

# Special City Council Meeting Agenda



**Thursday, February 7, 2019 – 4:00 p.m.**  
**Council Chambers, Guelph City Hall, 1 Carden Street**

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

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### **Special Council Meeting - Presentation of Tax Supported Operating Budget**

#### **CS-2019-01 2019 Tax Supported Operating Budget**

##### **Presentation:**

Tara Baker, General Manager, Finance/City Treasurer  
Mayor Guthrie  
Derrick Thomson, Chief Administrative Officer  
Scott Stewart, Deputy CAO, Infrastructure, Development and Enterprise Services  
Colleen Clack, Deputy CAO, Public Services  
Trevor Lee, Deputy CAO, Corporate Services

##### **Recommendation:**

That the following recommendations from Report CS-2019-06 titled 2019 Tax Supported Operating Budget be referred to March 5, 2019:

1. That the 2019 tax supported operating budget be approved with a property tax increase net of assessment growth of 3.93 per cent over 2018 and a property tax levy of \$243,330,620 inclusive of the following:
  - a) a departmental base operating budget including reserve and reserve fund transfers and user fee increases, totaling a net levy requirement of \$2,427,604 or 1.04 per cent
  - b) capital financing and general revenues including a 1.00 per cent dedicated infrastructure levy, totaling a net levy requirement of \$3,867,656 or 1.65 per cent

- c) a local boards and shared services operating budget, totaling a net levy requirement of \$1,568,904 or 0.67 per cent.
  - d) Council in-year decisions totaling a net levy requirement of \$2,247,886 or 0.96 per cent.
  - e) assessment growth revenue of \$3,700,000 or 1.58 per cent.
  - f) Department growth budget requests totaling a net levy requirement of \$1,274,905 or 0.54 per cent.
  - g) local board growth budget requests totaling a net levy requirement of \$558,200 or 0.24 per cent.
  - h) department service enhancements and service review requests totaling a net levy requirement of \$1,030,800 or 0.44 per cent.
  - i) a departmental base operating budget reduction for 2019 NUME compensation of \$75,300 or 0.03 per cent.
2. That the proposed user fees posted at <https://guelph.ca/city-hall/budget-and-finance/city-budget/2019-proposed-budget/> be approved and enacted through by-law.
  3. That a new Rental Property Reserve to align City-owned rental property revenue with associated maintenance and capital expenditures be created and that Appendix A of the General Reserve and Reserve Fund Policy be updated and referred to the 2018 Year-end Reserve and Reserve Fund report for approval.
  4. That a new Parking Capital Reserve Fund to support the Council approved Parking Master Plan financial model be created and that Appendix A of the General Reserve and Reserve Fund Policy be updated and referred to the 2018 Year-end Reserve and Reserve Fund report for approval.

## **Special Resolutions**

## **Adjournment**

# Staff Report

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To **City Council**

Service Area Corporate Services

Date Thursday, February 7, 2019

Subject **2019 Tax Supported Operating Budget**

Report Number CS-2019-06

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## Recommendation

That the following recommendations from Report CS-2019-06 titled 2019 Tax Supported Operating Budget be referred to March 5, 2019:

1. That the 2019 tax supported operating budget be approved with a property tax increase net of assessment growth of 3.93 per cent over 2018 and a property tax levy of \$243,330,620 inclusive of the following:
  - a) a departmental base operating budget including reserve and reserve fund transfers and user fee increases, totaling a net levy requirement of \$2,427,604 or 1.04 per cent
  - b) capital financing and general revenues including a 1.00 per cent dedicated infrastructure levy, totaling a net levy requirement of \$3,867,656 or 1.65 per cent
  - c) a local boards and shared services operating budget, totaling a net levy requirement of \$1,568,904 or 0.67 per cent
  - d) Council in-year decisions totaling a net levy requirement of \$2,247,886 or 0.96 per cent
  - e) assessment growth revenue of \$3,700,000 or 1.58 per cent
  - f) Department growth budget requests totaling a net levy requirement of \$1,274,905 or 0.54 per cent
  - g) local board growth budget requests totaling a net levy requirement of \$558,200 or 0.24 per cent
  - h) department service enhancements and service review requests totaling a net levy requirement of \$1,030,800 or 0.44 per cent
  - i) a departmental base operating budget reduction for 2019 NUME compensation of \$75,300 or 0.03 per cent
2. That the proposed user fees posted at <https://guelph.ca/city-hall/budget-and-finance/city-budget/2019-proposed-budget/> be approved and enacted through by-law.
3. That a new Rental Property Reserve to align City-owned rental property revenue with associated maintenance and capital expenditures be created and that Appendix A of the General Reserve and Reserve Fund Policy be updated and referred to the 2018 Year-end Reserve and Reserve Fund report for approval.

