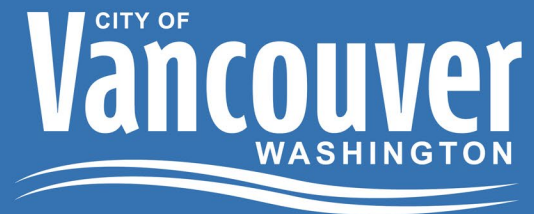


City Manager's Recommended 2023-2024 Biennial Budget

Natasha Ramras
Chief Financial Officer
City of Vancouver



Target Workshop Outcomes



- Complete final review of recommended budget, with refinements
- Review and finalize Business License Surcharge program changes to be returned for adoption with budget
- Review all budget related ordinances to be returned for first reading November 14 and hearing/adoption November 21

2023-2024 City Manager's Recommended Budget Overview



**2023-2024 Budget
Overview**

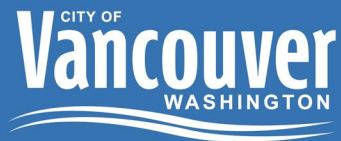


**Budget Ordinances Overview
and Finalize Business License
Fees update**

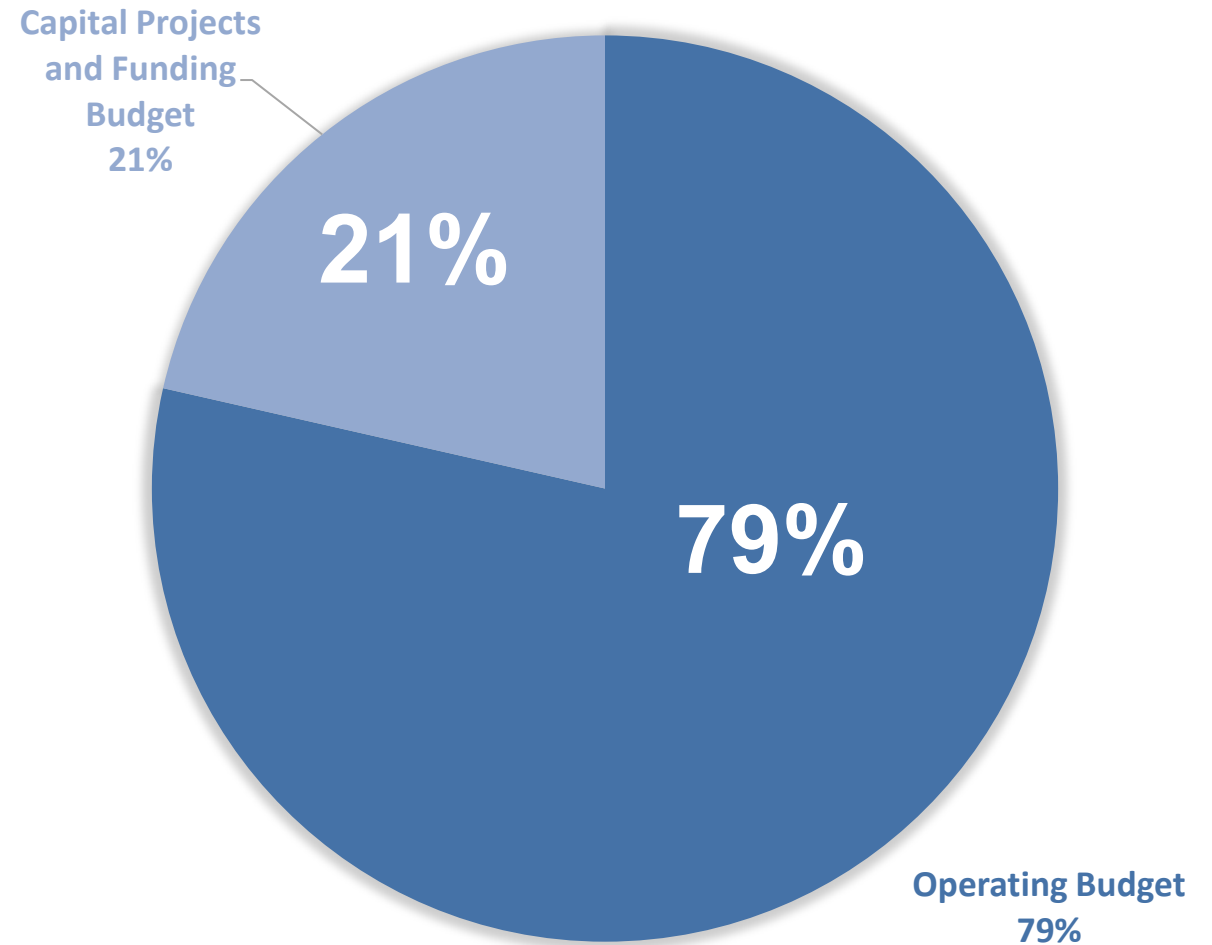
17% increase over the 2021-22 Biennial Budget

