

# Staff Report



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To	<b>City Council</b>
Service Area	Corporate Services
Date	Tuesday, November 16, 2021
Subject	<b>2022 and 2023 City Budget</b>

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## Recommendation

That the following recommendations be referred to the December 2, 2021 City Council meeting:

1. That the 2022/23 operating budget be approved at a gross expenditure budget of \$481,067,796 and \$500,734,742 with a 2022 property tax and payment-in-lieu of taxes levy requirement of \$277,380,693 or 3.64 per cent over 2021 and a 2023 property tax and payment-in-lieu of taxes levy requirement of \$293,153,601 or 4.69 per cent over 2022 inclusive of the following:
  - a. 2022-23 fees, rates and charges, and inclusive of:
    - i. A stormwater base charge of \$7.00 per month equivalent residential unit or 9.37 per cent increase over 2021 and \$7.60 per month equivalent residential unit or 8.57 per cent increase over 2022.
    - ii. A water and wastewater basic service charge for each of 2022 and 2023 equivalent to 2021 rates.
    - iii. A water volume charge of \$1.87 per cubic meter, or 2.75 per cent increase over 2021 and \$1.95 per cubic meter, or 4.28 per cent increase over 2022.
    - iv. A wastewater volume charge of \$1.99 per cubic meter or 2.58 per cent increase over 2021 and \$2.05 per cubic meter or 3.02 per cent increase over 2022.
  - b. City service budget requirement, net of proportionate share of assessment growth, totaling an increased net levy requirement in 2022 of \$5,570,312 or 2.10 per cent, and in 2023 of \$7,905,919 or 2.85 per cent.
  - c. Local Boards and Shared Services budget requirement, net of proportionate share of assessment growth, totaling an increased net levy requirement in 2022 of \$4,066,841 or 1.53 per cent, and in 2023 of \$5,093,182 or 1.84 per cent.
  - d. Total transfers to/from Reserve and Reserve Funds in each of 2022 and 2023 in accordance with the reserve and reserve fund summary.

- e. No additional investment beyond base funding available for the Strategic City Building Investment Summary items.
  2. That the Guelph General Hospital levy in the amount of \$750,000 be budgeted for the second of six years as approved on December 3, 2019, resulting in a net levy increase of 0.29 per cent.
  3. That the 2024–2025 operating budget forecast be received for information.
  4. That the 2022-2023 Capital Budget in the gross expenditure amount of \$141,423,650 and \$161,907,150 respectively and the required operating budget resulting from these projects totaling \$2,099,910 and \$919,340 respectively be approved, inclusive of the following:
    - a. Funding transfers from capital reserve funds and other sources including partnerships and grants in each of 2022 and 2023.
    - b. Available city building reserve funding will be applied to capital projects in prioritized order as listed in the Strategic City Building Investment Summary.
  5. That the 2024-2031 Capital Forecast in the gross amount of \$1,736,763,840, be received for information with the following implications:
    - a. Operating budget impact from this forecast totaling \$8,417,210.
    - b. A City Building Reserve Fund will reach a deficit position of \$34.2 million by 2031.
    - c. A 100RE Reserve Fund deficit position of \$15.6 million by 2031.
    - d. A debt forecast that leverages the City’s available capacity in the eight-year period.
  6. That the Downtown Guelph Business Association 2022 and 2023 budget with gross expenditures of \$699,252 and \$719,512 respectively, and a total levy of \$660,000 and \$679,800 respectively be approved.
  7. That the Health Care Spending (Fire) Reserve (#103), the Evergreen Donation Bequest Reserve Fund (#134) and the Community Paramedicine Reserve Fund (#348) be created, and that the name of Federal Gas Tax Reserve Fund be updated to the Canada Community-Building Reserve Fund (#343) and Appendix A of the Reserve and Reserve Fund Policy be amended accordingly.
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## **Executive Summary**

### **Purpose of Report**

The purpose of this report is to present the [City’s 2022/23 Budget](#), inclusive of all departments, and Local Boards and Shared Services (LBSS). This is the City’s very first multi-year budget spanning the two years of 2022 and 2023, aligning resource requirements to the remaining years of the [Strategic Plan](#), and incrementally taking one more step in enhancing our financial management policies and practices.

## Key Findings

The 2022/23 Budget reflects the resources needed to meet our service delivery requirements to both our current and future population: residents and businesses. Further, it includes several strategic investment options needed to implement the Strategic Plan priorities and demonstrate movement on the Council-approved performance metrics. The budget is the tool for setting the pace of achieving these goals through demonstration of the operating budget financial impact over a four-year period.

