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Happening now: It's a workshop meeting of city council, budget prep. Here's the Politico review of the meeting:



Mayor Guthrie has called the meeting to order.

Disclosure of Pecuniary Interest and General Nature Thereof? Nope.

Regrets from Cllrs Goller and Chew.

One topic for tonight: Building Our City Budget: Budget 101 Refresh.



DCAO Lee begins by stating the important question: How do we build our community? Guelph has pledged to build 18k homes, but that means more people, and that means more roads, more parks, more water, etc. Also, inflation is a problem and so are axing facilities.

"Something has to give and it will be up to council to determine the best path forward," Lee.

Note for later: The budget will be released on November 3.

Agenda overview

-Budget Structure

Capital concepts

Asset management and infrastructure renewal

Growth

Service enhancement (formerly City Building)

(cont'd)

2024-2027 key budget influences:

-Inflation

-Reserve reversals

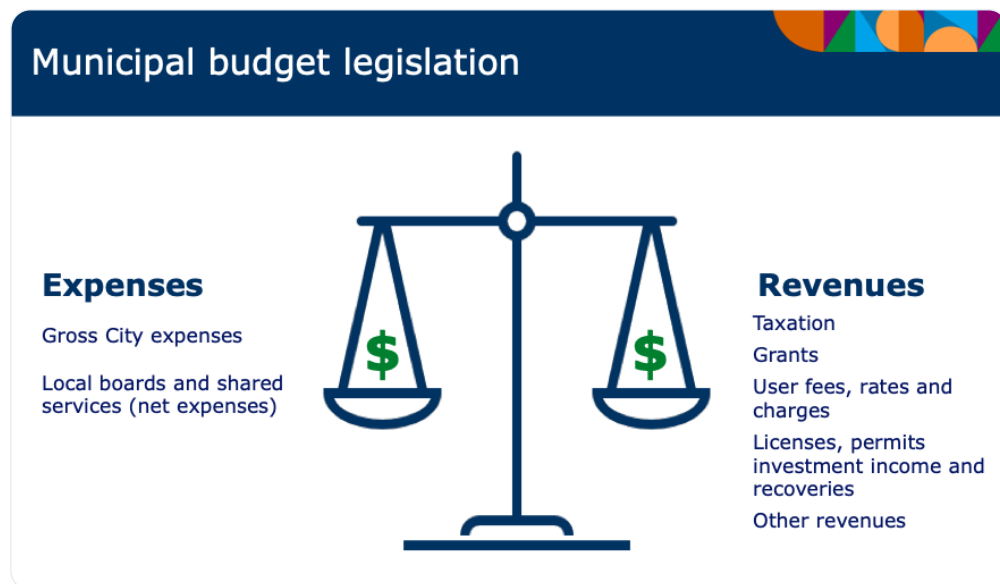
-Making us whole – enabling the cost of growth

-Federal and provincial pressures

-Long-term facility overview

Lastly, Next steps

First, what's a budget?

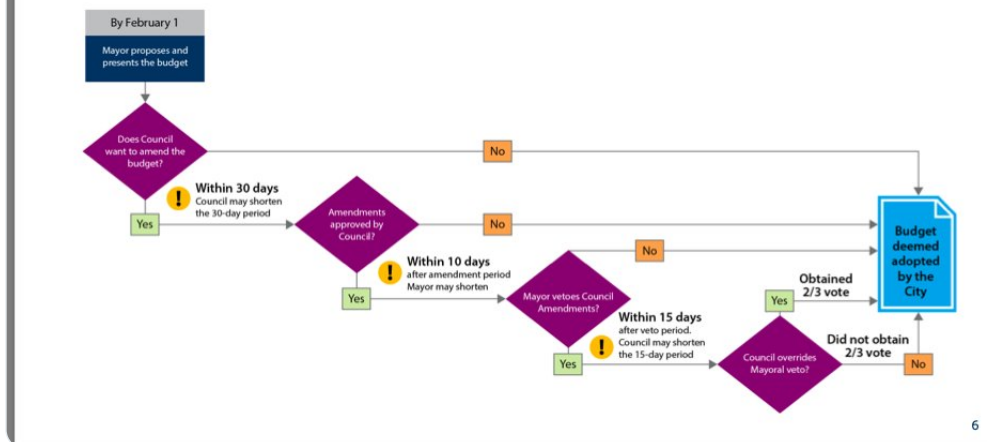


Important note: Municipalities can't run deficits.