4. That a new Parking Capital Reserve Fund to support the Council approved Parking Master Plan financial model be created and that Appendix A of the General Reserve and Reserve Fund Policy be updated and referred to the 2018 Year-end Reserve and Reserve Fund report for approval.

## **Executive Summary**

### **Purpose of Report**

To present the 2019 proposed tax supported operating budget, and provide details and background materials for Council's budget deliberations scheduled for March 5, 2019.

Further, to provide staff with an opportunity to formally present the tax supported operating budget to Council and receive questions and/or requests for additional information or clarification.

### **Key Findings**

The staff recommended tax supported operating budget reflects a net tax levy requirement of \$243,405,920 or 3.96 per cent net of assessment growth. This was amended by a \$75,300 reduction as a result of Council's 2019 NUME compensation decision on January 10, 2019 resulting in a revised net tax levy of 3.93 per cent.

Included in the recommended budget are all the priority budget requests including the additional one per cent increase in the Dedicated Infrastructure Levy as well as the budget pressures resulting from in-year Council decisions.

The table below highlights the 2019 requested budget.

Table 1: 2019 Recommended Budget

	2019 Requested Budget	2019 Levy Impact
City department base budget increase	\$2,427,604	1.04%
Capital Financing and General Revenues (including 1% Dedicated Infrastructure Levy)	\$3,867,656	1.65%
Local Boards and Shared Services base budget increase	\$1,568,904	0.67%
Council in-year decisions	\$2,247,886	0.96%
Assessment Growth Revenue	(\$3,700,000)	(1.58%)
City department growth-related budget requests	\$1,274,905	0.54%
Local boards growth-related budget requests	\$558,200	0.24%
City department service enhancement budget requests	\$1,030,800	0.44%
<b>Total Staff Recommended Tax Supported Budget</b>	<b>\$9,275,955</b>	<b>3.96%</b>
Council approved NUME compensation	(\$75,300)	(0.03%)
<b>Revised Total Tax Supported Budget</b>	<b>\$9,200,655</b>	<b>3.93%</b>

Original budget estimates projected the 2019 net levy impact closer to a 4.50 per cent increase but the successful merger of Guelph Hydro Electric Systems Inc. with Alectra Utilities has resulted in net new on-going dividend revenue of \$1 million in 2019 which the City has applied towards the Dedicated Infrastructure Levy. This is consistent with the recommendation by staff through report CS-2019-02 2019-2028 Proposed Capital Budget and Forecast.

The City has also utilized a reserve strategy to fund one-time initiatives and one-time budget pressures totalling \$804,865 to further reduce the property tax impact as affordability continues to be a primary consideration. As a reminder, a reserve strategy was also used in the 2019 non-tax operating budget as the water and wastewater contingency reserves allowed for this flexibility. Healthy, well-managed reserves can allow for this budgetary flexibility. As a result of the recent reserve and reserve fund review, staff are confident in a recommendation to use the reserves in this type of strategic manner.

Further information on budget changes can be found in the tax supported operating budget book provided under separate cover.

## **Financial Implications**

The financial implications resulting from this report are outlined in detail in the City's budget document. The amended 3.93 per cent increase over the prior year's net tax levy and growth requirement will allow for the continued delivery of City services.

Assessment growth revenue is sufficient to fund the 2019 growth-related operating costs with \$527,535 remaining to offset base and service enhancement budget pressures.

