deliver 2,400 units over the next few years. More than 650 units are in the planning-and-design phase with the expectation they will advance through the development-permit stage in the next few months. These include sites located in: the River District, Marpole, Kensington-Cedar Cottage, Grandview-Woodland and Downtown Eastside. Proposals have been submitted to BC Housing to seek capital funding and financing opportunities as part of the 2016 Request for Expression of Interest (RFEOL) process and on the broader Vancouver affordable housing strategy. VAHA is also pioneering the City's first pre-fabricated Modular Housing pilot project, which will deliver 40 self-contained units in the spring of 2017 and up to 80 shelter units in the fall of 2016.

## Homelessness

Homelessness remains a significant challenge in Vancouver. The impact of persistently high housing costs is most pronounced on our low-income residents, particularly those with mental health and

addiction issues and those in precarious housing situations. Delays in developing permanent supportive housing and inadequate low-barrier shelters and interim housing, often used to transition homeless people into permanent housing, put further pressure on the system.

The City has been conducting annual homeless counts since 2010. The 2016 annual Homeless Count showed that 0.3% of the city's population is homeless, increasing from 1,746 (1,258 sheltered homeless and 488 unsheltered homeless) in 2015 to 1,847 (1,308 sheltered homeless and 539 unsheltered homeless) in 2016. The homeless population profile shows that: approximately 72% have lived in Vancouver for more than one year; Aboriginals account for 38%; women account for 23%; those under 24-years old account for 15%; 53% have addiction and substance abuse; 40% have mental health issues; and 78% have one or more health conditions.

Despite our limited financial capacity and policy tools, Vancouver has made significant strides in addressing homelessness through multi-sectorial collaboration and innovative approaches. Through partnerships with BC Housing and non-profit housing partners, the City continues to secure shelter beds to house our most vulnerable homeless residents, provide new interim housing units, revitalize and maintain affordability in the single-room occupancy (SRO) hotel stock, and increase the supply of long-term social and supportive housing.

Shelters serve as an emergency response for individuals experiencing street homelessness. Since 2008, the City and the provincial government have partnered to open additional temporary, low-barrier winter response shelters during the cold,

wet weather season. As well, non-profit operators, the City's Carnegie Outreach Team, BC Housing and the Ministry of Social Development work with shelter patrons to develop housing plans and ensure they have access to income assistance.

This past winter, a total of 210 shelter beds were opened as part of the Winter Shelter Strategy—the largest number since the strategy began in 2008. The City contributed \$800,000 to secure shelter locations and capital improvements while BC Housing contributed \$1.6 million towards programming and facility operating costs.

These shelters have typically opened at the end of November or early December and closed no later than end of April. In 2016, the City worked with BC Housing to find opportunities to have shelters open earlier in the fall, as the cold, wet weather sets in. As well, VAHA and the Vancouver Aboriginal Friendship Centre Society are currently exploring preliminary designs for a permanent shelter within a mixed-used project at 1015 East Hastings.

The City continues to secure interim-housing options through interim leases for street- and sheltered-homeless people and those at risk of homelessness, while more permanent social/supportive housing options are being built. Tenants are connected to critical resources including a variety of health and housing supports, as well as meals and life-skills development. The City, either on its own or in partnership with BC Housing, has leased a number of buildings to provide temporary housing options.

In addition, Vancouver City Council has approved a \$70,000 grant to Atira Women's Resource Society to operate 39 rooms at the Patrick Anthony Residence. A formal request has also been submitted to BC Housing and our non-profit housing partners to identify immediate options through vacancies in SROs and other directly managed stock. VAHA's pilot program for modular housing will also deliver 40 self-contained units in the spring of 2017 and up to 80 units of shelters in the fall of 2016.



## Safety, inclusion and creativity

The City continues to support innovative programs to create a safe and inclusive place for people to live, work and play.

### Support for arts and culture

This year, marking the 25th anniversary of Vancouver's Public Art Program, Council funded five new, innovative Quick-Start Public Art Boost projects as well as future public art projects for 2017 and 2018.

### WINTER SHELTERS (2015/2016)

Address	Operator	Hours	# of Beds	Target Patrons	Meals
<b>900 Pacific</b>	Raincity	24 hours	40	Men & Women	3 meals per day
<b>1648 E 1st</b>	Raincity	24 hours	40	Men & Women	3 meals per day
<b>134 E Cordova</b>	Salvation Army	8:30 pm - 7:30 am	40	Men & Women	2 meals per day
<b>138 E Cordova</b>	Salvation Army	24 hours	30	Men Only	3 meals per day
<b>49 W Cordova</b>	PHS	9 pm - 9 am	30	Men & Women	3 meals per day
<b>1138 Burrard</b>	Directions	10 pm - 8:30 am	10	Men & Women Youth (19-24)	2 meals per day
<b>601 E Hastings</b>	UGM	9 pm - 6:30 am	20	Men Only	3 meals per day

### INTERIM HOUSING (2015/2016)

Address	Project	# of Units	Year Opened	Anticipated Term
<b>1335 Howe</b>	Quality Inn	157	2014	2 years
<b>1060 Howe</b>	Metson Rooms	100	2015	5 years
<b>395 Kingsway</b>	The Biltmore	95	2014	6 years
<b>3475 E Hastings</b>	Skeena House	57	2014	City-owned

Vancouver's Public Art Program promotes excellence in public art by supporting emerging and established artists in new and traditional media, and through award-winning commissions and artist collaborations. In 2016, more than 300 pieces of public art were created throughout the City. Over the next several years, planned art additions include major artworks by local First Nations, a contemporary City of Reconciliation artwork and a commission in which an artist of international calibre will be invited to create a major artwork for Vancouver.

One of the Quick-Start projects was the first Vancouver Mural Festival (VMF) in August, with more than 40 murals transforming entire buildings in East Vancouver into canvasses. The inaugural event showcased works by more than 30 artists, 90% local and 10% international.

### **City of Reconciliation**

The City of Vancouver was designated a City of Reconciliation in 2014. In 2016, City Council approved moving forward on 41 actions outlined by the Truth and Reconciliation Commission that the City has jurisdiction over and ability to implement. This includes a commitment to provide cultural competency training for 350 City staff, covering topics on Aboriginal peoples of Canada, the history of colonization and the legacy of the residential school system. This training, now underway, started with the City Manager and Corporate Management Team.

As part of the City of Reconciliation Calls to Action, significant advancement has been made in 2016 on the theme of advancing awareness, knowledge and capacity. Vancouver City Council endorsed the vision, rationale, goals, scalable programming and resource requirements to use the Canada 150 anniversary celebration as a time for Indigenous recognition and celebration. The vision of this year-long project is for Vancouver to position itself as the Aboriginal cultural tourism destination in Canada in 2017. The City's mission is to stage Strengthening our Relations: Vancouver Celebrates Canada 150+, in which Canada's many cultures—Musqueam, Squamish and Tsleil-Waututh First Nations, urban Aboriginal and Métis communities, settlers, newcomers and visitors—will learn, connect and celebrate. Signature activities will include a large-scale landing in July 2017 of the Tribal Canoe Journey en route to the We Wai Kai and Wei Wai Kum Nations' finale in August 2017, an 11-day festival of traditional and contemporary Indigenous and non-Indigenous in July 2017, and a large-scale Walk for Reconciliation in

September 2017.

The City is also working in partnership with the Metro Vancouver Aboriginal Executive Committee (MVAEC), representing 24 Aboriginal organizations, and has identified four sites to help support and provide affordable housing options for urban Aboriginals. In total, these sites will create more than 600 affordable housing units targeted for youth, elders, families and homeless individuals. The City also entered into a Memorandum of Understanding with MVAEC to foster relationships with urban Aboriginal leaders and organizations in Vancouver and to advance priorities, including housing, healing and wellness, and support for children, youth and families.

The Vancouver Board of Parks and Recreation also endorsed 11 ambitious strategies of the Truth and Reconciliation Commission. The strategies address critical themes identified by the commission, including: language and culture; commemoration; professional development and training for public servants; education for reconciliation; youth programs; and sports. Specific measures adopted by the Park Board include a 360-degree approach to programming in culture, health and sport to increase public awareness and support for First Nations children, youth and elders in Park Board programs. In addition, the Park Board will establish a program for Aboriginal and non-Aboriginal artists to collaborate on works inspired by reconciliation themes and carefully consider Aboriginal rights in granting permits for special events and sport hosting.

