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The Regional Municipality of Durham

MINUTES

FINANCE & ADMINISTRATION COMMITTEE

Tuesday, January 15, 2019

A regular meeting of the Finance & Administration Committee was held on Tuesday, January 15, 2019 in the Lower Level Boardroom (LL-C), Regional Headquarters Building, 605 Rossland Road East, Whitby, Ontario at 9:30 AM

Present: Councillor Foster, Chair
Councillor Collier, Vice-Chair, left the meeting at 10:59 AM on municipal business
Councillor Ashe
Councillor Drew, left the meeting at 11:18 AM
Councillor Leahy
Councillor Mulcahy, attended the meeting at 9:33 AM
Councillor Nicholson
Regional Chair Henry, attended for part of the meeting

Also

Present: Councillor Marimpietri, attended for part of the meeting
Councillor Joe Neal
Councillor John Neal, attended for part of the meeting

Staff

Present: E. Baxter-Trahair, Chief Administrative Officer
S. Austin, Director, Corporate Policy and Strategic Initiatives, Office of the CAO
D. Beaton, Commissioner of Corporate Services
J. Demanuele, Director of Business Services, Works Department
J. Hunt, Director, Legal Services, Corporate Services – Legal
B. Kelly, Manager, Sustainability, Office of the CAO, attended for part of the meeting
W. Leonard, Director, Durham Emergency Management Office, Office of the CAO, left the meeting at 11:06 AM
S. Munns, Director, Corporate Communications, Office of the CAO
L. O'Dell, Director, Departmental Services, Corporate Services – HR
V. Patterson, General Manager, DRT, attended the meeting at 9:37 AM
N. Pincombe, Director, Business Planning, Budgets and Risk Management, Finance Department
J. Presta, Director of Environmental Services, Works Department
S. Rashad, Systems Support Specialist, Corporate Services – IT
M. Simpson, Director, Financial Planning and Purchasing, Finance Department
N. Taylor, Commissioner of Finance
R. Walton, Regional Clerk/Director of Legislative Services, Corporate Services – Legislative Services, attended for part of the meeting

L. Fleury, Legislative Officer, Corporate Services – Legislative Services

1. Declarations of Interest

There were no declarations of interest.

2. Adoption of Minutes

Moved by Councillor Leahy, Seconded by Councillor Ashe,

- (1) That the minutes of the regular Finance & Administration Committee meeting held on Wednesday, December 12, 2018, be adopted.

CARRIED

3. Statutory Public Meetings

There were no statutory public meetings.

4. Delegations

4.1 Mr. Greg Milosh re: the 2019 Budget

Mr. Greg Milosh appeared before the Committee with respect to the importance of the striking of the annual operating budget and noted that the budget impacts both the financial position of the Region and the finances of Durham property tax payers.

Mr. Milosh stated that he does not believe that Councillors have a clear understanding of the financial position of the Region including all sources of revenue, all expenses and all reserves and investments, and that in order to provide proper financial oversight to the Region's business and to effectively draft an operating budget, Councillors need to dramatically improve their understanding of the Region's finances.

Mr. Milosh requested that prior to approving the 2019 budget, the Commissioner of Finance give Council a comprehensive education and training session on all matters financial.

Mr. Milosh noted that the investment portfolio warrants considerable scrutiny and could be used to mitigate or preclude a tax increase. He added that several reserve funds, rate stabilization funds, and unfunded long-term liabilities also warrant similar scrutiny.

Mr. Milosh added that the CD Howe Institute gave Durham a "D" grade when they graded the financial reports of some of Canada's municipalities.

Mr. Milosh responded to questions from the Committee members.

4.2 Mr. Robert Howard, Chief Possibility Officer & Vice President, External Relations, United Way Durham Region, re: recent announcement of the closing of the General Motors Plant

Mr. Robert Howard, Chief Possibility Officer & Vice President, External Relations, United Way Durham Region appeared before the Committee with respect to the recent announcement of the closure of the General Motors (GM) plant in Oshawa and the United Way in Durham Region. He thanked the Region for last year's campaign which raised over \$150,000.

