

Staff Report



To	City Council
Service Area	Corporate Services
Date	Monday, November 18, 2019
Subject	2020 Tax Supported Operating Budget
Report Number	CS-2019-81

Recommendation

1. That the following recommendations from Report CS-2019-81 titled 2020 Tax Supported Operating Budget dated Monday, November 18, 2019 be referred to December 3, 2019:
 - i. That the 2020 tax supported operating budget be approved with a property tax and payment in lieu of taxes levy of \$256,886,524 which is an increase of 3.88 per cent over the 2019 levy inclusive of the following:
 - a. a departmental base operating budget including reserve and reserve fund transfers, contractual obligations, inflationary adjustments, and user fee increases, totaling an increased net levy requirement of \$1,656,247 or 0.68 per cent
 - b. operating impacts from 2019 approved capital projects totaling an increased net levy requirement of \$969,750 or 0.40 per cent
 - c. Council in-year decisions totaling an increased net levy requirement of \$408,119 or 0.17 per cent
 - d. net increase in transfer to tax supported capital reserve and reserve funds of \$6,575,000 offset by increased investment and dividend income to reduce the net levy requirement to 1.75 per cent
 - e. increase in City corporate programs of \$507,893 or 0.21 per cent
 - f. department service enhancement budget requests totaling an increased net levy requirement of \$26,150 or 0.01 per cent due to legislative changes
 - g. local boards and shared services operating budget, totaling an increased net levy requirement of \$4,928,773 or 2.02 per cent
 - h. increased assessment growth revenue of \$3,284,157 or 1.35 per cent
 - i. reserve and reserve fund transfers (page 67 and 68) in the tax supported operating budget
 - ii. That the proposed user fees posted at Guelph.ca be approved and enacted through by-law.
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Executive Summary

Purpose of Report

To present the 2020 proposed tax supported operating budget and provide details and background materials for Council's budget deliberations scheduled for December 3, 2019.

Further, to provide staff with an opportunity to formally present the tax supported operating budget to Council and receive questions and/or requests for additional information or clarification related to the 2020 proposed budget.

Key Findings

The recommended tax supported operating budget reflects a net tax levy requirement of \$256,886,524 or 3.88 per cent net of assessment growth. The final assessment growth number was finalized in time for the staff report and has been incorporated accordingly. The budget document was printed before the final assessment growth was known and therefore the assessment growth figure will differ from the printed materials.

The table below highlights the 2020 requested budget.

Table 1: Recommended Budget

	2020 Requested Budget	2020 Levy Impact
City department base budget increase	\$1,656,247	0.68%
Operating impacts from 2019 approved capital	\$969,750	0.40%
Council in-year decisions	408,119	0.17%
Capital financing	\$4,262,760	1.75%
Corporate programs	\$507,893	0.21%
City department service enhancement budget requests	\$26,150	0.01%
Local Boards and Shared Services	\$4,928,773	2.02%
Assessment Growth Revenue	(\$3,284,157)	(1.35%)
Total Proposed Tax Supported Budget	\$9,475,535	3.88%

The Provincial downloads that were signaled in early 2019 have been delayed and therefore have not been implemented through the 2020 budget. Recent communications suggest impacts may affect the 2021 and future budgets. As a

result, staff has been able to present Council with a budget with a net levy impact of 3.88 per cent after incorporating inflationary pressures, contractual increases, Council in-year decisions, operating impacts from 2019 approved capital, continuation of moving towards sustainable capital funding, increased investment in the City Building and Growth capital funding strategies, a legislated service enhancement, and the Local Boards and Shared Services budgets as submitted by their Boards. Staff will continue to monitor the Provincial impacts and communicate with Council as needed throughout 2020.

Staff have leveraged reserves and reserve funds to fund priority items that are one-time expenditures.

Financial Implications

The financial implications resulting from this report are outlined in detail in the City's budget document. The proposed 3.88 per cent increase over the 2019 net levy and growth requirement will allow for the continued delivery of City services.

Report

General Overview

The proposed 2020 tax supported operating budget represents the culmination of several months of work undertaken by City staff. The proposed budget has been prepared taking into account:

- City financial policies
- principles of predictability and affordability for the community
- budget estimates based on historic multi-year actuals
- targets for contingency and reserves that protect the City in an emergency situation and allow for the strategic replacement and investment in infrastructure
- legislated requirements
- approved levels of service
- in-year decisions by Council
- community input received through surveys and development of the City's master plans related to programs and services that influence staff recommendations
- City's Strategic Plan—Guelph. Future ready.
- internal continuous improvement and efficiency efforts
- recommendations for improving programs and services

As with previous years, the City department proposed budget includes all annualized costs. In developing the City's operating budget, staff has worked to ensure that a balance exists between fiscal accountability and service demands. The tax supported operating budget was prepared in accordance with the Council-approved Budget Policy, Debt Management Policy, and General Reserve and Reserve Fund Policy.

