

Information Report



Service Area	Corporate Services
Date	Friday, May 17, 2024
Subject	2024 First Quarter Budget Monitoring Report

Executive Summary

Purpose of Report

The purpose of this report is to provide Council notice of any financial risks that could affect the 2024 year-end position. This report includes the first quarter (Q1) actual financial information for both the operating and capital budget for each department and capital program of work as of March 31, 2024.

Key Findings

Overall, from an operating perspective, there is a risk of exceeding budget at year-end. Due to limited data and an early reporting date of March 31, 2024, it is difficult to quantify potential full-year outcomes this early in the fiscal year. Staff will continue to focus on service delivery and expense management to address the budget risk.

From a capital perspective as outlined in Attachment-1, the City has spent a total of \$19.2 million year-to-date, which was a \$3.9 million increase compared to Q1 2023. Purchase order (PO) commitments on March 31, 2024 were \$273.0 million, which was \$177.7 million higher than Q1 2023, which is largely due to several high-value POs including the South End Community Centre, New Central Library, Baker Street Parkade, and F.M. Woods Station Upgrade. The uncommitted approved budget yet to be executed was \$371.1 million at the end of Q1. Through an in-depth review of capital projects in March 2024, as well as newly implemented internal metrics, we expect to maintain the progress made in 2023 with having over 80 per cent of project budgets committed or spent by year-end.

Strategic Plan Alignment

Reporting quarterly on the financial status of the operating and capital budget supports the Future Guelph Strategic Plan's Foundations by maintaining the City's healthy financial position. Monitoring the financial status of the City is directly linked to the City's credit rating as Standard and Poor (S&P) 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

Staff will continue to monitor the impact of risks and opportunities identified in this report to protect the City's long-term sustainability. Identifying potential risks and implementing mitigation strategies early reduces the reliance on the City's contingency reserves at year-end. As reported in the [2023 Long-term Financial Statement: Reserves and Debt Report](#), as of December 31, 2023, the available balance in the tax supported corporate contingency reserves was 62 per cent of the target balance. Balances below target reduce the City's financial health, limiting the ability to mitigate any negative financial impacts should an overall City deficit materialize.

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

Report

The [2024-2027 multi-year budget](#) was adopted on November 29, 2023 beginning to address inflationary pressures experienced over the past two years. City staff reviewed historical trends to help identify efficiencies and revenue opportunities, allowing for adjustments to account for rising inflation, historical staffing vacancy rates, actual user fee and rate collections and current investment income trends.

The first quarter budget monitoring report offers a first look at the impacts of the budget changes and the factors that may influence the 2024 year-end position.

Operating Budget

This report was prepared in consultation with the City's departments as part of the regular budget monitoring process. Departments were provided financial information as of March 31, 2024. Actual expenditures and revenues were analyzed and related commentary on potential significant deviations from the budget that are expected to have an impact on the year-end financial position were identified with Finance staff support. Departments have identified some positive trends, challenges, risks, and concerns based on all known and available information at the time of this report.

Corporate Variance Risks and Opportunities

The variance drivers identified below are impacted by seasonality, timing and unknown market forces or events beyond the control of the City; certain expenses and revenues may not be realized until the latter part of the year.

Revenue: City departments have identified opportunities and risks associated with the collection of revenue in 2024. Historical revenue surplus results were addressed in the 2024-2027 multi-year budget through the increase in revenue budgets of \$15.8 million. Key areas with adjusted revenue in 2024 are Water, Wastewater and Stormwater rates, investment income, building permit revenue and capital labour recoveries in line with the Capital Plan Resourcing Strategy. Historical deficits in parking revenue were also addressed through a revenue budget reduction in 2024 to reflect actual experience.

Identified areas of risk to revenue budgets relate to building starts impacting planning and building fees, and charge volumes in the court system. Identified areas of opportunity include stormwater estimated residential units, higher than budgeted revenue for blue box reimbursements and continued labour recoveries for temporary grant supported capital work.

Compensation: During the 2024 to 2027 multi-year budget deliberation process, Council passed a motion reducing the overall budgetary increase for the 2024 positions by 50 per cent. The intent of this motion is to phase in the cost of hires over two years to address affordability and to better reflect hiring timelines. In January staff rolled out a staggered recruitment strategy based on service area priorities to address this process change from the corporate perspective. On February 28 the [Mayoral Direction 2024-B2](#) to amend the 2025 levy requirement was released. Given the phase in of new hires impact on the 2025 budget, a temporary pause on new recruitment was enacted allowing staff time to assess. To date the pause is limited to service expansion positions and will continue to be evaluated through the year. Staff are reviewing the staggered recruitment strategy with the intent to onboard resources as soon as possible, utilizing the approved compensation budget in place.

Corporately, compensation is trending under budget to the end of the first quarter but is slightly higher than 2023 Q1 spending. Several departments identified risks and opportunities associated with compensation budgets in 2024. Vacancy savings continue due to recruitment challenges associated with positions in Planning, Building, Transportation, Courts and Legal Services. The 2024 budget addressed historical vacancy variance through increased gapping budgets, which will mitigate some of the year-end impacts.

Risks associated with increased demand on overtime budgets are being reported by Guelph Wellington Paramedics, Fire Services, and Guelph Transit. This is due to minimum staffing requirements to cover various forms of leave. This is actively being worked through to create sustainable solutions that do not so heavily rely on our already extended workforce.

Additionally, the City will be participating in two collective bargaining contract negotiation processes in 2024 that may give rise to current year budgetary impacts. Staff continue to monitor compensation trends throughout the year to mitigate budget variances.

Corporate Vehicle and Equipment Repairs and Maintenance: The modest increase to these budget lines in 2024 continues to fall short of previous years deficits and inflationary pressures for materials and third-party service providers continue to be monitored.

