

# COMMITTEE AGENDA



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

DATE Tuesday December 3, 2013

LOCATION Council Chambers, Guelph City Hall, 1 Carden Street

TIME 6:30 p.m.

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## DISCLOSURE OF PECUNIARY INTEREST AND GENERAL NATURE THEREOF

**CONFIRMATION OF MINUTES-** November 12, 2013 open meeting minutes

## PRESENTATIONS (Items with no accompanying report)

- a) 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-2013.38 Corporate Asset Management Program			
CAFE-2013.39 2013 Q3 Capital Budget Monitoring Report			
CAFE-2013.40 September 2013 Operating Variance Report			
CAFE-2013.41 2013 Efficiency Target Final Update			
CAFE-2013.42 Metrolinx Contribution Agreement			

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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.

**STAFF UPDATES AND ANNOUNCEMENTS**

**CLOSED MEETING**

THAT the Corporate Administration, Finance & Enterprise Committee now hold a meeting that is closed to the public with respect to:

**CAFE-C-2013.1 Citizen Appointment to the Economic Development Advisory Committee**  
S. 239 (2) (b) personal matters about identifiable individuals

**CAFE-C-2013.2 Metrolinx Contribution Agreement**  
S. 239 (2) (c) proposed or pending acquisition or disposition of land

**ADJOURN**

**NEXT MEETING:** February 3, 2014



**CAFE-2013.36 Council Remuneration – Citizen Review Committee**

**CAFE-2013.27 Downtown Renewal Update & Guelph Economic Investment Strategy Discussion**

**Extracted Items**

**CAFE-2013.36 Council Remuneration – Citizen Review Committee**

2. Moved by Mayor Farbridge  
Seconded by Councillor Wettstein
  1. That the report titled 'Council Remuneration – Citizen Review Committee', dated November 12, 2013, be received.
  - 2. That the policy governing increases to Council remuneration during non-election years be referred to the Citizen Review Committee for consideration and recommendation.**

*VOTING IN FAVOUR: Mayor Farbridge, Councillors Hofland, Laidlaw and Wettstein (4)*

*VOTING AGAINST: (0)*

CARRIED

**CAFE-2013.37 Downtown Renewal Update & Guelph Economic Investment Strategy Discussion**

Mr. Ian Panabaker, Corporate Manager Downtown Renewal, highlighted the Downtown Renewal and Guelph Economic investment Strategy. He provided information on the Downtown Strategic Assessment, and the sub projects; Baker Street Development Proforma, Joint Campus Business Case, Parking Master Plan, Streetscape and Built Form Manuals, Thermal Energy Network and Private Sector Development.

Councillor Kovach arrived at 6: 24 p.m.

There was discussion relating to the Baker Street RFP, management of growth, capital investment and timelines.

3. Moved by Mayor Farbridge  
Seconded by Councillor Laidlaw
  1. That the November 12, 2013 committee presentation provided by Enterprise Services, titled 'Downtown Renewal Update and Guelph Economic Investment Strategy Discussion', be received.
  - 2. That the Downtown Renewal Update and Guelph Economic Investment Strategy Discussion be referred to November 25, 2013 Council.**

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

*VOTING AGAINST: (0)*

CARRIED

**Staff Updates and Announcements**

There were no staff updates or announcements.

**Adjournment (7:05 p.m.)**

4. Moved by Councillor Kovach  
Seconded by Mayor Farbridge

That the meeting be adjourned.

CARRIED

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Tina Agnello – Deputy Clerk

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

**December 3, 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>
<b>CAFE-2013.38      CORPORATE ASSET MANAGEMENT PROGRAM</b>  1. That FIN-13.52 Corporate Asset Management Program report be received.  2. That the "Corporate Asset Management Program Policy" attached to FIN-13-52 as Appendix 1 be approved.	Approve
<b>CAFE-2013.39      2013 Q3 CAPITAL BUDGET MONITORING REPORT</b>  1. That FIN-13-51 Q3 Capital Budget Monitoring Report be received.	Receive
<b>CAFE-2013.40      SEPTEMBER 2013 OPERATING VARIANCE REPORT</b>  1. That report FIN-13-50 September 2013 Operating Variance Report be received for information.	Receive
<b>CAFE-2013.41      2013 EFFICIENCY TARGET FINAL UPDATE</b>  1. That FIN-13-53, "2013 Efficiency Target Progress Update" be received for information.	Receive

**CAFE-2013.42 METROLINX CONTRIBUTION AGREEMENT**

Approve

1. That the Mayor and Clerk be authorized to execute the Metrolinx Contribution Agreement as described in report FIN-13-49.
2. That staff be directed to contribute at least \$150,000 annually into a reserve fund towards satisfying this commitment.

attach.

# STAFF REPORT



TO Corporate Administration, Finance and Enterprise

SERVICE AREA Finance and Enterprise

DATE December 3, 2013

**SUBJECT Corporate Asset Management Program**

REPORT NUMBER FIN-13-52

## EXECUTIVE SUMMARY

### PURPOSE OF REPORT

- To update Committee on Asset Management activities occurring within the City
- To provide a forecast of planned activity in order to meet the Provincial guidelines for Asset Management
- To present the "Corporate Asset Management Program Policy" for approval.

### KEY FINDINGS

- City departments are at various stages in developing Asset Management plans; none have a complete comprehensive plan in place,
- Roads, Water Services and Waste Water are the most advanced; in line with the Ministry of Infrastructure requirements for December 31, 2013,
- All departments see the value of Asset Management and are dedicated to moving the process forward.

### FINANCIAL IMPLICATIONS

- This report includes no specific financial implications, however, future reports will lay out the funding needed to see Asset Management fully implemented.

### ACTION REQUIRED

THAT FIN-13-52 Corporate Asset Management Program report be received and,

THAT the "Corporate Asset Management Program Policy" attached to FIN-13-52 as Appendix 1 be approved.

### RECOMMENDATION

THAT FIN-13-52 Corporate Asset Management Program report be received and,

THAT the "Corporate Asset Management Program Policy" attached to FIN-13-52 as Appendix 1 be approved.



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## BACKGROUND

As per PSAB 3150, on January 1, 2009 all Municipalities in Canada were required to record the historical value of Tangible Capital Assets (TCA) on their balance sheet along with accumulated depreciation and each year in the financial statements the annual depreciation amount is shown as an expense. In order to accomplish this, the City undertook an extensive inventory and valuation process to establish the opening balances as of January 1, 2009. In many cases estimates for in-service date, original cost and remaining useful life were used to allow for a timely and complete starting point. Also, a number of smaller value items such as equipment were pooled to meet the value thresholds established. These procedures were appropriate for the exercise of creating an accounting valuation for financial statement use. However, this inventory is missing much of the data that is required to undertake a more wholesome asset management program. When PSAB 3150 was introduced it was always intended as a first step towards the main goal of proactive and ongoing asset management.

The Ministry of Infrastructure set December 31, 2013 as a deadline to demonstrate that an Asset Management Plan (AMP) is in place for the following asset groups: roads and bridges, water and waste water systems and social housing. As the City does not own and manage social housing this has been excluded from the proposed policy. Additionally, as Storm water management is closely managed with the City's roads, water and waste water systems, this asset group has been included as one of the key focus areas. The Ministry has provided guidelines on what an AMP should include and the type of activities that it will drive. There is still some uncertainty regarding the level of detail that they are requiring in the plan and the Ministry is continuing to work with municipalities to clear this up through workshops and webinars. Their expectations are that as municipalities use and revise their plans they will also increase the detail and scope of them over time.

## REPORT

An AMP is a system that will ultimately drive planning, budgeting and maintenance decisions within the City. It requires numerous points of contact on an ongoing basis to ensure that its usefulness is maintained. Over time as experience is gained, assumptions will improve which will further increase its usefulness.

This report will describe the current state of Asset Management at the City and the direction that it is heading. It identifies the points where we have made great progress, the issues and road blocks encountered to date as well as future issues that will need to be resolved in order to meet the end goal of a comprehensive Corporate AMP.

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## **Corporate Asset Management Program Policy**

One of the key pieces the Ministry has identified is the demonstration by a municipality that asset management is a corporate wide initiative supported by Council. To this end a policy has been included for approval in Appendix 1 that sets out the major components of any AMP, the scope of application across all City departments and key roles and responsibilities for staff.

The policy is intended to be high level so that each department and type of asset can use the document as a guide, and will require customization during the development of specific AMPs. As well, timeframes have been excluded from the policy as many departments will be starting with very little information and the time involved to meet guidelines is currently unknown. Within this report there is a proposed work plan for the next 18 months that includes a number of points of contact with Council when updates on progress, successes and hurdles will be brought forward. As part of each AMP, departments will commit to reporting and reviewing timeframes that will include communication to Council as well.

In addition, Council will be consulted specifically on issues that enter into their jurisdiction such as service level setting, risk mitigation alternatives and financial strategy implementation.

### **Where are we now**

The scorecard below shows a high level score for each of the 18 areas identified in the policy as well as a summary for the City of Guelph. This scorecard will be a key communication piece as the City moves forward in developing AMPs for each department.

The scorecard has been split into two groups; the four Ministry directed asset category focus areas and the balance of the City assets. For the Ministry directed group, the goal is to integrate the large volume of data already collected into a coherent system that allows for improved decision making and forecasting over the life of the assets. The focus for the balance of assets will be ensuring that all asset categories are brought to the minimum standard of having complete and accurate data that is easily updatable through the use of common systems. Once this is accomplished, they will move to the second phase of using this data to improve decision making and forecasting.

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## Asset Management Plan Scorecard as of October 31, 2013

	Complete Data	Systems Integration	Processes & Practices	People & Resources	Strategic Planning	Overall
Roads & Bridges	●	●	●	●	●	●
Storm Water Management	●	●	●	●	●	●
Waste Water	●	●	●	●	●	●
Water Services	●	●	●	●	●	●
Arts, Culture and Tourism						
Bylaw Compliance, Security and Licensing	●	●	●	●	●	●
Corporate Building Maintenance	●	●	●	●	●	●
EMS	●	●	●	●	●	●
Fire	●	●	●	●	●	●
Fleet	●	●	●	●	●	●
Forestry	●	●	●	●	●	●
Information Technology	●	●	●	●	●	
Parking						
Parks	●	●	●	●	●	●
Recreation	●	●	●	●	●	●
Solid Waste	●	●	●	●	●	●
Traffic Signals						
Transit						
City of Guelph	●	●	●	●	●	●

Legend: ● Poor ● Low ● Average ● Good ● Excellent

### Four Ministry Directed Focus Areas

#### Roads & Bridges, Water and Waste Water systems and Storm Water Management

As the scorecard above indicates, these four areas (except storm water management) are the furthest along in developing and maintaining a comprehensive AMP.