Also, Stephanie Devost, Senior Corporate Analyst Budget Strategy is presenting now.

How Strong Mayor Powers have changed the budget process. (It's why the materials are posted on Nov 3 instead of 10 days prior in normal years. It's a tight 30 day process.)

## Strong mayor: new budget process



There are three main considerations for budgeting: Sustainability, Vulnerability and Flexibility.

## Foundational financial principles

### Sustainability

- Ability to maintain services over an extended period of time.

### Vulnerability

- Level of resiliency within the City to handle unexpected negative factors.

### Flexibility

- Ability to adapt to changing opportunities and environments.

City budget is made up of operating and capital budgets; operating is day-to-day stuff, and capital is building stuff.

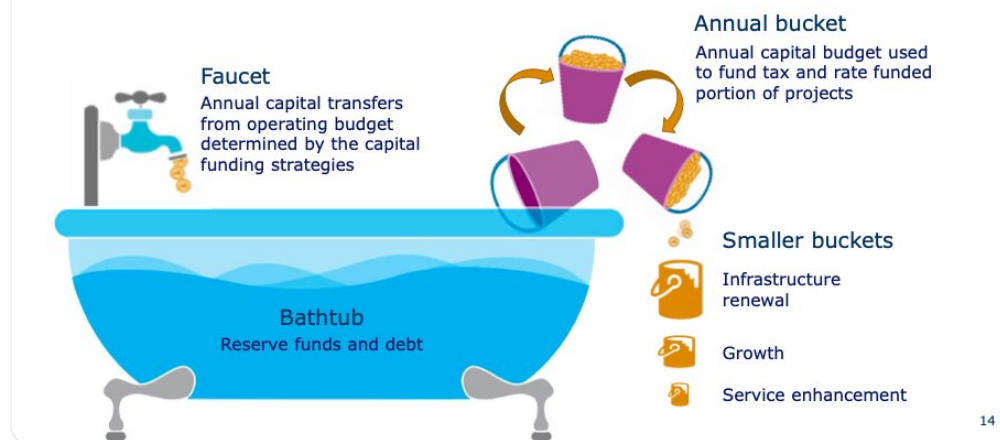
There are also local boards and shared services meaning police, library, public health, social services, the Elliott, the GRCA, and the DGBA. Council does not have direct control over these agencies, but they're covered out of tax base except GRCA which is covered by wastewater.

Shanna O'Dwyer, Manager Financial Strategy and Long Term Planning takes over to talk about capital. There are five strategies here: renewal, growth, enhancement, 100% renewable, and brownfield renewal. The cap. budget can fluctuate year-to-year.

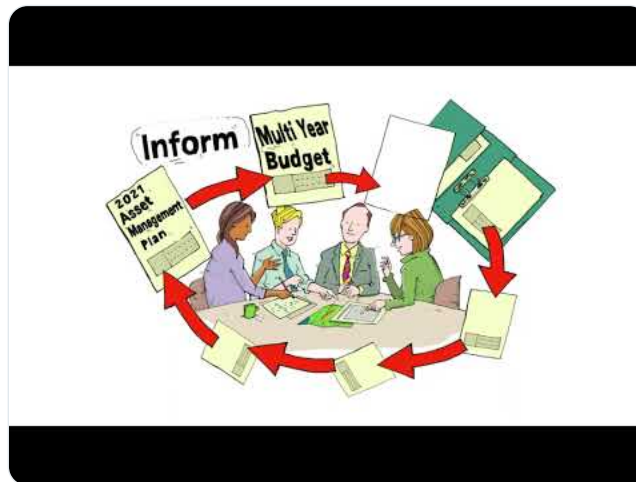
There are three investment categories: renewal, growth, and enhancement. The first two maintain service as it, but the third is where service is increased.

