



REPORT

Report Date: November 20, 2020
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Meeting Date: December 1, 2020
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TO: Vancouver City Council
FROM: Director of Finance
SUBJECT: 2021 Capital and Operating Budget

RECOMMENDATIONS: the operating budget portion of the Draft 2021 Budget

- A. THAT, subject to approval of recommendation B, Council approve an operating budget of \$1.599 billion as set out in the Draft 2021 budget in Appendix 1:
- a) a reduction of \$17 million from the 2020 Budget, including revenue declines of \$60 million related to COVID-19, increases in fixed costs of \$43 million to operate existing City services, cost mitigations including reductions of 1-2% in each department from the original 2020 budget and a transfer from the revenue stabilization reserve of \$57 million; and
 - b) allocation of the \$8m of savings from the capital plan recalibration as set out in Consideration D or as otherwise resolved by Council.

The following recommendation has been segregated out from Recommendations A and E so as to allow Councillors who may have a conflict of interest with respect to the subject matter of this recommendation to recuse themselves from participation on this matter.

- B. THAT Council approve the following specific changes related to the Vancouver Police Board (VPB) budget included in the Draft 2021 Operating Budget, as outlined in the operating budget section of Appendix 1 of this report:
- a. \$4.5 million increase over the 2020 budget amounts for compensation related fixed costs for existing staff pursuant to collective agreements including annualization of the budget for 2020 new hires, and step /rank increases for existing staff; and
 - b. \$3.1 million (1%) reduction from the overall VPD budget, the implementation of which to be at the discretion of the Vancouver Police

Board, but which could include reductions in staff levels and/or holding vacancies open.

- C. THAT, in addition to the Draft 2021 Budget, Council approve \$4.1 million in initiatives funded through one-time Empty Homes Tax and 3rd party funding to be included in the 2021 draft budget, as listed in the table:

2021 EHT and Third Party Funded Initiatives	2021 \$
Accelerate Action on Climate Change	-
Address the Housing Crisis	1.37
Vancouver Affordable Housing Endowment Fund - Resourcing and portfolio set up	1.00
Partner Agreements - Coordinator	0.12
Partner Agreements - Planner I	0.12
Partner Agreements - Planner II	0.12
Increase Focus on Equity and Critical Social Issues	2.50
Public washrooms	2.50
Protect and Build a Resilient Local Economy	-
Core Business	0.24
Development Planning resource to focus exclusively on Housing - Planner II	0.12
Rezoning resource to focus on RZ-Housing priorities - Planner II	0.12
EHT Funded	1.60
Third Party Funded	2.50
Grand Total	4.10

The following resolution for consideration may be moved or amended as Council determines is in the public interest.

CONSIDERATION:

- D. THAT Council approve the reallocation of \$8 million from the deferral of capital projects, as part of the recalibrated 2019-2022 Capital Plan, towards \$6.33 million of one-time initiatives and \$1.67 million transferred to reserve; as shown in the table below:

2021 One-time Initiatives	2021 \$
Accelerate Action on Climate Change	2.50
Support for Active Travel to Schools program	0.50
Walking/cycling improvement	1.50
EV charging infrastructure	0.50
Address the Housing Crisis	-
-	-
Increase Focus on Equity and Critical Social Issues	0.72
Anti Racism/Cultural Redress	0.30
Decriminalizing Poverty	0.30

MMIWG: Extend current Planner I by 6 months	0.05
UN Safe Spaces / Gender equity: Social Planner II	0.07
Protect and Build a Resilient Local Economy	1.93
TEPP program cost and lost revenues	1.93
Core Business	1.18
Removing veteran's parking revenues	0.50
Enhanced Street Cleaning to respond to increased demand	0.68
Total One time Initiatives	6.33
Transfer to Reserve	1.67
Total One time savings available from deferral of capital	8.00

And THAT, subject to approval of recommendations A, B and C, and consideration D, or as amended:

RECOMMENDATIONS:

- E. THAT Council approve the Vancouver Police Board 2021 Operating Budget of \$343,097,642 in expenditures and \$24,521,994 in revenues as outlined in the operating budget section of Appendix 1 of this report.
- F. THAT Council approve the Vancouver Board of Parks & Recreation 2021 Operating Budget of \$136,236,909 in expenditures and \$43,565,200 in fee and program revenues as outlined in the operating budget section of Appendix 1 of this report.
- G. THAT Council approve the Vancouver Public Library Board 2021 Operating Budget of \$55,073,125 in expenditures and \$4,932,000 in fee and program revenues as outlined in the operating budget section of the operating budget section of Appendix 1 of this report.
- H. That Council approve the 2021 Property Endowment Fund (PEF) Operating Budget of \$52.4 million revenue and \$52.4 million expenses (including transfers) as outlined in Appendix 1 of this report.
- I. THAT, subject to approval of considerations A to H, or as amended, Council approve the budget resolution attached as Appendix 2 of this report, thereby adopting the 2021 Operating Budget of \$1,598,924,418 million outlined in Appendix 1, resulting in an overall property tax increase of 5%.

RECOMMENDATION: the capital budget portion of the Draft 2021 Budget, subject to approval of considerations A to C and H, or as amended

- J. THAT Council approve the Capital Projects Budget related to the Vancouver Police Board included in the Draft 2021 Capital Budget and outlined in the capital budget section of Appendix 1 of this report with details in Appendix A and B of Appendix 1:
 - a. 2021 new Capital Projects Budget funding requests totalling \$8.9 million, with details in Appendix A and B of Appendix 1 of this report; and

- b. 2021 Capital Expenditure Budget of \$7.7 million, with details in Appendix B of Appendix 1 of this report.
- K. THAT, subject to approval of recommendation J, or as amended, Council approve \$392.4 million for new Multi-year Capital Project Budgets to begin in 2021, as outlined in the capital budget section of Appendix 1 of this report with details in Appendix A and B of Appendix 1:

(\$ millions)	2021 New Funding Requests	2021 Expenditures (New portion)	Future Year Expenditures
Affordable Housing	\$37.4	\$20.8	\$16.5
Childcare	3.1	3.1	0.0
Parks & Open Spaces	67.2	51.3	15.9
Arts & Culture	8.6	6.8	1.9
Community Facilities	14.6	10.2	4.5
Public Safety	12.2	2.3	9.9
Civic Facilities & Equipment	24.5	9.1	15.4
Transportation & Street use	86.5	65.2	21.4
One Water	83.3	73.5	9.8
Solid Waste	12.2	8.5	3.7
Renewable Energy	9.1	9.1	0.0
Technology	27.2	27.2	0.0
Overhead	6.4	6.4	0.0
Total	\$392.4	\$293.5	\$98.9

NOTE: Totals may not add due to rounding.

Funding sources as follows:

Total 2021 new funding requests:	\$392.4 million
<ul style="list-style-type: none"> • Operating revenue that funds capital projects • Debenture borrowing • Special purpose reserves <ul style="list-style-type: none"> • Plant and Equipment Reserve: \$14.1 million • Meter Reserve: \$3.1 million • Public Art Reserve (from development contribution reserves): \$1.5 million • Hastings Park Reserve: \$1.3 million • Solid Waste Capital Reserve: \$1.0 million • LED Reserve: \$0.5 million • University Endowment Lands Reserve: \$0.5 million • Public Art Maintenance Reserve: \$0.3 million • Developer contributions <ul style="list-style-type: none"> • Development Cost Levies: \$77.0 million • Community Amenity Contributions (Cash): \$34.4 million • Connection & Service Conditions: Rezoning: \$0.05 million • User fees and levies • Other/External • Capital Financing Fund 	<ul style="list-style-type: none"> \$98.6 million \$118.6 million \$22.2 million \$111.5 million \$3.1 million \$26.9 million \$11.5 million

As a result of this Capital Budget approval, the 2019-2022 Capital Plan will increase by \$13.9 million, from external funding sources.