Overriding themes and strategies have emerged from the development of the 2022/23 Budget and will be reinforced through all aspects of the presentation and documents:

- Long-term financial planning provides the foundation to inform data driven decisions, prioritize investment aligned with capacity to deliver and maintain an affordable pace of service delivery.
- The COVID-19 pandemic recovery continues to create future uncertainty with changing business needs, supply chain challenges, significant inflationary concerns and reliance on Provincial funding.
- Digital transformation is needed to become the modern and customer-centric City our community expects.
- Climate change is happening around us and the City is responding by applying a climate lens across everything we do including capital lifecycle replacements, new construction, and energy optimization initiatives.
- Not only is legislation mandating that Guelph grows, but it's also changing several of our businesses' operating landscapes; the multi-year budget enables an agile forecast to plan and respond to these changes.

The total 2022/23 operating expenditure budget is \$481.1 million and \$500.7 million respectively; investment is focused on maintaining service delivery to our current and growing population. The 2022 and 2023 capital budgets total \$141.4 million and \$161.9 million respectively, and primarily focus on infrastructure renewal of our aging assets and building infrastructure to support our growing city.

Overall, the key achievements included in the City's multi-year budget investment are:

- Just under 15km of fibre-optic cabling installed readying the City for future data and network needs.
- Investing in renewable energy to fund the electrification of 35 aged conventional transit fleet buses over eight years, significantly reducing the City's carbon footprint.
- Delivery of 10 trail connectivity solutions throughout 2022 and 2023.
- Improved completion time (6 to 12 months) of low/medium priority forestry work versus current two-year timeline.
- Planting of 10,000 trees in each of 2022 and 2023, in partnership with our local stakeholders.
- Making our roads safer through implementation of the Community Road Safety Strategy, approval of speed limit reductions, and implementing new technology like red light cameras and automated speed enforcement.
- Recovery of City businesses significantly impacted by COVID including the reimplementation of the transit U-pass contract and planned programming of cultural and recreation facilities.

- City programming of the Guelph Sports Dome expands to multi-use, year-round sport and facility access for all ages.
- Delivering more timely processing of development applications and building inspections in accordance with changing legislation.
- Responding to above-average inflationary pressures with the help of the City's strong reserve position, recognizing the excellence in past efforts to build reserves and focus on cost-containment through COVID.
- Continued focus on maintaining critical City infrastructure to deliver services to the community; implementing the Capital Program Resourcing Strategy which builds people capacity over five years to double the City's capital spending and project execution in accordance with the Asset Management Plan.
- Responding to our growing community while maintaining our service levels with the addition of a tandem sand/salter truck, a mobility bus and a waste packer.
- Developing business cases where required to assess viability of Service Rationalization Review opportunities.

## **Financial Implications**

This budget translates into a 2022/23 proposed net tax levy increase of 3.64 and 4.69 per cent which is net of taxation assessment growth. Of this, the total City department net levy investment is 0.91 per cent and 2.13 per cent and includes the proposed budget requests, inflationary pressures, and impacts from previously approved capital projects. The balance of the City impact is related to capital investment. The LBSS budget impact totals 1.45 per cent and 1.13 per cent and due to Council's 2021 decision to pause the levy dedicated to the Guelph General Hospital, this levy requirement is also added back in for 2022 resulting in an increase of 0.29 per cent to the levy.

These proposed rates exclude strategic investments required to reach many of the goals of the Strategic Plan. Staff provided Council with an opportunity to discuss priorities and affordability at the [October 18, 2021 Budget Workshop](#). Staff have provided a [Strategic City Building Investment Summary](#) for Council decision which shows investments required to meet the objectives of the Strategic Plan or other Council directions requested in-year.

From a rate perspective, this budget would require a 2022 and 2023 rate increase at a combined 2.61 per cent and 2.86 per cent respectively. These rates remain competitive within the comparator municipal groups.

While the forecasted tax levy impacts are for receipt only at this time, Council should reference these figures throughout 2022 as they consider in-year financial decisions.

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## **Report**

### **Budget Overview**

The 2022/23 Budget is the City's inaugural multi-year budget, aligning resource requirements to the remaining years of the Strategic Plan, and incrementally taking one more step in enhancing our financial management policies and practices. This budget is prepared in accordance with the updated [Budget Policy](#) approved by Council this past July.

The 2022/23 Budget is a reflection of the resources required to meet our service delivery requirements to both our current and future population of residents and businesses. Further, it identifies a number of strategic investment options required to implement the [Strategic Plan](#) priorities and demonstrate progress on the Council-approved [performance metrics](#). The budget is the tool for setting the pace of achieving these goals and demonstrates the operating budget financial impact over a four-year period.

