

STAFF REPORT



TO Corporate Administration, Finance and Enterprise

SERVICE AREA Finance and Enterprise

DATE June 10, 2013

SUBJECT Finance Department 2012 Report

REPORT NUMBER FIN-13-13

EXECUTIVE SUMMARY

PURPOSE OF REPORT

The Finance Department 2012 Report provides an overview of the City of Guelph's Finance Department and highlights 2012 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 2012.

KEY FINDINGS

The Finance department accomplished a number of successful initiatives in 2012 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

1. That FIN-13-13 Finance Department 2012 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 2012, 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 2012 successes include:

STAFF REPORT

- Maintaining the City's AA credit rating and obtaining an outlook upgrade from "stable" to "positive"
- Partnering with external organizations to offer taxpayers the option of receiving their tax bills electronically and allow the convenience of using credit cards for payment of taxes
- Issuing a Request for Proposals for contracting banking services to ensure the City's banking costs are competitive
- Increasing the frequency of corporate operating and capital variance reporting

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 2012 Report will highlight these accomplishments.

Finally, staff has included a 2012 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

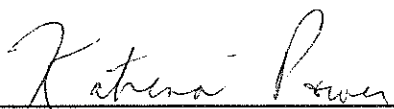
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COMMUNICATIONS

Corporate Administration, Finance and Enterprise (CAFES) Committee was made aware of the timing of this report via the 2013 CAFES Calendar report.

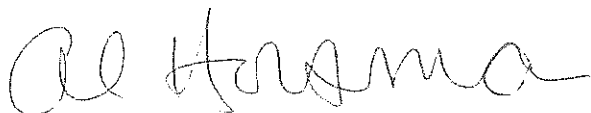
ATTACHMENTS

ATT-1 Finance Department 2012 Report



Report Author

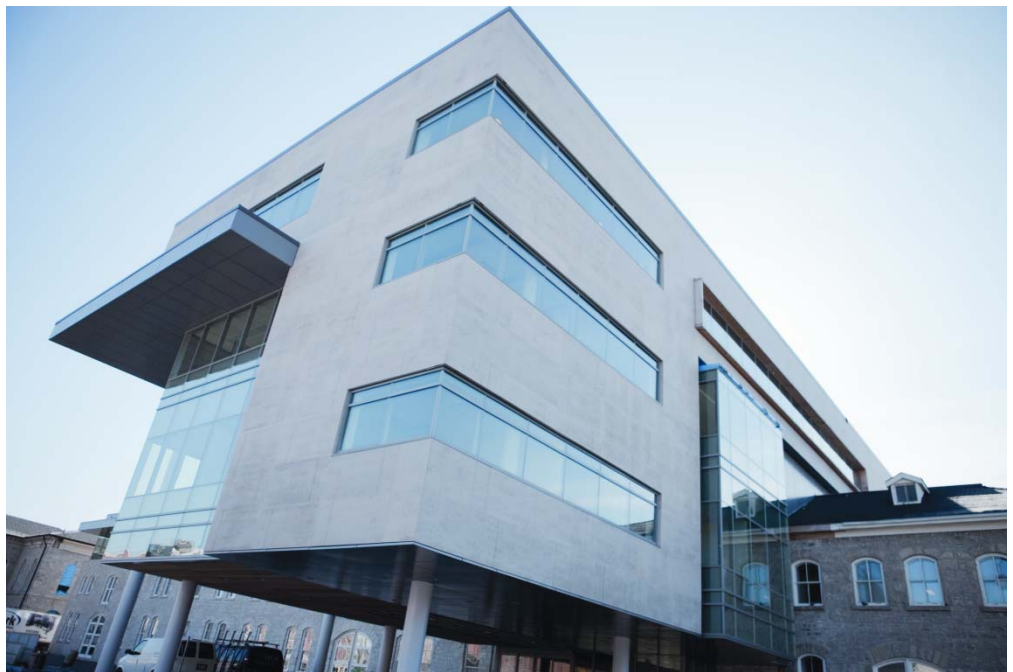
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FINANCE DEPARTMENT 2012 REPORT



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 2012 accomplishments.