Mr. Howard stated that according to the information they have received, the closure of the GM plant is going to have a serious impact on Durham Region. He advised that representatives from the United Way Durham Region have been meeting with other community partners to look at what the impact will be. He noted that the universities and college will be teaming up with the United Way for a campaign in March and that the messaging will be around Durham's community response.

Mr. Howard added that this year's ride for United Way will be themed around battling poverty in Durham Region.

Mr. Howard responded to questions from the Committee members.

4.3 Mr. A.J. Kehoe re: Development of protocols to ensure content on durham.ca matches policies and procedures of the Region

Mr. A.J. Kehoe appeared before the Committee with respect to developing protocols for updates to the durham.ca website.

Mr. Kehoe advised that he wanted to register as a delegation to appear before the Region's Health & Social Services Committee. He checked the Region's website which stated that the deadline to register was Monday at 9:30 AM the week of the meeting. When he submitted his delegation request he was told that he had missed the deadline which was noon on Wednesday the week before the meeting. When he questioned the discrepancy, he was advised that information on the website does not supersede the by-law and he could delegate at the February meeting instead.

Mr. Kehoe stated that the issue he planned to present on was time sensitive, so he wrote a letter of appeal to the Regional Chair and the Committee Chair. The next day he was contacted and advised that he would be added to an addendum for the Committee meeting subject to a two-thirds vote. The Committee voted to hear him and he was able to make his delegation.

Mr. Kehoe stated that durham.ca can and should be better maintained by incorporating content accuracy protocols. He requested that staff be asked to better develop their protocols for ensuring the content on durham.ca matches the actual policies and procedures of Durham Region and report back to Council on their progress regarding this matter.

D. Beaton, Commissioner of Corporate Services explained that there are protocols in place for updating web pages which staff do follow. He noted that in this instance a number of pages were updated when the by-law was amended,

and it was human error that the description on the page in question was missed and apologized for the error.

5. Presentations

There were no presentations.

6. Administration

6.1 Correspondence

- A) Jon Pegg, Chief of Emergency Management, Ministry of Community Safety and Correctional Services – re: Writing to John Henry, Regional Chair and CEO – regarding compliance with the Emergency Management and Civil Protection Act

Moved by Councillor Ashe, Seconded by Councillor Collier,

- (2) That the correspondence from Jon Pegg, Chief of Emergency Management, Ministry of Community Safety and Correctional Services regarding compliance with the Emergency Management and Civil Protection Act, be received for information.

CARRIED

- B) Steve Clark, Minister, Ministry of Municipal Affairs and Housing – re: Writing to Heads of Council regarding reducing the provincial reporting burden affecting the municipal sector

Staff responded to questions with respect to what is being done to reduce the provincial reporting burden for municipalities.

Moved by Councillor Ashe, Seconded by Councillor Collier,

- (3) That the correspondence from Steve Clark, Minister, Ministry of Municipal Affairs and Housing regarding reducing the provincial reporting burden affecting the municipal sector, be received for information.

CARRIED

6.2 Reports

- A) Succession Management Bi-annual Update ([2019-A-2](#))

Report #2019-A-2 from D. Beaton, Commissioner of Corporate Services, was received.

Moved by Councillor Collier, Seconded by Councillor Leahy,

- (4) That Report #2019-A-2 of the Commissioner of Corporate Services be received for information.

CARRIED

- B) Appointment of Citizen Members to the Durham Region Roundtable on Climate Change (DRRCC) ([2019-A-3](#))

Report #2019-A-3 from S. Austin, Director of Corporate Policy and Strategic Initiatives, was received.

Staff responded to questions with respect to how members are solicited for the Committee and whether vacancies are advertised. Staff was asked to look at including more unaffiliated, public representatives on the Committee. Staff advised they would prepare a memorandum for the next Committee meeting in this regard.

Moved by Councillor Drew, Seconded by Councillor Nicholson,
(5) That we recommend to Council:

A) That the following citizen members be reappointed to the DRRCC:

- i) Celina Desbiens – University Student
- ii) Todd Hall – President at Environment & Risk Assurance Services Inc.
- iii) Daniel Hoornweg – Professor and Research Chair, University of Ontario Institute of Technology
- iv) June Kinniburgh – Durham Food Policy Council
- v) Carol Mee – Public Health
- vi) Ruben Plaza – Corporate Environmental Manager, St Marys Cement
- vii) Kent Shadwick – Environmental and Office Services at York Catholic District School Board
- viii) Martin Vroegh – Citizen Representative

B) That the following new citizen members be appointed to the DRRCC:

- i) One representative from BILD-Durham.

