

**From: District of West Vancouver (“DWV”) Finance and Revenue Advisory Committee (“F&RAC”)**

**To: District of West Vancouver Council**

**Re: 2025 Budget Recommendations**

**Date: February 26, 2025**

**Summary of Recommendations:**

The F&RAC recommends that:

1. Council adopts a 3.0% 2025 Property Tax increase, consisting of an Operating Levy increase of 2.0% and an Asset Levy increase of 1.0%.
2. In order to achieve the recommended 2% Operating Levy increase, the currently tabled budget Operating Deficit of \$4.48 million will have to be reduced by \$2.57 million, resulting in an Operating Deficit of \$1.91 million. We recommend the following actions to obtain the \$2.57 million reduction in Operating Deficit:
  - (a) the elimination of the Innovation Fund (\$953,000),
  - (b) a reduction of \$1 million in the Wage Contingency Reserve, and
  - (c) utilization of approximately \$620,000 of the estimated 2024 Operating Surplus of \$1.9 million.

**Background:**

The F&RACs terms of reference include the following provisions:

**1. Mandate**

- 1.1. The purpose of the Finance and Revenue Advisory Committee (the Committee) is to provide advice and recommendations to Council on:
  - b) The District’s finances, including future budgets and financial plans, consistent with prudent fiscal management.

**2. Role**

- 2.3 With respect to the District’s finances, the Committee will:
  - a) Provide advice and make recommendations concerning the District’s annual operating and capital budgets and property tax changes;

Based on the above terms of reference, the F&RAC has undertaken a review of the DWV 2025 Budget for the purpose of providing advice and making recommendations to DWV Council.

This being our first budget cycle, we have spent a significant amount of time educating ourselves on the particulars of Municipal Accounting and Financial Statements in general, and DWV Financial Reporting specifically.

We appreciate the assistance provided by the DWV Finance Department in providing the F&RAC with information and answering our questions.

**The Main purpose of our 2025 Budget Review:**

The underlying goal during our 2025 Budget Review was to gain sufficient understanding of DWV Finances and DWV Financial Reporting such that we could advise on what we believe to be prudent and reasonable 2025 Operating and Asset Levy increases.

**Important Considerations as part of our review:**

1. Reserve Levels – The District Finance staff with this and previous Councils have done a remarkable job over the last 10 years in increasing the District’s Financial Reserve balances from \$36.1 million at the end of 2013 to \$181.6 million at the end of 2023. The 2023 Reserves consist of \$119.3 million in the General Fund, \$57.9 million in Utility Funds and \$4.4 million in other funds. The reason we highlight the District’s growing and healthy Financial Reserve balances is that we have concluded that the District has achieved a certain level of financial flexibility with current reserve balances that allows it to judiciously, and on a limited basis, use certain Operating reserves to reduce 2025 Operating Costs if so desired.
2. Recent Trend of Operating Surpluses – The District delivered an Operating Surplus of \$1.9 million in 2024. Looking back over the period 2016 – 2024, we see a general trend of annual Operational surpluses.

Year	General Fund Operational Surplus (Deficit) \$M	Non-Operational Exclusions					Revised Operational Surplus (Deficit) M\$
		Grants & Interest - Transferred to Reserves	Development Cost Charges	Other Contributions for Capital	Community Amenities Received from Developer	Gain on Sale of Land	
2023	28.8	15.28	0.16	6.15	6.50	-	0.71
2022	10.4	3.34	0.33	8.41	0.00	-	(1.68)
2021	12.02	1.75	0.46	7.15	0.85		1.80
2020	36.4	7.24	0.73	6.15	15.14	2.87	4.27
2019	0.5	3.07	0.28	1.56	0.22	-	(4.63)
2018	21.3	1.69	0.21	0.41	14.39	1.80	2.80
2017	9.6	0.68	0.46	7.15	0.85	-	0.45
2016	12.5	0.79	0.82	1.40	8.50	0.05	0.94

3. Cash and Investments – Since 2015, the District’s holdings of cash and investments has grown from \$77.7 million to \$304.9 million at December 31, 2023. Currently, virtually all the District’s investments are held in the form of guaranteed investment certificates. It is apparent that the majority of the surpluses that have been generated over the past 10 years have been accumulated in cash and GICs and have not been spent.
4. Economic Environment – Statistics Canada shows an inflation rate of 1.8% in December 2024 and 1.9% for January 2025. Publicly available projections for 2025 Canadian inflation are around 2%. Ideally, we would like to see the District’s Operating Levy % increase in line with 2025 inflation expectations. We recognize that this may not necessarily be possible given the economic realities that the District faces – for example, existing Labour Agreements (for Police, Fire, District Workers) that have negotiated annual increases in the 4-5% range.