The Park Board also reaffirmed its commitment to its precedent-setting inter-governmental consultation with First Nations on stewardship of Stanley Park and other park lands. Vancouver became the first Canadian city to hire a full-time archaeologist, through the Park Board, to help preserve First Nations sites in the City's parks and to meet the Truth and Reconciliation Commission's recommendations. This new role is a key resource to the Park Board's ongoing work with the Musqueam, Squamish and Tsleil-Waututh Nations on a master plan for Stanley Park.

### **Resilient Cities network**

In May 2016, Vancouver was selected as one of the 100 Resilient Cities (100RC), a network of international cities committed to building urban resilience. As a member of the 100RC network, Vancouver will gain access to tools, funding, technical expertise, and other resources to build resilience to the social, economic and environmental challenges of the 21st century. Funding for the appointment

of a Chief Resilience Officer (CRO) is provided by 100RC. This CRO will work with a committee to develop a resilience strategy that brings together existing initiatives such as the City's Greenest City Action Plan, Healthy City Strategy, and Digital Strategy.

### **Healthy City Strategy**

The 2015-2018 Healthy City Strategy Action Plan introduced 19 actions focused on a healthy city for all. Five goal areas and related actions were prioritized for 2016: healthy human services; making ends meet and working well; cultivating connections; being and feeling safe and included; and collaborative leadership.

In June 2016, City Council approved several Innovation Fund initiatives to support the priority focus areas from the Healthy City Strategy Action Plan, including an in-principle grant of \$1 million for the capital portion of the overall costs of developing a new St. Paul's Mental Health Hub, a multi-partner project that aligns with the recommendations from the Mayor's Task Force on Mental Health and Addictions. Other funding goes to: support increased social connections between residents; make contributions for poverty reduction initiatives; develop tools and training to support equity and diversity; and create a civic innovation lab for City staff to work collaboratively in solving some of the more complex urban problems. A City policy was also introduced this year to support urban farming through an increase to food access, support of the local green economy and support of sustainable food systems.

### **Public safety**

Our public safety service-delivery continues to evolve. This year, the first of the City's new fire truck fleet was delivered with improved technology to respond to fire events in the urban environment and new scheduling software was implemented that will improve the effective deployment of staff resources. In addition, one of two new fireboats was brought into service. The new boats are bigger, faster and have three times the pumping capacity of the old boats. In 2016, the Vancouver Police Department (VPD) began an operational review in consultation with external policing experts that will be completed in 2017. The outcome of this review will inform VPD service plans and will enable continued leadership in public safety for the years to come.

The fentanyl crisis continues to put pressure on our first-responder services. Public awareness campaigns have been launched and the City is working with partner agencies to coordinate an action plan to address this crisis.

## **Additional parks and open spaces**

New parks will be opening in many Vancouver neighbourhoods over the next several years, including Downtown South, Olympic Village, North East False Creek and East Fraser lands. Trees will continue to be added to the City's urban forest, in line with the Greenest City Action Plan goal of planting 150,000 new trees by 2020. A number of biodiversity projects are scheduled as well, including the enhancement of Beaver Lake in Stanley Park, a new salt marsh at New Brighton Park and daylighting of Tatlow Creek in Tatlow and Volunteer Parks.

## **Swim to Survive initiative**

The Park Board Swim-to-Survive initiative, aimed at Grade 3 children, is a Lifesaving Society program that provides young children with basic critical skills training to survive an unexpected fall into deep water.

## **City's commitment to inclusion - Jim Deva Plaza**

In July, the City officially opened Jim Deva Plaza, Vancouver's first pavement-to-plaza project, created by redesigning the block into a single continuous smooth surface that invites people to sit and spend time relaxing in this busy urban centre. A grassroots community-driven initiative, the plaza supports the plans to invest in Davie Village public spaces and enhance the area's distinct character as a hub for the lesbian, gay, bisexual, transgender, and queer (LGBTQ) community.

## **Childcare spaces exceed target**

The City's Healthy City Strategy's good-start goal to decrease child vulnerability and improve school readiness is reinforced through the creation of quality childcare spaces. The City is now more than half-way to its four-year target of creating 1,000 new childcare spaces, part of a record investment in expanding childcare in Vancouver. As part of the Council-directed target for 2015-2018, a total of 577 new childcare spaces have been approved so far, with 188 new spaces having been built since 2015 and 389 spaces committed and currently under development. Access to affordable childcare is a cornerstone to economic development, attracting and retaining a strong workforce and supporting parents to participate and contribute towards a resilient economy.

## **Access to City services without fear**

In May 2016, Council approved a policy to allow vulnerable residents, who have uncertain or no immigration status, access to City services without fear that the City will report their immigration

status to other public institutions or other governments, unless required by law. This policy is an important step for Vancouver to be an inclusive and welcoming city for all people living here.



## **Economic Development**

### **Innovation and tech**

Vancouver has experienced significant growth in sectors such as technology, green and sustainable industries, technical apparel, digital entertainment and interactive media. Innovation is fundamental to each of these areas and helps to create a more vibrant and resilient economy.

Part of the lure for innovation companies and global talent is Vancouver's highly educated population, good access to walking, cycling, and public transit, and a dense, walkable mixed-use core. To further foster growth in this area, the City aims to continue to invest in public infrastructure such as transit, wired and wireless digital infrastructure and social and collaborative spaces.

The City of Vancouver also continues to establish itself as a premier destination for film and TV production. In 2015, 353 productions were filmed in Vancouver for a total of 1,518 film days—up from 235 productions in 2014. In 2015, the City took in \$710,000 in permits related to the film industry and more than \$143 million was paid out in wages to Vancouver residents.

Vancouver has also been increasingly active in the thriving tech industry. BC's tech industry has experienced the second highest growth rate of all BC industries, up 12% since 2007.

Vancouver also has the fastest growing green-sector industry in the country and the plan is to double the number of green jobs over 2010 levels.

### **TED Talks**

TED (technology, entertainment and design) talks are known around the world as a source of inspiration and innovation as well as an opportunity to rethink some of the world's most pressing challenges.

Since 2014, Vancouver has hosted the annual TED conferences and, for the third year in a row, the entire TED conference was streamed live at various locations including libraries, colleges and universities, public plazas and non-profit and community centres. The next Vancouver TED conference, TED2017: The Future You, will be held in April 2017.

### **Major sporting events**

Vancouver is on the global map for hosting major sporting events, leveraged by the

City's successful history of sports hosting, including the 2010 Winter Olympic Games, Davis Cup 2015, and FIFA Women's World Cup Canada 2015. The city also offers: world-class sports and recreation venues; attractive meeting spaces; efficient transit services; digital connectivity; and vibrant public spaces.

Several major sporting events were held in Vancouver in 2016, including the HSBC Canada Sevens Vancouver rugby tournament; the Little League Canadian Championship; Americas Masters Games; two Canadian Men's National Soccer Team qualifying matches (for FIFA World Cup Russia 2018); a Canadian Men's National Rugby Team international test match; an international soccer match with Vancouver Whitecaps and Britain's Crystal Palace; and the Subaru 5i50 Vancouver Triathlon.

Between 2017 and 2021, Vancouver will be actively competing for and attracting new major sports events, which will drive economic activity in the city, contribute to a lasting event legacy, and support key Vancouver goals, such as active living, community engagement and livability.



## **Greenest City**

Vancouver has made a commitment to become the world's greenest city and its Greenest City Action Plan (GCAP) is the strategic plan that will take us there.

### **Greenest City implementation update**

The City's GCAP addresses Vancouver's environmental challenges and highlights the directives to reduce overall greenhouse gas emissions by 33% below 2007 levels by 2020; many of the 170 actions are already completed or underway,

In July 2016, the City of Vancouver released the fifth GCAP Implementation Update, highlighting significant accomplishments made in 2015 and 2016. One of the items highlighted in the GCAP Implementation Update was the Building Energy Retrofit Fund, approved by City Council in February 2016, which will support the Building Energy Retrofit Strategy in expanding programs that result in energy-efficiency upgrades for buildings throughout the city. The fund targets buildings that have the most potential to reduce energy use and emissions. It also helps the City meet its carbon reduction targets and leverage significantly more funding from provincial programs, utility incentives and private investments.

