

Report from Corporate Services, Commissioner

Date of Report: January 26, 2017

Date of Meeting: February 1, 2017

Report Number: CSC-B013-2017

File: 10.6.99, 7.99

Subject: Documentation of Savings

Recommendation

That the Budget Standing Committee receive this report for information.

Report

As raised by Councillor Britton and further requested by the Budget Committee at the January 25, 2017 meeting staff have been directed to prepare a report with full documentation of savings from various City initiatives.

The attached appendices provide the additional information as requested with the exception of the Docupet anticipated revenue which is anticipated February 6.

Appendix 1 - Vacancy tax reduction from 35% to 30%

Appendix 2 - Re-tendering of insurance

Appendix 3 - LED lights savings as compared to savings estimated in December 2015

Appendix 4 - In-house advertising as opposed to third party

Appendix 5 - Winter Control Budget as a result of mild weather conditions in 2016

Appendix 6 - Highlight “lean” savings

Financial Implications

Financial implications are described in each individual memorandum.

Prepared by:

Robyn Ertelt, Administrative Assistant

Approved by:

Shelley Chemnitz, Commissioner of Corporate Services

Memorandum

To: Budget Standing Committee

Cc: Dan Carnegie, Shelley Chemnitz, Kristine Douglas

From: Lisa Read

Date: January 27, 2017

Subject: Sub Class Tax and Vacant Unit Reductions for Commercial and Industrial Property

In a two tier system of local government, tax policy is the responsibility upper tier municipality. Niagara Regional Council is responsible for adopting and approving tax policy which impacts and applies to all local area municipalities (LAM's). Tax policy decisions include sub-class rate reductions in the Industrial and Commercial Classes, which impact the distribution of taxes among the various tax classes. A change sub-class rate reductions would also apply in the same manner to the Vacant Unit Rebate.

Staff has calculated the revised Industrial vacant unit rebate of 30% based on the eleven (11) St. Catharines Industrial property owners who applied for the Property Tax Rebate for Vacancies in Commercial/Industrial Buildings for 2015. The City's share of the Industrial vacant unit rebate based on a 35 % reduction was \$ 87,780.32. If a 30% reduction was applied the City would have rebated \$ 75,240.27 with an overall savings to the municipality \$12,540.05. This potential savings have not been included in the draft 2017 Operating budget as the policy change has not yet been implemented at the Upper Tier level.

Table 1- Estimated Change in Industrial Tax Rebates

2015 Vacancy Rebates Industrial	Rebate given at 35%	Revised Rebate at 30%	Difference
11 Properties	\$255,109	\$218,665	\$36,444
City Share	\$87,780	\$75,240	\$12,540

Table 2 – Tax Shift

	Assessment	Total Levy 35%/ 30% Industrial/Commercial	Total Levy 30% Industrial/Commercial	Shift in Levy between classes
Residential	10,899,929,543	\$61,503,419	\$61,489,421	(13,998)
Commercial	1,662,658,235	\$15,568,415	\$15,464,891	(3,524)
Industrial	201,470,886	\$2,689,067	\$2,706,669	17,601
Farmland	96,029,286	\$127,615	\$127,585	(30)
Pipelines	27,842,724	\$251,915	\$251,858	(57)
	12,887,930,674	\$80,040,432.43	\$80,040,424.35	(8)

As shown in the table above a change in the tax rebate for industrial property subclass determines the distribution of taxes between the property classes. As this is a change in tax policy, there would not be a direct impact on the City's budget; however it would impact the distribution of those tax dollars among property classes. This change would increase the industrial tax class and slightly decrease the residential, commercial, farmland and pipeline tax classes. The Region of Niagara and the School Boards share the cost of providing the vacancy rebate.

The reduction would be \$0.18 for an average residential property in St. Catharines assessed at \$222,000.

At its meeting of October 17, 2016 the BSC approved a motion to "request the Region to approve the subclass tax rate of 30% across the board". St. Catharines City Council at its meeting of November 7, 2017, supported the BSC motion and also requested that this motion be forwarded to the Region for consideration.

At this time, the Region has received this request and is developing the 2017 tax policy which historically has been approved in the month of February. Once 2017 tax policy is approved by the Region, the lower tiers will receive the 2017 tax ratios, after which Staff may calculate the 2017 tax rates for the City.

Memorandum

To: Budget Standing Committee

Cc: Shelley Chemnitz, Commissioner, Corporate Services
Dan Carnegie, Chief Administrative Officer
Kristine Douglas, Director Financial Management Services

From: Linda Mountain, Manager, Collection and Claims

Date: January 27, 2017

Subject: 10 Year Insurance General Liability and Claims Analysis

General liability insurance is a standard insurance policy to protect the City against liability claims for bodily injury and property damage that may arise as a result of operations.

