

From: **"Mochrie, Paul"** <Paul.Mochrie@vancouver.ca>

To: **"Direct to Mayor and Council - DL"**

Date: 11/12/2021 4:22:55 PM

Subject: **Responses to Councillors' questions - Draft 2022 Budget**

Attachments: **FRS - Memo #1 to Mayor Council - 2022 Budget - 2021-11-12.pdf**

Dear Mayor and Council,

The purpose of the attached memo is to provide responses to questions posed by Councillors at the November 2, 2021 Council meeting related to Draft 2022 Budget – Tax Scenarios and Options, and subsequently by email.

Additional responses to Councillors' questions will be shared as they become available. Please continue to send any questions you may have.

Best,
Paul

Paul Mochrie (he/him)
City Manager
City of Vancouver
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The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the xʷməθkʷəy̓əm (Musqueam), Skwxwú7mesh (Squamish), and səliłwətał (Tsleil-Waututh) Nations.

MEMORANDUM

November 12, 2021

TO: Mayor and Council

CC: Paul Mochrie, City Manager
Karen Levitt, Deputy City Manager
Katrina Leckovic, City Clerk
Lynda Graves, Administration Services Manager, City Manager's Office
Maria Pontikis, Director, Civic Engagement and Communications
Anita Zaenker, Chief of Staff, Mayor's Office
Neil Monckton, Chief of Staff, Mayor's Office
Alvin Singh, Communications Director, Mayor's Office
Colin Knight, Director, City-wide Financial Planning and Analysis
Pragya Grewal, Associate Director, City-wide Financial Planning and Analysis
City Leadership Team

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

SUBJECT: Draft 2022 Budget - Responses to Councillors' questions (Memo #1)

RTS # 14657

Dear Mayor and Council,

The purpose of this memo is to provide responses to the questions posed by Councillors by email and at the November 2, 2021 Council meeting related to Draft 2022 Budget – Tax Scenarios and Options.

Additional responses to Councillors' questions will be shared as they become available.

Responses to Questions:

Questions from the November 2nd Meeting:

1. What is the utility increase versus property tax increase comparison? Provide an updated chart that shows utility and property tax increases.

The total property tax and utility increase for 2022 will equate to \$241 for a median single family home and \$347 for a median business property.

The blended utility rates for 2022 are increasing by 6%, which represent a \$104 increase in the utility bill for an average representative household. The rate increase corresponds to an increase in the Sewer rates by 12.5%, Water rates by 2.0% & Solid Waste rates by 4.5%. The utility rate increase for 2022 is largely driven by higher Metro Vancouver utility costs for Sewer and Water along with the increase in capital & operating expenditures required to maintain and replace the aging City infrastructure and assets.

More information will be included in the detailed budget document to be released online on November 23rd.

Indicative City Property Tax and Utility Fee Impact of Draft 2022 Budget*

	Median Single-Family Home \$1,717,000		Median Business Property \$1,024,000	
	ESTIMATED 2022 TAX BILL (CoV PORTION)	CHANGE OVER 2021	ESTIMATED 2022 TAX BILL (CoV PORTION)	CHANGE OVER 2021
Property taxes (Including 5% increase)	\$2,883	\$137	\$5,195	\$247
Water	\$810	\$17	\$750	\$15
Sewer	\$653	\$72	\$667	\$74
Solid Waste	\$356	\$15	\$267	\$11
Subtotal Utility fees	\$1,819	\$104	\$1,684	\$100
Combined	\$4,702	\$241	\$6,879	\$347

2. What is the breakdown of fixed cost increases and revenue increases including salary costs?

- a. Fixed costs related to the City's ongoing services increased by \$45 million primarily due to:

Salary and benefit increases around \$40 million including:

- Salary increments for existing staff and wage increases related to collective bargaining settlements and fringe benefit rate increases. At the end of 2019, all

collective agreements between the City, its related Boards and its certified unions expired. In 2021, bargaining for several agreements has been completed. The 2022 Budget includes increases arising from negotiated or arbitrated settlements.