The report also noted that City operations can also be a catalyst for change through its own internal operations, by adopting zero-emission standards for new City buildings and transitioning the City's vehicle fleet to renewable sources of energy.

The GCAP Implementation Update was also an opportunity to highlight the community partnerships that have been essential to the City's efforts towards sustainability such as the Greenest City Scholars Program, now in its seventh year, which has connected 100 University of BC graduate students with the City to perform meaningful research on sustainability initiatives.

### **Renewable City Strategy**

The GCAP Implementation Update also highlighted the Renewable City Strategy, which commits Vancouver to deriving 100% of its energy from renewable sources before 2050. The strategy is based on three key principles: reduce energy use, increase the use of renewable energy and increase the supply of renewable energy.

The City's Zero Waste Strategy complements the Renewable City Strategy by building a path for the City to increase resource recovery, reduce reliance on disposal and become a zero-waste community by 2040. The Zero Waste Strategy focuses on actions to move towards the City's goal of 100% resource recovery.

### **Leadership in climate change**

And while the City contributes towards a better, healthier quality of life for residents, the City is also sharing its knowledge and experience on a global level.

In 2015, Vancouver Mayor Gregor Robertson joined the Compact of Mayors and led a Vancouver delegation to Paris for the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change, joining other world leaders to strengthen commitments to reduce emissions worldwide. At the conference, Vancouver was presented with a prestigious C40 Cities Award, recognizing the City's Greenest City Action Plan as a global example of the role greenhouse gas management can play in driving climate action. Vancouver was also widely recognized for the Renewable City Strategy, an example of a city accelerating and intensifying the actions and investments needed for a sustainable low-carbon future.

### **Millennium Line Broadway extension**

In June 2016, \$740 million was committed by the federal (\$370 million) and provincial governments (\$245 million) and Translink (\$125 million) towards phase one of the 10-year Vision for Metro Vancouver Transit and Transportation. This commitment included funding for planning and pre-construction work on the Millennium Line Broadway extension project (\$23 million) in preparation for

full funding and procurement as well as Millennium Line upgrades and fleet expansion (\$67 million).

The Mayors' Council on Regional Transportation has proposed a funding strategy of \$5.8 billion over 10 years in regional taxes and fees to pay for its 17% share of capital costs and 100% of life-cycle operating costs. The Mayors' Council and TransLink are currently negotiating with the provincial and federal governments on the second phase of federal funding required to implement the 10-year Vision, and are aiming to secure these funding commitments by the end of 2016 in order to move forward with procurement for the Millennium Line Broadway Extension.

### **Active transportation**

Transportation 2040 establishes walking and cycling at the top of the transportation hierarchy and sets out a vision to make walking and cycling safe, convenient and comfortable for people of all ages and abilities.

The results have been impressive, with the number of biking trips growing by a third in the last year and 7% of trips in the city now being made by bike. In some neighbourhoods, that figure is as high as 17%. Overall, half of all trips in the city are now made on foot, bike, or transit, up from 40% in 2008. Before-and-after studies on individual projects indicate not just higher walking and biking volumes, but also improved safety for all modes, demonstrated health benefits and unaffected travel times for other modes.

Active transportation highlights from this year include:

- Launch of the new Mobi bike-share program, a \$6-million investment in urban bike use
- Acquisition of Arbutus Greenway from CP Rail—42 acres of open space running approximately nine kilometres, to be developed as a corridor for walking, cycling, and future light rail transit
- Continued progress of safety upgrades to the Knight-Marine intersection
- Moving Towards Zero safety action plan
- Continued progress of upgrades to the 10th Avenue, Ontario and Adanac bike routes

Health impacts as a result of land-use and transportation investments are also being considered, such as the physical and social effects of improvements to the Arbutus Greenway. The City is also looking at its hard infrastructure, such as addressing safety hotspots with a focus on vulnerable road users and upgrading and expanding the cycling network.

Building on direction in Transportation 2040, Greenest City and Healthy City Strategy, the City is also working to enliven streets and plazas to create vibrant, accessible public spaces that foster economic activity and encourage a culture of walking, cycling, and social interaction.



### **Value for money**

To continue to provide more services for residents without significantly increasing taxes, the City needs to deliver value for money spent.

The City focuses on creating a culture of using performance measurement and continuous process improvement (CPI) to improve decision-making and gain additional insight into our businesses and services in order to maintain the City's financial health and enhance our operational effectiveness. Performance measurement is used to enhance customer service, efficiencies and accountability, as well as help guide business transformational decisions.

### **Performance metrics and continuous process improvement**

A significant amount of work has already been completed in 2016 toward the increased use of performance metrics and CPI. As an example, to reduce the backlog of permits and permit wait-times, staff looked at a number of processes including: better use of performance metrics; bi-weekly operations review of actual times versus targets; stricter control on permit requests for completeness; regular meetings with the Greater Vancouver Home Builders Association (GVHBA); and implementation of a new permit project tracking system (POSSE) for development permits. As a result, new single-family permit applications are now being plan-checked within eight to 10 weeks compared with the 16 weeks typically experienced six months ago.

A similar process is currently being used to gain insight into street cleaning and sanitation operations. Ongoing monitoring and analysis, using performance metrics in program areas such as street leaf collection, micro cleaning grants and litter pick-up, are currently being developed. Performance metrics such as response time, 311 contacts, tonnage collected and heat maps will be used to help establish appropriate service levels and ongoing performance measurement and reporting.

### **Enhancing customer service and operational efficiency**

The Permit and Licence Transformation Program (P&L Program) was initiated in 2010 with the goal of achieving greater customer service, enhanced operational

efficiency and effectiveness, increased sustainability and increased system reliability. The program is bringing permit, licensing and inspection service-delivery in line with best practices and replacing an aging technology infrastructure with a modern platform that offers online and mobile functions capable of handling the simplest to the most complex transactions, including the replacement of up to 40 existing systems with a single integrated system. By mid-2016, approximately 58% of the estimated 200,000 permits, licenses and approvals issued by the City were processed online.

The Warehouse Inventory Management program was initiated to enhance warehouse and inventory management, streamline and standardize operations across the City's warehouses, and optimize site layouts and equipment to provide a single view of the City's inventory operations and ensure the right supplies are available and delivered as needed in the most sustainable and cost-efficient way.

## 2016 Budget Overview

The 2017 Budget will be developed by building on the 2016 Budget for operating revenues and expenses, as well as for capital budget expenditures. Legislation requires that the City balance its operating budget each year, ensuring revenues are sufficient to fund all planned expenditures. The 2017-2021 Budget Outlook focuses not only on the coming budget year but also on the next four years. This ensures sound strategies are in place to manage expense levels over time, to sustain and grow revenues and to achieve a balanced operating budget each year.

### Operating budget revenues for 2016: \$1,264 million

Property tax and utility fees for water, sewer and solid waste make up 77% of the revenue in the 2016 Budget. These revenue sources are highly predictable. Property development-related fees and permits are the most unpredictable, but account for only 5% of the City's revenue base.

In 2016, Vancouver's actual property tax increase of 2.02% was one of the lowest property tax increases in the region. The City of Vancouver's combined 2016 property tax and utility fees for a median single-family home was also below the regional average.

### Operating budget expenditures for 2016: \$1,264 million

The City's expenditures are relatively

stable from year to year. By streamlining the way the City does business and by carefully monitoring vacancies and retirements to manage staffing levels, the growth of the organization has slowed over the last five years without affecting the quality of service offered to residents and businesses.

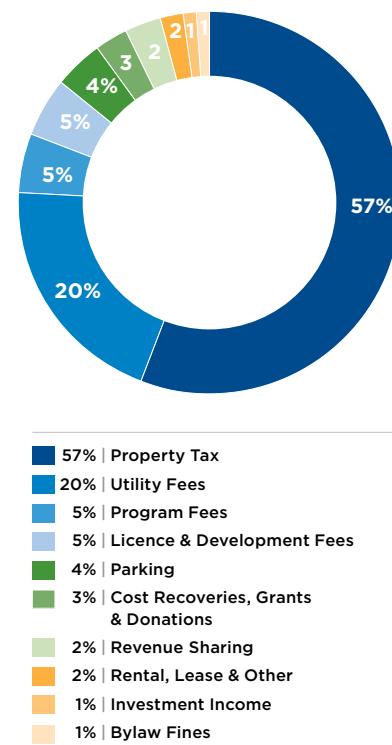
Fire and rescue and policing account for nearly one-third of the City's total operating expenditures. Engineering and utility expenditures (water, sewer, solid waste, Neighbourhood Energy Utility) account for 28% of total expenditures. Together, these service-delivery functions account for more than half of the City's total operating expenditures. Many of the expenses in these areas are challenging to streamline. These costs have also grown at a higher rate than other areas, reflecting the operating-cost impact of heavy capital investments in recent years to replace aging regional infrastructure and significant wage growth in the public safety sector across the region.

