

# SPECIAL COUNCIL AGENDA



**Committee Room C, City Hall, 1 Carden Street**

**DATE Tuesday, July 28, 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**

### **BUDGET WORKSHOP**

- 1) Welcome & Agenda Overview – Mark Amorosi (5 minutes)
- 2) Q&A on Sources of Capital Budget Funds – Janice Sheehy. (10 minutes)
- 3) Condition Assessment “Current State of our Reserves and Assets (capital)” – Jim Bruzzese, BMA Management Consulting, Inc. (45 minutes)  
*(materials to be included under separate cover)*  
  
Break (10 minutes)
- 4) Capital Funding Allocation – Greg Clark. (30 minutes)
- 5) Term Focus Planning on Council Shared Agenda (70 minutes)  
*(including a 10 minute break)*
- 6) Next steps and and Closing Remarks – Mark Amorosi (10 minutes)

### **RECOMMENDATION:**

1. That staff be directed to consider input from the workshop for the development of Council’s Shared Agenda and the 2016 capital and operating budget.

### **ADJOURNMENT**

# Understanding Guelph's Capital Budget

The relationship among capital assets, projects and funding is complex and understand it is the key to developing an efficient and effective capital budget.

## Capital budget components

**Capital assets** – non-financial assets having physical substance that are acquired, constructed or developed, and

- are held for use in the production or supply of goods and services for rental to others, for administrative purposes or for the development, construction, maintenance or repair of other tangible assets;
- have useful economic lives extending beyond an accounting period;
- are to be used on a continuing basis; and
- are not for resale in the ordinary course of operations.

Capital assets not only require funding when they are initially purchased or constructed, but over their lifetime will have impacts directly and indirectly on the operating budget for operating and maintenance costs (OandM) as well as replacement costs once they reach their end of life. The initial decision to purchase or construct a new asset is only the first in a series of financial decisions Council will need to make throughout the life of the asset.

**Capital projects** – a project undertaken to purchase, replace, upgrade, expand or create a capital asset.

The length of the project will generally correspond to the complexity of the project and the overall scope of the asset being purchased or created. In addition there may be activities undertaken which relate to capital assets but are operating expenses. These include repair and maintenance, environmental assessments, and monitoring and mitigation studies. In some case these budgets will be spent over multiple years and therefore are created in what is normally a capital account.

## Funding sources

There are six main sources of funding for Guelph's capital projects. Projects can receive funding from a single source, but the majority of projects are funded through multiple sources.

### Primary sources

#### **Direct Tax Supported – 57.8 per cent**

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

#### **Grant Funding – 19.8 per cent**

Grants come in two forms: upfront funding with follow-up reporting (e.g., Federal Gas Tax program and the Municipal Infrastructure Investment Initiative (MIII)) or once completed reimbursement of expenses is provided (e.g., Infrastructure Stimulus Funding (ISF)).

#### **Development Charges (DCs) – 17.7 per cent**

Projects that are paid for by the growth that is requiring the expanded services. For example, water mains are funded by DCs in a new subdivision. If the subdivision was not being built, the water mains would not be needed.

Important, due to stipulations in the Municipal Development Charges Act, the majority of growth related projects receive less than 100 per cent of their funding from DCs and must rely on additional funding from tax supported sources. Each growth related project is unique and carries a different DC funded to non-DC funded ratio.

## Alternate sources

### Own Revenue – 0.3 per cent

Specific assets or activities may generate their own sources of capital revenue, either through fees 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 the fees or direct donations/sponsorships collected are directed to specific reserve funds to provide for capital renewal spending or future expansion activities.

### External Partner – 4.4 per cent

To manage capital assets that benefit Guelph and/or our neighbouring communities, the City looks to partner with local agencies and other levels of Government. A formula, designed to distribute the costs equitably amongst those benefiting from the asset, is used to determine funding contributions. Examples include: Land Ambulance services, projects related to the Grand River watershed. The City also

partners with local developers to incorporate additional turning lanes, sidewalks, sewer and water services etc. into City projects, when appropriate in order to avoid the inconvenience and added cost of the developer doing the work at a later date.

### Debt – 0.0 per cent

Borrowing to fund current 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. Similar to taking on a mortgage to pay for a home. Funding for the principal and interest payments comes from one of the above sources, mainly direct tax and DCs.

The City has a Debt Policy which outlines the types of projects which are eligible for debt funding. The Provincial Government also sets out constraints regarding the amount of debt a municipality may take on.

