

CITY OF BROCKVILLE  
BUDGET SUBMISSION 2008

Brockville and District Chamber of Commerce  
January 2008

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ADVOCACY & ECONOMIC DEVELOPMENT COMMITTEE

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Heather Halladay (Chair)	Farm Mutual Financial Services
Yuergen Beck	Service Brokers
Tom Blanchard	UML Property Management
Gord Cameron	Hewitt Brockville
Sueling Ching	Brockville and District Chamber of Commerce
Gord Eamer	Gord Eamer Enterprises
Sherri Fournier-Hudson	Riverside Ford Sales Ltd.
Mike Larocque	Timothy Ross & Associates
Stephen Mazurek	Tait's Bakery
Paul Naylor	RBC Dominion Securities
Michael Veenstra	Spring Valley Homes

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INTRODUCTION

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The Brockville and District Chamber of Commerce is the 'Voice of Business' in this community representing the interests of over 550 members including businesses of all sizes and within all sectors. Our mission statement is to foster a competitive business environment in the Brockville region that benefits the people of this region through the growth of jobs, wealth and quality of life.

The Advocacy & Economic Development Committee of the Brockville and District Chamber of Commerce has prepared this report. Advocacy on behalf of the business community is the key role of the Chamber of Commerce. The committee regularly reviews information and develops recommendations on government regulations and taxation as they pertain to the community's ability to attract and retain business and as they affect the interests of Chamber members.

The committee has reviewed the 2008 Budget document that was released on Friday, January 18, 2008. We wish to commend the City Staff on preparing a comprehensive and well-organized package. The information in this package of particular interest to the Chamber included the Differential Analysis, Finance Plan, and Capital Projects Proposed for the next few years. We believe that to ensure sound fiscal and operational management, the City has to consider the effects that this year's budget decisions will have on the taxpayers in future years. The committee has the following observations and recommendations regarding how the City deals with the 2008 Budget and related issues.

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## OBSERVATIONS

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### **1. The reality of the 3.75% Operating Budget Increase**

While City Departments should be commended for managing to keep their increases to the guidelines, the City is enjoying a one time windfall of \$474,743 for ODSP costs being transferred back to the Province. If the City did not get this one time windfall, our taxes would increase by another 2% which is 5.75% over last year.

### **2. The increase in User Fees**

User fees, outside of those associated with the Water and Sewer Budgets, increased 9.2% over last year, which was up considerably over the year before. In the case of the Police Department, user fees are projected to increase \$210,800 or 37% over last year. There is innate risk associated with the contribution of approximately \$780,000 to the Police Department Budget and sustaining it at that level.

### **3. Increases in City Debt over the upcoming years**

Council has chosen to increase the debt charges by \$20,000 every year for the next 10 years that will allow the City to debenture more. The City has a debt ceiling and Council should be aware of the debt levels from year to year. Council must ensure that the City maintains room to maneuver in future years with a financing instrument that has strict obligations.

### **4. Projected assessment growth shown in the Differential Analysis**

Although there has been growth in the commercial assessment and there are a number of very large projects planned for the waterfront, the tax income from assessment growth shown on the Differential Analysis is growing at only \$50,000 per year. Some of the projects, because of their Brownfield and CIP status, will contribute little or nothing in taxes for a number of years. Council needs to acknowledge and compensate for the fact that there is little growth in the immediate future to cover increases in operating expenses.

### **5. Large projected tax increases in 2009 and upcoming years**

The Differential Analysis shows that because of the windfall of \$474,743 this year, the tax increase was held to 3.75%. However next year it will increase by 7.12% and the next two years by 4.85% and 4.02%. This means that by 2011 (four years out) there will be a cumulative increase of over 21% over the 2007 level. These projections from the Differential Analysis do not allow for deterioration in the tax base or any unforeseen costs that the City may incur.

### **6. The incremental effect of year over year costs to the City Departments**

The Department Heads and Supervisors are doing a very good job giving the citizens the services that Council directs them to provide. However each year the structure of the departments remains almost constant so the costs end up automatically rising incrementally. In some cases there can be large increases because of changing regulations on the level of service that is required and little can be done to control these costs.

