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CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: February 5, 2008
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TO: Vancouver City Council
FROM: General Manager of Corporate Services/Director of Finance
SUBJECT: 2007 Work Stoppage Financial Analysis

RECOMMENDATION

THAT Council receive the 2007 Work Stoppage Financial Analysis for INFORMATION.

CITY MANAGER'S COMMENTS

Council approved on July 24, "...that any tax savings incurred in this labor dispute be used to reduce property taxes for City taxpayers in 2008". The analysis completed by City staff has determined that the property tax-supported savings from the 2007 work stoppage is \$11.8 million. This translates to a one time reduction of 2.32% on 2008 property taxes. For residential and non-residential properties valued at \$700,000, this savings would be approximately \$40 and \$220 respectively.

COUNCIL POLICY

There is no applicable Council policy, however, Council approved on July 24, 2007 that *"any labor dispute savings and that any tax savings incurred in this labor dispute be used to reduce property taxes for City taxpayers in 2008."*

PURPOSE

This report provides a financial analysis of the impact of the 2007 Work Stoppage that took place between July and October 2007.

BACKGROUND

CUPE 15, CUPE 1004, and CUPE 391 withdrew services between July and October 2007 for approximately 12 weeks. Only the Vancouver Police Department and the Fire Department remained fully operational during this period.

Council provided two sets of instructions to Staff:

- July 24, 2007: *"THAT staff report to Council on any labor dispute savings and that any tax savings incurred in this labor dispute be used to reduce property taxes for City taxpayers in 2008"*
- October 18, 2007: *"THAT Council request staff to report back with a complete analysis of city spending on operations and services during the strike."*

As well on November 29, 2007, Council reduced the fees for water, sewer, and the solid waste utilities by the estimated work stoppage savings for those utilities.

The following report provides an analysis of the financial implications of the 2007 Work Stoppage. The savings will be used to reduce the 2008 property taxes as per Council direction.

DISCUSSION

With approximately 6,000 regular full-time, part-time and auxiliary employees off work for approximately 12 weeks, there were savings realized in the Operating Budget, the Utility Budgets and in the Capital program, primarily in the form of unspent salary funding. However, the work stoppage also resulted in costs being incurred by the City to comply with the Essential Services Order, to ensure that priority public services were maintained, and to protect City assets. In addition, several of the City's revenue sources were adversely affected by the work stoppage resulting in revenue losses.

This report focuses on the impact that the work stoppage had on the Operating Budget, that portion of the City's operations that are supported by taxation and general revenues. The impact on the capital program is considered a deferral of work rather than savings. This is because the capital program is a multi-year program and work not completed during the work stoppage will be rescheduled.

Preliminary expenditure and revenue impacts in the City's three utilities (Water, Solid Waste, and Sewer) were reported to Council on November 29, 2007. The estimated savings was used to reduce the 2008 utility rates as directed by Council. Further analysis has been completed since then and the estimated savings are included in the analysis below.

The net work stoppage savings are presented in three major categories and are estimated at \$13.2 million as summarized in Table 1.

Table 1 Summary of Work Stoppage Financial Analysis

I. Direct Work Stoppage Related Savings	\$million
Departmental/Board Salary Savings	50.2
Equipment & Materials Savings	6.4
Other Miscellaneous Savings	3.4
Total Direct Work Stoppage Related Savings	60.0
II. Exclusions	
Projects & Non Taxation Funded Programs	(4.5)
Capital Deferrals	(8.8)
Utility Savings (Fee Supported & Reported November 2007)	(3.4)
Total Exclusions	(16.7)
III. Direct Work Stoppage Related Costs	
Revenue Losses	(13.8)
Overtime Expenditures	(8.4)
Return to Work Payment	(3.8)
Mediated Vacation Provision	(3.1)
Miscellaneous Costs	(2.4)
Total Direct Work Stoppage Related Costs	(31.5)
Savings (Tax Supported Only)	11.8

A. Financial Analysis

I. Direct Work Stoppage Related Savings \$60.1 million

Savings were realized throughout the organization as a result of the work stoppage. The categories of savings are departmental salary savings, equipment and materials savings, and other miscellaneous savings.

- **Departmental/Board Salary Savings: \$50.2 million**

Salary savings, which include all salary related expenditures, is the largest savings component in the analysis.

- **Equipment and Material Savings: \$6.4 million**

During the work stoppage, equipment remained idle which resulted in savings associated with fuel, maintenance, and capital (extended asset life). As well, the need for material was reduced during the work stoppage.

