
<u>Committee Members</u>	<u>Areas of Responsibility:</u>	
Councillor J. Fullarton, Chair	Finance	CRCA
Councillor L. Bursey	Clerk's Office	Airport Commission
Councillor L. Journal	Human Resources	Arena Advisory Board
Councillor D. LeSueur	Operations	PLMG
Councillor M. McFall	Environmental Services	Brockville Municipal Accessibility
Mayor D. Henderson,	Fire	Advisory Committee (BMAAC) Joint
Ex-Officio	Cemetery	Services Committee
	St. Lawrence Lodge	Safe Communities
	Management Board	Coalition
	Health Unit	Volunteer Awards

AGENDA

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STAFF REPORTS

1. 2009 Financial Statements - Update
The Treasurer will provide an update to Report No. 2010-159-11, 2009 Financial Statements.
2. 2010-162-12
2010 Budget Mitigation Measures
3. 2010-170-12
2011 Interim Tax Levy and
Establishment of Due Dates
4. 2010-173-12
Auditor Appointment for 2010 - 2012
5. 2010-169-12
Temporary Borrowing By-Law
6. 2010-171-12
Extension Agreement as Authorized by the
Municipal Act

CONSENT AGENDA

DECEMBER 1, 2010

REPORT TO FINANCE & ADMINISTRATION – DECEMBER 8, 2010

2010-162-12

2010 BUDGET MITIGATION MEASURES

**B. CASSELMAN
CITY MANAGER**

RECOMMENDATION:

THAT Report 2010-162-12 2010 Budget Mitigation Measures be received for information purposes.

BACKGROUND:

The Director of Finance provides Council with a Budget Variance Analysis as of June, September, November and December each year.

The September 30, 2010 Budget Variance Report was provided to Council on November 23, 2010. This report projected a \$828,000 deficit to the Corporate Budget. As a result of this projection, Council requested a formal report outlining steps being taken to mitigate against this projected variance.

ANALYSIS:

A number of strategies have been put in place since the June Variance Report while several others are now being considered and implemented including:

- 1) All staff vacancies to remain unfilled until year-end.
- 2) Overtime is minimized and at the approval of the relevant Department Head.
- 3) Lay-offs in non-essential services is under review.
- 4) Utility accounts are being reconciled to ensure retrofit savings, Energy Retrofit Incentive Program (ERIP) rebates have been realized.
- 5) Legal opinion is being developed to determine the likelihood of the City's WSIB appeals and the ability of the City to recover expenses incurred 2007-10 in the amount of \$800,000.
- 6) Staff will review with MPAC if there are any outstanding supplementary taxes to be booked for 2010.

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- 7) Staff to review/reconcile 2009 unspent budget items to ensure their inclusion in the 2010 Budget to offset expenditures
 - 8) Staff to minimize the list of 2010 unspent budget items particularly in fleet maintenance.
 - 9) Reconciliation of the 2010 TIERR Grant Account to determine level of activity and any surplus' that might be included in the 2010 Operating Budget.
 - 10) Rinc Stimulus Program - Reconciliation of Capital /Operating expense allocation
 - 11) Department Head year-to-date comprehensive review of 2010 budget including the cancellation of discretionary expenditures.
 - 12) Staff review of capital surplus to offset operating expenses - \$107,000.
 - 13) Staff review of Reserve Accounts to determine if any surplus' can be used to offset operating expenses.
 - 14) Reconciliation of miscellaneous deposit accounts to determine if they can be used as miscellaneous revenues.
 - 15) Reconciliation of 2010 Arts Centre Revenue Projection to year-end.
 - 16) Delay of phone system lease upgrade for Police/Fire Departments - \$20,000.
 - 17) Establishment of insurance claims for Environment Audit/Legal Fees – Brockville Landing Project.
 - 18) Organization review – delay in staffing - \$38,500.
 - 19) Cancellation of River Rink Project - \$3,600.
 - 20) Utilization of Election Reserve to finance Council orientation and inaugural meeting expenses.
 - 21) Street light contract - Defective bulbs on Phase 2 of street light conversion has resulted in electricity expenditures being higher than budget. Contractor/Supplier to be held accountable.
 - 22) Utilizing salary mitigation account to offset 2010 27th pay impact - \$42,000.

