

# THE CORPORATION OF THE CITY OF SARNIA

## 2022 DRAFT SUPPLEMENTARY BUDGET INFORMATION







**THE CORPORATION OF THE  
CITY OF SARNIA**

**2022 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, City Treasurer  
David Logan, General Manager of Corporate Services

DATE: December 7, 2021

SUBJECT: 2022 Updated Draft Capital Budget

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**Recommendation:**

It is recommended:

That Sarnia City Council adopt the 2022 Capital Budget as presented.

**Executive Summary:**

The total value of the capital project requests is \$55,695,238 for 2022. As the 2022 Draft Operating and Reserves Budgets were prepared, this level of capital requests created a negative balance in 6615 – Capital Infrastructure Reserve. To ensure that the reserve remained positive and provided for a cushion against unexpected events in 2022, a number of capital projects and direct from reserves expenditures were eliminated or deferred. Revised capital project requests total \$48,812,238.

The 2022 capital request total is lower than the 2021 capital budget of \$61,759,804, which was an unprecedented level of capital investment for the City but is still a significant capital request. The current requests reflect the significant needs of aging infrastructure, new development requirements, opportunities to leverage grants, and a desire to invest in the City's assets.

Sustainable capital investment levels are estimated to be \$40,000,000 annually if current grant funding is sustained.

**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.).

**Comments:**

Once again, the City is requesting a significant level of capital investment. The Table below summarizes the capital requests over the last four years. Total capital over this term of Council totals \$186,291,342, an increase of \$82,080,801 or 78.76% over the previous 4-year capital investment of \$104,210,541.

The City makes necessary recommendations to ensure that forecasted reserves are adequate for the level of requested capital and continues to monitor reserves in years two to ten to ensure adequate funding is budgeted for future Capital Initiatives.

| <b>Budget Year</b>             | <b>Total Budget (\$)</b> | <b>External Debt Financing (\$)</b> | <b>External Funding Sources (\$)</b> | <b>Own Source Funding (\$)</b> |
|--------------------------------|--------------------------|-------------------------------------|--------------------------------------|--------------------------------|
| 2019                           | 29,789,300               | 0                                   | 11,397,620                           | 18,391,680                     |
| 2020                           | 45,930,000               | 0                                   | 22,407,096                           | 23,522,904                     |
| 2021                           | 61,759,804               | 0                                   | 21,308,312                           | 40,451,492                     |
| 2022 Draft                     | 48,812,238               | 0                                   | 22,236,974                           | 26,575,264                     |
| <b>Total over Council Term</b> | <b>186,291,342</b>       |                                     | <b>77,350,002</b>                    | <b>108,941,340</b>             |

**Sarnia Chris Hadfield Airport**

Capital requests for the 10-year capital plan for the Sarnia Chris Hadfield Airport total \$3,605,000 plus a \$400,000 reserve request for operational support for a total long-term investment of \$4,005,000. Included in the 2021 Draft Capital budget is a request for \$420,000 to refurbish Taxiway Alpha, replace terminal sidewalks and entrance, replace equipment, and acquire professional services. Significant investments in future years include refurbishing the general aviation apron, ramp and tie-down area in 2023; refurbish taxiway Charlie and the second runway in 2025 and repave the parking lot and entrance road in 2027.

## **Capital Requests**

The following table summarizes the requests by functional area:

| <b>Functional Area</b>                    | <b>Total value of 2022 requests (\$)</b> |
|---|--|
| <b>General Government</b>                 |  |
| Engineering                               | 13,730,461                               |
| Community Services - Parks                | 2,650,670                                |
| Community Services - Facilities           | 2,230,000                                |
| Fire Services                             | 5,192,441                                |
| Economic Development                      | 420,000                                  |
| Corporate Services – IT                   | 535,000                                  |
| Corporate Services – Emergency Management | 60,000                                   |
| <b>Transit</b>                            | 3,793,666                                |
| <b>Water and Sewer</b>                    |  |
| Engineering                               | 13,490,000                               |
| Public Works                              | 1,350,000                                |
| Operation Services                        | 4,850,000                                |
| <b>Police</b>                             | 510,000                                  |
| <b>Total</b>                              | <b>48,812,238</b>                        |

The following capital project requests were updated from the 2022 Draft Capital Budget that was presented to Council on September 22, 2021:

| <b>Project</b>  | <b>Project Reduction (\$)</b> |
|---|-------------------------------|
| <b>Projects Removed:</b>  |                               |
| Website re-design   | 183,000                       |
| Canatara Park – moved to list below                               | 100,000                       |
| Former Michigan Avenue landfill remediation <sup>(1)</sup>        | 300,000                       |
| <b>Projects Deferred:</b>   |                               |
| Plank Road - Phase 2 split into a third phase (2023)              | 4,000,000                     |
| Germain Park <sup>(2)</sup>                                       | 170,000                       |
| Progressive Auto Sales Arena boards and glass - deferred one year | 500,000                       |
| <b>Projects reduced in scope:</b>                                 |                               |
| Shoreline (\$2,250,000 remains in the budget)                     | 1,000,000                     |
| Road rehabilitation <sup>(3)</sup>                                | 900,000                       |
| <b>Projects Increased in Scope:</b>                               |                               |
| Fire radio system and user gear <sup>(4)</sup>                    | (758,807)                     |
| Police – building improvements                                    | (50,000)                      |
| <b>Total</b>  | <b>6,344,193</b>              |

(1) At its October 25, 2021, Regular Council Meeting, Council approved moving this project forward to 2021.

- (2) *The master plan and demolition of Jackson Pool remains in 2022, the design plans for the Strangway gym expansion and the construction of it and the Jackson Pool replacement moved out to 2023, 2024, and 2025*
- (3) *The two intersection projects on Cathcart Blvd. have been moved to the Ontario Community Infrastructure Fund reserve with a corresponding decrease to the requested road rehabilitation budget. The original road rehabilitation budget request for 2022 was \$2,000,000 and is now \$1,100,000.*
- (4) *At its September 13, 2021, Regular Council Meeting, Council approved the increase to this multi-year budget.*

Capital Project requests in the remaining years were also reduced. It is expected that these projects will come forward for consideration in future budgets as they still reflect the infrastructure needs of the City.

In addition to the projects requested by City departments, there are incremental projects that have been identified by Council for consideration. The following table summarizes the estimated design and construction costs of these unfunded projects:

| <b>Project</b>                                   | <b>Estimated Design Cost (\$)</b> | <b>Estimated Build Cost (\$)</b> |
|--|-----------------------------------|----------------------------------|
| Waterfront improvements                          | 300,000                           | TBD                              |
| Multi-use recreation facility                    | 1,200,000                         | 15,000,000 – 25,000,000          |
| Bright's Grove Library and Gallery               | 325,000                           | 3,250,000                        |
| Outdoor skating rink                             | 180,000                           | 1,800,000                        |
| Canatara Park, Lake Chipican – fountain          | 50,000                            | 500,000                          |
| Canatara Park, Lake Chipican - pedestrian bridge | 100,000                           | 1,000,000                        |
| Canatara Park – lifeguard station                | 100,000                           | 1,000,000                        |
| North shore waterfront plan                      | 200,000                           | 1,500,000                        |
| Volleyball courts (3 sets)                       | -                                 | 150,000                          |
| Disc golf course                                 | -                                 | 25,000                           |
| Development services (Business Park)             | 1,000,000                         | 10,000,000                       |
| <b>Total Estimate (estimate will change)</b>     | <b>3,455,000</b>                  | <b>34,225,000 to 44,225,000</b>  |

If Council recommends proceeding with any or all of these projects, Staff will report back with a comprehensive scope definition and financial plan with funding options.



## **General Government**

### Engineering

Engineering has capital requests totaling \$13,730,461. The largest project is the commitment for the Over-sized Load Corridor at \$5,200,000. This project, which has been previously endorsed by Council, includes \$2,929,416 from external funding sources. Also previously endorsed is spending on shoreline protection at \$2,250,000 (revised downward from the original \$3,250,000). This funding is assisting the St. Clair Region Conservation Authority in meeting the 60% funding on their multi-year Disaster Mitigation and Adaptation Funding (DMAF) from the Federal Government. The City is planning \$1,100,000 of road rehabilitation being funded from the Ontario Community Infrastructure Fund (OCIF), revised downward from the original \$2,000,000 in order to accommodate the budget for 2 intersection projects for \$900,000.

Also planned are Active Transportation projects totaling \$2,262,961, of which \$1,911,241 is being funded from external sources, including Investing in Canada Infrastructure Program (ICIP) funding. The projects include multi-use trails, bike lanes, and pedestrian crossings.

### Community Services – Parks

Community Services is in the process of developing a more rigorous 10-year capital plan and has undertaken a preliminary assessment of its parks and facilities assets and is recommending projects for the most in-need assets.

Parks' project requests total \$2,650,670. Capital project requests for 2022 include significant updates to Tecumseh Park and the Cox Youth Centre of \$1,920,670. Updates include accessibility improvements to the Cox Youth Centre and improvements to the skateboard park. Applications for Canada Community Revitalization Fund grants have been submitted for both projects.

There are several requests for funding for designs including Ferry Dock Hill and the Germain Park Master Plan.

### Community Services – Facilities

Facilities' project requests total \$2,230,000. The largest request is for funding of \$1,400,000 for necessary improvements to the Progressive Auto Sales Arena. These improvements include Phase 2 of 3 of the roof replacement and replacement of the Rink 2 Humidifier, which is at end of life and a failure would cause the closure of the entire facility. The budget of \$500,000 for the replacement of the rink boards and glass as required to have an Ontario Hockey League team operating at the facility, originally included in the 2022 capital request, has been deferred until 2023.

### Fire Services

Fire Services is requesting capital projects totaling \$5,192,441. The most significant funding in 2022 is \$2,566,665 for the previously approved Station 3 replacement. Recent changes in eligible projects for the Canada Community-Building Fund (formerly Federal Gas Tax) now include fire stations. As a result, the Station 3 project has been funded from the Canada Community-Building Fund in the draft budget.

Also included in 2022 are costs of \$2,355,776 related to the previously approved Radio System and User Gear replacement.

### Economic Development

Capital project requests of \$420,000 relate to additional projects at the Sarnia Chris Hadfield Airport to further leverage the work that is possible due to the Regional Air Transportation Initiative grant funding.

### Corporate Services – Information Technology

Information Technology requests total \$535,000. The requests in 2022 include \$225,000 for the replacement of the City's telephone system.

### Transit

Transit capital project requests of \$3,793,666 are possible due to ICIP and provincial gas tax funding of \$3,690,986 included in the total funding requests. 2022 projects include bus replacements and the relocation of the Murphy Road Terminal.

