

CITY COUNCIL AGENDA



DATE July 17, 2012 – 6 p.m. – Committee Room C

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

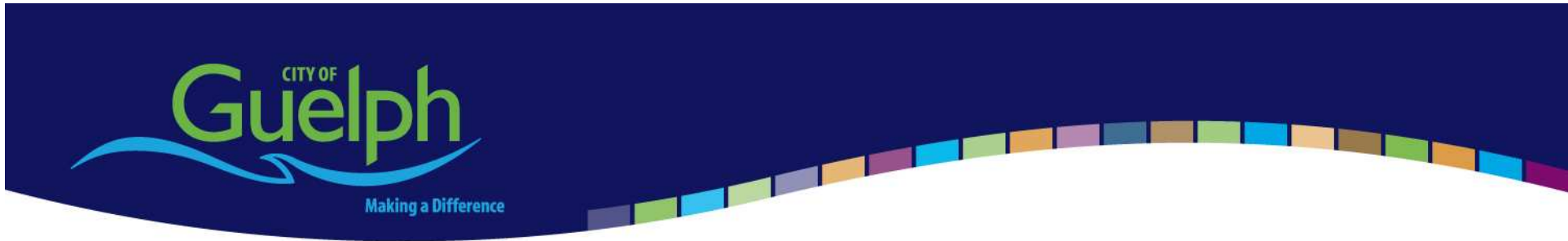
Disclosure of Pecuniary Interest and General Nature Thereof

2013 Budget Guideline Workshop

Presentation:

- Al Horsman, Executive Director, Finance & Enterprise

ADJOURNMENT



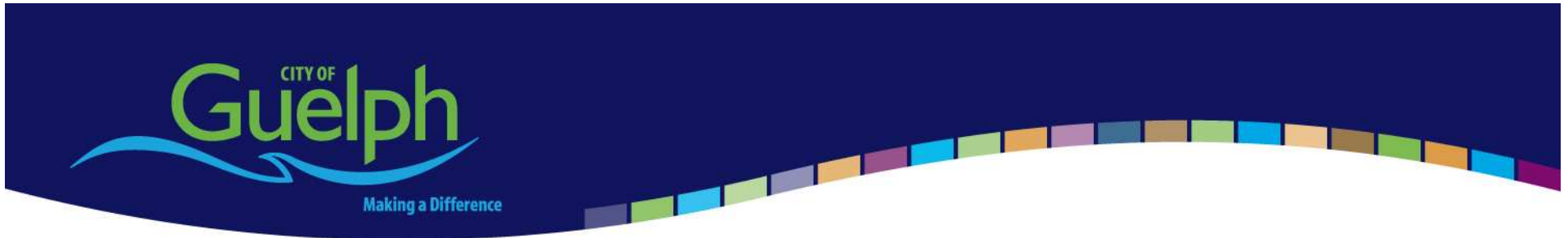
2013 Budget Workshop

Council Chambers

July 17, 2012

Agenda

- a. Introduction/Process
- b. Background
- c. Decision(s) Sought
- d. Next Steps

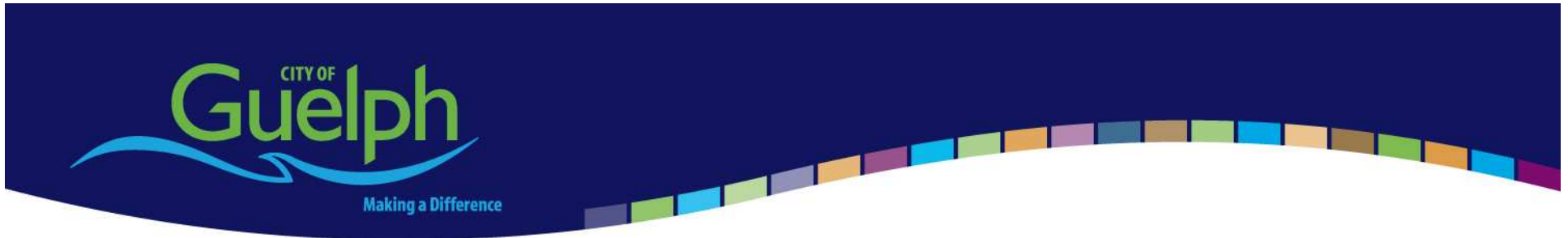


Introduction/Process

- Seeking Council direction to guide the 2013 Budget recommendations & work activity
- Approach to achieving the target established by Council will align with the three key focus areas established under the CSP:
 - Organizational Excellence
 - Innovation in Local Government
 - City Building

Introduction/Process

- Once the 2013 guideline is set, staff will work to bring back a recommended 2013 budget for Council's consideration on the following dates:
 - Early September 2012-Council Budget Workshop
 - October 3, 2012- Presentation of Capital Tax Supported
 - October 24, 2012- Presentation & Approval of Enterprise
 - November 22, 2012- Presentation of Operating Tax Supported
 - November 27, 2012- Presentation of Local Boards/Shared Services
 - November 29, 2012- Public Delegation Night
 - December 5, 2012 – Approval of Operating & Capital
 - April 2013 – Tax Policy & Related By-Law
- Work will focus on priority-setting and seek to maximize funding opportunities (e.g. other levels of government, partnerships, etc)



Background

- Detailed review of program requirements has been completed by the DRLT sub-committee
- 2013 Budget pressures identified as:
 - Base: 2012 service levels maintained in 2013
 - Growth: known increases in demand and require decisions
 - Other: require decisions on items such as CSP timing, capital financing, etc.
- Details of review provided in packages sent to Council

