

## PELHAM FINANCE AND AUDIT COMMITTEE MINUTES

**Meeting #:** PFAC-05/2020  
**Date:** Wednesday, October 28, 2020  
**Location:** Zoom Meeting

**Members Present:** John Wink, Chair  
Marianne Stewart  
Bill Crumm  
Michael Cottenden

**Members Regrets:** Ron Kore

**Staff Present:** Teresa Quinlin  
Charlotte Tunikaitis  
David Cribbs  
Belinda Ravazzolo

**Other:** Mayor Marvin Junkin  
Councillor Wayne Olson

---

### 1. Call to Order and Declaration of Quorum

Noting that a quorum was present, the Chair Wink called the meeting to order at approximately 4:11p.m.

To avoid constituting a meeting of Council, Councillor Wink suggested that the Mayor listen and not make comment and that Councillor Olson be allowed to speak as at the next Council meeting, Councillor Stewart will be proposing a motion to step down and be replaced on this committee by Councillor Olson. Councillor Stewart agreed. The committee agreed by consensus.

**Moved by** John Wink  
**Seconded by** Bill Crumm

**THAT Councillor Olson be able to verbally participate in the Pelham Audit Committee meeting.**

**Carried**

## **2. Approval of Agenda**

It was noted at this point that one member had not received the agenda package in advance. Councillor Wink questioned if this presented an unfair advantage. The CAO suggested that the member provide commentary to staff after the fact, if necessary. He and the committee agreed and decided to move forward.

**Moved By** Bill Crumm

**Seconded By** Michael Cottenden

**THAT the agenda for the October 28, 2020 regular meeting of the Pelham Finance and Audit Committee be approved, as circulated.**

**Carried**

## **3. Declaration of Pecuniary Interest and General Nature**

None.

## **4. Approval of Minutes**

September 9, 2020

**Moved By** Michael Cottenden

**Seconded By** Bill Crumm

**THAT the minutes of the September 9<sup>th</sup>, 2020 minutes of the Pelham Finance and Audit Committee be approved.**

**Carried**

## **5. Business Arising from Minutes**

None.

## **6. New Business**

### **6.1. 2021 Operating Budget**

Ms. Quinlin gave an overview of the budget as presented to the committee. Ms. Quinlin



stated that the budget is presented in a new format due to the implementation of the new Questica software giving it a more polished and professional look. Due to the pandemic, there are a lot of unknowns therefore the proposed budget is showing the best projections as speculated.

Ms. Quinlin stated that all of the 2021 special events are projected to happen and have been included in the budget. Although some reductions have been made in the RCW area, anything that Council has preapproved has been included in this budget.

The implications of the newly formed union in Public Works has been included in the budget as well as the introduction of the new benefit provider saving roughly \$43,000.

Some complements have been included; a fire training officer and a part to full-time IT person. Ms. Quinlin pointed out that the Town's fire department runs at the lowest cost amongst the Niagara Region.

All the East Fonthill land that was for sale has been sold. There are no new debentures in 2021. The old arena land has been sold and is projected to be finalized on December 9<sup>th</sup>.

The Town's total tax levy increase net of growth is at 4.71%. Increase to the reserves was only \$150,000 this year due to the transfer of \$962,000 of last year's surplus to the reserves. For the average household, a 4.71% increase means a \$90/year increase. The Treasurer discussed where the increases were coming from with the committee.

A member questioned where the staff lawyer cost was in the budget. Ms. Quinlin stated that only 40% of the position is shown on the budget as the position is shared with 2 other municipalities. The 40% is offset by a decrease in legal fees. That position is cost neutral to the budget.

A member asked if the new full-time IT position will be assisting the library with their IT needs. Ms. Quinlin said we are working towards that as their IT person covers library specific needs.

A member questioned what difficult decisions were made in order to balance the budget. Ms. Quinlin stated that with Pelham being a small municipality, we are one person departments so reducing staffing would be extremely difficult. It's a bare boned budget with cuts being made on travel. The CAO stated that the Town is proposing a budget that has a nominal increase of 1.75% for cost of living for the non-union staff and proposing no movement through the grid for merit based remuneration.

