



Finance
Advisory Committee
Meeting Agenda

Wednesday, April 26, 2017

5:30 p.m.

Holland Room
Aurora Town Hall

Public Release
April 24, 2017



**Town of Aurora
Finance Advisory Committee
Meeting Agenda**

Date: Wednesday, April 26, 2017

Time and Location: 5:30 p.m., Holland Room, Aurora Town Hall

1. Approval of the Agenda

Recommended:

That the agenda as circulated by Legislative Services be approved.

2. Declarations of Pecuniary Interest and General Nature Thereof

3. Receipt of the Minutes

Finance Advisory Committee Meeting Minutes of March 22, 2017

Recommended:

That the Finance Advisory Committee meeting minutes of March 22, 2017, be received for information.

4. Delegations

5. Consideration of Items

1. Review of Draft General Committee Report: FS17-021 – Creation of New Winter Control Reserve Fund

Recommended:

1. That Draft General Committee Report No. FS17-021 be received; and
2. That the comments and suggestions of the discussion regarding draft General Committee Report No. FS17-021 be referred to staff and that the report, as amended, be brought forward to General Committee for approval.

2. Review of Draft General Committee Report: FS17-022 – Reserve Fund Strategy for External Legal and Occasional Human Resources Expenses

Recommended:

1. That Draft General Committee Report No. FS17-022 be received; and
2. That the comments and suggestions of the discussion regarding draft General Committee Report No. FS17-022 be referred to staff and that the report, as amended, be brought forward to General Committee for approval.

3. Discussion: Public Art Contributions – Town Facilities

Recommended:

1. That the comments and suggestions of the discussion regarding Public Art Contributions – Town Facilities be referred to staff for consideration and action as appropriate.

4. Extract from Council Meeting of March 28, 2017

**Re: Finance Advisory Committee Meeting Minutes of January 25, 2017,
and February 22, 2017**

Recommended:

1. That the Extract from Council Meeting of March 28, 2017, regarding the Finance Advisory Committee meeting minutes of January 25, 2017, and February 22, 2017, be received for information.

6. New Business

7. Adjournment



**Town of Aurora
Finance Advisory Committee
Meeting Minutes**

Date: Wednesday, March 22, 2017

Time and Location: 5:30 p.m., Holland Room, Aurora Town Hall

Committee Members: Councillor Michael Thompson (Chair) and Mayor Geoffrey Dawe

Member(s) Absent: Councillor Harold Kim

Other Attendees: Doug Nadorozny, Chief Administrative Officer, Dan Elliott, Director of Financial Services/Treasurer, Marco Ramunno, Director of Planning and Building Services, Jason Gaertner, Manager, Financial Planning, Karen Oreto, Financial Analyst, Tracy Evans, Financial Analyst, Budget, and Linda Bottos, Council/Committee Secretary

The Chair called the meeting to order at 5:37 p.m.

1. Approval of the Agenda

**Moved by Mayor Dawe
Seconded by Councillor Thompson**

That the agenda as circulated by Legislative Services be approved.

Carried

2. Declarations of Pecuniary Interest and General Nature Thereof

There were no declarations of pecuniary interest under the *Municipal Conflict of Interest Act*.

Finance Advisory Committee Meeting Minutes
Wednesday, March 22, 2017

Page 2 of 3

3. Receipt of the Minutes

Finance Advisory Committee Meeting Minutes of February 22, 2017

Moved by Mayor Dawe

Seconded by Councillor Thompson

That the Finance Advisory Committee meeting minutes of February 22, 2017, be received for information.

Carried

4. Delegations

None

5. Consideration of Items

1. Review of Financial Information – Planning and Building Services (PBS)

Re: (1) Line-by-Line Analysis

(2) Long-term Development

(3) Other Areas of Focus

Staff provided detail to the highlighted items of the line-by-line analysis of the 2017 approved budget for Planning and Building Services, as compared to the budget and actuals of 2014 through 2016. Staff presented and discussed aspects of the 2017-2026 long-term development activity forecast for building permits and the 2012-2016 building permits summary. It was noted that all departments use this same growth basis to facilitate improved budgeting and long-range planning.

