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- ADDENDUM -

- GUELPH CITY COUNCIL MEETING -

July 23, 2012

****

CONSENT REPORTS

a) Planning & Building, Engineering and Environment Committee

PBEE-P-1 Blue Community Presentation by Robyn Hamlyn

Correspondence:

- Norah Chaloner, Keith Bellairs – Co-Chairs, Council of Canadians, Guelph Chapter / Geroge Kelly, Co-Chair, Guelph-Wellington Coalition for Social Justice

b) Consent Agenda

A-1) 2013 Budget Management

THAT Council receive Finance report FIN-12-33 2013 Budget Management for information;

AND THAT Council direct staff to develop a draft 2013 tax supported operating budget using a tax rate guideline of up to a 3% increase;

AND THAT Council direct staff to incorporate a capital funding guideline of 20% of the prior year's net tax levy into the draft 2013 tax supported operating budget;

AND THAT Council direct staff to report back on possible uses for the Capita Renewal Reserve Fund as part of the 2013 draft budget;

AND THAT Council direct staff to report back on possible alternative financing options as part of the 2013 draft budget;

AND THAT Council direct staff to report back on the potential use of user fees and associated increases and use of other funding sources in the development of the draft 2013 tax supported operating budget;

AND THAT Council provide staff with direction to consider the user of assessment growth to pay for growth as part of the draft 2013 tax supported operating budget;

AND THAT Council direct staff to report back on the draft 2013 tax supported budget at a workshop to be held in early-September 2012.

"THAT By-law Numbers (2012)-19433 to (2012)-19443, inclusive, are hereby passed."

BY-LAWS

By-law Number (2012)-19440 A by-law to dedicate certain lands known as Blocks 59 and 61, Plan 61M151, as part of Norma Crescent, City of Guelph.	To dedicate land as part of Norma Crescent.
By-law Number (2012)-19441 A by-law to authorize the execution of an Agreement between Ontario Water/Wastewater Agency Response Network (OnWARN) and The Corporation of the City of Guelph. (mutual Aid agreement for Water Services and Wastewater Services)	To execute an agreement as approved by Council June 25, 2012 with respect to Emergency Aid through Participation in Ontario Water/Wastewater Agency Response Network.
By-law Number (2012)-19442 A by-law to authorize the acquisition of property described as Part Lot 52, Registered Plan 221, designated as Part 1, Reference Plan 61R2413, City of Guelph.	To authorize the acquisition of land.
By-law Number (2012)-19443 A by-law to confirm the proceedings of meetings of Guelph City Council held July 17 and 23, 2012.	To confirm the proceedings of Council meetings held July 17 and 23, 2012.

From: coc.guelph@gmail.com [mailto:coc.guelph@gmail.com] **On Behalf Of** Council of Canadians Guelph Chapter
Sent: July 20, 2012 7:40 AM
To: Andy VanHellemond; Bob Bell; Cam Guthrie; Gloria Kovach; Ian Findlay; Jim Furfaro; June Hofland; Mayors Office; Karl Wettstein; Leanne Piper; Lise Burcher; Maggie Laidlaw; Todd Dennis
Cc: Dolores Black
Subject: Please support Blue Communities

Dear Mayor Farbridge and City Council.

The Guelph chapter of the Council of Canadians and the Wellington Water Watchers want to protect our groundwater resources and the public utility that supplies our water. We would hope that city council and city staff would also stand for these principles. Therefore we would like Guelph to become a Blue Community as other cities have done: cities such as Niagara Fall, Ajax, Burnaby, St Catharines, North Vancouver and Victoria.

The three requirements to become a Blue Community are:

1. recognizing water as a human right;
2. promoting publicly financed, owned and operated water and wastewater services; and
3. banning the sale of bottled water in public facilities and at municipal events.

The Blue Community project is supported by the Council of Canadians and the Canadian Union of Public Employees (CUPE).

We thank the Planning Committee for recognizing water as a human right. The third point may have gone off-track at the committee: we do not ask to ban bottled water in municipal facilities, but we do think that the city should not SELL bottled water when clean, fresh Guelph water is available.

The second point, protecting our publicly owned water and wastewater operations, would seem to us to be entirely non-controversial. Surely there are no plans in the works to sell off these departments of the city government? Even a hypothetical discussion of such a massive change would require extensive consultation.

With respect to the privatization of water services, we very much oppose the idea of public private partnerships (P3s). The history of P3s shows that the long term stream of guaranteed private profits is carried by future taxpayers and often with a concealed rate of return. It is easy for politicians to use public private partnerships as a form of off-book financing to appear to be prudently managing infrastructure costs when these secretive arrangements conceal many problems. Corporations love them because the public bears the risks and they get the profits.

P3 hospitals in Ontario have been an eye-opener. The cost for the P3-built North Bay hospital was 5 times as costly as the publicly financed Peterborough hospital. The

William Osler hospital in Brampton cost 3 times as much as the Peterborough one. These are the verifiable shocking outcomes for the costs per bed. But those profits come with many problems that you can find outlined in a short history of flawed and failed P3s. Problems such as lost accountability, higher costs and poor quality. Hundreds of millions of dollars lost by each community. http://cupe.ca/updir/Flawed_Failed_Abandoned_-_Final.pdf will give you details of the raw deals in cities all over the country. Eg. Moncton, Hamilton, Halifax, Nanaimo and Vancouver. .

We believe that P3s are the wrong model for good stewardship of our public resource. For our community we would like your support for our public water infrastructure.

We are concerned that Guelph not go down the road to privatization. The Canada-EU Comprehensive, Economic and Trade Agreement that is being negotiated by the federal government may make public utilities a target for multi-national corporations. Please take a stand now for the future of our city.

Sincerely,

Norah Chaloner, Keith Bellairs co-Chairs Council of Canadians, Guelph Chapter.