With the use of Geographic Information Systems (GIS), engineering is able to maintain a very accurate inventory of the individual components that make up these four systems. The GIS system is integrated within Engineering to overlay road condition data as well as track work activity such as main breaks and storm flooding. This allows for development of both maintenance work plans and prioritization of capital projects.

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In 2012 Engineering services contracted Aecom to undertake a comprehensive review of these assets and produce a report which demonstrated at a high level the replacement value of the systems, the annual operating and maintenance costs and the age distribution of the various components. The report also included a scorecard based on the ratio of the 2012 approved budget spending on each service to the 100 year average based on the above costs. This report was brought to Council and demonstrated that over the past 8 years, progress has been made on all of the above in terms of funding levels.

Both water services and waste water operate within a heavily legislated environment which dictates much of the operational and capital renewal activities that they must undertake. The main issue for them is the integration of various sources of information that would allow them to make decisions quickly as well as provide mandatory reporting to various Ministry agencies as needed.

Combined, these areas have a solid basis for their respective AMPs and the next steps will involve integrating this information into a system that allows for more detailed analysis and planning. As well further expansion of the service level, risk analysis and financial strategy components will continue over the next 12 months.

## **Balance of Asset Groups**

The rest of the City is not as advanced with asset management techniques (with the exception of Fleet and Solid Waste); however, all departments do have a starting point and a desire to develop an AMP. There are a number of issues that all areas are facing: availability of data, appropriate management systems, ownership and resources. The AMP Scorecard was developed through preliminary discussions with all groups, and represents only a high level view of their current situations. More investigative and preliminary work is required for some areas and over the next 18 months the specifics of each area will be reviewed and analyzed and a comprehensive plan developed for each. Below is a summary of the issues the City is currently facing and will have to overcome to develop an AMP.

## **Common Issues**

### **Availability of Data**

As mentioned previously, many areas are unsure of the completeness and accuracy of their asset data. Also, they don't have the necessary resources or systems to gather the data required to create a complete AMP. The output of the AMP is only as good as the data that goes into it. Ensuring that data is complete

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and accurate, will be the first exercise for most departments as they begin to build their AMP.

Data gathered for PSAB 3150 will be a starting point, with additional work required to ensure completeness and accuracy at the level of detail required for an AMP.

## Systems

Currently there are a large number of systems used to store and access the data that is available on the City's assets.

JDE	WAM	GIS
Amanda	Microsoft Access	Microsoft Excel
Paper File	Cherwell Service Management	Cartegraph Navigator
CAPS	SAWS	Bridge Management

The above represents AM systems identified during three one hour group meetings held in preparation for this report. There are most likely additional resources being used that may or may not be integrated in some way with our core systems JDE/RAC/WAM.

The reasons cited for the large number of systems were varied: lack of WAM training; WAM unable to perform certain required functions or track specific types of data; resources unavailable to input and maintain the information.

The consequence of this lack of centralization is that data needed in various departments for multiple purposes is either difficult to locate, or once located, is being maintained in multiple locations. Both lead to the data becoming outdated and potentially inaccurate. An integrated solution would allow departments to coordinate efforts and create efficiencies when working on cross-departmental tasks or projects.

The lack of integration with the City's core systems decreases the value of the data in relation to budget preparation and work planning. A fully integrated set of systems will allow for better planning both at budget time and throughout the year. Efficiencies will be gained through elimination of redundant activities, better prioritizations and economies of scale across departments.

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Through the work plan attached in Appendix 2, a systems needs assessment will be completed and coordinated with the ongoing activities of the ERP and WAM Steering Committees and User Groups.

## **Ownership**

Many of the City's assets involve multiple departments in their use, maintenance and purchase/replacement. This lack of single ownership leads to confusion amongst departments as to who is responsible for what activities related to the asset. In many cases a coordinated effort is required where one party acts as the owner/service provider and the other as the customer.

Developing clearer guidelines with regard to who is responsible for which assets will allow departments to focus work plans on their activities and will prevent duplication or gaps in review and oversight of the City's assets.

## **Resources**

A lack of human resources to compile the information necessary to create an AMP was expressed clearly as one of the key issues that need to be resolved. Departments are aware that the information they currently possess is incomplete, outdated and in a format that is not optimal. However, finding the time using existing resources is not feasible, although a clear picture of how many additional staff, in what capacity and for how long is also not clearly defined at this time. Through ongoing discussions, a better understanding of the time commitment and resources required to complete the necessary tasks will be identified.

The focus of current staff will be on identifying the gaps and drafting the timeline of how such gaps can be addressed.

Once AMPs are developed and new systems are in place, additional resources will be required to maintain and update the data within the system. This will be a combination of permanent staff, temporary positions and consultants depending on the functions required. The AMP will clearly define each role and the timing and volume of work that is required.

One final piece of the resourcing puzzle will be to provide the appropriate training on systems and asset processes. As the AMP's are developed, it is critical that the information is disseminated to those who use the assets and interact with the system and AMP. Ensuring a good understanding of the AMP and associated systems is critical in seeing the positive benefits of the plan fulfilled.

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## **Outputs of an AMP**

### **Service Level Measurement**

For most departments the service that they provide is clear and the service level is in some way defined. What is missing is the link between service level and the assets that are required to provide it. How do assets impact service level and what are the costs associated with particular levels of service? This is the question that a good AMP should be able to answer, thereby helping departments and the City as a whole to decide the relative importance of various services and what investment is needed to keep the service at the optimal level.

Once departments have gathered the necessary asset data and input it into an integrated system, the next step will be to set service level expectations. This work will involve the Executive Team and Council as well as the public to ensure a consistent set of expectations.

### **Risk Identification**

There is risk involved in every action the City does or doesn't take; understanding the costs and consequences of these various actions is the key to delivering effective services. As part of the long term planning driven by the AMP, determining the types of risks and how to measure them will be a first step. From here, a discussion of acceptable levels of risk and decisions about which mitigation actions to undertake can take place. In most cases risk will be related to a financial cost, which will then be weighed against available resources or identification of additional funding.

### **Financial Strategy**

Once departments have identified service levels and assessed risk, a comprehensive financial strategy can be prepared and decisions made regarding funding methods. The starting point of a solid AMP is to view the needs of the City's assets without first applying the budget constraints; however, the final decisions will need to be made based on available funding. With a complete AMP the decisions around funding are applied on a more transparent and objective basis.

## **Next Steps**

### **Work Plan Development**

Over the next 6-9 months works plans will be developed for each area based on their unique starting point. These work plans will identify key obstacles and the

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resources required to overcome them. The outputs from these work plans will be incorporated into future reporting to Council regarding progress on the Corporate AMP as well as through both the Operating and Capital budget processes.

## **Follow up reporting to Council**

The next reporting to Council on the Corporate AMP will be in March of 2014 so as to inform the budget process, and then September/October of 2014 to provide an update on progress made. Future years will have the same reporting pattern. Additional reports will be provided if unique situations or opportunities arise which dictate Council's involvement.

## **CORPORATE STRATEGIC PLAN**

3.1 Ensure a well designed, safe, inclusive, appealing and sustainable City.

## **DEPARTMENTAL CONSULTATION**

A series of AMP meetings were held involving all City departments to gather information at a high level. Additionally, Finance has worked closely with all departments in developing capital budgets.

## **FINANCIAL IMPLICATIONS**

No specific financial needs identified at this time. Future reports will make clearer the required funding to move the process forward.

## **COMMUNICATIONS**

None noted.

## **ATTACHMENTS**

Appendix 1 – Corporate Asset Management Program Policy

Appendix 2 – 18 month work plan

## **Report Author**

Greg Clark

Sr. Corp Analyst, Capital Asset Management

“original signed by Tara Baker”

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### **Approved By**

Tara Baker

Manager

Financial Reporting & Accounting

“original signed by Al Horsman”

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### **Recommended By**

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## Appendix 1 – Corporate Asset Management Program Policy

### CORPORATE POLICY

POLICY	<b>Corporate Asset Management Program Policy</b>
CATEGORY	Finance
AUTHORITY	Council
RELATED POLICES	PSAB 3150 Tangible Capital Asset Policy
APPROVED BY	Council
EFFECTIVE DATE	January 1, 2014
REVISION DATE	_____

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#### 1. POLICY STATEMENT

The City will promote the use of asset management principles and practices in all City departments.

The program will develop and implement processes to assist departments in acquiring, creating, operating, maintaining, renewing and disposing of assets.

The program will promote the provision of services at a level that balances customer expectations with cost and risk.

#### 2. PURPOSE OF POLICY

To outline the Corporation's position with regard to Asset Management including applicable roles and responsibilities.

#### 3. CITY STRATEGIC PLAN DIRECTIONS

The Asset Management Program fits into the Corporate Strategic Plan under Strategic Focus Area 3 – City Building

3.1 Ensure a well designed, safe, inclusive, appealing and sustainable City.

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## 4. CORPORATE ASSET MANAGEMENT PROGRAM

The major components of the program will include a corporate asset registry, corporate work management system, decision support models and asset management plans.

The objectives of the program are to:

- a. Establish and maintain a record of the value and lifecycle costs of all tangible capital assets owned by the City.
- b. Review processes related to asset acquisition, maintenance, disposition and service provision. Establish a corporate standard to promote consistency in how assets are managed.
- c. Modify current practices where appropriate to improve effectiveness and efficiency of asset management.
- d. Meet all legislative requirements and regulatory standards.
- e. Support the development and improvement of decision making tools that promote doing the right thing to the right asset at the right time.
- f. Develop communication tools that demonstrate complex concepts in plain language.
- g. Strive for continuous improvement in the process through improved data quality and refinement of forecast reliability.

## 6. SCOPE AND APPLICATION

This policy applies to all staff using or managing tangible capital assets owned by the City. These assets fall into one of the following 18 groups:

- Bylaw and Security
- Corporate Buildings
- Art & Culture
- EMS
- Fire
- Fleet
- Forestry
- Information Technology
- Parking
- Parks
- Recreation
- Roads
- Solid Waste
- Storm Sewer
- Traffic
- Transit
- Waste Water
- Water Services

Each of these groups will be assigned an asset owner and an asset steward.

