



City of Richmond

Report to Committee

To: General Purposes Committee
From: Jeff Day, P. Eng.
General Manager, Engineering & Public Works
Re: Long-term Financial Management Strategy

To General Purposes - Oct. 7/02
Date: September 27, 2002
File: 0975-01

Staff Recommendation

That the work program for the Long-term Financial Management Strategy contained in Attachment 1 of this report dated September 27, 2002 from the General Manager, Engineering & Public Works be endorsed.

Jeff Day, P. Eng.
General Manager, Engineering & Public Works

Attachment: 1

Staff Report

Origin

On August 26, 2002, General Purposes Committee agreed to have a workshop with TAG to:

1. Establish general guidelines for the preparation of the 2003 budget, and to
2. Present a work program for the development of a Long Term Financial Management Strategy.

This report and the attached work program deals with the Long Term Financial Management Strategy.

Analysis

It is the City's vision to be the most appealing, liveable and well-managed community in Canada. Over the last 5 years, the City has made great strides forward in moving closer to achieving this vision. As a result, the City continues to be recognized particularly for the advancements made towards the "appealing" and "liveable" components of the vision. The intent of the Long-term Financial Management Strategy is to now focus on enhancing the City's economic well being for present and future generations as part of the "well-managed" component of the vision without sacrificing the components of the vision which affect the overall liveability of the community. The final strategy will contain policies, guidelines, and implementation plans all aimed at moving towards achieving Council's priority of financial sustainability.

Regular updates and workshops with Council at key stages in the process are included in the work program. The proposed work program is divided into the following main parts:

Phase 1: Where we are at

This first phase is devoted to preparing the background information that is necessary to articulate a clear picture of where we are today in regards to financial sustainability.

Phase 2: Where we want to go

This phase includes a workshop with Council to determine where we want to strive to be with long-term financial sustainability. In other words, what legacy for the community does Council want to achieve.

Phase 3: What we need to do

This phase focuses on developing various options for achieving Council's desired direction. Where possible, financial models will be created for each option to help show the effects of present and past policy decisions, economic cycles, decisions of other levels of government and the implications on resources, City programs, Council priorities, and new revenue sources.

Phase 4: How we get there

The final phase contains two main components. The first is a public consultation component which is intended to provide residents with a better understanding of the budget challenges faced by Council, and also to receive feedback on the possible options for achieving long term financial sustainability. The second component is the development of Council policies that will guide future budget decisions as part of a long-term financial management strategy. Some examples of the possible policy areas include:

- use of surplus;
- dedicated funding – contributions to reserves;
- use of current assets;
- new revenue sources such as gaming, user fees, etc.;
- caps on tax increases;
- use of stabilization accounts;
- preservation and enhancement of the City’s liveability;
- how to handle downloading, and
- timing of the budget cycle.

Financial Impact

The majority of the work program will be delivered by using existing staff resources along with the aid of a facilitator to conduct two workshops with Council and staff. The facilitator’s services will cost \$5625.00 and will be funded from the existing operating budget. Depending on Council’s direction resulting from the Phase 2 workshop, additional expenditures may be necessary for a public survey and/or focus group research. Prior to incurring additional costs, staff will report back to Council with firm estimates for Council’s consideration once clarity on the scope is achieved.

Conclusion

On October 7th, staff will be seeking input from Council on the proposed work program before proceeding further on developing a Long-term Financial Management Strategy for the City.



