



REPORT TO COUNCIL

TO: Richmond City Council
FROM: Mayor Greg Halsey-Brandt, Chair
General Purposes Committee
RE: FIVE YEAR FINANCIAL PLAN

DATE: March 22nd, 2000
FILE: 0970-01/00

The General Purposes Committee, at its meeting held on Monday, March 20th, 2000, considered the attached report, and recommends as follows:

COMMITTEE RECOMMENDATION

- (1) ***That the year 2000 Operating Budget be adjusted to reflect a total reduction in expenditures of the \$80,000 realized through the elimination of the vacant Manager, Purchasing & Insurance position.***
- (2) ***That staff make the necessary changes to the 5 Year Financial Plan for Year 2000 Budget adjustments and include the document as part of the public consultation process.***

Mayor Greg Halsey-Brandt, Chair
General Purposes Committee

Attach.

VARIANCE

Please note that staff recommended the following as Parts (2) and (3), which were referred to the Finance Select Committee for review.

- (2) That subject to verification by the external auditors of the availability of 1999 surplus funding, an additional \$175,000 be allocated to the Year 2000 Consulting Fees Budget -
- (3) That subject to verification by the external auditors of the availability of 1999 surplus funding, that Council give staff direction regarding the re-allocation of the balance of the \$600,000 requested for Year 2000 Consulting Fees Budget (up to approximately \$425,000) towards the Year 2000 budget.

STAFF REPORTORIGIN

At the March 6, 2000 General Purposes Committee meeting, staff were requested to provide members of Council with a copy of the 5 Year Financial Plan prior to holding a public consultation meeting. Also, the Committee requested an explanation of three specific items identified as either adjustments to the Year 2000 base level budget or expenses charged against Surplus.

These items included the following:

1. Consultants' fees totalling \$600,000
2. Salary for vacant Manager, Purchasing & Insurance position for \$80,000
3. Training costs of \$128,000

The following staff report addresses each of the above-noted items and its impact on the Year 2000 Budget in conjunction with the 5 Year Financial Plan.

ANALYSIS5 Year Financial Plan

Please find attached a copy of the proposed 5 Year Financial Plan along with key assumptions (see Appendix 1). Staff have presented this document to the General Purposes Committee in order to seek direct feedback prior to taking it through the public process.

A draft copy of a single page summary of the 5 Year Financial Plan (see Appendix 2) has been provided for your convenient review and comment. This document is similar to that required by the Ministry of Municipal Affairs as per Bill 88 and will be made available to the general public and used in the public consultation meetings.

Consulting Budget

The \$720,000 that was charged against Surplus included:

- \$120,000 for Minor Capital expenditures
- \$600,000 for consultants' fees

Please find attached a copy of the proposed consulting expenditures (see Appendix 3). It should be noted that the consulting costs have now been reviewed by TAG and it is recommended that the total allocation be reduced from \$600,000 to \$500,000. However, as \$325,000 is identified in the base budget for consulting fees, the balance required from surplus is \$175,000 as opposed to the \$600,000 initially requested. The resulting \$425,000 balance is the subject of Staff Recommendation 3.

Vacant Position – Manager, Purchasing & Insurance

A salary expenditure of \$88,000 for the new Director of Finance position was included in the budget report presented to the General Purposes Committee on March 6, 2000. However, it has since been confirmed that Mr. John Lindberg will remain in the Director, Information Technology position and the vacant Manager, Purchasing & Insurance position will not be filled. The result is a cost savings of approximately \$80,000 per annum. Accordingly, the Year 2000 Budget can be reduced by this corresponding amount (See Staff Recommendation 1).

Training & Development

There are a number of factors which contributed to the increase in the base level training budget:

(i) **Mandatory Training**

Over recent years, a significantly larger share of the training budget has been expended on training which is mandated by agencies other than the City. Examples include WHMIS, Flagging (road safety), WCB safe practices, water certifications, various Fire-Rescue procedures, driver safety (equipment operations), and diversity training, etc.

(ii) **New Technology**

There is a significant component of training associated with the introduction of new technologies. This training is also not optional. New technologies are apparent across all areas of City operations ranging from new basic office systems software, i.e., conversion from WordPerfect to Word, Excel, new E-mail, calendar booking systems, and registration systems, to new accounting systems, Geographic Information Systems, Document Management Systems, OMS and SCADA.

