Committee of the Whole
Meeting Agenda

Monday, February 3, 2020, 2:00 p.m.
Council Chambers, Guelph City Hall, 1 Carden Street

Changes to the original agenda are noted with an asterisk "*".

Pages

4.1 CS-2020-04 2019 Financial Condition Assessment and Proposed Long-term Financial Framework 48

Presentation:
Tara Baker, General Manager, Finance/City Treasurer
Greg Clark, Manager, Financial Strategy and Long Term Planning

Recommendation:

1. That the 2019 Financial Condition Assessment attached to report CS-2020-04 and dated February 3, 2020 be received.
2. That the Long-term Financial Framework included as Attachment-2 to report CS-2020-04, be approved.

4.2 CS-2019-103 Development Fee Exemptions or Waivers 109

(extracted from the December 13, 2019 Items for Information as requested by Mayor Guthrie)

Mayor Guthrie will speak to this item.

5. Service Area Chair and Staff Announcements

6. Service Area - Public Services

Chair - Councillor Hofland

7. Consent Agenda - Public Services

The following resolutions have been prepared to facilitate Council's consideration of various matters and are suggested for consideration. If Council wishes to address a specific report in isolation of the Consent Agenda, please identify the item. It will be extracted and dealt with separately as part of the Items for Discussion.

7.1 PS-2020-01 238 Willow Road Application 113

Recommendation:
That the Cash-in-Lieu of parkland dedication requirement with respect to Building Permit Number 19 005894 pursuant to Bylaw (2019)-20366 be calculated based on the addition of the two new units being developed as part of that permit application.

8. Items for Discussion - Public Services

The following items have been extracted from Consent Agenda and will be considered separately. These items have been extracted either at the request of a member of Council or because they include a presentation and/or delegations.

8.1 PS-2020-02 Leash Free Implementation Plan 116

Delegations:
Jan Brown
John Farley

Recommendation:
That the Leash Free implementation plan as approved by Council on June 24, 2019 be amended to remove the proposed fenced leash free facility at Lee Street Park.

9. Service Area Chair and Staff Announcements

10. Adjournment

Staff Report

To	**Committee of the Whole**
Service Area	Corporate Services
Date	Monday, February 3, 2020
Subject	**2020 Debt Management Policy Update**
Report Number	CS-2020-02

Recommendation

That the Debt Management Policy as recommended through report titled 2020 Debt Management Policy Update dated February 3, 2020 and numbered CS-2020-02 be approved.

Executive Summary

Purpose of Report

This report covers the results of an in-depth policy review focused on updating the City's Debt Management Policy. A policy is required to establish criteria for the use of debt within the City's overall financial framework. This policy demonstrates to investors that the City has strong financial management principles and it ensures continuity and consistency is applied to financial decision-making. Debt policies should be reviewed periodically to ensure continued appropriateness given changing market conditions and industry standards. The key policy items under review were:

- The appropriate ratios to measure debt and acceptable debt limits
- Criteria for debt funded projects
- The effectiveness of internal lending
- Frequency of debt issuance
- Reporting on debt to Council

Key Findings

The City has a strong Debt Management Policy that has supported the City's capital plan and helped maintain the strong AA+ credit rating for the past seven years. The current policy is in many ways aligned with the debt policies used by other municipalities in Ontario, however an update is required to ensure the policy reflects the City's Strategic Plan and today's economic environment.

The following changes to the Debt Management Policy are recommended in order to improve financial flexibility, reduce financial vulnerability and ensure the objectives of the Council-approved Strategic Plan are achievable in a financially sustainable manner:

- Increased utilization of internal lending
- Improved debt reporting
- Expand project eligibility to include infrastructure renewal projects

- Comprehensive set of ratios and caps to indicate the appropriate level of indebtedness

Financial Implications

Adopting the recommendations of this report will allow the City to balance existing fiscal strategies with new methods of measuring and adapting to changing markets. These recommendations ensure that the City's financial health will remain strong while also addressing the challenge of maintaining service levels, accommodating growth and adapting to changing legislation in an equitable and sustainable manner.

Report

Project Approach

This policy review followed a ten-step process:

1. Review current policy to determine how it aligns with economic conditions and corporate strategic goals.
2. Review legislation as it relates to municipal debt management in Ontario
3. Research academic and media reports on municipal debt management both in Canada and abroad
4. Distil goals and source of concern associated with current policy into questions for comparator municipalities
5. Survey comparator municipalities on their debt management policies and practices
6. Consolidate data from survey into key points, addressing both changes that the City can make and instances where Guelph was aligned with the current standard practice
7. Compare the compiled data with the goals and objectives found in the Strategic Plan
8. Synthesize the results of this research into a recommendation for policy change
9. Ensure policy aligns with the goals of the Long-term Financial Framework

Current Policy and Key Issues

The current policy is ten years old, having been established on October 26, 2009. Although this policy has generally served the City well, there is room to improve on certain key points. This policy emphasizes several sets of controls, and prioritizes the improvement of the City's credit rating, which has indeed gone from AA to AA+ in the intervening time.

The current policy contains several hard limits and sets of criteria for debt and debt issuance, including a list of factors, which a project must meet before debt can be considered, and several limits on overall debt, measured in different manners.

The policy is very comprehensive and lays out the different borrowing methods used for long-term, medium, and short-term debt, as well as many helpful 'structural features' such as debt denomination and repayment terms in section 7.

The challenges with the current Debt Management Policy relate to the rigidity of the guidelines that make compliance difficult given today's financial planning environment. In particular, the direct debt to reserve ratio target of 1:1 is difficult to maintain and is not a meaningful measure of financial health or creditworthiness. The Development Charge (DC) debt servicing to collections ratio does not align with the DC charge calculation methodology, so keeping within the targets identified is counterproductive.

One of the goals of the Debt Management Policy review is to evaluate the limits identified in the policy to ensure that the most appropriate ratios are being used to control the level of indebtedness and that the limits imposed are meaningful measures that balance financial flexibility and financial sustainability.

Attachment-3 reflects the current Debt Management Policy (2009) as approved in report FIN-09-35.

Legislated Framework

Legislative constraints are key when crafting financial policy in Ontario, as municipalities are under stringent controls and regulations. The purpose of this report is not to perform a legislative review, but the important restrictions have been listed here:

- Municipalities can incur debt for municipal purposes, including[1]
    - If authorized by another act to provide services jointly then municipalities can issue joint debt
    - For the purpose of a school board that falls within municipal borders, so long as the municipality is acting in accordance with the Education Act
- Municipalities can finance 'a work' in whole or in part by debentures so long as it has approved the issuance of debentures for the work.[2] These funds must be used for the work they were issued for[3]
- The municipality may authorize temporary borrowing at any time during the year, until taxes are collected, for any expense that they consider necessary to meet the needs of the municipality for that year
    - Between January 1 and September 30 this debt cannot exceed 50 per cent of the total estimated revenues of the municipality as set out in the budget.
    - Between October 1 and December 31 it cannot exceed 25 per cent of the total estimated revenue of the municipality.[4]
- Debentures can only be issued for long-term borrowing so long as they are providing financing for a capital work.[5] They also shall not exceed the useful life of the capital work and under no circumstances shall they exceed 40 years.[6]
- Municipal debt is limited by the annual repayment limit (ARL), which is the maximum that a municipality can pay in principal and interest payments in one

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[1] *Municipal Act, 2001* S.O. 2001 c.25 s. 401(1) (Ontario)

[2] *Municipal Act, 2001* S.O. 2001 c.25 s. 405(1)(a) (Ontario) – as municipal actions must be authorized by bylaw this is no exception, council must pass bylaws to approve each issuance of debt for a work

[3] *Municipal Act, 2001* S.O. 2001 c.25 s. 405 (2) and s.413 (Ontario)

[4] *Municipal Act, 2001* S.O. 2001 c.25 s. 407(2)(a)(b) (Ontario)

[5] *Municipal Act, 2001* S.O. 2001 c.25 s. 408(2.1) (Ontario)

[6] *Municipal Act, 2001* S.O. 2001 c.25 s. 408(3) (Ontario)

year; this is determined by the Ministry of Municipal Affairs and Housing (MMAH) for each municipality in Ontario.[7] Typically, the ARL for most municipalities is 25% of the municipality's annual own source revenues, less their annual long-term debt servicing costs and annual payments for other long-term financial obligations[8]

Survey Results

The municipalities contacted during this survey were:

Group 1	**Group 2**
London	Pickering
Brantford	Orillia
Kingston	Peterborough
Ottawa	York Region
Windsor	Kitchener
Thunder Bay	Ottawa
Chatham-Kent	
Barrie	
Hamilton	

These municipalities fall into two categories, Group 1 which are municipalities similar to the City of Guelph, based on a balance of factors including population, location, and corporate structure, while Group 2 are municipalities with unique perspectives on issues affecting municipal debt.

Performing interviews led to an abundance of data that both confirmed some of the City's current practices and gave insight on where the City can improve.

Many of the common practices around the province, such as having an official debt management policy, are consistent with our existing practices. Additionally, in constructing this survey, we sought to find ways that other municipalities surpass our practices so that we could implement these measurements, metrics and caps. The questions asked in this survey focused on:

- Whether or not municipalities maintain an official debt policy
- Their reserve lending practices
- Criteria applied to determine whether projects can be debt funded
- What types of debt the municipality uses
- Debt limits and ratios used by the municipality to maintain financial health

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[7] *Municipal Act, 2001* S.O. 2001 c.25 (Ontario)

[8] Ministry of Municipal Affairs and Housing. "Understanding Municipal Debt." *Ontario.Ca*, 23 Sept. 2019, www.ontario.ca/document/tools-municipal-budgeting-and-long-term-financial-planning/understanding-municipal-debt.

- Whether they have restrictions on the amortization periods they find acceptable
- The frequency with which debt is issued
- DC debt practices and ratios that are used specifically for DC debt
- Methods of reporting debt to Council

In many ways, the survey results emphasized that Guelph has excellent financial management practices. However, there are also opportunities for improving the status quo.

Through discussions with representatives of each of these municipalities, and reviewing their debt management policies provided a clear picture of the current industry standard in Ontario that has emerged. Ontario municipalities tend to behave in a manner similar to the City, which values flexibility and responsiveness in their financial policies, but balances this with prioritizing the requirements of credit rating agencies such as Standard & Poor's (S&P) or Moody's.

Some of the consistent findings across Ontario municipalities are:

- Typically most municipalities have a codified debt management policy
- Most Ontario municipalities engage in internal financing, typically they charge themselves interest at market or a rate equivalent to Infrastructure Ontario
- Most Ontario municipalities do not institute hard criteria for which type of projects can be debt funded, most prefer a flexible case-by-case approach where staff and Council can judge each project on its merits
- About half of the municipalities surveyed have a self-imposed debt limitation that is lower than the provincial requirements, however, the caps themselves vary a great deal and there appears to be no standard limit
- Although many municipalities monitor their debt-to-reserve ratio most do not have a stated goal. Those that do use the industry standard of 1:1
- Most municipalities determine the amortization period of their loans based on provincial regulations rather than setting their own internal limits
- Municipalities typically issue debt annually, sometimes skipping a year if it is not necessary
- Most municipalities report debt to Council using the annual budget process

Although many of these practices are consistent with the City's current policy, it has helped to inform staff of where the City can improve their current financial management strategy.

Academic Results

This review involved extensive research on academic and Non-Governmental Organizations (NGOs)[9] advice for municipalities and local governments managing their debt. While it is difficult to find a set of cohesive recommendations from this research, as it spanned many countries and regulatory frameworks, some common themes emerged. It is a commonly held truth that particularly in the face of increased downloading of services to local governments, debt is necessary and healthy for a municipality trying to meet their growing needs and address the infrastructure gap. Almost unanimously the advice leans towards creating a set of indicators and ratios that allow the local government to control debt in a way that is

[9] This includes organizations such as the Government Finance Officers Association, the International Monetary Fund and the World Bank

prudent for their situation without unnecessarily constraining government action. Additionally, most sources agree that local governments who choose to rely on debt should prioritize protecting their credit rating. The prevailing advice is to set constraints and indicators that will keep the municipality from overspending and taking out excessive debt during growth periods, while also maintaining flexibility so they can appropriately respond to crisis.

This is a brief summary of the findings; however, the full findings can be obtained from staff.

Findings and Recommendations

Internal Lending

Current Policy

The City's policy on internal lending is in line with the industry standard in Ontario. It allows for internal lending from one reserve fund to another so long as it will not adversely affect the intended purpose of the lending reserve fund.

The City's current policy comprehensively lays out the benefits of this practice, including increased flexibility of being able to set its own loan terms, lower costs of interest (as all interest is returned to the City rather than being paid to a third party lender), and savings in legal and fiscal agent fees. Despite this, the City has not taken advantage of the internal lending option to the extent that it could; having only internal borrowed once in 2014. The City does informally lend between reserves and reserve funds in that "like" reserve and reserve funds are managed in total and any negative balances are required to provide interest at the City's actual annual investment rate of return.

This use of internal debt in 2014 was a good learning experience and was approved to temporarily bridge an external debenture by borrowing from the Water and Wastewater Capital Reserve Funds for the Wellington-Dufferin-Guelph Public Health facilities, Baker Street land acquisition, Solid Waste carts and the Hanlon/Laird interchange. The term of the internal loan was two years and paid a rate of return of 2.3% (based on the expected rate of return on the City's investment portfolio for that period). External debentures in that same timeframe were costed at 2.75%, representing a $148 thousand savings in interest payments over the term of the loan.

Legislation

The Provincial legislation mandates the City to maintain certain reserves and reserve funds, however there are no restrictions in place relating to internal reserve lending.

Academic and Survey Results

Internal lending has not attracted a great deal of interest from academics or credit rating agencies. However, in speaking to other Ontario municipalities it is clear that internal lending is widely practiced. Almost all municipalities who engage in this practice charge themselves interest on these internal loans to compensate the lending reserve fund for the lost interest revenue they would have otherwise received.

Most municipalities do not have policies that limit the use or term of the internal lending, however, survey respondents indicated it is typically used for short-term borrowing only.

Internal lending is in-line with one of the recommendations that the World Bank makes for local governments in their 2017 book Municipal Finance: a Handbook for Local Governments, which recommends municipalities pursue creative alternatives to debt when seeking to maintain good financial health.[10]

Municipalities typically do not have additional accounting methods of addressing the complications that come with internal borrowing. It can present difficulties, as it does not show up on a balance sheet the same way a regular loan does. It is recommended by representatives from Pickering and Orillia, that all internal loans be accompanied by a promissory note signed by the Treasurer which lays out the terms of the loan. Although these notes are somewhat duplicative of the authorization by-laws passed by Council, they can assist with accounting principles and with keeping the terms of the loan in a concrete and accessible form that is easy for everyone to view.

Unanimously, municipalities who engage in this practice stated that it had not had an effect on their credit rating. Despite the fact that this practice does not have academic or rating agency data backing it up, it appears to be a new standard practice. These short-term loans can be used when cash flow is sufficient and to prevent the issuance of small debentures, which may not be optimal for marketing.

Recommendation

While the current policy allows for the use of internal lending, there has only been one formal lending arrangement in the last ten years. Municipal survey results have revealed that internal lending is becoming increasingly more common due to the benefits relating to: savings in debt servicing costs, added flexibility, and funding solutions for short-term funding needs. It would be advisable to employ internal lending more frequently in the capital planning process, using improved authorization guidelines to improve consistency and continuity. When the amount being loaned exceeds $1 million the formal process should be followed, for lesser amounts the section regarding interest rate applicable will still apply.

Frequency of Issuance

Current Policy

The current Debt Management Policy does not set out a specific time frame for the frequency of issuing debt. However, the City's current practice is to issue debt as needed, in accordance with the debt continuity schedule that forecasts debt-funded projects and debt needs over the long-term.

Legislation

There are no regulations or legislation to dictate how frequently municipalities can or should issue debt.

[10] D. Farvacque-Vitkovic, Catherine, and Mihaly Kopanyi. *Municipal Finances: A Handbook for Local Governments*. World Bank Publications, 2014.

Academic and Survey Results

Most municipalities report that they issue debt as needed or issue it annually. Issuing annually allows municipalities to isolate themselves from economic fluctuations and avoid being forced to issue debt in an unfavourable market.

The frequency that a municipality issues debt is not a measurement that S&P uses to gauge municipality's financial health, as long as the issuance was planned and within the corporate thresholds, it will not have an impact on the credit score.

Recommendation

It is recommended that the City maintain the current approach to issuing debt as needed and planned through the capital budget forecast. Increasing the utilization of internal borrowing may extend the timeframes required for issuing external debt as well.

Council Debt Reporting

Current Policy

The current policy does not specifically address the way that debt is reported to Council. Debt is typically addressed through the budget process or when Council authorizes each individual debt issuance. Further, there is annual debt reporting through the audited financial statement presentations to Council. Debt plays a key role in the achievement of Council-directed strategic goals and is an important indicator of financial health. Improved debt reporting to Council and stakeholders will provide greater context to the capital budget discussion and contribute to more informed decision-making.

Legislation

There is no legislation or regulation that dictates how debt is communicated to Council. However, under provincial legislation all municipal actions must be taken by way of a by-law, including each instance of debt issuance.

Academic and Survey Results

Most municipalities in Ontario take a similar tactic as the City, debt is presented through the budgeting process or through the individual by-laws that Council passes. However, several municipalities employ additional communication tools to assist staff and Council in remaining consistent in their interpretation about debt and financial practices. Two of the surveyed municipalities engage in a 'bird's eye view' presentation of the municipality's finances about a month before the budget is prepared, including a section on debt. Additionally, one municipality employs a 'debt fact sheet' that is also distributed prior to preparing the budget in order to ensure that staff and Council are aware of the current state of the municipality's finances. Please find as Attachment-2 - Municipality of Chatham-Kent – Debt Fact Sheet the annual debt fact sheet used by the Municipality of Chatham-Kent.

Recommendation

Although the current approach is adequate, there are several alternate methods that municipalities engage in which could be used to further Council's understanding of the City's debt situation. The recommended options include:

- A debt management fact sheet that lays out the current state of the City's finances, as part of the Annual Financial Statements

- A bird's eye view of the City's finances presented to Council just prior to budget season every July
- A dedicated finance presentation to Council with several slides dedicated to debt, as part of the annual budget presentation

Criteria for Debt Funded Projects

Current Policy

The City currently has an extensive list of criteria that a project must meet before it is eligible to be funded by debt:

- the individual project value exceeds $500,000
- the estimated useful life of the asset is greater than 10 years
- the project has been approved by Council as part of the annual capital budget and has been clearly identified as being funded by debt
- it is an appropriate means to achieve a fair allocation of costs between current and future beneficiaries or users
- the project is supported by a comprehensive business case including
    - total cost of the project
    - cash flow of the project including debt issuance
    - operating costs after completion of the project
    - benefits to the community
- funding cannot be accommodated within the tax or rate supported capital budget, and other internal sources (such as borrowing from reserve funds) and external sources (such as senior government grants and subsidies, private / public partnerships, or user-pay systems) have been thoroughly investigated
- the issuance cannot be used to fund current operations

It is the City's current policy to only use debt funding for growth-related projects and City building projects. All infrastructure renewal projects are to be funded on a pay-as-you-go approach. This is a challenge as the City's infrastructure is aging and replacement needs put significant pressure on the tax and rate supported reserve funds. More flexibility is needed to accommodate projects that need to be moved forward.

Legislation

Municipalities are permitted to take on short-term debt of under one year in order to finance operating costs; the exact amounts they are permitted to finance using this type of debt is dependent on the point in time in the fiscal year.[11]

Academic and Survey Results

Of the municipalities surveyed for this report, most did not use a set of specific criteria to determine which projects were permitted to take on debt, with the exception of not allowing debt for operational costs, which is a universal practice. Throughout the survey, this held true for both: what portion of the project needed to be funded before considering debt, and criteria for individual projects and restrictions of debt by asset class. One of the municipalities surveyed currently has a minimum threshold for internal funding which a project must meet before debt can be used. However, they are finding this practice unnecessary and are seeking

[11] *Municipal Act, 2001* S.O. 2001 c.25 s. 407(2)(a)(b) (Ontario)

to reconsider it shortly. The policy is unnecessarily restrictive and does not serve the intended purpose, as those surveyed observed that there is no functional difference between having three projects that are 30% debt-funded and one project that is 100% debt-funded. None of these measures for restricting debt to only certain projects are popular in Ontario. Most municipalities take a project-by-project based approach where the appropriateness of debt can be determined between Council and staff. This flexible option allows staff and Council the freedom to judge each debt issuance on its individual merits and weight it against the City's current financial situation and strategic goals, which may have changed a great deal after the initial policy decisions were made.

Many of the municipalities surveyed do make a habit of waiting until a substantial portion of work has been started, or even completed before issuing debt. This is not typically codified in their policies but most feel it is a more prudent strategy to fund projects through reserve funds and then reimburse the reserve funds using debt.

Recommendation

The criteria in the new policy should be updated to reflect the following changes:

- Allow debt to be used for significant infrastructure renewal projects to improve the City's ability to respond to replacement needs as they arise.
- The threshold requirements should be increased to $5,000,000 per project, and the useful life of the asset should not be less than 20 years.
- Special circumstances may require issuance of shorter life assets where the quantity or value dictates, these will be identified as approved.

Appropriate Debt Ratios and Limitations

Current Policy

The City's current policy has four limitations:

1. Direct debt as a percentage of operating revenue not to exceed 55%
2. Debt servicing costs should not exceed 10% of operating revenues
3. DC debt servicing should not exceed 20% of the average revenue forecast from the DC Background Study for non-discounted services and should not exceed 10% for all other DC reserve funds
4. 1:1 direct debt to reserve ratio

Legislation

Legislated limitations prohibit municipalities from running a deficit and over-leveraging their financial position. Municipalities may not borrow to fund operating costs, beyond the end of their fiscal year. Additionally, municipalities are obligated to keep their borrowing under the ARL. This debt limit is set by the province for each municipality and sets the maximum amount that a municipality can pay in principal and interest that year. This limitation is 25% of the municipality's own source revenue.

The legislation states that the amortization period for debt is limited to the expected life of the asset and absolutely limited at 40 years.[12]

[12] *Municipal Act, 2001* S.O. 2001 c.25 s. 408(3) (Ontario)

The MMAH recommends that municipalities use the following for monitoring their own debt:

- Debt charges per capita
- Debt charges as a percentage of revenue
- Debt charges as a percentage of municipal levy

The MMAH advises that these ratios can be monitored using data taken from the annual Financial Information Return (FIR) reports to compare these ratios with others around the province.

Academic and Survey Results

Most municipalities surveyed do not have limitations on debt other than the ARL. However, it is likely prudent to have one, as it is a metric looked at by credit rating agencies and there are no adverse effects reported by the municipalities that do have them.[13]

In the 2017 book "Financial Policies"[14] published by the Government Finance Officers Association (GFOA) it is recommended that when determining appropriate debt ratios, the first step is to consider the indicators that will be used. The two main types are (1) ratios that measure the budgetary impact of debt and (2) the ratios that measure the community's ability to support debt. Once the measurements have been chosen, then the appropriate level can be determined by balancing financial health with organizational goals.

One of the key indicators that was reassessed during this survey was the use of the 1:1 debt to reserve ratio. This is the ratio that the City currently uses to measure the amount that should be held in reserve. Many of the municipalities surveyed used a variation of this measurement. The International Monetary Fund similarly endorses it[15] for use by national and regional governments. However, the manner in which it has been applied by the City does not align with the way it is employed by credit rating agencies and other municipalities. A more robust financial picture emerges when looking at other similar indicators, which help determine the amount that should be held in reserve.

The City's credit rating agency, S&P, evaluates credit worthiness through a weighted assessment of six factors; institutional framework, economy, financial management, budgetary performance, liquidity, debt burden (see Table A: Breakdown of City's Credit Rating Score). Total debt-to-operating revenues and debt servicing-to-operating revenues are the key indicators to determine the 'score' for debt.

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[13] Some municipalities have noted that they find it difficult to comply with their debt caps. These caps are typically in the 7-15% range, suggesting that a higher limitation is more appropriate

[14] Kavanagh, Shayne, and Government Finance Officers Association. *Financial Policies*. Government Finance Officers Association, 2012.

[15] Standard and Poors Financial Services LLC. "Methodology for Rating Local and Regional Governments Outside of the U.S." *S&P Global Ratings*, 2019, pp. 1–18.

Table A: Breakdown of City's credit rating score

Key Rating Factors	City's score 2019 (1 is highest, 6 is the weakest)
Institutional Framework	2
Economy	1
Financial Management	2
Budgetary Performance	2
Liquidity	1
Debt Burden	1

The City's direct debt-to-operating revenue ratio is 22.6% in 2018 and the debt servicing-to-operating revenue ratio is 4%. Based on the criteria above, S&P determined that the City's credit score is an AA+. The review board cautioned that the rating could be downgraded if the City were to pursue an aggressive capital plan absent of operating revenue growth sufficient to prevent a material erosion of operating balances, large after-capital deficits and a tax-supported debt burden greater than 30%. Table B: Assessment of a Local and Regional Government's Debt Burden illustrates how the debt indicators (total debt-to-operating revenue and debt servicing-to-operating revenue indicators) inform the score for debt burden. It is important to note that there is not just one debt ratio considered in isolation when determining the credit rating score. The credit rating metric evaluates debt-related indicators in combination with liquidity levels, operating revenues and capital expenditures.

Table B: Assessment of a Local and Regional Government's Debt Burden

Interest as a % of Operating Revenue	Tax-supported debt as a percentage of operating revenue <30%	Tax-supported debt as a percentage of operating revenue 30<60%	Tax-supported debt as a percentage of operating revenue 60<120%	Tax-supported debt as a percentage of operating revenue 120<240%	Tax-supported debt as a percentage of operating revenue 240% and above
<5%	1	2	3	4	5
5%-10%	2	3	4	4	5
>10%	3	4	5	5	5

If the City were to exceed the 30% total debt-to-operating revenue ratio, the score would shift from ‘1’ to ‘2’ which would have a negative impact on the overall rating, ceteris paribus.

Recommendations

1. Debt servicing costs should not exceed 10% of operating revenues

Debt servicing as a percentage of operating revenue measures the relative cost of debt to the City’s budget and inversely indicates the level of funding available to provide programs and services. Maintaining a cost of less than 10% will ensure a strong credit rating score and an appropriate allocation of resources to the provision of programs and services.

2. Direct debt as a percentage of operating revenue not to exceed 55%

The credit rating review agencies consider the total debt to consolidated operating revenues as the most appropriate measure for international comparisons. Staff are recommending that this be set as a hard limit of 55%.

3. DC debt servicing not have prescribed limit, instead DC debt be limited as part of the overall the total debt to operating revenue ratios.

In the previous Debt Policy, DC debt servicing was limited to not exceed 20% of the average revenue forecast from the DC Background Study for non-discounted services and 10% for all other DC reserve funds. This was put in place because DC cash flows are considered to be higher risk due to the reliance on external factors to generate the revenues. The City’s Debt Management Policy should aim to protect the City from undue risk associated with fluctuations to the development industry and changes to the DC legislation, while providing the flexibility to achieve the growth-related goals of the City. To this end, staff are recommending managing the use of debt for DC projects on a service-by-service basis, ensuring that the expectations regarding level and rate of growth are appropriate for the level of debt required for asset financing. There are several major debt-funded projects identified in the 2018 DC Background Study, these have been reviewed and are deemed to fit this criteria. To support and compliment the DC Background Study the City is working to develop a Growth Costing Policy which will assist in establishing appropriate levels of debt related to growth including DC debt.

4. 1:1 outstanding debt to reserve and reserve fund balance ratio

Total debt to reserves and reserve funds is an indicator measured and reported by most municipalities, even if they do not officially enforce a limit.

The International Monetary Fund has stated that the benchmark of 1:1 for general government debt, not specifically municipalities, is useful but limited. They recommend that it should be supplemented with location specific indicators that can more clearly indicate the government’s liquidity, income streams and ability to manage in crisis.[16]

The current policy recommends a ratio of 1:1; however, this rigid standard may not be appropriate given the capital forecast and the long-term funding strategy over the next 20 years.

[16] International Monetary Fund. “Debt and Reserve Related Indicators of External Vulnerability.” *IMF.Org*, Mar. 2000, www.imf.org/external/np/pdr/debtres.

5. Debt servicing costs to reserve and reserve fund balance ratio of 14:1 (minimum)

When measuring financial health and creditworthiness, S&P evaluates the level of liquidity against expenses and debt servicing costs in particular. It is recommended that 12 months of debt servicing costs be available in the discretionary reserves and reserve funds. This is a best practice supported by the World Bank's recommendation to have on hand the funds to service several months of debt.[17]

It is recommended that the Debt Management Policy use the discretionary reserve and reserve funds to debt servicing costs ratio to indicate how many years the City could pay for debt serving obligations in the absence of new revenue. The City's current ratio is 16:1 before commitments, which supports the highest possible score for liquidity in the S&P credit rating evaluation.

6. Debt per capita and Debt per Assessment Value

The measure of the community's ability to support debt is important for the broader financial condition for the City. Both the Debt per capita and Debt per Assessed Value are good indicators of the community's ability to meet debt obligations and will be calculated and reported to Council on an annual basis.

Financial Implications

Adopting the recommendations of this report will allow the City to balance fiscal strategies with new methods of measuring and adapting to changing markets. These recommendations ensure that the City's financial health will remain strong while also rising to the challenge of maintaining service levels, accommodating growth and changing legislation in an equitable and sustainable manner.

Long-term Financial Framework alignment

This policy aligns with the three pillars of the Long-term Financial Framework as per the below items, these ensure that this policy will guide strategic decision making that is aligned with the City's long-term financial strategy.

Sustainability – Targeted percentage of revenue

Vulnerability – Maximum percentage leveraged

Flexibility – Prescribed purposes and types

Consultations

Survey of comparator municipalities

Strategic Plan Alignment

The policy statement in the Debt Management Policy has been updated to reflect the priorities of the new Strategic Plan.

"Ensure adequate infrastructure, services and resources to support existing and growing communities", aligns with the Building Our Future priority and,

[17] D. Farvacque-Vitkovic, Catherine, and Mihaly Kopanyi. *Municipal Finances: A Handbook for Local Governments*. World Bank Publications, 2014.

“That new debt be planned at a level which will optimize borrowing costs and not impair the financial position of the City” aligns with Working Together For Our Future priority.

Attachments

Attachment-1 – 2020 Debt Management Policy

Attachment-2 - Municipality of Chatham Kent – Debt Fact Sheet

Attachment-3 – 2009 Debt Management Policy

Departmental Approval

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Corporate Policy and Procedure

Policy	**Debt Management Policy**
Category	Finance
Authority	Council
Related Policies	General Reserve and Reserve Fund Policy, Investment Policy
Approved By	Council
Effective Date	Sunday, March-01-2020
Revision Date	Each term of Council

1. Policy Statement

It is the policy of the City of Guelph to

- Ensure adequate infrastructure, services and resources to support existing and growing communities
- Ensure new debt be planned at a level which will optimize borrowing costs and not impair the financial position of the City
- Ensure debt is structured in a way that is fair and equitable to those who pay for and benefit from the underlying assets over time

2. Purpose

The purpose of this debt management policy is to

- Establish financial guidelines and appropriate benchmarks for the issuance and use of debt in the City of Guelph
- Ensure long-term financial flexibility and sustainability
- Limit financial vulnerability
- Integrate with other long-term planning, financial and management objectives of the City
- Assist with ensuring that the municipality maintains a sound financial position and that the worthiness of the City's credit rating is protected
- Ensure that the City's financial practices comply with statutory requirements

3. Definitions

Annual Repayment Limit

Under Regulation 403 /02: Debt and Financial Obligation Limits, this limit represents the maximum amount which the municipality has available to commit to payments relating to debt and financial obligations without seeking the approval of the Ontario Municipal Board (OMB). This limit is provided annually to a municipality by the Ministry of Municipal Affairs and Housing (MMAH), additionally this limit must be updated by the City Treasurer prior to Council authorizing any increase in debt-financing for capital expenditures.

Business Case

An analysis that demonstrates the necessity for and viability of a new project. A business case will include a financial analysis and a financial plan that identifies and confirms sources of funding to provide for the financial plan that identifies and confirms sources of funding to provide for the financing of the capital and operating costs of a new project.

Capital Expenditure

An expenditure incurred to acquire develop renovate or replace capital assets as defined by the Public Sector Accounting Board (PSAB), section 3150.

Debenture

A formal written obligation to pay specific sums on certain dates. In the case of a municipality, debentures are typically unsecured i.e. backed by general credit rather than by specified assets.

Debt

Any obligation for the payment of money. For Ontario municipalities, debt would typically consist of debentures as well as either notes or cash loans from financial institutions. Could also include loans from reserves or reserve funds. Debentures issued to Infrastructure Ontario are also considered debt.

Debt Service Costs

Debt repayments, including interest and principal (per FIR 74-3099).

Development Charge (DC) Collections

Charges collected from new development, at building permit issuance to help fund the cost of infrastructure required to accommodate growth.

Development Charge (DC) Debt

Debt issued for Council-approved growth related infrastructure, identified in the Development Charge (DC) Background Study, to be repaid exclusively with DC collections.

Direct Debt

Means the total debt burden of the City (per FIR 74-9910). It includes all debt issued by the City and consolidated entities less all debt assumed by others.

Flexibility

The ability of the City to issue new debt in response to emerging financing needs.

Financial Information Return (FIR)

Data collection reports providing statistical information on municipalities, as provided by the MMAH.

Infrastructure

Large-scale public systems, services, and facilities of the City that are necessary for economic activity in the community, including water and wastewater systems, roads, and buildings / facilities.

Internal Funding

Funding provided from one City reserve fund to another, to fund specific short-term projects. These funds will be repaid from the receiving fund to the lending fund in accordance with a promissory note.

Non-tax Supported Debt

Debt issued for capital expenditures related to non-tax supported operations. This debt is repaid using net revenue fund revenues.

Non-tax Supported Operations

Municipal services that are funded through water, wastewater and stormwater rate revenues.

Operating Revenue

Total revenue fund revenue per line 9910 of FIR schedule 10 less other revenue (10-1899), less grants received (10-0699 and 10-0899), less revenue from other municipalities (10-1099).

Own-Source Revenue

Revenue for a fiscal year, excluding:

a) grants from the Government of Ontario or Canada or from another municipality;

b) proceeds from the sale of real property;

c) contributions or net transfers from a Reserve Fund or reserve;

d) Government of Ontario revenues received for the purpose of repaying the principal and interest of long-term debt, toward meeting financial obligations of the municipality; and

e) other municipality or school board receipts for the purposes of repayment of the principal and interest on long-term debt of the municipality borrowed for the exclusive purpose of the other municipality or school board.

Promissory Note

To enable the use of internal funding Council will authorize a promissory note which will lay out the terms of the loan, including amount, length of time, and rate of interest.

Sustainable

Meeting present needs without compromising the ability to meet future needs.

Statutory Annual Debt Repayment Limit

The annual debt and financial obligation limit for municipalities as described under Ontario Regulation 403/02. The regulation provides a formula which limits annual debt service costs to an amount equal to 25% of operating revenue.

Tax Supported Debt

Debt issued for capital expenditures related to tax supported operations. This debt is repaid using net revenue fund revenues.

Tax Supported Operations

Civic programs that are funded through net revenue fund revenues, such as roads, transit, and parks.

Term Loan

A short-term loan which is repaid in regular instalments over a set period of time, as laid out in the enabling documents.

4. Statutory Requirements

Capital financing may only be undertaken if and when it is in compliance with the relevant sections of the Municipal Act, the Local Improvement Act, or the Tile Drainage Act, and their related regulations. These requirements include, but are not limited to:

- The term of temporary or short-term debt for operating purposes will not exceed the current fiscal year;
- The term of capital financing will not exceed the lesser of 40 years or the useful life of the underlying asset;
- Long-term debt will only be issued for capital projects;
- The total annual financing charges cannot exceed the Annual Repayment Limit (ARL), as applicable, unless approved by the OMB;
- Prior to entering into a lease financing agreement, an analysis will be prepared that assesses the costs as well as the financial and other risks associated with the proposed lease with other methods of financing;
- Prior to passing a debenture by-law which provides that installments of principal or interest, or both, are not payable during the period of construction of an undertaking, Council will have considered all financial and other risks related to the proposed construction financing.

5. Purposes for Which Debt May Be Issued

The City may borrow by debenture, mortgage or other acceptable debt instrument to finance capital expenditures that support corporate priorities and approved strategic plan, while using the following guidelines to determine on a case-by-case basis whether the use of debt is appropriate:

- Whether the individual project value exceeds $5,000,000
- Whether the estimated useful life of the asset is greater than 20 years
- Whether the project has been approved by Council as part of the annual capital budget and has been clearly identified as being funded by debt
- Whether it is an appropriate means to achieve a fair allocation of costs between current and future beneficiaries or users
- Whether the project is supported by a comprehensive business case
- The total cost of the project
- The cash flow of the project including debt issuance

- The operating costs after completion of the project
- Funding of the capital expenditure cannot be accommodated within the tax supported capital budgets, rate supported capital budgets, development charge capital budgets, and other internal sources (such as borrowing from reserve funds) and external sources (such as senior government grants and subsidies, private / public partnerships, or user-pay systems) have been thoroughly investigated
- A sustainable funding source has been identified

The City will not use long-term debt to fund current operations.

6. Limitations on Indebtedness

6.1 Statutory Limitations –ARL

The 2020 ARL is based on the City's 2018 FIR. The City is not allowed under Provincial regulation to issue debt which would result in the annual repayment limit being exceeded without OMB approval.

6.2 Self Imposed Limitations

Notwithstanding the limits prescribed in the regulations, prudent financial management calls for more stringent criteria to limit debt. These criteria will assist in preserving borrowing capacity for future capital assets while maintaining maximum flexibility for current operating funds. See Attachment A for details of calculations.

6.2.1 Direct Debt to Operating Revenue

This measure identifies the percentage of annual operating revenues that would be required to retire the City's net debt. It is also the prime measure used by Standard and Poor's when assessing the debt burden of the municipality. A target rate of less than 55% should be maintained.

6.2.2 Debt Service Cost to net Revenue Fund Revenue

This ratio is a measure of the principal and interest payable annually as a proportion of revenue fund revenues. It should not exceed a target of 10%.

6.2.3 Debt Servicing to Discretionary Reserve Ratio

This ratio is used to determine how many years the City could pay for debt servicing obligations in the absence of new revenue. A target of 14:1 should be maintained.

6.2.4 Development Charge (DC) debt assessment

This assessment will be used to ensure that each approved DC service that requires debt is able to provide sustainable cash flows and the ability to collect sufficient funds to retire the debt.

7. Types of Debt

7.1 Short-term (Under One Year)

Interim financing for capital assets pending long-term capital financing, may be accommodated though internal funding (see section 8.2 and 11.3)

7.2 Medium-term (One – Four Years)

Medium-term financing requirements, for periods greater than one year but less than five years will be financing through any one or combination of the following. The financial commitments for existing and anticipated leases for the current fiscal year are to be included in the calculation of the City's financial debt and obligation limit.