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## 7. ROLES AND RESPONSIBILITIES

**Council** – approves asset management policy and asset funding through the annual corporate budget process

**Executive Team** – provides corporate oversight of service delivery and levels

**Asset Owner** – General Manager or Manager with accountability for one or more of the 18 asset groups; responsible for leading the creation and maintenance of the related Asset Management Plan

**Sr. Corp Analyst–Capital Asset Management** – coordinates the development, implementation and delivery of asset management program including, frameworks, priorities, data collection, evaluation and service levels

**Asset Steward** – manages the applicable asset registry and improvement/replacement projects that impact the sustainability of the assets

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## DEFINITIONS

“Asset Management” – is a combination of management, financial, economic, engineering and other practices applied to tangible capital assets with the objective of providing the required level of service in the most cost-effective manner at an acceptable level of risk. It involves decision-making and actions throughout the asset lifecycle.

“Asset Management Plan” – provides the details for a particular asset group which are updated regularly and refined over time. Each plan will contain:

- Asset listing
- Condition assessment
- Current and desired service levels
- Financial needs of the assets
- Requirements for sustainability
- Risks associated with the assets

“Corporate Asset Management”- the application of asset management principles at a corporate level to maximize consistency among diverse asset groups. Corporate asset management creates efficiency by harmonizing service levels and business processes wherever possible.

“Lifecycle Costing” – the total of all costs associated with an asset throughout its life, including, planning, design, construction, acquisition, operation, maintenance, rehabilitation, renewal and disposal.

“Service Level” – the performance of an asset as it relates to service delivery to the City’s customers. This will be measured through the development of asset specific performance measures.

“Tangible Capital Asset” – a non-financial asset having a physical substance that is held for use by the City, has a useful life of greater than 1 year and is not intended for sale in the normal course of business.

“Risk” – The probability of some type of loss or damage occurring. Both quantitative and qualitative impacts of the various scenarios will be evaluated to build a complete risk profile.

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## Appendix 2 – 18 month work plan

	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15
<b>Four focus areas</b>																		
Detailed gap identification	Yellow	Yellow	Yellow															
GIS Technology Plan	Yellow	Yellow	Yellow	Yellow														
System needs identification			Yellow	Yellow	Yellow													
Work to address gaps					Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow				
Service level discussions						Yellow	Yellow	Yellow	Yellow									
Risk identification									Yellow	Yellow	Yellow	Yellow						
Financial Strategy							Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow			
<b>Balance of areas</b>																		
Detailed gap identification				Orange	Orange	Orange	Orange	Orange	Orange									
Resources requirements					Orange	Orange	Orange	Orange	Orange	Orange	Orange							
System needs identification					Orange	Orange	Orange											
Work to address gaps											Orange	Orange	Orange	Orange	Orange	Orange	Orange	Orange
Service level discussions																Orange	Orange	Orange
Risk identification																		Orange
Financial strategy																		
<b>Reporting to Council</b>																		
Progress updates					Green							Green					Green	

# STAFF REPORT



TO Corporate Administration, Finance and Enterprise

SERVICE AREA Finance and Enterprise

DATE December 3, 2013

**SUBJECT 2013 Q3 Capital Budget Monitoring Report**

REPORT NUMBER FIN-13-51

## EXECUTIVE SUMMARY

### PURPOSE OF REPORT

- To provide an update on capital project spending compared to budget
- To provide a summary of projects not yet started
- To provide a summary of over budget projects
- To provide a summary of projects closed as of September 30, 2013

### KEY FINDINGS

- 2013 approved tax supported and enterprise funded capital budgets total \$76.3 million (compared to 2012 approved capital budget of \$98.02 million). Life to date unspent capital budget totals \$137.2 million. This is due to multi-year projects, unexpected delays and timing of invoicing
- Year to Date (YTD) 2013 capital spending totals \$39.6 million and is considered normal at this time of the year based on historical trends. Due to the seasonal nature of the City's capital program, the majority of spending occurs from late spring through to early fall in alignment with the construction season. With invoicing falling in Q4 as final annual billings are prepared.
- 45 projects were closed YTD 2013. These projects were fully spent and no funds were returned to reserve funds.

### FINANCIAL IMPLICATIONS

Ongoing monitoring of the capital work-in-progress accounts is a very important function as capital expenditures represent a large portion of annual municipal spending. Capital projects that are not completed according to municipal standards, on time and within budget can result in significant financial implications for the City.

### ACTION REQUIRED

THAT FIN-13-51 2013 Q3 Capital Budget Monitoring Report be received.

## RECOMMENDATION

THAT FIN-13-51 2013 Q3 Capital Budget Monitoring Report be received.

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## **BACKGROUND**

Throughout 2013, Finance worked with City departments to closely monitor the status of all active capital projects as well as the anticipated completion date. This information allows for more accurate financial reporting and asset management, as well as contributes to better cash flow modeling that can lead to improved investment opportunities.

This report is a summary of a detailed project reporting process that is completed on a monthly basis. Each month project reports are circulated to all Project Managers; responses are received and compiled by Finance. Quarterly a summary of this process is provided to Council.

Through the monthly process Project Managers and Finance work together to:

- Provide a status update and expected completion date for individual capital projects,
- Identify risks associated with any active project, such as delays, potential overspending, etc.
- If a project will be overspent, identify an alternative source of funds,
- Close any completed capital projects in a timely manner.

## **REPORT**

### Current Year Spending

Schedule "A" provides a high level summary as of September 30, 2013 of all open capital projects organized by department. As of September 30 there were 263 open projects. Many of these projects are carried over from 2012, and 63 were new projects approved in the 2013 capital budget. These 263 projects have spent 50% of total approved funding. Total year to date spending is \$39.6 million; projects with significant spending in 2013 are:

- Vehicle & Equipment Replacement (\$8.5 million)
- Water and Wastewater facility upgrades (\$2.2 million)
- Hanlon Creek Business Park (\$0.7 million)
- The City's contribution towards the W-D-G Public Health Unit (\$7.3 million)
- Corporate Building Services (\$1.7 million)
- Solid Waste – Automate trucks and bins (\$1.8 million)
- Pavement Deficit (\$1.9 million)

Alternatively, departments that show minimal spending include:

- By-law Compliance, Security and Licensing is 0% spent as of September 30 due to timing. These projects are currently in the RFP stage or awaiting the results of the Parking Master Plan,
- Forestry is 0% spent due to delays in commencing work associated with the Municipal Tree Inventory and Emerald Ash Borer strategy,
- Parks and Recreation is 5% spent primarily due to the timing of awarding the design work related to the South End Community Centre and Victoria Road

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Renovation & Expansion projects approved by Council as part of the 2013 tax supported capital budget,

- Downtown Renewal is showing 2% of total budget spent due to ongoing negotiations related to the acquisition of property,
- Police is currently showing as 12% spent due to renovations related to the Police Headquarters facility being put on hold,
- Water and Wastewater are both showing significant unspent budgets. Due to the highly legislated and costly nature of projects related to these departments, phasing of projects over multiple years can result in funds accumulating until there is sufficient budget to begin the process. These projects are also required where draft legislation may indicate an upcoming need for work, but that work would not start until the legislation is finalized.

Due to system limitations, the unspent amount included in this report does not reflect amounts committed but not yet spent. This has been recognized as an action requiring attention and is expected to be addressed as part of IT integration initiatives identified in the Corporate Technology Strategic Plan. If commitments were included, the percentage spent being reported would be higher.

## Delayed Projects

Schedule "B" provides a summary of the projects that were approved in 2012 or prior and have had no activity as of September 30, 2013. There are 13 projects in this group with an approved budget of \$6.3 million. This represents 2.3% of the total approved capital budget. The approved budgets for the Baker Street Land Assembly (\$3.8 million), Water Treatment Project (VOC) (\$1 million) and Source Water Protection (\$0.5 million) projects represent \$5.3 million or 84% of the amount approved but not yet spent. Both the Baker Street Land Assembly and Water Treatment (VOC) projects are not started due to on-going negotiations with property owners or regulatory agencies. The Source Water Protection project has not started due to staff awaiting Ministry of the Environment approval of the submitted plan.

As part of the Capital budget process, project status and planned completion is reviewed and evaluated with individual project managers and department heads. Where required, projects are closed if scope, cost or timing has changed significantly and the existing approved budget will no longer achieve the desired result. These projects are either re-budgeted or cancelled. If a project has minimal spending due to capacity issues, then future year spending plans are delayed or phased to allow completion of previously approved projects.

## Over Budget Projects

Over spending on capital projects can have an impact on both the capital reserves and operating budgets depending on the amount of the overage. It is anticipated that a small number of projects will end up over budget due to unforeseen



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circumstances. Identifying projects that are expected to go over budget early is imperative in managing risk and allows for analysis of alternatives such as reduction in the scope of the project, reallocation of funding from another project or use of surpluses from recently completed projects.

Schedule "C" provides a high level summary of overspent capital budgets by department. Finance has actively worked with the Project Managers and their departments to identify solutions for these projects. It is expected that all projects will be funded from surplus funds from other approved projects. There are 18 projects which were over budget as at September 30, 2013 compared to 15 as of June 30, 2013. Overall, the number of over-budget projects represents approximately 7% of all projects and the value of the over spending is less than 1% of the 2013 approved capital budget.

## Closed Capital Projects

Schedule "D" provides a summary of capital projects that were closed YTD in 2013. There were 45 projects closed; there was no unused funding returned to reserves. Projects closed were complete and fully spent, or excess budget was used to fund over budget projects that were complete. Q4 should see a greater number of projects completed and funds returned to reserves.

## **CORPORATE STRATEGIC PLAN**

2.3 – Ensure accountability, transparency and engagement

## **DEPARTMENTAL CONSULTATION**

The responsibility of monitoring the capital budget work-in-progress is shared by the departments responsible for the management of the project and the Finance department. Departments must manage the project to completion according to municipal standards, on time and within the approved budget.

## **COMMUNICATIONS**

Finance staff has worked closely with all City departments in obtaining the status of projects, expected completion times and impact on budget.