- L. THAT Council, subject to approval of considerations J and K, or as amended, approve the 2021 Capital Expenditure Budget in the amount of \$770.7 million outlined in the capital budget section of Appendix 1 of this report with details in Appendix B of Appendix 1:

(\$ millions)	Previously Approved		Total 2021 Expenditures
	Projects	New Projects	
Affordable Housing	\$123.2	\$20.8	\$144.0
Childcare	24.0	3.1	27.2
Parks & Open Spaces	62.3	51.3	113.6
Arts & Culture	31.6	6.8	38.4
Community Facilities	34.0	10.2	44.2
Public Safety	16.4	2.3	18.7
Civic Facilities & Equipment	31.1	9.1	40.3
Transportation & Street use	44.3	65.2	109.4
One Water	56.0	73.5	129.5
Solid Waste	27.6	8.5	36.1
Renewable Energy	18.6	9.1	27.7
Technology	7.3	27.2	34.5
Overhead	0.9	6.4	7.2
Total	\$477.2	\$293.5	\$770.7

NOTE: Totals may not add due to rounding.

REPORT SUMMARY

The purpose of this document is to present, for Council's consideration and for the public's review, the City's Draft 2021 Budget, five-year financial plan and service plans. The Draft 2021 Budget includes the Operating Budget, the Property Endowment Fund operating budget, the Capital Budget, and the Consolidated Budget.

Despite financial challenges and uncertainty going into 2021, and the increased effort and costs involved in responding to the pandemic, the City will continue to deliver the important services that residents and businesses expect every day. The City will continue to take measures to reduce costs, and balance this with the need to protect core services.

Once Council has deliberated on the budget and a final budget is approved, City staff have the authority to proceed with operating and capital expenditures to manage the timely delivery of quality, core services to the public. The Draft 2021 Budget is important in fostering and maintaining public accountability and transparency, by providing detailed information on draft budgets by revenue and cost category, funding sources, and services. The City's budget process has been developed to ensure revenue and expenditures are managed comprehensively, with fiscal responsibility and transparency, in a manner that ensures the City is achieving value for money and using staff resources efficiently.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

The Vancouver Charter governs the requirements for the City budget. The Director of Finance is to present the estimates of revenues and expenditures to Council no later than April 30 of each fiscal year and Council must adopt a resolution approving the budget and a rating by-law establishing general purpose tax rates as soon thereafter as possible.

While the Vancouver Charter requires only that the City present a one-year budget, since 2016 the Budget has included a 5 year financial plan, which is consistent with the BC Community Charter requirement for municipalities.

In alignment with best practices, and following the recommended criteria for transparency of municipal budgets outlined by the C.D. Howe Institute, it has been Council practice to approve the City's Operating and Capital Budget before the beginning of the fiscal year, in order to have a budget in place to guide operational decisions and spending in the fiscal year. A Draft 2021 Budget is presented for Council's consideration and for the public's review. Note that should Council not approve a budget before the start of the next fiscal year, the Vancouver Charter provides authority for staff to continue existing operations based on 2020 Budget spending levels, but not to initiate new projects. Given the unique circumstances due to COVID, the Draft 2021 Budget for Council consideration is lower than the 2020 budget, and should the budget not be approved in December, the ability to realize cost mitigations in 2021 would be impacted.

COMMENTS OF THE CITY MANAGER AND DIRECTOR OF FINANCE

The Draft 2021 Budget and Financial Plan as outlined in Appendix 1 has been prepared to provide Council with background to assist in Council's consideration of the budget. The Budget Highlights in Appendix 1 provides key information in a succinct format, and is supplemented by comprehensive budget information including the Operating Budget, Property Endowment Fund operating budget, Capital Budget, Consolidated Budget, and Service Plans.

