

SPECIAL COUNCIL AGENDA



CONSOLIDATED AS OF JULY 27, 2015

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 (presentation)

- 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



Budget Workshop

July 28, 2015

Budget workshop agenda

Topic	Presenter	Time & Duration
Welcome and Agenda Overview	Mark Amorosi DCAO Corporate Services	6:00-6:05 (5)
Q&A on sources of Capital Budget funds	Greg Clark Senior Corporate Analyst, Capital Asset Planning	6:05-6:15 (10)
Condition Assessment	Jim Bruzzese BMA Consulting, Inc.	6:15-7:00 (45)
Term focus planning: Council Shared Agenda	Barb Swartzentruber Executive Director, CAO's Office	7:00-7:40 (40)
<i>Break</i>		<i>7:40-7:50 (10)</i>
Capital funding allocation	Greg Clark Janice Sheehy General Manager, Finance and City Treasurer	7:50-8:20 (30)
<i>Break</i>		<i>8:20-8:30 (10)</i>
Budget simulator demo	Janice Sheehy Alison Thompson Communications Officer	8:30-8:50 (20)
Next steps and closing remarks	Mark Amorosi	8:50-9:00 (10)

Shared Agenda development recap

Workshop	Date	Focus	Status
1	Dec 10, 2014	Emerging areas of focus: what did you hear at the door?	Complete
2	Feb 19, 2015	Preliminary areas of consensus: top five focus areas for council agenda over next four years? sorted by common ground shared interest; unique interests	Complete
3	Apr 20, 2015	Shared agenda: review and approve in principle the draft shared agenda	Complete
4	Jun 29-30, 2015 Jul 27, 2015	Shared agenda draft work plan reviews: review & discuss draft high-level Council Shared Agenda Work Plans	Complete
5	TONIGHT	Budget Workshop: understanding Guelph's budget and term focus planning	In progress
6	Sep 23, 2015	Final Council Shared Agenda Workshop: work plan approval	Upcoming

City Building



Funding Sources

Direct Tax Support

Grants

Examples

Addition of a basketball court to an existing park

Upgrading an existing trail from gravel to paved

Growth



Funding Sources

Development
Charges

Direct Tax Support

Examples

reconstruction of existing road to expand capacity

purchase of additional vehicles and equipment

addition of a new park or trail

Infrastructure



Funding Sources

Direct Tax Support

Grants

Examples

replacement of staff laptops

replacement of parks equipment

replacement of water, sewer, storm and road networks

Putting it all together

Existing operating budget funds maintenance, grass cutting, etc. of capital assets. A change in the operating budget could affect the Capital budget, asset or project.



Capital budget funds Capital projects. These projects will have an impact on the Operating budget. Through some projects the City will be able to find efficiencies (less staff resources spent on short-term fixes) while others will increase costs (new trail could mean additional resources to maintain it).

Capital Budget Workshop City of Guelph

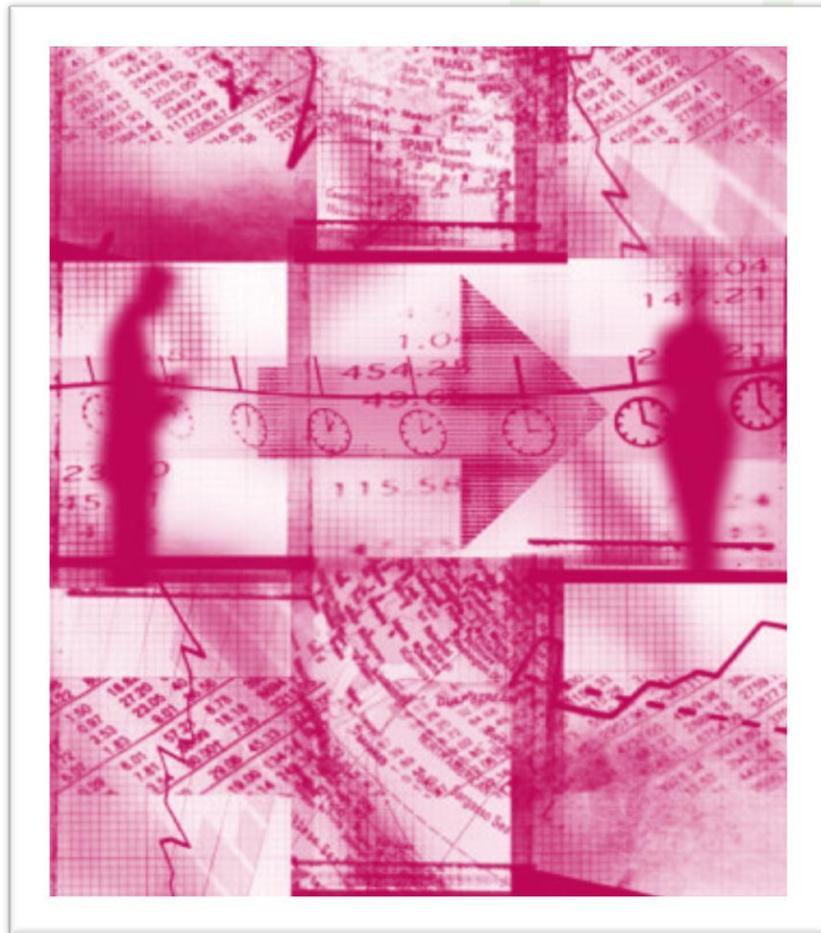
Jim Bruzzese, CPA, CGA

President of BMA Management Consulting Inc.



