

# Information Report



---

Service Area	Corporate Services
Date	Friday, December 15, 2023
Subject	<b>Third Quarter 2023 Budget Monitoring Report</b>

---

## Executive Summary

### Purpose of Report

The purpose of this report is to provide Council notice of any financial risks that could affect the 2023 year-end position. This report includes the third quarter (Q3) actual financial information for both the operating and capital budget for each of the strategic plan priority areas, as of September 30, 2023.

The report is prepared in alignment with the 2019 to 2023 Strategic Plan to complete the fiscal reporting cycle for 2023 to align 2023 budget confirmation to actual reporting.

### Key Findings

As identified in the [Second Quarter 2023 Budget Monitoring](#) report, the City is managing within its approved operating budget. Overall, from an operating perspective, the City Budget is projecting a favourable variance of \$5.1 million or one per cent of gross operating expenditure. Current year-end projections indicate the non-tax-supported budget will be in a surplus position of \$560 thousand and the tax-supported budget will be in a surplus position of \$4.5 million.

Some notable drivers identified as contributing to the year-end projected variances are:

- Revenue collections to September 30 reflect 96 per cent of the total budget, the Q3 forecast projects a \$7.4 million revenue surplus at year-end.
- Fuel costs continue to trend higher than budgeted, the Q3 forecast projects a year-end deficit of \$1.4 million.
- Compensation and benefits costs for the City overall are tracking two per cent below budget and trending to a \$4.6 million favourable position at year-end.
- Corporately, utility projections for the year indicate a surplus of \$600 thousand. Water, electricity, and natural gas are trending nine per cent below budget with a surplus in water and electricity costs offsetting a deficit in natural gas.
- Social Services costs billed by the County of Wellington are projected to be in a \$4.4 million deficit at year-end.

From a capital perspective as outlined in Attachment-1, the City has spent a total of \$75.4 million year to date which was a \$9.5 million increase compared to Q3 2022. Purchase Order (PO) commitments on September 30, 2023, were \$191.5 million (\$94.4 million more than at Q3 2022). Several high dollar value POs have been

issued in Q3 including F.M. Woods Station Upgrade, Baker District and the South End Community Centre (SECC) with additional POs for SECC expected in Q4. The uncommitted approved budget on September 30, 2023, was \$328.3 million (compared with \$479.5 million at end of Q2 2023).

Changes from the approved capital budget are outlined in Attachment-2 including additional budget approved through Council and reductions in the uncommitted carry-forwards in projects related to the Water Resource Recovery Centre, to align project budgets with current requirements and enable reserve fund capacity to be assigned to the 2024-2027 capital budget (Table 1). In addition, there is one reallocation greater than or equal to \$500 thousand which is outlined in Table 4.

## **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 by maintaining a fiscally responsible local government. Monitoring the financial status of the City is directly linked to the City's Credit rating as Standard and Poor reviews and updates the credit rating annually. In 2023, the City received a credit rating of AAA which is the highest rating available.

## **Financial Implications**

There are no direct financial implications resulting from this report; staff will continue to monitor the impact of risks and opportunities identified in this report to protect the City's long-term sustainability. The 2024-2027 Multi-year Budget (MYB) included using City contingency reserves to phase-in future on-going operating costs related to increased employee benefits, excess liability insurance, fuel, and Social Services (County of Wellington). The [2024-2027 Multi-Year Budget Companion Report – Council Budget Decisions](#) recommendation five highlights the need to replenish these reserves as a first priority through the allocation of year-end surplus until they reach a minimum of 75 per cent of target over the MYB period.

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

---

## **Report**

### **Details**

City departments were provided financial information as of September 30, 2023. Actual expenditures and revenues were analyzed and related commentary on potential significant deviations from the budget that are expected to have an impact on the year-end financial position were identified with Finance staff support. Departments have identified some positive trends, challenges, risks, and concerns based on all known and available information at the time of this report.

## Corporate Variance Drivers

The variance drivers identified below will result in a surplus or deficit at year-end and these early projections will change based on activities through the last quarter (Q4) of the year. Corporate variance drivers affect many departments throughout the City and are presented below to alleviate the repetition throughout the report.

