

Staff Report



To	Committee of the Whole
Service Area	Corporate Services
Date	Wednesday, May 15, 2024
Subject	2023 Year-end Operating Budget Monitoring Report and Surplus Allocation and Deficit Funding

Recommendation

1. That the 2023 tax supported operating surplus of \$3,863,029 be allocated to or funded from the City's reserve and reserve funds as follows:
 - a. Transfer \$294,319 from the Library Operating Contingency Reserve (102) in accordance with the request from the Library Board.
 - b. Transfer \$36,748 to the Police Operating Contingency Reserve (115) in accordance with the request from the Guelph Police Board.
 - c. Transfer \$417,211 to the Environment and Utility Reserve (198) for revenue surplus from the sale of recycled goods.
 - d. Transfer \$3,703,389 to the Tax Rate Operating Contingency Reserve (180).
 2. That the 2023 non-tax supported operating surplus of \$3,414,200 be allocated to or funded from the non-tax supported City reserve and reserve funds as follows:
 - a. Transfer the Water Services surplus of \$2,588,627 to the Water Capital Reserve Fund (152).
 - b. Transfer the Wastewater Services surplus of \$1,146,371 to the Wastewater Capital Reserve Fund (153).
 - c. Transfer the Stormwater Services surplus of \$547,567 to the Stormwater Capital Reserve Fund (165).
 - d. Transfer the Building Services surplus of \$953,564 to the Building Services OBC Stabilization Reserve Fund (188).
 - e. Transfer \$1,524,904 from the Parking Capital Reserve Fund (151) to fund the parking deficit.
 - f. Transfer \$297,026 from the Courts Operating Contingency Reserve Fund (211) to fund the Courts deficit.
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Executive Summary

Purpose of Report

The purpose of this report is to provide details of the 2023 year-end operating position for the City's tax supported and non-tax supported departments. The information contained in this report is subject to any adjustments resulting from the year-end external audit. Additionally, this report serves as Council's opportunity to approve the allocation of the 2023 surplus and deficit, in accordance with the Council approved Surplus Allocation Policy and the General Reserve and Reserve Fund Policy. This report is the final report Council will receive aligned to the City's Strategic Plan 2019 to 2023.

Key Findings

The overall City's year-end operating position compared to budget is a surplus of 1.4 per cent or \$7.3 million. The net operating result for tax-supported departments is a surplus of \$3.9 million or 0.9 per cent of the 2023 total tax supported gross expenditures. City departments' combined year-end position of \$6.5 million surplus is offset by Local Boards' deficit of \$257 thousand and Shared Services year-end deficit of \$2.5 million.

The net operating result for non-tax supported departments is a surplus of \$3.4 million or 3.7 per cent of the 2023 total non-tax supported gross expenditures.

After three years of variable financial results impacted by the pandemic, the City's year-end financial position has stabilized and demonstrates good fiscal management. A projected 2023 surplus of \$5.1 million was estimated and presented to Council as part of the deliberations of the 2024 budget. For this reason most of this surplus was already accounted for and allocated during the budget process to help mitigate tax levy impacts.

The 2023 budget was the second year of the City's first multi-year budget, and it came during a time of economic uncertainty, with historically high inflation. With the 2022 trend in staff vacancies and challenges in recruitment carrying into 2023, the budget included a strategy to leverage 2023 compensation savings to mitigate the impacts of inflation. This strategy was successful for 2023 and inflationary adjustments have been included in the 2024 budget. However, some inflationary risk is still present in 2024 because in order to balance out affordability, many impacts were phased-in over the four-year budget period. Staff will continue to monitor variance through the Quarterly Budget Monitoring process and will keep Council apprised of emerging trends in 2024.

Attachment-1 2023 Year-end Surplus and Deficit by Department provides the actual year-end results for each department.

Strategic Plan Alignment

Reporting year-end results supports the Strategic Plan's Foundations theme through maintaining a fiscally responsible local government. Monitoring the financial status of the City is directly linked to the City's credit rating as Standard and Poor reviews and updates the credit rating annually. In 2023 S&P Global Ratings reaffirmed the City's financial credit rating as AAA with a stable outlook, the agency's highest possible rating.

Future Guelph Theme

Foundations

Future Guelph Objectives

Foundations: Maintain the City's healthy financial position

Financial Implications

This operating surplus position enables the City to replenish the Tax Rate Operating Contingency Reserve (180) for amounts budgeted from this reserve as part of the 2023 and 2024 budgets, and in accordance with the recommendation brought forth for consideration at the [November 29, 2023 Special City Council Budget Meeting](#).