## **Water and Sewer**

### Engineering

Engineering is requesting capital projects totaling \$13,490,000. These projects are primarily continuation of existing projects including combined sewer separations, Plank Road replacement, and watermain, sanitary, and storm sewer replacements. Combined sewer separation projects totalling \$6,150,000 include Alfred, Russell, and Shepherd Streets and Crawford Street. Combined sewer separation projects will receive DMAF funding of \$2,038,462. Plank Road replacement was previously approved and will be moving into Phase 2 of the project. The scope was modified from the draft budget to split phase 2 into two phases pushing the third phase into 2023. This frees up funding for other capital projects to move ahead in 2022 and has some benefits for construction staging to support business access (McGregor Sideroad to west of Gladwish Drive). Phase 2 of the project is budgeted at \$4,750,000. The Plank Road project is receiving ICIP funding equal to 83.3% of the sewer and water components of the project, of which \$1,320,610 is included in the 2022 capital request.

### Public Works

The Lead Reduction Program comprises \$1,200,000 of the total \$1,350,000 of capital requests. The City is planning to replace the majority of identified lead services in 2022.

### Operations Services

Improvements at the Wastewater Pollution Control Centre comprise \$3,900,000 of the total \$4,850,000 of capital requests. Improvements include Phase 2 of the Biosolids Processing upgrades. Phase 2 will include the addition of a third centrifuge, which will provide operational flexibility, and a new control room as well as the replacement of additional equipment at end of life.

### **2022 Draft Capital Budget – Funding Sources**

The total value of the capital project requests is \$48,812,238 for 2022. The current requests reflect 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.

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.

The total 2022 capital requests cannot be accommodated from transfers from the operating budget. The following table identifies the estimated funding for requested projects:

|  | <b>2022 Capital<br/>Funding<br/>Sources (\$)</b> |
|--|--|
| Capital requirements:                            |  |
| Capital project requests                         | 48,812,238                                       |
| Direct from reserve requests (capital)           | 3,059,200  |
| <b>Amounts required from capital reserves</b>    | <b>51,871,438</b>                                |
| Funding Sources:                                 |  |
| Contributions to capital reserves                | 21,572,686                                       |
| Non-project specific external funding in 2022    | 6,262,697  |
| Project specific direct external funding in 2022 | 11,209,288                                       |
| Use of existing reserve balances                 | 12,826,767                                       |
| <b>Total capital funding sources</b>             | <b>51,871,438</b>                                |

Sustainable capital funding, which still includes a requirement for grant funding, is estimated to be \$40,000,000.

### **Asset Reinvestment Rates**

The Canadian Infrastructure Report Card is produced by its Project Steering Committee, which is comprised of the Canadian Construction Association, the Canadian Public Works Association, the Canadian Society for Civil Engineering, and the Federation of Canadian Municipalities.

One method for determining the appropriate amount of capital investment is by considering the average annual reinvestment rate required. This rate is the percentage of the asset value that should be spent each year on capital investment to ensure the average asset condition rating remains adequate. For example, if a concrete storm sewer is projected to last 100 years then the annual average reinvestment rate should be 1%. The 2016 Canadian Infrastructure Report Card identified the following reinvestment rates:

| <b>Asset</b>            | <b>Lower Target</b> | <b>Upper Target</b> | <b>Average Target</b> | <b>2016 Average Actual Reinvestment Rate<sup>(1)</sup></b> |
|-------------------------|---------------------|---------------------|-----------------------|--|
| Water (linear)          | 1.00%               | 1.50%               | 1.25%                 | 0.90%  |
| Water (non-linear)      | 1.70%               | 2.50%               | 2.10%                 | 1.10%  |
| Wastewater (linear)     | 1.00%               | 1.30%               | 1.15%                 | 0.70%  |
| Wastewater (non-linear) | 1.70%               | 2.50%               | 2.10%                 | 1.40%  |
| Stormwater (linear)     | 1.00%               | 1.30%               | 1.15%                 | 0.30%  |
| Stormwater (non-linear) | 1.70%               | 2.00%               | 1.85%                 | 1.30%  |
| Roads and sidewalks     | 2.00%               | 3.00%               | 2.50%                 | 1.10%  |
| Bridges                 | 1.00%               | 1.50%               | 1.25%                 | 0.80%  |
| Buildings               | 1.70%               | 2.50%               | 2.10%                 | 1.70%  |
| Sport and Recreation    | 1.70%               | 2.50%               | 2.10%                 | 1.30%  |

*Source: Canadian Infrastructure Report Card (2016)*

- (1) *Subsequent changes to Statistics Canada data have prevented the Project Steering Committee from producing the same information for later studies.*

Staff estimate that reinvestment rates for fleet equipment should be 11.00% due to the shorter average useful life of fleet equipment, and shoreline protection should be 1.00% due to the indefinite life of the actual shoreline asset.

Staff are preparing an update to the Asset Management Plan for 2022 that will explore this topic in more detail.

The following tables are an illustration of the target reinvestment rates (lower target) applied to the 2022 capital project requests. The target reinvestment rates are an average for each year and do not consider larger projects that may skew results or an infrastructure backlog that may require higher levels of investment. Therefore, the excess or deficit identified below is based on the 2022 capital project requests in total, not those that are specifically designed to be reinvestment projects. For example, the excess investment of \$886,665 in facilities is being driven by the replacement of Fire Station 3, the excess in sports and recreation is being driven by the investment in Tecumseh Park, which is being put forward due to significant grant funding and the excess in shoreline protection is addressing the impacts of unusually high water levels.

### **Tax Funded**

| Asset                              | Asset Value <sup>(1)</sup> (\$) | Target Reinvestment Rate | Recommended Annual Investment (\$) | Annual Excess (Deficit) (\$) |
|------------------------------------|---------------------------------|--------------------------|------------------------------------|------------------------------|
| Facilities                         | 230,000,000                     | 1.70%                    | 3,910,000                          | 886,665                      |
| Sports & Recreation                | 23,000,000                      | 1.70%                    | 391,000                            | 2,209,670                    |
| Fleet (Excluding Fire and Transit) | 11,000,000                      | 11.00%                   | 1,210,000                          | 290,000                      |
| Bridges & Culverts                 | 75,000,000                      | 1.00%                    | 750,000                            | 100,000                      |
| Roads                              | 700,000,000                     | 2.00%                    | 14,000,000                         | (9,983,333)                  |
| Shoreline                          | 111,000,000                     | 1.00%                    | 1,110,000                          | 1,140,000                    |

### **Sewer Funded**

| Asset                      | Asset Value <sup>(1)</sup> (\$) | Target Reinvestment Rate | Recommended Annual Investment (\$) | Annual Excess (Deficit) (\$) |
|----------------------------|---------------------------------|--------------------------|------------------------------------|------------------------------|
| Sanitary Sewers            | 357,000,000                     | 1.00%                    | 3,570,000                          | 2,421,667                    |
| Storm Sewers               | 381,000,000                     | 1.00%                    | 3,810,000                          | (735,000)                    |
| Wastewater Treatment       | 140,000,000                     | 1.70%                    | 2,380,000                          | 2,220,000                    |
| Pumping Station/Forcemains | 97,000,000                      | 1.70%                    | 1,649,000                          | (1,399,000)                  |

### **Water Funded**

| Asset      | Asset Value <sup>(1)</sup> (\$) | Target Reinvestment Rate | Recommended Annual Investment (\$) | Annual Excess (Deficit) (\$) |
|------------|---------------------------------|--------------------------|------------------------------------|------------------------------|
| Watermains | 405,000,000                     | 1.00%                    | 4,050,000                          | 2,656,667                    |

(1) Asset values are a high-level estimate for illustrative purposes

### **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. The funding in the 2022 Operating budget totals \$2,971,504 and does not include a 2% increase for 2022, which has been deferred for one year. This is still a significant achievement and is necessary given the continued capital needs.

### **2022 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 2022 Draft Operating Budget, 2022 Draft Reserves and Reserves Fund Budget and the Draft 10-Year Reserves Budget.

### **2022 Capital Requests**

The project request sheets can be found in the Draft Capital Budget book presented September 22, 2021. 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).

### **Financial Implications:**

The nature and extent of capital requests have been discussed throughout this report.



Reviewed by:

David Logan  
General Manager of  
Corporate Services

Approved by:

Chris Carter  
Chief Administrative Officer

This report was prepared by Holly Reynolds, City Treasurer.

Attachments: *(see Operating, Reserves, & Updated Capital Budgets book)*

- 2022 Draft 10-Year Capital Plan *(pgs. 188 - 189)*
- 2022 Draft Capital Budget – Funding Sources *(pgs. 190 - 192)*

**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, City Treasurer  
David Logan, General Manager of Corporate Services

DATE: December 7, 2021

SUBJECT: 2022 Reserve and Reserve Fund Budget

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**Recommendation:**

It is recommended:

That Sarnia City Council adopt the 2022 Reserve and Reserve Fund Budget as presented.

**Executive Summary**

2022 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 \$19,420,439 flow directly to Reserves and Reserve Funds. Expenditures totaling \$8,751,036 flow directly from Reserves and Reserve Funds.

In 2022, it is forecasted that the Reserves and Reserve Funds balance will decline from \$43,088,439 to \$32,846,902 based on planned inflows and outflows. Of this total, \$9,391,348 is in restricted Obligatory Reserve Funds, and the balance of \$23,455,554 is the amount for various capital and operational purposes. The total value of the capital project requests is \$48,812,238, including \$510,000 approved by The City of Sarnia Police Services Board for Sarnia Police Services' projects.

**Background:**

The 2022 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 2022 Draft Capital Budget, the City is presenting a second year of unprecedented levels of capital investment, the first being the 2021 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 the Canada Community-Building Fund (formerly Federal Gas Tax), 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, Reserves and Updated Capital Budgets 2022 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.

2022 Draft 10-Year Reserves Plan

In order to ensure that the 2022 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 time-frame 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 remain stable over the 10-year as continued capital infrastructure pressures absorb the contributions to reserves. There is one challenge in individual reserve balances in the 10-year plan, 6616 Capital Infrastructure – Sewer becomes negative in 2028 and continues negative through the

remainder of the Draft 10-year Reserves Plan. Staff and Senior Management are aware of this situation and will mitigate the negative balances as sewer projects get closer to that date. The Water Rate study has been completed and has recommended increases to reserve balances, which is reflected in the 2022 Water and Sewer operating budgets.

#### 2022 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 \$19,420,782 flow directly to Reserves and Reserve Funds. The largest direct revenues are from senior government funding: Provincial Gas Tax \$1,042,723, Canada Community-Building Fund (formerly Federal Gas Tax) \$2,270,615, and OCIF \$2,949,359. These funding revenues are annual revenues and allow the City some discretion as to how they are utilized. Other funding sources are application based and include ICIP – Investing in Canada Infrastructure Program - grants of \$8,130,826 and Disaster Mitigation funding of \$2,038,462. The Over-size Load Corridor project is the beneficiary of a number of revenues: a National Trade Corridor Fund grant of \$800,000 and a Southwestern Ontario Development Fund grant of \$240,000. Development charges are estimated to contribute \$1,700,000 to Development Charge reserves.

