

Staff Report



To	Committee of the Whole
Service Area	Corporate Services
Date	Tuesday, September 17, 2024
Subject	2024 Second Quarter Budget Monitoring Report

Recommendation

That the adjustments detailed in Tables 4, 5 and 6 of Attachement-2 of the 2024 Second Quarter Budget Monitoring Report dated September 17, 2024 be approved.

Executive Summary

Purpose of Report

The purpose of this report is to provide Council notice of any financial risks that could affect the 2024 year-end position, highlights significant capital project activity and milestones, as well as seek approval capital budget and funding changes. This report includes the second quarter (Q2) actual financial information for both the operating and capital budget for each department and capital program of work as of June 30, 2024.

Key Findings

Overall, from an operating perspective, the City Budget is projecting a minor favourable variance of \$512 thousand or 0.10 per cent of gross operating expenditure. Actual year-end results may fluctuate from this early projection by up to plus or minus one per cent of gross operating expenditures. Due to this, and as identified in the [First Quarter 2024 Budget Monitoring report](#), the City is at risk of exceeding its operating budget at year-end.

Current year-end projections indicate the non-tax-supported budget will be in a surplus position of \$962 thousand and the tax-supported budget will be in a deficit position of \$450 thousand. The 2024 budget assumed a greater level of financial risk by the City in order help property tax affordability primarily through the phase-in of inflationary pressures over the multi-year budget period. We are seeing cost pressures in excess of those estimates in some cases, which may require the use of operating contingency reserves which have been put aside for this purpose from past years of positive results. Actual year-end results may be impacted by items yet unknown, staff will continue to focus on service delivery and expense management to mitigate a potential deficit.

From a capital perspective as outlined in Attachment-1, the City is trending positively and as expected with spending of \$62.2 million and purchase order (PO) commitments of \$297 million as of the end of Q2. This leaves \$301.1 million (or 46

per cent) of approved, but yet to be executed budget. Through an in-depth review of capital projects in March 2024, as well as newly implemented internal metrics, we expect to maintain the progress made in 2023 with having over 80 per cent of project budgets committed or spent by year-end.

Capital revenues are showing some concern as development charge (DC) collections are trending at only 17.1 per cent of budget projecting a shortfall of \$30.8 million. At the same time, DC exemption costs are trending above budget at 69.1 per cent which is attributed primarily to additional dwelling unit (ADU) volumes. ADUs account for 79 per cent of the exemptions and discounts to date in 2024 compared to 54 per cent in 2023. Finally, with the approval of the updated DC By-law earlier in the year, DCs of \$18.8 million have replaced \$5.4 million of tax and \$13.4 million of rate funding on already approved projects. Staff will be monitoring the risk of the lower DC collections compared with capital spending and consider adjustments through the 2025 budget confirmation if required. The lower-than-expected housing development is also impacting operating revenue streams including building permits and development application fees, and this is actively being managed with expenditure management. These are conditions that are being experienced across the province and with the federal fiscal policy beginning to lower the cost of borrowing, staff are hopeful that these development conditions will be to reverse.

The City continues to be successful in leveraging grants within the capital program. Approval of the Building Faster Fund investment plan in early August will allow the City to replace \$4.68 million of tax and rate funds with grant funds. Staff are actively engaged in identifying and advocating for new grant opportunities and applying where grants align with our capital priorities.

Strategic Plan Alignment

Reporting quarterly on the financial status of the operating and capital budget supports the Future Guelph Strategic Plan's Foundations by maintaining the City's healthy financial position. Monitoring the financial status of the City is directly linked to the City's credit rating as S&P Global (S&P) reviews and updates the credit rating annually. Recently, S&P reaffirmed the [City's financial credit rating](#) as AAA with a stable outlook. The report does caution that the road ahead shows signs of downward rating pressure due to a large capital plan in 2024-2026 increasing the City's reliance on debt in the medium term. The City is evaluating the capital plan as part of the 2025 budget confirmation.

Future Guelph Theme

Foundations

Future Guelph Objectives

Foundations: Maintain the City's healthy financial position

Financial Implications

Staff will continue to monitor the impact of variances identified in this report to protect the City's long-term sustainability. Identifying potential risks and implementing mitigation strategies early reduces the reliance on the City's contingency reserves at year-end. As reported in the [2023 Long-term Financial Statement: Reserves and Debt Report](#), as of December 31, 2023, the available balance in the tax supported corporate contingency reserves was 62 per cent of the

target balance. Balances below target reduce the City's financial health, limiting the ability to mitigate any negative financial impacts should an overall City deficit materialize.

Progress on capital works will continue into the summer and fall construction season. Ongoing monitoring of capital spending ensures that projects are delivered as intended and that any financial impacts are addressed and approved by Council proactively.

Report

The [2024-2027 multi-year budget](#) was adopted on November 29, 2023 beginning the process to address inflationary pressures experienced over the past two years. City staff reviewed historical trends to help identify efficiencies and revenue opportunities, allowing for adjustments to account for rising inflation, historical staffing vacancy rates, actual user fee and rate collections and current investment income trends.

The Q2 budget monitoring report offers a preliminary projection of the 2024 year-end position and details the drivers influencing this projection.

Operating Budget

This report was prepared in consultation with City departments as part of the regular budget monitoring process. Department leadership were provided financial information as of June 30, 2024. Actual expenditures and revenues were analyzed, and related commentary on potential significant deviations from the budget is provided. This report includes highlights of positive trends, challenges, risks, and concerns based on all known and available information at the time of this report.

Corporate Variance Risks and Opportunities

The variance drivers identified below will result in a surplus or deficit at year-end and these early projections will change based on activities through the latter part of the year. Corporate variance drivers affect many departments throughout the City and are presented below to alleviate the repetition throughout the report.

