



CITY OF SARNIA 2023 DRAFT SUPPLEMENTARY BUDGET INFORMATION



Sarnia
ONTARIO

**THE CORPORATION OF THE
CITY OF SARNIA**

**2023 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: Jane Qi, City Treasurer
David Stockdale, General Manager of Corporate Services

DATE: January 2023

SUBJECT: 2023 Draft Capital Budget

Recommendation:

For Council's Information

Executive Summary:

The total value of the 2023 Capital Budget is \$44,726,703, with an additional \$1,547,400 in requests which are currently unfunded. This is lower than the 2022 Capital Budget of \$48,962,238, 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:

As acknowledged in the Capital Budget and Finance Policy (CS-027, Rev. 01), approved June 17, 2019 and revised June 22, 2020, the Capital Budget is a multi-year financial plan, forecasted over a ten-year timeline. The budget provides for the planning of future financial resources required to fund Capital expenditures.

The Capital Budget provides for the acquisition or rehabilitation of Capital assets that exceed the project threshold 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, watermains, 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 five years. The 2023 Draft Capital Budget that was presented to Council as part of the 2022 budget is also included to demonstrate the level of growth 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 year's two to ten to ensure adequate funding is budgeted for future Capital initiatives.

| Budget Year | Total Budget (\$) | Approved External Debt Financing (\$) | External Funding Sources (\$) | Own Source Funding (\$) |
|---|--------------------------|--|--------------------------------------|--------------------------------|
| 2019 | 29,789,300 | - | 11,397,620 | 18,391,680 |
| 2020 | 45,930,000 | - | 22,407,096 | 23,522,904 |
| 2021 | 61,759,804 | - | 21,308,312 | 40,451,492 |
| 2022 | 48,962,238 | - | 22,386,974 | 26,525,264 |
| 2023 (presented in 2022 10-Year Plan) | 42,905,427 | - | 14,760,660 | 28,144,767 |
| 2023 Draft⁽¹⁾ | 44,726,703 | - | 15,345,118 | 29,381,585 |

(1) Note that Sarnia Police Services Capital projects have not been approved by the Sarnia Police Services Board. The 2023 Sarnia Police Services Board budget session is scheduled for November 17, 2022.

The following Capital requests were removed/reduced/deferred from the 2023 Draft Capital Budget in order to mitigate the financial impact on Reserves.

| Project | Removed/ Reduced/ Deferred | Total Amount (\$) |
|---|---|--------------------------|
| Bridges & Culverts – McGregor Side Road Bridge | Removed | 300,000 |
| Shoreline Protection | Reduced | 250,000 |
| Streetlight Replacements | Removed | 200,000 |
| Transportation Master Plan & Streetscape Improvements | Reduced | 100,000 |
| Plank Road Rehabilitation | Deferred to 2024 | 4,166,667 |
| Total | | 5,016,667 |

Capital Requests

The following table summarizes the requests by Category area:

| Category | Total value of 2023 requests (\$) |
|---|-----------------------------------|
| General Government | |
| Community Services | |
| Parks | 1,200,000 |
| Facilities | 2,315,000 |
| Community Services Total | 3,515,000 |
| Corporate Services | |
| Information Technology | 264,000 |
| Corporate Services Total | 264,000 |
| Engineering & Operations | |
| Engineering | 13,422,613 |
| Operation Services | 350,000 |
| Public Works | 750,000 |
| Engineering & Operations Total | 14,522,613 |
| Transit | |
| Transit | 513,666 |
| Transit Total | 513,666 |
| Water and Sewer | |
| Engineering | 14,309,334 |
| Operation Services | 3,500,000 |
| Public Works | 1,580,000 |
| Water & Sewer Total | 19,389,344 |
| Police | |
| Police Services | 2,960,000 |
| Police Total | 2,960,000 |
| Total | 44,726,703 |

In addition to the above funded projects, there are additional *unfunded* projects that have been identified for consideration by Council. While the total 2023 unfunded Capital requests of \$1,547,400 can be managed with current Reserve and Reserve Fund balances, subsequent years would require external funding. The 10-year unfunded capital plan was not intended to be a wish list, but rather a realistic plan of what needs to be accomplished via the Capital Budget if funding was not an issue. These projects, due to their nature, can be postponed to future years in the case of limited financial resources.

The following table summarizes the total estimated 10-year costs of these *unfunded* projects:

| Category | Project | Term | Total Unfunded 2023-2032 (\$) |
|-----------------------------------|--|-----------|-------------------------------|
| General Government | | | |
| Economic Development | Competitive Market Analysis - Business Parks, pg. 46 | 2023-2032 | 13,800,000 |
| | Waterfront Master Plan, pg. 47 | 2023-2032 | 46,205,800 |
| | Chris Hadfield Airport | 2026-2032 | 14,300,000 |
| Economic Development Total | | | 74,305,800 |
| Community Services | Bright's Grove Library | 2024-2026 | 8,000,000 |
| | Multi-Use Recreational Facility | 2024-2028 | 35,000,000 |
| | Facility Improvements | 2024-2032 | 9,000,000 |
| | Canatara Park | 2027-2028 | 6,000,000 |
| | Norm Perry Park | 2027-2029 | 7,500,000 |
| Community Services Total | | | 65,500,000 |
| Engineering | Road Rehabilitation | 2024-2032 | 9,000,000 |
| Engineering Total | | | 9,000,000 |
| General Government Total | | | 148,805,800 |
| Transit | | | |
| Transit | Electric Transit Fleet | 2024-2032 | 11,000,000 |
| Transit Total | | | 11,000,000 |
| Water & Sewer | | | |
| Water & Sewer | Watermain, Sanitary, & Storm Sewer Replacements | 2024-2032 | 9,000,000 |
| | Flood Mitigation | 2024-2032 | 18,000,000 |
| Water & Sewer Total | | | 27,000,000 |
| Total | | | 186,805,800 |

Due to a shortfall of available funding in City Reserves, these projects are currently unfunded. Should Council wish to proceed with any of these projects, staff are seeing direction from Council on how to plan and fund them. After staff have received Council's direction, the financial plan will be communicated and reported to the council for approval.

Details for unfunded projects, with a term beginning in 2023, can be found in the 2023 Draft Capital & Reserves Budget book on the corresponding page number in the table.

General Government

Community Services

Facilities

Facilities' project requests total \$2,315,000. The largest request is a \$1,595,000 commitment from the Capital Infrastructure Reserve for necessary improvements to the Progressive Auto Sales Arena. These improvements include phase 3 of the roof replacement, construction of a gender-neutral dressing room, rubber flooring, and HVAC design.

The Sarnia Library and Pat Stapleton Arena, require commitments totaling \$350,000 from the Capital Infrastructure Reserve for necessary improvements to entranceways and flooring. Both Transit and the Public Works facilities require replacements to heating/cooling units totaling \$370,000. Transit rooftop and make up air units will be funded by the Transit Building Reserve and the Public Works furnaces will be funded by the Capital Infrastructure, Water, and Sewer Reserves.

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' 2023 Capital requests total \$1,200,000. The largest project is the ball diamond re-development at Tecumseh Park at \$550,000 which will be fully funded from the Capital Infrastructure Reserve.

Other Park projects for 2023 include Harry Turnbull Park, playground equipment, and the Strangway Community Centre gymnasium totaling \$650,000 in commitments from the Capital Infrastructure Reserve.

Corporate Services

Information Technology

Information Technology is requesting a commitment of \$264,000 from the Capital Infrastructure Reserve for the annual replacement of networking and server assets and end user devices.

Engineering & Operations

Engineering

Within the General Government division, Engineering has Capital requests totaling \$13,422,612. The largest project is the commitment for road

rehabilitation at \$3,500,000 which will be fully funded by the Ontario Community Infrastructure Fund (OCIF). The Rapids Parkway road extension project requires a final commitment of \$3,100,000 to bring the project to completion. Funding for the Rapids Parkway extension comes primarily from Development Charges (\$2,427,417), with the balance (\$672,583) being funded from the Capital Infrastructure Reserve.

Also previously endorsed, is spending on shoreline protection at \$2,000,000, and the oversized load corridor at \$2,272,613. The shoreline protection commitment is to assist the St. Clair Region Conservation Authority in meeting the 60% funding requirement for their multi-year Disaster Mitigation and Adaptation Funding (DMAF) from the Federal Government. Continuation of the oversized load corridor requires \$922,029 from the Capital Infrastructure Reserves with \$930,584 being funded from the National Trade Corridor Funding (NTCF), and \$420,000 from the Southwestern Ontario Development Fund (SWODF).