Presentation

- Introduction
- Sustainable Infrastructure Funding
- Additional Sustainable Funding Strategies – Leading Practices
- Development of a Long Range Financial Plan

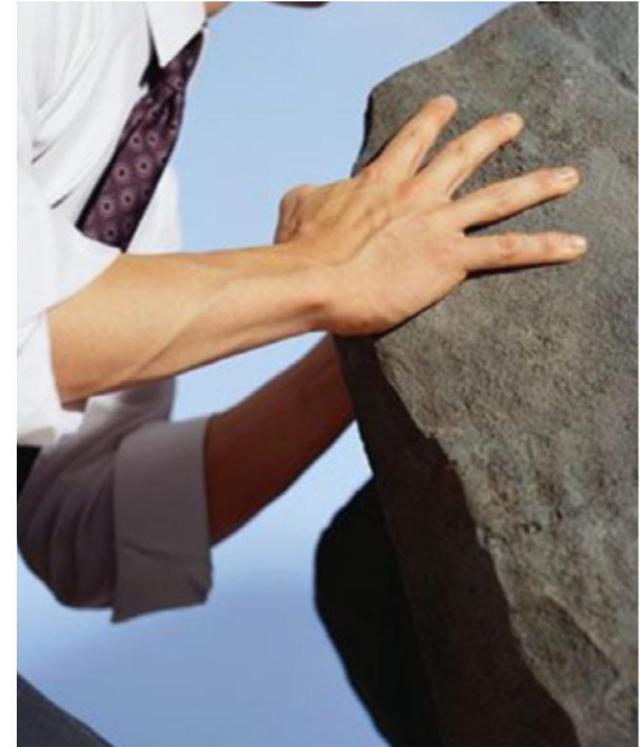


Introduction



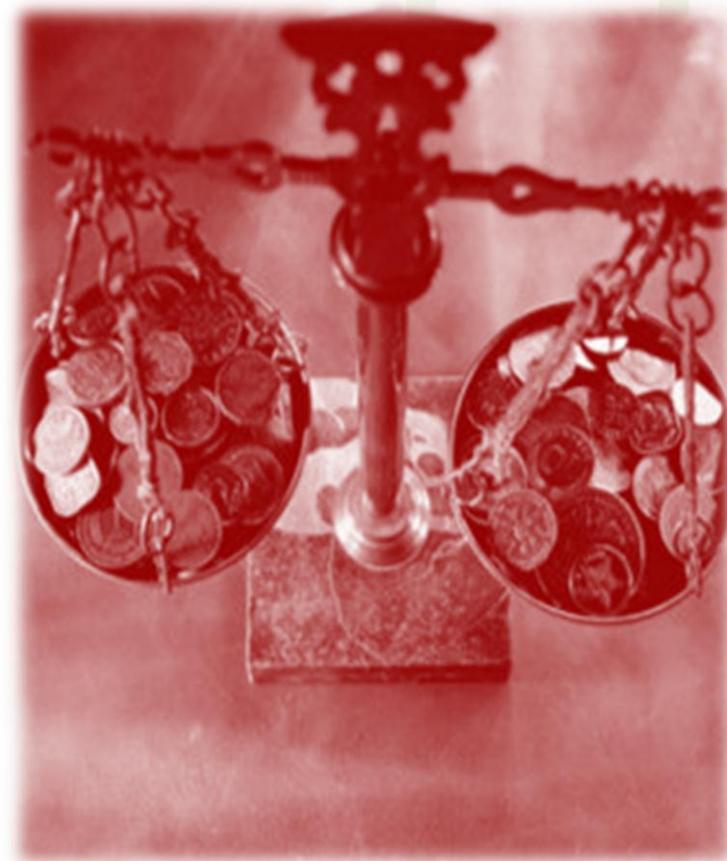
Introduction - Municipal Challenges are Complex....

- Increasing operating expenditures at a rate faster than inflation
- Changes in economic/business cycles impacts municipal budgets
- Shifting demographics – aging population
- Tax resistance– desire to limit property tax and rate increases
- Revenue Pressures - Grants and subsidies are inconsistent
- New accounting standards have increased transparency of underfunding assets



Municipal Challenges are Complex.....

- Every municipality is struggling with infrastructure gaps
 - There is a need to balance funding ongoing annual infrastructure underfunding and historical gaps in funding with new projects to support growth and new initiatives
- Most municipalities face significant infrastructure deficits and funding gaps for roads, bridges, facilities, water/ww distribution and collection systems, etc.
- The need for increased capital spending is probably the biggest issue facing municipalities today