Capital Projects and
Funding Budget 21%

Operating
Budget 79%



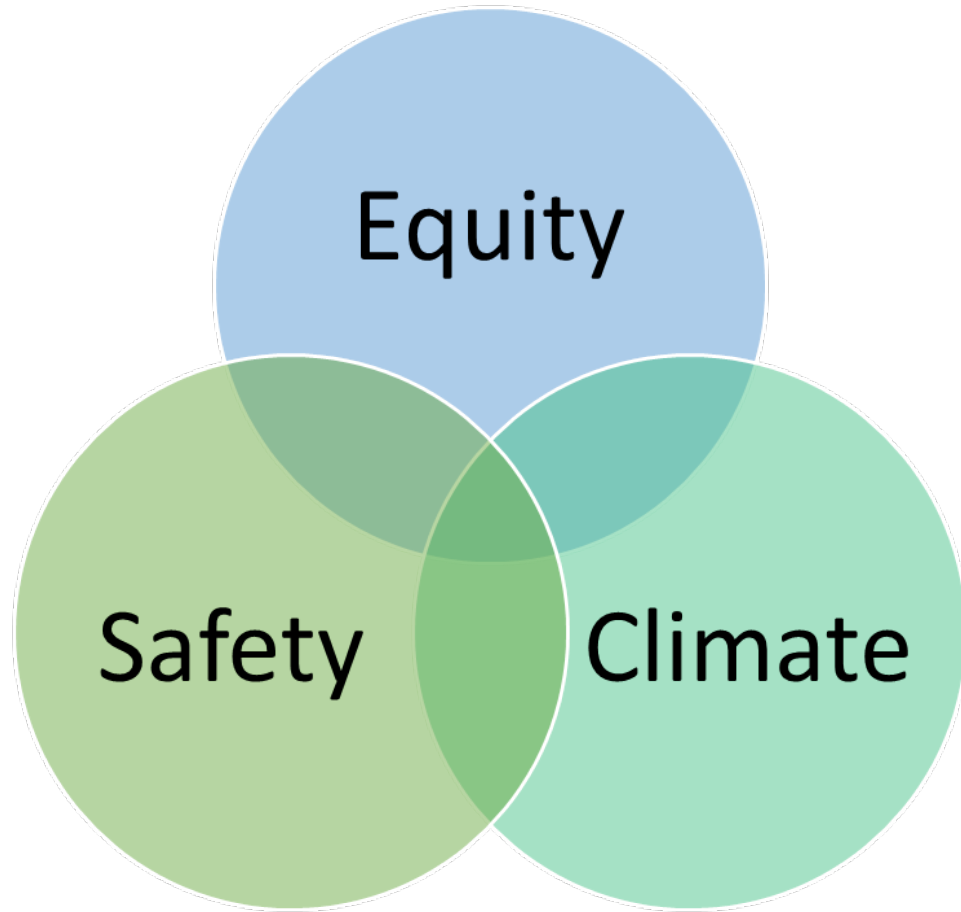
CITY MANAGER'S RECOMMENDED 2023-2024 BUDGET OPERATING AND CAPITAL \$1.7 B



2023-2024 City Manager's Recommended Budget: \$1.7 billion

- **Operating Budget: \$1.37 billion**
- **General, Street, and Fire Funds: \$0.67 billion**
- **All Other Operating Funds: \$0.7 billion**
- **Capital Budget: \$0.37 billion**
- **Projects: \$0.27 billion**
- **Funding Transfers: \$0.1 billion**

