



RE: PLANNING CHALLENGE STATEMENT FOR 1988 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 1987/88 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 have become a way of life, as we enter our sixth 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 1987/88 Performance Planning and Measurement process. The Statement has been discussed and approved by the members of the Management Committee.

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1987 May 20

PLANNING CHALLENGE STATEMENT
1988 OPERATING BUDGET

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A Review of 1986 and 1987 to Date

Real GNP growth for the Canadian economy was 3.1% in 1986 with a 2.3% increase forecast for 1987. The 1986 growth was lower 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 1986 and 1987 to date. Unemployment has continued to decline nationally standing at 9.6% at the end of 1986 with a rate of 9.5% predicted by the end of 1987. The CPI rose 4.2% during 1986 and is expected to decrease slightly to 4.0% through 1987.

In 1986 the real growth in the B.C. economy was 3.5% and unemployment dropped from 14.2% to 12.6%. Capital investment dropped by 8.2% and the CPI for the Greater Vancouver area rose 3.3%. 1987 forecasts indicate a 1.5% real growth in the B.C. economy, a 13.1% unemployment rate at year end, a 5% increase in capital investment and a 3.0% increase in the Vancouver area CPI.

As for Burnaby, the 1987 budget target was met and surpassed. Service levels for 1987 were held constant in the most part, with some slight reductions in a few areas.

What Can We Expect for 1988?

Most projections call for a continuation of "economic recovery", but none predict a return to what we had. There is now more acceptance of the position that what we have is not so much a recovery but a new way of life with which we must live. 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 and commitment to that future can make all the difference at this juncture.

We expect a moderate rise in the rate of economic growth, propelled by renewed investment and by growth in the United States economy. GNP is expected to rise to 3.0% in 1988.

The inflation outlook remains promising, barring further increases in indirect taxes in 1987. The CPI is forecast to rise by 4.3%. Canadian tax reform, by eliminating the present sales tax and replacing it with a more comprehensive tax, most likely a business transfer tax, will be a source of inflation.

Unemployment is expected to decline gradually, and on a national basis it is expected that the jobless rate will be 9.0% at the end of 1988.

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Short term interest rates could rise by close to 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 2.5%, unemployment to increase slightly to 12.3% by year-end, capital investment to increase by 8.7% and the Greater Vancouver area CPI to rise by 3.5%.

We expect the municipal tax revenue from new construction in Burnaby to amount to about \$1.25 Million in 1988. Expenditures will likely rise in line with the rate of inflation.

Summary of 1985, 1986, 1987 and 1988

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

	1985	1986	1987	1988
	<u>Actual</u>	<u>Actual</u>	<u>Projected</u>	<u>Forecast</u>
	%	%	%	%
Real GNP				
- Canada	4.0	3.1	2.3	3.0
- B.C.	3.6	3.5	1.5	2.5
CPI				
- Canada	4.0	4.2	4.0	4.3
- Greater Vancouver Area	3.2	3.3	3.0	3.5
Unemployment				
- Canada	10.5	9.6	9.5	9.0
- B.C.	14.2	12.6	13.1	12.3
Capital Investment				
- B.C.	-	-8.2	5.0	8.7

The Major Issues for 1988

The major issues that need to be addressed in 1988 are as follows:

- active development of Metrotown and the implementation of the transportation elements of the Plan,
- 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 \$20.9 million 5-year special capital program in Recreation and Cultural Services,
- development of the Cariboo area,
- resolution of the question of the Centre for the Performing Arts.

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 1988, 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 has been recognized that governments at all levels need to set an example and minimize the demand for tax dollars in order to ensure that the economy will continue to grow. We have learned to hold back and 1988 will be no different.

My challenge then to you is to plan for a budget that calls for an increase of no more than 5.9% in the tax levy for 1988, 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 recent Local Improvement Programs is expected to amount to 3.1%.)

Without your help, this challenge cannot be met. For yet another year we will need 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 1987.

I know that we can together meet the challenge.