“That Council acknowledges the City’s operating contingency reserve balances are below approved targets, and that staff be directed to replenish these reserves as a first priority through the allocation of year-end surplus until such point that they reach a minimum of 75 per cent of target over the multi-year budget period.”

Staff anticipate receiving recommendations from Guelph Police Services (GPS) Board to direct police surplus funds to their operating contingency reserve to offset future needs. The Board meets May 16, 2024, and will forward their formal request once finalized. City staff support the request in an effort to provide the Board more autonomy and ownership over risk management in a multi-year budget environment.

Report

On [January 25, 2023](#), Council confirmed the second year of the 2022-2023 Multi-Year Budget. The budget included risk and mitigation strategies to deal with inflationary pressures and increasing costs resulting from supply chain challenges, by leveraging temporary operating surpluses stemming from tight labour markets and increased revenues associated with rising interest rates in 2023. Staff recommended funding any shortfall that may transpire through the City’s contingency reserves in 2023.

The purpose of this report is to provide Council details of the 2023 year-end operating position prior to the completion of the annual external audit. Additionally, this report provides recommendations for the allocation of surplus and funding of deficits for both Tax Supported and Non-Tax Supported Departments. Detailed year-end results for each strategic pillar follow in the sections below.

Council received the [Third Quarter 2023 Budget Monitoring Report](#) on December 15, 2023. At that time staff projected a year end favorable variance of \$5.1 million for both the tax supported and non-tax supported budgets, leaving the actual year-end surplus higher than projected. The key driver for the difference from forecast to actual was higher than anticipated revenue realized across many departments partially offset by higher actual compensation and benefit costs than forecast and a smaller deficit than projected for social services costs billed by the County of Wellington.

This report was prepared in consultation with the City’s departments as part of the regular budget monitoring process. Departments were asked to provide comments on their financial results for the year-ending December 31, 2023. Table 1 provides a high-level summary for the year-end position of the City’s tax supported and non-tax supported operations.

Table 1: Summary of year-end position

Tax Supported Operating Budgets	Total Approved Net Budget (\$)	Year-end Variance (\$) Surplus/(Deficit)	Variance as a Percent of Budget %
City Departments	160,467,077	3,736,102	2.3%
General Revenues and Expenses	(262,427,302)	2,892,334	(1.1%)
Local Boards	69,583,671	(257,571)	(0.4%)
Grants, and Shared Services	32,376,554	(2,507,836)	(7.7%)
Total Tax supported	0	3,863,029	0.9%
Non-tax Supported Operating Budgets	Total Approved Gross Expenditure (\$)	Year-end Variance (\$) Surplus/(Deficit)	Variance as a Percent of Budget %
Water Services	31,573,384	2,588,627	8.2%
Wastewater Services	35,005,406	1,146,371	3.3%
Building Services	4,204,663	953,564	22.7%
Court Services	6,162,400	(297,026)	(4.8%)
Stormwater Services	10,686,100	547,567	5.1%
Parking Services	5,214,252	(1,524,904)	(29.2%)
Total Non-tax Supported	92,846,205	3,414,200	3.7%
Total City*		7,277,228	1.4%

*Calculated as a per cent of total expenditure budget

Detailed information is provided in the attachments:

Attachment-1 2023 Year-end Operating Surplus and Deficit by Department,
Attachment-2 2023 Year-end Operating Surplus and Deficit by Strategic Plan Pillar
Attachment-3 2023 Year-end Operating Surplus and Deficit by Account Category.

Corporate Variance Drivers

The identified drivers below were significant, resulting in variances in both the non-tax supported and tax supported budgets.

Revenue - Favourable collections of \$24.5 million surplus or 5.1 percent of the total revenue budget. The City experienced revenue surplus in investment income, water and wastewater volumetric revenues, proceeds from vehicle sales and recycled products, capital labour recoveries, and grants. The 2023 multi-year budget was prepared in 2021 based on the data available at the time. The 2024 budget has been adjusted to address this revenue surplus and includes an additional \$10.1 million for rate revenues (Water, Wastewater and Stormwater) based on updated water rate models. Further, \$1.7 million increase in capital labour recoveries to align with the Capital Plan Resourcing Strategy, and \$1 million in additional investment income to better align with current economic conditions has been included. The remaining surplus is primarily driven by in-year grants and other one-time revenues not known at the time of budget.

