COMMITTEE AGENDA

CITY OF Guelph
Making a Difference

TO	**Corporate Services Committee**
DATE	Monday July 6, 2015
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 – June 1, 2015 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-2015.27 Learning and Development Audit Progress Update			
CS-2015.28 Print Shop Audit – Status of Actions Taken			
CS-2105.29 Budget Formula City Guideline			
CS-2015.30 Councillor Allt's Motion from Council February 23, 2015 Re: Reinstatement of the Long Form Census			

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

CITY OF GUELPH COMMITTEE 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: Wednesday September 9, 2015

The Corporation of the City of Guelph
Corporate Services Committee
Monday June 1, 2015 at 2:00 p.m.

Attendance

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

Councillors: Councillor Bell, Salisbury and Wettstein

Staff: Mr. M. Amorosi, Deputy CAO, Corporate & Human Resources
Mr. D. Godwaldt, General Manager, Human Resources
Ms. J. Sheehy, General Manager/City Treasurer
Mr. S. O'Brien, City Clerk
Ms. J. Sweeney, Council Committee Coordinator

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
    Seconded by

    That the open and closed meeting minutes of the Corporate Services Committee held on May 4, 2015 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-2015.22   2014 Human Resources Annual Report
CS-2015.23   2014 Year-End Report on Operating Variance Surplus Allocation and Deficit funding
CS-2015.24   Q1 2015 Operating Variance
CS-2015.26   Budget Process Debrief

Balance of Consent Items

2.   Moved by Mayor Guthrie
        Seconded by Councillor MacKinnon

        That the balance of the Corporate Services Committee June 1, 2015 Consent Agenda, as identified below, be adopted:

CS-2015.25   Q1 2015 Capital Variance Report

        That CS-2015-48, "2015 Q1 Capital Variance Report", be received for information.

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

                                                                              CARRIED

Extracted Items

CS-2015.22   2014 Human Resources Annual Report

Mr. M. Amorosi, Deputy CAO Corporate Services introduced the report.

Mr. D. Godwaldt, General Manager Human Resources, presented the 2014 Human Resources Annual Report. He highlighted the department structure, the 2014 key highlights and the dashboard and scorecard results. He outlined the 2015 areas of focus.

3.   Moved by Councillor Billings
        Seconded by Councillor Allt

        That the 2014 Human Resources Annual Report, be received for information.

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

                                                                              CARRIED

CS-2015.23   2014 Year-End Report on Operating Variance Surplus Allocation and Deficit funding

Ms. J. Sheehy, General Manager Finance/City Treasurer, briefly highlighted the report.

4.   Moved by Councillor MacKinnon
        Seconded by Councillor Allt

        1. That the report CS-2015-49 dated June 1, 2015 entitled "2014 Final Year-End Report on Operating Variance Surplus Allocation and Deficit Funding" be received.

        2. That the Tax Supported deficit of $1,085,154 be funded from reserve 198 – Operating Contingency reserve for the total portion of 2014 ice storm costs of $682,000 and the difference be funded from reserve 180 – Tax Rate Stabilization reserve as follows:

Operating Contingency Reserve (198)	$682,000
Tax Rate Stabilization Reserve (180)	$403,154
Total allocation	**$1,085,154**

3. That the Water deficit of $307,993 be funded from reserve 181 – Water Stabilization reserve.

4. That the Wastewater surplus be allocated to Wastewater reserves as follows:

Wastewater Stabilization Reserve (182)	$279,214
Wastewater Capital Reserve (153)	$933,243
Total allocation	**$1,212,457**

5. That the Court Services surplus of $21,879 be allocated to reserve 120 – POA Relocation Reserve.

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

CARRIED

CS-2015.24   Q1 2015 Operating Variance

5.   Moved by Mayor Guthrie
        Seconded by Councillor MacKinnon

        That Report CS-2015-47, "Q1 2015 Operating Variance Report", be received for information.

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

CARRIED

CS-2015.26   Budget Process Debrief

6.   Moved by Mayor Guthrie
        Seconded by Councillor Billings

        That CS-2015-45 "2015 Budget Debrief", be received for information.

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

CARRIED

Adjournment *(3:50 p.m.)*

7.   Moved by Councillor MacKinnon
        Seconded by Councillor Billings

        That the meeting be adjourned.

                                                                        CARRIED

                                    _____
                                    Joyce Sweeney
                                    Council Committee Coordinator

CORPORATE SERVICES COMMITTEE
CONSENT AGENDA

Monday July 6, 2015

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

REPORT	DIRECTION
CS-2015.27 **LEARNING AND DEVELOPMENT AUDIT PROGRESS UPDATE**	Receive
That the July 6, 2015 report titled "Learning and Development Audit - Progress Update", be received.	
CS-2015.28 **PRINT SHOP AUDIT – STATUS OF ACTIONS TAKEN**	Receive
That the report of the City Clerk regarding "Print Shop Audit – Status of Actions Taken", dated July 6, 2015, be received.	
CS-2015.29 **BUDGET FORMULA CITY GUIDELINE**	Approve
1. That the Corporate Services Committee receive Report CS-2015-46 "Budget Formula City Guideline".	
2. That Corporate Services Committee approve the use of the following budget formula to guide staff budget development: *(5-year average for Ontario CPI) + (5-year average of MPAC's Market Change) + Investment Factor*	

CS-2015.30   COUNCILLOR ALLT'S MOTION FROM COUNCIL FEBRUARY 23, 2015 RE: REINSTATEMENT OF THE LONG FORM CENSUS

The following motion was adopted by Council February 23, 2015:

The following motion be referred to the Corporate Services Committee for their consideration and report back to Council:

1.   That the City of Guelph affirm its support for the reinstatement of the long form census.

2.   That this resolution be forwarded to the Federation of Canadian Municipalities (FCM), the Association of Municipalities of Ontario (AMO), the Large Urban Mayors Caucus of Ontario (LUMCO) and the Minister of Industry.

attach.

STAFF REPORT

CITY OF Guelph
Making a Difference

TO	Corporate Services Committee
SERVICE AREA	Corporate Services
DATE	July 6, 2015
SUBJECT	**Learning and Development Audit Progress Update**
REPORT NUMBER	CS-2015-59

EXECUTIVE SUMMARY

PURPOSE OF REPORT
To provide Committee with a progress update on management's response to the internal operational audit on Learning and Development.

KEY FINDINGS
Status of Recommendations:

Total Recommendations	7
Completed	1
Completed waiting approval	3
In progress	3

FINANCIAL IMPLICATIONS
There are no financial implications to the 2015 approved budget. Some recommendations may have implications in future budget cycles.

ACTION REQUIRED
Receive this report for information.

RECOMMENDATION

That the July 6, 2015 report titled "Learning and Development Audit – Progress Update" be received for information.

BACKGROUND

On February 24, 2014, Council approved the 2014 Audit Committee work plan. Included in the work plan was the Leaning and Development "value for money" audit.

The primary objective of the operational audit was to identify what the City is currently spending on L&D and to benchmark our existing programs and structure

with other organizations in terms of best practices, effectiveness, accessibility and selection of L&D opportunities for City staff.

On August 25, 2014, Staff presented the management response to the internal audit. While no major issues were identified in the service delivery structure for L&D, the internal audit set forth 7 recommendations, which management fully supports and agrees with.

REPORT

The full, detailed report is attached in – Appendix A-CAO-A-1408 Learning and Development Internal Audit Report and Appendix B Learning and Development Audit Report.

Below is a summary on the 7 recommendations:

Completed

Departments should develop an annual L&D plan that aligns to the PDP process and ensures that budget funds are available to complete the plan – Human Resources developed a corporate wide template and embedded it into the 2015 PDP process to assist departments with individual employee learning and development planning. Departments are to use the training plan to ensure that necessary training and development is budgeted.

Completed waiting approval

- **Develop a Corporate Learning and Development Policy** – a policy, including a learning and development framework has been developed and is waiting for approval (within the next month).

  The policy addresses two other recommendations identified by the Internal Auditor:
  - *L&D budgets should be one of the last to be curtailed and only when deemed necessary by the Executive Team. The commitments made to staff and the proposed "Learning and Development Plan" for each department should be maintained.*
  - *Develop an L&D plan to address the concerns employees have expressed with respect to L&D and communicate these plans and actions across the organization e.g. The policy/framework contains a process that provides employees with an equal opportunity to participate in learning and development opportunities.*

<u>In Progress</u>

- **Training effectiveness (beyond attendance) should be evaluated through some form of employee feedback and KPIs should be established to measure the effectiveness of all types of learning and development** – Human Resources developed a "tool kit" with on-line resources for leaders, employees, and trainers to reinforce learning and follow-up, including an evaluation tool. L & D KPI's to measure effectiveness will be developed in 2015.

- **The organization needs a more robust and formalized training process in specific areas;**
- **To consider the centralization of learning and development budgets to address key recommendations from the Organizational Assessment and Employee Engagement Survey.**

The above recommendations require a detailed project plan and dedicated resources. A high level approach is being scoped and will go forward to the Corporate Management Team (CMT) for discussion and direction in July/August 2015.

Conclusion

Overall, progress has been achieved. Once approved, the Leaning and Development policy and framework will be communicated to all employees. The approach is to provide guidance, clarity and ensure the commitment to demonstrating value that investments in learning and development yield the desired results for employees and the organization.

CORPORATE STRATEGIC PLAN:
Organizational Excellence
1.1   Engage employees through excellence in leadership

Innovation in Local Government
2.3 Ensure accountability, transparency and engagement

FINANCIAL IMPLICATIONS:
There are no implications to the 2015 approved budget. Some recommendations may have implications in future budget cycles.

CONSULTATIONS:
N/A

ATTACHMENTS:

Appendix "A" Internal Audit Report – Learning and Development Audit Final CAO-A-1408

Appendix "B" Learning and Development Audit Report

Report Author
David Godwaldt

Approved By
David Godwaldt
General Manager,
Human Resources
519-822-1260 ext. 2848
E: david.godwaldt@guelph.ca

Recommended By
Mark Amorosi
Deputy CAO
Corporate Services
519-822-1260 ext. 2281
E: mark.amorosi@guelph.ca

CAO-A-1408 – Appendix "A"

INTERNAL AUDIT REPORT

LEARNING AND DEVELOPMENT

FINAL

August 1, 2014

Prepared by: Loretta Alonzo, Internal Auditor

Table of Contents

EXECUTIVE SUMMARY

Executive Summary - Key Findings and Recommendations

Learning and Development (L&D) encompassing all forms of training, is an essential component of today's "Learning Organization". In order to keep pace with the rapidly changing environment of technology, legislative requirements and best practices in business performance and customer service delivery, it is imperative that staff are equipped with the knowledge and tools to achieve optimum results for the organization.

The primary objective of this operational audit was to identify what the City is currently spending on L&D and to benchmark our existing programs and structure with other organizations in terms of best practices, effectiveness, accessibility and selection of L&D opportunities for City staff.

Our audit research confirmed that the current decentralized model of administering L&D is most common among our municipal comparators and is largely effective for the City. This means that each department establishes and controls its own L&D budget and training decisions. The Human Resources department takes primary responsibility for specific types of training such as Health and Safety, Tuition Reimbursement, Wellness and corporate training and development.

While no major issues were identified in the service delivery structure for L&D, there are some significant gaps in specific forms of training that should be addressed.

Extensive stakeholder input was gathered for this audit and the results were highly consistent across the organization. Health and Safety training was highly rated by the majority of staff as was orientation, onboarding and soft skill training such as diversity, respectful workplace etc.

One of the issues of greatest concern for more than 85% of staff respondents is the lack of training in corporate software programs such as "RAC", "WAM", "KRONOS" "AMANDA", etc. as well as the lack of training in Customer Service, Budgets and Office software programs. The current practice to obtain corporate software systems training leaves most employees on their own to arrange training with one of the "super users" in each respective area (Finance, Procurement, HR etc.) This is ineffective, inconsistent and relies on the willingness and availability of other staff to provide training that is not part of their function or responsibility.

Financial analysis conducted for the audit identified that nearly 100% of L&D budgets are underspent year over year by an average of 30%. This often occurs when "discretionary" spending is curtailed to mitigate projected budget deficits.

In order to truly become a "Learning Organization" and support one of the City's strategic directions (*1.1 Engage employees through excellence in leadership*) the City will have to accept that Learning and Development plans and commitments are *not* discretionary and should be maintained.

Municipal benchmarking data was somewhat difficult to obtain, particularly for financial comparisons, as most organizations, like Guelph, have decentralized L&D budgets and are not able to provide financial data at the department level for the purpose of comparing our costs. Some of the comparisons used for the audit were taken from the HR Annual Report based on the Conference Board of Canada statistics.

We note that there is presently no corporate Learning and Development Policy and acknowledge that HR staff have established a new policy which they are ready to formally implement pending the completion of this audit. It is anticipated that the new policy will address many of the concerns expressed by staff in terms of equity, accessibility and effectiveness of training.

The key findings and recommendations identified in the audit are summarized in Chart 1 on page 8 of this report.

