



Capital Investment Strategy

2015-2017 proposed Capital Budget and Forecast

The proposed 2015-2017 Capital Budget and Forecast represents the City of Guelph's response to balancing exceptional service and value with an eye to building for Guelph's future. The budget is focused on taking care of existing infrastructure, systems and programs to ensure the community's health and safety, and to meet legislative requirements.

The staff-recommended 2015 Capital Budget represents funding at 16.3 per cent of last year's net tax levy; 3.7 per cent lower than the Council-approved capital funding guideline of 20 per cent.

This document incorporates direction from Guelph City Council, continued input from community members and the strategic focus areas of the City's Corporate Strategic Plan—organizational excellence, innovation in local government and city building.

Building the budget

When prioritizing investments in land, buildings, roads, sewers, parks, trails, vehicles and other capital investments, the City's first consideration is taking care of existing assets. This maximizes investments, protects the health and safety of people living, working, studying, visiting and travelling in Guelph, and ensures the City meets its accessibility and regulatory requirements.

To begin building the proposed 2015 Capital Budget, the City reviewed projects that were currently underway, identifying those that would not be complete by the end of 2014 or early 2015. City resources were then reviewed to ensure there was capacity to complete these projects. As a result of this review, and considering the proposed 2015 Capital Budget would not be considered until March 2015, the funding allocation was reduced and altered to meet the current and projected needs of the City.

Once critical projects and resources were budgeted for, new projects that do not exceed City resources and respond to the community's diverse and growing needs were considered. While previously approved projects are scheduled to proceed in early 2015, the City will not be commencing new projects until the budget is approved by Council. The City anticipates that these considerations—completion of current projects, capacity and reduced and re-allocation of funds—will position the City to take on additional projects in late 2015 and 2016.

This evaluation process ensures the right facilities and infrastructure are in place to help the City to build safe and enjoyable communities while remaining affordable for taxpayers and maintaining Guelph's strong financial position.

Projects identified in the proposed 2015 Capital Budget and Forecast include:

- Road, bridge and storm water reconstruction/upgrades;
- Parks and recreation facility replacements;
- Protective and Emergency services vehicle and equipment replacement
- Vehicle and equipment replacement; and
- Solid Waste equipment replacement.

As the City continues to evolve its budget approach, it's open to partnerships that will enable the City to deliver excellent services while creating efficiencies that benefit tax payers.

Capital Asset Management

In December 2013, Council approved a Corporate Asset Management Policy to standardize and enhance the organization's approach to capital asset management.

The next step in this process is the development of asset specific plans that will be used to guide department's activities. Due to staff capacity constraints no progress was made on this during 2014.

Development of comprehensive Asset Management Plans (AMPs) is critical to determining the appropriate level of funding required for various types of infrastructure projects. The 'infrastructure gap' is the difference between the

appropriate level of funding for these projects and the current funding level. Guelph is not alone—municipalities across Canada are facing the same challenge. The current estimated infrastructure gap is based on assumptions about replacement costs, overall system conditions and timing of replacement. Development of AMPs is the only way for Guelph to truly identify its own infrastructure gap and develop strategies to reduce it over time.

Asset Management is a monumental shift in the way governments approach the long term planning and maintenance of their built environment.

