

# Information Report

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Service Area	Corporate Services
Date	Friday, May 21, 2021
Subject	<b>First Quarter Budget Monitoring Report</b>

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## Executive Summary

### Purpose of Report

The purpose of this report is to provide Council notice of any financial risks that could affect the 2021 year-end position based on actual financial information as of March 31, 2021, which is the end of the first quarter. Budget monitoring will now be following the [Strategic Plan](#), reporting on strategic plan priorities and initiatives. The report will include both the operating and capital budgets.

### Key Findings

The City is entering a second year of operating under the difficult conditions of the COVID-19 global pandemic. The ongoing pandemic still poses the greatest risk to the City's finances, despite continued support from other levels of government.

Overall, from an operating perspective, the City is managing within budget. Currently net expenditure savings exceed revenue losses; however, this is not necessarily indicative for the balance of the year. Budget pressures are primarily being experienced in Parking, Culture and Recreation, Courts, and Guelph Transit. Some service areas such as Guelph Transit, Operations, Guelph Police, and Guelph-Wellington Paramedics are projecting increased COVID-related operating expenses due to enhanced cleaning, increased staffing costs, and increased use of medical and protective equipment supplies. Staff continue to work within Public Health guidelines and adjust service to adhere to the ever-changing situation.

Since the beginning of the pandemic in 2020, the City has been allotted Safe Restart Operating and Transit Stream grant funding totaling \$28.3 million of which \$5.9 million was used to offset deficits in 2020. This leaves \$9.9 million of the Operating Stream funding and \$12.5 million in Transit Stream funding available for 2021 and beyond. There is currently risk that \$5.2 million from Phase 2 Transit Stream funding could be lost due to arbitrary eligibility timelines imposed by the province, and staff are advocating for flexibility on this issue.

Total capital budget, as detailed in Attachment-1, approved to date is \$498.1 million which includes \$263.3 million approved in the 2021 capital budget, \$233.6 million carried over from 2020 and in-year additional approved of \$1.2 million (as detailed in Attachment-2). Year-to-date (YTD) capital spending and purchase order (PO) commitments totaled \$60.2 million as of March 31, 2021. This is a \$7.0 million decrease over the same period in 2020. Capital spending is typically lower in the first quarter of the year as staff work on project design and procurement to meet the summer/fall construction season. PO commitments for April 2021 have

exceeded that of April 2020 by \$2.2 million as capital procurement begins to ramp up for 2021. At this level of spending, projected total spending for 2021 is \$95 million to \$100 million which is far behind the level needed to meet the Asset Management Plan requirements (estimated at \$200 million per year). Staff will be bringing forward a report for Council's consideration in June 2021 on the proposed Capital Program Resourcing Strategy aimed at increasing the City's capacity to complete capital works and deliver on the objectives of the [Asset Management Plan](#).

## **Financial Implications**

The severity and direction of the pandemic along with the uncertainty of when the Province will fully re-open have an impact on staff's ability to project a full year-end operating position. Staff will continue to focus on expense management to offset revenue shortfalls to ensure the City remains in a stable financial position.

Staff are working diligently to identify grant funding opportunities, prioritize projects based on eligibility requirements and to prepare high quality applications in time to meet tight application deadlines. These grants help to offset taxation requirements that would otherwise be required.

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## **Report**

### **Background**

Following the 2021 budget process, reporting on budget monitoring will now align to the strategic plan priorities and initiatives. Furthermore, operating and capital reporting will now be blended together to provide a holistic view of City spending. Capital reporting previously done on a tri-annual basis has also been shifted to quarterly reporting to align with existing operating reporting schedules.

The City, as a frontline service provider, continues to grapple with the COVID-19 pandemic as we enter the second fiscal year dealing with an unprecedented public health crisis, impacting our City and the economy alike.

City departments were provided financial information as of March 31, 2021. Actual expenditures, revenues and related commentary were analyzed and any significant budget deviations, challenges, and risks that are expected to have an impact on the year-end financial position were identified with Finance staff support. In addition, departments were asked to assess the impact of the pandemic on their operations and provide commentary. It is however too early to quantify the full impact without knowing the timelines for a full re-opening of the economy. Staff are collectively monitoring and assessing the financial impact to the City and will continue to update Council as more information becomes available.