23. Collection of miscellaneous outstanding revenues (Harbour) - \$5,000.

Staff will continue to pursue the aforementioned mitigation measures amongst others that may materialize as a means of offsetting any 2010 deficits. Major unknowns at this stage remains winter control and arbitration awards for Police and Fire.

FINANCIAL COMPLICATIONS;

Any year-end deficit is either offset by utilization of Fiscal Policy Reserve (\$438,000) or by expensing in the subsequent year. It is apparent that through tighter budgetary practices the importance and sustainability of the Fiscal Policy Reserve needs to be highlighted and funded on an annual basis through the budget process.

CONCLUSION:

Staff have established the aforementioned strategy to mitigate against a 2010 Operating Budget deficit. Staff will continue to pursue other mitigation measures on an ongoing basis to year-end.



B. Casselman, City Manager

December 1, 2010

REPORT TO THE FINANCE & ADMINISTRATION COMMITTEE – DEC. 8, 2010

**2010-170-12
2011 INTERIM TAX LEVY
AND ESTABLISHMENT OF
DUE DATES
FILE: F22-18**

**D. CYR
DIRECTOR OF FINANCE
L. FERGUSON
SUPERVISOR OF ACCOUNTING SERVICES
M. MCDONALD
FINANCIAL ADMINISTRATIVE ANALYST
D. SMITH
TAX COLLECTOR**

RECOMMENDED:

THAT Council pass the attached by-law authorizing the City to impose its 2011 interim tax levy with a due date of February 25th, 2011 and;

THAT Council establish the due date of August 26th, 2011 for the second and final tax levy for 2011.

PURPOSE:

To authorize the interim tax levy for 2011 and establish the due dates for both instalments of 2011 tax levy in an effort to assist ratepayers in their financial plans.

BACKGROUND:

Municipalities traditionally levy interim taxes in order to have operating funds until the annual budget is approved. A by-law must be passed to allow for the billing of these tax bills.

ANALYSIS / FINANCIAL IMPLICATIONS:

The interim taxes will be levied at 50% of the 2010 annualized taxes.

By establishing the two tax due dates at this time, property tax owners will have additional time to assist in their financial planning in regard to their property taxes.

POLICY IMPLICATIONS:

Section 317 of the Municipal Act establishes the rules for an interim tax levy.

"A local municipality is required to pass a by-law if it wishes to impose a levy on the assessment of property in the local municipality rateable for local municipality purposes" prior to the adoption of the estimates for the year.

CONCLUSION:

Upon approval of this by-law the interim tax due date will be February 25th, 2011 and the due date for the second and final tax levy for 2011 will be established as August 26, 2011.



D. Smith, Tax Collector

L. Ferguson, Supervisor of
Accounting Services

M. McDonald, Financial
Administrative Analyst

D. Cyr, Director of Finance

B. Casselman, City Manager

December 2, 2010

REPORT TO FINANCE & ADMINISTRATION COMMITTEE – December 8, 2010

2010-173-12

AUDITOR APPOINTMENT for 2010 - 2012

FILE NO. F03-02

**D. CYR
DIRECTOR OF FINANCE**

RECOMMENDED

THAT Council appoint Bennett Lewis McMahon Stillar, Chartered Accountants, as the auditors for the City of Brockville for the three fiscal periods from January 1, 2010 to December 31, 2012 subject to performance.

PURPOSE

To appoint an auditor as required under Section 296 (1) of the *Municipal Act S.O. 2001, c.25*.

BACKGROUND

In October 2007, Council appointed Bennett Lewis McMahon Stillar, Chartered Accountants (BLMS) as the auditors for the City of Brockville for three fiscal periods from January 1, 2007 to December 31, 2009.

