

# COMMITTEE AGENDA



TO **Corporate Services Committee**

DATE Wednesday June 8, 2016

LOCATION Council Chambers, Guelph City Hall, 1 Carden Street

TIME 2:00 p.m.

---

## DISCLOSURE OF PECUNIARY INTEREST AND GENERAL NATURE THEREOF

**CONFIRMATION OF MINUTES** – May 2, 2016 open meeting minutes

**PRESENTATIONS** (Items with no accompanying report)

## CONSENT AGENDA

*The following resolutions have been prepared to facilitate the Committee's consideration of the various matters and are suggested for consideration. If the Committee wishes to address a specific report in isolation of the Consent Agenda, please identify the item. The item will be extracted and dealt with separately. The balance of the Corporate Services Committee Consent Agenda will be approved in one resolution.*

ITEM	CITY PRESENTATION	DELEGATIONS	TO BE EXTRACTED
CS-2016.17 2016 Capital and Operating Budget Debrief Report	<ul style="list-style-type: none"> <li>Mark Amorosi, DCAO, Corporate Services</li> </ul>		√
CS-2016.18 2015 Final Year-End Report on Operating Variance Surplus Allocation and Deficit Funding			
CS-2016.19 Operating Variance Reporting Recommendations			
CS-2016.20 Q1 2016 Operating Variance Report			
CS-2016.21 2016 Q1 Capital Variance Report			

---

CS-2016.22 10 Carden Shared Space Inc. – Community Bond and Tax Incentive Program Request			
--	--	--	--

Resolution to adopt the balance of the Corporate Services Committee Consent Agenda.

**ITEMS EXTRACTED FROM CONSENT AGENDA**

Once extracted items are identified, they will be dealt with in the following order:

- 1) delegations (may include presentations)
- 2) staff presentations only
- 3) all others.

**STAFF UPDATES AND ANNOUNCEMENTS**

**ADJOURN**

**NEXT MEETING – July 4, 2016**



**The Corporation of the City of Guelph  
Corporate Services Committee  
Monday May 2, 2016 at 2:00 p.m.**

---

**Attendance**

Members: Chair Hofland Councillor Billings  
Mayor Guthrie Councillor MacKinnon  
Councillor Allt

Councillors: Councillor Downer Councillor Van Hellemond  
Councillor Gordon Councillor Wettstein

Staff: Mr. M. Amorosi, Deputy CAO, Corporate & Human Resources  
Tara Baker, General Manager Finance/ City Treasurer  
Brad Coutts, General Manager Court Services  
David Godwaldt, General Manager Human Resources  
Tara Sprigg, General Manager Corporate Communications & Customer Service  
Mr. S. O'Brien, City Clerk  
Ms. J. Sweeney, Acting Deputy Clerk

---

**Call to Order (2:00 p.m.)**

Chair Hofland called the meeting to order.

**Disclosure of Pecuniary Interest and General Nature Thereof**

There were no disclosures.

**Confirmation of Minutes**

1. Moved by Mayor Guthrie  
Seconded by Councillor Allt

That the meeting minutes of the Corporate Services Committee held on April 4, 2016 be confirmed as recorded.

*VOTING IN FAVOUR: Mayor Guthrie, Councillors Allt, Billings, Hofland and MacKinnon (5)*

*VOTING AGAINST: (0)*

CARRIED

**Consent Agenda**

The following items were extracted:

**CS-2016.13 Corporate Services Annual Reports**

---

- CS-2016.14      2015 Reserve and Reserve Fund Statement**  
**CS-2016.15      2015 Development Charge Reserve Fund Statement**

**Balance of Consent Items**

2.      Moved by Councillor Allt  
          Seconded by Mayor Guthrie

That the balance of the Corporate Services Committee May 2, 2016 Consent Agenda, as identified below, be adopted:

**CS-2016.12      Transfer of Railway Right of Way and Assignment of Other Interests to Guelph Junction Railway Limited**

1. That the transfer to Guelph Junction Railway Limited of the right of way lands previously owned by Canadian Pacific Railway and transferred to the City in 1999, except that portion of the right of way lands being used by the City as a trail, as shown on the draft reference plans attached to report CAO-LS-1610, is approved.
2. That the assignment to Guelph Junction Railway Limited of the City's interests in the various agreements assigned to the City by Canadian Pacific Railway in an agreement dated March 31, 1999 is approved.
3. That the transfer to Guelph Junction Railway Limited of the remaining right of way lands in the Northwest Industrial Park, as shown outlined in red and green on Schedule C to report CAO-LR-1610 is approved.
4. That the assignment to Guelph Junction Railway Limited of the City's interest in the Tri-Party Agreement between Canadian National Railway, Canadian Pacific Railway and Guelph Junction Railway dated October 22, 1956, as amended, including the City's ownership interest, operating rights and maintenance obligations in and for the track in the Northwest Industrial Park, is approved.
5. That the City Solicitor is authorized to approve and execute on behalf of the City any documents required to implement the above resolutions.
6. That the General Manager Parks and Recreation is authorized to execute an agreement between Guelph Junction Railway Limited and the City that provides the City with an opportunity to purchase additional lands for trails in the event Guelph Junction Railway Limited intends to transfer to a non-affiliated third party any part of Guelph Junction Railway Limited's right of way between Speedavle Avenue and the City limits as shown outlined in orange on Schedule D in Report CAO-LR-1610 or in the event there is intended to be a change in control of Guelph Junction Railway Limited from the City to a non-affiliated third party.

**CS-2016.16      Budget Impacts per Ontario Regulation 284/09 and Budget PSAB Reconciliation**

That Council approve compliance report CS-2016-25, Budget Impacts per Ontario Regulation 284/09 and 2016 Budget PSAB Reconciliation included in Table 1 and Attachment 1 respectively.

*VOTING IN FAVOUR: Mayor Guthrie, Councillors Allt, Billings, Hofland and MacKinnon (5)*  
*VOTING AGAINST: (0)*

CARRIED

### **Extracted Items**

#### **CS-2016.13 Corporate Services Annual Reports**

Mr. M. Amorosi, Deputy CAO Corporate Services presented the Corporate Services Annual Reports. He highlighted the 2015 accomplishments, presented departmental performance highlights and outlined the 2016 focus and changes.

3. Moved by Councillor Allt  
Seconded by Mayor Guthrie

That the 2016 Corporate Services Annual Reports be received.

*VOTING IN FAVOUR: Mayor Guthrie, Councillors Allt, Billings, Hofland and MacKinnon (5)*  
*VOTING AGAINST: (0)*

CARRIED

#### **CS-2016.14 2015 Reserve and Reserve Fund Statement**

Ms. T. Baker, General Manager Finance/City Treasurer introduced and highlighted the report.

4. Moved by Councillor Billings  
Seconded by Councillor MacKinnon
  1. That report CS-2016-24 dated May 2, 2016, entitled "2015 Reserve and Reserve Fund Statement" be received for information.
  2. That Council approve the following reserve and reserve fund consolidations and closures as described throughout the report:
    - 1) Consolidate and close Accumulated Sick Leave Reserves 102 and 103 into Accumulated Sick Leave Reserve 100;
    - 2) Consolidate and close Social Housing Reserve 208 into the Affordable Housing Reserve 119;
    - 3) Consolidate and close the Capital Fire Reserve Fund 173 into the Equipment Replacement Fire Reserve Fund 111;
    - 4) Consolidate and close the Capital Transit Improvement Reserve Fund 161 into the Capital Transit Reserve Fund 172;
    - 5) Closure of the Investing in Ontario Act Reserve Fund 200, as funds have been fully allocated to capital projects.

*VOTING IN FAVOUR: Mayor Guthrie, Councillors Allt, Billings, Hofland and MacKinnon (5)*  
*VOTING AGAINST: (0)*

CARRIED

**CS-2106.15      2015 Development Charge Reserve Fund Statement**

5.      Moved by Councillor Billings  
          Seconded by Councillor MacKinnon

That report CS-2016-23 dated May 2, 2016, entitled "2015 Development Charge Reserve Fund Statement" be received for information.

*VOTING IN FAVOUR: Mayor Guthrie, Councillors Allt, Billings, Hofland and MacKinnon (5)*

*VOTING AGAINST: (0)*

CARRIED

**Adjournment (3:24 p.m.)**

6.      Moved by Councillor Billings  
          Seconded by Mayor Guthrie

That the meeting be adjourned.

CARRIED

---

Joyce Sweeney  
Acting Deputy Clerk

**CORPORATE SERVICES COMMITTEE  
CONSENT AGENDA**

**June 8, 2016**

Members of the Corporate Services Committee.

**SUMMARY OF REPORTS:**

The following resolutions have been prepared to facilitate the Committee's consideration of the various matters and are suggested for consideration. If the Committee wishes to address a specific report in isolation of the Consent Agenda, please identify the item. The item will be extracted and dealt with immediately. The balance of the Corporate Services Committee Consent Agenda will be approved in one resolution.

**Reports from Administrative Staff**

<b>REPORT</b>	<b>DIRECTION</b>						
<p><b>CS-2016.17 2016 Capital and Operating Budget Debrief Report</b></p> <p>That report CS-2016-33 '2016 Capital and Operating Budget Debrief Report' be received for information.</p>	Receive						
<p><b>CS-2016.18 2015 Final Year-End Report on Operating Variance Surplus Allocation and Deficit Funding</b></p> <p>1. That the report CS-2016-40 dated June 8, 2016 entitled '2015 Final Year-End Report on Operating Variance Surplus Allocation and Deficit Funding' be received.</p> <p>2. That the Tax Supported surplus of \$1,191,823 be allocated to reserves; 198 – Operating Contingency Reserve, and 180 – Tax Rate Stabilization Reserve as follows:</p> <table style="margin-left: 40px;"> <tr> <td>Operating Contingency Reserve (198)</td> <td style="text-align: right;">\$177,177</td> </tr> <tr> <td>Tax Rate Stabilization Reserve (180)</td> <td style="text-align: right;">\$1,014,646</td> </tr> <tr> <td><b>Total allocation</b></td> <td style="text-align: right;"><b>\$1,191,823</b></td> </tr> </table> <p>3. That the Water surplus of \$397,647 be allocated to reserve 106 – Water Contingency Reserve.</p> <p>4. That the Wastewater surplus of \$1,342,190 be allocated to reserve 153 – Wastewater Capital Reserve.</p> <p>5. That the OBC surplus of \$657,816 be allocated to reserve 188 – Building Services Stabilization Reserve.</p>	Operating Contingency Reserve (198)	\$177,177	Tax Rate Stabilization Reserve (180)	\$1,014,646	<b>Total allocation</b>	<b>\$1,191,823</b>	Approve
Operating Contingency Reserve (198)	\$177,177						
Tax Rate Stabilization Reserve (180)	\$1,014,646						
<b>Total allocation</b>	<b>\$1,191,823</b>						

6. That the Court Services deficit of \$198,534 be funded from reserve 211 – POA Contingency Reserve.
7. That the Treasurer be directed to respond to Guelph Police Services Board on behalf of Council that their request to allocate the police operating surplus of \$725,775 to the police capital reserve for the purpose of funding the Police Headquarter Expansion and Renovation project (PS0033) was not supported.

**CS-2016.19 Operating Variance Reporting Recommendations**

Approve

1. That Report CS-2016.53 dated June 8, 2016 entitled 'Operating Variance Reporting Recommendations' be received for information.
2. That the following operating variance reporting recommendations be approved:
  - a. Operating variance reports will continue to be presented to Council on a quarterly basis;
  - b. Operating variance reports will continue to be presented to Council in the same time frame being Q1 in June, Q2 in September, Q3 in December and Q4 in April of the subsequent year;
  - c. Operating variance reports will be presented at a more detailed department level with enhanced financial data and statistical information to elevate the transparency of reporting and accuracy of projections.

**CS-2016.20 Q1 2016 Operating Variance Report**

Receive

That report CS-2016-38 'Q1 2016 Operating Variance Report', be received for information.

**CS-2016.21 2016 Q1 Capital Variance Report**

Receive

That report CS-2016-39 '2016 Q1 Capital Variance Report', be received for information.

**CS-2016.22 10 Carden Shared Space Inc. – Community Bond and Tax Incentive Program Request**

Receive

That report CS-2016-31 dated June 8, 2016 entitled '10 Carden Shared Space Inc. – Community Bond and Tax Incentive Program Request', be received for information.

attach.



# STAFF REPORT



TO Corporate Services Committee

SERVICE AREA Corporate Services, Finance

DATE June 8, 2016

**SUBJECT 2016 Capital and Operating Budget Debrief Report**

REPORT NUMBER CS-2016-33

## EXECUTIVE SUMMARY

### PURPOSE OF REPORT

To provide Council with the results of the 2016 Budget – Council feedback survey that was made available to members of Council in order to gain input in preparation for the 2017 budget process.

### KEY FINDINGS

Of the thirteen individuals the survey was made available to, there were eight respondents. Note that not all respondents addressed each question.

#### Support for Current Process

- Six of seven respondents (86%) indicated that they did not go into the 2016 budget process with a predetermined maximum tax increase in mind. However, four of seven respondents (57%) would share a proposed maximum increase with administration before beginning the 2017 budget process.
- Six of seven respondents (86%) prefer the budget be reviewed by Council as a whole versus a budget committee.
- Seven of eight respondents (88%) of respondents indicated they preferred the presentation of the City's budget in four individual sections.
- Seven of eight respondents (88%) agreed that the content of the budget presentations provided adequate information to support the decision making process.
- Six of seven respondents (86%) agreed to having adequate opportunity to provide input into budget development. Five of seven of respondents (71%) agreed they were given adequate time to review the budget prior to the staff presentation and six of seven of respondents (86%) agreed they had adequate review time prior to final deliberations on December 9 and 10, 2015.
- All respondents agreed to receiving sufficient community input and seven of eight respondents (88%) agreed that this information assisted in their decision making process.

# STAFF REPORT

The survey also provided insight into areas where the budget process could be improved and the following actions are being taken:

- Continued use of the on-line budget simulator will be used to help educate the public on the budget process and to solicit public input and inform budget development. Staff will look at ways to improve and better integrate the simulator into the budget process for ease of use by Council in informing budget decisions.
- Enhanced utilization of the message board for members of Council to ask their questions related to the staff recommended budget. In an effort to ensure that all questions and answers are tracked and posted and equally available to Council and the public, all will be encouraged to utilize the message board to pose their questions rather than going to staff directly.
- Recommending earlier start times for certain budget deliberation meetings with the hope that the meetings will end earlier and significant financial decisions are not occurring in the early morning hours.
- Expansion and Reduction listing improvements:
  - Greater risk analysis incorporating the consequences of not agreeing to a specific expansion and/or agreeing to a specific reduction, including a “what may happen if” explanation.
  - Ranking/categorizing expansions into identifiable groups such as risk mitigation, adherence to legislation, response to internal audit, corporate strategic plan initiatives and capital asset preservation.
  - Ranking or presenting reductions in a way that provides Council with more guidance on staff preference.
  - Recommending “budget to actual” adjustments separately from the expansion listing to make these more clear and transparent
- Resetting the tax-supported capital budget process to align with best practice methodology and recommendations per the BMA Financial Condition Assessment in 2015 including:
  - Separation of the approval of capital funding transfer from operating and the approval of capital projects; providing Council with a clearer understanding of their level of investment in the capital budget.
  - Aligning the capital funding requests more clearly to the City’s Corporate Strategy
  - Right-sizing the capital budget to better align with staff capacity
  - Enhanced presentation of the capital budget that focuses on corporate “programs of work” rather than the individual departmental project listings.
- Additionally, in consultation with the Mayor, further steps towards proactive meeting management will be explored with Council for “Clarity, Impact and Intent” prior to budget deliberation night. Submission of motions by Council to the Mayor ahead of decision night will enable staff to be able to respond in a timely and prepared manner.

# STAFF REPORT



## **FINANCIAL IMPLICATIONS**

There are no financial implications resulting from this report.

## **ACTION REQUIRED**

That CS-2016-33 2016 Capital and Operating Budget Debrief Report be received for information.

## **RECOMMENDATION**

1. That CS-2016-33 2016 Capital and Operating Budget Debrief Report be received for information.

## **BACKGROUND**

Following the approval of the 2015 Tax and Non-tax supported operating and capital budgets staff issued a survey to Council to garner insight into the development of the 2016 budget process. Upon completion of the 2016 budget process, staff has again issued a Council feedback survey to obtain Council input on the 2017 budget process thereby providing information outlined in this debrief report. On March 29, 2016, Council was notified that the 2016 Budget – Council feedback survey had been developed and would be available for completion until April 8, 2016. Given the low original response rate, the survey was reopened for the period April 19, 2016 through April 24, 2016. The survey addressed the following broad issues:

- Predetermined maximum tax rate increase
- Budget timelines and process
- Budget presentation and materials
- Public input
- Budget message board

## **REPORT**

For purposes of summarizing the results, the balance of this report will discuss areas where there appears to be support for the current process, opportunities to improve the process and planned activities for the 2017 budget cycle.