This budget is based on a forecast that ensures the City's financial position continues to remain strong. 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, hydro and natural gas, fuel and diesel, software maintenance costs and other contractual increases. It also includes

estimated increases for outstanding labour contract negotiations, impacts of previous Council decisions, and operating impacts from capital that were identified during the 2019 budget approval. Revenue adjustments have also been incorporated to mitigate against rising property tax rates where possible and include increases to user fees for programs and services, investment and dividend income.

Continuous improvement to drive efficiencies is engrained in the City's corporate culture and reflected in the budget presented to Council. In order to meet these budget targets, there is a corporate requirement to find efficiencies through service modernization, innovative business practices and process improvements. Examples of these savings include:

- \$155,000 savings from newly negotiated mobile services contract
- \$138,000 net savings from closure of Centennial Pool
- \$100,175 transferred to Efficiency, Innovation, and Opportunity Fund reserve for savings resulting from the reduction of one full-time equivalent in the new Continuous Improvement Office
- Implementation of new budget system module to improve efficiency and accuracy in budgeting and modeling salary and benefit costs
- Improved route efficiency in Transit for mobility customers due to the RideCo pilot project
- Increased capacity through the integration of multiple fueling systems into one and tied the employee security passes into the process allowing for better data collection on vehicles leading to future efficiencies
- Continued energy cost management as well as HVAC reviews to improve occupancy comfort and energy optimization, energy efficient equipment upgrades driven by life cycle replacement and energy efficient business case. A few examples include lighting retrofits, ice plant cooling tower upgrade, and water heater upgrades.

Parking Services has transitioned to an enterprise governance model and is now presented as part of the non-tax supported operating budget. Parking continues to be supported by property taxes in the amount of \$1.4 million in 2020, which is consistent with 2019. Parking Services is positioned to reduce its dependency on property taxes over the next 12 years in accordance with the assumptions of the Downtown Parking Master Plan. Further information on Parking Services can be found in the non-tax supported budget document.

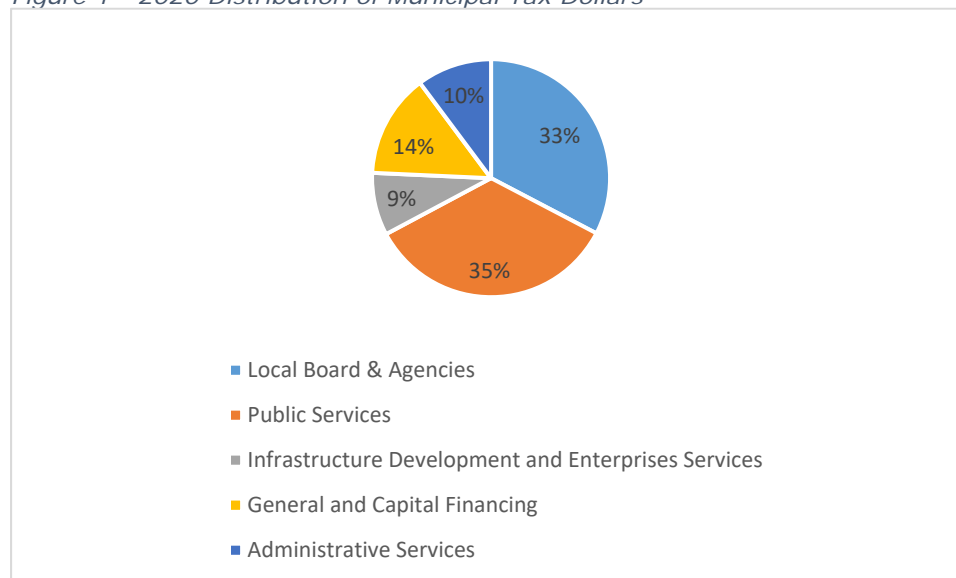
Further, assessment growth revenue for the 2020 budget has been included at \$3.28 million, which should be used to fund growth-related operating increases.

Total City budget

The recommended City operating budget represents a net budget increase of \$9,475,535 or a 3.88 per cent levy impact. Included in Attachment-1 is the breakdown of budgetary changes and the tax levy impact by revenue and expenditure type.