Expenditures totaling \$8,751,036 flow directly from Reserves and Reserve Funds. Anticipated WSIB payments for 2022 are budgeted at \$1,810,404 and anticipated insurance claims are budgeted at \$525,000. City Fleet/Equipment vehicle replacement totals \$1,500,000 for the City and \$365,000 for Sarnia Police Services vehicles. Tax assessment appeals are budgeted 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.

When the 2022 Draft Reserves Budget was initially prepared the level of capital requests created a negative balance in 6615 – Capital Infrastructure Reserve. To ensure that the reserve remained positive and provided for a cushion against unexpected events in 2022, a number of capital projects and direct from reserves expenditures were eliminated or deferred. The direct from reserves expenditures that were removed from the requests are as

follows:

| <b>Project Removed</b>   | <b>2022</b>    | <b>2023</b>    |
|--|----------------|----------------|
| Norm Perry turf assessment   | 20,000         |                |
| Park revitalization strategy   | 25,000         |                |
| PASA new recycling stations  | 40,000         |                |
| Property valuations study  | 40,000         |                |
| Residential infill guidelines  | 25,000         |                |
| Sarnia library new carpeting   | 60,000         |                |
| City Hall - blind replacement  | 10,000         | 10,000         |
| Infrastructure reserve request   |                | 200,000        |
| Transportation Master Plan and Streetscape improvements (reduction in scope) |                | 100,000        |
| <b>Total</b>   | <b>220,000</b> | <b>310,000</b> |

It is anticipated that these projects will come back for consideration in future budgets.

#### 2022 Draft Reserve and Reserve Fund Budget

This summary, sorted by fund number, identifies the forecasted opening balance, anticipated inflows and outflows for 2022 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 2022 Draft Reserve and Reserve Fund Budget:

- The uncommitted balance as at December 31, 2021 was taken from the Forecasted Reserve and Reserve Fund Balances, December 31, 2021 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, 2022 are estimates as to what the Reserves and Reserve Funds balance may be at the end of 2022.

In 2022, it is forecasted that the Reserves and Reserve Funds balance will decline from \$43,088,439 to \$32,846,902 based on planned inflows and



outflows. Of this total, \$9,391,348 is in restricted Obligatory Reserve Funds, and the balance of \$23,455,554 is the amount for various capital and operational purposes. The total value of the capital project requests is \$48,812,238 for 2022 and is the primary reason for the decline in the Reserves and Reserve Funds balance. This is a significant 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 2021 Capital Budget, which was a year of unprecedented capital investment. It is estimated that sustainable capital investment is approximately \$40,000,000.

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. Commencing in 2020, the Development Charge Reserve (6015) was 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 2022 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 was borrowed as part of the Rapids Parkway extension project, again with a 10-year payback. In 2022, \$1,209,199 is being repaid by the Development Charge Reserve (6015) to the Internal Borrowing Reserve (6900).

#### 2022 Reserve and Reserve Fund Expenditures – Department Requests

General Managers 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.

#### 2022 Proposed Equipment Replacement List

The Fleet Manager, in conjunction with the various department managers, identified \$1,500,000 for general fleet to be funded from the Works Equipment Reserve (6525). Fire apparatus, buses, and Care-A-Vans are not included here, but rather as a capital project (none are budgeted in 2022). 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, 2021

The forecasted Reserve and Reserve Fund balances as at December 31, 2021 have been provided for Council's review. Anticipated inflows and outflows for 2021 have been forecasted to estimate the year-end balances. These estimates will change based on actual results for the remainder of 2021.

The 2021 forecasted Reserve and Reserve Fund balances report shows a forecasted December 31, 2021 uncommitted balance of \$43,088,439. The obligatory (restricted) balance is forecasted at \$14,757,574, with the unrestricted balance forecasted at \$28,330,866.

### 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 remain stable 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 7, 2021 meeting.

### **Financial Implications:**

Discussed throughout this report.

Reviewed by:

David Logan  
General Manager of  
Corporate Services

Approved by:

Chris Carter  
Chief Administrative Officer

This report was prepared by Holly Reynolds, City Treasurer.

Attachments: *(see Operating, Reserves, & Updated Capital Budgets book)*

1. Reserve and Reserve Fund Summary *(pgs. 150 - 152)*
2. 2022 10-Year Reserves Plan *(pgs. 153 - 160)*
3. 2022 Dedicated Reserve and Reserve Fund Revenue and Expenditures *(pg. 161)*
4. 2022 Draft Reserve and Reserve Fund Budget *(pgs. 162 - 167)*
5. 2022 Direct from Reserve Requests *(pgs. 168 - 177)*
6. 2022 Draft Equipment Replacement List *(pg. 178)*
7. Forecasted Reserve and Reserve Fund Balances – December 31, 2021 *(pgs. 179 - 187)*

**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, City Treasurer  
David Logan, General Manager of Corporate Services

DATE: December 7, 2021

SUBJECT: 2022 Draft Operating Budget

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**Recommendation:**

It is recommended:

That Sarnia City Council approve the 2022 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 2022 Draft Budget includes a 2.99% or \$2,451,978 increase to total taxation, including:

- 2.13% or \$1,106,180 for general operating
- 4.70% or \$1,224,824 for Police Services
- 2.78% or \$120,974 for Transit

The 2022 Draft Budget includes 6.85% or \$2,521,521 increase to user rates, including:

- 3.24% or \$562,176 for water
- 10.08% or \$1,959,345 for sewer

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

The proposed 2022 water consumption rate is \$0.5322 per cubic meter, an increase of \$0.0790 per cubic meter or 17.43% from 2021, as well as a sewer surcharge of 125.81%, an increase from 118.36% in 2021. The report also details the proposed changes to fixed water distribution rates by meter size.

The 2022 Draft Operating Budget includes \$164,008,641 in expenditures to operate the City. This represents a year-over-year increase of 5.30%.

The detail budget sheets for each cost centre within the City are included; each sheet includes 2020 Actuals, 2021 Approved Budget, 2021 Forecasted Results (as of June 30, 2021), and 2022 proposed changes culminating in the 2022 Draft Budget. A percentage change between the Draft Budget and prior year approved budget is included.

The City's approach to preparing the 2022 Draft Budget was to mitigate the budget pressures that would cause increases to the general levy given the ongoing challenges that the pandemic has created for residents and rate payers. This mitigation effort results in a transfer of \$3,939,949 from the Operating Contingency reserve to the 2022 Draft budget for operational support. The Operating contingency reserve is forecasted to end 2021 with a balance of \$7,857,204, which is adequate to fund this transfer.

### **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 Area
- Sewer Area

### **Comments:**

Documents included in the Draft Operating, Reserves, and Updated Capital Budgets 2022 book relating to the Operating Budget include:

1. 2022 Draft Operating Budget Summary: Taxation, Rates, Expenditures & Revenues, including a summary of Water & Sewer Rates and Budgets
2. 2022 Draft Operating Budget Summary – By Department

3. Total Full-Time Equivalent (FTE) Summary
4. 2022 Draft Operating Budget Detail

### 1. 2022 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 2022 Operating Budgets:

#### Taxation

| <b>Taxation Budget</b>        | <b>2021 Approved Budget (\$000)</b> | <b>2022 Draft Budget (\$000)</b> | <b>Difference (\$000)</b> | <b>% Change</b> |
|-------------------------------|-------------------------------------|----------------------------------|---------------------------|-----------------|
| Current Operating             | 51,927                              | 53,033                           | 1,106                     | 2.13%           |
| Police Services               | 26,033                              | 27,258                           | 1,225                     | 4.70%           |
| <b>General Taxation</b>       | <b>\$77,960</b>                     | <b>\$80,291</b>                  | <b>\$2,331</b>            | <b>2.99%</b>    |
| Transit                       | 4,348                               | 4,469                            | 120,974                   | 2.78%           |
| <b>Total Taxation</b>         | <b>\$82,308</b>                     | <b>\$84,760</b>                  | <b>\$2,452</b>            | <b>2.98%</b>    |
| Growth Impact                 | 525                                 | 525                              | -                         | 0.00%           |
| <b>Total Taxation Revenue</b> | <b>\$82,833</b>                     | <b>\$85,285</b>                  | <b>\$2,452</b>            | <b>2.96%</b>    |

#### Water and Sewer Rates

| <b>Water/Sewer Rates Budget</b> | <b>2021 Approved Budget (\$000)</b> | <b>2022 Draft Budget (\$000)</b> | <b>Difference (\$000)</b> | <b>% Change</b> |
|---------------------------------|-------------------------------------|----------------------------------|---------------------------|-----------------|
| Water Rates                     | 17,345                              | 17,907                           | 562                       | 3.24%           |
| Sewer Rates                     | 19,442                              | 21,402                           | 1,960                     | 10.08%          |
| <b>Total Rates</b>              | <b>\$36,787</b>                     | <b>\$39,309</b>                  | <b>\$2,522</b>            | <b>6.85%</b>    |

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 2022 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 4.4% year over year in September 2021, up from 4.1% in August and up from 0.5% for September 2020. Recent Bank of Canada guidance and the Bank of Canada is indicating that inflation may top 5% before coming back down to the range of 2% next year.

### Key General Levy Change Drivers

The 2022 Draft Operating Budget, including Police Services, requires an additional \$2,331,004 or 2.99% to be raised through taxation. Each percentage increase in the 2022 General Tax Levy represents approximately \$780,000 when compared to the Approved 2021 General Tax Levy.

