COMMITTEE AGENDA

TO	**Corporate Services Committee**
DATE	Monday February 1, 2016
LOCATION	Council Chambers, Guelph City Hall, 1 Carden Street
TIME	2:00 p.m.

DISCLOSURE OF PECUNIARY INTEREST AND GENERAL NATURE THEREOF

CONFIRMATION OF MINUTES - December 1, 2015 open meeting minutes

PRESENTATIONS (Items with no accompanying report)

CONSENT AGENDA

The following resolutions have been prepared to facilitate the Committee's consideration of the various matters and are suggested for consideration. If the Committee wishes to address a specific report in isolation of the Consent Agenda, please identify the item. The item will be extracted and dealt with separately. The balance of the Corporate Services Committee Consent Agenda will be approved in one resolution.

ITEM	CITY PRESENTATION	DELEGATIONS	TO BE EXTRACTED
CS-2016.1 Infrastructure Environment and Funding Options	• Janice Sheehy, General Manager Finance/City Treasurer		√
CS-2016.2 Project List of Potential Infrastructure Funding			
CS-2016.3 Outstanding Property Tax Receivables and Collections			

Resolution to adopt the balance of the Corporate Services Committee Consent Agenda.

ITEMS EXTRACTED FROM CONSENT AGENDA

Once extracted items are identified, they will be dealt with in the following order:

1) delegations (may include presentations)
2) staff presentations only

3) all others.

STAFF UPDATES AND ANNOUNCEMENTS

ADJOURN

NEXT MEETING – Thursday March 3, 2016

The Corporation of the City of Guelph
Corporate Services Committee
Tuesday December 1, 2015 at 2:00 p.m.

Attendance

Members: Chair Hofland, Mayor Guthrie, Councillor Allt, Councillor Billings, Councillor MacKinnon

Councillors: Councillor Bell, Councillor Van Hellemond, Councillor Wettstein

Staff:
Mr. M. Amorosi, Deputy CAO, Corporate & Human Resources
Mr. B. Coutts, Manager of Court Services
Mr. B. Labelle, General Manager Technology Innovation
Ms. J. Sheehy, General Manager Finance/City Treasurer
Mr. T. Sprigg, General Manager Corporate Communications & Customer Service
Ms. T. Baker, Deputy Treasurer, Manager of Financial Reporting & Accounting
Ms. S. Tousignant, Manage Projects & Business Services
Mr. C. Sambol, Corporate Application Analyst GIS
Mr. S. O'Brien, City Clerk
Ms. J. Sweeney, Council Committee Coordinator

Call to Order *(2:00 p.m.)*

Chair Hofland called the meeting to order.

Disclosure of Pecuniary Interest and General Nature Thereof

There were no disclosures.

<u>Confirmation of Minutes</u>

1. Moved by Mayor Guthrie
Seconded by Councillor MacKinnon

   1. That the open meeting minutes of the Corporate Services Committee held on November 9, 2015 be amended to reflect Councillor Billings seconding resolution #3 and that the November 9, 2015 open minutes be confirmed as recorded.

   2. That the closed meeting minutes of the Corporate Services Committee held on November 9, 2015 be confirmed as recorded.

VOTING IN FAVOUR: Mayor Guthrie, Councillors Allt, Billings, Hofland and MacKinnon (5)
VOTING AGAINST: (0)

CARRIED

Presentation

Mark Amorosi, Deputy CAO Corporate Services introduced the presentation "Modernizing City Services Through GIS" and 311GIS. He outlined the current state and the vision for the technology.

Chris Sambol, Corporate Application Analyst GIS provided a demonstration of 311GIS.

Sasha Tousignant, Manager Projects & Business Services outlined the services currently available and the roadmap for onboarding additional services.

In response to questions, Doug Godfrey, Manager By-law Compliance & Security highlighted the efficiencies realized in responding to 311GIS posts.

Consent Agenda

The following items were extracted:

CS-2015.43 Q3 2015 Operating Variance Report

CS-2015.44 2015 Q3 Capital Variance Report

Extracted Items

CS-2015.44 2015 Q3 Capital Variance Report

2. Moved by Mayor Guthrie
Seconded by Councillor Allt

That report CS-2015-89 "2015 Q3 Capital Variance Report", be received for information.

VOTING IN FAVOUR: Mayor Guthrie, Councillors Allt, Billings, Hofland and MacKinnon (5)
VOTING AGAINST: (0)

CARRIED

CS-2015.43 Q3 2015 Operating Variance Report

There was discussion relating to reserve repayments, transit, water and court services variances.

Councillor Allt raised a point of privilege relating to comments made by Mayor Guthrie.

The Chair advised that the point of privilege would be dealt with later in the meeting.

Mayor Guthrie apologized to Councillor Allt for comments made.

3. Moved by Councillor Allt
Seconded by Mayor Guthrie

That report CS-2015-88 "Q3 2015 Operating Variance Report", be received for information.

VOTING IN FAVOUR: Mayor Guthrie, Councillors Allt, Billings, Hofland and MacKinnon (5)
VOTING AGAINST: (0)

CARRIED

Staff Updates and Announcements

Mark Amorosi, Deputy CAO Corporate Services announced that an announcement will be made shortly relating to a labour matter.