1. Revenue collections to September 30 reflect 96 per cent of the total budget, the Q3 forecast projects a \$7.4 million revenue surplus at year-end. Water and Wastewater revenues account for \$2.6 million surplus partially due to higher than budgeted consumption. Additionally, Environmental Services is experiencing higher than budgeted revenue from the sale of recycled goods. Adjustments to revenue assumptions are reflected in the 2024-2027 MYB. Engineering, Facilities, Finance and IT are experiencing increased revenue related to recoveries for staff time working on capital projects in 2023 as the City advances the capital planning resource strategy. Adjustments are included in the 2024-2027 MYB.
2. Fuel Costs continue to trend higher than budgeted, the average cost per litre has fluctuated through the year and now sits at 14 cents per litre higher than budgeted. The Q3 forecast projects a year-end deficit of \$1.4 million or 26 per cent over budget. The Environment and Utility Reserve (198) balance at December 31, 2022, was \$5.9 million and is available to mitigate this projected deficit if required. The 2024-2027 MYB includes an adjusted average price of \$1.26 per litre in 2024 with an annual increase of two per cent through the forecast.
3. Corporately, utility costs for water, electricity and natural gas are trending nine per cent below budget with a surplus in water and electricity costs offsetting a deficit in natural gas. Staff continue to monitor the impacts of the fluctuating natural gas rates and implement energy conservation measures to reduce exposure. Utilities are projected to be in a surplus position of \$600 thousand, at year-end. Energy management staff monitor utility usage at City facilities and have adjusted the 2024-2027 MYB to reflect current demands with a \$1 million reduction in electricity and a \$400 thousand increase in natural gas.
4. Compensation and benefits costs for the City overall are tracking two per cent below budget and are trending to be in a \$4.6 million favourable position at year-end. This is an improvement over the second quarter forecast as the impact of measures taken in the second half of the year begin to close the budget to actual gap. To ensure continued service delivery departments have implemented contract extensions, over-compliment hires and predictive hires ahead of 2024 budget approval for positions related to advancing the Housing Pledge and are managing these additional costs within the approved City budget in 2023. As part of the 2024-2027 MYB staff completed a thorough review of all benefits and updated costs based on projections provided by our broker. Gapping measures were also reviewed and updated to better reflect the actuals seen over the past two years.

## **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, this priority area is forecasting a year-end surplus of \$216 thousand driven by compensation savings in Economic Development and Strategy, Innovation and Intergovernmental Services due to the vacant positions earlier in the year. This is somewhat offset by pressures in Culture with a projected year-end deficit due to inflationary impacts on food and beverage purchases, advertising, production, and theatre costs.

There are two capital projects within this priority, the citywide fibre-optic network (IT0061), and the Hanlon Creek Business Park (SS0002). Capital spending up to the end of Q3 within this priority was \$830.2 thousand with another \$1.5 million in PO commitments as of September 30, 2023. Remaining to be executed is \$4.7 million of the budget with \$4.4 million of that related to (IT0061) Fibre Data Connection.

Construction of the Fibre Data Connection (IT0061) continues in 2023 on the remainder of Ring 1 – east and northward from City Hall, (approximately 65 per cent completed) and Ring 3 – south of City Hall (approximately 15 per cent completed). Additionally, five City-owned facilities have been cutover onto the new fibre network so far and approximately 39 traffic signals have been connected. Staff are targeting completion of this project for the end of 2026.

Environmental monitoring continues at the Hanlon Creek Business Park (SS0002). Costs for servicing Block 5 as well as legal and commission costs for Phase 3 are remaining. An information report will be forthcoming once Phase 3 sales are finalized.

## **Sustaining our future**

The [Sustaining our future](#) priority includes Environmental Services (Solid Waste, Water, and Wastewater), Planning and Building, Stormwater, Parks Operations, and Energy Management.