Lauren Melville
Manager, Policy & Research

LMM:lmm

**Attachment 1:
Long Term Financial Management Strategy Work Program**

Actions	Deliverables	Resources	Timing
PHASE 1: <i>Where we are at</i>			
<p>(1) Prepare background information for the development of the strategy including but not limited to:</p> <p>(a) Develop a “State of the infrastructure” report.</p> <p>(b) Prepare an analysis of economic trends & external forces.</p> <p>(c) Compile & assess the impact of past decisions and external forces.</p> <p>(d) Compile information on Richmond amenities.</p> <p>(e) Prepare an assessment of how the discretionary & non discretionary costs are allocated throughout the City</p> <p>(f) Development of a Financial Handbook to help answer residents’ questions.</p>	<p>An overall summary of all the current and future liabilities resulting from new capital and maintenance & replacement schedule.</p> <p>Trends Analysis.</p> <p>An synopsis of how policy directions have effected where we are today.</p> <p>A snapshot of what Richmond has to offer.</p> <p>Clarity on City discretionary & non-discretionary budget allocations.</p> <p>A handbook which clearly explains how municipal finance works complete with budget challenges and scenarios.</p>	<p>Staff team & other city staff as required.</p>	<p>December 2002</p>

(g) Prepare presentation to Council on the implications of the changes to the PSAB including a report card as a means of measuring success.	Presentation & report card.		
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PHASE 2: *Where we want to go.*

(1) Workshop with Council to determine what success would look like with a long-term financial strategy.	A clear vision of what we want to achieve, so that options can be developed for Council's consideration.	Staff team & facilitator	January 2003
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PHASE 3: *What we need to do.*

1. (a) Develop Options with financial Models for Council's Consideration	(a) Financial models that provide: (i) an assessment of the implications for each option developed such as the affect on resources, programs, Council priorities, services, etc., and (ii) the affects of external forces such as the economy, actions of other levels of government, terrorism, & potential new revenue sources on the options. Various "what if scenarios", and the affects of past decisions and external forces will be built into the models.	Staff team & other City staff as required.	February 2003
(b) Develop strategic action plans for implementing the various financial model options.	(b) Implementation plans.		

PHASE 4 – <i>How we get there</i>			
1) Develop & implement a public consultation process in the community beyond statutory requirements.	Public opinion on the preferred financial model options & increased awareness, civic pride and information on the City's Long -term Financial Management Strategy. Examples of public consultation tools that could be used include: a) survey. b) newspaper inserts. c) focus groups.	staff team & consultant to develop and conduct surveys and/or focus group research.	March 2003
2) Workshop with Council to develop financial management guidelines and policies.	(a) Principles and policies to guide future budget decisions as part of a long-term financial strategy. Examples of policy directions include: a) use of surplus; b) dedicated funding - contributions to the reserves. c) how to handle downloading; d) use of current assets; e) new revenue sources; f) caps on tax increases; g) use of stabilization accounts; h) preservation and enhancement of the City's liveability. (i) timing of the budget cycle.	Staff team & facilitator	April 2003
4. Develop Communications Plan	Implementation of plan leading up to budget time.	Staff team & other City staff as required.	May – September 2003



Long-term Financial Management Strategy

Strategy Mandate:

- To move closer to achieving the “well-managed” component of our vision;
- To create a legacy by enhancing the City’s economic well-being for present & future generations;
- To develop a holistic approach to financial management, and
- To create clear action plans & policies for achieving Council’s priority of financial sustainability

