



# 2021 Budget – Tax Scenarios and Options

November 4, 2020



- 2021 Budget update
- Budget scenario highlights
- Public engagement results

Staff will be reporting to Council on Nov 4<sup>th</sup> in response to the following motion:

*THAT Council direct staff to bring forward a proposed 2021 Budget and Five Year Financial Plan with options for a tax increase of up to 5% that supports Council's priorities.*

*For the median single-family home assessed at \$1.6M, a 5% tax increase would result in a \$146 increase in tax in 2021;*

*FURTHER THAT Council direct staff to provide the first iteration of the 2021 Budget for information in late October.*

# 2021 Budget Update

- We are taking a **conservative and flexible approach** to building the 2021 Budget
- **Despite our financial challenges**, and the increased effort and costs involved in responding to the pandemic, we are **continuing to deliver** on the important services that residents and businesses expect every day
- We are continuing to take measures to **reduce costs**, but must balance this with the need to **protect core services**
- Staff are providing Council with **options for property tax increases** percentages, each of which **requires some trade offs**

## **Conservative and flexible approach** to building the 2021 Budget:

- Budgeting for **revenues to be below normal** in 2021, based on trends over the past few months
- Include **adequate contingency** for COVID-related risks and other uncertainties (e.g. collective bargaining)
- There remains **significant financial uncertainty for 2021**
  - but as circumstances change – e.g. if our revenues increase or once the amount of government funding coming to Vancouver is known – we will remain flexible and be ready to reactivate work that had to be put on hold

\$ in M	2020 Budget	2021 Draft	\$ Change	% Change
<b>Revenues</b>	1,616	1,598	(18)	(1.1%)
<b>Expenses</b>	1,616	1,598	(18)	(1.1%)
<b>Net</b>	-	-	-	

## Highlights:

- Revenue declines due to lower parking revenues, lower licence and development revenues, lower program and other revenues
- Maintain discretionary savings and 1% - 2% reduced staffing level from the 2020 budget with associated reduced service levels
- 2021 full year operating costs for previously closed facilities i.e. Parks, libraries etc.
- Fixed costs i.e. wages and benefits, equipment and fleet, insurance rates, operating impacts of previously approved capital projects etc.
- Business adaptation costs related to COVID
- Reserve transfer of \$57M

- Resume most services
- Staffing to deliver and support service delivery - at lower service/staffing level than 2020 budget
- Expense increases for fixed costs and COVID costs
- Use existing resources to advance priority initiatives

### Delivery of Services



- Increased service demand - Street disorder/ cleanliness; homelessness; opioid crisis
- Advance council priorities: Affordability, Equity, Climate Change, Economy

### External pressures



- Tax and Fee Increases
- One Time actions:
  - Reserves
  - Funds from Capital deferral
  - **NOT SUSTAINABLE**
- 2022 impact: Revenue returns to prior levels or significant Tax/Fee and service impacts