CARRIED

7. Finance

7.1 Correspondence

A) Information Report #2018-INFO-157: Contract Amendments Funded Within Approved Capital Project Budgets and Emergency Expenditures for Period From August 1, 2018 Ending October 31, 2018

Staff responded to questions with respect to the use of contingencies, oversight on projects, reporting protocols, and unspent funds. Staff was asked to provide information in the next periodic report on the number of projects where the contingency is not used. Staff was also asked to report back on any trends with vendors.

Moved by Councillor Ashe, Seconded by Councillor Collier,
(6) That Information Report #2018-INFO-157 of the Commissioner of
Finance be received for information.

CARRIED

B) Information Report #2018-INFO-160: Update to Sick Leave Liabilities and Cash-
Out Payments

Staff responded to questions with respect to unfunded liabilities, and the history of the current sick leave benefits for paramedics and Durham Region Transit employees. Staff was asked to report back by September 2019 with options on how to deal with unfunded sick leave liabilities including some commentary on the results of the actuarial study on unfunded liabilities.

Staff was also asked to report on where the funds (for Durham Region Transit unfunded liabilities) that the City of Oshawa is paying to the Region are being directed.

Moved by Councillor Ashe, Seconded by Councillor Collier,
(7) That Information Report #2018-INFO-160 of the Commissioner of
Finance be received for information.

CARRIED AS AMENDED
(See Following Motion)

Moved by Councillor Nicholson, Seconded by Councillor Ashe,
(8) That the main motion (7) of Councillors Ashe and Collier be amended to
add the following as a new part B):

‘B) That staff report on options to deal with unfunded liabilities by September
2019.’

CARRIED

The main motion (7) of Councillors Ashe and Collier was then put to a vote
and CARRIED AS AMENDED.

C) Information Report #2018-INFO-161: Regional Reserve Fund Balances as of
October 31, 2018

Staff responded to questions with respect to the pending reserve fund strategy.

Moved by Councillor Ashe, Seconded by Councillor Collier,
(9) That Information Report #2018-INFO-161 of the Commissioner of Finance
be received for information.

CARRIED

D) Information Report #2018-INFO-164: The Consolidated Budget Status Report to
October 31, 2018 and Full Year Forecast

Staff responded to questions with respect to water rates, winter control spending, potential Canadian sources for receiving recyclable material, DRT ridership, fares and advertising revenue.

Moved by Councillor Ashe, Seconded by Councillor Collier,
(10) That Information Report #2018-INFO-164 of the Commissioner of Finance be received for information.

CARRIED

- E) Direction Memorandum from Works Committee re: Works Department – 2019 Water Supply and Sanitary Sewerage Business Plans and Budgets (2019-W-7)

Moved by Councillor Ashe, Seconded by Councillor Leahy,
(11) That the Direction Memorandum from the Works Committee re: Works Department – 2019 Water Supply and Sanitary Sewerage Business Plans and Budgets (2019-W-7) be referred to consideration of Report #2019-F-2 of the Commissioner of Finance.

CARRIED

The Committee recessed at 11:25 AM and reconvened at 11:34 AM.

7.2 Reports

- A) 2019 Regional Business Plans and Property Tax Budget Guideline ([2019-F-1](#))

Report #2019-F-1 from N. Taylor, Commissioner of Finance, was received.

Discussion ensued with respect to how the guideline was determined, whether there is room to reduce the guideline, the use of reserves to lower taxes, the Durham Regional Police Services budget, potential changes to provincial subsidies, the impact of the General Motors plant in Oshawa closing, and residents' concerns/budgeting priorities.