Although training of this nature is not externally mandated, it is essential for our basic day-to-day operations. The reality is that the rate of change and updates to the current generation of software will continue to impose an increasing demand for staff training. This trend has been apparent for at least five years and, as a result, will consume increasing portions of the total training budget. This phenomenon will be most apparent in the year 2000 because up until now some of the cost of training for new software has been included in the cost to purchase the product. However, commencing in 2000, this type of funding assistance for training will no longer be available. The final outcome is that after the cost of mandatory and technological training, there is not sufficient training funding left over to address the need for developmental training. For example, this year the value of developmental training requests exceeded available funding levels by over \$300,000.

(iii) **Training Budget Levels – 1995 through 1999**

As requested, staff have provided some comparison numbers for the past few years' training budgets, however, with the demise of the Wang computer system, accurate, historical data is not readily available. In order to familiarize myself with previous years' training budget levels, I consulted with the Manager of Training. Ms. Hopkins advises that she has been with the organization since 1995 and in that time frame the training budget

has remained fairly level, with the increase over the last three or four years being the provision of training funds to departments or sections which had previously not been allocated any funding for training. This would appear to be supported by the information provided by our budget personnel. Also, during this time frame, there has been a direct relationship between an increase (24%) in developmental training and a decrease (43%) in seminars and conferences funding.

1995 – 1999 Training Budget -
Inclusive of Seminars and Conferences, Corporate, Divisional and Developmental Training:

1995	1996	1997	1998	1999
\$540,500	\$542,200	\$574,700	\$630,700	\$670,500

The end result is that each year there is a need to train more people on a significantly wider variety of skill sets which in turn have increasing importance in our day-to-day operations.

(iv) **Change in Corporate Training Focus**

The recent focus on skill level developmental training reflects a change in corporate training philosophy and, consequently, procedures. Previously, developmental training and conferences and seminars were offered on a broad range of general topics and relevance to work place responsibilities was only randomly tested. Also previously, applicants for training and development would encounter numerous systemic barriers (i.e., financial, available space, scheduling, demands of operational needs, and personal time constraints) which disqualified many staff from participating. The outcome was an unhealthy staff participation ratio which essentially resulted in the majority of available training funding being spent on a small minority of the staff. Also, in the past, the training courses did not necessarily have any direct relevance to the participant's current responsibilities, potential future duties, or to a position which could reasonably be attained through an identifiable succession path (promotion).

Under the revamped program, training requests undergo a process of evaluation. Requests must first meet a series of qualifying criteria (i.e., relevance to present duties, safety, organizational needs, skill development, etc.). Once this assessment is complete, the application must then be approved by the General Manager prior to being forwarded to the Human Resources Department for approval. Also, the systemic barriers have been removed and managers are now required to plan training for their staff and provide regular status reports to the CAO. These changes allow staff persons who, in the past, although being the most appropriate candidate to take a particular skill level training assignment, could not qualify or were not permitted to do so.

(v) **Customer Service Training**

In order to support the move to the customer service orientation and to support the new Front of House Service Centre in the new City Hall, customer service training must be provided for all staff who interface with clients of the City.

FINANCIAL IMPACT

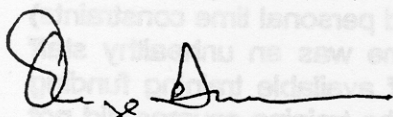
The financial impact of the changes contained in the staff recommendations amount to an \$80,000 reduction in operating expenses for the Year 2000. This change represents a total tax draw percentage increase of 2.75%.

The \$425,000 reduction in consulting fees is a savings from 1999 surplus. Therefore, Council can choose to apply this revenue against the 2000 Operating Budget or against one-time expenditures. It should be noted, however, that if applied against the 2000 Budget, an equal amount of revenue must be generated from surplus each subsequent year to avoid impacting on the tax draw.

\$240,500	\$242,500	\$27,700	\$270,500
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CONCLUSION

Adjustments should be made to the Year 2000 Budget which reflect a reduction in the contribution from surplus for consulting fees from \$600,000 to \$175,000. Also, the 2000 Operating Budget should be reduced by \$80,000 due to the elimination of the salary and benefits for the vacant Manager, Purchasing & Insurance position.



George Duncan
Chief Administrative Officer

GD:djy