

# Non-tax-supported Strategy

2018 approved Operating Budget



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## Tab 2: Introduction

The 2018 approved non-tax-supported operating budget represents the City of Guelph's commitment to meeting legislative requirements, maintaining the health and safety of the community, and providing exceptional customer service.

The City's non-tax-supported budget is comprised of Stormwater Services, Court Services, Ontario Building Code (OBC) Administration, Water Services and Wastewater Services. Combined, the total approved 2018 operating budget is \$75,885,487.

Based on approved changes to user fees and rates (Stormwater, Water and Wastewater), the average annual household impact is an increase of approximately \$23. This increase is based on the average annual water consumption of a three-person household (180 cubic metres) and the approved \$4.60 monthly stormwater service fee for residential households.

The approved budget includes:

- \$6.1 million operating for Stormwater Services to support stormwater system sustainability, environmental protection and community safety as it relates to stormwater;
- \$3.9 million operating for Court Services, which includes the maintenance of City assets and lifecycle replacement for technology to enhance customer service;
- \$3.5 million operating for OBC Administration, which includes continued investments to maintain the health and safety of the community and to enhance services for our customers;
- 30.9 million operating budget for Water Services that allows Guelph to continue delivering a safe and sustainable water supply while renewing its aging infrastructure; and
- \$31.4 million operating for Wastewater Services to support continued optimization of Guelph's wastewater systems.

The operating costs associated with these service areas are recovered 100 per cent through user fees and other non-tax-supported revenues, and therefore do not require a property tax transfer.

The non-tax-supported budget incorporates direction from Guelph City Council including the Council Shared Agenda, continued input from community members and the strategic focus areas of the City's Corporate Administrative Plan—Service excellence, Financial stability and Innovation.

## Building the budget

When developing the budget, the City must consider and prioritize projects that are required to meet legislative requirements and community need. Further, to maximize the City's investment, projects that align with Guelph's Corporate Administrative Plan and the City's mission—to build an exceptional city by providing outstanding municipal service and value, while supporting the environmental, economic, social, and cultural pillars of sustainability—are considered.

Although the budgets are broken down into service areas, the budget is considered and approved as a whole to enhance the City's decision-making process.

The development of the Non-tax-supported operating budget is based on key elements that align with the City's financial strategy:

- A strong financial foundation that is based on a financial policy framework, which includes debt management, reserve and reserve fund and investment policies. Specifically, water and wastewater have no rate supported debt.
- Solid financial performance as indicated through third party evaluations by the City's external auditor and credit rating assessments.

Water and Wastewater budget development is centred on the objectives of ensuring regulatory compliance, managing our assets from water sources to the customer, and maintaining affordability for our customers.

Annual operating budget development for water, wastewater, and stormwater is based on net-zero funding principles, as defined by the *Municipal Act, 2001*, where revenues and expenses, including funding transfers to capital reserve funds, are balanced.

### Reserves and reserve funds

On September 25, 2017 Council approved report CS-2017-19 titled Reserve and Reserve Fund Review and Policy Update [http://guelph.ca/wp-content/uploads/cow\\_agenda\\_090517.pdf](http://guelph.ca/wp-content/uploads/cow_agenda_090517.pdf) (page 9). Each of the non-tax supported businesses has a capital reserve fund and an operating contingency reserve with the exception of OBC (which does not have a capital reserve fund). Each of these reserves and reserve funds has an identifiable target and the approved operating budget incorporates strategies to either maintain or move funding levels closer to the ultimate target.

Most notably for the City's water, wastewater and stormwater infrastructure, the transfer to the capital reserves is measured against the 100 year capital need to maintain and replace the City's current assets. In each of water, wastewater and stormwater, the operating transfer to fund capital is moving the City closer to achieving sustainable asset investment.

Council will receive an annual comprehensive Reserve and Reserve Fund Report that outlines fund balances, funding status compared to targets and significant transactions. Reserve and reserve fund forecasted balances are reflected in the departmental budget documentation.

**Capital budget**

In the 2017 capital budget, projects were shown as programs of work to demonstrate project interaction between City departments, and between tax-supported and non-tax supported budgets. This year the City will be presenting all capital programs of work together within the capital budget. Therefore, only the non-tax-supported operating budget is being presented in the following pages.

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### **Tab 3: Stormwater Services**

Managing stormwater involves controlling the quantity and quality of rainfall and melted snow that runs off roofs, driveways and roads, which ends up in our waterways and storm sewers. Stormwater management systems represent valuable public assets that provide many benefits to our community including pollution control and flood protection. The City's stormwater management system includes storm sewers, pipes, roadside ditches, watercourses, culverts, bridges, swales, catchbasins, outfalls, ponds and other water quality treatment facilities with an estimated replacement value of approximately \$558 Million (2017).

#### **Capital Improvements**

- Overall management of stormwater infrastructure
- Design and construction of capital projects
- Growth planning

#### **Operations and Maintenance**

- Regulatory compliance
- Emergency response and clean-up
- Enforcement of bylaws
- Inspections
- Ditch clearing
- Culvert Maintenance
- Facility Maintenance and repairs
- Stream rehabilitation and flood mitigation works

#### **Asset Renewal**

- Replacement, upgrades and control of:
  - Pipes
  - Ponds (including storage/treatment facilities)
  - Watercourses (including erosion control of rivers, creeks and streams)

## 2018 initiatives

### OUR SERVICES

- Implement projects and provide services to support ongoing capital, operational/maintenance, and sustainable asset renewal needs for the City's stormwater infrastructure network.

### OUR RESOURCES

- Administer a rebate/credit program that provides education and financial incentive for property owners who reduce the burden on Guelph's infrastructure and environment.

### Financial information

This budget is consistent with the Council-approved Sustainable Funding Strategy and represents 43.4 per cent increase over 2017.

Prior to 2017 this service was funded from property taxes.