2013 Budget Management Summary

Base Changes - \$12.0 million or 6.81%

+

Growth Changes – (\$0.4 million) or -0.23%

+

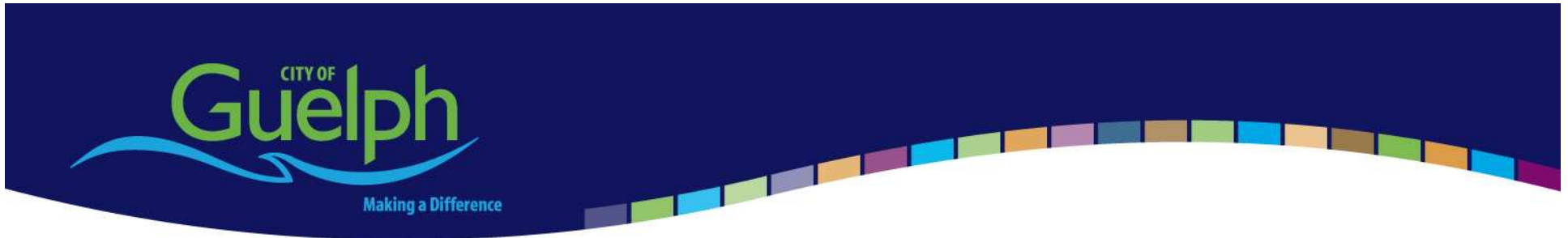
Other Changes - \$3.4 million or 1.96%

=

2013 BUDGET MANAGEMENT SUMMARY= \$15.0 MILLION OR 8.53%

Note 1: a 1% change is approximately \$1.76 million

Note 2: Schedule A contains complete details



2013 Budget Management Options

Actions that could be brought forward by staff should Council propose a lower tax rate increase:

- Service Reductions
- Service Cancellations
- Hiring Freeze
- Increase User Fees
- Reduce Reserve Contributions

Decisions to be Sought

1) Approve Tax Rate Increase - Staff recommend 3%

- Slightly above CPI
- Provides a tool to guide staff budget development

2) Return capital funding to 20% guideline

- Could accommodate CSP initiatives (IT Strategy, Community Energy)
- However, would still require delays or revisions to 2012 forecast

3) Use of Capital Renewal Reserve Fund (Hydro Note)

- Use to mitigate tax rate increases and manage debt

4) Alternative Financing and Financial Tools

- Public/Private Partnerships, Capital Leveraging etc.

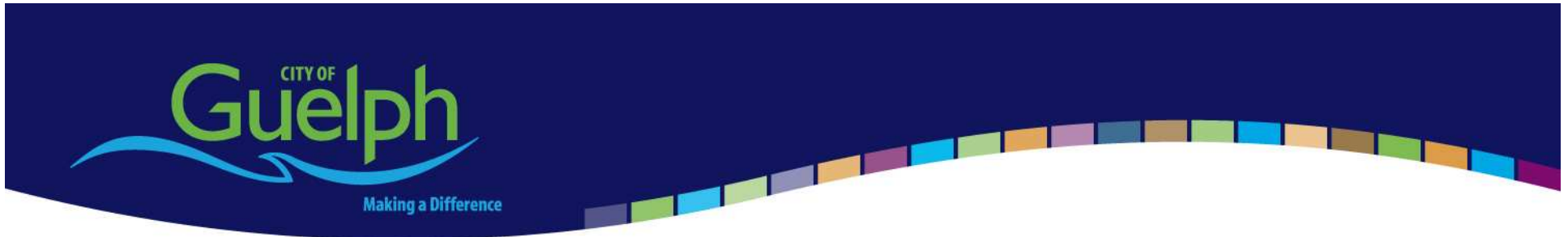
Decisions to be Sought

5) Managing Growth pressures

- Use assessment growth to pay for growth requests
- Historically assessment growth has been used to reduce the impact on the base budget

6) Managing Other Changes

- Increases to user fees
- Utilize additional grant funding for transit
- Phase out dividend from Court Services & reduce amount budgeted for vacancy gapping



Next Steps

- Staff will develop operating, capital and enterprise plans consistent with Council approved guidelines
- A draft recommended 2013 budget will be presented to Council with an outline of the actions taken to achieve the guideline while maintaining focus on CSP priorities
- Final draft budget will be brought forward for Council approval in late Fall 2012

2013 Base Changes

Changes from 2012 Budget - \$1.7 million or 0.99%

+

Staffing Costs - \$4.5 million or 2.55%

+

Purchased Goods & Services - \$0.9 million or 0.53%

+

General Expenditures, Capital & New Services - \$1.2 million or 0.64%

+

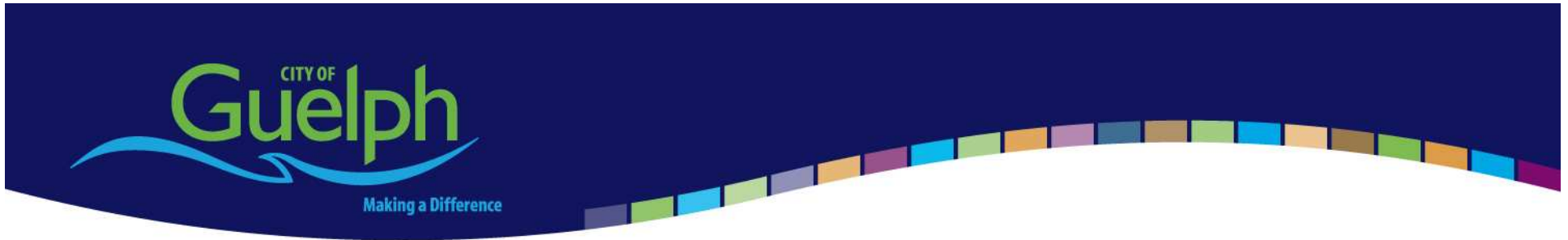
Local Boards & Shared Services - \$2.9 million or 1.64%

