

CITY COUNCIL AGENDA



Council Chambers, Guelph City Hall, 1 Carden Street

DATE Monday, January 19, 2015 – 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

Introduction to Budgeting and Finance

(focused / strategic orientation)

Presentation:

- Mark Amorosi, Deputy CAO, Corporate Services
- Al Horsman, Deputy CAO, Infrastructure, Development & Enterprise
- Katrina Power, Deputy Treasurer, General Manager Financial Services

ADJOURNMENT

City of Guelph

Introduction to Budgeting

January 19, 2015

Role of Council

- Ensure that legislated requirements are met;
- Ensure and approve the financial policy framework that guides the City's decisions;
- Support and guide long-term planning activities through clear identification of priorities.

Municipal Budget: What is it?

- Municipality's financial plan created annually as the basis for all financial decision making
- Components: Operating Budget and the Capital Budget
- Funding Models: tax supported and non-tax supported
- Balanced: expenditures = projected revenues
 - Municipalities can NOT run an operating deficit
- But it is so much more...

A Municipal Budget also...

- Links to the City's Strategic Plan
- Links to Operational Plans
- Is an Engagement Tool
- Promotes Long-term Financial Planning

Operating Budget

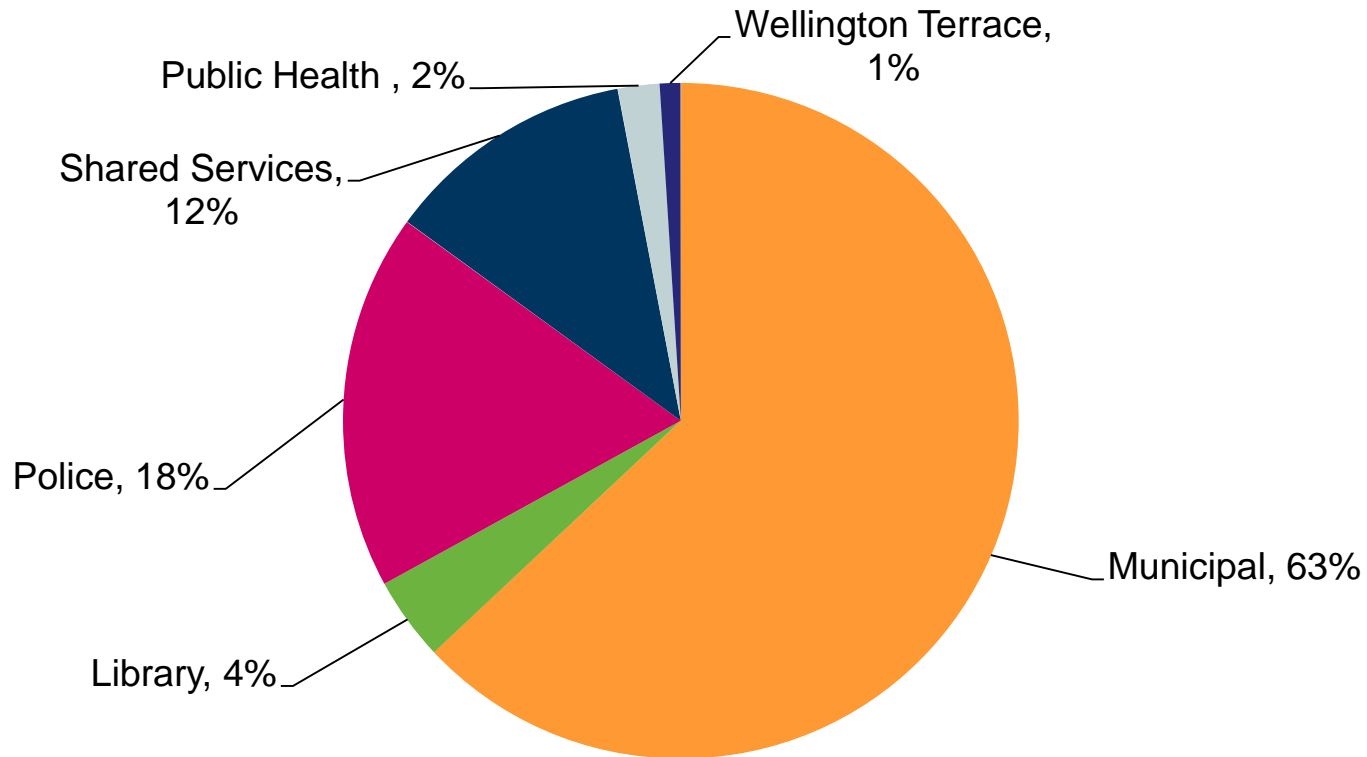
Operating Budget

CITY OF



Making a Difference

2014 Distribution of Municipal Tax & Payment in Lieu of Tax Dollars (\$196.8 million)



Operating Budget

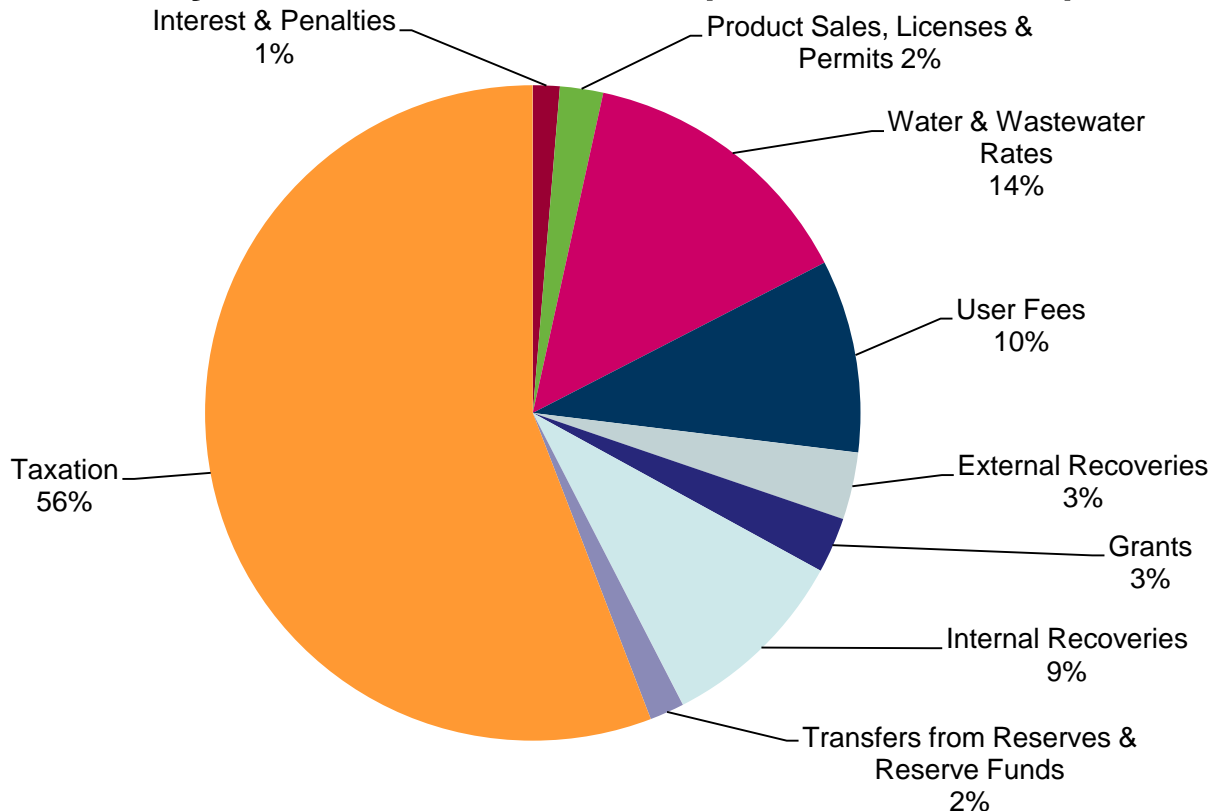
- Normal operating expenditures and revenues associated with the day to day services