City staff have taken a conservative and flexible approach to building the 2021 Budget. In recognition of the financial challenges faced by local residents and businesses due to the pandemic, City Council directed staff to prepare a 2021 Budget with options for a property tax increase of no more than five per cent.

REPORT

Background/Context

The Draft 2021 Budget and Five-Year Financial Plan (Appendix 1) contains information regarding progress on Council Priorities, the 2021 capital and operating budgets, departmental service plans and metrics, public engagement process and findings, while additional budget details and metrics are included in Appendixes A to E.

The draft 2021 PEF Operating Budget is also included in this Draft 2021 Budget, to be approved in conjunction with the City's Operating and Capital budgets.

The Consolidated Budget, which summarizes the City's full financial budget including all funds and entities, is also included in this report for information. The Consolidated Budget is aligned to

the City's consolidated financial statements which are reported annually. This Best Practice has been incorporated into the City's budget process since the 2015 Budget.

Strategic Analysis

Vancouver, like other Canadian cities, offers a broad range of services but has limited revenue sources. The City adheres to prudent fiscal stewardship with careful financial planning that balances short-term operating needs with long-term public amenity and infrastructure requirements. The City's financial planning process is guided by a set of financial sustainability guiding principles and financial health targets, details of which are referenced in the Financial Capacity section in Appendix A. When developing our financial plans, the City considers national, regional, and local economic factors. Understanding these constantly changing factors allows the City to manage near-term risks and uncertainties, while also planning for long-term financial resilience and sustainability.

The City will continue to focus on key priority areas, as well as review and improve service levels to ensure we are meeting the needs and expectations of those who live and work in, and visit, our city, all the while managing the challenges and addressing the opportunities of a diverse and growing city.

Over the past several years, the City has effectively used performance measurement and continuous process improvement to enhance decision-making and to gain additional insight into our businesses and services in order to more effectively maintain the City's financial health and strengthen our operational effectiveness.

Council Priorities

In July 2020, as part of the Budget Outlook process, Council reaffirmed the priorities they set in 2020. Looking ahead to 2021, Council also added a statement to reflect the need for the City to remain flexible and ensure we are able to adjust our work to best support community and economic recovery from the COVID-19 pandemic.

The primary priority for Council and City staff is to maintain and improve the core services that meet the needs of residents every day – a goal Vancouver has in common with other municipalities.

The four additional priorities adopted by Council have helped staff make decisions about which projects, initiatives and service improvements will best advance our work to address the key issues in our city, and these are reflected in the departmental service plans and budgets proposed for 2021.

Draft 2021 Operating Budget

The Draft 2021 Budget and Five-Year Financial Plan has been prepared to provide City Council with context for the opportunities and challenges in our city, and the option to provide further direction to align City activities and spending with Council's priorities.

Despite financial challenges and uncertainty going into 2021, and the increased effort and costs involved in responding to the pandemic, the City continues to deliver the important services that residents and businesses expect every day. The City will continue to take measures to reduce costs, but must balance this with the need to protect core services.

The Draft 2021 Operating Budget outlines potential revenue and expense changes for Council's consideration, for a total 2021 Operating Budget of \$1.599 billion, which is a decrease of 1.1% or \$17.1 million from 2020. Revenues reflect changes to existing property tax and user fee rates and changes in volumes. Expenses reflect the costs to deliver services, including increases in fixed costs, as well as initiatives aligned to the Council priorities.

The Draft 2021 Expenditures Budget is decreasing by \$17.1 million as a result of cost mitigations continued from 2020, transfers from reserve to offset declining revenue and managing fixed costs to operate existing City services that will increase by \$43 million in 2021. The budget also includes funding for business adaptation costs related to COVID-19 and the operating impacts of previously approved capital projects.

