

# FINANCE DEPARTMENT'S ANNUAL REPORT



## FRAMING OUR FINANCIAL FUTURE...

*This report focuses on how the City of Guelph's Finance Department plays an integral role in Framing Our Financial Future. It will discuss the Finance Department's structure, departmental and corporate accomplishments, our 2015 performance and our focus for 2016.*

## INTRODUCTION

This Annual Report will provide an overview of the work done in 2015 by the Finance Department, including our accomplishments and the presentation of the financial position of the Corporation as a whole. Additionally, the report will outline those activities that have been identified as a priority in 2016.

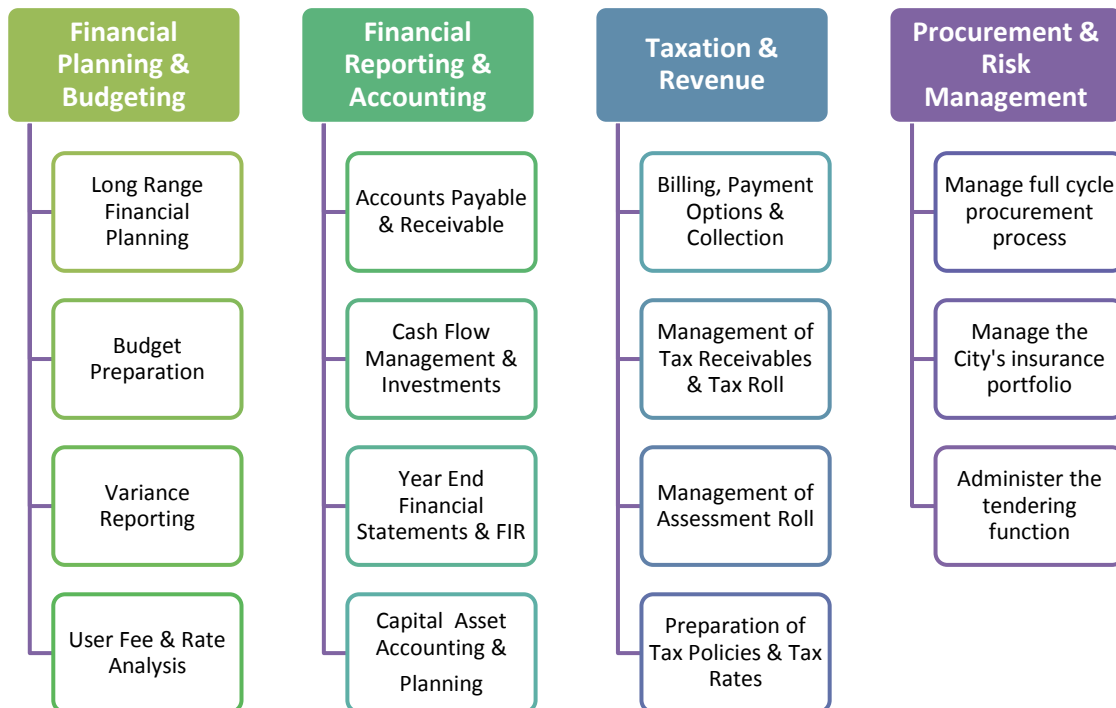
This report is organized under the following sections:

- The Finance Department
- 2015 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:

- Investment Policy (2015)
- Purchasing Card Policy and Procedure (2015)
- Year End Surplus Allocation Policy (2015)
- Property Tax Policy (2015)
- Expense Authorization 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; Tax Billing & Collection Policy (2011)
- Debt Management Policy; General Reserve & Reserve Fund Policy (2009)

## 2015 ACCOMPLISHMENTS

- Integrated Service Guelph providing initial contact for customer service and payment processing

### 2015 Finance Facts....

Department Net Budget: \$2.02 million

# of Accounts Payable Invoices Processed: 35,625

# of Accounts Receivable Invoices Processed: 10,996

# of Contracts Issued: 204

# of Purchase Orders Issued: 19,400

% of Purchases through Canadian Vendors : 98%

% of Purchases through Guelph Vendors: 33%

# of Tax Bills Issued: 86,875

Value of Tax Revenue Collected: \$276,453,928 (includes school board, arrears & penalties)