Municipal Examples	Personal Examples
<ul style="list-style-type: none"> • Staff Compensation • Heat, hydro, water, phone, gas • Debt Charges • Automotive parts & repairs • Office Supplies • Consulting • Insurance 	<ul style="list-style-type: none"> • Groceries • Heat, hydro, water, phone, gas • Mortgage Payments • Car Repairs • Clothing • Insurance

Operating Budget: Revenues

■ Graph below shows how funds were received based on the approved 2014 budget

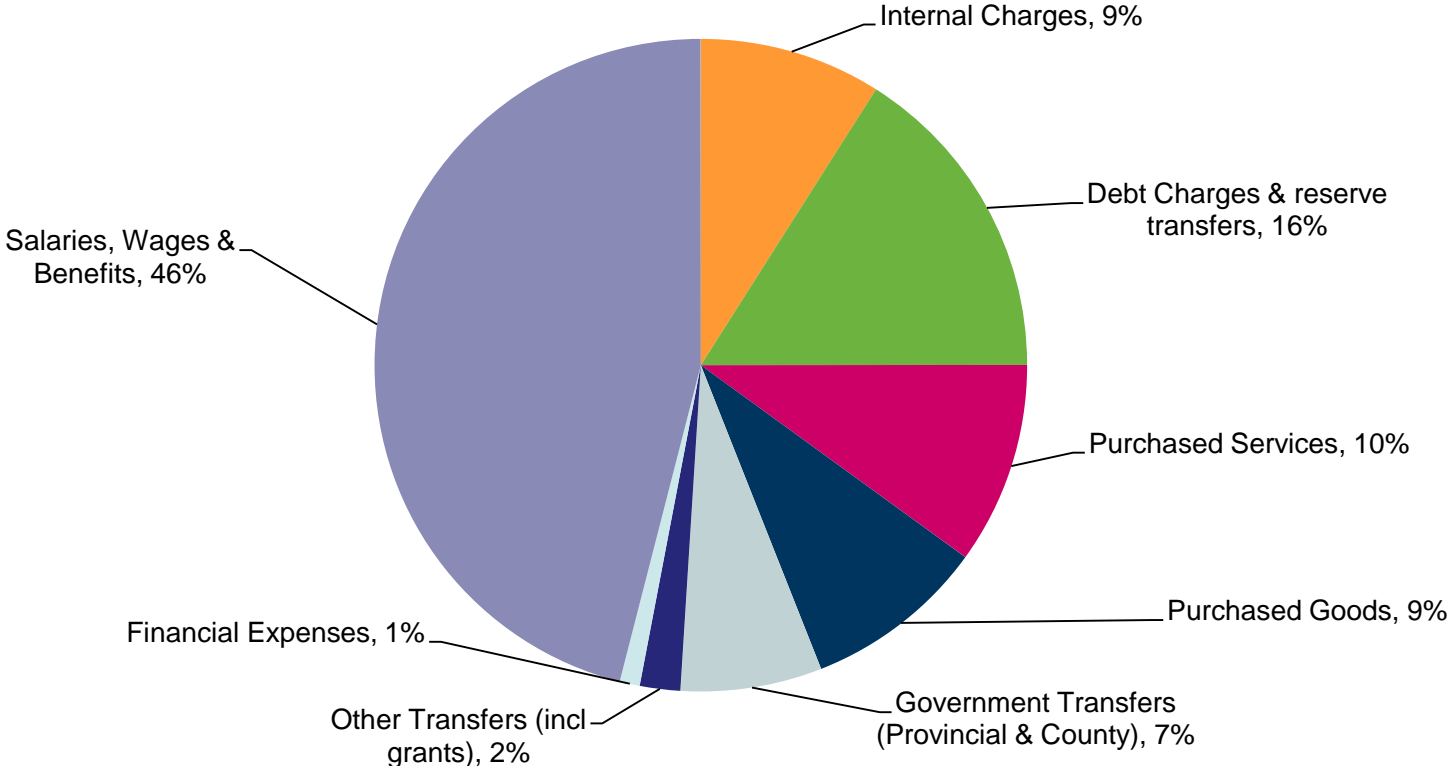
2014 City Revenue Sources (\$362.7 million)



Operating Budget: Expenditures

■ Graph below shows how funds were spent based on the approved 2014 budget

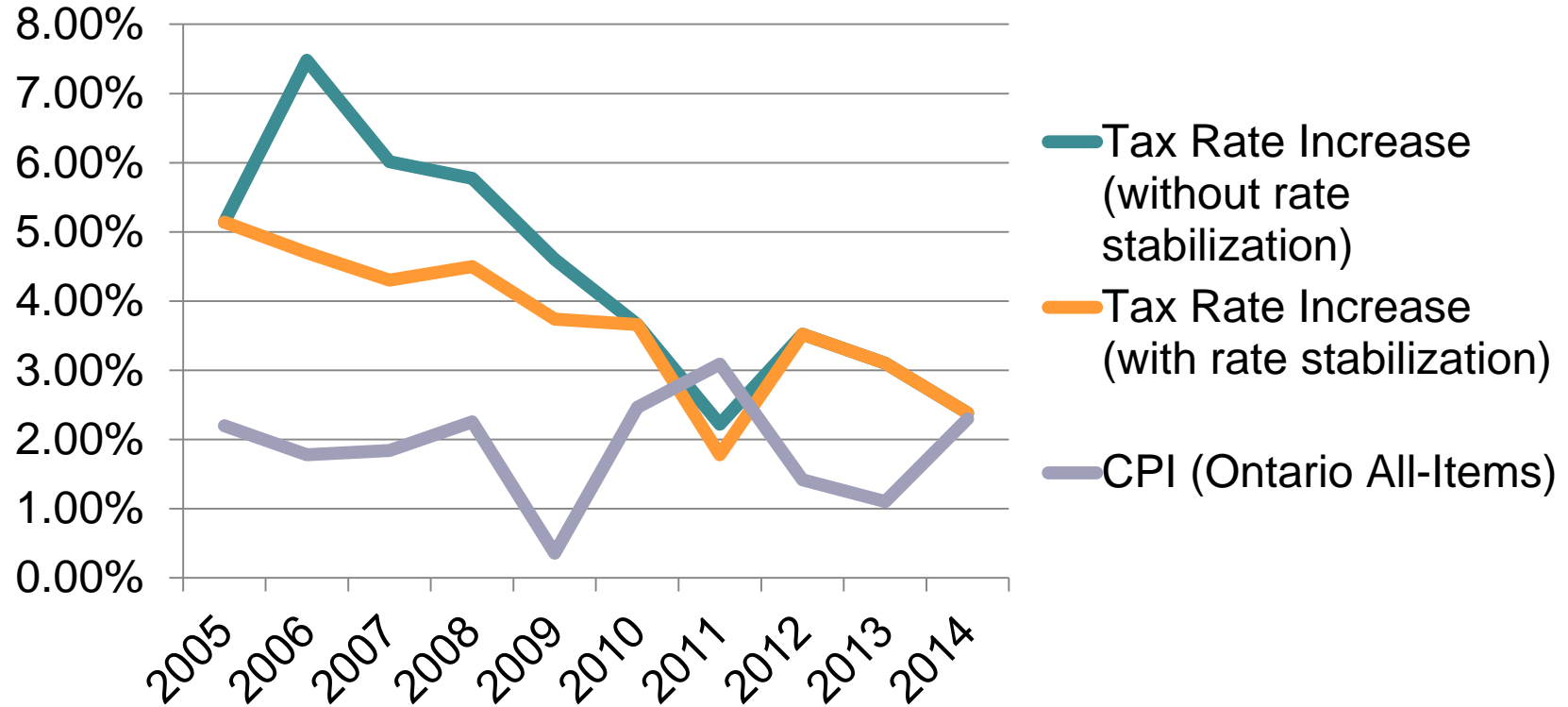
Overall City Expenditures by Category (\$362.7 million)