5. Operating Spending – the Committee notes that Operating costs are up 2.1% in 2025 versus 2024 Budget. If we remove “General Government” expenses (which consist mainly of reserve transfers), total costs are up 4.5% year over year. This is part of a trend that has seen cost increases over the last 10 years outstrip the rate of inflation (see table below). We are aware of the cost increases driven by wage settlements and other cost pressures on the DWV. That being said, going forward, wages and benefits cannot continue to rise at rates well above inflation and there is a real need to find efficiency in operations potentially including a reduction in staff levels. The Committee believes that Management and Staff should not just be relying on an increased tax base and new revenues (like pay parking) to cover up ever rising inflationary cost increases well above the rate of inflation.

DWV Operating Spending Trends			
Per DWV Consolidated Financial Statements, Schedule 1: Consolidated Segmented Information			
Year	Spending in \$M	Year over Year % change	Annual Rate of Inflation
2023	133.3	8.9%	3.9%
2022	122.4	10.5%	6.8%
2021	110.8	10.9%	3.4%
2020	99.9	-11.0%	0.7%
2019	112.3	8.6%	2.0%
2018	103.4	3.0%	2.3%
2017	100.4	3.5%	1.6%
2016	97.0	5.3%	1.4%
2015	92.1	5.3%	1.1%

6. The Appendix to this Memo shows the trend of several key DWV financial metrics over the past 12 years (with the data extracted primarily from the District’s audited financial statements). These graphs show that:
- the District’s holdings of cash and investments have increased from less than \$70 million at the end of 2012 to \$350 million at September 30, 2024,
  - the District’s net financial assets (cash and investments and other financial assets, less debt and financial liabilities) have increased from virtually zero 12 years ago to \$143 million at December 31, 2023, and
  - the District’s reserves and unallocated surplus/deficit has grown from only \$8 million 12 years ago (\$38 million of reserves offset by \$30 million of unallocated deficit) to \$203 million at September 30, 2024.

**2025 Budget Process:**

- a) The preliminary 2025 Budget was first presented to Council on December 16, 2024. The key points of this budget were as follows:
- 2025 Operating Deficit of \$5.26 million

- Preliminary 2025 Operating Levy increase of 5.52% over 2024
- Preliminary 2025 Asset Levy increase of either 0.00% or 1.00% over 2024

At the December 16, 2024 meeting, Council referred the 2025 Budget presentation to the F&RAC for its information and input.

- b) On December 17, 2024, the District posted 2025 Budget information on its website. This included:
  - 2025 Operating Deficit of \$5.25 million
  - Proposed 2025 Operating Levy increase of 5.52% over 2024
  - Proposed 2025 Asset Levy increases of either 1.00% or 2.00% over 2024
  
- c) During the latter part of January 2025, the District conducted a public engagement process. That process included a survey to which 599 WV residents responded. Of note:
  - To the question, “Are you willing to pay more taxes to support increased spending on municipal services?”, 26% answered “Yes”, 51% answered “No”, and 23% were undecided
  - To the question, “Would you support an Asset Levy increase to invest in the maintenance and upgrade of West Vancouver’s infrastructure assets, such as roads sidewalks, and facilities?”, 27% supported no increase, 22% supported a 1% Asset Levy increase, 32% supported a 2% Asset Levy increase, and 19% were undecided
  
- d) On February 11, 2025, DWV Finance presented our Committee with an amended budget. The key points of this amended budget were as follows:
  - 2025 Operating Deficit of \$4.48 million (reflecting \$0.70 million of revenue increases and \$0.08 million of expense reductions from the previous budget version)
  - Potential reduction in the 2025 Operating Deficit of \$953,000 by eliminating the Innovation Fund and a further \$1 million by reducing the Wage Contingency Reserve by this amount
  - Proposed 2025 Operating Levy increase of 4.70% (or 2.70% with the two reductions in reserve transfers)
  - Proposed 2025 Asset Levy increase of 1% over 2024

