



Budget Update and Vancouver Services Review September 29, 2009

Understanding the 2010 Budget Context

Current Context

- **5 year Trends:**
 - Growth in staffing numbers
 - Increased wage rates
 - Annual tax increases
- **2009/2010: Changing External Environment:**
 - City revenue below historic amounts
 - Economic Downturn
 - Implementation of HST
 - Increased unemployment in BC
 - Provincial budget cuts will impact COV and community agencies

Budget Context: \$60M Gap

- 2010 budget starting point - \$60M Gap:
 - Start with 2009 budget
 - Add projected salary increases \$26M
 - Reinstate one-time savings from 2009 budget \$15M
 - Include increases in fixed obligations and external cost increases (debt, rent, operating costs for new facilities such as Hillcrest, Woodward's, Crossroads, E-Comm, etc) \$19M

VSR Project Initiation + Objective

Initiated by Council motion and launched by the CMT

Objective:

Establish an understanding of the entire organization and recommend improvements

- What do we spend our efforts on?
- Are they relevant and aligned with public needs?
- Where is there duplication of efforts? Would they benefit from consolidation?
- What opportunities exist to drive efficiencies?
- What services and processes do we do well?

Vancouver Services Review

Employee Engagement to Date

Engaged **1500 employees** in the process so far:

- 330 employees participated in interviews and meetings
- 750+ employees attended open houses/ site visits
- Employees shared more than 1000 ideas (opportunity log)
- Communications included *citywire*, two print newsletters/ bulletin board notices, bi-weekly broadcast emails, online surveys, weekly updates with sponsors & CMT
- Still to come:
 - employee involvement in implementation planning and design

Phase 1: Moving to Implement Shared Services

Shared Services

1. Finance
2. Supply Chain
3. IT
4. Facilities

Shared Services

- What is the opportunity?
 - Standardization
 - Eliminate duplication
 - Consistent service level
 - Financial savings
 - Centralize advisory and transaction activities - departments can then focus on core business
- What is the risk?
 - Lack of proper resourcing
 - Not meeting/managing department expectations

Phase 1: Process Improvements

Process Improvements

5. Capital Planning and Budgeting
6. Absence Management Processes
7. Pay Notice Issuance Processes
8. Elimination of Duplication

Other areas continue to be examined

Impact of these initiatives in 2010

Achievable Savings in 2010
considering organizational capacity and
time to create detailed design and implement

2010 Savings	\$10.0 Million
2010 FTE Impact	58 positions

2012 Savings	\$29.3 Million
2012 FTE Impact	204 positions

2010 Budget Strategy

- Use VSR Phase 1 projected savings
- Continue 2009 “one time savings”
- Preliminary Revenue opportunities
- Work continues on other strategies with Council and Boards

Budget Strategy - Recap

	<u>\$million</u>	<u>% Tax Impact</u>
• <u>Gap</u>	\$61.3	11.1%
- Revenue Est.	(\$10.9)	2.0%
- "one time savings"	(\$13.6)	2.5%
• Continue with Hiring Freeze and curtailing of discretionary savings		
- VSR Phase 1	(\$10.0)	1.8%
- Remaining Gap	\$26.8	4.8%

Impact on People - 2010

One time savings	\$13.6M	vacancy freeze
VSR Phase 1	\$10.0 M	~58 FTE
Ongoing Budget gap	\$26.8 M	

Human Resources Mitigation Strategy

- Retirement and Turnover trends can help accommodate the reductions in staff required:
 - Typical attrition = 5% (3% retirement 2 % turnover), or 300 FTE

Next Steps: Council Reports

Tentative Dates:

- October 20, 2009
 - 2010 Budget Preliminary Estimates
 - Direction from council
- December 1, 2009
 - 2010 Interim Budget Estimates
 - Council Direction Provided
- December 15, 2009
 - Final Budget
- Consultation from end of October through November with public