Bridges & Culverts 2023 project will be the rehabilitation of the Michigan Road Bridge which will require a commitment of \$950,000, fully funded by the Ontario Community Infrastructure Fund (OCIF).

Also planned are active transportation projects totaling \$1,085,000, of which \$572,326 is being funded from external sources, including the Investing in Canada Infrastructure Program (ICIP) funding and Active Transportation Grant Funding (AFT). The remaining \$512,674 will be funded by the Capital Infrastructure Reserve. The projects include multi-use trails, bike lanes, and pedestrian crossings.

Finally, traffic signals, accessibility improvements, and transportation master plan & streetscape improvements require a total 2023 commitment of \$515,000 of which \$120,995 will be funded by ICIP with the remaining \$394,005 being funded from the Capital Infrastructure Reserve.

Operation Services

Within the General Government division, Operation Services has a single Capital request in the amount of \$350,000 for the former Michigan Avenue landfill remediation project. Required work is based on a 2020 site investigation by the Ministry of Environment, Conservation and Parks (MECP) and may include the installation/extension of containment systems and/or underground barriers, soil removal, the addition/extension of active extraction systems, and the installation of monitoring/sentry wells. This project will be funded from the Capital Infrastructure Reserve.

Public Works

Within the General Government division, Public Works is requesting \$750,000 in 2023 as part of a 10-Year Plan to renovate and expand the facility in order to provide greater operational and internal managerial efficiencies. The project will be funded one third from each Capital Infrastructure, Sewer, and Water Reserve.

Fire Services

Fire Services is requesting Capital projects totaling \$3,562,091. The most significant request in 2023 is \$3,167,765 for the previously approved station 3 replacement. Recent changes in eligible projects for the Canada Community-Building Fund (CCBF (formerly Federal Gas Tax)) now include fire stations. As a result, \$2,369,337 is being funded from CCBF, with the remaining \$798,428 funded by the Capital Infrastructure Reserve.

Also included in 2023 are costs of \$394,326 for annual bunker gear replacement and an emergency generator for fire Station 1. Both will be funded by the Capital Infrastructure Reserve.

Transit

Transit Capital project requests of \$513,666 are possible due to ICIP and provincial gas tax funding of \$433,656 included in the total funding requests. Projects to be completed in 2023 include bus stop improvements and maintenance equipment upgrades/replacements.

Water and Sewer

Engineering & Operations

Engineering

Engineering is requesting Capital projects totaling \$14,309,334 within the Water & Sewer division. These projects are primarily continuation of existing projects including combined sewer separation, Plank Road reconstruction, and watermain replacements. Combined sewer separation projects totaling \$7,816,000 include East, Palmerston, Brock, Vidal, Tecumseh, Rose, and Russell Streets. Combined sewer separation projects will receive \$2,735,600 from DMAF.

Plank Road reconstruction costs for 2023 total \$2,083,334 and will receive ICIP funding in the amount of \$440,203 and OCIF funding in the amount of \$445,000. Watermain replacements to be completed in 2023 include Colborne Road and Green Street and require a total commitment of \$3,210,000 from the Water Infrastructure Reserve.

New Engineering Capital projects in the Water & Sewer division include Blackwell Glen pathway rehabilitation (\$200,000) and flood mitigation (\$1,000,000). Pathway rehabilitation in Blackwell Glen is required to provide better drainage to prevent ponding. Flood mitigation requires significant infrastructure investments in order to reduce the risk of flooding through the City. All properties in the City are at risk of flooding but the level of risk and type of flooding differ based on a variety of factors. In 2023 City staff will begin studies to review alternative solutions to recent flooding and begin necessary construction which may include, upsizing pumping stations, building new stormwater management ponds, and upsizing existing sewers. Both of these projects will be fully funded from the Sewer Infrastructure Reserve.

Operation Services

The Wastewater Pollution Control Centre (WPCC) requires commitments in the amount of \$3,300,000 for upgrades to the blower, biosolids processing equipment, pump-lift station, internal road paving, and the administration building. A \$200,000 commitment is required for the Bright's Grove Sewage Treatment facility for desludging of cell #1. All Operation Services commitments will be funded by the Sewer Infrastructure Reserve.

Public Works

The Sarnia sewer upgrade requires a final \$1,000,000 commitment from the Sewer Infrastructure Reserve to bring the project to completion. The project has been impacted by cost escalations and delays due to supply chain challenges. Anticipated completion is spring of 2023.

The lead reduction commitment of \$580,000 from the Water Infrastructure Reserve will begin the replacement of lead service lines throughout the City, identified since the launch of the program in 2019. Replacement of lead service lines is a legislative requirement by the MECP.

Police Services

Sarnia Police Services Capital projects have not been approved by the Sarnia Police Services Board. The 2023 Sarnia Police Services Board budget session is scheduled for November 17, 2022. Capital requests in the amount of \$2,960,000 were the 2023 values presented in the 2022 10-Year Capital Plan.

2023 Draft Capital Budget – Funding Sources

The total value of the 2023 Capital project requests is \$44,726,703. 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 funded through the City's Reserve and Reserve Funds with the assistance of external funding sources.

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 2023 Capital requests cannot be accommodated from transfers from the operating budget. The following table identifies the estimated funding for requested projects:

| | 2023 Capital Funding Sources (\$) |
|--|--|
| Capital requirements: | |
| Draft Capital project requests | 44,726,703 |
| Unfunded Capital projects | 1,547,400 |
| Total required from Capital Reserves | 46,274,103 |
| Funding Sources: | |
| Contributions to Capital Reserves in 2023 | 19,663,335 |
| Contributions to Capital Reserves From Prior Years | 9,718,250 |
| Non-project specific external funding in 2023 | 9,748,739 |
| Project specific direct external funding in 2023 | 5,596,379 |
| Total Capital funding sources | 44,726,703 |
| Funding shortfall | 1,547,400 |

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

2023 Draft 10-Year Capital Plan

The 10-Year Capital Plan reflects the Capital projects that are anticipated over the next 10 years. The first five years of the 10-Year Capital Plan are considered the City's firm intention, pending Council approval. The remaining five represent a forecast for consideration with approval in subsequent years. The 10-Year Capital Plan will be brought back to Council annually for re-adoption. Ultimately, the 10-Year Capital Plan will align with the City's Strategic Plan and tie to the City's 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.

2023 Capital Requests

This section of the Draft Capital Budget includes a summary of the individual 2023 Capital project requests. The project detail includes a description, justification, expenditures, funding, and operating impacts. Significant review with staff was completed to validate Capital requests and identify funding sources.

Consultation:

The Capital project 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 Stockdale
General Manager of
Corporate Services

Approved by:

Chris Carter
Chief Administrative
Officer

This report was prepared by Kelly Farr, Accounting Analyst and reviewed by Jane Qi, City Treasurer.

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

- 2023 Draft 10-Year Capital Plan, *pgs. 1 - 3*
- 2023 Draft Capital Budget – Funding Sources, *pgs. 4 - 5*
- 2023 Capital Requests, *pgs. 6 - 47*

THE CORPORATION OF THE CITY OF SARNIA
People Serving People

CORPORATE SERVICES DIVISION

OPEN SESSION REPORT

TO: Mayor and Members of Council

FROM: Jane Qi, City Treasurer
David Stockdale, General Manager of Corporate Services

DATE: January 2023

SUBJECT: 2023 Reserve and Reserve Fund Budget

Recommendation:

It is recommended:

That Sarnia City Council adopt the 2023 Reserve and Reserve Fund Budget as presented.

Executive Summary

2023 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 \$15,850,752 flow directly to Reserves and Reserve Funds. Expenditures totaling \$10,121,866 flow directly from Reserves and Reserve Funds.

In 2023, it is forecasted that the Reserves and Reserve Funds balance will decline from \$41,425,387 to \$33,850,338 based on planned inflows and outflows. Of this total, \$9,507,621 is in restricted Obligatory Reserve Funds, and the balance of \$24,342,717 is the amount for various capital and operational purposes. The total value of the capital project requests is \$44,726,703.

There is one recommended reserve closure in the 2023 Draft Reserve Budget of reserve 6016 Development Charges Reserve Fund B-2, which is no longer required.

Three new reserves are recommended to be created:

1. 6065 Other Senior Government Grants – due to the increasing level of senior government grants applied for and received, a separate obligatory reserve is recommended for tracking and reporting purposes, along with most grant agreements requiring interest to be accrued on the funds received.
2. 6385 Community Improvement Plan Reserve – City Council, at its December 7, 2020 meeting, approved the adoption and implementation of the Community Improvement Plan. A separate reserve is recommended to track the CIP activities and allow any unused funds to accumulate for the continued implementation of the CIP program.
3. 6555 Organic Waste Program Transition – City Council, at its June 6, 2022 meeting, approved the allocation of any savings from the bluebox program transition to be set aside in a reserve to fund the future implementation of the organic waste program.