| <b>Key Year-over-Year Changes (General Levy)</b>   | <b>Amount (\$)</b> | <b>% Change</b> |
|--|--------------------|-----------------|
| <b>Variances under Management's control</b>  |                    |                 |
| Reduction in vehicle expense support from capital reserve                                | 295,122            | 0.38%           |
| Reduction in allocated administration expenses to Water and Sewer areas (formula driven) | 120,000            | 0.15%           |
| Transfer of 0.5 FTE from a capital department to a general levy department (i)           | 82,896             | 0.11%           |
| Increase in student wage rates   | 77,000             | 0.10%           |
| Reduction in winter maintenance  | (55,000)           | -0.07%          |
|  |                    |                 |
| <b>Variances outside of Management's control</b>   |                    |                 |
| Sarnia Police Services budget  | 1,224,824          | 1.57%           |
| Union salary and wage increases, benefit increases (ii)                                  | 469,306            | 0.60%           |
| Non-union salary and wage increases, benefit increases (iii)                             | 101,700            | 0.13%           |
| Reduction in recycling contract and increase in revenue                                  | (121,000)          | -0.16%          |
| Election cost  | 116,654            | 0.15%           |
| Increase in estimated Bluewater Power dividend   | (100,000)          | -0.13%          |
| Increase in St. Clair Region Conservation Authority budget                               | 96,652             | 0.12%           |
| Increased contract costs for crossing guards and snow removal                            | 93,000             | 0.12%           |
| Decrease in County recovery for Planning department                                      | 84,433             | 0.11%           |

| <b>Key Year-over-Year Changes (General Levy)</b>                                  | <b>Amount (\$)</b> | <b>% Change</b> |
|---|--------------------|-----------------|
| Fire's share of Police 911 system including increase in contribution to reserves  | 80,297             | 0.10%           |
|   |                    |                 |
| <b>Impacts of prior decisions</b>   |                    |                 |
| Reversal of one-time operating support for 2021 budget                            | 1,129,742          | 1.45%           |
| Reversal of 2021 one time reduction in contribution to fleet reserve              | 700,000            | 0.90%           |
| Reversal of 2021 one time reduction in contribution to tax stabilization reserve  | 600,000            | 0.77%           |
| Increase in debt charges due to shorter amortization term of RBC debt             | 483,857            | 0.62%           |
| Software Maintenance costs for new applications                                   | 345,857            | 0.44%           |
| Reversal of 2021 decrease of interest transfer to reserves                        | 244,744            | 0.31%           |
| HR/Payroll system processing fees   | 100,800            | 0.13%           |
| Reinstate 50% of the reduction in the contribution to the municipal drain reserve | 50,000             | 0.06%           |
| <b>General Taxation Subtotal Before Mitigation</b>                                | <b>6,220,884</b>   | <b>7.98%</b>    |
|   |                    |                 |
| <b>Mitigation</b>   |                    |                 |
| One year deferral of contribution to operating contingency reserve                | (250,000)          | -0.32%          |
| Transfer from Operating contingency reserve to provide operational support        | (3,939,949)        | -5.05%          |
| All other items combined  | 300,069            | 0.38%           |
| <b>Total Draft General Levy Increase</b>  | <b>\$2,331,004</b> | <b>2.99%</b>    |

- i. *Certain departments' net costs are covered by transfers to/from reserves. The department budget is net zero has no direct impact on the general levy. These departments include those that are dedicated entirely to capital activity and the Building Department. When costs shift from one of these departments to a department for which the net costs are included in the general levy, this will result in an increase to the general levy.*
- ii. *This increase is based on contractual increases, progression through wage grids based on tenure within a position, benefit cost increases.*
- iii. *The Sarnia Police Services budget is governed by The City of Sarnia Police Services Board ("Board") and was approved at its October 7,*

*2021 meeting. It is the responsibility of the Board to propose the police budget. City Council may approve or reject it, however if Council rejects the proposed budget, the Board has the ability under the Police Services Act to appeal to the Ontario Civilian Police Commission for final determination.*

### 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 2022 Draft Transit Budget requires an additional \$120,974 to be levied in 2022 over the 2021 Transit Area Levy or a 2.78% increase. Each percentage increase in the 2022 Draft Transit Area Budget represents approximately \$43,000 when compared to the Approved 2021 Transit Tax Levy.

| <b>Key Year-over-Year Changes (Transit)</b> | <b>Amount (\$)</b> | <b>% Change</b> |
|---|--------------------|-----------------|
| Asset Management levy                       | 80,107             | 1.84%           |
| Other changes combined                      | 40,867             | 0.94%           |
| <b>Total Draft Transit Tax Increase</b>     | <b>\$120,974</b>   | <b>2.78%</b>    |

### 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 2022 Draft Water Rates Budget provides for \$17,907,336 to be recovered through user rates. This represents an increase in the amount to be raised through water billings by \$562,176 or 3.24% when compared to the Approved 2021 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 2022 Draft Sewer Area Budget provides for \$21,401,470 to be recovered through user rates. This represents an increase in the amount to

be raised through sewer billings by \$1,959,345 or 10.08% when compared to the Approved 2021 Sewer Budget.

| <b>Key Year-over-Year Changes (Water/Sewer)</b>                                     | <b>Amount (\$)</b> | <b>% Change</b> |
|---|--------------------|-----------------|
| Contribution to reserves  | 2,212,174          | 6.01%           |
| LAWSS - City's share of LAWSS Administration, Operating and Capital budgets (iv.)   | 332,937            | 0.91%           |
| Equipment maintenance   | 210,000            | 0.57%           |
| Collective agreement salary and wage increases, benefit increases                   | 159,582            | 0.41%           |
| Reduction in allocated admin to Water and Sewer (formula driven)                    | (120,000)          | (0.33%)         |
| Decrease in outside services in water distribution to reflect historical experience | (98,710)           | (0.27%)         |
| Decrease in Lead Reduction Program  | (95,000)           | (0.26%)         |
| Other Changes   | (79,462)           | (0.22%)         |
| <b>Total Draft Water &amp; Sewer Rate Increase</b>                                  | <b>\$2,521,521</b> | <b>6.85%</b>    |

*iv. 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 \$17,907,336 is required. In order to balance the Sewer Budget (sanitary & storm), revenue of \$21,401,470 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 73% fixed and 27% variable and include a further shift towards more of the rate structure being driven by the variable component (the 2021 budget rate structure was 77% fixed and 23% 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:

| <b>Meter Size</b> | <b>Meter Count Estimate</b> | <b>2021 Actual Monthly Distribution Charge</b> | <b>2022 Proposed Monthly Distribution Charge</b> | <b>Change</b> |
|-------------------|-----------------------------|--|--|---------------|
| 5/8"              | 23,447                      | \$31.20  | \$30.42  | (\$0.78)      |
| 3/4"              | 1,837                       | \$44.06  | \$42.96  | (\$1.10)      |
| 1"                | 349                         | \$108.39                                       | \$108.39   | -             |
| 1 1/2"            | 205                         | \$216.78                                       | \$216.78   | -             |
| 2"                | 237                         | \$400.59                                       | \$400.59   | -             |
| 3"                | 36                          | \$770.95                                       | \$770.95   | -             |
| 4"                | 13                          | \$1,204.66                                     | \$1,204.66                                       | -             |
| 6"                | 9                           | \$2,504.13                                     | \$2,504.13                                       | -             |
| 8"                | 1                           | \$4,817.81                                     | \$4,817.81                                       | -             |
| 10"               | 7                           | \$7,980.84                                     | \$7,980.84                                       | -             |

The draft 2022 water consumption rate is \$0.5332 per cubic meter, the approved 2021 water consumption rate was \$0.4532 per cubic meter.

The draft 2022 sewer surcharge is 125.81%, the 2021 approved surcharge was 118.36%.

Rates will be updated as of January 1, 2022.

#### 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 "2022 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 2022 Draft Budget Expenditures for all City budgets including the Operating, Police Services, Transit, Water and Sewer budgets:

| <b>Budget Expenditures</b> | <b>2021 Approved Budget Expenditures (\$000)</b> | <b>2022 Draft Budget Expenditures (\$000)</b> | <b>Difference (\$000)</b> | <b>Change %</b> |
|----------------------------|--|---|---------------------------|-----------------|
| Current Operating          | 82,517   | 86,715  | 4,198                     | 5.09%           |
| Police Services            | 28,620   | 29,961  | 1,341                     | 4.69%           |
| Transit                    | 7,005  | 7,125   | 120                       | 1.72%           |
| Taxation Subtotal          | 118,142  | 123,774                                       | 5,632                     | 4.77%           |
| Water                      | 17,927   | 18,412  | 485                       | 2.71%           |
| Sewer                      | 19,690   | 21,795  | 2,105                     | 10.69%          |
| User Rate Subtotal         | 37,617   | 40,207  | 2,590                     | 6.89%           |
| <b>Total</b>               | <b>\$155,759</b>                                 | <b>163,981</b>                                | <b>8,222</b>              | <b>5.28%</b>    |

## **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 2021 Approved Budget and 2022 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 2021 Approved Budget included a total of 658.42 FTEs, and the 2022 Draft includes 661.96 FTEs. This represents an increase of 8 FT, a decrease of 4.59 PT and an increase of 0.17 STU, for a total of 592 FT, 36.86 PT, and 33.10 STU, including Police.

Two additional positions are being requested in the 2022 budget (excluding Police), one of which is in Engineering Construction and is funded from capital and the other one in the Building Department and is funded from the Building Reserve. There is no impact on the general levy from these two positions.

One full-time position has been eliminated in Recreation Administration

and one part-time position has been eliminated in the Building department, that latter of which does not have an impact on the general levy as the Building Department net revenue or expense is transferred to/from the Building Reserve.

The remaining changes in part-time staff are driven by movement to full-time positions under the recently negotiated collective agreements.

#### **4. 2022 Draft Operating Budget Detail**

The 2022 Draft Operating Budget Detail is included in the budget book for each revenue/cost centre. The report format includes:

- 2020 Actuals – the final results from the most recently completed fiscal year
- 2021 Budget – budget approved by Council
- 2021 Forecast – calculated by utilizing actual results to the end of June 2021, plus a forecast of the results for the remainder of the year. Care should be taken in interpreting the 2021 Forecast as the Final 2021 results will differ from those forecasted.
- 2022 Draft Budget is a sum of the following components:
  - 2022 Base Budget which consists of the final 2021 Budget less one-time items in that budget
  - 2022 One-Time items
  - 2022 Adjustments to Budget, which include inflationary and rate increases in the delivery of the various municipal services
- Variance 2022 to 2021 Budget expressed as a percentage

#### **City of Sarnia and County of Lambton Cooperation**

At the November 23, 2020 Council Meeting, the following resolution was passed:

***Further to Councillor Boushy's recent request, asking if the City could reduce its contribution to the County levy by \$10 million, I move that the City Staff Mr. Carter and Mr. Logan meet with Lambton County Staff Mr. Van Horne and Mr. Thiffeault, to discuss opportunities to streamline operations for the City of Sarnia and the County of Lambton, and work together, in order to reduce duplication of departments, overhead costs and capital spending and be able to be more equitable with the other County of Lambton Communities, all in readiness for the 2022 budget.***

Earlier in 2021, City Staff met with Lambton County Staff to discuss the Council resolution. There are a number of areas of cooperation and joint activities between the City and the County, such as the County's contribution to the cost of the City's Planning department, the Road Maintenance

Agreement whereby the County maintains certain City roads within the City allowing for more efficient operations, sharing the effort and cost of the Oversized Load Corridor under a Memorandum of Understanding, and the County prosecuting matters under the Provincial Offences Act on behalf of the City. Without these joint efforts, there would be an increase to the City's operating and capital budgets. It was determined that the level of service should remain status quo. If Council wishes to pursue this matter further, with respect to consolidated/amalgamated services between the City and County, inquiries should be directed to the Provincial Government to discuss the most recent "Regional Government Review" from 2019/20.

**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:

David Logan  
General Manager of Corporate  
Services

Approved by:

Chris Carter  
Chief Administrative Officer

This report was prepared by Holly Reynolds, City Treasurer.

