Innovation & Cost Containment Committee
January 13, 2015

2015/16 Budget Reductions

The primary purpose of The Innovation & Cost Containment Committee is to identify process and technology strategies that will lead to a reduction in MPI's corporate operating expenses. As a part of this goal the committee focused on the upcoming 2015/16 budget year to identify costs that could be reduced, eliminated, or avoided. All divisional budgets were reviewed line by line to determine budget reductions. To determine the impact of the increased budget focus, the 2015/16 proposed budget is compared against the 2015/16 projection as filed in the 2015 GRA. The following is the impact of the budget reduction

2015/16 Budget ($ in millions)	**Proposed Budget**	**2015 GRA**	**Difference**
Normal Operations Budget before Normalization	258.8	262.7	(3.9)
Transfer from improvement initiatives ongoing expenses		2.6	
	258.8	265.3	(6.5)
Normalize for:			
Property Tax & Rent realignment		1.3	
Credit Card Fee realignment		.4	
Benefit realignment		.3	
2015/16 Normalized Total	**258.8**	**267.3**	**(8.5)**

The initial reduction before considerations is $3.9M, however, included in improvement initiatives ongoing expenses in the 2015 GRA is amortization relating to deferred development which transfers into normal operations for 2015/16. The 2015 GRA contained $9.0M for deferred development amortization in 2015/16 normal operations and $2.6M for amortization in improvement initiatives ongoing, where as the 2015/16 normal operations proposed budget is $11.5M, an increase of $2.5M over the 2015 GRA excluding improvement initiatives. The deferred development amortization budget increase was effectively transferred from improvement initiatives ongoing expenses to the 2015/16 normal operations budget. Therefore the increase in amortization does not represent an overall GRA budget increase.

There are three specific increases included in the proposed budget that were not included in the 2015 GRA and therefore do not provide an accurate gauge of the cost reductions. These items (Property Tax & Rent, Credit Card Fee, and Benefits) are expenses where increases are occurring (outside of management control) in the 2015/16 year that were not anticipated in the 2015 GRA, therefore need to be reflected to allow an accurate portrayal of the 2015/16 budget reductions.

Based on the normalization above, the decrease in the 2015/16 budget as compared to the 2015 GRA totals $8.5M. The breakdown of the decrease is as follows:

2015/16 Budget Reduction Breakdown	$ in Millions
Compensation Other	2.8
30 FTE Reduction	1.5
External Labour/Data Processing/Hardware	1.3
Building	1.1
Furniture & Equipment	.4
Overtime	.4
Postage	.3
Depreciation	.2
Other	.5
Total	**8.5**

The largest decreases relate to compensation. Salaries were decreased by $1.5M, representing a reduction of 30 FTE's. Compensation other was reduced by $2.8M (primarily related to turnover of staff not included in the GRA). Building expenses were reduced by $1.1M due to a detailed review of all expense categories. IT reviewed their licensing and software requirement and decreased external labour, data processing, and hardware requirements by $1.3M primarily due to software reductions during contract negotiations as well as review of all licenses and user requirements.