

We're making a difference together

A community and financial report



2011



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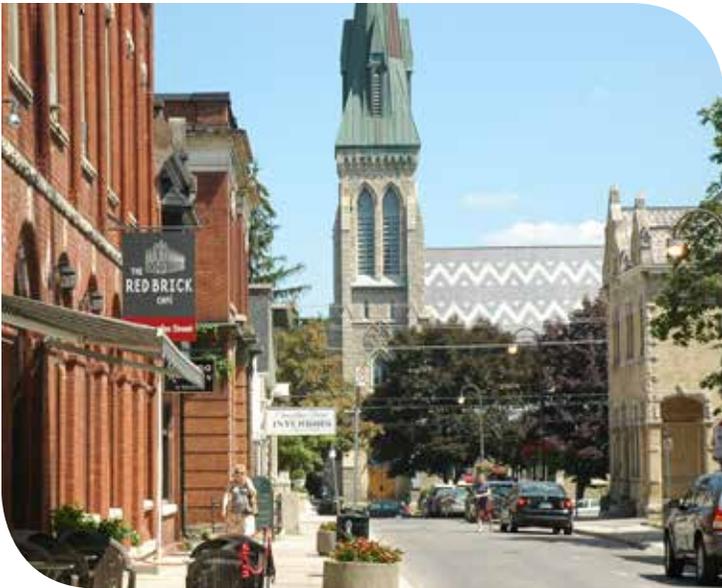


A vibrant community of 122,000 people, Guelph is ranked among the top 10 places to live in Canada.

Located in one of the strongest economic regions in the country, Guelph is the ideal destination for companies to access major markets and customers. Guelph is an active, growing, historic community offering an educated workforce, established economic base and an outstanding quality of life.

Guelph is rich in culture, architecture, parks and riverside green spaces. Guelph is also known as one of the country's smartest communities, its safest city, and Canada's most liveable city.

For more information visit guelph.ca



City profile

Guelph's unique offering

Guelph has the lowest unemployment rate among Ontario cities and has the fifth lowest unemployment rate among Canadian cities.

(June 2012, Statistics Canada)

In 2011, Guelph, as well as Quebec City, Toronto and Ottawa, was ranked to have the lowest crime rate by city in Canada.

(2011, Statistics Canada)

Guelph ranked number one in MSN's report on Canada's next most liveable cities.

"Vancouver and Toronto may be Canada's two highest priced cities, but there are other places to live that rank high in liveability... when it comes to raising kids, breathing relatively fresh air, buying a home, and walking happily around the streets, there are small cities and towns across the country that would rank high if you conducted your own formal survey."

(January 24, 2011)



City profile

Guelph's location regionally and nationally



Distance from Guelph

| | | | |
|------------------|--------|------------------------|--------|
| Hamilton | 40 km | London | 135 km |
| Toronto | 70 km | Windsor/Detroit | 315 km |
| Oshawa | 155 km | Buffalo | 170 km |
| Kitchener | 25 km | | |

Distance from Guelph

| | | | |
|----------------------|----------|------------------------|----------|
| Vancouver | 4,300 km | Washington D.C. | 793 km |
| Edmonton | 3,400 km | Orlando | 2,061 km |
| Quebec City | 880 km | San Francisco | 4,171 km |
| St John's | 3,158 km | Houston | 2,472 km |
| New York City | 788 km | Mexico City | 4,091 km |

City profile

Quick facts

History

- Incorporated as a Town in 1851 and as a City in 1879
- Situated in an agriculturally and industrially prosperous region about 70 kilometres west of Toronto

Population

Guelph's population has increased by six per cent, or 1.2 per cent per year, since the 2006 census. This growth reflects Guelph's strong economic base and its continuing prosperity – albeit dampened – during the recessionary period from 2007 to 2010. This population increase has sparked residential growth, too, during the past five years – growing more than 7.6 per cent during the same timeframe. Although Guelph's population is aging with the population over 65 years increasing to 13 per cent, this remains less than the provincial average of 14.6 per cent. The City is developing an older adults' strategy to identify ways to address the needs of our aging community.

| | 2011 Census | 2006 Census | % Change |
|---|-------------|-------------|----------|
| Total Population | 121,688 | 114,943 | 5.9% |
| % Female | 51.6% | 51.3% | 0.6% |
| % Male | 48.4% | 48.7% | (0.6%) |
| Population under five years | 6.1% | 5.9% | 3.4% |
| Population of retirement age | 13.0% | 12.4% | 4.8% |
| Population density per km ² | 1,395.4 | 1,325.5 | 5.3% |
| Median age of population | 37.7 | 36.4 | 3.5% |
| Number of private dwellings occupied by usual residents | 48,115 | 44,706 | 7.6% |

- Total labour force: 66,380 (2006 Census: Statistics Canada)
- Population with post-secondary education: 52 per cent (2006 Census: Statistics Canada)



Guelph Central Station is a one-stop integrated transit hub

Transportation

To support the ever-increasing and changing population, the City invested in a new transit station that opened in May 2012. Guelph is extremely proud of its new central station, which will improve connections between local transit options and the regional/national buses and trains. The new station is part of the City's plan to revitalize downtown Guelph and build a transit system that meets the modern needs of people living, working, visiting and studying in Guelph.

The Guelph Central Station project was expanded to include supporting infrastructure for GO Transit train service through a 2011 partnership with Metrolinx. This service started operating in December 2011, and Metrolinx has credited much of its interest in Guelph to the proposed residential development in the downtown core as well as the centralization of transit operations at the new station.

In total, the City provides a wide variety of transportation options within the city including:

- 1,126 kilometres of local roadways
- Rail trackage serving passenger traffic through VIA Rail and GO Transit
- Rail trackage serving industry by transcontinental rail companies (Canadian National and Canadian Pacific) and City-owned Guelph Junction Railway Company – a unique service-offering for companies within Guelph
- Municipal transit system that offers 26 bus routes and provides more than 6.9 million trips each year
- A transportation hub to connect to other passenger bus services including GO Transit and Greyhound Bus Lines

City profile

Tax assessment base

The City of Guelph's tax assessment base is primarily driven by the residential and farm tax class category. As a result, the City has focused on diversifying this base through economic development initiatives, such as the Hanlon Creek Business Park and downtown renewal, heritage and brownfield financial incentives as well as other enterprise activities.

| Type of property | % of total 2012 | % of total 2011 |
|----------------------|-----------------|-----------------|
| Residential and farm | 77.7% | 77.8% |
| Multi-residential | 4.3% | 4.5% |
| Commercial | 12.6% | 12.4% |
| Industrial | 5.1% | 5.1% |
| Pipelines | 0.2% | 0.2% |

Top 10 Employers in Guelph

The city is anchored in the automotive sector with multinational giant Linamar Corporation being the largest employer, but it has also been successful in diversifying into the sustainable energy sector since 2010.

| Company | # of Employees |
|--|----------------|
| Linamar Corporation | 12,000 |
| University of Guelph | 3,723 |
| City of Guelph | 2,030 |
| Cargill Meat Solutions | 1,500 |
| Upper Grand District School Board | 1,300 |
| Guelph General Hospital | 1,150 |
| Polycon Industries | 1,000 |
| The Co-operators | 843 |
| Guelph Tool Inc. | 700 |
| Ontario Ministry of Agriculture, Foods and Rural Affairs | 650 |

Building permit growth: 10-year picture

The 2011 year shows a rebalancing of permit activity after the exceptional, post-recession year of 2010. Although the value of construction activity and the number of permits issued in 2011 has declined, the economic outlook for future development is expected to remain positive as Guelph looks forward to some exciting new projects in the downtown core.

| Year | # of permits issued | \$ value of permits ('000s) |
|------|---------------------|-----------------------------|
| 2011 | 2,312 | \$264,510 |
| 2010 | 2,420 | \$491,554 |
| 2009 | 2,185 | \$282,157 |
| 2008 | 2,212 | \$303,239 |
| 2007 | 2,282 | \$271,900 |
| 2006 | 2,549 | \$291,400 |
| 2005 | 2,624 | \$351,700 |
| 2004 | 2,693 | \$295,700 |
| 2003 | 2,586 | \$267,800 |
| 2002 | 2,335 | \$218,000 |
| 2001 | 2,309 | \$266,400 |



The University of Guelph is one of the city's top 10 employers

Mayor's message



2011 was a remarkable year for the City of Guelph.

We opened a significant number of new facilities – including the Organic Waste Processing Facility, the Clair Road Emergency Services Centre and Market Square. The Hanlon Creek Business Park was brought to market. The new Guelph Civic Museum was completed. New water, wastewater, stormwater, road and sidewalk infrastructure was installed all over the city as major infrastructure projects wrapped up.

These projects have brought tangible benefits to our community – ranging from faster emergency response times, to more local jobs. You can read the stories behind some of these projects in the pages of this year's Making a difference together report.

A common theme among these projects is collaboration and partnership. Whether it's support from community donors, funding from the federal and provincial governments, or collaboration with the private sector or with other municipalities, we recognize that we can accomplish more together than we can on our own. This remains a central theme in 2012 and beyond, as the City's new corporate strategic plan identifies collaborative approaches as key ways to deliver services as efficiently and effectively as possible.

With one of the lowest unemployment rates in Canada and an exceptional quality of life, Guelph has much to be proud of. Our strengths continue to serve us well as we compete with other municipalities for investment, talent, and jobs.

Karen Farbridge
Mayor

Guelph City Council

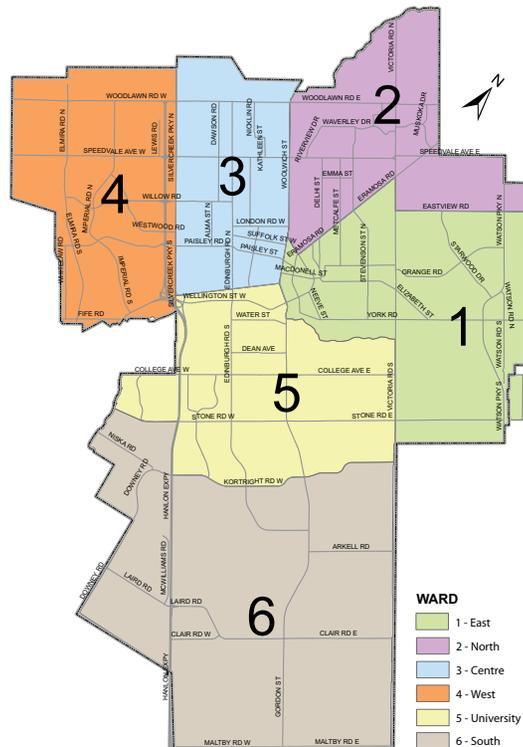
City Council consists of the Mayor and Councillors, two from each of the City's six wards. Members of Council are elected by residents to a four-year term of office.

Mayor



Karen Farbridge
Mayor's Office
T 519-837-5643
E mayor@guelph.ca

Karen Farbridge was re-elected as Mayor of the City of Guelph in 2010. She was first elected to Council in 1994 and previously served as Mayor in 2000-2003 and 2006-2010.



Councillors

Ward 1



Bob Bell
Re-elected Councillor in 2010
T 519-822-6152
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Jim J. Furfaro
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Ward 2



Andy Van Hellemond
Elected Councillor in 2010
T 519-822-1260 x 2503
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Ian Findlay
Re-elected Councillor in 2010
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Ward 3



June Hofland
Re-elected Councillor in 2010
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Maggie Laidlaw
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Ward 4



Cam Guthrie
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Ward 5



Lise Burcher
Re-elected Councillor in 2010
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Leanne Piper
Re-elected Councillor in 2010
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Ward 6



Todd Dennis
Elected Councillor in 2010
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Karl Wettstein
Re-elected Councillor in 2010
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Chief Administrative Officer's message



Throughout 2011, Guelph continued to be a vibrant, progressive community.

In this Making a difference together report, you'll read about the many ways in which the City is strengthening how it works and, as a result, continuing to build a thriving future for Guelph.

Stories of our 2011 highlights begin on page 12 and report on several City initiatives. These include the community wellbeing project, bringing emergency services together in the city's south end, attracting investment and jobs to the new Hanlon Creek Business Park, the City's involvement with the Guelph-Wellington local immigration partnership and our commitment to employees' health and wellbeing.

In addition, this year's Making a difference together report includes comprehensive financial information to ensure you have the full picture for determining how the City's tax dollars are spent.

The City's Executive Team is committed to sound financial planning and budgeting that balances quality public services with affordability for Guelph taxpayers. You will see that commitment reflected in this report, with information provided on financial policies, services, and initiatives that ensure Guelph has the resources it needs to continue to be sustainable and prosperous.

The City's new, 2012-16 corporate strategic plan – which started to take shape in 2011 and was finalized and endorsed by Council in 2012 – positions us to build on our 2011 successes by fostering innovation and ensuring value for every dollar spent.

