

# CITY COUNCIL AGENDA



**DATE** September 27, 2011 – 6 p.m.

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

**O Canada**  
**Silent Prayer**  
**Disclosure of Pecuniary Interest**

## **2012 - 2021 TAX SUPPORTED CAPITAL BUDGET & FORECAST**

### **PRESENTATION**

- Sarah Purton, Sr. Corporate Analyst - Budgets

THAT the 2012 – 2021 Tax Supported Capital Budget, in the amount of \$449,528,600 be received for information;

AND THAT the 2012 – 2021 Tax Supported Capital Budget be referred to the December 7, 2011 Council meeting for final deliberation and approval.

### **ADJOURNMENT**

# COUNCIL REPORT



TO **Guelph City Council**

SERVICE AREA Office of the CAO  
DATE September 27, 2011

**SUBJECT 2012 – 2021 Tax Supported Capital Budget**  
REPORT NUMBER FIN-11-43

## SUMMARY

**Purpose of Report:** To introduce the 2012 – 2021 Tax Supported Capital Budget and Forecast provided to Council and the public on August 31, 2011.

**Council Action:** Refer the 2012 – 2021 Tax Supported Capital Budget and Forecast to the December 7, 2011 Council Meeting for final approval.

## RECOMMENDATION

THAT the 2012 - 2021 Tax Supported Capital Budget, in the amount of \$449,528,600, be received for information; and

THAT the 2012 – 2021 Tax Supported Capital Budget be referred to the December 7, 2011 Council meeting for final deliberation and approval.

## REPORT

The 2012 – 2021 Tax Supported Capital Budget was provided to Guelph City Council and the public on August 31, 2011. The budget was prepared in accordance with the Council Approved Budget, Debt and General Reserve and Reserve Management Policies.

As a long term fiscal framework, the 2012-2021 Tax Supported Capital Budget focuses on building a balanced, sustainable and affordable 10-year budget by reducing the City's reliance on debt financing and increasing contributions to reserve funds.

At the same time, the budget offers significant flexibility to respond to future opportunities and pressures as they arise by:

- maintaining debt ratios below Council and Provincial approved limits,
- proposing the creation of an Asset Management Reserve and development of an Asset Management Strategy that will seek to identify and prioritize our asset rehabilitation and replacement needs,

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- pursuing new major initiatives by doing business differently and strategically using funds from the Capital Renewal Reserve fund to leverage external funding opportunities, or to provide internal loans where appropriate,
  - directing staff to actively explore alternative funding sources to fund all or a portion of the City's share of projects that would otherwise be financed through debt.

Accountability and transparency are demonstrated in this budget framework. It identifies known operating impacts of capital projects occurring within the first five years of the forecast and secured business cases for those projects requiring debt funding within those same years.

The 2012-2021 Tax Supported Capital budget is forward looking, flexible and responsive to Council approved policy parameters and guidelines. It serves as a long term strategy for successfully meeting the demands of our current investments while building our capacity to address emerging priorities.

## **CORPORATE STRATEGIC PLAN**

5.3 Open, accountable and transparent conduct of municipal business

## **FINANCIAL IMPLICATIONS**

As currently presented, the 2012 capital budget will require additional funding from the City's operating budget. Specifically, the proposed 2012 Capital Budget will require a transfer from the City's operating budget of \$21.945 million, which is within the approved 20% guideline.

In addition to City funding, the 2012 Capital Budget is also being funded from grants and subsidies, federal gas tax, development charges, other external funding sources and debt.

## **DEPARTMENTAL CONSULTATION**

All City Departments and Local Boards were consulted throughout the budget process.

## **COMMUNICATIONS**

The 2012 – 2021 Capital Budget and Forecast was provided to Guelph City Council and the media on August 31, 2011. A draft version was also made available on the City of Guelph's website.

## **ATTACHMENTS**

None

Original Signed by:

Original Signed by:

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### **Prepared By:**

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### **Recommended By:**

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Acting Treasurer  
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# **2012 Proposed Capital Budget and 10-year Forecast**

## **A comprehensive approach**

- A holistic approach
- Honours Council's 20% guideline
- Honours existing capital commitments
- Repays debt and reduces debt reliance
- Allows for flexibility – doing business differently
- Begins to address infrastructure gap

## **Guiding principles**

- Balances affordability with sustainability
- Builds fiscal capacity
- Citizen input
- Accountability and transparency

## Key challenges

- Infrastructure gap
- Building capacity for a sustainable organization
- “Doing business differently”

## **Staff process**

- A process developed and led by staff
- Executive Team and Finance Department review



