



Town of Fort Smith
Special Town Council Meeting
SP-01-19
Agenda

Monday, April 29, 2019 at 7:00 pm – Council Chambers

- A. Call to Order and Confirmation of Quorum
- B. Approval of Agenda
- C. Presentation
 - i. 2018 Audited Financial Statements
- D. Discussion
 - i. Bylaw 996 2019 Mill Rate – Third Reading
 - ii. 20-year Long-term Capital Plan
 - iii. 2019 Capital Plan
- E. Absence of Council Members
- F. Adjournment
- G. Question Period



**COUNCIL OF THE TOWN OF FORT SMITH
SPECIAL MEETING SP-01-19
THE FIRST SPECIAL MEETING OF COUNCIL FOR
THE YEAR 2019**

PRESENT: Mayor L. Napier-Buckley Cr. K. Campbell
Cr. J. Cox Cr. L. Beaulieu
Cr. B. McArthur Cr. A. Pischinger
Cr. M. Couvrette Cr. C. Westwell

REGRETS: D/M K. Smith

STAFF: K. Morrison, Senior Administrative Officer
J. Hood, Director of Corporate Services
C. White, Director of Community Services
P. Kaeser, Director of Municipal Services
K. Reid, Executive Secretary

GALLERY: Heather Gill, Avery, Cooper & Co.

Special Meeting SP-01-19
April 29, 2019

7:00 PM
Council Chambers

The purpose of the Special Meeting is to have a presentation from Avery, Cooper & Co. of the Town of Fort Smith's 2018 Audited Financial Statements, to have Third Reading of the 2019 Mill Rate Bylaw 996, to approve the 20-year Long-term Capital Plan, and to approve the 2019 Capital Plan.

A. CALL TO ORDER & CONFIRMATION OF QUORUM

Mayor Napier-Buckley called the meeting to order at 7:17 pm and confirmed quorum of Council was present.

B. APPROVAL OF AGENDA

19-076 Moved by: Cr. Cox Seconded by: Cr. McArthur That the agenda be adopted as presented. CARRIED UNANIMOUSLY
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C. PRESENTATION

- i. 2018 Audited Financial Statements – Heather Gill, on behalf of Avery, Cooper & Co. reviewed the Town of Fort Smith's 2018 Audited Financial Statements. Ms. Gill advised that the Auditor's Report states that the financial statements present fairly, in all material respects, the financial position of the town. She started with Page 1 of the Financial Statements: the Statement of Financial Position. She noted that as of December 31, 2018 the Town had \$8.9 million in Cash and cash equivalents which are short-term deposits with original maturities of three-months or less. She indicated that Page 13, Note 6 provides a break down of different bank accounts which make up the \$8.9 million. Ms. Gill returned to Page 1 and reviewed liabilities; she noted that Deferred revenue is mostly Gas Tax and CPI funds from MACA that haven't been spent and that the Long-term debt is \$2.8 million still owing from the Arena debenture. Ms. Gill noted that everything else is comparable to the previous year. She reviewed Note 25 on Page 23 and indicated that agreements to receive funding for Gas Tax, Canada Water and Wastewater Fund and the Small Communities Fund have been signed. Ms. Gill reviewed Note 20 Commitments; she indicated that the Town entered into an agreement with a contractor for a water and sewer infrastructure replacement project with a cost totaling \$4.7 million. Ms. Gill reviewed the Town's annual