+

Revenue Changes - \$0.8 million or 0.45%

=

TOTAL BASE CHANGES = \$12.0 MILLION OR 6.81%



Base Changes -2012 Budget

- These changes relate to decisions made as part of the 2012 budget that will carry forward into 2013
- In 2013 the following changes are expected:
 - Annualization of transit terminal and affordable budget pass - \$0.3 million
 - Hydro adjustments (price and consumption) - \$0.8 million
 - Fuel adjustments(price and consumption) - \$0.6 million

Base Changes- Staffing

- Chart shows change by union group split between salaries and benefits
- All union groups have negotiated contracts in place in 2013 except ATU and Fire

2013 Compensation Summary (by Employee Group)

	Salaries			Benefits		
	2013	2012	Difference	2013	2012	Difference
241	10,570,000	9,954,000	616,000	6,312,000	5,749,000	563,000
973	11,774,000	11,382,000	392,000	3,427,000	3,016,000	411,000
ATU	10,643,000	10,878,000	(235,000)	4,351,000	3,601,000	750,000
Council	320,000	300,000	20,000	237,000	234,000	3,000
EMS	7,257,000	6,879,000	378,000	2,475,000	2,265,000	210,000
Fire	14,876,000	14,283,000	593,000	4,769,000	4,825,000	(56,000)
NUME	20,254,000	20,151,000	103,000	5,292,000	4,604,000	688,000
Total	\$ 75,694,000	\$ 73,827,000	\$ 1,867,000	\$26,863,000	\$ 24,294,000	\$ 2,569,000

Base Changes - Staffing

- Chart further demonstrates the change from benefits and where costs are increasing
- Benefits can be divided into statutory, medical, insurance and other

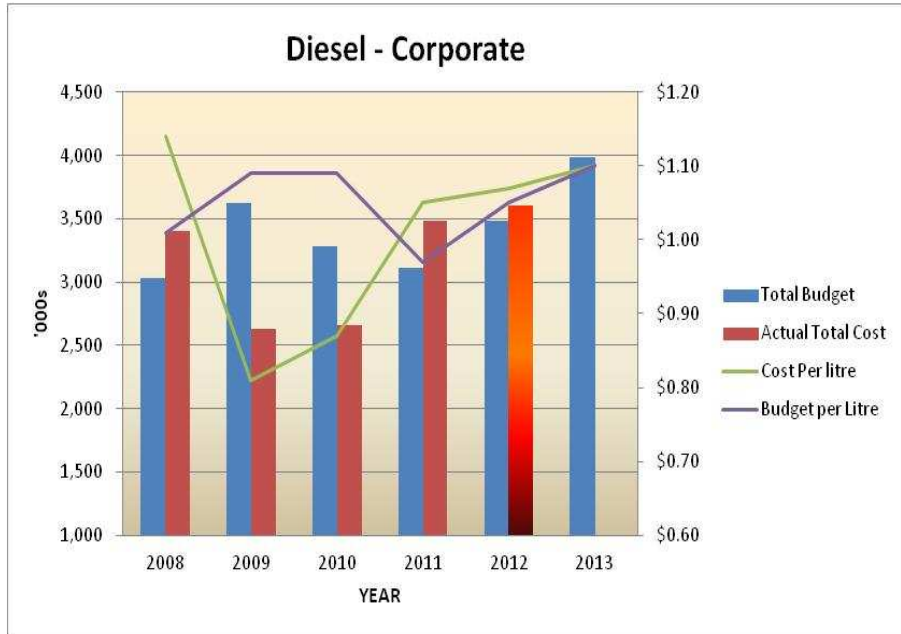
2013 City of Guelph Benefits

Type of Benefit	(\$)	Comment
Statutory (OMERS)	961,200	Increase reflects higher OMERS contributions (approx 1% increase to the contribution rate). These benefits are tied to salary and wages.
Statutory (Other, CPP, EI)	167,500	Increase reflects a higher maximum earnings threshold as set by the Federal Government. These benefits are tied to salary and wages.
Medical (Health, Dental)	641,900	Increase is due to higher rates associated with medical and dental benefits. These rates are estimates provided by Manulife.
Insurance (STD, LTD, WSIB)	1,454,300	Increase to STD for 241 & LTD for Transit.
Leave & Other (Sick Leave)	(655,900)	Reduction in Sick Leave Reserve contributions for 241 & EMS. Per the negotiated contracts, both 241 and EMS are now on a self-funded STD program.
Total Benefit Increase	\$ 2,569,000	

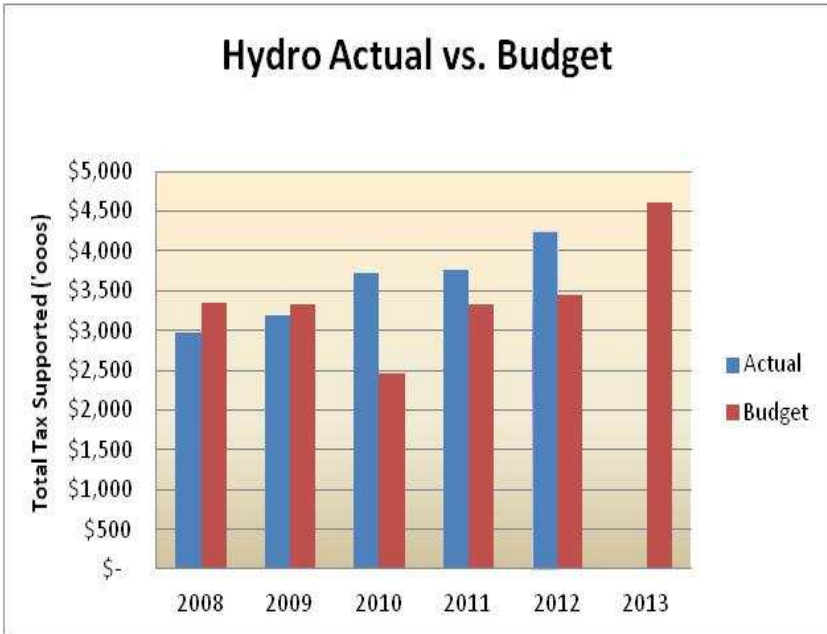
Base Changes - Purchased Goods & Services

