

SPECIAL CITY COUNCIL AGENDA



Committee Room C, Guelph City Hall, 1 Carden Street

DATE May 7, 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 Capital Budget Workshop

Presentation:

- Al Horsman, Executive Director, Finance & Enterprise

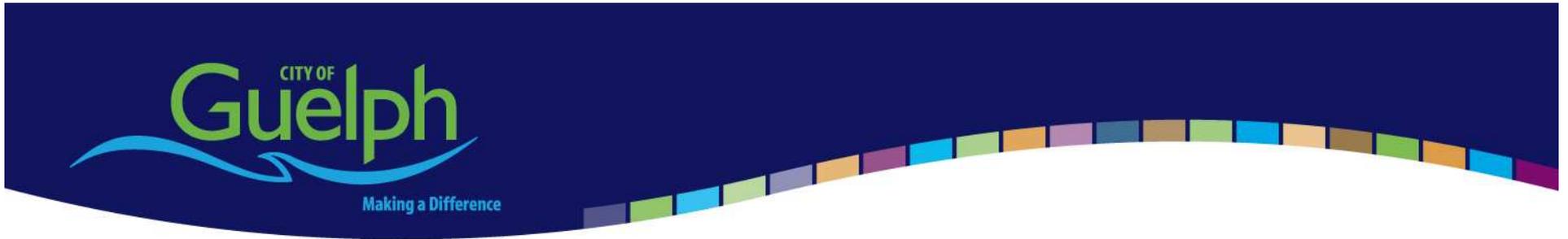
Attached

2014 Capital Financing Overview Report

That the May 7, 2013 report entitled FIN-13-22 "Capital Funding Overview Report", be received for information.

Memorandum: Capital Budget Workshop – Priority Model Overview

ADJOURNMENT

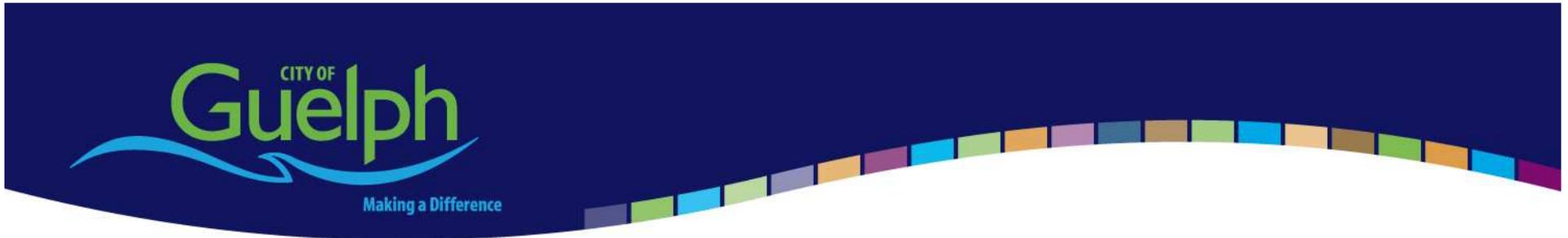


2014 Capital Budget Workshop

May 7, 2013

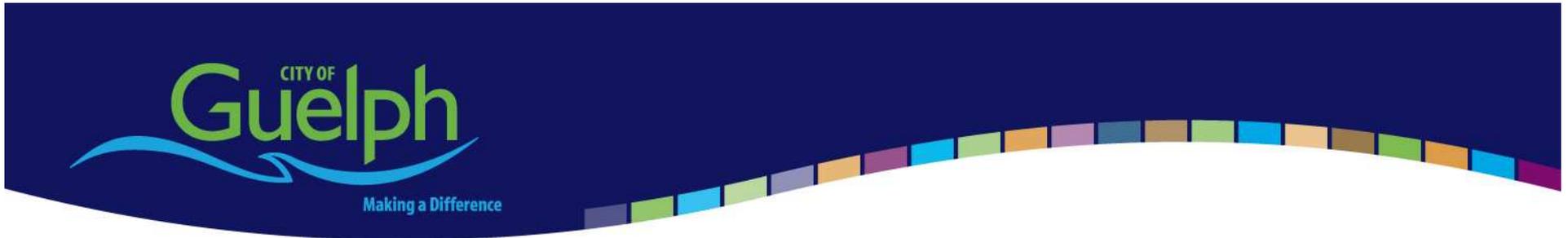
Agenda

- Confirm current process
- Confirm Council's interest and participation in Capital budgeting process
- Provide options
- Discuss options
- Public consultation
- Next steps



