



**Building Towards Financial Sustainability
Finance Committee Working Session
May 14, 2011**

Welcome

“A strategy is an integrated set of choices that position a firm, in an industry, to earn superior returns over the long run.”

Source: Jan Rivkin, “Where do great strategies come from?” Harvard Business School Faculty Seminar Series Lecture - As presented at the Certification Boot Camp ©2009 Palladium Group, Inc.



Opening Remarks – Mayor Matichuk & Councillor Kett

Working Session Approach

AGENDA

Welcome & Coffee	8:00 am
Opening Remarks from Mayor Matichuk & Councillor Kett	8:30 am
Overview of Agenda	8:45 am
Preparing for a Successful Retreat	9:00 am
Emerging Themes on Strategy & Financial Sustainability	9:45 am
Break	10:15 am
Setting the Stage for 2012	10:30 am
Lessons Learned – 2011 Budget Process	11:30 pm
Lunch	12:15 pm
Lessons Learned – 2011 Budget Process	12:45 pm
Environmental Scan – Shifting Gears Exercise	1:30 pm
Final Directions For 2012	2:45 pm
Session Wrap Up, Next Steps & Evaluation	3:30 pm
Closing Remarks & Adjournment	3:55 pm

Preparing for a Successful Retreat

Working Session Objectives – May 14th

1. To present key financial themes and *level set* Council's financial knowledge
2. To set the stage for the 2012 Budget

Suggested Rules of Engagement

- **Adhere** to agenda and timelines
- **Engage** in discussions
- **Focus** on objectives
- **Work** towards consensus
- **Be Present** – please turn off cell phones and Blackberries

Our Guarantee to You as Facilitator

- 1. We will aim to encourage healthy dialogue**
- 2. We will follow a process that is clear, consistent and transparent.**
- 3. We will strive to create an environment where all participants can contribute their best thinking**
- 4. We acknowledge that this is your meeting and will check in with you to ensure the process is working**
- 5. We will be flexible while remaining focused on the agreed to objectives for the meeting**

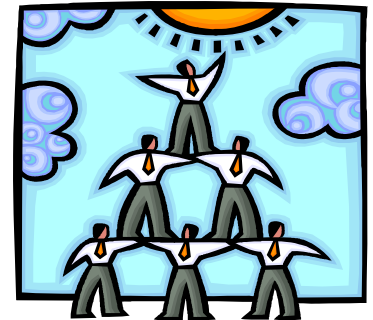
Preparing for a Successful Retreat – Roundtable Discussion

Please share ideas as to how Members of Council and Staff can contribute 'their best' during the working session?

There are four stations each with a flip chart set up in the room.

Please take 20 minutes to consider and discuss with your fellow group members the above question.

Appoint a spokesperson to report back to the larger group. The facilitator will collect your notes at the end of the session.



Emerging Thoughts on Strategy and Planning

Inspired Planning

Practices of High Performing Companies

Have a clear and compelling vision

- Collins' value, core purpose and BHAG

Spend time on strategy – challenge colleagues to be bold

- Separate strategy discussions from operational planning

Make time for generative discussion

Focus on execution – deploy, measure, monitor, recalibrate

Disruption is seen as an opportunity

Strive for integrative thinking

- Avoid binary options
- Combine integrative and intuitive thinking

Wicked Questions

What if?

Is it possible?

How about...

