

COMMITTEE AGENDA

CONSOLIDATED AS OF JULY 3, 2015



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			
CS-2015.31 Capital Renewal Reserve Fund: Urbacon Settlement			

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

ITEMS EXTRACTED FROM CONSENT AGENDA

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

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

STAFF UPDATES AND ANNOUNCEMENTS

ADJOURN

NEXT MEETING: Wednesday September 9, 2015

**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
<p>CS-2015.27 LEARNING AND DEVELOPMENT AUDIT PROGRESS UPDATE</p> <p>That the July 6, 2015 report titled “Learning and Development Audit - Progress Update”, be received.</p>	Receive
<p>CS-2015.28 PRINT SHOP AUDIT – STATUS OF ACTIONS TAKEN</p> <p>That the report of the City Clerk regarding “Print Shop Audit – Status of Actions Taken”, dated July 6, 2015, be received.</p>	Receive
<p>CS-2015.29 BUDGET FORMULA CITY GUIDELINE</p> <p>1. That the Corporate Services Committee receive Report CS-2015-46 “Budget Formula City Guideline”.</p> <p>2. That Corporate Services Committee approve the use of the following budget formula to guide staff budget development:</p> <p style="padding-left: 40px;"><i>(5-year average for Ontario CPI) + (5-year average of MPAC’s Market Change) + Investment Factor</i></p>	Approve

**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.

**CS-2015.31 CAPITAL RENEWAL RESERVE FUND: URBACON
SETTLEMENT**

Approve

1. That report CS-2015.63 "Capital Renewal Reserve Fund: Urbacon Settlement", be received.
2. That staff be directed not to repay the amount transferred from the Capital Renewal Reserve Fund to fund the Urbacon Settlement and unfunded legal and project costs.
3. That Council approve a one-time exemption from the Capital Renewal Reserve Fund Policy as established by By-law Number (2013)-19536 related to the requirement to repay funding to the reserve.
4. That staff include a recommendation in the 2016 budget related to the Capital Renewal Reserve Fund as part of the consideration of the findings of the BMA Financial Condition Assessment, thereby ensuring highest and best use of the funding of reserves.

attach.

STAFF REPORT



TO Corporate Services Committee

SERVICE AREA Corporate Services, Finance

DATE July 6, 2015

SUBJECT Capital Renewal Reserve Fund: Urbacon Settlement

REPORT NUMBER CS-2015-63

EXECUTIVE SUMMARY

PURPOSE OF REPORT

To provide the Corporate Services Committee with options regarding the treatment of the funds transferred from the Capital Asset Renewal Reserve Fund (now known as the Capital Renewal Reserve Fund or CRR) to pay for the Urbacon settlement.

KEY FINDINGS

The Capital Renewal Reserve Fund is a discretionary reserve fund, created and controlled by Council.

In September 2014, Council approved the transfer of \$5.243 million from the Capital Renewal Reserve (CRR) Fund to pay for the Urbacon settlement and the associated unfunded legal and project costs. This action was done through a one-time amendment to the CRR policy. It was unclear as to what the amendment entailed. Although the report addressed the issue of repayment of the reserve, there was no related Council motion specifically directing staff to do so.

Through the 2015 budget process, staff was asked to provide options related to the repayment of the transferred funds. This report satisfies that request.

As reported to Council, BMA Municipal Consultants will be performing a Financial Condition Assessment of the City's finances, and it will include a holistic review of the current funding level of all reserves. The work of BMA will enable the City to make decisions on highest and best use of its reserves and whether funding, is in fact, available to repay CRR, which is a discretionary reserve.

Staff have reviewed the options available to Council to deal with the Urbacon settlement and have outlined the risks and opportunities associated with each. These options are outlined in the balance of the report.

STAFF REPORT

FINANCIAL IMPLICATIONS

Financial implications of each option are presented within the body of the report.

