

Special City Council Meeting Agenda



Tuesday, December 3, 2019 – 2:00 p.m.
Council Chambers, Guelph City Hall, 1 Carden Street

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Open Meeting

O Canada
Silent Reflection
First Nations Acknowledgement
Disclosure of Pecuniary Interest and General Nature Thereof

Special Council – Deliberations and Approval of Tax Supported Operating Budget

CS-2019-81 2020 Tax Supported Operating Budget
(referred from the November 18, 2019 Special Council Meeting – 2020 Tax Supported Operating Budget)

Recommendation:

(includes referrals from the October 23, 2019 Special Council Meeting – Presentation and Delegations for Capital Budget, November 4, 2019 Chief Administrative Officer Recruitment, Selection and Performance Sub-committee Meeting, November 4, 2019 Committee of the Whole Meeting and November 20, 2019 Special Council Meeting – Presentation of Local Boards and Shared Services Budgets)

1. That the 2020 tax supported operating budget be approved with a property tax and payment in lieu of taxes levy of \$255,284,124 which is an increase of 3.23 per cent over the 2019 levy inclusive of the following:
 - a. a departmental base operating budget including reserve and reserve fund transfers, contractual obligations, inflationary adjustments, and user fee increases, totaling an increased net levy requirement of \$1,656,247 or 0.68 per cent

- b. operating impacts from 2019 approved capital projects totaling an increased net levy requirement of \$969,750 or 0.40 per cent
- c. Council in-year decisions totaling an increased net levy requirement of \$408,119 or 0.17 per cent
- d. net increase in transfer to tax supported capital reserve and reserve funds of \$4,800,000 offset by increased investment and dividend income to reduce the net levy requirement to 1.02 per cent bringing the total transfer from operating to capital reserve and reserve funds to \$36,329,345
- e. increase in City corporate programs of \$324,993 or 0.13 per cent
- f. department service enhancement budget requests totaling an increased net levy requirement of \$26,150 or 0.01 per cent due to legislative changes
- g. local boards and shared services operating budget, totaling an increased net levy requirement of \$5,261,773 or 2.16 per cent
- h. increased assessment growth revenue of \$3,284,157 or 1.35 per cent
- i. reserve and reserve fund transfers (page 67 and 68) in the tax supported operating budget (adjusted for Council Memo related to Council Composition, Employment Status and Ward Boundary Review – Request for Additional Funding)
- j. increase in the Office of the Mayor and City Council base operating budget of \$22,500 or 0.01 per cent for CS-2019-97 titled Chief Administrative Officer Performance Evaluation (referred from November 4, 2019 Chief Administrative Officer Recruitment Selection and Performance Subcommittee Meeting)

2. That the proposed user fees posted at Guelph.ca be approved and enacted through by-law.

CS-2019-82 2020 Local Boards and Shared Services Budgets
 (referred from the November 20, 2019 Special Council Meeting – Presentation of Local Boards and Shared Services Budgets)

Recommendation:
 That the 2020 Downtown Guelph Business Association budget with gross expenditures of \$695,450 and a total levy of \$660,000 be approved.

CS-2019-98 Budget Impacts per Ontario Regulations 284/09 and Budget Public Sector Accounting Standards Reconciliation

Recommendation:
 That the report titled Budget Impacts per Ontario Regulations 284/09 and Budget Public Sector Accounting Standards Reconciliation dated December 3, 2019 and numbered CS-2019-98 be approved.

By-laws

Resolution to adopt the by-laws (Councillor Goller).

Adjournment

Staff Report



To	City Council
Service Area	Corporate Services
Date	Tuesday, December 3, 2019
Subject	Budget Impacts per Ontario Regulations 284/09 and Budget Public Sector Accounting Standards Reconciliation
Report Number	CS-2019-98

Recommendation

Report titled Budget Impacts per Ontario Regulation 284/09 and Budget Public Sector Accounting Standards Reconciliation dated December 3, 2019 and numbered CS-2019-98 be approved.

Executive Summary

Purpose of Report

To provide a reconciliation of the 2020 City of Guelph budgets in accordance with Ontario Regulation 284/09, and to the financial statement presentation required by the Public Sector Accounting Standards (PSAS).

Key Findings

This report is required annually by legislation.

Ontario Regulation 284/09 requires a report be presented to Council outlining the impact of amortization of tangible capital assets, post-employment benefit costs and landfill post-closure costs on the annual budget. There is also a requirement to report the approved budget on the same basis as the annual financial statements. The financial statements are prepared in accordance with PSAS which must include debt payments, reserve and reserve fund transfers and other capital-related revenues and expenses, which is presented in the PSAS adjusted 2020 budget (Attachment-1). The reconciliation shows both the required adjustments under Ontario Regulation 284/09, as well as the additional amendments for accrual accounting resulting in a 2020 estimated surplus of \$84,982,767 (2019 - \$59,784,059).