- Internal funding
- Term loan

7.3 Long-term

Long-term debt consists of debentures or other form of debt issued to the City to finance assets over a period of not less than five years and not more than 40 years. Options include:

- Municipal serial or amortized debentures
- Long-term bank loans if deemed cost effective. These loans may be fixed or variable interest rate loans as determined by the Treasurer

8. Methods of Marketing/Selling Debenture Issues

8.1 External Debenture securities may be sold by the following means:

a) Debt issuance syndicate. The use of a debt issuance syndicate will be the normal method by which debentures will be sold by the City; or

b) Tender. A tender process may be used when and if significant savings could be expected when compared to issuing through a debt issuance syndicate.

8.2 Internal Funding

The City has the general power pursuant to section 417 of the Municipal Act, 2001, SO 2001, c. 25 to apply reserve funds to a purpose other than that for which the fund was established. This includes the making of an internal loan from reserve funds in order to finance capital projects of the City. When the value of internal loan exceeds $1 million a formal process is required as prescribed here. In all other cases the rate of interest payable is to be calculated the same as prescribed here.

The municipality may elect to borrow from internal sources using reserve funds, provided that excess funds are available and the use of these funds will not impact the reserve funds current operations. Internal reserve borrowings will pay a variable interest rate to the lending reserve/reserve fund, based on the annual average rate of return on investments and will be evidenced by documentation as required by legal services, including repayment schedule.

When an analysis of the reserve or reserve fund has determined that excess funds are available and that the use of these funds will not adversely affect the intended purpose of the reserve or reserve fund, the City's reserve funds may be used as a source of financing for short to long-term purposes. The reserves will be repaid with interest at a rate based on the actual annual average balance of the reserve fund and the City's rate of return on investments.

9. Structural Features

9.1 Debt Denomination

The City shall issue debt denominated in Canadian dollars only.

9.2 Fixed Interest

The City shall issue general obligation debt with a fixed rate of interest. Interest rate swap agreements may be used to exchange floating-rate interest payments for fixed-rate interest payments.

9.3 Repayment Terms

The repayment term will be dependent on the useful life of the asset being acquired by the City, and should not exceed 40 years.

9.4 Debt Structure

9.4.1 Debt shall be structured in a manner that provides a fair allocation of costs to current and future users.

9.4.2 Debt shall be structured to achieve the lowest possible net cost to the City given market conditions, the type of debt being issued, and the nature and type of the repayment source.

9.5 Repayment

9.5.1 Unless otherwise justified and deemed necessary, the repayment schedule should be structured on a level or declining payments basis.

9.5.2 Early repayment of debt may be considered if it is financially beneficial to do so.

10. Credit Objectives

10.1 Credit Rating

The capital financing program will be managed in a manner to maintain an adequate credit rating by a credit rating agency used by the City (e.g. Standard and Poor's, "AA+" rating).

A key element of maintaining an adequate credit rating will be to ensure that the timing, amount and type of capital financing will be assessed as being appropriate to the long-term needs of the City as well as being seen as balanced against other forms of financing.

Particular attention shall be paid to the key indicators used by credit rating agencies as part of the debt management process in order to maintain the City's credit worthiness, including:

- Debt to operating revenues
- Debt servicing costs as a percentage of own source revenues
- Liquidity
- After capital balances
- Other long-term liabilities

11. Authorization

11.1 Approval Funding for Capital Projects

The approval to fund an eligible capital project by debenture will generally be sought through the annual capital budget process. The funding of emerging strategic priorities outside of the traditional budget process shall be approved by specific by-law.

11.2 Debenture Issue

Each debenture issue shall be approved by specific by-law of Council including the term, rates of interest, debt servicing obligation, and general terms of issue.

11.3 Internal Borrow

Each such loan is to be authorized by a specific by-law passed by Council and set out the amount, interest, term of the loan, and the specific reserve or reserve fund from which the loan is made. Borrowing in this manner offers several advantages over traditional debenture financing including the following:

- Increased flexibility in setting loan terms,
- Lower interest cost, and
- Avoidance of legal and fiscal agent fees.

For the approval of each internal loan the specific details must, at a minimum, include the following:

- Start date
- Loan type
- Loan amount
- Loan period
- Loan rate
- The loan rate will reflect the City's all-in cost of funding for a similar term and structure at the time of the actual loan, as determined by the Treasurer
- Repayment frequency
- Legal Documentation

Upon full approval, legal services must be consulted to determine the appropriate legal documentation required between the lender and the borrower.

The legal documentation must include:

- The resolution number and date of the associated Council report
- The specific details of the internal loan as agreed to by the Treasurer
- The Deputy Chief Administrative Officer of the requesting department must provide sign-off of the loan request

11.4 Calculation of Debt Limitation Ratios

The Treasurer shall have authority to modify the calculation of the prescribed debt limit ratios as set out in Appendix A via notification to Council, in so far as changes in the FIR or other related schedules and statements is required.

12. Administration

12.1 When Borrowing Will Occur

The borrowing to finance capital projects will normally occur once the projects are essentially completed.

12.2 Issuance Costs

When feasible, debt issuances will be pooled to minimize issuance costs.

13. Reporting Requirements

13.1 Reports to Council

The Treasurer shall submit to Council, at a minimum annually, a report that provides:

- Total debt outstanding
- Annual principal and interest payments
- Report debt ratios as prescribed in section 6 above, forecasted over 25 years
- Forecasted debt issuance over the 10 year horizon
- Debt per Capita ratio

- Debt per Assessment Value

14. Policy Review

This policy will be reviewed with each new term of Council.

Appendix A – Method of calculation of self-imposed limitations

For ratios calculate using the FIR, the number shown is the schedule –line combination, e.g. 10-9910,1 is Schedule 10 line 9910 column 1

6.2.1 Direct Debt to Operating Revenue

Calculated using the annual FIR as Debt Outstanding/Net Operating Revenue

FIR Cell	Description	Amount
70-2010,1	Temporary Loans	-
74A-0299,1	Total Outstanding Debt	92,963,691
74A-0499,1	Debt Assumed from Others	3,467,985
Less:	N/A	N/A
74A-0899,1	Debt Retirement Funds	
74A-1099,1	Sinking Fund Balances	0
74A-0610,1	Ontario assumed debt	0
74A-0620,1	School board assumed debt	0
Total	Debt Outstanding	96,431,676
10-0991,1	Total Revenues	484,508,861
Less:	N/A	N/A
10-0815,1	Ontario TCA Grants	521,713
10-0825,1	Canada TCA Grants	841,251
10-0830,1	Deferred revenue (Prov Gas)	710,045
10-0831,1	Deferred revenue (Fed Gas)	10,697,580
10-1098,1	Revenue from other municipalities TCA	590,620
10-1811,1	Gain/loss on sale of assets	277,886
10-1813,1	Deferred revenue (Cash-in-Lieu)	1,542,524

FIR Cell	Description	Amount
10-1814,1	Other deferred revenue	0
10-1830,1	Donations	395,177
10-1831,1	Donated TCA	9,560
10-1865,1	Other revenue from gov Business	0
10-1890,1	Direct developer charges	277,551
10-1891,1	Partner contributions	661,954
10-1905,1	Increase/decrease in gov business equity	6,703,552
12-1210,1	General assistance (Provincial)	9,167,113
60-1025,1	Development Charges (TCA)	17,754,370
76-1020,1	Dividends Paid gov business	2,000,000
Total	Net Operating Revenue	432,357,965
Ratio	2018 Year End	22%

6.2.2 Debt Service Cost to Net Operating Revenue

Calculated using the annual FIR as total debt charges/net operating revenue

FIR Cell	Description	Amount
74C-3099,1	Debt Charges – Principal	14,831,000
74C-3099,2	Debt Charges- Interest	3,324,381
Total	Total Debt Charges	18,155,381
Total	Net Operating Revenue (from 6.2.1)	432,357,965
Ratio	2018 Year End	4.2%

6.2.2 Debt Servicing to Discretionary Reserve Ratio

Calculated using the annual FIR as total debt charges/discretionary reserve and reserve fund balance

FIR Cell	Description	Amount
Total	Total Debt Charges (from 6.2.2)	18,155,381
60-2099,2	Balance year end, Discretionary Reserve Funds	174,955,612

FIR Cell	Description	Amount
60-2099,3	Balance year end, Discretionary Reserves	42,722,721
Total	Balance year end	217,678,333
Ratio	2018 Year End	12:1

6.2.2 Development Charge (DC) debt assessment

As each situation with regards to debt requirements for DC funded projects is unique there is no single calculation. The process will involve evaluating the overall level of debt compared to potential revenues under a variety of assumptions. The minimum requirement is that both the rate of growth and the total amount of growth must be reviewed to ensure that any change in these critical variable will not leave the City at financial risk.

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FACT SHEET ON MUNICIPAL DEBT

January 2018

This document discusses some common questions asked about Chatham-Kent's use of debt to finance various projects.

1. Why does Chatham-Kent need to borrow?

Borrowing is a way to finance capital projects and maintain major infrastructure over the longer term. Like most businesses, municipalities may borrow a portion of their capital requirements and pay it back over the life of the project being financed. Municipalities do not borrow for day-to-day operations.

2. Are there any alternatives to borrowing?

When faced with the decision to build a major capital structure, Council has to make a decision on how to finance the project. It could either raise taxes that year to pay for it, reduce spending on other capital projects to make room in the current capital budget, use money saved up in reserves, or borrow the funds and repay the debt using tax revenue over a period of time. Chatham-Kent has adopted a pay-as-you-go philosophy on most lifecycle projects. It considers debt financing when a new or one-time type of project comes along, and occasionally when major reconstruction is needed on large expensive assets.

3. Who does Chatham-Kent borrow from and can residents purchase municipal debentures as investments?

The majority of borrowing is through Infrastructure Ontario (a crown corporation of the Province of Ontario) as rates are more competitive than local lending institutions or private debenture issues, thus lowering costs to taxpayers of Chatham-Kent. There is no direct way for local residents to invest other than by purchasing Infrastructure Renewal Bonds from the Province.

4. How much debt does Chatham-Kent currently have?

The details below demonstrate Chatham-Kent's current $86.4 million of debt broken down into three major categories as of December 31, 2017

Category	December 31, 2017 Debt Outstanding
Debt paid by all Property taxpayers	$17.0 Million
Debt paid by Water and Sewer ratepayers	$48.8 Million
Debt paid by other sources of revenue (not paid from Property tax or Water and Sewer rates)	$20.6 Million
TOTAL	$86.4 Million

The $20.6 million of other source revenue debt is funded by industrial park land purchasers and by the Province on subsidized services such as a portion of Riverview Gardens Long Term Care facility and Social Housing projects.

5. How much principal does Chatham-Kent pay off annually?

In 2017 Chatham-Kent paid out $9.3 million of principal and $3.8 million of interest payments.

6. Will Chatham-Kent be borrowing in the near future?

There are no projects approved for borrowing by Council at this time.

7. Does Chatham-Kent have a significant amount of debt?

It may seem too many that $86 million of debt is a lot. To put it in perspective Chatham-Kent has annual taxation revenues of $145 million and tax funded debt payments of $2 million or approximately 1.4% of tax income, which is a very manageable level.

The Province monitors municipal debt levels and annually calculates Chatham-Kent's debt capacity and ability to repay the debt. Council is restricted by the Ministry of Finance to approve any debt that will result in total annual debt payments that will be more than 25% of Chatham-Kent's own source annual revenues. For

2018, the limit for Chatham-Kent would be $56 million in payments. To reach this limit at current interest rates, Chatham-Kent is allowed to borrow $580+ million of additional debt and repay it over 20 years. Of course that is not desirable, but merely illustrates that the current debt levels are not a concern to the Province.

Chatham-Kent has reduced its debt levels from a high of $162 million in 2010. If Council does not approve the use of debt for any new projects the debt level will fall to $38 million in 5 years.

8. Could Chatham-Kent raise taxes or use reserves to pay off the current debt early?

Chatham-Kent has taken advantage of several Provincial and Federal programs that provided subsidized interest rates. 36% of the outstanding debt is at interest rate below 3%. To obtain such historically low rates there are no options for early repayment offered by the issuing agencies.

9. How do other municipalities view and use debt?

Chatham-Kent is not unique in its use of debt. Infrastructure deficits exist in most, if not all municipalities and the Provincial and Federal governments as well. Most municipalities are also choosing to borrow a portion of their capital construction needs to finance long term assets and pay for them over the lifespan of the asset.

In conclusion, there is a need for the Municipality of Chatham-Kent to strategically use debt to invest in new assets that improve the community. It is only used on significant assets where annual lifecycle funding is not fully in place and significant tax increases would otherwise be required. As funding to shrink the infrastructure deficit increases, there will be less need for future debt issuances. If no new debt is issued, Chatham-Kent plans on paying off $48 million of debt over the next 5 years.

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CORPORATE POLICY AND PROCEDURE

POLICY	**Debt Management Policy**
CATEGORY	Finance
AUTHORITY	Council
RELATED POLICES	General Reserve and Reserve Fund Policy Investment Policy
APPROVED BY	Council
EFFECTIVE DATE	26 October 2009
REVIEW DATE	Within one year of adoption (on or before October 26, 2010)

1. POLICY STATEMENT

It is the policy of the City of Guelph

- to minimize both debt servicing costs and significant annual budget impacts
- that new debt be planned at a level which will optimize borrowing costs and not impair the financial position of the City, and
- to maintain or improve the City's credit rating.

2. PURPOSE OF POLICY

The purpose of this debt management policy is to

- Enhance the quality of decisions by promoting consistency;
- Establish the parameters regarding the purposes for which debt may be issued, the types and amounts of permissible debt, the timing of issuance and method of sale that may be used, and the procedures for managing outstanding debt;
- Integrate with other long-term planning, financial and management objectives of the City; and
- Assist with ensuring that the municipality maintains a sound financial position and that the worthiness of the City's credit rating is protected.

3. DEFINITIONS

Business Case – means an analysis that demonstrates the necessity for and viability of a new project. A business case will include a financial analysis and a financial plan that identifies and confirms sources of funding to provide for the financing of the capital and operating costs of a new project.

Capital Expenditures – means expenditures incurred to acquire, develop, renovate, or replace capital assets as defined by the Public Sector Accounting Board, section 3150.

Debt Service Cost – means debt repayments, including interest and principal (per FIR 74-3099).

Direct Debt – means the total debt burden of the City (per FIR 74-9910). It includes all debt issued by the City and consolidated entities less all debt assumed by others

Flexibility – is the ability of the City to issue new debt in response to emerging financing needs.

Net Revenue Fund Revenues – means total revenue fund revenue per line 9910 of FIR schedule 10 less grants received (10-0699 and 10-0899), less revenue from other municipalities (10-1099).

Infrastructure – large-scale public systems, services, and facilities of the City that are necessary for economic activity in the community, including water and wastewater systems, roads, and buildings / facilities.

Operating Revenue – means total revenue fund revenue per line 9910 of FIR schedule 10 less other revenue (10-1899), less grants received (10-0699 and 10-0899), less revenue from other municipalities (10-1099).

Sustainable – means meeting present needs without compromising the ability to meet future needs.

Statutory Annual Debt Repayment Limit – means the annual debt and financial obligation limit for municipalities as described under Ontario Regulation 403/02. The regulation provides a formula which limits annual debt service costs to an amount equal to 25% of operating revenue.

Tax-Supported Debt - means debt issued for capital expenditures related to tax-supported operations. This debt is repaid using net revenue fund revenues.

Tax-Supported Operations - means civic programs that are funded through net revenue fund revenues, such as roads, transit, and parks.

4. PURPOSES FOR WHICH DEBT MAY BE ISSUED

4.1 Tax-supported Debt

The City may borrow by debenture, mortgage or other acceptable debt instrument to finance the City portion of growth-related infrastructure, and emerging capital needs to support corporate priorities and approved strategic plans under the following conditions:

- the individual project value exceeds $500,000
- the estimated useful life of the asset is greater than ten years

- the project has been approved by Council as part of the annual capital budget and has been clearly identified as being funded by debt
- it is an appropriate means to achieve a fair allocation of costs between current and future beneficiaries or users
- the project is supported by a comprehensive business case including
- total cost of the project
- cash flow of the project including debt issuance
- operating costs after completion of the project
- benefits to the community
- funding cannot be accommodated within the tax-supported capital budget, and other internal sources (such as borrowing from reserve funds) and external sources (such as senior government grants and subsidies, private / public partnerships, or user-pay systems) have been thoroughly investigated

The City will not use long-term debt to fund current operations.

The City will not use long-term debt to fund the ongoing rehabilitation of existing infrastructure. This will be funded by reserves.

4.2 Reserve and Reserve Fund Debt

Debt servicing costs are not normally funded by reserves or reserve funds. Instead, debt shall be incurred and repaid through the operating fund with corresponding transfers to and from reserves. Any funding of debt costs shall be identified in the City's annual operating budgets. However, in accordance with the General Reserve and Reserve Fund Policy, there remains only one exception to this rule:

- Development Charge Reserve Funds – Under the Development Charges Act, debt may be included as a capital cost to leverage development charge revenue while waiting for DC collections to catch up to growth-related spending.

For the 5% Cash in Lieu of Parkland Reserve Fund and Industrial Land Reserve Fund, historically, debt has been permitted for the purchase of parkland, land or the servicing of City-owned land in anticipation of future Parkland Cash in Lieu or land sale revenues. This practice is no longer recommended in order to avoid the risk associated with uncertain revenue streams. Any new capital financing required for these purposes will be repaid through the operating fund.

5. LIMITATIONS ON INDEBTEDNESS

Debt limits will preserve borrowing capacity for future capital assets while maintaining maximum flexibility of current operating funds.

5.1 Statutory Limitations – Annual Repayment Limit (ARL)

The 2010 ARL is based on the City's 2008 Financial Information Return (FIR). The City is not allowed under Provincial regulation to issue debt which would result in the annual repayment limit being exceeded without OMB approval. In fiscal year 2008, principal and interest repayments totaled approximately 27% of the available legislated capacity.

5.2 Self Imposed Limitations

Notwithstanding the limits prescribed in the regulations, prudent financial management calls for more stringent criteria to limit debt. These criteria will assist in preserving borrowing capacity for future capital assets while maintaining maximum flexibility for current operating funds.

<u>5.2.1 Direct Debt to Operating Revenue</u>
This measure identifies the percentage of annual operating revenues that would be required to retire the City's net debt. It is also the prime measure used by Standard and Poor's when assessing the debt burden of the municipality. A target rate of **less than 55%** should be maintained.

<u>5.2.2 Debt Service Cost to Net Revenue Fund Revenue</u>
This ratio is a measure of the principal and interest payable annually as a proportion of revenue fund revenues. It should not exceed a target of **10%**.

<u>5.2.3 Development Charge Debt Servicing Ratio</u>
This ratio is a measure of the debt service cost of the debt issued to support the DC reserve funds as a percentage of the average revenue forecast as identified in the DC background study. It should not exceed a target of **20%** for hard services (Roads, Storm water, Water works, Waste water) and **10%** for all other Development Charge reserve funds. Note: additional capacity has been provided for the hard DC services in recognition of the substantial front end financing required.

<u>5.2.4 Direct Debt to Reserve Ratio</u>
This ratio compares direct debt to the total of all reserves and reserve funds.
A generally accepted target ratio for municipalities is considered to be **1:1** and this level should be achieved within the next five years and maintained thereafter.

6. TYPES OF DEBT

6.1 Short-term Debt (under one year)

The City may use either of the following sources to fund short-term operational needs:

- Reserve and reserve fund loans
- Bank line of credit

6.2 Medium-term Debt (one to four years)

The City may use any of the following sources to fund medium-term needs:

- Reserve and reserve fund loans
- Operating and capital leases
- Term loans
- Promissory notes

6.3 Long-term Debt (five years or greater)

The City may use any of the following sources to fund long-term needs:

- Municipal serial or amortized debentures
- Term loans / mortgages with any Canadian bank
- Capital leases
- Reserve and reserve fund loans

6.4 Internal Borrowing from City Reserves and Reserve Funds

When an analysis of the reserve or reserve fund has determined that excess funds are available and that the use of these funds will not adversely affect the intended purpose of the reserve or reserve fund, the City's reserve funds may be used as a source of financing for short to long term purposes. The reserves will be repaid with interest at a rate based on the actual annual average balance of the reserve fund and the Royal Bank Prime rate minus 1.75% (which is the interest rate received on City accounts) as specified in the City's reserve policy.

Each such loan is to be authorized by a specific by-law passed by Council and set out the amount, interest, term of the loan, and the specific reserve or reserve fund from which the loan is made. Borrowing in this manner offers several advantages over traditional debenture financing including the following:

- Increased flexibility in setting loan terms,
- Lower interest cost, and
- Avoidance of legal and fiscal agent fees.

7. STRUCTURAL FEATURES

7.1 Debt Denomination

The City shall issue debt denominated in Canadian dollars only.

7.2 Fixed Interest

The City shall issue general obligation debt with a fixed rate of interest. Interest rate swap agreements may be used to exchange floating-rate interest payments for fixed-rate interest payments.

7.3 Repayment Terms

The repayment term will be dependent on the useful life of the asset being acquired by the City, but should not exceed ten years except for major capital construction of public facilities. In no case shall the amortization period exceed 25 years.

7.4 Debt Structure

7.4.1 Debt shall be structured for the shortest period consistent with a fair allocation of costs to current and future users.

7.4.2 Debt shall be structured to achieve the lowest possible net cost to the City given market conditions, the type of debt being issued, and the nature and type of the repayment source.

7.5 Repayment

7.5.1 Unless otherwise justified and deemed necessary by the City's Fiscal Agent, the

repayment schedule should be structured on a level or declining payments basis.

7.5.2 Early repayment of debt may be considered if it is financially beneficial to do so.

8. CREDIT OBJECTIVES

8.1 Credit Rating

The City will continually strive to maintain or improve its current AA stable credit rating by adhering to sound financial management practices. This practice will ensure the long-term financial health of the City so that its borrowing costs are minimized and its access to credit is preserved. Standard and Poor's (S&P) is the City's debt rating agency. City staff carry out a review with S&P officials to provide updates on information affecting the City's financial position.

9. USE OF FINANCIAL ADVISORS

9.1 Fiscal Agent

The City will engage the services of a Fiscal Agent to develop the debt issuance strategy, determine the interest rate and method of calculating the interest rate, and to market bonds to investors.

9.2 Syndicate of Investment Dealers

The City will use the services of the syndicate of investment dealers principally managed by National Bank Financial (NBF) because of their substantial presence in the Canadian municipal market.

9.3 Formal Review of Financial Advisors

The Director of Finance will undertake a formal review of the Fiscal Agent or Syndicate as warranted. The formal review process may include establishing a set of criteria (including fee structures), presence in the capital markets, placement of bonds in volume, dollar terms, etc., and any other criteria that may be deemed to provide value to the City through the review process.

9.4 Notwithstanding Section 8.3, the City retains the ability to enter into a private placement for the sale of debentures or any other permitted debt financing product without the services of a Fiscal Agent or Syndicate should it be determined that this is in the City's best interests both from a cost and an administrative viewpoint.

9.5 External Legal Counsel

For all debt issues, the City will retain external legal counsel who will assist with the drafting and reviewing of the debt issue bylaw and related schedules.

10. COUNCIL AUTHORIZATION FOR DEBENTURE ISSUE

10.1 Approval of Funding for Capital Projects

The approval to fund an eligible capital project by debenture will generally be sought through the annual capital budget process. The funding of emerging strategic priorities outside of the traditional budget process shall be approved by specific by-law.

10.2 Debenture Issue

Each debenture issue shall be approved by specific by-law of Council including the term, rates of interest, debt servicing obligation, and general terms of issue.

11. ADMINISTRATION

11.1 The borrowing to finance capital projects will normally occur once the projects are essentially completed.

11.2 When feasible, debt issuances will be pooled to minimize issuance costs.

12. POLICY REVIEW

This policy will be reviewed within one year of adoption.

Staff Report

To	**Committee of the Whole**
Service Area	Corporate Services
Date	Monday, February 3, 2020
Subject	**Development Charge Interest Policy**
Report Number	CS-2020-23

Recommendation

That the Development Charge Interest Policy as recommended through report titled Development Charge Interest Policy dated February 3, 2020 and numbered CS-2020-23 be approved.

Executive Summary

Purpose of Report

To approve the Development Charge (DC) Interest Policy as included in Attachment-1, as required with the recent changes to the Development Charges Act, 1997 (DCA) through proclamation of Schedule 3 changes of Bill 108 More Homes More Choice Act, 2019 (Bill 108).

Key Findings

DCs are fees levied on new development to fund the cost of infrastructure needed to accommodate growth.

Recent changes made to the DCA through the proclamation of Ontario Regulation 454/19 (OReg 454/19) on December 10, 2019, as well as legislative changes from Schedule 3 of Bill 108 amended the timing of determination of the DC rate payable and when payment of DCs are due and also introduced DC payment deferrals for some types of development. These changes went into effect on January 1, 2020.

These changes have been proclaimed in advance of the first release of the regulations for the Community Benefit Charge, which were expected in the fall of 2019. These are now expected early in 2020 and will come into effect on January 1, 2021 unless the province extends this deadline given the deferral in the regulations.

The OReg 454/19 changes allow the freeze of a lower DC rate earlier in the development process and deferring the payment to a later date than previously in place. Table 1 summarizes the changes from an operational perspective and illustrates the much more complex and administratively burdensome process that staff will be required to manage. These changes have the potential to have a negative impact on DC revenues and the City's ability to fund growth capital projects.

Table 1: Summary of DC changes

	Previous DCA Rules	DCA as of January 1, 2020
DC Calculation	All development – Building Permit	Site Plan application – two year freeze, then reverts to rate in effect at Building Permit Zoning by-law application – two year freeze then reverts to rate in effect at Building Permit Other development – Building Permit
DC Payment	All development – Building Permit	Development eligible for deferral – Occupancy Permit with five to 20 year payment plan All other development – Occupancy Permit

The DCA also now allows municipalities to charge and collect interest in these situations, and to that end, a DC Interest Policy has been developed for Council approval. Interest will mitigate the negative financial impacts that are expected to occur during the freeze and deferral periods.

Early Payment Agreements will be offered if the owner of a development would prefer to pay the full DC owing at time of occupancy.

Financial Implications

Charging interest on DCs owing will offset some of the negative financial impacts expected from these changes to the DCA and will help to provide sufficient funding to meet the capital commitments prescribed by the Council-approved DC Background Study.

In addition to the lost revenue as a result of the changes in DC calculation timing and collection, there is also added staff time as most of these changes will require manual tracking as there is no standardization to the new formulas that are easily translated into the financial system. User fee increases to compensate for the increased cost to the development process will be considered in future budgets.

The fiscal impact from these changes is difficult to quantify as it will depend upon the specific timing and type and quantum of development activity.

Report

DCs are fees levied on new development to fund the cost of infrastructure needed to accommodate that growth. The specific DC rate for various types of development are determined through a DC Background Study that identifies the required capital investment over a specific period of time to accommodate a targeted level of growth. The DC rate is indexed annually using the non-residential construction price index to ensure the rate collected keeps pace with the increasing cost of construction.

Since its initial implementation in 1997, the DCA has been modified a number of times, the most recent being the Bill 108 released in May of 2019. This legislation introduced a number of changes, including the elimination of soft service DCs to be replaced by a Community Benefit Charge, the timing of when DCs were determined from building permit to Site Plan or Zoning By-law amendment and the timing of DC collection from building permit to occupancy and for some development, over a period of five to 20 years. Regulations regarding the Community Benefit Charge are expected early this year and will come into effect on January 1, 2021. Regulations related to timing of calculation and payment were approved via Royal Assent on December 10, 2019 and came into effect January 1, 2020.

This change in timing will lead to a misalignment between the DC rate collected and the cost of the capital infrastructure required. Given the short time between announcement and implementation staff have worked diligently to access ways that the City is able to mitigate these impacts, both financially and administratively. Staff are working to address the operational impacts, notice has been posted on the City's website and a cross-functional team continues to work to map out the new process while continuing to ensure uninterrupted service delivery by the City's Planning and Building departments.

To minimize the impact of the potential lost revenue, Subsection 26.2 (3) of the DCA has been revised to permit a municipality to charge interest on a DC from the date the DC is calculated to the date the DC is payable and Subsection 26.1 (7) of the DCA permits a municipality to charge interest on the instalments required by subsection (3) from the date the DC would have been payable in accordance with section 26 to the date the instalment is paid.

DC Freeze

The new subsection 26.2 (1) of the DCA provides that DCs are to be calculated on:

a. the day an application for an approval of development in a site plan control area under subsection 41 (4) of the Planning Act was made in respect of development that is the subject of the DC,
b. if clause (a) above does not apply, the day an application for an amendment to a by-law passed under section 34 of the Planning Act was made in respect of the development that is the subject of the DC;
c. if neither clause (a) nor clause (b) applies,
    i. in the case of a DC in respect of a development to which section 26.1 applies, the day the DC would be payable in accordance with section 26 if section 26.1 did not apply, or
    ii. in the case of a DC in respect of a development to which section 26.1 does not apply, the day the DC is payable in accordance with section 26.

Section 26 requires that the DC payable is due at occupancy. If the period between building permit and occupancy is greater than one month, interest will be charged, as prescribed below:

Where security is provided, the interest rate to be applied to the DC balance owing will be the non-residential consumer price index. The interest owing will be calculated on a monthly basis.

Where no security is provided, the interest rate to be applied to the DC balance owing will be the non-residential consumer price index, plus two percent. The interest owing will be calculated on a monthly basis.

The City has a Council-approved Letter of Credit Policy that outlines acceptable forms of security.

DC Deferral

Subsection 26.1 (1) of the DCA states that, despite section 26, a DC in respect of any part of a development that consists of a type of development set out in subsection (2) is payable in accordance with section 26.1.

Subsection 26.1 (2) identifies the following development types eligible for a DC deferral:

- rental housing development that is not non-profit housing development (five years)
- institutional development (including long-term care homes, retirement homes, universities and colleges, memorial homes, clubhouses or athletic grounds of the Royal Canadian Legion and hospices) (five years)
- non-profit housing development (20 years).

The DC shall be paid in equal annual instalments beginning on the earlier of the date of the issuance of a permit under the Building Code Act, 1992 authorizing occupation of the building and the date the building is first occupied, and continuing on,

a. the following five anniversaries of that date, in the case of a DC in respect to rental housing development that is not non-profit housing development, and institutional development; or
b. the following 20 anniversaries of that date, in the case of a DC in respect of non-profit housing development.

There is a lack of definition in the regulations for these types of development and staff will use the following criterion to determine if a deferral arrangement is eligible. These definitions will be included in the next DC By-law update.

Institutional Development means development of a building or structure intended for use,

a. as a long-term care home within the meaning of subsection 2 (1) of the Long-Term Care Homes Act, 2007;
b. as a retirement home within the meaning of subsection 2 (1) of the Retirement Homes Act, 2010;
c. by any of the following post-secondary institutions for the objects of the institution:

i. a university or college in Ontario that receives direct, regular and ongoing operating funding from the Government of Ontario,
ii. a college or university federated or affiliated with a university described in subclause (i), or
iii. an Indigenous Institute prescribed for the purposes of section 6 of the Indigenous Institutes Act, 2017;

d. as a memorial home, clubhouse or athletic grounds by an Ontario branch of the Royal Canadian Legion; or
e. as a hospice to provide end of life care.

Non-Profit Housing means a building or structure intended for use as residential premises by,

a. a corporation without share capital to which the Corporations Act applies, that is in good standing under that Act and whose primary object is to provide housing;
b. a corporation without share capital to which the Canada Not-for-profit Corporations Act applies, that is in good standing under that Act and whose primary object is to provide housing; or
c. a non-profit housing co-operative that is in good standing under the Co-operative Corporations Act.

Rental Housing means a building with four or more dwelling units all of which are intended for use as rented residential premises.

To compensate the City for the revenue loss associated with time value of money, interest shall be charged on the outstanding balance as at each anniversary date, until the DCs receivable are paid in full. The interest will be calculated and charged as follows:

Where security is provided, the interest rate to be applied to the DC balance owing will be the non-residential consumer price index. The interest owing will be calculated on a monthly basis.

Where security is not provided, the interest rate to be applied to the DC balance owing will be the non-residential consumer price index, plus two percent. The interest owing will be calculated on a monthly basis.

Early Payment Agreements will be offered if the owner of a development would prefer to pay the full DC owing at occupancy.

Financial Implications

The fiscal impact of this change is difficult to estimate in advance as it is dependent on the level and timing of development. Staff are continuing to work on ways to capture and quantify the impacts. In addition to the lost revenue as a result of the changes in DC calculation timing and collection, there is also added staff time as most of these changes will require manual tracking as there is no standardization to the new formulas that are easily translated into the financial system. User fee increases to compensate for the increased cost to the development process will be considered in future budgets.

Charging interest on DCs owing will offset some of the negative impacts to the DC reserve funds, however it is likely that it will not provide sufficient funding to account for the difference entirely. This may create situations where the City is not able to meet the capital commitments prescribed by the Council approved DC Background Study from DC revenue alone.

Consultations

Legal, Realty and Court Services

Strategy, Innovation and Intergovernmental Services

Planning and Building Services

Information Technology

Strategic Plan Alignment

This Development Charge Interest Policy aims to ensure that the City is able to fund the new cost of capital required to maintain the delivery of our services to new members of the community. DCs are the main source of funding for infrastructure required to accommodate growth and without mitigation of the anticipated funding shortfall through the application of interest on amounts owing, the tax and rate payers would make up this difference. The City's goal is for growth to pay for growth as much as the DCA allows. This report aligns with the Working Together for Our Future pillar to run an effective and fiscally responsible government; looking for new funding options to ease taxes for residents and business.

Attachments

Attachment-1 Development Charge Interest Policy

Departmental Approval

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Corporate Policy and Procedure

Policy	**Development Charge Interest Policy**
Category	Corporate
Authority	Finance
Related Policies	Development Charge By-law, General Reserve and Reserve Fund Policy, Letter of Credit Policy, Investment Policy
Approved By	Council
Effective Date	Wednesday, January-01-2020
Revision Date	Upon each Development Charge By-law update

Policy Statement

The fundamental principle of funding growth-related capital costs is that 'Growth should pay for Growth'. This policy serves to ensure that there is compensating interest income to fund the lost development charges (DCs) that will result from the DC rate freeze and deferred payment requirements.

Purpose

This DC Interest Policy aims to ensure that the City is able to fund the new cost of capital required to maintain the delivery of our services to new populations and businesses in the community. DCs are the main source of funding for infrastructure required to accommodate growth and without mitigation of the funding shortfall expected, the tax and rate payers would make up this difference. The City's goal is for growth to pay for growth as much as the Development Charge Act (DCA) allows. The interest earned from this policy will fund the lost DC revenue resulting from the two-year DC rate freeze as well as the lost DC revenue on the time lapse between date of calculation and ultimate payment of the DCs to the City.

Subsection 26.2 (3) of the DCA permits a municipality to charge interest from the date the DC is calculated to the date the DC is paid in full.

Subsection 26.1 (7) of the DCA permits a municipality to charge interest on the instalments required by subsection (3) from the date the DC would have been payable in accordance with section 26 to the date the instalment is paid.

Definitions

Early Payment Agreement means an agreement with a person or business who is required to pay a DC providing for all or any part of the DC to be paid before it would otherwise be payable.

Interest Rate means the non-residential construction price index year-over-year change as of September 30th of the prior year.

Occupancy means the earliest of either (1) the date on which an Occupancy Permit or a Partial Occupancy Permit is issued by the City of Guelph, or (2) the earliest date on which the use or intended use of a building or part of a building for the shelter or support of persons, animals or property commences.

Security means an agreed upon asset or assurance provided in anticipation of later payment in full of DCs.

Guidelines

Rate Freeze

The new subsection 26.2 (1) of the DCA provides that DCs are to be calculated on:

a) the day an application for an approval of development in a site plan control area under subsection 41 (4) of the Planning Act was made in respect of development that is the subject of the DC,
b) if clause (a) above does not apply, the day an application for an amendment to a by-law passed under section 34 of the Planning Act was made in respect of the development that is the subject of the DC;
c) if neither clause (a) nor clause (b) applies,
    i. in the case of a DC in respect of a development to which section 26.1 applies, the day the DC would be payable in accordance with section 26 if section 26.1 did not apply, or
    ii. in the case of a DC in respect of a development to which section 26.1 does not apply, the day the DC is payable in accordance with section 26.

Section 26 requires that the DC balance owing is due at Occupancy. If the period between DC calculation and Occupancy is greater than one month, interest will be charged, as prescribed below:

Where Security is provided, the Interest Rate in effect at the date of DC calculation will be applied annually to the DC balance owing beginning on the first day of the month succeeding the date of DC calculation. The Interest Rate will be accrued on a monthly basis.

Where Security is not provided, the Interest Rate in effect at the date of DC calculation plus 2% will be applied annually to the DC balance owing beginning on the first day of the month succeeding the date of the DC calculation. The Interest Rate will be accrued on a monthly basis.

DC Deferral

Subsection 26.1 (1) of the DCA states that, despite section 26, a DC in respect of any part of a development that consists of a type of development set out in subsection (2) is payable in accordance with section 26.1.

Subsection 26.1 (2) identifies the following development types eligible for a DC deferral

- rental housing development that is not non-profit housing development (five years)
- institutional development (including long-term care homes, retirement homes, universities and colleges, memorial homes, clubhouses or athletic grounds of the Royal Canadian Legion and hospices) (five years)
- non-profit housing development (20 years).

The DC shall be paid in equal annual instalments beginning on the earlier of the date of the issuance of a permit under the Building Code Act, 1992 authorizing occupation of the building and the date the building is first occupied, and continuing on,

a) the following five anniversaries of that date, in the case of a DC in respect to rental housing development that is not non-profit housing development, and institutional development; or
b) the following 20 anniversaries of that date, in the case of a DC in respect of non-profit housing development.

The Interest Rate shall be charged on the outstanding balance as at each anniversary date, until the DCs owing are paid in full. The interest will be calculated and charged as follows:

Where Security is provided, the Interest Rate will be applied to the DC balance owing and will be payable on each anniversary date.

Where Security is not provided, the Interest Rate plus 2% will be applied to the DC balance owing and will be payable on each anniversary date.

Early Payment Agreements will be offered if the owner of a development would prefer to pay the full DC owing at Occupancy.

Staff Report

To	**Committee of the Whole**
Service Area	Corporate Services
Date	Monday, February 3, 2020
Subject	**2019 Financial Condition Assessment and Proposed Long-term Financial Framework**
Report Number	CS-2020-04

Recommendation

1. That the 2019 Financial Condition Assessment attached to report CS-2020-04 and dated February 3, 2020 be received.
2. That the Long-term Financial Framework included as Attachment-2 to report CS-2020-04, be approved.

Executive Summary

Purpose of Report

To provide a summary of the 2019 Financial Condition Assessment findings and to outline the Long-term Financial Framework (LTFF) that will improve the City's financial sustainability, flexibility and vulnerability.

Key Findings

The overall financial condition of the City has improved since 2015, indicated by increased reserve and reserve fund balances, a continued solid credit rating score and a bettered financial position. One of the key drivers of this was the updated Reserve and Reserve Fund Policy completed in 2017. Staff committed to undertaking an external financial condition assessment with each term of Council and the results of the BMA Consulting (BMA) assessment can be found in Attachment 1 to this report.