Community-related services, such as parks and recreation, library, community services and planning, comprise 22% of the budget.

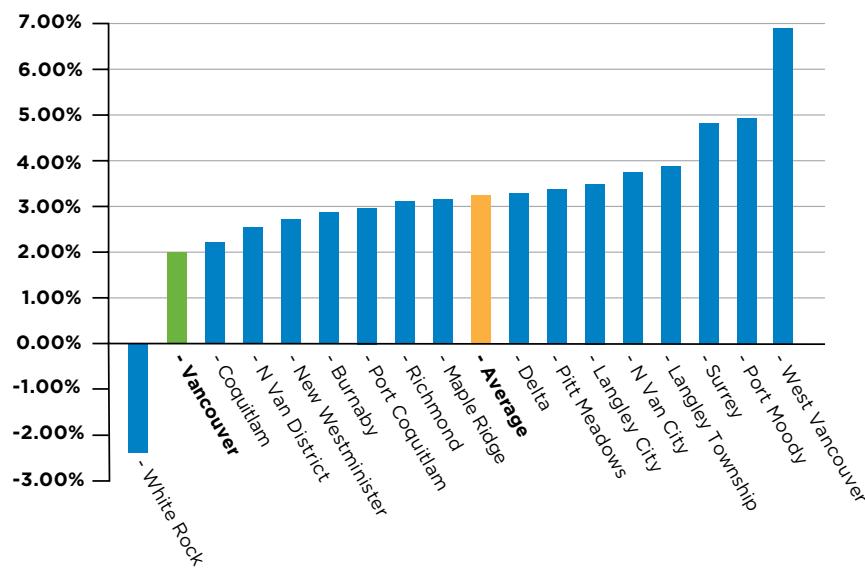
Staffing costs represent the largest component of the City's operating budget, at more than 57%. Utilities represent 22% of operating expenditures, of which more than 50% of the costs are passed on to the City directly by Metro Vancouver. A further 8% of the operating budget goes to interest and debt payments, as well as transfers to other funds and allocations. This includes transfers to the capital fund,

which, along with development revenues and other external contributions, fund the City's capital budget. The remaining 24% of the operating budget goes to other non-salary costs, including building costs, grant payments and equipment.

### 2016 OPERATING REVENUES (\$1,264 MILLION)



### 2016 PROPERTY TAX INCREASE: CITY OF VANCOUVER VS. METRO VANCOUVER



## Capital planning

The City owns more than \$20 billion of capital assets (based on replacement value, excluding land) encompassing parks and recreation, community facilities, affordable housing, public safety, roadways, walkways and bikeways and underground water and sewer infrastructure. The need for renewing, upgrading and expanding infrastructure and facilities to support residents and businesses is significant and growing. Renewing and expanding the City's infrastructure is a way of investing in the future of the City and an important factor in achieving good value for money by extending the operational lifespan of the City's assets.

The City's capital program consists of a 10-year strategic outlook, a four-year plan and an annual budget, plus four-year forecast (five-year financial plan) with quarterly status reports at a project level.

The City's 2015-2018 Capital Plan was approved October 1, 2014, in the amount of \$1.085 billion. With subsequent City Council approved adjustments for several new key priorities and capital investment opportunities, including the acquisition of the Arbutus Greenway and priority capital work at the Vancouver Landfill, it rose to \$1.221 billion as of July 26, 2016. Other capital investment developments, such as in the areas of affordable housing and active transportation, may further increase the capital plan.

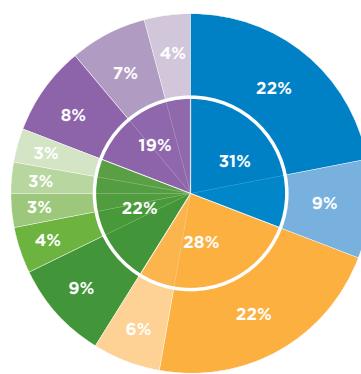
Capital investments included in the four-year plan target the following Council priority areas:

- Affordable housing and childcare to attract and retain a strong workforce, as part of the Economic Action Strategy
- Infrastructure and facility rehabilitation and renewal
- Active transportation and the Arbutus Greenway
- Sewer separation and renewal to meet the regulatory target by 2050
- Climate change adaptation and seismic upgrades
- Various initiatives and commitments relating to the Greenest City 2020 Action Plan

Investment in capital projects varies from year to year depending on funding availability, capital needs, facility condition and changing priorities. The key objective of the 2015-2018 Capital Plan is to balance three areas: maintaining the City's infrastructure and facilities in an appropriate state of repair at any given time; optimizing the City's network of public amenities to best serve residents, business and people who visit and work here; and advancing Council and community priorities within the City's long-term financial capacity. The capital plan is designed to be flexible to accommodate changing priorities, as well as emerging priority projects.

Development-related fees and contributions are essential to support public amenities for a growing city. Through strategic partnerships, the City of Vancouver is also finding new partners to source capital, particularly in the area of housing, to meet ambitious targets for

2016 OPERATING EXPENDITURES BY SERVICE AREA (\$1,264 MILLION)



● PUBLIC SAFETY

■ 22% | Police

■ 9% | Fire

○ ENGINEERING & UTILITIES

■ 22% | Utilities

■ 6% | Engineering Public Works

● COMMUNITY-RELATED SERVICES

■ 9% | Parks

■ 4% | Library

■ 3% | Planning & Development

■ 3% | Community Services

■ 3% | Other

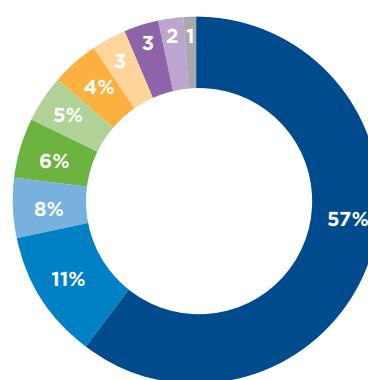
● CORPORATE SUPPORT

■ 8% | Debt & Capital (Non-Utility)

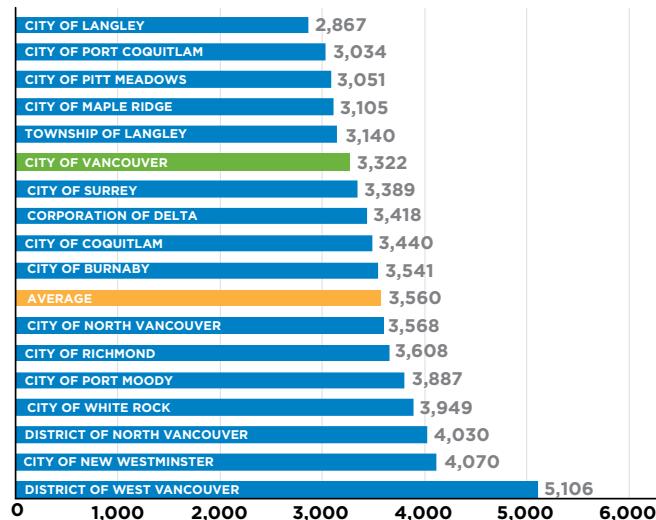
■ 7% | Corporate Support

■ 4% | Contingencies & Transfers

2016 OPERATING EXPENDITURES BY TYPE (\$1,264 MILLION)



## 2016 COMBINED MUNICIPAL PROPERTY TAX AND UTILITY FEES FOR MEDIAN SINGLE-FAMILY HOME (\$)



\*Utility fees for certain municipalities based on Provincial Local Government Statistics Taxes & Charges on a Representative House ([http://www.cscd.gov.bc.ca/lgd/infra/library/Schedule704\\_2016.xls](http://www.cscd.gov.bc.ca/lgd/infra/library/Schedule704_2016.xls))

affordable housing in the city. In 2015, the City was successful with several applications to obtain modest federal government funding toward the City's capital program (approximately 0.2% of the City's projected five-year capital expenditures), including improvements to transportation infrastructure, childcare and the Stanley Park seawall. Further senior government funding in 2016 is anticipated to go toward several key priorities in the capital program, including childcare, recreation facility renovations and upgrades, park renewal and bridge infrastructure.