As we implement the many initiatives associated with our corporate strategic plan, we will be tracking and reporting our progress. I invite you to review the City's 2011 Making a difference together report and take a few moments to provide your feedback and let us know what City initiatives are important to you.

Together, we can make a difference.

Ann Pappert
Chief Administrative Officer

City Executive

City Council

Office of the Chief Administrative Officer



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and Corporate Initiatives
Internal Audit

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Corporate Building Maintenance
Culture and Tourism
Parks and Recreation

Corporate and Human Resources



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City Clerk's Office
Corporate Communications
Court Services
Human Resources
Information Technology
Legal and Realty Services

Finance and Enterprise Services



Executive Director/Chief Financial Officer
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Downtown Renewal
Economic Development
Finance

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Security and Licensing
Emergency Services
Guelph Transit
Public Works

Planning, Building, Engineering and Environment



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Building Services
Engineering Services
Planning Services
Solid Waste Resources
Wastewater Services
Water Services

2011 Highlights

WEIGHING IN ON WELLBEING



What does wellness mean to you? Access to food, shelter and healthcare? More bicycle lanes and transit? Opportunities for citizens to connect with their government?



Community wellbeing is for everyone and the City has been hearing from residents on what they think the community needs to thrive

The wellness question, although not always the most straightforward to answer, is an important one the City of Guelph has been asking since it launched its community wellbeing initiative in 2011. The initiative was born out of many conversations Mayor Karen Farbridge had with residents about what they thought the community needed to thrive.

Since then, City government, volunteers and citizens have stepped up to start new conversations and gather ideas about what can be done to improve quality of life in Guelph. In short, ask enough people in Guelph about what they think is most important to their health and happiness, and it's easier to create a City plan that hits the mark.

There's definitely a feel-good aspect to the project, says Barbara Powell, the City's general manager of Community Engagement.

"We not only want to focus on the things that are problematic, but really pull our vision up to the kind of community we aspire to live in. What are the things we already treasure and want more of?" says Powell.

COMMENT CARDS

One of the simplest ways to find out the answers to that question has been to develop short comment cards that ask five open-ended questions, starting with, "What do you love about Guelph?" The cards have been distributed at community centres, libraries, and even doctors' offices.

Still, knowing not everybody is able to take the time to write down their thoughts about green spaces, education or transportation in the city, volunteers have been trained through the City's Places and Spaces program to start conversations where people congregate. Think children's soccer games, the food bank or in the grocery store.

Some volunteers, such as Marg Hedley, a member of the initiative's leadership group, takes the concept one step further. She handed out comment cards to members of her bridge group, as well as a seniors' group for Chinese Canadians. The questions started a meaningful dialogue about transportation, safety and clean air.



2011 Highlights



"It shouldn't be just the city's government to worry about wellbeing. You want the whole community to get involved in the conversation," says Hedley.

Powell agrees, saying the initiative offers a way for the City to develop a plan that focuses on working together and creating partnerships that build on the strengths of businesses, not-for-profit groups and the community.

"The project is really about redefining the relationship between the City of Guelph and citizens. We all have a role to play in making the kind of community we want to live in," says Powell.

"The project is really about redefining the relationship between the City of Guelph and citizens. We all have a role to play in making the kind of community we want to live in."

To keep that conversation going strong, the community wellbeing initiative is planned to include other opportunities to share online, through social media and at community open houses.

SURVEY RESULTS

Some of the most detailed data, however, will likely be found in the results of the survey created by Guelph's partner, the Canadian Index of Wellbeing based at the University of Waterloo, which has been examining Canadian wellbeing trends and data for over a decade. Ten-thousand households across the city of Guelph were randomly chosen to answer the survey. The results will act as a building block for future policies and procedures. Until then, Guelph's information is scheduled to be compiled in fall 2012.

Margo Hilbrecht, its associate director of research, says she has been pleasantly surprised by how many Guelph households completed the survey, which typically takes 30 minutes to finish.

"I've been so impressed with the number of people who have given their time to contribute. It's great to see that kind of commitment," she says. "I love Guelph."

2011 Highlights

TARGETING ENERGY SAVINGS **TOGETHER**



Canadian Solar is one of the world's largest solar panel producers and has plans to build a \$24-million manufacturing facility in Guelph

In 2011, the City of Guelph continued with its aggressive 25-year plan to cut local energy consumption in half by 2031.



Through the Community Energy Initiative, Guelph stands to use less energy in 25 years than it does today and reduce annual greenhouse gas emissions by nine tonnes per person even while building a vibrant future for Guelph, says Rob Kerr, the City's corporate manager for Community Energy.

"This will put Guelph among the top energy performers in the world and make this one of the most competitive and attractive communities in which to invest."

Inspired by provincial Places to Grow legislation, which directs the City to prepare for a population increase of roughly 50,000 people by 2031 based on forecast trends, the Community Energy Initiative is a basket of energy-saving measures built around community involvement.

Rebates from utilities such as Guelph Hydro, Union Gas and the City's water department are common across Ontario, but in Guelph they're integrated efficiently into community activities such as Earth Hour and Earth Day.

"The Community Energy Initiative is about bringing stakeholders together through a community-led effort, under the auspices of the Mayor's Task Force on Community Energy, to build synergies around activities already underway and scale them up," Kerr says.

ENERGY MANAGEMENT

Schools have participated through ongoing energy management programs. The University of Guelph has aggressively tackled energy management, upgrading its central heating plant and looking to play a key role in supplying energy to the region beyond its campus. Public transportation has also played a role, with a new downtown hub improving overall efficiency and reducing dependence on automobiles.

The Guelph Chamber of Commerce, another important ally, has incorporated sustainability into its mission statement, holding seminars and other events to promote wise energy management.

Early results are already evident. The City's per capita energy use and greenhouse emissions have declined in recent years despite a population increase.

2011 Highlights



Then, last year, Canadian Solar, one of the world's largest solar module companies, announced plans to build a \$24-million manufacturing facility in Guelph, with 500 jobs anticipated.

"We chose Ontario and Guelph because of the province's and city's strong research and development, and the local and provincial governments' commitment to investing in a low carbon economy," says Canadian Solar president and CEO Shawn Qu. "Guelph was chosen over several major cities as a result of its commitment to making sustainability the hallmark of the community through the Community Energy Initiative."

"This will put Guelph among the top energy performers in the world and make this one of the most competitive and attractive communities in which to invest."

REDUCING OUR ENERGY FOOTPRINT

Citizens have been particularly stalwart partners. In 2008, Guelph Environmental Leadership (GEL) teamed up with the City, Guelph Hydro and Union Gas to create a project called Green Impact Guelph to address the scale of change that would be required for the city to reduce its energy footprint.

In short order, GEL distributed 16,000 conservation kits and 40,000 low-energy compact fluorescent light bulbs to city households, and then followed up with surveys, retrofits and a pilot project to help single-family detached homes save energy.

"It's imperative that we have a plan that can really have us focused towards health and wellbeing for the next generation," says GEL executive director Glynis Logue. "That's what the Community Energy Initiative is about. We need this type of central support system."

City politicians have also been supportive. "Guelph's experience is that a Community Energy Plan, developed in cooperation with a broad range of local stakeholders, is a powerful driver of jobs and investment," says Mayor Karen Farbridge. "We've demonstrated that sustainability and prosperity go hand in hand."



Top: Guelph Hydro Inc.'s solar roof
Right: Mayor Karen Farbridge (left), Jasmine Urisk, board chair of Guelph Hydro Inc., and Barry Chuddy, CEO, Guelph Hydro Inc.

2011 Highlights

ON TRACK TO A VIBRANT AND HEALTHY DOWNTOWN



It's a crisp December evening and people are flocking to the new outdoor skating rink at Market Square in front of Guelph's City Hall.

Children wearing helmets grab their parents' and caregivers' hands as they slowly make their way around the rink. Meanwhile, older couples, groups of teens and families skate or mingle as blue, purple and green lights throw beams over the ice.

"Can we come again tomorrow?" one girl asks her mother.

Questions like this make Ian Panabaker happy. The corporate manager of Downtown Renewal for the City of Guelph knows what a success the space is. In winter, skaters take to the ice then pop across the street for hot chocolate. In the summer months, children and people of all ages enjoy the water fountains and movies that play under the stars.

"Market Square is emblematic. It's everything that we're going for downtown," he says.

That downtown area is not only evolving – drawing investment to the area and building strong partnerships between the public and private sector – it has physically grown as well. In 2011, the City changed the boundaries for downtown, almost doubling the size of the Downtown Community Improvement Area. Market Square may be at the area's epicentre, but Guelph's downtown now includes the former W. C. Woods properties east of the Speed River that is designated for future use, and more waterfront property along the rivers, too.

It's an exciting time no matter where the new boundaries lie. From new residential developments such as Market Commons – a 60-unit condo development across from the farmers' market – to the Tricar Group's 18-storey condos planned for Macdonell and Woolwich streets and Guelph Central Station – a transit hub that sees GO commuter trains and VIA trains rolling down the city's tracks along with City buses and, later on, GO buses and Greyhound buses – years of planning are culminating into an area that is coming into its own.



Left: Market Square has become a central meeting place for all ages

Above: Guelph Central Station – a transit hub that sees VIA trains rolling down the city's tracks

2011 Highlights



More people taking transit, cycling and walking are key priorities for the City

DOWNTOWN PRIORITIES

To get input and advice from the community it serves about economic, social, cultural, physical and educational issues, the City reinstated the Downtown Advisory Committee made up of leaders and citizens. Some other key priorities? More visitors, more parkland, continuous riverfront trails, more people taking transit, cycling and walking, reduced energy consumption, and fewer contaminated properties.

All of it is by design, of course. In 2010, downtown Guelph was designated one of Ontario's urban growth centres as part of the province's Places to Grow legislation. In order to manage continued sprawl from the Greater Toronto Area, municipalities outside the greenbelt area, like Guelph, were asked for growth targets to entice more people to live in urban areas. Guelph's downtown 2031 targets include 8,500 residents (up from 3,000 today), and 1,500 more jobs.

"Market Square is emblematic. It's everything that we're going for downtown."

INVESTING IN GUELPH

Marty Williams, executive director of the Downtown Guelph Business Association, says he's thrilled the City is investing so heavily in Guelph.

"Investment attracts investment," he says. "The City is transforming the downtown so private money looks at that and says, 'If the City thinks this place is worth this kind of investment and care, this is a good place to invest.'"

Take the Gummer Building at 1 Douglas St., a historic building that was nearly destroyed by fire in 2007. The damaged structure, purchased by local developer Skyline, is sure to add vibrancy to the community, with a restaurant, retail stores, office space and apartments.

"It's a mixed development of commercial, office and residential. It's historic – and new. The Gummer Building is the icon for everything we want here," he adds.

Just down the street, another icon is being created: the best burger. In December 2011, the Works Gourmet Burger Bistro opened its doors at 97 Wyndham St. North. The company, a small Ontario chain, is known for moving into busy downtown neighbourhoods. Guelph was the perfect fit, says Matt Martindale, co-owner with Brian Cachia.

Although they could have opened in any area of the city, they chose downtown to take advantage of the office lunch crowds and hockey fans who flock to the Sleeman Centre. Some nights the wait for a table is out the door.

"Guelph likes to get behind community-based businesses. We felt we could really be a part of the city and community if we were downtown," says Martindale.

2011 Highlights

WORKING TOGETHER FOR **NEW CANADIANS**



A key investment in the future of Guelph will continue, thanks to City Council's 2011 approval of funding for the Guelph-Wellington Local Immigration Partnership through to 2013.



New Canadians transitioning to a life in Guelph or another Wellington County community can find support and services through the Guelph-Wellington Local Immigration Partnership

The Guelph-Wellington Local Immigration Partnership has been providing support and services to assist new Canadians transitioning to a life in Guelph or another Wellington County community since 2009.

"The face of Guelph is changing," says Alex Goss, the partnerships' project manager. According to Goss, immigrants currently make up 20 per cent of Guelph's population, with 700 newcomers choosing Guelph or another Wellington County community every year as their end destination when first arriving in Canada.

Since 2006, the Government of Canada has substantially increased funding to support settlement programs and services. Immigration is an essential component of Guelph's growth management plan. By 2031, the City predicts a local population of 165,000, primarily supported by integrating new Canadians into the community.

The City of Guelph quickly recognized newcomers need support, and played an active role in establishing the Guelph-Wellington Local Immigration Partnership and supporting its vision to create "a caring, equitable community where everyone thrives."

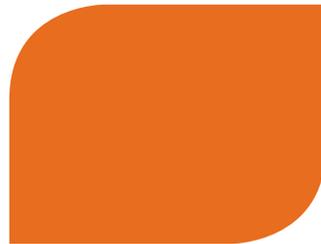
"Having the City take the lead on the application to establish the partnership gave a high level of credibility to the project right from the start," says Carol Simpson, co-chair of the partnership's Leadership Council.