### **Support for the Current Budget Process**

- Predetermined Maximum Tax Rate Increase
  - Six of seven respondents (86%) indicated that they did not go into the 2016 budget process with a predetermined maximum tax increase in mind

# STAFF REPORT

---

- Four of seven respondents (57%) suggested they would share a proposed maximum increase with administration before beginning the 2017 budget process
- Budget Timelines & Process
  - Six of seven respondents (86%) indicated that they had adequate opportunity to provide input into the development of the budget. Five of seven respondents (71%) agreed they were given adequate time to review the budget prior to the staff presentation, and six of seven respondents (86%) agreed they had adequate review time prior to final deliberations on December 9 and 10, 2015.
  - Six of seven respondents (86%) were in favour of Council as a whole continuing to review the City's budget as opposed to a Budget Review Committee.
  - Seven of eight respondents (88%) indicated that they liked the City's budget being divided into four sections. Six of eight respondents (75%) agreed that this format improved their understanding of the individual sections. Seven of eight respondents (88%) agreed that this format improved their understanding of the overall budget. All respondents agreed the split improved their ability to ask questions.
- Public Input
  - All respondents felt that the current process offered sufficient opportunity to hear community input into the City's budget process. Seven of eight respondents suggested that the information they received from public input informed the decision making process.

## **Opportunities for Improvement**

- Budget Process
  - It was suggested that the timing of the budget deliberation meetings be adjusted such that they do not go into the early hours of the morning. Given the magnitude of the decisions on the table, the idea of limiting the length of budget deliberation meetings and or adjusting start times seems prudent.
  - With respect to the "Build a Budget" methodology utilized in the development of the 2016 budget as opposed to the "Budget Guideline" concept used in previous years, Council responses were mixed. Responses included:
    - *"I also preferred the budget formula process guideline rather than the process presented this year."*

- *"I would sooner have a starting place that included a more realistic assessment of the City's needs."*
- *"I liked the budget model a lot."*

Staff will be continuing with the "Build a Budget" methodology for a second year but will enhance the process by providing additional information relating to the expansions, reductions and base budget adjustments.

- Six of eight respondents (86%) indicated that they thought that the staff budget presentations provided adequate information and context to support their decision making. However, survey comments provided significant insight into what information could be included to help further support decisions. These comments (summarized by staff) include:
  - *"In fact my preference would be for less materials. For example 6 or 7 pages of reductions were not necessary."*
  - *"More about risk and ramifications of not agreeing to expansions (i.e. what happens to transit because we didn't approve fare increase)".*
  - *"Staff's ranking of importance of expansions."*
  - *"A list of reduction options to consider to move the budget down 1 – 2%."*
  - *"Most importantly, sustained ongoing reserve requirements for infrastructure (for example, if we build a \$20M bridge that needs replacement in 50 years, + \$1M should be added to the budget each year and we need to see this called out BEFORE we approve the \$20M bridge)".*

Full results of the survey, including comments, are included as **ATT-1 2016 Budget – Council Feedback survey – Summarized Results**.

## **Planned Activities for the 2017 Budget Process**

As staff begins to plan for the 2017 budget process, there are some improvements, which were identified in the survey and / or by staff, that are being considered.

- Continued use of the on-line budget simulator in order to help educate the public on the budget process and to solicit public input and inform budget development. Staff will look at ways to improve and better integrate the simulator into the budget process for ease of use by Council in informing budget decisions.
- Enhanced utilization of the message board for members of Council to ask their questions related to the staff recommended budget. In an effort to ensure that all questions and answers are tracked and posted and equally available to Council and the public, all will be encouraged to utilize the message board to pose their questions rather than going to staff directly.

- Recommending earlier start times for certain budget deliberation meetings with the hope that the meetings will end earlier and significant financial decisions are not occurring in the early morning hours. See **ATT-2 Draft 2017 Budget Deliberation Meeting Schedule** with highlighted proposed time changes.
- Reviewing materials to look for opportunities to remove extraneous and tenuous information that does not support decision making and/or roll up information such that the total dollar values are material.
- Expansion and Reduction listing improvements:
  - Greater risk analysis incorporating the consequences of not agreeing to a specific expansion and/or agreeing to a specific reduction. Including a “what may happen if” explanation
  - Ranking/categorizing expansions into identifiable groups such as risk mitigation, adherence to legislation, response to internal audit, corporate strategic plan initiatives and capital asset preservation
  - Ranking or presenting reductions in a way that provides Council with more guidance on staff preference
  - Recommending “budget to actual” adjustments separately from the expansion listing to make these more clear and transparent
- Resetting the tax-supported capital budget process to align with best practice methodology and recommendations per the BMA Financial Condition Assessment in 2015 including:
  - Separation of the approval of capital funding transfer from operating and the approval of capital projects; providing Council with a clearer understanding of their level of investment in the capital budget
  - Aligning the capital funding requests more clearly to the City’s Corporate Strategy
  - Right-sizing the capital budget to better align with staff capacity
  - Enhanced presentation of the capital budget that focuses on corporate “programs of work” rather than the individual departmental project listings
- Additionally, in consultation with the Mayor, further steps towards proactive meeting management will be explored with Council for “Clarity, Impact and Intent” prior to budget deliberation night. Submission of motions by Council to the Mayor ahead of decision night will enable staff to be able to respond in a timely and prepared manner.

## **CORPORATE STRATEGIC PLAN**

### Organizational Excellence

- 1.2 Develop collaborative work teams and apply whole systems thinking to deliver creative solutions.
- 1.3 Build robust systems, structures and frameworks aligned to strategy.

### Innovation in Local Government

- 2.1 Build an adaptive environment for government innovation to ensure fiscal and service sustainability.

# STAFF REPORT

- 2.2 Deliver public services better.
- 2.3 Ensure accountability, transparency and engagement.

## DEPARTMENTAL CONSULTATION

Communications was involved in the development of the Council debrief survey and has been consulted on this report.

General Managers and Finance Staff were also surveyed with respect to the 2016 budget process. Information garnered from those responses was considered in the development of this report and will also be considered in planning for the 2017 budget process.

## FINANCIAL IMPLICATIONS

There are no financial implications resulting from this report.

## COMMUNICATIONS

A robust communications plan is developed for each budget cycle. The input provided for the debrief survey will be considered in the development of the plan for the 2017 budget process.

## ATTACHMENTS

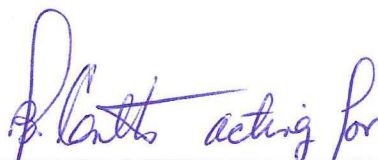
- ATT-1 2016 Budget – Council Feedback survey – Summarized Results
- ATT-2 Draft 2017 Budget Deliberation Meeting Schedule

Tom Bradbury  
Manager, Financial Planning & Budgets  
**Report Author**



---

**Recommended By**  
Tara Baker  
GM Finance and City Treasurer  
Corporate Services  
519-822-1260 Ext. 2084  
tara.baker@guelph.ca



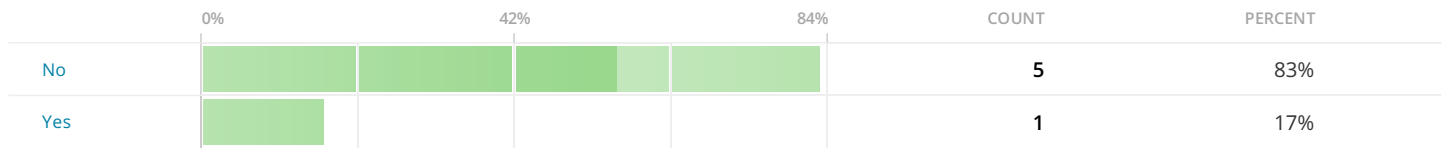
---

**Approved By**  
Mark Amorosi  
Deputy CAO, Corporate Services  
519-822-1260 Ext. 2281  
mark.amorosi@guelph.ca

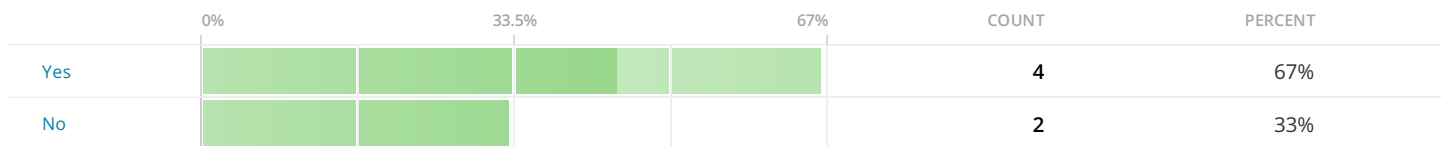
# 2016 Budget - Council Feedback

## Survey Results

**Question 01** Did you go into the 2016 budget process with a maximum tax percentage increase in mind? Answers **6** 100% Skips **0** 0%

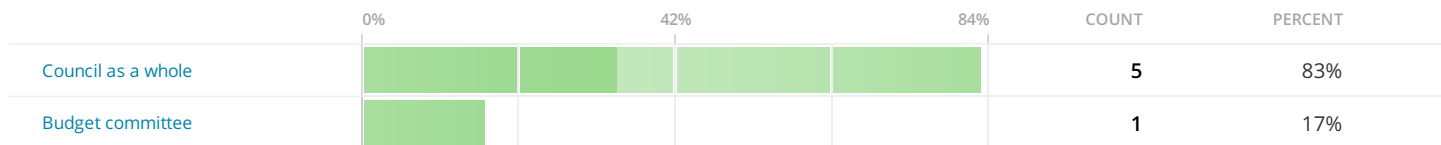


**Question 02** Would you be willing to share your proposed maximum percentage increase with administration before the recommended budget is drafted in 2017? Answers **6** 100% Skips **0** 0%



PAGE 2

**Question 03** Should the budget be reviewed with Council as a whole or with a budget committee? Answers **6** 100% Skips **0** 0%



**Question 04** On a scale of 1 to 5, where 1 is strongly disagree and 5 is strongly agree, please rate the following statements. Answers **6** 100% Skips **0** 0%

	STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
I had adequate opportunity to provide input into the development of the City's budget	0	0	1	3	2
I was given adequate time to review the City's budget prior to the presentations.	1	0	1	1	3
I was given adequate time to review the City's budget prior to Council deliberations on December 9 and 10.	0	1	0	2	3

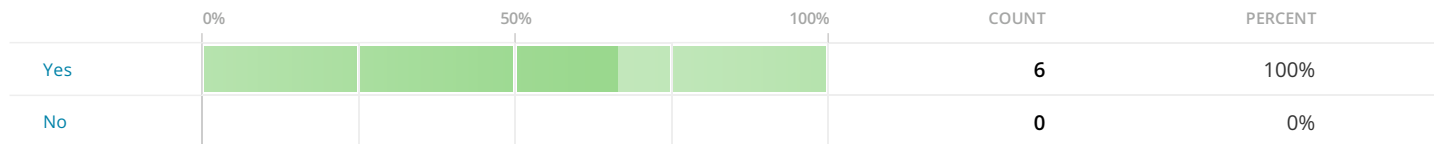


Question  
**05**

Do you like that the City's budget is divided into four separate sections/documents?

Answers  
**6**  
100%

Skips  
**0**  
0%



Question  
**06**

On a scale of 1 to 5, where 1 is strongly disagree and 5 is strongly agree, please rate the following statements.

Answers  
**6**  
100%

Skips  
**0**  
0%

	STRONGLY DISAGREE	DISAGREE	NEITHER DISAGREE NOR AGREE	AGREE	STRONGLY AGREE
The division of the budget into four sections improved my understanding of the individual sections.	0	0	1	2	3
The division of the budget into four sections improved my understanding of the budget as a whole.	0	0	0	3	3
The division of the budget into four sections improved my ability to ask questions.	0	0	0	3	3
The content of the budget presentations provided me with adequate information/content to support my decision making process.	0	1	0	3	2

PAGE 3

Question  
**07**

Did you utilize the budget message board to ask staff questions:

Answers  
**6**  
100%

Skips  
**0**  
0%

	YES	NO
Prior to a budget presentation?	1	5
Between a presentation and approvals?	0	5
Did not use the board but emailed or met with staff in person?	3	3
Did not use the board or ask any questions?	0	6

Question  
**08**

What additional information would you like to receive in a presentation to support your decision making process?

Answers  
**6**  
100%

Skips  
**0**  
0%

I believe there is adequate information shared during this process. In fact my preference would be less materials. For example 6 or 7 pages of reductions were not necessary.

Tying the items back to the shared Agenda.

Re: my highest figure. I don't have one. I approach budget from the perspective of what is needed to operate and improve the city.

More about risk and ramifications of not agreeing to expansions (ie. what happens to transit because we didn't approve fare increase). Staff's ranking of importance to the city of expansions. A list of reduction options for council to consider that move the budget down 1-2% -- uncomfortable for staff to create but vitally important.

NA

It was satisfactory, the information I received

**Question 09**

**What additional materials would you like to receive to support your decision making process (summaries, FAQs)?**

Answers **5**  
83%

Skips **1**  
17%

I would like to have highlighted substantial increases to fees. For example rec fees, swimming fees, sign variance fees. When there is an unusual high increase I would like to be more aware of these increases as often we receive letters from residents after they have been approved.

I don't think I need any. I think I need to ask questions of those submitting their ask(s).

Risk vs. benefit package for expansions. Construction plans for capital projects as they relate to budget approval. Most importantly, sustained ongoing reserve requirements for infrastructure (for example, if we build \$20M bridge that needs a \$50M replacement in 50 years, +\$1M should be added to the budget each year and we need to see this called out BEFORE we approve the \$20M bridge).

NA

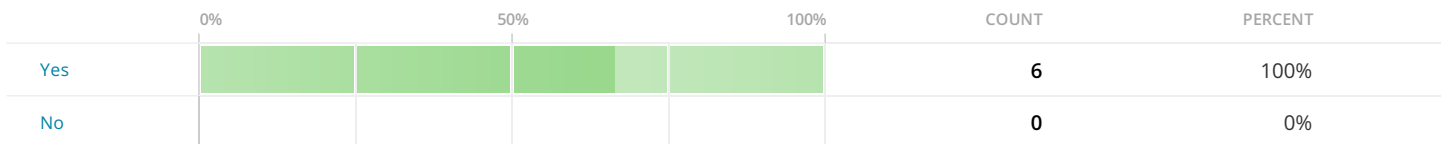
I struggled with the "What's gone" section..... and could have used more materials showing options around what 'had to go' compared to leaving things in

**Question 10**

**Were you able to receive sufficient input from the community through letters, calls, the budget simulator and the three public delegation nights?**

Answers **6**  
100%

Skips **0**  
0%

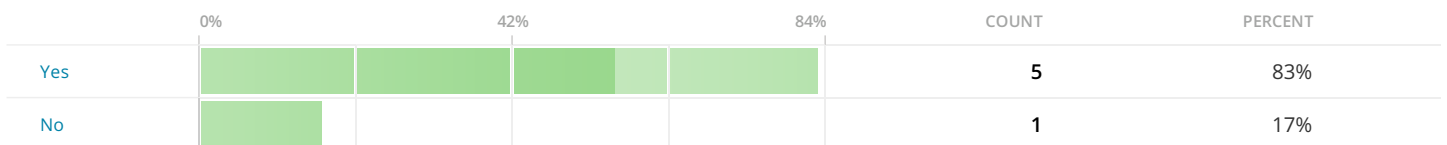


**Question 11**

**Did the feedback you received from the public inform your decision making process?**

Answers **6**  
100%

Skips **0**  
0%



Please use the following space to provide any additional feedback on the 2016 budget process.

Answers

6

100%

Skips

0

0%

I heard from several constituents about the late hour of the budget meetings. I think day time budget meetings needs to be considered as making million dollar decisions at midnight is not in the best of interest of the community or councillors. I also preferred the budget formula guideline process rather than the process presented this year. I thought as mentioned all the pages of reductions unnecessary and hope we will avoid that next year. This was the first year in my 9 years that a budget failed but I don't believe this had to do with the process necessarily. Perhaps some prework with council would be helpful.

I liked the build a budget model a lot.

I am happy with the Council making a decision on the principle of zero increases and therefore all increases at the call of Council. In terms of ratification, it seems to me that once each line item is scrutinized and a final budget is pulled together, Council does not vote on the budget but endorses the document that has been created based on amendments to line items. No budget should ever be passed by a narrow margin. Every budget should actually be unanimously approved once the negotiating and the separate lines are approved, rejected or amended.

Need to have debrief session with council about budget good vs. bad. Felt staff didn't give many reduction options for those who wanted it. Also, we were asked to make capital spending decisions without fully understanding ongoing operating and replacement infrastructure costs. Finally, the debate about industrial/commercial/multi-res rates vs. 1.0 of residential should happen BEFORE budget so we can make fully informed decisions.

Clear understanding of options if Council has done all they can but can not reach agreement on supporting a budget!!

I found it difficult to work towards 'putting back' items that had been removed in the budget.... It's a very negative process. I would have sooner seen a starting place that included a more realistic assessment of the city's needs. The "number" that the staff was working around seemed artificially low, and then there seemed to be the expectation that it was up to council to "add back in".. and yet there was a lot of inertia and pressure around this 'adding back' process. Those councillors who advocated for "adding back in" items were often vilified for doing so, even though they may have been reasonable to consider

Please note that you are not required to provide your name; however, doing so would enable staff to follow-up where they feel additional information/context is required, and to ensure all members of Council have had the opportunity to provide input.