Aging fleet combined with the inflationary pressures on the cost of vehicle parts, trade labour, and supply chain issues continue to apply budget pressures in 2024. Emergency services vehicles are experiencing up to two years' wait for replacement vehicles meaning vehicles remain in service longer than expected and are less reliable, requiring significantly more maintenance.

Corporate Building Repairs and Maintenance: There is a risk of higher than budgeted building maintenance and repair costs due to aging facilities. The 2024 budget reflects the first steps in centralizing the City's building maintenance

budgets to reduce approval cycles and realize efficiencies in line with the recommendations of the [Service Rationalization Review](#) conducted by KPMG in 2021. Corporate Building Maintenance staff are working together with service areas to implement this new process, which also supports asset management objectives, and ensuring priority work is completed and City facilities are regularly inspected, maintained, and repaired on schedule. As budget pressures on our aging facilities continue, maximizing efficiency in staff time and leveraging available funding for maintenance activities is critical.

Departmental Impacts

Planning and Building Department including Ontario Building Code

There is a risk of slower than anticipated building starts in 2024 resulting in lower than budgeted user fees in planning and permit issuance in Ontario Building Code (OBC). Q1 revenue is trending below budget however, this revenue is dependent on the development community, which can be unpredictable. Current interest rates and inflation pressures could negatively impact on the number of applications received. There is however an opportunity for fee growth after April 1st, when the new fee structure comes into effect. Timing of building permits year to year can be variable, and the 2023 year-end surplus was transferred to the OBC Reserve Fund to help manage this variability over a longer period.

Facilities and Energy Management

Historically corporate electricity, natural gas, and water expenditures resulted in year-end budget surpluses. The 2024 budget adjusted for this surplus and as of Q1 2024 utility spending is tracking on budget. Staff will continue to monitor utility rates and implement energy management measures to reduce energy use, greenhouse gas emissions, and financial exposure.

As previously mentioned, there is a risk of higher than anticipated building maintenance and repair costs due to aging facilities. Extended asset life increases the risk of unforeseen critical failures or emergency maintenance. Inflationary pressures for materials and third-party service providers are an area of concern that is being monitored.

Stormwater Services

Q1 results indicate that the actual estimated residential units (ERUs) are higher than projected in the 2024 rate model resulting in revenue surplus at year-end. As part of the 2025 budget confirmation the ERU assumptions will be adjusted to align with current trends.

Environmental Services – Solid Waste Services

An area that continues to present budget savings is more revenue than budgeted related to the reimbursement allocation from Blue Box producers for the sale of recyclable materials. More time is needed to make an accurate projection, but this revenue is expected to exceed the budget as it has done in recent years. Given the anticipated transition to full-producer responsibility for recycling services in 2025, staff have not adjusted the revenue budget to address this trend.

Environmental Services – Water and Wastewater Services

The largest potential risk or opportunity is consumption revenue, but it is too soon to quantify as the summer months play a big role in determining volumetric consumption. Adjustments were included in the 2024 budget to adjust rate revenue for increased consumption.

Operations

Opportunity for higher than budgeted revenue related to business licenses is anticipated for 2024. Historical fuel and maintenance deficits were adjusted for through the 2024 budget and as of the end of Q1, no risk has been identified but will be closely monitored throughout the year.

Guelph Wellington Paramedic Services

Q1 results indicate paramedic budgets are trending above budget as a result of several areas of risk continuing to apply pressure in 2024. Similar to 2023, overtime and temporary salary costs are trending higher than expected due to the need to address permanent position vacancies related to short-term leaves. This trend is being evaluated and options to address are being considered. There is also a risk in exceeding vehicle repairs due to delays in replacement ambulances. Finally, even with an increased budget for inflationary pressures on medical supplies, spending is trending higher than expected. Some of these cost impacts are resulting from increased Community Paramedicine service provision for those experiencing homelessness and living rough, and an offsetting transfer is expected in the second quarter (Q2).

Fire Services

Opportunity for user fee revenue surplus in 2024 is reflective of process improvements in billing practices. Additional revenue related to labour recoveries for staff time spent on the Next Generation 911 (NG-911) project continue in 2024.

Fire services budget risks align with previously noted corporate drivers including use of overtime to maintain minimum staffing requirements, and vehicle maintenance and repairs pressures in 2024. Additionally, staff recently became aware of an invoice billing arrears issue dating back to 2022 that will cause a negative variance to budget when it is settled. A changeover in the vendor's billing practices was the cause of the issue and it is being addressed.

Guelph Transit

There is a potential risk to transit revenue as the federal legislation changes to international student enrollment could impact local campuses. This is being monitored for upcoming quarters. Further, due to service expansion pauses and reevaluation, there may be compensation-related surpluses experienced which will likely offset the challenges in maintaining minimum transit operator staffing levels.

Legal and Courts Services

Opportunity for budget savings in compensation due to vacancies will partially offset budget risks. Consulting budgets are projected to be overspent at year-end due to the need for external counsel as well as planning and other non-legal professional consultants relating to Clair-Maltby and other Ontario Land Tribunal matters.

Revenue risks are being experienced in Court Services due to charge volumes and the court backlogs that continue to be seen in 2024.

Shared Services – Social Services

[The City's 2024 Social Services](#) budget was developed to align with the County of Wellington budget and forecast, moving away from the historical practice of underbudgeting in this area. This budget change is being phased-in over the four-year period. The 2024 phase-in reduction of \$4.2 million is a known budget risk, actual year-end results are dependent on County spending. This risk was planned and mitigated by the expected surpluses as described in the next section.

General Corporate Revenue and Expenditures

Higher than budgeted interest on investments is expected for 2024, as a result of the continued higher than average market rate environment. Investment interest adjustments to the 2024 budget were based on long-term expected investment returns in order to manage the variability currently being experienced. The opportunity for surplus is also expected for tax assessment claims due to the timing of the assessment cycle. Assessment write-offs were not adjusted for through the 2024 budget as the entire amount will be required when the assessment cycle phase-in resumes. These two expected budget surpluses were used strategically to offset the Social Services budget deficit over the 2024-2027 multi-year budget period. By 2027, staff expect both budgets to be back in line with actual experience.

