



# VANCOUVER BUDGET 2022

## 2022 – 2026 Budget Outlook

July 6, 2021

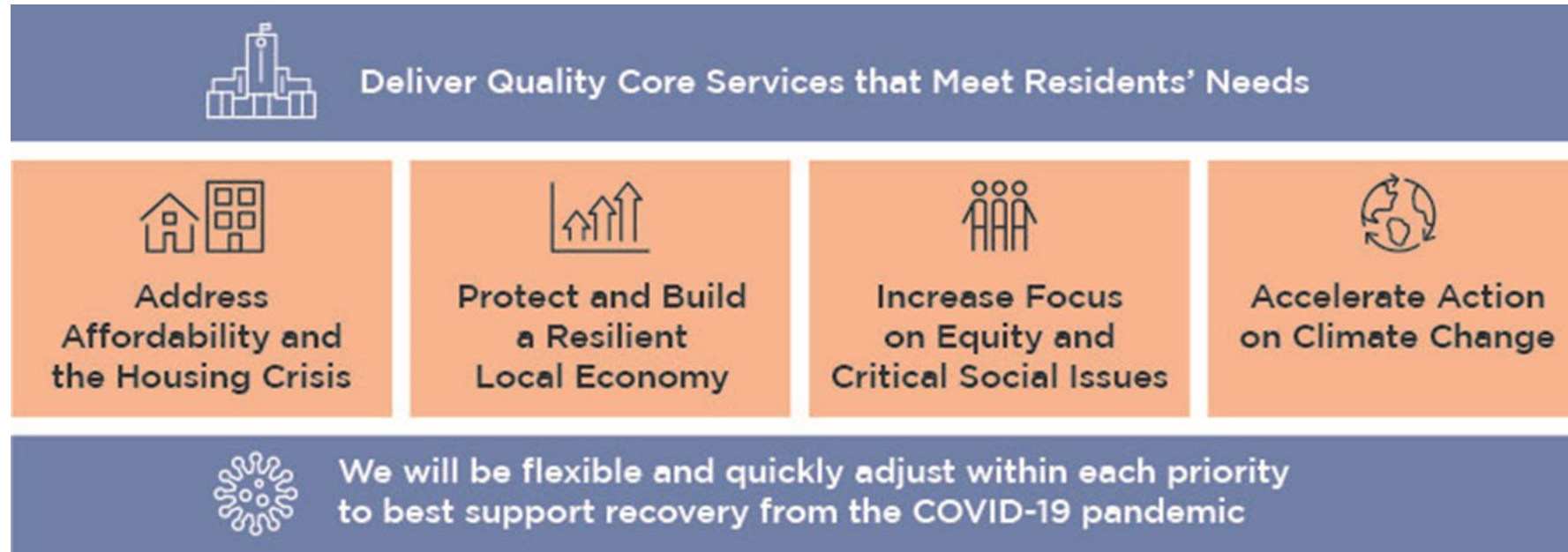


## I. Budget Outlook

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# Budget Outlook

- Overview of **financial landscape** going into next budget cycle
- Reflect **Council's direction and priorities** for 2022 budget development
- Staff will develop **service plans, revenues and costing** based on this direction for the Draft 2022 Budget in the fall
- The outlook **initiates the budget process - specific budget decisions are not made at this time**



- The budget will be structured to deliver on Council's priorities
- Will also highlight how these priorities support well-being and equity

- **Financial impacts to the City from the pandemic continue**

- The City faced significant revenue losses and increased costs in 2020 and 2021 due to the COVID-19 pandemic, and there will be lasting impacts
- Much of our resources continue to be focused on recovery from the pandemic
  - The City has continued to operate most services while responding to increased service needs
  - Allocation of constrained budget resources were prioritized where possible to support response and recovery initiatives
- The provincial reopening plan will improve our financial picture but the City will still face significant cost pressures and service demands, along with a significantly reduced stabilization reserve

- **Staff will look for cost savings, efficiencies, and new sources of revenue**
  - Options for a tax increase of no more than 5% will be brought to Council to consider in early November, with the full Draft 2022 Budget and service plans expected to be available to the public and Council in late November
  - Staff will undertake an engagement process in July and August to hear from residents and businesses as an input into the process

