

# Staff Report



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To **City Council**

Service Area Corporate Services

Date Thursday, January 10, 2019

Subject **2019 Non-tax Supported Operating Budget**

Report Number CS-2019-01

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## Recommendation

That the following recommendations from Report CS-2019-01 titled 2019 Non-tax Supported Operating Budget be referred to January 23, 2019:

1. Stormwater Services:
  - a) The 2019 Stormwater Services operating budget in the gross amount of \$6,889,000 inclusive of reserve and reserve fund transfers be approved;
  - b) That a stormwater base charge of \$5.20 per month per equivalent residential unit (ERU) effective March 1, 2019 be approved; and
  - c) That the 2019 Stormwater Fees and Services By-law be approved.
2. Water and Wastewater Services:
  - a) The 2019 Water and Wastewater Services operating budgets in the gross amounts of \$31,867,000 and \$32,807,138 respectively, inclusive of reserve and reserve fund transfers be approved;
  - b) That a wastewater volume charge of \$1.88 per cubic metre, effective March 1, 2019 be approved;
  - c) That a water volume charge be approved at the 2018 rate of \$1.72 per cubic metre;
  - d) That the 2019 water and wastewater basic service charge be approved at the 2018 rate; and
  - e) That 2019 Water Services and Wastewater Services Fees and Services By-law be approved.
3. The 2019 Ontario Building Code Administration operating budget in the gross amount of \$3,545,000, inclusive of reserve fund transfers be approved.
4. The 2019 Court Services operating budget in the gross amount of \$3,957,400 inclusive of reserve fund transfers be approved.

## **Executive Summary**

### **Purpose of Report**

To present the proposed 2019 Non-tax Supported Operating Budget for Council deliberation and approval.

### **Key Findings**

All non-tax supported budgets utilize a strategy of sound financial planning combined with comprehensive financial management tools to ensure the appropriate levels of expenditure, reserve and reserve fund management, and maximization of external funding.

The stormwater budget and corresponding rate is prepared following the Council endorsed five-year sustainable funding strategy.

Water and wastewater budgets and corresponding rates are prepared taking into consideration the average of local water bills for the City's list of comparable municipalities, while ensuring regulatory compliance and progress towards financial and infrastructure sustainability.

### **Financial Implications**

Based on the recommended changes to user fees and rates (water, wastewater and stormwater), the average annual household impact is estimated at \$12.00 based on the average annual water consumption of a three-person household (180 cubic metres) and the monthly stormwater fee for one equivalent residential unit (ERU).

The 2019 Ontario Building Code (OBC) Administration budget increased by 0.83 per cent compared to the 2018 budget.

The 2019 Court Services budget increased by 0.43 per cent compared to the 2018 budget.

## **Report**

The City of Guelph's proposed non-tax supported budget includes Stormwater Services, Water Services, Wastewater Services, Ontario Building Code (OBC) Administration, and Court Services budgets. Departments were given an expenditure guideline allowing for inflationary increases on key budget drivers such as salaries and benefits, utilities, fuel, and other purchased goods and services. All non-tax supported departments met the expenditure guideline. In addition, a general revenue guideline was given to increase revenues on average by 2 per cent where appropriate.

The proposed budget continues to build on financial sustainability, predictability, continuous service improvement and cost competitiveness. It ensures health and safety and regulatory compliance are maintained and Guelph's environmental leadership continues through the hard work of an engaged workforce. The departments are self-supporting and do not require funding from the tax levy. The costs associated with these respective services will be completely recovered through user fees and other non-tax supported revenues.

The proposed 2019 operating budgets for all five departments reflect operating increases including compensation, goods and services, internal charges, and contributions to and from reserves and reserve funds. There are no growth or service enhancement budget requests recommended to Council. The proposed 2019 budget maintains existing levels of service and builds upon financial sustainability.

Corporate pressures such as compensation, utilities, fuel, and payment-in-lieu of taxes have been incorporated into the base budget. Compensation increases are approximately 4.30 per cent year-over-year, utilities decreased by 10 per cent and an increase in payment-in-lieu of taxes is approximately four per cent.