Financial Implications

There are no direct financial implications associated with this report. The intent of this report is to estimate the reconciliation of the 2020 proposed cash-based budget to a PSAS compliant budget.

Report

In 2009, the Public Sector Accounting Board (PSAB) made significant changes to its reporting requirements, the most notable being the adoption and recognition of Tangible Capital Assets (TCA). Starting in 2009, all municipalities were required to follow the new financial reporting standards, but they could continue to prepare budgets on a cash basis. In order to bridge the information gap on amounts being presented for budget purposes versus financial reporting purposes, the Ontario Regulation 284/09 was developed. The requirements as contained in Ontario Regulation 284/09 allow municipalities to exclude the following non-cash expenses from their municipal budgets:

- amortization expense on TCA;
- post-employment benefit costs; and
- landfill post-closure costs.

If a municipality chooses to exclude non-cash items, they are required to prepare a report outlining the impact of these items on their annual budget. The City of Guelph does not budget for the full annual impact of amortization, post-employment benefit costs and landfill post-closure costs; rather these costs have long-term reserve and reserve fund strategies to build funding over-time. This report informs Council of the full impact if these costs had been included in the 2020 Budget. In addition to the items highlighted in Regulation 284/09, staff has included in this report additional non-cash expenses required under PSAS that will influence the City's annual surplus or deficit to provide a more accurate budget estimate.

PSAS Accounting Requirements

PSAB sets financial accounting and reporting standards for municipalities and other levels of government. These standards require the City to record revenues and expenses on an accrual basis. This means that revenues are recognized in the period in which they are earned; expenses are recognized in the period in which they are incurred. In addition, transfers between reserve funds and internal charges and recoveries among City departments must be eliminated from the financial statements, as these are not considered revenues or expenses under PSAS. Finally, there are a number of transactions that are presented differently on the financial statements compared to the City budgets including debt principal payments, capital asset acquisitions and the disposition of long-term liabilities and receivables. The year-end surplus or deficit must be reported after recognizing all these PSAS accounting impacts.

To reflect the impact of all accounting as required by PSAS, the City reports the surplus after necessary adjustments.

Reconciliation Summary

The 2020 City of Guelph Tax Supported and Non-tax Supported Budgets (Unconsolidated) Public Sector Accounting Standards Reconciliation, or Attachment-1, shows the reconciliation of the City's approved 2020 budget to a budget restated in accordance to PSAS format and states the amended accumulated surplus at the year-end. This reconciliation shows both the required adjustments under Ontario Regulation 284/09, as well as the additional amendments for PSAS accrual

accounting resulting in a 2020 estimated surplus of \$84,982,767 (2019 - \$59,784,059). The main contributors to the change year-over-year include increased transfers from reserve and reserve funds of \$40 million and an increase in capital-related expenditures of \$64 million.

Any changes Council makes to the recommended 2020 budgets will be reflected in the attachment after budget approval. There is no requirement for staff to bring back an updated report to Council with these changes.

Revenues

Decrease to Revenues for Financial Statement Purposes

The 2020 budgeted transfers from reserve and reserve funds is estimated to be \$90,958,753. This budgeted figure represents amounts transferred from reserves to fund expenditures, mainly related to capital work. These are not considered revenues under PSAS because transfers are not revenues received from external sources. Funds are recorded as revenue at the time they are received as part of tax, user fee, or grant revenues.

Increase to Revenues for Financial Statement Purposes

Contributed subdivision assets are non-cash accounting revenues recognized upon the City taking ownership of new subdivision infrastructure within the City limits. The City budgets for costs of maintenance and replacement of assets in the year when the service is required. The estimated figure for contributed subdivision assets is \$5,680,000, which increases revenues.

Expenses

Decrease to Expenses for Financial Statement Purposes

Transfers to reserve and reserve funds are the budgeted contributions to fund future expenditures included in the City's operating budget. These are not considered as expenses under PSAS because transfers represent reallocation of funds internally and are not actual payments to external entities. Funds are recorded as expenses when goods and services are received by the City. The total transfers to reserve and reserve funds for 2020 is estimated at \$77,023,000.

Capital expenses are amounts budgeted to be spent on capital projects in the City's capital budget. Capital acquisition costs are not considered as expenses under PSAS as they are capitalized on the balance sheet as TCA and amortized as an expense over the useful life of the assets. The total estimated capital expenses for 2020 is \$140,890,100.

Debt principal payments are included in the City's operating budget in order to set aside the funds required to pay the principal portion of the current year's debt obligations. The total estimated debt principal payment for 2020 is \$11,378,000. These are not considered an expense under PSAS; instead the debt principal is recorded as a reduction of the City's long-term debt liability.