Moved by Councillor Ashe, Seconded by Regional Chair Henry,
(12) That we recommend to Council:

That the following detailed direction and guidelines for the 2019 Business Plans and Budgets for the Durham Regional Police Services Board, Durham Region Transit Commission, Conservation Authorities, Durham Region Local Housing Corporation, Regional Operations and other Outside Agencies be approved:

- A) That the 2019 Property Tax Guideline not exceed an overall tax impact of 2.2 per cent compared to the 2018 approved budget incorporating the following specific guidelines:
- i) The 2019 Business Plans and Budget for the Durham Regional Police Services Board not exceed \$206.65 million, an increase of approximately 3.9 per cent compared to the 2018 approved budget;
 - ii) The 2019 Business Plans and Budget for the Durham Region Transit

Commission not exceed \$58.15 million, an increase of approximately 4.2 per cent compared to the 2018 approved budget;

- iii) The 2019 Operating Budget for each Conservation Authority not exceed an increase of 2.5 per cent, plus or minus any current value assessment adjustments, and the 2019 Special Benefitting Programs Budget for each Conservation Authority not exceed an increase of 1.5 per cent, plus or minus any current value assessment adjustments, compared to the 2018 approved budget; and
 - iv) The 2019 Budget for the Durham Regional Local Housing Corporation not exceed an increase of 3.0 per cent for operations and 25.0 per cent for the capital program compared to the 2018 approved budget;
- B) That the Commissioner of Finance provide the background for a Reserve Fund financing strategy including the purposes of the reserve funds, future requirements and recommendations for future contributions and uses as identified in the Servicing and Financing studies, with an interim report to be provided in February 2019 outlining the steps towards a final recommended Regional Long-Term Financial Planning Strategy prior to the 2020 business planning and budget deliberations; and
- C) That copies of Report #2019-F-1 be forwarded to the Durham Regional Police Services Board, Durham Region Transit Commission, Conservation Authorities, Durham Regional Local Housing Corporation and other Outside Agencies to guide the development of detailed 2019 Business Plans and Budgets.
- B) 2019 Current and Capital Business Plans and Budgets and Nine-Year Capital Forecasts for the Water Supply and Sanitary Sewerage Systems (2019-F-2)

Report #2019-F-2 from N. Taylor, Commissioner of Finance, was received.

Discussion ensued with respect to the water and sewer system budgets, in particular: the user rates for water and sewer versus level of service, the need for a dump truck, the new water billing system, and the use of reserve funds to lower rates. Staff was asked to include projected surpluses from fees and service charges in the upcoming reserve fund financing study.

Moved by Councillor Leahy, Seconded by Councillor Mulcahy,

(13) That we recommend to Council:

- A) That the 2019 Current and Capital Business Plans and Budgets for the Water Supply System, with a total gross expenditure of \$182.21 million (net user rate supported expenditure of \$107.93 million) and related financing as set out below, be approved:

	2018 Gross Budget (\$ 000's)	2019 Gross Budget (\$ 000's)	Variance Incr/(Decr) (\$ 000's)
<u>EXPENDITURES</u>			
Operations:			
Watermain Cleaning and Repairs	3,649	3,572	(77)
Valves and Hydrants	3,208	3,211	3
Water Connections	4,217	4,370	153
Water Meters	755	666	(89)
Depot Operations	5,724	5,758	34
Plants East	2,780	2,926	146
Plants Central	13,118	13,263	145
Plants North	2,879	3,026	147
Sunvalley	28	29	1
Engineering and Staff Support	6,676	7,335	659
Facilities Management	6,532	6,603	71
Administration	304	315	11
Headquarters Shared Costs	1,050	1,073	23
Utility Finance	3,440	3,658	218
Share of Regional Corporate Costs	6,347	6,145	(202)
Contribution to Asset Management Reserve Fund	4,985	5,234	249
Subtotal Operations	65,692	67,184	1,492
Capital/Debt Charges:			
TCA Capital	2,359	3,361	1,002
TCA Construction	114,533	109,973	(4,560)
Debt Charges	-	1,694	1,694
Subtotal Capital/Debt Charges	116,892	115,028	(1,864)
TOTAL EXPENDITURES	182,584	182,212	(372)
<u>FINANCING</u>			
Contributions from Reserve Funds:			
Residential Development Charges - Growth Related Capital	27,245	57,358	30,113
Commercial Development Charges - Growth Related Capital	2,417	1,769	(648)
Industrial Development Charges - Growth Related Capital	1,400	-	(1,400)
Industrial Development Charges - Debt Charges	-	536	536
Institutional Development Charges - Debt Charges	-	28	28
Water Rate Stabilization Reserve Fund	-	2,000	2,000
Asset Management Reserve	4,509	4,985	476
Fees and Service Charges	2,708	2,791	83
Financing From Others:			
Region of York - TCA Construction	1,550	325	(1,225)
Oversizing Costs Related to Seaton/Federal Lands	18,785	4,488	(14,297)
Debenture Proceeds:			
Newcastle Water Supply Plant, Clarington	17,580	-	(17,580)
Financing From Non-User Revenue Sources	76,194	74,280	(1,914)
User Revenues Financing (including frontage charges)	106,390	107,932	1,542
TOTAL FINANCING	182,584	182,212	(372)

