

**City of Port Colborne
Special Committee of the Whole Meeting 06-20
Minutes**

- Date:** September 17, 2020
- Time:** 6:30 p.m.
- Place:** Council Chambers, Municipal Offices, 66 Charlotte Street, Port Colborne
- Members Present:** M. Bagu, Councillor
E. Beauregard, Councillor (via Zoom)
G. Bruno, Councillor (via Zoom)
R. Bodner, Councillor (via Zoom)
F. Danch, Councillor (via Zoom)
A. Desmarais, Councillor (via Zoom)
D. Kalailieff, Councillor
W. Steele, Mayor (presiding officer)
H. Wells, Councillor
- Staff Present:** D. Aquilina, Director of Planning and Development
S. Baswick, Director/Curator, Port Colborne Historical and Marine Museum
B. Boles, Director of Corporate Services/Treasurer
T. Cartwright, Fire Chief
A. Grigg, Director of Community and Economic Development
N. Halasz, Manager of Parks and Recreation
A. LaPointe, Manager of Legislative Services/City Clerk
S. Lawson, Deputy Chief
S. Luey, Chief Administrative Officer
C. Madden, Deputy Clerk (minutes)
S. Shypowskyj, Acting Director of Engineering and Operations
S. Therrien, Director of Library Services
M. Thomas, Facilities Supervisor

Also in attendance was one member from WeeStream.

1. Call to Order:

Mayor Steele called the meeting to order.

2. Introduction of Addendum Items:

None.

3. Confirmation of Agenda:

Moved by Councillor H. Wells
Seconded by Councillor R. Bodner

That the agenda dated September 17, 2020 be confirmed, as circulated.

CARRIED

4. Disclosures of Interest:

None.

5. Item(s) for Consideration:

1. 2021 Budget Development Process and City Finances

Bryan Boles, Director of Corporate Services/Treasurer provided a presentation and answered questions received from Council. A copy of his presentation is attached.

Moved by Councillor M. Bagu
Seconded by Councillor D. Kalailieff

That the 2021 Budget Development Process and City Finances presentation, be received for information.

CARRIED

2. Corporate Services Department, Financial Services Division, Report No. 2020-125, Subject: 2021 Capital and Related Projects Budget

Bryan Boles, Director of Corporate Services/Treasurer provided a presentation and answered questions received from Council. A copy of his presentation is attached.

Moved by Councillor A. Desmarais
Seconded by Councillor E. Beauregard

That the Corporate Service Department, Financial Services Division, Report No. 2020-125, Subject: 2021 Capital and Related Projects Budget, be received; and

That the 2021 Capital and Related Projects Budget as outlined in Report 2020-125, be approved and that the projects identified in the 2021 Capital and Related Projects Budget can begin immediately where feasible.

CARRIED

6. Adjournment:

Mayor Steele adjourned the meeting at approximately 8:20 p.m.

2021 Budget Development Process & City Finances

September 17, 2020



Agenda

- Budget - Timeline / Process / Format
- Budget Focus and Building Blocks
- Key Policy Development
- Continuous Improvement
- Key Performance Metrics (KPI)
 - Allocations / Capital / Reserves / Borrowing / Unfunded liabilities
- Property Taxes / Assessment
- Water & Waste Water Rates



Forward Looking Information

In preparing the 2021 Budget, certain assumptions and estimates are necessary. They are based on information available to staff at the time. Actual results will vary.



2021 Budget

The budget is a plan to allocate resources in advance for the maximum benefit of City residents and stakeholders. It is a method to authorize revenue and expense authority.

As regulated through the Municipal Act, a balanced budget is required.

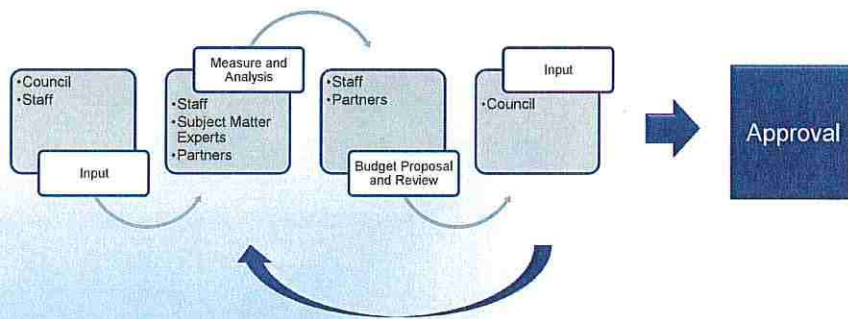


Budget Timeline

Budget Components	Port Colborne		Niagara Region	
	Budget Committee of the Whole	Council	Budget Committee of the Whole	Council
Budget Timetable		July 27, 2020	June 25, 2020	
Capital and Related Projects Budget	September 17, 2020	September 28, 2020 (Approval)	October 15, 2020	January 21, 2021 (Approval)
Levy Budget and User Fees	October 21, 2020			
Levy Budget and User Fees	October 28, 2020 (if required)	November 9, 2020 (Approval)	January 14, 2021	January 21, 2021 (Approval)
Rate*	December 2, 2020			
Rate*	December 7, 2020 (if required)	December 14, 2020 (Approval)	November 26, 2020	December 17, 2020 (Approval)



Budget Process



Budget Format

- The budget format is changing
- Reminder that key categories / groupings included:
 - Departments
 - Self Funded Entities
 - Examples include Marina, Nickel Beach, Building Department, Cemetery
 - Boards and Committees (BC)
 - Programs, Grants and Activities (PGA)
 - General Government
 - Borrowing and pay-as-you-go-costs (money to fund the Capital and related Project Budget)
 - City wide revenues (e.g. taxes, grants and investment income)
 - City wide expenses (e.g. subject matter expert, financial transaction costs)
 - Capital and Related Projects (Report 2020-125)

Budget Focus and Building Blocks

- Customer Service
- Technology
- Training and development
- Core tangible capital assets
- Water and Waste Water rates

Policy Concepts to Start Discussing

- Generational Equity
- Triple Bottom-line User Fees (Economic, Environmental, Social)

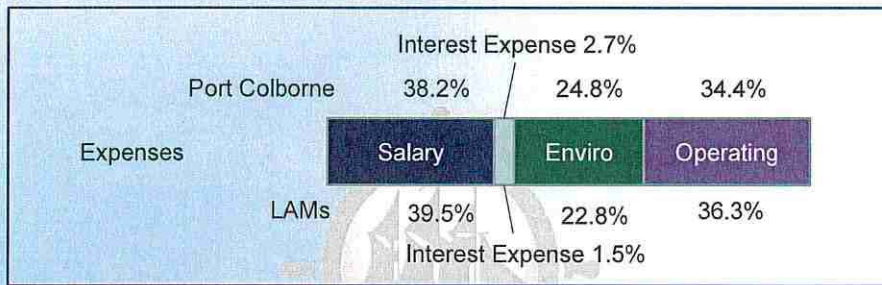
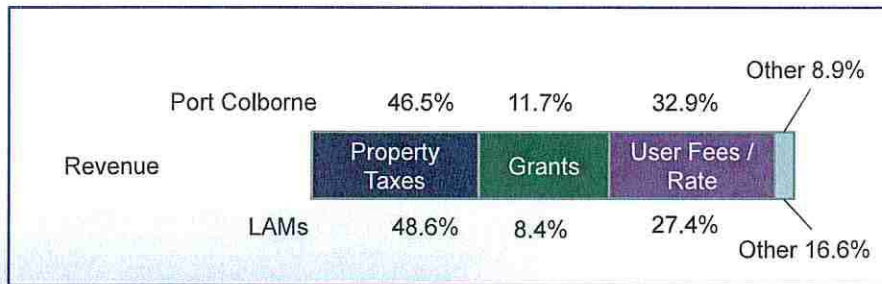
Key Policy Development

- As outlined in Report 2020-97 (July 27, 2020)
 - Investment Policy (Approved August 24, 2020)
 - Capital Policy (to Council September 28, 2020)
 - Reserve Policy (to Council September 28, 2020)
 - Travel, Meals and Hospitality Expense Policy (to Council November 23, 2020)
 - Professional Expense Policy (to Council November 23, 2020)
- Additionally
 - Borrowing Policy (to Council September 28, 2020)
 - Delegation of Authority Policy (to Council in 2021)

Continuous Improvement

- Strategic Plan
 - Process to move forward with next steps now with the hiring of the Manager of Strategic Initiatives
- KPMG Review (to Council November 23, 2020)
 - Funded by the Modernization Grant (noted in Report 2020-116)
- Strategic Plan and KPMG Review to inform
 - Establishment of Key Performance Indicators (KPI) and related alignment activities (Spring 2021)

KPI: Allocation



*Using unweighted average 2018 FIR

KPI: Capital



Amortization ≈ \$5,400,000
Exceeding amortization by \$945,950*

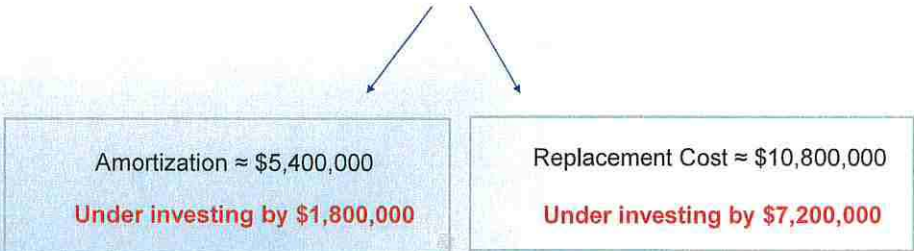
Replacement Cost ≈ \$10,800,000
Under investing by \$4,454,050*

* Assumption is all funds are spent on asset replacement - as per Report 2020-125 ≈ \$3,600,000 relates to asset replacement

KPI: Capital



Spend on capital asset replacement = \$3,600,000 ← \$6,345,950



- Action Items:
 - Apply Construction CPI to the Capital and Related Project Budget funding envelope
 - Increases the historical catch-up factor from 1.25% to 1.5% (2021) and move toward 2% thereafter.
- Capital Policy (to Council September 28, 2020)

KPI: Reserves

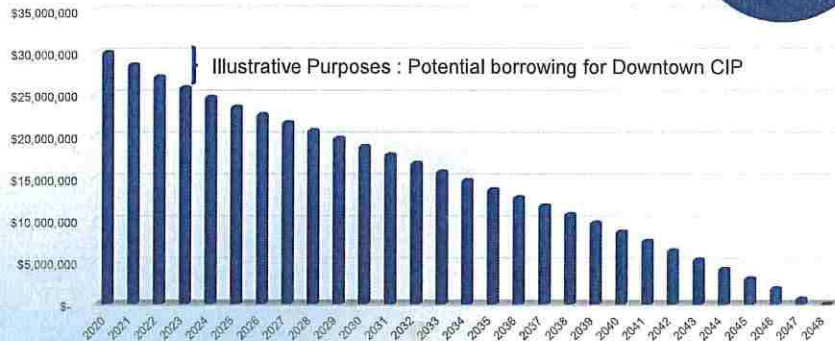


1. Reserves to Revenue is a metric of financial flexibility to support strategic investments and short term stabilization in an emergency (e.g. Pandemic)
2. Forecasted 2020 balance ≈ \$16,000,000 (includes \$3,500,000 in committed Capital and Related Project funding)
3. Action Items:
 - a. Financial Planning to incrementally move the City towards the LAM Reserve / Revenue average by 2040.
 - b. Consolidate and simplify reserves and related activity
4. Reserve Policy (to Council September 28, 2020)

* Local Area Municipality (LAM)

KPI: Borrowing

ARL ≈ 8%
LAM ≈ 5%*



- The chart above illustrates the City's current outstanding borrowing based on current repayment schedules.
- Borrowing Policy (to Council September 28, 2020)
 - Metric to watch is "net financial surplus/(deficit" position)
 - Proposed Target is balanced by 2040 [Balance = (\$25,000,000) and only one other LAM has a negative balance] – this metric similar to Reserve discussion speaks to financial flexibility.

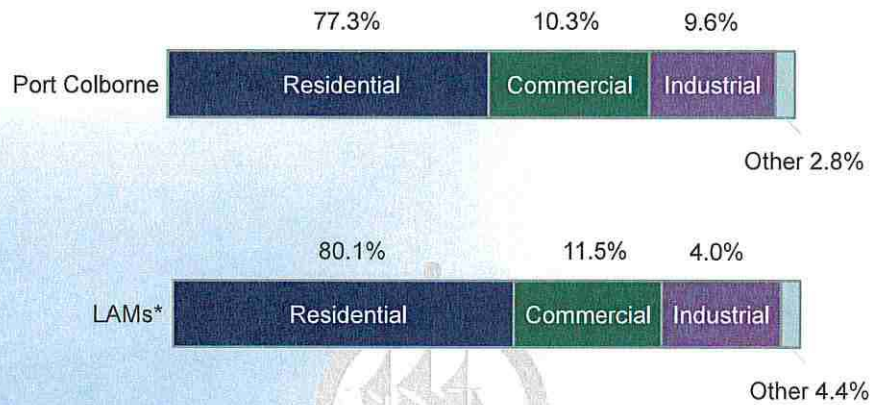
*Using unweighted average 2018 FIR

KPI: Unfunded Liabilities

- Employee Future Benefits (EFB), including WSIB
 - December 31, 2019 balance ≈ \$9,500,000
 - Action Items:
 - Recommended Reserve – 1/3 moving to 3/4 (to Council September 28, 2020)
 - Review benefits (to Council November 23, 2020)
- Environmental Liability ≈ Zero
 - Record if one exists and property no longer in use
 - Action Item:
 - Develop inventory of properties "at risk" (to Council Summer 2020) then consider next steps

Generational Equity

Comparison Property Taxes



Using unweighted average 2018 FIR
 * Local Area Municipality (LAM)

Property Taxes

Average Single Family Detached Home

	Local	Regional	Education	Total
Port Colborne	\$ 1,720	\$ 1,309	\$ 300	\$ 3,329
LAM* Average	\$ 1,567	\$ 2,035	\$ 497	\$ 4,099

The owners of a single family detached residence in Port Colborne pay **\$770 less** than the average single family detached residence in the rest of the Niagara Region

* Local Area Municipality (LAM)

Assessment

- The Municipal Property Assessment Corporation's (MPAC) Assessment Update planned for 2020 postponed due to COVID-19
- The Niagara Region provides a video that explains the relationship between tax rates and assessment (https://www.youtube.com/watch?v=QXi4U4mKr_g)



Water and Waste Water Rates

Increase over the two years (2019 and 2020)

	Port Colborne	Niagara Region
Water	6.93%	13.14%
Waste Water	10.32%	36.5%

This excludes impacts of flow changes. Water flows appear trending down from 2018 while waste water flows are trending up

Timeline: Proposed rate budget to be released November 9, 2020.

Options for monthly billing / Variable vs. Fixed Rate / Funding improvements will be included.

Thank You

Budget Timeline

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Key Policy Development

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 - Delegation of Authority Policy (to Council Spring 2021)



2021 Capital and Related Capital Budget

September 17, 2020



Agenda

- Recommendation
- Process
- Tax and Rate Impact
- Funding
 - Sources
 - Level
 - Detail
- Internal Financing / Debt Repayment
- Projects
 - Department
 - Highlights
- Community Improvement Project (CIP)



Recommendation

That the Corporate Service Department, Financial Services Division, Report No. 2020-125 Subject: 2021 Capital and Related Projects Budget, be received; and

That the 2021 Capital and Related Projects Budget as outlined in Report 2020-125, be approved and that the projects identified in the 2021 Capital and Related Projects Budget can begin immediately where feasible.



Process

The 2021 Capital and Related Project Budget was developed through a process that obtained both **Council and Staff input**. Staff based their recommendations after considering:

- A need to focus on maintaining and improving core infrastructure
- Organization capacity to complete the Capital and Related Projects Budget
- Organization financial flexibility

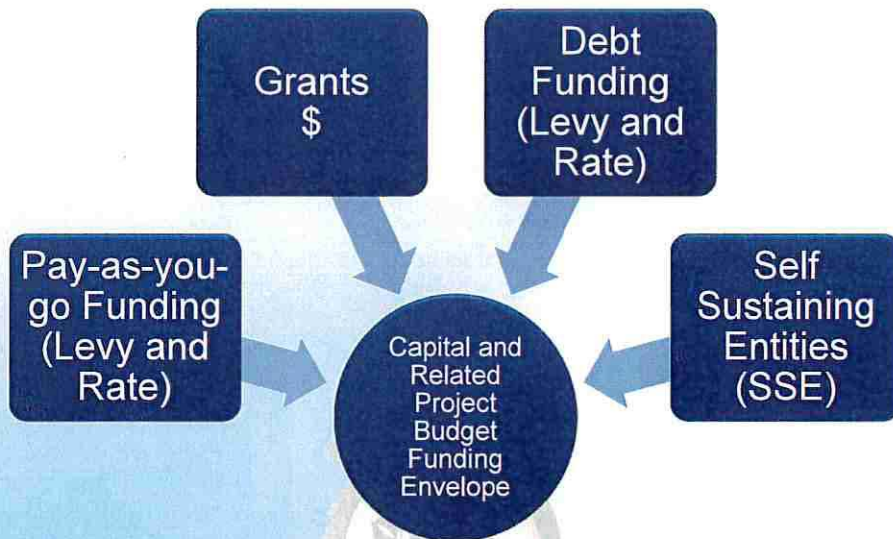


Tax and Rate Impact

- 1% or \$34 increase to the average detached family house valued at \$196,036
- 1.8% or \$24 increase on water and wastewater for a house using 170 m3 of water

Report 2020-125

Funding Sources



Funding Level

Pay-as-you-go Funding (2021)	\$3,854,378	
Borrowing Costs (2021)	2,491,572	
	6,345,950	\$6,345,950
Amortization	5,400,000	
Annual Replacement Cost (per subject matter expert)		10,800,000
Achieving / (Underfunded)	\$945,950	(\$4,454,050)

New spend on capital asset replacement = \$3,600,000

Amortization ≈ \$5,400,000 Under investing by \$1,800,000	Replacement Cost ≈ \$10,800,000 Under investing by \$7,200,000
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Funding Detail

Funding Category	2020 Budget	Factor Increase (1.5)	CPI on "Pay-as-you-go" Costs (2.3%)	CPI on Borrowing Costs (2.3%)	Transfer from/(to) Borrowing to/(from) "Pay-as-you-go"	Transfer to Operating Budgets	Proposed 2021 Balance
Funding for "Pay-as-you-go" Costs							
Levy	2,108,260	286,176	48,490	40,017	148,402	(374,805)	2,256,540
Gas Tax	555,355	-	-	-	-	-	555,355
OCIF (Ontario Community Infrastructure Fund)	418,760	-	-	-	-	-	418,760
Water	436,851	77,598	10,048	8,379	-	(282,876)	250,000
Waste Water	508,853	89,639	11,704	-	-	(260,196)	350,000
Storm Sewer	-	11,400	-	12,324	-	-	23,724
	4,028,079	464,813	70,241	60,719	148,402	(917,877)	3,854,378
Funding for Borrowing Costs							
Borrowing Costs	2,639,974	-	(60,719)	(60,719)	(233,079)	-	2,406,895
Internal Financing - Marina (Ballon Payment Required 2020)	-	-	-	-	84,677	-	84,677
Total Capital Funding	6,668,053	464,813	9,522	-	-	(917,877)	6,345,950

Report 2020-125 – Appendix C

Internal Financing / Debt Repayment

	Fire Truck	Marina (SSE)
Issued Debt in 2010	281,000	900,000
Repaid over 10 years	145,606	(466,354)
Balloon Payment	135,394	433,646
Recommended funding for balloon payment	Reserves	Internal financing over five years

- The balloon payment occurred because the debt repayment schedule was based on 15 years but the term of the debt was only 10 years. This is common and similar to a standard mortgage where the payments are often calculated over 25 or 30 years but the mortgage renews more frequently.
- The alternative to the proposed reserve funding or internal financing is external borrowing (formal approval for the recommended strategy will accompany the Borrowing and Reserve Policies at the September 28, 2020 Council meeting).

Projects by Department

Project	Type	Budget	Levy	Rate	Grant - 2021	Grant - PY	Reserves	Other
Corporate Services		202,000	202,000	-	-	-	-	-
Community Services		455,360	105,000	-	-	268,000	82,360	-
Fire Department		95,000	95,000	-	-	-	-	-
Public Works		4,353,000	1,580,600	200,000	972,400	1,400,000	200,000	-
Library	DM / G	45,000	45,000	-	-	-	-	-
Museum	DM	5,000	5,000	-	-	-	-	-
Board and Committees		50,000	50,000	-	-	-	-	-
Marina - Hydro Pedestals	DM	15,000	-	-	-	-	-	15,000
Cemetery - Columbarium and Concrete Work	DM / SLE	40,000	-	-	-	-	-	40,000
Self Sustaining Entities		55,000	-	-	-	-	-	55,000
		5,210,360	2,032,600	200,000	972,400	1,668,000	282,360	55,000
Transfer to Capital Water		150,000	-	150,000	-	-	-	-
Transfer to Capital Waste Water		250,000	-	250,000	-	-	-	-
Transfer to Capital Levy		225,654	225,654	-	-	-	-	-
Transfer to Capital Storm		23,724	-	23,724	-	-	-	-
Reserve Transfers		649,378	225,654	423,724	-	-	-	-
Total Capital Budget		5,859,738	2,258,254	623,724	972,400	1,668,000	282,360	55,000

Current Year New Capital Contribution = 3,854,378

Report 2020-125 – Appendix A

Some Project Highlights

- A 20% increase to the road reconstruction and maintenance budgets to \$1,440,000
- A proposal to perform a full infrastructure needs assessment of water, waste water and roads at a cost of \$750,000. The goal will be to assess the current condition and enhance planning and activities around unbilled water and waste water infiltration.
- Introduce flow monitors in the waste water system at a cost of \$100,000 to help isolate infiltration.
- A 20% increase to the sidewalk budget to \$150,000
- Replace the multi-use trail to Dain City at a cost of \$335,000

Community Improvement Project (CIP)

- The Downtown CIP project was originally proposed as Clarence Street from West Street to Catharine Street.
- With Council's approval this project was expanded to design the infrastructure for the whole Downtown CIP.
-
- As noted in Report 2020-116 this is a multi-year project moving towards tender ready for design with conceptual drawings which can facilitate a grant application, if required.
- Staff have been reviewing this project and as identified in Report 2020-116 recommend the timeline be adjusted so that the tender for engineering design follow at least preliminary work from the Infrastructure Needs Studies which will include asset condition assessments.

Community Improvement Project (CIP)

- Adjusted budget reflected in this report reflects \$1,000,000 for engineering design.
- Previously it was estimated this project would cost \$4,500,000.
- The other funding representing a previous estimate of \$3,500,000 previously allocated (\$1,000,000) and planned to be allocated (\$2,000,000) to this project has been reallocated in this 2021 budget.
- In the absence of this change the 2021 capital budget would have been constrained by approximately 60%.
- Staff point out that in a best-case scenario there will be no meaningful physical construction of this project until 2022.
- Staff will recommend construction funding options during the 2022 Capital budget process which will consist of both grant and borrowing given the potential funding needs of the project.

Thank You

Recommendation

That the Corporate Service Department, Financial Services Division, Report No. 2020-125 Subject: 2021 Capital and Related Projects Budget, be received; and

That the 2021 Capital and Related Projects Budget as outlined in Report 2020-125, be approved and that the projects identified in the 2021 Capital and Related Projects Budget can begin immediately where feasible.

