



REPORT

Report Date: June 26, 2020
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Meeting Date: July 8, 2020

TO: Standing Committee on City Finance and Services
FROM: Director of City-wide Financial Planning and Analysis
SUBJECT: 2021-2025 Budget Outlook

RECOMMENDATION

- A. THAT Council receive for information the 2021 Budget Outlook.
- B. THAT Council endorse the priorities proposed in this report for staff to reference in developing the 2021-2025 Service Plans, and the 2021 Budget and Five-Year Financial Plan.
- C. THAT Council direct staff to bring forward a proposed 2021 Budget and Five-Year Financial Plan within a tax increase of 5% that supports Council's priorities. For the median single-family home assessed at \$1.6M, this would result in a \$146 increase in tax in 2021.
- D. THAT Council confirm support for the recommendations of the Federation of Canadian Municipalities for senior government support to major cities impacted by COVID-19 to address significant funding shortfalls and enable a successful restart and recovery program.

REPORT SUMMARY

The purpose of this report is to present the 2021 Budget Outlook to Council for information while at the same time seek Council endorsement and direction for 2021-2025 service planning, 2021 budgeting and five-year financial planning.

The 2021 Budget Outlook provides an overview of the financial landscape going into the next budget cycle, including external factors, the current 2020 budget forecast, and a review of the key revenue and expense drivers in the 5 year financial plans.

At the Budget Outlook, Council has the opportunity to provide direction for 2021 budget development, including confirmation of the 2021 Council Priorities and early guidance regarding revenue driven by property tax increase. Budget decisions are not made at this time, however this guidance will aid staff in developing the draft Service plans, financial plan and budget for 2021.

The 2021 Budget will be developed in an environment of continued uncertainty regarding future COVID-19 impacts expected into 2021, with risks including reduced revenues due to provincial health orders and related closures of facilities; and increased costs due to the City's response efforts, particularly for the most vulnerable residents. Without senior government support in 2020 to mitigate the COVID-19 impacts, the City has reduced services, implemented layoffs, wage reductions and spending constraints as well as using City reserves to balance the budget. Senior government support is needed to fully restart City operations and is critical to the city's recovery plans.

There are many aspects of the City that we know will be different in 2021. Residents and businesses are faced with significant economic and social impacts. Critical social issues have seen an increased focus in this time, including an increased global focus on racism, and ongoing local focus on the opioid crisis and homelessness. At the same time, the current crisis has also highlighted the importance of continued progress on climate change. The extent of the recovery and the City's restart and rebuild efforts will also be significant in this year's process.

The report also outlines the pressures on expenditures and revenues for 2021-25 period and the steps staff will take over the next months in developing the 2021 budget including action to reduce costs and increase revenues, and potential service impacts, to balance the budget within a tax increase of 5%.

Staff will undertake an engagement process to hear from residents and businesses to input into the process, and will report back to Council with progress on developing the service plans, financial plan and budget over the next few months. The draft 2021 Budget and 5 year financial plan and service plans are expected to be available to the public and Council in late November.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

There is no applicable Council Authority or previous decisions relevant to this report.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing.

REPORT

Background/Context

The Budget Outlook is an important step in the budget process, since the early direction on priorities and tax increase targets set by Council will inform the service planning and budget development process over the summer, which will be followed in the fall with updates to Council, public consultation and the development of detailed budgets and service plans. Direction early in the process helps ensure that the options brought forward by staff address Council's

priorities, and there is opportunity for Council to adjust direction during the budget process and as new information on COVID recovery becomes available.

On April 14th, 2020, staff presented to Council an outline of the potential impact of COVID-19 on the city's operating budget. Three scenarios were presented that reflected a range of impacts depending on the length of time before physical distancing restrictions began to be lifted and the length of time before City revenues recover to pre-COVID levels. These scenarios outlined a potential unmitigated gap for the city of \$61-189 million.

On May 26th, 2020, Staff provided Council with an update on the financial impact of Covid-19. The analysis was based on a mid-range scenario that reflected a phased restart of operations beginning in September 2020 with City revenues returning to normal levels by January 2021. In that report, staff presented an approach to balancing the 2020 budget by offsetting the forecasted \$153 million in revenue decline with restarting revenue-generating operations sooner (with costs of \$16M), realizing \$64 million in salary cost mitigations and \$16M in non-salary cost mitigations, through a combination of reduced costs at closed facilities, vacancy savings, and compensation adjustments. The remainder of the revenue decline was offset through transfers from the City's revenue stabilization reserve.

