

## **July 23, 2008 – Civic League – Property Tax Forum**

My role tonight is to outline the new approach Guelph is taking to manage our annual budget process. Prior to last year, with a few experimental exceptions, our process did not effectively involve Council or the public until near the end of the process.

This left staff with the unfair expectation of not only having to balance a complex range of budget issues and considerations but required them to do it (at least in the early stages) without clear direction from Council or any meaningful input from the public. It also left the public with the perception that our first public estimate was a bit a shell game. Some thought, incorrectly, that it included everyone's wish list.

The initial number was poorly understood and therefore lacked the credibility it deserved.

It should also be noted that our new Budget process is a work in progress. We started it last year, have fine-tuned it this year, and we expect to continue to improve it as we go.

When I talk about the Budget process I am speaking as the Chair of the Finance Administration and Corporate Services standing committee of Council. For the rest of this presentation I will refer to this as FACS. Also, some of my commentary is interpretive as we are in the process of developing supporting policy and definitions.

I will break my brief comments into four sections.

1. Budget philosophy
2. Budget schedule
3. Staff Budget development
4. Sources of Funding

### **1. Budget philosophy:**

Our basic philosophy is that the budget process is a team effort, involving Council, Staff and the Public.

Each has clear and distinct roles.

None can abdicate full responsibility to the other.

But Council obviously has the responsibility for making the final decisions.

### **2. Budget Schedule :**

#### **1<sup>st</sup> Quarter :**

- FACS makes recommendations to Council regarding any changes to the budget process for the upcoming year.

- FACS also receives the budget schedule from staff.

#### **2<sup>nd</sup> Quarter :**

- Staff presents a “preliminary budget estimate” to FACS – including key budget impacts and key assumptions being used in developing the “base budget”. Examples include: same services as previous year, same fee structures, proposed assessment growth, rate of inflation, pre-approved programs from previous budgets, changes to Prov/Fed funding, etc. For 2009 this estimate was 5.5%. This essentially covers providing the same services in 2009 that we had in 2008.

- FACS then presents this preliminary budget scenario to Council. It may include recommending specific action or follow-up on key budget impacts, changes in assumptions, as well as service and operational reviews. For 2009 we estimated a 1% factor for new services and priorities.

- Staff then develop the “Operating and Capital Budget Call” based on Council direction – including both specific directions as well as an overall sense of direction. For 2009 there is a clear concern that 6.5% would be a very uncomfortable number.

### 3<sup>rd</sup> Quarter

- Review/assess public input to date. Continue to receive and encourage public input.
- Schedule a Council workshop to review strategic plan priorities and service review priorities in order to provide additional input to the Senior Management Team for final budget development.
- Staff departments begin development of the Operational and Capital budgets.

### 4<sup>th</sup> Quarter

- Council Standing Committees (October) review their respective operating budgets and provide additional input to Council and SMT for budget deliberation.

**Public delegations welcome and encouraged.**

- Staff through SMT prepare Budget recommendations for Council deliberations considering all feedback and directions received.

- Council final deliberation, amendment and approval of the Operating and Capital budgets (December).

**Public delegations welcome and encouraged**

### **3. Staff Budget Development -**

**There are 2 basic phases** to the development of the budget.

**Phase 1-** Initial Development of Requested Budget - 2<sup>nd</sup> & 3<sup>rd</sup> Qtrs.  
( Starting with the Preliminary Budget Estimate )

**Phase 2 -** SMT Recommended Budget - 4<sup>th</sup> Qtr.  
(SMT will review all budgets prior to both Standing Committee presentations as well as final Council deliberations to ensure Council directions and concerns are reflected).

**There are 5 steps that are reviewed in each phase** - in each Step there is the potential for both decreases and increases to the Beginning Base Budget.

#### **Step 1. Beginning Base Budget:**

- services already approved – incl. phased service enhancements.
- preliminary revenue & financing adjustments already considered.

#### **Step 2. Efficiencies:**

- identify efficiencies that help reduce the cost of providing existing services.

#### **Step 3. Growth Related Impacts:**

- identify additional/expanded services related to growth.