Universal Policy Themes



2023-24 Budget Framework: Policy Priorities

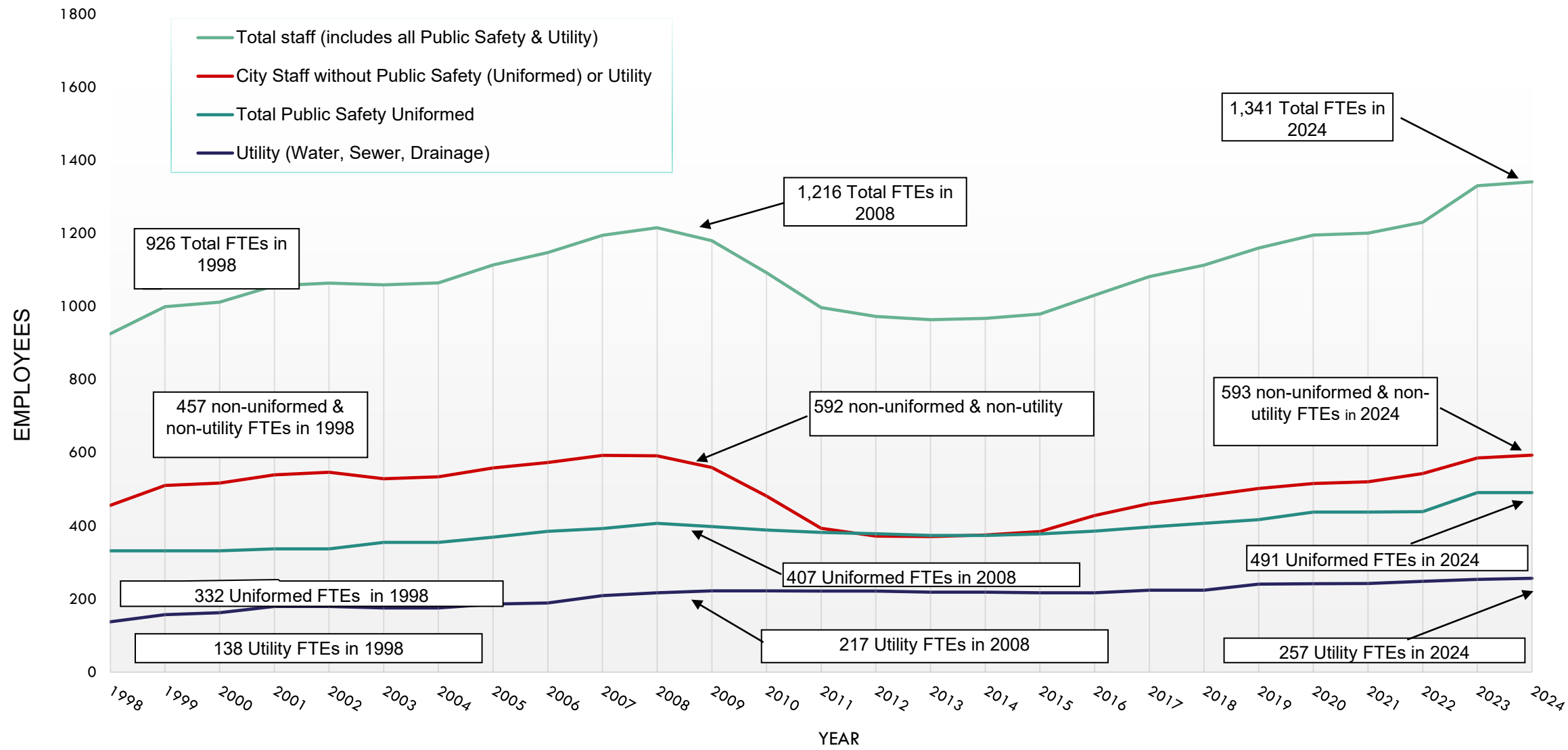


2023-24 City Manager's Recommended Budget



- Adds/extends 110.35 new FTEs
- Balanced, uses \$6.3 mil in existing cash for capital projects and one-time initiatives in the General, Street, Fire Funds and \$70 mil city-wide
- Operating, Capital, and General Fund reserves maintained at levels provided for in the City's financial policies