Adjournment *(3:30 p.m.)*

4. Moved by Councillor Allt
Seconded by Councillor Billings

That the meeting be adjourned.

CARRIED

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Joyce Sweeney
Council Committee Coordinator

CORPORATE SERVICES COMMITTEE
CONSENT AGENDA

Monday February 1, 2016

Members of the Corporate Services Committee.

SUMMARY OF REPORTS:

The following resolutions have been prepared to facilitate the Committee's consideration of the various matters and are suggested for consideration. If the Committee wishes to address a specific report in isolation of the Consent Agenda, please identify the item. The item will be extracted and dealt with immediately. The balance of the Corporate Services Committee Consent Agenda will be approved in one resolution.

Reports from Administrative Staff

REPORT	DIRECTION
CS-2016.1 INFRASTRUCTURE ENVIRONMENT AND FUNDING OPTIONS (as referred from the December 9, 2015 Council Meeting)	Receive
That Report No. CS-2015.101 entitled 'Infrastructure Environment and Funding Options', be received for information.	
CS-2016.2 PROJECT LIST FOR POTENTIAL INFRASTRUCTURE FUNDING	
Report will be provided on the addendum.	
CS-2016.3 OUTSTANDING PROPERTY TAX RECEIVABLES AND COLLECTIONS	Receive
That Report CS-2016-01 'Outstanding Property Tax Receivables and Collections' be received.	

attach.

Infrastructure Environment and Funding Options

Overview

- Purpose of the report
- BMA Financial Condition Assessment Report
- Comparator Municipalities
- Recommendation

Purpose of the Report

- Council request
- Municipal best practice
- Provincial & Federal Government requirements

BMA Financial Condition Assessment Report

- Recommendation
  - Comprehensive Asset Management Plan
  - Long-term Strategic Financial Plan
  - Align Corporate Policies

Comparator Municipalities

- Capital Fee Surcharges
- Assessment Growth
- New Assets
- Use of Debt
- Pooling Reserves
- Dividend Income
- Special Levies
- Annual Capital Levy

Recommendation

- Dedicated Infrastructure Levy
- Annual increase of two percent of the base levy
- Initially set for 10 years
- Reviewed as part of the Asset Management Plan

Forecasted Revenue ($000's)

	Year 1	Year 2	Year 3
Annual Infrastructure Levy Increase	$4,198	$4,492	$4,802
Cumulative Annual Infrastructure Levy	$4,198	$8,690	$13,492

Assumptions
- Tax Rate Increase + Assessment Growth = 5% per year
- Annual Infrastructure Levy increase = 2% of base levy

Questions?

STAFF REPORT

TO	City Council
SERVICE AREA	Corporate Services, Finance
DATE	December 9, 2015
SUBJECT	**Infrastructure Environment and Funding Options**
REPORT NUMBER	CS-2015-101

EXECUTIVE SUMMARY

PURPOSE OF REPORT

Many municipalities, including Guelph, are facing significant infrastructure deficits and funding gaps. This report provides an overview of the environment as it relates to potential infrastructure funding. Further, the report outlines a number of funding options currently being used in other jurisdictions as "best practices".

KEY FINDINGS

The report outlines a number of options available, but not limited to, addressing infrastructure funding as follows:

- Capital Fee Surcharges
- Utilization of Assessment Growth
- New Assets
- Effective Use of Debt
- Portfolio Approaches to Reserves
- Dividend Income
- Special Levies

At this time, if asked, senior management would recommend the implementation of a 2.0% infrastructure levy over a ten year period.

FINANCIAL IMPLICATIONS

There are no financial implications to this report. If the infrastructure levy were introduced in 2016, the ongoing impacts at various annual rates and durations are outlined under the "Funding Options" section of this report.

ACTION REQUIRED

That Report No. CS-2015-101 entitled Infrastructure Environment and Funding Options be received for information.

RECOMMENDATION

That Report No. CS-2015-101 entitled Infrastructure Environment and Funding Options be received for information.

BACKGROUND

External and Internal Environment

The Association of Municipalities Ontario (AMO) through their What's Next Ontario municipal engagement strategy has reported that infrastructure is the number one concern among their member municipalities. Specifically, the document speaks to the upgrading of existing facilities and assets and the replacement of aging bridges, roads, and water and wastewater facilities.

AMO has estimated that if all other municipal revenues remain stable and services are unchanged, property taxes will need to increase by 4.51% for the next ten years to maintain current standards and service levels. Further, to address the estimated $60 billion infrastructure investment gap facing municipalities, an additional annual increase of 3.84% will be required to 2025.

The prevailing opinion among those surveyed was that the 9% (closer to 6% after removing the provincial education portion of the levy) municipal share of existing taxation in Ontario is too low. With respect to infrastructure the following suggestions were made:

- A municipal sales tax which could be coordinated at the provincial level and then allocated to dedicated infrastructure funding.
- The dedication of 1% of the HST to municipal priorities.
- The allocation of 1% of provincial gas tax revenues towards climate change initiatives and developing more resilient infrastructure.

