

Council Chambers, Guelph City Hall, 1 Carden Street

DATE Thursday December 5, 2013 – 6:00 p.m.

Please turn off or place on non-audible all cell phones, PDAs, Blackberrys and pagers during the meeting.

Disclosure of Pecuniary Interest and General Nature Thereof

2014 Tax Supported Operating and Capital Budgets

1. That the 2014 Tax Supported Operating Budget net tax levy of \$193,265,415 be approved as including further adjustments outlined in Table A of this report.
2. That the 2014 Tax Supported Capital Budget in the gross amount of \$79,740,600 be approved.
3. That the 2015 – 2023 Tax Supported Capital Forecast in the gross amount of \$466,149,700 be received for information.
4. That the proposed increases to user fees (Tab 29) incorporated in the 2014 budget be approved.
5. That the proposed transfers to/from reserves and reserve funds (Appendix 1) incorporated in the 2014 budget be approved.
6. That the 2014 Downtown Guelph Business Association budget with gross expenditures of \$517,000 be approved.

Special Resolution

See attached report "Supplementary Information Report: 2014 Non-union Compensation Increase".

That Non-union and Management Employee compensation adjustments in the amount of \$520,000 be approved for 2014 to maintain salaries at the 55th percentile of the City's comparator group.

**(This motion will be considered in sequence with the 2014 Tax Supported Operating Budget.)*

ADJOURNMENT

Overview

1. Staff recommendation
2. Operating budget
3. Capital budget
4. Financing (e.g. user fees, reserves)
5. DGBA budget
6. NUME Compensation (Special Resolution)
7. Closure (i.e. final review and vote)

Staff Recommendation

1. THAT the 2014 Tax Supported Operating Budget net tax levy of \$193,265,418 be approved including further adjustments as outlined in Table A of this report;
2. AND THAT the 2014 Tax Supported Capital Budget in the gross amount of \$79,740,600 be approved;
3. AND THAT the 2015 – 2023 Tax Supported Capital Forecast in the gross amount of \$466,149,700 be received for information;

Staff Recommendation (*continued*)

4. AND THAT the proposed increases to user fees (Tab 29) incorporated in the 2014 budget be approved;
5. AND THAT the proposed transfers to/from reserves and reserve funds (**Appendix 1**) incorporated in the 2014 budget be approved;
6. AND THAT the 2014 Downtown Guelph Business Association budget with gross expenditures of \$517,000 be approved.

Operating Budget

- THAT the 2014 Tax Supported Operating Budget net tax levy of \$193,265,418 be approved including further adjustments as outlined in Table A of this report;

Operating Budget: Base Budget

1. Base Budget

- Revenues

- Prior Year Assessment
- Departmental
- General

- Expenditures

- Impact from Capital
- General Expenditures & Capital Financing
- Compensation
- Fuel, Heat & Hydro
- Other Purchased Goods & Services

Base – Impact of Prior Year Assessment

- Refer to Dec 5th Staff Report pg. 4 of 6

	\$	Tax Levy Impact
2013 Approved Budget	185,187,614	
Add: Prior Year Assessment Growth	1,400,000	
Add: Additional Assessment Growth (Post Budget Distribution)	2,208,999	
Base Budget, Service & Strategic Investment Adjustments	7,678,304	
Total Budget Presented November 5, 2013	192,865,918	2.16%
<u>Additional Amendments</u>		
Increase Payment to Wellington County	92,100	0.05%
Reduce Payment to MPAC	(92,600)	-0.05%
Adjustment to Fuel & Energy Budgets	400,000	0.21%
Total budget after Additional Amendments	193,265,418	2.37%

Base – Departmental Revenues

- **Increased \$2.3 million over 2013**
- **Highlights:**
 - Tipping Fee Increases \$1.7 million
 - Product Sale increases \$0.08 million
 - Licenses, Permits & External Recoveries increases \$0.6 million
 - Grants from other levels of government decreases \$0.03 million

