



The Corporation of the City of Stratford Finance and Labour Relations Sub-committee MINUTES

Date: November 17, 2020

Time: 3:30 P.M.

Location: Electronically

Sub-committee Present: Councillor Clifford - Chair Presiding, Councillor Gaffney - Vice Chair, Councillor Beatty, Councillor Bunting, *Councillor Ritsma

Staff Present: Janice Beirness - Director of Corporate Services, Jodi Akins - Council Clerk Secretary, Tatiana Dafoe – City Clerk, Chris Bantock – Deputy Clerk

Also present: Rick Orr – Orr Insurance, Meghan Callaghan – BFL, Susy Nicols – Mosey & Mosey, Kelly McCann – Festival Hydro, Scott Knapman – Festival Hydro

1. Call to Order

The Chair called the meeting to Order.

2. Disclosure of Pecuniary Interest and the General Nature Thereof

The *Municipal Conflict of Interest Act* requires any member of Council declaring a pecuniary interest and the general nature thereof, where the interest of a member of Council has not been disclosed by reason of the member's absence from the meeting, to disclose the interest at the first open meeting attended by the member of Council and otherwise comply with the *Act*.

Name, Item and General Nature of Pecuniary Interest

No disclosures of pecuniary interest were made by a member at the November 17, 2020 Finance and Labour Relations Sub-committee meeting.

3. Delegations

None scheduled.

4. Report of the Director of Corporate Services

4.1 2021 Insurance Renewal (FIN20-022)

Staff Recommendation: THAT the report regarding the City of Stratford's 2021 Insurance Renewal for the period December 31, 2020, to December 30, 2021 (FIN20-022), be received for information.

Motion by Councillor Beatty

Sub-committee Decision: THAT the presentation by Meghan Callaghan from BFL and Rick Orr from Orr Insurance be heard.

Carried

Sub-committee Discussion: Rick Orr from Orr Insurance introduced himself as the local insurance broker for the City and Meghan Callaghan from BFL, who is the managing agent on the account.

Ms. Callaghan, referring to a PowerPoint presentation, provided an update on the 2020 Canadian insurance market, noting that it is in a state of correction and that rates and premiums are increasing. BFL held a webinar in October for their clients explaining the difference between a hard market versus soft market. She reiterated the differences for Sub-committee, noting that the industry has not seen a hard market since 2001.

Natural catastrophes continue to impact the global insurance market. It was noted that insurers have two basic sources of revenue, premiums and investment of income. Loss of investment income has contributed to moving into a hard market. COVID-19 is not the reason for present market conditions but it is not helping either.

She noted that municipalities are challenging to underwrite as there is a wide scope of services, operations and locations. How insurers are reviewing municipal risk in a hard market was reviewed.

Rick Orr advised that staff expended a lot of effort this year getting details to the underwriters and advised that there will be increases to premiums.

In response to whether all insurers are increasing prices, Mr. Orr responded that other insurers are looking at 20-25% increases on most renewals. He noted that BFL is already lower than the previous insurer and that the City would be in the same position had they remained with that insurer.

Ms. Callaghan gave examples of other municipalities who are experiencing large increases to their insurance rates as follows:

- Toronto saw a 146% increase on their property,
- Mississauga saw a 186% total package increase, and
- Simcoe saw a 36% total package increase.

*Councillor Ritsma now absent from the meeting.

Motion by Councillor Bunting

Sub-committee Recommendation: THAT the report regarding the City of Stratford's 2021 Insurance Renewal for the period December 31, 2020, to December 30, 2021 (FIN20-022), be received for information.

Carried

*Councillor Ritsma now present via the telephone.

4.2 2021 Employee Benefits Overview (FIN20-026)

Staff Recommendation: THAT the report regarding the City of Stratford's 2021 Employee Benefits Overview (FIN20-026) be received for information.

Motion by Councillor Bunting

Sub-committee Decision: THAT the presentation by Susy Nicols of Mosey & Mosey be heard.