The Federation of Canadian Municipalities (FCM) recently endorsed a proposal for an increase in the amount of dedicated federal funding for core municipal infrastructure (roads, bridges, transit; other municipal transportation infrastructure; water, wastewater and storm water infrastructure) by $1.5 billion annually through a predictable mechanism like the Gas Tax Fund.

In their election platform the Liberal party committed to the following: "near the end of the fiscal year, we will automatically transfer any uncommitted federal infrastructure funds to municipalities, through a temporary top-up of the Gas Tax Fund. This will ensure that no committed infrastructure money is allowed to lapse, but is instead always invested in our communities."

In anticipation of a potential new source of funding from senior levels of government, staff in Guelph has prepared a comprehensive inventory of projects, using a variety of criteria (or lenses) that could be considered should infrastructure funding become available.

In the City of Guelph Report dated October 29, 2015 and entitled 2015 Infrastructure Scorecard, the annual combined infrastructure funding gap is estimated at $23.3 million. Further, there is an estimated infrastructure backlog of $165.2 million for water, wastewater, storm water and transportation assets that have reached the end of their lifecycle.

The staff report is consistent with the recent findings of BMA in their Financial Condition Assessment Report. BMA was engaged to perform a review of existing financial policies for debt, reserves, asset management, capital; and a review of major reserve/reserve fund groups. Further, an analysis of capital requirements to identify infrastructure gaps and possible solutions that can be implemented to fill the gaps also formed part of the financial analysis.

BMA has recommended that the city develop a comprehensive asset management plan that combines engineering principles with sound business practices and economic theory. Such a plan would provide tools to facilitate a more organized, logical approach to decision making for the replacement/refurbishment of tangible capital assets. It was further recommended, that the City develop a comprehensive asset management plan that is integrated with the long-term strategic financial plan and all related corporate policies (e.g. corporate reserve policies, budget policies and debt policies), and incorporate replacement programs with growth programs as well as City building programs and initiatives.

Included in the 2016 budget expansion package is a request for two additional staff responsible for the development and implementation of a comprehensive Asset Management Plan (AMP). Specifically the two Corporate Asset Management positions will:

- establish measurable service standards for all City assets;
- improve quantification and understanding of the City's current infrastructure funding deficit;
- in concert with departmental staff develop long-term funding strategies to address the funding deficit and ensure continued viability of the City's key infrastructure;
- recommend the maintenance, repair and replacement of City assets while meeting established service standards, minimizing total lifecycle costs and reducing corporate risk, and
- introduce industry best practices and standardized approaches to asset management in order to deliver infrastructure effectively and efficiently.

The undertaking of this work is timely and necessary, given that the Municipal Funding Agreement for the transfer of Federal Gas tax funds requires recipients to develop and implement an asset management plan prior to December 31, 2016. Failure to do so, could put the approximately $7 million of annual funding that Guelph currently receives at risk.

Review of Work Done to Date

Significant work has already been undertaken with respect to attempting to quantify various aspects of the infrastructure gap and/or seeking mechanisms to provide funding.

Storm Water Funding

A growing number of municipalities have chosen to review and implement alternative funding resources for storm water infrastructure other than the traditional tax based approach that is done in most communities. Guelph is currently undertaking a Storm Water Funding Study that is reviewing various options to fund storm water infrastructure.

Council received a presentation on Monday, October 26, 2015 on the Storm Water Funding Study and as previously noted, an Information Report dated October 29, 2015 with respect to the 2015 Infrastructure Scorecard. Both the presentation and the information report highlighted the funding needs for storm water assets with respect to a sustainable funding level, funding gap and infrastructure backlog. The 2015 Infrastructure Scorecard and associated background work indicates that storm water system assets were currently funded in 2015 at only 21% of the annual sustainable funding level and that an annual funding gap of $5.9 million and an infrastructure replacement backlog of $32.4 million currently exists for storm water assets.

The current mechanism to fund storm water management program activities is through the existing tax base that is offset with some federal gas tax grant funding. The difficulty with this approach is that property taxes are not a dedicated or stable funding source and based on the funding study findings, is not equitable with respect to overall use of the storm water system. Further, tax exempt properties do not contribute to the storm water program. An alternative funding source for storm water would also allow for the allocation of additional gas tax funding to transportation system assets. Doing so would facilitate an integrated approach to addressing linear (water, wastewater, transportation, storm water) infrastructure renewal projects.

Some of the advantages of taking a user fee based approach are that:

- it provides a dedicated and sustainable source of funding;
- it can be more fair and equitable based on runoff contribution;
- it could provide a credit program that allows for incentives to property owners to reduce their storm water runoff and pollutant discharge;
- it can be a mechanism to ensure that privately owned storm water facilities are well maintained, and
- it can enable the City to influence development trends that are in line with storm water management goals and objectives.

However, depending on the approach taken, additional implementation and administrative costs may result.

As noted, Guelph is currently exploring funding options in the Storm Water Funding Study and next steps include further consultation through a stakeholder advisory group meeting, and a public open house in the 4th quarter of 2015; with a staff report scheduled to come to committee and Council early in 2016.

