

Date: 22, May, 2024
Time: 9:00 am
Location: Council Chambers, Town Hall

Attendance: Wayne Olson, Councillor
John Wink, Councillor
Brian Eckhardt, Councillor
Michael Cottenden, Member
Bill Crumm, Chair

Other: Trevor Ferguson, Deloitte

Staff Present: David Cribbs, CAO
Teresa Quinlin-Murphy, Director of Corporate Services & Treasurer
Usama Seraj, Manager of Financial Services & Deputy Treasurer (9:05am)
Belinda Ravazzolo, Secretary/Andrea Metler, Minutes

Regrets: Caroline Mann, Member

1. Call to Order and Declaration of Quorum

Noting that quorum was present, Chair Bill Crumm called the meeting to order at approximately 8:55 am.

2. Land Recognition Statement

The Chair, Bill Crumm recited the land recognition statement.

3. Approval of Agenda

The Chair brought forth an amendment to the agenda to included discussion on the following two items 5.1 Business Arising From Minutes and 11.2 Regular Business

Moved by Member Michael Cottenden
Seconded by Councillor John Wink

That the agenda for the May 22, 2024 regular meeting of the Pelham Finance and Audit Committee be adopted, as amended.

Carried

4. Declaration of Pecuniary Interest and General Nature

There were no pecuniary interests disclosed by any of the members present.

5. Approval of Minutes

January 31, 2024

5.1 Business Arising From Minutes

The Chair noted that there was a commitment from staff to bring back the 10-year Capital Plan as an agenda item for the May Pelham Finance and Audit Committee (PFAC) Meeting. He requested that this item be discussed at the next Pelham Finance and Audit Committee meeting.

The Treasurer commented that they wanted to bring the 10-year plan to Council to show that it is in the Capital Budget. In the first quarter, staff had several meetings and went through each line item in detail to check that it was the right budget for each particular project. The updated 10-year plan is now helping our 2025 budget. The Treasurer further commented that the Town has consultants, Watson and Associates taking the updated information and using it to update the DC background study for funding. Once staff know which projects are funded by the DC study, they can then review the Reserves and Debt and show how the Town is going to fund the \$185 million commitment over the next ten (10) years for these projects and will show it to the Audit Committee first. Council was provided the updated list for of the 10-Year plan for the 2025 Budget.

The Chair asked if staff had an update from the Consultant about different rate structures for the water? The Treasurer noted that she did not have an update and would provide one.

The Chair asked if a Committee Work Plan was created for this Committee to align dates and timing when information is being brought forth to the PFAC Committee. The Treasurer commented that PFAC meetings were aligned with the budget schedule. The Chair noted that these meeting dates were not put in the Agenda.

The CAO commented that staff were distracted by the DC study and the 10-year plan. He mentioned that the current Debt Policy does not speak to what the Town is to do with future debt and the policy was created in an almost zero interest environment. He further commented that Staff want to have this discussion with members of PFAC prior to going to Council and that staff have not lost the principle of needing guidance from PFAC members but the order got mixed a bit for Q1 and Q2, but the early fall PFAC meeting will be critical for budget guidance.

Staff will provide an update to the Pelham Finance and Audit Committee on the following items at the next scheduled meeting September 25, 2024:

1. 10-Year Plan
2. Staff to follow up with the Consultant in regards to different rate structures for water
3. PFAC Committee Workplan- align dates and timing of information that is being brought forth to the PFAC Meeting
4. Staff will ensure that items from meeting minutes are placed on the next meeting Agenda.

Moved by Councillor Wayne Olson
Seconded by Councillor Brian Eckhardt

THAT the minutes of the January 31, 2024 Pelham Finance and Audit Committee be approved and the Business arising from the minutes be received for information.

Carried

6. Audit

6.1. 2023 Audited Consolidated Financial Statements

The Treasurer provided an overview of the 2024 Audited Consolidated Financial Statements and the Management Summary of the 2023 Financial Overview with the Finance and Audit Committee.

