

Information Report



Service Area	Corporate Services
Date	Friday, April 5, 2024
Subject	2025 Budget Confirmation Planning

Executive Summary

Purpose of Report

Following the adoption of the City's first four-year Multi-Year Budget (MYB), the Mayor issued [mayoral direction 2024-B2](#) on February 28, 2024 instructing staff to bring forward a 2025 budget with no more than a four per cent tax levy increase over 2024. The purpose of this report is to provide an overview of the 2025 budget confirmation planning process that will support meeting this target.

Key Findings

Guelph's 2025 budget was adopted at a tax levy increase of 9.80 per cent over 2024 on November 29, 2023 as part of the 2024-2027 MYB. On February 28, a mayoral direction was released directing staff to prepare an update to the adopted 2025 budget with a property tax impact of no more than four per cent, split proportionately between the City and local boards and shared services (LBSS) agencies. To bring forward a 2025 budget update in line with the mayoral direction, the City's share would be capped at no more than a 2.63 per cent tax increase over 2024. This will require a \$15.5 million dollar reduction from the City's portion of the 2025 adopted budget. The LBSS share of four per cent is 1.37 per cent. This will mean a \$3.4 million reduction from the 2025 adopted budget for LBSS.

The City's tax levy cap of 2.63 per cent is insufficient to address 2025 inflation, leaving no budgetary capacity for new investments, nor the ability to continue the same level of investment in funding for the City's capital plan. As a result, provision of service will be critically reviewed and prioritized within a framework that focuses on the following factors:

- Creation of new housing units – prioritizing the services required to enable more housing (water, wastewater, stormwater and roads). This means the community amenity services will be deprioritized (e.g. transit, corporate and community energy, parks, active transportation, customer service, community benefit agreements and recreation and culture).
- Meeting legislated and regulatory requirements – prioritizing investments to meet legislative requirements including maintaining standards in emergency service response, health and safety, and minimum winter road maintenance standards.
- Risk of disinvestment – prioritizing investments where disinvestment or deferment carries a high or very high level of financial, regulatory or public risk.

The risk assessment has been aligned with the developing Enterprise Risk Management framework.

- Impact to the public – prioritizing, where possible, investments where disinvestment is deemed to have a significant impact to the residents based on existing service levels and expectations.
- Future Guelph Strategic Plan – prioritizing items that meet the above criteria and additionally demonstrate the ability to advance the goals of the Future Guelph Strategic Plan in a measurable way.

To address the City’s current fiscal constraints, growth investment priorities will be strategically sequenced to create fiscal capacity. Where possible, infill intensification will be enabled throughout the City depending on availability of development charge revenues and debt. Staff are currently working to get front-ending policies in place that will enable development partners to advance work ahead of city timelines if they choose to do so.

Overall, as staff prioritize service delivery to meet the 2025 budget target, there will be deferrals to planned service expansion starting in 2024. Service investment deferrals will include investments recommended from the Council approved [Guelph Transit Future Ready Action Plan](#), [Urban Forest Management Plan](#), [Parks and Recreation Master Plan](#), [Culture Plan](#), [Transportation Master Plan](#), [Water and Wastewater Servicing Master Plan](#), [Solid Waste Management Master Plan](#), [Water Supply Master Plan](#), [Wastewater and Biosolids Management Master Plan](#), [Stormwater Management Master Plan](#), [Downtown Parking Master Plan](#) and [Service Simplified Customer Service Strategy](#). It will also mean a delay in reaching Council-approved targets, most notably, Race to Zero.

Notable service expansions planned to begin in 2024, but paused due to the 2025 budget impact include one of the two new paramedic shifts included in the Paramedic Business Case 2024, as well as the Transit Route Review Year 4. This means that Sunday service improvements, along with the introduction of enhanced frequency on route 5 servicing the south end, will both be on hold. Further evaluation of the response time impacts for paramedic services will inform staff’s position for the second shift that was planned for onboarding in Quarter 4 (Q4) 2024.

