

# Special City Council Meeting Agenda



**Tuesday, December 5, 2017 – 2:00 p.m.**  
**Council Chambers, Guelph City Hall, 1 Carden Street**

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## **Open Meeting– 2:00 p.m.**

### **Disclosure of Pecuniary Interest and General Nature Thereof**

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#### **Special Council - Council Deliberation and Approval of Tax Supported Operating Budget**

**CON-2017.50      2018 Tax Supported Operating Budget**  
(Referred from the November 8, 2017 Special Council Meeting – Presentation of the 2018 Tax Supported Operating Budget)

The following recommendations are pending the outcome of deliberations at the November 27, 2017 Council meeting regarding the report titled 2018 Tax-Supported Operating Budget – Revised.

#### **Recommendation:**

1. That the Executive Team recommended Tax Supported Operating Budget with a net levy requirement of \$232,907,226 or 2.19 per cent above the 2017 net tax levy operating budget be approved, including:
  - i. A base operating budget, including reserve and reserve transfers, user fee increases and assessment growth, totaling a net levy requirement of \$232,063,026 or 1.82 per cent above last year;
  - ii. Impacts from other levels of government totaling a net levy requirement of \$844,200 or 0.37 per cent above last year;
  - iii. That the proposed user fees (Tab 9) be approved:

That the following budget submissions be considered:

2. City department budget expansions totaling a net levy requirement of \$3,194,028 or 1.4 per cent;
3. An additional contribution towards the City's long-term goal of sustainable capital funding in the form of the Dedicated Infrastructure Levy of 1.0 per cent of the overall 2018 net levy;
4. Local Board expansions totaling a net levy requirement of \$567,409 or 0.25 per cent.

### **C-CON-2017.19      2018 Non-Union Compensation Increase**

The following recommendations are pending the outcome of deliberations at the November 27, 2017 Closed Council meeting regarding the report titled 2018 Non-Union Compensation Increase.

#### **Recommendation:**

That Non-Union compensation adjustment in the amount of \$XXX,XXX be approved for 2018 to maintain Non-Union salaries at the XX percentile of the City's comparator group.

### **CON-2017.52      Budget Impacts per Ontario Regulations 284/09 and Budget Public Sector Accounting Standards Reconciliation**

#### **Recommendation:**

That report CS-2017-80 Budget Impacts per Ontario Regulation 284/09 and Budget Public Sector Accounting Standards Reconciliation dated December 5, 2017 be approved.

### **CON-2017.51      2018 Local Boards and Shared Services Budgets (Referred from the November 15, 2017 Special Council Meeting – Presentation of Local Boards and Shared Services Budgets)**

#### **Recommendation:**

That subject to the approval of the 2018 operating budget on December 5, 2017, a new reserve entitled Social Housing Contingency be created as outlined in report CS-2017-33 titled "2018 Local Boards and Shared Services Budgets" and reflected in Appendix A of the General Reserve and Reserve Fund Policy.

### **By-laws**

Resolution to adopt the By-laws (Councillor Bell)

### **Adjournment**

# Staff Report



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To **City Council**

Service Area Corporate Services

Date Tuesday, December 5, 2017

Subject **Budget Impacts per Ontario Regulations 284/09 and Budget Public Sector Accounting Standards Reconciliation**

Report Number CS-2017-80

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## Recommendation

That report CS-2017-80 Budget Impacts per Ontario Regulation 284/09 and Budget Public Sector Accounting Standards Reconciliation dated December 5, 2017 be approved.

## Executive Summary

### Purpose of Report

To provide Council with the budget impact of amortization, post-employment benefit costs and landfill post-closure costs in accordance with Ontario Regulation 284/09.

To further provide a reconciliation of the 2018 City of Guelph Tax Supported and Non-Tax Supported budgets to the presentation required by the Public Sector Accounting Standards (PSAS) for the annual financial statements.

### Key Findings

This is an annual report required by legislation.

The impact of amortization, post-employment benefit costs and landfill post-closure costs in 2018 totals \$45,614,400 (Table 1).

While Ontario Regulation 284/09 requires that the report to Council should include budget information for the items detailed above, there is also a requirement to report an approved budget on the same basis as the annual financial statements. The financial statements are prepared in accordance with PSAS and for this reason further impacts of debts, reserve and reserve fund transfers and other capital related revenues and expenses are presented in the PSAS adjusted 2018 budget (ATT-1).

## Financial Implications

There are no direct financial implications associated with this report; however, the information contained in this report will be reflected in the 2018 annual audited financial statements.

## Report

Provincial requirements as contained in Ontario Regulation 284/09 allow municipalities to exclude the following expenses from their municipal budgets:

- Amortization expense on tangible capital assets;
- Post-employment benefit costs; and
- Landfill post-closure costs.

However, municipalities must report on the impact of excluding these expenses from the annual budget.

The City of Guelph does not budget for the full impact of amortization, post-employment benefit costs and landfill post-closure costs and therefore this report is prepared to inform Council of the full impact if these costs had been included in the 2018 Budget.

