

CROWE VALLEY CONSERVATION AUTHORITY

BUDGET ACTION PLAN

for a

REVIEW OF SERVICES

and

FUNDING SOURCES

Prepared for:

The Board of the Crowe Valley Conservation Authority

Dated: April 19, 2012

Prepared by:

R. Chittick, CAO

L. Reed, CAO

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April 19, 2012

Chair and Members of the
Board of the Crowe Valley Conservation Authority
70 Hughes Lane
P.O. Box 416
Marmora, Ontario K0K 2M0

Subject: Financial Review of Crowe Valley Conservation Authority

In response to the Board's request that a Committee be established to review the current financial situation of the Crowe Valley Conservation Authority and report to the Board on an Action Plan to improve the financial situation, we transmit the attached Report.

On behalf of the Chief Administrative Officers of the various municipalities that met and offered suggestions, we thank you for the opportunity to provide this information for your consideration.

We would like to thank Tim Pidduck, General Manager of the Crowe Valley Conservation Authority for the time, information and suggestions that he so graciously provided.

Yours truly,

R. Chittick
Chief Administrative Officer
Marmora and Lake

L. Reed
Chief Administrative Officer
Havelock-Belmont-Methuen

FINANCIAL REVIEW OF THE CROWE VALLEY CONSERVATION AUTHORITY

PURPOSE:

The Purpose of this Report is to respond to the Board's request for a document that can be used as the basis for a discussion on improving the financial position of the Conservation Authority.

SCOPE:

The Motion of the Board of the Crowe Valley Conservation Authority (Appendix 'A') requested an Action Plan for use as the Board develops a strategy to improve the financial position of the Conservation Authority.

The Scope of this Report was limited to reviewing financial records and discussing conditions of the Conservation Authority in accordance with the terms of the Board Motion. This Action Plan has been developed based on the review and discussions for the use of the Board.

No external contacts have been made to determine or confirm potential property market values or assessments. The Review Committee felt that making such external contacts would be beyond the current mandate of the Committee.

The date for the Report by the Committee has been scheduled for April 19, 2012 as it is the first Board Meeting following the March 31, 2012 reporting date identified in the Board Motion.

FINDINGS:

The Authority is facing a serious financial position that warrants immediate action by the Board.

This finding is supported by a review of the 2011 Financial Statements as well as a review of prior year financial statements. The review identified a long-standing financial situation that has become increasingly critical.

Financial forecasts (Budgets) prepared by the General Manager in recent years and for 2012 identify significant increases in municipal annual levy prior to any contribution to requirements for the replacement of or major maintenance of infrastructure owned and operated by the Authority. If appropriate contributions for asset management are included, the increases exceed a logical "ability to pay" test.

A review of the Financial Statements identifies that the life of the major tangible capital assets are nearing, or have exceeded their forecast life, and no financial strategy is in place to manage the needs.

Further, the Auditors for the Authority have included in the 2011 Notes to the Financial Statements, Note # 7, Contingencies, as follows:

"The Authority owns a number of water control structures. Pending Provincial Dam Safety Legislation will require dam safety assessments which may identify deficiencies that will require future remediation".

Discretionary responsibilities do not make up a significant component of the financial requirements; therefore, there is limited financial flexibility. Given the current financial situation any non-core activities will have to be curtailed.

Although staffing levels are not excessive, the financial impact of the current human resource level is not sustainable with the present financial limitations.

OPTIONS FOR CONSIDERATION:

Option # 1:

Status quo is not a viable option as the Authority's risk profile increases each year due to aging assets.

Option # 2:

Requesting that the Crowe Valley Conservation Authority be dissolved or amalgamated with another watershed (conservation authority).

Option # 3:

No single component of Option # 3 will provide a sufficient solution to the financial problem. A combination of all of the components of Option # 3 will be required to move in the direction of resolving the financial issues.

Components # 1 through 9 follow:

1. Identify potential revenue sources and ensure the revenue sources are pursued and realized for:
 - i. The rental of the McGeachie property to an education facility or other acceptable tenant for purposes such as research and training;