- **2022 will be a ‘limited spending’ budget**
  - Council has directed that staff prepare options to limit property tax increases to no more than 5%
  - City staff are working hard to maintain services within financial constraints, and on reducing costs for 2022
  - There will be limited funds available for new programs or improvements
  - Decisions may need to be made about where to spend less in next year’s budget, and that could impact programs and services
  - If the financial situation improves, the City would need to begin to build back our reserves that were depleted due to COVID, so we are prepared for the next event



# Economic & Financial Context

- 4.9% real GDP growth in 2021; 5% in 2022 (Conference Board of Canada)
- The economic activity is expected to be above pre-COVID levels
- Not all areas of the economy will recover at the same rate; there will be lasting impacts in many areas
- CPI inflation is forecast to be 2.5% in 2022, but a number of city costs will increase by more (notably materials costs and Metro utility charges)

*\*Note: Source of data is Major City Insights statistics published by the Conference Board of Canada.*

- Stabilization reserve available balance fully committed by the end of 2021
- Seeking additional funding from senior government, but nothing confirmed
- Demands on city services continue to be high
  - *Homelessness*
  - *Opioid response*
  - *Public realm cleanliness and public space activation*
- Capacity to deliver services reduced in a number of areas due to ongoing COVID safety protocols, which may continue for many years (for example, recreation)
- Infrastructure gaps and work backlog have worsened through COVID and may take many years to address

# Original 5 year financial plan

As published in 2021 the Budget

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## Assumptions:

- ✓ *Public health orders reflect full reopening of services and no capacity constraints*
- ✓ *All revenues return to 2020 levels*
- ✓ *Very limited uncommitted balance in the stabilization reserve*
- ✓ *2% increase in most user fees*

	<u>2022 Tax Increase</u>
• Fixed cost increases	4.3%
• Infrastructure Renewal	1.0%
• VPD & Fire Operational Reviews	1.0%
• Reserve Replenishment	1.0%

**Original 5 year plan 2022 tax increase: 7.3%**

**Utility Fee Increase: 6.2%**

**Total Blended Tax and Utility Fee Increase 6.9%**

# Current property tax and fee outlook

(Before savings, efficiency, and revenue options to be identified)

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## Assumptions:

- ✓ *Public health orders reflect full reopening of services and no capacity constraints*
- ✓ *All revenues return to 2020 levels*
- ✓ *No uncommitted balance in the stabilization reserve*
- ✓ *2% increase in most user fees*

	2022 <u>Tax Increase</u>
• Fixed cost increases	6.3%
• ECOMM VPD levy	0.3%
• VPD Budget risk	0.7%
• Infrastructure Renewal	1.0%
• VPD & Fire Operational Reviews	1.0%
• Reserve Replenishment	1.0%

**2022 tax increase outlook (before savings, efficiency and revenue options):** 10.3%

**Utility Fee Increase outlook:** 6.2%

**Total Blended Tax and Utility Fee Increase** 8.7%

- Parking Revenues (10% below 2020 normal ~ \$6M)
- Park Board and other Program Fees (~\$10M below normal)
- Casino Gaming Revenue Sharing (50% ~ \$3M below normal )
- Permit reserve requirement ~ TBD
- Other \$3 - \$5M

Additional risk scenario – equivalent to ~2.5% tax increase

### Limiting 2022 Property Tax Rate Increase to No More Than 5%

- *THAT Vancouver City Council sets a target limit on the **property tax rate increase to no more than 5%** in the 2022 Budget, with direction to staff to first **find efficiencies and cost savings across the organization** that will inform **multiple scenarios of property tax increases** for Council's consideration as part of the 2022 Budget development process.*

(April 28<sup>th</sup>, 2021)

Increase in annual Property Tax (\$)	3% tax increase	4% tax increase	5% tax increase
<b>Median strata</b> (assessed value of \$688,000)	\$34	\$45	\$57
<b>Median residential overall</b> (assessed value of \$1.1 million)	\$57	\$76	\$95
<b>Median single-family</b> (assessed value of \$1.6 million)	\$82	\$110	\$137
<b>Median commercial</b> (assessed value of \$1.0 million)	\$148	\$198	\$247

Amounts will change as the 2021 assessment roll is finalized.