Base – General Revenues

- **Decreased \$0.5 million over 2013**
- **Highlights**
 - Reduction to Supplementary Revenues - \$0.4 million
 - Increase Payment-in-lieu of Taxes Revenue from reassessment - \$0.08 million
 - Increased Investment Income - \$0.02 million
 - Reduced Transfers from Reserves - \$0.2 million

Base – Impact from Capital

- **\$250,000 expenditure impact**
- **Highlights:**
 - New Park (Eastview) Operating Requirements \$0.1 million
 - Contribution to GO/Metrolinx \$0.15 million
 - Excludes requests from Police (to be discussed separately)

Base – Impact from previous capital budgets

- Refer to Binder page 2-3

Item	FTE	\$	Tax %	Page Ref
Equipment Operator	0.50	50,600	0.02	2-3
Gardener	0.50	48,600	0.02	2-3
Contribution to GO/Metrolinx	0.00	150,000	0.08	2-3
Police Services Fleet, Software & Fire Arms (discuss as part of Local Boards)	0.0	81,400	0.04	2-3

Base – General Expenditures, Capital Financing, Grants & Cross Charges

- **\$1.34 million increase over 2013**
- **Highlights:**
 - Increase funding for Tax Increment Based Grants \$0.5 million
 - Increased contributions to capital reserve funds \$1.1 million
 - Increased recoveries from other Non-tax-supported Budgets \$0.5 million
 - Increase Financial Expenses \$0.3 million
 - Increased Debt Servicing to fund two interest payments of an early 2014 debt issue \$0.04 million
 - **Reduce payment to MPAC - \$0.1 million**

Base – Compensation

- **\$2.9 million increase over 2013**
- **Highlights:**
 - Salary and wage increases \$2.6 million or 1.39%
 - Increased costs due to benefit increases (i.e. CPP, EI, STD, LTD) are outside of the City's control and/or experience rated (increase is \$0.3 million over 2013)
 - Reduction of \$0.5 million (total \$1.8M) to reflect naturally occurring vacancies

Base – Fuel, Heat & Hydro

- **\$0.23 million reduction over 2013**
- **Highlights:**
 - Decreased fuel costs largely due to usage \$0.1 million
 - Decreased hydro costs due to conservation and usage adjustments (savings from CEI incorporated) \$0.15 million
 - Increase to heating costs due to realignment of usage \$0.02 million

Base – Other Purchased Goods & Services

- **\$2.6 million increase over 2013**
- **Highlights:**
 - Increased insurance \$0.5 million
 - Increased operating supplies of \$0.9 million
 - Increased Repairs & Maintenance by \$0.2 million
 - Increased tipping fees by \$1.0 million

Local Boards & Shared Services

- **\$2.0 million increase over 2013**
- **Highlights:**
 - Police - \$1.2 million or 3.39% increase
 - Library – \$0.2 million or 2.65% increase
 - Public Health – \$0.8 million or 30.7% increase (includes interest on debt for capital facility)
 - County of Wellington - \$0.14 or 0.01% decrease (including adjustment presented post November 5)

Strategic Investments 2014 (slide 1 of 2)

- Refer to Binder pages 2-4 to 2-5 for summaries

	Item	FTE	\$	Tax %	Page
OA	Program Manager – Corporate Projects	0.00	0	0.00	2-11
	Business Process Improvements Specialist	1.00	92,100	0.05	2-14
IOR	Development Planner II	1.00	110,600	0.06	2-18
	Integrated Operational Review Funding	0.00	169,400	0.09	2-21

Strategic Investments 2014 (slide 2 of 2)

- Refer to Binder pages 2-4 to 2-5 for summaries

	Item	FTE	\$	Tax %	Page
OA	Timekeeping Package	0.00	50,000	0.02	2-26
CTSP	Corporate Application Analyst	1.00	130,300	0.07	2-29

Service Investments (slide 1 of 2)

- Refer to Binder pages 2-6 to 2-7 for summaries

Item	FTE	\$	Tax %	Page
Termite Management	0.00	15,000	0.00	2-35
Affordable Bus Pass	0.00	(102,400)	-0.06	2-37
School Zone Speed Limit Reductions	0.00	70,000	0.03	2-41
Urban Forest Management Plan	2.50	205,600	0.11	2-44
Mechanic – Transit	1.00	79,750	0.04	2-47