Capital Budget

The capital budget carried over from 2023 was \$473.1 million, in addition to a Council adopted 2024 budget of \$208.7 million. Capital budget additions and adjustments made throughout Q1 resulted in a net budget reduction of \$18.5 million. This includes the addition of grant revenue and budget reductions made as a result of an in-depth 2023 year-end review process. This provides for a total available budget in 2024 of \$663.3 million. A summary of capital activity to the end of the quarter is included in Attachment-1. Capital budget adjustments made in this quarter can be found in Attachment-2. Any budget adjustments in Q1 that require Council approval will be included in the Q2 Budget Monitoring Report.

In March, staff undertook an extensive project level review of uncommitted balances that would carry-over to 2024. This was a similar process to the capital prioritization exercise undertaken in 2022. Through this review, \$19.5 million was reduced across the capital program and returned to the reserve funds.

Total capital spending to the end of Q1 was \$19.2 million which was \$3.9 million more than the same time last year. At the end of Q1, there was \$273.0 million in issued POs which was \$177.7 million more than the same time last year.

On March 31, 2024, the uncommitted approved budget which is yet to be executed was \$371.1 million which was \$99.3 million less than the same quarter of 2022. We are seeing very positive results from the increased budget control initiatives, ensuring that every dollar approved is being leveraged.

Due to the integrated nature of many departmental capital budgets, and to enhance understandability of the budget outcomes, the capital program is categorized by program of work. Within each program of work, projects are further categorized by

subprogram of work. Reporting includes project level comments for the three highest spends by program of work, limited to those projects greater than \$150,000. Additionally reporting includes project level comments for the three highest uncommitted projects.

In accordance with project management standards implemented by the Project Management Office, capital projects that are highly complex, non-routine, and financially significant with budgets greater than \$10 million are identified as Tier 1 projects. See the [City's capital projects webpage](#) for detailed quarterly updates on Tier 1 projects. Based on the most recent quarterly reporting, these projects are all within their original or revised budget, schedule, and scope.

Corporate Facilities, Public Works and ByLaw

This program of work includes the following subprograms: Administration Facilities and Vehicles and Equipment. There are a total of 23 projects that account for 11 per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$1.0 million with another \$27.7 million in PO commitments as of March 31, 2024. Remaining to be executed is \$42.0 million of the budget.

The top project expenditures by value (total 2024 spending and commitments at the end of the quarter) occurred in the following accounts:

- (LB0028) New Central Library - Quarterly updates on the new Central Library can be found through its [Tier 1 capital project webpage](#), the project is currently within scope, on schedule and within budget. During Q1, the progress on the Baker project mainly focused on the underground parking garage, with the shoring and excavation being completed. The Library portion of the project proper will start later in 2024. This project was also recently awarded a \$13.5 million grant through the Green and Inclusive Community Buildings Program and the budget will be updated accordingly.
- (GG0245) Administration Facilities Renewal (\$3.2 million) – corporate building maintenance and space planning initiatives are underway.
- (RD0401) Public Works Vehicle and Equipment Replacement (\$244 thousand) – order has been placed for the replacement of two end of life dump trucks with delivery expected in Q2 2025.

Projects that have the largest uncommitted balances yet to be executed include the following:

- (LB0028) New Central Library (\$35.0 million) – uncommitted is mainly for building construction subtrades where procurement is ongoing.
- (GG0245) Administration Facilities Renewal (\$2.7 million) – additional spending is planned on corporate building maintenance and space planning initiatives as well as renovations at the Annex Building including masonry and windows, as well as work on other corporate assets.
- (CS0004) Court Services Facility Renewal (\$1.7 million) – budget to be spent on foundation restoration of the historic Provincial Offences Act building.

Corporate Plans, Programs and Technology

This program of work includes the following subprograms: Brownfield Renewal, Plans, Studies and Programs and Technology Initiatives. There are a total of 87

projects that account for nine per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$1.9 million with another \$9.5 million in PO commitments as of March 31, 2024. Remaining to be executed is \$45.5 million of the budget.

The top project expenditures by value (total 2024 spending and commitments at the end of the quarter) occurred in the following accounts:

- (PN2439) Enterprise Resource Planning (ERP) Program Implementation (\$2.6 million) – implementation of the replacement for the existing work order management and procurement system is underway. In addition, change management engagement for the program has begun which will enable successful adoption.
- (SS0025) Baker Street Development (\$2.6 million) – project includes costs related to the entire Baker Street Development and include consulting, counsel, and other specialist fees for the execution and management of the overall development project, along with disbursements for site servicing.
- (GG0261) 100RE Initiatives (\$1.1 million) – current initiatives include installation of a solar photovoltaic system at the River Run Centre and LED light fixtures at the Guelph Community Sports Dome and at Eastview Park.

Projects that have the largest uncommitted balances yet to be executed include the following:

- (PN2439) ERP Program Implementation (\$6.4 million) – majority of uncommitted is planned for project resources to continue supporting the implementation including change management activities to enable change readiness across the organization. Once fully implemented the new maintenance management system will become the asset management system of record and will integrate with the City's financial system. Upgrades to procurement processes and continued change management will round out the implementation.
- (SS0025) Baker Street Development (\$4.7 million) – project includes costs related to the entire Baker Street Development and include consulting, counsel, and other specialist fees for the execution and management of the overall development project, along with disbursements for site servicing.
- (IT0061) Fibre Data Connection (\$4.5 million) – construction continues in 2024 on the remainder of Ring 1 – east and northward from City Hall (approximately 74 per cent completed), Ring 2 – west and northward from City Hall (approximately 15 per cent completed) and Ring 3 – south of City Hall (approximately 33 per cent completed). Additionally, seven City-owned facilities have been cutover onto the new fibre network so far and approximately 43 traffic signals have been connected. Staff are targeting completion of this project for the end of 2026.

