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<i>COUNCIL AGENDA</i>	
Date: <u>January 25, 2021</u>	Item: <u>7.</u>



DISTRICT OF WEST VANCOUVER
750 17TH STREET, WEST VANCOUVER BC V7V 3T3

7.

COUNCIL REPORT

Date:	Monday January 18, 2021
From:	Isabel Gordon, Director, Financial Services
Subject:	Proposed 2021 Operating and Capital Budget
File:	04.0860.01/01.2021

RECOMMENDATION

THAT the public be consulted on the following preliminary proposed tax rate increases:

1. A proposed 2021 Operating Levy increase of 1.48%
2. A proposed 2021 Asset Levy increase of 3.00%

AND THAT staff report back to Council on March 8, 2021 on the results of this consultation and a final proposed 2021-2025 Five-Year Financial Plan.

1.0 Purpose

The purpose of this report is to obtain a decision from Council on the preliminary proposed 2021 operating budget increase and Asset Levy, and endorsement for public consultation based upon this report. Staff will report back to Council on the results of the public consultation, and then will prepare the 2021-2025 Five-Year Financial Plan Bylaw for consideration by Council at the regular Council meeting on March 8, 2021.

2.0 Executive Summary

The proposed budget includes a \$1.128M Operating Tax Levy increase, which is equivalent to a 1.48% tax rate increase. The proposed increase takes into account all available non-taxation revenue sources, cost savings and operational efficiencies before resorting to taxation.

It is recommended that the Asset Levy increase by 3.00%, which would provide an additional \$2.28M for investment in asset maintenance. This increase to the asset levy is greatly needed in order to continue the process of dealing with deferred maintenance. In 2020, there was no increase to the asset levy, and asset maintenance investment funding was reduced by \$7.4M, one-half of the required investment amount. This resulted in a significant increase to the estimated deferred maintenance requirement, which will continue to grow as long as it remains unfunded. To reverse this trend, a larger than usual increase to the asset levy is proposed.

The proposed increases would have a combined incremental annual impact of \$229 (or \$19 per month) on the average single family detached home assessed at \$2.98M.

Operating Levy Increase	\$ 76
Asset Levy Increase	<u>\$153</u>
Total Annual Increase	\$229

For the average strata property, the increase would be \$105 (or \$8.75 per month).

Operating Levy Increase	\$ 35
Asset Levy Increase	<u>\$ 70</u>
Total Annual Increase	\$105

3.0 Legislation/Bylaw

Section 165 of the *Community Charter* requires that each municipality annually provide a five year financial plan, authorized by bylaw. In order for this bylaw to be prepared, Council must approve any increase to the tax rate.

The financial plan must be approved by Council before the annual property tax bylaw is adopted. The annual property tax bylaw must be approved by May 15 of each year.

4.0 Council Strategic Objective(s)/Official Community Plan

The purpose of this budget is to provide the resources to carry out Council's strategic plan, integrated with the provision of support for basic community services at the highest available level. Every expenditure provided for in the 2021 Operating and Capital Budget has been reviewed to ensure that it directly supports these goals.

5.0 Financial Implications

Financial implications are discussed through-out the report.

6.0 Background

6.1 History –Operational Budget

The District's operational budget has undergone significant changes through the process of responding to the COVID pandemic. In 2020, the originally proposed "business as usual" budget (*Budget 1*) was withdrawn, and reviewed in detail to make the changes necessary for COVID response. These included a revenue reduction of \$12.0M, along with reductions of \$5.0M in operational expenses and a \$7.0M reduction on the amount available from the tax levy for support to capital.

History – Asset Levy

At the beginning of 2020, the District was entering the fifth year of a projected five year effort to build up a dedicated Asset Levy sufficient to keep its \$761M of general (non-utility) assets performing at optimal levels.

In 2016, when this effort began, the District had approximately \$7.4M in taxation funding which was being used to support capital. This amount had been steadily drawn down over the prior ten years, resulting in a significant deferred maintenance liability.

In the prior year (2015), the District had completed its first comprehensive inventory of assets, and compiled state and condition assessments for each asset, along with a twenty-year estimate of required investments to meet reasonable maintenance requirements. Based on this work, the gap between the amount available for asset funding and the amount required for reasonable maintenance was calculated at \$6.5M annually.

Council took action on this asset investment funding gap by establishing:

1. the Asset Levy, which added \$3.0M to the amount available for maintenance of assets annually; and
2. the Asset Reserves which began the process of accounting for the funding for the management of assets separately from the operating budget.

These actions reduced the asset investment gap, as then calculated, to \$3.5M, and laid the foundation for the provision of a dedicated source of funds for asset investment.

In 2017, Council increased Asset Levy funding by \$1.6M, however, in the meantime, assets had further deteriorated, and the gap rose from \$1.4M to \$2.1M.