George Kelly co-Chair Guelph-Wellington Coalition for Social Justice

COUNCIL REPORT

TO	**Guelph City Council**
SERVICE AREA	Finance and Enterprise
DATE	July 23, 2012
SUBJECT	**2013 Budget Management**
REPORT NUMBER	FIN-12-33

SUMMARY

Purpose of Report:
The purpose of this report is to provide Council with a high level summary of the issues staff anticipate influencing the development of the 2013 Tax Supported Operating budget. Through this report, staff will discuss economic factors and conditions that may affect the City's budget and highlight changes to revenues and expenses that will be taken into consideration through the development of the City's 2013 tax supported operating budget.

Council Action:
That Council receives staff's 2013 tax supported budget management report for information.

That Council give direction with respect to the development of the 2013 tax supported operating budget.

RECOMMENDATION

That Council receive Finance report FIN-12-33 2013 Budget Management for information;

And that Council direct staff to develop a draft 2013 tax supported operating budget using a tax rate guideline of up to a 3% increase;

And that Council direct staff to incorporate a capital funding guideline of 20% of the prior year's net tax levy into the draft 2013 tax supported operating budget;

And that Council direct staff to report back on possible uses for the Capital Renewal Reserve Fund as part of the 2013 draft budget;

And that Council direct staff to report back on possible alternative financing options as part of the 2013 draft budget;

And that Council direct staff to report back on the potential use of user fees and associated increases and use of other funding sources in the development of the draft 2013 tax supported operating budget;

And that Council provide staff with direction to consider the use of assessment growth to pay for growth as part of the draft 2013 tax supported operating budget;

And that Council direct staff to report back on the draft 2013 tax supported budget at a workshop to be held in early-September 2012.

BACKGROUND

The 2013 Budget Management report is prepared on an annual basis to set the stage for the City's budgeting process. This report aims to highlight the known drivers that might affect the development of the 2013 tax supported operating budget while providing an overview of economic conditions that should be considered in the development of the 2013 tax supported operating budget.

Economic Conditions

The Government Finance Officers Association (GFOA) recommends that municipal budgeting best practices include an evaluation of economic conditions and factors to ensure decisions are made using up-to-date and relevant information. These factors include:

- Inflation
- Economic Growth
- Borrowing Rates
- Other Economic Conditions including socio-economic and employment

Inflation:

One of the main pressures potentially impacting the City's annual budget is inflation on the goods and services the City purchases. The Consumer Price Index (CPI) calculated by Statistics Canada is the commonly used benchmark to estimate inflationary pressures. CPI can be defined as a measure that examines the weighted average price of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking the price change for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance.

Data released by Statistics Canada indicates that consumer prices rose by approximately 1.2% from May 2011 to May 2012, following an increase of 2.0% in April. The 0.8% reduction is largely due to lower gasoline prices. For the 12 month period, CPI in Ontario increased by 1.2%, following an increase of 2.0% in April. The Bank of Canada projects inflation to fall below 2.0% in the short term due to lower energy costs, but predicts that it will return to 2.0% in 2013. The Province of Ontario is also expecting inflation to be in the 2.0% range throughout 2013.

Economic Growth:

On April 13, 2012 the Bank of Canada published its most recent Monetary Policy Report. This report highlights developments related to the global and Canadian economies and provides projections for the future. Since its last report in January

2012, the Bank is reporting an improved outlook for the global economy due to improved economic conditions in the United States and policy initiatives to address the debt and banking crisis in the euro zone.

In Canada, the Bank is projecting that the Canadian economy will grow at a moderate pace with private domestic demand accounting for the majority of the growth. Government spending growth is expected to be modest as indicated by the recent federal and provincial budgets. The Bank projects that the Canadian economy will grow by 2.4% in both 2012 and 2013.

Based on current projections, the Ministry of Finance expects that Ontario's economy will grow by 1.7% in 2012 and 2.2% in 2013.

Borrowing:
On June 5, 2012, the Bank of Canada announced that it would be maintaining its target for the overnight rate at 1%. This rate has remained unchanged since September 2010 resulting in many municipalities, including the City of Guelph, being able to take advantage of historically low borrowing rates.

The City of Guelph currently has a Council approved debt policy and all City budgets brought before Council are within the approved debt ratios. In 2013, staff are anticipating that the City's will need to issue approximately $26.8 million in debt and should benefit from continuing low interest rates.

Other Economic Conditions:

Unemployment Data
According to data released by Statistics Canada in June, the provincial unemployment rate is 7.2%, slightly lower than 12 months earlier. While the City's unemployment rate dropped slightly to 5.1% in June when compared to a month earlier, it remains well below both the provincial and national rates. The year-over-year change to the City's unemployment rate for the 12-months ended June 2012 shows a 12.2% decrease.

Socio-Economic Factors & Affordability
As published in BMA's 2011 Municipal Study, the City of Guelph's estimated average household income is $84,666, slightly above the average for Southwestern Ontario, but below the overall survey average. Household income is considered one measure of a community's ability to pay and is often considered an important measure of a municipality's ability to repay debt by credit rating agencies.

From 2006 to 2010, the City of Guelph's population increased by 8.0%. Population growth has the potential to impact the City's revenue base through its affect on property taxes. As population increases, so does the potential for an increase to the revenue base. Conversely, population growth will also result in increased expenditures for the municipality. Based on comparisons done by BMA, the City has experienced population growth that exceeds both the Southwest and survey average.

In terms of water and wastewater rates and property taxes as a percent of income, the City of Guelph is consistent with the Southwest and survey average of 5.0%. This measure provides an indication of the household's ability to fund municipal services. Excluding the GTA, Southwestern Ontario has the lowest municipal burden as a % of household income when compared to all other regions surveyed.

In addition, the chart below demonstrates the distribution of the City's taxable assessment base between residential, commercial and industrial for the past 5-years.

