



Council Meeting

2022 Budget – Tax Scenarios and Options

November 2nd, 2021

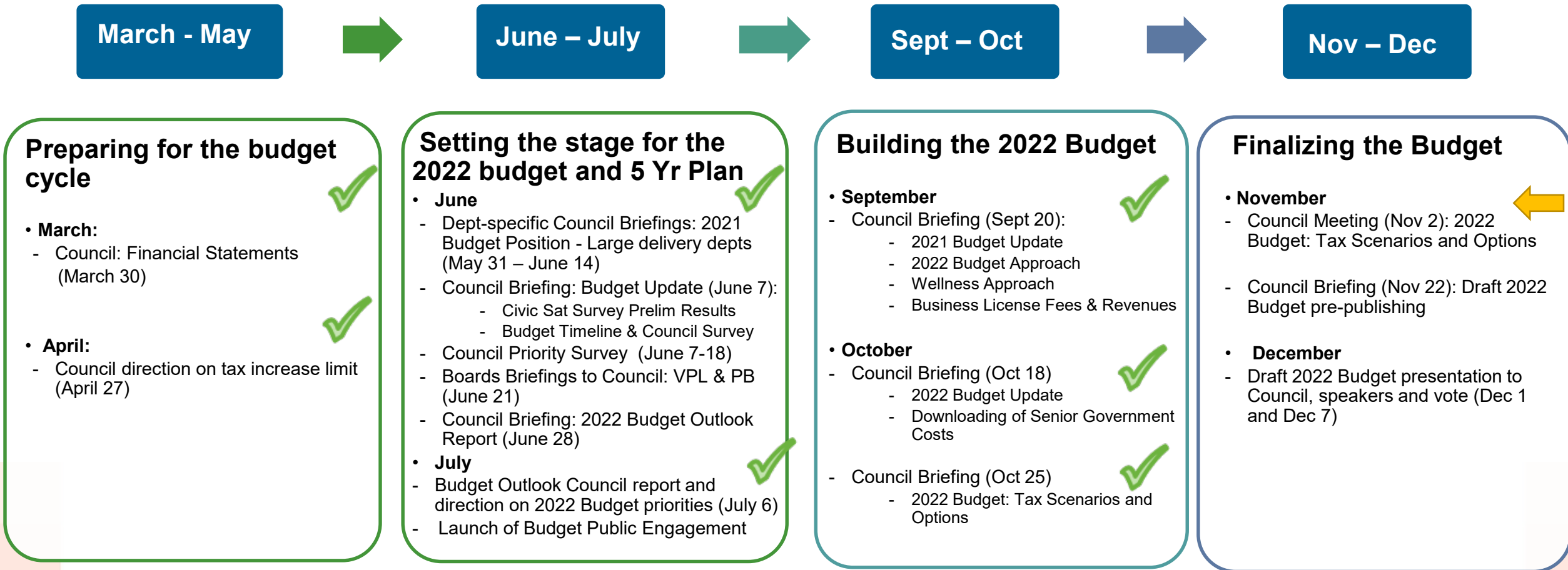


- Budget Timeline
- 2022 Budget Update
- Property Tax Scenarios

Staff are reporting to Council in response to the following motion:

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.

Budget Timeline



2022 Budget Update

- Staff developed options that will be shared with Council today:
 - Options for 3%, 4% and 5% tax increases, as well as ways to deliver on Council priorities within those scenarios
- A 5% budget option requires \$45 million in budget mitigations.
 - In 2022, there a number of uncontrollable expense increases (more than in a typical year). A 'status quo' budget covering increased costs of doing business in 2022, with no new investments and no reductions in operating costs, would require a much higher tax increase
- There remains significant financial uncertainty for 2021 and 2022
 - For 2022, revenues are expected to improve back to pre-COVID levels but some risks remain: Need to hold the 2021 revenue improvements in reserve in case revenues don't return as expected next year.
- 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

70% on track to be spent by 2021 year end and 100% by 2022

1. Council priority initiatives: \$8M –

a) **\$5.5M on track to be spent by year end including:**

- *\$4.3M TEPP program, Auditor General's Office setup, enhanced street cleaning, Decriminalizing poverty, Anti-racism, cultural redress*
- *\$1.2M Progress on climate initiatives including studies related to promotion of active transportation with transit priority improvements and transport pricing, as well as studies related to elimination of parking minimum for new developments, and EV infrastructure project on track*

b) **\$1.3M is projected to be spent in 2022 in line with Engineering's initial scope of the climate initiatives**

