SUBJECT: 2010 Budget Guiding Principles (City Wide) (FCS09094)

RECOMMENDATION:

That the 2010 Budget Guiding Principles attached as per Appendix “A” to Report FCS09094 be endorsed.

EXECUTIVE SUMMARY:

The 2010 Budget Guiding Principles are presented as the City moves to mitigate a projected 6.2% tax increase for 2010. In July of this year, City Council’s approved directive of a tax increase of 2% or less, translates into a projected $23 million pressure for 2010. A shortfall of this magnitude requires that we look at a balanced approach to budget reductions including efficiencies, new revenue sources and service adjustments.

The purpose of the attached 2010 Budget Guiding Principles is to lay the strategic foundation, through the establishment of principles, required for the preparation of the annual capital and operating budgets. The Tax and Rate Supported Budgets are the fiscal plans that are built to support Council’s Strategic Plan. Specifically, it reminds us of the parameters contained in Council’s Strategic Plan and then outlines more detailed direction on the 2010 exercise. The Budget provides authority for administration to spend City revenues on programs and services as directed by City Council. As such, the 2010 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.
BACKGROUND:
In July of 2009, Council received the 2010 Budget Outlook that forecast financial pressures equivalent to a 6.2% tax increase. City Council’s directive to staff was a tax increase of 2%, or less, which translates into a projected $23 million pressure for 2010. It is critical that staff provide City Council with several options to consider as part of the budget preparation process. The 2010 Budget Guiding Principles developed for City’s Council’s review are intended to provide these principles.

ANALYSIS/RATIONALE:
N/A.

ALTERNATIVES FOR CONSIDERATION:
N/A.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:
Financial:
The attached 2010 Budget Guiding Principles (Appendix “A” of report FCS09094) 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 FCS09094) 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.

POLICIES AFFECTING PROPOSAL:
N/A.

RELEVANT CONSULTATION:
Senior Management Team
CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. Yes ☑ No
Environmental Well-Being is enhanced. Yes ☑ No
Economic Well-Being is enhanced. Yes ☑ No

Does the option you are recommending create value across all three bottom lines? Yes ☑ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☑ Yes No
2010 Budget Guiding Principles

The purpose of this document is to lay the strategic foundation, through the establishment of principles, required for the preparation of the annual capital and operating budgets. The Tax and Rate Supported Budgets are the fiscal plans that are built to support Council’s Strategic Plan. Specifically, it reminds us of the parameters contained in Council’s Strategic Plan and then outlines more detailed direction on the 2010 exercise. The Budget provides authority for administration to spend City revenues on programs and services as directed by City Council.

As such, it is important that the annual Budgets be developed in a consistent and planned manner. The Budgets should not be established without a good understanding of its impact on future years and the ability to fund these initiatives.

The principles are presented as the City moves to address a projected 6.2% tax increase for 2010. In July of this year, Council’s approved directive of a tax increase of 2% or less, translates in to a projected $23 million deficit for 2010. A shortfall of this magnitude requires that we look at a balanced approach to budget reductions including efficiencies, new revenue sources and service adjustments.

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

- 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);
- Strive to maintain current capacity to serve the public; the public are our priority;
- 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);
- Endeavour to preserve legislated services and service levels, while ensuring they are delivered effectively and efficiently;
- 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);
- 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;
• Endeavour to preserve existing staff levels and redeploy staff resources to meet service levels and strategic priorities;

• No new tax/rate funded FTEs for 2010 in base operating budgets. Any request for an FTE increase must be put forward as a program enhancement (e.g. an additional FTE to support added parks requires a program enhancement);

• 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);

• 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);

• 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.);

• 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)];

• 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);

• 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);

• Sufficient due diligence needs to be done to ensure any adjustments are achievable and are accurate (i.e. must be able to implement in 2010);

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

• 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);
• Travelling to conferences outside the Province should be closely monitored; and

• Continue to seek cost avoidance and cost containment, where possible, creating a budget that is sustainable (i.e. budget must match service delivery expectations).