Revenue: Historical revenue surplus results were addressed in the 2024-2027 multi-year budget through the increase in revenue budgets totaling \$15.8 million. Key areas with adjusted revenue increases in 2024 are Water, Wastewater and Stormwater rates, investment income, building permit revenue and capital labour recoveries in line with the Capital Plan Resourcing Strategy. Historical deficits in parking revenue were also addressed through a revenue budget reduction in 2024 to reflect actual experience.

The Q2 revenue projection to year-end is a surplus of \$12.3 million, with the majority offset by additional expenditures. A significant portion of this surplus relates to operating grant funding approvals unknown at the time of budget (Planning and Building Services - Housing Accelerator Fund and Strategic Initiatives and Intergovernmental Services - Local Immigration Partnership Program).

To date, rate revenue budget adjustments for Water and Wastewater have mitigated large historical variances and as of Q2 a \$500 thousand surplus is projected based on higher than budgeted interest revenue and capital labour recoveries. Stormwater revenue surplus projection of \$520 thousand is due to

estimated residential units, higher than budgeted combined with additional interest earnings.

User fees revenues relating to parking continue to fall below budget and this service projects a year-end deficit of \$417 thousand. Staff continue to refine this budget line to meet the changing demand for services.

A user fee deficit of \$2.6 million is projected in Ontario Building Code (OBC) due to lower than budgeted residential building permit revenue. External economic conditions are contributing to a slow down in development across the province.

Court Services projects a year-end revenue deficit of \$136 thousand as charge volumes in the court system continue to apply budget pressure to the end of Q2.

Staff continue to refine budget estimates to reflect actual experience where necessary through the 2025 budget confirmation process.

Compensation: During the 2024 to 2027 multi-year budget deliberation process, Council passed a motion reducing the overall budgetary increase for the 2024 positions by 50 per cent. The intent of this motion is to phase in the cost of hires over two years to address affordability and to better reflect hiring timelines. In January staff rolled out a staggered recruitment strategy based on service area priorities to address this process change from the corporate perspective. The staggered recruitment strategy has been very successful, with compensation expenses overall within budget.

Corporately, compensation is trending slightly under budget to the end of Q2, year-end projections indicate a year-end surplus of \$1.2 million.

Several departments identified risks and opportunities associated with compensation budgets in 2024. Vacancy savings continue due to recruitment challenges associated with positions in Planning, Building, Transportation, Operations, Wastewater, Courts, and Legal Services.

Variances associated with increased demand on overtime budgets are being reported by Guelph Wellington Paramedics, Fire Services, and Guelph Transit. This is due to minimum staffing requirements to cover various forms of leave in emergency services and high turnover rates and a longer onboarding process in Guelph Transit. This is actively being worked through to create sustainable solutions that do not so heavily rely on our already extended workforce.

Additionally, the City has one collective bargaining contract negotiation process underway that may give rise to current year budgetary impacts. Staff continue to monitor compensation trends throughout the year to mitigate budget variances.

Utilities: Corporately, a year-end deficit of \$272 thousand is projected for utility costs. Electricity, natural gas, and water expenditures as of June 30 are three per cent higher than budget, with electricity and water costs higher than anticipated. Information received recently by staff from Alectra indicates a higher deficit may materialize by year-end. Alectra has recently applied a rate correction (termed LRAM) to the City's streetlight billing as they have seen a significant reduction in revenue since the City's LED streetlight conversion project was completed. This rate correction means the City is paying a higher cost on electricity now for streetlights which was not planned in the multi-year budget. Staff continue to investigate and discuss this rate increase with Alectra and will include an update on this, as well as a revised deficit projection, in Q3.

Staff continue to monitor utility rates overall and implement energy management measures to reduce energy use and greenhouse gas emissions.

Corporate Vehicle and Equipment Repairs and Maintenance: A deficit ranging from \$500 thousand to \$900 thousand is projected at year-end. The modest increase to these budget lines in 2024 continues to fall short of previous years deficits and inflationary pressures for materials and third-party service providers continue to be monitored. Aging fleet combined with the inflationary pressures on the cost of vehicle parts, trade labour, and supply chain issues continue to apply budget pressures in 2024. Emergency services vehicles are experiencing up to two years' wait for replacement vehicles meaning vehicles remain in service longer than expected and are less reliable, requiring significantly more maintenance.

Fuel: Corporate fuel budgets are projected to end the year with a \$526 thousand surplus. The price of gasoline remains higher than anticipated through the first half of the year while diesel prices have stabilized and are expected to be lower than the budgeted cost per litre. Fuel consumption is charged out to the departments based on usage and will be reflected in departmental year-end variances.

Corporate Building Repairs and Maintenance: A \$900 thousand deficit is projected for building maintenance and repair costs driven by the additional needs of our aging facilities. Corporate Building Maintenance staff are working together with service areas to ensure priority work is completed and City facilities are regularly inspected, maintained, and repaired on schedule.

Departmental Impacts

Planning and Building Department including Ontario Building Code

OBC is projecting a \$570 thousand deficit to year-end. The risk of slower than anticipated residential housing starts in 2024 as identified in the first quarter report, continues to influence lower than budgeted user fees and building permit revenues. This slowing is a broader Provincial trend in the home construction industry that, [as reported by CBC News](#), sees new home starts slow to 2018 levels.

Slower housing starts are also creating expenditure savings as leadership manages resources to align with actual development demands. Specifically, two staff positions included in the 2024 OBC budget are not expected to be hired this year.

The Planning department projects a year-end surplus of \$552 thousand resulting from vacancy savings partially offset by over expenditure on consulting fees to maintain service delivery.

Environmental Services – Solid Waste Services

Staff project a surplus of \$1.8 million by year-end due to more revenue than budgeted related to the reimbursement allocation from Blue Box producers for the sale of recyclable materials. Given the anticipated transition to full-producer responsibility for recycling services in 2025, staff have not adjusted the revenue budget to address this trend. Transfer Station revenue is also trending higher than projected due to an increase in tonnages received. The additional revenue also serves to offset increased landfill disposal costs.

