

# Staff Report



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To	<b>City Council</b>
Service Area	Corporate Services
Date	Wednesday, October 30, 2019
Subject	<b>2020 Non-tax Supported Operating Budget</b>
Report Number	CS-2019-80

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## Recommendation

1. That the following recommendations from report CS-2019-80 titled 2020 Non-tax Supported Operating Budget dated October 30, 2019 be referred for approval to November 13, 2019:
  - i. Stormwater Services:
    - a. That the 2020 Stormwater Services operating budget in the gross amount of \$7,903,600 inclusive of reserve and reserve fund transfers be approved.
    - b. That a stormwater base charge of \$5.80 per month per equivalent residential unit (ERU) effective January 1, 2020 be approved.
    - c. That the 2020 Stormwater Fees and Services By-law be approved.
  - ii. Water and Wastewater Services:
    - a. That the 2020 Water and Wastewater Services operating budgets in the gross amounts of \$32,445,849 and \$33,949,117 respectively, inclusive of reserve and reserve fund transfers be approved.
    - b. That a wastewater volume charge of \$1.92 per cubic meter, effective January 1, 2020 be approved.
    - c. That a water volume charge of \$1.77 per cubic meter, effective January 1, 2020 be approved.
    - d. That the 2020 water and wastewater basic service charges be approved at the 2019 rate.
    - e. That the 2020 Water Services and Wastewater Services Fees and Services By-law be approved.
  - iii. Parking Services:
    - a. That the 2020 Parking Services operating budget in the gross amount of \$6,337,502 inclusive of reserve and reserve fund transfers be approved.
    - b. That the 2020 monthly off-street parking permit fees for the Arthur Street and Norwich Street lot be increased by 30.20 per cent and 42.60 per cent respectively to \$100.00 per month and that all remaining parking fees be approved at the 2019 rate.
    - c. That a Parking Services Operating Contingency Reserve (106) be created and that Appendix A to the General Reserve and Reserve Fund Policy be amended to reflect the policy language as identified in report CS-2019-80.
    - d. That the 2020 Parking Services By-law be approved.

- iv. Building Services:
    - a. That 2020 Ontario Building Code Administration operating budget in the gross amount of \$3,591,200 inclusive of reserve and reserve fund transfers be approved.
    - b. That the 2020 Ontario Building Code Administration fees be approved with an increase of 2.20 per cent.
    - c. That the 2020 Ontario Building Code Administration fees by-law be approved.
  - v. That the 2020 Court Services operating budget in the gross amount of \$4,202,100 inclusive of reserve and reserve fund transfers be approved.
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## **Executive Summary**

### **Purpose of Report**

To present the proposed 2020 non-tax supported operating budget for Council deliberation and approval.

### **Key Findings**

All non-tax supported budgets are developed based on a self-funding, long-term financial strategy. This strategy includes a comprehensive reserve and reserve fund strategy, growth projections, capital renewal sustainability goals and predictable, competitive rates. The City's non-tax supported operating budget is comprised of Stormwater Services, Water Services and Wastewater Services, Parking Services, Ontario Building Code Administration, and Court Services. Combined, the total proposed 2020 operating budget is \$88,429,368.

Continuous improvement to drive efficiencies is engrained in the City's corporate culture and reflected in the base budget presented to Council. Departments were given revenue and expenditure targets consistent with past years, to allow for inflationary increases on key budget drivers such as salaries and benefits, utilities, fuel and other purchased goods and services. In order to meet these base budget targets, there is a corporate requirement to find efficiencies through service modernization, innovative business practices and process improvements. Examples of these savings include:

- Electricity savings realized through changes in the Operational Peak Well Strategy and continued participation in the Industrial Conservation Initiative.
- Parking technology modernization that has driven an increase in revenue and operational efficiencies.
- Review of best business practices in Ontario Building Code Administration to ensure fees recovered costs.

New in 2020, the Parking Services budget has moved from an operationally focused tax supported service area budget to an enterprise governance model. This is a new presentation and was an approved recommendation from the Downtown Parking Master Plan (DPMP) to incorporate accountability for all costs, revenues, services and strategy delivery. More information about this new presentation and delivery model are in report [CS-2019-92 Parking Services Transition to a Blended Non-tax Supported Enterprise](#).

The Stormwater Services budget and corresponding rate is prepared in accordance with the Council-endorsed five-year sustainable funding strategy.

Water and Wastewater Services budgets and corresponding rates are prepared taking into consideration the average 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 to increase by \$23.98 (2.60 per cent) based on the average annual water consumption of a three-person household (180 cubic metres) and the monthly stormwater fee for one ERU.

The 2020 Parking Services budget includes a property tax contribution equal to the 2019 budget amount of \$1.4 million. Parking Services is positioned to reduce dependency on property taxes and contribute to operating and capital reserves over the next 12 years in accordance with the assumptions of the DPMP. Parking fees for Arthur and Norwich Street are recommended to increase by 30.20 per cent and 42.60 per cent to complete the two-year phase-in, as approved in the 2019 operating budget, which brings the monthly permit fee to \$100.00. All other Parking Services fees are recommended to remain at 2019 levels.

