



COUNCIL REPORT

Report Date: November 8, 2023
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Meeting Date: November 28, 2023
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TO: Vancouver City Council
FROM: General Manager Finance of Risk and Supply Chain Management
SUBJECT: 2023 Budget Adjustments - Vancouver Police and Vancouver Fire and Rescue

Recommendations

- A. THAT Council approve the ongoing 2023 budget increase of \$2.47 million for the Vancouver Police Department (VPD) related to fringe benefits adjustments to reflect actual 2023 rate updates to be transferred from the 2023 General Government contingency budget.
- B. THAT Council approve the ongoing 2023 budget increase of \$2.52 million for the Vancouver Fire and Rescue Services Department (VFRS) related to fringe benefits adjustments to reflect actual 2023 rate updates to be transferred from the 2023 General Government contingency budget.
- C. THAT Council approve a one-time 2023 budget increase of \$3.6 million for the Vancouver Police Department (VPD) related to over budget over-time costs to address one-time pressures and to be funded one-time through the general stabilization reserve.
- D. THAT Council approve a one-time 2023 budget increase of \$3.34 million for the Vancouver Fire and Rescue Services Department (VFRS) to address budget pressures that have resulted in over budget expenditures, to be funded one-time through general stabilization reserve.

Purpose and Executive Summary

This report outlines proposed Operating Budget adjustments for both Vancouver Police Department and Vancouver Fire and Rescue Services for fringe benefit rate changes (ongoing adjustment) and adjustment to address cost pressures that have resulted in over budget expenditures (one-time adjustment).

The adjustment to fringe benefit budget is a planned budget adjustment. The 2023 actual benefit rates and maximum contribution increases were unknown at the time of Council's approval of the 2023 annual operating budget. Given the uncertainty of the change in rates and the size of the impact, the City's practice is to include a contingency budget in General Government until the final rates are confirmed. As such, a 2023 mid-year budget adjustment is required for VPD and VFRS departmental budgets to adjust the budget and reflect the actual rates for 2023.

Both, VPD and VFRS have experienced specific one-time budget pressures in 2023. The normal practice is for departments to manage these one-time budget pressures from within their budget, but in situations where the pressure is significant enough that it can not be fully managed within the existing budget and would result in a deficit for the budget year that is greater than \$750,000, the City's Operating Budget Policy requires that Council approval for a budget amendment be requested. The VPD budget pressure in 2023 is largely driven by higher over time costs related to the deployment for Hasting St. encampments and increasing frequency of protests, as well as other cost pressures. VFRS has incurred over budget overtime in order to meet operational staffing requirements as staffing levels have been impacted by staff absences related to injury claims and sick leaves. As a result of recent provincial changes to the Employment Standards Act, VFRS cost recoveries related to staff absences have been reduced.

As part of the city's standard practice, one-time pressures are managed within existing budgets through operational decisions. There is no contingency set aside in the operating budget to manage these one-time pressures, and additional funding will need to be transferred from the general stabilization reserve. The impact of the one-time adjustment is that the available balance of the reserve will reduce, and the reserve will need to be replenished through future property tax increases.

Council Authority/Previous Decisions

Council approved the 2023 Operating budget on February 28, 2023.

Section 4.1 of the Operating Budget Policy specifies the Director of Finance and the City Manager may approve (a) Budget Transfers, or (b) Budget increases to a Departmental Budget if they are not in excess of \$750,000 in aggregate for any given year for any given Department, such that the Annual Operating Budget remains balanced.

Since this budget transfer exceeds \$750,000, it requires Council to approve this budget transfer and increase to departmental budgets such that the Annual Operating budget remains balanced.

City Manager's Comments:

The City Manager concurs with the foregoing recommendations.

Context and Background

Fringe Benefits Rate Impact

A large component of the annual budget consists of salary and fringe benefits costs. Fringe benefit budgets consist of employer portions of the benefit contribution calculated for various fringe benefits such as Municipal Pension, Canada Pension Plan (CPP), Employment Insurance (EI), and WorkSafe premiums (WSBC). At the time of the 2023 budget process, many of the fringe benefit rates were unknown and the fringe benefit budgets were calculated largely using 2022 rates.