Background:

The 2023 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 financial management and long-term planning. In the 2023 Draft Capital Budget, the City is presenting a third 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 Canada Community Building Fund (formerly Federal Gas Tax) and Provincial Gas Tax, and Ontario Community Infrastructure Fund (OCIF).
- Fees earned from City programs and services that have been approved for direction to reserves.
- Contributions from other outside stakeholders that have specific designated purposes, such as donations and development charges.
- Interest that is earned on the balances of the Obligatory and Discretionary Reserves.

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 Capital and Reserves Budgets 2023 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.

2023 Draft 10-Year Reserves Plan

To ensure the 2023 Draft 10-Year Capital Plan will be adequately funded staff have also prepared a Draft 10-Year Reserves Plan. This allows staff to ensure reserves will stay in a positive balance over the 10-year timeframe by reducing the level of capital spending, building additional capacity in the operating budget for transfers to reserves, or identifying additional funding requirements in order to mitigate any negative reserve balances.

The Draft 10-Year Reserves Plan indicates that reserve levels are projected to remain adequate over the 10-year as continued capital infrastructure pressures absorb the contributions to reserves. Where there is a low or negative balance in the 10-year plan, staff will manage by reducing capital projects in those years or requesting additional contributions from tax levy or rates.

To maintain a positive balance, the transit infrastructure reserves will need significant increases in contributions to offset the planned capital replacements required for transit assets. There are certain large encompassing capital projects that are not included in the funded 10-year reserves plan. Including these projects would result in significant pressures in the reserve balances and would likely require additional tax funded contributions from operating budgets or external debt funding.

The Police Service reserve fund 10-year plan will be updated with information provided at their Police Service Board meeting November 17, 2022.

2023 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 \$15,850,752 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 \$4,895,238. 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 \$1,110,195 and Disaster Mitigation funding of \$2,735,600. The Over-size Load Corridor project is the beneficiary of a number of revenues: a National Trade Corridor Fund grant of \$930,584 and a Southwestern Ontario Development Fund grant of \$420,000. Development charges are estimated to contribute \$1,700,000 to Development Charge reserves.

Expenditures totaling \$10,121,866 flow directly from Reserves and Reserve Funds. Anticipated WSIB payments for 2023 are budgeted at \$1,919,260 and anticipated insurance claims are budgeted at \$525,000. City Fleet/Equipment vehicle replacement totals \$1,850,000 for the City and \$365,000 for Sarnia Police Services vehicles. Tax assessment appeals are budgeted at \$2,130,000 due to a large expected tax assessment appeal to be resolved in 2023. Also included are project expenditures, which are supported by department request memorandums included in the Capital and Reserves budget book and re-occurring annual requests for estimated expenditures that do not form part of the General Operating Budget.

When the 2023 Draft Reserves Budget was initially prepared the level of capital requests created a negative balance in 6615 – Capital Infrastructure Reserve. To ensure the reserve remained positive and provided for a cushion against unexpected events in 2023, 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:

| Project Removed | Amount |
|--|------------------|
| EOC Trailers | 10,000 |
| EOC Office | 10,000 |
| Facility Access Control Systems | 60,000 |
| Property Valuations | 115,000 |
| Fencing – Sarnia Harbour | 60,000 |
| Security Enhancements – Sarnia Harbour | 65,000 |
| Total | \$320,000 |

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

budgets.

2023 Draft Reserve and Reserve Fund Budget

This summary, sorted by fund number, identifies the forecasted opening balance, anticipated inflows and outflows for 2023 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 2023 Draft Reserve and Reserve Fund Budget:

- The uncommitted balance as at December 31, 2022 was taken from the Forecasted Reserve and Reserve Fund Balances, December 31, 2022 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, 2023 are estimates as to what the Reserves and Reserve Funds balance may be at the end of 2023.

In 2023, it is forecasted that the Reserves and Reserve Funds balance will decline from \$41,425,387 to \$33,850,338 based on planned inflows and outflows. Of this total, \$9,507,621 is in restricted Obligatory Reserve Funds, and the balance of \$24,342,717 is the amount for various capital and operational purposes. The total value of the capital project requests is \$44,726,703 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. 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 2023 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 2023, \$1,209,199 is being repaid by the Development Charge Reserve (6015) to the Internal Borrowing Reserve (6900).

2023 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.

2023 Proposed Equipment Replacement List

The Fleet Superintendent, in conjunction with the various department managers, identified \$1,850,000 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 2023). 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, 2022

The forecasted Reserve and Reserve Fund balances as of December 31, 2022 have been provided for Council's review. Anticipated inflows and outflows for 2022 have been forecasted to estimate the year-end balances. These estimates will change based on actual results for the remainder of 2022.

The 2022 forecasted Reserve and Reserve Fund balances report shows a forecasted December 31, 2022 uncommitted balance of \$41,425,387. The obligatory (restricted) balance is forecasted at \$11,587,408, with the unrestricted balance forecasted at \$29,837,978.

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 taken from prior year 10-year plan and updated information will be provided after the Sarnia Police Services Board November 17, 2022 meeting.

Financial Implications:

Discussed throughout this report.

Reviewed by:

David Stockdale
General Manager of Corporate
Services

Approved by:

Chris Carter
Chief Administrative Officer

This report was prepared by Michelle Leung, Financial Analyst and reviewed by Jane Qi, City Treasurer.

Attachments: *(see Capital & Reserves Budget book)*

1. Reserve and Reserve Fund Summary, *pgs. 48-50*
2. 2023 10-Year Reserves Plan, *pgs. 51-62*
3. 2023 Dedicated Reserve and Reserve Fund Revenue and Expenditures, *pg. 63*
4. 2023 Draft Reserve and Reserve Fund Budget, *pgs. 64-68*
5. 2023 Direct from Reserve Requests, *pgs. 69-74*
6. 2023 Draft Equipment Replacement List, *pg. 75*
7. Forecasted Reserve and Reserve Fund Balances – December 31, 2022, *pgs. 76-86*

THE CORPORATION OF THE CITY OF SARNIA
People Serving People

CORPORATE SERVICES DIVISION

OPEN SESSION REPORT

TO: Mayor and Members of Council

FROM: Jane Qi, City Treasurer
David Stockdale, General Manager of Corporate Services

DATE: January 2023

SUBJECT: 2023 Draft Operating Budget

Recommendation:

It is recommended:

That Sarnia City Council approve the 2023 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 systems are 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 2023 Draft Budget includes a 4.52 per cent or \$3,790,934 increase to total taxation, including:

- 2.98 per cent or \$1,552,938 for general operating
- 6 per cent or \$1,635,498 for Police Services
- 13.48% or \$602,498 for Transit

The 2023 Draft Budget includes 7.64 per cent or \$3,002,775 increase to user rates, including:

- 5.85 per cent or \$1,047,988 for water
- 9.13 per cent or \$1,954,787 for sewer

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

The proposed 2023 water consumption rate is \$0.6937 per cubic meter, an increase of \$0.1615 per cubic meter or 30.35 per cent from 2022, as well as a sewer surcharge of 129.50 per cent, an increase from 125.81% in 2022. The report also details the proposed changes to fixed water distribution rates by meter size.

The 2023 Draft Operating Budget includes \$171,790,556 in expenditures to operate the City. This represents a year-over-year increase of 5.80 per cent.

The detail budget sheets for each cost centre within the City are included; each sheet includes 2021 Actuals, 2022 Approved Budget, 2022 Forecasted Results (as of June 30, 2022), and 2023 proposed changes culminating in the 2023 Draft Budget. A percentage change between the Draft Budget and prior year approved budget is included.

Due to the timing of the Police Service Board meeting, where the Police Services will present their draft budget details, City Finance staff has included an estimated overall increase to the Police Budget of 6 per cent. Full details of the Police Budget will not be known until approved at the November 17, 2022 Police Service Board Meeting. Changes in the police budget will be presented and addressed during the 2023 Budget Deliberation meeting.