Vancouver City Staffing Over Time





2023-2024 City Manager's Recommended Budget

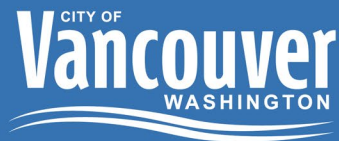
Capital Budget
\$377 million

Projects
\$277 million

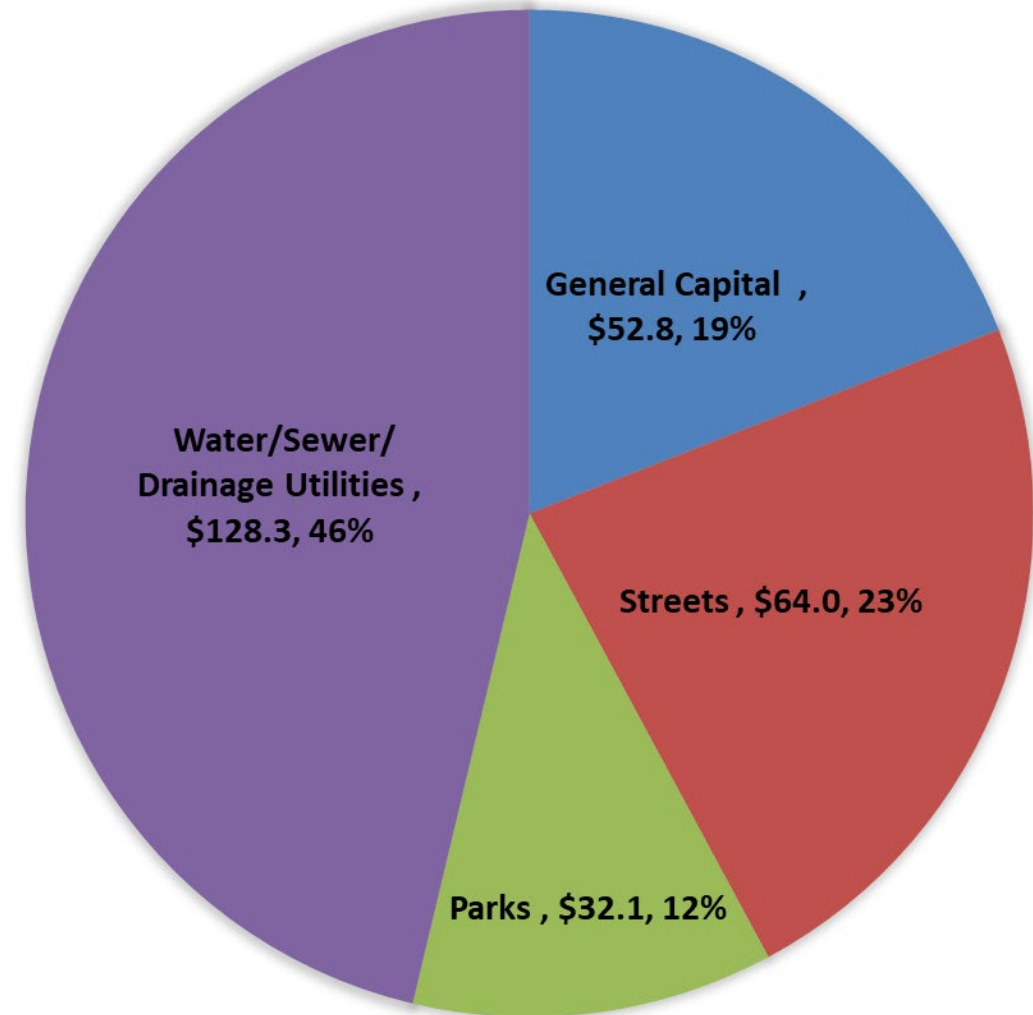
Funding
\$95.2 million

2023-2024 City Manager's Recommended Budget

Projects
\$277 million



CITY MANAGER'S RECOMMENDED 2023-2024 CAPITAL PROGRAM: \$277 MIL
(DOLLARS IN MILLIONS)





Budget Ordinances

- 2023-24 Budget Ordinance and Financial Policies Resolution
- Property Tax Ordinances – recommended 1% increase for 2023
- Utility Rate Increase Ordinances: 6% annual increase, weighted
- Water and Sewer System Development Charge Updates
- Parks Impact Fees increase consistent with A Stronger Vancouver, years 3 and 4
- Real Estate Excise Tax portion dedication to new trail program
- Update to the Business License and Business License Surcharge Fees

Property Tax Ordinances

- **Inflationary 1% annual levy increase**
- Affordable Housing Property Tax Ordinance
- Ad Valorem
- Maintain levy capacity for exempt property

- 1% annual levy increase for property tax
- Incorporates Proposition 2 increase
- Ad Valorem – confirms the city is relying on the increased property tax revenue to fund its budget
- New ordinance to protect levy capacity once exempt property becomes non-exempt
- Levy \$6 mil for Affordable Housing (levy is estimated to be between (\$0.17 and \$0.19 per \$1,000 AV)

