

From: ["Mochrie, Paul" <Paul.Mochrie@vancouver.ca>](mailto:Paul.Mochrie@vancouver.ca)
To: ["Direct to Mayor and Council - DL"](#)
CC: ["City Manager's Correspondence Group - DL"](#)
["Impey, Patrice" <Patrice.Impey@vancouver.ca>](mailto:Patrice.Impey@vancouver.ca)
Date: 3/25/2021 4:31:57 PM
Subject: Memo - Report back on Council approved amendments to budget policy and the motion entitled "Amending the City's Municipal Election Year Operating Budget Policies and Principles"
Attachments: FRS - Memo to Mayor Council - Report back on budget policy amendments - 2021-03-05.pdf

Dear Mayor and Council,

The purpose of the attached memo is to provide information in response to requests from Council related to budget policies from December 17, 2019 and June 10, 2020.

On Dec, 17, 2020, Council directed staff was to amend the budget policy to enshrine the principle of regular briefings with Council through the budget process

Status update:

- As part of the 2021 budget cycle, staff have implemented Council's direction to schedule multiple briefings with Council and this has been embedded in the annual process. A policy amendment will be brought forward to Council as part of the 2022 budget approval.

On June 10, 2020, Council considered the motion entitled "Amending the City's Municipal Election Year Operating Budget Policies and Principles" which was referred back to staff to report back on issues related to grants plus best practices regarding budget briefings for new councils.

The memo outlines staff's review regarding consideration of amending election year operating budget policies and principles, including:

- Budget best practices - Best practices emphasize the importance of municipalities approving budgets prior to the new year.
- Other municipal practices Cities across Canada are mixed in their timelines for budget approval. Of the municipalities reviewed by C.D. Howe, all cities in Alberta, Quebec and Saskatchewan, and ½ the BC cities approved budgets in November/December of the preceding year. The majority of Ontario municipalities approve budgets between January and April. The memo notes that Ontario municipalities are able to pass multi-year budgets under the Municipal Act, so the context for election year budget timing in Ontario is not directly comparable to Vancouver.

- Impact on Grants - the ability to provide these grants organizations in early in Q1 would be impacted, with the potential to impact cash flow that these organizations rely on to operate, as well as limiting the service outcomes achieved and the employment opportunities created.
- Fixed cost increases – as the budget includes a number of spending areas that are subject to regular annual fixed cost increases, if budget approval is delayed, it is possible that staffing levels would need to be reduced to accommodate these fixed costs as the total cost cannot increase without Council approval of a final budget and tax increase.
- Capital projects and new initiatives - new work (including work responding to Council motions and new additional capital projects) cannot proceed until the budget is passed, which may limit ability to deliver outcomes and impact staffing productivity in the interim.
- Fee revenue - Most fee rates are approved annually by Council, including utility fee rates and permit fees, which collectively make up over 26% of the City's annual budget. In many cases, fee increases need to be approved by Council in advance of the year in which the fee will be implemented (typically on January 1st). Fee rates are typically approved concurrently with the budget or in close proximity, so that budget expenditures are approved in alignment with approved fee rates. If rate decisions are delayed, the revenue for the year is impacted.

As Vancouver Council does not approve a multi-year budget, approval of the budget prior to January of the budget year enables a smooth transition to the new year, avoiding complications as noted above that can impact grant recipients, staff productivity, capital programs and timing of new initiatives. Approving the budget prior to the new year is a best practice. Within the Vancouver Charter, Council does have the ability to adjust the date of the budget if and when required, and as such has the needed flexibility to respond to unique situations as needed. As such, staff to not recommend changes to the current wording regarding the budget approval dates.

Should you have any questions, please feel free to contact me or Patrice Impey at patrice.impey@vancouver.ca / 604.873.7610.

Best,
Paul

Paul Mochrie (he/him)
Acting City Manager
City of Vancouver
paul.mochrie@vancouver.ca



The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the xʷməŋ̱əm̱ (Musqueam), ləw̱ú7mesh (Squamish), and səliwətaʔ (Tseil-Waututh) Nations.