The financial health of a municipality can be evaluated based on three measures, as per BMA:

- Sustainability – the ability to maintain services over an extended period of time
- Vulnerability – the level of resiliency to mitigate unexpected negative factors
- Flexibility – the ability to adapt to changing opportunities

The City's proposed LTFF will use these measures as the foundation needed to balance the maintenance of service levels and the City's financial health over the long-term. The LTFF will be used to inform policies and guide decision making. The situational analysis provided by the BMA assessment will be used to determine which policies and services need to be updated and aligned to mitigate against the risk of potential threats, capitalize on opportunities and resolve operational weaknesses.

The LTFF as proposed provides the foundation on which metrics and key performance indicators (KPIs) will be developed for the City's businesses and strategies.

Current challenges impacting the three LTFF measures relate to the following:

- aging infrastructure
- sufficiency of Reserve and Reserve Funds
- managing the cost of growth
- changing service and program demands (aging and growing population)
- impacts from changing revenue assumptions

In 2020 the focus of policy review and development will be on the following:

- Debt Management Policy – update
- Multi-year Budget Policy – new
- Revenue Policy – new
- Growth Cost Management Policy – new

Attachment-2 provides the policy to establish the LTFF, with Appendix A to it demonstrating the beginning of this process, the items shown are not exhaustive and in many cases are only in the preliminary stages of development. Staff's intention with bringing this to Council is to obtain approval to continue to develop the policies and measurements required to complete a robust LTFF.

Financial Implications

There are no direct financial implications from this report. BMA identified key challenges and opportunities that may have significant financial implications in the future. It is important that the City develop a LTFF to guide development of strategies to manage through the known risks, seize opportunities, and provide the foundation needed to achieve the goals and deliverables of the City's Strategic Plan.

Report

The City engaged BMA to undertake a financial condition assessment that evaluated the change in financial condition since the last assessment in 2015. At that time, staff committed to updating this assessment with each term of Council. The full report can be found in Attachment-1 to this report.

BMA uses trend analysis, comparator data and established best practices to measure results in three areas:

- growth and socio-economic indicators
- municipal levy, property taxes and affordability
- financial position

The following section provides the findings of BMA's situational analysis in four groups: strengths, weaknesses, opportunities, and threats. Strengths and weaknesses relate to internal factors while opportunities, and threats relate to external items. An item can be identified as a strength, weakness, opportunity, and threat; in cases where this occurs they will be identified under each section, and in policy development addressed holistically.

Based on BMA results, staff have developed a list of recommendations and a plan of implementation that will leverage the City's strengths to seize opportunities, mitigate against potential threats, and improve weaknesses.

Situational Analysis

Strengths

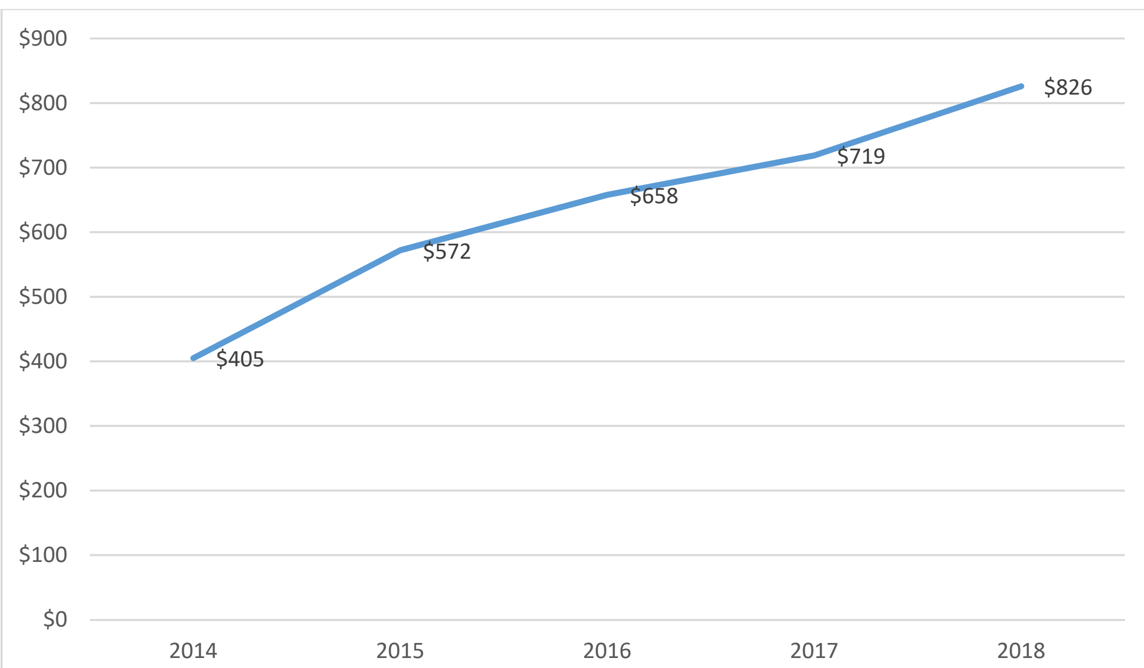
The City has a strong financial foundation based on sound financial policies that guide reserves, debt, and liquidity management aimed at improving its financial position.

Since the last BMA assessment, there has been a commitment to improve reserve and reserve fund balances through surplus allocations and contributions from the operating budget that has brought balances closer to target levels which is critical to the long-term financial stability of the City.

The 2019 credit rating score of AA+ reflects sound financial management, budget performance, healthy economy, low debt levels and a strong level of liquidity. A strong credit rating demonstrates that the City is well managed, financially healthy and able to meet all debt obligations. The rating influences the terms of future debt; such as the type of debt, the amortization period and the interest rate.

Financial position, as measured by financial assets less financial liabilities, is strong and has been steadily increasing since 2014 as reflected in Figure 1 below. The improvement is related to consistent increases in reserves and receivables and is above the median of the City's comparator municipalities. A positive balance indicates that the City's long-term funding strategies are ensuring that revenues are appropriately being maintained to fund expenditures and liabilities.

Figure 1 – Financial Position per Capita

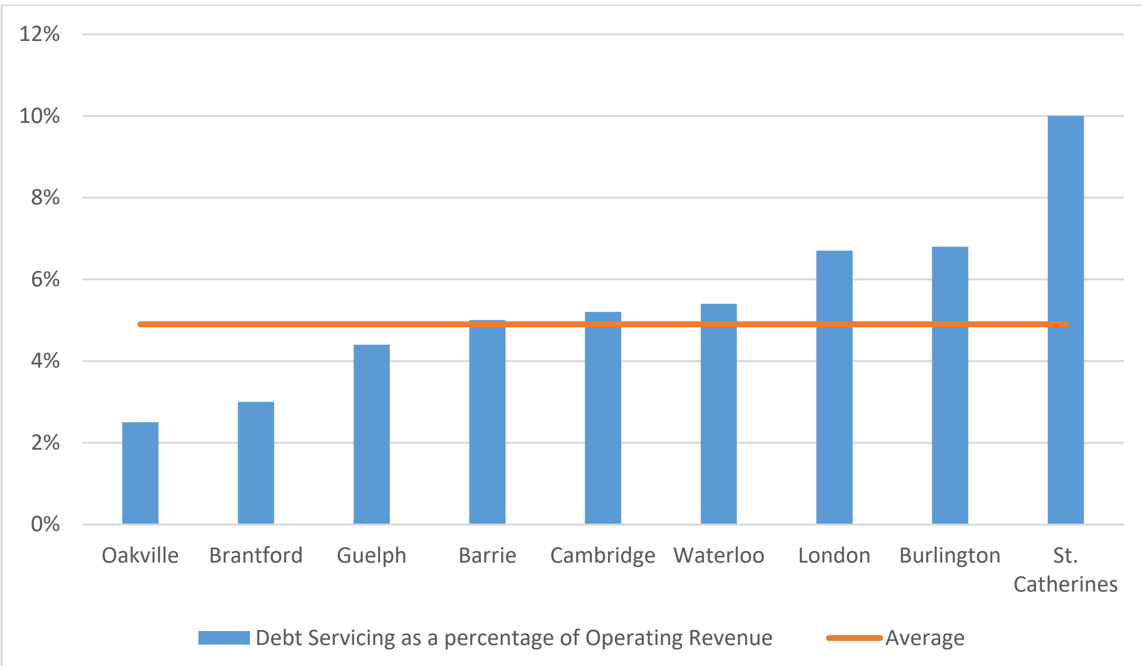


The City's tax base is very stable as represented by the low taxes receivable as a percentage of total taxes levied of 1.7 per cent, which is well below the comparator average of between two to five per cent.

The water and wastewater reserves and reserve funds are in good condition and continued investment in infrastructure renewal funding will ensure these reserve funds are sufficient to address asset management needs over the long-term.

Debt levels are below the comparator average and within industry best practices. The Municipal Act prescribes the maximum amount of debt a municipality can incur by the Annual Repayment Limit (ARL). The ARL limits total debt-servicing costs to 25 per cent of operating revenue. The City is well within this limit as well as the City's internal Debt Management Policy limits currently; the long-term capital plan will see future debt forecasts more fully leverage these allowances. Figure 2 below illustrates the total tax debt servicing charges as a per cent of own source revenues including the City's comparator group and shows that Guelph is currently managing tax supported debt within an acceptable range.

Figure 2 – Tax Debt-Servicing as a Percentage of Operating Revenue

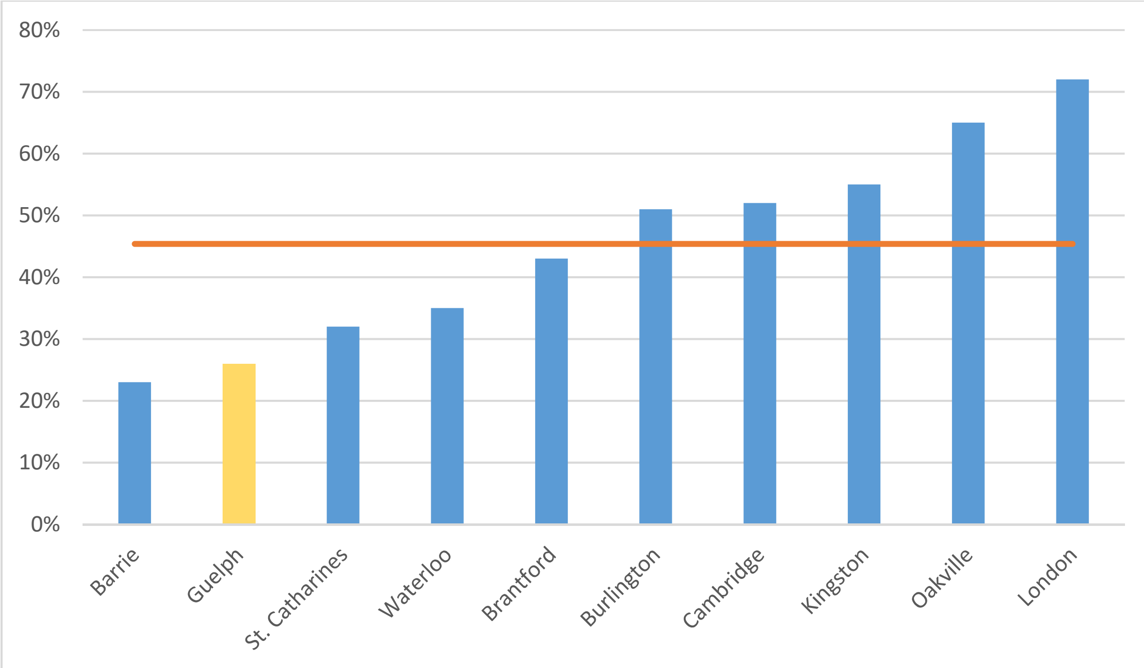


Weaknesses

The asset consumption ratio highlights the relative age of the City's assets and potential timing of asset replacement. It is the percentage of the written down value of tangible assets to their historical costs. The City's asset consumption ratios are higher than the comparator average and median; reflecting potentially greater replacement needs in the short to mid-term timeframe as compared to other municipalities.

Also consistent with annual reporting by staff, the collective tax supported discretionary reserves as a percentage of taxation is below the City's policy prescribed target and the comparator survey average as illustrated in Figure 3 below. While transfers have increased by eight per cent to these reserves since the previous assessment, the reserve balances as a per cent of taxation has remained stable, which indicates that spending has also increased. Without improvement in this ratio, the City's financial flexibility will be limited for responding to unforeseen expenditures and shortfalls in revenues.

Figure 3 – 2018 Tax Reserves as a Percentage of Own Source Revenues



The City's tax supported capital reserve funds are below recommended levels for managing aging infrastructure needs. The General Reserve and Reserve Fund Policy establishes targets for each of the capital reserve funds and currently they collectively are below target. Without sufficient capital reserve balances, the City is forced to rely on debt financing for major infrastructure renewal projects and has limited ability to respond to emergencies, unexpected policy changes from other levels of government or to take advantage of business opportunities. This puts the City at a risk when previously it was noted that its infrastructure is also more aged than our comparators.

Growth currently represents two areas of concern for the City: Development Charge (DC) debt capacity and the cost of growth not recoverable from DCs. The projected DC debt requirements, as identified in the 2018 DC Background Study exceed current limits set out in the City's Debt Management Policy. Staff have addressed this concern as part of the update to the Debt Management Policy. Changes in metrics for DC debt better align with the way in which DCs are calculated and collected, allowing for improved planning.

The City is required to plan to meet the growth targets as prescribed by the Province, however, the capital infrastructure needed to accommodate growth, and the front-ended timing of these projects creates significant financial challenges. Staff have identified this as a priority to examine in greater detail in 2020.

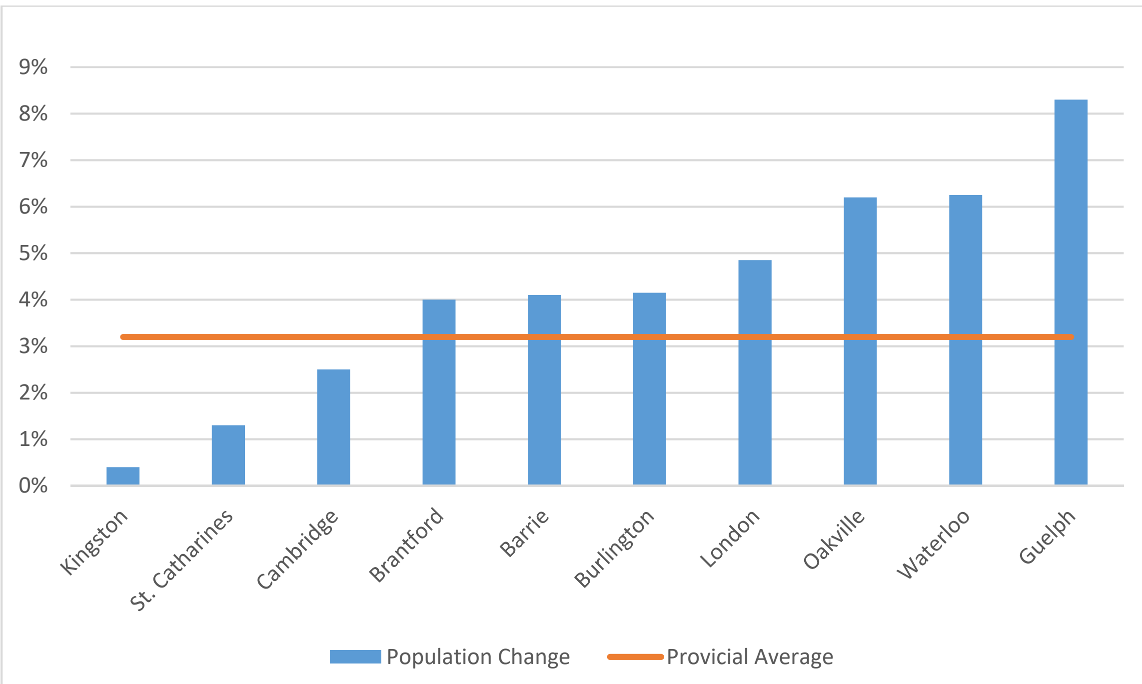
Property taxation affordability is a concern. The municipal property tax levy on a per capita basis is slightly above the comparator group average whereas the levy per $100,000 of weighted assessment is just at the group average. This indicates that assessment value in Guelph is slightly higher than comparator municipalities. In terms of affordability, collectively including property taxes and user fees as a percentage of average income, Guelph is rated at 5.0% compared to the average of 4.7% which can be an indication of an uncompetitive municipal service cost as a percentage of income.

Finally, the City's non-residential tax ratios are higher than comparator municipalities, resulting in the property taxes per square foot for commercial and industrial properties just over the comparator group average. From a position of attracting businesses and jobs, a priority identified in the Strategic Plan, this could be viewed as a barrier to economic development, however, Guelph's results are fairly close to average.

Opportunities

The City is growing and intensifying. Strong population growth drives the economic health of a municipality and creates an environment that supports business. The City's population has grown 8.3 per cent between 2011 and 2016, as illustrated in Figure 4, which is 144 per cent faster than the Ontario average for that same period. A growing population results in an increased tax base and a greater ability to pay for public services and programs. However, accommodating the growing population through expansion of services and investment in infrastructure has created financial challenges as previously discussed and long-term financial planning should focus on addressing this risk.

Figure 4 – Population Growth 2011 to 2016



A significant portion of the City's growth has been through intensification of the built-up areas. Intensification has a number of benefits, including, reducing carbon footprint, improving access to public transit, using resources such as land, building and infrastructure effectively, enhancing community identity and creating active streets that promote healthier patterns of activity.

The City's assessment base is strong relative to comparator municipalities in terms of both value and diversification. A strong assessment base provides a stable revenue source and flexibility to raise revenues to meet service and program demands.

The composition of the weighted assessment base is 73 per cent residential and 27 non-residential. This favourable composition reflects the City's strong non-residential sector and provides the ability to allocate municipal costs to both residents and employers. It also helps with resiliency through economic downturns and changing employment/business patterns. A current study supported by the Region of Peel, has indicated that changing employment patterns in terms of work-from-home and the sharing economy are poised to create significant challenges for the realty property tax regime and possibly even income tax regimes. While the City's non-residential base is a significant benefit today, it will be important that financial strategies address this risk of shifting tax classes and the impacts it could have on the City.

Household income within the City is high relative to the municipal survey, indicating a reliable revenue stream and a strong ability to raise revenues to meet service and program demands.

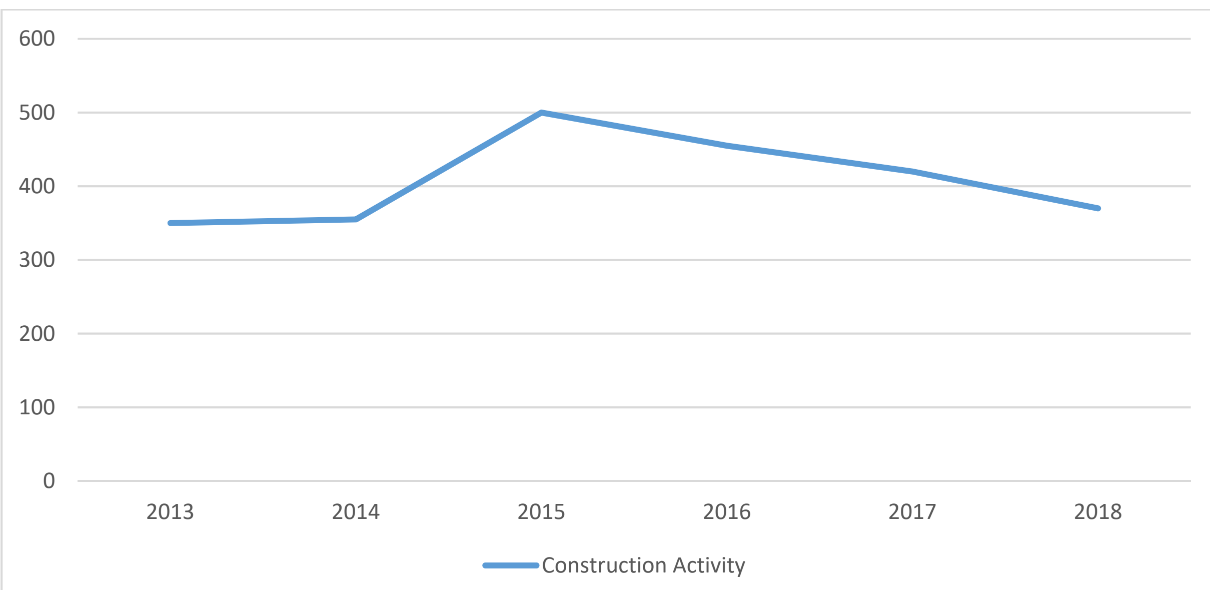
Threats

Guelph's population is aging. It is anticipated that by 2031, 30 per cent of the population will be above the age of 55 (as of 2016, 21.4% of Guelph's population is over the age of 65). This demographic shift will increasingly create pressure to change the design and delivery of municipal services and programs.

Legislation impacting how municipalities receive funding and deliver services has experiencing change. These changes from other levels of government create uncertainty and broader impacts as decisions must be made in order to continue service delivery without full information or sufficient time.

Construction activity in the City has been declining over the past five years as shown in Figure 5 below. It is still higher than comparators on a $ value per assessment basis, however, this may signal the start of an economic decline which could negatively impact revenues and economic vitality.

Figure 5: Construction Activity



Strategic Recommendations

The financial health of a municipality can be evaluated based on three measures, as per BMA:

- Sustainability – the ability to maintain services over an extended period of time
- Vulnerability – the level of resiliency to mitigate unexpected negative factors
- Flexibility – the ability to adapt to changing opportunities

The City's proposed LTFF will use these measures as the foundation needed to balance the maintenance of service levels and the City's financial health over the long-term. The LTFF will be used to inform policies and guide decision-making. The situational analysis provided by the BMA assessment will be used to determine which policies and services need to be updated and aligned to mitigate against the risk of potential threats, capitalize on opportunities and resolve operational weaknesses.

Policies provide a framework to develop specific strategies, by defining how outcomes and inputs will be measured we are able to determine the value created. Without policies, the variables are difficult to measure in terms that are relatable to taxpayers, Council, and staff. The end goal is to have a framework built on robust and mature policies which allows for strategy development, that maximizes value. Citizen value is maximized when the expected level of service is delivered from the appropriate assets at the minimum long-term operating and capital costs.

In order to ensure these outcomes, the City needs to put in place policies that help achieve this goal. Measuring progress in applying the policies and achieving the goal on a periodic basis is also required. Attachment-2 provides the policy to establish the LTFF, with Appendix A to it demonstrating the beginning of this process, the items shown are not exhaustive and in many cases are only in the preliminary stages of development. Staff's intention with bringing this to Council is to obtain approval to continue to develop the policies and measurements required to complete a robust LTFF.

The Debt Management Policy update provided to Council is the most recent development of this LTFF. The policy has been updated to better reflect the uses and requirements of borrowing in the municipal environment, supported by a robust review of external data from comparators and academia. It also includes adjusted performance metrics that more closely align with the risks and benefits of borrowing to fund long-term investments in capital infrastructure.

Staff are proposing to bring annual updates on progress towards the overall LTFF with specific focus on the items identified in the BMA assessment and aligned with the City's Strategic Plan. The items that follow will be the focus of work throughout 2020 and will involve staff from all areas of the corporation.

Aging infrastructure

In order to bring the condition of the City's assets to an acceptable level, the LTFF will focus on capital plan development policies to ensure that available funding is being used optimally. Also, service level policy integration into capital renewal decisions will be enhanced to provide a clearer picture of value being derived from investment in the various capital renewal activities.

Sufficiency of Reserves and Reserve Funds

The General Reserve and Reserve Fund Policy will continue to establish appropriate targets and uses for discretionary reserves to determine potential funding shortfalls. Staff will work to deliver enhanced reporting and guidance to Council to assist in decision-making processes at year-end and budget approval. The Budget Policy and Surplus Allocation Policy need to be updated to ensure provisions for discretionary reserve balances are made when required, and there is a continued investment in capital infrastructure renewal to reach sustainable funding.

Managing the cost of growth

A Growth Management Policy will be developed to guide decision-making to assist in ensuring growth materializes in an affordable manner that minimizes the impact on the existing tax and rate payers, while maintaining compliance with provincially-mandated growth targets and without hindering economic growth.

Changing service and program demands

The changing demographic composition of the City's expanding population will result in changing demands on services and programs. The first step to proactively address this risk is to establish a Service Level Policy which will identify the metrics to measure current level of service and enable decisions relating to service changes can be supported with strong empirical evidence. Servicing population growth will also require a strong understanding of the current level of service provided to existing residents.

Impacts from changes in revenue assumptions

In order to fully understand the various sources of funding the City uses to deliver services, a comprehensive set of revenue policies is required. This group of policies will assist business areas in developing individual strategies for addressing their specific revenue sources. It will cover items such as external funding, both one-time and ongoing, fee development and recovery rate target establishment, and revenue budget development. Of particular concern for this policy are the following:

- changes due to decisions by other levels of government
- competitiveness of fees and rates, including taxation and user-fees
- assessment growth use and reliance on in annual budget development

Financial Implications

There are no direct financial implications from the BMA assessment. BMA identified key challenges and opportunities that may have significant financial implications. It is important that the City develop a LTFF to manage through the known risks and opportunities, providing the foundation needed to achieve the goals and deliverables from the City's Strategic Plan.

Consultations

Capital Planning Steering Committee

Strategic Plan Alignment

The BMA assessment provides an important perspective that balances service levels with financial sustainability, which will strengthen all five pillars within the City's Strategic Plan.

The proposed LTFF is a specific deliverable of the Working Together for Our Future pillar.

Attachments

Attachment-1: 2019 BMA Financial Condition Assessment

Attachment-2: Long-term Financial Framework Policy

Departmental Approval

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BMA
Management Consulting Inc.

City of Guelph
Making a Difference

Financial Condition Assessment

November ςπρω

Table of Contents

Executive Summary

The Financial Condition Assessment Report includes:

Multiple Financial, Affordability Socio-Economic Indicators

Trends

Peer Comparisons

Financial Policies and Strategies

The City of Guelph completed a Financial Condition Assessment in 2015. This update report shows how the City's socio-economic and financial performance over the last 5 years has changed and also identifies future challenges and opportunities. A municipality's financial health can vary significantly based on a number of factors including growth, age of infrastructure, policy decisions and how programs and services are delivered. The following provides a brief introduction to the Financial Condition Assessment:

- It is easy to draw erroneous conclusions by looking at indicators in isolation. As such, the Financial Condition Assessment includes multiple indicators which should be evaluated within the context of the "big picture".

- It is important to consider trends, rather than evaluating one point in time, as an indicator can be impacted by one-time events. Therefore, trends were used to help provide interpretive context.

- To put the City's financial condition into perspective. Additional context has been included in the report by providing comparisons of indicators to peer municipalities has also been included.

Socio-Economic Indicators

Socio-economic indicators provide information regarding a municipality's ability to generate revenue and also economic and demographic characteristics that affect service demands.

Guelph has a number of positive socio-economic indicators reflecting a strong local economy.

As a cautionary note, in terms of demographics, Guelph, consistent with trends across Ontario, has an aging population. This trend is expected to continue and should be monitored as it may require a need to shift municipal service priorities.

Summary of Findings

- ✓ *Guelph has grown in population from 2011-2016 by 8.3% (1.7% annually)*
- ✓ *Increasing density with increased intensification in urban settlement areas*
- ✓ *While the 65+ is the fastest growing cohort, similar to Ontario, the City has a strong working age population that is growing faster than Ontario population*
- ✓ *Relatively low unemployment rate and high employment rate*
- ✓ *Construction activity has been trending down over the last 3 years but on per capita basis is higher than the peer municipalities. Assessment on a per capita basis is above the average of peer municipal corporations*
- ✓ *Average household incomes are above the peer median*

Levy and Affordability

Property taxes were reviewed in relation to levy per capita, per $100,000 of assessment and in relation to household income to provide an indication of affordability of services in the City of Guelph.

Water and wastewater costs were also compared against peer municipalities

Summary of Findings

- ✓ *In comparison to its peer group, Guelph's municipal levy on a per capita basis is slightly above average however the levy per $100,000 of assessment is below the peer average reflecting a strong assessment base upon to raise taxes*
- ✓ *Guelph's property taxes in relation to average household income is slightly above the peer average and peer median*
- ✓ *Water/WW costs are at the peer average but slightly below the peer median*
- *Non-residential tax ratios are higher than the peer average.*
- *Tax Ratios should be reviewed annually to help ensure competitive tax positioning.*

Financial Indicators

Summary of Findings

Reserves and Reserve Funds will be a critical component of the City's sustainable long term financial plan which is currently being developed.

- *Overall, Guelph's Tax Discretionary Reserves as a percentage of taxation and own source revenues are lower than the peer average. Over the past five years, Guelph's ratio of reserves as a percentage of taxation has been stable.*
- *Corporate Contingency Reserves - City should have sufficient stabilization reserves to manage the impact of unusual or unplanned cost increases or reserve reductions. These reserves increased 66% in the past 5 years and many of the policy targets are being met. In cases where they are not, strategies have been put in place to move toward the target levels.*
- *Program Specific Reserves – Targets have been established for sick leave, WSIB and paramedic retirements. These reserves are largely meeting target levels and on a consolidated basis have increased 41% over the past 5 years.*
- *Capital Reserves/Reserve Funds—Capital reserves form an important component of any capital financing plan. A legislated requirement is to prepare comprehensive asset management plans which the City has completed. Strategies have been put in place to increase the contributions to the capital program to fund the replacement of capital assets and support financial sustainability.*
- *Non-Tax Supported Capital Reserves - The water and wastewater reserves are in strong position which is important for future financial sustainability as the asset age of these assets in Guelph are higher than peer municipalities reflecting a greater need to replace capital assets. Stormwater Capital Reserves are well below the target level and is an area that will require additional financial contributions.*

Financial Indicators Continued

Debt Management

- *The City has established debt policy limits to help ensure the City has the appropriate financial flexibility to service debt without jeopardizing services or causing large spikes in tax rates. Tax-related debt levels are below the City's target maximum. The development charge debt charges represent approximately 19% of revenues collected. DC funded debt is exceeding existing policy limits. The debt management policy should be updated so that the ratios used to limit DC debt are more aligned with the development charge revenues.*

Financial Position

- *The financial position trend is important to monitor. A negative trend would indicate that capital and operating expenditures are exceeding reserves. The City's net financial position (Financial Assets-Financial Liabilities) is in a positive position, and has been trending upward over the past 5 years. The City of Guelph's net financial position per capita is above the median of the peer municipalities.*

Tax Receivables

- *Monitoring taxes receivable provides an indication of the strength of the local economy. Taxes receivable as a percentage of taxes levied is at approximately 1.7%, amongst the lowest of the peer comparator group.*

✓ ***Debt levels are well below the City's policy limits as well as Provincial limits***

✓ ***Financial position is positive and trending upward***

✓ ***Taxes receivable are very low reflecting a strong local economy***

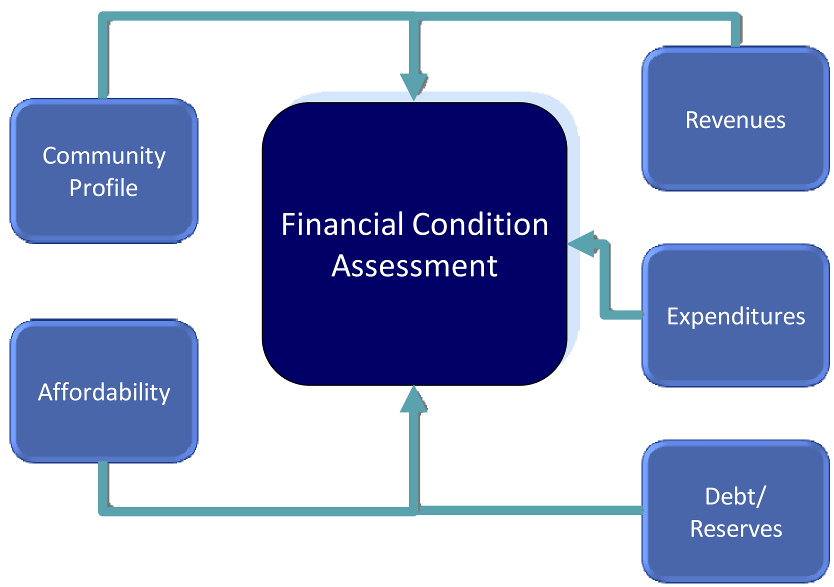
Summary

In summary, the City of Guelph's financial condition has been improving and is reflective of strong financial policies. Consistent with other Ontario municipalities, the City is facing a number of challenges to provide services and replace infrastructure given increased demands and limited resources. This will require a long-range financial plan to ensure the City continues to operate in a fiscally sustainable manner.

Introduction

The intent of a Financial Condition Assessment is to evaluate, through trend analysis, assessments, performance indicators, benchmarking, the City's past performance, financial outlook, and to identify key areas of focus.

Regular and timely financial condition assessments can provide an early warning of potential fiscal problems and provide information necessary for timely corrective action. To this end, BMA Management Consulting Inc. (BMA) was engaged by the City of Guelph to undertake a financial condition assessment in 2010 and 2015. BMA was engaged in 2019 to provide an update on the results.



As described by CPA Canada, an evaluation of a municipality's financial condition considers an evaluation of the following elements of resiliency:

Financial Condition

Sustainability

The ability to provide and maintain existing programs without resorting to unplanned tax rare increases or cuts to services.

Flexibility

The ability to issue debt responsibly without impacting the credit rating. Also, the ability to generate required revenues.

Vulnerability

Focuses on minimizing the level of risk that could impact its ability to meet financial obligations and commitments including the delivery of services.

At the conclusion of each section, a performance dashboard has been included to summarize the results of the key metrics. This provides the 2015 ratings as well as the 2019 ratings to provide perspective on how the City has performed over time.

The following provides the legend that was used to summarize the results.

Legend

Positive	Caution	Neutral

City of Guelph's Commitment to Long Range Financial Planning

The following provides highlights that reflect the City's strong commitment to financial sustainability and the provision of services in the most efficient and effective way.

AA+ Credit Rating Affirmed—August 2019

"We expect the City of Guelph to continue generating robust operating margins, although we believe that elevated capital spending will pressure its budgetary performance in the next two years.

- *We expect that the city will finance its capital plan without material borrowing in the next two years, and that robust cash generation will allow it to maintain an extremely strong liquidity position.*
- *We are affirming our 'AA+' long-term issuer credit and senior unsecured debt ratings on Guelph and maintaining our stable outlook.*
- *The stable outlook reflects our expectation that, in the next two years, Guelph's after-capital balances will erode but remain in surplus on average. We also expect the city will maintain tax-supported debt well below 30% of operating revenues through 2021 while preserving a very healthy liquidity position.*
- *The civil service is experienced and qualified to effectively enact fiscal policies.*
- *S&P recommends that the City should move toward a multi-year budget.*

Positive Financial Trends and Prudent Financial Policies

Guelph has developed solid financial policies that guide corporate decisions, including the development of the annual budget. This work has consistently been recognized and is reflected in the City's credit rating. Analysis of trends over the past five years reflects ***improvements on the majority of financial indicators***. Further, the City has continued to fine tune financial policies and targets and to track performance and incorporate new strategies into the budget.

Strategic Plan Priorities

- ***Powering Our Future—****Contribute to a sustainable, creative and smart local economy that is connected to regional and global markets and supports shared prosperity for us all.*
- ***Sustaining Our Future—****Care for our environment, respond to climate change and prepare our community for a net-zero-carbon future.*
- ***Navigating Our Future—****Foster easy, accessible movement through trails, paths, roads and corridors to tie our community together and connect our economy with other regions.*
- ***Working Together For Our Future—****Run an effective, fiscally responsible and trusted local government with engaged, skilled and collaborative employees.*
- ***Building Our Future—****Make strategic investments that nurture social well-being, provide landmark beauty and offer a safe place where everyone belongs.*

Trend Analysis

The problems that create fiscal challenges seldom emerge overnight, rather they develop slowly, thus making potential problems less obvious. Analyzing the trends of the City's key financial performance and socio-economic indicators offers several benefits including:

- Information on changes in the City's financial health, revealing the most current trends;
- How quickly a trend is changing;
- Forms the basis for future forecasting; and
- Builds awareness and helps identify the potential need to modify existing policies or develop new strategies.

Financial Indicators must be continually monitored and regularly evaluated to help ensure decisions are fully informed and financially responsible.

Better Information = Better Decisions

Peer Analysis

Peer analysis has also been included to gain perspective on the City's financial health in relation to other municipalities. Figure 1 summarizes the peer municipalities selected.

Figure 1—Peer Municipal Comparator Group

Municipality	Estimate 2019 Population	Land Area (sq. km.)	Density per sq. km.
Barrie	150,638	99	1,521
Brantford	103,952	72	1,435
Burlington	195,621	186	1,054
Cambridge	137,213	113	1,214
Kingston	129,093	415	311
London	410,966	420	978
Oakville	209,187	139	1,506
St. Catharines	139,578	96	1,452
Waterloo	113,347	64	1,770
Average	176,622	178	1,249
Median	139,578	113	1,435
Guelph	143,912	87	1,650

Source: Population—Manifold Data Mining, Land Area—Stats Canada

Financial Condition Assessment—Key Indicators

The Financial Condition Assessment includes the following:

Growth and Socio-Economic Indicators

These indicators are largely external to the City's control but important to understand from a planning and financial forecasting perspective.

- Population
- Employment Statistics
- Building Construction Activity
- Property Assessment
- Household Income

Municipal Levy, Property Taxes & Affordability Indicators

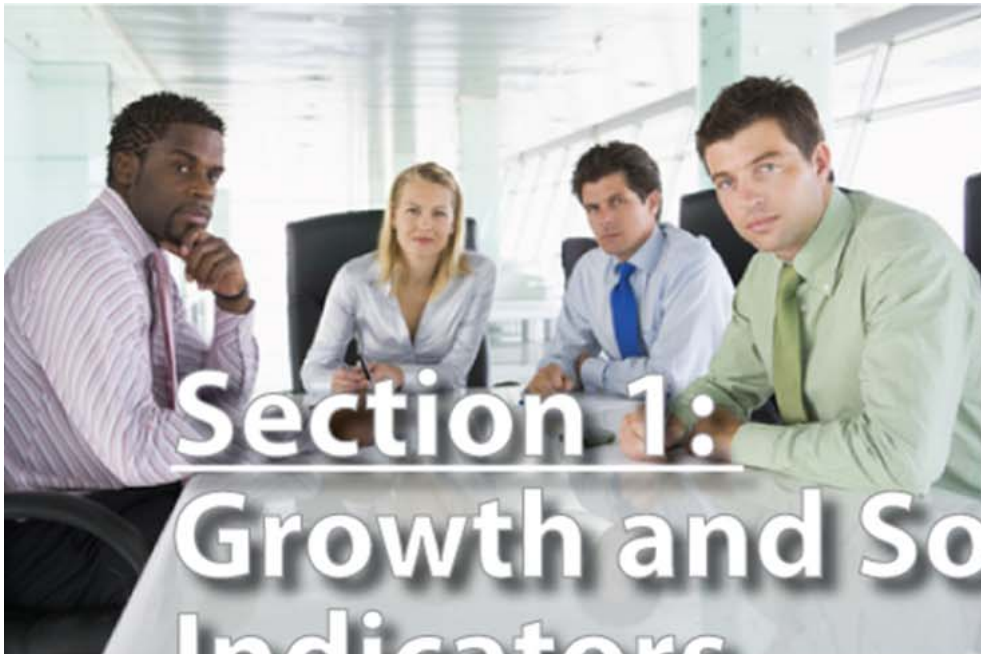
These indicators include an evaluation of the cost of municipal programs and services and how these costs translate into municipal property taxes to gain perspective on whether there are any affordability concerns.

