



# Revised Budget – Questions and Answers

Posted: Thursday, April 23, 2020

The following Questions and Answers are based on a summary of inquiries received from the public on the new proposed, COVID-related, District budget (Budget 2).

Our goal is to address the common themes and requests that were included in multiple messages, and to provide as much useful information as possible.

It is worth emphasizing that Budget 2 is an extraordinary budget which has been created to respond to an extraordinary situation, and that it was created using the best information currently available. The Budget will be revised in future as new information becomes available.

## Q1: Budget Scenarios and Assumptions

- Does Budget 2 represent the best case scenario?
- Is Budget 2 developed on the assumption that all District programs will resume on Sept. 1, 2020?
- What are the assumptions for years 2–5 of the 5 year plan?

## Answer

Budget 2 was developed on the basis of extensive scenario planning, which started in mid-March and continued until the second week of April, when the results were reviewed and compiled. Every department developed three estimates (best case, worst case, in-between case), addressing potential reductions in revenues and expenditures. The worst case scenario assumed no relaxation of social distancing measures until year-end. The best case assumed some relaxation as soon as the end of May, and the in-between scenarios assumed resumption of various services somewhere in between the two extremes. These estimates (draft budgets) were reviewed line-by-line, adjusted where necessary, and rolled up into Budget 2.

The resulting Budget does **not** assume the start of all programs and normal operations on Sept 1. The forecast is done separately for every area of District's operations, based on the gradual restoration of programs and services, starting from those that are more likely to be reinstated as COVID-19 situation improves.

Budget 2 is focused primarily on the 2020 financial plan. Subsequent years (2021-2024) are included with the same forecasts as in Budget 1. It is very difficult to predict at the moment how the situation may unfold in 2–5 years' time, so revising years 2, 3, 4 and 5 of the Five-year Financial Plan would not be very productive and would also require significant time, which was

better spent on the current priorities. The District will start developing new financial plans for years 2021-2025 in Q3 – Q4 2020.

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## **Q2: Overall Tax Increase and Special Levies in Budget 2**

- Why wasn't the tax increase eliminated altogether?
- Is it prudent to lower the tax increase from 4.35% to 2%?
- Why was the 0.5% natural capital/climate response levy eliminated from Budget 2?
- Are Provincial support measures reflected in Budget 2?
- Were any provisions made for a potential increase in delinquent taxes and for any extraordinary costs related to COVID-19 response?

### **Answer**

Budget 2 is a crisis response plan, which includes compromises between multiple priorities and objectives. While many items were specifically aimed at cost-reduction and emergency response measures, the effort was made to maintain the work on some critical strategic objectives, such as the reduction of deferred maintenance and the introduction of certain (not all) green initiatives.

The staff reports provided on April 20 contain schedules which explain what has been done to balance the budget. The first thing to note is that Budget 2 projects a loss of more than \$12 million in non-tax revenues. These are the funds that ordinarily would support much of the District's operational (non-utility) spending. Making this up by raising taxes would require a tax rate increase of over 16%, which is not a viable solution. What has been proposed, instead, is that

1. expenditures be cut, and
2. tax funds which would ordinarily be transferred to support capital be retained, for 2020 only, and be used to support operations.

Expenditures have been cut by \$5.9 million, and the capital budget has also been cut by \$7 million, so that these funds can be retained for operations. It should be noted that these retained funds are not Asset Levy funds. The Asset Levy is dedicated to capital, and remains in the budget as the primary source of capital funds in 2020. Currently, the Asset Levy raises about \$8 million, or about one-half of the \$15 million estimated to be required each year to support asset maintenance.

Taxes were also reduced by eliminating the proposed climate levy, along with the proposed Endowment Fund loan, and the operational levy which had been calculated at 3.35% was reduced to 2%. The 2% tax rate increase is proposed because there are no more funds available from capital and other sources, and any further expenditure reductions cannot be made at this time without endangering essential services and the District's ability to recover from the effects of this crisis.

On the capital side, efforts were made to preserve some of the projects that were initially funded from additional taxes by providing funding from other sources. Specifically, the purchase of fire

equipment enhancing the capacity to fight wildfires and the gradual introduction of EV charging stations remain are included in Budget 2, despite the elimination of the dedicated levy. A non-refundable contribution (not a loan as previously proposed) is now recommended to support the municipal hall seismic retrofit, currently underway.

Finally, the revised financial plan does include limited provisions for tax delinquencies and additional costs related to COVID-19 response. The District will be able to receive some compensation for COVID-related costs from Emergency Management BC, which is taken into account in the budget, but this compensation will not cover all necessary expenses. Other measures, recently announced by the Province, will help some businesses and residents, but they will not help the municipalities. Certain provisions will impact municipal cash flow (some in a positive way, others by putting pressure on the cash flow), but, so far, no inflows into municipal budgets (new funds) have been announced by the Province.

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### **Q3: Cost Saving Measures**

- What was done to review and minimize District's costs?
- Were labour costs reviewed and reduced?
- Is it possible to implement additional savings?

#### **Answer**

All expenditure budgets were reviewed to identify and implement cost saving measures. Culture and Community Services departments are affected the most by the reduction in revenues and have implemented more cost cuts than any other department. At the same time, all departments, including Police and Fire, have contributed to the District-wide cost saving efforts, reducing or eliminating casual and temporary salary budgets, staff training, travel, consulting, and many other expenditures. The comparison of Budget 1 revenues and expenditures to Budget 2 is published at <https://www.westvancouverite.ca/14047/widgets/54476/documents/32545>.