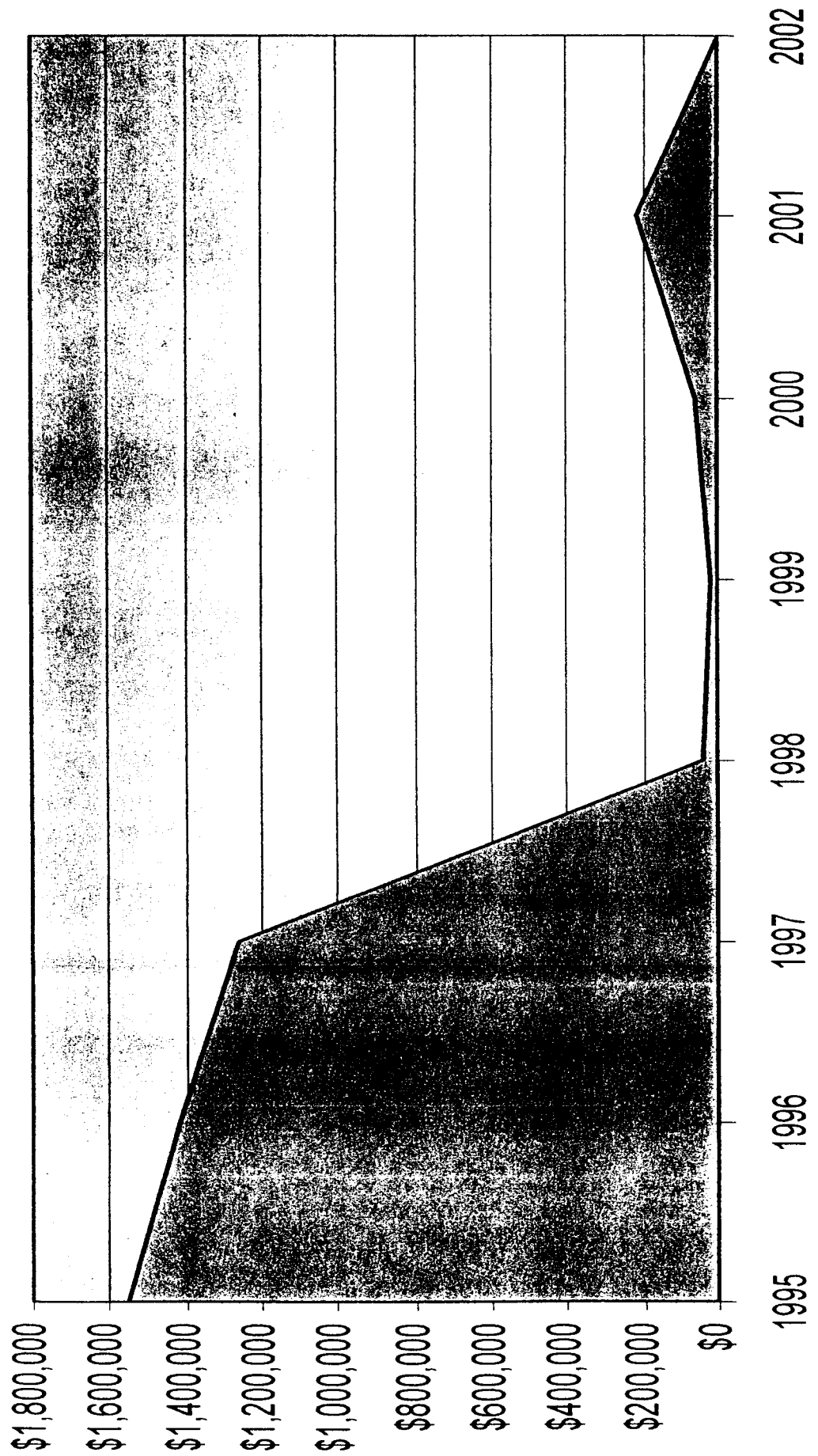
Purpose:

- To provide a snapshot of where we are currently
- To discuss and receive input on the Strategy
- To obtain Council's endorsement of the work program