## **ATTACHMENTS**

Schedule "A" Summary of all open Capital Projects as at September 30, 2013  
Schedule "B" Summary of projects not Started as at September 30, 2013  
Schedule "C" Summary of Overspent Capital Projects as at September 30, 2013  
Schedule "D" Summary of Capital Projects Closed YTD in 2013

# STAFF REPORT

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“original signed by Tara Baker”

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**Schedule A: FIN 13-51**  
**Summary of All Open Capital Projects as at September 30, 2013**

	# of Open Projects	Total Approved Funding	Total Expenditure to Date	% Spent	Unspent
Note 2					
<b>PBEE</b>					
Policy Planning	15	3,413,517	2,223,633	65%	1,189,884
Roads	32	54,772,543	41,695,411	76%	13,077,132
Solid Waste	7	18,263,566	8,511,640	47%	9,751,926
Storm Water	12	7,770,410	4,176,715	54%	3,593,695
<b>PBEE Total</b>	<b>66</b>	<b>84,220,036</b>	<b>56,607,398</b>	<b>67%</b>	<b>27,612,638</b>
<b>OT&amp;ES</b>					
By-Law	2	352,000	366	0%	351,634
Fire	6	5,541,400	3,338,569	60%	2,202,831
Fleet	3	7,152,100	4,501,373	63%	2,650,727
Forestry	2	165,000	-	0%	165,000
Land Ambulance	3	1,332,930	1,308,053	98%	24,877
Parking	5	1,951,326	1,063,012	54%	888,315
Roadside Operations	1	102,950	66,067	64%	36,883
Traffic Signals	4	800,000	359,361	45%	440,639
Transit	11	5,276,300	1,107,863	21%	4,168,437
<b>OT&amp;ES Total</b>	<b>37</b>	<b>22,674,006</b>	<b>11,744,663</b>	<b>52%</b>	<b>10,929,343</b>
<b>CSS</b>					
Community Engagement					
Corporate Building	18	4,166,817	2,638,472	63%	1,528,345
Culture & Tourism	4	456,520	265,872	58%	190,648
Park Operations	13	2,260,083	1,566,649	69%	693,434
Park Planning	10	8,655,580	7,416,221	86%	1,239,359
Parks & Rec	6	735,000	39,280	5%	695,720
<b>CSS Total</b>	<b>51</b>	<b>16,274,000</b>	<b>11,926,494</b>	<b>73%</b>	<b>4,347,506</b>
<b>CORPORATE &amp; HR</b>					
Information Technology	16	5,032,694	2,291,514	46%	2,741,180
<b>CORPORATE &amp; HR Total</b>	<b>16</b>	<b>5,032,694</b>	<b>2,291,514</b>	<b>46%</b>	<b>2,741,180</b>
<b>FINANCE &amp; ENTERPRISE</b>					
Community Energy	2	1,498,100	159,926	11%	1,338,174
Downtown Renewal	3	7,700,000	137,922	2%	7,562,078
Economic Development	3	24,120,697	20,378,255	84%	3,742,442
Finance	3	942,000	7,909,306	840%	(6,967,306)
<b>FINANCE &amp; ENTERPRISE Total</b>	<b>11</b>	<b>34,260,797</b>	<b>28,585,409</b>	<b>83%</b>	<b>5,675,389</b>
<b>BOARDS</b>					
Library	3	224,000	58,001	26%	165,999
Police	11	16,486,498	2,036,471	12%	14,450,026
<b>BOARDS Total</b>	<b>14</b>	<b>16,710,498</b>	<b>2,094,472</b>	<b>13%</b>	<b>14,616,025</b>
<b>TOTAL TAX SUPPORTED</b>	<b>195</b>	<b>179,172,031</b>	<b>113,249,951</b>	<b>63%</b>	<b>65,922,080</b>
<b>NON-TAX SUPPORTED</b>					
POA	2	75,700	27,085	36%	48,615
Wastewater	35	56,798,982	11,686,974	21%	45,112,008
Water Services	31	40,158,735	14,038,739	35%	26,119,996
<b>NON-TAX SUPPORTED Total</b>	<b>68</b>	<b>97,033,417</b>	<b>25,752,798</b>	<b>27%</b>	<b>71,280,618</b>
<b>CITY Total</b>	<b>263</b>	<b>276,205,447</b>	<b>139,002,749</b>	<b>50%</b>	<b>137,202,699</b>

Note:

1 "Total Expenditures to Date" only includes spending in projects open at end of Q2 2013

2 Finance spending includes 2 advances for the W-D-G Public Health Unit

## Schedule B: FIN 13-51

### Summary of Projects not Started as at September 30, 2013

	Total # of Open Projects	# of Projects not Started  (Note 1)	Total Prior Approved Funding	2012 Budget	Total Approved Funding	% of Total Departme nt Capital
<b>PBEE</b>						
Policy Planning	15	-	-	-	-	0.0%
Roads	32	1	-	100,000	100,000	0.2%
Solid Waste	7	-	-	-	-	0.0%
Storm Water	12	1	-	200,000	200,000	2.6%
<b>PBEE Total</b>	<b>66</b>	<b>2</b>	<b>-</b>	<b>300,000</b>	<b>300,000</b>	<b>0.4%</b>
<b>OT&amp;ES</b>						
By-Law	2	-	-	-	-	0.0%
Fire	6	-	-	-	-	0.0%
Fleet	3	-	-	-	-	0.0%
Forestry	2	1	-	65,000	65,000	39.4%
Land Ambulance	3	1	-	26,500	26,500	2.0%
Parking	5	1	100,000	75,000	175,000	9.0%
Roadside Operations	1	-	-	-	-	0.0%
Traffic Signals	4	-	-	-	-	0.0%
Transit	11	2	-	270,000	270,000	5.1%
<b>OT&amp;ES Total</b>	<b>37</b>	<b>5</b>	<b>100,000</b>	<b>436,500</b>	<b>536,500</b>	<b>2.4%</b>
<b>CSS</b>						
Community Engagement	0	-	-	-	-	0.0%
Corporate Building	18	-	-	-	-	0.0%
Culture & Tourism	4	-	-	-	-	0.0%
Park Operations	13	-	-	-	-	0.0%
Park Planning	10	-	-	-	-	0.0%
Parks & Rec	6	1	-	20,000	20,000	2.7%
<b>CSS Total</b>	<b>51</b>	<b>1</b>	<b>-</b>	<b>20,000</b>	<b>20,000</b>	<b>0.1%</b>
<b>CORPORATE &amp; HR</b>						
Information Technology	16	-	-	-	-	0.0%
<b>CORPORATE &amp; HR Total</b>	<b>16</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>FINANCE &amp; ENTERPRISE</b>						
Community Energy	2	-	-	-	-	0.0%
Downtown Renewal	3	1	-	3,800,000	3,800,000	49.4%
Economic Development	3	-	-	-	-	0.0%
Finance	3	-	-	-	-	0.0%
<b>FINANCE &amp; ENTERPRISE Total</b>	<b>11</b>	<b>1</b>	<b>-</b>	<b>3,800,000</b>	<b>3,800,000</b>	<b>11.1%</b>
<b>BOARDS</b>						
Library	3	-	-	-	-	0.0%
Police	11	-	-	-	-	0.0%
<b>BOARDS Total</b>	<b>14</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>TOTAL TAX SUPPORTED</b>	<b>195</b>	<b>9</b>	<b>100,000</b>	<b>4,556,500</b>	<b>4,656,500</b>	<b>2.6%</b>
<b>NON-TAX SUPPORTED</b>						
POA	2	1	-	20,000	20,000	26.4%
Wastewater	35	1	-	100,000	100,000	0.2%
Water Services	31	2	290,000	1,200,000	1,490,000	3.7%
<b>NON-TAX SUPPORTED Total</b>	<b>68</b>	<b>4</b>	<b>290,000</b>	<b>1,320,000</b>	<b>1,610,000</b>	<b>1.7%</b>
<b>CITY Total</b>	<b>263</b>	<b>13</b>	<b>390,000</b>	<b>5,876,500</b>	<b>6,266,500</b>	<b>2.3%</b>

Note:

1 No additional funding was approved for the above projects in 2013.

**Schedule C: FIN 13-51**  
**Summary of Overspent Capital Projects as at September 30, 2013**

	# of Overspent Projects	Total Approved Funding	Total Expenditure to Date	Over Budget Amounts  (Note 1)	Unspent Budget in Other Projects  (Note 2)
<b>PBEE</b>					
Policy Planning	3	750,810	774,716	(23,906)	1,189,884
Roads	3	7,200,000	7,470,357	(270,357)	13,077,132
<b>PBEE Total</b>	<b>6</b>	<b>7,950,810</b>	<b>8,245,073</b>	<b>(294,263)</b>	<b>14,267,016</b>
<b>OT&amp;ES</b>					
Fire	2	950,000	975,078	(25,078)	2,202,831
Parking	1	100,000	104,861	(4,861)	888,315
Transit	1	90,600	111,103	(20,503)	4,168,437
Land Ambulance	1	105,800	114,691	(8,891)	24,877
<b>OT&amp;ES Total</b>	<b>5</b>	<b>1,246,400</b>	<b>1,305,734</b>	<b>(59,334)</b>	<b>7,284,461</b>
<b>CSS</b>					
Corporate Building	2	1,392,122	1,478,657	(86,535)	1,528,345
Parks & Rec	1	25,000	27,461	(2,461)	695,720
Park Operations	2	541,783	564,343	(22,560)	693,434
<b>CSS Total</b>	<b>5</b>	<b>1,958,905</b>	<b>2,070,460</b>	<b>(111,555)</b>	<b>2,917,500</b>
<b>FINANCE &amp; ENTERPRISE</b>					
Economic Development	1	50,000	50,735	(735)	3,742,442
Finance	1	250,000	330,617	(80,617)	302,313
<b>FINANCE &amp; ENTERPRISE Total</b>	<b>2</b>	<b>300,000</b>	<b>381,352</b>	<b>(81,352)</b>	<b>4,044,755</b>
<b>TOTAL TAX SUPPORTED</b>	<b>18</b>	<b>11,456,115</b>	<b>12,002,620</b>	<b>(546,505)</b>	<b>28,513,732</b>
<b>CITY TOTAL</b>	<b>18</b>	<b>11,456,115</b>	<b>12,002,620</b>	<b>(546,505)</b>	<b>28,513,732</b>
<b>CITY All Projects</b>	<b>263</b>	<b>276,205,447</b>	<b>139,002,749</b>		<b>137,202,699</b>

Note:

1 Over budget amounts will be covered via budget reallocations from other approved projects through discussions with the

2 The unspent budget in other projects may not have the same funding sources as the overspent projects

**Schedule D: FIN 13-51**  
**Summary of Capital Projects Closed Q1, Q2 & Q3 2013**

	# of Closed Projects	Total Approved Funding
<b>PBEE</b>		
Roads	4	3,430,304
Solid Waste	3	32,425,000
Storm Water	3	1,072,541
<b>PBEE Total</b>	<b>10</b>	<b>36,927,845</b>
<b>OT&amp;ES</b>		
By-Law	1	40,000
Forestry	1	45,000
Roadside Operations	2	116,071
Transit	3	4,752,886
<b>OT&amp;ES Total</b>	<b>7</b>	<b>4,953,957</b>
<b>CSS</b>		
Community Engagement	1	135,000
Corporate Building	14	3,728,133
Culture & Tourism	1	17,000
Parks & Rec	1	12,923
<b>CSS Total</b>	<b>17</b>	<b>3,893,056</b>
<b>CORPORATE &amp; HR</b>		
Information Technology	2	118,981
<b>CORPORATE &amp; HR Total</b>	<b>2</b>	<b>118,981</b>
<b>FINANCE &amp; ENTERPRISE</b>		
Downtown Renewal	1	330,000
Economic Development	1	813,720
<b>FINANCE &amp; ENTERPRISE Total</b>	<b>2</b>	<b>1,143,720</b>
Police	1	99,336
<b>BOARDS Total</b>	<b>1</b>	<b>99,336</b>
<b>TOTAL TAX SUPPORTED</b>	<b>39</b>	<b>47,136,895</b>
<b>ENTERPRISE</b>		
Wastewater	4	469,275
Water Services	2	1,579,000
<b>ENTERPRISE Total</b>	<b>6</b>	<b>2,048,275</b>
<b>CITY TOTAL</b>	<b>45</b>	<b>49,185,170</b>

# STAFF REPORT



TO Corporate Administration, Finance & Enterprise Committee

SERVICE AREA Finance and Enterprise Services

DATE December 3, 2013

**SUBJECT September 2013 Operating Variance Report**

REPORT NUMBER FIN-13-50

## EXECUTIVE SUMMARY

### SUMMARY OF REPORT

The purpose of this report is to provide an in year projection of the 2013 year end position for the net operating budget of the Tax Supported and Non-tax Supported programs based on financial information as of September 30, 2013. A summary of the projected variance is provided in **Appendix 1**.