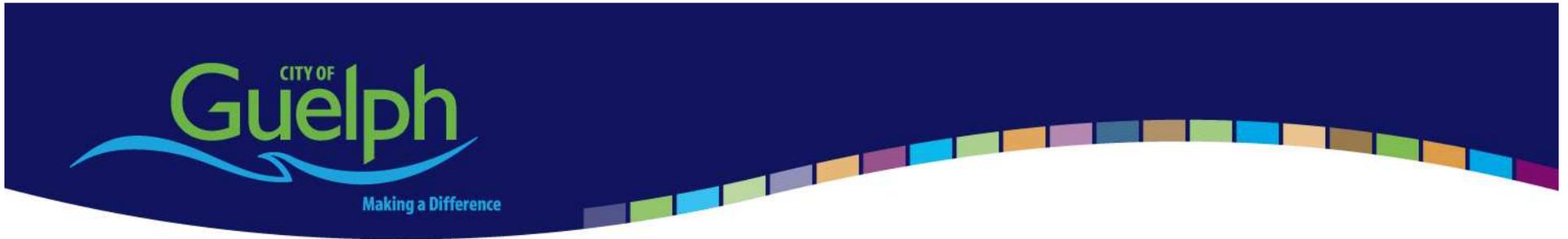
Confirm Current Process

- Confirm: Prioritization Model as framework (memo)
- Confirm: Funding Sources (report)
- Does not allow for Council input until late in the process
- No formal mechanism for ensuring that Council priority projects are considered and incorporated



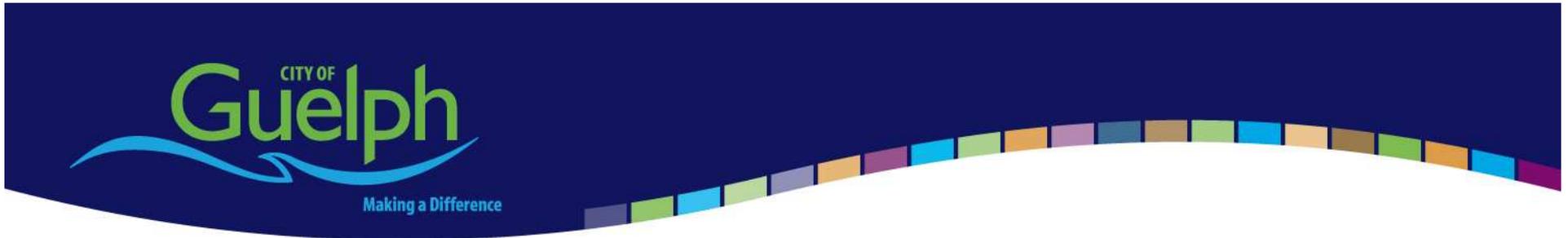
Confirm Council's interest and participation

- Council involvement earlier in the capital budgeting process
- Opportunity for Council priority projects to be included in the capital budget
- Ensure consistency with Development Priorities Plan (DPP)



Confirm Council's interest and participation

- Thoughts?
- Discussion...



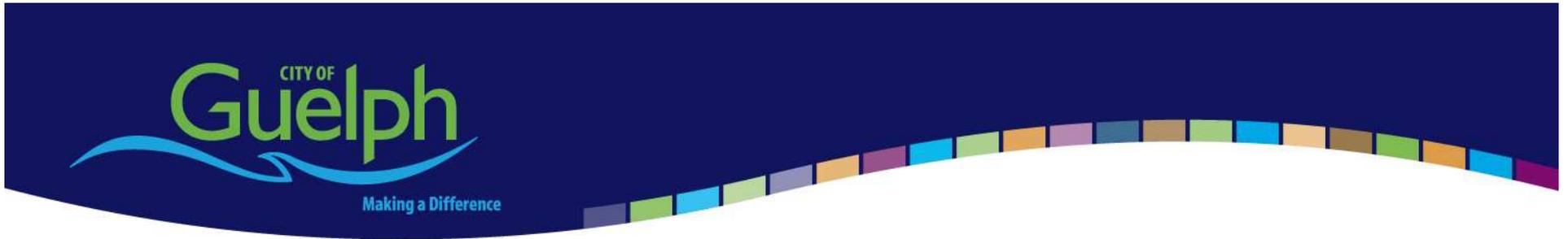
OPTIONS for increasing Council interest and participation