In 2018, Council increased Asset Levy funding by a further \$1.0M, bringing the total asset investment contribution to \$13.0M.

In 2019, Council added \$1.5M to the Asset Levy, which, combined with the base of \$7.4M existing from the tax levy, provided a total of \$14.5M for asset investment.

The original proposal in 2020 *Budget 1* was to increase the Asset Levy by a further 1.00%, which, combined with the \$7.4M transfer, would have almost closed the gap in required investment.

However, when *Budget 1* was withdrawn and replaced by *Budget 2*, the \$7.4M was no longer able to be used to support capital investments, but had to be repurposed to support provision of basic services and the pandemic response. The Asset Levy, which currently raises about \$7.3M annually, then became the major source for funds for asset maintenance, supplemented by DCC (Development Cost Charges) funding, grants, and allocations from CACs (Community Amenity Contributions) for authorized projects.

Changes to Dedicated Capital Funding

Annual Budget	Asset Levy Rate Increase	Asset Levy Amount Added	Amount Available for Capital Investment	Estimation of Required Optimal Investment	Shortfall
2015			\$ 7,400,000	\$ 13,900,000	\$ 6,500,000
2016	5.25%	\$ 3,000,000	\$ 10,400,000	\$ 13,900,000	\$ 3,500,000
2017	2.45%	\$ 1,550,000	\$ 11,950,000	\$ 14,100,000	\$ 2,150,000
2018	1.56%	\$ 1,050,000	\$ 13,000,000	\$ 14,500,000	\$ 1,500,000
2019	1.76%	\$ 1,500,000	\$ 14,500,000	\$ 14,500,000	\$ -
2020	0.00%	\$ -	\$ 7,828,000	\$ 14,500,000	\$ (6,672,000)
2021	3.00%	\$ 2,280,000	\$ 11,265,742	\$ 16,928,463	\$ (5,662,721)

7.0 Analysis

Operating Budget

Responding to the COVID pandemic has caused the District to significantly change its operational budget allocations in certain areas, which include Parks, Culture and Community Services, Corporate Services, and Bylaw Services, with lesser impacts on Police, Fire, Engineering, and Planning. Over \$12.0M in revenue was removed from the budget in 2020. While the 2021 Budget projects that some of this revenue will return, it is conservative in assuming that public health restrictions on gathering and social distancing may not be significantly changed until much later in 2021. It therefore assumes that services will continue to be offered at current levels throughout 2021, with the expectation that should this be changed later in the year, a budget revision can be implemented to reflect this.

Creating *Budget 2* in 2020 could not have been accomplished without significant operational budget expenditure reductions. All departments cooperated in this effort, both by reducing expenses to a minimum, and seeking efficiencies. This process has provided a unique opportunity to review core service costs, and Finance and departmental staff have reviewed, in depth, each line item in the budget, and reviewed and changed many operational processes. A major factor in this review has been the shift to 'work from home', which in addition to creating numerous changes to business processes, has also created opportunities to save costs.

In the 2021 Budget, we are requesting that an additional \$1.4M be added to fund new program requests linked to significant strategic priorities (**Appendix A**), but this amount is offset by identified cost savings of \$778K and new tax revenues from construction of \$650K. The requested

operational tax rate increase is 1.48%, significantly below the regional average of 2.00% to 2.50% and historic rates of inflation.

Capital Budget

The District currently owns close to \$736M in general fund assets (estimated replacement costs) and over the next twenty years virtually all of these assets will require capital investment to maintain their performance, and for replacement at the end of useful life. The estimated cost of maintaining the general fund assets is \$305M over the next twenty years, which on average requires an ongoing \$16.9M investment per year.

This estimate has increased from the previous estimate of \$14.5M per year due to several factors:

- the exacerbation of deferred maintenance issues during the COVID response, which is still ongoing
- the compounding effect of not funding required maintenance in past years (deferred maintenance) resulting in higher costs to prevent assets from failing
- better, more in depth, information on asset state and condition, resulting in the identification of increased investment requirements
- difficulty in dealing with low use, poor condition assets
- broadening of asset scope to include natural assets, including foreshore, wildfire protection areas, and forest canopy

It should also be noted that as the District addresses climate change impacts on assets, the funding requirement will change. Assets not now in existence may need to be created and maintained, and greater care and attention to natural asset preservation and enhancement will also impact future costs.

The priorities are to build up the Asset Levy to eliminate the deferred maintenance deficit and to shift all spending in the budget by incorporating natural asset maintenance and climate action emergency response into all aspects of the asset management plan.

Capital projects originally identified as needing investment in 2021 total \$27.0M. After significant review, the project list has been reduced to \$19.1M.