## Annual capital expenditure budget for 2016

The 2016 annual capital expenditures budget was set at \$325 million. With subsequent Council-approved additions of \$122 million, the adjusted total as of July 26, 2016, was \$447 million. The capital program is currently projecting to spend approximately 98% of the adjusted 2016 expenditure budget, an increase over prior years' average spending of 85%, and the result of enhanced project management, increased transparency through quarterly status reporting and forecasting and adjustments to expenditure planning timelines.

In 2016, utilities and public works are expected to continue to account for the largest share of planned capital investments at about 24%, followed by equipment and technology at 20%. Transportation investments represent the next largest proportion at about 18%, followed by parks, open spaces and recreation at 12%, housing at 9%, and community facilities, civic facilities and childcare accounting for about 17% of planned expenditures.

## Looking ahead: 2017-2021 operating and capital financial plan

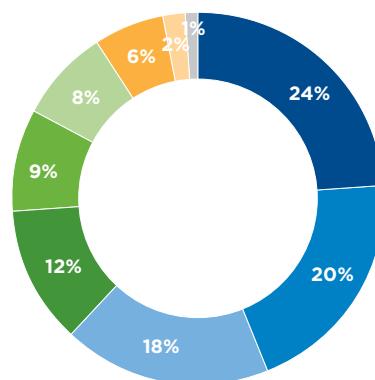
The 2017-2021 Budget Outlook provides Council and staff with a long-term view of the City's revenue and expense direction as well as providing insights on potential pressures and risks. Many budget decisions have multi-year impacts, and developing a financial plan with a long-term view will allow for more informed planning and decision-making and is best practice.

In 2016, Council approved modest annual property tax increases that were among the lowest in the region, consistent with the trend over the last few years. This reflects the City's desire to continue providing valued services to the community while keeping property taxes reasonable, and continuing to address public priorities such as housing, public safety, economic development and the environment.

Wages and benefits make up nearly 60% of the City's operating costs and collective agreements for the majority of City bargaining units expired at the end of 2015. For each 1% wage increase City-wide, the cost is approximately \$7 million, which equates to a 1% property tax increase. This represents the most significant challenge to keeping property taxes in line with inflation through 2017-2021, particularly given that from 2002-2015 compounded wage growth has been above the Consumer Price Index. Limiting future compensation increases to levels affordable to taxpayers will be important.

While the City's revenue base is largely stable and predictable and Vancouver's economy is projected to be one of the strongest performers in Canada in the coming years, the city's economic strength remains linked to the global economy.

2016 ANNUAL CAPITAL EXPENDITURE BUDGET (\$325.2 MILLION, ORIGINAL)



24%   Utilities & Public Works (\$79 M)
20%   Equipment & Technology (\$65 M)
18%   Transportation (\$59 M)
12%   Parks, Open Spaces & Recreation (\$39 M)
9%   Housing (\$29 M)
8%   Community Facilities (\$24 M)
6%   Civic Facilities (\$19 M)
2%   Childcare (\$6 M)
1%   Citywide (\$5 M)

Recognizing this, City staff will continue to closely monitor the effects of recent international economic volatility.

The City will also continue to take a cautious approach to the Budget Outlook and explore areas of opportunity for business transformation to help alleviate pressure on property tax revenues while continuing to deliver on public priorities, including affordable housing, childcare, and a healthy city.

## 2017 Operating Budget

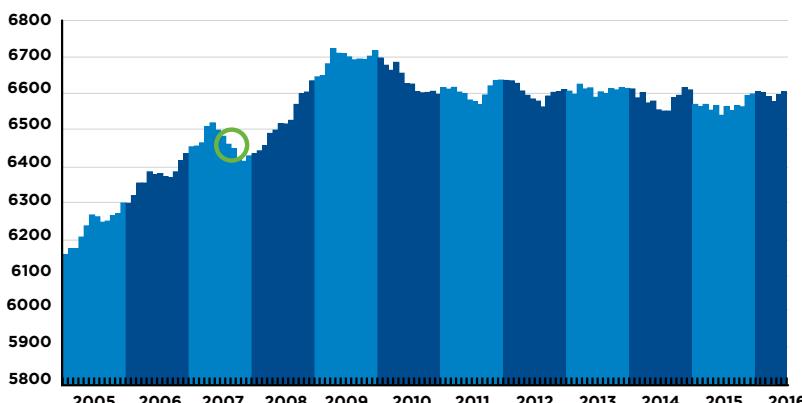
Looking out toward 2017, the projected growth in revenues is fairly stable and consistent with prior years; however, wage cost increases, which are uncertain in 2016 and beyond, will be a key factor in determining the City's rate of expense growth.

### Costs rising faster than inflation

Costs for maintaining existing staff levels and existing levels of public services are rising faster than inflation in a number of areas:

- Regional utility charges passed on to the City by Metro Vancouver are forecast to increase by 3% to 4% for water and by 7.5% to 10% for sewer annually from 2017 to 2021, driven by investment in infrastructure.
- BC Hydro electricity rates are increasing 3.5% in 2017, and an average of 3% for the next four years, based on BC Hydro's 10-year plan.

### ACTIVE REGULAR FULL-TIME STAFF



(Note: Count as of last day of month. ○ Job Action 2007)

- Depreciation for new fire trucks scheduled to be placed in service in 2016 will have a substantial impact on the 2017 operating budget.

The outlook for 2017-2021 shows the potential for a significant gap between the growth in expenses and the growth in revenues over the next few years, largely dependent on the terms of future collective agreement settlements. This trend—shared by all municipalities—will require continued ongoing improvements in productivity and in the way services are delivered in all areas of City services, to address the higher costs of labour, facilities and operations, including: process improvements; information technology transformation; new revenue sources.

## Collective agreements

The majority of collective agreements expired at the end of 2015 for the City of Vancouver and its related boards, including the Vancouver Police Department and the Vancouver Public Library. As a result of arbitrated settlements, which expired in 2015 for the Vancouver Police Union and Vancouver Fire Services, the final year of the settlement included annual wage increases of 2.5%, which are higher than the 2% increase negotiated for civic unions for the same final year. Some Lower Mainland municipalities have negotiated fire services labour agreements until 2018 at 2.5% per annum. Only a few municipalities have settled with their CUPE locals, including Vancouver with CUPE Local 1004. The City has not yet concluded other negotiated deals beyond 2015 for its other civic unions.

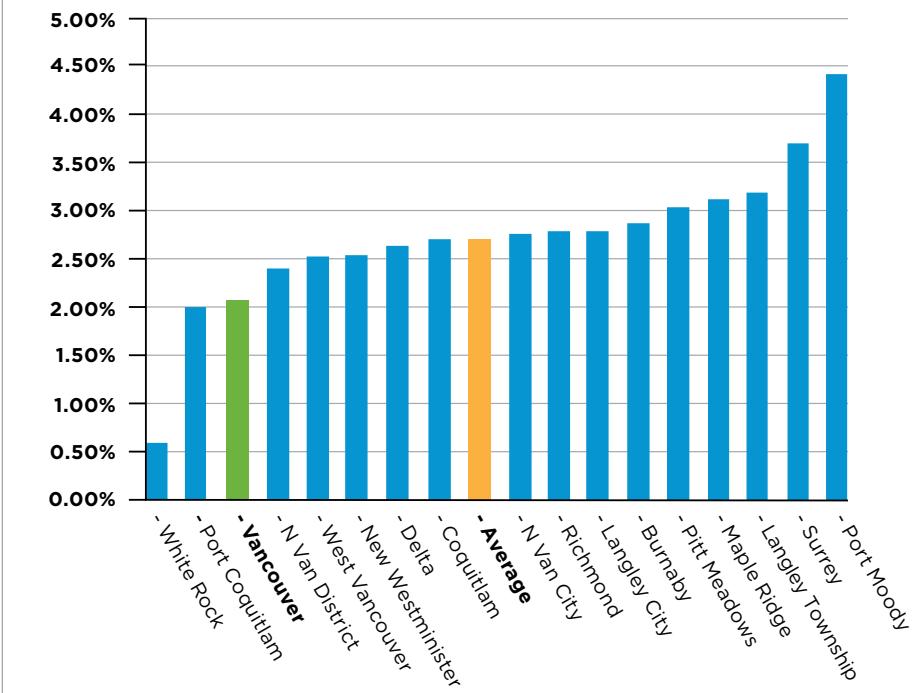
Given the magnitude of public safety wages relative to the rest of the City, the recent trend of public safety wage increases above inflation will continue to put significant pressure on the City's budget and property tax rates.