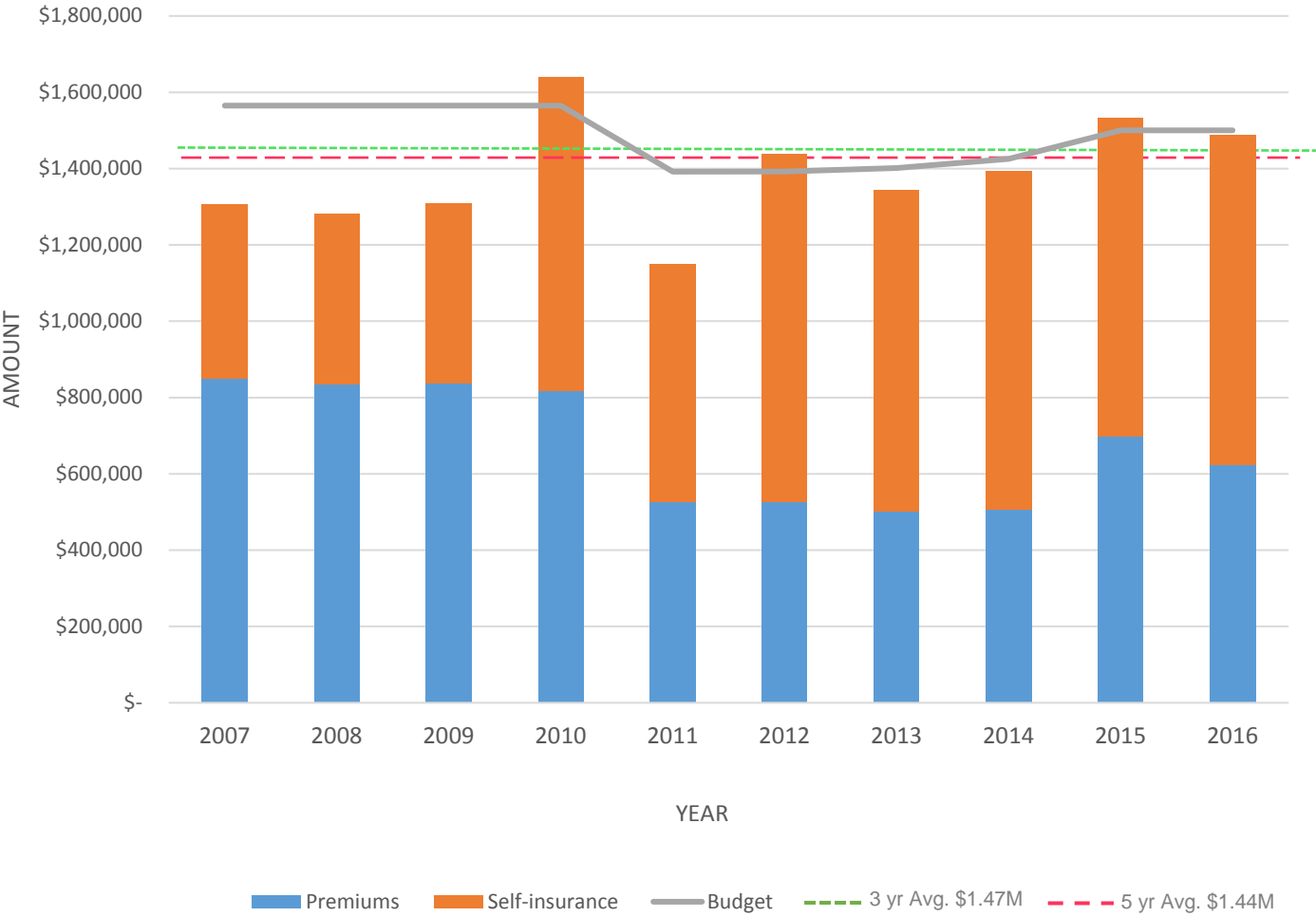
Self-insurance is the settlement that is paid out by the City as a result of a claim. The City of St. Catharines insurance program has a \$50,000 deductible, therefore when claims are settled below the deductible amount they are charged to the self-insurance account.

By re-tendering our insurance in 2016 the City was able to see a reduction of \$76,945 in our general liability insurance premium cost.