2021 Preliminary Capital Budget		
Maintaining and replacing existing assets	Deferred Maintenance	\$10.3M
	Maintenance	\$6.0M
	Subtotal	\$16.3M
Investment in new assets	Strategic Investment	\$2.3M
	Innovation	\$0.5M
	Subtotal	\$2.8M
Total		\$19.1M

Assuming the proposal to raise the Asset Levy by 3.00% is supported, the preliminary capital funding available for 2021 proposed capital investment totals \$16.0M. This implies a shortfall of \$3.1M to fund the identified required capital projects of \$19.1M.

2020 Preliminary Capital Funding Available	
Base Asset Levy	\$11.2M
Development Cost Charges and External Funds	\$1.6M
Endowment Fund Contribution	\$3.2M
Total	\$16.0M
Capital Funding Shortfall	(\$3.1M)

It is anticipated that there will be funds available from prior years' projects that have completed under budget and those funds can be used to cover some of the shortfall. Staff will also continue to review both projects and funding sources to provide additional adjustments.

The District's Endowment Fund currently holds \$20.5M. It is currently dedicated to repayment of the loan for the construction of the Public Safety wing of municipal hall, but could also be used for other purposes. Staff are proposing that, in order to deal with the deferred maintenance issue, it would be appropriate to consider using some of these funds.

A subsequent report to Council will list the proposed capital projects for approval in detail.

Temporary COVID Safe Restart Grant

In late 2020, the District received \$5.0M in grant funding from the Province from the COVID "Safe Restart" fund. This is a one-time grant which has been distributed throughout the Province to help municipalities to move forward through the uncertainties and challenges caused by the pandemic, and to implement and support the necessary public health restrictions which have been put in place to contain it.

Municipalities have been given great latitude to determine how best to use these funds, within certain parameters:

- no aid directly to businesses
- using the grant to lower 2021 taxes is not acceptable (i.e. grant must be used for new, temporary costs which support the municipality to move forward)
- primary use is for operational items (other than technology investments)
- funds should be expended in 2021-2022
- a list of the expenditures supported by the grant is to be published as part of the municipal Annual Report

Based on these criteria, staff have developed a proposed list of projects to use these funds (**Appendix B**).

7.1 Sustainability

The investments supported by the 2021-2025 Financial Plan are key to the long-term sustainability of the District as a community.

Particularly in terms of the Asset Levy, the District needs to focus on investing in the long-term viability of its assets and natural capital assets so that municipal services can continue to be provided in a sustainable manner and natural resources are protected.

Public Engagement and Outreach

Public engagement under current conditions will look somewhat different than it has in the past, however, the District will be using all of the electronic participation modalities it has developed.

A webpage will be available at westvancouverite.ca from Tuesday January 26 to Tuesday February 9 for the public to share comments and feedback. The public may also share comments and feedback with staff via email.

Two virtual budget information sessions will be held using Webex:

Thursday, January 28 from 6-7 p.m.

Friday, January 29 from 1-2 p.m.

Registration will not be required and details on how to join a Webex meeting will be shared at westvancouverite.ca/budget. At these sessions, a short budget presentation will be made, and then participants will have the opportunity to ask questions and make comments.

Video from the Virtual Information Sessions will be posted online, and a "Budget Q & A" document will be posted from each session providing

answers to questions asked in the session which could not be answered immediately.

Staff will report back to Council with the results of the consultation at the meeting scheduled for March 8, 2021.

8.0 Options

8.1 Recommended Option

Staff recommend that the 2021 Operating and Capital Budget be supported by an operating levy increase of 1.48%, and an Asset Levy increase of 3.00%.

8.2 Considered Options for the operating levy:

Council could decrease the operating levy request by cutting operational program requests.

Considered Options for the Asset Levy:

Council could decrease or eliminate the Asset Levy request. Staff do not recommend this, as addressing the deferred maintenance issue is a priority. Prolonging the investment to fix our assets would exacerbate the situation and cost the District more in the future.

9.0 Conclusion

Input from members of Council and the public on the proposed operating levy increase of 1.48%, and the proposed Asset Levy increase of 3.00% for 2021 will form the basis of the preparation of the 2021-2025 Five-Year Financial Plan. The Proposed 2021-2025 Five-Year Financial Plan will then be brought to Council for consideration on March 8, 2021.