Details regarding deferred recruitment and capital projects in 2024 are provided in Attachment-1 and Attachment-2, respectively. Collectively these pauses account for 1.01 per cent of the 2025 adopted tax levy increase before considering the capital funding savings.

Strategic Plan Alignment

This report strengthens financial policies and practices to support a sustainable, long-term financial position. It accomplishes this through implementation of the multi-year budget planning process aligned to the City’s strategic planning process.

Future Guelph Theme

Foundations

Future Guelph Objectives

Foundations: Maintain the City's healthy financial position

Financial Implications

Due to the financial constraints and expected budget reductions in 2025, there will be impacts to the adopted 2024 capital budget and certain recruitments from within the adopted 2024 operating budget. It is the intention of staff to prioritize new hires to fully utilize the adopted 2024 budget but to not encumber the 2025 fiscal year. Deferred investments will be explained in full as part of the 2025 budget confirmation materials. Any budget variances in 2024 will be disclosed throughout the year through the quarterly budget monitoring reporting. Budget monitoring reports will be included on Committee of the Whole agendas (rather than Information Items) beginning with Quarter 2 (Q2) 2024 reporting.

While the mayoral direction B2 focuses on reductions to the tax-supported budget, the City's rate-supported budget will undergo the City's budget confirmation process, necessitating a thorough review, update and confirmation of both the 2025 operating and capital budget. Staff will use the same prioritization framework outlined in this report when reviewing the rate-supported budget, ensuring they align with the expectation of affordability.

Individual residential and business property tax changes will be influenced by assessment values, and tax policy in 2025 which may vary from the overall property tax impact of the net tax supported budget.

Report

On July 1, 2023, Strong Mayor powers were extended to the City of Guelph. In September 2023, a report titled [Updates Resulting from the Extension of Strong Mayor Powers](#) was provided to Council. The legislation introduced changes to the budget process, requiring that the Mayor prepare and provide a proposed budget to Council. The authority to prepare and propose the municipal budget rests solely with the Mayor and cannot be delegated to City Council or City staff. However, a mayoral direction may be issued for staff to develop a budget to meet the Mayor's expectations. Council involvement in the budget development process begins once the Mayor's budget has been proposed and presented to City Council.

The general provisions of the Act regarding budgets are summarized below in a Guelph specific context:

- The Mayor must, by February 1st of each year, prepare and propose a municipal budget to City Council for consideration.
- Within 30 days of the Mayor's budget being released publicly, City Council may meet to approve amendments to the proposed budget. Budget amendments require a simple majority to pass. The 30-day period may be shortened by a resolution of City Council. The Mayor may vote on any amendment.
- Within 10 days of the final day in which City Council may approve amendments, the Mayor may veto budget amendments passed by City Council. Mayoral budget vetoes will be codified and distributed as mayoral decisions. The 10-day period may be shortened by the Mayor through a mayoral decision.
- Within 15 days of the final day in which the Mayor may veto amendments, City Council may meet to attempt to override mayoral vetoes. A vote to override a mayoral budget veto requires two-thirds of city council (nine members) voting in favour to pass. The mayor may vote in any attempt to override a veto.

- After the process of amendments, vetoes and overrides is finished, the budget is deemed to have been adopted.

Guelph’s first four-year Multi-Year Budget (MYB) covering 2024-2027 was adopted on November 29, 2023. The Municipal Act states that if a municipality passes a multi-year budget, it must readopt the budget every second or subsequent year. The City has a three-step budget confirmation process, which includes reviewing, updating and confirming the budget. The budget confirmation process acts as a pulse check done each year after a full MYB is approved. It provides administration and Council with the opportunity to review what was planned and work in an agile and flexible way to adjust for the current environment, including new direction from the Mayor or Council.