ACTION REQUIRED

Corporate Services Committee receive the report and recommend that City Council direct staff to proceed with the recommended option of not repaying the funds transferred from the Capital Renewal Reserve Fund to pay for the Urbacon settlement and unfunded legal and project costs. Further that there be a one-time exemption from the policy requiring repayment to the reserve.

RECOMMENDATION

1. That report CS-2015-63 Capital Renewal Reserve Fund: Urbacon Settlement be received.
2. That Staff be directed not to repay the amount transferred from the Capital Renewal Reserve Fund to fund the Urbacon Settlement and unfunded legal and project costs.
3. That Council approve a one-time exemption from the Capital Renewal Reserve Fund Policy as established by By-law Number (2013) - 19536 related to the requirement to repay funding to the reserve.
4. That staff include a recommendation in the 2016 budget related to the Capital Renewal Reserve Fund as part of the consideration of the findings of the BMA Financial Condition Assessment, thereby ensuring highest and best use of the funding of reserves.

BACKGROUND

On September 8, 2014, City Council was advised that a settlement with Urbacon Limited (Urbacon) had been reached. Information was provided to City Council in an in-camera report **CHR-2014-62 Urbacon Litigation**. As a result, Council approved the following motion:

1. THAT Council receive for information Staff Report CHR-2014-62 "Urbacon Litigation", regarding settlement of Urbacon litigation.
2. THAT the details of the settlement be made public.
3. THAT Council rise and report during the Council meeting of September 8, 2014:
 - a) THAT a settlement has been reached out of court with Urbacon, the details of which will be released;
 - b) THAT Council direct staff to make a one-time amendment to the Capital Asset Renewal Reserve Fund (#351) policy and the staff

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allocate funds in this reserve fund towards the Urbacon settlement and legal costs;

c) THAT Council direct staff to make the following reserve and reserve fund transfers for the settlement:

- Legal/OMB Reserve (#193) - \$1,693,100
- Capital Tax Reserve Fund (#150) - \$1,500,000
- Capital Asset Renewal Reserve Fund (#351) - \$2,662,164

d) THAT Council direct staff to make the following reserve and reserve fund transfer for the legal expenses and other project costs

- Capital Asset Renewal Reserve Fund (#351) - \$2,581,123

As part of the report, it was identified that the policy of the reserve required that the funds transferred would be repaid in 10 years or less, and noted that staff planned to repay the funds plus lost interest over a five year period. That further, the funds would be repaid using the amount allocated to the capital tax reserve fund under the City's capital financing guideline.

Through the 2015 budget process, staff was asked to provide options related to the repayment of the transferred funds and at the March 25, 2015 Council meeting the following motion was made:

"That the contribution to the Capital Tax Reserve in relation to the Urbacon repayment be reduced to \$500,000".

Staff have reviewed the options available to Council and have outlined the risks and opportunities associated with each. These options are detailed in the balance of the report.

CAPITAL RENEWAL RESERVE FUND POLICY

The policy governing the CRR Fund was approved by Council in March 2013 under By-Law number (2013)-19536. The reserve fund was established to preserve the proceeds from the disposition of significant assets which, at the time of the reserve fund creation, was the remaining proceeds from the monetization of the note receivable with Guelph Hydro. In July of 2009 Councillors voted to cash in the city's note and use the majority of the proceeds to fund the city's share of infrastructure-related construction projects.

The policy identifies the intended use of the funds to:

- Leverage funding from other sources such as grants or partnerships,
- Loan funds for a project which might otherwise require outside debt,
- Provide bridge financing for an emergency infrastructure project.

Further limitations around the use of funds in this reserve fund are that money loaned to a capital project or to an emergency project which requires bridge financing must be repaid within 10-years or immediately upon receipt of longer term financing respectively.

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Of the \$30,000,000 received from Guelph Hydro, approximately \$17,000,000 has been used for infrastructure fund projects, recreational infrastructure projects, wireless IT and a facility energy retrofit. When interest and repayments are added to the fund, less existing commitments and the \$5,243,287 for Urbacon, the current balance of the fund is approximately \$7,000,000.