Summary of Taxable Assessment (2008 -2012)

	2008		2009		2010		2011		2012	
	$	%	$	%	$	%	$	%	$	%
Residential	8,348,117,593	78.6%	9,024,797,857	78.2%	9,615,692,668	78.8%	10,211,379,765	77.8%	10,878,065,353	77.7%
Mulit-Residential	535,508,505	5.0%	553,192,850	4.8%	563,619,605	4.6%	582,926,190	4.4%	596,594,610	4.3%
Commercial	1,199,662,914	11.3%	1,355,776,003	11.7%	1,360,031,483	11.1%	1,622,086,333	12.4%	1,767,732,879	12.6%
Industrial	517,508,231	4.9%	585,674,581	5.1%	636,810,688	5.2%	674,215,851	5.1%	719,191,612	5.1%
Other	26,651,350	0.3%	26,285,775	0.2%	27,039,753	0.2%	29,196,197	0.2%	30,097,100	0.2%
Total	10,627,448,593	100%	11,545,727,066	100%	12,203,194,197	100%	13,119,804,336	100%	13,991,681,554	100%

Technological Change

As technology changes, citizens are increasingly wanting to have real time results and communication with City staff. These demands require that municipalities be more agile, flexible and responsive in providing high quality, affordable services.

Federal & Provincial Budgets:

Staff continue to monitor feedback from the Municipal Finance Officers Association (MFOA) related to how the Federal and Provincial governments will affect municipalities. According to updates from the MFOA, while the provincial budget does include a number of initiatives that will affect municipalities, the federal budgets is less specific and does not contain significant municipal initiatives. As highlighted by MFOA, areas of mention include:

Provincial

- Review of jointly sponsored pension plans to make them more sustainable and affordable without increasing the burden on the tax payer
- Phase down the Ontario Municipal Partnership Fund (OMPF) to the $500 million level. How to reform the program at this level will be done in consultation with municipalities
- Maintained commitment to keep the Provincial Social Services upload on schedule
- Committed to improving the recovery of unpaid POA fines and supporting municipalities with improved collection methods

Federal

- Funding for a new Community Infrastructure Improvement Fund to support repairs and improvements to existing community facilities. Funding is anticipated to be $150M over the next two years
- Federal government is working with FCM to develop a long term infrastructure strategy that extends beyond 2014
- Changes to the employment insurance program which includes limiting rate increases to 5 cents per year until the EI operating account is balances

REPORT

The City's annual tax-supported operating budget provides the spending plans for those departments that are either wholly or partially reliant on a transfer from property taxes to fund their programs and services. In the sections that follow, staff will highlight the anticipated pressures that might affect the development of the 2013 tax supported operating budget. These pressures are divided into the following categories:

- Base Changes: pressures on the 2013 budget that are required to maintain the same level of service
- Growth Changes: pressures on the 2013 budget that are required to provide the same level of service to more citizens
- Other Changes: pressures on the 2013 budget that require further discussion and Council approval

A detailed schedule of the potential pressures and the corresponding tax rate increase can be found in **Schedule A.**

Base Changes (Schedule A, Column A)

In 2013, the increase to the net tax levy requirement arising from base budget changes if realized would be $12.0 million or 6.81%. The estimated costs and related revenues that comprise this increase are highlighted in the following sections.

Pressures from the 2012 Budget:

2013 potential budget pressures derived from the 2012 budget primarily relate to cost increases associated with decisions made as part of the 2012 budget process that need to be annualized or adjusted for in 2013. Increases from the 2012 budget related to base pressures have been estimated to amount to $1.75 million and are discussed in more detail below.

In 2012, the budgets for the City's affordable bus pass program and the Inter-modal Transit Terminal were approved for less than a full year and will need to be annualized in the 2013 budget. The estimated pressure resulting from annualization could be $370,000.

In addition, budgets related to both fuel and hydro are affected by price and consumption corrections to bring the 2013 budget in line with market conditions being observed as of mid-June 2012. The estimated pressures from hydro adjustments amount to $785,000 and are balanced between a correction to pricing and consumption. Estimates for fuel adjustments amount to $614,000 with a significant portion of the increase being attributed to higher fuel usage as a result of new transit routes ($414,000). The remainder of the increase is due to lost fuel economy ($107,000) and higher usage resulting from the expansion of the City fleet excluding transit vehicles ($75,000).

Staffing Pressures

Taking into account current contractual obligations, benefits and salary grid moves, the estimated pressure resulting from staffing costs is $4,436,000 which is a combination of salaries and wages ($1,867,000) and benefits ($2,569,000).

The resulting increase by union group based on 2012 staffing levels is shown in the chart below:

2013 Compensation Summary (by Employee Group)

	Salaries			Benefits		
	2013	2012	Difference	2013	2012	Difference
241	10,570,000	9,954,000	616,000	6,312,000	5,749,000	563,000
973	11,774,000	11,382,000	392,000	3,427,000	3,016,000	411,000
ATU	10,643,000	10,878,000	(235,000)	4,351,000	3,601,000	750,000
Council	320,000	300,000	20,000	237,000	234,000	3,000
EMS	7,257,000	6,879,000	378,000	2,475,000	2,265,000	210,000
Fire	14,876,000	14,283,000	593,000	4,769,000	4,825,000	(56,000)
NUME	20,254,000	20,151,000	103,000	5,292,000	4,604,000	688,000
Total	$ 75,694,000	$ 73,827,000	$ 1,867,000	$26,863,000	$ 24,294,000	$ 2,569,000

While the increase to salaries can be attributed to step increases and contractual obligations, benefits are far more complex in terms of what drives the pressure. In the chart below, the various components that are driving the benefit rate increase are highlighted.