- B) That the Nine-Year Capital Forecast for 2020 to 2028 inclusive, in the amount of \$1.05 billion as detailed in the Water Supply System Capital Budget, be received for information;

- C) That the 2019 Current and Capital Business Plans and Budgets for the Sanitary Sewerage System with a total gross expenditure of \$235.10 million (net user rate supported expenditure of \$102.12 million) and related financing as set out below, be approved:

	2018 Gross Budget (\$ 000's)	2019 Gross Budget (\$ 000's)	Variance Incr/(Decr) (\$ 000's)
<u>EXPENDITURES</u>			
Operations:			
Cleaning, Repairs and Maintenance Holes	2,025	2,112	87
Sewer Connections	2,882	2,944	62
Depot Operations	3,091	3,198	107
WPCPs and Pumping Stations	22,786	23,236	450
Duffin Creek WPCP	35,353	35,551	198
Regional Environmental Laboratory	2,413	2,571	158
Engineering and Staff Support	6,261	6,769	508
Facilities Management	6,810	7,075	265
Administration	307	318	11
Headquarters Shared Costs	1,050	1,073	23
Utility Finance	3,440	3,658	218
Share of Regional Corporate Costs	5,894	5,687	(207)
Contribution to Asset Management Reserve Fund	8,234	8,646	412
Subtotal Operations	100,546	102,838	2,292
Capital/Debt Charges:			
Duffin Creek WPCP - TCA Capital	1,880	1,480	(400)
Regional Environmental Lab - TCA Capital	480	172	(308)
TCA Capital	2,582	2,409	(173)
TCA Construction	49,518	106,437	56,919
Debt Charges	21,434	21,761	327
Subtotal Capital/Debt Charges	75,894	132,259	56,365
TOTAL EXPENDITURES	176,440	235,097	58,657
<u>FINANCING</u>			
Contributions from Reserve Funds:			
Residential Development Charges - Growth Related Capital	8,625	11,859	3,234
Residential Development Charges - Debt Charges	11,167	11,499	332
Commercial Development Charges - Growth Related Capital	737	1,266	529
Commercial Development Charges - Debt Charges	1,440	1,439	(1)
Industrial Development Charges - Growth Related Capital	1,800	1,000	(800)
Asset Management Reserve	6,900	8,234	1,334
Regional Environmental Lab Equipment Replacement Reserve	460	135	(325)
Fees and Service Charges	6,066	6,811	745
Financing From Others:			
Region of York - TCA	1,468	1,132	(336)
Region of York - TCA Construction	11,498	23,514	12,016
Developer Contribution	-	13,080	13,080
Region of York - Operating	26,964	27,109	145
Debt Proceeds:			
Courtice Trunk Sanitary Sewer, Clarington	-	25,900	25,900
Financing From Non-User Revenue Sources	77,125	132,978	55,853
User Revenues Financing (including frontage charges)	99,315	102,119	2,804
TOTAL FINANCING	176,440	235,097	58,657

- D) That the Nine-Year Capital Forecast for 2020 to 2028 inclusive, in the amount of \$1.32 billion as detailed in the Sanitary Sewerage System Capital Budget, be received for information;

- E) That capital project approval be granted for expenditures and financing for the 2019 capital projects detailed within the 2019 Water Supply and Sanitary Sewerage Systems Business Plans and Budgets where contract awards are consistent with the Regional Budget Management Policy; and
- F) That the necessary By-laws with respect to the 2019 Current and Capital Business Plans and Budgets for the Water Supply and Sanitary Sewerage Systems be presented to Regional Council.