For the purposes of the Urbacon settlement and unfunded legal and project costs, and recognizing that these costs did not meet the above outlined policy criteria, Council approved a one-time amendment to the policy in order to allow for the use of the reserve. However, the details of the intent of the one-time amendment were unclear, and there is no motion related to the repayment of the CRR.

The CRR fund policy is attached as **Appendix 1**.

REPORT

With respect to the Urbacon settlement, the following options were explored by staff:

Table 1: Repayment Options

Option #	Description
1	Do not repay the CRR Fund
2a	Maintain the Staff Proposed Repayment Schedule (adjusted for 2015 Budget Decisions)
2b	Accelerate the Repayment Schedule (Compared to Original Schedule)
2c	Extend the Repayment Schedule (Compared to Original Schedule)
2d	Fund the Repayment through Investment Income

Option #1: Do not repay the CRR Fund (recommended option)

As outlined above, the conditions under which the CRR Fund needs to be repaid per the Council approved policy are if the funds are loaned to a capital project which otherwise might require debt, or for an emergency infrastructure project that required bridge financing until longer term financing was received.

The CRR Fund is a discretionary reserve fund, created and controlled by Council; therefore not repaying the reserve is an option available through a decision of Council. This option will reduce the amount of money available in the CRR Fund for future capital projects and may limit the City's ability to participate in large grant programs due to lack of funding available to pay for the municipality's share of the project. This option also reduces the overall balances of the City's reserves and reserve funds by the \$5.243 million.

As previously reported to Council, BMA Municipal Consultants have been engaged to provide an updated Financial Condition Assessment; this will consist of a five year historical trend analysis on key financial and socio-economic indicators for Guelph

STAFF REPORT



and a comparison with peer municipalities for the most current year. They will be reviewing existing financial policies for debt, reserves, user fees, capital requirements and the infrastructure gap and will make recommendations, if required for amendments. It will also include a detailed review of the major reserve/reserve fund groups (capital, stabilization, employee benefits, insurance, etc.). This review will be all encompassing in nature and will provide recommendations related to the levels and future funding of City reserves.

It is anticipated that priorities will be set in terms of a funding strategy and it may be determined that mandatory reserves (such as the tax stabilization reserve) take precedence over the CRR which is a discretionary reserve. For this reason, staff is recommending that the CRR not be repaid at this time and that upon receipt of the BMA Report, a holistic approach to making recommendations to fund reserves be undertaken during the 2016 budget process.

Option #2: Repay the CRR Fund.

Sub-option #2a: Maintain the Staff Proposed Repayment Schedule (Adjusted for 2015 Budget Decisions)

In the September 2014 report to Council, staff had indicated that the funds transferred from the CRR Fund would be repaid over a five year period using the amount that was allocated to the capital tax reserve fund under the City's capital financing guideline. As a result of both Executive Team and Council decisions through the 2015 budget process, a repayment was approved at a lower than forecasted amount and this report was requested. Assuming that a 5-year repayment period is maintained, the original and amended repayment schedule resulting from decisions through the 2015 budget process are below.

	millions				
Year	1	2	3	4	5
Original	\$1.250	\$1.250	\$1.250	\$1.250	\$0.243
Amended	\$0.500	\$1.250	\$1.250	\$1.250	\$0.993

While this option does provide some limitations in terms of managing the year over year tax levy increase by reducing capital financing, this sub-option maintains the original proposal as outlined in the September 2014 report and does not result in any capital programs that are currently planned to be funded from the CRR Fund being adversely affected.

In years two and beyond, this repayment schedule will add to the pressures facing our operating budget and for the reasons outlined in Option #1, this sub-option is not being recommended by staff.

