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From: Dix Lawson, OMM, CD, MPM, PMP

To: RMOW Mayor and Council

Good day Mayor Crompton, and Councillors De Jong, Ford, Forsyth, Grills, Jackson, and Jewett

1 INTRODUCTION

I spent a lot of time in and out of Whistler since moving to BC from Ottawa in 2007. As with each of you, we (my wife and I) fell in love with the place and decided in 2017 to make this our permanent home. We bought a home in Emerald and then sold and moved into the Tapley Farm area in 2018 (just in time for our first Tapley's Halloween; what a delight that was!). We are not absentee owners. Our home has a legal two-bedroom suite which we rent to three genuinely nice and hard-working young people. Two of our daughters live in Whistler, one owns a home with her husband and the second is a renter; all three work here and have an interest in the long-term viability and growth of Whistler.

The discussion and recommendations I will present in this paper are based on my experience and a desire to help today and in the future.

2 BACKGROUND

I attended the RMOW Budget open houses for 2019, and 2020 and watched the online video of the 2021 budget presentation. The open houses remain a worthy effort, but they seemed too macro (except for the "project" document of some 160- 170 pages) and lacked some descriptive context that would make them easier to understand. I was left seeking further context to fully appreciate the budget that was presented. I did find a lot of good material using the RMOW search page to help fill in the contextual gaps, a lot of it was from work completed by previous Councils circa 2011-2015.

The balance of this paper will touch on the construction, monitoring and control of the budget and will only use details of the budget to illustrate perceived or actual gaps and potential improvements.

3 DISCUSSION

3.1 GENERAL TERMINOLOGY

3.1.1 Imperative and Non-Imperatives

There are terms that go together when defining what a group will do and its priorities. They can be grouped as imperatives and non-imperatives

- Imperatives: Essential, Must, Need
- Non-Imperatives: Desirable, Should, Want

All activities need to be assessed and expressed as an imperative or non-imperative. Resources must be committed, and work must be completed for imperative activities. Imperative activities include items related to safety, security, and the ongoing efficacy of core activities.

Activities described as non-imperative could become imperative in future, so they need to be captured and listed but should not have funds or level of effort applied to them.

3.1.2 Project

A project is generally defined as “a temporary endeavor undertaken to create a unique product or service. Projects are different from other ongoing operations in an organization, because unlike operations, projects have a definite beginning and an end - they have a limited duration.”

3.2 OPERATIONS

The 2021 budget documentation indicates the following:

Table 1 – Proposed Operations Budget 2021

Mayor and Council	\$	462,981
CAO	\$	2,416,843
Resort Experience	\$	15,453,292
Infrastructure Services	\$	27,772,780
Corporate and Community Services	\$	25,623,923
	\$	71,729,819

There is no description in the budget documentation of what “Operations” includes, therefore there is a lack of understanding what the approximate \$72M is to be spent on. I found the description below in a nine-year-old RMOW document. I did not find a more recent description, so must assume that it represents the current approach to operations funding:

“Operations expenditures consist of the wages, office supplies, electricity, spare parts and other ongoing expenses that are necessary to make the municipality run. These costs are included in divisions’ operating budgets and are managed by the division’s general manager.”¹

There is no added declaration of the requirements to spend Operations funds in the business year, however, it is understood that these funds cannot be carried forward to the next year. Though there may be an ability to carry forward a small portion.

Council budget plans are often challenged by people who simply say, “cut back operations” or “reduce staff”. Of course, these are valid ideas, but too often are countered by Council with the notion that employees are dedicated workers who they are immensely proud of. Of course, Council should be proud of the RMOW employees, however, there is no substantive proof that staff does indeed get the job done. Operations funding is spent, but what are the performance indicators that show the funds were spent wisely or that opportunities were found and executed?

Unlike the Project Document 2021-2025, there is no detailed analysis provided that shows the RMOW getting the best bang for its operations expenditures. The annual operations Budgets may be zero based, but could be last year’s budget plus a percentage for inflation; the former is much harder to do, but ensures there is rigour applied to the process and that all operation expenses are validated against

¹ THE RESORT MUNICIPALITY OF WHISTLER | FIVE-YEAR FINANCIAL PLAN 2011-2015
<https://www.whistler.ca/sites/default/files/chapter3.pdf>

essential activities. Of course inflation and scheduled salary increases account for a lot of that increase, but there is no way for the observer to find out whether the work being done and the associated salaries and wages assigned are for essential activities and services or if they are being incurred for desirable activities.