MEMORANDUM

March 25, 2021

TO: Mayor and Council

CC: Paul Mochrie, Acting City Manager
Karen Levitt, Deputy City Manager
Lynda Graves, Administration Services Manager, City Manager's Office
Maria Pontikis, Director, Civic Engagement and Communications
Rosemary Hagiwara, Acting City Clerk
Anita Zaenker, Chief of Staff, Mayor's Office
Neil Monckton, Chief of Staff, Mayor's Office
Alvin Singh, Communications Director, Mayor's Office

FROM: Patrice Impey
General Manager, Finance, Risk and Supply Chain Management

SUBJECT: Report back on Council approved amendments to budget policy and the motion entitled "Amending the City's Municipal Election Year Operating Budget Policies and Principles"

Dear Mayor and Council,

The purpose of this memo is to provide information to Council in response to requests from Council related to budget policies from December 17, 2019 and June 10, 2020.

ON December 17, 2019, Council provided the following direction to staff:

THAT Council direct staff to work directly with Council to put in place multiple budget workshops as part of the 2021 budget development process where fixed costs, new budget proposals and cost savings opportunities are reviewed with the goal of good governance and well informed financial decision making;

FURTHER THAT the Operating Budget Policy (ADMIN-004) and Capital Budget Policy (ADMIN-005) be updated to incorporate these best practices and inform the annual budget development process.

Status update – Council direction to amend the budget policy to enshrine the principle of regular briefings with Council through the budget process

As part of the 2021 budget cycle, staff have implemented Council's direction to schedule multiple briefings with Council and this has been embedded in the annual process. A policy amendment will be brought forward to Council as part of the 2022 budget approval.

ON June 10, 2020, Council considered the motion entitled "Amending the City's Municipal Election Year Operating Budget Policies and Principles" which was referred back to staff:

THAT the motion entitled "Amending the City's Municipal Election Year Operating Budget Policies and Principles" be referred to staff to report back on issues related to grants plus best practices regarding budget briefings for new councils.

The original Motion directed staff to "prepare a By-law for the consideration of Council to legally enshrine that in the year of a municipal election an internal working budget is to be developed by December of that year and a final budget is to be adopted by Council in the year that it applies and no later than April 30th of that year, consistent with the requirements of section 219 of the Vancouver Charter".

This memo provides Council with considerations on the impact of delaying the final budget approval in the year of a municipal election, including impacts to grant programs as well as implications to fee revenues, capital projects, and the ability to realize cost savings, and regarding adherence to budgeting best practice.

Budgeting Best Practices

The C.D. Howe institute annually reviews Municipal budgets across Canada and evaluates them on their transparency and accountability. In their 2021 report, "Time for an Upgrade: Fiscal Accountability in Canada's Cities, 2020", C.D. Howe emphasized the importance of municipalities approving budgets in December as an important best practice. The C.D. Howe report notes:

Since spending without authorization by elected representatives violates a core principle of representative democracy, councillors clearly should vote on budgets before the beginning of the fiscal year.

The C.D. Howe assigns points in their grading system based on if the budget was approved in December; moving away from this best practice would reduced Vancouver's grade from the current A+ score.

Currently, there is not a consistent practice on the timing of budgets by municipalities across Canada, and the budget approval timing can vary year to year depending on the situation. The Vancouver Charter requires that a budget be passed by April 30th of the year to which the budget applies. The BC Community Charter requires that municipalities must adopt their financial plans before they adopt their annual tax rate bylaws which must be adopted before May 15th. Municipalities in Ontario under the Municipal Act (as well as Toronto under the City of Toronto Act) are required to pass a budget in the year that the budget applies or in the

immediately preceding year; except for the budget following an election year the budget may only be passed in that year. It is worth noting that Ontario municipalities are able to pass multi-year budgets under the Municipal Act, so the context for election year budget timing in Ontario is not directly comparable to Vancouver. The Alberta Municipal Government Act requires that Council approve a budget or an interim budget before incurring any expenditures in that year. In Saskatchewan, *The Cities Act* and *The Municipalities Act* require municipalities to adopt a budget on an annual basis, and no council may authorize a tax levy without having adopted the annual budget for that year. Manitoba requires that Municipalities approve a financial plan by May 15th. In summary, the statutory policy framework for municipal budgeting varies from province to province.

