

ITEM 22
MANAGER'S REPORT NO. 35
COUNCIL MEETING 86/05/26

RE: PLANNING CHALLENGE STATEMENT FOR 1987 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 1986/87 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 1987, as we enter our fifth 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 budgeting 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 1986/87 Performance Planning and Measurement process. The Statement has been discussed and approved by the members of the Management Committee.

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1986 May 22

PLANNING CHALLENGE STATEMENT
1987 OPERATING BUDGET

A Review of 1985 and 1986 to Date

Real GNP growth for the Canadian economy was 4.5% in 1985 with a 3.7% increase forecast for 1986. The 1985 growth was higher than most economists had predicted with the growth in eastern Canada outpacing that in the West. Control over inflation continues to be the bright spot in 1985 and 1986 to date, although the increase in manufacturers' sales tax and large increases in some government regulated prices, such as alcohol and tobacco, have added measurably to inflation in Canada. Unemployment has continued to decline nationally standing at 10.5% at the end of 1985 with a rate of 10% predicted by the end of 1986. The CPI rose 4% during 1985 and is expected to increase 3.9% through 1986.

In 1985 the real growth in the B.C. economy was 3% and unemployment dropped from 14.7% to 14.2%. Capital investment rose by 0.9% and the CPI for the Greater Vancouver area rose 3.2%. 1986 forecasts indicate a 4% real growth in the B.C. economy, a 12.9% unemployment rate at year end, an 8% increase in capital investment and a 3.5% increase in the Vancouver area CPI.

As for Burnaby, the 1986 budget target was not met largely because of unexpected expenditures resulting from increases in insurance costs and a much larger than normal number of appeals against assessments. Service levels for 1986 were held constant in the most part, with some slight reductions in a few areas.

What Can We Expect for 1987?

Most projections call for a continuation of "economic recovery", but none predict a return to what we had. The balance is still obviously very delicate and there clearly is a recognition by all that it will take the cooperation of all sectors of the economy to allow us to learn to live with the predictions for the future. Confidence in that future can make all the difference at this juncture.

We expect a moderate easing in the rate of economic growth, largely in response to sluggish economic demand in the United States. GNP is expected to moderate to 2.9% in 1987.

The inflation outlook remains promising, barring further increases in indirect taxes in 1986. The CPI is forecast to rise by 3.9%.

Unemployment is expected to decline gradually, and on a national basis it is expected that the jobless rate will be 9.5% at the end of the year.

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Interest rates could rise by a percentage point depending upon the acceleration of the U.S. economy or the decline in the value of the American dollar.

As for B.C., the economy is forecast to grow by 3%, unemployment to decline slightly to 11.8% by year-end, capital investment to increase by 10% and the Greater Vancouver area CPI to rise by 3.9%.

We expect the municipal tax revenue from new construction in Burnaby to amount to about one million dollars(?) in 1987. Expenditures will likely rise in line with the rate of inflation.

Summary of 1985, 1986 and 1987

The following table summarizes the above statistics and highlights the trends:

		1985	1986	1987
		Actual	Projected	Forecast
		%	%	%
Real GNP	- Canada	4.5	3.7	2.9
	- B.C.	3.0	4.0	3.0
CPI	- Canada	4.0	3.9	3.9
	- Greater Vancouver Area	3.2	3.5	3.9
Unemployment	- Canada	10.5	10.0	9.5
	- B.C.	14.2	12.9	11.8
Capital Investment	- B.C.	0.9	8.0	10.0

The Major Issues for 1987

The major issues that need to be addressed in 1987 are as follows:

- economic development in the community and our role in the stimulation of it,
- continuing implementation of the Strategic Plan for the Management of Information,
- continuing implementation of the Transportation Plan,
- implementation of the \$20.9 million 5-year special capital program in Recreation and Cultural Services,
- further development of Metrotown,
- the impact of ALRT on the community.

In the process of preparing the budget we must ask ourselves how we measure the efficiency and the effectiveness of the programs we deliver. We must continuously monitor our performance so that we can maintain our pursuit for excellence.

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Our growth will be positive in 1987, but it is not going to be sufficient to allow us to expand our programs given the expected rate of inflation, our previous commitments and the demands on the economy. It must be recognized that governments at all levels need to set the example and minimize the demand for tax dollars if the economic recovery is to be sustained. We have learned to hold back and 1987 will be no different except we can be confident that we have the situation under control.

My challenge then to you is to plan for a budget that calls for an increase of no more than 6.5% in the tax levy for 1987, after allowing for growth from new construction. (The impact alone of the debt repayment and the operating costs from the \$20.9 million special capital program as well as the debt repayment for the 1986 Local Improvement Program is expected to amount to 2.7%.)

Without your help, this challenge cannot be met. We will need for another year to allow only specified inflationary increases and salary increments. We will still need to continue to look for ways to do more for less. Generally speaking, we should be able to afford to deliver the same relative level of services as we did in 1986.

I know that we can together meet the challenge.