Operating Budget: Trending

■ Graph below compares the tax levy increase, inflation and use of stabilization reserves



2014 Property Tax Comparison (Residential)

Low	Low-Mid	Mid	Mid-High	High
Toronto (East)	Barrie Cambridge Kitchener Milton	Brampton Greater Sudbury Guelph London	Burlington Kingston Markham Mississauga Ottawa Richmond Hill Toronto (West) Vaughan Waterloo Whitby	Ajax Hamilton Oakville Oshawa St. Catharines Thunder Bay Toronto (North) Toronto (South)

BMA Study 2104 - Chart compares residential property taxes for municipalities in study with populations greater than 100,000

Capital Budget

Capital Budget

- Significant expenditures to acquire, construct or improve land, buildings, linear infrastructure or machinery used to provide services

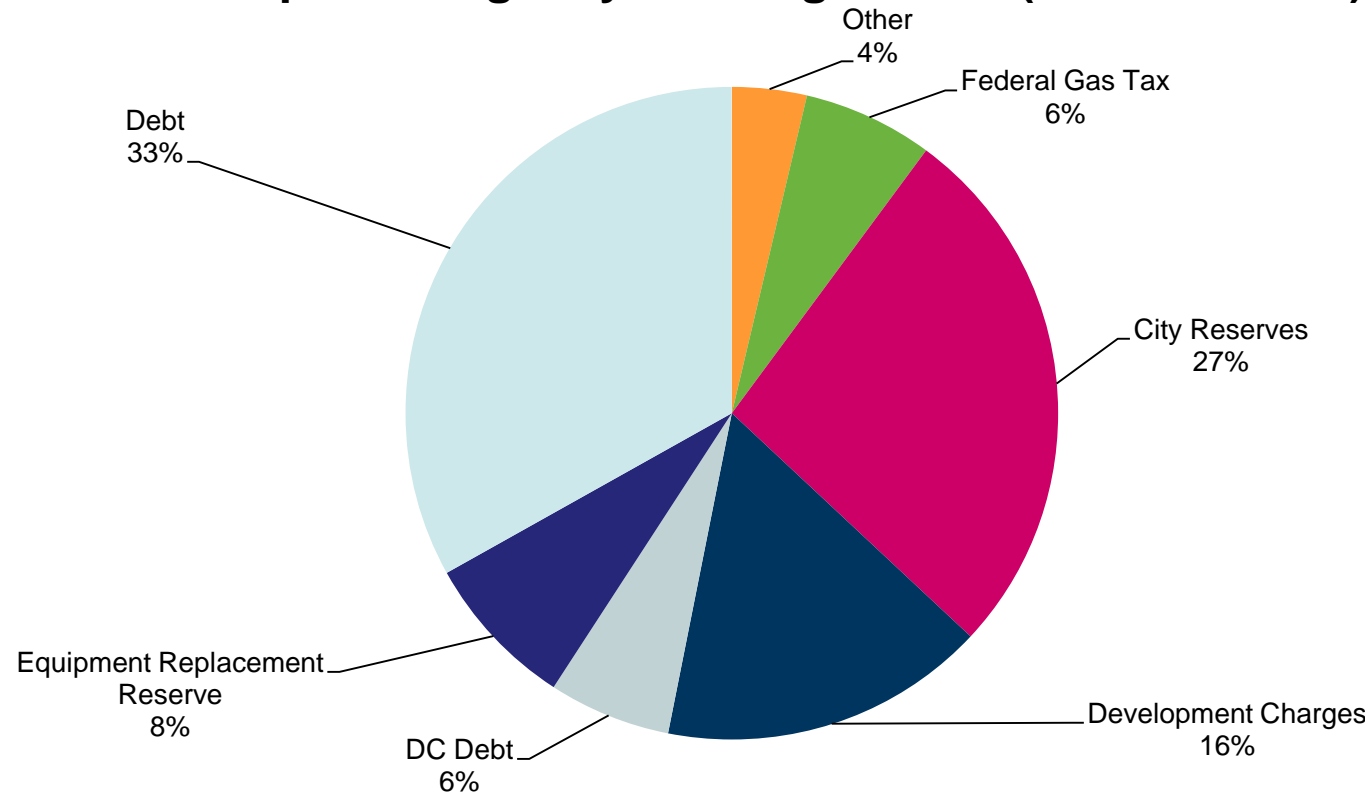
Municipal Examples	Personal Examples
<ul style="list-style-type: none"> •Parks •Recreation centers •Trucks, backhoes, garbage trucks •Roads •Water mains •Sewer mains 	<ul style="list-style-type: none"> •Cottage •House •Car



Capital Budget: Funding Sources

- Graph below shows capital funding sources based on the approved 2014 budget

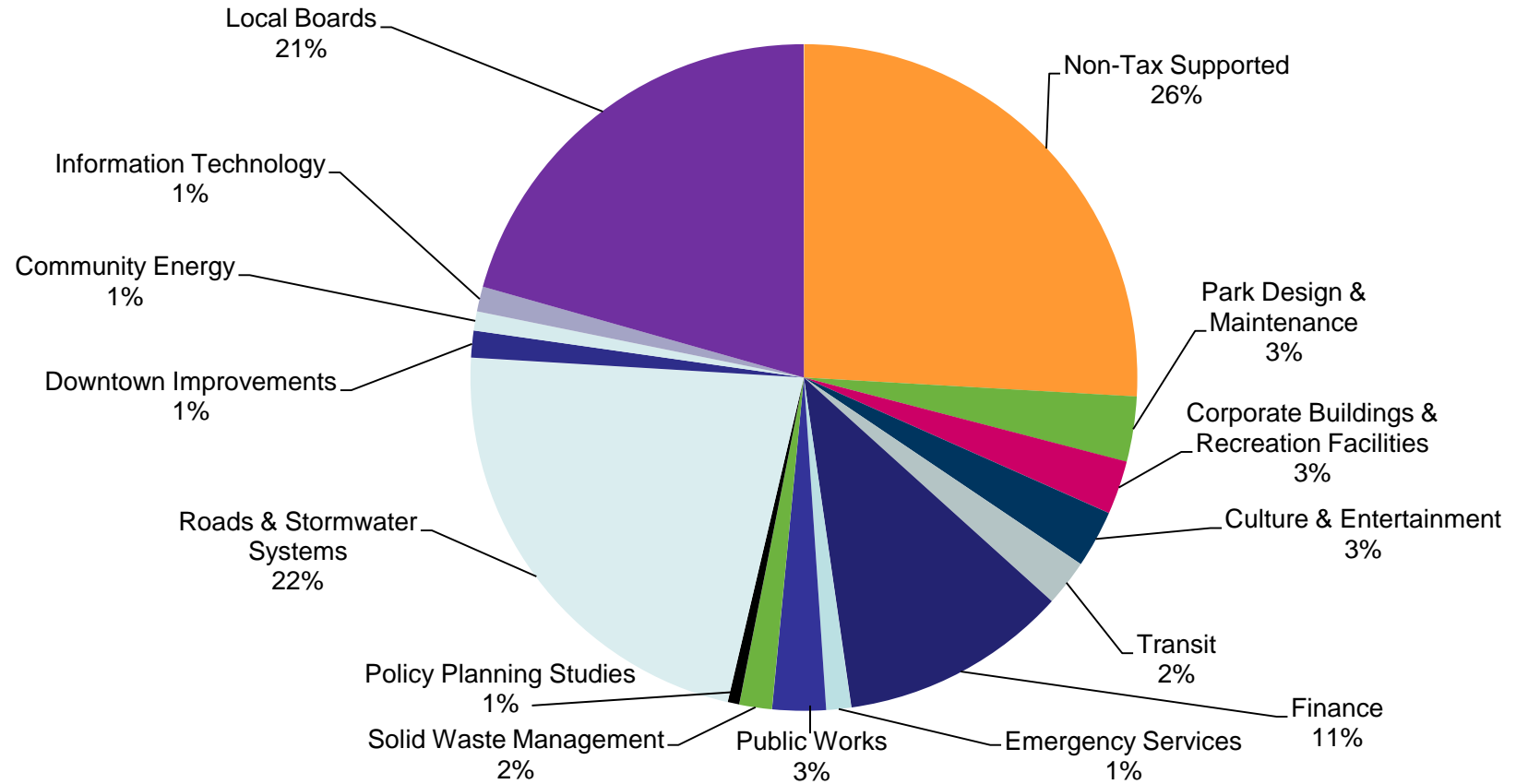
2014 Capital Budget by Funding Source (\$107.6 million)