This report also speaks to progress to date made in mitigating the projected \$2.36 million unfavourable variance that was presented to Council at the September CAFES meeting.

### KEY FINDINGS

- The projected year end variance on the City's tax supported operating budget has been significantly reduced from the \$2.36 million shortfall that was reported in the Q2 variance report presented at the September CAFES meeting through revenue surplus and cost containment efforts undertaken by City staff.
- Overall, staff are projecting a 0.3% or \$607,800 unfavourable variance on the City's tax supported budget. This assumes that the \$500,000 efficiency target is achieved on an annualized basis.
- The reported variance does not reflect the use of the Legal or Operating Contingency reserves to reduce the impact resulting from overages related to legal (\$350,000) and winter control (\$350,000) costs. Use of these reserves would be appropriate given the nature of the cost overages and designated use of these reserves. If those transfers took place, the City's revised variance would be **\$92,200 favourable**.
- The City's non-tax supported operating budgets are reporting a 3.5% of \$1.94 million favourable variance.

### FINANCIAL IMPLICATIONS

Any realized surplus or deficit will be transferred to or from the City's reserves at year end. Reserve and reserve fund balances are considered in determining the City's credit rating. A significant change in reserve and reserve fund

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balances may have an effect on this rating.

## **ACTION REQUIRED**

Corporate Administration, Finance and Enterprise (CAFE) Committee to receive report FIN-13-50 September 2013 Operating Variance Report for information.

## **RECOMMENDATION**

That report FIN-13-50 September 2013 Operating Variance Report be received for information.

## **BACKGROUND**

At the September 2013 CAFE's meeting, staff presented the City's second quarter variance report reflecting results as of June 30, 2013. At that time, the City was projecting a \$2.36 million unfavourable variance for the tax supported operating budgets, including City departments, local boards, shared services and general and capital financing. Due to the significant shortfall that was being reported, Council requested that staff provide updated reports highlighting progress on addressing the projected year-end variance. On October 9, 2013, the following high-level summary was provided to Council identifying how staff would mitigate the shortfall:

Projected Year End Variance (as of June 30/13)	\$2.4M
<b>Adjustments:</b>	
City Department Cost Containment	\$0.5 – 0.8M
Reduced Benefits (new contract September 2013)	\$0.2 – 0.2M
Lower Utility Costs (Community Energy Program)	\$0.6 – 0.8M
Lower Tax Write-offs and Higher Supplementary Revenues	\$0.5 – 0.8M
<b>Total Adjustments</b>	<b>\$1.8 – 2.6M</b>
<b>Projected Shortfall/(Surplus) Before Reserve Transfers (as of August 31/13)</b>	<b>\$0.6 – (0.2)M</b>
Legal Reserve	\$0.3 – 0.0M
Winter Control Costs Reserve Offset	\$0.4 – 0.0M
<b>Projected Shortfall/(Surplus) After Reserves Transfers (as of August 31/13)</b>	<b>\$(0.1) – (0.2)M</b>

As shown in the chart above, staff identified opportunities through which the projected variance could be mitigated and after reserve transfers, a projected surplus of \$100,000 - \$200,000 was anticipated.

In addition, the City's non-tax supported budgets, which include water, wastewater, OBC and Court Services were projecting a favourable \$2.5M surplus as of June 30,



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2013. Surplus in these areas are transferred back to the specific reserves and reserve funds funded for those operations.

## REPORT

The third quarter operating variance report is a regularly scheduled Committee report and provides information regarding the projected year end variance as of September 30, 2013. The City reports on variances with respect to the tax supported operating budget and the non-tax supported budgets separately due to the different funding sources.

### Tax Supported Operating Budget:

The chart below provides information with respect to how we are progressing as compared to the information provided in the October 9, 2013 staff communication to Council, as well as highlighting new information that may have come to light.

	\$	Note
Projected Year End Variance (as of June 30/13)	\$(2,357,000)	
<b>VARIANCE ADJUSTMENTS</b>		
City Department Cost Containment Savings & Revenues	558,000	Note 1
Savings in Corporate Benefits	190,200	Note 2
Lower Utility Costs (Community Energy Program)	140,000	Note 3
Lower Tax Write-offs and Higher Supplementary Revenues	570,000	Note 4
Lower Debt Servicing & Payments to MPAC, Charity and Vacancy Rebates & Higher PIL Revenue	628,000	Note 5
Unfavourable Library Variance	(70,000)	Note 6
Higher Payments for Shared Services	(267,000)	Note 7
<b>Total Adjustments</b>	<b>\$1,749,200</b>	
<b>Projected Shortfall/(Surplus) Before Reserve Transfers (as of September 30/13)</b>	<b>\$607,800</b>	
Legal Reserve	350,000	
Winter Control Costs Reserve Offset	350,000	
<b>Projected Shortfall/(Surplus) After Reserves Transfers (as of September 30/13)</b>	<b>(\$92,200)</b>	

As demonstrated in this chart, including transfers from reserves, the City's tax supported operating budget is projecting a \$92,200 year end surplus compared to the \$2.36 million shortfall that was reported as of June 30, 2013. The notes below provide information on changes that have materialized since the June report.

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## Department Savings from Cost Containment Measures & Revenues (Note 1)

- The chart shows the adjustments to previously reported variances or new information with respect to the City departments funded through the tax supported budget.
- Significant changes include:
  - Improved revenue projections from Planning, Solid Waste and Culture and Entertainment
  - Increased savings in both Corporate and HR and Finance and Enterprise with respect to staffing vacancies
  - Savings in the Office of the CAO, Public Works and Clerks Services and Community and Social Services directly attributable to cost containment measures
  - Higher projected unfavourable variances in Transit, Parks and Land Ambulance operations primarily due to staffing costs and vehicle maintenance

Item	June Report	Sept Report	Change	
Office of the CAO - Hold on all training and non-mandatory consulting	-	48,000	48,000	Favourable
Revised projection - Shortfall in parking revenues	266,000	195,000	71,000	Favourable
Reductions in OTES Expenditures (including Staffing Vacancies & Purchase Goods & Services)	(63,000)	120,700	183,700	Favourable
Additional SWR Revenue (to offset lost WDO grant revenue)	-	170,000	170,000	Favourable
Surplus Revenue from Building Services	-	70,000	70,000	Favourable
Revised Projection - Shortfall in planning revenues	300,000	100,000	200,000	Favourable
Revised Projection - Surplus Revenue from Recreation Programming	11,000	67,800	56,800	Favourable
Increased savings resulting from the Tourism Operational Review	60,000	80,000	20,000	Favourable
Surplus Revenue from Culture & Entertainment Activities	-	63,500	63,500	Favourable
CSS Cost Containment Activities	-	33,000	33,000	Favourable
Staffing Vacancies in Corporate & HR Service Area	-	156,000	156,000	Favourable
Surplus Revenue and Under-expenditures in Clerks Services	-	24,000	24,000	Favourable
Staffing Vacancies in Finance & Enterprise	170,000	250,000	80,000	Favourable
Higher projected unfavourable variance in Transit (due to overtime, lower than budgeted revenues & vehicle maintenance)	947,000	1,080,000	133,000	Unfavourable
Higher projected unfavourable variance in Land Ambulance due to part-time wages (City share)	99,000	220,000	121,000	Unfavourable
Higher projected variances in Parks (due to temporary staffing, vehicle maintenance)	75,000	439,000	364,000	Unfavourable
Total Departmental Adjustments			\$ 558,000	

## Savings in Corporate Benefits (Note 2)

Due to the City tendering its benefits package, it is anticipated that there will be approximately \$190,200 savings in the tax supported operating budget. These

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savings are a result of the competitive prices that the City was able to obtain through the tendering process.

### Lower Utility Costs (Note 3)

Heat and hydro is expected to experience a \$140,000 favourable variance across the tax supported operating budget. While this is not as high as the projections included in the October 9 communication, staff within the Community Energy department continue to refine their analysis of usage across various City facilities and evaluate the success of some of the conservation measures and infrastructure that has been put in place.

### Lower Tax Write-Offs and Higher Supplementary Revenues (Note 4)

Staff have revised their projections with respect to the unfavourable variance associated with taxes written off from \$570,000 unfavourable (as of June 30) to \$200,000 unfavourable (as of September 30). Tax write offs are a decision of MPAC and the municipality must respond in a timely manner to these decisions. The June 2013 projection was based on write off activity appearing higher than normal, which has since decreased. In addition, due the late addition of a large property, the City is projecting a \$200,000 favourable variance from supplementary revenues.

### Lower Debt Servicing, Payments to MPAC and Charity/Vacancy Rebate & Higher PIL Revenues (Note 5):

Due to delaying a planned debt issue to early 2014, a one-time \$630,000 favourable variance is projected. The debt issue was able to be delayed due to lower than anticipated capital spending which the City is able to do as a result of higher cash balances and completion of capital projects financed by debt occurring later than originally planned.

In addition, staff are also projecting lower payments to MPAC and charity and vacancy rebates and higher than anticipated PIL revenues that had not been reported in the June variance.

### Library Variance (Note 6):

Guelph Public Library is projecting a year end negative variance of \$70,000 due to overages in compensation, Bookmobile repairs and building repairs for the Main Library.