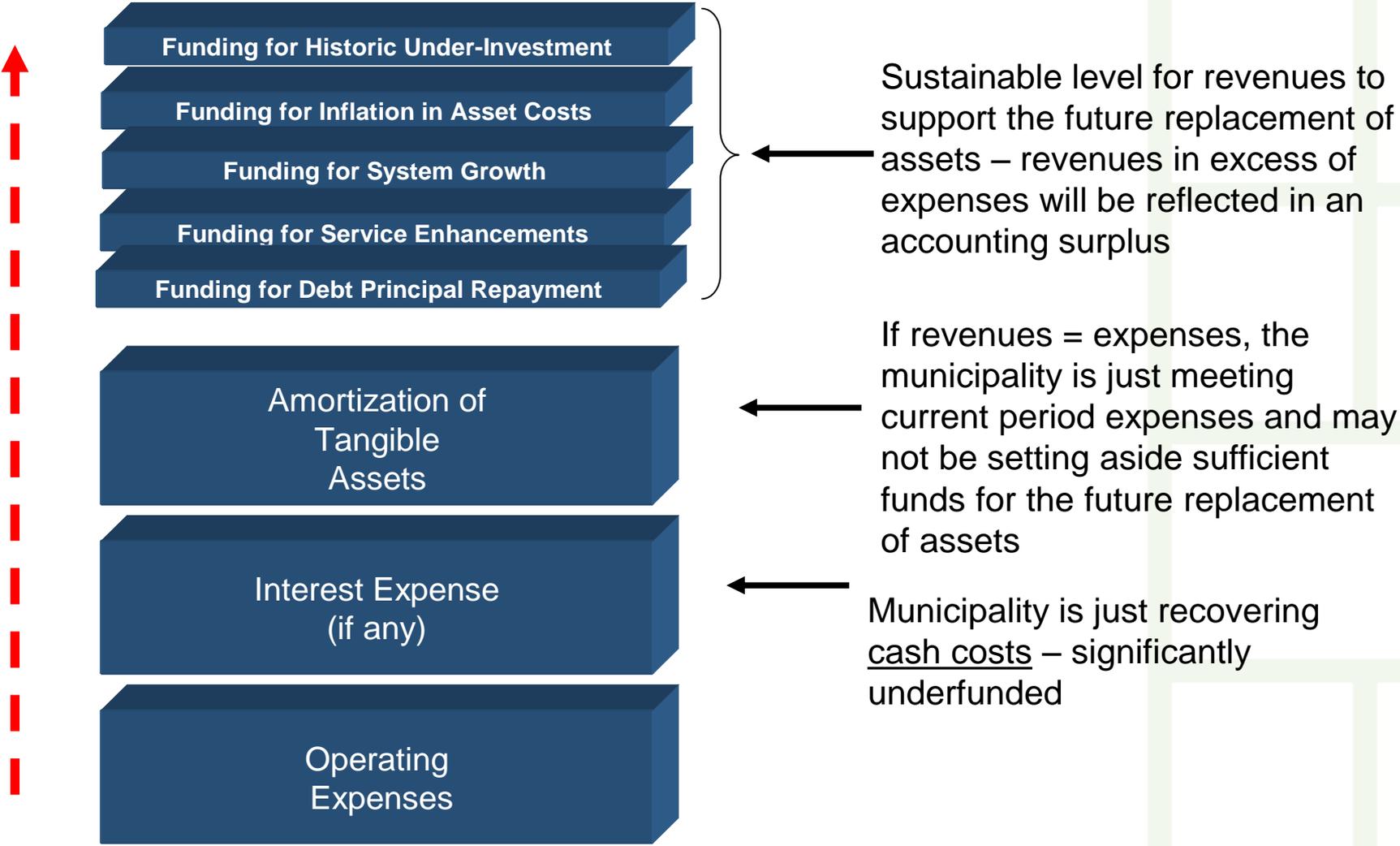
Sustainable Infrastructure Funding



Sustainable Infrastructure Funding

- Sustainable infrastructure funding is the funding required to sustain assets in such a manner that meets present infrastructure needs without compromising the ability of future generations to meet their infrastructure needs

Building Blocks for Financial Sustainability

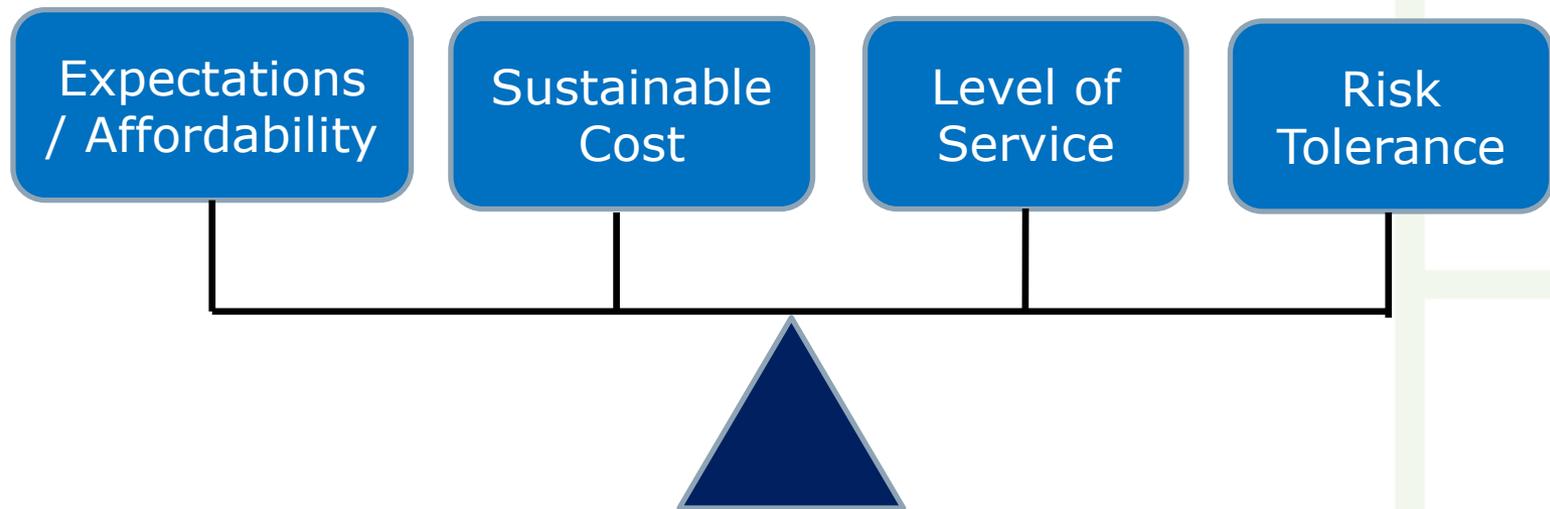


PSAB and Financial Condition

- PSAB allows a municipality to understand:
 - What assets you have
 - What are they worth (at least at a historical cost level)
 - What is their useful life
 - Approximately when assets will need to be replaced



Management by reality, not by spreadsheet



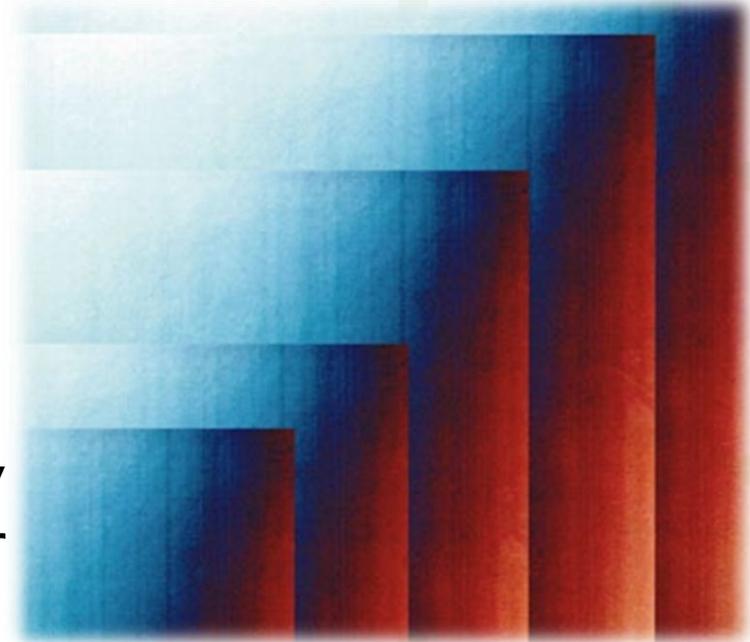
- Requires development of policies, databases and analytical tools
- Must look beyond the accounting of PSAB
- Asset Management takes into account the condition, material, age, use, maintenance, deterioration curves to develop a spending plan