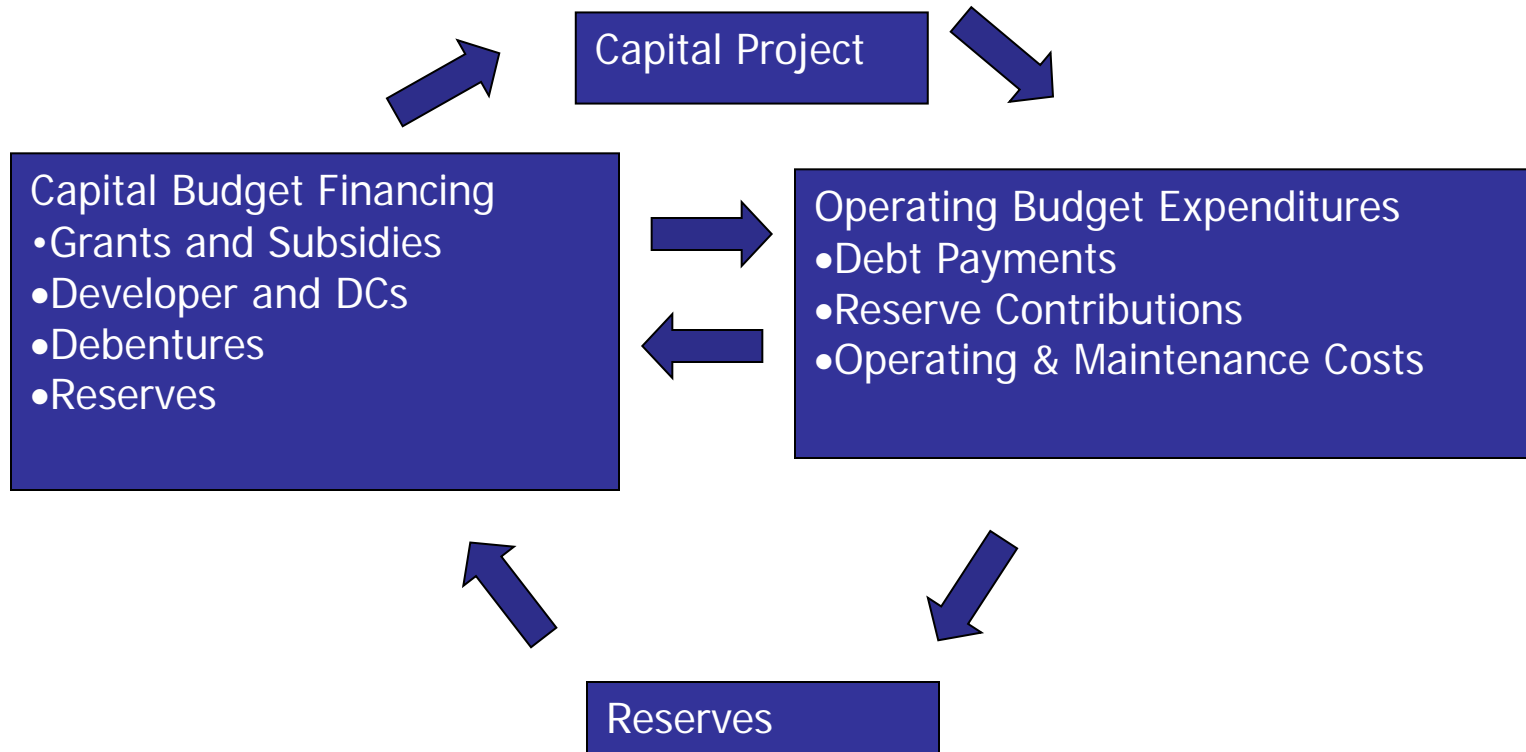
Capital Budget: Expenditures

- Graph below shows capital expenditures based on the approved 2014 budget
- 2014 Capital Budget by Project Category (\$107.6 million)**



Interaction between Operating & Capital Budgets

The Interaction Between Operating and Capital Budgets





How the Capital Budget Guideline Is Calculated

Prior Year's Net Tax
Levy



20% (or less)




Amount Available to fund debt servicing costs, capital projects & reserves

Questions?

What Happens After the Budget is Approved

From 1908 Guelph Homecoming Book

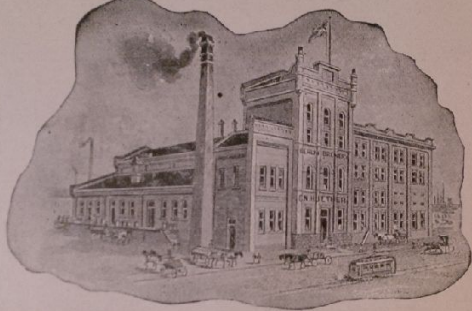


L. McARTHUR, B.Sc.
 City Engineer

received his technical education at the University of Kingston, Ontario, receiving with the degree of Bachelor of Science.

Printed City Engineer, 1908.

THE BERLIN LION BREWERY
 C. N. HUETHER, PROPRIETOR
 MANUFACTURER OF




LAGER **PORTER**

PILSENER LAGER	<i>Our Specialties</i>	WUERZBURGER LAGER
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HUETHER'S CELEBRATED PORTER

*If You Want the Best
 Ask for Huether's*

T. H. FALLIS, Agent Guelph



JAS. HEWER
 Tax Collector

Ex-Mayor of Guelph, 1897-98, held a seat at the Council Board for many years, going from Alderman to the Mayor's chair, afterwards sitting again as Alderman, which position he resigned in 1908 to accept the Collectorship.

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Property Tax Policy

- High level today
- Property Tax & Policy 101 - March 2 - CS
- 2015 Tax Policy - April 7 - CS
- 2015 Tax Bylaws – April 27 – Council
- 2015 Capping Bylaw – May 25 - Council

Top three tax policy questions:

- What are the property tax classes?