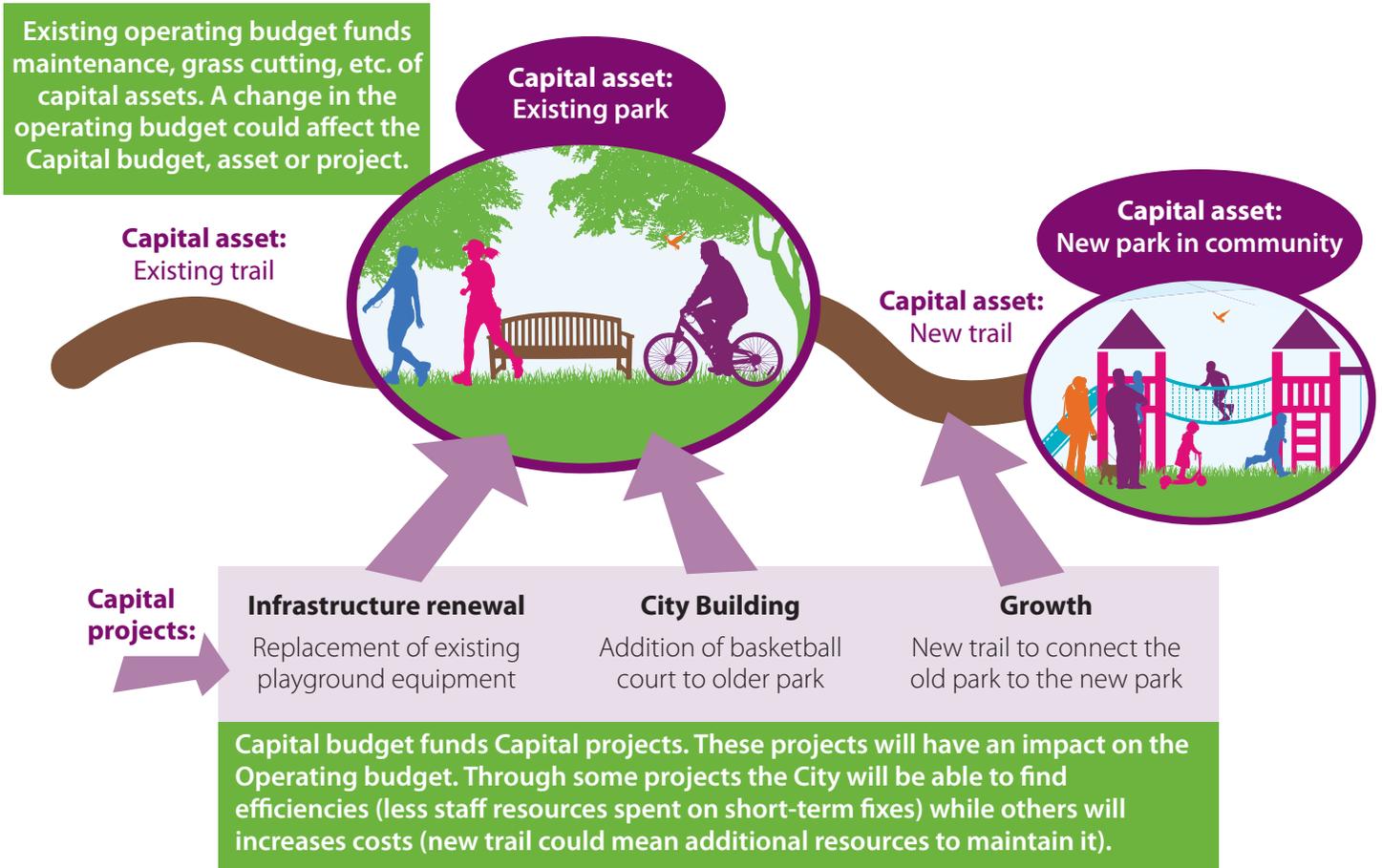
## Bringing it together

City staff is faced with the challenge of balancing the needs of the community and the City against the resources and funding sources available for projects.

To assist in the development of the budget, capital projects have been grouped into three categories:

Category	Description	Examples	Funding source
<b>Infrastructure Renewal</b>	Renewal or replacement of existing capital assets, including underground pipes, roads, trails and City-owned vehicles and equipment.  The quality or quantity of service provided does not change due to the work completed or purchase made. For example, a two-lane road is replaced with a two-lane road.	<ul style="list-style-type: none"> <li>replacement of staff laptops</li> <li>replacement of parks equipment</li> <li>replacement of water, sewer, storm and road networks</li> </ul>	Direct Tax Support Grants
<b>Growth</b>	Expansion of capital assets in order to provide an existing City service to additional new residents or businesses.  The quantity of service provided increases due to the work completed or purchase made. For example, a two-lane road is replaced with a two-lane road with additional turning lanes and signals to allow access to a new subdivision.	<ul style="list-style-type: none"> <li>reconstruction of existing road to expand capacity</li> <li>purchase of additional vehicles and equipment</li> <li>addition of a new park or trail</li> </ul>	Development Charges Direct Tax Support
<b>City Building</b>	The expansion or purchase of a capital asset to provide a higher level of service to the community, providing the same service to more existing residents or businesses, or adding a new service.  The quality and/or quantity of service provided increases due to the work completed or purchase made.	<ul style="list-style-type: none"> <li>Addition of a basketball court to an existing park</li> <li>Upgrading an existing trail from gravel to paved</li> </ul>	Direct Tax Support Grants