Staff to identify options for a tax increase of 5% or less

Looking at:

- Reducing cost of service delivery (process improvement, streamline policies and procedures)
- Reducing discretionary expenses
- Delaying planned public safety staffing growth and limit other staffing growth (expect to continue holding vacancies as per 2021)
- Deferring projects (operating and capital)
- Reducing service levels
- Increasing fees and other options to increase revenues

### Considerations for prioritizing options:

- Council priorities (previous Council direction)
- Public priorities (Civic satisfaction survey results)
- Future savings / return on investment
- Service impacts (impact on service metrics and target outcomes)
- Risk (compliance requirements, health and safety, infrastructure condition)
- Staff capacity to deliver
- Known delays (phasing over multiple years)

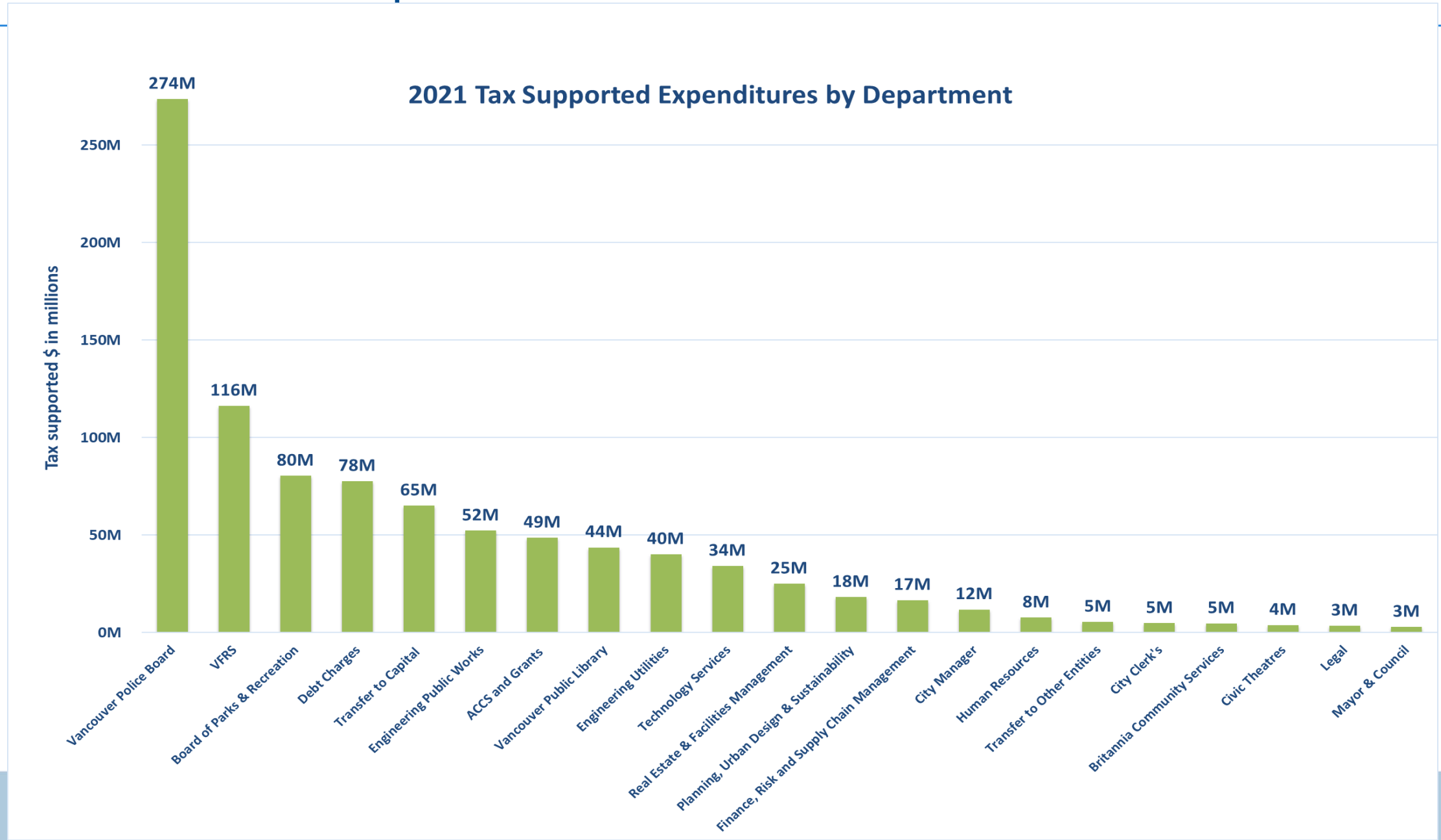
To impact the tax increase, budget adjustments must be from service areas that are **tax-funded**