AUDIT OBJECTIVES
The following objectives were established for this operational audit:

- Identify what the City is currently spending on all forms of Learning and Development
- Evaluate financial reporting and transparency of training dollars spent
- Identify best practices and benchmark the City with other organizations to determine what will be required for the City of Guelph to implement these practices
- Assess the effectiveness, accessibility and selection of learning and development opportunities for City staff
- Inform the ongoing development of a Corporate Learning and Development policy

SCOPE
The scope established for this audit includes:

- Analysis of all Learning and Development costs (3 years historical, Budget vs. Actual).
- Compare size of budgets by department and number of employees.
- Classification of all related costs by type; i.e. Health and Safety, Legislated Training, Professional Development, etc.
- Evaluate existing system and other IT training; i.e. WAM, RAC, JDE, AMANDA, etc.
- Stakeholder evaluation of existing training programs
- Municipal Benchmarking

AUDIT TEAM

- Loretta Alonzo, Internal Auditor
- Katherine Gray, Business Performance Specialist
- Adrian van Eck, Supervisor, Inspection Services

METHODOLOGY

The following research and analysis was undertaken for this audit:

- Staff-Stakeholder interviews
  - Online survey (49 completed)
  - Paper survey (83 completed)
  - Personal interviews – Executive Team / DRLT (16 completed)
  - Standing Committee Chairs
  - Compliance Training staff (2)
  - Health and Safety staff (2)
  - Key Human Resources staff (6)
- Internal documentation review and analysis
  - Human Resources, Annual Reports – 2008-2013
- External Literature review
- Municipal Comparators – Benchmarking
- Financial Analysis (Object codes – 3400-3480)

CORPORATE OVERVIEW

Current Environment

Learning and development, encompassing all forms of training, is an essential component of today's "Learning Organization". In order to keep pace with the rapidly changing environment of technology, legislative requirements and best practices in business performance and customer service delivery, it is imperative that staff are equipped with the knowledge and tools to achieve optimum results for the organization.

The City of Guelph strives to ensure that the organization meets the needs of employees and the community by providing learning and development opportunities in a variety of forms. The benefits to the organization include:

- Employees who are continuously learning are better prepared to help the organization achieve its goals
- Learning and develop programs ensure staff are more engaged, productive and motivated
- Well trained staff require less supervision
- A skilled pool of employees are ready to replace others who leave

- Staff that engage in continuous learning are better able to meet the challenge of changes in the organization
- The City can attract and retain the best employees

Our audit research confirmed that the current decentralized model of administering L&D is most common among our municipal comparators and is largely effective for the City. This means that each department establishes and controls its own L&D budget and training decisions. The Human Resources department takes complete responsibility for specific types of training such as Health and Safety, Tuition Reimbursement (LEAP program), Wellness and corporate training and development.

While no major issues were identified in the service delivery structure for L&D, there are some significant gaps in specific forms of training that should be addressed.

Extensive stakeholder input was gathered for this audit and the results were highly consistent across the organization. Health and Safety training was highly rated by the majority of staff as was orientation, onboarding and soft skill training such as diversity, respectful workplace etc.

One of the issues of greatest concern for more than 85% of staff respondents is the lack of training in corporate software programs such as RAC, WAM, KRONOS, etc. as well as the lack of training in Customer Service, Budgets and Office software programs. The current practice to obtain corporate software systems training leaves most employees on their own to arrange training with one of the "super users" in each respective area (Finance, Procurement, HR etc.) This is ineffective, inconsistent and relies on the willingness and availability of other staff to provide training that is not part of their function or responsibility.

Recommendation

The organization should address this significant deficiency by assigning responsibility for all corporate software systems training to one or more areas that should take responsibility for managing the training for those systems.

We acknowledge that establishing formal training programs for these specific areas will require significant planning and resources. It may be most effective for the organization to establish a short-term committee or task force to get this work started and determine how best to approach the issue, timelines, deliverables and required resources.

Financial analysis conducted for the audit identified that nearly 100% of L&D budgets are underspent year over year by an average of 30%. This often occurs when "discretionary" spending is curtailed to mitigate projected budget deficits.

Recommendation

L&D budgets should be one of the last to be curtailed.

In order to truly become a "Learning Organization" and support one of the City's strategic directions (*1.1 Engage employees through excellence in leadership*) the City will have to accept that Learning and Development plans and commitments are *not* discretionary and should be maintained.

A detailed summary of the issues that were identified by the majority of survey respondents is presented on page 12.

CORPORATE SUMMARY – KEY FINDINGS AND RECOMMENDATIONS

Chart 1

FINDING	RECOMMENDATION
1. **Lack of a corporate L&D policy providing governance and oversight including approval processes, documentation and reporting.**	*We note that a new corporate Learning and Development Policy has been established and is ready for roll-out pending the completion of this audit. It is important that the new policy be reviewed by management to ensure that it addresses the issues identified through this audit wherever possible.*
2. **Learning and Development (L&D) budgets are viewed as "discretionary spending" rather than a mandatory commitment and are typically one of the first expenses to be curtailed when mitigating projected deficits.**	L&D budgets should be one of the last to be curtailed and only when deemed necessary by the Executive Team. The commitments made to staff and the proposed "Learning and Development Plan" for each department should be maintained.
3. **Nearly 100% of all L&D budget are underspent by an average of 30% annually.**	Management should ensure that their departmental L&D budgets *are realistic based on the needs of staff and the organization* and make the decision to either *reduce excess budget* $ **or** *commit to spending the budget based on their departmental L&D plan* **or** *consider reallocating the excess budget (when there is a 5 year trend of underspend), to a corporate reserve fund for learning and development*
4. **Survey results indicate that** *many* **employees perceive little or no improvement in L&D policies or processes since the 2012 Employee Engagement Focus group identified these same issues.** **(L&D was NOT identified as one of the top 3 drivers following the Employee Engagement Survey and therefore no action plans were developed)**	Develop an L&D plan to address the concerns employees have expressed with respect to L&D and communicate these plans and actions across the organization. Management should ensure that where possible, the new policy addresses the key issues raised by the focus group in the last engagement survey as well as the audit survey findings.
5. **The organization needs a more robust and formalized training process in specific areas.**	a) Corporate and Human Resources (CHR) should address this significant deficiency by assigning responsibility for <u>all corporate software systems</u>

|	
More than 85% of staff respondents identify that the training for *all corporate computer systems* such as RAC, WAM, CLASS, AMANDA, JDE, etc. and Office software programs such as Word, Excel and PowerPoint, Customer Service and Budgets is NOT meeting their needs.	training to one or more areas that should "own" and take responsibility for managing the training for those systems. A number of delivery options such as outsourcing, contracting, in-house, on-line or a combination of these should all be considered. b) Systems training should be part of the onboarding process for all new employees with an established schedule and frequency *and should also be available* to existing employees on a regular and ongoing basis as requested. c) <u>Customer Service</u> and <u>Budget</u> training should be assigned to the appropriate department and delivered to employees that require it. A training program should be developed that ensures the new Customer Service Standards are understood and consistently delivered.
6. Without formal Corporate and Departmental L&D plans it is difficult to accurately budget for L&D to ensure that required skills and competencies are maintained within the Corporation.	Departments should develop an annual L&D plan that aligns to the PDP process and ensures that budget funds are available to complete the plan. Management should be accountable for ensuring these plans are aligned with the needs of the organization and provide employees with core competencies necessary to prepare them for future opportunities at the City.
7. There are no performance indicators or means of measuring the effectiveness of training to validate that both the organization and the employee are receiving value.	Training effectiveness (beyond attendance) should be evaluated through some form of employee feedback and KPIs should be established to measure the effectiveness of all types of learning and development.

CORPORATE FINANCIAL ANALYSIS

It is significant to note that almost 100% of L&D budgets are underspent by an average of 30% annually. There are a number of factors that impact actual spending but in recent years discretionary spending has often been curtailed or eliminated to mitigate projected deficits.

 The total Budget compared to Actual costs for 2011-2013 are depicted in Chart 2 and Chart 3 below.

Chart 2
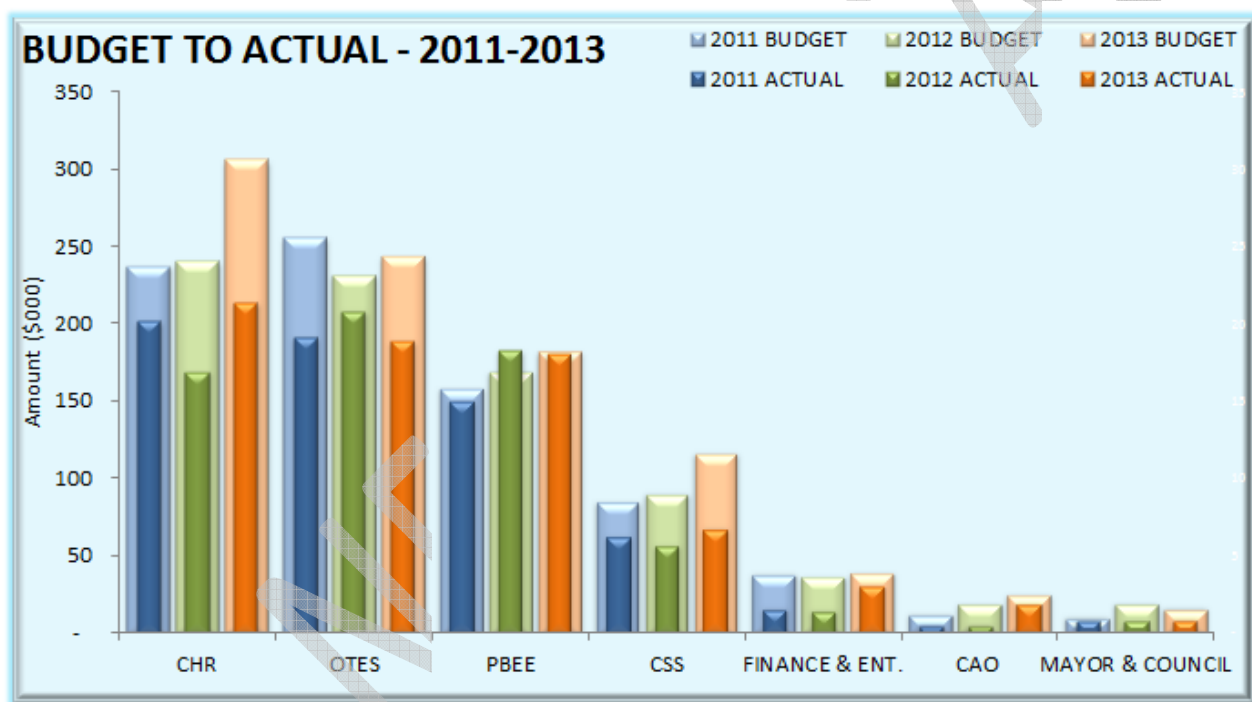
** Note that the reported costs for CHR <u>include 100% </u>of expenses for management and executive training and development, Health and Safety training, Wellness, and Tuition Assistance (LEAP Program)

Chart 3

Recommendation

Management should ensure that their departmental L&D budgets are realistic based on the needs of staff and make the decision to either reduce excess budget $ or commit to spending the budget based on their departmental L&D plan.

BUDGET TO ACTUAL VARIANCE - BY SERVICE AREA - 2011-2013										
	2011		%	2012		%	2013		%
	BUDGET	ACTUAL	Underspent	BUDGET	ACTUAL	Underspent	BUDGET	ACTUAL	Underspent
CAO	12,720	5,825	-54%	19,220	5,578	-71%	25,220	19,617	-22%
MAYOR & COUNCIL	10,600	8,699	-18%	19,500	8,452	-57%	16,500	9,217	-44%
OTES	256,415	191,925	-25%	232,056	208,928	-10%	244,256	189,582	-22%
PBEE	158,960	150,701	-5%	169,508	183,401	8%	182,538	181,316	-1%
CSS	85,415	63,048	-26%	90,870	57,158	-37%	116,743	68,196	-42%
CHR	238,370	202,317	-15%	240,920	169,774	-30%	306,170	214,628	-30%
FINANCE & ENT.	38,895	16,410	-58%	36,734	15,069	-59%	39,289	30,777	-22%
TOTALS	801,375	638,925		808,808	648,360		930,716	713,333	

The actual costs by category (object code) for ALL service areas are shown in Chart 4 below. We note that costs have not increased significantly over the past 3 years.

Chart 4

LEARNING & DEVELOPMENT - ACTUAL COSTS BY CATEGORY (OBJECT CODES)					
		2011	2012	2013	OBJECT CODE
Conference Registration		153,026	131,803	165,147	3405
Train. Meals		5,132	4,601	6,274	3407
Train. Mileage		1,250	881	342	3408
Train. Fares		5,287	1,366	8,689	3409
Train. Accomodation		2,186	1,693	1,593	3410
Train. Supplies		8,729	19,309	11,476	3411
Train. Registration		342,732	407,516	418,313	3412
Management Train.		6,853	2,543	3,039	3414
Employee Train.-Develop.		19,269	23,328	15,665	3480
Health & Safety Train.		15,968	8,751	6,179	3480
Manadatory Train.		7,304	7,925	8,737	3480
Management Train.		24,134	7,695	25,497	3480
Tuition Assist.		23,565	10,871	39,891	3480
Wellness Expense		19,188	16,593	1,316	3480
		636,634	646,887	714,171	

These figures cannot be compared to those reported in the HR Annual Report as the criteria used in the report is customized to standards set by the Conference Board of Canada for reporting these costs and does not include all of the object codes in the City's financial reporting system. It should also be noted that the recurring issue of data governance is evident in the lower level financial reporting due to the inaccurate use of object codes by users. The result is some inconsistencies in the financial data collected for this audit.

According to the HR Annual Report for 2013 the City is comparing training data against the following sectors; Federal, Provincial, Municipal, University, Hospital and School Board. While only 53 organizations responded to the survey in 2011 the total number reporting in 2013 was 115. Using the Conference Board of Canada benchmarking data, the cost of actual training per full time employee is summarized in **Chart 5** below:

COST OF TRAINING PER FULL TIME EMPLOYEE					
	2009	**2010**	**2011**	**2012**	**2013**
Guelph (Actual) Cost per Full Time Employee	$694	$476	$536	$579	$593
Guelph Budget			*$649*	*$655*	*$754*
Conference Board of Canada	$986	$986	$688	$688	$705

While the City is setting realistic budgets that ensure a competitive and reasonable training allocation per employee, we are consistently lagging behind other employers in terms of *actual dollars spent per employee*. As stated in the HR Annual report, the City is competing for talent with other employers and may be unfavourably compared to those organizations as a result. More detailed analysis regarding L&D from the perspective of Guelph staff may be found in the "Stakeholder Interview and Survey" section of this report.

Recommendation
Develop a plan to address the concerns employees have expressed with respect to L&D and communicate action plans across the organization.

