

# 2021 Budget Outlook

Council Presentation

July 8, 2020



- Context and Approach
- 2021 Council Priorities
- 2020 Budget Forecast Update
- 2021 – 2025 Operating Budget Outlook
- Tax Scenarios and Service Impacts
- Public Engagement Update
- Budget Timeline

# Context: Planning continuum



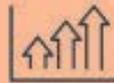
# Confirming 2021 Council Priorities



Deliver Quality Core Services that Meet Residents' Needs



Address  
Affordability and  
the Housing Crisis



Protect and Build  
a Resilient  
Local Economy



Increase Focus  
on Equity and  
Critical Social Issues



Accelerate Action  
on Climate Change



We will be flexible and quickly adjust within each priority  
to best support recovery from the COVID-19 pandemic

# 2021 Council priorities - detailed

Values				
Environmental Sustainability - Resilience - Inclusion - Reconciliation - Innovation - Efficiency - Accountability - Financial Sustainability				
Outcome - What kind of city we want to be				
An affordable, livable city	A thriving and vibrant city	A diverse, welcoming city	A sustainable, green city	
Priorities				
Deliver Quality Core Services that Meet Residents' Needs				
Address Affordability and the Housing Crisis	Protect and Build a Resilient Local Economy	Increase Focus on Equity and Critical Social Issues	Accelerate Action on Climate Change	(Core Services)
Alignment of priority initiatives/issues raised by Council to the Overall Priorities - Examples - not meant to be an exhaustive list				
<ul style="list-style-type: none"> <li>- Improve social housing options</li> <li>- Strengthen renter protection</li> <li>- Non-market rental housing</li> <li>- Work to end homelessness</li> <li>- Diverse housing options</li> <li>- Ensure affordability as we grow and develop our city</li> <li>- Reduce regulatory red tape / reduce permit wait times</li> <li>- Housing and homelessness (CCRC)</li> </ul>	<ul style="list-style-type: none"> <li>- Support local business</li> <li>- Grow existing and explore more partnerships</li> <li>- Explore more revenue sources</li> <li>- Workforce housing including affordable rentals</li> <li>- Green economy</li> <li>- Support local artists / grow arts and culture job sector</li> <li>- Industrial land strategy</li> <li>- Support improved transit options</li> <li>- Economic recovery (CCRC)</li> </ul>	<ul style="list-style-type: none"> <li>- Further actions to address the opioid crisis</li> <li>- Improve childcare options</li> <li>- Improve food security</li> <li>- Ensure services and amenities are widely accessible to, and adequate for, the needs of our diverse population</li> <li>- Reduce barriers to participation</li> <li>- Continue with Reconciliation and cultural redress efforts with all communities</li> <li>- Social well-being, physical and mental health</li> </ul>	<ul style="list-style-type: none"> <li>- Meet IPCC / GHG reduction targets</li> <li>- Public building retrofits</li> <li>- Sea Level Rise mitigation</li> <li>- Zero Waste initiatives</li> <li>- Urban tree canopy</li> <li>- Increase active transportation</li> <li>- Climate emergency (CCRC)</li> </ul>	<ul style="list-style-type: none"> <li>- Enhance street cleaning and litter pick up</li> <li>- Maintain and renew public amenities through capital projects</li> <li>- Improve VFRS response times</li> <li>- Improve cleanliness and maintenance in parks and other recreation venues</li> <li>- Access to public spaces</li> <li>- Municipal government role and response (CCRC)</li> <li>- Complete communities (CCRC)</li> <li>- New fiscal tools (CCRC)</li> </ul>
<i>Vancouver Plan as an enabler</i>				
<i>We will be flexible and quickly adjust within each priority to best support recovery from the COVID-19 pandemic</i>				

# 2021-2025 Budget Outlook Context and Approach

- Overview of **financial landscape** going into next budget cycle
- **Council direction** for 2021 budget development
  - Confirm 2021 Council Priorities
  - Provide early guidance regarding revenue driven by property tax increase
- Staff will develop **service plans, revenues and costing** based on this direction for the Draft 2021 Budget in the fall
- The outlook **initiates the budget process - specific budget decisions are not made at this time**

- Continued uncertainty regarding future **COVID-19 Impacts** expected into 2021, potentially including :
  - **Reduced revenues** due to provincial health orders and related closures of facilities and revenue-generating services
  - **Increased costs** due to the City's response efforts, particularly for the most vulnerable citizens
  - **Economic and social impacts** on citizens and businesses
- Focus on **critical social issues** including increased global focus on racism, ongoing local focus on opioid crisis, homelessness, etc.
- Continued focus on **climate change challenges**

- **Working at reduced capacity in 2020 due to COVID**
  - Several planned 2020 initiatives with approved budget on hold or delayed
  - Service offerings reduced and service levels impacted
  - Staff layoffs due to facilities closures
  - Vacancies not filled due to financial constraints
  
- **Multi year pressures beyond 2021 expected to impact five-year financial plan**
  - Fixed cost increases
  - Multi-year staffing increases for VPD and VFRS
  - Funding for infrastructural renewal
  - Full year funding for delayed 2020 initiatives