Environmental Services – Water and Wastewater Services

The current Q2 projection of a combined surplus of \$1 million is due to higher than budgeted interest revenue and capital labour recoveries. This projection may

increase by year-end based on summer consumption trends. This will be more certain in Q3 as the summer months play a big role in determining volumetric consumption. The 2024 budget includes adjustments to rate revenue for increased consumption.

Parks

Current projections to year-end indicate a deficit of \$150 thousand driven by higher than budgeted purchased goods and services. Staff are working to manage the increased costs within budget, however, there is demand for increased public access to portable washrooms to address the broader basics needs provision for people living unsheltered as noted in the [Access to Public Washrooms in Guelph](#) staff report

Culture and Recreation

Staff project a year-end deficit of \$310 thousand despite higher than budgeted revenues in product and ticket sales. Budget pressures are seen in purchased goods and services due to inflationary pressures and compensation due to additional part-time staffing needs to address accessible support and programming.

Guelph Transit

Q2 projections to year-end indicate a surplus of \$1.5 million driven by higher than budgeted revenue resulting from higher enrollment at the University and Conestoga College. Further, due to service expansion pauses and reevaluation, compensation-related surpluses are offsetting the challenges in maintaining minimum transit operator staffing levels to date.

Fire Services

Fire Services projects an overall year-end deficit of \$1.4 million. Fire services budget risks align with previously noted corporate drivers including use of overtime to maintain minimum staffing requirements, and vehicle maintenance and repairs pressures in 2024. Further, as previously reported as part of the Q1 report, there is a one-time cost overrun related to radio communication vendor billing issue.

Guelph Wellington Paramedic Services

Q2 results indicate paramedic budgets are trending to end the year with a deficit of \$1.3 million (City \$900 thousand, County \$481 thousand) due to several areas of risk continuing to apply pressure in 2024. Similar to 2023, overtime and temporary salary costs are trending higher than expected due to the need to address permanent position vacancies related to short-term leaves. This trend is being evaluated and options to address are being considered. The projected deficit includes pressures in vehicle and building repairs due to delays in replacement ambulances and aging facilities. Finally, even with an increased budget for inflationary pressures on medical supplies, spending is trending higher than expected. Some of these cost impacts are resulting from [enhanced winter response](#) for those experiencing homelessness and living rough and are offset with a transfer funded from the tax supported operating contingency reserve that was approved by Council on November 29, 2023 in order to provide any necessary health and safety support throughout the winter months for individuals experiencing homelessness, and particularly those living unsheltered.

Legal and Courts Services

Legal Services projects a year-end deficit of \$254 thousand. Budget savings in compensation due to vacancies will partially offset consulting budgets which are projected to be overspent at year-end. This is due to the need for external counsel as well as planning and other non-legal professional consultants relating to Clair-Maltby and other Ontario Land Tribunal matters.

Court Services projects a year-end surplus of \$250 thousand. Historically, revenue risks in Court Services due to charge volumes and court backlogs were adjusted for in the 2024 budget process. To date minor revenue deficits are offset by compensation vacancy savings and lower than budgeted joint processing fees for automated fine systems.

Shared Services – Social Services

[The City's 2024 Social Services](#) budget was developed to align with the County of Wellington budget and forecast, moving away from the historical practice of underbudgeting in this area. This budget change is being phased in over the four-year period. The 2024 phase-in reduction of \$4.2 million is a known budget risk, actual year-end results are dependent on County spending. This risk was planned and mitigated by the expected surpluses as described in the general revenue and expenditure section. The 2024 budget for social services was prepared on the preliminary County budget, final budget approval in January increased the budget gap by \$900 thousand for 2024.

The current projection to year-end is a deficit of \$5 million compared to the City's budgeted amount for Social Services. This deficit considers the planned phase in, the [County of Wellington Variance Projections as of May 31st report](#), the impact of the timing of City and County budget approvals, and the City portion of budget adjustments communicated through the Q2 reconciliation package.

The County's preliminary variance projections include a \$345 thousand operating surplus driven by higher than budgeted rent collections. This is based on the best-known information at the time of writing. Final year-end results may be influenced by ongoing priorities to support the homeless to secure basic needs through the winter months.

The Q2 service reconciliation billing resulted in an additional \$212 thousand City contribution related to in-year adjustments to capital budgets.

Staff will continue to work closely with County staff on this budget.

General Corporate Revenue and Expenditures

Higher than budgeted interest on investments combined with insurance savings is driving the \$3.6 million year-end surplus projection for the corporate general accounts.

Investment interest adjustments to the 2024 budget were based on long-term expected investment returns to manage the variability currently being experienced. The opportunity for surplus is also expected for tax assessment claims due to the timing of the assessment cycle. Assessment write-offs were not adjusted for through the 2024 budget as the entire amount will be required when the assessment cycle phase in resumes. These two expected budget surpluses were used strategically to offset the Social Services budget deficit over the 2024-2027

multi-year budget period. By 2027, staff expect both budgets to be back in line with actual experience.

Capital Budget

The capital budget carried over from 2023 was \$473.1 million, in addition to a Council adopted 2024 budget of \$208.7 million. Capital budget additions and adjustments made throughout 2024 up to the end of the quarter resulted in a net budget reduction of \$20.5 million. This includes the addition of grant revenue and budget reductions made as a result of an in-depth 2023 year-end review process. This provides for a total available budget in 2024 of \$661.3 million. A summary of capital activity to the end of the quarter is included in Attachment-1 2024 Capital Spending. Capital budget adjustments made in this quarter can be found in Attachment-2 Q2 2024 Capital Budget Adjustments, as well as any budget adjustments made in Q1 that require Council approval.

In March, staff undertook an extensive project level review of uncommitted balances that would carry-over to 2024. This was a similar process to the capital prioritization exercise undertaken in 2022. Through this review, \$19.5 million was reduced across the capital program and returned to the reserve funds.

