Special City Council Meeting Agenda

Consolidated as of October 18, 2019

Wednesday, October 23, 2019 – 6:00 p.m.
Council Chambers, Guelph City Hall, 1 Carden Street

Please turn off or place on non-audible all electronic devices during the meeting.

Please note that an electronic version of this agenda is available on guelph.ca/agendas.

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Changes to the original agenda have been highlighted.

Open Meeting– 6:00 p.m.

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

Special Council - Presentation and Delegations for Capital Budget

CS-2019-79 2020-2029 Capital Budget and Forecast

Presentation:
Tara Baker, General Manager, Finance/City Treasurer
Trevor Lee, Deputy Chief Administrative Officer, Corporate Services
Kealy Dedman, Deputy Chief Administrative Officer, Infrastructure, Development and Enterprise Services

Delegations:
Susan Watson
John Farley
Mike Darmon
Pat Fung

Correspondence:
Susan Watson
Pat Fung
Linda Liddle

Recommendation:

1. That the following recommendations from Report CS-2019-79 titled 2020–2029 Capital Budget and Forecast dated October 23, 2019 be referred to November 13, 2019:

   a) The 2020 Capital Budget in the gross expenditure amount of $151,590,100 and the required capital reserve fund transfers to capital projects as identified in Attachment-3 be approved;
   b) The 2021-2029 Capital Forecast in the gross amount of $1,732,967,110 be received;
   c) That the 2021 operating impacts from the 2020 Capital Budget totaling $1,872,710 for the both the tax and non-tax supported budgets be approved and included in the development of the 2021 base operating budgets;
   d) That the forecasted operating impacts from the 2021 and 2022 capital forecast totaling $12,486,175 and $5,799,000 respectively, be received;
   e) The Capital Transfer Allocation Policy as approved in report CS-2017-68 Capital Transfer Allocation Policy dated September 5, 2017 be repealed;
   f) That the tax supported City Building Funding Strategy be approved, totaling an annual increase of $5,325,000 or 2.19 per cent levy impact, to be phased-in equally over a three-year period, starting with $1,775,000 in 2020 and that this increase be included in the base operating budget representing a 0.73 per cent levy increase, with future year impacts being reduced if the City is successful in securing grant or other revenues for this purpose;
   g) That the tax supported Growth Funding Strategy be approved, totaling an annual increase of $1,250,000 or 0.50 per cent levy impact, to be phased-in equally over a five-year period, starting with $250,000 in 2020 and that this increase be included in the base operating budget representing a 0.10 per cent levy increase;
   h) That the Greenhouse Gas Reserve (352) be repurposed to the 100RE Reserve (352) and Appendix A of the City's General Reserve and Reserve Fund Policy be amended accordingly.

2. That the following recommendations from Report CS-2019-79 titled 2020–2029 Capital Budget and Forecast dated October 23, 2019 be referred to November 13, 2019:

   a) The Parking Services operating budget transfer to Parking Capital Reserve Fund (151) of $2,000,000 be approved;
   b) The Stormwater Services operating budget transfer to Stormwater Capital Reserve Fund (165) of $5,546,060 be approved;
   c) The Wastewater Services operating budget transfer to Wastewater Capital Reserve Fund (153) of $14,750,000 be approved;
   d) The Water Services operating budget transfer to Water Capital Reserve Fund (152) of $15,150,000 be approved;
   e) The Ontario Building Code operating budget transfer to Building Services OBC Stabilization Reserve Fund (188) of $53,360 be approved; and

f) The Court Services operating budget transfer to Courts Capital Reserve Fund (211) of $475,720 be approved.

3. That the following recommendations from Report CS-2019-79 titled 2020–2029 Capital Budget and Forecast dated October 23, 2019 be referred to December 3, 2019:

   The net tax supported operating budget transfer to the tax supported capital reserve funds of $38,104,345 be approved.

Adjournment

2020 proposed budget

CITY OF Guelph
Making a Difference

The Strategic Plan & 2020 Budget

The Strategic Plan's five priorities lead this budget, setting us on a sustainable path for our economy, environment and transportation while supporting an efficient workforce and united community.

Powering our future

Sustaining our future

Navigating our future

Working together for our future

Building our future

Capital investment strategy

2020-2029 proposed capital budget and forecast

CITY OF Guelph
Making a Difference

Agenda

- What's new?
- Ten-year capital plan and highlights
- Three-year estimated operating impacts
- 2020 capital budget and operating impacts
- Capital funding strategies
  - Infrastructure Renewal
  - Growth
  - City Building
  - 100% Renewable Energy (100RE)
- Debt and Reserve Funds
- Looking forward to 2020

2020 capital budget process

What's new?

