

FINANCE AND POLICY ADVISORY COMMITTEE AGENDA

Thursday, November 28, 2019

9:00 a.m.

Council Chambers

A. APPROVAL OF AGENDA

B. DISCLOSURE OF PECUNIARY INTEREST

C. DELEGATIONS / PRESENTATIONS

D. APPROVAL OF MINUTES

Approval of minutes from the meeting held on October 24, 2019

Pages 2-4

E. BUSINESS ARISING OUT OF MINUTES

F. REPORTS

G. INFORMATION/CORRESPONDENCE

H. OTHER/NEW BUSINESS

1. Delegated Authority Best Practices Report
Mary Lou Souter and Larry Surtees

Pages 5-8

2. Infrastructure Levies Report
Larry Surtees

Pages 9-10

3. Debt Management Report
Mary Lou Souter and Helene Gilhooly

Pages 11-13

4. Reserve Management
Verbal update Ryan Kennedy and David Hinks

I. MEETING ANNOUNCEMENTS

Next meeting to be determined.

J. ADJOURNMENT

A meeting of the **Mississippi Mills Finance and Policy Advisory Committee** was held on **Thursday, October 24, 2019 at 9 a.m.** at the Municipal Office.

PRESENT:

Committee: Councillor Denzil Ferguson
Councillor, Jan Maydan
David Hinks
Mary Lou Souter
Helene Gilhooly
Larry Surtees

Staff/Others: Rhonda Whitmarsh, Treasurer
Ken Kelly, CAO

Regrets: Ryan Kennedy
Ed Wilson

Rhonda Whitmarsh called the meeting to order at 9:05 a.m. and asked for a nomination for a chairperson.

Moved by Helene Gilhooly

Seconded by Denzil Ferguson

THAT Mary Lou Souter be the chairperson for the meeting.

CARRIED

A. APPROVAL OF AGENDA

Moved by Jan Maydan

Seconded by Denzil Ferguson

THAT the agenda be accepted as presented.

CARRIED

B. DISCLOSURE OF PECUNIARY INTEREST OR GENERAL NATURE THEREOF

None

C. DELEGATIONS / PRESENTATIONS

None.

D. APPROVAL OF MINUTES

Moved by Larry Surtees

Seconded by Jan Maydan

THAT the minutes of the meeting held on September 19, 2019 be approved.

CARRIED

E. BUSINESS ARISING OUT OF MINUTES

None

G. REPORTS

None

H. INFORMATION / CORRESPONDENCE

None

I. OTHER/NEW BUSINESS**1. Delegated Authority Best Practices**

Larry Surtees provided the Committee members with an update on the research findings to date. All of the data has been compiled but not yet analyzed. The information will be presented at the next meeting.

2. 2020 Draft Budget

The Treasurer provided an overview to the Committee members of the 2020 draft budget and answered questions posed by the members. The Committee members are willing to assist the Treasurer and Council members with regards to financial matters and as a result the Treasurer suggested that the committee members could conduct research as to what other municipalities do with regard to infrastructure levies, reserve management and debt management.

The Committee members then struck working groups to conduct this research as follows:

Moved by Larry Surtees

Seconded by Denzil Ferguson

That the Finance and Policy Committee approve a working group of Helene Gilhooly and Mary Lou Souter to investigate debt management practices of other municipalities;

AND FURTHERMORE THAT the findings be reported at the next meeting.

CARRIED

Moved by Helene Gilhooly

Seconded by Jan Maydan

That the Finance and Policy Committee approve a working group of Larry Surtees and another member (to be determined) to investigate whether other municipalities impose infrastructure levies;

AND FURTHERMORE THAT the findings be reported at the next meeting.

CARRIED

Moved by Larry Surtees
Seconded by Helene Gilhooly
That the Finance and Policy Committee approve a working group of David Hinks and another member (to be determined) to investigate reserve management practices of other municipalities;
AND FURTHERMORE THAT the findings be reported at the next meeting.

CARRIED

The Committee members are also interested in participating in the strategic planning exercise.

J. MEETING ANNOUNCEMENTS

The next meeting of the Finance and Policy Advisory Committee will be held on Thursday, November 28, 2019 at 9 a.m.

K. ADJOURNMENT

Moved by Larry Surtees
THAT the meeting be adjourned at 10:39 a.m.

CARRIED

Rhonda Whitmarsh, Treasurer and Recording Secretary

REPORT ON DELEGATION OF PROCUREMENT APPROVAL AUTHORITY

MISSISSIPPI MILLS

FINANCE AND POLICY ADVISORY COMMITTEE SUB COMMITTEE

BACKGROUND

This report is prepared and presented in accordance with the motion passed at the September 19, 2019, meeting of the Mississippi Mills Finance and Policy Advisory Committee:

“THAT the Finance and Policy Committee approve a working group of Larry Surtees and Mary Lou Souter to investigate delegated authority best practices of comparable municipalities as outlined in municipal financial planning documents AND FURTHERMORE that the findings be reported at the next meeting”.

