

# COMMITTEE AGENDA



TO **Corporate Administration, Finance and Emergency Services  
Committee**

DATE July 11, 2011

LOCATION Council Chambers

TIME 5:00 p.m.

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## DISCLOSURE OF PECUNIARY INTEREST

## CONFIRMATION OF MINUTES – June 13, 2011

## PRESENTATIONS (Items with no accompanying report)

a)

## 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 & Emergency Services Committee Consent Agenda will be approved in one resolution.*

ITEM	CITY PRESENTATION	DELEGATIONS	TO BE EXTRACTED
CAFES-29 Letter of Credit Policy			
CAFES-30 General Operating and Capital Budget Policy			
CAFES-31 Impacts on the 2012 Budget			
CAFES-32 Business Licence By-law: Amendments			

Resolution to adopt the balance of the Corporate Administration, Finance & Emergency Services 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)

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- 2) staff presentations only
  - 3) all others.

### **CLOSED MEETING**

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

- 1) **Citizen Appointments to the Downtown Coordinating Committee**  
S. 239(2)(b) Personal matters about identifiable individuals.

**NEXT MEETING** – September 12, 2011

**The Corporation of the City of Guelph  
Corporate Administration, Finance, and Emergency Services  
Committee  
Monday, June 13, 2011, 5:00 p.m.**

A meeting of the Corporate Administration, Finance and Emergency Services Committee was held on June 13, 2011 in the Council Chambers at 5:00 p.m.

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

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

Staff Present: Mr. H. Loewig, Chief Administrative Officer; Mr. M Amorosi, Executive Director, Corporate and Human Resources, Ms. D. Jaques, General Manager Legal Services and City Solicitor; Ms. T. Agnello, Acting City Clerk; and Ms D. Black, Assistant Council Committee Co-ordinator

There was no disclosure of pecuniary interest.

1. Moved by Mayor Farbridge  
Seconded by Councillor Dennis

THAT the minutes of the Corporate Administration, Finance and Emergency Services Committee meeting held on May 9, 2011 be confirmed as recorded and without being read.

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

VOTING AGAINST: (0)

Carried

2. Moved by Councillor Dennis  
Seconded by Mayor Farbridge

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

**Proposed Sale of Land**

S. 239 (2) (c) Proposed or pending acquisition or disposition of land.

**Lease Agreement**

S. 239 (2) (c) Proposed or pending acquisition or disposition of land.

VOTING IN FAVOUR: Councillors Dennis, Hofland, Kovach, Wettstein

and Mayor Farbridge (5)

VOTING AGAINST: (0)

Carried

**A meeting of the Corporate Administration, Finance and Emergency Services Committee closed to the public.**

Mr. M. Amorosi  
Ms. D. Jaques

1. Moved by Councillor Kovach  
Seconded by Mayor Farbridge  
THAT the report of the Manager of Realty Services dated June 13, 2011 be received for information.

Carried

Mr. M. Amorosi  
Ms. D. Jaques

2. Moved by Councillor Dennis  
Seconded by Councillor Wettstein  
THAT the report of the Manager of Realty Services dated June 13, 2011, be received for information.

Carried

**The meeting reconvened in public session at 5:10 p.m.**

**Consent Agenda**

The following items were extracted from Corporate Administration, Finance & Emergency Services Committee June 13, 2011 Consent Agenda:

- CAFES-2011 A.20 Lawn Bowling License Agreement
- CAFES-2011 A.23 Tourism Services – Information on New Website Tools
- CAFES-2011 A.26 2010 Development Charge Reserve Fund Statement
- CAFES-2011 A.27 2010 Operating Budget Variance Report as at December 21, 2010
- CAFES-2011 A.28 Lease Agreement – Kidsability Centre for Child Development – West End Community Centre

1. Moved by Councillor Kovach  
Seconded by Councillor Dennis  
THAT the balance of the Corporate Administration, Finance & Emergency Services Committee June 13, 2011 Consent Agenda, as identified below, be adopted:

- a) **Joint Emergency Preparedness Program Grant**

June 13, 2011

Mr. S. Armstrong

THAT the report dated June 13, 2011 with respect to Joint Emergency Preparedness Program (JEPP) grants, be received for information.

Mr. S. Armstrong

- b) **Evacuation Exercise**  
THAT the report dated June 13, 2011 with respect to an evacuation exercise, be received for information.

REPORT

- c) **Lease Agreement – The Guelph Humane Society**  
THAT the Mayor and Clerk be authorized to execute a lease agreement between the City and The Guelph Humane Society Incorporated for use of part of the land and building located at 500 Wellington Street West as outlined in the report of the Manager of Realty Services dated June 13, 2011 and subject to the final form and terms of the lease being satisfactory to the City Solicitor.

REPORT

- d) **Proposed Sale of Land and Easement Tricar Developments Inc.**  
THAT the Mayor and Clerk be authorized to execute an Offer to Purchase and Agreement of Purchase and Sale between Tricar Developments Inc. (for a company to be incorporated) for the lands and easement as outlined in the report of the Manager of Realty Services dated June 13, 2011;

AND THAT staff be authorized to proceed to take all steps necessary to stop-up and close part of Priory Street and bring forward a by-law for Council's consideration.

Ms. S. Aram

- e) **2010 Capital Project Activity**  
THAT Finance Report FIN-11-24 dated June 13, 2011 entitled "2010 Capital Project Activity", be received for information purposes only.

Ms. S. Aram

- f) **2012 Budget Schedule**  
THAT Finance Report FIN-11-22 dated June 13, 2011 with respect to the 2012 Budget Scheduled, be received for information purposes only.

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

VOTING AGAINST: (0)

Carried

**Lawn Bowling License Agreement**

Mr. Stephen Brancier, co-president of Guelph Lawn Bowling Club provided a brief history of the lawn bowling club and stated the club is at risk due to the lack of funds to maintain the property. He requested \$15,000 a year and a license agreement be renewed through to December 31, 2010.