Downtown Levy

During 2013 and 2014, the Enterprise group through Downtown Renewal lead a discussion about improved coordination of investment planning to support long term city-building initiatives. The discussion was prompted by the need to move beyond the initial implementation of the Downtown Secondary Plan – activating the so called ‘low hanging fruit’ – into the longer term and more complex initiatives that will sustain investment and economic development momentum beyond the initial five year horizon.

The ‘next level’ of infrastructure for Downtown is a series of interconnected projects that will only be successful with consistent effort and a longer term approach to reliable and predictable funding. The investments required are both in hard and soft services (Parking, Streetscape, Library, CIP Programs, etc.) and have built-in dependencies on private sector and upper level of government confidence and partnership. Through a series of presentations to Council (November 25, 2013, February 26, 2014) Enterprise outlined the projects, timelines, interconnected nature and critical path that provided a roughly 10 year window on an investment program.

Initially the program took the label ‘Guelph Economic Investment Fund’, or GEIF, which proposed to talk about a dedicated investment fund with economic parameters to filter access – and that the Downtown program was the early candidate. This program was modeled on Kitchener's very successful 2003 Economic Development Investment Fund (EDIF) which coordinated a ten year approach to transforming their downtown around the innovation sectors. Kitchener's EDIF was a 1% tax dedication to partially fund a $110 million ten year plan. The 1% per year dedicated tax levy accounted for $21 million. The other $89 million was obtained through an accumulation of an additional $8.9 million per year in debt for ten years. While Guelph staff did undertake a financial model and developed scenarios and impacts around creating a fund, the direction evolved into the 'Enterprise Framework' for which future investment priorities would be tracked and presented as 'investment ready' once certain criteria had been reached.

In a scan of other cities, it is noted that the special levy approach has been utilized not just for marquee projects (City of Kitchener) but also for addressing long-term ongoing infrastructure deficits (City of Mississauga).

Infrastructure Renewal Methods

Capital Fee Surcharges

In this option, a capital surcharge is added on to fees required to use various City owned facilities such as recreation centres, parks, entertainment venues. The disadvantage of such an approach is that it is often perceived by the public as just another fee increase.

In 2011, the Town of Whitby adopted a capital surcharge of $25.00/hour and $9.00/hour for ice and floor rentals respectively to offset the ongoing and future capital maintenance requirements of the arena facilities. The collection of the ice and floor surcharge represented approximately $580,000 annually. This was used to partially offset the ongoing capital requirement to maintain the Town's arena facilities to the current standard. If these funds were not collected from the ice and floor user groups, then the full cost of the capital maintenance of the arena facilities would have been funded by the general taxpayer, resulting in an additional tax increase. Capital budget forecasts at that time identified an average annual cost of approximately $700,000 for the first five years to undertake the various capital improvements, lifecycle maintenance and equipment replacement projects for these facilities.

Utilization of Assessment Growth

An approach taken by some municipalities is to use the annual incremental tax revenue generated as a result of assessment growth as a source of funding for capital projects. With this option, additional assessment growth is used each year, not to reduce the overall tax levy increase to the public, but to fund infrastructure renewal. One of the challenges is that the annual contribution may not be stable as it is dependent on the amount of new construction and growth within the community. Ultimately though, the reallocation of any new assessment growth will lead to a higher base tax levy increase.

New Assets

A number of municipalities have established a policy whereby as new assets are acquired, a contribution to the Capital Reserve and Reserve Funds will be made based on the annual amortization and lifecycle costing. The advantage of this approach is that new assets will not cause the infrastructure gap to grow; however, it does not address the existing infrastructure funding gap. This is the practice in the City of Burlington and the City of Mississauga.

Effective Use of Debt

Debt in Guelph is well below the City's guideline of repayment of 10% of own source revenues and the provincial maximum of 25% of own source revenues. Recognizing that capacity exists to use long-term debt as an interim financial measure, the 2016 capital budget proposes that 5% be funded from debt. In their recent report BMA recommended against the use of debt funding for lifecycle issues, thereby highlighting the importance of the future findings coming out of the Asset Management Plan and Long-Term Financial Plan.

Portfolio Approaches to Reserves

Under this option, reserves are pooled together to mitigate the risk and financial volatility that can be experienced by individual reserves. Acknowledging that Guelph has far too many reserves without clear criteria, a consolidation of reserves project was well underway at the time of the BMA review. The outcome of this review will be a better matching of reserve fund balances to the specific needs of the City and will provide additional flexibility to address priority projects.

Dividend Income

The Town of Milton receives an annual dividend of $0.75 million for its shares in Milton Hydro. From 2009 the Town received an additional $0.75 million in annual dividends which Council approved for the renewal and rehabilitation of existing infrastructure. The incremental dividend in the 2015 budget has been estimated at $0.25 million and has also been allocated to projects for the renewal and rehabilitation of assets.

In 2013 the County of Norfolk finalized the sale of their hydro utility to Hydro One. The net proceeds of that sale of approximately $68 million were the basis for the Norfolk Hydro Legacy Fund. The fund is designed to generate an annual indexed contribution to capital projects, while ensuring the preservation of the initial investment.