The Treasurer highlighted to the Committee that she is pleased with the taxes receivable number. A huge effort was made by the Tax Clerk, Revenue Analyst and both the Treasurer and Deputy-Treasurer on collections and this year staff have sent registered arrears letters for properties with greater than three (3) years of taxes owing. Staff have called property owners and made payment agreements with them. The Town has seven (7) properties currently registered with Real Tax, and owners have three hundred and sixty-five (365) days to pay the outstanding amount before the property is put up for sale. The Town does not want to have to sell the properties but it is to let the property owners know to take this serious. Out of seven (7) properties, five (5) have responded and are trying to make payments and two have not responded.

User Charges and Receivables have increased a bit. In the past, the Town use to shut off water, since COVID this changed and the Town does not shut off water anymore. Most municipalities do not shut off water, it is considered a necessity. Older arrears are put on the property taxes.

The Treasure pointed out that the Town was able to pay off the demand loan balance of \$900,000 this year due to having extra money with Supplemental and Interest Revenues. The Treasurer noted that bringing the debt balance down has been a goal of the Town since she has been Treasurer. The Treasurer highlighted that she is very proud of the Town for the tremendous accomplishment in reducing the net debt from \$33.3 million in 2019 to \$10 million five years later.

Moved by Councillor Wayne Olson

Seconded by Councillor John Wink

THAT the Committee received the 2023 Audited Consolidated Financial Statements for information.

Carried

6.2. Management Summary of 2023 Financial Overview

Moved by Councillor Brian Eckhardt
Seconded by Member Michael Cottenden

THAT the Committee received the Management Summary of 2023 Financial Overview for information.

Carried

7. Resolution to Move In-Camera

THAT the next portion of the meeting be closed to the public in order to consider a matter under Section 239 (2) of the Municipal Act, as follows:

(b) – personal matters about an identifiable individual, including municipal employees; and

(j) – a trade secret or scientific, technical, commercial or financial information that belongs to the municipality or local board and has monetary value or potential monetary value.

Trevor Ferguson vacated the meeting after the In-Camera Session.

8. Operating Financial Report

8.1. Report to Council: May 29, 2024, December 2023 Financial Reporting

The Treasurer noted that this is the December Q4 Report that will be presented to Council on May 29, 2024.

A member questioned whether the investment income should not be put on the levy but rather as a consideration for adjustment due to a budget of \$10,000 and an actual of \$8,078. The Treasurer responded that the 2024 budget was increased to \$500,000; interest rates increased significantly from one year to the other and the Town had almost \$11 million dollars in capital projects that were carried forward. That is why

the Town had a lot of extra money and this was adjusted for 2024. A member commented about a budget of \$970,000 to \$2.7 million and asked about how to close the gap on some of the other budget variances as well. The Treasurer commented that Supplemental Revenues number fluctuates year to year and depends on activity happening. The 2022 actuals were \$300,370; 2023 were \$730,000 and 2021 were under \$300,000, and last year was a really good year. This year, Staff are budgeting \$300,000 in 2024 from \$200,000 last year. Between \$100,000 in supplementals and a \$500,000 increase in interest, it went up \$600,000 in those two (2) line items which offsets the tax levy but we need to remain conservative with this.

A Member asked the Treasurer about profitability by segregation. The Treasurer responded that the budget is done that way, there are cost centres for each one. The Member further questioned if there was a way to show that to this Committee and that it may also be advantageous to Council, to show the running deficits when looking at a financial position of an activity. An example was provided from the Recreation, Culture and Wellness (RCW) Department in terms of the revenue brought in versus the expenses paid out. The member noted that it is a different lens to look at than just looking at revenue and isolation of expenses for that same type of segment. The Treasurer pointed out that staff reports show the revenue; the expenses and what the deficit and surpluses are and these reports can be provided to members if interested or Staff can do a separate summary. The Deputy Treasurer commented that these more detailed reports can be provided as an appendix. The Member responded that that kind of detailed reporting was not needed only the additional information of total revenue, total expenses and a net position on each one. The reserve schedule and statements show a \$300,000 loss as of December 31st and the Town should be looking at that to see what are their loss leaders or what are and what are not to be cost recovery type services and are they being delivered in a way that the Town is recovering cost and charging appropriate fees.