Ms. Quinlin stated that the goal was to stay under 5% increase to the tax levy. The other municipalities are trying to stay under that number as well.

A member asked if there would be any guess as to how the applications for the Covid phase 2 grant funding could that affect the budget. Ms. Quinlin replied that this budget does not include any Covid expenses that are not funded. The Town is assuming that we will be funded for the Phase II shortfall and if not, then it will be added to next year's

taxes.

The Chair suggested that what needs to be projected to residents is that almost half the increase was due to Covid.

A member stated that it's unfortunate that the good news story of savings is lost in the pie chart. He feels that it should be presented as the increase due to Covid was actually 60% but due to the savings, it was able to be reduced. Ms. Quinlin noted that she will portray that in her presentation to Council.

The Chair questioned if the Town receives no further funding from government, what is the anticipated shortfall for 2020? Ms. Quinlin suggested that it would be approximately \$250,000 relating to a 1.7% increase in taxes.

The Chair suggested that the \$90 average increase is misleading as the house values are based on 2016 MPAC. MPAC is behind one year in updating their assessment due to Covid and were given an extra year.

The Deputy Treasurer explained the assessment value done by MPAC. She explained that multiple factors are at play with regards to the property tax and the Town's portion of the property tax. The \$90 estimated increase is for the Town portion only, and does not include any changes related to education or the Region. The actual impact that residents will feel to their overall taxes will be the blended rate that results when those changes are known.

The Chair questioned why the Town is budgeting for events like Summerfest when it's unlikely to happen next year. He thinks that there may be some opportunity to reduce the tax burden by eliminating some of those expenses. The CAO explained that this is something that Council will need to explore and provide direction to Town staff on. The CAO stated that RCW is looking at adjusting their operational parameters and having micro events to fill the void of such big events.

The Chair questioned why Bylaw & Enforcement revenues are being reduced in 2021 when there may be opportunities to gather revenues from fines from issues such as Air B&B's and Cannabis. The Deputy Treasurer responded saying that there was \$14,000 of grant money that was a one-time funding amount towards Cannabis legislation and enforcement; therefore, reflecting the drop in this year.

The Chair asked why it shows that Council has an increase in pay when that hasn't happened? The CAO responded saying that they have drafted a 1.75% increase for cost of living for Council, as well as the new benefit plan for council and a council member taking a leave of absence with the request of not being paid. The Deputy Treasurer clarified that the increase to Council is based on the consumer price index rate of inflation. The Chair asked if this means a possibility of Council getting an increase higher than staff, and staff responded that it is possible.

A member questioned how much money would be put to reserves if following the reserve policy. The Treasurer stated that last year over \$400,000 was put into reserves.

The CAO stated that the Committee can make a recommendation to Council regarding the funds for the Emergency Management Consultant when a member asked why we have that when the Town won an award for its Emergency Management Plan. The CAO told the committee that this was not a staff initiative. The member questioned why the Town's in-house lawyer couldn't take care of some of the legal fees for Cannabis. The CAO stated that interviews for that position starts tomorrow and that there is a chance that the new hire will be well-suited for this opportunity.

The Chair asked whether all 7 cases have been assigned to lawyers. The CAO stated that most of the cases have had almost no movement whatsoever, therefore, he suspects that changes could be made if need be.

A member asked for clarification on the percentage related to non-recovered Covid cost. Ms. Quinlin confirmed that it is approximately \$250,000 (1.7%) and if not recovered, would be added to the 4.71% increase.

A member asked what the net tax levy impact is for the MCC compared to the original pro forma, is it the net deficit of \$1.5M? The Treasurer stated that the deficit is \$1.5M before taking into account pre-MCC RCW and Facility net costs of \$970,000, which are expenses that the Town was already incurring before the MCC was opened. The net impact was supposed to be \$200,000. The member questioned whether the cost of the screening process and other areas at the MCC necessary as the cost is driving up. The Treasurer and CAO stated that there have been approximately 15,000 people going through the MCC with no cases related to Covid. Some programming at the MCC has decreased due to Covid resulting in a \$230,000 reduction in revenue due to a variety of reasons.