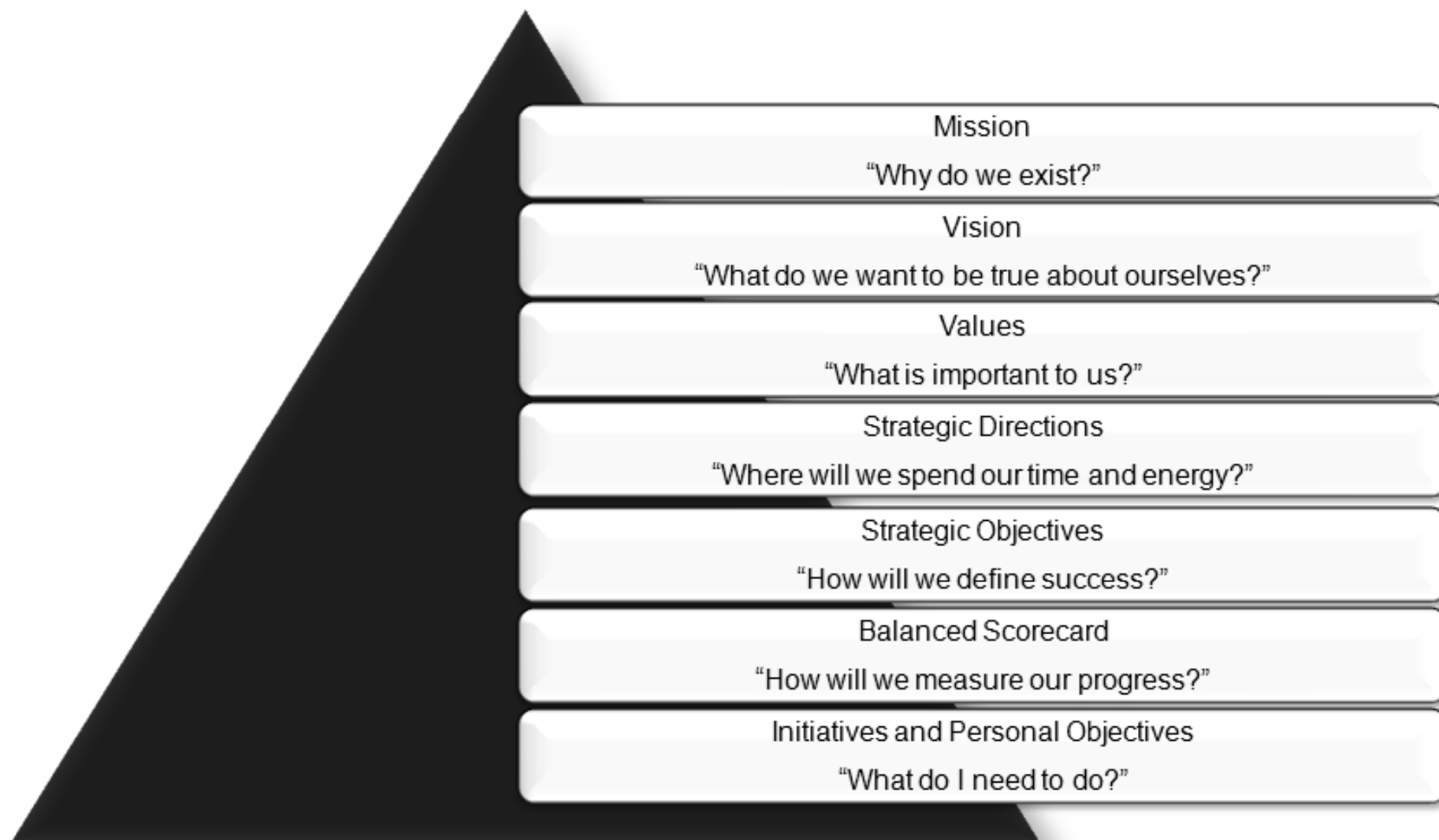
Imagine...

If only...

Is there another way to think about this?

Why not?