## Prioritization model

- Health and safety
- Legislated and/or regulatory
- Mitigation of liability/risk
- Strategic Plan
- Sustainability: economic, environmental, social, cultural

## **2010: Clouds on the horizon**

- Fleet unsustainable
- Impacts organization-wide

## **Green Fleet Policy**

- Green fleet accomplishments
- \$1 million reduction in requirements

## **Moving forward**

- IT technology
- Growth assets

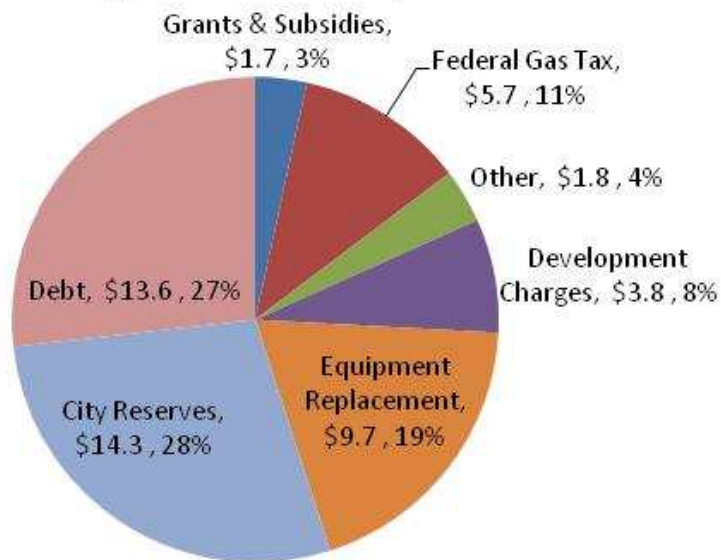
## **Addressing the infrastructure gap**

### First steps...

- High priority in 10-year forecast
- Creation of asset management reserve fund
- Creating capacity near end of 10-year plan
- Development of a corporate asset management plan

# 2012 Capital Budget

**2012 Capital Budget by Funding Source  
(\$50.7 million)**



Tax Supported Funding:

**City Reserves - \$14.3 million**

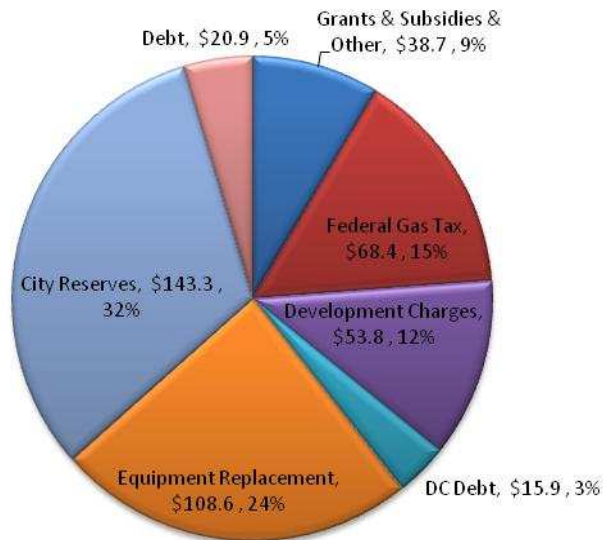
**Equipment Replacement Reserves - \$9.7 million**

**Tax Supported Debt – \$13.6 million**

**Total City Funding = \$37.6 million**

# 2012 - 2021 Capital Budget & Forecast

2012 - 2021 Capital Budget by Funding Source  
 (\$449.5 million)



Tax Supported Funding:

**City Reserves - \$143.3 million**

**Equipment Replacement Reserves - \$108.6 million**

**Tax Supported Debt – \$20.9 million**

**Total City Funding = \$272.8 million**

CITY OF GUELPH  
2012-2021 TAX SUPPORTED CAPITAL FINANCING GUIDELINE CALCULATION  
(\$ 000's)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Assumption	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Prior Year Net Tax Levy	\$167,037	\$175,389	\$184,158	\$193,366	\$203,035	\$213,186	\$223,846	\$235,038	\$246,790	\$259,129
Capital Funding /Debt Servicing (20% of Prior Yr Net Tax Levy)	\$33,407	\$35,078	\$36,832	\$38,673	\$40,607	\$42,637	\$44,769	\$47,008	\$49,358	\$51,826
Debt Servicing (P&I)	\$11,462	\$13,405	\$13,713	\$13,597	\$14,087	\$13,574	\$13,178	\$11,947	\$11,138	\$11,128
Capital Funding Available for Projects & Reserves	\$21,945	\$21,673	\$23,118	\$25,076	\$26,520	\$29,063	\$31,591	\$35,060	\$38,220	\$40,698