Three-year versus 10-year budget and forecast

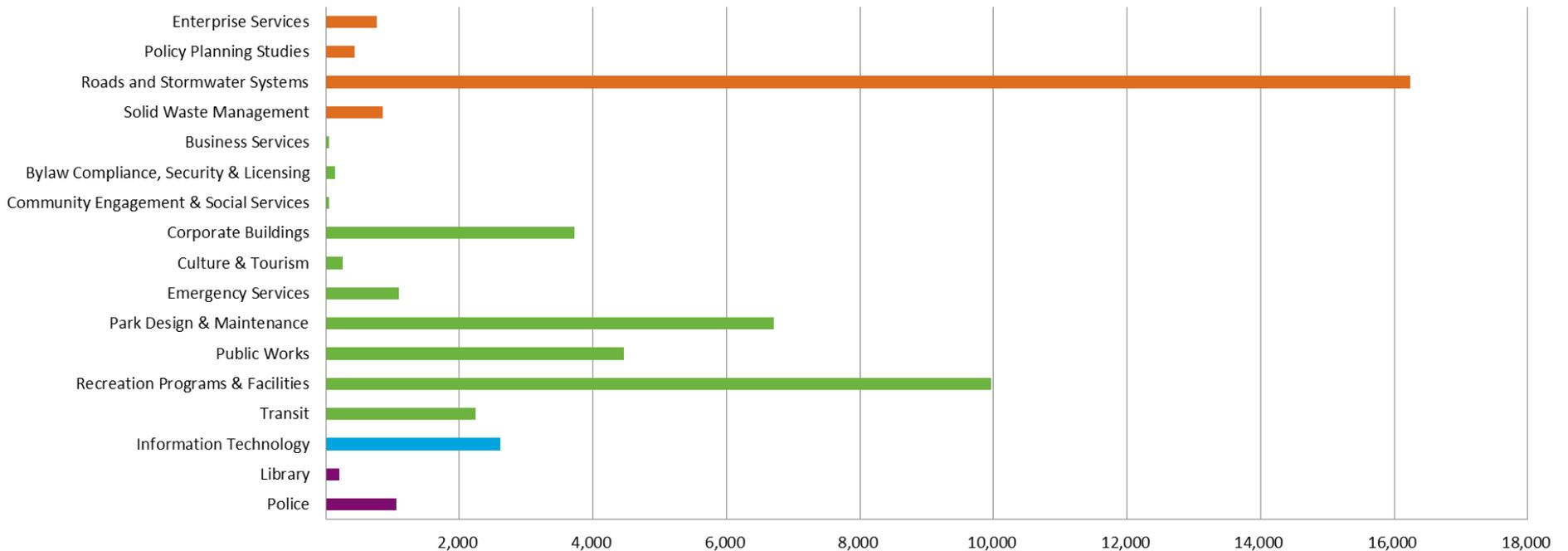
In previous years, the City has put forth a 10-year capital budget based on direction from City Council, input from the community, Corporate Strategic Plan, Guelph's financial policies, and impacts on Guelph's annual operating budget and property taxes. This year the City is proposing a three-year capital budget and forecast—taking into account the same considerations as the 10-year budget—to provide City Council time to develop a Strategic Plan during its first year in office. With Council's Strategic Plan set, the City will include a 10-year capital budget and forecast with the presentation of the proposed 2016 Capital Budget and Forecast.

Highlights of Guelph’s proposed 2015 Capital Budget

The proposed 2015 Capital Budget is heavily focused on **taking care of what we own**; investing capital funds into the projects that will maintain existing infrastructure, **ensuring the health and safety of the community**, **enhancing Guelph’s quality of life**, and meeting our legislative requirements.

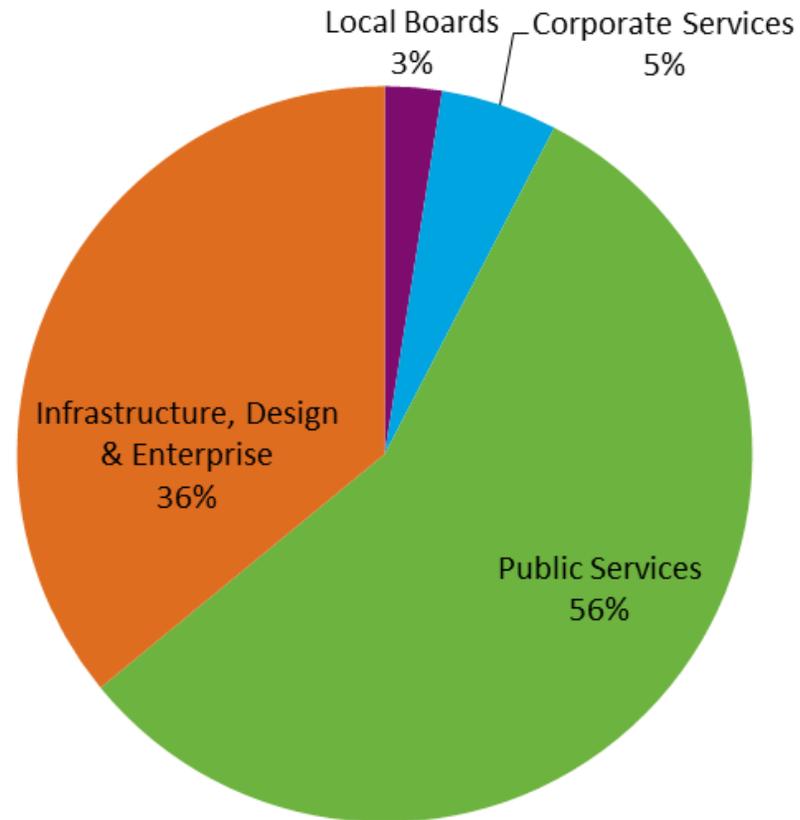
The following charts highlight proposed 2015 Capital Budget projects by category and service area. Additional details are provided in Appendix 1 and throughout the budget document.

2015 Capital Budget by Project Category
\$50.9 million



Note: Coloured bars relate to service area the project category falls under in the following pie chart.

2015 Capital Budget by Service Area \$50.9 million



What's in, and why?