From an operating budget perspective, this priority area is forecasting a year-end surplus of \$5.5 million mainly due to:

Planning and Building Services project a surplus of \$1.1 million largely driven by compensation savings relating to a high volume of vacancies as the market for planning staff continues to be challenging. Staff anticipate additional spending in the last quarter (Q4) of the year as vacancies are filled. The predictive hire of three accelerated housing staff ahead of 2024 budget is expected to offset a portion of this surplus for year-end. Additionally, Site Plan approval and application processing fees are projecting a deficit of \$250 thousand at year-end.

Ontario Building Code is projected to end the year with a surplus of \$280 thousand. Building permit revenue surplus of \$200 thousand is anticipated together with savings projected in purchased goods due to the risk of delays in the delivery of a new vehicle. This will form part of the year-end operating budget monitoring and

surplus allocation report and will be returned to the Building Services Reserve (188) to offset a future negative variance on this line item once the vehicle is delivered.

Environmental Services are projecting a combined revenue surplus of \$4.7 million across the three divisions. Solid Waste Services, \$2 million related to higher than budgeted grant (Blue Box) and increased cost recovery from the sale of recycled goods. Water Services, \$1.6 million due to higher-than-expected consumption and capital labour recoveries. Wastewater Services, \$1 million due to higher-than-expected consumption and overstrength surcharge revenue. Water and Wastewater Services are also experiencing compensation savings allowing for higher chemical costs to be managed within the existing budget.

Parks forecasts an overall year-end deficit of \$550 thousand. Although Parks is experiencing a minor ticket sale surplus, this only mildly offsets deficits in purchased goods of \$330 thousand, due to inflationary pressures for horticultural materials. A \$200 thousand deficit in purchased services is projected due to extended vehicle rental costs for contract staff, a significant inflationary increase in the cost of portable washroom rentals, and increased repairs and maintenance costs.

Capital spending within this priority was \$33.6 million with another \$72.4 million in PO commitments as of September 30, 2023. Remaining to be executed is \$90.9 million of the budget.

The top three project expenditures (spending and commitments) occurred in the following accounts:

- (WT0064) F.M. Woods Station Upgrade (\$38.0 million) – the construction tender has been awarded and the PO has been issued. The general contractor has begun pre-construction work for the booster pumping station. Detailed design for the Operations Centre is expected by late 2024.
- (PN0097) Speedvale Road Reconstruction – Woolwich Street to Metcalfe Street (\$7.9 million) – construction is anticipated to be completed by the end of 2023 with surface asphalt completed in 2024.
- (PN0026) Baker Street Reconstruction – Quebec Street to Woolwich Street (\$6.4 million) – underground work is completed. Final design of surface works is underway.

Projects that have the largest uncommitted balances include the following:

- (ST0009) Plant Energy Efficiency Management (\$7.4 million) – an assessment is being completed to determine how to address the maintenance needs of the cogeneration facility which will determine future spending in this account.
- (PN0026) Baker Street Reconstruction – Quebec Street to Woolwich Street (\$5.1 million) – tender for surface works is expected to be issued in fall of 2024 with final work completed in spring 2025.
- (WT0064) F.M. Woods Station Upgrade (\$4.7 million) – the uncommitted is related to the construction contingency and pumps for the booster pumping station.

## **Navigating our future**

The [Navigating our future](#) priority includes Transportation Services, Parking Services, and Guelph Transit. From an operating budget perspective, this priority

area is forecasting a year-end deficit of \$270 thousand. Budget pressures are being felt in:

Parking Services projects a year-end revenue shortfall of \$1.3 million. Parking revenues continue to recover from the pandemic but at a rate slower than budgeted. Transient revenues continue to underperform against expectations as shopping, dining, and service visits remain unpredictable. Monthly permit sales are lower than before COVID but remain stable. Event parking revenues continue to increase as activity and attendances rebounds. Overall, parking revenues are adjusting to a new normal post-pandemic which will be reflected in the 2024-2027 MYB.

Guelph Transit projects a \$1.1 million surplus due to higher than budgeted revenue related to monthly bus pass sales and compensation savings. To date the savings are offsetting a negative fuel variance of \$840 thousand.

Capital spending within this priority was \$13.3 million with another \$43.4 million in PO commitments as of September 30, 2023. Remaining to be executed is \$40.6 million of the budget.