On February 28, [mayoral direction 2024-B2](#) was released directing staff to prepare an update to the adopted 2025 budget with a property tax impact of no more than four per cent. The property tax impact must be split proportionately between the City and local boards and shared services (LBSS) agencies. Additionally, at the [2024 Mayor’s State of the City Address](#), the mayor identified his top two priorities for the community in 2024 are housing and affordability.

The [budget policy](#), along with documents like the [Community Plan](#), the City’s [Future Guelph strategic plan](#) and [master plans](#) are tools that can be leveraged to help focus and guide decision-making as staff work to bring forward a four per cent budget as directed.

2025 Adopted Budget

Guelph’s 2025 adopted budget sits at a net tax increase of 9.80 per cent over 2024. The increase was presented with three parts: the City, LBSS agencies and the Provincial housing, homelessness and hospital impacts. The Provincial housing, homelessness and hospital category includes investments straddling both the City and LBSS agencies, Table 1.

Table 1 2025 budget as adopted

Category	2025 adopted budget (\$ millions)	2025 adopted tax levy impact
City tax impact	21.1	6.52%
LBSS tax impact	6.7	2.06%
Provincial housing, homelessness and hospital tax impact	4.0	1.22%
Total tax impact	31.8	9.80%

To properly apportion the four per cent mayor directed budget between the City and LBSS agencies, the 2025 adopted budget has been restated to include the Provincial housing, homelessness and hospital investments within the City and LBSS agencies categories. This results in a 7.39 per cent and 2.41 per cent increase over 2024 respectively, Table 2.

Table 2 Restated 2025 budget as adopted

Category	2025 adopted budget (\$ millions)	2025 adopted tax levy impact
City tax impact	21.1	6.52%
City portion: Provincial housing and hospital tax impact	2.9	0.87%
Restated City tax impact	24.0	7.39%
LBSS tax impact	6.7	2.06%
LBSS portion: Provincial homelessness tax impact	1.1	0.35%
Restated LBSS tax impact	7.8	2.41%
Total tax impact	31.8	9.80%

During the deliberations for the 2024-2027 MYB, Council adopted a strategy to phase-in new hires over two years to reduce the net impact in 2024. This means that there are positions approved for recruitment in 2024 that have financial impacts in the 2025 budget. Further, there are several capital projects included in the 2024 adopted budget, which have operating impacts in 2025. Additionally, to help affordability in 2024, several inflationary pressures were phased-in over the four-year multi-year budget span.

To bring forward a 2025 budget update in line with the mayoral direction, the City’s share would be capped at no more than a 2.63 per cent tax increase over 2024, Table 3. This will require a \$15.5 million dollar reduction from the City’s portion of the 2025 adopted budget. The LBSS share of four per cent is 1.37 per cent. This will mean a \$3.4 million reduction from the 2025 adopted budget for LBSS.

Table 3 2025 budget update target

Category	2025 adopted budget (\$ millions)	2025 adopted tax levy impact	2025 update target (\$ millions)	2025 update tax levy target	2025 update reduction (\$ millions)
City	24.0	7.39%	8.5	2.63%	(15.5)
LBSS	7.8	2.41%	4.4	1.37%	(3.4)
Total	31.8	9.80%	12.9	4.00%	(18.9)

Diving deeper into the City’s budget structure the \$15.5 million reduction must be considered both from an operating and capital perspective. Table 4 demonstrates the total 2025 operating and capital financing budgets and the magnitude of the reductions that will be required.

Table 4 2025 City budget update target

Category	2025 adopted budget (\$ millions)	2025 adopted tax levy impact	2025 update target (\$ millions)	2025 update tax levy target	2025 update reduction (\$ millions)
Operating	16.4	5.06%	6.8	2.11%	9.6
Capital financing	10.1	3.10%	4.2	1.29%	5.9
Assessment growth revenue	(2.5)	(0.77%)	(2.5)	(0.77%)	0
Total City budget	24.0	7.39%	8.5	2.63%	(15.5)

The operating budget increase in the 2025 adopted budget of 5.06 per cent includes inflation, operating impacts from 2024 and prior capital budgets, new service investments, 50 per cent phase-in of the 2024 staffing investments and the impact of the City’s commitment to the Guelph General Hospital.