Determining what makes it in the proposed budget is never easy. Council has delegated the creation of a proposed budget to City staff as they have first-hand knowledge of the costs associated with projects. The City considers direction from City Council, input from the community, Corporate Strategic Plan, Guelph's financial policies, and impacts on Guelph's annual operating budget and property taxes when making their decisions, which are subject to Council approval.

Eastview Community Park

- Project implements the Council-approved Community Park Master Plan
- Located off Watson Road, north of Eastview Road, this park currently features four soccer fields and two football fields. Over the next five years, pending budget approval, the park will be expanded to include features such as a natural ice rink, splash pad, eight beach volleyball courts, two basketball/tennis courts and a concession/washroom/change room facility.
- \$2.7 million in 2015, \$1 million in 2016 and \$1.7 million in 2017

Fleet vehicle and equipment replacement

- Ongoing lifecycle replacement of existing assets including four buses per year and 10 replacements for park equipment from 2015 through 2017
- \$6.7 million in 2015 and \$14.8 million over the next two years

Roads and Storm water

- Resurfacing and/or reconstruction of roads
- Repairs, upgrades and/or replacement of storm water sewers
- \$2.9 million in 2015 and \$17 million over the next two years

Salt dome replacement: Operations and Transit Lifecycle

- Project will ensure the safety of staff and contractors accessing the facility by replacing the existing structures, which are at the end of their 50-year life cycle
- \$2 million in 2015

South-end Community Park

- Construction of a multi-use park for the community
- Located off Clair Road between Gordon and the Hanlon, this park features trails, a basketball court, tennis court, hardball diamond, play equipment, and picnic shelter. Over the next two years, pending budget approval, the park will expand to include a splash pad and the City will complete work on items listed in the Park's Master Plan.
- \$249,300 in 2015; \$409,800 in 2016

Skate Park

- Construction of a multi-use facility for BMX riders and skateboarders in central Guelph. The outdoor facility will be a destination park offering elements geared toward users of different abilities.
- \$831,000 in 2015

Stone Road expansion from Evergreen Road to Victoria Road

- Project will enhance pedestrian and cycling facilities
- \$2.5 million in 2015 and \$200,000 in 2016

West parkade structural rehabilitation

- Project will ensure the parkade remains up to code (structurally sound and in water-tight condition), is in good repair and compliant with safety regulation to protect the revenue stream
- \$500,000 in 2015 and \$500,000 in 2017

What's changed, and why?

A certain degree of flexibility is inherent in long-term capital plans so that cities can respond to changes in community needs, priorities and obligations. The scope of the following capital projects—though budgeted in previous capital plans—has been altered.

Active Transportation

- In the 2014 Capital Budget, a request of \$300,000 was approved to design and build active transportation facilities and it was forecasted that \$300,000 would be presented in each subsequent budget
- In the proposed 2015 Capital Budget, funds have been removed to help the City to deliver a budget that remains affordable for taxpayers
- \$300,000 remains in the forecast for 2016 and 2017

Clair/Laird/Hanlon Interchange

- The City's financial obligations with respect to this project have been established through a cost-share agreement with the Ministry of Transportation
- Based on original budget estimates, it was forecasted that the City's portion in 2015 would be \$6.5 million
- To meet final project costs, an additional \$3.9 million will be required and funded through Development Charge debt
- \$10.4 million in 2015; completes funding requirements

Niska bridge replacement

- \$1.8 million for the design and construction of a replacement bridge was forecasted
- Project funds have been split over three years to align with the project's phases and complete the project in 2017
- \$200,000 for design in 2015
- \$1.6 million for construction in 2016
- \$250,000 for completion in 2017

Silvercreek Parkway/Canadian Rail separation

- Project delays from the developer have resulted in the deferral of funding to 2016
- \$5 million in 2016

Victoria Road Recreation Centre expansion/renovation

- Project will upgrade the aging facility to meet accessibility requirements and accommodate growth - \$12.6 million project
- As of 2014, \$2.7 million had been approved with \$4.5 million being forecasted for 2015 based on original project estimates
- To cover cost escalation and increased project scope (lifecycle repairs), the City is requesting an additional \$5.4 million
- Additional funding will also improve and expand on the services offered at the facility
- \$9.9 million in 2015; completes funding requirements

What's out, and why?

In keeping with the City's commitment to ensure affordability for taxpayers, several projects—though important— are not included in the proposed capital budget and forecast. City administration have carefully reviewed and prioritized capital projects in the development of the budget.

It should be noted that projects which were previously forecasted for funding in 2018-2023 are not represented in this budget. These projects have been retained and will be considered during future budget cycles along with projects the City has now deferred beyond 2017.

In addition to the capital projects proposed in this budget, a list of projects not included is contained in Appendix 2 for Council to consider. The City remains committed to delivering these facilities in future years, and will continue to update Council on their status.