### Funding - 2021/2022



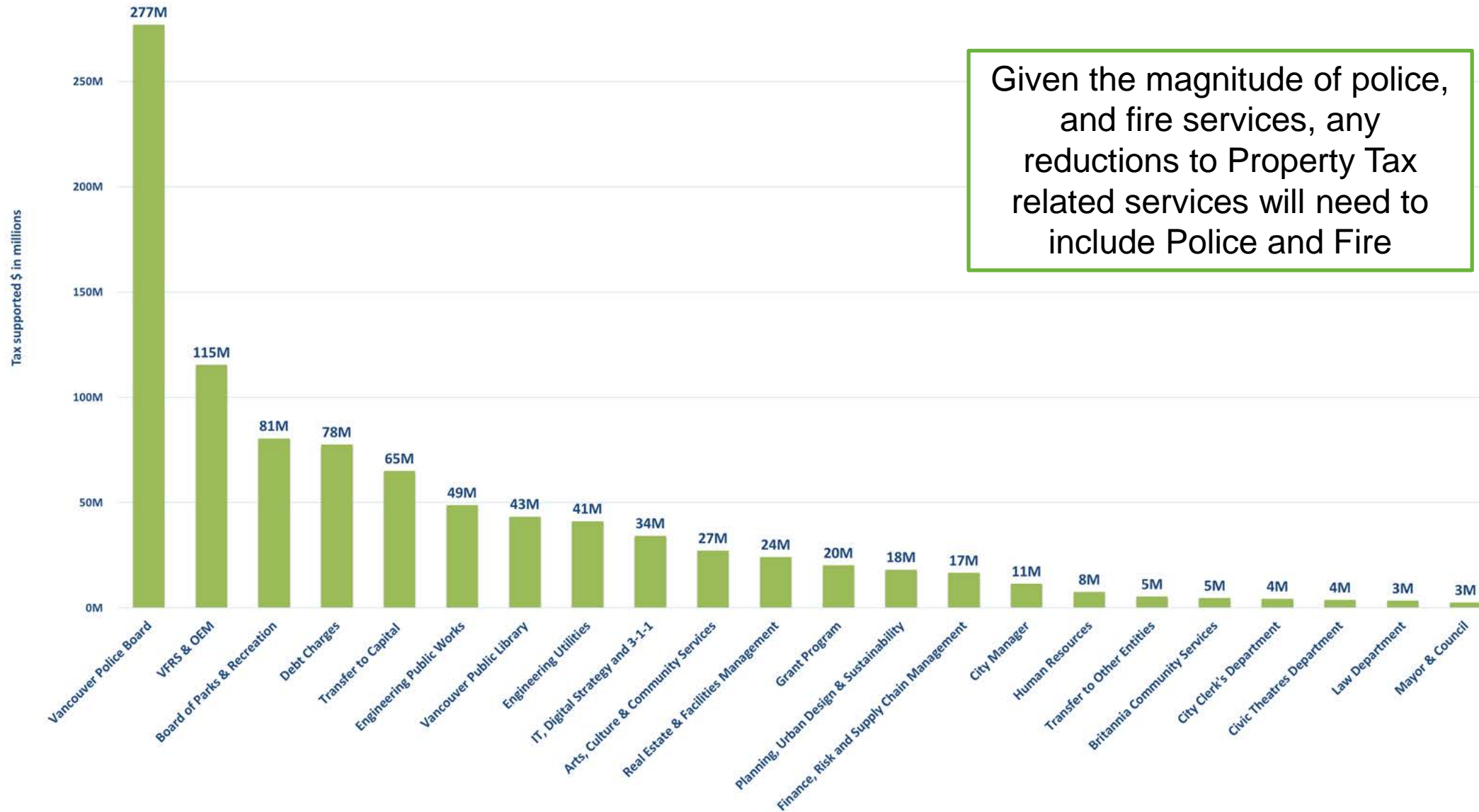
*Given the uncertainty, the MOST PRUDENT approach is to limit new initiatives, wherever possible, until later in 2021 or in 2022 when revenues improve or additional senior funding is available - at that point identify additional initiatives from the prioritized list to fund*