Strategic Analysis

The 2021 Budget Outlook provides an overview of financial landscape going into the next budget cycle, including external factors, the current 2020 budget forecast, and a review of the key revenue and expense drivers in the 5 year financial plans. The Outlook also provides Council with the principles and approach that will be used in the development of the budget, as well as options for different tax increase scenarios.

At the Budget Outlook, Council has the opportunity to provide direction for 2021 budget development, including confirmation of the 2021 Council Priorities and early guidance regarding revenue driven by property tax increase. Staff will develop service plans, revenues and costing based on this direction and engagement with the public prior to Council's consideration of the Draft 2021 Budget. The outlook initiates the budget process, and specific budget decisions are not made at this time to allow for development of service plans and options, and seek input from the public.

The planning framework for the City below illustrates the continuum that connects the public, City Council, Boards (Park, Library, Police) and City staff. The continuum integrates vision, strategies, plans and budgets with the delivery of services to the public. The early setting of Council priorities for the 2021 budget is an important part of this continuum.



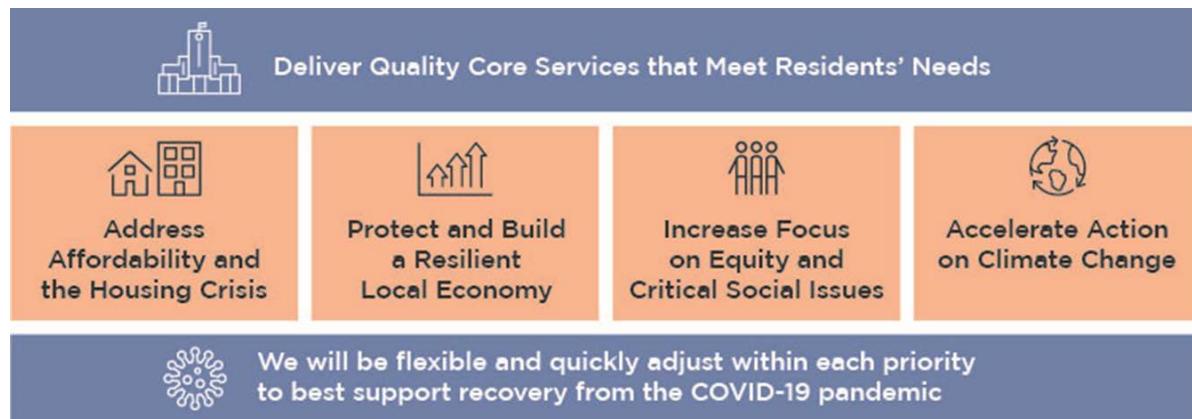
Council Priorities

In 2019, City Council approved a set of priorities for the 2020 Budget, which were validated by the public as part of the public engagement process for the budget. This has helped Staff ensure the City is focusing its attention and resources on the issues, programs, projects and activities that are most important to Council and to Vancouver's residents and businesses. The proposed priorities for the 2021 Budget are consistent with 2020, with some adjustments in wording to reflect the importance of a resilient local economy, and to increase the focus on equity within our communities.

As the City continues to respond to the challenges created by the pandemic and plan a careful and considered return to some operations, we will be flexible and quickly adjust the approach within each priority to best support recovery from the COVID-19 pandemic and its economic, social and other impacts on the city.

The primary priority is to maintain and improve the core services that meet the needs of residents. Four additional priorities will also guide City staff's development of departmental service plans and budgets:

- Deliver quality core services that meet residents' needs
- Address affordability and the housing crisis
- Protect and build a resilient local economy
- Increase focus on equity and critical social issues
- Accelerate action on climate change



External Landscape

The 2021 Budget will be developed in an environment of continued uncertainty regarding future COVID-19 impacts expected into 2021, potentially including reduced revenues due to provincial health orders and related closures of facilities; and increased costs due to the City's response efforts, particularly for the most vulnerable citizens.