The top three project expenditures (spending and commitments) occurred in the following accounts:

- (PN0271) York Road Phase 3 Reconstruction – Stevenson Street South to Victoria Road South (\$11.5 million) – construction work has begun and is expected to wrap up by Q3 2024.
- (TC0070) Bus Electrification – Replacement, Investing in Canada Infrastructure Program (ICIP) and (TC0058) Bus Replacement (\$9.8 million) – a total of seven zero emission buses have been ordered to replace end-of-life diesel buses, four of which have been received.
- (TC0059) Transit Operations Facility ICIP (\$8.7 million) – tender for the facility detailed design has been awarded which also includes early site readying work such as excess soil removal and subsurface investigation and groundwater monitoring.

Projects that have the largest uncommitted balances include the following:

- (TC0070) Bus Electrification – Replacement ICIP (\$8.1 million) – the uncommitted budget is related to the 2023 bus replacement order which is expected to be issued by the end of the year.
- (TC0079) Route Review – Year 3 ICIP (\$2.8 million) – order is expected to be issued by the end of the year.
- (TC0059) Transit Operations Facility ICIP (\$2.6 million) – procurement for pre-construction services is expected in 2024 and will include completing the design and cost estimates alongside the design consultant. This aligns with construction beginning in 2026/2027.

Projects identified as completed in Q3 include the following:

- (TM0008) Mobility Van – Growth – one mobility passenger bus has been received and put into service.

## Working together for our future

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

From an operating budget perspective, this priority area is forecasting a year-end surplus of \$2.3 million. The main drivers of this surplus include:

Compensation savings of \$1.2 million due to vacancies predominantly in Strategic Communications and Community Engagement, Finance, Corporate Fleet, and Court Services.

Revenue surplus projections in General Corporate Expenditures are forecasted at \$1.3 million due to higher interest revenue on short-term investment partially offset by lower supplemental tax revenue. The 2024-2027 MYB adjusted the short-term investment income budget by \$1 million to reflect this market condition change. Further, revenue surplus is being experienced in Information Technology for \$735 thousand due to increased capital labour recoveries for increased staff resources spent on capital works and grant-funded projects (Next Generation 911 and Streamline Development Approval Fund). Finally, Finance is also experiencing revenue surplus of \$335 thousand related to external recoveries for staff time spent on capital projects, training provided by the Continuous Improvement Office and claims relating to HST.

Court Services is projecting a year-end deficit (City share) of \$770 thousand mainly due to revenue deficits of \$2 million resulting from court closures ordered by the Regional Senior Justice of the Peace, based on a lack of judicial resources as well lower than budgeted revenue for red light cameras due to lower charge volumes and a delay of implementation of the automated speed enforcement program to August. These revenue deficits are partially offset by reduced external transfers and lower chargeback to Parking Services and compensation savings.

Capital spending within this priority was \$2.9 million with another \$3.6 million in PO commitments as of September 30, 2023. Remaining to be executed is \$16.4 million of the budget.

The top three project expenditures (spending and commitments) occurred in the following accounts:

- (PN2439) Computerized Maintenance Management System (CMMS) Implementation (\$2.4 million) – implementation of the replacement of existing work order management and procurement system is underway. In addition, change management engagement for the program has begun which will enable successful adoption.
- (IT0081) Computer Replacement (\$691 thousand) – lifecycle replacements are currently in progress with expected completion by year-end 2023.
- (IT0083) IT Infrastructure Lifecycle (\$515 thousand) – currently in progress with expected completion by year-end 2023.

Projects that have the largest uncommitted balances include the following:



- (PN2439) CMMS Implementation (\$8.1 million) – majority of uncommitted is planned for project resources to continue supporting the implementation including change management activities to enable change readiness across the organization. Once fully implemented the new maintenance management system will become the asset management system of record and will integrate with the City’s financial system. Upgrades to procurement processes and continued change management will round out the implementation.
- (IT0111) Utility Billing Software (\$2.1 million) – Utility Billing Steering Committee is currently reviewing solutions before proceeding with technology implementation.
- (CS0004) Court Services Facility Renewal (\$647 thousand) – foundation investigation is ongoing and will result in a comprehensive plan to address the entire foundation in future years. Above grade masonry and window restoration will continue into 2024.

