

Subject: [Fwd: Budget Package 2002-2006]

Date: Tue, 08 Jan 2002 15:38:20 -0800

From: Brian Platts <brian_platts@telus.net>

To: Corrie Kost <kost@triumf.ca>

Subject: Budget Package 2002-2006

Date: Tue, 8 Jan 2002 14:24:02 -0800

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My initial analysis, not guaranteed. Comments welcome.

In case you have not looked at it, it is worse than last year with only cosmetic changes to the package and none (in fact negative) to the approach. They continue to use an incremental approach: translation: "everything in the base \$90 MM odd budget is mandatory and justified and sacred, we will not do a core review (zero base) or look at that \$90MM - we will assume staff have done that and that their work is beyond review; we on Council will just play with the increases (3-7%) and unbudgeted funding requests and ignore over 90% of the budget".

>From what I can see, not a single program has been dropped or put on the table for cuts (yet), at least in the glossy package.

Projected tax increase 2001: 6.9% BEFORE \$745,000 of unbudgeted funding requests and BEFORE \$9.1 MM of unfunded capital projects, of which the Seymour Bridge is about \$6MM.

They apparently propose to sell \$7.5 MM of land to pay for the Lynne Valley library. Not sure what land. And they use the principle of the fund, not the interest, which is allowed under the policy. Repayments to the fund from the golf course etc, deminimus.

The worst part, other than no look at the core spending, is the charade of the formula for calculating a reasonable tax increase. They take CPI increase and add new costs to get a percentage "target" tax increase. Miraculously, they have no disappearing or expiring programs or cuts other than a hypothetical cut to forecast expenses. This new formula says 6.91% is the answer, so they force the increase to 6.91% by generating a small surplus. The disconnect is that CPI is a basket of costs for a household, where the cost structure is heat, hydro, mortgage, clothing, car costs, food, etc. What has that to do with DNV cost structure which is probably 80% salaries and benefits? Just about nothing. In fact, the DNV cost pool could be decreasing while CPI is increasing. But it allows one to say "it ain't our fault" that taxes are going up x %. In business we call this the "blind man's approach" to budgeting.

The public hearing on this is this Saturday, apparently at 10AM. The time is not confirmed to me anyway.


We can nip around the edges of costs, but until each of us can convince a counsellor to get serious about DNV budget process, expect escalating taxes minimized to some extent by raiding reserve funds, the Heritage Fund, and forced land sales despite surveys that show people want low or no growth, at least in many parts of DNV. Last year we buried the 20% cost increase by raiding reserve funds. Can't do that now - well nearly empty. Back to selling land.

Under the rule of 72, if we average 7% per year, that means taxes double every 10 years. Even the federal Liberals do not do that. Everybody but the municipal levels seem to have taken some action to look at things in a new way. Not us.

While we may be able (as several on council did last year) to blame downloading to some extent, you cannot be serious about cost control and ignore 90% of your costs. We in DNV do exactly that.

Those of you who support the Community Charter which is an initiative of BC to give municipalities more power to tax and spend may want to rethink your approach!

John

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