



Municipality of Port Hope Pre-Recess Council Update

As Council is now in Summer Recess for the month of August, we are pleased to provide a general overview of current issues. Council will reconvene for a Committee of the Whole meeting on Tuesday, September 7, 2010.

During Council Summer Recess the Mayor (mayor@porthope.ca) and CAO (admin@porthope.ca) will continue to be available to answer any questions or address concerns – 905.885.4544

FINANCE

What is the state of the Municipality's finances?

The Municipality of Port Hope has a very healthy balance sheet. We have comprehensive policies and plans in place, which are reviewed regularly so that funds are available when needed. Through a strategic use of cash flow/overdraft, we minimize loss of interest revenue during periods of construction.

- As of June 30, 2010, our bank balance was \$7.5 million
- Our 2009 year-end financial statements showed an \$8.0 million overdraft. This was a result of funding projects with cash in the bank while waiting for grants and long-term loans which were received in the first quarter of 2010
- The bank charges for carrying an overdraft are less than the interest we would lose by cashing in our investments
- The Municipality's Auditor, KPMG, has advised that many municipalities use this approach to fund projects

What does the Municipality currently have in reserve funds?

- Our current balance of reserves and reserve funds is \$21.2 million with an **additional** \$20 million in LLRW funds

Reserve Purpose	Amount
Restricted re Development Charges; Gas Tax uses, Prov/Fed restrictions	\$6.0 million
Dedicated to specific purposes by Council (Skatepark, HBIA, Bus. Park)	\$8.7 million
Dedicated to specific purpose (building repair, equip repair/replace, winter maintenance, accessibility)	\$6.5 million
Total	\$21.2 million

- Our current reserve totals are almost double the provincial average
- Our reserve spending has been strategically aimed at:
 - increasing non-residential tax revenue
 - reducing burden on residential tax payers
 - creating jobs
- Our policy ensures regular contributions to reserves and management in a way to ensure interest revenue is maximized and funds are available when needed

Why was there a substantial increase in Water/Sewer Rates?

- The Municipality has been required to make adjustments to water/sewer rates as a result of changes in consumption and provincial legislation that states it must be user-paid
- For the first three years, the Municipality will contribute to water/sewer revenues through our reserve funds to reduce the burden on users
- The Water/Sewer Rate Study established a plan for water/sewer operating and capital costs that includes savings for the future

What was the process to determine the cost increase?

- A public meeting was held to review the water/sewer rate study and proposed rate structure
- Council rejected an initial proposal that saw a cost increase for consumers of 41% - 124%
- A second proposal of a 35% cost increase was also rejected
- The approved approach is a cost increase of 10% - 18% (depending on average consumption) in 2010
- Of 21 comparator Municipalities, 14 have higher average annual water/sewer costs for consumers

What is the water/sewer debt status?

- The loan for the Water Plant began in 2007 for a 15-year term at an interest rate of less than 3%, with no option to change the term
- The Municipality currently has a short-term construction loan for the Sewage Treatment Plant. In 2010, the Municipality will convert this to a long-term loan for a 30 or 40 year term.
- Various water/sewer projects valued at \$6.2 million have been self-financed by the Municipality with a 10 year repayment plan to minimize significant cost of financing this amount over a longer period. The Water/Sewer Rate Study indicated that extending the term by five years will result in the need to borrow another \$2.5 million and incur additional interest costs as shown in the table below:

Term	10 years	15 years	20 years	30 years
Interest on \$6.2	\$ 1,300,000	\$ 2,100,000	\$ 2,900,000	\$ 4,500,000
Additional Interest		\$ 833,000	\$ 1,600,000	\$ 3,200,000
Total Cost	<u>\$ 1,300,000</u>	<u>\$ 2,933,000</u>	<u>\$ 4,500,000</u>	<u>\$ 7,700,000</u>

What is the Municipality's Debt Status?

- Our Ministry of Municipal Affairs and Housing representative commented that since *"most debt is for new water and sewer plants it is certainly explainable"* and *"not of concern since it's well within Annual Repayment Limit"*
- The 2010 debt repayment limit as set by the province (allowable principal and interest limit) is \$4,647,793 and our existing debt payments total \$930,000 annually or **20% of the allowable limit**

What does the Municipality do to safeguard Municipal funds?

- Our Investment Policy ensures our funds are invested in quality, safe instruments
- Our Reserve Policy directs interest earned on LLRW principle plus any annual operating surplus to be transferred to reserves
- Our Budget Policy sets the process for development and approval of the budget and the process for budget amendments
- Our Purchasing Policy ensures that purchases are made in an ethical, fair, open, accountable and efficient method in accordance with legislation and trade agreements

DIVESTURE/WATERFRONT DEVELOPMENT

What is the Consolidated Waterfront Master Plan (CWMP)?

The CWMP is a plan made up of 20 individual projects that will shape the development of the waterfront for at least the next 15 years with emphasis on public access to recreational, social and cultural facilities. Development will coincide with the PHAI and Cameco's Vision 2010 and there will be continued opportunity for community consultation and involvement

- Major components include trail development, playgrounds, active spaces, connections to downtown, civic green improvements, improvements to boating and docking facilities including a new East Marina, redevelopment of Mill Street and the Green Ribbon along Ganaraska River, Fishing Pier, Centre Pier redevelopment, and sediment control
- The larger developments of the plan include Cameco's Vision 2010, Riverside Park reconstruction and harbour divestiture, including acquisition of lands considered as a recreational Harbour by the federal government. The lands are integral in long term development of waterfront especially associated with the west beach areas, existing marina and the planned and approved east marina

What is Cameco's Vision 2010?