#### **Step 4. Service Level Review Changes:**

- determine increases or decreases to a department's budget as a result of Council or Departmental review of services provided.  
( key function of the Standing Committee review process )

#### **Step 5. New Services:**

- Recommend strategic services which have not been approved in a previous budget and are not caused by city growth. These must be directly related to identified Council priorities.

#### **4. Sources of funding:**

At the end of the day our ability to achieve a strong consensus on a desired net result often depends on how we manage and balance our various sources of funding.

These include:

- Property taxes
- User fees
- Reserves
- Debt
- Federal/Provincial Grants (incl.gas tax contribution)
- Development Revenues e.g development charges.
- Partnerships
- Scheduling priorities.

We are developing a comprehensive longer term capital strategy to better position our policies on effective debt management, particularly in relation to:

- affordable & competitive annual funding,
- improved reserves,
- prudent debt levels and a strong credit rating,
- as well as balancing the burden between generations e.g. relating amortization terms to the useful life of an asset.

**Finally** - There is an understandable concern that our current range of major capital projects will have a significant impact on our future tax rates.

Our preliminary estimate of the impact that our current capital projects will have on the property tax rate between 2009 and 2012 is between 0 & 1% per year. For 2009 the current estimate is zero.

This overall factor can be mitigated by adjusting amortization terms, partnerships, and priority scheduling – it also does not include the investment generating value of some of our projects.

**JULY 23,2008 - GUELPH CIVIC LEAGUE - HARPOS**

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**TAXATION PANEL**



**INTRODUCTION :**

**Overview of why we are changing our Budget process.**

**PRESENTATION :**

**1. BUDGET PHILOSOPHY**

**2. BUDGET SCHEDULE**

**3. STAFF BUDGET DEVELOPMENT**

**4. SOURCES OF FUNDING**

## **1.BUDGET PHILOSOPHY**

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- BUDGET PROCESS IS A TEAM EFFORT**
  - NO ONE CAN ABDICATE RESPONSIBILITY**
  - COUNCIL MAKES FINAL DECISIONS**
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## **2.BUDGET SCHEDULE**

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### **1<sup>st</sup> QUARTER :**

**RECOMMENDATIONS REGARDING CHANGES  
BUDGET SCHEDULE FROM STAFF**

### **2<sup>nd</sup> QUARTER :**

**“PRELIMINARY BUDGET ESTIMATE” TO FACS  
PRELIMINARY SCENARIO TO COUNCIL  
OPERATING & CAPITAL BUDGET CALL**

### **3<sup>rd</sup> QUARTER :**

**REVIEW PUBLIC INPUT  
SCHEDULE COUNCIL WORKSHOP (PRIORITIES)  
DEPARTMENTS DEVELOP BUDGETS**

### **4<sup>th</sup> QUARTER :**

**BUDGETS TO STANDING COMMITTEES (OCT.)  
SMT DEVELOPS BUDGET RECOMMENDATION  
COUNCIL BUDGET DELIBERATIONS (DEC.)**

### **3.STAFF BUDGET DEVELOPMENT**

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#### **PHASE I :**

**INITIAL DEVELOPMENT / REQUESTED BUDGET**

#### **PHASE II :**

**SMT RECOMMENDAED BUDGET**

#### **STEPS ( PHASE I & II )**

- Step 1. Beginning Base Budget**
  - Step 2. Efficiencies**
  - Step 3. Growth related Impacts**
  - Step 4. Service Level Review Changes**
  - Step 5. New Services**
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### **4.SOURCES OF FUNDING**

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- PROPERTY TAXES**
- USER FEES**
- RESERVES**
- DEBT**
- FED./PROV. FUNDING**
- PARTNERSHIPS**
- SCHEDULING PRIORITIES**

#### **CAPITAL STRATEGY**

- AFFORDABLE & COMPETITIVE FUNDING**
- IMPROVED RESERVES**
- PRUDENT DEBT LEVELS**
- STRONG CREDIT RATING**
- BALANCING THE DEBT BURDEN**