

Subject: [Fwd: May 6 Agenda #11 DNV Financial Plan Process Review and 2003-2007 Action Plan]

Date: Sat, 04 May 2002 17:21:50 -0700

From: Brian Platts <brian_platts@telus.net>

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CC: Dave Sadler <davesadler@telus.net>, John Hunter <johnhunter@idmail.com>

Subject: May 6 Agenda #11 DNV Financial Plan Process Review and 2003-2007 Action Plan

Date: Fri, 3 May 2002 17:38:40 -0700

From: Don Bell <mayorbell@district.north-van.bc.ca>

To: Mayor and Council - DNV <Council@dnv.org>


CC: "fonvca@fonvca.org" <fonvca@fonvca.org>

Council,

Attached is my report for May 6th Regular Council Agenda item #11, a copy of which has also been faxed to your home fax number.

I will have specific dates for the May and June meetings for your consideration on Monday night.

Mayor Don Bell

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COUNCIL AGENDA/INFORMATION

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Dept. Manager	Director	Municipal Manager
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**The District of North Vancouver
REPORT TO COUNCIL**

April 22, 2002
File: 1700-01/--
Tracking Number: RCA - 00630

AUTHOR: Don H. Bell, Mayor

SUBJECT: DNV Financial Plan Process Review and 2003-2007 Action Plan

RECOMMENDATION:

THAT

- 1) A Council workshop be arranged for the latter part of May to review the "Action Plan" recommendations identified in this report including the fiscal framework and challenges for the coming year, budget policies, together with a review of the tax target formula used for the preparation of the 2002-2006 Financial Plan.
- 2) A public input meeting be scheduled during June 2002 to solicit any suggestions to improve the financial plan process or format.
- 3) Council approve the proposed financial plan timetable contained in attachment 1 of this report.

REASON FOR REPORT:

This report is intended to review the process followed in the preparation of the 2002-2006 financial plan, and to recommend a process for Council determining revisions to the process for the coming year.

BACKGROUND:

At the Regular Council meeting on May 14, 2001, Council considered and approved the recommendation contained in my report dated April 24, 2001, "Improvements to the Financial Plan Process (2002-2006): Options and Approaches", as follows:

THAT

- A Council Workshop (open to the public) be held on June 22, 2001 to discuss options and approaches regarding the Financial Plan process; and
- Council approve the 5 main areas recommended as the basis for the first workshop discussion at the June 22, 2001 meeting.

ANALYSIS:

Review of previously agreed upon actions:

On May 14, 2001, Council approved the aforementioned recommendations as detailed in my report of April 24, 2001. The following provides an overview of what action was taken with respect to the various proposals: (The item numbers are from the April 24/01 report.)

- 1) Establish an early and firm timetable for completing and adopting the budget.**
 - *Action: A schedule of meetings and timetable was proposed that would have seen the Financial Plan and bylaws adopted by mid December 2001. Difficulties were encountered in meeting this proposed schedule due to a number of factors including the reorganization and consolidation of Planning and Engineering Departments. The draft Financial Plan was provided to Council on December 17, 2001.*

- 2) Review of fiscal Constraints (advise Council at an early stage)**
 - *Action: As a result of the principles approved by Council in May, a financial plan workshop open to public was held on June 22, 2001 at which time staff provided Council with an overview of the fiscal issues facing the District in the coming year. At that workshop, there was extensive discussion about a proposed tax target formula and the format for the budget booklet. These actions were reported to Council on July 30th, and confirmed at that time.*

- 3) a) i) Providing capital funds for necessary ongoing maintenance and safety requirements of existing municipal facilities.**

- ii) Long term new capital infrastructure requirements**
 - *Action: Capital budget. Also addressed at the January 16, 2002 workshop on "Infrastructure Preservation & Capital Funding".*

- iii) Review of the Capital Management Plan and Heritage Fund**
 - *Action: Council workshop on November 1, 2001*

- iv) Development of options for generating additional capital fund**
 - *Action: Staff report to Council on March 11, 2002, on opportunities for private investment in public structures/facilities, followed by a public meeting on April 18, 2002.*

- v) Development of an inventory of municipal services**
 - *Action: Presented to Council on December 19, 2001*

- vi) Consideration of a "tax levy formula" consisting of an annual allowance for CPI, wage increases and pre-committed expenses (e.g. referendum projects) minus an agreed upon annual efficiency target**
 - *Action: Tax formula approved by Council on July 30, 2001.*

vii) Thorough examination of potential new revenue source

- *Action: Each department considered as part of budget preparation. In addition, this was subject of the aforementioned public meeting on April 18, 2002 (Private Funds for Public Structures/Facilities).*

New fees and charges schedule approved by Council in December 2001 aimed at cost recovery on a range of permits and services.

