

FINANCE DEPARTMENT'S 2014 ANNUAL REPORT



FRAMING OUR FINANCIAL FUTURE...

This report focuses on how the City of Guelph's Finance Department plays a key role in Framing Our Financial Future. It will discuss the Finance Department's structure, departmental and corporate accomplishments, our 2014 performance and our focus for 2015.

INTRODUCTION

This Annual Report will provide an overview of the work done by the Finance Department, highlight our 2014 accomplishments, the financial position of the Corporation as a whole and outline those activities that have been identified as a priority in 2015.

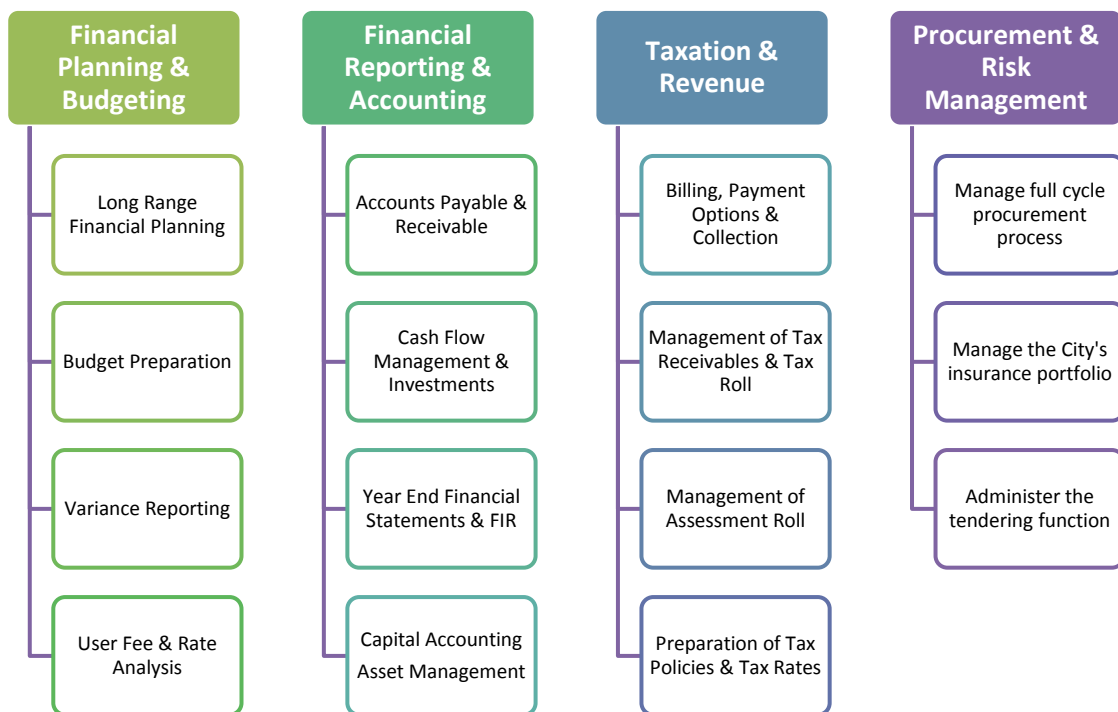
This report is organized under the following sections:

- The Finance Department
- 2014 Departmental and Corporate Accomplishments
- Performance Dashboard and Trends
- Activities identified for Improvement/Going Forward
- Summary

THE FINANCE DEPARTMENT

The Finance Department is responsible for financial planning and budgeting, procurement, financial reporting and accounting, and taxation. Council is assisted in maintaining the financial integrity of the municipality under the *Municipal Act, 2001* through financial counsel, support, and analysis across the Corporation.

The primary roles and responsibilities of the four divisions are highlighted below:



In addition to the functions outlined above, the Finance Department is responsible for maintaining the financial integrity of the organization by developing and ensuring compliance with the following policies:

- Year End Surplus Allocation Policy (2014)
- Property Tax Policy (2014)
- Purchasing Policy By-law 2014-19771 (2014)
- Policy for the Selection and Appointment of the External Auditors (2014)
- Policy for the Implementation of PS 3260, Liability for Contaminated Sites (2014)
- Development Charge Exemption Policy (2013)
- Budget Monitoring Policy (2013)
- Capital Renewal Reserve Fund Policy (2013)
- Compensation Reserve Policy (2012)
- Budget Policy; Investment Policy; Tax Billing & Collection Policy (2011)
- Debt Management Policy; General Reserve & Reserve Fund Policy (2009)

2014 DEPARTMENTAL AND CORPORATE ACCOMPLISHMENTS

Department Accomplishments & Statistics

2014 Finance Facts....

Department Net Budget: \$2.36 million

of Accounts Payable Invoices Processed: 35,194

of Accounts Receivable Invoices Processed: 10,359

of Insurance Claims: 350

of Contracts Issued: 193

of Tax Bills Printed: 85,600

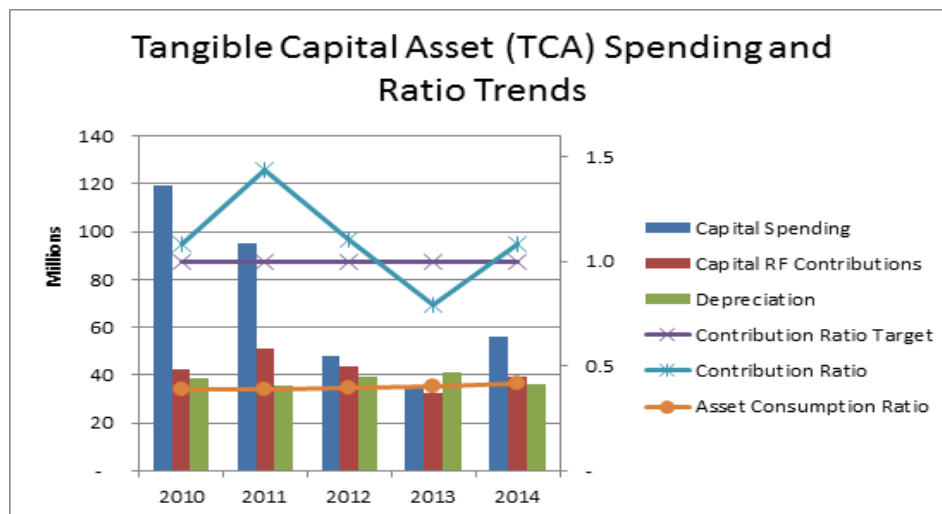
Value of Tax Revenue Collected: \$260,880,098 (includes school board, arrears & penalties)

- Increased our employee engagement results from 17% to 42%, in line with the rest of the City
 - Developed and implemented a Departmental Action Plan to improve employee engagement in response to the 2014 Employee Engagement Survey results
 - Participated in consultation sessions with the Province of Ontario around the *Development Charges Act, 1997* including the drafting of a Council endorsed submission to the Province outlining the City's position on the Act
 - Prepared and submitted 47 Staff Reports to Council or Committee
 - Supported Council orientation through an "Introduction to Budget and Finance" and In-depth Budget sessions
 - Offered operating and capital budget process training sessions to all City staff
 - Offered year end training sessions to all City staff
 - Fully implemented multi-year operating budgeting into the City's budgeting software to allow for enhanced departmental input
- Membership on multiple Corporate Technology Strategic Plan working groups or steering committees including JDE, WAM, GIS and AMANDA
- Completed or updated five Council approved policies as follows:
 - Year End Surplus Allocation Policy (2014)
 - Property Tax Policy (2014)
 - Purchasing Policy By-law 2014-19771(2014)
 - Policy for the Selection and Appointment of the External Auditors (2014)
 - Policy for the Implementation of PS 3260, Liability for Contaminated Sites (2014)
- Held corporate training sessions on the use of the chart of accounts which will result in more accurate reporting for all departments

During 2014, the Finance department accomplished several key initiatives that will benefit the entire Corporation and improve internal processes resulting in efficiencies and streamlining of work. These accomplishments are highlighted below:

Corporate Accomplishments

- Provided leadership to the JDE financial system upgrade which was successfully rolled out across the City in December
- Prepared the analysis that supported deferring the planned external debenture issuance which resulted in savings for 2014 of approximately \$178,000 for the City
- Transitioned to monthly reporting of tangible capital assets and developed an asset management policy as per Provincial requirements. The **chart below** demonstrates how the City's tangible capital asset and reserve contribution have been trending.



- Led the City team that received Council approval of the 2013 Development Charge (DC) Background Study and 2014 By-law with no OMB appeals
- Continued to monitor taxes receivable positioning Guelph as one of the municipalities with the lowest receivables among the City's comparator group
- Supported the Office of the CAO with the development of Business Case Tools for use across the corporation
- Provided financial expertise to corporate strategic initiatives including: Designation of the Elliott, Amalgamation of GHI and GMHI, Parking Study, Guelph Economic Investment Fund, OPA 43 Analysis, Urbacon Settlement, Corporate Technology Strategic Plan, and Storm Water Funding Study
- Coordinated the submission of a request to the Ice Storm Assistance program requesting \$917,000 to assist with costs incurred as a result of the December 2013 Ice Storm

- Implemented the new bids and tenders website

PERFORMANCE DASHBOARDS AND TRENDS

The **2014 Performance Dashboard** shown below demonstrates how the Finance Department is trending in selected areas of accountability and transparency, cash flow and risk management. Items marked in green on this dashboard indicate that the measure is trending positive; yellow indicates that the measure is in an acceptable range, but caution should be taken and red indicates that corrective action needs to be taken. In addition, a "+" indicates a year-over-year improvement to the measure, while a "-" indicates a negative year-over-year change. A "\" indicates that the measure has not changed over the prior year.

2014 FINANCE DEPARTMENT PERFORMANCE DASHBOARD

ACCOUNTABILITY & TRANSPARENCY



Amount of time budget is available for review by Council & the Public



Number of Operating & Capital variance reports provided to Council



Discretionary reserve as a % of own source revenue

CASH FLOW MANAGEMENT



Rate of return on cash and investments



Taxes Receivable as % of Taxes levied



Credit Rating Score provided by Standard and Poors

PROCUREMENT & RISK MANAGEMENT



Annual value of claims per year



Controls in place to ensure purchases are linked to approved budgets



Outcome of reviews conducted by internal audit

Context to the specific measures is provided as follows:

ACCOUNTABILITY AND TRANSPARENCY

Amount of time budget is available for review by Council/the Public

In 2014, the time available for review remains largely unchanged from prior years. For the 2015 budget process, the strategy for public engagement into the budget process is being reviewed.

Number of operating and capital variance reports provided to Council

In 2014, staff provided five operating variance reports and four capital activity reports to Committee and Council (this is unchanged from prior years). This is in accordance with the schedule that is approved by Council on an annual basis at the beginning of each fiscal year.

Discretionary reserves as a % of own revenue

Currently, discretionary reserves are not at the appropriate level as per the City's General Reserve and Reserve Fund Policy; finance will continue to work with City staff to recommend options to improve the reserve balances in the future.

CASH FLOW MANAGEMENT

Rate of return on cash and investments

The 2014 rate of return on investments increased from 2.165% in 2013 to 2.395%. This increase was achieved through purchasing investments with a longer maturity date and therefore a higher rate of return, in addition 2014 was the first full year our operating bank account was with the TD bank which pays a higher rate of return on our daily cash balance.

Taxes receivable as a % of Taxes levied

The City continues to reduce its outstanding taxes receivable and is in a favourable position relative to our municipal comparators. The negative year over year change in 2014 relates to a slight one-time increase relative to the historically low level of receivables experienced in 2013.

Credit Rating Score provided by Standards and Poors

Standards and Poor's Rating Services (S&P) reaffirmed Guelph's credit rating at AA+ with a stable outlook. S&P's report said their rating was based on Guelph's "very strong economic fundamentals, budgetary flexibility, exceptional liquidity position and low debt burden." The credit rating also reflects S&P's view that Guelph demonstrates strong financial management based on its very low level of contingent liabilities, low debt levels and strong liquidity which fare much better than many municipalities in Ontario.

PROCUREMENT AND RISK MANAGEMENT

Annual value of claims per year

An increase in the volume of claims by approximately 10% was offset by a reduction in the deductible payout.

Controls in place to ensure purchases are linked to approved budgets

Purchasing staff continue to ensure that a tender or Request for Proposal (RFP) is not issued unless an approved budget is in place for the work.

Outcomes of reviews conducted by internal audit

Based on the audit in 2013, controls are in place to ensure compliance and conformance to policy and procedures.

ACTIVITIES IDENTIFIED FOR IMPROVEMENT/GOING FORWARD

For 2015 the following activities/tasks will be a focus:

- Develop and deliver the 2016 operating and capital budgets for the Corporation for Council deliberation and approval. This will be done in conjunction with receiving Council's input on the budget process through a formal debrief session to be held in May 2015
- Gain a deeper understanding of the proposed changes to the *Development Charges Act, 1997* and how those revisions may impact the City. This will be done through consultation with various associations including the Association of Municipalities of Ontario (AMO) and the Municipal Finance Officers Association (MFOA) as well as participation in a Provincial Working Group (if invited)
- Support City departments in various initiatives including the Parking Master Plan, Water and Wastewater Rate Review and the Transit Priority Project
- Coordinate the transfer of in person tax payments to ServiceGuelph

- As outlined in the Court Services Annual Report, implement tax rolling of eligible POA debt
- Initiate the implementation of a telephone queuing system for tax inquiries
- Through a Request for Proposals (RFP) select a new External Auditing firm.
- Implement PS 3260 – Liability for Contaminated Sites
- Implement Electronic Funds Transfer for vendors (resulting in reduced processing costs and improved timeframes for payments)

SUMMARY

In summary, the **Finance Department's 2014 Annual Report** provides the highlights of what has been accomplished over the past year. As demonstrated in the above document, the Finance Department is proud of the number of highly successful initiatives it has undertaken, both on its own and as part of a larger corporate team.

This report also draws connections to the work Finance has done throughout 2014 and how this benefits and provides added value to the Corporation as a whole. Maintaining the City's AA+ credit rating from Standards & Poor's will provide cost savings to the City of Guelph as well as providing a third party opinion on the state of the City's finances and overall economy. The Department also made significant contributions to on-going work around the City's financial systems. The information provided by Finance, including budget documents, year-end reports and tax and purchasing policies demonstrate the commitment to financial responsibility and act as a check and balance to ensure compliance with the City's numerous financial policies and procedures. These same documents also provide guidance with respect to areas for improvement to ensure that the Department and Corporation are keeping up-to-date with important changes in the broader municipal community.