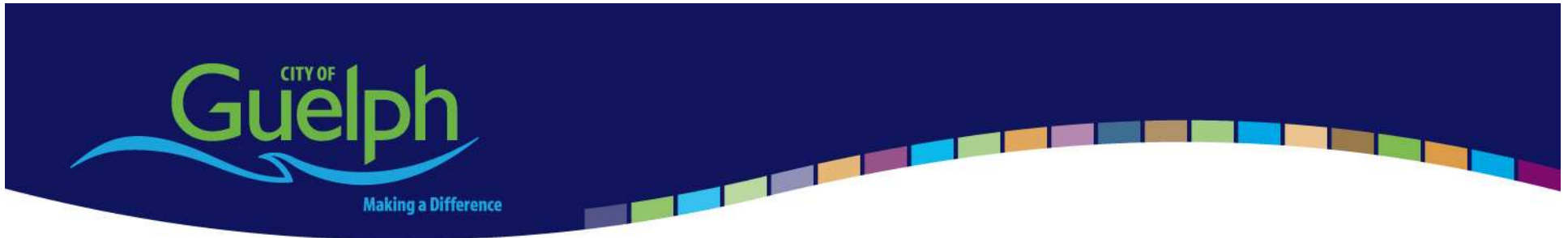
- Fuel and hydro costs significantly affect the City’s budget
- Heating costs are forecast to decrease by \$0.2 million
- Staff are anticipating a 2% or \$0.6 million increase to other purchased goods and services

Fuel - \$0.09 million increase



Hydro - \$0.48 million increase





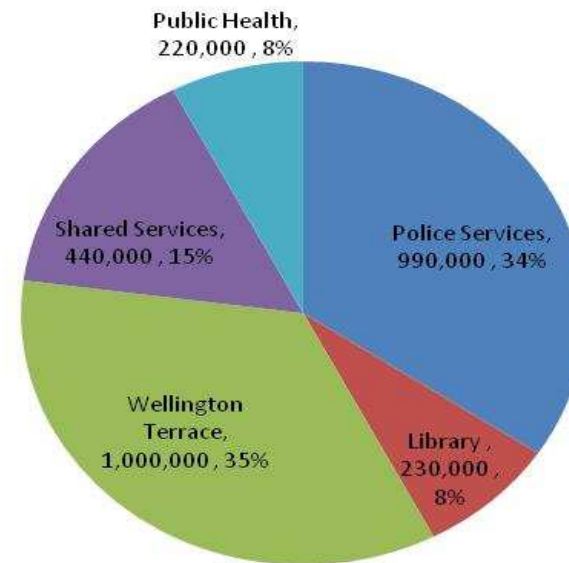
Base Changes - Expenditures, Capital and New Services

- Increase insurance costs - \$100,000
- Increase Municipal Property Assessment Corporation Fees - \$80,000
- Additional Debt Servicing (for projects already approved and completed) - \$500,000
- Tax Increment Based Grants (TIBGs) - \$460,000

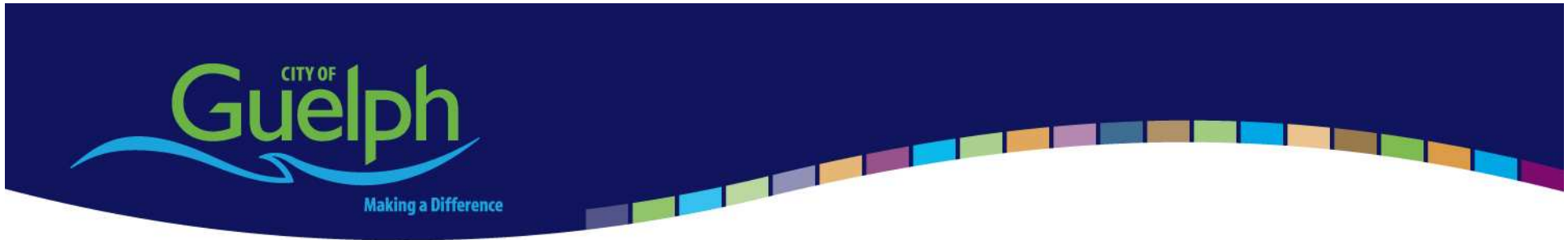
Base Changes - Local Boards & Shared Services

- Assumes a 3% base budget increase for Police Services & Library
- Shared Services increase is based on 2013 forecast information contained within their 2012 approved budget package*
- Public Health increase is based on their 2013 forecast