- ii. Foundation (grant) funding (e.g. environmental funds) for property such as The Gut to improve trail safety for access;
 - iii. If there is no realization of additional revenue sources by September 2012, consider all alternatives.
- 2. Consider the list of properties owned and controlled by the Authority and identify those that can be sold using a two-tiered approach such as the most marketable properties and the highest revenue realization.
- 3. The Province (MNR) should be approached with a multi-faceted request:
 - i. To enter into an Agreement with the CA that authorizes the use of any funds realized from the sale of an asset for use in CA related requirements.
 - ii. That Provincial funding for operational requirements be considered due to the limited tax base for this particular CA as well as the extensive Crown Lands (non-tax revenue generating lands) that are included within the watershed;
 - iii. That capital funding from a Provincial program is required for capital rehabilitation of certain major infrastructure during the next several years.
- 4. The member Municipalities be requested to assist the Authority with in-kind and "good condition" surplus equipment/technology and human resource support based on a list of requirements.
- 5. Staffing levels be adjusted to consolidate the workload of positions to reduce the overall staff complement.
- 6. Total adjustments to 2012 salary/wages be limited to 2.0% to ensure it is in line with the Bank of Canada's most recent forecast of 1.7% inflation at the end of 2012 and the Province of Ontario's Budgetary Guidelines for salary increases.
- 7. Consider the cost/benefit of alternate service delivery such as contracting for the completion of certain tasks.
- 8. Seek the support of member Municipalities for a 6% per annum increase in levy for the next ten (10) years on the understanding that other costs would be controlled and that the additional revenue in excess of inflation (e.g. $6\% - 1.7\% = 4.3\%$) would be for capital contribution. For clarity, the 2011 and future operating budget would be limited to increases equal to the level of inflation exclusive of any one-time transitioning costs and the balance would be for capital contribution.

9. Seek in-kind contribution from member Municipalities for Board support responsibilities.

RECOMMENDATIONS:

- A. That Option # 3 be adopted including the Implementation requirements listed as follows:**

THAT a Workplan be developed immediately for the implementation of Components 1 through 9 of Option # 3 as follows:

Component # 1:

1. Identify potential revenue sources and ensure the revenue sources are pursued and realized for:
 - i. The rental of the McGeachie property to an education facility or other acceptable tenant for purposes such as research and training;
 - ii. Foundation (grant) funding (e.g. environmental funds) for property such as The Gut to improve trail safety for access;
 - iii. If there is no realization of additional revenue sources by September 2012, consider all alternatives.

Component # 2:

2. Consider the list of properties owned and controlled by the Authority and identify those that can be sold using a two-tiered approach such as the most marketable properties and the highest revenue realization.

Component # 3:

3. The Province (MNR) should be approached with a multi-faceted request:
 - i. To enter into an Agreement with the CA that authorizes the use of any funds realized from the sale of an asset for use in CA related requirements.
 - ii. That Provincial funding for operational requirements be considered due to the limited tax base for this particular CA as well as the extensive Crown Lands (non-tax revenue generating lands) that are included within the watershed;

- iii. That capital funding from a Provincial program is required for capital rehabilitation of certain major infrastructure during the next several years.

Component # 4:

4. The member Municipalities be requested to assist the Authority with in-kind and "good condition" surplus equipment/technology and human resource support based on a list of requirements.

Component # 5:

5. Staffing levels be adjusted by consolidating the workload of positions to reduce the overall staff complement.

Component # 6:

6. Total adjustments to 2012 salary/wages be limited to 2.0% to ensure it is in line with the Bank of Canada's most recent forecast of 1.7% inflation at the end of 2012 and the Province of Ontario's Budgetary Guidelines for salary increases.

Component # 7:

7. Consider the cost/benefit of alternate service delivery such as contracting for the completion of certain tasks.

Component # 8:

8. Seek the support of member Municipalities for a 6% per annum increase in levy for the next ten (10) years on the understanding that other costs would be controlled and that the additional revenue in excess of inflation (e.g. $6\% - 1.7\% = 4.3\%$) would be for capital contribution. For clarity, the 2011 and future operating budget would be limited to increases equal to the level of inflation exclusive of any one-time transitioning costs and the balance would be for capital contribution.

Component # 9:

9. Seek in-kind contribution from member Municipalities for Board support responsibilities.

THAT a priority be placed on taking steps to ensure the immediate reduction of current expenses in order to allow time to arrange for the sale of certain real property assets and for the scheduling of funding negotiations with the Province.

THAT a sub-committee of the Board be established with the Terms of Reference to oversee the prompt implementation of the Workplan as described in Appendix C.

THAT an update on implementation be provided to the Board at each Board Meeting.

THAT a Senior Advisor on Implementation be appointed by the Board to provide the Administrative capability and capacity for immediate implementation of the Action Plan requirements with a mandate as described in Appendix D.