## What will we be doing between now and the draft budget?

- Aligning current service plans and budgets to support Council priorities adjusted for COVID recovery:
  - **Ongoing social issues** – (addressing equity and racism, support for vulnerable populations, reopening libraries and other facilities)
  - Supporting **economic recovery** (BIA support, patio permits)
  - Accelerated action on **climate change** (Fleet replacement and electrical vehicle resource allocation)
  - Continued focus on **Housing**
- Addressing cost pressures and refining budget estimates:
  - **Workspace** needs – based on success of remote work during pandemic
  - **Continuous process improvement** (CPI) initiatives for ongoing future year savings
  - **Rebuild program** – use this as an opportunity to change how we work and build capacity for the future

# Senior Government Financial Support and Fiscal stimulus



- The Federal government is negotiating safe restart agreements with provincial and territorial counterparts to determine how \$14 billion in federal funding will be allocated amongst provincial agencies, territories and their municipalities and other organizations
- Funding will be critical for Vancouver to enable the full reopening of all city facilities and services such as Community Centers and Libraries, however the program is not sufficient.
- Staff continue to work with FCM to advocate for additional, direct funding to municipalities who are facing estimated non-recoverable losses of \$10 - 15 billion nationwide (as reported in April 2020 by FCM).
- The City is monitoring potential federal stimulus funding, and is partnering with other municipalities and FCM to ensure that municipal needs are represented as the government considers future stimulus packages
- The 2021 Operating and Capital budgets will consider these potential funding programs to ensure the City maximizes opportunities to access funding to support key Council priority areas.

# 2020 Budget Forecast Update

- Overall, still forecasting to achieve **balanced 2020 Budget**
- **Revenues forecast to improve by \$12 million** compared to May 26 update  
Key changes include:
  - Parking revenue and bylaw fines due to increased parking activity
  - Higher traffic fine sharing revenue received
  - Partially offset by lower licence and development revenues from a declining development activity trend
- Improvement in revenues and continued cost savings have enabled funding for **phased/limited restarts of services** including libraries services being offered online and curbside, DTES community centres, playgrounds, various sports and rec activities such as outdoor pools, lifeguards etc.
- Due to the continued 2020 revenue impacts of COVID, **senior government funding** will be **needed to fully enable** restart of community centres, all library services, and other services to pre-COVID levels

# Updated 2020 forecast

<b>2020 Forecast</b>	<b>May 26 Forecast</b>	<b>June forecast update</b>
Revenues	(136)	(124)
Salary-related expense mitigation	64	64
Non-salary expense mitigation	20	20
Restart costs (libraries, parks, and community services)		(12)
Reserves	52	52
<b>Balanced 2020 Budget</b>	-	-

# 2021 – 2025 Operating Budget Outlook

# Principles for 2021 Budget



Focus on alignment to Council Priorities

Stay flexible to adjust to expected ongoing uncertainty

Continue to look for opportunities to do things differently in 2021 and future years

Develop options to respond to lower 2021 revenue scenarios  
(Approved 2020 budget is baseline for 2021)

Opportunity to prioritize resources designated for 2020 initiatives that were deferred (limited capacity for new investments)

## Known costs

- **Fixed cost increases** above inflation i.e. Metro utility charges, insurance
- Planned **multi-year** staffing increases for VPD and VFRS
- **Infrastructural renewal** as per 2019-2022 capital plan
- **Reinstated staffing levels** required to meet **2020 Budget commitments**

## Uncertain costs

- **Wages** i.e. all collective bargaining agreements have expired in 2019
- **Cost to operate** services at previous levels (due to public health constraints)

## Uncertain revenues

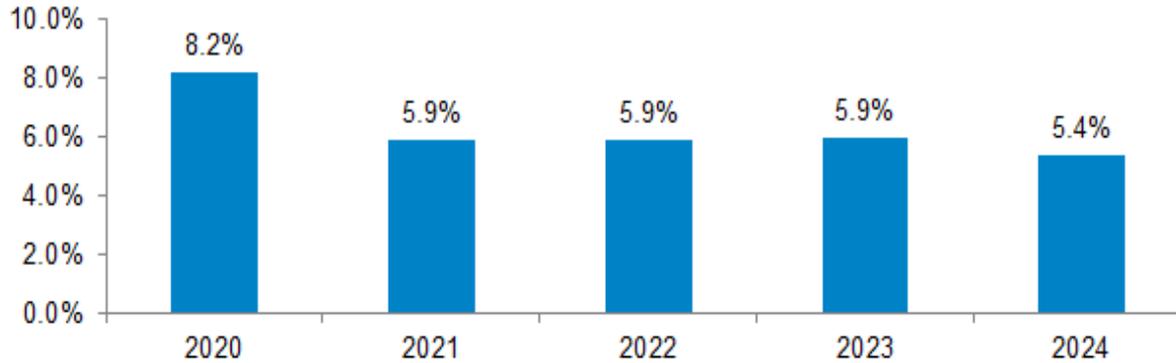
- **Will revenues** return to 2020 levels, and when?
- **Ability to offer** services at previous levels while addressing physical distancing, additional cleaning and PPE requirements may limit revenue