Capital budget as bathtub:

## Connecting the operating and capital budgets



And now, a video:

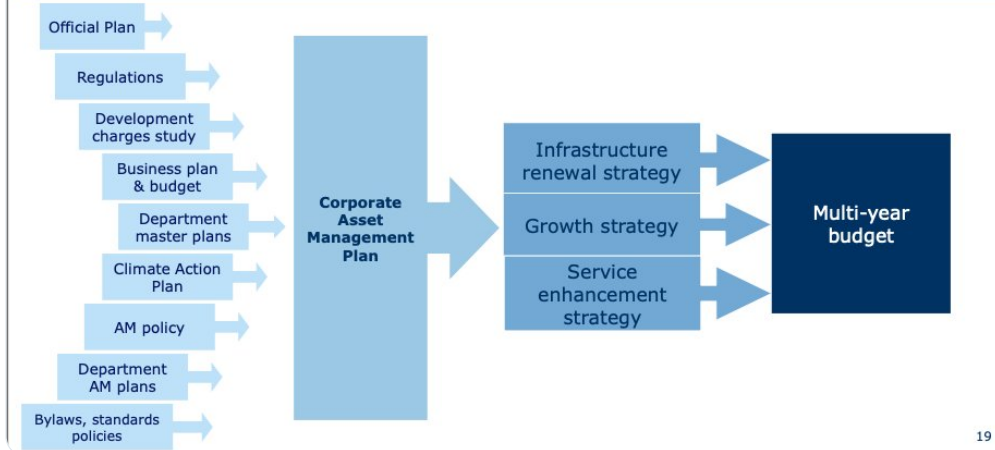


<https://www.youtube.com/embed/dXcREBvbfKE>

Tara Baker, General Manager Finance/City Treasurer takes over. Notes that Guelph has been hailed of its work on asset management, and we're a good position to deliver the plan in 2024.

This is how asset management turns all the various master plans into the multiyear budget:

## Asset management position



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#itsallconnected



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The asset management plan aims to balance strategic master plans, the climate action plan, capital projects, council and community input, operational and maintenance plans and financial resources.

Good asset management is a process of continuous improvement. In other words, the work is never finished.

What's next?

## What's next

### Asset Management Plan 2024

- Underway; to Council spring 2024
- Major focus on levels of service

### Enterprise Resource Planning (ERP)

- New software application and related work processes

### Climate Adaptation Plan (CAP)

- Integrate the CAP recommendations with AM

### Advanced decision priority modelling

- New tools to help identify assets at risk

Back to O'Dwyer for infrastructure renewal talk. The City has been collecting a levy for Infrastructure renewal for the last several years, and we're about enter year 7. O'Dwyer notes that it's going to take us longer than 10 years to get there.

ERP stands for “enterprise resource planning.” what is ERP, apparently it's a program that reduces risks and improves processes when it comes to infrastructure renewal. Should lead to better service and better decision making.



Sorry, Twitter had a brain fart. Here's what you've missed:



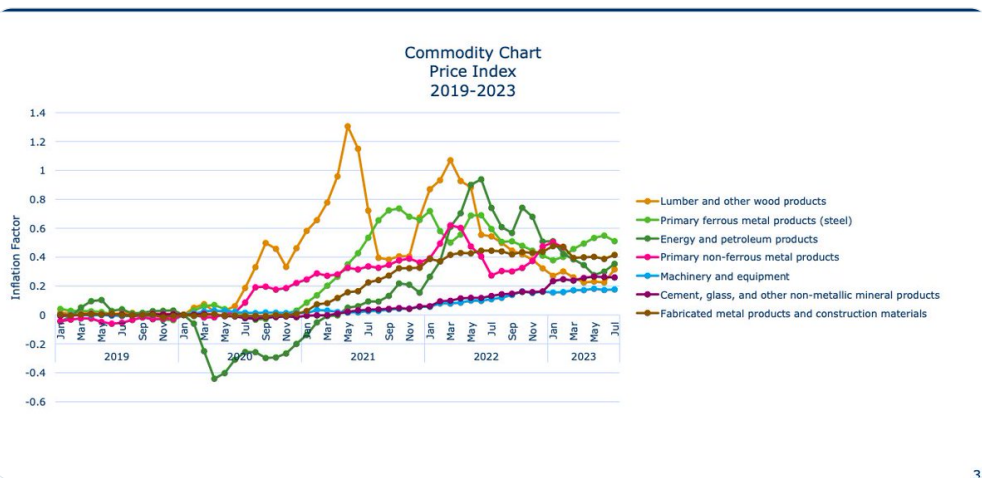
**Growth:** It means accommodating an increased population at the same service levels. Can also mean creating new assets or providing servicing to support new developments such as roads, sewers, and water. Typically development charges cover growth needs, but that's changing.

**Service enhancements:** "The expansion or purchase of a capital asset to provide a higher level of service to the community or adding a new service." It means answering strategic initiatives and increasing quality of life like with 100% renewable efforts.

Now is the beginning of trying to figure out out to fund the 10-year capital forecast, which. Has been disrupted by changes to DCs. Community Benefit Charges and other funding sources. Karen Newland, Manager Financial Client Services, says that it seems like something new is always being thrown at staff and they're constantly have to jump at changes.

Newland says that the focus is now the next four years. There are difficult decisions followed by even more difficult decision making.

Here's how inflation has affected capital over the last few years. It's put a lot of pressure on budgets, and more project deferrals than expected.



Applying inflation:

Inflationary adjustments needed for infrastructure renewal transfers:

Funding source	in \$ millions		Total
	Catch-up adjustment	Forward looking inflation 2024	
Tax supported	5.9	2.3	8.2
Water	3.2	1.3	4.5
Wastewater	3.2	1.2	4.4
Stormwater	1.7	0.7	2.4

Newland says that staff are planing a capital plan the smooths out some of these increase over four years, but it still puts the City behind the ball so as to not put more affordability pressures on the tax base. More deferrals being made.

Inflation a reality for the operating side too:

Compensation and benefits

Fuel

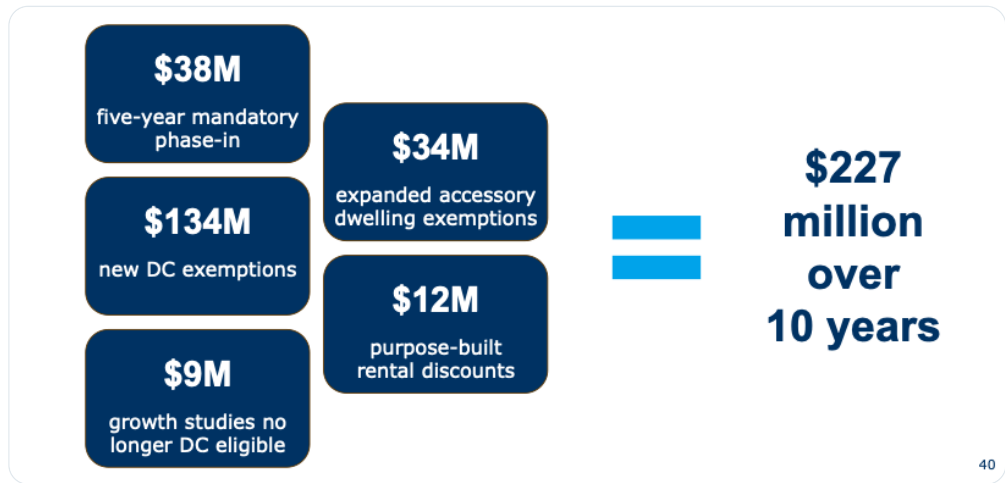
- Chemicals
- Hydro, natural gas and water
- Insurance
- Software licensing
- Parts and materials
- Medical equipment

One time expenses from reserve. The City's starting 2024 with zero tax impact with these items being moved to reserve fund as they're one-time funding. \*But\* the ability of the City to smooth things out with reserves is waining.

