



Treasurer's Report

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November 29, 2017

Agenda

- Introduction
- Financial Update
- Risk Analysis
- Financial Strategic Direction
- Closing Remarks

Introduction

- 35 years experience: Public Accounting (9), Profit Corporation (3), Post Secondary (21), Consulting (2)
- Niagara College: Corporate Services staff 180, operating budget of \$160 M, capital budget \$90 M, over 9,000 students at NC
- Accountable for: Finance, Information Technology, Human Resources, Facilities Management, Security & Emergency Preparedness, Ancillary Services, Institutional Planning & Research, Sustainability, Capital, Risk Management, Strategic Planning, Continuous Improvement & Change Management
- Board of Governors experience (Audit, Investment, Treasurer)
- Volunteer on 8 boards in the Niagara Region

Financial Update

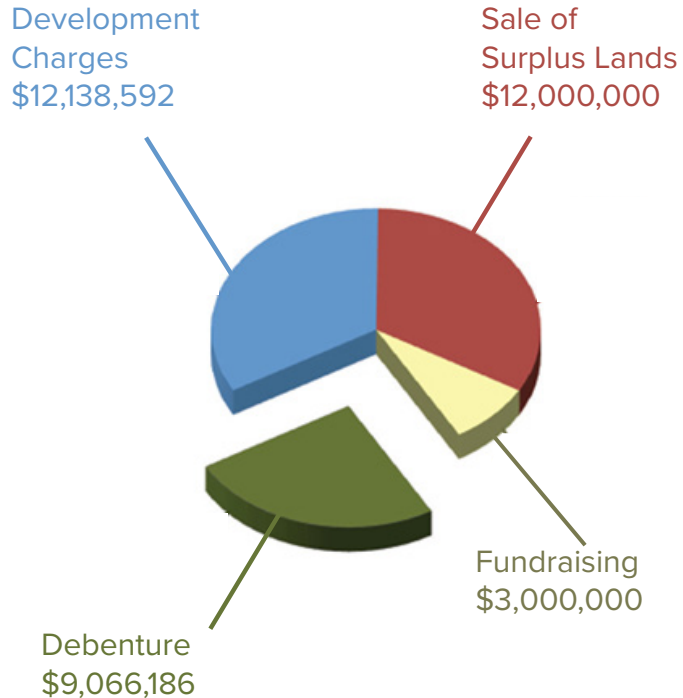
1. Current Year Status
2. Pelham Community Centre
3. Capital Projects
4. Long-term Debt
5. Cash Position
6. Cash Strategies

1. Current Year Status

The projected December 31, 2017 year end results are in line as compared to budget. The Third Quarter Report was presented at the November 20 Council Meeting (available on-line).

Q3 Report - now available

2. Pelham Community Centre (PCC)



To date:

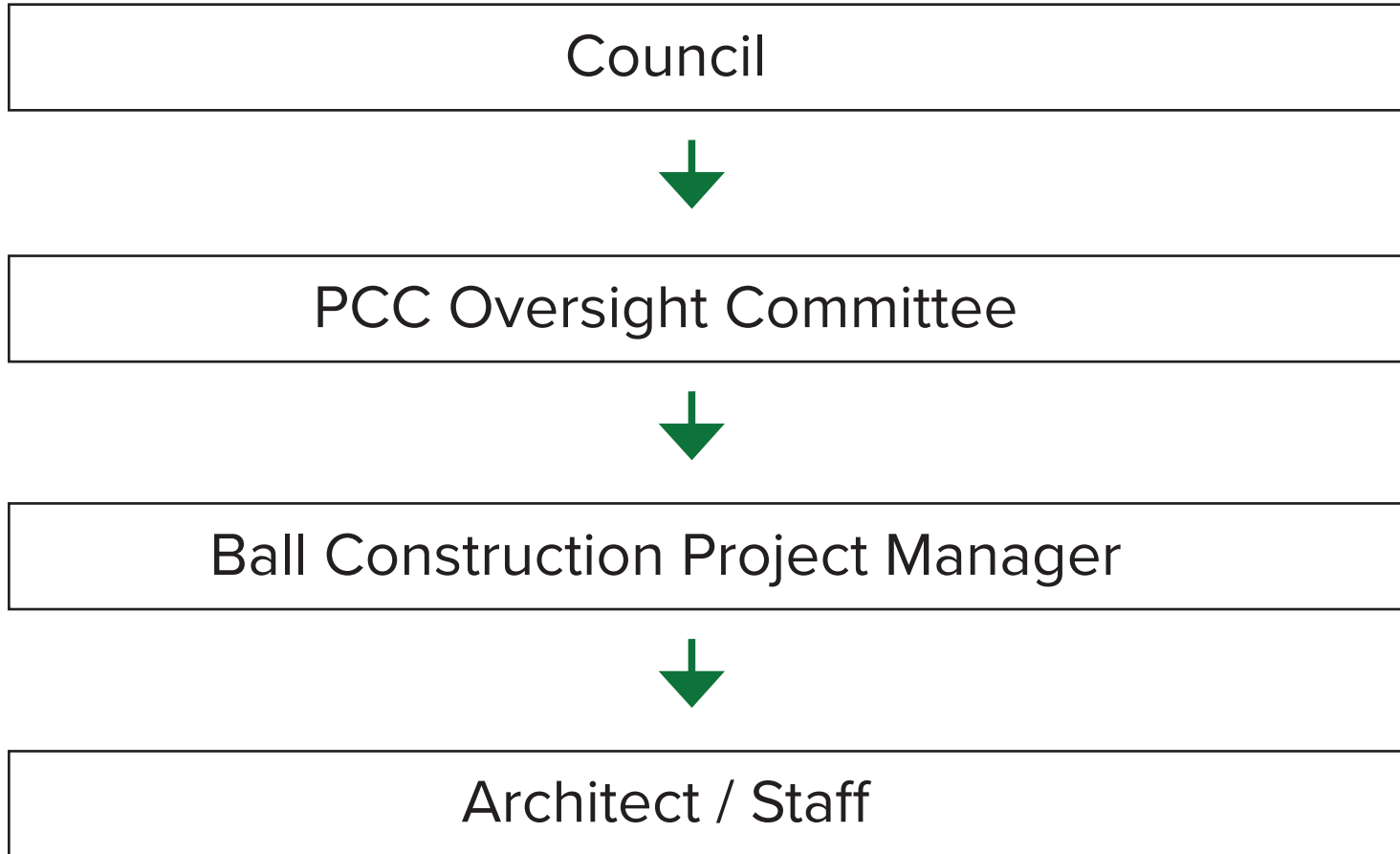
Debt Issued	\$21,204,758
Donations	\$231,000
PCC Reserve	\$1 million
(includes interest revenue on debentures received)	

Land is up for sale, proposals to be received on Dec 14

2. Pelham Community Centre

Debenture # 1 issued Dec 2016	\$9,066,151
Debenture # 2 issued July 2017	<u>12,138,577</u>
	<u>21,204,728</u>
Expenditures to October 31, 2017	<u>(15,731,768)</u>
Debenture # 2 balance	<u>\$5,472,960</u>
Pledges committed	\$1,700,000
Substantial Completion & Occupancy is June 1, 2018	

2. Pelham Community Centre



3. Capital Projects

Decisions regarding the development of East Fonthill happened a decade ago. As a result, the Town has invested monies to kick start this development. These capital projects were initially approved to be funded through debt payment. The debt has not been issued to date and current funds were used.

The nature of these projects is such that funds will be ultimately recovered from the developers when the subdivisions are developed.

3. Capital Projects

2017 capital projects approved is \$7.8 M

The Third Quarter Capital Report was presented at the November 20 Council Meeting (available on-line).

Ongoing projects:

- New road from Summersides Drive to Wellspring Way
- East Fonthill sidewalks and curbing
- Maple St. bridge replacement
- Hurricane watermain replacement
- Marlene Stewart Streit Park pool repairs
- Tice Road
- Rice Road
- Road repair work

4. Existing Long-Term Debt

Debenture	Purpose	Projected Balance at Dec. 31, 2017
67-2009	Centennial Park	\$ 47,000
83-2011	Haist & Pelham St	749,829
73-2012	Haist St & Rice Rd	427,000
72-2013	Effingham & Hwy 20	447,859
78-2014	Pelham St & Fire Stn #2	1,287,423
75-2015	Fire Station #3	2,710,000
72-2016	Pelham Community Centre	8,886,690
35-2016	Fenwick & Port Robinson	5,211,271
55-2017	Pelham Community Centre	12,138,592
	Demand Instalment Loan	1,577,778
		\$ 33,483,442