Total capital spending to the end of Q2 was \$62.2 million which was \$20.2 million more than the same time last year. At the end of Q2, there was \$297.9 million in issued POs which was \$195.8 million more than the same time last year.

On June 30, 2024, the uncommitted approved budget which is yet to be executed was \$301.1 million which was \$178.3 million less than the same quarter of 2023. We are seeing very positive results from the increased budget control initiatives, ensuring that every dollar approved is being leveraged.

Due to the integrated nature of many departmental capital budgets, and to enhance understandability of the budget outcomes, the capital program is categorized by program of work. Within each program of work, projects are further categorized by subprogram of work. Reporting includes project level comments for the three highest spends by program of work, limited to those projects greater than \$150,000. Additionally, reporting includes project level comments for the three highest uncommitted projects.

In accordance with project management standards implemented by the Project Management Office, capital projects that are highly complex, non-routine, and financially significant with budgets greater than \$10 million are identified as Tier 1 projects. See the [City's capital projects webpage](#) for detailed quarterly updates on Tier 1 projects. Based on the most recent quarterly reporting, these projects are all within their original or revised budget, schedule, and scope.

Corporate Facilities, Public Works and Bylaw

This program of work includes the following subprograms: Administration Facilities and Vehicles and Equipment. There are a total of 23 projects that account for 11 per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$2.5 million with another \$60.5 million in PO commitments as of June 30, 2024. Remaining to be executed is \$7.7 million of the budget.

The top project expenditures by value (total 2024 spending and commitments at the end of the quarter) occurred in the following accounts:

- (LB0028) New Central Library (\$57.2 million) – quarterly updates on the new Central Library can be found through its [Tier 1 capital project webpage](#), the project is currently within scope, on schedule and within budget. To date progress on the Baker project has mainly focused on the underground parking garage. Construction of the main floor of the library is expected to start in Q3/early Q4. This project was awarded a \$13.5 million grant through the Green and Inclusive Community Buildings Program which will increase the reporting and tracking requirements for this project. As a result, and funded from this grant, \$70,000 has been added to the project budget to meet the reporting requirements. The remaining grant funding has replaced the existing funding sources proportionately (tax supported debt and DCs).
- (GG0245) Administration Facilities Renewal (\$3.6 million) – corporate building maintenance and workspace optimization initiatives are underway.
- (RD0401) Public Works Vehicle and Equipment Replacement (\$1.3 million) – order has been placed for the replacement of two end of life dump trucks (heavy pick-up truck with dump body) with delivery expected in Q2 2025. In addition, two heavy dump trucks equipped with winter control equipment are on order to replace existing units. These units will have the ability to switch to summer seasonal use which will increase their utilization rates.

Projects that have the largest uncommitted balances yet to be executed include the following:

- (LB0028) New Central Library (\$3.0 million) – uncommitted is mainly for furniture, fixtures and equipment upon completion of construction.
- (GG0245) Administration Facilities Renewal (\$2.2 million) – additional spending is planned on corporate building maintenance and workspace optimization initiatives as well as renovations at the Annex Building including masonry and windows, as well as work on other corporate assets.
- (CS0004) Court Services Facility Renewal (\$1.9 million) – budget to be spent on foundation restoration of the historic Provincial Offences Act building.

Corporate Plans, Programs and Technology

This program of work includes the following subprograms: Brownfield Renewal, Plans, Studies and Programs and Technology Initiatives. There are a total of 95 projects that account for nine per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$4.9 million with another \$16.2 million in PO commitments as of June 30, 2024. Remaining to be executed is \$38.8 million of the budget.

The top project expenditures by value (total 2024 spending and commitments at the end of the quarter) occurred in the following accounts:

- (SS0025) Baker Street Development (\$6.6 million) – project includes costs related to the entire Baker Street Development and includes consulting, counsel, and other specialist fees for the execution and management of the overall development project, along with disbursements for site servicing.
- (IT0061) Fibre Data Connection (\$4.1 million) – construction continues in 2024 on the remainder of Ring 1 – east and northward from City Hall

(approximately 79 per cent completed), Ring 2 – west and northward from City Hall (approximately 15 per cent completed) and Ring 3 – south of City Hall (approximately 39 per cent completed). Additionally, nine City-owned facilities have been cutover onto the new fibre network so far and approximately 62 traffic signals have been connected. Staff are targeting completion of this project for the end of 2026.

- (PN2439) Enterprise Resource Planning (ERP) Program Implementation (\$2.9 million) – implementation of the replacement for the existing work order, asset management and procurement system is underway. In addition, change management engagement for the program has begun which will enable successful adoption.

Projects that have the largest uncommitted balances yet to be executed include the following:

- (PN2439) ERP Program Implementation (\$6.2 million) – majority of uncommitted is planned for project resources to continue supporting the implementation including change management activities to enable change readiness across the organization. Once fully implemented the new maintenance management system will become the asset management system of record and will integrate with the City's financial system. Upgrades to procurement processes and continued change management will round out the implementation.
- (EO0003) Historical Landfill Investigation (\$3.4 million) – work that was planned for 2024 has been delayed due to staffing shortages, however it is anticipated that the majority of this budget will be committed in 2025 for work at several sites that will improve our understanding of any potential environmental risk with the objective of protecting public and environmental health and safety. Results will be shared with the Ministry of Environment, Conservation, and Parks (MECP) with the goal that these landfills may be deemed closed by the MECP.
- (EO0002) Fountain Street Environmental Investigation and Remediation (\$2.6 million) – procurement for environmental investigative and monitoring work is expected by the end of the year and will commit a large portion of the budget. Work includes installation and operation of multi-phase extraction wells as well as the installation and sampling of additional soil vapour probes and sampling of the existing ground water monitoring well.

Culture and Recreation

This program of work includes the following subprograms: Buildings, Vehicles and Equipment, and Public Art and Cultural Initiatives. There are a total of 21 projects that account for 19 per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$18.0 million with another \$94.6 million in PO commitments as of June 30, 2024. Remaining to be executed is \$10.3 million of the budget.