STAKEHOLDER INTERVIEW AND SURVEY DATA

Extensive input from staff was collected for this audit. In total, 132 paper and online surveys were completed and an additional 16 personal interviews were conducted.

The results were highly consistent across the organization and soundly confirm the results of the Employee Engagement Survey conducted in 2012. In their "Summary of Focus Group Findings", Aon Hewitt identified the following issues related to Learning and Development:
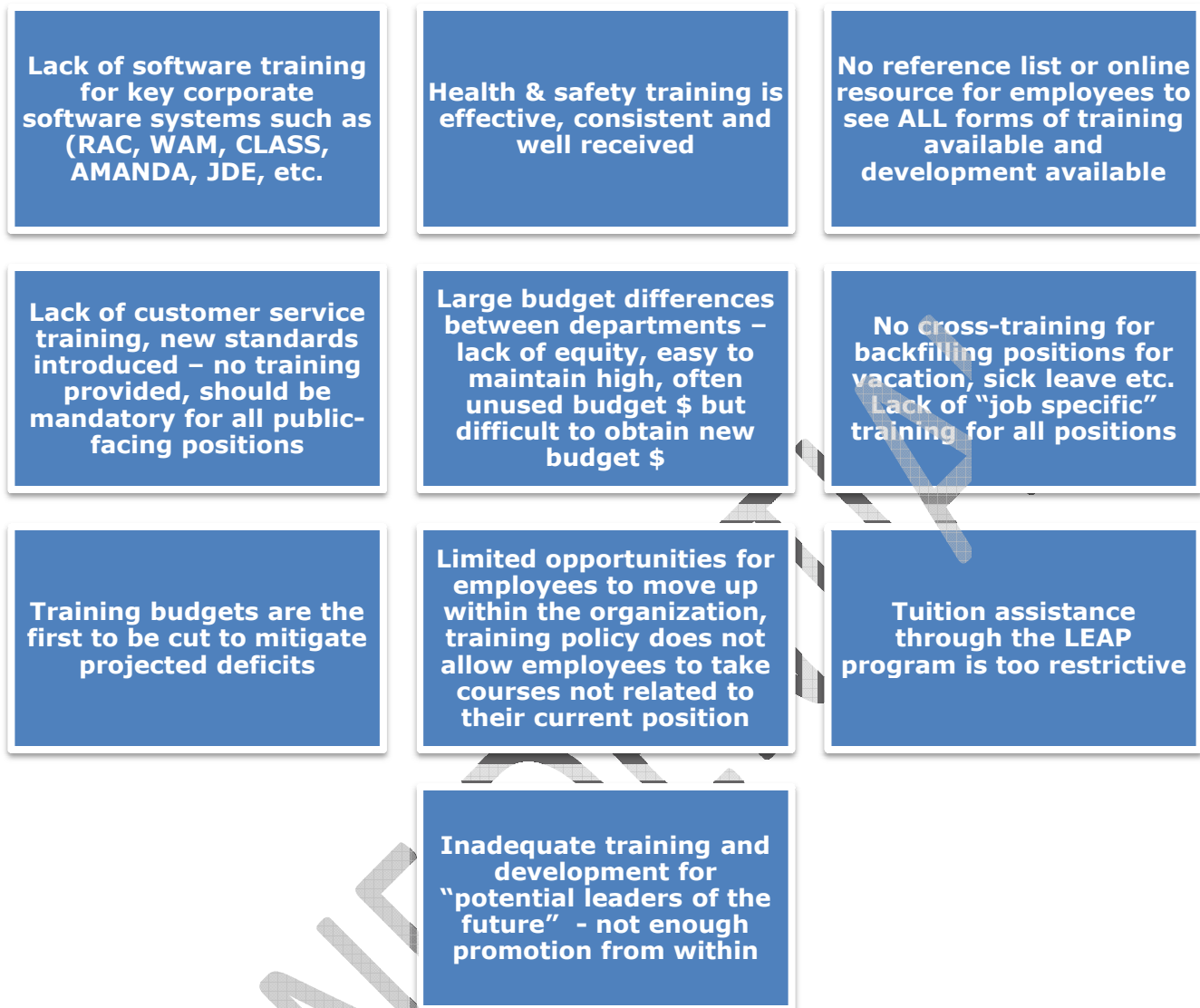
- ❖ Employees say policy prevents them from taking any training not directly related to their current role: this makes it difficult to develop new skills that could lead to a job change
- ❖ Employees believe supervisors and managers are inconsistent in approving training………..; there is confusion over the budget for training

- ❖ Employees do not believe they have much of an opportunity to advance – and, in fact believe the systems in place actually are designed to limit their ability to advance

The survey results from this audit indicate that most employees see little or no improvement in this area and the audit confirms that no changes to corporate policy or processes have been made since the employee engagement results were received. There has been some improvements at the department level and we note that the Building Services has developed a very thorough training plan, training reference book and a robust training schedule for their staff. This model could be used for all departments to develop their L&D training plans (see Recommendation # 6, page 8).

In order for the responses to be fully understood, the complete raw data including open comments (not including names of respondents) will be provided to the auditee separately from this report.

The majority of employee responses identified these as the **top ten issues**.

Lack of software training for key corporate software systems such as (RAC, WAM, CLASS, AMANDA, JDE, etc.	Health & safety training is effective, consistent and well received	No reference list or online resource for employees to see ALL forms of training available and development available
Lack of customer service training, new standards introduced – no training provided, should be mandatory for all public-facing positions	Large budget differences between departments – lack of equity, easy to maintain high, often unused budget $ but difficult to obtain new budget $	No cross-training for backfilling positions for vacation, sick leave etc. Lack of "job specific" training for all positions
Training budgets are the first to be cut to mitigate projected deficits	Limited opportunities for employees to move up within the organization, training policy does not allow employees to take courses not related to their current position	Tuition assistance through the LEAP program is too restrictive
	Inadequate training and development for "potential leaders of the future" - not enough promotion from within	

Employees also expressed their concern about these issues:

- No tracking and reporting system for training requirements – managers, supervisors have to identify when training is due and what is available
- New supervisors and managers not receiving adequate training on policies and procedures
- Difficult for many employees to pay for courses up front through LEAP program
- In-house training times not accessible for all employees, even mandatory training is not possible at times
- Professional development is department specific – no corporate direction to build staff skills
- Timing of training budget doesn't align with PDP process
- Lack of formal succession planning
- Need training in Council and Committee approval process and general procedures
- JDE reporting is inconsistent, out of date and inaccurate for training information and status; redundant efforts to provide one result (3 people entering the same information)

The audit survey asked employees to rate their satisfaction with specific types of training offered by the City. There are some significant gaps between the training employees feel they need and what the City is providing in some instances.

As stated previously the most notable training deficiency identified in the audit is related to corporate computer systems training (JDE, RAC, KRONOS, WAM, AMANDA, etc.), Budgets and Customer Service. Clearly the needs of the organization are not being met and staff are limited in their ability to fully utilize the available tools or deliver the highest quality service to their customers.

The results of three key survey questions are summarized in Chart 7 and 8 below:

Chart 7

Question 1: Rate the following types of training and development in terms of how they meet your needs and expectation:

	Fully Meets My Needs	Somewhat Meets My Needs	Does Not Meet My Needs	Total Number of Responses
Onboarding (recruitment and selection process)	40.0%	47.7%	12.3%	65
Orientation	31.8%	39.4%	28.8%	132
Legislated or Regulatory Training (for professional certification or compliance)	36.5%	41.7%	21.9%	96
Health and Safety	41.1%	45.2%	13.7%	124
Professional Development and Education	21.4%	45.5%	33.0%	112
Corporate leadership, Management and Supervisory Training	22.1%	51.2%	26.7%	86
Policy/Soft skill Training (respectful work place, diversity, etc.)	43.7%	42.0%	14.3%	119
Organizational Development	22.7%	45.5%	31.8%	110
Computer Systems (RAC, JDE, WAM, KRONOS, GIS, AMANDA, etc.)	10.5%	38.1%	51.4%	105
Customer Service Training	21.4%	38.4%	40.2%	112
Budget Training	21.5%	24.6%	53.8%	65
AVERAGE %	28.4	41.7	29.8	

Question 2:   We asked staff to rate the current system for approving and accessing training and development funds:

Total Responses: 119

Very Effective   15.1%
Somewhat Effective   50.4%
Not Effective   34.5%

Question 3:   We also asked survey participants what additional learning and development opportunities they would like to see at the City of Guelph. Their responses are illustrated in Chart 8 below:

The top 3 requests for training are corporate software systems, office software and customer service.

Chart 8   Total Responses: 113

Additional Training Identified
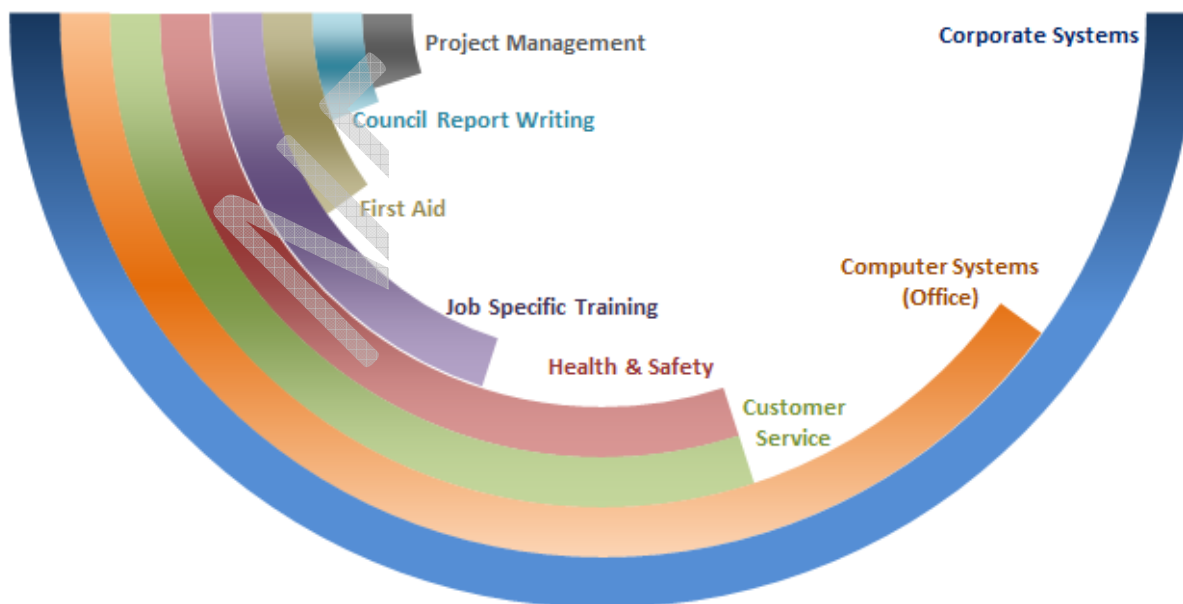
BENCHMARKING

Municipal benchmarking data was somewhat difficult to obtain, particularly for financial comparisons, as most organizations, like Guelph, have decentralized L&D budgets and are

not able to provide financial data at the department level for the purpose of comparing our costs. Some of the comparisons used for the audit were taken from the HR Annual Report based on the Conference Board of Canada statistics.

The majority of municipalities surveyed operate on a "decentralized" basis where planning, funding and authorization for training and development activities takes place at both the department as well as the corporate level.

The *corporate* budget for learning and development (L&D) is most often directed towards cross-departmental training such as leadership or management training, orientation, corporate code of conduct, soft skills training such as respectful workplace and diversity, and health and safety training.

Only 2 municipalities (Kitchener and Kawartha Lakes) report a budget which is centralized through an L&D reserve or administered solely by the HR department. Within this centralized framework decision-making is made by departments for individual training but the HR department is responsible for the overall administration of the corporate program.

The municipal comparators that responded to our survey are limited which makes it difficult to draw conclusions from the data collected. The City of Vaughan conducted a broad survey on training and development in August 2013 and we have incorporated come of their data into our results. The findings are summarized as follows:

- ❖ Only 2 of 5 cities report having a formal Learning and Development policy
- ❖ None of the 5 cities surveyed have conducted a Learning and Development audit in the past 5 years. (Burlington, Hamilton, Peel Region, Toronto, Vaughan)
- ❖ None of the respondents were able to provide comparable financial data for Learning and Development costs as all are decentralized with expenditures being controlled at the department level only. Vaughan reported that 55% of municipalities were unable to report on these costs at the department level
- ❖ Computers systems training is most often provided by HR for Microsoft Office software (Word, Excel, PowerPoint) but other IT training is generally provided by the IT department. Training may be outsourced, carried out in the department or hosted by other subject matter experts in the organization
- ❖ L&D costs by organization were highly variable ($50,000 to $5 million) but as a percentage of total payroll these costs consistently ranged from .8% to 1%
- ❖ Average expenditure per employee ranges from $70 to $1000
- ❖ 72% of those surveyed split L&D budgets between Corporate and Departmental needs with only 28% allocating all L&D budgets to the departments

Recommendation
Departments should develop an annual L&D plan that aligns to the PDP process and ensures that budget funds are available to complete the plan.

The audit did not identify and department- specific issues or recommendations. As part of the financial analysis completed for the audit we have

examined the 3-year history of Budget to Actual by service area. Those results are depicted in the following charts 9-18.

