

STAFF REPORT



TO Corporate Administration, Finance and Enterprise

SERVICE AREA Finance and Enterprise

DATE June 10, 2014

SUBJECT Finance Department 2013 Report

REPORT NUMBER FIN-14-33

EXECUTIVE SUMMARY

PURPOSE OF REPORT

The Finance Department 2013 Report provides an overview of the City of Guelph's Finance Department and highlights 2013 accomplishments. The report also provides a brief overview of the Corporation's financial position with a focus on key contributions made by the Finance Department in 2013.

KEY FINDINGS

The Finance department accomplished a number of successful initiatives in 2013 and continues to refine and improve budgeting, year-end and reporting processes and documents.

FINANCIAL IMPLICATIONS

None

ACTION REQUIRED

Corporate Administration, Finance and Enterprise Committee to receive for information.

RECOMMENDATION

That FIN-14-33 Finance Department 2013 Report be received for information.

BACKGROUND

City of Guelph Departments are required to submit a report annually to Council through committee describing the activities and accomplishments for the previous year.

REPORT

Throughout 2013, the Finance department undertook several key projects and initiatives to improve the City of Guelph's financial position and the way we do business. Highlights of 2013 successes include:

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- Receiving an upgrade in the City's credit rating from AA to AA+ with a stable outlook
- Leading the preparation of the City's 2013 Development Charge Background Study as the basis for the 2014 DC Policy and By-law update
- Introducing a predictable formula and multi-year forecast to the tax-supported operating budget process
- Implementing upgrades to the Vailtech tax system to accommodate new services and enhance service delivery
- Planning and implementing a banking services system conversion following a 2012 RFP to reduce bank charges and interest costs
- Implementing a new insurance claims management system

In addition to these projects, it is important to recognize the work done within the department to ensure that the City of Guelph is meeting its legislative requirements and put the financial framework in place to safeguard the Corporation's financial assets. The Finance Department 2013 Report will highlight these accomplishments.

Finally, staff has included a 2013 Finance Department Performance Dashboard which provides a comparison of the activities the finance department has direct control over and benchmarks the year-over-year change to the measure on an internal basis. The dashboard divides activities into accountability and transparency, cash flow and risk management.

CORPORATE STRATEGIC PLAN

2.3 Ensure accountability, transparency and engagement.

DEPARTMENTAL CONSULTATION

N/A

COMMUNICATIONS

Corporate Administration, Finance and Enterprise (CAFES) Committee was made aware of the timing of this report via the 2014 CAFES Calendar report.

ATTACHMENTS

ATT-1 Finance Department 2013 Report

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FINANCE DEPARTMENT 2013 REPORT



FRAMING OUR FINANCIAL FUTURE...




This report focuses on how the City of Guelph's Finance Department plays a key role in Framing Our Financial Future. It will briefly discuss the Corporation's Financial Position and highlight the Department's 2013 accomplishments.







EXECUTIVE SUMMARY

The Finance Department 2013 Report will provide a summary of the highlights of the City of Guelph’s Finance Department. The report will briefly discuss the financial position of the Corporation as a whole, provide an overview of the work done by the Finance Department and highlight 2013 accomplishments.

The **2013 Finance Department Performance Dashboard** shown below demonstrates how the Finance Department is trending in the areas of accountability & transparency, cash flow management and risk management. Items marked in green on this dashboard indicate that the measure is trending positive; yellow indicates that the measure is in an acceptable range, but caution should be taken and red indicates that corrective action needs to be taken. In addition, a “+” indicates a year-over-year improvement to the measure, while a “-“ indicates a negative year-over-year change. A “\” indicates that the measure has not changed over the prior year.

2013 FINANCE DEPARTMENT PERFORMANCE DASHBOARD

ACCOUNTABILITY & TRANSPARANCY	
	Amount of time budget is available for review by Council & the Public
	Number of Operating & Capital variance reports provided to Council
	Amount of time lapsed between year end and publishing Financial Statements

CASH FLOW MANAGEMENT	PROCUREMENT & RISK MANAGEMENT
 Investment income	 Annual value of claims per year
 Taxes Receivable as % of Taxes levied	 Regular review of internal controls
 Credit Rating Score provided by Standard and Poors	 Controls in place to ensure purchases are linked to approved budgets