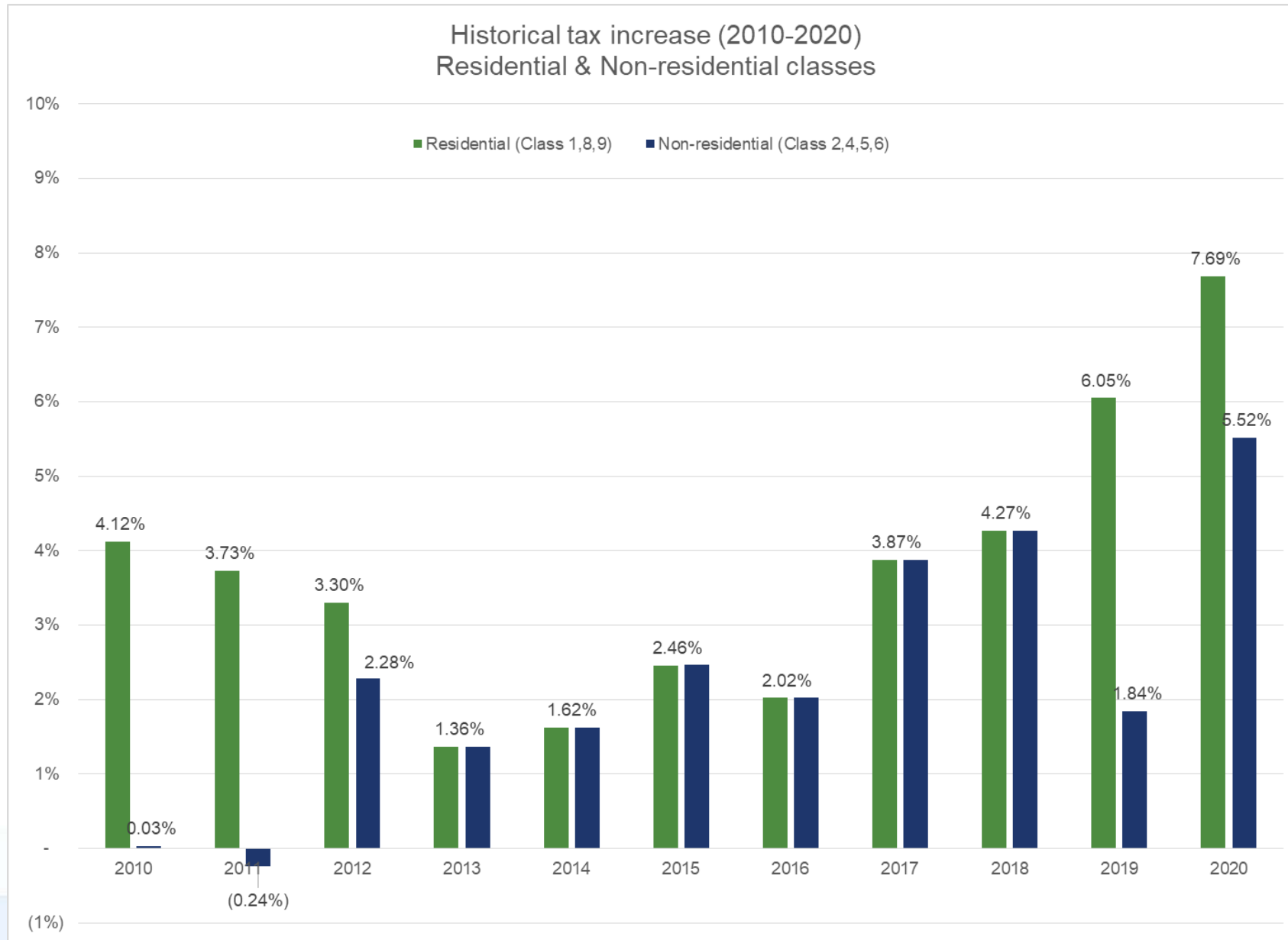
- Reserves are a one-time funding sources, and a balance needs to be maintained to respond to future potential events (for example, snow/storm)
- If revenue declines continue in 2022 and beyond, it will be necessary to adjust service levels and/or raise taxes
- Reserve balances will need to be replenished over time

# Budget Scenarios

# 2021 Tax Supported Expenditures



# Historical tax increase (2010-2020)



2010 – 2020 Average:

Residential: 3.7%

Non-residential: 2.3%

### 0.5% Tax shift to residential

Property Tax Increase	5.0%	4.0%	3.0%
<b>Residential properties +0.9%</b>	<b>5.9%</b>	<b>4.9%</b>	<b>3.9%</b>
<b>Non-residential (1.2%)</b>	<b>3.8%</b>	<b>2.8%</b>	<b>1.8%</b>

### Indicative City Property Tax Impact of 2021 Budget

Assessed Value of Property (without Land Assessment Averaging)	Estimated 2021 Tax Bill (CoV Portion)	Change over 2020 5%	Change over 2020 4%	Change over 2020 3%
Median residential strata unit assessed at \$688,000	\$1,144	\$64	\$53	\$42
Median overall residential unit assessed at \$1,114,000	\$1,853	\$104	\$86	\$68
Median single-family home assessed at \$1,567,300	\$2,607	\$146	\$121	\$96
Median business property assessed at \$1,012,700	\$4,559	\$166	\$123	\$79

\*Includes impact of council-directed 2021 tax shift of 0.5% property tax share from Non-Residential to Residential Classes

## SCENARIOS

### BASE SCENARIO

1. Full year operating costs of closed facilities, fixed cost increases, highest priority critical risks and core service gaps
2. Council priority initiatives i.e. Vancouver plan, temporary patio permits, veterans parking
3. Vacancy savings in all depts. and Boards at the 1%-1.8% core business level
4. Deferral of renewal capital projects as per the Capital Plan recalibration available to fund prioritized list of options

5%

1. Deferral of renewal capital projects as per the Capital Plan recalibration used to reduce tax by 0.7%

4.3%

1. Deferral of renewal capital projects as per the Capital Plan recalibration used to reduce tax by 0.7%
2. Additional layoffs and/or attrition including reduced service levels in public safety, facility hours or closures