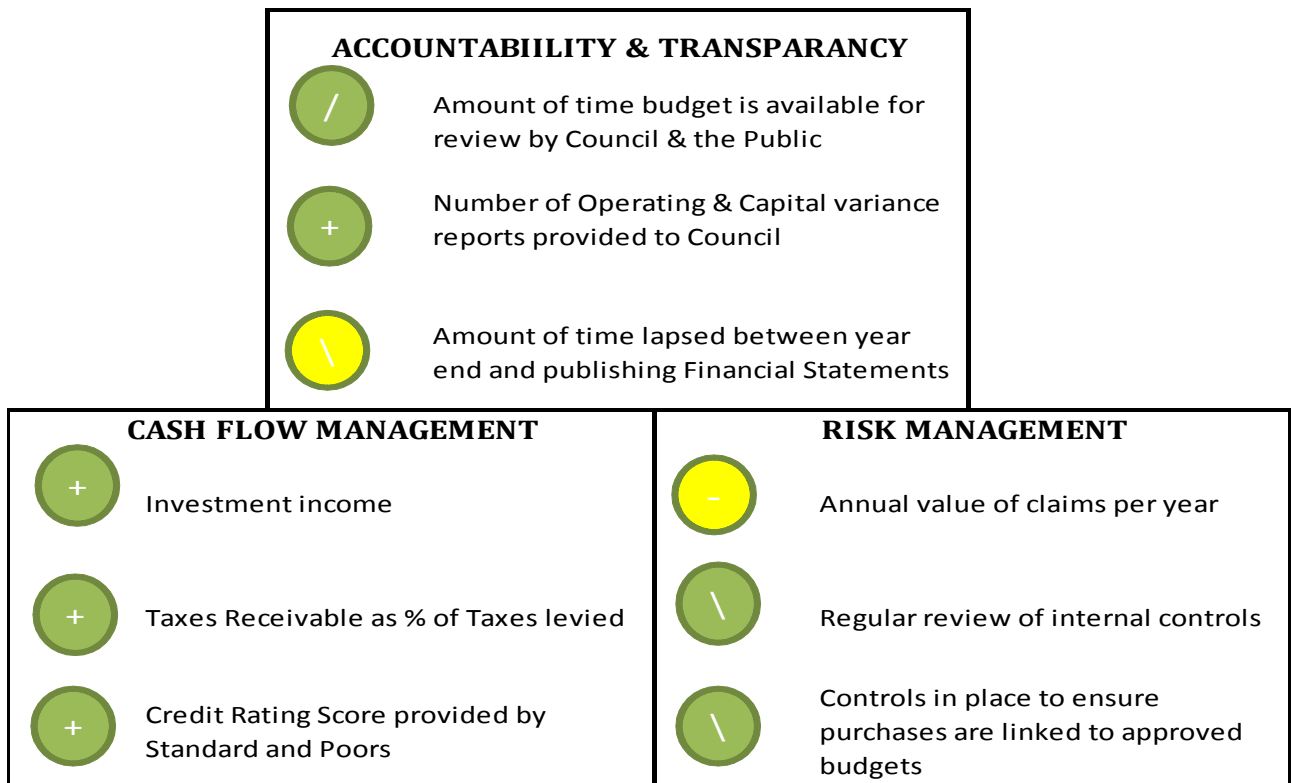
EXECUTIVE SUMMARY

The Finance Department 2012 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 2012 accomplishments.

The **2012 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.

In 2011, variance reporting was identified as an area that required immediate improvement. Staff addressed this in 2012 by providing regular operating and capital variance reports to Council through the Corporate Administration, Finance & Enterprise Services Committee (CAFES).

2012 FINANCE DEPARTMENT PERFORMANCE DASHBOARD



FINANCE & THE CORPORATION'S FINANCIAL POSITION

As shown in the **2012 Finance Department Performance Dashboard**, the City of Guelph again received an **AA credit and debt rating** from Standard and Poor's. This score, together with the outlook upgrade from "stable" to "positive", is reflective of the City's good operating performance, manageable debt burden and ability to thrive during the economic downturn continuing to impact businesses and governments around the world. This upgrade strengthens the City's position to continue 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 2012, the City also published its second financial and community report titled **Making a Difference 2011: A Community & Financial Report**. This comprehensive report merges the City's financial statements with highlights of the City's strategic accomplishments to give a true sense of how tax dollars are spent. The report also contains a number of key indicators that demonstrate just how well the City is doing from a financial perspective including improved **operating and capital reserve ratios**, a positive **operating surplus ratio** and on-going prudent

management of the City's debt burden and capacity as indicated through various **debt ratios & measures**.