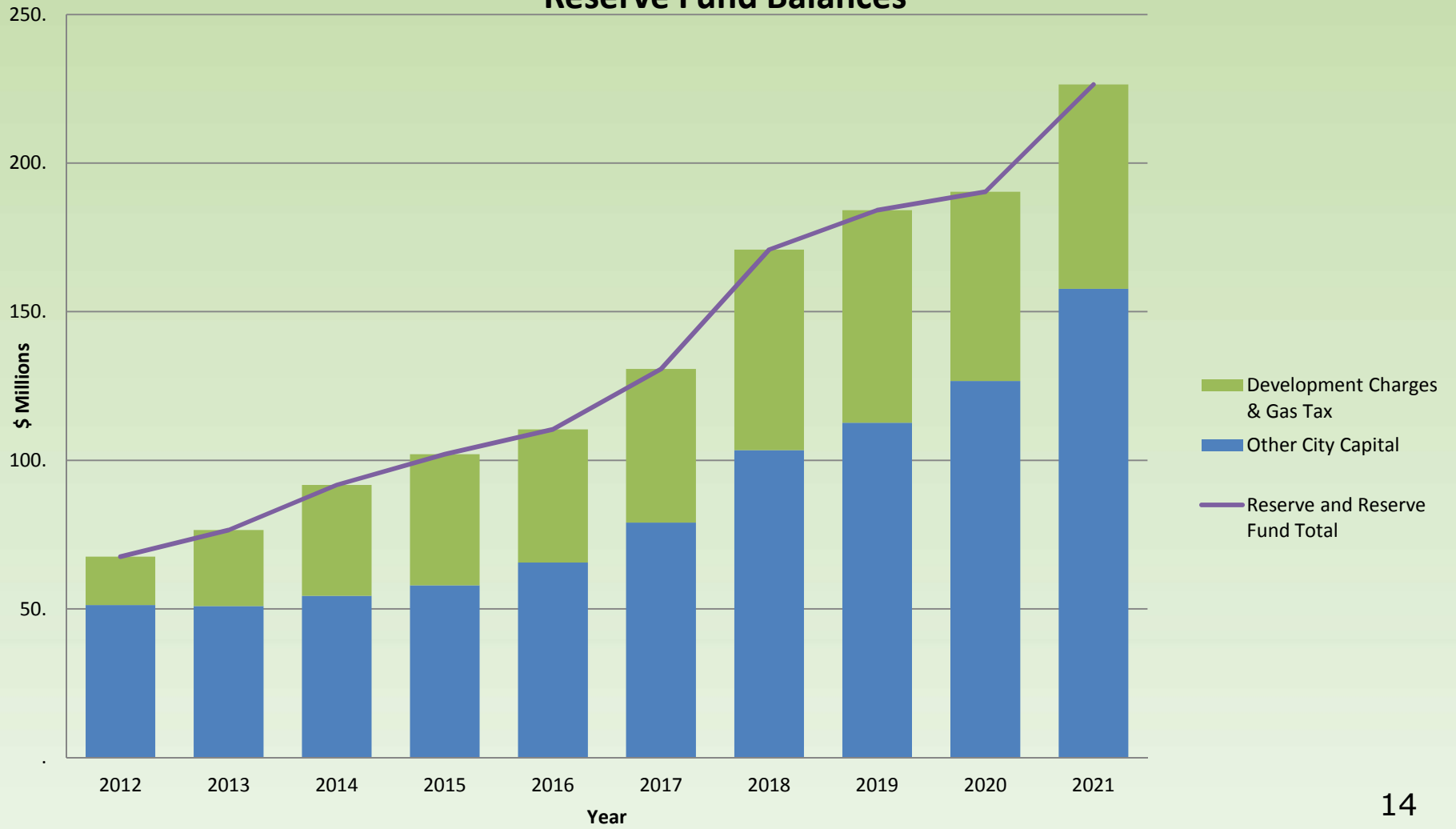
Assumptions:

- 5% increase in net tax levy per year
  - 3% tax levy (4.4% 10-year historical average)
  - 2% growth (2.4% 10-year historical average)
- All new debt will be issued at 10-years and 4%