2013 City of Guelph Benefits

Type of Benefit	($)	Comment
Statutory (OMERS)	961,200	Increase reflects higher OMERS contributions (approx 1% increase to the contribution rate) . These benefits are tied to salary and wages.
Statutory (Other, CPP, EI)	167,500	Increase reflects a higher maximum earnings threshold as set by the Federal Government. These benefits are tied to salary and wages.
Medical (Health, Dental)	641,900	Increase is due to higher rates associated with medical and dental benefits. These rates are estimates provided by Manulife.
Insurance (STD, LTD ,WSIB)	1,454,300	Increase to STD for 241 & LTD for Transit
Leave & Other (Sick Leave)	(655,900)	Reduction in Sick Leave Reserve contributions for 241 & EMS. Per the negotiated contracts, both 241 and EMS are now on a self-funded STD program.
Total Benefit Increase	**$ 2,569,000**	

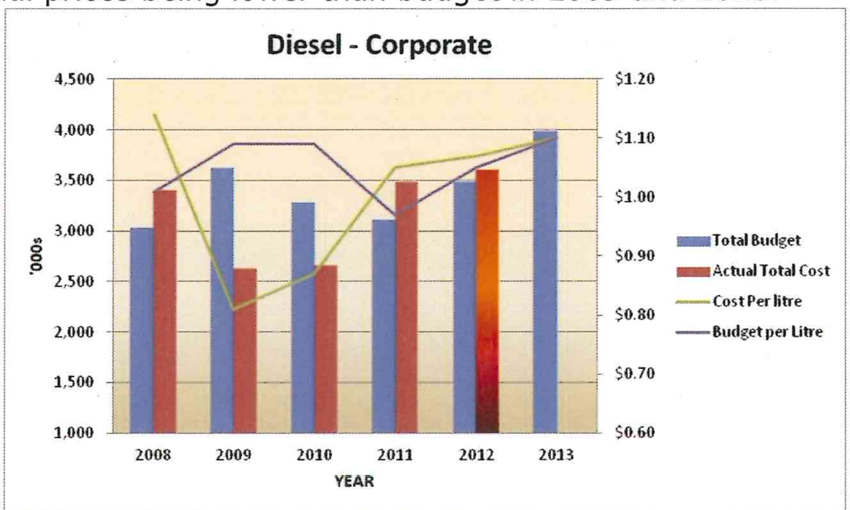
Staff have also identified $100,000 in the budget guideline to reflect a potential increase for temporary staff across all City departments.

In 2013, staffing costs might be offset by anticipated savings of $200,000 resulting from the Attendance Management Initiatives approved by Council in early 2012. The savings from this program are currently being phased in and the savings monitored to recognize that it may take time for the initiatives to be fully implemented.

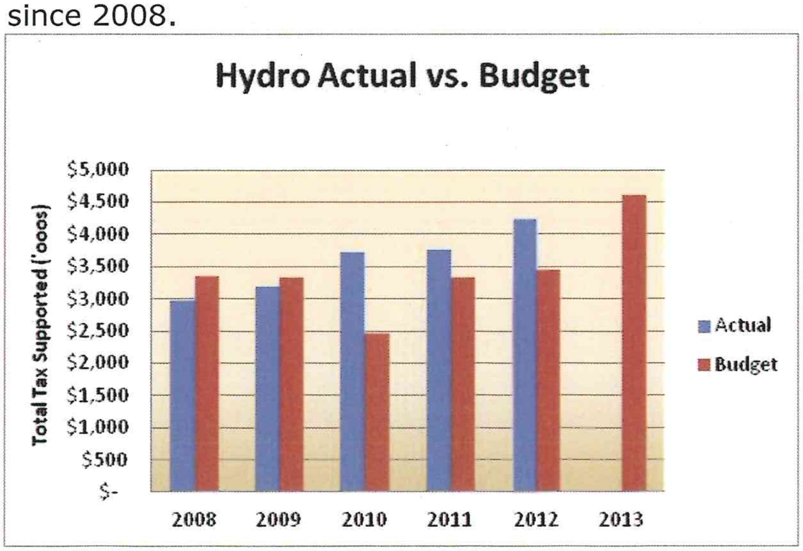
The 2013 budget guideline also includes an estimated $157,000 potential increase resulting from the NUME job evaluations that will be completed in 2012.

Pressures from Purchased Goods and Services
Staff have made the following assumptions related to purchased goods and services to develop the 2013 potential budget pressures:

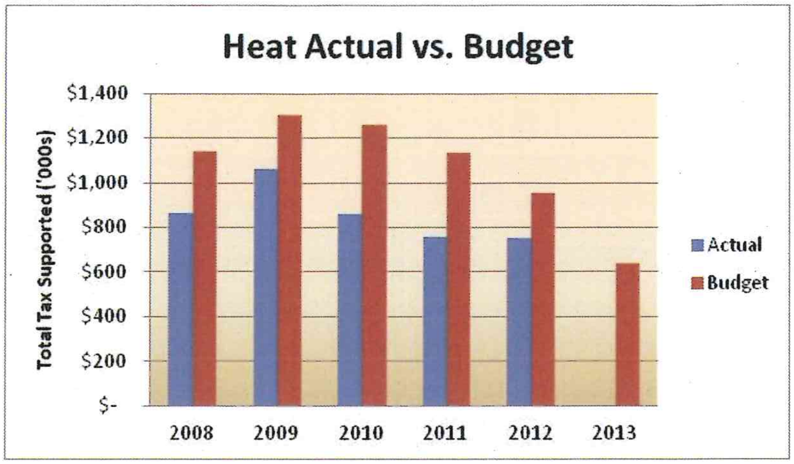
- Fuel pricing related to transit might result in an increase of $76,000. This is due to a projected increase in the cost per litre for diesel fuel rising from $1.07 to $1.10 per litre. Fuel costs for all other City departments may also result in an increase of $18,000 primarily due to higher diesel prices. The chart below demonstrates the volatility in diesel prices and variances are largely driven by actual prices being higher than budget in 2008, 2011 and 2012, actual prices being lower than budget in 2009 and 2010.