2024 impacts of one-time funding from reserves		
	Dollars	Tax levy impact
Mayor and Council compensation	124,673	0.04%
Transit Kids Ride Free	138,911	0.05%
Transit Affordable Bus Pass	558,000	0.19%
Advancing Paramedic Master Plan	417,780	0.14%
Guelph General Hospital Levy	750,000	0.25%
Transfer to Affordable Housing Reserve	500,000	0.17%
OMERS for part-time impact	980,000	0.33%
Fleet replacement	526,000	0.18%
Solid waste contracts	314,600	0.11%
Municipal Accommodations Tax	171,910	0.06%
Election reserve budget increase	140,000	0.05%
Seasonal patio program	25,000	0.01%
		<b>Impact to 2024 tax levy: 1.57%</b>

Next, the cost of enabling growth (aka: making us whole). The situation is worse because DCs and other charges were not covering the full cost of growth. The exemptions, discounts and phase ins = \$227 million over 10 years. Rate growth will not cover this gap.

Baker says these are not budget figure, but impacts from the DC background study. This is how it breaks down:



Baker says that we need the ONgove to fill this gap instead of putting it on local taxpayers, and advocacy is ongoing.



New definition for affordable housing was tabled by the ONgov on September 28, and that will likely be enacted in 2024. That definition was not yet know as staff were prepared budget, and was one of a number of assumptions that had to be made.

Year	in \$ millions			
	Estimated cost	Tax funding base increase	Rate funding base increase	Total funding base increase
2024	26.20	2.00	\$2.10	4.10
2025	22.50	1.50	1.80	3.30
2026	20.10	1.25	1.30	2.55
2027	15.60	1.25	1.10	2.35
Cumulative Total	84.40	16.25	17.50	33.75

Baker says if council wants to slow the rate of growth then the budget is the time/place to make that decision, but that will also have an impact on how the City can accomplish the goals of its housing pledge.

Guelph is seeing for the first time in a while a negative variance on social services in 2023. As a result of that overrun and timing w/ the WC budget, that puts Guelph behind the curve by \$5.6mn. The budget will propose 4-year phase in. Plus there are additional requests coming.

Year	in \$ millions				Tax levy impact (LBSS)
	2024 Catch-up adjustment	2024 Catch-up adjustment phase-in	Additional request	Total	
2024	5.6	1.4	4.6	6.2	2.10%
2025		1.4	1.2	2.6	0.81%
2026		1.4		1.4	0.40%
2027		1.4		1.4	0.36%

Antti Vilkkö. GM of Facilities and Energy Management, takes over to talk about ageing facilities. Here there are financial challenges, inflationary pressure, debt capacity and competing priorities. These are not small buildings to replace either.

The City's approach has been detailed design in advance, grant funding, deferral for short term savings, and strategic real estate considerations. Here's how it shakes out and the numbers here are placeholders.

Project Name	in \$ millions		
	2024-2027	2028-2033	Total
Transit facility	201.00		201.00
Fleet facility	94.00		94.00
Guelph Central Station - Terminal Upgrades		12.50	12.50
Electric bus charging		28.00	28.00
Operations administration facility		31.00	31.00
Parks operations facility replacement	1.20	31.20	32.40
Corporate building maintenance facility	0.50	4.00	4.50
Fire headquarters replacement		4.00	4.00
Paramedics facility replacement	11.00	1.00	12.00
Clythe water treatment plant	29.21		29.21
Biosolids facility upgrade	70.00		70.00
Tertiary treatment facility	50.55	0.50	51.05
Solid waste administration facility growth		8.00	8.00
Solid waste site operations centre		5.50	5.50
170 Watson retrofit		6.75	6.75
	<b>457.46</b>	<b>132.45</b>	<b>589.91</b>