Option #1: Council Project List

Council prepares, ranks and submits a project list to staff for consideration in the 2014 capital budget process

Option #2: Add a % for Council Projects

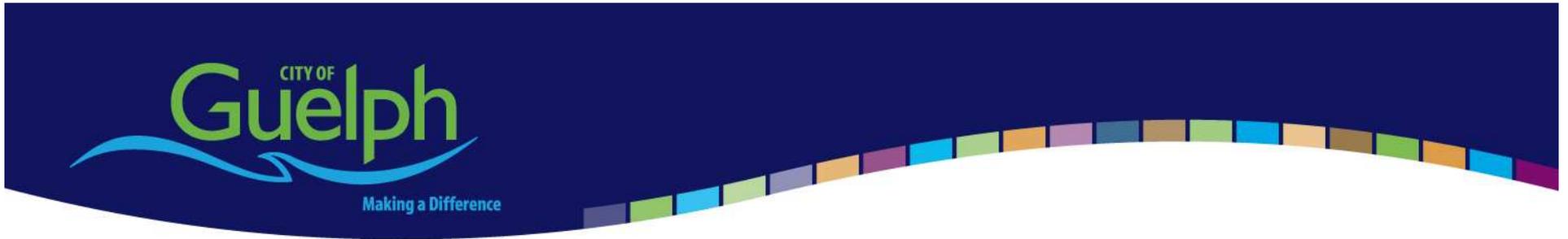
A percentage is added to the capital guideline specifically for Council Projects



OPTION #1 Council Project List

Step 1: Council prepares a project listing sheet

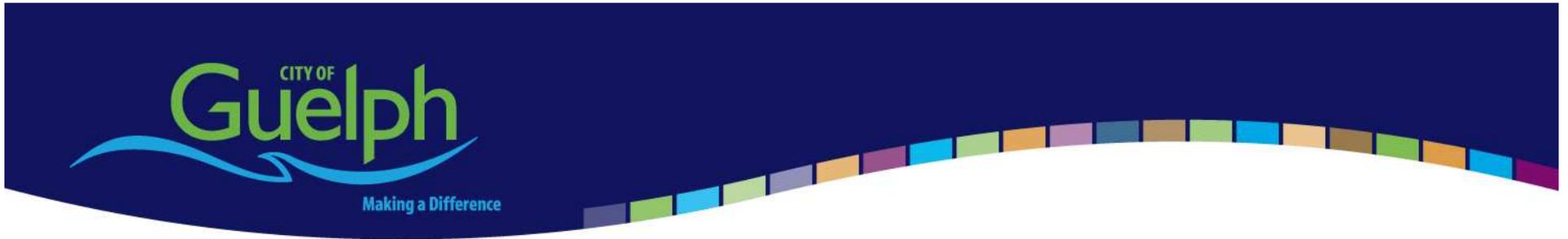
- Thoughts?
- Discussion...