- *Walking/cycling improvements such as curb ramps, signals and sidewalks; work also continued on major capital projects, e.g. Granville Connector, Richard Avenue, Smithe Street, and 10th Avenue*
- *Promoting Active Transportation for Residents and Schools with 2022 plan to hit the milestone of 2 years of expanded sustainable transportation, school and walk/bike/roll marketing encouragement initiatives, as well as School Active Travel education, reaching 50% of elementary schools per year*

c) **\$1.2M delayed and will be completed in 2022**

- *\$1.2M hiring delays for VAHEF and other ACCS initiatives*

2. External party funded \$2.5M –

- *public washrooms are on track for year end*

3. EHT funded initiatives \$1.5M

- *mostly on track except \$0.5M deferred due to hiring delays, funding will be carried over to 2022 Budget*

- **Stabilization reserve available reserve balance of \$50M (4% reserve level)**
 - *Commitments include the 2021 budget requirement, Permits work in progress, 2022 permitting program costs, other lease arrangements for 1335 Howe St, Mayor's OD Emergency Task Force, other risks such as wage provisions, benefits increases etc.*
 - *The improved reserve level reflects the funding received from the federal/provincial restart program of \$16M received in 2020 and the \$19M from the Strengthening Community Services Fund received in 2021*
- **This would be the minimum level that we would want to keep in the reserve, in case of unforeseen events**
 - *pandemic related risks, continued revenue decline in 2022, or other snow or extreme weather risk*
- **The target minimum reserve balance is 8% - 16% of non-utility revenues, and to get back to 8% would require an additional \$50M**
 - *could come from a 2% additional tax / service reductions each year for 3 years, or 1% additional tax each year for 5 years (each 1% increase in reserve is \$13M)*

2022 Draft Budget – Summary

City of Vancouver (\$ in million)	2020 Approved Budget	2021 Restated Budget	2022 Draft Budget	\$ Change	% Change
Revenues	1,615	1,592	1,735	144	9.0%
Expenditures and Transfers	1,615	1,592	1,735	144	9.0%
<i>Expenditures</i>	1,386	1,404	1,493	90	6.4%
<i>Debt & Transfers</i>	229	245	242	(3)	
<i>Stabilization Reserve Transfer for 2021 Budget</i>	-	(57)	-	57	
Net Budget <i>(Revenues less expenditures)</i>	-	-	-	-	

Highlights:

- **Revenue** increases include adjustments to return to 2020 Budget levels, in addition to increases in investment income, Translink recoveries, Sidewalk Patio Program fee, penalties on delinquent taxes, interest on arrears and PILS
- **Expenditure changes:**
 - Fixed cost increases including wages and benefits, equipment and fleet, insurance rates, etc.
 - Operating impacts of previously approved capital projects
 - Citywide productivity savings including vacancy savings (0.5% - 2% core business), defer/delay projects to balance the draft budget at 5%
- **Debt & transfer** change largely due to removing the one-time \$57M transfer from revenue stabilization reserve for the 2021 Budget requirement

Budget Scenarios

SCENARIOS

BASE SCENARIO

- Fixed cost increases, highest priority critical risks and core service gaps
- Service level impacts (including some public facing services)
- Vacancy savings in all depts. and Boards at the 0.5%-2% core business level
- Deferral of renewal capital projects as per the Capital Plan recalibration
- \$5.5M available (\$4.5M for one time initiatives and \$1M for ongoing)

5%

- 2% - 4% Core business vacancies
- Additional service level impacts – reduced hours, closures, potential layoffs

4%

- Additional layoffs and/or attrition
- Further reduction in service levels

3%

PRIORITIZED LIST OF OPTIONS \$5.5M available (\$4.5M one time & \$1M ongoing)

- Advance council priority initiatives and new council motions
- Address core service gaps by filling outstanding vacancies
- Reduce Tax Rate by 0.6%
- Transfer to stabilization reserve
- Transfer to capital to support infrastructure renewal