In 2012, 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. New to the 2013 budget process was the council approved **Corporate Strategic Plan**. The **2013 - 2022 Tax Supported Capital Budget and Forecast** incorporates the strategic focus areas and directions identified in the Corporate Strategic Plan by moving ahead initiatives that support the **future well-being** of the City while **minimizing reliance on debt**.

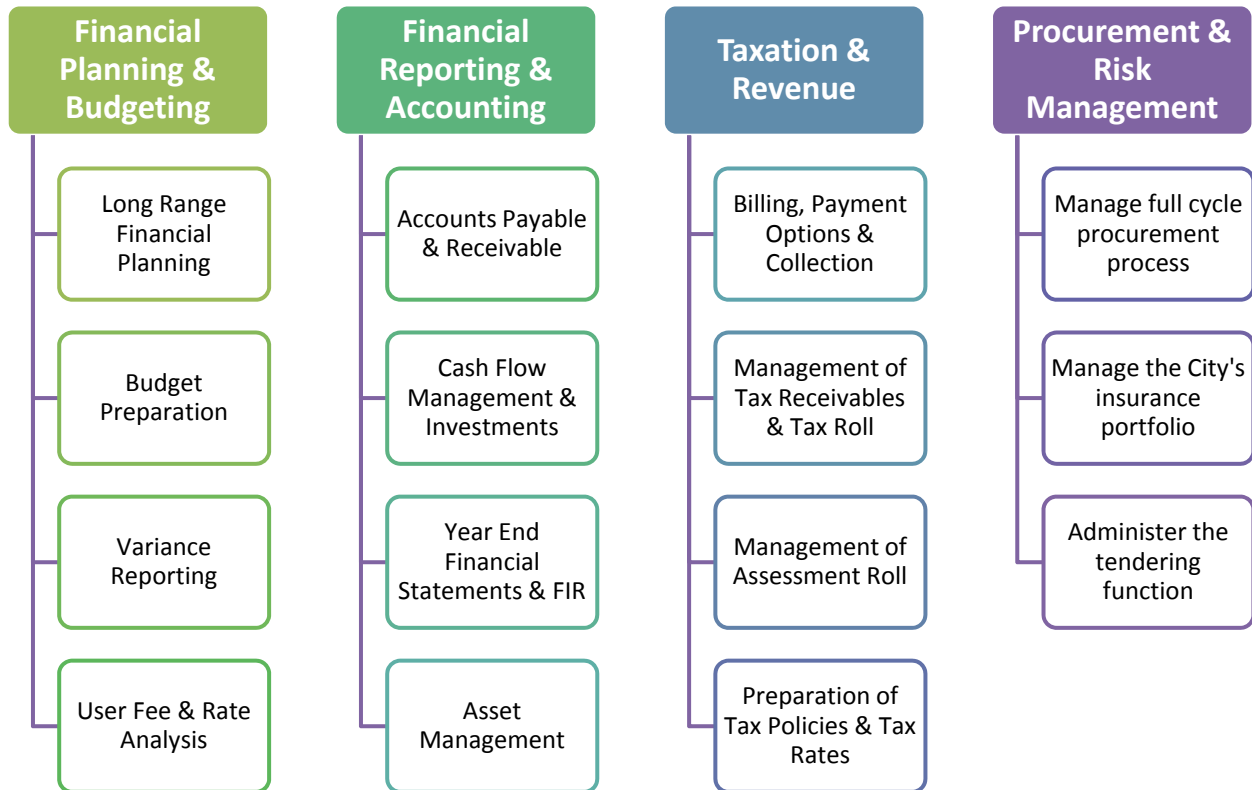
Finally, the **2013 Tax Supported Operating Budget** marked the culmination of several workshops, consultations and collaborations undertaken in 2012. Guided by the Corporate Strategic Plan, the 2013 Budget demonstrates the City's commitment to strengthening how the City works and building a thriving future for Guelph by delivering **outstanding** City services, **investing** in Guelph's future and providing **affordability** for taxpayers.