Attachments: *(see Operating, Reserves, & Updated Capital Budgets book)*

- 2022 Draft Operating Budget Summary: Taxation, Rates, Expenditures & Revenue *(pgs. 1 – 4)*
- 2022 Draft Operating Budget Summary: By Department *(pgs. 5 – 7)*
- Total Full-Time Equivalent (FTE) Staff Summary *(pgs. 8 – 11)*
- 2022 Draft Operating Budget *(pgs. 12 – 149)*



**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, City Treasurer  
David Logan, General Manager of Corporate Services

DATE: December 7, 2021

SUBJECT: 2022 Municipal Grant Allocation

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**Recommendations:**

It is recommended:

That Sarnia City Council award 2022 municipal grants totaling a maximum amount of \$80,000 amongst the four applications below.

| <b>Applicant</b>                                  | <b>Amount Requested</b> |
|---|-------------------------|
| Blue Coast Primary Care - Recruitment & Retention | 80,000                  |
| Junior Achievement of South Western Ontario Inc.  | 1,300                   |
| Reseau Femmes du Sud Ouest L'Ontario              | 5,000                   |
| Chico Adventures                                  | 14,150                  |
| <b>Total</b>                                      | <b>\$100,450</b>        |

**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 21, 2021, Council approved the Grant submission deadline of August 27, 2021, for 2022 Municipal Grants. Public notice of the grant process was included on the City's website and advertisements through Civic Corner.

**Comments:**

The 2022 Draft Operating Budget includes \$80,000 for Municipal Grants.

Historically, Sarnia has provided \$1 per population count towards the marketing endeavours of recruiting new physicians based on our population count. On June 21, 2021, Council reviewed the options and opportunities for collaboration on the Physician Recruitment position <https://sarnia.civicweb.net/FileStorage/E14E6108CF1847DAABF07007F99FE914-EcDev%20-%2003%20-%20Physician%20Recruitment.pdf>. Further discussions were held during the September 13, 2021, Closed Council meeting.

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.

In addition, at its October 4, 2021, Regular Council Meeting, Council deferred the request by the Sarnia Heritage Committee to donate \$1,000 to the Lambton County Log Cabin Restoration Fund.

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 following organizations, Blue Coast Primary Care - Recruitment & Retention (formerly Sarnia Lambton Taskforce on Healthcare Worker Recruitment), Lambton Farm Safety, and Sarnia Historical Society requests are included in the grant request list, if a request is submitted.

We are also looking for further direction from Council to proceed with their future grant requirements. The funding for grants remains in the 2022 budget pending Council direction.

**Consultation:**

The City Treasurer was consulted in the preparation of this report.

**Financial Implications:**

It is understood 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 \$80,000 there will be an increase to the 2022 operating budget and resultant general tax levy.

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 and reviewed by Holly Reynolds, City Treasurer.

Attachment: 2022 Municipal Grants – Eligibility/Ineligibility Criteria

## 2022 Municipal Grants - Eligibility/Ineligibility Criteria

### Summary:

| Organization                | Blue Coast Primary Care - Recruitment & Retention  | Junior Achievement of South Western Ontario Inc.  | Reseau Femmes du Sud Ouest L'Ontario  | Chico Adventures  |
|-----------------------------|--|---|---|---|
| Project Name                | Blue Coast Primary Care - Recruitment & Retention  | Inspiring and Preparing Youth through Financial Literacy  | Impact 365  | Chico's First Trip to the Hospital  |
| Project about               | Physician recruitment  | Build a foundation in financial literacy in youth   | Strengthen the rehabilitation and reintegration system for female victims of domestic violence      | Produce an educational book to a child's trip to the emergency room   |
| Grant Amount Requested (\$) | 80,000   | 1,300   | 5,000   | 14,150  |
| Previous Grant Recipient    | Yes  | No  | No  | No  |
| Eligible Organization       | Yes  | Yes   | Yes   | No  |
| Funding Ineligibility       | Yes  | No  | No  | No  |
| Project Eligibility         | Yes  | Yes   | No  | No  |
| Notes                       | <ul style="list-style-type: none"> <li>• "Grandfathered" committee - May 28, 2018 council meeting</li> <li>• \$26,000 grants/awards to others (relocation incentives)</li> </ul> | <ul style="list-style-type: none"> <li>• serving approximately 50 students in Sarnia</li> </ul> | <ul style="list-style-type: none"> <li>• grant will be used for the administration costs</li> </ul> | <ul style="list-style-type: none"> <li>• insufficient information about the organization</li> <li>• no 2021 actual financial information</li> </ul> |

**Details:**

| <b>Eligible Organization</b>   | <b>* Policy</b> | <b>Blue Coast Primary Care - Recruitment &amp; Retention</b> | <b>Junior Achievement of South Western Ontario Inc.</b> | <b>Reseau Femmes du Sud Ouest L'Ontario</b> | <b>Chico Adventures</b>                |
|--|-----------------|--|---|---|--|
| <i>A not-for-profit incorporated organization?</i>   | Yes             | Yes  | Yes   | Yes   | No                                     |
| <i>CRA Registration No.</i>  |                 | 85480 5207 RR0001  | 107554263 RR 0001                                       | 888450848                                   | NA                                     |
| <i>Governed by a community-based volunteer Board of Directors?</i>   | Yes             | Yes  | Yes   | Yes   | NA                                     |
| <i>Extend services to the general public of the City of Sarnia?</i>  | Yes             | Yes, and into Lambton County                                 | Yes   | Yes, and into Lambton County                | Yes                                    |
| <b>Funding Ineligibility</b>   |                 |  |   |   |  |
| <i>Individuals</i>   | No              | No   | No  | No  | No                                     |
| <i>Other levels of government?</i>   | No              | No   | No  | No  | No                                     |
| <i>Organizations with political affiliations?</i>  | No              | No   | No  | No  | No                                     |
| <i>Organizations that provide grants to others?</i>  | No              | No   | No  | No  | No                                     |
| <i>Organizations whose activities or outcomes are inconsistent with the City of Sarnia's values or goals?</i>                                | No              | No   | No  | No  | No                                     |
| <b>Project Eligibility</b>   |                 |  |   |   |  |
| <i>Be accessible to everyone</i>   | Yes             | "Grandfathered" committee                                    | Grade 7 & 8 students                                    | female victims of domestic violence         | children waiting in the emergency room |
| <i>Have a budget separate from the organization's operating budget</i>   | Yes             |  | Yes   | Yes   | No                                     |
| <i>Benefit the citizens of the City of Sarnia</i>  | Yes             |  | Yes   | Yes   | Yes                                    |
| <i>Include significant volunteer involvement</i>   | Yes             |  | Yes   | No  | No                                     |
| <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   | No                                     |
| <i>Be sustainable beyond the support of the municipal grant</i>  | Yes             |  | Yes   | Yes   | No                                     |
| <i>More than 50% of the budget of the project</i>  | No              |  | No  | No  | Yes                                    |

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

**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, City Treasurer  
David Logan, General Manager of Corporate Services

DATE: December 7, 2021

SUBJECT: 2022 Fees for Services

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**Recommendations:**

It is recommended:

That Sarnia City Council adopt the 2022 Fees for Services as presented.

**Background:**

The 2022 Proposed Fees for Services are presented for the Council's consideration.

**Comments:**

Many of the 2022 Proposed Fees for Services have increased to reflect increased costs, a number of fees remain unchanged, and a few additional fees have been added or deleted. 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.

Commissioning Services - Each additional signature has been decreased to \$10 (- 33%) to be consistent with Notary Services structure.

### Legal Services

All service fees remain unchanged.

### Finance

Most service fees remain unchanged.

Tax arrears reminder notices have increased to \$6 or 20% to reflect increased postage rates since the fee has last been updated.

Issuing a tax refund for an overpayment in error as well as transferring a payment made to the wrong account have been increased to \$40 or 60% to reflect the level of effort involved in correcting the payments.

### Fire

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

Fire Safety Inspections and Enforcement for First & Second – Residential 5 units & above inspection has been removed, as there was no need to differentiate between “up to 4 units” and “5 units & above”.

Fire Inspection Report - Admin File Search has been removed as it was incorporated into Administration Fees for Professional Services - Fire Inspection Report/File Search/Fire Safety Plan Review.

The service for Occupant Load Determination or Recalculation has been revised as an Alcohol and Gaming Commission of Ontario (AGCO) letter of approval is now included. As a result, the Liquor Licensing Board of Ontario fee has been removed due to this service description update.

A new fee for After Hours Inspections \$163.50 has been added to capture all activities conducted by Day staff on evenings and weekends.

Smoke/CO Alarm Installation has been removed since it is most likely a public service call. Costs incurred will be captured in the Smoke/CO Alarm Combo Cost recovery.

### Engineering

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

Application Fee for Service Connections (Water, Sewer, etc.) has been removed as applicants will be charged for time only, using office inspection rates. The rate for the Plus Future City Maintenance Charge – Based on value of work has been reduced to 5% (-50%). Historically, service

connection work was estimated between \$5,000 and \$7,500, but in recent years, all jobs have been quoted above \$20,000. Given recent increases in contract values, 5% will cover the City's cost.

Inspection Fees for Engineering Development Fees – Subdivision, Hydrant Flow, Culvert has been restructured. Additional 2.0% of any amount greater than \$5,000,000 has been added.

The Blanket Permitting Fee for Road Occupancy Permits – Utility under Engineering Development Fees – Utility Cuts, Etc. has been separated out for clarity in negotiation agreements with utility companies.

A new fee for Water Meters under Engineering Development Fees – Utility Cuts has been added. The price is variable and markup fee is 20%. This reflects current practice that has not been previously outlined in the Fees for Services document.

#### Public Works

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

The description for Water Service Shut-Off Charge under Water Services has been updated as only industrial and commercial properties are included. The fee for Exemption Permit for Lawn Watering has been removed as it is no longer used.

The Construction – Water charge has been restructured; 10% of the permit value has been removed. For a residential Single Family, Semi-Detached Dwelling, a fixed rate of \$250 has been added. For Other (including multi-residential), 0.1% of construction value has been introduced.

Sewer Services, Hauled sludge (LAWSS and Village of Pt. Edward) \$50 (+19%) has been increased to reflect actual costs.

A new permit fee of \$260 for Generator use under Hauled liquid waste discharged at WPCC has been introduced to reflect necessary equipment usage.

#### Transit

All services fees remain unchanged.

Exterior Bus Wash, Exterior Bus Wash by Hand, Interior Sweep or Interior Mop and Complete Interior Clean under Maintenance Department Servicing have been removed as these services are not offered to the public and are



only interdepartmental charges.

#### Parks & Recreation

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

Rental fee for Seaway Kiwanis Wedding Pavilion for Unlicensed - Wedding and Licensed - Wedding has been removed. This service has been incorporated into the Unlicensed – Picnic/Event and Licensed – Picnic/Event fees.

Renting Clearwater Community Upper Hall has been removed due to the space being newly occupied with the relocation of the Lambton Mall Road Library.

Multi Use/Tennis Court & Pickleball Rental decreased \$4.00 (-27%) to reflect current market prices.

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 recommended by the Sarnia Arena Advisory Committee – Ice Allocation Policy.