"Getting the word out to the broader community is something the City will be able to assist with," she adds.

Community involvement lies at the heart of the partnership's mission. Volunteer-driven action teams provide Guelph's newcomers with access to English-language training, employment counselling, local programs for immigrants and help with integrating into their new community. Service providers and other community partners participate in workshops, and regular email notices provide details about events and information sessions of interest to immigrants.

Goss believes the key to the Guelph-Wellington Local Immigration Partnership's success lies in the community's commitment to work together.

2011 Highlights



"I'm proud of the amount of goodwill we see in the community. Large numbers of people volunteer their time and expertise to find ways to better support immigrants," he says. "Sometimes this collaboration is not easy, especially when there are funding uncertainties for some organizations. One of the accomplishments of the partnership has been to encourage collaboration between organizations that may not otherwise work together. This work in breaking down silos has been beneficial."

Simpson agrees. "The level of dedication from all the volunteers has been phenomenal. The action teams continue to amaze us with their dedication to improving settlement and employment opportunities for our newest community members."

Immigrants bring international skills and experience, including a wealth of cultures and ideas, all of which help build a stronger community. The Local Immigration Partnership, hosted by the City of Guelph and funded by Citizenship and Immigration Canada, plays a leading role in welcoming and supporting these vital community members.

"The City of Guelph has shown leadership in taking on this important work for Guelph and Wellington County," says Goss, "demonstrating their commitment to building an inclusive, diverse, and engaged city."

"Large numbers of people volunteer their time and expertise to find ways to better support immigrants."

2011 Highlights

FLEXIBLE WORK ARRANGEMENTS ATTRACT AND KEEP TOP TALENT



Amy Parker is one of the City's 63 employees approved in 2011 for Guelph's new alternative work arrangement program

When Amy Parker, a pension and benefits specialist in the City of Guelph's Human Resources department, heard about the new flexible work program, she was eager to apply.

Now, instead of working 8:30 a.m. to 4:30 p.m. each day, she starts earlier, takes a shorter lunch break and enjoys every other Friday off. "I really love it," she says. On her Fridays off, Parker often catches up on errands or cares for her two young kids if her babysitter is away.

A City employee for 12 years, she's grateful for the compressed hour arrangement she's had since November 2011. "I have better work-life balance," she says. "I'm a more productive employee because I'm happier." Plus, with a longer work day, she can complete more involved projects.

Parker is one of the City's 63 employees approved in 2011 for Guelph's new alternative work arrangement program. Depending on job requirements, City employees may apply for accommodations such as flexible hours, job sharing or telecommuting.

TOP EMPLOYER

The City committed to flexible work in 2007 when City Council endorsed a three-year strategic plan. The plan's goals included the City being recognized as one of the community's top employers. "We looked at what top employers do, such as offering alternative work arrangements and wellness strategies," says Mark Amorosi, executive director of Corporate and Human Resources. "In the coming years, more people will be retiring than entering the workforce. Any employer who wants to attract, retain and develop capable, committed people needs to stay competitive."

Competition is particularly high for information technology employees. "Flexible work arrangements allow the City to attract top talent," says Lynne MacIntyre, human resources manager. "We need to be progressive and respond to what's happening in the workplace. Offering options like remote work stations can mean the difference between getting the best candidate for the job and just getting what we can get."

2011 Highlights

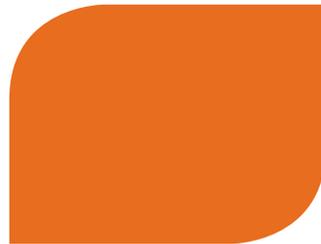


To address a possible concern that alternate work arrangements may impact services, MacIntyre says, "We don't compromise on service to Guelph residents. Employees who apply have to prove they can meet their deadlines and provide the same or better service before their alternate arrangements are accepted."

WORK SHARING

Megan Holdbrook, a customer service representative at City Hall, wanted more time with her two young children so she applied for a job-sharing arrangement. Holdbrook now works Monday to Wednesday each week while a second employee works Thursdays and Fridays. Since she works in a team of four, the job share won't change customer service. "I'm looking forward to taking my daughter to and from school," she says. "And I know I'll be happier at work."

"Offering options like remote work stations can mean the difference between getting the best candidate for the job and just getting what we can get."



2011 Highlights

ENVIRONMENTALLY FRIENDLY BUSINESS PARK BRINGS JOBS TO GUELPH



Thousands of new local jobs will be created as development continues at the City's new 675-acre Hanlon Creek Business Park.



Left: The new interchange being built to access Hanlon Creek Business Park from Highway 6

Above: Fusion Homes, a local builder and developer, has relocated its offices to the Hanlon Creek Business Park

After nearly a decade of planning and groundbreaking, the City brought the first 240-acre phase of the business park to market in 2011 and quickly netted its first land sales.

Würth Canada, an industrial products supplier based in Germany, is making the park its national head office, with plans to move in by 2014. Fusion Homes, a local developer and builder, is also relocating to the park, breaking ground and planning occupancy for late 2012. Devlan Construction, also of Guelph, has bought property with a view to attracting businesses.

Peter Cartwright, the City's general manager of Economic Development, says the City had very little serviced industrial land 10 years ago. Hanlon Creek Business Park now gives the City serviced industrial land to attract new business and create jobs and has spurred further private-sector development, adding to the City's inventory of market-ready industrial property.

"This development stands to help build a thriving, prosperous future for Guelph. It is estimated there will be between 8,000 to 10,000 jobs once the park has been completely built and occupied," Cartwright says, adding the timing of these jobs depends on market conditions.

Attracting new businesses also helps ease the municipal tax load for citizen ratepayers, he points out.

JOINT VENTURES

Partnerships have proven to be key. Two land development firms – Belmont Equity Group of Mississauga and Cooper Construction of Oakville – have participated through joint ventures with the City.

Joint ventures such as these spread the financial risk through development cost-sharing agreements and also enable aggressive marketing through co-ordinated efforts, Cartwright explains.

A joint venture between the City and the Ontario government, meanwhile, has enabled an interchange – currently under construction – to link the Hanlon Parkway to the business park.

2011 Highlights



Hanlon Creek Business Park features a 165-acre wetland at its core

The City has also teamed up with Guelph Hydro on a planned district energy system. This stands to provide the park with a central source of clean and reliable electricity, hot and chilled water for space conditioning, and high-quality steam for energy production.

"You don't typically see such systems in industrial parks, but you're going to see more and more of them because they allow businesses to reduce their operating costs and environmental footprint," Cartwright says.

BUSINESS MEETS ENVIRONMENT

Indeed, the environment has been a stated goal throughout the planning process. Hanlon Creek Business Park raises the bar in terms of balancing business needs with protecting important natural environmental features.

The site features a 165-acre wetland at its core, and an environmental assessment process determined natural elements must be preserved. The approved development plan calls for planting native trees and shrubs to complement and enhance current vegetation, creating buffers to protect significant natural features and wildlife species, and building innovative stormwater management facilities to safeguard natural wetlands and groundwater.

"This development stands to help build a thriving, prosperous future for Guelph. It is estimated there will be between 8,000 and 10,000 jobs once the park has been completely built and occupied."

A NEW PLACE TO CALL HOME

So what do the park's up-and-coming occupants think?

Würth Canada logistics manager Walter Hancharyk says the hardware and after-market automotive and clean energy accessories distributor was looking to relocate its Mississauga head office to a space large enough to accommodate facilities over 100,000 square feet and new automated equipment for picking, sorting and packaging goods.

"We surveyed our employees to see which location they preferred and we looked at our overhead, operating and freight costs, and everything added together came up to Guelph," Hancharyk says.

Alicia Piccoli, senior executive of project management and recruitment with Fusion Homes, says the company is experiencing high growth and bursting at the seams and has been looking to relocate from its current office at Victoria and Stone roads.

"We need the space and this is just 10 minutes down the road," Piccoli says, adding that the environmental features put Hanlon Creek Business Park at the top of the list.

"They've done an amazing job with the walking trails and stormwater management," Piccoli says. "The building we've designed allows for lots of windows so that all of that wooded green space and natural sunlight will come right in the building. It's beautiful out there."

2011 Highlights

NEW FACILITY HELPS CITY **DIVERT WASTE**



No more transporting,
landfilling or burning
food scraps and other
organic waste.



The City of Guelph Organic Waste Processing Facility stands to increase Guelph's waste diversion rate by 10 per cent within its first year

Pint-size microbes are munching away happily on everything from apple cores and fish bones to soiled napkins and used tissues at the City's new Organic Waste Processing Facility.

The \$32,825,000 facility opened in September 2011 and stands to increase Guelph's waste diversion rate by 10 per cent within a year, enabling the City to meet its overall 70 per cent diversion target by 2021.

Located within the City's Waste Resource Innovation Centre on Dunlop Drive, the facility uses aerobic, in-vessel composting technology. Naturally-occurring bacteria do the lion's share of the work, breaking down organic matter quickly, and a state-of-the-art environmental management system consisting of air-handling units, a biofilter, and a closed-top design with a tall stack, help ensure the facility doesn't impact its neighbours.

ALL-YOU-CAN-EAT BUFFET FOR MICROBES

In effect, the facility is an all-you-can-eat buffet for the microbes. It's designed to process 30,000 tonnes of organic material per year – three times more organic waste than Guelph citizens and visitors produce. So there's room for anticipated population growth, and the City can accept organic waste from nearby municipalities for a fee to reduce operating and capital costs and save valuable taxpayer dollars. In fact, the Town of Simcoe is already on board and the Region of Waterloo has signed a long-term contract that begins in 2013.

Dean Wyman, the City's general manager of Solid Waste Resources, says the facility provides a sustainable, long-term solution to managing Guelph's organic waste and positions the City as an environmental leader.

"It closes the loop on managing organic material," Wyman says. "You put a seed in the ground, it grows into a fruit or a vegetable, you eat it, you throw the core into your organics, and it gets turned back into compost to regenerate the soil and allow more fruits and vegetables to be grown."

2011 Highlights



Cost-effective and environmentally friendly, the facility turns the City's organic waste into nutrient-rich compost and uses less energy and emits fewer greenhouse gases than would occur from hauling the waste elsewhere for processing or landfilling, or even doing these here.

ENVIRONMENT MINISTRY SUPPORT

The waste diversion efforts of the City through its Organic Waste Processing Facility are supported by the Ontario Ministry of Environment. City personnel worked co-operatively with the ministry through the approval process and again as the system was fine tuned to ensure regulatory compliance.

"A collaborative and cooperative approach results in the most effective and efficient resolution of any issues that may arise," says Greta Najcler, Guelph district supervisor for the Ontario Ministry of Environment.

"We hope to continue to work in cooperation with the facility's staff as our objectives and goals are the same: to ensure that the facility can continue to operate in accordance with its approval requirements and continue to be a benefit to the community."

The City and environment ministry attend standing public liaison committee meetings to ensure the facility's daily operations are successful and transparent. Karyn Hogan, a committee member, says it facilitates communication and information-sharing between citizens, City staff and environment ministry staff.

"The chair of the public liaison committee has solicited opinion on matters discussed not only from the members at the table but also from those in the audience at the meetings, thus engaging all those present."

The processing facility provides a local, long-term solution to managing Guelph's organic waste, says Mayor Karen Farbridge. "We are re-establishing Guelph's leadership position as a community that responsibly manages its own waste."

"We are re-establishing Guelph's leadership position as a community that responsibly manages its own waste."

2011 Highlights

CLAIR ROAD EMERGENCY SERVICES CENTRE UNITES FIRST RESPONDERS



Until last year, Guelph's police, fire and emergency medical services were housed in separate quarters.

Members of each organization generally see each other only in times of emergencies, so it was a welcome development for the Guelph Police Service, the Guelph Fire Department and the Guelph-Wellington Emergency Medical Service when the Clair Road Emergency Services Centre opened in June 2011 at 160 Clair Rd. West in the City's south end.

The 35,000-square-foot building, designed by Thomas Brown Architects, is a first in Canada – the only facility, to date, that accommodates all three main local emergency service providers.

The facility has rooms big enough for the three departments to meet and ample facilities to train their employees.

There's also a collision reporting centre and a community room with a kitchen that local groups are welcome to use upon request.

"There are a lot of positives to integrating emergency workers together," says Guelph Police Chief Bryan Larkin.

"In the long run, what we're going to have is a healthier, more productive workforce, and if a big emergency occurs, I think we're going to exceed community expectations – largely because of our ability to work together in this new location."

Because of its place in Guelph's rapidly-growing south end, the emergency services centre greatly improves access to public services for the City and surrounding communities, too.

It used to be a challenge for the Guelph Fire Department to meet the recommended four-minute response time for calls in the south end. Now, says Deputy Fire Chief John Osborne, the department is easily fulfilling its mandate 90 per cent of the time.

