

BUDGET SAVINGS ACCOUNT UPDATE - Q2 REVIEW

EXECUTIVE SUMMARY

This report is the second update on the savings to be contributed to the Budget Saving Account. Administration identified Operating savings of \$6.5 million for Q2 2015, bringing the total for year to date (YTD) Q2 to \$13 million. Administration also reviewed Capital projects that are either completed or near completion and identified \$16.7 million of savings for Q2, bringing the total for the first half of 2015 to \$25.5 million. In total for Operating and Capital, almost \$40 million in savings has been identified. Given that some of these savings are funded through restricted grants, The City is reviewing the extent to which the uses of these savings are restricted. The funds transferred to the Budget Savings Account will be, in part, used to offset financial shortfall impacted by the current economic situation.

ADMINISTRATION RECOMMENDATION(S)

That Council receives this report for information and directs Administration to continue reviewing vacancies and other savings as a source for contributions to the Budget Savings Account.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2014 December 01, Council directed Administration to consider ways to encourage and provide incentives for business units to seek annual savings, innovation and efficiencies, within their operating and capital budgets, including, but not limited to the use of savings accounts.

On 2015 March 9, as part of the Economic Resiliency initiative, Council approved a Notice of Motion directing Administration to undertake a vacancy review and explore opportunities for savings through the review of vacant positions and other operating expenses and report back to Council on April 27, 2015. (NM2015-04)

On 2015 March 30, Council approved the creation of the Budget Savings Account, which serves as a reserve for both corporate and business unit investments and is flexible to the fluctuations in service demands. (PFC2015-0181)

On April 27, 2015, Administration presented the Vacancy Review which identified \$6.4 million dollars worth of savings related to vacant positions that forms one basis for contributions to the Budget Savings Account for Q1 2015, and \$8.7 million dollars worth of savings from the review of capital projects that are either completed or near completion as at Q1 2015. (C2015-0349)

BACKGROUND

Budget Savings Account has been established to encourage and provide incentives for business units to seek annual savings, innovation and efficiencies. Qualifying savings generated by business units, within their operating and capital budgets, are to be accumulated for investment in strategic initiatives under the Budget Savings Account.

To remain responsive to current economic conditions The City will retain flexibility in the uses of these funds in the short-term, which could include an offset to a potential shortfall in city revenue. In the long-term, it is intended that funds accumulated in the Budget Savings Account will be allocated 50% to initiatives at the business unit level and 50% to initiatives at the corporate level.

BUDGET SAVINGS ACCOUNT UPDATE - Q2 REVIEW

As a part of the Economic Resiliency Initiative in February 2015, Administration reviewed all of the current vacancies in the organization and identified the dollar value of savings from the vacant positions for contributions to the Budget Saving Account for Q1 2015. The Vacancy Review was an opportunity to consider if vacant positions should be filled as they exist or if those resources could be better used in another capacity and potentially contribute savings to the Budget Savings Account. Administration is continuing to review vacancies on a quarterly basis.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

A review on vacant position to determine the contribution to the Budget Savings Account has continued and each business unit and department also has been seeking savings from other areas both in operating and capital. The estimated operating savings was identified to be \$6.5 million for Q2 2015, bringing the year to date total to \$13 million.

The \$6.5 million includes savings from areas other than vacancies, such as savings benefited from lower fuel cost, however the majority of savings still came from the vacant positions. The savings will be used to offset the expected financial shortfall due to the current economic situation.

Administration has also reviewed capital projects either completed or near completion in Q2. \$16.7 million for Q2 and \$25.5 million for Q1 and Q2 total in savings has been identified. However, some of these projects are funded through restricted sources such as federal and provincial grants. These project savings are currently being reviewed to determine the extent to which the uses of these savings are restricted.

The attached table presents details on each department's Operating and Capital savings in Q1 and Q2 2015. Total savings for Q2 YTD for Operating and Capital is almost \$40 million.

Stakeholder Engagement, Research and Communication

All of the savings were identified by each Business Unit, and the capacity associated with the vacant positions was assessed by Human Resources and Business Units. Each General Manager reviewed the information and approved the contribution amount to the Budget Savings Account.

Strategic Alignment

Reviewing savings and developing a Budget Savings Account is aligned with the Council Priority of a "well-run city" being open, responsive, accountable and transparent, delivering excellent services at a fair price. The report is also aligned with focusing on ensuring value for money in the services we offer, which is one of the Six Municipal Strategies for our Cyclical Economy and the Economic Resiliency Initiative, as well as contributing to efforts being made under the direction of the Leadership Strategic Plan to engage and focus administrative leadership on the shared strategic agenda and strengthen the Corporation's financial position.

BUDGET SAVINGS ACCOUNT UPDATE - Q2 REVIEW

Social, Environmental, Economic (External)

There are no immediate impacts by the identified savings and not filling the positions that were identified for contributions to the Budget Savings Account. However, there may be an impact to service delivery to citizens if these positions are not filled on a long term basis.

Financial Capacity

Current and Future Operating Budget:

There are no immediate operating budget implications resulting from this report. Savings identified through the review of vacancies and other costs will be directed to the Budget Savings Account.

Current and Future Capital Budget:

There are no immediate capital budget implications resulting from this report. Unrestricted savings identified through the review of capital project spending and funding sources will be directed to the Budget Savings Account.

Risk Assessment

There are no significant risks associated with this report and subsequent contributions to the Budget Savings Account is being undertaken to manage the potential risk of decreased revenues on city finances.

REASON(S) FOR RECOMMENDATION(S):

The recommendation supports Budget Savings Account which allows The City to respond to changes in city finances and to encourage business units to seek saving, innovation and efficiencies in the longer-term.

ATTACHMENT(S)

1. Estimated Operating and Capital Budget Savings