OPERATIONS, TRANSIT AND EMERGENCY SERVICES – FINANCIAL ANALYSIS

The following charts illustrate Actual to Budget 2011 - 2013

Chart 9

Chart 10

LEARNING & DEVELOPMENT COSTS - OTES							
	2011		2012		2013		2014
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET
OTES Admin	3,650	5,050	3,650	3,199	4,650	3,957	9,650
By-law, Security, Licensing	7,760	7,391	7,260	6,891	7,260	7,713	10,060
Transit	11,250	8,555	11,250	4,441	11,250	7,508	16,100
Operations	75,361	47,770	72,132	71,642	74,432	46,353	69,532
Emergency Serv.	158,394	123,159	137,764	122,755	146,664	124,051	136,044
TOTALS	256,415	191,925	232,056	208,928	244,256	189,582	241,386

PLANNING, BUILDING, ENGINEERING AND ENVIRONMENT – FINANCIAL ANALYSIS

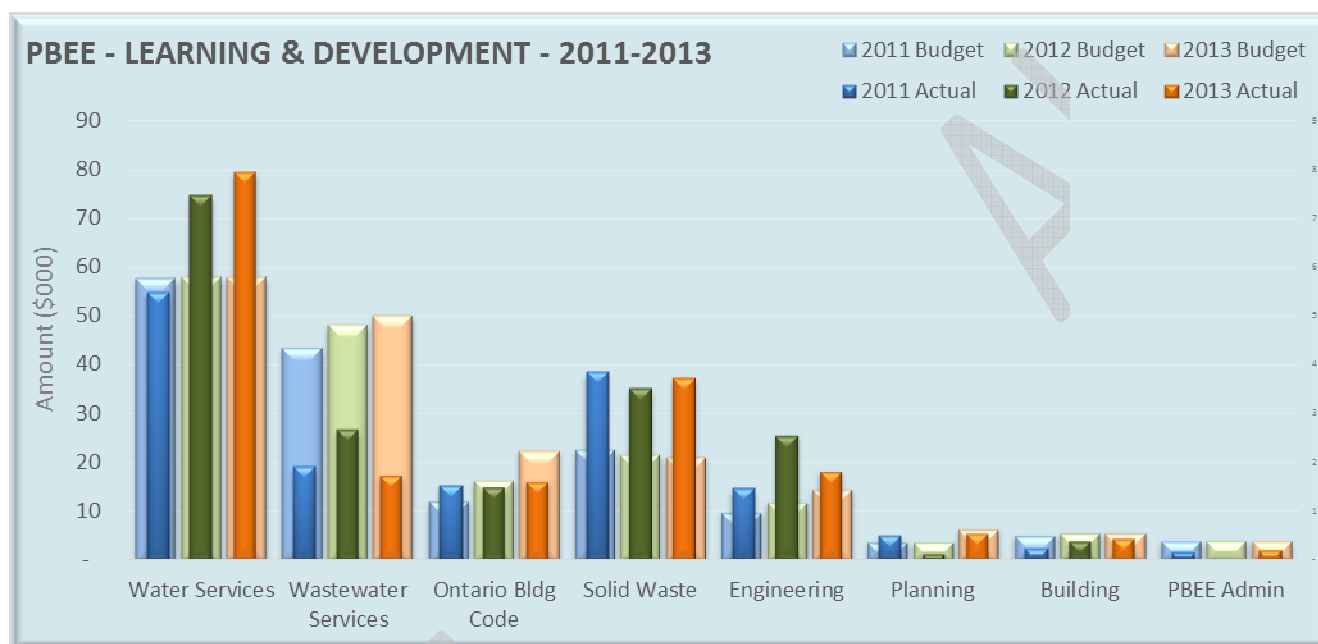The following charts illustrate Actual to Budget 2011 - 2013

Chart 11

Chart 12

LEARNING & DEVELOPMENT COSTS - PBEE	2011		2012		2013		2014
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET
PBEE Admin	4,000	1,402	4,000	223	4,000	2,269	4,000
Planning	3,700	4,978	3,700	1,557	6,500	5,582	16,500
Water Services	57,800	54,929	58,000	74,865	58,000	79,569	66,000
Wastewater Services	43,600	19,002	48,198	26,900	50,098	17,537	52,598
Building	5,140	2,242	5,640	4,092	5,700	4,454	7,200
Engineering	9,970	14,546	11,970	25,542	14,540	18,330	20,100
Solid Waste	22,650	38,447	21,700	35,253	21,200	37,357	38,700
Ontario Bldg Code	12,100	15,155	16,300	14,969	22,500	16,218	24,200
TOTALS	158,960	150,701	169,508	183,401	182,538	181,316	229,298

COMMUNITY AND SOCIAL SERVICES – FINANCIAL ANALYSIS

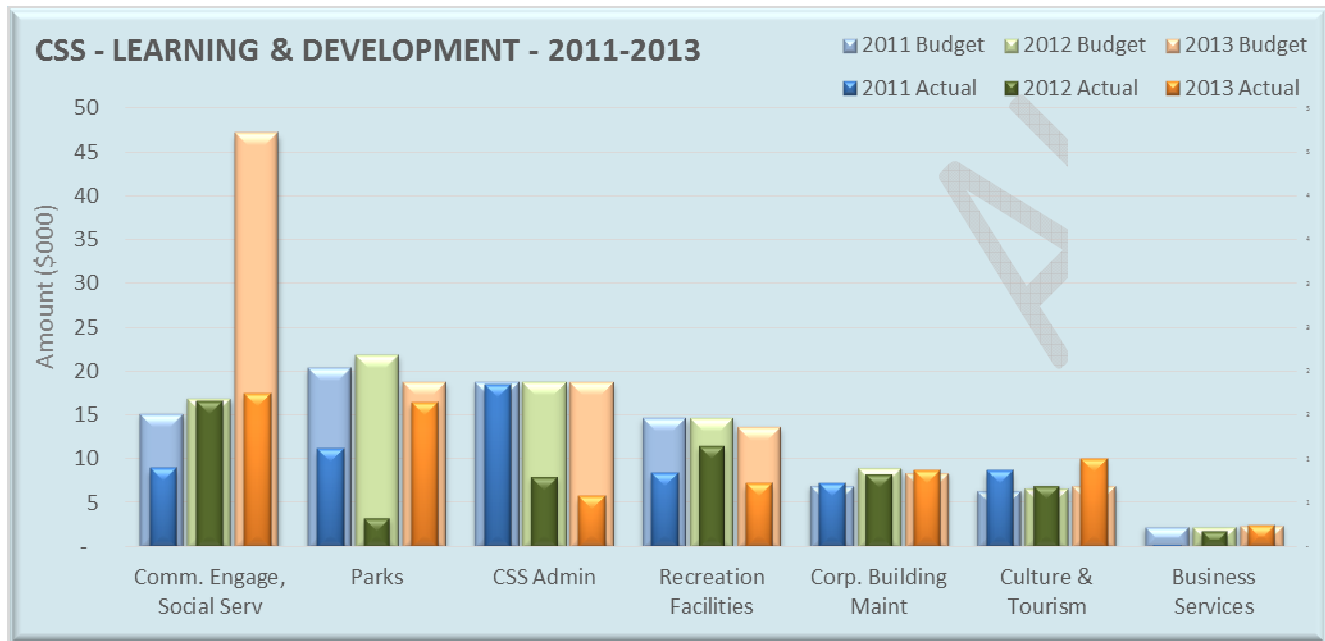The following charts illustrate Actual to Budget 2011 - 2013

Chart 13

Chart 14

LEARNING & DEVELOPMENT COSTS - CSS							
	2011		2012		2013		2014
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET
CSS Admin	18,820	18,467	18,820	8,021	18,820	5,800	18,820
Recreation Facilities	14,740	8,393	14,740	11,605	13,740	7,204	13,840
Comm. Engage, Social Serv	15,296	8,959	17,012	16,684	47,185	17,506	7,435
Culture & Tourism	6,530	8,680	6,830	7,124	7,030	10,099	7,780
Corp. Building Maint	7,130	7,197	9,130	8,417	8,530	8,675	11,930
Business Services	2,360	206	2,360	1,961	2,560	2,433	2,560
Parks	20,539	11,146	21,978	3,346	18,878	16,479	19,778
TOTALS	85,415	63,048	90,870	57,158	116,743	68,196	82,143

CORPORATE AND HUMAN RESOURCES – FINANCIAL ANALYSIS

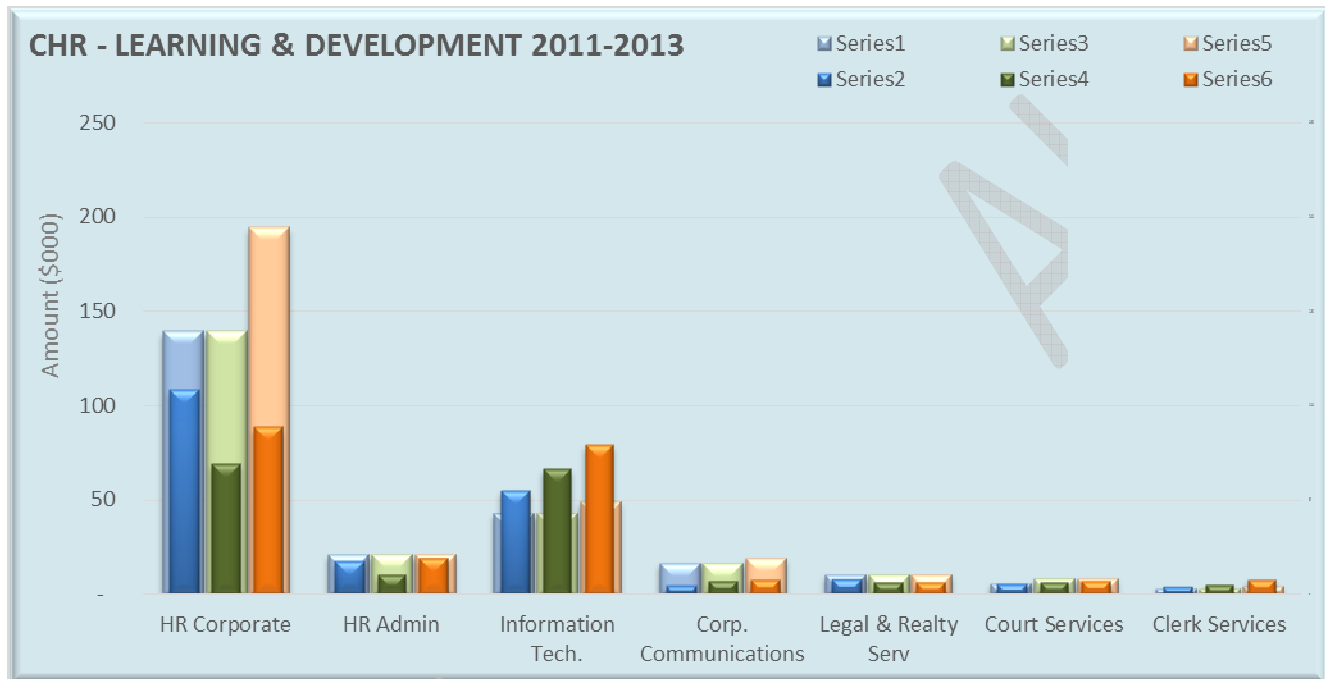The following charts illustrate Actual to Budget 2011 - 2013

Chart 15

Chart 16

LEARNING & DEVELOPMENT COSTS - CHR							
	2011		2012		2013		2014
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET
HR Corporate	139,070	108,325	139,070	68,724	194,070	88,172	135,370
HR Admin	21,000	17,447	21,000	10,319	21,000	18,951	21,000
Information Tech.	42,910	55,157	42,910	66,069	48,910	78,998	51,910
Corp. Communications	16,340	4,334	16,340	7,256	19,140	7,642	20,700
Legal & Realty Serv	10,300	7,743	10,300	6,233	10,300	6,404	11,300
Court Services	5,750	5,541	8,300	6,311	8,550	6,643	9,940
Clerk Services	3,000	3,770	3,000	4,862	4,200	7,818	5,300
TOTALS	238,370	202,317	240,920	169,774	306,170	214,628	255,520

** Note that the reported costs for HR Corporate include 100% of expenses for management and executive training and development, Health and Safety training, Wellness, and Tuition Assistance (LEAP Program)

FINANCE AND ENTERPRISE – FINANCIAL ANALYSIS

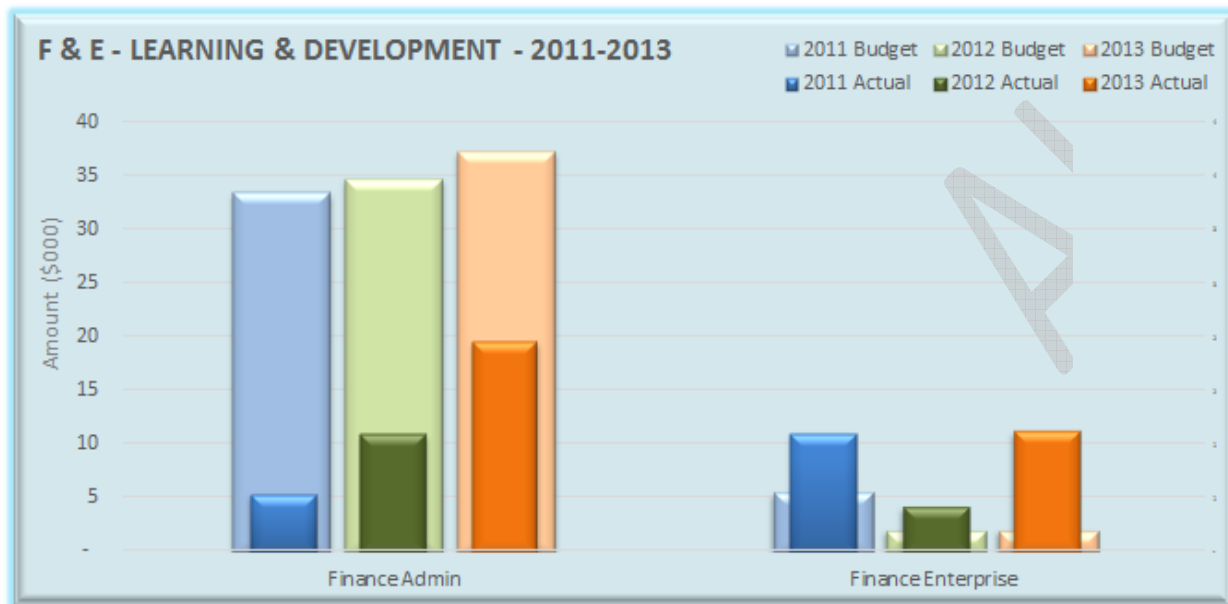The following charts illustrate Actual to Budget 2011 - 2013

Chart 17

Chart 18

LEARNING & DEVELOPMENT COSTS - F & E	2011		2012		2013		2014
	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET	ACTUAL	BUDGET
Finance Admin	33,395	5,359	34,734	10,927	37,289	19,557	37,989
Finance Enterprise	5,500	11,051	2,000	4,142	2,000	11,220	6,600
TOTALS	38,895	16,410	36,734	15,069	39,289	30,777	44,589

CONCLUSIONS

The overall outcome of the audit is positive and confirms that the organization is managing Learning and Development very well in some respects. The decentralized service structure appears to be effective and a number of key training programs such as Health and Safety, soft skills, and onboarding are well-received by staff.