- Municipal Levy
- Comparison of Relative Taxes
- Municipal Property Taxes as a % of Income
- Water/WW Costs as a % of Income
- Non-Residential Taxes
- Tax Ratios

Financial Position Indicators

This includes an evaluation of the City's financial framework upon which the City operates. These indicators help determine if modifications are needed to the City's existing financial policies and strategies as part of the development of the long range financial plan.

- Reserves & Reserve Funds
- Debt
- Municipal Financial Position
- Taxes Receivable



Section 1: Growth and Socio-Economic Indicators

Growth and Socio-Economic Indicators

Growth and socio-economic indicators provide insight into the community's collective ability to generate revenue relative to the community's demand for public services. As noted by Standard & Poor's bond rating agency, "demographic characteristics factor heavily into economic analysis".

An examination of economic and demographic characteristics can identify, for example, the following types of situations:

- An increasing tax base and correspondingly, the community's ability to pay for public services;
- A need to shift public service priorities because of demographic changes in the community; and
- A need to shift public policies because of changes in economic and legislative conditions.

Growth and Socio-Economic Indicators

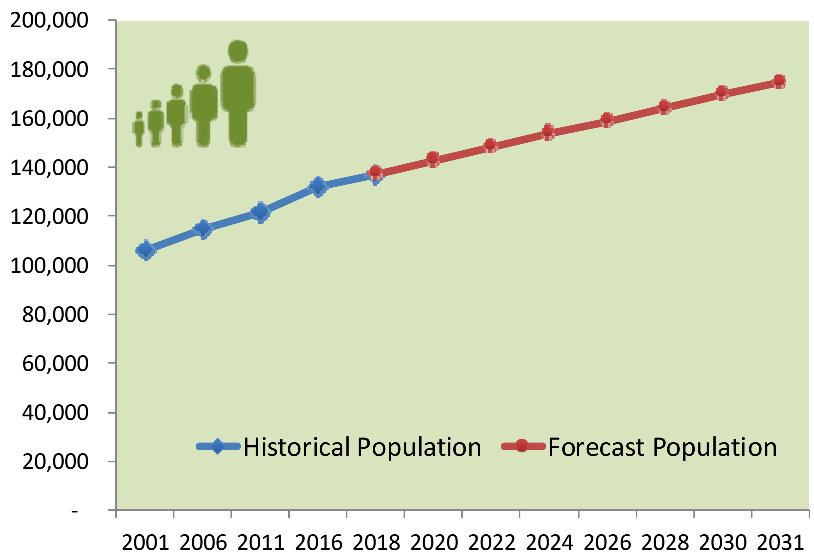
Growth and socio-economic indicators are closely inter-related and affect each other in a continuous cycle of cause and effect. Many of these indicators are largely uncontrollable by the municipality. Also important are the City's plans and potential for future development.

Population Changes

Strong population growth drives the economic health of a municipality and creates an environment that supports business. Also, it provides an evolving and vibrant labour force that the business community relies on to produce goods and services. Changes in population directly impact both revenues (assessment base) and expenditures (service demand). The following summarizes key findings related to the City's current and projected population growth:

- Guelph has grown from a population of 121,688 in 2011 to over 131,794 in 2016 (8.3% increase), an annual increase of approximately 1.7%
- Population is forecast to grow to 175,000 in 2031.

Figure 2—City of Guelph—Population Changes



Source: Stats Canada (Historical), Ontario Ministry of Finance forecast

Excerpts—City of Guelph Official Plan

The City will accommodate growth by:

a) Planning for a population forecast of 175,000 people by the year 2031;

b) Promoting a steady rate of growth equivalent to an average population growth rate of 1.5% annually, which will allow growth to keep pace with the planning of future physical infrastructure and community infrastructure; and

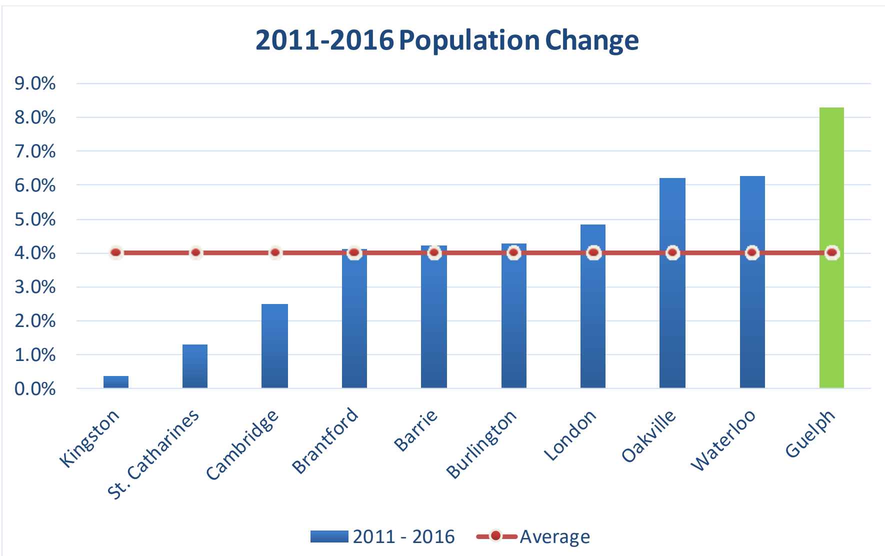
c) Ensuring the employment growth in the City is planned to keep pace with population growth by planning for a minimum of 92,000 jobs by the year 2031.

- The cost of growth not recoverable from DC's is \$78.5 million over the next 10 years. This includes 10% deduction, ineligible services, and forecasted exemptions. Funding new infrastructure and increased operating expenditures to maintain the expanded system while at the same time replacing existing infrastructure places additional pressure on the tax base and utility rates.

Peer Municipal Comparisons—Population Growth

- From 2011-2016, Guelph's population increased 8.3%, highest in the peer survey.
- Over the same period, the Ontario average grew by 3.2%. Guelph is one of the fastest growing municipality in the Province.

Figure 3—Population Changes—Peer Municipalities



Source: Stats Canada

Excerpts—MoneySense 2019

Guelph, Ont., June 10, 2019—MoneySense has ranked Guelph as the **second best city to buy real estate in Canada**. Guelph has been among MoneySense's top five places to buy real estate since 2017. MoneySense ranks cities based on three criteria:

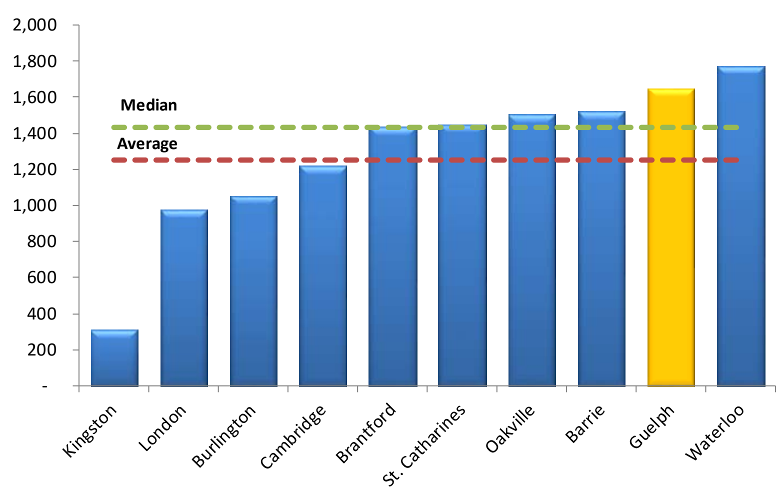
- ***Value***: how affordable the community is compared to the surrounding area and the region overall.
- ***Momentum***: how quickly prices are appreciating in a community with an emphasis on long-term appreciation.
- ***Expert insight***: grading of communities as desirable by an extensive panel of real estate agents.

Population Density

Population density indicates the number of residents living in an area (usually measured per square kilometre). Density readings can lend insight into the age of a city, growth patterns, zoning practices, new development opportunities and the level of multi-family unit housing. As illustrated in Figure 4, Guelph has the second highest population density per km^2.

Intensification is the development of a municipal area at a higher density than currently exists, through development, redevelopment, infill and expansion or conversion of existing buildings. Intensification has a number of benefits, including, reducing carbon footprint, improving access to public transit, using resources such as land, buildings and infrastructure effectively, enhancing community identity and creating active streets that promote healthier patterns of activity.

Figure 4—Population Density per km^2 —Peer Municipalities



Source: Stats Canada

Excerpts—Corporate Asset Management Plan, 2017

According to Places to Grow and the related Growth Plan for the Greater Golden Horseshoe, Guelph is targeted to increase its population to 175,000, including 30,000 more jobs, by 2031. The Provincial legislation established that 40 per cent of that growth must occur in “established areas”. This means putting denser, mixed use developments into existing built-up areas of the city, and improving existing infrastructure to support this development.

Excerpts—City of Guelph Official Plan
Settlement Area Boundary

The City will meet the forecasted growth within the settlement area through:

i) promoting compact urban form;

ii) intensifying generally within the built-up area, with higher densities within Downtown, the community mixed-use nodes and within the identified intensification corridors; and

iii) planning for a minimum density of 50 residents and jobs per hectare in the greenfield area.

To achieve the intensification targets of this Plan, significant portions of new residential and employment growth will be accommodated within the built-up area through intensification.

Age Demographics

The age profile of a population has an impact on spending plans, especially around the type and level of service required. The needs of residents shift over the course of their lives.

An analysis was undertaken of the 5 year trend in Guelph in relation to the Ontario average.

- The fastest growing cohort is residents aged 65+, reflecting the entry of many "baby boomers" into those years. In the City of Guelph, the number of residents that are age 65+ has increased 21.4% over the 5 year period, compared with the Ontario average increase of 18.3% but overall this age cohort is still lower than the Provincial average.

- The number of residents age 0-19 has increased by 4.0% compared with a reduction of 2.2% across Ontario. The City benefits from a young and growing population and working age population 20-64 which has increased greater than the Provincial average.

Figure 5—Age Profile Trend

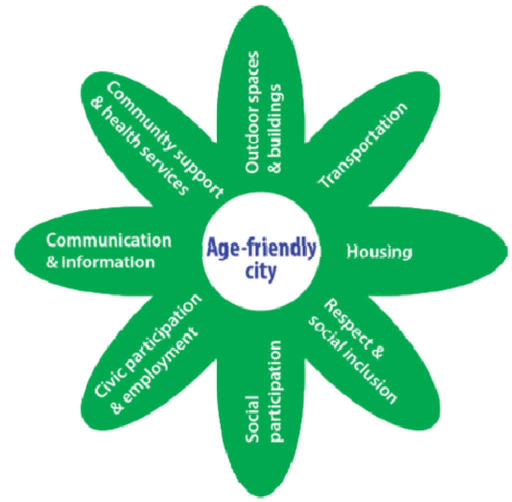
	Guelph			Ontario		
Age Profile	2011	2016	% change	2011	2016	% change
Age 0-19	29,535	30,721	4.0%	3,167,813	3,096,780	-2.2%
Age 20-44	44,085	47,066	6.8%	4,410,879	4,458,936	1.1%
Age 45-64	32,230	34,786	7.9%	3,836,128	3,927,160	2.4%
Age 65+	15,838	19,221	21.4%	1,951,480	2,309,176	18.3%
Total	121,688	131,794	8.3%	13,366,300	13,792,052	3.2%

Source: Stats Canada

Figure 6—Age Profile Comparison

Age Profile	Guelph 2016	Ontario 2016
Age 0-19	23.3%	22.5%
Age 20-44	35.7%	32.3%
Age 45-64	26.4%	28.5%
Age 65+	14.6%	16.7%
Total	100.0%	100.0%

Source: Stats Canada



- These demographic changes may put pressure on the City to provide services that reflect the changing demographic needs while still keeping taxes affordable.

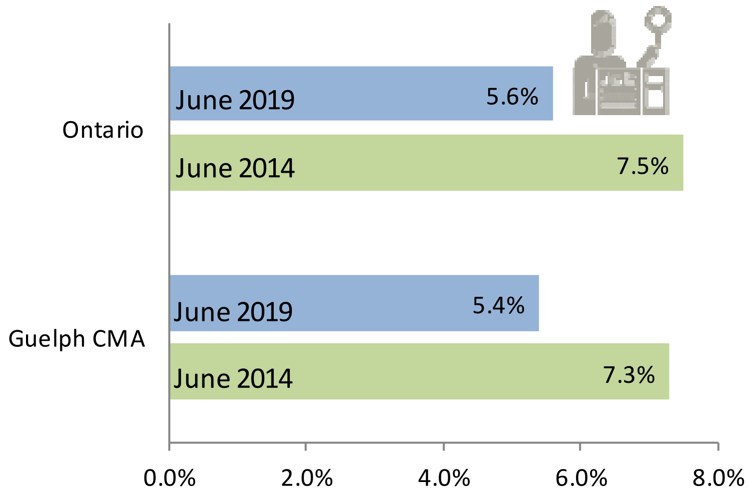
Excerpts—Older Adult Strategy

"It is projected that by 2031, Guelph will have almost 53,000 adults aged 55 years of age or older representing 30% of all residents. The impact of this demographic shift on the design and delivery of municipal services presents both opportunities and challenges.

Employment and Labour Force Indicators

Labour force statistics are an important measure of the economy's potential.

Figure 7—Unemployment Rates—June 2019



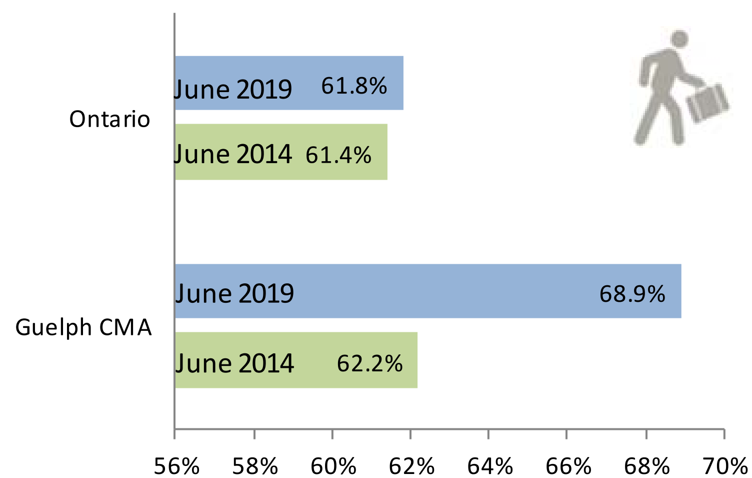
Source: Stats Canada

- The ***unemployment rate*** in Guelph CMA is estimated to be approximately 5.4% (June 2019), lower than the Ontario average. The unemployment rate in Guelph also declined from 2014 to 2019.

> **Excerpts—Labour Force Survey**
>
> *"Guelph's economy and labour force continue to outperform not only neighbouring communities, but also communities across Canada. Guelph is a resilient community built for success as evidenced by having the highest employment rate in Canada."*

- The ***employment rate*** is the percentage of total number of working-age people (includes working age people not actively seeking employment) who have jobs. The employment rate shows a community's ability to put its population to work and thereby generate income to its citizens.
- The rate of employment is a measure of and an influence on the community's ability to support its local business sector.
- Municipalities with higher employment rates are likely to have higher standards of living, other things being equal.
- As shown in figure 8, the employment rate in the Guelph CMA increased from 2014-2019 and is higher than the Ontario average over the last 5 years.

Figure 8—Employment Rates—June 2019

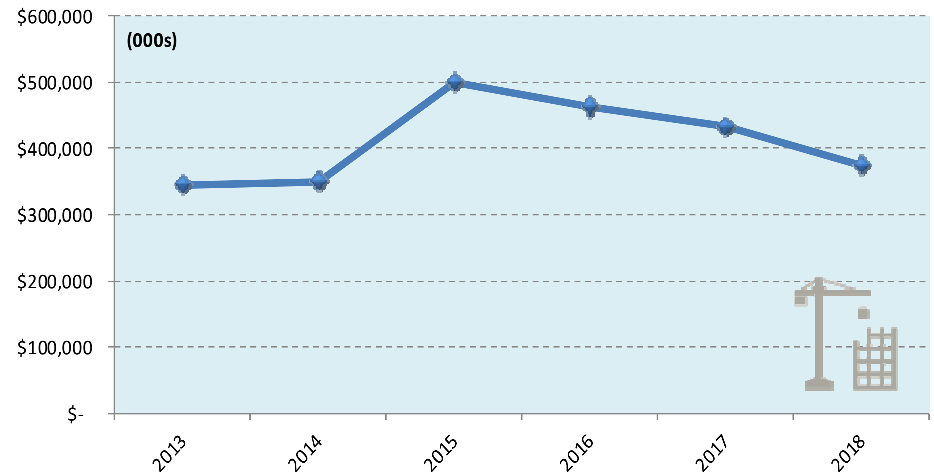


Source: Stats Canada

Construction Activity

- Another growth related indicator is the construction activity within a municipality which provides information on both residential and non-residential development. Changes in building activity impact other factors such as the employment base, income and property values.
- It is important to look at building cycles over a relatively long period of time to identify trends in construction activity.
- Figure 9 provides the trends in building permit activity experienced in the City of Guelph for the past 6 years.
- Construction activity has been trending down from 2015 to 2018.

Figure 9—Total Construction Activity—City of Guelph (000's)



Source: Year End Building Reports and FIR

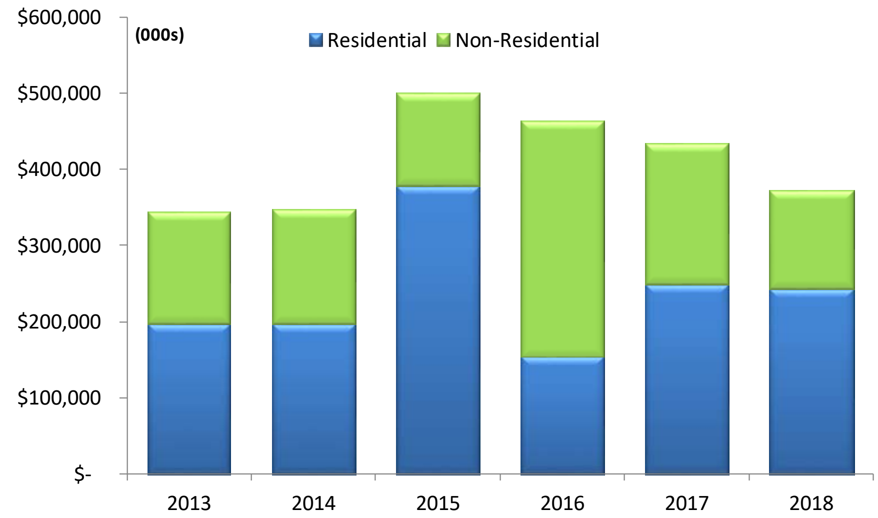
- It is also important to look at the type of construction being undertaken.

- Generally, a municipality's net operating costs (expenditure increase net of the associated growth in assessment) to service residential development is higher than the net operating cost of servicing commercial or industrial development because many services such as recreation, libraries and parks are provided mainly for use by residents.

- The ideal condition is to have sufficient commercial and industrial development to offset the net increase in operating costs associated with residential development. Non-residential development is desirable in terms of developing a strong assessment base upon which to raise taxes and in providing employment opportunities.

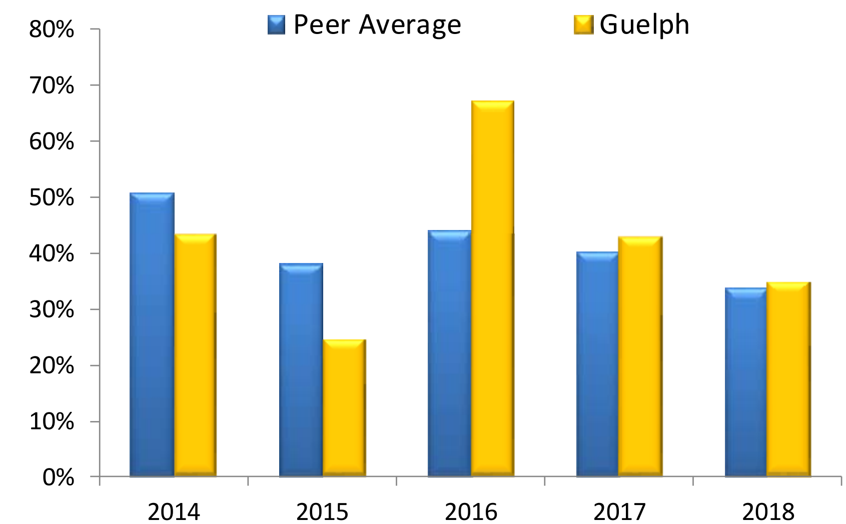
- Over the past 6 years, residential/non-residential construction activity (on a $ of construction) is a 58/42 split in the City of Guelph, representing a good balance between residential and non-residential development.

Figure 10—Residential and Non-Residential Construction Activity



Source: Building year end reports

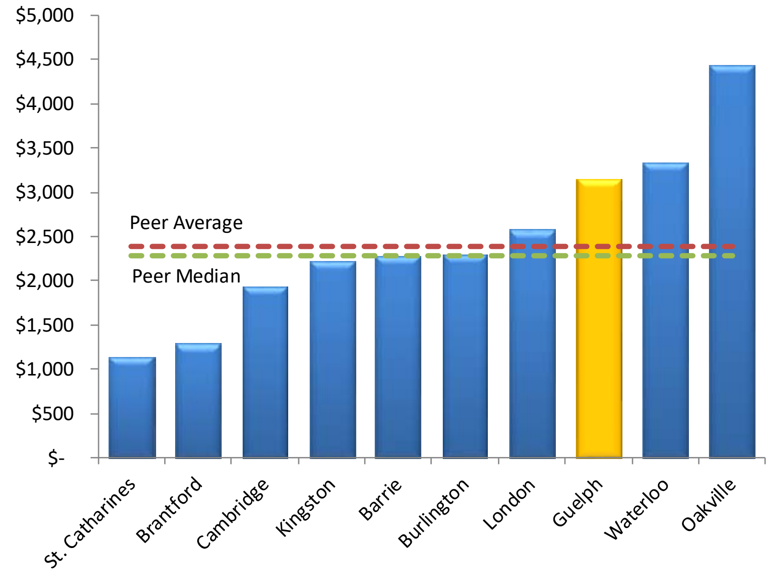
Figure 11—% Non-Residential Construction Activity—Peer Municipal Comparators



Source: BMA Municipal Studies

- A comparison was undertaken of the type of construction across the peer municipalities and over the last five years.
- As shown in figure 11, Guelph's proportion of non-residential construction activity was higher in 2016-2018.

Figure 12—Construction Activity Per Capita—Peer Municipal Comparators—5 Year Average



Source: City year end construction reports

- Building permit value per capita is used as an indicator of the relative construction activity within each peer municipality.
- As shown in figure 12, the five year average building permit value per capita from 2014 to 2018 in Guelph was the third highest in the survey of peer municipalities.
- The trend above is consistent with the trends experienced in the study in 2015.

Assessment

Monitoring assessment is important because taxation is the largest source of revenues to support City programs, services and the replacement of assets. A strong assessment base provides a stable long-term funding source. There are three aspects that should be monitored when reviewing assessment, which are important indicators of fiscal strength:

1. ***Residential/ Non-Residential Composition:*** As previously mentioned, it is more desirable to have a larger share of non-residential assessment as the municipal cost of service is generally lower than residential. In comparison to the peer municipalities, Guelph has a slightly higher proportion of non-residential assessment. As shown in figure 13, the weighted combined assessment in the non-residential sector is 27% in Guelph as compared with the peer average of 26%.

2. ***Growth in Assessment:*** Assessment increases include changes in assessment related to growth as well as changes in market value of existing properties (which does not generate additional revenues). As shown in figure 14, from 2014-2019, the assessment increase in Guelph was higher than the peer average and except for 2015-2016.

Figure 13—2019 Assessment Composition

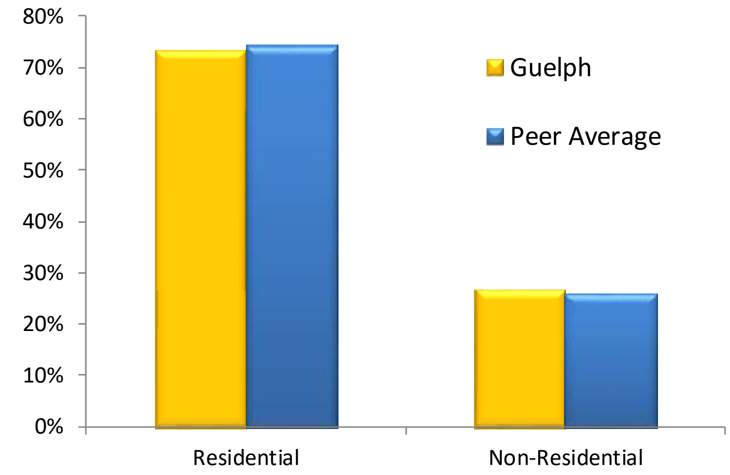
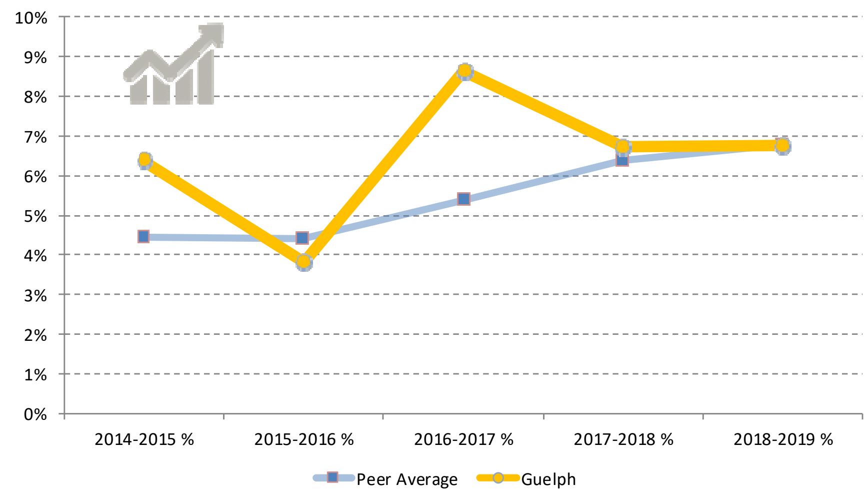


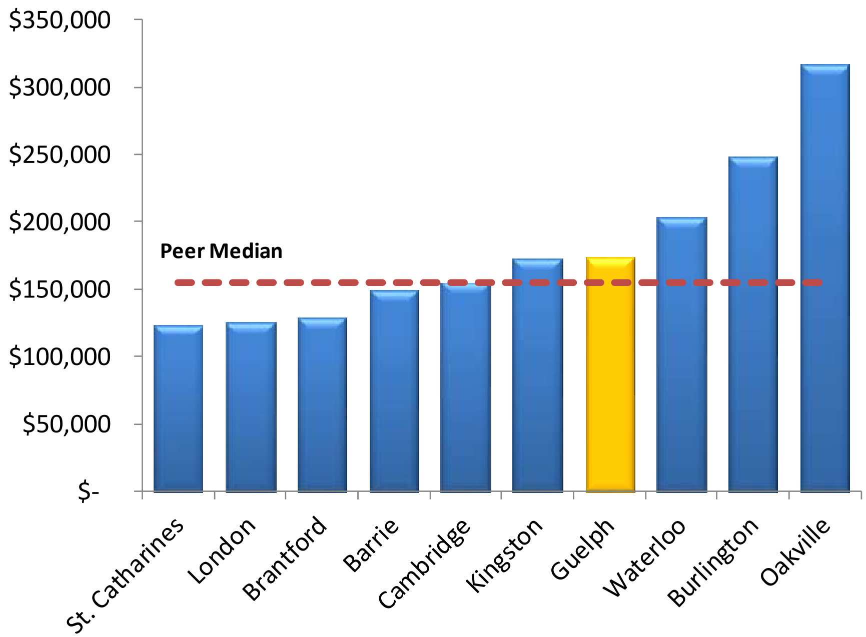
Figure 14—Changes in Unweighted Assessment



Source: for figure 13 and 14 BMA Municipal Studies using Assessment By-laws

3. ***Richness of Assessment Base:*** Assessment on a per capita has been used to compare the "richness" of the assessment base. A strong assessment base is critical to a municipality's ability to raise revenues. Weighted assessment reflects the basis upon which property taxes are levied after applying the tax ratios to the unweighted assessment. As shown in figure 15, Guelph's weighted assessment per capita is above the median of the peer municipal comparison, reflecting a higher base upon which to raise taxes.

Figure 15—2019 Weighted Assessment Per Capita



Source: BMA Municipal Studies using CVA

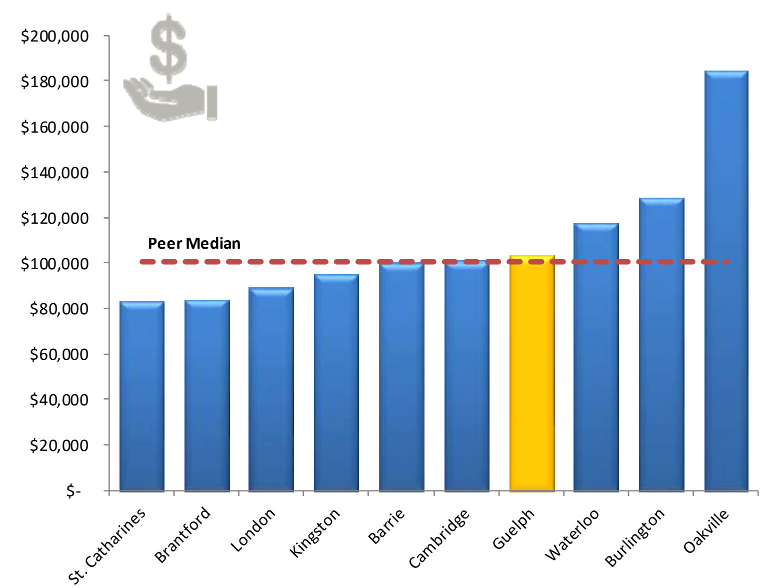
Household Income

Household income is one measure of a community's ability to pay and is an indicator of the financial well-being of residents. Credit rating agencies use household income as an important measure of a municipality's ability to repay debt. This indicator is also important to the economic health of businesses operating in Guelph.

- As shown in figure 16, in 2019, average household income in the City of Guelph is estimated at $103,289 which was higher than the peer municipal median ($100,178).

- A lower household income creates potential affordability challenges. Median was used to avoid skewing the average as a result of Oakville.

Figure 16—2019 Average Household Income



Source: Manifold Data Mining

Summary—Growth and Socio-Economic Indicators

- ***Population*** from 2011 to 2016 grew by 8.3%, highest in the survey of peer municipalities. Population is forecasted to exceed 175,000 by 2031, reflecting growth of approximately 2% annually. The City was ranked second best to buy real estate in Canada (June 2019 MoneySense)
- ***Population density*** is second highest in the survey which is reflective of a faster growth in population since over the past 5 years than peer municipalities and increased density in urban areas.
- ***Demographics***—The number of residents that are ages 65+ has increased by a greater extent than the Ontario population over the last 5 years. The City benefits from a young and growing population and working age population 20-44 which is higher than the Provincial average.
- The ***unemployment rate*** is estimated at 5.4% which is lower than the Ontario average of 5.9% in June 2019 and has decreased from 2014.
- ***Construction activity*** has been trending down since 2015, however is above the peer average and reflects a good balance of residential and non-residential construction.
- The City's ***property assessment*** base is well diversified which helps provide a stable revenue source. The assessment base is above the peer median, reflecting a higher base upon which to raise taxes.
- Average ***household incomes*** in Guelph are above the peer median.

	Socio-Economic Indicator	2015 Rating	2019 Rating
	Population Growth	✔	✔
	Population Density	⊖	✔
	Age Demographics	⚠	⊖
	Unemployment and Employment Rates	✔	✔
	Construction Activity	✔	⊖
	Assessment Composition	⊖	✔
	Richness of the Assessment Base	✔	✔
	Assessment Growth	✔	✔
	Household Income	✔	✔

Section 2: Municipal Levy, Property Taxes and Affordability

Municipal Levy, Property Taxes and Affordability

This section of the Financial Condition Assessment provides an overview of the cost of municipal services in the City of Guelph and in relation to peer municipalities. In addition, property taxes are reviewed in relation to household income to provide an indication of the affordability of services in Guelph in comparison to other municipalities. Finally, this section of the report compares the competitiveness of non-residential property taxes and water and sewer costs.

Tax supported operating strategy

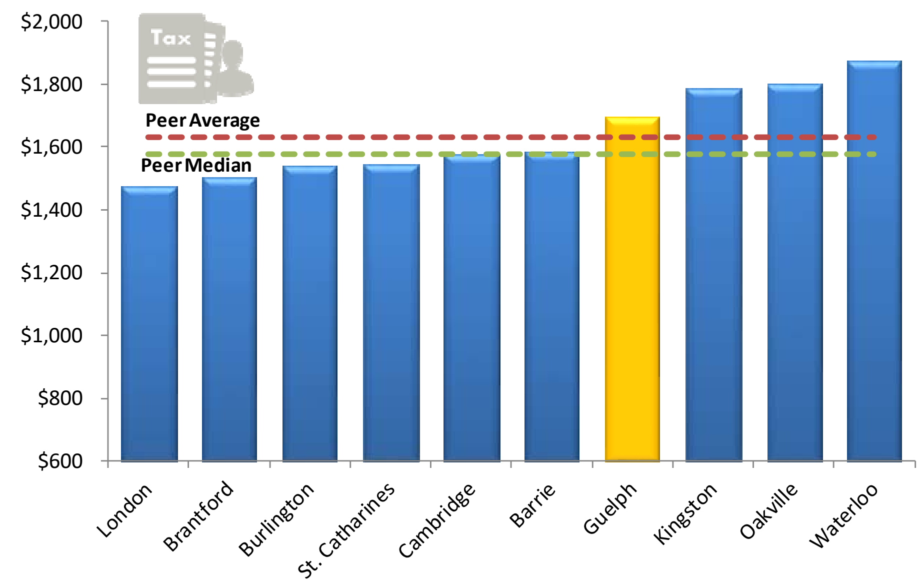
2019 approved operating budget

Municipal Levy Per Capita and Per $100,000 of Assessment Comparison

In order to better understand the relative municipal tax position for the City, a comparison of net municipal levies was calculated based on a per $100,000 of assessment as well as on a per capita levy basis. This analysis does not indicate value for money or the effectiveness in meeting community objectives as net municipal expenditures may vary as a result of:

- Different service levels;
- Variations in the types of services;
- Different methods of providing services;
- Different residential/non-residential assessment composition;
- Varying demand for services;
- Locational factors;
- Demographic differences;
- Socio-economic differences;
- Urban/rural composition differences;
- User fee policies;
- Age of infrastructure; and
- Use of reserves.

Figure 17—2019 Levy Per Capita Analysis



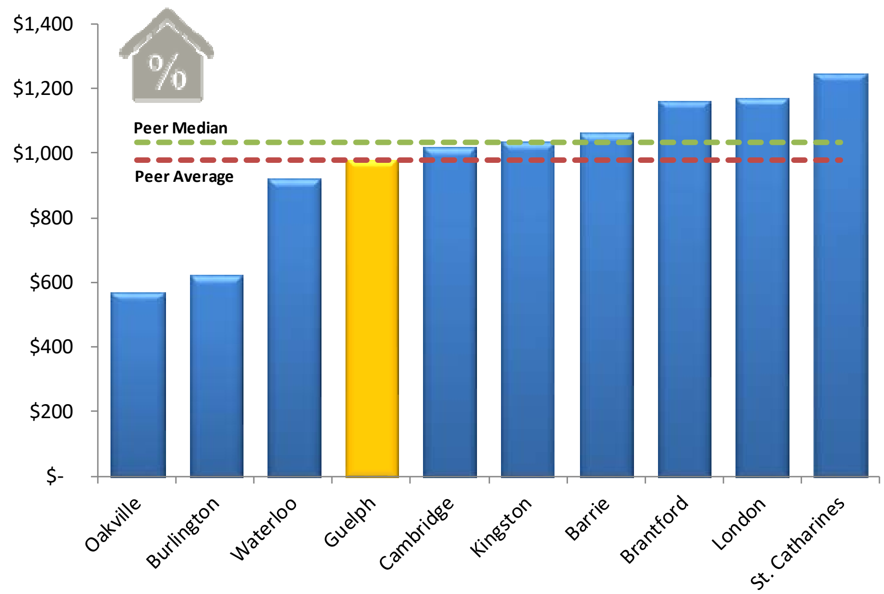
Source: BMA Municipal Study using 2019 Levy By-laws for each municipality

- The City of Guelph has a slightly higher than average municipal spending on a per capita basis.

Excerpts—2019 Operating Budget

The approved 2019 tax supported operating budget is the City of Guelph's realistic plan to build a stable financial foundation for the City. The tax supported operating budget was prepared in accordance with the Council approved Budget, Debt Management, and General Reserve and Reserve Fund policies.

Figure 18—2019 Levy Per $100,000 of Weighted Assessment



Source: BMA Municipal Study using 2019 Levy By-laws for each municipality

- A comparison of the 2019 levy per $100,000 of weighted assessment provides an indication of the levy in relation to the assessment base upon which taxes are raised.
- As shown in figure 18, the City of Guelph's levy per weighted assessment is below the median and at the average in relation to peer municipalities.

Excerpt—2019 Operating Budget

The approved 2019 budget reflects an increased net levy requirement of 2.69%. The approved budget takes into consideration inflationary cost pressures such as compensation, hydro and natural gas, fuel and diesel, software maintenance costs and other contractual increases. Further to this, the budget includes estimated increases for outstanding labour contract negotiations, impacts of previous Council decisions, operating impacts from capital approved during the 2018 budget deliberations, and the one per cent dedicated infrastructure levy.

Affordability

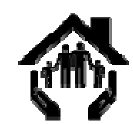
The following table compares total property taxes based on an average valued house in each of the municipalities using the MPAC database as well as the average household income to get an appreciation of the tax burden on a typical home in each municipality. In addition, this includes the water and wastewater cost of service also in relation to average household income.