**Table 1 Budget trend 2016 to 2018 (Stormwater Services)**

	2016 actuals \$	2017 approved \$	2018 approved \$	2018 budget change \$	2018 budget change %
<b>Revenue</b>	n/a				
User fees & service charges	n/a	4,219,000	6,050,000	(1,831,000)	43.4
Interest & penalties	n/a	0	2,000	(2,000)	0.0
<b>Total revenue</b>	<b>n/a</b>	<b>4,219,000</b>	<b>6,052,000</b>	<b>(1,833,000)</b>	<b>43.4</b>
<b>Expenditure</b>	n/a				
Purchased services	n/a	219,000	274,400	55,400	25.3
Interdepartmental support	n/a	947,703	1,333,450	385,747	40.7
Credits & Rebates	n/a	0	330,000	330,000	100.0
<b>Sub-total before reserve transfers</b>	<b>n/a</b>	<b>1,166,703</b>	<b>1,937,850</b>	<b>771,147</b>	<b>66.1</b>
Contingency reserve transfer	n/a	100,000	(380,000)	(480,000)	(480)
Capital reserve transfer	n/a	2,952,297	4,494,150	1,541,853	52.2
<b>Total expenditure</b>	<b>n/a</b>	<b>4,219,000</b>	<b>6,052,000</b>	<b>1,833,000</b>	<b>43.4</b>
<b>Net budget</b>	<b>n/a</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>

**Table 2 Rates trend 2016 to 2018**

	2016 actuals \$	2017 approved \$	2018 approved \$	2018 budget change \$	2018 budget change %
<b>Monthly residential stormwater charge (based on one ERU)</b>	n/a	<b>4.00</b>	<b>4.60</b>	<b>0.60</b>	<b>15.0</b>
<b>Annual residential bill</b>	n/a	<b>48.00</b>	<b>55.20</b>	<b>7.20</b>	<b>15.0</b>

**Explanation of changes**

## Revenue

- \$1,831,000 increase in user fees due to City growth and ongoing database reconciliation resulting in approximately 21,000 additional ERU's.
- Ongoing work through Corporate Asset Management has refined the sustainable funding target to \$11.1 million.

## Expenses

- \$385,747 increase primarily to support the corporate locates program.
- \$330,000 increase to introduce the credit and rebate program.
- \$1,541,853 increase in the transfer to capital reserve to work towards the annual sustainable level.

**Table 3 Rates trend 2016 to 2018 (Stormwater Services)**

	2018 approved \$	2019 projected \$	2020 projected \$
<b>Revenue</b>			
User fees & service charges	6,050,000	6,963,840	7,906,560
Interest & penalties	2,000	4,500	5,000
<b>Total revenue</b>	<b>6,052,000</b>	<b>6,968,340</b>	<b>7,911,560</b>
<b>Expenditure</b>			
Purchased services	274,400	274,600	279,600
Interdepartmental support	1,333,450	1,272,000	1,289,800
Credits & rebates	330,000	330,000	330,000
<b>Sub-total before reserve transfers</b>	<b>1,937,850</b>	<b>1,876,600</b>	<b>1,899,400</b>
Contingency reserve transfer	(380,000)	100,000	100,000
Capital reserve transfer	4,494,150	4,991,740	5,912,160
<b>Total expenditure</b>	<b>6,052,000</b>	<b>6,968,340</b>	<b>7,911,560</b>
<b>Net budget</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Monthly residential stormwater charge (based on one ERU)</b>	<b>4.60</b>	<b>5.20</b>	<b>5.80</b>
<b>Annual residential bill</b>	<b>55.20</b>	<b>62.40</b>	<b>69.60</b>

## **Reserve: Stormwater Contingency**

Purpose: To meet emergency and unplanned funding needs for stormwater operations in order to avoid an operating deficit or fluctuations in the rate.

Target balance: 10% of annual gross operating expenditures.

Funding strategy: Funds transferred in from storm water operating surpluses.

2017 forecasted ending balance: \$100,000

2018 forecasted ending balance: \$200,000

2018 target balance: \$605,200

2018 forecast as a percentage of target: 33 per cent \*

(\*Stormwater Contingency Reserve was established in 2017 and budget transfers are projected as part of future budgets to address the reserve level)

### **Capital programs of work (see capital budget)**

- Stormwater Management
- Downtown Implementation
- Full Corridor Reconstruction

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## **Tab 4: Court Services**

The City provides mandatory court services under its agreement with the province of Ontario. These services are provided in accordance with the principles of justice and legislative and provincial policy requirements. The Provincial Offences Act (POA) Court ensures public access to justice within the framework of individual rights guaranteed by the *Canadian Charter of Rights and Freedoms*.

### **Court administration**

- Administer public service components of court operations and manage stakeholder relations
- Administer charges and court-related processes including managing caseload and court scheduling
- Manage Court Services' financials including fine enforcement and corporate debt collection
- Maintain provincial charge and statistical databases

### **Court facilities**

- Maintain enhanced public access to justice through the provision of fully functional, barrier-free court facilities including public service counters, waiting areas and courtrooms
- Maintain facilities and amenity areas for judicial, administration, prosecution and in-custody functions

### **Court support**

- Administer in-court proceedings and maintain the court record
- Provide transcript production and judicial support services

### **Prosecutions**

- Provide prosecutorial resources and support for trials and appeals of provincial, regulatory and municipal offences
- Maintain early resolution initiatives supporting efficiencies in case management and public access to justice
- Manage case work including case law research and the preparation of factums and legal arguments

### **Parking ticket processing and fine collection**

- Administer the parking ticket process pursuant to Part II of the Provincial Offences Act, including fine payments, trial scheduling and defaulted fine collections

## 2018 initiatives

### OUR SERVICES

- Implementation of pre-authorized payment services to support fine payment plans.
- Implementation of new parking ticket software to provide real time information and improved interface with enforcement.

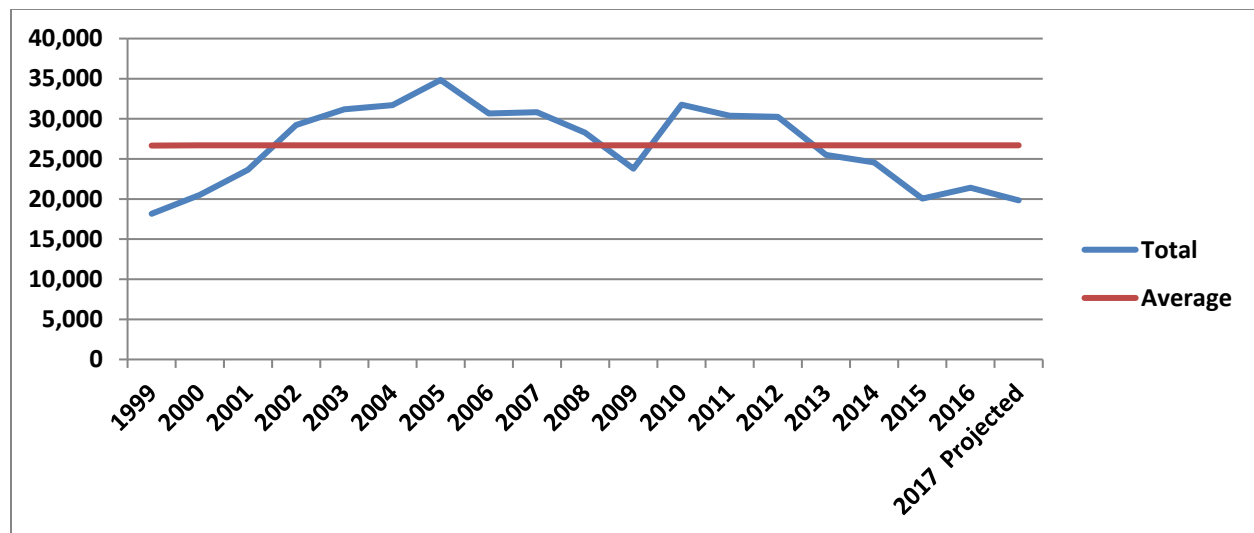
### OUR RESOURCES

- Facility lifecycle work continues with replacement of capacitors in UPS system and refurbishment of the front door of the Courthouse.
- Enhance in-court equipment to provide for digital evidence and remote language interpretation services.