3%

Not recommended by staff

### OPTIONS FOR \$8M FUNDING AVAILABLE FROM CAPITAL PLAN

1. Advance 2020 deferred initiatives and new council motions (see prioritized list)
2. Address core business risks and service gaps by filling outstanding vacancies
3. Reduce reliance on reserves
4. Reduce tax increase for 2021

5+%

- Property tax increase would be 12% to balance the budget
- Revenues below budget by \$60M
  - Approximately 7% tax increase would be needed to bridge the gap
  - Development fees would need to increase over 20% to balance for 2021
- 2021 budget reflects majority of services restarted and associated costs
  - Staffing held at 1-2% below 2020 budget with associated service impacts
    - Higher costs added to support provincial health requirements where needed
    - Fixed costs added
  - Tax increase to support planned expenditures would be 5%
- Filling revenue shortfall with reserves of \$57M (or with senior gov. funding when available)
- Approx. \$8m of funding freed up through the Capital Plan recalibration is available:
  1. fund new initiatives and recent council approvals (primarily one time)
  2. reduce the tax increase for 2021 by ~0.7% (would be a delay for one to two years)
  3. reduce the draw on reserves from \$57m to \$51m, preserving stabilization reserve for future years' emergencies and uncertainties.

- \$8M savings from the capital plan recalibration are being redirected to operating budget
- Savings will be allocated towards recent council approvals impacting 2021:
  - Free parking for veterans (\$0.5M)
  - TEPP program (\$2M)

The remaining \$6M could be used for any or combination of:

- a) Reducing the tax increase for 2021
- b) Reducing the reserve transfer
- c) Council Priority initiatives and core business initiatives not included in base scenario (details listed in excel file)



- The ~\$8M capital plan funding will be used to fund recent council approvals:
  - Free parking for veterans (\$0.5M)
  - TEPP program (\$2M)
- The \$6M remaining unallocated savings from the capital plan recalibration would be used to reduce tax to 4.3%

The 3% scenario involves significant service impacts and layoffs of staff in tax-funded services areas, as this would be in addition to the 1-2% built into the Base scenario, and is not recommended by staff at this point given the impact on services during the pandemic, primarily essential services such as public safety.

To realize savings Council would need to provide direction on the areas to implement service reductions

- Few examples:
  - *Police will have to reduce 106 police officers which will negatively impact the VPD's ability to respond to calls from the public and address crime in our community, result in delayed response times, and increase officer burnout*
  - *Fire will have to layoff 25 staff which is taking a heavy apparatus out of service in addition to not staffing Medic 11*
  - *Engineering would need to reduce its funding towards its infrastructure maintenance program, resulting in further deterioration of the condition of its assets into the poor and very poor categories; deferral for regular maintenance program will result in more frequent failure and much more costly repair in the future*
  - *Park Board to reduce staff by approximately 20 full time equivalent through vacancies or layoffs resulting in fewer maintenance visits to parks, increased complaints, delayed response times, some assets may remain out of service for longer periods of time which may put the asset at risk, and increased potential for negative impact on the health and safety of Park Board Staff resulting from increased demands with reduced resources. It is important to note that the pandemic has led to a +100% increase in the usage of our Parks assets.*
  - *Reduced hours or closure of 2 small branch libraries and service hours reduction; 230,000+ public visits affected & 19 FTE*
- Further details available in accompanying excel file (Sheet 4)

## Prioritized list of initiatives



List of options which further council priorities and core business risks and gaps **not included in any scenario**

- Sheet 1- Prioritized Initiatives (List of prioritized Council Priorities initiatives and Core Business initiatives)

## Supporting Information



Recommended items related to critical risks and service gaps **included in the 5%**

- Sheet 2- Critical Service Risks & Gaps and Council Priorities



Detailed service impacts related to a **3% scenario**

- Sheet 4- 3% Scenario: List of options to reduce the tax increase from 5% to 3%



**Reduced staffing level**

- Sheet 6- Summary of the 1% - 2% **reduced staffing level** from the 2020 budget with associated reduced service levels



List of planned priority actions, where **existing budgets** have been deployed to progress Council's priorities

- Sheet 3- 2021 Budget Aligned to Council Priorities



**2021 Budget Summary at Base Scenario**

- Sheet 5- Budget Table: 2021 Budget versus 2020 Budget



**Update on new council motions and 2020 Deferred Investments**

- Sheet 7- 2019-2020 Council Motions list
- Sheet 8- 2020 Deferred Investments - Risks and Gaps
- Sheet 9- 2020 Deferred Investments - Council Priorities

