

Flagged item #10**Budget Process, November 2022**

Flagged Item #10	Targeted Line Item Budget Reduction THAT Administration provide a response on the impact of targeted line-item reductions of 10% on the following: <ul style="list-style-type: none">• Training and development• Business expenses, included business travel• Advertising and printing• Professional services• Closing all or some recreation centers one hour early (depending on usage)• Less evergreening of tech• Targeted reduction of lower priority services as determined by Administration through PBB and Lean principles
Date of Request	November 21, 2022
Moved By	Rod Frank
Response Required by	November 23, 2022, 4:30 p.m.
Presentation Date	November 24, 2022
Department / Division	Financial and Strategic Services / Corporate Services

Response:

After careful consideration of the motion, Administration recommends the following:

Training and Development – No further reduction

The Training and Development line item includes both Professional Development and Memberships and Association Fees, of which, a total reduction of **(\$56K)** was already made. In addition, some reductions have been made within the past two years including but not limited to, a 10% reduction for RCMP and Enforcement Services for 2023, and a 30% reduction for Transit in 2021 to align with historic utilization. The use of more remote learning opportunities to decrease travel and other costs is being promoted for 2023. Further reductions would impact the County's ability to cover annual professional dues and annual professional accreditation and certification requirements for positions within the County that require professional designations and could significantly impair employee attraction and retention.

Business expenses – No further reduction

This roll-up has already had a net corporate reduction of **(\$18K)** from 2022 to 2023. This net reduction is after including the costs for staff recognition like the Service and Retirement Awards (SARA) – \$67K and the meals to host the Special Olympics – \$125K to name a few. A large portion of business expenses are committed to the delivery of core programming, and Mileage and Business Travel have also already been reduced by a collective **(\$29K)**. Corporate policies are under development to ensure additional discipline around business travel, meals, staff recognition and other expenses.

Advertising and Printing – No further reduction

This roll-up has seen a net decrease of (\$22K) year over year, while addressing current and anticipated price pressures. Paper pricing has begun to behave like a commodity, in that the supply is not keeping pace with demand, causing elevated purchasing prices. Those elevated prices have greatly impacted our budget, which we have mitigated through anticipated reduced usage. Further reductions would greatly impact our ability to comply with our legislative requirement to advertise certain items throughout the year, Council's continued focus on public engagement, and to enact meaningful Truth and Reconciliation activities throughout the year. A continuation of current advertising and public relations programming is recommended to increase awareness of county services to generate additional user revenues.

Contracted services – No further reduction

While there has been a 2% increase to the contracted services roll-up, it can be attributed to the downstream impacts of the hyperinflation environment that we are in and has been significantly offset by departments absorbing a large part of the inflation. Further reductions would seriously impact the County's ability to meet contractual obligations.

Closing all or some recreation centers one hour early (depending on usage)

The operating hour adjustment proposed as part of budget 2023 is valued at \$245K and includes a combination of 30-minute early weekday closure and the reduction of early morning and late-night hours on weekends (two-hour reductions), and statutory holiday closures. Approximately \$30K of that reduction is associated with the 30-minute weekday change. Additional changes to Millennium Place are not recommended at this time, and a further reduction to Ardrossan and GARC would generate an additional \$14.5K in savings.

Evergreening – No further reduction

Evergreening falls into two primary categories within the County; facilities and technology. On the facility side, Administration's typical approach is to replace as it fails, which means money is not spent prematurely and infrastructure is only replaced at the end of the useful life.

On the technology side, we could potentially transition our cell phone terms from 3 years to 4 years, but this would likely require a battery replacement and not result in material savings. Computers are currently on a 4-year cycle, and there is no way to extend useful life. Computers are critical to many employees within the County, and any change would significantly reduce employee efficiencies. Furthermore, as the IT lifecycle program is currently underfunded, any potential savings would not result in a tax revenue reduction.

Targeted reductions using PBB and Lean – No further reduction

On April 19, 2016, the PBB Institute presented to Council, the implementation of PBB, noting that the County had an extremely healthy spending array across quartiles. That

healthy report card continued into 2021, where the budget of quartile 4 programs was 10% of the overall operating expenditure budget.

Targeted reductions of lower priority programs have occurred annually since 2016. PBB is about the impact and influence a service has on the strategic direction of the organization and one key element is the strategic plan. In 2022, Administration was proactive to start the update to PBB, knowing that a new strategic plan would be implemented in January 2023. This update is currently in progress and expected to be completed in Q1 2023.

PBB continues as one of the tools for the County. It is important to state that at the Council presentation on April 19, 2016, the PBB Institute noted that with this healthy array of spending, the next step would be to look at the efficiency and effectiveness of quartile 1 and 2 programs.

Now is the time to follow that guidance of the PBB institute. The adoption of a Lean methodology will give Administration a best-practice tools to look at the efficiency of services within any quartile (which is proposed as a business initiative for 2023). Many municipalities are adopting the customer-centric, organizational-led lean methodology to improve overall efficiency, quality, effectiveness, and customer satisfaction.

As a reminder, there were many efficiencies, reductions and reallocation of work that resulted in savings to offset the proposed tax revenue requirement. They were:

- Reduced overall staffing costs by approximately \$1.5 million by permanently eliminating 6 FTE at a management level (1 Associate Commissioner, 3 directors, 2 managers) and 3 salaried positions.
- Collectively reducing various expenses to absorb inflation.
- Reviewing contracted services and where possible finding ways to achieve further savings. For example, extending the print management program lease for two years saving approximately \$150k per year for 2022 and 2023.

In addition, there were service reviews that took place to offset the reduced revenue. The Community Services Division incorporated \$2.3M in adjustments. This includes the elimination of 15-minute residential Transit service, as well as numerous changes to Recreation, Parks and Culture including reduction of hours at recreation centres. While other improvements within different programs can be made over time, further reductions are not recommended at this time in order to maintain current service levels.