Service Investments (slide 2 of 2)

- Refer to Binder pages 2-6 to 2-7 for summaries

Item	FTE	\$	Tax %	Page
Mechanic – Public Works	1.00	79,750	0.04	2-50
Committee Co-ordinator	1.00	86,000	0.04	2-53
Corporate H&S Program Co-ordinator	1.00	0	0.00	2-61
Downtown Development Officer (Contract)	0.00	93,700	0.05	2-67
Police Requests	0.00	113,300	0.06	2-7

Investments not Recommended (page 2-8 to 2-10)

Position Name	FTE Impact	2014 Net Cost	2015 Net Cost	2016 Net Cost
Administrative Support Package	6.30	\$445,350	\$425,200	\$433,900
Disposal of Residue at WTE	0.00	\$100,000	\$100,000	\$100,000
By-Law Clerk	1.00	\$58,500	\$63,000	\$65,000
Communication Supervisor	1.00	\$102,700	\$98,800	\$100,700
Paramedics	4.00	\$335,000	\$176,200	\$179,200
Fleet Mechanics – Transit	1.00	\$79,750	\$83,738	\$87,924
Fleet Mechanics – PW	1.00	\$79,750	\$83,738	\$87,924
School Zone Speed Limit Reductions	0.00	\$766,000	\$31,500	\$31,500
Committee Coordinator	1.00	\$86,000	\$79,200	\$80,800
Business Analyst – Project & Service Management	1.00	\$130,300	\$120,400	\$122,700

Investments not Recommended (continued)

Position Name	FTE Impact	2014 Net Cost	2015 Net Cost	2016 Net Cost
Renovation Grant	0.00	\$30,000	\$30,000	\$30,000
Funding for Strategic Real Estate Reserve (e.g. IMICO)	0.00	\$250,000	\$250,000	\$250,000
Economic Development Analyst	1.00	\$103,200	\$98,800	\$100,700
Subsidy Co-ordinator	1.00	\$78,300	\$67,700	\$69,000
Cleaner	1.00	\$40,000	\$41,400	\$42,800
Customer Service Clerk II	1.00	\$43,350	\$44,050	\$45,150
Parks Planning Technician	1.00	\$81,800	\$74,400	\$75,800
Summer Students (4)	0.00	\$50,000	\$50,900	\$51,800
Building Capital Asset Coordinator	1.00	\$90,600	\$91,100	\$92,600
Total	20.30	\$2,020,300	\$1,863,225	\$1,897,699

Capital Budget

- THAT Guelph City Council approves in principle the \$20,407,708 additional capital allocation for the Guelph Police Services (GPS) Headquarters project (PS0033) in the City's Recommended 2014 Capital Budget for a total project budget allocation of \$34 million conditional upon a business case being completed to the satisfaction of the GPS Board and for ultimate approval of Council before the project proceeds;
- AND THAT the business case be completed in a manner that ensures that this significant capital project has been analysed to deliver the highest long-term community benefit as well as to leverage the best return on the City's investment;
- AND THAT following additional considerations be explored as part of the business case analysis on the project, including but not limited to:
 - Net Operating impacts,
 - New Construction vs. Renovation,
 - Tax assessment impacts for building or renovating within Downtown vs. building on sites outside of downtown,
 - Impacts of consolidating operations vs. continuing satellite functions at Clair Road,
 - Any potential for long-term efficiencies between Emergency Services and GPS, and
 - Additional value statements with regard to enhanced GPS operations due to investment in headquarters;
- AND THAT the additional project analysis is provided by Q2 2014.