Projects identified as completed in Q3 include the following:

- (CS0002) Court Services Security Renewal – annual renewal work has been completed.

### **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 Services, Corporate Facilities Maintenance, Infrastructure Planning and Construction, and Shared Services.

From an operating budget perspective, this priority area is forecasting a year-end deficit of \$2.6 million. The main pressures are being felt in:

Social Services provided by the County of Wellington (County) and billed to the City as a shared service, is projected to end the year with a \$4.4 million deficit. The City operating budget includes the municipal share of both capital and operating activities, with the unspent capital at year end transferred to the Social Housing Contingency Reserve (208). As of September 30, 2023, the County projected \$725 thousand operating budget shortfall due to pressures in homelessness prevention and higher than budgeted costs to maintain and operate social housing units. Savings of \$925 thousand in Children’s Early Years due to the implementation of Canada Wide Early Learning and Child Care reduced this deficit from the previous County projection of \$1.8 million. Additional pressures on this budget line are due to the City’s historical underbudgeting Social Services costs based on historical operating surpluses. As reported in the [January 25, 2023 Council Memo](#) related to the 2023 budget confirmation process, the 2023 City budget is \$2.1 million less than the County estimate.

Guelph Wellington Paramedics Services project a year-end deficit of \$750 thousand driven by repairs and maintenance including the Elmira Road paramedicine office renovations and software services trending higher than anticipated. Budget pressures also impact purchased goods projecting a year-end deficit related to printing costs associated with medical protocol manuals, medical supplies, and increased fuel costs. The projected deficit is cost shared \$480 thousand City and \$270 thousand County.



Fire Services projects a year-end deficit of \$640 thousand driven mainly by overtime requirements related to the Collective Agreement. Mitigation measures implemented this year have seen some success as the projection is lower by \$280 thousand from Q2. Staff continue to focus on mitigation strategies.

Facilities Management projects a year-end deficit of \$280 thousand driven by higher than anticipated building maintenance and repair costs which are attributed to aging facility assets. This trend is anticipated to continue as multiple facility capital projects have been deferred to future years in response to affordability concerns in the MYB extending the life of current city infrastructure. This deficit is partially offset by surplus revenue related to capital labour recoveries.

Engineering and Transportation projects a year-end surplus of \$1.6 million due to higher than budgeted labour recoveries, compensation surplus and savings related to software maintenance timing of renewal scheduled for Q1 2024. The 2024-2027 MYB included adjustments to increase budgeted revenues to address the labour recovery variance.

Operations divisions within this priority project a year-end surplus of \$500 thousand due to higher than budgeted revenues for business licensing, and expenditure savings in compensation and lower road salt and asphalt usage.

Parks projects a year-end surplus of \$340 thousand due to staffing vacancies early in the year.

Recreation projects a year-end surplus of \$250 thousand mainly due to savings in compensation and purchased goods.

Capital spending within this priority was \$24.7 million with another \$70.6 million in PO commitments as of September 30, 2023. Remaining to be executed is \$175.7 million of the budget.

Baker District (including the library, open space, and parking) and SECC account for over 86 per cent of the remaining budget to be executed in this priority. See the [City's capital projects webpage](#) for quarterly updates on these and other Tier 1 capital projects.

The top three project expenditures (spending and commitments), excluding Baker District and SECC, occurred in the following accounts:

- (PK0075) Downtown Pedestrian Bridge New Design and Construction (\$5.6 million) – the construction tender has been awarded with anticipated completion in 2024.
- (GG0245) Administration Facilities Renewal (\$4.1 million) – includes citywide renewal of corporate buildings such as exterior building work at the Courthouse, Annex and Gatehouse, demolition of the former building that housed the Humane Society Shelter, renovation of the City Hall courtyard, future space planning at City Hall and Parks and Public Works needs assessment and master plan.
- (RF0095) Recreation Facilities Renewal (\$3.4 million) – work includes several projects at West End Community Centre (WECC) such as roof works, mold remediation and HVAC replacement. Work at Victoria Road Recreation Centre (VRRC) include replacement of three rooftop units and installation of precast concrete storage buildings.