There are, however, a number of key issues identified through the audit that have corporate-wide impacts. Without a corporate L&D policy as reference, there is perceived inequality, inconsistency and a lack of transparency in the way training and development decisions are made.

The lack of "ownership" with respect to corporate software systems and programs has been a long-standing issue without resolution. Our audit research indicates that this function traditionally resides in HR and there may be a partnership with IT Services to facilitate the training programs. The status quo is not serving either staff or the organization well and has resulted in reduced efficiency and productivity in some areas.

The fact that most departments have consistently underspent their L&D budgets suggests that not enough emphasis has been placed on employee development and this has contributed to low employee engagement results.

In order to create departmental L&D plans that link to the Performance Development Plan as well as budget planning, management should consider the approach that has been developed by Building Services. Their plan identifies the specific types of training required by all their staff as well as the level of proficiency required to perform their duties. They have also created a Training Guideline manual that provides staff with a full directory of available training courses and programs for every required skill or competency.

The new Learning and Development policy will be a pivotal point in addressing many of the audit findings and recommendations and it is critical that this information be well communicated and understood across the organization.

NEXT STEPS

Management is requested to respond by August 1, 2014 in order for the complete audit package to be presented to Council on August 25, 2014. A template will be provided for management to complete their response.

STAFF REPORT

TO	City Council
SERVICE AREA	CAO Administration
DATE	July 28, 2014
SUBJECT	**Learning and Development Audit Report**
REPORT NUMBER	CAO-A-1408

EXECUTIVE SUMMARY

PURPOSE OF REPORT
To provide Council with the Internal Auditor's findings and recommendations of the Learning and Development audit.

KEY FINDINGS
Learning and Development (L&D) encompassing all forms of training, is an essential component of today's "Learning Organization".The primary objective of this operational audit was to identify what the City is currently spending on L&D and to benchmark our existing programs and structure with other organizations in terms of best practices, effectiveness, accessibility and selection of L&D opportunities for City staff.

Our audit research confirmed that the current decentralized model of administering L&D is most common among our municipal comparators and is largely effective for the City.

While no major issues were identified in the service delivery structure for L&D, there are some significant gaps in specific forms of training that should be addressed.

FINANCIAL IMPLICATIONS
There are costs associated with the findings and recommendations.

ACTION REQUIRED
Council to receive the audit report.

RECOMMENDATION
1. That the Council receive the Learning and Development Audit report.

BACKGROUND

STAFF REPORT

Learning and Development (L&D) encompassing all forms of training, is an essential component of today's "Learning Organization". In order to keep pace with the rapidly changing environment of technology, legislative requirements and best practices in business performance and customer service delivery, it is imperative that staff are equipped with the knowledge and tools to achieve optimum results for the organization.

The primary objective of this operational audit was to identify what the City is currently spending on L&D and to benchmark our existing programs and structure with other organizations in terms of best practices, effectiveness, accessibility and selection of L&D opportunities for City staff.

REPORT

The Learning and Development Audit Report is attached in Appendix "A" of this report.

The scope established for this audit includes:

- Analysis of all Learning and Development costs (3 years historical, Budget vs. Actual).
- Compare size of budgets by department and number of employees.
- Classification of all related costs by type; i.e. Health and Safety, Legislated Training, Professional Development, etc.
- Evaluate existing system and other IT training; i.e. WAM, RAC, JDE, AMANDA, etc.
- Stakeholder evaluation of existing training programs
- Municipal Benchmarking

Our audit research confirmed that the current decentralized model of administering L&D is most common among our municipal comparators and is largely effective for the City. This means that each department establishes and controls its own L&D budget and training decisions. The Human Resources department takes complete responsibility for specific types of training such as Health and Safety, Tuition Reimbursement (LEAP program), Wellness and corporate training and development.

While no major issues were identified in the service delivery structure for L&D, there are some significant gaps in specific forms of training that should be addressed.

One of the issues of greatest concern for more than 85% of staff respondents is the lack of training in corporate software programs such as RAC, WAM, KRONOS, etc. as well as the lack of training in Customer Service, Budgets and Office software

programs. The current practice to obtain corporate software systems training leaves most employees on their own to arrange training with one of the "super users" in each respective area (Finance, Procurement, HR etc.) This is ineffective, inconsistent and relies on the willingness and availability of other staff to provide training that is not part of their function or responsibility.

We acknowledge that establishing formal training programs for these specific areas will require significant planning and resources. It may be most effective for the organization to establish a short-term committee or task force to get this work started and determine how best to approach the issue, timelines, deliverables and required resources.

The overall outcome of the audit is positive and confirms that the organization is managing Learning and Development very well in some respects. The decentralized service structure appears to be effective and a number of key training programs such as Health and Safety, soft skills, and onboarding are well-received by staff.

There are, however, a number of key issues identified through the audit that have corporate-wide impacts. Without a corporate L&D policy as reference, there is perceived inequality, inconsistency and a lack of transparency in the way training and development decisions are made.

The new Learning and Development policy will be a pivotal point in addressing many of the audit findings and recommendations and it is critical that this information be well communicated and understood across the organization.

CORPORATE STRATEGIC PLAN
1.3 Organizational Excellence – Build robust systems, structures and frameworks aligned to strategy.

2.3 Innovation in Local Government – Ensure accountability, transparency and engagement.

DEPARTMENTAL CONSULTATION
An online survey was distributed to all management within the organization and more than 130 staff responses were received in paper and online surveys.

COMMUNICATIONS
N/A

ATTACHMENTS
Appendix "A" Auditor's Report – Learning and Development

Report Author: Loretta Alonzo, Internal Auditor

Recommended By
Loretta Alonzo
Internal Auditor
519-822-1260, ext. 2243
loretta.alonzo@guelph.ca

STAFF REPORT

TO	Corporate Services Committee
SERVICE AREA	Corporate Services
DATE	July 6, 2015
SUBJECT	**Print Shop Audit- Status of Actions Taken**
REPORT NUMBER	CS-2015-61

EXECUTIVE SUMMARY

PURPOSE OF REPORT
To inform the Corporate Services Committee on actions taken on the recommendations contained in the Print Shop Audit.

KEY FINDINGS
An audit of the print shop was requested by Council in February 2014. This audit was completed and presented to Council on February 23, 2015 along with the management response to the recommendations. This report outlines actions taken thus far and those that remain outstanding.

FINANCIAL IMPLICATIONS
Physical adjustments to the print shop will be absorbed by Facilities Management (Corporate Building Maintenance).

ACTION REQUIRED
To receive the report for information.

RECOMMENDATION
That the report of the City Clerk regarding "Print Shop Audit- Status of Actions Taken" dated July 6, 2015 , be received.

BACKGROUND
In February, 2014, Council approved the 2014 Internal Audit work plan which included a Clerk's – Print Shop Operational (Value for Money) Audit. This audit was presented to Council on February 23, 2015 along with a management response which is attached as ATT-1.

STAFF REPORT

REPORT

The following summarises the audit recommendations and the action taken by the City Clerk's Office in response:

	Recommendation	Action
1	The City should continue to operate the print room internally.	Maintain the status quo.
2	The toner and paper should be stored in a locked room.	The Print Shop space is being reconfigured to use the folder room as storage space and reallocate the folder in the common area. A lock is being installed to secure the space. Once installed staff will communicate new procedures for accessing print shop supplies.
3	Purchases of paper are to be made from the designated vendor.	Communication forwarded to department heads and managers on June 15, 2015 reminding staff that all City paper is to be purchased from the designated vendor.
4	Limit paper agenda distribution to Council and Executive Team.	Commencing January, 2015, City Clerk's Office reduced paper agenda production and preview agenda production by approximately 35%.
5	Hire part time resource to support agenda production unless recommendation 4 is implemented and results in fewer hard copy documents.	As recommendation 4 was implemented, the City Clerk's Office is re-evaluating the need for additional support.
6	Documents to be submitted to Clerk's electronically with electronic signatures.	This procedure has been in place since February 24, 2015 when the City Clerk communicated this to the Executive Team.
7	Advanced training of printer features for Clerk's staff for optimal printing efficiencies.	Training has been scheduled with the printing vendor for late Q3.
8	Deadlines for document submission to Clerk's should be firm in all but the most urgent situations.	In consultation with the Executive Team, the City Clerk developed a Late Report Procedure to communicate deadlines and detail reminders for late agenda materials. This was communicated to staff on April 9, 2015 and is attached as ATT-2.

STAFF REPORT

CORPORATE STRATEGIC PLAN

The enhancements to the Print Shop operations support the flowing strategic directions:

- 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

DEPARTMENTAL CONSULTATION

The Executive Team, Facilities Management staff, and the City's print vendor were all consulted in order to respond to various recommended actions in the Print Shop Audit.

COMMUNICATIONS

Communications were sent to staff regarding the following:

- Purchase of paper from City designated vendor
- Reduction of paper distribution of agenda and preview materials
- City Clerk's Office to receive all reports electronically with electronic signatures
- Late report procedure

A communication will be forthcoming to City Hall staff once print shop supplies are segregated in a locked room.

FINANCIAL IMPLICATIONS

As many of the changes in procedures are operational, there are no financial implications. There will be a cost associated with the relocation of the folding machine which has yet to be determined.

ATTACHMENTS

ATT-1 Print Room Audit – Management Response
ATT-2 Late Report Procedure
ATT-3 Print Room Audit Report, September 23, 2014

Prepared By
Tina Agnello
Deputy City Clerk

_____ _____
Recommended By   **Approved By**
Stephen O'Brien   Mark Amorosi
City Clerk   Deputy CAO, Corporate & Human Resources
519-822-1260 ext. 5644   519-822-1260 ext. 2281
stephen.obrien@guelph.ca   mark.amorosi@guelph.ca

Management Response – Print Room Audit

	FINDING	RECOMMENDATION	MANAGEMENT RESPONSE	TIMELINE
1	The print room operates effectively and efficiently and outsourcing this function would increase costs and reduce the flexibility of current production timelines.	The City should continue to operate the print room internally.	**Agree** The City Clerk's Office will continue to offer the services provided by the Print Room.	N/A
2	Print room supplies are not secured and are often taken by other departments without appropriate charges allocated for paper, toner and other supplies.	Toner and paper should be locked in the back storage area. The door should have a lock installed and only Clerk's staff should have access to this area.	**Agree** The City Clerk's Office will work with Corporate Property staff to arrange to have a lock installed on the storage room in the Print Shop.	Q2 2015
3	Paper purchases are not made exclusively from the designated vendor which may result in higher costs for copy paper.	Management should not approve any purchases for copy paper unless they are made through the designated vendor.	**Agree** The City Clerk's Office will issue internal corporate communication to remind Department Heads that paper purchases should be limited to the City's designated vendor. This reminder can be issued annually or bi-annually.	Q1 2015
4	The current process for distribution of agendas and packages is complex, labour intensive and often wasteful as the recipients often do not need all of the information they receive. This results in substantial paper waste. The average number of packages produced is between 35 and 40. All of these documents are available online and are easily accessed by staff.	Distribution lists prepared by the Committee Coordinators should be limited to Council and Committee members and the Executive Team. All other staff should print the documents they require through the online resources available. Alternatively, Clerks' staff should distribute the packages electronically as PDF files so recipients can choose which documents to print. This would reduce the number of packages being produced by over 50%. Only 20 packages would be required resulting in time savings.	**Agree, with comment.** Beginning with the 2014-2018 term of Council, the City Clerk's Office will limit hard copy printing of the Standing Committee and Council agendas to Council/Committee members and Executive Team members. Despite being a reduction, there is still a considerable amount of time required to setup hard copy print of agendas and assemble any copies. True time savings will not be fully realized until an electronic system is implemented. Clerk's staff will investigate this through the Meeting Management Review project.	Q1 2015
5	The Committee Coordinators currently each spend an average of 15 to 24 hours per month in the print room preparing agendas and packages for Council, Committees, Media and Staff. This equates to approximately 2 ½ days for each of 3 Committee Coordinators. This is not value-added work given the job grade and experience level of these staff who are trained to provide support to Council, their assigned	If current work processes and volumes continue unchanged, it is recommended that management consider hiring a part-time resource for approximately 2 days per week solely for the purpose of producing agendas and packages. *This option is only viable if the time saved for Committee Coordinators is effectively reassigned*	**Agree, with comment** In agreeing with Recommendation #4, the City Clerk's Office will not be required to hire an additional part-time resource. Additional value added work will include more attention to quality control processes associated	**Beginning with 2014-2018 term (Q1 2015)**

	Standing Committees and the City Clerk's Office.	*to more value-added work such as increased support to Council and Committees and the City Clerk's Office. This will also reduce overtime costs.* If recommendation # 4 is fully implemented there would be no requirement for additional resources as the average number of packages would be reduced from approximately 40 to 20.	with agenda production, improvements to posting timelines to the website and improved document control processes which includes follow-ups for late report submissions. Reduction in the number of agendas produced in hard copy will save some time but may not equate to substantial savings in OT. Much of City Clerk's OT stems from the delivery of late reports and not from printing of hard copy agendas.	
6	**Reports and documents submitted to Clerk's for inclusion in Council and Committee packages are not always received electronically. Hard copies must be copied and then inserted manually which further complicates the printing process and they must then be physically filed in archives.**	All documents should be submitted to Clerks electronically for consistency, ease of access and storage and general efficiency. Electronic signatures should be used by all senior management when submitting their reports to Clerks.	**Agree** The City Clerk's Office will issue internal corporate communication to advising staff to submit reports electronically and will advise Department Heads and Executive Team Members that staff reports should be submitted with digital signatures.	**Beginning with 2014-2018 term (Q1 2015)**
7	**The new high-speed printers have many features that improve efficiency and reduce production time but staff have not been fully trained to use the units to full capacity.**	Committee Coordinators and other staff using the print room machines frequently should receive advanced training from the vendor in order to utilize all the available features of the equipment.	**Agree** The City Clerk's Office will work with the printer vendor to establish a time for advance function training for all Committee Coordinators and select staff in the City Clerk's Office.	Q2 2015
8	**Submission deadlines for Clerks are not adhered to resulting in staff working overtime to get the agendas and packages out on time. Records provided by Clerk's report that nearly 50% of all reports are submitted late.**	The deadlines for submission of reports to Clerks should be considered firm with few exceptions. Senior management should strive to ensure that these deadlines are met in all but the most urgent situations.	**Agree** The City Clerk's Office will issue regular internal corporate communication to advise Department Heads and Executive Team Members of report submission deadlines. The City Clerk and/or Deputy City Clerk will develop standardized processes and escalations through which late submission reports will be addressed.	**End of Q1 2015**

CITY OF GUELPH CLERK'S OFFICE | LATE REPORT PROCEDURE

Agenda Forecast

→

Three Weeks Prior to the Meeting Date

Draft Agendas

Created Two Weeks Prior to Final Agenda

Staff report titles and recommendations due by 10:00 am four Fridays prior to the meeting date.