- Vision 2010 is Cameco's commitment to modernize and improve the appearance of the Port Hope Conversion Facility. The project is underway and Cameco has worked closely with Municipal staff, the Port Hope Area Initiative, and the community in their plans to beautify the Port Hope waterfront
- Vision 2010 is well-aligned with the CWMP goal of revitalizing and beautifying Port Hope's waterfront

Why did the Municipality acquire a harbour from the Federal Government?

- The harbour lands are important to long term development of the waterfront, particularly the East & West Beach areas, existing marina, and planned east marina
- Taking possession of the harbour lands now will allow Port Hope to move forward with the CWMP and control development and use of the lands
- The Federal Government has no mandate to ensure that sediment does not build up in the future and curtail the use of the harbour
- As owner of the property, the Municipality will be able to use its value to generate revenue, construct amenities, and secure funding from upper tiers of government and/or private investment
- The acquisition is in keeping with Council's Corporate Strategic Plan of a progressive community, with strategic and sustainable growth

Did the Municipality pay for the harbour lands?

- No. The Municipality did not pay for the harbour lands
- The federal government divested the land, meaning there is **no cost to the Municipality** in the transfer of ownership.
- Port Hope will also receive \$300,000 to assist with short-term sediment management until a longer term solution can be found
- Assumption of the Cameco lease will generate ongoing income for the Municipality

Was there public consultation in the harbour divestiture process?

- The plans and studies for waterfront development date back 30 years

- Since 1991 many studies were done and in 2009 the Consolidated Waterfront Master Plan was approved by Council
- Opportunities for public consultation will continue through the Waterfront and Trail Advisory Committee, Waterfront Implementation Steering Committee, Parks and Recreation Advisory Committee, and the Environmental Assessment (EA) process

What is the timeframe for implementation?

- Several CWMP projects are already underway including the eastern portion of the trail and the Riverside Park redevelopment
- The EA for the new marina and waterfront redevelopment are expected to be complete by 2012
- With the Port Hope Area Initiative imminent and remediation of the waterfront being completed over the next several years, we are now in a position to begin implementing additional elements of the plan
- The CWMP is expected to be complete before 2025

What responsibilities does the Municipality have with respect to the PHAI cleanup?

- The acquired lands will be subject to the PHAI cleanup under the legal agreement with the Government of Canada
- Legal advice shows that Municipal responsibility for the acquired lands is limited.
- Any impact on the lands leased by Cameco is covered under their operating license and decommissioning plan with the Canadian Nuclear Safety Commission. As a part of Cameco's operating license a financial guarantee for decommissioning is held by the federal government

What are the revenue generation opportunities of owning the lands?

- Acquiring these lands provides a range of economic development and investment opportunities for the Municipality
- Five acres of the acquired land is currently leased by Cameco and the Municipality will assume that lease and collect the revenue
- Port Hope cannot sell any of the divested land for a period of 5 years. With the transfer underway, the Municipality can realize revenue from the sale of these lands to Cameco 5 years from now
- **Lease revenue and funds from the eventual sale will help finance Waterfront Development.**
- The Municipality will have the ability to use the equity of the property to generate revenue and leverage funding from upper levels of government and/or private investment
- Port Hope received \$300,000 to assist with short term sediment management until a longer term solution can be found

What are the next steps in the waterfront development process?

- Finalize legal documents related to divestiture
- Complete required land surveys
- Proceed with EA for East Marina project
- Maintain communication links with the community
- Seek out potential funding opportunities
- Continue with development projects
- Capitalize on parallel work of PHAI and Cameco
- Consult with Council, WISC and community
- Continue to provide information at www.porthope.ca

MUNICIPAL BUSINESS PARK

What is the Municipal Business Park?

The Municipal business park will provide a dedicated location for new and existing businesses to operate in a strategically-located central area of the Municipality

Why do we need the Business Park?

The Municipal business park was identified in the Economic Development Strategic Plan and Corporate Strategic Plan as a priority tactic to “*get the infrastructure right*”. The park represents an important step in the diversification of our local economy and is the realization of Council’s commitment to take control of the Municipality’s future

Response to the park has been positive and we already have potential tenants

- ✓ **JOB CREATION** A conservative estimate on the current property indicates that 378 jobs (20 employees per acre) could be generated, with a local payroll of \$20 million

- ✓ **COMMUNITY IMPACT** The Canadian Manufacturers’ Association formula indicates that for every \$1 generated in payroll, \$3 is invested into the local economy

- ✓ **TAX ASSESSMENT** The assessment for these industrial lands could increase by \$9,470,000 generating approximately \$250,000 annually or 2% of the tax rate.
An increase to industrial taxes means a **decrease in residential taxes**
In fact, every increase of \$1,000 in industrial taxes nets about \$850 decrease in residential taxes and a \$150 decrease in all other property classes
The industrial tax rate is 2.63 times the residential tax rate

- ✓ **MUNICIPAL INCOME** A one-time, fee of approximately \$2,313,344 in Development Charges would be collected and applied to various projects such as the water/sewer plant debt

A one-time fee of approximately \$67,000 would be collected for building permits

What types of businesses will be locating at the park?

The priority will be to seek tenants with a business focus on energy and green industries, light industry, professional services, distribution, research, and technology who bring with them opportunity for jobs and training for both young and experienced workers

Has there been public input into the Business Park plan?

At every stage from concept to realization, the Municipality has sought public input through the Official Plan, Economic Development Strategic Plan, Corporate Strategic Plan, and Comprehensive Zoning By-Law process, helping to shape the area, zoning and type of business to be welcomed in the park. The result was a plan for a “*shovel-ready*” Municipal Business Park. Individual tenant site plans will be made public and input will be welcomed

What is the status of the project?

Council approved the Business Park land purchase in December 2009, service requirements have been determined and investment in site services has been approved by Council. We anticipate that the park will open in the fall of 2010