The City's approach to preparing the 2023 Draft Budget was to mitigate the budget pressures that would cause increases to the general levy given the ongoing challenges facing residents and rate payers. The pandemic, current world economic climate and the significant inflation increase are some of these challenges putting pressure on current budgets and expected future costs. The mitigation effort includes a transfer of \$2,939,949 from the Operating Contingency reserve, due to the surplus from 2021 operating results. The Operating Contingency reserve is forecasted to end 2022 with a balance of \$8,521,498, which is adequate to fund the transfer. The remaining \$5.5 million dollar balance is sustainable to mitigate unexpected operating expense pressures as needed.

A one-time reduction in the contribution from the WSIB reserve of \$1,450,000 to the 2023 Draft budget has been included. A review of the balance of the WSIB reserve determined the amount available is adequate to fund the expected WSIB amount. Additionally, a one-time deferral in the contribution to the Capital Infrastructure reserve (fully transferred back from 2022 surplus in 2023) of \$1,517,469 is included to mitigate the budget pressures as a result of \$6 million in capital plan initial project requests that have been removed from the draft budget.

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, user charges and grants received. The Operating Budget consists of the following budgets:

- General Municipal
- Police Services
- Transit
- Water
- Sewer

Comments:

Documents included in the 2023 Draft Operating and Reserves Budget book relating to the Operating Budget include:

1. 2023 Draft Operating Budget Summary: Taxation, Rates, Expenditures & Revenues, including a summary of Water & Sewer Rates and Budgets
2. 2023 Draft Operating Budget Summary – By Department
3. Total Full-Time Equivalent (FTE) Summary
4. 2023 Draft Operating Budget Detail

1. 2023 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 2023 Operating Budgets:

Taxation

| Taxation Budget | 2022 Approved Budget (\$000) | 2023 Draft Budget (\$000) | Difference (\$000) | Change (%) |
|-------------------------------|-------------------------------------|----------------------------------|---------------------------|-------------------|
| Current Operating | 52,190 | 53,743 | 1,552 | 2.98% |
| Police Services | 27,258 | 28,894 | 1,635 | 6.00% |
| General Taxation | \$79,448 | \$82,637 | \$3,188 | 4.01% |
| Transit | 4,469 | 5,071 | 602 | 13.48% |
| Total Taxation | \$83,917 | \$87,708 | \$3,790 | 4.52% |
| Growth Impact | 525 | 525 | - | 0.00% |
| Total Taxation Revenue | \$84,442 | \$88,233 | \$3,790 | 4.49% |

Water and Sewer Rates

| Water/Sewer Rates Budget | 2022 Approved Budget (\$000) | 2023 Draft Budget (\$000) | Difference (\$000) | Change (%) |
|---------------------------------|-------------------------------------|----------------------------------|---------------------------|-------------------|
| Water Rates | 17,907 | 18,956 | 1,049 | 5.85% |
| Sewer Rates | 21,402 | 23,356 | 1,954 | 9.13% |
| Total Rates | \$39,309 | \$42,312 | \$3,003 | 7.64% |

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 2023 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 7.0 per cent year over year in August 2022, down from 7.6 per cent in July and up from 4.1 per cent for August 2021. This substantial increase has significant impacts on the City's operating and capital budgets. Recent Bank of Canada guidance indicates that inflation is projected to decrease to three per cent by the end of 2023 and return to two per cent by the end of 2024.

<https://www.bankofcanada.ca/2022/07/mpr-2022-07-13/>

General Levy Change Drivers

The 2023 Draft Operating Budget, including Police Services, requires an additional \$3,312,230 or 4.17 per cent to be raised through taxation. Each percentage increase in the 2023 General Tax Levy represents approximately \$795,000 when compared to the Approved 2022 General Tax Levy.

| Key Year-over-Year Changes (General Levy) | Amount (\$) | Change (%) |
|---|--------------------|-------------------|
| Variances under Management's control | | |
| Incremental FTE Additions & 1 FTE Transfer to Sewer | 65,865 | 0.08% |
| Increase to arena maintenance budgets | 134,262 | 0.17% |
| Increase to other facility maintenance budgets | 69,700 | 0.09% |
| Subtotal | 269,827 | 0.34% |
| Variances outside of Management's control | | |
| Union salary & wage increases, benefit increases | 821,380 | 1.03% |
| Non-Union Salary & Wage Increases, benefit increase | 185,482 | 0.23% |
| Positions Transferred from Union to Non-Union | 45,316 | 0.06% |
| Governance – Council CPI Increase | 23,500 | 0.03% |
| Position Transfer (Police to HR) | 130,000 | 0.16% |
| Increase in OMERS Non-Full Time Plan Change | 98,674 | 0.12% |
| Increase in contract & fuel costs for garbage and compost collection | 145,000 | 0.18% |
| Insurance Increase | 110,087 | 0.14% |
| Increased contract costs for crossing guards and snow removal | 53,000 | 0.07% |
| Election budget – reduction in budget back to non election year | (116,654) | -0.15% |
| Subtotal | 1,495,785 | 1.88% |
| Impacts of prior decisions | | |
| Reversal of one-time operating support for 2022 budget | 2,939,949 | 3.70% |
| Reversal of 2022 one-time reduction in contribution to capital infrastructure reserve | 1,000,000 | 1.26% |
| Reversal of 2022 one-time reduction in contribution to tax stabilization reserve | 600,000 | 0.76% |
| Reversal of 2022 one-time reduction in contribution to operating contingency reserve | 250,000 | 0.31% |
| Reversal of contribution from reserves to offset fleet increase | 295,899 | 0.37% |
| Software license costs, WIFI & cloud services | 455,248 | 0.57% |
| Reinstate 50% of the reduction in the contribution to the municipal drain reserve | 50,000 | 0.06% |
| 1 FTE Addition – Engineering Design – approved July 25, 2022 Council Meeting | 91,906 | 0.12% |

| Key Year-over-Year Changes (General Levy) | Amount (\$) | Change (%) |
|--|--------------------|-------------------|
| Reduction in recycling contract costs due to transfer program to operators (iv) | (450,000) | -0.57% |
| Transfer net recycling program change savings to reserves for organic waste program (v) | 450,000 | 0.57% |
| Subtotal | 5,683,002 | 7.15% |
| General Taxation Subtotal Before Mitigation | \$7,448,614 | 9.38% |
| Mitigation | | |
| Transfer from Operating contingency reserve (prior year surplus) | (2,939,949) | -3.70% |
| One-time reduction in contribution to WSIB reserve | (1,450,000) | -1.83% |
| One-time deferral in contribution to capital infrastructure reserve (to be transferred back from 2022 surplus in 2023) | (1,517,469) | -1.91% |
| Subtotal | (5,907,418) | -7.44% |
| All other items combined | 11,743 | 0.01% |
| Draft General Levy Increase | \$1,552,938 | 1.95% |
| Sarnia Police Services budget (i) | 1,635,498 | 2.06% |
| Total Draft General Levy Increase | \$3,188,436 | 4.01% |

- i. *The Sarnia Police Services budget is governed by The City of Sarnia Police Services Board ("Board"). The Police Service budget will be presented at its November 17, 2022 meeting. Until approved, the City has included an estimated increase of 6 per cent overall. Any changes in the approved Police Budget will be presented during the 2023 Budget Deliberation 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.*
- ii. *This increase is based on contractual increases, progression through wage grids based on tenure within a position, benefit cost increases.*
- iii. *This increase is based on contractual increases, progression through wage grids based on tenure within a position, benefit cost increases.*
- iv. *The provincial government implemented regulations to transition all municipal blue box recycling programs to the producers of recycling. Our transition date is July 1, 2023 when the city will no longer be involved in the blue box program and it will be fully operated by the producer responsible organization.*

- v. *The provincial government has released a framework outlining a plan to require municipalities of a certain size to implement an organics program. The initial draft planned for the requirement to be in place for 2025 but no further updates on formalizing that date have been made. At this point the exact costs of an organics program are not known and staff will bring further reports to council in the future on the topic. At the June 6, 2022 council meeting, staff were directed to report back on the possibility of placing budget savings from the change to the blue box program into a reserve for the upcoming food and organic waste collection program. In order to mitigate future costs of the program, staff have created a new reserve, 6655 Organic Waste Program Transition, in the 2023 budget to allocate the bluebox program savings to be applied to the future costs of the organics waste program.*

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 2023 Draft Transit Budget requires an additional \$602,498 to be levied in 2023 over the 2022 Transit Area Levy, or a 13.48 per cent increase. Each percentage increase in the 2023 Draft Transit Area Budget represents approximately \$45,000 when compared to the Approved 2022 Transit Tax Levy.

