

**Financial Focus Group 2011
Presentation to Council**

First, we would like to thank the Mayor and Council for assembling this group to advise on the 2011-15 City Financial Plan. Although the group is comprised of citizens representing the business and the residential sectors, we took the view that we all live, work and play here in Revelstoke, and we needed to consider multiple interests and take a "City of Revelstoke" perspective.

This was our first time being involved in the financial planning process. It's been quite a learning experience for all of us. Time was short, and we have tempered our recommendations accordingly. Nonetheless, after fairly lengthy discussions with city staff and amongst ourselves, we present some ideas that we feel can serve Revelstoke well into the years to come.

Overall, we believe that there are three primary objectives that must be achieved by city staff and Council for both residents and businesses to feel that Revelstoke is a well run community. We need *affordability and equity* in the business and residential tax bases, *value* for tax dollars and *accountability* of city staff and Council. With that in mind, we offer the following recommendations that address both the financial planning process itself and the content of the plan.

VALUE

We feel the financial plan should be purpose driven and principle based. Investments should reflect goals and objectives to be achieved. If these exist, they weren't obvious in the process, and made it difficult to understand some proposed investments. We had hoped to see a clearer matching of service deliverables with costs and benefits and the relationship to goals and objectives. This would aid understanding, help assess performance, and aid determining relative priority and ultimately affordability. It could help decision makers choose where to best use scarce resources and make it more transparent to citizens. We suggest this going forward.

Overall, the committee was somewhat disappointed in the way the directed budget reductions were addressed, and the specific cuts proposed by individual departments. Although stretch targets (5% and 10% reductions), are one approach to leveling budgets, when approached solely on a department by department basis, it doesn't necessarily result in the "Best Overall Interest of the City". Picking low hanging fruit (office supplies, conferences, Non-TCA items), to hit a target reduction isn't solving the problem. There is an affordability issue, and some services and initiatives need to be rationalized. Perhaps city management should, instead, be directed to collectively identify the priority and pace of investments that are "**in the best overall interests of the City**". They are best placed to assess risks and opportunities and are the best contributors to achieving the vision for Revelstoke.

Since Revelstoke is currently undergoing rapid change, it would be prudent to have some kind of value audit done. As part of this, it would be good to compare the levels of service we have with other similar sized communities. This would allow more informed decisions about levels of service, staffing requirements, costs, and what is reasonable for a community our size.

ACCOUNTABILITY

Our experience through the budget review process raises the question of whether there are adequate processes in place to promote appropriate accountability, and efficiency. Do investments require business cases? Who is the proponent, how are they challenged, what are the whole financial implications, etc. Oversight committees with citizen involvement before major initiatives/investments or on an ongoing basis may add value and should be considered. We also wondered if overall, there is there adequate tendering in program spending.

People should understand more about the challenges facing us in the coming 5-10 years. Background non-financial information would help in understanding the challenges and direction reflected in the financial plan. What is the time frame and priority of new initiatives, how they will be funded, etc. Council may wish to consider the approaches of other resort communities. For example, Whistler has an independent Steering Committee that leads the 5 year/10 year plan development.

AFFORDABILITY AND EQUITY

We recommend that the City lobby the BC Assessment Authority to re-examine Revelstoke's widely varying assessments for all property classes. Property values have continuously dropped for the past three years in our community and many properties are now being sold under assessed values. Some classes have been able to professionally challenge their assessments to the detriment of the remaining unorganized classes. Fairness of taxation and affordability for all classes should be a Council priority.

We recommend that Council reduce the current tax burden to Business Class 6 to promote the survival and health of this class. This should be done in a phased approach. The impact of the change should come from a combination of an increase in residential tax and a decrease in the overall budget. The areas of budget reductions need to be determined by council. This approach would indicate a concentrated effort by Council to alleviate the tax disparity between residential and non-residential tax sectors and would be a favorable sign to our business community.

FINANCIAL PLAN CONTENT

The following are some specific recommendations or concerns with the content of the latest version of the financial plan (5% reduction version):

- ❖ Place a moratorium on new / enhanced / expanded programs/spending areas (without impeding essential City operations) to provide the necessary flexibility to assess programs for reductions
- ❖ Many of the items removed from the initial budget with a proposed 5% decrease seemed exorbitant and should remain excluded. For example, \$80,000 for parks and recreation computer program. Others such as snow removal are a gamble at best and make no sense to remove. This is not to say that there is no merit in trying to improve efficiency.
- ❖ Look at the Fire program. There are concerns about staffing levels and overtime costs. Compare the program and costs with other similar sized communities.
- ❖ Consider refinancing the current debt issues at lower rates for cost savings

- ❖ Consider cost share/user pay programs for bear proof garbage cans to promote ownership. Consider the potential of a local business supplying, so the City can stick to its core business. Take a phased approach with the most at risk areas first, e.g. trailer parks.
- ❖ Reconsider curb side recycling. Is this affordable at this time?
- ❖ Delete the conference centre investment. No explanation was offered for this investment beyond being a placeholder.
- ❖ Should the City be in the Affordable Housing Business?
- ❖ What about Revelstoke Community Energy Corporation. How long will they allowed run a deficit? Is there a plan?
- ❖ Should the City be coordinating registrations for the Glacier Challenge Ball Tournament?
- ❖ Is the transit service expansion warranted, even if it is subsidised by the Province? If there is a decision to proceed, establish specific expected results and evaluate performance after six (twelve?) months to determine if it should continue.
- ❖ Reassess the use of the gas and hotel tax funds with a view to redirecting to higher priority items currently earmarked with municipal tax funding. (We are not convinced there aren't opportunities to cover items currently earmarked with municipal tax funds). And there needs to be some alignment between the level of tourism growth investments and keeping what we have going (no point in having a brand new Info Centre if the roads are crumbling).
- ❖ Policy and new investment decisions should always consider whole financial implications, of introducing e.g. operating, revenues, indirect impacts, etc.
- ❖ We recommend that Council stay on the path of making continuous and ongoing investments in infrastructure on an annual basis. This smoothes out the investments, and should help avoid big cost surprises, and related tax increases.
- ❖ Figure out a way to address tax leakage from the very active underground rental economy (short-term residential rentals).

CLOSING REMARKS:

On a separate note, we were asked to provide our opinion regarding the Mayor's and Councilors annual salaries. It is our collective opinion that the Mayor's annual salary be increased to \$25,000 and councilors to be \$12,500 per annum, beginning with the next term of office. Thereafter, annual increases should occur and be tied to a cost of living index. This increase would bring our City officials to the Provincial mid-average for communities our size. While no person runs for politics for monetary reasons, we do not believe that they should be undervalued by the community.

In summary, given the short time we had to provide comment we feel that these recommendations are appropriate. This was not an easy task and there are many interests to balance. It is still Councils' job to decide which budget cuts are prudent and whether city staff have gone far enough in presenting possibilities. We would also like to also thank Graham Inglis and other City staff for providing information and dialogue.

Respectfully Submitted,

The members of the Financial Focus Group

(Bart Larson, Bob Melnyk, Dale Morehouse, Brydon Roe, Betty Sloan, Arvid Zakary)