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:

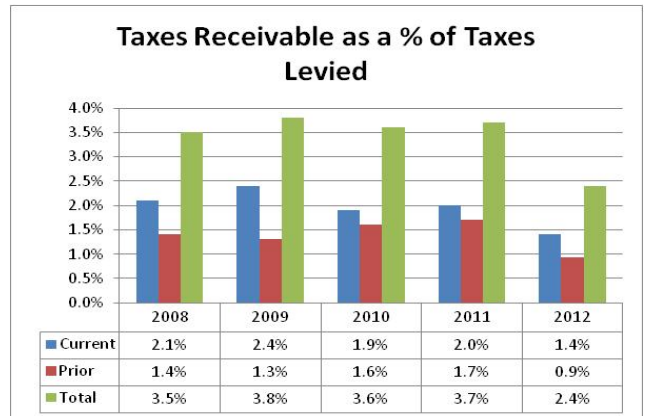
- Debt Management Policy (2009)
- General Reserve & Reserve Fund Policy (2009)
- Budget Policy (2011)
- Investment Policy (2011)
- Tax Billing & Collection Policy (2011)
- Purchasing Policy (DRAFT 2011)
- Property Tax Policy (2012)
- Compensation Reserve Policy (2012)
- Budget Monitoring and Capital Closing Policy (DRAFT 2013)

2012 CORPORATE & DEPARTMENT ACCOMPLISHMENTS

While 2012 was not without its challenges, 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

- Completion of the second annual Community and Financial Report: Making a Difference 2011, including a full financial reporting section
- Provided a training component for Audit Committee with the presentation of future accounting standard changes to be implemented from 2012 through 2015
- 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)
- Partnered with EPost to offer taxpayers the option of receiving their tax bills electronically
- Partnered with Paymentus to allow taxpayers the convenience of using credit cards for payment of taxes
- Ongoing meetings with the Heavy Equipment Contractors Association with regards to tendering processes and improvements
- Prepared and received Council approval of the City’s 2013 Operating, Capital and Enterprise budgets
- Developed a governance model for managing certain City-owned assets through Guelph Municipal Holdings Incorporated (GMHI)
- Reviewed financial services and issued a request for proposals for contracting banking services to ensure the City’s banking costs are competitive.
- Increased the frequency of corporate operating and capital variance reporting
- Introduced revenue reporting into the variance reporting process
- Provided three corporate year-end accounting training sessions to enhance departmental understanding of year-end processes and entries
- Performed a detailed review of operating reserves and received council approval for reallocations to better align resources with the City’s future requirements
- Finance team travelled to many off site locations to discuss departmental processes, find efficiencies and provide training



Department Accomplishments & Statistics

- Improved stability and leadership within the department by finalizing the management structure and filling four management position vacancies.
- Participated in the 2012 Employee Engagement Survey and began the process of improving employee engagement in the Finance Department

2012 Finance Facts....

Department Budget: \$2.67 million

of Accounts Payable Invoices Processed: 36,453

of Accounts Receivable Invoices Processed: 11,264

of Insurance Claims: 216

of Contracts Issued: 196

of Tax Bills Printed: 83,827

Value of Tax Revenue Collected: \$235,692,530 (includes school board, arrears & penalties)

- Prepared and submitted 54 Staff Reports to Council or Committee
 - Offered training programs for all City Staff for budget process & input and year end accounting training
 - Created a Compensation Reserve Policy to make use of reserves more consistent and strengthen the City's reserve status
 - Reduced number of areas identified by external auditors for improvement from 7 in 2011 to 2 in 2012
 - Ongoing improvements to the corporate visa tracking system and claims tracking database
 - Refined service-based budgeting format and introduced multi-year operating budgets for the City's Enterprise budgets.
 - Completed all interim, final and supplementary billings ahead of legislated deadlines
- Submitted and received Council approval of annual tax policy report, including the continued implementation of the multi-residential ratio reduction
- On-going refinement of the Ontario Municipal Benchmarking Initiative (OMBI) best practices methodology for allocating out support department costs resulting in more accurate budgeting
- Participation in the Guelph Cooperative Purchasing Group: issued 5 contracts on behalf of the group and took advantage of tenders issued by other members.
- Implemented new processes to address internal control and process weaknesses including regular account reconciliations, enhanced segregation of duties within accounts receivable and increased efficiencies through staff cross training
- Revised Fleet Maintenance Management process to better align costs to users, ensure adequate capital funding and complete expense recovery within city fleet department

SUMMARY

In summary, the Finance Department 2012 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. These projects have been completed while redefining and finalizing the department's management structure. We now have the team in place to ensure that Finance continues to succeed and meet its numerous legislative requirements.

This report also draws connections to the work Finance has done throughout 2012 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 2012 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

Financial Position: this term refers to the remaining assets in excess of all liabilities. Positive balances indicate the City's margin of safety it possesses to cover debt obligations and to have funds set aside for future sustainability.

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.