"Anytime we can get our response times down is a benefit to the person whose house is on fire, and it's also safer for the firefighters," says Osborne. "It gets them quicker on scene and reacting...instead of a big house fire maybe it's just a little kitchen fire."



Top: First responders attend to an accident victim
Above: The Clair Road Emergency Services Centre, is the only facility in Canada, to date, that accommodates all three main local emergency service providers – fire, police and ambulance.

2011 Highlights



The south end location works also well for paramedics. Stephen Dewar, Chief of Guelph-Wellington EMS, says ambulances now have quick and easy access to Clair Road, Hanlon Parkway, Gordon Street, Victoria Road and Highway 401.

This kind of access is vital since Guelph-Wellington EMS serves Guelph and all other Wellington County communities.

"The City is growing by leaps and bounds in this area," says Dewar. "To be able to operate from the Clair Road location helps keep our response times down."

Not only does sharing space improve relationships and service delivery, it's also a huge money saver in terms of construction costs and ongoing operational expenses.

Furthermore, the facility is not only lean, but green as well. The building is seeking silver certification through the Canada Green Building Council's Leadership in Energy and Environmental Design (LEED) rating program.

LEED recognizes buildings that are high-achievers in green design, construction and operation, and the facility's solar panels, windmill and water recycling system stand to significantly reduce its energy and water consumption, benefiting not only the environment but also saving valuable tax dollars.

"Our new facility sends the right message," says Larkin. "It builds long-term stewardship around good business practices and shows Guelph as a leader."

In fact, the Clair Road Emergency Services Centre paves the way for future collaboration between the three emergency services and the communities they support.

"We had forward-thinking leaders," says Larkin, "and a forward-thinking City Council that saw the benefits of putting three emergency services together. As we move forward, the opportunities for more shared services and more integration are tremendous."

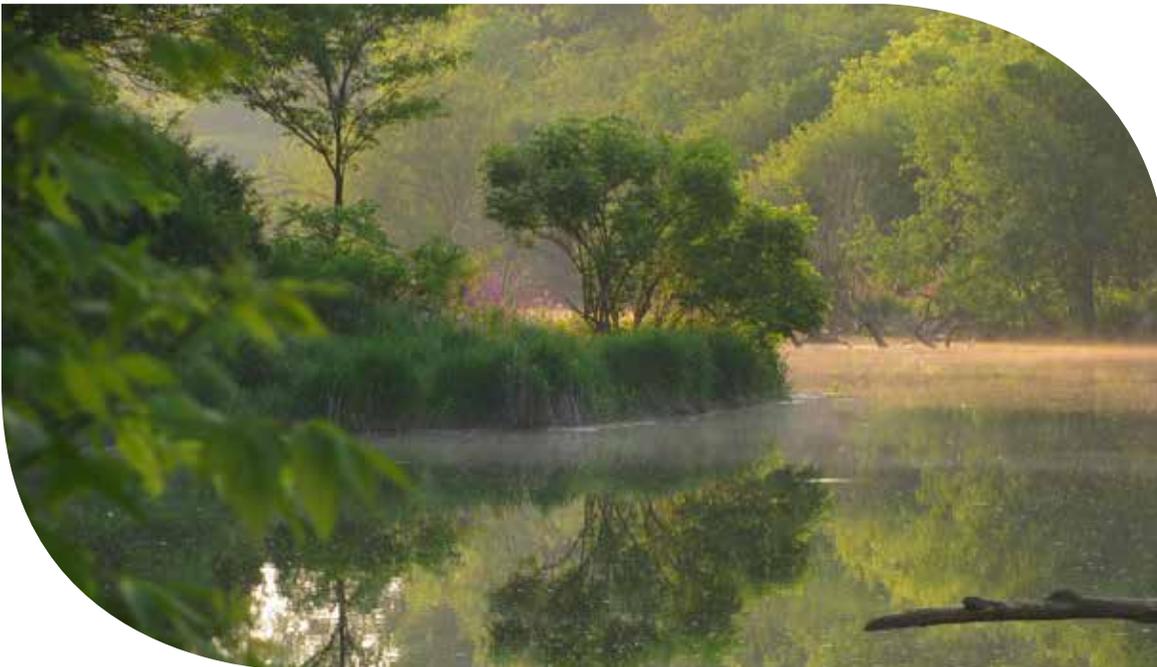
"In the long run, what we're going to have is a healthier, more productive workforce, and if a big emergency occurs, I think we're going to exceed community expectations – largely because of our ability to work together in this new location."

2011 Highlights

CITY PROGRAM PROTECTS **WATER SUPPLY**



Guelph's drinking water, which is sourced from deep bedrock aquifers and the Eramosa River, is safe to drink.



To keep it reliable and healthy for future generations, City staff worked throughout 2011 to prepare draft policies for the new Source Water Protection Plan for the Grand River Watershed, which encompasses Guelph.

The plan harkens back to the Ontario Clean Water Act of 2006, which vested municipalities and conservation authorities with new responsibilities and enforcement powers to protect local water supplies.

City employees have spent considerable time mapping the precise location of drinking water sources and building an accompanying database of farms, industries and other businesses using agricultural or industrial chemicals or storing fuel in tanks.

OURS TO PROTECT

The City's policies, which will guide the plan's implementation, consider the need to protect drinking water supplies, planning and zoning, economic and logistical factors, the fair and equitable treatment of landowners, and potential impacts to Guelph citizens and businesses.

The goal, says City water supply program manager Dave Belanger, is prevention – keeping contaminants out of Guelph's drinking water rather than engaging in costly clean-ups after the fact.

"Whereas a fuel tank may have leaked in the past, we will now require best management practices to make sure that a tank is properly constructed with leak detection and spill contingency plans, and that all the best management practices are followed with respect to the safe handling, storage and application of materials."

The draft plan recognizes that source protection is the first barrier in the drinking water safety net, focusing on keeping contaminants out of the drinking water system and therefore safeguarding the health and wellbeing of the community.

Top: Guelph's tap water is the first choice
Above: Guelph's drinking water is sourced from deep bedrock aquifers and the Eramosa River. Photo Credit: Grand River Conservation Authority

2011 Highlights



Belanger emphasizes that the City plans a reasoned, fair and helpful approach.

"If you're a farmer or an industry or company and you're using good management practices, this will meet the plan's requirements," he says. "We'll be directing our attention to the ones where their practices aren't efficient, where there's the potential for drinking water threats to impact our water supply, and we'll be looking to help bring them up to those best management practices."

"Water doesn't respect municipal boundaries, it follows natural boundaries."

BIG-PICTURE APPROACH

Also important, is that Guelph isn't in this alone. The Source Protection Program takes a decidedly big-picture, watershed-based approach that includes municipalities and conservation authorities upstream – and downstream.

Neighbouring municipalities such as the Township of Puslinch, the Township of Guelph/Eramosa and the Town of Milton are all participating, doing their own mapping and drafting locally-driven policies yet working collaboratively through what's known as the Lake Erie Region Source Protection Committee, with a view of sharing responsibility for the watershed's protection.

"Water doesn't respect municipal boundaries, it follows natural boundaries," says Lorrie Minshall, director of the Source Protection Program with the Grand River Conservation Authority. "A lot of Guelph's water comes underground from other municipalities and from wells outside the city."

The City presented its own draft policies to the public at an open house in November 2011. Endorsed by Council, Guelph's policies will soon be provided to the Lake Erie Region Source Protection Committee to be amalgamated into an overall protection plan covering the Grand River watershed.

That plan will then undergo public consultation before it's finalized and sent to the environment ministry for approval later this year.

2011 Highlights

WORKPLACE WELLNESS RESULTS IN SERVICE EXCELLENCE

In 2011, the City's Wellness Committee hosted its first Biggest Loser Contest to inspire employees to get fit and to eat well. Participants included Sherry Hoysa, right, Enza Commisso, lower right, and Eleanor Millie, below



In January 2011, the City announced its first Biggest Loser contest – an employee weight loss and peer support challenge.

For Enza Commisso, a service clerk at the City of Guelph's West End Recreation Centre, the contest launch was especially timely. She had just received shocking news at her doctor's office. "My cholesterol was high and I was on the verge of getting diabetes," she says. "I was told to lose weight or I'd have to go on medication."

Initially, Commisso was reluctant to apply, but her manager, Eleanor Millie, encouragingly said, "We'll do it together." Both decided to enter their names and stories for the chance to be contestants.

The Biggest Loser contest, inspired by the popular television show, was created as part of the City's People Practices Strategy. It contains new and updated human resource policies to achieve four goals: a well workplace; learning; leadership; and service excellence.

"One of our major goals is to develop a well workplace," says Aidan Prince, formerly an organizational development specialist with the City. "Improving employee wellness reduces sick time and benefits costs, improves productivity and helps attract and retain top employees."

WELLNESS AT WORK

The City established a wellness committee made up of employees representing all departments and sites. Committee members volunteer their time to plan wellness activities based on employee feedback and health data, such as absenteeism and benefits use.

"We find out what's ailing people and then target programming to address that," says Prince.

"The two biggest health issues are stress and weight management. We want to inspire people to get fit and eat well. Our secondary goal is to increase camaraderie. The weight loss challenge is a big, visual way to do this."

To her surprise, Commisso was chosen as one of the 10 contestants. During the 12-week challenge, she met regularly with a personal trainer for exercise and nutrition advice. At lunch hour, she did an aquafit class or walked laps in the recreation centre, accompanied by "hyped" co-workers.

Along with other contestants, she blogged about her progress (measurements and percentage weight loss) on the City's website for employees. Contestants and other employees posted encouragement and nutrition/fitness tips. "The 13,474 views on these website pages show there was widespread employee interest," says Prince.



2011 Highlights



Other City employees, including Sherry Hoysa, joined an offshoot of the contest – the Biggest Loser Club. An administrative assistant at Guelph-Wellington Emergency Medical Service (EMS), Hoysa received support through the club blog and from co-workers, family and friends. As well, Hoysa attended seminars – that were open to all City employees – on topics such as grocery store survival.

By combining this challenge and a subsequent fitness challenge at Guelph-Wellington EMS, Hoysa lost 64 pounds in six months. Now she reports better sleep, improved allergy symptoms, fewer headaches and consistent energy.

“This is all about bringing better service to the public. There’s a direct link between investing in our staff and quality of service.”

WELLNESS STRATEGY

As part of the City’s wellness strategy, employees can choose from a full menu of lunch time or after work classes including yoga, pilates and stress management. “We’ve had wonderful feedback,” says Prince. More than 1,100 employees enrolled in City wellness programs in 2011.

“This is all about bringing better service to the public,” says Mark Amorosi, executive director of Corporate and Human Resources. “There’s a direct link between investing in our staff and quality of service.”

Already, Amorosi has identified a decline in employee turnover. Soon, he expects to see the full impact of the wellness programs. “Literature shows if you invest in wellness programs for staff, over time the return on investment is a three-to-one ratio. Any organization is only as strong as the people who work here.” Healthier employees result in reduced benefit costs, less absenteeism and an improve level of customer service.

Commisso, after her Biggest Loser challenge, would have to agree. Now her cholesterol and blood sugar issues are gone. “I feel like I got the old Enza back – slim and happy. And I have more energy for work.”

Our City, Our Future

The City's 2012-16 corporate strategic plan, **Our City, Our Future**, is an inspiring strategy for strengthening how the City works and building a thriving future for Guelph.

Its foundation is the City's vision, mission and values.



Our vision

To be the City that makes a difference...

acting locally and globally to improve the lives of residents, the broader community and the world

Our mission

To build an exceptional City by providing outstanding municipal service and value



Our values

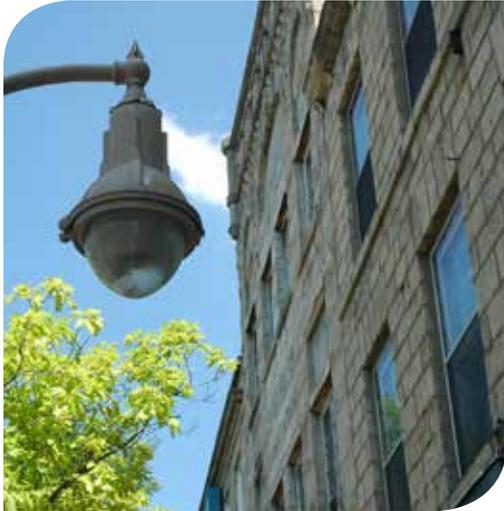
Integrity, excellence and wellness

Our values were developed by City employees for all our employees. At all levels of the organization – from new hires to the CAO – there's a strong commitment to uphold these values and practice them each and every day.



Our City, Our Future

Each of the 2012-16 corporate strategic plan's three strategic focus areas – organizational excellence, innovation in local government and City-building – are supported by strategic directions and initiatives.