Moved by Mayor Dawe

Seconded by Councillor Thompson

1. That the comments and suggestions of the Review of Financial Information – Planning and Building Services (PBS) be referred to staff for consideration and action as appropriate.

Carried

Finance Advisory Committee Meeting Minutes
Wednesday, March 22, 2017

Page 3 of 3

2. Review of Town's Current Schedule of Reserve Funds as of December 31, 2016

The Committee consented to consider Item 2 prior to consideration of Item 1.

Staff introduced and reviewed the schedule of reserve funds and associated by-laws related to reserves for existing infrastructure, reserves for new infrastructure, reserve funds for special purposes, Central York Fire Services-managed reserved funds, and Aurora Public Library-managed reserve funds. The Committee and staff discussed various aspects, and it was agreed that this information would be linked to the Corporation's financial health report on the Town's website.

**Moved by Mayor Dawe
Seconded by Councillor Thompson**

1. That the comments and suggestions of the Review of Town's Current Schedule of Reserve Funds as of December 31, 2016, be referred to staff for consideration and action as appropriate.

Carried

6. New Business

Mayor Dawe inquired about the Citizen Budget status. Staff advised that further information would be provided on a future Committee agenda.

7. Adjournment

**Moved by Mayor Dawe
Seconded by Councillor Thompson**

That the meeting be adjourned at 6:42 p.m.

Carried

Committee recommendations are not binding on the Town unless adopted by Council at a later meeting.



**Town of Aurora
General Committee Report**

**DRAFT
No. FS17-021**

Subject: Creation of New Winter Control Reserve Fund

Prepared by: Dan Elliott, Director of Finance - Treasurer

Department: Financial Services

Date: April 26, 2017

Recommendation

- 1. That Report No. FS17-021 be received; and**
- 2. That the necessary bylaw to create a Winter Control Reserve Fund be brought forward by staff for adoption; and**
- 3. That the strategy for the use of the new reserve fund be incorporated into the annual year-end surplus control bylaw passed by Council each fall.**

Executive Summary

This report proposes the creation of a new Winter Control Reserve Fund to insulate the annual operating budget results from significant fluctuations in winter severities and the costs related to winter control operations of plowing and de-icing. The report also sets out a proposed Reserve Fund strategy for insulating the annual operating budget results from unexpected variances in winter control operations costs

- As operating budgets get more refined each year, the ability of unplanned surplus revenues to off-set over expenditures becomes more unlikely.
- To mitigate unexpected year-end variances, winter related expenditures generally beyond the control of staff are proposed to be buffered by the use of reserve funds.

Background

Winter control operations include snow plowing and ice control activities for roads and sidewalks along with Town owned parking lots including all facilities. The costs of winter control vary significantly depending on the weather, both in number of events, duration, and amount of precipitation, along with the frequency of thaw-freeze events. The operating budget for winter control consists of the following elements:

DRAFT

FAC April 26, 2017

Page 2 of 5

Report No. FS17-021

- Standby fees to contractor for the winter, to have available trucks and operators in the event they are required by us.
- Stand-by premiums for certain Town equipment operators
- Basic winter patrol hours and premiums for staff, including nights
- Granular and liquid ice control materials
- Activity costs of the contractor when they are activated
- Staff, equipment and overtime costs of Town employees activated for winter control activities.

Winter control responses are driven by Council adopted service level standards, and are activated regardless of the status of budgets. However, all winter control activities are conducted with efficiency in mind, but more emphasis is placed on effectiveness in meeting the service standards, so to avoid litigation against the town. The severity of the winter will drive the costs of materials, contractor costs, and staff overtime and shift premiums for winter operations activities.

If no winter control events occurred in the season, the costs of the winter control program would be limited to the stand-by fees of the contractor, stand-by fees for staff, and the winter patrol hours and premiums for nightly roads monitoring.