- Hydro costs related to existing City facilities are expected to increase by $467,000. This increase is attributed to higher prices. Hydro related savings are discussed in a later section of the report as a significant capital outlay is required to recognize the operating budget savings. The chart below provides an overview of how the City's hydro budgets and actuals having been trending since 2008.



- Heating costs across all City facilities are expected to decrease by $201,000. The decrease is attributable to aligning budgeted consumption to actual levels. Prices are anticipated to remain stable. The chart below provides an overview of how the City's budgets and actuals related to heat have been trending since 2008.



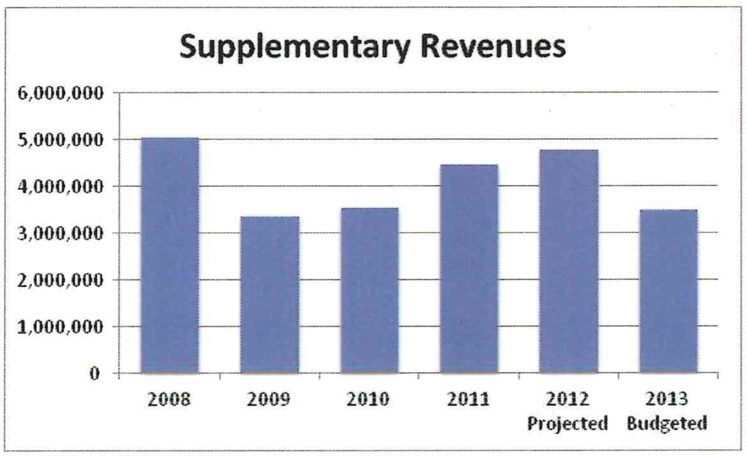
- Other purchased goods and services are forecast to increase by $570,000 over the 2012 approved budget. This represents a 2% inflationary increase.

Pressures from General Expenditures, Capital and New Services

- Insurance costs will increase by approximately $100,000 based on known increases associated with higher property values.
- MPAC fees have consistently increased by 5% over the past few years and the 2013 budget forecasts this trend continuing. In 2013, the anticipated increase due to MPAC fees is forecast to be $80,000.
- The base pressure from capital related items is a $500,000 increase for debt servicing costs. This anticipates an early debt issue that would result in a single interest payment being due in 2013. The remainder of the increase identified from this issue will be recognized in the 2014 budget cycle. It should be noted that this expense is not optional as the debt funding is required to pay for projects that have been approved and are now complete.
- On April 23, 2012, Council approved a plan to move forward with providing developers in the downtown core with a Tax Increment Based Grant (TIBG) program. As indicated in the April report, the impact of this program on the 2013 budget amounts to $460,000.

Revenue Changes

Supplementary Revenue:
Supplementary revenues are revenues resulting from new taxes being billed each year due to the construction of, or additions to, buildings. MPAC can take up to 3 years to do an assessment on these new properties. Supplementary revenues dropped in 2009 and 2010 resulting from the economic downturn that began in late 2008 and have since recovered in 2011 and are leveling off in 2012. A lack of new industrial and commercial building permits issued to date in 2012 have caused the estimate for supplementary revenue to be reduced for 2013. As a result, the 2013 operating budget forecast includes a $1.3 million reduction in supplementary revenue in 2013. The chart that follows shows the 5-year trend for supplementary revenue.



Investment Income:
In 2013, staff are anticipating an additional $500,000 from investment income. This is primarily due to new long term investments that were purchased in 2012.

Pressures from Non-Controllable City Costs
There are several pressures on the City's budgets that are non-controllable and have an impact on the tax rate. At the time of this report, the net expenditure levels for the Police Services and Library boards has been assumed to be a 3% increase over 2012 (not including capital contributions for their programs) or $1.2 million. The estimated pressure from Public Health and Social Services is an increase of $220,000 and $1.4 million respectively. These increases include the capital financing component for the new Public Health facility, the Wellington Terrace settlement and the projected program costs as estimated by the County in their 2012 budget document.

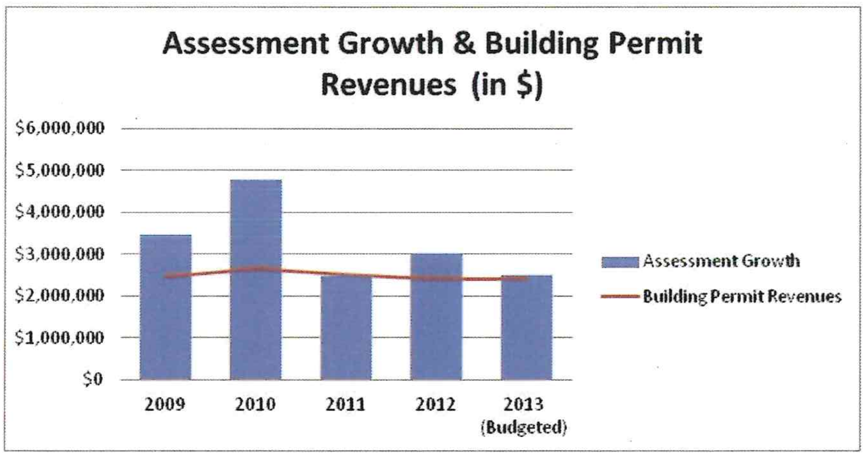
It should be noted that the most recent provincial budget has unknown implications with respect to the City's share of social services costs related to discretionary benefits and the Community Start-up and Maintenance Benefit (CSUMB). This report reflects the information included in the most recent 5-year forecast provided by Wellington County and staff will report back on the financial impact and related service impacts as soon as information becomes available.

Growth Pressures (Schedule A, Column B)

In 2013, the reduction to the net tax levy requirement arising from growth related pressures is $0.4 million or 0.23%. The major costs and related revenues that make up this reduction are highlighted in the following sections.