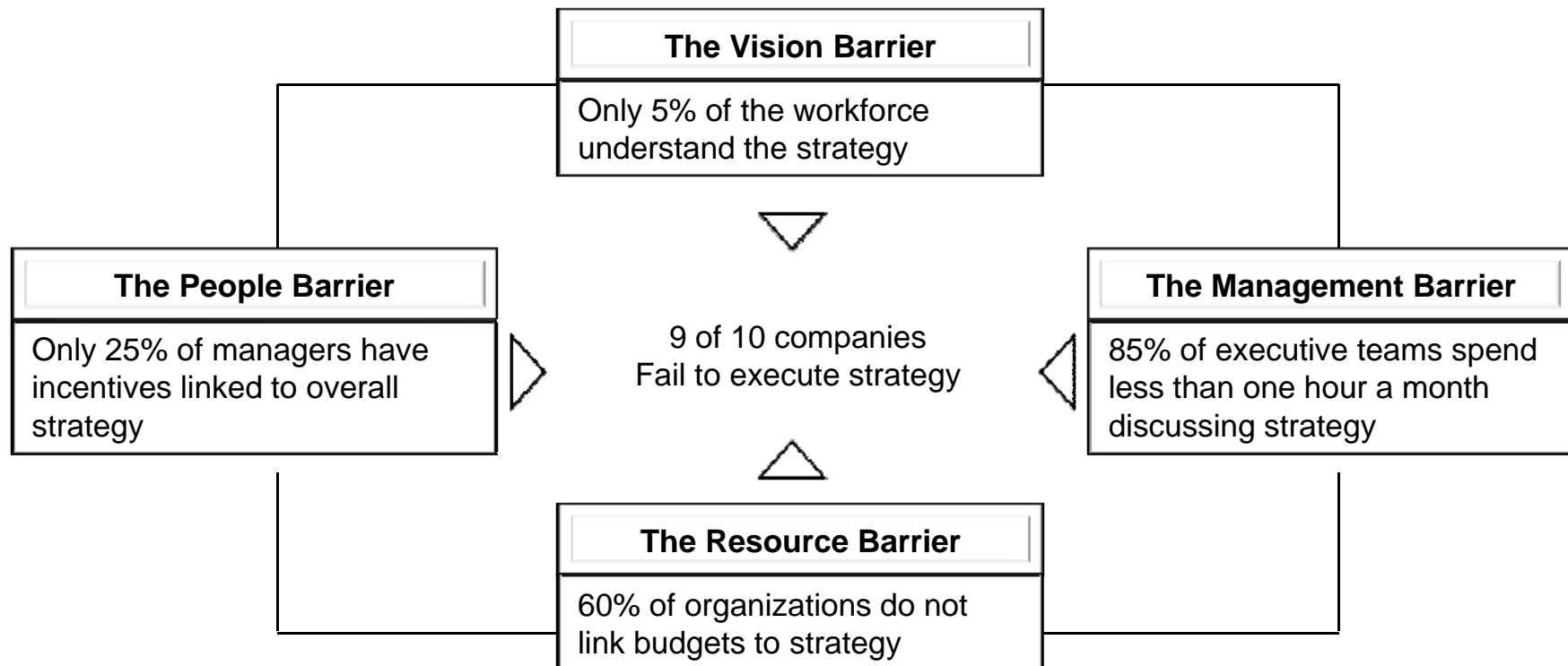
Strategy Framework



Strategy and Execution: Differences Between the Sectors

Factors	Private Sector	Public Sector
Inputs	Money	Money (Gov't Controlled)
Outputs	Money	Performance Relative To Mission
Measures	Outcome Based And Quantitative	Activity Based And Qualitative
Planning Horizon	Industry Specific	Election Cycle
Governance	Relatively Clear and Straight Forward Hierarchy	Complex And Inherent Ambiguity
Leadership	Concentrated Power	Diffused Power Structures, Influence, Political Currency
Stakeholders	Generally More Homogeneous	Diverse With Competing Interests
Pace Of Change	Fast	Slow
Decision Making	Executive (Concentrated Power)	Legislative And Consensus
Strategic Planning	Management Driven Dedicated Resources And Expertise	Board More Involved Highly Consultative
Culture	Ruthless Focus And Discipline	Difficult To Stop Doing Things, Pressure To Do More With Less