A comparison of municipal budget approval timing for municipalities across Canada which were reporting in the C.D. Howe report show:

- Of the municipalities reviewed by C.D. Howe, all cities in Alberta, Quebec and Saskatchewan, and ½ the BC cities approved budgets in November/December of the preceding year.
- Ontario municipalities primarily approved budgets between January and April with one approving in December of the preceding year.
- Winnipeg and Halifax were the only cities reported in their provinces and they approved budgets in the new year.

Delaying the budget approval in a municipal election year - Impacts related to grants

The City operating budget includes funding for a number of grant programs that are distributed in part in the first quarter and would be impacted if budget approval is delayed. These include cultural grants, social grants, and street cleaning grants. In many cases, the recipient organizations depend on the continuity of funding to meet operational cash flow needs. For example, the cultural grant program provides installments in the first quarter of the year to accommodate operating cash flow needs of cultural grantees at a time when other core public sector funding is not yet awarded (i.e. Canadian Heritage, Canada Council for the Arts, the BC Arts Council). The Street Cleaning Grant Program is another long-standing program that typically awards grants in the first quarter of year. Grants totalling \$2.1 million in 2021 will provide continuity of existing micro-cleaning programs, support BIA's citywide in dealing with litter challenges, support waste diversion initiatives involving the binning community, and provide job support and life skills training opportunities for youth and adults with employment barriers.

Should the budget approval be deferred to the spring in an election year, the ability to provide these grants to organizations in early in Q1 would be impacted, with the potential to impact cash flow that these organizations rely on to operate, as well as limiting the service outcomes achieved and the employment opportunities created.

Council has the authority to approve an interim working budget with a 2/3 majority, provided that each budget line item does not exceed the amount from the prior year. This would enable Council to approve an interim grants budget; however, it would not allow for inflationary increases to grants.

Fixed cost increases

The City budget includes a number of spending areas that are subject to regular annual fixed cost increases. For example, the salary budget, which is the largest type of expenditure, has historically been subject to annual fixed cost increases in the 2-4% annual range as a result of collective agreement wage increases and changes to statutory benefit programs such as CPP and EI. If budget approval is delayed, it is possible that staffing levels would need to be reduced to accommodate these fixed costs as the total cost cannot increase without Council approval of a final budget and tax increase. Should Council wish to provide direction for a tax increase less than the total fixed cost increases, a delay in the budget approval would allow less time to realize savings, as the majority of the City's expenditures are linked to staffing levels, which take time to reduce. Service impacts and staffing level reductions would therefore be more severe to result in the same level of savings over a shorter time period remaining in the year after the delayed approval of a budget.

Capital projects and new initiatives

New work (including work responding to Council motions and new additional capital projects) cannot proceed until the budget is passed, which may limit ability to deliver outcomes and impact staffing productivity in the interim.

Fee rate setting

A number of fee rates are approved annually by Council, including utility fee rates and permit fees, which collectively make up over 26% of the City's annual budget. In many cases, fee increases need to be approved by Council in advance of the year in which the fee will be implemented (typically on January 1st). Fee rates are typically approved concurrently with the budget or in close proximity, so that budget expenditures are approved in alignment with approved fee rates. If rate decisions are delayed, the revenue for the year is impacted.

Summary

As noted in this memo, based on Council direction, staff have updated the budget policies to reflect the regular briefings with Council as part of the budget process. These will be brought to Council for approval as part of the 2022 budget approval.

This memo also outlines staff report back regarding the proposed motion to amend the election year operating policies and principles. As noted above, best practice is for Council to approve a budget in the year preceding the budget year. Provinces across Canada are split as far as those whose municipalities approve budgets in the prior year or within the budget year. As Vancouver Council does not approve a multi-year budget, approval of the budget prior to January of the budget year enables a smooth transition to the new year, avoiding complications as noted above in this memo that can impact grant recipients, staff productivity, capital programs and timing of new initiatives.

Within the Vancouver Charter, Council does have the ability to adjust the date of the budget if and when required, and as such has the needed flexibility to respond to unique situations as

needed. As such, staff to not recommend changes to the current wording regarding the budget approval dates.

If you have any questions, please feel free to contact me at patrice.impey@vancouver.ca / 604.873.7610.

Best Regards,

A handwritten signature in black ink, appearing to read 'Patrice Impey', written in a cursive style.

Patrice Impey
General Manager, Finance, Risk and Supply Chain Management
604.873.7610 | patrice.impey@vancouver.ca