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## MEMORANDUM

November 13, 2009

TO: All Staff

FROM: Penny Ballem  
City Manager

SUBJECT: 2010 Operating Budget

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Yesterday the Corporate Management Team (CMT) and I met with the City's senior managers to review the proposals being put forward to the Boards and Council to address the budget gap for the 2010 Operating Budget. We have also updated the Union representatives. Today the Mayor will send out a message detailing Council's approach to the budget. And I want to make sure that we are sharing this information with you, our staff.

It is important for us to know that overall, we will be increasing spending on services across the city and its agencies by approximately \$17M in 2010 compared to 2009. However, that increase is insufficient to address all the cost pressures facing us in 2010, which amount to about \$60M. This gap is what is requiring us to make some challenging decisions. And as we have discussed, the economic situation we are facing is not short term and looking ahead to 2011 and beyond, there will be more challenges for us.

I want to recognize that we are going through a time of tremendous change at the City and that many of us are feeling very anxious about how these decisions and changes are going to affect us individually. At this point, we don't have final details regarding the extent of impact on staff - in part because council needs to review and approve the budget and also because there is more detailed work to do to ensure we have a thoughtful and well coordinated implementation plan, in conjunction with Human Resources and the Unions. It is critical that we take a careful and thoughtful approach to this plan so that we can minimize the impact of change on staff, recognizing that some impact is unavoidable.

As you are aware, the City, like many other organizations, has had to deal with the economic realities of the past year and the years ahead. The global economy, rising unemployment, provincial government budget decisions and the addition of the HST combined with lower City revenues has put us in a challenging position. Earlier this year, we initiated some bridging strategies such as the hiring freeze, to help us deal immediately with the revenue losses associated with the economic downturn. These measures will have to continue to assist us through next year.

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In October council gave us the direction that our citizens, who are also impacted by the current economy, cannot take on the burden of a significantly higher tax increase. At the same time we must maintain services that protect the vulnerable parts of our population. Based on our October 20<sup>th</sup> report to council, we have been requested to bring forward recommendations for a 1.5-2.0 % budget increase, which means finding an additional \$20M in savings in addition to the VSR and Bridging strategies already announced.

These adjustments will likely impact approximately 100 FTE for service adjustments in addition to the 58 FTE's for the VSR. We anticipate that attrition, combined with retirement rates will help to minimize any job loss and we will make every effort to fill positions left vacant by retirement and attrition with qualified, impacted staff.

Over the next few weeks each department and Board will look in greater detail at their own plans. We will work closely with Human Resources and the Unions to develop a thoughtful, coherent implementation plan that will minimize the impact on our employees. It is unlikely that any staffing impacts from these plans will occur before the New Year.

Your manager will be speaking to your group in the next while to review the proposed specific impacts to the City's Boards and Departments. This is a difficult time for the City and its employees and we know that many of our partners in the non-profit and the public sector are going through similar challenges. These are tough decisions that impact all of us and they will not be made lightly.

We are committed to keeping you informed as more information becomes available. Thank you for your support and commitment to serving the citizens of Vancouver.

Regards,

A handwritten signature in black ink, appearing to read 'Penny Ballem', with a stylized, cursive script.

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City Manager

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