Compensation – Corporately, year-end salary costs resulted in a deficit of \$820 thousand or 0.3 per cent of budget. While some departments continued to experience high vacancies and industry-wide labour market challenges in recruitment, other departments ran overages due to an increase in contract staff and extending part-time hours due to an increase in events in 2023. In June 2023, the Executive Team approved staff recommendations to address the City’s housing priorities by moving ahead with predictive hires in advance of the 2024 budget. Of the eleven approved positions, seven full-time positions were recruited for by year end and contributed to successfully offsetting the trending vacancy surplus experienced during the first half of the year. Inclusive of this year-end position, overtime and part time costs exceeded budget in 2023, in part due to recruitment challenges and related vacancies requiring existing staff to work additional hours to meet service levels, staff coverage for mandated leaves and minimum staffing regulations in emergency services departments.

Purchased Goods and Services – Known inflationary impacts were considered in the 2023 budget confirmation process, and the strategy to mitigate these pressures using known revenue surpluses at the time allowed the City to end the year in an overall surplus position. Inflationary pressures on the cost of vehicle parts, trade labour, medical supplies, water treatment chemicals and general operating materials impacted many departments throughout 2023. The 2024 budget was adjusted upwards over the four-years to slowly phase-in the post-pandemic high inflation.

Fuel – Corporately, fuel deficits of \$1.4 million with 2023 average fuel price 13 per cent higher than budgeted. The deficit is allocated to Fleet, \$535 thousand, and Transit Fleet, \$946 thousand. Fuel consumption is charged out to the departments spreading this variance across the corporation where it is managed to the bottom line.

Building Repairs and Maintenance – Corporately, year-end building maintenance costs resulted in a deficit of \$1.9 million due to higher than anticipated costs attributed to aging facility assets. This trend is anticipated to continue as multiple facility capital projects have been deferred to future years in response to affordability concerns in the Multi-year Budget extending the life of the current city infrastructure.

Vehicle Repairs and Maintenance – Corporately, year-end vehicle repairs and maintenance costs resulted in a deficit of \$740 thousand, due to inflationary impacts on the cost of parts and labour, and supply chain delays for capital replacements extending the original life span of existing fleet. This trend is expected to continue into 2024. The 2024 budget was adjusted to account for increasing repairs and maintenance due to the aging fleet.

Utilities – Corporately, electricity, natural gas and water expenditures resulted in a surplus of \$877 thousand with water and electricity surplus offsetting the deficit in natural gas. Natural gas rates have increased throughout 2023 due to the scheduled rise in the carbon tax. Staff continue to monitor the impacts of the elevated rates and implement energy conservation measures to reduce exposure. These savings are seen in departmental budgets but reported on corporately. Solid Waste Resources and Wastewater Services continue to see electrical utility cost reductions under the Class ‘A’ Global Adjustment Program.

Variance Highlights by Strategic Plan Pillar

Powering our future

The [Powering our future](#) priority includes Economic Development and Tourism, Culture, Smart Cities Office, and Strategy Innovation and Intergovernmental Services (SIIS). Overall, the Powering our future priority ended 2023 with a \$200 thousand surplus or two per cent of budget.

Key factors influencing this surplus include compensation vacancy savings in SIIS and Economic Development partially offsetting deficits in Culture driven by building repairs and maintenance.

Sustaining our future

The [Sustaining our future](#) priority includes Environmental Services, Planning and Building Services, Ontario Building Code (OBC) Stormwater, Parks Operations, and Energy Management. Overall, the Sustaining our future priority ended 2023 with a \$6.8 million surplus or 18 per cent of budget. Key factors influencing this surplus include:

Revenue surplus:

- Solid Waste services realized a \$2.4 million surplus mainly related to the higher commodity prices on the sale of recyclables and higher grants from the Province for Blue Box Funding due to changes in the funding model.
- Water and Wastewater Services realized \$2.5 million and \$2.4 million surplus revenue respectively due to higher than projected water consumption. Factors that influence consumption include growth and changing consumption patterns across consumer groups.
- Stormwater year-end surplus of \$430 thousand resulted from higher than budgeted ERUs.
- OBC realized revenue surplus of \$600 thousand due to completing increased permit applications in 2023. The number of permits issued should continue increasing to meet the housing pledge. Permit revenue is subject to year-over-year fluctuations in the construction industry.
- Planning and Building Services realized \$920 thousand in surplus revenue driven by Streamline Development Fund grant revenue.
- Carbon credit sales and the subsequent transfer to the 100RE reserve fund (355) did not materialize in 2023. An agreement was reached with a new company in late 2023 and sales are expected in 2024.

Compensation surplus:

- Planning and Building Services realized an \$880 thousand surplus that is reflective of industry-wide labour market challenges including high volume of vacancies and difficult to fill positions. The budgeted reserve transfer from the Tax Operating Contingency Reserve (180) for \$527 thousand related to hiring resources for Bill 109 was not made due to the overall compensation surplus.
- Water Services surplus of \$490 thousand due to industry challenges recruiting distribution operators.