### OUR PEOPLE

- Continue work with Province to expand use of the courthouse by other levels of courts and tribunals.

**Graph 1 - Guelph/Wellington POA Charge Volumes - 1999-2017**





## Financial information

**Table 4 Budget trend 2016 to 2018 (Court Services)**

	2016 actuals \$	2017 approved \$	2018 approved \$	2018 budget change \$	2018 budget change %
<b>Revenue</b>					
POA & Bylaw fines	(3,291,730)	(2,811,700)	(2,703,000)	108,700	(3.9)
Internal recoveries	0	(19,750)	(37,300)	(17,550)	88.9
<b>Total revenue</b>	<b>(3,291,730)</b>	<b>(2,831,450)</b>	<b>(2,740,300)</b>	<b>91,150</b>	<b>(3.2)</b>
<b>Expenditures</b>					
Compensation	1,228,008	1,296,500	1,352,800	56,300	4.3
Purchased goods	120,028	106,250	96,400	(9,850)	(9.3)
Purchased services	336,479	342,995	337,853	(5,142)	(1.5)
Financial Expenses	22,995	23,600	13,900	(9,700)	(41.1)
Government Transfers	384,492	301,320	243,908	(57,412)	(19.1)
Debt charges	400,000	400,000	398,109	(1,891)	(0.5)
Internal charges	302,768	292,750	297,330	4,580	1.6
<b>Total expenditures</b>	<b>2,794,770</b>	<b>2,763,415</b>	<b>2,740,300</b>	<b>(23,115)</b>	<b>(0.8)</b>
<b>Net budget before reserve transfers</b>	<b>(496,960)</b>	<b>(68,035)</b>	<b>0</b>	<b>68,035</b>	<b>(100)</b>
Reserve transfers	496,960	68,035	0	(68,035)	(100)
<b>Net budget after reserve transfers</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>

**Table 5 Budget trend 2016 to 2018 (Parking Ticket Fine Collection)**

	2016 actuals \$	2017 approved \$	2018 approved \$	2018 budget change \$	2018 budget change %
<b>Revenue</b>					
Parking ticket fines	(1,206,057)	(1,070,300)	(1,200,000)	(129,700)	12.1
<b>Total revenue</b>	<b>(1,206,057)</b>	<b>(1,070,300)</b>	<b>(1,200,000)</b>	<b>(129,700)</b>	<b>12.1</b>
<b>Expenditures</b>					
Compensation	66,613	70,900	72,300	1,400	2.0
Purchased goods	1,300	2,350	400	(1,950)	(83.0)
Purchased services	59,273	54,200	58,400	4,200	7.7
Financial Expenses	1,228	1,300	0	(1,300)	(100)
Government Transfers	64,697	66,300	62,800	(3,500)	(5.3)
Internal charges	1,012,948	875,250	1,006,100	130,850	15.0
<b>Total expenditures</b>	<b>1,206,059</b>	<b>1,070,300</b>	<b>1,200,000</b>	<b>129,700</b>	<b>12.1</b>
<b>Net budget</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>

**Table 6 Full-time equivalent trend 2016 to 2018**

	2016 actuals	2017 approved	2018 approved	2018 budget change \$
Full-time equivalents	14.0	15.0	15.0	

**Explanation of changes**

## Revenue

- \$108,700 decrease in POA fine revenue due to declining charge volumes. Includes \$24,000 increase in revenue for new collections processing fee.
- \$129,700 increase in increase in the transfer from the Parking ticket fine collections budget to Bylaw, Operations (tax-supported budget) due to the increase in fine revenues.

## Expenses

- \$25,804 decrease to overall expenditures.

**Table 7 Budget trend 2018 to 2020 (combined Court & Parking Ticket Services)**

	2018 approved \$	2019 projected \$	2020 projected \$
<b>Revenue</b>			
User Fees & Service Charges	(3,903,000)	(3,981,100)	(4,060,700)
<b>Total revenue</b>	<b>(3,903,000)</b>	<b>(3,981,100)</b>	<b>(4,060,700)</b>
<b>Expenditures</b>			
Compensation	1,425,100	1,467,600	1,511,400
Purchased goods	96,800	98,900	103,100
Purchased services	396,253	396,900	397,500
Government Transfers	306,708	306,700	306,700
Financial Expenses	13,900	14,000	14,100
<b>Total expenditures</b>	<b>2,238,761</b>	<b>2,284,100</b>	<b>2,332,800</b>
Internal charges	1,701,539	1,735,600	1,770,300
Internal Recoveries	(37,300)	(38,600)	(42,400)
<b>Total Internal Charges &amp; Recoveries</b>	<b>1,664,239</b>	<b>1,697,000</b>	<b>1,727,900</b>
<b>Net budget</b>	<b>0</b>	<b>0</b>	<b>0</b>

### **Reserve: Courts Contingency**

Purpose: To meet emergency and unplanned funding needs for Courts in order to avoid an operating deficit.

Target: 8-10% of City's share of Court's gross operating expenditures.

Funding Strategy: Annual budget surplus transfers

2017 forecasted ending balance: \$535,807

2018 forecasted ending balance: \$535,807

2018 target balance: \$390,200

2018 forecast as a percentage of target: 137 per cent

### **Capital programs of work (see capital budget)**

- Corporate Administration

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## Tab 5: Ontario Building Code Administration

The City's Building Services division authorizes all building construction and demolition in Guelph. The division is provincially mandated to administer and enforce the Ontario Building Code (OBC), and provincial legislation requires staff to maintain certification to meet provincial standards, perform mandatory inspections, and issue permits within mandated time frames.

Building Services provides the following public services associated with the administration and enforcement of the OBC:

- Pre-permit consultation, plans examination, technical reviews and application processing
- Issuing of permits within mandated time frames to ensure conformity to the OBC
- On-site inspections to ensure conformity with approved permit drawings, specifications, the OBC and regulations
- Response to all technical inquiries throughout building projects
- Enforcement of OBC and initiation of legal proceedings as required

These activities are completely funded by revenues generated from building permit and administration fees.