| Key Year-over-Year Changes (Transit) | Amount (\$) | Change (%) |
|---|--------------------|-------------------|
| Salaries & Benefits increase | 115,045 | 2.57% |
| Insurance Increase | 202,359 | 4.53% |
| Gasoline | 125,000 | 2.80% |
| Bus Maintenance | 55,000 | 1.23% |
| MTO License Program | 51,226 | 1.15% |
| All other items combined | 53,868 | 1.21% |
| Total Draft Transit Tax Increase | \$602,498 | 13.48% |

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 2023 Draft Water Rates Budget provides for \$18,955,324 to be

recovered through user rates. This represents an increase in the amount to be raised through water billings by \$1,047,988 or 5.85 per cent when compared to the Approved 2022 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 2023 Draft Sewer Area Budget provides for \$23,356,257 to be recovered through user rates. This represents an increase in the amount to be raised through sewer billings by \$1,954,787 or 9.13 per cent when compared to the Approved 2022 Sewer Budget.

| Key Year-over-Year Changes (Water/Sewer) | Amount (\$) | Change (%) |
|--|--------------------|-------------------|
| Contribution to reserves | 1,000,000 | 2.54% |
| LAWSS - City's share of LAWSS Administration, Operating and Capital budgets (vi) | 545,204 | 1.39% |
| Salary, wage and benefit increases (ii) | 248,312 | 0.63% |
| Transfer of 1 FTE from General Levy | 184,164 | 0.47% |
| Incremental FTE addition | 126,984 | 0.32% |
| Allocated administration (formula driven) | 250,229 | 0.64% |
| Flood Mitigation Program | 200,000 | 0.51% |
| Unfunded Lead Reduction Program | 221,182 | 0.56% |
| Vehicle Expense | 108,516 | 0.28% |
| Insurance | 107,866 | 0.27% |
| Other Changes | 10,318 | 0.03% |
| Total Draft Water & Sewer Rate Increase | \$3,002,775 | 7.64% |

vi. *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 \$18,955,324 is required. In order to balance the Sewer Budget (sanitary & storm), revenue of \$23,356,257 is required. Proposed rates are based on the 5-year average water usage (recommended by BMA) and the estimated meters of each size.

A [water/sewer rate study](#) was completed in 2021 to help guide rate setting decisions for future years. It identified that, at that time the city's residential

water/sewer rates were 14 per cent below the provincial average and the commercial/industrial rates were among the lowest in the province. The study recommended rate increases over the coming years to slowly bring our rates up to the provincial average. The majority of the rate increases will be targeted on increased capital investment to address our infrastructure backlog.

The water/sewer rates are a combination of fixed and variable. In recent years we have had a high fixed component, relative to variable, and the rate study recommended targeting a 60 per cent fixed and 40 per cent variable rate. As a result, the proposed rate increases are almost fully focused on the variable portion of the rate with minimal change to the fixed portion. The following rates are recommended:

| Meter Size | Meter Count Estimate | 2022 Approved Monthly Distribution Charge | 2023 Proposed Monthly Distribution Charge | Change |
|-------------------|-----------------------------|--|--|---------------|
| 5/8" | 23,418 | \$30.42 | \$29.35 | (\$1.06) |
| 3/4" | 1,958 | \$42.96 | \$40.39 | (\$2.59) |
| 1" | 345 | \$108.39 | \$108.39 | - |
| 1 1/2" | 206 | \$216.78 | \$216.78 | - |
| 2" | 237 | \$400.59 | \$400.59 | - |
| 3" | 37 | \$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 2023 water consumption rate is \$0.6937 per cubic meter, the approved 2022 water consumption rate was \$0.5322 per cubic meter.

The draft 2023 sewer surcharge is 129.50 per cent, the 2022 approved surcharge was 125.81 per cent.

Rates will be updated as of January 1, 2023.

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 “2023 Draft Operating Budget Summary: Taxation, Rates, Expenditures & Revenues” reflects total budgeted expenditures of \$171,790,556 million, an increase of \$9,411,915 or 5.80 per cent increase year-over-year.

The following is a summary of the 2023 Draft Budget Expenditures for all City budgets including the Operating, Police Services, Transit, Water and Sewer budgets:

| Budget Expenditures | 2022 Approved Budget Expenditures (\$000) | 2023 Draft Budget Expenditures (\$000) | Difference (\$000) | Change % |
|----------------------------|--|---|-------------------------------|---------------------|
| Current Operating | 85,085 | 89,431 | 4,346 | 5.11% |
| Police Services | 29,961 | 31,597 | 1,636 | 5.46% |
| Transit | 7,125 | 7,728 | 602 | 8.46% |
| Taxation Subtotal | 122,171 | 128,756 | 6,584 | 5.39% |
| Water | 18,412 | 19,185 | 773 | 4.20% |
| Sewer | 21,794 | 23,849 | 2,054 | 9.43% |
| User Rate Subtotal | 40,206 | 43,034 | 2,827 | 7.03% |
| Total | \$162,378 | \$171,790 | 9,411 | 5.87% |

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 2022 Approved Budget and 2023 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).

Due to anticipated statutory leaves and attrition, it is anticipated there will be additional staffing needs. The Administration will post for the following roles: Internal Controller, Deputy Clerk, Environmental Services

Mechanic, and Engineering Technologist. As always, staff will endeavour to mitigate these costs by identifying efficiencies within the existing full time equivalent count.

The 2022 Approved Budget included a total of 663.96 FTEs, and the 2023 Draft includes 668.21 FTEs. This represents an increase of 4.0 FT, 0.58 PT and a decrease of 0.33 STU. Including police, this results in a total of 597 FT, 38.77 PT, and 32.44 STU. The Police Service budget will be presented at its November 17, 2022 meeting. Until approved, the City has not included any changes in the FTE summary.

There is a net change of 3.0 FT staff on the summary, which consists of:

Three additional full-time positions have been requested as part of the 2023 draft operating budget. These requests consist of 1.0 FTE in Clerks funded by the tax levy, 1.0 FTE in Accounting funded by the tax levy, and 1.0 FTE in Environmental Services Group which is funded by sewer rates.

One FT position has been added to Engineering – Design, which was approved at the July 25, 2022 council meeting and is funded 1/3 tax levy, 1/3 water rates, 1/3 sewer rates.

The remaining changes to FT staff are driven by the re-classification of FT positions to PT positions.

4. 2023 Draft Operating Budget Detail

The 2023 Draft Operating Budget Detail is included in the budget book for each revenue/cost centre. The report format includes:

- 2021 Actuals – the final results from the most recently completed fiscal year
- 2022 Budget – budget approved by Council
- 2022 Forecast – calculated by utilizing actual results to the end of June 2022, plus a forecast of the results for the remainder of the year. Care should be taken in interpreting the 2022 Forecast as the Final 2022 results will differ from those forecasted.
- 2023 Draft Budget is a sum of the following components:
 - 2023 Base Budget which consists of the final 2022 Budget less one-time items in that budget
 - 2023 One-Time items
 - 2023 Adjustments to Budget, which include inflationary, and rate increases in the delivery of the various municipal services
- Variance 2023 to 2022 Budget expressed as a percentage

Consultation:

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

Financial Implications:

Financial implications are discussed within this report.

Reviewed by:

David Stockdale
General Manager of Corporate
Services

Approved by:

Chris Carter
Chief Administrative Officer

This report was prepared by Michelle Leung, Financial Analyst and reviewed by Jane Qi, City Treasurer.

Attachments: *(see Operating Budget book)*

- 2023 Draft Operating Budget Summary: Taxation, Rates, Expenditures & Revenue, *pgs. 1 – 5*
- 2023 Draft Operating Budget Summary: By Department, *pgs. 6 – 8*
- Total Full-Time Equivalent (FTE) Staff Summary, *pgs. 9 – 12*
- 2023 Draft Operating Budget, *pgs. 13 – 148*

THE CORPORATION OF THE CITY OF SARNIA
People Serving People

CORPORATE SERVICES DIVISION

OPEN SESSION REPORT

TO: Mayor and Members of Council

FROM: Jane Qi, City Treasurer
David Stockdale, General Manager of Corporate Services

DATE: January 2023

SUBJECT: 2023 Municipal Grant Allocation

Recommendations:

It is recommended:

That Sarnia City Council award 2023 municipal grants totaling a maximum amount of \$80,000 amongst the four applications below.

| Applicant | Amount Requested |
|---|-------------------------|
| Arthritis Society Canada | 5,000 |
| Blue Coast Primary Care - Recruitment & Retention | 80,000 |
| Organization for Literacy in Lambton | 14,000 |
| Lambton College "Civic Lab" | 50,000 |
| Total | \$149,000 |

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 27, 2022, Council approved the Grant submission deadline of August 26, 2022 for 2023 Municipal Grants. Public notice of the grant process was included on the City's website and advertisements through Civic Corner.