3.2.1 Division Work

There is no visibility at all into the roles and responsibilities of each Department in each Division. This includes an understanding of the departmental objectives for the 2021 year, how they are going to achieve the objectives, the timings for the work, and what resources they will need. There is no way to see the analysis that led to departmental activities that require operational funding. Indeed, there is no indication that each activity is essential or a need. So how can the taxpayer have any real input into the budget analysis? Perhaps citizens have more efficient and effective ways to help staff meet their objectives? Of course, the taxpayer, once educated, may also simply say that they see no purpose in maintaining the activities or even perhaps the Department; that is the risk, but is it not worth it for the transparency, especially considering the significant sums spent on Operations?

3.2.1.1 Recommendation #1

That essential activities and objectives, resource requirements and timings, risk and opportunities, and performance measurements associated with the Operations activities of each Department and each Division be included in the budget documentation.

3.2.2 Full Time Equivalent ("FTE")

It appears there is no visibility in the planning process that shows the Municipal Full Time Equivalents ("FTE"). Indeed, I asked the Director of Finance at both the 2019 and 2020 budget open houses about our Municipal FTE count.

Until the Council is more forthcoming on the FTE count per Division you can expect people to deride staff and employees. It is interesting that previous Councils reported FTEs, but this does not seem to have been made public for the past nine years.² The last report in 2011 showed approximately 42 per cent of the municipality's operating budget funds employee's wages and benefits and that at that time the FTE budget count was 331.7.

3.2.2.1 Recommendation #2

That Council add the FTE count to the current budget operations expenditures by department and Division. This can be done for the 2021 budget, but in future would be connected to the work associated with Recommendation #1, above. The taxpayer can then have a much better understanding of the impact of people on the budget; it may even surprise some members of Council and senior staff.

3.2.3 Payroll

One of the largest Operations expenditures is payroll. However, I cannot find the exact payroll per Department and Division. Of course, the number is included in the Division Operations costs, but without knowing the detail it is difficult to appreciate the need. Payroll and benefits costs must be tied to the work being done, and that work needs to be essential activities only. Lack of clarity and inclusion

² https://www.whistler.ca/sites/default/files/chapter7_rev.pdf

in the budget means that observers outside of Council might say something like “reduce staff and take pay cuts”; a statement that is relatively useless but also produces ire from Council.

3.2.3.1 Recommendation #3:

That Council add the expected payroll and benefits costs for Divisional Operations budgets to the 2021 budget. These costs need to be made visible so that there is no need for the reviewer to search several budget-related documents to find there is no clear statement of these costs by Department and Division. This can be done for the 2021 budget, but in future would be connected to the work associated with Recommendation #1, above.

3.3 PROJECTS

The 2021 documentation indicates the following:

Table 2 – Project Budget

	Carry Forward to 2021	2021
Mayor and Council	\$ -	\$ -
CAO	\$ 45,000	\$470,000.00
Resort Experience	\$ 2,529,826	\$13,089,513
Infrastructure Services	\$ 964,295	\$29,179,797
Corporate and Community Services	\$ 228,500	\$12,170,190
Corporate Accounts	\$ -	
	\$ 3,767,621	\$54,909,500
		\$58,677,121

There is no description or definition of “Project” in the budget documentation. I found the description below in a nine-year-old RMOW document identified at Footnote #1 above. I did not find a more recent description, so must assume that it represents the current approach to project funding:

“Project expenditures are for infrastructure. For example, building the Meadow Park Sports Centre would be a capital project expenditure. The requirements for projects each year are discussed in light of community needs, infrastructure maintenance, and council directives, and a draft project budget is prepared for council’s review.”

The RMOW description above of a project is consistent with the general terminology of projects. Projects require the rigours of generally accepted project management processes and educated project managers.

3.3.1 Proposed 2021-2025 Project Budgets

A detailed review of the approximate 166 projects in the 2021 budget revealed many of these so-called projects are simply annual activities related to general operations and maintenance; as such, they fail to meet the definition of a project and must not be described that way.

So how should they be described? The sense is that annual operations activities were not being executed in the past by General Managers and their staff, thus funds were lost or moved elsewhere and the activities they were allocated for were pushed out to the future or simply reorganized or removed. The decision to start funding operations and maintenance activities from General Reserves was a convenient way to satisfy this problem as reserves not spent can now carry-forward to the next year.

Perhaps this was a self defence mechanism for lack of competencies, the bottom line is that it is a way to ensure operations budgets were protected.

The 2020 project list was aligned to the following Council Priorities: 1. Core Services; 2. Climate Action & Environment; 3. Community Planning; 4. Community Engagement; 5. Resident Housing; 6. Asset Management; and 7. Economic Development. The current 2021 budget project list simply shows the following: Community Balance; Climate Action; and Housing. I do not see an explanation for the apparent year-to-year change. Please review and consider correcting or confirming the 2021 Full Project List.

Proposed funding for the detailed projects list is from several special Reserves funds and will be dealt with further below in the discussion of Reserves.