Capital Budget

AND THAT the 2014 Tax Supported Capital Budget in the gross amount of \$79,740,600 be approved;

AND THAT the 2015 – 2023 Tax Supported Capital Forecast in the gross amount of \$466,149,700 be received for information;

Refer to the Capital Budget Binder

Capital from Current = \$20.859 million

Financing guideline is currently at 18.0% (vs 20%)

Financing – User Fees

- AND THAT the proposed increases to user fees incorporated in the 2014 budget be approved;

Refer to Tab 29 of the Binder

Financing – Reserves

- AND THAT the proposed transfers to/from reserves and reserve funds incorporated in the 2014 budget be approved;

Details of transfers to/from reserves are found in **Appendix 1** of the Dec 5th report

Detailed information regarding reserves are found in Tab 28 in the binder

Downtown Guelph Business Association

- AND THAT the 2014 Downtown Guelph Business Association budget with gross expenditures of \$517,000 be approved.

NUME Compensation (Special Resolution)

- That Non-union and Management Employee compensation adjustments in the amount of \$520,000 be approved for 2014 to maintain salaries at the 55th percentile of the City's comparator group.

Conclusion

- Final review
- Vote on recommendation as amended

STAFF REPORT



TO City Council

SERVICE AREA Finance & Enterprise Services

DATE December 5, 2013

SUBJECT 2014 Tax Supported Operating & Capital Budgets

REPORT NUMBER FIN-13-55

EXECUTIVE SUMMARY

PURPOSE OF REPORT

To present for Council deliberation and approval the 2014 Tax Supported Operating and Capital budgets.

KEY FINDINGS

Subsequent to the November 5, 2013 presentation to Council, staff have continued to review and refine the City's tax supported operating budget. Due to the early presentation of the City's budget, it is not unusual for new information to come to light. The below chart summarizes the key changes and adjustments recommended by staff following the November 5 presentation:

	\$	Tax Levy Impact
2013 Approved Budget	185,187,614	
Add: Prior Year Assessment Growth	1,400,000	
Add: Additional Assessment Growth (Post Budget Distribution)	2,208,999	
Base Budget, Service & Strategic Investment Adjustments	7,678,304	
Total Budget Presented November 5, 2013	192,865,918	2.16%
<u>Additional Amendments</u>		
Increase Payment to Wellington County	92,100	0.05%
Reduce Payment to MPAC	(92,600)	-0.05%
Adjustment to Fuel & Energy Budgets	400,000	0.21%
Total budget after Additional Amendments	193,265,418	2.37%

FINANCIAL IMPLICATIONS

The net operating requirements identified in the budget document are funded through the municipal tax levy, various user fees and subsidies. If approved as recommended, the 2014 Tax Supported Operating Budget would increase the tax levy by \$4,468,805 to \$193,265,418 including \$3,275,705 for base requirements (or 1.74%) and an additional \$1,193,100 for service and strategic investments (or 0.63%). Capital requirements would include \$79,740,600 for approval in 2014 and \$466,149,700 for receipt related to the 2015 – 2023 Capital Plan.

STAFF REPORT



ACTION REQUIRED

Council approve the 2014 Tax Supported Operating and Capital budgets, including budgets for local boards, shared services and the Downtown Guelph Business Association.

RECOMMENDATION

1. That the 2014 Tax Supported Operating Budget net tax levy of \$193,265,415 be approved as including further adjustments outlined in Table A of this report;
2. And that the 2014 Tax Supported Capital Budget in the gross amount of \$79,740,600 be approved;
3. And that the 2015 – 2023 Tax Supported Capital Forecast in the gross amount of \$466,149,700 be received for information;
4. And that the proposed increases to user fees (Tab 29) incorporated in the 2014 budget be approved;
5. And that the proposed transfers to/from reserves and reserve funds (**Appendix 1**) incorporated in the 2014 budget be approved;
6. And that the 2014 Downtown Guelph Business Association budget with gross expenditures of \$517,000 be approved.

BACKGROUND

The 2014 budget process continued development of a collaborative and cross departmental approach to the way in which the City prepares and presents its operating and capital budgets.