It summarizes the best practices of 9 municipalities, chosen from a review of 17, including those identified in the BMA Financial Condition Assessment for Town of Mississippi Mills (2010) as comparator municipalities. Municipalities were chosen to provide a range of comparable populations with current procurement policies, reviewed and amended since 2014. Municipality size is based on 2016 census data.

ANALYSIS

The analysis identified that:

- All Municipalities require that procurement can only be done within approved municipal budget allocations to the Department doing the procurement. In some cases, the Treasurer or CAO can approve a small percentage of additional funds, but in all other cases the request to initiate procurement activity that is not within approved budgetary allocations must receive Council approval.
- The Delegation of Authority by Council for procurement activities varies considerably between municipalities. In general, smaller Municipalities have lower financial levels for delegation retaining much of the approval authority with the Council.
- The Delegated Authority has the responsibility to ensure that federal and provincial laws and regulations regarding procurements are followed.
- The Delegated Authority document is part of the Municipality Procurement Policy.
- As municipalities increase in size and complexity, they reach a point where a dedicated purchasing or procurement team is established to ensure that appropriate expertise is brought to bear on the procurement activity.
- Large municipalities and cities, as a best practice, tend to adopt different delegated authority levels for competitive and non-competitive procurements, with higher authority required for non-competitive procurements than competitive procurements of the same value. They also tend to apply similar delegated authority levels to procurements for consulting and professional services and amendments to or extensions of existing contracts.
- In most cases, the procurement method used - Verbal Quote, Request for Quotation, Request for Tender or Request for Proposal - will also have some bearing on the

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delegated authority level. Lower authority is required for less complex types of procurement.

- A procurement approval template is most commonly used to seek approval from the delegated authority and requires signoff from the Treasurer, the Procurement Manager (which in small municipalities is often the Treasurer) and/or the CAO.
- For more complex procurements, Legal review is required before approval is given.
- In most cases, Council reserves to itself approval authority in competitive procurements over \$100,000 although in some cases this value is considerably lower.
- It is common practice for Council to receive regular reports on the exercise of delegated authority over a certain dollar value and of a certain complexity.

The attached table compares the delegated authority of 9 representative Municipalities and the attached reference page identifies the sources consulted in the preparation of this report.

RECOMMENDATION

It is recommended that:

- The current delegated authority for competitive procurement for Mississippi Mills remains in force.
- Identification of delegated authority be based on an assessment of risk to the Municipality.
- Consideration be given to creating separate Delegation of Authority tables for non-competitive procurements (including single source procurements and procurements of Consultants and Professional Services) at the following levels: Under \$10,000 for Department Heads, \$10,000 to \$50,000 for CAO and above \$50,000 for Council.
- Consideration be given to identifying a separate delegated authority for extensions to, or amendments of, contracts based on the percentage increase and dollar value of the extension or amendment.
- The Delegation of Authority for Procurement Tables become part of the Municipality's Procurement Policy as a separate schedule.



Mary Lou Souter



Larry Surtees

REPORT ON DELEGATION OF PROCUREMENT APPROVAL AUTHORITY

MISSISSIPPI MILLS

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**COMPARATIVE DELEGATED AUTHORITIES FOR PROCUREMENT APPROVAL
(BUDGET ALREADY APPROVED BY COUNCIL)**

Municipality	Tay Valley	Blue Mountain	Arnprior	Gravenhurst	North Perth	Mississippi Mills	Pembroke	North Grenville	Port Hope
Population (2016)	5,665	7,025	8,795	12,311	13,130	13,163	13,882	16,451	16,753
Policy Approved	2017	2018	2019	2018	2017	2018	2015	2017	2014
Procurement Dollar Value / Approval Authority Competitive Goods, Material Services and Construction Procurement									
Low Value Up to \$25k	CAO, Clerk, Treasurer, Planner & Public Works Manager (under \$20k)	Manager or Designate	Manager (under \$2k) ----- CAO, Department Heads (\$5k to \$25k)	Departmental Manager (under \$10k)	Department Head (under \$50k)	Department Head	Supervisor or Superintendent (under \$1k) ----- Department Head	Director or Designate (under \$2.5K) ----- Director of Finance & CAO (\$2.5k to \$50k)	Department Head or Designate (under \$10k)
Medium value \$25k to \$100k	Council (over \$20k)	Director and Manager of Purchasing (\$25k to \$250k)	CAO, GM Client Service/Treasurer, GM Ops (\$25 to \$50k) ----- CAO (\$50k to \$100k)	Director or Delegate (\$10k to \$50K) ----- Treasurer or Delegate (\$50k to \$100k)	CAO (\$50k to \$100k)	CAO	CAO	Council (over \$50k)	Department Head and Treasurer and/or CAO (\$10k to \$100k)
High Value over \$100k		CAO, Director and Manager of Purchasing (over \$250k)	Council	CAO	Council	Council	Council		Council