OPTION #1 Council Project List

Step 2: Council ranks their projects from top priority downward

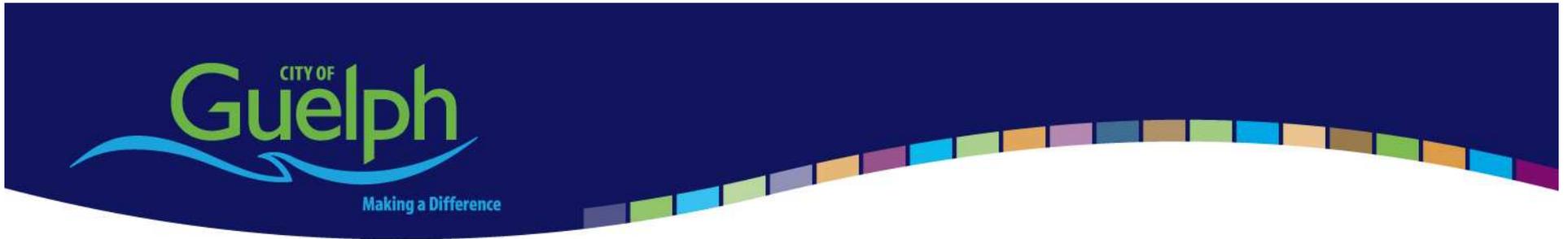
- Thoughts?
- Discussion...



OPTION #1 Council Project List

Step 3: Council submits the project listing for consideration as part of the capital budget process

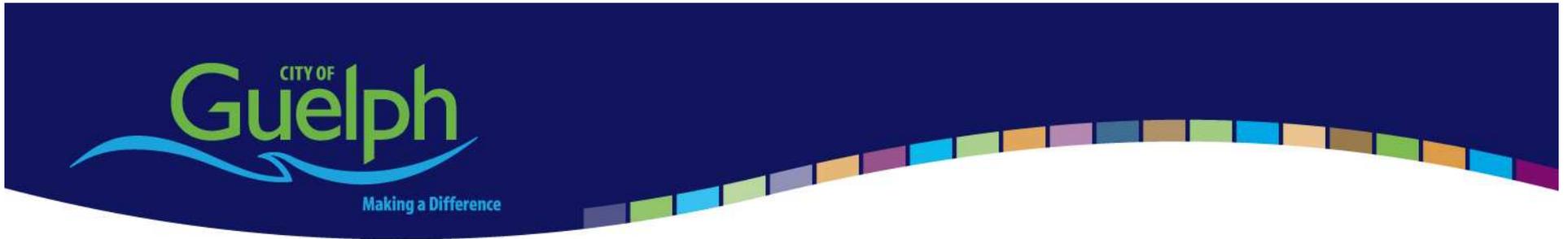
- Thoughts?
- Discussion....



OPTION #1 Council Project List

Step 4: Council's projects are prioritized using staff's internal prioritization model

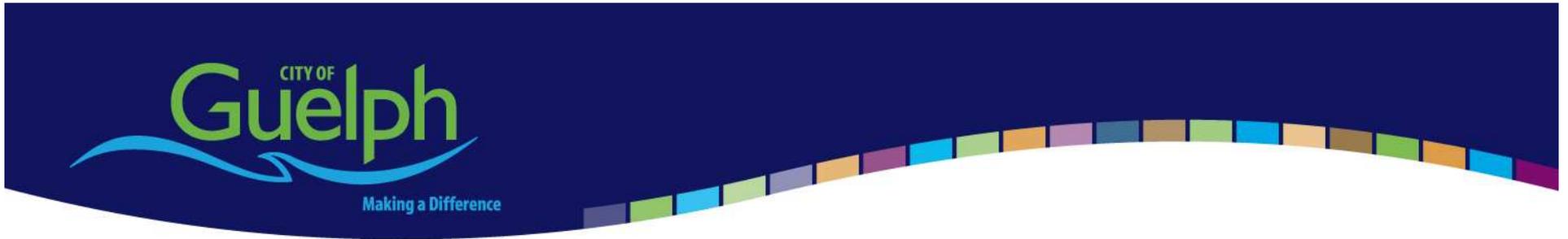
- Thoughts?
- Discussion...