Next steps:

Budget materials released: website and budget board

- Friday Nov 3

2024-2027 budget presentation

- Tuesday Nov 7, 9 am

Council-led townhalls

- November 8-28, 2023

Delegation night

- Wednesday Nov 15, 6 pm

Budget amendments

- Wednesday Nov 29, 9 am

December 13 will be the date for any potential mayor veto override for the budget. Clerks will be confirming an afternoon start time for that meeting in the near future. Presumably, this will be in the event that Mayor Guthrie uses his veto power.

Baker wraps up by saying that they can't do everything and have an affordable budget, but together, staff and council can find a balance.



Mayor Guthrie says let's take a 5 minute break!

Our five minute break has become 10 as Mayor Guthrie confers with senior staff and now confers with three of the councillors present: Busuttil, Downer and O'Rourke.

Now Guthrie is conferring with Allt and Richardson.

Back from break, Guthrie asks everyone to maybe not ask about specific line items tonight, and try and keep questions to the elements. He notes that there's obviously some huge pressure, but doesn't want any micromanaging tonite.

Klassen asks how the City can budget for a target they can't reach without the ONgov making us whole. Baker says staff have used their professional opinion and understanding about master plans to build the budget, plus the studies. They don't have multiple plans.

Klassen says she's concerned that they've built the budget to grow and it sounds like that the goal is unattainable w/o bring made whole. CAO Stewart says they've got to find the balance and this is where it begins: what can't council do from a legislative perspective.

Stewart says that nobody wants to say that we can't do the 18k homes out loud, but there maybe unintended consequences to that. The point is that we need a new deal and cities need to stop being treated like they're at the kids table.

Allt thanks staff for the "dark prognostication". He's not sure that they can get away with saying that this is \*not\* a significant problem, and they're unsure what assurances they can give people about the budget impact. Allt asks what happens if we can't build 18k homes?

Stewart says that in hindsight they should have demanded assurances that municipalities be made whole by Dec. 2023, but you can't take \$237 mn out of a budget and expect things to be fine, and all municipalities are in the same position.

Allt asks what "making us whole" means. Stewart says from a staff perspective he doesn't have a definition in terms of dollars and cents. They know how much they're going to be missing, but whether that means "give us \$237 million" is another matter.

Guthrie adds that he's heard nothing and there's only been a couple of mentions about "making" cities "whole" since Bill 23 announced, like the AMO announcement about the

prize money for meeting targets, which doesn't close the gap. He's reinforced to ONgov that budget is now!

Allt asks about limitations of reserve. Baker notes that the reserves are at 75%, and they're still recommending their use to smooth out spikes in inflation, but the level of contingency reserves is going to decline and attention must be paid. Could be replenished with +variances

Richardson asks why the council doesn't get the budget before the public. Baker says historical practice, the presentation on the 7th is when council can get more engaged, but they can take that away.

Caton says that it sounds like council isn't going to be able to chase anything they might want to do. Baker says council still has power to make decisions, but they will have to be aware of the consequences. Stewart adds council will have choices.

Caton says that she's concerned about service cuts or staff cuts to meet targets. Stewart says that there isn't anything hidden, but there may be things that they were originally intending to bring forward but are now delayed, which have service level impacts. No cuts!

Gibson asks if there's any large themes coming out of the review of City assets; can we replace all assets or just parts. Baker says that they can take that away and break down the trends, but the condition assessments are growing and changing over time.

Gibson says that there was supposed to be long term budget impacts based on asset renewal, and he's looking for solutions to the budget crunches.