2013 Base Budget Impacts- Local Boards & Shared Services (\$2.9 million)

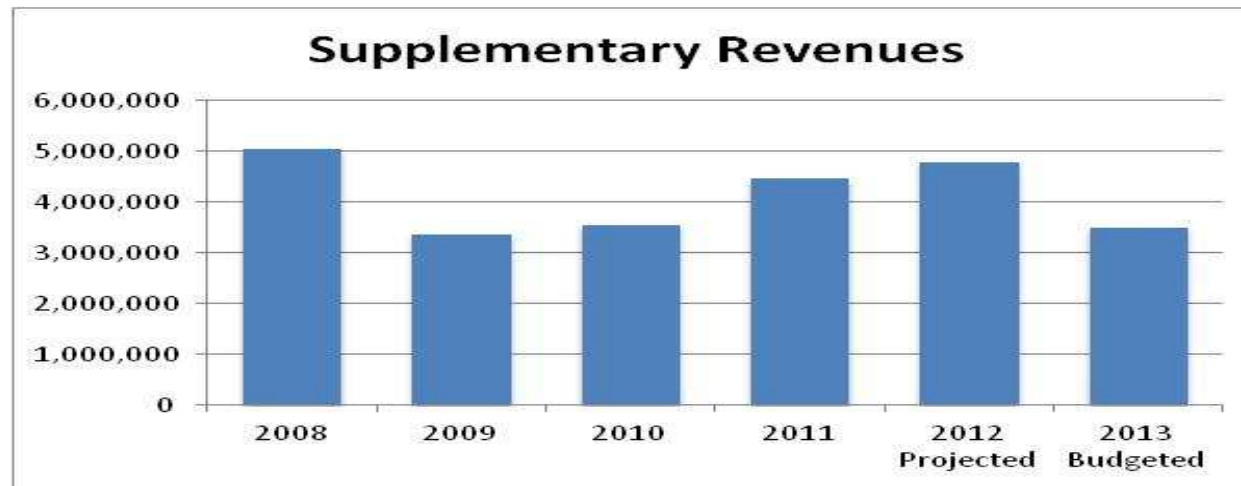


**this number will be adjusted once the full impact from the provincial budget is known. Changes to funding of discretionary benefits and the Community Start-up and Maintenance program are expected to have an impact on the City's budget.*



Base Changes - Revenues

- Decrease in supplementary revenue - \$1.3 million
 - lack of new industrial and building permits issued to date in 2012
 - reflect removal of one large property that will be collected in 2012



- Investment income is anticipated to increase by \$0.5 million in 2013

2013 Growth Changes

Assessment Growth – (\$2.5 million) or -1.42%

+

Growth Requests - \$2.2 million or 1.25%

+

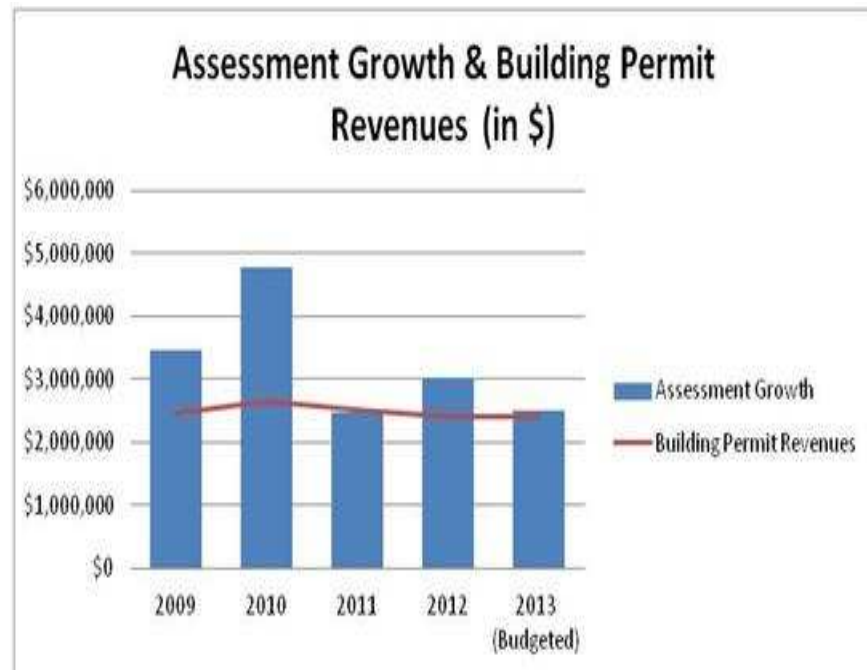
Increase Usage of City Programs & Services – (\$0.1 million) or -0.07%

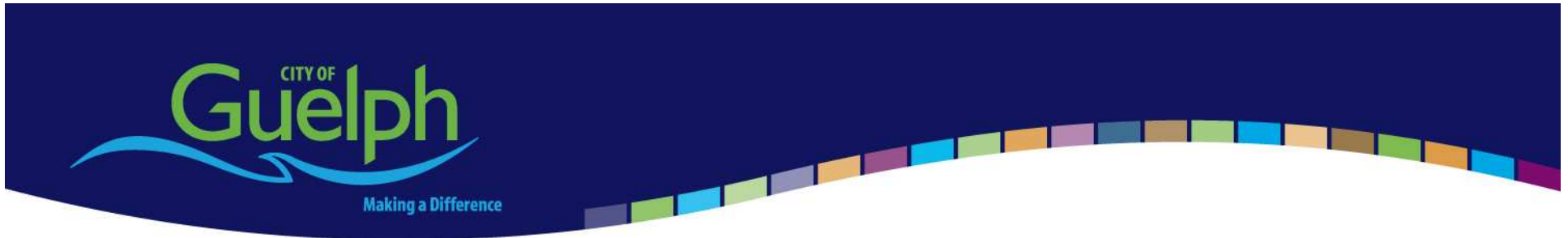
=

TOTAL GROWTH CHANGES = (\$0.4 MILLION) OR -0.23%

Growth Changes - Assessment Growth

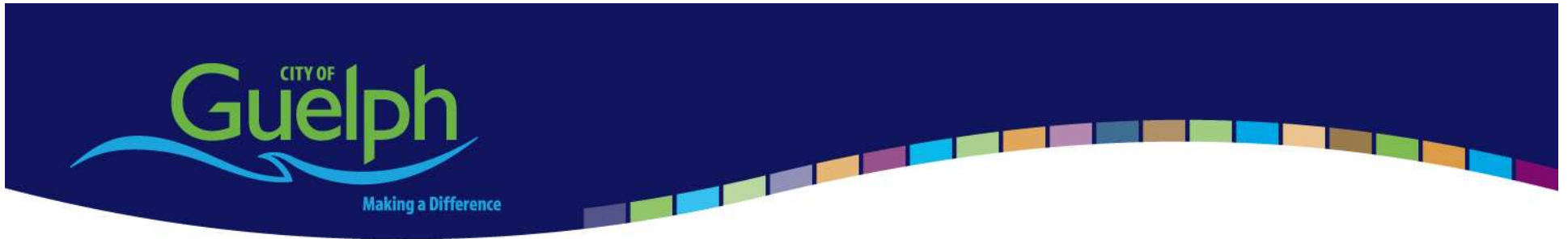
- Increase in the assessment base that occurs in each taxation year
- Represents the increased tax base available to raise funds
- Revenue from assessment growth is \$2.5 million in 2013
- Yr/Yr Decrease reflects lower **assessable** building permit activity