Stangway Centre/Recreational Programming – Membership & Activities, a new fee for Woodworking Shop - Membership fee annual \$175 has been added to simplify access to the Woodworking Shop.

#### Planning

Fees have generally been increased by 2% to reflect the increase in the cost of providing the service.

Zoning and Official Plan Applications, fee for Supporting Peer Review of Report/Study has been increased from \$2,045 to \$2,500 (+22%) to reflect the actual time involved in performing peer reviews.

Under Miscellaneous Items, Zoning By-law, Research Fee, Heritage Inventory, Prints, Printing Aerial Maps, Photocopies, and Façade Loan Application Fee have been removed as documents can be downloaded online.

#### Building

Most fees remain unchanged. A few service fees have increased on average 2% in relation to the cost of providing the service.

For Demolition permits the description of Basic Fee has been updated to “For Buildings under 600 sq. m” but the fee has not changed.

Under Administrative Fees, the Permit Reactivation Fee has been removed as it will fall under Application Fee.

#### Harbour

All services fees remain unchanged.

#### By-Law Enforcement

The Over Night Kennel Charge under Pound Fees (Sarnia District Humane Society) has been increased \$5.00 (25%) based on the increasing costs to provide shelter and overnight care, feed, and provide water.

Administration and Other Parking Fees, the Towing fee has been removed as vehicle owners are billed for the tow cost through the towing company.

#### Reference

The general power of municipalities to impose fees and charges derives from Sections 9, 10 and 11 of the *Municipal Act, 2001 (the 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 2022 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:

David Logan,  
General Manager of  
Corporate Services

Approved by:

Chris Carter  
Chief Administrative Officer

This report has been prepared by Jane Qi, Financial Analyst and reviewed by Holly Reynolds, City Treasurer.

**Attachments:**

1. Sarnia Transit Fare Adjustment Summary
2. 2022 Proposed Fees for Services \*

*\* Please see 2022 Proposed Fees for Services book*

## SARNIA TRANSIT FARE ADJUSTMENT SUMMARY 2020 -2022

| YEAR        | ONE COMMON FARE |         |              |                     |   |                                |   |
|-------------|-----------------|---------|--------------|---------------------|---|--------------------------------|---|
|             | CASH            | TICKETS | MONTHLY PASS | SUMMER SAVINGS PASS | HIGH SCHOOL/<br>LAMBTON COLLEGE SEMESTER PASS | FARE INCREASE AMOUNT           | PASSES INCREASE AMOUNT                                      |
| <b>2020</b> | \$3.00          | \$2.35  | \$75.00      | \$114.00            | H.S. -\$161.00<br>L.C. -\$176.00              | Cash- \$0.00<br>Tickets-\$0.00 | Month-\$1.00<br>S.S.P.-\$2.00<br>H.S.-\$2.00<br>L.C.-\$2.00 |
| <b>2021</b> | \$3.00          | \$2.40  | \$76.50      | \$116.00            | H.S. -\$163.00<br>L.C. -\$179.00              | Cash- \$0.00<br>Tickets-\$0.05 | Month-\$1.50<br>S.S.P.-\$2.00<br>H.S.-\$2.00<br>L.C.-\$3.00 |
| <b>2022</b> | \$3.00          | \$2.40  | \$76.50      | \$116.00            | H.S. -\$163.00<br>L.C. -\$179.00              | Cash- \$0.00<br>Tickets-\$0.00 | Month-\$0.00<br>S.S.P.-\$0.00<br>H.S.-\$0.00<br>L.C.-\$0.00 |

**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, City Treasurer  
David Logan, General Manager of Corporate Services

DATE: December 7, 2021

SUBJECT: Debt Analysis 2021

---

**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.
- 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 \$1.0 million in debt during 2022 (\$1.0 million in 2021). Total debt costs (principal and interest) for 2021 are \$1.1 million on existing debt; total debt costs for 2022 for existing debt will be \$1.0 million. The future principal and interest payments as at the end of 2021 are projected to be \$3.9 million. This debt figure includes outstanding internal debt issuances with accrued interest.

**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 2022, before taking into account any changes that might result from the 2022 budget approval by Council.

This attachment shows that the debt outstanding is projected to be \$3.8 million at the end of 2021. By the end of 2022, it is projected that the City's debt will be \$2.8 million.

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:

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 and reviewed by Holly Reynolds, City Treasurer.

Attachments:

1. APPENDIX A - Analysis of Future Debt Payments of Existing Debt 2022-2035
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 | 2021             | 2022             | 2023           | 2024           | 2025           | 2026           | 2027-2031      | 2032 and onwards | 2022-2035        |
|---|------------------|--------------|------|--------------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|
|   |                  |              |      |                    | Annual Payment   | Annual Payment   | Annual Payment | Annual Payment | Annual Payment | Annual Payment | Annual Payment | Annual Payment   | Total            |
| Internal Debt                                 | Feb. 2013 (Int.) | 2013         | 10   | 749,842            | 87,094           | 87,094           | 14,516         | -              | -              | -              | -              | -                | 101,610          |
|   | Nov. 2011 (Int.) | 2011         | 10   | 1,500,000          | 143,667          | -                | -              | -              | -              | -              | -              | -                | -                |
| <b>Subtotal</b>                               |                  |              |      | <b>2,249,842</b>   | <b>230,761</b>   | <b>87,094</b>    | <b>14,516</b>  | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>         | <b>101,610</b>   |
| RBC   | 22 of 2016       | 2016         | 15   | 6,330,720          | 893,030          | 929,039          | 929,039        | 929,039        | 929,039        | 41,478         | -              | -                | 3,757,633        |
| <b>Subtotal</b>                               |                  |              |      | <b>6,330,720</b>   | <b>893,030</b>   | <b>929,039</b>   | <b>929,039</b> | <b>929,039</b> | <b>929,039</b> | <b>41,478</b>  | <b>-</b>       | <b>-</b>         | <b>3,757,633</b> |
| Capital Lease                                 | 2016-03-21       | 2016         | 20   | 34,500             | 1,725            | 1,725            | 1,725          | 1,725          | 1,725          | 1,725          | 8,625          | 6,900            | 24,150           |
| <b>Subtotal</b>                               |                  |              |      | <b>34,500</b>      | <b>1,725</b>     | <b>1,725</b>     | <b>1,725</b>   | <b>1,725</b>   | <b>1,725</b>   | <b>1,725</b>   | <b>8,625</b>   | <b>6,900</b>     | <b>24,150</b>    |
| <b>Total</b>                                  |                  |              |      | <b>8,615,062</b>   | <b>1,125,516</b> | <b>1,017,858</b> | <b>945,279</b> | <b>930,764</b> | <b>930,764</b> | <b>43,203</b>  | <b>8,625</b>   | <b>6,900</b>     | <b>3,883,393</b> |
| <b>Total payment (in millions of dollars)</b> |                  |              |      |                    | <b>\$1.1</b>     | <b>\$1.0</b>     | <b>\$0.9</b>   | <b>\$0.9</b>   | <b>\$0.9</b>   | <b>\$0.0</b>   | <b>\$0.0</b>   | <b>\$0.0</b>     | <b>\$3.9</b>     |



(in millions of dollars)

| APPENDIX B. LONG-TERM DEBT POSITION |             |                            |                    |                                  |        |                     |
|-------------------------------------|-------------|----------------------------|--------------------|----------------------------------|--------|---------------------|
| Year                                | End of Year | (1)                        |                    | (2)                              |        | (1) + (2)           |
|                                     |             | Long-Term Debt Outstanding |                    | Debt Approved But Not Yet Issued |        | Total Approved Debt |
|                                     |             | Description                | Amount             | Description                      | Amount | Balance             |
|                                     | End of 2015 | Balance                    | 21.4               | Balance                          |        | 21.4                |
| 2016                                | End of 2016 | Issued                     | 0.0                | Issued                           |        |                     |
|                                     |             | Retired                    | (4.3)              | Approved                         |        |                     |
|                                     |             | Balance                    | 17.1               | Balance                          | 0.0    | 17.2                |
| 2017                                | End of 2017 | Issued                     | 0.4                | Issued                           | (0.4)  |                     |
|                                     |             | Retired                    | (4.6)              | Approved                         | 5.4    |                     |
|                                     |             | Balance                    | 12.9               | Balance                          | 5.0    | 17.9                |
| 2018                                | End of 2018 | Issued                     | 1.9                | Issued                           | (1.9)  |                     |
|                                     |             | Retired                    | (2.7)              | Approved                         |        |                     |
|                                     |             | Balance                    | 12.1               | Balance                          | 3.1    | 15.2                |
| 2019                                | End of 2019 | Issued                     | 2.9                | Issued                           | (2.0)  |                     |
|                                     |             |                            |                    | Reserved                         | (0.2)  |                     |
|                                     |             |                            |                    | Pending                          | (0.9)  |                     |
| 2020                                | End of 2020 | Retired                    | (2.6)              | Approved                         |        |                     |
|                                     |             | Balance                    | 12.4               | Balance                          | 0.0    | 12.4                |
| 2021                                | End of 2021 | Issued                     |                    | Issued                           |        |                     |
|                                     |             | Retired                    | (1.4)              | Approved                         |        |                     |
|                                     |             | Repayments                 | (6.2) <sup>1</sup> |                                  |        |                     |
| 2022                                | End of 2022 | Balance                    | 4.8                | Balance                          |        | 4.8                 |
|                                     |             | Issued                     |                    | Issued                           |        |                     |
|                                     |             | Retired                    | (1.0)              | Approved                         |        |                     |
| 2022                                | End of 2022 | Balance                    | 3.8                | Balance                          |        | 3.8                 |
|                                     |             | Issued                     |                    | Issued                           |        |                     |
|                                     |             | Retired                    | (1.0)              | Approved                         |        |                     |
|                                     |             | Balance                    | 2.8                | Balance                          |        | 2.8                 |

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

**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, City Treasurer  
David Logan, General Manager of Corporate Services

DATE: December 7, 2021

SUBJECT: Debt Limits – October 31, 2021

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**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, 2021. This limit is calculated from information

contained in the City's 2020 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, 2021 is determined to be \$26.1 million. When capitalized over 10 years, using the provincially established interest rate of 5.0%, this translates to approximately \$201.5 million of debt capacity currently available to the municipality. This revised Annual Repayment Limit (ARL) has decreased from the 2020 ARL as reported by the Ministry of Municipal Affairs - \$29.7 million (approximately \$229.7 million of debt capacity) due to the significant early repayments made in 2020, which are factored into the calculations as if they are ongoing payments rather than one-time payments.

In comparison to five years ago, the City's debt capacity has increased from \$161.7 million in 2016 to \$201.5 million in 2021.

The City forecasts that debt (principal and interest) repayments will be \$1.1 million for 2021 compared to the revised ARL of \$26.1 million. Debt as at the end of 2021 is forecasted to be \$3.8 million compared to the calculated debt capacity of \$201.5 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 and reviewed by Holly Reynolds, City Treasurer.

