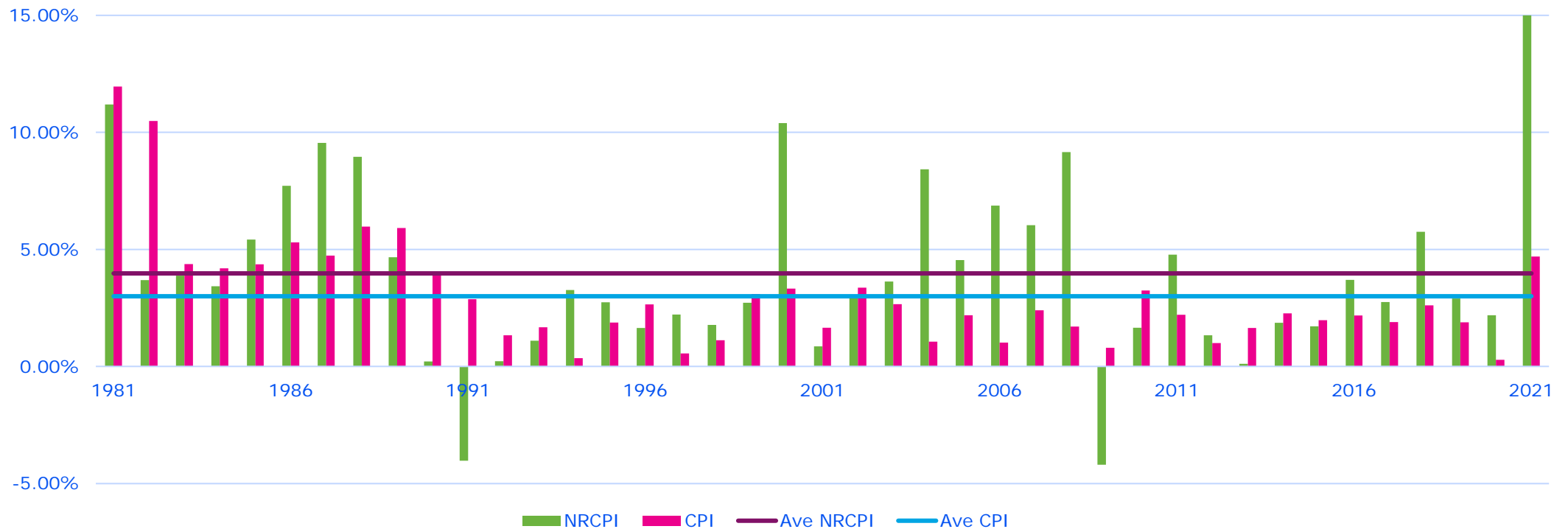


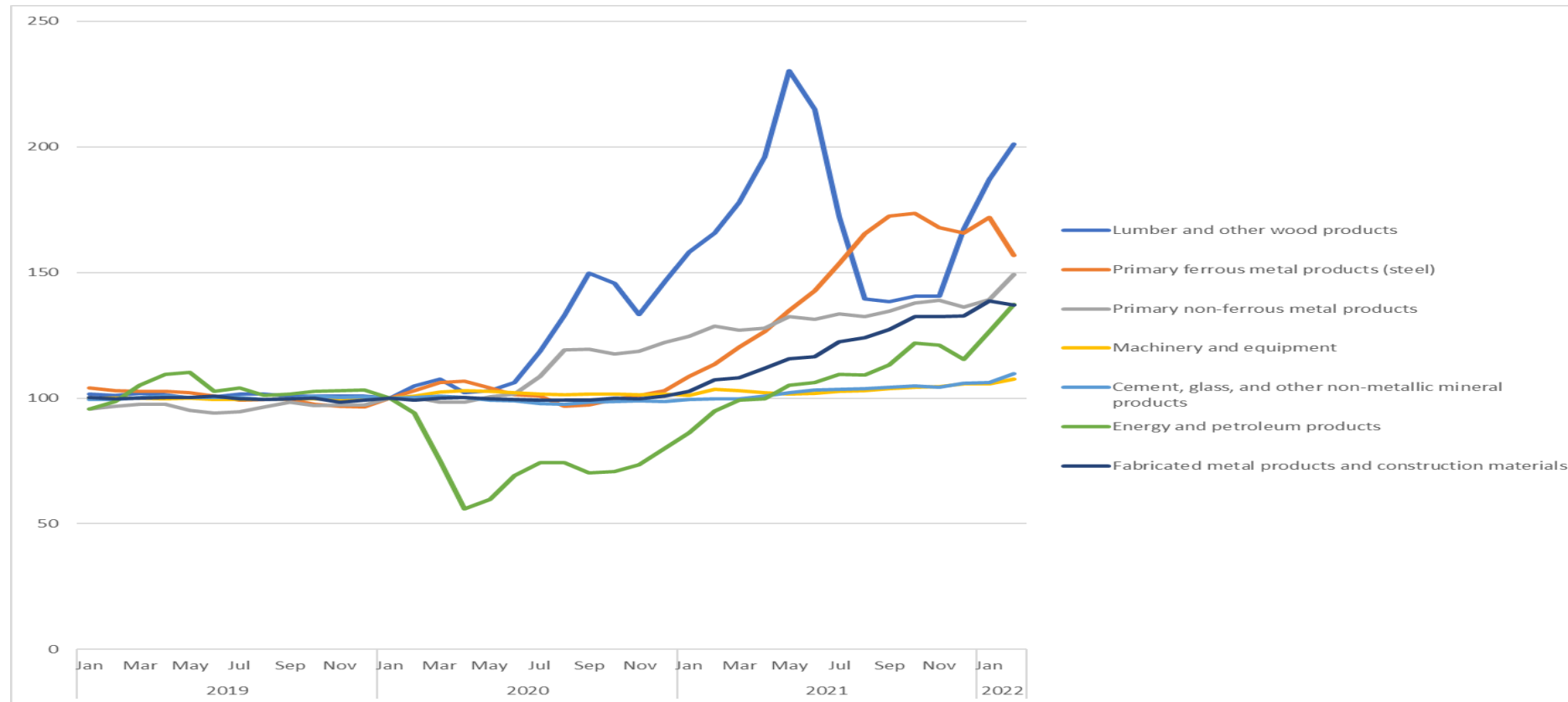
Inflationary Financial Impact Strategy

April 4, 2022

Market and Economic Review – CPI and NRCPI



Market and Economic Review – Industrial Product Pricing Trends 2019 – February 2022



City procurement trends

2021

- 137 tenders/RFPs - \$84.1 million budget
- 132 awarded - \$8.4 million or 11% under budget
- 4 paused due budget - \$5.4 million or 54% over budget

2022

- 24 tenders/RFPs - \$82.5 million budget
- 22 awarded - \$500k or 7% under budget
- 2 paused due to budget – \$44.7 million or 58% over budget
- 20 in progress currently - \$13.1 million

Financial strategy for uncertainty

Operating Budget

- Specific reserves for variable cost drivers – fuel, weather e.g.
- General contingency reserves and multi-year budgeting
- Multi-year contracts that defer financial impact over time
- One-City budget/service management approach

Capital Budget

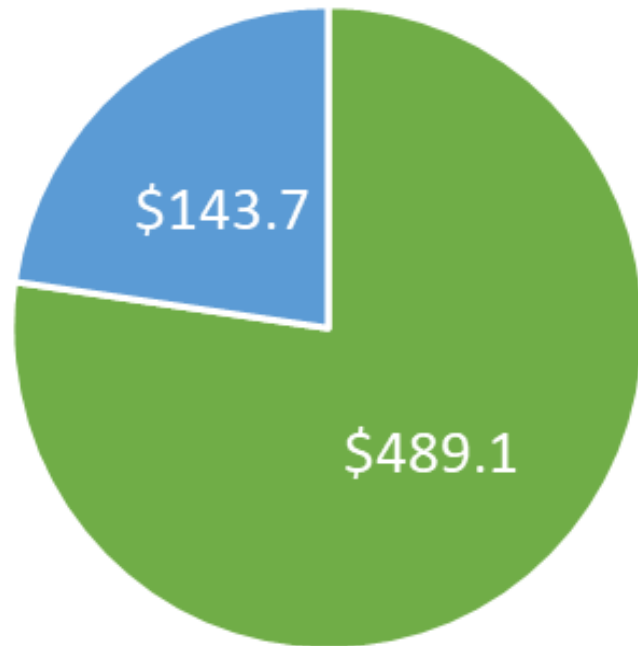
- Capital Reserve Fund contingencies
- Development Charge legislation
- Investment portfolio
- Debt management

Capital Budget facts

- All projects are needed and are a priority – these are Council-approved projects – we do them now or later
- All projects align with the Strategic Plan and are a local economic stimulus coming out of COVID
- Staff budgeted for inflation at best estimate; market is changing rapidly

Capital Budget facts

**Approved uncommitted
budget in millions**



■ 2022 and prior ■ 2023

- The City has a \$289 million capital backlog; 32% of assets are rated less than “fair” condition (including significant facilities)