For reference, the existing (2024) levels of DWV property taxes are as follows:

Operating Levy	\$78,625,000
Asset Levy	15,500,000
Environmental Levy	1,200,000
Total DWV property taxes	\$95,325,000

**2025 Budget Recommendations:**

It is apparent from our review of the DWV’s financial statements and 2025 Budget materials that there is considerable scope for reducing the 2025 property tax increase to a level that more closely corresponds to the current rate of inflation.

It is also apparent that the District’s Reserves, if not fully sufficient, are close to fully sufficient.

The Committee has identified potential sources for reducing the projected level of the 2025 Operating Deficit as follows:

<b>Source</b>	<b>Amount</b>
Elimination of Innovation Fund	\$953,000
Reduction in Wage Contingency Reserve of \$3M	\$1M to \$2M
Utilization of estimated 2024 Operating Surplus of \$1.9M	\$1.9M
Reduction in \$4.6M of interest transferred to reserves	\$1M to \$2M
Reduction in \$1.5M Fringe Benefit Allocation Reserve	\$0.5M to \$1M
Reduction in \$1.4M Legal Contingency Reserve	\$0.4M
Additional expense reductions	\$0.5M
<b>Total</b>	<b>\$6.3M to \$8.8M</b>
<b>Potential reduction in 2025 Operating Levy increase</b>	<b>6.6% to 9.2%</b>

Our analysis shows that there are a number of different ways in which Council can adjust the currently tabled budget to achieve a reduced level of 2025 property tax increase.

The F&RAC’s recommendations are as follows:

1. **Operating Levy** – We recommend a 2025 Operating Levy increase of 2%.

In order to achieve a 2% Operating Levy increase, the currently tabled budget Operating Deficit of \$4.48 million will have to be reduced by \$2.57 million, resulting in an Operating Deficit of \$1.91 million. We recommend that the \$2.57 million Operating Deficit reduction be achieved by:

- (a) the elimination of the Innovation Fund (\$953,000),
- (b) a reduction of \$1 million in the Wage Contingency Reserve, and
- (c) utilization of approximately \$620,000 of the estimated 2024 Operating Surplus of \$1.9 million

This recommendation is based on our advice that the Operating Levy increase be as close to the rate of inflation as possible, and takes into account the District’s very healthy reserve position. We are not comfortable suggesting an Operating Levy increase of less than 2% (or a rate decrease) at this time for the following reasons:

- A thorough review of DWV Reserves needs to be conducted with input from staff to determine the appropriate level of each Reserve and the flexibility of its utilization. This will take some time and should be accomplished during the first half of 2025.
- The DWV has total debt of \$25.9 million at the end of 2023 with a portion of the debt coming up for renewal over the next few years. If it is determined that DWV has more Reserves than currently required, consideration should be given on whether to use the excess to pay down debt.