The 2020 Ontario Building Code Administration budget increased by 1.30 per cent compared to the 2019 budget, and a recommendation to increase permit fees by 2.20 per cent.

The 2020 Court Services budget increased by 6.18 per cent compared to the 2019 budget.

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## **Report**

The City of Guelph's proposed non-tax supported operating budget includes Stormwater Services, Water Services, Wastewater Services, Parking Services, Ontario Building Code Administration, and Court Services budgets. Combined, the total proposed 2020 operating budget is \$88,429,368.

Departments were given an expenditure target to allow for inflationary increases on key budget drivers such as salaries and benefits, utilities, fuel and other purchased goods and services. In order to meet these base budget targets, all departments were required to find efficiencies through service modernization, innovative business practices and process improvements. In addition, a revenue guideline was given to increase revenues on average by 2.00 per cent where appropriate. Maximizing other sources of revenue was also expected in order to reduce the revenue otherwise required through the user fees being approved in this report.

The proposed budget continues to build on financial sustainability, predictability, continuous service improvement and cost competitiveness. It ensures that health, 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 property tax levy, except for Parking Services, which receives a \$1.4 million subsidy. The 2020 budget is the first year of transitioning Parking Services to an enterprise model.

The proposed 2020 operating budgets for all six services reflect base operating increases for inflationary increases to compensation, goods and services, corporate administration (internal) charges and contributions to and from reserves and reserve funds.

There are no growth or service enhancement requests recommended to Council. Operating impacts resulting from the Market Parkade coming into service are incorporated in the base budget. The 2020 proposed budget maintains existing levels of service and builds on financial sustainability.

Stormwater, Water, Wastewater and Parking Services' budgets increased the transfers to capital reserves totaling \$1.9 million as the build towards capital renewal sustainability continues. The 2020 capital budget and forecast presented on October 23, 2019 reflects these planned increases as a critical assumption in the long-term financial model.

Water and Wastewater Services budgets also include transfers from their respective operating contingency reserves of \$0.6 million. These transfers are recommended to minimize the 2020 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. This represents a decrease from 2019 of \$0.6 million with a plan to eliminate the reliance on the contingency reserves in 2021.

A summary of the reserve and reserve fund transfers that are proposed and included in the 2020 non-tax supported operating budget are included in Attachment-1 to this report.

### **Stormwater Services**

The City is a leader in the early adoption of a stormwater management utility. Stormwater Services is projecting an increase to user rates for 2020 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 ERU per month beginning January 1, 2020. This increase will have an average annual household impact of \$7.20 for 12 months, which brings the average residential bill to \$69.60 annually.

In recent years, 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.

### **Water and Wastewater Services**

Water Services continues to lead as the City's model of long-term financial sustainability. This service has achieved rate competitiveness and stability, capital sustainability and a successful reserve and reserve fund strategy. Water Services is projecting an increase to user rates of 2.30 per cent and Wastewater Services is projecting an increase to user rates of 1.70 per cent. The average household impact, combined with the rate increases, is approximately \$16.78 or 1.95 per cent based on a typical three-person household using on average 180 cubic metres of water annually.

## Parking Services

Parking Services provides safe and competitively priced off-street parking in the downtown.

The 2020 Parking Services operating budget maintains the tax contribution at the 2019 level of \$1.4 million and begins to address the recommendations of the DPMP with the long-term goal of reaching a self-sustaining system funded solely by parking rates.

Parking Services has expenditure increases beyond the base guideline because of the opening of the Market Parkade (debt financing, repairs and maintenance and increased property tax expenses), and software maintenance expenses to modernize the parking experience. These expenditure increases were planned and are funded through increased parking revenues achieved through both the Market Parkade opening, the phased-in rate increase for the Arthur and Norwich Street lots and the positive impact being realized from the investment in modern technology.

Parking Services requires an operating contingency reserve in order to meet the long-term sustainability goal of adequate reserve and reserve funds. This is in line with the City's other non-tax supported businesses and strategies. Staff recommends that Appendix A of the General Reserve and Reserve Fund Policy be amended to include the following policy language for the Parking Operating Contingency Reserve:

Reserve Name	#	Purpose	Target Balance	Source of Funds	Use of Funds	Authority/ Timing
Parking Operating Contingency	106	To meet emergency and unplanned funding needs for parking operations in order to avoid an operating deficit or fluctuations in the rate.	10 per cent of annual gross operating expenditures.	Funds transferred in from parking operating surpluses.	Funds used to offset emergency or unplanned expenses relating to parking operations.	Council approved at time of budget, variance reporting and/or year-end.

## Ontario Building Code Administration

The City's Building Services division authorizes all building construction and demolition in Guelph. The division administers and enforces the Ontario Building Code Administration. The administration and enforcement of activities are completely funded by revenues generated from building permit fees. The 2020 Ontario Building Code Administration budget increased by 1.30 per cent compared to the 2019 budget.

In May 2019, Council approved report [IDE-2019-43](#) (page 41) titled 2018 Building Permit Revenue and Expenditures, Building Services OBC Stabilization Reserve Fund and Annual Setting of Building Permit Fees. The recommendation to increase

Building Services fees by 2.20 per cent was based on the approved fee indexing strategy effective January 1, 2020.