Baker Street Redevelopment

- To renew and revitalize Guelph's downtown, Guelph is planning a multi-use development involving public and private partners
- City assembling several properties on and around Baker Street in preparation
- City exploring partnership opportunities with other levels of government and the private sector to determine what to build and how it will be financed

- Financial commitment would depend on the configuration of the development and partnership arrangements

Downtown Library

- Guelph has outgrown its main library, and recognizes the need for a new facility
- Options for the Downtown Library are being considered as part of the Baker Street Redevelopment project

South End Community Centre

- The City appreciates the need for a multi-use community facility in Guelph's south end
- A needs assessment and feasibility study, which included community input, was completed, presented and accepted in 2014
- The City will develop a business case and funding plan, which includes partnerships and alternate funding sources, based on the assessment findings regarding the required size of the facility and appropriate amenities

Operating impacts from capital projects

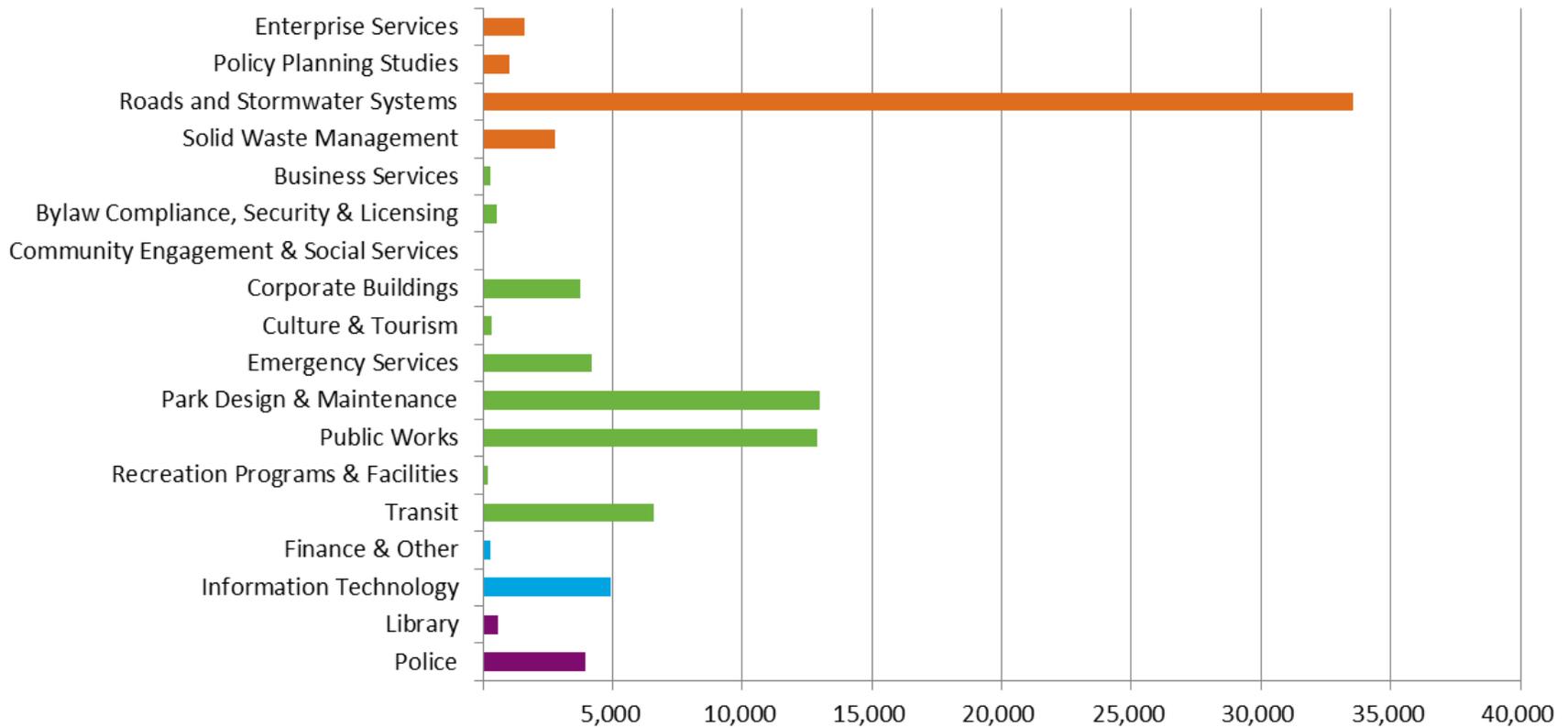
When considering investment in new capital projects, City Council and administration evaluate the future impacts these projects have on the operating budget. For example: while funds may be available to build the new community park, consideration is given to the life cycle of the infrastructure added (e.g., playground equipment) and the

resources required to maintain the park to ensure the health and safety of the community (e.g., staffing resources, snow removal, mowing, annual landscaping). Planning for ongoing operating costs ensures the City can afford to maintain the asset year over year.