OR

If Recommendation A is not adopted, then the following Motion be considered:

THAT immediate steps be taken to action dissolution of the Crowe Valley Conservation Authority with the Municipality of Marmora and Lake and the Township of Havelock-Belmont-Methuen indicating that as the significant funding bodies they no longer have confidence that the Crowe Valley Conservation Authority Board has the resources or is taking action to acquire the resources to complete its responsibilities as set out in legislation.

Appendix A

Motion of the Board re: Review

FA Motion G 61/11

That the 2012 Budget of the Crowe Valley Conservation Authority be approved at the 2011 total budget value as an interim measure to allow for the completion of the following budget review actions:

- a) The completion, by March 31, 2012, of a Budget Action Plan for a Review of Services and Funding Sources;
- b) The creation of an Administrative Budget Committee consisting of, and co-chaired by, the CAO of Marmora and Lake and the CAO of Havelock-Belmont-Methuen working with the assistance of and in co-operation with the General Manager and Secretary-Treasurer of the CVCA. The short reporting timeframe results in the limitation of membership of the Committee in order to ensure that meetings can be arranged and duties assigned in an expedient manner. The mandate of the Committee is to develop the Budget Action Plan for a Review of Services and Funding Sources;
- c) The Administrative Budget Committee is directed to submit the Budget Action Plan for the Review of Services and Funding Sources to the CVCA Board on or before March 31, 2012;
- d) Any Agreements or funding arrangements with non-municipal partners may be considered and authorized as required prior to March 31, 2012;
- e) The Budget for 2012 will be reviewed by the CVCA Board after receipt of the Budget Action Plan. However, CVCA member municipalities should be notified immediately that there may be a potential funding requirement either as a base adjustment or as a one-time adjustment as a result of finalizing the 2012 Budget. Such immediate notification provided as a courtesy to all member municipalities as they develop their individual 2012 budget.

(motion carried by a recorded vote)

FA Motion G 62/11

That the CAOs of each municipality, within the CVCA watershed, be invited to participate in all of the meetings of the Administrative Budget Committee.

(motion carried)

Appendix B
Crowe Valley Conservation Authority
Operating Forecast Summary for 2012 – 2019
(based on assumptions noted)

	2011 (ACTUALS)	2012 (EST)	2013 (EST)	2014 (EST)	2015 (EST)	2016 (EST)	2017 (EST)	2018 (EST)	2019 (EST)
Revenues	<u>825,784</u>	<u>744,132</u>	<u>677,655</u>	<u>701,521</u>	<u>726,819</u>	<u>753,635</u>	<u>782,060</u>	<u>812,190</u>	<u>844,128</u>
Expenditures	747,135	592,452	515,309	525,614	536,126	546,848	557,785	568,941	580,320
Contributions to Capital Reserve	<u>78,649</u>	<u>151,680</u>	<u>162,346</u>	<u>175,907</u>	<u>190,693</u>	<u>206,787</u>	<u>224,275</u>	<u>243,249</u>	<u>263,808</u>

Crowe Valley Conservation Authority
Operating Forecast Detail for 2012 – 2019
(based on assumptions noted)

Revenues ^{(1) (4)}	2011	2012	2013	2014	2015	2016	2017	2018	2019
MNR Grant - Op	116,741	116,741	116,741	116,741	117,963	117,963	117,963	117,963	117,963
MNR Grant - Other	1,222	1,222	1,222	1,222					
Municipal Levy ⁽²⁾	354,007	375,247	397,762	421,628	446,926	473,742	502,167	532,297	564,235
Crowe Bridge CA	6,660	6,660	6,660	6,660					
Regs Admin Fee	59,415	59,415	59,415	59,415					
Op. Agreements	24,166	24,166	24,166	24,166					
Hydro Project	23,525	23,525	23,525	23,525					
S: W.P. proj ⁽³⁾	191,884	88,992			161,930	161,930	161,930	161,930	161,930
O. Benthic Monitor	6,274	6,274	6,274	6,274					
Misc.	31,027	31,027	31,027	31,027					
Foundation	7,412	7,412	7,412	7,412					
Interest Earned	3,451	3,451	3,451	3,451					
	825,784	744,132	677,655	701,521	726,819	753,635	782,060	812,190	844,128

⁽¹⁾ All Revenues held constant, except as listed in 'notes'.

⁽²⁾ Municipal levy calculated to increase at 6%.

⁽³⁾ Source Water Protection funding/expenses net 'zero'. Assumed no future years' to reduce variables.

⁽⁴⁾ Provincial contribution to capital: sale of assets: increased rental of property not quantified for this forecast.