There are many aspects of the City that we know will be different in 2021. Residents and businesses are faced with significant economic and social impacts. Critical social issues have seen an increased focus in this time, including an increased global focus on racism, and ongoing local focus on the opioid crisis and homelessness. At the same time, the current crisis has also highlighted the importance of continued progress on climate change.

While this uncertainty makes it challenging to anticipate what 2021 and beyond will look like, there are some changes that we have seen already that have the potential to significantly change the way organizations operate. We have seen a shift to working from home that will influence the future of workspace, and an accelerated transition to online service delivery as examples.

Impact on 2020

As a result of COVID, the City is working at reduced capacity in 2020. Several planned 2020 initiatives with approved budget are on hold or delayed, service offerings have been reduced and service levels impacted both due to provincial health restrictions and financial constraints. Temporary staff layoffs have occurred as a result of facilities closures, and hundreds of vacancies have not been filled due to financial constraints.

The provincial government has announced a provincial phased restart plan, allowing for reopening of certain service subject to enhanced safety protocols. Subject to sufficient revenue, the City will prioritize funding for the restarting of core services (e.g. library, community facilities) and bringing staff back from temporary layoff. Restart also considers better ways of providing services, including simpler, faster processes for permits, and the use of technology to provide access to services virtually. The next priority for funding as revenues return is to release vacancies related to core service areas (examples: fire vacancies, street cleaning), and to address 2020 Council priorities that were delayed to balance the 2020 budget or to reprioritize this funding to areas of higher priority for 2021.

Once these are addressed, if additional revenues or cost savings are identified, consideration could be given for new staffing to address new risk areas and addition to core services (example: fire and police operations review staffing) and further Council priorities, as well as to replenish the financial stabilization reserves that have helped offset the substantial revenue declines the City has faced.

Further Work

Between now and the draft budget, staff will work on aligning current service plans and budgets to support Council priorities adjusted for COVID recovery, for example:

- Addressing equity and social issues (addressing equity and racism, support for vulnerable populations, reopening libraries and other community facilities)

- Supporting economic recovery (including support for initiatives that help businesses and organizations such as patio permits)
- Accelerated action climate change (for example, fleet replacement and electric vehicle resource allocation)
- Continued focus on Housing

In addition, staff will work to address cost pressures, refine budget estimates, and identify opportunities for cost savings and process improvement, including:

- Review of workspace approach and future funding needs (based on learnings from recent shift to work from home)
- Continuous process improvement (CPI) initiatives for ongoing future year savings
- Using the rebuild program as an opportunity to change how we work and build capacity for the future

2020 Forecast Update

Based on the current trends, the revised forecast still projects a balanced 2020 budget, with revenues expected to improve \$12M vs the previous estimate shared on May 26th. The surplus from revenues is being used to help offset restart costs for facilities re-opening and services restarting.

Revenue Forecast Update

The revised forecast shown in the table below anticipates revenues to improve by \$12.3M vs the previous estimate shared on May 26th. Key changes to the revenue forecast include:

- Forecast for parking revenues improved by \$7.0 million due to increased activity and bylaw fines revenue improved by \$8.0 million due to ramping up of enforcement.
- Actual proceeds received from provincial government for traffic fines revenue sharing came in higher from forecast by \$2.9 million.
- License and Development revenue forecast deteriorated by (\$5.6) million because of revised projections based on current trends of lower development activity.

Expenditure Forecast Update

The expenditure forecast is revised to include changes related to:

- The improvement in revenue and continued cost savings have enabled funding for phased/limited restart of services including libraries (online and curbside), DTES community centres, playgrounds, various sports and rec activities such as outdoor pools, and lifeguards at beaches.
- As well, the revenue improvements have allowed for limited hiring for positions that were originally expected to remain vacant at the end of 1st phase to support Council priority areas, including staffing to support equity and anti-racism initiatives.

Due to the continued 2020 revenue impacts of COVID, senior government funding will be needed to fully enable restart of community centres, all library services, and other services to

pre-COVID levels. There is still a high level of uncertainty in revenue forecasts, and forecasts will continue to be updated on a regular basis and shared with Council.