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Bringing back staffing to 2020 levels i.e. removing the 1%-1.8% vacancies included in the 5% base scenario

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Prioritised initiatives by council priorities and core services

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Deferred initiatives from 2020

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New Council Motions

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A prioritized list of initiatives, *not included in the 5% base scenario*, has been compiled by staff including:

- Deferred initiatives from 2020
- New Council Motions
  - Details available in accompanying excel file (Sheet 1)

Staff have provided their best estimates of the priority of items based on:

- Addressing critical service gaps and risks
- Prioritizing Urgency/Timing
  - COVID related
  - In progress (e.g. Vancouver plan)
- Prioritizing impact of the initiative on the desired outcome of the Council Priority

Council can provide direction to add to the 5% budget scenario either by allocating capital plan savings, increasing property tax, or providing direction to reduce service levels in tax-funded areas to offset adding new items from the prioritized list

- Summary of the tax-funded services available in the accompanying excel file (sheet 11)

# How were the prioritized list of initiatives created? #VANBUDGET2021

The option lists were created from:

1. List of Council motions
  - Details available in accompanying excel file (Sheet 7)
2. List of initiatives deferred from 2020
  - Details available in accompanying excel file (Sheet 8 and 9)
3. Core Business service gaps
  - Details available in accompanying excel file (Sheet 1)

City staff have suggested a prioritization of Council priority initiatives from items 1 and 2 above, that can be referenced by Council should they choose to

- a. have a higher tax increase than 5%
- b. utilize some of the Capital Plan savings in 2021
- c. replace an existing initiative with one from this list.

Address Affordability and the Housing Crisis

- Vancouver Affordable Housing Endowment Fund - Resourcing and portfolio set up, Partner Agreements – Coordinator and planners, Housing resources focused on data analytics Program costs, Evaluate key drivers of Affordability specific to Vancouver, etc.

Protect and Build a Resilient Local Economy

- ELER Implementation investments, Small Business Policy and Recovery Initiatives Investment, Culture|Shift Recovery Investments Year 2, COVID Response and Recovery Investments, Culture|Shift Operating Investments additional Reconciliation, Redress, and Equity Investments, etc.

Increase Focus on Equity and Critical Social Issues

- Anti Racism/Cultural Redress, Decriminalizing Poverty, Equity Based Budgeting, Expansion of fine free service for libraries, Reconciliation programming in parks and community centres, South Asian Apology motion etc.

Accelerate Action On Climate Change

- Implementation of one additional bus priority corridor, Support for Active Travel to Schools program, Walking/cycling improvement, EV charging infrastructure, etc.

Deliver Quality Core Services that Meet Residents' Needs

- Core business risks and service gaps by filling outstanding vacancies, operational reviews etc.

- At the end of 2020, stabilization reserve balance expected to be @7% of non-tax/utility revenues (target 8-16%) without provincial recovery
  - after drawing down \$34M for the 2020 budget
- In 2021, reserve balance expected to be @3%, without provincial recovery
  - after drawing down \$57M for the 2021 budget
- With estimated provincial recovery, the reserve level would around 4%-5% in 2021
- Minimum 4% required for items already committed
- 1% increase in reserve level would require ~\$13M. Will need to be replenished over the next few years



Further detailed information provided to Council to inform their deliberations on the 2021 Draft budget on December 1<sup>st</sup> and 8<sup>th</sup>.

- A. Summary of ongoing services in the Bases budget scenario aligned to Council priorities: staffing reduced by 1-2% and associated service impacts; additional fixed and COVID costs included.
- Details available in accompanying excel file (Sheet 2)
    - Council may choose to reduce service levels in base scenario to free up capacity for new initiatives
  - Details available in accompanying excel file (Sheet 6) for 1% - 2% reduced staffing level from the 2020 budget by department
- B. Review options to allocate Capital funds made available from the Capital Plan recalibration
- Use to fund additional priority initiatives - Staff will include this option in the draft budget
  - Use to reduce the tax increase in 2021 (from 5% to 4.3%)
  - Use to reduce the planned reserve transfer from \$57m to \$51M
- C. If used for additional priority initiatives in B above
- Council may review Sheet 1 and consider any changes from staff's recommendation