## Additional challenges

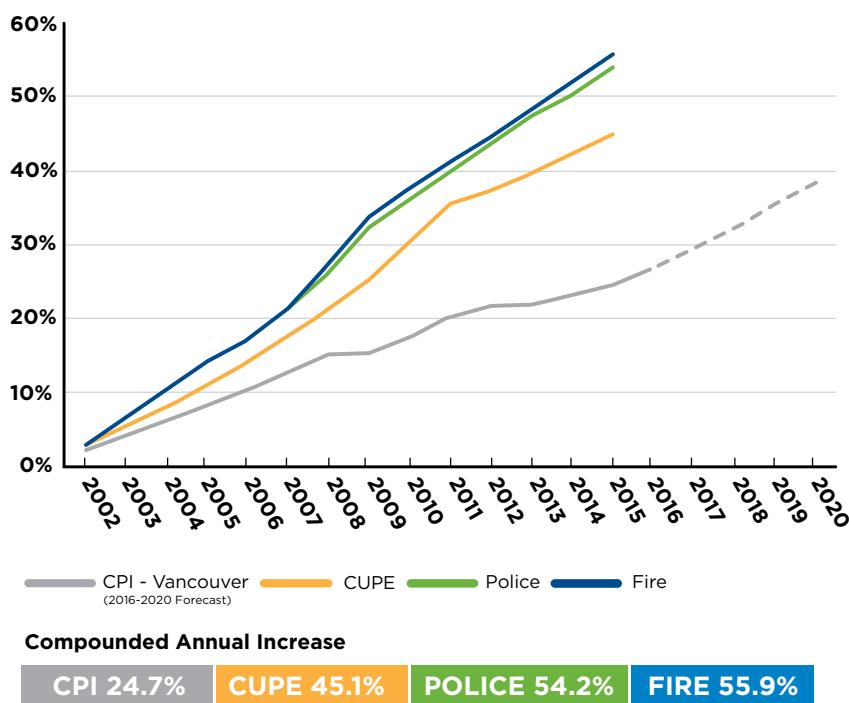
The growing trend of federal and provincial governments transferring responsibility for service delivery to municipalities has put increasing pressure on the City's ability to keep expenditure growth below inflation. Examples of some of the challenges the City faces include:

- BC Ambulance Service resource allocations implemented by the Provincial Health Services Authority has presented challenges for Vancouver Police Department and Vancouver Fire and Rescue Services first-responders.

## VANCOUVER VS METRO VANCOUVER FIVE-YEAR AVERAGE PROPERTY TAX INCREASE (2012-2016)



## COMPOUNDED WAGE INCREASES



- The decision by the RCMP and provincial government to limit the financial contribution for the cost of DNA analysis services, resulted in costs downloaded to municipalities.
- Deterioration of the SRO hotels and the aging social-housing stock, along with relative decreases in investments in social housing by senior levels of government, is having a cumulative impact on homelessness, street disorder and related crisis-response costs at the municipal level.
- Inadequate access to treatment for people with serious mental health and addictions puts pressure on local services. There has been a 43% increase in emergency mental-health visits between 2009 and 2013 and an increase in emergency responses, including mental-health apprehensions.
- The BC government's income assistance rates have not changed since 2007 and have not increased significantly in 20 years, despite substantial increases in rents over this period.
- Existing rental stock is aging, requiring upgrading and refurbishment with potential displacement of long-term tenants who are not able to afford new, market housing.
- Insufficient new housing supply that is affordable for low- to moderate-income individuals and families living and working in Vancouver.
- The availability of childcare spaces continues to be well below the number needed to meet current demand.

## Operating budget 2017-2021: five-year outlook

Budget decisions will be based on a five-year financial plan to ensure Council priorities are addressed, to enable proactive planning for revenues, business transformation opportunities and to respond to emerging risks. The 2017 budget is the first year of the five-year outlook and identifies the City's main budget drivers.

Operating revenue is projected to increase by an average of 3% per year from 2017-2021. This increase is driven by the following assumptions:

- Property tax increases to continue to be in line with inflation rates, which are forecast at 2% annually.
- Property taxes from new construction to increase by \$5 million annually, representing less than 1% of our property tax base.
- Utility rates to increase an average of 4.8% over 2017-2021, based on Metro Vancouver regional utility charge

forecasts (subject to change when Metro Vancouver rates for 2017 are finalized in October 2016);

- Program-fee revenues to increase in line with inflation;
- Development, building and other permit fees to be adjusted as part of a regular Council-approved fee review.

Expenditures are projected to increase primarily due to:

- Increases in regional utility charges passed on to the City by Metro Vancouver, forecast to increase by 3% to 4% for water and by 7.5% to 10% for sewer annually from 2017-2021, driven by investment in infrastructure.
- Increasing costs associated with the 2015-2018 Capital Plan, reflecting increasing debt costs, the operating cost of new facilities and equipment and a transition to increasing use of pay-as-you-go capital for water and sewer utilities.
- Projected annual investment of \$5 million in new and enhanced services.

- An estimated \$2 million per year for cost increases directly passed on from external parties and senior levels of government, as service costs continue to be passed down to municipalities. In addition, indirect costs represent additional cost pressure from transfer of responsibility for service-delivery, such as in the areas of housing, mental health and addiction, childcare and emergency medical response.

The final 2017 Budget will incorporate feedback from public consultation with Vancouver residents and business owners.

*(NOTE: The estimates contained in this report are preliminary and are based on assumptions related to future events and rate changes that have been estimated based on the current economic outlook, recent expenditure growth and revenue trends and available Metro Vancouver forecasts. These assumptions will be refined and adjusted over the coming months to reflect ongoing revenue trends, productivity improvements and service-delivery changes to bring the 2017 Budget into balance.)*

## 2017 OPERATING BUDGET PRELIMINARY EXPENSE PRESSURES

### External Agency Costs passed on to the City:

Increased Metro Vancouver charges for Water and Sewer utility	\$9 million
Anticipated external party cost increases (including EComm)	\$2 million

### Debt and Capital Program Costs:

Operating impacts of capital projects (Fire trucks, néca?mat ct Strathcona library, Parks Urban Forest Strategy, Marpole Family Place, etc.)	\$5 million
Pay-as-you-go Sewer & Water, Transfers and Debt Financing for Water, Sewer & NEU	\$3 million
Increased non-utility debt cost	\$2 million

### City-wide Inflationary Cost Pressures (including utilities):

Inflationary costs (hydro, gas rates, leases, insurance)	\$3 million
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### New Programs:

Investments in new and enhanced services and programs	\$5 million
Transfer of recycling to MMBC, net of new programs such as Bulky Item Pick up pilot project and Zero Waste Project	(\$9 million)

### Salary and benefit costs:

Salary and benefit increases required by existing collective agreements (contractual increments and projected benefit cost increases)	\$3 million
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### PRELIMINARY EXPENSE PRESSURES

<b>(EXCLUDING IMPACT OF COLLECTIVE AGREEMENTS)</b>	<b>\$23 million</b>
<b>+ Wage increases related to collective agreements under negotiation (each 1% increase equals approximately \$7 million annually)</b>	<b>+ impact of wage increases to be determined</b>

## 2017 OPERATING BUDGET PROJECTED REVENUE CHANGES

### Property Tax:

Increase in property tax revenue (estimated at 2%)	\$14 million
New construction tax revenue	\$5 million

### Utility fees:

Increase in utility fee revenue (Water, Sewer, Solid Waste, NEU)	\$3 million
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### Program fees:

Inflationary increases in program fees and development fees	\$2 million
Increased program volume	\$1 million
Development, Building and other Permit Fees Reviews	\$1 million