The capital financing transfers of 3.1 per cent included in the adopted budget captures the phased-in impacts for historical inflation and strategies to close the infrastructure renewal gap, as well as providing for housing-enabling growth infrastructure through the funding of development charge revenue losses. This capital financing envelope also includes increases to both the Service Enhancement strategy and the 100 Renewable Energy (100RE) strategy enabling the city to continue to fund its municipal share obligations for the Investing in Canada Infrastructure Program (ICIP) grant.

Given the investment of time required to build the capital budget and the long-term approach to capital financing, the reduced level of capital funding outlined in Table 4 above will be assumed for 2025, 2026 and 2027 so that the multi-year capital budget will be adjusted once and will not require significant modifications in the future years. This level of funding reduction will have a substantial impact on what can be achieved through the capital budget in 2025 and beyond, noting that [Council acknowledged](#) the capital forecast presented through the MYB was not balanced at the adopted, higher level of capital transfers.

2025 Budget Review and Update

Staff are faced with some difficult decisions to present the Mayor with a budget as directed. The 2.63 per cent tax levy envelope is insufficient to address inflation in 2025 leaving no budgetary capacity for new investments (50 per cent of the impact of 2024 staffing, operating impacts from 2024 capital project or planned 2025 new investments), nor the ability to continue the same level of investment in funding for the City’s capital plan.

2025 Budget Re-evaluation Impacts

The City’s Leadership Team have met, and provided input into a prioritization framework that will be used to assess the criticality of service delivery and budget decisions for 2025. This framework focuses on five factors:

- Creation of new housing units – prioritizing the services required to enable more housing (water, wastewater, stormwater and roads). This means the community amenity services will be deprioritized (e.g. transit, corporate and community energy, parks, active transportation, customer service, community benefit agreements and recreation and culture).
- Meeting legislated and regulatory requirements – prioritizing investments to meet legislative requirements including maintaining standards in emergency service response, health and safety, and minimum winter road maintenance standards.
- Risk of disinvestment – prioritizing investments where disinvestment or deferment carries a high or very high level of financial, regulatory or public risk. The risk assessment has been aligned with the developing Enterprise Risk Management framework.
- Impact to the public – prioritizing, where possible, investments where disinvestment is deemed to have a significant impact to the residents based on existing service levels and expectations.
- Future Guelph Strategic Plan – prioritizing items that meet the above criteria and additionally demonstrate the ability to advance the goals of the Future Guelph Strategic Plan in a measurable way.

Further, to address the City’s current fiscal constraints, growth investment priorities will be strategically sequenced to create fiscal capacity. Growth investments will first focus on enabling development in the downtown core, followed by the east end Guelph Innovation District, the Dolime area Phase 1, and then finally, Clair-Maltby (beyond Phase 1). Where possible, infill intensification will be enabled throughout the City depending on availability of development charge revenues and debt. Staff are currently working to get front-ending policies in place that will enable development partners to advance work ahead of city timelines if they choose to do so.

An early focus of prioritization has been directing the level of the capital financing envelope from which to rebuild the capital budget and forecast. As indicated in Table 4, currently that investment is adopted at a 3.1% increase over 2024, which will be reduced to an estimated 1.29% or a reduction of \$5.9 million per year. This is a critical decision that sets in motion significant work within every service department in the City. Upon receiving input from the full Leadership Team, it has been decided to maintain the transfer to the Growth strategy to support the creation of new housing units by funding development charge revenue losses, while protecting the funding for the Infrastructure Renewal strategy as much as possible given our known and growing infrastructure backlog. All projects funded through the [Service Enhancement](#) and [100RE](#) financial strategies will need to be significantly deferred to meet the reduced funding envelopes. Wherever possible, other sources of revenue like recently awarded grants and the sale of assets/property will be leveraged to replace tax funding.