Purchased Goods and Services deficit:

- Parks - \$743 thousand deficit due to extended vehicle rental costs related to supply chain issues in capital, increased activity for community planting and an increase in the associated material costs.
- Wastewater - \$1.2 million deficit driven by an industry-wide price increase and supply issues for chemicals.
- Solid Waste Services - \$630 thousand deficit driven by higher than budgeted repairs and maintenance on aging facilities.

Navigating our future

The [Navigating our future](#) priority includes Transportation Services, Parking Services, and Guelph Transit. Overall, the Navigating our future priority ended 2023 with a deficit of \$79 thousand or 0.3 per cent of budget, key factors influencing this deficit include:

Revenue deficit:

- Parking Services - \$1.6 million revenue deficit. The revenue budget was built based on pre-covid levels and parking demand has not recovered from the negative impacts from covid. Of note also, Baker Street lot revenue was still included in the budget despite the lot being closed for the year which has contributed to the deficit. The parking revenue budget was adjusted as part of the 2024 budget to reflect the updated revenue model that was approved in the Downtown Parking Master Plan.
- Transit - \$931 thousand revenue surplus due to increased enrollment from the University of Guelph, increased enrollment from Conestoga College, bus charters and the Affordable Bus Pass recovery from Community Investment.

Compensation surplus:

- Engineering and Transportation - \$271 thousand surplus is reflective of industry-wide labour market challenges including a high volume of vacancies and difficult to fill positions.
- Transit - \$1 million surplus for transit operators due to the timing of hiring and onboarding new operators combined with vacancy savings.
- Operations Transit Fleet - \$205 thousand surplus due to recruitment challenges.

Purchased Goods and Services deficit:

- Operations Transit Fleet - \$1.2 million deficit related to fuel (\$946 thousand) and equipment repairs (\$251 thousand).

Internal Charges and Transfers \$666 thousand deficit:

- Engineering and Transportation Services - \$425 thousand deficit due to the Automated Speed Enforcement Program (ASE) not meeting budgeted estimates. The ASE program's budget was based on assumptions from other municipalities' programs. Revenue trends are being closely monitored and future budgets will be adjusted and refined to reflect Guelph-specific data.

Working together for our future

The [Working together for our future](#) priority includes many of the internal facing services including Finance, Corporate Fleet, Human Resources, Legal, Realty and Court Services, Information Technology, Strategic Communication and Community Engagement, and the City Clerk's Office. It also includes Executive Team, City Council, and Internal Audit. Overall, the Working together for our future priority

ended 2023 with a \$3.7 million surplus or 1.4 per cent of budget, key factors influencing this surplus include:

Revenue surplus:

- General Corporate Revenues and Expenditures ended the year with a \$3.6 million revenue surplus due to investment income earning an average rate of return much higher than anticipated. An additional \$17.1 million of investment income was allocated to reserve funds based on the General Reserve and Reserve Fund Policy. Supplemental tax collections ended in a deficit of \$1.4 million due to some large Industrial/Commercial builds that were not yet occupied in time for the 2023 taxation year. Additionally, MPAC process improvements allow for shorter timelines for picking up new builds on the annual assessment roll resulting in lower supplementary taxes. This deficit was offset by reduced financial expenses related to post roll amendments.
- Information Technology, Finance, CAO Administration and Strategic Communications and Community Engagement combined experienced a \$1.6 million surplus in staffing recoveries from capital as the City continues to use both internal and contracted staff resources to support capital works.
- Operations - \$652 thousand surplus related to sale of vehicles of which \$594 thousand was transferred to the Infrastructure Renewal Reserve (150) and \$58 thousand to the Paramedics Provincial Capital Reserve (360) in line with the Reserve and Reserve Fund Policy.
- Court Services - \$1.6 million revenue deficit mainly attributed to lower revenues due to fewer charges filed especially related to red light cameras and automated speed enforcement (ASE). Automated speed enforcement implementation was delayed compared to budgeted timing; this is partially offset by savings in ASE related purchased services below. Judicial resources were strained, and the Regional Senior Justice of the Peace ordered court closures resulting in fewer charges processed. The revenue deficit is partially offset by savings on purchased goods and services as noted below.

Compensation deficit:

- Information Technology and Corporate General account for a deficit of \$1.6 million fully offset by grant and capital labour recovery revenue as well surplus benefit budget throughout City departments.
- Strategic Communications and Community Engagement, Operations Fleet Maintenance, Finance and Court services realized a combined surplus of \$1.2 million due to staff vacancies.