At the April 2013 meeting of Council, staff presented a report to Council identifying the following approach to budget development for 2014:

That Council approve the 2014 budget guideline as follows:

Guideline = (5-year average for Ontario CPI) + (5-year average increase in # of taxable properties) + (investment factor)

Guideline = 1.94% + 1.43% + 0.5%

Guideline = 3.87%

Council amended staff's recommendation and received the report with additional direction to staff to proceed with their budget preparation work using the principles of the budget model and guideline as proposed.

Following this direction, cross-departmental budget teams were created and tasked with the responsibility of bringing forward a staff recommended operating and

STAFF REPORT



capital budget that reflected the 2014 budget model. The Executive Team then made further reductions in order to achieve Council's guideline for the base budget increase as well as make corporate decisions related to recommended service and strategic investments.

In subsequent budget meetings, staff presented the 2014 Tax Supported Operating, Capital, and Local Boards and Shared Services budgets on separate nights as well as provided two separate opportunities for the public to address Council at Public Delegation nights. This format facilitated greater distinction between operating and capital costs and controllable and uncontrollable costs and provided the opportunity for a greater degree of input from staff, Council and the public. This input was further supplemented by use of a corporate question and answer system ("ERNIE") that allowed Mayor and Council to submit questions and receive information relative to the recommended operating and capital budgets. A copy of the questions and answers asked during the budget process has been included in **Appendix B**.

The December 5, 2013 Council meeting marks the final stage of the 2014 budget process. At this meeting, Council will deliberate and may increase or reduce the budgets presented within their legislative authority. At this meeting final approval of the 2013 Tax Supported Operating and Capital budgets is sought.

REPORT

2014 Tax Supported Operating Budget

On November 5, 2013 City staff presented the 2014 Tax Supported Operating budget. At this time, staff brought forward a budget reflecting a net tax levy increase equal to 3.36% for Council's consideration.

Post November 5 Review

On-going review in the later part of November provided staff the opportunity to further analyze and make additional assumptions regarding assessment growth, budget adjustments and additional service and strategic investments. The main driver has been increased assessment growth resulting from a large volume of properties being added to the roll late in 2013. The change in assessment growth combined with other budget adjustments and additional investments has reduced the year over year tax levy increase from 3.36% to 2.37%. A summary of these adjustments is provided in **Table A**.

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Table A: Summary of Adjustments Post November 5

	\$	Tax Levy Impact
2013 Approved Budget	185,187,614	
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Base Budget, Service & Strategic Investment Adjustments	7,678,304	
Total Budget Presented November 5, 2013	192,865,918	2.16%
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Increase Payment to Wellington County	92,100	0.05%
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Adjustment to Fuel & Energy Budgets	400,000	0.21%
Total budget after Additional Amendments	193,265,418	2.37%

Base Budget Changes:

The City's base budget is comprised of the following components:

- Funding needed to continue to provide existing services
- Impact from Capital

The 2014 base budget reflects a 1.56% or \$2,945,105 increase to continue to provide existing services. This reflects the additions and reductions to revenues and expenditures that were made during budget development plus the additional amendments outlined in **Table A** above. These adjustments are explained in greater detail below:

- *Increase payment to Wellington County (\$92,100)* – the City prepares its operating budget significantly earlier than the County of Wellington. As a result, the City bases its information on the County's prior year multi-year budget. Based on updated information that was recently released from the County, the preliminary 2014 – 2018 Five-Year Plan is reflecting an additional funding requirement of \$92,100 from the City of Guelph.
- *Reduction to Payment to MPAC (\$92,600)* – as shown in the 2013 Q3 Operating Variance Report, the City is projecting a favourable variance with respect to payments to MPAC. Based on this information, the City has revised its 2014 budget.
- *Adjustment to Fuel and Energy Budgets (\$400,000)* – since presentation of the budget on November 5, 2013, staff have identified a calculation error in the City's gasoline (\$250,000) and energy (\$150,000) budgets that was resulting from the quantity being understated.

The impact from capital cost reflects an additional \$330,600 or 0.18% impact on the City's 2014 budget. Impact from capital costs reflect the additional operating costs incurred by the City as a result of the completion of an approved capital project. Details on these items can be found on Tab 2, page 3 of the Council binder.