April 3, 2002 Council workshop on revenue generating opportunities at Northlands Golf Course.

Viii) Examination of budget approaches such as program-based or zero-based

- *Action: To be pursued in 2003 budget process.*

ix) Inclusion of staffing levels for each program or department

- *Action: Staffing levels (FTE's) identified for each department in 2002-2006 budget booklet.*

x) Review of status or initiatives regarding "Performance Measurement and Benchmarking"

- *Action: Information report on "Corporate Change Initiatives" provided to Council on May 30, 2001. Update to be provided to Council by June 30, 2002.*

xi) Review of shared service programs with City of North Vancouver (e.g. North Vancouver Recreation Commission)

- *Action: David A. Hughes & Associates was engaged to review North Vancouver Recreation Commission Bylaw. Staff report to Council expected shortly.*
- *Coopers & Lybrand prepared a report in December 1997 titled "District of North Vancouver Shared Services Review" which reviewed all shared services (not just the Rec Commission). This report should be considered by Council as to current applicability and the possible need for an update.*

4) Council consideration of a preferred budget booklet layout

- *Action: Format of budget booklet was reviewed on June 22, 2001, and confirmed at the July 30, 2001 Council meeting. Based on comments from Council during this year's budget process, staff will be undertaking further review and revision to the format of the budget booklet for consideration by Council.*

5) Public Consultation:

Council should refrain from making budgetary decisions until there has been an opportunity for appropriate public input. Public input should enhance rather than disrupt or interrupt the process of finalizing a budget. It may be useful that public input be obtained at the beginning of the budget process and, Council

should determine the quantity and timing of additional public input opportunities in the Financial Plan process.

- *Action: Public input to the budget started on Saturday, September 15, 2001 with a daytime meeting to which the public was invited to attend and provide comment on the budget. This meeting was prior to preparation of the draft financial plan.
Further meetings were held on January 12 and February 27, following public release of the draft financial plan, when public input was solicited.*

Action Plan for 2003 – 2007 Financial Plan

1) Budget Timetable

It is important that Council adopt a timetable for the budget that is reasonable and achievable. There is a substantial amount of work that must be done by staff in preparing the draft financial plan for Council's consideration. This must be done within an overall fiscal framework established by Council, including the setting of tax targets.

I am attaching a proposed process timetable for the preparation of the 2003-2007 financial plan that I believe represents a reasonable balance between the time required by staff to prepare estimates, make adjustments as required, and to afford Council adequate time to thoroughly review the budget and for the public to provide comments and input prior to final decisions.

2) Infrastructure Funding

The Finance Department held a series of workshops this year on different aspects of the District's finances, including a workshop on Infrastructure Preservation and Capital Funding on January 16, 2002. These were very beneficial in generating a deeper understanding of the various issues, and the interrelationship of the different aspects of the financial plan.

It has been suggested that the District should be providing more capital funding to maintain and replace its aging infrastructure. The Finance Department, with the assistance of other departments, has prepared long-term projections of what is required to maintain the assets and infrastructure of the District, and I believe further discussion around this issue is needed prior to the preparation of the next financial plan. If there are areas where additional funding is warranted and makes good business sense, then I believe Council should consider what is required to meet that need.

3) Development of Additional Revenue Sources

We must continue to pursue additional revenue sources, including a careful examination of 3P's (Public, Private Partnerships). This will be particularly important as details of the new Community Charter become known.

4) Budgeting Approach – Compare Program Based and Zero Based

Council has voiced its interest in adopting a zero-based budget approach to budget preparation, recognizing that the Municipal Manager and the Finance Department do conduct a detailed review of departmental budgets each year.