OPTION #1 Council Project List

Step 5: Staff report back to Council on the status of their projects

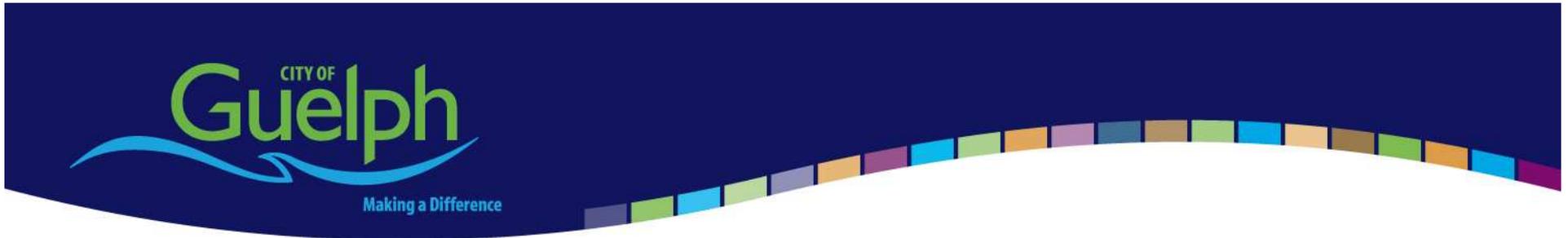
- Thoughts?
- Discussion....



OPTION #2 Add a % for Council Projects

Step 1: Increase capital guideline to 21%

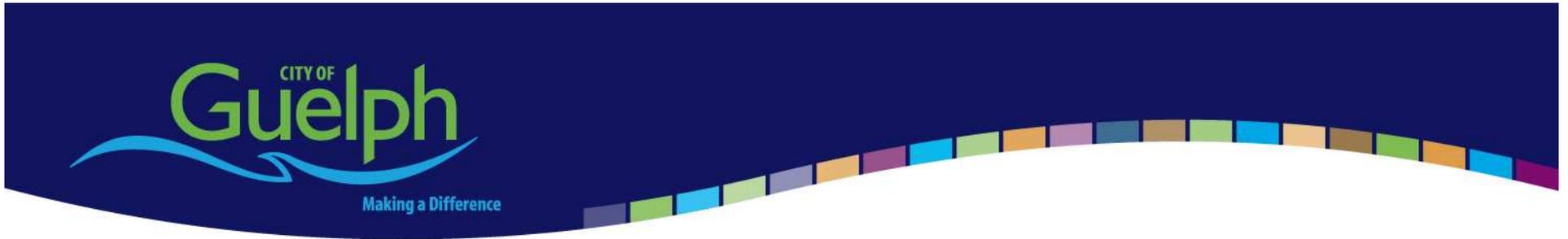
- Thoughts?
- Discussion....



OPTION #2 Add a % for Council Projects

Step 2: Assign the additional 1% to Council projects.

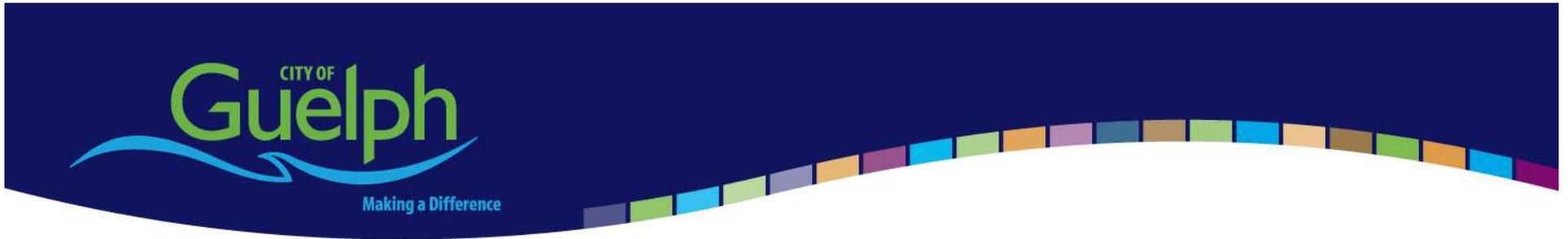
- Thoughts?
- Discussion....



OPTION #2 Add a % for Council Projects

Step 3: Phase increase (ie. impact on operating budget) in over 4 years.