→

Two Weeks Prior to the Meeting Date

Final Agendas

Published Friday Two Weeks Prior to the Meeting

Final materials due by 3:00 pm the Monday two+ weeks prior to the meeting date.

→

One Week Prior to the Meeting Date

Agenda Addendums

Published the Last Friday prior to the Meeting

Final materials due by 9:00 am the Friday prior to the meeting.

LATE AGENDA MATERIALS:	Action Taken
On the due date (Monday)	Phone call from a Council Committee Coordinator to the relevant EA.
One day after the due date (Tuesday)	E-mail from the Deputy City Clerk to the relevant EA, D-CAO and report author.
Two days after the due date (Wednesday)	E-mail from the City Clerk to the relevant EA, D-CAO and report author at 12:00pm. Material will not be accepted after 3:00pm Wednesday.

LATE REPORT TITLES AND RECOMMENDATIONS:	Action Taken
On the due date (Friday)	Phone call from a Council Committee Coordinator to the relevant EA.
One day after the due date (Monday)	E-mail from the Deputy City Clerk to the relevant EA.

LATE ADDENDUM MATERIALS:	Action Taken
One day prior to the due date	Phone call from the Deputy City Clerk to the relevant EA.
On the due date	Phone call from the City Clerk to the relevant EA.

APPENDIX "A" – REPORT CAO-A-1410

PRINT ROOM

AUDIT REPORT

FINAL

September 23, 2014

Prepared by: **Loretta Alonzo, Internal Auditor**

Table of Contents

Executive Summary

At the request of the City Clerk in 2013, an operational audit of the print room was approved as part of the Internal Audit Work Plan for 2014.

The print room operates as a work area within the Clerk's department and is equipped to serve staff located at City Hall through the printer network. There are four (4) printer/copiers (2 black and white, 2 colour) and print jobs may be routed to any of these units from within the network.

These high capacity, high speed units are intended to produce large print jobs that would otherwise occupy the departmental machines for long periods preventing other staff from using them.

The print room is primarily used by the Committee Coordinators in Clerk's to prepare agendas and packages for Council, Standing Committees, Media and Staff. In the past there was a full-time staff person assigned to the print room to handle all print functions but this position was made redundant in 2010.

The budget for the print room is managed by the City Clerk's office and is approximately $36,000 per year. This is a zero-based, fully recovered operating budget whereby user departments are charged back for the paper and printing costs. The actual costs are marked up using a formula that fluctuates based on the total number of users in order to bring the print room budget to zero. Therefore, the more users utilizing the print room, the less they are charged and conversely, if fewer users utilize the print room, the higher the cost per user.

Financial analysis of data supplied by the vendor indicates that the total costs for printing on all units located at City Hall were approximately $52,300 for the 12 months ending July 31, 2014. This includes both black and white and colour printing on approximately 52 machines.

The majority of printers are leased and the contract terms include black and white toner cartridges at no charge and colour toner cartridges at market price.

Paper purchases are made throughout the organization and pricing is negotiated as part of a provincial purchasing group agreement that ensures the lowest prices for paper when using the designated vendor.

The audit evaluated the work load and capacity of Clerk's staff with respect to the time spent in the print room and found that the average number of hours that staff spend printing and collating print jobs is between 15 and 24 hours per month.

Research conducted for this audit included a market comparison of external print costs to internal print room operating costs. It is clearly apparent that internal production costs are significantly less than third-party providers and therefore it is recommended that the print room at City Hall should continue to provide existing services.

While there are opportunities for improvement the audit research and analysis has concluded that the print room operates efficiently and effectively.

Objectives

The following objectives were established for this operational audit.

1. Assess efficiency and effectiveness of existing processes
2. Assess staff workload and capacity
3. Evaluate the existing level of service and impacts to customers
4. Evaluate the process for zeroing out the print shop budget
5. Assess viability of optional service delivery models

Scope

The scope of the audit includes:

- Financial Analysis of business unit (3-year historical)
- Cost of outsourcing vs in-house production
- Corporate-wide outsourcing expenditures by service area (3-year historical)
- Cost recovery analyses for copy paper
- Staff interviews – process review

Out of Scope:
- Printer – Copier Contracts and Pricing
- Departmental analysis of printing-copying

Methodology

The following research and analysis was undertaken for the audit:

- Time study of staff print room functions
- Financial analysis of print room budget, actual and historical costs
- Staff interviews (5)
- Cost per copy analysis (based on information from vendor billings)
- Verification of cost recovery calculations and departmental chargebacks
- Analyses of all outsourced printing costs

Findings and Recommendations

	Finding	Recommendation
1.	**The print room operates effectively and efficiently and outsourcing this function would increase costs and reduce the flexibility of current production timelines.**	The City should continue to operate the print room internally.
2.	**Print room supplies are not secured and are often taken by other departments without appropriate charges allocated for paper, toner and other supplies.**	Toner and paper should be locked in the back storage area. The door should have a lock installed and only Clerk's staff should have access to this area.
3.	**Paper purchases are not made exclusively from the designated vendor which may result in higher costs for copy paper.**	Management should not approve any purchases for copy paper unless they are made through the designated vendor.
4.	**The current process for distribution of agendas and packages is complex, labour intensive and often wasteful as the recipients often do not need all of the information they receive. This results in substantial paper waste.** **The average number of packages produced is between 35 and 40. All of these documents are available online and are easily accessed by staff.**	Distribution lists prepared by the Committee Coordinators should be limited to Council and Committee members and the Executive Team. All other staff should print the documents they require through the online resources available. Alternatively, Clerks' staff should distribute the packages electronically as PDF files so recipients can choose which documents to print. This would reduce the number of packages being produced by over 50%. <u>Only 20 packages would be required</u> resulting in time savings.
5.	**The Committee Coordinators currently each spend an average of 15 to 24 hours per month in the print room preparing agendas and packages for Council, Committees, Media and Staff. This equates to approximately 2 ½ days for each of 3 Committee Coordinators. This is not value-added work given the job grade and experience level of these staff who are trained to provide support to Council, their assigned Standing Committees and the City Clerk's Office.**	If current work processes and volumes continue unchanged, it is recommended that management consider hiring a part-time resource for approximately 2 days per week solely for the purpose of producing agendas and packages. *This option is only viable if the time saved for Committee Coordinators is effectively reassigned to more value-added work such as increased support to Council and Committees and the City Clerk's Office. This will also reduce overtime costs.* If recommendation # 4 is fully implemented there would be no requirement for additional resources as the average number of packages would be reduced from approximately 40 to 20.

|		
	6.	**Reports and documents submitted to Clerk's for inclusion in Council and Committee packages are not always received electronically. Hard copies must be copied and then inserted manually which further complicates the printing process and they must then be physically filed in archives.**	All documents should be submitted to Clerks electronically for consistency, ease of access and storage and general efficiency. Electronic signatures should be used by all senior management when submitting their reports to Clerks.
	7.	**The new high-speed printers have many features that improve efficiency and reduce production time but staff have not been fully trained to use the units to full capacity.**	Committee Coordinators and other staff using the print room machines frequently should receive advanced training from the vendor in order to utilize all the available features of the equipment.
	8.	**Submission deadlines for Clerks are not adhered to resulting in staff working overtime to get the agendas and packages out on time. Records provided by Clerk's report that nearly 50% of all reports are submitted late.**	The deadlines for submission of reports to Clerks should be considered firm with few exceptions. Senior management should strive to ensure that these deadlines are met in all but the most urgent situations.

Financial Analysis

The following chart illustrates the number of copies by department for printers located at City Hall.

Chart 1
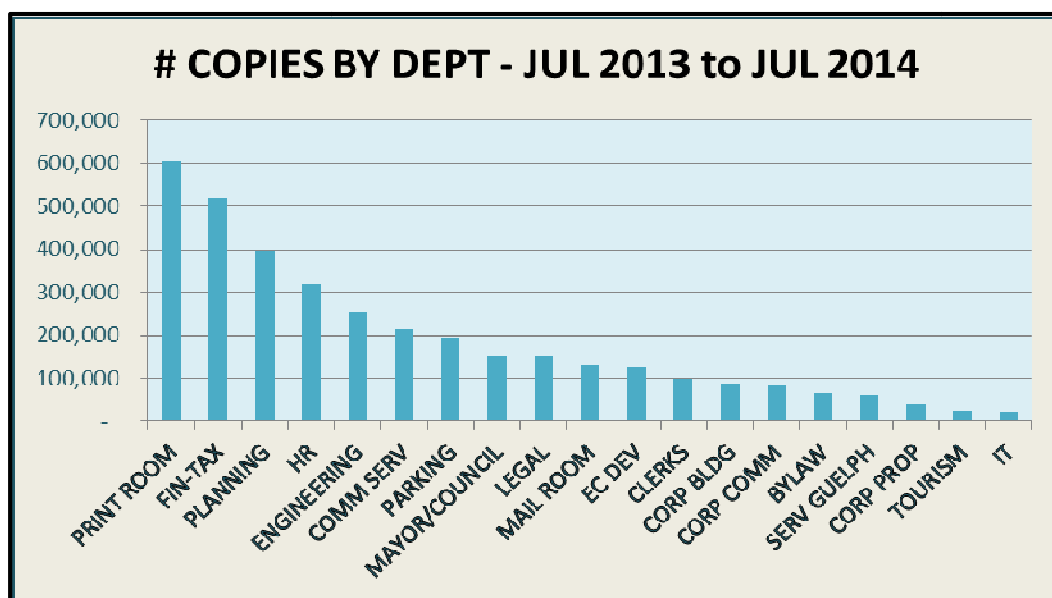
The total number of copies produced at City Hall for the 12 months ended July 2014 is 3,531,827. The number of colour copies was 3,144,556 and the remaining 387,272 were black and white copies as illustrated in Chart 2 below.

**Colour vs Black-White Printing
July 2013 to July 2014**

BW
11%

Colour
89%
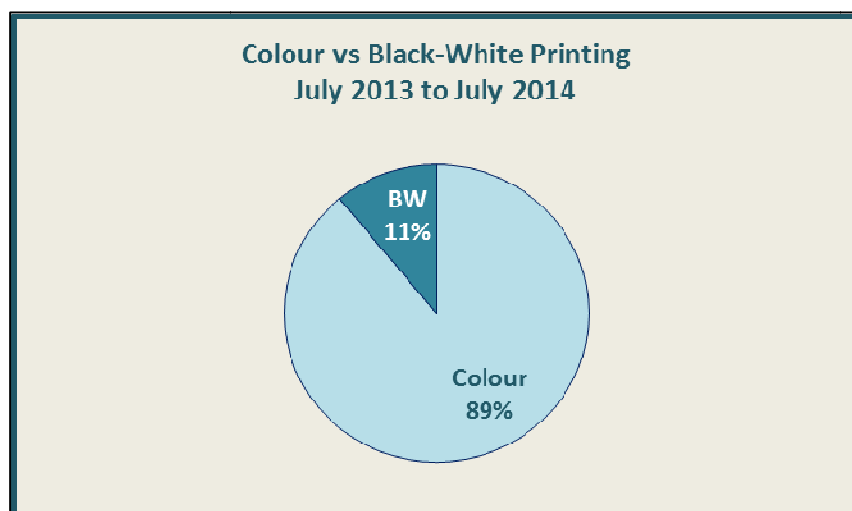
The cost per copy varies and is determined by the model of printer and the type of toner cartridges required for each unit. The average cost per copy for ALL units located **at City Hall is .016 and the actual total printing costs for the 12 months ended July 2014 are $52,359. This does not include the cost of copy paper.**

If colour printing were reduced by 50% the potential savings would be approximately $25,000 per year. It is possible to program the printers to require an entry code to print in colour and this is an option management may choose in order to reduce costs in their departments.

The purchase of copy paper has been negotiated through a provincial buying group to ensure large volume pricing is as low as possible. When the City purchases paper through the designated vendor these prices are guaranteed. If individual departments purchase paper through other sources they may be paying a higher cost per carton for copy paper. It may not be well communicated throughout the organization that ALL paper purchases must be made through the designated vendor and preferably, all paper purchases should be made through the Clerk's office.

