

# COMMITTEE AGENDA



TO **Corporate Administration, Finance and Enterprise Committee**

DATE February 11, 2013

LOCATION Council Chambers, Guelph City Hall, 1 Carden Street

TIME 5:30 p.m.

---

## DISCLOSURE OF PECUNIARY INTEREST AND GENERAL NATURE THEREOF

**CONFIRMATION OF MINUTES-** December 4, 2012 open meeting minutes

## PRESENTATIONS (Items with no accompanying report)

None

## CONSENT AGENDA

*The following resolutions have been prepared to facilitate the Committee's consideration of the various matters and are suggested for consideration. If the Committee wishes to address a specific report in isolation of the Consent Agenda, please identify the item. The item will be extracted and dealt with separately. The balance of the Corporate Administration, Finance & Enterprise Committee Consent Agenda will be approved in one resolution.*

ITEM	CITY PRESENTATION	DELEGATIONS	TO BE EXTRACTED
CAFE-2013.1 Budget Impacts per Ontario Regulation 284/09			
CAFE-2013.2 2013 Operating and Capital Variance Reporting Schedule			

Resolution to adopt the balance of the Corporate Administration, Finance & Enterprise Committee Consent Agenda.

## ITEMS EXTRACTED FROM CONSENT AGENDA

Once extracted items are identified, they will be dealt with in the following order:

- 1) delegations (may include presentations)
- 2) staff presentations only
- 3) all others.

---

**NEXT MEETING-** March 11, 2013

**The Corporation of the City of Guelph  
Corporate Administration, Finance, and Enterprise Committee  
Tuesday, December 4, 2012, 5:00 p.m.**

A meeting of the Corporate Administration, Finance and Enterprise Committee was held on Tuesday, December 4, 2012 in the Council Chambers at 5:00 p.m.

Present: Councillors Hofland, Kovach, Laidlaw, Wettstein and Mayor Farbridge

Also Present: Councillors Bell, Furfaro, Guthrie and Van Hellemond

Staff Present: Mr. A. Horsman, Executive Director, Finance & Enterprise/Treasurer; Mr. M. Amorosi, Executive Director, Corporate & Human Resources; Ms. T. Agnello, Deputy City Clerk; and Ms. D. Black, Council Committee Co-ordinator

**Disclosure of Pecuniary Interest and General Nature Thereof**

There were no disclosures.

1. Moved by Mayor Farbridge  
Seconded by Councillor Laidlaw

THAT the open and closed minutes of the Corporate Administration, Finance and Enterprise Committee meeting held on November 12, 2012 be confirmed as recorded and without being read.

VOTING IN FAVOUR: Councillors Hofland, Kovach, Laidlaw, Wettstein and Mayor Farbridge (5)

VOTING AGAINST: (0)

Carried

**Consent Agenda**

The following items were extracted from Corporate Administration, Finance & Enterprise Committee December 4, 2012 Consent Agenda:

CAFES-2012 A.1 Banking RFP  
CAFES-2012 A.2 40 Wellington Street – Downtown Guelph  
Community Improvement Plan (DGCIP) – Major  
Downtown Activation Grant (DAG)

**Banking RFP**

Staff advised that the by-law to authorize the banking RFP will come forward at the December 17, 2012 Council meeting. There was discussion regarding the anticipated savings through the reduction of banking fees.

2. Moved by Mayor Farbridge

Seconded by Councillor Laidlaw

THAT Report FIN-12-50 dated December 4, 2012, with respect to the banking RFP be received for information.

VOTING IN FAVOUR: Councillors Hofland, Kovach, Laidlaw, Wettstein and Mayor Farbridge (5)

VOTING AGAINST: (0)

Carried

**40 Wellington Street – Downtown Guelph Community Improvement Plan (DGCIP) – Major Downtown Activation Grant (DAG)**

There was discussion regarding the debt continuity schedule, the allocation of grant monies and developer payments, and the need to report back when the reassessments on the property are complete, and ensuring that development charges are paid up front.

3. Moved by Mayor Farbridge

Seconded by Councillor Kovach

THAT Downtown Renewal Report FIN-DR-12-05 dated December 4, 2012 regarding a Major DAG application for the property municipally known as 40 Wellington Street West pursuant to the Downtown Guelph Community Improvement Plan, be received;

AND THAT Council approve the Major DAG for 40 Wellington Street West and that the Mayor and Clerk be authorized to execute the Major Downtown Activation Grant Agreement between 2065404 Ontario Inc. and the City of Guelph, subject to the satisfaction of the Corporate Manager of Downtown Renewal and the General Manager of Legal and Realty Services/City Solicitor.