CARRIED

C) Proposed End-User Maintenance Agreement with INIT Innovations in Transportation, Inc. (INIT) (2019-F-3)

Report #2019-F-3 from N. Taylor, Commissioner of Finance, was received.

Moved by Councillor Ashe, Seconded by Councillor Leahy,

(14) That we recommend to Council:

- A) That an End-User Maintenance Agreement with INIT Innovations in Transportation, Inc. be negotiated in order to minimize risks associated with critical system failures, at a total cost not to exceed \$1,458,970 over five years (July 1, 2018 to June 30, 2023) before applicable taxes, increasing the current contract value from \$5,792,731 (before taxes) to \$7,251,700, with the estimated 2019 cost of \$265,571 to be included in DRT's 2019 Business Plan and Budget; and
- B) That the Commissioner of Finance be authorized to execute the necessary agreements.

CARRIED

D) Recommendation to Leverage Ontario Education Collaborative Marketplace (OECM) – Production and Multi-Function Printing Equipment RFP (2019-F-4)

Report #2019-F-4 from N. Taylor, Commissioner of Finance, was received.

Staff responded to questions with respect to the \$19,000 early cancellation penalty and the annual savings.

Moved by Councillor Mulcahy, Seconded by Councillor Leahy,

(15) That we recommend to Council:

- A) That the current term of Xerox contract for the print shop equipment managed by the Finance Department as originally established through the Region's RFP-627-2014 be cancelled early effective April 1, 2019 at a cost of approximately \$19,000;
- B) That the Production and Multi-Function Printing Equipment RFP issued by Ontario Education Collaborative Marketplace (OECM) and awarded through a competitively bid RFP to Xerox, be leveraged to replace the Region's existing Xerox print shop printing equipment Agreement for the provision of

updated Xerox equipment for a period of 7 years beginning April 1, 2019 until 2026 at an estimated total cost of \$980,000 to be funded from individual Regional departments' printing budgets; and,

- C) That the Commissioner of Finance be authorized to execute any applicable agreements.

CARRIED

- E) Amendment to Vehicle Advance and Casual Travel Reimbursement Rates (2019-F-5)
-

Report #2019-F-5 from N. Taylor, Commissioner of Finance, was received.

Moved by Councillor Leahy, Seconded by Councillor Nicholson,
(16) That we recommend to Council:

That the rates for reimbursement for the use of a personal vehicle while on Regional business be as set out in Attachment #1 to Report #2019-F-5, effective January 1, 2019.

CARRIED

8. **Advisory Committee Resolutions**

There were no advisory committee resolutions to be considered.

9. **Confidential Matters**

9.1 Reports

- A) Confidential Report of the Commissioner of Corporate Services – Labour Relations/Employee Negotiations with respect to the Ontario Nurses Association Local 92 – Hillsdale Estates (ONA 92-HE) (2019-A-1)
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Confidential Report #2019-A-1 from D. Beaton, Commissioner of Corporate Services, was received.

Moved by Councillor Ashe, Seconded by Councillor Leahy,
(17) That we recommend to Council:

That the recommendations contained in Confidential Report #2019-A-1 of the Commissioner of Corporate Services be adopted.

CARRIED

10. **Other Business**

10.1 Reserved Parking Spots for Committee Meetings

Moved by Councillor Nicholson, Seconded by Councillor Leahy,

- (18) That staff investigate the possibility of setting aside twelve (12) parking spots on Standing Committee meeting days, reserved for members who attend the meetings.

CARRIED

11. Date of Next Meeting

The next regularly scheduled Finance & Administration Committee meeting will be held on Tuesday, February 12, 2019 at 9:30 AM in the Lower Level Boardroom (LL-C), Regional Headquarters Building, 605 Rossland Road East, Whitby.

12. Adjournment

Moved by Councillor Ashe, Seconded by Councillor Leahy,

- (19) That the meeting be adjourned.

CARRIED

The meeting adjourned at 12:33 PM

Respectfully submitted,

A. Foster, Chair

L. Fleury, Legislative Officer