+5%

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

- **2022 budget reflects fixed cost increases and efficiencies to balance at 5% tax increase**
 - Staffing continue to be held at 0.5% - 2% core business with associated service impacts
 - ~\$45M in savings, deferrals and efficiencies to balance the budget at 5%; including some public facing services such as reduced library hours, etc.
- **A ‘status quo’ budget covering increased costs of doing business in 2022, with no new investments and no reductions in operating costs, would require a much higher tax increase**
- **Revenues are expected to be back to 2020 budget levels**
 - Revenue risks of ~\$13M remain in the 2022 draft budget, largely in program fees, parking and Civic Theaters
 - Casino gaming revenues and license fees are expected back to normal levels only in 2023
 - Development fees increase of 5% to balance for 2022 (with reserve transfer of \$10.5M to offset program costs)
- **Approx. \$5.5M of funding is available (\$4.5M one time and \$1M ongoing):**
 - Staff recommend Council consider allocating funding to address core service gaps by filling outstanding vacancies and adding back savings shown in "Sheet 2 - Included in 5%"
 - Address core service gaps by filling outstanding vacancies
 - Use to fund additional council priority initiatives and new council motions
 - Use to reduce the tax increase in 2022 from 5% to 4.4% (primarily one time)
 - Transfer to stabilization reserve
 - Transfer to capital to support infrastructure renewal
 - Or a combination

- 4% scenario involves significant service impacts and layoffs of staff in tax-funded services areas
 - would be in addition to the reductions built into the Base scenario, including the 0.5%-2% core business vacancies and the additional impact on service levels
- To realize savings Council would need to provide direction on the areas to implement service reductions
 - Refer to: Detail excel file for specific details – “Sheet 4 - 4% Scenario Options”
 - Few examples:
 - *Police will have to delay the hiring of another 36 officers impacting service levels drastically and collapsing various sections and services, this is in addition to the 15 officers not hired to hold core vacancies in the 5% scenario*
 - *Fire would have major service impacts and would require the removal of Medic 11, which was added and staffed to provide greater support given high medical call volume in the Downtown Eastside. Removal of this unit would have serious implications as overdoses and medical responses are an all time high in the city of Vancouver. Medic 11 also provides staffing to reach the Effective Fire Response (ERF) for structure fires in the downtown core. The utilization rates for fire apparatus in the downtown core continues to reach unsustainable levels and this unit provides relief for staff to train, respond to emergencies and rehab. This would be in addition to the reductions included in 5% scenario.*
 - *Engineering would need to partially reduce its funding towards CEAP program (walking and cycling improvement) and street cleaning grant by 25%*
 - *Parks and Recreation to reduce staff by approximately 15 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.*
 - *Reduction of open Library hours by approximately 50-60 hours/week, 7.5 FTE impacted; this is in addition to the reduction of branch hours included in the 5% scenario*

- The 3% scenario **further** reducing services and grants, and increasing layoffs of staff in tax-funded service areas
 - would be in addition to the reductions included in the 4% scenario
- To realize savings Council would need to provide direction on the areas to implement service reductions
 - Refer to: Detail excel file for specific details – “Sheet 5 - 3% Scenario Options”
 - Few examples:
 - *Police will have to reduce 34 police officers in addition to the 51 officers reduced in the 5% and 4% scenario, 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 take a heavy apparatus out of service in addition to removal of Medic 11; in addition to holding 5 Firefighter positions are core vacancies in the 5% scenario*
 - *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; further cuts would be made to the street micro-cleaning grants and 40% reduction to CEAP walking and cycling program*
 - *Parks and Recreation would not be able to support the Park Rangers program and would require recreation centres to close due to staffing shortages. This would have significant safety and service impacts to the community.*
 - *Reduced hours or closure of 2 small branch libraries and service hours reduction; 230,000+ public visits affected & 19 FTE, this is in addition to the reductions in the 5% and 4% scenario*