### Shared Services (Note 7):

Based on most recent information from the County of Wellington, the City's share of the projected favourable variance in shared services has been revised from \$763,000 to \$492,000. In addition, Wellington-Dufferin-Guelph Public Health has advised that the City will owe an extra \$24,400 due to lower than anticipated provincial funding (**Appendix 2**).

# STAFF REPORT



## **Non-Tax Supported**

Overall, the non-tax supported budgets are reporting a \$1,943,000 favourable variance with Water, Wastewater and OBC projecting a surplus. Courts are projecting a negative year end variance for 2013.

### Water Services

- Water is currently expecting a favourable year-end variance of \$653,000 for 2013, due primarily to higher than budgeted revenues \$353,000 as a result of a higher meter installations and lower watermain maintenance costs \$300,000.

### Wastewater Services

- Wastewater is projecting a favourable year end variance of \$1,075,000 for 2013 due to higher revenues of \$375,000 from basic charges than forecasted as a result of a higher number of meter installations, as well as savings from lower maintenance costs \$700,000 resulting from fewer breakdowns.

### Ontario Building Code (OBC)

- OBC is projecting an end-of-year positive variance of \$400,000 due to higher permit revenue resulting from an increase in construction activity.

### Court Services

- Court Services has generated lower revenue than expected due to a lower charge volume and is therefore projecting an unfavourable year-end variance of \$185,000 for 2013.

## **CORPORATE STRATEGIC PLAN**

Ongoing monitoring of the City budget and reporting of variances to budget are part of *CSP direction 2.3 Ensure accountability transparency and engagement.*

## **DEPARTMENTAL CONSULTATION**

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 Finance and the Departments managing their programs. Department managers were given financial information based on expenditures up to September 30, 2013 and they provided a year end projected position and commentary in consultation with the Finance department.

# STAFF REPORT



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## COMMUNICATIONS

Operating variance reports are produced on schedule for Council to compare actual results against budget. Finance and Executive Team have committed to producing five operating variance reports for the year. This is the third operating variance report for 2013.

## ATTACHMENTS

Appendix 1 – Operating Budget Variance September 30, 2013 – Department Summary

Appendix 2 – Letter Dated October 17, 2013 from Wellington-Dufferin-Guelph Public Health

### Report Author

Moji Osonowo  
Senior Corporate Analyst

“original signed by Sarah Purton”

“original signed by Al Horsman”

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### Approved By

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**Appendix 1**  
**Operating Budget Variance based on September 30, 2013**  
**City of Guelph: Departmental Summary**

	Total Annual Budget for Year 2013 (\$)	Projected Variance for Dec 31, 2013 (\$)	Projected Variance for Dec 31, 2013 (%)	Comments
<b>TAX SUPPORTED</b>				
<b>City Departments</b>				
CAO - ADMINISTRATION AND COUNCIL	\$ 2,127,000	-\$ 48,000	(2.3%)	- CAO Administration - \$48,000 favourable variance due to a hold being put on all training and non-mandatory consulting activities.
OPERATIONS, TRANSIT & EMERGENCY SERVICES	\$ 52,542,000	\$ 1,754,000	3.3%	- Transit - \$1.08 million <b>unfavourable</b> variance due to higher than budgeted overtime, materials and maintenance charges and reduced revenue. -Bylaw - \$26,000 <b>unfavourable</b> variance due to reduced fine revenue and increased animal control costs. - Public Works - \$463,000 <b>unfavourable</b> variance due to unrealized parking revenues of \$195,000 and harsh winter conditions overages of \$350,000, partially offset by reduced expenditures of \$82,000. - Emergency Services - \$220,000 <b>unfavourable</b> variance which represents the City's share of the total unfavourable variance. The projected variance is mostly due to compensation related expenses. The unfavourable Land Ambulance variance has factored the additional grant revenue received from the Province of \$135,000 and additional funding from the County of Wellington of \$147,000 per the cost sharing agreement. - OTES Administration is projecting a \$35,000 <b>favourable</b> variance due to staff vacancies.
PLANNING, BUILDING, ENGINEERING & ENVIRONMENTAL SERVICES	\$ 14,654,000	-\$ 70,000	(0.5%)	-PBEE Administration - \$100,000 <b>favourable</b> variance due to higher than planned PBEE Administration salary recoveries from Water Services. -Building Services - \$70,000 <b>favourable</b> variance due to higher than planned Building approval fees as a result of increase in Building activity - Planning - \$100,000 <b>unfavourable</b> variance due to lower than anticipated Planning application processing fees.
COMMUNITY & SOCIAL SERVICES	\$ 16,494,000	\$ 197,900	1.2%	- Parks - \$439,000 <b>unfavourable</b> variance due to compensation and internal equipment maintenance charges - Culture and Tourism - \$143,500 <b>favourable</b> variance as a result of strong revenues at Sleeman Centre and reduced spending in Tourism while the operational review is being undertaken - Recreation - \$67,800 <b>favourable</b> variance due to successful aquatics and summer day camp programming -Cost containment measures - \$33,000 <b>favourable</b> due to savings in CESSL, Business Services and Corporate Building Maintenance
CORPORATE & HUMAN RESOURCES	\$ 9,463,000	\$ 170,000	1.8%	- Legal - \$350,000 <b>unfavourable</b> due to unbudgeted external legal and planning consultants - Human Resources - \$156,000 <b>favourable</b> due to staff vacancies - Clerk Services - \$24,000 <b>favourable</b> due to increased revenues and cost savings
FINANCE AND ENTERPRISE	\$ 3,869,000	-\$ 250,000	(6.5%)	- Finance - \$150,000 <b>favourable</b> due to staff vacancies - Enterprise - \$100,000 <b>favourable</b> due to deferred energy projects as a result of staff vacancy in the early part of the year.
CORPORATE DEPARTMENTAL SAVINGS	\$ -	-\$ 330,200	0.0%	-Corporate wide benefit savings as a result of tendering - \$190,200 <b>favourable</b> - Corporate Energy Savings - \$140,000 <b>favourable</b>
<b>TOTAL CITY DEPARTMENTS (excl Financing)</b>	<b>\$ 99,149,000</b>	<b>\$ 1,423,700</b>	<b>1.4%</b>	
GENERAL EXPENSES AND CAPITAL FINANCING	-\$ 169,486,000	-\$ 417,900	(0.2%)	- Taxes Written Off - \$200,000 <b>unfavourable</b> - Interest transfers to reserves - \$430,000 <b>unfavourable</b> due to reduced capital spending - Debt servicing - \$630,000 <b>favourable</b> due to delaying the 2013 debt issue to 2014 as a result of higher cash balances - Supplementary and PIL Revenues- \$226,000 <b>favourable</b> - General Expenditures - \$190,000 <b>favourable</b> due to lower than anticipated charity and vacancy rebates and payments to MPAC
<b>TOTAL CITY DEPARTMENTS (incl Financing)</b>	<b>-\$ 70,337,000</b>	<b>\$ 1,005,800</b>	<b>1.4%</b>	
<b>Local and Outside Boards</b>				
LOCAL BOARDS	\$ 42,124,000	\$ 70,000	0.2%	-Library - \$70,000 unfavourable due to compensation in Technical Services \$25,000, Bookmobile repairs \$15,000, and building repairs for Main Library \$30,000 - Police services is projecting no year end variance
GRANTS, OUTSIDE BOARDS & AGENCIES	\$ 28,213,000	-\$ 468,000	(1.7%)	Grants, Outside Boards & Agencies - \$468,000 <b>favourable</b> due to Social Services \$492,000 favourable variance as reported in the County's September 30, 2013 Social Services variance report offset by an unfavourable variance related to public health of 24,400 due to lower than anticipated provincial funding.
<b>Subtotal Grants, Local and Outside Boards &amp; Agencies</b>	<b>\$ 70,337,000</b>	<b>-\$ 398,000</b>	<b>(0.6%)</b>	
<b>TOTAL TAX SUPPORTED (incl Outside Boards, Grants and Financing)</b>	<b>\$ -</b>	<b>\$ 607,800</b>	<b>0.3%</b>	

**Appendix 1**  
**Operating Budget Variance based on September 30, 2013**  
**City of Guelph: Departmental Summary**

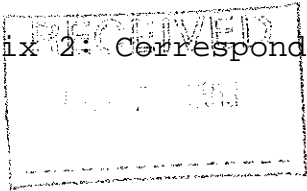
	Total Annual Budget for Year 2013 (\$)	Projected Variance for Dec 31, 2013 (\$)	Projected Variance for Dec 31, 2013 (%)	Comments
<b>NON-TAX SUPPORTED</b>				
WATER REVENUE	-\$ 23,105,000	-\$ 353,000	1.5%	Water Revenue = \$353,000 <b>favourable</b> due to higher basic charges than forecasted as a result of more meters installed.
WATER OPERATIONS	\$ 23,105,000	-\$ 300,000	(1.3%)	Water Expenditures - \$300,000 <b>favourable</b> due to lower expenditures related to pipe fittings meters and accessories and awaiting some technological changes.
<b>SUB-TOTAL WATER WORKS</b>	<b>\$ -</b>	<b>-\$ 653,000</b>	<b>(2.8%)</b>	
WASTEWATER REVENUE	-\$ 26,861,000	-\$ 375,000	1.4%	Wastewater Revenue - \$375,000 favourable due to higher basic charges as a result of more meters installed. This is offset by a reduction in strength surcharge revenue due to some major customers pre-treating the wastewater.
WASTEWATER OPERATIONS	\$ 26,861,000	-\$ 700,000	(2.6%)	Wastewater Expenditures - \$700,000 <b>favourable</b> due to fewer breakdowns requiring lower parts and tool usage, and less lystek usage due to rain.
<b>SUB-TOTAL WASTEWATER</b>	<b>\$ -</b>	<b>-\$ 1,075,000</b>	<b>(4.0%)</b>	
ONTARIO BUILDING CODE REVENUE	-\$ 2,837,000	-\$ 400,000	14.1%	OBC Admin Revenues - \$400,000 <b>favourable</b> due to higher permit revenue as a result of increase in construction activity
ONTARIO BUILDING CODE COSTS	\$ 2,837,000	\$ -	0.0%	OBC Admin Expenditures - No significant variance anticipated
<b>SUB-TOTAL OBC</b>	<b>\$ -</b>	<b>-\$ 400,000</b>	<b>(14.1%)</b>	
COURT SERVICES REVENUE	-\$ 2,095,000	\$ 185,000	(8.8%)	Court Services Revenue - \$185,000 <b>unfavourable</b> due to lower charge volume.
COURT SERVICES EXPENSES	\$ 2,095,000	\$ -	0.0%	Court Services Expenditure - No significant variance anticipated
<b>SUB-TOTAL COURTS</b>	<b>\$ -</b>	<b>\$ 185,000</b>	<b>8.8%</b>	
<b>TOTAL NON-TAX SUPPORTED</b>	<b>\$ -</b>	<b>-\$ 1,943,000</b>	<b>(3.5%)</b>	

(Brackets indicate a favourable variance)



Public Health

Appendix 2: Correspondence from WDGPH



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October 17, 2013

Albert Horsman, Executive Director/Chief Financial Officer, and Treasurer
City of Guelph
City Hall, 1 Carden Street
Guelph, Ontario
N1H 3A1

Dear Mr. Horsman:

On August 15, 2013, the Wellington-Dufferin-Guelph Board of Health received its Provincial funding approval from the Ministry of Health and Long-Term Care for the Agency's 2013 Cost-Shared budget.