VOTING IN FAVOUR: Councillors Hofland, Kovach, Laidlaw, Wettstein and Mayor Farbridge (5)

VOTING AGAINST: (0)

Carried

4. Moved by Councillor Kovach

Seconded by Mayor Farbridge

THAT the meeting of the Corporate Administration, Finance & Enterprise Committee of December 4, 2012 be adjourned.

Carried

The meeting adjourned at 5:20 p.m.

.....  
Chairperson

**CORPORATE ADMINISTRATION, FINANCE & ENTERPRISE COMMITTEE  
CONSENT AGENDA**

**February 11, 2013**

Members of the Corporate Administration, Finance & Enterprise Committee.

**SUMMARY OF REPORTS:**

The following resolutions have been prepared to facilitate the Committee's consideration of the various matters and are suggested for consideration. If the Committee wishes to address a specific report in isolation of the Consent Agenda, please identify the item. The item will be extracted and dealt with immediately. The balance of the Corporate Administration, Finance & Enterprise Committee Consent Agenda will be approved in one resolution.

**A Reports from Administrative Staff**

<b>REPORT</b>	<b>DIRECTION</b>
<p><b>CAFE-2013.1 BUDGET IMPACTS PER ONTARIO REGULATION 284/09</b></p> <p>1. That Council approve compliance report FIN-13-01 Budget Impacts per Ontario Regulation 284/09 for expenditures excluded from the 2013 Budget as required by Ontario Regulation 284/09 passed under the Municipal Act, 2001.</p>	Approve
<p><b>CAFE-2013.2 2013 OPERATING AND CAPITAL VARIANCE REPORTING SCHEDULE</b></p> <p>1. That report FIN-13-05-2013 Operating and Capital Variance Reporting Schedule be received for information.</p>	Receive

attach.

# STAFF REPORT



TO CAFES

SERVICE AREA Finance & Enterprise

DATE February 11, 2013

**SUBJECT Budget Impacts per Ontario Regulation 284/09**

REPORT NUMBER FIN-13-01

## EXECUTIVE SUMMARY

### PURPOSE OF REPORT

The City of Guelph is required under Ontario Regulation 284/09 to report on the accrual based expenditures, including amortization, post employment benefits and solid waste landfill closures and post-closure costs that can be excluded from the annual cash based budget.

### KEY FINDINGS

Based on the reconciliation undertaken as a requirement of the Ontario Regulation 284/09, it is anticipated that the City's 2013 accumulated surplus as reported on the City's financial statements will increase largely due to the cost of the replacement of assets being higher than the anticipated cost of amortization. However, it is important to recognize that amortization is based on historical, not replacement, cost.

### FINANCIAL IMPLICATIONS

There are no direct financial implications associated with this report. However, the information contained within this report will be reflected in the 2013 annual audited financial statements.

### ACTION REQUIRED

Refer the compliance report for expenses excluded from the 2013 budget as required under the Municipal Act, 2001 Ontario Regulation 284/09 (Attachment 1) to Council for approval.

## RECOMMENDATION

1. That Council approve compliance report FIN-13-01 Budget Impacts per Ontario Regulation 284/09 for expenditures excluded from the 2013 Budget as required by Ontario Regulation 284/09 passed under the Municipal Act, 2001.

# STAFF REPORT



## BACKGROUND

In 2009, accounting standards and financial reporting requirements changed dramatically, with the most significant change being that municipalities were required to report on their tangible capital assets. However, the new accounting standards do not require budgets to be prepared on the same basis. The City of Guelph, like many municipalities, continues to prepare budgets on the traditional cash basis. On an annual basis, Council is required to approve a balanced budget which provides a plan for current and future activities. One of the most important outcomes of the budget process is a tax rate, or user rate in the case of water and wastewater, which Council is asked to approve. The tax or user rate is set based on a cash basis of accounting and therefore does not include the Public Sector Accounting Board (PSAB) requirements of accrual accounting and accounting for non-financial assets and liabilities.

## REPORT

Ontario Regulation 284/09 was introduced by the Province of Ontario. This regulation allows municipalities to exclude the following expenses from their municipal budgets:

- Amortization expense on tangible capital assets
- Post-employment benefit expenses
- Solid waste landfill and post-closure expenses

Under this regulation, municipalities are required to report on the impact of these excluded costs prior to final approval of the annual budget; Council must adopt the report by resolution.