REPORT

3. Moved by Councillor Kovach  
Seconded by Mayor Farbridge

THAT the Mayor and Clerk be authorized to execute a License Agreement between the City and the Guelph Lawn Bowling Club for use of part of the lands comprising Royal City Park, subject to the form and content of the License Agreement being satisfactory to the Manager of Realty Services, the General Manager of Park Maintenance and Development, and the General Manager of Parks and Recreation Programming & Facilities;

AND THAT the Guelph Lawn Bowling Club be funded in the amount of \$12,000 from the 2011 Parks Maintenance Operating Budget.

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

VOTING AGAINST: (0)

Carried

**Lease Agreement – Kidsability Centre for Child Development – West End Community Centre**

REPORT

4. Moved by Councillor Kovach  
Seconded by Mayor Farbridge

THAT the Mayor and Clerk be authorized to execute a Lease Agreement between the City and Kidsability Centre for Child Development space in the West End Community Centre as outlined in the report of the Manager of Realty Services dated June 13, 2011.

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

VOTING AGAINST: (0)

Carried

**Tourism Services – Information on New Website Tools**

Ms. Sue Trerise, Senior Business Development, provided a demonstration of the features and tools available on the Guelph and Wellington tourism website.

Mr. P. Cartwright

5. Moved by Councillor Dennis  
Seconded by Councillor Kovach  
THAT the report of the General Manager of Economic Development & Tourism dated June 13, 2011 titled 'Tourism Services – Information on New Website Tools', be received for information.

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

VOTING AGAINST: (0)

Carried

**2010 Development Charge Reserve Fund Statement**

Ms. Sarah Purton, Senior Corporate Analyst – Budgets, provided a summary of the 2010 Development Charge Reserve Fund.

Ms. S. Aram

6. Moved by Councillor Dennis  
Seconded by Councillor Wettstein  
THAT Finance Report FIN-11-25 dated June 13, 2011 entitled "2010 Development Charge Reserve Fund Statement", be received for information purposes only.

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

VOTING AGAINST: (0)

Carried

**2010 Operating Budget Variance Report as at December 31, 2010**

Ms. Peggy Tollett, Senior Corporate Analyst – Financial Planning proved an overview of the 2010 Operating Budget Variance Report as December 31, 2010. She outlined the staff recommendations for the tax supported surplus and user pay surplus.

Ms. S. Aram

7. Moved by Councillor Kovach  
Seconded by Mayor Farbridge  
THAT staff be directed to report back regarding the City's MPAC submissions and their results.

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

VOTING AGAINST: (0)

Carried

REPORT

8. Moved by Mayor Farbridge  
Seconded by Councillor Dennis

THAT the Finance report dated June 13, 2011 entitled "2010 Operating Budget Variance Report as at December 31, 2010", be received;

AND THAT staff be authorized to transfer the year end surplus amounts to reserves/reserve funds as outlined below:

**Tax Supported Surplus of \$1,539,039**

- \$249,223 be allocated to the Police Relocation reserve
- \$74,029 be allocated to the Library Relocation reserve
- \$300,000 be allocated to the Ontario Municipal Board (OMB) Reserve
- \$300,000 be allocated to the Insurance Reserve
- \$300,000 be allocated to the Operating Contingency Reserve (for unexpected operating impacts such as dramatic energy price variations or severe weather conditions)
- \$315,787 be allocated to the Rate Stabilization Reserve

**User Pay Surplus of \$1,705,498**

- Water surplus of \$1,038,059 with \$400,000 allocated to the Water Rate Stabilization Reserve and \$638,059 be allocated to the Water Capital Reserve Fund
- Wastewater surplus of \$667,439 be allocated to the Wastewater Capital Reserve Fund.

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

VOTING AGAINST: (0)

Carried

The meeting adjourned at 6:43 p.m.

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Chairperson



**CORPORATE ADMINISTRATION, FINANCE & EMERGENCY SERVICES COMMITTEE  
CONSENT AGENDA**

**July 11, 2011**

Members of the Corporate Administration, Finance & Emergency Services 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 & Emergency Services Committee Consent Agenda will be approved in one resolution.

**A Reports from Administrative Staff**

<b>REPORT</b>	<b>DIRECTION</b>
<p>CAFES-2011 A.29) <b>LETTER OF CREDIT POLICY</b></p> <p>THAT the Letter of Credit Policy, attached as Appendix 1, be approved and adopted by by-law.</p>	Approve
<p>CAFES-2011 A.30) <b>GENERAL OPERATING AND CAPITAL BUDGET POLICY</b></p> <p>THAT the General Operating and Capital Budget Policy, attached as Appendix 1, be approve and adopted by by-law.</p>	Approve
<p>CAFES-2011 A.31) <b>IMPACTS ON THE 2012 BUDGET</b></p> <p>THAT the report ‘Impacts on the 2012 Budget’ be received.</p>	Receive
<p>CAFES-2011 A.32) <b>BUSINESS LICENCE BY-LAW: AMENDMENTS</b></p> <p>THAT a by-law to amend the business licensing by-law for the purpose of the following changes be forwarded to Council for approval:</p> <ol style="list-style-type: none"> <li>1. To change the name of the Appeals Committee from Finance, Administration and Corporate Services to Corporate Administration, Finance and Emergency Services Committee.</li> <li>2. To allow as an option to membership in an association, the acceptance of a diploma which includes as part of the curriculum a holistic modality, from an educational institution as recognized by the Ministry of Training, Colleges and Universities.</li> <li>3. To require that no Application for Inspections, Application for</li> </ol>	Approve

Business Licence and Application for Renewal be accepted unless overdue Provincial Offence fines pursuant to the Business Licensing By-law are paid or in a payment schedule.

**B Items for Direction of Committee**

attach.