In 2016, as has been the case for a number of years the City of Guelph anticipates an annual dividend of $1.5 million from Guelph Municipal Holdings Inc. as a result of their ownership and ongoing operation of Guelph Hydro. Currently, that annual dividend is allocated in full to the operating budget.

Special Levies

Several municipalities have established Special Infrastructure Levies. This option provides for a dedicated source of infrastructure funding. This also creates discipline in the budget process, ensuring that contributions are made to capital replacement. These levies typically compound annually resulting in a significant opportunity to reduce the gap.

The City of Mississauga established a special Capital and Debt Levy of 2% of the prior year's levy to assist in addressing the city's infrastructure needs. On average 1% of the levy increase will be allocated to the city's tax capital reserve with the other 1% being used to pay for debt servicing costs related to capital replacement projects.

The City of Thunder Bay Council approved the Enhanced Infrastructure Renewal Program (EIRP). Beginning in 2012, the EIRP was integrated into the budget process to address ongoing capital needs through incremental and dedicated property tax increases. By 2014, the gap between the amount of funding required to implement the City's asset management plan and annual capital spending is expected to have been reduced by approximately 60%.

The City of Burlington had a dedicated infrastructure renewal levy of 0.5% which was increased to 0.75% in 2015. Over a period of approximately 10 years, this generated $43 million for infrastructure renewal.

At varying levels, this is the practice in the City of Vaughan, the City of Barrie, the City of Hamilton, the Town of Oakville and the Town of Halton Hills.

Annual Capital Levy

Inasmuch as the City is well into the budget process it is anticipated that additional capital levy requirements for 2016 are considered independent of the direction that may be adopted in the proposed Capital Funding Policy for 2017 and the future. That said, while the amount of the infrastructure gap facing the City is currently an unrefined estimate, the existence of that gap is a certainty.

Accordingly, an initial contribution to the "Infrastructure Renewal Reserve" is contemplated. Further delay will only exacerbate the magnitude of the infrastructure gap. Initiating a capital contribution for infrastructure renewal would provide a more seamless adoption of future measures considered with respect to ongoing capital funding.

Further, staff will develop a policy in advance of the 2017 budget cycle that builds on the 20% Tax Supported Capital Guideline, as approved in July of 2008. The **Capital Funding Policy** can be developed with support of the newly implemented Asset Management Office and will complement the work being done with respect to reserves and reserve funds, as noted previously.

A long-term Asset Management Plan (AMP) is a crucial component of the Long-Term Financial Plan (LTFP). The City's investment in tangible capital assets is significant. This underscores the need for long-term financial planning to accommodate the eventual replacement of these assets.

A LTFP provides financial projections and recommendations in support of the strategic issues identified by Council. It assists with future financial decision making. The preparation of a financial plan involves the identification of future opportunities and challenges and the creation of strategies to meet evolving needs. Long-term financial planning is a thorough, detailed process that requires research, financial analysis and forecasting.

The AMP and LTFP will provide the City with the information required to respond to capital infrastructure replacement needs and will ensure prudent capital asset management. The AMP and LTFP must be revised annually to reflect new or retired assets and to reflect changes in estimated replacement costs.

An annual capital levy is comprised of two parts:

1) Unrestricted Use
    - Annual transfer from operating to capital tax reserve(s), independent of specific project timing
    - Can be used to fund City Building, Growth or Infrastructure Renewal and /or associated debt obligations

2) Dedicated to Infrastructure Renewal
    - Annual transfer from operating to an "Infrastructure Renewal Reserve", independent of specific project timing

Going forward, to ensure that a sustainable level of funding is dedicated to infrastructure renewal, guidelines should be established regarding the annual transfer from operating to capital, both in terms of total % of the net tax levy and the portion of the transfer dedicated to infrastructure renewal. Based on current estimates of funding required to replace existing infrastructure a minimum of 25%

of the net tax levy would need to be directed to capital; and of that transfer a minimum of 75% - 85% should be dedicated to infrastructure renewal.

The implementation of a capital levy for 2016 would result in the following funding:

- .5% = $1.049 million
- 1.0% = $2.099 million
- 1.5% = $3.148 million
- 2.0% = $4.198 million

Funding Models

Staff has provided preliminary calculations with respect to the addition of the dedicated Infrastructure Levy if it were to commence in 2016 as outlined below.

The calculations used in these models make the following assumptions:

- The current tax funded contribution to the unrestricted use tax capital reserves will be maintained at the current 15.24% of the levy over the term of the escalating contribution to the dedicated infrastructure reserve.
- The Dedicated Infrastructure Levy would commence in 2016
- Annual Base Levy Increase (Assessment & Annual) is 5.00%
- Amount of Dedicated Levy is variable between 0.5% and 2.0% as above
- The number of years that dedicated levy would be in place varies from 5 to 10 years

Total Amount of Funding Contributed towards Infrastructure Renewal (while the dedicated Infrastructure Levy is being collected during 5 or 10 years):

Total During Period ($)

		Years		
		1	**5**	**10**
Levy Rate	**0.50%**	1,049,486	16,941,293	68,277,716
	1.00%	2,098,972	34,102,934	138,529,677
	1.50%	3,148,458	51,487,359	210,813,998
	2.00%	4,197,945	69,097,026	285,190,404

Conclusion

Staff will continue to explore the various options available to provide dedicated funding for infrastructure. At this time, if asked, senior management would recommend the implementation of a 2.0% infrastructure levy over a ten year period.