Culture and Recreation

This program of work includes the following subprograms: Buildings, Vehicles and Equipment, and Public Art and Cultural Initiatives. There are a total of 20 projects that account for 18 per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$5.8 million with another \$105.8 million in PO commitments as of March 31, 2024. Remaining to be executed is \$10.1 million of the budget.

The top project expenditures by value (total 2024 spending and commitments at the end of the quarter) occurred in the following:

- (RF0093) South End Community Centre Construction (\$110.0 million) – as a Tier 1 capital project, status updates can be found [here](#), at the end of Q1 the project was within scope, on revised schedule and within revised budget. The South End Community Centre project, through the first quarter of 2024, saw a large change in the construction site. The foundation piers and walls for the building that were almost nonexistent at the start of Q1 were nearly completed, along with site utilities such as water, stormwater, and wastewater. The temporary utilities and supports for the reopening of South End park in May were also completed during this time period.
- (RF0095) Recreation Facilities Renewal (\$1.3 million) – West End Community Centre (WECC) roof replacement, Victoria Road Arena roof replacement and Centennial Arena condenser replacement are underway.
- (CT0008) Culture Facilities Renewal (\$166 thousand) – Q1 spending and commitments relate to masonry/structural renovations at the Farmers Market and architectural services for renovations to the seating/flooring at the River Run Centre.

Projects that have the largest uncommitted balances yet to be executed include the following:

- (RF0095) Recreation Facilities Renewal (\$3.2 million) – relocation of the pottery program to WECC, arena wall structural repairs at WECC, Evergreen Seniors Centre washroom renovations and flooring replacement are still to be executed out of this account along with numerous other renewal projects at recreation facilities.
- (CT0008) Culture Facilities Renewal (\$3.0 million) – additional commitments are planned for the above-mentioned projects as well as humidification upgrades at the Guelph Civic Museum, HVAC and flooring at Sleeman Centre and window replacement at River Run Centre.
- (RF0093) South End Community Centre Construction (\$1.1 million) – the facility is expected to open in the second half of 2026.

Emergency Services

This program of work includes the following subprograms: Fire Services and Paramedic Services. There are a total of 25 projects that account for two per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$276 thousand with another \$1.5 million in PO commitments as of March 31, 2024. Remaining to be executed is \$12.0 million of the budget.

The top project expenditures by value (total 2024 spending and commitments at the end of the quarter) occurred in the following accounts:

- (FS0091) Fire Dispatch Phone System NG-911 (\$609 thousand) – work on the transition to the NG-911 system continues in 2024.

- (PM0010) Paramedic Vehicle Replacement (\$567 thousand) – three replacement ambulances are on order with deposits paid in 2023.
- (PM0012) Paramedic Equipment Growth (\$287 thousand) – automatic chest compression devices are on order.

Projects that have the largest uncommitted balances yet to be executed include the following:

- (PM0015) Paramedics Facility Replacement – Elmira Road Station (\$3.0 million) – budget is for a new paramedic station to replace the existing leased station on Elmira Road as it doesn't meet the needs of the department due to the location and site logistics leading to poor response times.
- (FS0089) Heavy Fire Vehicle Replacement Pumper/Aerial (\$2.7 million) – currently in the pre-procurement phase – determining specs and requirements.
- (FS0091) Fire Dispatch Phone System NG-911 (\$1.8 million) - work on the transition to the NG-911 system continues in 2024.

Parking and Transit Services

This program of work includes the following subprograms: Parking Services and Guelph Transit. There are a total of 28 projects that account for 10 per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$3.4 million with another \$37.9 million in PO commitments as of March 31, 2024. Remaining to be executed is \$26.1 million of the budget.

The top project expenditures by value (total 2024 spending and commitments at the end of the quarter) occurred in the following accounts:

- (TC0070) Bus Electrification – Replacement (ICIP-GUE-04) (\$13.2 million) – a total of nine zero emission buses are on order to replace end-of-life diesel buses (estimated delivery Q3 2024 and Q2 2025). Staff are noting risk related to this order given ongoing discussions with the vendor.
- (PG0079) Baker Street Parkade (\$11.5 million) –updates on this Tier 1 capital project can be found [here](#), and it is currently within scope, on schedule and within budget. During Q1, the progress on the Baker project mainly focused around the underground parking garage, with the shoring and excavation being completed.
- (TC0059) Guelph Transit and Fleet Services Facility (ICIP-GUE-03) (\$7.4 million) – updates on this Tier 1 capital project can be found [here](#), and it is currently within revised scope, on schedule and within revised budget. Facility design services have started. New in Q1, related to this project, staff have been notified of additional project and budget control requirements by ICIP grant administrators. A new joint steering committee between the City of Guelph and ICIP has been established, with the first governance meeting expected in May.

Projects that have the largest uncommitted balances yet to be executed include the following:

- (TC0070) Bus Electrification – Replacement (ICIP-GUE-04) (\$11.1 million) – the 2024 budgeted order for zero emission buses to replace end-of-life diesel

buses has not yet been placed. There is risk with this project due to supply chain and escalating prices, and staff are investigating options to address.

- (TC0092) Route Review – Year 4 (ICIP-GUE-01) (replaced TC0064-011) (\$2.7 million) – project has been paused, see [2025 Budget Confirmation Planning Report 2024-166](#) for details. The decision to pause this project integrates the supply chain concerns and escalating price risk as just mentioned. Additional work is underway to evaluate and consider options for the City’s bus acquisition plans.
- (TC0059) Guelph Transit and Fleet Services Facility (ICIP-GUE-03) (\$2.6 million) – procurement for pre-construction services is expected by Q2 2024.