Gibson says that inflation is a driver, and Bill 23 will create deficits, but they haven't yet. He's hearing that people are unable to re-qualify for mortgage refinancing. He's noting the a lot of houses up for sale b/c of inflation and no one talking about Federal spending.

O'Rourke notes that inflation is a global phenomenon and Canada's doing better than other places, and that the problems with this budget are not borne of the federal government.

O'Rourke asks if there's any benefit at looking at 2 or 3 year MYB instead of 4. Baker this process has had so much value in being able to look at a full four years, and every year there's a confirmation process, we should stay the course.

O'Rourke asks if the City is trying to close the infrastructure gap too quickly. Stewart says that he agrees, the assumptions have changed, but can council live with more risk? That's the question. City's doing lots of wonderful things but maybe have to extend deadlines.

O'Rourke asks about ICIP funding for the transit facility. Baker says that the ONgov extended the deadline for completion of those projects to 2033.

O'Rourke notes that no only is are municipalities at the kids table, but they've been stuck with the bill and asked to clean up too. Also, the municipal level is the worst place to redistribute because the tax base is on home value not income. Need to proceed cautiously.

Caron says there's a lot in the budget not related to property, yet property taxes fund cities. Is there a realm for council to address the gaps. Stewart says there's a discussion to be had about tackling advocacy differently. Heads-in-beds is an example of this.

Caron asks if the reserves are healthy. Baker says at this point staff are looking at reserves in totality, and they don't typically budget for transfers into contingency reserves, but they've been at target the last few years.

Billings asks if it's possible to slow the growth by half and see the budget impact and see that in docs. Baker says the best thing to do is take that away and see how they might be able to present that in the budget.

Billings asks what the City will do if the ONgov doesn't cover the shortfall. Baker says that's where the close monitoring comes in and these are just estimates too. That monitoring will be critical b/c there maybe need to pause.

Baker adds that they don't want to over budget for the cost because the impacts are still estimates. They've done their best to phase in costs over time, but that does create risks.

Billings asks about the scheduling of that reporting and Baker says it will be quarterly, like the variance report.

Billings asks if the housing accelerator funds could be use to compensate for lost DCs. Baker says terms if eligibility are complex, and it would be best to report on that separately tho might be some flexibility on using that on infrastructure.

Stewart notes that the Guelph submission to the fund goes in on Monday; there are 75 categories and Guelph has to pick 5. There are things that have to be actionable and they have to have partners to help make projects happen.

Gibson asks about letters to request budget increase limits from boards. Stewart says that council is the board that all the other boards submit to, that's council's prerogative. As for letters, Stewart asks to get back to council on that.

Worth noting that the GPL has already approved their 2024 budget, and the GPS will be approving their budget next week.

Gibson asks if Stewart has seen a double digit increase in budget asks so far from outside boards. Stewart says not yet, but expects social services to come in on the high side.

Gibson asks if staff are open to partnerships with planning teams of developers on any massive Greenfield projects. Stewart says if the development community can get organised to make processes happen faster, they're open to that. Capacity is still a regulator.

Guthrie asks about the placeholder for Bill 23 impacts in this year's budget. Baker says they don't have that info on hand so they will have to come back with it.

Guthrie asks about his PILL (provincial impacts local levy). Is it time? Stewart says there's a political piece to that, and there's nothing wrong with transparency, but the province has made these changes and are responsible to maybe people should be made aware.

Guthrie says that they've given ONgov a year, and there's nothing. Stewart says he agrees, and it should be resolved by now. How much longer do we wait?

Guthrie says that's a takeaway then, and if the "make us whole" thing comes to fruition they can take it off.

Before wrapping up Guthrie says there are a few mayors he knows that are using SMP for the budget, and he made a commitment to not do that. He quotes Mayor Horwath who said it's better to half 13 heads in a room than just one. Asks council to pull together as a team.

Guthrie says when he signs off the budget, he may not personally like it, but he has made a commitment to follow the will of council. He says he needs everyone to try their best to reach a final number, whatever it is.

Guthrie says there working on it.



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