The City's property tax levy funds essential services the community uses daily and a summary of where the proposed 2020 property tax dollars will go is illustrated in Figure 1:

Figure 1 - 2020 Distribution of Municipal Tax Dollars



Revenue and user fee highlights

Key revenue drivers to changes within the total City budget include:

- User fee increases in Environmental Services' Solid Waste Resources for public drop-off revenues, and tip fees, as well as Guelph Transit for regular and University of Guelph fare passes.
- Penalties and interest from increased investment income from improving market rates and improved cash flow forecasting and additional sustainable dividend income from Alectra.
- Decreased external recoveries from the County of Wellington for Paramedic Services due to call volumes between the City and County, and the removal of one-time grant for the legalization of Cannabis.
- Increased grant from Stewardship Ontario for blue box recycling, and the Province of Ontario for Paramedic Services.

The User Fee Guide is available online at guelph.ca/budget. The majority of user fees are increasing by two per cent or less. The following list of fees are those that have increased by more than 25 per cent:

- Parks change rooms increased 69.0 per cent to bring the hourly rate to \$16.50 to align with arena change rooms.
- Special events extra cleanout/restocking increased 40.0 per cent to \$35.00 to ensure full cost recovery.
- Fire services fees (page 68 to 71) increased between two and 40 per cent to reflect a pricing structure that is closer to the actual cost of providing the service.
- Review of fire safety plans—first time submission has increased 200 per cent to \$450 to partially offset costs of initial review, subsequent reviews, and the approval process.
- Fire services added several new fees to reflect services being provided to the community that are currently not user pay.
- Official plan print fee increased by 25 per cent to \$125 to cover the cost of reproduction.

- Cart costs within Solid Waste Resources increased between 35.5 per cent and 61.8 per cent due to the delivery fee being incorporated into the cart fees. Therefore, the actual fee increase is between 2.56 per cent and 5.66 per cent.

Expenditure highlights

Expenditure drivers

Key expenditure drivers to changes within the total City budget include:

- Compensation increases to include collective agreement impacts, as well as contractual benefit increases.
- Increase of three transit operators as recommended in the transit service review to move towards full complement, partially offset through savings in overtime.
- Water, electricity, and natural gas cost decreases due to a focus on energy management.
- Repairs and rentals, and fuel increase due to inflationary increases.
- Software maintenance, waste haulage, organics processing increased due to contractual agreements.
- In-year Council decisions
 - During 2019 budget deliberations, Council approved the addition of five full-time equivalents to be funded beginning July 1, 2019. The annualized cost of the five positions is an additional \$282,541 and is included in the 2020 compensation budget.
 - On May 6, 2019 Council approved recommendations in IDE-2019-44 Corporate 100 per cent Renewable Energy Target by 2050 and approved an additional one full-time equivalent and referred the cost of this to the 2020 budget process. The project manager position has been included in the 2020 budget at a cost of \$125,578.
- 2020 operating impacts from 2019 approved capital projects have been included in the 2020 budget in the amount of \$969,750 with an additional \$278,900 deferred to 2021 as funds will not be required until 2021 due to timing of project completion.
- Increased transfers to capital reserve and reserve funds to continue along the path towards sustainable funding and increased investment in City Building and Growth capital funding strategies as identified in the 2020–2029 capital budget and forecast. Further information can be found on page 66 of the operating budget book.
- The final increase in the Tax Increment Based Grant funding in accordance with the Council-approved plan.

Service enhancement budget requests

There is one service enhancement budget request that has been included in the 2020 tax supported operating budget in the amount of \$26,150. Details on this request can be found on page 72 of the operating budget book.

Budget requests funded one-time from reserves

Staff has leveraged the use of reserves through the development of the operating budget. Budget requests that are one-time in nature have been incorporated in the budget and funded from reserves. These requests were deemed a priority and align with the Strategic Plan and will assist the City in being future ready. Further

information on items funded from reserves can be found in the operating budget document on page 67 and 68.

Table 2: 2020 One-time requests funded from reserves and reserve funds

	2020 Budget	Funded from Reserve
Human Resources Payroll Optimization	\$300,000	Compensation contingency
Strategic Plan Implementation	\$300,000	Tax rate operating contingency
Council Composition and Employment Status Review	\$150,000	Tax rate operating contingency
Total	\$750,000	

Other items funded from reserves

In addition to the above budget requests, there are other minor recurring transfers out of reserves that are consistent with prior years. Table 3 summarizes items Council approved during 2019 budget deliberations that were funded in 2019 and are to be funded in 2020.