Figure 19—Affordability Comparisons

Municipality	2019 Median Value of Dwelling	2019 Total Taxes on an Average Dwelling Value	2019 Average Household Income	Property Taxes as a % of Income	2019 Water/ Sewer Cost	W/WW % of Income	Combined Affordability Metric
Oakville	$ 777,644	$ 5,711	$ 184,178	3.1%	$ 873	0.5%	3.6%
Burlington	$ 539,870	$ 4,231	$ 128,863	3.3%	$ 873	0.7%	4.0%
Waterloo	$ 385,348	$ 4,191	$ 117,592	3.6%	$ 908	0.8%	4.3%
London	$ 236,289	$ 3,167	$ 88,713	3.6%	$ 887	1.0%	4.6%
Cambridge	$ 322,812	$ 3,823	$ 100,582	3.8%	$ 1,132	1.1%	4.9%
Brantford	$ 258,594	$ 3,439	$ 83,802	4.1%	$ 867	1.0%	5.1%
Barrie	$ 335,300	$ 4,132	$ 100,178	4.1%	$ 931	0.9%	5.1%
St. Catharines	$ 247,660	$ 3,520	$ 82,730	4.3%	$ 920	1.1%	5.4%
Kingston	$ 311,765	$ 4,229	$ 94,838	4.5%	$ 1,149	1.2%	5.7%
Peer Average	$ 379,476	$ 4,049	$ 109,053	3.8%	$ 949	0.9%	4.7%
Median	$ 322,812	$ 4,132	$ 100,178	3.8%	$ 908	1.0%	4.9%
Guelph	$ 370,153	$ 4,222	$ 103,289	4.1%	$ 929	0.9%	5.0%

Source: MPAC (dwelling value), BMA Municipal Study (Property Taxes)

- The median dwelling value in the City of Guelph is below the average of peer municipalities but above the median.
- Property taxes on a typical dwelling in Guelph are higher than the peer average and median.
- Property taxes as a percentage of household income in Guelph is slightly above survey average.
- Water and wastewater costs in Guelph are below the peer median and at the peer average in relation to household income.



Municipal Tax Ratios

- Tax ratios define each property classes' rate of taxation in relation to the rate of the residential property class.

- The tax ratio for the residential class is set by the province at 1.00. The different relative burdens are reflected in the tax ratios. These relative burdens are used to calculate the municipal tax rate of each property class in relation to the residential class.

Figure 20—2019 Tax Ratios

Municipality	Multi-Residential	Commercial	Industrial
Barrie	1.00	1.43	1.52
Brantford	1.88	1.79	2.27
Halton	2.00	1.46	2.36
Waterloo	1.95	1.95	1.95
Kingston	1.80	1.98	2.63
London	1.75	1.92	1.92
Niagara	1.97	1.73	2.63
Peer Average	1.76	1.75	2.18
Median	1.88	1.79	2.27
Guelph	1.83	1.84	2.20

Source: 2019 BMA Municipal Study using Tax by-laws

- As shown in figure 20, the tax ratios in the City of Guelph are above the average for peer municipalities but lower than the median in Multi-residential and Industrial properties.

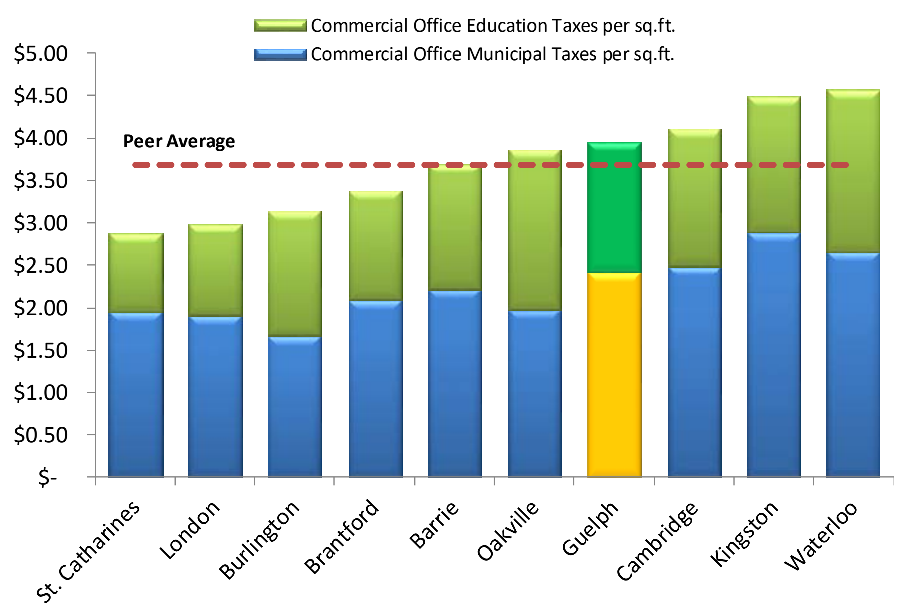
- All else being equal, higher than average tax ratios will increase the burden on non-residential properties.

- A low commercial and industrial ratio supports economic development by providing a low property tax environment for non-residential properties.

Non-Residential Municipal and Education Taxes
Commercial Office

A comparison was made of the non-residential municipal property taxes on a per square foot basis for commercial office properties across the peer comparative municipalities to gain perspective on the municipal taxes paid. This takes into consideration the tax ratios, municipal and education taxes and the current value assessments.

Figure 21—2019 Property Taxes per Square Foot



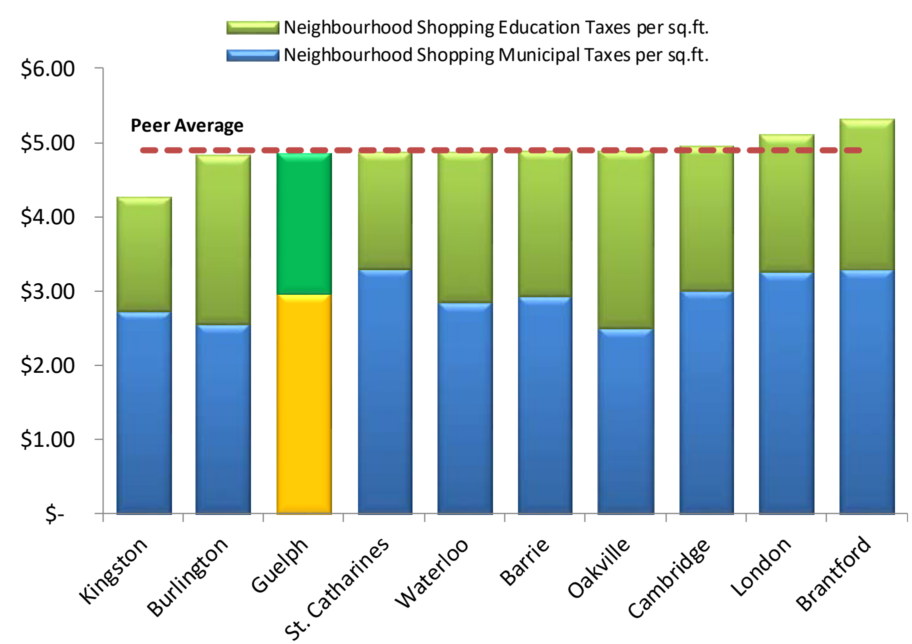
Source: BMA Municipal Study

- The non-residential municipal property taxes per square foot is slightly above the average of the comparator municipalities for office properties.

Non-Residential Municipal and Education Taxes
Neighbourhood Shopping

A comparison was made of the non-residential municipal property taxes on a per square foot basis for neighbourhood shopping properties across the peer comparative municipalities to gain perspective on the municipal taxes paid. This takes into consideration the tax ratios, municipal and education taxes and the current value assessments.

Figure 22—2019 Property Taxes per Square Foot



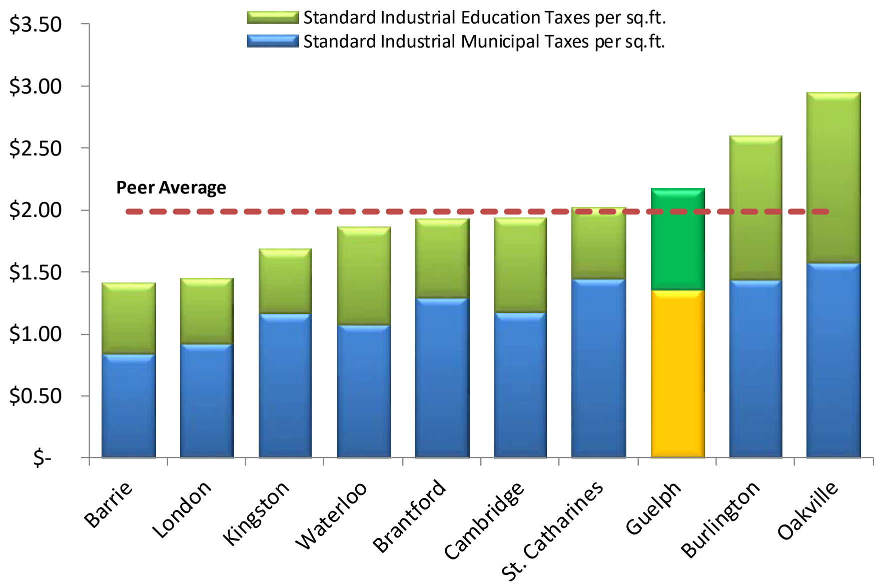
Source: BMA Municipal Study

The non-residential municipal property taxes per square foot is below the average of the comparator municipalities for neighbourhood shopping properties.

Non-Residential Municipal and Education Taxes
Standard Industrial

A comparison was made of the non-residential municipal property taxes on a per square foot basis for industrial properties across the peer comparative municipalities to gain perspective on the municipal taxes paid. This takes into consideration the tax ratios, municipal and education taxes and the current value assessments.

Figure 23—2019 Property Taxes per Square Foot



Source: BMA Municipal Study

- The non-residential municipal property taxes per square foot is above the average of the comparator municipalities for industrial properties.

Summary—Municipal Levy, Property Taxes and Affordability

- ***Municipal levies*** in relation to the assessment base reflects positively for the City of Guelph, however is higher than average compared on a per capita basis. This reflects that with a relatively high assessment base upon which to raise taxes, the City's spending is below average. Note this analysis does not compare service levels.
- The average ***municipal property taxes*** paid in relation to average household income in Guelph are slightly above the peer average and also above the survey average in relation to household incomes.
- The City's non-residential ***tax ratios*** are higher than peer municipalities which increases the relative amount of taxes that are recovered from these classes. This is a cautionary indicator in terms of competitive tax positioning for non-residential properties.
- Non-residential property taxes per square foot in the office ***commercial sector*** in Guelph are above the peer average and slightly lower than the peer average in the neighbourhood shopping category.
- Non-residential property taxes per square foot in the ***industrial sector*** in Guelph is above the peer average.

	Indicator	2015 Rating	2019 Rating
	Municipal Levy Per Capita		
	Municipal Levy Per $100,000 of Weighted Assessment		
	Residential Affordability		
	Non-Residential Tax Ratio		
	Non-Residential Property Taxes per Square Foot - Commercial		
	Non-Residential Property Taxes per Square Foot - Standard Industrial		

Section 3: Financial Position

Guelph's Financial Position

Industry recognized indicators that are used by credit rating agencies and/or recommended by Government Finance Officer's Association (GFOA) and the Ministry of Municipal Affairs and Housing Canadian Institute of Chartered Accounts (CICA) defined financial condition of a municipality's financial health as:

Sustainability

- ***Financial Position per Capita*** of a municipality is important to consider as this takes into consideration the municipality's total financial assets and liabilities.
- ***Asset Consumption Ratio*** highlights the relative age of the assets and the potential timing of asset replacements.

Vulnerability

- ***Taxes Receivable as a percentage of Taxes Levied*** is an indicator of the economic health of the community.

Flexibility

- ***Reserves/Reserve Funds*** are established by Council to assist with long term financial stability and financial planning. Credit rating agencies consider municipalities with higher reserves more advanced in their financial planning.
- ***Debt*** is an important indicator of the municipality's financial health. Debt is an important indicator of the municipality's financial health. Debt is an appropriate way of cashflowing longer life items, however when debt levels get too high, it compromises the municipality's flexibility to fund programs and services.

Introduction to Reserves and Reserve Funds

Maintaining sufficient reserves and reserve funds are a critical component of a long-term financial plan. The purposes for maintaining reserves are:

- To provide ***stabilization*** in the face of variable and uncontrollable factors (growth, interest rates, changes in subsidies) and to ensure adequate and ***sustainable cash flows***;
- To provide financing for ***one-time*** or short term requirements without permanently impacting the tax rates thereby reducing reliance on long-term debt;
- To make provisions for ***replacement of capital assets*** to sustain infrastructure;
- To provide ***flexibility*** to manage debt levels and protect the City's financial position; and
- To provide for ***future liabilities*** incurred in the current year, but paid for in the future.

In accordance with leading practice, each year the City provides an update to the balances of reserves and how they compare to the targeted funding balances and a recommended plan to achieve ***target balances***.

Obligatory Reserve Funds are created whenever a statute requires revenue received for special purposes to be segregated from the general revenues of the municipality. Obligatory reserve funds can only be used for their prescribed purpose. Examples include Development Charges Reserve Funds, Lot Levies, Building Stabilization Reserve Fund.

Discretionary Reserve Funds are established, based on Council direction, to finance future expenditures for which the City has the authority to spend money or to provide for a specific contingent liability.

Reserves/Reserve Funds as a % of Taxation

- The discretionary reserves/reserve funds as a percentage of taxation was evaluated, both the trends, as well as in relation to other peer municipalities. Note that this analysis excludes obligatory reserve funds (e.g. Development Charges).
- For benchmarking purposes Financial Information Returns (FIRs) were used to compare discretionary reserves as a percentage of taxation.
- As shown in figure 24, the City of Guelph's discretionary reserves as a percentage of taxation are below the group survey average and have remained stable over the 5 year period.

Figure 24—Tax Reserves/Reserve Funds as a % of Taxation

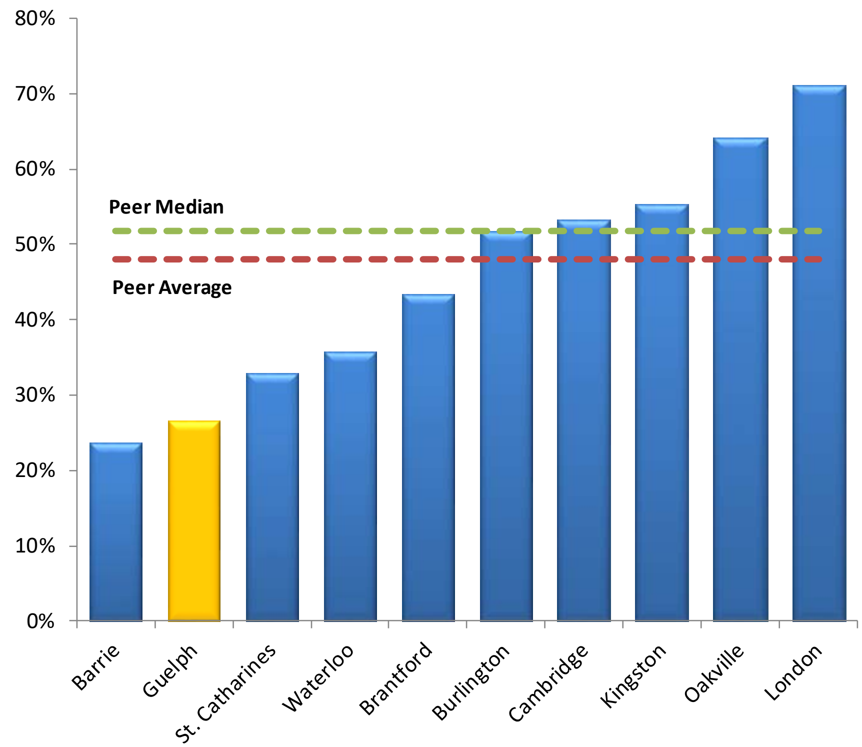
Municipality	2014	2015	2016	2017	2018	Trend
Barrie	30%	31%	31%	30%	29%	Stable
St. Catharines	53%	41%	43%	45%	47%	Decreasing
Waterloo	88%	76%	55%	54%	56%	Decreasing
Brantford			42%	36%	60%	Increasing
Cambridge	56%	64%	64%	63%	71%	Increasing
Burlington	78%	80%	84%	84%	74%	Decreasing
Kingston	73%	80%	80%	86%	83%	Increasing
Oakville	132%	113%	112%	104%	91%	Decreasing
London	76%	78%	81%	88%	94%	Increasing
Average	73%	70%	66%	66%	67%	
Median	74%	77%	64%	63%	71%	
Guelph	36%	33%	36%	30%	35%	Stable

Source: FIRs

Reserves as a % of Own Source Revenues

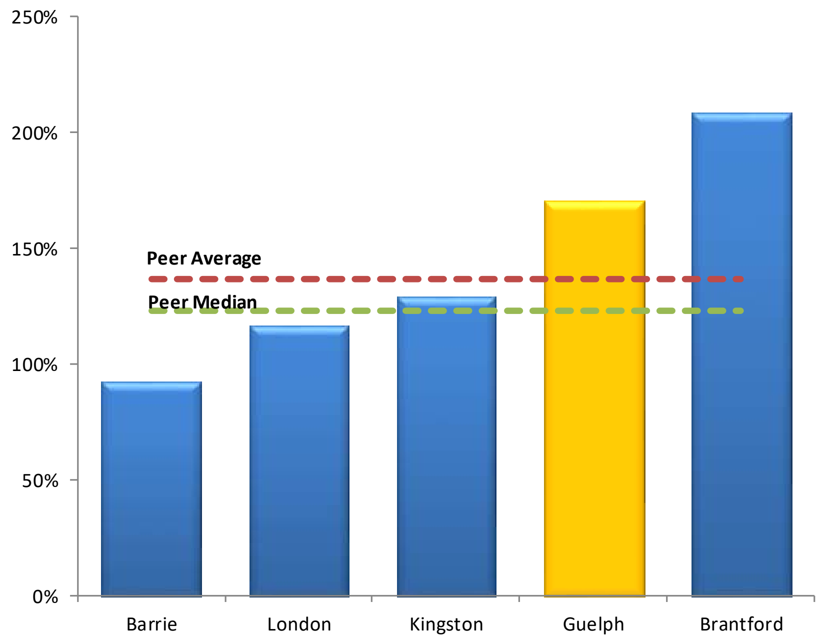
- As shown in figure 25, the tax reserves as a % of own source revenues for Guelph is below the peer average and median and the second lowest in the group of peer municipalities surveyed.
- As will be discussed later in the report, the City has implemented a number of financial policies to support reserves.

Figure 25—2018 Tax Reserves as a % of Own Source Revenues



Source: FIRs

Figure 26—2018 Water Reserves as a % of Own Source Revenues

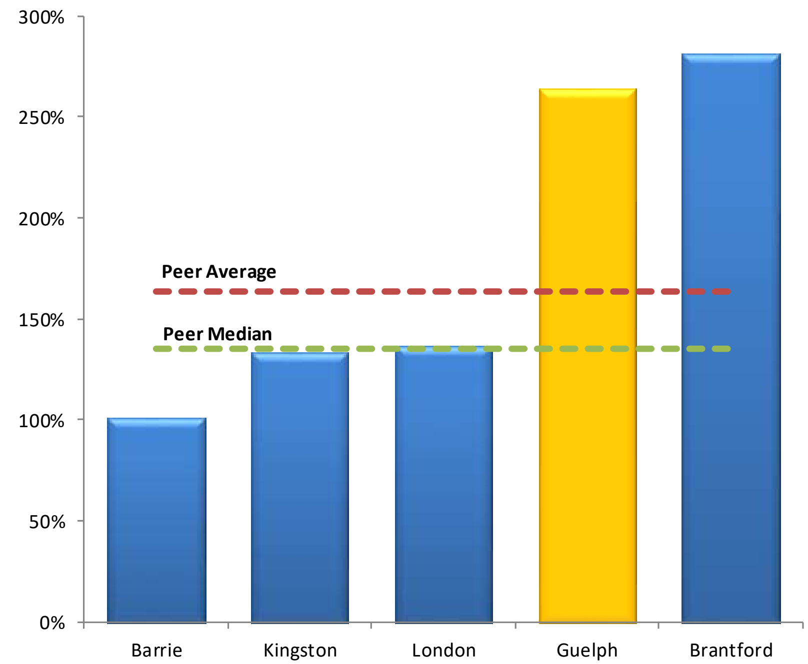


Source: FIRs

- As shown in figure 26, the water reserves as a % of own source revenues for Guelph are above the peer average and the second highest percentage in the group. Note that this indicator only includes one tier municipalities as two tier municipalities have treatment services provided at the Regional level.

- Note on the next page of the report, the City's asset consumption ratio for water in Guelph is the highest in the survey which indicates a need for strong capital replacement reserve balances.

Figure 27—2018 WW Reserves as a % of Own Source Revenues



Source: FIRs

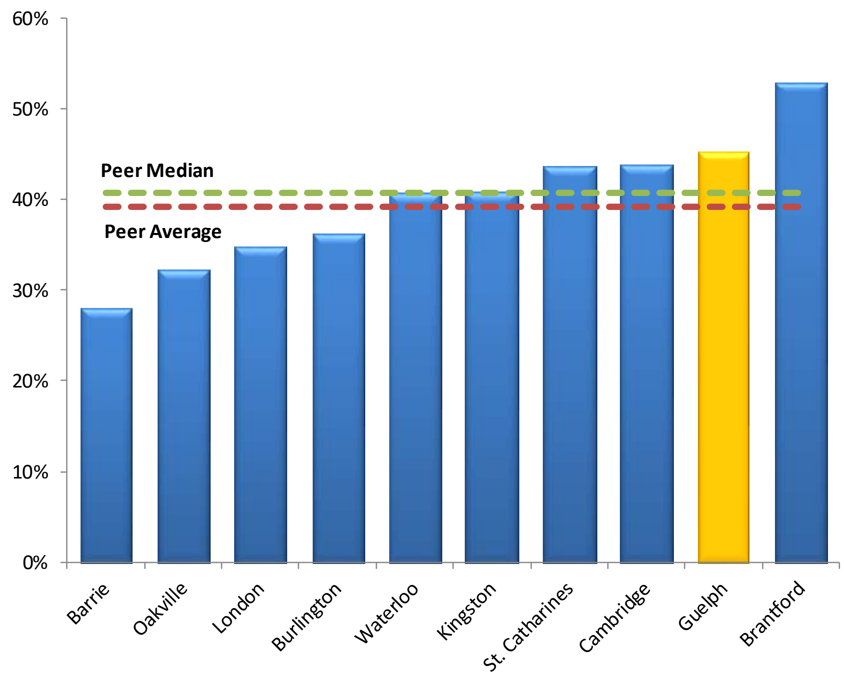
- As shown in figure 27, the wastewater reserves as a % of own source revenues for Guelph are above the peer average and the second highest percentage in the group. Note that this indicator only includes one tier municipalities as two tier municipalities have treatment services provided at the Regional level.

- Similar to the situation in water, the City's asset consumption ratio for wastewater in Guelph is the highest in the survey which indicates a need for strong capital replacement reserve balances.

Asset Consumption Ratios

- The asset consumption ratio shows the written down value of the tangible capital assets relative to their historical costs. This ratio highlights the relative age of the assets and the potential timing of asset replacements.
- As shown below, the City's asset consumption ratios are higher than the peer average and median, reflecting potentially greater replacement needs in the short to mid term than other municipalities. This reflects the need to continue to investment in infrastructure renewal and funding the asset management plan.

Figure 28—Tax Asset Consumption Ratio



Source: FIRs

Figure 29—Water Asset Consumption Ratio

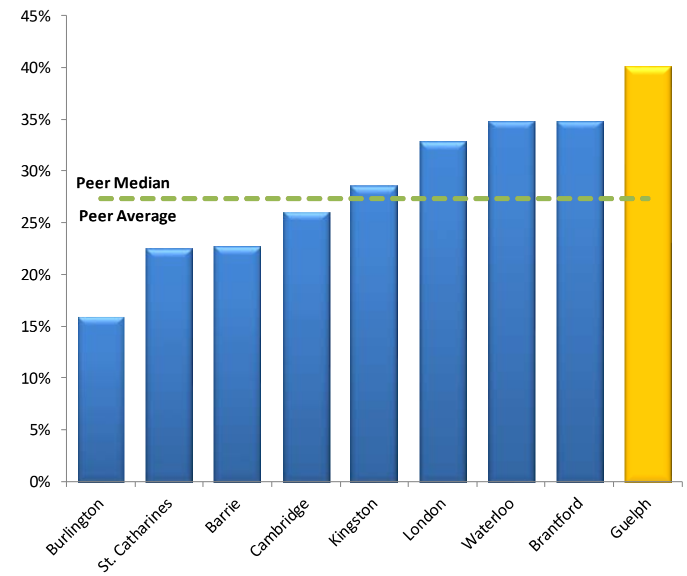
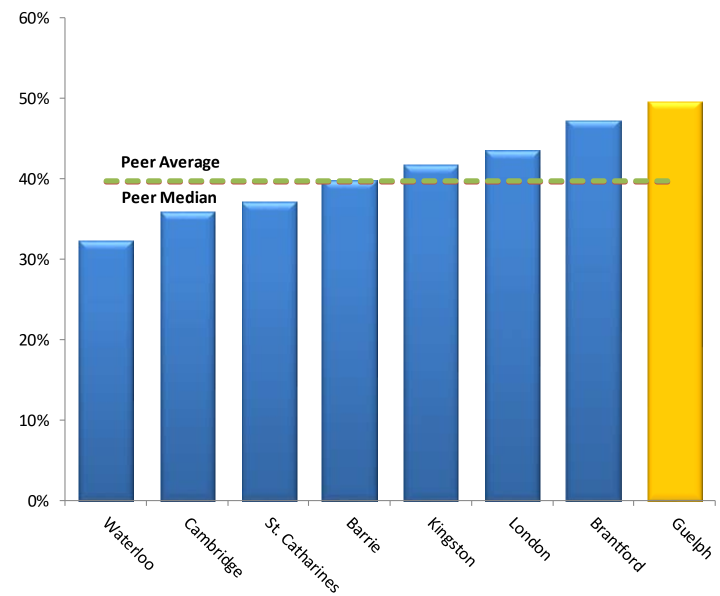


Figure 30—Wastewater Asset Consumption Ratio



Summary of Reserves and Reserve Funds 2013-2018

Figure 31—Reserves/Reserve Funds 2013-2018 Balances—Major Classifications

Reserve and Reserve Funds (000's)							
Reserve & Reserve Fund Balances	**2014**	**2015**	**2016**	**2017**	**2018**	**5 Year Change %**	**2018 Uncommitted Balance**
Corporate Contingency Reserves	$ 12,403	$ 12,545	$ 19,601	$ 19,249	$ 20,630	66%	$ 19,903
Program Specific Reserves	$ 10,901	$ 11,901	$ 12,131	$ 13,689	$ 15,324	41%	$ 15,324
Strategic Reserves	$ 6,010	$ (601)	$ (327)	$ (7,117)	$ (3,667)	--- 100%	$ (13,455)
Program Specific Reserve Funds - Operating	$ 910	$ 754	$ 826	$ 825	$ 1,460	60%	$ 1,432
Program Specific Reserve Funds - Capital	$ 4,847	$ 3,909	$ 5,180	$ 5,905	$ 4,396	-9%	$ 1,785
Program Specific Reserve Funds - Corporate	$ 33,501	$ 36,349	$ 38,471	$ 30,160	$ 35,842	7%	$ 9,116
Tax Supported TOTAL	**$ 68,572**	**$ 64,858**	**$ 75,882**	**$ 62,710**	**$ 73,984**	8%	**$ 34,105**
Program Specific Reserve	$ 5,055	$ 7,339	$ 9,099	$ 9,537	$ 9,626	90%	$ 9,626
Program Specific Reserve Funds	$ 67,651	$ 80,726	$ 108,518	$ 121,952	$ 131,448	94%	$ 74,648
Non-Tax Supported TOTAL	**$ 72,705**	**$ 88,065**	**$ 117,617**	**$ 131,489**	**$ 141,074**	94%	**$ 84,274**
Corporate	$ 19,179	$ 16,686	$ 14,246	$ 18,992	$ 18,012	-6%	$ 7,706
Development Charges	$ 56,415	$ 44,870	$ 39,705	$ 46,661	$ 46,372	-18%	$ 1,772
Obligatory TOTAL	**$ 75,594**	**$ 61,556**	**$ 53,951**	**$ 65,653**	**$ 64,385**	-15%	**$ 9,478**
GRAND TOTAL	**$ 216,872**	**$ 214,479**	**$ 247,450**	**$ 259,852**	**$ 279,443**	**29%**	**$ 127,857**

As shown in figure 31, the City's total reserves/reserve funds increased 29% since 2014. The last column reflects the uncommitted 2018 year end balances.

- ***Tax Supported Reserves*** have increased 8% since 2014.
- ***Non-Tax Supported Reserves*** have increased over 94% since 2014.
- ***Obligatory Reserves*** have decreased 15% since 2014.

Debt Management

Municipalities have limited options with respect to raising funds to support municipal programs and services. Debt used strategically is a useful way to cashflow funding for capital expenditures. The City of Guelph is not unique, as virtually all municipalities across Ontario are facing increasing infrastructure backlogs, funding gaps, and increasing financial pressures in infrastructure management.

Debt is frequently issued and considered a standard practice in municipalities for new capital projects that are long-term in nature that benefit future taxpayers, thereby spreading the costs across future years. Under the most favourable circumstances, the City's debt should be proportionate in size and growth to the City's tax base; should not extend past the useful life of the facilities which it finances; should not be used to balance the operating budget; should not require repayment schedules that put excessive burdens on operating expenditures and should not be so high as to jeopardize credit ratings. A debt management policy is an important element in the establishment of a sustainable long term program that supports financial discipline and stability.

Excerpts—2019-2028 Proposed Capital Budget and Forecast

- Debt is an important part of the City's strategy for investment in assets that have a long standing useful life.
- Debt is a way to match the cost of construction with those that will use the service and minimize variation in the tax and non-tax rates for significant projects.

Excerpts—Debt Management Policy—City of Guelph

Debt Service Cost to Net Revenue Fund Revenue

- This ratio is a measure of the principal and interest payable annually as a proportion of revenue fund revenues. It should not exceed a target of 10%.

Direct Debt to Operating Revenue

- This measure identifies the percentage of annual operating revenues that would be required to retire the City's net debt. It is also the prime measure used by Standard and Poor's when assessing the debt burden of the municipality. A target rate of less than 55% should be maintained.

Development Charge Debt Servicing Ratio

- This ratio is a measure of the debt service cost of the debt issued to support the DC reserve funds as a percentage of the average revenue forecast as identified in the DC background study. It should not exceed a target of 20% for hard services (Roads, Storm water, Water works, Waste water) and 10% for all other Development Charge reserve funds.

Figure 32—Total Debt Outstanding (000's)

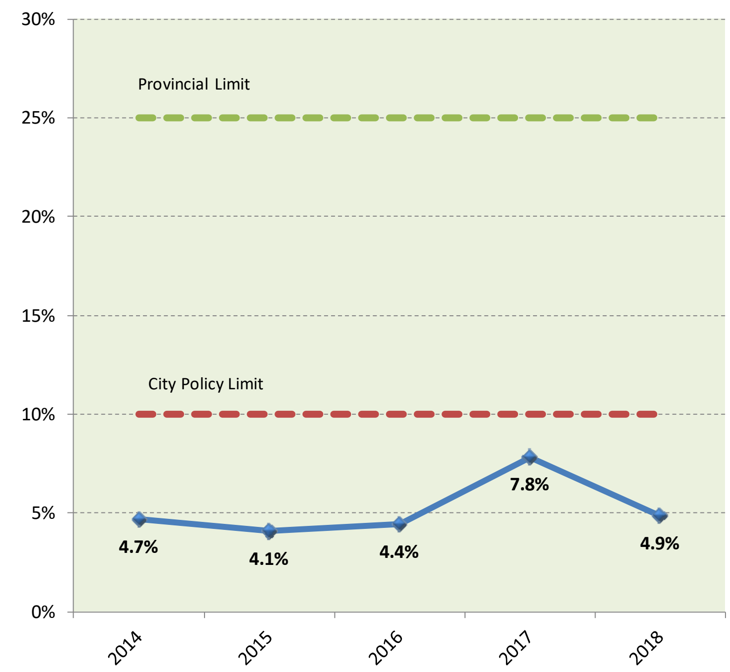
		2018 Debt Outstanding (000's)
Tax Debt	$	53,753
DC Debt	$	28,921
Elliott	$	4,229
Sleeman Centre	$	5,305
Stormwater	$	513
POA	$	3,710
Water	$	-
Wastewater	$	-
Total	$	96,432

- As shown in figure 32, the City of Guelph at the end of 2018, the City has $96.4 million of outstanding debt, with an additional $33 million approved for debt issuance in 2019.
- Tax supported debt is $53.8 million and is related to a number of services including waste management, roads, fire, police and transit.
- The Elliott is funded from the operating budget and the City collects revenues to repay this debt.
- POA debt is Enterprise related and does not impact the tax levy.
- Development Charge Debt has a current outstanding balance of $28.9 million which will be repaid through development charge revenues. This includes $1.4 million in outstanding debt for water/wastewater (non-tax DC).

Debt Service Cost to Net Revenue Fund Revenue

The Province regulates the amount of debt that municipalities issue by setting an annual repayment limit for each municipality. This is the maximum amount by which a municipality may increase its debt. The repayment limit is set at 25% of a municipality's own source revenues. This is the upper limit. If the City were to reach the limit, future operating budgets would be severely constrained or tax and other revenues would have to increase significantly.

Figure 33—Total Debt Charges as a % of Own Source Revenues

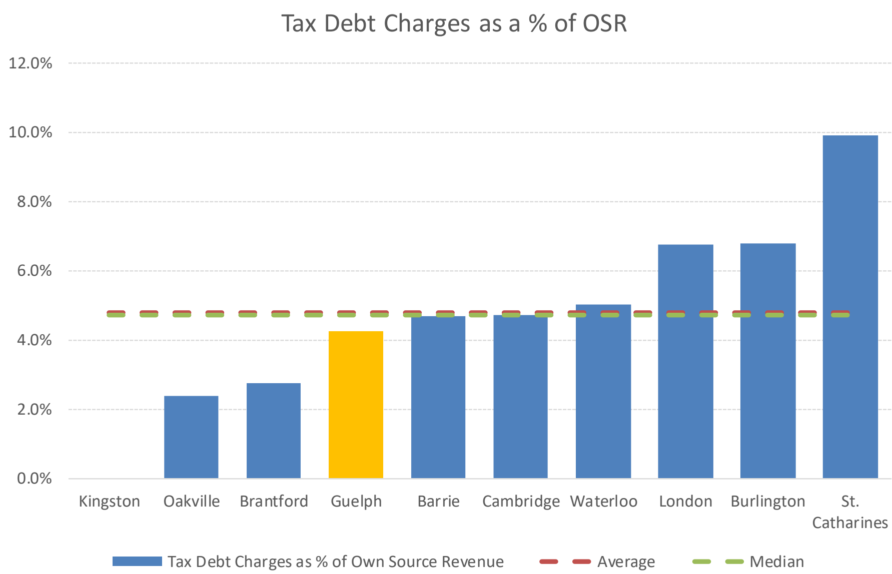


- As shown in figure 33, the City's debt levels are well below the Provincial limit which is set at 25% and the City's policy of targeting less than 10% of own source revenues.

Tax Debt Charges as a % of Own Source Revenues

- Figure 34 provides a comparison of tax debt charges as a percentage of own source revenues in 2018 against peer municipalities.

Figure 34—Tax Debt Charges as a % of Own Source Revenues



Source: FIRs

- As shown above, the City's tax debt charges as a percentage of own source revenues are below the survey average and median.

Direct Debt to Operating Revenue

- As described earlier, the City has a debt policy that measures the percentage of annual operating revenues that would be required to retire the City's net debt, with a target rate of less than 55% should be maintained. As of December 31, 2018, the City's direct debt to operating revenue was 26%, well below the maximum.

Development Charge Debt Servicing Ratio

- DC debt requirements as identified in the 2018 DC Background Study exceed current limits set out in the debt policy, thereby making it difficult to execute on the growth related capital budget within current policy thresholds. The debt management policy is currently being revise*d to limit dc supported debt with more appropriate ratios and limits.* This will help ensure adequate funds are available to support the City's growth plans and to repay the debt issued for growth-related development.

Financial Position

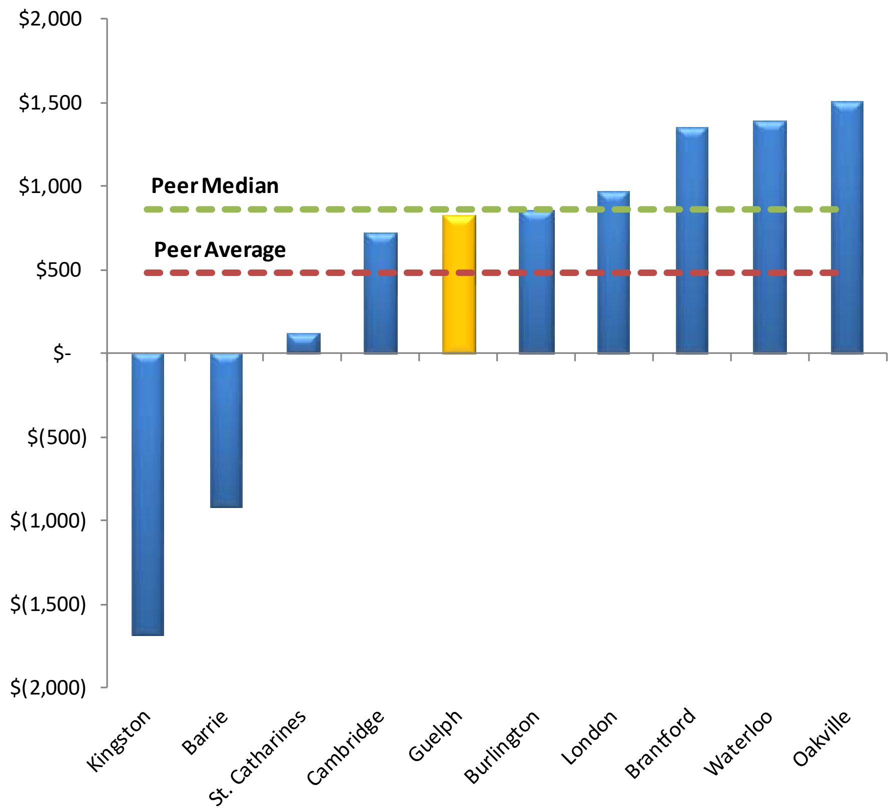
A municipality's financial position is defined as the total fund balances including equity in business government enterprises less the amount to be recovered in future years associated with long term liabilities. A comparison was made of the City's overall financial position (financial assets less liabilities) from 2014 to 2018.

- Guelph's financial position has trended upward since 2014.
- From 2014 to 2018, the City's reserves, investments and receivable revenues increased, resulting in an improvement in the overall financial position, as shown in figure 34.
- Figure 35 helps to explain the City's change in financial position from 2014-2018.
- The City's financial assets increased by $66.6 million from 2014-2018, primarily in cash and investment.
- Debt which includes water and wastewater increased by $32.6 million (which includes liability for contaminated sites) and post employment benefits increased by approximately $6.5 million.
- It is important that a municipality understands what is driving this indicator and monitor its trend.