The Treasurer informed PFAC members that the Town has hired Watson and Associates to do a fee study on Recreation, Planning and Engineering fees to look into this. A Member would like to see the total revenue, total expenses and in the event of a deficit then greater analytics. The Treasurer noted that Staff can summarize the direct contributions that they get monthly. The member further commented that the consolidated

schedule segment operations for RCW ran a \$303,000 deficit and the previous year it broke even. This is good information for Council to be aware of and to question what staff are doing that is a sunk cost; putting pressure on the Town's financial budget and what can be done to alleviate from going back to tax levy all the time. Furthermore, review the user fees and charge the people appropriately for what they are using it for. A member commented that Recreation is a loss leader, the community center will never be profitable. The member further commented that they like the fact that a study is being done on user fees. A Member commented it is about creating awareness on different segments that will never be profitable and controlling how far in the red they are in and manage it from that perspective and to be aware of areas that are expected to break even or create profit.

Moved by Councillor Wayne Olson

Seconded by Councillor John Wink

THAT the Committee received the Operating Financial Report for information.

Carried

9. MCC Operating Financial Report

9.1. December 31, 2023 MCC Report

Treasurer noted that the Meridian Community Centre (MCC) report had a budget of almost \$1.5 million deficit and the Town came in at almost \$1.4 million. The good news story is that the Town has reduced the deficit by \$100,000. Overall, the MCC was under \$100,000 from what was budgeted due to increase in revenue.

Moved by Member Michael Cottenden

Seconded by Councillor Brian Eckhardt

THAT the Committee received the MCC Operating Financial Report for information.

Carried

10. Capital Report

10.1. December 31, 2023 Capital Report

Treasurer highlighted that in 2023 between carry forward numbers and the budget in that year, the Town had almost \$24 million worth of projects. The actual and committed at the end of December was \$21 million dollars and the carry forward was \$7.5 million dollars. Teresa Quinlin-Murphy further commented that there were several large projects completed this year and last year the carry forward was \$11 million dollars. The Town is working hard to complete these projects and many will be completed this year. For 2024 projects all the RFP and Tenders are out and done except for two (2).

Moved by Councillor Wayne Olson

Seconded by Councillor John Wink

THAT the Committee received the December 31, 2023 Capital Report for information.

Carried

11. Regular Business

11.1. 2025 Draft Budget Schedule

The Treasurer highlighted that the 2025 Draft budget schedule was sent out to PFAC members. This year staff are trying to bring the budget to Council a week earlier. The impact to this Committee, would be to bring the Capital and Operating budget on October 30, 2024 and the Water and Wastewater budget on January 29, 2025 for review. All the PFAC meetings have been changed to 9 am as per what was requested and this is working out well. The Draft Capital and Operating budgets to Council and PFAC for review October 23, 2023 which is 2-3 weeks earlier. A Member asked when staff start the budget process and the Treasurer responded that staff start having meetings in June. The 10-year plan has already been updated and Staff are already way ahead for the 2025 Capital Budget.