Barriers to Implementing Strategy



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Break 15 mins

Setting the Stage for 2012

An Overview of Sudbury's Financial Position

Lessons Learned – The 2011 Budget Process

Lunch

Environmental Scan - Fiscal Sustainability – An overview of *Shifting Gears*

Shifting Gears – Paths to Fiscal Sustainability in Canada

Impetus for the Report

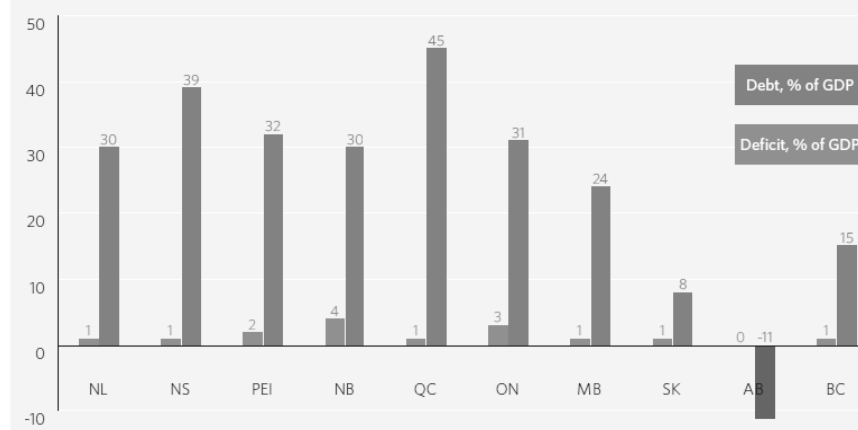
- Governments around the world face **large budget deficits**. Addressing them will require significant fiscal and operational changes within governments
- The need to **define fiscal sustainability strategies for the long-term** provides Canadian governments with an opportunity to examine the choices they face through a “transformative lens,” choosing short-term investments that are likely to re-shape the way government works to ensure fiscal sustainability over the long-term
- In Canada, the impending **demographic challenges** and the **structural nature of deficits** in most provinces will require governments to ensure that they can continue to meet public expectations with respect to programming and services while keeping these affordable
- Not only are there intense **budget pressures** facing the public sector but taxpayers are now more savvy and demanding than ever – the pressure to deliver the right service to the right customer at exceptional **value for money** has never been this great. Focusing rigorously on evaluating productivity and being honest about identifying **what you do best** will give you the tools to deal with whatever the future will throw at you.

Shifting Gears – Paths to Fiscal Sustainability in Canada

Where is Canada Headed? – The Burning Platform for Change

- Canada's deficit and debt situation do not require drastic measures over the short-term (increases in taxes or cuts to core programs)
- Sustained measures will be required to ensure structural deficits are brought under control before the demographic challenges reach their peak
- Spending restraint and cuts to non-core programs could return to balance as early as 2014-2015
- Given that Canadian governments are not in a short-term crisis, they are able to make choices that advance policy objectives beyond simply reducing deficits in the short-term
- Canada will require a fiscal adjustment of 4.4% of GDP over the next decade to return to a prudent debt-to-GDP ratio
- Quebec and Ontario, have larger deficits and debt-to-GDP ratios than most other provinces and will therefore require larger fiscal adjustment
- Deficits which recur on a yearly basis are not sustainable, as interest payments threaten to crowd out other public expenditures.

FIGURE 4
2009-2010 PROVINCIAL DEFICIT & DEBT LEVELS



Shifting Gears – Paths to Fiscal Sustainability in Canada

Three Approaches in the Return to Balance

1. **Increase revenue through higher taxation or user fees**
2. **Cut program spending, either through targeted initiatives or across the board restraint**
3. **Change how governments operate and how they deliver public services:**
 - Modernizing government operations through new governance relationships and new financing mechanisms
 - Introducing breakthrough technologies
 - Allowing individual citizens more control over how they access public services, with less intermediation by government institutions.



Shifting Gears – Paths to Fiscal Sustainability in Canada

A Complementary Path: Changing How Government Operates and Delivers Its Services



TABLE 2
OLD VERSUS NEW APPROACHES

1990s	2010
New Public Management	Incentives, consolidation, some competition, specialization
Ad hoc look at who does what	Whole-of-system program review
Large IT projects, behind firewalls	Enabling better use of collaboration technologies and open-book government to facilitate digital era governance and individual choices with fewer institutional intermediaries
Downloading and outsourcing	Using social innovators, communities, citizens and private sector—enabled by technology—to deliver public goods more responsively, but with more effective accountability relationships, governance models and performance measurement
First wave of Public Private Partnerships	Second wave—risk transfer to private sector along with cost certainty
Privatization	Monetizing assets while keeping them in public hands

Governments are exploring more innovative ways to decrease public spending and achieve fiscal balance without citizens experiencing a decline in the quality of core public services.

The table above synthesizes where governments have experimented in the past and where they are trying to get to.

