



Committee of the Whole Report

For the Meeting of June 24, 2021

To: Committee of the Whole **Date:** June 7, 2021
From: Susanne Thompson, Deputy City Manager and Chief Financial Officer
Subject: Draft 2022 Financial Plan Update and Direction

RECOMMENDATION

That Council:

1. Direct staff to develop a draft 2022 Financial Plan for Council's consideration in October 2021 that:
 - a. Provides for continued services and service levels
 - b. Provides options for mitigation strategies that build on those used in 2020 and 2021 that could achieve a lower tax increase including:
 - i. Vacancy management
 - ii. Travel, conference and training budget savings
 - iii. Capital budget property tax funding reallocation to operating budget
 - iv. Use of remaining Restart Grant (if UBCM grant application for Strengthening Communities is successful)

EXECUTIVE SUMMARY

Each year, as part of the financial planning process, Council makes difficult decisions between competing priorities. The COVID-19 pandemic continues to impact the community and the City's financial situation, specifically related to reduced revenues and increased costs in some areas. It is expected that the revenue reductions will continue into 2022.

The purpose of this report is to provide Council with an update on the development of the draft 2022 Financial Plan and to seek direction on mitigation strategies. The draft Plan will be developed based on standing Council direction to continue ongoing program and service delivery at current service levels, and to achieve a maximum tax increase of inflation plus 1% as outlined in the City's Strategic Plan. The draft Plan will also incorporate the policy direction from the City's Financial Sustainability Policy related to capital infrastructure investment. In addition, 2022 actions from the Strategic Plan and Council resolutions passed during the year provide further direction on specific topics to bring forward for consideration as part of the budget process. At today's meeting, to allow sufficient time for evaluation and capacity analysis, staff request that Council identify any additional initiatives Council wishes staff to report back on for consideration as part of the 2022 financial planning process. Having these requests identified now rather than once the deliberation process has begun in the fall, will provide staff the opportunity to assess each initiative and provide additional context

as well as consider overall capacity to deliver all the services, programs, projects and initiatives already directed by Council. Therefore, Council may also wish to consider the priority of each initiative since staff capacity and/or financial capacity may be insufficient to achieve all in 2022.

The development of the draft 2022 budget is underway. Early indication is that, without mitigation strategies, the potential tax increase to maintain current service levels is currently tracking upwards of 9%. For context, the average rate of inflation for Victoria for 2021 is currently 1.8%, resulting in a potential gap of approximately \$8 million to meet Council's direction of a tax increase of no more than inflation plus 1%. Furthermore, the draft does not include any additions Council may wish to initiate stemming from resolutions passed or Strategic Plan action items (the 2022 action items are included in Appendix A.) Also, as per normal process we receive the submission from the Police Board later in the year; therefore, our projections at this point are based on information provided as part of the 2021 budget.

The following table lists motions passed to-date:

Operating Budget	
Building Deconstruction - Regulatory Administration System and Training/Communication Resources	90,000
Cultural Infrastructure Grant Ongoing	125,000
Indigenous Relations Function	TBD
Motor Vehicle Act Pilot Project (2022 - 2023)	180,000
Youth Strategy Ongoing	TBD
Tiny Homes Operating Costs	TBD
Seniors Action Plan Implementation	TBD
Child Care Action Plan Implementation	TBD
Strategic Plan Grant Program - increase funding	TBD
School Crossing Guard Funding	TBD
Total Operating	TBD

Capital Budget	
Banfield Park Shoreline Access	TBD
Broad Street Pedestrianization	TBD
Burnside Gorge Pathway Lighting (in Partnership with CRD)	TBD
Electric Vehicle Strategy	Up to \$10 million
Total Capital	TBD

In addition to the above list, there are also several projects stemming from the Strategic Plan related to community centres and libraries which require funding.

In developing the budget, staff consider capacity to deliver the many programs, services, projects and initiatives the City provides to the community. At the June 17, 2021 Committee of the Whole meeting, the First Period Accountability Report was presented indicating that several initiatives and programs are experiencing challenges and will therefore carry over into 2022, which impacts staff's capacity to take on additional work. As was noted in that report, the majority of action items from the Strategic Plan currently underway have a target completion date in 2022 or later, or involve ongoing work.

At this point, it is too soon to determine whether there will be an operating surplus for 2021. As part of the 2021 financial planning process, Council approved a number of mitigation strategies intended to ensure that a deficit, due to reduced revenues and additional pandemic-related costs, could be avoided and staff are implementing these. It is also too early in the process to estimate the amount of new property tax revenue from new development. Therefore, it is unknown what additional funding will be available for 2022 at this time. To provide financial flexibility for the 2022 budget and options for reducing the anticipated tax increase, staff recommend considering the continuation of some of the mitigation strategies used for 2020 and 2021.

Respectfully submitted,

Susanne Thompson
Deputy City Manager and Chief Financial Officer

Report accepted and recommended by the City Manager

List of Attachments

Appendix A: 2022 Action Items from the Strategic Plan