# Public Engagement

### What we hoped to learn...

- Understand relative importance of City Council's priorities and types of City services
- Gauge preferences for delivering a balanced budget and managing service delivery
- Seek input on opportunities to adjust costs and revenues

Engagement method	Timing	Touchpoints
Shape Your City project pages	Aug. 17 - present	10.6k visits (as of Oct. 21) 1,222 interactions
Talk Vancouver survey	Aug. 17 - Sept. 20	8,378 survey completes
Budget simulation educational tool	Aug. 17 - Sept. 20	551 submissions
In-person outreach	Aug. 17 – Sept. 25	~100 hard-copy surveys*

\* Additional survey submitted online

City of Vancouver Shape Your City

Home » Budget 2021

### Budget 2021

Register to get involved!

**Key dates**

- Budget 2021 engagement closes **September 20 2020**
- Service plans and associated budgets prepared **August – November 2020**
- Draft budget published in late November **November 2020**
- Draft Budget 2021 presented to City Council **December 01 2020**
- City Council deliberation and vote on the Final budget **December 08 2020**

**Important links**

- Budget 2021 Outlook (July 8 2020)
- 2020 Budget - Reference information and documents
- Money in: Funding the budget
- Money out: How your tax dollars are spent
- City's main budget page

**Frequently asked questions**

- How can I influence the City's budget?
- How is the City spending my tax dollars?
- What are Council's Priorities for the 2021 Budget?
- What is the difference between the operating and capital budgets?

**Videos**

Your City budget explained

## What is a City budget?

SURVEY QUICK POLL BALANCE THE BUDGET

## New for this year:

- **Civic Satisfaction survey postponed** until 2021 (normally takes place in spring)
- **Shape Your City digital engagement pages** in six languages: English, Traditional/Simplified Chinese, Punjabi, Vietnamese and Tagalog
- **“Balance the Budget” educational tool** allowing residents to +/- City revenue and spending categories
- **Targeted outreach**, including hard-copy surveys, focusing on DTES community centres and some libraries

## How we promoted engagement:

Online	Offline
<ul style="list-style-type: none"><li>• <b>Information Bulletin</b> issued Aug. 17</li><li>• <b>Shape Your City</b> landing page</li><li>• <b>Vancouver.ca</b> – “what’s new” on homepage and on budget webpage</li><li>• <b>Social media</b> - Facebook, Twitter and Instagram (e.g. Instagram stories)</li><li>• <b>Budget “explainer” video</b> for Shape Your City, vancouver.ca and social media</li><li>• <b>Email invite</b> to Talk Vancouver panelists</li><li>• <b>Email invite</b> to BIAs, neighbourhood houses, settlement agencies and others</li></ul>	<ul style="list-style-type: none"><li>• <b>Print ads</b> in:<ul style="list-style-type: none"><li>• Vancouver is Awesome (Courier)</li><li>• Ming Pao</li><li>• Sing Tao</li><li>• South Asian Link (The Link)</li></ul></li><li>• <b>Posters</b> in reopened community centres</li><li>• <b>In-person outreach</b> (e.g. during existing community centre programming)</li></ul>

Demographic group	Original survey sample - residents	Vancouver population (Census 2016)
<b>GENDER – weighting NOT applied*</b>		
Female	51%	51%
Male	39%	49%
Transgender	1%	n/a
None of the above	2%	n/a
Prefer not to say	6%	n/a
<b>AGE – weighting applied</b>		
18-39	56%	44%
40-49	15%	16%
50-59	12%	16%
60 and over	17%	24%
<b>RESIDENTIAL ZONE - weighting applied</b>		
Downtown and West End	19%	17%
NW - north of 16th and west of Main	23%	16%
NE - north of 16th and east of Main	25%	17%
SW - south of 16th and west of Main	14%	19%
SE - south of 16th and east of Main	19%	31%