Utility Rate Ordinances:

- Water, Wastewater, Surfacewater
- Solid Waste – on earlier time track

Blended 6% Annual Rate Increase to incorporate inflationary cost increases and increased capital program:

- | | |
|-------------------------|---------------|
| • Water Utility | 4.5% per year |
| • Wastewater Utility | 6.0% per year |
| • Surface Water Utility | 8.0% per year |
| • Solid Waste Utility | 6.6% per year |

Utility Rate Ordinances:

- Water, Wastewater, Surfacewater
- Solid Waste – on earlier schedule
- System Development Charges update

System Development Charges Update

- Last increase in 2010
- Study analyzed water/sewer utility costs and future capital program and recommended increases:
 - Water: ~~\$2,360~~ to \$3,415 per meter size
 - Sewer ~~\$2,740~~ to \$3,400 per dwelling unit
- Estimated to generate \$2.2 mil in Water and \$1.4 mil per year in Sewer
- Wide stakeholder outreach early in 2022
- Add annual inflationary adjustment beginning in Jan. 1, 2024

Parks Impact Fees Planned Increase

- Updating the VMC for years 3-6 of the planned increase

Phased Implementation Over 6 Years

Year	Park District	% Increase	Single-Family (SF)	Multi-Family (SF)
1-Jan-21	A, B, C	25% increase	\$2,819	\$2,060
1-Jan-22	A, B, C	25% increase	\$3,523	\$2,575
<u>1/1/2023</u>	<u>A, B, C</u>	<u>35% increase</u>	<u>\$4,757</u>	<u>\$3,476</u>
<u>1/1/2024</u>	<u>A, B, C</u>	<u>10% increase</u>	<u>\$5,232</u>	<u>\$3,824</u>
<u>1/1/2025</u>	<u>A, B, C</u>	<u>10% increase</u>	<u>\$5,756</u>	<u>\$4,206</u>
<u>1/1/2026</u>	<u>A, B, C</u>	<u>6.5% increase</u>	<u>\$6,130</u>	<u>\$4,480</u>

Real Estate Excise Tax

- Simplify
- Add Parks Trails program

Recommendation: Simplify by Create a Funding Waterfall

- Simplify by creating a funding waterfall
- Add \$1.0 mil per year for Trails

<u>Sequence</u>	<u>Threshold</u>	<u>Purpose</u>
First	\$1.9 mil	FCC and MCC Debt Service
Second	\$0.2 mil	Traffic Safety
Third	\$0.3 mil	Parks Capital Economic Development
Fourth	\$1.0 mil	
Fifth	\$1.0 mil	Trails Parks program

**Total needed to
fund \$4.4 mil**

Business License Surcharge

Recommended revision to the BLS Program to:

- Expand the tax base
- Account for inflation
- Increases revenues
- Expand uses of the revenue
- Enhance equity in overall tax structure