- Implemented electronic bidding through e-solutions
  - Implemented a 12 month cycle for preauthorized payments (PAP) for property taxation
    - Offered operating and capital budget process training sessions to all City staff
      - Implemented a "single source activity" report for Executive Team review to ensure the appropriate application of the purchasing by-law
        - In conjunction with the IT department and the Communications department created and implemented a "budget simulator" model to provide an additional vehicle for public engagement during the 2016 budget process
          - Led a capital budget workshop to present the results of the BMA Financial Condition Assessment Review
            - Working with intergovernmental affairs arranged for the AMO What's Next Ontario consultations to happen in Guelph
              - Drafted ad hoc reports to Council to provide context and financial research including CS-2015-46 entitled "Budget Formula City Guideline"; CS-2015-71 entitled "Review of Zero Based Budgeting Report and Other Options"; CS-2015-74 entitled "Service Rationalization Options" and CS-2015-101 entitled "Infrastructure Environment and Funding Options"
- Drafted approximately 60 committee/council reports
- Provided leadership to the Request for Proposal process that led to the appointment of the external auditors
- Implemented the payment of employee expense reimbursement through electronic deposit
- Completed the transition of payments from wires and cheques to electronic funds transfer
- Initiated corporate training sessions on best practice procurement / accounts payable processes

## PERFORMANCE DASHBOARDS AND TRENDS



The **2015 Performance Dashboard** shown below demonstrates how the Finance Department and City is trending in selected areas of accountability and transparency, cash flow and procurement. Items marked in green on this dashboard indicate that the measure is generally considered to be at an appropriate level; 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, the direction of the arrow indicates where the measure is a positive year over year change, negative or no real change.

**ACCOUNTABILITY & TRANSPARENCY**



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



Number of Operating & Capital variance reports provided to Council

N/A

Number of Payments moved to Electronic Funds Transfer. "new indicator"

N/A

Year end position of the Finance Department Budget. "new indicator"

**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**



Controls in place to ensure purchases are linked to approved budgets



Outcome of reviews conducted by internal audit

N/A

*Note that the annual value of claims indicator no longer appears. This function moved to Legal Services in 2015.*

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 2015, the time available for review remained largely unchanged from prior years with increased public engagement into the budget process. New tools were introduced; a discussion forum that was open to the public and an online budget simulator.



### **Number of operating and capital variance reports provided to Council**

In 2015, staff provided five operating variance reports and four capital activity reports to Committee and Council (this is unchanged from prior years). Although there was a commitment in Report CS-2015-75 entitled "BMA Financial Condition Assessment Report" to reduce the frequency of reporting; this initiative is "on hold" pending discussions related to Council and Committee structure.

#### ***New Indicators for 2016 and onward***

##### **Number of Payments moved to electronic funds transfer (EFT)**

Beginning in 2015, the Finance Department implemented a new initiative of moving vendor payments from cheques and wire transfers to electronic funds transfer. At the end of 2015 approximately 29% of payments are now being made via EFT. We will continue to work aggressively toward making this change.

##### **Year-end position of the Finance Department Budget**

Recognizing the importance of financial accountability, the finance department will include an indicator highlighting the year end position, whether it be a surplus, deficit or balanced budget. In 2015 Finance had a surplus of \$123,010.

## CASH FLOW MANAGEMENT

### Rate of return on cash and investments



The 2015 rate of return on investments increased from to 2.395% in 2014 to 2.89% in 2015. While operating in an environment of low interest rates, finance staff continued to aggressively pursue additional revenue through the sourcing of a high interest savings account and to optimize investment returns by capitalizing on a stronger bond market which has given rise to capital gains.



### Taxes receivable as a % of Taxes levied

Property tax receivables as a percentage of taxes levied annually is 2.43% which is up from 2.11% as reported in 2014. Tax receivables continue to remain much lower than the 2014 Southwest Ontario municipal average of 6.5% as reported in the 2015 BMA Study. The low level of tax arrears and tax receivables are reflective of the strong economic financial health of Guelph as well as the staff resources allocated to the collection of arrears and the availability of enhanced payment options. Any range of receivables under 8% is considered to be acceptable.



### Credit Rating Score provided by Standards and Poors

In 2015 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 strong and diversified economy, exceptional liquidity, good financial management and robust financial policies, detailed operating and capital budgets and low debt burden. This indicator has moved into the cautionary range as staff is concerned about the low funded levels of the tax supported reserves and reserve funds; and both the decision not to increase the contributions to these reserves and the presentation of an unfunded 10 year capital budget, during the 2016 budget.

## PROCUREMENT



### 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. Purchasing policies and procedures are established, communicated and followed.



### Outcomes of reviews conducted by internal audit

Based on the PCard audit in 2015, and in compliance to the management action plans, controls are in place to ensure compliance and conformance to policy and procedures.



## ACTIVITIES IDENTIFIED FOR IMPROVEMENT/GOING FORWARD

For 2016 the following activities/tasks will be a focus:

- Implement the action plan based on the finding of the BMA Financial Condition Assessment Report including (but not limited to):
  - A staff review of reserves and reserve funds including the establishment of financial plans and target balances
  - Improved capital project activity reporting and capital close out and budget reallocation procedures, and
  - A review of the City's debt policy

## SUMMARY

In summary, the **Finance Department's 2015 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.