The top project expenditures by value (total 2024 spending and commitments at the end of the quarter) occurred in the following:

- (RF0093) South End Community Centre Construction (\$109.8 million) – as a [Tier 1 capital project](#), status updates are provided quarterly, at the end of Q2 the project was within scope, on revised schedule and within revised budget.

Erection of structural steel has begun and areas of the pool and gymnasium are framed out. Interior block walls in the arena change rooms and second floor steel decking works began at the end of Q2.

- (RF0095) Recreation Facilities Renewal (\$1.6 million) – West End Community Centre (WECC) roof replacement, Victoria Road Arena roof replacement, Centennial Arena condenser replacement and arena wall structural repairs at WECC are underway or completed.
- (CT0008) Culture Facilities Renewal (\$673 thousand) – 2024 spending and commitments relate to masonry/structural renovations at the Farmers Market and architectural services for renovations to the seating/flooring at the River Run Centre. The PO for humidification upgrades at the Civic Museum and window and sealant replacement at River Run Centre have also been issued.

Projects that have the largest uncommitted balances yet to be executed include the following:

- (RF0095) Recreation Facilities Renewal (\$2.9 million) – relocation of the pottery program to WECC, Evergreen Seniors Centre washroom renovations and flooring replacement are still to be executed out of this account along with numerous other renewal projects at recreation facilities.
- (CT0008) Culture Facilities Renewal (\$2.5 million) – additional commitments are planned for the above-mentioned projects as well as HVAC replacement at Sleeman Centre and replacement of the fixed theatre seating at River Run Centre.
- (RF0093) South End Community Centre Construction (\$1.2 million) – budget remaining is allocated for project contingency representing one per cent of the total budget which is less than typical for a project of this size. The facility is expected to open in the second half of 2026.

Emergency Services

This program of work includes the following subprograms: Fire Services and Paramedic Services. There are a total of 25 projects that account for two per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$1.8 million with another \$2.4 million in PO commitments as of June 30, 2024. Remaining to be executed is \$9.6 million of the budget.

The top project expenditures by value (total 2024 spending and commitments at the end of the quarter) occurred in the following accounts:

- (PM0010) Paramedic Vehicle Replacement (\$2.2 million) – three replacement ambulances are on order with deposits paid in 2023. The 2024 order to replace six end of life ambulances has been issued.
- (FS0091) Fire Dispatch Phone System NG-911 (\$655 thousand) – work on the transition to the NG-911 system continues in 2024. This project is supported through a provincial grant from the Ministry of the Solicitor General. In the [2023 Year-end Capital Budget Monitoring Report](#), Staff noted possible budget risks based on the grant spending timelines as well as unknown eligibility requirements of Phase 3 of the grant. The province has recently held information sessions for Phase 3 and staff are currently assessing the impact of significant changes to the funding requirements and

are preparing for submission of the City's Phase 3 application. The Province expects that funding decisions will be made in December 2024.

- (FS0054) Fire Facilities Renewal (\$324 thousand) – includes various work including restoration site work at Fire Station 2 including rear laneway replacement and installation of vehicle exhaust capturing systems at 3 stations.

Projects that have the largest uncommitted balances yet to be executed include the following:

- (FS0089) Heavy Fire Vehicle Replacement Pumper/Aerial (\$3.0 million) – tender for two trucks has been awarded and PO will be issued in Q3.
- (PM0015) Paramedics Facility Replacement – Elmira Road Station (\$2.7 million) – land acquisition has been completed in Q3.
- (FS0091) Fire Dispatch Phone System NG-911 (\$1.8 million) – work on the transition to the NG-911 system continues in 2024.

Parking and Transit Services

This program of work includes the following subprograms: Parking Services and Guelph Transit. There are a total of 28 projects that account for 10 per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$14.9 million with another \$29.2 million in PO commitments as of June 30, 2024. Remaining to be executed is \$23.3 million of the budget.

The top project expenditures by value (total 2024 spending and commitments at the end of the quarter) occurred in the following accounts:

- (PG0079) Baker Street Parkade (\$13.8 million) – updates on this [Tier 1 capital project](#) are provided quarterly, and it is currently within scope, on schedule and within budget. Waterproofing has commenced for the underground parkade and pouring of the parkade lower-level floor and walls have been 90 per cent completed.
- (TC0070) Bus Electrification – replacement (ICIP-GUE-04) (\$13.2 million) – a total of nine zero emission buses are on order to replace end-of-life diesel buses (estimated delivery Q3 2024 and Q2 2025). Supply chain disruptions, labour shortages and inflation fluctuations have led the supplier to request price increases for buses on order. To date the City has not agreed to the price increases, however, staff are still in discussion with the vendor. For more information on electrification of the transit fleet, refer to the Transit Electrification Audit report dated September 17, 2024. Staff will review and consider the options discussed in the report.
- (TC0059) Guelph Transit and Fleet Services Facility (ICIP-GUE-03) (\$7.4 million) – updates on this Tier 1 capital project can be found [here](#), and it is currently within revised scope, on schedule and within revised budget. Facility design services are underway and the tender for construction management services is being evaluated.

Projects that have the largest uncommitted balances yet to be executed include the following:

- (TC0070) Bus Electrification – replacement (ICIP-GUE-04) (\$11.0 million) – the 2024 budgeted order for zero emission buses to replace end-of-life diesel buses has not yet been placed.
- (TC0092) Route Review – year 4 (ICIP-GUE-01) (replaced TC0064-011) (\$2.7 million) – the implementation of On-demand Sunday service begins September 1, 2024. As noted above, bus acquisition for the service enhancement is pending and the existing fleet is being utilized for this service. Additional work is underway to evaluate and consider options for the City's bus acquisition plans.
- (TC0059) Guelph Transit and Fleet Services Facility (ICIP-GUE-03) (\$2.5 million) – procurement for pre-construction services is expected by Q3 2024.