I am recommending that staff prepare an outline of the main pro and con characteristics of basic budget approach alternatives (i.e. Program Based, Core Funding, Zero Based) available for Council consideration at the May workshop. I believe we should consider a process by which a zero based (bottom-up) approach is applied to one department per year on a rotational basis. A combination of Program Based budgeting (high level policy and results driven) and a rotational Zero-Based approach would enable Council to focus on policy overall while providing a detailed review of one department each year.

5) Performance Measures/Benchmarking

The Value Analysis Task Force, in its report of July 2001, recommended that management continue its efforts to develop a useful set of performance measures.

It was noted at the time that the District of North Vancouver was one of the first municipalities to develop performance measures and to report those in an annual report to Council.

The budget booklet also contains divisional goals and objectives, as well as performance indicators.

The internal auditor, as part of her annual workplan, reviews departmental performance measures and recommends changes and improvements for the next annual report. This review is based on the guidelines issued by the International City Manager's Association and the comments in the KPMG report.

The revision and refinement of performance measures, combined with benchmarking where considered appropriate and achievable, will continue to be pursued in the coming year. I will be asking the Municipal Manager to ensure that Council is kept informed of staff's efforts in this regard and to provide Council with semi-annual updates on how the District's operations compare with other comparably sized municipalities.

6) Review Shared Services Programs with City of North Vancouver

The issue has been raised as to if our current shared services programs with the City of North Vancouver still reflect a cost-sharing formula which is fair and equitable. While the Rec Commission has been identified as one specific area for review, and that process is currently underway, Council should determine if the "District of North Vancouver Shared Services Review" done by Coopers and Lybrand in December 1997 still reflects the current situation.

7) Public Consultation and Input

I believe we could improve future public input meetings by keeping a clear separation between times and perhaps even the days scheduled for input received from individuals and businesses from the input of groups and agencies, and being consistent in this approach.

I also suggest we hold the first Financial Plan 2002 – 2006 Public Input Meeting during June 2002. This meeting would be held to solicit any suggestions to improve the financial plan process or format, not to receive comments directed at any specific revenue source or expenditure.

Subsequent public meetings could be held in January 2003 after the draft financial plan is released, and the new Council has had time to review it.

This enables the public to focus their input directly on the contents of the plan and any issues that may be of interest or concern. These meetings should include both daytime and evening meetings in an effort to accommodate as broad a spectrum of the public as possible, and consideration should be given to having staff host a public meeting in each of our three geographical regions (west, centre, and east) as was done in West Vancouver for 2002. Provision should also be made, as in the past, for community groups to address Council with respect to their needs.

8) Proposed Council/Staff Workshop – May 2002

It is extremely important in the overall budget process that Council provide clear direction to staff early on as to financial policies and tax targets. In this regard, I am proposing that Council hold a financial plan workshop, open to the public to observe, in the latter part of May where these issues can be fully explored and direction given.

Don H. Bell
Mayor

Proposed Financial Plan Process

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| May | Council/staff workshop (open to public) to review fiscal framework and challenges, budget policy, as well as the tax target formula. |
| June | Public Input Meeting to receive Financial Plan 2003 – 2007 process and format public suggestions. |
| July 31 | Departments submit spending estimates for the next calendar year.
Revenue forecast for the coming year also prepared. |
| September | Municipal Manager and Finance Department to undertake a detailed review of departmental programs and services. |
| October | Directors Team review budget estimates and recommend adjustments as considered necessary.

Departments can identify any critical budget additions, whether the are expansions to existing programs or additions o new programs or services considered important.

Budget options prepared for Council based on: <ul style="list-style-type: none">▪ Expenditure reductions, including community impact▪ Revenue increases▪ Expansions of existing programs or services▪ Additions of new programs or services. Council workshops to review options and set tax targets. |
| December | Draft financial plan provided to new Council and new Council orientation. |
| January | A series of public meetings to solicit input and comment from the community on the draft financial plan. These meetings should include both daytime and evening meetings. |
| February | Draft financial plan returned to Council, with summary of community input, for decision. |