A member asked whether there are any opportunities to increase revenues in advertising or other areas at the MCC. The CAO said that during this time of Covid, it would be the wrong time to increase costs in advertising as it would be affecting the local small businesses in the Town or may drive away user groups entirely and alternatively just do Zoom meetings. Staff reminded the committee that the facility rooms have very little bookings for gatherings at this time.

**Moved By** Michael Cottenden

**Seconded By** Marianne Stewart

**THAT the Committee accept the 2021 Operating Budget report.**

**Carried**

## **6.2. 2021 Water and Wastewater Budget**

The Treasurer gave an overview on the Water & Wastewater Budget, noting that the Town has the lowest rates in the Region despite the increases that have been

recommended due to the freeze the Town has had in place to the Water and Wastewater rates in the past. Council and Staff have recommended in the last few years to continue to follow the 2018 BMA Rate study in order to make sure that enough money is put into reserves for the future capital needs of the Town's Water/Wastewater system. The Niagara Region is bringing their Water/Wastewater Budget to Council some time in November and recommending a 2% increase which has been incorporated into the Town's budget. The Water shows an increase \$204,000 from prior year's budget to reserves and Wastewater with a \$290,000 increase.

A member questioned how long the rates expected to be imposed. Ms. Quinlin said that it's expected for 5 years and then another review will happen. He sees this as a justified rate increase to increase a transfer to the reserves.

**Moved By** Bill Crumm

**Seconded By** Michael Cottenden

**THAT the Committee accept the 2021 Water & Wastewater Budget.**

**Carried**

### **6.3. 2021 Capital Budget**

The Treasurer gave an overview of the 2021 Capital Budget. She said that the new Capital Financing and Debt Management policy and the Reserve and Reserve Fund policy help support this budget. She noted that when presenting to Council, they will go through it in detail but wanted to point out that items red-circled will not move forward without grant funding.

A member was looking for clarification on the red circled items. The Deputy Treasurer confirmed that secured grants would move forward and those not secured would need approval. He also questioned what level of vetting and review is done, knowing that Pelham is a low reserve municipality and trying to establish a greater transfer to reserve and also a high debt municipality. Ms. Quinlin explained that the Asset Management Plan will be extremely helpful in this regard. She used examples from the Public Works pavement condition index, knowing which roads need to be improved; also bridges and culverts and fire equipment/gear which are legislated items. The Town doesn't have enough money to replace all the items that need replacement, so a list of what is crucial is necessary.

The Chair spoke about the postponement that Council had made of the roundabout at Station and Summersides, he questioned what happened to the money that was allocated for that. Ms. Quinlin confirmed the project was cancelled by Council and taken off the list; the money was never reallocated as the Town didn't have it to begin with. The Treasurer confirmed the Director of Public Works asked for a 4-way stop at that

intersection instead; money has been set aside for that.

The Chair questioned about money being allocated for a possible roundabout at Station and Port Robinson for extension to Kunda Park & Forest Park. Ms. Quinlin will follow up with the Director of Public Works as she doesn't believe it is in the Town's budget. He will address it at the next Council meeting.

The Chair asked if the Town has any outstanding CIP agreements. The Deputy Treasurer confirmed that the Town does and explained that they will still be active for roughly 10 more years. The CAO confirmed that there are no active programs that a resident can apply for under CIP but the Town does have legacy ones from the past.

### **Debentures**

The Treasurer explained that the Town issued their last debenture on October 1<sup>st</sup> for \$3.45 million to finish off the construction bridge loan. The debt will not be increasing for 2021.

Once the asset management plan is done next year, strategizing will need to be done to see how the capital projects will be paid. Ms. Quinlin commented that although there is a lot of grant funding now, she has noticed a pattern where money comes in to stimulate the economy and then nothing for a long time. The Town is at the high risk in comparison to other municipalities on some of the debt-related financial indicators.

A member commented that the graph is helpful in telling the story. The indicator looks like the Town will be moving in the wrong direction; he strongly suggested Council consider this before approving budgets. Concerned that we are not even out of the calendar year and already discussing violating the reserve and debt policies.

Ms. Quinlin stated that based on all capital requests that the Town has, if the reserves are not addressed, this will be a significant problem moving forward.