Parks and Open Spaces

This program of work includes the following subprograms: Buildings and Structures, Natural Heritage Assets, Parks, Playgrounds, Splashpads, Plans, Studies, Sports fields, Amenities, and Vehicles and Equipment. There are a total of 45 projects that account for three per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$3.2 million with another \$5.8 million in PO commitments as of June 30, 2024. Remaining to be executed is \$12.6 million of the budget.

The top project expenditures by value (total 2024 spending and commitments at the end of the quarter) occurred in the following accounts:

- (PO0045) Parks Vehicles and Equipment Replacement (\$2.3 million) – purchase of replacement vehicles and equipment including a utility work machine, forklifts, tractors and a trailer mounted water tank. Additional replacement vehicles and equipment are on order including an aerial truck.
- (PK0130) Playground Equipment Replacement (\$2.2 million) – the construction contracts for the 2023 lifecycle replacement program have been awarded and purchase orders issued. The 2023 program includes Dovercliffe Park, Howitt Park, and University Village Park. Construction will take place over the summer of 2024.
- (PO0048) Riverside Park Revitalization (\$1.4 million) – construction is now completed to renew and revitalize the bandshell and washroom building as well as a new sanitary connection and trails. Project closeout will begin once all holdbacks are released.

Projects that have the largest uncommitted balances yet to be executed include the following:

- (PK0120) Baker District Open Space (\$2.1 million) – construction on this component of the Baker District is expected in 2025 through 2026.
- (PK0180) Parkland Acquisition (\$1.5 million) - this project enables the City to purchase land to meet the objectives of the Guelph Park Plan, which is part of the larger Parks and Recreation Master Plan.
- (PK0130) Playground Equipment Replacement (\$1.4 million) – round one of community engagement for the 2024 program has been completed. Next steps in the engagement process can be followed through the [Have Your Say Guelph](#) website.

Solid Waste Services

This program of work includes the following subprograms: Plans, Studies and Programs, Plant and Buildings, and Vehicles and Equipment. There are a total of 24 projects that account for two per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$723 thousand with another \$3.3 million in PO commitments as of June 30, 2024. Remaining to be executed is \$7.0 million of the budget.

The top project expenditures by value (total 2024 spending and commitments at the end of the quarter) occurred in the following accounts:

- (WC0039) Solid Waste Fleet Assets Replacement (\$2.0 million) – four replacement waste collection trucks are on order with anticipated delivery in Q2 2025. Two light duty replacement trucks are also on order.
- (WC0042) Organic Waste Processing Facility Asset Replacement (\$719 thousand) – tender awarded for the replacement of the supervisory control and data acquisition (SCADA) control system.
- (WC0052) Food Waste Initiative (\$375 thousand) – work is underway to continue the third and final phase of the Food and Food Waste Flow project supported by the award of a \$500 thousand grant from Federation of Canadian Municipalities.

Projects that have the largest uncommitted balances yet to be executed include the following:

- (WC0042) Organic Waste Processing Facility Asset Replacement (\$2.5 million) – budget will be committed in 2024 for various work including floor coating replacement, lighting retrofits, concrete repairs and additional SCADA costs.
- (WC0041) Materials Recovery Facility (MRF) Asset Replacement (\$789 thousand) – budget will be used to prepare the MRF for its future uses once the recycling services are transferred in 2025.
- (WC0023) Waste Resource Innovation Centre Site Asset Replacement (\$670 thousand) – budget will be committed in 2024 to sanitary and sewer upgrades, a comprehensive site plan and site asphaltting.

Transportation Network

This program of work includes the following subprograms: Bridges and Structures, Full Roadway and Underground Construction, Plans, Studies and Programs, Traffic Management and Trails, Sidewalks and Active Transportation. There are a total of 128 projects that account for 24 per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$6.1 million with another \$27.3 million in PO commitments as of June 30, 2024. Remaining to be executed is \$119.0 million of the budget.

The top project expenditures by value (total 2024 spending and commitments at the end of the quarter) occurred in the following accounts:

- (PN0271) York Road Reconstruction – Stevenson Street South to Victoria Road (\$8.2 million) – construction is underway with anticipated completion in 2024.

- (RD0403) Road Restoration and Resurfacing Program (\$3.4 million) – 2024 program is underway and is anticipated to restore over 7,000 metres of roadway. Road segments are selected based on asset management needs which are driven by the pavement condition index score.
- (RD0379) College Avenue Protected Bike Lanes (ICIP-GUE-05) (\$2.7 million) – construction for phase 1, Edinburgh Road South to University Avenue West as begun. More information on this project can be found [here](#).

Projects that have the largest uncommitted balances yet to be executed include the following:

- (RD0379) College Avenue Protected Bike Lanes (ICIP-GUE-05) (\$12.5 million) – it is anticipated that procurement for phase 2 will happen in Q1 2025 and phase 3 later in 2025. More information on this project can be found [here](#).
- (PN0097) Speedvale Road Reconstruction – Woolwich to Metcalfe (\$11.8 million) – design work is underway for phase 2 Guelph Junction Railway (GJR) tracks east of Speedvale/Woolwich intersection to Riverview Drive and is expected to go out for tender in 2025. Phase 3 Riverview Drive to Manhattan Court is in detailed design. A map of the phasing of this project can be found [here](#) for further information.
- (PN0110) York Road Reconstruction – Victoria Road South to Watson Parkway (\$11.0 million) – currently in the design phase with tendering of the construction contract is anticipated by the end of 2024 which will commit the majority of the budget.

Water Management

This program of work includes the following subprograms: Plans, Studies and Programs, Vehicles and Equipment, Stormwater Ponds and Structures, Wastewater Plant and Equipment, and Water Buildings and Wells. There are a total of 93 projects that account for 20 per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$8.2 million with another \$57.1 million in PO commitments as of June 30, 2024. Remaining to be executed is \$67.7 million of the budget.