A review was completed of internal support costs that are being allocated to the non-tax budget. These internal support costs were updated to ensure that the methodology was being applied consistently across departments and that all appropriate costs were being allocated. Throughout this review the calculation was updated to include some corporate costs that previously were not included such as internal audit, ServiceGuelph, and business process management. In addition, OBC Administration was adjusted to follow the same cost allocation methodology as the other areas. This provides justification for the internal support costs charged to these non-tax departments and improves transparency.

Stormwater, Water, and Wastewater Services' budgets contain increased transfers to capital reserve funds totaling \$2.12 million as the build towards financial sustainability continues. The 2019 capital budget and forecast that will be presented on January 16, 2019 reflects these planned increases as a critical assumption in the long-term financial model.

Water and Wastewater Service budgets also include transfers from their respective operating contingency reserves of \$1.25 million. These transfers are being recommended to minimize the 2019 rate impact given the success of the funding strategy of these essential services over the past decade and are in line with the purpose of these reserves. A summary of the reserve and reserve fund transfers that are proposed and included in the 2019 Non-tax Supported Operating Budget are included in ATT-1.

### **Stormwater Services**

Stormwater Services are projecting an increase to user rates for 2019 and beyond in accordance with the Council-approved five-year plan. Consistent with this sustainable funding strategy, staff recommends a rate increase of \$0.60 per equivalent residential unit (ERU) per month beginning March 1, 2019. This increase will have an average annual household impact of \$6.00 for 10 months, which brings the average residential bill to \$61.20 annually.

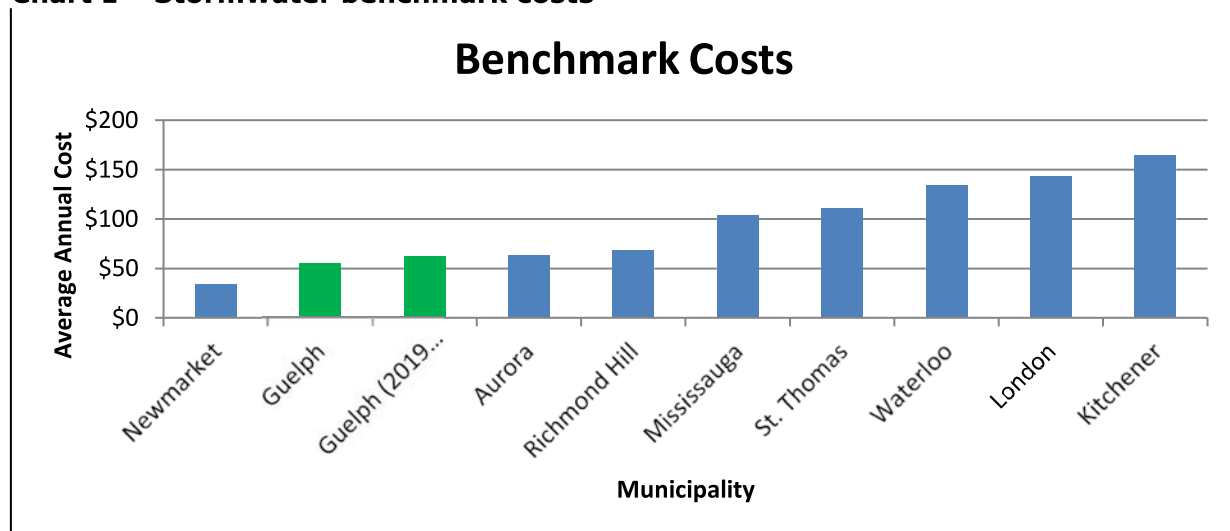
**Table 1: Stormwater rate impact**

<b>Stormwater rate change and forecast (Residential bill impacts)</b>	<b>2018</b>	<b>2019</b>	<b>Change</b>
Stormwater monthly charge	\$4.60	\$5.20	\$0.60
Average Residential annual bill	\$55.20	\$61.20	\$6.00 or 10.87%

During 2018, some municipalities experienced severe stormwater impacts such as property damage, which serves as a reminder of the importance of a sustainable funding strategy for the long-term management of our stormwater system. Ongoing work through Corporate Asset Management has confirmed the annual sustainable funding target, inclusive of capital and operating, to remain at \$11.1 million.

The City is a leader in the early adoption of a stormwater management utility. Chart 1 provides a rate comparison to other municipalities showing that the City's rate is competitive.

