

I am glad to see that some on Council have now stated that our operating costs are too high (Guelph Mercury-Tribune July 15, 2016 - "Special tax levy back on Guelph council's radar" - <http://m.guelphmercury.com/news-story/6769276-special-tax-levy-on-council-s-radar>)

It is time to reduce operating costs from 2016 levels and freeze taxes and fees at the 2016 levels.

I will reiterate the point that I made at the public budget council meeting in November 2015 - **according to the BMA report, there are areas where we spend far too much compared to other Ontario municipalities.** In response to my comment, Deputy CAO of Corporate Services Mark Amorosi called BMA cost per person statistics irrelevant. Subsequently, I sent you emails proving otherwise, as such learned organizations as the Fraser Institute, BC Council of Business, Trent University and University of Toronto have stated that cost per person is relevant. Additionally the County of Brant in its local paper professed it was proud to be the low cost provider of services based on the BMA report.

Councillor Allt asked Mr. Amorosi for a full response to my query at that November 2015 meeting. However, other than repeating that he considered cost per person irrelevant and twisting the words of the president of BMA to suit his purposes, Mr. Amorosi has yet to provide what he considers to be important metrics for measuring city performance even though it was requested several times. It is irresponsible for Mr. Amorosi to say something is irrelevant without stating what he considers to be relevant. If he has his own metrics, he **should** provide them to the taxpayers of Guelph. If the DCAO doesn't have metrics for measuring performance, how does the Office of the CAO defend its current rate of spending and its statement on the City website last year that said a critical review of budgets was done and the organization was lean? Statistics from the 2014 BMA report which the City paid for indicate otherwise:

A simple review of Guelph's historical spending makes it evident that **Guelph's expenses are increasing at an unacceptable rate.** As can be seen in Chart A below, operating costs rose by 56% or \$139 million from 2008 to 2015 while CPI only went up 11% and population went up less than that (Census data not available).

Chart A - Guelph Operating Costs 2008 to 2015 (source: audited financial statements)

(\$ thousands)	2015	2014	2008		Change '08 to '15	% change
General government	27,070	25,136	18,891		8,179	+43.3%
Protection services	79,550	75,506	51,855		27,695	+53.4%
Transportation services	60,381	57,405	43,380		17,001	+39.2%
Environmental services	76,238	72,697	35,035		41,203	+117.6%
Health services	29,180	27,522	18,524		10,656	+57.5%
Social and family services	43,601	52,280	51,183		-7,582	-14.8%

Social housing	21,372	20,444	n/a		21,372	
Recreation and cultural services	40,906	39,481	23,947		16,959	+70.8%
Planning and development	7,313	6,155	3,986		3,327	+83.5%
TOTAL EXPENSES	385,611	376,626	246,801		138,810	+56.2%
Consumer Price Index	126.6	125.2	114.1		12.5	+11.0%

To halt this trend, I recommend laying off staff, reducing salaries of senior staff and reducing other non-payroll expenditures in the areas cited below in Chart B. There appears to be ample room for reductions because Guelph spends \$30 million more per year than the average Ontario city in the following areas:

Chart B

Selected areas from 2014 BMA report	Guelph cost per person	Ontario cost per person	Excess spending relative to other Ontario Cities based on 120,000 population in Guelph
1) General government	\$229	\$104	\$15,000,000
2) Fire	\$185	\$165	\$ 2,400,000
3) Waste collection	\$29	\$10	\$ 2,280,000
4) Roads	\$244	\$198	\$ 5,520,000
5) Parks	\$77	\$59	\$ 2,160,000
6) Library	\$72	\$50	\$ 2,640,000
Total	\$836	\$586	\$30,000,000
2014 Operating costs	\$3,138	N/A	

The 2014 BMA Report also indicates that, except for residential water/sewer, Guelph's commercial and industrial water/sewer costs are 10% to 12% higher than average Ontario, our waste collection costs are 20% higher, and our road costs are 133% higher. Why?

Chart C

Water/Sewer from 2014 BMA Report	Meter size	Guelph	BMA Ontario Average	% difference
Residential 200 cu M	5/8"	\$808	\$858	(6%)
Commercial 10,000 cu M	2"	\$31,999	\$28,849	10%
Industrial 30,000 cu M	3"	\$94,316	\$84,510	10%
Industrial 100,000 cu M	4"	\$308,548	\$273,931	11%
Industrial 500,000 cu M	6"	\$1,522,293	\$1,344,195	12%
Waste collection \$/tonne		\$137	\$114	20%
Roads \$/kilometre		\$27,617	\$11,847	133%

Based on the above, if Guelph’s operating expenses are reduced by even \$20 million (a 5% reduction of the \$385 million actual spending in 2015), and taxes and other revenue **are held constant**, the City will build up its reserves by **\$200 million** in 10 years which will go a long way to funding the capital/infrastructure gap.

Here are some specific reductions within the areas cited in Chart B that should be considered:

General Government (Chart B, line 1)

General government is not a service and all attempts should be made to reduce costs in this area. Reductions here should not affect the general population of the city.

1. According to the 2015 Sunshine List, the City may have too many Human Resources personnel. We cannot afford them all. Notably,
 - There are 6 people working in Guelph City Hall with HR in their title making over \$100,000 per year. One that appears superfluous is the HR Manager, Client Services making \$117,000. This is not a position that appears in most HR organization charts. What clients does this position serve? What is its purpose?
 - In HR, there is a Manager, Total Rewards and a Compensation Specialist, both of whom earn over \$100,000. Why is it necessary to have 2 positions paying over \$100,000 for compensation? Isn’t most of this covered by union agreements?
 - Two other staffers in other departments that look like HR people – a Chief Training Officer earning \$126,000 and a Training Officer earning \$119,000 – We cannot afford two people in training each earning over \$100,000. How many others are there in training? This appears to be way out of line compared to what teachers earn.

Collectively, \$362,000 in reductions in annual HR payroll could be achieved by eliminating these management positions – and that’s before considering whether all of the staff that report to them are necessary and/or affordable.

2. According to the 2015 Sunshine List, Guelph has one of the highest paid CAOs at \$257,000. The following chart compares this salary with the CAOs in some Southern Ontario cities. **Why does Guelph pay more for a CAO than larger cities?**

City	CAO Salary	Salary Difference versus Guelph	Population	Population Difference versus Guelph
Guelph	\$257,000	-	121,700	-
Kitchener	\$213,000	-\$44,000	219,200	+97,500
Brampton	\$230,000	-\$27,000	523,900	+402,200
Barrie	\$241,000	-\$16,000	136,100	+14,400

Is the high salary reflected all the way down the chain of command? If so, management salaries must be reduced. We cannot afford paying more than other cities. Guelph's high salaries certainly are not justified. The **poor results** that we have seen in recent years **do not** reflect exemplary performance (e.g. Urbacon; Direct Energy; Recycling Detroit waste; being over budget in expenses most years since 2008; 2016 budget error in waste disposal; CRA assessment reported in 2010 and again in 2012).

3. According to the 2015 Sunshine List, Guelph has a General Manager, Business Development Enterprise making \$156,000. The comparable position in other Southern Ontario cities is paid less, *even in Mississauga and Toronto!*

City	Business Development Manager Salary	Difference versus Guelph	Population	Difference versus Guelph
Guelph	\$156,000	-	121,700	-
Kitchener	\$132,000	-\$24,000	219,200	+97,500
Brampton	\$111,000	-\$45,000	523,900	+402,200
Barrie	\$140,000	-\$16,000	136,100	+14,400
Mississauga	\$135,000	-\$21,000	713,400	+591,700
Toronto	\$120,000	-\$36,000	2,615,000	+2,493,300

Why does Guelph pay more for its Business Development Manager? Are Business Development staff similarly paid higher than others? What are the performance metrics for this department? What revenue has it brought to the City in recent years?

4. According to the 2015 Sunshine List, Guelph has a General Manager, Culture Tourism and Community Investment who is paid \$142,000. This Manager's salary seems out of line since this position only has responsibility for Tourism while directors in other cities are responsible for Tourism plus Economic or Business Development:

City	Position	Salary	Diff versus Guelph
Guelph	General Manager, Culture Tourism and Community Investment	\$142,000	-
Hamilton	Director of Tourism and Culture	\$146,000	+\$4,000
Brampton	Director of Economic Development and Tourism	\$167,000	+\$25,000
Brantford	Director of Business Development and Tourism	\$134,000	-\$8,000
Toronto	Manager of Tourism	\$122,000	-\$20,000

Given the above, and referring back to point #3 above, Guelph has two high-priced General Managers covering business development and tourism. Is this necessary given the practice elsewhere of combining these responsibilities? It certainly doesn't appear affordable. What are the performance metrics for this position/department?

5. At Council meetings, there are staff present (presumably getting paid overtime or time in lieu) who either don't get called on to explain anything or present reports that are so brief that they don't appear to justify the staff member's presence in a Council meeting for 4-5 hours. **How much does the presence of non-essential staff at Council and other committee meetings contribute to City Hall's high overtime costs? How many other meetings do staff attend where they are observers and not participants? Observers and other non-contributors should not attend meetings. They should just receive the minutes.**
6. The complete organization chart for the City is not publically available. However, according to the 2015 Sunshine List, there are 92 Guelph positions with the word "manager" in their title. **Clearly, the City has numerous middle managers in addition to other senior staff. The City must reduce these positions and flatten out the organization to make it more responsive and more cost effective. In our financial situation, we cannot afford this huge layer of middle management.**

Fire (Chart B, line 2)

1. According to the 2015 Sunshine List, Guelph's Fire department has 8 Platoon Chiefs in Training all making around \$125,000 per year. No other municipality in Ontario has this position.
2. Guelph also has an "Assistant Chief Fire Prevention Officer" at the same pay grade, but few other cities have this position.

Eliminating these positions will save \$1,125,000. Cutting administrative staff should have no impact on fire services. Are there other positions in the fire department that perform administrative tasks that if not done do not affect service? If so, the tasks and the personnel should be eliminated.

Waste Collection (Chart B, line 3) and Chart C 2nd from last line

How many personnel in this department do administrative tasks rather than direct waste collection work? Administrative tasks not directly providing service should be drastically eliminated, thus eliminating the need for some administrative personnel and reduce costs. I have spoken to the Waste Collection management on two separate occasions about changing the waste pick up schedule to follow the Vancouver model wherein no overtime is paid on the weeks where a public holiday occurs. This is simply done by postponing pickups permanently

for 1 day until the next public holiday. (e.g. if your regular day is Monday and there is a holiday that Monday you permanently move to Tuesday until the next holiday then you move to Wednesday etc.) I was told the City spends over \$60,000 in overtime because of the way it currently picks up waste when there is a public holiday. There are no publically available numbers to determine why costs in Guelph are higher on a per tonne or per person basis. You will have to question this department yourselves and dig into the numbers and flush out the reasons and act accordingly.

Roads (Chart B, line 4) and Chart C last line

Given what we spend (\$27,617 per km vs Ontario average of \$11,847 per km), why are Guelph's roads not in better shape/condition? As a Council you will have to delve into the numbers and flush out the reasons why our road costs are so high compared to other Ontario municipalities and act accordingly. Is road work done by outside contractors? If so, are rates paid in line with other cities? How many personnel do administrative tasks versus direct road work? Elimination of administrative tasks and personnel will reduce the costs for roads.

Parks (Chart B, line 5)

The 2016 budget request included a request for a trail technician and other new personnel totaling over \$500,000. We are already higher than the Ontario average for parks spending, so any new additions made in 2015 and 2016 should be eliminated. Also, how many personnel in this department do administrative tasks versus direct parks related work? Elimination of administrative tasks and personnel will reduce the costs for parks.

Library (Chart B, line 6)

For a city our size, why do we have two high priced administrative positions that are paid over \$100,000 per year? What other administrative positions are in the library spending that do not directly provide library services? Elimination of administrative tasks and personnel will reduce costs for library.

FINAL COMMENTS

Clearly, Guelph has financial challenges and it's time for the Mayor and City Council to deal with them. Bob Moore made this point well in his July 28, 2016 Mercury-Tribune editorial <http://www.guelphmercury.com/opinion-story/6787414-when-will-we-hear-the-outrage-from-city-council/>

I have demonstrated in this letter that there are numerous opportunities to address our financial challenges through reductions in operating expenses, especially through personnel reductions. The CAO has expressed concerns that we would be "robbing Peter to pay Paul". (See first link below). In my opinion, we have too many Peters, so having fewer of them is a great way to help fund Paul.

That said, how does the City justify not having a CFO until next year? The recently appointed CFO will be on maternity leave until 2017. This is not wise under the current circumstances surrounding the 2017 budget and should be reconsidered.

Similarly, why aren't the CAO and the DCAO of Corporate Services on the same page when it comes to the City's finances? In the July 15, 2016 Mercury-Tribune article, CAO Thomson said:

“City Hall currently **doesn't have enough money** to build all of the projects in the city's nine year capital forecast, let alone to begin to address our infrastructure backlog.”

<http://m.guelphmercury.com/news-story/6769276-special-tax-levy-on-council-s-radar>

However, on the city website announcing the new CFO, DCAO Amorosi said:

“I have great confidence that she will provide strong leadership and continue to strengthen the City's **solid financial foundation.**”

<http://guelph.ca/2016/07/guelph-hires-chief-financial-officer/>

Why does the CAO say we don't have enough money, yet the DCAO says the City has a solid financial foundation? They both can't be correct.

Finally, why shouldn't we look at reductions in services in addition to reductions in administrative operating expenses? In the July 15, 2016 Mercury-Tribune article, CAO Thomson said that reductions in services are not being considered:

“One option that staff won't present to council this fall as a solution to its capital funding woes is...drastic cutting of services because staff don't believe this would provide enough money for capital needs.”

This statement by the CAO shows a clear disregard for what the Mayor asked for earlier in the year at a Corporate Services Committee meeting. The Mayor specifically asked for funding alternatives other than a tax increase. The DCAO agreed to provide a list by the summer. Why is the Office of the CAO being insubordinate? Isn't it the job of the Office of the CAO to carry out Council's wishes? It seems in this City that the Office of the CAO dictates to Council, not the other way around.

Does staff believe that reductions in services won't provide enough money for capital needs or are they just protecting their jobs? After all, it's much easier for staff and management to recommend tax increases rather than to face their colleagues and subordinates and tell them they are being terminated or their salaries are being reduced. Why is it every time Guelph is looking for funds, its first response is to add fees or increase taxes? There is always this veiled threat that services will be reduced if expenses are cut. In the business world, expense reductions happen all the time. Why is Guelph the exception?

As I said in a letter published in the Mercury-Tribune in response to Councillor Salisbury's Feb 23, 2016 letter to the editor stating that "the City is not at fault for the infrastructure gap", we should get a new management group if we can't achieve a 6% reduction in expenditures in this City.

As I stated earlier, it is time for Guelph to reduce its operating expenses by \$20 million and freeze taxes and fees at current levels to fund the capital/infrastructure gap. We cannot afford to continue to increase spending on operating costs on top of spending for capital and infrastructure.

If you would like to have a discussion on anything in this letter, I am open to it. Thank you for your time and I look forward to hearing from you.

Regards,

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Ward 6