surplus on Page 2 for 2018 which was \$41,336 and noted that the Town's budgeted surplus was \$1.4 million. She noted that there are differences in the Financial Statements then that of the Town's financial information, in the way Canadian Public Sector Accounting Standards (PSAS) deals with Capital Projects, Capital Assets and Expenses are used for the Financial Statements. She noted that Note 23 is a budget note to reconcile the approved budget for accounting for revenue, expenses and transfers between funds of \$1.7 million and that the debenture capital wasn't in the budget. She reviewed the General Government Services Schedule of Revenue and Expenses on Page 26 and indicated that the expenses that came from the Capital fund were just over \$86,000. On Page 27, there was just over \$17,000 added from the Capital fund to Public Safety and Protective Services expenses. On Page 28, there was just over \$19,000 added from Capital funds to Public Works and Transportation Services expenses. Ms. Gill advised that there was no change to capital funds put into Recreation and Culture Services expenses. On Page 30, Ms. Gill indicated that just over \$87,000 was added to the Water and Sewer Services under expenses and that there is a deficit of \$489,000. She noted that this is supposed to balance and have enough revenue to cover the deficit for Water and Sewer. She advised that there are issues with the Water and Sewer section with the way revenue is being earned through invoicing. She added that the Water and Sewer Bylaw requires updating and adjusting. Ms. Gill reviewed Page 38 which provides more information on the Utility Operating Fund; at the top of the column there is a net deficit of \$489,966 and reversed allocations are made back to the fund resulting in \$333,667 deficit at year end. Additionally, in the Utility Operating Fund purchases that became capital assets equal \$315,896; amortization which was taken out, as its not a real cash amount, equals \$501,554; and \$799,443 was added to the utility reserve which brings the fund to a deficit. She noted that the reason there is a difference is due to the water interruption surplus that is required to go to the reserve as per bylaw. She noted that last years surplus was used and should have remained in the fund to go to reserve. She asked if there were any questions. Cr. McArthur thinks the Town should charge more for water. Ms. Gill noted the issue is that water is not being charged consistently and that charges need to be determined for residents and commercial. She noted that there is a need to either reduce expenses or increase revenue.

Cr. Couvrette thinks there is a typo on Page 14; it is stated that the long-term debt loan matures in December 2020. Ms. Gill indicated that is correct as it comes up for renewal. Administration advised that the rate changes December 2020.

Administration reviewed the Management Discussion and Analysis document which talks to the general overview of the Town's financial position. He noted that the way the Town presents the budget and how it is tracked through variance reports is very different than how the auditors present the finances as the auditors move capital funds in different ways than the Town does. For example, the Auditors say there is a \$1.4 million surplus this year, but the surplus is tied directly to unspent Gas Tax dollars which wasn't considered in the O&M budget as only operational expenses are. He also noted that Ms. Gill indicated the change in accounting requirements that looks at capital and then expenses. He noted that capital leases get treated as a capital item and not a lease cost from a budgeting perspective. He advised that the Management Discussion Letter states that the Town is in a fairly-strong financial position and that Council will understand the financial position from the variance report. He noted that the fourth-quarter variance report was presented to Council a few months ago and the Town is finding spending limitations as there is not much flexibility in the O&M budget. He also noted that the audit does not divide the overall sums of money for the separate budget for Environmental, Utility and Operating. Some concerns brought up are with liquidity and availability of cash, and noted that the letter does say that the Town has enough resources to meet financial obligations but are seeing restrictions to liquidity tied specifically to unpaid debt in property taxes, etc. He noted that the Town is taking measures to address the outstanding accounts and that there is unsold land also tying up funds in Westgrove Subdivision that needs to be addressed through sales plans.

Administration indicated that pie graphs were added to the letter and that the first graph shows the Town's Revenue by Source which combines the three major budgets. He noted that municipal taxes account for approximately a third of the graph and that capital funds are included but does not account for approximately \$900,000 in Gas Tax funding as it was not received at that time. GNWT transfers account for approximately a third and the smaller portions account for user fees.

Administration reviewed the second graph on 2018 Expenditures which includes a 32% recreation and cultural services expenses, 20% public works, 20% water and sewer, 16% general government, 6% public safety and protective services, and 5% environmental fund expenses. Administration does not like quantifying the cost of recreation services as it becomes a target when reducing costs and noted that the one-third of the Town's expenses, for recreation, is not legislated to be provided. He advised that the recreation services are provided as the Town feels it's necessary.

Administration reviewed the Memorandum on Accounting Systems and Internal Control. He noted that the document is produced by the Auditor which outlines areas for improvement as identified by the audit. He noted that items marked with an "X" are carryover items and that most carryover items are related to water and sewer billing issues. He added that when the Auditor started the memorandum, it was twelve pages long and has been reduced to five pages this year as areas for improvement are actioned. Administration advised that the Bylaw Review Committee have discussed at length about the concerns of the Water and Sewer Bylaw and Service Interruption Bylaw, and are in the process of working through them. He noted that there are a number of pressures such as identifying the economic rate of water and that the Town is legislated not to profit from the sales of water. As a result, the Town must know the real cost of operations and how much water is being sold. He noted that 10-15% of the Town's water meters are not operational and that capital funds need to be expended for their replacement. He advised that the memorandum also states the need for a Capital Asset policy and the need to get a new contract with Smith Landing First Nation (SLFN) as the agreement between the Town and SLFN has expired.