Projects that have the largest uncommitted balances (excluding Baker District and SECC) include the following:

- (RF0095) Recreation Facilities Renewal (\$3.9 million) – relocation of the pottery program to WECC, roof replacement at VRRRC, replacement of insulated glass units in the aquatic area at WECC and cooling tower replacement at Centennial Arena are still to be executed out of this account.
- (GG0245) Administration Facilities Renewal (\$2.7 million) – additional work planned for 2023 includes City Hall space planning as well as further exterior masonry and structural restoration of the Gatehouse.
- (FS0089) Heavy Fire Vehicle Replacement Pumper/Aerial (\$2.4 million) – currently in the pre-procurement phase - determining specs and requirements.

Projects identified as completed in Q3 include the following projects:

- (FS0069) Small Kit Replacement – in 2023 6 kits were replaced.

## **Capital Revenues**

### **Development Charges**

Development Charge (DC) collections are trending at 73.7 per cent of budget as of September 30, 2023. The 2023 budget for DC exemptions is \$4.2 million, however actual exemptions to the end of Q3 are \$9.5 million. This includes the following exemptions:

- Additional dwelling units (\$4.7 million) – required through the DC Act
- Non-profit Housing Corporation (\$2.7 million) – required through DC Act (Bill 23 amendment)
- Category of owner (\$1.2 million) – required through Council-approved By-law
- Industrial (\$0.5 million) – required through DC Act
- Rental housing discounts (\$0.4 million) – required through DC Act (Bill 23 amendment)

The cost of DC exemptions must be covered by the City through transfers from taxes (Growth Reserve Fund 156) and rates (Water, Wastewater, and Storm Water capital reserve funds, 152, 153 and 165 respectively) to the various DC reserve funds. The \$5.3 million deficit (up to September 30) will put additional pressure on these reserve funds.

### **Future changes**

An update to the DC study is currently underway with a new by-law expected to be passed in January 2024 prior to the expiry of our current by-law on March 2, 2024. Under amendments to the DC Act through Bill 23, phasing in of the new rates is required beginning with only 80 per cent of the DC rates collectible in 2024 followed by an annual increase over the next 5-years until reaching 100 per cent of the updated DC rates. In addition to the phase-in, additional DC exemptions were added to the DC Act through the Bill 23 amendment for affordable and attainable housing which are not currently in force as definitions have not yet been published by the Province.

### **Grants**

The 2023 capital budget includes one-time grant funding for the following projects:

- (PS0089) Next Generation 911 (Police) - \$1.2 million from the Ministry of the Solicitor General.
- (FS0091) Fire – Dispatch Phone System (NG-911) (Fire) - \$1.1 million from the Ministry of the Solicitor General.
- (IT0110) Database Development and Data Load for Next Generation 911 - \$1.0 million from Defence Research and Development Canada.
- (RF0095) Recreation Facilities Renewal - \$1.7 million for the West End Community Centre Energy Retrofit from the Green and Inclusive Community Buildings Program through Infrastructure Canada.

In addition to the above, the 2023 capital budget also includes grant funding through ICIP for Bus Electrification (TC0070 and TC0079) which is spread over the life of projects, a total of \$4.4 million is included in 2023.

Staff are actively engaged in scanning for grant opportunities. Current applications under review by the funding body for current and future capital projects include, but are not limited the following:

- Green and Inclusive Community Buildings Program through Infrastructure Canada for Baker Street Library and the SECC.
- ICIP – Public Transit Stream through Infrastructure Canada for Guelph Central Station Electric Bus Chargers, Farebox replacement and additional electric buses.
- Next Generation 911 (Phase 2) support for Police and Fire through the Ministry of the Solicitor General.