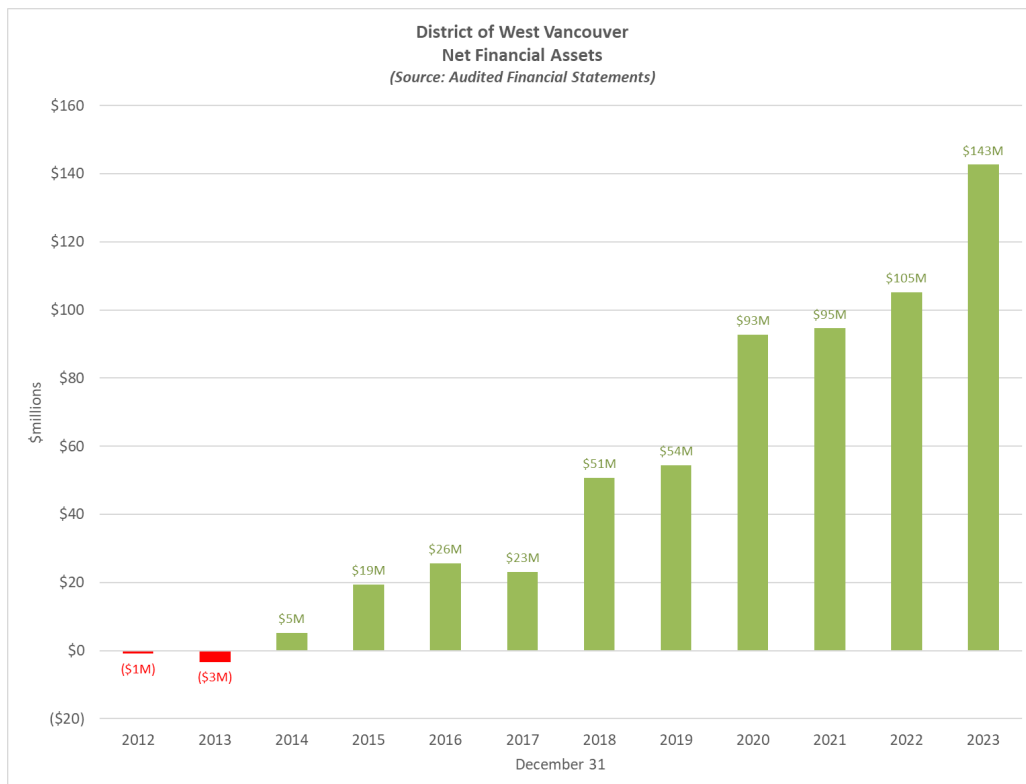
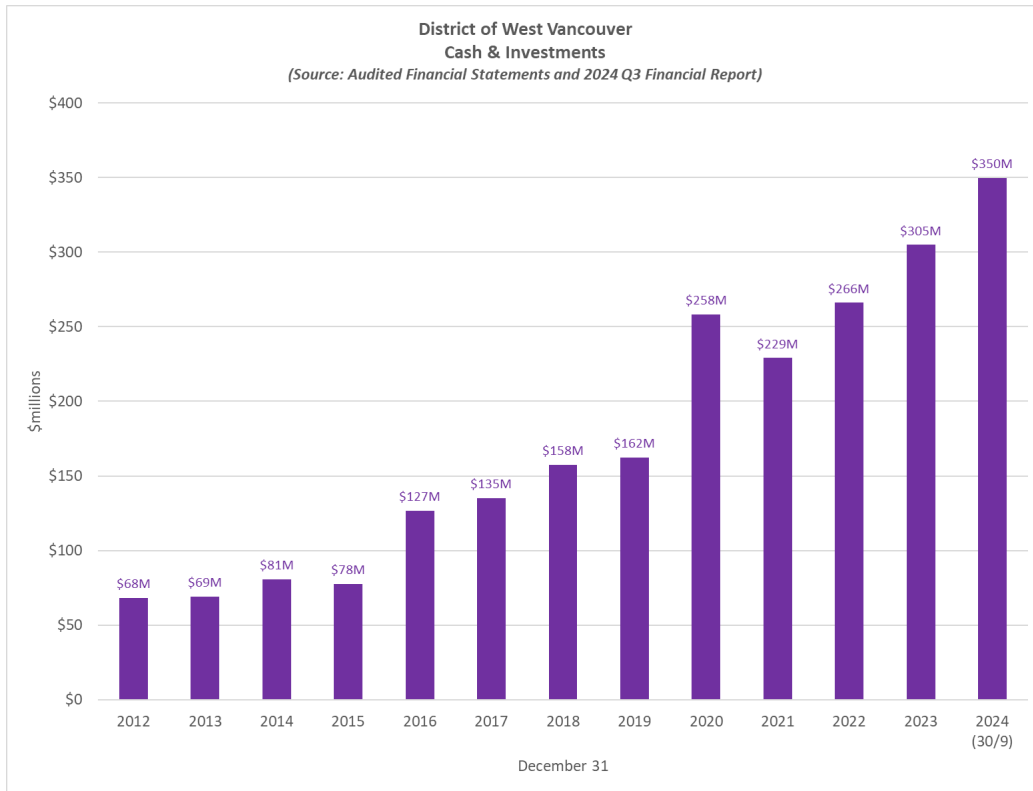
2. **Asset Levy** – we recommend a 2025 Asset Levy increase of 1%, which would result in the Asset Levy increasing from \$15.5 million to \$16.5 million in 2025.