Assessment Growth

Assessment growth is the increase in the assessment base that occurs in each taxation year as new properties are built and others have their assessments adjusted due to reassessment and tax appeals. Assessment growth for one year is used in the budget process for the following year as it increases the tax base available to raise funds. In recent years, the City of Guelph has seen a decrease in the rate of assessment growth since it peaked in 2009. This marks a change from more prosperous economic times to leaner times. Assessment growth can reflect the economy and the rate of growth within a municipality as it provides a measure of new builds occurring within a municipality. The chart that follows provides an overview of the City's assessment growth and corresponding building permit revenue.



The operating budget forecast includes an estimated increase in assessment growth of 1.5% in 2013. The current estimate reflects that while the City has experienced solid building permit activity, the majority of the sales have been for minor residential or non-assessable building activity which does not generate significant tax revenue. Based on these factors, an additional $2.5 million in revenue is included in the 2013 forecast.

2012 Growth Requests not Approved

It is important to note, that past practices has resulted in assessment growth being used to offset costs included in the City's base budget. As this revenue is being generated as a result of growth, it could be argued that it would be more appropriate to use all or a portion of the assessment growth to offset the cost of new growth requests. As the City continues to grow, it is becoming evident that the pressures from growth require some funding be made available for these requests. In the 2013 guideline, staff have included an amount representing the 3-year average of growth requests that have been submitted as part of the budget process but not approved. These unapproved requests amount to approximately $2.2 million.

Increased Demand for City Programs and Services
In 2013, staff are anticipating an additional $128,000 in revenue due to higher demand for City programs and services. Programs and services that are expecting increased usage include transit, culture and entertainment and recreation.

Other Changes (Schedule A, Column C)
In 2013, the increase to the net tax levy requirement arising from other changes is $3.4 million or 1.96%. The major costs and related revenues that make up this increase are highlighted in the following sections.

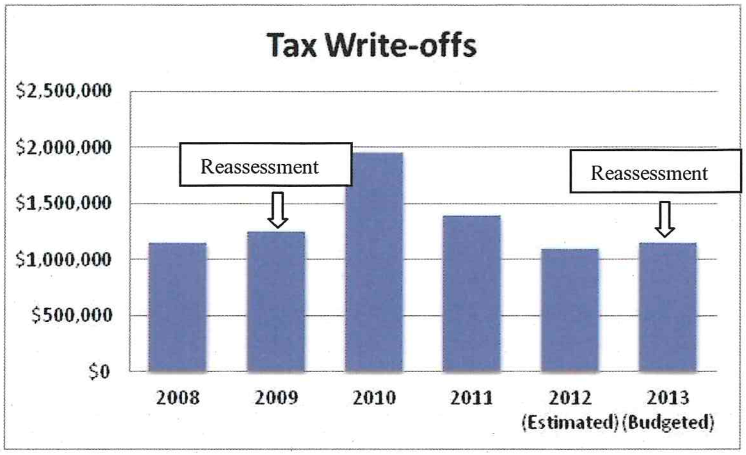
Pressures Arising from the 2012 Budget
Staff are exploring the possibility of removing the $170,000 dividend from Courts Services and $400,000 in mandatory vacancy gapping. The transfer from Courts Services was approved by Council in the 2012 budget and was intended to be a one-time payment to assist in the transition of Courts Services from the tax-supported to the enterprise budgets. The mandatory vacancy gapping was implemented in 2012 to help offset significant annualization costs resulting from the 2011 budget where several new City facilities became operational. It is proposed that this practice not continue as it has the potential to affect service delivery over the long term and the attached guideline reflects staff's proposal to phase out the $1.3 million budgeted over the next three years. The current estimate reflects these actions.

Pressures Arising from Other Purchased Goods & Services
The City has identified the need to increase Legal's budget by $250,000 to reflect the increased case load being experienced by the department and bring the budget more in line with historical and projected actual spending. Pressures from other purchased goods and services also include a $314,000 reduction to hydro costs due to the ability to reduce consumption on the tax-supported side. The reduction in hydro assumes that the 2013 capital budget request be approved through the budget process.

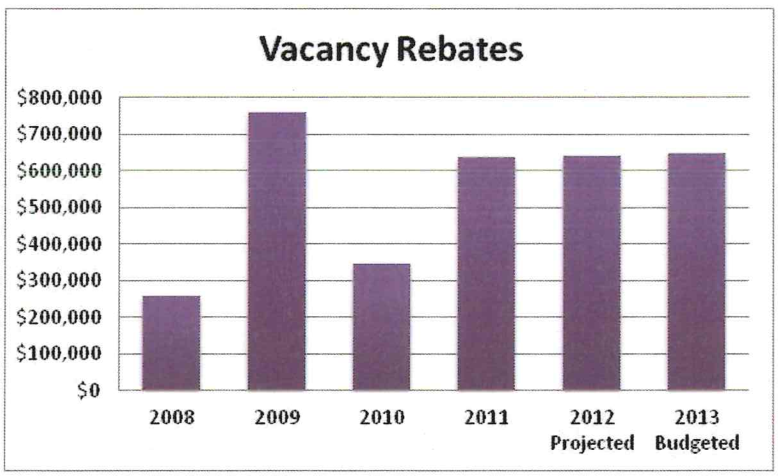
Pressures Arising from General Expenditures and Capital

General Expenditures:
In 2013, staff are exploring the need to increase the budgets for taxes written off and vacancy rebates by a total of $300,000 or $150,000 each.

Taxes written off are adjustments that arise when a property's assessment is changed by the Municipal Property Assessment Corporation (MPAC) and/or the Assessment Review Board (ARB). These adjustments are legislated and the City has very little control over the write offs that must occur. Trends indicate that in the second and third years following a reassessment, the value of taxes written off increases. As a result, staff are suggesting a strategy to increase the budget for this expense by $150,000 per year over the next three years as 2013 is a reassessment year. The chart that follows shows the actual taxes written off between 2009 and 2011 and projections for 2012 and 2013.