**Attachment(s):**

1. Calculation of Annual Debt and Financial Obligation Limit - October 31, 2021
2. Annual Debt Repayment and Capacity Limit (2014 - 2021)
3. Determination of Annual Debt Repayment Limit - 2021
4. Leases Approved by Council - as at October 31, 2021

| <b>CALCULATION OF ANNUAL DEBT AND FINANCIAL OBLIGATION LIMIT</b>  |                    |
|---|--------------------|
| <b>October 31, 2021</b>   |                    |
| Annual Repayment Limit, January 1, 2021<br>(as calculated from data contained in 2020 Financial Information Return) | 25,447,069         |
| <b>Less</b>   |                    |
| Estimated annual payments for financial obligations approved but not yet financed                                   |                    |
|   |                    |
| 2021 leases and agreements  | 305,744            |
|   | 305,744            |
| <b>Less</b>   |                    |
|   |                    |
| <b>Add</b>  |                    |
| Retired debt: January - October 2021  | 954,436            |
| Revised Annual Repayment Limit <b>October 31, 2021</b>  | <b>26,095,761</b>  |
| Outstanding Debt Capacity (Capitalized value 10 years @ 5.0%)   | <b>201,504,549</b> |

(in millions of dollars)

| <b>ANNUAL DEBT REPAYMENT AND CAPACITY LIMIT (2014-2021)</b> |                                       |                   |                      |                   |
|---|---------------------------------------|-------------------|----------------------|-------------------|
| <b>Year</b>   | <b>Revised Annual Repayment Limit</b> |                   | <b>Debt Capacity</b> |                   |
| 2014  | 17.8                                  |                   | 125.3                |                   |
| 2015  | 20.3                                  |                   | 142.6                |                   |
| <b>2016*</b>  | <b>23.0</b>                           |                   | <b>161.7</b>         |                   |
| 2017  | 24.8                                  |                   | 174.4                |                   |
| 2018  | 28.8                                  |                   | 202.4                |                   |
| 2019  | 32.5                                  |                   | 228.3                |                   |
| <b>2020*</b>  | <b>37.4</b>                           |                   | <b>263.0</b>         |                   |
| <b>2021*</b>  | <b>26.1</b>                           |                   | <b>201.5</b>         |                   |
| <b>Comparison</b>   | <b>Variance \$</b>                    | <b>Variance %</b> | <b>Variance \$</b>   | <b>Variance %</b> |
| 2021 vs.2016<br>(compared to 5 years ago)                   | 3.1                                   | 13.5%             | 39.8                 | 24.6%             |
| 2021 vs.2020<br>(compared to the last year)                 | -11.3                                 | -30.2%            | -61.5                | -23.4%            |

**DETERMINATION OF ANNUAL DEBT REPAYMENT LIMIT - December 31, 2020**  
**(UNDER ONTARIO REGULATION 403/02)**

|   |  |   |                    |
|---|--|---|--------------------|
| <b>Debt Charges for the Current Year</b>  |  |   |                    |
| 0210  | Principal  | SLC 74 3099 01                                      | 7,286,054          |
| 0220  | Interest   | SLC 74 3099 02                                      | 147,315            |
| 0299  |  | <b>Subtotal</b>                                     | <b>7,433,369</b>   |
| 0610  | Payments for Long Term Commitments and Liabilities<br>financed from the consolidated statement of operations   | SLC 42 6010 01                                      | 1,055              |
| <b>9910</b>   |  | <b>Total Debt Charges</b>                           | <b>7,434,424</b>   |
| <b>Excluded Debt Charges</b>  |  |   |                    |
| 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  |  | <b>Subtotal</b>                                     | <b>0</b>           |
| 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  |  | <b>Total Debt Charges to be Excluded</b>            | <b>0</b>           |
| <b>9920</b>   |  | <b>Net Debt Charges</b>                             | <b>7,434,424</b>   |
| 1610  | Total Revenues (Sale of Hydro Utilities Removed)   | SLC 10 9910 01                                      | 161,169,388        |
| <b>Excluded Revenue Amounts</b>   |  |   |                    |
| 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 +<br>SLC 10 0815 01 | 11,883,074         |
| 2220  | Canada Grants, including Grants for Tangible Capital Assets  | SLC 10 0820 01 + SLC 10 0825 01                     | 7,120,988          |
| 2225  | Deferred revenue earned (Provincial Gas Tax)   | SLC 10 0830 01                                      | 372,426            |
| 2226  | Deferred revenue earned (Canada Gas Tax)   | SLC 10 0831 01                                      | 1,907,084          |
| 2230  | Revenue from other municipalities  | SLC 10 1098 01+ SLC 10 1099 01                      | 3,355,019          |
| 2240  | Gain/Loss on sale of land & capital assets   | SLC 10 1811 01                                      | -1,642,542         |
| 2250  | Deferred revenue earned (Development Charges)  | SLC 10 1812 01                                      | 535,349            |
| 2251  | Deferred revenue earned (Recreation Land (The Planning Act))   | SLC 10 1813 01                                      | 25,000             |
| 2253  | Other Deferred revenue earned  | SLC 10 1814 01                                      | 0                  |
| 2252  | Donated Tangible Capital Assets  | SLC 53 0610 01                                      | 2,834,837          |
| 2254  | Increase / Decrease in Government Business Enterprise equity   | SLC 10 1905 01                                      | 2,351,890          |
| 2255  | Other Revenue (SLC 10 1890 01+ SLC 10 1891 01 +SLC 10<br>1892 01 + SLC 10 1893 01 + SLC 10 1894 01 + SLC 10 1895 01<br>+ SLC 10 1896 01 + SLC 10 1897 01 + SLC 10 1898 01) |   | 900,290            |
| 2299  |  | <b>Subtotal</b>                                     | <b>29,643,415</b>  |
| 2410  | Fees and Revenue for Joint Local Boards for Homes for the Aged   |   |                    |
| <b>2610</b>   |  | <b>Net Revenues</b>                                 | <b>131,525,973</b> |
| <b>2620</b>   |  | <b>25% of Net Revenues</b>                          | <b>32,881,493</b>  |
| <b>9930</b>   |  | <b>Estimated Annual Repayment Limit</b>             | <b>25,447,069</b>  |
| SLC denotes Schedule, Line, Column  |  |   |                    |
| <b>FOR ILLUSTRATION PURPOSES ONLY</b>   |  |   |                    |
| 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%  |  | <b>5.0% Interest Rate:</b>                          |                    |
| 20  | (a)  | 20 years @ 5.0 % p.a.                               | 317,126,726        |
| 15  | (b)  | 15 years @ 5.0 % p.a.                               | 264,131,874        |
| 10  | (c)  | 10 years @ 5.0 % p.a.                               | 196,495,522        |
| 5   | (d)  | 5 years @ 5.0 % p.a.                                | 110,172,492        |
| 7%  |  | <b>7.0% Interest Rate:</b>                          |                    |
| 20  | (a)  | 20 years @ 7.0 % p.a.                               | 269,586,611        |
| 15  | (b)  | 15 years @ 7.0 % p.a.                               | 231,769,716        |
| 10  | (c)  | 10 years @ 7.0 % p.a.                               | 178,729,564        |
| 5   | (d)  | 5 years @ 7.0 % p.a.                                | 104,338,007        |

The repayment limit has been calculated based on data contained in the 2020 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, 2020 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.

| <b>LEASES APPROVED BY COUNCIL</b><br><b>as at October 31, 2021</b> |                              |              |              |                                |                         |             |                   |                    |
|--|------------------------------|--------------|--------------|--------------------------------|-------------------------|-------------|-------------------|--------------------|
| <b>Description</b>   | <b>Council Approval Date</b> | <b>P.O.#</b> | <b>RFP #</b> | <b>Department</b>              | <b>Annual Cost</b>      | <b>Term</b> | <b>Start Date</b> | <b>Expiry Date</b> |
| Lambton Mall Library   | 2012-08-16                   | 180010       |              | Community Services             | 70,389                  | 10 Years    | 2013-01-01        | 2023-12-31         |
| Radio Communication Equipment for Public Works and Transit         | 2013-08-23                   | 170165       | 07-122       | Public Works, Transit and Fire | 66,871                  | 8.5 Years   | 2013-07-14        | 2021-12-31         |
| 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                | 9,527                   | 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         |
|  |                              |              |              |                                | <b>Total \$ 305,744</b> |             |                   |                    |

**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, City Treasurer  
David Logan, General Manager of Corporate Services

DATE: September 20, 2022

SUBJECT: 2022 Draft Capital Budget

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**Recommendation:**

For Council's information.

**Executive Summary:**

The total value of the capital project requests is \$55,156,431 for 2022. This is lower than the 2021 capital budget of \$61,759,804, which was an unprecedented level of capital investment for the City, but is still a significant capital request. The current requests reflect the significant needs of aging infrastructure, new development requirements, opportunities to leverage grants, and a desire to invest in the City's assets.

The 2022 Draft Operating Budget and Draft Reserves and Reserve Funds Budget are still being completed. As a result, the funding status of the capital projects is not complete.

The estimated funding sources indicates there is a funding shortfall of \$7,018,847 for total capital needs. Staff will continue to refine the capital recommendations as the draft operating and reserves and reserve fund budgets are finalized.

Sustainable capital investment levels are estimated to be \$40,000,000 to \$45,000,000 annually if current grant funding is sustained.

**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 2022 Draft Capital Budget is being presented to Council in advance of the draft operating and reserves and reserve fund budgets to provide additional time to review and consider the nature and extent of the capital requests. The reserves status is linked to the operating budget and these important components are still in development. As such, there could be additional capital recommendations made to Council (reductions in projects or scope) as a result of the completion of the draft operating budget.

### Comments:

Once again, the City is requesting a significant level of capital investment. The Table below summarizes the capital requests over the last four years. The 2022 Draft Capital Budget that was presented to Council as part of the 2021 Budget is also included to demonstrate the level of growth even from what staff were considering at this time last year.

Should forecasted reserves not be adequate for the level of requested capital investments, the City will make necessary recommendations and continue to monitor reserves in years two to ten 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.

| <b>Budget Year</b>                        | <b>Total Budget</b> | <b>External Debt Financing</b> | <b>External Funding Sources</b> | <b>Own Source Funding</b> |
|---|---------------------|--------------------------------|---------------------------------|---------------------------|
| 2018                                      | 27,066,201          | 0                              | 9,683,992                       | 17,382,209                |
| 2019                                      | 29,789,300          | 0                              | 11,397,620                      | 18,391,680                |
| 2020                                      | 45,930,000          | 0                              | 22,407,096                      | 23,522,904                |
| 2021                                      | 61,759,804          | 0                              | 21,308,312                      | 40,451,492                |
| 2022 Draft<br>(as part of<br>2021 budget) | 49,812,490          |                                |                                 |                           |
| <b>2022 Draft<sup>(1)</sup></b>           | <b>55,156,431</b>   | <b>0</b>                       | <b>21,037,584</b>               | <b>34,118,847</b>         |

- (1) Note that Sarnia Police Services capital projects have not been approved by the Sarnia Police Services Board. The 2022 Sarnia Police Services Board Budget Session is scheduled for October 7, 2021.