- The impact of a Canada Pension Plan rate increase. The federal government has started phasing in increases to the Canada Pension Plan contribution rate over a multi year period from 2019 to 2024. The 2022 Budget includes an estimated \$2 million increased cost to the City in 2022, and an additional \$2 million to \$3 million per year is expected each year from 2023 to 2024.
- An increase in WorkSafeBC premiums in 2022 of approximately \$5 million. The City has recently seen significant increases in premiums resulting from increases in claim rates, particularly in the area of public safety.

Other external fixed costs increases including:

- Tax funded portion of Sewer utilities for the operating expenditures to support the maintenance of aging infrastructure of approximately \$2.5 million.
- Building occupancy increased costs as a result of a 2.6% rate increase from BC Hydro and a forecasted 6.0% rate increase for natural gas. In addition, an increase in supply and usage of bio methane due to lifting the FortisBC curtailment, partially offset by lower natural gas consumption.
- Rental and lease increased costs including the full year rent of 510 West Broadway, new lease renewed at a higher rate at the Richards, Crossroads and Cambie Police Stations, in addition to annual maintenance costs related to existing facilities. These increased lease costs are partially offset by savings related to workspace consolidation and the sublease of Marine Gateway.
- Equipment and fleet higher costs for replacement and maintenance, in addition to an increase in fuel prices, partially offset by a one time insurance discount by ICBC.
- Insurance premiums equivalent to an average of 35% increase for the City's July 1 insurance renewals due to the continual hardening of the insurance market, especially with respect to property type insurance coverage.
- Other increases including E-comm. inflationary costs, Grants 1% inflationary increase

More information will be included in the detailed budget document to be released online on November 23rd.

b. Major revenue drivers and rate increases in the revenue estimates include the following:

- **Property taxes:** The 2022 Budget includes funding for fixed cost increases in existing services as well as initiatives aligned to the Council priorities. As a result, the total tax increase for 2022 is 5% or, on average, \$95 additional per year for median residential property owners and \$247 per year for median businesses.

- A **water utility rate** increase of 2% will provide funding for water capital projects as outlined in the approved 2019-2022 Capital Plan, and higher Metro Vancouver (regional) water rates to fund infrastructure improvements throughout the region and investments to address the maintenance of aging infrastructure. The rate is higher than the 2021 rate of 1% primarily because of high water rate projections from Metro Vancouver.
- A **sewer utility rate** increase of 12.5% will (1) reflect the increase in Metro Vancouver (regional) rates, (2) provide pay-as-you-go funding for sewer capital projects, as outlined in the approved 2019-2022 Capital Plan, (3) cover debt-servicing costs to support the replacement and separation of sewer infrastructure to support the City's goal to eliminate combined sewer overflows by 2050, and (4) allow for fixed cost increases in operating expenditures. This rate is higher than the sewer utility rate forecast from the 2021 Budget because of increases to Metro Vancouver rates.
- A **solid waste utility fee** increase of 4.5% is required for sanitation equipment operating costs and capital expenditures, as outlined in the approved 2019-2022 Capital Plan.
- **Licence and development fees:** increase of 5% and higher application volumes for business licences, permits and rezoning services are partially returning in 2022 and are expected to improve back to pre-pandemic levels in 2023.
- **Parking** meter rate is tied to demand for available parking spaces, supporting local businesses and helping to manage parking demand in neighbourhoods. Parking revenue in 2022 is projected to improve back to pre-pandemic levels.
- **Parks and Recreation** user fees are expected to improve back to pre-pandemic levels, in line with removal of public health restrictions on capacity. The revenue budget also includes increases in user fees for various Parks and Recreation services to cover cost increases.

More information will be included in the detailed budget document to be released online on November 23rd.

3. What is the status of the one-time funded ACCS initiatives in the 2021 budget (i.e. parks cleanliness, etc.)? Report on how these items were utilized and incorporated into the 2022 budget.

The status of ACCS one-time initiatives is summarised as below:

- Murdered and Missing Indigenous Women and Girls Callas for Justice: Memo update in mid-November with final report planned for Council by June 2022.
- Anti-Black Racism recommendations: Report by June 2022.
- Anti-racism Action Plan: Report planned for spring 2022.
- Accessibility Strategy: Final report by June 2022

- Apology for Historic Discrimination to South Asian Community: Report by June 2022.
- UN Safe Spaces for Women and Girls: Report planned for spring 2022.