# COMMITTEE REPORT



TO **Corporate Administration, Finance & Emergency  
Services Committee**

SERVICE AREA Office of the CAO  
DATE July 11, 2011

**SUBJECT Letter of Credit Policy**  
REPORT NUMBER FIN-11-32

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## RECOMMENDATION

**THAT** the Letter of Credit Policy, attached as **Appendix 1**, be approved and adopted by by-law.

## BACKGROUND

The City of Guelph does not currently have a formal Letter of Credit Policy, but there are City by-laws and agreements which include specific reference to letters of credit. Under the City's Site Alteration By-law Number (2007) – 18420 and Purchasing By-law Number (2009) – 18777, a letter of credit is a form of security provided to the City to ensure performance; and development agreements usually require a letter of credit or acceptable alternative to provide assurance that financial commitments to the City are met.

The proposed policy clarifies the requirements pertaining to all letters of credit and the institutions issuing them. It complements the City's Investment Policy and Debt Management Policy to protect the interests of the City and ensure good financial and cash management for the ongoing financial stability of the Corporation.

## REPORT

A letter of credit may serve as a primary payment mechanism authorizing payment to the City or as a secondary payment mechanism providing assurance of ability to perform under the terms of an agreement with the City. The intention is to ensure that financial or performance obligations to the City are met.

A high credit rating and strong financial position are important components of the City's Corporate Strategic Plan, but they cannot be achieved without attention to the preservation of capital and prudent security provisions. Specifying and accepting only certain types of letters of credit will assist in protecting the City's interests.

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The proposed policy intentionally specifies very stringent criteria because of the substantial amount of money involved and because the very purpose of a letter of credit is to provide financial security. Therefore, it stipulates that institutions issuing letters of credit to be accepted by the City for any reason must meet specific credit-rating requirements.

Current City practice has usually been to accept letters of credit only from the following six primary Canadian Schedule I chartered banks:

- Bank of Montreal
- Bank of Nova Scotia (The)
- Canadian Imperial Bank of Commerce
- National Bank of Canada
- Royal Bank of Canada
- Toronto-Dominion Bank (The)

This list corresponds to the list of authorized investment dealers in the City's Investment Policy, but would now be expanded for letters of credit to include other Canadian Schedule I or II chartered banks and cooperative credit associations

- only on approval of the Treasurer or Deputy-Treasurer, and,
- for letters of credit in amounts of \$100,000 or greater, only if they possess a superior Dominion Bond Rating Service (DBRS) rating of R-1 (middle) or better, or an equivalent rating from Standard & Poor's (S&P), Fitch Ratings, or Moody's.

Credit ratings provided by these independent rating agencies are commonly relied upon as a major factor in making investment decisions. The onus will be on the financial institution to provide to the Treasurer or Deputy-Treasurer satisfactory evidence that the credit-rating requirements specified above have been met. If a letter of credit is accepted from one of these financial institutions and the institution subsequently loses its DBRS rating or equivalent specified above, a substitute letter of credit from an acceptable financial institution will be required.

The DBRS® short-term debt rating scale provides an opinion on the risk that an issuer will not meet its short-term financial obligations in a timely manner. Ratings are based on quantitative and qualitative considerations relevant to the issuer and the relative ranking of claims. A rating of R-1 (high) indicates the highest credit quality, and a rating of R-1 (middle) differs from R-1 (high) by a relatively modest degree. All other rating categories indicate less credit quality and are not as favourable as R-1 (high) and R-1 (middle) rating categories.

## **CORPORATE STRATEGIC PLAN**

- 5.3 Open, accountable and transparent conduct of municipal business
- 5.5 A high credit rating and strong financial position

## **FINANCIAL IMPLICATIONS**

The Letter of Credit Policy has financial implications with regard to assurance that financial or performance obligations to the City in connection with certain agreements are met. Specifying and accepting only certain types of letters of credit provides financial security and protection of the City's interests and may improve the City's credit rating.

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## **DEPARTMENTAL CONSULTATION**

The Planning & Building, Engineering and Environmental Services and the Economic Development & Tourism Services have provided input.

## **ATTACHMENT**

Appendix 1: Proposed Letter of Credit Policy

"original signed by Mary Coggins"

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**Prepared By:**

Mary E. Coggins  
Financial Consultant  
Ext. 2522  
mary.coggins@guelph.ca

"original signed by Susan Aram"

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**Recommended By:**

Susan Aram  
Acting Treasurer  
Ext. 2300  
susan.aram@guelph.ca

# CORPORATE POLICY AND PROCEDURE



POLICY	<b>Letter of Credit Policy</b>
CATEGORY	Finance
AUTHORITY	Council
RELATED POLICES	Investment Policy Debt Management Policy
APPROVED BY	Council
EFFECTIVE DATE	
REVISION DATE	

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## 1. POLICY STATEMENT

It is the policy of the City of Guelph

- that institutions issuing letters of credit to be accepted by the City for any reason meet specific credit-rating requirements, and
- that the letter of credit be in a specific form.

## 2. POLICY PURPOSE

The purpose of this policy is to ensure that the interests of the City are protected by specifying and accepting only certain types of letters of credit and to ensure good financial and cash management for the ongoing financial stability of the Corporation in conjunction with investment and debt management policies. This policy will

- define letters of credit,
- identify circumstances requiring a letter of credit,
- specify the credit-rating requirements of institutions issuing acceptable letters of credit,
- specify the format of letters of credit,
- identify acceptable alternatives to letters of credit, and
- confirm responsibility for administration of letters of credit.

## 3. DEFINITIONS

In this policy,

“**Letter of credit (L/C)**” means a form of financial security issued by a bank or financial institution, which authorizes the recipient of the letter to draw amounts of money up to a specified total, to assure the beneficiary (the City) that it will receive

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payment. An L/C deals with documents, not goods or services. It is as good as cash to the City, but the bank may require a deposit or line of credit from the applicant.

An “**unconditional**” letter of credit, to be negotiable, must include a promise to pay on demand or at a definite time, which demand shall be honoured without enquiry as to whether the beneficiary (the City) has a right to make such a demand and without recognizing any claim of the applicant. Payment is conditioned solely on presentation of specified documents.

An “**irrevocable**” letter of credit may not be revoked or amended without the agreement of the issuing bank and the beneficiary. An irrevocable letter of credit from the issuing bank assures the beneficiary (the City) that, if the required documents are presented and the terms and conditions are met, payment will be made.