Building Services also administers and enforces several City bylaws and manages Guelph's termite control and backflow prevention programs. These activities are included in the Tax-supported Operating Budget.

### 2018 initiatives

#### OUR **SERVICES**

These initiatives further the City's commitment to continually improve our processes to the benefit of our customers.

- Accept drawings and other documentation submitted electronically for all building permit applications for a more efficient permit process and improved information sharing with our customers.
- Enhance our e-processes so our customers can conduct business more conveniently through the online public portal, outside of regular business hours.
- Fully implement e-reports to provide real time construction project status updates to our customers.

#### OUR **PEOPLE**

- In collaboration with HR, we will implement our workforce plans to ensure high quality service is maintained when 25% of our team retires over the next five years. Workforce planning is part of the talent blueprint initiative in the Corporate Administrative Plan.

## Financial information

**Table 8 Budget trend 2016 to 2018 (Ontario Building Code Administration)**

	2016 actuals \$	2017 approved \$	2018 approved \$	2018 budget change \$	2018 budget change %
<b>Revenue</b>					
Licenses and permits	(3,029,850)	(3,000,000)	(3,350,000)	(350,000)	11.7
Transfer from reserves	(215,239)	(390,300)	(165,670)	224,630	(57.6)
<b>Total revenue</b>	<b>(3,245,089)</b>	<b>(3,390,300)</b>	<b>(3,515,670)</b>	<b>(125,370)</b>	<b>3.7</b>
<b>Expenditures</b>					
Purchased goods	52,951	73,800	83,200	9,400	12.7
Purchased services	150,034	105,000	111,070	6,070	5.8
Financial expenses	15,258	25,000	25,000	0	0.0
Internal charges	3,026,846	3,186,500	3,296,400	109,900	3.4
Transfer to reserves	0	0	0	0	0.0
<b>Total expenditures</b>	<b>3,245,089</b>	<b>3,390,300</b>	<b>3,515,670</b>	<b>125,370</b>	<b>3.7</b>
<b>Net budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>

### Explanation of changes

#### Revenue

- \$350,000 increase in revenue based on historical trends, 2.4 per cent permit fee increase (approved by Council in June) and adjustments to building permit fee types.
- \$224,630 decrease in the transfer from reserve fund due to revenue increase and cost mitigation measures.

#### Expenditures

- \$109,900 increase in internal charges due in part to compensation increases within the corporate guideline.

**Table 9 Budget trend 2018 to 2020 (Ontario Building Code Administration)**

	2018 approved \$	2019 projected \$	2020 projected \$
<b>Revenue</b>			
Licenses and permits	(3,350,000)	(3,433,800)	(3,519,600)
Transfer from reserves	(165,670)	(152,200)	(138,100)
<b>Total revenue</b>	<b>(3,515,670)</b>	<b>(3,586,000)</b>	<b>(3,657,700)</b>
<b>Expenditures</b>			
Purchased goods	83,200	84,900	86,600
Purchased services	111,070	113,300	115,600
Financial expenses	25,000	25,500	26,000
Internal charges	3,296,400	3,362,300	3,429,500
Transfer to reserves	0	0	0
<b>Total expenditures</b>	<b>3,515,670</b>	<b>3,586,000</b>	<b>3,657,700</b>
<b>Net budget</b>	<b>0</b>	<b>0</b>	<b>0</b>

### **Reserve funds: Building Services OBC Stabilization**

**The Building Code Act allows municipalities to establish permit fees to cover the cost of administering and enforcing the Building Code Act, and make reasonable contributions to a reserve. The reserve can be used to offset periods of lower building and construction activity, make service enhancements and cover unexpected expenses.**

Purpose: A building services stabilization reserve fund is required for managing fluctuations in City building activity that may impact operations.

Target balance: 1 year of operating expenditures

Funding strategy: Annual rate reviews and adjustments to maintain cost recovery levels.

2017 forecasted ending balance: \$2,487,429

2018 forecasted ending balance: \$2,356,729

2018 target balance: \$3,390,300

2018 forecast as a percentage of target: 70 per cent

### **Capital programs of work (see capital budget)**

- Corporate Administration

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## Tab 6: Water and Wastewater Overview

### Financial planning

As part of the *Safe Drinking Water Act, 2002*, the Province of Ontario requires municipal water service providers to develop or update a long-range financial plan every five years in order to renew Municipal Drinking Water Licences. In addition to satisfying Provincial requirements, the Water and Wastewater Long-range Financial Plan (2014-2019) helps the City provide long-term financial stability, system sustainability and community safety as it relates to our water supply. The plan also helps to inform the budgets and rate increases submitted annually for Council approval. Although not required by the Province, the City proactively includes Wastewater Services in long-range financial planning to provide a more complete picture of the water and wastewater systems and to ensure more accurate forecasting.

### Summary of 2018 approved Water and Wastewater rates

The following volumetric rates and basic service charges are approved for 2018.

**Table 10**

	2017	2018	Change
Water Volume Charge \$/cubic metre	\$1.67	\$1.72	\$0.05
Water Basic Charge \$/day	\$0.26	\$0.26	\$0.00
Wastewater Volume Charge \$/cubic metre	\$1.80	\$1.84	\$0.04
Wastewater Basic Charge \$/day	\$0.32	\$0.32	\$0.00
Average Residential Annual Bill (180 cubic metres*)	\$836.30	\$852.50	\$16.20

**Note:**

\*Average annual volume of water consumed by a three-person household in Guelph is estimated to be 180 cubic metres. 2018 rates will come into effect on January 1, 2018.