## **Report**

The proposed 2019 tax supported operating budget represents the culmination of several months of work undertaken by City staff. The proposed budget has been prepared taking into account:

- city financial policies
- principles of predictability and affordability for the community
- budget estimates based on historic multi-year actuals
- targets for contingency and reserves which protect the City in an emergency situation and allow for the strategic replacement and investment in infrastructure
- legislated requirements
- approved levels of service
- in-year decisions by Council
- community input received through surveys and development of Master Plans related to programs and services that influence staff recommendations (for example, the Natural Heritage Action Plan)
- Corporate Administrative Plan
- recommendations for improving programs and services

As with previous years, the proposed base budget includes all annualized costs. In developing the City's operating budget, staff has worked to ensure that a balance exists between fiscal accountability and service demands. The tax supported operating budget was prepared in accordance with the Council-approved Budget Policy, Debt Management Policy, and General Reserve and Reserve Fund Policy.

This budget is based on a forecast that ensures that the City's financial position continues to remain strong. The recommended budget takes into consideration inflationary cost pressures such as compensation, hydro and natural gas, fuel and diesel, software maintenance costs and other contractual increases. It also includes estimated increases for outstanding labour contract negotiations, impacts of previous Council decisions, operating impacts from capital identified during the 2018 budget deliberations, and the one per cent Dedicated Infrastructure Levy. Revenue adjustments have also been incorporated to mitigate against rising property tax rates where possible and include increases to user fees for programs and services, food and beverage sales, investment income and parking fees.

Further, assessment growth revenue for the 2019 budget has been estimated at \$3.7 million which should be used to fund growth-related operating increases. Finally, the budget reflects that some grants ended in 2018 and the corresponding revenue and expenses have been removed from the budget.

#### City Departmental Base Operating Budget

The recommended City departmental base operating budget represents an increase of 1.04 per cent or \$2.43 million. The breakdown of budgetary changes and the tax levy impact is shown in Table 2.

Table 2: City Departmental Base Operating Budget Change

	2018 Approved Budget	2019 Requested Budget	2019 Budget Change \$	2019 Budget Change %	2019 Levy Impact
<b>Revenue</b>					
User Fees	(\$31,223,391)	(\$31,710,344)	(\$486,953)	1.6%	(0.21%)
Product Sales	(\$5,472,450)	(\$2,652,250)	\$2,820,200	(51.5%)	1.20%
Licenses and Permits	(\$513,600)	(\$535,800)	(\$22,200)	4.3%	(0.01%)
Penalties and Interest	(\$4,492,771)	(\$6,019,704)	(\$1,526,933)	34.0%	(0.65%)
External Recoveries	(\$10,069,040)	(\$10,268,524)	(\$199,484)	2.0%	(0.09%)
Grants	(\$11,767,961)	(\$12,316,427)	(\$548,466)	4.7%	(0.23%)
<b>Total Revenue</b>	<b>(\$63,539,213)</b>	<b>(\$63,503,049)</b>	<b>\$36,164</b>	<b>(0.1%)</b>	<b>0.02%</b>
<b>Expenses</b>					
Compensation	\$142,910,204	\$146,182,511	\$3,272,307	2.3%	1.40%
Utilities	\$7,900,330	\$7,977,800	\$77,470	1.0%	0.03%
Repairs and Rentals	\$10,998,608	\$11,733,308	\$734,700	6.7%	0.31%
Fuel	\$5,018,554	\$5,256,554	\$238,000	4.7%	0.10%

Consulting	\$2,140,457	\$1,745,897	(\$394,560)	(18.4%)	(0.17%)
Other Purchased Goods and Services	\$27,774,574	\$26,046,663	(\$1,727,911)	(6.2%)	(0.74%)
Other Transfers and Interdepartmental Charges	(\$3,757,852)	(\$3,566,418)	\$191,434	(5.1%)	0.08%
<b>Total Expenditures</b>	<b>\$192,984,875</b>	<b>\$195,376,315</b>	<b>\$2,391,440</b>	<b>1.2%</b>	<b>1.02%</b>
Net City department base impact	\$129,445,662	\$131,873,266	\$2,427,604	1.2%	1.04%

An adjustment to Solid Waste Resources' base budget is included in the above to reflect the impacts to the Material Recovery Facility (MRF) operations that have resulted from ending another municipality's recyclable material processing contract. This includes reductions in product sales, compensation, and other purchased goods and services. In addition, the Solid Waste Resources' budget further reflects adjustments to product sales to reduce revenue risk that is related to the sale of carbon credits and recyclable materials. The total adjustments to Solid Waste Resources represent a \$0.854 million or 0.36 per cent net levy impact.