4. What is the status of the fleet account? Is there a surplus to be transfer to reserve and is there an increase in the life of fleet vehicles? Is there a surplus that could be transferred to the operating budget and can the life of the fleet be extended to reduce equipment rates? Provide additional details to answer these questions.

Replacing the City's fleet on a regular and timely basis is a critical component of maintaining many of the City's core services. The balance of the reserve is forecasted to be \$42 million at the end of 2021 and these funds have been committed to vehicle purchases in the near future to continue to support city operations. Staff would not recommend depleting or reallocating funds from the fleet account to address short term operating impacts due to the significant impacts to the City's ability to provide adequate core services to the public.

The list of the units in the fleet to be replaced in each year is determined based on the individual fleet unit's condition index, which takes into account factors such as age, mileage, usage and repair history. In some cases, vehicles that are in good shape can be held for longer periods of time while in other cases, due to heavy use, high downtime and repair costs coupled with negative impacts on servicing, vehicles may need an earlier replacement. Holding vehicles beyond when they need to be replaced results in significant impacts on the operating budgets of not only Fleet and Manufacturing Services but also on the user departments who are faced with higher amounts of downtime, increased maintenance costs and negative impacts on their ability to provide services to the public.

The average age of units in our fleet is 7 years. As mentioned above, delays in replacing units would result in units being replaced beyond their useful life, resulting in a further deterioration in fleet condition, more costly repairs, and more frequent interruptions in service.

In addition, as we move forward adding more zero emission vehicles to the fleet there is additional impacts on the Fleet account in terms of extra costs. The premium on smaller electric vehicles for example is generally 30-50% over and above traditional vehicle costs and heavy vehicles can be up to double the cost.

5. What is the surplus from 2021 budget in regards to one time increase to accommodate veterans parking? Where does the surplus currently sit? Provide details.

There was no expenditure increased by Council for this item. Rather, it was recognized that in not charging veterans for parking, the City's revenue budget would need to be reduced accordingly. A rough estimate in 2020 of \$0.5M was made (and was subsequently refined to \$200,000 to \$350,000), and the City's budgeted revenues for 2021 were reduced accordingly.

The parking revenue budget was set at a lower level for 2021; however, overall actual parking revenues are currently tracking to be \$7 M below this (lower) budget, as the pandemic continues to negatively impact the City's revenues.

6. Report on core vacancies for firefighters and how does that compare to the Dark Horse review? Provide information on the 5-year growth plan of staff before COVID.

The Dark Horse growth plan originally approved included an increase of 122 positions over five years (2019-2023). 100 of these positions were to be frontline suppression fire fighters. As a result of financial challenges due to COVID and Council's direction to limit property taxes above 5%, the first three years of the growth plan have included funding for 40 positions. The proposed 5% budget scenario further reduces the growth plan additions to 35 positions.

VFRS Growth Plan	2019	2020	2021	2022	Future	Total
Original proposed Darkhorse	22	27	24	27	22	122
Draft 2022 budget (5% scenario)	5	30			87	122

7. With regards to climate emergency actions, how much are we contributing in the 2022 budget? Provide a list of priorities related to climate emergency actions and report on the amount of money needed to implement the emergency action plan, specifically the top priorities regarding reducing green house emissions.

A separate memo will be sent to Council that provides details on what is included in the 5% tax scenario on Accelerating Action on Climate Change.

8. What is the impact on holding vacancies on staff health and morale? Are there any departments being affected more than others are?

Long term effects of vacancies would negatively impact staff morale and existing service levels including: slower response times to emergency calls, reduced service levels to citizens and businesses, limited ability to respond to non-emergency calls, greater risk of unsolved crimes and cases being lost in court, etc. Ongoing increased workload without accompanying resources could lead to staff burnout and additional impact on staff morale.

Draft 2022 Operating Budget assumes continuing to hold vacancies at 0.5% - 2% of core business equalling \$8.7 million and an additional \$2.5 million in deferred investments. Staffing vacancies related to Vancouver Fire and Police Departments are held at the 0.5% rate to minimize impact on public safety.