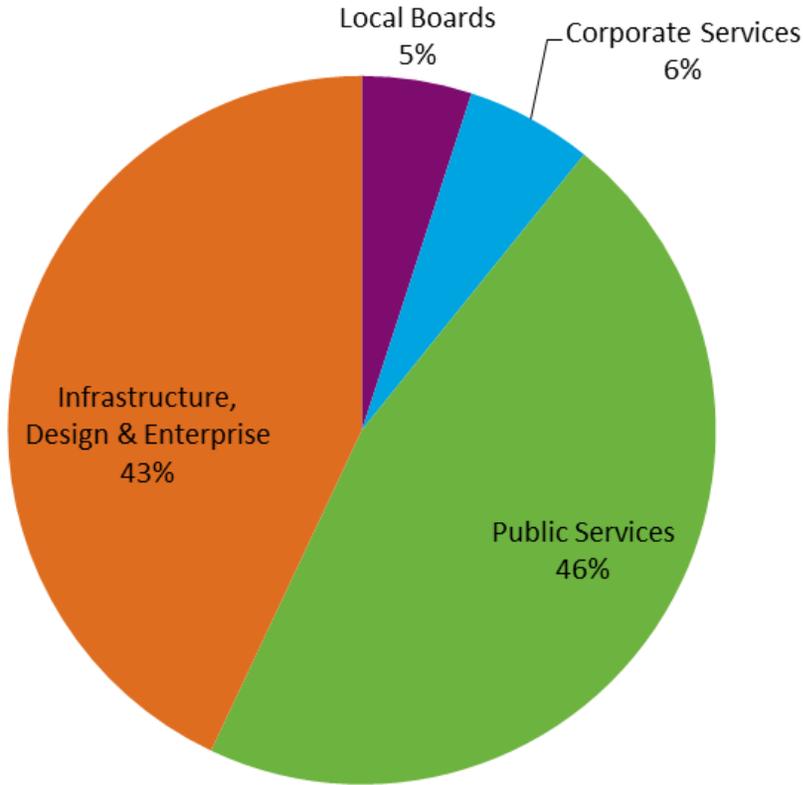
Project #	Project Name	FTEs	2015	2016	2017
GG0208	MUNICIPAL ST BLDG EXPANSION				60,675
GG0227	PUBLIC HEALTH NEW 2013		83,630		
GG0241	CITY HALL - ICE RESURFACER		10,000		
IT0024	IT STRATEGIC PLAN			95,300	
PK0001	SOUTH END COMMUNITY PARK			27,000	6,500
PK0002	GUELPH TRAILS			39,000	56,000
PK0004	JUBILEE PARK			83,200	
PK0007	VICTORIA RD NORTHVIEW				45,600
PK0014	EASTVIEW COMMUNITY PARK				54,000
PK0048	CITYWIDE SKATEPARK FACILITY			4,200	
PK0057	ORIN REID PARK - PHASE 2			4,500	
TC0026	TRAPEZE	6	480,100	187,000	9,600

2016-2017 Proposed Capital Forecast

2016-2017 Capital Forecast by Project Category \$90.6 million



2016-2017 Capital Forecast by Service Area \$90.6 million



Funding the budget

When evaluating and prioritizing capital plans and projects, the City considers several different kinds of financing options including but not limited to tax-funded capital reserves, Development Charges, debt, grants or subsidies from other levels of government, partnerships, user fees, special taxes or levies etc.

Different funds can be used for certain types of projects and, in preparing the proposed capital budget, the City balances and combines several financing options to make the best use of all available resources.

The following chart outlines the City's guideline for investing in existing infrastructure.

Infrastructure Renewal Guidelines ('000s)

	Historical					Proposed	Forecasted	
	2010	2011	2012	2013	2014	2015	2016	2017
Buildings	\$ 1,750,000	2,950,000	3,252,000	5,483,400	5,191,000	5,205,500	4,804,800	6,026,400
Target = 2%	% 1.79%	2.38%	2.35%	3.38%	3.14%	2.88%	2.61%	3.21%
Transportation & Storm Water	\$ 4,022,300	7,378,382	8,598,000	8,716,000	9,535,000	4,075,000	10,868,400	13,137,900
Target = 2-3%	% 1.64%	2.95%	3.26%	3.01%	2.95%	1.24%	3.24%	3.84%
Vehicle & Equipment	\$ 6,132,258	5,976,525	9,548,140	11,191,010	9,106,400	11,500,000	14,786,000	10,871,500
Target = 10%	% 10.16%	9.33%	13.97%	18.26%	12.19%	14.15%	16.54%	11.05%

Key sources of funding are discussed below, and a complete list of capital financing sources is included in Appendix 3.