	2011 (ACTUALS)	2012 (EST)	2013 (EST)	2014 (EST)	2015 (EST)	2016 (EST)	2017 (EST)	2018 (EST)	2019 (EST)
Contribution to Capital Reserve ⁽⁵⁾	78,649	151,680	162,346	175,907	190,693	206,787	224,275	243,249	263,808

⁽⁵⁾ Amortization expense not included for calculation purposes (2011 amount \$41,057).

Crowe Valley Conservation Authority
Operating Forecast Detail for 2012 – 2019
(based on assumptions noted)

Expenditures	2011		2012	2013	2014	2015	2016	2017	2018	2019
Program Admin										
Wages & Benefits	302,699	(1)	239,472	244,261	249,146	254,129	259,212	264,396	269,684	275,078
Office Admin	47,003	}								
Gen. Regs	83,827	}								
Travel/P.Dev.	8,901	}								
Insurance	35,240	}								
Legal	658	}								
Communications	13,646	(2)	222,033	226,474	231,003	235,623	240,335	245,142	250,045	255,046
Utilities	16,706	}								
Muni Taxes	5,795	}								
Fam Ops	2,017	}								
Board Exp.	3,069	}								
Cap. Admin Office	817	}								
Other Proj.	226,757	(3)	130,947	44,574	45,465	46,374	47,301	48,247	49,212	50,196
	747,135		592,452	515,309	525,614	536,126	546,848	557,785	568,941	580,320

(1) Assumes a reduction of one (1) FTE in 2012 (\$69,281) and adds a 2% increase from 2011 (\$6,054) for each year following. Further, calculation based on the assumption that any one-time funding for transition will be sourced from reserve (\$302,699 + \$6,054 - \$69,281 = \$239,472).

(2) In 2011, expenditures less "Wages & Benefits" and "Other Projects" total \$217,679. 2012 and future years' estimates are increased by 2% (\$217,679 + 2% = \$222,032.58).

(3) Source Water Protection included in 'Other Projects'. Value for 2012 equivalent to CVCA Budget for Revenue. Future years reduced to zero for estimate purposes. Assume revenue/expenditure neutral (\$226,757 - \$184,802 + \$88,992 = \$130,947) [(\$130,947 + 2%) - \$88,992 = \$44,574].

Appendix C

Crowe Valley Conservation Authority Sub-Committee on Implementation of Budget Action Plan:

Terms of Reference

Mandate:

To ensure the Actions identified by the Crowe Valley Conservation Authority in Option # 3 of the Action Plan for a Review of Services and Funding Sources be implemented.

Membership:

The sub-committee shall include the Chair of the Crowe Valley Conservation Authority; the Board representative (or alternate) of Marmora and Lake Township; the representative of Trent Hills Township and the representative of Havelock-Belmont-Methuen Township.

The Chair of the sub-committee shall be the representative of Havelock-Belmont-Methuen Township.

Authority:

The Sub-Committee has the authority to enter into discussions with individuals, organizations and/or corporations on behalf of the Authority for the purpose of negotiating for the acquisition or disposition of requirements of the Authority as outlined in Option # 3 of the Action Plan.

The Sub-Committee has the authority to represent and bind the Board in areas of discussion with the Province of Ontario as represented by the Ministry of Natural Resources; with potential buyers of current land and buildings of the Authority; and in human resources matters.

The Sub-Committee has the authority to delegate its powers to members of the Sub-Committee and the Senior Advisor on Implementation for the purpose of moving the steps of the Action Plan forward.

The Sub-Committee will Report to the Board at every Board Meeting with an update on all discussions and/or decisions.

Term of Committee:

The Sub-Committee shall remain in place for a period of two years. At the end of the two years, the Crowe Valley Conservation Authority Board shall consider if the Sub-Committee shall continue with a revised mandate for the purpose of completing any remaining Action steps.

Appendix D

Crowe Valley Conservation Authority

Senior Advisor on Implementation

Mandate:

The Senior Advisor on Implementation shall be deemed to have the authority to take actions on behalf of the Board and the Sub-Committee for the purpose of implementing the steps in Option # 3 of the Action Plan.

Reporting to the Sub-Committee and, through the Sub-Committee, to the Board of the Authority, the Senior Advisor on Implementation will have authority to act on matters of land discussions; funding discussions with the Province; human resource matters; operational matters that impact the Action Plan and other such matters as arise and are authorized by the Sub-Committee on Implementation.

Appointment:

The Chief Administrative Officer for Municipality of Marmora and Lake, Ron Chittick, shall be appointed as the Senior Advisor on Implementation for the period April 19, 2012 until April 18, 2014.