The following chart, included in the supporting information provided to council on November 2nd, summarizes vacancies by Departments and its impact on core businesses and deferred investments:

Department	Core Business Vacancy (\$ in millions)	Core Business %	Deferred investments	2022 Vacancy Savings
Arts, Culture & Community Services	(\$ 0.4)	1.3%		(\$ 0.4)
City Clerks & City Manager	(\$ 0.5)	2.4%		(\$ 0.5)
Civic theatres	(\$ 0.1)	1.7%		(\$ 0.1)
Engineering PW	(\$ 1.4)	1.3%	(\$ 1.3)	(\$ 2.7)
Engineering Utilities	(\$ 0.5)	0.9%		(\$ 0.5)
FRS	(\$ 0.6)	1.5%		(\$ 0.6)
HR	(\$ 0.2)	2.1%		(\$ 0.2)
Legal	(\$ 0.2)	1.9%		(\$ 0.2)
PDS	(\$ 0.4)	1.5%	(\$ 1.0)	(\$ 1.4)
REFM	(\$ 0.6)	1.5%		(\$ 0.6)
Technology Services	(\$ 0.5)	1.5%		(\$ 0.5)
Library	(\$ 0.1)	0.2%		(\$ 0.1)
Parks and Recreation	(\$ 1.1)	1.3%		(\$ 1.1)
VFRS	(\$ 0.6)	0.5%	(\$ 0.3)	(\$ 0.9)
VPD *	(\$ 1.4)	0.5%		(\$ 1.4)
Britannia	(\$ 0.05)	0.9%		(\$ 0.05)
Total	(\$ 8.7)		(\$ 2.5)	(\$ 11.3)

**This is in addition to the \$3.14M vacancy savings that were included in the 2021 Budget that is currently pending Provincial decision on Police Budget Appeal*

9. In the 3% and 4% budget tax scenarios, there were some anticipated cut in medic 11 services. Provide a report on Dec 1 on which neighbourhoods were affected.

Taking Medic 11 out of service will affect our ability to provide vital services to vulnerable citizens in the downtown eastside.

Medic 11 was put into service on July 31, 2020 and for the year of 2020 it responded to an average of 4 incidents per day, for a total of 571. Of the 571, 53% were medical and of the medical 32% were overdose related. Medic 11 was first on scene for 77% of those incidents.

In 2021, we have seen the demand and need for medic 11 increase. As at the end of Q3, medic 11 has responded to 2,741 incidents, which is an increase to 9 incidents per day. Of these total incidents, 69% were medical and of the medical, 40% were overdose related. VFRS is seeing a large increase in incident volume and incident durations Citywide. This adds to the increasing busyness and burnout of our staff.

Due to the busyness of this response district, this will reduce the reliability of other fire apparatus being available to respond to fire, rescue or medical incidents. Either a ladder or engine (our primary fire response vehicles) will be unavailable for major incidents in their districts. This can result in increased loss to citizen's property or life, unsafe working conditions for our staff due to shortage of on scene staff in recommended time frames and

increased exposure to smoke and fire. This limits how quickly our staff can perform the critical tasks that are required to control and extinguish a fire.

10. In each of the 5%, 3% and 4% property tax increase scenario, provide details as to how this will impact Vancouver Public Library operations (i.e. impact on hours, # of branches)?

- 5.0% Scenario: Reduce branch hours at 6 smaller locations (total reduction 57.5 hours/week) - reduced branch hours at 6 branches to 7 hours/day, which can be staffed in a single full-time shift. This will spread the impact across neighbourhoods rather than concentrating the service reduction in one area. In addition, delay implementation of increasing hours to full day on Sundays at one of the four branches where this had not yet been implemented due to the COVID-19 pandemic (2020 investment funding) – this branch is currently open 1-5pm.
- 4.0% Scenario - if Council decides to approve a property tax increase of less than 5%, additional reductions to open hours will be required. To meet a 4% tax scenario, the reductions under the 5% scenario will be required (61.5 hours per week total), along with additional reductions of open hours by another 50-60 hours/week, through a combination of closing a small branch, and either closing Central Library one evening per week, or closing additional Mondays at 7-day branches, or reducing branch evening hours.
- 3.0% Scenario - a 3% tax scenario would require even further cuts to services that are already being negatively impacted. It requires a reduction to open hours by approximately 100-120 hours/week (230,000+ public visits & 19 FTE affected). This would be achieved by reducing hours across many locations and/or the closure of two small branch libraries.