Carried

Sub-committee Discussion: Susy Nicols of Mosey & Mosey, the City's benefit plan consultant, advised that she completed a marketing exercise where they took the City's business out to 12 providers. The incumbent, Manulife Financial, came in at a 2.2% savings and extended rate guarantees to March 1, 2022 for basic life and long-term disability and to March 1, 2021 for extended health and dental care. The total savings to the City is approximately \$120,500.

A projection was submitted in September 2020 with a 20% overall increase. As the life and long-term disability was extended to March 1, 2022, the increase is just related to the extended health and dental care.

Referring to the presentation included with the agenda, Ms. Nicols reviewed how the increases were determined. Two factors contributing to the increase were identified as follows:

- health care was underfunded by approximately 9% as of September 1, 2019, and
- net claims under the EHC benefit have increased by 23.7% since the 2019 marketing.

Preliminary assessments indicate that Manulife will be seeking a projected overall increase of 10%, or \$190,000 per annum.

In response to whether it is unusual for the extended health care to be high, Ms. Nicols advised that all they can go on is the previous 12 month's claims. She advised that the City is running high and they like to see the target/loss ratio around 90%. They have worked with Human Resources to minimize impacts with plan design and implemented cost savings but they cannot predict what the costs will be.

With respect to whether they are going out to market on drug costs, Ms. Nichol advised that the City has protection in place. Processes have been implemented such as the requirement for prior authorization and those processes were explained.

She noted that the pandemic has not had an impact on rates at this point, although many municipalities are seeing catastrophic increases in long term drug claims related to the pandemic. The City has secured a rate guarantee to 2022 for long term drugs so it will not be impacted by those increases at this point.

Motion by Councillor Ritsma

Sub-committee Recommendation: THAT the report regarding the City of Stratford's 2021 Employee Benefits Overview (FIN20-026) be received for information.

Carried

5. Report of Festival Hydro Inc.

5.1 Financial Statements and Commentary for Festival Hydro Inc. (FHI) for Q3 ending September 30, 2020 (FIN20-023)

Staff Recommendation: THAT the Festival Hydro Inc. financial statements and commentary for the period ending September 30, 2020, be received for information.

Sub-committee Discussion: Kelly McCann, CFO of Festival Hydro, reviewed the balance sheet commentary. The accounts receivable balance is \$2.3 million greater than it was the previous year for a number of reasons including, electric/water/sewer receivables, deposits net of unbilled charges for billable work, deferred receivables and accrued Ontario Electricity Rebate and COVID-19 Energy Assistance Program amounts. Details are provided on the balance sheet commentary.

Details were also provided on the balance due from Festival Hydro Services Inc., specifically on corporate payment in lieu recoverable, unbilled revenue, regulatory assets and bank indebtedness and accounts payable.

Cash flow commentary was explained as outlined in the report, noting that there has been a cash erosion of approximately \$500K since December 2019, which is tied to the working capital items.

With respect to the income statement, net income to the end of September is \$1.4 million, which is \$5K ahead of budget. Distribution and other revenue are both running below budget and total controllable costs are \$178K lower than budget.

Ms. McCann stated that the rest of the commentary outlined major variances and reduced costs driven by conscious savings and other factors were noted.

Motion by Councillor Beatty

Sub-committee Decision: THAT the presentation by Scott Knapman and Kelly McCann of Festival Hydro be heard.

Carried

It was asked how the pandemic is affecting the bottom line. Ms. McCann advised they have not calculated an actual percentage impact, however,

impacted revenues are being offset by expense reductions so net income is running right on budget.

With respect to what the impact to the City's dividends would be, Ms. McCann advised that they are in the process of preparing the 2020 projections and five year budget plan. There is a board meeting next week to discuss those items and look at what the dividends may be.

Mr. Knapman stated that following the board meeting, they would be in a better position to give guidance on that matter.

Motion by Councillor Bunting

Sub-committee Recommendation: THAT the Festival Hydro Inc. financial statements and commentary for the period ending September 30, 2020, be received for information.

Carried

6. Report of Festival Hydro Services Inc.

6.1 Financial Statements and Commentary for Rhizome (Festival Hydro Services Inc.-FHSI) for Q3 ending September 30, 2020 (FIN20-024)

Staff Recommendation: THAT the Festival Hydro Services Inc. financial statements and commentary for the period ending September 30, 2020, be received for information.