1. Organizational excellence

1.1 Engage employees through excellence in leadership

- The City is managed by an experienced and knowledgeable executive team that, together, has many years of municipal and government experience. This expertise enables the City to provide excellent services that adhere to all required legislation.
- The Executive Team recognizes the importance of workplace engagement and supported a corporate initiative to survey and implement new strategic programs for strengthening employee engagement.
- The City has an employee recognition committee that identifies individuals for their outstanding performance and encourages engagement at all levels of the organization.
- Develop collaborative work teams and apply whole-systems thinking to deliver creative solutions.
- The newly formed Direct Report Leadership Team consists of all corporate and general managers. It supports crossfunctional decision-making that considers all aspects of the City and fosters collaborative and creative solutions.
- The City implemented a new collaborative priority model that is being refined to prioritize capital investment in line with the recently approved 2012-16 corporate strategic plan. The model is an effort between all functional areas of the City, and ensures City resources are not used on duplicate initiatives and focuses spending on high priority needs.
- The City offers and supports several services through intermunicipal arrangements as it is sometimes more efficient and appropriate to consider the regional service rather than only the local community. These services include social services, land ambulance as well as health and long-term care services.

1.2 Develop collaborative work teams and apply whole systems thinking to deliver creative solutions.

- The newly formed Direct Report Leadership Team consists of the City's general and corporate managers. It supports decision-making across functional areas, fosters collaboration and results in creative solutions.
- The City has implemented a new collaborative priority model to prioritize capital investments and align them with the corporate strategic plan. The model involves all functional areas to ensure City resources are not used on duplicate initiatives and spending is focused on high-priority needs.
- The City offers and supports several services through intermunicipal arrangements when it is more efficient and appropriate to provide a regional service rather than a local one. Such arrangements include social services, land ambulance and health and long-term care services.

1.3 Building robust systems, structures and frameworks aligned to strategy.

- The City's reporting structure, which includes the Direct Report Leadership Team, the Executive Team and Council ensures all reports, initiatives and communications are aligned with corporate strategies and goals.
- Through the Governance and Audit Committees, Council members monitor City risk, review and monitor progress of strategic planning initiatives and maintain a focus of corporate governance
- A newly approved initiative will see the creation of a records and information system that will be a corporate-wide system for storing and accessing critical information across the City. This system will strengthen the City's ability to share interdepartmental information and create efficiencies in researching and reporting on historical context.

Our City, Our Future



2. Innovation in Local Government

2.1 Build an adaptive environment for government innovation to ensure fiscal and service sustainability.

- A corporate re-organization has better aligned divisions for innovation and efficiency, most notably in the new Finance and Enterprise Services. This area combines Finance, Economic Development, Downtown Renewal and Corporate Energy.
- The City's strong financial policies and annual reporting on performance targets for reserves has provided for an increase in reserves by \$52.6 million or 58 per cent since 2009. This allows for greater flexibility and the ability to quickly adapt in financial decision-making and funding strategic priorities.
- The City has approved an incremental tax-based grant program to spur downtown renewal, brownfield site development and heritage maintenance throughout the City. This is an innovative way to support community investment without increasing taxes.
- The Guelph Junction Railway is a city-owned corporation that enables Guelph to provide freight service to local companies. It is a unique and innovative tool in attracting and retaining business to our community.

2.2 Deliver public services better.

- The City has incorporated Guelph Municipal Holdings Inc., which is an innovative and accountable management model for current and future City-owned assets. It will be used to build partnership opportunities that strategically align with the City and provide economic benefits to the community.
- Council has approved funding for a business case development framework that will ensure all significant capital projects have been fully considered for financial impact and strategic alignment. The framework includes a complete risk assessment and will provide Council with better and more comprehensive information to inform their decision-making.
- The City is reviewing processes that will see certain City services objectively reviewed to find efficiencies in how services are offered and ensure citizens are provided with excellence and value.

2.3 Ensure accountability, transparency and engagement.

- The City's Clerk department manages clear protocols for establishing and running transparent Council meetings to ensure all members of the community are fairly represented and have access to agendas and other important information.
- Council approves a budget guideline annually that outlines what tax rate increase is affordable to the community and staff report back on what can be achieved within this limit.
- City Council annually reviews and approves a fiscal budget to guide how City resources will be used to provide services to the community and monitors this budget throughout the year with quarterly operating and capital variance reporting.
- The City has a strong financial management framework that drives transparency and accountability. It outlines performance targets for infrastructure reserve funding, financing and investing that Council has approved to guide fiscally sound decision-making for long-term investment.

Our City, Our Future



3. City-building

3.1 Ensure a well designed, safe, inclusive, appealing and sustainable City.

- The City completed several significant capital projects in 2011 that embody the five pillars of this direction:
 - Well designed – Guelph Central Station
 - Safe – Clair Road Emergency Services Station
 - Inclusive – Market Square
 - Appealing – Guelph Civic Museum
 - Sustainable – Organic Waste Processing Facility
- The City has been a leader in making our community inclusive and accessible for all citizens by making public facilities and transit accessible, mandating diversity training for employees and amending policies and procedures to include support persons, service animals and assistive devices.
- The City's growth management strategy, "Envision Guelph," will guide how and where Guelph will grow. It will ensure a well-designed community plan that will enable the City to remain sustainable and attractive into the future.

3.2 Be economically viable, resilient, diverse and attractive for business.

- Increasing population at about 1.2 per cent per annum since 2006 with a resilient economy through the recessionary period of 2007 to 2010.
- Increasing tax assessment base of 6.3 per cent during 2010 and an increasing number of permanent residential homes (excluding university student dwellings) by 7.6 per cent since 2006.
- The City strives to remain economically viable, as supported by our AA credit rating, through fiscally sustainable practices including adhering to long-term financial plans for infrastructure maintenance and replacement and limiting debt issuance to being well below the legislated limit.
- Building permit activity remains strong at 2,312 permits issued in 2011 with a construction value of \$264.5 million – development is balanced with about 50 per cent in the commercial, industrial and institutional sectors and 50 per cent in the multiresidential, single-detached dwelling and residential miscellaneous categories.
- The City is attracting new industry and investment from government agencies including GO Transit with their newly expanded train service, the Federal Economic Development Agency with the announcement of funding for a plant expansion for Hitachi Construction Truck Manufacturing and the first sales of newly developed land in the Hanlon Creek Business Park

3.3 Strengthen citizen and stakeholder engagement and communications.

- Mayor and Council are elected every four years from a large pool of candidates that fairly represent all areas within the City of Guelph. In the 2010 election, all candidates were elected and no one was acclaimed.
- The community wellbeing initiative, now starting into Phase 2, will build a strong relationship between the City and the community as it develops a new civic engagement model and delivers tools for proactive advocacy with the provincial and federal governments.
- The City seeks community input in many forms and in all major strategic planning, including the 2012 operating and capital budget process, Guelph's Cultural Mapping Project and the "I Love Guelph's Tap Water Video Contest."
- The community shows their support and pride for Guelph through events and celebrations such as the annual Mayor's Award for Community Excellence, the grand opening of Market Square and the Mayor's New Year levy.

Treasurer's message



We are pleased to present the 2011 financial report, which describes the City's financial performance and highlights many of the City's financial achievements.

Most notably, the City is proud to present an unqualified audit report on our consolidated financial statements from its external auditors Deloitte & Touche LLP.

This annual financial report serves as an opportunity to communicate the results of the City's 2011 performance, provide related information on significant achievements during the year and identify several exciting, future initiatives. The City has clearly and consistently stated that accountability is a primary strategic goal and that open, accountable and transparent conduct of municipal business is an objective the City continues to strive to maintain, if not exceed. This is the second annual report of this nature and is one more measurable step towards supporting this critical strategic priority.

The following financial results reflect the City's commitment to strong, transparent and accountable financial management. Finance and Enterprise Services employees are pleased with dashboard results and are encouraged these will be incorporated into the City's 2012 credit review. A strong credit rating will enable the City to access favourable interest rates on scheduled debt-financing in 2013. Additionally, accurate, consistent and timely financial information supports Council and management in making good business decisions. It also provides the data that can be used for benchmarking to determine how the City of Guelph compares financially and operationally to other municipalities. Reliable, historical data is imperative in predicting, budgeting and managing future needs.

As a new executive member at the City and the leader of the Finance and Enterprise Services area, my team's focus is providing the City and Council with access to the information needed to inform all business decisions. With the re-organization in early 2012, Finance and Enterprise Services is excited to explore new opportunities and synergies that will be created with the merger of Finance, Economic Development, Downtown Renewal and Community Energy. These four departments have the potential to create innovative business opportunities for the City and its citizens. My division further looks forward to working on integrated, crossfunctional teams to implement new City-wide initiatives, such as business-case planning, multi-year budgeting and performance-based reporting. In addition, we will continue to emphasize the importance of our financial policies and procedures as the backbone of our financial structure.

Overall, I am extremely encouraged by the 2011 financial results, and I look forward to building on these successes throughout 2012.

Al Horsman
Chief Financial Officer

General financial statement analysis

2011 Performance measures report card

Legend

- **Positive:** stay the course
- **Caution:** in the right range but may be moving in the wrong direction
- **Negative:** take corrective action
- + **Positive change**
- **Negative change**

| Financial indicators | 2011 finding | Change from 2010 to 2011 | 2010 finding |
|--|--------------|--------------------------|--------------|
| Financial position | ● | - | ● |
| Operating surplus ratio | ● | - | ● |
| Receivables as % of taxes levied | ● | - | ● |
| Net financial assets | ● | + | ● |
| Net financial asset as % of own revenues | ● | + | ● |
| Debt to total reserve ratio | ● | - | ● |
| Debt outstanding per \$100k of unweighted tax assessment | ● | - | ● |
| Debt interest as a % of own source of revenues | ● | + | ● |
| Operating reserves as % of own source of revenue | ● | + | ● |
| Capital reserve contributions as % of asset value | ● | + | ● |
| Capital reserve contributions to depreciation | ● | + | ● |
| Liquid assets to total reserves | ● | + | ● |

For more detailed information on these ratios, please visit the City of Guelph website.

General financial statement analysis

2011 financial highlights

- Improved performance measurement report card over 2010; most notably to the reserve financial indicators
- Operating surplus of \$6,875,502 that was fully allocated to the reserve and reserve funds
- Increased reserve and reserve funds by \$13.2 million
- Capital investment of \$95.7 million
- Issued debt to finance capital investment of \$46.75 million of which \$13.1 million refinanced a balloon debenture on behalf of the Elliot that matured in 2011
- Repayment of debt of \$10 million net of the above issuance and refinancing
- First sales of property in the newly developed Hanlon Creek Business Park which netted a gain on the sale of property of \$5.9 million
- Incorporation of Guelph Municipal Holdings Inc. and the transfer of Guelph Hydro Inc. shares into this company

Consolidated financial statements

The consolidated financial statements provide a snapshot of the City's financial position as at December 31, 2011, and reports on the revenues and expenses for the fiscal year. It provides a complete picture of the City's operations including its related entities. Besides the City of Guelph, the statements also include:

- Fully consolidated statements from:
 - Police Services Board
 - Guelph Public Library Board
 - The Downtown Guelph Business Association
 - The Elliot
- Proportionately consolidated statements from:
 - Guelph-Wellington-Dufferin Public Health Unit (46.2%)
- Modified Equity Basis
 - Guelph Municipal Holdings Inc.
 - Guelph Junction Railway Corporation

The following sections reference the 2011 Consolidated financial statements that are located on the City's website, guelph.ca. A condensed version of these financial statements is included in this report.

General financial statement analysis

Condensed consolidated statement of financial position

As at December 31, 2011
('000s)

The condensed consolidated statement of financial position highlights four key figures that describe the financial position of the City:

- A. The cash and investment resources of the City
- B. The net financial asset position calculated as the difference between financial assets and liabilities
- C. The non-financial assets that are normally held for service provision such as tangible capital assets
- D. The accumulated surplus

| | 2011 | 2010 |
|---|----------------|---------|
| | \$ | \$ |
| Financial assets | | |
| Cash and investments | 148,330 | 116,862 |
| Receivables | 43,848 | 49,738 |
| Investment in Government Business Enterprises | 84,210 | 83,593 |
| | 276,388 | 250,193 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 47,912 | 49,705 |
| Deferred contributions and deferred revenues | 35,569 | 33,630 |
| Employee future benefits | 27,546 | 25,856 |
| Net debt and obligation under capital lease | 121,489 | 97,279 |
| Landfill post-closure liability | 5,700 | 6,000 |
| | 238,216 | 212,470 |
| Net financial assets | 38,172 | 37,723 |
| Non-financial assets | | |
| Tangible capital assets | 937,545 | 873,419 |
| Inventory and prepaid expenses | 2,727 | 2,933 |
| | 940,272 | 876,352 |
| Accumulated surplus | 978,444 | 914,075 |

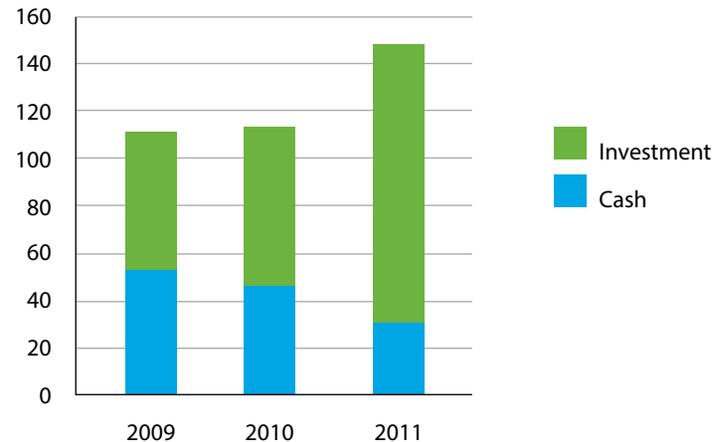
General financial statement analysis

A. Cash and investment resources

The City ended the year in a cash and investment position that is considerably stronger than the 2010 position and this can be attributed to a new cash flow management modeling process as well as the debt issuance to replenish funds spent on capital investment in the current and previous year. The cash flow management modeling allows for better cash forecasting of inflows and outflows, which enables the City to invest more funds in higher yielding investments rather than keeping significant reserves in more liquid and lower yielding instruments. This cash modeling was further enhanced by the revisions to the investment policy during 2011 that allowed more flexibility in investment options.

Cash and Investment Trending

(in \$millions)



One of the benchmarks the City monitors annually is the level of cash and investments compared to the reserves to assess the liquidity of our savings. The City should have cash and investment holdings that in total are at least equal to the reserve and reserve funds and the City was successful in achieving this threshold in 2011.

General financial statement analysis

Cash and Investment vs Reserves and Reserve Funds

(in \$millions)



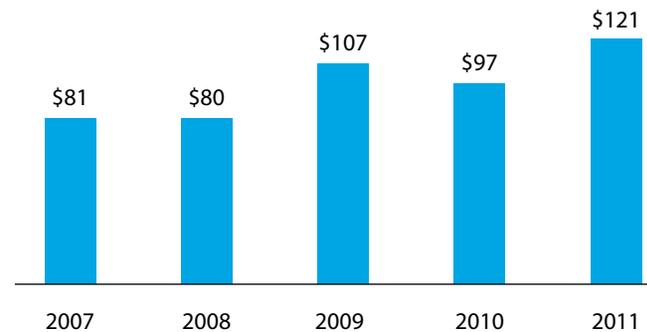
B. Net financial assets

The City's net financial asset position has slightly improved over 2010, which shows the City is creating assets at a healthier pace than it's entering into liabilities. This is a sustainable financial position and indicates the City is managing its operations in a balanced approach.

One of the significant components of net financial assets is the City's net debt holdings:

Net Debt Trending

(in \$millions)



General financial statement analysis

During 2011, the City issued a debenture for \$46.75 million at a favourable low rate of 3.12 per cent repayable over 10 years for the purpose of funding:

- Organic Waste Processing Facility – \$28 million
- Guelph Civic Museum – \$5.7 million
- The Elliot – refinancing maturing balloon debenture – \$13.1 million

The City of Guelph issues debt primarily to fund new significant capital investment and typically does this through issuing debentures, although the City does hold some term loans as well. In accordance with the City's debt management policy, debt is not issued for infrastructure maintenance costs; rather, these costs are addressed through capital reserve funds and the annual budget process.

The City's debt position in the past five years has moved concurrently with the investment in major infrastructure projects. These debt levels are monitored continuously to ensure they are supportable and that cash is available to pay down the maturities. The City monitors a number of benchmarks with respect to its debt holdings and due to the debt issuance in 2011, the debt per \$100,000 of tax assessment and the debt to reserve ratios have declined since 2010. Given the low interest rates obtained on the new debt issuance, the City's debt cost as a percentage of operating revenues continues to be less than two per cent and on par with other municipalities.

During 2012, there is another planned debenture issuance as approved in the 2012 capital budget. Over the period 2012 to 2015, there is expected to be about \$40.6 million in debt issued for approved capital projects including the Guelph Police Service headquarters, the renovation of the Victoria Road Recreation Centre and the Baker Street redevelopment. Of this debt, \$24.7 million is projected to be supported through the tax base and \$15.9 million through development charges.

In April 2011, Standards & Poor's completed its annual review of the City's financial position and announced Guelph has maintained a AA credit rating, further supporting the City's solid economic base, manageable debt and good operating performance. This rating was extremely positive and allowed the City to issue the 2011 debt at a competitive rate. In August 2012, the City's AA credit rating was further upgraded from "stable" to "positive."

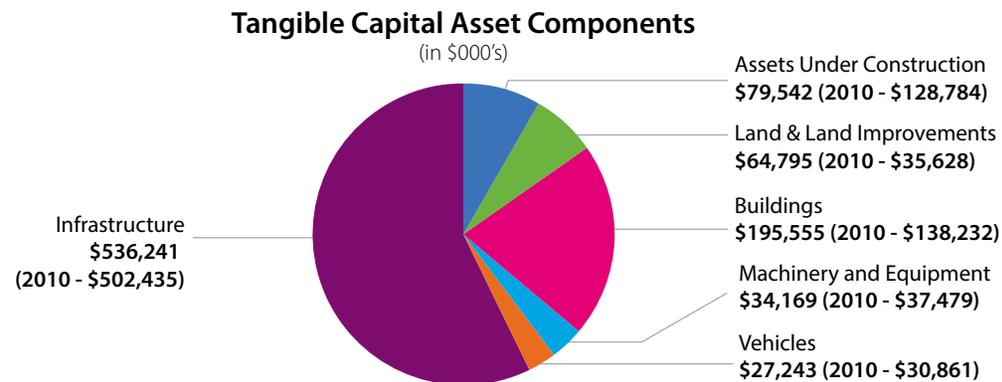
General financial statement analysis

C. Non-financial assets

The most significant components of the non-financial assets are the City's tangible capital assets, which have increased in book value by \$64 million since 2010.

Capital spending in 2011 continued at an above average pace due to projects related to infrastructure stimulus funding in addition to the completion of a number of significant projects that were started in 2009 and 2010. In total, the City spent \$95.7 million (as compared to \$119.7 million in 2010) on capital investment. Highlights of this spending include:

- Projects partially funded by the Infrastructure Stimulus Funding and the Recreation Infrastructure Canada Funding – \$22.1M
- Organic Waste Processing Facility – \$17.1M
- Roads and related infrastructure – \$14.5M
- Vehicles and equipment – \$11.8M
- Hanlon Creek Business Park – \$6.4M
- Guelph Civic Museum – \$6.1M
- Market Square and Downtown Realm – \$5.7M
- Parks and Trails – \$2.2M
- South End Emergency Services Station – \$1.1M



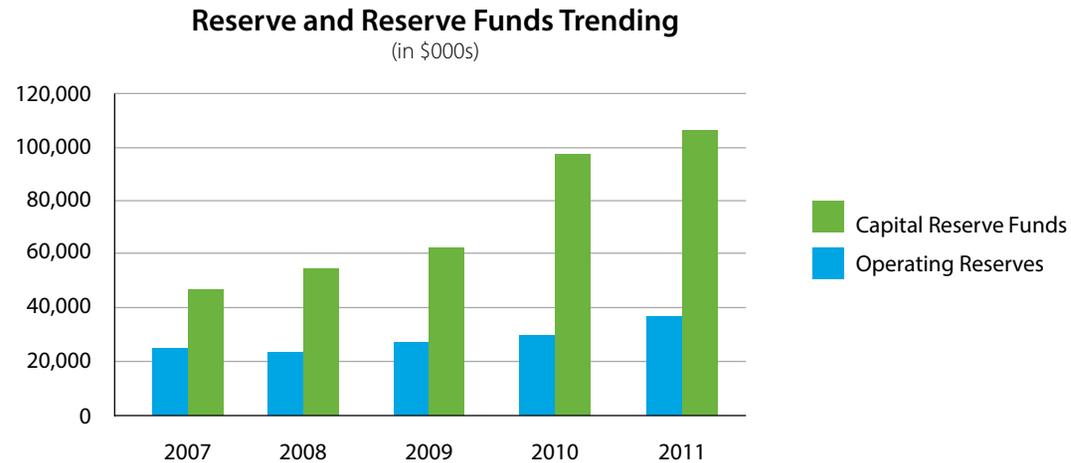
The City's capital investment is what makes Guelph one of the best and most innovative places to live in Canada. These investments are strategic to the City's ability to attract new business and to keep the current and future residents safe. The City is proud of its investment in these projects and has used the opportunity to partner with the provincial and federal governments to maximize the return for the community.

General financial statement analysis

D. Accumulated surplus

The accumulated surplus is the City's ending net accumulated position of assets in excess of all liabilities and includes the City's reserves and reserve funds.

Reserves and reserve funds are established for planned future capital expenditures and unexpected or unpredicted events or extraordinary expenditures, which would otherwise cause fluctuations in the operating or capital budgets. These funds are internally restricted monies that are a key tool in maintaining an affordable and sustainable City for the current and future citizens of Guelph.



The five-year trending shows the City's recognition that our reserves and reserve funds have historically been underfunded and through strong fiscal policies we have been able to successfully grow these balances to acceptable levels.

Our operating reserves include stabilization reserves, employee compensation reserves and certain program specific reserves whereas the reserve funds are for capital maintenance and life-cycling of equipment replacement. Year over year, the City's total reserve position has increased by \$13.2 million. This has enabled the City to improve all benchmarking targets for reserves over 2010. This is a significant achievement for the City in 2011 and efforts will continue to ensure future budgets maintain these reserves compared the identified targets.

General financial statement analysis

Condensed consolidated statement of operations and accumulated surplus

Year ended December 31, 2011
('000s)

The condensed consolidated statement of operations reports the annual surplus from operations during the year and shows the cost of government services provided and the revenues used in the period to fund these costs. A net surplus position under the Public Sector Accounting Board standards is healthy and means funds are available for capital investment, payment of debt and reserve funding.

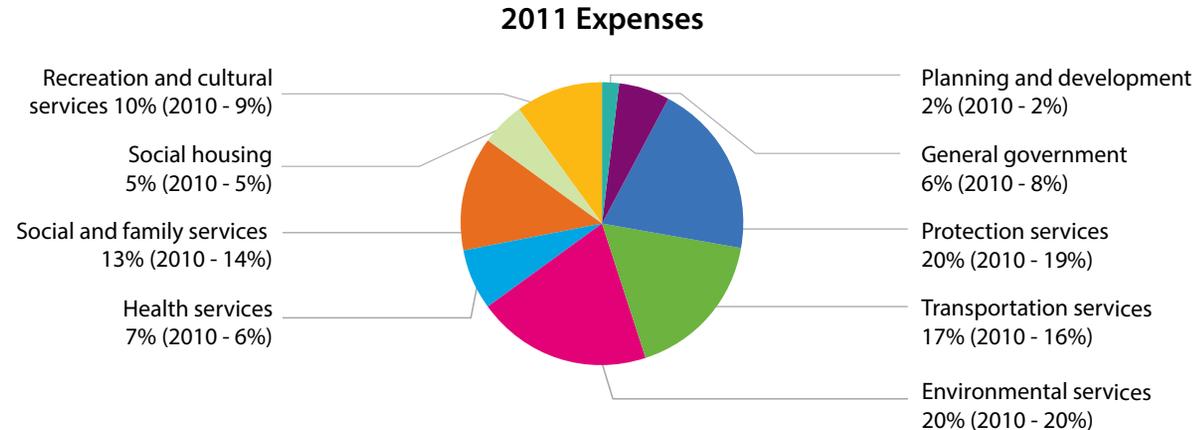
| | 2011 Budget | 2011 Actual | 2010 Actual |
|--|----------------|----------------|----------------|
| Revenues | | | |
| Taxation and penalties | 177,820 | 176,288 | 170,280 |
| User charges | 71,438 | 74,339 | 68,364 |
| Contributed subdivision assets | - | 9,901 | - |
| Contributions | 70,746 | 92,919 | 103,613 |
| Investment income | 1,435 | 2,567 | 4,184 |
| Donations | 221 | 578 | 890 |
| Other licences, sales, fines, POA, recoveries | 13,578 | 16,820 | 16,335 |
| Gain (loss) on disposal of tangible capital assets | 5,149 | 5,853 | (442) |
| Income from Government Business Enterprises | - | 617 | 3,459 |
| | 340,387 | 379,882 | 366,683 |
| Expenses | | | |
| General government | 20,447 | 19,787 | 23,979 |
| Protection services | 62,497 | 62,882 | 58,286 |
| Transportation services | 50,458 | 53,800 | 49,759 |
| Environmental services | 59,924 | 63,266 | 59,961 |
| Health services | 21,545 | 21,174 | 18,623 |
| Social and family services | 41,377 | 40,213 | 44,014 |
| Social housing | 18,013 | 17,235 | 16,753 |
| Recreation and cultural services | 32,342 | 33,247 | 28,673 |
| Planning and development | 5,338 | 6,120 | 5,434 |
| | 311,941 | 317,724 | 305,482 |
| Excess of revenues over expenses for the year | 28,446 | 62,158 | 61,201 |
| Accumulated surplus, beginning of year | 914,075 | 914,075 | 843,307 |
| Adjustments/Transfers | 1,340 | 2,211 | 9,567 |
| Accumulated surplus, end of year | 943,861 | 978,444 | 914,075 |

General financial statement analysis

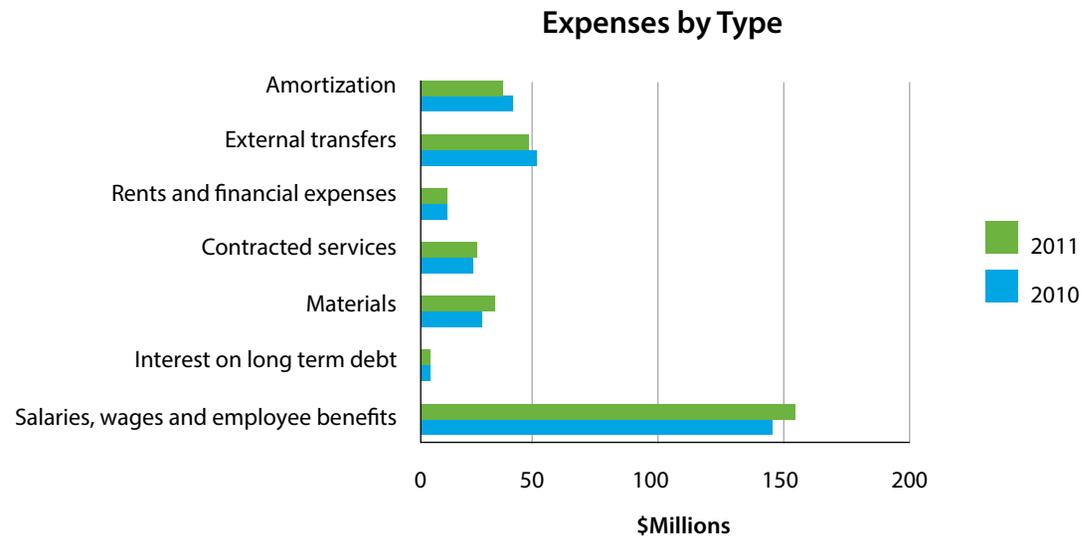
Expenses

The City provides many services that are essential to the daily living of all Guelph residents. Compared to 2010, the proportion of resources spent on each of the service areas has not changed significantly, as expected, as Council did not change service priorities in the last budget. The City's main services include the following:

| | |
|------------------------------------|--|
| General Government: | Finance, Human Resources, Information Technology, Legal, Corporate Communications, Mayor and Council expenses |
| Protection Services: | Police Services, Fire Services and Court Services |
| Transportation Services: | Roads and Road Maintenance, Engineering, Transit Operations and Parking |
| Environmental Services: | Water Services, Wastewater Services, Storm Sewers and Solid Waste Operations |
| Health Services: | Ambulance Operations, 46.2 per cent of the Public Health Unit's expenditures |
| Social and Family Services: | Social Housing Programs, Childcare Programs, Ontario Works Programs, The Elliot and Evergreen Operations |
| Recreation and Culture: | Library, Museum, River Run Centre, Sleeman Centre, Parks Maintenance and all the Recreation Centres |
| Planning and development: | Planning and Zoning, Visitor Centre, Economic Development for Commercial and Industrial and the Guelph Downtown Business Association |



General financial statement analysis



- Salaries, wages and benefits continue to be the most significant component of the City's costs and have increased by \$10.5 million or 8 per cent over 2010. This increase is attributed to increased wages in accordance with the collective agreements, increased cost of employee benefits (OMERS, medical and dental, accumulated sick leave and retiree benefits) and additional FTEs hired during 2011.
- External transfers substantially consist of the payments made to the County of Wellington for social service programs (child care, subsidized work programs, social housing) that it provides on behalf of the City. The decrease of \$4.5 million from 2010 is attributable to lower costs of social services as the province continues to upload more of these costs and caseloads were lower than expected. Additionally, in 2010, there was a one-time provision recorded for the dispute related to the City's share of costs of Wellington Terrace for the period 2006 through 2010.
- Other categories of expenditures have not changed significantly year over year.

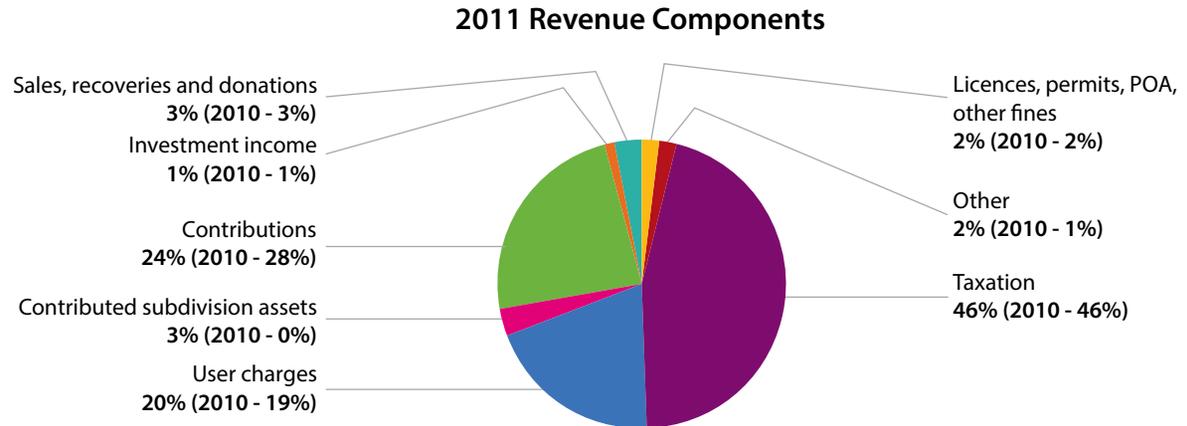
Included in Schedules 1 and 2 to the Consolidated Financial Statements is a breakdown of these costs by function. The breakdown provides a more detailed picture of the costs associated with the City services.

Looking forward to 2012, there are no expected changes to the types of expenses incurred by the City, nor is there any expected change to the level of funding within each functional area.

General financial statement analysis

Revenues

In order for the City to deliver these essential services, it relies on a variety of revenue streams including property taxes, user fees, external contributions from other governments and developers.



The following are revenue highlights for 2011:

- Property taxes continue to comprise 46 per cent of the City's total revenue. From 2010 to 2011, there was an increase in the tax base of 3.52 per cent as approved during the 2011 budget deliberations. Based on a single family detached dwelling with a current value assessment of \$281,702, this represents an overall increase of \$128 with about \$11 of this attributable to the public health funding requirements.
- User fees include a variety of revenue streams, including water and wastewater fees, recreation program revenues, transit fees, parking fees and other community pay-for-use programs (Sleeman Centre and River Run revenues). Year over year, there has been an increase in this revenue stream mostly due to increased rates and above average consumption of both water and wastewater services. During the 2011 budget process, Council approved a .13/m³ increase to the volumetric rate for water and a .15/m³ increase to the volumetric rate for wastewater. Based on average consumption of 200m³, this translates into a \$56 or 8.5 per cent increase to an average residential bill.
- Contribution revenues consist of revenues from the federal and provincial governments, other municipalities and developers. 2010 was an anomaly year for high contribution revenue due to the significant capital infrastructure spending the City was undertaking. From 2009, contributions had increased from 22 per cent of total revenue to 28 per cent mostly due to the infrastructure stimulus grants received from the federal and provincial governments for infrastructure renewal. In 2011 the City's contribution revenue has dropped back to the normal range and currently sits at 24 per cent of total revenue.
- Other income includes gain/loss on disposal of capital assets and income from government business enterprises. A significant highlight in 2011 was that the City earned a gain on the sale of the newly developed Hanlon Creek Business Park land totalling \$5.9 million. These sales during 2011 were the first for the Business Park and the City is proud this initiative is starting to attract great new industry partners.

For a full copy of the City's 2011 audited consolidated financial statements, please refer to guelph.ca

Financial management process and policies

An expanded discussion on financial management processes and policies will describe in more detail how the City maintains its health and sustainability.



Executive Team: left to right, Al Horsman, Colleen Bell, Derek McCaughan, Ann Pappert, Janet Laird and Mark Amorosi.

The Treasurer of the City has certain financial duties as legislated by the Municipal Act and is responsible for handling all of the financial affairs of the municipality on behalf of and in the manner directed by Council. At the City of Guelph, responsibility of the broader area of financial management rests with City Council through the Chief Administrative Officer, the Chief Financial Officer (Treasurer) and the Executive Team. There are also many other levels of accountability built into the governance structure process:



All significant financial decisions are approved by Council through a process designed to ensure open and transparent reporting. This structure provides Council with an efficient and accountable management structure whereby all decisions are first analyzed by the Executive Team, then by the appropriate Council Committee and finally by the full Council. During their four-year term, Councillors may rotate after a two-year period onto a new set of committees to obtain a wide breadth of knowledge of all the City departmental operations. This structure also enhances the integration of City business by enabling the Executive Team to review and provide comments on all reports that go to Committee. Every financial decision has implications for the City as a whole and this crossfunctional, collaborative management approach is the key to making decisions that reflect City priorities and the City's corporate strategic plan.

Financial management process and policies

Budgeting preparation process

Financial management hinges on the operating and capital budgets, which are prepared annually and monitored throughout the year.

Operating budget

The operating budget process was enhanced during 2011 and is now a collaborative, multistep process as follows:

- 1. Budget schedule and guideline** – Council approves a guideline for the estimated tax rate impact and a schedule is set to ensure a focused and efficient process.
- 2. Department preparation and review** – The budget preparation is led by a crossfunctional team of senior managers, which shares information in a collaborative atmosphere and makes recommendations to the Executive Team. Individual departments are responsible for preparing their base budget submissions for presentation to the City's budget team.
- 3. Finance review** – Finance is responsible for conducting a review of the department's budget submission. The primary purpose is to conduct a technical review and summarize the data in a consolidated form that provides a clean starting point for a comprehensive, crossfunctional review by the budget and executive teams. Notably, finance is concerned with ensuring budgets reflect the approved guideline and internal budget instructions, monitoring proposed budgets for reasonableness and accuracy and preparing recommendations to assist the Executive Team in reducing base budget increases in order to meet the Council-approved guideline.
- 4. Executive Team and Finance review** – At this step, the team hears presentations from each City department and hears changes that are impacting the department's budget. This team is responsible for prioritizing any growth and new service items, if required, as corporate resources are limited and must be used strategically. Budget adjustments are then determined, if required.
- 5. Public delegations** – Public delegation into the budget process is essential and allows citizens and business owners and operators to vocalize their support or concern for certain budget items. At this point, Councillors discuss how the proposed budget impacts members of the community and, from this, are equipped to direct staff to bring forward alternatives to some decisions, if required.
- 6. Council review and approval** – The final step in the budget preparation process is Council's review and approval of the budget.

The City is proud to highlight several milestone achievements during 2011 pertaining to creating the 2012 operating budget. These include:

- the new user-friendly and easy-to-read budget book design
- introduction of departmental performance measures that were incorporated into each service area's budget and will form a basis for departmental year-end reporting
- four presentation nights to provide Council with more review and discussion time
- greater distinction between controllable versus uncontrollable costs as well as increased information on legislated rules governing local boards budgets, which allowed Council to focus discussion and decision-making on budget items that can be altered or influenced
- transitioned to service based budgeting for the enterprise budgets

Financial management process and policies

While creating the 2013 operating budget, there are many further enhancements underway that will add to the efficiency, transparency and accountability of the departmental budgets.

- A formal budget debrief process was undertaken with Council to receive feedback on positive changes as well as areas for improvement for the 2013 budget.
- A workshop for Council will focus on ensuring members are aware of pressures impacting the 2013 budget and the risks facing Council of approving a lower guideline compared to what is recommended by staff. This type of preparation will allow members of Council to understand the magnitude of potential service and reserve impact decisions if they choose to deviate from the staff-recommended guideline.
- Council will be given the multi-year operating budget for the City's Enterprise Services. Council will be asked to approve the first year of the forecast and receive the following two years for information. The budgets will reflect spending plans and known costs and environmental pressures of the Water Services, Wastewater Services, Courts and Ontario Building Code areas. It is planned to extend this multi-year budgeting into the tax-supported budget in the future.
- To increase efficiency and accountability into the budget process, the City's Finance department will upload the departmental base budgets to reflective what Council has approved in the guideline. Staff time instead will be refocused on prioritizing new and growth spending requests and identifying "A" and "B" lists for review.
- Consideration is being given to multi-year tax budgets consistent with the new statutory guidelines provided in the Municipal Act.

Capital budget

During 2011, the capital budgeting process was also enhanced and the City expanded the capital budget to a fully funded, 10-year sustainable capital plan.

- 1. Capital budget team** – This team comprised crossrepresentation from all departments and were asked to develop a corporate priority model to rank capital projects over 10 years.
- 2. Capital project information sheets and business cases** – The team worked to complete capital project information sheets and business case presentations for projects within the first five years to assist the Executive Team and Council in reviewing the capital budget.
- 3. Executive Team review and approval** – The Executive Team approved the capital budget following a review that focused on timing, risk, scope and inter-relationships between various projects within the forecast.
- 4. Public delegation** – Similar to the operating budget process, a public delegation night allowed the community to voice their opinions on certain budget items and Council was able to direct staff to bring back alternative strategies, if required.
- 5. Council review and approval** – The final step in the budget preparation process is Council's review and approval of the budget.

Financial management process and policies

As the 2013 capital budget is prepared, the crossfunctional capital budget team will refine the capital priority-setting tool used to develop the capital budget. A series of workshops involving Council and staff will provide all stakeholders with a chance to voice their opinions and thoughts on priorities and what projects might be delayed taking the needs of the City as a whole into consideration. In addition, staff will work to incorporate the recently approved business case tools and determine how these tools should be used in capital project requests. This has been identified as a priority strategic objective under the new strategic framework by the Executive Team and Council.

One of the most substantial and progressive changes that will be coming in 2012 for the 2013 operating and capital budgets is that much more of the responsibility for the budget creation will be assigned to the crossfunctional Direct Report Leadership Team. This team is responsible for bringing forward a 10-year, fully funded sustainable capital budget and a current year operating budget that is within the Council-approved guideline and fully aligned with the new corporate strategic plan. This team will inform the Executive Team of decisions made to meet the guideline, at which point the Executive Team will be responsible for approving or modifying these decisions and recommending the budget to Council.

Budgeting monitoring and reporting

After the budget is prepared and approved, the actual results are then monitored against the budget and reported to Council on a quarterly basis. Formal variance reports are prepared by the finance department in conjunction with City departments and reported to Committee and Council. These reports ensure accountability for financial results and are a key tool in identifying and responding to issues as they occur during the year.

Finance has responded to Council's request to receive more frequent variance reporting as well as expanded analysis on the revenues of the City. This increased frequency and focus by all departments has contributed to the City collectively earning a 2011 tax-supported operating surplus of \$2,571,235 and a user pay surplus of \$4,304,267. Other factors contributing to the surplus include lower-than-expected social services case loads as well as higher-than-expected water and wastewater consumption. The operating surpluses were allocated to the following reserves and reserve funds after the completion of an in-depth needs assessment:

Tax supported surplus

| | |
|---------------------------------------|-------------|
| Tax rate stabilization reserve | \$ 855,235 |
| Insurance reserve | 500,000 |
| Legal/Ontario Municipal Board Reserve | 500,000 |
| Affordable housing reserve | 100,000 |
| Police capital reserve | 500,000 |
| Library capital reserve | 116,000 |
| | <hr/> |
| | \$2,571,235 |

User pay surplus

| | |
|----------------------------------|-------------|
| Waterworks capital reserve | \$1,476,214 |
| Wastewater stabilization reserve | 700,000 |
| Wastewater capital reserve | 2,128,053 |
| | <hr/> |
| | \$4,304,267 |

Financial management process and policies

Attaining operational surpluses is a major contributor in the City being able to increase the reserves to meet the targeted level as outlined in the financial policy framework. Reserve and reserve fund management is an integral part of the City's long-term financial planning model and will provide the flexibility and security needed to manage changing priorities and needs into the future. Special focus has been given to increasing the City's operating reserves as a percentage of own-source revenues. Historically, this ratio has been considerably below the targeted reserve level. For this reason, a large part of the operating surplus has been allocated to the stabilization reserves, which successfully increased this ratio at the end of 2011.

It is important the City's financial management model be flexible and responsive to unplanned expenses or revenue shortfalls and report back to Council on how these events will be addressed. The budget is a guide that is produced using the best information available at that time; it is never possible to fully predict every scenario the City will encounter in any given year.

Financial policy framework

The purpose of a financial policy framework is to provide guidance for decision-making in order to secure a financially sustainable future. Adherence to the approved policies will avoid short-term financial and budgeting decisions that, over time, may affect the City's overall financial condition.

The City has been working on elements of a financial policy framework. Specifically, it is developing a long-range plan and completing and seeking Council approval for several policies. However, a complete framework formalizing guiding principles, targets, accountabilities, communication and completion of growth, strategic priorities and user fees policies remains a work in progress.

The financial policies that have been approved by Council and guide the City's financial decisions are summarized as follows:

- 1. Debt management policy** – This policy was approved by Council in 2009 and establishes the parameters regarding the purposes for which debt may be issued, the types and amounts of permissible debt, the timing of issuance and method of sale that may be used and the procedures for managing outstanding debt. The policy promotes consistency for debt issuance and sets targets to ensure capital spending remains at an affordable level to taxpayers. Specifically, this policy states debt will only be issued for growth-related infrastructure and emerging capital needs. Further, debt will not be used to fund current operations nor ongoing rehabilitation of existing infrastructure. Corporately, the City benchmarks their debt to operating revenues, tax assessment and reserves – the results of which are included in the 2011 performance measurement report card.
- 2. General operating and capital budget policy** – In 2011, Council approved the general operating and capital budgeting policy incorporating a number of principles and strategies utilized by the City in making decisions related to short and long-term budget planning. This policy also identifies the roles and responsibilities of Council and staff. Most of the practices associated with the operating and capital budget creation process, which are outlined in the previous section, encompass the principles in this policy. These include aligning the budget to the strategic plan, community input, affordability, fiscal capacity, sustainability, innovation, stewardship and risk management.
- 3. General reserve and reserve fund policy** – This policy was approved in 2009 and its purposes are to address some of the longer term funding strategies for the City and ensure good financial and cash management for ongoing financial stability. Within this policy, the City set minimum standards for lifecycle reserve fund annual contributions and working and current purpose reserves. It also set a maximum threshold regarding total debt compared to reserves. The results of these ratios can be reviewed in the 2011 performance measurement report card presented earlier in this section.

Financial management process and policies

Legend

- **Positive:** stay the course
- **Caution:** in the right range but may be moving in the wrong direction
- **Negative:** take corrective action
- + **Positive change**
- **Negative change**

i. During 2011, in order to address a priority need set by Council, the compensation reserve policy was drafted and approved. This policy is to be used in conjunction with the general reserve and reserve fund policy and provides more detailed guidance on the sources and approved uses of the funding of the compensation reserves and outlines targets for addressing unfunded liabilities.

| Reserve | Target | 2011 Target Balance | 2011 Actual Balance | Result |
|--------------------------|---------------------------------|---------------------|---------------------|--------|
| Sick leave | 95% of the sick leave liability | \$9,711,000 | \$10,446,000 | ● |
| WSIB | 50% of the WSIB liability | \$1,774,500 | \$2,203,000 | ● |
| Land Ambulance Severance | 95% of the severance liability | \$747,500 | \$345,500 | ● |
| Retiree benefits | \$2,000,000 | \$2,000,000 | \$1,600,000 | ● |

ii. Staff also undertook a review of all the current operating reserves as at December 31, 2011, to identify funding shortfalls and re-allocate surplus funds where possible. Specific reserve targets were drafted in order to provide guidance at a lower level than the corporate thresholds included in the general reserve and reserve fund policy. This review identified \$4,516,362 of surplus funds that were available for re-allocating to higher priority needs:

| | |
|--|-------------|
| (i) Creation of strategic priorities reserve | \$1,100,000 |
| (ii) Legal/Ontario Municipal Board reserve | 3,348,743 |
| (iii) Tax rate stabilization | 67,619 |
| | \$4,516,362 |

4. Investment policy – During 2011, the City’s investment policy underwent a comprehensive review. As a result, updates to eliminate complexity, permit a wider range of investment options for improved returns and provide clarification on wording were approved by Council. The City has more than \$140 million in reserves and it is imperative the City manages these funds in a way that balances safety and growth. The primary objectives of the investment policy are to adhere to statutory requirements, preserve capital, maintain liquidity and earn a competitive rate of return. Investment income reduces financing required from taxation and user fees and is a main source of funding to increase the reserve funds. During 2011, the City was successful in increasing the rate of return earned on investments from an average yield of 2.13 per cent in 2010 to 3.19 per cent in 2011, of which about 80 per cent was allocated to capital reserve funds.

Financial management process and policies

5. Property tax policy and tax billing and collection policy – Annually, Council must make decisions that affect how the community will be taxed. These decisions include tax ratio changes, tax capping parameter changes and changes to tax relief programs for charities, low income and persons with disabilities. Many of these decisions bring the City in line with certain strategic goals such as having a balanced tax assessment ratio and being community-focused, responsible and accountable. The tax policy decisions also support the local growth strategy, which aims for higher density in the residential sector. Additionally, during 2011, Council approved a new policy for tax billing and collections. This policy supports the community being treated fairly and consistently when staff are dealing with collection issues and other requests by taxpayers. Property tax is the City's most significant source of revenue and a policy that provides an approved timeline and a variety of mechanisms to collect taxes in arrears enables the City to ensure each tax payer is contributing their fair and equitable portion toward funding essential community services.

Internal controls

The finance department plays a significant role in prudent financial management and acts as an internal control mechanism in the financial cycles at the City.

The procurement division ensures every City expenditure is approved by the appropriate level of management and all projects over a certain threshold are tendered in accordance with Council approved bylaws. Adhering to these policies reduces the risk of loss through unapproved purchases, unapproved vendors and litigation. In addition, the procurement division manages the City's insurance and claim process, which is an integral part of protecting the community's assets.

The accounting and financial reporting division processes thousands of transactions annually including all invoice payments and general accounts receivable activities and manages City bank accounts and daily cash position. This division also has the important task of managing all system interfaces daily to ensure accurate, complete reporting of the six accounting systems used across the City. Finally, this group controls many integral accounting functions including all interdepartmental transactions, indirect tax submissions, holdback accounting and investment and debt accounting. In addition, the financial reporting group prepares the annual consolidated financial statements and manages the external audit. The internal controls provided by this division are essential to reducing risk of loss through unauthorized invoice payment, unreconciled bank account transactions and non-compliance of indirect tax legislation.

Finally, the taxation and revenue division manages property tax billings and tax collections that are processed bi-annually. This team is responsible for the largest revenue stream of the City and ensures the community is taxed in accordance with the Council-approved bylaws and all collection issues are dealt with in a fair and consistent manner. In addition, this group manages all re-assessment, rebate and appeal claims, which can be quite voluminous each year.

Audit Committee

The City formed the Audit Committee in 2008 to play a key role in governance by assisting Council in discharging its fiduciary financial responsibilities and stewardship responsibilities. The Audit Committee's mandate is to ensure the following:

- The appointment of an external auditor and the appropriate fees
- Oversight of the internal auditing function and external auditors to provide adequate reporting regarding the effectiveness and efficiency of internal control

Financial management process and policies

- Management's financial reporting practices are assessed objectively, financial statements are properly audited and any problems identified in the audit are satisfactorily resolved
- The annual financial statements, including the selection of appropriate accounting policies and practices, are approved by Council
- The audit results are reviewed and recommendations to management are followed-up
- Management has established and is maintaining a comprehensive risk and control framework

Significant work has been done during 2011 to provide Audit Committee members with financial training materials, updates on future accounting standard changes, updates to the mandate and charter for the new internal audit function and drafting the framework to complete the external audit performance assessment.

- External Audit** – a significant component of financial management is the External Audit of the City's financial statements and the supporting financial processes. This is an independent review of the underlying financial transactions that are compiled into the consolidated financial statements in accordance with the Public Sector Accounting Board standards. The external auditor reports directly to the Audit Committee, which has the oversight responsibility for financial reporting and the internal control structures operating within the City.

The external auditor presents its findings to the committee and identifies areas of improvement over internal controls and reporting. The external audit is a requirement under the Municipal Act and provides all stakeholders of the City including staff, Council and the community comfort that the City has the appropriate financial structures in place to effectively manage the finances in organization.

- Internal Audit** – The Internal Audit function was approved in 2011 as part of the 2012 operating budget process and will provide the City with an enhancement to internal controls and risk identification. The internal auditor was hired in July 2012 and is expected to outline and implement an enterprise risk identification and management plan as well as conducting internal audit projects as determined annually through collaboration with the Executive Team and the Audit Committee. The internal auditor's role is still to be fully explored and an internal audit charter will be completed and approved during 2012.



ALTERNATE FORMATS ARE AVAILABLE UPON REQUEST

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