A “**standby**” letter of credit requires only the presentation of a satisfactory request for payment without further documentary evidence of obligation. It usually serves as a secondary payment mechanism in a case of default, but may serve any one of a wide range of financial support purposes. A bank will issue a standby letter of credit on behalf of a customer to provide assurances of his ability to perform or to pay under the terms of an agreement with the beneficiary (the City).

An “**automatically renewing**” letter of credit is deemed to be automatically extended, without any formal amendment, for a specified period (usually one year) beyond the stated expiration date unless notification in writing is received by the beneficiary (the City) prior to expiration.

#### **4. SCOPE**

The Letter of Credit Policy applies to all departments and local boards (Library and Police Services) of the Corporation of the City of Guelph and in all circumstances requiring a letter of credit.

#### **5. SECURITY PROVISIONS**

A letter of credit will be required in connection with certain agreements in order to provide assurance that financial or performance obligations to the City are met.

##### **5.1 Developer Contribution Agreements**

The City of Guelph may enter into an agreement with a developer with respect to work that relates to the provision of services for which there will be an increased need as a result of the development. In addition to the payment of development charges, the agreement may provide for a share of the costs of the work and / or of the agreement processing to be borne by the benefiting development. Such an agreement must contain a provision requiring an irrevocable standby letter of credit

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or acceptable alternative, typically as a primary payment mechanism authorizing payment to the City.

## **5.2 Site Alteration Permits**

An application for a site alteration permit from the City of Guelph is not considered to be complete without security to ensure performance of the applicant's obligations in a form and amount as determined in accordance with Schedule B to the City's Site Alteration By-law Number (2007) – 18420 or successor. Security must be in the form of an irrevocable standby letter of credit or acceptable alternative as a secondary payment mechanism providing assurance of ability to perform.

## **5.3 Bid Sureties**

The City of Guelph may request bids requiring the submission of bid surety in accordance with the City's Purchasing By-law Number (2009) – 18777 or successor. Bid surety must be in the form of a bid bond, irrevocable standby letter of credit, or acceptable alternative as a secondary payment mechanism providing assurance of ability to perform.

## **5.4 Development Charge Late Payment Agreements**

The City of Guelph may enter into an agreement providing for all or any part of a development charge to be paid after it would otherwise be payable, in accordance with Section 27 of the *Development Charges Act* and the City's Development Charge By-law Number (2009) – 18729 or successor. Such an agreement for deferral must contain a security provision requiring an irrevocable standby letter of credit or acceptable alternative as a secondary payment mechanism providing assurance of ability to pay.

## **5.5 Development Charge Reduction for Redevelopment**

Where, as a result of the redevelopment of land, a building or structure existing on the same land within 48 months prior to the date of payment of development charges in regard to such redevelopment was or is to be demolished, in whole or in part, in order to facilitate the redevelopment, the development charges otherwise payable with respect to such redevelopment shall be reduced in accordance with the City's Development Charge By-law Number (2009) – 18729 or successor. In cases where an existing building or structure has not yet been demolished at the date of payment of development charges but is to be demolished in order to facilitate the redevelopment, the City will require an irrevocable standby letter of credit for the value of the redevelopment reduction granted, and the letter of credit shall contain a provision allowing the City to index the value.

## **5.6 Other Agreements or Contracts**

Where the City of Guelph enters into any other agreement or contract in which it is considered advisable to ensure that the interests of the City are protected, an irrevocable standby letter of credit or acceptable alternative will be required in



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order to provide assurance that financial or performance obligations to the City are met.

## **6. CREDIT-RATING REQUIREMENTS**

Because of the substantial amount of money involved, the City will accept L/Cs only from the institutions meeting specific credit-rating requirements.

### **6.1 Six Primary Canadian Schedule I Chartered Banks**

Letters of credit may be accepted from any of the following six primary Canadian Schedule I chartered banks:

- Bank of Montreal
- Bank of Nova Scotia (The)
- Canadian Imperial Bank of Commerce
- National Bank of Canada
- Royal Bank of Canada
- Toronto-Dominion Bank (The)

### **6.2 Other Canadian Schedule I or II Chartered Banks and Cooperative Credit Associations**

- a) Letters of credit in amounts of \$100,000 or greater may be accepted from other chartered banks set out in Schedule I or II of the Bank Act and from Cooperative Credit Associations
- only if they possess a superior Dominion Bond Rating Service (DBRS) rating of R-1 (middle) or better or an equivalent rating from Standard & Poor's (S&P), Fitch Ratings, or Moody's, and
  - only on approval of the Treasurer or Deputy-Treasurer.

The onus will be on the financial institution to provide to the Treasurer or Deputy-Treasurer satisfactory evidence that the credit-rating requirements specified above have been met.

If a letter of credit is accepted from one of these financial institutions and the institution subsequently loses its DBRS rating or equivalent specified above, a substitute letter of credit from an acceptable financial institution will be required.

- b) Letters of credit in amounts less than \$100,000 may be accepted from other chartered banks set out in Schedule I or II of the Bank Act and from Cooperative Credit Associations
- only on approval of the Treasurer or Deputy-Treasurer.

### **6.3 Other Financial Institutions**

Letters of credit will not be accepted from financial institutions other than those specified above.

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## **7. LETTER OF CREDIT FORMAT**

The City of Guelph has a standard format for irrevocable standby letters of credit. All L/Cs accepted by the City must conform to the intent of this standard. They must be unconditional, irrevocable, automatically renewing (unless sufficient notice in writing is received), and in Canadian funds and must allow for partial drawings.

## **8. ACCEPTABLE ALTERNATIVES**

Acceptable alternatives to letters of credit are security deposits in the form of

- debit card payments,
- certified cheques,
- bank drafts, or
- money orders.

If any of these alternatives is provided in lieu of a letter of credit, the funds will be deposited in the City's bank account, but no interest will accrue to the benefit of the provider. A letter of guarantee is less liquid, is dependent on proof of damage, is subject to additional administrative and legal costs, and, therefore, is not an acceptable alternative to a letter of credit.