### TOTAL PROJECTED REVENUE CHANGES

**\$26 million**

2017-2021 OPERATING BUDGET OUTLOOK PRELIMINARY EXPENSE PRESSURES (\$ IN MILLIONS)	2017	2018	2019	2020	2021
<b>External Agency Costs passed on to the City:</b>					
Increased Metro Vancouver charges for Water and Sewer utility	\$9	\$6	\$8	\$9	\$8
Anticipated external party cost increases (including EComm)	\$2	\$1	\$1	\$1	\$1
<b>Debt, Transfers and Capital Program Costs:</b>					
Operating impacts of capital projects (Fire trucks, náčaʔmat ct Strathcona library, Parks Urban Forest Strategy, Marpole Family Place, etc.)	\$5	\$5	\$5	\$5	\$5
Pay-as-you-go Sewer & Water, Transfers and Debt Financing for Water, Sewer & NEU	\$3	\$5	\$3	\$2	\$3
Increased non-utility debt cost	\$2	\$2	\$2	\$1	\$1
<b>City-wide Inflationary Cost Pressures (including utilities):</b>					
Inflationary costs (hydro and gas rates, leases, insurance)	\$3	\$3	\$3	\$3	\$3
<b>Programs:</b>					
Investments in new and enhanced services and programs	\$5	\$5	\$5	\$5	\$5
Transfer of recycling to MMBC, net of new programs such as Bulky Item Pick up pilot project and Zero Waste Project	(\$9)				
<b>Salary and benefit costs:</b>					
Salary and benefit increases required by existing collective agreements (contractual increments and projected benefit cost increases)	\$3	\$3	\$3	\$3	\$3
<b>PRELIMINARY EXPENSE PRESSURES (EXCLUDING IMPACT OF COLLECTIVE AGREEMENTS)</b>	<b>\$23</b>	<b>\$30</b>	<b>\$30</b>	<b>\$29</b>	<b>\$29</b>
<b>+ Wage increases related to collective agreements under negotiation (each 1% increase equals approximately \$7 million annually)</b>	<b>+ impact of wage increases to be determined</b>				
2017-2021 OPERATING BUDGET OUTLOOK PROJECTED REVENUE CHANGES (\$ IN MILLIONS)	2017	2018	2019	2020	2021
<b>Property Tax:</b>					
Increase in property tax revenue (estimated at 2%)	\$14	\$15	\$15	\$16	\$16
New construction tax revenue	\$5	\$5	\$5	\$5	\$5
<b>Utility fees:</b>					
Increase in utility fee revenue (Water, Sewer, Solid Waste, NEU)	\$3	\$10	\$10	\$10	\$9
<b>Program fees:</b>					
Inflationary increases in program fees and development fees	\$2	\$3	\$3	\$3	\$3
Increased program volume	\$1	\$1	\$1	\$1	\$1
Development, building and other permit fees reviews	\$1	—	—	—	—
<b>TOTAL PROJECTED REVENUE CHANGES</b>	<b>\$26</b>	<b>\$34</b>	<b>\$34</b>	<b>\$35</b>	<b>\$34</b>

## Capital budget 2017-2021: five-year outlook

The 2015-2018 Capital Plan was approved by Council in October 2014 and included \$1.085 billion of capital investments. With subsequent City Council approved adjustments, as of July 26, 2016, the 2015-2018 Capital Plan was \$1.221 billion. The Capital Plan provides the framework for the 2017 Capital Budget, the third year of the four-year Capital plan. Funding from the multi-year capital plan is allocated to specific capital programs and projects through the annual capital budget process.

The historical spend has varied over the past several years depending on the timing of projects within the capital plan period. The City is forecasting to spend approximately \$440 million in 2016 against the City's 2016 capital budget of \$447 million, the largest annual capital expenditure by the City since the years leading up to the Vancouver

2010 Winter Olympic Games. The capital budget for 2017 is expected to increase, given significant planned investments in affordable and social housing and in active transportation projects, including the Arbutus Greenway and continued progress on the first phase of the Georgia and Dunsmuir viaducts removal.

As well, many of the City's major capital projects are moving from the planning or initial phases to implementation or operational phases, such as the Burrard Bridge rehabilitation project and the replacement of the City's fire trucks. Anticipated capital expenditures in 2018 are estimated to decrease from 2016 and 2017 levels but remain higher than historical levels, reflecting the continuation and completion of the major capital projects in construction or implementation phases in 2017.

Capital expenditures are expected to return to more historical levels in 2019,

2020, and 2021. The forecasts for 2019, 2020, and 2021 are early estimates given that the 2019-2022 Capital Plan is to be developed over 2017 and 2018 and presented to Council for review and approval in mid-2018.

The 2017 Capital Budget will be based on the 2015-2018 Capital Plan, which outlines key projects across City departments for the four years of the plan. Specific projects will be prioritized based on need, the opportunity to leverage senior government funding, and the enabling of business transformation through capital investments. Utility maintenance and upgrading remain a critical priority. As factors affecting capital priorities change subsequent to the approval of the Capital Plan, the plan is adjusted as necessary to align with current capital priorities and budget challenges, such as the addition of new priority projects or deletion of cancelled or deferred projects and funding changes.

2017 Annual Capital Expenditure Budget Preliminary Outlook	
2017 capital expenditures for continuing projects	\$297 million (estimated)
2017 capital expenditures for new projects (third year of 2015-2018 Capital Plan)	\$170 million (estimated)
Total Capital Expenditure Budget Estimate	\$467 million (estimated)

Included in the 2017 Capital Budget are expenditures related to multi-year capital projects and new projects that will start in 2017 based on the 2015-2018 Capital Plan. The table above provides an estimate of the expenditures for current approved projects continuing into 2017 and expenditures planned for new 2017 projects. Over the next few months, staff will review the projects schedule across the five-year outlook to further refine the 2017 Budget based on Council and community priorities, as well as capacity to deliver.

In 2015, the City received some senior government funding to support the City's capital program. The City anticipates receiving further senior government funding in 2016 toward several key priorities in the capital program, including childcare, recreation facility renovations and upgrades, park renewal and bridge infrastructure.

## Key capital investments for 2017 to 2021:

### Affordable housing

Vancouver City Council will continue to address the city's housing challenges holistically through innovative partnerships with senior levels of government, non-profit housing partners and the private sector and to leverage the City's land-use policies, land and grants to:

- Increase affordable housing supply across the continuum.
- Provide greater diversity of housing.
- Preserve affordable rental stock and minimize impact on tenant displacement.

A number of affordable housing projects are currently underway in various phases, from planning and design to construction:

- New affordable housing on City-owned land through agreements with the Community Housing Land Trust Foundation
- New affordable housing in Southeast False Creek Area 3B

- New affordable housing on City-owned and partner-owned sites such as River District, Downtown Eastside, Grandview-Woodland and Marpole
- Renewal and expansion of Roddan Lodge, Central Residence and Alexander Residence

Through the Vancouver Affordable Housing Agency, the City will pioneer the first pre-fabricated modular housing pilot projects to deliver shelters and self-contained interim housing units. The City will also continue to work with non-profit housing partners to seek opportunities for an investment program that would support the upgrading of private single-room occupancy (SRO) hotels and, where appropriate, purchase or lease of SROs to maintain housing affordability for the city's most vulnerable population.

Council will assess the Housing and Homelessness Strategy Reset and update the goals and targets for the next 10 years and identify further opportunities to partner with senior levels of government to address Vancouver's housing challenges.

### Childcare

Construction will continue in 2017 for the Lord Nelson Elementary School childcare project and will commence for the Sir Sandford Fleming Elementary School childcare project in partnership with Vancouver School Board. Design will commence in 2017 for several other major childcare projects planned for the Gastown area and West Fraser Lands, with construction to follow in 2017 and 2018.

### Parks, open spaces and recreation

Renewal of portions of the Stanley Park seawall is a priority in 2017. The federal government has contributed funding to

this project through an Infrastructure Canada grant. The work includes repairs to the existing seawall and new cycling and environmental enhancements.