STAFF REPORT

CORPORATE STRATEGIC PLAN

Innovation in Local Government
Deliver public services better

City Building
Be economically viable, resilient, diverse and attractive for business.

DEPARTMENTAL CONSULTATION
Executive Team.
Engineering and Capital Infrastructure

FINANCIAL IMPLICATIONS
There are no financial implications to this report. However, the report could impact how staff approaches budget and policy development.

COMMUNICATIONS
N/A

ATTACHMENTS
N/A

Report Authors
Janice Sheehy, Tom Bradbury, Greg Clark

__________________________	__________________________
Recommended By	**Approved By**
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STAFF REPORT

TO	Corporate Services Committee
SERVICE AREA	Corporate Services, Finance
DATE	February 1, 2016
SUBJECT	**Outstanding Property Tax Receivables and Collections**
REPORT NUMBER	CS-2016-01

EXECUTIVE SUMMARY

PURPOSE OF REPORT

As per the City of Guelph's Tax Billing and Collection Policy, staff annually provides Council with an analysis of the tax collection and arrears experiences.

This report provides information as at December 31, 2015.

KEY FINDINGS

Property tax receivables as a percentage of taxes levied annually is 2.43% as at December 31, 2015 and continues to remain much lower than the 2014 Southwest Ontario municipal average of 6.5% as reported in the 2015 BMA Study. The total outstanding taxes or tax arrears as a percentage of taxes levied are 2.97% for 2015. The low level of tax arrears and tax receivables are reflective of the strong economic financial health of Guelph as well as the staff resources allocated to the collection of arrears. The availability of enhanced payment options also contributes to the low tax receivables.

FINANCIAL IMPLICATIONS

Tax arrears are an important indicator of municipal economic health and are considered by Standard and Poor's in their determination of a credit rating. Guelph's arrears are a favourable factor to the City's credit rating.

Interest income from unpaid taxes is directly related to the amount of arrears on a monthly basis.

ACTION REQUIRED

That the Corporate Services Committee receives Report CS-2016-01 for information.

STAFF REPORT

RECOMMENDATION

That Report CS-2016-01 entitled Outstanding Property Tax Receivables and Collections be received.

BACKGROUND

This report contains an analysis of the tax collection and arrears experience as at December 31, 2015.

Definition of Terms

Tax Arrears – the amount of taxes outstanding on all accounts.

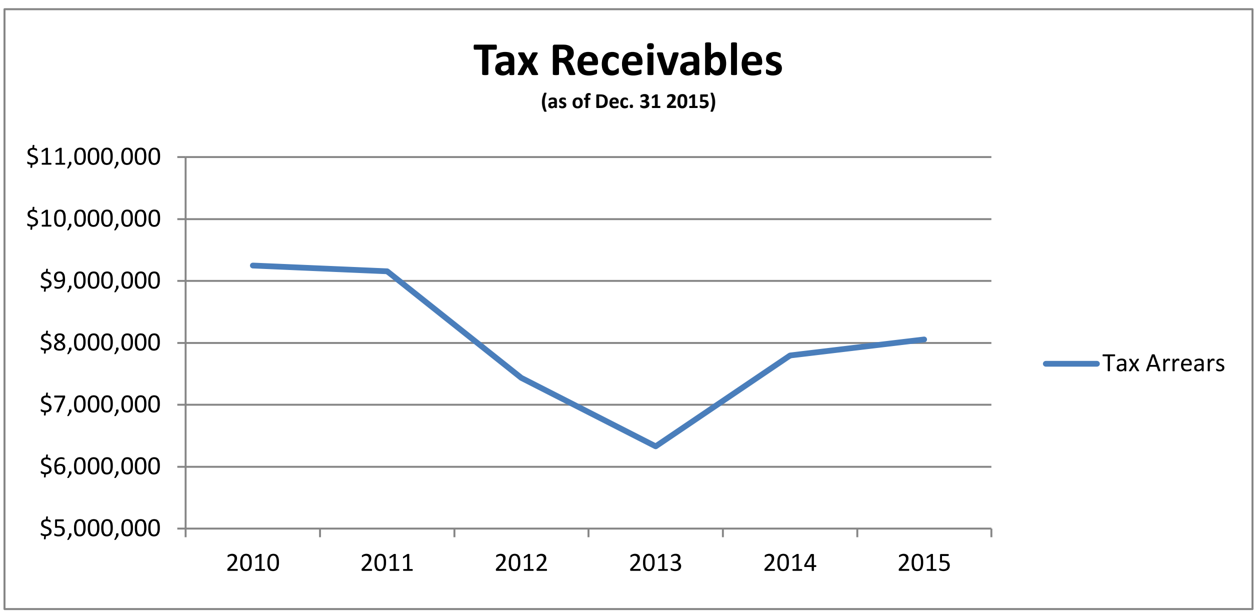
Tax Credits – credits on the tax account, that occur due to prepayments by the property owner, assessment reductions, vacancy rebates, or *Municipal Act* dictated tax adjustments applied to the account.