## **9. PROCEDURE / ADMINISTRATION**

### **9.1 Safekeeping**

Letters of credit will be in the safekeeping of the City's Finance Department, and acceptable alternatives in the form of certified cheques, bank drafts, or money orders will be deposited in the City's bank account(s). However, no interest will accrue to the benefit of the provider.

### **9.2 Communications**

All drawing demands, extension requests, reductions, returns, releases, and other communications with the issuing bank concerning letters of credit will be processed by the City's Finance Department.

### **9.3 Existing Letters of Credit**

All letters of credit currently held by the City and not meeting the policy requirements, at the passing of this policy, will continue to be held until their expiry date. However, if the letter of credit is from a financial institution which subsequently loses its current rating, a substitute letter of credit from an acceptable financial institution will be required.

# COMMITTEE REPORT



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**TO** Corporate Administration, Finance & Emergency Services Committee

**SERVICE AREA** Office of the CAO  
**DATE** July 11, 2011

**SUBJECT** General Operating and Capital Budget Policy  
**REPORT NUMBER** FIN-11-35

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## RECOMMENDATION

**THAT** the General Operating and Capital Budget Policy, attached as **Appendix 1**, be approved and adopted by by-law.

## BACKGROUND

In addition to other more specific financial policies, such as those relating to debt management, reserves and reserve funds, investment, purchasing, and tangible capital assets, the City of Guelph needs a General Operating and Capital Budget Policy to assist in translating broad strategic goals into plans for achieving these goals through the design of programs and services in a fiscally responsible and sustainable manner. Such a policy also helps to ensure that both operating and capital requirements receive appropriate consideration in the budget process.

The proposed policy clarifies the basics of good budgeting and the considerations which are important to the process. It establishes a foundation for making informed choices and optimizing the use of limited corporate resources.

## REPORT

A budget is a financial plan for a specified period of time that matches all planned revenues and expenditures for the provision of various municipal programs and services, approved by Council. In forming strategies and making decisions related to short and long term budget planning, the City utilizes the following principles and strategies to shape its plan for the near and longer term:

- Strategic Plan,
- Communication with the Community,
- Affordability and Fiscal Capacity,
- Sustainability,
- Accountability and Transparency,

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- Assertive Maturity (going beyond the accustomed comfortable municipal role as a creature of the province, and seeing the municipality as a separate level of government with real and significant powers to make policies and deliver services),
  - Risk Management,
  - Innovation,
  - Stewardship,
  - Addressing Unfunded Liabilities, and
  - Multi-Year Budgets.

A strong financial position is an important component of the City's Corporate Strategic Plan, but it cannot be achieved without attention to deliberate strategies for shaping the budget-setting process.

Some budget responsibilities are assigned by statute and some have been adopted by the City to facilitate an efficient financial planning process. The budget responsibilities of various roles are listed in the policy.

## **CORPORATE STRATEGIC PLAN**

- 5.2 A consultative and collaborative approach to community decision making
- 5.3 Open, accountable and transparent conduct of municipal business
- 5.5 A high credit rating and strong financial position

## **FINANCIAL IMPLICATIONS**

The General Operating and Capital Budget Policy has financial implications with regard to assurance that the City of Guelph will be able to achieve its current and future goals in a fiscally responsible and sustainable manner. Making informed choices about the provision of services and capital assets helps to maintain the long-term financial stability of the City.

## **DEPARTMENTAL CONSULTATION**

The Executive Team has reviewed the policy and provided input.

## **ATTACHMENTS**

Appendix 1: Proposed General Operating and Capital Budget Policy

"original signed by Mary Coggins"

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**Prepared By:**

Mary E. Coggins  
Financial Consultant  
Ext. 2522  
mary.coggins@guelph.ca

"original signed by Susan Aram"

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**Recommended By:**

Susan Aram  
Acting Treasurer  
Ext. 2300  
susan.aram@guelph.ca

# CORPORATE POLICY AND PROCEDURE



POLICY	<b>General Operating and Capital Budget Policy</b>
CATEGORY	Finance
AUTHORITY	Council
RELATED POLICES	Debt Management Policy General Reserve and Reserve Fund Policy Investment Policy Purchasing Policy Tangible Capital Asset Policy
APPROVED BY	Council - DRAFT
EFFECTIVE DATE	July 2011
REVIEW DATE	July 2012

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## 1. POLICY STATEMENT

It is the policy of the City of Guelph to

- achieve its current and future goals in a fiscally responsible and sustainable manner,
- make informed choices about the provision of services and capital assets, and
- promote stakeholder participation in the budget process.

## 2. PURPOSE

The purpose of this policy is to

- improve the efficiency of the budget-setting process, making more strategic use of Council's time in reviewing budgets and administration's time in preparing them;
- ensure that the budget plans presented by staff are consistent with the goals set out by Council in its Strategic Plan;
- maintain the long-term financial stability of the City with affordable taxation and user rates; and
- establish a foundation for monitoring actual expenditures against budgeted expenditures.

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### 3. DEFINITIONS

The following definitions are included as an aid to interpreting this policy:

**"Budget"** – a financial plan for a specified period of time (fiscal year) that matches all planned revenues and expenditures for the provision of various municipal programs and services, approved by Council

**"Capital Budget"** – a plan of proposed capital expenditures to be incurred in the current year and over a period of subsequent future years (long-term) identifying each capital project and the method of financing

**"Capital Project"** – a project, which purchases or constructs a capital asset. Typically, a capital project encompasses a purchase of land and / or the construction of a building or facility.

**"Department"** – a basic organizational unit of the City, which is functionally unique in its delivery of services

**"Fiscal Year"** – the twelve-month accounting period for recording financial transactions. The City's fiscal year is January 1 to December 31.

**"Local Board"** – an external board which is consolidated in the City's financial reporting. These boards are under the control of Council and provide services relating to the Library and Police Services.