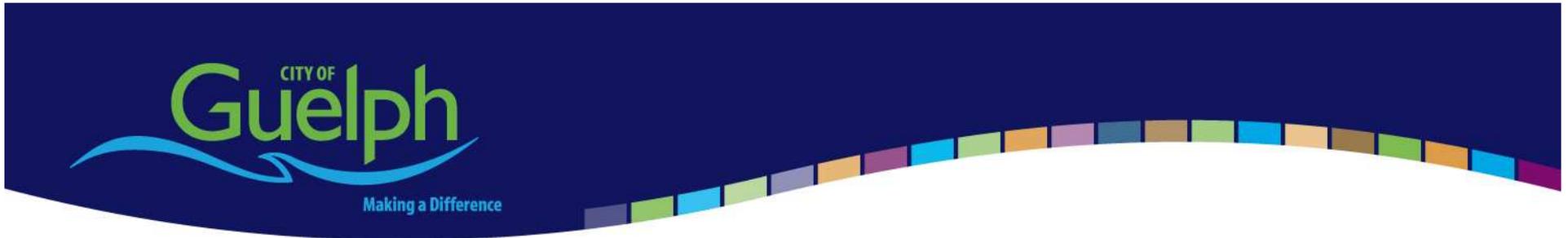
- Thoughts?
- Discussion....



Public Consultation

- Required?
- If so: At what milestone?

 Format?
- Discussion.....



Next Steps

- Staff Report to CAFE in June 2013
 - To include resolutions reflecting feedback from May 7 workshop

- Staff Report to Council in June 2013
 - Reflecting workshop and CAFE input

STAFF REPORT



TO City Council

SERVICE AREA Finance & Enterprise Services

DATE May 7, 2013

SUBJECT 2014 Capital Funding Overview Report

REPORT NUMBER FIN-13-22

EXECUTIVE SUMMARY

PURPOSE OF REPORT

To provide an overview of the City of Guelph capital funding sources and methodology.

KEY FINDINGS

The City's sources of capital funding are many and varied and there is a high level of complexity involved in the budget creation process to ensure accuracy and the best use of funds.

Individual projects may have multiple sources of funding.

FINANCIAL IMPLICATIONS

There are no financial implications resulting from this report.

ACTION REQUIRED

That the May 7, 2013 report entitled FIN-13-22 Capital Funding Overview Report be received for information.

RECOMMENDATION

1. That the May 7, 2013 report entitled FIN-13-22 Capital Funding Overview Report be received for information.

BACKGROUND

The sources of funding for capital projects are many and varied, and during the process of developing the annual capital budget for presentation to Council much work is put into balancing the availability of funds from these various sources. During Council deliberations regarding the capital budget, discussion generally revolves around which projects were included and which projects were not included for various reasons. Frequently projects may be included or excluded depending on the source of funding and its availability in a particular year. This report is intended as an informational source regarding the opportunities and constraints on the various sources of funding.

STAFF REPORT

REPORT

For the purposes of this report the focus will be on the Tax Supported Capital Budget and the various sources of funding available for the projects contained within it. A project may be supported by a single source, but the majority of projects are funded from two or more sources. See Appendix 1. This added complexity increases the amount of time required to balance the various sources of capital funding to ensure accuracy and the best use of funds. Therefore a better understanding of the uses and constraints of each will allow Council to better evaluate the proposed capital budget.

The City's General Reserve and Reserve Fund Policy dictate how the various capital reserves are funded, maintained and used. Key to this discussion is the requirement that funds be used for their intended purpose only and the target contribution levels for buildings (3%), transportation (2-3%), storm water (2-3%) and vehicle & equipment (10%).

Sources of Funding

Direct Tax Supported

Projects supported can range from replacement and renewal activities to service expansion due to growth and even the introduction of new facilities or services.

In terms of replacement and renewal, these funds are focused on replacement and major repair of equipment, facilities and infrastructure which the City already owns. These funds are needed on an annual basis to ensure that the City is able to deliver the services it is currently providing to existing tax payers.

For service expansion projects due to growth, the first source of funding is generally Development Charges (DC) (see below), however due to limitations in the provincial Development Charges Act (DC Act), certain portions of these projects may need to be funded by City reserve funds, which are funded by a transfer from the tax base, for a number of reasons. Each project is evaluated on its eligibility for DC funding and the balance is generally funded from tax revenue.

When the City looks at introducing new facilities or services requiring capital assets, or expanding activities not covered by the DC Act, the burden falls to current tax payers through direct tax supported capital contributions, unless 3rd party sources can be secured.

