General Issues Committee
SERVICE DELIVERY/ FINANCIAL SUSTAINABILITY WORKSHOP
MINUTES
9:45 a.m.
Tuesday, May 10, 2011
Room 314
Hamilton Convention Centre
1 Summers Lane

Present: Councillor T. Jackson (Vice-Chair)
Mayor B. Bratina
Councillors C. Collins, S. Duvall, B. Johnson, B. McHattie,
S. Merulla, J. Partridge, R. Pasuta, M. Pearson, R. Powers,
B. Morelli, L. Ferguson, B. Clark

Absent with Regrets: Councillor T. Whitehead - Personal

Also Present: C. Murray, City Manager
R. Rossini, General Manager, Finance and Corporate Services
G. Davis, General Manager, Public Works
T. McCabe, General Manager, Planning and Economic Development
J. A. Priel, General Manager, Social & Community Services
H. Hale Tomasik, Executive Director, Human Resources & Organizational Development
Dr. E. Richardson, Medical Officer of Health
P. Chapman, Mayor's Chief of Staff
M. Zegarac, Director, Financial Planning and Policy
D. El-Farra, Corporate Communications Program Manager
A. Zuidema, Director, Corporate Initiatives
L. Zinkewich, Senior Project Manager
C. Biggs, A. Grozelle Office of the City Clerk

FOR THE INFORMATION OF COMMITTEE:

(a) CHANGES TO THE AGENDA (Item 1)

The Clerk advised that there were no changes to the agenda

(Powers/McHattie)
That the agenda be approved, as presented. CARRIED
(b) DECLARATIONS OF INTEREST (Item 2)

None

(c) PRESENTATIONS (Item 3)

(i) Service Delivery (No Copy) (Item 3.1)

Chris Murray, City Manager, provided an overview of the intent of Service Delivery portion of the workshop. He then introduced Jacquie Wakabyashi Manager Performance & Technology, KPMG.

Jacquie Wakabyashi, provided a Power Point presentation to the Committee for educational purposes. Highlights included but were not limited to the following:

- Highlighted the factors influencing municipalities such as, budget shortfalls, property tax increases, increased service demands, increased labour/benefit costs, changes in legislation, greater public accountability, increased liability, and demand for new technology
- Discussed the examples of Service Delivery Reviews done in Moncton, Fredericton, Windsor, Toronto and Winnipeg
- Showed how these reviews began with an Inventory of Services
- This inventory would then be used to determine what department provides the service and eliminate duplicate service deliveries or ones that do not fall under any area
- Showed how the example cities then used the Service Inventory to begin a priority setting exercise on the value and importance of all internal and external services
- Indicated that in some of these examples cities used Maslow's hierarchy of needs to illustrate these efficiencies
- Described how councils have a role in sitting down and coming up with guiding principals of this process
- Once the priority setting process is begun there will be the opportunity for councils to see what areas they would like to review for efficiencies/ adjust funding towards.

There were several questions from Councillors. Highlights included but were not limited to the following:

Councillor McHattie used the examples of snow clearing for bicycle lanes indicating that since this is seen as an increase in service it would likely not be rated high under the priority setting process and therefore not succeed although ultimately this would contribute to the overall vision of the city.
Ms. Wakabyashi indicated that this is where the priority setting exercise is useful and often times it leads to abandoning a city wide approach and focus on examining what areas the service is needed and implementing only in those areas. This process would also lead to examining what the overall demand for a service is within a city.

Several Councillors indicated that on the Moncton priority setting chart Urban Forestry was rated very low on the priority list. This was compared to the local issue of tree trimming and the emerald ash bore. There was some discussion that setting priorities based upon this list could leave areas underfunded and in danger.

Ms. Wakabyashi indicated that through the priority setting exercise the City of Hamilton would address a higher priority to Urban Forestry because of the issues raised around it.

Ms. Wakabyashi pointed out that the priority setting did not mean that items that are lower priority will have funding cut as there are efficiencies that can be found in high priority services as well.

Chair Jackson thanked Ms. Wakabyashi for her presentation.