ANALYSIS

Council has been updated on several occasions in regard to the new municipal requirements as it pertains to PSAB 3150 – Tangible Capital Assets (TCA) which came into effect beginning with the fiscal year 2009. Municipalities are required, as per PSAB 3150, to:

- account for and report their tangible capital assets (TCA) on the statement of financial position at historical cost
- move to a full accrual accounting from the current modified accrual format
- revise financial statement formats to reflect above changes

The capital assets of a municipality are diverse in nature ranging from office equipment to fleet to infrastructure. Each type of capital asset needs to be segregated when determining the appropriate amortization method to use. It is important that the auditor concur with the methodology and policies used to determine the asset values as they must give their opinion on the City's financial statements each year. Thus, their involvement throughout this process – from the beginning when establishing the “plan of attack”; to questions during to the project; to ultimately the numbers on the statements – has been essential.

BLMS is very familiar with the City's existing operations as they have been the auditors for the City of Brockville for many years. Their experience and knowledge with the

City's processes and procedures, in addition to the solid working relationship between staff and BLMS representatives Alvin Bennett and Brian Normandin, has been invaluable during this very difficult transition period while staff work toward become compliant with the PSAB regulations as well as conversion to our new financial information system.

Even though the 2009 financial statements – the initial set of statements to include TCAs – are being finalized, staff will continue to require the auditor's input as processes are developed to ensure proper accounting for TCAs in the future; for annual reports on compliance with the terms of agreements in respect to gas tax programs; and for the balance of the financial information system conversion.

POLICY IMPLICATIONS

Section 296 (3) of the *Municipal Act S.O. 2001, c.25* permits an appointment for a term not exceeding five years.

Auditing services do not require a request for proposal unless directed by Council as per Section 24 of the City's Purchasing By-Law.

FINANCIAL CONSIDERATIONS

Over the years, BLMS fees have been streamlined as a result of co-operative efforts and work being done internally. The familiarity and working together have helped to keep costs down. The auditors have been instrumental in suggesting and recommending cost savings for the City by the integration of auditing and accounting with various boards such as the Museum, Cemetery, Police Commission, etc.

Audit fees are not based solely on the annual financial statements. Audit standards and compliance reporting are required for Federal Gas Tax; Transit programs; introduction of tangible capital assets to City statements; and the Water Pollution Control Plant upgrade project.

Additional audit costs will also be incurred in 2010 and 2011 in conjunction with the review of the conversions to the new financial system – an estimated cost of \$8,000 - \$10,000.

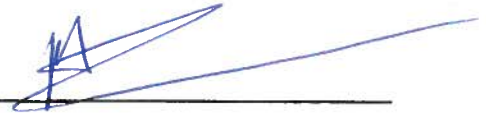
BLMS has estimated their audit fees for 2010 at \$46,000 with increases for 2011 and 2012 to be based upon the inflation rate or the increase in the City's tax rate, whichever is lower. (Attachment #1 to Report 2010-151-10).

CONCLUSION

Over the next three years, staff continues to face major changes in how to record and report the City's financial transactions and position. It is important during this time of transition to have consistency in regard to interpretations and standards in order to develop policies and procedures for the future.



D. Cyr
Director of Finance



B. Casselman
City Manager

Attachment 1 to Report #2010-173-12

Mrs. Donna Cyr, Treasurer
Corporation of the City of Brockville
Victoria Building
Brockville, ON K6V 3P5

December 1, 2010

Dear Madam:

Re: Estimated Audit Fees

We are writing at your request to provide an estimate of the audit fees that we anticipate charging the Corporation of the City of Brockville (the "Corporation") for the fiscal years 2010 through 2012.

For 2009 (the year for which the audit has just been completed) we expect that the audit fees for recurring services will be \$42,900. This estimate consists of \$39,300 for the audit of the annual financial statements and \$3,600 for annual reports on compliance with the terms of the agreements with respect to the gas tax program. Those fees are in accordance with the estimates that we provided to you in October 2007.

In addition to the above fees there will be fees of approximately \$8,000 related to the audit of the tangible capital assets and fees of approximately \$5,800 with respect to the water pollution control plant capital project.

For 2010 we estimate that our fees with respect to the annual financial statements and gas tax compliance will be \$46,000. This represents a reduction of fees related to the gas tax program, an increase of 2.5% for the audit of financial statements and \$3,000 of fees for the additional work relative to tangible capital assets. HST will be charged in addition to those fees. After the public sector rebate, the net cost to you would be approximately \$46,800.