Total paper purchases from 2011 to June 2014 are as follows:

2011 $16,064   **2012** $18,655
2013 $10,524   **2014** $ 8,215

Work Process Analysis

The work processes in the print room generally appear to be efficient and effective. The equipment meets current capacity requirements and staff are easily able to complete their tasks.

There are periodic issues with other users sending print jobs to the print room equipment and not coming to pick their materials up immediately. If machines become jammed with no one in attendance, other print jobs will not be processed and it is most often left to the Clerk's staff to tend the equipment and sort out the print jobs.

The physical demands of working in the print room are a challenge due to heat, fumes and standing for long periods on concrete flooring. The fatigue mats provided are badly worn and should be replaced.

Outsourcing Analysis

The research conducted for the audit indicates that outsourcing the production of Council and Committee packages would not provide a cost-effective option.

Using standard market quotes for quick printing services the following costs were estimated:

> Document (all black & white):
> Size: 8.5" x 11"
> Colour: black & white
> Paper: 20lb white bond
> # Pages: 466 (=233 double sided sheets)
> Finishing: 3 hole drill
> 40 sets = $690.00 +HST

> Document (90% black & white / 10% colour):
> Size: 8.5" x 11"
> Colour: black & white / full colour
> Paper: 20lb white bond
> # Pages: 466 (=233 double sided sheets)
> Finishing: 3 hole drill / collate
> 40 sets = approx. $1,280.00 +HST

The current costs for producing this same package of materials internally are approximately $250 including staff time, paper and cost per copy.

It is therefore recommended that the City continue to produce these materials using the internal print room.

Conclusion

The internal print room is an effective and efficient means of producing large volumes of copy and print material. Although staff resources are sufficient to complete the work these resources could be better utilized to provide increased support to Council

members as well as the City Clerk's office. Some of the additional work that has been identified by management includes improved web updates, improved monitoring of report deadlines and agenda management.

If the existing printing processes are continued it would be more efficient to add a part-time resource for the sole purpose of producing Council and Committee packages.

By changing the work processes and reducing the volume of copy and print work currently being produced, the existing staff resources would be adequate and the additional capacity could be used for the additional tasks identified by management.

Next Steps

Management is requested to provide their response to the audit findings and recommendations by October 31, 2014. A template for the management response will be forwarded separately.

This audit report will be presented to Council in early 2015.

STAFF REPORT

City of Guelph — Making a Difference

TO	**Council**
SERVICE AREA	**CAO Administration**
DATE	**February 23, 2015**
SUBJECT	**Print Room Audit Report**
REPORT NUMBER	**CAO-A-1410**

EXECUTIVE SUMMARY

PURPOSE OF REPORT
To provide Council with the findings and recommendations of the Print Room operational (value-for-money) audit completed in September 2014.

KEY FINDINGS
The print room provides a means of producing large volumes of copy and print material internally. Although staff resources are sufficient to complete the work these resources could be better utilized to provide increased support to Council members as well as the City Clerk's office.

The print room operates effectively and efficiently and outsourcing this function would increase costs and reduce the flexibility of current production timelines.

FINANCIAL IMPLICATIONS
There are potential costs associated with the findings and recommendations.

ACTION REQUIRED
Council to receive the audit report.

RECOMMENDATION
1. That Council receives the Print Room Internal Audit report.

BACKGROUND
At the request of the City Clerk an operational audit of the print room was approved as part of the Internal Audit Work Plan for 2014.

The print room operates as a work area within the City Clerk's department and is equipped to serve staff located at City Hall through the printer network. The budget for the print room is managed by the City Clerk's office and is approximately

$36,000 per year. This is a zero-based, fully recovered operating budget whereby user departments are charged back for the paper and printing costs.

REPORT

The following objectives were established for this operational audit.

1. Assess efficiency and effectiveness of existing processes
2. Assess staff workload and capacity
3. Evaluate the existing level of service and impacts to customers
4. Evaluate the process for zeroing out the print shop budget
5. Assess viability of optional service delivery models

The scope of the audit includes:

- Financial Analysis of business unit (3-year historical)
- Cost of outsourcing vs. in-house production
- Corporate-wide outsourcing expenditures by service area (3-year historical)
- Cost recovery analyses for copy paper
- Staff interviews – process review

A brief overview of Findings and Recommendations is highlighted in the chart below. A full list of Findings and Recommendations is contained in the Internal Audit Report (attached).

Finding	Recommendation
The print room operates effectively and efficiently and outsourcing this function would increase costs and reduce the flexibility of current production timelines.	The City should continue to operate the print room internally.
The current process for distribution of agendas and packages is complex, labour intensive and often wasteful as the recipients often do not need all of the information they receive. This results in substantial paper waste. The average number of packages produced is between 35 and 40. All of these documents are available online and are easily accessed by staff.	Distribution lists prepared by the Committee Coordinators should be limited to Council and Committee members and the Executive Team. All other staff should print the documents they require through the online resources available. Alternatively, Clerks' staff should distribute the packages electronically as PDF files so recipients can choose which documents to print. This would reduce the number of packages being produced by over 50%. Only 20 packages would be required resulting in time savings.

Submission deadlines for Clerks are not adhered to resulting in staff working overtime to get the agendas and packages out on time. Records provided by Clerk's report that nearly 50% of all reports are submitted late.	The deadlines for submission of reports to Clerks should be considered firm with few exceptions. Senior management should strive to ensure that these deadlines are met in all but the most urgent situations.
Paper purchases are not made exclusively from the designated vendor which may result in higher costs for copy paper.	Management should not approve any purchases for copy paper unless they are made through the designated vendor.
The Committee Coordinators currently each spend an average of 15 to 24 hours per month in the print room preparing agendas and packages for Council, Committees, Media and Staff. This equates to approximately 2 ½ days for each of 3 Committee Coordinators. This is not value-added work given the job grade and experience level of these staff that are trained to provide support to Council, their assigned Standing Committees and the City Clerk's Office.	If current work processes and volumes continue unchanged, it is recommended that management consider hiring a part-time resource for approximately 2 days per week solely for the purpose of producing agendas and packages. *This option is only viable if the time saved for Committee Coordinators is effectively reassigned to more value-added work such as increased support to Council and Committees and the City Clerk's Office. This will also reduce overtime costs.* If recommendation # 4 is fully implemented there would be no requirement for additional resources as the average number of packages would be reduced from approximately 40 to 20.

Work Processes:

The work processes in the print room generally appear to be efficient and effective. The equipment meets current capacity requirements and staff are easily able to complete their tasks. The physical demands of working in the print room are a challenge due to heat, fumes and standing for long periods on concrete flooring. The fatigue mats provided are badly worn and should be replaced.

Outsourcing Analysis

The research conducted for the audit indicates that outsourcing the production of Council and Committee packages would not provide a cost-effective option. Using standard market quotes for quick printing services the following costs were estimated:

Document (all black & white):

Size: 8.5" x 11"
Colour: black & white
Paper: 20lb white bond
Pages: 466 (=233 double sided sheets)
Finishing: 3 hole drill
40 sets = $690.00 +HST

Document (90% black & white / 10% colour):

Size: 8.5" x 11"
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40 sets = approx. $1,280.00 +HST

The current costs for producing this same package of materials internally are approximately $250 including staff time, paper and cost per copy.

It is therefore recommended that the City continue to produce these materials using the internal print room.

Conclusion:

The internal print room is an effective and efficient means of producing large volumes of copy and print material. Although staff resources are sufficient to complete the work these resources could be better utilized to provide increased support to Council members as well as the City Clerk's office. Some of the additional work that has been identified by management includes improved web updates, improved monitoring of report deadlines and agenda management.

If the existing printing processes are continued it would be more efficient to add a part-time resource for the sole purpose of producing Council and Committee packages.

By changing the work processes and reducing the volume of copy and print work currently being produced, the existing staff resources would be adequate and the additional capacity could be used for the additional tasks identified by management.

CORPORATE STRATEGIC PLAN
1.3 Organizational Excellence – Build robust systems, structures and frameworks aligned to strategy.

2.3 Innovation in Local Government – Ensure accountability, transparency and engagement.

DEPARTMENTAL CONSULTATION
N/A

COMMUNICATIONS

N/A

ATTACHMENTS

Appendix A - CAO-A-1410, Print Room, Internal Audit Report

Report Author: Loretta Alonzo, Internal Auditor

_____
Recommended By
Loretta Alonzo
Internal Auditor
519-822-1260, ext. 2243
loretta.alonzo@guelph.ca

STAFF REPORT

City of Guelph — Making a Difference

TO	Corporate Services Committee
SERVICE AREA	Corporate Services, Finance
DATE	July 6, 2015
SUBJECT	**Budget Formula City Guideline**
REPORT NUMBER	CS-2015-46

EXECUTIVE SUMMARY

PURPOSE OF REPORT
To respond to the February 23, 2015 motion of Council related to the budget formula used by staff in the development of the City of Guelph's tax supported operating budget.

KEY FINDINGS
The budget formula in its current format was developed by staff in 2013 for the 2014 budget process. The use of the formula was endorsed by City Council for the 2014 budget and was used by staff to inform the development of the 2015 budget due to the timing of the election.

In February 2015, Council passed the following motion requiring staff to report back on options for the budget formula and define relevant indices:

> *That the following be referred to the Corporate Services Committee:*
> *That recommendations be brought back to Council on:*
> *1. Define indices for inflation and a recommended formula; and*
> *2. Present options for a revised predictable formula and/or strategies   aligned to achieve the formula.*

The following motion from the December 5, 2013 Council meeting is also addressed in this report:

> *That the Chief Financial Officer report back to the Corporate Administration, Finance & Enterprise Committee regarding the incorporation of a productivity/continuous improvement measure into the budget formula.*

In addition to establishing how budget direction will be provided going forward, staff recognize that there are a number of improvements and challenges facing the 2016 budget and beyond that are discussed in the background section of the report. These include:
- Multi-year Budgeting

- Capital Financing Guidelines
- Cash versus Project Capital Budgeting
- Zero Based Budgeting

The staff report that follows provides eight options for Committee's review and consideration. Following a review of the options, staff is recommending continuing with the use of a budget formula due to the benefits it provides in comparison with using no guideline, an affordability measure or a standard cost index or group of indices as published by Statistics Canada.

As noted in the report whatever option is chosen is to guide staff in budget development. The guideline does not prevent Management from recommending a budget that they feel is reflective of the costs associated with providing Council approved programs and services. Nor does the guideline limit what Council can ultimately approve as the final budget increase.

FINANCIAL IMPLICATIONS
There are no financial implications resulting from this report. However, the direction from this report will impact how staff approaches budget development.

ACTION REQUIRED
1.	That Corporate Services Committee receive Report CS-2015-46 Budget Formula Update

2.	AND THAT Corporate Service Committee approve the use of the following budget formula to guide staff budget development:

(5-year average for Ontario CPI) + (5-year average of MPAC's Market Change) + investment factor

RECOMMENDATION
1.	That Corporate Services Committee receive Report CS-2015-46 Budget Formula City Guideline

2.	AND THAT Corporate Service Committee approve the use of the following budget formula to guide staff budget development:

(5-year average for Ontario CPI) + (5-year average of MPAC's Market Change) + investment factor

STAFF REPORT

BACKGROUND

Budget Direction: Pre-2014 Budget

As part of the City's budget process, staff had historically provided Committee or Council with a budget guideline report that summarized known revenue and expenditure impacts that were expected to influence the development of the upcoming tax supported operating budget.

During a debrief with Council following the 2013 budget, it was determined that the traditional budget guideline report was found to offer very little in terms of predictability for the community and was not easily understood by the general public, Council and staff.

Budget Direction: 2014 & 2015 Budgets

In response to the concerns outlined above, staff worked with Council prior to the kick-off of the 2014 budget to develop an approach that would improve the level of transparency, understanding and predictability around the budget guideline for management, Council and the community. The ultimate goal of the new approach was to introduce the concept of predictability as a measure of control while recognizing that this was a guideline and that the staff recommended budget would still reflect whatever pressures existed for the Corporation at the time of budget development.

Through a series of workshops and reports, staff looked at the following:
- development of a predictable formula and what factors might be incorporated
- definition of various indices that were considered including Consumer Price Index, Construction Price Index, Energy Index, and the Municipal Price Index
- review of what other municipalities were doing in order to establish budget direction

Meetings and workshops were held with Council on February 12, 2013 and April 15, 2013 to provide information on the budget process and discuss the concept of the budget guideline. On April 30, 2013, Council directed staff to precede with the development the 2014 Tax Supported Operating budget using the following principles outline in the staff proposed guideline:

Guideline = (5-year average for Ontario CPI) + (5-year average increase in # of taxable properties) + (investment factor)

The formula was developed so that it accounted for the three aspects that influence budget development:
- base budget,
- volume, and;
- investment

Base budget was reflected by the five year average of Ontario CPI. This was felt to provide a sufficient indicator for inflation while encouraging efficiencies and new revenue sources as a municipality's budget is not tied to inflationary increases.

In the development of the volume component, staff recommended the 5-year average in the increase to taxable properties that were added to the tax roll. Increased demand for City services due to growth is an essential component of a growing City's budget and needs to be recommended in any formula that seeks to provide a comprehensive overview a municipal budget. At the time of the development of this measure, it was recommended because it strictly considered volume increases and did not consider the value or class of property. As discussed later in the report, staff now feels that this was not the best measure of growth and have recommended a new metric for volume.

Finally, staff recommended the inclusion of an investment factor in the formula to recognize the need for funds to support investment in the City. In making this recommendation, staff reviewed various sources including Global Innovation indices, business school recommendations and past experience in Guelph, and found that a range between 0.5%- 1.0% was suggested for this section of the formula. Based on this review, staff recommended an investment factor of 0.5%.

The investment factor is an important element of the City's budget formula in that it provides the funding required to support such initiatives as the:

- tax increment based grant (TIBG) program,
- integrated operational review,
- IMICO assessment and request for expression of interest, and;
- the Guelph Innovation District (GID) business case.