STAFF REPORT



Overall, the City's base budget increase, including impact from capital, is \$3,275,705 or 1.74%.

Service Investments

The 2014 tax supported operating budget presented on November 5, 2013 reflected service investments amounting to a \$640,700 or 0.34% impact on the net tax levy. If approved, these investments would result in an additional 6.50 FTEs. Details on the City's service investments can be found on Tab 2, pages 6-7 of the Council Binder.

Strategic Investments

The 2014 tax supported operating budget presented on November 5, 2013 reflected strategic investments amounting to \$552,400 or 0.29% impact on the net tax levy. If approved, these investments would result in an additional 3.00 FTEs. Details on the City's strategic investments can be found on Tab 2, pages 4-5 of the Council binder.

2014 Tax Supported Capital Budget & 2015 – 2023 Capital Forecast

Prior to presenting the 2014 Tax Supported Operating budget, the City's 10-year capital budget was provided to Council and the public. Similar to the operating budget, the capital budget focuses on affordability and commits to maintaining the City's existing assets, addressing debt, and enhancing Guelph's quality of life.

In developing the 10-year Capital Budget and Forecast, a set of guiding principles centering on community sustainability and affordability were developed while ensuring that core elements of the newly approved corporate strategic plan are included. These principles are:

- Balance
- Building Fiscal Capacity
- Accountability and Transparency

The result of staff's work was the development of a fully funded 10-year capital budget funded at 18% of the prior year's net tax levy. This is within the Council approved guideline of 20% of the previous year's net tax levy.

CORPORATE STRATEGIC PLAN

1.2 Develop collaborative work teams and apply whole systems thinking to deliver creative solutions

2.3 Ensure accountability, transparency and engagement

3.2 Be economically viable, resilient, diverse and attractive for business

STAFF REPORT



DEPARTMENTAL CONSULTATION

Budget development was a coordinated effort by City Departments, Boards and Shared Services.

FINANCIAL IMPLICATIONS

The net operating requirements identified in the budget document are funded through the municipal tax levy, various user fees and subsidies. If approved, as recommended, the 2014 Tax Supported Operating Budget would increase the tax levy by \$4,468,805 to \$193,265,418 including \$3,275,705 for base requirements (or 1.74%) and an additional \$1,193,100 for service and strategic investments (or 0.63%). Capital requirements would include \$79,740,600 for approval in 2014 and \$466,149,700 for receipt related to the 2015 – 2023 Capital Plan.

COMMUNICATIONS

Public meeting notification was placed on the City's web page. Draft versions of the City budgets are also available at all City Library branches and are posted on the City's website.

ATTACHMENTS

Appendix A Transfers to/from Reserves

Appendix B Questions and Answers (to follow under a separate cover)

Report Author

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"original signed by Katrina Power"

Approved By

Katrina Power

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Appendix 1: Summary of Transfers to Reserves & Reserve Funds

Description	2014 Contribution	Purpose
Department Reserve Funds	2,800,000	Fund non-vehicle and equipment related capital projects in either the current or future years.
Vehicle & Equipment Reserve Funds	9,590,000	Fund the replacement of vehicles and equipment within the City's existing inventory.
Capital Tax Reserve Fund	2,605,000	Provide a contingency for projects that have unanticipated cost overruns or emergency situations that occur during the year
DC Exemption Reserve Fund	850,000	Fund growth related costs that are not eligible under the Development Charges Act and to fund exemptions that have been made by Council in the prior budget year.
Road Infrastructure Reserve Funds	2,385,000	Fund on-going road rehabilitation capital projects
Building Lifecycle & Accessibility Reserve Fund	2,629,000	Fund on-going capital works at City facilities, including regular capital upgrades and replacements and accessibility projects
Sleeman Naming Rights and Capital Reserve Fund	90,000	Fund on-going capital works at the Sleeman Centre. Funds received as part of the Sleeman Naming Rights agreement.
Information Technology Reserve	144,000	Fund the purchase of IT software that was previously licensed
Tax Supported Capital Reserve Funds	21,093,000	
Tax Increment Based Grant (TIBG) Financing	972,000	Annual contribution to provide funding for the Council approved TIBG program
Tax Rate Stabilization Reserve (NEW)	100,000	Annual Contribution to provide funding for the tax rate stabilization reserve to build to targeted levels equal to 8-10% of gross operating expenditures
Building Maintenance (non-capital) Reserve	100,000	Annual contribution to provide funding for emergency, non-capital, repairs that need to be undertaken at City facilities
Election Reserve	131,000	Annual contribution to help offset the cost of the municipal election
HR Reserves	60,200	Annual contribution to Human Resources reserves for contingency and job evaluations
Contingency for Integrity Inquiries (NEW)	10,000	Annual contribution to provide funding for work carried out by the Integrity Commissioner
Tax Supported Operating Reserves	1,373,200	
Total Transfers to Reserves & Reserve Funds	\$ 22,466,200	