FINANCE & THE CORPORATION'S FINANCIAL POSITION

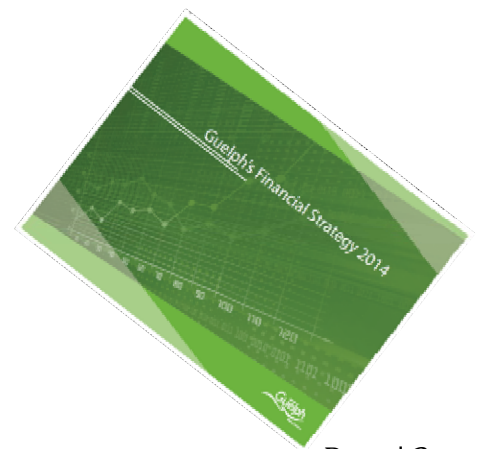
As indicated in the **2013 Finance Department Performance Dashboard**, Standard and Poor's upgraded the City of Guelph's **credit and debt rating** from AA to **AA+ with a stable outlook**. This marks the second consecutive year that the rating has improved and is reflective of the City's good operating performance, manageable debt burden, robust financial policies and stability in senior management positions. This upgrade further strengthens the City's position to secure favourable borrowing rates when issuing debt to fund its capital expenditures, which will result in significant savings for the City of Guelph.

In 2013, the City also published the **2012 Performance Measures Report card** as part of the annual external financial statement audit. This report contains a number of **key financial indicators**, including a strong **operating surplus ratio** and improved **debt ratios & measures** that demonstrate just how well the city is doing from a financial perspective.

Also during 2013 the City worked with Watson and Associates to build a **Development Charge Background Study** and By-law that would accurately recover the capital costs associated with projected residential and non-residential **growth** over the next 5 years. As part of this process, Finance engaged a **Staff Steering Committee**, a **Peer Review Team** and the **Development community** to identify issues and assist in making decisions that would contribute to a fair and accurate study. The resultant study represents the culmination of more than a year's worth of work and forms the basis for the new **DC By-law** that took effect on March 3, 2014.

In 2013, the City continued to build upon the **principles** of financial sustainability, fiscal capacity, accountability and transparency that were introduced during the 2012 capital budget process. The **2014 – 2023 Tax Supported Capital Budget and Forecast** incorporates the strategic focus areas identified in the Corporate Strategic Plan by moving ahead initiatives that support **taking care of what we own** and **enhancing Guelph's quality of life** while **minimizing reliance on debt**.

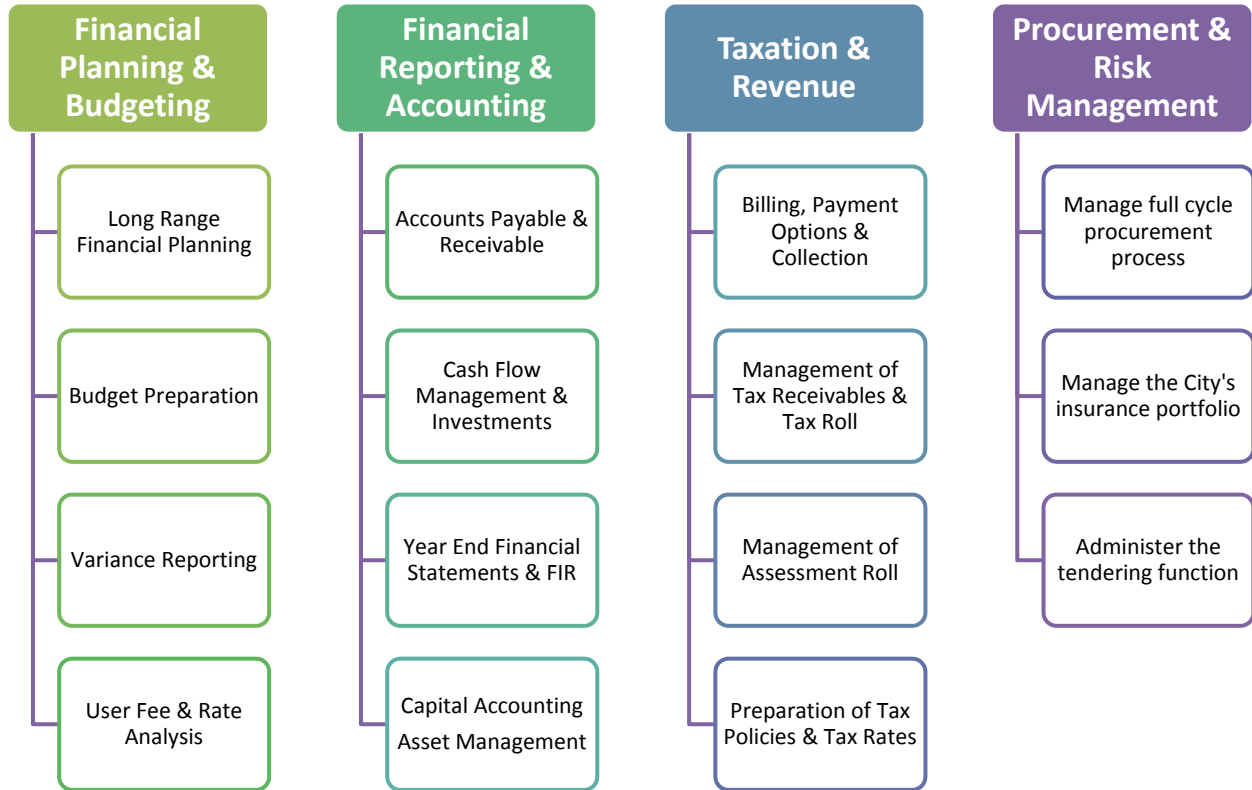
Each year the City strives to improve the budget process through workshops, consultations and collaborations. In 2013 this culminated with the introduction of a **predictable formula** and a **multi-year operating forecast** to the **2014 Tax Supported Operating Budget** process. Guided by the Corporate Strategic Plan, the 2014 Budget balances **predictability, affordability**, and **service** to the community, business and partners.