### **7. Service Review**

The Service Review called for in the 2007 Budget was projected to change some of the ways services were delivered; finding new ways of operating and realizing efficiencies. One of the outcomes anticipated was a reduction in costs resulting from this process. However the 2008 Budget shows only \$51,000 saved from the areas studied so far. There needs to be a much more aggressive Service Review done in 2008.

### **8. Incremental Items**

The proposed rate increase does not account for incremental items of which the merits have yet to be assessed. The approval of these items would increase the rate to approximately 5.28% which would exceed the budget guidelines. The nature of the current process dictates the perceived value of these items is heavily impacted by the City's determination to stay within its set guidelines as opposed to their value when compared to other costs already established in the operating budget.

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## COMMENTS

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An in depth “Operational and Service Analysis” or service delivery review is essential if the City wants to make the significant changes necessary to control costs. It is important that this analysis finds the true cost and impact of different services, service levels, and delivery methods. With the information from the Operations side and from the Service side of this project, the City can come up with a plan that they can communicate to the public and then implement. The objectives of the “Operational and Service Analysis” must be made clear to all employees. It is critical to get to the depth needed in finding all of the costs, so it will take input from a large number of City employees. All levels of City employees should be part of the process to come up with suggestions for improvement both in efficiency and for alternatives in how a service is delivered or performed.

“If we always do things the same way, we will only get the same result or ...less”. The true impact of the review of services will only be realized when the City operations and spending priorities are viewed as a whole. We commend the efforts and results to date of the various departments as a good starting point however; this internally focused method leaves little opportunity to create new opportunities for doing business that could include cross departmental solutions. So far it appears that the Service Review is not going to achieve the savings and operational improvements that Council is looking for. It appears that they have not engaged the people who should have considerable input. It also appears that they have looked at the services in isolation, rather than by function, which will maintain the silos that exist within the City Departments. Overall what has been delivered so far does not meet stated mandate of "...no rock will be left unturned...and all options are on the table.”

Council should recognize that they really haven't got what they were looking for with their present approach. The Chamber believes the City should start again with an outside consultant and facilitator who will set the stage for a non-confrontational and open dialogue. They need to engage all employees and users to ensure they get to the depth they need in analyzing the true costs, and to come up with innovative ideas on how to improve on efficiency and delivery of that particular service. The Service Review must look at Departments working together and sharing resources to eliminate the silos that exist in the present organizational structure. The City should be sure that they have developed a well thought out communication process both internally and with the public so that there is an open discussion of all the options, to avoid defensive positions and political posturing.

The Chamber commends Council for taking on this ambitious project. It will take a lot of resolve by Council to ensure that the implementation is not side tracked or watered down by resistance to going to the depth needed to achieve results. The Chamber would like to see an actual budget set for the Service Review as Council's commitment of money and resources to ensure this project's very high priority.

Economic development must be viewed as an investment as opposed to an expense. The City's resources must be better aligned with its strategic goals namely growth. The plan must include more than a focus on one or two major projects. We must spend it this year to get a return in the future. In other words, it takes money to make money.

It is imperative the culture of the City council and its employees be one of continuous improvement and cost control. Our ability to compete is constantly impacted by factors outside our control. We should be in the position of being able to easily mitigate unanticipated costs and not have to rely on unexpected revenue. Our only and best strategy is to build a strong foundation consisting of efficient delivery of service, affordable levels of service and investment in economic development initiatives that will bring future revenues. This position would allow us the latitude to mitigate unforeseen challenges while taking advantage of appropriate opportunities.

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## RECOMMENDATIONS

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1. The City set a budget for a Service Review which encompasses both departmental and an organizational analysis performed by an external consultant ensuring an in depth process which includes input from all stakeholders.
2. The City clearly communicates internally and externally both the objectives and results of the service review in order to encourage creative thinking and garner support.
3. The City aggressively pursues operational cost savings which are reinvested in a diverse economic development plan which will increase assessment in future years.