Answers

5

83%

Skips

1

17%

**ATT-2 Draft 2017 Budget Schedule**

<b>Budget</b>	<b>Status</b>	<b>Primary Date</b>	<b>Secondary Date</b>	<b>Comments</b>
Capital Budget Workshop	Workshop	13-Jul-2016*	18-Jul-16	Date to be confirmed
Non-Tax Supported Operating & Capital	Presentation & Delegations	26-Oct-16	N/A	
Non-Tax Supported Operating & Capital	Deliberations & Approvals	03-Nov-16	N/A	Non-Tax Budget approval and Capital presentation same day
Tax Supported Capital Budget	Presentation & Delegations	03-Nov-16	N/A	
Tax Supported Operating Budget	Presentation	07-Nov-16	N/A	
Local Boards & Shared Services	Presentation	16-Nov-16	N/A	
Tax Supported Operating Budget (Expansions & Reductions)	Presentation	23-Nov-16	24-Nov-16	2PM start Presented same day together
Public Delegations - Tax Supported Budgets	Delegations	30-Nov-16	N/A	
Tax Supported Operating & Capital Budgets	Deliberations & Approvals	07-Dec-16	08-Dec-16	2PM start

# STAFF REPORT



TO Corporate Services Committee

SERVICE AREA Corporate Services, Finance

DATE June 8, 2016

**SUBJECT 2015 Final Year-End Report on Operating Variance  
Surplus Allocation and Deficit Funding**

REPORT NUMBER CS-2016-40

## EXECUTIVE SUMMARY

### PURPOSE OF REPORT

The purpose of this report is to:

- a) Confirm the December 31, 2015 year-end position for Tax Supported and Non-Tax Supported funded programs for the 2015 fiscal year following the completion of the year-end external audit.
- b) To recommend the allocation of the realized 2015 year-end surpluses and funding of deficits.

### KEY FINDINGS

The City of Guelph realized a net favourable variance of \$1.192 million in the Tax Supported programs and a net favourable variance of \$2.199 million in the Non-Tax Supported budgets for the 2015 fiscal year. Details are included in **Appendix 1**.

The recommendations by staff are heavily influenced by the BMA Financial Condition Assessment report CS-2015-75 where it is identified that the funding of the City's stabilization reserves is a primary priority. These reserves are in the most deficient state of funding and it is critical that the City has appropriate working funds to use during times of unforeseen events.

It is being recommended that:

- The Tax Supported surplus be allocated to the tax rate stabilization reserve (\$1,014,646) and operating contingency reserve (\$177,177). Please note that this figure as changed to the positive from the preliminary Year End Variance Report by \$49k.
- The Water Services surplus of \$397,347 be allocated to the Water contingency reserve.
- The Wastewater Services surplus of \$1,342,190 be allocated to the Wastewater capital reserve.
- The Ontario Building Code (OBC) surplus of \$657,816 be allocated to the Building services stabilization reserve (note this is a legislated

# STAFF REPORT



requirement)

- The Court Services deficit of \$198,534 be funded from the POA contingency reserve. Please note that this figure as changed to the negative from the preliminary Year End Variance Report by \$49k.

The Guelph Police Services Board has requested from Council that their 2015 operating surplus of \$725,775 be transferred to the police capital reserve for use towards the Police Headquarter Expansion project. Staff have not supported this request as this project is already 100% funded and these operating surplus funds are more critical in serving the City’s operational contingency needs at this time.

This report also includes detailed analysis of the City’s revenue streams and the results are detailed in **Appendix 2**. The Non-Tax Supported programs ended in a favourable revenue position while the Tax Supported revenues were unfavourable compared to budget.

**FINANCIAL IMPLICATIONS**

The realized surplus and deficits transfers will directly impact the City’s reserves and reserve funds. Reserve and reserve fund balances are considered in determining the City’s credit rating.

**ACTION REQUIRED**

That Council receive report CS-2016-40 for information and that staff’s recommendations for the surplus and deficit transfers be approved.

**RECOMMENDATION**

(a) That report CS-2016-40 dated June 8, 2016 entitled “2015 Final Year-End Report on Operating Variance Surplus Allocation and Deficit Funding” be received; and,

(b) That the Tax Supported surplus of \$1,191,823 be allocated to reserves; 198 - Operating Contingency reserve, and 180- Tax Rate Stabilization reserve as follows:

Operating Contingency Reserve	(198)	\$177,177
Tax Rate Stabilization Reserve	(180)	\$1,014,646
<b>Total allocation</b>		<b>\$1,191,823</b>

(c) That the Water surplus of \$397,647 be allocated to reserve 106 - Water Contingency reserve;

# STAFF REPORT



(d) That the Wastewater surplus of \$1,342,190 be allocated to reserve 153 - Wastewater Capital reserve;

(e) That the OBC surplus of \$657,816 be allocated to reserve 188 – Building Services Stabilization reserve;

(f) That the Court Services deficit of \$198,534 be funded from reserve 211 – POA Contingency reserve;

(g) That the Treasurer be directed to respond to the Guelph Police Services Board on behalf of Council that their request to allocate the police operating surplus of \$725,775 to the police capital reserve for the purpose of funding the Police Headquarter Expansion and Renovation project (PS0033) was not supported.

## BACKGROUND

A preliminary 2015 year-end variance report was presented at the April 4, 2016 Corporate Services Committee meeting which provided a detailed breakdown of the realized year-end variances. Full details of the tax supported and non-tax supported service area results are provided in **Appendix 1**.

The June committee report represents the final 2015 year-end variance report. It reflects the City's final year-end position inclusive of any adjustments that were required during the external audit. One of the key elements of this report is staff's recommendation of the allocation of any year-end operating surpluses or funding of any deficits.

In accordance with City Council's approved Year-End Operating Surplus Allocation Policy, a primary consideration for the allocation of any year-end surplus is to transfer funds to operating reserves to smooth future volatility in operating costs and tax increases. This is provided as a general guideline and may be superseded in order to address more immediate financial needs as identified by the City Treasurer. Also allowed for under this policy is consideration for Local Boards to submit a request via a letter to the CFO/Treasurer for their year-end operating surplus to be allocated back to their operations. This letter should be addressed to the City Treasurer and will be evaluated against all other competing priorities. Council has the ultimate authority to approve the year end transfers for the City as a whole.

## REPORT

### A. 2015 FINAL YEAR-END OPERATING POSITION

The chart that follows below provides a high level summary of the year-end position for the City's tax supported and non-tax supported programs:

# STAFF REPORT



## Summary of Year-End Operating Position for 2015

	Total Annual Budget for Year 2015 (\$)	Actual Expenditures to Dec 31, 2015 (\$)	Actual Variance for Dec 31, 2015 (\$)	Variance for Dec 31, 2015 (%)
<b>Tax Supported</b>				
City Departments	\$ 111,954,923	\$ 115,611,500	\$ 3,656,577	7.9%
General Revenues and Expenses	\$ (187,568,476)	\$ (188,861,285)	\$ (1,292,809)	0.7%
Sub-Total City Departments and Financing	\$ (75,613,553)	\$ (73,249,785)	\$ 2,363,768	3.1%
Local Boards	\$ 44,816,935	\$ 44,090,899	\$ (726,036)	(1.6%)
Grants, Outside Boards and Agencies	\$ 30,796,618	\$ 27,967,063	\$ (2,829,555)	(9.4%)
Total Local and Outside Boards	\$ 75,613,553	\$ 72,057,962	\$ (3,555,591)	(4.7%)
<b>Total Tax Supported</b>	<b>\$ -</b>	<b>\$ (1,191,823)</b>	<b>\$ (1,191,823)</b>	<b>(0.6%)</b>
<b>Non Tax Supported Budgets</b>				
Water	\$ -	\$ (397,647)	\$ (397,647)	(1.6%)
Wastewater	\$ -	\$ (1,342,190)	\$ (1,342,190)	(4.7%)
OBC	\$ -	\$ (657,816)	\$ (657,816)	(22.3%)
Court Services	\$ -	\$ 198,534	\$ 198,534	9.1%
<b>Total Non Tax Supported</b>	<b>\$ -</b>	<b>\$ (2,199,119)</b>	<b>\$ (2,199,119)</b>	<b>(3.7%)</b>

\*\*\*(Brackets indicate a favourable variance)

Full details of the City's operating variances are contained in Corporate Services Committee report CS-2016-14 - 2015 Preliminary Year-end Operating Variance Report (Unaudited) dated April 4, 2016.

### Tax Supported Budget Surplus/Deficit Trending – 5 year history

Tax supported areas show a net favourable variance of \$1,191,823. Of this, City Departments have an unfavourable variance of \$3,656,577. Local Boards which include Police and Library, and Outside Boards & Agencies have returned a favourable variance of \$726,036 and \$2,829,555 respectively. The City departments have experienced unfavourable variances for the past four years and the Local Boards and Outside Boards have experienced favourable variances during the same period as shown on the chart below. There is always risk that the Outside Boards & Agencies will not achieve these significant favourable positions in the future, and the City needs appropriate stabilization reserves to address this concern.



# STAFF REPORT



Variance Distribution 2010-2015						
Year	City Departments	General Revenue & Capital Financing	Local Boards	Outside Boards & Agencies	Total Variance	
2010	\$ (1,004,302)	\$ (2,414,736)	\$ (323,000)	\$ 2,203,000	\$ (1,539,038)	
2011	\$ (617,000)	\$ 327,000	\$ (658,000)	\$ (1,623,000)	\$ (2,571,000)	
2012	\$ 1,150,000	\$ (488,000)	\$ (520,000)	\$ (1,778,000)	\$ (1,636,000)	
2013	\$ 1,229,000	\$ 416,000	\$ (200,000)	\$ (2,138,000)	\$ (693,000)	
2014	\$ 5,333,995	\$ (1,399,035)	\$ (563,556)	\$ (2,286,251)	\$ 1,085,153	
2015	\$ 3,656,577	\$ (1,292,809)	\$ (726,036)	\$ (2,829,555)	\$ (1,191,823)	

This analysis also highlights the need to consider right-sizing the operating budget to address the concerns raised by historical trends. The City’s departmental operating budgets have been under considerable pressure over the past number of years to meet a budget guideline below CPI. Without real service delivery reductions, this budget strategy has had the effect of leaving the departments with budgets at less than what it costs to run their operations, hence the over-budget historic position. That being said, we budget as a “City” and in most years, we have had sufficient savings in other areas to offset the departmental challenges. These trends will be considered during the development of the 2017 budget to inform “right-sizing” the budget resources to match actual spending.

**Non-Tax Supported Budgets**

The non-tax supported budgets have a combined net favourable variance of \$2,199,119. The variance has changed from the April report, and key drivers of the results are highlighted in Corporate Services Committee report CS-2016-14 - 2015 Preliminary Year-end Operating Variance Report dated April 4, 2016.

**B. ALLOCATION OF 2015 YEAR-END OPERATING SURPLUS**

For 2015, the City has returned an operating surplus in the Tax Supported, Water, Wastewater, and OBC budgets. In accordance with the Council approved Year-End Surplus Allocation Policy, the following recommendations are being made:

- 2015 Tax Supported Operating Surplus: \$1,191,823 **(A)**
- 2015 Water Services Operating Surplus: \$397,647 **(B)**
- 2015 Wastewater Services Operating Surplus: \$1,342,190 **(C)**
- 2015 OBC Operating Surplus: \$657,816 **(D)**

**(A) Tax supported Budget Surplus Allocation - \$1,191,823**

The Tax Supported operating surplus for 2015 is \$1,191,823. Please note that this figure as changed to the positive from the preliminary Year End Variance Report by \$49k. It is recommended that the surplus be allocated to reserves that are below the bench mark standards, highest priority or most deficient as identified in the BMA study. The recommended allocation is as follows:

# STAFF REPORT



Operating Contingency Reserve	(198)	\$177,177
Tax Rate Stabilization Reserve	(180)	\$1,014,646
<b>Total allocation</b>		<b>\$1,191,823</b>

The balance of 198 - Operating Contingency Reserve will be \$750,000 after the recommended allocation. This reserve provides funding for operating costs that are variable in nature and outside the City’s control due to weather events and other economic conditions that drive cost of fuel and utilities.

The balance of 180 - Tax Rate Stabilization Reserve will be \$3,205,618 after the recommended allocation. This reserve balance is still considerably below the recommended target of 8% of own source revenues or \$20.4M but is a positive step towards having sufficient contingency funds.

Staff have recommended these reserves, in accordance with the BMA Financial Condition Assessment findings, as they are in the most deficient state of funding and it is critical that the City has appropriate working funds to use during times of unforeseen events. Further, staff have not recommended the operating surplus be directed to tax supported capital reserve funds for use towards accessing infrastructure grants as sufficient funds are available in the capital reserve funds at this time to meet those needs.

For 2015, the Guelph Police Services Board sent a letter requesting the Police surplus of \$725,775 be used to fund the Police Headquarters expansion (**Appendix 3**). The request was considered but not supported by the Treasurer as it was deemed not to be the highest and best use of City funds as outlined in report CS-2015-75 BMA Financial Condition Assessment Report. The Police Headquarters Expansion project is fully funded and these operating surplus funds are more critical in serving the City’s operational contingency needs at this time.

**(B) Water Budget Surplus Allocation - \$397,647**

The operating surplus for Water Services is \$397,647. It is recommended that the surplus be allocated to 106 – Water Contingency Reserve and be utilized to finance water related emergencies.

The balance of the Water Contingency Reserve will be \$417,647 after the recommended allocation which keeps the collective water contingency and stabilization reserves at the recommended target levels.

**(C) Wastewater Budget Surplus Allocation - \$1,342,190**

The operating surplus for Wastewater Services is \$1,342,190. It is recommended that the Wastewater surplus be allocated to 153 - Wastewater Capital Reserve and be utilized to finance future capital projects.

# STAFF REPORT



The ending balance of the Wastewater Capital reserves will be \$40,524,129 (or \$13,531,235 uncommitted) after the recommended allocation.

## (D) OBC Budget Surplus Allocation - \$657,816

The operating surplus for OBC is \$657,816.

It is recommended that the OBC surplus be allocated to 188 - Building Services Stabilization Reserve in accordance with the OBC Act.

The balance of the Building Services Stabilization Reserve will be \$2,916,795 after the recommended allocation which brings this reserve to the maximum targeted level.

## **C. FUNDING OF 2015 YEAR-END OPERATING DEFICIT**

For 2015, the City returned an operating deficit in the Court Services budget. Please note that this figure as changed to the negative from the preliminary Year End Variance Report by \$49k. To fund the deficit, the following recommendation is being made:

- 2015 Court Services Operating Deficit: \$198,534 **(A)**

## (A) Court Services Budget Deficit Funding - \$198,534

The year-end deficit for the Court Services budget is \$198,534. It is recommended that the deficit be funded from reserve 211- POA Contingency. The balance of the reserve will be \$213,290 after the recommended transfer which leaves this reserve considerably short of the recommended targeted level.

## **D. 2015 REVENUE ANALYSIS**

Council has requested increased disclosure regarding external revenue collection for the City with comments on significant deviations from budget. This is provided to Council twice a year with the June and December Operating Variance Reports. The details for the revenue variance as of December 31, 2015 are in **Appendix 2**.

The Non-Tax Supported programs ended in a favourable revenue position while the Tax Supported revenues were unfavorable compared to budget. Significant revenue variances were already noted as part of the total net variance reporting in **Appendix 1**.

## **CORPORATE STRATEGIC PLAN**

Innovation in Local Government

2.3 - Ensure accountability, transparency and engagement

## **DEPARTMENTAL CONSULTATION**

# STAFF REPORT



Departments are responsible for managing their programs according to municipal standards and within their approved budget. The responsibility of monitoring the operating budget is shared by Finance and the Departments managing their programs. Department managers were provided financial information based on net expenditures to December 31, 2015 and provided comments based on available information in consultation with Finance.

## COMMUNICATIONS

Operating variance reports are produced on schedule for Council to compare actual results against budget. Finance and Executive Team have committed to producing five operating variance reports for the year. This is the final operating variance report for 2015.

## ATTACHMENTS

Appendix 1: Operating Budget Variance as at December 31, 2015

Appendix 2: External Operating Revenue Variance as at December 31, 2015

Appendix 3: Police Services Board Letter to Council dated April 21, 2016

### Report Author:

Ron Maeresera

Senior Corporate Analyst

---

### Approved By

Tara Baker

Acting GM Finance & City Treasurer

(519)822-1260 Ext. 2084

tara.baker@guelph.ca

---

### Recommended By

Mark Amorosi

Deputy CAO, Corporate Services

(519)822-1260 Ext. 2281

mark.amorosi@guelph.ca

**Appendix 1**  
**Operating Variance based on December 31, 2015**  
**City of Guelph: Departmental Summary**

	Total Annual Budget for Year 2015 (\$)	Actual Variance for Dec 31,2015 (\$)	Variance for Dec 31, 2015 (%)	Comments
<b>TAX SUPPORTED</b>				
<b>City Departments</b>				
CAO - ADMINISTRATION AND COUNCIL	\$ 4,323,210	\$ (191,119)	(4.4%)	-Mayor & Council - \$32k <b>favourable</b> due to training expenses allocated to members but fewer members attended conferences during the year partially offset by higher Integrity Commissioner and CAO review expenses. -CAO- \$104k <b>favourable</b> by constraining expenditures to mediate corporate negative variance. -City Solicitor - \$56k <b>favourable</b> due to higher adjuster and registration of agreement user fees \$20k, compensation savings \$29k and lower than planned travel and training \$8k. In addition, \$116k was transferred to legal reserve from OMB due to less external lawyers and other consultants spent in OMB litigations.
INFRASTRUCTURE, DEVELOPMENT AND ENTERPRISE	\$ 18,974,714	\$ 2,435,131	12.8%	-Solid Waste - \$2.6m <b>unfavourable</b> due to \$3.3m lower recyclable goods sales because of low commodity prices, tonnage shortage, processing issues and lower public drop-off; \$539k additional haulage and disposal costs from MRF2, higher than planned equipment maintenance \$486k, \$85k lease revenue not received from Hydro for Eastview landfill rental, partially offset by unplanned processing revenue \$787k from County of Simcoe contract signed in 2015, lower material purchased \$473k, higher organic tipping fees \$104k, additional Stewardship Ontario grant \$287k, and consulting savings \$112k. -IDE admin - \$38k <b>unfavourable</b> due to unplanned leadership training cross charges. -Business Development & Enterprise – \$66k <b>favourable</b> due to compensation savings for staff seconded to Integrated Operational Review and retirement of senior marketing staff. - Engineering - \$175k <b>favourable</b> mainly due to unplanned application processing and administration fees and savings from Operations chargebacks due to less Parking Lot maintenance services provided than anticipated.