There are 7 main property tax classes used by MPAC

- Residential
- Multi-Residential
- Commercial
- Industrial
- Farm
- Managed Forests
- Pipeline

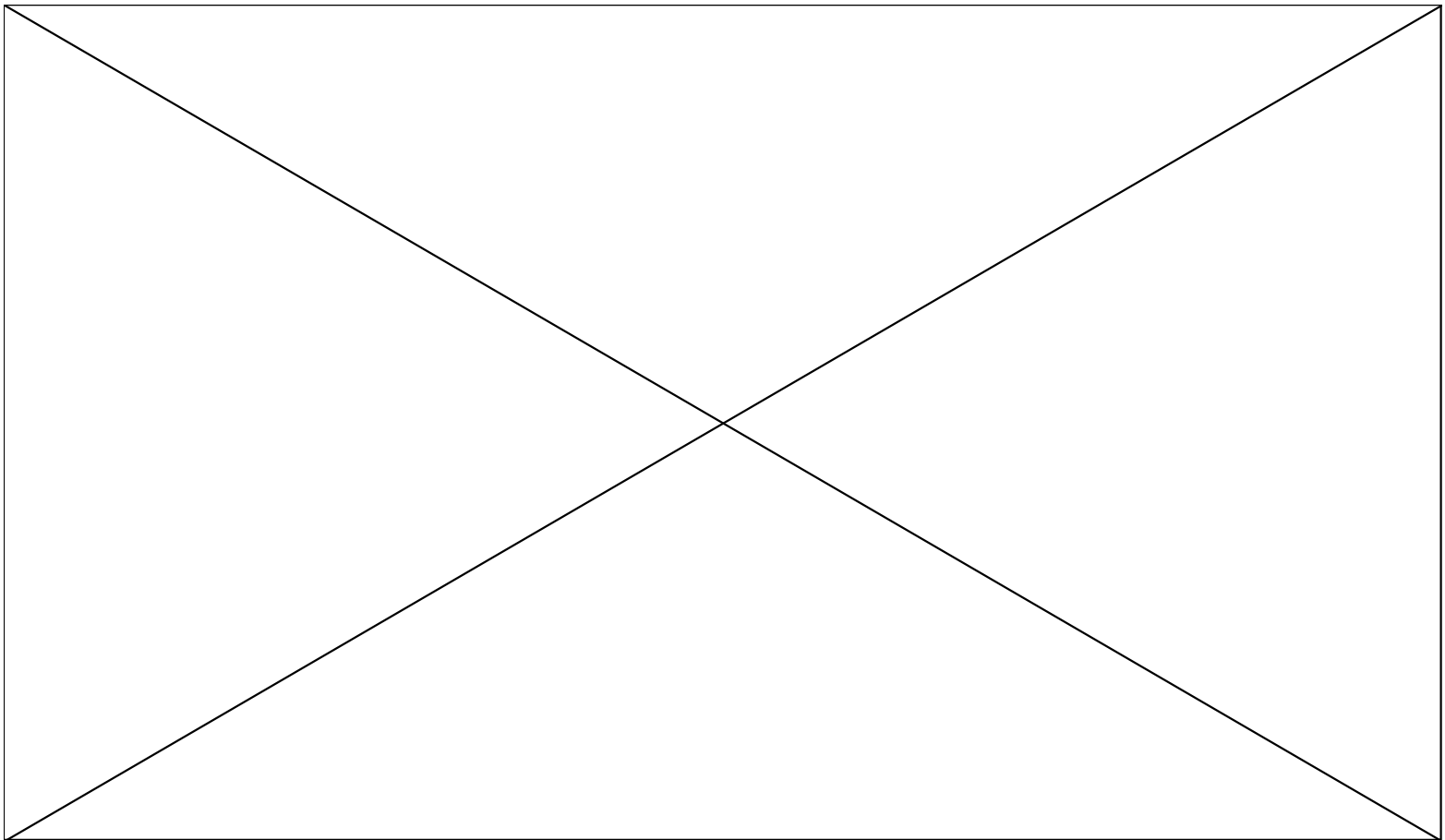
What is a Tax Ratio?

- Relative tax burden across the property classes.
- Mathematical relationship between the tax rate for the residential class and the tax rates for other property classes.
- Residential class is the basis for comparison for other classes, its' tax ratio is always 1.0
 - If the tax ratio for a class has a value of 2.0, the tax rate for the class when measured against the residential rate is two times more.

What are Tax Rates and how are they calculated?

- A percentage rate that is applied to the assessed value of a property to determine the taxes payable.
- Municipalities set Municipal/General Tax rates for each property class to pay for common services. These are determined by using the Tax Ratios to weight the overall assessment and then calculate the rates.
- Provincial government sets the Education Tax Rate.

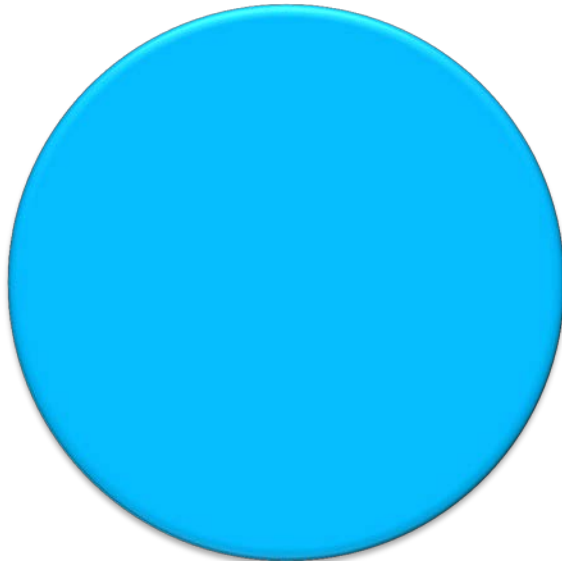
- Property Tax – YouTube Video



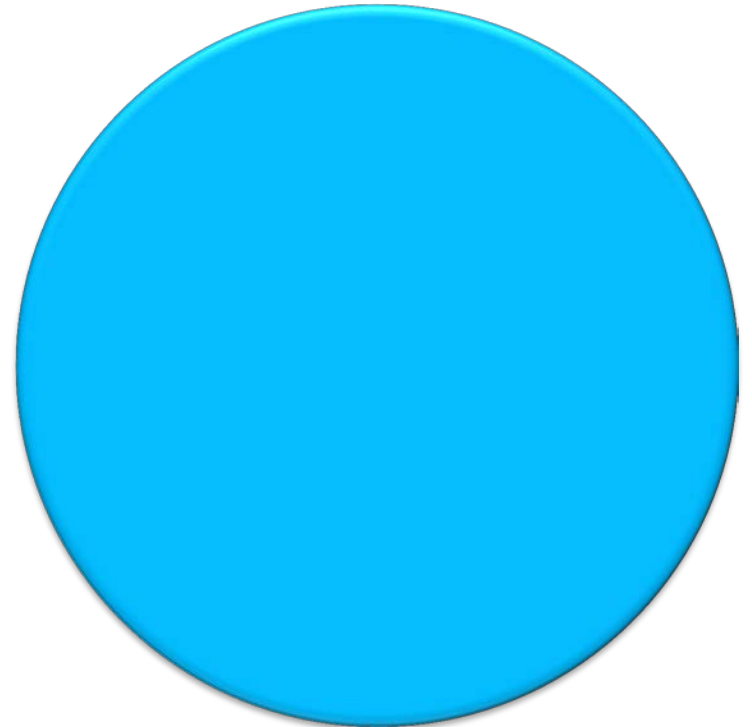
Property Assessment & Tax Ratios

- Municipal Assessment Corporation
 - MPAC - assesses all properties in Ontario
- Tax ratios use the residential class as a base
- Historically business classes pay more tax
- Tax Ratios must be set each year
- Subsection 308(4) of Municipal Act, 2001
 - Requirement for all Single Tier Municipalities to set Tax Ratios annually.