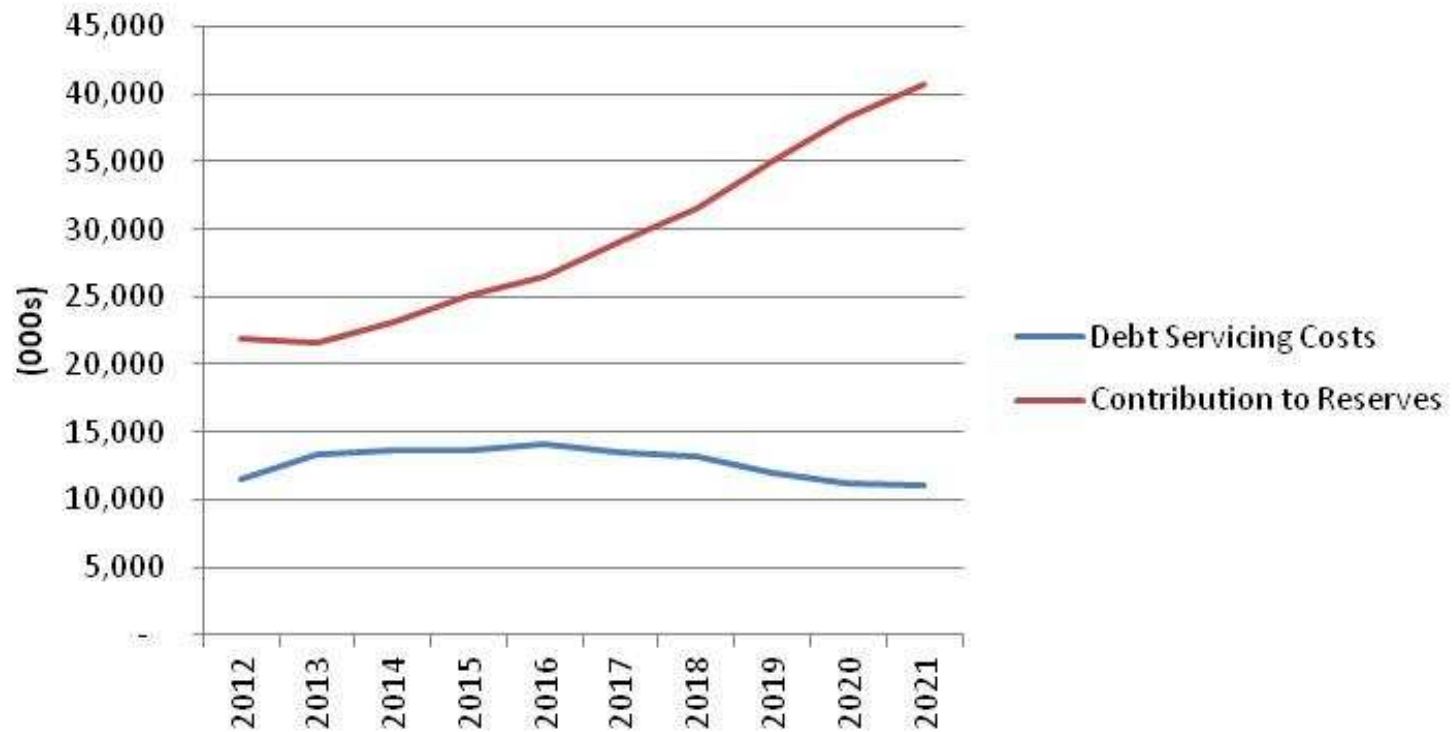




### Reserve Fund Balances



## Comparison of Debt Servicing Costs to Contribution to Reserves



**City of Guelph Capital Indicators**

	Target	2012	2013	2014	2015	2016
<b>Debt</b>						
Direct Debt to Operating Revenue	< 55%	49%	44%	43%	41%	36%
Debt Service Cost to Net Revenue Fund Revenue	< =10%	6%	7%	5%	5%	6%
Direct Debt to Reserve Ratio	< 1:1	1.26:1	1.04:1	0.92:1	0.83:1	0.72:1
<b>Reserve Funds &amp; Corporate Assets</b>						
Reserve Fund Contributions as a % of Asset Value	2-3%	4%	4%	4%	4%	5%
Reserve Fund Contributions as a % of Depreciation Expense	100%	67%	65%	68%	72%	75%

Note: the direct debt to reserve ratio is calculated using draft balances for operating reserves and user pay, POA and OBC reserves and reserve funds. Once the City's operating budget and User Pay/Enterprise budgets are finalized, staff will report on any significant changes that may have occurred.

## **Long-term Financial Plan & Capital Asset Management**

The City's long term financial plan and capital asset management plan will:

1. Provide a preliminary asset management plan
2. Quantify what we need to do, when, and how much will it cost
3. Address how we reach sustainability, whether we still need the asset, and how we maintain sustainability
4. Address the City's existing reserve fund capacity and debt financing requirement while exploring potential new revenue sources

# **2012 Proposed Capital Budget and 10-year Forecast**