This would normally show up in budget documents under Equipment Replacement and City Reserves.

Own Revenue

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In some situations specific assets or activities may generate their own sources of capital revenue, either through fee/sales or donations/sponsorships. This applies to the Library Board and major recreation and cultural facilities such as the River Run Centre and Sleeman Centre. A portion of their fees or direct donations/sponsorships are contributed to reserve funds specifically earmarked to provide for capital renewal spending or future expansion activities. The Hanlon Creek Business Park (HCBP) land sales are another example, where the sale of industrial land goes to the Industrial Land Reserve which funds the work done at HCBP.

This would normally show up in budget documents under Other.

External Partner

As we partner with a number of local agencies and other levels of Government, we manage capital projects which provide services to not only the citizens of Guelph, but also a larger community outside of the City boundaries. In these cases the external partner will provide funding based on a formula designed to distribute the costs equitably amongst those that benefit from it. An example of this is Land Ambulance service related capital projects.

Occasionally, we partner with local developers to expand City infrastructure projects to incorporate their needs in order to save both ourselves and the developer time and money. This includes projects where items such as additional turning lanes, sidewalks, sewer and water services are installed earlier than needed as part of a larger City project in order to avoid the inconvenience and added cost of doing the works in the near future. In these instances the developer contributes the amount equal to the work that would not normally be undertaken by the City.

This would normally show up in budget documents under Other.

Grant Funding

There are two main scenarios for Grant funding; upfront funding with follow up reporting, or as completed reimbursement of capital expenditures.

In the first instance an allotment is made by the granting body or an application is made for funds. The funds are received at scheduled times regardless of stage of the project. However, follow up reporting is required to ensure funds are not recalled or future eligibility for funds is not terminated. The Federal Gas Tax program and the Municipal Infrastructure Investment Initiative (MIII) are examples of this type of funding. The funds may be provided for a specific project or for certain types of capital activities.

STAFF REPORT



The second type provides for funding based on a formula up to a maximum amount. In order to receive funding, eligible expenditures must have occurred and reimbursement is requested through the approving agency. The recent Infrastructure Stimulus Funding (ISF) program is an example of this. If the City does not spend the money on the approved project the funding is not provided.

This would normally show up in budget documents under Grants & Subsidies.

Development Charges

Development Charges (DCs) are a way for growth projects to be paid for by the growth that is requiring the expanded services. In order for a project to receive DC funding it must be identified in a DC Background Study (currently underway for 2014), indicating the share of the project that will benefit growth. In addition, the Municipal DC Act stipulates other reductions based on various criteria. The result is that the majority of growth related projects receive less than 100% of their funding from DC revenue and must rely on additional funding from tax supported sources in order to fund the balance. Each growth related project is unique in its ratio of DC funded to non-DC funded portions. DCs are also not interchangeable: DCs collected for a Road project cannot be used to fund a Park project; each DC reserve fund needs to be managed individually.

This would normally show up in budget documents under DC's and DC Debt.

Debt

Borrowing to fund capital projects allows for the distribution of the costs over a number of years and to future tax payers who may benefit from the project. The additional cost of interest on these projects limits the ability of the City to spend on future capital projects and the long term nature of the repayment may reduce the City's flexibility in future years. The City has a Debt Policy which set out the guidelines on the types of projects that are eligible for debt funding, as well the constraints over the amount of debt the City may take on. General practice is to issue debt only once spending on the project exceeds 80% of budget and the total amount to be issued from all debt funded projects is sufficient enough to ensure favourable terms for the City.

This would normally show up in budget documents under Debt.