## Understanding the projected tax increase in the Outlook:

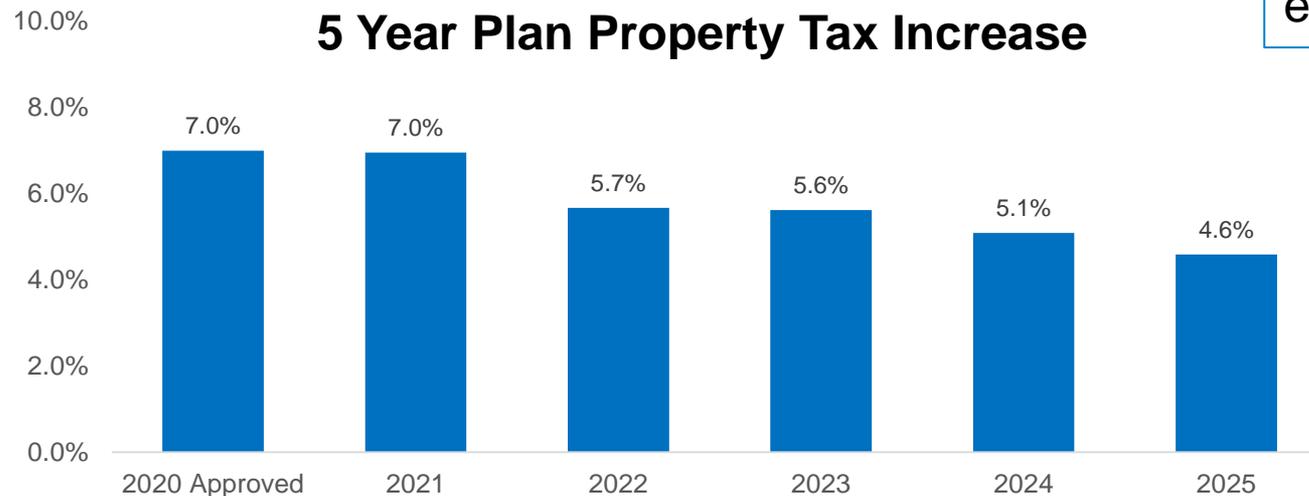
- In a “**back to normal**” scenario, assuming...
  - Revenues reach “normal” levels in 2021 or before
  - Services and facilities are operational; while meeting necessary restrictions
  - Continued implementation of VPD and VFRS staffing additions identified in operational reviews
  - 2021 capital plan work proceeds as per multi-year plan
  - Staffing in support of Council motions and priorities returns to planned 2020 levels
  - All cost pressures are realized and funded
- The 2021 **tax increase would be 7%** (blended tax and utilities of 6.4%)
- Staff will review options to find savings and/or adjust service levels to achieve a **5% tax increase** (or to prepare if revenues do not return to normal 2020 levels)

# 2021 impacts of 2020 budget investments

## 5 Year Plan Property Tax Increase



## 5 Year Plan Property Tax Increase



2021 Budget Outlook Property tax increase of 7% includes deferral of 2 months of 2020 investments and new cost pressures (insurance, eComm)

# 2021-2025 Operating Budget Revenues



Operating Budget Preliminary Revenue Changes (\$ in millions)	2021	2022	2023	2024	2025
<b>Property Tax:</b>					
Increase in property tax revenue: estimated 6% to 7%	\$59	\$52	\$54	\$52	\$50
New construction tax revenue	\$5	\$5	\$5	\$5	\$5
<b>Utility fees:</b>					
Increase in utility fee revenue (Average blended rate estimated ~ 5.4%)	\$21	\$21	\$18	\$28	\$33
<b>User fees:</b>					
Inflationary increases in Program fees, Licence and Development fees	\$3	\$3	\$3	\$3	\$3
<b>Total Preliminary Revenue Changes</b>	<b>\$88</b>	<b>\$81</b>	<b>\$80</b>	<b>\$88</b>	<b>\$91</b>

*Note: Totals may not add due to rounding*

## Operating Revenues are projected to increase primarily due to:

- **Property tax** increases estimated at approximately 7% in 2021 and 5.4-5.9% in future years, as required to cover fixed cost base, operational review funding and asset renewal in the capital plan
- **Revenue from new development** estimated to increase by \$5 million
- **Program fee and development fee** revenues estimated to increase 2% each year assuming volumes to return 2020 levels
- **Utility fees** estimated to increase by 5.7% annually on average for the next five years, based on Metro Vancouver regional utility charge forecasts (estimated at 7.7% shown in the 2020-2024 financial plan)