### **Budget Monitoring Highlights**

Overall, from an operating perspective, the City is managing within budget as YTD expenditure savings of \$6.5 million are exceeding total lost revenue of \$4.3 million. Budget pressures are mainly being seen in Parking, Culture and Recreation, Courts and Guelph Transit. Many services such as Guelph Transit, Operations, Guelph Police, and Guelph-Wellington Paramedics are projecting increased COVID-related operating expenses due to enhanced cleaning, increased staffing costs, increased personal protection equipment costs and increased use of medical supplies. Staff

continue to work within Public Health guidelines and adjust service to adhere to the ever-changing situation.

As summarized in Attachment-1, total capital budget approved to date is \$498.1 million which includes \$263.3 million approved in the 2021 capital budget, \$233.6 million carried over from 2020 and in-year additional approved of \$1.2 million (as detailed in Attachment-2). YTD capital spending and PO commitments totaled \$60.2 million as of March 31, 2021. YTD uncommitted approved budget remains high at \$437.9 million. Capital spending is typically lower in the first quarter of the year as staff work on project design and procurement to meet the summer/fall construction season, however without additional staff resources the uncommitted approved budget will remain high. Staff will be bringing forward a report for Council's consideration in June 2021 on the proposed Capital Program Resourcing Strategy aimed at increasing the City's capacity to complete capital works and deliver on the objectives of the [Asset Management Plan](#).

### **Powering our future**

The [powering our future](#) priority includes Economic Development and Tourism, Culture, Smart Cities Office, and Strategy Innovation and Intergovernmental Services. From an operating budget perspective, the main pressures are being felt in Culture with lost revenue due to the closure of the Museum, River Run and the Sleeman Centre in the first quarter, partially offset through reduced compensation and benefits.

This priority area includes two capital projects, one being the Citywide fibre optic network and the other being the Hanlon Creek Business Park (HCBP). YTD spending and current PO commitments total \$1.2 million.

The Citywide fibre optic network is underway with design and engineering work being undertaken. The project is anticipated to move into the construction stage by the end of the year. This project will see fibre optic networking connect City-owned facilities and traffic controllers over the next five years removing the City's reliance on third-party providers and reducing network operating costs substantially.

Work at the HCBP to prepare lots for sale as well as the required environmental monitoring is ongoing. The City has recently received another Agreement of Purchase and Sale (APS) for a Phase 1 lot with an anticipated closing date in July 2021 which brings Phase 1 to 80% sold (including blocks with an APS). Phase 3 lands are expected to go to market in 2021.

### **Sustaining our future**

The [sustaining our future](#) priority includes Environmental Services, Planning and Building, Stormwater, Parks Operations, and Energy Management.

At this point in time, the most significant budget pressure is related to water consumption and the resulting impact on water and wastewater revenues. Specifically, return to class of post-secondary students in the fall as well as COVID-related business closures will impact consumption. Currently development activity projections are slightly behind but it is too early in the year to project if this trend will continue or is merely a timing issue.

Overall energy and water expenditures corporately are projected to be in a \$420 thousand surplus due to facility closures and reduced consumption. Staff will continue to monitor and update accordingly.

The Sustaining our Future capital budget is the largest of the Strategic Plan and YTD capital spending on projects within this priority was \$4.3 million with another \$30.5 million in PO commitments as of March 31, 2021. This leaves \$177.7 million of budget to be executed.

Work supporting the Community Energy Initiative in 2021 includes retrofitting with LED lights at recreational courts and exterior lighting at the West End Community Centre as well as greenhouse automation controls at Riverside Park. A total of eight electric vehicle-charging stations have been installed in 2021 with another 12 to be installed by year's end that will make transitioning to electric vehicles for Guelph residents and visitors more accessible. A fulsome capital funding strategy for 100RE will also be developed in 2021 to support the long-term goal of meeting the 100RE target set out by Council.