Shifting Gears – Paths to Fiscal Sustainability in Canada

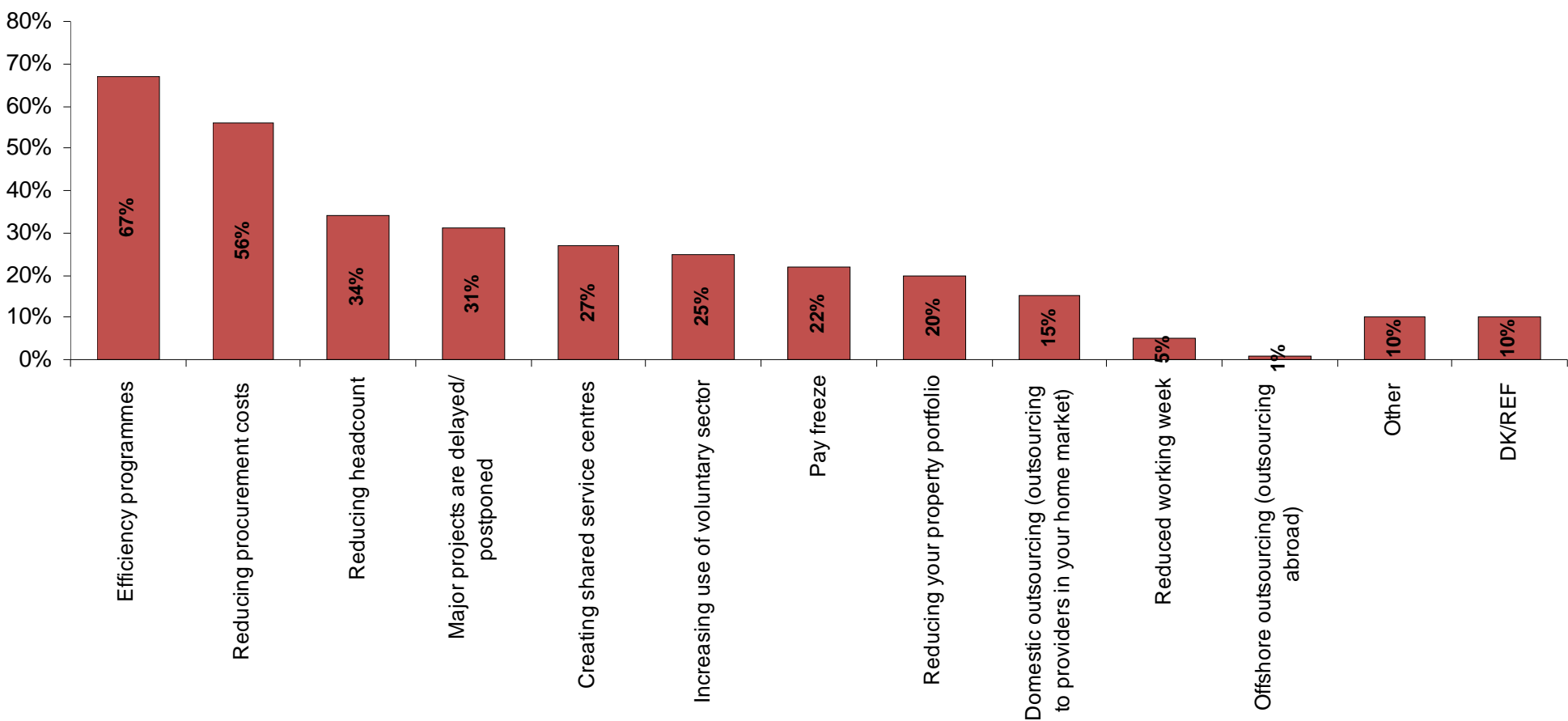
A Complementary Path: Changing How Government Operates & Delivers Its Services

Modernizing Bureaucratic Processes	Governments will need to find ways to preserve these values while integrating new technologies, responding to evolving societal expectations of public institutions and offering services in terms defined by users rather than institutions.
Reassignment of Roles and Responsibilities	Canada's division of powers between the federal and provincial/territorial governments — and municipalities — does not maximize efficiency or effectiveness. Reassigning some roles and responsibilities between governments — and encouraging governments to get out of each other's policy space — may produce fiscal savings.
Digitization	Governments are going through an assumption shattering transition. Today, it is understood that IT will not simply supplement conventional administrative processes and business practices, but that digitization will transform what these processes and practices are.
Devolution	Devolution goes hand-in-hand with an evolving understanding that government's core roles are policy maker, regulator and setter of standards. Other actors are sometimes better placed to deliver services or ensure compliance.
Alternative Financing	Governments are exploring new ways to raise the funds necessary to deliver public goods. Three approaches are considered here: public-private partnerships for infrastructure (P3s), better monetization of public assets and the use of bonds.