4. Future Long-Term Debt

Project Description	Year of Debt Issuance	Year of Debt Repayment	Debt Amount	Estimated Annual Payment (5%, 10 years)
REC 12-13 Predevelopment Costs for new facility	2019	2029	\$ 1,000,000	\$ 129,505
RD 29-14 Wellspring Way/Shaw Ave Construction	2019	2029	5,400,000	699,325
FAC 09-15 Maple Acres	2019	2029	463,425	60,016
RD 01-16 Pelham St./Hurricane Storm Water	2019	2029	165,000	21,368
RD 02-16 Summersides East to Rice Rd	2019	2029	2,473,963	320,390
RD 01-17 Summersides: Station to Wellspring	2019	2029	417,754	54,101
			\$ 9,920,142	\$ 1,284,704

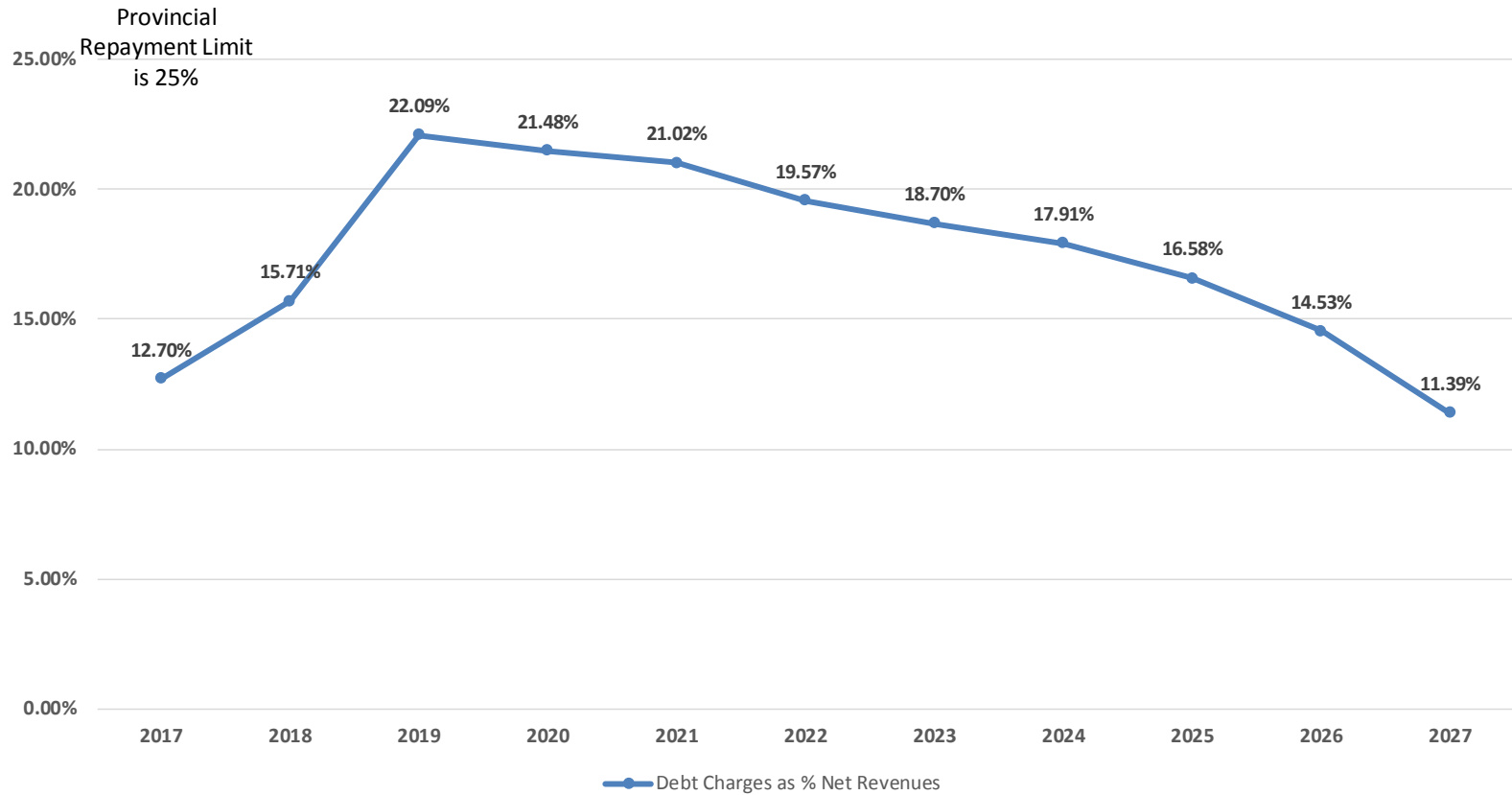
*Note that the short-term borrowing for the Pelham Community Centre has been excluded, as it will be borrowed and repaid in under one year.