# 2021-2025 Operating Budget Expenditure Pressures

Operating Budget Preliminary Expense Pressures (\$ in millions)	2021	2022	2023	2024	2025
<b>External Agency Costs passed on to the City:</b>					
Increased Metro Vancouver charges for Water and Sewer utility	\$13	\$15	\$17	\$19	\$21
Anticipated external party cost increases (including EComm)	\$2	\$1	\$1	\$1	\$1
<b>Debt, Transfers and Capital Program Costs:</b>					
Pay-as-you-go Sewer & Water, Transfers and Debt Financing	\$16	\$2	\$2	\$13	\$15
Infrastructure renewal strategy in the 2019-2022 Capital Plan	\$5	\$10	\$10	\$10	\$6
Operating impacts of capital projects	\$6	\$6	\$6	\$6	\$6
<b>Salary and benefit costs:</b>					
Salary and benefit projected increases (contractual increments and projected benefit cost increases, <b>excludes</b> collective agreement increases*)	\$5	\$5	\$5	\$5	\$5
Full year funding for 2020 Investment (only partial year funded in 2020 to meet 2020 tax target)	\$1				
CPP increase	\$2	\$2	\$2	\$1	\$2
VFRS Operational Review staffing recommendations	\$3	\$4	\$3		
VPD Operational Review staffing recommendations	\$4	\$4	\$2		
<b>Other Cost Pressures:</b>					
Inflationary costs (Hydro, Gas rates, IT, Rents & leases, Insurance, Grants)	\$8	\$7	\$8	\$8	\$10
Support of EV Transformation			TBD		
Workspace	\$2	\$2	\$2	\$2	\$2
Other costs	\$3	\$2	\$3	\$3	\$2
Snow Contingency	\$2	\$2	\$2	\$2	\$2
<b>Preliminary Expense Pressures (Excluding impact of collective agreements)</b>	<b>\$71</b>	<b>\$63</b>	<b>\$62</b>	<b>\$70</b>	<b>\$71</b>
* Plus Wage increases related to collective agreements under negotiation (each 1% increase equals approximately \$9 million annually)	+ impact of wage increases to be determined				

Note: Totals may not add due to rounding

# 2021-2025 Expense Pressures

**Preliminary work shows expense pressures to increase in following area:**

- **External agencies cost increases** (e.g. Ecomm) and senior levels of government estimated at \$1 to \$2 million over the next five years
- **Regional utility charges** passed on to the City by Metro Vancouver
  - Forecast to increase 6% -10% for water and 7%-8% for sewer over next 5 years, driven by major infrastructure investments)
- **Fixed Costs increase** estimated at \$6 to \$7 million
  - Includes energy, equipment services, rent and Insurance
- Cost to support **infrastructure renewal** estimated at \$5 to \$10 million
- Current outlook shows a risk of potential **increases in wage expenses**, dependent on the terms of future collective agreement settlements

## **Subject to sufficient revenue in 2021:**

- **Restarting of core services** (e.g. library, community facilities) primarily bringing staff back from lay-off
  - Restart also considers better ways of providing the services, while meeting provincial health requirements
- **Releasing vacancies**
  - to focus on core services (examples: fire vacancies, street cleaning)
  - to address 2020 council priorities that were delayed to balance the 2020 budget or reprioritize to areas of higher priority for 2021
- Once these are addressed, if additional revenues are found or cost savings identified, consideration could be given for new staffing to address:
  - new risk areas
  - addition to core services (example: fire and police ops reviews)
  - additional staff resources needed to address Council priorities

# Tax Scenarios and Service Impacts

**Council direction:** THAT Council ask staff to report on the motion entitled, *“Limiting 2021 Property Tax Rate Increase to No More Than 5%”, to a Budget workshop before the July Budget Outlook report as part of the City’s 2021 budget development process with consideration for first finding efficiencies and cost savings across the organization that will inform multiple scenarios of property tax increases”*.

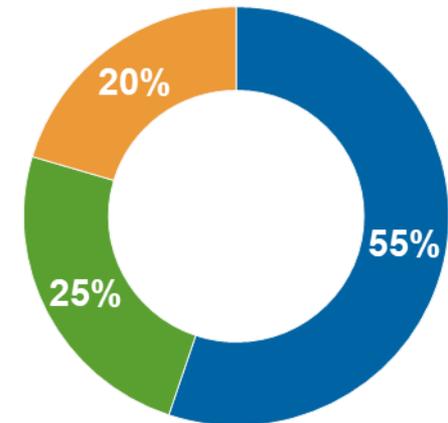
Question from the **June 15 Council briefing:**

- Provide examples of service impacts resulting from the scenarios presented

- To impact the tax increase, budget adjustments must be from service areas that are **tax-funded**
- For that reason, the **service impacts** examples in this section are focused on the tax-funded service areas in proportion to the size of their respective budgets
- While not a focus of this presentation, **savings will continue to be identified** in other areas of the budget funded by user fees and other areas
- Decisions on specific service levels and budgets do not need to be made at the Budget Outlook - the examples provided will be further developed as **options for Council consideration** through the budget process

- **Property tax rate set by Council**
  - **Tax revenue is main source** to fund programs and services that are important to the public
  - **Public tolerance** for tax increase, likely affected by financial pressures on individuals, households and businesses due to the pandemic
- **Utility fees are based on**
  - **Full cost recovery** of utility expenditures
  - Primarily driven by **Metro Vancouver charges**
- **Fee-based revenue** such as program fees and other revenues are more variable
  - **Economic cycles** can impact development-driven revenue streams (such as building permits)
  - **Use of services** (such as civic theatres); weather can impact revenue from outdoor activities at City-owned facilities