In accordance with the regulation, Council is required to adopt this report by resolution.

### 1. Amortization Expense

The 2018 amortization expense is estimated to be \$44,460,000.

Amortization is an accounting treatment that recognizes the cost of tangible capital assets over their useful lives (rather than in the year the asset was purchased). It is also used as a minimum guideline for setting funds aside in a reserve for the future replacement of capital assets.

In order to help meet the annual financial commitment required for asset replacement, the City of Guelph includes in its 2018 Tax Supported Operating and Non-Tax Supported Operating budgets contributions of \$63,242,612 to capital reserves. These contributions will provide funding for capital replacement and rehabilitation.

### 2. Post-employment Benefit Costs

Post-employment benefit costs are benefits to be paid to employees after retirement. These include medical and dental benefits for eligible retirees and other retirement benefits earned during employment. Additionally, the City has 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 2018 budget includes reserve transfers of \$2,933,400 to fund both the in-year and long-term costs. The 2018 estimated impact of the increase in liability related to these benefits is \$1,294,400.

### 3. Landfill Post-Closure Costs

Though Ontario Regulation 284/09 allows municipalities to exclude landfill post-closure costs from their budgets, the City of Guelph continues to budget for the current year costs related to the closure of its landfill site in 2003. This is separate from the accounting treatment of the annual reduction of the post-closure liability that was calculated and set up in 2008 in order to comply with PSAS requirements.

The decrease in the estimated liability for landfill post-closure costs of \$140,000 is reduced in the table below to show its impact on the City's surplus.

**Table 1: Ontario Regulation 284/09 Budget Impact**

Amortization of Tangible Capital Assets	(\$44,460,000)
Post-employment benefit liability	(\$1,294,400)
Increase in landfill post-closure liability	\$140,000
<b>Total Impact</b>	<b>(\$45,614,400)</b>

### **PSAS Accounting Requirements**

The Public Sector Accounting Board (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.

ATT-1 (2018 City of Guelph Tax Supported and Non-Tax Supported Budgets (Unconsolidated) Public Sector Accounting Standards Reconciliation) shows the reconciliation of the City's approved 2018 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 accrual accounting resulting in a 2018 estimated surplus of \$82,765,739 (2017 - \$69,600,000).

Any changes Council makes to the recommended 2018 Tax Supported Operating Budget will be reflected in the attachment after budget approval on December 5, 2017. There is no requirement for staff to bring back an updated report to Council with these changes.

## Financial Implications

There are no direct financial implications associated with this report. However, the information contained in this report will be reflected in the 2018 annual Audited Financial Statements.

## Consultations

N/A

## Corporate Administrative Plan

### Overarching Goal

Financial Stability

### Service Area Operational Work Plans

Our Resources - A solid foundation for a growing city

## Attachments

ATT-1          2018 City of Guelph Tax Supported & Non-Tax Supported Budgets  
(Unconsolidated) Public Sector Accounting Standards Reconciliation

## Departmental Approval

None noted.

## Report Author

Karen Newland, Manager, Finance Client Services  
Ron Maeresera, Senior Corporate Analyst



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### Approved By

Tara Baker, CPA, CA  
GM Finance & City Treasurer  
519-822-1260 Ext. 2084  
tara.baker@guelph.ca

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### Recommended By

Trevor Lee  
Deputy CAO, Corporate Services  
519-822-1260 Ext. 2281  
trevor.lee@guelph.ca

**2018 City of Guelph Tax Supported & Non-Tax Supported Budgets (Unconsolidated)  
Public Sector Accounting Standards Reconciliation**

<b>2018 Budget (Prepared on a Cash Basis)</b>	
<b>Revenues</b>	<b>\$</b>
Operating	(407,632,871)
Capital	(90,308,062)
<b>Total Revenues</b>	<b>(497,940,933)</b>
<b>Expenses</b>	
Operating	407,632,871
Non-Tangible Capital	10,700,000
Capital	79,608,062
<b>Total Expenditures</b>	<b>497,940,933</b>
<b>Net Budget</b>	<b>0</b>
<b>Adjustments Required to Reconcile to an Accrual Based Budget</b>	
<i>Reductions to Revenues</i>	
Transfers from Reserves/Reserve Funds	50,769,666
<i>Increases to Revenues</i>	
Contributed Subdivision Assets	(9,560,000)
<i>Reductions to Expenditures</i>	
Transfers to Reserve/Reserve Funds	(71,278,419)
Capital Expenses	(90,308,062)
Debt Principal Payments	(9,563,124)
<i>Increases to Expenditures</i>	
Post-Closure Landfill Liability	(140,000)
Tax Increment Based Grant Program	1,559,800
Post-Employment Benefit & WSIB	1,294,400
Amortization of Tangible Capital Assets	44,460,000
<b>Annual (Surplus)/Deficit</b>	<b>(82,765,739)</b>