Mitigation Strategy	May 26 th forecast Impact on revenues/ savings (\$M)	Revised forecast Impact on revenues/ savings (\$M)
Revenue impact/shortfall	(136)	(124)
Salary related expense mitigation	64	64
Non-salary expense mitigation	20	20
Financial impacts of restarted services		(12)
Reserves	52	52
Balanced 2020 Budget	-	-

Fiscal Stimulus

The City is monitoring potential federal fiscal stimulus programs, and is partnering with other municipalities through the Federation of Canadian Municipalities to ensure that needs of municipalities are represented as the government considers future stimulus packages. These potential funding programs will be considered as the 2021 Operating and Capital budgets are developed to ensure the City has the opportunity to participate in the programs to support key Council priority areas.

Operating Budget Outlook 2021 -2025

Principles for the 2021 Budget

In developing the 2021-2025 Budget outlook, the following principles were applied, and will be continued through the Service Planning and Budgeting process over the next several months.



Initial 2021 Outlook

Looking to the 2021 budget, many revenues and costs are uncertain at this time. Revenues decreased substantially in 2020, and while some revenues have begun to recover, it is uncertain when revenues will return to 2020 levels. The City is in the process of collective bargaining and wage increases for 2021 are not yet known. It is also uncertain to what extent the City will be able to operate services at previous levels (due to public health constraints) and what the cost of those services will be, particularly if there is a second wave.

At the same time, there are a number of known cost pressures that will impact the 2021 budget including:

- Fixed cost increases above inflation i.e. metro utility charges, insurance
- Previous Council direction to implement multi-year staffing increases for VPD and VFRS
- Funding for infrastructural renewal as identified in the 2019-2022 capital plan
- Need to fund full year of 2020 new hires (only partial year funded in 2020 to meet 2020 tax target)

Based on all the above, assuming revenues and services return to normal levels, and accommodating the known cost pressures, the tax increase would be 7% (blended tax and utilities of 6.4%). The following section provides additional details on the assumptions in this 7% tax increase scenario, as well as an illustrative option, for a 5% scenario.

Over the coming months, staff will continue to look for new ways of doing work and improving processes to realize cost savings and build on lessons learned as part of the COVID response and City rebuild.

Revenue Changes

Through a preliminary scan of the financial drivers, the outlook reflects initial estimates that operating revenues will increase in the following areas:

- Property tax increases estimated to grow by approximately 7% in 2021 based on the 2020-2024 financial plan to cover the fixed cost base, operational review funding, asset renewal in the capital plan and additional costs including impacts of deferring some costs from the 2020 budget to 2021.
- Taxes from new development are estimated to increase by \$5 million annually representing less than 1% of our property tax base.
- Program fee and development fee revenues are estimated to increase by 2% or \$3million each year which assumes that volumes return to 2020 levels and permit fee amounts are increased at a 2% inflationary rate.
- Utility fees are estimated to increase by 5.7% annually on average for the next five years, based on Metro Vancouver regional utility charge forecasts (estimated at 7.7% in the 2020-2024 financial plan);

Given the current economic uncertainty, revenue projections listed above are highly unpredictable. The current projection assumes revenues will return to pre-covid levels in 2021 and will increase by an average of 2% per year from 2021-2025. Through the budget process over the next several months, staff will assess the impacts of the economic restart and will adjust the revenue forecast accordingly

Operating Budget Preliminary Revenue Changes (\$ in millions)	2021	2022	2023	2024	2025
Property Tax:					
Increase in property tax revenue: estimated 6% to 7%	\$59	\$52	\$54	\$52	\$50
New construction tax revenue	\$5	\$5	\$5	\$5	\$5
Utility fees:					
Increase in utility fee revenue (Average blended rate estimated - 5.4%)	\$21	\$21	\$18	\$28	\$33
User fees:					
Inflationary increases in Program fees, Licence and Development fees	\$3	\$3	\$3	\$3	\$3
Total Preliminary Revenue Changes	\$88	\$81	\$80	\$88	\$91

Note: Totals may not add due to rounding

Expense Pressures

Through a preliminary scan of the financial drivers, the outlook reflects initial estimates that operating expenses will increase in the following areas:

- Cost increases passed on from external agencies and senior levels of government are estimated to be \$1 million to \$2 million per year. In addition, indirect cost pressures in the areas of housing, mental health and addiction, childcare, and emergency medical response, which are primarily the responsibility of the Provincial and Federal governments, continue to add to the City's budget pressure.
- An additional \$5 million to \$10 million each year to maintain our infrastructure and public amenities in a state of good repair as outlined in the 2019-2022 Capital Plan. Work is underway to recalibrate the 2019-2022 capital plan and updates will be provided to Council in a separate report. Adjustments to capital projects resulting from the capital plan recalibration including any adjustments to property tax and utility fee capital funding requirements in the 2021 operating budget will be brought forward for Council consideration as part of the 2021 budget process.
- Regional utility charges passed on to the City by Metro Vancouver are forecast to increase between 6% and 10% for Water and between 7% and 8% for Sewer annually from 2021-2025, driven by major infrastructure investments.
- The outlook for 2021-2025 shows estimates of increases in wage expenses such as benefit costs, however the total wage impacts are unknown at this time as they are significantly dependent on the terms of future collective agreement settlements all of which have expired at the end of 2019.
- The Federal government has announced increases to the Canada Pension Plan contribution rate starting in 2019 which will drive an approximate cost increase of \$1 to \$2 million over the next five years.
- Fixed costs are projected to increase in the range of \$6 to \$7 million for the next five years (such as energy, fleet, rent and insurance). A large portion of the 2021 increase is attributable to a significant increase in 2021 insurance rates due to changes in the industry post-COVID.
- A \$2 million allocation each year towards storm/ snow stabilization reserve to address the unpredictability of storms and their associated costs.

Over the next few months, as part of the budget process, staff will work to reprioritize existing resources, adjust service models, and look for additional cost savings in order to present a balanced budget. Where these programs cannot be accommodated within existing resources, staff will bring back to Council options for potential trade-offs in services or additional tax/fee impacts.

Operating Budget Preliminary Expense Pressures (\$ in millions)	2021	2022	2023	2024	2025
External Agency Costs passed on to the City:					
Increased Metro Vancouver charges for Water and Sewer utility	\$13	\$15	\$17	\$19	\$21
Anticipated external party cost increases (including EComm)	\$2	\$1	\$1	\$1	\$1
Debt, Transfers and Capital Program Costs:					
Pay-as-you-go Sewer & Water, Transfers and Debt Financing	\$16	\$2	\$2	\$13	\$15
Infrastructure renewal strategy in the 2019-2022 Capital Plan	\$5	\$10	\$10	\$10	\$6
Operating impacts of capital projects	\$6	\$6	\$6	\$6	\$6
Salary and benefit costs:					
Salary and benefit projected increases (contractual increments and projected benefit cost increases, excludes collective agreement increases*)	\$5	\$5	\$5	\$5	\$5
Full year funding for 2020 Investment (only partial year funded in 2020 to meet 2020 tax target)	\$1				
CPP increase	\$2	\$2	\$2	\$1	\$2
VFRS Operational Review staffing recommendations	\$3	\$4	\$3		
VPD Operational Review staffing recommendations	\$4	\$4	\$2		
Other Cost Pressures:					
Inflationary costs (Hydro, Gas rates, IT, Rents & leases, Insurance, Grants)	\$8	\$7	\$8	\$8	\$10
Support of EV Transformation				TBD	
Workspace	\$2	\$2	\$2	\$2	\$2
Other costs	\$3	\$2	\$3	\$3	\$2
Snow Contingency	\$2	\$2	\$2	\$2	\$2
Preliminary Expense Pressures (Excluding impact of collective agreements)	\$71	\$63	\$62	\$70	\$71
* Plus Wage increases related to collective agreements under negotiation (each 1% increase equals approximately \$9 million annually)				+ impact of wage increases to be determined	

Note: Totals may not add due to rounding

Managing Costs

Throughout 2019 and 2020, City departments continued reprioritizing resources and transforming operations to deliver on key priorities and service requirements. As part of the annual budget process, departments will continue identifying areas where costs can be adjusted and resources reprioritized to respond to public priorities. Services and transactions are increasingly being delivered electronically and through 3-1-1 rather than in person, improving the productivity of City resources. This has enabled investment in key initiatives.

The CPI program is designed to engage, educate and empower all City employees to enhance our culture of continuous process improvement across the City. By applying lean six sigma principles of eliminating non-value added actions and simplifying processes, we endeavor to maximize the value for money for taxpayers.