Purchased Goods and Services deficit:

- Operations Fleet Maintenance - \$1.2 million deficit driven by increase cost of fuel (\$535 thousand), parts (\$283 thousand) and external repairs and maintenance resulting from staff vacancies (\$569 thousand).
- Legal and Realty - \$366 thousand deficit driven by external legal fees for Ontario Land Tribunal appeals partially offset by minor surplus in revenues. Additional legal fees of \$294 thousand were funded from the Legal and Insurance Reserve (193) in line with the Reserve and Reserve Fund Policy.
- Court Services \$389 thousand surplus due to mid-year implementation of the ASE program resulting in lower processing fees than budgeted.

Financial Expenses surplus:

- Surplus of \$2.5 million resulting from lower than budgeted tax assessment write offs due to the point in time of the assessment cycle - these will most likely increase in coming years.

Building our future

The [Building our future](#) priority includes Recreation, Community Investment, Public Works, Corporate and Community Safety, all of the Emergency Services including Fire, Paramedic and Police, Guelph Public Library, Corporate Facilities Maintenance, Park Services, and Infrastructure Planning and Construction. Overall, the Building our future priority ended 2023 with a \$3.4 million deficit or 1.7 per cent of budget, key factors influencing this deficit include:

Revenue surplus:

- Engineering and Transportation, Facilities, Fire Services and Operations combined surplus of \$1.7 million related to capital labour recoveries which offset's compensation costs directly.
- Guelph Wellington Paramedic Services ended the year with a surplus of \$1.6 million in grant and municipal funding fully offset by increased expenditures.
- Reserve Funding surplus of \$697 thousand driven by higher than budgeted dividends and grant funding. \$578 thousand in surplus dividend earnings was transferred to the Infrastructure Renewal Reserve Fund (150) in accordance with the Dividend Allocation Policy.
- Recreation \$272 surplus related to increased registration and program offerings; offset by the added expenditures necessary to support programming.

Compensation deficit:

- Guelph-Wellington Paramedic Services - \$2.9 million deficit driven by increase overtime and temporary salaries due to maintaining coverage for an increase in short-term leaves (inclusive of short-term disability, WSIB and regular sick time). This is partially offset by reserve funding (\$528 thousand) and Community Paramedicine grant funding (\$343 thousand). Management is working within their team to address post-pandemic impacts to their staffing and services as it relates to the broader health care sector. Increasing complexity of emergencies and extended health sector demands has had an impact on our people, but we continue to also maintain our service levels to the community. This is actively being worked through to create sustainable solutions that do not so heavily rely on our already extended workforce.
- Fire Services - \$1.3 million deficit driven by higher overtime costs due to minimum staffing requirements for various leaves and training requirements.
- Facilities and Energy Management and Culture and Recreation – combined \$490 thousand deficit due to additional temporary staffing hours to meet increase demand.
- Engineering and Transportation Services, Parks, and Operations– combined surplus of \$1.1 million due to vacancies and challenges in recruitment.

Purchased Goods and Services:

- Facilities and Culture and Recreation - combined deficit of \$637 thousand related to the repairs and maintenance in aging facilities.
- Guelph-Wellington Paramedics Services - \$860 thousand deficit driven by the inflationary impacts on medical supplies, fuel and building and vehicle repairs and maintenance costs.

- Fire Services - \$364 thousand deficit due to unforeseen vehicle repairs, equipment replacements, increased cost for new recruit equipment and medical supplies.
- Operations - \$445 thousand surplus due to savings in winter control salt usage due to managing materials, asphalt usage due to staff capacity issues, and lower than anticipated disposal fees. The winter control surplus was not transferred to the Environment and Utilities Reserve (198) as it helped offset the fuel deficit.

Local Boards and Shared Services deficit \$2.8 million:

[Guelph Public Library](#) concluded the 2023 fiscal year with a deficit of \$294 thousand, primarily attributed to three key factors: revenue, compensation, and consulting. Revenue streams from sources such as parking, room rentals, and printing services have yet to rebound to pre-pandemic levels. The compensation deficit arose due to permanent vacancies, necessitating temporary hours to fill the gaps. Additionally, overages in consulting expenses were incurred mainly from a fundraising feasibility study and continuous endeavors aimed at enhancing fundraising for the New Central Library project.

[Guelph Police Services](#) ended the year with a surplus of \$36 thousand managing the 2023 variance to the bottom line. A surplus of \$975 thousand in grant revenue was partially offset by increased expenditures in purchased goods and services. Compensation resulted in a \$333 thousand surplus driven by vacancies.