Tax Receivables – the net amount of taxes owing to the City (tax arrears less tax credits).

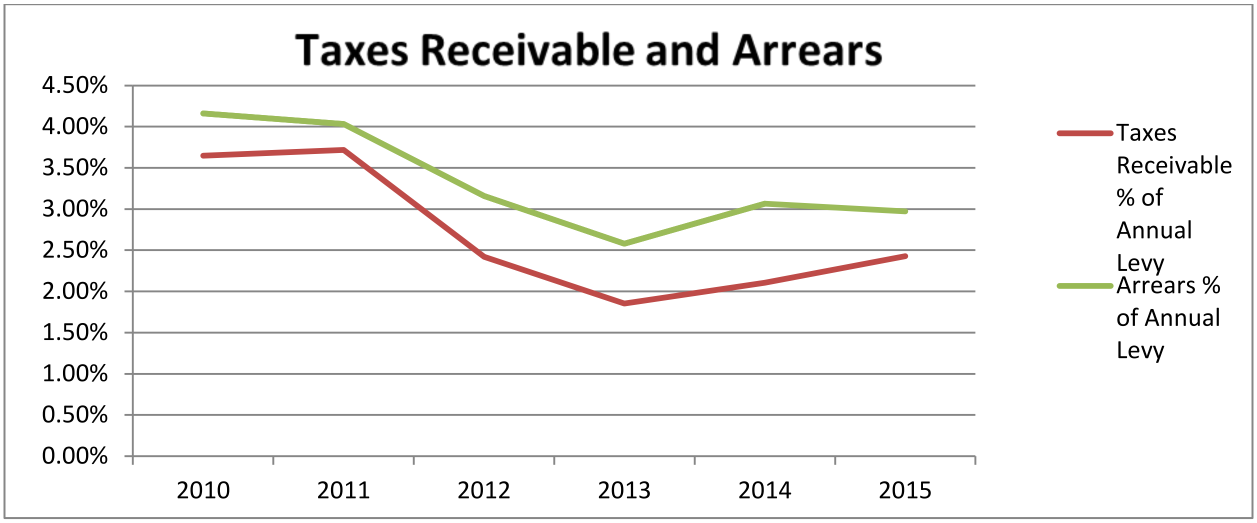
REPORT

Six Year Summary

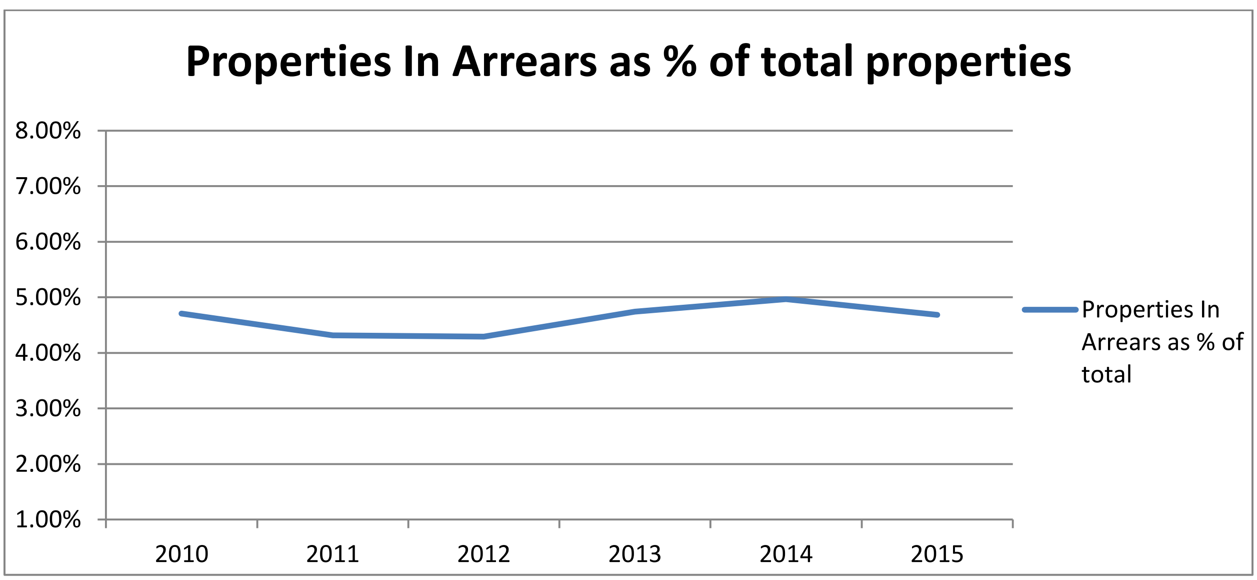
From 2010 through 2011 tax arrears remained fairly consistent. In 2012, there was a notable decrease and aside from a one-time drop related to the timing of a supplementary billing for 2013 due in January of 2014, that trend continues through 2015.