\* Weighting based on gender did not significantly change results

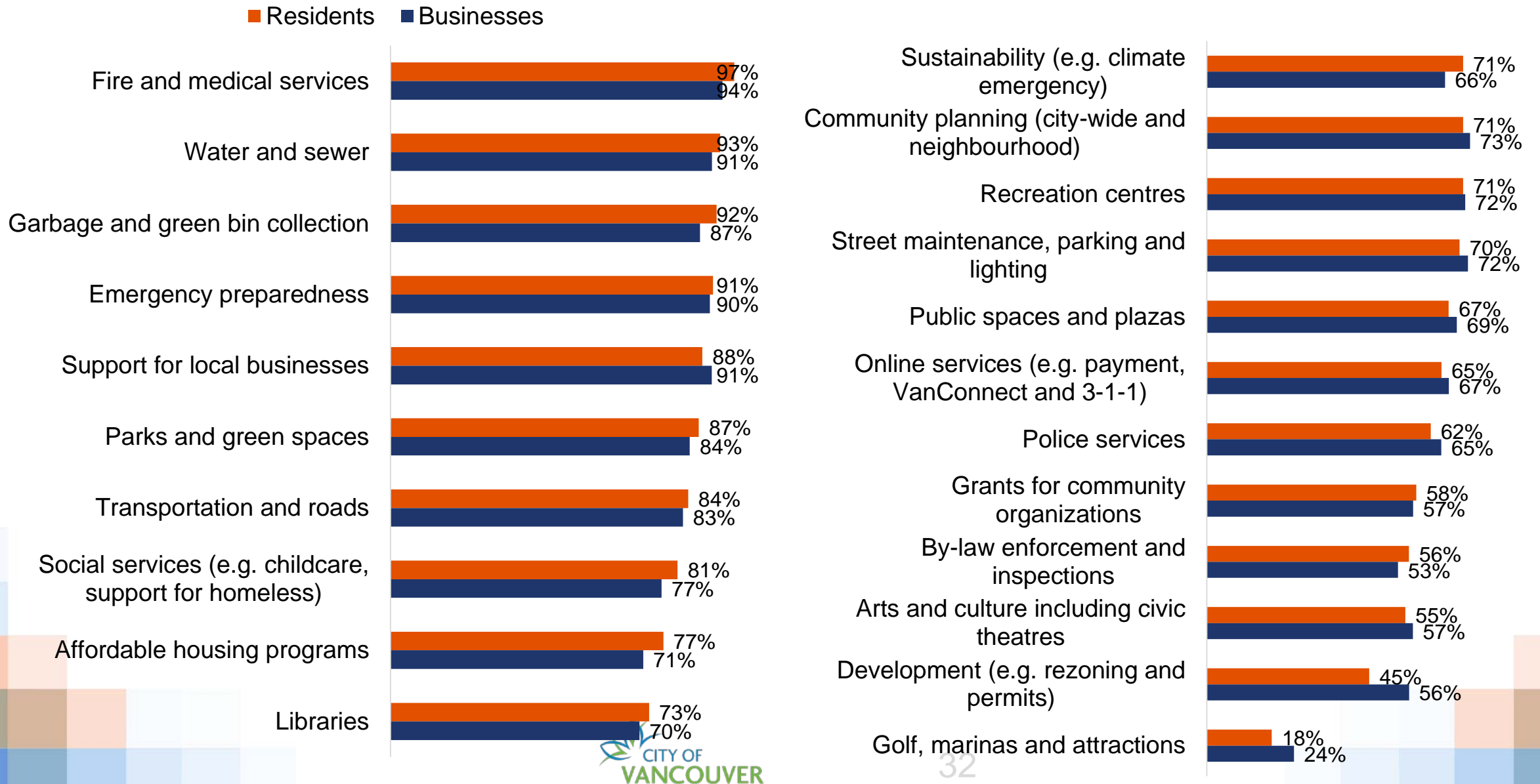
- **8,378 respondents**, including 7,573 residents & 805 business owners – twice as many survey completes as last year
- **Survey data weighted based on 2016 Census data to increase representativeness of results**
  - Residents: Weighted based on Census data for age and geographic zone
  - Businesses: Weighted based on business size (not shown)

- Delivery of Core Services highest ranked priority overall
- Significant differences in ranking of Council Priorities based on age

	<u>Delivery of Core Service</u>	<u>Affordability and Housing</u>	Economy	Equity and Social Issues	Climate Change
<b>RESIDENTS</b>	57%	48%	42%	32%	21%
<40 yrs	36%	61%	27%	48%	28%
40-59 yrs	71%	39%	54%	20%	15%
≥60 yrs	76%	36%	55%	16%	17%
<b>BUSINESSES</b>	57%	41%	51%	31%	20%