Questions from Councillor Swanson

11. Staff will come up with some recommendations regarding the decriminalizing poverty motion but that might not happen until next year. Is there a way to get money in the budget to implement these recommendations without waiting till 2023?

Council has a contingency allocation it could use to fund priorities arising mid-year or Council could decide to earmark some funding for allocation in anticipation of recommendations.

As per the November 4th “Decriminalizing Poverty and Prioritizing Community-Led Safety Initiatives” (RTS 14410)” memo sent to Council, staff are proceeding as Action While Planning steps with initial exploration related to diversion of calls and also interactions with people experiencing homelessness or inadequate housing when cleaning the public realm. While there is no current 2022 funding request in for these exploration discussions, it is possible some costs may arise and staff will need to consider that at the time.

12. How can we ensure that the \$500K for implementation of the upcoming SRO vacancy control report is included in the budget?

The implementation of SRO vacancy control is not currently included in the 5% budget scenario and has been submitted as one of the options for Council to consider adding to 2022 Draft budget 5% scenario. Council could choose to allocate some of the available funding to support this initiative or other service reductions equivalent to \$500K would need to be found from within the balanced 2022 Budget.

Questions from Councillor Boyle

13. On Sheet 8, line 16, related to UNDRIP, it says that this motion is included in the 2022 Budget 5% scenario. But on Sheet 1, under Increase Focus on Equity and Critical Social Issues it lists \$200,000 not included in the 5% scenario related to UNDRIP. Is there some portion of UNDRIP that is a new investment within the 5%? Or is it referring to current staff being maintained to work on UNDRIP within the 5%? Just want to get a sense of what is already funded and what is still needed.

Funding for an additional internal resource to both assist in the implementation of the UN Declaration on the Rights of Indigenous Peoples and to meet the demands of the City's evolving Indigenous-relations work is not included in the 2022 Budget. Council can choose to allocate the available funding towards UNDRIP.

On Sheet 8, line 19, the implementation of the Council's motion to establish an advisory committee (Task Force on Implementing UNDRIP in the City of Vancouver) is included in the 5% scenario.

14. On Sheet 1, under Increase Focus on Equity and Critical Social Issues, there is \$300,000 listed to enable implementation of early start actions on the MMIWG / RWR Report. Do we have an idea of what those early actions are? Are they connected to the ask from community groups related to the Decriminalizing Poverty motion around a Diversion of Calls pilot?

Early actions include funding to Moccasin Mafia, a grassroots group of Indigenous Elders and women who do outreach in the DTES and other neighbourhoods to connect with Indigenous women, provide food, and connect to housing, services and supports, including those related to safety. This is not connected to the Decriminalizing Poverty motion around the diversion of calls pilot.

15. On Sheet 1, under Increase Focus on Equity and Critical Social Issues, the \$200,000 listed related to the Water as a Human Right motion lists resources to contribute to a washroom strategy. Are there any other resources currently focused on a water strategy? Or is this funding what would make that strategy happen or not happen?

This funding is to do the work needed to create the Water as a Human Right strategy, which will include washrooms. Funding will go towards staffing and/or consultancies & engagement costs.

16. On Sheet 1, under Core Business, there is \$500,000 listened to retain and maintain the 36 new plazas and parklets. If this isn't funded, what happens to those public spaces? Do they get removed? Is there a way to half fund this?

Some number of these new public spaces created in 2020/2021 would need to be removed if we don't have ongoing operating funds to cover basic micro-cleaning and maintenance.

\$500,000 covers the basic City costs for all of these new public spaces – equating to \$10,000 - \$15,000 per space for a year. If we received \$250,000, we would need to consider a combination of removing some spaces and/or lowering levels of the basic services the City offers. Further, we would want to consider the lowered maintenance levels when planning for any potential minor upgrades of materials within these new public spaces.

We already heavily rely on our steward partners a great deal for daily management of these spaces, but some may be willing to take on additional duties for the overall benefit of having a public outdoor space. This could be more of an impactful ask to the social service parklet partners.