In September, the City was awarded the Government Finance Officers Association's [Distinguished Budget Presentation Award](#) for the 2021 Budget demonstrating that it met internationally recognized guidelines for effective budget presentation. These guidelines assessed how well the City's budget serves as a policy document, a financial plan, an operations guide, and a communications device. The 2022/23 Budget builds on this success and continues to strive for excellence in fiscal management through the alignment of budgeting with the strategic planning process.

Staff have applied the learnings from the post-2021 budget feedback surveys by making a number of improvements to this year's product to make it more accessible and easier to understand, including:

- intuitive budget dashboard navigation from top to bottom
- enhanced executive summary information
- new user fee data table replacing a lengthy, unsearchable document
- multiple education sessions to increase knowledge for the community and City staff
- strengthened alignment of budget materials with LBSS agencies
- online notetaking and referencing capability for Council when reviewing the digital budget

Five overriding themes have emerged through the development of the 2022/23 Budget and will be reinforced through all aspects of the presentation and documents.

### **Strong financial policy guides our fiscal health and pace of investment**

Long-term financial planning will provide the foundation to inform data-driven decisions and maintain tax and rate affordability while still achieving our goals. Council has approved two indicators to measure the success of the City's fiscal health:

- the City's third-party credit rating of AA+
- the tax and rate burden as a percentage of average household income

In 2020, Council approved the [City's Long-term Financial Framework](#) (LTFF) which provides a road map for integration of the City's core financial policies in order to enhance financial sustainability, increase financial flexibility, and reduce financial vulnerability. For 2021, the City has updated its [Budget Policy](#) to enable multiple-year budgeting, a fiscal policy enhancement that was looked upon favourably by the credit rating agency.

Another financial policy decision in 2021 that reflects the consideration of pace of investment is the [Capital Program Resourcing Strategy](#) in June. The result of this analysis has demonstrated the [Infrastructure Renewal Funding Strategy](#) has started

to outpace the City's capacity to deliver and the 2022/23 Budget proposes two steps for addressing this finding.

- A slowing of the pace of the progression to sustainable funding in 2022 and 2023, understanding that this will mean the original ten-year plan will now be spread out over 12 years.
- The inclusion of the five-year resourcing plan outlined in the [Capital Program Resourcing Strategy](#) to build capital-related staffing capacity within the organization in order to increase the annual capital spending and project delivery.

Finally, as a result of the projected tax levy impacts that were presented last year, Staff provided Council with an opportunity to discuss priorities and affordability at the [October 18, 2021 Budget Workshop](#). Staff have provided a [Strategic City Building Investment Summary](#) for Council decision which shows investments required to meet the objectives of the Strategic Plan or other Council directions requested in-year.

### **The COVID-19 Pandemic**

The budget horizon continues to project uncertainty in terms of the [impact of COVID-19](#) on our service delivery. The impacts of the pandemic are pervasive to the City's businesses (including our LBSS agencies) and will require us to look at how we deliver services, assess the permanency of social and legislative impacts, and plan for an extended recovery period that may take as long as five years. New challenges are also starting to emerge in our [economic outlook](#) including inflation reaching above four per cent, and supply chain challenges impacting capital construction pricing and in some cases project delays as materials are inaccessible.

Keeping consistent with the approach taken in 2021, the 2022/23 Budget reflects permanent service level changes resulting from COVID-19. Estimated temporary revenue loss impacts and additional expenditures related to the pandemic response that may extend into 2022 and 2023 have been estimated and will be managed through current practices of cost mitigation and service level adjustments, however temporary impacts have not been included in the 2022/23 Budget. Budget monitoring reports to Council will continue to capture these impacts and the contingency reserves will be used to manage this financial risk.

The Safe Restart emergency funding, including the special transit stream, received from the federal and provincial governments has enabled the City to manage through the fiscal impacts of COVID-19 during 2020 and 2021. At this point, there have been no announcements for emergency funding programs extending beyond 2021, creating increased risk for the City's contingency reserves.

### **Modernizing for Better Service Delivery**

[Modernization and digital transformation](#) requires strategic investments over time that create better value for citizens and business, enables more efficient service delivery, supports innovation and ultimately helps us become the modern and customer-centric City our community expects. The City has committed to improving communication with residents and modernizing the ways in which we communicate and provide service. Part of this journey is the continuous improvement of processes from a citizen or customer's perspective as well as increasing efficiency from an operational perspective.

In 2021, the City's Continuous Improvement Office (CIO) launched its first Lean Yellow Belt Certification Program with eleven successful projects through the first cohort of this program. Measures of success including reduced cycle times, improved response time, and increased utilization of time demonstrates the immense value this is having at the City already. In 2022, a second wave of the Lean Yellow Belt Program and the first wave of the Lean Green Belt Program will be offered.

A new Modernization and Efficiency Financial Strategy is proposed to provide both the people and fiscal capacity to implement the [Service Rationalization Review](#) recommendations in combination with digital modernization and process optimization. Staff are committed to reporting annually on the value created from this program of work.