	Total Annual Budget for Year 2015 (\$)	Actual Variance for Dec 31,2015 (\$)	Variance for Dec 31, 2015 (%)	Comments
PUBLIC SERVICES	\$ 77,119,761	\$ 1,734,261	2.2%	<p>-Recreation Programs &amp; Facilities - \$447k <b>unfavourable</b> due to \$212k unbudgeted repairs and maintenance, compensation shortfall \$136k, utilities \$74k, and revenue shortfalls mainly due to decrease in ice rentals \$25k.</p> <p>-Culture, Tourism &amp; Community Investment - \$177k <b>unfavourable</b> due to higher event costs partly associated with In Flanders Fields anniversary celebrations, as well as increased production costs for other events without enough offsetting earned revenue \$174k; \$188k part-time wages partially offset by increased food and beverage sales \$69k and Youth Shelter recoveries from Wyndham house.</p> <p>-Parks - \$173k <b>unfavourable</b> due to part time benefit \$211k and overtime \$115k for Parks Operations offset by outdoor recreation revenues \$107k, operating \$65k and recoveries \$32K; lower recoveries for Parks Planning \$29k due to integrated operational review work plan change.</p> <p>-Transit - \$528k <b>unfavourable</b> mainly due to \$1.02M fleet maintenance due to unanticipated engine, rear/differential failures, staff and space shortage leading to more services being contracted out, collective bargaining agreement requiring all Transit cleaner shifts to be filled, 440 hours (11 weeks) of STD time had to be covered with overtime, unfavourable US/Canadian dollar exchange rate driving up parts; lower user fees and service charges \$47k, offset by consulting, warranty and maintenance charges for Trapeze software \$538k due to timing of the implementation of the system.</p> <p>- Operations - \$659k <b>unfavourable</b> due to Sidewalk after hours and weekend weather events overtime \$368k; Roads \$63k due to compensation as a result of maintenance standard compliance and overspent on leaf collection due to program extension and higher disposal fees because of wet leaves; Downtown maintenance \$289k mainly unrecovered payroll costs offset by Parking Lot maintenance variance; less capital recoveries for Sign and Signal \$81k partially offset by lower Administration expense \$142k mainly insurance, compensation and scheduled open house which was not held.</p> <p>-Emergency Services – \$260k <b>favourable</b> due to compensation savings as a result of scheduling efficiencies and unfilled vacancies for Fire \$331k, partially offset by Ambulance \$71k due to cost share variance \$115k as more calls were from the City versus the County and overspent on medical supplies, and repairs.</p>
CORPORATE SERVICES	\$ 11,537,238	\$ (321,696)	(2.8%)	<p>-Information Technology - \$111k <b>favourable</b> due to vacancy savings, departmental re-organization was not undertaken as planned.</p> <p>-HIR Administration - \$20k <b>favourable</b> due to lower than anticipated part-time wages.</p> <p>-Communications &amp; Customer Service - \$73k <b>favourable</b> due to lower over-time and part-time compensation than anticipated.</p> <p>-Finance - \$123k <b>favourable</b> due to higher user fees and service charges attributed to mortgage processing fees, tax certificates and new roll administration fees and Purchasing disbursement recoveries.</p>
<b>TOTAL CITY DEPARTMENTS (excl Financing)</b>	<b>\$ 111,954,923</b>	<b>\$ 3,656,577</b>	<b>7.9%</b>	
GENERAL EXPENSES AND CAPITAL FINANCING	\$ (187,568,476)	\$ (1,292,809)	0.7%	<p>-General Revenues - \$363k <b>favourable</b> due to higher interest earnings \$619k partially offset by shortfall in supplementary revenues \$255k.</p> <p>-Capital Financing - \$64k <b>favourable</b> due to lower than forecasted internal borrow interest charges.</p> <p>-General Expenditures - \$865k <b>favourable</b> due to lower than planned taxes write off \$286k, lower property tax rebates \$579k, partially offset by consulting savings \$88k, and \$781k funding from benefit stabilization reserve for corporate human resources overages.</p>
<b>TOTAL CITY DEPARTMENTS (incl Financing)</b>	<b>\$ (75,613,553)</b>	<b>\$ 2,363,768</b>	<b>3.1%</b>	
<b>Local and Outside Boards</b>				
LOCAL BOARDS	\$ 44,816,935	\$ (726,036)	(1.6%)	<p>Police - \$726k <b>favourable</b> due to vacant positions \$592k; 2 Police vacancies and 5.4 civilian vacancies, higher revenue \$315k due to additional grants received, greater volume of police record check, special duty revenue and youth program donations, partially offset by higher overtime expenses due to staff shortage and accommodations, software, professional services, facility leases due to implementation of strategic initiatives.</p> <p>-Library - Insignificant variance.</p>

	Total Annual Budget for Year 2015 (\$)	Actual Variance for Dec 31, 2015 (\$)	Variance for Dec 31, 2015 (%)	Comments
GRANTS, OUTSIDE BOARDS & AGENCIES	\$ 30,796,618	\$ (2,829,555)	(9.4%)	-County - <b>favourable</b> \$2.6m (Commentary not provided by the County). -GMHI - <b>favourable</b> \$54k due to end of staff secondment. -The Elliot - <b>favourable</b> \$17k due to lower than planned training expenses. -Grants - <b>favourable</b> \$104k due to lower grant spending than planned. -Public Health - <b>favourable</b> \$40k due to lower internal borrow expenses than forecasted.
<b>Subtotal Grants, Local and Outside Boards &amp; Agencies</b>	<b>\$ 75,613,553</b>	<b>\$ (3,555,591)</b>	<b>(4.7%)</b>	
<b>TOTAL TAX SUPPORTED (incl Outside Boards, Grants and Financing)</b>	<b>\$ -</b>	<b>\$ (1,191,823)</b>	<b>(0.6%)</b>	
<b>Non Tax Supported</b>				
WATER REVENUE	\$ (25,275,130)	\$ (983,527)	3.9%	<b>Favourable</b> due to growth in customer base and enhanced resident revenue collection through transition to monthly billing starting November 2015 billing period.
WATER OPERATIONS	\$ 25,275,130	\$ 585,880	2.3%	<b>Unfavourable</b> due to costs associated with frozen water pipes during the winter period \$220k, higher water and electricity \$100k due to additional pumping caused by broken water mains and for running water to prevent frozen pipes and tests on wells, equipment rentals \$54k, training \$46k, consulting, and legal support for claims and program support \$110k, and higher billing and collection charges \$52k due to transition to monthly residential billing.
<b>SUB-TOTAL WATER WORKS</b>	<b>\$ -</b>	<b>\$ (397,647)</b>	<b>(1.6%)</b>	
WASTEWATER REVENUE	\$ (28,788,080)	\$ (1,153,254)	4.0%	<b>Favourable</b> due to growth in customer base and enhanced resident revenue collection through transition to monthly billing starting November 2015 billing period.
WASTEWATER OPERATIONS	\$ 28,788,080	\$ (188,936)	(0.7%)	<b>Favourable</b> due to less chemical usage, savings on iron salts purchases from new vendors, partially offset by higher water and electricity due to onsite construction and the new building.
<b>SUB-TOTAL WASTEWATER</b>	<b>\$ -</b>	<b>\$ (1,342,190)</b>	<b>(4.7%)</b>	
ONTARIO BUILDING CODE REVENUE	\$ (2,950,000)	\$ (657,816)	22.3%	<b>Favourable</b> due to higher than planned building permit revenue.
ONTARIO BUILDING CODE COSTS	\$ 2,950,000	\$ -	(0.0%)	
<b>SUB-TOTAL OBC</b>	<b>\$ -</b>	<b>\$ (657,816)</b>	<b>(22.3%)</b>	
COURT SERVICES REVENUE	\$ (2,175,320)	\$ 456,666	(21.0%)	<b>Unfavourable</b> due to 30% lower charge volumes than forecasted.
COURT SERVICES EXPENSES	\$ 2,175,320	\$ (258,132)	(8.8%)	<b>Favourable</b> due to unfilled vacant post, less adjudication and Part 3 prosecution costs, less purchases and Provincial chargeback savings.
<b>SUB-TOTAL COURTS</b>	<b>\$ -</b>	<b>\$ 198,534</b>	<b>9.1%</b>	
<b>TOTAL Non Tax Supported</b>	<b>\$ -</b>	<b>\$ (2,199,119)</b>	<b>(3.7%)</b>	

(Brackets indicate a favourable variance)

**Appendix 2**  
**External Operating Revenue Variance based on December 31, 2015**

DEPARTMENT	VARIANCE		COMMENT
<b>TAX SUPPORTED</b>			
CAO- ADMINISTRATION	\$ (23,481)	Favourable	-City Solicitor - \$23k <b>favourable</b> mainly due to higher than planned adjuster and registration of agreement user fees
INFRASTRUCTURE DEVELOPMENT AND ENTERPRISE	\$ 2,650,869	Unfavourable	-Business Development & Enterprise- \$85K <b>unfavourable</b> due to lower than planned partner contribution from the Province, Sr Marketing staff retirement affected GID implementation. -Solid Waste Resources - \$2.46M <b>unfavourable</b> due to; • \$3.28m recyclable goods sales due to lower commodity price and processing issues • \$85k lease revenue not received from Envida for Eastview landfill rental • \$177k lower public drop-off fees due to less tonnage received, partially offset by; • \$787k processing fee revenue from new processing contract with County Simcoe awarded in 2015 that was not budgeted • \$287k higher than planned Stewardship Ontario grant -Planning & Building Services - \$158K <b>unfavourable</b> due to lower plan of subdivision, zoning by-law amendments and site plan application user fee revenue \$112k, and less sign permit revenue \$46k -Engineering - \$57k <b>favourable</b> due to unplanned utilities application processing and administration fees \$73k, increased parking and permits sales \$15k, partially offset by lower development services external recovery \$31k
PUBLIC SERVICES	\$ (1,264,891)	Favourable	Culture, Tourism & Investment - \$763k <b>favourable</b> due to higher than planned suite and club seat revenue \$39k; 18% increase in food and beverages \$203k due to success of Guelph Storm Hockey Club; River Run programming ticket sales were 20% higher than budgeted \$69k; increased Wyndham house recoveries \$243k; grant funding and corporate sponsorships for In Flanders Fields offset by higher costs for the anniversary celebration -Parks - \$107k <b>favourable</b> due to higher than planned sportsfields user fees \$52k; 87% increase in revenue for carousel and train rides. -Recreation Programs & Facilities - \$39k <b>favourable</b> due to higher than planned user fee revenues for grants, special occasion permit, swimming and summer day camps partially offset by lower ice rentals. -Emergency Services - \$400k <b>favourable</b> due to increased Land Ambulance grant funding \$380k and Fire Department fees \$20k. -Transit - \$47k <b>unfavourable</b> due to lower regular fare passes \$92k and cash fares \$132k offset by affordable bus pass \$99k, advertising revenue \$23k and ticket sales \$48k.
CORPORATE SERVICES	\$ (52,948)	Favourable	Finance - \$123k <b>favourable</b> due to higher than planned user fees from property taxation mainly tax certificates, arrears, mortgage processing fees and new roll fees. -Clerks - \$61k <b>unfavourable</b> due to lower than planned committee of adjustment fees partially offset by higher marriage licence fees.
<b>TOTAL TAX SUPPORTED</b>	<b>\$ 1,309,549</b>		
<b>NON-TAX SUPPORTED</b>			
WATER	\$ (983,527)	Favourable	Favourable due to growth in customer base and enhanced resident revenue collection through transition to monthly billing frequency during November and December 2015 billing periods.
WASTEWATER	\$ (1,153,254)	Favourable	Favourable due to growth in customer base and enhanced resident revenue collection through transition to monthly billing frequency during November and December 2015 billing periods.
ONTARIO BUILDING CODE	\$ (657,816)	Favourable	Favourable due to higher than planned building permit revenue.
COURT SERVICES	\$ 456,666	Unfavourable	Unfavourable due to lower fine as a result of lower charge volume.
<b>TOTAL NON TAX SUPPORTED</b>	<b>\$ (2,337,931)</b>		
***[Brackets indicate a favourable variance]			





## Guelph Police Services Board

PO Box 31038, Willow West Postal Outlet, Guelph, Ontario N1H 8K1

Telephone: (519) 824-1212 # 213 Fax: (519) 824-8360

TTY (519) 824-1466 Email: board@police.guelph.on.ca

April 21, 2016

Ms. Tara Baker  
Chief Financial Officer  
Guelph City Hall  
1 Carden Street  
Guelph, ON N1H 3A1

Dear Ms. Baker:

Please find enclosed a copy of correspondence sent to Mayor Cam Guthrie today regarding the Guelph Police Service anticipated 2015 budget surplus.

Sincerely,

A handwritten signature in cursive script, appearing to read "Cheryl Polonenko".

Cheryl Polonenko  
Executive Assistant

Encl.



## Guelph Police Services Board

PO Box 31038, Willow West Postal Outlet, Guelph, Ontario N1H 8K1

Telephone: (519) 824-1212 # 213 Fax: (519) 824-8360

TTY (519) 824-1466 Email: board@police.guelph.on.ca

April 21, 2016

COPY

Mayor Cam Guthrie  
Guelph City Hall  
1 Carden Street  
Guelph, ON N1H 3A1

Dear Mayor Guthrie:

At its meeting on April 21, 2016, the Guelph Police Services Board was advised that there will be an anticipated year end surplus of \$725,775 in the Guelph Police Service 2015 operating budget. The Board passed the following motion:

**THAT** the Guelph Police Services Board forward a request to City Council that the projected Police Operating Surplus of \$725,775 be transferred to the Police Headquarters Renovation reserve to fund the Headquarter Expansion and Renovation Project (PS0033).

**-CARRIED-**

The Headquarter Expansion and Renovation Project is underway as witnessed today at the ground-breaking ceremony. The Guelph Police Services Board would respectfully request consideration of the aforementioned recommendation.

I look forward to hearing from you.

Sincerely,

A handwritten signature in cursive script that reads "Judy Sorbara".

Judy Sorbara, Chair

Copies: Tara Baker, Chief Financial Officer, City of Guelph  
Jeffrey DeRuyter, Chief of Police

# STAFF REPORT



TO Corporate Services Committee

SERVICE AREA Corporate Services, Finance

DATE June 8, 2016

**SUBJECT Operating Variance Reporting Recommendations**

REPORT NUMBER CS-2016-53

## EXECUTIVE SUMMARY

### PURPOSE OF REPORT

To provide Council with staff's response to Council Resolution dated April 25, 2016 regarding an updated operating variance reporting system using best practices from other municipalities and that scope greater transparency and greater frequency of reporting to Council.

### KEY FINDINGS

In May 2016, several municipalities were contacted to provide feedback on best practices for operating variance reporting. Out of 30 municipalities contacted, we received 16 responses. The below provides a summary of those results augmented by staff experience and recommendations.

#### *Frequency of Reports*

The City of Guelph currently provides reports to council on a quarterly basis in addition to monthly reports prepared for the Executive Team. Based on the comparable municipalities survey results, the majority provide reporting on a tri-annual basis, however, one municipality does not present any variance reporting to council. There is not one instance of a municipality reporting to Council more frequently than quarterly. In addition, tri annual reporting was recommended by the BMA Financial Condition Assessment presented in November 2015.

Based on this feedback and a review of current in house policies and scheduling, changes to Council variance reporting frequency are not being recommended.

#### *Timeliness of Reports*

The City of Guelph quarterly variance reports follow this annual schedule: Q1 in June, Q2 in September, Q3 in December and Q4 in April of the subsequent year.

Upon reviewing the comparable municipal survey results, staff are recommending not changing the report timeliness from the current practices as the City falls within the acceptable range of timeliness compared to other Ontario municipalities and there is currently no other acceptable alternative to

# STAFF REPORT

move these reports forward in our current committee structure.

## *Accuracy of Variance Projections and Transparency of Reports*

In order to achieve greater transparency of results and accuracy of projections, City staff are recommending expanding the analysis to disclose departmental level financial analysis including added data sets that provide further insight into the City's operations. This will align the operating variance reporting with the level of detail that is provided during the budget. Additionally, finance will work at a revised presentation of the operating variance report, that will have more explanations of department variances that are tied to business drivers where possible.