City's Progress Toward Sustainable Infrastructure Funding

- Historical cost of the assets it owns - \$4.1 billion
- In 2012, the City completed a Sustainable Infrastructure Report for water, wastewater, storm and transportation which identified a considerable infrastructure funding gap in each of these areas
- 2013 - Council approved a Corporate Asset Management Policy to standardize and enhance the organization's approach to capital asset management
- In lieu of detailed lifecycle plans for each asset, on an interim basis, the City has established Lifecycle Reserve Fund Policies

Sustainable Infrastructure Funding

- Based on peer comparators:
 - Tax reserves as a % of taxation in Guelph are 41% compared with a survey 70% (BMA Study) and...
 - Guelph's asset consumption ratio is higher than the survey average for water, wastewater and tax supported programs
 - Additional peer comparisons and financial indicators will be presented to Council in September



Next Steps Toward Financial Sustainable Funding

- International Infrastructure Management Manual, describes the key elements of asset management as:
 - Taking a lifecycle approach
 - Developing cost-effective management strategies for the long-term
 - Providing a defined level of service and monitoring asset performance
 - Gap identification
 - Long Range Funding Strategy



Next Steps Toward Financial Sustainable Funding

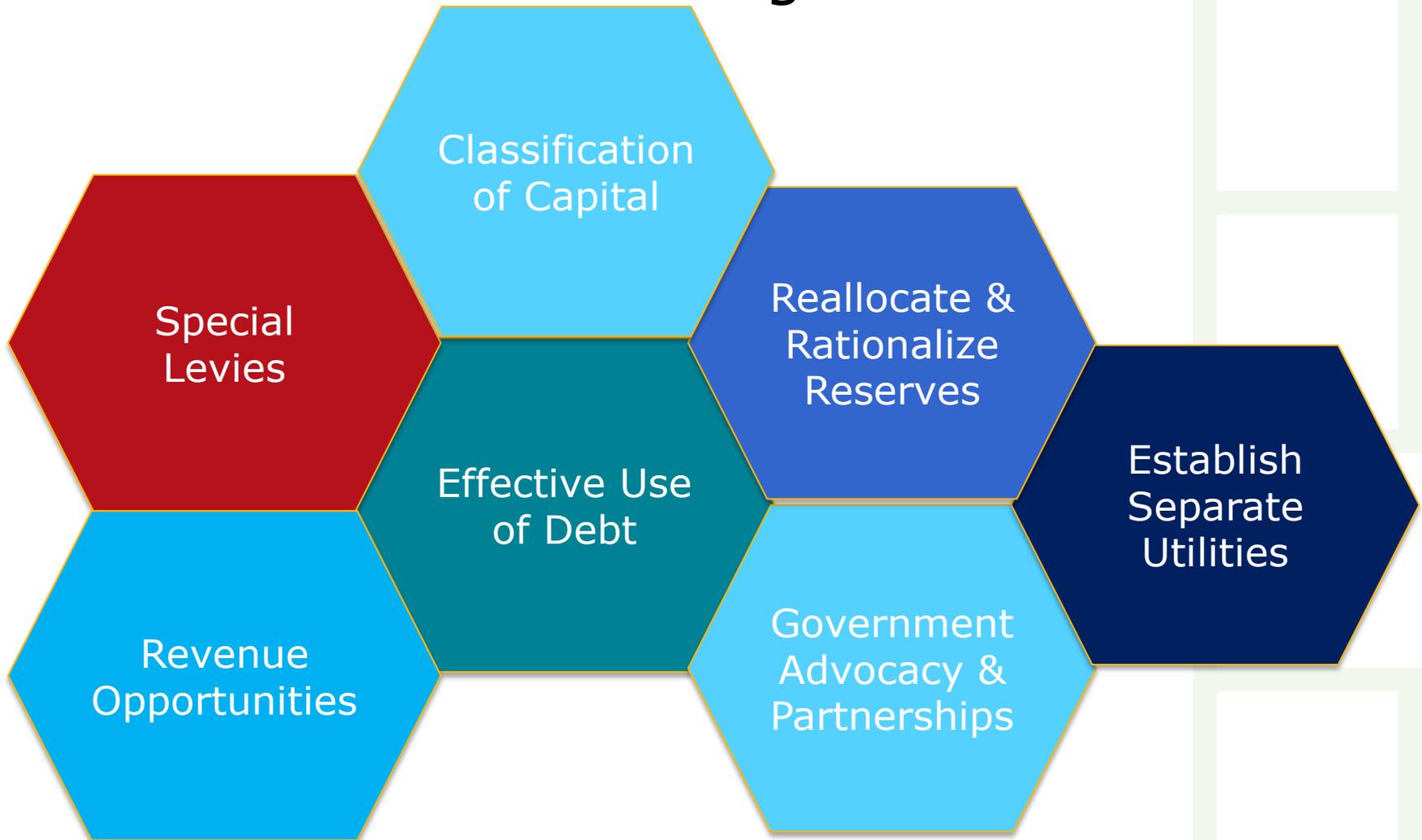
- There is a need:
 - For an ongoing asset program with dedicated staff and financial resources to move toward sustainable infrastructure funding
 - To review contributions based on risk management



***Additional Capital
Infrastructure
Sustainability
Strategies –
Leading Practices***



Capital Infrastructure Sustainability Strategies



Strategies – Special Levies

- A number of municipalities have established Special Infrastructure Levies
- Allows a gradual phase-in toward the ongoing operating and capital financing expenses and ensures that sufficient funds are set aside
- Provides discipline that funds will be set aside for asset replacement
- These special levies typically compound annually, resulting in a significant opportunity to reduce funding gap
- Examples - City of Barrie, the Town of Oakville, the City of Mississauga and the Town of Halton Hills. Typical range is 1%-2% Special Levy



Strategies – Revenue Sources

- A number of municipalities have helped to address the replacement/refurbishment requirements of recreation facilities and equipment by adding a capital fee surcharge to the fees.
- This money is available in the future to help ensure that recreation facilities are well maintained and is placed into a separate reserve.