DEPARTMENTAL OVERVIEW

The Finance Department is responsible for financial planning, procurement and risk management, financial reporting and accounting and taxation. Finance assists Council in maintaining the financial integrity of the municipality under the Municipal Act, through financial counsel and analysis across the Corporation.

The primary roles and responsibilities of the four divisions are highlighted below.



Aside from the roles and responsibilities outlined above, the Finance department is responsible for maintaining the financial integrity of the organization by developing and ensuring compliance with the following policies:

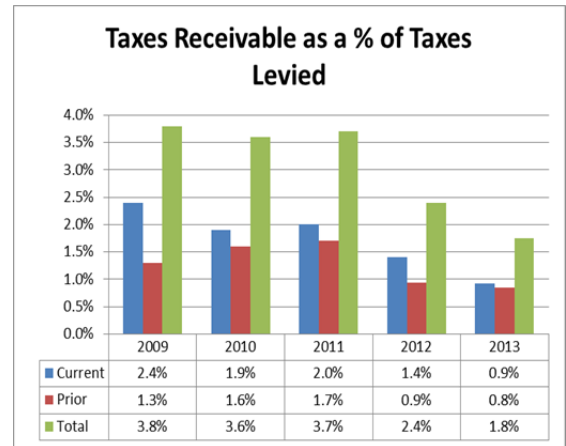
- Debt Management Policy; General Reserve & Reserve Fund Policy (2009)
- Budget Policy; Investment Policy; Tax Billing & Collection Policy (2011)
- Compensation Reserve Policy (2012)
- Capital Renewal Reserve Fund Policy (2013)
- Development Charge Exemption Policy (2013)
- Property Tax Policy (2013)
- Budget Monitoring Policy (2013)
- Asset Management Policy (2013)
- Purchasing Policy (DRAFT 2013)

2013 CORPORATE & DEPARTMENT ACCOMPLISHMENTS

During 2013, the Finance department accomplished several key initiatives that will benefit the entire Corporation and improve internal processes resulting in efficiencies and streamlining of work. These accomplishments are highlighted below.