In addition, as demonstrated in the chart below, trends indicate that vacancy rebates have yet to return to their pre-recessionary levels and as a result staff are suggesting that the budget be increased to bring it in line with actual rebates. Vacancy rebates are rebates on vacant commercial and industrial properties that have the potential of being leased.



Capital Pressures:
The 2013 budget guideline includes an increased allocation to capital reserves of $3.2 million. This increase represents a return to funding capital reserves at a rate of 20% of the prior year's net tax levy. In 2011, capital reserves were funded at 18% and in 2012 capital reserves were funded at 19% of the net tax levy. At the time of this report, the 2013 capital budget process is already well underway. The cross-departmental team has met on two occasions to review and set the 2013 priority model taking care to ensure that the criteria that will be used to rank projects are representative of the strategic directions approved by Council in July 2012. Included in the 2013 budget guideline are two projects that have been identified as on-going initiatives through the strategic planning process. These are the IT Strategic Plan and Corporate Energy Initiatives. Based on a preliminary review of the corporate capital budget submissions, both projects are ranked in the top 50% of project requests.

Increases to User Fees & Other Measures
The 2013 budget guideline reflects the following potential increases to user fees:

- Transit revenues are expected to increase by $80,000 due to a higher price for the U-Pass
- User fees associated with Recreation, Culture and Entertainment will increase by 3% on average. This will result in $102,000 in additional revenue
- Rates for parking permits will increase by 5% or $50,000

Staff have also suggested that $200,000 of the $400,000 in grant funding that was included to fund the City's commitments to Guelph General Hospital and Hospice Wellington be removed. 2012 marked the final year of the City's commitment to these organizations.

In addition, staff have increased the amount of Provincial Gas Tax funding being allocated to fund transit's operations by $100,000. This reflects the increase that the City will receive from the Province.

The overall net tax levy increase related to base changes, growth changes and other changes is 8.53%. The assumptions made in the report are based on information that is currently available and does not reflect any expansions proposed for new services or service enhancements. As in prior years, the intention will be to submit these requests separately from the base budget and have Council approve them into the City's budget.

Risks & Actions
Through this report, it is important to highlight the potential actions that staff could propose should Council recommend a tax rate increase that is significantly lower from what staff outlined via the above report and the corresponding risks. Some of the more traditional actions include:

- Service reductions
- Service cancellations
- Hiring freeze
- Increase user fees
- Reduced reserve contributions

Should some of these actions be approved, possible risks include reduced service levels, decreased levels of customer service, programs and services becoming unaffordable for community members and groups and a reduced capital program that could result in higher repairs and maintenance costs and a higher breakdown rate.

Notwithstanding the traditional approaches to addressing budget pressures listed here, staff are committed to exploring non-traditional approaches including efficiencies, innovative financing, and different reserve and debt ratios to manage the potential pressures identified for 2013. Council endorsement of these approaches through the budget guideline described in this report will assist the work conducted between now and the next scheduled budget workshop in early September 2012.

CORPORATE STRATEGIC PLAN

2.3 Ensure accountability, transparency and engagement
3.2 Be economically viable, resilient, diverse and attractive for business

FINANCIAL IMPLICATIONS

There are no financial implications resulting from this report.

DEPARTMENTAL CONSULTATION

Finance has consulted with City departments, the DRLT Budget Subcommittee and the Executive Team.

COMMUNICATIONS

Finance staff will work with Corporate Communications through the budget process to ensure that the public is made aware of critical budget decisions and presentation and approval dates.

ATTACHMENTS

Schedule A: 2013 Budget Guideline

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Schedule A: FIN-12-33 2013 Tax Supported Operating Management Summary