### **Environmental sustainability through a climate lens**

In 2018, Council approved a goal for the City to achieve 100 per cent of its energy needs through renewable sources by 2050 (100RE). This was further reinforced through Council approvals in 2019 to develop a funding strategy and through the Strategic Plan and performance framework approval in 2020.

By [investing in energy efficiency](#) projects and initiatives such as those highlighted in the City's 2020 annual [environmental sustainability report](#), we continue to make progress across the corporation towards our 100RE goal:

- decreased greenhouse gas (GHG) emissions by more than 13 per cent since the 100RE Target was set in 2018
- reduced annual facilities energy use by 13 million kilowatt hours equivalent (kW-he) and annual fleet energy use by seven million kW-he
- increased renewable energy generation by more than 250 per cent

There are a number of places you can see the investment in 100RE through the budget. We know that both tax supported and rate funding sources are required to fund project outcomes that get us closer to the 100RE goal. A climate lens is applied across all capital projects including planned lifecycle replacements, new construction and energy optimization initiatives. Capital funds are also used to leverage federal and provincial energy grants.

### **Guelph is mandated to grow; legislation in the Budget**

Guelph is mandated to grow (to 203,000 people by 2051), and our financial plans need deliberate matching of [growth costs and revenues](#) to demonstrate that we are increasing service delivery and building infrastructure at an appropriate rate. The City has dedicated revenue streams that help fund both the operating and capital costs of growth including development charges, building and planning application fees and growth-related property tax assessment revenues. This is a developing area of focus for the City's financial modeling as the emphasis on growth becomes central to Council discussions with the updates to the Official Plan, the Municipal Comprehensive Review and various master plans, as well as with the consideration of the Clair-Maltby Secondary Plan. As these plans are still developing, the capital forecast will likely change quite significantly by the next multi-year budget in 2024 to reflect all this ongoing work.

Legislation changes are also impacting the budget through Court Services with the changes to [Bill 177](#), permitting municipalities to prosecute under Part III charges.

Further, the changes through Bill 108 have shortened the timelines for the City to respond to development applications, which has led to a need to increase Planning Services resourcing. Significant changes in legislation related to conservation authorities, and the recycling Blue Box program are not yet reflected in the budget however, staff are actively working on these files and they may have considerable budget impacts in 2024 and beyond. Staff also continue to monitor the health sector as changes to long-term care, health units and even para-medicine programs may start to emerge post-pandemic.

## **Building the budget**

When building the budget, there are a number of influences at play including Council direction, legislation changes, general economic factors, and inflationary pressures. While the City looks to the Strategic Plan to guide our initiatives and goals, there are also base everyday service obligations that the City must continue to deliver.

These base service obligations come in the form of compensation, contractual commitments, insurance, facility and fleet maintenance requirements, and debenture payments. Inflationary pressures on the City's base obligations including the capital plan are creating significant financial challenges, especially in our current high-inflation environment. Compensation is one of the largest expenditures for the City, as we rely on people to deliver the services that the community uses every day and in an increasing tight labour market, attracting and retaining qualified staff to ensure continuity of service delivery is a high priority. A full summary of [approved and projected FTEs](#) are included in the budget materials.

The City then needs to consider a funding strategy to maintain and replace the infrastructure asset inventory, which for the City, is more than \$4.39 billion or approximately \$31,000 per resident. As part of the rate and tax long-term financial models, there is a funding increase to address the gap in funding for infrastructure renewal sustainability.

Growth is also a cost pressure as outlined earlier in this report and it is important to manage the cost of growth with the revenues associated with growth over time. If managed effectively over the long-term, growth costs should be recoverable from growth revenues, resulting in a net zero impact on taxes or rates. This is a developing financial practice within the City.

Finally, we factor in considerations for adding new service delivery requirements either voluntarily or due to legislative changes. Some of these may be a result of Council direction in order to implement the Strategic Plan priorities (e.g. implementation of red light cameras and automated speed enforcement to increase road safety), but there are always other factors outside the City's control that also contribute to these expanding costs (e.g. reduced timelines for development application response).

Council also has the ability to reduce service levels where legislation does not guide the municipal responsibility. As part of the [KPMG Service Rationalization Review Report](#), an assessment of service type was provided (starting on page 57), to assist Council in determining which services are mandatory, essential, traditional or discretionary.

**Efficiencies, revenue and capacity building**

It is unreasonable to assume efficiencies in an organization can completely offset the inflationary pressures in any given year, especially in a year when the Canadian inflation outlook is posted above four per cent. The City is committed to designing and delivering better service that drives efficiencies in the base budget. This will be reflected each year based on improvements to the City’s measurement and evaluation practices. A number of achievements have been realized this year that have created budget capacity in our organization, enabling the City to accommodate inflation in some areas without increasing the budget.