Although Ontario Regulation 284/09 allows municipalities to exclude landfill post-closure costs from their budgets, the City continues to budget for the current year costs related to the closure of its landfill site in 2003. Under PSAS, the City recognizes a liability in the financial statements, which amounts to the present value of costs related to monitoring the closed landfill site for 30 years from the

date of closure. Each year there is a cost or recovery related to the liability as assumptions on the estimates change and the City gets closer to meeting its 30-year monitoring requirement. Since the change in assumptions and the time value of money is a non-cash item, it is unbudgeted and the impact is included in the schedule below. The 2020 estimated change for the landfill post-closure liability cost is \$300,000.

Increase to Expenses for Financial Statement Purposes

Contaminated sites expenses are a non-cash cost that is budgeted through long-term reserve transfers over time. The City, in conformance with PSAS, set up a liability in 2015 that accounted for the present value of the total expected costs associated with the City's contaminated sites. The City continues to budget on a cash basis for the annual remediation costs necessitating an adjustment to reduce/increase the initial estimated liability. The 2020 estimate for the change in the contaminated sites liability is \$200,000.

The Tax Increment Based Grant program (TIBG) is included as a transfer to reserves in the City's operating budget in order to set aside the funds required to cover the long-term obligations expected under the program. These are considered expenses under PSAS and are recorded when the grant is finalized after property reassessment. The 2020 estimate for the change in the TIBG liability is \$2,629,580.

Post-employment benefit costs are benefits to be paid to employees after early retirement up to the age of 65. These include medical and dental benefits for eligible retirees and other retirement benefits earned during employment. Additionally, the City has Workplace Safety and Insurance Board (WSIB) expenditures that are administered on a self-insured basis and for this reason, the City must account for future potential WSIB expenditures related to current employees. Post-employment benefit costs to be paid in the future are partially included in the City's budgets. The City budgets an annual transfer to reserves to set aside funding for the ultimate payment of these costs over the long-term as well as to fund the expected in-year cost of these benefits. The estimated impact of the increase in liability related to these benefits in 2020 is \$4,000,000.

The 2020 TCA amortization expense is estimated to be \$52,500,000. Amortization is an accounting treatment that recognizes the cost of TCAs over their useful lives, rather than in the year the asset was purchased.

Financial Implications

There are no direct financial implications associated with this report. The intent of this report is to estimate the reconciliation of the 2020 proposed cash-based budget to a PSAS compliant budget.

Consultations

No consultations were required.

Strategic Plan Alignment

This report aligns with the City's Working Together pillar to ensure compliance with regulations and transparent financial communications to Council and then community.

Attachments

Attachment-1 2020 City of Guelph Tax Supported and Non-tax Supported Budgets
(Unconsolidated) Public Sector Accounting Standards Reconciliation

Departmental Approval

Jade Surgeoner, CPA, CA, CIA
Manager, Financial Reporting & Accounting

Report Author

Jenna Francone, CPA, CA
Senior Corporate Analyst, Financial Reporting & Accounting



Approved By

Tara Baker, CPA, CA
General Manager, Finance/
City Treasurer
Corporate Services
519-822-1260 Extension 2084
tara.baker@guelph.ca



Recommended By

Trevor Lee
Deputy Chief Administrative Officer
Corporate Services
519-822-1260 Extension 2281
trevor.lee@guelph.ca

Attachment 1 to CS-2019-98
 2020 City of Guelph Tax Supported & Non-tax Supported Budgets (Unconsolidated)
 Public Sector Accounting Standards Reconciliation

2020 Budget (Prepared on a Cash Basis)	
Revenues	\$
Operating	(441,641,561)
Capital	(151,590,100)
Total Revenues	(593,231,661)
Expenses	
Operating	441,641,561
Non-Tangible Capital	10,700,000
Capital	140,890,100
Total Expenditures	593,231,661
Net Budget	-
Adjustments Required to Reconcile to an Accrual Based Budget	
Revenues	
<i>Decrease</i>	
Transfers from Reserves/Reserve Funds	90,958,753
<i>Increase</i>	
Contributed Subdivision Assets	(5,680,000)
Total reduction to Revenues	85,278,753
Expenses	
<i>Decrease</i>	
Transfers to Reserve/Reserve Funds	(77,023,000)
Capital Expenses	(140,890,100)
Debt Principal Payments	(11,378,000)
Post-Closure Landfill Liability	(300,000)
<i>Increase</i>	
Contaminated Sites	200,000
Tax Increment Based Grant Program	2,629,580
Post-Employment Benefit	4,000,000
Amortization of Tangible Capital Assets	52,500,000
Total reduction to Expenses	(170,261,520)
Annual (Surplus)/Deficit	(84,982,767)