Wolf is at the Door

The response of global public sector executives to the economic crisis

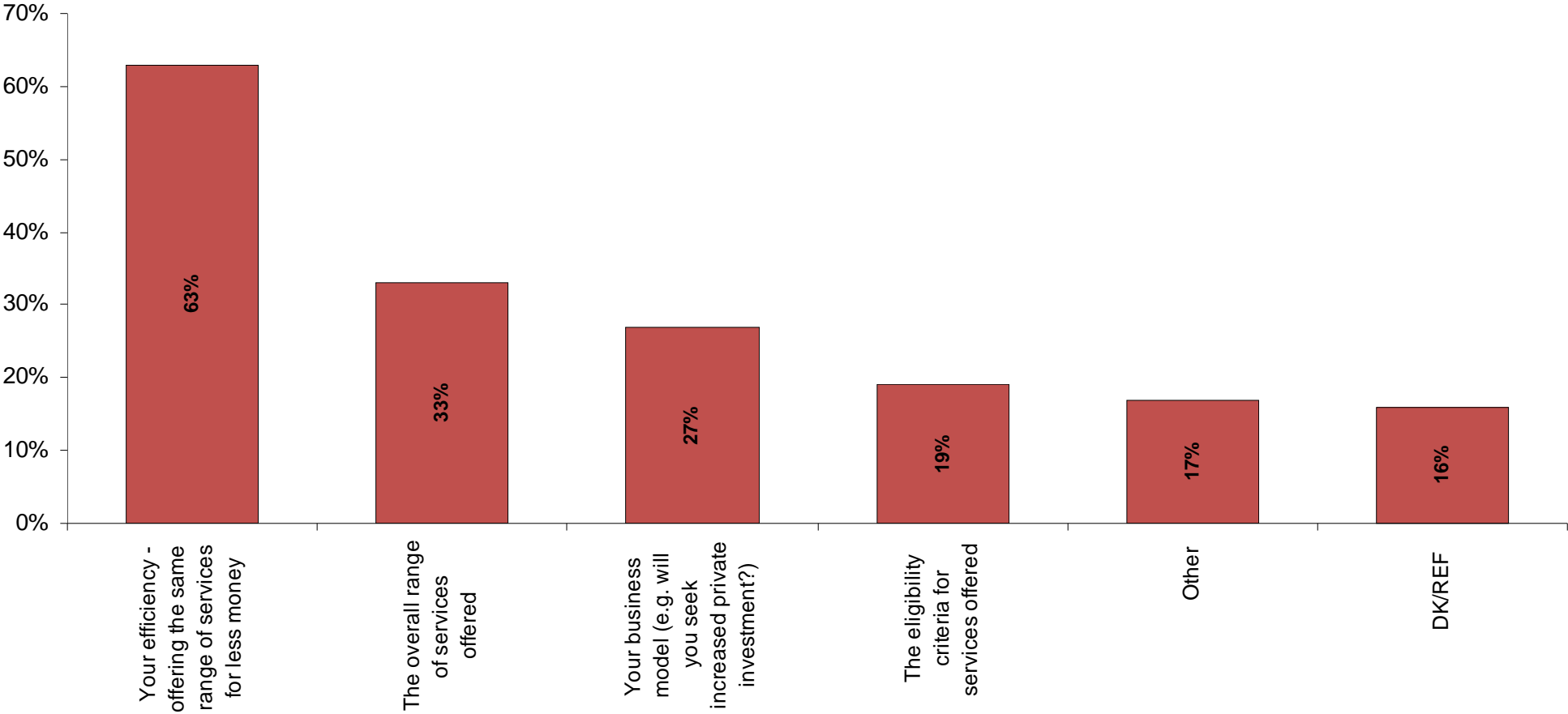
Are you planning to use any of the following strategies to control costs in the next year?
Base: all respondents (124)