- **Other Miscellaneous Savings: \$3.4 million**

Throughout the organization, savings were realized within various programs. Savings of \$2.7 million in maintenance, janitorial and utilities (heat, hot water, & electricity) was realized due to the closure of some City facilities. Other savings ranged from savings in computer supplies to auto allowance.

II. Exclusions \$16.7 million

The analysis excluded discrete (time-limited) Council approved projects and capital projects given that "savings" within these areas are considered to be a deferral of work rather than savings. Further, savings reported to Council in November 29, 2007, within the Water and Solid Waste Utilities were used to reduce 2008 utility rates and need to be excluded from the analysis. Savings realized by the Sewer Utility are available to offset both utility rates and property taxes.

- **Projects & Non Taxation Funded Programs: \$4.5 million**

The main exclusions under this category relate to delayed Community Services planning projects, savings within recoverable non-market housing operations, savings within self funded operations such as the City's Cemetery, Street Cuts and the Aggregate Asphalt plant.

- **Capital Related Deferrals \$8.8 million**

Salary, equipment and material costs that relate to Engineering (\$5.0 million) and Utility Capital Work (\$3.8 million) are included in the \$60.0 million of Direct Work Stoppage Related Savings. The impact is considered a deferral of work and is excluded from the calculation of net work stoppage related savings. Non-Engineering salary are charged directly to capital projects and therefore do not need to be excluded.

- **Saving within Utilities (Fee Supported & Reported November 2007) \$3.4 million**

On November 29, 2007, Council reduced the 2008 Utility Rates for the three utilities based on the work stoppage savings analysis completed in November 2007. Therefore, savings from the Utilities are excluded from the analysis, with the exception of 50% of the Sewer Utility savings which is funded by the Operating Budget.

The savings reported to Council for the three utilities was \$4.0 million: \$1.5 million for the water utility; \$1.8 million for the solid waste utility; and \$0.7 million for the sewer utility. The only difference between the savings reported to Council at the end of 2007 is within the Solid Waste Utility. The estimated savings has been reduced from \$1.8 million to \$1.5 million because additional costs were incurred to provide residents unlimited garbage pickup upon resumption of services. Though not part of the fee setting exercise, \$1.1 million in revenues were lost at the landfill which is offset by a reduction to the overall transfer to the Solid Waste Capital Reserve.

III. Direct Work Stoppage Related Costs \$31.5 million

There are a number of costs that were incurred due to the work stoppage. This includes: lost revenues; exempt staff overtime; a return to work payment; Mediator recommended vacation provision; and other miscellaneous costs.

- **Revenue Losses \$13.8 million**

During the work stoppage revenues were negatively impacted as follows:

The following program revenues were impacted:

- *Park Board Revenue*: Due to facility closures, Park Board revenues were impacted in the following areas:

Income Operations (Golf, Pitch & Putts, Concessions)	\$4.8 million
Recreation (Pools, Rinks, Fitness Centres)	\$2.1 million
Park Revenues ¹	\$0.7 million
Total Net Revenue Loss	\$7.6 million

¹These reflect revenues at Queen Elizabeth Park (e.g. Bloedel Conservatory & Celebration Pavilion), Stanley Park (e.g. Miniature Train & Farmyard), and VanDusen Gardens (Park & Gift Shop)

- *Britannia Community Centres*: Britannia Community Centre experienced revenue losses of approximately \$0.1 million due to facility closures.
- *Civic Theatres Revenue*: Due to the closure of the City's Civic Theatres (Playhouse Theatre and Orpheum Theatre), 26 shows were cancelled resulting in a loss of \$0.3 million in revenues.
- *Library Board Revenue*: Due to the closure of the City's Libraries, \$0.5 million in revenue losses were incurred mainly due to reduced book fine revenue.
- *Engineering Services*: Impound revenue losses of approximately \$0.1 million were incurred as a result of the work stoppage.
- *Landfill Revenue*: Revenue losses of at the City's landfill of \$1.1 million as citizens found alternate disposal sites for their waste during the work stoppage. The loss results in a decrease in the transfer to the Solid Waste Capital Reserve.

The following General Revenues were impacted:

- *Engineering Revenue*: the Parking Program revenue loss is estimated at \$3.0 million due to \$2.2 million of Bylaw Enforcement revenue losses, attributed to reduced levels of enforcement and compliance, and Parking Meter revenues losses of \$0.8 million mainly attributed to reduced collections, filled meters, and un-repaired meters.
- *Community Services Revenue*: Due to the reduced ability to process development, building, trade permits and licenses during the work stoppage, it is estimated that

revenues were negatively impacted by \$1.7 million. License Fees (\$0.7 million) and Development Fees (\$1.0 million) account for the largest shortfalls in 2007. It is expected that once developers readjust their schedules (subject to overall development activity levels) the majority of the Development Fee revenue will eventually be recovered. The shortfall in licensing fees is considered a permanent loss.