Analysis

Winter control costs vary annually depending on the frequency, severity and timing of precipitation events

The following table shows the budgets and actuals for winter control operations costs for the IES Roads section, excluding winter control costs of the Parks Division.

	Winter Control Budget	Winter Control Costs Actual	Variance Fav. (unfav.)	Variance % of Budget
2017	1,563,687	Ytd 849,374	714,313	45%
2016	1,507,437	1,403,922	103,515	7%
2015	1,499,564	1,317,100	182,464	12%
2014	1,386,615	1,484,176	(97,561)	(7%)
2013	1,321,100	1,565,729	(244,629)	(19%)
2012	1,352,149	1,291,921	60,228	4%

DRAFT

FAC April 26, 2017

Page 3 of 5

Report No. FS17-021

The winter control variances are substantively beyond the control of management, and average out over time. As can be seen from 2013, material impacts to year end variances can arise from poor weather winters. It is proposed that a new Winter Control Reserve Fund be created, to be considered part of the Town's stabilization group of reserve funds, to insulate the year end budget results from the variations in weather and these uncontrollable variances which occur for winter operations.

Any annual budget variance arising in the winter control budget section would be transferred to or be funded from the new Winter Control Reserve Fund. The creation of this reserve fund strategy could be seen as deemphasizing budget management for winter control activities. To mitigate against complacency in this respect, staff propose a new annual report.

Each spring, a winter control season report will be prepared by staff outlining the financial impacts of the past winter season, and the budget variances that arose therefrom, both for the prior year fall portion, and the current year spring portion. The report would outline the specific actions undertaken to constrain the costs of winter control while meeting the service level established by Council, particularly when the budget becomes overspent. Overspending would be a last resort effort to meet the service level requirements.

Any to/from reserve transfers would be annually authorized as part of the year-end surplus control bylaw, and would only be used as a last resort to balance the year-end results as required.

It is proposed that initially, the Winter Control reserve fund be funded with a transfer from the tax rate stabilization reserve fund in the amount of \$500,000, and that an upset limit on this new reserve fund be set at 1.5 times the annual winter control budget of the prior year.

Advisory Committee Review

Finance Advisory Committee reviewed a draft of this report at its meeting of April 26, 2017.

Financial Implications

By creating the Winter Control Reserve Fund and funding all winter control budget variances to/or from the reserve fund will remove from the operating budget potentially

DRAFT

FAC April 26, 2017

Page 4 of 5

Report No. FS17-021

significant budget variances which are beyond staff control. As budgets and year end operating budget variances have become tighter and tighter, and the prospects of surpluses arising from development revenues fall, it is important to have in place funding safeguards for events and circumstances which are beyond the control of management.

Regular reporting of reserve fund balances is done through the year end reporting and budget processes. As well, the website Reserve Fund schedule is updated periodically through the year for continuous reference by staff, Council and the public.

The new winter control reserve fund would be a stabilization reserve, and accordingly, an initial funding transfer from the existing tax rate stabilization reserve will have no impact on the Town financially, from an operating perspective, or from a financial security perspective.

Communications Considerations

None. Once created, the new reserve fund, together with its applicable descriptive schedule will be available on our Budget and Financial Information web page.

Link to Strategic Plan

Initiatives which improve management accountability and clarity of results contribute to achieving the Strategic Plan guiding principle of ***“Leadership in Corporate Management”*** and improves transparency and accountability to the community.

Alternative(s) to the Recommendation

1. May choose not to create a separate winter control stabilization reserve fund, and more actively use the tax rate stabilization reserve fund to balance the actual expenditures for winter control to its budget each year.
2. Choose status quo, with no new reserve fund, and no active balancing of winter control costs to budgets.

Conclusions

DRAFT

FAC April 26, 2017

Page 5 of 5

Report No. FS17-021

Stabilizing the fluctuations in annual winter control costs through the use of a new Winter Control stabilization reserve fund will remove a significant uncontrollable source of budget variance from the year end budget to actual results. Removing this significant source of variance will increase the clarity of the remaining budget items upon which management is held accountable.