Summary of Transfers from Reserves and Reserve Funds

Description	2014 Contribution	Purpose
Dedicated Provincial Gas Tax Reserve Fund	2,754,300	Fund conventional and mobility transit operations
Police Sick Leave Reserve	335,000	Fund the current year sick leave expense for eligible Police staff
Sleeman Naming Rights Reserve	30,605	Fund expenditures related to suite rental and advertising costs.
Strategic Initiatives Reserve	326,800	To fund one-time strategic initiatives for work to be carried out in 2014.
HR Reserves	406,050	Fund HR activities related to staffing, employee recognition & wellness
Court Services Capital Reserve	397,075	Fund debt charges related to the POA facility. Funds are transferred to the reserve from the Enterprise fund.
Total Transfers from Reserves/Reserve Funds	\$ 4,249,830	

INFORMATION REPORT



TO **Guelph City Council**

SERVICE AREA Corporate and Human Resources
DATE December 5, 2013
SUBJECT **Supplementary Information Report: 2014 Non-union Compensation Increase**
REPORT NUMBER CHR-2013-66

EXECUTIVE SUMMARY

PURPOSE OF REPORT

To provide supplementary information relating to the November 25, 2013 Closed Meeting of Council whereby a resolution was approved to rise, report and introduce a motion to the December 5, 2013 Special Council Budget Meeting with respect to a non-union compensation adjustment for 2014.

KEY FINDINGS

In February 2011, Council modified the City's position to target the 55th percentile (i.e. to be within +/- 5 percentile points of the 55th percentile).

Since 2009, non-union employees have been receiving less than their union counterparts in terms of economic wage increases.

Compression differentials between non-union management and those they are supervising (less than 10% differential per compensation best practice) have become an issue in 2013.

The average 2014 increase for the comparator group for City of Guelph for non-union staff is currently being forecasted between 1.5-2.0%. Other survey data (Conference Board of Canada, Mercer, Hay) indicate increases in the range of 2.5 - 2.7% for Ontario broader public and municipal sectors.

Locally, the Guelph Chamber of Commerce conducted a recent survey for organizations in Guelph. Of the 49 organizations that responded, 22.5% have indicated a 0% increase for 2014, 20.4% are reporting 1.0 to 1.5% and 57.1% are indicating an increase of 2.0% or better/other (i.e. inclusive of performance incentives) for 2014.

Based on the available survey data above, the recommended increase for non-union employees for 2014 is 2.0% effective January 1, 2014, to keep pace with our municipal comparator group, and to minimize the City's exposure to salary compression issues.

Council provided direction to staff to implement a 2.0% non-union salary increase, subject to approval of the special resolution to be introduced at the December 5th Council meeting.

FINANCIAL IMPLICATIONS

A 2.0% salary increase for non-union staff equates to a \$520,000 impact on the 2014 budget. This amount is within the proposed 2014 base Tax Supported Budget increase of 2.73%.

ACTION REQUIRED

Approve the associated Special Resolution to be introduced for deliberation as part of the December 5, 2013 budget motions.

BACKGROUND

Historically, (i.e. until 2009), non-union compensation adjustments were approved by Council at the same rate as wage increases provided to CUPE 973 and CUPE 241 employees, a practice common among many municipalities.