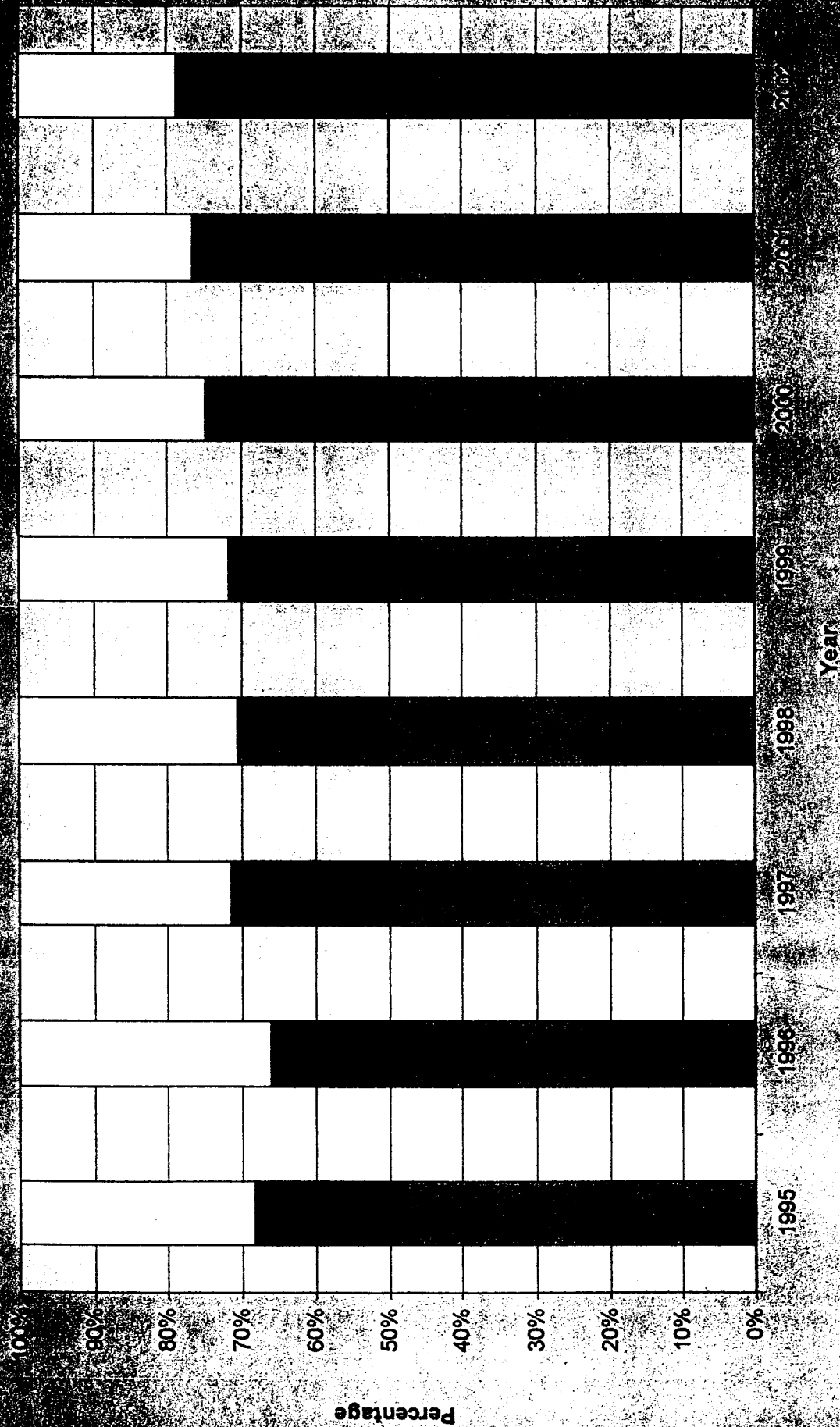


Why is it needed?

