That the 2010 Budget Guiding Principles attached as per Appendix "A" to Report FCS11097 be approved.

EXECUTIVE SUMMARY

During the 2011 budget process, Council approved a motion outlining a "Sustainable Savings Strategy":

"That further to Council's 2011 operating budget principle to hold the line on the 2011 budget by achieving the goal of 0% tax change with no service cuts while utilizing attrition and departmental reorganizations, Senior Management be directed to:

Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.
Values: Honesty, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork
(i) Identify sustainable mechanisms and processes to reduce employee related costs during the current Council term on an ongoing basis through the 2012, 2013, and 2014 budget processes;

(ii) Identify other sustainable efficiencies and non-employee related cost saving measures for Council’s consideration;

(iii) Identify and implement cost reduction opportunities with a goal of up to $1M by December 31, 2011, prior to the approval of the 2012 budget.”

The intent of the strategy is to identify savings related to employee related costs, identify other sustainable efficiencies and to achieve this through utilizing attrition and departmental reorganizations.

The adoption of budget guiding principles supports Council’s Sustainable Savings Strategy. Budget guiding principles were adopted during the 2010 budget process and these principles have been reviewed for reaffirmation by Council for the 2012 budget process.

The guiding principles are presented as the City moves to address preliminary pressures totalling $32.5 million which would translate into a 4.8% projected tax increase for 2012 (FCS11074 “2012 Tax Budget Guideline and Preliminary Outlook”). In September of this year, Council approved:

“That, in an effort to achieve the goal of an overall tax impact of zero percent for City Services, all City departments target a 2012 budget guideline of 0% increase, and that any increase be forwarded for consideration with appropriate explanation.”

This goal of 0% therefore requires that we look at a balanced approach to budget reductions including efficiencies, new revenue sources and service adjustments. The 2012 Budget Guiding Principles are intended to help staff make good decisions and stay on track to reach Council’s strategic goals even in difficult budget times.

Alternatives for Consideration – Page 3

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial: The attached 2010 Budget Guiding Principles (Appendix “A” of report FCS11097) are intended to establish a balanced approach to budget reductions, including efficiencies, new revenue sources and service adjustments.
Staffing: The attached 2010 Budget Guiding Principles (Appendix “A” of report FCS11097) communicates the need for a concerted effort to preserve existing staff levels and redeploy staff resources to meet service levels and strategic priorities. As well, it calls for no new FTEs within base budgets and the need for program enhancements in the case where a request will be brought forward for consideration of additional FTEs.

Legal: N/A.

HISTORICAL BACKGROUND (Chronology of events)

In 2010, staff and Council developed budget guiding principles to ensure that the budget development, options and deliberations were conducted consistent with Council’s strategic directions.

POLICY IMPLICATIONS

The guiding principles are a component of the City’s budget policies.

RELEVANT CONSULTATION

Senior Management Team.

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

N/A.

ALTERNATIVES FOR CONSIDERATION

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

Council can direct staff with respect to any amendments or other direction related to the guiding principles.

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**Skilled, Innovative & Respectful Organization**
- Council and SMT are recognized for their leadership and integrity

**Financial Sustainability**
- Effective and sustainable Growth Management
- Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner
- Generate assessment growth/non-tax revenues

**Growing Our Economy**
- Competitive business environment

**APPENDICES / SCHEDULES**

Appendix “A” - 2012 Budget Guiding Principles.
2012 Budget Guiding Principles

During the 2011 budget process, Council approved a motion outlining a “Sustainable Savings Strategy”. The intent of the strategy is to identify savings related to employee related costs, identify other sustainable efficiencies and to achieve this through utilizing attrition and departmental organizations.

The adoption of budget guiding principles supports Council’s Sustainable Savings Strategy. Budget guiding principles were adopted during the 2010 budget process and these principles have been reviewed for reaffirmation by Council for the 2012 budget process.

The guiding principles are presented as the City moves to address preliminary pressures totalling $32.5 million which would translate into a 4.8% projected tax increase for 2012 (FCS11074 “2012 Tax Budget Guideline and Preliminary Outlook”). In September of this year, Council approved “That, in an effort to achieve the goal of an overall tax impact of zero percent for City Services, all City departments target a 2012 budget guideline of 0% increase, and that any increase be forwarded for consideration with appropriate explanation.” This goal of 0% therefore requires that we look at a balanced approach to budget reductions including efficiencies, new revenue sources and service adjustments.

The following guiding principles have been developed to help guide the corporation through this exercise:

1. Endeavour to preserve services that Council has previously identified as priorities, unless directed by Council to review (e.g. previously proposed budget reductions that Council did not support, should not be brought forward again);

2. Strive to maintain current capacity to serve the public; the public are our priority;

3. Keep services relevant to public expectations and needs and current in terms of best practices while demonstrating continued fiscal responsibility (i.e. public service value chain);

4. Endeavour to preserve legislated services and service levels, while ensuring they are delivered effectively and efficiently;

5. Endeavour to preserve key services, recognizing that some service levels may need to be adjusted to align with funding levels (i.e. if funding is reduced for a particular program, then expenditures should be adjusted accordingly);

6. Endeavour to preserve programs that operate from a recovery/subsidy model, recognizing that some service levels may need to be adjusted to provide funding for other strategic initiatives, or to align to declining revenue levels;
7. Reduction in staff, when required, should be achieved through attrition and redeploy staff resources to meet service levels and strategic priorities;

8. No new tax/rate funded FTEs for 2012 in base operating budgets. Any request for an FTE increase must be put forward as a program enhancement;

9. Seek new and diverse revenues in order to meet increased demand for services during a period of potentially declining revenues (i.e. new user fees or cost recovery);

10. Where revenue increases are considered, they should be evaluated against impacts on demand and accessibility and total revenues (e.g. does an increase in user fees reduce total participation/utilization, thereby resulting in lower overall revenues);

11. Base operating revenue/expense projections on actual historic trends, supplemented with knowledge of current variables affecting revenue/expense levels (e.g. physical growth in the community such as additional parks, roads, etc., declining program participation/utilization rates, etc.);

12. Proposals resulting in one-time or short-term savings should identify any long-term risks which may have a negative impact on future budgets or capacity or may transfer costs to another service area [e.g. leasing versus purchasing (Note: supporting documentation may be requested)];

13. Proposals which include currently shared resources must include consultation with, and participation of, impacted parties in advance of the submission (e.g. parks and winter control), as well as departmental collaboration including use of multi-tasking;

14. Endeavour to preserve and maintain adequate infrastructure in order to continue to provide high quality services and effective/efficient operations (do not reduce maintenance levels if results in deteriorating facilities);

15. Sufficient due diligence needs to be done to ensure any adjustments are achievable and are accurate (i.e. must be able to implement in 2012);

16. Capital programs that drive operating cost increases will be clearly identified and assessed (e.g. new staff to operate a new or expanded facility);

17. Support value added services through alternate sources of funding (e.g. if objective is to provide an enhanced level of services, charge an additional user fee);

18. Travelling to conferences outside the Province should be closely monitored;
19. Continue to seek cost avoidance and cost containment, where possible, creating a budget that is sustainable (i.e. budget must match service delivery expectations); and

20. Pursue logical partnerships and or relationships that could generate mutual benefits for those involved.