- **\$45M in savings, deferrals and efficiencies to balance the budget at 5%**
 - ~\$24M Deferrals include reserve replenishment, operational review funding previously supported by council, delayed projects etc.
 - ~\$11M vacancy savings of 0.5%-2% of core business (\$9M) and deferred investments (\$2M)
 - ~\$10M Capital recalibration savings, revenue adjustments, etc.
 - Transformations and Efficiencies (see next slide)
- **Deferrals included in the 2022 Budget will create a risk in 2023 and beyond**
 - Other future risks expected to pose pressures on the budget, including Metro charges, Police budget appeal, and initiatives that will require tax funding currently funded through other sources such as EHT e.g. renters office
- **Challenges resulting from staff continuing to hold vacancies**
 - Lower productivity and higher backlog
 - Higher overtime
 - Staff's health and mental wellbeing
 - Holding vacancies causing potential revenue assurance issues
 - Layoffs (in 4% and 3% scenarios)

Vancouver Public Library

- **Expanded digital collections**
- **Improve online discovery** to meet growing interest in digital access by redirecting staff effort previously spent handling book donations

Real Estate and Facilities Management

- Citywide review of city owned and leased spaces to optimize office space and reduce footprint
- Review opportunities for future lease savings/ subleasing opportunities

Planning, Design and Sustainability

- **Shape Your City:** Established SYC as the portal for civic engagement and enhanced online engagement opportunities related to planning and development
- **Reg Redesign:** Introduced new height definition to simplify and clarify regulations
- **DPR** – process improvements relating to clarifying and simplifying the rezoning process
- **Policy Enquiry** – introducing a new process stream to consider development enquiries that are policy non-compliant

Parks and Recreation

- **Building capacity:** The pilot of an engagement specialist position with a focus on CCAs, which creates efficiencies in the pathways created between departments and those that affect our largest partner, CCAs
- **Using technology better:** Ticketing App for the outdoor pools, which enabled us to practically achieve near pre-COVID attendance for the outdoor pools

Technology Services

- **Application Development:** SAP S4 HANA Migration, eSourcing, ePlan for DBL
- **Client Services:** Redesigned desktop services process, Call Centre right sizing, repurposing work due to pandemic
- **Digital Platforms:** Launch of public VanMap portal, Open Data platform, and Shape your City portal

Vancouver Police Department

- **Operational Review** done for the entire VPD identifying efficiencies/effectiveness
- Built a **high-level analytical capability** to analyze trends
- Regular CompStat and crime control meetings to ensure **efficient deployment of resources and timely responsiveness** to emerging crime trends and community concerns
- Implementation of **on-line reporting**
- VPD internet site with **multi-language capability**
- **Multi-language forms** to report hate-crimes
- **Streamlining calls-for-service** intake and response
- Enhanced **predictive policing**
- Migration to Province mandated digital evidence management system (DEMS)
- **Redeploy resources** to new Internet Child Exploitation Unit

Engineering

- **Parking Meter:**
 - To date, 1,700 single-space parking meters have been replaced with pay stations.
 - a much improved customer experience, with the added ability to pay by credit card and reduced instances of jammed or broken meters
 - Enabled new features such as Chinese translation
 - construction costs have been saved by repurposing some former parking meter posts into new bike racks.
 - \$250K per annum permanently based on project activities
- **Weigh Scale**
 - Increased efficiency in weigh scale, saving residents time.
 - reduction of 5.5 minutes per transaction, for nearly 300,000 transactions annually.
- **LED Project:**
 - Multi-year project is underway and tracking to deliver 60% savings in electricity.
 - Estimated \$3.8M in annual savings by 2026
 - Install LED bulbs in maintenance work and can reuse HPS in decorative lighting applications later
- **Quick-Build Methodology**
 - Reduced costs for a number of mobility projects, through the use of interim materials, and quick-build approaches

Finance, Risk and Supply Chain Management

- Leveraged VanORCA 2.0 to provide City-wide, **cloud-based access to business continuity plans** for all staff
- Progressing our multi-year business plan objectives, including supporting the organization as a **trusted business partner** and support the organization in addressing **5 year plan financial challenges**
- **Streamlined the budget and reporting processes** and improved our data and systems to reduce manual work
- Initiated the implementation of an **e-Sourcing information technology system** to automate and streamline procurement processes to make more efficient the interaction with vendors and internal business units.
- Transitioned from output-based to **outcome-based capital investment decision framework** through optimizing the municipal toolkit (regulation, partnership, investment) to deliver more outcomes
- Improving capital planning by linking with **partnership & senior government funding strategies**