Business License Surcharge

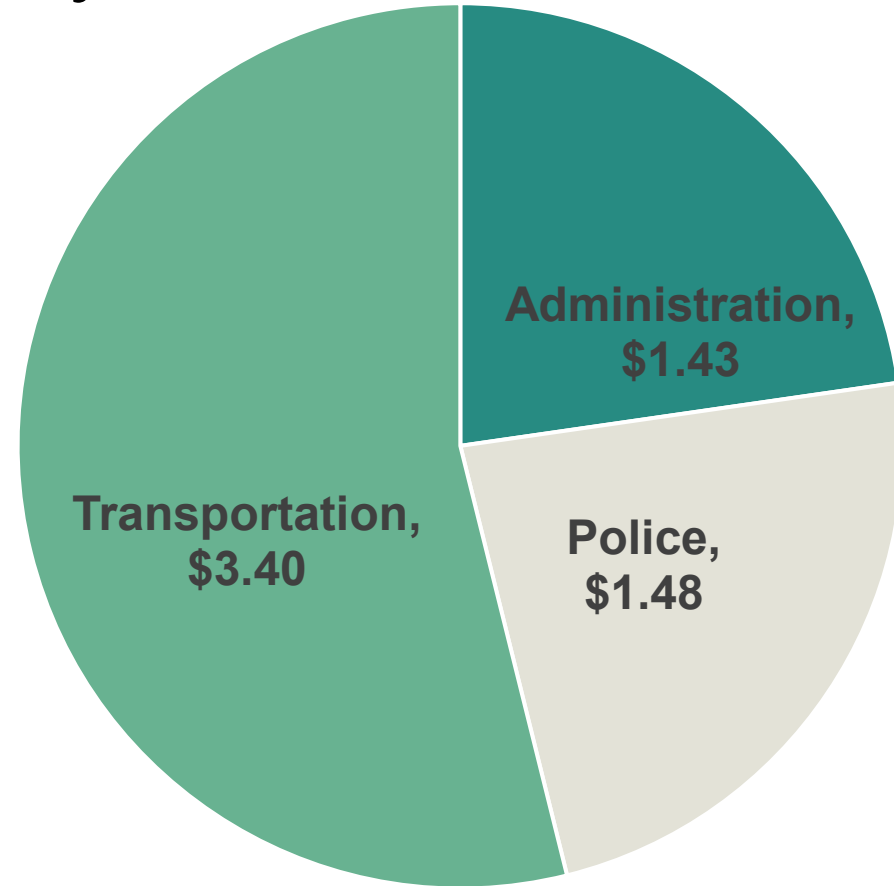
- Current System

- Revenue program – non regulatory
- Two components:
 - \$200 annual license fee per location per year
 - Applicable to for profit and non-profit
 - \$90 per full time employee (2080 annual hours) per year
 - Applicable only to for profit
- Businesses with gross annual revenue <\$12,000 are exempt from fees

Business License Surcharge

- Current System

- Current program generates \$6.2 m annually for:



Business License Surcharge

- Recommendation

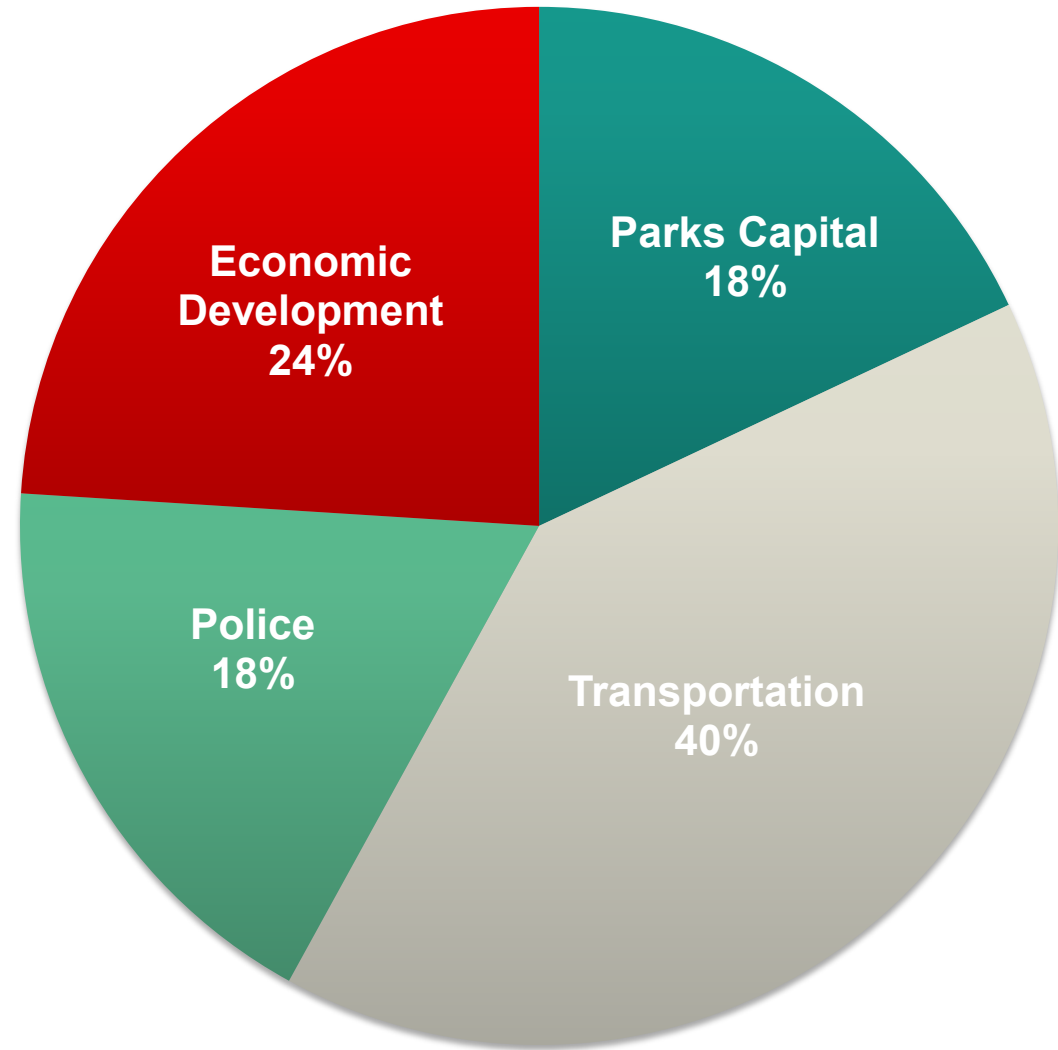
- Modify exemptions to expand the tax base
- Increase program revenues and expand revenue uses
 - Target \$10.5 m in new revenues by 2028 and maintain simplicity of administration
- Gradual implementation over time to support ease of transition and predictability for payers