These achievements are in addition to the CIO Lean Yellow Belt Certification Program projects described earlier in this report. This work continues in 2022, at current staffing levels, with ongoing employee training, 10 more Lean Yellow Belt and five Lean Green Belt Certifications.

[User fees and other revenues](#) are critical for recovering expenses in certain business lines as well. In some cases, it’s appropriate to have a user-pay operating model with taxation to help subsidize the service where appropriate. New in this budget, the City’s [user fee guide](#) is formatted as a searchable data table, making it more user-friendly.

**2022-2031 Budget and Forecast**

The operating budget has a fully built-out four-year budget and forecast to provide Council and the community with a transparent and accountable demonstration of the financial impacts of service decisions and plans beyond one year. The LTFF provides the policies and financial priorities that guides the development of the budget forecast.

The 2022-2025 budget and forecast show that the planned tax levy and rate impact of service delivery is as follows in Table 1.

Table 1: Combined tax and user rate impact of budget investment

Forecast increase	2022	2023	2024	2025
Tax levy–City	2.10%	2.85%	3.77%	2.84%
Tax levy–Local Boards and Shared Services	1.53%	1.84%	1.17%	1.71%
Tax levy–Guelph General Hospital	0.29%	-	-	-
<b>Total tax levy increase</b>	<b>3.93%</b>	<b>4.69%</b>	<b>4.94%</b>	<b>4.55%</b>
<b>User rate increase</b>	<b>2.61%</b>	<b>2.86%</b>	<b>3.45%</b>	<b>2.84%</b>

Given affordability challenges of implementing all the goals and initiatives as set out in the Strategic Plan, the budget is presented without the impacts of the initiatives in the [Strategic City Building Investment Summary](#). Council will need to provide direction to add these initiatives into the approved budget.

**2022/23 City operating budget**

The 2022/23 Budget includes investment to maintain core service delivery in a growing community, addresses underfunded maintenance and repair budgets as the

City's equipment and fleet age, invests in digital and customer service functions, continues to increase funding for climate change and 100RE goals, incorporates new programs such as red light cameras, automated speed enforcement, paramedicine and recreation programs at the new Sports Dome and responds to changing legislation in Court Services and Planning Services.

The 2022/23 Budget also slows down the pace of the Infrastructure Renewal Strategy in response to the Capital Program Resourcing Strategy, better matching capacity to execute projects with the funding plan. A total list of the 2022/23 operating budget requests is available in the digital budget documents.

This budget also includes the operating impacts from capital projects approved in 2021, and in some cases, operating impacts from 2022 and 2023 proposed capital projects that will be operational in this budget period. Further, the City continues its strategy of phasing-in operating impacts for both the South End Community Centre and Baker District Redevelopment projects. Over the period of 2022 to 2025, this phase-in plan will generate \$9.0 million of one-time funding that is proposed in this budget to be invested as follows:

- \$1.5 million to the Efficiency, Innovation and Opportunity Reserve Fund – support implementation of Service Rationalization Review and other continuous improvement initiatives
- \$7.5 million to the City Building Reserve Fund – to support implementing the capital service improvements and enhancements

Finally, this budget includes a reduction of \$2 million to the redevelopment incentives base budget to recognize only the amount that is required to meet current obligations. Future budgets can build funding back up if required or look to the Industrial Land Reserve as funding source for Community Improvement Programs.

The City's proposed 2022 and 2023 tax levy and rate increases are presented below in Table 2 and Table 3 respectively.

Table 2: City Budget drivers excluding LBSS

Budget driver	2022 Budget change \$	2022 Tax levy impact	2023 Budget change \$	2023 Tax levy impact
Base budget/Inflationary	\$1,670,856	0.63%	\$1,649,210	0.59%
Operating impact from capital	\$2,987,403	1.13%	\$3,462,750	1.25%
Service reduction	\$(2,250,000)	(0.85%)	\$-	-
Capital financing	\$3,146,870	1.19%	\$2,006,000	0.72%
Budget requests	\$1,791,303	0.68%	\$2,646,410	0.95%
<b>Sub-Total</b>	<b>\$7,346,432</b>	<b>2.77%</b>	<b>\$9,764,370</b>	<b>3.52%</b>
Assessment growth revenue	\$(1,776,120)	(0.67%)	\$(1,858,451)	(0.67%)

<b>Total requested</b>	<b>\$5,570,312</b>	<b>2.10%</b>	<b>\$7,905,919</b>	<b>2.85%</b>
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Table 3: Average residential bill impacts of proposed rate change