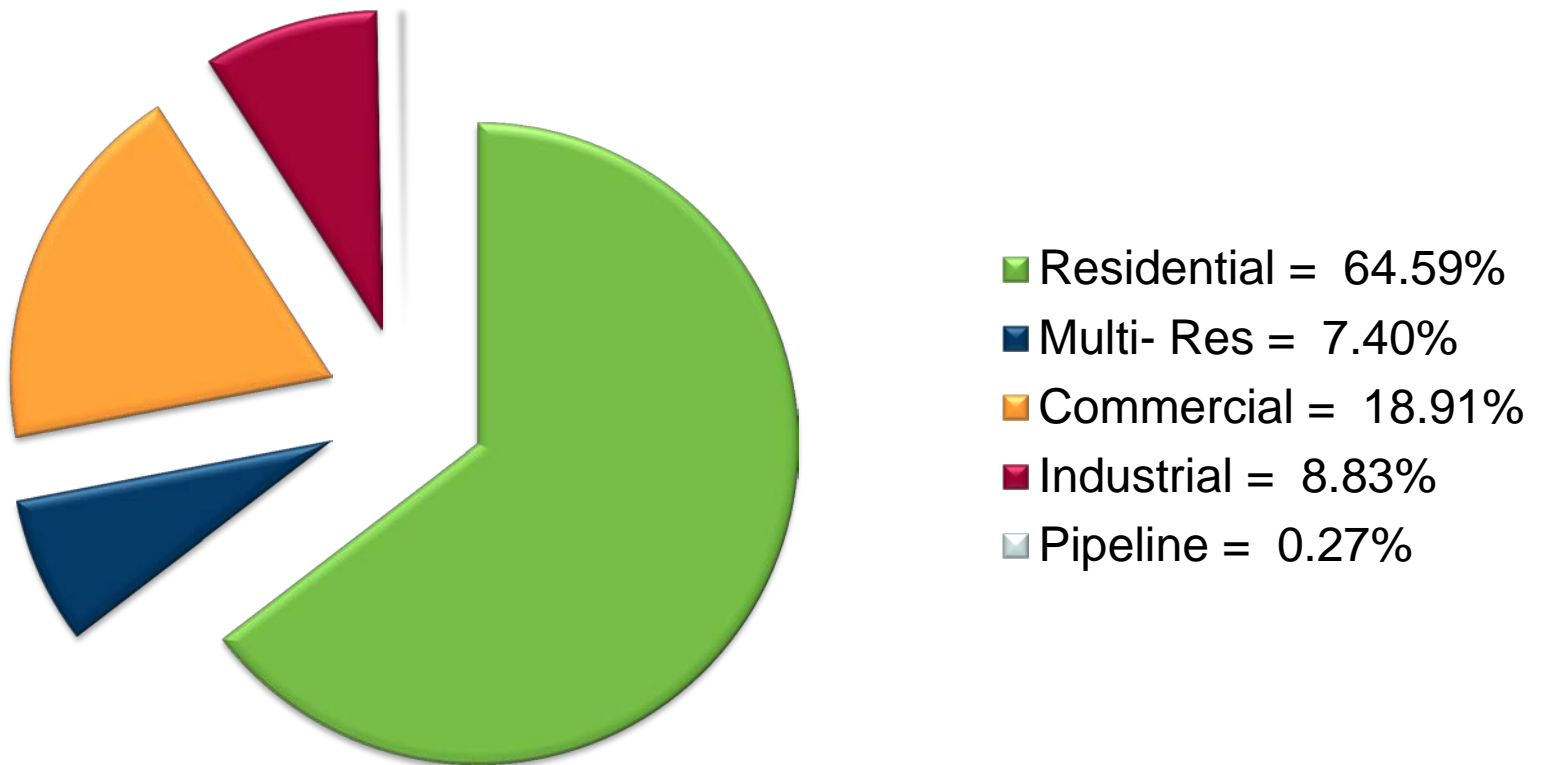
**Net 2007 Amount
raised from
Taxation and PIL's
\$135,717,668**



**Net 2014 Amount
raised from
Taxation and PIL's
\$196,817,042**

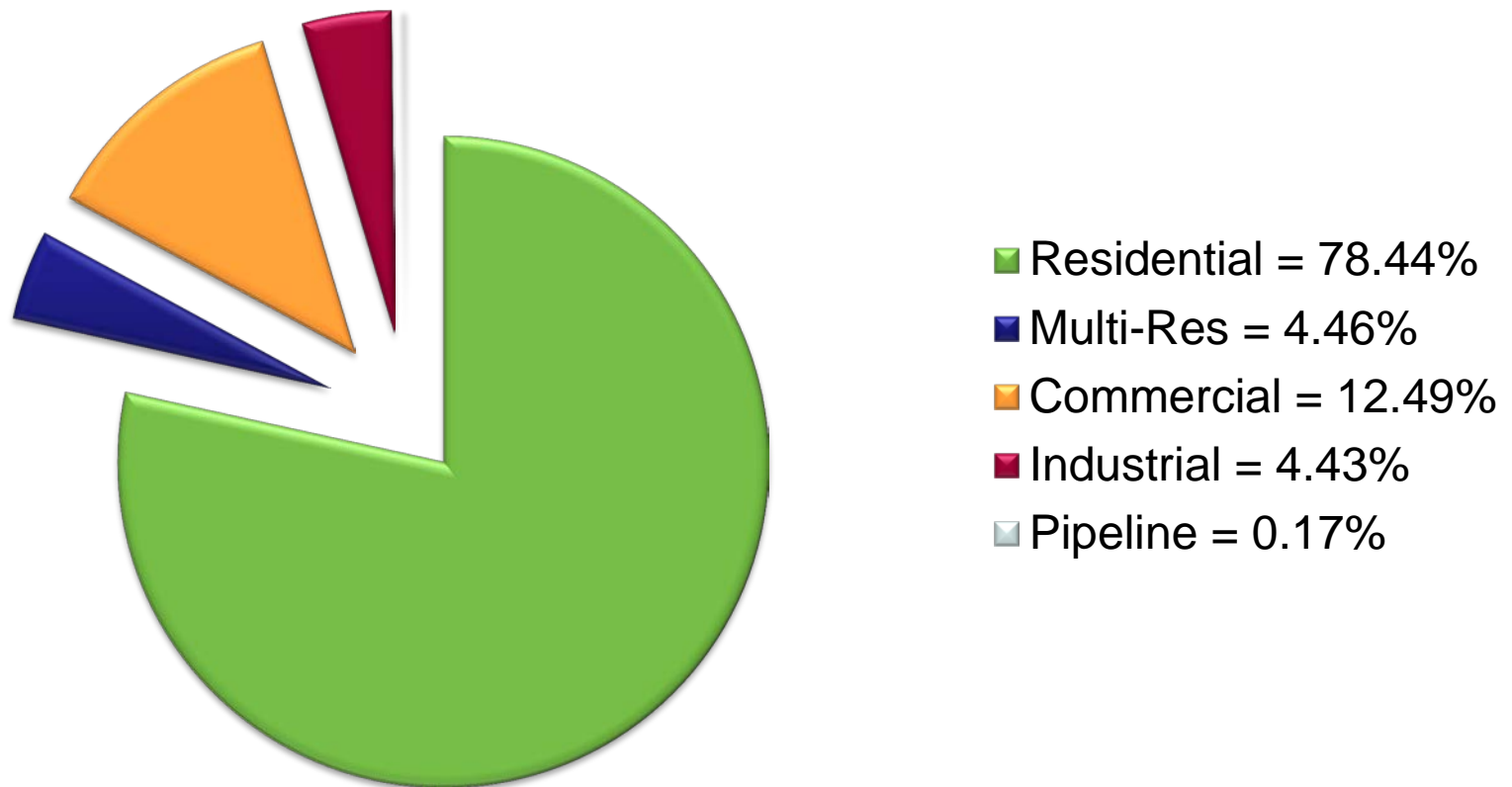


2014 - Weighted Assessment – Who Paid in 2014



- The City of Guelph has been working towards lowering the Industrial and Multi-Residential ratios to better align with the Provincial Range of Fairness and other comparable Cities.
- For 2015 we will continue to lower the Industrial and Multi- Res Tax Ratios in the Tax Policy coming forward in April.

2014 - Assessment Only - All Tax Ratios = 1.00



Questions?