- Enhanced communication
  - Improved linkages between capital and operating budgets
  - A focus on the City's four capital funding strategies
- Extended operating impact forecasting to three years
- Extended debt forecast from 10 to 25 years
- Proposed City Building Reserve Fund Strategy
- Conceptual 100RE funding strategy

10-year capital plan summary

Program ($000s)	2020	2021	2022	2023	2024	2025-2029	Total
Contaminated Sites	3,750	3,550	3,895	3,645	4,145	11,360	30,345
Corporate Projects	17,188	19,877	11,533	6,943	55,031	28,042	138,614
Emergency Services	5,399	5,675	8,430	6,908	7,275	33,728	67,413
Open Spaces, Recreation, Culture and Library	12,005	145,014	9,602	16,855	15,958	113,421	312,854
Solid Waste Services	2,213	12,863	6,127	4,675	7,409	23,102	56,390
Stormwater Management	7,666	9,424	7,200	6,652	6,293	44,796	82,031
Transportation Systems	29,210	35,807	139,921	48,251	38,683	296,723	588,596
Wastewater Services	24,400	62,769	20,913	13,999	23,755	116,724	262,559
Water Services	49,760	32,132	45,520	30,684	37,280	150,380	345,756
Total Capital Budget	151,590	327,110	253,141	138,611	195,830	818,275	1,884,557

10-year forecasted projects

Key highlights

- Significant investment in linear infrastructure renewal.
- Baker District Redevelopment.
- South End Community Centre—to be approved in early 2020 through separate report.
- Integration of Operations Campus at 110 Dunlop—design and site planning in 2020.
- Transit expansion and improvement as an outcome of ICIP:Transit grant stream.

Three-year estimated operating impact

($000s)	Operating impact from 2020 recommended capital budget	Operating impact from 2021 forecasted capital budget	Operating impact from 2022 forecasted capital budget
Operating budget	455	10,946	4,169
Infrastructure renewal budget	1,007	4,338	2,228
Total	1,462	15,284	6,397

Key 2021 capital projects include:

- South End Community Centre
- Main library
- Transit service expansion

2020 capital budget summary

Program of Work	2020 budget	2021 operating impact	Highlights
Contaminated Sites	3,750,000	-	n/a
Corporate Projects	17,188,400	38,620	software licencing
Emergency Services	5,398,750	-	n/a
Open Spaces, Recreation, Culture and Library	12,004,500	26,270	Parks Operations – Seasonal staff, maintenance
Solid Waste Services	2,213,000	-	n/a
Stormwater Management	7,666,000	13,500	maintenance
Transportation Systems	29,209,850	376,320	Operations – maintenance Transit –software services and maintenance
Wastewater Services	24,399,800	-	n/a
Water Services	49,759,800	-	n/a
Total City	151,590,100	454,710	n/a
Infrastructure Renewal budget		1,007,000	
Total Operating		$1,461,710	

Capital funding strategies

What is being approved and when?

- Capital budget
  - Approved November 13
  - 2020 capital projects and required funding
  - Operating impacts from 2020 capital projects

- Non-tax operating transfer to capital reserve funds
  - Approved November 13
  - Transfer to Parking, Stormwater, Water and Wastewater capital reserve funds

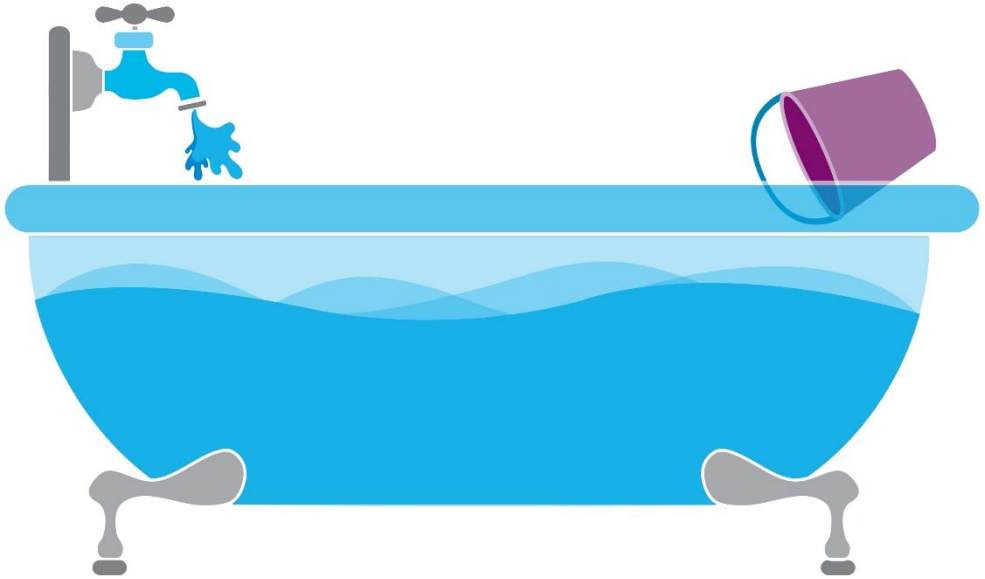
- Tax supported operating transfer to capital reserves funds
  - Approved December 3
  - Transfer to all tax supported capital reserve funds

Capital funding strategies

How does it all tie together?