# Early Survey Findings: Importance of Services

#VANBUDGET2021



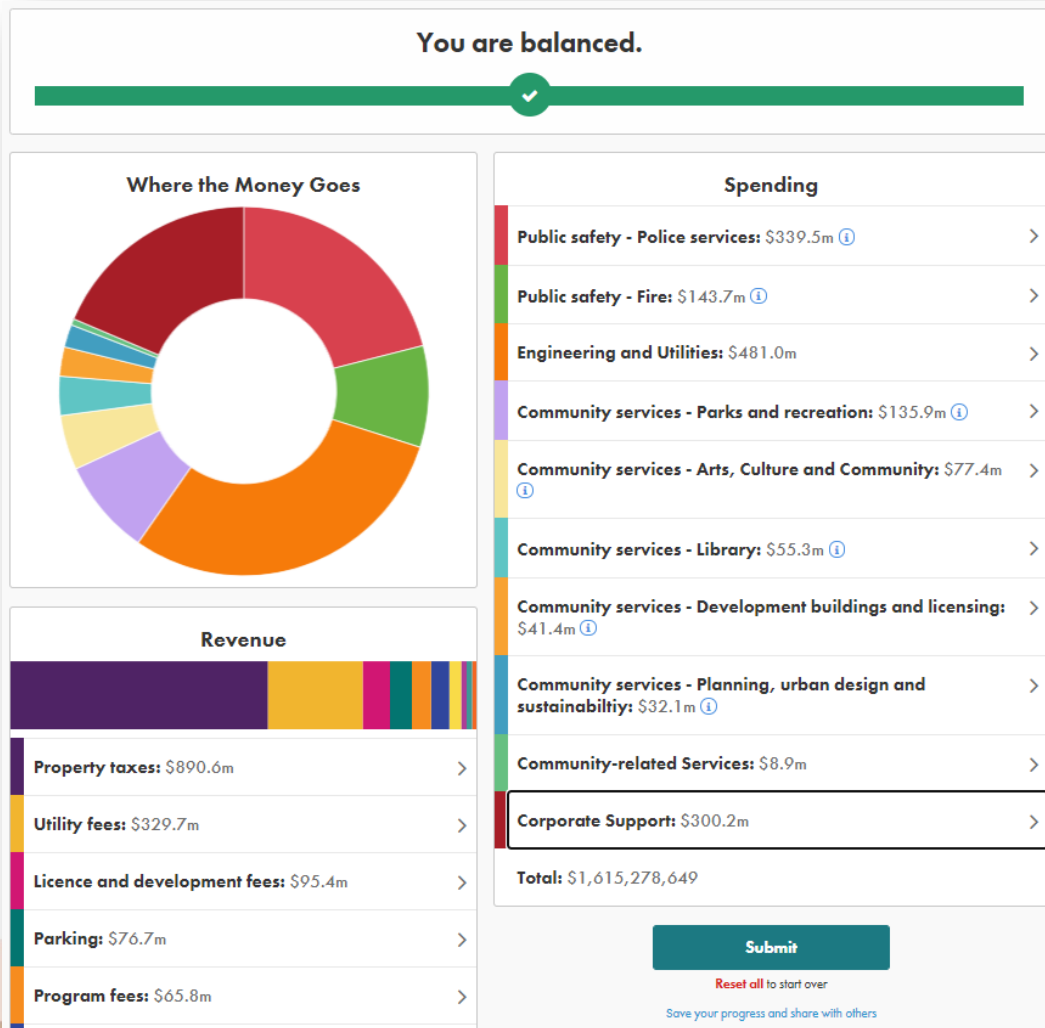


### **Preferred options to “balance the budget” among both residents and businesses:**

- Increase user fees for City services that currently have fees
- Postpone infrastructure projects (e.g. new amenities or major repairs)
- Introduce new user fees for some City services that currently have no fees

### **Least preferred options were increasing residential or business property taxes:**

- Among residential and business property owners the majority preferred a 1-2% tax increase (68% on average for 1% tax increase, and 54% on average for 2%)



- **New for this year** – for educational purposes, to teach people about components of the budget
- Participants could +/- revenue and spending categories
- 551 budget submissions (non-representative sample)
- Of those who submitted a response, **interest in increased funding to address equity & critical social issues and climate action**; reduced spending on police services

- Staff in process of analyzing and preparing full detailed engagement report
- Full engagement report will be available online at end of November as part of Draft 2021 Budget
  - [shapeyourcity.ca/budget](https://shapeyourcity.ca/budget)
  - [vancouver.ca/budget](https://vancouver.ca/budget)
- Presentation of full survey findings for December 1 Council Meeting