**"Operating (Current) Budget"** – the budget containing allocations for such expenditures as salaries and wages, materials and supplies, utilities, and insurance to provide basic government programs and services for the current fiscal year.

**"Reserve"** – an allocation of accumulated net revenue. It has no reference to any specific asset and does not require the physical segregation of money or assets. Examples of the City's Reserves are: Tax Rate Stabilization Reserve, Sick Leave Reserves, and Insurance Reserve.

**"Reserve Fund"** – assets segregated and restricted to meet the purpose of the reserve fund. Reserve Funds may be:

- Obligatory – created whenever a statute requires revenues received for special purposes to be segregated, e.g., Development Charges Reserve Funds, or
- Discretionary – created whenever Council wishes to earmark revenues to finance a future project for which it has authority to spend money, e.g., Capital Reserve Funds and Brownfield Strategy Reserve Funds.

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**“Revenue”** – funds that a government entity receives as income. It includes such items as property tax payments, fees for specific services, receipts from other governments, fines, grants, and interest income.

**“Tax Rate”** – the rate levied on each real property according to assessed property value and property class.

## **4. SCOPE**

The General Operating and Capital Budget Policy applies to all departments and local boards (including Library and Police Services) of the Corporation of the City of Guelph.

## **5. BUDGET PRINCIPLES AND STRATEGIES**

The principles and strategies that the City utilizes in making decisions related to short and long term budget planning include:

### **5.1 Strategic Plan**

The Strategic Plan serves as the guiding document under which all City initiatives are aligned. The budget will align with the Strategic Plan and support it.

### **5.2 Communication with the Community**

The budget will provide opportunity for community input and will make available reports consistent with Council-approved principles for public involvement.

### **5.3 Affordability**

The budget will incorporate an integrated approach to the allocation of limited resources. The City must be able to bear the cost without incurring financial difficulty or risking other undesirable consequences.

### **5.4 Fiscal Capacity**

Fiscal capacity will be built to respond to emerging community needs through adherence to the long-term financial plan and related debt and reserve fund management policies. A strong financial position is an important component of the City's Corporate Strategic Plan.

### **5.5 Sustainability**

The budget will incorporate a long-term focus with the aim of achieving a prosperous and sustainable community. It will reflect priorities based on a quadruple bottom line approach, i.e., showing a commitment to economic, social, environmental, and cultural aspects.

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## **5.6 Accountability and Transparency**

The budget will demonstrate accountability to the community through an open and transparent decision making process in addition to audited financial statements and other reporting.

## **5.7 Assertive Maturity**

The budget will demonstrate a culture of assertive maturity (going beyond the comfortable role of being subordinate to upper levels of government, and seeing the municipality with real and significant powers to make policies and deliver services) by:

- 5.7.1 Providing the funding to deliver the services and programs residents want in an efficient manner that minimizes risk to the community and corporation,
- 5.7.2 Setting priorities based on innovative and effectively managed policies to achieve City goals, and
- 5.7.3 Managing our financial relationship with other governments in a proactive manner, demonstrating municipal leadership, and advocating to obtain the tools needed to deliver services.

## **5.8 Risk Management**

Priority-setting and decision-making will be informed by risk management principles with the aim to minimize the negative effects of risk while also minimizing the cost to accomplish this mitigation.

## **5.9 Innovation**

The budget will incorporate innovative approaches to service delivery and will include funding to allow for the development and implementation of operational efficiencies and cost-saving measures. Cost-sharing and partnership strategies will be pursued, including the provision of matching funding where leveraging opportunities exist.

## **5.10 Stewardship**

- 5.10.1 The budget will support existing infrastructure using a life-cycle strategy and asset management best practice.
- 5.10.2 The budget will consider new infrastructure required to achieve the strategic plan.
- 5.10.3 The budget will minimize reliance on debentures and focus on addressing the existing infrastructure gap.

## **5.11 Addressing Unfunded Liabilities**

The budget will address identified unfunded liabilities such as sick leave or WSIB through reserve contributions.



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## 5.12 Multi-Year Budgets

Multi-year budgets will be developed for operating and capital expenditures according to an approved guideline. Multi-year budgets will incorporate the operating impacts of capital expenditures.

## 6. BUDGET ROLES AND RESPONSIBILITIES

The following roles have budget responsibilities as listed:

<b>Accountability Role</b>	<b>Role Responsibilities</b>
Municipal Council	<ul style="list-style-type: none"><li>• Establish priorities through the Strategic Plan</li><li>• Approve guidelines in advance of detailed budget preparation</li><li>• Approve the proposed level of public communication and engagement</li><li>• Review the budget submission in meetings of the whole Council</li><li>• Adopt the budget by by-law</li><li>• Approve the rates required for taxation and user fees by by-law</li></ul>
Chief Administrative Officer	<ul style="list-style-type: none"><li>• Direct, in co-operation with the Chief Financial Officer and the Executive Team, the preparation and presentation of the operating and capital budgets on an annual basis</li><li>• Direct, in co-operation with the Chief Financial Officer and the Executive Team, the preparation of a budget guideline for approval by Council</li><li>• Exercise financial control over all corporate operations in conjunction with the Chief Financial Officer to ensure compliance with the revenue and expenditure budgets approved by Council</li></ul>
Executive Team (ET)	<ul style="list-style-type: none"><li>• Review and recommend the budget to the CAO</li><li>• Support the final approved budget in a unified manner</li><li>• Recognize the priorities of the corporation as a whole, separate from specific departmental priorities, during the decision-making process</li><li>• Conduct the budget review in an open and collaborative manner</li></ul>
Senior Management Team (SMT)	<ul style="list-style-type: none"><li>• Lead the development of realistic and responsible departmental budgets in accordance with the established guideline, timeline, and process as per Budget Policy</li><li>• Submit budget requests based on supportable facts that can be well understood by the general public and other members of the organization</li><li>• Ensure that the resources and assets under their authority are effectively managed on an ongoing basis</li></ul>