In 2020, a number of CPI and technology initiatives were started (note that not all of these items will impact property tax funding):

- Supporting the facilities maintenance planning process (staff time and risk mitigation);
- Business commitment project to ensure the City is initiating, managing, and closing commitments effectively;
- Digital Evidence Management project to ensure effective and efficient processes to manage the significant volume of digital evidence being collected by VPD;
- Grants Management project implementing a grants mgmt. solution to streamline how the City manages its extensive grants programs;
- Process support towards the virtualization of the City's Emergency Operation Center (EOC); and
- Other technology projects such as E-plan, VPD paperless duty sheets, Treasury Management System, Parking meters

Collective Agreements

At the end of 2019, all collective agreements between the City, its related Boards and its unions had expired. This includes inside and outside workers, certified by CUPE Local 15, CUPE 391, CUPE Local 1004 and IBEW, and also emergency services personnel represented by the Vancouver Fire Fighters' Union and the Vancouver Police Union including Teamsters Local Union No. 31. Bargaining is underway for several agreements but are not complete at the time of writing this document.

Given the magnitude of public safety wages relative to the other parts of the City, the recent trend of public safety wage increases above inflation will continue to put significant pressure on the City's budget and property tax rates. As a result of the provincial statutory framework for public safety, collective agreements for VPU and VFFU may be subject to binding arbitration and wage outcomes are not within the City's control. Impacts of any collective agreements are unknown at this time. A 1% change in the collective agreement increases citywide would equate to approximately \$9 million.

Risks

The following are a number of risks that may impact the City's financial revenue or expenses. These will be considered over the next months as the 2021 budget and 5 year financial plan is developed.

- Costs coming in higher or revenues lower than estimated due to uncertainty tied to COVID-19 for items such as but not limited to:
 - Casinos are expected to be among the later services to reopen that could have an impact on revenues;
 - Cost related to Cleaning / PPE costs will be higher in 2021;
 - The need for renewal of infrastructure that was built decades ago and is reaching end of life (as noted in the Capital Plan); and
 - TransLink funding continues to be uncertain
- Downloading of services that historically have been the responsibility of other levels of government.

- Impacts of senior level policies on local conditions, such as income assistance rates, health system responses to complex mental health issues, and homelessness response.
- Wage cost increases, which are uncertain in 2020 and beyond, will be a key factor in determining the City's rate of expense growth. Keeping wage growth at levels affordable to taxpayers will be an important part of achieving a balanced five-year budget.
- The new Surrey Police Department (SPD) is targeted to be fully operational in 2021 with hiring anticipated to start as early as 2020. With approximately 41% of VPD staff living in Surrey and its neighbouring communities, VPD expects to see their police officers and professional staff transferring to SPD.

Options for a 5% Tax Rate

To respond to Council's direction to staff to provide options to limit the tax increase to no more than 5%, staff have developed an illustrative scenario below that provides potential tax based adjustment areas and impacts of service reductions that may need to be considered in balancing the budget. A 2% tax reduction would equate to a budget gap of \$17 million.