Parks and Open Spaces

This program of work includes the following subprograms: Buildings and Structures, Natural Heritage Assets, Parks, Playgrounds and Splashpads, Plans, Studies, and Programs, Sportsfields and Amenities and Vehicles and Equipment. There are a total of 44 projects that account for three per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$776 thousand with another \$3.3 million in PO commitments as of March 31, 2024. Remaining to be executed is \$17.6 million of the budget.

The top project expenditures by value (total 2024 spending and commitments at the end of the quarter) occurred in the following accounts:

- (PO0048) Riverside Park Revitalization (\$1.4 million) – construction is underway to renew and revitalize the bandshell and washroom building as well as a new sanitary connection and trails. This work is expected to be completed in Q2 2024.
- (PO0045) Parks Vehicles and Equipment Replacement (\$1.1 million) – purchase of replacement equipment including two vehicles, a utility work machine and a trailer mounted water tank. Additional replacement vehicles, tractors and equipment are on order.
- (PK0120) Baker District Open Space (\$416 thousand) – updates on this Tier 1 capital project can be found [here](#), and it is currently within scope, on schedule and within budget. Construction on this component of the Baker District is expected in 2025 through 2026.

Projects that have the largest uncommitted balances yet to be executed include the following:

- (PK0130) Playground Equipment Replacement (\$3.3 million) – the construction contracts for the 2023 lifecycle replacement program have been awarded. The 2023 program includes Dovercliffe Park, Howitt Park, and University Village Park. Construction will take place over the spring and summer of 2024. Round one of community engagement for the 2024 program has been completed and is under review. Next steps in the engagement process can be followed through the [Have Your Say Guelph](#) website.
- (PK0120) Baker District Open Space (\$2.1 million) – construction on this component of the Baker District is expected in 2025 through 2026.

- (PK0028) Margaret Greene Park Splash Pad (\$1.5 million) – the construction contract has been awarded and the PO will be issued in Q2. This project includes a new splash pad, parking lot expansion, community garden preparation and associated landscaping.

Solid Waste Services

This program of work includes the following subprograms: Plans, Studies and Programs, Plant and Buildings, and Vehicles and Equipment. There are a total of 23 projects that account for two per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$309 thousand with another \$3.1 million in PO commitments as of March 31, 2024. Remaining to be executed is \$7.6 million of the budget.

The top project expenditures by value (total 2024 spending and commitments at the end of the quarter) occurred in the following accounts:

- (WC0039) Solid Waste Fleet Assets Replacement (\$1.9 million) – four replacement waste collection trucks are on order with anticipated delivery in Q2 2025.
- (WC0042) Organic Waste Processing Facility Asset Replacement (\$628 thousand) – tender awarded for the replacement of the supervisory control and data acquisition (SCADA) control system.
- (WC0024) Solid Waste Residential Collection Carts and Front-end Bins New (\$265 thousand) – replacement bins and new bins due to residential growth have been purchased/on order.

Projects that have the largest uncommitted balances yet to be executed include the following:

- (WC0042) Organic Waste Processing Facility Asset Replacement (\$2.6 million) – budget will be committed in 2024 for various work including floor coating replacement, lighting retrofits, concrete repairs and additional SCADA costs.
- (WC0041) Materials Recovery Facility (MRF) Asset Replacement (\$789 thousand) – budget will be used to prepare the MRF for its future uses once the recycling services are transferred in 2025.
- (WC0023) Waste Resource Innovation Centre Site Asset Replacement (\$690 thousand) – budget will be committed in 2024 to sanitary and sewer upgrades, a comprehensive site plan and site asphaltting.

Transportation Network

This program of work includes the following subprograms: Bridges and Structures, Full Roadway and Underground Construction, Plans, Studies and Programs, Traffic Management and Trails, Sidewalks and Active Transportation. There are a total of 130 projects that account for 24 per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$1.6 million with another \$26.1 million in PO commitments as of March 31, 2024. Remaining to be executed is \$131.5 million of the budget.

The top project expenditures by value (total 2024 spending and commitments at the end of the quarter) occurred in the following accounts:

- (PN0271) York Road Reconstruction – Stevenson Street South to Victoria Road (\$7.7 million) – construction is underway with anticipated completion in 2024.
- (PK0075) Downtown Pedestrian Bridge New Design and Construction (\$5.2 million) –Further to the [2023 Year-end Capital Budget Monitoring Report](#), City staff have completed due diligence regarding next steps for the downtown pedestrian bridge project. The project cannot be constructed in the proposed location as currently designed and as a result, staff are recommending that pedestrian bridge options be evaluated with further public consultation through the ongoing [Macdonell Structures Environmental Assessment \(EA\)](#). Proceeding in this way requires a scope and budget increase (\$150,000) to the Macdonell Structures EA project. Staff are continuing to work on the close out of project PK0075, and once the final accounting is complete, remaining capital funding will be returned to the appropriate reserves. It is expected that the funding transfers will be reported on in the Q2 budget monitoring report.
- (PN0097) Speedvale Road Reconstruction – Woolwich to Metcalfe (\$2.5 million) – surface asphalt to be completed on phase 1 – Glenwood Avenue to East of the Guelph Junction Railway tracks.

Projects that have the largest uncommitted balances yet to be executed include the following:

- (RD0379) College Avenue Protected Bike Lanes (ICIP-GUE-05) (\$15.1 million) – procurement has begun with construction anticipated to begin in 2024 for phase 1, Edinburgh Road South to University Avenue West. More information on this project can be found [here](#).
- (PN0097) Speedvale Road Reconstruction – Woolwich to Metcalfe (\$11.1 million) – phase 3 of this project from Riverview Drive to Manhattan Court is in detailed design. A map of the phasing of this project can be found [here](#) for further information.
- (PN0110) York Road Reconstruction – Victoria Road South to Watson Parkway (\$11.0 million) – currently in the design phase with tendering of the construction contract is anticipated by the end of 2024 which will commit the majority of the budget.