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<p>Chief Financial Officer, Budget Services Staff, and Operating Teams</p>	<ul style="list-style-type: none"> <li>• Chief Financial Officer – lead and coordinate the overall preparation and administration of the City budget and capital program plan</li> <li>• Ensure adherence to budget policies and financial policies as approved by Council</li> <li>• Provide management and strategic direction to the financing of the City</li> <li>• Develop a community engagement plan, related recommendations, and communication strategies for Council review and approval</li> </ul>
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**7. STATUTES**

Budget development shall comply with all relevant provisions of Ontario statutes, including, but not limited to, the following:

- *Municipal Act*, including sections relating to Business Improvement Areas
- *Police Services Act*
- *Public Libraries Act*
- *Health Protection and Promotion Act*
- *Conservation Authority Act*

# COMMITTEE REPORT



**TO** Corporate Services, Administrative, Finance and  
Emergency Services Committee

**SERVICE AREA** The Office of the CAO  
**DATE** July 11, 2011

**SUBJECT** Impacts on the 2012 Budget  
**REPORT NUMBER** FIN-11-26

## **Summary**

### **Purpose of Report**

To provide Council with a high level summary of the major impacts that are expected to influence the 2012 Tax Supported Operating Budget.

## **RECOMMENDATION**

That the impacts on the 2012 budget report be received.

## **BACKGROUND**

Significant impacts are the result of decisions made during the 2011 budget process such as the full year cost of new services and facilities and an adjustment for the use of one time reserve revenues. As well, staff provided current estimates related to economic pressures such as inflation, utility and fuel costs and staffing related increases required to maintain existing service levels. The 20% guideline continues to be used to quantify funding for capital expenditures including debt financing. However, an adjustment has been made to remove grant funding programs and operating related expenditures from the capital budget in order to follow appropriate accounting practices. Staff also provided conservative revenue related estimates that will help to offset these expenditure increases.

The report does not reflect any possible impacts from 2011 service/operational reviews. Expansions proposed for new services or service enhancements will be submitted separately from the 2012 base budget.

The Police Services and Library boards have been included assuming a 3% increase over 2011 be used in the preparation of their operating budgets and are not included in the itemized impacts related to City Service Areas other than capital funding provided through the 20% guideline. The estimated impacts from Shared

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Services with the County and Health Unit have been provided for information purposes based on most current estimates.

## **REPORT**

Staff have received the Budget Call information and are currently preparing their 2012 budgets in consideration of the impacts outlined below. Their preliminary budgets are to be submitted to Finance mid-July for review and will then be reviewed by the Executive Team in September.

### **Impacts resulting from 2011 Budget:**

In 2011 several new positions were approved at various start dates throughout the year. These positions will need to be annualized in 2012 resulting in an impact of \$403k.

In 2012 the South End Emergency facility and the Civic Precinct (Market Square, Museum and new Transit Hub) will be operational for 12 months and the full impact of these operating and staffing costs will be \$2m.

It is also suggested that the one-time tax rate stabilization reserve funding of \$700,000 that was included in the 2011 Budget be removed.

### **Staffing and Economic Impacts:**

Taking into account current contract negotiations, benefits, and salary grid moves human resources has estimated the potential staffing related impacts in 2012 to be \$3.2m.

The following assumptions relate to purchased goods and services:

- Fuel Pricing and consumption (2% Increase consumption and 1% Bio/dyed Bio, 3% increase in price per litre) - \$150,000
- Hydro 15% on the 2011 Budget - \$1,000,000
- Heat 5% on the 2011 Budget - \$145,000
- Insurance 8% on 2011 Actual with the exception of Transit fleet with 12% increase. (Includes additional new facilities) - \$220,000
- Other purchased goods and services (2% inflationary increase) - \$500,000
- MPAC fees have been increased by 5% which is an estimate based on historical trends in the past few years - \$76,450

### **Capital Related Impacts:**

Based on the 20% guideline (20% of prior year's net tax levy) an increase of approximately \$2.4 million will be used to fund capital projects in 2012 and service debt.

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A new consideration being proposed is to remove non-capital items from the 20% guideline and the inclusion of these items in the City's operating budget. They consist of the following:

- Heritage Grants \$235,000
- Community Investment Strategy (St. Joseph's) \$400,000
- Non-capital expenditures ie. Building Maintenance \$200,000
- Downtown Improvement Grants \$225,000
- Total = \$1,060,000

### **Revenue related impacts:**

Based on early estimates and historical trends, the following estimates are being made:

- Assessment growth has been averaging 1.5% over the years and this trend is expected to continue. This will provide an additional \$2.5m in revenue in 2012.
- The increase in supplementary revenue resulting from new development adds \$3m in revenue. The tax department has a proactive approach in working with MPAC. The estimates are based on a review of building permits and historical trends for better projections. The average time to receive additional supplementary revenue from MPAC is 18 months from the date of completion of the building or addition to it being added to the tax roll.
- A 3 year historical revenue trend analysis indicates an average annual increase of approximately \$1.5 m. However, after initial discussion with department leads, many areas have indicated they will be recommending no increase to fees, so any additional revenue will be based on usage. Therefore, a more conservative estimate for guideline purposes of \$ 1m has been included.

### **Impacts from non-controllable City costs**

There are several impacts to the City's budget that are non-controllable costs affecting the tax rate. At this point the impact from the Police Services and Library Boards has been assumed based on a 3% increase over 2011(not including capital). The Health Unit has provided an estimate for a 3% increase over 2011. Shared Services with the County are expected to impact the levy with an increase of .7% based on 2011 forecasted amounts.

The overall net tax levy impact for the base budget, including controllable and non-controllable costs, is currently estimated at 4.5%. The assumptions made in this report are based on current information and this report is provided as information for Council on the potential impacts for the 2012 budget.

## **CORPORATE STRATEGIC PLAN**

5.2 A consultative and collaborative approach to community decision making

5.3 Open, accountable and transparent conduct of municipal business

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**FINANCIAL IMPLICATIONS**

N/A

**DEPARTMENTAL CONSULTATION/CONCURRENCE**

Finance has consulted with the 2012 Operating Budget Team Departmental leads as well as the Executive Team.

