

RE: PLANNING CHALLENGE STATEMENT FOR 1986 OPERATING BUDGET

MUNICIPAL MANAGER'S RECOMMENDATION:

1. THAT the attached Municipal Manager's Challenge Statement be approved by the Municipal Council for use in the 1985/86 Performance Planning and Measurement Process.

REPORT

An integral part of the Municipal Performance Planning and Measurement process in planning for both management and budget purposes is the utilization of "Challenge Statements". The Challenge Statement, as a key element of the planning process, sets out a number of areas to be carefully considered by managers at all levels in the organization as they go through the objective setting process.

The purpose of the Challenge Statement is to do what the words imply: to challenge the staff to come up with ways and means of doing a better job with limited resources. The challenge allows for the process of dialogue amongst the Council, Management Committee and Staff to discover the most effective and efficient means of meeting our objectives.

The attached draft Challenge Statement is one which sets out the rather difficult circumstances which we will continue to face in 1986, as we enter our fourth Performance Planning and Measurement cycle. It will be necessary for Council to give careful consideration to it, since it does indeed guide the planning and budgetting processes which will follow in the weeks and months to come. In that vein, any additions or changes which members of Council wish to put forward would be most welcome.

It is recommended that the attached Manager's Challenge Statement be approved by Council for use in the 1985/86 Performance Planning and Measurement process. The Statement has been discussed and approved by the members of the Management Committee.

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1985/05/28.

PLANNING CHALLENGE STATEMENT1986 OPERATING BUDGETA Review of 1984 to Date

The Canadian economy grew at a distinctly disappointing 3% real increase in 1984 over 1983, and it continues at that rate. Growth at that rate just does not induce sufficient employment gains to reduce unemployment given a continued increase in the number of people seeking jobs. As a result, the national unemployment rate remained at above 11% in 1984 and is now showing some very modest improvement to date. The one bright spot in 1984 was the sharp improvement in inflation which averaged about 4%, and which has remained below that level to date in 1985. A 1985 rate outlook of 3% appears to be very promising since wage increases have declined to the lowest level in years, about 3%.

Most of Canada's growth since the recession has been concentrated in Ontario and Quebec. Real Gross Domestic Product, while increasing at a rate of 4% in Ontario, increased at a rate of 1% in Western Canada. In regional terms then, the economic situation is very unbalanced. Real growth is expected to be modestly stronger in 1985 for the western region, and consequently unemployment rates will likely remain near current levels.

The B. C. economy is expected to grow by 2.5% in 1985, according to B. C. government economists. That represents a down grading from the 4% growth predicted by the Province a year ago. They predict a gain in strength in 1985 and 1986. The Provincial Budget released in March calls for

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personal incomes, retail sales and capital investments to expand following 3 years of decline or low growth. Unemployment in 1985 is expected to average 14% in B. C., easing to 13.3% in 1986. This high level of unemployment will be partly the result of the net inflow of people to B. C. The 1985 Provincial Budget included the following statement:

"Restraint is now a permanent and continuing feature of public policy in British Columbia. However, we have been through the hardest part of the adjustment and can look to improvement in the months and years ahead."

That document concluded by noting that:

"Until employment stability and renewed economic strength is achieved, all partners must endorse the principle of equal commitment. Competition for larger shares will destroy the basis for recovery that is so essential to the entire province."

As for Burnaby as a municipality, the 1985 budget target was met with a great deal of effort on the part of all participants in the budget process. Service levels for 1985 were reduced over 1984 levels in several areas, and yet we were still able to satisfy the needs of the vast majority of the taxpayers.

What Can We Expect For 1986?

Most projections call for some form of "economic recovery", but none see a robust return. There is still a very guarded outlook for the future, and more than ever, economists see moderation as the password. The balance is more delicate than a lot would care to see and clearly the day to day struggle has been longer and more protracted than most had foreseen it might be.

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Inflation levels should remain moderate, and there is still an optimistic outlook by some for lower interest rates. The real growth projections for the B. C. economy in 1986 speak of a level slightly greater than the 2.5% projected for 1985. Unemployment will be well above the national average.

The Province wishes to improve the stability of revenues available to municipalities under the Revenue Sharing program. The government has decided to propose a stabilization mechanism to retain a portion of the revenue for distribution in future years. A total of \$204 million was allocated to municipalities in 1985 (about the same as in 1984) and a further \$31 million was retained in the Fund for future stabilization purposes. With the predictions provided by the Province, it is hoped that this retention in the Fund will be sufficient to allow the Province to maintain the same level of Revenue Sharing as was provided in 1985. The value of this grant for Burnaby has decreased from a high point in 1981 of \$8,034,050 to \$5,133,115 in 1984 and \$5,144,987 in 1985.

No provision was made in the 1985 Provincial Budget for the operating costs of the ALRT system in the provincial fiscal year ending 1986 March 31, as the Province will capitalize net costs for the start-up period until 1986 March 31. Thereafter, the operating costs will be shared among "...the riders, local government and the provincial government." The local government share is to be raised as a tax on gasoline; a surcharge on residential hydro bills; and special property tax levy on Business, Industry and Utility assessments.

The Lower Mainland Refuse Project's Waste Management Plan has been received, but Burnaby's share of the Plan has not been determined. Clearly our solid waste disposal costs will rise significantly with incineration of waste as opposed to the landfill approach.

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The growth in recovery from taxes in Burnaby in 1985 from new 1984 construction is estimated to be \$1.17 million. New construction values are expected to be slightly less in 1985, although we will have the benefit of the full 12 months of taxable value for 1986, and therefore we expect the revenue from new construction to amount to about \$1.5 million in 1986. The final figure is dependent upon the amount of construction activity and the mix of residential construction versus other types of construction.

The Major Issues For 1986

The major issues that need to be addressed in 1986 are as follows:

- continuing implementation of the Strategic Plan for the Management of Information
- implementation of the Transportation Plan
- implementation of the Waste Management Plan resulting from the Lower Mainland Refuse Project
- Partners in Enterprise industrial land tax relief program

In the process of preparing the budget we must ask ourselves such questions as:

- do we really need the degree of regulation that local government has risen to as a result of public pressure?
- have we looked at the cost-benefit of it?
- if we didn't do it, what would happen?

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- how can we best address this question?
- have we any suggestions that may help another department with respect to its budget?
- have we any suggestions for amendments that should be made to Provincial legislation that would allow us to be more efficient and effective in providing service to our citizens?

Municipal Manager'S Challenge

My challenge then to you is to:

- Plan for a budget that calls for an increase of no more than 2½% in the tax levy for 1986, after allowing for growth from new construction.
- strive for even more innovation than you have shown in the past
- make more use of our first class computer facility
- review and streamline wherever possible all of our administrative and regulatory procedures.

How will we meet this challenge? That is a question you must answer. The broad implication of the challenge is that we must hold the line. Although only specified inflationary increases and salary increments will be allowed, my challenge is for the departments to deliver the same level of services for the same budget level as in 1985.

I am confident that you will meet the challenge, as difficult as that might be.