



REPORT TO COUNCIL

TO: Richmond City Council
FROM: Councillor Ken Johnston, Chair
Finance Select Committee
DATE: April 18th, 2001
FILE: 0970-00
RE: FIVE YEAR FINANCIAL PLAN AND PROPOSED FINANCIAL PLANNING POLICY

The Finance Select Committee, at its meeting held on Thursday, April 12th, 2001, considered the attached report, and recommends as follows:

COMMITTEE RECOMMENDATION

- (1) *That the procedural guidelines (outlined in the report dated April 9th, 2001, from the Chief Administrative Officer) for the development and presentation of the 5 Year Financial Plan, be adopted.*
- (2) *That staff provide up to 5 revenue options (i.e. (i) casino funds; (ii) use of surplus funds; (iii) use of various statutory reserves; and (iv) temporary suspension of interest or payments to the revolving fund) for interim measures to be adopted for a maximum of three years to offset anticipated funding shortfalls during the recovery period.*
- (3) *That staff provide on a monthly basis, service level and associated budget impact presentations for review and comment by the Finance Select Committee.*

Councillor Ken Johnston, Chair
Finance Select Committee

Attach.

VARIANCE

Please note that the Chief Administrative Officer recommended Part 1 only.

STAFF REPORT

ORIGIN

Changes in the Local Government Act require that in addition to the annual budget, the City prepare and present for public consultation, a five year financial plan.

This requirement took effect in 2000, however, no clear guidelines on a financial planning reporting format were provided. This report proposes a restructured process including a specified procedure and guidelines for projecting and reporting five year expenditures. It is also proposed that the proposed procedure be formally adopted by Council thereby ensuring consistency in the development and reporting of five year financial information and ultimately that Council's expectations are understood and satisfied by the process.

ANALYSIS

There has been some degree of inconsistency even between departments regarding the inclusion of various expenditures in the five year financial plan. For example, some departments submitted only same level of service budget projections while others, such as the RCMP, included additional level budget requests and the Parks Department which allowed for future plant growth. This latter format is problematic because it produces a five year financial plan which will receive public scrutiny and is inclusive of significant additional cost items which will not be presented for formal evaluation and approval by Council until some future date.

In order to overcome this shortcoming in the current practice, it is recommended that the following basic procedural format be adopted which differentiates between base costs, costs associated with increased plant, costs due to inflation and additional levels costs.

Five Year Financial Planning Procedure:

- (i) Each business unit must provide a preliminary five year financial plan with the current year budget submissions.
- (ii) Five year financial plans must be structured to include/clearly identify:
 - a. for comparison purposes, the base level of service budget for the previous year;
 - b. the current year same level of service budget plus all pre-committed non-discretionary cost increases (i.e. – incremental increases specified in contracts, salary increases associated with collective agreements, etc.) clearly identified as a separate line item cost factor;
 - c. item (b) above adjusted for inclusion of pre-announced non-discretionary rate increases (i.e., heat, light, fuel, telephone etc.) also clearly identified as a separate line item cost factor;

- d. item (c) above plus cost increases (identified as a separate line item) directly associated with increased plant which is presently, or which has been approved and will be in place and fully operational during the respective budget year;
- e. other inflationary increases on scheduled costs are to be included and separately identified as noted above only where verification of the increase can be provided.

(iii) Five year financial plans should not include:

- a. additional level budget requests;
- b. cost increases for anticipated increased plant where the associated plant has not received final approval;
- c. cost increases associated with unverified inflationary factors;

All additional level costs and costs associated with anticipated increases in plant will be reviewed with the respective annual budget submission.

(iv) All Departments/Divisions' five year financial plans must be signed-off by the General Manager and be submitted to The Administrators' Group for review, comment and approval. The Corporate Five Year Financial Plan report is to be signed-off by the General Manager of Finance and Corporate Services and must be accompanied by a signed concurrence from the Chief Administrative Officer prior to being forwarded to Committee/Council.

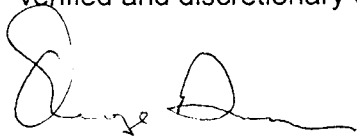
(v) The draft or proposed five year financial plan must be submitted to Council for review and comment with the annual budget submission.

FINANCIAL IMPACT

N/A

CONCLUSION

The five year financial plan should reflect only non-discretionary cost increases which can be verified and discretionary cost increase which have received prior formal approval of Council.



George Duncan
Chief Administrative Officer

GD:jvr