Growth Changes - Growth Requests

- Each budget year, staff bring forward growth requests for Council's approval
- These requests reflect needs to maintain the same level of service for more people
- 2013 budget guideline includes an amount equal to the 3-year average of growth requests brought forward but not approved = **\$2.2 million**



Growth Changes - Increased Demand for City Programs and Services

- Increased Transit Ridership - \$120,000
- Increased Usage of Rec & Culture & Entertainment Programs - \$8,000

2013 Other Changes

Change from 2012 Budget - \$0.6 million or 0.32%

+

Purchased Goods & Services – (\$0.06 million) or -0.04%

+

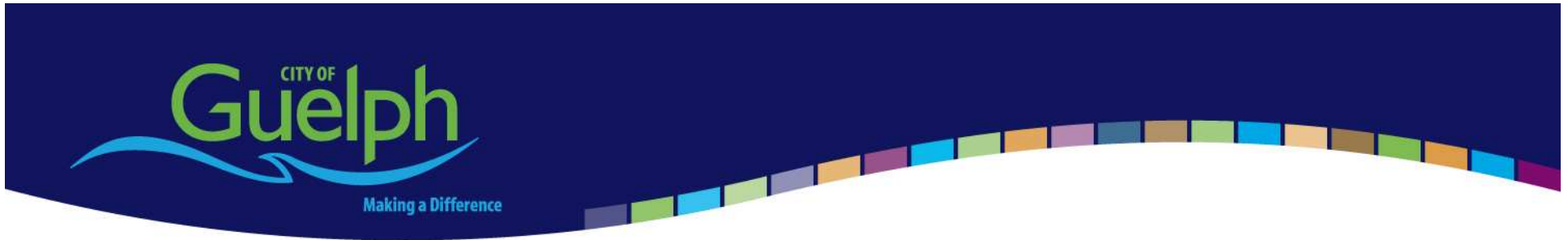
General Expenditures and Capital - \$3.5 million or 1.97%

+

Increased User Fees & Other Measures – (\$0.5 million) or -0.30%

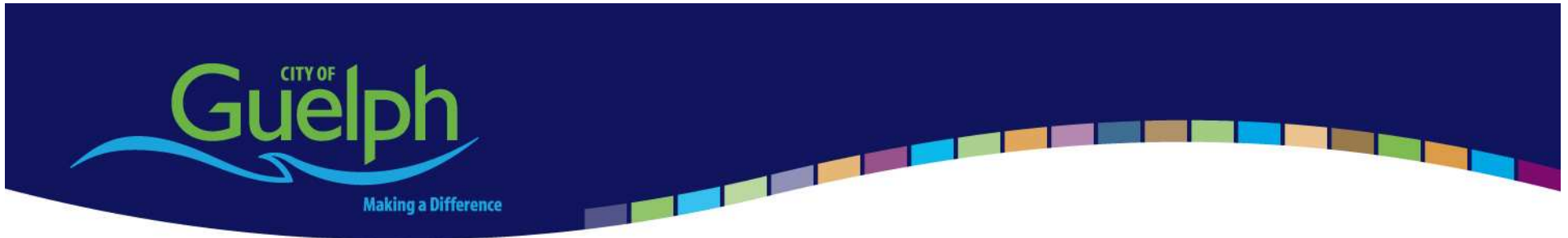
=

TOTAL OTHER CHANGES = \$3.4 MILLION OR 1.96%



Other Changes- 2012 Budget

- Removal of Court Services Dividend - \$0.2 million
 - This was a one time revenue to assist in transitioning Court Services to the Enterprise Budgets
- Phase out vacancy gapping - \$0.4 million
 - Currently have \$1.3 million budgeted
 - Plan is to phase this out over 3-years

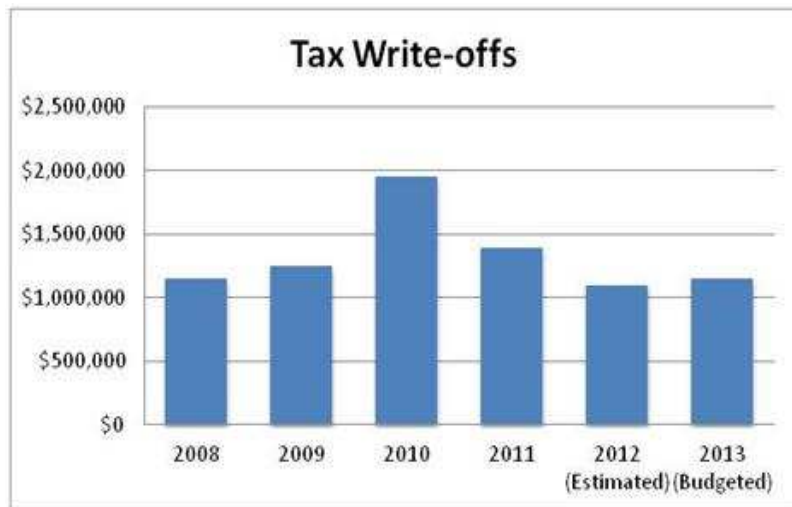


Other Changes- Purchased Goods & Services

- Increase legal budget - \$0.25 million
 - Bring budget in line with actual spending and forecasted 2013 case load
- 2013 Hydro Savings – (\$0.31 million)
 - These savings will only be experienced if the corresponding capital budget is approved
 - Requested capital budget is approximately \$2 million