Figure 35– City of Guelph—Financial Position

Financial Position (000's)			
(000's)	2014	2018	% change
Assets			
Cash & Investments	$ 299,531,436	$ 410,833,694	37.2%
Receivables	$ 27,967,377	$ 34,620,798	23.8%
Other	$ 1,332,976	$ 2,644,698	98.4%
Total Assets	**$ 328,831,789**	**$ 448,099,190**	**36.3%**
Liabilities			
Accounts payable	$ 48,600,941	$ 70,382,306	44.8%
Deferred Revenue	$ 95,820,506	$ 88,170,491	-8.0%
Temporary loans	$ 970,000	$ -	-100.0%
Long Term Liabilities	$ 90,762,624	$ 96,431,676	6.2%
Solid Waste Management Facility Liabilities	$ 4,164,000	$ 4,435,000	6.5%
Post Employment Benefits	$ 36,239,773	$ 42,755,816	18.0%
Liability for contaminated sites	$ -	$ 27,000,000	0.0%
Total Liabilities	**$ 276,557,844**	**$ 329,175,289**	**19.0%**
Net Financial Position	**$ 52,273,945**	**$ 118,923,901**	**127.5%**

Figure 36-Financial Position Per Capita



Source: 2018 FIRs

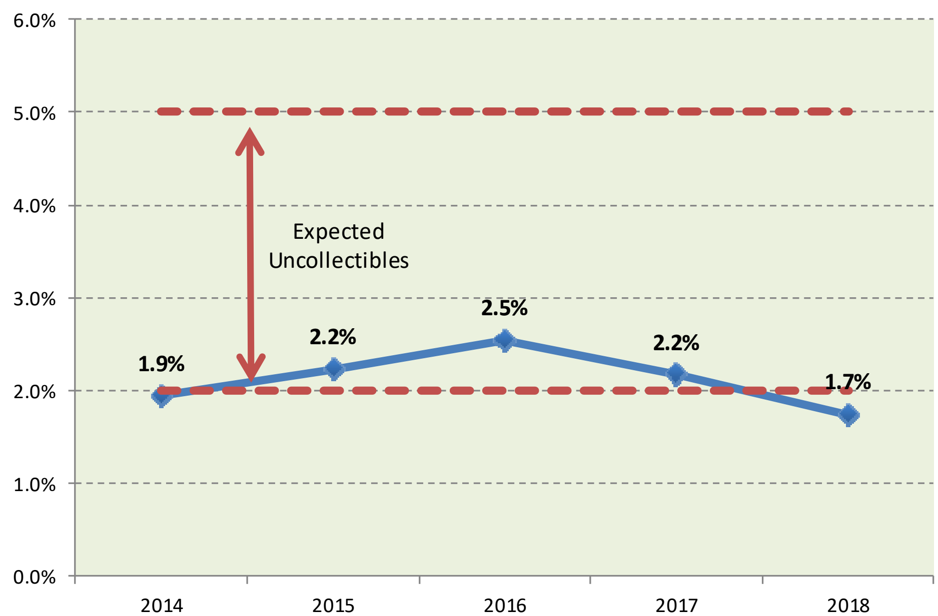
- To provide a comparison with other municipality's financial position, a per capita analysis was undertaken. As shown in figure 36, the City of Guelph's financial position per capita exceeds the peer average.

Taxes Receivable

Every year, a percentage of property owners are unable to pay property taxes. If this percentage increases over time, it may indicate an overall decline in the municipality's economic health. Credit rating agencies assume that municipalities normally will be unable to collect 2 - 5% of its property taxes within the year that taxes are due. If uncollected property taxes rise to more than 8%, credit rating firms consider this a negative factor because it may signal potential instability in the property tax base. The City of Guelph is within the range considered to be acceptable.

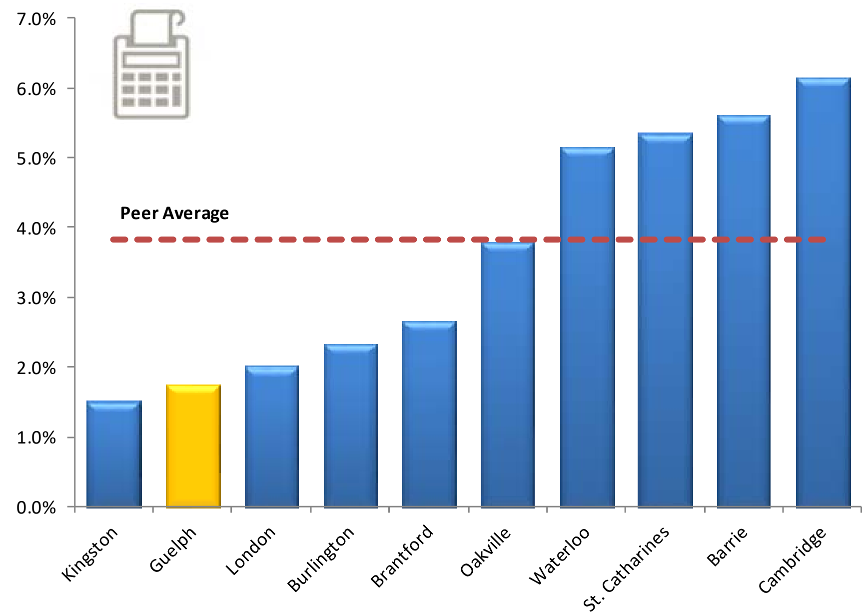
- Guelph's ratio has remained within the credit rating limit in every year.

Figure 37–Taxes Receivable as a % of Taxes Levied



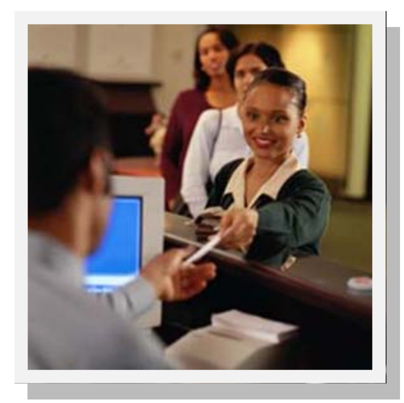
Source: FIRs

Figure 38–2018 Taxes Receivable as a % of Taxes Levied



Source: 2018 FIRs

- In comparison to other municipalities surveyed, taxes receivable in Guelph was below the survey average.



Summary—Financial Position

- ***Reserves/Reserve Funds*** assist with long term financial stability and financial planning.
    - The City of Guelph's discretionary reserves as a percentage of taxation are below the peer survey average.
    - Guelph has established a number of targets and policies for their reserves, the majority of which have been met and where they have not been met, strategies have been established to move to target balances.
- The City's ***asset consumption*** ratio reflects older infrastructure in relation to the peer average. In the case of water/ww operations, this is supported by strong reserve positions. It is recommended that the City continue its investment to the capital reserves to support a timely replacement of assets.
- ***Debt*** is an important indicator of the City's financial health and is an appropriate way of financing longer life capital infrastructure. The debt levels are below peer averages and within industry leading practice standards.
- ***Financial Position*** of the City is important to consider as this takes into consideration the City's total assets and liabilities. Guelph's financial position has been trending up since 2014. The City's financial position is higher than the peer average.
- ***Taxes Receivable*** are below the peer average and below the expected level of receivables.

Indicator	2015 Rating	2019 Rating
Discretionary Reserves as a % of Taxation	⚠	⚠
Tax Reserves as a % of Own Source Revenues	⚠	⚠
Water Reserves as a % of Own Source Revenues	✔	✔
WW Reserves as a % of Own Source Revenues	✔	✔
Tax Asset Consumption Ratios	⚠	⚠
Water Asset Consumption Ratio	⚠	⚠
WW Asset Consumption Ratio	⚠	⚠
Tax Supported Reserves/Reserve Funds - Corporate Contingency	⚠	⚠
Tax Supported Reserves - Program Specific	⚠	✔
Tax Supported Reserves - Strategic		⚠
Tax Supported Reserves Funds - Operating	⊖	⊖
Tax Supported Reserves Funds - Capital	⚠	⚠
Non-Tax Supported Reserve/Reserve Funds - Program Specific (Contingency)	⚠	✔
Debt Management	✔	✔
Financial Position	✔	✔
Taxes Receivable	✔	✔

Corporate Policy and Procedure

Policy	**Long term Financial Framework**
Category	Corporate
Authority	Finance
Related Policies	Debt Management Policy
	General Reserve and Reserve Fund Policy
	General Operating and Capital Budget Policy
	Investment Policy
Approved By	Council February 24, 2020
Effective Date	Monday, February-24-2020
Revision Date	Sunday, January 01, 2023

Policy Statement

That all policy documents developed by the City of Guelph adhere to the measures outlined in the Long-term Financial Framework (LTFF) of; Sustainability, Vulnerability and Flexibility.

Purpose

The LTFF will guide decision-making as it relates to policy development. The policies together will provide the basis for metric and key performance indicator (KPI) development within the City strategies, master plans and operational business plans (plans).

Definitions

Flexibility

The ability of the organization to adapt to changing environment to both capitalize on opportunities and avoid threats.

Sustainability

The ability to maintain services over an extended period of time, providing continuous service at the expected level to all intended customers.

Vulnerability

The level of resiliency within the organization to mitigate unexpected negative factors while maintaining financial and service commitments.

Application

The LTFF will be used to assemble all relevant policies applicable to strategy and plan development in a concise and consistent manner.

Review and development of policies will require the evaluation of each using the three measurers identified above.

Use of the various policies during development of city plans is required. Service areas are required to demonstrate within their plan how they have aligned with the applicable policies. Specific metrics and KPIs are required that will demonstrate achievement of the stated goals relative to the applicable policies.

Any subsequent updates regarding the plan require the established metrics or KPIs to be updated and reported.

Reporting

The City Treasurer will be responsible for providing an annual update of appendix A to Council at each fiscal year end.

Reporting will include a revised appendix A, including current updates to the policies and metrics included.

As new policies are added to the LTFF reporting to Council of their inclusion will occur at the next annual update.

Authority

The Treasurer has authority to adjust metrics and format of the LTFF, as required, due to changes in City policies.

Policy Review

This policy will be revised at the beginning of each term of Council.

Appendix A Long-term Financial Framework

Policy	Last or Planned update	Sustainability	Vulnerability	Flexibility
General Reserve and Reserve Fund	2017	Achieving target balances	Dependable inflows	Appropriate and allowable uses, support the Strategic Plan priorities
Procurement	2018	Focus on full cost of purchasing	Proper internal controls and guidelines	Innovative options for new ideas
Debt Management	2020	Target % of revenue	Maximum % leveraged	Prescribed purposes and types
Revenue	2020 (planned)	Cost recovery targets and reliability	Expanded sources	Relative to peers
Multi-year Budget	2020 (planned)	Robust guidelines	Identification of risk factors	Options for adjustment
Capital Plan	2021 (planned)	Funded, structured and current	Linkage to Asset Management principles	Opportunities to adjust
Asset Management and Service Level	2020/21 (planned)	Corporate mandate and implementation	Data driven and supported	Innovative and responsive
Growth	2021 (planned)	to be determined	to be determined	to be determined
100RE	2020 (planned)	to be determined	to be determined	to be determined
Internal Controls	2022 (planned)	to be determined	to be determined	to be determined

Information Report

Service Area	Corporate Services
Date	Friday, December 13, 2019
Subject	**Development Fee Exemptions or Waivers**
Report Number	CS-2019-103

Executive Summary

Purpose of Report

The purpose of this report is to provide Council with information regarding the process used by City staff to assess and respond to requests for Development Charge (DC) or other development fee exemptions or waivers.

Key Findings

The City's DC By-law (2019-20372) does not provide for DC exemptions for not-for-profit organizations.

The City's DC Exemption Policy requires that all statutory and Council-approved DC exemptions be budgeted and funded from tax and rate supported funding sources. The waiver of other development-related fees would mean that the City is providing services using tax supported funds instead of user fee revenues that are meant to recover the cost of those services.

In order to provide Council and staff with a framework to assess community requests for grants, waiver of fees or any other financial contribution, a program to guide the decision-making criterion should be in place. Financial contributions should be linked clearly to Council priorities and intended outcomes. Staff only consider financial contribution requests from the community if there is a program in place to which the request would qualify within the approved parameters. This process also ensures that funding is available and budgeted to support the request being considered. In the absence of a Council-directed program and funding source, staff will continue to turn down requests received for waiving of development fees for not-for-profit organizations.

If there is no qualifying program for a community request to waive development fees, and Council believes it to be a priority, then Council should identify a budget source and direct staff to develop this program. Without a program, there is no decision framework. A program would provide delivery accountability on the outcomes achieved by the City's investment. Examples of current city programs include the Affordable Housing Financial Incentive Program, the Community Investment Strategy and the Brownfield Community Improvement Plan.

Financial Implications

Waiver or exemption of any development-related fees means Council is choosing to have the tax and rate base pay for the cost of new growth/development.

DCs are fees levied on new development to help offset the cost of providing growth-related infrastructure. The DC fee is based on the anticipated growth over a particular period. If the City exempts a developer/organization from paying DCs, the lost revenue must be made up with tax and rate supported funding resources. Current statutory and Council-approved DC exemptions have cost on average, an annual $4.5 million over the last two years.

The City also charges user fees on other development-related services including development application reviews and building permit issuance. These are charged with an outcome of cost-recovery (growth paying for growth) and choosing to waive or exempt these fees means that the property tax base would result in paying for the cost of delivering these services.

Report

Details

The City's DC By-law (2019-20372) does not permit for the exemption of DCs to not-for-profit organizations.

The DC By-law and DC Background Study were completed in 2018 and approved in 2019 and involved extensive consultation with Council, staff, the development community and members of the public. The Development Charges Act, 1997 prescribes a list of legislated exemptions including:

- Industrial building additions of up to and including 50 per cent of the existing gross floor area
- Buildings or structures owned by and used for the purposes of any municipality, local board or Board of Education
- Other levels of government including colleges
- Residential development that results only in the enlargement of an existing dwelling unit, or that results in the creation of up to two additional dwelling units

Decisions made through the 2018 DC Background Study process resulted in the following list of discretionary exemptions:

- Land, buildings or structures
- Used or to be used for a Place of Worship or for the purposes of cemetery or burial ground exempt from taxation under the Assessment Act
- A public hospital receiving aid under the Public Hospitals Act
- Exemption for University-related purposes
- Private parking structures

The cost of these exemptions are budgeted annually through the Growth Funding Strategy to ensure the DC reserve funds have sufficient funding to provide the growth-related infrastructure needed to accommodate new population.

The preferred approach to incentivizing a particular type of development is to create a grant/incentive program based on Council priorities. These programs are then funded through the budget and there is a framework and criterion that can be applied to the request in an open and fair process. The amount of the grant awarded may be proportional or equal to the cost of development-related fees, such as DCs or building permit fees depending on the framework approved by Council

This approach has several benefits including:

- Grants are awarded to projects that align with Council-approved priorities, through a framework that has pre-established criterion, and ensures outcomes of the development will further the community goals.
- The cost of the incentives awarded are contained within an annual budget amount to manage the impact to existing tax and rate payers.
- The cost of the grants are tracked and reported on annually so that Council can see the link from this investment to the outcomes (example increased affordable housing supply or redeveloped brownfield sites to productive use).

If there is no qualifying program for a community request to waive development fees, and Council believes it to be a priority, then Council should identify a budget source and direct staff to develop this program. Examples of current city programs include the Affordable Housing Financial Incentive Program, the Community Investment Strategy and the Brownfield Community Improvement Plan.

Changing legislation

Bill 108 introduced policy that will require the City to permit a DC deferral for institutions, not-for-profit housing and rental housing over a period of six years (21 years for not-for-profit housing). Further, the first draft of the Community Benefit Charge (CBC) regulations indicate a full exemption for these fees for long-term care homes, colleges and universities, memorial homes, not-for-profit housing, retirement homes and hospices.

The effective date for the statutory DC deferrals will be the date of proclamation of Bill 108 which has yet to be announced by the province but could be early in 2020. The effective date of the CBC exemptions will not be until the new CBC by-law is passed or January 1, 2021, whichever is earlier.

Financial Implications

DC are fees levied on new development to help offset the cost of providing growth-related infrastructure. The DC fee is based on the anticipated growth over a particular period. If the City exempts a developer from paying DCs, the lost revenue must be made up with tax and rate supported resources. Current statutory and Council-approved exemptions have cost on average $4.5 million per year, over the last two years.

The waiver of other development-related fees would mean that the City is providing services using tax supported funds instead of user fee revenues that are meant to recover the cost of those services.

Consultations

None

Strategic Plan Alignment

The opinions in this report support the **Working together for our future** pillar. The preferred approach to considering development fee waivers will ensure transparency and fairness which will lead to increased public trust and validation of the reasoning for why Council would invest in that development. Fulsome budgeting for DC and other fee exemptions will contribute to the City's goal of managing growth to support long-term financial sustainability.

Departmental Approval

Greg Clark, CPA, CMA, Manager of Financial Strategy and Long-term Planning

Report Author

Christel Gregson, CPA, CMA, Senior Corporate Analyst – Development Charges

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Staff Report

To	**Committee of the Whole**
Service Area	Public Services
Date	Monday, February 3, 2020
Subject	**238 Willow Road Application**
Report Number	PS-2020-01

Recommendation

That the Cash-in-Lieu of parkland dedication requirement with respect to Building Permit Number 19 005894 pursuant to Bylaw (2019)-20366 be calculated based on the addition of the two new units being developed as part of that permit application.

Executive Summary

Purpose of Report

This report provides Council with information to support a decision to calculate the cash-in-lieu of parkland dedication requirement (CIL) with respect to Building Permit Number 19 005894 (the Building Permit) based on the addition of the two new units being developed as part of that permit application and using their discretion as set out in subsection 33(i) of Bylaw (2019)-20366 (the Parkland Dedication Bylaw). Council should direct that calculation of CIL is to reflect only the increase in density of the new units being proposed for the affordable housing Building Permit application submitted for 238 Willow Road by Guelph Independent Living. The Building Permit proposes that an existing residential recreation room be converted into two residential dwelling units.

Key Findings

The City is supportive of providing affordable housing opportunities as a community benefit. Subsection 33(i) of the Parkland Dedication Bylaw allows Council to apply discretion in the application of the CIL requirement where it is deemed to be desirable by Council. Guelph Independent Living is a non-profit agency seeking to increase affordable housing opportunities for the citizens of Guelph. Ensuring that CIL requirements reflect the increase in density of the proposed development will help ensure these residential units can be built without being burdened by fees that are typically associated with commercial enterprises and for profit housing inventory. Applying the fees to the increase in density only and not the entirety of the property will help ensure that these housing units can proceed and will still contribute to the parkland acquisition fund in an appropriate manner.

Financial Implications

CIL will be collected for the two residential units being proposed for development and not retroactively for the entirety of the developed property. This will reduce the potential CIL that could be collected on this redevelopment pursuant to the strict reading of the Parkland Dedication Bylaw, however, it retains the City's right to collect CIL in the future if more development were to occur on this site. The CIL amount will be calculated based on an appraisal submitted by the applicant and will reflect the actual increase in density proposed by the redevelopment.

Report

On August 27, 2019 the Building Permit application was submitted on behalf of Guelph Independent Living for the address 238 Willow Road. The Building Permit application was submitted to convert a residential recreation room to two residential dwelling units within an existing 83 unit building. The Building Permit proposes the addition of one or more residential dwelling units; therefore, parkland dedication is required in accordance with the Parkland Dedication Bylaw.

The location of the redevelopment is already constructed; therefore, land cannot be conveyed to the City in satisfaction of the parkland dedication requirement. The building currently exists, and there is no evidence that parkland dedication was taken by the City when previous development applications were submitted for this site. The Parkland Dedication Bylaw requires that CIL be calculated based on the total assessed value of the entire 83 unit site and is not limited to the increase in density created by the conversion of a recreation room into two residential dwelling units.

In this case, Council can use their discretion set out in subsection 33(i) of the Parkland Dedication Bylaw to reduce the CIL requirement for this site to reflect the increase in density proposed by the permit only. Applying Council's discretion in this manner will ensure that this development is contributing to the City's CIL fund while reflecting the anticipated increase in park needs caused by the increase in density of the development. This will reduce the financial burden on a publicly funded non-profit social housing development with fees that are typically associated with commercial and for profit development applications.

Financial Implications

CIL will be collected for the two residential units being proposed for development and not retroactively for the entirety of the developed property. This will reduce the potential CIL that could be collected on this redevelopment pursuant to the strict reading of the Parkland Dedication Bylaw; however, it retains the City's right to collect CIL in the future if more development were to occur on this site. The CIL amount will be calculated based on an appraisal submitted by the applicant, and will reflect the actual increase in density proposed by the redevelopment.

Consultations

Staff received correspondence from Guelph Independent Living on November 12, 2019 formally requesting an exemption or reduction in the CIL requirement set out in the Parkland Dedication Bylaw. Wellington County staff were copied on the letter.

Building Services

Finance

Legal, Realty and Court Services

Strategic Plan Alignment

Building our future – help increase the availability of housing that meets community needs.

Attachments

None

Departmental Approval

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Staff Report

To	**Committee of the Whole**
Service Area	Public Services
Date	Monday, February 3, 2020
Subject	**Leash Free Implementation Plan**
Report Number	PS-2020-02

Recommendation

That the Leash Free implementation plan as approved by Council on June 24, 2019 be amended to remove the proposed fenced leash free facility at Lee Street Park.

Executive Summary

Purpose of Report

To update the previously approved implementation plan of the Leash Free Policy with respect to Lee Street Park and to provide an update on operational mitigation strategies to address resident concerns at Peter Misersky Park and Bristol Street Park fenced leash free facilities.

Key Findings

This report recommends not fencing the leash free area at Lee Street Park.

On June 24, 2019 Council approved two locations for fenced leash free areas at Peter Misersky and Bristol Street Park. These locations would continue as fenced leash free locations as outlined in the original Council decision. City staff will work on mitigation measures to improve issues with noise, traffic, behaviour, sightlines, bylaw enforcement and education. The leash free area at Peter Misersky Park is complete and will be modified to accommodate these changes. Mitigation measures will be integrated into the work at Bristol Street Park when construction resumes.

The Leash Free Policy was enacted on July 1, 2019. The fenced leash free facility at Peter Misersky Park has been in full service since September 19, 2019. Many residents have voiced their concerns over the leash free facilities and the City's transparency related to the process for selecting the sites for development. As a result, the construction of the leash free facility at Bristol Street Park is currently on hold until spring 2020.

Staff provided opportunities for concerned residents to be heard and to provide input. On November 13, 2019 a meeting was held at Victoria Road Recreation Centre for concerned residents living near Peter Misersky Park. On November 20, 2019 a public open house was held at City Hall regarding the fenced leash free facility at Bristol Street Park.

Staff have prepared responses to all questions and concerns. The responses were posted online and provided directly through email on December 19, 2019. Identified operational issues will be addressed in 2020. The original report to Council stated that staff would monitor fenced leash free facilities once opened and mitigate operational issues as needed.

Financial Implications

As part of new development along the southeast entrance of Lee Street Park, capital budget has been approved to finalize the park. This work will proceed without including a fenced leash free facility. Any mitigation to Peter Misersky Park and Bristol Street Park will be captured in existing capital or operating budgets.

Report

In 2018, budget was approved and staff were tasked with developing a Leash Free Policy and the implementation of a fenced leash free facility. This was to address the input received by residents as part of the Animal Control Bylaw update that was completed in 2016. As part of that project, over 2,600 residents provided input and fenced leash free areas were identified as a community priority.

The scope of the work was to identify how people currently use leash free area sites, how they should use the current and future sites, and determine how best to develop future fenced facilities. From there, staff reviewed the existing inventory of leash free areas, which at the time included eight unfenced leash free areas and all unoccupied sports fields across the city.

The full report, background research and policy can be reviewed at the link here: City of Guelph Leash Free Policy.

Staff established important criteria for future leash free site consideration as part of this work. The criteria includes: park classification, overall park size, environmentally significant lands, Grand River Conservation Authority owned lands, existing parking facilities, adjacent to school lands, impacts to or overlap with other existing park facilities, and accessibility and maintenance.

The City used this criteria, knowledge and inventory of parks and open spaces, along with consultation from our Leash Free Policy to inform site selection. Site selection for these amenities is ultimately determined by evaluating sites within the current park inventory, and six sites were identified as viable. Each site had concerns and staff evaluated each site to determine which were appropriate and which were not.

Peter Misersky Park and Bristol Street Park are the best suited sites for fenced leash free facilities while remaining within the City's implementation budget, timeline, and feasibility for construction. Lee Street Park was the third facility listed in the implementation plan.

Additional locations at Riverside Park, Eastview Community Park, and Margaret Greene Park met sufficient criteria and were further explored for suitability for a fenced leash free facility but eliminated based on the following:

Riverside Park

The available location resides in a Natural Heritage System and could negatively impact the natural environment designated as environmentally significant. The park is a premier event space, hosts large tournaments and events annually, and contains many unique recreational opportunites. The park currently contains three designated unoccupied sports fields as leash free areas.

Eastview Community Park

Eastview Community Park has an approved master plan that does not include a leash free area. The potential available space within Eastview Community Park creates site access concerns and high maintenance costs including issues with waste management access and winter maintenance. Significant grading and drainage concerns would have exceeded project timelines and budget to address.

A fenced leash free facility does not fit the programming of the park as a premier sports complex. Approximately $6,164,000 has been spent on the development of Eastview Community Park. All sports fields are designated premier playing fields including a new playground and change facility, four (4) mini soccer fields, beach volleyball courts, a future splash pad, and a future bike skills facility. From a design, safety and functionallity perspective, the location is high risk for potential user conflicts with leash free use.

Margaret Greene Park

The available location within Margaret Greene Park has access concerns from the existing parking facility. Users would be required to travel through the playground area in order to gain access to the location. This area has also been identified as a site for a future splash pad which could create further access conflict risks.

Significant grading and access concerns would have exceeded project timelines and budget to address. As well, there are operational issues with limited access and risk to existing amenities for day-to-day access. The fenced area contains approximately 30 mature trees. Implementation, grading and general use as a leash free site will negatively impact the long term health of these trees.

Lee Street Park

Lee Street Park has an unfenced leash free area that existed prior to the adoption of the Leash Free Policy. Leash free areas that are not fenced can be problematic for users. As part of new development along the southeast entrance of the park, budget had been identified to finalize the park. Staff recommended fencing the existing leash free area to coincide with the last phase of park development. This was not a change of use for the space, and the final phase of development was an opportune time to fence the leash free area.

Due to the input received as a result of construction of the leash free facility at Peter Misersky Park, staff are recommending to not proceed with fencing this area. Unfenced lease free areas have no clearly defined limits on site and no criteria for identifying priority use over the space. The intention of the original report was to continue to allow the use of the unfenced leash free areas, evaluate their ongoing use and review the entire inventory as part of the Parks and Recreation Master Plan.

Since the opening of Peter Misersky Park, there has been concerns from members of the community regarding the fenced leash free facility and concerns about the future facility at Bristol Street Park. Concerns are primarily from residents within close proximity to the selected sites. Key concerns include lack of information that the fenced leash free facilities were going to be built, and that these facilities should not be built in parks that abut residential areas.

In light of concerns from the community at both Peter Misersky Park and Bristol Street Park, staff placed construction on hold at Bristol Street Park to provide opportunities for residents to be heard and to provide input. On November 13, 2019, a meeting was held at Victoria Road Recreation Centre for residents living adjacent to Peter Misersky Park. On November 20, 2019, a public open house was held at City Hall regarding Bristol Street Park. Both engagement summaries and responses to received questions was sent by email directly all leash free engagement participants that provided their contact information and posted online December 19, 2020, and can be read at the link here: City of Guelph Leash Free Engagement.

In addition to the two meetings, the City conducted a telephone survey in order to ensure that the City and Council had a statistically-valid response about sites specifically from Guelph residents, and to understand that Peter Misersky Park and Bristol Street Park are the right choices for a fenced leash free facility when considering community input, budget, environmental considerations, and all other site selection criteria as noted in section 4.0 of the Leash Free Policy.

From December 11 to December 16, 2019, a telephone survey was conducted that captured input from 600 respondents. The results show a distinct conclusion that residents are divided when it comes to leash free facilities and where they should be located. This reinforces what the City has heard in relation to previous leash free community engagement.

The telephone survey results, included as ATT-1, asked respondents if leash free areas should be located in parks throughout the city and within residential areas so they are accessible and walkable. Of the 600 respondents, 47 per cent said yes, 43 per cent said no, and 10 per cent were unsure. Another question asked if they would want to have a fenced leash free facility in their local park, to which 43 per cent said yes, 49 per cent said no, and eight per cent were unsure. It is also important to note that out of the 600 respondents, 63 per cent identified as non dog owners.

The issues of both engagement sessions for Peter Misersky Park and Bristol Street Park can be grouped into broad themes: noise from dogs barking and dog owners using the site, increased traffic, site waste and hygiene, misuse of the site, site proximity to adjacent residences, perceived impacts to adjacent property values, concerns with best practices for fenced leash free facilities, size of the facility, impacts to the existing park green space, and consideration for other sites.

Staff identified in the original report that fenced sites would be monitored after construction to see if there could be improvements, and much of this work would be congruent with that vision. Mitigation tactics for each theme at both locations have been determined and will be implemented as follows:

Noise

Staff have heard that local residents are concerned with noise related to dogs barking and overall use of the site at Peter Misersky Park and the future site at Bristol Street Park. While dogs cannot be stopped from barking, staff can provide additional information on site and online that outlines common etiquette, general expectations around the use of the site, and reminders to users of the facilities to be respectful of the park's neighbours. As a result, the rules and regulations sign for fenced leash free facilities will be modified to incorporate that information. Staff will evaluate how to best display this information on site and online to ensure it is most effective. Additional staff resources will also be provided through increased patrol of bylaw officers and parks staff.

Traffic

The entrance to Peter Misersky Park is owned by the City. Through an easement, the nearby condominium corporation has secured primary access to the condominium parking area on the City owned park access road. As a result, the condominium and the City effectively share this access road. Residents have cited concerns with the increased traffic resulting from visitors to the leash free facility. Concerns noted over traffic will be monitored by staff, and traffic mitigation can be put in place if they continue.

Waste and Hygiene

Staff have heard concerns with waste and overall hygiene of the site. There were issues when the site at Peter Misersky Park initially opened. Staff have made efforts to educate users, both on site and online to address these issues. Additional waste receptacles have been added to the site, and the contractor responsible for waste management has been advised to ensure an appropriate management schedule is maintained. These principles will be applied to Bristol Street Park as well.

The City relies on users of these facilities to use them in a responsible manner, which includes fully complying with the Stoop and Scoop Bylaw. Staff will monitor the sites and provide educational opportunities and reminders online and in person when needed.

Staff heard concerns related to the expense of dog waste management. The City has sustainable waste management goals and has adopted innovative practices for collecting and disposing of dog waste. Sustainable waste management is a pillar in Guelph's Strategic Plan: To design an increasingly sustainable city as Guelph grows.

Site Misuse

Users are expected to follow the rules and to conduct themselves in a manner that is appropriate and safe for a public facility. The rules and regulations posted on the site are clear and accessible. Residents and dogs that are not able to follow the rules and regulations should not use the site. The City will track the data collected from complaints to assess where staff education on the rules can be identified and improved. Further, a security camera will be installed to help document issues on site.

Staff have heard that residents are concerned with the open and closure times of the facility. Park facilities across the city are typically open from 7 a.m. to 11 p.m. Staff will reduce times that fenced leash free facilities are open to the public from 7 a.m. to 9 p.m. Misuse around the permitted hours of use will continue to be monitored by staff. If necessary, all gates will be locked upon closure to ensure that users are following the permitted hours of use. The rules and regulations signs will be updated to reflect these changes.

Proximity to Residential Areas

The fence at Peter Misersky Park is approximately 22 metres away from the nearest residential unit, separated by a park access road, parking and trees. Staff will now use a minimum 25 metre setback for future sites; therefore, the fence located at Peter Misersky Park will be shifted to increase the setback to 25 metres from the front of the nearest residential unit. This will decrease the overall size of the leash free facility from 2,430 square metres to 2,325 square metres, and the separately fenced small dog area from 491 square metres to 396 square metres. Trees and vegetation will be planted in this area to improve buffering.

At Bristol Street Park, a 30-metre setback from the front of residences along Bristol Street has already been incorporated into the design of the fenced leash free facility. Trees will be planted within the area between the fence and the Bristol Street right-of-way to improve buffering between residences on the north side of Bristol Street and the fenced area on the south side.

Staff heard that these sites should be located in industrial areas or located at the perimeter of the city. A review of the park inventory showed that there are limited sites that are appropriate for this amenity. A new capital budget request to acquire a new site or improve an existing alternative site to add parking, vehicular access etc., would be required. Additionally, having a centrally located, accessible site was identified as important to the overall community. As a result, Bristol Street Park and Peter Misersky Park were identified as opportunities for these locations.

Impacts to Property Values

Staff have heard that some residents believe that having a leash free facility close to their home will lower their property value. Licensed real estate appraisers were asked to provide opinion on this topic without looking at specific properties; however, vendors felt this was too broad to provide opinion and declined to examine. Based on staff findings, there is no conclusive evidence to support a decrease in value due to recreational functions within an adjacent park.

Best Practices

Staff have heard from residents that best practices were not followed as part of the leash free project. The City reviewed the following information to identify the program for leash free areas: community feedback, best practices from other municipalities, best practices from community agencies like the Guelph Humane Society, stakeholder input, an inventory the City’s own unique park and open space system, available budget, City policies and bylaws, and the professional opinions of qualified staff.

Best practices incorporated are as follows: rules and regulations for leash free facilities posted on site and online, separate area(s) for small dogs and large dogs, double-gate entry system, sustainable dog waste management system, black vinyl-coated chain-link fencing, associated parking facilities, and consideration for accessibility.

Facility Sizing

Staff heard that some residents feel that the size of the facilities are too small. Fenced facilities are intended to provide a recreation function to people that lacked access to this facility in the past. There are 50 additional sites that the City has made available for leash free use. Not all facilities are the same size and shape, but together they are intended to serve the entire community.

The fenced areas are sized to provide as large a space as possible, and minimize impacts to adjacent amenities while still providing a functional space. The spaces reflect a balance between providing useable space and minimizing adjacent impacts. Increasing the size of these facilities will increase many of the adjacent impacts that residents have identified as problematic.

Greenspace Impacts

The proposed leash free areas are proportionately developed based on the size of the park where they are located. Staff have endeavoured to ensure that fenced areas minimize impacts to other amenities in the park. Despite that there is no loss in park space, adding fences and changing uses of the sites can create barriers to some users. Placing leash free areas and facilities in larger parks helps reduce the real or perceived loss of greenspace.

Despite the fact that Bristol Street Park is slightly less than 2.00 hectares, the central location, large parking area, adjacency to other green space, and access to major roads and trails make it an ideal site for this type of amenity.

Financial Implications

As part of new development along the southeast entrance of Lee Street Park, a capital budget has been approved to finalize the park. This work will proceed without including a fenced leash free facility. Any mitigation to Peter Misersky Park and Bristol Street Park fenced facilities outlined will be captured in existing capital or operating budgets.

Consultations

November 13, 2019: Public meeting at Victoria Road Recreation Centre.

November 20, 2019: Public open house at Guelph City Hall.

December 11 to 16, 2019: Telephone survey was conducted. Data was collected from 600 respondents.

December 19, 2019: Engagement summaries and question and answer documents were posted online.

Strategic Plan Alignment

Building our future: continue to build strong, vibrant, safe and healthy communities that foster resilience in the people who live here; maintain existing community assets and secure new ones.

Attachments

ATT-1 Telephone Survey Report

ATT-2 Leash Free Study

Departmental Approval

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Leash Free Policy Survey Report

December 2019

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Methodology & Logistics

Background & Overview

The following represents the findings from an October 2019 telephone survey of N=600 City of Guelph residents (18 years of age or older) conducted by Oraclepoll Research Limited for The City of Guelph. The purpose of the research was to gather opinions from residents on issues related to proposed changes to the current Leash Free Policy.

Study Sample

A dual frame random database (RDD) was used for the sample. It was inclusive of landline and cellular telephone numbers. The sample was stratified to ensure that there was an equal distribution across the community and N=100 surveys were conducted in each Ward. The survey screened to ensure respondents were 18 years of age or older and were residents of each Ward. Gender and age samples were also monitored to ensure they reflected the demographic characteristics of the community.

Survey Method

All surveys were conducted by telephone using live operators at the Oraclepoll call center facility. A total of 20% of all interviews were monitored and the management of Oraclepoll Research Limited supervised 100%. The survey was conducted using computer-assisted techniques of telephone interviewing (CATI) and random number selection (RDD).

Logistics

Surveys were conducted by telephone at the Oraclepoll call center using person to person live operators from the days of December 11 to December 16, 2019.

Initial calls were made between the hours of 6:00 p.m. and 9:00 p.m. Subsequent call-backs of no-answers and busy numbers were made on a (staggered) daily rotating basis up to 5 times (from 10:00 a.m. to 9:00 p.m.) until contact was made. In addition, telephone interview appointments were attempted with those respondents unable to complete the survey at the time of contact. If no contact was made at a number after the fifth attempt, the number was discarded and a new one supplanted it.

Confidence

The margin of error for the total N=600 sample is ±4.0% at the 95% confidence interval.

Preamble

After being screened to ensure they were residents of the City of Guelph, 18 years of age or older, all N=600 respondents were read the following introductory statement. The preamble set the context for the questions to be asked by providing background information about the current Smoking Bylaw.

"There are approximately 7,200 registered dogs in the City of Guelph and in 2019, the City developed a Leash-free policy and is building or has built fenced dog parks at Peter Misersky Park and Bristol Street Park. City policy currently has three different types of areas where dogs are permitted off leash: fenced leash-free facilities, designated sport fields that are not being used and eight unfenced leash-free areas close to or in parks, natural areas or trails. Overall there are 51 separate sites that can be used as leash-free areas throughout the city."

After the introductory script was read, respondents were asked the questionnaire.

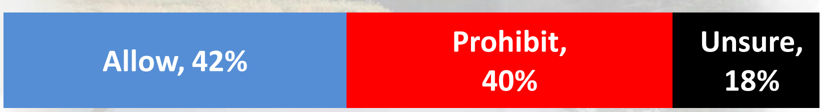
Allowing or Prohibiting – Public Spaces

As part of the first group of questions, residents were read the following statement after which they were asked if the City should prohibit or continue to allow leash free areas in eight public spaces.

"There are eight existing unfenced leash free areas in Guelph, most of which are located within or beside the protected natural areas that are part of the City's Natural Heritage System. There is scientific evidence that the presence of dogs negatively impacts wildlife, natural vegetation and water quality."

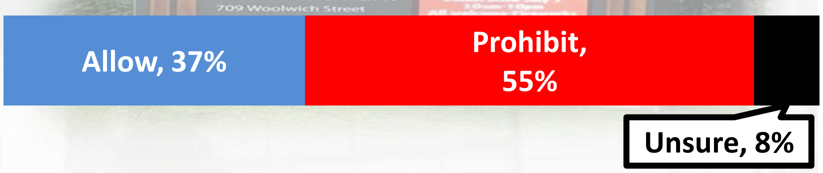
"With this in mind, should the City allow or prohibit leash free areas in the following public spaces?"

Q1. Eramosa River Park (park located along the Royal Recreational Trail)



There was a near split with 42% saying leash free areas should be allowed and 40% prohibited, while a significant number were undecided. More males (50% versus 35% female), dog owners (75% compared to 23% non-owners) as well as 18-24 (52%) and 25-34-year old's (48%) were supporters.

Q2. Riverside Park (GRCA lands west of the Speed River, north of Woodlawn Road)

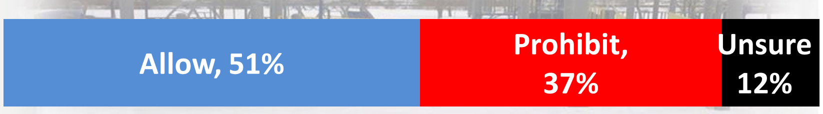


Opposition or prohibiting leash free areas was highest (among the eight areas rated) for Riverside Park at 55%, compared to 37% in support (allow), with 8% unsure. Those most wanting it prohibited were Ward 2 residents (67%), 55-64 (62%) and 65+ year olds (77%).