Surplus 1995 - 2002

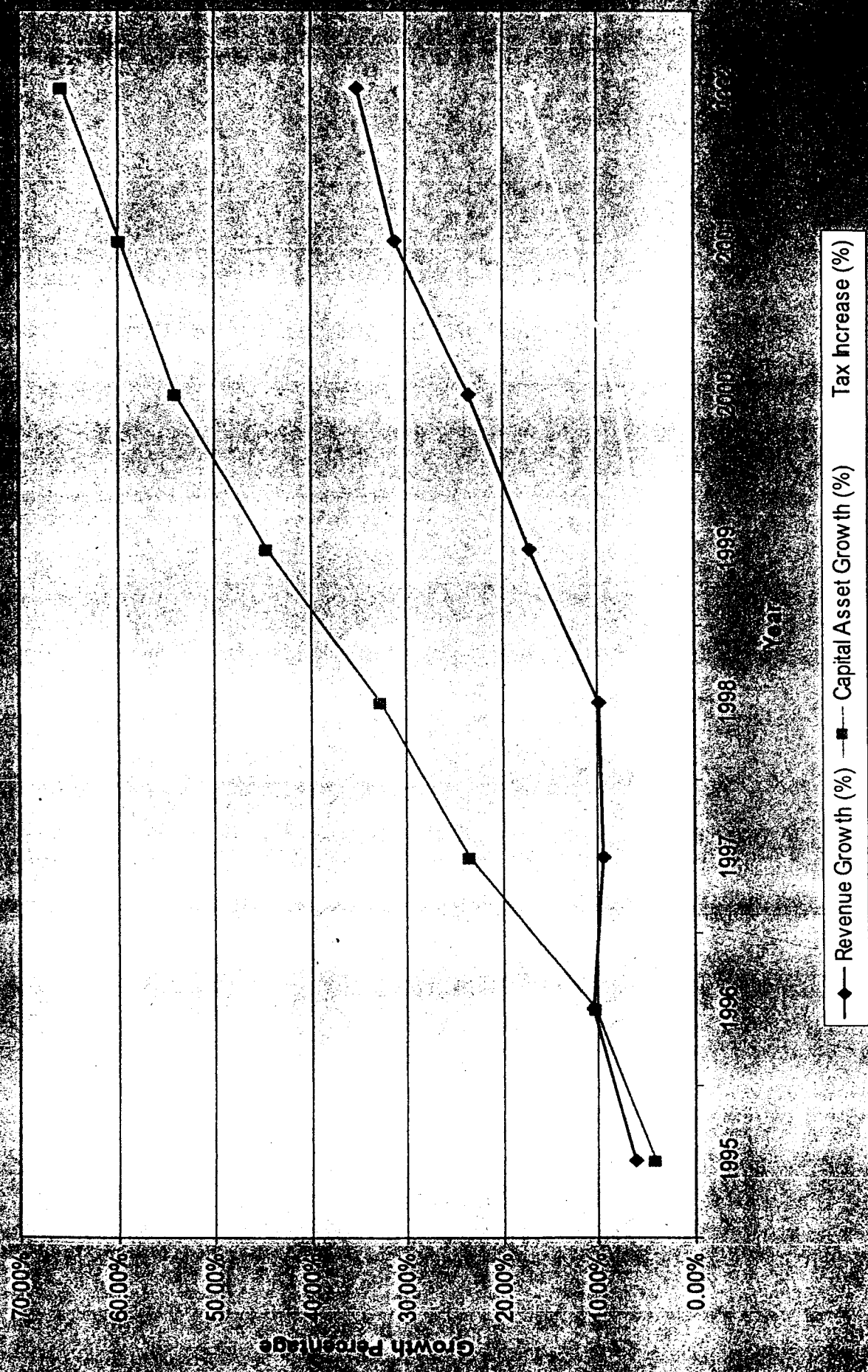


Revenue Analysis 1995-2002

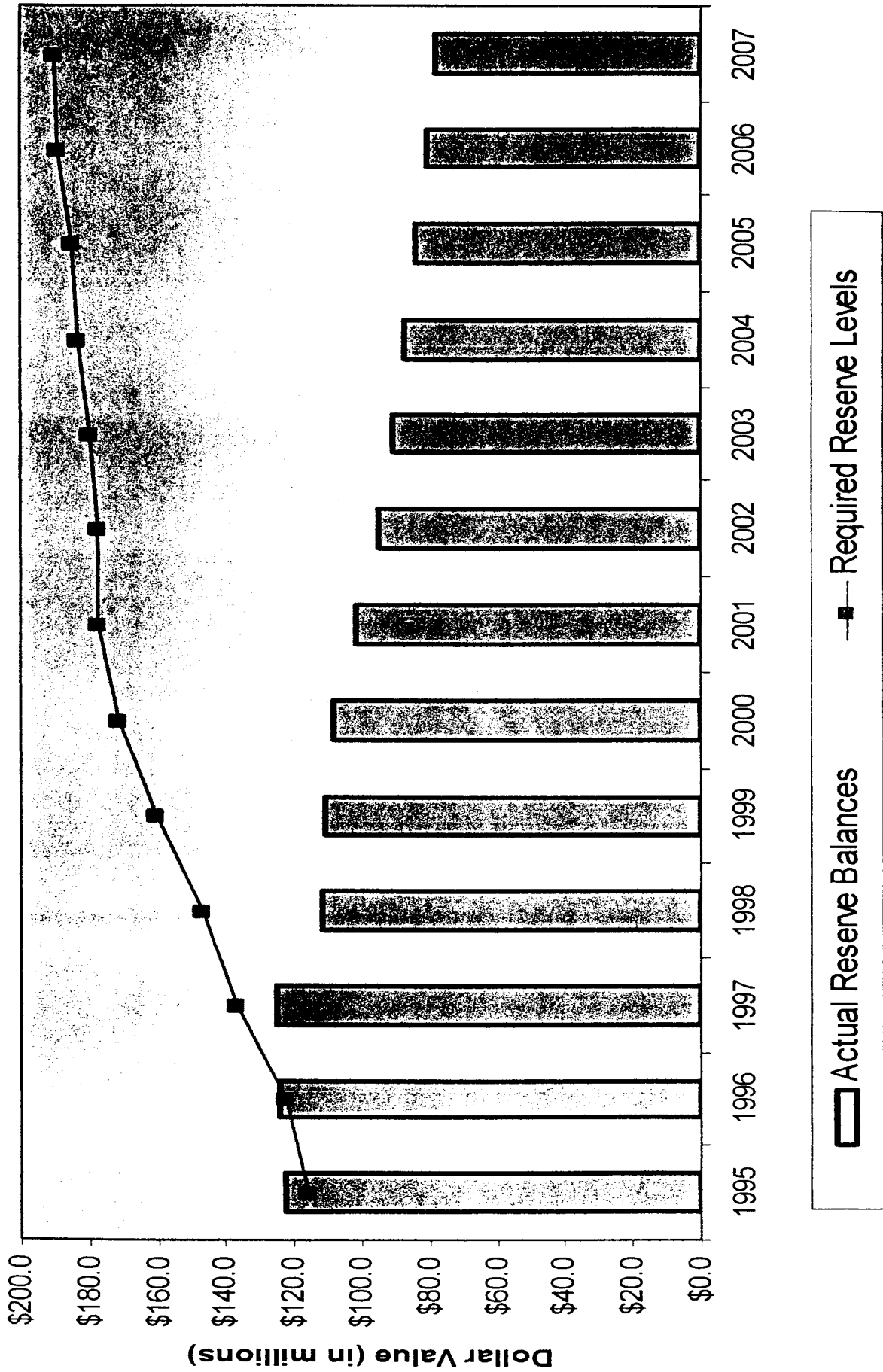


Tax Revenue
 Utilities Revenue
 Non-tax Revenue