Wolf is at the Door

The response of global public sector executives to the economic crisis

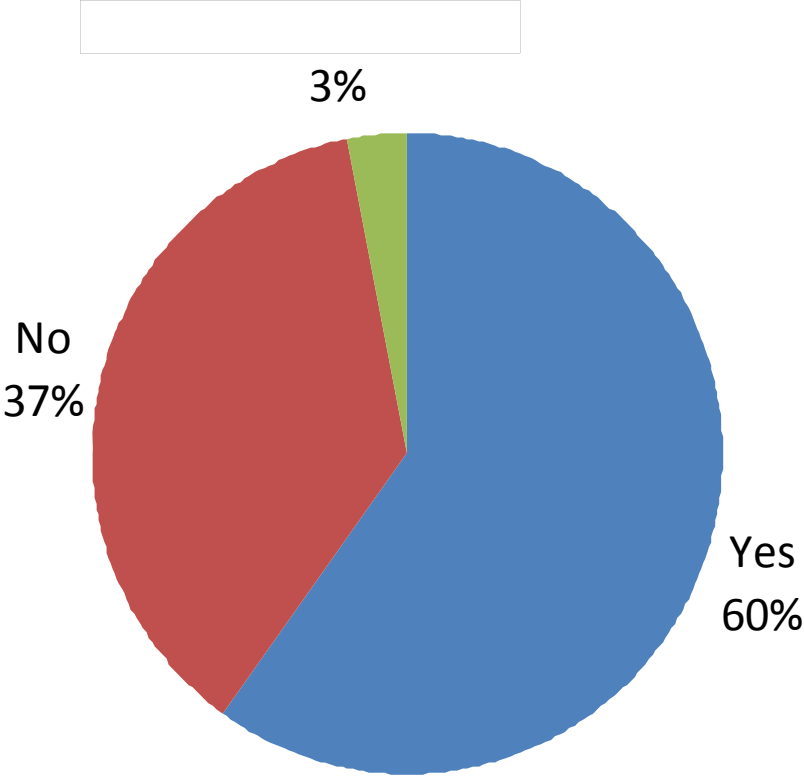
What do you plan to change? (124)



Wolf is at the Door

The response of global public sector executives to the economic crisis

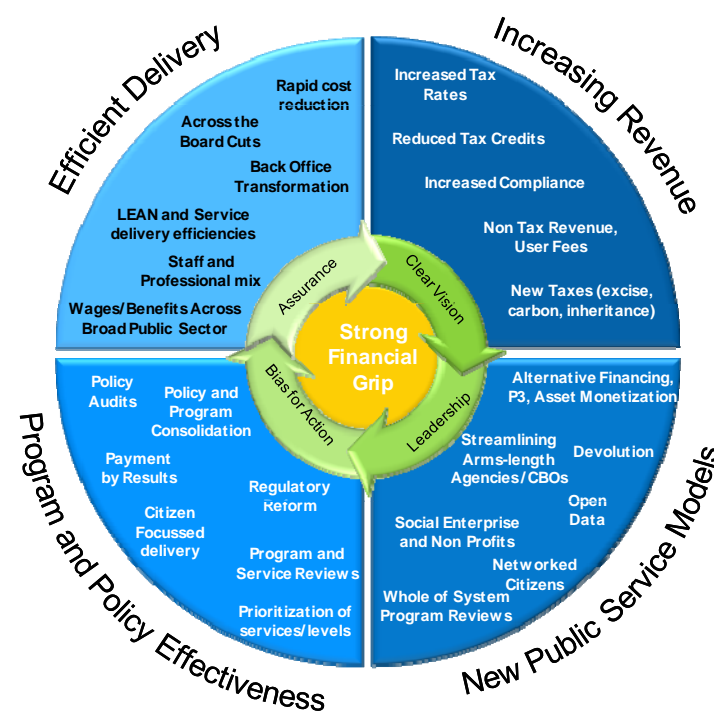
Are you radically rethinking your organization's overall long term strategy to put your organization in a good position for the next decade?(124)