4. Long-Term Debt

- The annual debt and financial obligation limit for municipalities is determined from Ontario Regulation 403/02 of the Municipal Act 2001.
- The Town has no choice but to stay within these limits, unless OMB approval is obtained.
- Annual Repayment Limit (ARL) is calculated as: 25% of Town Operating Revenues less debt charges (estimated \$2.2M for 2017).

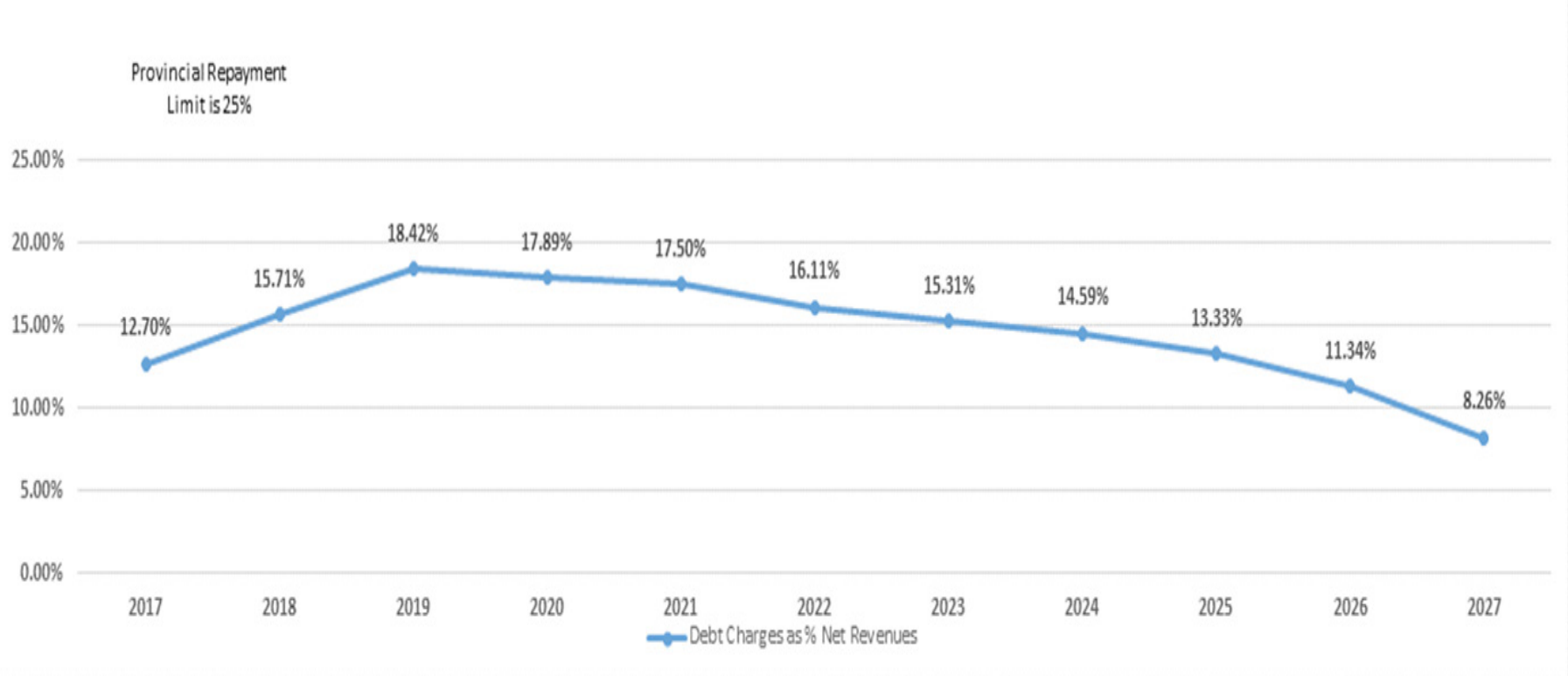
4. Long-Term Debt

Debt Limit Projection - Assuming \$9.9M debentures issued in 2019



4. Long-Term Debt

Debt Limit Projection - Assuming \$5M debentures issued in 2019



5. Cash Position

For the last 7 years since 2010 (first year of bank indebtedness), the cash has been spent on acquisition of tangible capital assets \$61M, and funded by:

- Issuance of long-term debt \$23M
- Transfer from reserves, grants and Development Charges \$28M
- Operating funds \$10M (financing outstanding)

Projected cash balance at December 31, 2017 will be minimal with bank indebtedness \$3M.

5. Cash Position

Balances at December 31, 2016	
Deposits & Deferred Revenue	\$ 1,864,319
Deferred Revenue-obligatory reserve	3,398,984
	5,263,303
Reserves	5,828,384
Total	\$ 11,091,687
Cash (excluding debenture funds)	\$ 258,545
Bank indebtedness	(1,800,000)
Total	\$ (1,541,455)
Future Financing to be Received	
Long-term Debt	\$ 9,920,142
To be recovered from Developers	7,800,000
Total	\$ 17,720,142

5. Cash Position

- ◆ There is no requirement under the Municipal Act or Town Policy for the Town to maintain cash or liquid assets equal to the balance of deposits and non-obligatory deferred revenue and reserves.