Status of 2015 Budget

2015 Budget Process: Overview

- Budget Process Began in April 2014
 - System rollover & updating
 - Setting the internal and external budget calendars
 - Development of corporate costs including compensation, heat and hydro, internal charges and recoveries
 - Updating of Council approved predictable formula
- Staff Training Sessions offered in June 2014 (City Staff & Local Boards)
 - Overview of process
 - System training
 - Communication of timelines & predictable formula direction

2015 Budget Process: Overview

- **Budget Development (July & August 2014)**
 - City Staff & Local Boards access the City's budgeting system to develop their operating & capital budgets
 - Staff are requested to submit budgets with options that align with the predictable formula
- **Staff Presentations (September – November 2014)**
 - Staff present their proposed operating and capital budgets to a sub-group of department heads
 - Sub-group makes recommendations to the Executive Team
- **Executive Team Review (November 2014 onwards)**
 - Review and amend the budget recommended by the sub-group
 - Approve budget submission for Council's deliberation & approval

2015 Budget Process: Overview

- Council Review & Deliberations (January – March)
 - Council reviews the staff submitted budget
 - Each budget is presented separately to Council for discussion
 - Non-tax supported and tax supported budgets are approved separately
 - Council should utilize the message board to post questions related to budget

Predictable Formula: History

- Concept approved in April 2013 as a response to a follow up item from a Budget Workshop held with Council
 - “That staff proceed with their budget preparation work using the principles of the budget model and guideline as proposed. ”
 - Refer to FIN-13-14, FIN-13-15 and FIN-13-47 for additional information
- Purpose of the formula was to develop a predictable and supportable way of approaching budget development and promote the development of a multi-year framework

Predictable Formula: Calculation

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

2015 Formula =

2015 Budget Formula	
5-Year Average - Ontario CPI	1.68%
5-Year Average - Increase in # of Taxable Properties	1.53%
Investment Factor	0.5%
2015 Guideline	3.71%

Questions?

Debt

Debt

- Province regulates the amount of municipal debt
 - Debt service costs limited to 25% of own source revenues
 - Reaching the limit would severely constrain operating budgets
- Issuing debentures is a long-term commitment to pay principal and interest
- Spreads the cost of financing long-term assets to include future taxpayers who will receive the benefit
- Personal equivalent: **Mortgage**

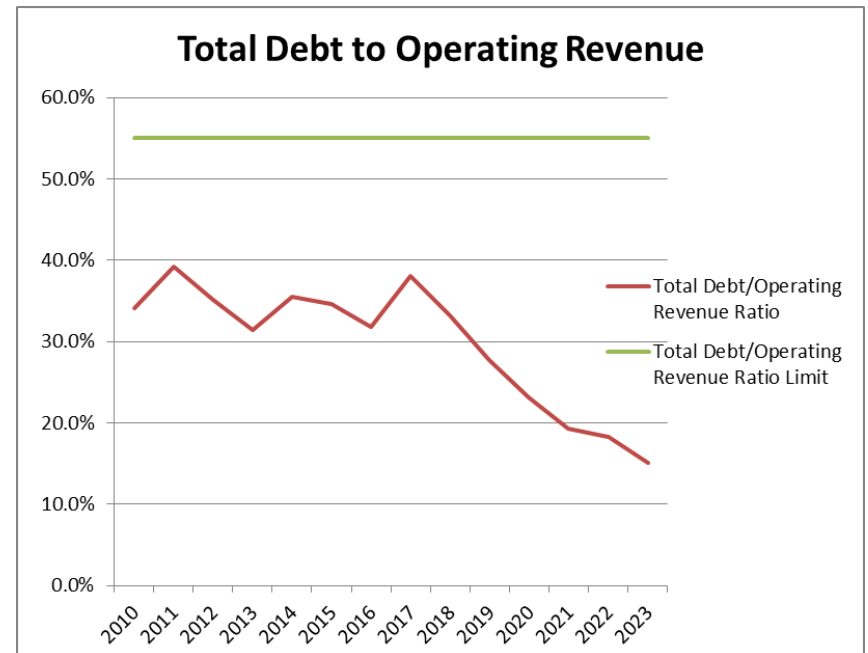
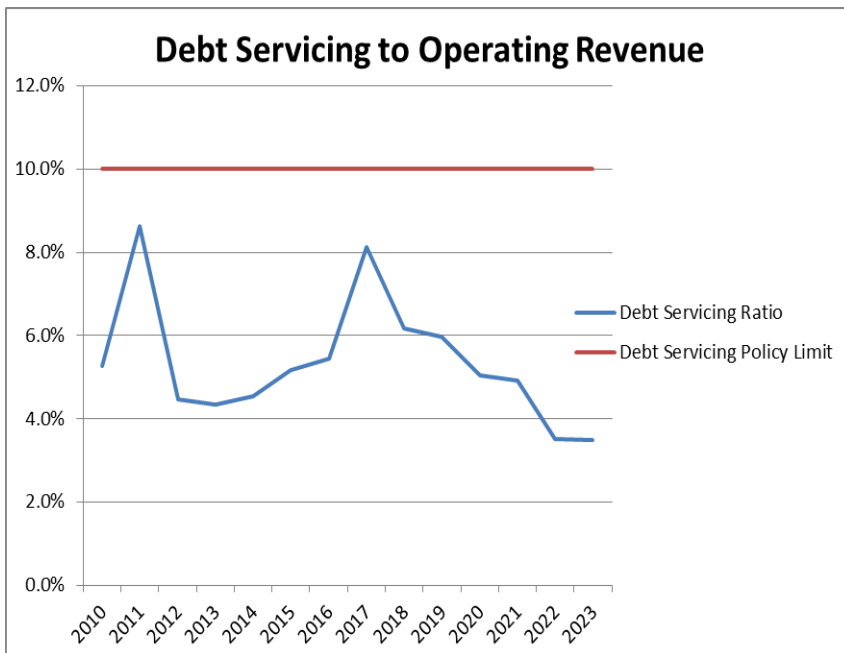
Debt Considerations

- Considerations when issuing debt:
 - Debt service costs should not jeopardize provision of essential services
 - Flexibility should be maintained to meet unanticipated expenditures
 - Debt obligations should not threaten long-term financial stability
 - Amount of debt outstanding should not place an undue burden on residents and businesses