The Deputy Treasurer commented on the risk level of the development charge debt, where debt payments equal approximately half of the projected collections on a good year, showing what little is left. The graph assumes that the Town is increasing the transfer to reserves every year. With the help of the Asset Management Plan, it will help to indicate the timing of the projects.

### **Reserves and Reserve Funds**

The Treasurer explained the documents pertaining to reserves and reserve funds.

A member suggested extending the life of the assets but seems that the Town's assets are already extended.

Ms. Quinlin reminded the committee that they have the policies which presents a road map to Council in the direction of where the Town should be going.



The CAO reminded the committee that the increase of 4.71% includes unique cannabis related expenditures and is during a Covid year.

A member commented that he appreciates that the Town is moving on with the asset management plan, allowing for timing and amounts to be more predictable, eventually reaping the benefits of that in the future.

The Treasurer noted that Pelham is one of the first municipalities to approve the budgets this early. This will help the Town's chances at getting better prices by going out to tender early.

The Deputy Treasurer stated that although the Town needs to understand the seriousness of the situation, we also need to understand that we are not alone, which is why the province has mandated that municipalities complete their asset management plans. We will seek grant funding, complete the asset management plan, and put everything in place to ensure that the Town can move ahead.

A member questioned if the relief will only be for current fiscal year for Phase II grant funding, which the Treasurer confirmed. He thought it was important to note that the net result of the end of the year financials could help establish a greater allocation to reserves.

A member wanted to note that although no debt is being identified as required for 2021, it was signaled in the budget from a multi-year perspective it is coming, due to future capital needs with insufficient reserves and no cash. Being proactive will allow the Town to manage accordingly, where being reactive will create the further need for debt and deferral of replenishment of reserves. He suggested revisiting this risk as part of the proposed budget plan.

He also stated that understanding the operating pressures, having the proposed tax rate increase with very little allocation to address the financial sustainability of the Town and work toward the replenishment of reserves to meet future needs is the first misstep in his opinion. Shortening the current 20-year time horizon reserve target when possible will help further mitigate additional debt in the early years as servicing this debt will continue to pose additional pressure on the operating budget in future years.

The Chair wanted to extend his appreciation and understanding of the hard work involved in getting the budget complete.

Ms. Quinlin said that it was a great team effort but wanted to ensure that the Deputy Treasurer be recognized for her time and effort in the implementation of the new software system.

**Moved By** Bill Crumm

**Seconded By** Michael Cottenden



**THAT the Committee accept the 2021 Capital Budget.**

**Carried**

**7. Audit**

None.

**8. Operating Financial Report**

None.

**9. MCC Operating Financial Report**

None.

**10. Transit Operating Financial Report**

None.

**11. Capital Report**

None.

**12. Reserves**

None.

**13. Financial Risks**

**13.1. COVID-19 Update (Verbal)**

The Town is applying for the Phase II grant, working on the final report and it will be submitted.

**Moved By** Michael Cottenden

**Seconded By** Bill Crumm

**THAT the Committee accept the COVID-19 Update Report.**

**Carried**

**14. Unfinished Business**

None.

**15. Next Meeting – Wednesday, November 25, 2020 at 4:00pm**

None.

**16. Adjournment**

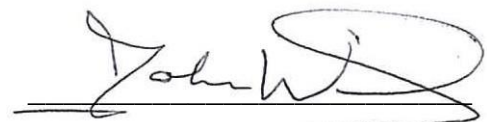
**Moved By** Michael Cottenden

**Seconded By** Bill Crumm

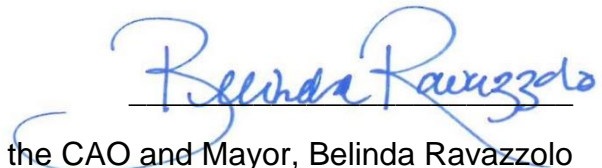
**THAT this Regular Meeting of the Pelham Finance and Audit Committee be adjourned.**

**Carried**

The meeting was adjourned at approximately 6:06pm.



Chair, John Wink



Executive Assistant to the CAO and Mayor, Belinda Ravazzolo