Faucet:

Annual operating budget



Bucket:

Annual capital budget

Bathtub:

Reserve Funds and Debt

Capital funding strategies

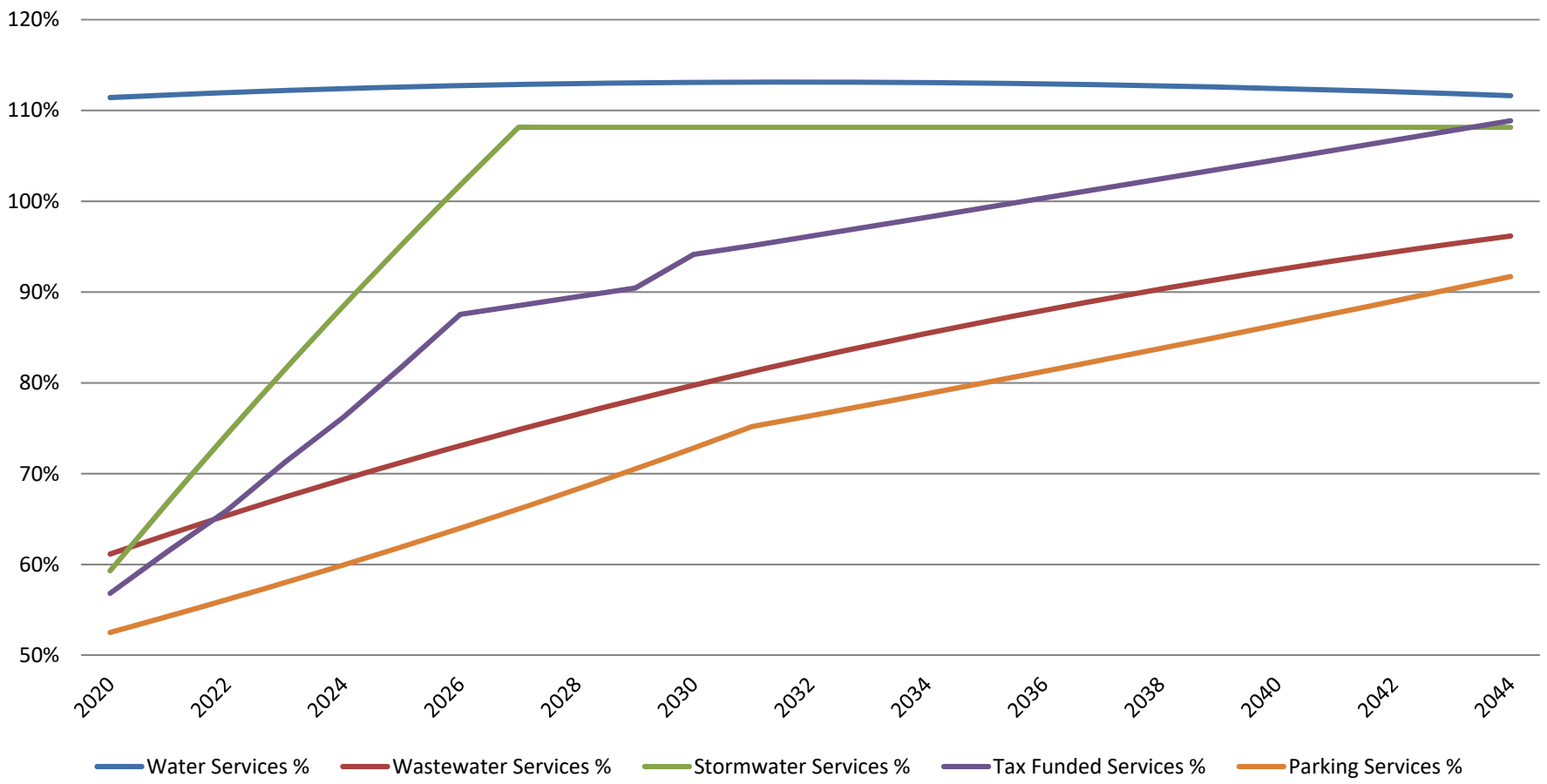
- Infrastructure Renewal
- Growth
- City Building
- 100RE

Staff is recommending to repeal the Capital Transfer Allocation Policy as these more robust and specific policies are expanded and refined over time.