Effective Use of Debt

- Some municipalities have established planned debt management strategies to address infrastructure deficits
- The City of Vaughan annually issues \$9 million in tax related debt amortized over a 10 year period to fund the roads replacement program. Although more costly due to the addition of interest costs, maintaining service levels, reducing maintenance costs and risk of failure supports the use of long term debt.

As debt retires, some municipalities take the reduction and redirect to capital reserves – City of Mississauga, City of Barrie



Strategies – Establishing Separate Utility

- More and more municipalities have been identifying alternative options to fund capital intensive programs beyond the tax base

Storm Utility

- Moving to a separate utility provides dedicated funds and distributes the costs among owners of properties in proportion to their use/contribution.
- A user-fee-funded utility structure helps secure dedicated funding, rather than having to compete with other municipal departments for general funds.
- Stormwater Utilities - Town of Richmond Hill, the City of Waterloo, the City of Mississauga, the City of London and the City of Kitchener.

Strategies – Portfolio Approach for Capital Reserves

- A number of municipalities use a portfolio approach to manage capital reserves
- Under this approach, individual reserves are pooled together
- Pooling reserves helps to mitigate financial volatility and risk that a specific capital program reserve might otherwise experience
- This approach also provides additional financial flexibility to address priority needs
- City of Mississauga and the City of Cambridge recently consolidated a number of capital reserves to increase flexibility



Strategies – Other Reserve Options

New Assets Lifecycle Contribution Requirements

- As new assets are added, the operating budget must include an annual contribution for the replacement of the assets in the future, using lifecycle costing. This is the practice in the City of Burlington. The Town of Oakville utilizes a 5 year phase-in to full replacement amortization to help lessen the impact on the operating budget for new facilities.

Restricted Capital Reserve Uses

- Some municipalities establish restrictions on the use of Capital Reserves to fund only the replacement or refurbishment of existing assets whereby reserves are not used for the acquisition of new assets. This is the practice in the City of Burlington and the City of Barrie.

Strategies – Capital Classification

- A number of municipalities, including Guelph group capital budget items into the following categories to clearly communicate how scarce capital dollars are being spent:
 - **Infrastructure Renewal Projects**
 - maintaining the infrastructure
 - high priority component of the capital budget
 - **Growth Projects** - extend services into newly developed areas of the City. Growth works are supported in part by development charges
 - **City Building** - a new or improved level of service or address an emerging need

Strategies – Government Advocacy & Partnership

- It is well established that the condition of Canada's municipal infrastructure is one of the keys maintaining and enhancing Canada's economic productivity and competitiveness
- Municipalities are continuing to leverage funds available by other levels of government to advance capital programs
 - Maximizing funding available from government partnership programs such as the Infrastructure Stimulus Funding



Developing a Long Range Financial Plan



Next Steps - GFOA States

- *"All governments should regularly engage in long-term financial planning..."*



**Government Finance
Officers Association**

Long Range Financial Plan

- Examines fiscal trends
- Produces a financial forecast
- Provides information to establish feasible solutions
- Identifies fiscal issues and opportunities
- Establishes fiscal policies and goals
- As indicated by GFOA, this is an important element of the Budget Process



What is a Long Range Financial Plan (LRFP)?

- A LRFP is a framework to guide the City in planning and decision making
- Measures the municipality's financial capacity to meet the overall strategic and business plans of the municipalities
- It is a strategic process that provides a municipality with the insights and information they need to make choices necessary to establish financial sustainability
- It identifies risks and challenges in delivering on priorities and outlines options to mitigate critical issues