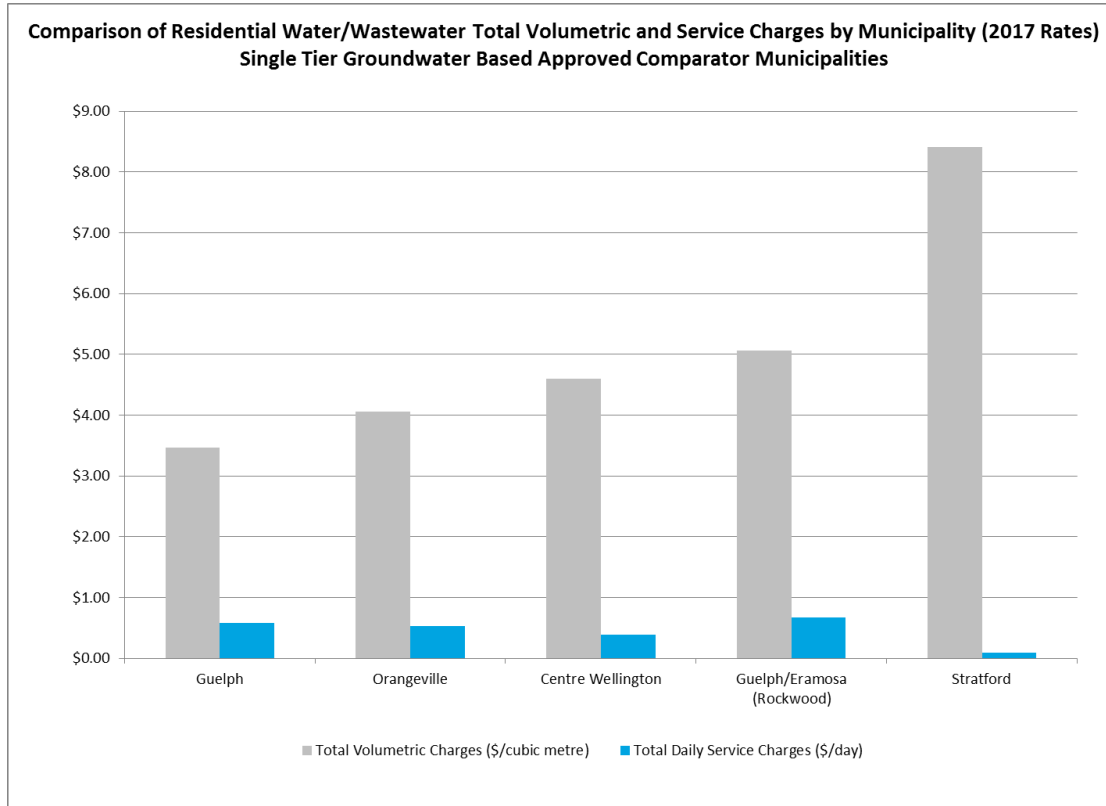
The above approved water and wastewater rates reflect an overall expenditure increase of 1.7 and 1.5 per cent respectively to the Water and Wastewater operating budget, net of capital reserve transfers and expansions. Internal charges, compensation and capital reserve transfers represent the largest impacts to the Water and Wastewater budgets, and are the main drivers of the 1.9 per cent overall average annual residential bill increase.

The City's goal of maintaining an affordable and reliable service for our community aims at keeping Guelph's water and wastewater rates close to average rates among comparable municipalities.

### Water and wastewater rate comparisons

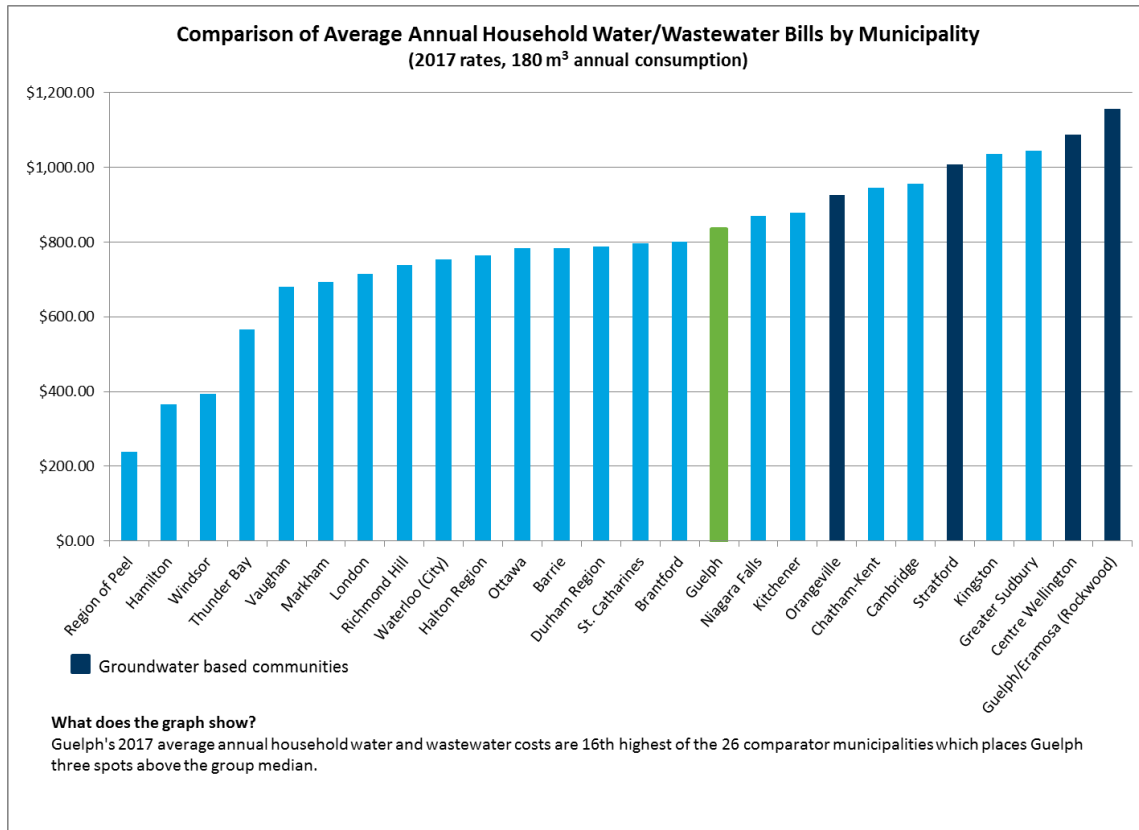
The following graph compares the residential water/wastewater total volumetric and service charges for single-tier, groundwater-based municipalities based on their 2017 rates.

**Figure 1, Comparison of Residential Water/Wastewater Total Volumetric and Service Charges by Municipality**



The following graph compares the average household water/wastewater bills by municipality based on 2017 rates. The dark blue bars represent those municipalities whose water supply is groundwater based versus surface water. Guelph, a groundwater based community is indicated by the green bar on the graph.

**Figure 2, Comparison of Average Annual Household Water/Wastewater Bills by Municipality**



Guelph's 2017 average annual household water and wastewater costs are 16th highest of the 26 comparator municipalities which places Guelph three spots above the group median. Of the groundwater based community comparators, Guelph is the lowest. Bills are based on an annual consumption of 180 cubic metres.

**2017 rate revenue forecast and actuals**

As per closure of August 2017 revenue reporting periods, water rate revenue was 1.21 per cent (\$225,591) above forecast, and wastewater rate revenue was 2.0 per cent (\$405,892) above forecast. Community growth was the major driver for the higher revenues even with a very wet spring-summer season. On an annual basis, any revenue surpluses experienced are transferred to the water and wastewater contingency reserves in accordance with the Reserve and Reserve Fund Policy.