Reserve Funds

Reserve funds play a critical role in financing current and future capital projects. According to the City of Guelph's capital financing guideline, the City can use an amount up to but not exceeding 20 per cent of the previous year's net tax levy to fund capital projects; allocating these funds to

capital reserves or using them to pay back debt (debt servicing).

The City plans to allocate 16.3 per cent of last year's net tax levy to its capital budget. These calculations are provided in the following table.

2015-2017 TAX SUPPORTED CAPITAL FINANCING GUIDELINE CALCULATION ('000s)

		2015	2016	2017
Assumptions				
Levy and Growth Rate Increase %		5.00%	5.00%	5.00%
Prior Year Net Tax Levy	A	\$193,289	\$202,953	\$213,101
Approved Levy and Growth Rate Increase		\$9,664	\$10,148	\$10,655
Net Taxation Requirement		\$202,953	\$213,101	\$223,756
% of Net Tax Levy for Capital		B	16.3%	18%
Capital Funding /Debt Servicing (max 20% of Prior Yr Net Tax Levy)	C = B*A	\$31,583	\$36,532	\$40,489
Debt Servicing (P&I)	D	\$13,069	\$13,243	\$13,801
Capital Funding Available for Projects and Reserves	= C - D	\$18,514	\$23,289	\$26,688

The proposed 2015 tax-supported capital budget assumes \$18.5 million is available for reserve contributions which fund capital projects.

The total proposed budget for debt financing and capital reserve contributions is \$31.6 million. This \$1.7 million decrease over last year reflects an additional \$595,000 to

pay back debt, and \$2,350,000 less for capital reserve funds.

This funding has been allocated between the various reserve types highlighted below. A complete Reserve & Reserve Fund Report, along with balance, is included in Appendix 4.

2015 Reserve Fund Contributions ('000s)	
Capital Tax	2,819
DC Exemption	850
Road Infrastructure	1,385
Building Lifecycle	1,202
Vehicle and Equipment Replacement	8,536
Departmental Reserves	3,722
Total Reserve Contributions	18,514

Development Charges

The City completed an update of its Development Charges (DC) Background Study and a new by-law was approved in January 2014.

Appendix 5 identifies projects that are budgeted differently in the DC Background Study than the proposed 2015–2024 Capital Budget and Forecast. As the City secures funding through new sources or reallocates existing capital funds, the capital forecast will be revisited and projects will be re-scheduled to ensure affordability for taxpayers, and a sustainable financial future for Guelph.

Dealing with debt

In 2014 the City's credit rating was reaffirmed at AA+ with a stable outlook. This reflects the City's strong financial management framework and policies that drive transparent and accountable financial decisions, including debt management. This solid financial foundation provides a platform on which to maintain quality core services while looking to enhancing quality of life for residents through new services and facilities.

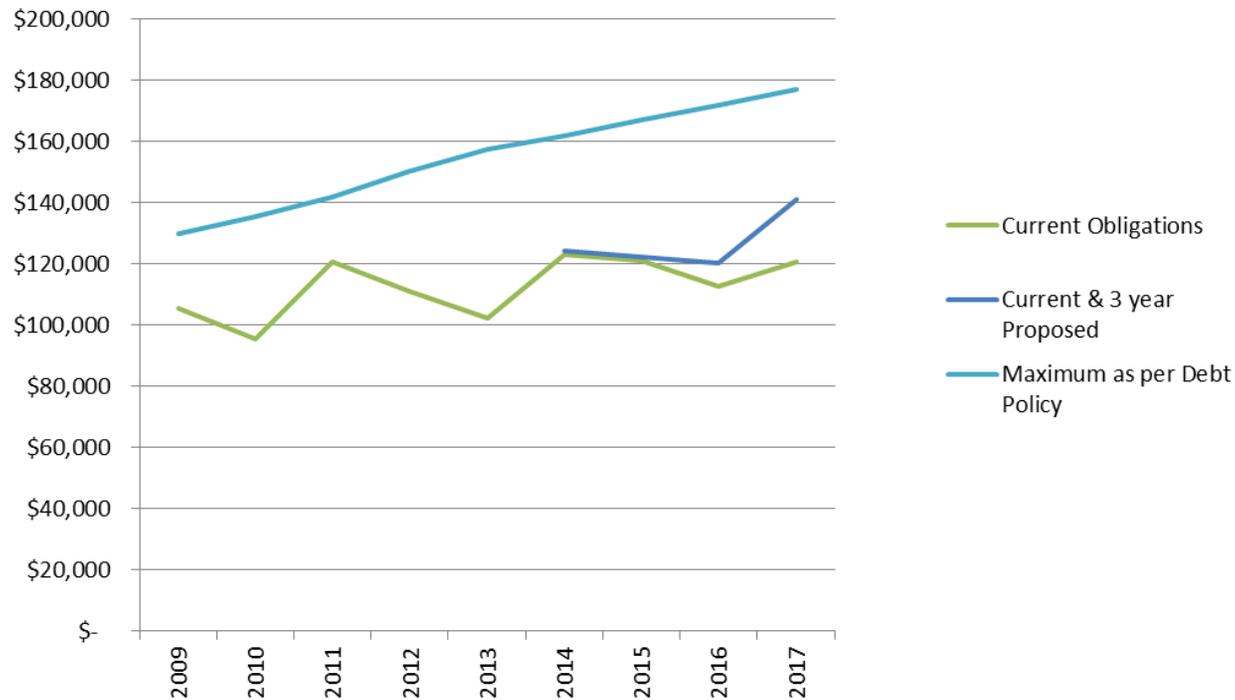
Two existing projects in the proposed 2015 Capital Budget (Clair/Laird Road and Hanlon Interchange and Victoria Road Recreation Centre expansion/renovation) will be funded through development charge debt.