- ◆ The deferred revenue-obligatory reserve funds are required to be supported by a cash balance; however, the Town is permitted to borrow against these funds as long as interest is allocated. Interest is being allocated by the Town.

6. Cash Strategies

(1) Timing Issues

- These transactions are related to timing issues of \$7.8M.
- Timing issue means that there was an outlay of cash in the present but it will be fully recovered in the future.

6. Cash Strategies

(2) Phasing-in Capital Projects

- Capital projects in East Fonthill are being phased over the next several years.

6. Cash Strategies

(3) Town is growing, new tax revenue

Current subdivision development projects:

- River Estates (124 units)
- Saffron Meadows (63 single units & 124 Town houses)
- River Estates Condo (150 condos)

Total estimated new property tax revenue for the Town portion is:

\$730,000 per year

(6% increase from 2017 property taxes)

6. Cash Strategies

(4) Development of land

Development of East Fonthill 19 acres of mixed-use commercial and residential land will generate an estimated

\$330,000 in property taxes

6. Cash Strategies

(5) Review all grant options

- In the process of reviewing new grant applications for capital grants
- We have submitted a grant application for the OCIF Top-Up grant for \$1.2M for Pelham St. Storm construction project.

Risk Analysis

What is the risk to the Town for having invested its cash into tangible capital assets?

There is value in upfronting the costs for the East Fonthill Development for future development and growth which is currently being realized in new subdivisions, commercial & residential growth.

The costs invested will be recovered:

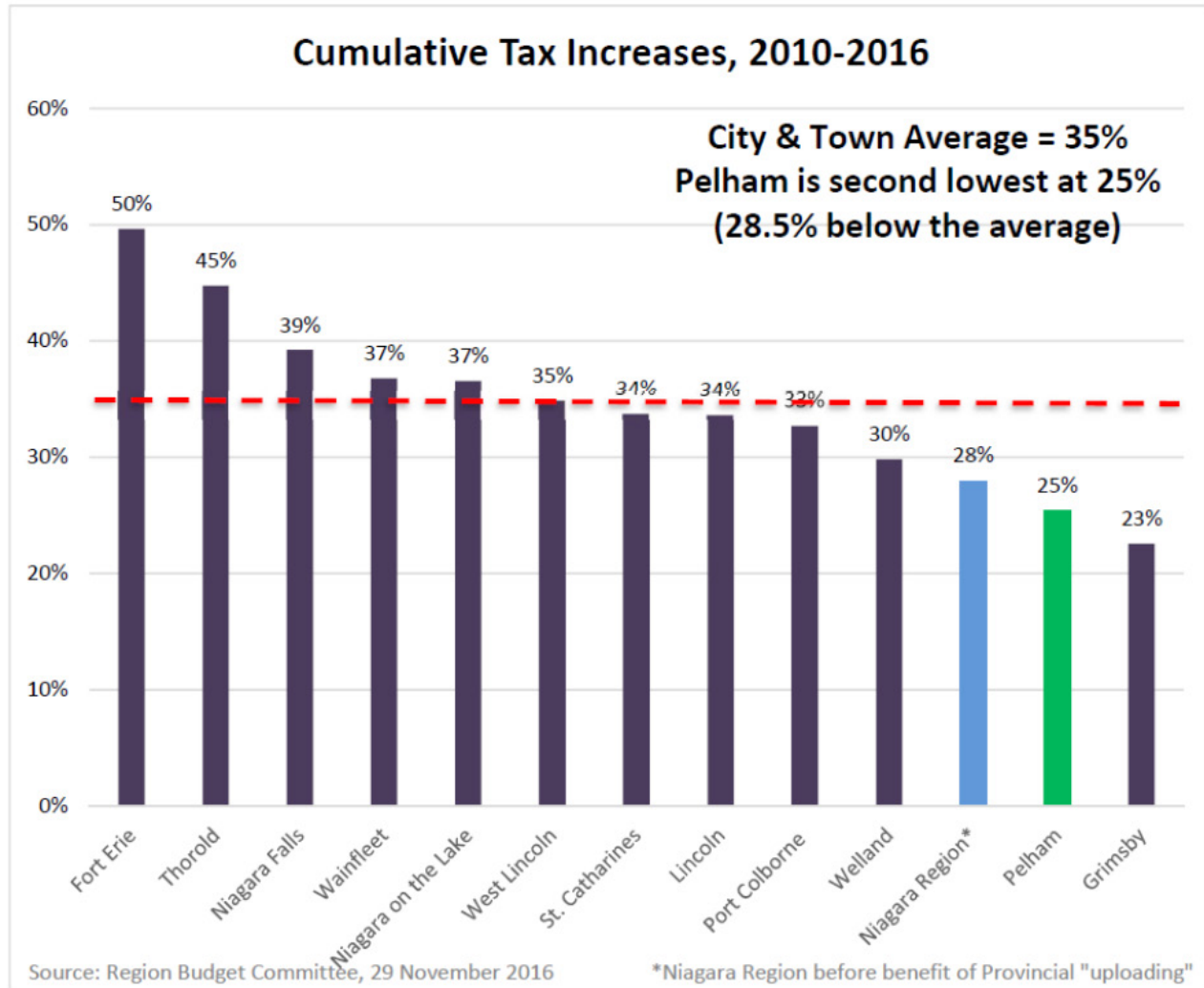
Parkland (developers)	\$3,600,000
Stormwater Pond (developers)	1,400,000
Wellspring remnant land (sale)	1,100,000
Summersides Road (developers)	<u>1,700,000</u>
Total	<u>\$7,800,000</u>

Risk Analysis

Will the property taxes be directly impacted?

We have made investments in our infrastructure to facilitate new growth. This will be repaid by the developers as discussed and result in a new assessment base and property taxes from new residents.

Risk Analysis



Audited Financial Statements (F/S)

- ◆ All debt issued to date has been recorded in the F/S.
- ◆ The Town has had a net debt position (liabilities are higher than the financial assets) for the last 7 years since 2010.
- ◆ All audit F/S for the Town in all the years have had an unmodified (clean) audit opinion which means that the F/S are not materially misstated.
- ◆ The Town has always issued its F/S in June. The Financial Information Return (FIR) is then sent to the Ministry.

Provincial Partnership

- ◆ Contact with Municipal Advisor from Ministry of Municipal Affairs
- ◆ Reviewed Financial Ratios
- ◆ We requested a visit in January 2018
- ◆ They will provide best practices

Financial Strategic Direction

1. Replenishing the cash balances
2. Complete the Community Centre
3. Complete the Town's Development obligation of East Fonthill

Strengthening Financial Policies & Reporting

1. Reserve and Reserve Fund Policy
2. Debt Management Policy
3. Cash Management Policy
4. Risk Management Framework
5. Update Asset Management Plan

Closing Remarks