Infrastructure Renewal Strategy

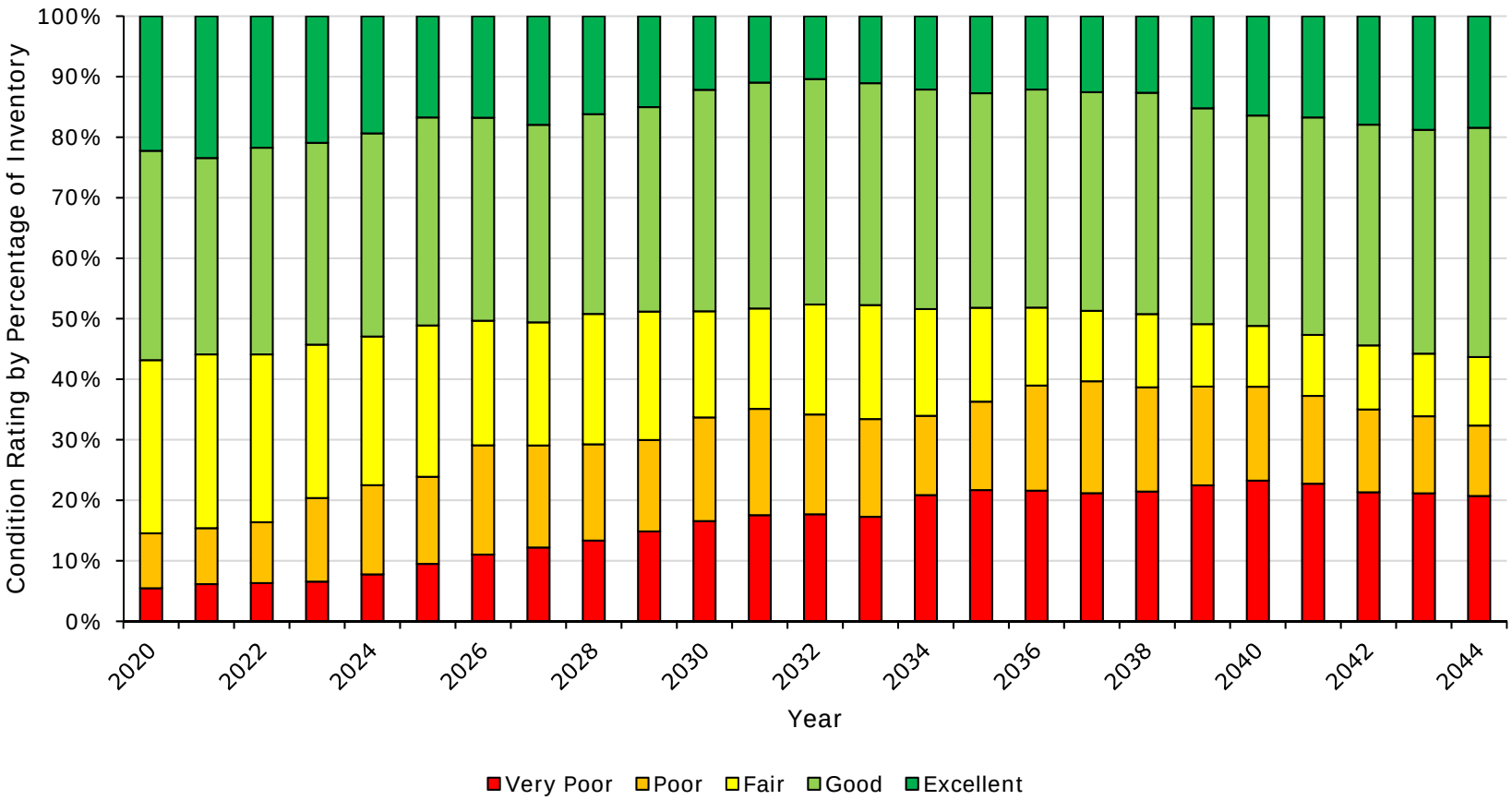
- Sustainable funding based on Asset Management Plan.
- Impacts of rising costs of construction—Construction Price Index.
- Replacement and state of good repair impacts of prior year approved City Building and Growth capital expenditures.
- Impact of closing the historical infrastructure gap.
- Sustainable funding requirements—City's inventoried contaminated sites.
- Provincial and Federal Gas Tax revenues—infrastructure renewal and achieving sustainable funding levels.