Water Management

This program of work includes the following subprograms: Plans, Studies and Programs, Vehicles and Equipment, Stormwater Ponds and Structures, Wastewater Plant and Equipment, and Water Buildings and Wells. There are a total of 92 projects that account for 20 per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$2.7 million with another \$56.2 million in PO commitments as of March 31, 2024. Remaining to be executed is \$73.8 million of the budget.

The top project expenditures by value (total 2024 spending and commitments at the end of the quarter) occurred in the following accounts:

- (WT0064) FM Woods Station Upgrade (\$37.1 million) – the construction tender has been awarded and the PO has been issued. The general contractor has begun preconstruction work for the booster pumping station. Construction is expected to break ground in Q2 2024. Detailed design for the Operations Centre is expected by late 2024.
- (ST0014) Digester Structural Repair and Gas Proofing (\$4.7 million) – the tender for the refurbishment and structural upgrades to Digester 4 tank has been awarded.
- (WT0002) New Water Supply (\$2.0 million) – account is related to implementation of the Water Supply Master Plan which includes an update to the groundwater flow model in 2024 as well continuation of consulting services related to Dolime operational testing program and class environmental assessment. Additional 2024 projects have been initiated and will see further commitments against this account throughout 2024.

Projects that have the largest uncommitted balances yet to be executed include the following:

- (WT0064) FM Woods Station Upgrade (\$12.5 million) – Uncommitted includes construction contingency for the booster pumping station along with the purchase of pumps and a generator which is outside the construction tender.
- (ST0003) Biosolids Facility Upgrade (\$8.0 million) – the tender for design and construction administration is expected to be awarded by Q3 2024.
- (ST0043) Tertiary Treatment Process (\$5.3 million) the procurement process for design and construction administration has begun.

Other Boards and Agencies

This program of work includes the following subprograms: Guelph Public Library and Guelph Police Services. There are a total of 31 projects that account for one per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$1.5 million with another \$1.8 million in PO commitments as of March 31, 2024. Remaining to be executed is \$5.0 million of the budget.

Information on these capital projects is available through reports made to their respective boards.

Capital Revenues

Development Charges

Collections

Development Charge (DC) collections up to the end of March 31, 2024 were \$5.0 million and are trending at 10.6 per cent of budget (\$46.7 million). DC collections are projected based on the growth forecast and rates outlined in the City's [2023 DC Background Study](#). Actual DC collections are linked to the timing of building permits being issued for development or redevelopment. In 2024 to date, [building permit activity](#) has slowed in comparison with 2023, and with forecasted collections. It should be noted that the City's forecasts were not adjusted to account for the slowdown in construction activity in the current economic environment.

Exemptions and Discounts

DC exemptions and discounts are estimated to be approximately \$26 million in 2024, which includes the cost of the DC rate phase in under the new by-laws. To promote affordability, and since the phase-in provision applies only for the first five years of the by-law, a long-term perspective was taken to budget exemptions and discounts. This approach involves gradual increases in the budgeted annual transfers as outlined in the [Growth Strategy](#). The value of exemptions and discounts funded in the year will be compared to the annual transfer to understand the budget impact. The cost of DC exemptions and discounts must be covered by the City through transfers from taxes (Growth Reserve Fund 156) and rates (Water, Wastewater, and Stormwater capital reserve funds, 152, 153 and 165 respectively) to the various DC reserve funds.

The 2024 budget for DC exemptions and discounts is \$7.9 million, actual exemptions to the end of Q1 are \$2.5 million (31.7 per cent of budget). This includes the following exemptions:

- Additional dwelling units (\$1.7 million) – required through the DC Act
- Non-profit Housing Corporation (\$749 thousand) – required through DC Act (Bill 23 amendment)
- Category of owner (\$82 thousand) – required through Council-approved By-law
- Industrial (\$0) – required through DC Act
- Rental housing discounts (\$0) – required through DC Act (Bill 23 amendment)
- Phase in (\$13 thousand) – required through DC Act (Bill 23 amendment)

Future Changes

In addition to the above, the province announced in April 2024 that exemptions and discounts for affordable residential units come into effect on June 1, 2024.

The Province has also recently tabled Bill 185, the *Cutting Red Tape to Build More Homes Act, 2024* which, if passed, would further amend the DC Act to remove the mandatory phase in of DCs as well as amend the definition of eligible capital cost to include certain studies, both reversals of changed made through Bill 23. This proposed change will impact the forecasted exemptions and discounts if passed.

The updated impacts of the above noted changes will be communicated through future budget monitoring reports and the 2025 budget confirmation process.

Grants

The Canada Community Building Fund and the Provincial Gas Tax are the only two sustainable grant streams utilized within the capital budget. In 2024 the City will receive \$9.0 million from the Canada Community Building Fund and \$3.0 million from Provincial Gas Tax. These funds are budgeted each year within eligible projects in lieu of other property tax sources. The 2024 allocation of Provincial Gas Tax was unknown at the time of budget approval; therefore the 2023 allocation was used as a budget estimate and as a result the 2024 allocation is \$170 thousand less than budgeted. The use of these funds is spread throughout the 10-year capital budget so there is no impact to the 2024 budget for this variance, but it will need to be taken into account through the 2025 confirmation process.

In addition to grants approved in prior years, the capital budget in 2024 also includes one-time grant funding for the following projects:

- (WC0052) Food Waste Initiative – \$500 thousand received from the Green Municipal Fund Grant through the Federation of Canadian Municipalities.
- (PS0112) Preventing Auto Theft Program – \$123.8 thousand received from Ministry of the Solicitor General.