Other Changes- General Expenditures & Capital

- Increase to taxes written off and vacancy rebates - \$0.15 million each



- \$3.2 million increase to capital financing – return to 20% guideline
 - Capital budget process has already started
 - Priority model has been updated and linked to the strategic plan

20% Capital Financing Guideline

- Guideline used by the City to determine the amount of funding that will be allocated to fund capital reserves and debt servicing costs
- 2013 capital financing guideline is 20% of 2012 net tax levy requirement approved by Council
- Future years' (e.g. 2014 and beyond) funding allotment is based on these assumptions:
 - Growth rate increase (assumed 1.5% for 2013)
 - Tax Levy increase (assumed 3.5% for 2013)

20% Capital Financing Guideline

Assumptions

Levy Rate Increase %	A
Growth Rate Increase	B

2013 Guideline assumes a 3.5% levy rate increase & 1.5% growth rate increase

Prior Year Net Tax Levy	C
Approved Levy Increase \$	$D=C*A$
Growth Increase \$	$E=C*B$

Net Tax Levy used to calculate 20% guideline for 2013

Net Taxation Requirement	$F=C+D+E$
---------------------------------	-----------

Net Tax Levy used to calculate 20% guideline for 2014

% of Net Tax Levy for Capital

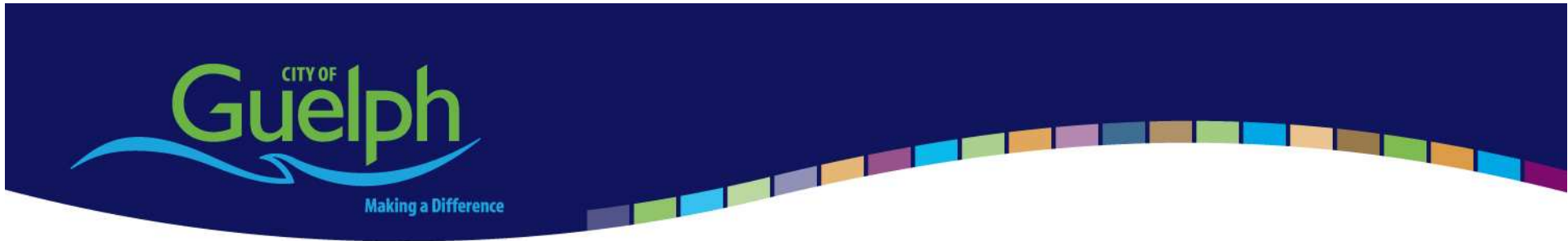
Capital Funding /Debt Servicing (20% of Prior Yr Net Tax Levy)	$G=20\%*C$
---	------------

Debt Servicing (P&I)	H
---------------------------------	----------

Capital Funding Available for Projects & Reserves	$I = G-H$
--	-----------

2013 Capital Priority Model Criteria

Criteria	Description	Weighting	Strategic Focus Areas		
			Organizational Excellence	Innovation in Local Government	City Building
Health & Safety/Public Safety	Maintains or enhances H&S	97		X	X
Legislated	Examples include: AODA Accessibility, Municipal Act, Planning Act, EPA, OWRA	97		X	X
Mitigate Corporate Risk - corporate policy	Reduces corporate risk and/or potential for a negative consequence	97	X	X	
Maintains existing infrastructure in good state of repair , meets equipment replacement criteria and life cycle	Addresses the City's infrastructure gap, maintains the City's infrastructure in a good state of repair	91	X	X	X
Growth related	The project is required to meet the needs due to increased population, maintains the same service level for more people	81		X	X
Improves customer service, service levels and delivery or addresses a service deficiency	Linked to Customer Service objectives or departmental or divisional objectives and/or relates to best practices	78	X	X	
Supports community wide preparedness and ability to respond		74	X		X
Support or augment existing work activities and/or improves operational efficiency (e.g energy efficiency, leverages technology to improve service delivery)	Examples include: hard/core services such as buying a sweeper and/or the project provides a good business case with respect to improving efficiencies/cost effectiveness	72	X	X	
Sets the foundation for future projects, promotes integrated infrastructure, recognizes existing commitments, project continuity, and contractual obligations	Examples include: Prerequisite for future work (e.g. Policy Planning has policies in place before infrastructure is built), smart implementation - minimizes disruptions, enhancing timing, coordinated with other projects	72	X	X	X
Maximizes use of non-municipal tax funding, leverages economic investment or contributions from third parties	Examples include: Gas tax, user pay, Grants, DC, special gov't programs, opportunity for a third party looking to develop something possible revenue source.	70		X	X
Meets the needs of social and cultural goals	Recreation, Social housing, sense of community, Supports or furthers mixed use	60	X		X
Provides benefits to multiple internal and external stakeholders/projects	Project offers opportunity for economies of scale, "bang for the buck" through integration	58		X	X
Exceeds legislative requirements to protect & enhance the natural environment.		55	X		X
Positive economic contribution to benefit external stakeholders (if yes , the project requires a business case)	Develops jobs, wealth, tax revenue, investment, diversity of employment base, other revenue	44			X