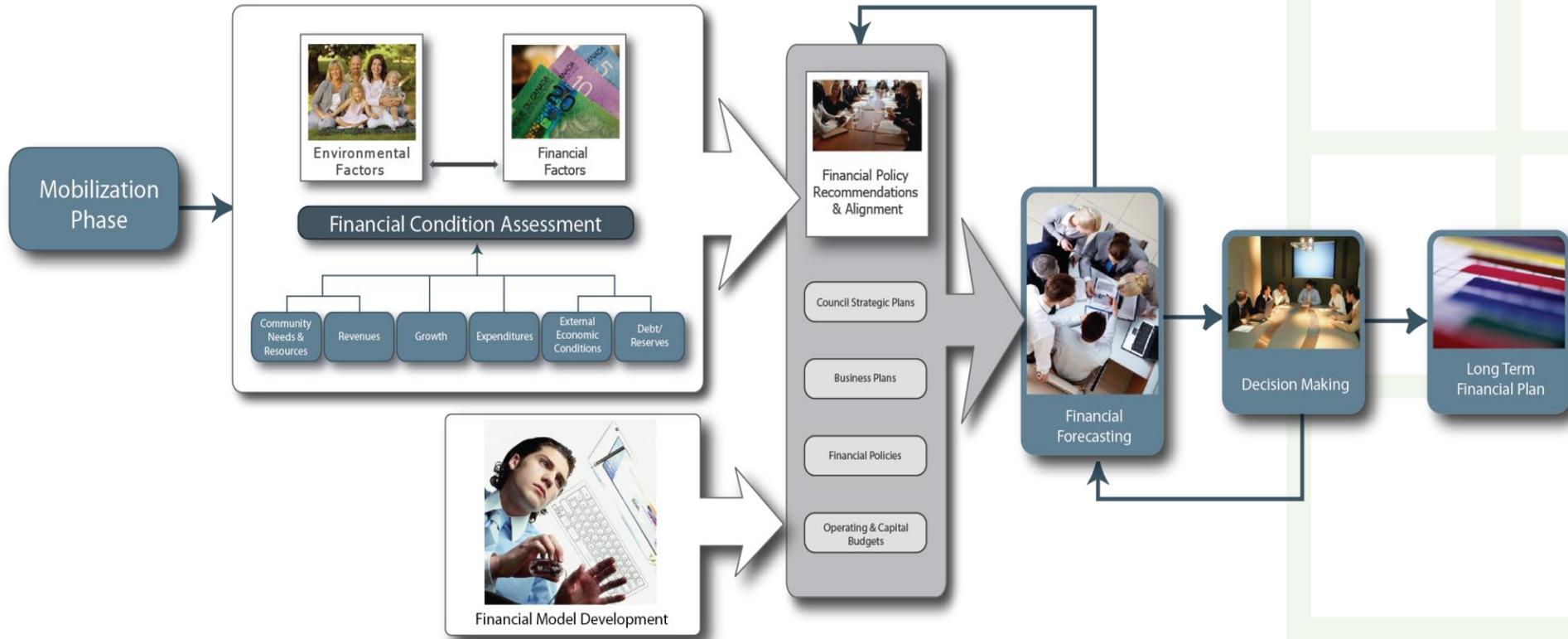


Importance of a Long Range Financial Plan

- A LRFP help ensure that the City:
 - Has a plan to protect and maintain its assets;
 - Has a reasonable degree of stability and predictability in the rate burden;
 - Has a fair sharing in the distribution of resources between current and future taxpayers;
 - Has sustainable cash flows in the long term;
 - Maximizes its financial flexibility;
 - Minimizes financial vulnerability during economic downturns; and
 - Maintains programs and services at their desired levels.



Process



Questions & Answers

Questions & Answers
Answers

Corporate Strategic Plan Framework (2012–16)

VISION

To be the City that makes a difference...acting locally and globally to improve the lives of residents, the broader community and the world.

MISSION

To build an exceptional City by providing outstanding municipal service and value.

VALUES

Integrity
Excellence
Wellness

STRATEGIC FOCUS AREAS

- 1 Organizational Excellence**
- 2 Innovation in Local Government**
- 3 City Building**

STRATEGIC DIRECTIONS

- 1.1** Engage employees through excellence in leadership.
- 1.2** Develop collaborative work teams and apply whole systems thinking to deliver creative solutions.
- 1.3** Build robust systems, structures and frameworks aligned to strategy.
- 2.1** Build an adaptive environment for government innovation to ensure fiscal and service sustainability.
- 2.2** Deliver public services better.
- 2.3** Ensure accountability, transparency and engagement.
- 3.1** Ensure a well designed, safe, inclusive, appealing and sustainable City.
- 3.2** Be economically viable, resilient, diverse and attractive for business.
- 3.3** Strengthen citizen and stakeholder engagement and communications.