17. On Sheet 1, under Core Business, is \$400,000 listed for improving and maintaining Slow Streets. My understanding from conversation with Engineering is that we might be able to do this as a one-time expense to be maintaining the temporary barriers while transitioning many of them into low-intervention permanent infrastructure. Could we get more info from engineering on whether that cost (\$400k) would remain the same, but just be one-time instead of ongoing?

The identified \$400,000 for the slow streets program in 2022 is expected to be a one-time cost to maintain the existing network while implementing a revised 'long-term' slow street network. It is anticipated that this network would still require some ongoing maintenance, but significantly less.

More details on the Slow Street program:

Based on ongoing public support for the program and concerns with the potential for removals, staff expect to maintain the current network of slow streets through the winter as an unfunded program. This is being presented to council as part of the 2022 operating budget. If operating funds are not secured for next year, Engineering would likely seek to wind down the slow streets program so as to eliminate the ongoing expenditure for maintenance. It would not be advisable to forgo or substantially reduce maintenance as this would create potential safety issues with misplaced barriers, and cleanliness issues due to graffiti and damage to barriers. Maintenance costs to monitor, replace, clean and reset barriers are currently about \$25,000 to \$30,000 per month.

Other maintenance models like community stewardship of barriers have been considered as an interim solution, however there are challenges with coordination across the large network of slow streets, staff resources required to develop and manage the network of stewards, and safety considerations that would result from asking residents to manage equipment in the street.

Staff are exploring a number of options to capture the benefits of the Slow Streets program in the long term while reducing ongoing maintenance costs (for example, by using concrete barriers). Staff will provide an update on the plans for the future of Slow Streets as part of a Council update in Q1 2022.

Questions from Councillor Hardwick

18. Does Sheet 6 include the items detailed in Sheet 2?

Yes, Sheet 6: 2022 Draft budget table includes all initiatives shown on Sheet 2. Sheet 2 highlights reductions and increases in revenues and expenditures included in 5% scenario.

19. On Does Sheet 6 include the unallocated \$5.5 million?

Yes, Sheet 6 – 2022 Draft budget table includes \$5.5 million that is available for council to:

- a) Address core service gaps by filling outstanding vacancies and adding back savings shown in "Sheet 2 - Included in 5%"
- b) Use to fund additional council priority initiatives and new council motions included in "Sheet 1: 2022 Prioritized list of initiatives - not included in the 5% base scenario"
- c) Use to reduce the tax increase in 2022 from 5% to 4.4% (primarily one time)
- d) Transfer to stabilization reserve
- e) Transfer to capital to support infrastructure renewal
- f) Or a combination of the above

20. If Council chooses not to allocate the \$5.5 million (or any portion of it), that amount can be used to further reduce the tax increase, consider additional items from Sheet 1, or add other items to the budget?

Please see response above.

21. If Council decides NOT to fund some or all of the items in Sheet 2, the associated funding can be added to the \$5.5 million of currently unallocated funding?

Council can choose to reallocate funding from initiatives included in the Draft 2022 Budget. "Sheet 2: Expenditure budget (reductions)/ increases and revenue budget reductions/ (increases) included in 5% scenario" highlights savings/deferrals and increases to the Draft budget. A large proportion of initiatives shown on sheet 2 are savings and deferrals required to balance the budget with a 5% property tax increase. A small number of initiatives are additions to the 2022 budget which are direct costs for revenues, regulatory investments etc.

22. Does Sheet 6 make provision for the potential costs of an adverse decision on the VPD's appeal to the Police Commissioner? If not, how will these costs be accounted for and what will be their tax impact?

The impact VPD's budget appeal is not included in the 2022 Draft budget. If approved, the budget impact would equate to \$5.6 million or 0.62% additional property tax increase above the 5%. If the \$5.6 million were to be approved, the Vancouver Police Department expenditures budget would increase by \$11.9 million or 3.5% over 2021 budget.

Staff will continue to work on the remaining responses to Councillors' questions and will be shared as they become available.

Should you have any questions regarding the above, please feel free to contact me at patrice.impey@vancouver.ca or (604) 873-7610.

Best Regards,

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

Patrice Impey
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