The top project expenditures by value (total 2024 spending and commitments at the end of the quarter) occurred in the following accounts:

- (WT0064) FM Woods Station Upgrade (\$37.2 million) – the construction tender has been awarded and the PO has been issued. The general contractor has fully mobilized and commenced the construction of temporary services which will allow construction to proceed. Detailed design for the Operations Centre is expected by late 2024.
- (ST0014) Digester Structural Repair and Gas Proofing (\$4.7 million) – the tender for the refurbishment and structural upgrades to Digester 4 tank has been awarded and work has commenced.
- (WT0040) Facility Upgrades and Studies (\$2.3 million) – various facility work and studies are underway including generator system upgrades for TSSA compliance, well inspection and rehabilitation and hydraulic and hydrologic modelling.

Projects that have the largest uncommitted balances yet to be executed include the following:

- (WT0064) FM Woods Station Upgrade (\$12.5 million) – uncommitted includes construction contingency for the booster pumping station along with the purchase of pumps and a generator which is outside the scope of the construction tender.
- (ST0003) Biosolids Facility Upgrade (\$8.0 million) – the tender for design and construction administration is expected to be awarded by Q3 2024.
- (ST0043) Tertiary Treatment Process (\$5.3 million) – the procurement process for design and construction administration has begun and is expected to be committed in Q3 2024.

Other Boards and Agencies

This program of work includes the following subprograms: Guelph Public Library and Guelph Police Services. There are a total of 33 projects that account for one per cent of the total capital program (by available budget).

Capital spending in 2024 within this program of work was \$2.0 million with another \$1.6 million in PO commitments as of June 30, 2024. Remaining to be executed is \$4.9 million of the budget.

Information on these capital projects is available through reports made to their respective boards.

Capital Revenues

Development Charges

Collections

DC collections up to the end of June 30, 2024 were \$8.0 million and are trending at 17.1 per cent of budget (\$46.7 million). DC collections are projected based on the growth forecast and rates outlined in the City's [2023 DC Background Study](#). Actual DC collections are linked to the timing of building permits being issued for development or redevelopment. It should be noted that the City's forecasts were not adjusted to account for the slowdown in construction activity in the current economic environment.

Exemptions and Discounts

DC exemptions and discounts were initially estimated to be approximately \$26 million in 2024, which includes the cost of the DC rate phase in under the new by-laws. To promote affordability, and since the phase-in provision applied only for the first five years of the by-law, a long-term perspective was taken to budget exemptions and discounts. This approach involved gradual increases in the budgeted annual transfers as outlined in the [Growth Strategy](#). The DC rate phase in was removed on June 6, 2024 when the *Cutting Red Tape to Build More Homes Act, 2024* (Bill 185) received royal assent. Furthermore, the exemption for affordable housing exemptions implemented through the *More Homes Built Faster Act, 2022* (Bill 23) came into effect on June 1, 2024. The affordable housing exemption had not been included in the analysis as the Province had not proclaimed the provision at the time it was prepared. Based on the Affordable Housing Bulletin, which governs eligibility, the uptake in 2024 is expected to be fairly limited. However, over the longer-term, if the City achieves its affordable housing targets, the costs

of DC exemptions for affordable housing will significantly exceed the savings from eliminating the phase in.

The value of exemptions and discounts funded in the year are compared to the annual transfer to understand the budget impact. The cost of DC exemptions and discounts must be covered by the City through transfers from taxes (Growth Reserve Fund 156) and rates (Water, Wastewater, and Stormwater capital reserve funds, 152, 153 and 165 respectively) to the various DC reserve funds.

The 2024 budget for DC exemptions and discounts is \$7.9 million, and actual exemptions to the end of Q2 are \$5.5 million (69.1 per cent of budget). The breakdown of this total, by exemption, is provided in **Table 1** below. 79 per cent of the exemptions and discounts in 2024 to date are for ADUs compared to 54 per cent in 2023. Staff will continue to monitor trends and assess if changes to the [Growth Strategy](#) are required.

Table 1 - DC Exemptions and Discounts

Exemption	Basis for exemption	Q1 2024	Q2 2024	Year-to-Date
Additional dwelling units	Legislated	1,664,674	2,643,224	4,307,898
Industrial expansions	Legislated	-	-	-
Non-profit housing corporation	Legislated (Bill 23)	748,778	-	748,778
Rental housing discounts	Legislated (Bill 23)	-	-	-
Phase in	Legislated (Bill 23)	12,963	111,192	124,155
Category of owner	City by-law	82,483	201,973	284,456
Total		2,508,898	2,956,389	5,465,287

Bill 185 also reversed the removal of growth studies as a DC eligible expense. Removing them had been estimated to cost \$9 million over the 10-years of the DC By-law. Staff are in the process of preparing an update to the DC By-law to re-add Growth Studies under the minor amendments process allowed for in the transitional provisions under Bill 23, and this will be completed before the December 6, 2024 deadline.

Funding Changes from the 2023 DC Study Update

Since the passing of the 2023 DC Study, staff have worked to update the approved capital budget project funding to reconcile to the updated study where the growth/benefit to existing split has changed from the previous study. In doing so there has been a net decrease to the approved capital funding from tax (\$5.4 million) and rate sources reserve funds (\$13.4 million) which has resulted in a net increase in funding required from DCs.

Grants

The Canada Community Building Fund and the Provincial Gas Tax are the only two sustainable grant streams utilized within the capital budget. In 2024 the City will receive \$9.0 million from the Canada Community Building Fund and \$3.0 million from Provincial Gas Tax. These funds are budgeted each year within eligible projects in lieu of other property tax sources. The 2024 allocation of Provincial Gas Tax was unknown at the time of budget approval; therefore the 2023 allocation was used as a budget estimate and as a result the 2024 allocation is \$170 thousand less

than budgeted. The use of these funds is spread throughout the 10-year capital budget so there is no impact to the 2024 budget for this variance, but it will need to be taken into account through the 2025 confirmation process.