Labour costs were reviewed for every department – by the managers and directors and then, at the District level, by the Executive Committee and the CAO. Multiple reductions were already implemented across the District – mostly affecting temporary and casual positions, but also including some permanent staff. Overall, the reduction has impacted 478 temporary and casual employees who have been laid off. The current estimate of the total reductions is 102 Full-time Equivalents (a calculation translating full-time and part time positions to the equivalent number of full time positions). Also, no currently vacant positions will be filled in 2020, including the new positions included in Budget 1. This measure will provide additional savings to the District.

Staff is working on identifying and implementing additional cost saving measures, including both labour and non-labour cost items. Implementing these incremental savings is more complex, requiring calculation of both costs and benefits to see if savings actually arise, which is why they are not included in Budget 2. Additionally, the scope of further savings will be primarily determined by the time and severity of the COVID-19 emergency. Significant expansion and prolongation of current social measures, if required, would necessitate even more severe

reduction of District's expenditures and corresponding cuts to services. On the other hand, if public health measures are gradually relaxed, the District may be in position to identify programs and services that can be resumed sooner than expected.

Finally, while any opportunity to reduce costs can be considered, the measures that are being implemented have to be reasonable in terms of their long-term impact on the District assets and services. For example, while some roads maintenance or facility maintenance activities were reduced to eliminate discretionary expenses, the mandatory repairs will continue in order to address major risks and/or avoidable large-scale expenditures in the future.

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#### **Q4: Budget Adoption & Revisions**

- Why can't we wait until May 15th (statutory deadline) to adopt Budget 2, allowing more time for public consultation?
- Is Budget 2 the final budget for 2020; are changes possible at a later date?

#### **Answer**

May 15 is the legislative deadline for the adoption of the budget, including all bylaws and regulations required for the budget implementation (e.g. tax rate bylaw). The complexity of the Budget, which includes 6000+ line items even at the rolled-up view, and the requirement to calculate and load the resulting tax rates into the system do not allow for any last-minute changes. In order to get the tax bills printed and mailed, the calculation of the taxes must be completed by April 30. Ordinarily, the budget and tax rate bylaws are completed long before this date.

Also, the overall financial plan for the District, represented in the Budget, has to account for multiple interdependencies between various areas of the District's operations, including the inflow/outflow of funds in multiple statutory reserves (e.g. utility funds, cemetery fund, etc.) that function almost as independent entities in terms of planning and reporting. As a result, municipalities always aim to have at least 2–4 weeks between the last possible review of the budget and the mandatory deadline imposed by the Province.

As the situation changes, the District will inevitably make adjustments to the financial plan through one or multiple budget revision amendments. These changes may involve further cost saving measures and, depending on the circumstances, potential increases or decreases in the District revenues. Staff is already working on identifying incremental savings and updating the forecasts that will be required for the next budget amendment. At the same time, even Budget 2, which was fast-tracked due to COVID-19 emergency, took more than a month to prepare. The same period of time or more (including additional public consultations) will be required for any budget revisions.

### Q5: Tax Payment Deadline & Deferment Options

- Can the District extend the tax payment deadline?
- Can the District waive the penalties for late property tax payments?
- Does the Provincial tax deferment program work this year?

### Answer

The current bylaw, passed by Council in 3 readings on Monday April 20, does not change the tax payment due date, but it does reduce the first penalty for properties in classes 1 and 2 (residential and utilities) from 5% to 2%. It also reflects Provincial guidelines postponing the penalties for properties in classes 4, 5, 6 and 8 (business, industry and non-profit) to Oct 1.

The following table summarizes the changes in tax payment due dates and penalties.

Property Class *	Tax Due Date	1st Penalty	2nd Penalty
Class 1 & 2	Jul 2	Jul 3 – 2%	Sep 1 – 8%
Class 4,5,6,8	Jul 2	One penalty: Oct 1 – 10%	

Despite the reduction of the first penalty applicable to residential taxpayers, it is very important to meet the July 2 deadline – both when paying the tax to the District or when applying for the Provincial tax deferment program. The District is required to make substantial payments to TransLink and other taxing authorities (GVRD, BC Assessment) irrespective of the time when individual taxpayers remit their taxes. There are also ongoing unavoidable costs (e.g. fire or police expenditures) that depend on the tax payment timeline. Delays in tax revenue may jeopardize the District's ability to fund the provision of critical services and the fulfillment of the District's obligations to Provincial agencies.

It is also important to differentiate *delays* in tax payments (that create financial hardship for the District) from approved tax *deferments* that are, from the District's perspective, equivalent to the payment of tax. When the Province approves a tax deferment application, the amount of tax is paid by the Province to the municipality, so there is no negative impact on District's cash flow.

There are a number of tax deferment programs offered by the Province and, at this time, they remain open for applications. The Province makes changes in the application process and programs' criteria on a regular basis, so it is critically important to obtain first-hand information from Provincial authorities. You can find more information and apply for tax deferment online:

- Property Tax Deferment Program overview: <https://www2.gov.bc.ca/gov/content/taxes/property-taxes/annual-property-tax/defer-taxes>
- Online application link: <https://www2.gov.bc.ca/gov/content/taxes/property-taxes/annual-property-tax/defer-taxes/apply>

You can also call or email the tax deferment office:

- Toll Free: 1-888-355-2700
- Office: 250-387-0555

- Email: [TaxDeferment@gov.bc.ca](mailto:TaxDeferment@gov.bc.ca)

You can also contact the District's tax helpline at: 604-925-7032. We are always happy to assist you!