Comments:

The 2023 Draft Operating Budget includes \$80,000 for Municipal Grants.

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

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

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

The funding for grants remains in the 2023 budget, pending Council direction. We are also looking for further direction from the Council to proceed with their future grant requirements.

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 2023 operating budget and resultant general tax levy.

Reviewed by:

David Stockdale,
General Manager of Corporate
Services

Approved by:

Chris Carter
Chief Administrative Officer

This report was prepared by Deanna Clothier, Executive Assistant of Corporate Services and reviewed by Jane Qi, City Treasurer.

Attachment(s): 2023 Municipal Grants – Eligibility/Ineligibility Criteria

2023 Municipal Grants - Eligibility/Ineligibility Criteria

Summary:

| Organization | Arthritis Society Canada | Blue Coast Primary Care - Recruitment & Retention | Organization for Literacy in Lambton (Literacy Lambton) | Lambton College |
|-----------------------------|---|--|---|--|
| Project Name | Arthritis Talks Series | Blue Coast Primary Care - Recruitment & Retention | Baby Bookworms | Civic Lab |
| Project about | Panel of experts who bring the latest information on pain management, research, and innovative programs directly into one's home; making healthcare more accessible to all. | Physician Recruitment | New babies born at Bluewater Health gifted a tote bag containing board book and other valuable information to assist new parents with the tools and connection to encourage their child's language development. | Research partnership for collaborative partnerships |
| Grant Amount Requested (\$) | 5,000 | 80,000 | 14,000 | 50,000 |
| Previous Grant Recipient | No | Yes | No | No |
| Eligible Organization | Yes | Yes | Yes | Yes |
| Funding Ineligibility | No | Yes | Yes | Yes |
| Project Eligibility | No | Yes | No | No |
| Notes | <p>No local supported financial information.</p> <p>No evidence to support that they have a budget separate from the organizations operating budget.</p> | "Grandfathered" committee_May 28, 2018 council meeting | <p>Accessible to approximately 1,000 families annually.</p> <p>Incomplete financial information. No budget information provided for 2023.</p> | <p>*The requested grant is funded to employee salary and benefit which is considered to be part of ineligible project grant.</p> <p>*This project doesn't have any financial implications based on the council report provided to Council May 3, 2021.</p> |

Details:

| | * Policy | Arthritis Society Canada | Blue Coast Primary Care - Recruitment & Retention | Organization for Literacy in Lambton (Literacy Lambton) | Lambton College |
|--|---------------------|-------------------------------------|--|--|------------------------|
| Eligible Organization | | | | | |
| <i>A not-for-profit incorporated organization?</i> | Yes | Yes | Yes | Yes | No |
| <i>CRA Registration No.</i> | | 10807 1671 RR0003 | 85480 5207 RR0001 | 13526 2012 RR0001 | 11900 4505 RT0001 |
| <i>Governed by a community-based volunteer Board of Directors?</i> | Yes | Yes | Yes | Yes | Yes |
| <i>Extend services to the general public of the City of Sarnia?</i> | Yes | Yes | Yes, and into Lambton County | Yes | Yes |
| Funding Ineligibility | | | | | |
| <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 |
| Project Eligibility | | | | | |
| <i>Be accessible to everyone</i> | Yes | Yes | "Grandfathered" committee | No | N/A |
| <i>Have a budget separate from the organization's operating budget</i> | Yes | No | | No | N/A |
| <i>Benefit the citizens of the City of Sarnia</i> | Yes | Yes | | Yes | N/A |
| <i>Include significant volunteer involvement</i> | Yes | Yes | | Yes | N/A |
| <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 | | N/A | N/A |
| <i>Be sustainable beyond the support of the municipal grant</i> | Yes | Yes | | No | N/A |
| <i>More than 50% of the budget of the project</i> | No | N/A | | N/A | N/A |

*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: Jane Qi, City Treasurer
David Stockdale, General Manager of Corporate Services

DATE: January 2023

SUBJECT: 2023 Fees for Services

Recommendations:

It is recommended:

That Sarnia City Council adopt the 2023 Fees for Services as presented.

Background:

The 2023 Proposed Fees for Services is presented for Council's consideration.

Comments:

Many of the 2023 Proposed Fees for Services remain unchanged, and a few additional fees have been added. Please refer to the Fees for Services document for complete information. Explanations of Fees for Services that have changed significantly are summarized below.

Corporate

All service fees remain unchanged.

City Clerk

All service fees remain unchanged.

Legal Services

Most fees have been increased 5% in relation to the cost of providing the service.

Finance

Most fees remain unchanged.

The fee for Microfiche Search Letter- each additional year beyond two years has been increased \$30 (600%). Each Microfiche Search Letter requires the same amount of time whether it is the second or third year, this change will more accurately represent the cost of time required.

A new fee for the Administration of Fair Wage Policy has been added.

Fire

Most fees have been increased between 2-4% in relation to the cost of providing the service.

Fire Safety Inspections and Enforcement (Initial, First Re-Inspection, Third, and Subsequent Inspections) has been clarified as fees are no longer applicable for business licensing but remain required for other compliance situations. All compliance inspection instances are now incorporated under one line.

After Hours Inspection/Fire Code Enforcement and After-Hours Inspections instances may require more than one staff member. As such, fees have increased from 1½ to 2 times the hourly rate to accurately cover costs.

Fire Investigation Report description has been updated to reflect a 4-6 hour minimum to accurately identity time required.

Engineering

Most fees have been increased 4% in relation to the cost of providing the service.

Damage Deposit fee has been removed as another mechanism will be utilized for damage cost recovery.

A Long-Term Hoarding Permit (longer than 4 months) fee has been added to include a need for longer permits. All projects lasting for more than 12 months will require Council approval.

Sign fees have changed to a variable structure to accurately recover costs.

A new fee for Street Signs has been added. The city will order signs of correct specification to provide to developers.

Public Works

Fees have generally been increased an average of 4% in relation to the cost of providing the service.

The fee for Future City Maintenance Charge has been removed as it is included within Engineering fees.

Water Service Shut-Off Charge (Industrial and Commercial properties only) has increased \$345 (+323%) to reflect actual cost.

37 mm Water Meter Kits have increased \$360 (61%) to accurately cover costs.

50 mm Water Meter Kit fees have changed to a variable structure to accurately determine cost based on style of meter.

Hauled sludge (LAWSS and Village of Pt. Edward) has increased \$15 (+30%) to reflect actual cost.

Compostable Drop-Off fees have changed to allow free residential brush drop-off. Brush drop-off fees will only apply to commercial entities.

Additional varieties of drop-off options have been added including Trailer (extra-long single axle (\$35) and overfull extra-long single axle (\$55)), Cube Van (full) (\$40), and Dump Truck/Trailer (>40yd³) (\$357).

Transit

Fees have generally been increased an average of 4% in relation to the cost of providing the service.

Conventional and Care-A-Van rates have been consolidated to provide clarity.

The description of Tickets, Sheet of 20 has been clarified to remove the singular purchase option at City Hall. Sheets of 20 tickets are available for purchase at various outlets around the city.

The Family Pass option has been removed due to low usage.

The Refugee (One Year) pass (\$0) has been added, as approved by Council during the May 9, 2022, regular meeting of Council.

A Replacement Smart Card fee (\$5 for each replacement after the first occurrence) has been added to accurately cover costs.

The Return Round Trip fee has been removed as the cost is covered within the minimum charter charge.

All Maintenance Department Servicing fees have been removed as they are

no longer offered.

Parks & Recreation

Most fees have increased 4% in relation to the cost of providing the service.

Many fee descriptions have been updated for clarity and consistency.

A flat fee (\$50) for Event Applications (Outdoor Festivals and Arena Festivals) has been added. This will capture all event requests.

A flat fee (\$100) for Event Administrative tasks has been added. This fee will capture any required administrative tasks required including indemnity agreements, noise exemptions, and road closures.

An hourly fee (\$30) for Event Operations has been added to cover costs for garbage and washroom maintenance.

An Event Equipment Rental and Delivery fee has been added to include frequently requested amenities for events that require staff delivery (picnic tables (\$10), garbage bins (\$2), glass in (\$1,500), glass out (\$1,500), floor down (\$500)).

A deposit fee (25%) has been added for Arena Festival and Event Fees to mitigate high levels of cancellations.

The Hospitality Tent (Beer Tent) fee has been removed as the tent is no longer available.

A Last-Minute Ice (within 24 hours) 25% reduction in fee has been added.