Work to develop and implement a Climate Adaptation Plan includes the updating and implementation of the Stormwater Master Plan (SMP) and the Urban Forest Management Plan (UFMP). Completion of the SMP is expected in the first quarter of 2022 with the scope of the implementation work yet to be defined pending the outcomes of the master plan. To help finance this work, the City applied for \$500 thousand in federal funding under the National Disaster Mitigation Program coordinated provincially but was unsuccessful following federal review of the grant application. The UFMP is on track with POs issued for 2021 tree plantings.

Capital budget was reallocated to the Sewer Emergency Repairs account in order to cover two emergency repairs in the first quarter and to provide additional contingency funding for the remainder of the year. Funds were transferred from the Sewer Reline and Repair Program and the Gordon Sewage Pumping Station Decommissioning. These reallocations (found on Table 4 of Attachment-2) will come before Council as part of the 2021 Year-end Budget Monitoring report for formal approval.

### **Navigating our future**

The [navigating our future](#) priority includes Transportation Services, Parking Services, and Guelph Transit. From an operating perspective, both Parking Services and Guelph Transit are projecting budget shortfalls by year end. Parking Services is projecting revenue loss of \$1.0 million while Guelph Transit is estimating revenue shortfall of \$9.7 million; both due to COVID-19 and the stay at home order. In more detail, all transit revenues are impacted from reduced ridership, cancellation of the University of Guelph (University) contract (U-Pass), and less media and advertising revenues. Further, Guelph Transit is incurring additional expenses due to increased cleaning and sanitization costs to keep our staff and citizens safe while commuting through the city. The City is working with the University to re-instate the U-pass program, however, this relies on a referendum vote by the Central and Graduate Student Associations. It is anticipated that this vote will occur in the fall, with the re-instatement of the U-pass contract being negotiated to start in January 2022. For the fall semester, we will continue to sell the post-secondary transit pass which will help to offset the reduction in transit revenues.

From a capital budget perspective, this priority includes development and implementation of the Transportation Master Plan (TMP), initiatives for community road safety and electrification of the City's fleet. YTD spending and PO commitments for projects totaled \$8.6 million, leaving \$54.8 million of budget to be executed. The majority of the YTD spending was on the replacement of four, forty-foot buses at \$2.3 million and another \$1.1 million in PO commitments for public works vehicle replacements.

The TMP update has been extended and will be presented in final by year's end, leading to implementation of outcomes beginning in 2022. Transportation modeling data related to Shaping Guelph: Guelph's growth management strategy will also be incorporated into the TMP.

Community road safety initiatives include establishing a citywide permanent traffic data collection system in 2021, ongoing monitoring of collision data, installation of dynamic solar speed radar boards and speed cushions as well as signal and intersection improvements.

To advance this priority, the City also applied for Connecting Links funding in 2020 to finance roadwork in 2021. This grant application was unsuccessful as the funding opportunity was oversubscribed.

### **Working together for our future**

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

Similar to 2020, Court Services is estimating overall revenue loss of \$880 thousand due to mandated closure of courts, reduced charge base, and reduced enforcement or collection activities taking place for Provincial Offences Act. Due to the shared service nature of this service, \$387 thousand of this revenue loss is the responsibility of the County of Wellington. It is still too early in the year to project a net budget impact at year's end.

Corporately, fuel prices have been lower than budgeted due to disruptions in crude oil markets resulting in estimated savings of \$251 thousand. Staff will continue to monitor and update accordingly as recent media mentioned prices are projected to increase.

Overall, the City has experienced a savings in compensation and benefits for the first quarter. It is likely that compensation and benefits will continue to trend below budget until Public Health guidelines are lifted and municipal services are fully reopened. The Province has also introduced legislation to temporarily provide every worker with three days of paid emergency leave, in circumstances of absences relating to a designated infectious disease (Paid IDEL), under the Employment Standards Act (ESA) until September 2021. An employee is entitled to this provision of the ESA if on April 19, 2021 the employee was not entitled to take paid leave under an employment policy or contract which is inclusive of any entitlement to paid time off under a sick leave policy, COVID-19 policy or collective agreement. The impact on the City should not be significant as most employees receive such entitlements.

Capital projects that align with Working Together for Our Future include projects to leverage technology to improve how the City communicates with residents and delivers service. YTD capital spending was \$0.7 million and PO commitments as of March 31, 2021 were \$1.7 million which relates primarily to spending on software applications and IT lifecycle replacement. Total budget left to execute for this priority was \$6.1 million at the end of the first quarter.