For 2011 and 2012 we estimate that audit fees will increase by no more than inflation or the increase in City's tax rate, whichever is lower. As in the past we will continue to work with you and your staff to identify ways to reduce the time required by us on audit procedures, so that any increases in our fees can be minimized.

These estimates are based on the assumptions that:

- complete and accurate financial information and accounting records are maintained
- there are no qualifications required in our Auditors' Reports

- the financial statements continue to be prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board (PSAB) of The Canadian Institute of Chartered Accountants; and
- the scope of the annual audit will not change significantly i.e. there are no major expansions or changes in operations.

The above mentioned fees don't include the additional audit time required to examine your testing of the conversions to and operations of your new financial information systems. Those systems were not used to any great extent in the preparation the 2009 annual financial statements and as a result it wasn't necessary for us to test those systems. During 2010 and 2011 there will be additional audit time required to consider those systems. Based on past experience we have estimated that the fees for such work will be between \$8,000 and \$10,000.

Any requirement for accounting assistance will be reviewed with you in advance.

If you have any questions, please contact us.

Yours very truly



Alvin Bennett

**City of Brockville
Summary of Fees**

	<u>Audit fees</u>	<u>Non-audit fees</u>
2008	42,000	3,780
2007	39,000	6,250
2006	42,500	3,500
2005	34,750	9,570
2004	34,750	10,825
2003	34,000	14,055
2002	33,000	11,500
2001	34,500	30,625
	Audit fees included \$2,000 for examining internal controls over new water billing system	
2000	29,500	10,050
1999	29,250	1,140
1998	30,000	2,200
1997	30,875	-
1996	30,875	-
1995	30,875	-
1994	32,000	-

Non-audit fees are summarized as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assistance with financial statement preparation	1100	1,500	1,900
Assistance with preparation of Financial Information return			
Assistance in reconciling revenues, expenditures and transfers to/from reserve funds.		400	500
Assistance with preparing schedule to the financial statements to report the operations of the Public Library Board	475	400	
Assistance in accounting for water and sewer activities			400
Acctg assistance provided regarding the agreement with Elizabethtown for water services	350	200	
Review of agreement for development of the MDC to address disclosure requirements related to commitments		650	
Discussions and advice regarding accounting for WSIB liability, records retention, acctg for trust funds (St. Lawrence Lodge), disclosure required in 2007 regarding the status of tangible capital assets and financial instruments.		850	
Assistance in planning for implementation of the Section PS 3150 regarding TCA, including attendance at meeting with various staff members, reading the draft policy statement and various conversations	180	1,800	
Assistance with determining the estimated liability to record for solid waste landfill closure and post-closure liabilities	250	200	
Meeting with Treasury staff and Cemetery Board representatives regarding trust fund treatment for deferred interments	500	250	
Assistance with accounting	675		
Preparation of corporate income tax return	250		
	<u>3,780</u>	<u>6,250</u>	<u>3,500</u>

November 30th, 2010

REPORT TO FINANCE & ADMINISTRATION COMMITTEE - DECEMBER 8, 2010

**2010-169-12
TEMPORARY BORROWING
BY-LAW
FILE: CO1-07**

**D. CYR
DIRECTOR OF FINANCE
L. FERGUSON
SUPERVISOR OF ACCOUNTING SERVICES**

RECOMMENDATION

THAT Council hereby authorizes the passing of a Temporary By-Law providing for the Mayor and the Treasurer to borrow temporary working capital, as may be required for the Current Fund Operations, of up to \$5,000,000 for the year 2011.

PURPOSE

This temporary by-law gives the Mayor and Treasurer the ability to borrow funds for current operations if required.

BACKGROUND

Municipalities are required annually to pass a temporary borrowing by-law for funds it deems it may require to accommodate operating expenditures until taxes are levied. The City of Brockville levies their taxes in two installments – currently the interim bill is due in March and the second final bill is due in late August.