Attachments

None

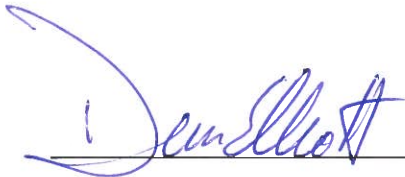
Previous Reports

None

Pre-submission Review

CAO and Treasurer only.

Departmental Approval



**Dan Elliott, CPA, CA
Director of Financial Services
- Treasurer**

Approved for Agenda

**Doug Nadorozny
Chief Administrative Officer**



**Town of Aurora
General Committee Report**

**DRAFT
No. FS17-022**

Subject: Reserve fund strategy for External Legal and occasional Human Resources expenses

Prepared by: Dan Elliott, Director of Financial Services - Treasurer

Department: Financial Services

Date: April 26, 2017

Recommendation

- 1. That Report No. FS17-022 be received; and**
- 2. That the strategy for the use of the tax rate stabilization reserve fund for external legal costs and occasional human resources costs be incorporated into the annual year-end surplus control bylaw passed by Council each fall.**

Executive Summary

This report proposes a reserve fund strategy to be incorporated into the annual financial processes to mitigate year-end operating results from costs which may be significant and occasional for the organization. The expected outcome is that management reporting on year end variances will be more focused on expenses and revenues controllable by management and which are not blurred by impacts of unusual or unexpected circumstances.

- As operating budgets get more refined each year, the ability of unplanned surplus revenues to off-set over expenditures gets more unlikely.
- To mitigate unexpected year-end variances, expenditures generally beyond the control of staff are proposed to be buffered by the use of reserve funds
- Winter control cost variances are proposed to be similarly managed in a separate report FS17-021.
- External legal costs and occasionally human resource costs can be extensive, often beyond the direct control of management in nature, and can have a material impact on year end operating results.

DRAFT

April 26, 2017

Page 2 of 5

Report No. FS17-022

Background

Reserve Funds can be used to mitigate budget variances which arise from external volatility which is beyond the direct control of management and staff. External legal fees and occasionally certain human resource costs are examples of such costs.

Analysis

Reserve funds can be used to mitigate unexpected budget variances

External legal costs are incurred in response to litigation, investigations, legal opinions, or defense of the Town in OMB or other legal or quasi-judicial proceedings. These costs may also include fees for expert witnesses including planners. The circumstances which trigger these costs are beyond the direct control of management. Often, Council has knowledge of these pending costs before they are incurred, such as likely OMB appeals.

Human resource costs which are not budgeted in the annual operating budget but which are incurred in response to sudden or necessary circumstances may include the following:

- Costs of periodic compensation and benefits program reviews, updates, and implementation
- With the specific approval of Council, to fund organizational restructuring costs
- Costs of proceedings and any costs of any fines, penalties and awards under judicial or quasi-judicial processes related to labour, such as but not limited to Ontario Human Rights, WSIB, or wrongful dismissal, including any costs of any escalated grievances under collective bargaining agreements which require external resources to arbitrate, investigate or resolve.
- Unplanned pay equity adjustments of a material nature.
- Necessary severance payments and related legal costs

Material year end budget variances can arise from unanticipated legal or human resources costs

In many of these situations, Council may be involved in the decision which triggers or approves the costs during closed session meetings. However, as these costs are not usually included in the operating budget, they have direct and perhaps material impacts to the year-end operating budget results for which staff are held to account.

DRAFT

April 26, 2017

Page 3 of 5

Report No. FS17-022

It is proposed in this report that budget variances in the external legal budget line item, and any unbudgeted human resources costs of the nature listed above be funded from the tax rate stabilization reserve each year as part of the year end processes, provided that a confidential report to Council detailing any such funding transfers and the basis for such is made to Council within three months of the year end. Annual permission for such would be granted in the Surplus control bylaw passed by Council each fall.