The following diagram illustrates the relationship between capital assets and projects and funding sources.



# Council shared agenda items

The following lists summarize Council's shared agenda items and provide an initial estimated project cost. These costs are subject to change as staff determines the complexity of the projects. Revised costs will be submitted during the budget process.

## Capital

Items	Description	Category	Capital cost (estimate)	Operating impact
<b>Affordable Housing</b>	Develop strategy and complete reserve analysis	<b>City Building</b>	\$50,000	N/A
<b>Brownfield Redevelopment (IMICO)</b>	Dispose of property	<b>Infrastructure</b>	\$66,000	N/A
<b>Clair-Maltby Secondary Plan</b>	Complete Secondary Plan and amend Official Plan	<b>Growth</b>	\$1,476,000	N/A
<b>Downtown Improvements and Library</b>	Baker Street Development	<b>City Building</b>	\$40,000,000+	Yes, increase
<b>Downtown Parking</b>	Parking Master Plan and construction of 600 parkade spaces	<b>Growth</b>	\$24,170,000	Potential increase or decrease
<b>East End</b>	York Rd EA and GID Secondary Plan	<b>Growth</b>	\$250,000	Increase
<b>Infrastructure</b>	Development, implementation and review of Asset Management Strategy	<b>Infrastructure</b>	\$150,000	Both increases and decreases
<b>South End Rec Centre</b>	Construction of new recreation facility	<b>Growth</b>	\$59,130,000	Increase
<b>Traffic Flow, Speed Limits and School Zones</b>	Studies, minor capital works and systems upgrades	<b>Growth</b>	\$956,000	Increase
<b>Trails and Connectivity</b>	Trail Master Plan Update and construction of new trails	<b>Growth</b>	\$3,120,000	Increase
<b>Transit Improvements</b>	Improvements to existing system and expansion of system	<b>Growth</b>	\$9,260,000	Increase
<b>Tree Canopy</b>	Urban Forest Management Plan	<b>City Building</b>	\$11,408,000	Increase
<b>Urban Design Guidelines (Residential)</b>	Update Urban Design Action Plan	<b>City Building</b>	\$220,000	Increase

## Operating

Items	Description	Existing budget	New budget
<b>Balanced development</b>	Operational	–	TBD
<b>Business performance framework</b>	Integrated Operational Review (IOR)	\$193,000	TBD
<b>Business performance framework</b> (continuous improvement)	Business Optimization of Operations and Service Delivery - system formalization, Program and Project Management	–	TBD
<b>Business retention and expansion</b>	Industrial, Commercial and Institutional (ICI) lead handling and rapid response protocol	\$68,000	TBD
<b>Culture strategy</b>	Tourism and Culture Strategy	\$135,000	TBD
<b>Dolime Quarry</b>	Mediation, Intergovernmental Strategy	–	TBD
<b>Effective team leadership</b>	Council Leadership charter	\$10,000	TBD
<b>Electoral review and reform</b>	Implementation of revised governance practices and procedures for Council, revised boundaries, remuneration and support for Councillors, and revised Election By-law	–	\$75,000
<b>Enhance local government</b>	Solution-based Round Tables, Open Government Plan	\$250,000	\$850,000
<b>GMHI</b>	GMHI Board Shareholder Control	–	TBD
<b>GMHI</b> (City to enable and collaborate)	DevCo Strategic Framework, District Energy Financial Strategy	–	\$800,000
<b>Programs for youth</b>		–	\$375,000
<b>Quality services and customer services</b>	Customer Relationship Management, unification of customer service initiatives and programs	\$20,000	TBD
<b>Support for seniors</b>	Older Adult Strategy (OAS)	\$150,000	TBD
<b>Taxation and budget</b>	Recommended approach to zero based budget, Council input into 2016 Capital Budget, public input and innovative solutions to budgeting issues.	–	TBD
<b>Value for money audit</b>	Service Rationalization	–	\$750,000

### Notes:

“–” If existing budget funds are available details will follow

**TBD** – staff is currently determining the budget requirement for the project