	<b>2021</b>	<b>2022</b>	<b>Change</b>	<b>2023</b>	<b>Change</b>
Water	\$413.40	\$422.15	\$0.05	\$433.89	\$0.08
Wastewater	\$453.30	\$465.05	\$0.05	\$473.85	\$0.06
Stormwater	\$76.80	\$84.00	\$0.60	\$91.20	\$0.60
<b>Total</b>	<b>\$946.50</b>	<b>\$971.20</b>	<b>\$24.70 or 2.61%</b>	<b>\$998.94</b>	<b>\$27.74 or 2.86%</b>

### 2022/23 LBSS Agencies operating budgets

The budgets from the City’s LBSS agencies are also funded by property taxes and contribute to 1.53 per cent and 1.84 per cent levy increase respectively (net of their proportionate share of assessment growth) for 2022 and 2023.

Further, the City’s share of the Grand River Conservation Authority budget is funded through the Water and Wastewater Services user rates.

Council does not have direct oversight of these boards and agencies; however, City Councillors do sit as members of the board of governors for each of these entities and the City is responsible for funding their operations, in whole or in part.

Highlights from these LBSS budgets are as follows:

Guelph Police Services	<ul style="list-style-type: none"> <li>• Implementation of worn body cameras as approved in the 2021 leading to three new positions in the 2022 budget to manage data and inventory.</li> <li>• Additional 1.73 administrative positions supporting growth of service over time including a health and safety advisor.</li> <li>• Financial risk surrounding provincially-funded Court Security and Prisoner Transportation grant as notice of uploading of service has been received.</li> <li>• Levy impact net of proportionate share of assessment growth of 0.88 per cent and 0.90 per cent in 2022 and 2023 respectively.</li> </ul>
Guelph Public Library	<ul style="list-style-type: none"> <li>• Elimination of late fees, joining a growing industry movement – supporting equity, diversity and inclusion of service delivery.</li> <li>• Addition of a Program Manager to lead program design and budget forecasting, as well as overseeing the move to new Baker District Central Library – funded through already approved phase-in operating funds.</li> <li>• Levy impact net of proportionate share of assessment growth of 0.06 per cent and 0.62 per</li> </ul>

	<p>cent in 2022 and 2023 respectively (the planned debt to be issued for Baker District Central Library is shifting the capital allocation more heavily to library services in 2023, however net tax levy impact for capital remains consistent for city as a whole).</p>
The Elliott (long-term care services)	<ul style="list-style-type: none"> <li>• Increased compensation as a result of market competitiveness and compression.</li> <li>• Increased capital funding request to address infrastructure backlog; City and Elliott staff working to align capital budgeting and reserve funding practices.</li> <li>• City reserves have been proposed to help phase-in pressures over three years.</li> <li>• Levy impact net of proportionate share of assessment growth of 0.32 per cent and 0.16 per cent in 2022 and 2023 respectively.</li> </ul>
Wellington-Dufferin-Guelph Public Health	<ul style="list-style-type: none"> <li>• No significant changes to budget at this time; inflationary and growth increases only.</li> <li>• Risk remains as province considers future service delivery model of Public Health Units and associated funding model.</li> <li>• Levy impact net of proportionate share of assessment growth of 0.02 per cent and 0.02 per cent in 2022 and 2023 respectively.</li> </ul>
County of Wellington (social services)	<ul style="list-style-type: none"> <li>• No significant changes to budget at this time; inflationary and growth increases only.</li> <li>• County budget process lags City timing, so these estimates may change.</li> <li>• Levy impact net of proportionate share of assessment growth of 0.25 per cent and 0.13 per cent in 2022 and 2023 respectively.</li> </ul>
Grand River Conservation Authority	<ul style="list-style-type: none"> <li>• No significant changes to budget at this time; inflationary and growth increases only.</li> <li>• Recently announced legislative changes to the Conservation Authority Act have not been reflected in this budget given timing, however, likely will require an update for 2023.</li> <li>• Funded through Water and Wastewater rates.</li> </ul>

In addition to these agencies, the City’s \$750,000 multi-year commitment to the Guelph General Hospital has been added back into the budget for the second of six years.

Notable for this budget, the City has worked to align capital funding requirements for LBSS within the 2022/23 Budget to be part of the service budget request for

each entity. Conversations with each entity are ongoing to ensure consistency in approach for asset management plans and funding requirements.

The Downtown Guelph Business Association's (DGBA) budget is also included for Council approval however, this a special levy that is applied to downtown commercial properties in addition to the City's general taxation requirement. The DGBA request is to maintain the 2022 budget and levy at the 2021 level, and an increase of \$19,800 or 3.05% in 2023. At the time of this report, the DGBA has not yet received Board approval of their budget.