The chart below shows the historical data for both general liability and self-insurance and reflects both budget and actuals for a ten (10) year period. Over this ten year period the budget for these two items has been at a maximum of \$1.565 million to a low of \$1.392 million. In 2017 the budget is \$1.5 million. The five year actual average is \$1.44 million and the three year actual average is \$1.47 million. In 2016, there was a small positive variance of \$13,000 between budget and actuals for insurance general liability premiums and self-insurance claims. In the previous four years this variance has changed between a favourable and unfavourable variance. This speaks to the unpredictability of claims. For this reason staff have recommended that the 2017 budget remain at the same level as 2016 for these items at a combined total of \$1.5 million.

A further report in this meeting agenda discusses reserves and staff's recommendation to create a litigation/insurance reserve to provide some sustainability for the unpredictability of self-insured claims and other potential litigation.

10 YEAR INSURANCE ANALYSIS



Memorandum

To: Budget Standing Committee

cc: D. Carnegie; B. Shynal; S. Chemnitz; K. Douglas; M. Kreuk

From: Dan Dillon, P.Eng. – Director-TES

Date: January 30, 2017

Subject: LED Streetlight Energy Savings

At its meeting of January 25, 2017, the City's Budget Standing Committee asked that staff be directed to prepare a report with full documentation of savings from various initiatives, one of which was the LED lights savings as compared to savings estimated in December 2015. This memo addresses that request.

At its meeting of April 13, 2015, City Council received staff report [TES-088-2015](#) - LED Streetlight Conversion Business Case. In that report, staff indicated that, upon completion of the conversion of the City's high pressure sodium "cobra head" street lights to LED, staff anticipate an annual energy cost avoidance of approximately \$720,000. That report also indicated that the phasing of the LED conversions would occur over several years with a target completion date of December, 2018.

Energy costs related to street lighting are billed based on an inventory of the number and wattage of streetlights throughout the system – they are not metered separately. As part of the LED streetlight conversion program that is currently underway, an updated inventory of existing streetlights (prior to the commencement of the conversion) was undertaken and is being finalized. That inventory is also being updated with the on-going LED conversions. Once the inventory has been verified, energy billings from Horizon Utilities will be adjusted accordingly (including retroactive adjustments for work that was completed last year) to reflect the current inventory.

Memorandum

To: Budget Standing Committee
Cc: Department Heads
From: Cindy Pfeffer, Manager of Corporate Communications
Date: January 30, 2017
Subject: Third Party Advertising

The plan to transition from in-house advertising to a third party is aimed at increasing revenues for the corporation, as opposed to decreasing expenditures.

When responsibility for this task was with PRCS, the individual responsible for it was also responsible for the Leisure Guide, promotion of City programs and facilities, supervision of skating attendants and advertising. The portfolio was quite demanding and as a result the selling of advertising was not pursued aggressively which meant revenues did not meet their full potential.

With the transfer of this full-time position to Corp. Communications and procurement of a third-party advertising contract we expect to be able to:

- Increase the amount of advertising in City facilities which will result in an increase in revenues
- Provide strategic marketing, communications and promotion of City programs, facilities and events which will increase revenues in the facilities, including the Leisure Guide
- Provide additional capacity of communication support for other departmental and corporate initiatives.

In anticipation of this change in focus, additional revenues have been incorporated in to the 2017 PRCS Operating Budget.

Memorandum

To: Budget Standing Committee

cc: D. Carnegie; B. Shynal; S. Chemnitz; K. Douglas; M. Kreuk

From: Dan Dillon, P.Eng. – Director-TES

Date: January 30, 2017

Subject: Winter Control Costs - 2016

At its meeting of January 25, 2017, the City's Budget Standing Committee asked that staff be directed to prepare a report with full documentation of savings from various initiatives, one of which was the Winter Control Budget as a result of mild weather conditions in 2016. This memo addresses that request.

Attached as Appendix 1 is a memo detailing the activities associated with the City's Winter Control activities in 2016.

The budgeted, actual and rolling three and five year actual costs for winter control activities for the past six years are presented in Table 1 below and graphically in Appendix 2:

Table 1 - City of St. Catharines - Winter Control Budget and Costs

Year	Budget	Actual	Variance	Previous 3 Year Actual Average	Previous 5 Year Actual Average
2011	\$1,436,599	\$1,639,225	-\$202,626	\$1,397,830	\$1,417,723
2012	\$1,426,530	\$920,209	\$506,321	\$1,317,536	\$1,379,088
2013	\$1,308,630	\$1,700,941	-\$392,311	\$1,420,125	\$1,362,928
2014	\$1,192,774	\$2,237,994	-\$1,045,220	\$1,619,715	\$1,578,309
2015	\$1,218,855	\$1,876,303	-\$657,448	\$1,938,413	\$1,674,934
2016	\$1,569,143	\$1,647,862	-\$78,719	\$1,920,719	\$1,676,662