The approved budget was a 2% increase in Provincial funding for mandatory cost-shared programs. On December 5, 2012, the Wellington-Dufferin-Guelph Board of Health approved a 2.3% increase in funding for the Agency.

As a result of the 0.3% shortfall in provincial funding, the Wellington-Dufferin-Guelph Board of Health voted on September 4, 2013 in favour of a supplemental levy adjustment for the City of Guelph in the amount of \$24,385, representing 45.9% of the total shortfall.

The total municipal levy for the City of Guelph for 2013 has been revised from \$3,413,405 to \$3,437,790.

Please remit the additional \$24,385 as soon as possible.

If you have any questions please do not hesitate to contact me at (519) 846-2715 extension 4750, or by email at shanna.odwyer@wdgpublichealth.ca.

Sincerely,

Handwritten signature of Shanna O'Dwyer

Shanna O'Dwyer, CPA, CA
Manager, Finance

Cc: Carole Desmeules, Director of Finance, Human Resources & Corporate Services and Chief Privacy Officer
Heather Young, Senior Financial Analyst
Dr. Nicola Mercer, Medical Officer of Health and Chief Executive Officer
Keith Perron, Chair of the Finance Committee, Wellington-Dufferin-Guelph Public Health



# STAFF REPORT



TO Corporate Administration, Finance & Enterprise Services

SERVICE AREA Finance & Enterprise Services

DATE December 3, 2013

**SUBJECT 2013 Efficiency Target Final Update**

REPORT NUMBER FIN-13-53

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## EXECUTIVE SUMMARY

### PURPOSE OF REPORT

To provide Committee with a final update with respect to the 2013 efficiency target approved by Council.

### KEY FINDINGS

As of October 31, 2013, staff have identified approximately \$683,000 in annualized cost reductions of which \$447,000 can be applied against the Council approved \$500,000 efficiency target in 2013. In addition, staff have identified several initiatives that could potentially yield savings in future years. **Appendix One** provides a summary of the status of all initiatives.

### FINANCIAL IMPLICATIONS

Given progress to date, the potential for a negative variance at year end with respect to the efficiency target is \$53,000; however, this would be offset by the positive impact of new revenue opportunities initiated in 2013 but excluded from the efficiency target.

### ACTION REQUIRED

That the Corporate Administration, Finance and Enterprise Services Committee receive FIN-13-53 2013 Efficiency Target Final Update for information.

## RECOMMENDATION

1. That FIN-13-53 2013 Efficiency Target Final Update be received for information.

## BACKGROUND

At the December 5, 2012 meeting of Council the following resolution was adopted:

*That staff be directed to meet a \$500,000 efficiency target reduction as part of the 2013 Operating Budget.*

# STAFF REPORT



Furthermore, at the July 15, 2013 meeting of Council the following resolution was adopted:

*That new revenue not be included in the reporting on the 2013 Efficiency Target.*

*That staff include in their reporting on the 2013 Efficiency Target a summary of their approaches to engage employees in identifying opportunities for efficiency and continuous improvements.*

This report will highlight progress made as of October 31, 2013 in terms of meeting the \$500,000 target, as well as provide an overview of initiatives currently being scoped for potential savings beyond 2013.

## REPORT

The City has identified \$683,000 in annualized cost saving efficiencies of which \$447,000 can be applied to the \$500,000 Council approved Efficiency Target in 2013. The general approach used to find these efficiencies has been:

- Engage union leadership.
- Discuss potential opportunities at staff departmental meetings.
- Incorporate cost saving initiatives into action plans and employee engagement activities.

New revenue opportunities found throughout the efficiency target process have been removed from the efficiency target. However, this newly identified revenue still has a positive impact on the overall corporate operating variance for year-end 2013.

As part of its work, staff solicited input from all levels of the organization. Examples of efforts made include:

- CHR facilitated workshop discussions between the DRLT Team leads and Executive for collective bargaining units to solicit input on possible efficiencies.
- CHR facilitated discussions with all levels of the Public Works department to seek staff ideas and input.
- The CFO cost containment directive sent in August 2013 to all supervisory, management and executive staff specifically requested that feedback be sought at all levels of administration for cost saving opportunities.
- Value For Money (VFM) audits conducted by the Internal Auditor's Office consistently seek input from appropriate staff at all levels of the organization.

The potential cost savings opportunities under the efficiency target initiative are highlighted in **Appendix One**.

# STAFF REPORT

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## **CORPORATE STRATEGIC PLAN**

- 1.3 Build robust systems, structures and frameworks aligned to strategy.
- 2.3 Ensure accountability, transparency and engagement.

## **DEPARTMENTAL CONSULTATION**

Departments were consulted on actions they have implemented to date.

## **COMMUNICATIONS**

Finance and Executive Team committed to producing three status reports on the 2013 Efficiency Target. This is the third and final report for 2013.

## **ATTACHMENTS**

Appendix One: Summary of 2013 Efficiencies as of October 31, 2013

“original signed by Katrina Power”

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### **Report Author**

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“original signed by Al Horsman”

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### **Recommended**

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al.horsman@guelph.ca

**Appendix One: Summary of 2013 Efficiencies as of October 31, 2013**

Ref	Item	2013 Amount	Comment	Status	2014 Amount (note 1)
1	Electronic Pay Stubs	1,000	Transitioning to electronic paystubs is anticipated to save the City \$1,000 in 2013. This process is currently underway and is expected to result in approximately \$2,500 in savings when rolled out across the entire organization and fully annualized.		2,500
2	Haul & Dispose Contract (SWR)	35,000	Savings that will be realized once the new rate for haul & disposal of Guelph's residual waste comes into effect in November 2013. Fully annualized savings of \$250,000 are expected for 2014.		250,000
3	Reduced Maintenance Costs at Guelph Central Station	35,000	Represents reductions to maintenance provided by third party contractors. As Guelph Central Station is a new facility, the reduction is a result a review of required and forecasted maintenance. The savings reflected are fully annualized and there will be nothing additional reflected in the 2014 budget for this item.		35,000
4	Bell Contract	10,800	The Information Technology Department has renegotiated the City's contract with Bell resulting in \$10,800 in savings in 2013.		14,450
5	Reduce Overtime Costs in Finance Department	4,000	New departmental procedure implemented in Finance Dept Q1 2013 to control overtime costs.		4,000
6	Bell Service to Traffic Signals	5,200	Public Works has found savings by disconnecting Bell Telephone service to some of the traffic signal lights.		20,923
7	New Employee Benefits provider	200,000	The savings derived from the new benefit provider is greater than initially anticipated and staff have revised benefit calculations to more closely align with the 5 year experience trend.		200,000
8	Agreement with Guelph Hydro	16,000	Information Technology Department has negotiated an agreement with Guelph Hydro to host their phones on the City's server system.		16,000
9	Lower Utility Costs	140,000	The Community Energy Department has implemented efficiencies resulting in higher than anticipated utility cost savings in 2013.		140,000
10	Guelph Police Services	0	Guelph Police Services has identified \$44,111 in efficiencies; however, these savings were included in their 2013 budget and so cannot be applied against the efficiency target.		0
11	Value for Money Audits	0	The City's Internal Auditor identified several opportunities for potential cost savings in the "Value for Money" Report presented to Audit Committee in April 2013. These include a review of overtime, training and education programming and budgets, use of consultants, and programming at City Recreation and Community Centres. Results from the review of overtime will be presented at the November Audit Committee meeting with a potential for savings in 2014.		not known for this report
12	Timekeeping	0	The City's Human Resources Department will be working in conjunction with the CT Strategic Plan and the ERP Steering Committee to explore opportunities for efficiencies associated with timekeeping within the City. Staff will be looking at automation of existing manual processes as well as centralization versus decentralization of work with a potential for savings in 2014.		not known for this report
13	Consultations with Union Leadership	0	Consultation with Union representatives has occurred. There were some opportunities identified for efficiencies that require scoping and may result in savings beyond 2013.		not known for this report

**Legend**



Cost Reduction is Confirmed



Cost Reduction Idea is in Scoping Stage

**Note 1:** These amounts have been included in the Recommended 2014 Tax Supported Operating Budget.

# STAFF REPORT



TO Corporate Administration, Finance and Enterprise Committee

SERVICE AREA Finance & Enterprise

DATE December 3, 2013

**SUBJECT Metrolinx Contribution Agreement**

REPORT NUMBER FIN-13-49

## EXECUTIVE SUMMARY

### PURPOSE OF REPORT

- To provide a history of the Metrolinx (GO Transit) train service expansion into the City of Guelph and the Provincial requirement for Guelph to contribute to the cost of this expansion
- To obtain Council approval to execute the Metrolinx Contribution Agreement that outlines the City of Guelph's proportionate contribution towards the extension of the GO train infrastructure from Georgetown, through Guelph to Kitchener-Waterloo.

### KEY FINDINGS

In November 2010 the Government of Ontario announced that GO train service would be extended through Guelph to Kitchener-Waterloo and that the approximate cost of the expansion would be \$18 million. It was the expectation of the Ontario Government that the benefiting municipalities would contribute to the cost of this expansion and Guelph's apportionment has now been set at \$3.15 million. This contribution is a non-negotiable requirement as set by the Province but the contribution agreement does allow for flexibility in the payment terms.

In addition to the initial contribution towards the expansion of the train service, the City will be required to contribute towards future on-going capital expansion costs of the GO train infrastructure similar to the arrangements already in place with participating municipalities including Durham, York, Peel and Halton. At this time the City has not been notified of any additional contributions that will be required.

### FINANCIAL IMPLICATIONS

The City will contribute \$3.15 million to Metrolinx in full on or before March 31, 2016 or such other date that is agreed to by the parties.