The City of Guelph's 2013 proposed budgets exclude the following expenditures:

1. Amortization expense, estimated at \$38.0 million, is excluded from the City's tax supported operating and enterprise budgets. Amortization is a useful tool to predict the future annual financial commitment required for asset rehabilitation and the City of Guelph's 2013 tax supported operating and enterprise budgets include contributions of \$42.1 million to capital reserves. These contributions will provide on-going funding for capital replacement and rehabilitation. Further analysis on the level of reserve contributions that are required in order to address the infrastructure gap and achieve a sustainable level of funding was carried out in 2012 as part of the Infrastructure Sustainability Report undertaken by Engineering Services. This work will continue through 2013 and look to expand to other City assets.
2. Future Post Employment Benefit Expenses are not included in the budget. However, the 2013 budget does include funding for the current year's post employment benefit expense for the City's eligible retired employees. The amount budgeted is \$1.195 million. The 2013 forecasted liability is \$2.1 million resulting in a funding shortfall which will result in a draw on the City's compensation reserves.

In accordance with the regulation, municipalities are not required to include solid waste landfill and post-closure expenses in their budgets. However, the City of



# STAFF REPORT



Guelph does include the current year expense associated with reducing the liability recognized on the City's financial statements.

Attachment 2 reconciles the City's 2013 budget from a cash based or "zero based" budget to the Public Sector Accounting Board format and shows the anticipated change to the year-end accumulated surplus. Overall, the City's accumulated surplus will increase due to the budgeted cost of the replacement of assets being higher than the anticipated cost of amortization. However, it is important to recognize that amortization is based on historical, not replacement, cost.

## CORPORATE STRATEGIC PLAN

2.3 Ensure accountability, transparency and engagement

## DEPARTMENTAL CONSULTATION

N/A

## COMMUNICATIONS

N/A

## ATTACHMENTS

Attachment 1: Ontario Regulation 284/09 Budget Matters- Expenses

Attachment 2: 2013 Tax Supported & Enterprise Budgets (Unconsolidated) PSAB 3150 Reconciliation

Prepared By:  
Sarah Purton  
Manager, Financial Planning & Budgets  
519-822-1260 ext. 2325  
E: sarah.purton@guelph.ca

Prepared By:  
Tara Johnston  
Manager, Reporting & Accounting  
T: 519-822-1260 ext. 2084  
E: tara.johnston@guelph.ca

*original signed by Katrina Power*

---

**Approved By:**  
Katrina Power  
GM Finance/Deputy Treasurer  
519-822-1260 ext. 2289  
E: Katrina.power@guelph.ca

*original signed by Al Horsman*

---

**Recommended By:**  
Al Horsman  
Executive Director, Finance & Enterprise/CFO  
519-822-1260 ext. 5606  
E: [al.horsman@guelph.ca](mailto:al.horsman@guelph.ca)



ServiceOntario

e-Laws

---

**ONTARIO REGULATION 284/09**

made under the

**MUNICIPAL ACT, 2001**

Made: July 31, 2009

Filed: July 31, 2009

Published on e-Laws: August 4, 2009

Printed in *The Ontario Gazette*: August 15, 2009**BUDGET MATTERS — EXPENSES****Exclusion**

1. In preparing the budget for a year, a municipality or local board may exclude from the estimated expenses described in paragraph 3 of subsection 289 (2) and in paragraph 3 of subsection 290 (2) of the Act all or a portion of the following:

1. Amortization expenses.
2. Post-employment benefits expenses.
3. Solid waste landfill closure and post-closure expenses.

**Report**

2. (1) For 2011 and subsequent years, the municipality or local board shall, before adopting a budget for the year that excludes any of the expenses listed in section 1,

- (a) prepare a report about the excluded expenses; and
- (b) adopt the report by resolution.

(2) If a municipality or local board plans to adopt or has adopted a budget for 2010 that excludes any of the expenses listed in section 1, the municipality or local board shall, within 60 days after receiving its audited financial statements for 2009,

- (a) prepare a report about the excluded expenses; and
- (b) adopt the report by resolution.

**Contents**

3. A report under section 2 shall contain at least the following:

1. An estimate of the change in the accumulated surplus of the municipality or local board to the end of the year resulting from the exclusion of any of the expenses listed in section 1.

