



COUNCIL REPORT

Report Date: November 26, 2024
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Meeting Date: December 3, 2024
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TO: Vancouver City Council
FROM: General Manager Financial Services, Finance Risk & Supply Chain Management
SUBJECT: 2024 Budget Adjustments - Vancouver Police Department and Vancouver Fire Rescue Services

Recommendations

- A. THAT Council approve a 2024 budget increase of \$2.1 million for the Vancouver Police Department (VPD) to match the final 2024 fringe benefit rates, to be transferred from the 2024 General Government contingency budget.
- B. THAT Council approve a 2024 budget increase of \$0.93 million for the Vancouver Fire Rescue Services Department (VFRS) to match the final 2024 fringe benefit rates, to be transferred from the 2024 General Government contingency budget.
- C. THAT Council approve a one-time budget reallocation to address the forecasted Vancouver Police Department (VPD) budget deficits for a total of \$11.2 million.
- D. THAT Council approve a one-time reallocation to address the forecasted Vancouver Fire Rescue Services (VFRS) budget deficits for a total of \$5.1 million through City's 2024.

Purpose and Executive Summary

This report outlines proposed 2024 Operating Budget amendments for the Vancouver Police Department and Vancouver Fire Rescue Services. Two of the proposed amendments relate to standard budget adjustments for both Vancouver Police Department and Vancouver Fire Rescue Services for fringe benefit rate changes that occurred after the 2024 Budget was finalized, and for which a contingency budget was set aside. The remaining adjustments relate to unanticipated cost pressures in the VPD and VFRS budgets. While the City has identified forecasted vacancy savings in other departments and revenue surpluses that can fully offset the cost pressures, Council approval is required to approve budget reallocations greater than \$750,000.

VPD is forecasting overages of \$11.2 million mainly related to overtime incurred for protests and demonstrations, by-law enforcement for encampments, and deployment for entertainment districts along with replacement of equipment, issuance of safety body armour, legal costs for ongoing files and higher costs associated with security of Tactical Training Center.

VFRS is forecasting overages of \$5.1 million majorly driven by overtime to meet operational staffing requirements as staffing levels have been impacted by staff absences related to injury claims and sick leaves, reduced sick leave recovery owing to the provincial changes to the Employment Standards Act, ongoing cost escalation in fleet maintenance and increased usage of fuel due to services volume.

Council Authority/Previous Decisions

Council approved the 2024 Operating budget on December 12, 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.

City Manager's Comments:

The City Manager concurs with the foregoing recommendations.

Context and Background

As part of the annual budget process, the normal practice is to budget fringe benefits such as Canadian Pension Plan, Employment Insurance, WorkSafe BC, Employment Health Benefits and Dental Plan on the available rates and build contingency budget in General Government based on previous years trends to provide for mid-year budget adjustments once the updated rates are available. As such, a 2024 mid-year budget adjustment is required for VPD and VFRS departmental budgets to adjust the budget and reflect the actual rates for 2024.

In cases where unanticipated, one-time cost pressures occur within departments during the year, departments will review opportunities to manage these pressures through cost savings in other areas, additional revenues, or reserve funds. Under the City's Operating Budget Policy, Council approval is required for budget adjustments greater than \$750,000.

Discussion

Fringe Benefits Rate Impact

A large component of the annual budget consists of salary and fringe benefits costs. A contingency budget was set aside for these increases, and this report recommends that reallocation of budget from contingency to VPD and VFRS based on the final rates. The 2024 rate increases are primarily in the following areas:

- **The Canada Pension Plan (CPP)** - In 2024, there were two changes that were introduced to CPP: (i) the premium rate for regular CPP remained unchanged but the maximum annual contribution increased from \$3,754 to \$3,868, and (ii) a second additional CPP contribution was introduced in addition to the regular CPP contribution with a 4% premium rate and the annual maximum contribution of \$188 for 2024;
- **Employment Insurance (EI)** - In 2024, the premium rate increased from 2.28% to 2.32% and the annual maximum contribution increased from \$1,403 to \$1,459.
- **Extended Health and Dental Benefits Premium Rates** – Rates are set annually based on recommendations from the City’s external benefits plan administrator. With increasing trend of usage of such benefits as well as higher costs for services, the extended health benefits premium rates were increased by 20% and the dental benefits premium rates were increased by 15% compared to 2023.

VPD and VFRS 2024 other cost pressures

VPD is forecasting deficit of \$11.2M primarily due to overtime caused by addressing high number of protests and demonstrations, by-law enforcement for encampments, deployment in entertainment district and staff working on Statutory holiday. While the department has vacancy savings due to delayed hiring and above budget cost recoveries, there are also higher than budgeted costs incurred for replacement of equipment and issuance of safety body armour, increased costs for security of Tactical Training Center and legal fees for ongoing files.

VFRS is forecasting deficit of \$5.1M primarily due to overtime required to maintain minimum staffing levels, which is impacted by higher than budgeted levels of vacancies and staff absences. there are also higher than budgeted costs incurred for supplies and materials due to compliance with higher safety standards, increased cost for uniforms, fleet maintenance and fuel costs.

Financial Implications

Fringe Benefits Rate Impact

Sufficient contingency was included in the 2024 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 \$2.1 million and the budget for VFRS will increase by \$0.9 million.

VPD and VFRS one-time budget adjustment

As a result of the recommended one-time budget adjustment, the 2024 VPD Budget will increase by \$11.2M and VFRS budget will increase by \$5.1million, offsetting through forecasted surplus from other departmental vacancy savings and increased revenues.

Legal Implications

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

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