The 6-month – May to October and September to December Strangway Membership fees have been removed. The annual membership will be prorated.

A line for Lambton Kent District School Board (LKDSB) student use of the Cricket Pitch at Mike Weir Park (\$0) has been added to reflect a 10-year agreement with the LKDSB.

Festival and Event Cancellation fees have been added for both Outdoor and Arena events to ensure all costs will be recovered in the event of a cancellation.

Planning

Fees have been increased 4% in relation to the cost of providing the service.

Zoning By-Law Amendment (Extension of Temporary Use) fee (\$200) has been added, limited by the *Planning Act*.

A Municipal Address Change fee (\$400) has been added to cover costs of processing requests from property owners to change their municipal address.

Building

Most fees have increased between 2% and 3% in relation to the cost of providing the service.

Harbour

Most fees have increased 5% in relation to the cost of providing the service.

By-Law Enforcement

Most fees remain unchanged.

Property Standards-Subsequent Inspection fees have increased 5% to accurately cover costs.

Parking Enforcement (private property) fees have increased 4% to accurately cover costs.

Reference

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

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

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

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

Consultation:

The 2023 Proposed Fees for Services were submitted by the General Managers.

Financial Implications:

Discussed within the report. Approximately 7.7% of the City's total annual operating expenditures are covered by user fees.

Reviewed by:

David Stockdale,
Acting General Manager, Corporate
Services

Approved by:

Chris Carter
Chief Administrative Officer

This report has been prepared by Lauren Boyce, Accounting Specialist and reviewed by Jane Qi, City Treasurer.

Attachments:

- 1. Sarnia Transit Fare Adjustment Summary
- 2. 2023 Proposed Fees for Services

SARNIA TRANSIT FARE ADJUSTMENT SUMMARY 2021 -2023

| ONE COMMON FARE | | | | | | | |
|-----------------|--------|---------|--------------|---------------------|---|-------------------------------|---|
| YEAR | CASH | TICKETS | MONTHLY PASS | SUMMER SAVINGS PASS | HIGH SCHOOL/ LAMBTON COLLEGE SEMESTER PASS | FARE INCREASE AMOUNT | PASS INCREASE AMOUNT |
| 2021 | \$3.00 | \$2.40 | \$76.50 | \$116.00 | H.S.-\$163.00 L.C.-\$179.00 | Cash-\$0.00 Tickets-\$0.05 | Month-\$1.50 S.S.P.-\$2.00 H.S.-\$2.00 L.C.-\$3.00 |
| 2022 | \$3.00 | \$2.40 | \$76.50 | \$116.00 | H.S.-\$163.00 L.C.-\$179.00 | Cash-\$0.00 Tickets-\$0.00 | Month-\$0.00 S.S.P.-\$0.00 H.S.-\$2.00 L.C.-\$3.00 |
| 2023 | \$3.00 | \$2.50 | \$79.50 | \$121.00 | H.S.-\$170.00 L.C.-\$186.00 | Cash-\$0.00 Tickets-\$0.10 | Month-\$3.00 S.S.P.-\$5.00 H.S.-\$7.00 L.C.-\$7.00 |

THE CORPORATION OF THE CITY OF SARNIA
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CORPORATE SERVICES DIVISION

OPEN SESSION REPORT

TO: Mayor and Members of Council

FROM: Jane Qi, City Treasurer
David Stockdale, General Manager of Corporate Services

DATE: January 2023

SUBJECT: Debt Analysis 2022

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, October 28, 2019. 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, March 2, 2020. This resulted in the early repayment of 7 outstanding loans which 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, June 22, 2020.
- Approved Capital Budgets without new debt over last two years.
- Optimized provincial/federal grant programs and used non-debt sources for matching funds.

Comments:

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

Analysis of Future Debt Repayments of Existing Debt – chart A

The City will retire \$0.9 million in debt during 2023 (\$1.0 million in 2022). Total debt costs (principal and interest) for 2022 are \$1.0 million on existing debt; total debt costs for 2023 for existing debt will be \$0.9 million. The future principal and interest payments as at the end of 2022 are projected to be \$2.8 million. This debt figure includes outstanding internal debt issuances with accrued interest.

Long-Term Debt Position – chart 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 2023, before taking into account any changes that might result from the 2023 budget approval by Council.

This attachment shows that the debt outstanding is projected to be \$2.8 million at the end of 2022. By the end of 2023, it is projected that the City's debt will be \$1.9 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 Stockdale,
General Manager, Corporate
Services

Approved by:

Chris Carter
Chief Administrative Officer

Attachments:

1. Chart A - Analysis of Future Debt Payments of Existing Debt 2023-2035
2. Chart B - Long-Term Debt Position

Chart A - Analysis of Future Debt Repayments of Existing Debt

| Existing Debt | Debt Bylaw | Start (year) | End (year) | Term | Interest Rate | Original Principal | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 - 2032 | 2033 and onwards | Total |
|--|------------------|--------------|------------|------|---------------|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|----------------|
| | | | | | | | Annual Payment | Annual Payment | Annual Payment | Annual Payment | Annual Payment | Annual Payment | Annual Payment | Annual Payment | Annual Payment |
| Internal Debt | Feb. 2013 (Int.) | 2013 | 2023 | 10 | 3.05% | 749,842 | 87,094 | 14,516 | | | | | | | 14,516 |
| Subtotal | | | | | | 749,842 | 87,094 | 14,516 | | | | | | | 14,516 |
| RBC | 22 of 2016 | 2016 | 2026 | 10 | 1.39% | 6,330,720 | 929,039 | 929,039 | 929,039 | 929,039 | 41,269 | | | | 2,828,594 |
| Subtotal | | | | | | 6,330,720 | 929,039 | 929,039 | 929,039 | 929,039 | 41,269 | | | | 2,828,594 |
| Capital Lease | 2016-03-21 | 2016 | 2035 | 20 | - | 34,500 | 1,725 | 1,725 | 1,725 | 1,725 | 1,725 | 1,725 | 8,625 | 5,175 | 22,425 |
| Subtotal | | | | | | 34,500 | 1,725 | 1,725 | 1,725 | 1,725 | 1,725 | 1,725 | 8,625 | 5,175 | 22,425 |
| Total | | | | | | 7,115,062 | 1,017,858 | 945,280 | 930,764 | 930,764 | 42,994 | 1,725 | 8,625 | 5,175 | 2,865,535 |
| Total payment (in millions of dollars) | | | | | | | \$1.0 | \$0.9 | \$0.9 | \$0.9 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$2.9 |

(in millions of dollars)

Chart B - Long-Term Debt Position

| Year | End of Year | (1) Long-Term Debt Outstanding | | (2) Debt Approved But Not Yet Issued | | (1) + (2) Total Approved Debt |
|------|-------------|-----------------------------------|--------------------|---|--------|----------------------------------|
| | | Description | Amount | Description | Amount | Balance |
| | End of 2016 | 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) | |
| | | Retired | (2.6) | Pending | (0.9) | |
| 2020 | End of 2020 | Approved | | Approved | | |
| | | Balance | 12.4 | Balance | 0.0 | 12.4 |
| | | Issued | | | | |
| 2021 | End of 2021 | Retired | (1.4) | Issued | | |
| | | Repayments | (6.2) ¹ | Approved | | |
| | | Balance | 4.8 | Balance | | 4.8 |
| 2022 | End of 2022 | Issued | | Issued | | |
| | | Retired | (1.0) | Approved | | |
| | | Balance | 2.8 | Balance | | 2.8 |
| 2023 | End of 2023 | Issued | | Issued | | |
| | | Retired | (0.9) | Approved | | |
| | | Balance | 1.9 | Balance | | 1.9 |

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

THE CORPORATION OF THE CITY OF SARNIA
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CORPORATE SERVICES DIVISION

OPEN SESSION REPORT

TO: Mayor and Members of Council

FROM: Jane Qi, City Treasurer
David Stockdale, General Manager of Corporate Services

DATE: January 2023

SUBJECT: Debt Limits – December 31, 2022

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 December 31, 2022. This limit is calculated from information

contained in the City's 2021 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 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 Infrastructure 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, a potential capital finance borrowing may need to be considered if any unfunded projects according to the operating department capital project requests for the next ten years are approved by Council due to shortfall of the City's financial sources.

The City's revised Annual Repayment Limit as at December 31, 2022 is determined to be \$33.6 million. When capitalized over 10 years, using the provincially established interest rate of 7.0 per cent, this translates to approximately \$236.0 million of debt capacity currently available to the municipality. This revised Annual Repayment Limit (ARL) has increased from the 2021 ARL as reported by the Ministry of Municipal Affairs - \$30.2 million (approximately \$233.3 million of debt capacity).