- Anticipated savings from projects that will be completed by end of 2021
- Major projects include:

Engineering	REFM	PDS & DBL	Corporate Support	Other
<ul style="list-style-type: none">• Cost estimation accuracy improvement• Development review update• Utilities construction and coordination improvement	<ul style="list-style-type: none">• Technical Safety B.C. permit process• Onboarding process for newly acquired buildings	<ul style="list-style-type: none">• PDS: Zero Emissions Building Retrofit (ZEBR) (Process development support)• DBL: permit process transformation productivity improvements	<ul style="list-style-type: none">• FRS: Property Insurance Appraisal Process - Reduce process/cycle time from 10 to 8 months thus saving staff time of 250 hours• HR: Org Management - Developed process to maintain accuracy of SAP data to enhance effectiveness of systems such as Learning Management system or Employee Self Serve	<ul style="list-style-type: none">• Review, recommend and implement a future state model of security services tailored for Engineering Services needs• Procurement of Housing Development Partners

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)



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

- Sheet 2- Expenditure budget (reductions)/increases and revenue budget reductions/(increases) included in 5% scenario



Detailed service impacts related to a **4% and 3% scenario**

- Sheet 4- List of options for 1% tax reduction
- Sheet 5- List of options for 2% tax reduction



Reduced staffing level

- Sheet 7- Summary of the 0.5% - 2% **reduced staffing level** with associated reduced service levels



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

- Sheet 3- 2022 Budget Aligned to Council Priorities



2021 Budget Summary at Base Scenario

- Sheet 6- Budget Table: 2022 Budget versus 2021 Budget



Update on **new council motions**

- Sheet 8- 2020-2021 Council Motions list

A prioritized list of initiatives that are not included in the 5% budget scenario has been compiled by staff

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

- Addressing critical service gaps and risks
- Prioritizing Urgency/Timing
- Prioritizing Impact of the initiative on the desired outcome of the Council Priority

Council can provide direction to add to the 5% budget scenario by

- allocating \$5.5M (\$4.5M one-time savings & \$1.0M ongoing) within the 5% scenario
- by increasing property tax above 5%
- by providing direction to reduce service levels in tax-funded areas to offset adding new items from the prioritized list

Refer to:

- Excel sheet - List of prioritized options in a 5+% scenario

Deliver Quality Core Services that Meet Residents' Needs

Core business risks and service gaps including re-instating core business vacancies, re-instating inflationary increase for grants at 2%, restoring service hour reductions, park rangers program, funding operational reviews, continuing one time initiatives into 2022 i.e. street cleaning, etc.

Increase Focus on Equity and Critical Social Issues

Implementing UN declaration on the Rights of Indigenous Peoples, Language Access Policy, Funding for Overdose Outreach Captain position, Library Fine Free Service, Cultural Shift Year 3, report back on Council motions

Accelerate Action On Climate Change

Manager of Environment and Sustainability

Protect and Build a Resilient Local Economy

VEC initiatives – year 1 costs including Economy Strategy 2030, Circular Economy Strategy and Night Time Economy Strategy

For a detailed list, please refer to “Sheet 1 – Prioritized Initiatives +5%” in the supplementary information

- Draft 2022 Budget will be provided to Council to inform Council deliberations on December 1st and 7th
- Council to review summary of ongoing services with staffing reduced by 0.5%-2% and associated service impacts; defer/ delay of projects, revenue opportunities and additional fixed costs included:
 - See “Sheet 1- Prioritised Initiatives +5%” list for a summary of the initiatives and deliverables in the base budget and “Sheet 2-Included in 5%” to reinstate savings included in the 2022 draft budget
 - Council may choose to further reduce service levels in base scenario to free up capacity for new initiatives
- Review options to allocate \$5.5M (\$4.5M one-time and \$1.0M ongoing) funding available in 5% draft budget:
 - Staff recommend Council consider allocating funding to address core service gaps by filling outstanding vacancies and adding back savings shown in "Sheet 2 - Included in 5%"
 - Address core service gaps by filling outstanding vacancies
 - Use to fund additional council priority initiatives and new council motions
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Questions