Other key drivers to changes within department budgets include:

- user fees, licenses and permit fee increases
- investment income and dividend income increases
- stewardship Ontario grant increase for blue box recycling offset by grant reductions for climate change, healthy kids, and Diverse Adaptive Inclusive Recreation due to completion of grants
- compensation economic increases as outlined in collective agreements
- repairs and maintenance cost increases due to contractual increases for waste haulage, software maintenance, and janitorial services
- consulting cost decreases related to expiration of grants and other consulting reductions

City departments were given both revenue and expenditure targets that were unique to the service area that reflected operating needs. In most cases, departments were required to find efficiencies to be able to meet the expenditure targets and this has led to a base departmental increase of a net 1.2 per cent. Further reductions to the City department base budget would impact service delivery.



### Capital Financing and General Revenue Base Operating Budget

The recommended capital financing and general revenue base operating budget represents an increase of 1.65 per cent or \$3.87 million. The breakdown of budgetary changes and the tax levy impact is shown in Table 3.

Table 3: Capital Financing and General Revenue Base Operating Budget Change

	2018 Approved Budget	2019 Requested Budget	2019 Budget Change \$	2019 Budget Change %	2019 Levy Impact
Capital Financing	\$31,189,405	\$34,670,181	\$3,480,776	11.2%	1.49%
Reserve Transfers	\$2,387,390	\$3,092,270	\$704,880	29.5%	0.30%
Supplementary and Education Taxes	(\$6,007,500)	(\$6,325,500)	(\$318,000)	5.3%	(0.14%)
<b>Total</b>	\$27,569,295	\$31,436,951	\$3,867,656	14.0%	1.65%

The key drivers of this budget increase include the following:

- increase transfers to capital reserve and reserve funds to continue along the path towards sustainable funding and closing the infrastructure gap
- increase in Tax Increment Based Grants in accordance with the Council-approved plan to fund Community Improvement Plan (CIP)
- increase additional taxation revenue due to growth

More detailed explanations of these budget changes can be found on pages 113 to 119 in the tax supported operating budget.

### Local Boards and Shared Services Operating Budget

The recommended local board and shared services operating budget represents an increase of 0.67 per cent or \$1.57 million. This budget is discussed in further detail through staff report CS-2019-07 and will be presented by local boards on February 13, 2019.

### Council In-year Decisions

Through the 2018 budget and other 2018 in-year reports, Council made a number of decisions that directly impact the 2019 base operating budget. The Transit Route 3 is recommended to be funded through a one-time transfer from the Contingency Reserve. These changes are outlined in Table 4 and include the link to the associated staff report for further information.

Table 4: Council In-year Decisions Summary

	Staff report	2019 Requested Budget	2019 Reserve Transfer (from)/to	2019 Levy Impact
2019 operating impacts from approved 2018 capital projects	<a href="#">CS 2017-81 2018-2027 Capital Budget and Forecast</a> October 26, 2017 Page 48	\$350,360		0.15%
2018 Dedicated Infrastructure Levy – reserve funded in 2018	<a href="#">CS-2017-31 Dedicated Infrastructure Levy</a> November 8, 2017 Page 10	\$1,170,526		0.50%
Transit Route 3 – half year cost to June 2019	<a href="#">PS-2018-22 Guelph Transit - Route 3</a>	\$175,715	(\$175,715)	0.00%
Council Remuneration	<a href="#">CS-2018-56 Council Remuneration Advisory Committee Report</a>	\$127,000		0.05%
Cancellation of on-street paid parking	<a href="#">IDE-2018-69 Downtown Parking Master Plan Update</a>	\$600,000		0.26%
<b>Total</b>		<b>\$2,423,601</b>	<b>(\$175,715)</b>	<b>0.96%</b>

#### Assessment Growth Revenue

Assessment growth revenue included in the 2019 proposed budget is \$3.70 million. This is an increase over 2018 of \$1,420,373 and these revenues should be directed towards growth-related operating costs. Staff have included an alternative budget presentation of the growth-related costs included in the proposed 2019 operating budget in Table 7 for Council consideration. This has been provided as an extension of the “growth paying for growth” discussion and provides context for the future Assessment Growth Policy proposal expected to be before Council in mid-2019.