Also under review is the City’s application under the [Housing Accelerator Fund \(HAF\)](#). This is a federal fund administered by the Canada Mortgage and Housing Corporation (CMHC) to “encourage initiatives that increase housing supply and promote the development of affordable, inclusive and diverse communities that are low-carbon and climate-resilient.” If approved, Guelph could receive up to \$28.5 million.

The [Building Faster Fund](#) is a provincial fund to reward municipalities that deliver on their housing targets as part of the Province’s plan to build at least 1.5 million homes by 2031. It will provide annual funding for 2023, 2024 and 2025 to municipalities that reach at least 80 per cent of their annual housing target. Funding can be used for housing-enabling infrastructure and other related costs that support community growth. Guelph’s 2023 housing target is 1,320 units. The target is evaluated based on housing starts (as defined by [Canada Mortgage and Housing Corporation’s Starts and Completions Survey](#)), Additional Residential Units (ARU) and other institutional housing types created in the year. The Ministry of Municipal Affairs and Housing (MMAF) is [tracking housing supply progress](#) and as of October 25, 2023 Guelph is at 82 per cent of target and would qualify for a portion of our funding allocation. Data related to ARUs and institutional units have not yet been added to the tracker. Municipalities that exceed their target will also receive a bonus on top of their allocation. The Province is still finalizing this program and many aspects are still unclear, however based on the information available, if Guelph were to reach 100 per cent of the annual target each year of the program, the fund would provide \$4.8 million in total funding towards growth infrastructure, however, at this time it is unclear if Guelph will be able to meet the target in 2024 and 2025 given current economic conditions.

## **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.

The current year-end projection is a \$5.1 million surplus for both tax-supported and non-tax-supported or one per cent of total gross expenditure. This projection indicates the non-tax-supported budget will be in a surplus position of \$560 thousand and the tax-supported budget will be in a surplus position of \$4.5 million. Staff will continue to monitor the impact of variances identified in this report to protect the City's long-term sustainability. The 2024-2027 MYB included using City contingency reserves to phase in future on-going operating costs related to increased employee benefits, excess liability insurance, fuel, and Social Services (County of Wellington). The [2024-2027 Multi-Year Budget Companion Report – Council Budget Decisions](#) recommendation five highlights the need to replenish these reserves as a first priority through the allocation of year-end surplus until they reach a minimum of 75 per cent of target over the MYB period.

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.

From a capital budget monitoring perspective in 2024 a significant focus will be placed on reviewing projects with large work in progress balances that have been outstanding for several years or projects approved in 2022/23 that have not been started. This continued focus will help ensure reserve funds are being allocated to prioritized projects that are ready to be started.

## **Consultations**

Departments are responsible for managing their programs according to municipal standards and within the approved budget. The responsibility of monitoring the operating budget is shared by the operating departments and the Finance department. Department General Managers were provided financial reports based on their actual operating revenue and expenditure to the end of the quarter, on which they provided commentary in consultation with the Finance department.

Project Managers are the owners of the capital accounts and have financial responsibility and accountability to manage the capital deliverables within the budget approved, within a reasonable time period, to achieve the Council expected outcomes of that capital project.

Department General Managers and Project Managers were provided financial reports based on their actual capital expenditures and commitments to the end of the quarter, with which they provided a progress status and financial forecast update at the project level and the best available information at a point in time. Future updates are subject to change based on the economic environment, especially the rate of inflation.

## **Attachments**

Attachment-1: Q3 2023 Capital Spending

**Departmental Approval**

Karen Newland, Manager, Finance Client Services and Budget

**Report Author**

Cathy Butcher, Senior Corporate Analyst, Client Services and Budget

Patricia Zukowski, Senior Corporate Analyst - Capital, Client Services and Budget

**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: Q3 2023 Capital Spending** (all values are in thousands of dollars)