- *Short Term Interest Revenue*: Offsetting these losses was a net gain of \$0.6 million in Short-Term Interest Revenue due to increased cash balances

- **Overtime Expenditures** **\$8.4 million**

During the work stoppage, eligible exempt employees provided essential and priority services. These employees were compensated if they worked beyond their regular work week at a blended overtime rate. The total overtime cost for these employees was \$8.4 million.

- **Return to Work Payment** **\$3.8 million**

A \$1,000 return to work payment was provided to CUPE 1004, CUPE 15, and CUPE 391 employees translating to a cost of \$3.8 million.

- **Mediated Vacation Provision** **\$3.1 million**

The Mediator recommended that vacation time is to be calculated as if the employee had been at work during the work stoppage. This translated to approximately 1 week of vacation for unionized employees that had not been earned. The value of the one week is \$3.1 million.

- **Miscellaneous Direct Work stoppage Costs** **\$2.4 million**

During the work stoppage, a number of expenses were incurred that would not have been required had it not been for the work stoppage. These expenses have been segregated as follows:

Expenditure Type	\$ million	Explanation
Legal Expenditures	\$0.2	<ul style="list-style-type: none"> • Labour relations legal advice
Contract Services	\$0.5	<ul style="list-style-type: none"> • Majority of these expenditures relate to the provision of security at some City sites
Advertising/Communication	\$0.1	<ul style="list-style-type: none"> • Communication/advertising related expenditures to help inform public on impact and status of the work stoppage
Incremental Project Costs	\$0.6	<ul style="list-style-type: none"> • Increased costs and project delays were experienced by some Information Technology and Facility capital projects as a result of the work stoppage.
Equipment & Materials	\$0.6	<ul style="list-style-type: none"> • Majority of these expenditures related to the unlimited garbage pickup services provided to homeowners at the end of the work stoppage
Other	\$0.4	
Total	\$2.4	

B. Impact of Savings on 2008 Property Taxes and Utility Rates

On July 24, 2007, Council had requested that "...any tax savings incurred in this labor dispute be used to reduce property taxes for City taxpayers in 2008". The net property tax impact of \$11.8 million savings represents approximately a 2.32% one-time savings. The following illustrates the overall impact of the savings on both property taxes and utility rates.

Table 2: Impact of Work Stoppage Savings on Property Assessed at \$700,000

	Residential	Business
Property Taxes	\$40.00	\$220.00
Solid Waste Utility	\$17.00	\$8.00 ¹
Sewer Utility	\$2.00	\$2.30 ²
Water Utility	\$7.00	\$7.00 ³
Total Utilities	\$26.00	\$17.30
Total Savings	\$66.00	\$237.30

¹ Only 800 businesses receive garbage collection services by the City

² Assume average flat water consumption levels (savings \$0.012 per unit or 1.08%)

³ Assuming average flat water consumption levels (saving \$0.037 per unit or 2.08%)

C. Implementation of Work Stoppage Savings

The City of Vancouver is not permitted to offer a reduction or rebate on property taxes. However, the work stoppage savings can be used to reduce the amount of money needed to be raised through property taxes. This can be reported on the Property Tax Notice sent to the property owners in late May as a foot note with the following message:

"The amount of the City of Vancouver General Levy above includes \$____ in savings due to the 2007 work stoppage."

Technical changes needed to calculate and print the statement on the property tax notice will be initiated once Council receives this report. Any future change in Council direction on the application of the savings may risk the implementation of these system changes in time for tax billing.

The 2008 property taxes and the application of the work stoppage savings will be calculated as follows:

- The municipal portion of the tax bill will show property taxes to be paid after the work stoppage savings.
- The savings will be applied to all properties that are levied using a property tax rate, including both taxable properties and exempt properties that remit payments-in-lieu of taxes.
- Any savings will be applicable to the owner of the property at the time of billing. The owner may not be the same property owner that was impacted by the work stoppage if property ownership changed hands during this period.

- Any savings will be applicable based on property classifications and assessed values at the time of billing which will ignore changes of class and changes in relative assessed values from 2007.
- Any applicable savings will be influenced by the land assessment averaging program (if approved) in 2008.
- Any savings will be applicable to property owners and not directly to tenants.

CONCLUSION

The financial analysis of the 2007 Work Stoppage has indicated that \$11.8 million of savings were realized resulting in a one-time property tax savings of 2.32%. Once Council receives the report, staff will proceed with the necessary system changes.

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