The County of Wellington Social Services ended the year with a \$2.6 million deficit. This includes the City’s share of both operating and capital works administered by the County. It should be noted that this figure will not align with the reporting from the County due to the [2023 budget](#) below their actual requirement. The actual City proportionate share of the social services budget as approved by the County is \$25.9 million and given historical surpluses returned by the County, for affordability purposes, the City budgeted this service at \$23.8 million, a difference of \$2.1 million. As part of the 2024-2027 multi-year budget, the City has begun stepping this budget up to meet the County’s approved figures. Operating pressures in homelessness prevention offset by children's early years savings due to implementation of Canada Wide Early Learning and Childcare. Capital savings were realized for completed projects with a remaining budget of \$800 thousand (City share) being released by the County.

Operating Budget Surplus and Deficit Recommendation

That the total tax supported operating surplus of \$3.8 million be allocated to or funded from the reserves and reserve funds as follows:

Tax Supported	Amount \$
Transfer from Library Operating Contingency Reserve (102)	(294,319)
Transfer to Police Operating Contingency Reserve (115)	36,748
Transfer to Environment and Utility Reserve (198)	417,211
Transfer to Tax Rate Operating Contingency Reserve (180)	3,703,389
Tax Supported Total	3,863,029

That the total non-tax supported operating surplus of \$3.4 million be allocated to or funded from the reserves and reserve funds as follows:

Non-Tax Supported	Amount \$
Transfer to Water Capital Reserve Fund (152)	2,588,627
Transfer to Wastewater Capital Reserve Fund (153)	1,146,371
Transfer to Stormwater Capital Reserve Fund (165)	547,567
Transfer to Building Services OBC Stabilization Reserve Fund (188)	953,564
Transfer from Parking Capital Reserve Fund (151)	(1,524,904)
Transfer from Court Operating Contingency Reserve Fund (211)	(297,026)
Non-Tax Supported Total	3,414,200

The rationale for the above transfers includes:

- The transfer of \$294,319 from the Library Operating Contingency Reserve (102) in accordance with the pending request from the Guelph Public Library Board.
- The transfer of \$36,748 to the Police Operating Contingency Reserve (115) in accordance with the pending request from the Guelph Police Services Board.
- The transfer of \$417,211 for the sale of recycled goods to the Environmental and Utility Contingency Reserve (198) to offset commodity market prices should they decline and offset any deficits in 2024 due to rising inflation. This is consistent with our standard practice for these revenues.
- The transfer of \$3,703,389 to the Tax Rate Operating Contingency Reserve (180) replenish the amounts budgeted from this reserve as part of the 2023 and 2024 budgets, and in accordance with the recommendation brought forth for consideration at the [November 29, 2023 Special City Council Budget Meeting](#). "That Council acknowledges the City's operating contingency reserve balances are below approved targets, and that staff be directed to replenish these reserves as a first priority through the allocation of year-end surplus until such point that they reach a minimum of 75 per cent of target over the multi-year budget period."
- The transfer of surplus from Water, Wastewater, and Stormwater to the respective Capital Reserve Funds is recommended to help close the funding gap related to infrastructure renewal and growth pressures.
- The transfer of surplus from Ontario Building Code Administration to their operating contingency reserve is a legislative requirement and helps mitigate fluctuations in building permits revenue as economic conditions change.
- The transfer of funds from the Court Operating Contingency Reserve Fund (211) to cover the year-end deficit due to lower revenue from fewer charges filed is in alignment with the intended purpose of the reserve fund.
- The parking deficit is recommended to be funded from the Parking Capital Reserve Fund (151), as the Parking Operating Contingency Reserve (106) does not have sufficient balance to cover this deficit.

Financial Implications

The year-end operating position and the reserve and reserve fund positions are important factors considered in determining the City's overall fitness as assessed by an external credit rating agency. This credit rating affects the price at which the City can issue debt and therefore impacts the affordability of long-term capital projects for tax and rate payers of the City.

Staff anticipate receiving recommendations from Guelph Police Services (GPS) Board to direct surplus funds to their operating contingency reserve to offset future needs. The Board meets May 16, 2024, and will forward their formal request once finalized. City staff support the request in an effort to provide the Board more autonomy and ownership over risk management in a multi-year budget environment.

This operating surplus position enables the City to replenish the Tax Rate Operating Contingency Reserve (180) for amounts budgeted from this reserve as part of the 2023 and 2024 budgets, and in accordance with the recommendation brought forth for consideration at the [November 29, 2023 Special City Council Budget Meeting](#). "That Council acknowledges the City's operating contingency reserve balances are below approved targets, and that staff be directed to replenish these reserves as a first priority through the allocation of year-end surplus until such point that they reach a minimum of 75 per cent of target over the multi-year budget period."

The proposed transfers will increase the balance of the City's contingency reserves from approximately 52 per cent to 62 per cent of the approved target.