This by-law authorizes both external borrowing from a financial institution and internal borrowing from our reserve fund accounts. Internal borrowing rates are based between the prime bank rate and the current investment rate. In this way, the reserve funds and the current fund investments / borrowing are optimized.

ANALYSIS

Borrowing requirements are dependent upon spending requirements, debt repayment and the collection of taxes. Historically the City has not found it necessary to exercise the use of this by-law. It is necessary that a sufficient borrowing limit be established with the bank in order to make available a draw should it be needed.

FINANCIAL CONSIDERATIONS

There are no financial considerations at this time as there is no immediate requirement for borrowing.

CONCLUSION

This by-law is a contingency plan allowing the City to be prepared in the event of a short-fall in funds between tax billing due dates.



L. Ferguson, Supervisor of
Accounting Services



D. Cyr, Director of Finance



B. Casselman, City Manager

December 1, 2010

REPORT TO FINANCE AND ADMINISTRATION COMMITTEE – DECEMBER 8TH, 2010

**2010-171-12
EXTENSION AGREEMENT AS
AUTHORIZED BY THE
MUNICIPAL ACT**

**D. CYR
DIRECTOR OF FINANCE
L. FERGUSON
SUPERVISOR OF ACCOUNTING SERVICES
M. MCDONALD
FINANCIAL ADMINISTRATIVE ANALYST
D. SMITH, TAX COLLECTOR**

RECOMMENDATION

THAT Council authorizes the entering into a Tax Sale Extension Agreement with the property owners of 541 Stewart Boulevard to extend the period of time in which the cancellation price is to be paid; and

That the necessary By-Law and Schedule for such agreement be enacted.

PURPOSE

To extend the length of time given for property owners to pay the taxes on a property that has been registered for tax sale.

BACKGROUND

On May 26, 2009 Council approved the registration of properties for tax sale for non-payment of taxes.

Prior to the account being sent to our lawyers for action, the property owners were given one last chance to pay the third year arrears and interest to stop the registration. At that time, they were advised that after registration no partial payments could be accepted and that payment in full must be received within a one year period from the date of registration to redeem the property.

The properties were forwarded to our lawyers and the tax arrears certificate was registered on title on December 1, 2009. Notices were sent to the property owner and all parties that had an interest in the property.

Section 378 of the Municipal Act provides that "a municipality, by a by-law passed after the registration of the tax arrears certificate and before the expiry of the one-year period mentioned in subsection 379 (1) may authorize an extension agreement with the owner of the land, the spouse of the owner, a mortgagee or a tenant in occupation of the land extending the period of time in which the cancellation price is to be paid". The cancellation price is current real property taxes owing, interest and penalties and all related costs.

ANALYSIS/OPTIONS

The owners of this particular property have requested an extension to allow them to pay the tax arrears. The payment schedule submitted by the registered owners will pay all arrears on the property by December 2011.

Should the owners default from the schedule as written, the Municipal Act provides for the tax sale to continue at the same point that it was stopped.

When the payments are made per the agreement and the account is up to date, a cancellation certificate will be registered to clear the title to the property.

POLICY IMPLICATIONS

This process is following the authority of the Municipal Act sections 371 to 389.

FINANCIAL CONSIDERATIONS

As taxes owing are deemed a preferred lien on the property, there is no detrimental cost to the City for entering into an extension agreement with the property owners. All costs incurred, once a property has been registered for tax sale, are recovered as part of the cancellation price.

Interest on these tax arrears are still accumulated at 1.25% on the first day of every month. As payments are received, interest is charged only on the declining balance.

CONCLUSION

Entering into an agreement provides the opportunity for the owners to retain ownership of their property and allows the City to collect part of the taxes and arrears sooner than if the agreement was denied and the City waited for the proceeds of a Tax Sale. The City's objective is to collect taxes as efficiently as possible and to force the sale of a taxpayer's property only as a last resort.

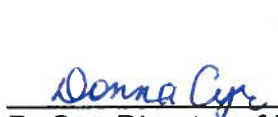


D. Smith, Tax Collector



M. McDonald Financial Administrative Analyst

L. Ferguson, Supervisor of Accounting Services



D. Cyr, Director of Finance



B. Casselman, City Manager