**Chart 1 – Stormwater benchmark costs**



## **Water and Wastewater Services**

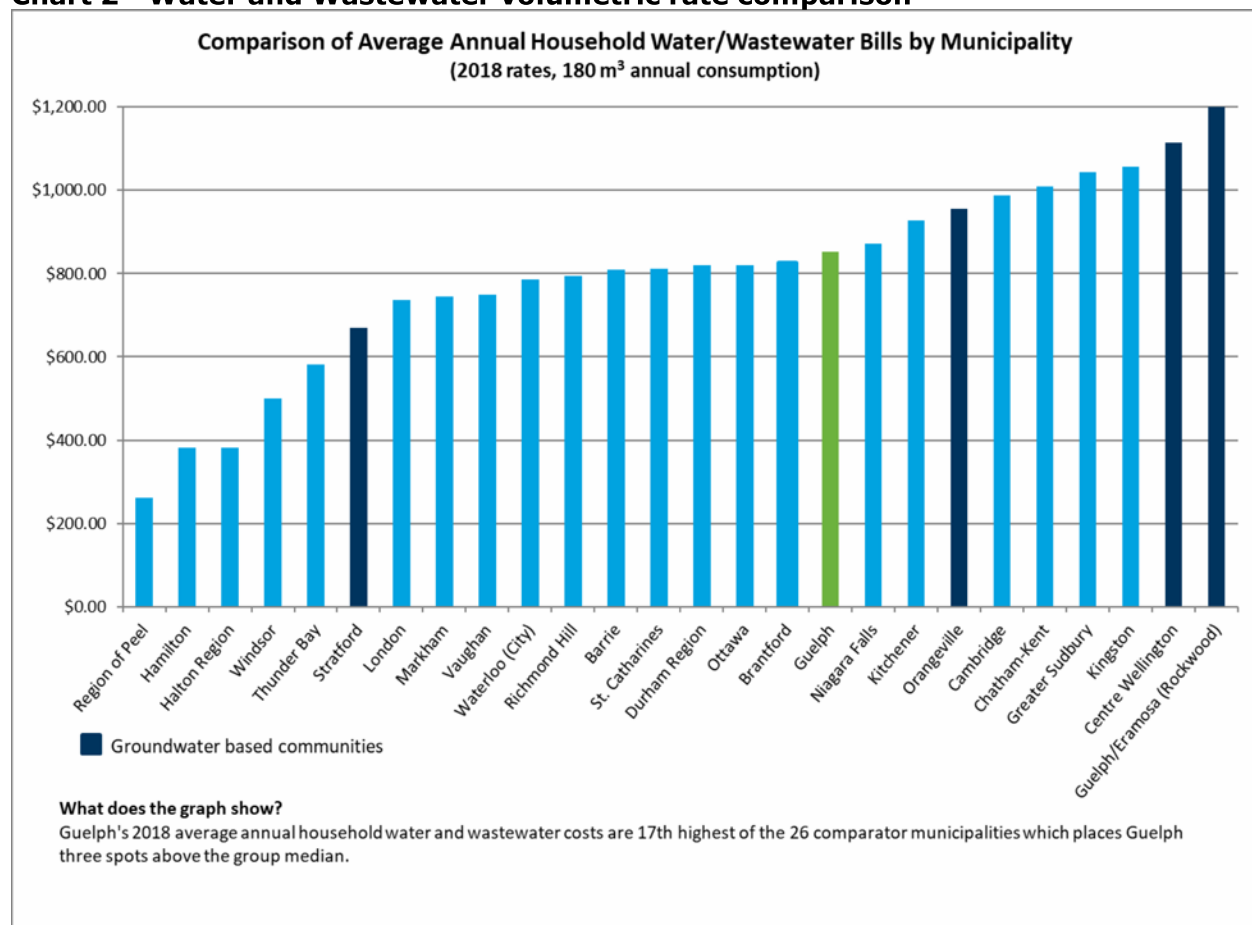
As previously indicated, Water and Wastewater Services have mitigated an increase in rates in 2019 through the use of the contingency reserves. Water Services will keep the 2018 rates while Wastewater Services is projecting an increase to user rates for 2019 of 0.70 per cent. This rate increase is lower than the expected increase as projected in the Council-approved water and wastewater long-range financial plans. The average annual household impact combined with this rate increase is approximately \$6.00 based on a typical three-person household using on average 180 cubic meters of water annually. The new rates will come into effect March 1, 2019.