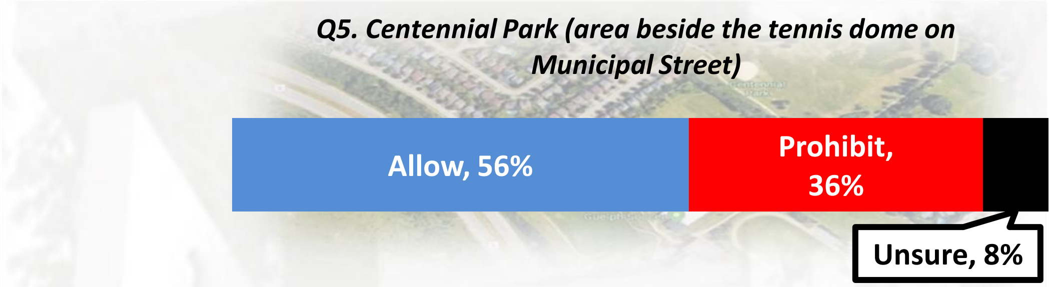
Q3. Norm Jary Park (woodlot area of park located on west side)

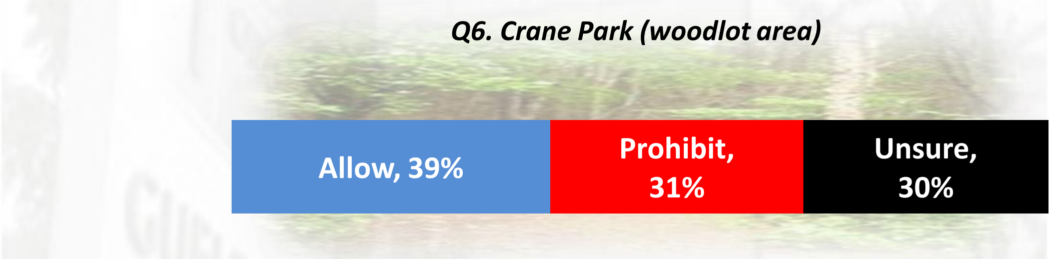
Residents were divided with 41% saying they would allow and 39% prohibit having a leash free area at Norm Jary Park. Two in ten were unsure or undecided.

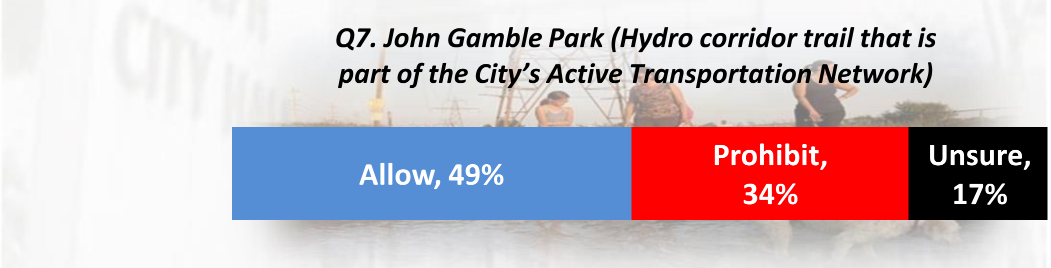
Q4. Margaret Greene Park (park located along the Royal Recreational Trail)

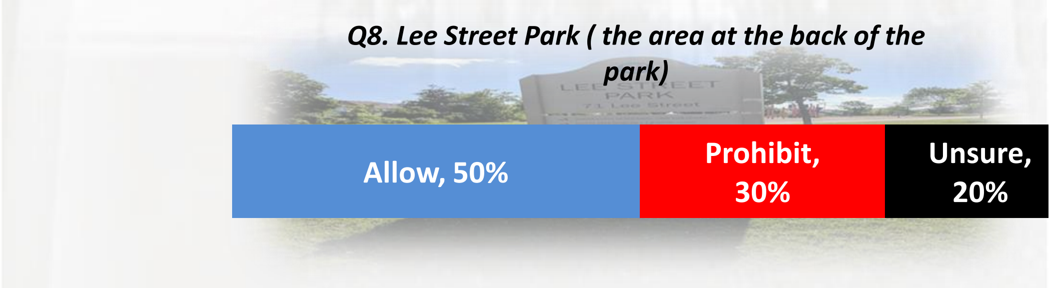


There is a slim majority that would allow leash free areas in Margaret Greene Park. Slightly more than five in ten or 51% answered allow, compared to 37% that want it prohibited, while 12% did not know. Dog owners are most in support (82% versus 33% non-owners) as are those 18-24 (74%) and 25-34 years of age (65%).









The strongest support registered in terms of allow responses among the eight public spaces was for Centennial Park at 56%. There were 36% that want a leash free area in the Park prohibited and 8% answered do not know. While results were more consistent among age cohorts more males (60 versus 52 female) and dog owners (83% compared to non-owners (40%) said allow.

While there were more residents that answered allow in relation to prohibit, the number was less than four in ten (39%). There were also a high number of residents that are undecided, and this public space recorded the highest percentage of unsure responses.

Close to half or 49% said they would allow off-leash areas at John Gamble Park, while opposition or those wanting to prohibit it stands at 34%. Seventeen percent were unsure. This was the third highest rated in terms of the percentage that answered allow.

With half answering allow, Lee Street Park was scored second highest after Centennial Park. As well, the 30% prohibit response was the lowest of the eight areas rated. There were still two in ten that were unsure or did not know. Dog owners most replied allow (88% compared to 28% non-owners).

Options

Next, six options related to off-leash areas the City is considering building were read to respondents. They were then asked which one they preferred, with one answer being accepted.

Q9. "I am now going to read a list of options related to off leash areas the City is considering building. Which one would be your preferred option?"
(READ / ROTATE LIST / ACCEPT ONE RESPONSE)

New fenced facilities in existing parks	**11%**
New fenced facilities close to existing natural areas	**9%**
New fenced trails	**2%**
Fence some of the existing unfenced leash free areas	**10%**
Land purchased or rented by the City specifically to build a new fenced dog park	**9%**
Pay per use fenced facilities operated by a third party	**4%**
No new sites. I am happy with the unfenced dog parks and unoccupied sport fields already allowed	**17%**
THERE SHOULD BE NONE, Parks and open spaces are for people and dogs should be leashed	**12%**
Unsure	**26%**

There were more than one-quarter or 26% of residents unsure of a preferred option, while 17% want no new sites as they are satisfied with the current arrangement and 12% feel there should be no off-leash areas – primarily non-dog owners (20%) and older residents 65+ (22%).

Among those that selected one of the six choices presented (45% of the survey sample), there was no clear option that was favoured. Results were spread among new fenced facilities in existing parks (11%), fencing existing unfenced leash free areas (10%), new fenced facilities close to existing natural areas (9%) and purchasing or renting land to specifically build a new park (9%). The least favoured options were pay per use facilities operated by a third party (4%) and new fenced trails (2%).

In an open-ended or unaided question allowing for one response, residents were asked for comments or suggestions related to leash free areas.

Q10. "Do you have any comments or suggestions related to leash free areas in the City of Guelph?"

SUGGESTIONS

Don't know / None	*N=348*	*58%*
Support having dog parks	*N=43*	*7%*
Should have no leash free parks in residential areas	*N=40*	*7%*
Make sure rules are followed	*N=37*	*6%*
Should be fenced in	*N=35*	*6%*
Don't agree with more off leash dog parks	*N=19*	*3%*
Not safe to have unleashed dogs	*N=18*	*3%*
Taxpayers should not fund	*N=15*	*3%*
Opposed to dog parks	*N=13*	*2%*
Should be none around school areas	*N=13*	*2%*
I am / some people are afraid of dogs	*N=11*	*2%*
Happy with current arrangement (Peter Misersky Park)	*N=6*	*1%*
Make sure poop is cleaned / need bins for dog waste	*N=2*	*<1%*

While most or 58% had no comment, results from those with opinions were mixed. While 7% of comments voiced outright support, 13% related to disapproval including not agreeing with new dog parks, safety concerns, tax dollars spent, straight opposition and fear of dogs. The other replies or 22% were neutral and related to wanting restrictions in place such as location (no residential or school areas), ensuring rules are followed such as the cleaning of poop, having the areas fenced in, as well as being happy with the current park arrangement.

Areas to be Located

All N=600 respondents were read four areas where the City may build new fenced dog parks. They were then asked if they felt new dog parks should be situated in each location. This question elicited support or opposition to the areas regardless of whether or not respondents were overall in favour of dog parks.

Q11. "If the City were to build new fenced dog parks, in which of the following areas do you think they should be located?"
(READ / ROTATE LIST / ACCEPT RESPONSES OF YES, NO, UNSURE FOR EACH)

Q11a. In parks throughout the city and within residential areas so they are accessible and walkable.		
	Yes	47%
	No	43%
	Unsure	10%

Q11b. In parks on the outside of the City as destination spaces that may require a vehicle to access.		
	Yes	66%
	No	26%
	Unsure	8%

Q11c. Fenced areas or fenced trails beside natural areas.		
	Yes	55%
	No	39%
	Unsure	6%

Q11d. In non-traditional areas like hydro corridors which may require agreements from third parties or the purchase of land.		
	Yes	60%
	No	34%
	Unsure	6%

The location where support was highest for new dog parks was on the outside of the City, or a destination space that may require a vehicle to access (66%).

The next most named areas were non-traditional spaces such as hydro corridors that may require third party arrangements or a land purchase (60%).

Lower results were provided at 55% for fenced in areas beside natural areas.

The lowest support at 47% and strongest opposition at 43% was for having dog parks within the City located in residential areas .

All respondents (N=600) were then specifically probed if they would want to have a fenced off leash free dog park in their neighbourhood park.

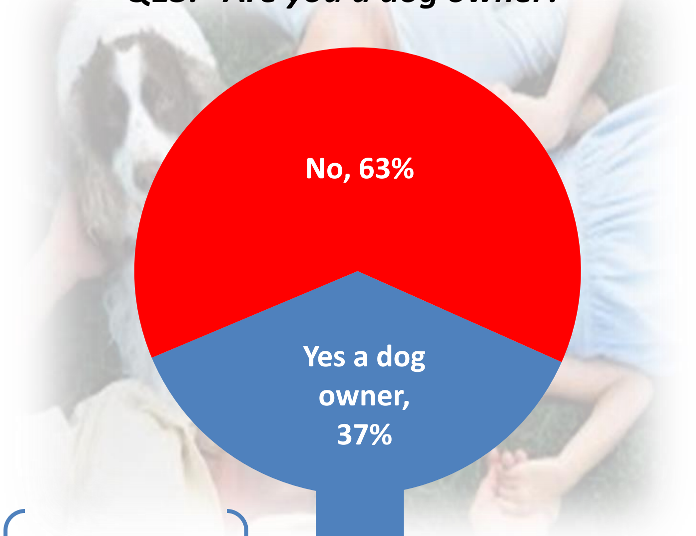
Forty-three percent of residents said they would be willing to have a fenced off leash free dog park in their neighbourhood park, compared to almost half or 49% that do not want one, while 8% were unsure.

Support was very strong among dog owners at 97%, compared to only 10% for those without a dog – 78% of non-owners were opposed and 12% were undecided. Younger residents 18-24 (52%) were most likely to say yes in relation to older 55-64 (39%) and 65 + (27%) year olds. There were also more males (45%) compared to females (40%) that said they would want a dog park in their area.

Dog Owners

Residents were questioned if they were a dog owner. If they answered “yes” they were a dog owner, they were then asked Q14 about their willingness to travel to go to a fenced off park.

Q13. "Are you a dog owner?"

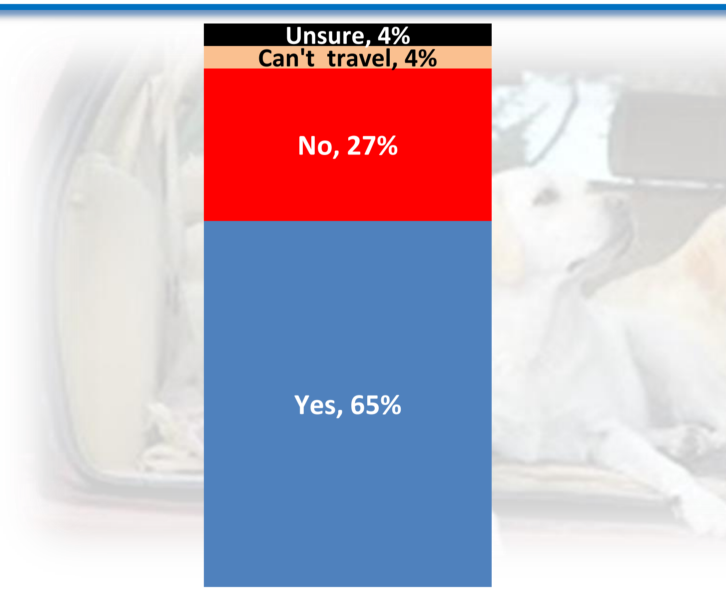


Thirty-seven percent of respondents to the survey stated that they are a dog owner. This regardless of whether the dogs are registered or not.

Owners tended to fall into the 45-54 (44%), 35-44 (40%) and 25-34 (39%) cohorts, followed by 18-24 (30%) and then 65% (25%).

The 37% (N=223) of dog owners were then asked Q14.

Q14. “Would you be willing to travel outside of your neighbourhood to use a fenced off leash free dog park?”



Sixty-five percent of dog-owners would be willing to travel to use a fenced off leash park, compared to 27% that would not. There were 4% unsure and 4% that said they have issues with travelling.

More male dog owners (70%) are willing to travel than females (60%), as are those aged 25-34 (79%), 35-44 (76%), 45-54 (75%) and 18-24 (67%) in relation to the oldest 55-64 (38%) and 65+ (12%).

Leash Free Study

Executive Summary

The following study reviews the City of Guelph's current approach to leash free areas. The purpose of the study is to understand the City's current delivery model and make recommendations to help form a Leash Free Policy.

From the background review and community engagement, Staff make the following observations and recommendations:

1. The City should define areas where dogs are permitted to be off leash and develop clear rules and regulations for these areas through a Leash Free Program Policy.
2. Many other municipalities have leash free areas that are fenced (also called dog parks or leash free facilities). The City of Guelph currently does not offer any fenced leash free facilities. Fenced leash free areas can help create a safer environment for park users and the City should develop a plan to provide fenced leash free facilities. As part of any policy there should be criteria for locating the facilities and design guidelines.
3. Currently City of Guelph sport fields are permitted to be used as off leash areas. This current practice causes damage to sport fields and conflict between sport field users and dog owners or keepers. A strategy should be developed around the use of sport fields as leash free areas.

The following Leash Free Study reviews the provision of leash free areas and confirms facility standards, service levels, and operating regulations to guide their development and operation. The policy provides a framework for enforcing, managing, operating, planning, designing and construction of leash free areas.

Introduction

At present, there are eight (8) leash free areas in operation within the City of Guelph. These leash free areas are not currently governed by a uniform set of guidelines and regulations, or delineated on sites with separation. The City has received numerous complaints and concerns from the public regarding safety of leash free areas in parks and conflicts between users. By developing a Leash Free Program Policy, criteria will be established outlining strategies and guidelines in order to aid the City in the design, safety and implementation of facilities and services for leash free areas.

For this study, staff reviewed the current structure of leash free areas to determine what was working and what was not. The review was broken into 4 steps:

- Background research analysis;
- Community engagement;
- Recommendations and policy development; and
- Implementation plan.

Through the background review and extensive community engagement a set of recommendations and alternatives has been established to form part of the criteria making up the Leash Free Program Policy. These recommendations and alternatives reflect the needs of all park users, improves the City's ability to enforce rules and regulations and to provide guidance for leash free areas moving forward. Safety was considered the most important factor and is presented as such in the policy as well as the recommendations and implementation plan.

Definitions

For the purposes of this report, the following definitions should be understood:

Leash Free Area: shall mean an area of land designated for dogs to run at large or without a leash.

Leash Free Facility: shall mean an area of land enclosed by a physical barrier (fence, hedge, etc.) that is designated for dogs to run at large or without a leash. Also called a 'Dog Park.'

For the purposes of this document, all polices or recommendations relating to leash free areas will apply to leash free facilities unless otherwise stated.

Background Research Analysis

As part of the background review, Staff conducted an analysis of existing policies and conducted a benchmark analysis of comparator municipalities' policies and facilities.

Current City Policies

Current Leash Free Policy

The City currently does not have a cohesive policy relating to leash free areas. Existing leash free areas are defined on the City's website. There are no rules and regulations associated with them. Enforcement of leash free areas is through the Animal Control By-law.

Current City By-laws

There are three relevant by-laws relating to dogs in the City of Guelph:

- The **Animal Control By-law** provides for the licensing and regulating of dogs and for prohibiting or regulating the running at large of dogs in the City.
- The **Stoop-and-Scoop By-law** provides for the removal and sanitary disposition of excrement for any animal. With some exceptions, this by-law applies to any person who owns, harbours, possesses or is in control of any animal.
- The **Noise Control By-law (1998)-15760** prohibits the persistent barking of domestic animals at all times.

Dog Owner's Liability Act, R.S.O 1990

In addition to City By-laws there is also the provincial Dog Owner's Liability Act. In Ontario, the Dog Owner's Liability Act governs who is at fault when a dog bites someone.

The act states that an owner of a dog is liable for damages resulting from a bite or attack by the dog on another person or domestic animal.

Benchmark Analysis

A benchmark analysis of five (5) comparable municipalities was conducted in order to identify, understand and compare:

- Strategies, guidelines and principles in the design of leash free areas;
- Leash free area service models;
- Service levels for leash free areas; and
- Overall safety requirements of leash free areas.

Within each of the municipalities looked at, one high profile leash free facility was selected for thorough review and analysis. This review is summarized in Figures 1-3 below. These five locations, and their subject municipalities have been studied to compare the following criteria:

- Fully fenced areas;
- Natural barriers (in place of fencing);
- Separate areas for small and large dogs;
- Dog waste specific disposal;
- Appropriate level of information signage (rules, regulations and enforcement);
- Appropriate amount of signage;
- Clear boundaries for Leash Free Zones;
- Lighting and water services;
- Parking facilities provided;
- Permitted hours of use;
- Unoccupied sports field use;
- Proximity to other facilities;
- Functionality of the park;
- Compatibility of the park;
- Proportion of the leash free facility in comparison to the overall park size; and
- Size of the leash free facility.

The five subject municipalities and high profile leash free facilities analyzed in this report include the following:

- City of Kitchener, McLennan Park
- Township of Centre Wellington, Fergus Dog Park
- City of Hamilton, Cathedral Park
- City of Burlington, Bayview Park
- Town of Oakville, Shell Park

The municipalities outlined above were chosen as direct comparators based on proximity and population in relation to the City of Guelph. The leash free facilities analyzed were chosen as they are a considered typical facilities within each of the comparator municipalities.

Through analysis, it has also been determined that the five subject municipalities define leash free areas as "Leash Free Areas" and "Dog Parks." The following definitions apply:

Leash Free Area: A designated free-run area (not fenced) within a park where dogs can be leash free.

Dog Park (a): A designated fully fenced facility within a park where dogs can be leash free.

Dog Park (b): A designated park where dogs can be leash free and where no other use within the park shall be permitted.

Designated Leash Free Areas or Dog Parks per Municipality

City of Kitchener:

- Bechtel Park contains a designated Dog Park (a)
- Kiwanis Park contains a designated Dog Park (a)
- McLennan Park contains a designated Dog Park (a)

The City of Kitchener only permits fully fenced dog parks. It does not permit leash free dogs on any other lands including sports fields. Dogs are not permitted on sports fields at any time under any circumstances whether leashed or leash free.

Township of Centre Wellington:

- Fergus Dog Park contains a designated Dog Park (b)

The Township of Centre Wellington does not permit leash free dogs on any other lands including sports fields. Dogs are not permitted on sports fields at any time under any circumstances whether leashed or leash free.

City of Hamilton:

- Hamilton SPCA Park contains a section designated Dog Park (a)
- Heritage Green Park contains a designated Dog Park (a)
- Hill Street Park contains a designated Dog Park (a)
- Birch Avenue Park contains a designated Dog Park (a)
- Borer's Falls contains a designated Dog Park (a)
- Cathedral Park contains a designated Dog Park (a)
- Globe Park contains a designated Dog Park (a)
- Rail Trail contains a designated Dog Park (a)
- Chegwin Park contains a Leash Free Area (unfenced)
- Corporal Nathan Cirillo Park contains a Leash Free Area (unfenced)
- Hamilton SPCA Park contains a section Leash Free Area (unfenced)
- Strachan Street Open Space contains a Leash Free Area (unfenced)

The City of Hamilton does not permit leash free dogs on any other lands including sports fields. Dogs are not permitted on sports fields at any time under any circumstances whether leashed or leash free.

City of Burlington:

- Bayview Park contains a designated Dog Park (a)
- Norton Park contains a designated Dog Park (a)
- Roly Bird Park contains a designated Dog Park (a)

The City of Burlington only permits fully fenced dog parks. It does not permit leash free dogs on any other lands including sports fields. Dogs are not permitted on sports fields at any time under any circumstances whether leashed or leash free.

Town of Oakville:

- Palermo Park contains a designated Dog Park (a)
- North Park contains a designated Dog Park (a)
- Memorial Park contains a designated Dog Park (a)
- Glenashton Park contains a designated Dog Park (a)
- Kingsford Gardens contains a designated Dog Park (a)
- Post Park contains a designated Dog Park (a)
- Shell Park contains a designated Dog Park (a)

The Town of Oakville only permits fully fenced dog parks. It does not permit leash free dogs on any other lands including sports fields. Dogs are not permitted on sports fields at any time under any circumstances whether leashed or leash free.

Analysis of Leash Free Areas

Figure 1: Comparison of leash free areas, facilities and service levels

Municipality	Number of Dog Parks (a)	Number of Dog Parks (b)	Number of Leash Free Areas	Fully Fenced Facilities	Unfenced Facilities	Separate Areas for Small and Large Dogs	Lighting	Water Stations/ Access	Parking	Permitted Hours of Use	Dog Waste Specific Disposal	Dog Waste Bags Supplied	Signage Indicating Rules, Regualtions and Expectations	Dogs Permitted on Sports Fields	Leash Free Areas Per 1,000 Population (Service Level)
City of Burlington	3	0	0	3	0	2	1	0	3	YES	0	3	YES	NO	0.02
Township of Centre Wellington	0	1	0	0	1	0	0	0	1	YES	0	1	YES	NO	0.04
City of Hamilton	7	1	4	8	4	0	1	3	7	YES	9	9	YES	NO	0.02
City of Kitchener	3	0	0	3	0	0	1	0	3	YES	3	3	YES	NO	0.01
Town of Oakville	7	0	0	7	0	2	0	2	7	YES	7	7	YES	NO	0.04
City of Guelph	0	0	8	0	8	0	0	0	7	YES	0	0	NO	YES	0.06

Figure 1 illustrates the differences in leash free areas and facility styles and service levels between the studied municipalities and compared to areas and service levels in the City of Guelph.

Figure 2: Comparison of the five studied leash free facilities

Leash Free Location	Park Classification	Fully Fenced Facility	Unfenced Facility	Separate Areas for Small and Large Dogs	Lighting	Water Stations/ Access	Parking	Designated Leash Free Area Size (Hectares)	Overall Park Size (Hectares)	Permitted Hours of Use	Dog Waste Specific Disposal	Dog Waste Bags Supplied	Signage Indicating Rules, Regualtions and Expectations
Bayview Park, Burlington Leash Free Type: Dog Park (a)	CP	✓	✗	✓	✗	✗	✓	1.5	12.5	✓	✗	✗	✓
Cathedral Park, Hamilton Leash Free Type: Dog Park (b)	DP	✓	✗	✗	✗	✓	✓	0.8	1.2	✓	✓	✓	✓
Fergus Dog Park, Centre Wellington Leash Free Type: Leash Free Area	DP	✗	✓	✗	✗	✗	✓	2.0	2.0	✓	✗	✓	✓
McLennan Park, Kitchener Leash Free Type: Dog Park (a)	CP	✓	✗	✗	✓	✓	✓	1.0	38.0	✓	✓	✓	✓
Shell Park, Oakville Leash Free Type: Dog Park (a)	CP	✓	✗	✗	✗	✓	✓	0.8	20.0	✓	✓	✓	✓

Legend:	CP =	Community Park
	DP =	Dog Park ONLY

Figure 2 analyzes the characteristics and service levels between each of the five studied leash free facilities. Even though the facility characteristics between the leash free types are different, there are consistencies with service levels across the board.

Figure 3: Comparison of existing leash free areas in the City of Guelph

Leash Free Location	Park Classification	Fully Fenced Facility	Unfenced Facility	Separate Areas for Small and Large Dogs	Lighting	Water Stations/ Access	Parking	Designated Leash Free Area Size (Hectares)	Overall Park Size (Hectares)	Permitted Hours of Use	Dog Waste Specific Disposal	Dog Waste Bags Supplied	Signage Indicating Rules, Regualtions and Expectations
Centennial Park Leash Free Type: Leash Free Area	RP	✘	✓	✘	✘	✘	✓	0.2	19.0	✓	✘	✘	✘
Crane Park Leash Free Type: Leash Free Area	CL	✘	✓	✘	✘	✘	✓	18.0	18.0	✓	✘	✘	✘
Eramosa River Park Leash Free Type: Leash Free Area	CP	✘	✓	✘	✘	✘	✓	1.0	15.0	✓	✘	✘	✘
John Gamble Park (Hydro Corridor) Leash Free Type: Leash Free Area	NP	✘	✓	✘	✘	✘	✓	4.0	1.6	✓	✘	✘	✘
Lee Street Park Leash Free Type: Leash Free Area	NP	✘	✓	✘	✘	✘	✘	0.5	1.8	✓	✘	✘	✘
Margaret Green Park Leash Free Type: Leash Free Area	RP	✘	✓	✘	✘	✘	✓	2.0	17.0	✓	✘	✘	✘
Norm Jary Park Leash Free Type: Leash Free Area	CP	✘	✓	✘	✘	✘	✓	2.0	8.0	✓	✘	✘	✘
Riverside Park Leash Free Type: Leash Free Area	RP	✘	✓	✘	✘	✘	✓	2.0	31.0	✓	✘	✘	✘

Legend:	CL =	Conservation Lands
	CP =	Community Park
	NP =	Neighbourhood Park
	RP =	Regional Park

Figure 3 shows that service levels are consistent but below average when compared to leash free facilities in Figure 2. The Characteristics of these areas vary across the board especially when looking at 'Park Classification' and 'Designated Leash Free Area Size'.

Summary of Background Research

Based on the five high profile leash free facilities studied and analyzed, there are several consistent and distinct conclusions for leash free facility service levels, standards, characteristics and criteria as follows:

- Fencing is considered a high priority when establishing leash free facilities;
- All leash free facilities were developed in a community level park classification as an independent dog park;

- All community parks containing leash free facilities range in size from 12.5 to 38 hectares ;
- Available parking is considered a high priority when designing leash free facilities;
- The average size of the leash free areas are between 1 and 2 hectares;
- Dog waste specific disposal at leash free facilities is considered a high priority when developing leash free facilities;
- Signage outlining the rules, regulations and expectations for each leash free facility are present in abundance at each location and considered a high priority in the design for safety of leash free facilities;
- None of the studied municipalities permit leash free dogs on any other lands including sports fields. Dogs are not permitted on sports fields at any time under any circumstances whether leashed or leash free.

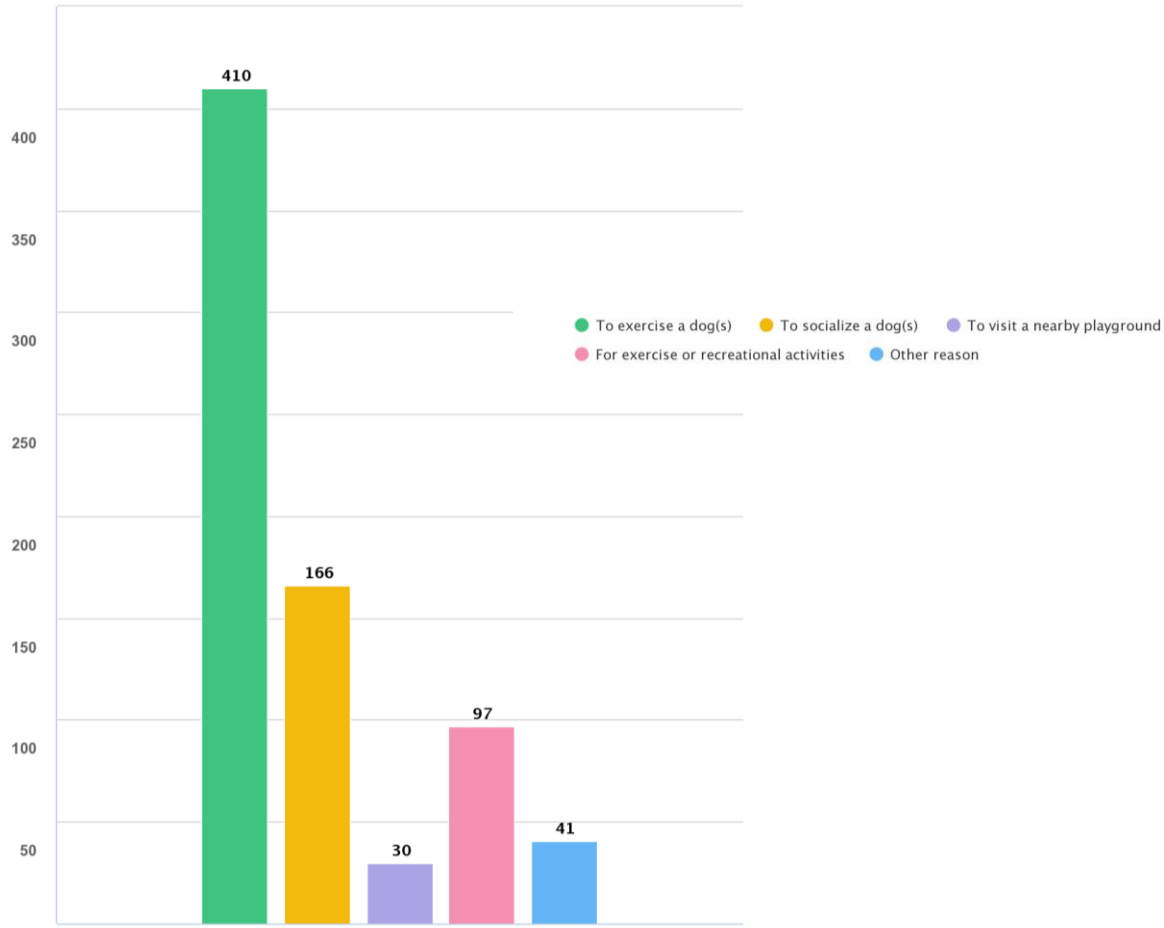
Generally, the standards and characteristics that define the studied leash free facilities exceed those within the City of Guelph. The City of Guelph should consider the above priorities when establishing leash free areas and facilities and it should be reflected within the Leash Free Program Policy.

Community Engagement

Results

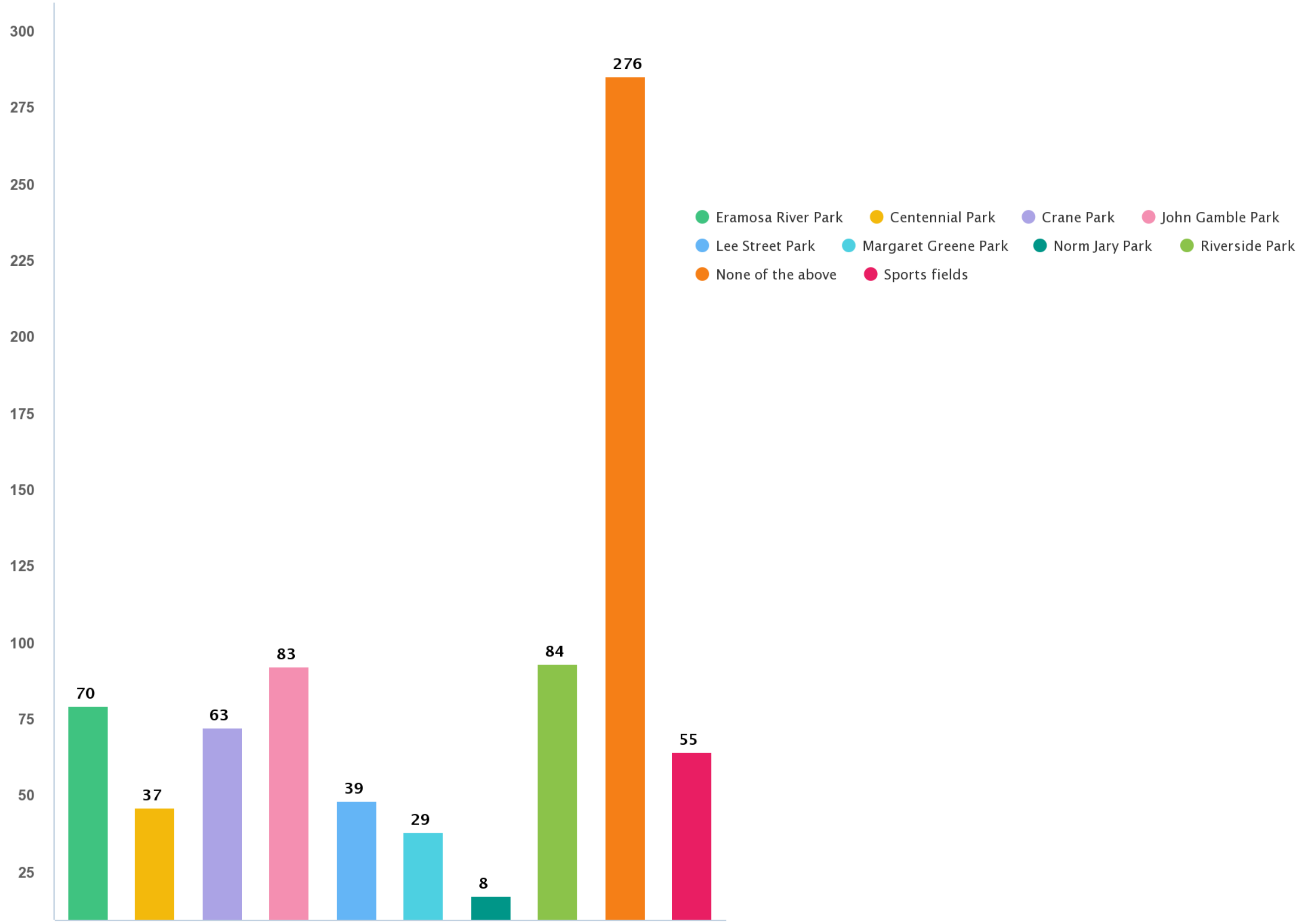
The City of Guelph conducted a survey to understand community opinion and use of leash free areas. The survey began July 27, 2018 and closed on August 27, 2018. Out of the 2,384 community members that visited the site online, 744 completed surveys were submitted. The results of the community engagement survey are outlined below.

Figure 4 – Question 1: Why do you visit City of Guelph parks with a leash free area? Please choose your main reason.



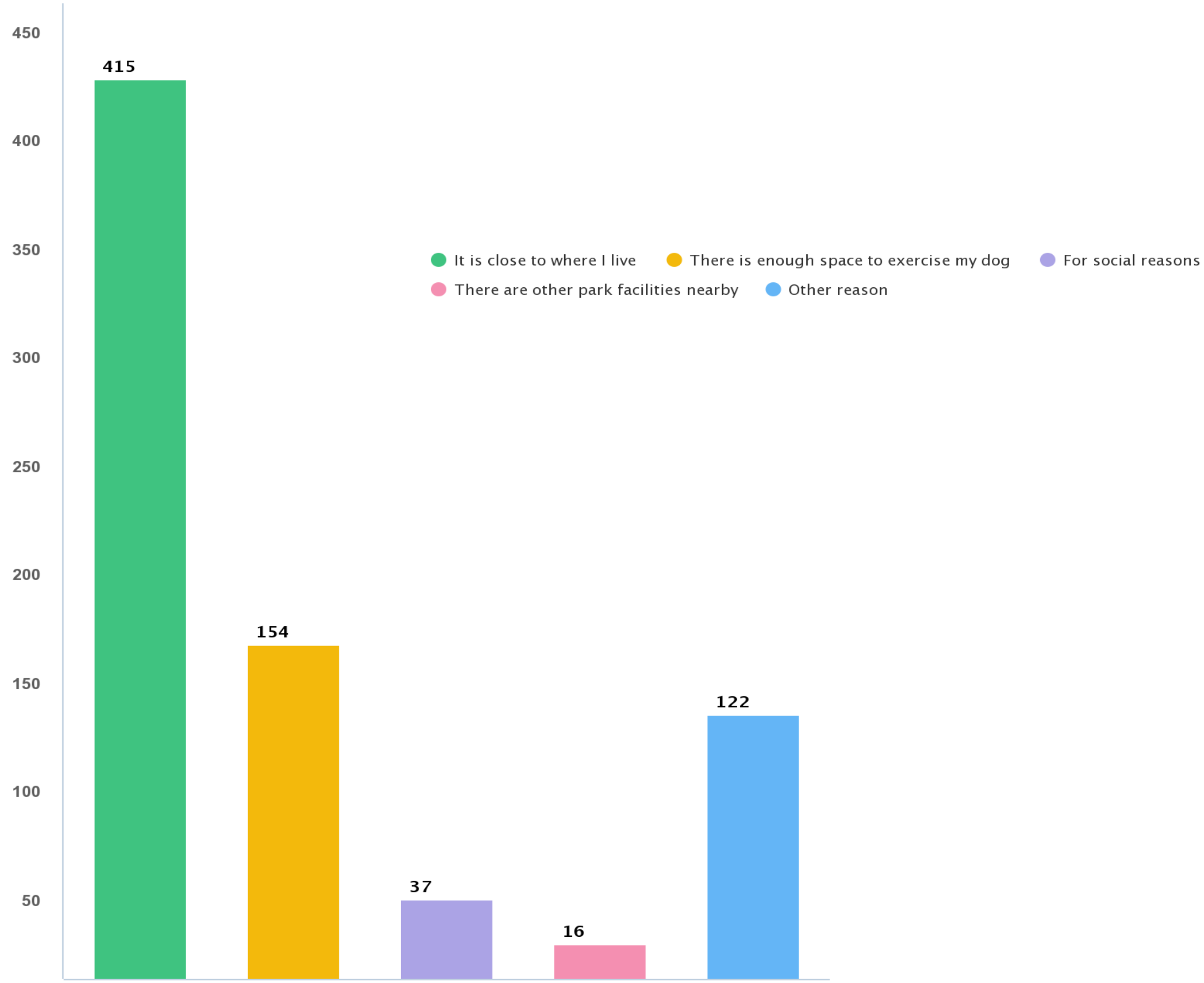
Based on Figure 4, 55% of those that responded selected ‘To exercise a dog(s)’. As a priority noted amongst community members that participated in the survey, this factor should be considered when designing leash free facilities and be large enough to accommodate for an appropriate amount of exercise for all dogs of all sizes.

Figure 5- Question 2: Which park with a leash free area do you visit most? Please choose one.