To mitigate the perceived risk of misuse of this strategy, prior to the subject costs being incurred, the CAO would approve them and the use of the reserve fund as the identified source of funding. Further, within three months of the end of the year, a closed session report would be brought to Council outlining the circumstances and the amounts which were funded from the stabilization reserve fund. The report would be in closed session due to the specifics related to legal proceedings and identifiable persons named in the report.

Use of the above strategy will insulate the year end budget results from issues not in the direct control of management, leaving the remaining year end results more accountable upon the administration and management of the Town.

Advisory Committee Review

Finance Advisory Committee reviewed a draft of this report at its meeting of April 26, 2017.

Financial Implications

Currently, unexpected external legal costs or human resources related costs are absorbed to the best of management's ability within existing budgets, however, they can often be material enough to still result in budget overruns at year end. Adopting the proposed strategy of using the Tax Rate Stabilization Reserve Fund for funding budgetary variances arising from external legal fees and certain Human Resources costs, will remove from the operating budget potentially significant budget variances which are beyond staff control. As budgets and year end operating budget variances have become tighter and tighter, and the prospects of surpluses arising from development revenues fall, it is important to have in place funding safeguards for events and circumstances that were not anticipated by management when the budget was proposed.

DRAFT

April 26, 2017

Page 4 of 5

Report No. FS17-022

Regular reporting of reserve fund balances is done through the year end reporting and budget processes. As well, the website Reserve Fund schedule is updated periodically through the year for continuous reference by staff, Council and the public.

Any external legal costs or human resources costs so funded from the Tax Rate Stabilization reserve must be reported to a Closed Session of Council within three months of the year-end for transparency with Council. General statements of such transfers will be made in the annual year-end financial report by staff to the public sessions of General Committee/Council.

Communications Considerations

None, the implementation of the proposed reserve fund strategy will be incorporated into the annual public report establishing a year-end surplus control strategy and bylaw.

Link to Strategic Plan

Initiatives which improve management accountability and clarity of results contribute to achieving the Strategic Plan guiding principle of ***“Leadership in Corporate Management”*** and improves transparency and accountability to the community.

Alternative(s) to the Recommendation

1. May choose to create separate External Legal and Human Resources reserve funds, similar to the separately proposed winter control stabilization reserve fund.
2. May choose status quo and Receive Only this report and not adopt the proposed reserve fund strategy.

Conclusions

Stabilizing budget variances arising from external legal costs or certain human resource related costs through the automatic use of the Tax Rate Stabilization Reserve will remove a significant uncontrollable source of budget variance from the year end budget to actual results upon which management is held accountable. Confidential reports will be provided to Council each year for in respect of any such use of the reserve fund.

DRAFT

April 26, 2017

Page 5 of 5

Report No. FS17-022

Attachments

None

Previous Reports

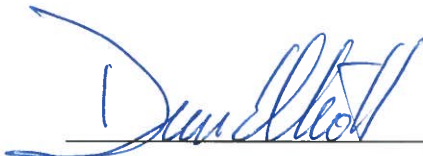
None

Pre-submission Review

CAO, Solicitor and Treasurer only.

Departmental Approval

Approved for Agenda



**Dan Elliott, CPA, CA
Director of Financial Services
- Treasurer**

**Doug Nadorozny
Chief Administrative Officer**



**Extract from
Council Meeting of
Tuesday, March 28, 2017**

5. Consent Agenda

**Moved by Councillor Pirri
Seconded by Councillor Kim**

That the following Consent Agenda item be approved:

C1. General Committee Meeting Report of March 21, 2017

1. That the General Committee meeting report of March 21, 2017, be received and the following recommendations carried by the Committee approved.

(C5) Finance Advisory Committee Meeting Minutes of January 25, 2017

1. That the Finance Advisory Committee meeting minutes of January 25, 2017, be received for information.

(C9) Finance Advisory Committee Meeting Minutes of February 22, 2017

1. That the Finance Advisory Committee meeting minutes of February 22, 2017, be received for information.

Carried