## **Capital Requests**

The following table summarizes the requests by functional area:

| <b>Functional Area</b>                    | <b>Total value of 2022 requests (\$)</b> |
|---|--|
| <b>General Government</b>                 |  |
| Engineering                               | 15,630,461                               |
| Community Services - Parks                | 2,920,670                                |
| Community Services - Facilities           | 2,730,000                                |
| Fire Services                             | 4,433,634                                |
| Economic Development                      | 420,000                                  |
| Corporate Services – IT                   | 535,000                                  |
| Corporate Services – Customer Service     | 183,000                                  |
| Corporate Services – Emergency Management | 60,000                                   |
| Operation Services                        | 300,000                                  |
| <b>Transit</b>                            | 3,793,666                                |
| <b>Water and Sewer</b>                    |  |
| Engineering                               | 17,490,000                               |
| Public Works                              | 1,350,000                                |
| Operation Services                        | 4,850,000                                |
| <b>Police</b>                             | 460,000                                  |
| <b>Total</b>                              | <b>55,156,431</b>                        |

In addition to the projects requested by City departments, there are incremental projects that have been identified by Council for consideration. The following table summarizes the estimated design and construction costs of these unfunded projects:

| <b>Project</b>                               | <b>Estimated Design Cost (\$)</b> | <b>Estimated Build Cost (\$)</b> |
|--|-----------------------------------|----------------------------------|
| Waterfront improvements                      | TBD                               | TBD                              |
| Multi-use recreation facility                | 1,200,000                         | 12,000,000                       |
| Bright's Grove Library and Gallery           | 325,000                           | 3,250,000                        |
| Outdoor skating rink                         | 180,000                           | 1,800,000                        |
| Canatara Park – fountain                     | 50,000                            | 500,000                          |
| Canatara Park - pedestrian bridge            | 100,000                           | 1,000,000                        |
| North shore waterfront plan                  | 200,000                           | 1,500,000                        |
| Volleyball courts (3 sets)                   | -                                 | 150,000                          |
| Disc golf course                             | -                                 | 25,000                           |
| Sarnia Tennis Club – land purchase           | -                                 | TBD                              |
| Development services (Business Park)         | 1,000,000                         | 10,000,000                       |
| <b>Total Estimate (estimate will change)</b> | <b>3,055,000</b>                  | <b>30,225,000</b>                |

## **General Government**

### **Engineering**

Engineering has capital requests totaling \$15,630,461. The largest project is the commitment for the Over-sized Load Corridor at \$5,200,000. This project, which has been previously endorsed by Council, includes \$2,929,416 from external funding sources. Also previously endorsed is spending on shoreline protection at \$3,250,000. This funding is assisting the St. Clair Region Conservation Authority in meeting the 60% funding on their multi-year Disaster Mitigation and Adaptation Funding (DMAF) from the Federal Government. The City is planning \$2,000,000 of road rehabilitation being funded from the Ontario Community Infrastructure Fund (OCIF).

Also planned are Active Transportation projects totaling \$2,262,961, of which \$1,911,241 is being funded from external sources, including Investing in Canada Infrastructure Program (ICIP) funding. The projects include multi-use trails, bike lanes and pedestrian crossings.

### **Community Services – Parks**

Community Services is in the process of developing a more rigorous 10-year capital plan and has undertaken a preliminary assessment of its parks and facilities assets and is recommending projects for the most in-need assets.

Parks' project requests total \$2,920,670. Capital project requests for 2022 include significant updates to Tecumseh Park and the Cox Youth Centre of \$1,920,670. Updates include accessibility improvements to the Cox Youth Centre and improvements to the skateboard park. Applications for Canada Community Revitalization Fund grants have been submitted for both projects.

There are several requests for funding for designs including the lifeguard and washroom building at Canatara Park, the gymnasium and expansion at the Strangway Community Centre (incremental to design funding approved in 2021) and Ferry Dock Hill. There is also a request to fund the Germain Park Master Plan.

### **Community Services – Facilities**

Facilities' project requests total \$2,730,000. The largest request is for funding of \$1,900,000 for necessary improvements to the Progressive Auto Sales Arena. These improvements include Phase 2 of 3 of the roof replacement, replacement of the rink boards and glass as required in order to have an Ontario Hockey League team operating at the facility, and replacement of the Rink 2 Humidifier, which is at end of life and a failure would cause the closure of the entire facility.

### Fire Services

Fire Services is requesting capital projects totaling \$4,433,634. The most significant funding in 2022 is \$2,566,665 for the previously approved Station 3 replacement. Recent changes in eligible projects for the Canada Community-Building Fund (formerly Federal Gas Tax) now include fire stations. As a result, the Station 3 project has been funded from the Canada Community-Building Fund in the draft budget.

Also included in 2022 are costs of \$1,596,969 related to the previously approved Radio System and User Gear replacement.

### Economic Development

Capital project requests of \$420,000 relate to additional projects at the Sarnia Chris Hadfield Airport to further leverage the work that is possible due to the Regional Air Transportation Initiative grant funding.

### Corporate Services – Information Technology

Information Technology requests total \$535,000. The requests in 2022 include \$225,000 for the replacement of the City's telephone system.

### Transit

Transit capital project requests of \$3,793,666 are possible due to ICIP and provincial gas tax funding of \$3,690,986 included in the total funding requests. 2022 projects include bus replacements and the relocation of the Murphy Road Terminal.

## **Water and Sewer**

### Engineering

Engineering is requesting capital projects totaling \$17,490,000. These projects are primarily continuation of existing projects including combined sewer separations, Plank Road replacement and watermain, sanitary and storm sewer replacements. Combined sewer separation projects totalling \$6,150,000 include Alfred, Russell, and Shepherd Streets and Crawford Street. Combined sewer separation projects will receive DMAF funding of \$2,038,462. Plank Road replacement was previously approved and will be moving into Phase 2 of the project (McGregor Sideroad to Highway 40). Phase 2 of the project is budgeted at \$8,750,000. The Plank Road project is receiving ICIP funding equal to 83.3% of the sewer and water components of the project, of which \$2,641,220 is included in the 2022 capital request.

### Public Works

The Lead Reduction Program comprises \$1,200,000 of the total \$1,350,000 of capital requests. The City is planning to replace all identified lead services in 2022.

### Operations Services

Improvements at the Wastewater Pollution Control Centre comprise \$3,900,000 of the total \$4,850,000 of capital requests. Improvements include Phase 2 of the Biosolids Processing upgrades. Phase 2 will include the addition of a third centrifuge, which will provide operational flexibility, and a new control room as well as the replacement of additional equipment at end of life.

### **2022 Draft Capital Budget – Funding Sources**

The total value of the capital project requests is \$55,156,431 for 2022. The current requests reflect 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 2022 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.

As noted, the 2022 Draft Operating Budget and Draft Reserves and Reserve Funds Budget are still being prepared. In the 2021 Approved Budget, the City's operating budget contributed approximately \$32,000,000 to reserves. Of this amount, approximately \$29,500,000 funded capital reserves and fleet replacements. The following table summarizes the amounts transferred to capital reserves:

|   | <b>2021 Contribution to Reserves (\$)</b> |
|---|---|
| General Levy                                  |   |
| Capital Infrastructure Reserve                | 13,506,447                                |
| Police reserves                               | 1,300,000                                 |
| Transit Levy – Capital Infrastructure Reserve | 218,783                                   |
| Sewer Rates – Capital Infrastructure Reserve  | 7,519,281                                 |
| Water Rates – Capital Infrastructure Reserve  | 5,398,927                                 |
| <b>Subtotal – Capital Reserves</b>            | <b>27,943,438</b>                         |
| Fleet replacements                            | 1,534,000                                 |
| <b>Total</b>                                  | <b>29,477,438</b>                         |

In 2021, the City's transfers to capital reserves did not fully cover the capital project requests of \$61,759,804. Funding shortfalls were absorbed by external funding sources and existing reserves.

The 2021 capital was funded as follows:

|  | <b>2021 Capital Funding Sources (\$)</b> |
|--|--|
| Contributions to reserves                | 27,943,438                               |
| Project specific direct external funding | 21,308,312                               |
| Internal borrowing from general reserves | 3,849,492                                |
| Net decrease in opening capital reserves | 8,658,562                                |
| <b>Total Approved Capital</b>            | <b>61,759,804</b>                        |

The 2022 transfers to capital reserves are estimated to be approximately \$30,000,000 once the 2022 asset management funding is included (see below). Consistent with 2021, the total 2022 capital requests cannot be accommodated from transfers from the operating budget. The following table quantifies the estimated funding for requested projects:

|  | <b>2022 Capital Funding Sources (\$)</b> |
|--|--|
| Capital requirements:  |  |
| Capital project requests   | 55,156,431                               |
| Estimated direct from reserve requests (capital - based on prior year) | 2,900,000                                |
| <b>Estimated amounts required from capital reserves</b>                | <b>58,056,431</b>                        |
| Funding Sources:   |  |
| Contributions to reserves  | 30,000,000                               |
| Project specific direct external funding                               | 21,037,584                               |
| <b>Total estimated capital funding sources</b>                         | <b>51,037,584</b>                        |
| <b>Funding shortfall</b>   | <b>7,018,847</b>                         |

The estimated funding sources indicates there is a funding shortfall of \$7,018,847 for 2022 draft capital project requests. As noted, the draft operating budget and reserves and reserve fund budgets are still being completed and the estimates above will change. Staff will continue to refine the capital recommendations as the draft operating and reserves and reserve fund budgets are finalized.

Sustainable capital funding, which still includes a requirement for grant funding, is estimated to be \$40,000,000 to \$45,000,000. This allows for reserve growth to fund larger and longer-term projects.

### **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 2022 Operating budget, the asset management funding for 2022 will be \$4,457,256. This is a significant achievement and is necessary given the continued capital needs.

### **2022 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 2022 Draft Operating Budget, 2022 Draft Reserves and Reserves Fund Budget and the Draft 10-Year Reserves Budget.

### **2022 Capital Requests**

This section of the Draft Capital Budget includes a summary of the individual 2022 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).

**Financial Implications:**

The nature and extent of capital requests have been discussed throughout this report.

Reviewed by:

David Logan  
General Manager of  
Corporate Services

Approved by:

Chris Carter  
Chief Administrative Officer

This report was prepared by Holly Reynolds, City Treasurer.

Attachment(s): *(See Draft Capital Budget book)*

- 2022 Draft 10-Year Capital Plan
- 2022 Draft Capital Budget – Funding Sources
- 2022 Capital Requests – Capital Summary/Project Detail







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