Overall, as staff prioritize service delivery to meet the 2025 budget target, there will be deferrals to planned service expansion starting in 2024. Service investment deferrals will include investments recommended from the Council approved [Guelph Transit Future Ready Action Plan](#), [Urban Forest Management Plan](#), [Parks and Recreation Master Plan](#), [Culture Plan](#), [Transportation Master Plan](#), [Water and Wastewater Servicing Master Plan](#), [Solid Waste Management Master Plan](#), [Water](#)

[Supply Master Plan](#), [Wastewater and Biosolids Management Master Plan](#), [Stormwater Management Master Plan](#), [Downtown Parking Master Plan](#) and [Service Simplified Customer Service Strategy](#). It will also mean a delay in reaching Council-approved targets, most notably, Race to Zero.

Inevitably, while staff will aim to maximize grant revenues, the budget decisions this year may also result in recommendation to release some of the ICIP grant due to the inability to fund the municipal share contributions.

Notable service expansions planned to begin in 2024, but paused due to the 2025 budget impact include one of the two new paramedic shifts included in the Paramedic Business Case 2024, as well as the Transit Route Review Year 4. This means that Sunday service improvements, along with the introduction of enhanced frequency on route 5 servicing the south end, will both be on hold. Further evaluation of the response time impacts for paramedic services will inform staff's position for the second shift that was planned for onboarding in Q4 2024.

Details regarding deferred recruitment and capital projects in 2024 are provided in Attachment-1 and Attachment-2, respectively. Collectively these pauses account for 1.01 per cent of the 2025 adopted tax levy increase before considering the capital funding savings.

2025 Budget Re-evaluation Process

To support the difficult budget decisions the City is being faced with, a Budget Strategic Work and Tactics (SWAT) team has been established. The role of the Budget SWAT team is to actively operate as a decision-making body with a strategic and corporate lens throughout the 2025 budget confirmation process. This team is co-chaired by the General Manager of Finance and the General Manager of Strategic Initiatives and Intergovernmental Services and includes executive and leadership team membership.

As the Budget SWAT team makes decisions to permanently defer 2024 investments until the 2025 budget confirmation, the established budget monitoring process will be used to report on the operating and capital impacts in 2024.

Other Considerations in the 2025 Budget

The Budget SWAT team will be reviewing all Council reports planned for the remainder of the year. Under Strong Mayor legislation, Council has no authority to make budgetary decisions in-year unless the decision is to utilize reserve and reserve funds. Given the current mayoral direction, the depleted state of the operating contingency reserves, and the lack of any budgetary capacity in 2025 beyond partially addressing inflation, staff are not in a position to recommend any program or policy that will result in a budget increase for 2025. Where possible, staff will recommend options that do not create new budget obligations, and policy approvals will be recommended contingent on the budget impact being added by the mayor during the 2025 budget update.

Other priority workstreams will be progressing concurrently with the 2025 budget confirmation development and will be closely monitored and connected into the final staff budget.

- Value for Money (VFM) Audits – Internal Audit will be leading two VFM audits that are expected to contribute to budgetary reduction decisions. The first will

be to review the business case for transit bus electrification and conclude on the pace of the city’s current investment plans compared to the benefit and risk factors in this emerging space. The second will be to review the business impacts and budget reductions related to the transition of recycling services to a producer-responsibility model directed by the provincial government. This audit will review the remaining solid waste services and ensure the resource model is appropriately aligned to effectively deliver those services.

- Council’s consideration of upcoming reports related to mayoral directions [B3](#) and [B4](#) have the potential for significant financial impacts which will be further detailed in those reports.
- Implementing new programs and work priorities as a result of the Housing Accelerator Fund grant.

Budget Confirmation schedule

Responding to the mayoral budget direction, the City is separating the budget adoption process into two phases for the 2025 confirmation: City budget adoption and LBSS agencies budget approval. LBSS agencies will present their 2025 budget update to Council for approval in January 2025, after the City’s budget is formally adopted. The LBSS budget process does not trigger the strong mayor timelines given the various governing legislation that states that these budgets are to be presented to Council as a whole for approval.