**COMMUNICATIONS**

N/A

**ATTACHMENTS**

Appendix 1 – 2012 Budget Impacts

“original signed by Susan Aram”

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**Prepared By:**

Susan Aram, CGA  
Acting Treasurer  
519-822-1260 E:2300  
Susan.aram@guelph.ca

“original signed by Hans Loewig”

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**Recommended By:**

Hans Loewig  
CAO  
519-822-1260 E:2221  
hans.loewig@guelph.ca

## 2012 Budget Impacts:

### **Impacts from 2011 Budget:**

Annualization of 2011 FTE expansions	\$	403,000
Annualization of 2010 New Facilities ( including staffing)		1,828,000
Remove Tax Rate Stabilization Funding		700,000

### **Staffing and Economic Impacts:**

Salary Increase due to Grid Moves/JJEC/Contract Negotiations/Benefits	3,207,000
Increase in Fuel Consumption & Pricing	150,000
Increase in Hydro ( 15% of 2011 Budget)	1,000,000
Increase in Heat (5% of 2011 Budget, 3% consumption)	145,000
Increase in Insurance Premium	220,000
Increase in Other Purchased Services/Goods (2% increase)	500,000
5% increase in MPAC fees	76,450

### **Capital Related Impacts:**

Increase in Capital Financing - 20% Guideline	2,400,000
Non - Capital related: Heritage grants, Community Investment, Building Maintenance, Downtown Incentive Program	1,060,000

### **Local Boards - Operating Impact (3% Increase)**

Police Services	963,200
Library	226,900

### **Revenue Related Impacts:**

Assessment Growth (1.5%)	(2,500,000)
Increase in Supplementary Revenues due to new facility construction (Data Centre, WalMart, HCBP etc.)	(3,000,000)
Other revenues (Non-property tax)	(1,000,000)

<b>Estimated Tax Levy Impact:</b>	<b>\$</b>	<b>6,379,550</b>	<b>3.8%</b>
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### **Shared Services**

Social Housing	\$	443,000
Income & Employment Services		413,500
Childcare Services		161,000
Health Unit		69,400

<b>Total Estimated Tax Levy Impact:</b>	<b>\$</b>	<b>1,086,900</b>	<b>0.7%</b>
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<b>Total Estimated Tax Levy Impact:</b>	<b>\$</b>	<b>7,466,450</b>	<b>4.5%</b>
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# COMMITTEE REPORT



**TO** Corporate Administration Finance And Emergency Services Committee

**SERVICE AREA** Corporate and Human Resources

**DATE** July 11, 2011

**SUBJECT** Business Licence By-law: Amendments

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## RECOMMENDATION

That a by-law to amend the business licensing by-law for the purpose of the following changes be forwarded to Council for approval:

1. To change the name of the Appeals Committee from Finance, Administration and Corporate services to Corporate Administration, Finance and Emergency Services Committee.
2. Allow as an option to membership in an association, the acceptance of a diploma, which includes as part of the curriculum a holistic modality, from an educational institution as recognized by the Ministry of Training, Colleges and Universities.
3. To require that no Application for Inspections, Application for Business Licence and Application for Renewal be accepted unless overdue Provincial Offence fines pursuant to the Business Licensing By-law are paid or in a payment schedule.

## BACKGROUND

The City of Guelph Business Licence By-law (2009)18855 was passed on September 28, 2009 after a comprehensive review by staff and public consultation process. A new system of licensing was initiated for the 2010 License renewal. As part of that process categories of licenses were reviewed and conditions were changed accordingly. In addition, the application and renewal process was different than that which took place in previous years. As implementation has moved forward, there are areas of revision that have been identified as amendments.

## REPORT

The proposed housekeeping amendment is an update to wording as a result of the change in the name of a standing committee. Clear intent is important for effective administration, enforcement and prosecution of the By-law.



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Action: Change the appeals committee name from Finance, Administration and Corporate services to Corporate Administration, Finance and Emergency Services Committee.

Since the by-law was passed there have been several businesses that provide massage as part of their services that are neither registered massage therapy nor fall into one of the associations listed in the holistic schedule. Two businesses have since ceased to provide the massage service as a result. The intent of the licence is not to limit or affect the financial viability of the business. These businesses have proposed that that diplomas under schools recognised by the Ministry of Training, Colleges and Universities which offer massage as a component of the program be permitted as an option to membership in a holistic association.

Action: Allow as an option to membership in an association, the acceptance of a diploma, which includes as part of the curriculum a holistic modality, from an educational institution as recognized by the Ministry of Training, Colleges and Universities.

People who apply for business inspections or licences should ensure they are clear of fines encumbrances under the bylaw. This means that the outstanding fines should be paid or be in an approved payment plan as a condition of an Application for Inspection, an Application for Business Licence or an Application for Renewal.

Action: To require that no Application for Inspections, Application for Business Licence and Application for Renewal be accepted unless overdue Provincial Offence fines pursuant to the Business licensing by-law are paid or in a payment schedule.

## **CORPORATE STRATEGIC PLAN**

This report supports the following goals in the strategic plan:

- 1.2 - Municipal Sustainable practices
- 5.3 - Open, accountable and transparent conduct of municipal business; and
- 5.6 - Organizational excellence

## **FINANCIAL IMPLICATIONS**

Not applicable as this is an administrative and operational matter

## **DEPARTMENTAL CONSULTATION**

Consultation with, Legal Services, By-law Enforcement and Court services staff.

## **COMMUNICATIONS**

Pursuant to the Public Notice Provision Policy a notice to the public was placed in the Guelph Mercury On Monday June 27.

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“original signed by Tina Agnello”

**Prepared and Recommended By:**

Tina Agnello  
Acting City Clerk  
Corporate and Human Resources  
519 822-1260 X 2811  
tina.agnello@guelph.ca

“original signed by Donna Jaques”

**Recommended By:**

Mark Amorosi, Executive Director  
Corporate and Human Resources  
  
519 822-1260 x 2281  
mark.amorosi@guelph.ca