11.2. Target Setting around Tax Levy

A Member pointed out that an email from a Committee member was sent in advance of this meeting about target setting around tax levy. Staff starting in June should have some level of direction or upset limit and this is a discussion at Council to task staff about not wanting to see a tax increase for budget and the need to work within a parameter. A Member commented that there is a beneficial impact of knowing in advance what the target should be, trying to make it as low as possible. It is a philosophical conversation on how to set a budget. There is merit for setting a target and also a limitation on how that can be used for Staff. The Treasurer pointed out that when Staff go through the budget process, they go through every line with a fine-tooth comb. The Treasurer and Deputy Treasurer meet with both staff Directors and Managers. The Treasurer noted that 80% of the budget is salaries and there is a three percent (3%) increase because the collective agreement has a three percent (3%) increase so that has to at least be matched. The benefits and insurance increase and can not be cut back and then Staff try to build up the reserves by an increase of two percent (2%), which combining these two items increases it to 5%. Staff go line by line and look at three (3) years actual and the current year to see where things are going and try to adjust that number and we do this as a finance team with budget holders and it seems to work really well. Staff try to bring the number down as low as possible and when it is given to Council there could still be cuts which is fine, but it is very clear and transparent to Council. The Treasurer pointed out that she does not favour the targets because it impacts the service levels and she has heard that other municipalities do use targets and that they start with a certain percentage and windle it down. The Treasurer further commented that she does not think this way is a good use of time.

Through discussion, the Committee was fine with the budget process.

Moved by Councillor John Wink
Seconded by Councillor Brian Eckhardt

THAT the Committee received the 2025 Draft Budget Schedule for information and Regular Business: Target Setting around Tax Levy.

Carried

11.2. 2024 Meeting Dates

Through discussion, Staff will circulate the Final 2024 meeting/workplan dates to the Committee via email:

September 25, 2024 – 10-year plan and the debt policy update

October 30, 2024 - Capital and Operating Budget

January 29, 2025 – Water and Wastewater Budget

Audit planning to be included in the October 30, 2024 meeting with the Capital and Operating Budget and the Treasurer will notify the Auditor for this meeting.

Moved by Councillor Brian Eckhardt

Seconded by Member Michael Cottenden

THAT the Committee discussed the 2024 Meeting Dates and that the final workplan come back to the Committee for information purposes.

Carried

11.3. Staffing Levels Report

The CAO commented that he does not foresee a lot of future growth in the leadership/management side at the Town to the extent of the growth that will happen. Future growth realistically will dovetail with the population growth. The report shows that the Town has grown by less than the levy growth and the Town has used technology very well. This organization is more efficient than it was ten (10) years ago. The Treasurer has championed a number of initiatives to look at internal processes and she has done a lot to champion technology across the organization. When you look at department size, provision of service and people on the sunshine list, the picture is that the Town tries to use technology wherever we can. There is some office sharing and this small building never feels overfilled. Most of the Town's growth will be at the front staff level.

A Member commented that last year the Committee received a recreation report and fundamentally the Town hired a number of additional staff for the RCW department and rearranged some positions, but the piece missing was a Manager, and questioned whether the Town was still looking for a Manager. The CAO commented that the Town has not increased the leadership team in five (5) years and this position will be built into the next budget as per Council direct. There will be one (1) Manager position and that report has a three (3) year phase-in and phase 1 has been completed and phase 3 will be another part-time person. The Treasurer commented that the Town Solicitor position was an offset to external legal fees and one hundred percent (100%) funded. It was a huge savings and the CAO agreed.

A member commented that it was interesting that the Town had an external agency do a report on their staffing levels which are somewhat irrelevant because the external agency told the Town that they are the right size. The Treasurer noted that the Town was the right size last year. The CAO pointed out that we only ask for jobs when we have a business case and we have not asked for something that we do not have a business case for. Technology is the solution.

Moved by Member Michael Cottenden
Seconded by Councillor John Wink

THAT the Committee received the Staffing Levels Report for information.

Carried

12. Financial Risks

None.

13. Adjournment

Moved by Councillor Wayne Olson
Seconded by Member Michael Cottenden

THAT this Regular Meeting of the Pelham Finance and Audit Committee be adjourned at 10:40 am.

Carried



Chair, Bill Crumm



Admin. Assistant, Corporate Services, Andrea Metler