LBSS agencies have been respectfully asked to adhere to the mayoral direction as they work to update their 2025 budgets for confirmation. Presentation of LBSS budgets to Council is required for those agencies that do not meet their respective target, and optional for those that deliver within the mayoral direction. It is required through the Municipal Act and other governing legislation that each of the LBSS agencies has an open and transparent budget process where the public is able to review the draft budget, and delegate to the governing board as part of the approval process. New this year, City staff will look to amplify the public delegation opportunities for the LBSS agencies’ budget meetings for more timely community engagement. For this reason, the City’s LBSS agencies are collectively expected to only need one meeting of Council to review, deliberate and consider approval of the LBSS agencies’ budgets.

Table 5 2025 Budget Confirmation meeting dates and proposed meeting times

Meeting Date	Meeting Topic	Proposed Start Time
October 25, 2024	Mayor’s draft 2025 budget update released (revised agenda)	N/A
October 30, 2024	Council budget presentation	9:00 a.m.
November 4-12, 2024	Council-led Town Halls	N/A
November 13-15, 2024	Mayor’s budget update released	N/A

Meeting Date	Meeting Topic	Proposed Start Time
November 19, 2024	Budget delegations	6:00 p.m.
November 20, 2024	Budget review (tentative)	6:00 p.m.
November 27, 2024	Budget amendments	9:00 a.m.
TBD - as needed by December 7, 2024	Mayoral veto period (10 days post amendment)	TBD
TBD - as needed by December 22, 2024	Budget override (15 days post override)	TBD
January 22, 2025	LBSS agencies budget presentation, delegations and approval	9:00 a.m.

Staff have built a special budget review meeting into the City’s budget adoption schedule due to the success of the special budget workshop meeting that was added by Council this past November. The intention of the meeting is to provide a forum for Council to dig deeper into the budget content and connect with staff to address questions after hearing from public delegations. This additional meeting will allow for enhanced committee-like time for Council to deliberate on the budget in a public session to ensure readiness for budget amendments and adoption through the proposed schedule in Table 5 above. It should be noted that this entire schedule is considered tentative and is dependent on the timing of the Mayor’s budget update and the possible shortening of the veto and override periods.

Financial Implications

Due to the financial constraints and expected budget reductions in 2025, there will be impacts to the adopted 2024 capital budget and certain recruitments from within the adopted 2024 operating budget. It is the intention of staff to prioritize new hires to fully utilize the adopted 2024 budget but to not encumber the 2025 fiscal year. Deferred investments will be explained in full as part of the 2025 budget confirmation materials. Any budget variances in 2024 will be disclosed throughout the year through the quarterly budget monitoring reporting. Budget monitoring reports will be included on Committee of the Whole agendas (rather than Information Items) beginning with Q2 2024 reporting.

While the mayoral direction B2 focusses on reductions to the tax-supported budget, the City’s rate-supported budget will undergo the City’s budget confirmation process, necessitating a thorough review, update and confirmation of both the 2025 operating and capital budget. Staff will use the same prioritization framework outlined in this report when reviewing the rate-supported budget, ensuring they align with the expectation of affordability.

Individual residential and business property tax changes will be influenced by assessment values, and tax policy in 2025 which may vary from the overall property tax impact of the net tax supported budget.

Consultations

Feedback received through the 2024-2027 MYB debrief has influenced the 2025 confirmation plan and timeline. Finance has been working with the Executive and Leadership Teams to develop an efficient budget process that results in effective use of staff and Council resources.

LBSS agencies have received communication regarding the 2025 budget confirmation process and are requested to align their updates to the mayoral direction as they prepare their 2025 budget updates for Council approval.

Attachments

Attachment-1 2024 paused recruitment with budget impacts in 2025

Attachment-2 2024 paused capital projects with budget impacts in 2025

Departmental Approval

None.

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