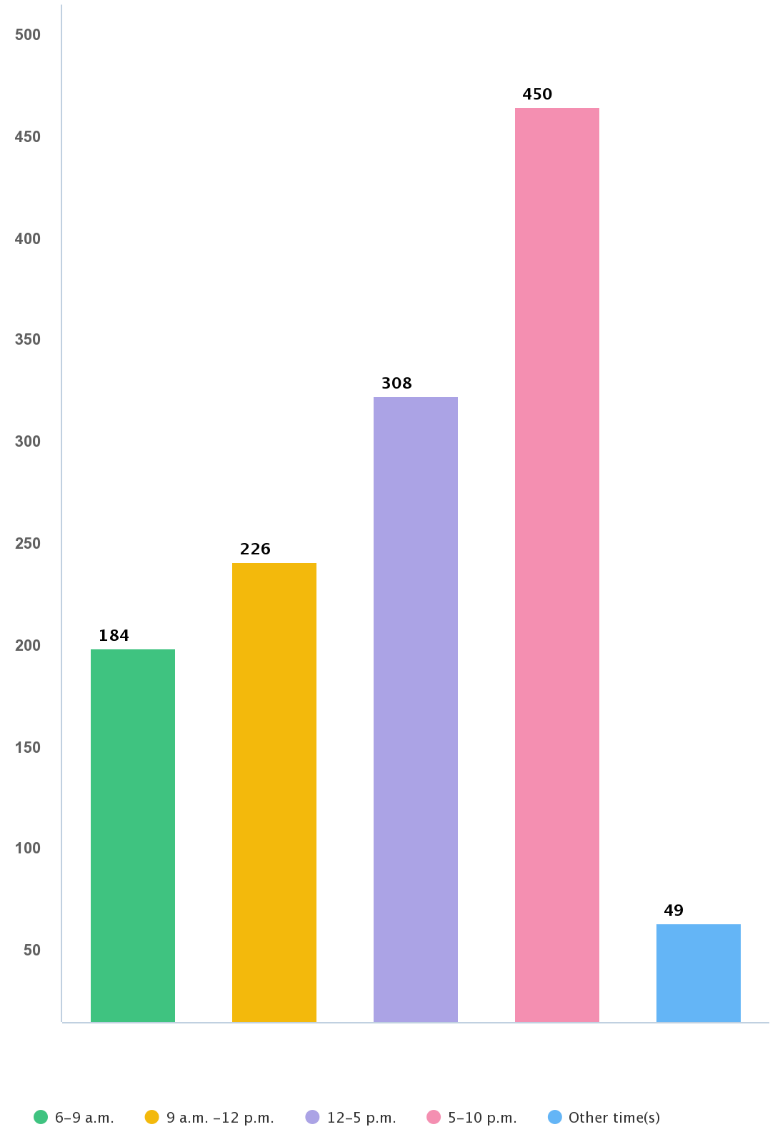
Based on the results shown in Figure 5, 56% of the 744 participants are currently using the various leash free areas located throughout the City of Guelph while 7% are using several unoccupied sports fields. Out of the 55 participants using unoccupied sports fields 33 of them chose Exhibition Park as their main location. The remaining 37% of those that participated are not currently using any of the current leash free areas or unoccupied sports fields within parks. Instead, these participants have chosen not to use leash free areas based on the following themes provided through their responses: Leash free facilities are not fenced, safety concerns regarding dogs and others, not enough bylaw enforcement.

Figure 6 Question 3: Why do you visit this location the most? Please choose your main reason.



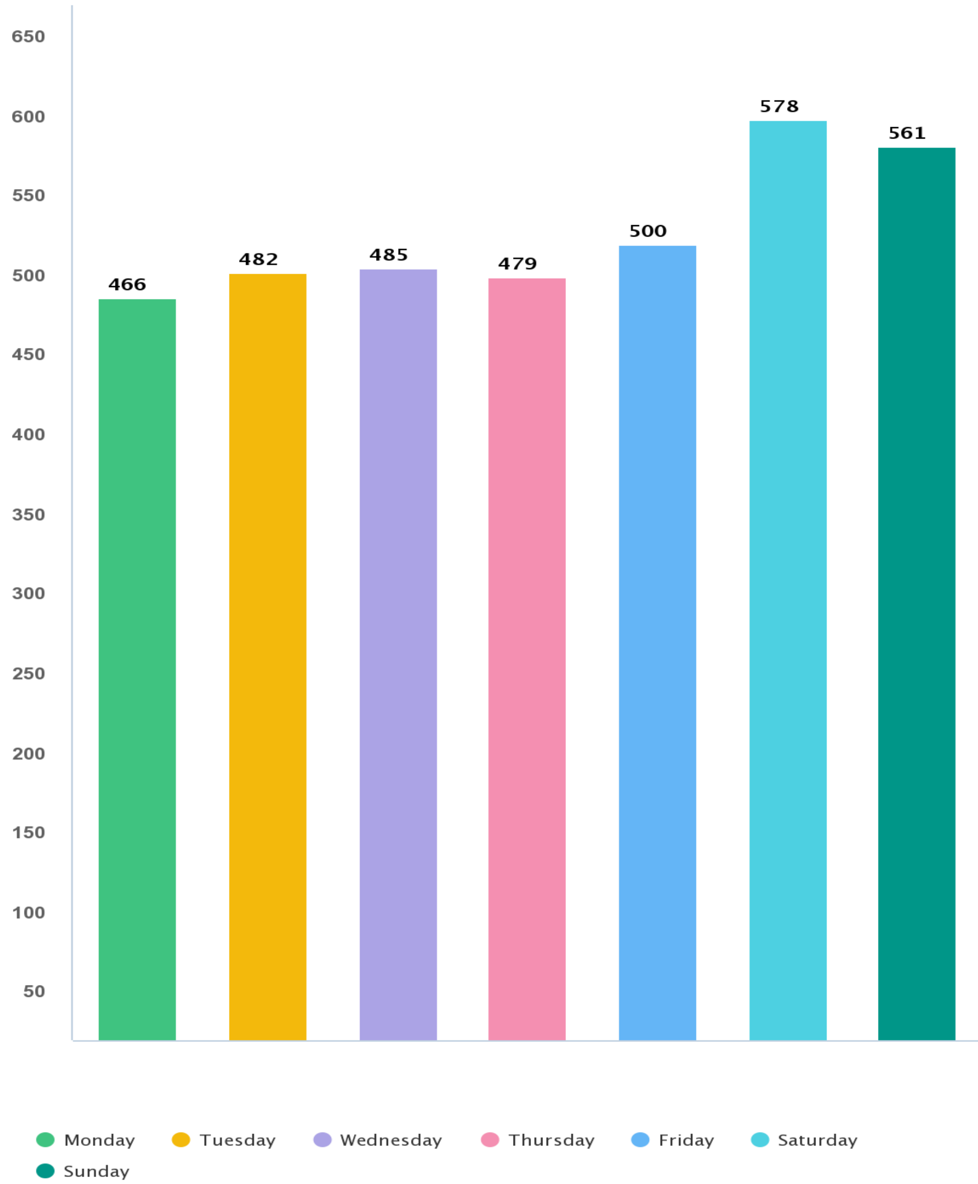
Out of the 744 participants that selected their most visited leash free area from question two, 56% of them chose their specific location based on where they live. For the 122 participants that selected 'other reason', their answers followed the same themes provided in question two: Leash free facilities are not fenced, safety concerns regarding dogs and others, not enough bylaw enforcement.

Figure 7 - Question 4: What time(s) of the day do you usually visit this location? Please choose all that apply.



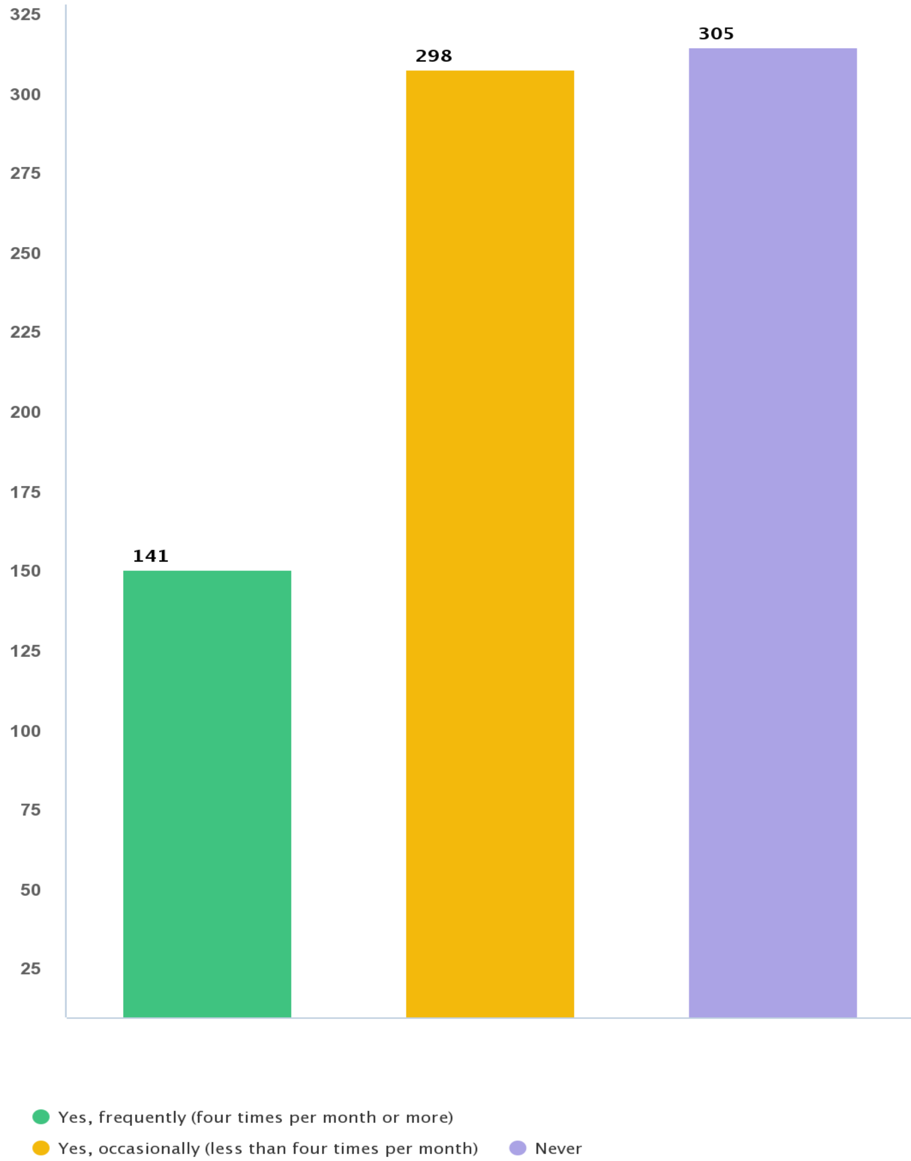
Based on the results shown in Figure 7, 60% of those that participated are using their specified leash free locations between the hours of 5:00 p.m. and 10:00 p.m. Further, 93% of all responses show that leash free areas are being used between the hours of 6:00 a.m. and 10:00 p.m. Only 7% of participants are using leash free areas outside of the hours of 6:00 a.m. and 10:00 p.m.

Figure 8 - Question 5: Which day(s) of the week do you mostly visit this location? Please choose all that apply.



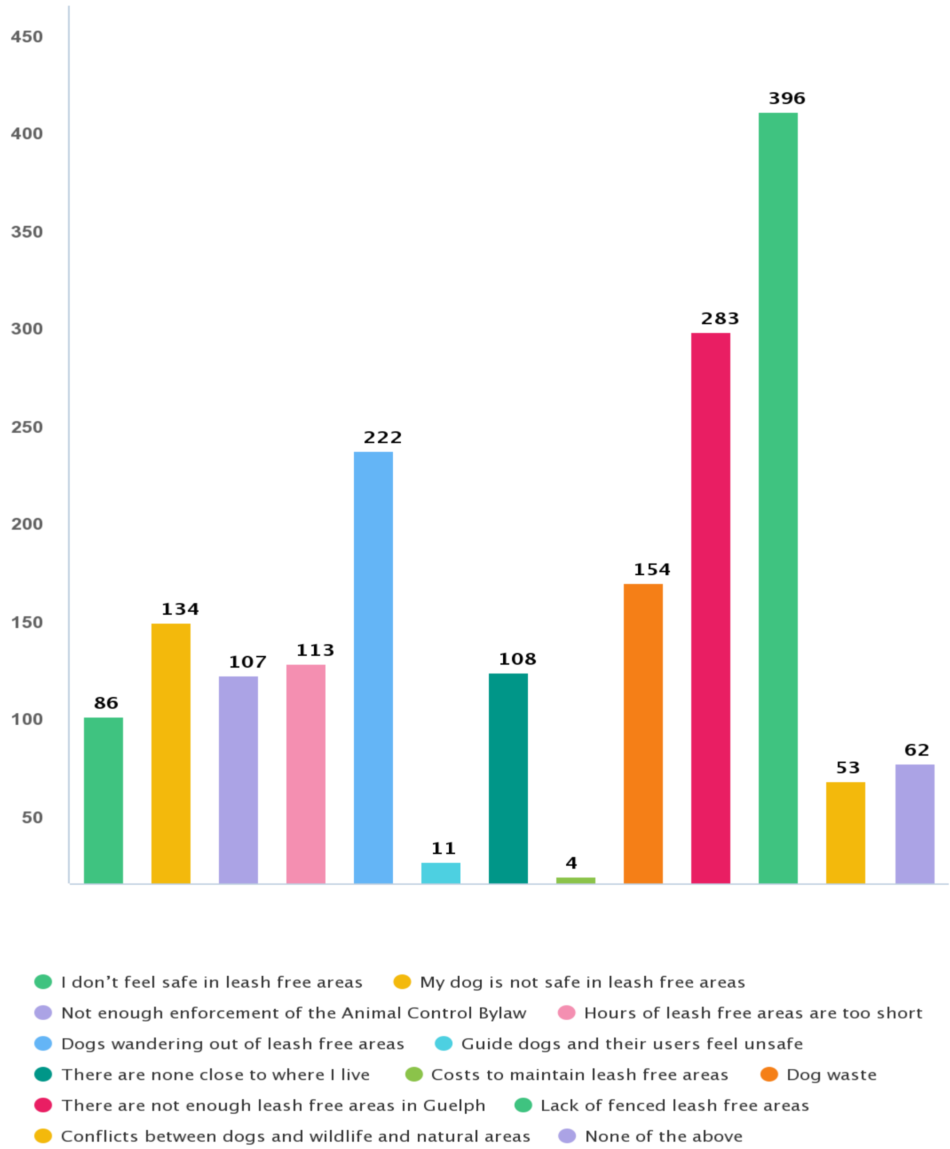
As illustrated in Figure 8, the specified leash free areas chosen by the participants are all very well attended throughout the week. There is a slight increase of use from Friday through to Saturday and Sunday.

Figure 9 - Question 6: Do you use other leash free areas outside the City of Guelph?



Based on the results shown in Figure 9: Question Six, 59% of participants visit leash free areas outside of the City of Guelph either frequently or occasionally. Main reasons provided for visiting leash free areas outside of the city are based on service levels provided at the other leash free areas that included: Fully fenced facilities; Better waste disposal system provided; Separate areas for small and large dogs; Access to a water supply for dogs.

Figure 10 - Question 7: What are your most important concerns with parks that have leash free areas in the City of Guelph? Please choose your top three.



As shown in Figure 10, 53% of all participants have selected 'lack of fenced leash free areas' as their number one concerns with current leash free areas in parks. An additional 30% selected 'dogs wandering out of leash free areas' as their top concern which can also be attributed to a lack of fenced leash free areas.

Summary of Community Engagement

Based on the results of the survey conducted over the summer, there are several consistent and distinct conclusions drawn. These conclusions include mainly a theme of safety as well as general use and expectations for leash free facilities in the City of

Guelph. The themes exposed from the survey results are ranked in terms of priority as follows:

1. The lack of fenced leash free areas within the City of Guelph.
2. Safety concerns regarding dogs and others at parks containing leash free areas.
3. Not enough enforcement of the applicable bylaws at leash free areas.
4. Proximity is an important factor for visiting leash free areas in the City.
5. The main reason for visiting leash free areas is to exercise dogs.
6. The leash free areas are mostly used during the hours of 6:00 a.m. and 10:00 p.m. throughout the week.

The priorities outlined from the community engagement survey should be drawn in comparison with the priorities and characteristics based on the five municipalities studied along with the five high profile leash free facilities analyzed in this report and considered in the development and implementation of existing and future leash free facilities in the City of Guelph.

Inventory and Analysis of Existing Leash Free Areas

Currently, there are eight existing leash free areas located at:

- Centennial Park
- Crane Park
- Eramosa River Park
- John Gamble Park (Hydro Corridor)
- Lee Street Park
- Margaret Greene Park
- Norm Jary Park
- Riverside Park (GRCA Lands)

All Leash Free Areas are located within the park boundaries at each site except for the Leash Free Zones at John Gamble Park (Hydro Corridor) and Riverside Park (GRCA Lands).

Through individual site investigations, the Leash Free Areas listed above DO NOT contain the following services:

- Fully fenced areas
- Separate areas for small and large dogs
- Dog waste specific disposal
- Appropriate level of information signage (rules, regulations and enforcement)
- Appropriate amount of signage
- Clear boundaries for Leash Free Zones

In addition to the above Leash Free Areas, unoccupied sports fields may also be used as Leash Free Areas during the hours of 8:00 p.m. – 8:00 a.m. from May 1 – September 14, and 5:00 p.m. – 8:00 a.m. from September 15 – April 30.

Staff have documented ongoing issues with the use of sport fields as leash free facilities. There is conflict between users, ongoing maintenance issues due to dog damage and no posted rules and regulations for these areas.

There are currently no guiding principles for the design, implementation, monitoring and maintenance of these Leash Free Areas or Facilities.

Target Service Level

Currently the City of Guelph offers eight (8) leash free areas within City parks. Research and analysis was conducted on five (5) leash free facilities from five (5) comparator municipalities. Based on the results, the City of Guelph exceeds the services levels for leash free areas per population when compared to the other five (5) studied municipalities. However, it should be noted that the majority of comparator leash free areas are fully fenced facilities. The City should look to improve the service level by building fenced leash free facilities. Once the three (3) proposed leash free areas become fenced, Guelph will have significantly improved the service level and in some cases exceed municipal comparators in the amount of fenced leash free areas provided per population.

Recommendations

General Recommendations

Based on the results of community engagement, citizens would like to see leash free areas defined by a fenced boundary and in close proximity to where they reside. As a result, it is recommended that:

- The City develop a policy that defines where dogs are permitted to be off-leash, including rules and regulations for these areas;
- The City design and implement fenced leash free facilities;
- The City monitor the existing leash free areas as fenced leash free facilities are implemented and document issues that arise;
- The City allow the use of unoccupied sports fields as leash free areas outlined in Appendix B and develop rules and regulations for these areas;
- That Staff consider opportunities for new leash free areas and facilities through the City's Park and Recreation Master Plan, the City's capital budget process and/or through the redevelopment of existing parks or the development of new parks.

General Recommendations for the Design and Safety of Leash Free Facilities

From extensive research and analysis in conjunction with the results of the community engagement survey, the Leash Free Program Policy should recommend the following criteria for the design and safety of leash free facilities:

- Fencing or physical delineation compatible with the site is required around ALL designated leash free areas;
- Sustainable and safe disposal of dog waste is to be required at ALL designated leash free areas with the exception of designated unoccupied sports fields. The City will look at methods for achieving safe removal and disposal of dog specific waste at each site and;

- Signage containing information on site applicable bylaws, general rules and regulations and permitted hours of use must be appropriately and sufficiently applied at ALL designated leash free areas.

Recommended Fencing Requirements for Leash Free Areas

- All leash free areas to be fenced should contain separate fenced areas for small dogs and large dogs;
- All leash free areas to be fenced should contain a dual-gate entry and exit system. A dual gate zone allows for a dog owner to bring a dog into a confined space where the dog can be safely and properly unleashed before entry to the leash free area;
- All leash free areas to be fenced should be fenced with black vinyl coated chain link and be a minimum height of 1200mm (4.0 feet);
- Leash free areas to be located within the vicinity of the identified exclusions below MUST be fenced

The recommended set of exclusions are as follows:

- Premiere sports fields and stadiums
- Playgrounds and splash pads
- Skateboard parks and bicycle parks
- Tennis courts, basketball courts and other sports pads
- Parks adjacent or in close proximity to school lands
- Sports fields under shared-use agreements with schools
- Natural ice rinks
- Horticultural display areas and ornamental garden areas
- Community gardens or orchards
- Cemeteries
- Designated heritage, memorial, commemorative and ceremonial areas

Recommended Criteria for the Development of New Leash Free Areas

Staff should consider opportunities for new leash free areas and facilities through the City's Park and Recreation Master Plan, the City's capital budget process and/or through the redevelopment of existing parks or the development of new parks.

Location criteria for new suitable leash free areas should be based on design principles of: functionality; compatibility; proximity; proportion; neighbourhood characteristics; in conjunction with various City policies, plans and initiatives.

Implementation Plan for Current & Future Leash Free Areas

The following implementation plan is made up of recommendations drawn from the conclusions found in the community engagement program in conjunction with the research and analysis performed on leash free areas within other local municipalities.

There are constraints for the development of future leash free facilities and/ or refinement of existing leash free areas in the City. The City's first approach towards the development of the implementation plan was to formalize existing leash free areas. However many of the existing leash free areas are constricted in parks that are fully programmed spaces or smaller parks where fencing the boundaries of the limits of the leash free area would create issues. This factor would cause conflicts between user groups and issues around safety and enforcement.

These issues created concerns around fencing some of the existing facilities without more in depth analysis.

As a result, the following recommendations are listed sequentially based on timing for development through implementation based on best fit for the residents of Guelph.

It should be noted that the existing leash free areas, with the exception of the identified designated unoccupied sports fields outlined in Appendix B, will remain unchanged during the course of the implementation plan. Designated unoccupied sports fields will be evaluated in an ongoing basis to ensure they still function and do not create issues for users. Once the implementation plan is complete, staff will determine if the ongoing use of sports fields as leash free areas remains in the best interest of residents.

Existing Leash Free Areas

See Appendix A for site map locations.

Staff will consider opportunities for new leash free areas and facilities through the City's Park and Recreation Master Plan, the City's capital budget process and/or through the redevelopment of existing parks or the development of new parks. New leash free areas will be considered using the guidelines outlined in Section 4 of the policy.

Existing leash free areas at: Centennial Park; Crane Park; Eramosa River Park; John Gamble Park (Hydro Corridor); Norm Jary Park; and Riverside Park (GRCA Lands) will be examined once the three (3) priority leash free sites are established in order to determine next steps. Analysis and recommendations will also be brought forth through the Parks and Recreation Master Plan.

Future sites will be considered in the Parks and Recreation Master Plan and evaluated based on needs and community engagement as outlined in the policy.

Unoccupied Sports Fields as Leash Free Areas

See Appendix B for list of recommended sports field sites approved and not approved for the use by dogs.

The City currently allows sports fields to be used as leash free areas when not in use. Based on the results of the research analysis and safety concerns retrieved from the community engagement survey, it is recommended that the City allows only designated sports fields to be used as leash free areas when not in use while it transitions to fenced leash free facilities as outlined in the implementation plan. This means that only sports fields signed as designated leash free areas can be used as a leash free area. All other sports fields will be signed prohibiting use by dogs at all times unless posted otherwise.

Public safety is a top priority of the City. It will be important to make clear to members of the community which sports fields may be used as leash free and which ones cannot be used by dogs. Premiere sports fields (defined as Category 'A' or 'AA' fields), along with others outlined by the City, outlined in Appendix A, should not be used by dogs for a number of reasons:

1. Public Safety
   Children, youth and adults use these sports fields for recreational pursuits and should not be exposed to sports fields with poor hygiene due to dog waste that is left behind. It is also known, based on community engagement feedback, that conflicts between dog owners and sports groups occur during the times where the field that was once unoccupied has become occupied. These conflicts should be avoided at all times.
2. Priority
   Given that the City advertises these facilities as high profile sports fields, they should be used for no other recreational pursuit other than the intent in which the sports field was built for i.e., premiere soccer fields should only be used for soccer related events etc. In addition, sports fields require booking and payment to be secured for sporting events. These sporting groups should therefore have priority in the use of such sports fields.
3. Maintenance and Operations
   The City invests resources into the maintenance and operations of premiere sports fields in order to ensure that they are fully safe and that the fields are up to a standard that is acceptable for the level of play. In order to keep these fields up to standards that sports field users expect, the City should not allow dogs to use these amenities.

Based on the results of the community engagement survey, sports fields at Exhibition Park and Guelph Lake were most frequently used. Due to the number of residents that use unoccupied sports fields at both locations, the City may look at developing future independent leash free areas in order to accommodate leash free users while eliminating sports fields from the leash free inventory.

The prohibited use of designated sports fields will take effect immediately as outlined in Appendix B. The remaining permitted sports fields will be evaluated once the implementation plan is complete where the City may move to a model for leash free similar to other comparator municipalities as outlined in this study.

New Leash Free Areas

Site 1 – Bristol Street Park:

See Appendix C for site map. Note that the exact layout of the <u>proposed</u> future leash free area within the red shaded area will be determined through a formal design process as outlined by the policy.

Out of all the existing parks within the City of Guelph, none present a better opportunity for the development of an immediate fully fenced leash free facility as per the criteria set out in the policy. Bristol Street Park offers an accessible central location large enough for the development of a fully fenced leash free facility. The location would become the City's premiere leash free facility. The 1.94 hectare site contains a parking facility and meets the criteria outlined in the policy for the development of a leash free area. The existing four (4) mini soccer fields would be relocated and developed at Eastview Community Park leaving Bristol Street Park with no programmed facilities except for an all exclusive leash free facility.

Based on the results from the community engagement, the City heard that:

- The community prefers fenced leash free facilities
- The community considers safety and enforcement of leash free areas a top priority
- The community considers an accessible, central and visible site important

Given the proposed locations proximity to Wellington Street and Bristol Street, the leash free area will be fully fenced and contain the following amenities:

- Dog specific waste disposal system
- Separate fenced areas for small dogs and large dogs
- Sufficient signage containing information on site applicable bylaws, general rules and regulations and permitted hours of use

Highlights for the leash free facility development at Bristol Street Park include:

- The location is central to the City
- The location is accessible by the Active Transportation Network (ATN), pedestrian crosswalk at Wellington Street and is on a scheduled bus route
- The location is highly visible and easy to get to by Wellington Road and HWY#6
- The location contains an existing parking facility
- The location contains mature trees for shade in the summer and noise reduction
- The location already contains a section of fencing reducing cost to construct a leash free facility
- The location contains access to water service for future consideration
- Programmed facilities such as the skate park on the other side of Wellington Street connected by the ATN creates a more complete programmed setting
- By moving four (4) mini soccer fields and building them at Eastview Community Park, it will leave a singular use at Bristol Street Park making it an all exclusive and premiere leash free facility for the City of Guelph

Staff will assess construction costs and propose a leash free area size accordingly to be built in 2019.

Site 2 – Lee Street Park:

See Appendix C for site map. Note that the exact layout of the <u>*proposed*</u> *future leash free area within the red shaded area will be determined through a formal design process as outlined by the policy.*

While Lee Street Park is a small park, it is recommended that the new fenced leash free facility remain in the current leash free location. In 2020, the final phase of development will commence creating an opportunity to improve the existing leash free area. The existing leash free area within the park contains site characteristics making it a good venue for a small leash free area. The only downfall to this location is a lack of a parking facility. However on-street parking is available close by. Given the proximity to shared-use trails, basketball court, playground and adjacent William C. Winegard Public School the leash free area will be fully fenced and retrofitted to contain the following amenities:

- Dog specific waste disposal system
- Sufficient signage containing information on site applicable bylaws, general rules and regulations and permitted hours of use

Staff will assess construction costs and propose a leash free area size accordingly to be built in 2020.

Site 3 – Margaret Greene Park:

See Appendix C for site map. Note that the exact layout of the <u>*proposed*</u> *future leash free area within the red shaded area will be determined through a formal design process as outlined by the policy.*

Margaret Greene Park offers a location large enough for the development of a fully fenced leash free facility. The 17.74 hectare site contains a multiple parking facilities and meets the criteria outlined in the policy for the development of a leash free area. While Margaret Greene Park is heavily programmed, the area outlined on the map for a fenced leash free facility represents an opportunity to service dogs and their owners living in west Guelph. Given the proposed locations proximity to Westwood Road, existing soccer fields, existing playground and Stonehenge Therapeutic Community, the leash free area will be fully fenced and contain the following amenities:

- Dog specific waste disposal system
- Separate fenced areas for small dogs and large dogs
- Sufficient signage containing information on site applicable bylaws, general rules and regulations and permitted hours of use

Staff will assess construction costs and propose a leash free area size accordingly to be built in 2021.

Signage Plan

See Appendix D for signage types and design.

Once the Leash Free Program Policy comes into effect, signage types will be implemented throughout the course of 2019 at the following locations:

- General Leash Free Rules Sign at all new leash free locations
- Dogs Permitted Sports Field Signs at all designated sports field locations
- Dogs Prohibited Sports Field Signs at all proscribed sports field locations
- Stoop and Scoop Signs at all parks throughout the City

Possible Future Sites

Eastview Community Park:

Eastview Community Park presents a possible future opportunity for the development of a fully fenced leash free facility as per the criteria set out in the policy. While Eastview

Community Park is 25.00 ha, it contains programmed facilities which would fall under the list of exclusions for a leash free area as outlined in the policy. However, by following the policy criteria, it means that a leash free area within the park would require fencing in order for it to be safe and function properly. If considered, a design process would be initiated in order to determine if a leash free area can be accommodated in the programming of the park. The advantage of Eastview Community Park is size, not only in the overall park but in the size of the potential leash free area. In addition, there is ample parking as well as an amenity building, and there is an established culture of heavy use as a leash free area.

Once the implementation plan is complete, the City may explore how a leash free facility would impact the master plan, current programming and future planned programming of the site and determine if a leash free facility would be potentially appropriate.

Conclusion

This study was developed based on information received from the community engagement in conjunction with the research and analysis conduction on leash free areas within comparable municipalities. The recommendations brought forth are thorough, realistic, and require carefully planned capital investment to complete. The recommendations presented in this study were formed in part by the guiding principles and standards that have been outlined in the Leash Free Program Policy. The Leash Free Program Policy will be used as a tool to assist in guiding the current and future of leash free facilities in the City of Guelph.

Appendix A Existing Leash Free Areas

CENTENNIAL PARK

373/377 College Avenue West. P4 Regional Park.

Existing Leash Free Area

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CRANE PARK

96 Dovercliffe Road. P1 Conservation Land.

NOTE: Entire Park is Leash Free (Currently)

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ERAMOSA RIVER PARK

259 Victoria Road South. P3 Community Park.

Existing Leash Free Area

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JOHN GAMBLE PARK (Hydro Corridor)

594 Kortright Road West. P2 Neighbourhood Park.

Existing Leash Free Area

John Gamble Park Boundary

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NORM JARY PARK

22 Shelldale Crescent. P3 Community Park.

Existing Leash Free Area

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RIVERSIDE PARK (GRCA Lands)

709 Woolwich Street. P4 Regional Park.

Existing Leash Free Area

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Appendix B Leash Free Recommendations for Sports Fields

Unoccupied Sports Fields Permitted as Leash Free Areas		
Sports Field Name/ Location	**Leash Free (Y/N) Y=Yes, N=No**	**Reason**
Bailey Park Multi-use 1	Y	
Bailey Park Softball 2	Y	
Bishop MacDonell Multi-use 4	N	School
Bishop MacDonell Mini-Soccer 1	N	School
Bishop MacDonell Mini-Soccer 2	N	School
Bishop MacDonell Mini-Soccer 3	N	School
Bristol St. Park Mini-Soccer 1	Y	
Bristol St. Park Mini-Soccer 2	Y	
Bristol St. Park Mini-Soccer 3	Y	
Bristol St. Park Mini-Soccer 4	Y	
Castlebury Park Soccer 1	N	Category A
Castlebury Park Soccer 2	N	Category A
Centennial Park - Joe Kaine Hardball 8	N	Category A
Centennial Park Mini-Soccer 1	N	School
Centennial Park Mini-Soccer 4	N	School
Centennial Park Mini-Soccer 5	N	School
Centennial Park Soccer 2	N	School
Centennial Park Soccer 3	N	School
Centennial Park Soccer 6	N	School
Centennial Park Soccer 7	N	School
Centennial Park Soccer Enclosure	N	Category A
Centennial Park Softball 10	N	School
Centennial Park/Joe Kaine Softball 9	Y	
Colonial Drive Park Softball 1	Y	
Curling Club Mini-Soccer 3	Y	
Curling Club Mini-Soccer 4	Y	
Curling Club Softball 1	Y	
Curling Club Softball 2	Y	
Deerpath Soccer 1	Y	
Dovercliffe Park Mini-Soccer 1	Y	
Dovercliffe Park Mini-Soccer 2	Y	
Earl Brimblecmbe Softball 1	N	School
Earl Brimblecmbe Softball 2	N	School
Eastview Park Football 1	N	Category A
Eastview Park Football 2	N	Category A
Eastview Park Soccer 3	N	Category A
Eastview Park Soccer 4	N	Category A
Eramosa River Park Baseball 1	Y	
Eramosa River Park Baseball 2	Y	
Eramosa River Park Sand Volleyball 3	Y	
Eramose River Park Sand Volleyball 4	Y	
Hastings Stadium	N	Category A
Exhibition Park Football 3	Y	
Exhibition Park Softball 1	N	Category A
Exhibition Park Softball 2	Y	
Franchetto Park Multi-use 1	Y	
Grange Road Park Soccer 1	Y	
Green Meadows Park Soccer 1	Y	
Greenmeadows Park Softball 2	Y	
Guelph Lake Combo Field 1	Y	
Guelph Lake Combo Field 2	Y	
Guelph Lake Combo Field 3	Y	
Guelph Lake Softball 4	Y	
Guelph Lake Softball 5	Y	
Guelph Lake Softball 6	Y	
Guelph Lake Softball 7	Y	
Hanlon Creek Park Soccer 1	Y	
Howden Cresc. Park Mini Soccer 1	N	School
Howden Cresc. Park Mini Soccer 2	N	School
Howitt Park Baseball 1	Y	
Hugh Guthrie Park Softball 1	Y	
Legion Mini-Soccer W1	N	Private
Lourdes Soccer	N	School
Lyon Park Softball 1	N	Category A
Lyon Park Softball 2	N	Category A
Margaret Greene Park Soccer 1	N	Category A
Margaret Greene Park Soccer 2	N	Category A
Margaret Greene Park Mini Soccer 6	N	School
Margaret Greene Softball 3 (CRICKET)	Y	
Margaret Greene Softball 4	Y	

Margaret Greene Softball 5	N	School
McCallister 1	Y	
Mollison Park Softball 2	Y	
Norm Jary Park Softball 1	Y	
Norm Jary Park Softball 2	Y	
Norm Jary Park Softball 3	Y	
O'Connor Lane Park Soccer 1	N	School
O'Connor Lane Park Soccer 2	N	School
Orin Reid Park Mini-Soccer 1	Y	
Orin Reid Park Mini-Soccer 2	Y	
Peter Misersky Park Soccer 1	Y	
Pineridge Park Softball 1	Y	
Rickson Park Soccer 1	N	School
Rickson Park Softall 2	Y	
Riverside Park 1	Y	
Riverside Park 2	Y	
Riverside Park Softball 3	Y	
Royal City Park Softall 1	Y	
Silvercreek Park Soccer 1	N	Category A
Silvercreek Park Soccer 2	N	Category A
Skov Park Softball 1	Y	
Sleeman Park Softball 1	Y	
Larry Pearson Baseball Diamond 1	N	Category A
Larry Pearson Baseball Diamond 2	N	Category A
Larry Pearson Baseball Diamond 3	N	Category A
Springdale Park Mini-Soccer 1	N	School
Springdale Park Mini-Soccer 2	N	School
St. Francis Soccer	N	School
St. James Baseball Diamond	N	School
St. James Soccer	N	School
St. John's Soccer	N	School
St. John's Sofball	N	School
St. James Track	N	School
University Village Park Baseball 1	Y	
Waverley Park Mini Soccer 1	N	School
Waverley Park Mini Soccer 2	N	School
St. Rene Goupil Soccer 3	N	School
WE Hamilton Park Softball 1	Y	
Westminster Woods Baseball 2	N	School
Westminster Woods Soccer 1	N	School
Wilson Farm Mini Soccer 1	Y	
Woodland Glen Softball 1	Y	
York Road park Baseball 1	Y	
York Road Park Soccer 2	Y	
York Road Park Softball 1	Y	

Appendix C Proposed New Leash Free Areas

SITE 1: BRISTOL STREET PARK

220 Bristol Street East. P3 Community Park.

Proposed New Fenced Leash Free Area
(Approximate location TBD within the red shaded area)

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SITE 2: LEE STREET PARK

71 Lee Street. P2 Neighbourhood Park.

Existing Leash Free Area

Approximate Proposed New Fenced Leash Free Area

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SITE 3: MARGARET GREENE PARK

80 Westwood Road. P4 Regional Park.

Existing Leash Free Area

Approximate Proposed New Fenced Leash Free Area

CITY OF Guelph

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Appendix D Leash Free Areas Sign Typology

You are entering an off leash area

Help us keep off leash areas safe for everyone:

1. This leash free area may only be used from dawn to dusk daily.
2. Dogs must be under supervision at all times by an owner or keeper that is 18 years of age or older.
3. Dogs are the only animal permitted in this leash free area.
4. Aggressive dogs, including those that have injured another person or dog, must be kept out of the leash free area at all times. If a dog becomes aggressive towards others it must be leashed immediately and removed from the site.
5. Dogs must be kept leashed until they enter the leash free area. If the leash free area is fenced, then the dog must remain on a leash until the gate has been securely closed.
6. Dogs must not be allowed to destroy or dig up turf, bushes or trees.
7. All dogs must wear up to date rabies and dog license tags at all times.
8. Dogs wearing pinch (prong) and spike collars are not permitted in the leash free area.
9. Stoop and scoop is mandatory. Please place dog waste in the designated waste containers.
10. Food, whether animal or human, are not permitted within the leash free area.
11. Children younger than six must not enter the leash free area. Children aged six to 12 must be supervised by an adult at all times.
12. Dogs in heat, puppies under 12 weeks old, dogs that are sick with an infectious disease and dogs that have a medical condition are not permitted.
13. Designated dogs under the Dog Owners Liability Act must comply with all the terms of their designation including leashing or muzzling requirements at all times even when using the leash free area.

Questions or concerns?

To report a concern, please call City bylaw at 519-837-2529.

Off leash areas should be used at your own risk. The City of Guelph accepts no liability for injuries, loss or damage claimed or suffered by any person or animal related to the access and use of this area, howsoever caused.

Animal Control Bylaw (2016)-20122
guelph.ca/dogs

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Accessibility format
519-822-5626 or
TTY 519-826-9771

Small dogs only

Up to 30 pounds

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Stoop and scoop bylaw in effect

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Stoop and Scoop By-law
(2004)-17568

Dogs allowed on this sports field

guelph.ca/dogs

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No dogs allowed on this sports field

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