<b>Budget by Pillar</b>	<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>
2022 carry-over budget	7,032	173,031	62,838	9,880	205,144	457,925
2023 capital budget, approved	0	52,280	26,504	12,998	31,374	123,156
2023 additional approved funding	0	(28,428)	8,021	(3)	34,485	14,075
<b>Available capital funding for 2023</b>	<b>7,032</b>	<b>196,883</b>	<b>97,363</b>	<b>22,875</b>	<b>271,003</b>	<b>595,156</b>
2023 capital spending	830	33,596	13,327	2,931	24,707	75,391
Open purchase orders (PO)	1,472	72,392	43,404	3,562	70,646	191,476
<b>Total spending and commitments</b>	<b>2,302</b>	<b>105,988</b>	<b>56,731</b>	<b>6,493</b>	<b>95,353</b>	<b>266,867</b>
Projects closed	0	0	0	0	0	0
<b>Uncommitted approved budget</b>	<b>4,729</b>	<b>90,895</b>	<b>40,633</b>	<b>16,382</b>	<b>175,650</b>	<b>328,289</b>

Note: May not add due to rounding.

## Attachment-2: Q3 2023 Capital budget adjustments

**Table 1 - Additional approved budget and other budget adjustments**

<b>ID</b>	<b>Capital account</b>	<b>Entry description</b>	<b>Budget increase / (decrease) \$</b>
BR-23CAP-44	PN0069 Arthur Trunk - Phase 4-Cross Street / Macdonell	Addition of developer contributions.	447,532
BR-23CAP-49	ST0003 Biosolids Facility Upgrade ST0001 Plant Generators ST0004 Treatment Plant Phase 2 Growth ST0005 Treatment Plant Process Upgrades ST0006 Plant Supervisory Control and Data Acquisition ST0015 Building Repairs and Upgrades	Reduction in the uncommitted carry-forward to align with current project requirements. Further allowed reserve capacity to be assigned to the 2024-2027 MYB based on the timing of future needs.	(7,500,000) (2,100,000) (5,184,289) (5,300,000) (5,288,360) (4,000,000)
BR-23CAP-50	PK0180 Parkland Acquisition	Approved by Council September 6, 2023.	1,500,000
<b>Grand total</b>	n/a	n/a	<b>(27,425,117)</b>

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

<b>Description</b>	<b>Amount \$</b>
Additional funding (various projects) required at planning/purchasing stage	27,000
Additional funding required during project execution	106,000
Additional funding required at project closeout	79,000
<b>Grand Total</b>	<b>212,000</b>

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

<b>ID</b>	<b>Transfer from</b>	<b>Amount \$ (from)</b>	<b>Transfer to</b>	<b>Amount \$ (to)</b>	<b>Entry description</b>
BR-23CAP-41	PN0107 Parallel Pipe East of Hanlon to Wastewater Treatment Plant	299,999	PN0073 Bristol Street Trunk Sewer Upgrades GG0256 Clearing Account for Reallocations	101,695 198,304	Reallocate funds to the current phase of the project from a later phase.
BR-23CAP-42	PN0023 Alma Trunk Sanitary Sewer Reconstruction	237,900	PN0073 Bristol Street Trunk Sewer Upgrades GG0256 Clearing Account for Reallocations	90,600 147,300	Reallocate funds to the current phase of the project from a later phase.
<b>Grand total</b>	n/a	537,899	n/a	537,899	n/a



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

<b>ID</b>	<b>Transfer from</b>	<b>Amount \$ (from)</b>	<b>Transfer to</b>	<b>Amount \$ (to)</b>	<b>Entry description</b>
BR-23CAP-39	RB0010 Norfolk St Rail Bridge Rehabilitation PN0060 Wyndham St - Phase 1 - Carden to Douglas St RB0013 Macdonell Bridge and Allans Structure Modifications RD0284 Bridge and Structure Rehabilitation Program	100,000  595,560  253,300  81,600	PN0879 Downtown Infrastructure Revitalization Program Coordination GG0256 Clearing Account for Reallocations	703,900  326,560	To align with scope and cost allowance changes to the Downtown Infrastructure Renewal Program.
BR-23CAP-43	RB0013 Macdonell Bridge and Allans Structure Modifications	158,400	GG0256 Clearing Account for Reallocations	158,400	To align with scope and cost allowance changes to the Downtown Infrastructure Renewal Program.
<b>Grand total</b>	n/a	1,188,860	n/a	1,188,860	n/a