## Court Services

Court Services provides mandatory court services, including administration, facilities, support and prosecution, under agreement with the province since 2000. This is a shared service delivered on behalf of the City and the County of Wellington (County). Currently the shared service allocation is 44 per cent County and 56 per cent City based on a trend analysis of revenues received from 2017–2019 for paid charges that were issued in the City and those that were issued in the County.

The 2020 Court Services operating budget increased by 6.18 per cent compared to the 2019 budget.

## Financial Implications

### Water, Wastewater and Stormwater Services

**Table 1: Consolidated Water, Wastewater, Stormwater rate impacts**

	<b>2019</b>	<b>2020</b>	<b>Change</b>
Water Volume Charge \$/cubic metre	\$1.72	\$1.77	\$0.05
Water Basic Charge \$/Day	\$0.26	\$0.26	\$0.00
Wastewater Volume charge \$/cubic metre	\$1.88	\$1.92	\$0.04
Wastewater basic charge \$/day	\$0.32	\$0.32	\$0.00
<b>Average residential annual bill (Water and Wastewater)</b>	<b>\$859.70</b>	<b>\$876.48</b>	<b>\$16.78 or 1.95%</b>
Stormwater monthly charge	\$5.20	\$5.80	\$0.60
<b>Average residential annual bill (Water, Wastewater and Stormwater)</b>	<b>\$922.10</b>	<b>\$946.08</b>	<b>\$23.98 or 2.60%</b>

These rates reflect an overall increase of 2.60 per cent or approximately \$23.98 to the average household.

The 2020 Parking Services budget includes a property tax contribution equal to the 2019 budget amount of \$1.4 million. Parking Services is positioned to reduce dependency on property taxes and contribute to operating and capital reserves over the next 12 years in accordance with the assumptions of the DPMP. Parking Services fees for Arthur and Norwich Street are recommended to increase by 30.20 per cent and 42.60 per cent to complete the two-year phase-in, as approved in the 2019 operating budget, bringing the monthly permit fee to \$100.00. Recommended that all other Parking Services fees remain at 2019 levels.

The 2020 Ontario Building Code Administration budget increased by 1.30 per cent compared to the 2019 budget, and recommendation to increase permit fees by 2.20 per cent.

The 2020 Court Services budget increased by 6.18 per cent compared to the 2019 budget.

## Consultations

The public can delegate on October 30, 2019, the public meeting information is available on the City's website, on the City's social media channels and in the local newspaper.

## Attachments

Attachment-1 2020 Proposed Reserve and Reserve Fund Transfers

Attachment-2 2020 Water and Wastewater Basic Service Charge Summary

## Departmental Approval

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### Approved By

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**Attachment-1 to Report CS-2019-80****Proposed Reserve and Reserve Fund Transfers**

	<b>2020 Transfer to/(from)</b>
Stormwater Contingency Reserve	\$220,000
Stormwater Capital Reserve Fund	\$5,546,060
Water Contingency Reserve	(\$250,000)
Water Capital Reserve Fund	\$15,150,000
Wastewater Contingency Reserve	(\$375,000)
Wastewater Capital Reserve Fund	\$14,750,000
Building Services OBC Administration Stabilization Reserve Fund	\$53,360
Courts Capital Reserve Fund	\$475,720
Parking Capital Reserve Fund	\$2,000,000
Parking Contingency Reserve	\$247,440



## Attachment-2 to Report CS-2019-80

### 2020 Water and Wastewater Basic Service Charge Summary

(stated as a daily charge)

#### Water Basic Service Charge

<b>Meter Size</b>	<b>2019 Basic Service Charge</b>	<b>2020 Basic Service Charge</b>	<b>\$ Change</b>
5/8"x1/2"	\$0.26	\$0.26	\$0.00
3/4 "	\$0.26	\$0.26	\$0.00
1 "	\$0.35	\$0.35	\$0.00
1 1/2 "	\$0.91	\$0.91	\$0.00
2 "	\$1.99	\$1.99	\$0.00
3 "	\$4.21	\$4.21	\$0.00
4 "	\$7.26	\$7.26	\$0.00
6 "	\$13.61	\$13.61	\$0.00
8 "	\$23.71	\$23.71	\$0.00
10 "	\$39.14	\$39.14	\$0.00

#### Wastewater Basic Service Charge

<b>Meter Size</b>	<b>2019 Basic Service Charge</b>	<b>2020 Basic Service Charge</b>	<b>\$ Change</b>
5/8"x1/2"	\$0.32	\$0.32	\$0.00
3/4 "	\$0.32	\$0.32	\$0.00
1 "	\$0.52	\$0.52	\$0.00
1 1/2 "	\$1.37	\$1.37	\$0.00
2 "	\$3.09	\$3.09	\$0.00
3 "	\$6.27	\$6.27	\$0.00
4 "	\$11.22	\$11.22	\$0.00
6 "	\$21.08	\$21.08	\$0.00
8 "	\$37.13	\$37.13	\$0.00
10 "	\$61.87	\$61.87	\$0.00