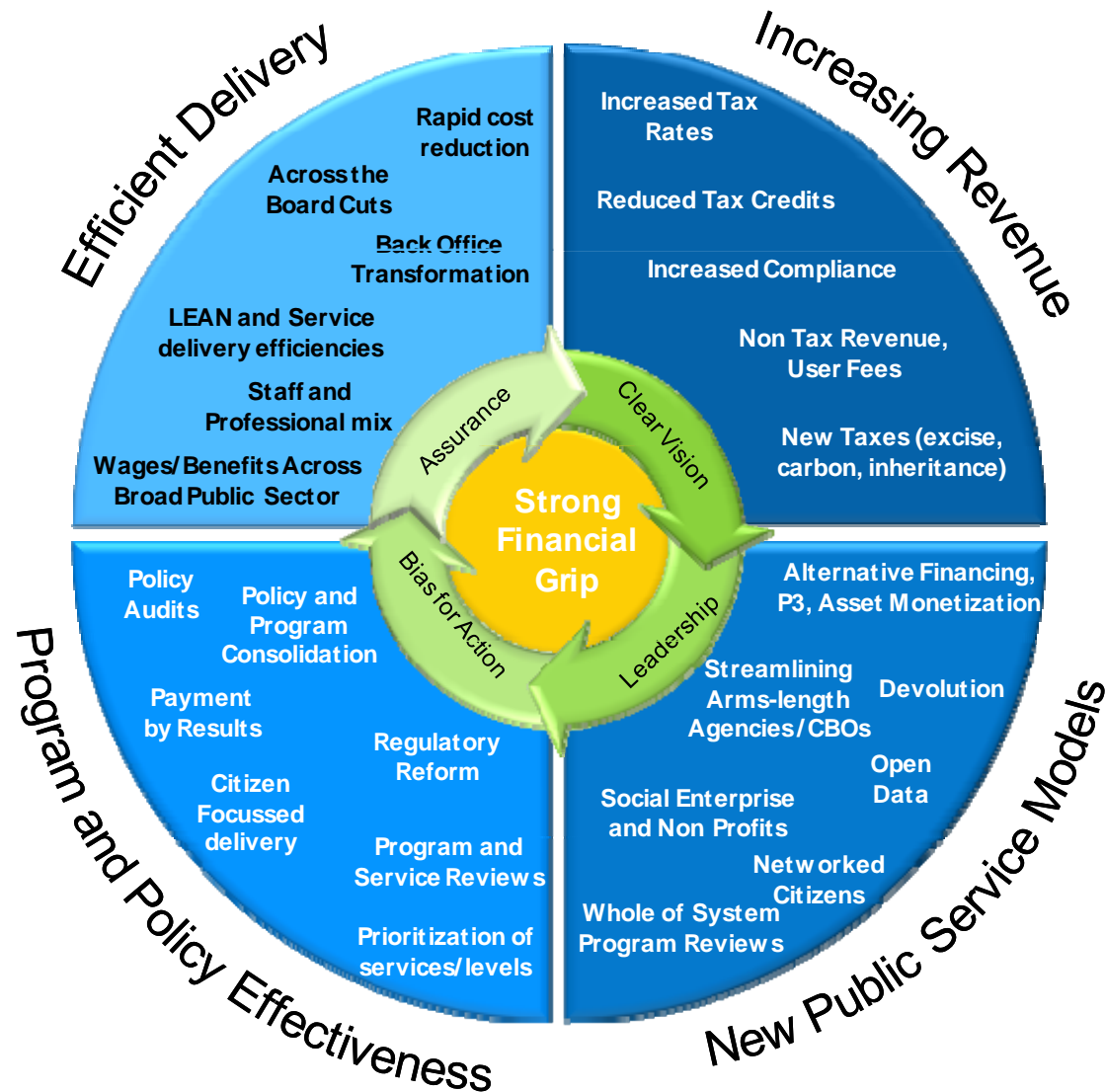
What are the most relevant levers for your organization and why?

1. Break into four groups at the roundtables
2. Take 30 minutes to discuss the following:
 - a) Which one of the four fiscal sustainability strategies are most relevant to the City of Sudbury and why.
 - b) Which quadrant can we assign the top of mind issues of Council identified in the agenda
3. Each table should appoint a spokesperson who will take notes and report back to the group.
4. Please ensure the notes are forwarded to the table's facilitator at session's end.

Wheel of Long-Term Fiscal Sustainability Strategies



Wheel of Long-Term Fiscal Sustainability Strategies



Top of Mind Issues

1. Fleet reduction Policy
2. Senior Tax Rebate
3. CIP/Healthy Community Funds-\$50,000 in base budget?
4. CIP/Healthy Community Funds-Policy-council approval etc
5. Utility /sustainability review- My Sudbury
6. Breaking down the silos-garbage collection, parks, contractors
7. Parking Revenue
8. Hiring Freeze
9. Meeting times
10. Change to a committee system by function, paralleling GM functions?
11. Professional Development Policy
12. Use of reserves
13. Attrition policy
14. Review of Staff numbers per department
15. Contracting out-What? When?
16. How can we achieve Financial Stability

Final Directions For 2012

Wrap Up and Next Steps

Session Evaluation

Please take a moment to complete a session evaluation

**All comments and suggestions are valuable in
assisting us to deliver quality sessions for you**

Thank You!

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