## 2018 demand projections

2018 demand projections and related billable consumption volumes for water and wastewater are forecasted to be 1.2 per cent lower than projected 2017 volumetric consumption at time of budget development. This estimate includes additional billable water demands from modest residential and ICI customer growth expected. These estimates are based on direct consultation with large customers, and consultation with other City departments, notably Planning Services and Building Services, Engineering and Capital Infrastructure Services, and Business Development and Enterprise Services, who liaise with local business on new water and wastewater servicing requests. Primary factors influencing reductions to anticipated growth and demand decreases associated with customer conservation actions as per Council approved Water Supply Master Plan and Water Efficiency Strategy which seek to reduce water use to support future growth within the constraints of Guelph's limited groundwater supply.

## Future year rates

To provide safe drinking water, ensuring the timely replacement of Guelph's water infrastructure, and accommodate Guelph's continued growth, water rates are projected to increase to \$1.95 per cubic metre by 2020.

To maintain legislated wastewater treatment levels, ensure the timely replacement of wastewater infrastructure, and accommodate service growth, wastewater rates are projected to increase to \$2.04 per cubic metre by 2020.

The following table shows past actuals and projected increases for volumetric rates (dollars per cubic metre) and overall impact to residential customer bills (percentage).

**Table 11**

	2015 actual	2016 actual	2017 actual	2018 approved	2019 projected	2020 projected
Water Volume Charge \$/cubic metre	\$1.52	\$1.59	\$1.67	\$1.72	\$1.86	\$1.95
Wastewater Volume Charge \$/cubic metre	\$1.66	\$1.73	\$1.80	\$1.84	\$1.94	\$2.04
Average Residential Annual Bill (percentage change**)	4.1%	4.0%	3.3%	1.9%	4.2%	4.7%

**Notes:** To address the issue of water and wastewater utility sustainability and rate stability, Toronto, Barrie, Hamilton, and the Regional Municipality of York support a multi-year, uniform approach to increasing rates. This approach is also approved by Guelph City Council and is employed as a recommendation of the 2014 Water and Wastewater Long Range Financial Plan. Forecasts are based on current service levels and legislation.

\*\*Projected residential bill increase calculated assuming stable basic service charges.

## Tab 7: Water Services

Water Services ensures a safe, secure and sustainable water supply for our community including water used for residential, business, recreational and firefighting purposes. The delivery of a safe, reliable water supply is a 24-hour business.

### **Council responsibility as owner**

“The Safe Drinking Water Act, 2002 includes a statutory standard of care for individuals who have decision-making authority over municipal drinking water systems or who oversee the operating authority of the system.”

“It is important that members of municipal council and municipal officials with decision making authority over the drinking water system and oversight responsibilities over the accredited operating authority understand that they are personally liable, even if the drinking water system is operated by a corporate entity other than the municipality.”

There are legal consequences for not acting as required by the standard of care, including possible fines or imprisonment.

(Excerpted from: Taking Care of Your Drinking Water: A Guide for Members of Municipal Councils)

### **Key Functions**

Water Services is responsible for planning, design, construction, operation, maintenance and overall management of \$633.5 million in water infrastructure assets. To meet these needs and to care for its infrastructure, the Water Services operating budget provides funding for the following key functions:

#### **Customer Service and Conservation**

- Customer service and support
- Utility administration and revenue management
- Staff training and development
- Compliance and conformance programs
- Customer education, engagement and support for the efficient use of water resources, including the implementation of water conservation programs
- Continuous service improvement including utility benchmarking and performance evaluation initiatives

#### **Supply, Treatment and Protection**

- Provision of a secure, reliable and continuous supply of treated drinking water to the water distribution system
- Implementation of programs to ensure operational and environmental compliance
- Operation and maintenance of related infrastructure including disinfection systems, supply facilities, towers, pumping stations, and reservoirs

- Sponsorship of provincially mandated Source Water Protection program implemented by Engineering and Capital Infrastructure Services
- Sponsorship of backflow prevention program implemented by Building Services
- Planning for infrastructure, capacity and emergency response
- Management and replacement of water supply assets

### **Distribution and Metering**

- Provision of a secure, reliable, and continuous supply of treated drinking water to customers and for fire protection
- Operation and maintenance of infrastructure including water mains, valves, hydrants and service lines
- Installation of new water billing meters and replacement of aging meter assets
- Emergency response and reactive infrastructure maintenance
- Capital infrastructure condition assessments and remediation to support loss mitigation (e.g. leak detection studies of municipal watermain)
- Management and replacement of distribution system assets with support from Engineering and Capital Infrastructure Services
- Management and delivery of the corporate infrastructure locates program

### **2018 initiatives**

#### **OUR SERVICES**

- Initiation of key water supply projects including three Environmental Assessments - Zone 2 Elevated Tank, Clythe Water Treatment, and Robertson Booster Pumping Station.
- Re-coating and process upgrades at the Verney Water Tower.
- Implementation of an accelerated Water Meter Replacement Program aimed at replacing 26,000 aging residential water meters over the period of 2018 to 2022.

#### **OUR RESOURCES**

- Optimization of water supply through well rehabilitation and distribution system water loss management to maximize the water permitted from our current groundwater sources.
- Investigation into future water supplies as outlined in the Water Supply Master Plan to support growth and reduce long-term infrastructure costs.

#### **OUR PEOPLE**

- Continued training and certification of licensed Water Services staff to support progressive licensing and continuous improvements within the City's operations.

## Financial information

This budget represents 1.7 per cent increase over 2017.

**Table 12 Budget trend 2016 to 2018 (Water Services)**

	2016 actuals \$	2017 approved \$	2018 approved \$	2018 budget change \$	2018 budget change %
<b>Revenue</b>					
User fees & service charges	(26,726,236)	(27,403,315)	(27,826,328)	(423,013)	1.5
Product sales	(24,063)	(17,000)	(17,000)	0	0.0
Licenses & permits	(39,515)	(35,000)	(35,000)	0	0.0
Interest & penalties	(29,937)	(13,000)	(13,000)	0	0.0
External recoveries	(263,444)	(1,052,200)	(855,540)	196,660	(18.7)
Internal recoveries	(1,744,282)	(1,930,150)	(2,219,600)	(289,450)	15.0
<b>Total Revenue</b>	<b>(28,827,477)</b>	<b>(30,450,665)</b>	<b>(30,966,468)</b>	<b>(515,803)</b>	<b>1.7</b>
<b>Expenditure</b>					
Compensation	6,438,960	6,724,400	6,920,500	196,100	2.9
Purchased goods	2,747,798	3,340,370	2,644,475	(695,895)	(20.8)
Purchased services	2,717,867	3,199,920	2,642,434	(557,486)	(17.4)
Other transfers	708,186	724,525	843,959	119,434	16.5
Internal charges	3,180,490	3,491,450	3,388,800	(102,650)	(2.9)
Financial expenses	173,658	0	0	0	0.0
<b>Sub-total before capital expenditure and expansion</b>	<b>15,966,959</b>	<b>17,480,665</b>	<b>16,440,168</b>	<b>(1,040,497)</b>	<b>(6.0)</b>
Expansion			126,300	126,300	100.0
<b>Sub-total before reserve transfers</b>	<b>15,966,959</b>	<b>17,480,665</b>	<b>16,566,468</b>	<b>(914,197)</b>	<b>(5.2)</b>
Capital reserve transfer	12,860,518	12,970,000	14,400,000	1,430,000	11.0
<b>Total expenditure</b>	<b>28,827,477</b>	<b>30,450,665</b>	<b>30,966,468</b>	<b>515,803</b>	<b>1.7</b>
<b>Net budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>