Infrastructure Renewal Strategy



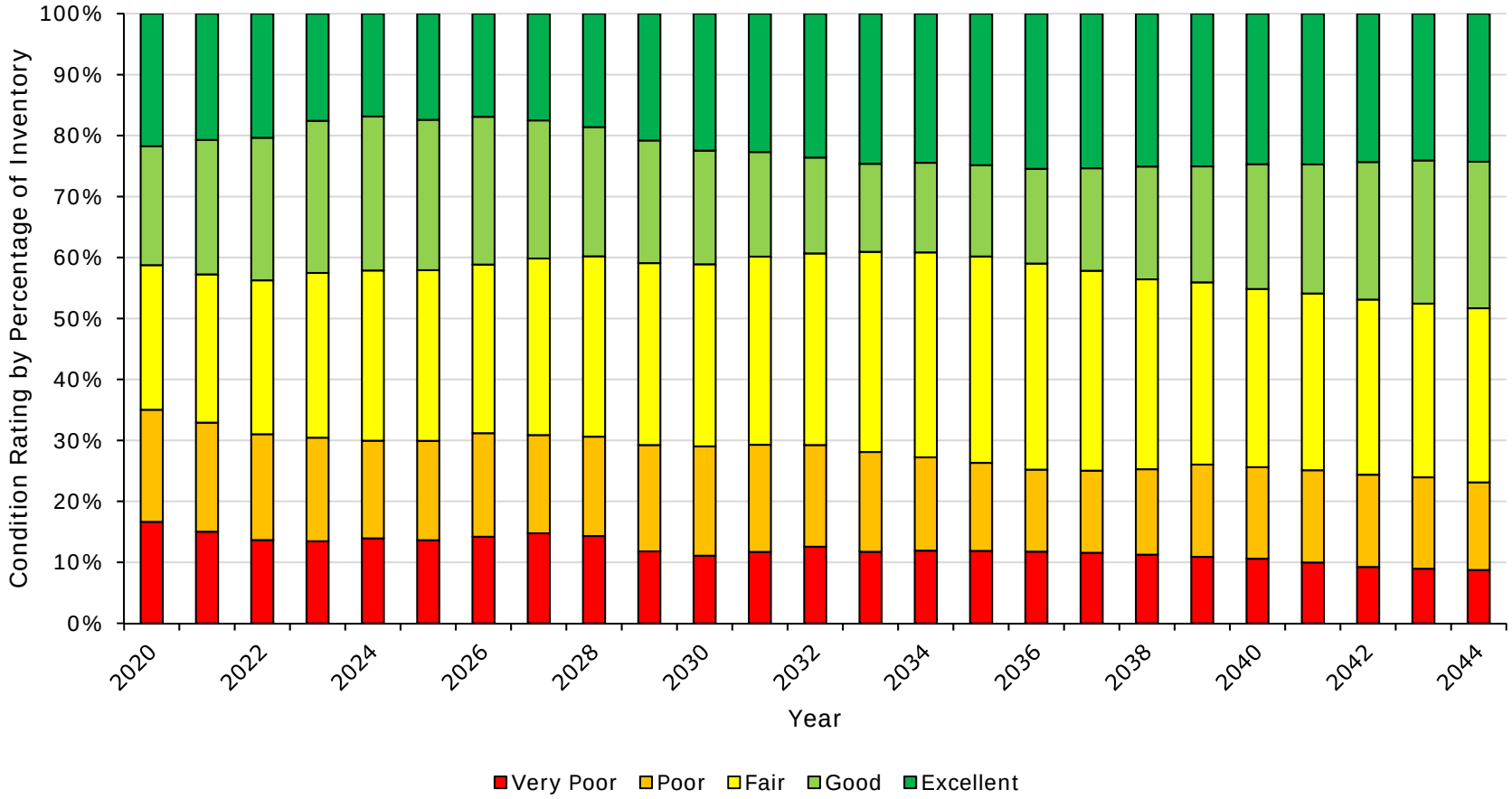
Infrastructure Renewal Strategy

Asset condition forecast—Tax supported



Infrastructure Renewal Strategy

Asset condition forecast—non-tax supported



Infrastructure Renewal Strategy

Federal Gas Tax 2019 doubled funding—$7.6 million

- Bridge and structural repair work—critical projects advance to 2020–2022.
- Replacement of the Collection Administration Building—planning and design 2020; construction 2021.
- Remaining one-time funding allocated to playground replacement across the city.

Growth Strategy

- Development charges (DC), parkland dedication and density bonusing revenues or new Community Benefit Charges (CBC).
- Tax and non-tax supported capital investment required for portion that is non-DC recoverable.
- Impact of the 2018 DC background study.
- Annual increase of $1,250,000 or 0.50 per cent tax levy over five years—$250,000 in 2020, 0.10 per cent tax levy increase.
- Alignment of DC revenues with growth-related capital projects.

City Building Strategy

City Building definition

"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."

- Current 10 year shortfall: $52.1 million.
- Annual increase of $5,325,000 or 2.19 per cent levy over three-years—$1,775,000 in 2020 or 0.73 per cent levy.
- Grants or other one-time funding can reduce the property tax requirement in future years.