Effective for the Q2 2016 Operating Variance Report, the report will include the expanded financial data and departmental reporting entities. The added level of disclosure linked to business drivers is a more significant change for the City and will not happen immediately. Council will need to be patient as staff build this level of reporting capacity internally, as it will take department managers time to become familiar with new requirements, learn how to read the enhanced financial reports and in some cases track business driver information that currently they may not have accessible mid-year. The City is committed to improving this disclosure each and every quarter as we progress through 2016 and 2017.

## *Management Accountability*

Management's oversight and monitoring of variances exists at multiple levels in administration. Review of corporate budget performance, projected variances occurs at the Executive Team level, at the DCAO/GM level and budget performance is part of the performance review process for staff who have budget responsibility.

## **FINANCIAL IMPLICATIONS**

There are no financial implications resulting from this report.

## **ACTION REQUIRED**

That Report No. CS-2016-53 dated June 8, 2016 entitled "Operating Variance Reporting Recommendations" be received for information and that Council approve staff recommendations regarding frequency, timeliness, and transparency of the operating variance reports.

## **RECOMMENDATION**

1. That Report No. CS-2016-53 dated June 8, 2016 entitled "Operating Variance Reporting Recommendations" be received for information.

# STAFF REPORT

---



2. That the following operating variance reporting recommendations be approved:
  - a) Operating variance reports will continue to be presented to Council on a quarterly basis;
  - b) Operating variance reports will continue to be presented to Council in the same time frame being Q1 in June, Q2 in September, Q3 in December and Q4 in April of the subsequent year;
  - c) Operating variance reports will be presented at a more detailed department level with enhanced financial data and statistical information to elevate the transparency of reporting and accuracy of projections.

## BACKGROUND

This report provides Council with staff's response to Council Resolution dated April 25, 2016 regarding an updated operating variance reporting system using best practices from other municipalities and that scope greater transparency and greater frequency of reporting to Council.

Budget Variance reports are typically prepared at the end of a reporting period, which compares actual expenditures incurred and revenues received to the estimated expenditures and revenues. The report would also include projections to the end of the fiscal year and would be accompanied by written explanations of major variances.

The City of Guelph reports operating variances to Council on a quarterly basis; Q1 in June, Q2 in September, Q3 in December and Q4 in April of the subsequent year.

Accountability of financial performance to the tax and rate payers of Guelph is a key principle of financial management as is set out in **ATT-1 City of Guelph Budget Monitoring Policy – Bylaw #19625**. Ultimate responsibility of adherence to the approved budget resides with the Executive Team and CAO while the CFO/Treasurer has the fiduciary duty to report to Council and provide financial expertise to city departments to facilitate adherence to budget. Budgetary performance is also assessed as part of the annual performance development process and impacts management compensation increases.

## REPORT

In May 2016, several municipalities were contacted to provide feedback on best practices with respect to operating variance reporting. They were asked to comment or provide examples of documents to gain insight into the following:

- Frequency of reports
- Timeliness of reports
- Accuracy of variance projections
- Transparency of reports

# STAFF REPORT

## Frequency and Timeliness of Reports

Out of 30 municipalities contacted, we received 16 full or partial responses. The below chart provides a summary of those results.

Municipality	Frequency of Council Variance Reporting	Timeliness of Variance Reporting
<b>GUELPH</b>	<b>Quarterly</b>	<b>Q - 8 weeks, YE - 12 weeks</b>
Barrie	Tri Annual	Q - 8 weeks, YE - 12 weeks
Burlington	Semi-Annual	Q - 8 weeks, YE - 8-10 weeks
Cambridge	Tri Annual	Not provided
Greater Sudbury	Quarterly	Q - 8 weeks, YE - 20 weeks
Hamilton	Tri Annual	Q - 8 weeks, YE - 12 weeks
Kingston	Quarterly	Q - 6 weeks, YE - 12 weeks
Kitchener	Tri Annual	Q - 6 weeks, YE - 12 weeks
London	Tri Annual	Q - 12 weeks, YE - 12 weeks
Mississauga	Tri Annual	Q - 8 weeks, YE - 12 weeks
Oshawa	Quarterly	Q - 4 - weeks, YE - none
Pickering	None (internal only)	NA
Thunder Bay	Quarterly	Q - 3 weeks, YE - 12 weeks
Vaughan	Quarterly	Q - 8 weeks, YE - 16 weeks
Waterloo Region	Tri Annual	Q - 8 weeks, YE unknown
Wellington County	Tri Annual	Q - 4 weeks, YE - 8 weeks
Whitby	Quarterly	Q - 8 weeks, YE unknown

### *Frequency*

Tri annual or quarterly reporting is the current practice in the majority of those municipalities surveyed. There was not one instance of a municipality that reported to Council more frequently than quarterly. In addition, tri annual reporting was recommended by the BMA Financial Condition Assessment presented in November 2015.

Based on the feedback from the surveyed municipalities and a review of current in house policies and scheduling, changes to Council variance reporting frequency are not recommended at this time.

# STAFF REPORT



In non-quarter months, variance reporting is completed and reported internally to the Executive Team (ET) by the Treasurer. There is a standing monthly ET agenda item where the Treasurer presents the current financial projections, highlights risks and discusses mitigation measure options including a review of available reserves.

## *Timeliness*

With respect to timeliness, the quarterly reports to council follow a consistent preparation schedule. The data for variance reporting is available upon the month end close which occurs on the 5<sup>th</sup> working day of the subsequent month. Financial data distribution is provided to departments on the 6<sup>th</sup> working day. Departmental responses are provided within two weeks and the finance draft report is provided to the Treasurer one week thereafter. The Treasurer then completes a final review and edits within the next three to five days of receipt. The draft report is then presented to the Executive team within a week for their review and edits.

By way of example, the Q1 2016 variance report followed this schedule:

- Q1 system close; 5<sup>th</sup> working day April 7, 2016
- Financial data distribution; 6<sup>th</sup> working day April 8, 2016
- Departmental response to Finance; 2 weeks April 22, 2016
- Finance draft report; 1 week April 29, 2016
- Treasurer review /edit; 3 days – 5 days May 3, 2016
- Report to ET for review; 1 week May 12, 2016
- Process ET edits for final report; 3 days May 17, 2016
- Due to Clerks for agenda prep May 20, 2016

For the June 8, 2016 CS committee meeting, final reports are due to the City Clerk by May 20. In order to increase timeliness by one month, staff would need to have the Committee report ready by April 18, 2016 which, as can be seen by the timeline above, is not achievable.

Other possible solutions for increasing timeliness include going direct to full Council on the addendum (deadline May 20 for the May 24 Council meeting) or distributing via the weekly Council Information Report process. City staff believe that neither of these options allow for appropriate transparency or review time for Council or the public. Additionally, there is the possibility that in the future improvements to the City's financial information systems to integrate financial commitments into the variance reports could improve timelines. Further consideration will be given to this as our systems are improved.

As a result of the above analysis, staff are recommending not changing the report timeliness from the current practices as the City falls within the acceptable range of timeliness compared to other Ontario municipalities and there is currently no other acceptable alternative to move these reports forward.

# STAFF REPORT

In non-quarter ending months, the Treasurer will continue the practice of budget variance reporting to the Executive Team by the end of the first week of the second subsequent month. That is, the report for the end of April would be to ET by the first week of June.

## Accuracy of Variance Projections and Transparency of Reports

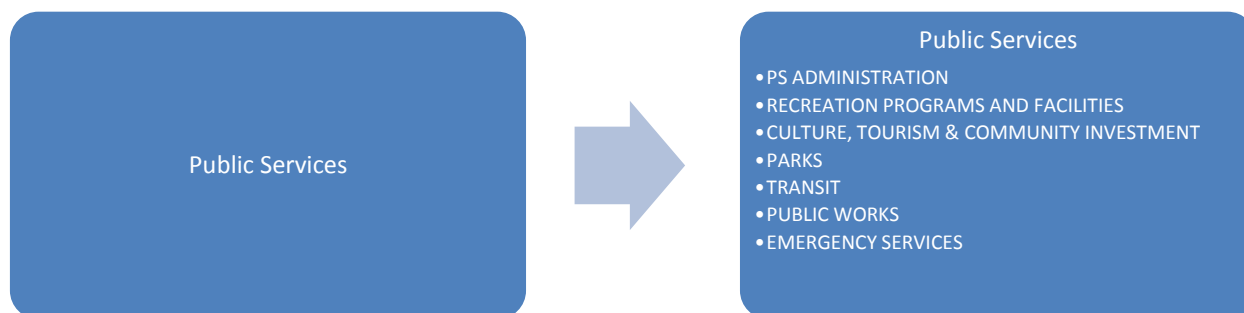
From a review of the Municipal Act, it is clear that Council has a fiduciary duty in maintaining accountability, transparency and the financial integrity of the municipality. Through their direction of staff, Council is able to confer a share of this responsibility. As outlined in **ATT-1 City of Guelph Budget Monitoring Policy – Bylaw #19625**, all management staff have a responsibility for the financial outcomes of their operations. With respect to variance reporting specifically, there would be an opportunity to enhance the reporting to ensure Council has appropriate information to discharge their fiduciary duty of financial management.

A review of sample variance reports received through the survey, suggest that the majority of similar sized municipalities report variances in far greater detail than has been the practice in Guelph. Staff is recommending adopting a greater level of detail in variance reporting going forward. That greater detail would include:

- Current year spending trends
- Prior year final variance position
- Department level disclosure; similar to the budget presentation

To further illustrate the recommendation, the below charts shows the current state to future state for reporting to be implemented starting for Q2 2016:

*Reportable Entity* – Currently variance is reported at the service area level compared to the recommended department level as seen on the right.



*Financial Data* – Currently the financial data included for Council is limited to three data sets: Total Annual Budget, Projected YE Variance and % of Annual Budget. The future recommended presentation would also include the prior year ended variance position, actual spending to date and a percentage of annual spending to



# STAFF REPORT



date. These added data sets will provide enhanced transparency and facilitate more accurate year end variance projections.

## Current State: Excerpt – Q1 2016 Variance Report

	Total Annual Budget for Year 2016 (\$)	Projected Variance for Dec 31, 2016 (\$)	Variance for Dec 31, 2016 (%)
PUBLIC SERVICES	\$ 81,650,501	\$ 336,000	0.4%

## Future State: Example of Expanded Financial Data Columns

Department	2014 Year End Variance	Annual Budget 2015	YTD Net Expenditure June 30, 2015	YTD Spending 2015 %	Projected 2015 Variance \$
<b>PUBLIC SERVICES</b>					
PS ADMINISTRATION	(\$75,419)	\$753,570	\$376,558	50.0%	(\$42,000)
RECREATION PROGRAMS AND FACILITIES	\$143,086	\$3,427,879	\$1,697,046	49.5%	\$0
CULTURE, TOURISM & COMMUNITY INVESTMENT	(\$111,622)	\$6,014,635	\$3,656,868	60.8%	\$28,500
PARKS	\$46,485	\$7,715,462	\$4,143,965	53.7%	\$28,000
TRANSIT	\$3,083,473	\$14,296,322	\$9,259,189	64.8%	\$398,500
PUBLIC WORKS	\$997,344	\$14,648,117	\$8,397,740	57.3%	\$717,000
EMERGENCY SERVICES	\$741,410	\$29,127,076	\$14,116,064	48.5%	

This added level of financial data allows visibility to where department actual spending is trending higher/lower than may be expected at that time of the year. It requires more detailed disclosure of reasoning and year end projections that are supported by these actual figures. In addition it provides added context by including the prior year ended variance position.

This additional level of financial analysis and data will also provide for more accurate financial projections for year end. As can be illustrated in the table below, for 2015, staff's Q3 projections compared to the actual yearend surplus were not well aligned.

As a corporation, we tend to be conservative on both our positive and negative variance projections. The added financial data will enable management to be more confident and secure with the figures they are projecting and will provide context to explain why they may change in a future quarter. City staff are committed to narrowing this projected to actual year end position gap.

# STAFF REPORT

Tax Supported Area	Projected at Q3	Actual YE Result	Difference
CAO - ADMINISTRATION	0	-191,119	-191,119
INFRASTRUCTURE, DEVELOPMENT & ENTERPRISE	595,000	2,435,131	1,840,131
PUBLIC SERVICES	1,162,600	1,782,961	620,361
CORPORATE SERVICES	-38,000	-321,696	-283,696
GENERAL EXPENDITURES AND CAPITAL FINANCING	-4,500	-1,292,809	-1,288,309
<b>TOTAL CITY DEPARTMENTS (incl Financing)</b>	<b>1,715,100</b>	<b>2,412,468</b>	<b>697,368</b>
LOCAL BOARDS	0	-726,036	-726,036
OUTSIDE BOARDS & AGENCIES	-357,500	-2,724,855	-2,367,355
GRANTS	0	-104,700	-104,700
<b>Subtotal Grants, Local and Outside Boards &amp; Agencies</b>	<b>-357,500</b>	<b>-3,555,591</b>	<b>-3,198,091</b>
<b>TOTAL TAX SUPPORTED (incl Outside Boards, Grants and Financing)</b>	<b>1,357,600</b>	<b>-1,143,124</b>	<b>-2,500,724</b>
Non-Tax Supported Area	Projected at Q3	Actual YE Result	Difference
WATER	420,000	-397,647	-817,647
WASTEWATER	-350,000	-1,342,190	-992,190
OBC	0	-657,816	-657,816
COURTS	219,600	149,834	-69,766
<b>TOTAL NON-TAX SUPPORTED</b>	<b>289,600</b>	<b>-2,247,819</b>	<b>-2,537,419</b>

## *Variance Report Format*

The body of the future variance reports would focus on a more fulsome discussion with respect to causes for the variance, mitigation measures and risks for those variances falling outside of pre-determined tolerances. The prescribed tolerances may include both percentage and / or dollar value triggers and may be based on year to date spending and / or projected year end variance values. In an effort to balance the importance of reporting critical variances and appropriate materiality, reporting levels setting the tolerance points may need to be adjusted as this enhanced variance reporting develops over 2016.

In developing the explanations in the body of the report, departments will be encouraged to use real business driver data. For example – a negative variance related to transit revenue would be explained through budgeted vs. actual ridership statistics. Mitigation measures would then focus on how ridership will be increased and/or what expenditure management will be required to address this negative variance. Finance is developing internal templates and departmental education materials that will support this added level of disclosure.

## *Implementation*

Staff have committed to include the expanded financial data and departmental reporting entities for the Q2 2016 Variance Reporting. The added level of disclosure linked to business drivers is a more significant change for the City and will not happen immediately. Council will need to be patient as staff build this level of reporting capacity internally, as it will take department managers time to become familiar with new requirements, learn how to read the enhanced financial reports and in some cases track business driver information that currently they may

# STAFF REPORT

---



not have accessible mid-year. The City is committed to improving this disclosure each and every quarter as we progress through 2016 and 2017.

Finance staff believe this change will also prove to have a positive impact in other areas of performance measurement and reporting including:

- earlier identification of departmental and corporate variances leading to greater ability for management to react and manage issues
- operating budgets that are supported by business drivers and performance measures
- enhanced data for multi-year tax supported operating budgets
- service area annual performance measures that are linked to financial performance
- More open and on-going communication of financial management with Council

## Management Accountability

To ensure proper oversight of budget and projected variances, the Executive Team meets monthly with the Treasurer to review corporate budget projections and to discuss root causes and mitigation measures. At the Service Area level, Deputy CAO's meet regularly with General Managers to review budget performance, projected variances and mitigation efforts.

As part of the performance review process, any staff who have responsibility for budgets are evaluated on budget performance to ensure that responsibility and accountability is measured and corrective action is identified where necessary.

## **CORPORATE STRATEGIC PLAN**

Innovation in Local Government

- 2.1 Build an adaptive environment for government innovation to ensure fiscal and service sustainability
- 2.3 Ensure accountability, transparency and engagement

## **DEPARTMENTAL CONSULTATION**

Finance presented these recommendations and solicited feedback from the Corporate Management Team.

## **FINANCIAL IMPLICATIONS**

There are no immediate financial implications resulting from this report.

## **COMMUNICATIONS**

N/A

# STAFF REPORT



---

## ATTACHMENTS

ATT-1 City of Guelph Budget Monitoring Policy – Bylaw #19625

### Report Author

Tom Bradbury, Manager of Budget and Financial Planning

---

#### Recommended By

Tara Baker  
Acting GM Finance and City Treasurer  
Corporate Services  
519-822-1260 Ext. 2084  
tara.baker@guelph.ca

---

#### Approved By

Mark Amorosi  
Deputy CAO  
Corporate Services  
519-822-1260 Ext. 2281  
mark.amorosi@guelph.ca

**THE CORPORATION OF THE CITY OF GUELPH**

**By-law Number (2013) - 19625**

A By-law to enact a Budget Monitoring Policy for the City of Guelph.

**WHEREAS**, under the provisions of subsection 10(2), paragraph 3, of the *Municipal Act, 2001*, S.O. 2001, c. 25, a single-tier municipality may pass by-laws respecting financial management of the municipality;


**AND WHEREAS** The Corporation of the City of Guelph is desirous of enacting a by-law for implementing a Budget Monitoring Policy;

**NOW, THEREFORE, THE COUNCIL OF THE CORPORATION OF THE CITY OF GUELPH ENACTS AS FOLLOWS:**

1. That the Budget Monitoring Policy set out in Schedule A to this By-law is hereby enacted.
2. That this By-law shall be effective immediately upon passing.