### **Building our future**

The [building our future](#) priority includes Recreation, Community Investment, Public Works and Bylaw, all of the Emergency Services including Fire, Paramedics and Police, Library Service, Corporate Facilities Maintenance, and Infrastructure Planning and Construction.

Recreation estimated revenue loss is \$6.4 million due to capacity restrictions and closure of facilities, cancellation of programs, memberships, and events and bookings. The revenue shortfall will be partially offset through expense savings of approximately \$5.6 million due to lower staffing levels to reflect the services provided, and lower facility maintenance due to closed facilities.

Guelph Fire Services, Guelph-Wellington Paramedic Services, and Guelph Police Services are experiencing increased costs to respond to the pandemic including staffing costs, costs related to personal protective equipment, and cleaning costs.

This is the second largest Strategic Plan priority from a capital budget perspective with the building of key assets a main driver. Approved budget for Baker Street Development (including the library and open space) and South End Community Centre account for over 74% of this priority. See the [City's capital projects webpage](#) for quarterly updates on these and other Tier 1 capital projects.

YTD capital spending on projects within the building our future priority was \$2.1 million with another \$11.0 million in PO commitments as of March 31, 2021. The majority of the YTD spending in this priority relates to capital infrastructure renewal for corporate facilities which supports the Corporate Asset Management Plan to maintain the City's assets.

Master plans led by Fire as well as Parks and Recreation support the initiative to develop a community safety and well-being plan. The Fire Master Plan is expected to begin in 2021 and the Parks and Recreation Master Plan is on track for presentation to Council in the fourth quarter of 2021.

### **Safe Restart Grants and other Funding Updates**

The 2020 unallocated balance from Phase 1 of the Safe Restart Operating Stream grant was \$4.8 million transferred to the Tax Operating Contingency reserve to help offset deficits resulting from COVID-19. The City also received an additional \$5.1 million through Phase 2 and 3 combined with remaining Phase 1 funds, the City has a total of \$9.9 million available in 2021 and beyond.

The 2020 Phase 1 unallocated funding under Safe Restart Transit Stream of \$1.3 million has been deferred to help offset COVID-19 financial pressures through March 31, 2021. This amount, combined with the Phase 2 funding totals \$7.7 million to be used by March 31, 2021. The actual costs incurred is less than the funding allocated, leaving \$5.2 million of funding which may be forfeited because of the March 31 deadline. The announced Phase 3 allocation of \$5.0 million for the

period of April 1 and December 31, 2021 is projecting to be short of actual need leading to deficit in transit at year end.

In response to this funding challenge where the City may need to return Phase 2 funding and then not have enough Phase 3 funding, Ontario's Big City Mayors (OBCM) and the Ontario Public Transit Association (OPTA) have advocated for the Province to allow municipalities to keep Phase 1 and Phase 2 funding beyond March 31. Further to advocacy by OBCM/OPTA, Mayor Guthrie has written to the Minister of Transportation and the Minister of Municipal Affairs and Housing to communicate these concerns.

In addition to Safe Restart funds, the federal government announced a near doubling of the Federal Gas Tax, now renamed the Canada Community-Building Fund on March 25, 2021. This announcement signals that Guelph will receive an additional \$8 million this year from the federal government for capital projects.

Two other grant updates of note include the Guelph-Wellington Paramedic Service receiving \$6.1 million on March 21 to provide medical support to seniors living in the community who are waiting to get into a long-term care facility. The City was also successful in securing up to \$650 thousand in funding under the Audit and Accountability Fund to conduct a Service Rationalization Review.

Staff are working diligently to identify grant funding opportunities, prioritize projects based on eligibility requirements and to prepare high quality applications in time to meet tight application deadlines.

### **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 the pandemic and make necessary changes to mitigate the impact and protect the City's long-term sustainability. The City has financially healthy contingency reserves and has received Safe Restart funding from other levels of government to help mitigate the financial impacts.

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 in which the City can issue debt and therefore impacts the affordability of long-term capital projects for the City tax and rate payers.