In comparison to five years ago, the City's debt capacity has increased from \$180.1 million in 2017 to \$229.5 million in 2022.

The City forecasts that debt (principal and interest) repayments will be \$1.0 million for 2022 compared to the revised ARL of \$33.6 million. Debt as at the end of 2022 is forecasted to be \$2.8 million compared to the calculated debt capacity of \$236.0 million.

Consultation:

No consultation was required during the preparation of this report.

Financial Implications:

Discussed within report.

Reviewed by:

David Stockdale
General Manager of Corporate
Services

Approved by:

Chris Carter
Chief Administrative Officer

Attachment(s):

1. Calculation of Annual Debt and Financial Obligation Limit - December 31, 2022
2. Annual Debt Repayment and Capacity Limit (2017 - 2022)
3. Determination of Annual Debt Repayment Limit - 2022
4. Leases Approved by Council - as at December 31, 2022

**Calculation of Annual Debt and Financial Obligation Limit
December 31, 2022**

| | |
|---|--------------------|
| Annual Repayment Limit, January 1, 2022 (as calculated from data contained in 2021 Financial Information Return) | 33,906,333 |
| Less | |
| Estimated annual payments for financial obligations approved but not yet financed | 0 |
| 2022 leases and agreements | 308,483 |
| | 33,597,850 |
| Revised Annual Repayment Limit December 31, 2022 | 33,597,850 |
| Outstanding Debt Capacity (Capitalized value 10 years @ 7.0%) | 235,977,239 |

(in millions of dollars)

Annual Debt Repayment and Capacity Limit (2017-2022)

| Year | Revised Annual Repayment Limit | | Debt Capacity | |
|---|--------------------------------|------------|---------------|------------|
| 2017* | 23.3 | | 180.1 | |
| 2018 | 25.2 | | 194.2 | |
| 2019 | 26.5 | | 204.7 | |
| 2020 | 29.7 | | 229.7 | |
| 2021* | 30.2 | | 233.3 | |
| 2022* | 33.6 | | 236.0 | |
| Comparison | Variance \$ | Variance % | Variance \$ | Variance % |
| 2022 vs.2017 (compared to 5 years ago) | 10.3 | 44.2% | 55.9 | 31.0% |
| 2022 vs.2021 (compared to the last year) | 3.4 | 11.3% | 2.7 | 1.2% |

**Determination of Annual Debt Repayment Limit
(Under Ontario Regulation 403/02)**

| | | | |
|--|--|---|--------------------|
| Debt Charges for the Current Year | | | |
| 0210 | Principal | SLC 74 3099 01 | 832,796 |
| 0220 | Interest | SLC 74 3099 02 | 60,140 |
| 0299 | | Subtotal | 892,936 |
| 0610 | Payments for Long Term Commitments and Liabilities financed from the consolidated statement of operations | SLC 42 6010 01 | 490 |
| 9910 | | Total Debt Charges | 893,426 |
| Excluded Debt Charges | | | |
| 1010 | Electricity - Principal | SLC 74 3030 01 | 0 |
| 1020 | Electricity - Interest | SLC 74 3030 02 | 0 |
| 1030 | Gas - Principal | SLC 74 3040 01 | 0 |
| 1040 | Gas - Interest | SLC 74 3040 02 | 0 |
| 1050 | Telephone - Principal | SLC 74 3050 01 | 0 |
| 1060 | Telephone - Interest | SLC 74 3050 02 | 0 |
| 1099 | | Subtotal | 0 |
| 1410 | Debt Charges for Tile Drainage/Shoreline Assistance | SLC 74 3015 01 + SLC 74 3015 02 | 0 |
| 1411 | Provincial Grant funding for repayment of long term debt | SLC 74 3120 01 + SLC 74 3120 02 | 0 |
| 1412 | Lump sum (balloon) repayments of long term debt | SLC 74 3110 01 + SLC 74 3110 02 | 0 |
| 1420 | | Total Debt Charges to be Excluded | 0 |
| 9920 | | Net Debt Charges | 893,426 |
| 1610 | Total Revenues (Sale of Hydro Utilities Removed) | SLC 10 9910 01 | 177,130,581 |
| Excluded Revenue Amounts | | | |
| 2010 | Fees for Tile Drainage/Shoreline Assistance | SLC 12 1850 04 | 0 |
| 2210 | Ontario Grants, including Grants for Tangible Capital Assets | SLC 10 0699 01 + SLC 10 0810 01 + SLC 10 0815 01 | 12,770,105 |
| 2220 | Canada Grants, including Grants for Tangible Capital Assets | SLC 10 0820 01 + SLC 10 0825 01 | 9,895,498 |
| 2225 | Deferred revenue earned (Provincial Gas Tax) | SLC 10 0830 01 | 426,970 |
| 2226 | Deferred revenue earned (Canada Gas Tax) | SLC 10 0831 01 | 935,780 |
| 2230 | Revenue from other municipalities | SLC 10 1098 01+ SLC 10 1099 01 | 3,342,060 |
| 2240 | Gain/Loss on sale of land & capital assets | SLC 10 1811 01 | 10,000 |
| 2250 | Deferred revenue earned (Development Charges) | SLC 10 1812 01 | 2,003,992 |
| 2251 | Deferred revenue earned (Recreation Land (The Planning Act)) | SLC 10 1813 01 | 60,803 |
| 2253 | Other Deferred revenue earned | SLC 10 1814 01 | 0 |
| 2252 | Donated Tangible Capital Assets | SLC 53 0610 01 | 0 |
| 2254 | Increase / Decrease in Government Business Enterprise equity | SLC 10 1905 01 | 4,960,929 |
| 2255 | Other Revenue (SLC 10 1890 01+ SLC 10 1891 01 +SLC 10 1892 01 + SLC 10 1893 01 + SLC 10 1894 01 + SLC 10 1895 01 + SLC 10 1896 01 + SLC 10 1897 01 + SLC 10 1898 01) | | 3,525,409 |
| 2299 | | Subtotal | 37,931,546 |
| 2410 | Fees and Revenue for Joint Local Boards for Homes for the Aged | | |
| 2610 | | Net Revenues | 139,199,035 |
| 2620 | | 25% of Net Revenues | 34,799,759 |
| 9930 | | Estimated Annual Repayment Limit | 33,906,333 |

SLC denotes Schedule, Line, Column

FOR ILLUSTRATION PURPOSES ONLY

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

| | | | |
|----|----------------------------|-----------------------|-------------|
| 5% | 5.0% Interest Rate: | | |
| 20 | (a) | 20 years @ 5.0 % p.a. | 422,547,854 |
| 15 | (b) | 15 years @ 5.0 % p.a. | 351,936,142 |
| 10 | (c) | 10 years @ 5.0 % p.a. | 261,815,716 |
| 5 | (d) | 5 years @ 5.0 % p.a. | 146,796,678 |
| 7% | 7.0% Interest Rate: | | |
| 20 | (a) | 20 years @ 7.0 % p.a. | 359,204,175 |
| 15 | (b) | 15 years @ 7.0 % p.a. | 308,815,965 |
| 10 | (c) | 10 years @ 7.0 % p.a. | 238,143,895 |
| 5 | (d) | 5 years @ 7.0 % p.a. | 139,022,660 |

The repayment limit has been calculated based on data contained in the 2021 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, 2021 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 ⁵⁰ treasurer in the prescribed manner.

**Leases Approved by Council
as at December 31, 2022**

| Description | Council Approval Date | P.O.# | RFP # | Department | Annual Cost | Term | Start Date | Expiry Date |
|--|--------------------------------------|--------------|--------------|-----------------------------------|------------------------|-------------|-------------------|--------------------|
| Lambton Mall Library | 2012-08-16 | 180010 | | Property Department | 73,384 | 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 | 2022-12-31 |
| Leasing of bus tires | 2015-03-02 | 5108 /10154 | 15-103 | Sarnia Transit | 35,297 | 12 Years | 2015-05-01 | 2027-04-30 |
| Transit uniform | 2015-06-22 | 170004 | 15-105 | Sarnia Transit | 23,889 | 10 Years | 2015-10-01 | 2025-11-26 |
| 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 |
| Lochiel Kiwanis Centre | 2019-04-15 | | | Public Works | 10,813 | Annual | 2022-04-01 | 2023-03-31 |
| Total | | | | | \$ 308,483 | | | |



Sarnia
O N T A R I O

The Corporation of the City of Sarnia

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