## 2020 OPERATING REVENUES \$1,615 MILLION



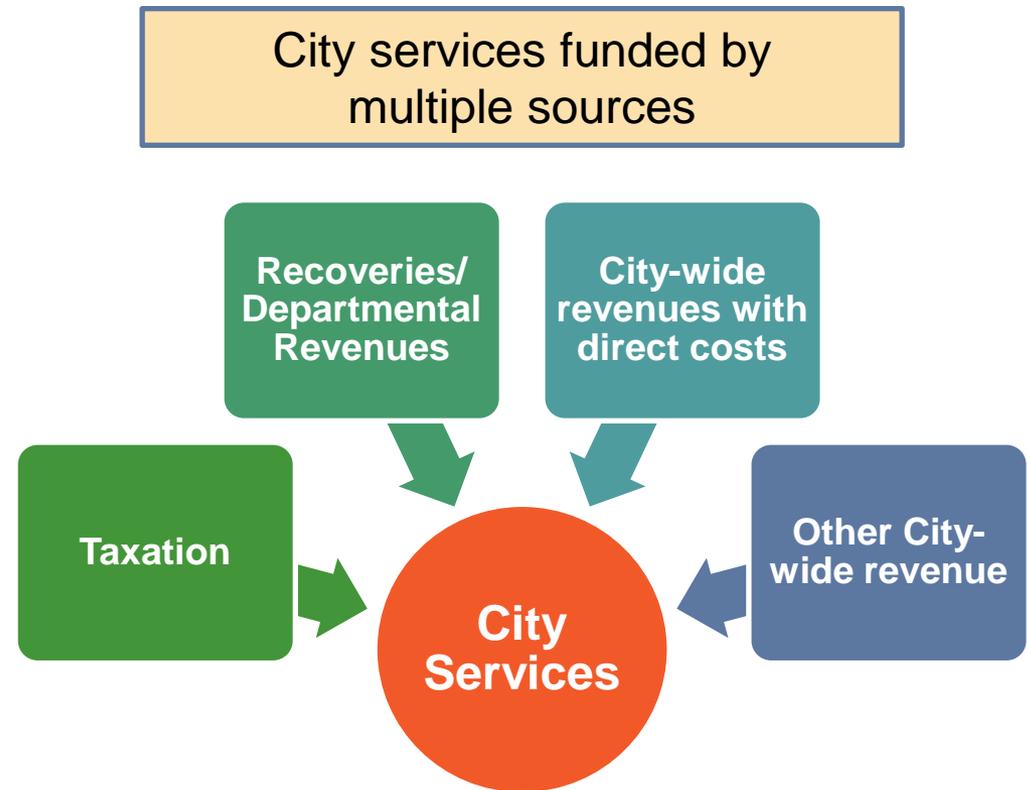
- 55% | Property Tax
- 25% | Fees and Other Revenues
- 20% | Utilities

# 2% tax reduction scenario

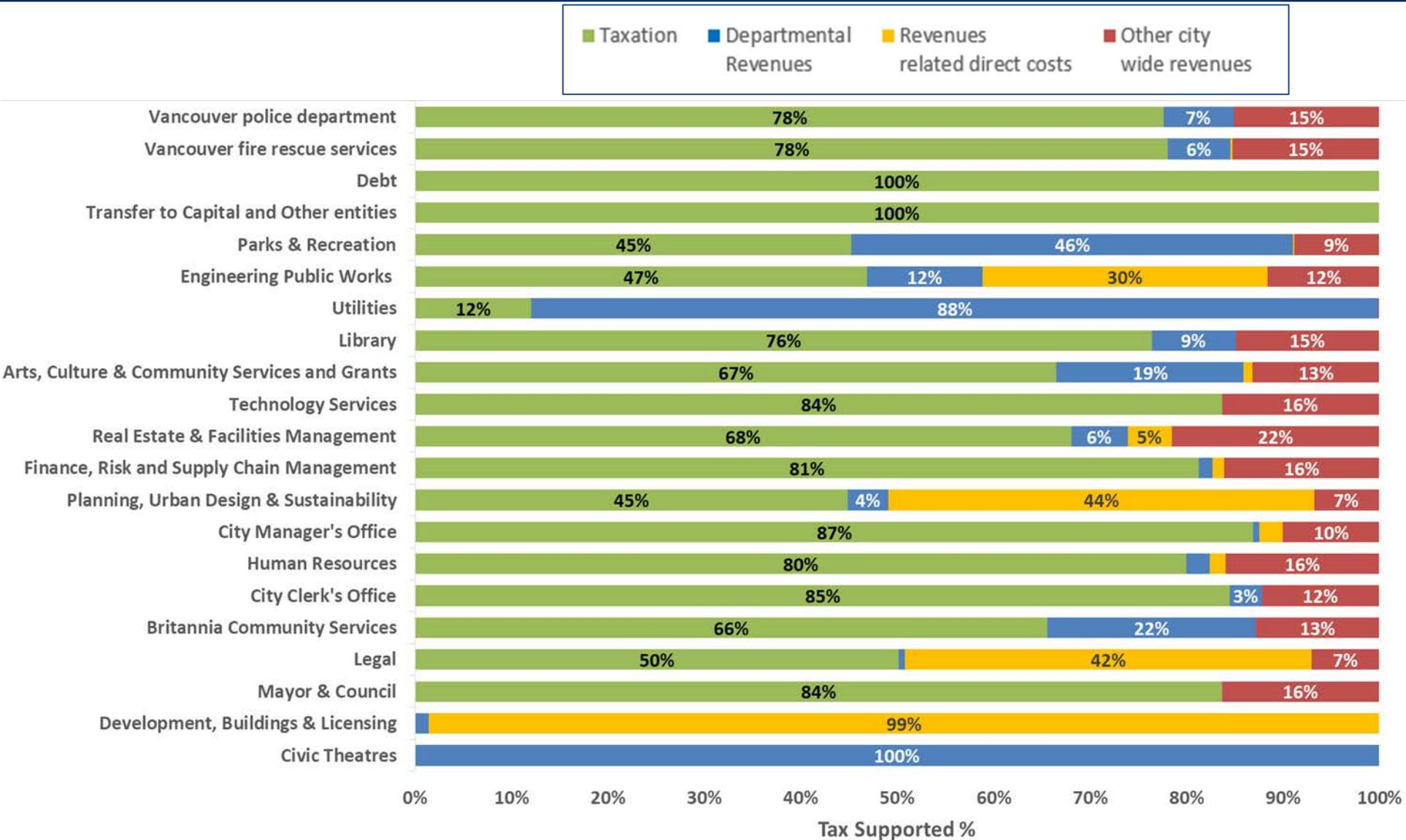
In order to achieve a 2% tax reduction, \$17m in tax-based adjustments would be needed