As part of the 2016 budget process, the BSC and City Council created a Winter Control Program (WCP) Stabilization Reserve. The purpose of the WCP Stabilization Reserve was to minimize the impact of the seasonal variances associated with the delivery of the winter control program. The reserve is funded from any surplus from the winter

control program and the overall corporate surplus. The target level of the WCP Stabilization Reserve is 100% of the rolling five year actual costs. There was no contribution to the WCP Stabilization Reserve in 2015 and as indicated in Table 1, the actual costs for 2016 exceeded the budgeted amount by approximately \$78,719.

Although the winter of 2016 may have been milder than the previous two years, the actual snowfall accumulation was comparable to 2015. Table 2 presents a summary of snowfall records over the past six years.

Table 2 - City of St. Catharines Snowfall Records
Monthly Accumulations (cm)

Source: Environment Canada Weather Station - St. Catharines - Brock U

Month	Year					
	2011	2012	2013	2014	2015	2016
Jan	59.2	39.3	15.3	34.3	28.4	21.0
Feb	65.3	11.0	79.0	38.6	64.5	35.7
Mar	30.2	3.1	4.9	46.0	7.0	8.0
Apr	0.0	0.0	0.0	0.0	0.8	22.8
Nov	0.1	1.0	13.5	31.0	2.0	0.0
Dec	4.8	22.1	56.4	25.8	4.0	18.8
Total	159.6	76.5	169.1	175.7	106.7	106.3

Although total snowfall accumulation over a year can provide a general correlation to the cost of the winter control program, there are other factors to consider. As an example, one large storm that results in 25 cm of snow accumulation will require a significant response that will take several days and include plowing and salting main routes, plowing and sanding secondary streets, utilization of contractor equipment, etc. Alternatively, ten events of 2.5 cm each may only initiate salting the main routes with City equipment. Although the total accumulation is the same 25cm, the number and total cost of the responses will be different.



CITY OF
ST. CATHARINES

Memorandum

To: Margaret Kreuk,
Manager, Budgets & Capital, Financial Management Services

Cc: B. Shynal, Commissioner, Operations
D. Dillon, Director, TES

From: Darrell Smith, P. Eng.
Senior Operations Manager

Date: January 27, 2017

Subject: Winter Control Cost Summary - 2016

In response to the request by the Budget Committee, attached please find a summary of costs for winter control for 2016 calendar year.

Further, in way of explanation, I would like to share the following information:

- In addition to plowing and applying salt/sand, the following activities are included in the winter control budget:
 - Road patrolling,
 - GDirect Liquid Application,
 - GWinter control supervision (not related to a major event),
 - GSenior Sidewalk Snow Clearing Program,
 - GSnow fence installation and removal,
 - GPlow maintenance,
 - GRepairs to property from plow damage,
 - Installation, removal and maintenance of salt boxes;
 - Spring cleanup, and
 - GOther miscellaneous activities.
- GMost costs associated with winter control are fixed and are spent whether there is an event or not. These costs would include labour and fleet overhead. The variable costs are contained within overtime and material purchases and hired contractors that are required in major events to meet response levels. In a year with few events this is where savings can be realized. Even in a year such as 2016, the City spent approximately \$610,000 in the purchase of sand and salt and \$121,000 in hired contractors (included in the overall costs shown on the attached spreadsheet).

- In 2016, the City ran a Winter Control Pilot project. This project consists of hiring 10 casual workers for a midnight shift, run Monday to Friday. This enhances our ability to respond priority routes immediately and reduces the overtime costs through the week. When there is no events or winter control activities to be completed, these crews are:
 - Patching potholes,
 - Litter pickup,
 - Winter hydrant maintenance,
 - Pipe blockages, and
 - Other activities

Please let me know if you require any additional information.