City Building Strategy

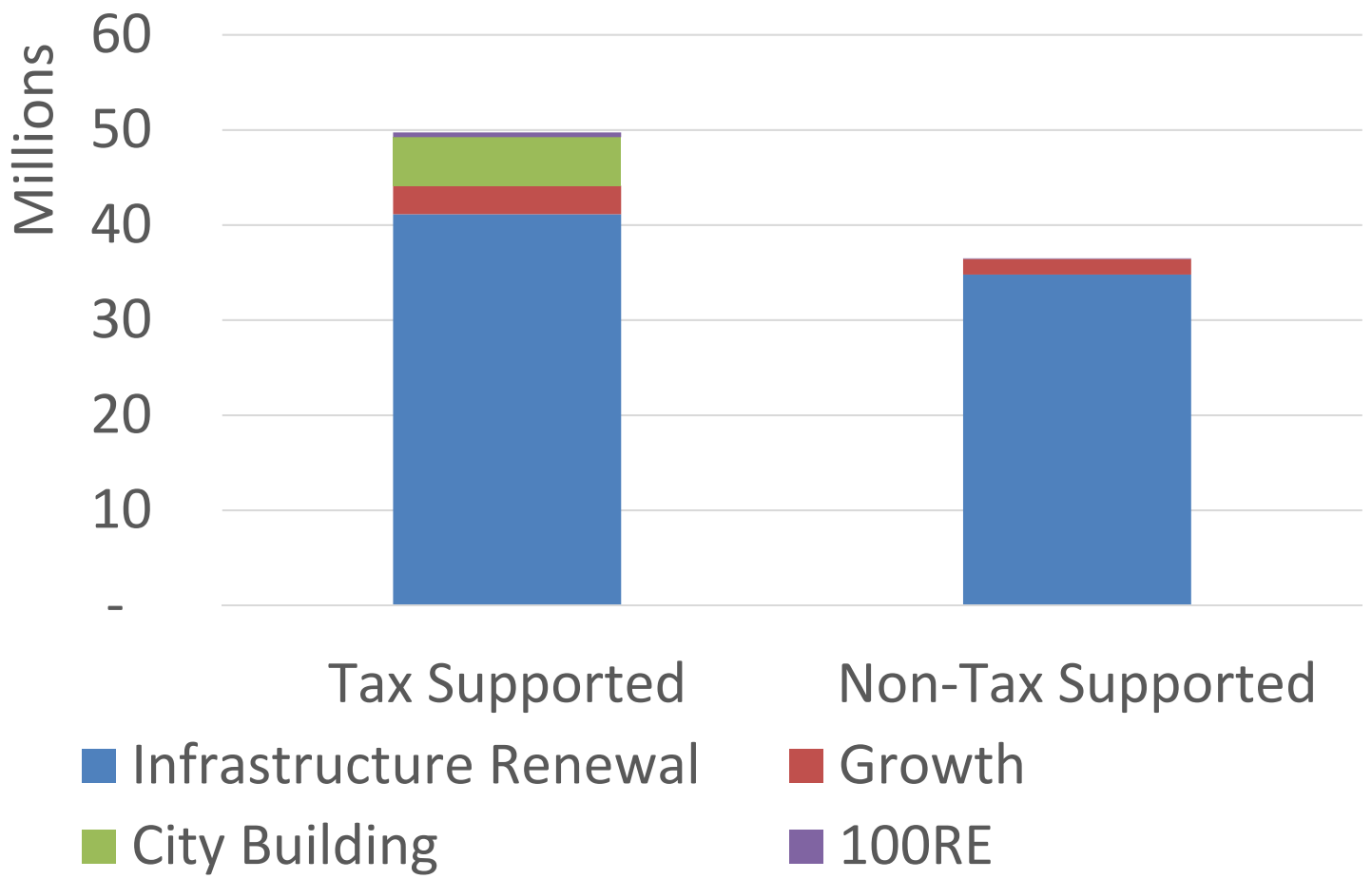
$ in millions

Navigating our future	Working together for our future	Building for our future
Active Transportation $17.3	City Facility Enhancements $5.5	Baker District $44.6
Transit System Expansion $14.7	Information Technology Enhancements $3.7	Downtown Streetscapes $22.3
	Operations Campus $24.8	Open Spaces and culture Enhancements $11.1

100RE Strategy—NEW in 2020

- Initial investment of $500,000 to support 100RE initiatives.
  - Funded from 2019 Solid Waste Carbon Credits.
- Creation of new 100RE Reserve Fund.
- Projects in 2020 to 2029 capital budget and forecast include facility updates and electrification of the transit fleet.
- Additional work is required to identify the full range of projects required to achieve this goal.
- 100RE Strategy refinement through Strategic Plan Action Team.

Capital funding strategy - 2020



Debt and Reserve Funds

- Debt and reserve funds serve as the financial planning tools to manage cash flow.

- Critical tools in the capital plan financial model.

- City's debt position leveraged to its fullest capacity.
  - Internal borrowing used to defer external borrowing.

- Capital reserve funds are sufficient to provide flexibility and capacity for unplanned events.
  - Capital reserve funds in tax and non-tax below targeted levels through 10 years.
  - Incremental positive progress is being made.

Looking to 2020 and beyond

- Focus on the Growth Funding Strategy.
  - Update Growth Plan
  - Assess growth rates and costs
  - Align budget with new regulations and bylaws

- 100RE Strategy refinement.

- ICIP:Transit Stream and Community, Culture and Recreation Stream Grants.

- Long-term financial strategy, Debt Management Policy update and multi-year budgeting.

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CITY OF Guelph

Making a Difference

Dear Mayor Guthrie and Members of Council:

I am forwarding January correspondence from Ms. Baker previously received by all of you so figures for the cost of growth are available for discussion at capital budget.

I recognize that the numbers may have been refined in the intervening months, so I have reached out to Ms. Baker so she has the opportunity to update them, if necessary.