STAFF REPORT



Sub-option #2b: Accelerate the Repayment Schedule (Compared to Original Schedule)

While this option would result in funding being returned to the CRR Fund at a faster than anticipated pace, it would result in either increased funding being required from the tax base or a reallocation of funding that is planned for other capital reserves in order to accommodate a faster repayment schedule. Given these considerations, this option is not recommended due to the pressures currently facing the City's operating and capital budgets and for the reasons as outlined in Option #1.

Sub-option #2c: Extend the Repayment Schedule (Compared to Original Schedule)

The CRR Fund policy requires that repayment be made over no more than 10-years. Therefore, the repayment schedule could be extended from 5-years to 10-years and be within the parameters of the policy while still rebuilding the CRR Fund balance. The revised repayment schedule is as follows:

- Year 1 (per 2015 Budget Decisions): \$0.500 million
- Years 2 – 9: \$0.527 million per year

This option provides greater flexibility in terms of managing the tax levy increase by reducing capital financing or allocating the additional financing to other capital reserve funds when compared to the original payback schedule. In addition, this option also smooth's the annual contribution based on the decisions made during the 2015 budget process. Extending the repayment period does not impact current capital projects funded from the CRR fund, however it could impact the City's ability to leverage third party funding or access funds for projects over the long-term horizon. For this reason and for those outlined in Option #1, this sub-option is not recommended.

Sub-option #2d: Fund the Repayment through Investment Income

Investment income is generated from the City's cash and short and long-term investments. This income is reflected as revenue in the City's operating budget and is then allocated to obligatory and capital reserve funds based on the projected year end average rate of return generated by our investments and the average of the opening and closing balance of the City's reserve funds. The revenue remaining after the investment income is allocated to the reserve funds becomes revenue in the City's operating budget reducing what needs to be raised from property taxes to fund the City's operations.

If the repayment to the CRR Fund was to be made through investment income, this decision would reduce the amount available to remain in the City's operating budget. This would put increased pressure on the City to cut services or require additional funding through property taxes to maintain existing service levels. Due to the additional pressures this option would create, and for the reasons outlined in Option #1 this sub-option is not recommended.

STAFF REPORT



RECOMMENDATION

Based on the two main options discussed in the above report, staff is recommending that the CRR not be repaid at this time, rather that subsequent to the findings of the BMA Financial Condition Assessment, a financial strategy for the funding of reserves be presented during the 2016 budget process. By waiting until that time, Council will have the maximum flexibility to prioritize the allocation of funding to the City's reserves.

CORPORATE STRATEGIC PLAN

Innovation in Local Government

- 1.3 Ensure accountability, transparency and engagement

DEPARTMENTAL CONSULTATION

N/A

FINANCIAL IMPLICATIONS

If the recommended option of not repaying the CRR is approved, there are no financial implications related to this report at this time.

However, it should be highlighted that a lower balance in the CRR fund, could limit future capital programs or the City's ability to leverage funding to participate in third party programs, such as grants. As noted the current balance is approximately \$7,000,000.

COMMUNICATIONS

Communications have been released stating that staff will be bringing forward a report regarding the treatment of the funds transferred from the Capital Renewal Reserve Fund to pay for the Urbacon settlement and unfunded legal and project costs.

ATTACHMENTS

ATT-1 Capital Renewal Reserve Fund Policy

Report Author

Janice Sheehy

GM Finance and City Treasurer

STAFF REPORT



Recommended By

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ON BEHALF OF

Approved By

Mark Amorosi
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THE CORPORATION OF THE CITY OF GUELPH

By-law Number (2013) - 19536

A By-law to enact a Capital Renewal Reserve Fund Policy

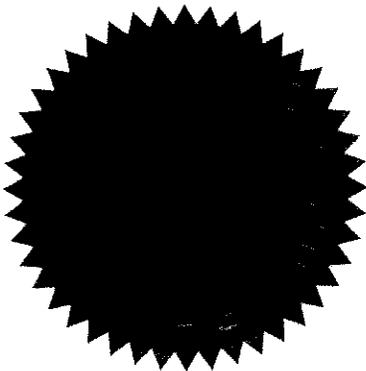
WHEREAS, under the provisions of subsection 10(2), paragraph 3, of the *Municipal Act, 2001*, S.O. 2001, c. 25, a single-tier municipality may pass by-laws respecting financial management of the municipality;

AND WHEREAS The Corporation of the City of Guelph is desirous of enacting a by-law for implementing a capital renewal reserve fund policy;

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

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

PASSED this TWENTY-FIFTH day of MARCH, 2013.