The agreement allows for this \$3.15 million to be payable as a monetary or in-kind payment. The City has begun investigating the option of transferring

# STAFF REPORT

surplus properties to Metrolinx as partial payment towards this commitment.

The Province is also willing to consider other in-kind services as payment (eg winter maintenance and ticket agent activities) to also offset the \$3.15 million owed.

Any remaining amount would be paid via monetary contribution and this would be included as part of the annual capital budget. The City has included an allocation of \$150,000 in the proposed 2014 capital budget in order to build the funds required to satisfy this commitment.

## **ACTION REQUIRED**

That the Mayor and Clerk be authorized to execute the Metrolinx Contribution Agreement as described in report FIN-13-49; and

That Staff be directed to contribute at least \$150,000 annually into a reserve fund towards satisfying this commitment.

## **RECOMMENDATION**

That the Mayor and Clerk be authorized to execute the Metrolinx Contribution Agreement as described in report FIN-13-49; and

That Staff be directed to contribute at least \$150,000 annually into a reserve fund towards satisfying this commitment.

## **BACKGROUND**

In November 2010 the Government of Ontario announced that GO train service would be extended through Guelph to Kitchener-Waterloo and that the approximate cost of the expansion would be \$18 million. It was the expectation of the Ontario Government that the benefiting municipalities would contribute to the cost of this expansion and Guelph's apportionment has now been set at \$3.15 million. This contribution is a non-negotiable requirement as set by the Province but the contribution agreement does allow for flexibility in the payment terms.

Prior to the announcement of the corridor extension, the City had already committed to significant investment totalling \$16.4 million for the Guelph Transit Terminal, the Wyndham bridge replacement and other related road works as part of the Infrastructure Stimulus Fund (ISF) project package (Council Resolution #20 – April 27, 2009). This City construction activity was scheduled to occur in the same time frame and on the same assets that Metrolinx would require to expand as part of their corridor expansion project. As a result, Metrolinx worked with the City to use the contractors already on-site in an attempt to streamline and create efficiencies for both the City and the Province in otherwise over-lapping projects.

# STAFF REPORT



The City approved ISF projects included the replacement of the Wyndham Bridge (due to age), the construction of the Transit Terminal and providing the new road infrastructure to accommodate the bus traffic in that area. The Provincial project work that was initiated by Metrolinx included significant design enhancements to the Wyndham Bridge in order to accommodate expanded pedestrian platforms, stairs on the north and south side of the bridge and an elevator. Additionally Metrolinx built a pedestrian tunnel that runs under the tracks from the station to the south side of the tracks to their newly completed "Kiss and Ride" passenger pick-up and drop-off facility.

The GO train service in Guelph actually commenced in late December 2011 on temporary infrastructure. Metrolinx has now substantially completed the infrastructure work within the extended corridor and expects all construction in Guelph to be finalized in late 2013 or early 2014.

## **REPORT**

The City of Guelph is required by the Provincial Government to contribute towards the GO train extension and they have now set Guelph's proportionate share at \$3.15 million. Staff from both the City and Metrolinx have been working together to draft an agreement that includes suitable payment terms for both parties.

The City feels that the terms of the agreement are reasonable and include favourable language to allow for negotiation on the timing of the payments and that in-kind payment will be allowable. The City will be investigating the option of transferring surplus properties to Metrolinx as partial payment of this commitment. The ultimate decision of any asset transfer would come back before Council for approval. Additionally, the Province is also willing to consider other in-kind services as payment (eg winter maintenance and ticket agent activities) to offset the \$3.15 million owed.

The contribution agreement also states that the City will be responsible for future capital contributions to the GO train corridor and that these will be assessed consistently with the other participating municipalities. Currently, the City has not been notified of any such additional contributions.

Concurrently with the submission of this report, staff have brought forward a by-law authorizing the Mayor and Clerk to execute the Metrolinx Contribution Agreement.

## **CORPORATE STRATEGIC PLAN**

- 3.1 Ensure a well designed, safe, inclusive, appealing and sustainable City
- 3.2 Be economically viable, resilient, diverse and attractive for business

## **DEPARTMENTAL CONSULTATION**

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# STAFF REPORT



Engineering, Downtown Renewal and Legal departments have all been partners in the drafting of the contribution agreement.

## **FINANCIAL IMPLICATIONS**

The City will contribute \$3.15 million to Metrolinx in full on or before March 31, 2016 or such other date that is agreed to by the parties.

The agreement allows for this \$3.15 million to be payable as a monetary or in-kind payment. The City has begun investigating the option of transferring surplus properties to Metrolinx as partial payment towards this commitment.

Any remaining amount would be paid via monetary contribution and this would be included as part of the annual capital budget. The City has included an allocation of \$150,000 in the proposed 2014 capital budget in order to build the funds required to satisfy this commitment.

## **COMMUNICATIONS**

None required.

## **ATTACHMENTS**

ATT-A Draft Metrolinx Contribution Agreement

"original signed by Tara Baker"

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### **Report Author**

Tara Baker  
Manager, Financial Reporting and Accounting

"original signed by Al Horsman"

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### **Recommended By**

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Executive Director of Finance & Enterprise / CFO  
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al.horsman@guelph.ca



**CONTRIBUTION AGREEMENT**

**THIS CONTRIBUTION AGREEMENT** (the “Agreement”) dated the \_\_\_\_ of March, 2013

**B E T W E E N:**

**THE CORPORATION OF THE CITY OF GUELPH**  
**(“City of Guelph”)**

Of the First Part

- AND -

**METROLINX**  
**(“Metrolinx”)**

Of the Second Part

**RECITALS:**

- A. In November, 2010, the Government of Ontario announced that GO train service would be extended through Guelph to Kitchener-Waterloo by the end of 2011.
- B. In order to facilitate the expansion of GO train service, Metrolinx completed various infrastructure improvements for a total cost of approximately \$18 million.
- C. The Government of Ontario expects that municipalities who benefit from the extensions of GO train service contribute to the costs of the extension.
- D. The Cities of Toronto and Hamilton and the Regional Municipalities of Durham, York, Peel and Halton currently contribute to the GO capital expansion budget.
- E. Metrolinx and City of Guelph staff have discussed the parameters of the City of Guelph’s expected contribution, and the City of Guelph has agreed to contribute a total of \$3.15 million, in consideration of the benefits received by the City of Guelph.
- F. The terms and conditions for the City of Guelph’s contribution are set out in this Contribution Agreement.

**NOW THEREFORE**, in witness of the mutual covenants contained herein and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged and agreed), Metrolinx and the City of Guelph (the “Parties”) agree as follows:

**1. TERM**

- (a) This Agreement will be effective as of the date set out above and, subject to early termination or extension by agreement of the Parties, shall continue in full force

and effect until the Contribution Amount has been paid in full by the City of Guelph, pursuant to the terms and conditions of this Agreement.

- (b) The Parties will notify each other of any changes in the law or otherwise, which will impact their ability to plan or carry out their responsibilities under this framework.

## **2. CONTRIBUTION**

- (a) The City of Guelph agrees, subject to the terms and conditions of this Agreement, to reimburse Metrolinx the amount of \$3.15M (the "Contribution Amount"), in consideration of and as a contribution towards the approximate \$18M in total capital costs incurred by Metrolinx to extend GO train service to Kitchener-Waterloo. The contribution referred to in this section consists of \$2.5M towards the Guelph Station costs and \$0.65M towards the cost of the Kitchener layover facility. Metrolinx agrees that the City of Guelph will not be required to pay any amount in addition to the \$3.15M as its contribution for the extended GO service even if the costs for the Guelph Station and the Kitchener layover facility are higher than anticipated.
- (b) The Contribution Amount shall be payable as monetary or in-kind payments by the City of Guelph pursuant to a payment schedule mutually agreed by the Parties or otherwise as agreed by the Metrolinx and the City of Guelph from time to time, provided that the Contribution Amount shall be paid to Metrolinx in full on or before March 31, 2016 or as otherwise agreed by the parties in writing.
- (c) Subject to Section 2(d), Metrolinx shall from time to time issue invoices for payment of all or any portion of the Contribution Amount, as determined with reference to the payment schedule or otherwise as agreed by Metrolinx and the City of Guelph. Payment of any invoices issued by Metrolinx shall be made by the City of Guelph within thirty (30) days' of receipt thereof.
- (d) In-kind contributions for which credit may be afforded shall be agreed by the Parties and may include (but are not limited to) the provision of goods or services, or the sale or transfer of title to or an interest in property (real, tangible or intangible) by the City of Guelph to Metrolinx. The value of any in-kind payment shall be as set out in the agreement or contract governing the provision of such goods or services, or the sale or transfer of such property and shall, to the extent of the credit applied to the Contribution Amount, satisfy any of Metrolinx' payment obligations for the in-kind goods or services or property transfer..
- (e) After March 31, 2016 or such other date agreed to by the parties, if the Contribution Amount has not been paid in full, Metrolinx shall have the right to charge interest on any outstanding amount of the Contribution Amount, at the rate established under Section 10 of the *Financial Administration Act* (the "FAA").

**2. The Parties agree that any further contributions by the City of Guelph to GO Transit's ongoing capital costs, and the terms and conditions under which such contribution shall be made, shall be consistent with other participating municipalities.GENERAL**

- (a) This Agreement sets forth the entire agreement between the Parties concerning the subject matter hereof. Except as expressly set out in this Agreement, no prior document, negotiation, provision, undertaking or agreement in relation to the subject matter of the Agreement has legal effect.
- (b) This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Ontario.
- (c) A communications plan shall be jointly agreed upon by Metrolinx and the City of Guelph before any information regarding the terms of this Agreement is made public.
- (d) No provision of this Agreement and no action by the Parties will establish or be deemed to establish a partnership, joint venture, principal-agent relationship or employer-employee relationship in any way or for any purpose whatsoever between Metrolinx and the City of Guelph.
- (e) This Agreement may be amended from time to time as mutually agreed in writing by the Parties.
- (f) The failure of any party to insist in any one instance upon the strict performance by any other Party of its obligations hereunder shall not constitute a waiver or relinquishment of any such obligations as to any other instances and the same shall continue in full force and effect.
- (g) Time shall in all respects be of the essence of this Agreement.
- (h) This Agreement may be executed by the Parties in separate counterparts each of which when so executed and delivered shall be deemed to be an original, and all such counterparts together shall constitute one and the same instrument.

**IN WITNESS WHEREOF** the Parties hereto have executed this Agreement as of the date set forth above.

**THE CORPORATION OF THE CITY OF  
GUELPH**

Per: \_\_\_\_\_  
Name:  
Title:

**METROLINX**

Per: \_\_\_\_\_  
Name:  
Title: