

THE CORPORATION OF THE CITY OF SARNIA



DRAFT SUPPLEMENTARY BUDGET INFORMATION 2021

**THE CORPORATION OF THE
CITY OF SARNIA**

**2021 SUPPLEMENTARY BUDGET
INFORMATION**

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THE CORPORATION OF THE CITY OF SARNIA
People Serving People

CORPORATE SERVICES DIVISION

OPEN SESSION REPORT

TO: Mayor and Members of Council

FROM: Holly Reynolds, Accounting & Budgeting Manager/Acting Treasurer
David Logan, General Manager, Corporate Services

DATE: September 21, 2020

SUBJECT: 2021 Draft Capital Budget

Recommendation:

It is recommended:

That Sarnia City Council receive the 2021 Draft Capital Budget for Council consideration.

Background:

The Capital Budget provides for the purchase or rehabilitation of Capital Assets that exceed the threshold limit of \$75,000. A Capital Expenditure is a significant expenditure incurred to acquire, improve, rehabilitate or reconstruct land, buildings, machinery/equipment and linear assets (roads, sewers, water mains, bridges, etc.).

The 2021 Draft Capital Budget is being presented to Council at the September 21, 2020 Corporate Priorities/Strategic Planning session to provide Council with additional time to review and consider the nature and extent of the capital requests.

The 2021 Draft Capital Budget is being presented without the reserves and reserve funds budget or the reserve 10-year plan. The status of the reserves is linked to the operating budget and these important components are still in development. As such, there could be further capital recommendations made to Council (likely to be reductions in projects or scope) as a result of the completion of the draft operating budget.

Comments:

Once again the City is requesting an unprecedented level of capital investment. The Table below summarizes the capital requests over the last four years. The 2021 Draft Capital Budget that was presented to Council as part of the 2020 Budget is also included to demonstrate the level of growth even from what staff were considering at this time last year.

Forecasted reserves are adequate for the level of proposed capital investments, however the City will continue to monitor reserves to ensure adequate funding is budgeted for future Capital Initiatives. The reserve budget and 10-year reserve plan are still in development along with the operating budget.

Budget Year	Total Budget	External Debt Financing	External Funding Sources	Own Source Funding
2018	27,066,201	0	9,683,992	17,382,209
2019	29,789,300	0	11,397,620	18,391,680
2020 Final	45,730,000	0	14,850,057	30,879,943
2021 Draft (as part of 2020 budget)	49,007,500	0	13,036,442	35,971,058
2021 Draft ⁽¹⁾	60,649,804	0	19,732,345	40,917,459

(1) Note that Sarnia Police Services capital projects have not been included as the Sarnia Police Services Board has not approved the Sarnia Police Services 2021 Budget. The 2021 Sarnia Police Services Board Budget Session is scheduled for October 8, 2020.

Asset Management Funding

As part of the 2020 Budget, Council approved the inclusion of a 2% increase to the general levy for 3 fiscal years commencing in 2020. If Council maintains this funding in the 2021 Operating budget, the asset management funding expected to be transferred to reserves is \$2.9 million less \$500 thousand for fleet additions already allocated. This provides Council with \$2.4 million that could be assigned to capital projects as per Council direction. This amount has NOT been included in the \$61 million of proposed capital spending above and as a result, staff will be seeking direction from Council accordingly.

Capital Requests

The capital requests have a number of themes (individual projects may fall in more than one theme) as summarized in the following table:

Growth-driven projects	\$9,580,000
Transit upgrades	\$2,671,119
Facilities upgrades	\$6,017,300
Technology implementations	\$3,117,953
Accessibility improvements	\$1,320,500
Community enhancement	\$11,662,686
Linear asset investments and rehabilitations	\$30,714,953
Opportunities to leverage grants	\$7,046,166
Emergency response initiatives	\$4,738,000
Vehicles	\$4,825,000
Economic Development	\$3,790,000

Growth Driven Projects

The most significant growth-related project is the Rapids Parkway extension. This project has been planned since the mid-1990's and is part of the Official Plan. The Environmental Assessment was completed in 2020. The scope includes looping the watermain to improve water quality and provide redundancy, installation of a new sanitary forcemain to improve overall system capacity, and extension of the road with realignment of the trail to improve overall traffic flow in Development Area 1.

Transit Projects

The City has been able to benefit from ICIP grant applications, funding 73.33% of projects, to plan for a significant number of Transit capital projects. Fleet upgrades and a new transit terminal are the main focus for 2020. A new terminal will help to continue the overall investment in the downtown core and enhance the ridership experience.

Facilities Upgrades

This is a story of facility assets that have suffered from maintenance delays and are now in desperate need of rehabilitation. The largest project is the construction of a new Fire Station #3 at the Colborne Rd site and the demolition of the existing station built in 1954. The existing structure condition has been assessed as "critical" in the 2018 Building Condition Assessment and does not meet current Firefighter operational needs. At the September 14, 2020 meeting, Council approved the recommendation to request a proposal for architectural services for design and project management. The capital budget request for 2021 is \$1,090,000 with \$2,160,000 to be requested in 2022 in addition to the \$100,000 for the architectural work for a total estimated spend of \$3,350,000.

The second major proposed project is work to be performed at the Progressive Auto Sales Arena to replace additional roofing areas, provide for

an accessible/female/gender neutral dressing room and to upgrade the Sarnia Sting dressing room.

Numerous other facilities will be undergoing smaller but necessary capital improvements.

Technology

In an effort to improve efficiency and better control the City operations, the City is proposing a number of technology acquisitions and implementations.

Significant technology projects include an Integrated Human Resources and Payroll system that will eliminate multiple touch points on the same data, allow for employee self-service and eliminate paper schedules and timesheets. 2021 will commence a three-year project on an electronic documents and records management system, a critical implementation given the volume of documents the City produces and manages. The City will also be upgrading radios and GPS units in its fleet of vehicles, including buses, for more effective communication and risk management.

Accessibility

The City is proposing public accessibility projects in a number of facilities including City Hall Council Chambers, arenas, parks and sports fields. Accessibility is an important part of making the City inclusive and engaging existing residents and attracting new residents.

Community Enhancement

In addition to the accessibility projects to drive engagement the City has proposed a large number of projects designed to improve the lives of citizens and tax payers. The budget includes the largest amount of road reconstruction ever with \$2.5M for road rehabilitation, \$2.7M of Oversize Load Corridor project funding for Blackwell Side Road upgrades, and \$1.8M for phase one of Plank Road Reconstruction. Other major investments include shoreline protection, public facilities improvements, and development of a new Transit terminal in the downtown core.

Linear Assets

Always an important component of the City's capital budget, linear asset projects include the wrap-up of the Sarnia Sewer Upgrade project, the realization of the long-planned Rapid Parkway extension, reconstruction of Plank Road and ongoing sewer separation and watermain, sanitary and storm sewer replacements. The ongoing projects replace aging infrastructure that cause emergency repairs and will improve the City's ability to cope with over-capacity system issues.

Grants

A number of projects are occurring because of prior or current grant opportunities (in addition to ongoing support from Federal and Provincial gas taxes and a number of other funding sources). The Sarnia Sewer Upgrade project is being completed because of a Small Communities Fund grant received in prior years, allowing the City to undertake a large infrastructure project that will wrap up in 2021. Combined sewers are being separated utilizing Disaster Mitigation and Adaptation funding. A number of Transit projects, and phase one of Plank Road reconstruction, are proposed as a result of the Investment in Canada Infrastructure Program grant applications. The over-sized load corridor has been made possible due to a number of grants (see Economic Development).

Emergency Response

As noted in the Facilities initiatives above, Sarnia Fire Services will be proceeding with architectural design work for a new Fire Station #3 that will improve the emergency response out of that fire station. There is also a fire truck replacement proposed for 2021. The covid pandemic highlighted the need to replace the current emergency management command centre vehicle, which due to its age is expensive to maintain and does not meet the current space and technology needs of the City's emergency response.

Vehicles

In addition to the fire truck and transit fleet replacements, which are significant proposed acquisitions for 2021, the City regularly replaces approximately \$2 million of its regular fleet of trucks, cars and heavy equipment directly from reserves.

Economic Development

The largest economic development activity in the City's recent history is the already-approved over-size load corridor. This project is a collaboration between the City, the County of Lambton, St. Clair Township and industry. The over-sized load corridor project has been fully funded with a combination of City, County of Lambton and St. Clair Township funds, grant funding (National Trade Corridor Fund and Southwestern Ontario Development Fund) and a sponsorship contribution from Cestar College of Business Health and Technology for the Cestar Dock.

2021 Draft Capital Budget – Funding Sources

The total value of the capital project requests is \$60,649,804 for 2021, excluding Sarnia Police Services requests. This is an unprecedented level of capital investment for the City and reflects the significant needs of aging infrastructure, new development requirements, opportunities to leverage grants, and a desire to invest in the City's assets.

The capital projects are financed through the City's Reserve and Reserve Funds. Staff will present the final funding recommendations when the operating budget and reserves and reserve funds budget have been drafted. As the financial health of the City's reserves are dependent on contributions from the general levy, there could be changes to the capital recommendations made to Council (likely to be reductions in projects or scope). Final Sarnia Police Services capital projects will be included once the Sarnia Police Services Board approves the Sarnia Police Services 2021 Budget.

There is a distinction between senior government funding that is approved and therefore certain, versus the funding that is uncertain at the time of the budget preparation. If potential grants do not materialize, the City will scale back or eliminate the associated capital projects, with Council approval.

2021 Draft 10-Year Capital Plan

The 10-Year Capital Plan reflects the capital projects that are anticipated over the next 10 years. The first two years of the 10-year capital plan are considered the City's firm intention, pending Council approval. The remaining years are capital activities the City is seeking approval in principle to be able to start planning for the City's strategic priorities. The 10-Year Capital Plan will be brought back to Council each year for confirmation of Council's approval or approval of any significant changes and updates. Ultimately, the 10-year Capital Plan will tie to the Corporate Asset Management Plan (AMP).

The 10-Year Capital Plan must be directly linked with the 10-year Reserve Budget, in order to identify known funding sources for the capital projects and ensure funding is forecasted to be adequate over the 10 years. Staff are still working through challenges in the 10-year funding as the operating budget is being drafted. Further analysis will be brought forward to Council in conjunction with the 2021 Draft Operating Budget, 2021 Draft Reserves and Reserves Fund Budget and the Draft 10-Year Reserves Budget.

2021 Capital Project Details – Department Requests

This section of the book includes a summary of the individual 2021 capital project requests. The project detail includes a description, justification, and impact of deferral as well as risk and criticality assessment. Significant review with staff was completed to validate capital requests and identify funding sources.

Consultation:

The capital projects requests were submitted by the General Managers and Senior Management and consultation occurred with the divisions and the

Chief Administrative Officer (CAO) in order to determine recommended funding.

Financial Implications:

While the nature and extent of capital requests have been discussed throughout this report, there are further financial implications. The proposed level of capital investment in 2021 and forecasted in the 10-year capital plan cannot be administered with the current human resources.

The procurement and accounting related to the City's capital investments are already strained given the level of capital investment over the last four to five years. Doubling the annual capital investment from historical levels may require additional staff to handle the effective procurement of contracts, the processing of contract payments and the resulting accounting and financial statement reporting. Staff will report back at Budget Deliberations for Council consideration.

The City is undertaking other activities to try to ensure effective capital project management and mitigate the administrative workload of the capital program. The Engineering and Operations Division will soon be filling a project manager role and design technologist approved in the 2020 Budget. The project management role will provide not just project management oversight but will be able to assist in capital budgeting, ensuring that appropriate business cases and long-term strategy and analysis are developed. The City is investing in capital project budgeting and reporting software to provide more efficient processes and capture better information about projects at the budgeting stage; this will allow for improved monitoring and assist in developing robust reporting. The implementation of this software will also allow the Finance staff to take a "best practices" look at the general ledger structure and make changes necessary to more efficiently account for capital activity.

Reviewed by:

David Logan
General Manager, Corporate
Services

Approved by:

Chris Carter
Chief Administrative Officer

This report was prepared by Holly Reynolds, Accounting and Budgeting Manager/Acting Treasurer.

Attachment(s): (See Capital Budget book)

- 2021 Draft 10-Year Capital Plan (*pgs. 1-2*)
- 2021 Draft Capital Budget – Funding Sources (*pgs. 3-4*)
- 2021 Capital Project Detail – Department Requests (*pgs. 5-78*)

THE CORPORATION OF THE CITY OF SARNIA
People Serving People

CORPORATE SERVICES DIVISION

OPEN SESSION REPORT

TO: Mayor and Members of Council

FROM: Holly Reynolds, Accounting & Budgeting Manager/Acting Treasurer
David Logan, General Manager of Corporate Services

DATE: December 1, 2020

SUBJECT: 2021 Reserve and Reserve Fund Budget

Recommendation:

It is recommended:

That Sarnia City Council adopt the 2021 Reserve and Reserve Fund Budget as presented.

Executive Summary

2021 Dedicated Reserve and Reserve Fund Revenue and Expenditures

Most Reserve and Reserve Fund amounts flow through the Operating and Capital Budgets and are approved by Council as part of the budget deliberation process. This report outlines amounts that flow directly to or from reserves and would not be identified in the Operating and Capital Budgets. These amounts are approved when Council approves the Reserve and Reserve Fund Budget.

Revenues totaling \$21,023,702 flow directly to Reserves and Reserve Funds. Expenditures totaling \$7,433,931 flow directly from Reserves and Reserve Funds.

In 2021, it is forecasted that the Reserves and Reserve Funds balance will decline from \$47,307,399 to \$29,169,415 based on planned inflows and outflows. Of this total, \$12,498,612 is in restricted Obligatory Reserve Funds, and the balance of \$16,670,803 is the amount for various capital and operational purposes. The total value of the capital project requests is \$61,359,805, including \$710,000 approved by The City of Sarnia Police Services Board for Sarnia Police Services' projects.

Background:

The 2021 Draft Reserve and Reserve Fund Budget is presented for Council's consideration.

The maintenance and growth of Reserves and Reserve Funds is a key component of the City's Long-Term Financial Plan as adopted by Council in 2005. In the 2021 Draft Capital Budget, the City is presenting a second year of unprecedented levels of capital investment, the first being the 2020 Capital Budget. This level of capital investment reflects the significant needs of aging infrastructure, new development requirements and continued opportunities to leverage grants. This will result in a short-term decline in Reserve and Reserve Fund balances.

The Reserves and Reserve Funds Policy, approved by Council on September 9, 2019, identifies that it is the policy of the City of Sarnia to:

- *Maintain Reserves and Reserve Funds for:*
 - *planned future capital rehabilitation/replacement*
 - *unexpected/unpredicted expenditures which would otherwise cause fluctuations in the operating or capital budgets*
 - *irregular or occasional expenses*
 - *segregation of funds for a specific purpose or agreement*
 - *obligations payable in the future*
- *Manage Reserves, Reserve Funds in a responsible manner*
- *Prohibit the spending of any Reserve or Reserve Fund below zero*
- *Use Reserves, Reserve Funds solely for the intended purpose*

This report satisfies requirements of the policy including:

- Council approval of the creation, consolidation and closure of Reserves or Reserve Funds
- Council direction of funds to and from Reserves and Reserve Funds through the budget process
- Annual reporting of adequacy to meet future needs

Reserves and Reserve Funds receive revenue through the following sources:

- Contributions from the City's Operating, Water, Sewer and Transit Budgets. These amounts are approved by Council as part of the Operating Budget approvals.
- Contributions from senior levels of government, such as Federal and Provincial Gas Tax, and Ontario Community Infrastructure Fund (OCIF).
- Fees earned from City programs and services that have been approved for direction to reserves.
- Contributions from other outside stakeholders that have specific

designated purposes, such as donations and development charges.

Reserves and Reserve Funds can be expended in the following ways:

- Funding of capital projects found in the City's annual Capital Budget. These amounts are approved by Council as part of the Capital Budget approval.
- Contributions to the City's Operating, Water, Sewer and Transit budgets. These amounts are approved by Council as part of the Operating Budget approvals.
- Expenditures that occur directly from the Reserves and Reserve Funds as part of the Reserve Budget (see Dedicated Reserve and Reserve Fund Revenue and Expenditures). These amounts are approved by Council as part of the Reserve and Reserve Fund Budget approval.
- Funding allocated during the year as a result of Council resolution on a case-by-case basis as approved during Council meetings.

Comments:

The Reserves and Reserve Funds section of the Draft Operating and Reserves Budgets 2021 book are described by section, below:

Reserve and Reserve Funds Summary

This summary includes a listing of Reserve and Reserve Funds detailed by Obligatory (*externally restricted Reserve Funds*) and Non-Obligatory (*includes both interest-bearing Discretionary Reserve Funds and non-interest bearing Reserves*).

As the Reserve and Reserve Fund Budget and forecast reports included in the budget book are sorted by number, this list includes the number and is sorted by name. The purpose of each Reserve and Reserve Fund is included for reference.

2021 Draft 10-Year Reserves Plan

In order to ensure that the 2021 Draft 10-Year Capital Plan will be adequately funded, staff have also prepared a Draft 10-Year Reserves Plan. This allows staff to ensure that reserves will stay in a positive balance over the 10-year timeframe by reducing the level of capital spending, building additional capacity in the operating budget for transfers to reserves or identifying additional funding requirements in order to mitigate any negative reserve balances.

The Draft 10-Year Reserves Plan indicates that reserve levels are projected to grow over the 10-year timeframe after declining further in 2022 as several large multi-year projects come to completion. There are some challenges in individual reserve balances in the 10-year plan: 6615 Capital

Infrastructure Reserve goes negative in 2023; 6616 Capital Infrastructure – Sewer goes negative in 2022 and 2023; and 6614 Capital Infrastructure – Transit goes negative in 2026, 2027 and 2029. Staff and Senior Management are aware of these challenges and will mitigate the negative balances in the 2022 budget cycle. A number of large projects will be winding up in the next year and the Water Rate study is currently being undertaken. These two items will provide more information to management on the status of reserve balances leading into the 2022 budget cycle and if necessary, proposed capital projects for 2022 and beyond will be cancelled or deferred.

2021 Dedicated Reserve and Reserve Fund Revenue and Expenditures

Most Reserve and Reserve Fund amounts flow through the Operating and Capital Budgets and are approved by Council as part of the budget deliberation process. This summary outlines amounts that flow directly to or from reserves and would not be identified in the Operating and Capital Budgets. These amounts are approved when Council approves the Reserve and Reserve Fund Budget as per this report's resolution.

Revenues totaling \$21,023,702 flow directly to Reserves and Reserve Funds. The largest direct revenues are from senior government funding: Provincial Gas Tax \$1,042,723, Federal Gas Tax \$2,270,615, and OCIF \$2,506,955. Also included are ICIP – Investing in Canada Infrastructure Program - grants of \$6,046,679, of which \$1,412,886 related to recreation projects is awaiting approval. Disaster Mitigation funding of \$1,480,000 is anticipated. The Over-size Load Corridor project is the beneficiary of a number of revenues: the final instalment of \$1,000,000 for the sponsorship of the Cestar Dock, a National Trade Corridor Fund grant of \$2,550,000 and a Southwestern Ontario Development Fund grant of \$230,000. Development charges are estimated to contribute \$1,700,000 to Development Charge reserves.

Expenditures totaling \$7,433,931 flow directly from Reserves and Reserve Funds. Anticipated WSIB claims for 2021 are budgeted at \$1,810,404 and anticipated insurance claims are budgeted at \$525,000. City Fleet/Equipment vehicle replacement totals \$1,639,000 for the City (including \$105,000 for Fire vehicles) and \$365,000 for Sarnia Police Services vehicles. Tax assessment appeals are included at \$630,000 and will be used if the operating budget for tax write-offs is fully utilized. Also included are project expenditures, which are supported by department request memorandums included in this budget book, and re-occurring annual requests for estimated expenditures that do not form part of the General Operating Budget.

2021 Draft Reserve and Reserve Fund Budget

This summary, sorted by fund number, identifies the forecasted opening balance, anticipated inflows and outflows for 2021 and a forecasted ending balance. It includes revenues, expenditures and allocations to and from other City budgets. No Reserve or Reserve Fund can have a negative balance, with the exception of the Internal Borrowing Reserve, which is by its nature a negative balance.

The following points should be noted when reviewing the 2021 Draft Reserve and Reserve Fund Budget:

- The uncommitted balance as at December 31, 2020 was taken from the Forecasted Reserve and Reserve Fund Balances, December 31, 2020 schedule.
- Some of the items are estimates only, such as the claims payments for self-insurance, WSIB and tax assessment appeals.
- No provision for interest earned on Reserve Funds has been provided except where Reserve Funds have been invested externally.
- The forecasted balance as at December 31, 2021 are estimates as to what the Reserves and Reserve Funds balance may be at the end of 2021.

In 2021, it is forecasted that the Reserves and Reserve Funds balance will decline from \$47,307,399 to \$29,169,415 based on planned inflows and outflows. Of this total, \$12,498,612 is in restricted Obligatory Reserve Funds, and the balance of \$16,670,803 is the amount for various capital and operational purposes. The total value of the capital project requests is \$61,359,805 for 2021 and is the primary reason for the decline in the Reserves and Reserve Funds balance. This is an unprecedented level of capital investment for the City and reflects the significant needs of aging infrastructure, new development requirements, the existence of several large multi-year projects and opportunities to leverage ICIP grants. This comes on the heels of the 2020 Capital Budget, which was also a year of unprecedented capital investment.

The capital work required to build out Development Areas 1 and 2 is being funded from development charges; the development charges will be received over time whereas the development outlay will occur over the next several years. As a result, Staff is proposing that the Development Charge Reserve (6015) be funded with internal borrowings from total reserve and discretionary reserve fund balances, which are adequate to fund the borrowings, and these borrowings have been reflected in the 2021 Draft Reserve and Reserve Fund Budget. In 2020, \$8,242,500 was borrowed for sewer upgrade work in Development Area 2, with a payback period of 10

years. In 2021, \$3,849,492 of borrowing is proposed as part of the Rapids Parkway extension project, again with a 10-year payback.

2021 Reserve and Reserve Fund Expenditures – Department Requests

Directors request to utilize Reserve or Reserve Funds for expenditures that do not meet the criteria of a capital project and are generally beyond regular operational activities. These requests are submitted by memorandum which provides justification for these expenditures.

There must be sufficient funds available within the applicable Reserve in order to bring the requests forward to Council.

2021 Proposed Equipment Replacement List

The Fleet Manager, in conjunction with the various department managers, identified \$1,639,000 for general fleet and Fire small vehicle replacements to be funded from the Works Equipment Reserve (6525) and the Capital Infrastructure Reserve (6615). Fire apparatus, buses, and Care-A-Vans are not included here, but rather as a capital project. Departments include a vehicle expense in their operating budget that funds the Works Equipment Reserve (6525), which in turn funds the equipment replacements and the operations of the garage.

Forecasted Reserve and Reserve Fund Balances – December 31, 2020

The forecasted Reserve and Reserve Fund balances as at December 31, 2020 have been provided for Council's review. Anticipated inflows and outflows for 2020 have been forecasted in order to estimate the year-end balances. These estimates will change based on actual results for the remainder of 2020.

The 2020 forecasted Reserve and Reserve Fund balances report shows a forecasted December 31, 2020 uncommitted balance of \$47,307,399. The obligatory (restricted) balance is forecasted at \$16,908,732, with the unrestricted balance forecasted at \$30,398,667.

Reserve and Reserve Fund Adequacy

As per the policy, Reserves and Reserve Funds levels will be monitored and reported on a regular basis. When inadequate balances occur, staff are to make recommendations to Council regarding strategies to work toward the target. When Reserve and Reserve Fund balances are low, this does not provide Council with flexibility in funding capital rehabilitation/replacements, having the ability to match funding for grant programs as they are announced, addressing infrastructure backlog, or dealing with unexpected expenditures. The 10-Year Reserve and Reserve Fund Plan indicates that Reserve and Reserve Fund balances will increase over time before factoring

in asset management planning.

Consultation:

The proposed Reserves and Reserve Fund expenditures were submitted by the General Managers and consultation occurred with the departments, Finance and the Chief Administrative Officer in order to determine recommended funding. Sarnia Police Services reserve contributions and expenditures were submitted to Finance by the Police Services Director of Financial Services, and approved by The City of Sarnia Police Services Board at its October 8, 2020 meeting.

Financial Implications:

Discussed throughout this report.

Reviewed by:

David Logan

General Manager, Corporate Services

Approved by:

Chris Carter

Chief Administrative Officer

This report was prepared by Holly Reynolds, Accounting and Budgeting Manager/Acting Treasurer

Attachment(s): (please see Operating and Reserves Budgets book)

1. Reserve and Reserve Fund Summary (*pgs. 147 – 150*)
2. 2021 10-Year Reserves Plan (*pgs. 151 – 163*)
3. 2021 Dedicated Reserve and Reserve Fund Revenue and Expenditures (*pg. 164*)
4. 2021 Draft Reserve and Reserve Fund Budget (*pgs. 165 – 170*)
5. 2021 Direct from Reserve Requests (*pgs. 171 – 175*)
6. 2021 Draft Equipment Replacement List (*pg. 176*)
7. Forecasted Reserve and Reserve Fund Balances – December 31, 2020 (*pgs. 177 – 187*)

THE CORPORATION OF THE CITY OF SARNIA
People Serving People

ENGINEERING AND OPERATIONS DIVISION

OPEN SESSION REPORT

TO: Mayor and Members of Council

FROM: David Jackson, General Manager of Engineering and Operations

DATE: December 1, 2020

SUBJECT: Waste Container Roll-Off Services for Charities

Recommendation:

For Council's Information

Background:

The operating budget for garbage collection has historically included weekly roll-off services for three local charities: Sarnia Goodwill, St. Vincent De Paul and The Salvation Army. The services provided to each charity consist of the monthly rental cost for their roll-off container and the weekly emptying of the container. The services are provided by the City's current contracted vendor for bins and roll-offs, Emterra Environmental.

Staff receives and processes Emterra's invoices for the services and records the number of lifts provided to each charity. If/when the number of lifts for a charity exceeds 52 per year, any additional lifts become the charity's financial responsibility.

The current charges for these services are \$72.92 + HST per roll-off container for the monthly rental plus \$127.73 + HST per lift for a total annual cost of \$7517.00 + HST per charity.

Comments:

There are no readily accessible records confirming when the roll-off services for the three charities began or why these charities were chosen. Staff have completed a search but were unable to find a Council resolution directing this service be provided.

Staff wanted to make Council aware that the City is providing this service to the three noted charities and that the costs are included in the current operating budget.

Consultation:

The Waste Management Coordinator was consulted in the preparation of this report.

Financial Implications:

The operating budget for Garbage Collection (3800) includes \$22,551.00 + HST to provide these services for the three charities each year. The services are provided at no cost to the charities.

Reviewed by:

David Jackson
General Manager of Engineering and
Operations

Approved by:

Christopher Carter
Chief Administrative Officer

This report was prepared by Bryan Prouse, P.Eng., Manager, Operation Services

Attachments: None

THE CORPORATION OF THE CITY OF SARNIA
People Serving People

ENGINEERING AND OPERATIONS DIVISION

OPEN SESSION REPORT

TO: Mayor and Members of Council

FROM: David Jackson, General Manager of Engineering and Operations

DATE: December 1, 2020

SUBJECT: Recycling Container Sales – Service Level Change

Recommendation:

It is recommended:

1. That Sarnia City Council direct staff to stop selling blue boxes and recycling carts once the current inventory is depleted; and
2. That Sarnia City Council direct staff to discontinue the practice of providing a free blue box to newcomers to the City.

Background:

Customer Service currently sells blue boxes to the general public and 95-gallon recycling carts to multi-unit residential properties and businesses. It is assumed that the City started selling blue boxes when the recycling program was originally introduced as there would have been limited alternative sources.

Sales of blue boxes and carts were very brisk in 2019, due to the deletion of the use of plastic bags for the collection of recyclables, but have since dropped significantly.

For several years a free blue box has been provided to newcomers to the City.

Comments:

The sale of recycling containers requires a significant amount of staff time to receive deliveries, manage inventory at City Hall and Public Works, coordinate cart pickup from storage, and liaise with buyers. City operations are not well set up to manage this type of retail service efficiently. Blue

boxes and recycling containers are readily available at numerous retail locations throughout the City at competitive prices. Eliminating this unnecessary service will free up staff time to focus on core customer service needs. It will also reduce clutter as there is no convenient space to store them at City Hall.

Similarly, the practice of providing recycling bins to new residents appears to provide little value. Recycling is now common across the province so most residents already have bins or can easily purchase bins at local retail locations. Tracking of newcomers and individual delivery of bins is not an efficient use of staff resources.

The sale of blue boxes and recycling containers likely had value when the programs were originally initiated. Staff believe that leaving sales of recycling bins and carts to private sector retail will allow limited internal resources to focus on other important daily tasks and responsibilities. The 2019 Service Delivery Efficiency Review recommended that the City get out of the container sale business.

Consultation:

The Waste Management Coordinator and Customer Service Manager were consulted in the preparation of this report.

Financial Implications:

Blue boxes and carts are sold at cost with some minor allowances for staff time built-in. The deletion of the sales is not expected to have significant impact on Recycling's operating budget (3880).

Reviewed by:

David Jackson
General Manager of Engineering and
Operations

Approved by:

Chris Carter
Chief Administrative Officer

This report was prepared by Bryan Prouse, P.Eng., Manager, Operation Services

Attachment(s): None

THE CORPORATION OF THE CITY OF SARNIA
People Serving People

ENGINEERING AND OPERATIONS DIVISION

OPEN SESSION REPORT

TO: Mayor and Members of Council

FROM: David Jackson, General Manager of Engineering and Operations

DATE: December 1, 2020

SUBJECT: Sidewalk Winter Maintenance Service Level

Recommendations:

It is recommended:

That Sarnia City Council increase the Sidewalk Winter Maintenance Service Level to maintain all sidewalks across the City, excluding the downtown area. (Option 2)

OR

That Sarnia City Council maintain the status quo for Sidewalk Winter Maintenance declaring a number of sidewalks closed for the winter. (Option 1)

OR

That Sarnia City Council direct staff to report back on the implementation of a by-law requiring adjacent property owners to be responsible for sidewalk winter maintenance. (Option 3)

Executive Summary:

Public engagement was recently conducted on the City's service level for sidewalk winter maintenance. Close to 1100 responses were received. Currently the City maintains approximately half of the City's sidewalks and declares the other half closed. Based on a review of other municipalities the practice of declaring sidewalks closed is unique. Three options were presented for public input:

1. Maintain Status Quo – 28.2% Public Support

- a. City continues to maintain only half of the sidewalks in the City and declare the rest closed
 - b. No budget impact
 - c. Staff continue to field complaints from residents who feel this practice is unsafe
- 2. Increase Level of Service to Maintain All Sidewalks – 41.4% Public Support
 - a. The City increase service to maintain all City sidewalks
 - b. Staff recommend attempting to outsource at estimated cost of \$462k. Alternatively, the work could be completed in-house with an estimated initial capital cost of \$1,050,000 for additional fleet and then ongoing annual operating cost of \$532,602 for additional staff and fleet maintenance.
 - c. Outsourcing estimates are based on other municipalities, locally there has been challenges receiving bids for winter maintenance work
- 3. Implement By-law for Residents to Clear Adjacent Sidewalks – 25.9% Public Support
 - a. A by-law is the most common method used by other municipalities
 - b. The City could reduce the current level of sidewalk snow clearing with some minor operating budget savings
 - c. Residents expressed concerns with this option being unfair by putting the burden just on properties with adjacent sidewalks
 - d. This option would also require implementation of some support program for those who can't physically complete the work

The City can proceed with any of the three options. The practice of declaring half the sidewalks closed but not marking them on site may lead to a minor increase in liability for the City but the overall risk is not significant. Most municipalities have some mechanism where all the sidewalks are cleared. Clearing the sidewalks would support active transportation during winter months. Any option beyond status quo, could not be implemented for this winter but would start next winter.

Background:

This report was provided to Council at the October 26 Regular Meeting and was deferred to the 2021 Budget Deliberations.

The Province sets the [Minimum Maintenance Standards](#) for roads that define service levels municipalities must meet in order to limit legal liability. In 2018, the standards were updated to include service levels for winter

maintenance of sidewalks. The Maintenance Standards outline that a municipality has 48 hours following the end of a winter storm event to clear off any sidewalks with an accumulation of more than 8cm of snow and address ice formation.

Sarnia has historically maintained 168 out of 328km (approximately half) of the City's sidewalks in the winter, focusing on major roads and bus routes. The current By-Law requires property owners in the downtown and other commercial areas to maintain the sidewalks adjacent to their properties while the remaining sections not covered by either policy are deemed closed.

Previously, due to the limited timeframe to implement a new policy, staff recommended that the City declare the unmaintained sidewalks as closed in the winter. Staff returned to Council at the July 2020 meeting, seeking direction to conduct a public engagement on the topic in order to assist in reaching a solution that is compliant with the Provincial Standard. Sidewalk winter maintenance is a major policy item for the City that generates a lot of calls in the winter so it is important to have public input on the selected level of service.

Staff have reviewed policies from other municipalities for sidewalk winter maintenance and how they dealt with the new requirements in the Minimum Maintenance Standards. Staff were unable to find another municipality that chose to declare their unmaintained sidewalks as closed. Some felt to properly implement that option they should install physical signage and barricades at the sidewalks that are closed but deemed that to be unfeasible based on the amount. They also noted that not notifying pedestrians onsite, with signage and barriers that a sidewalk is closed, may increase the City's liability. Most municipalities have a by-law in place requiring adjacent property owners to clear the sidewalks and some municipalities clear all of the sidewalks. See the attachment summarizing a review of other municipalities sidewalk winter maintenance policies.

Comments:

An online public engagement was conducted using the SpeakUpSarnia webpage, where information on three potential solutions was presented. An accompanying survey was provided to solicit input from the public towards their preferred solution. Open from September 3, 2020 to October 3, 2020, the survey received the highest response rate to date for a City of Sarnia online public engagement, with close to 1100 participants completing a survey. Members of the public were also encouraged to call or email staff on the topic if the online format was not favourable to them.

The three proposed alternatives are outlined below. Participants were also given the option to select 'other' and provide additional detail if they did not agree with any options provided.

1. Maintain Current Practice of Declaring Some Sidewalks Closed
Continue operating within the current budget and declare the unmaintained sidewalks as closed during the winter. This option resulting in no change to our current level of service received 28.2% of the vote.
2. City Maintain All Sidewalks
Increase the current service level to maintain all sidewalks. This option was presented as potentially being completed in-house or outsourced and indicated that a tax increase of approximately 1% would be required to pay for the higher level of service. This alternative for an increased level of service received 41.4% of the vote.
3. Implement By-Law Requiring Adjacent Property Owner to Maintain the Sidewalk
Revise the By-Law to place the responsibility on the property owner to maintain the sidewalk fronting their property according to the minimum maintenance standards. This option to increase the level of service was presented as the most common solution implemented by other municipalities and explained that community service groups would be expanded and supported to help those in need. Option 3 received 25.9% of the vote.

As noted above, 'Option 2' was most favorable with 41.4% of respondents selecting this as their preferred solution. Staff note that Option 2 and Option 3, both of which result in a higher level of service and accessibility during the winter months, combined for 67.3% of all votes. This indicated to staff that 2/3 of respondents prefer a higher level of service with respect to sidewalk snow clearing.

Option 2 (City maintain all sidewalks) Feedback

Plenty of supporting information was provided from survey participants as to why they had selected their choice. Some common theme responses in favour of the City clearing sidewalks included consistency, comparatively reasonable cost for the service, and overall community benefit from a City service. Comments in opposition included not supporting any form of tax increase and concern about damage to boulevards.

The Age-Friendly committee supported the City maintaining all sidewalks from a broader accessibility standpoint. In most recent statistics, 15% of the population in our City has a disability or otherwise challenge to accessibility. 2016 census data showed that while the median age for the City of Sarnia is 45, approximately 21.3 percent of the population is over the age of 65. For the City to maintain our sidewalks and ensure that everyone, including those 10,800 and 15,400 people respectively, in our community have a safe and consistent method of pedestrian travel year round, is a great way to show that Sarnia truly is an Age-Friendly community.

Option 3 (By-law) Feedback

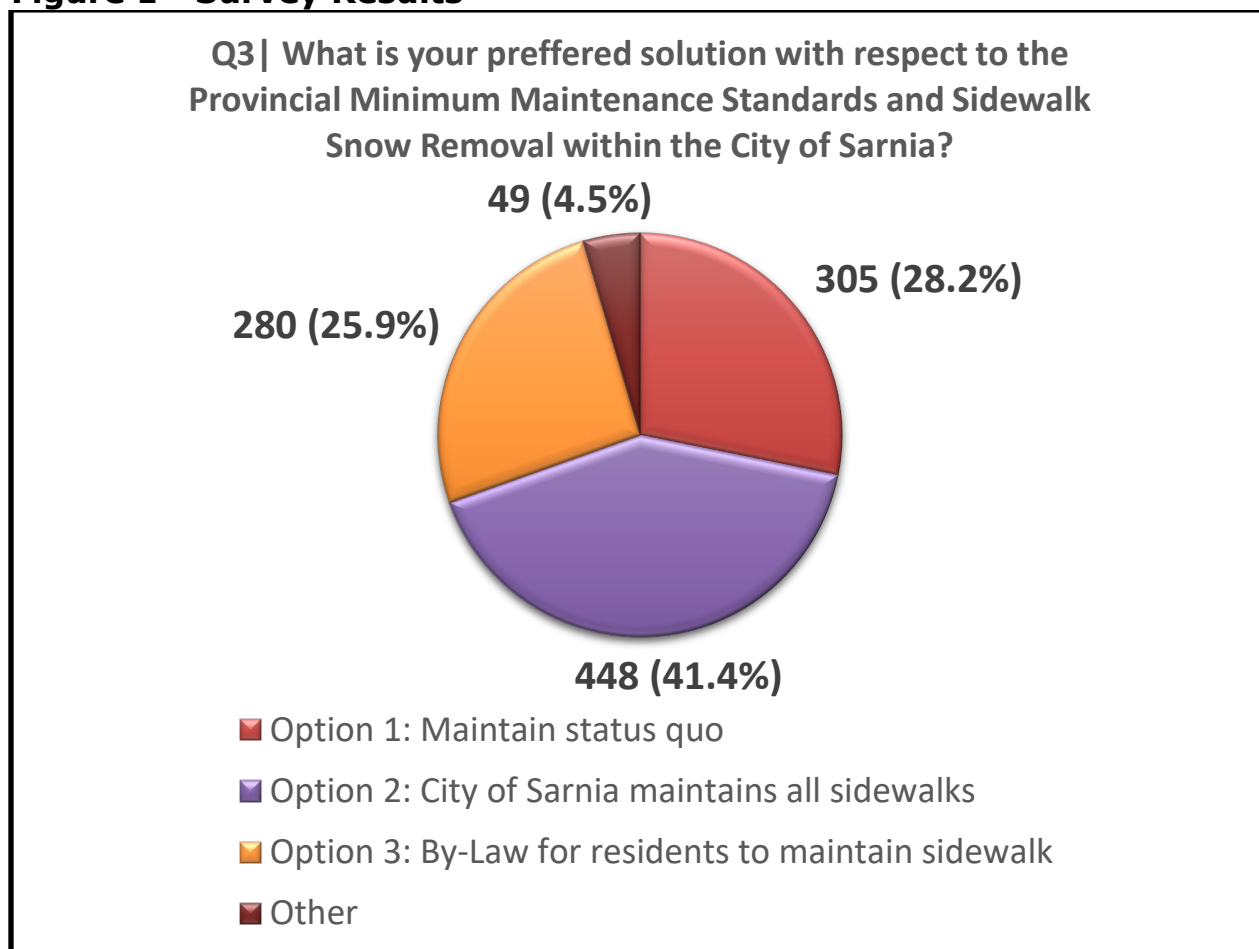
Comments in opposition to the by-law option were mainly related to the challenge of that requirement on those who are physically unable to clear their own sidewalk or may not be at their home to clear the sidewalk after a snowfall.

There was also concern about the equity of this option where properties with adjacent sidewalks are bearing the burden of work when all residents can utilize the sidewalks. Comments in support were related to the benefit of having all sidewalks cleared without increasing taxes.

Option 1 (Status quo) Feedback

For the option of maintaining status quo, the comments focused on not supporting a tax increase and not mandating that property owners have to clear adjacent sidewalks. Staff concern with this option is that it does not support active transportation or an age-friendly community. It also potentially increases liability for the City as each sidewalk section is not signed and/or barricaded as closed.

Figure 1 - Survey Results



Recommended Service Level

41.4% (448) of respondents voted for the City to increase the level of service for sidewalk winter maintenance and to take full responsibility for it. If the service level is increased, it can be done through outsourcing or completed in-house. The City would become responsible to maintain all sidewalks but would continue to have a separate policy for the downtown core. The downtown cannot be cleared easily by a machine and so is best left to the adjacent property owner. The City does remove snow piles from the downtown, as it builds up, and as resources allow.

Staff agree with the concern raised by residents through the survey that the City clearing all sidewalks will result in significant damage to boulevards. Many of the sidewalks currently not maintained are narrower and boulevard grass has grown over them. Many sidewalks also have obstructions in them, or adjacent to them, that would be challenging to work around. The City clearing these sidewalks will lead to property owner complaints about damage and the cost estimate includes a factor for restoration. There are

likely some streets with too many obstructions for staff to clear them. In many areas not already maintained, staff would have to trim trees and work with property owners to remove adjacent obstructions before sidewalk plows can clear those sidewalks. These challenges can be overcome but will take time and will result in property owner complaints.

Figure 2 - Sidewalk Plow Operator View (Note the challenge of determining where the edge of the sidewalk is located)



Figure 3 - Sidewalk Plow Damage Example



Figure 4 - Infrastructure Obstruction Example



Figure 5 - Example of Encroachments That Would Need To Be Addressed



Implementation Option A (increase resources through contracted services)

The following costs for winter maintenance of sidewalks have been developed assuming the work to be completed for 328 km of public sidewalk. Using the ratio of one sidewalk unit per 30 km of sidewalk, the City would require six additional dedicated units for sidewalk maintenance.

Public Works Department continues to maintain 168 kilometers of sidewalk subsequently contracting out 160 kilometers of outstanding sidewalk.

There is no effect to the Capital Budget for Option A.

Table 1: Annual Operating Costs for Outsourced Maintenance
(Estimate derived from information from adjacent municipalities)

Expenses	Amount
Stand-by pay* <i>6 units x \$400 weekly X 20 weeks annually</i>	\$48,000
Hourly rate <i>6 units x \$90 hourly x 24hrs per event x 25 events annually**</i>	\$324,000
Annual Restoration Costs***	\$50,000
Supervision Costs	\$40,000
Total Annual Operating Cost	\$462,000

**Implementing stand-by pay ensures contracted services remain dedicated to the City. With limited contractors available relying on call-outs following winter events would not guarantee their availability.*

***Total annual operating costs assumes 25 events per season. Actual costs can vary significantly depending on the number of winter storm events through a given season. 25 events is considered a conservative estimate based on the number of events observed on an average annual basis that also takes into consideration the requirement for ice control during freeze thaw cycles.*

****Costs are a direct result of on-going plowing operations where adjacent lands are damaged resulting in costs that are typically accrued in the spring following a winter season.*

The above figures are estimates only and have been derived from collecting information through neighboring municipalities. Staff have not included these budget amounts in the draft 2021 Operating Budget for Winter Maintenance.

Staff would recommend proceeding with the outsourced option initially but are uncertain of how competitive the bidding on this type of contract would be. If there are limited bidders, resulting in bids substantially higher than estimated, then an in-house option could be explored. Recent bids for other minor snow clearing contracts have been significantly higher than anticipated.

Implementation Option B (increase resources internally)

Public Works Department increases operational maintenance capacity to complete winter maintenance on all sidewalks within the City. Adding 6 units as suggested allows the City to comfortably meet this target and also

provides a buffer of 20km for increases in services due factors such as development related growth before an additional unit would need to be considered. Over the past 5 years, the City has added an average of 0.5km of sidewalk annually through development related growth.

Table 2: Capital Cost to Increase Winter Maintenance Fleet

Expenses	Amount
Trackless snow removal vehicles with required maintenance attachments <i>6 units x \$175,000 (One-time purchase)</i>	\$1,050,000

Table 3: Annual Operating Costs for In-house Maintenance
(Based on 6 new units and operators working 12 hr. shifts)

Expenses	Amount
Lifecycle replacement <i>6 units x \$11,667 annually</i>	\$70,002
Maintenance <i>6 units x \$10,000 annually</i>	\$60,000
Fuel <i>6 units x \$2000 annually</i>	\$12,000
Insurance <i>6 units x \$100 annually</i>	\$600
Staffing requirement <i>12 temporary staff x \$5,000 monthly x 5 months annually</i>	\$300,000
Annual Restoration Costs*	\$50,000
Supervision	\$40,000
Total Annual Operating Cost	\$532,602

**These costs are a direct result of on-going plowing operations where adjacent lands are damaged resulting in costs that are typically accrued in the spring following a winter season.*

Conclusion

Declaring half of the City sidewalks closed during the winter results in many complaints to City staff. These phone calls are challenging for City staff to respond to when people with mobility challenges, or parents of children walking to school, ask if we expect them to go on the road instead. In reviewing other municipalities, the majority have a policy in place that results in the sidewalks being cleared in the winter.

The two common solutions for clearing sidewalks in the winter are to implement a by-law that requires adjacent property owners to clear them or to increase taxes and have the City clear them. Most municipalities choose the by-law option, it is assumed to avoid the cost and related tax increase for the City to provide the service. The by-law option could be implemented utilizing existing staff, and there could be a minor reduction in equipment and resources as the City could reduce the amount of sidewalk clearing it currently provides.

The public consultation was very successful with almost 1100 responses. Two thirds of respondents indicated support for an increase in level of service. 41.4% preferred the City to clear the sidewalks, the survey stated that this would result in an approximate 1% tax increase, or approximately \$30/year increase for the average household. 28.2% supported the status quo and 25.9% supported the by-law.

While considering this potential tax increase in isolation may have been considered acceptable to the majority of respondents it will ultimately have to be considered in conjunction with the broader budget. If the service level is increased, it would not be possible to prepare a tender and get a contractor in place for this upcoming winter season. The tax increase could then be spread over 2021 and 2022 as the increase in service level would not start until next winter.

Alternatively, the status quo can be maintained, and when complaints come in City staff can now say that the City's policy has been broadly reviewed and the decision was to maintain the status quo. It is not feasible to indicate on site which sidewalks are deemed closed in the winter so notification would continue to just be provided by a map on the City's website.

Consultation:

In addition to a broad public consultation, discussions were held with the Age Friendly Committee, Public Works Department, Fleet Superintendent, City Legal Department and By-Law Enforcement. A comprehensive review of snow removal policies from surrounding municipalities was also completed.

Financial Implications:

If the service level is increased staff recommend first attempting to outsource for a contractor to complete the work with their staff and equipment. Due to the time required to implement an increase in service level it could not be in place for this winter. As a result, the proposed budget increase for the outsourcing option could then be split \$231k budgeted in 2021 and the additional \$231k budgeted in 2022. The long

term estimate for the outsourcing option is an annual cost of \$462k. The final cost would not be confirmed until bids are received. Recent bids for smaller snow clearing contracts have come in higher than estimated. This potential cost has not been included in the draft 2021 budget to date.

Reviewed by:

Approved by:

David Jackson

General Manager of Engineering and
Operations

Chris Carter

Chief Administrative Officer

This report was prepared by Alister Brown, Manager of Development and Transportation.

Attachments:

1. SpeakUpSarnia public information page and sample survey
2. Survey Results
3. Municipal Sidewalk Winter Maintenance Policy Comparison Chart



Have Your Say!

Sidewalk Snow Removal Survey



HAVE YOUR SAY

The City of Sarnia is launching its online Sidewalk Snow Removal Survey to help measure and better understand the needs and opinions of residents related to sidewalk snow removal during the winter months.

The City is looking for resident feedback, as we look to update our current policy, in consideration of the impacts to inclusiveness, accessibility, and the financial implications.

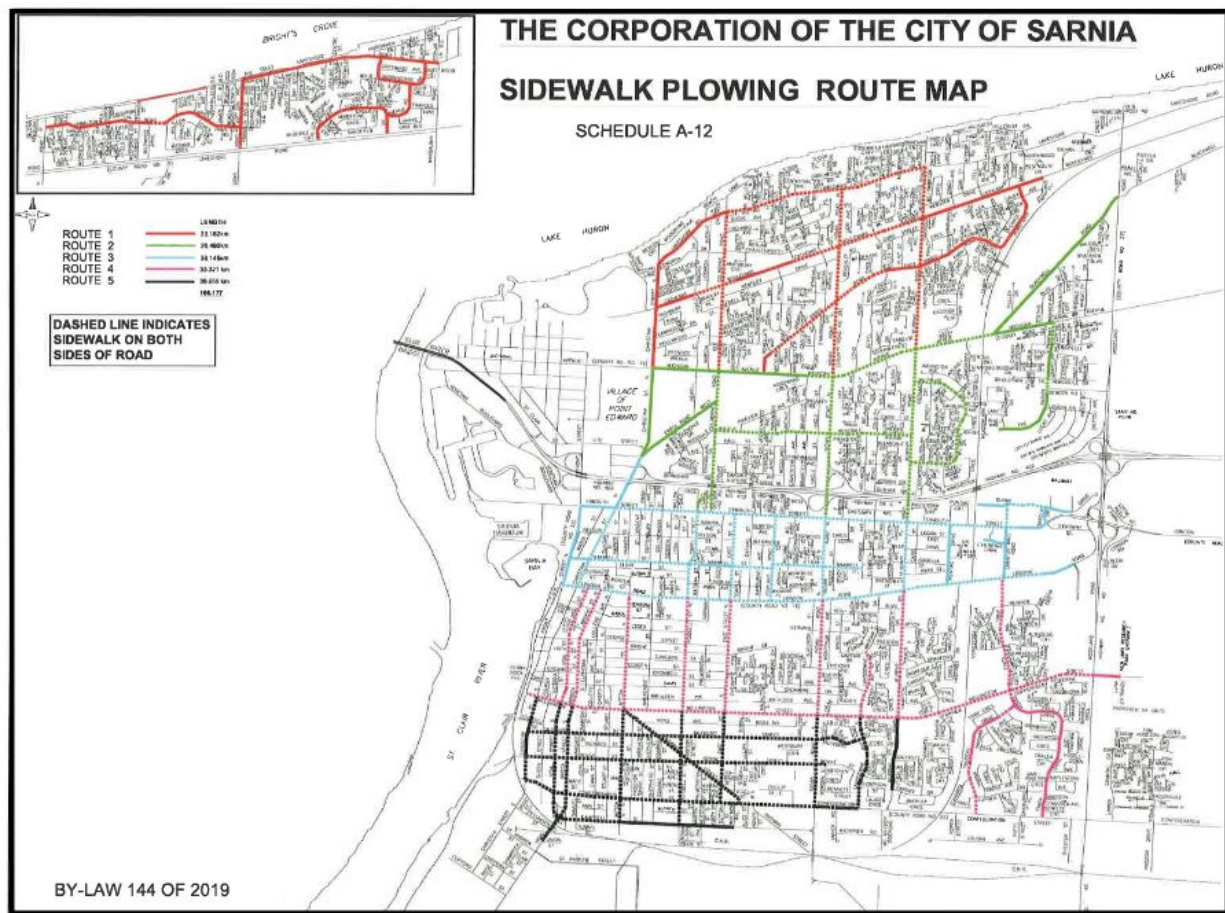
Until October 2, 2020 the City of Sarnia is looking for resident input towards the proposed service level changes that are being considered. Results of the public engagement will be presented to Council on October 26, 2020 and next steps will be determined throughout the remainder of 2020.

PROJECT BACKGROUND

The Province of Ontario sets Minimum Maintenance Standards (MMS) for roads that define service levels municipalities must meet. In 2018, the standards were updated to include service levels for winter maintenance of sidewalks.

The City currently plows 168 km out of 328 km (roughly half) of the sidewalks throughout Sarnia including sidewalks on major transportation routes and school routes. Current By-Law requires commercial properties to maintain the sidewalk adjacent to their properties in major commercial areas and the downtown core. The active policy, along with a map of the currently maintained sidewalks can be reviewed by following the links below;

- [City's current policy on snow removal \(click to follow\)](#)
- [Current Sidewalk Plowing Route \(click to follow\)](#)



There are three potential scenarios being discussed regarding the level of service for winter sidewalk maintenance in Sarnia:

Scenario 1 -Maintain Current Practice of Declaring Some Sidewalks Closed

- Continue operating within the current budget and declare the unmaintained sidewalks as closed during the winter
- When a sidewalk is closed, no winter maintenance is performed on that section

- Notification of the sidewalks that are closed is currently provided by a map attached to the By-Law (above)
- With 160 km of sidewalk not being plowed, it is not feasible to install signage and barricades at each sidewalk to provide notification of the closure
- Leaving half of the City sidewalks unmaintained does not support active transportation or accessibility
- No staff increase, or direct impact to current operating costs

Scenario 2 - City of Sarnia Maintains All Sidewalks

- City uses a combination of increased staff, equipment and contractors to maintain all city sidewalks
- All city sidewalks are cleared within 48 hours following a winter storm event
- City is able to improve active transportation and accessibility during winter months
- Residents do not perform winter maintenance on the sidewalk adjacent to their property
- May be unfavorable to residents who do not have sidewalk frontage
- Increases future maintenance and life-cycle operations costs for the City
- As a high level estimate, this increase in service level could increase the average annual property tax bill by 1%, or approximately \$30, for the average single detached home to pay for the additional resources required

Scenario 3 - By-Law Revision Requiring Adjacent Property Owner to Maintain the Sidewalk

- Residents would be required, through By-Law revision to maintain sidewalk adjacent to their property according to the maintenance standards
- A set schedule of fines would be proposed to ensure compliance and can be executed through By-Law Enforcement with no increase to the current Staff compliment. This By-Law is already in place for the downtown and main commercial areas around the City.
- May be unfavorable to those who are unable to complete the maintenance requirement on their own
- New community assistance programs would be required for those who are physically unable to maintain their frontage
- Existing programs would also be supported to expand

- The current service level and budget could potentially be decreased to have the City maintain only the sidewalks with no adjacent property owner fronting the sidewalk
- This is the most common approach across communities in Ontario and the most cost effective option

Please take a moment to review the information available on this page and participate in our accompanying survey. If you have any questions related to the above, or to discuss this topic please contact Alister Brown, Manager of Development and Transportation.

SPEAK UP

SURVEY

All unpublished surveys are shown as "Draft". Only admins will be able to see it in the preview mode.
Please note that you can take the survey in draft mode to test it, but submissions will **NOT** be saved.



SPEAK UP - Sidewalk Snow Removal Survey - Draft

1083 responses

Take Survey



Key Dates

Information and Survey Goes Live

September 03 2020

Last Day for Survey Input

October 02 2020

Present Results to Council With Recommendation

October 26 2020

Important Links

[City of Sarnia Snow Removal Policy \(Current\)](#)

Documents

 [City of Sarnia By-Law 144 of 2019 \(201 KB\) \(pdf\)](#)

 [Council Report - July 13, 2020 \(100 KB\) \(pdf\)](#)

FAQs

What is the provincial minimum maintenance standard (MMS) for sidewalk snow removal?

What is the current status of sidewalk snow clearing in Sarnia?

What are the financial impacts to residents if the City were to increase its level of service for sidewalk snow removal?

There is no sidewalk on my side of the street, would I still be responsible for the increased costs of City maintenance?

What if I am unable to perform the required winter maintenance?

Under scenario 3, will the city continue to clear 168 km of sidewalk?

Project Lifecycle



Open

This consultation is Open for contributions.



Under Review

Contributions to this consultation are closed for evaluation and review. The Project team will report back on key outcomes.



Final report

The final outcomes of the consultation are documented here. This may include a summary of all contributions collected as well as recommendations for future action.

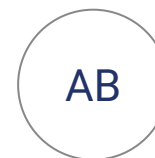
Who's Listening

Alister Brown

Manager of Development and Transportation

City of Sarnia

Email alister.brown@sarnia.ca



SPEAK UP - Sidewalk Snow Removal Survey

Survey starts

Finish

All fields marked with an asterisk (*) are required.

1. How familiar are you with the City's current Snow Removal Policy?

Choose an option

2. Have you reviewed the information on this web page prior to participating in this survey? *

☐ Yes

☐ No

3. What is your preferred solution with respect to the Provincial Minimum Maintenance Standards and Sidewalk Snow

Removal within the City of Sarnia? *

- ☐ Option 1: Continue with current practice of closing approximately half of the sidewalks during winter storm event
- ☒ **Option 2: City of Sarnia maintains all sidewalks at an increased operating cost**
- ☐ Option 3: Residents required to maintain sidewalk adjacent to their homes through a By-Law revision and set fine schedule for non-compliance
- ☐ Other

4. In a few Words, please indicate why you have selected this option

Please add your comment here...

5. What is your primary method of transportation within the City *

Choose an option ▼

6. Does your primary mode of transportation change during the winter months?

- ☐ Yes
- ☐ No

7. How important is it to you that active transportation and accessibility are supported within our community?

Choose an option

Submit

SPEAK UP - Sidewalk Snow Removal Survey

SURVEY RESPONSE REPORT

01 September 2020 03 October 2020

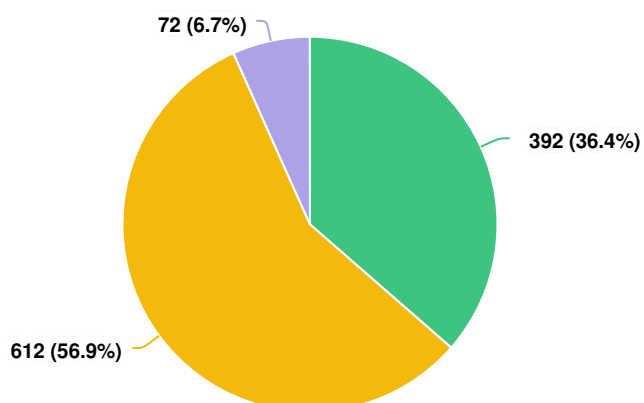
PROJECT NAME:

Sidewalk Snow Removal



SURVEY QUESTIONS

Q1 | How familiar are you with the City's current Snow Removal Policy?



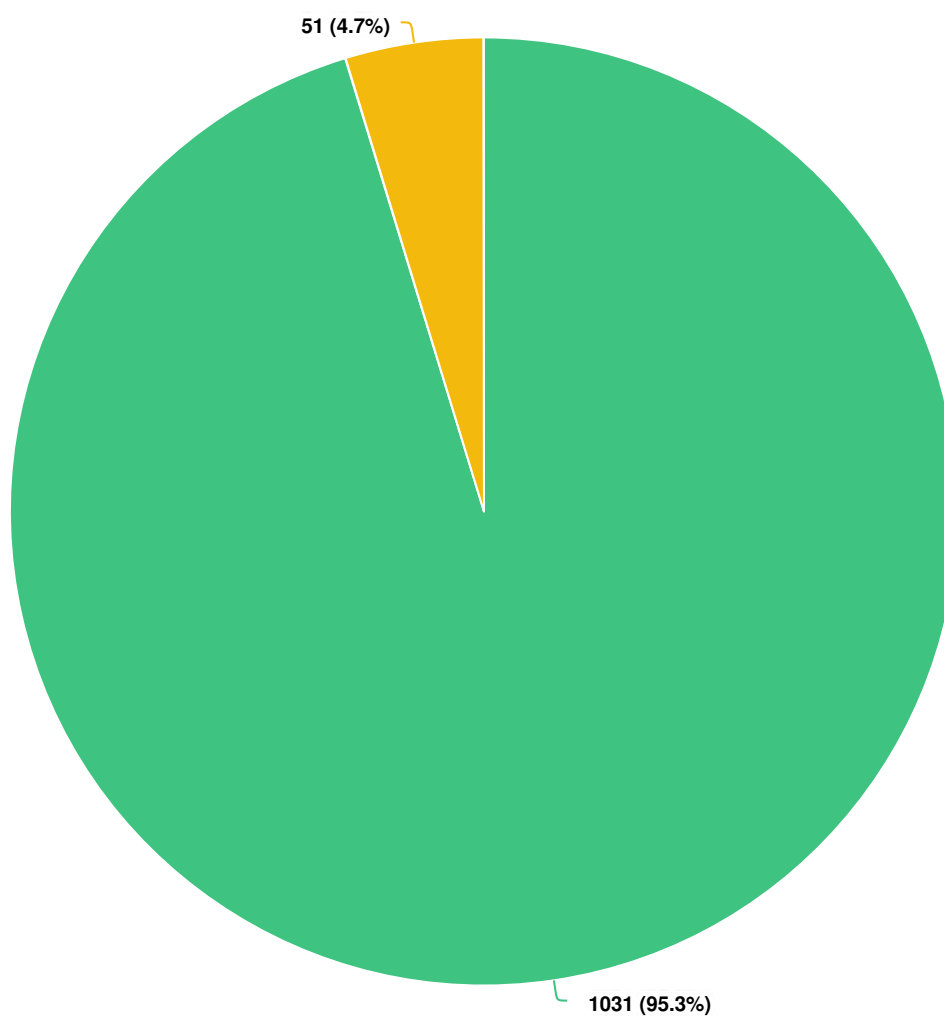
Question options

Very Familiar Somewhat Familiar Not Familiar

Optional question (1076 response(s), 7 skipped)

Question type: Dropdown Question

Q2 Have you reviewed the information on this web page prior to participating in this survey?

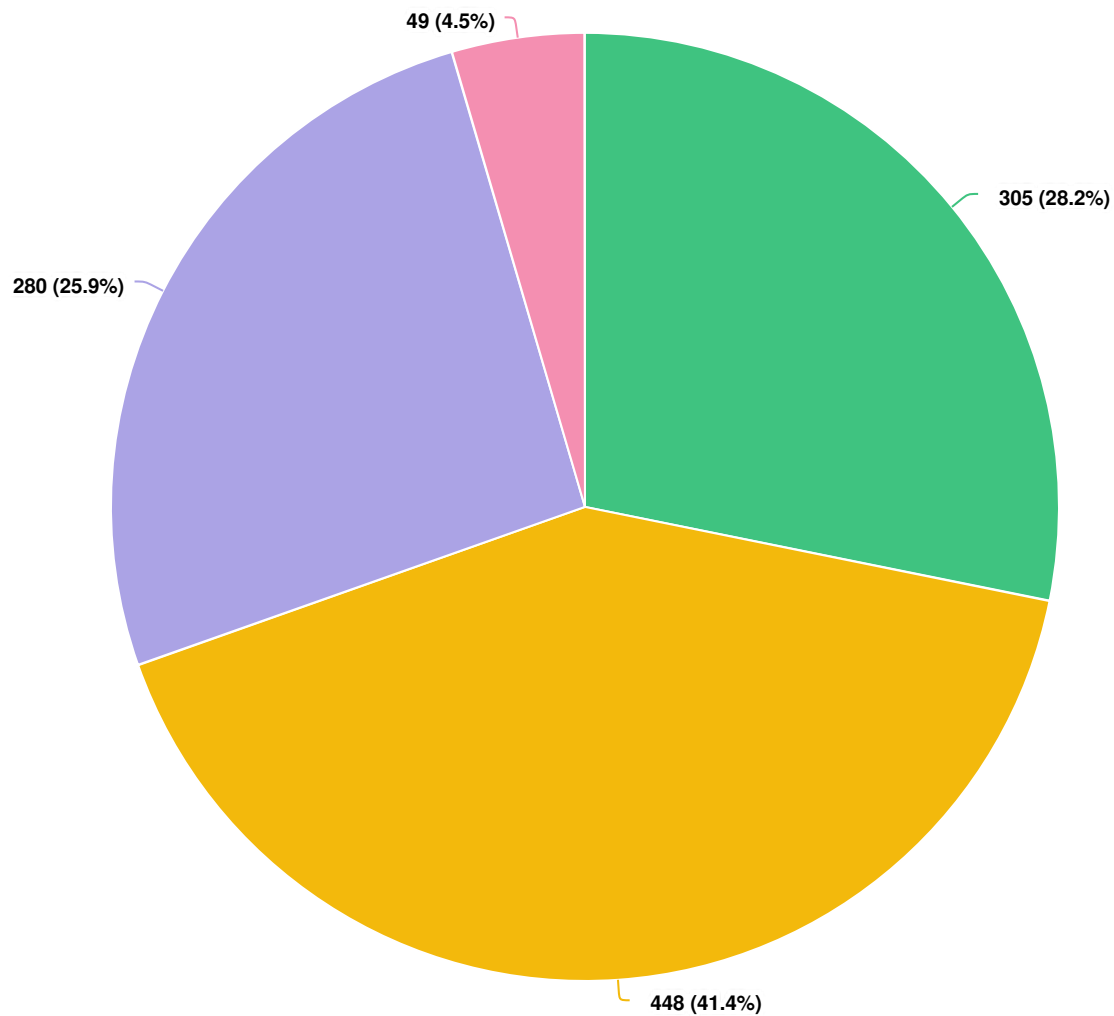


Question options

☒ Yes ☐ No

*Mandatory Question (1082 response(s))
Question type: Radio Button Question*

Q3 | What is your preferred solution with respect to the Provincial Minimum Maintenance Standards and Sidewalk Snow Removal within the City of Sarnia?

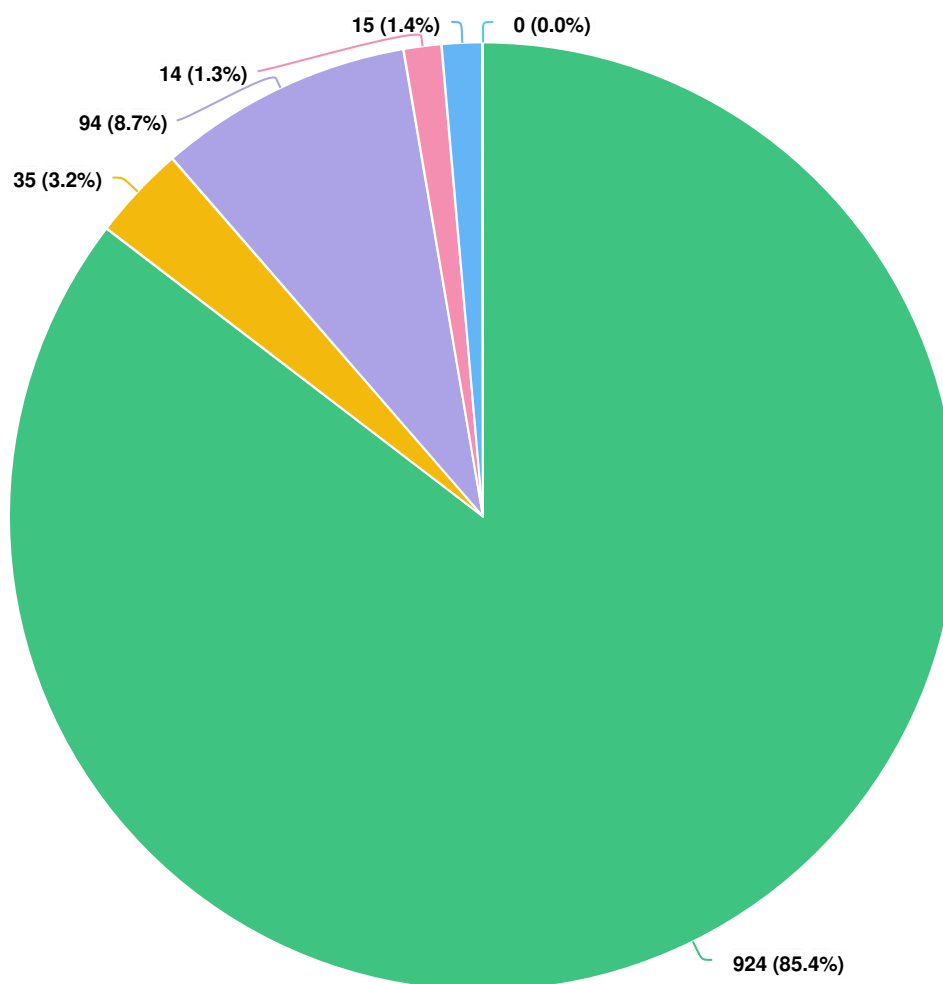


Question options

- Option 1: Continue with current practice of closing approximately half of the sidewalks during winter storm event
- Option 2: City of Sarnia maintains all sidewalks at an increased operating cost
- Option 3: Residents required to maintain sidewalk adjacent to their homes through a By-Law revision and set fine schedule for non-compliance
- Other

Mandatory Question (1082 response(s))
Question type: Radio Button Question

Q4 What is your primary method of transportation within the City



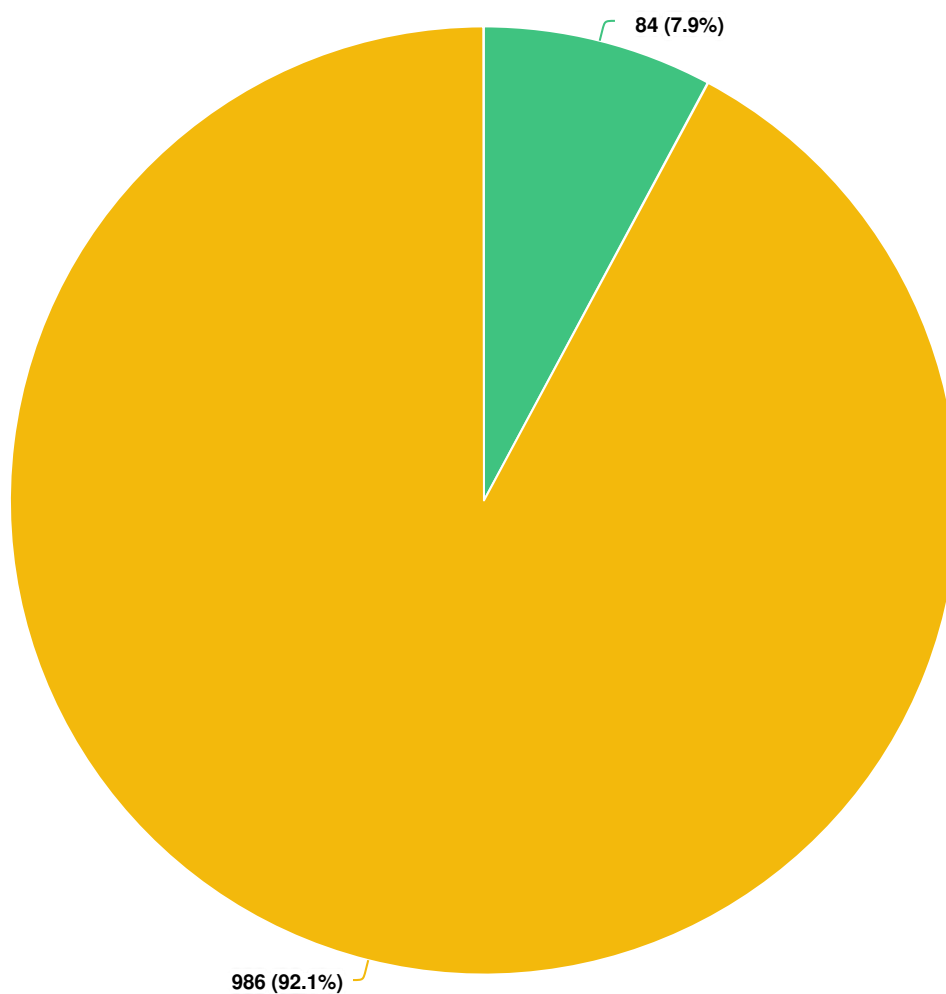
Question options

Personal Vehicle City Transit Walking Bicycling Other Taxi/Ride Sharing Service

Mandatory Question (1082 response(s))

Question type: Dropdown Question

Q5 Does your primary mode of transportation change during the winter months?

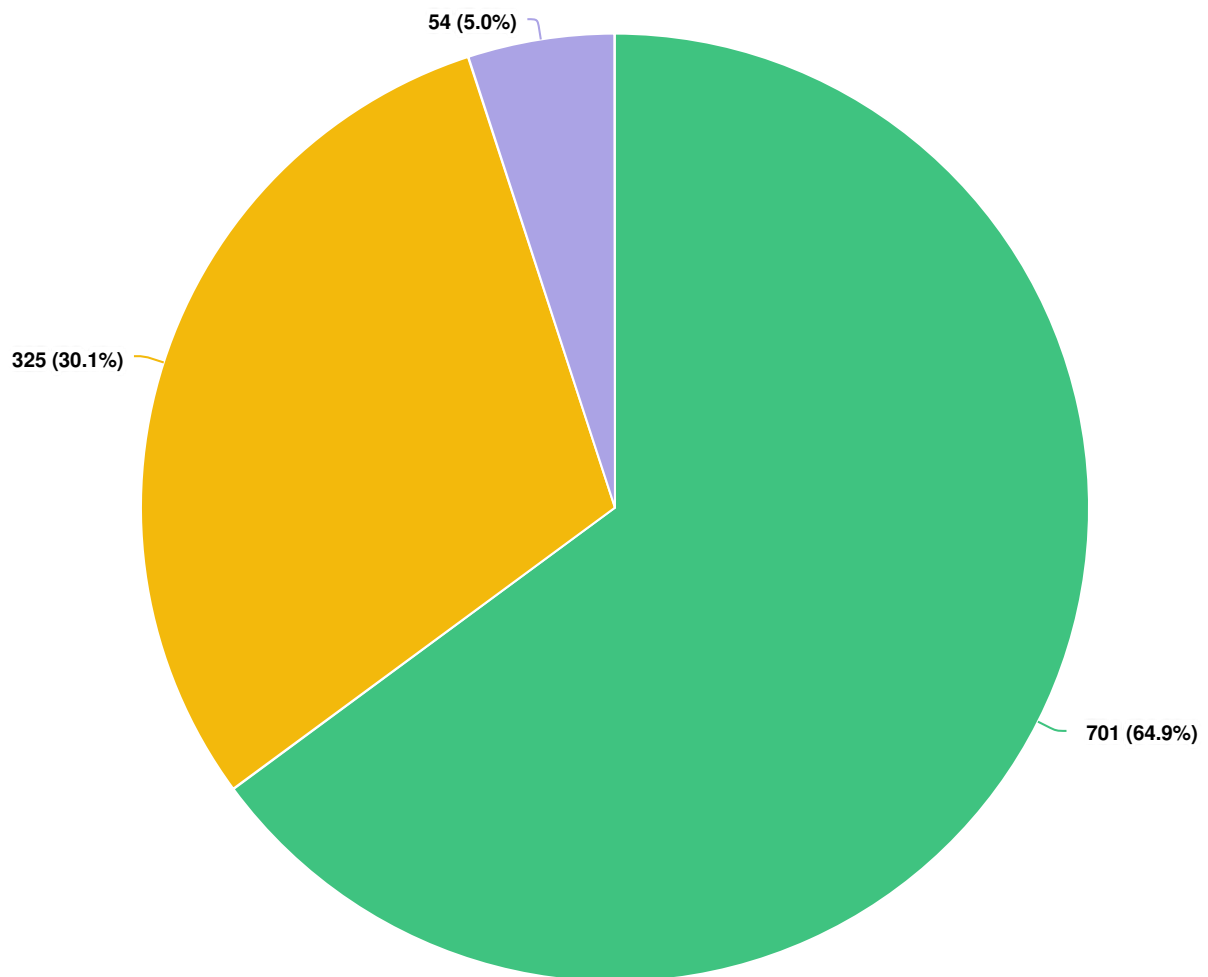


Question options

☒ Yes ☐ No

*Optional question (1070 response(s), 13 skipped)
Question type: Radio Button Question*

Q6 | How important is it to you that active transportation and accessibility are supported within our community?



Question options

Very Important Somewhat Important Not Important

Optional question (1080 response(s), 3 skipped)
Question type: Dropdown Question

Ontario Municipalities - Summary of Sidewalk Winter Maintenance Policies

City/Town	Survey Answered	Sidewalk Clearing by Resident	Limitation	Timeframe	Quality Control	Enforce ment	Non-Compliance Fee	Contravening Penalty	Solutions for the Unable
Ajax	No	By-law	None	24 hours	Random Inspection	Town	Fixed Rate	None	N/A
Barrie	No	By-law	Business District	10:00 AM	Unknown		Snow Removal Expenses	Up to \$5000	N/A
Brampton	No	By-law	Residential	11:00 AM	Upon Complaint		Snow Removal Expenses	Up to \$2000	Financial Assistance
Brantford	No	Municipal Code	Residential	24 hours	Upon Complaint, and Random Inspection		Snow Removal Expenses	N/A	Snow Buddy Program
Cambridge	No	By-law	Residential	36 hours	Upon Complaint		N/A	N/A	Snow Angels and External Community Support
Hamilton	No	By-law	None	24 hours	Upon Complaint		Snow Removal Expenses	Provincial Offences Act	Snow Angles and Sidewalk Clearing Assistance Program
Kitchener	No	By-law	None	24 hours	Upon Complaint, Random Inspection		Fixed Rate	N/A	Sidewalk Clearing Assistance Program and external programs
Newmarket	No	By-law	Residential	24 hours	Unknown		Unknown	Unknown	None
Oshawa	No	By-law	None	Midnight after end of snowfall	Unknown		Fixed Rate	\$300 - \$25,000 (layered)	Sidewalk Clearing Assistance Program
Pickering	No	By-law	None	24 hours	Unknown		Snow Removal Expenses	Provincial Offences Act	Sidewalk Clearing Assistance Program
St. Catharines	No	By-law	None	24 hours	Upon Complaint		Fixed Rate	Provincial Offences Act	Sidewalk Clearing Assistance Program
Vaughan	Yes	By-law	None	24 hours	Random Inspection		Snow Removal Expenses	Provincial Offences Act	N/A
Welland	No	By-law	Residential	24 hours	Unknown		Snow Removal Expenses	Up to \$10,000 (layered)	N/A
Windsor	Yes	By-law	Residential	12 hours	Upon Complaint, Random Inspection		Snow Removal Expenses	N/A	Snow Angels

THE CORPORATION OF THE CITY OF SARNIA
People Serving People

ENGINEERING AND OPERATIONS DIVISION

OPEN SESSION REPORT

TO: Mayor and Members of Council

FROM: David Jackson, General Manager of Engineering and Operations

DATE: December 1, 2020

SUBJECT: Water Rates – Fixed/Variable Ratio

Recommendation:

For Council's Information

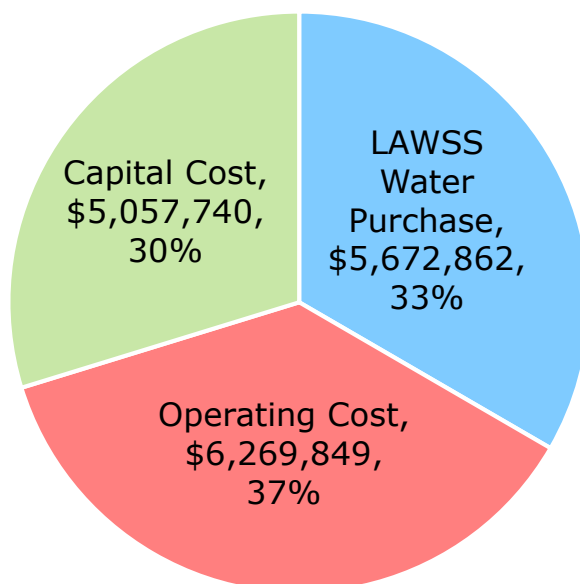
Background:

At the October 26, 2020 Council meeting a motion was passed directing staff to consider a different formula and water-rate structure before we go into budget deliberations this year.

A [similar report](#) was provided to Council on October 2, 2017 that provides detailed background on the historical deficits prior to 2010 when the variable rate was significantly higher.

Water rates are utilized to generate the revenue required to operate, maintain and renew the water system infrastructure for the supply of drinking water in the City. The Safe Drinking Water Act and Ontario Regulation 453/07 require the City to have a long range financial plan in place for the drinking water system that demonstrates that it is financially viable and self-sustaining. The operating costs of the City's water supply can be split into three main categories including the purchase of water from the Lambton Area Water Supply System (LAWSS), operation of the water distribution system, and capital work for lifecycle replacement and upgrades to the distribution system.

Figure 1 - Water Budget Breakdown



A detailed review in 2010 determined that the costs to operate and maintain a water system are close to 88% fixed and only 12% is variable. The majority of the cost is related to the operation and maintenance of the water treatment facility and the water pipes that transport the water from the plant to a property. The variable cost is very minimal, related to electricity for pumps and chemical costs, that would be slightly lower if less water is used.

Prior to 2010, the City had a cost structure that was only 37% fixed and 63% variable. Water usage has been on a steady decline, so each year revenues would decrease but costs would remain relatively the same, resulting in significant budget deficits. Prior to 2010, there were a number of years where the deficit exceeded \$1M. The rates had to be increased dramatically to increase the revenue to the amount required to operate the system. In 2010, based on this challenge, the City changed the rate structure to match the cost structure. The fixed cost was set at 88% and the variable component at 12%. This has had a positive impact on revenue stability since then.

In the [2019 BMA study](#), that summarizes a variety of municipal comparator data, Sarnia has the 102nd highest fixed cost ratio out of 108 municipalities. The six municipalities higher than Sarnia use a 100% fixed cost system. The average municipality has a fixed cost ratio of 42%.

The main purpose for a higher variable rate is to encourage water conservation. This is critical for some communities that have a less abundant water supply, and also very beneficial if the system is near maximum capacity, to avoid incurring large capital costs for treatment plant or distribution system upgrades.

Staff are currently working with Watson & Associates Economists Ltd. on water/wastewater rate studies. The studies are reviewing the rate structure in a comprehensive manner, but won't be ready until early 2021, with different options and recommendations for future rates starting with the 2022 budget.

Comments:

Fixed/Variable Rate Ratio

A high fixed rate provides revenue stability and matches the high fixed cost to operate and maintain the water system. This cost structure does not incentivize water conservation and is frustrating for residents when they reduce their consumption but don't see a corresponding reduction in their water bill.

Implementing a higher variable rate could lead to budget challenges but would incentivize water conservation and give the perception that the system is more fair. Residents and businesses that use larger amounts of water would pay a higher share of the system than residents who utilize less water. The main customer frustration with high variable rates is that, since the costs to operate the system are mainly fixed, if users reduce their water consumption the rates will need to be increased in the following year to make up for the lost revenue. A high variable rate system just redistributes the cost so that larger users pay more and lower users pay less. As noted, while this may appear more fair, the reality is that the vast majority of the cost to supply the water is the cost of the plant and the pipe network which has to be in place regardless of how much water the individual user utilizes.

The main benefit of water conservation, beyond environmental, is on the financial side to avoid/delay the need for costly capital upgrades to increase capacity. In our specific case, the LAWSS treatment plant has sufficient capacity, as does the City's distribution system. The wastewater rate is based on the water rate as well. On the wastewater treatment side, the treatment plant is reaching its capacity limits. However, the major factor for that is the increase in lake water levels, and intensity/frequency of rain events, but it may see some benefit if water consumption was reduced.

Lambton Area Water Supply System (LAWSS)

The Lambton Area Water Supply System is funded by the member municipalities based on the proportional share of water consumed. The data used is the water consumption from two years before the impacted budget. In 2019 Sarnia consumed 59.34% of the water produced by LAWSS and so must fund 59.34% of the LAWSS budget in 2021. The [2021 LAWSS budget](#) has an overall increase of 4.65%. Sarnia's share is an increase of 6.44% (\$368k) for a total cost of \$6,038,000, as the City consumed a higher proportion of the overall water supply in 2019 than in 2018.

1/3 of the City's total water cost is the cost to purchase water from LAWSS. There would be a financial benefit to the City to decrease our water consumption as it would decrease the City's relative share of the cost to fund LAWSS. The benefit of any proportional reduction isn't recognized until the budget two year's later. For example, because Sarnia's water usage increased relative to the other municipalities in 2019, our 2021 proportional cost is approximately \$100k higher than if our usage had stayed proportionally the same.

Conclusion

There is value in increasing the variable rate component of the water rate in order to encourage conservation and to reduce the City's costs related to LAWSS. The downside is that it may impact revenue stability. The water rate study will recommend a target ratio so that the variable component has a higher factor but isn't set so low that it could have a major impact on revenue stability. Rather than jump to a new target ratio, which could risk revenue stability, staff are recommending that the water rates be slowly adjusted to reach the target. Each year, when rate increases are implemented the overall increase can be fully applied to the variable rate component.

Over time the original 88/12 fixed/variable split has shifted to 80/20 in 2020. For 2021, if the proposed rate increase is weighted towards the variable rate the ratio will be 77/23.

Consultation:

The Finance Department was consulted in the preparation of this report.

Financial Implications:

In the draft 2021 budget, staff are recommending that the water rate increase be weighted to the variable rate component to slowly increase the variable rate portion of the water bill.

The wastewater rate is based on the water rates. The 2021 draft increase to the combined water/wastewater rate is 3.57%. The main drivers for the rate increases are:

- Contribution to reserves of \$442,000 (1.24%)
- Lambton Area Water Supply System Cost of \$368,000 (1.03%)
- Insurance of \$247,000 (0.7%)
- 3rd party contracts of \$77,000 (0.22%)
- Other of \$134,000 (0.38%)

Prepared by:

Approved by:

David Jackson, General Manager of
Engineering and Operations

Chris Carter
Chief Administrative Officer

Attachment(s): None

THE CORPORATION OF THE CITY OF SARNIA
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CORPORATE SERVICES DIVISION

OPEN SESSION REPORT

TO: Mayor and Members of Council

FROM: Holly Reynolds, Accounting & Budgeting Manager/Acting Treasurer
David Logan, General Manager of Corporate Services

DATE: December 1, 2020

SUBJECT: 2021 Draft Operating Budget

Recommendation:

It is recommended:

That Sarnia City Council approve the 2021 Draft Operating Budget as presented.

Executive Summary:

Property tax is collected through the general levy and the transit special area levy. The water and sewer system is supported through user rates based on meter size and usage. The approved budget is utilized, along with information on assessment and tax policy set by the County to set tax rates for the coming year.

The 2021 Draft Budget includes a 2.40% or \$1,932,722 increase to total taxation, including:

- 1.90% or \$972,905 for general operating
- 3.40% or \$856,031 for Police Services
- 2.45% or \$103,786 for Transit

The 2021 Draft Budget includes 3.57% or \$1,268,511 increase to user rates, including:

- 2.54% or \$430,188 for water
- 4.51% or \$838,323 for sewer

This report summarizes the key budget change drivers for each of these areas of taxation/rates.

The proposed 2021 water consumption rate is \$0.4532 per cubic meter, an increase from \$0.3841 per cubic meter in 2020, as well as a sewer surcharge of 118.36%, an increase from 116.26% in 2020. The report also details the proposed changes to fixed water distribution rates by meter size.

The 2021 Draft Operating Budget includes \$155,748,465 in expenditures to operate the City. This represents a year-over-year increase of 0.78%.

In order to enhance service levels and streamline processes, the City undertook a reorganization during 2020. The proposed staff plan reflects a net decrease of 3.25 of full-time, an increase of 2.50 part-time, and a decrease of 0.33 students for a total full-time equivalent (FTE) of 658.42 compared to 659.50 in the 2020 Approved Budget. Of the net decrease of 3.25 FT FTEs, there were 7.25 FT FTEs eliminated, 4 of which were senior positions, and 4 new positions added.

The detail budget sheets for each cost centre within the City are included; each sheet includes 2019 Actuals, 2020 Approved Budget, 2020 Forecasted Results (as of June 30, 2020), and 2021 proposed changes culminating in the 2021 Draft Budget. A percentage change between the Draft Budget and prior year approved budget is included.

The City's approach to preparing the 2021 Draft Budget was to mitigate the budget pressures that would cause increases to the general levy given the challenging year that 2020 has been for residents and rate payers while still generating additional funds for asset management initiatives. Dedicated Asset Management Funding of 2.00% of the 2019 Approved Operating Budget is included in the Operating Budget to start to proactively address necessary infrastructure maintenance. This is on top of the 2% that was embedded in the 2019 Approved Budget. This funding was transferred to the Capital Infrastructure Reserve (6615), with some amounts brought back into specific operating departments to fund proactive maintenance activities.

Background:

The Operating Budget represents the cost to operate and maintain municipal services. It includes the day-to-day expenditures for items such as wages, benefits, utilities, materials and supplies. It also includes contributions to reserves as a part of planning for infrastructure needs. Such costs are recovered through taxation and user charges. The Operating Budget consists of the following budgets:

- General Municipal
- Police Services
- Transit
- Water Rates

- Sewer Rates

Comments:

Documents included in the 2021 Draft Operating and Reserves Budget book relating to the Operating Budget include:

1. 2021 Draft Operating Budget Summary: Taxation, Rates, Expenditures & Revenues, including a summary of Water & Sewer Rates
2. 2021 Draft Operating Budget Summary – By Department
3. Total Full-Time Equivalent (FTE) Summary
4. 2021 Draft Operating Budget Detail

1. 2021 Draft Operating Budget Summary: Taxation, Rates, Expenditures & Revenues

The following is a summary of the amounts to be raised through taxation and water and sewer rates in the 2021 Operating Budgets:

Taxation

Taxation Budget	2021 Draft Budget (\$000)	2020 Approved Budget (\$000)	Difference (\$000)	% Change
Current Operating	52,227	51,254	973	1.90%
Police Services	26,033	25,177	856	3.40%
General Taxation	78,260	76,431	1,829	2.39%
Transit	4,348	4,244	104	2.45%
Total Taxation	\$82,608	\$80,676	\$1,933	2.40%
Growth Impact	525	525	-	-
Special Levy - Petro-Chemical Area ⁽¹⁾	-	500	(500)	(100.00%)
Total Taxation Revenue	\$83,133	\$81,701	1,434	1.75%

- (1) - An amount of \$500,000 was initially included in the 2020 Approved Budget. This special levy was removed from 2020 taxes by Council at its October 26 Regular Meeting.

Water and Sewer Rates

Water/Sewer Rates Budget	2021 Draft Budget (\$000)	2020 Approved Budget (\$000)	Difference (\$000)	% Change
Water Rates	17,345	16,915	430	2.54%
Sewer Rates	19,442	18,604	838	4.51%
Total Rates	\$36,787	\$35,519	\$1,268	3.57%

The growth impact amount reflects anticipated assessment growth. The % Change column represents the percentage increase in the taxation and user rates to be raised in order to fund the 2021 Operating, Police, Transit, Water Rates, and Sewer Rates Budgets. Percentage changes for tax and user rates are impacted by other factors that influence the rate calculation. For taxation, these factors include changes in the assessment base and tax policy implementation issues adopted by the County, such as the setting of tax ratios for the various tax classes. For user rates, these factors include estimated water consumption and the number of meters in the billing system.

Consumer Price Index

The Consumer Price Index (CPI) is widely used as an indicator of the change in the general level of consumer prices or the rate of inflation. Consumer price inflation rose to 0.5% year over year in September 2020, up from 0.1% in August. The City is not seeing the benefits of this lower inflation level in the 2021 Draft Budget as drivers such as collective agreement contractual increases and items not related to the CPI consumer expenditure basket of goods are driving general levy increases.

Key General Levy Change Drivers

The 2021 Draft Operating Budget, including Police Services, requires an additional \$1,932,722 or 2.40% to be raised through taxation. Each percentage increase in the 2021 General Tax Levy represents approximately \$760,000 when compared to the Approved 2020 General Tax Levy.

Key Year-over-Year Changes (General Levy)	Amount (\$)	% Change
Staffing Costs - Wages & Benefits contractual increases & changes to staffing <i>(i)</i>	722,961	0.95%
Contribution from reserves to mitigate levy increase	(1,000,000)	(1.31%)
Reduction of reserve contributions to tax stabilization reserve	(600,000)	(0.79%)
Police Budget <i>(ii)</i>	856,033	1.12%
Economic Development department, newly created	250,000	0.33%
Bluewater Power dividend, estimated decrease in revenue	100,000	0.13%
Decrease in income from investments due to interest rate declines	139,827	0.18%
Increased Contribution to Reserves – Dedicated Asset Management Funding	1,485,752	2.00%
Decrease to Drain reserve contribution	(100,000)	(0.13%)

Key Year-over-Year Changes (General Levy)	Amount (\$)	% Change
Elimination of vacancy rebate program	(166,667)	(0.22%)
Increases in payments in lieu of taxes	(114,000)	(0.15%)
Brownfields payment ending	(235,876)	(0.31%)
Increase in software license fees due to new software initiatives	128,400	0.17%
Decrease in recycling revenue	230,000	0.30%
Insurance increases	184,717	0.24%
All other changes combined	(52,211)	(0.07%)
Total Draft General Levy Increase	\$1,828,936	2.39%

- i. *This increase is based on estimated/known contractual increases, progression through wage grids based on tenure within a position, benefit cost increases and net changes to staffing complement (refer to the FTE Staff Summary). The 2021 Draft budget reflects a net decrease in full-time FTEs due to the restructuring of senior management that was undertaken in 2020.*
- ii. *The Sarnia Police Services budget is governed by The City of Sarnia Police Services Board and was approved at its October 8, 2020 meeting.*

Transit Change Drivers

The Transit Budget provides for the cost to operate and maintain the conventional Transit System (excluding the Care-A-Van System, which is part of the General Operating Budget). Only property owners within the Designated Transit Area are levied taxes to support this budget.

The 2021 Draft Transit Budget requires an additional \$103,786 to be levied in 2021 over the 2020 Transit Area Levy or a 2.45% increase. Each percentage increase in the 2021 Draft Transit Area Budget represents approximately \$42,000 when compared to the Approved 2020 Transit Tax Levy.

Key Year-over-Year Changes (Transit)	Amount (\$)	% Change
Staffing Costs – Wages & Benefits contractual increases	84,705	2.00%
Insurance decreases	(35,823)	(0.84%)
Increased Contribution to Reserves – Dedicated Asset Management Funding	86,376	2.04%
All other changes combined	(31,472)	(0.74%)
Total Draft Transit Tax Increase	\$103,786	2.45%

Key Water & Sewer Change Drivers

The Water Rates Budget provides funding for the City to operate and maintain the water distribution system to allow the water acquired through the Lambton Area Water Supply System (LAWSS) to be provided to municipal ratepayers.

The 2021 Draft Water Rates Budget provides for \$17,345,160 to be recovered through user rates. This represents an increase in the amount to be raised through water billings by \$430,188 or 2.54% when compared to the Approved 2020 Water Budget.

The Sewer Rates Budget provides funding for the City to operate and maintain the municipal sanitary sewage system, including the Sewage Treatment Plant, Bright's Grove Sewage Lagoons, and Storm Sewers. These costs are recovered by charging a Sewer Surcharge on water users that have access to the municipality's sanitary and storm sewer systems.

The 2021 Draft Sewer Area Budget provides for \$19,442,125 to be recovered through user rates. This represents an increase in the amount to be raised through sewer billings by \$838,323 or 4.51% when compared to the Approved 2020 Sewer Budget.

Key Year-over-Year Changes (Water/Sewer)	Amount (\$)	% Change
Contribution to Reserves	442,044	1.24%
LAWSS (Lambton Area Water Supply System) - City of Sarnia Share (iii)	367,587	1.03%
Insurance increases	247,190	0.70%
Increases in third party contracts to meet operational needs	77,189	0.22%
All other changes combined	134,502	0.38%
Total Draft Water & Sewer Rate Increase	\$1,268,512	3.57%

iii. The LAWSS budget is draft pending approval by the LAWSS Board of Directors. The City of Sarnia's portion of LAWSS costs are based on the City's water flow percentage of the entire LAWSS system.

Water & Sewer Rates

In order to balance the Water Budget, revenue of \$17,345,160 is required. In order to balance the Sewer Budget (sanitary & storm), revenue of \$19,442,125 is required. Proposed rates are based on the 5-year average water usage (recommended by BMA) and the estimated meters of each size. In 2010, a new methodology for rate setting approved by Council identified the high fixed cost portion of operating the water and sewer systems. The rates recommended below align with the rate structure, at 77% fixed and 23% variable and include a further shift towards more of the rate structure being driven by the variable component (the 2020 budget rate structure was 81% fixed and 19% variable). Based on the City's comparative costs identified in the BMA Municipal Study, a shift between small and larger meters continues to be recommended. This shift still results in the larger size meters being near the lowest of those compared in the BMA Study, particularly when the water consumption rate is considered. See separate Water Rates report included in the budget documentation for additional information.

The following rates are recommended:

Meter Size	Meter Count Estimate	2020 Actual Monthly Distribution Charge	2021 Proposed Monthly Distribution Charge	Change
5/8"	23,491	\$32.40	\$31.20	(\$1.20)
3/4"	1,737	\$45.76	\$44.06	(\$1.70)
1"	341	\$104.72	\$108.39	\$3.67
1 1/2"	206	\$209.45	\$216.78	\$7.33
2"	236	\$387.04	\$400.59	\$13.55
3"	36	\$744.88	\$770.95	\$26.07
4"	13	\$1,163.92	\$1,204.66	\$40.74
6"	9	\$2,419.45	\$2,504.13	\$84.68
8"	1	\$4,654.89	\$4,817.81	\$162.92
10"	7	\$7,710.96	\$7,980.84	\$269.88

The draft 2021 water consumption rate is \$0.4532 per cubic meter, the approved 2020 water consumption rate was \$0.3841 per cubic meter.

The draft 2021 sewer surcharge is 118.36%, the 2020 approved surcharge was 116.26%.

Rates will be updated as of January 1, 2021.

Total Budgeted Expenditures

The City's total expenditures include everything used to operate the City, including all operating expenses and contributions to reserves for projects. Expenditures are higher than what is collected through property taxes and water/sewer rates. Other revenues make up the difference, and they include such items as user fees, grants, costs recovered and investment income.

The attachment titled "2021 Draft Operating Budget Summary: Taxation, Rates, Expenditures & Revenues" reflects total budgeted expenditures of \$155,248,465 million, an increase of 1,205,454, or 0.78% increase year-over-year.

The following is a summary of the 2021 Draft Budget Expenditures for all City budgets including the Operating, Police Services, Transit, Water and Sewer budgets:

Budget Expenditures	2021 Draft Budget Expenditures (\$000)	2020 Approved Budget Expenditures (\$000)	Difference (\$000)	Change %
Current Operating	82,506	83,363	(857)	(1.03%)
Police Services	28,620	27,633	987	3.57%
Transit	7,005	6,886	119	1.72%
Taxation Subtotal	118,131	117,882	249	0.21%
Water	17,927	17,487	440	2.52%
Sewer	19,690	19,174	516	2.69%
User Rate Subtotal	37,617	36,661	956	2.61%
Total	\$155,748	\$154,543	1,205	0.78%

2. Draft Operating Budget Summary – By Department

This report includes the same information as 1 above, however it combines revenue and expenditures for each department. If there is a net cost to the City, the budget is represented with a positive number, and if there is a net revenue to the City, the budget is represented with a negative number.

3. Total Full-Time Equivalent (FTE) Summary

The Full-Time Equivalent (FTE) report includes the 2020 Approved Budget and 2021 Draft Budget staffing broken down by FT (Full-Time), PT (Part-Time, including non-permanent, part-time, seasonal and temporary labourer positions), and STU (Students).

The 2020 Approved Budget included a total of 659.50 FTEs, and the 2021 Draft includes 658.42 FTEs. This represents a decrease of 3.25 FT, an increase of 2.50 PT and a decrease of 0.33 STU, for a total of 584 FT, 41.49 PT, and 32.93 STU, including Police.

In order to enhance service levels and streamline processes, the City undertook a reorganization during 2020. Many of the changes are re-allocations between departments as a result of the reduction and restructuring of senior management. Of the net decrease of 3.25 FT FTEs, there were 7.25 FT FTEs eliminated, 4 of which were senior positions, and 4 new positions added. The new positions added include the recently approved Economic Development Director, 2 positions within Corporate Services to better support the City's 10-year capital plan and significant capital infrastructure investment, as described in the September 21, 2020 Draft Capital Budget report to Council. There was one Firefighter added to the FTE count to balance the Platoons (3 Platoons are currently at 29 Firefighters and one is at 28 Firefighters); this addition was offset by an anticipated reduction in overtime costs.

4. 2021 Draft Operating Budget Detail

The 2021 Draft Operating Budget Detail is included in the budget book for each revenue/cost centre. The report format includes:

- 2019 Actuals – the final results from the most recently completed fiscal year
- 2020 Budget – budget approved by Council
- 2020 Forecast – calculated by utilizing actual results to the end of June 2020, plus a forecast of the results for the remainder of the year. Care should be taken in interpreting the 2020 Forecast as the Final 2020 results will differ from those forecasted.
- 2021 Draft Budget is a sum of the following components:
 - 2021 Base Budget which consists of the final 2020 Budget less one-time items in that budget
 - 2021 One-Time items
 - 2021 Adjustments to Budget, which include inflationary and rate increases in the delivery of the various municipal services
- Variance 2021 to 2020 Budget expressed as a percentage

Consultation:

The Draft Budgets have been submitted by the General Managers with changes or edits made during collaborative reviews with the General Managers, CAO and Finance. It is important to note that service level changes are the responsibility of Council and have not been recommended or reflected within the budget.

Financial Implications:

Financial implications are discussed within this report.

Reviewed by:

Approved by:

David Logan

Chris Carter

General Manager, Corporate Services Chief Administrative Officer

This report was prepared by Holly Reynolds, Accounting and Budgeting Manager/Acting Treasurer.

Attachment(s): (please see Operating & Reserves Budgets book)

- 2021 Draft Operating Budget Summary: Taxation, Rates, Expenditures & Revenue (*pgs. 1 – 4*)
- 2021 Draft Operating Budget Summary: By Department (*pgs. 5 – 7*)
- Total Full-Time Equivalent (FTE) Staff Summary (*pgs. 8 – 11*)
- 2021 Draft Operating Budget (*pgs. 12 – 146*)

THE CORPORATION OF THE CITY OF SARNIA
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CORPORATE SERVICES DIVISION

OPEN SESSION REPORT

TO: Mayor and Members of Council

FROM: Holly Reynolds, Accounting & Budgeting Manager/Acting Treasurer
David Logan, General Manager of Corporate Services

DATE: December 1, 2020

SUBJECT: 2021 Municipal Grant Allocation

Recommendations:

It is recommended:

That Sarnia City Council awards 2021 municipal grants totaling a maximum amount of \$72,566 amongst the applicants:

Applicant	2021 Grant
Sarnia Lambton Taskforce on Healthcare Worker Recruitment	
Heaven's Wildlife Rescue Rehabilitation & Education Centre	
March of Dimes Canada Non-Profit Housing Corporation	
Total	\$72,566

Background:

On May 28, 2018 Sarnia City Council approved the Municipal Grant Policy. The policy provides criteria to establish eligibility, and encourages community organizations to create long-term funding sustainability plans suitable to their initiative.

On June 22, 2020, Council approved the Grant submission deadline of August 28, 2020 for 2021 Municipal Grants. Public notice of the grant process was included on the City's website and advertisements through Civic Corner.

Comments:

Sarnia has historically provided \$1 per population count towards the marketing endeavours of recruiting new physicians based on our population count. \$72,566 has been included in the 2021 Draft Operating budget for

Municipal Grants. On Budget Deliberation Day, Council is asked to allocate this value amongst the applicants. As per the policy, increases to this budget will only be made through an approved motion of Council on Budget Deliberation Day.

To assist Council in the allocation process, staff have reviewed and summarized the applications received by the grant submission deadline. The chart titled 'Municipal Grants – Eligibility/Ineligibility Criteria' identifies the eligibility and ineligibility of the organizations, funding and projects based on the Council-approved policy.

On May 28, 2018 Council allowed three recipients of 2018 Municipal Grants to apply for consideration of future grants even though the nature of their previous grant requests did not meet the eligibility criteria of the newly approved policy. As a result, the Sarnia Lambton Taskforce on Healthcare Worker Recruitment, Lambton Farm Safety and Sarnia Historical Society requests are included in the grant request list if these organizations submit requests.

The funding for grants remains in the 2021 budget, pending Council direction. We are also looking for further direction from the Council to proceed with their future grant requirements.

Consultation:

The Financial Analyst, Accounting and Budgeting Manager, Acting Treasurer were consulted in the preparation of this report.

Financial Implications:

It is understood that there are limited funds that Council allocates to municipal grants, and not every worthwhile project can be funded. If the approved municipal grant funding exceeds \$72,566 there will be an increase to the 2021 operating budget and resultant general tax levy.

Reviewed by:

Approved by:

David Logan,
General Manager, Corporate Services

Chris Carter
Chief Administrative Officer

This report was prepared by Jane Qi, CPA, CGA, Financial Analyst.

Attachment(s): 2021 Municipal Grants – Eligibility/Ineligibility Criteria

2021 Municipal Grants - Eligibility/Ineligibility Criteria

Summary:

Organization	Sarnia Lambton Taskforce on Healthcare Worker Recruitment	Heaven's Wildlife Rescue Rehabilitation & Education Centre	March of Dimes Canada Non-Profit Housing Corporation
Project Name	Implementing a Succession Plan for Sarnia's Family Physicians	Wildlife Education Room & Reptile Rehabilitation Room	Standing Oaks - Sarnia home for people with physical disabilities
Project about	Physician recruitment	building a reptile rehabilitation room and a wildlife education room	Driveway repairs and installation of new air conditioning unit
Grant Amount Requested (\$)	\$ 80,000	\$ 8,200	\$ 10,300
Previous Grant Recipient	Yes	No	No
Eligible Organization	Yes	Yes	Yes
Funding Ineligibility	Yes	No	No
Project Eligibility	Yes	Yes	Yes
Notes	<ul style="list-style-type: none"> • "Grandfathered" committee_May 28, 2018 council meeting • \$27,634 grants or awards to others 	<ul style="list-style-type: none"> • No current financial information • The grant request is for a 2020 project, not for 2021. 	<ul style="list-style-type: none"> • No current financial information • The grant request is for a 2020 project, not for 2021.

Details:

Eligible Organization	Policy *	Sarnia Lambton Taskforce on Healthcare Worker Recruitment	Heaven's Wildlife Rescue Rehabilitation & Education Centre	March of Dimes Canada Non-Profit Housing Corporation
<i>A not-for-profit incorporated organization?</i>	Yes	Yes	Yes	Yes
<i>CRA Registration No.</i>		85480 5207 RR0001	NA	13717 6830 RR0001
<i>Governed by a community-based volunteer Board of Directors?</i>	Yes	Yes	Yes	Yes
<i>Extend services to the general public of the City of Sarnia?</i>	Yes	Yes, and into Lambton County	Yes, and into Lambton County	10 bedrooms
Funding Ineligibility				
<i>Other levels of government?</i>	No	No	No	No
<i>Organizations with political affiliations?</i>	No	No	No	No
<i>Organizations that provide grants to others?</i>	No	Yes	No	No
<i>Organizations whose activities or outcomes are inconsistent with the City of Sarnia's values or goals?</i>	No	No	No	No
Project Eligibility				
<i>Be accessible to everyone</i>	Yes	"Grandfather-ed" committee	Yes	10 bedrooms
<i>Have a budget separate from the organization's operating budget</i>	Yes		Yes	No project budget
<i>Benefit the citizens of the City of Sarnia</i>	Yes		Yes	Yes
<i>Include significant volunteer involvement</i>	Yes		Yes	Yes
<i>Have a specific benefit and outcome that pro-actively contributes to the priorities identified in the City of Sarnia's Strategic Plan</i>	Yes		Yes	Yes
<i>Be sustainable beyond the support of the municipal grant</i>	Yes		Yes	Yes
<i>More than 50% of the budget of the project</i>	No		-	-

*Expected response as per the Municipal Grant Policy approved by Council on May 28, 2018

THE CORPORATION OF THE CITY OF SARNIA
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CORPORATE SERVICES DIVISION

OPEN SESSION REPORT

TO: Mayor and Members of Council

FROM: Holly Reynolds, Accounting & Budgeting Manager/Acting Treasurer
David Logan, General Manager of Corporate Services

DATE: December 1, 2020

SUBJECT: 2021 Fees for Services

Recommendations:

It is recommended:

That Sarnia City Council adopt the 2021 Fees for Services as presented.

Background:

The 2021 Proposed Fees for Services are presented for Council's consideration.

Comments:

Many of the 2021 Proposed Fees for Services remain unchanged, and a few fees have been added. Please refer to the Fees for Services document for complete information. Explanations of Fees for Services that have changed significantly are summarized below.

Corporate

All service fees remain unchanged.

City Clerk

Most fees remain unchanged.

Bed & Breakfast has been removed as a Short-Term Accommodations (STA) fee has been added. The new licence fee for STAs is \$155 for new applications and \$110 for renewals.

Payday Loan Establishment under the Business Licenses – Other has been introduced. Fees for New is \$245 and Renewal is \$195.

Commissioning Services have been increased to reflect current market prices. First signature \$35 (+13%). To be consistent with Notary Services structure, 5 or more signatures has been removed and Each additional signature \$15 has been added.

Marriage Ceremony – Staff Witness \$300 (+9%) has been increased in relation to the cost of providing the service.

Legal Services

Most fees have been increased 5%.

Some Agreement Fees have been increased as the City's charge is low compared to other cities in southwestern Ontario. Both Standard Subdivision & Front Ending Agreements (where not part of subdivision agreement) and Pipeline Crossing - Initial fee are increased to \$1,662 (+11%).

Notary Services have been increased to reflect current market prices. First signature \$35 (+13%) and Each additional signature \$15 (+50%).

Finance

Most fees remain unchanged. Tax Arrears Reminder Notice has been increased \$1.00 (20%) which is a similar rate in comparison to other municipalities.

Fire

Fees have been increased 2% in relation to the cost of providing the service.

Fees for Smoke Alarm and CO Alarm have been removed as they are included Smoke/CO Alarm Combo.

Rural Open Burn Permit (BL 2001/91 Part II Section 2.1) has been introduced as the first permit requires an inspection. The permit is non-transferable to other properties with same owner or upon sale of property to new owner.

Fee for Emergency Response description has been updated as Fire Department Response Fees (including collection of fees by city's agent).

Engineering

Most fees have been increased, on average 2% in relation to the cost of providing the service.

Public Works

Fees have generally been increased, on average 2% in relation to the cost of

providing the service.

Many of the current descriptions for the disposal of compost and brush, and the purchase of products, at the compost site are open ended and not well defined. As a result, customers with bulk orders are being undercharged for the volumes of materials being disposed or purchased but there is no approved methodology for charging the appropriate fees. The descriptions for the goods and services have been redefined, and the prices adjusted to enable the large orders to be appropriately charged for the services they are requesting. As a result, two new fees have been replaced with three fees under Compost/Mulch/wood chips and one new fee has been introduced and four fees have been replaced by one new fee under Compostable Drop-Off. A few significant fee increases are due to this fee restructure. Compost, Mulch and Wood Chips – Cars \$15 (+50%), Brush Drop Off – Small Truck- 4-8 yd³ \$125 (+ 108%), Dump Truck - 10-20 yd³ \$275 (+282%), Dump Truck- 25-40 yd³ \$640 (+ 313%) and Scaled Trucks, Trailers and Roll-off Containers \$100(+25%).

New fees under Overstrength Discharge Fees have been introduced, including Carbonaceous Biochemical Oxygen Demand (CBOD) \$2.17/kilogram, Phenols \$0.80/kilogram and Hauled sewage discharged at WPCC, per load \$75.

Hauled sludge (LAWSS and Village of Pt. Edward) \$42 (+31%) has been increased as actual costs in 2019 for treating the sludge were approximately \$62/1000 litres. The fee for Clean-out Installation (restoration not included) \$2,500 (100%) has been increased significantly. Council applied a three-year step to the Fee for the Clean-out installation during budget deliberations on January 15, 2019.

Replacement Blue Boxes \$13 (8%) for Recycle Containers has been increased to recover costs and handling.

Transit

No Cash Fares increases have been recommended for 2021; Tickets have been increased 2%. See attached Transit Fare Adjustment Summary.

Some Bus Passes for both Conventional and Care-A-Van have been increased slightly. Standard \$76.50 (2%), Semester-Elementary/Secondary \$163 (1%), Semester-College \$179 (2%), Summer Savings Pass \$116 (2%) and White Cane Pass \$31 (3%).

Fees for Fuel (#1 Diesel) sales and vehicle repair, Fluids-Engine Oil, Power Steering & Transmission Oil, Windshield Washer, Antifreeze for Maintenance Department Servicing have been removed as the City removed insurance from Transit that covered non-City vehicles to be on the property.

The clarification on the name of the fees for CNIB and Inn of the Good Shepherd have been changed as White Cane Pass and Inn of the Good Shepherd – Low-Income Qualified Program.

Parks & Recreation

Some service fees have increased on average 2% in relation to the cost of providing the service.

User fee for Canatara Park - Area 1 & Beach Pavilion increased \$5 (+14%) which is a similar rate in comparison to other municipalities.

Event Participant Fees – Canada Day for Centennial Concession dropped \$280 (-48%) as the Canada Day Committee made the decision at their meeting to reduce the Centennial Concession fee during the Canada Day Festivities to attract additional vendors and to ensure an appropriate fee is charged.

Fees for Off Season – Prime Time \$252.90 (+7%) and Off Season – Non – Prime Time \$151.74 (+7%) under Arenas – Ice Rentals have been increased as the fees are determined by the Sarnia Arena Advisory Committee – Ice Allocation Policy.

Activity Fees for Non-member per visit increased \$0.50 (+10%) and Woodworking Shop – Non-member ½ Day increased \$1.00 (+17%).

Canatara Band shell under Park & Facility User Fees has been updated as it is now available to book service on the weekend.

Clearwater Community Lower Hall - Facility Users rental services are not offered at no charge. All users are subject to Hall rental fee.

Progressive Auto Sales Arena - Lower Hall Facility Users rental has been removed as service no longer provided due to minimal use and limited space availability.

Class "C" Diamonds - Blackwell North under Parks and Recreation Programs has been removed as the diamond service level is identified within the Class "B".

Pickleball rental service has been added for Baxter Park under Multi User /Tennis Court & Pickleball Rental.

Planning

Fees have generally been increased by 2% to reflect the increase in the cost

of providing the service.

A new fee for Application for Condominium Exemption \$1,250 has been added to recover costs associated with this service. The Condominium Act, contains provisions permitting an application for a plan of condominium to proceed directly to final approval, thereby bypassing the requirements for notice and draft approval, which are normally part of the approval process under the Planning Act. To date no fee has been established for exemption requests, the proposed fee would cover the administrative costs to process an Application for developments requesting an exemption from the Draft Plan of Condominium process.

On May 11, 2020, Council approved a motion to join CRINS-SINRC and established fees for processing applications which include Telecommunication Tower Consultation - Non-Exempt application \$2,750 and Telecommunication Tower Consultation - Exempt \$500.

Building

Some service fees have increased on average 2% in relation to the cost of providing the service.

Building Permits for Tents reflect updates to tent sizes.

Re-organized the sign structure to remove Signs Requiring Permits \$180 under the Sign By-law from the By-law Enforcement fees to Building.

Builders Bond deposit has been dropped from \$3,500 to \$2,000 (-43%). A \$2,000 deposit is required according to some of the City's subdivision agreements.

New fee for Limiting Distance Agreement \$250 has been added. These are becoming more common and requires staff time to review and approve spatial separation calculations.

Harbour

Some service fees have increased on average 2% in relation to the cost of providing the service.

Harbour Usage Fee has been increased. Vessel with working cargo, more than 24 hours \$1,400 (+6%) and Vessel, less than 24 hours \$400 (+7%).

By-Law Enforcement

Re-organized the sign structure to remove Signs Requiring Permits \$180 under the Sign By-law from the By-law Enforcement fees to Building.

Dog Licenced renewal dates have been updated to reflect the new wording in the by-law around 365-day renewal.

E-charging station in the Charlotte Street parking lot has been removed as City Council approved the removal at the July 13, 2020 Regular meeting of Council.

Reference

The general power of municipalities to impose fees and charges derives from Sections 9, 10 and 11 of the *Municipal Act*. Specific authority to establish most of the fees and charges levied by the City is contained in Parts XII and IV of the *Act*. Under Part XII of the *Act* municipalities can establish wide ranging user fees for services provided, or services provided on behalf of municipalities. Part IV of the legislation gives municipalities the authority to impose licensing fees.

Section 391(1) of the *Municipal Act* stipulates that a municipality or local board may impose a fee or charge on persons: for services or activities provided or done by or on its behalf; for costs payable by it for services or activities provided or done by or on behalf of municipalities or local boards; and for the use of its property including property under its control.

Fees can be used to pay for service administration and enforcement costs as well as the cost of acquiring or replacing capital assets (Section 391(3)). They can also include capital costs associated with a deferred benefit (Section 391 (2)). Services for which fees are charged can be either mandatory or discretionary (Section 391(4)). However, Section 394(1) prohibits fees that are based on:

- a) The income of a person, however it is earned or received, except that a municipality or local board may exempt, in whole or in part, and class of persons from all or part of a fee or charge on the basis of inability to pay;
- b) The use, consumption or purchase by a person of property other than property belonging to or under the control of the municipality or local board that passes the By-Law;
- c) The use, consumption or purchase by a person of a service other than a service provided or performed by or on behalf of or paid for by the municipality or local board that passes the By-Law;
- d) The benefit received by a person from a service other than a service provided or performed by or on behalf of or paid for by the municipality or local board that passes the By-Law; or

- e) The generation, exploitation, extraction, harvesting, processing, renewal or transportation of natural resources.

Consultation:

The 2021 Proposed Fees for Services were submitted by the General Managers.

Financial Implications:

Discussed within the report. Approximately 5% of the City's total annual operating expenditures are covered by user fees.

Reviewed by:

Approved by:

David Logan,

Chris Carter

General Manager, Corporate Services Chief Administrative Officer

This report has been prepared by Jane Qi, Financial Analyst.

Attachment(s):

1. Sarnia Transit Fare Adjustment Summary
2. 2021 Proposed Fees for Services *

*please see 2021 Proposed Fees for Services book

SARNIA TRANSIT FARE ADJUSTMENT SUMMARY 2019 -2021

YEAR	ONE COMMON FARE						
	CASH	TICKETS	MONTHLY PASS	SUMMER SAVINGS PASS	HIGH SCHOOL/ LAMBTON COLLEGE SEMESTER PASS	FARE INCREASE AMOUNT	PASSES INCREASE AMOUNT
2019	\$3.00	\$2.35	\$74.00	\$112.00	H.S. -\$159.00 L.C. -\$174.00	Cash- \$0.00 Tickets-\$0.00	Month-\$1.00 S.S.P.-\$2.00 H.S.-\$2.00 L.C.-\$2.00
2020	\$3.00	\$2.35	\$75.00	\$114.00	H.S. -\$161.00 L.C. -\$176.00	Cash- \$0.00 Tickets-\$0.00	Month-\$1.00 S.S.P.-\$2.00 H.S.-\$2.00 L.C.-\$2.00
2021	\$3.00	\$2.40	\$76.50	\$116.00	H.S. -\$163.00 L.C. -\$179.00	Cash- \$0.00 Tickets-\$0.05	Month-\$1.50 S.S.P.-\$2.00 H.S.-\$2.00 L.C.-\$3.00

THE CORPORATION OF THE CITY OF SARNIA
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CORPORATE SERVICES DIVISION

OPEN SESSION REPORT

TO: Mayor and Members of Council

FROM: Holly Reynolds, Accounting & Budgeting Manager/Acting Treasurer
David Logan, General Manager of Corporate Services

DATE: December 1, 2020

SUBJECT: Debt Analysis 2020

Recommendation:

For Council's Information

Background:

Council has taken various initiatives to reduce the City's outstanding debt such as:

- Approved a Capital Financing and Debt Management Policy, which was provided to Council at the October 28, 2019 regular Council meeting. The objectives of this policy are to ensure long term financial flexibility and minimize long-term cost of financing. Debt financing for lifecycle or infrastructure renewal projects has been eliminated.
- Approved a Capital Investment Strategy, which was provided to Council at the March 2, 2020 regular Council meeting. This resulted in the early repayment of 7 outstanding loans in the amount of \$6,152,193. These loan repayments created additional capacity in the Operating Budget to build capital reserves for asset management activities. As a result, almost \$2,000,000 annually will be redirected to reserves for capital investment, which will enhance the dedicated asset management fund and capital reinvestment by 2.5% per year.
- Simplified reserves accounts by consolidating a number of reserves into the Capital Infrastructure Reserve which is used for capital funding of infrastructure. This provides for more flexibility in funding a variety of necessary capital projects across all City functions.
- Approved the Amended Capital Budget and Finance Policy at the June 22, 2020 regular Council meeting.

- Approved recent Capital Budgets without new debt.
- Optimized provincial/federal grant programs and used non-debt sources for matching funds.

Comments:

The following comments, attached reports, and appendices will provide an update on the City's current debt position.

Analysis of Future Debt Repayments of Existing Debt - APPENDIX A

The City will retire \$0.6 million in debt during 2021 (\$7.5 million in 2020). Total debt costs (principal and interest) for 2020 are \$7.7 million on existing debt; total debt costs for 2021 for existing debt will be \$0.7 million. The future principal and interest payments as at the end of 2020 are projected to be \$5.4 million. Debt costs have been significantly reduced due to the early repayments made in 2020, which minimized long-term debt costs.

Long-Term Debt Position – APPENDIX B

This attachment provides an analysis of the long-term debt outstanding. It also projects the City's long-term debt position to the end of 2021, before taking into account any changes that might result from the 2021 budget approval by Council.

This attachment shows that the debt outstanding is projected to be \$4.8 million at the end of 2020. By the end of 2021, it is projected that the City's debt will be \$4.2 million. This debt figure includes outstanding internal debt issuances with accrued interest.

As debt is retired, the amounts of principal and interest payments previously used to service debt are redirected to reserves for capital investment which will enhance the dedicated asset management fund and capital reinvestment.

Consultation:

No consultation was required during the preparation of this report.

Financial Implications:

Discussed within report.

Reviewed by:

Approved by:

David Logan,

General Manager, Corporate Services

Chris Carter

Chief Administrative Officer

This report was prepared by Jane Qi, CPA, CGA, Financial Analyst.

Attachments:

1. APPENDIX A - Analysis of Future Debt Payments of Existing Debt 2021-2035
2. APPENDIX B - Long -Term Debt Position

APPENDIX A. ANALYSIS OF FUTURE DEBT REPAYMENTS OF EXISTING DEBT

Existing Debt	Debt Bylaw	Start (year)	Term	Original Principal	2020	2021	2022	2023	2024	2025	2026-2030	2031 and onwards	2021-2035
					Annual Payment	Annual Payment	Annual Payment	Annual Payment	Annual Payment	Annual Payment	Annual Payment	Total	
Bank Loan	189 of 2001 (9.75yrs) 74 of 2010 112 of 2017	2002	9.75	10,300,000	1,669,836	-	-	-	-	-	-	-	-
		2010	10	6,552,000	481,319	-	-	-	-	-	-	-	-
		2017	10	350,000	290,236	-	-	-	-	-	-	-	-
		2018	10	950,000	846,887	-	-	-	-	-	-	-	-
		2018	10	950,000	870,060	-	-	-	-	-	-	-	-
		2019	10	1,000,000	935,058	-	-	-	-	-	-	-	-
		2019	10	1,000,000	954,912	-	-	-	-	-	-	-	-
		2019	10	900,000	898,377	-	-	-	-	-	-	-	-
Subtotal				22,002,000	6,946,686	-	-	-	-	-	-	-	
Internal Debt	Feb. 2013 (Int.)	2013	10	749,842	87,094	87,094	87,094	14,516	-	-	-	-	188,704
	Nov. 2011 (Int.)	2011	10	1,500,000	172,400	143,667	-	-	-	-	-	-	143,667
Subtotal				2,249,842	259,495	230,761	87,094	14,516	-	-	-	-	332,371
RBC Total	22 of 2016	2016	15	6,330,720	496,939	496,939	496,939	496,939	496,939	496,939	2,484,696	41,352	5,010,744
Subtotal				6,330,720	496,939	496,939	496,939	496,939	496,939	496,939	2,484,696	41,352	5,010,744
Capital Lease Total	2016-03-21	2016	20	34,500	1,725	1,725	1,725	1,725	1,725	1,725	8,625	8,625	25,875
Subtotal				34,500	1,725	1,725	1,725	1,725	1,725	1,725	8,625	8,625	25,875
Total				30,617,062	7,704,845	729,425	585,758	513,180	498,664	498,664	2,493,321	49,977	5,368,990
Total payment (in millions of dollars)					\$7.7	\$0.7	\$0.6	\$0.5	\$0.5	\$0.5	\$2.5	\$0.0	\$5.4

(in millions of dollars)

APPENDIX B. LONG-TERM DEBT POSITION						
Year	End of Year	(1) Long-Term Debt Outstanding		(2) Debt Approved But Not Yet Issued		(1) + (2) Total Approved Debt
		Description	Amount	Description	Amount	Balance
	End of 2014	Balance	26.4	Balance	0.0	26.4
2015	End of 2015	Issued Retired Balance	 (5.0) 21.4	Issued Approved Balance	 0.0	 21.4
2016	End of 2016	Issued Retired Balance	 (4.3) 17.1	Issued Approved Balance	 0.0	 17.2
2017	End of 2017	Issued Retired Balance	 (4.6) 12.9	Issued Approved Balance	 5.4 5.0	 17.9
2018	End of 2018	Issued Retired Balance	 (2.7) 12.1	Issued Approved Balance	 (1.9) 3.1	 15.2
2019	End of 2019	Issued Retired Balance	 (2.6) 12.4	Issued Reserved Pending Approved Balance	 (2.0) (0.2) (0.9) 0.0	 12.4
2020	End of 2020	Issued Retired Repayments Balance	 (1.4) (6.2) ¹ 4.8	Issued Approved Balance	 0.0	 4.8
2021	End of 2021	Issued Retired Balance	 (0.6) 4.2	Issued Approved Balance	 0.0	 4.2

1. In March 2020, Council approved the early repayment in the amount of \$6.2 million.

THE CORPORATION OF THE CITY OF SARNIA
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CORPORATE SERVICES DIVISION

OPEN SESSION REPORT

TO: Mayor and Members of Council

FROM: Holly Reynolds, Accounting & Budgeting Manager/Acting Treasurer
David Logan, General Manager of Corporate Services

DATE: December 1, 2020

SUBJECT: Debt Limits – October 31, 2020

Recommendation:

For Council's Information

Background:

The annual debt and financial obligation limit for municipalities is to be determined in accordance with O. Reg. 403/02 of the *Municipal Act, 2001*. Municipalities must use this limit to determine whether Ontario Municipal Board approval is required with respect to certain debt or financial obligations.

The debt and financial obligation limit of a municipality is determined from information contained in the municipality's annual Financial Information Return (FIR). The municipal treasurer is responsible to update this limit for any long-term debt or financial obligation assumed or discharged since the date for which the limit was calculated.

The municipal treasurer is to calculate an updated limit before Council authorizes any specific work that would require the municipality to incur additional long-term debt or financial obligation. Council previously requested that this calculation be provided on a periodic basis rather than preparing the calculation each time new long-term debt or financial obligation is to be approved.

Comments:

Attached is the calculation of the City's Annual Debt and Financial Obligation Limit as at October 31, 2020. This limit is calculated from information

contained in the City's 2019 FIR and is adjusted for any long term debt or financial obligations assumed or discharged since the beginning of the year.

Only long-term debt actually authorized by municipal by-law is included in the attached calculation.

In 2011 and 2013, "internal debt" was approved through a by-law. Borrowing from the Capital Reserve using the Infrastructure Ontario lending rate at that time was set up similar to external debt. These borrowings were to complete all debt issuances from past capital projects that contained a debt financing component. This internal debt has been included in the determination of the municipality's debt position.

To fund unusual or unexpected operational or capital issues that cannot be absorbed through changes to current operations, the City may ask Council to authorize temporary borrowings from Reserve Funds. These temporary borrowings from reserve funds are arranged with specific payback terms through annual contributions from the operating budget. These temporary internal borrowings are not included in the calculation of the outstanding debt capacity.

The City does not currently have any Capital projects with approved debt financing that have not been permanently financed. However, in March 2020, Council approved a \$6.2 million early repayment of 7 outstanding loans, which created additional capacity in the Operating Budget to build capital reserves for asset management activities.

The City's revised Annual Repayment Limit as at October 31, 2020 is determined to be \$37.4 million. When capitalized over 10 years, using the provincially established interest rate of 7.0%, this translates to approximately \$262.5 million of debt capacity currently available to the municipality. This revised Annual Repayment Limit (ARL) has increased from the 2019 ARL as reported by the Ministry of Municipal Affairs - \$26.5 million (approximately \$186.2 million of debt capacity). In comparison to five years ago, the City's debt capacity has increased from \$142.6 million in 2015 to \$262.5 million in 2020.

The City forecasts that debt (principal and interest) repayments will be \$7.7 million for 2020 compared to the revised ARL of \$37.4 million. Debt as at the end of 2020 is forecasted to be \$4.8 million compared to the calculated debt capacity of \$262.5 million.

Consultation:

No consultation was required during the preparation of this report.

Financial Implications:

Discussed within report.

Reviewed by:

David Logan
General Manager of Corporate
Services

Approved by:

Chris Carter
Chief Administrative Officer

This report was prepared by Jane Qi, CPA, CGA, Financial Analyst

Attachment(s):

1. Calculation of Annual Debt and Financial Obligation Limit - October 31, 2020
2. Annual Debt Repayment and Capacity Limit (2013 - 2020)
3. Determination of Annual Debt Repayment Limit - 2020
4. Leases Approved by Council - as at October 31, 2020

CALCULATION OF ANNUAL DEBT AND FINANCIAL OBLIGATION LIMIT			
October 31, 2020			
Annual Repayment Limit, January 1, 2020 (as calculated from data contained in 2019 Financial Information Return)			30,217,069
Less			
Estimated annual payments for financial obligations approved but not yet financed			
2020 leases and agreements		303,386	303,386
Less			29,913,683
Add			
Retired debt: January - October 2019			7,466,965
Revised Annual Repayment Limit October 31, 2019			37,380,648
Outstanding Debt Capacity (Capitalized value 10 years @ 7.0%)			262,546,028

(in millions of dollars)

ANNUAL DEBT REPAYMENT AND CAPACITY LIMIT (2013-2020)				
Year	Revised Annual Repayment Limit		Debt Capacity (Capitalized value 10 years @7.0%)	
2013	18.9		132.8	
2014	17.8		125.3	
2015*	20.3		142.6	
2016	23.0		161.7	
2017	24.8		174.4	
2018	28.8		202.4	
2019*	32.5		228.3	
2020*	37.4		262.5	
Comparison	Variance \$	Variance %	Variance \$	Variance %
2020 vs.2015 (compared to 5 years ago)	17.1	84.2%	119.9	84.1%
2020 vs.2019 (compared to the last year)	4.9	15.1%	34.2	15.0%

DETERMINATION OF ANNUAL DEBT REPAYMENT LIMIT - December 31, 2019
(UNDER ONTARIO REGULATION 403/02)

Debt Charges for the Current Year			
0210	Principal	SLC 74 3099 01	2,225,349
0220	Interest	SLC 74 3099 02	379,605
0299		Subtotal	2,604,954
0610	Payments for Long Term Commitments and Liabilities financed from the consolidated statement of operations	SLC 42 6010 01	0
9910		Total Debt Charges	2,604,954
Excluded Debt Charges			
1010	Electricity - Principal	SLC 74 3030 01	0
1020	Electricity - Interest	SLC 74 3030 02	0
1030	Gas - Principal	SLC 74 3040 01	0
1040	Gas - Interest	SLC 74 3040 02	0
1050	Telephone - Principal	SLC 74 3050 01	0
1060	Telephone - Interest	SLC 74 3050 02	0
1099		Subtotal	0
1410	Debt Charges for Tile Drainage/Shoreline Assistance	SLC 74 3015 01 + SLC 74 3015 02	0
1411	Provincial Grant funding for repayment of long term debt	SLC 74 3120 01 + SLC 74 3120 02	0
1412	Lump sum (balloon) repayments of long term debt	SLC 74 3110 01 + SLC 74 3110 02	0
1420		Total Debt Charges to be Excluded	0
9920		Net Debt Charges	2,604,954
1610	Total Revenues (Sale of Hydro Utilities Removed)	SLC 10 9910 01	159,557,361
Excluded Revenue Amounts			
2010	Fees for Tile Drainage/Shoreline Assistance	SLC 12 1850 04	0
2210	Ontario Grants, including Grants for Tangible Capital Assets	SLC 10 0699 01 + SLC 10 0810 01 + SLC 10 0815 01	8,511,377
2220	Canada Grants, including Grants for Tangible Capital Assets	SLC 10 0820 01 + SLC 10 0825 01	4,312,684
2225	Deferred revenue earned (Provincial Gas Tax)	SLC 10 0830 01	326,553
2226	Deferred revenue earned (Canada Gas Tax)	SLC 10 0831 01	792,996
2230	Revenue from other municipalities	SLC 10 1098 01+ SLC 10 1099 01	3,357,567
2240	Gain/Loss on sale of land & capital assets	SLC 10 1811 01	74,087
2250	Deferred revenue earned (Development Charges)	SLC 10 1812 01	2,387,799
2251	Deferred revenue earned (Recreation Land (The Planning Act))	SLC 10 1813 01	0
2253	Other Deferred revenue earned	SLC 10 1814 01	0
2252	Donated Tangible Capital Assets	SLC 53 0610 01	3,250,265
2254	Increase / Decrease in Government Business Enterprise equity	SLC 10 1905 01	3,086,500
2255	Other Revenue (SLC 10 1890 01+ SLC 10 1891 01 +SLC 10 1892 01 + SLC 10 1893 01 + SLC 10 1894 01 + SLC 10 1895 01 + SLC 10 1896 01 + SLC 10 1897 01 + SLC 10 1898 01)		2,169,440
2299		Subtotal	28,269,268
2410	Fees and Revenue for Joint Local Boards for Homes for the Aged		0
2610		Net Revenues	131,288,093
2620		25% of Net Revenues	32,822,023
9930		Estimated Annual Repayment Limit	30,217,069

SLC denotes Schedule, Line, Column

FOR ILLUSTRATION PURPOSES ONLY

The additional long-term borrowing which a municipality could undertake over a 5-year, 10-year, 15-year and 20-year period is shown. If the municipality could borrow at 5.0% or 7.0% annually, the annual repayment limits shown above (and excluding the adjustments included on the calculation table) would allow it to undertake long-term borrowing as follows:

5%		5.0% Interest Rate:	
20	(a)	20 years @ 5.0 % p.a.	376,571,470
15	(b)	15 years @ 5.0 % p.a.	313,642,843
10	(c)	10 years @ 5.0 % p.a.	233,328,197
5	(d)	5 years @ 5.0 % p.a.	130,824,095
7%		7.0% Interest Rate:	
20	(a)	20 years @ 7.0 % p.a.	320,120,059
15	(b)	15 years @ 7.0 % p.a.	275,214,466
10	(c)	10 years @ 7.0 % p.a.	212,232,048
5	(d)	5 years @ 7.0 % p.a.	123,895,949

The repayment limit has been calculated based on data contained in the 2019 Financial Information Return, as submitted to the Ontario Ministry of Municipal Affairs. This limit represents the maximum amount which the municipality had available as of December 31, 2019 to commit to payments relating to debt and financial obligation. Prior to the authorization by Council of a long term debt or financial obligation, this limit must be adjusted by the Treasurer in the prescribed manner.

LEASES APPROVED BY COUNCIL

as at October 31, 2020

Description	Council Approval Date	P.O.#	RFP #	Department	Annual Cost	Term	Start Date	Expiry Date
Lambton Mall Library	2012-08-16	180010		Property Department	68,292	7 Years	2013-01-01	2020-12-31
Radio Communication Equipment for Public Works, Transit and Fire	2013-08-23	170165	07-122	Public Works, Transit and Fire	66,871	7.5 Years	2013-07-14	2021-01-01
Leasing of bus tires	2015-03-02	5108 /10154	15-103	Sarnia Transit	35,000	7 Years	2015-05-01	2022-04-30
Transit uniform	2015-06-22	170004	15-105	Sarnia Transit	20,000	7 Years	2015-10-01	2022-11-26
Police training centre	2018-07-16	180161		Police Services	70,622	5 Years	2018-09-01	2023-08-31
Police equipment - 3	2019-09-30			Police Services	6,780	5 Years	2018-09-01	2023-08-31
Police equipment - 2	2019-06-17			Police Services	9,266	5 Years	2019-01-01	2023-12-31
Police equipment - 1	2019-04-15			Police Services	11,300	5 Years	2019-04-15	2024-04-15
Bayside Mall Unit #182A	2016-07-11			Sarnia Transit	15,255	10 Years	2016-07-01	2026-06-30
Total \$ 303,386								