**Table 13 Rates trend 2016 to 2018**

	2016 actuals \$	2017 approved \$	2018 approved \$	2018 budget change \$	2018 budget change %
<b>Forecast rates (per m3)</b>	<b>1.59</b>	<b>1.67</b>	<b>1.72</b>	<b>0.05</b>	<b>3.0</b>

**Table 14 Full-time equivalent trend 2016 to 2018**

	2016 actuals	2017 approved	2018 approved	2018 budget change
Full-time equivalents	63.0	67.0	68.0	1.0

**Explanation of changes**

## Revenue

- \$43,000 increase in projected 2018 residential revenues based on forecasted new home construction

## Expenses

- \$152,800 increased payments in lieu of property taxes
- \$694,895 decrease in purchased goods due to reallocation of maintenance capital costs from operating, to align these expenses to the correct budget
- \$557,486 decrease in purchased services due to reallocation of maintenance capital costs from the operating to the capital budget to align these expenses to the correct budget
- \$1,430,000 increase in the capital reserve transfer to maintain the annual sustainable level



**Table 15 Budget trend 2018 to 2020 (Water Services)**

	2018 approved \$	2019 projected \$	2020 projected \$
<b>Revenue</b>			
User fees & service charges	(27,826,328)	(29,405,750)	(30,775,850)
Product sales	(17,000)	(17,300)	(17,600)
Licenses & permits	(35,000)	(35,700)	(36,400)
Interest & penalties	(13,000)	(13,000)	(13,000)
External recoveries	(855,540)	(855,500)	(855,500)
Internal recoveries	(2,219,600)	(2,219,600)	(2,219,600)
<b>Total Revenue</b>	<b>(30,966,468)</b>	<b>(32,546,850)</b>	<b>(33,917,950)</b>
<b>Expenditure</b>			
Compensation	6,920,500	7,218,500	7,432,200
Purchased goods	2,644,475	2,864,600	2,906,300
Purchased services	2,642,434	2,657,700	2,673,200
Other transfers	843,959	844,000	844,000
Internal charges	3,388,800	3,387,650	3,386,450
<b>Sub-total before capital expenditure and expansion</b>	<b>16,440,168</b>	<b>16,972,450</b>	<b>17,242,150</b>
Expansion	126,300	74,400	75,800
<b>Sub-total before capital expenditure</b>	<b>16,566,468</b>	<b>17,046,850</b>	<b>17,317,950</b>
Capital financing	14,400,000	15,500,000	16,600,000
<b>Total expenditure</b>	<b>30,966,468</b>	<b>32,546,850</b>	<b>33,917,950</b>
<b>Net budget</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Expansion: Meter Installer

Service area: IDE- Environmental Services

Department: Water Services

Category: Growth

Corporate Administrative Plan connection: Service Investment

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Number of FTEs: 1 FTE

### Table 16 Budget impacts

Year	Expense	Funding Source
2018	\$126,300	Non-tax-supported Operating
2019	\$ 74,400	Non-tax-supported Operating
2020	\$ 75,800	Non-tax-supported Operating

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## Overview of request

Water Services currently possesses 3 FTE meter installers who are responsible for the installation of new meters in support of community growth, maintenance/replacement of existing meter assets, and customer metering field issue investigation and resolution. With staffing levels remaining static for this service during community growth and a significant proportion of this team's workload being reactive (i.e. subject to pace/magnitude of community development and based on field reading issues realized through the routine monthly billing of approximately 44,000 customer meters) capacity of the City's meter shop is greatly constrained at this time. The American Water Works Association (AWWA) requires that billing meters for water and wastewater possess an active asset life of 15 years, after which point meter inaccuracy or failure may be experienced. Based on this performance standard, 18,515 meters (or 44.7% of the City's residential sector metering stock) is currently outside of its asset life cycle and subject to under-registry through ongoing capture of data in support of utility revenue billing.

## Benefits

Anticipated benefits of this expansion include:

- Enhanced staffing capacity would allow for more proactive maintenance/management of the City's metering assets, thus increasing meter accuracy and associated revenues to the City
- Provision of the necessary number of base staff (4) required to initiate meter installer on-call rotation, thus halting the practice of certified distribution operators responding to meter based customer issues after hours at OT wage premiums.
- Expansion would support reallocation of lower value work within team so to allow more senior employees to implement enhance standard of care for large volume/revenue billing meters and improving revenue security amongst these more significant billing meters.

## Risks of not proceeding with request

Risks of not supporting this expansion include the following:

- Ongoing promotion of current asset renewal investment backlog
- Loss of potential revenues and/or failure to collect adequate water/wastewater revenues
- Private property damage associated with City not appropriate managing its assets thus driving damages should devices/fittings fail within private premises.
- Increased claim volumes and payouts by the City as aged meters and fittings continue to deteriorate and fail.
- Loss of reputation from customer billing inequities claims

### **Options considered**

Options considered include the following:

- Do nothing: not preferred as this comes to emphasize and perpetuate current risk.
- Seek contract position in lieu of FTE: not supported under collective bargaining agreement for duration required.
- Outsource works: not support due to conflict with current union duties and collective bargaining agreement.
- Hire Meter Installer FTE: preferred alternative to conduct ongoing base meter replacement and maintenance works

### **Reserves: Waterworks Contingency**

Purpose: To meet emergency and unplanned funding needs for Water Operations in order to avoid operating deficits or fluctuations in the rate.

Target balance: 10% of annual gross operating expenditures.

Funding strategy: Funds transferred in from water operating surpluses.