There are no additional projects identified in the proposed 2016-2017 Capital Forecast that require the issuance of debt.

A thorough debt review and full debt continuity schedule is included in Appendix 6.

The following graph compares the City's total current and proposed debt to the maximum set out in Guelph's Council-approved Debt Policy.

Outstanding Debt Balance Current and Proposed ('000s)



Notes

The first line (green) represents Guelph's outstanding debt balances as of December 31, 2014 and all debt-funded projects previously approved by Council for which the debt has not yet been issued.

The second line (dark blue) shows the current obligations in addition to the debt-funded projects proposed over the next three years.

Construction of the Laird/Clair/Hanlon Interchange—a \$13.5 million project legislatively required by the Province—drives the City over the Council-approved Development Charge-funded debt limit in 2016.

The following chart details the projects, current and proposed, funded through debt.

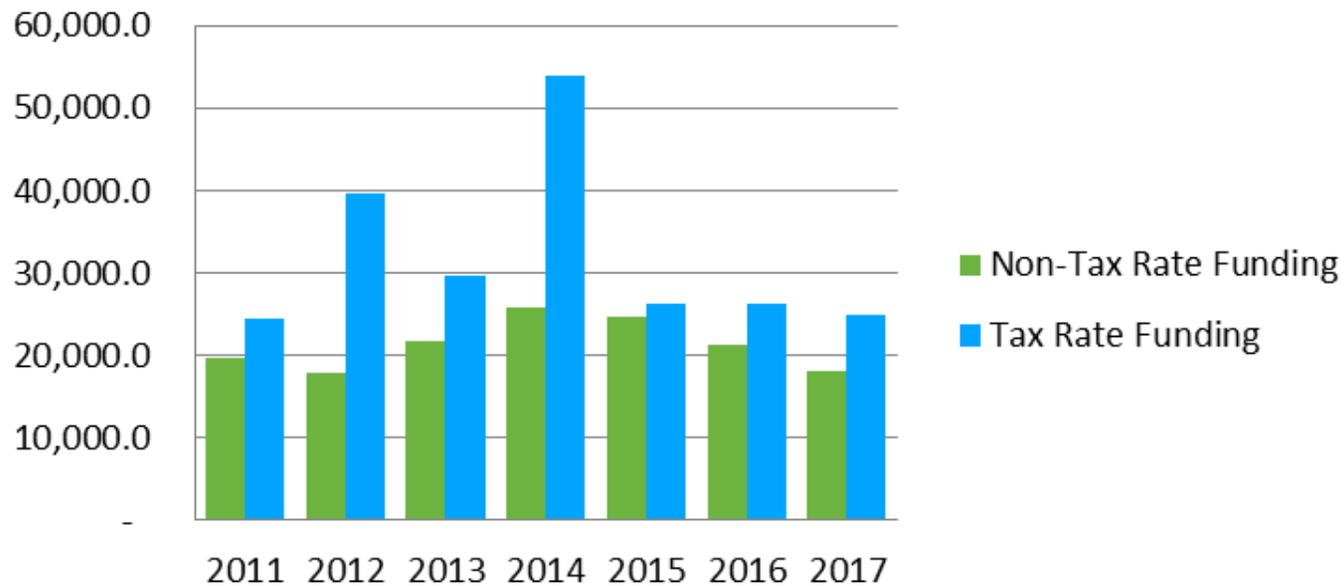
Current Approved and Proposed Debt Funding ('000s)