Author:



Isabel Gordon, Director, Financial Services

Appendices:

Appendix A: 2021 Proposed Program Additions

Appendix B: Proposed use of COVID Safe Restart Grant Funding

**DISTRICT OF WEST VANCOUVER
2021 PROPOSED PROGRAM ADDITIONS**

	FTE Request	Request Amount
Administration		
Environmental Manager	1.00	166,260
Communications Assistant	1.00	77,856
Committee/Policy Coordinator	1.00	77,000
Engineering & Transportation		
Sign Shop - Permanent Staff Position	1.00	100,900
Engineering Assistant II	1.00	86,000
Financial Services		
Business Manager (Corporate Services, Planning & Development Services, Human Resources)	1.00	139,430
Purchasing Clerk	1.00	67,835
Planning & Development Services		
Senior Planner (Urban Design)	1.00	152,720
Community Planner	1.00	121,734
Land Development Technician	1.00	115,191
Plans Examiner III	1.00	103,924
Environmental Protection Officer	1.00	99,829
Planning Technician	1.00	97,749
Grand Total	13.00	1,406,429

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DISTRICT OF WEST VANCOUVER 2021 PROPOSED USE OF COVID SAFE RESTART GRANT FUNDING

	2021	2022	Total Request Amount
Completion of Deferred Operational Efficiency Improvements	758,512	265,454	1,023,967
One-time O365 email & content management migration professional services	300,000	0	300,000
Cloud and Application Integration Analyst (TWO YEAR TERM)	130,000	120,000	250,000
Records Management Staff Member (TWO YEAR TERM)	85,280	85,280	170,561
Privacy Analyst - Part-time (TWO YEAR TERM)	60,174	60,174	120,348
Fire Officer's Development Program	75,320	0	75,320
Complete Parks Asset Inventory	35,000	0	35,000
Energy efficiency advancement	29,000	0	29,000
Corporate File Plan Staff Member - Part-time (ONE YEAR TERM)	28,738	0	28,738
Workforce/TeleStaff System Check	15,000	0	15,000
Deferred Maintenance Remediation	209,350	0	209,350
Baseball Diamond Refurbishment	95,000	0	95,000
Cleanup of Homeless People Camp Sites	48,000	0	48,000
Preventative Maintenance Requirements for Park Washrooms and Facilities	40,500	0	40,500
Increased Cleaning of District Swim Beaches Staffing	25,850	0	25,850
Support for COVID affected Restart Programs	1,317,264	341,364	1,658,627
Project Manager 2 - Full-Time (TWO YEAR TERM)	125,000	125,000	250,000
Project Manager 1 - Full-Time (TWO YEAR TERM)	125,000	125,000	250,000
Community Services Staff Time Allocated for Safety Plan Procedures	250,000	0	250,000
Bylaw Officer - Full-Time (TWO YEAR TERM)	91,364	91,364	182,727
Temporary Trail Maintenance Staff to catch up on Backlogged Service Requests	165,000	0	165,000
Temporary Gardening Staff to catch up on Maintenance of Areas like Rogers Creek 1-3	110,000	0	110,000
Parks COVID Related Contracted Maintenance Requirements	85,000	0	85,000
Enhanced COVID Cleaning	81,000	0	81,000
Parks Temporary Staff Backfill for COVID Safety Plan Implementation	75,000	0	75,000
Additional Parks Washroom Servicing and Cleaning	60,000	0	60,000
Parks COVID Related Supplies	40,000	0	40,000
Food Security: Containers and Labels for Vulnerable Population	38,000	0	38,000
Shower Program for Vulnerable Populations	27,000	0	27,000
Shower Program Staffing	21,900	0	21,900
Community Services COVID Related Supplies	18,000	0	18,000
Video Equipment	5,000	0	5,000
Support for Strategic Objectives	1,746,436	0	1,746,436
Arts Facility Planning after Site Selection	270,000	0	270,000
Consultant Work - Environmental Strategy Update	150,000	0	150,000
Funding for Supporting Transportation Consultant Service	150,000	0	150,000
Ambleside Town Centre Planning	150,000	0	150,000
Strategic Transportation Plan	150,000	0	150,000
Transportation System Asset Management Plan	125,000	0	125,000
Community Planner - Full-Time (ONE YEAR TERM)	103,265	0	103,265
Land Use Contract Termination	100,000	0	100,000
Consultant work - Development of an Urban Forest Management Plan	80,000	0	80,000
Consultant Work and Participation in Workshop - Development of Foreshore DPA	74,908	0	74,908
Facility Planning	60,000	0	60,000
Community Wildfire Protection Plan Implementation	57,030	0	57,030
Klee Wyck to Capilano Pacific Trail Connection Feasibility & Costing Study	50,000	0	50,000
Continued 2020 Funding for Arts & Culture Facility Consultants related to Site Selection	42,500	0	42,500
Neighbourhood Character and Design Guidelines	42,075	0	42,075
Continued 2020 Funding for the Upperlands Environmental Assessment	34,000	0	34,000
Horseshoe Bay Local Area Plan (LAP)	32,658	0	32,658
Youth Centre Site Selection Functional Program and Class D Estimate	30,000	0	30,000
Public Education Events/Climate Campaign	25,000	0	25,000
Indigenous Consultants for Interpretive Signage and Klee Wyck Totem Pole	20,000	0	20,000
Grand Total	4,031,562	606,818	4,638,380

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