**PASSED this NINTH day of SEPTEMBER, 2013.**



  
KAREN FARBRIDGE - MAYOR

  
TINA AGNELLO - DEPUTY CITY CLERK

By-law Number (2013) - 19625  
Schedule A

POLICY	<b>Budget Monitoring Policy</b>
CATEGORY	Finance
AUTHORITY	Council
RELATED POLICES	Budget Policy General Reserve and Reserve Fund Policy Budget Monitoring & Capital Closing Procedure
APPROVED BY	Council
EFFECTIVE DATE	July 29,2013
REVISION DATE	As required

---

### **1. POLICY STATEMENT**

It is the policy of the City of Guelph to monitor actual operating and capital activity to ensure adherence to Council approved spending and service levels.

### **2. PURPOSE OF POLICY**

To set guidelines for monitoring operating and capital activity to ensure adherence to Council approved operating budgets, capital budgets and service levels.

### **3. BUDGET MONITORING PRINCIPLES**

#### **3.1 Accountability and Transparency**

- As a public sector organization, the City is responsible to the taxpayers of Guelph. As such, Financial information should be presented in a transparent manner and decisions made in the best interests of the taxpayers.

#### **3.2 Delivery of Expected Outcomes**

- Financial information should provide a measure that a stated objective(s) has been met. This can mean a project is proceeding along expected timelines, that funds and grants have been used for their stated purpose, and that revenue targets have been met, and any deviation is highlighted and explained.

#### **3.3 Responsibility to the overall City budget**

- Departments and project managers should make financial decisions with regard to the overall budget of the city. Financial decisions impact other areas, and it is important to make decisions for the overall benefit of the city.

#### **3.4 Effective use of City funds**

- Financial decisions should be made in order to make the best use of available funds. This involves returning surplus funds to reserves, having funds available to capitalize on opportunities and emerging priorities, and ensuring that money is spent on the greatest identified need.

#### **3.5 Risk Management**

- Having responsibility to the overall city budget means identifying and mitigating risks in order to minimize the impact to other departments. Over spending on capital projects can have an impact on capital reserves or operating budgets. Early identification of projects at risk of going over budget is important to mitigate these risks.

#### **3.6 Timeliness**

- Financial information must be presented in a timely manner following the period in which it relates in order to facilitate decision making and to mitigate risks.
- Financial information must be monitored regularly and formal reports presented at periodic intervals in order to mitigate risks.

By-law Number (2013) - 19625  
Schedule A

**3.7 Relevance**

- Financial Information should be presented in only as much detail as necessary in order to facilitate decision making or to understand financial impacts. Information should be reliable, easy to understand, and presented in a consistent manner to enable comparisons

**4. ROLES AND RESPONSIBILITIES**

The monitoring of a Service Area’s budget is not limited to formal variance reporting, but instead is an ongoing process. Ensuring that spending is within the Council approved budget is the responsibility of the Service Area. **The following roles have budget responsibilities as listed:**

<b>Role</b>	<b>Role Responsibilities</b>
Municipal Council	<ul style="list-style-type: none"> <li>• Ultimate responsibility for City spending. Sets annual budget and service levels for staff to operate under. Any change in budget, service level or use of reserves must be approved by Council.</li> </ul>
Chief Administrative Officer (CAO)	<ul style="list-style-type: none"> <li>• To direct, in co-operation with the Chief Financial Officer and the Executive Team, the preparation and presentation of the operating and capital budget.</li> <li>• To exercise financial control over all Corporate operations in conjunction with the Chief Financial Officer, to ensure compliance with the annual estimates of revenue and expenditure approved by Council.</li> </ul>
Executive Team (ET)	<ul style="list-style-type: none"> <li>• Monitors financial information for City wide impacts and in consultation with the CAO and CFO approves actions to mitigate unfavorable variances. Each Executive Director has ultimate responsibility of their respective Service Area’s budget.</li> </ul>
Direct Report Leadership Team (DRLT)	<ul style="list-style-type: none"> <li>• Overall accountability for the departmental budget. General oversight and monitoring of expenses to ensure adherence to the approved budget. Identification of risk and recommendation of mitigation measures to ET.</li> </ul>
Department Managers	<ul style="list-style-type: none"> <li>• Day to day approval of divisional expenditures, identification of risk and communication of issues to GM.</li> </ul>
CFO and Finance Staff	<ul style="list-style-type: none"> <li>• CFO - Makes recommendations to Council for in year budget changes and transfer of reserves at year end.</li> <li>• Finance staff provide expertise and guidance to Executive Team and Department Management to assist them in effectively managing their Budget.</li> </ul>

**5. OPERATING VARIANCE REPORTING**

**5.1 - Purpose**

Once the Annual Budget is produced, actual expenditures are monitored and compared against budget. While some differences are expected, variances should not be considerably above or below budget. Departments are provided with regular financial reports outlining their pro-rated year to date budget which compares to their year to date expenditure in order to monitor their budget.

**6. CAPITAL VARIANCE REPORTING**

**6.1 Purpose**

Once a Capital Project is approved it is expected that it will be completed in a timely manner, within the approved budget and scope, and will deliver the expected outcome to the taxpayers.

By-law Number (2013) - 19625  
Schedule A

Project Managers are provided with regular reports on the lifetime to date expenditures of their projects against approved budgets. This information allows them to identify potential financial or timeline related variances that may arise over the life of the project.

**7. CONSISTENCY WITH GOVERNANCE FRAMEWORK**

This policy was created to be consistent with the City's overall Governance Framework. In particular, the following governance principles have been incorporated to develop the principles contained in this policy:

- Accomplishment and Measurement
- Empowerment and Accountability
- Communication and Transparency



# STAFF REPORT



TO Corporate Services Committee

SERVICE AREA Corporate Services, Finance

DATE June 8, 2016

**SUBJECT Q1 2016 Operating Variance Report**

REPORT NUMBER CS-2016-38

## EXECUTIVE SUMMARY

### SUMMARY OF REPORT

The purpose of this report is to provide an in year projection of the 2016 year-end position for the Tax Supported and Non-Tax Supported programs; based on financial information provided as of March 31, 2016. Given that only three months of activity has occurred, it is difficult to accurately project year end variances at this time of year. Staff have provided their best estimates based on current information available but given lack of available data, trending and risk identification is very preliminary.

### KEY FINDINGS

- Overall, a \$69,600 net unfavourable variance is being projected for the City's tax supported budget. The significant drivers of this variance include:
  - Solid Waste and Operations at unfavourable variances of \$739k and \$200k respectively; offset by a positive variance projection related to the External Boards of \$1m. Details of these variances are discussed in further detail in the body of report and mitigation measures are being developed.
  - Additional, less significant, variances from other city departments are also detailed and are being addressed internally to mitigate the overages.
- The City's non-tax supported programs are projecting a \$30,000 net unfavourable variance due to Court Services. It should also be noted that water, wastewater and OBC are not projecting any positive or negative variances at this time but given the nature of their revenue streams, it is difficult to predict at this early stage where these will land.
- Staff have identified three risk areas that will be monitored during the year as they could give rise to additional unfavourable variances.
  - Fuel costs were on the rise as the economy rebounded throughout the first quarter of 2016. Continued increases in fuel could impact

# STAFF REPORT

- the bottom line significantly.
- There has been a marked increase in City's share of emergency call volume compared to the County at 63.5% against a budget of 61% in the first quarter. There is a risk of negative variance if the volume share trend continues.
  - Additionally, the City still has two collective agreements that continue through the bargaining process. The City has allowed for estimated compensation costs related to these contract negotiations, there is risk of negative variance if an arbitrated settlement is higher than the anticipated increase in compensation for Guelph Professional Firefighter's Association.
- Staff are working to implement the recommendations as outlined in report CS-2016-53 "Operating Variance Reporting Recommendations" for the Q2 2016 operating variance report. This level of change will take time to fully implement but we are dedicated to making the financial reporting more transparent and more comprehensive. Revised financial templates and new reporting tools are being developed and rolled out to departments in order to support this enhanced reporting structure.

## **FINANCIAL IMPLICATIONS**

Any realized surplus or deficit will be transferred to or from the City's reserves at year-end. Reserve balances are considered in determining the City's credit rating. A significant change in reserve balances may have an effect on this rating.

## **ACTION REQUIRED**

That Report CS-2016-38 Q1 2016 Operating Variance Report be received for information.

## **RECOMMENDATION**

That report CS-2016-38 Q1 2016 Operating Variance Report be received for information.

## **BACKGROUND**

Once the annual budget is approved, actual expenditures and revenues are monitored and compared against budget. While some differences are expected, net variances should not be considerably above or below budget.

Staff have examined revenues and expenditures as of March 31, 2016 and compared them to the Council approved operating budget for the period. Departments reviewed the financial information, identified trends and, with consultation from Finance, were asked to make projections and comment on any significant deviations from budget that are expected to have an impact on the year-

# STAFF REPORT

---



end financial position. It should be noted that this report is based on information as of March 31, 2016 and is subject to change as further data becomes available.

On April 25, 2016 Council passed the following motion:

“That staff be directed to report back to the CS Committee on an updated operating variance reporting system using best practices from other municipalities and that scope greater transparency and greater frequency of reporting to Council.”

Staff’s research and recommendations are included in report CS-2016-53 “Operating Variance Reporting Recommendations” and have not yet been reflected in the current Q1 2016 Operating Variance Report. This level of change will take time to fully implement but we are dedicated to making the financial reporting more transparent and more comprehensive. Revised financial templates and new reporting tools are being developed and rolled out to departments in order to support this enhanced reporting structure. Staff are targeting the Q2 2016 Operating Variance Report to reflect the recommendations put forward.

## REPORT

### 2016 YEAR END PROJECTED OPERATING VARIANCE

Departments were provided with financial data as of March 31, 2016 and, with input from Finance, analyzed current and projected expenditures and revenues and provided related commentary. The chart that follows gives a high level indication of the current, projected 2016 year-end position.

# STAFF REPORT



## Summary of Projected Operating Variance for Dec 31, 2016

	<b>Total Annual Budget for Year 2016 (\$)</b>	<b>Projected Variance for Dec 31,2016</b>	<b>Variance for Dec 31, 2016 (%)</b>
<b>Tax Supported</b>			
City Departments	\$ 117,607,872	\$ 1,069,600	0.9%
General Revenues and Expenses	\$ (195,968,578)	\$ -	0.0%
Sub-Total City Departments and Financing	\$ (78,360,706)	\$ 1,069,600	0.5%
Local Boards	\$ 47,865,140	\$ -	0.0%
Grants, Outside Boards and Agencies	\$ 30,495,566	\$ (1,000,000)	(3.3%)
Total Local and Outside Boards	\$ 78,360,706	\$ (1,000,000)	(1.3%)
<b>Total Tax Supported</b>	<b>\$ -</b>	<b>\$ 69,600</b>	<b>0.0%</b>
<b>Non Tax Supported Budgets</b>			
Water	\$ -	\$ -	0.0%
Wastewater	\$ -	\$ -	0.0%
OBC	\$ -	\$ -	0.0%
Court Services	\$ -	\$ 30,000	1.5%
<b>Total Non Tax Supported</b>	<b>\$ -</b>	<b>\$ 30,000</b>	<b>0.0%</b>

\*\*\*(Brackets indicate a favourable variance)

Note: Non Tax Supported programs (Water, Wastewater, OBC, Courts) show a net zero budget due to revenue fully offsetting anticipated expenditures. The % shown is based on total expenditures.

Overall, the Tax Supported Service Area managers are projecting an unfavourable variance of \$69,600 which is less than 1% of the overall net tax levy. The Non-Tax Supported Service Area managers are expecting a net unfavourable variance of \$30,000.

## **VARIANCE DRIVERS OVERVIEW**

The following key areas have been identified corporately as potentially impacting the 2016 operating results.

### Tax Supported

#### **Favourable**

- A favourable variance of \$1m is projected for the County due to the City approved budget being higher than the final County approved budget of \$400k as the City approved budget was based on the County forecast. Additionally, as of the March 31, 2016 expense to budget reconciliation, the County refunded the City \$600k for this period. There is a risk this surplus could be reversed if the City portion of expenses increases in the coming months.

# STAFF REPORT

---



- Finance is projecting a favourable variance of \$40k due to a higher than planned HST recovery of \$5k, compensation savings from maternity leaves and temporary staffing of \$35k.

## Unfavourable

- Operations are projecting an unfavourable variance of \$200k due to winter control weekend overtime \$50k; and unrecovered internal payroll expenses for parking lot maintenance. The \$350k winter control budget expansion request in the 2016 budget was not approved which would have closed the gap between budget and actual cost of delivering winter control services. The unfavorable winter control variance can be offset through the operating contingency reserve at year end, if required, as funds have been set aside to address the variableness of this service line.
- Solid Waste Resources ('SWR') is projecting an unfavourable variance \$739k – SWR has not renewed the ReMM/Rizzo contract and as a result eliminated the second shift which is projected to result in savings of \$553k. This offsets other challenges within the SWR operation that are projected to be \$1.29m unfavourable, including: sale of carbon credits, commodity prices, public drop-off fees, uncertainty of lease agreement, purchase of additional carts, and unpredictability of fleet equipment maintenance costs.

SWR is actively reviewing and developing variance mitigation measures and are committing to the following:

- SWR are preparing a comprehensive report with respect to their operations and financial projections for the year which is slated to go to IDE Committee in July 2016
- There are on-going fleet audit discussions that could help mitigate the projected 2016 negative variance of \$400k for equipment maintenance costs in 2017 and forward
- In concert with Finance, SWR is analyzing the remaining issues as described above making up the balance to \$1.29m of the projected negative variance for 2016. The Q2 variance report will include detailed mitigation measures with respect to ongoing operations that will or have been implemented or explanations delineating the reasons why the unfavourable variances may not be avoided in 2016.
- Mayor & Council are projecting an unfavourable variance of \$10k due to higher than anticipated Integrity Commissioner retainer fees and consulting expenses; currently reviewing mitigation options and monitoring the situation going forward.
- Culture, Tourism and Community Investment are projecting an unfavourable variance of \$66k due to lower than planned food and beverage sales and fewer projected summer events.
- Parks is projecting an unfavourable variance of \$70k due to lower capital labour recoveries for Park Planners as labour hours are being spent on operational development application matters instead of recoverable capital work.

# STAFF REPORT

---



- HR Administration is projecting an unfavourable variance of \$25k due to capacity and workload issues caused by leaves of absences.

## Non Tax Supported

Water, wastewater and OBC are not projecting any positive or negative variances at this time but given the nature of their revenue streams, it is difficult to predict at this early stage where these will land.

## **Unfavourable**

- Court Services are projecting an unfavourable variance of \$30k due to position and job evaluation adjustments, and associated membership, training and travel costs for the position.

Refer to **Appendix 1** – Operating Budget Variance for full Service Area details.

## **OTHER CONSIDERATIONS/RISKS**

- Fuel
  - While gasoline and diesel prices have been trending high, there is a risk of a corporate unfavourable variance if the price of fuel goes up in the coming months.
- Collective bargaining
  - The Guelph Professional Firefighters' Association and Ontario Public Service Employee Union (OPSEU) local 231 paramedics' collective agreements expired on December 31, 2014 and March 31, 2015 respectively. The City has allowed for estimated compensation costs related to the two union groups. There is risk of negative variance if an arbitrated settlement is higher than the anticipated increase in compensation for Guelph Professional Firefighter's Association.
- Transit
  - Transit has successfully negotiated an agreement with the Guelph University Central Student Association for an increased fee structure effective in 2016.
  - With this successful contract negotiation, transit currently is not projecting any significant variance for 2016.
- Emergency Services

# STAFF REPORT

---



- Land Ambulance has a risk of negative variance due to the share of emergency call volumes between the City and the County. Based on actual call volumes, Q1 City share is at 63.5% compared to a budget of 61%. The City share call volume variance is not recoverable. If actual call volumes continue at this rate, staff will incorporate this into the Q2 negative variance projection.
- Local Boards & Outside Agencies
  - Police are currently not anticipating a significant year end variance although risks to year end variance include:
    - Level or severity of crime which may impact overtime and project expenses
    - Potential reduction in Provincial Anti-Violence Intervention Strategy (PAVIS) grant
    - High US dollar has pushed up costs for some uniform and equipment needs
    - Position vacancies and subsequent recruitment processes; and
    - High level of accommodations

## **CORPORATE STRATEGIC PLAN**

Innovation in Local Government

2.3 - Ensure accountability, transparency and engagement.

## **DEPARTMENTAL CONSULTATION**

Departments are responsible for managing their programs according to municipal standards and within the approved budget. Department managers were provided financial information based on revenue and expenditures to March 31, 2016 and provided a year end projected position and commentary in consultation with the Finance department.

## **COMMUNICATIONS**

Operating variance reports are produced on schedule for Council to compare actual results against budget. Finance and Executive Team have committed to producing quarterly variance reports for the year. This is the first operating variance report for 2016.