Corporate Accomplishments

- Led the City’s 2013 Development Charge (DC) Background Study as required by the DC Act, 1997 as the basis for the 2014 DC Policy and By-law update
- Renegotiated the Elliot Promissory note to pass on savings realized by the City after achieving a favourable rate on refinancing a matured security
- Continued to monitor and reduce taxes receivable positioning Guelph as one of the municipalities with the lowest receivables among the City’s comparator group (see graph)
- Introduced monthly operating and capital variance reporting across the organization
- Introduced a predictable formula comprised of factors for inflation, growth and investment to guide the development of the 2014 operating budget and multi-year forecast
- Prepared and received Council approval of the City’s 2014 Tax Supported and Non Tax Supported budgets
- Planned and implemented a banking services system conversion following a 2012 RFP to reduce bank charges and interest costs
- Created an Asset Management Policy to meet provincially legislated requirements and provide strategic direction for the development of a Corporate Asset Management Plan.
- Created a Capital Renewal Reserve Fund Policy to formalize the City’s process for dealing with the receipt of one-time revenue
- Created a DC Exemption Policy to formalize the City’s approach for dealing with the impacts on DC Revenue resulting from exemptions, phasing-in and other such concessions
- Provided three corporate year-end accounting training sessions to enhance departmental understanding of year-end processes and entries
- Provided financial expertise to corporate strategic initiatives including: Designation of the Elliott, Parking Study, Guelph Economic Investment Fund, Overtime Task Force, Corporate Technology Strategic Plan, Storm Water Funding Study, Water & Waste Water Long Range Financial Plan.
- Ongoing meetings with the Heavy Equipment Contractors Association with regards to tendering processes and improvements



Department Accomplishments & Statistics

- Introduced a voluntary Employee Celebration & Gift Fund to facilitate the collection of funds to support staff as they celebrate and experience life events.
- Introduced a departmental Timekeeping Policy & Procedure to clarify expectations with regard to overtime and absences from the workplace.

2013 Finance Facts....

Department Budget: \$2.16 million

of Accounts Payable Invoices Processed: 33,524

of Accounts Receivable Invoices Processed: 10,644

of Insurance Claims: 291

of Contracts Issued: 171

of Tax Bills Printed: 84,397

Value of Tax Revenue Collected: \$247,520,447 (includes school board, arrears & penalties)

- Developed and implemented a Departmental Action Plan to improve employee engagement in response to the 2012 Employee Engagement Survey results
 - Prepared and submitted 55 Staff Reports to Council or Committee
 - Offered budget process training sessions to all City staff
 - Created a Budget Monitoring Policy to formalize the City's approach to ensuring fiscal accountability
 - Implemented upgrades to Vailtech tax system to accommodate new services and enhance service delivery
 - Ongoing improvements to the corporate visa tracking system and claims tracking database
 - Introduced multi-year operating budgets for the City's Tax Supported budgets.
 - Completed all interim, final and supplementary billings ahead of legislated deadlines

- Received a very favourable Internal Audit Report following a review of Procurement Controls & Compliance
- Implemented a new insurance claims management system
- Submitted and received Council approval of annual tax policy report, including the continued implementation of the multi-residential ratio reduction and the reduction of the industrial tax ratio
- Participation in the Guelph Cooperative Purchasing Group: issued 4 contracts on behalf of the group and took advantage of tenders issued by other members.
- Implemented monthly accounting reconciliations and reporting for processes historically managed semi-annually or annually to create efficiencies and ensure accurate and timely availability of information
- Improved advertising exposure for the sale of assets by leveraging a newly introduced website dedicated to government agencies

SUMMARY

In summary, the **Finance Department 2013 Report** provides the highlights of what the department has accomplished over the past year. As demonstrated in the above document, the Finance department is proud of the number of highly successful initiatives it has undertaken, both on its own and as part of a larger corporate team.

This report also draws connections to the work Finance has done throughout 2013 and how this benefits and provides added value to the Corporation as a whole. By receiving an upgraded AA+ credit rating from **Standard and Poor's**, the **City of Guelph** improved its position for receiving favourable borrowing rates on debt issues for large capital projects.

The department also continued to refine and improve both its budget and year end reporting documents in 2013 resulting in increased transparency and accountability. Both of these documents demonstrate the City's commitment to financial responsibility and act as a check and balance to ensure compliance with the City's numerous financial policies and procedures. These same documents also provide guidance with respect to areas for improvement to ensure that the Department and Corporation are keeping up-to-date with important changes in the accounting community.

TERMS

Debt Ratios & Measures: this refers to debt to total reserve ratio, debt outstanding per weighted assessment and debt interest as a percent of own source revenues. These measures provide an indication of the City's financial prudence and ability to repay its debt obligations.

Finance Department Performance Dashboard: provides a comparison of activities the finance department is directly responsible for and benchmarks year-over-year improvement on an internal basis

Operating Surplus Ratio: This ratio provides perspective on how much of the City's own source of revenue were left after normal operations that could be used to fund reserves, pay down debt and invest in capital projects.

Standard & Poor's: rates local and regional governments in Canada and the US to determine the increased risk to credit profiles arising from liquidity, financial management and contingent liabilities.