### **Use of Reserves in the 2022/23 Operating Budget**

The City's strong fiscal position and healthy reserve balances provides Council with the ability to take on more risk through the budget process. For this reason, staff are recommending the [use of reserves](#) to mitigate budget impacts over the four-year forecast more than in the past. While this means in the short-term, contingency reserve balances are drawn lower, there remains sufficient cash flow to respond to emergencies and address unplanned events.

Highlighted reserve transfer proposals include:

- Use of reserves for inflationary pressures related to solid waste haulage pricing, fleet maintenance, compensation market adjustment, corporate insurance, and long-term disability insurance.
- Use of reserves to help shift the impact of significant operating impacts from capital projects or local boards including technology licensing, The Elliott compensation and capital requests and the phase-in of South End Community Centre and Baker District Redevelopment.
- Use of reserves for temporary positions to move forward on priorities including customer service, human resource service innovation, and transit services.
- Use of reserves to execute the 2022 Municipal Election and update the Strategic Plan with the new term of Council.
- Repayment of reserves fund capital borrowing with savings resulting from the city-owned fibre network, energy retrofits, and the LED street-light conversion.

The City's reserves and reserve funds continue to be managed in accordance with the City's General Reserve and Reserve Fund Policy. Staff [report annually](#) on the balance and activity of these funds in accordance with approved targets at year-end.

### **Strategic City Building Investments**

As previously indicated, the City has several competing service-enhancement needs that require Council to prioritize from a fiscal affordability lens as part of the 2022/23 Budget. to assist with this prioritization process, professional staff have considered these service enhancements through the lens of the Strategic Plan metrics, the year and sequencing of these investments needed to meet Strategic Plan goals, as well as the impact of these decisions on our service delivery partners. The outcome of this process is summarized in the [Strategic City Building Investment Summary](#) for Council's review and deliberation.

In summary, these investments will require the following operating and capital funding investment over four years:

Investment (in millions)	2022	2023	2024	2025
Operating investment	\$4.23	\$1.66	\$1.86	\$2.84
FTEs	24.4	16.3	17	25.3
Capital investment	\$1.57	\$0.60	\$0.60	\$0.60
<b>Total investment</b>	<b>\$5.79</b>	<b>\$2.26</b>	<b>\$2.46</b>	<b>\$3.44</b>
<b>Tax levy impact</b>	<b>2.18%</b>	<b>0.81%</b>	<b>0.84%</b>	<b>1.11%</b>

Given the City’s integrated long-term capital plan and forecast, all the Strategic City Building Investments that have a capital impact are included in the Capital Budget and Forecast, however, the reserve funds are showing the resulting deficit. Subject to Council’s funding decision for the 2022/23 operating budget (recommendation #1), the capital budget recommendation (recommendation #4) as currently proposed may need to be adjusted.

If Council wishes to invest in the strategic investment items an amendment to the current recommendation 1. e) will need to be made. This recommendation currently reads:

1. e) No additional investment beyond base funding available for the Strategic City Building Investment Summary items.

The amendment to this recommendation could read:

1. e) The operating and capital funding required to implement the strategic investments as prioritized on the Strategic City Building Investment Summary.

This amendment will also come with adjustments to the figures in the opening language of recommendation 1.

**2022-2031 Capital Budget and Forecast**

The 2022-2031 Capital Budget and Forecast is as comprehensive as possible totaling over \$2 billion in investment over ten years. Over this period, the budget forecast includes technology investment, significant facility replacement, and road and pipe reconstruction funded by long-term reserve funds and debt financing plans. The City has been developing integrated long-term financial strategies over the past three years that serve as the foundation of the capital plan; staff continue to refine and improve these strategies annually.

The 2022 and 2023 Capital Budgets total \$141.4 million and \$161.9 million respectively, and primarily focus on infrastructure renewal of our aging assets and building infrastructure to support our growing city.

Key capital project highlights in the 2022/23 Budget are:

- Investment in digital and technology systems including network and device lifecycle replacement, upgrading gaining systems and the installation of a fibre-optic network.
- Maintaining services for growing population: addition of a new solid waste packer truck, a new mobility bus, and a new tandem sand/salter truck.

- Reconstruction of Baker Street from Quebec to Woolwich, including underground services and road and sidewalk, in coordination with overall Baker District Redevelopment.
- Energy efficiency investment at the wastewater treatment plant which will improve overall efficiency of processes and will significantly reduce energy requirements.
- Design of the expanded Robertson Water Pumping Booster Station, to provide continued service to existing residents and support growth of the overall system.
- Replacement of existing diesel Transit buses with electric buses, funded partially with the Investing in Canada Infrastructure Program Transit Stream grant funding.
- Continued prioritization of infrastructure renewal of City facilities, vehicles and equipment as per the Corporate Asset Management Plan.