Cr. Westwell noted that there were only two new items added to the memorandum this year, one being that the amounts paid to customers for water main issues was more than what was allowed in the Service Interruption Bylaw 697 and asked under what situations the Town was paying-out for water main issues. Administration noted that the Town pays residents water service interruption insurance and that the insurance value in the Bylaw 697 has a maximum amount of \$10,000 which isn't a representative amount in order to affect the necessary repairs. In knowing this, the Town has enforced an internal policy to fully cover the repair bills, less the deductible, otherwise residents would see an additional bill for repairs of \$5-10,000.

Cr. Westwell asked if accrued liabilities, on Page 14, includes full accounts as there is an additional \$130,000 in accrued liabilities over 2017. She noted that it is the amounts left unpaid at the end of December that hadn't yet been invoiced for. The Director advised that there were a number of invoices received with the intent to process in December 2018, however due to staff turnover and other issues they were processed in January 2019 and were accrued in 2018 for the expense to match.

Cr. Westwell was pleased with the work and to see the Auditor's recommendations being approved. He was also pleased with the improvements from year to year from the Auditor's perspective.

Cr. McArthur thought the reports and memorandum were excellent. He noted that if the Town resolved the water and sewer issues the memorandum would be reduced to one page.

Mayor Napier-Buckley thanked Ms. Gill for her presentation.

19-077 Moved by: Cr. Couvrette
Seconded by: Cr. Cox

That the 2018 Audited Financial Statements be accepted as presented.

CARRIED UNANIMOUSLY

D. **DISCUSSION**

i. **Bylaw 996 2019 Mill Rate Third Reading**

19-078 Moved by: Cr. Westwell
Seconded by: Cr. Cox

That the 2019 Mill Rate Bylaw 996 be given Third Reading by title only.

CARRIED UNANIMOUSLY

ii. **20-year Long-term Capital Plan – The 20-year Long-term Capital Plan was reviewed. Cr. Westwell advised that there wasn't quorum for the Special Meeting on April 23rd although there was informal discussion and that he has a full comprehension of the Plans. He supports the Capital Plans as presented. He understands the reasons, details, comments and importance in approving the documents to forward with the capital projects. He noted that the implementation of the recommendations of the TAG report are priced at \$7.5 million for space use analysis and that the Town is not committed to the recommendations.**

Cr. Couvrette appreciated the time Administration took in preparing and discussing the Plans. He noted that discussions from the April 23rd workshop identifies the need for Council to address the long-term deficit in the ability to maintain and replace infrastructure over the next twenty-years. He felt that the 20-year Long-term Capital Plan is a good document to help guide Council long-term. He suggested Council start saving additional reserves for projects upcoming in ten to fifteen years. He noted that the document will help with planning and consideration of taking on new infrastructure and that funds are properly saved to replace any new infrastructure long-term.

Cr. Cox commended Administration for preparing the 20-year Long-term Capital Plan and for answering questions about the document when quorum was not achieved. She looks forward to using the document as the foundation for decision making over the duration of the current Council's term. Additionally, she looks forward to the infrastructure tour and appreciates the impact of the plan over existing infrastructure moving forward.

Cr. Westwell agreed with Cr. Couvrette's comments that there will be hard decision making on how to manage the infrastructure deficit. He is unsure if the Town can fund the deficit and suggested being creative in the long-run to close the deficit gap. He noted that it is ambitious to use a debenture to close a tax-plug and it will be politically challenging. Cr. Westwell thanked Administration for the documents.

19-079 Moved by: Cr. Couvrette
Seconded by: Cr. Cox

That the 20-year Long-term Capital Plan be adopted as presented.

CARRIED UNANIMOUSLY

- iii. 2019 Capital Plan – The 2019 Capital Plan was reviewed. Cr. Westwell noted that the TAG report and recommendations are included in the 2019 Capital Plan. He was unsure in approving a \$16 million Capital Plan but after positive discussions with Administration, and a better understanding of the TAG report and Capital Plan, he supports moving forward with the 2019 Capital Plan and having Administration manage the projects. He noted that as projects evolve there will be opportunity for community and user base engagement to ensure the TAG report leads to constructive development.