2017 forecasted ending balance: \$3,897,285

2018 forecasted ending balance: \$3,897,285

2018 target balance: \$3,096,647

2018 forecast as a percentage of target: 126 per cent

### **Capital programs of work (see capital budget)**

- Water Services
- Downtown Implementation
- Full Corridor Reconstruction

## Tab 8: Wastewater Services

Wastewater Services delivers reliable sanitary services and high-quality effluent (outflow) that meets or exceeds regulatory requirements. Wastewater treatment is a 24-hour business. The division is responsible for planning, design, construction, operation, maintenance and overall management of \$613.7 million in wastewater infrastructure assets. To meet these needs and care for its infrastructure, the Wastewater Services operating budget provides funding for the following key functions:

### **Customer Service and Education**

- Customer service and support
- Customer education
- Staff training and development
- Support for post-secondary institutions through tours, special studies and data exchange

### **Facility Operations and Maintenance**

- Operation, maintenance, optimization, and compliance of the Wastewater Treatment Facility
- Management, planning and compliance of the biosolids program
- Planning and implementation of new capital projects to upgrade the treatment process
- Laboratory testing and services

### **Spills Response, Sewer Use By-Law Enforcement, Wastewater Collection System Operation and Maintenance**

- Enforcing Guelph's Sewer Use By-Law
- Responding to city wide spills on behalf of the corporation
- Addressing customer sewer blocks and carrying out preventative maintenance and repairs as required
- Coordinating with Engineering to plan infrastructure replacements and expansions

## **2018 initiatives**

### **OUR SERVICES**

- Providing timely asset management through the rehabilitation work on digester #3 and planning for the next phase of the digester maintenance program to ensure reliable solids capacity

### **OUR RESOURCES**

- Conduct facility structural assessments to deliver timely renewal and repairs to critical infrastructure with asset management
- Installation of generators to mitigate risk during power outages.

### **OUR PEOPLE**

- Continued training and certification of licensed wastewater operators to support staff development and continuous improvement within the City's operations.

- Continue to seek opportunities to leverage corporate resources through collaboration across departments.

### Financial information

This budget represents 1.5 per cent increase over 2017.

**Table 17 Budget trend 2016 to 2018 (Wastewater Services)**

	2016 actuals \$	2017 approved \$	2018 approved \$	2018 budget change \$	2018 budget change %
<b>Revenue</b>					
User fees & service charges	(30,689,324)	(30,896,448)	(31,376,049)	(479,601)	1.6
Interest & penalties	(29,937)				
External recoveries	(59,969)	(50,000)	(35,000)	15,000	(30.0)
Internal recoveries	(117,693)				
<b>Total revenue</b>	<b>(30,896,923)</b>	<b>(30,946,448)</b>	<b>(31,411,049)</b>	<b>(464,601)</b>	<b>1.5</b>
<b>Expenditure</b>					
Compensation	4,452,162	5,136,100	5,380,220	244,120	4.8
Purchased goods	4,589,117	4,453,600	4,406,540	(47,060)	(1.1)
Purchased services	3,241,369	3,651,275	3,630,430	(20,845)	(0.6)
Other transfers	901,327	922,223	843,959	(78,264)	(8.5)
Internal charges	4,102,871	3,533,250	3,649,900	116,650	3.3
Financial expense	(5,476)				
<b>Sub-total before reserve transfers and expansion</b>	<b>17,281,368</b>	<b>17,696,448</b>	<b>17,911,049</b>	<b>214,601</b>	<b>1.2</b>
Expansion					
<b>Sub-total before reserve transfers</b>	<b>17,281,368</b>	<b>17,696,448</b>	<b>17,911,049</b>	<b>214,601</b>	<b>1.2</b>
Capital reserve transfer	13,615,557	13,250,000	13,500,000	250,000	1.9
<b>Total expenditure</b>	<b>30,896,923</b>	<b>30,946,448</b>	<b>31,411,049</b>	<b>464,601</b>	<b>1.5</b>
<b>Net budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>

**Table 18 Table 16, Rates trend 2016 to 2018**

	2016 actuals \$	2017 approved \$	2018 approved \$	2018 budget change \$	2018 budget change %
<b>Forecast rates (per m3)</b>	<b>1.73</b>	<b>1.80</b>	<b>1.84</b>	<b>0.04</b>	<b>2.2</b>

**Table 19 Full-time equivalent trend 2016 to 2018**

	2016 actuals	2017 approved	2018 approved	2018 budget change \$
Full-time equivalents	51.0	50.0	51.0	1.0

**Explanation of changes**

## Revenue

- \$46,000 increase in projected 2018 residential revenues based on forecasted new home construction
- \$200,000 increase in revenue received from industrial effluent to sanitary sewers that do not meet the sewer use by-law. Agreements enable industrial operations to continue while work towards compliance.

## Expenses

- \$146,100 increase in payments in lieu of property tax.
- \$165,700 decrease in water and electricity costs due to on-going collaborative work with the Climate Change Office.
- \$250,000 increase in the capital reserve transfer to work towards the annual sustainable level based on data from the asset management plan.

**Table 20, Budget trend 2018 to 2020 (Wastewater Services)**

	2018 approved \$	2019 projected \$	2020 projected \$
<b>Revenue</b>			
User fees & service charges	(31,376,049)	(32,434,650)	(33,803,450)
Interest & penalties			
External recoveries	(35,000)	(35,000)	(35,000)
Internal recoveries			
<b>Total revenue</b>	<b>(31,411,049)</b>	<b>(32,469,650)</b>	<b>(33,838,450)</b>
<b>Expenditures</b>			
Compensation	5,380,220	5,538,000	5,702,900
Purchased goods	4,406,540	4,510,003	4,666,153
Purchased services	3,630,430	3,676,597	3,723,147
Other transfers	843,959	844,000	844,000
Internal charges	3,649,900	3,651,050	3,652,250
<b>Sub-total before reserve transfer</b>	<b>17,911,049</b>	<b>18,219,650</b>	<b>18,588,450</b>
Capital reserve transfer	13,500,000	14,250,000	15,250,000
<b>Total expenditures</b>	<b>31,411,049</b>	<b>32,469,650</b>	<b>33,838,450</b>
<b>Net budget</b>	<b>0</b>	<b>0</b>	<b>0</b>

### **Reserve: Wastewater Contingency**

Purpose: To meet emergency and unplanned funding needs for wastewater operations to avoid operating deficits or fluctuations in the rate.

Target balance: 10% of annual gross operating expenditures.

Funding strategy: Funds transferred in from wastewater operating surpluses

2017 forecasted ending balance: \$4,733,839

2018 forecasted ending balance: \$4,733,839

2018 target balance: \$3,141,105

2018 forecast as a percentage of target: 151 per cent

### **Capital programs of work (see capital budget)**

- Wastewater Services
- Downtown Implementation
- Full Corridor Reconstruction