The operating budget impact from 2022 and 2023 proposed capital projects totals \$2.9 million, which will be included in the corresponding budget year to which they relate. These project decisions are described below in Table 4.

Table 4 – 2022/23 Capital budget decisions with associated operating impact

<b>Project description</b>	<b>Net operating budget</b>	<b>Description</b>
Digital and customer service investment	1,222,900	Enhanced software investment leading to additional licensing, access to technology and support position operating costs.
Park and trail investment including Urban Forest Management Plan and Guelph Trails Master Plan	838,800	Operating expenses and positions for growth-related park, urban forest, and trail investment.
Transportation network growth and improvement	424,150	Additional positions and operating expenses to maintain growth of road, sidewalk and Active Transportation Network including the operating impact of the growth tandem sand/salter vehicle.
Solid Waste service growth vehicle	272,500	Additional position and operating costs for the additional solid waste packer to accommodate growth.
Transit mobility service growth	119,100	Operating expenses and position for growth-related mobility bus.

Project description	Net operating budget	Description
Guelph Police Service	101,800	Operating expenses related to expanded vehicle fleet and body worn cameras.

**Unfunded Planned Capital Investment**

The unfunded City Building and 100RE strategies are creating noticeable pressure on the City’s collective capital reserve fund balance by 2024, which requires attention. These unfunded amounts have been included as part of the [Strategic City Building Investment Summary](#) that describe the actions to be taken by staff in deferring projects if funding is not approved. These projects include transit expansion, Active Transportation Network, Guelph Trails Master Plan, Cultural Heritage Action Plan, downtown infrastructure streetscape upgrades and investment in technology improvements.

**Capital financing tools**

The City’s [debt strategy](#) maintains total debt within the Council-approved [Debt Management Policy](#) limitations for the ten-year period. Debt is an important capital financing tool to align the cost of significant long-lived infrastructure with those who will receive the benefit of the service it provides. There are no capital projects in the 2022/23 capital budget that require the use of debt. The capital forecast period identifies \$126.2 million of debt for the Operations Campus facilities as well as \$6.8 million for road reconstruction.

In 2021, Council approved [debt issuance](#) totaling up to \$115 million for the South End Community Centre, Baker District Redevelopment and F.M. Woods Water Services Facility. In [May 2021](#), staff successfully marketed \$49.1 million of this debt at 1.917% over ten years, the lowest cost of debt the City has secured in recent history. It is expected that the balance of the approved debt will be issued in 2022.

Reserve and reserve funds also continue to be a primary capital financing tool used to fund the long-term capital plan.

**Other budget considerations**

Wellington Park – Upon completion of the City’s updates on development charges and community benefit charges as well as the Shaping Guelph legislated planning requirements associated with meeting provincial growth targets for 2051, the City will initiate an update to the Wellington Park business case in late 2022 to inform a Council decision.

Council Administration Support – Council has been considering the addition of an administrative support position to assist in supporting their collective needs as elected officials. Currently this position is not included in the budget as Council directed the assessment of this need as part of the [mandate of the Council Remuneration and Support Advisory Committee](#). This will come to Council for decision in 2022.

**Financial Implications**

This budget translates into a 2022/23 proposed net tax levy increase of 3.64 and 4.69 per cent which is net of taxation assessment growth. Of this, the total City

department net levy investment is 0.91 per cent and 2.13 per cent and includes the proposed budget requests, inflationary pressures and impacts from prior approved capital projects. The LBSS budget impact totals 1.53 per cent and 1.84 per cent and due to Council's 2021 decision to pause the levy dedicated to the Guelph General Hospital, this levy requirement is also added back in for 2022. These proposed rates exclude strategic investments required to reach many of the goals of the Strategic Plan. Staff provided Council with an opportunity to discuss priorities and affordability at the October 18, 2021 Budget Workshop.

Staff have provided a Strategic City Building Investment Summary which shows investments required to meet the objectives of the Strategic Plan or other Council directions requested in year. This schedule is in order of priority based on alignment to the Strategic Plan, Service Rationalization Review recommendations and previous Council decisions. One of these strategic investments is the Transit Route Review supporting the Navigating our Future target of increasing non-auto mode share and will be presented to Council on a stand-alone night, with the purpose of informing a final budget decision on December 2, 2021.

From a rate perspective, this budget would require a 2022 and 2023 rate increase at a combined 2.61 per cent and 2.86 per cent impact in each year. These rates remain competitive within the comparator municipal groups.

### **Consultations**

Local Boards and Shared Services Agencies

Corporate Management Team

### **Strategic Plan Alignment**

The 2022-2031 Budget and Forecast supports all the priorities of the Strategic Plan and sets the pace for implementation.

### **Attachments**

None

### **Departmental Approval**

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