## **ATTACHMENTS**

Appendix 1 – Operating Budget Variance March 31, 2016– Department Summary

# STAFF REPORT

---



**Report Author:**

Ron Maeresera  
Senior Corporate Analyst

*Tara Baker*

---

**Approved By**

Tara Baker  
Acting GM Finance & City Treasurer  
(519)822-1260 Ext. 2084  
[tara.baker@guelph.ca](mailto:tara.baker@guelph.ca)

*M. Amorosi acting for*

---

**Recommended By**

Mark Amorosi  
Deputy CAO, Corporate Services  
(519)822-1260 Ext. 2281  
[mark.amorosi@guelph.ca](mailto:mark.amorosi@guelph.ca)



**Appendix 1**  
**Operating Budget Variance based on March 31, 2016**  
**City of Guelph: Departmental Summary**

	Total Annual Budget for Year 2016 (\$)	Projected Variance for Dec 31,2016 (\$)	Variance for Dec 31, 2016 (%)	Comments
<b>TAX SUPPORTED</b>				
<b>City Departments</b>				
CAO - ADMINISTRATION AND COUNCIL	\$ 4,914,165	\$ 10,000	0.2%	-Mayor & Council - \$10k <b>unfavourable</b> due to higher than anticipated Integrity Commissioner retainer fees and consulting expenses; currenly reviewing mitigation options and monitoring the situation going forward.
INFRASTRUCTURE, DEVELOPMENT AND ENTERPRISE	\$ 19,334,666	\$ 738,600	3.8%	-Solid Waste - \$739k net <b>unfavourable</b> . Projected savings of \$553k due to non-renewal of ReMM/Rizzo contract and as a result eliminated the second shift, offset by a projected negative variance of \$1.29m due to; carbon credits, commodity prices, public drop-off fees, uncertainty of lease agreement, purchase of additional carts, and unpredictability of fleet equipment maintenance costs.
PUBLIC SERVICES	\$ 81,650,501	\$ 336,000	0.4%	-Culture,Tourism & Community Investment - \$66k <b>unfavourable</b> due to lower than projected summer rental events, food and beverage sales. -Parks - \$70k <b>unfavourable</b> due to lower labour recoveries for Parks Planning because of staff shortage, more labour hours are being spent on development applications than capital work. - Operations - \$200k <b>unfavourable</b> due to winter control weekend overtime of \$50k; and unrecovered internal payroll expenses for parking lot maintenance. The \$350k winter control budget expansion request in the 2016 budget was not approved which would have closed this budget variance gap.
CORPORATE SERVICES	\$ 11,708,540	\$ (15,000)	(0.1%)	-HR Administration - \$25k <b>unfavourable</b> due to capacity and workload issues caused by leave of absences. -Finance - \$40k <b>favourable</b> due to compensation savings from maternity leaves and temporary admin staff \$35k and higher than planned HST recovery of \$5k.
<b>TOTAL CITY DEPARTMENTS (excl Financing)</b>	<b>\$ 117,607,872</b>	<b>\$ 1,069,600</b>	<b>0.9%</b>	
GENERAL EXPENSES AND CAPITAL FINANCING	\$ (195,968,578)	\$ -	0.0%	No material variance currently anticipated
<b>TOTAL CITY DEPARTMENTS (incl Financing)</b>	<b>\$ (78,360,706)</b>	<b>\$ 1,069,600</b>	<b>0.5%</b>	
<b>Local and Outside Boards</b>				
LOCAL BOARDS	\$ 47,865,140	\$ -	0.0%	No material variance currently anticipated
GRANTS, OUTSIDE BOARDS & AGENCIES	\$ 30,495,566	\$ (1,000,000)	(3.5%)	-County - \$1m <b>favourable</b> due to lower County approved budget than originally forecasted \$400k, the City approves the budget a month ahead of County approval, the City used the County forecast to set the 2016 budget; and Q1 expense reconciliation refund of \$600k from the County. There is a risk of paying more if the City portion of expenses increases in the coming months.
<b>Subtotal Grants, Local and Outside Boards &amp; Agencies</b>	<b>\$ 78,360,706</b>	<b>\$ (1,000,000)</b>	<b>(1.28%)</b>	
<b>TOTAL TAX SUPPORTED (incl Outside Boards, Grants and Financing)</b>	<b>\$ -</b>	<b>\$ 69,600</b>	<b>0.04%</b>	
<b>Non Tax Supported</b>				
WATER REVENUE	\$ (26,743,042)	\$ -	0.0%	No material variance currently anticipated
WATER OPERATIONS	\$ 26,743,042	\$ -	0.0%	No material variance currently anticipated
<b>SUB-TOTAL WATER WORKS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	
WASTEWATER REVENUE	\$ (29,784,028)	\$ -	0.0%	No material variance currently anticipated
WASTEWATER OPERATIONS	\$ 29,784,028	\$ -	0.0%	No material variance currently anticipated
<b>SUB-TOTAL WASTEWATER</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	
ONTARIO BUILDING CODE REVENUE	\$ (3,070,000)	\$ -	0.0%	No material variance currently anticipated

	Total Annual Budget for Year 2016 (\$)	Projected Variance for Dec 31,2016 (\$)	Variance for Dec 31, 2016 (%)	Comments
ONTARIO BUILDING CODE COSTS	\$ 3,070,000	\$ -	0.0%	No material variance currently anticipated
<b>SUB-TOTAL OBC</b>	\$ -	\$ -	<b>0.0%</b>	
COURT SERVICES REVENUE	\$ (2,027,895)	\$ -	0.0%	No material variance currently anticipated
COURT SERVICES EXPENSES	\$ 2,027,895	\$ 30,000	1.5%	<b>Unfavourable</b> \$30k due to position and job evaluation adjustments for Manager - Court Operations and associated membership, training, and travel costs for the incoming employee.
<b>SUB-TOTAL COURTS</b>	\$ -	\$ 30,000	<b>1.5%</b>	
<b>TOTAL Non Tax Supported</b>	\$ -	\$ 30,000	<b>0.0%</b>	
<i>(Brackets indicate a favourable variance)</i>				

# STAFF REPORT



TO Corporate Services Committee

SERVICE AREA Corporate Services, Finance

DATE June 8, 2016

**SUBJECT 2016 Q1 Capital Variance Report**

REPORT NUMBER CS-2016-39

## EXECUTIVE SUMMARY

### PURPOSE OF REPORT

The purpose of this report is to provide the following: a summary of 2016 capital spending activity; an update on longer term & large scale projects; and to disclose any funding adjustments and project closures.

### KEY FINDINGS

The 2016 tax supported capital budget was approved at \$60.9 million. When the 2015 carryover budget of \$86.9 million is added in, the total available capital funding for the year is \$147.8 million. During Q1 2016, funding adjustments of \$(263)k were processed, capital spending totalled \$2.3 million and open purchase orders totaled \$44.8 million, leaving a total work in progress balance of \$100.3 million as of March 31, 2016.

The 2016 non-tax supported capital budget was approved at \$28.0 million. When the 2015 carryover budget of \$79.0 million is added in, the total available capital funding for the year is \$107.0 million. During Q1 2016, capital spending was \$1.4 million and open purchase orders totaled \$8.6 million, leaving a total work in progress balance of \$97 million as of March 31, 2016.

Overall, there are no items of concern at this time in the capital program.

### FINANCIAL IMPLICATIONS

There are no financial implications from this report.

### ACTION REQUIRED

THAT CS-2016-39 2016 Q1 Capital Variance Report be received for information.

### RECOMMENDATION

THAT CS-2016-39 2016 Q1 Capital Variance Report be received for information.

# STAFF REPORT



## BACKGROUND

This report provides a summary of the detailed reporting process that is completed on a monthly basis. Each month capital reports are circulated to all Project Managers (PMs); responses are received and compiled by Finance. Quarterly a summary of this process is provided to Council.

Through the monthly and year end process, PMs and Finance work together to:

- Provide a status update and expected completion date for each capital project,
- Identify risks, such as delays and potential overspending
- Identify an alternative source of funds for projects that will be overspent,
- Close any completed capital projects in a timely manner.

## REPORT

### Current Year Spending

Capital spending was \$3.7 million for Q1 2016; \$2.3 million on tax supported projects and \$1.4 million on non-tax supported projects. Of this spending, the following are the significant areas:

Vehicle & Equipment replacement	\$1.5 million
Waste Water and Water Services facility upgrades and expansions	\$1.3 million
Facilities Maintenance and Upgrades	\$0.3 million

Planned activity as indicated by the largest open purchase orders as at March 31, 2016 are in the following areas:

Guelph Police Services – Headquarters Renovation	\$27.2 million
Vehicle & Equipment Replacement	\$5.8 million
Roads reconstruction and paving	\$4.2 million
Water and Sewer Replacement and upgrades	\$4.7 million
Waste Water and Water services facility upgrades and expansions	\$3.9 million
Transit Technology system	\$1.6 million
Storm sewer replacement and upgrades	\$1.5 million
Lyons Park	\$1.1 million

Schedule "A" provides a summary of capital activity by Department.

# STAFF REPORT

---



## Over Budget Projects

Currently no projects are forecasted to be over budget, with the exception of the Clair/Laird Interchange. This project is a contractual agreement with the MTO to make payments related to their construction of the new interchange. The final payment is due in 2016 and the project will be \$455k over budget or 2.6%. This will be funded from the Roads DC Reserve Fund.

In March the Recreation department brought forward a report requesting additional funding for the renovation of the Victoria Road Recreation Centre, Council approved \$2,515,700 in additional funding for this project, Report CON-2016.10 Victoria Road Recreation Centre – Renovation Update, Reference Number 16-05.

## Capital Projects Closed and Funding Adjustments

During Q1 2016 12 projects were closed and/or had funding adjustments totaling \$(263)k. There were 3 projects that have been closed and 9 have been adjusted year to date.

Of the 3 projects that were closed, 2 were transferred into new projects that carry on the same activities (\$122k transferred) and the other was the Baker Street project mentioned previously.

The funding reallocations completed for the 9 projects year to date, were done for the following; 2 received funds from the operating budget, 2 received funds from closed projects above, 2 were a realignment to the correct project code, 1 from a 2015 project closure and 2 due to additional approved funding (details below).

The first is the purchase of parkland for \$400k for Starwood Park; funding was approved by Council to be taken from the Parkland Dedication reserve fund.

The second is the approved budget increase for Victoria Road Recreation Centre, \$1.055m in debt funding from SS0019 Baker St Land Purchase, \$960k in additional Recreation DC funding and \$500k from the Parkland Dedication Reserve Fund.

Schedule "B" provides a summary by department of Projects Closed or Funding Adjusted.

## Significant Projects

All capital projects are managed to deliver the expected outcome within the approved funding, however, some projects have a more significant impact on the City both financially and operationally due to their scope and budget. Schedule "C" provides a list of all projects with a budget of \$2.5 million or greater, excluding

---

# STAFF REPORT

---



routine lifecycle. There are 22 projects in this list; they represent a variety of assets, from linear infrastructure to operational and parks & recreation facilities.

Below are the details of some of the more significant projects currently approved; these projects are identified due to their risk to the organization. Risk considerations include scope, cost, HR resources, external stakeholders or other factors. They have been categorized into Tier 1 and 2 which aligns to the new complex capital project management methodology that the City has started to implement through the work of the PMO. As the City continues to develop this methodology and reporting structure, the quarterly capital variance reports will become more integrated with the reporting delivered from the project steering committees. Please refer to Schedule C for complete financial details of these projects as at March 31, 2016.

## **Tier 1 Projects**

### **Police Head Quarters Renovation (PS0033)**

Tendering and awarding of the construction contract was completed in Q1 2016. Construction began in April 2016 with expected occupancy in winter 2019.

### **Victoria Road Recreation Centre Renovation (RF0051)**

Tendering closed on March 1 2016, all bids were above budget and a report went to Council March 21<sup>st</sup> which obtained approval for a budget increase to allow for awarding of the contract. Contract was awarded in April and construction has begun with expected completion in 2017.

### **Wilson St. Parkade (PG0078)**

This project is the first step in implementing the Parking Master Plan which was approved by Council in 2015. Currently the development of tendering documents and contract wording for the design/build of the parkade is underway and expected to be complete in Q2 2016.

## **Tier 2 Projects**

### **Baker Street Land Purchase (SS0020)**

Negotiations are currently ongoing with landowners. In Q4 2015 Council reaffirmed their commitment to this project. Further updates will be provided to Council directly regarding plans for the Downtown as a whole based on these discussions. Project SS0019 was closed in Q1 2016 with a portion of the debt funding being reallocated to the Victoria Road Recreation Centre project, the Development Charge funding was released back to the reserve funds.

### **York Trunk/Paisley Feedermain (WD0007 & WS0085)**

Construction of trunk water and sewer mains from west of Hanlon to Watson; Phase 2 construction was tendered and awarded in May 2016 (\$13M).

# STAFF REPORT



## **VIA Station Upgrade (TC0037)**

Upgrades to the VIA station to remediate current issues as well as provide amenities required for future tenants, including Greyhound and GO. Work also includes construction of a break room for Guelph Transit drivers. Contract was awarded in April and work began in mid-May.

## **York Road – Wyndham to Ontario (RD0336)**

The City received a grant through the Connecting Links Program from the province to complete this project. Awarding of the contract was completed in May 2016, with construction starting thereafter.

## **Wastewater Bio-solids Facility Upgrade (ST0003)**

Upgrades and expansion of existing bio-solids facility to allow for increased capacity to treat incoming wastewater. Tendering of construction contract expected in Q2 2016.

## **Burke Water Treatment facility upgrade (WT0013)**

Upgrades and repairs to existing water treatment facility as part of regular lifecycle work. Tendering of construction contract expected in Q2 2016.

## **Major road/water/sewer/storm upgrades (Various RD/WD/SC/SW Projects)**

This encompasses replacement or expansion of existing linear infrastructure along the following roads; York (Wyndham to Neeve), Stevenson (Grange to Cassino), Arthur Trunk (Howitt-Margaret-Howitt-Neeve), Wheeler (Elizabeth to Ferguson), Speedvale (hydro property), Eastview (Summit to Watson). The Engineering department is ramping up for the 2016 construction season as many of these projects will be tendered and awarded in Q2 2016.

## **Facilities and Equipment upgrades/replacements (Various Projects)**

Ongoing lifecycle of existing vehicles, equipment and facilities by all departments across the organization.

## Conclusion

The review and accurate monitoring of financial reporting and asset management is critical to the effective utilization of funding, and contributes to better cash flow modeling that can lead to improved investment opportunities.

## **CORPORATE STRATEGIC PLAN**

Innovation in Local Government

2.3 – Ensure accountability, transparency and engagement

# STAFF REPORT



## DEPARTMENTAL CONSULTATION

The role of monitoring the capital budget work-in-progress is shared by the departments responsible for the management of the project and supported by the Finance department. Departments must manage the project to completion according to municipal standards, on time and within the approved budget.

## COMMUNICATIONS

Finance staff have worked closely with all City departments in obtaining the status of projects, expected completion times and impact on budget.

## ATTACHMENTS

Schedule "A" Summary of all open Capital Projects as at March 31, 2016  
Schedule "B" Summary of Projects Closed or Funding Adjustments during Q1 2016  
Schedule "C" Summary of Significant Projects

## Report Author

Greg Clark CPA, CMA

---

**Recommended By**

Tara Baker  
Acting GM Finance and City Treasurer  
Corporate Services  
519-822-1260 Ext. 2084  
Tara.baker@guelph.ca

---

**Approved By**

Mark Amorosi  
Deputy CAO, Corporate Services  
519-822-1260 Ext. 2281  
mark.amorosi@guelph.ca



# STAFF REPORT



## Schedule A: CS-2016-39 Summary of All Open Capital Projects as at March 31, 2016

	# of Open Projects	Budget Carried over from 2015	2016 Budget	2016 Expenditures	Net Funding Adjustment	Open POs	Work in Progress
	Note 1	Note 2			Note 3		
<b>Tax Supported</b>							
<b>Infrastructure, Development &amp; Enterprise Services</b>							
Business Development & Enterprise	5	11,323,815	13,520,000	76,922	(3,700,000)	123,667	20,943,226
Engineering Services	64	10,270,042	16,071,500	247,959	-	5,988,693	20,104,890
Environmental Services	5	1,092,730	100,000	450,726	-	264,114	477,889
Facilities Maintenance	16	2,188,101	5,539,500	116,372	-	830,626	6,780,603
Planning & Building Services	11	1,575,528	242,200	95,376	215,000	25,516	1,911,836
<b>IDE Total</b>	<b>101</b>	<b>26,450,217</b>	<b>35,473,200</b>	<b>987,357</b>	<b>(3,485,000)</b>	<b>7,232,617</b>	<b>50,218,443</b>
<b>Public Services</b>							
Culture, Tourism & Community Investments	7	40,994	200,000	39,601	-	73,876	127,517
Emergency Services	6	446,552	3,377,000	96,225	155,300	2,009,029	1,873,598
Operations	11	3,126,203	4,686,700	424,876	-	777,569	6,610,458
Parks & Recreation	37	19,855,574	5,400,000	111,880	2,916,343	2,890,845	25,169,192
Transit	10	4,074,578	5,811,900	264,700	-	3,948,885	5,672,893
<b>PS Total</b>	<b>71</b>	<b>27,543,901</b>	<b>19,475,600</b>	<b>937,281</b>	<b>3,071,643</b>	<b>9,700,205</b>	<b>39,453,658</b>
<b>Corporate Services</b>							
Finance	2	(2,495,269)	-	-	150,000	-	(2,345,269)
Information Technology	12	2,126,661	2,809,749	242,045	-	180,717	4,513,648
<b>CS Total</b>	<b>14</b>	<b>(368,609)</b>	<b>2,809,749</b>	<b>242,044</b>	<b>150,000</b>	<b>180,717</b>	<b>2,168,379</b>
<b>Local Boards</b>							
Library	6	68,719	500,000	-	-	57,347	511,372
Police	16	33,211,380	2,625,800	172,690	-	27,629,255	8,035,235
<b>Local Boards Total</b>	<b>22</b>	<b>33,280,099</b>	<b>3,125,800</b>	<b>172,691</b>	<b>-</b>	<b>27,686,602</b>	<b>8,546,607</b>
<b>TAX SUPPORTED TOTAL</b>	<b>208</b>	<b>86,905,608</b>	<b>60,884,349</b>	<b>2,339,373</b>	<b>(263,357)</b>	<b>44,800,141</b>	<b>100,387,087</b>
<b>Non-Tax Supported</b>							
Engineering Services	33	30,043,895	15,100,000	66,066	-	4,658,191	40,419,638
Environmental Services	40	48,691,320	12,827,800	1,320,882	-	3,938,115	56,260,123
Planning & Building Services	1	47,000	35,000	-	-	-	82,000
POA	4	222,399	27,800	145	-	18,710	231,344
	<b>78</b>	<b>79,004,614</b>	<b>27,990,600</b>	<b>1,387,093</b>	<b>-</b>	<b>8,615,015</b>	<b>96,993,105</b>
<b>CITY TOTAL</b>	<b>286</b>	<b>165,910,221</b>	<b>88,874,949</b>	<b>3,726,467</b>	<b>(263,357)</b>	<b>53,415,157</b>	<b>197,380,192</b>