**Table 2: Water and Wastewater rate impact**

<b>Rate Change and Forecast</b>	<b>2018</b>	<b>2019</b>	<b>Change</b>
Water volume charge \$/cubic metre	\$1.72	\$1.72	\$0.00
Water basic charge \$/day	\$0.26	\$0.26	\$0.00
Wastewater volume charge \$/cubic metre	\$1.84	\$1.88	\$0.04
Wastewater basic charge \$/day	\$0.32	\$0.32	\$0.00
<b>Average residential annual bill (Water &amp; Wastewater)</b>	<b>\$852.50</b>	<b>\$858.50</b>	<b>\$6.00 or 0.70%</b>

Compared to other Council approved comparator municipalities in Chart 2 below, if the Guelph average annual household demand of 180 cubic metres of water annually is applied, Guelph ranks 17<sup>th</sup> out of 26 municipalities and approximately \$40/year over the group mean. However, the City is a groundwater based system which is inherently more expensive and within this group comparatively, we are the second lowest price.

**Chart 2 - Water and Wastewater volumetric rate comparison**



## OBC Administration

The City's Building Services division authorizes all building construction and demolition in Guelph. The division administers and enforces the OBC. The administration and enforcement of activities are completely funded by revenues generated from building permit fees. The 2019 OBC Administration budget increased by 0.83 per cent compared to the 2018 budget.

There will be a separate report to Council in May 2019 to recommend the building permit fee changes (if any). Building fees were increased by 2.94 per cent in 2018 and 2.56 per cent in 2017.

## Court Services

Court Services provides mandatory court services under agreement with the province since 2000, including administration, facilities, support and prosecutions. This is a shared service with the County of Wellington (County). Currently the split is 44 per cent County and 56 per cent City.

The 2019 Court Services operating budget increased by 0.43 per cent compared to the 2018 budget. In November 2018, the reporting structure of Court Services was re-aligned to the new Legal, Realty and Court Services department to realize a cost saving opportunity

## Financial Implications

### Water, Wastewater and Stormwater Services

The following volumetric rates, basic charge and monthly stormwater charges are proposed for 2019:

**Table 3: Consolidated Water, Wastewater, Stormwater rate impacts**

	<b>2018</b>	<b>2019</b>	<b>Change</b>
Water volume charge \$/cubic metre	\$1.72	\$1.72	\$0.00
Water basic charge \$/day	\$0.26	\$0.26	\$0.00
Wastewater volume charge \$/cubic metre	\$1.84	\$1.88	\$0.04
Wastewater basic charge \$/day	\$0.32	\$0.32	\$0.00
<b>Average residential annual bill (Water &amp; Wastewater)</b>	<b>\$852.50</b>	<b>\$858.50</b>	<b>\$6.00 or 0.70%</b>
Stormwater monthly charge	\$4.60	\$5.20	\$0.60
<b>Average residential annual bill (Water, Wastewater &amp; Stormwater)</b>	<b>\$907.70</b>	<b>\$919.70</b>	<b>\$12.00 or 1.32%</b>

These rates reflect an overall increase of 1.32 per cent or approximately \$12.00 to the average residential household.

## Consultations

The public is invited to a delegation evening on January 10, 2019. The public meeting notification was placed in local newspapers and on the City's website.

## Corporate Administrative Plan

### Overarching Goals

Financial Stability  
Innovation

### Service Area Operational Work Plans

Our Services - Municipal services that make lives better  
Our People- Building a great community together  
Our Resources - A solid foundation for a growing city

## Attachments

ATT-1            2019 Proposed Reserve and Reserve Fund Transfers  
ATT-2            2019 Water and Wastewater Basic Service Charge Summary

Attachments provided under a separate cover  
2019 Stormwater Services Operating Budget  
2019 Water Services Operating Budget  
2019 Wastewater Services Operating Budget  
2019 Ontario Building Code Administration Operating Budget  
2019 Court Services Operating Budget

## Departmental Approval

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