2. An analysis of the estimated impact of the exclusion of any of the expenses listed in section 1 on the future tangible capital asset funding requirements of the municipality or local board.

**Review**

4. The Ministry of Municipal Affairs and Housing shall initiate a review of this Regulation on or before December 31, 2012.

**Commencement**

5. **This Regulation is deemed to have come into force on January 1, 2009.**

Made by:

JIM WATSON

*Minister of Municipal Affairs and Housing*

Date made: July 31, 2009.

[Back to top](#)

**Attachment 2**  
**2013 City of Guelph Tax Supported & Enterprise Budgets (Unconsolidated)**  
**PSAB 3150 Reconciliation**

**2013 Approved Budget (Prepared on a Cash Basis)**

<b>Revenues</b>	
Operating	(315,018,298)
Capital	(76,278,700)
<b>Total Revenues</b>	<b>(391,296,998)</b>
<b>Expenses</b>	
Operating	315,018,298
Non-Tangible Capital	1,000,000
Capital	75,278,700
<b>Total Expenditures</b>	<b>391,296,998</b>
<b>Net Budget</b>	<b>\$ -</b>

**Adjustments Required to Reconcile to an Accrual Based Budget**

<i>Reductions to Revenues</i>	
Transfers from Reserves/Reserve Funds <sup>(1)</sup>	53,145,730
<i>Reductions to Expenditures</i>	
Transfers to Reserve/Reserve Funds <sup>(2)</sup>	(41,179,991)
Capital Expenses <sup>(3)</sup>	(75,278,700)
Debt Principle Payments <sup>(4)</sup>	(7,292,845)
Reduction of Post-Closure Landfill Liability <sup>(5)</sup>	(300,000)
<i>Increases to Expenditures</i>	
Tax Increment Based Grant Program <sup>(6)</sup>	2,250,000
Amortization of Tangible Capital Assets <sup>(7)</sup>	38,000,000
<b>Annual (Surplus)/Deficit</b>	<b>(30,655,806)</b>
<b>Accumulated Surplus, beginning of the year</b>	<b>978,444,000</b>
<b>Accumulated Surplus, end of the year</b>	<b>1,009,099,806</b>

- (1) "Transfers from Reserve/Reserve Funds" is the budgeted amount transferred from the reserves to fund expenditures, mainly related to capital work. This is not considered revenue under PSAB accounting because we did not receive this money from an external source. These funds would have been recorded as revenue in the period it was received as part of tax revenue or grant revenue.
- (2) "Transfers to Reserve/Reserve Funds" is the budgeted contribution transferred to the reserves to fund future expenditures included in the City's operating budget. This is not considered an expense under PSAB accounting because we did not pay this money to an external entity. These funds will be recorded as an expense in the period a good / service is received by the City and funds are expended.
- (3) "Capital Expenses" is the amount budgeted to be spent on capital projects in the City's capital budget. These are not considered an expense under PSAB accounting as they will be capitalized on the balance sheet as tangible capital assets and amortized as an expense over the useful life of the asset.
- (4) "Debt principal payments" are included in the City's operating budget in order to raise the funds required to repay the current year's debt obligations. These are not considered an expense under PSAB accounting and instead debt principal is recorded as a reduction of the City's long-term debt liability.
- (5) "Reduction of Post-Closure Landfill Liability" is a non-cash accounting revenue that is not included as part of the City's operating budget. The City was required by PSAB accounting rules to set up a liability in 2008 that accounted for the present value of the total expected costs associated with the closure of the landfill site in 2003. The City continues to budget on a cash basis for these actual costs annually.
- (6) "Tax Increment Based Grant Program" is included as a transfer to reserves in the City's operating budget in order to raise the funds required to cover the long-term obligations expected under the program. These are considered expenses under PSAB and will be recorded in the period the grant is provided.
- (7) "Amortization of tangible capital assets" is considered a non-cash expense and is therefore not included in the City's operating budget. However, amortization is considered an expense under PSAB accounting and needs to be added back for financial reporting purposes.

# STAFF REPORT



---

TO CAFES

SERVICE AREA Finance and Enterprise

DATE February 11, 2013

**SUBJECT 2013 Operating and Capital Variance Reporting Schedule**

REPORT NUMBER FIN-13-05

---

## EXECUTIVE SUMMARY

### PURPOSE OF REPORT

To provide a schedule for operating and capital variance reporting to Council.