KAREN FARBRIDGE – MAYOR


TINA AGNELLO – DEPUTY CITY CLERK

By-law Number (2013) - 19536
Schedule A

POLICY	Capital Renewal Reserve Fund Policy
CATEGORY	Finance
AUTHORITY	Council
RELATED POLICES	General Reserve and Reserve Fund Policy
APPROVED BY	Council
EFFECTIVE DATE	March 2013
REVISION DATE	As required

1. POLICY STATEMENT

It is the policy of the City of Guelph to establish and maintain a reserve fund to preserve the proceeds from disposition of significant assets (including the remaining proceeds from monetization of the Hydro Note) for the exclusive purpose of financing capital assets identified in the City's strategic priorities.

2. POLICY PURPOSE

The purpose of this policy is to ensure that the one-time revenue from the disposition of the City's interest in Guelph Hydro and other significant assets is preserved to assist with the financing of capital assets in accordance with the limitations set out in this policy and not used for other projects or programs.

3. DEFINITIONS

In this policy,

"Reserve fund" means a fund with assets which are segregated and restricted to meet the purpose of the reserve fund. It is prescriptive as to the basis for collection and use of monies in the fund.

"Discretionary reserve fund" means a reserve fund created under the *Municipal Act* when Council wishes to earmark revenue to finance a future expenditure for which it has the authority to spend money, and to set aside a certain portion of any revenues so that the funds are available as required. The Capital Renewal Reserve Fund is a discretionary reserve fund.

"Loan" means money borrowed that is expected to be paid back with interest.

4. ADMINISTRATION

4.1 Creation

Council may establish a reserve fund to be used for any authorized exclusive purpose. A discretionary reserve fund may be created where Council wishes to set aside from general operations a revenue amount for financing future expenditures to ensure that it will not be used for any other purpose and be available when needed. The Capital Renewal Reserve Fund is a way of helping to stabilize the general municipal tax levy and minimize reliance on debentures.

4.2 Intended Use

The Capital Renewal Reserve Fund is to be used for the exclusive purpose of financing capital assets identified in the City's strategic priorities and in accordance with the limitations set out in this policy. It may be utilized to leverage funding from other sources (such as grants or partnerships), to loan funds for a project

which might otherwise require outside debt, or to provide bridge financing for an emergency infrastructure project.

4.3 Limitations

4.3.1 Transfers shall be made into or from the Capital Renewal Reserve Fund as approved by by-law, including but not limited to the annual budget by-law.

4.3.2 Money in the Capital Renewal Reserve Fund shall be spent only for the predetermined exclusive purpose of financing capital assets identified in the City's strategic priorities.

4.3.3 Money in the Capital Renewal Reserve Fund may be utilized

(i) to leverage funding from other sources (such as grants or partnerships) or

(ii) to loan funds for a project which might otherwise require outside debt or for an emergency infrastructure project which requires bridge financing.

4.3.4 Money shall be approved for transfer from the Capital Renewal Reserve Fund to a capital project only after presentation of a request accompanied by an acceptable business case.

4.3.5 (i) Money loaned to a capital project which might otherwise require outside debt shall be repaid to the Capital Renewal Reserve Fund within ten years.

(ii) Money loaned to an emergency infrastructure project which requires bridge financing shall be repaid to the Capital Renewal Reserve Fund immediately upon receipt of longer term financing.