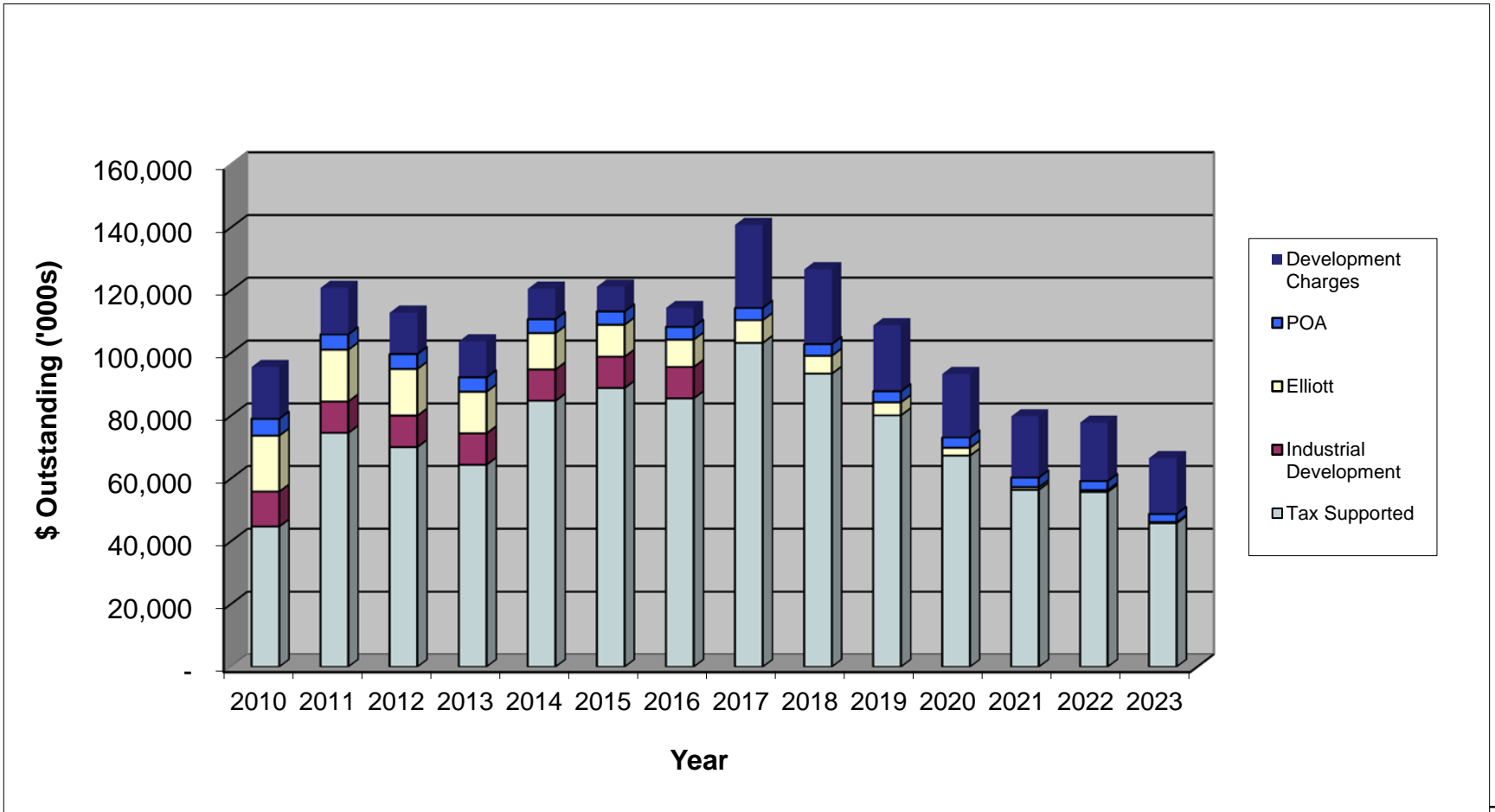
City Debt Policy

- Total Debt: Operating Revenues – target rate of less than 55% should be maintained
- Debt Servicing: Operating Revenues - target rate of 10% or less should be maintained
- Total Debt to Reserve Ratio- a 1:1 ratio should be targeted
- Development Charge Debt:
 - Debt Servicing should not exceed:
 - 20% of the average revenue forecast for hard services
 - 10% of the average revenue forecast for soft services

City Debt Policy



Total Debt Outstanding



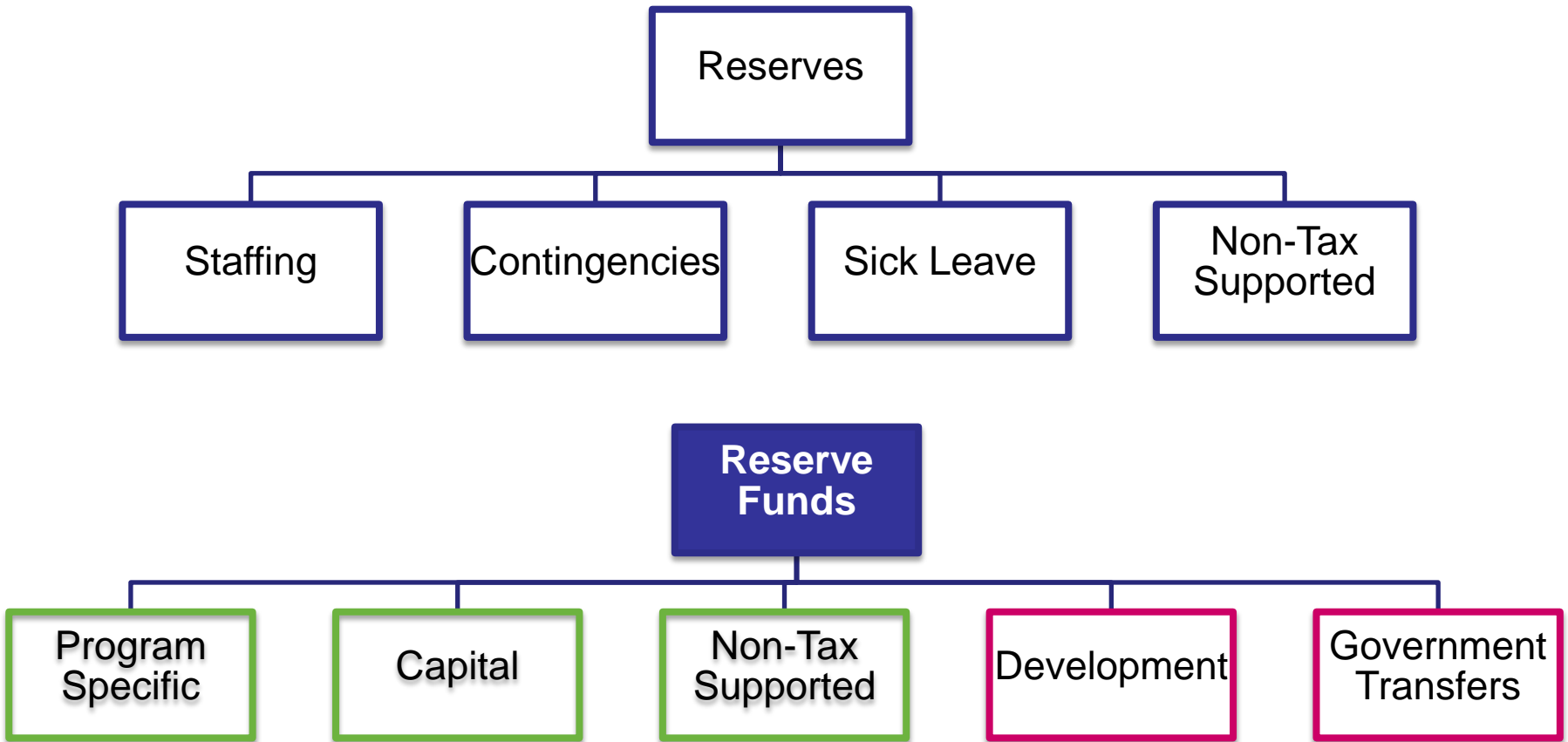
Reserves & Reserve Funds

Why Maintain Reserves & Reserve Funds?





- To stabilize tax and user rates in the face of uncontrollable factors
- To provide financing for one-time expenditures
- To segregate funds received for a specific purpose
- To provide for asset acquisition and renewal over the long-term
- To provide a source of internal financing
- To provide flexibility to manage debt levels and protect the City's financial position

- Personal equivalent: **Savings Account/RRSP**

Reserve & Reserve Fund Categories



Reserve Targets: Employee Future Benefits

Reserve	Target	2013 Target Balance	2013 Reserve Balance	Result
Sick leave	95% of the Sick Leave Liability	\$8,338,029	\$8,201,000	
WSIB	50% of the WSIB Liability	\$2,345,403	\$1,663,000	
Land Ambulance Severance	95% of the Severance Liability	\$902,500	\$551,000	
Retiree Benefits	Minimum = \$2,000,000	\$2,000,000	\$787,000	

Reserve Targets: Reserve Funds

	Capital Contributions to Depreciation		Result	Capital Contributions to Net tangible capital asset value		Result
	Target	Actual		Target	Actual	
Tax Supported	1	.8		2%	4.2%	
Non-tax supported	1	2.5		2%	8.1%	

Reserve Targets: Reserves

	Operating contingency reserve balances 2013	Target	% of Own Source Revenue	Result
Tax Supported	\$7,342,000	5%-10%	3.79%	●
Non-tax supported	\$4,860,000	5%-10%	8.56%	●

Questions?