Table 3: 2019 carry over requests funded from reserves in 2020

	2020 Budget	Funded from Reserve
Compensation Analyst	\$137,100	Compensation contingency
Strategic Plan Implementation	\$117,800	Strategic Initiatives Reserve
Transit Route Review Specialist	\$100,000	Tax rate operating contingency
Local Boards – Guelph Police Services	\$163,000	Compensation Contingency
Local Boards – Guelph Police Services	\$50,000	Police Contingency
Total	\$567,900	

Local Boards and Shared Services Operating Budget

The recommended Local Board and Shared Services operating budget represents a net increase of \$4,928,773 or 6.24 per cent above 2019. This equates to a 2.02 per cent increase to the net levy. This budget is discussed in further detail through staff report CS-2019-82 titled 2020 Local Boards and Shared Services Budgets and will be presented by the Local Board representatives on November 20, 2019.

Assessment Growth Revenue

Assessment growth revenue included in the 2020 proposed budget is \$3.28 million. This is a decrease from 2019 of \$0.49 million and these revenues should be directed towards growth-related operating costs. Actual assessment growth was not finalized at the time of printing the operating budget book. Staff have gone through the 2020 proposed budget and have summarized the identifiable growth-related costs compared to this revenue in Table 4 below. In 2020, it can be concluded that growth revenues are paying for growth-related costs however there is an in-year shortfall. Finance staff are developing an Assessment Growth Policy as part of the multi-year budgeting and Long-term Financial Plan deliverables which will provide more specific guidance for the allocation of assessment revenue to align with growth-related operating costs.

Table 4: Summary of Growth Costs and Assessment Growth Revenue

	2020 Requested Budget	2020 Levy Impact
Base budget (CIP Funding, growth-related capital funding)	\$1,095,000	0.45%
Operating impact from 2018 approved capital projects	\$969,750	0.40%
Local Board and Shared Services Growth Budget Requests	\$2,815,900	1.15%
Total Growth-Related Operating Costs	\$4,880,650	2.00%
Assessment Growth Revenue	(\$3,284,157)	(1.35%)
Net Shortfall 2020 Assessment Growth Revenue	\$1,596,493	0.65%

Summary of items referred to staff during 2019 budget approval

- a. Mayor's Office—Administrative Assistant
The Council administrative assistant was not included as a budget request in the 2020 budget because staffing levels will be reviewed after the completion of the council composition review.
- b. Environmental Services—Yard Waste Program
Staff reviewed as part of the 2020 budget submission and the service enhancement is not recommended to move forward at this time. The 2020 net cost is estimated at \$352,600.
- c. Culture, Tourism, and Community Investment—Mayor's task force initiatives

In 2019, Council approved one-time funding for Stonehenge Therapeutic Community for the provision of the Addiction Court Support Worker (\$61,200), Supportive Recovery Room (\$150,000), and for Guelph Community Health Centre for the provision of the Welcoming Streets Initiative (\$91,200). Funding for these programs is in place until March 31, 2020. There is no additional funding included in the 2020 recommended operating budget for these initiatives.

- d. Culture, Tourism, and Community Investment—Affordable Housing Financial Initiatives Program (AHFIP)
The AHFIP framework includes eligibility criteria and funding priorities to guide the development and implementation of a financial incentives program for affordable housing in Guelph. In 2019, Council committed the funds in the affordable housing reserve for two projects. In the proposed 2020 budget, a transfer of \$330,000 to the affordable housing reserve has continued within the base budget.
- e. Parks & Recreation—Hardscaped Medians
Staff reviewed as part of the 2020 budget submission, and the service enhancement is not recommended to move forward with at this time. The 2020 cost is estimated at \$60,500.
- f. Human Resources—Career Path program, diversity and inclusion
Staff was able to accommodate this request as part of the base 2020 operating budget in the amount of \$45,000.
- g. Guelph General Hospital Capital Funding
Corporate Services report [CS-2019-78](#) titled Guelph General Hospital Capital Funding Request was included in the Committee of the Whole meeting on Monday, November 4, 2019. The request is for \$4.5 million over five years to address immediate and urgent capital needs.

Other Considerations

Although not recommended by staff due to corporate priorities, affordability, and provincial legislation uncertainty, Council may consider the budget requests included on pages 74 through 78 in the 2020 operating budget material.