From my perspective, the key number provided by Ms. Baker is $121.95 million. This is the cost of growth over the next 10 years that is not recoverable through development charges and which will be covered by public money - $50 million from taxes and another $71.95 million from fees remitted by residents. In January we were anticipating a $1.25 million annual shortfall for the tax portion of the funding.

I will underline that these figures were generated prior to the passage of Bill 108. That legislation could add another $155 million to the public subsidies required for growth:

Provincial Changes Could Put Guelph at $155 Million Funding Shortfall:

https://www.guelphmercury.com/news-story/9452515-provincial-legislation-changes-could-put-guelph-at-155m-funding-shortfall/

I know that we are all waiting to understanding what the final Community Benefit Formula will be and how it will impact the City's finances.

Growth needs to be subjected to the same scrutiny as other major capital projects such as the South End Rec Centre and the Library.

The impact of these costs on citizens who are living paycheque to paycheque is significant. Moreover, current citizens receive next to nothing for this outlay of cash. We have a perverse situation where there is no money for rent-geared-to-income social housing for the most marginalized members of our community, yet citizens are subsidizing the housing purchases of middle and upper-income home buyers.

If public money is being tapped to subsidize growth, then we need to have a conversation about what, if any growth should occur. How much? At what rate? And where?

Despite the development formulas imposed by the Province, it is my understanding that some communities will not approve development unless the full cost is covered by developers. They consider this the fiscally responsible approach to take.

As with other capital projects, the back-end operating costs need to be considered. Studies previously shared with the City by Watson & Associates show that medium and high density development delivers a net property tax benefit to tax coffers, while taxes from most low-density development does not cover the cost of services provided and is a net drain on City resources.

I look forward to the discussion on these matters.

Sincerely,
Susan Watson

---------- Forwarded message ---------
From: **Tara Baker** <Tara.Baker@guelph.ca>
Date: Mon, 21 Jan 2019 at 16:24
Subject: Tax cost of growth: $50 million? $107 million? $135 million?
To: Councillors & Mayor <Councillorsandmayor@guelph.ca>
Cc: Executive Team <ExecutiveTeam@guelph.ca>

Good Afternoon Mr. Mayor, Council and Ms. Watson,

I would like to take the opportunity to provide some clarification about the below email as well as the one's attached above also received from Ms. Watson about this topic.

I am pleased that there is such an interest in this because it is an important revenue stream for the capital budget. It is also very complex and the city budgeting and reserve and reserve fund management process has been changing so that we can provide more answers to this on-going question about the cost of growth. We have made strides and you will see from the response below, we will be continuing to work through some of these answers through 2019.

Cost of Capital that is not Recoverable through Development Charges:

The DC Study identified $965.64 million in capital costs required to accommodate growth to 2031. After removing the Benefit to Existing component ($411.15 million) as well as grant/other funding ($8.41 million), this is reduced to $546.08 million as the baseline growth related capital. If you then subtract the 10% mandatory reduction of $10.23 million – this equates to the $535.85 million as referenced in the financial implications in the staff report.

From the baseline growth related cost of $546.08 million, staff have calculated that the estimated cost of exemptions, the 10% mandatory reduction and the ineligible services total a cost of $78.47 million or 14.4% over 10 years, meaning that DC's are only recovering approximately 85% of estimated growth related capital.

Now, staff also recognize that the cost of the service caps from the level of service calculations as required by the Development Charges Act (DCA) is also a cost to the tax payers. In the Study, the City has a total cost of $43.48 million resulting from this cap for Library Services, Health Services, Police Services and Services related to a Highway facilities. After considering this cost in relation to the above calculation, this drops the amount of capital recoverable from DC's to the 80% as referenced in the staff report. Staff caution that as the DCA specifically states that these costs are not a cost of growth, but instead an enhancement in the service standard, it is difficult to say conclusively that they are a cost of growth as Council may have the ability to choose not to enhance the service level in some cases.

So in summary, the capital cost that is not recoverable by DC's (including the service level cap items) as identified in the Study is approximately $121.95 million. There is a tax and non-tax component to this figure.

Tax Cost of Growth

As indicated in the June 2018 Council workshop, staff have been focusing on new ways to track the cost growth through our reserve and reserve fund set up and management. Three years ago we created three reserve funds to better be able to report these different costs: Infrastructure Renewal, City Building and Growth. Also as indicated at this workshop, the City is still limited in how we report and forecast growth related tax costs because of continued need to better segregated and be consistent with funding growth costs related to ineligible services and costs above the service level caps. This chart below attempts to show this challenge in the two cost categories shaded in blue:

Type of Capital Cost in relation to the DC Study	**Tax supported reserve fund**	**Non-tax supported reserve fund**
Benefit to existing	Infrastructure Renewal Reserve Fund, Provincial and Federal Gas Tax Reserve Funds	Water, Wastewater, Stormwater Capital Reserve Fund
DC exemptions	Growth Capital Reserve Fund	Water, Wastewater, Stormwater Capital Reserve Fund
10% mandatory reduction	Growth Capital Reserve Fund	N/A
Ineligible services	Infrastructure Renewal Reserve Fund, City Building Reserve Fund, Growth Reserve Fund, capital surcharge revenues and other revenues	N/A
Costs in excess of service level caps	City Building Reserve Fund and other revenues	N/A

The $50 million as quoted by staff as the tax cost of growth in slide 23 of the slide deck for this evening includes the estimated tax cost of DC exemptions (there is a portion that is allocated to non-tax), the 10% mandatory reduction cost and the ineligible portion of solid waste services. This amount is what staff can quantify with the current reserve and reserve fund modeling for the next 10 years. This is the basis for the funding shortfall of $1.25 million on an annual basis that is referenced in both the DC Study staff report and the 2019-2028 Capital Budget staff report. Staff have already advised Council that we need to continue to refine our projections through the 2019 period so that we can recommend an appropriate funding strategy for this shortfall through the 2020-2029 capital budget development.

Council was also advised through the 2019-2028 Capital Budget that the pressures on the City Building Reserve Fund were far exceeding the current funding levels at 10% of the total tax supported capital transfer. The costs that are in excess of the service standard of $43.48 million are contributing to this

pressure. Staff have committed that we will be working with Council through a workshop to further analyze and discuss these costs and work on prioritization of these projects. These may not be a true cost of growth as indicated above and there may be decisions that Council can make to address some of these costs. For that reason, staff are not in a position to determine the funding shortfall on this Reserve Fund but have been very clear that there is an issue that needs further investigation.

Finally the balance of the "cost of growth not recoverable by DC's" of $121.95 million is partially related to the non-tax cost of DC exemptions as well as the ineligible service cost of growth that is not quantifiable by staff at the time and being funded through a combination of revenue sources including City Building and Infrastructure Renewal.

Staff report clarification as requested by Ms. Watson

Ms Watson suggested that it was not transparent in the way that staff presented Table 6 in the staff report and as such, we have provided the information in two columns for your consideration as requested. Staff are simply trying to make the volumes of information more readable and apologize if this reduced the transparency. This information is also available in the annual DC Reserve and Reserve Fund reports posted on the city website that are a provincially mandated requirement.

Table 6: DC Collected broken out

DC Collected Amount	Exemption Transfer Amount	Actual DC Collection
23,737,358	741,280	22,996,078
21,180,295	431,974	20,748,321
18,569,855	2,459,611	16,110,244
25,019,672	5,040,211	19,979,461

While this is a long response, I do hope it addresses all the questions that Ms. Watson has raised through her correspondence. These figures are all estimates and will continue to evolve as the City's capital budget and priorities evolve. Further, the mix and pace of development also impacts these estimates. This is the best information that is available at this time to answer all the questions related to the cost of growth.

Tara Baker, CPA, CA, Treasurer, GM Finance

Finance
City of Guelph
519-822-1260 extension 2084
tara.baker@guelph.ca

Tax levy to cover shortfalls:

More of the same stuff from city staff. If you need more money go after the taxpayer. Once assessed on our tax bill we have no recourse. Why doesn't the city look within itself and pare down in less important areas of spending to fund the "so called" priorities. This is how most, if not all individuals and families must manage their finances. We as individuals or families don't have the power to magically create extra cash for ourselves like the City. We have to manage with what we've got.

As stated in the article are these really "needs" or "wants". MIss Baker says the double digit increase was not a surprise to the city and that staff had been planning for it. Did staff consider consider cutting expenditures elsewhere or was the only plan to hit the taxpayers with yet another tax increase?

Operations Hub

City staff is out of control. Who authorized them to even contemplate this level of spending. Library, south end rec center and now this, $340,000,000 is unaffordable. Are we going to get $200,000,000 in efficiencies? What is the return on this expenditure?

Pat Fung, B. Comm., CPA, CA
Ward 6

My dear City of Guelph

We moved here in 1972 and loved this city. We even bought our house in 1976 and still are in it. But, I feel I must take issue with your newest revelations.

1- 9.81 percent increase in Police Budget - unknown effect on Taxpayers at this time.

2- 2.19 per cent tax levy due to shortfall regarding capital projects

3- 0.50 percent tax levy to fill in shortfall between what you, My City of Guelph, collects in development charges and what you need to fund infrastructure related to a "growing Guelph".

In perusing the highlights of the 2020 Capital Budget, I can see where there are needs and wants, so , may I boldly suggest that you cease and desist the levy tactic and go on a strict diet as many, many of us, the citizens ,have had to do lately. Trim the fat, and if you need help training your "Staff" to exercise restraint, may I suggest that there are quite a few of us knowledgeable residents who do not want to leave our homes, but, baby, you are not making life here pleasant anymore. Let us into your house and we'll gladly help with the BALANCE! Yes- balance- Call me !

Respectfully Submitted

Linda Liddle