Note:

1 Projects open as of March 31, 2016

2 Finance negative unspent is due commitment to fund GO Metrolinx which is currently unbudgeted.

3 "Net Funding Adjustment" details provided in Schedule B

# STAFF REPORT



## Schedule B: CS-2016-39

### Summary of Capital Projects Closed or Funding Adjustments during 2016

	# of Adjusted Projects	Net Funding Adjustment	Developer & Partner	Development Charges	Capital Tax/Rate Funded	Tax/Rate Funded Debt
<b>Tax Supported</b>						
<b>Infrastructure, Development &amp; Enterprise Services</b>						
Business Development & Enterprise	1	(3,700,000)	-	1,650,700	-	2,049,300
Planning & Building Services	1	215,000	-	(145,125)	(69,875)	-
<b>IDE Total</b>	<b>2</b>	<b>(3,485,000)</b>	<b>-</b>	<b>1,505,575</b>	<b>(69,875)</b>	<b>2,049,300</b>
<b>Public Services</b>						
Culture, Tourism & Community Investments	2	-	-	-	-	-
Emergency Services	1	155,300	(155,300)	-	-	-
Parks & Recreation	4	2,916,343	(900,643)	(960,695)	-	(1,055,005)
<b>PS Total</b>	<b>7</b>	<b>3,071,643</b>	<b>(1,055,943)</b>	<b>(960,695)</b>	<b>-</b>	<b>(1,055,005)</b>
<b>Corporate Services</b>						
Finance	1	150,000	-	-	(150,000)	-
<b>CS Total</b>	<b>1</b>	<b>150,000</b>	<b>-</b>	<b>-</b>	<b>(150,000)</b>	<b>-</b>
<b>Local Boards</b>						
Police	2	-	-	-	-	-
<b>Local Boards Total</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TAX SUPPORTED TOTAL</b>	<b>12</b>	<b>(263,357)</b>	<b>(1,055,943)</b>	<b>544,880</b>	<b>(219,875)</b>	<b>994,295</b>
<b>Non-Tax Supported</b>						
<b>NON-TAX SUPPORTED TOTAL</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CITY TOTAL</b>	<b>12</b>	<b>(263,357)</b>	<b>(1,055,943)</b>	<b>544,880</b>	<b>(219,875)</b>	<b>994,295</b>

# STAFF REPORT

## Schedule C: CS-2016-39

Summary of Significant Projects

	Total Budget	Total Spending	Open POs	Work In Progress	Project Manager Comment
<b>Tax Supported</b>					
Note 1					
<b>Infrastructure, Development &amp; Enterprise Services</b>					
<b>Business Development &amp; Enterprise</b>					
WILSON ST PARKADE (PG0078)	13,370,000	5,761	-	13,364,239	This project is the first step in implementing the Parking Master Plan which was approved by Council in 2015. Currently the development of tendering documents and contract wording for the design/build of the parkade is underway and expected to be complete in Q2 2016.
HANLON CREEK BUSINESS PARK (SS0002)	23,829,804	21,452,119	123,667	2,254,018	This is a multi-year land development project. Current expenditures relate to annual marketing and environmental monitoring activities. Phase 1 is developed and land sales are occurring at a slower pace than forecasted. Cash flow projections are not being met and this is putting pressure on the Industrial Land Reserve Fund. The timing to develop Phase 3 is dependent upon market conditions.
BAKER ST REDEVELOPMENT PH2 (SS0018)	3,800,000	25,031	-	3,774,969	Negotiations are currently ongoing with landowners. In Q4 2015 Council reaffirmed their commitment to this project. Further updates will be provided to Council directly regarding plans for the Downtown as a whole based on these discussions.
<b>Engineering Services</b>					
GORDON-HARTS LANE TO MALTBY (RD0047)	8,665,948	8,515,548	-	150,400	Surface asphalt between Clair and south of Poppy deferred to 2016 due to recent servicing in area
VICTORIA - STONE-ARKELL (RD0078)	7,223,642	6,641,292	198,707	383,643	Construction substantially complete with exception of culvert relining at Torrance Creek to be completed in 2016
CLAIR/LAIRD & HANLON INTERCHNG (RD0267)	17,400,000	17,855,317	-	(455,317)	Final payment to Ministry of Transportation to be made in 2016. Overbudget amount will be covered from Road DC Reserve Fund.
STONE - EVERGREEN TO VICTORIA (RD0271)	5,900,000	5,050,832	876,337	(27,169)	Construction substantially complete except for surface course asphalt and utility work. Overage to be covered from Major Road project
<b>Environmental Services</b>					
NEW PUBLIC DROP OFF FACILITY (WP0001)	2,894,990	2,714,102	150,446	30,443	Work ongoing, completion expected in Q2 2016. Reallocation of surplus funds from equipment replacement project (WC0006) to cover overage in 2016.
<b>Public Services</b>					
<b>Parks &amp; Recreation</b>					
EASTVIEW COMMUNITY PARK (PK0014)	5,952,300	3,163,037	5,678	2,783,585	Consultant RFP underway, tender issued and contract awarded in May 2016
VRRC EXPANSION/RENOVATION (RF0051)	15,100,000	659,155	557,916	13,882,929	Tendering closed on March 1 2016, all bids were above budget and a report went to Council March 21 <sup>st</sup> which obtained approval for a budget increase to allow for awarding of the contract. Contract was awarded in April and construction has begun with expected completion in 2017.
<b>Transit</b>					
CAD/AVL REPLACEMENT (TC0026)	3,030,000	1,061,197	1,604,985	363,819	Ongoing milestone payments over the next months. The uncommitted funds will be used for a IVR change order once executed.
<b>Local Boards</b>					
<b>Police</b>					
POLICE HQ RENOVATIONS (PS0033)	34,111,000	1,963,839	27,180,702	4,966,458	Tendering and awarding of the construction contract was completed in Q1 2016. Construction began in April 2016 with expected occupancy fall 2018/winter 2019.

Note 1 - Work in progress is defined as project budgets that do not yet have committed purchase orders open against the balance.

# STAFF REPORT

## Schedule C: CS-2016-39 - Continued

Summary of Significant Projects

	Total Budget	Total Spending	Open POs	Work In Progress	Project Manager Comment
<b>Non-Tax Budget</b>					
Note 1					
<b>Infrastructure, Development &amp; Enterprise Services</b>					
<b>Engineering Services</b>					
W16 SPEEDVALE-WATSON-WESTMOUNT (WD0005)	3,001,830	1,432,387	100,018	1,469,424	Phase 2 of project to improve water transmission east-west, to be integrated with road work along Speedvale Ave.
W19 WELLINGTON: HANLON-WATSON (WD0007)	9,300,000	4,210,348	577,589	4,512,064	Phase 1 construction is substantially complete and tender for Phase 2 construction was awarded May 2016
WI-1 CLAIR - CRAWLEY TO GORDON (WD0012)	2,520,000	2,399,171	42,187	78,642	Remaining construction is development related
WI16 HANLON CROSSING - PAISLEY (WD0016)	5,000,000	330,245	19,653	4,650,103	Expect to tender the first phase of the construction by end of May 2016
WWI1 YORK - HANLON-VICTORIA (WS0085)	16,470,000	6,331,463	427,810	9,710,727	Phase 1 construction is substantially complete and tender for Phase 2 construction was awarded May 2016
<b>Environmental Services</b>					
WWF1 DECOMMISSION GORDON SPS (SC0023)	2,700,000	-	-	2,700,000	Design of sanitary sewer connection through Hart Farm development lands in 2016, with construction in subsequent years. Will allow for decommissioning of current pumping station.
WWTP BIOSOLIDS FACILITY UPGRD (ST0003)	13,800,000	568,452	75,726	13,155,823	General construction contract tendering to be undertaken in 2016
WWTP PHASE 2 EXPANSION (ST0004)	8,690,857	5,333,627	210,075	3,147,155	Substantial completion is issued to contractor
DIGESTER GAS PROOFING (ST0014)	3,613,000	1,879,925	5,848	1,727,226	Digester cleaning awarded to WUSSEC, after cleaning is complete this project will resume
BURKE TREATMENT (WT0013)	5,102,700	273,854	194,738	4,634,107	Equipment pre-selection has been completed. Design ongoing. General construction contract to be tendered by Q2 2016.
Note 1 - Work in progress is defined as project budgets that do not yet have committed purchase orders open against the balance.					

# STAFF REPORT



---

TO Corporate Services Committee

SERVICE AREA Corporate Services, Finance

DATE June 8, 2016

**SUBJECT 10 Carden Shared Space Inc. – Community Bond and Tax Incentive Program Request**

REPORT NUMBER CS-2016-31

---

## EXECUTIVE SUMMARY

### PURPOSE OF REPORT

To provide the Council with staff's response to Council Resolution dated March 21, 2016 regarding the consideration of both the Community Bond Investment Program and the Community Improvement Plan tax incentive program for the redevelopment of 42 Carden St.

### KEY FINDINGS

10 Carden Shared Space Inc. ('10 Carden') has requested that the City of Guelph make a \$50,000 investment through a Series F Community Bond. They also requested that the City of Guelph develop a tax incentive program through a Community Improvement Plan to stimulate commercial development in targeted sectors and areas of the City.

Staff have reviewed information received by 10 Carden and have determined the following:

#### Community Bonds:

Due to legislative Municipal Act restrictions, the City is not permitted to use the funds of the City's Investment Portfolio to invest in unrated, non-secured bonds of any kind. Upon review of the bond information provided by 10 Carden, there is little possibility that the bonds would be rated or secured by a Schedule 1 or 2 bank. The City worked with representatives of 10 Carden and their banking institution but could not come to solution that met the City's legislated needs.

If these investments were to be considered as part of a Council approved program of tax supported money within a Community Improvement Plan ('CIP'), the City would support the investment in accordance with Section 28 of the Planning Act with respect to grants or loans within a CIP. The City currently does not have any CIP's with available funds or programs that could be utilized in this way.

# STAFF REPORT

## Community Improvement Plans:

The City currently has two major CIPs, the Brownfield and Downtown CIPs, as well as a Heritage Reserve Policy which contain programs to support private sector investment. The plans are up for their five year review in 2017.

In addition to the major CIPs, the City also has a Downtown Minor Activation CIP grant program that on an annual basis, targets the renovation of underutilised space to address smaller scale residential or business related investments to bring more economic activity downtown.

Finally, Business Development and Enterprise Services is launching a 'Municipal Comparator Study' with funding support from ICCI (Invest Canada). The project, to be completed by the end of 2016, will be looking comprehensively at private sector investment decision-making and site selection. The study will be looking at the role and types of incentive programs in the larger context of business attraction and community economic strategy.

Using the results of this competitiveness study, the entire City CIP program portfolio (including major and minor grants) will be reviewed with recommendations to program changes coming forward in 2017 to Council.

The 10 Carden targeted "innovation sector" incentive program request will be considered during this 2017 review. While staff understand that this timing may not be aligned to the needs of 10 Carden, to recommend the development of a pilot CIP program outside of the larger incentive program review would be premature at this time. Council has not yet decided if they want to be in the business of "stimulating commercial development in targeted sectors" beyond the current programs already approved. In order to make an educated decision on directing tax dollars and staff resources for this purpose, it is prudent to wait until the completion of the competitiveness study before new CIP programs are developed.

## **FINANCIAL IMPLICATIONS**

There are no financial implications resulting from this report.

Enhancing or adding to the pre-existing Community Improvement Plans already in place would involve increasing the tax-supported annual operating budget by a council approved amount annually to fund the increase in the new grant payments.

## **ACTION REQUIRED**

That Report No. CS-2016-31 dated June 8, 2016 entitled "10 Carden Shared Space Inc. – Community Bond and Tax Incentive Program Request" be received for information.

# STAFF REPORT

---



## **RECOMMENDATION**

That Report No. CS-2016-31 dated June 8, 2016 entitled "10 Carden Shared Space Inc. – Community Bond and Tax Incentive Program Request" be received for information.

## **BACKGROUND**

On March 3, 2016, a delegation from 10 Carden Shared Space Inc. provided information on their plan to re-develop 42 Carden St., the Community Bond Investment program and the Community Improvement Plan to the Public Services Committee. Once presented, the Public Services Committee approved a motion that "in consideration of both the Community Bond Investment program and Community Improvement Plan tax incentive program be referred to finance staff for follow-up and reporting back by the end of Q2 2016 through the Corporate Services Committee".

## **REPORT**

### **Request 1:**

That the City of Guelph makes a one-time investment of \$50,000 in a Series F Community Bond.

### **Staff Response:**

The Municipal Act legislation is very clear on what investment vehicles a Municipality is allowed to invest their public Investment Portfolio funds. The Municipality is prohibited from investing in any bonds from a non-profit group (rated or unrated). The caveat to this would be if the bond was secured by a Schedule I or II bank that has a credit rating of not lower than AA (low).

Upon review of the bond information provided by the requestor, there is little possibility that the bonds would be rated or secured by a Schedule 1 or 2 bank. The City worked with representatives of 10 Carden Street and their banking institution but could not come to solution that met the City's legislated needs.

If these investments were to be considered as part of a Council approved program of tax supported money within a Community Improvement Plan ('CIP'), the City would support the investment in accordance with Section 28 of the Planning Act with respect to grants or loans within a CIP. The City currently does not have any CIP's with available funds or programs that could be utilized in this way

### **Request 2:**

That the City of Guelph develop a Community Improvement Plan Program to stimulate commercial investment in targeted sectors and areas.

### **Staff Response:**

# STAFF REPORT



The City currently has two major CIPs, Brownfield and Downtown, as well as a Heritage Reserve Policy which contain programs to support private sector investment. All plans are up for their five year review in 2017.

In addition to the major CIPs, the City also has a Downtown Minor Activation CIP grant program that on an annual basis, targets the renovation of underutilised space to address smaller scale residential or business related investments to bring more economic activity downtown.

Finally, Business Development and Enterprise Services is launching a 'Municipal Comparator Study with funding support from ICCI (Invest Canada). The project, to be completed by the end of 2016, will be looking comprehensively at private sector investment decision-making and site selection. The study will be looking at the role and types of incentive programs in the larger context of business attraction and community economic strategy.

Using the results of this competitiveness study, the entire City CIP program portfolio (including major and minor grants) will be reviewed with recommendations to program changes coming forward in 2017 to Council. Staff will be working to refresh these CIP's during 2017 for the next 5 year period of 2018 - 2022 and at that time can review and comment on the request put forward and whether the City's strategy would include this type of incentive.

The 10 Carden targeted "innovation sector" incentive program request will be considered during this 2017 review. While staff understand that this timing may not be aligned to the needs of 10 Carden, to recommend the development of a pilot CIP program outside of the larger incentive program review would be premature at this time. Council has not yet decided if they want to be in the business of "stimulating commercial development in targeted sectors and areas" beyond the current programs already approved. In order to make an educated decision on directing tax dollars and staff resources for this purpose, it is prudent to wait until the completion of the competitiveness study before new CIP programs are developed.

## **CORPORATE STRATEGIC PLAN**

Innovation in Local Government

2.3 Ensure accountability, transparency and engagement

## **DEPARTMENTAL CONSULTATION**

Culture, Tourism and Community Investments

Planning, Urban Design and Building Services

Business Development and Enterprise Services

## **FINANCIAL IMPLICATIONS**

There are no financial implications resulting from this report.



# STAFF REPORT



Enhancing or adding to the pre-existing Community Improvement Plans would involve increasing the tax-supported annual operating budget by a council approved amount to fund the increase in the new grant payments.

## COMMUNICATIONS

None noted.

## ATTACHMENTS

None noted.

## Report Authors

Raquel Gurr

Sr. Corporate Analyst, Development Charges and Long Term Planning

Elizabeth McGee

Accounting Analyst

---

### Recommended By

Tara Baker

Acting GM Finance and City Treasurer  
Corporate Services

519-822-1260 Ext. 2084

tara.baker@guelph.ca

---

### Approved By

Mark Amorosi

Deputy CAO  
Corporate Services

519-822-1260 Ext. 2281

mark.amorosi@guelph.ca