The current Council approved competitive position for non-union salaries are set at the 55th percentile of an approved municipal comparator group (i.e. to be within +/- 5 percentile points of the 55th percentile). Human Resources staff conduct periodic salary surveys within the approved comparator group to ensure the City maintains this competitive position per previous Council direction.

REPORT

Compensation for non-union positions is established using a Non-union Job Evaluation Plan which is required to meet the legislative requirement under the *Pay Equity Act*.

The comparator group established for non-union salaries is based on the following criteria:

1. Size of the municipality (i.e. population)
2. Organizational structure and scope of services (tier)
3. Average family income for residents within the municipality
4. Number of employees working for the municipality
5. Operating budgets
6. Geographic location/employment market (labour pool/market competition within 60 km of Guelph)

Council approved the following municipalities to be used to determine the 55th percentile for compensation purposes for this group.

1. City of Barrie
2. City of Burlington
3. City of Brampton
4. City of Brantford
5. City of Cambridge
6. City of Chatham-Kent
7. City of Hamilton
8. City of Kingston
9. City of Kitchener
10. City of Mississauga
11. City of Oakville
12. City of Vaughan

-
13. City of Waterloo
 14. Region of Waterloo
 15. City of Greater Sudbury
 16. Regional Municipality of Halton
 17. Regional Municipality of Peel
 18. Wellington County

The effect of the approval of this policy was to end the practice of automatically (through Council approval) awarding the non-union group wage increases equivalent to those negotiated with CUPE 241 and CUPE 973.

Since 2009, non-union employees have been receiving less than their union counterparts in terms of a percentage increase.

Compression differentials between non-union management and those they are supervising (less than 10% differential per compensation best practice) have become an issue in 2013.

When salary compression exists, compensation adjustments are typically imposed to ensure a differential between non-union staff and those they supervise. However, this is a short-term solution and not sustainable as a recommended compensation practice.

If the trend continues that unionized staff receive higher increases than non-union staff, the gap between the groups will continue to narrow and imposed compression adjustments will create internal inequity issues within the non-union employee group.

Recommendation for 2014

While few of the City's 18 comparator municipalities have reported known increases for non-union staff moving into 2014, at this time, preliminary information is that the average increase will be in the range of 1.55-2.00%.

The Conference Board of Canada predicts the average wage increase for 2014 to be 2.7% for Ontario broader public and municipal sectors.

In addition, other compensation surveys (Mercer, Hay, etc.), are predicting a wage increase of 2.5% for the Public Sector in 2014. The same survey data indicates that the private sector will see increases in excess of 2.9% for 2014.

Locally, the Guelph Chamber of Commerce conducted a recent survey for organizations in Guelph. Of the 49 organizations that responded, 22.5% have indicated a 0% increase for 2014, 20.4% are reporting 1.0 to 1.5% and 57.1% are indicating an increase of 2.0% or better/other (i.e. inclusive of performance incentives) for 2014.

Based on the available survey data above, the recommended increase for non-union employees for 2014 is 2.0% effective January 1, 2014, to keep pace with our municipal comparator group, and to minimize the City's exposure to salary compression issues.

CORPORATE STRATEGIC PLAN

Strategic Focus 1:

Organizational Excellence

FINANCIAL IMPLICATIONS

A 2.0% salary increase for non-union staff equates to a \$520,000 impact on the 2014 budget.

These funds are included in the proposed 2014 Tax Supported Operating Budget that reflects a 2.37% increase over 2013.

DEPARTMENTAL CONSULTATION

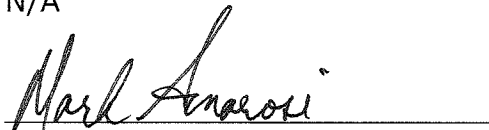
The Executive Team was consulted during the 2014 budget preparation.

COMMUNICATIONS

Following the 2014 Budget approval, a communication will be sent to non-union staff advising them of Council's decision.

ATTACHMENTS

N/A



Recommended By:

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