The City has been awarded ICIP funding through two application phases (2019 and 2022). It is a long-range funding program that extends to 2033 whereby funding is received as expenses are incurred on approved projects. ICIP recently allowed grant recipients to adjust ICIP-approved programs through a decommitment process. This allowed for a reallocation of ICIP funds within the total approved program assist with challenges due to changes in scope and/or financial pressures such as those created through the recent period of high inflation. The City has taken this opportunity (pending ICIP approval) to focus ICIP funding on the following programs:

- ICIP-GUE-01 Bus Fleet Expansion (Transit Route Review)
- ICIP-GUE-03 Transit Operations Facility and Charging
- ICIP-GUE-04 Bus Electrification – Replacement
- ICIP-GUE-05 Cycling Network

The 2024 capital budget includes grant funding through ICIP for (RD0379) College Avenue Protected Bike Lanes (ICIP-GUE-05), (TC0070) Bus Electrification – Replacement (ICIP-GUE-04) and (TC0092) Route Review Year 4 (ICIP-GUE-01).

The City has also been awarded the following grants which will be added to the capital program in Q2 and subsequent periods:

- [Housing Accelerator Fund](#) – the City has been awarded \$21.4 million through the Government of Canada to undertake eight initiatives which will help enable more housing in the community. See the [January 12, 2024 announcement](#) for more details. An internal governance committee has been formed which will oversee the use of these funds. These funds will be held in an obligatory reserve fund and allocated to capital projects in the years when expenditures are budgeted to occur.
- The [Building Faster Fund](#) – the City will receive \$4.7 million from the Province as a result of meeting its 2023 housing target. See the [March 14, 2024 announcement](#) for more details. Staff are awaiting additional information about the expected timing of funding distribution. This is a three-year funding program (2023-2025) with potential for Guelph to receive additional funds in 2024 and 2025 if targets are met. 2024 progress to date is being [tracked by the Province](#), Guelph is currently (as of April 11, 2024) at nine per cent of the 2024 target of 1,500 housing units.
- Green and Inclusive Community Buildings Program through Infrastructure Canada – the City is set to receive \$13.5 million to help support the construction of the new central library. See the [March 25, 2024 announcement](#) for details.
- Zero Emission Vehicle Infrastructure Program (ZEVIP) – the City will receive \$420 thousand from ZEVIP through the Department of Natural Resources for electric chargers to support the transition of the corporate fleet to zero emissions electric vehicles.

Furthermore, staff are actively engaged in scanning for grant opportunities. Of note, staff have prepared and submitted an application under the Housing Enabling Water Systems Fund through Ontario Ministry of Infrastructure to fund water, wastewater, and stormwater infrastructure that enables construction of new housing.

Financial Implications

Ongoing monitoring of operating and capital spending ensures projects and services are delivered as intended and that any financial impacts or risks are addressed proactively.

Staff will continue to monitor the impact of risks and opportunities identified in this report to protect the City's long-term sustainability. Identifying potential risks and implementing mitigation strategies early reduces the reliance on the City's contingency reserves at year-end. As reported in the [2023 Long-term Financial Statement: Reserves and Debt Report](#), as of December 31, 2023, the available balance in the tax supported corporate contingency reserves was 62 per cent of the target balance. Balances below target reduce the City's financial health limiting the ability to mitigate any negative financial impacts should an overall City deficit materialize.

The year-end operating position is important 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 the City tax and rate payers.

Consultations

Departments 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 General Managers were provided financial reports based on their actual operating revenue and expenditures to March 31, 2024, on which they provided commentary in consultation with the Finance department.

Project Managers are the owners of the capital accounts and have financial responsibility and accountability to manage the capital deliverables within the budget approved, within a reasonable time period, to achieve the Council expected outcomes of that capital project.

Department General Managers and Project Managers were provided financial reports based on their actual capital expenditures and commitments to March 31, 2024, with which they provided a progress status and financial forecast update at the project level and the best available information at a point in time. Future updates are subject to change based on the economic environment, especially the rate of inflation.

Attachments

Attachment-1 2024 Capital Spending

Attachment-2 Q1 2024 Capital Budget Adjustments

Departmental Approval

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Attachment-1: 2024 Capital Spending (all values are in thousands of dollars)

Budget by Program of Work	Corporate Facilities, Public Works and By-Law	Corporate Plans, Programs and Technology	Culture and Recreation	Emergency Services	Parking and Transit Services	Parks and Open Spaces	Solid Waste Services	Transportation Network	Water Management	Other Boards and Agencies	Total Year to Date
Carry-over budget	64,641	43,328	117,590	6,648	52,403	14,753	4,811	73,686	94,275	948	473,085
2024 capital budget, approved	6,092	13,335	5,803	7,107	15,006	6,862	5,742	96,953	44,832	6,935	208,667
2024 additional approved funding	(60)	314	(1,684)	60	0	0	500	(11,523)	(6,487)	382	(18,498)
Available capital funding	70,673	56,977	121,709	13,815	67,409	21,615	11,053	159,116	132,620	8,265	663,254
2024 capital spending	1,010	1,923	5,814	276	3,377	776	309	1,575	2,667	1,438	19,166
Open purchase orders (PO)	27,685	9,523	105,838	1,509	37,932	3,279	3,144	26,068	56,178	1,811	272,966
Total spending and commitments	28,695	11,445	111,653	1,784	41,310	4,056	3,452	27,643	58,845	3,249	292,132
Projects closed	0	0	0	0	0	0	0	0	0	0	0
Uncommitted approved budget	41,978	45,531	10,057	12,031	26,099	17,559	7,601	131,474	73,774	5,017	371,122

Note: May not add due to rounding.