The Draft 2021 Operating Budget also includes over \$145 million that supports the advancement of Council's priorities, including ongoing initiatives such as the Vancouver Plan and Culture|Shift. Refer to Appendix D for details on existing initiatives under each priority.

Capital Plan and Capital Budget

The 2019-2022 Capital Plan presents a comprehensive overview of planned City capital investments in infrastructure and amenities across various service categories along with the associated funding strategy over a four-year period. As part of the City's capital planning framework, the Draft 2021 Capital Budget represents one of the key steps in implementing the 2019-2022 Capital Plan by providing the authority to proceed with specific capital programs and projects, and by defining the Multi-Year Capital Project Budget and the Annual Capital Expenditure Budget for all approved work.

2019-2022 Capital Plan and capital plan recalibration

On July 25, 2018, Council approved the 2019-2022 Capital Plan as a guiding document for capital investments from 2019 through 2022. The Capital Plan will continue to evolve over the course of the four-year period to address emerging priorities, such as the climate emergency response, and incorporate additional funding secured, such as provincial government funding and Empty Homes Tax. The original Capital Plan contemplated \$2.772 billion of capital investments, comprised of \$2.203 billion City-led capital programs and \$0.569 billion in-kind development contributions. Since the original plan was approved, adjustments to the plan resulted in a plan value of \$2.889 billion, as of August 2020. This included \$2.319 billion worth of City-led capital investments and \$570.0 million worth of in-kind contributions.

The unprecedented financial pressures in 2020 due to the COVID-19 pandemic led to recalibration of the 2019-2022 Capital Plan. This resulted in Council approved adjustments, reducing the Capital Plan to 2.636 billion, constituting \$2.061 billion in City-led capital investments and \$574.4 million of in-kind contributions achieved through development. Subsequent to the recalibration, there were approved adjustments through the quarterly capital budget adjustment process of \$11.8 million increase to the Capital Plan. This report contemplates an increase of \$13.9 million funding to be added to the Capital Plan, bringing the total 2019-2022 Capital Plan to \$2.661 billion, as outlined in Appendix A of Appendix 1.

Draft 2021 Capital Budget

The Draft 2021 Multi-Year Capital Budget represents new capital projects and increases to previously approved capital projects that have been prioritized through the capital budget process based on various factors, including funding availability, readiness to proceed and the City's capacity to deliver. The Draft 2021 Capital Budget includes \$392.4 million to be added to the aggregate Multi-Year Capital Budget as noted in Appendix B of Appendix 1, of which \$293.5 million is anticipated to be spent in 2021.

While the Multi-Year Capital Budget represents the aggregate of all approved multi-year capital project budgets, the Annual Capital Expenditure Budget represents the portion of the Multi-Year Capital Budget that is planned to be spent in the budget year. The Draft 2021 Capital Expenditure Budget is \$770.7 million, as outlined in Appendix B of Appendix 1. This includes \$477.2 million for previously approved multi-year capital projects budgets continuing into 2021 and \$293.5 million for the current year's expenditure portion of the 2021 multi-year capital project budgets. The Five-Year Financial Plan provides capital expenditure forecasts for the next five years. It includes expenditure forecasts for previously approved multi-year capital project budgets continuing into 2021, expenditure forecasts for new multi-year capital project budgets in the Draft 2021 Capital Budget, estimated expenditures for new capital projects anticipated to be approved during the remaining year of the 2019-2022 Capital Plan and the first three years of the yet-to-be-developed 2023-2026 Capital Plan.

Public Engagement

The COVID-19 pandemic impacted nearly all aspects of engagement for Budget 2021. In response to ongoing restrictions for in-person gatherings, this year's engagement approach shifted to mostly virtual options, using new and existing digital engagement tools such as the City's new digital engagement platform, Shape Your City. A new educational budget simulation tool was also piloted online to highlight the challenges in balancing spending to maintain and improve programs and services, with limited sources of revenue. Staff were able to conduct a limited number of targeted community outreach activities, working with Downtown Eastside community centres, some libraries and a number of community-serving organizations.