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 (which may reduce the tax burden if the service was partially subsidized by tax)

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

# 2021 tax funded expenditures



- Recalibrated 2019-2022 Capital Plan: \$2.8B (~\$2.2B Cash ~\$0.6B In-kind)
  - ~30% (~\$660M) remains in the plan not yet allocated to Capital Budget
    - ~\$38M tax and fees funded reserves, ~\$64M utility fees, ~67M capital from revenue, ~\$260M development contributions, the rest from other sources
- Focus will be on delivering the remaining 2019-2022 recalibrated capital plan
- Staff will bring forward options to defer/reduce scope of projects which could reduce tax in 2022, while identifying impact on asset conditions and infrastructure gap

# 5 year plan Outlook

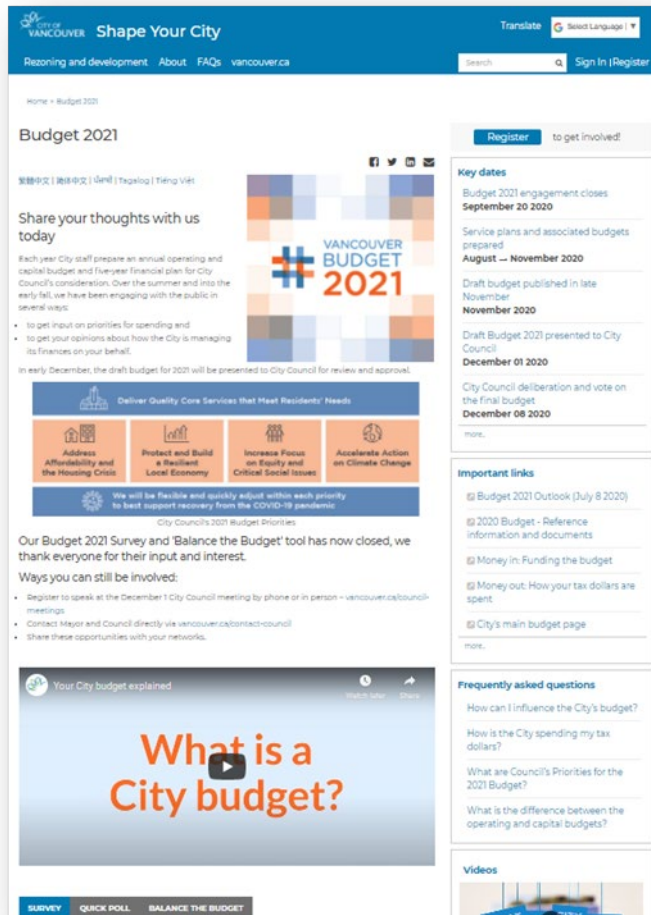
- 5 year plan continues to show expenses growing faster than revenues
- Tax increase of 5+%, blended utility fee increases of 6+% to balance the budget and replenish reserves
- This expenditure growth is driven by:
  - Growing asset base
  - Assets coming due for replacement (ie. Water/sewer)
  - Growth in expenses – e.g. public safety wages, Metro utility charges, construction and raw material costs
  - Involvement in delivery of services that have been traditionally the role of senior government
  - Expanding service demand / service level expectations

- Staff will look at multi-year opportunities to address this structural gap in the City's operating budget:
  - Transforming the way we deliver services (process improvements, customer focus, technology)
  - Examining the cost to deliver services and looking for ways to meet the public's needs in a more efficient way
  - Advocating for Municipal financial reform to better align senior government and city services and respective revenue streams



# Budget Timeline

Budget Process Step	Date
Budget Outlook Council presentation – overview of financial landscape and budget process	July 6
Budget Public Engagement	July – Aug
Draft Budget presentation – Property tax scenarios and options	Nov 2
Draft Budget and Service Plans available to the public	Nov 22
Draft Budget presentation to Council and budget speakers	Dec 1
Final Budget vote	Dec 7



## Purpose

- Understand relative importance of City Council's priorities and types of City services
- Gauge preferences for delivering a balanced budget and managing service delivery

## Engagement Activities

- Opinion research: IPSOS Civic Satisfaction Survey (Apr.-May)
  - Used to support Service Planning
- Public engagement (July-Aug)
  - Shape Your City page
  - Talk Vancouver survey
  - Focused conversations with traditionally under-represented groups
- Preliminary results (Sept) & final report (Oct)

# Questions