The subsequent slides identify the areas that are:

- funded by taxes
- require service adjustments to reduce the tax increase



# 2020 tax funded expenditures

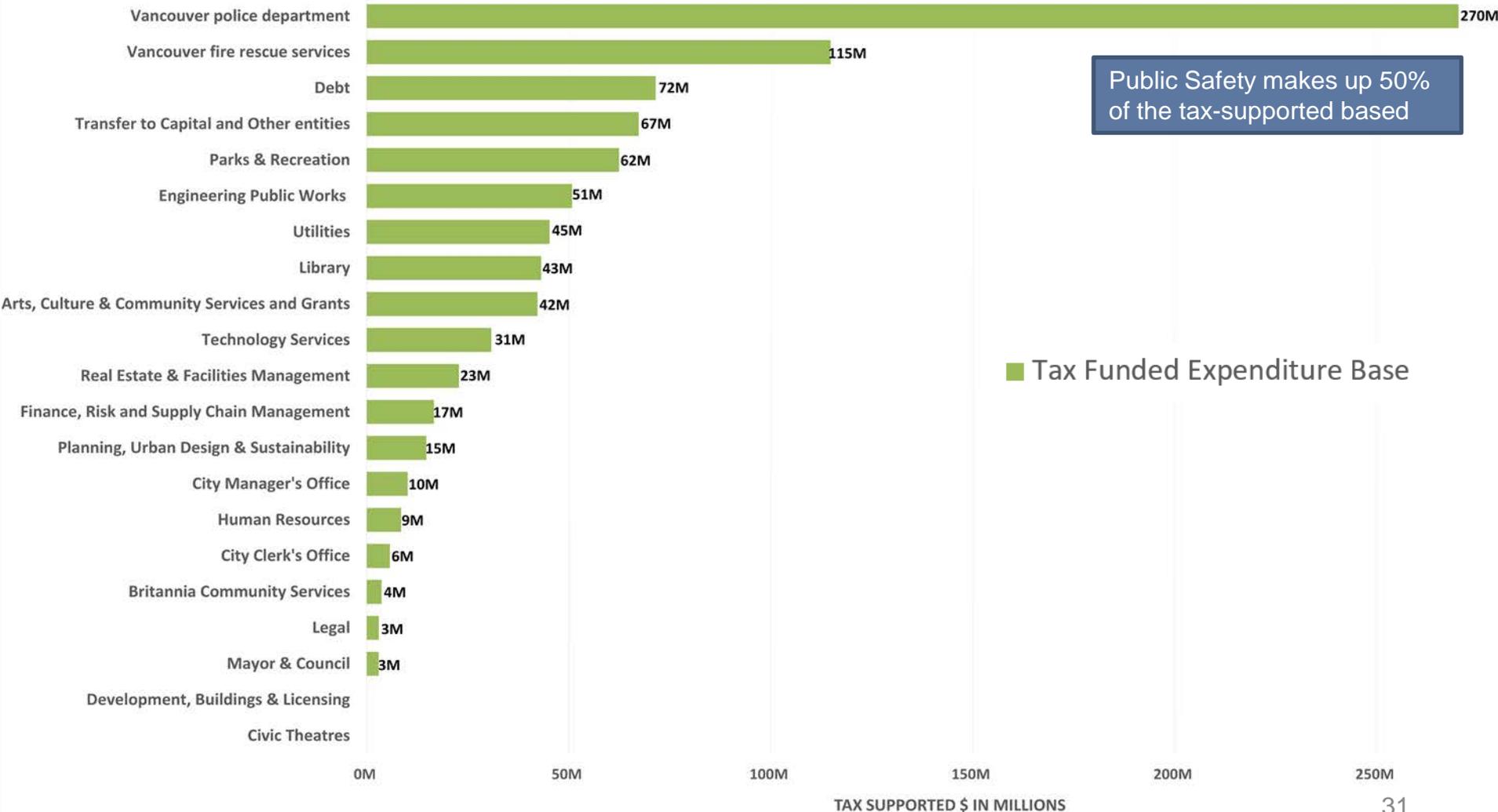


# Tax supported expenditures by department



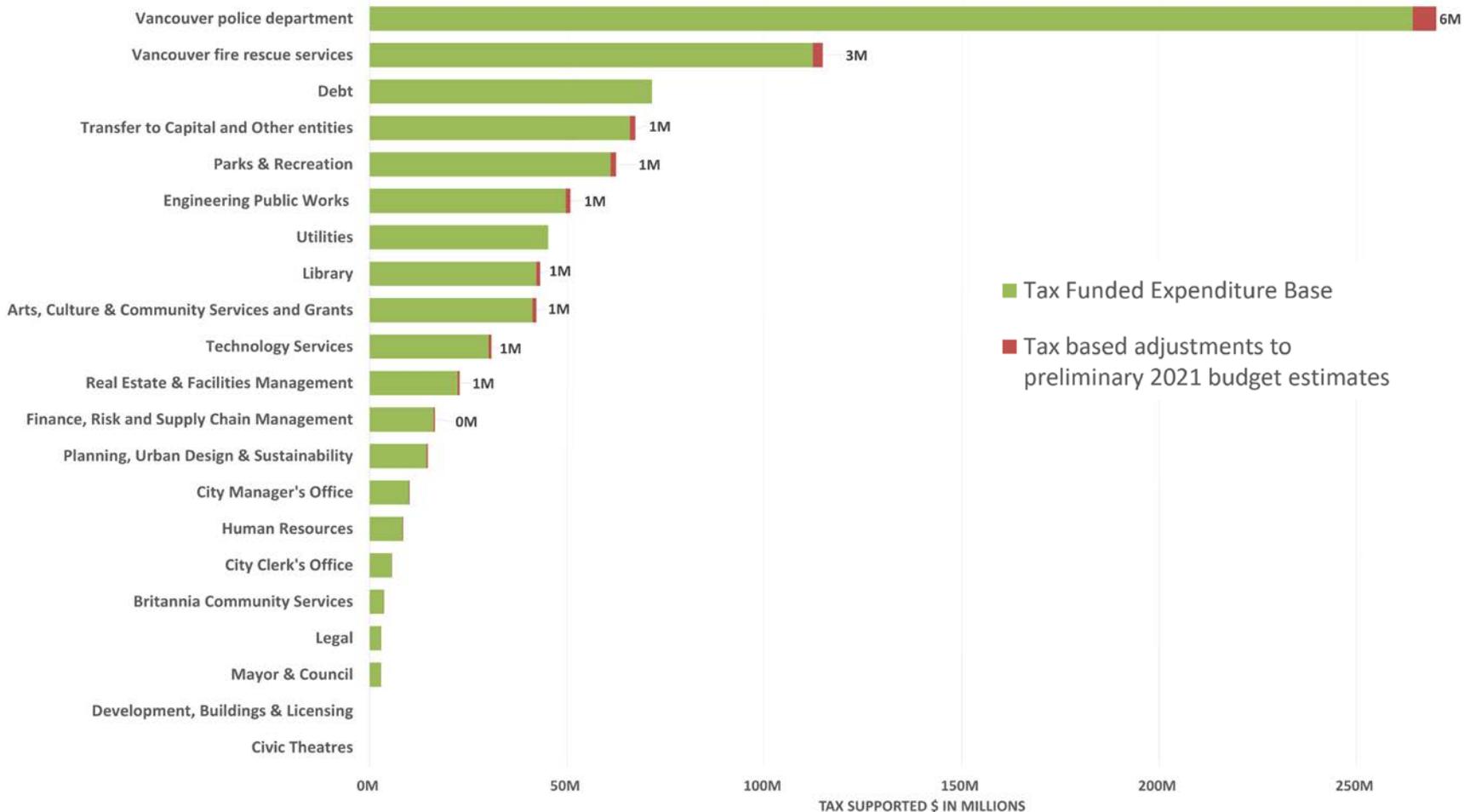
2020 TAX SUPPORTED EXPENDITURES BY DEPARTMENT

Public Safety makes up 50% of the tax-supported based



# Tax based adjustments to 2021 budget estimates

## 2020 TAX SUPPORTED EXPENDITURES BY DEPARTMENT



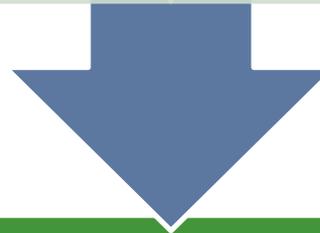
## 7% Tax Increase

Funding for staffing levels at 2020 Council Approved levels  
(wage increase estimate based on historical rates)

Additional funding for Police and Fire per operational reviews

Planned service levels expected to return to normal

Fixed cost increases and infrastructural renewal funding



## 5% Tax Increase

Reduced staffing levels & limits ability to complete planned 2020 initiatives  
(wage increase estimate based on historical rates)