More than 10,000 engagement touchpoints were tracked over the six-week course of the budget consultation, not including social media interactions and visits to the City's budget information web pages. There were also more than 10,000 visits to the Shape Your City budget pages. The detailed Public Engagement Report is available online at vancouver.ca/2021-budget.

The Budget Resolution

Following Council's approval of the 2021 Budget, the 2021 operating budget will be brought into balance and the 2021 operating budget cycle completed. Council approval of this final position requires adoption of the budget resolution attached as Appendix 2. The resolution identifies estimates of revenues and expenditures of the City for 2020. Based on the draft budget, prior to Council's amendments and approval of a final budget, total estimated gross expenditures are \$1,598,924,418, including a General Purpose Tax Levy of \$896,497,577 and other revenue sources of \$702,426,841. Should Council make changes to the Draft 2021 Budget, this budget resolution will be updated accordingly.

Final Steps

Approval of the 2021 Operating Budget is occurring prior to the finalization of the 2020 Assessment roll. In April 2021, the Director of Finance will seek Council approval on the distribution of the general purpose tax levies among the property classes in 2021. After receiving Council direction, the Director of Finance will, in May 2021, bring forward a report summarizing the property taxes levied by the City and other taxing authorities for each property class, and seek Council adoption of the applicable rating by-laws and resolutions. Based on the 2021 Revised Assessment Roll, the final property tax increase will be adjusted in April to collect the general purpose tax levy as set out in the final, following Council's amendments and approvals 2021 Budget Resolution.

CONCLUSION

This report provides an overview, for Council's consideration, of the Draft 2021 Operating Budget of \$1.599 billion; Draft 2021 Multi-Year Capital Budgets of \$392.4 million for new Capital Projects to be added to the aggregate Multi-Year Capital Projects Budget, including specific funding sources; a summary of the 2021 Capital Expenditure Budget of \$770.7 million, and capital expenditure forecasts for 2022, 2023, 2024, and 2025 for information. Draft 2021 Capital Budget detail is provided in Appendixes A and B in Appendix 1 of this report.

The 2021 PEF operating budget of \$52.4 million revenue and \$52.4 million expenses (including transfers) and the Consolidated Budget (Financial Statement basis) of \$2.042 billion in revenue and \$1.881 billion in expenses are also included in this public consolidated draft budget document.

The approval of the attached budget resolution will finalize the process of balancing the 2021 Operating Budget. If approved without amendments, the 2021 Operating budget will total \$1.599 billion with a property tax increase of 5%.

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Draft 2021 Budget - ATTACHED

BUDGET RESOLUTION

THAT WHEREAS, the Vancouver Charter, Section 219 requires that the Director of Finance submit to Council each year the detailed estimates of revenues and expenditures of the City for the year;

AND WHEREAS the Vancouver Charter, Section 372 requires that Council adopt the estimates of revenues and expenditures for the City as soon thereafter as possible;

AND WHEREAS the total estimated gross expenditures of the City to pay all debts and obligations of the City falling due in the year 2021, exclusive of the amounts required for school, Greater Vancouver Regional District, Greater Vancouver Transportation Authority, British Columbia Assessment Authority and Municipal Finance Authority purposes and not otherwise provide for, as amended by Council, amount to \$1,598,924,418;

AND WHEREAS the total estimated expenditures as aforesaid is the sum of the appropriation requests of all departments and boards properly supported by detailed analysis of those expenditures and listings of the salaried staff;

AND WHEREAS the total estimated revenue of the City for 2021 from sources other than real property taxes, as amended by Council, amounts to \$702,426,841;

AND WHEREAS the amount of the General Purposes Tax Levy so required is \$896,497,577;

THEREFORE be it resolved that the said estimates, both as to totals and individual items pertaining thereto, of the Director of Finance as so amended by Council be and the same are hereby adopted by Council.

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