Rob Rossini, General Manager of Finance and Corporate Services gave an update on the past and current efforts related to service delivery reviews with the aid of a Power Point Presentation. Highlights included but were not limited to the following:

- Discussed service delivery and how such a process could work in the City of Hamilton
- Described creating a culture of continual ongoing reviews in Hamilton
- Indicated that moving into the future ongoing and continual service delivery reviews would be a regular aspect of business to ensure services are provided efficiently and effectively
- Asked for input from committee members on how they would like to see service delivery reviews begin
- Indicated that if it is the desire of committee staff are currently in position to bring back a report to initiate work on call handling consolidation, a four year web strategy delivery, and an IS governance model identifying areas for improvement, consolidation and savings
- Discussed what is needed to have a successful review, such as a citizen based review led through citizen committees, and the commitment from council and administration to support the citizen based review, and the dedication of a management team and financial management support
There were several questions from Councillors. Highlights included but were not limited to the following:

Several Councillors inquired how this process would be staffed and whether or not funding could be sought from the government if they decided to use the City of Hamilton as a case study.

- Staff indicated that a Service Delivery Review is not something that could be added to an existing position as it is a very time consuming process
- Staff indicated that they would be in full support of seeking funding if possibly; however they would like to begin to move the process forward in the interim regardless of possible funding opportunities

Staff asked the Councillors how they desired to be update on service delivery reviews and service inventory’s following the initial staff report to the General Issues Committee in June.

Mayor Bratina indicated that the matters could be provided through an update from the City Manager at General Issues Committee. Several Councillors indicated that they would like to see updates go to the standing committee that oversees the service being reviewed.

Councillor Collins indicated that in the past there have been a lot of reviews done by outside consultants. He indicated that he would like to ensure that these reports are considered prior to hiring a new consultant and undertaking a costly review.

Staff indicated that they are aware of this issue. They indicated that with the web site review they are using a study done some years ago instead of conducting a new one as a review of the report indicated that the recommendations are still pertinent and still need implementation.

Chair Jackson thanked staff for their presentation.

( Pearson/Partridge)
That the presentations respecting Service Delivery, be received. CARRIED

(ii) Financial Sustainability (No Copy) (Item 3.2)

Chris Murray, City Manager welcomed Councillors and staff in attendance and provided introductory remarks for the workshop.

Mike Zegarac, Director, Financial Planning and Policy introduced Shane Kavanagh of the Government Finance Officers Association (GFOA)
Shane Kavanagh, provided a Power Point presentation to the Committee for educational purposes. Highlights included but were not limited to the following:

- Discussed Long Term Financial Sustainability Planning
- Indicated how this process involves a technical analysis & strategizing to plan for the long term
- Discussed the importance of working with Council, staff and citizens to achieve financial sustainability
- Indicated that the process requires a change mindsets to Institutionalize long-term thinking
- Used the examples of the Cities Edmonton, Ottawa, San Clemente and Yolo County to illustrate long term financial planning
- A plan is between 5-10 years. Some plans included 20-year forecasts, but these are usually speculative in nature
- The plan must include the funds that are relevant to the most pressing issues (e.g., if street repair is a big issue, then the street repair fund must be included)
- A plan can be done annually or as-needed. Annually is ideal so that the plan can act as prelude to the budget process and contribute a long-term perspective to budget deliberations.
- As-needed plans may be driven by special issues like a large debt issuance or a financial crisis, a hybrid approach is also possible.
- A plan contains a scan of the environment, long-term forecasts, debt analysis, and financial strategies.
- Long term forecasts tell you the potential magnitude and duration of stress and help you visualize the impact of long-term liabilities.
- Long term forecasts also are the basis for taking a multi-year, strategic approach to complicated problems.
- Taking a consistent approach to service delivery helps you manage and plan out long-term liabilities like asset maintenance as well as helps you develop and maintain discipline on budgetary stability reserves
- Financial planning helps identify potential financial problems before they hit the headlines.
- Financial planning helps find solutions to financial challenges, very often before drastic (and painful) action is required.
- Financial planning helps align financial capacity with service goals so that a consistent approach can be taken to carrying out the multi-year plans that are often required to make real, transformational difference in the community.
- Long-term financial planning is a matter of good governance policy
- Long-term financial planning helps elected officials describe to citizens how they are providing good stewardship over the citizens' tax dollars.
• Indicated that Several of our research subjects have had their bond ratings recently upgraded to AAA, and one had its existing AAA reaffirmed.
• Discussed how long term planning allows local government to better whether uncertain economic times by making governments more prepared for unforeseen costs
• Discussed the need to diversify in terms of Financial Planning and not to only limit the focusing on revenues and expenditures but also consider Land-use patterns, demographic trends, and long-term liabilities
• Different funds can be used to account for non-current liabilities such as self-insurance, depreciation, and replacement of assets.
• Discussed how a good model of fiscal health is complete, thorough and understandable not just to financial experts
• Discussed how funding reserves and balances are a key redundancy in the system and that policies should be in place to disallow reserve funding being used for reoccurring expenses
• Indicated that it is important to create reserves for specific purposes and to record these purposes in a policy
• Citizen engagement can also create more grassroots or viral support for financial planning in the community.
• A citizen volunteer program, where citizens help with special projects, like neighborhood clean-up, as well as ongoing services like police patrol and call-center staffing can, in addition to reducing staffing costs for the government
• Discussed the top policies for long term planning, setting a reserve target level, defining how much debt will be carried relative to property values or personal income, defining structural balance as recurring revenues = recurring expenditures, asking if being balanced for just the current year is acceptable, or should a multi-year approach be considered
• Discussed that decentralization is about engaging operating departments in financial planning so that all departments think more strategically about finance
• The bedrock of decentralization is for all departments to be responsible for their own budgets
• Involving departments in financial forecasting and modeling hones their understanding of financial condition, and, hence, their perception of the need for a solid, long-term financial strategy
• Indicated that key to long term financial planning is determining what future the community wants, connecting the plan to the budget process and ensuring ongoing efficiency
• Discussed that two important connections to service delivery are budgeting by priority and program review
• Used examples to illustrate the decision making process used elsewhere to decide if initiatives/services should be budgeted
• Discussed how monthly financial reporting could be done to Councillors to keep them aware of the work being done
• Resilient governments foster close collaboration between elected officials and staff to help both groups become more savvy financial decision makers, better recognize problems, and enact appropriate solutions
• Discussed the need to consult with the public however to ask the right questions of them and keep the scope defined
• Make sure everyone knows what the goals are, how they were arrived at, and what activities will be undertaken in pursuit of the goals
• The assumptions that drive revenue and expenditure trends should be available for examination. Some key assumptions include population/enrollment trends, employee headcount, changes in property values, and changes in consumer behavior.
• The GFOA’s research subjects have also found that full-cost accounting for services (direct and indirect costs) is essential to resiliency. Full-cost accounting makes the cost of doing business transparent. Transparency leads to trust, as everyone can see what the true cost of doing business is for all services, including support services such as budgeting and finance.
• Discussed the possible end desirables of the City of Hamilton undertaking long term financial planning
• Discussed in detail the role that elected officials can plan in taking the lead in a long term financial planning and setting policies

There were several questions from Councillors. Highlights included but were not limited to the following:

Several councillors asked what would occur if an issue arouse that was outside of the long term financial plan, such as what would occur if an NHL team expressed interest in coming to Hamilton.

• Mr. Kavanagh indicated that the long term planning would place the City in a better financial positions to address uncertainties and could allow planning measures for future goals
• Staff indicated that as part of the planning process Councillors could decide if pursuing something like an NHL team would be a financial priority of the City even if it became a possibility in the future

There was some discussion by Councillors on what would be an acceptable level of implementation for the City of Hamilton in relation to long term financial planning

Chris Murray indicated that the City of Hamilton had received some interest in being utilized as a case study for long term financial planning.
Staff indicated that there could be advantages to taking part in this process as a case study.

Councillors asked if this would mean more funding or resources for conducting a long term financial plan.
- Staff indicated that these details are not yet known however will be explored as the process unfolds

Chair Jackson thanked Mr. Kavanagh for his presentation.

(Pearson/Partridge)
That the presentation respecting Financial Sustainability be received. CARRIED

(d) Adjournment (Item 6)

(Johnson/Collins)
That there being no further business the Committee adjourned at 3:30 p.m. CARRIED

Respectfully submitted

Deputy Mayor T. Jackson, Chair
General Issues Committee

Andy Grozelle,
Legislative Assistant
May 10, 2011