Consultations and Engagement

Department General Managers are responsible for managing their programs according to municipal standards and within the approved budget. The responsibility of monitoring the operating budget is shared by the operating departments and the Finance department. Department managers were provided financial reports based on their actual revenue and expenditures to December 31, 2023, with which they provided commentary in consultation with the Finance department.

Attachments

Attachment-1 2023 Year-end Operating Surplus and Deficit by Department

Attachment-2 2023 Year-end Operating Surplus and Deficit by Strategic Plan Pillar

Attachment-3 2023 Year-end Operating Surplus and Deficit by Account Category

Attachment-4 Guelph Public Library Board Request for 2023 Deficit Allocation

Departmental Approval

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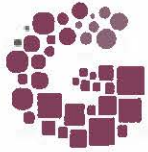
Attachment-1: 2023 Year-end Operating Surplus and Deficit by Department		
Tax Supported Department	2023 Net Budget \$	Variance to December 31, 2023 Surplus/(Deficit)
Mayor & Council		
Mayor	513,284	32,649
Council	675,502	38,520
Sub-total Mayor & Council	1,188,786	71,169
CAO		
CAO Administration	715,663	9,565
Strategy, Innovation & Intergovernmental Services	1,286,093	157,323
Internal Audit	308,208	67,586
Strategic Communications & Community Engagement	1,836,940	335,403
Smart Cities	-	71,750
Sub-total CAO	4,146,904	641,626
Infrastructure, Development & Enterprise Services		
IDE Administration	404,694	(11,242)
Planning and Building Services	4,718,753	893,788
Facilities & Energy Management	5,269,167	(208,157)
Engineering and Transportation Services	5,873,605	983,437
Environmental Services	14,446,470	1,430,673
Economic Development and Tourism	2,345,030	155,068
Sub-total Infrastructure, Development & Enterprise Services	33,057,719	3,243,568
Public Services		
PS Administration	641,038	573
Parks	11,852,786	(131,036)
Culture & Recreation	11,999,351	(547,476)
Guelph Transit	24,289,291	1,547,308
Operations	19,698,518	849,664
Guelph-Wellington Paramedic Services	8,247,614	(1,756,339)
Fire Services	29,747,406	(1,060,137)
Sub-total Public Services	106,476,004	(1,097,442)
Corporate Services		
CS Administration	537,088	(3,295)
Human Resources	3,037,885	(41,059)
Information Technology	4,293,787	294,587
City Clerk's Office	2,208,520	(1,345)
Finance	3,619,852	628,293
Legal and Realty	1,400,532	-
Sub-total Corporate Services	15,097,664	877,181
Sub-total City Departments	159,967,077	3,736,102
General Expenditures	11,468,693	4,009,040
General Revenues	(304,316,389)	(1,119,879)
Capital Financing	30,920,394	(80)
Grants	1,191,700	14,700
Sub-total General and Capital Financing	(260,735,602)	2,903,780
Total City Departments and General and Capital Financing	(100,768,525)	6,639,883
Guelph Public Library	12,314,501	(294,319)
Guelph Police Services	57,269,170	36,748
The Elliott Community	2,973,113	105,183
Social Services	23,886,669	(2,621,072)
Public Health	4,325,072	(3,394)
Sub-total Local Boards and Shared Services	100,768,525	(2,776,854)
Total Tax Supported Budget		3,863,029
Non-tax Supported Department	2023 Gross Budget \$	Variance to December 31, 2023 Surplus/(Deficit)
Water	31,573,384	2,588,627
Wastewater	35,005,406	1,146,371
Ontario Building Code	4,204,663	953,564
Court Services	6,162,400	(297,026)
Stormwater	10,686,100	547,567
Parking	5,214,252	(1,524,904)
Total Non Tax Supported Budget	92,846,205	3,414,200
Total City 2023 Surplus/(Deficit)		7,277,228