Capital: City Building Listing

Council Shared Agenda Item	Votes

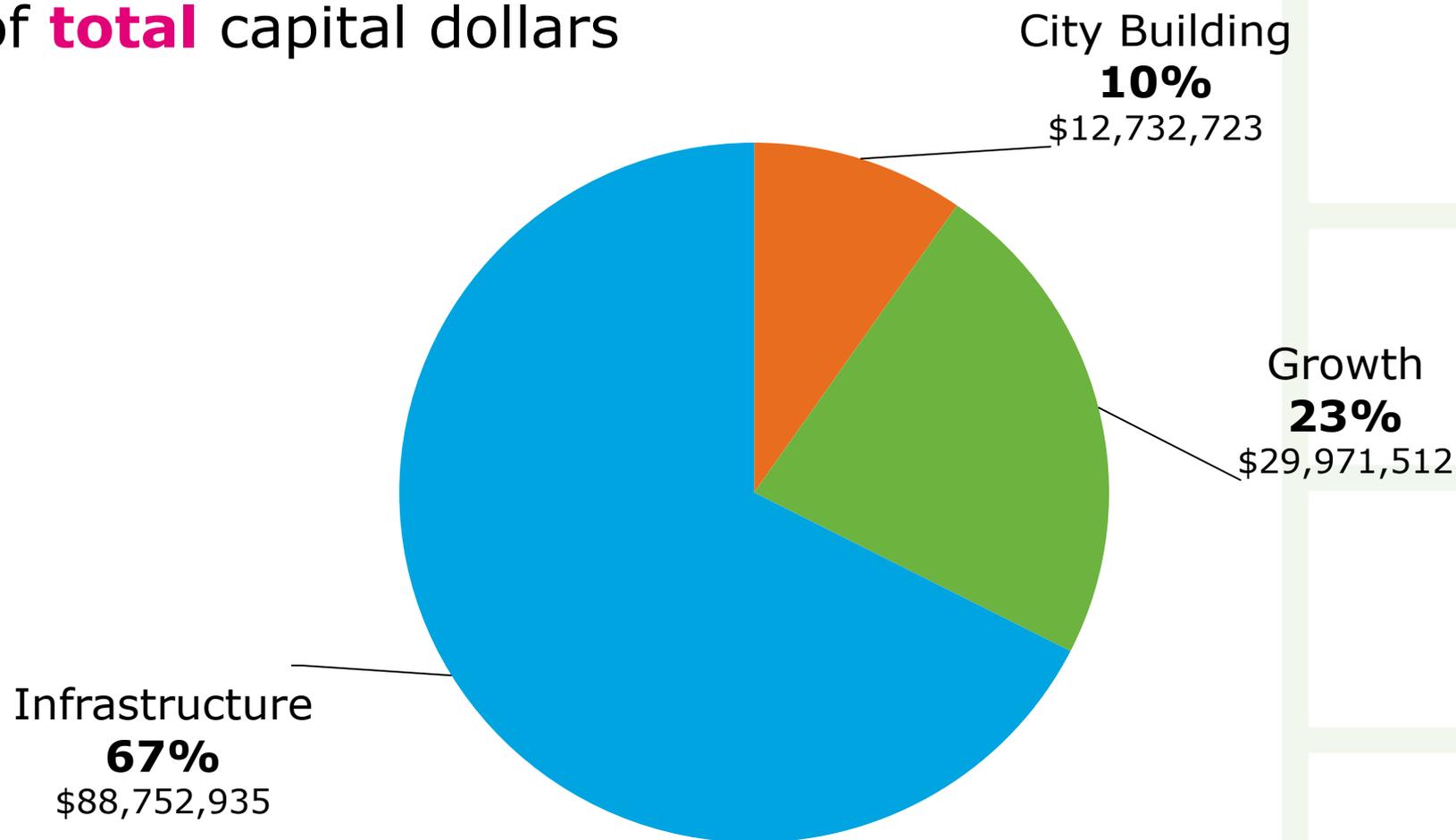
Capital: Growth Listing

Council Shared Agenda Item	Votes

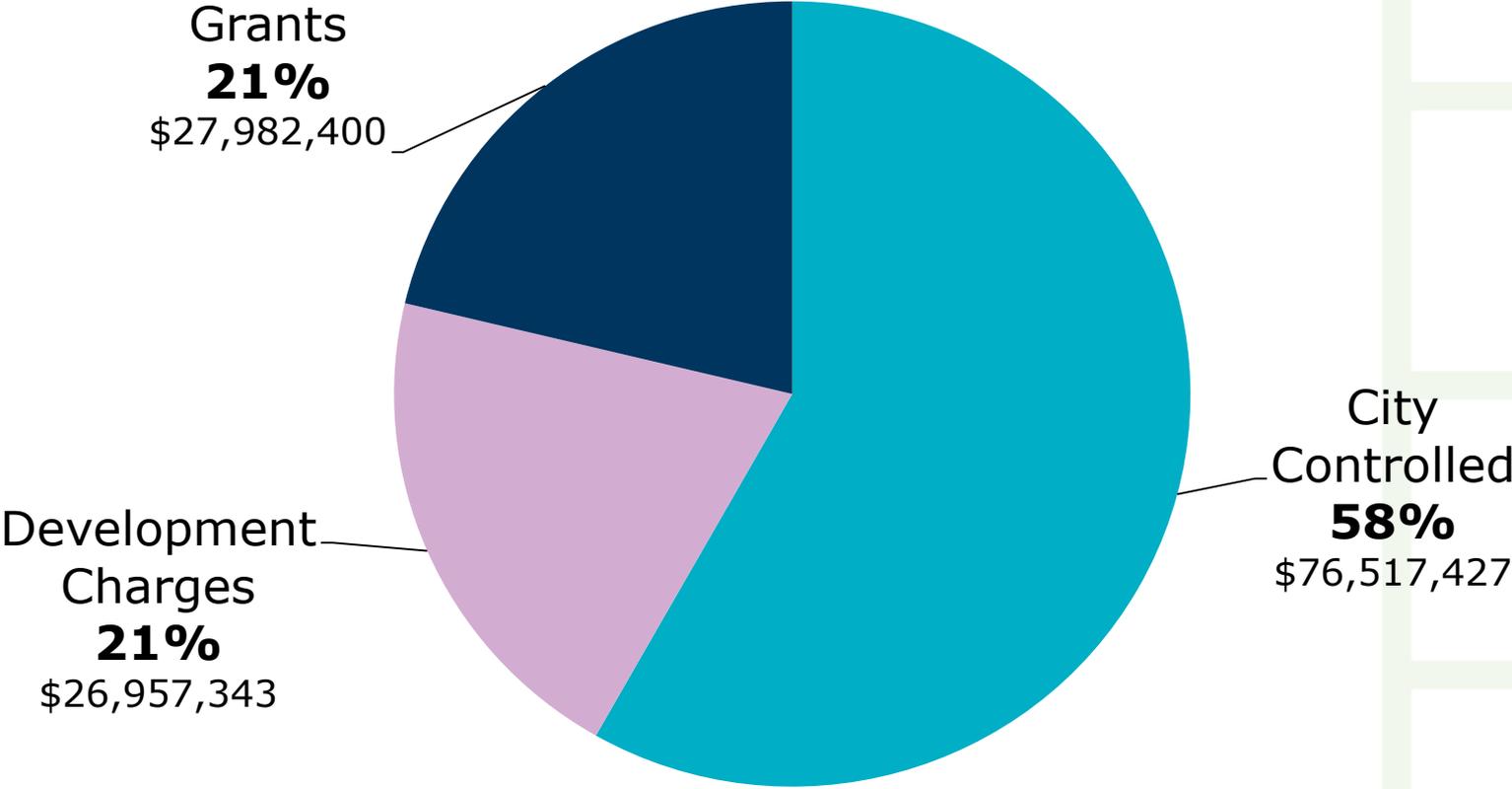
Capital: Infrastructure Listing

Council Shared Agenda Item	Votes

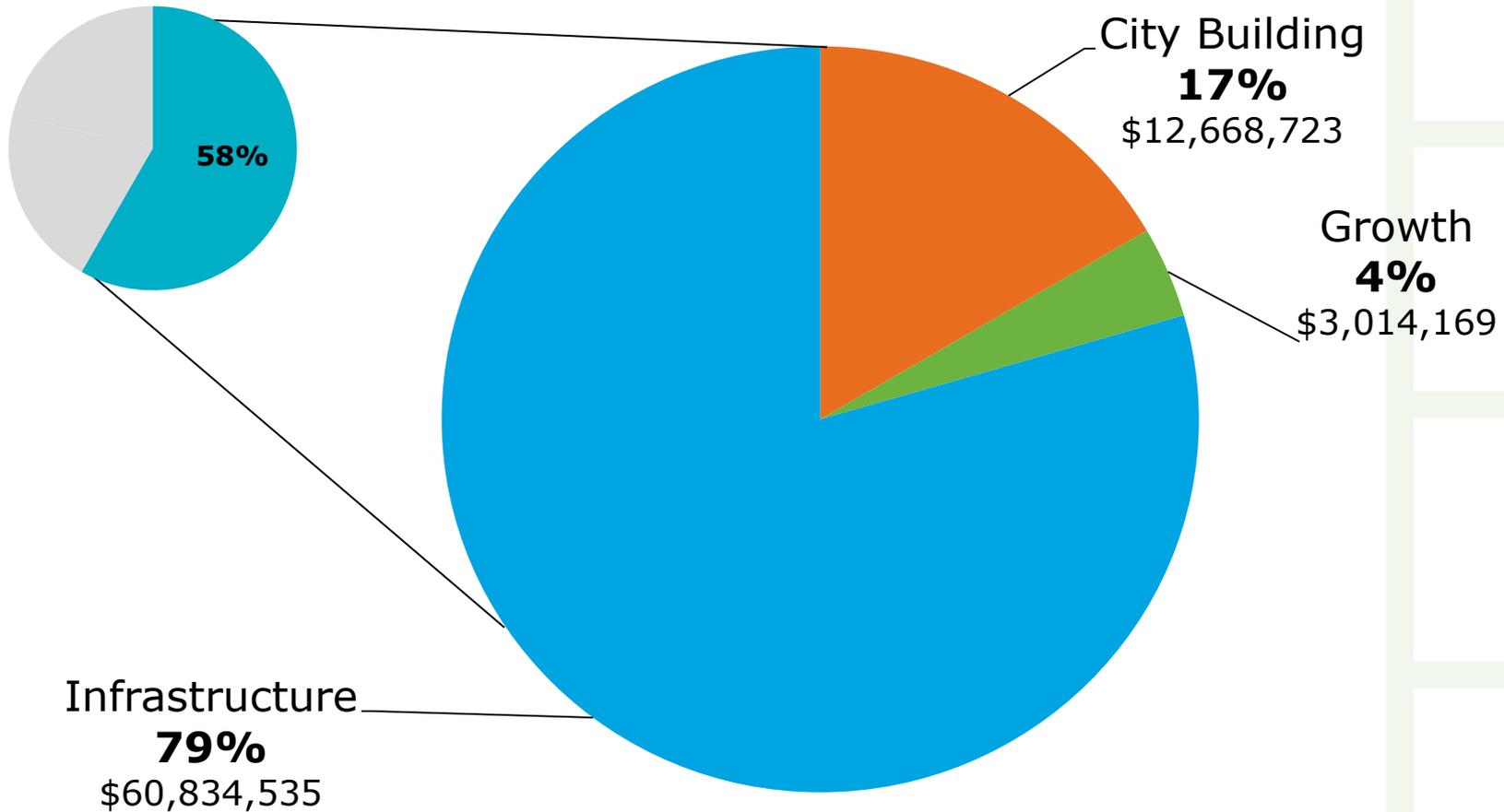
2016-2018 per cent allocation of **total** capital dollars