In the examples of the TIBG program and the GID business case project, both investments have the ability to incentivize development that creates significant direct and indirect economic benefits. Furthermore, the GID business case successfully allowed the City to secure provincial buy-in on the secondary plan and helped to align public partners on the project. These initiatives may not have been possible or may not have been fully realized were it not for the acknowledgement and inclusion of some form of 'investment' in the operating budget submissions and subsequent Council approval.

Due to the timing of the election, the formula was also utilized in the 2015 budget process to guide the development of the budget.

A complete summary of the work undertaken around the development of the budget formula can be found in staff reports FIN-13-06 2014 Budget Workshop and FIN-13-14 2014 Budget Workshop Follow-up and Responses.

Budget Direction: 2016 Budget

On February 23, 2015, Council passed the below motion with respect to the 2016 budget formula:

That the following be referred to the Corporate Services Committee:

That recommendations be brought back to Council on:

1. Define indices for inflation and a recommended formula; and

2. Present options for a revised predictable formula and/or strategies aligned to achieve the formula.

The following motion from the December 5, 2013 Council meeting is also addressed in this report through the use of the budget formula:

That the Chief Financial Officer report back to the Corporate Administration, Finance & Enterprise Committee regarding the incorporation of a productivity/continuous improvement measure into the budget formula.

In addition to establishing how budget direction will be provided going forward, staff recognize that there are a number of improvements and challenges facing the 2016 budget and beyond. These include:

- Tax Supported Multi-Year Operating Budget – staff acknowledge that there is still significant work and improvements that can be made to this aspect of budget development going forward. In 2015, staff focused on developing the City's budget software to better facilitate multi-year budgeting. For the 2016 budget and beyond, staff will continue to focus on improving this process to provide added value to the overall budget process.
- Capital Impact on Operating – in 2015, staff recommended a capital financing guideline that reflected 16% of the prior year's net tax levy. The maximum contribution under the guideline is 20%. Over the next several budget cycles, the City will be under pressure to increase this guideline closer to the 20% that is allowable in order to meet asset management pressures and build capital reserve funds.
- Movement towards project based capital budgeting – the City's capital budget currently reflects projects that are budgeted on a cash versus project basis. Budgeting on a cash basis creates problems at the tendering stage as it limits the amount of funds approved. As such, staff often receives approval for a project over the course of several years and they accumulate all the funds required for the project before proceeding. This inflates the City's unspent capital balance and can lead to the perception that projects are not being executed on a timely basis. Therefore, staff are recommending that capital budgeting be done on a project basis.
- Zero based budgeting – a report will be coming forward to Committee in the fall of 2015 addressing the 2013 motion of Council related to zero based budgeting.

REPORT

Options for Budget Guidelines

The balance of this report will provide options for budget guidelines that could be used in setting the direction during budget development. The options considered are:

A. No guideline
B. Affordability measure
C. The use of specific indices as published by Statistics Canada or a combination thereof; or,
D. A more robust budget formula that aims to incorporate the three distinct components involved with operating a City – base budget changes, impacts associated with volume and new investments.

In developing the options, staff used a set of guiding principles including ease of accessing the information, transparency to internal and external stakeholders, and predictability and stability to the taxpayer while considering the impacts of a growing City. These principles were balanced with the recognition that the formula is a budget development tool used by staff and does not necessarily reflect what will ultimately be recommended by management or what Council will approve. Nor does the formula guide what can and cannot be requested by Council as part of budget review and deliberations in terms of options.

A. NO GUIDELINE
Option #1 – No Budget Guideline (Not Recommended)
This option proposes that staff approach budget development with no direction from Council in terms of the guideline for the coming budget year.   Staff would then present a budget that they feel is reflective of what is required to provide approved programs and services and would work with Council on strategies to increase or decrease the proposed budget to a level which Council feels is acceptable. This option is not recommended because it does not provide the predictability and stability that was identified as being needed during the development of the budget formula.

B. AFFORDABILITY MEASURE
Option #2 – Affordability Measure (Not Recommended)
Based on a scan of local and single tier municipalities, it was identified that the City of Barrie follows a policy that limits their base budget increase to a percentage of household income. Specifically, Barrie's policy states that:

> *The tax-supported operating budget will be developed in accordance with department work plans that describe the resources required to maintain existing services and service levels. The corporation's Financial Policies Framework establishes an affordability threshold for property tax supported services. Specifically, it states that annual property taxes for a typical household will not exceed 4.0% of household income.*

In option 2, staff considered that a budget guideline equal to the lesser of an affordability measure similar to that used by Barrie or the budget formula could be

used. However, this is not recommended as the affordability measure only considers the base budget component while ignoring volume and investment and therefore does not provide the level of stability and transparency that staff seeks.

C. INDICES FOR INFLATION

Based on an environmental scan, it was noted that some municipalities benchmark against a simple index during budget development and presentations. It is felt that the use of inflationary indices are a fair predicator of future cost pressures, although on their own are not entirely representative of the basket of goods a municipality consumes. Therefore the following indices both individually and in combination are provided for consideration.

Option #3 - Consumer Price Index (Not Recommended)

One of the main pressures potentially impacting the City's annual budget is inflation on the price of goods and services the City purchases. The Consumer Price Index (CPI) calculated by Statistics Canada is the commonly used and best understood benchmark to estimate inflationary pressures. CPI can be defined as a measure that examines the weighted average price of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking the price change for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. CPI does not consider increases in the quality or quantity of goods and services, just the price change over a historical time period. Due to the broad public understanding and relative stability of the index, staff feels that this continues to be a good predictor of some, but certainly not all, of the City's costs.

Specifically for CPI, it is recommended that the Ontario All-Items CPI index be used if incorporating CPI into budget direction.

Option #4 - Construction Price Index (Not Recommended)

The Non-residential Building Construction Price Index (CI) is produced by Statistics Canada on a quarterly basis and measures the change in the selling prices of non-residential building construction materials. This index aids in the interpretation of current economic conditions and is of particular interest to government bodies concerned about the impact of price changes on capital expenditures. Essentially, this index would provide a measure of the change to the capital financing component of the City's budget. However, due to the volatility of the CI and geographical influences associated with this index, staff cautions the use of this index in any formula where the ultimate goal is to achieve predictability. Should Council chose to use this index, staff recommends the use of the Toronto Construction Price Index which is consistent with what is used by the City to index Development Charges and Planning fees.

Option #5 - Municipal Price Index (MPI) (Not Recommended)

The municipal price index was originally designed to assist in determining the rate of inflation of the cost of goods a municipality purchases. This index is helpful to managers and Council in the following ways:

- It provides an indication of the direction of prices relative to municipal expenditures
- It measures the increase in overall municipal expenditures attributable to inflation
- It allows staff to monitor the increase in expenditures by category. This is helpful in the sense that such things as labour, construction costs and consulting may all increase at different rates and the MPI offers the flexibility to take this into consideration.

The downside of the municipal price index is that it is not calculated by a central agency such as Statistics Canada and rather the individual municipality is responsible for utilizing any number of indices to determine their own calculation. Due to the complexity of this calculation and inconsistent approach used in establishing the calculation, this index is not recommended by staff in the determination of a predictable and consistent guideline.

Option #6 – Combination of Indices (Not Recommended)

The various indices as discussed above could be weighted and used in combination to create a formula. Although this would provide a broader spectrum of inputs that are more reflective of the municipality's basket of goods, the same disadvantages identified for the individual index would continue to exist. In addition, the formula would be simplistic, relying on cost factors only as a budget guideline and the weightings would be subjective depending on how it was determined to weight the various indices.

D. BUDGET FORMULA AS A GUIDELINE

As demonstrated in the preceding sections, significant work around the creation of a budget formula has been undertaken. The formula was developed to address shortcomings under the former approach and while not without its own limitations, continues to be the preferred approach due to its ability to represent the various components of a growing City's financial profile, while offering a level of predictability and transparency that was originally sought. Therefore, a reflection on the existing formula and a recommendation for a new formula is provided in the following two options for consideration.

Option #7 – Use the Existing Formula (Not Recommended)

(5-year average for Ontario CPI) + (5-year average increase in # of taxable properties) + investment factor

The existing formula relies on a multi-dimensional approach and provides the following benefits:

- It is comprised of measures that are supportable (e.g. CPI) and transparent and take averages over a long enough period to address any cyclical activity in the measurement. By averaging inflation over a 5-year period, staff is averaging out any short to mid-term price impacts. Similarly, by averaging the increase (or decrease) in the number of taxable properties over the five

year period, staff are smoothing the impact of any significant changes to growth within the City,

- Inherent in the formula is the expectation that staff identifies efficiencies and cost savings through the budget process owing to the fact that CPI does not reflect a municipality's basket of goods. As this expectation is well understood it promotes a cycle of continuous improvement throughout the year as this expectation is understood,
- The formula reflects the pressures from growth and investments that a growing City is expected to make on behalf of the community,
- The formula addresses the main criticisms that had arisen out of the old approach while acknowledging that the City's budget is not tied to any one metric, such as CPI,
- The formula results in increased efficiency as staff understand the framework the budget will be developed under. The formula gives a predictable starting point that is quickly updated and this allows staff to spend more time undertaking budget development,
- Provides a starting point to undertake multi-year budgeting.

As mentioned earlier, the existing formula does have weaknesses that have become apparent over the past two budget cycles, including:

1. The formula does not provide separately for a capital component and as a result, contributions to capital reserve funds continue to be addressed as part of the base budget where normal operating activities are also captured. As a result, it is perceived that contributions to capital reserve funds can be adjusted in order to address increases to departmental operating budgets.

   With respect to this concern, the City has a separate guideline to address contributions to capital reserve – the 20% Capital Financing Guideline – and as such, greater commitment must be made to returning to and maintaining those levels by both management and Council. In addition, improved information around asset management requirements will help to inform what appropriate funding levels are for the City's existing assets.

2. There is confusion around whether the increase in the number of taxable properties and prior year assessment growth are essentially the same thing and therefore being double counted. For purposes of the budget formula, it is important to distinguish assessment growth is applied to the **prior year** levy requirement to reset the base amount that the year over year increase is being calculated on. However, in terms of the formula, the "increase in taxable properties" component is attempting to account for the **in-year** cost of growth that is incurred by a growing municipality such as Guelph.

Option #8 – Use the Existing Formula with a revised adjustment to reflect the impact of assessment growth on operating and capital (Recommended)

The existing formula has benefits and limitations as outlined above; however it is multi-dimensional and does provide representation of several relevant factors that impact on budget development: cost, assessment growth and the need to invest in future infrastructure.

Perhaps the greatest criticism of the existing formula is the use of the number of taxable properties to represent growth. This factor does not take into account the impact such properties actually have on City services. Five small residential properties will result in a higher growth factor (and hence a higher guideline) than one large industrial property; even though the latter may require significantly more in terms of infrastructure and service needs.

As an alternative, the formula could instead incorporate a 5 year average of MPAC's Market Change Profile which provides the in-year percentage change of assessment, including growth, class changes, and change in assessment value (not related to market reassessment). This factor is a much more accurate reflection of how the City's assessment base is growing and provides an indication of how that growth impacts on service delivery and infrastructure needs, in other words, it provides a component of "growth paying for growth". Additionally the factor reflects the increased capacity for a growing assessment base to handle additional cost pressures related to City services. The measure is objective as it is provided by MPAC.

Since 2009 when MPAC first began producing this figure, the factor has been within 1.44% to approximately 2% each year; this ensures that there is predictability in the formula.

Therefore, the revised formula under this option would be:
(5-year average for Ontario CPI) + (5-year average of MPAC's Market Change) + investment factor

RECOMMENDATION

As indicated above, staff is recommending **Option #8: – Use the Existing Formula with a revised adjustment to reflect the impact of assessment growth on operating and capital**. This option offers the same benefits as the original formula, but improves on the measure that is being used to reflect the volume element within the formula. The 5-year average of the MPAC's Market Change is published by an outside agency, thereby increasing the objectivity of the formula.

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.

2.2 Deliver public services better.

2.3 Ensure accountability, transparency and engagement.

DEPARTMENTAL CONSULTATION

This report has been reviewed with the City's Executive Team.

FINANCIAL IMPLICATIONS

There are no financial implications resulting from this report. However, the direction from this report will impact how staff approaches budget development.

COMMUNICATIONS

This was identified in the Corporate Services Agenda forecast as coming forward in July for Committee's consideration.

ATTACHMENTS

ATT-1 Scan of Local & Single Tier Comparator Municipalities & Budget Guideline Direction

Sarah Purton
Report Author

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Recommended By
Janice Sheehy
GM Finance and City Treasurer
Corporate Services
519-822-1260 Ext. 2289
janice.sheehy@guelph.ca

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

Attachment 1: Scan of Local & Single Tier Comparator Municipalities & Budget Guideline Direction

	CPI	MPI	Budget Formula	Budget Direction	Other	None	Comments
Barrie					X		Follows a policy that limits property taxes to a percentage of household income
Brantford					X		Council establishes a budget target
Cambridge						X	No guideline or target found
Hamilton						X	Staff prepare a budget based on a direction from Council to not impact programs and services. Staff then work with Council through the budget process to progress to an appropriate budget and balance tax increases while protecting services
Kingston				X	X		Budgets are developed based on Council's directions, guidelines and the forecasts approved in the prior year's budget
Kitchener						X	Information included in the budget presented to Council is CPI, MPI and taxes comparative to other municipalities per the BMA Municipal Study and compare against Kitchener's increase
London					X		Have developed a 5-year multi-year budget and established an average percentage increase that will be required to maintain existing service levels
Waterloo		X					Have Council approved direction to use MPI as the upset limit for base budget services in any given year
Waterloo Region						X	No guideline or target found
Wellington County					X		Provides a 5 year plan (1 – current, 4 – forecast) and then discusses changes to the current year versus what had been predicted in prior year

Note: a subset of the City of Guelph's comparator group was chosen due to proximity or because they are single tier with a similar population or demographic.