- Mix of funding sources – tax, rates, grants, development charges, parkland dedication, partner contributions

Prudent not panicked

- This is a global issue; not a Guelph issue
- Inflation is here to stay - projects are getting more expensive, not less
- Deferring projects will not necessarily save money
- Product-specific price spikes will occur until global economy stabilizes

The proposed way forward

- One-City approach to the Capital Budget
- Work within the approved fiscal means
- Leverage and shift approved revenue sources to accommodate changes
- Prioritize within approved expenditure budget envelope to deliver highest priority outcomes

What will be prioritized?

- Infrastructure Renewal projects addressing highest risk assets
- Projects with time-limited grant funding
- Projects with other partners or stakeholders
- Growth-related projects
- Projects that reduce costs/save money over time

Quarterly reporting to Council will ensure governance and oversight in place.

How will it impact us?

- Some projects will have to be deferred to create fiscal capacity
- Whole-system capital budget reprioritization will need to occur as part of 2024 multi-year budget
- Asset management sustainability extended
- Development may slow down; but Master Planning direction is still critical to inform future

Recommendation

That staff be given the authority, until the approval of the 2024 capital budget, to address capital project inflationary price increases through the prioritization of capital projects, within the current approved capital expenditure budgets, in accordance with the methodology as described in Report 2022-118 Inflationary Financial Impact Strategy.