No additional funding for Police and Fire per the operational reviews

Service levels impacted for tax-supported departments

Fixed cost increases  
Infrastructure renewal funding to be reviewed as part of capital plan recalibration

## 2% reduction would equate to a budget gap of \$17M

- Any new Council-approved projects or programs with associated costs would need to be offset by cancelling or scaling back other initiatives
- Over the next months, staff will identify options for **reducing the tax increase to 5% while maintaining service levels where possible**, including:
  - **Cost efficiencies and service improvements** through
    - process improvement initiatives
    - transformation opportunities as part of the "Rebuild"
    - advocate for senior government funding
    - changes to the municipal funding model
    - look for new revenue opportunities
  - Continue to look for **opportunities to reduce the base budget** with:
    - Energy savings
    - Decreased travel and other discretionary spending savings
    - Capital plan recalibration

# Service impacts - Public Safety \$9M

## \$6M Police Services

- **Delay hiring** of 20 police officers and 10 professional staff as per the 4th year of the Operational Review
- Further savings by **holding ~55 sworn vacancies** impacting replacement of attrition
- Reductions would lead to **slower response times to emergency calls, reduced service levels to citizens and businesses, limited ability to respond to non-emergency calls, greater risk of unsolved crimes** and cases being lost in court, and **increased rate of officer burnout**

## \$3M Fire and Rescue Services

- **No new hiring** – to meet the savings target defer 2021 Operational Review funding
- Delay in hiring of 2 Prevention staff would **slow down efforts to reduce the volume and severity of fire calls** through targeted community risk reduction activities, **especially in more marginalized communities** in the DTES and SROs.
- Delay in hiring of 25 new fire suppression staff would **reduce the ability to effectively respond to all incident types and lead to potential increased risk of delayed fire response**
- Delay in hiring of the Assistant Chief and Lieutenant of Diversity and Outreach positions would **slow down efforts to build on culture and diversity**, increase focus on critical social issues, and expand efforts to attract and maintain a workforce that represents Vancouver

# Service impacts 2% reduction cont'd

**\$1.5M  
Parks and  
Recreation**

- Holding vacant ~18 front line RFT staffing positions will **negatively impact service levels**
- Specific areas of reduction require further investigation to ensure the lowest service impact would be experienced by parks and recreation users.

**\$1.4M  
Engineering  
Public Works**

- Additional pressure on the Street cleaning, maintenance, and lighting budgets, which could result in **safety concerns and further deterioration of asset conditions.**
- In addition, there is a **risk of not receiving \$5M TransLink funds** for street maintenance; street cleaning, snow clearing, street lighting maintenance, pavement, traffic signals maintenance on major roads such as Broadway, Marine Drive, etc.

# Service Impacts 2% reduction cont'd

## \$3M Other

- **Delayed Capital infrastructure funding** for renewal of city assets (part of Capital Plan recalibration work)
- Potential negative impacts to citizens using public facilities due to **slower maintenance response times**
- Reducing **corporate support staff**, limiting support for initiatives
- Defer 2021 **snow reserve** transfer

## \$1M Libraries

- **Closure of two small library branches**

# Efficiencies and transformational initiatives

- City departments continue **reprioritizing resources** and **transforming operations** to deliver on key priorities and service requirements

In 2020, a number of CPI and technology initiatives were started (not all impact taxes):

<b>Risk registry</b>	Optimizing our <b>risk registry</b> (risk mitigation) and simplify the new driver orientation process (staff & client time savings)
<b>Facilities maintenance planning process</b>	Supporting the <b>facilities maintenance planning process</b> (staff time and risk mitigation) within REFM
<b>Business commitment project</b>	Ensuring the City is initiating, managing, and closing commitments effectively
<b>Digital Evidence Management project</b>	Ensuring effective and efficient processes to manage the significant volume of digital evidence being collected by VPD
<b>Grants Management project</b>	Implementing a grants mgmt. solution to streamline how the City manages its extensive grants programs
<b>City's Emergency Operation Center (EOC)</b>	Providing process support towards the virtualization of the EOC
<b>Other Technology Projects</b>	E-plan, VPD paperless duty sheets, Treasury Management System, Parking meters

# Cost for a median household and business

Increase in annual Property Tax (\$)	5% tax increase	7% tax increase
<b>Median strata</b> (assessed value of \$688,000)	<b>\$64</b>	<b>\$86</b>
<b>Median residential overall</b> (assessed value of \$1.1 million)	<b>\$104</b>	<b>\$139</b>
<b>Median single-family</b> (assessed value of \$1.6 million)	<b>\$146</b>	<b>\$195</b>
<b>Median commercial</b> (assessed value of \$1.0 million)	<b>\$166</b>	<b>\$253</b>

The above assumes a tax shift of 0.5% which was previously approved by Council as part of a multi-year shift. Amounts will change as the 2021 assessment roll is finalized.

# Public Engagement

## **Modified approach due to COVID restrictions**

- Civic Service Satisfaction Survey cancelled
- Exploring alternatives to face2face engagement
- Engagement program will test for shifts in the public's alignment to Council's Priorities
- Continued improvements based on feedback including
  - Seeking input from traditionally under-represented or systemically excluded groups
  - Further means to reduce barriers to participation

# Questions