### **Consultations**

Corporate Management Team

### **Strategic Plan Alignment**

Reporting quarterly on the financial status of the operating and capital budget supports the Strategic Plan's Working Together for our Future pillar through maintaining a fiscally responsible local government.

### **Attachments**

Attachment-1: 2021 Capital Spending

Attachment-2: 2021 Capital Budget Adjustments

## **Departmental Approval**

Greg Clark, Manager, Financial Strategy and Long-Term Planning

Karen Newland, Manager, Finance Client Services

## **Report Author**

Patricia Zukowski, Senior Corporate Analyst – Capital Planning

Ron Maeresera, Senior Corporate Analyst

## **This report was approved by:**

Tara Baker

General Manager Finance/City Treasurer

Corporate Services

519-822-1260 extension 2084

tara.baker@guelph.ca

## **This report was recommended by:**

Trevor Lee

Deputy Chief Administrative Officer

Corporate Services

519-822-1260 extension 2281

trevor.lee@guelph.ca

**Attachment 1 - 2021 Capital Spending (000s)**

	<b>Powering our future</b>	<b>Sustaining our future</b>	<b>Navigating our future</b>	<b>Working together for our future</b>	<b>Building our future</b>	<b>Total Year- to-date</b>
2020 carry-over budget	2,145	160,525	33,256	1,677	35,983	233,586
2021 capital budget, approved	1,500	51,435	29,673	6,791	173,871	263,270
2021 additional approved funding	0	609	516	0	30	1,155
<b>Available capital funding for 2021</b>	<b>3,645</b>	<b>212,569</b>	<b>63,445</b>	<b>8,468</b>	<b>209,884</b>	<b>498,011</b>
2021 capital spending	97	4,349	3,906	700	2,063	11,115
Open purchase orders (PO)	1,117	30,488	4,735	1,709	10,988	49,037
Projects closed	0	0	0	0	0	0
<b>Total spending and commitments</b>	<b>1,214</b>	<b>34,837</b>	<b>8,641</b>	<b>2,409</b>	<b>13,051</b>	<b>60,152</b>
<b>Uncommitted approved budget</b>	<b>2,431</b>	<b>177,732</b>	<b>54,804</b>	<b>6,059</b>	<b>196,833</b>	<b>437,859</b>

Note: May not add due to rounding.

## Attachment-2 2021 Capital Budget Adjustments

**Table 1 - Additional Approved Budget**

<b>ID</b>	<b>Capital Account</b>	<b>Entry Description</b>	<b>Budget Increase / (Decrease) \$</b>
BR-21CAP-04	CA0003 Service Rationalization Review	Transfer of budget from operating.	300,000
BR-21CAP-09	CA0003 Service Rationalization Review	Grant funds from the Audit & Accountability Fund (Province of Ontario).	650,000
BR-21CAP-11	WP0008 Master Plan	Grant funds from Green Municipal Fund for "Mapping Food Waste Flows in Guelph-Wellington for Waste Redirection and Reduction."	175,000
BR-21CAP-26	AM0008 Land Ambulance Base Furniture Replacement	Received one-time COVID funding from Ministry of Health.	30,000
Grand Total	n/a	n/a	1,155,000

**Table 2 – Summary of reallocations under \$100,000**

<b>Description</b>	<b>Amount \$</b>
To fund project shortfall during project planning/procurement	0
To fund project during execution	87,000
To fund project deficit on project completion	100

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

<b>ID</b>	<b>Transfer From</b>	<b>Transfer To</b>	<b>Entry Description</b>	<b>Amount \$</b>
BR-21CAP-22	WC0027 Eastview Site Renewal	WP0007 Security Upgrades	Additional funds required.	127,000

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

<b>ID</b>	<b>Transfer From</b>	<b>Transfer To</b>	<b>Entry Description</b>	<b>Amount \$</b>
BR-21CAP-24	PN0210 Sewer Reline and Repair Program	SC0062 Sewer Emergency Repairs	Additional funds required for Silvercreek Sanitary Emergency work.	387,000
BR-21CAP-25	SC0023 Decommission Gordon Sewage Pumping Station (WWF1)	SC0062 Sewer Emergency Repairs	Additional funds required due to two emergency sewer repairs as well as funds required to complete any additional work that will be needed before the end of 2021.	900,000