REPORT ON DELEGATION OF PROCUREMENT APPROVAL AUTHORITY

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REFERENCE AND SOURCE LIST

The Procurement or Purchasing Guides and /or Delegated Authorities Document of the following Municipalities were reviewed for this report:

- Arnprior
- Barrie
- Brampton,
- Carleton Place
- Clarence-Rockland
- Collingwood
- Cornwall
- Gravenhurst
- Hamilton
- Kingston
- Lanark
- Lanark Highlands
- Midland
- Mississippi Mills
- North Grenville
- North Perth
- Oakville
- Pembroke
- Perth
- Port Hope
- Smiths Falls
- Tay Valley
- The Blue Mountains

Sources consulted:

- Ontario Municipal Act, S.O. CHAPTER 25. <Ontario.ca/laws/statute/01m25>
- Discriminatory Businesses Practices Act, R.S.O. 1990 CHAPTER 12. <Ontario.ca/laws/statute/90d12>
- BMA Financial Condition Assessment for Town of Mississippi Mills (2010)
- The Bellamy Inquiry Report: vol 4 Executive Summary. 2005.
- Chamberland, Dennis. “The Bellamy Report; Landmark Inquiry Raises the Bar”, 2006.
- Cornwall City Council Staff Report. “Procurement Practices”, 2009.
- Supply Chain Ontario. “Procurement Policies and Trade Agreements”, 2019
- Ontario. “Guide to Developing Procurement Bylaws” 2003.

REPORT ON THE USE OF INFRASTRUCTURE LEVIES

MISSISSIPPI MILLS

FINANCE AND POLICY ADVISORY COMMITTEE SUB COMMITTEE

BACKGROUND

This report is prepared and presented in accordance with the motion passed at the October 24, 2019, meeting of the Mississippi Mills Finance and Policy Advisory Committee:

“THAT the Finance and Policy Committee approve a working group of Larry Surtees and another member (to be determined) to investigate whether other municipalities impose infrastructure levies; AND FURTHERMORE, THAT the findings be reported at the next meeting.”

ANALYSIS

An infrastructure levy is a strategy used by many municipalities as part of a group of strategies to fund the cost of repair and replacement of municipal assets – infrastructure costs. The implementation of an infrastructure levy is a conscious decision of Council to address the financial pressures of current and future infrastructure projects identified through a rigorous planning process that involves the development of a Municipal Strategic Plan and Long Term Financial Plan informed by a current and future service deliver plan, a multi-year development and housing plan and a detail asset management regime and plan.

It is one of a group of tools that includes the use of development funds, reserved and reserve funds and debt financing, that can be used to fund the “infrastructure gap” – the cumulative funding shortfall to finance future infrastructure projects.

An Infrastructure levy is a component of the overall tax levy that is reserved to fund current and future infrastructure projects. By breaking it out from the general tax levy it highlights that Council is planning to addressing current and future infrastructure needs as identified through its rigorous planning process. These levies are usually up to 2% annually with the revenue going to a specific reserve fund. Another approach is to allocate a fixed portion of the tax levy that results from the increase in assessed value to a reserve fund specifically for infrastructure project funding.

A key challenge with an infrastructure levy, as with any tax levy increase, is to demonstrate why it is required and to address the concerns of residents especially those on a fixed income or in financial difficulty.

RECOMMENDATION

Council should consider the use of an infrastructure levy as part of the development of strategies in its Long-Range Financial Plan to address current and future infrastructure requirements.

REPORT ON THE USE OF INFRASTRUCTURE LEVIES

MISSISSIPPI MILLS

FINANCE AND POLICY ADVISORY COMMITTEE SUB COMMITTEE

SOURCES CONSULTED

City of London 2014 Asset Management Plan, Hemson Consultant Ltd 2015 Financial Growth Study for the City of Saskatoon, Mowat Centre 2019 Research Paper: Rethinking Municipal Finance for the New Economy, Hemson Consulting Ltd 2017 Long-Range Financial Master Plan for the City of Brampton, Thunder Bay 2015 presentation: Demystifying the Municipal Budget and Long Term Financial Plan, University of Calgary School of Public Policy 2015 research paper: An Exploration Into The Municipal Capacity to Finance Capital Infrastructure, City of Brampton 2018 Budget Quick Reference Guide and an internet search on related news articles.