3.3.1.1 Recommendation #4

That a new reserve account titled "Operational" Reserves be established and all associated activities be funded from this new reserve account. This would provide greater clarity of their use as they are outcomes of executing Recommendation #1 above.

3.3.1.2 Recommendation #5

Rename the project document to Proposed 2021-2025 Major Activities and Projects Budget. This is not only more accurate, but also allows the reader/taxpayer to understand spending plans and priorities.

3.3.2 Project Management

A review of every single project in the Proposed 2021-2025 Project Budgets document revealed several points that should be addressed. Many of the project descriptions are vague and do not discuss potential synergies, risks, essential vs desirable qualities, and operations and costs efficiencies with other projects delivering the same capability i.e. SCADA projects – E206, E306, and E406.

A search of the available RMOW documentation demonstrates a paucity of project management training and education. There does not appear to be any embedded project management education for the dozens of project managers named; lack of training and education will lead to poor requirements management, and incomplete project management processes. This leads to a conclusion that the RMOW has low level of project management maturity; not a good situation when we talk of \$58M in "projects" spread across approximately 166 projects for 2020.

3.3.2.1 Recommendation #6

Develop an internal project management education plan and get all project managers the training and education they need to be successful.

3.3.3 Program Management

There appears to be no formal structure for centralized management of such a large program of the approximate 166 projects. A centralized capability, either as a project management office or program management office (the latter is probably more the case for the RMOW) is indicated. This could be an independent body reporting to the Mayor and Council or one reporting to the CAO, but in either case it is the central monitoring and control authority for the integration of all projects. It would also set common project management standards including the need to rationalize all projects as essential work that needs to be completed to ensure essential services are maintained. It is not enough to look at

coloured dots showing alleged performance, which are at best subjective assessments, to determine if the plans and priorities of the RMOW are being met.

3.3.3.1 Recommendation #7

Establish a program management office to ensure central monitoring and control capability for all project and nonoperation activities.

3.4 FINANCIAL RESERVES POLICY

Despite my best efforts I have not found a Council directed and approved policy on collection and use of Reserve Funds. Though discussed for many years by previous Council and the CAO of the day, it seems a policy was never completed and approved by Council. This is by far a very frustrating situation as there is a significant amount of revenue put aside for the Reserve account each year, but no policy on what it is to be spent on. The best presentation on this policy I can find is from 2014³, yet it appears six years later there is still no approved policy.

All "projects" are funded from reserves of some type, yet the budget does not show the list of reserve accounts, their purpose, how much funding they currently hold and what their project cash flow will look like over the next five year plans and priorities period. There were at least 11 of these reserve accounts detailed in the projects plan document, each of them needs to be added to a Financial Reserves Policy. There may be more of these accounts but here is the list found in the project documentation: General Capital Reserve; Vehicle Replacement Reserve; Water Capital Reserve; Sewer Capital Reserve; Solid Waste Reserve; Library Reserve; MRDT (3%) Reserve; CARIP Funding; RMI (4%) Reserve; Transportation Works Reserve; and Recreation Works Charges.

The needs to be more clarity on the various reserve accounts; this can be done by preparing and executing a Financial Reserve Policy that includes all the reserve accounts including their purpose, funding sources, projects and activities and cash flows for the next five year period. If the current situation remains, then it is likely that taxpayers will simply view the reserves as "slush" funds which they are most certainly not.

3.4.1.1 Recommendation #8

Complete and execute a Financial Reserves Policy that includes all reserve accounts, their purpose, their funding, their projects and activities and their cash flows

3.5 OPEX/CAPEX

All things considered in the above discussion, perhaps the way ahead should be aligned to a more current accounting system of OPEX and CAPEX. To this I would add a group of work that is New Initiatives.

³ https://www.whistler.ca/sites/default/files/related/2014-10-21_kroggemantmetcalf_reserve_policy_development2.pdf

4 CONCLUSION

I have considerable respect for the personal sacrifice each member of Council makes to perform their duties. Not many people are willing to give up their privacy to do this work, and your contributions to the RMOW are incalculable.

It should never be a given that General Property Taxes must be increased; indeed, staff must demonstrate that there is a need to increase their spending from the past year. Increases must show due diligence on the part of the managers to first work to stay within their current budget with any increases thoroughly scrubbed down and prioritized. There is no clear statement that management is held responsible for their budget plans. Therefore, it is not clear why there needs to be any increase in General Property Taxes let alone the 4.89% proposed.

There needs to be greater detail provided on the exact budget process, including a statement from Mayor and Council on its priority and tolerance for budget and tax increase. Recommend that Mayor and Council address its tolerance for budget and tax increase and a statement developed and communicated to the taxpayer as a part of the final budget deliberations.

Sincerely,



Dix Lawson