Motion by Councillor Gaffney

Sub-committee Decision: THAT the presentation by Scott Knapman and Kelly McCann of Festival Hydro be heard.

Carried

Sub-committee Discussion: Ms. McCann, CFO of Festival Hydro, reviewed capital asset additions, noting that they made a conscious effort to select some capital deferral projects due to the uncertainty around the pandemic. She also reviewed the amount due to Festival Hydro and deferred revenue, as outlined on the balance sheet commentary.

With respect to the income statement, revenues are \$46K lower than budget and expenses are below budget by \$171K as there are various items that did not come to fruition this year that were budgeted for.

The Chair asked whether there were any expansion ideas coming up for Rhyzome. Mr. Knapman advised that they are working with a supplier to add cyber security to the DSRC network to make it a secure network.

Motion by Councillor Gaffney

Sub-committee Recommendation: THAT the Festival Hydro Services Inc. financial statements and commentary for the period ending September 30, 2020, be received for information.

Carried

7. Report of the Director of Corporate Services - Continued

7.1 2020 Annual Reports of Advisory Committees (FIN20-020)

Staff Recommendation: THAT the following 2020 Advisory Committee Annual Reports be received for information: Active Transportation Advisory Committee, Heritage Stratford, Accessibility Advisory Committee, Energy & Environment Committee, Town & Gown Advisory Committee, Stratfords of the World and Communities in Bloom.

Sub-committee Discussion: The Director of Corporate Services advised that these are the standard year end reports from the advisory committees.

Stratfords of the World did not have their conference and as far as she is aware, it is being planned for 2021.

Motion by Councillor Beatty

Sub-committee Recommendation: THAT the following 2020 Advisory Committee Annual Reports be received for information: Active Transportation Advisory Committee, Heritage Stratford, Accessibility Advisory Committee, Energy & Environment Committee, Town & Gown Advisory Committee, Stratfords of the World and Communities in Bloom.

Carried

7.2 Operating Budget Variance Report as at October 31, 2020 (FIN20-025)

Staff Recommendation: THAT the Operating Budget Variance Report (FIN20-025) as of October 31, 2020 be received for information.

Sub-committee Discussion: The Director of Corporate Services advised that the report has not changed much since September and an

additional surplus of \$60,000 was realized over the last month. \$1.8 million in funding from the province was received in October and the operating balance is now showing a \$3.5 million surplus at the end of October.

She advised that staff will provide a further report at the end of December and noted that recreation revenue is still down and transit ridership is not at 100%.

She noted that staff are not planning to use the surplus in the 2021 budget, however, there are reserves that have not been paid into, such as parking.

In response to whether staff see recreation and transit recovering, the Director stated that it is hard to predict as we move into the second wave of COVID-19. Staff are budgeting for less recreation revenue in 2021.

Motion by Councillor Beatty

Sub-committee Recommendation: THAT the Operating Budget Variance Report (FIN20-025) as of October 31, 2020 be received for information.

Carried

8. Report of the Council Clerk Secretary

8.1 2021 Council, Committee and Sub-committee Schedule (FIN20-021)

Staff Recommendation: THAT the proposed 2021 Council, Committee and Sub-committee meeting schedule be approved, and that staff be directed to schedule meetings accordingly.

Sub-committee Discussion: It was noted that the schedule would proceed to Committee and Council and if there were any conflicts, they could be identified at that point.

Motion by Councillor Ritsma

Sub-committee Recommendation: THAT the proposed 2021 Council, Committee and Sub-committee meeting schedule be approved, and that staff be directed to schedule meetings accordingly.

Carried

9. Next Sub-committee Meeting

The next Finance and Labour Relations Sub-committee meeting is December 22, 2020 at 3:30 p.m.

10. Adjournment

Motion by Councillor Gaffney

Sub-committee Decision: THAT the Finance and Labour Relations Sub-committee meeting adjourn.

Carried

Meeting Start Time: 3:30 P.M.

Meeting End Time: 4:29 P.M.