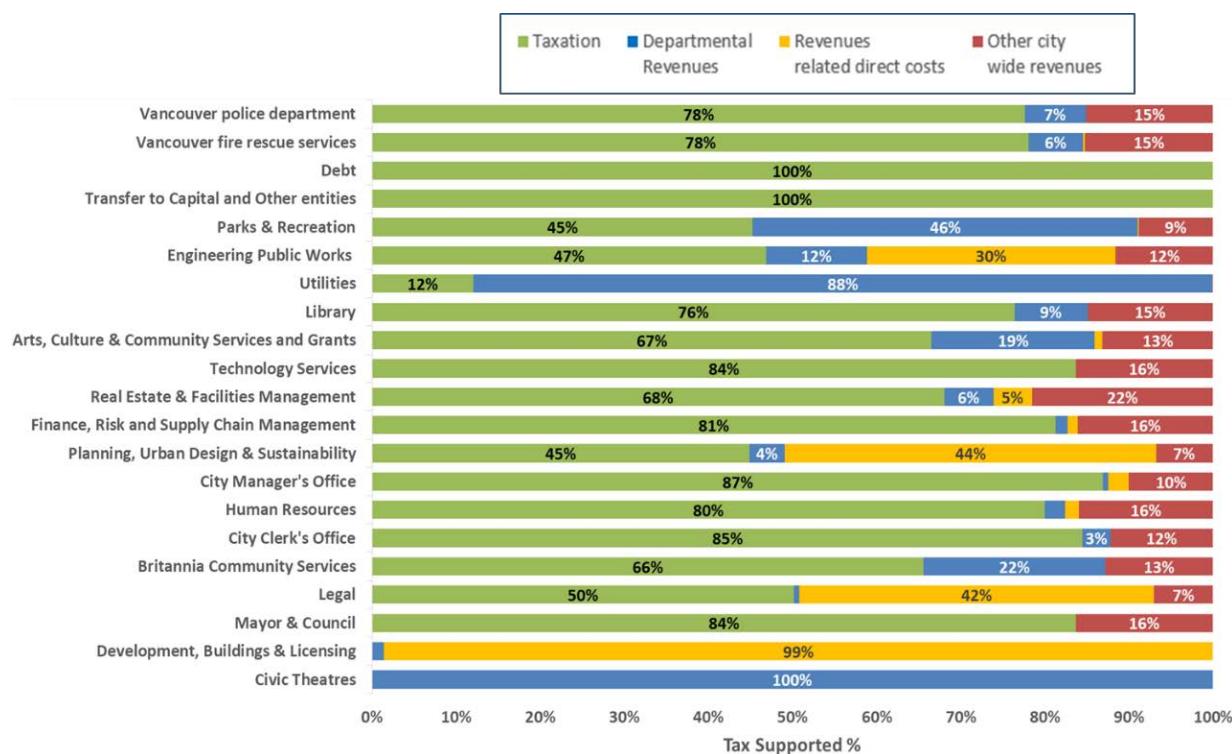
Over the next months, staff will identify options for reducing the tax increase to 5% while maintaining service levels where possible, including:

- Cost efficiencies and service improvements through:
 - process improvement initiatives
 - transformation opportunities as part of the "Rebuild"
 - advocate for senior government funding
 - changes to the municipal funding model
 - look for new revenue opportunities
- Continue to look for opportunities to reduce the base budget with:
 - energy savings
 - decreased travel and other discretionary spending savings
 - capital plan recalibration

The priority for staff will be to identify opportunities to adjust costs and revenues to bring a budget within a 5% tax increase while maintaining service levels through efficiency and savings such as those noted above. To impact the tax increase, budget adjustments must be from service areas that are tax-funded. Should service levels need to be adjusted to reduce the tax increase, the section below provides examples of potential service areas and the service impacts to property tax funded departments.

The chart below highlights how each department is funded at the city. Funding sources include taxation, departmental revenues, and other corporate revenues (such as investment income, revenue sharing, rental income, etc.). This breakdown highlights the areas of the city that are funded by property tax and which could experience service impacts in a lower tax rate scenario. The service impacts referenced in this section are focused on the tax-funded service areas in proportion to the size of their respective budgets. The city will continue to identify opportunities to reduce the budget in non-tax funded areas of the budget.

2020 Tax Supported budget for City Departments



In order to reduce the potential property tax increase from 7% to 5%, estimated 2021 costs would need to reduce by approximately \$17 million. As noted above, staff will look to close this gap with actions that would not significantly impact service levels. However, should adjustments be required to service areas, the following are examples of the potential impact to services of such a reduction. A reduction of 2% of the property tax increase achieved through service adjustments would have the following service impacts. Based on the proportion of tax funded expenditures in each department, the potential service impacts of such a change are shown below:

- Police Services ~\$6M:
 - Delay hiring of 20 police officers and 10 professional staff as per the 4th year of the Operational Review
 - Further savings by holding approximately 55 sworn vacancies impacting replacement of attrition
 - Reductions would lead to 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, and increased rate of officer burnout
- Fire and Rescue Services ~\$3M:
 - No new hiring – defer 2021 Operational Review funding
 - Delay in hiring of two new fire prevention staff would slow down the department's efforts to reduce the volume and severity of fire calls through targeted community risk reduction activities, especially in more marginalized communities in the DTES and SROs.