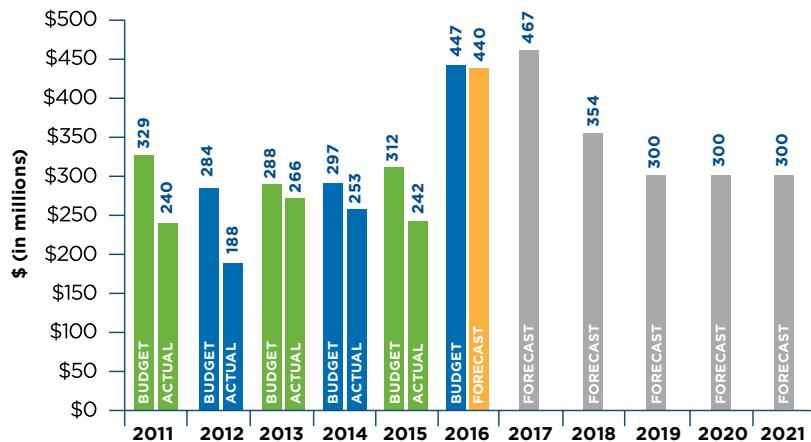
Construction of a new park in Downtown South, at Smithe and Richards streets, is scheduled to begin in late 2017, and conceptual designs for a new waterfront park in North East False Creek and parks in East Fraser Lands will be completed. Planning for a new waterfront park, east of the Creekside Community Centre on False Creek, will also begin and park and playground renewals will be underway at Renfrew Ravine and Community Park, Brewers Park and Sunset Park and other locations.

Priority planning projects include the kick-off of the Parks and Recreation Services Plan, VanSplash (the most comprehensive review of aquatic facilities and services in 15 years), People Parks and Dogs: a strategy for sharing Vancouver's Parks and city-wide engagement to confirm a location for a new track-and-field training facility.

In line with the City's Urban Forest Strategy, new trees will be planted city-wide to enhance the forest canopy.

Construction is scheduled to start on the Killarney Seniors' Centre in 2017, with completion planned for 2018. Also planned for 2017 is continued stakeholder consultation for the Britannia Community Centre Renewal Phase 1, including development of master plan options. Construction will continue on the redevelopment of the North Plaza of the Vancouver Art Gallery, with completion anticipated in summer 2017. Construction on upgrades to the Burrard Marina will commence in 2017, including replacement of floats and electrical upgrades, with completion anticipated for the end of 2017.

CAPITAL EXPENDITURE TREND COMPARISON, 2011- 2021 (IN MILLIONS)



## **Community facilities**

Construction will continue in 2017 on the expansion of Central Library to levels eight and nine, with completion anticipated in 2018. As well, the disbursement of a major cultural capital grant is expected in 2017 as part of the City's support of the establishment of artist production spaces in the Mount Pleasant neighbourhood.

## **Civic facilities**

Construction of Fire Hall #5, including a social housing component, will continue in 2017 as part of a multi-year program to upgrade and replace the City's fire halls. Construction is scheduled to be completed in 2018. Final design and costing for the replacement of Fire Hall #17 is anticipated to be completed in 2017, with construction to commence in 2018 and continuing into 2019.

## **Transportation**

In March 2016, federal Finance Minister Bill Morneau tabled the newly elected Liberal government's first budget, an important milestone in strengthening the federal-municipal partnership.

One of the highlights of the 2016 federal budget was a funding commitment for public transit, including contributing up to 50% of eligible costs for repair and refurbishment of existing systems and planning for expansion projects, as well as committing to Phase I investment in cost-effective, sustainable and integrated transportation networks. The new funding and flexibility dedicated to public transit will help advance transit improvement in Vancouver.

In the fall of 2015, Council voted to replace the Georgia and Dunsmuir viaducts with a new street network. Detailed planning and design will continue in 2017 for the removal of the viaducts and development of the remaining Northeast False Creek (NEFC) lands, including future parks and open spaces.

Modifications to the Burrard Bridge and nearby streets to rehabilitate the bridge, improve safety at the Burrard and Pacific Street intersection and restore walking to the east bridge sidewalk is scheduled to be completed in mid-2017. As well, public realm improvements to the Seaside Greenway between Burrard Bridge and Cambie Bridge and between Alma Street and Macdonald Street will continue in 2017 with completion anticipated for late spring 2017, improving safety and comfort for people walking and cycling.

## **Utilities**

Construction will commence in 2017 for the closure and gas collection infrastructure for the western 40 hectare

section of the Vancouver Landfill and for the Phase 3 closure of the south-east section of the landfill; completion is scheduled for 2019. Reconstruction of the entrance to the landfill is also scheduled to continue in 2017 with completion by the end of the year. This project will reduce traffic congestion at the landfill entrance, improve safety and provide an improved recycling facility for landfill customers.

## **Equipment and Technology**

Plans for 2017 include the procurement and implementation of a new fleet management software solution, which will improve how the City manages and maintains the City's vehicles and equipment, and the replacement of the City's parking enforcement application (TicketManager) and online, parking-meter payment application (PayByPhone). Other major projects will include: the procurement of an Emergency Management Information System; the implementation of electronic scheduling for Vancouver Fire and Rescue Services to improve the effective deployment of vital staff resources; a continued commitment to the City's capacity to produce and utilize Data and Analytics; and the initiation of technology planning in support of the 2018 municipal election.

City fleet purchases in 2017 will continue to be focused on reducing greenhouse-gas impact and improving operational efficiencies.

## **2017-2021 operating and capital budget risks**

There are a number of internal and external risks that can affect the City's five-year financial outlook and are considered in developing the City's budget.

### **Revenue risks**

Approximately 77% of the City's operating revenue comes from property taxes and utility fees, which form a stable and predictable revenue base for the City. About 5% of the revenues come from cyclical revenues such as development and permit fees. However, because a significant portion of the operating expense budget is related to salary and contractual expenses that are fixed in the short-term, the City takes a prudent approach to revenue forecasting.

Revenue risks include:

- Development permits and license fees, which represent 5% of the revenue budget, may be negatively affected by the changes in tax policy, such as the new provincial 15% foreign buyers tax, economic slowdown and downward changes in the economy.

- Program-fee revenue, parking, rental and lease income combined generate 11% of the City's revenue and are also sensitive to general economic conditions, seasonal weather factors and increased market competition.

- Cost-recoveries, grants and donations from external parties and provincial revenue sharing provide 5% of City revenue and 7% of the City's 2015-2018 Capital Program funding and are subject to being reduced or discontinued.

- Developer cost levies and community amenity contributions are a significant portion of capital budget revenues. An economic downturn could lead to less real estate development and therefore less development-related capital revenues, resulting in some capital projects being delayed or cancelled.

- Investment income could decline should interest rates significantly decrease.

### **Expenditure risks**

A significant portion of non-salary expenses are contractually fixed and predictable in the short-term. For expenses that are less predictable during the year, the City's annual budget includes a \$10 million contingency to cover unanticipated expenses, subject to approval by Council before the funding is accessed.

Expenditure risks include:

- Costs associated with collective agreements for 2016 and beyond, including arbitrated agreements, for which the City has no control over final settlement costs.

- Unforeseen increases in employee-benefit costs, including costs associated with employer pension contributions, WCB premiums, employee extended health and dental benefit or long-term disability insurance claims.

- Unanticipated costs passed down to the City from other levels of government.

- Costs for unforeseen events, such as public emergencies and issues related to climate change or unusual weather events. These could include costs for higher water consumption during periods of low rainfall, costs for flooding and wind damage, or higher costs for snow and ice removal in periods of high winter storm activity.

- Delays in the generation of financial benefits from service transformations.

- Any significant increase in interest rates, which will increase the City's debt servicing on new debt and limit future borrowing capacity.

- Future needs for rapid transit and affordable housing could be a potential pressure in the five-year plan.

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## For more information on the City of Vancouver's priorities and actions, visit:

Vancouver Housing Initiative: 2012-2021 Housing and Homelessness Strategy	Greenest City Action Plan	Regional Growth Strategy, 2011
2012 Report on Mayor's Task Force on Housing Affordability	The Vancouver Economic Action Strategy	2014-2018 Cultural Plan
Healthy City Strategy – Phase 2	Transportation 2040 Plan	Park Board Strategic Framework
Culture Plan for Vancouver 2008-2018	Arbutus Greenway	Vancouver Public Library Strategic Plan
Vancouver Immigration Partnership	Active Transportation Promotion and Enabling Plan	Vancouver Police Department Strategic Plan
2011-2021 Capital Strategic Outlook	Mobi	Mayor's Task Force on Mental Health and Addictions
	Digital Strategy	
	Mayor's Engaged City Task Force	

To learn more about the City of Vancouver's budget, visit: [vancouver.ca/budget](http://vancouver.ca/budget) or call: 3-1-1



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