Project # & Description	Current Approved Obligations			2015-2017 Proposed		
	Year of Issue	Amount	Tax, DC or Other Funded Debt	Year of Issue	Amount	Tax, DC or Other Funded Debt
Previously Issued Debt	Various	124,321.3	Various			
Tax Increment Based Grants	2015-2017	13,106.5	Tax			
Baker St. Redevelopment (SS0018, SS0019, SS0020)	2016	5,274.3	Tax			
Automated Waste Collection Carts (WC0001)	2016	423.5	Tax			
Victoria Road Recreation Centre Renovation (RF0051)	2017	2,173.0	Tax	2017	9,124.3	Tax
Police Headquarters Renovations (PS0033)	2017	16,324.3	Tax			
Police Headquarters Renovations (PS0033)	2017	14,800.2	DC			
Clair/Laird Interchange (RD0267)	2016	1,592.8	DC	2016-2017	10,400.0	DC
Total		178,016.0			19,524.3	

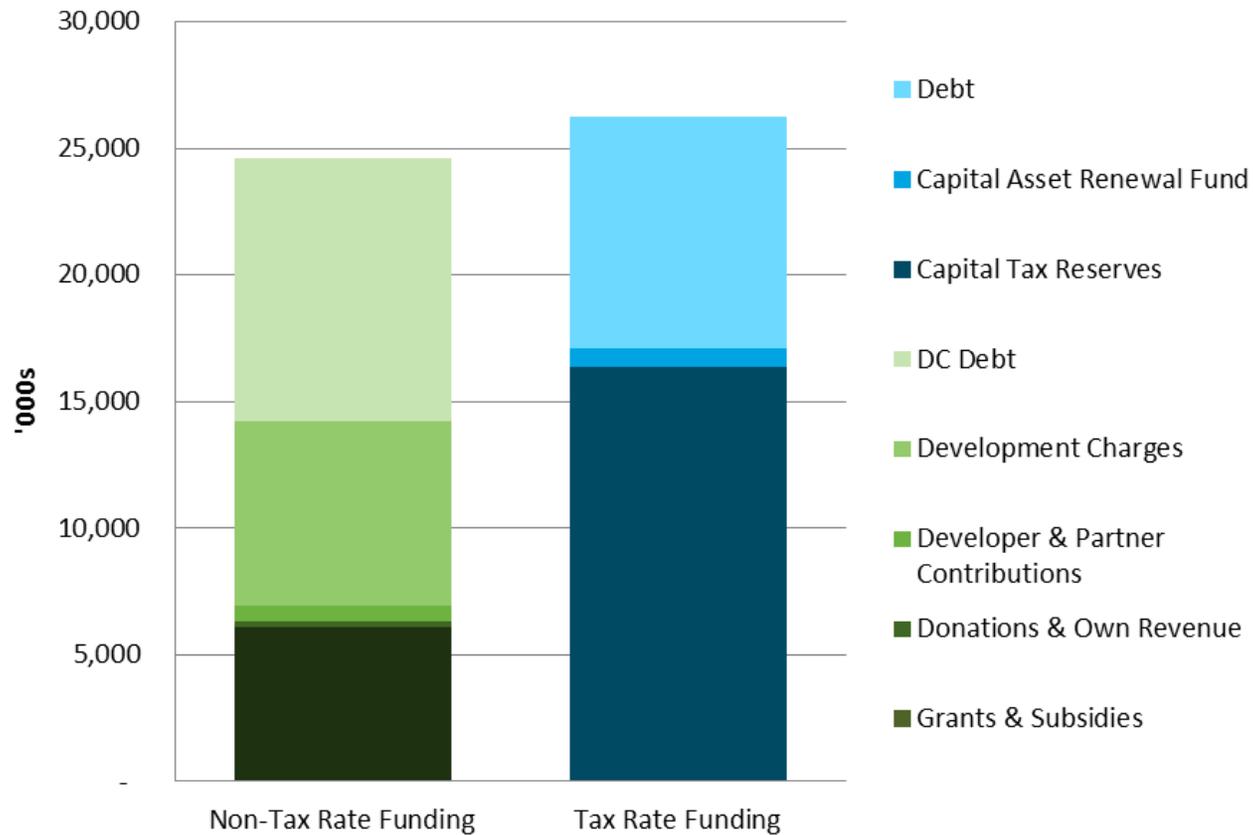
Non-tax rate funding

The following graphs highlight the City's use of partnerships and alternate funding sources (grants and subsidies, donations, own revenue and development charges) for capital projects.

Non-Tax Rate vs. Tax Rate Funding in Capital Budget



2015 Capital Budget By Funding Source \$50.9 million



2016-2017 Capital Budget By Funding Source \$90.6 million