Attachment 2 2023 Year End Operating Surplus and Deficit by Strategic Pillar

	2023	2023	2023	2023
	05-Final Revised	Actuals \$	Variance \$	Variance
	Budget	December	Surplus/(Deficit)	%
Powering our future				
CAO	1,286,093	1,057,020	229,073	17.8%
Infrastructure, Development & Enterprise Services	2,345,030	2,189,962	155,068	6.6%
Public Services	4,267,498	4,467,002	(199,504)	(4.7%)
General Expenses and Revenues	1,191,700	1,177,000	14,700	1.2%
Total Powering our future	9,090,321	8,890,985	199,336	2.2%
Sustaining our future				
Infrastructure, Development & Enterprise Services	19,734,580	12,117,520	7,617,060	38.6%
Public Services	13,198,549	13,677,808	(479,259)	(3.6%)
Local Boards and Shared Services		(1)	1	
General Expenses and Revenues	4,456,000	4,756,000	(300,000)	(6.7%)
Total Sustaining our future	37,389,129	30,551,327	6,837,802	18.3%
Navigating our future				
Infrastructure, Development & Enterprise Services	2,375,550	3,976,627	(1,601,077)	(67.4%)
Public Services	24,290,271	22,768,328	1,521,943	6.3%
Total Navigating our future	26,665,821	26,744,955	(79,134)	(0.3%)
Working together for our future				
Mayor & Council	1,188,786	1,117,617	71,169	6.0%
CAO	2,860,811	2,448,257	412,554	14.4%
Infrastructure, Development & Enterprise Services	404,694	415,936	(11,242)	(2.8%)
Public Services	645,138	856,758	(211,620)	(32.8%)
Corporate Services	15,097,664	14,517,502	580,162	3.8%
Local Boards and Shared Services		3,254	(3,254)	
General Expenses and Revenues	(293,347,696)	(296,240,110)	2,892,414	1.0%
Total Working together for our future	(273,150,603)	(276,880,787)	3,730,184	1.4%
Building our future				
Infrastructure, Development & Enterprise Services	8,197,865	7,402,889	794,976	9.7%
Public Services	64,074,548	65,803,550	(1,729,002)	(2.7%)
Local Boards and Shared Services	100,768,525	103,545,379	(2,776,854)	(2.8%)
General Expenses and Revenues	26,964,394	26,664,474	299,920	1.1%
Total Building our future	200,005,332	203,416,292	(3,410,960)	(1.7%)
City Total		(7,277,228)	7,277,228	

Attachment 3 2023 Year-end Operating Surplus and Deficit by Account Category

	2023 Approved Budget	Actuals to 31-Dec-23	Variance \$ to 31-Dec-23 Surplus/(Deficit)	Variance \$ to 31-Dec-23 Surplus/(Deficit)
Revenue				
Taxation	(302,957,989)	(302,900,973)	(57,016)	-
User Fees & Service Charges	(121,365,204)	(124,769,798)	3,404,594	3%
Product Sales	(2,947,800)	(4,638,323)	1,690,523	57%
Licenses & Permits	(4,808,993)	(5,538,497)	729,504	15%
Interest & Penalties	(5,394,408)	(10,069,538)	4,675,130	87%
External Recoveries	(12,250,544)	(19,483,986)	7,233,442	59%
Other Internal Financing		(3,824)	3,824	
Grants	(35,441,944)	(42,296,943)	6,854,999	135%
Total Revenue	(485,166,882)	(509,701,881)	24,534,999	13%
Expense				
Salary, Wage & Benefits	255,331,623	256,151,505	(819,882)	-
Purchased Goods	37,085,823	39,718,633	(2,632,810)	(7%)
Purchased Services	51,303,625	54,220,499	(2,916,874)	(6%)
Long Term Debt Charges	15,662,000	15,157,806	504,194	3%
Government Transfers	24,080,509	26,325,174	(2,244,665)	(179%)
Other Transfers	16,225,732	23,629,585	(7,403,853)	(46%)
Financial Expenses	3,602,650	1,597,518	2,005,132	56%
Total Expense	403,291,962	416,800,720	(13,508,758)	(14%)
Internal Charges				
Internal Charges/Recoveries		(145)	145	
Reserve Transfers To/From	81,874,920	85,624,078	(3,749,158)	(13%)
Total Internal Charges	81,874,920	85,623,933	(3,749,013)	(13%)
City Total		(7,277,228)	7,277,228	



Guelph Public Library
Explore • Connect • Thrive

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April 2, 2024

Mayor Cam Guthrie
Guelph City Hall
1 Carden Street
Guelph, ON N1H 3A1

Your Worship:

At its meeting on March 25, 2024, the Guelph Public Library Board was advised that there is an anticipated \$294,000 year-end-deficit in the Guelph Public Library 2023 operating budget. The Board passed the following motion:

That the Guelph Public Library Board receives the 2023 Preliminary Year-End Variance report as written and directs staff to draft a letter to be forwarded to the City Treasurer requesting that the 2023 deficit be funded from the Guelph Public Library Operating Contingency Reserve.

The Guelph Public Library Board would respectfully request consideration of the aforementioned recommendation by Guelph City Council.

I look forward to hearing from you.

Sincerely,

Danny Williamson, Chair

Copies: Tara Baker, General Manager/City Treasure, City of Guelph
Dan Atkins, Acting Chief Executive Officer, Guelph Public Library