Business License Surcharge

- Recommendation

- Simplify Revenue Allocation:

Proposed Revenue Allocation



Business License Surcharge

- Council Feedback

- Support for:
 - Increasing the upper gross income threshold for from <\$12k to <\$50K/year
 - Exempting businesses with <\$50K/yr. gross income from business license surcharge
 - Eliminating part time employee fee
 - Defining a full-time employee at lower than 2080 annual hours
 - Modifying the proposed fees consistent with above to generate new revenues

Business License Surcharge

- Options
- Equivalent marginal cost per hour:
 - 2023 = \$0.063
 - 2028 = \$0.12

Scenario A:

	Reduced flat fee for gross revenue \$2K - \$50K	Base fee per location for profit and not for profit gross revenues >\$50K	Surcharge (FTE=2080 hrs/yr) for profit only gross revenues >\$50K
2023	\$50	\$300	\$130
2024	\$51	\$315	\$155
2025	\$52	\$331	\$180
2026	\$53	\$347	\$205
2027	\$54	\$365	\$230
2028	\$55	\$383	\$255
2029	\$56	\$402	\$280
2030	\$57	\$422	\$305

Business License Surcharge

- Options
- Equivalent marginal cost per hour:
 - 2023 = \$0.062
 - 2028 = \$0.12

Scenario B:

	Reduced flat fee for gross revenue \$2K - \$50K	Base fee per location for profit and not for profit gross revenues >\$50K	Surcharge (FTE=1670 hrs/yr) for profit only gross revenues >\$50K
2023	\$50	\$300	\$104
2024	\$51	\$315	\$124
2025	\$52	\$331	\$144
2026	\$53	\$347	\$164
2027	\$54	\$365	\$184
2028	\$55	\$383	\$204
2029	\$56	\$402	\$224
2030	\$57	\$422	\$244

Examples of Scenarios: 2023

Sample business type		FTES	2022 Fee (base + surcharge)	Scenario A (base + surcharge)		Scenario B (base + surcharge)	
				2023 Fee at 2080 hrs/ FTE	Difference to 2022	2023 Fee at 1670 hrs/ FTE	Difference
Small Business: Sole Proprietor <\$50K		1	\$290	\$50	-\$240	\$50	-\$240
Gross annual revenue >\$50 k	Small Business: clothing boutique	1.5	\$380	\$560	\$180	\$494	\$114
	Small company: personal services	3.5	\$560	\$820	\$260	\$753	\$193
	Fast Food Restaurant	10	\$1,100	\$1,600	\$500	\$1,595	\$495
	Small professional services	15	\$1,550	\$2,250	\$700	\$2,243	\$693
	Large company	100	\$9,200	\$13,300	\$4,100	\$13,253	\$4,053

Business License Surcharge

- Recommendation

Scenario B Advantages:

- Reduces taxes for 17% of all City's businesses (~3,000 businesses)
- Lower surcharge than originally proposed
- Slower growth in surcharge over the recommended implementation
- Simple administration - same as current methodology
- Supports target program revenue

Business License Surcharge

- Recommendation

BLS Waiver:

- Simplify current program:
 - One time, 5-year waiver for any business that brings:
 - >200 new FTEs earning >125% of the median income for the Metro area
- Explore “sustained investment” incentive for existing small business
- Return to Council for consideration in 2023

Budget Process Schedule



Timeline of budget process schedule

Questions and Direction