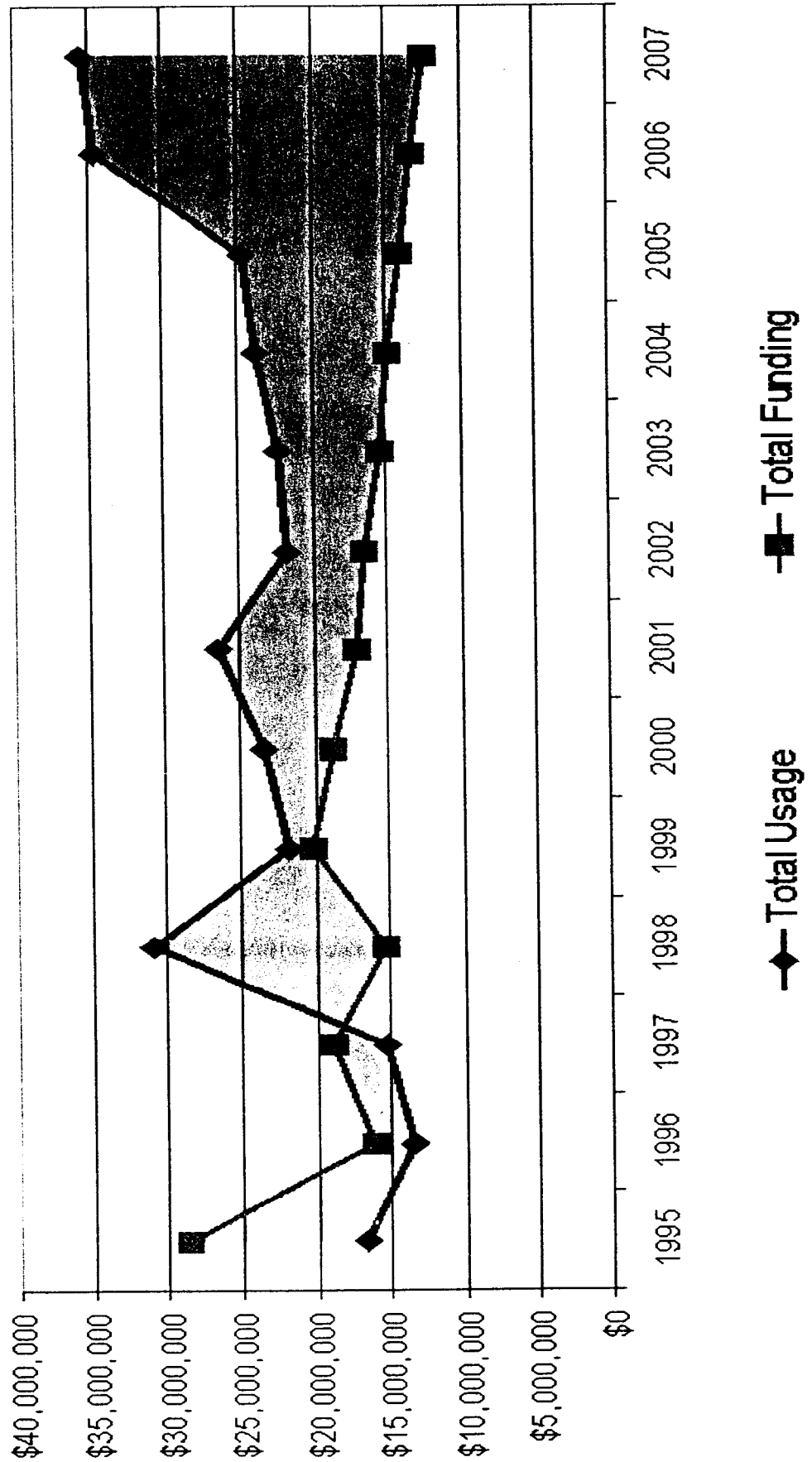
Revenue Growth (%) vs. Capital Asset Growth (%) vs. Tax Increase (%)
1995 - 2002



Actual Reserve Balances vs. Required Reserve Levels 1995 - 2007



**Statutory Reserves
Actual/Required Funding vs. Usage
1995 - 2007**



Work Program Components:

- Phase 1:
 - Where we are at
- Phase 2:
 - Where we want to go
- Phase 3:
 - What we need to do
- Phase 4:
 - How we get there