Cr. Cox looks forward to the TAG report being used as the foundation for work to be done and understands that it is not a set plan of confirmed work. She noted that the report will be used for direction in reorganizing the Recreation facility, Library, and Town Hall.

Cr. Westwell added that he looks forward to feedback and ideas received from developers from the RFP process with regard to the reorganization of the facilities.

Cr. McArthur noted that a new Fire Hall and Ambulance facility is not included in the 2019 Capital Plan. Administration advised that it is not included as there isn't sufficient funds to construct the facility. He indicated that the Town may use the debenture method to construct a new facility and that further details are outlined in the TAG report. He added that the report is not beholden to the floorplans included in the document but that it entails what the Town needs to deliver the services and includes costs. He noted that the next step would be to ask the local private sector how they can meet the Town's needs. He added that a \$6 million debenture would result in a 20% property increase that would not be well received by residents. He thinks the Town could decrease the property tax increase to 10% in considering that there is a 3.5% unallocated property tax increase, annual rental costs for the current ambulance bay is equivalent to 1% property tax and the sale of the current Fire Hall lot would be a 1-2% property tax equivalency. He added that if the project is delayed a year or two, property taxes could be incrementally increased, and that the Town may be able to access Government funds for the project, which would result in a debenture with a less than 10% property tax increase to residents. Administration advised that a better idea of financials is required before further discussing debenture and that first, the Town will engage the local private sector to determine solutions for something that works. He noted that the Town's facilities are the fundamental face of the community and that the project will be a combined initiative with Council and the public. Administration advised that he was tasked by Council to find a solution as many Town buildings have reached end of life and as the Town does not have an Ambulance facility. He added that the projects are affordable and priority; he is requesting acknowledgement from Council that funds will be committed to see the priorities through.

Mayor Napier-Buckley requested an update on the process of inviting contractors to put forward different ideas to implement the TAG report. Administration is thinking of implementing a prequalification process where interested developers approach the Town with an interest in meeting the Town's needs and can provide the construction options required to achieve this. He hopes the Town will receive interest from several parties with alternative proposals that can be shown to the public for participation in the decision. Administration is trying to develop a process that allows people to participate in only some aspects of the project rather than the whole project. He added that the private selector may have alternative solutions that the Town hasn't yet considered.

Mayor Napier-Buckley advised that Council has had opportunity to review the 2019 Capital Plan and the TAG report and has had opportunity to bring forward questions, comments and concerns.

19-080 Moved by: Cr. Cox
Seconded by: Cr. Westwell

That the 2019 Capital Plan be adopted as presented.

CARRIED UNANIMOUSLY

E. **ABSENCE OF COUNCIL MEMBERS**

Mayor Napier-Buckley advised that D/M Smith advised that he would be away as he is on vacation as per the Council Procedures Bylaw 902.

19-081 Moved by: Cr. Couvrette
Seconded by: Cr. Cox

That D/M Smith be excused from the Special Meeting of Council on April 29, 2019.

CARRIED UNANIMOUSLY

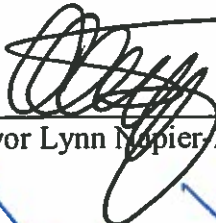
F. **ADJOURNMENT**

19-082 Moved by: Cr. Cox
Seconded by: Cr. Couvrette

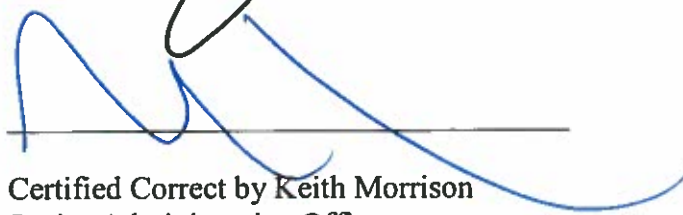
That this meeting be adjourned at 8:13 pm.

CARRIED UNANIMOUSLY

Minutes adopted this 21st day of May, 2019.



Mayor Lynn Napier-Buckley



Certified Correct by Keith Morrison
Senior Administrative Officer

G. **QUESTION PERIOD**