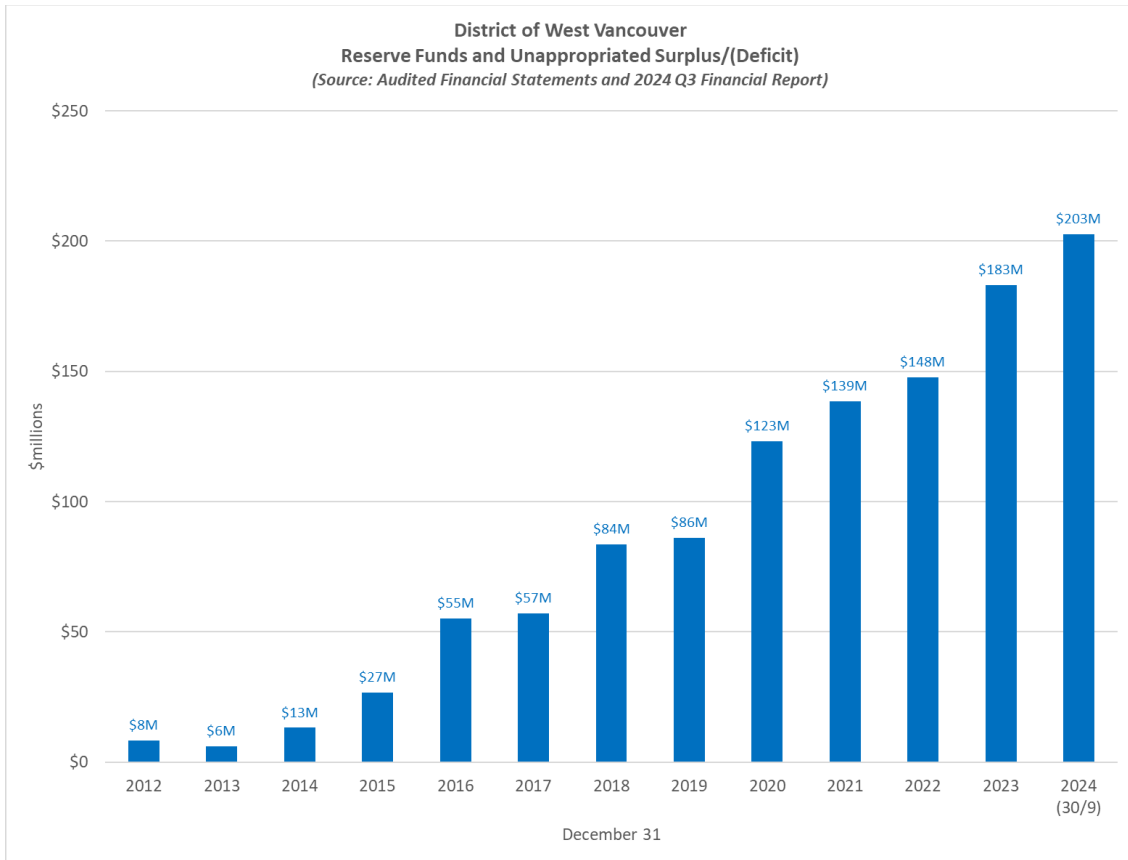
This is in line with DWV staff's recommendation. We believe the proposed Asset Levy is sufficient to meet the District's planned capital expenditures (both asset maintenance and asset purchases).

Members of Finance and Revenue Advisory Committee:

Mayor Mark Sager (Chair)  
Councillor Linda Watt (Acting Chair)  
Michael Evison  
Joel James  
Graham McIsaac  
Michael Paterson  
John Robertson  
Don Smith

## District of West Vancouver – Key Financial Metrics 2012-2024





Please note that there are restrictions on the District’s Cash & Investments and Reserve balances that limit the use of those balances for Operating purposes. Please refer to page 2, item 1 – Reserve Levels of this report for the breakdown of December 31, 2023 Reserve balances into General Fund Reserves, Utility Fund Reserves and other Reserve components.