### KEY FINDINGS

Operating variance reports will be produced quarterly for a total of five times a year (including two reports for year-end). Capital Variance Reports will be produced quarterly, for a total of four times per year (one report for year-end)

### FINANCIAL IMPLICATIONS

Timely corrective action is required to prevent possible overspending of the approved budget. Frequent variance reporting assists in the monitoring of the budget and in taking timely corrective action.

### ACTION REQUIRED

CAFES Committee to receive report FIN-13-05 2013 Operating and Capital Variance Reporting Schedule for information.

## RECOMMENDATION

That report FIN-13-05 2013 Operating and Capital Variance Reporting Schedule be received for information.

## BACKGROUND

Once the Annual Budget is approved, actual expenditures are monitored and compared against budget. Reviewing periodic variance reports enables Council to perform its governance function and allow sufficient time for the Executive Team to take corrective action if necessary.

In 2012, the City produced five operating variance reports including two year-end reports and will continue this reporting frequency in 2013. The capital variance report has historically been produced twice a year and this reporting frequency will increase to four reports in 2013. A benchmarking to other municipalities in our

# STAFF REPORT

comparator group indicates that three to four operating variance reports annually is standard. All municipalities examined produce a year-end report.

## REPORT

The Finance Department in consultation with City Departments will produce five operating variance reports for Council during each fiscal cycle including preliminary and final year-end variance reports. Following an election year, because of the delayed passing of the Budget, four operating variance reports will be produced for the year (including the year-end reports).

The following table outlines the proposed capital and operating variance reporting schedule for 2013. This variance reporting schedule will be incorporated into the overall rolling calendar for Council.

### **FIN-13-05 Reporting Timelines for Operating and Capital Variance Reports**

<b>Report</b>	<b>Date of CAFE Meeting</b>
Dec 2012 (Prelim)	Apr-15-2013
Dec 2012 (Final)*	Jun-10-2013*
March 2013	May-13-2013
June 2013	Sep-16-2013
September 2013	Novt-12-2013

*\*This is only for the operating variance report. The final capital variance report will be in April.*

The December operating year-end report will have two versions, a preliminary report based on 2012 initial financial information and a final report coinciding with the audited 2012 year-end financial statements.

Capital variance reports will be produced four times a year. The variance reports will be based on quarterly reporting periods ending on the last day of the month for March, June, September, and December.

#### Operating Variance Reports:

In order to provide timely information to Council, two reports will be provided for year end:

1. The preliminary year-end operating variance report will be presented in April. The preliminary version should contain most of the expenditures and revenues for the year and will provide a good indication of the final position for each Department.

2. As part of the financial statement preparation process, there are further accounting entries that may be made that could affect the final position such as final reconciliation between the county, interest on reserves, auditor findings etc. As such, a final version of the year-end variance report will be presented to Council. This report will be based on the audited financial statements and provide recommendations from the Executive Team for approval by Council on distribution of any surplus to appropriate reserve and reserve funds.

### Capital Variance Reports:

The capital variance report will be produced four times per year to coincide with the operating variance report to give a full financial picture to council. Because of the differing nature of capital projects, a single capital variance report will be provided for year end for April CAFES. This will be the only year-end capital variance report and should detail all capital expenditures and financial impacts of closed projects.

### **CORPORATE STRATEGIC PLAN**

Frequent monitoring of City spending will ensure corporate objective 2.3: *Ensure accountability, transparency and engagement.*

### **DEPARTMENTAL CONSULTATION**

It is the responsibility of the management of each Service Area to ensure spending does not exceed the Council approved budget. Finance, in consultation with the Executive Team, is responsible for the production of the variance reports.

### **COMMUNICATIONS**

None

*original signed by Colm Lynn*

*original signed by Sarah Purton*

---

#### **Prepared By:**

Colm Lynn, CGA  
Senior Corporate Analyst  
519-822-1260 ext 2321  
[colm.lynn@guelph.ca](mailto:colm.lynn@guelph.ca)

---

#### **Approved By:**

Sarah Purton, CMA  
Manager Financial Planning  
519-822-1260 ext 2289  
[sarah.purton@guelph.ca](mailto:sarah.purton@guelph.ca)

# STAFF REPORT

---



*original signed by Al Horsman*

---

**Recommended By:**

Al Horsman

Executive Director Finance and Enterprise and Treasurer

519-822-1260 ext 2300

[al.horsman@guelph.ca](mailto:al.horsman@guelph.ca)