2016-2018 per cent allocation of **total** capital dollars **by funding source**



2016-2018 per cent allocation of **City controlled** capital dollars



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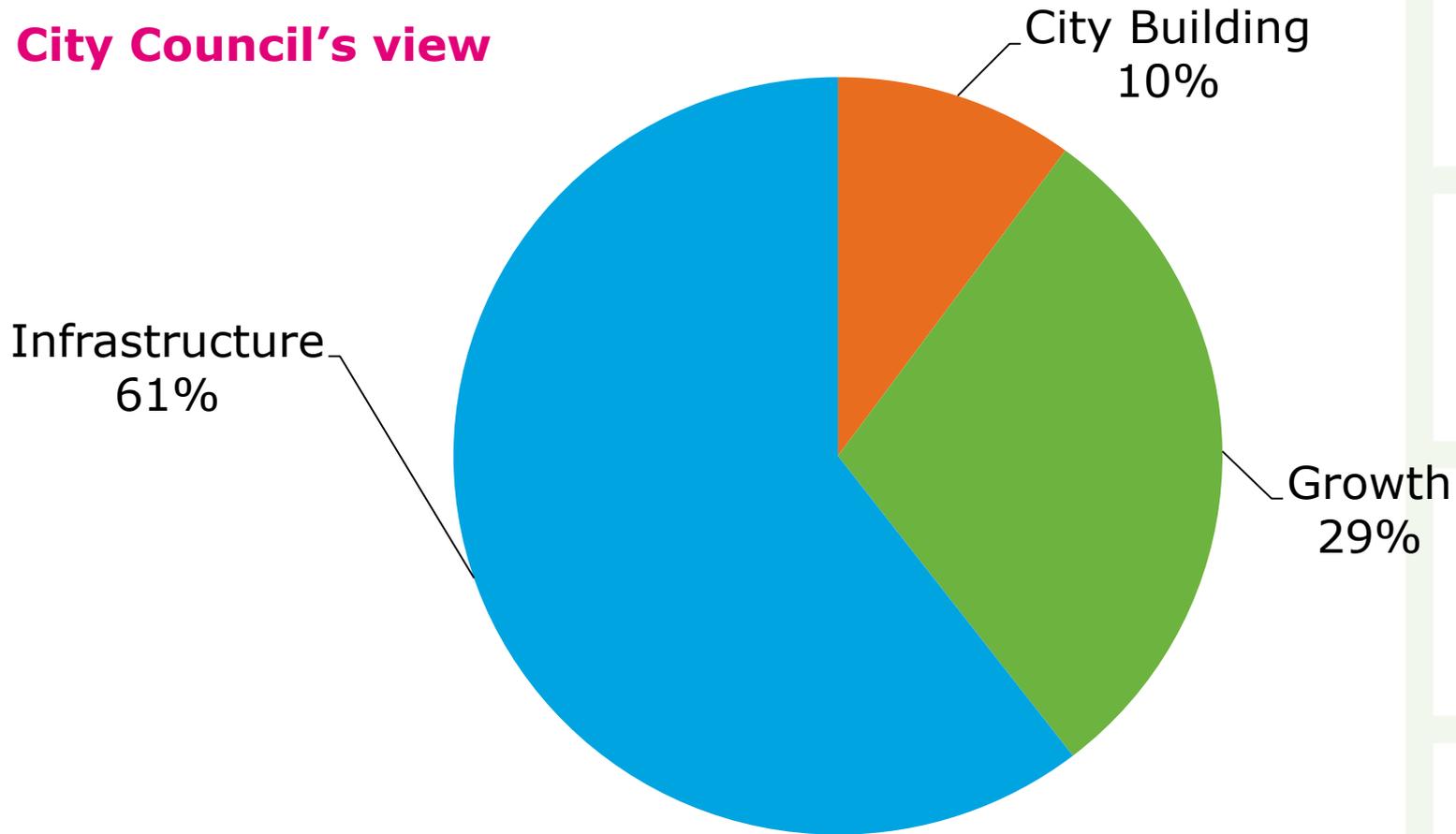
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Initial Results: Per cent allocation of City controlled capital dollars

City Council's view



Budget Simulator

Recommendation

THAT staff be directed to consider input from the July 28, 2015 workshop for the development of Council Shared Agenda and 2016 Capital and Operating budget

Questions?

Thank you