Attachment-2: Q1 Capital Budget Adjustments

Table 1 - Additional approved budget and other budget adjustments

ID	Capital account	Entry description	Budget increase / (decrease) \$
BR-24CAP-02	PS0112 Preventing Auto Theft Program	Grant funds received from Ministry of the Solicitor General. Approved by the Police Services Board January 18, 2024.	123,800
BR-24CAP-03	WC0052 Food Waste Initiative	Grant funds received from the Green Municipal Fund Grant through the Federation of Canadian Municipalities.	500,000
BR-24CAP-06	ES0001 The Elliot Capital Funding	Administrative change to move budget from operating to capital.	258,380
BR-24CAP-09	IT0123 Planning Digital Transformation - E-Permitting (HAF 2A)	Set up budget for Housing Accelerator Fund (HAF) initiative #2.	100,000
BR-24CAP-14	CT0005 Market Square Equipment Upgrade	To set up the expenditure budget side of CT0005 to match the amount of donations received. Donations received in 2019 for screen at market square.	16,250
BR-24CAP-18	RF0095 Recreation Facilities Renewal	Reduction through 2023 Year-end Work in Progress (WIP) review.	(1,700,000)
BR-24CAP-23	IT0075 API and Integration Training/Consulting	Reduction through 2023 Year-end Work in Progress (WIP) review.	(50,000)
BR-24CAP-26	WT0008 Non-Revenue Supply	Reduction through 2023 Year-end Work in Progress (WIP) review.	(58,000)
	PN0854 Initial Condition Assessment of Siphons		(150,000)
	SC0062 Sanitary Emergency Repairs		(279,000)
	ST0002 Treatment Plant Upgrades and Studies		(550,000)
	ST0009 WRRC Energy Efficiency Management		(5,592,000)

ID	Capital account	Entry description	Budget increase / (decrease) \$
BR-24CAP-27	PN0264 York- GJR Spurline -Stevenson	Reduction through 2023 Year-end Work in Progress (WIP) review.	(83,000)
	PN0784 Whitelaw Rd Reconstruction - Shoemaker to Paisley		(2,000,000)
	PN0887 Baker District Servicing (Cardigan Street)		(1,295,000)
	SC0060 Sanitary Sewer Reline and Repair Program		(858,000)
	SW0102 Stormwater Emergency Repairs		(86,000)
	WD0062 Wellington Road Hanlon Crossing Watermain Renewal		(5,650,000)
	RD0323 Intersection Victoria and Claire		(169,000)
BR-24CAP-28	PN0257 York Trunk-Phase 2B - To Victoria	Reduction through 2023 Year-end Work in Progress (WIP) review.	(600,000)
	PN0268 Paisley Feedermain Construction - Phase 3 -Silver		(376,000)
Grand total	n/a	n/a	(18,497,570)

Table 2 - Summary of reallocations under \$100,000

Description	Amount \$
Additional funding (various projects) required at planning/purchasing stage	59,770
Additional funding required during project execution	13,300
Additional funding required at project closeout	0
Grand Total	73,100

Table 3 - Reallocations greater or equal to \$100,000 and under \$500,000

ID	Transfer from	Amount \$ (from)	Transfer to	Amount \$ (to)	Entry description
BR-24CAP-03	WC0043 Solid Waste Management Masterplan Recommendations, Assessments, Studies and Policy Development.	127,000	WC0052 Food Waste Initiative	127,000	Transfer the City's contribution to the grant program funded from FCM.
BR-24CAP-25	PK0078 Lee Street Park New Amenity Construction	106,850	PK0129 Bicycle Skill Facility	106,850	Transfer surplus budget on project closeout.
BR-24CAP-26	WT0008 Non-Revenue Supply	150,000	WD0059 Watermain Maintenance	150,000	Transfer surplus budget on project closeout.
	WT0069 Helmar Station Upgrades	178,000	WT0009 Groundwater Protection	178,000	
Grand total	n/a	561,850	n/a	561,850	n/a

Table 4 - Reallocations greater than \$500,000 (based on the total reallocated to one capital account)

ID	Transfer from	Amount \$ (from)	Transfer to	Amount \$ (to)	Entry description
BR-24CAP-07	SW0096 Waverly Drive and Green Meadows New SWM Ponds PN0850 Woolwich St Ph 2 - Douglas Street to Norfolk St PN0807 Wellington Street- Gordon Street to Wyndham Street South	51,200 678,000 475,000	PN0060 Wyndham St - Phase 1 - Carden to Douglas St GG0256 Clearing Account for Reallocations	940,000 264,200	To reallocate funding between Downtown projects to increase budget in PN0060. Increased budgeted was needed because of award bid that was higher than expected.
BR-24CAP-15	TC0058 Bus Replacement	5,340,800	TC0070 Bus Electrification - Replacement (ICIP-GUE-04)	5,340,800	2021 order of four buses was transferred to the ICIP project TC0070 Bus Electrification - Replacement (ICIP-GUE-04) so the City can capture the ICIP funding on these purchases.
Grand total	n/a	6,545,000	n/a	6,545,000	n/a

Table 5 - Funding Adjustments

ID	Capital Account	Transfer From	Transfer To	Amount \$ (to)	Entry description
BR-24CAP-16	TC0043 Bus Shelter Purchase	Federal and Provincial Government Grants (ICIP portion)	Infrastructure Renewal Reserve Fund Service Enhancement Reserve Fund	62,820 41,880	Through the ICIP decommitment process this project was decommitted from ICIP. This adjustment removes ICIP funding in the current approved budget and replaces it with city funding.
BR-24CAP-17	TC0071 Terminal Upgrades and Expansion	Federal and Provincial Government Grants (ICIP portion)	Service Enhancement Reserve Fund	927,620	Through the ICIP decommitment process this project was decommitted from ICIP. This adjustment removes ICIP funding in the current approved budget and replaces it with city funding.
BR-24CAP-24	LB0028 Main Branch New	Debt – Service Enhancement	Debt – Infrastructure Renewal Development Charges - Library	1,287,400 1,742,042	To adjust funding for the new main library due to the change in timing of buildout in the 2023 Development Charge study.
Grand total	n/a	n/a	n/a	4,061,762	n/a