Risks

The budget recommended for approval is a solid financial plan for 2020. However, the budget is built at a point in time based on assumptions and known financial data. A few key risks that Council should be aware of as they consider the 2020 tax supported operating budget are:

- outstanding labour negotiations and arbitration
- increasing Workplace Safety Insurance Board costs related to presumptive illness legislation
- changing political landscape
- deferring lifecycle replacements
- economic changes beyond the City's control

Financial Implications

Staff recommends a 3.88 per cent increase over the prior year's tax levy requirement inclusive of growth to allow for the delivery of on-going services, progression towards sustainable infrastructure renewal capital funding, new capital

investment that supports the Strategic Plan objectives, and enhancements to some City services where capital budgets were approved in 2019.

Reserve and Reserve Fund Transfers

The tax supported operating budget includes reserve and reserve fund transfers required to fund one-time initiatives, to strategically plan for future long-term budget impacts that are variable in nature, and to mitigate financial risk. A summary of these transfers can be found on pages 67 and 68 in the 2020 tax supported operating budget materials. Staff cautions Council from funding additional items from reserve and reserve funds during budget deliberations as the contingency reserves are currently below target and funding additional items from contingency reserves or the projected 2019 operating surplus, could weaken the City's financial stability.

Consultations

The tax supported operating budget was collaboratively developed by all City departments. Finance staff work with departments to assist in the budget preparation. After final budgets are submitted to Finance, analysis is completed and submissions are reviewed. The development of the budget is a lengthy, complex process. It requires everyone working together for a budget that is affordable to the citizens, provides financial stability for the City and ensures the community receives the best service in a cost effective manner.

Public meeting notification was posted on the City's website, communicated through social media channels and advertised in the local newspaper. The City's recommended budgets are available online at guelph.ca/budget. The public can delegate for the tax supported operating budget and Local Boards and Shared Services on Wednesday, November 27, 2019.

Strategic Plan Alignment

The 2020 budget reflects the commitment of our staff and community to ensure we are future ready. The City's five strategic priorities lead the way in this budget, setting us on a sustainable path for our economy, environment and transportation while supporting an efficient workforces and united community.

Attachments

Attachment-1 – Total City Budget by Revenue and Expenditure Type

Attachments provided under separate cover and at guelph.ca

2020 Tax supported operating budget

2020 User Fee Guide (online only)

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Attachment-1 Total City of Guelph Tax Supported Operating Budget

Table 2 Total City Budget

	2019 Approved Budget	2020 Requested Budget	2020 Budget Change \$	2020 Budget Change %	2020 Levy Impact
Revenue					
Supplementary	(\$6,501,560)	(\$6,599,560)	(98,000)	1.51%	(0.04%)
User Fees	(\$28,625,644)	(\$29,363,864)	(\$738,220)	2.58%	(0.30%)
Product Sales	(\$2,652,250)	(\$2,645,600)	\$6,650	(0.25%)	(0.00%)
Licenses and Permits	(\$535,800)	(\$557,200)	(\$21,400)	3.99%	(0.01%)
Penalties and Interest	(\$6,019,704)	(\$7,831,944)	(\$1,812,240)	30.11%	(0.74%)
External Recoveries	(\$8,712,240)	(\$8,205,522)	\$506,718	(5.82%)	0.21%
Grants	(\$12,357,427)	(\$13,387,265)	(\$1,029,838)	8.33%	(0.42%)
Total Revenue	(\$65,404,625)	(\$68,590,955)	(\$3,186,330)	(4.87%)	(1.30%)
Expenses					
Compensation	\$147,656,149	\$148,825,912	\$1,169,763	0.79%	0.48%
Utilities	\$7,505,400	\$7,436,700	(\$68,700)	(0.92%)	(0.03%)
Repairs and Rentals	\$11,894,723	\$11,958,358	\$63,635	0.53%	0.03%
Fuel	\$5,216,054	\$5,341,854	\$125,800	2.41%	0.05%
Other Purchased Goods and Services	\$27,307,645	\$28,190,301	\$882,656	3.23%	0.36%
Capital Financing	\$31,529,345	\$38,104,345	\$6,575,000	20.85%	2.69%
Reserve Transfers	\$2,864,346	\$3,249,065	\$384,719	13.43%	0.16%

Other Transfers and interdepartmental Charges	(\$3,434,318)	(\$1,549,942)	\$1,884,376	(54.87%)	0.77%
Total Department, Capital and General Expenditures	\$230,539,344	\$241,556,593	\$11,017,249	4.78%	4.51%
Local Boards and Shared Services	78,992,113	83,920,886	4,928,773	6.24%	2.02%
Assessment growth			(\$3,284,157)	0%	(1.35%)
Net Levy Requirement	\$244,126,832	\$256,886,524	\$9,475,535	3.88%	3.88%