	OPERATING MANAGEMENT SUMMARY							
	Total		A		B		C	
	$	%	Base Changes		Growth Changes		Other Changes	
			$	%	$	%	$	%
2012 Tax Levy Requirement	176,060,944							
Pressures from the 2012 Budget								
Annualization of Affordable Bus Pass Program	140,000	0.08%	140,000	0.08%		0.00%		0.00%
Annualization of Transit Terminal	230,000	0.13%	230,000	0.13%		0.00%		0.00%
Increase in Hydro (Price Correction)	388,000	0.22%	388,000	0.22%		0.00%		0.00%
Increase in Hydro (Consumption Correction)	397,000	0.23%	397,000	0.23%		0.00%		0.00%
Increase in Fuel - Transit (Lost Efficiency)	107,000	0.06%	107,000	0.06%		0.00%		0.00%
Increase in Fuel - Transit (Growth from New Routes)	414,000	0.24%	414,000	0.24%		0.00%		0.00%
Increase in Fuel - Other City Departments (Growth from City expansion of fleet)	75,000	0.04%	75,000	0.04%		0.00%		0.00%
Removal of Dividend from Courts Services	170,000	0.10%		0.00%		0.00%	170,000	0.10%
Removal of Mandatory Vacancy Gapping (Phased)	400,000	0.23%		0.00%		0.00%	400,000	0.23%
Total Pressures from the 2012 Budget	**2,321,000**	**1.32%**	**1,751,000**	**0.99%**	**0**	**0.00%**	**570,000**	**0.32%**
Pressures from Staffing								
Increase in Salaries & Wages	1,867,000	1.06%	1,867,000	1.06%		0.00%		0.00%
Increase to Benefits	2,569,000	1.46%	2,569,000	1.46%		0.00%		0.00%
Increase to Temporary Salaries	100,000	0.06%	100,000	0.06%		0.00%		0.00%
Savings from Attendance Management Initiatives (Phased)	(200,000)	-0.11%	(200,000)	-0.11%		0.00%		0.00%
NUME Job Evaluations	157,000	0.09%	157,000	0.09%		0.00%		0.00%
Total Staffing Pressures	**4,493,000**	**2.55%**	**4,493,000**	**2.55%**	**0**	**0.00%**	**0**	**0.00%**
Pressures from Purchased Goods and Services								
Increase in Fuel - Transit (Price 1.10) - $76K, Other - Other City $18K	94,000	0.05%	94,000	0.05%		0.00%		0.00%
Increase in Hydro (due to price escalation-$467K, new usage - $15K)	482,000	0.27%	467,000	0.27%	15,000	0.01%		0.00%
Reduction in Heat	(201,000)	-0.11%	(201,000)	-0.11%		0.00%		0.00%
Increase in Other Purchased Goods (assume 2%)	220,000	0.12%	220,000	0.12%		0.00%		0.00%
Increase in Other Purchased Services (assume 2%)	350,000	0.20%	350,000	0.20%		0.00%		0.00%
Increase to Legal Budget	250,000	0.14%		0.00%		0.00%	250,000	0.14%
2013 Hydro Savings if capital is approved ($190K Hydro, $124K Heat)	(314,000)	-0.18%		0.00%		0.00%	(314,000)	-0.18%
Total Pressures from Purchased Goods & Services	**881,000**	**0.50%**	**930,000**	**0.53%**	**15,000**	**0.01%**	**(64,000)**	**-0.04%**
Pressures from General Expendituers								
Increase in Insurance	100,000	0.06%	100,000	0.06%		0.00%		0.00%
Increase in MPAC Fees (est. 5%)	80,000	0.05%	80,000	0.05%		0.00%		0.00%
Increase in Taxes Written Off	150,000	0.09%		0.00%		0.00%	150,000	0.09%
Increase in Vacancy Rebates	150,000	0.09%		0.00%		0.00%	150,000	0.09%
Total Pressures from General Expenditures	**480,000**	**0.27%**	**180,000**	**0.10%**	**0**	**0.00%**	**300,000**	**0.17%**
Capital Pressures								
Increase Debt Servicing	500,000	0.28%	500,000	0.28%		0.00%		0.00%
Additional Capital Financing (20% guideline)	3,170,000	1.80%		0.00%		0.00%	3,170,000	1.80%
Total Capital Pressures	**3,670,000**	**2.08%**	**500,000**	**0.28%**	**0**	**0.00%**	**3,170,000**	**1.80%**
New Services, Programs & Growth Requests								
Tax Increment Based Grants	460,000	0.26%	460,000	0.26%		0.00%		0.00%
Growth Requests not approved (based on a 3-year average)	2,200,000	1.25%		0.00%	2,200,000	1.25%		0.00%
Total New Services & Program Changes	**2,660,000**	**1.51%**	**460,000**	**0.26%**	**2,200,000**	**1.25%**	**0**	**0.00%**

Schedule A: FIN-12-33 2013 Tax Supported Operating Management Summary

	OPERATING MANAGEMENT SUMMARY							
	Total		A		B		C	
	$	%	Base Changes		Growth Changes		Other Changes	
Revenue Changes								
Decrease in Supplementary Revenue	1,300,000	0.74%	1,300,000	0.74%		0.00%		0.00%
Increase Investment Income	(500,000)	-0.28%	(500,000)	-0.28%		0.00%		0.00%
Assessment Growth (1.5%)	(2,500,000)	-1.42%		0.00%	(2,500,000)	-1.42%		0.00%
Total Revenue Changes	**(1,700,000)**	**-0.97%**	**800,000**	**0.45%**	**(2,500,000)**	**-1.42%**	**0**	**0.00%**
Local Boards & Shared Services								
Police Services (est. 3% increase)	990,000	0.56%	990,000	0.56%		0.00%		0.00%
Library (est. 3% increase)	230,000	0.13%	230,000	0.13%		0.00%		0.00%
Wellington Terrace	1,000,000	0.57%	1,000,000	0.57%		0.00%		0.00%
Social Housing	470,000	0.27%	470,000	0.27%		0.00%		0.00%
Social Services	(220,000)	-0.12%	(220,000)	-0.12%		0.00%		0.00%
Child Care Services	190,000	0.11%	190,000	0.11%		0.00%		0.00%
Public Health	220,000	0.12%	220,000	0.12%		0.00%		0.00%
Total Local Board & Shared Services Presures	**2,880,000**	**1.64%**	**2,880,000**	**1.64%**	**0**	**0.00%**	**0**	**0.00%**
Budget Management Summary Before Other Measures	**15,685,000**	**8.91%**	**11,994,000**	**6.81%**	**(285,000)**	**-0.16%**	**3,976,000**	**2.26%**
Other Measures								
Increase to Transit Revenues	(200,000)	-0.11%		0.00%	(120,000)	-0.07%	(80,000)	-0.05%
Increase Culture & Entertainment Revenues	(45,000)	-0.03%		0.00%	(5,000)	0.00%	(40,000)	-0.02%
Increase Recreation Revenues	(65,000)	-0.04%		0.00%	(3,000)	0.00%	(62,000)	-0.04%
Increase Parking Revenues	(50,000)	-0.03%		0.00%		0.00%	(50,000)	-0.03%
Reduce Large Grant funding amount (previously $400K to Health Related)	(200,000)	-0.11%		0.00%		0.00%	(200,000)	-0.11%
Allocate Increase in Provincial Gas Tax Funding to Transit Operating	(100,000)	-0.06%		0.00%		0.00%	(100,000)	-0.06%
Total Other Measures	**(660,000)**	**-0.37%**	**0**	**0.00%**	**(128,000)**	**-0.07%**	**(532,000)**	**-0.30%**
Budget Management Summary After Other Measures	**15,025,000**	**8.53%**	**11,994,000**	**6.81%**	**(413,000)**	**-0.23%**	**3,444,000**	**1.96%**

1% Change **$ 1,755,000**