- Delay in hiring of twenty-five new fire suppression staff would reduce the ability of the department to effectively respond to all incident types and lead to potential increased risk of delayed fire response
 - Delay in hiring of the Assistant Chief and Lieutenant of Diversity and Outreach positions within VFRS would slow down the departments effort to build on culture and diversity, increase focus on critical social issues, and expand efforts to attract and maintain a workforce that represents Vancouver
- Vancouver Parks ~\$1.5M
 - Holding vacant ~18 front line RFT staffing positions will negatively impact service levels
 - Specific areas of reduction require further investigation to ensure the lowest service impact would be experienced by parks and recreation users
- Engineering Public Works ~\$1.4M
 - Additional pressure on the Street cleaning, maintenance, and lighting budgets, which could result in safety concerns and further deterioration of asset conditions.
 - In addition, there is a risk of not receiving \$5M TransLink funds for street maintenance; street cleaning, snow clearing, street lighting maintenance, pavement, traffic signals maintenance on major roads such as Broadway, Marine Drive, etc.
- Libraries ~ \$1M
 - Closure of two small library branches
- Other service areas \$3M
 - Delayed Capital infrastructure funding for renewal of city assets (part of Capital Plan recalibration work)
 - Potential negative impacts to citizens using public facilities due to slower maintenance response times
 - Reducing corporate support staff, limiting support for initiatives
 - Defer 2021 snow reserve transfer
- Engineering Utilities
 - Reviewing costs with a focus on providing lower blended utilities fee increases for 2021

The service impacts above are provided as examples. Options for balancing the budget will be brought forward to Council for consideration as part of the budget development, where possible maintaining service levels by identifying cost savings and efficiencies.

Cost for a Median Household and Business

An estimate of the annual cost for a median household and business of a 7% and 5% tax increase are shown below:

Increase in annual property tax (\$)	5% tax increase	7% tax increase
Median strata (assessed value of \$688,000)	64	86
Median residential overall (assessed value of \$1.1 million)	104	139
Median single-family (assessed value of \$1.6 million)	146	195
Median commercial (assessed value of \$1.0 million)	166	253

The above assumes a tax shift of 0.5% which was previously approved by Council as part of a multi-year shift. Amounts will change as the 2021 assessment roll is finalized.

Public Engagement

Between now and the presentation of the proposed 2021 Budget to Council in December 2020, engagement will take place to solicit the public's input on their priorities for the 2021 Budget.

Due to the COVID-19 pandemic and corresponding closure or reduction of many City services, the Civic Service Satisfaction Survey was cancelled for 2020. Results for 2019 are presented in the 2020 budget document.

Staff are currently reviewing options for engagement that take into account the COVID-19 restrictions including exploring further opportunities to seek input from traditionally under-represented or systemically excluded groups, and looking at further means to reduce barriers to participation (e.g. simplifying content and questions, working with community groups, and continuing to provide translated materials).

In the budget survey conducted in 2019 the public were asked to rank City Council's priorities for the 2020 Budget, and the results showed general alignment between Council and the public. This year we plan to probe how the public's opinions have shifted within each of the priorities i.e. within the priority "Address Affordability and the Housing Crisis", which programs, initiatives and projects does the public feel are most important in the ongoing and post-pandemic environment?

The overall engagement approach is also being adjusted, building on feedback about the process from last year's Talk Vancouver Budget Survey. As part of the survey for the 2020 Budget, the City asked resident and business respondents how they would like to be informed and involved in the City's annual budget process and insights included:

- Preferred means of learning about the budget were: Information on vancouver.ca (47% of resident respondents, 46% of business respondents), a short budget summary (41%, 38%), and one-page budget fact sheet (40%, 36%).
- Preferred means of interacting with the City on the budget included: Email (52% of resident respondents, and 52% of business respondents), anonymous online surveys on vancouver.ca (49%, 44%), and as a member of Talk Vancouver (37%, 40%).

Financial

Direction provided by the Council at the Budget Outlook will be used to inform public engagement and develop the Draft 2021 Budget over the coming months, prior to Council consideration and approval of the final budget.

CONCLUSION

The 2021 Budget Outlook provides an overview of the financial landscape facing the City at the start of the 2021 budget development process, and provides Council with an opportunity to provide direction on priorities and tax revenue targets to guide service plan and budget development. The public will be able to provide input on priorities through public engagement opportunities that have been adapted for the current environment based on feedback received last year.

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