CORPORATE STRATEGIC PLAN

- 1.2 Develop collaborative work teams and apply whole systems thinking to deliver creative solutions
- 2.2 Deliver public services better
- 2.3 Ensure accountability, transparency and engagement
- 3.3 Strengthen citizen and stakeholder engagement and communications

STAFF REPORT



DEPARTMENTAL CONSULTATION

N/A

COMMUNICATIONS

N/A

ATTACHMENTS

Appendix 1 – Eastview Community Park - Sample

“original signed by Greg Clark”

Report Author

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STAFF REPORT

APPENDIX 1 – Eastview Community Park - Sample

Eastview Community Park										
	Approved	Budget Forecast								
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
CONSTRUCTION	150,000				1,650,000	2,000,000	2,000,000			
Total Expenses	150,000									
Revenue										
156 CAPITAL-DEV CHG EXEMPT	(13,500)				(148,500)	(180,000)	(180,000)			
166 CAPITAL PARK PLANNING	(15,000)				(165,000)	(200,000)	(200,000)			
320 DEV CHG - PARKS	(121,500)				(1,336,500)	(1,620,000)	(1,620,000)			
Total Revenue	(150,000)				(1,650,000)	(2,000,000)	(2,000,000)			

INTERNAL MEMO



DATE May 7, 2013
TO **Guelph City Council**
FROM Al Horsman
DIVISION Finance & Enterprise Services
DEPARTMENT Finance & Enterprise Services
SUBJECT **Capital Budget Workshop – Priority Model Overview**

As previously provided as part of the 2013 Tax Supported Capital Budget material, staff are including in this memo the capital budget priority model criteria and associated weightings that were developed as part of the 2012 and 2013 budget process. The model and subsequent weightings were developed by staff and have historically been used as an internal tool to rank all projects submitted across the 10-year horizon. The rankings are used to evaluate project requests versus available funding with the final goal of bringing forward a 10-year fully balanced sustainable capital budget.

As shown below, the biggest change from 2012 to 2013 was a reduction to the number of criteria being used to evaluate projects. This is reflective of staff's commitment to continue to refine and update the model to keep it current and useful in evaluating the City's projects.

2013 Model:

2013 Capital Priority Model Tool		
Criteria #	Criteria	Weighting
1	Health & Safety/Public Safety	97
2	Legislated	97
3	Mitigate Corporate Risk - corporate policy	97
4	Positive economic contribution to benefit external stakeholders (if yes)	44
5	Maximizes use of non-municipal tax funding, leverages economic investment or contributions from third parties	70
6	Sets the foundation for future projects, promotes integrated infrastructure, recognizes existing commitments, project continuity, and contractual obligations	72
7	Support or augment existing work activities and/or improves operational efficiency (e.g energy efficiency, leverages technology to improve service delivery)	72
8	Maintains existing infrastructure in good state of repair , meets equipment replacement criteria and life cycle	91
9	Growth related	81
10	Provides benefits to multiple internal and external stakeholders/projects	58
11	Supports community wide preparedness and ability to respond	74
12	Improves customer service, service levels and delivery or addresses a service deficiency	78
13	Exceeds legislative requirements to protect & enhance the natural environment.	55
14	Meets the needs of social and cultural goals	60

2012 Model:

2012 Capital Priority Model Tool		
Criteria #	Criteria	Weighting
1	Health and Safety	182
2	Legislated and/or regulatory	194
3	Positive economic contribution	76
4	Maximizes use of external or non-tax funding public investment	72
5	Set foundation for future project	68
6	Support or augment existing work activities	76
7	Improves operational efficiency, energy efficiency or generates new revenue etc.	69
8	Integrated infrastructure	72
9	Supports goals of the strategic plan	67
10	Maintains existing infrastructure in good state of repair	84
11	Contributes to goals of CEI	59
12	Leverages private sector economic investment or contributions from third parties	73
13	Mitigates Corporate Liability	168
14	Strategic Risk	68
15	Growth related	70
16	Alignment with Council Approved/Directed strategic initiatives	80
17	Leverages Technology to improve service delivery	66
18	Provides benefits to multiple internal and external stakeholders/projects Involves multiple departments	63
19	Supporting community wide preparedness and ability to respond	68
20	Meets equipment replacement criteria, life cycle	81
21	Improves customer service	65
22	Improves service levels and delivery or addresses a service deficiency	69
23	Existing commitments, project continuity, contractual obligations	87
24	Protects and improves the natural environment.	76
25	Meets the cultural needs of the community	62
26	Meets Social goals	59
27	Enhances communications and transparency	55

Note: in 2012, the weightings for criteria 1, 2 and 13 were doubled.

Guelph City Council

May 7, 2013

RE: Capital Budget Workshop – Priority Model Overview

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