#### City Departmental Growth Budget Requests

City departmental growth requests total \$1,274,905 or 0.54 per cent tax levy impact. The requests include a total of 13 new full-time equivalent (FTE) positions

and are summarized in Table 4. Further information on these requests can be found on pages 130 through 142 in the 2019 Operating Budget materials.

Table 5: City Departmental Growth Budget Requests

	2019 Requested Budget	2020 Budget impact	2019 Levy Impact	2019 FTE
Paramedic Services – Paramedic Resources including a new shift in Fergus	\$519,800	(\$184,166)	0.22%	8
Fleet and Fleet Transit impacts from past growth capital	\$101,500	0	0.04%	0
Natural Areas Stewardship Technologist	\$140,800	(\$5,650)	0.06%	1
Planning Technician (Policy and Design)	\$95,850	(\$5,230)	0.04%	1
Traffic Safety Analyst	\$117,380	\$2,350	0.05%	1
Strategic Sourcing Procurement Agent	\$135,550	\$600	0.06%	1
Manager of Capital Strategy and Long-term Planning	\$164,025	\$1,160	0.07%	1
<b>Total Growth Budget Requests</b>	<b>\$1,274,905</b>	<b>(\$190,936)</b>	<b>0.54%</b>	<b>13.0</b>

Local Boards Growth Budget Requests

The recommended local board and shared services growth budget requests represent an increase of 0.24 per cent or \$0.558 million. This budget is discussed in further detail through staff report CS-2019-07 and will be presented by local board on February 13, 2019.

City Departmental Service Enhancement Budget Requests

City departmental service enhancement budget requests total \$1,030,800 or 0.44 per cent tax levy impact. The requests include a total of two new FTE positions known at this time although the Transit Service Review may also contain recommended FTEs and this will be discussed with Council once the service review results are finalized. The Transit Service Review will be presented to Council on January 29, 2019 and the 2019 operating budget includes a provision of \$500,000 in 2019 for the financial impacts resulting from the service review.

A summary of the requests can be found in Table 6 and further information can be found on pages 143 through 148 in the 2019 Operating Budget materials.

Table 6: City Departmental Service Enhancement Budget Requests

	2019 Requested Budget	2020 Budget impact	2019 Levy Impact	2019 FTE
Corporate Customer Service	\$345,800	\$162,000	0.15%	2
Corporate Career Path, Diversity and Inclusion funding	\$185,000	0	0.08%	0
Transit Service Review (note 1)	\$500,000	To be determined	0.21%	To be determined
<b>Total Service Enhancement Budget Requests</b>	<b>\$1,030,800</b>	<b>\$162,000</b>	<b>0.44%</b>	<b>2</b>

Note 1: The Transit Service Review budget request may also have an additional capital component relating to the Community Bus program pending the outcome of the Service Review Council conversation on January 29, 2019.

#### Other considerations

Although not recommended by staff, Council may consider the budget requests included pages 149 through 154 in the 2019 Operating budget materials. These are items that Council has requested staff to consider during the 2019 budget process but due to corporate priorities and affordability concerns, were not recommended.

#### Risks

The budget recommended for approval is a solid financial plan for 2019. However, the budget is built at a point in time based on assumptions and known financial data. A few key risks that Council should be aware of as they consider the 2019 tax supported operating budget are:

- outstanding labour negotiations and arbitration
- increasing WSIB costs related to presumptive illness legislation
- changing political landscape which could result in changes to budgeted government funding or other revenue sources
- deferring lifecycle replacements in parks, operations, and information technology could result in additional operating expenses above those budgeted
- economic changes beyond the City's control.

## **Financial Implications**

Staff recommends an adjusted 3.93 per cent increase over the prior year's tax levy requirement inclusive of growth to allow for the delivery of on-going services,

progression towards sustainable capital funding and enhancements to some City services where need has been identified.