Larry Surtees

THE CORPORATION OF THE MUNICIPALITY OF MISSISSIPPI MILLS
FINANCE AND POLICY ADVISORY COMMITTEE
REPORT ON COMPARATIVE DEBT MANAGEMENT POLICIES

RECOMMENDATION:

That Council direct staff to develop a debt management policy within the context of the 2020 Municipal Strategic Plan, Long Term Financial Plan and Asset Management Plan.

Background:

From time to time, most municipalities, like most households, borrow funds from outside agencies to fund the purchase, construction or renovation of major assets. Debt, as long-term borrowing, works like a mortgage – payments are calculated over a set term to spread costs over the lifetime of the assets. Consequently, the municipality can afford to build infrastructure for its residents on a predictable basis, and residents benefit from the services and amenities which the infrastructure provides. During the past decade Mississippi Mills has undertaken a significant number of improvements to its infrastructure: roads, bridges, parks, arenas, libraries and municipal buildings.

The Municipal Act stipulates that long-term debt can only be used to finance capital assets, and it regulates the maximum amount of debt which any municipality can carry, expressed as the Annual Repayment Limit (ARL). The ARL is set at 25% of a municipality's "own-source" revenues (property taxes, user fees, and investment income). The Ministry of Municipal Affairs determines each municipality's maximum debt capacity (ARL) using information provided in the mandatory annual Financial Information Return.

Mississippi Mills' 2019 Annual Repayment Limit, (ARL), is calculated at \$3,051,436. According to 2020 budget documents, the total repayment costs on long term loans will be \$2,204,243. (p. 28)

Although, the municipality is currently in a healthy debt load position in relation to the ARL, future challenges - asset management planning, population growth, increased regulation, provincial downloading and climate change - indicate the need to carefully plan infrastructure borrowing and debt management over the next 20 years.

Need for Financial Policies

The Municipality is fortunate to have very knowledgeable staff, and the principles of debt management have been incorporated into the town's financial management.

Translating this knowledge to tangible policies documents the expertise of those responsible for the financial health of the municipality.

Clear, written policies provide transparency to the municipality's operations and consistency in how the municipality handles situations. By documenting and sharing financial policies with residents, municipalities can concisely explain how tax dollars are spent.

Clear policies also ensure continuity of operations when staff or Councils change, provide new Councillors with a rational basis for long-term decision making, and bring discipline to Council's difficult spending choices.

Observations Debt Management Policies in Ontario

Given the timeline for this research, the participants depended on the Internet for information. We found that only a small fraction of communities have published policies for debt management and that some communities handle the subject of debt management under broader Financial Planning Policies.

- Municipalities that have debt management policies vary widely – from small communities such as Russell Township and Parry Sound to large urban centres such as Waterloo, Oshawa and London.
- DM policies generally include an internal debt repayment limit lower than the ARL – most often in the range of 10-15%. In fact, the adoption of an internal cap on debt is at the core of most debt management policies.
- To be an effective financial tool, provisions of the debt management policy must be compatible with a municipality's Long-term Financial Plan, Asset Management Plan, Financial Reserves plan, and the current operating budget.
- The Mississippi Mills Debt Policy, passed in 2011, needs to be reviewed and updated.
- To get a better picture of their debt position, municipalities can conduct analysis using the following financial indicators: debt per capita, debt charges per capita, debt charges as a percentage of revenue, debt charges as a percentage of municipal levy. Using data from the FIR, municipalities can gather information on their debt level and can compare themselves to other municipalities
- Debt management policies generally follow a standard structure which includes:
 - Purpose
 - Definitions of Terms
 - Objectives/Principles
 - Types of Borrowing

- Terms and Limits on borrowing
- Reporting /Responsibilities
- Most sections on Objectives/Principles include the following elements:
 - Adherence to Statutory Requirements
 - Ensuring Long-Term Flexibility and Sustainability
 - Limiting Financial Risk Exposure,
 - Minimizing the Long-term Cost of Borrowing
 - Maintaining an Excellent Credit Rating
- Most policies are clear, concise and written in language that is understandable to people who lack specialist knowledge in finance.

Sources: Policies from the following Municipalities were consulted in preparing this report:

- Township of Russell
- Municipality of Hastings Highlands
- Town of Gravenhurst
- Town of Whitby
- Town of Parry Sound
- City of Barrie
- City of Guelph
- City of London
- City of Mississauga
- City of Oshawa

References:

Ontario Ministry of Municipal Affairs. *Tools for municipal budgeting and long-term financial planning*. www.Ontario.ca/documents/tools-municipal-budgeting-and-long-term-financial-planning/engage-community.

Pinn, Trevor. "Municipal Financial Policies Aren't Just for the Big Guys" publicsectordigest.com/article/municipal-financial-policies-aren-t-just-big-guys Thunder Bay, Long Term Financial Overview:2019 and Beyond. January, 2019.

Mississippi Mills. Financial Information Return (FIR). 2018.

Mississippi Mills. 2020 Draft Budget. November 21, 2019