The key fringe benefit types that had rate changes or maximum contributory changes were:

- **The Canada Pension Plan (CPP)** is a monthly taxable benefit that replaces part of employees' income when they retire. Employees and employers contribute equally on earnings that are between the Basic Exemption amount and the Year's Maximum Pensionable Earnings (YMPE). The contribution will cease once the limit is reached each year. The following January, CPP contributions will begin again. In 2023, the rate increased from 5.70% to 5.95% and the maximum contribution increased \$3,500 to \$3,754.
- **WorkSafe BC Insurance** protects the City of Vancouver against lawsuits from workers who suffer workplace injuries or occupational diseases and provides benefits to worker who are injured on the job. The WorksafeBC premium is calculated by multiplying the net premium rate by the employer's assessable payroll. In 2023, the net premium rate for VPD increased from 4.93% to 5.69%, and the net premium rate for VFRS increased from 8.14% to 10.31%. The maximum contribution increased from \$5,344 to \$6,418 for VPD and from \$8,824 to \$11,635 for VFRS. The WSBC premium rate changes are a significant increase due to the overall increase for costs paid out by WSBC for work related injuries.
- **Employment Insurance (EI)** provides temporary income support to unemployed workers while they look for employment or to upgrade their skills. The EI program also provides special benefits to workers who take time off work due to specific life events, including illness, pregnancy, caring for a newborn or newly adopted child, caring for a critically ill or injured person or caring for a family member who is seriously ill with a significant risk of death. In 2023, the premium rate increased from 2.21% to 2.28% and the annual maximum contribution increased from \$1,334 to \$1,403.

Request for VPD and VFRS 2023 one-time budget adjustments

The VPD has experienced significant cost pressures related to global political tension which has been a significant pressure for VPD and is expected to result in an additional \$1.5 million to \$2.0 million overtime cost pressure by year end that the VPD has managed within its existing budget. In addition, the VPD has incurred overtime costs for deployments for Hastings encampment/decampments, overtime spend to meet minimum deployment, as well as other cost pressures partially offset by salary savings due to staffing vacancies. As a result of these significant pressures, VPD is not able to manage all of these costs within the approved budget, and is forecasting a yearend deficit of \$3.6 million.

VFRS is forecasting deficit of \$3.3M primarily due to overtime caused by staff absenteeism driven by higher injury claims and sick leaves. While the department has vacancy savings from

delayed hiring and above budget cost recoveries, there are also higher than budgeted costs incurred for supplies and materials due to compliance with higher safety standards, the need for improved technological devices (AEDs), higher first aid supplies and security costs at Firehall #2.

Discussion

Fringe Benefits Rate Impact

At the time of the 2023 budget process, many of these benefit rates were unknown and the benefit budget was calculated using the known 2022 actual benefit rates. The fringe benefit rates have been updated with the 2023 actual rates resulting in higher salaries and benefits than budgeted in VPD and VFRS. The details of the 2023 budget requirements are included in the following financial implications section.

VPD and VFRS one-time budget adjustment

As these one-time pressures can not be managed within existing budgets for VFRS and VPD, and the overtime expenses are required operationally to meet public safety requirements, a one-time transfer from the general stabilization reserve will be required in 2023. The available balance of the reserve will reduce, and the reserve will need to be replenished through future tax increases.

Financial Implications

Fringe Benefits Rate Impact

Sufficient contingency was included in the 2023 budget for the fringe benefit rate increases. As such, the recommended budget allocation does not result in additional financial implications. The budget for the Vancouver Police Department will increase by \$2.5 million and the budget for VFRS will increase by \$2.5 million.

2023 VPD and VFRS one-time budget adjustment

As a result of the recommended one-time budget adjustment, the 2023 VPD budget will increase by \$3.6 million and the 2023 VFRS budget will increase by \$3.3 million, with an offsetting decrease in the general revenue stabilization reserve balance.

Legal Implications

There are no legal implications associated with this report's recommendations.

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