



City of Richmond

Report to Committee

To: General Purposes Committee

Date: December 31, 2003

From: George Duncan
Chief Administrative Officer

File:

Re: **Strategic Financial Planning Process**

Staff Recommendation

That Council endorse the introduction of the strategic financial planning process through which the City will transition from the current Five-Year Financial Plan to the Sustainable Financial Plan, as outlined in the Staff Report from the CAO.

A handwritten signature in black ink, appearing to read "George Duncan".

George Duncan
Chief Administrative Officer
(4338)

Staff Report

Background/Origin

On September 22, 2003, Council adopted the Sustainable Financial Plan. The Plan represents the first step of an ongoing strategic process through which the City will transition its financial & budgetary practices from a base level budget review format to a policy-based strategic financial planning process.

The first step included the adoption of a number of policies and the establishment of a formula through which the City will establish limits on future property tax increases which will come into force in the 2005 Operating Budget.

The purpose of this report is to introduce step two of the sustainable strategic financial planning process which entails implementing the various policies and practices which are specified in the Sustainable Financial Plan. The CAO is proposing to conduct a series of strategic financial planning workshops through which members of Council will have the opportunity to develop the operating budget transition plan which must be in place in time for preparation of the 2005 Operating Budget, as well as to study the long-range financial outlook. It is proposed that the workshops be conducted as Special Open Finance Select/GP Committee meetings which can be scheduled during the regular meeting cycle (e.g. every second regular meeting), or as special meetings (i.e. scheduled outside of the regular meeting cycle).

Analysis

The plan will address the changes required to our annual cost structures and revenue streams in order to transition from the Five-Year Financial Plan to the Sustainable Financial Plan. The scope or magnitude of change which is anticipated as a result of this transition is illustrated through comparing the terms of the Five-Year Financial Plan which for the year 2005 specifies a property tax increase of 4.69% increase to the terms of the Sustainable Financial Plan which specifies a maximum property tax increase in the amount of the consumer price index plus an additional 1% which must be dedicated to reserves. In essence, therefore, the real transition for the purposes of calculating the revenue which must be generated through the Operating Budget is from 4.69% to the consumer price index. If the consumer price index in 2005 is similar to its current rating of approximately 2.2%, the transition requirements for the 2005 Operating Budget would be a reduction of approximately \$2.785 million in operating costs. In anticipation of this upcoming challenge, the requirement to reduce operating expenses has been incorporated into the 2004 Budget through recent organizational changes which generated cost savings of the magnitude of approximately \$500,000 per year, and staff will continue to conduct corporate-wide efficiency and service level reviews. However, in order to ensure the success of the Sustainable Financial Plan, the City must redirect its focus to the long-range financial picture.

In this regard, Council must establish a position on the long-range financial picture (Big Picture Budget Questions) which the CAO presented in a memo (dated November 19th, 2003) to Council. The big picture questions are as follows:

1. The City needs to define its core business and determine the extent to which we will continue to fund functions which are outside our core business.
2. What market position, with regard to services provided and level of property taxes, do you want to maintain in your comparator group (neighbouring Lower Mainland communities)?
3. What is your property tax increase goal, if it is different than stated in the Plan?
4. If necessary, are you prepared to make cuts to achieve your property tax increase goal?
5. Are you prepared to exceed your Five-Year Plan or Sustainable Financial Plan goal projections in order to accommodate additional level requests which Council wishes to support (e.g. policing)?
6. Are you prepared to require that cost savings be achieved through the Parks & Recreation review?
7. Is Council prepared to place an in-depth focus on cost centres where our costs are actually increasing to a significant degree, as opposed to continuing current budget review practices?

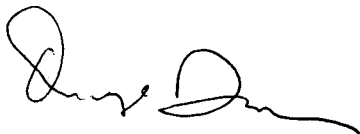
The outcome of these discussions will form the foundation on which the transition and implementation plans will be built.

Financial Impact

not applicable

Conclusion

As Council has adopted strategic policy-based programs for both their corporate & financial plans, it is appropriate that the time be dedicated to conduct facilitated financial strategic planning sessions during which Council can focus on developing a clear understanding of the long range financial outlook and implications of various individual financial decisions.



George Duncan
Chief Administrative Officer
(4338)

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