2013 Capital Priority Model- Examples

Criteria	Weighting	Examples	
		IT Strategic Plan	Corporate Energy Initiatives
Health & Safety/Public Safety	97		
Legislated	97		1
Mitigate Corporate Risk - corporate policy	97	1	1
Maintains existing infrastructure in good state of repair , meets equipment replacement criteria and life cycle	91	1	1
Growth related	81	1	1
Improves customer service, service levels and delivery or addresses a service deficiency	78	1	1
Supports community wide preparedness and ability to respond	74		1
Support or augment existing work activities and/or improves operational efficiency (e.g energy efficiency, leverages technology to improve service delivery)	72	1	1
Sets the foundation for future projects, promotes integrated	72	1	1
Maximizes use of non-municipal tax funding, leverages economic investment or contributions from third parties	70		1
Meets the needs of social and cultural goals	60		
Provides benefits to multiple internal and external stakeholders/projects	58	1	1
Exceeds legislative requirements to protect & enhance the natural environment.	55		
Positive economic contribution to benefit external stakeholders (if yes , the project requires a business case)	44		1
	Total	619	834
	Ranking out of 133 Projects	44	14

Other Changes- Increase User Fees and Other Measures

- Transit Revenues - \$80,000 due to higher U-Pass Price
- Parking Permit Revenue - \$50,000 or 5% increase on permit fees
- User Fees associated with Recreation and Culture & Entertainment - \$102,000 or 3% increase on average
- Remove \$200,000 in hospital grant funding
- Increase Provincial Gas Tax funding allocated to Transits operating budget by \$100,000

2013 Budget Management Summary

Base Changes - \$12.0 million or 6.81%

+

Growth Changes – (\$0.4 million) or -0.23%

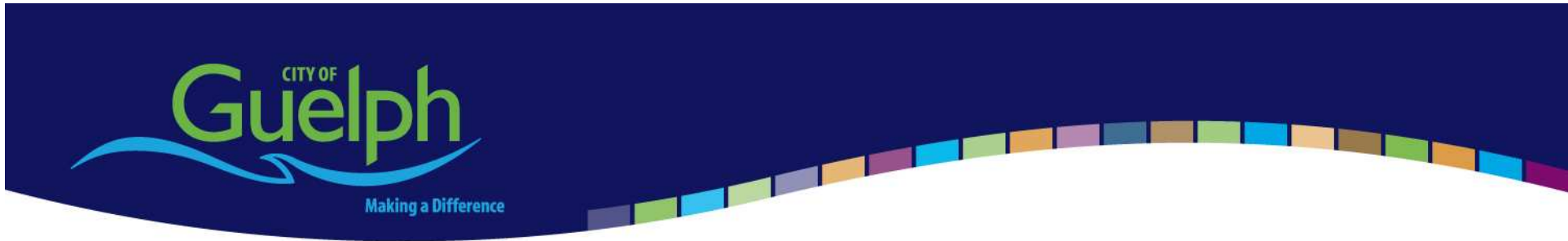
+

Other Changes - \$3.4 million or 1.96%

=

2013 BUDGET MANAGEMENT SUMMARY= \$15.0 MILLION OR 8.53%

Note: a 1% change is approximately \$1.76 million



Questions?

Schedule A: 2013 Tax Supported Operating Management Summary

	OPERATING MANAGEMENT SUMMARY							
	Total		A		B		C	
	\$	%	Base Changes		Growth Changes		Other Changes	
Decrease in Supplementary Revenue	1,300,000	0.74%	1,300,000	0.74%		0.00%		0.00%
Increase Investment Income	-500,000	-0.28%	-500,000	-0.28%		0.00%		0.00%
Assessment Growth (1.5%)	-2,500,000	-1.42%		0.00%	-2,500,000	-1.42%		0.00%
Total Revenue Changes	-1,700,000	-0.97%	800,000	0.45%	-2,500,000	-1.42%	0	0.00%
<u>Local Boards & Shared Services</u>								
Police Services (est. 3% increase)	990,000	0.56%	990,000	0.56%		0.00%		0.00%
Library (est. 3% increase)	230,000	0.13%	230,000	0.13%		0.00%		0.00%
Wellington Terrace	1,000,000	0.57%	1,000,000	0.57%		0.00%		0.00%
Social Housing	470,000	0.27%	470,000	0.27%		0.00%		0.00%
Social Services	-220,000	-0.12%	-220,000	-0.12%		0.00%		0.00%
Child Care Services	190,000	0.11%	190,000	0.11%		0.00%		0.00%
Public Health	220,000	0.12%	220,000	0.12%		0.00%		0.00%
Total Local Board & Shared Services Changes	2,880,000	1.64%	2,880,000	1.64%	0	0.00%	0	0.00%
Budget Management Summary Before Other Measures	15,685,000	8.91%	11,994,000	6.81%	-285,000	-0.16%	3,976,000	2.26%
<u>Other Measures</u>								
Increase to Transit Revenues	-200,000	-0.11%		0.00%	-120,000	-0.07%	-80,000	-0.05%
Increase Culture & Entertainment Revenues	-45,000	-0.03%		0.00%	-5,000	0.00%	-40,000	-0.02%
Increase Recreation Revenues	-65,000	-0.04%		0.00%	-3,000	0.00%	-62,000	-0.04%
Increase Parking Revenues	-50,000	-0.03%		0.00%		0.00%	-50,000	-0.03%
Reduce Large Grant funding amount (previously \$400K to Health Related)	-200,000	-0.11%		0.00%		0.00%	-200,000	-0.11%
Allocate Increase in Provincial Gas Tax Funding to Transit Operating	-100,000	-0.06%		0.00%		0.00%	-100,000	-0.06%
Total Other Measures	-660,000	-0.37%	0	0.00%	-128,000	-0.07%	-532,000	-0.30%
Budget Management Summary After Other Measures	15,025,000	8.53%	11,994,000	6.81%	-413,000	-0.23%	3,444,000	1.96%

1% Change

\$ 1,755,000