Growth Paying for Growth

The City has been working towards an alternative presentation of the operating budget materials in order to communicate the alignment of growth revenues with growth costs. Through the capital budget, staff have progressively been better able to plan and report on the capital cost of growth and this now needs to begin to be translated to the operating budget.

As previously mentioned, growth-related property tax revenue is estimated at \$3.70 million in 2019. Staff have gone through the 2019 recommended budget and have summarized the identifiable growth-related costs compared to this revenue in Table 7 below. In 2019, it can be concluded that growth revenues are paying for growth-related costs and there is \$527,535 assessment revenue remaining that is available to offset pressures in the base budget and service enhancements.

Table 7: Summary of Growth Costs and Assessment Growth Revenue

	2019 Requested Budget	2019 Levy Impact
Base budget (CIP Funding, Growth-related Capital Funding)	\$989,000	0.42%
Operating impact from 2018 approved capital projects	\$350,360	0.15%
City Departmental Growth Budget Requests	\$1,274,905	0.54%
Local Board and Shared Services Growth Budget Requests	\$558,200	0.24%
<b>Total Growth-Related Operating Costs</b>	<b>\$3,172,465</b>	<b>1.36%</b>
Assessment Growth Revenue	(\$3,700,000)	(1.58%)
<b>Net Remaining 2019 Assessment Growth Revenue</b>	<b>(\$527,535)</b>	<b>(0.22%)</b>

Reserve and Reserve Fund Transfers

The tax supported operating budget includes reserve and reserve fund transfers required to fund one-time initiatives, to strategically plan for future long-term budget impacts that are variable in nature and to mitigate financial risk. A summary of these transfers can be found on pages 120 through 127 in the 2019 operating budget materials.

As part of the 2019 budget, staff have improved the financial management and tracking of City-owned rental property income through the set up a new reserve to align rental property income with maintenance expenses. This will enable the city to

better analyze the financial impacts of rental properties and provide a self-funding mechanism for capital and maintenance costs of these properties.

Further, a new Parking Capital Reserve Fund is being created to begin the implementation of the Council approved Parking Master Plan funding model.

### User fees

The [User Fee Guide](#) has been provided in an on-line only format in 2019 for cost savings and environmental benefits. The majority of the user fees are increasing by two per cent except for the following that increased at more than 50 per cent:

- mess makers class increase 86.1 per cent
- computers keep it running smoothly – 117.1 per cent
- monthly parking permit fees Arthur Street lot – 86.5 per cent
- monthly parking permit fees Norwich Street lot 148.7 per cent
- technical standards and safety authority letter – 100.0 per cent
- review/process application for oversized load permit - 398.2%

As in previous years, parks and recreation have reviewed all programs and have adjusted offerings to align with current demands for programs, camps and activities. Most program changes affect youth/teen table 12, child programs table 14, and camps for child, youth/teen table 16. New user fees have been added for energize Guelph table 13, film production table 55, parking table 95, and solid waste resources table 111.

## **Consultations**

The tax supported operating budget was collaboratively developed by all City departments. Finance staff work with departments to assist in the budget preparation. After final budgets are submitted to Finance, analysis is completed and submissions are reviewed. The development of the budget is a lengthy, complex process. It requires everyone working together for a budget that is affordable to the citizens, provides financial stability for the City and ensures the community receives the best service in a cost-effective manner.

Public meeting notification was placed on the City's web page, posted to social media and advertised in the local newspaper. The City's recommended budgets are posted on the City's website at [guelph.ca/budget](http://guelph.ca/budget). Delegations for the tax supported operating budget and Local Boards and Shared Services will be heard on Wednesday, February 20, 2019.

## **Corporate Administrative Plan**

### **Overarching Goals**

Service Excellence  
Financial Stability  
Innovation

## **Service Area Operational Work Plans**

Our Services - Municipal services that make lives better

Our People- Building a great community together

Our Resources - A solid foundation for a growing city

## **Attachments**

None

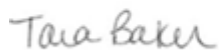
Attachments provided under separate cover:

2019 Tax Supported Operating Budget

2019 User Fee Guide (online only)

## **Report Author**

Karen Newland, Manager, Finance Client Services



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### **Approved By**

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### **Recommended By**

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