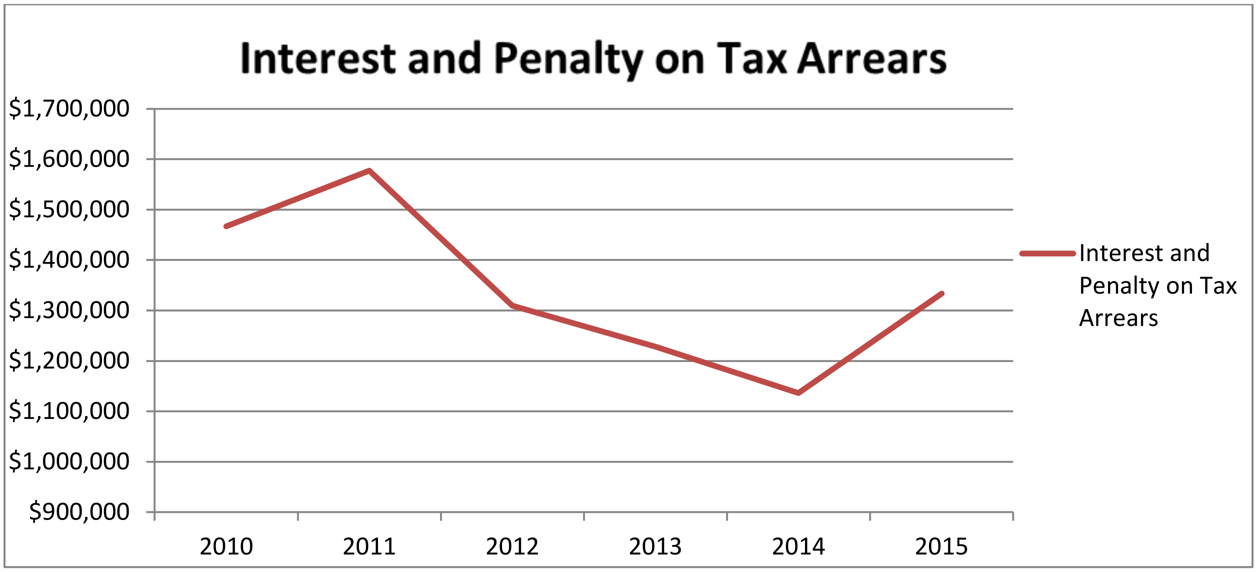
The low arrears and tax receivables reflect the strong economic health of our City, the willingness of the taxpayers to meet their financial obligations and the allocation of staff resources to the collection of arrears. The availability of enhanced payment options and the application of collection procedures also contribute to keeping arrears as low as possible. The City's taxes receivable as a percentage of taxes annually levied is 2.43% in 2015 and continues to remain much lower than the Southwest Ontario 2014 municipal average of 6.5% as reported in the 2015 BMA Study.



At the end of 2015 there were 2,061 properties in arrears, representing less than 4.69% of all properties.



There is a penalty and interest revenue increase in 2015 to $1,333,692 as compared to: $1,136,501 in 2014, $1,228,012 in 2013 and $1,309,243 for 2012. The five year trend is shown in the graph below.



Payment Plans and Collection Procedures

Currently the City has 9,842 properties enrolled in one of the monthly pre-authorized debit plans (PAD); pre-authorized plans are up from 9,563 in 2014. In addition there are 3,443 taxpayers enrolled in the "Due Date" PAP, up from 3405 in 2014. This translates to an overall increase in PAD enrollment of 2.5%, representing just over 30% of all properties in Guelph.

At the end of 2015 there were 174 properties that are three years in arrears. City staff has been working with these property owners. Over the next two months if the arrears are not paid, we will commence tax sale registration. Once registration takes place, the affected taxpayers have one year from the date of registration to pay all taxes and associated costs. If the taxes remain unpaid at the end of the one year period, the property will be sold in order to recoup the taxes outstanding.

There were two property tax sales in 2015. One was successful and the other did not receive any bids. We will report back to committee with next steps and a recommendation on the unsuccessful tax sale later this year. In 2015 a total of 22 properties were registered for tax sale, 11 have paid, leaving 11 properties currently registered for tax sale. If full payment is not received on the properties currently registered, the property will be sold to recover the total taxes due on the property.

Staff continues working with individuals and offering suitable arrangements to ensure payment in full. The penalty rate charged by municipalities and the City is higher than bank rates and this is an incentive to taxpayers to seek resolution of outstanding arrears. Finance staff will continue to monitor all accounts closely. Arrears notices will continue to be mailed on a monthly basis and followed-up as required.

CORPORATE STRATEGIC PLAN

Innovation in Local Government
2.2 Deliver public services better
2.3 Ensure accountability, transparency & engagement

DEPARTMENTAL CONSULTATION

N/A

FINANCIAL IMPLICATIONS

Tax arrears are an important economic indicator considered by Standard and Poor's in their determination of a credit rating. Guelph's arrears are favourable to the City's credit rating.

Interest income from unpaid taxes is directly related to the amount of arrears on a monthly basis.

COMMUNICATIONS

N/A

ATTACHMENTS

N/A

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