In addition to grants approved in prior years, the capital budget in 2024 also includes one-time grant funding for the following projects:

- (GG0285) ZEVIP Electric Charging Initiative – \$420 thousand was received through the Zero Emission Vehicle Infrastructure Program (ZEVIP) from the Department of Natural Resources for electric chargers to support the transition of the corporate fleet to zero emissions electric vehicles.
- (LB0028) New Central Library – \$13.5 million was received from the Green and Inclusive Community Buildings Program through Infrastructure Canada to help support the construction of the new central library. Of the \$13.5 million, \$13.43 million replaced existing funding sources and \$70 thousand is required to support grant reporting requirements.
- (WC0052) Food Waste Initiative – \$500 thousand received from the Green Municipal Fund Grant through the Federation of Canadian Municipalities.
- (PS0112) Preventing Auto Theft Program – \$123.8 thousand received from Ministry of the Solicitor General.

The City has been awarded ICIP funding through two application phases (2019 and 2022). It is a long-range funding program that extends to 2033 whereby funding is received as expenses are incurred on approved projects. ICIP recently allowed grant recipients to adjust ICIP-approved programs through a decommitment process. This allowed for a reallocation of ICIP funds within the total approved program assist with challenges due to changes in scope and/or financial pressures such as those created through the recent period of high inflation. The City has taken this opportunity (pending ICIP approval) to focus ICIP funding on the following programs:

- ICIP-GUE-01 Bus Fleet Expansion (Transit Route Review)
- ICIP-GUE-03 Transit Operations Facility and Charging
- ICIP-GUE-04 Bus Electrification – Replacement
- ICIP-GUE-05 Cycling Network

The 2024 capital budget includes grant funding through ICIP for (RD0379) College Avenue Protected Bike Lanes (ICIP-GUE-05), (TC0070) Bus Electrification – Replacement (ICIP-GUE-04) and (TC0092) Route Review Year 4 (ICIP-GUE-01).

The City has also been awarded the following grants which will be added to the capital program in subsequent periods:

- [Housing Accelerator Fund](#) – the City has been awarded \$21.4 million through the Government of Canada to undertake eight initiatives which will help enable more housing in the community. See the [January 12, 2024 announcement](#) for more details. An internal governance committee has been formed which will oversee the use of these funds. These funds will be held in an obligatory reserve fund and allocated to capital projects in the years when expenditures are budgeted to occur, to date \$2.7 has been allocated to the 2024 budget (Attachment-2, Table 1, BR-24CAP-10 and BR-24CAP-60).
- The [Building Faster Fund \(BFF\)](#) – the City will receive \$4.7 million from the Province as a result of meeting its 2023 housing target. See the [March 14, 2024 announcement](#) for more details. An investment plan was required to be

submitted to the Ministry of Municipal Affairs and Housing identifying each activity/initiative to be undertaken with BFF funding in order to receive the funding. Staff submitted an investment plan and were notified by MMAH of its approval in August. Adjustments to bring these funds into the capital program will be made and reported in more detail in Q3. This is a three-year funding program (2023-2025) with potential for Guelph to receive additional funds in 2024 and 2025 if targets are met. 2024 progress to date is being [tracked by the Province](#), Guelph is currently (as of June 12, 2024) at 31 per cent of the 2024 target of 1,500 housing units.

Furthermore, staff are actively engaged in identifying and advocating for grant opportunities. Of note, staff have prepared and submitted an application under the Housing Enabling Water Systems Fund through Ontario Ministry of Infrastructure to fund water, wastewater, and stormwater infrastructure that enables construction of new housing. Also awaiting decisions are grant applications for electric vehicle chargers and accessibility improvements to recreation spaces.

Financial Implications

Ongoing monitoring of operating and capital spending ensures projects and services are delivered as intended and that any financial impacts or risks are addressed proactively.

Staff will continue to monitor the impact of risks and opportunities identified in this report to protect the City's long-term sustainability. Identifying potential risks and implementing mitigation strategies early reduces the reliance on the City's contingency reserves at year-end. As reported in the [2023 Long-term Financial Statement: Reserves and Debt Report](#), as of December 31, 2023, the available balance in the tax supported corporate contingency reserves was 62 per cent of the target balance. Balances below target reduce the City's financial health limiting the ability to mitigate any negative financial impacts should an overall City deficit materialize.

Progress on capital works will continue into the summer and fall construction season. Ongoing monitoring of capital spending ensures that projects are delivered as intended and that any financial impacts are addressed and approved by Council proactively.

Consultations and Engagement

Departments are responsible for managing their programs according to municipal standards and within the approved budget. The responsibility of monitoring the operating budget is shared by the operating departments and the Finance department. Department General Managers were provided financial reports based on their actual operating revenue and expenditures to the end of the quarter, on which they provided commentary in consultation with the Finance department.

Project Managers are the owners of the capital accounts and have financial responsibility and accountability to manage the capital deliverables within the budget approved, within a reasonable time period, to achieve the Council expected outcomes of that capital project.

Department General Managers and Project Managers were provided financial reports based on their actual capital expenditures and commitments to the end of the quarter, with which they provided a progress status and financial forecast

update at the project level and the best available information at a point in time. Future updates are subject to change based on the economic environment, especially the rate of inflation.

Attachments

Attachment-1 2024 Capital Spending

Attachment-2 Q2 2024 Capital Budget Adjustments

Departmental Approval

Karen Newland, Manager, Budget Services

Report Author

Cathy Butcher, Senior Corporate Analyst, Operating, Budget Services

Patricia Zukowski, Senior Corporate Analyst, Capital, Budget Services

This report was approved by:

Tara Baker

General Manager Finance/City Treasurer

Corporate Services

519-822-1260 extension 2084

tara.baker@guelph.ca

This report was recommended by:

Trevor Lee

Deputy Chief Administrative Officer

Corporate Services

519-822-1260 extension 2281

trevor.lee@guelph.ca