Sincerely,



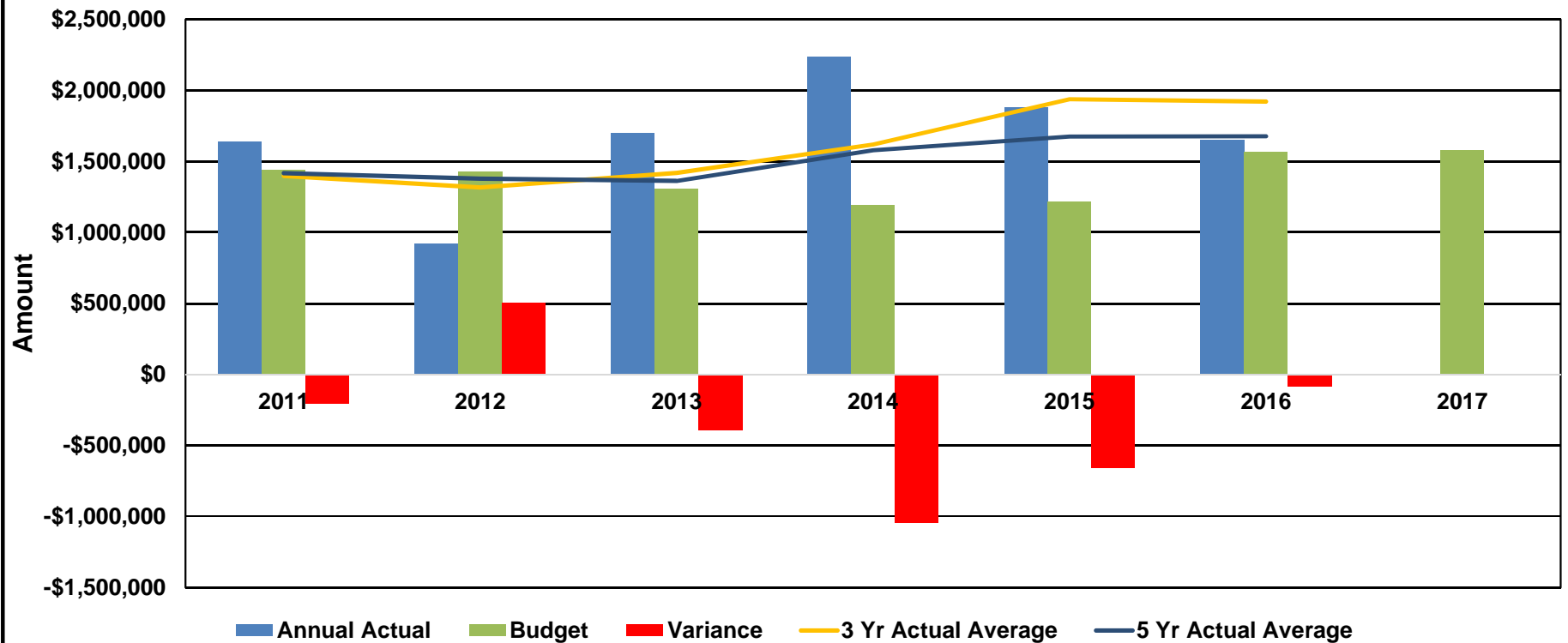
Darrell Smith
Senior Operations Manager

DES

Summary of Winter Control Activities - 2016
Transportation and Environmental Services - Operations

Major Events (Generally, events >= 1 day with a full complement of equipment)			
Date	Work Description	Days Req'd To Address Event	Cost
12-Jan	Snow event - plowing, sanding and salting mains and secondaries, sidewalk snow clearing	4.0	\$265,670
18-Jan	Snow event - sanding and salting mains and secondaries, road patrolling, sidewalk snow clearing	1.5	\$96,360
10-Feb	Snow event - limited sanding and salting mains and secondaries, road patrolling, limited sidewalk snow clearing	1.0	\$59,330
13-Feb	Snow event - sanding and salting mains and secondaries, limited road patrolling	1.5	\$82,080
16-Feb	Snow event - plowing, sanding and salting mains and secondaries, road patrolling, sidewalk snow clearing	2.0	\$182,000
1-Mar	Snow event - plowing, sanding and salting mains and secondaries, sidewalk snow clearing	2.0	\$137,240
3-Apr	Snow event - plowing, sanding and salting mains and secondaries, sidewalk snow clearing	2.0	\$101,600
11-Dec	Snow event - plowing, sanding and salting mains, plowing and sanding secondaries, road patrolling, sidewalk snow clearing	2.0	\$73,900
16-Dec	Snow event - plowing, sanding and salting mains, salting and sanding secondaries, road patrolling, sidewalk snow clearing	3.0	\$182,000
Total	9	19.0	\$1,180,180
Minor Events			
Date	Work Description	Cost	
4-Jan	Road patrolling, limited salting mains and secondaries, limited sidewalk snow clearing	\$25,780	
16-Jan	Light snow fall - addressing hills and bridges	\$7,090	
16-Jan	Direct liquid application on roads	\$1,160	
17-Jan	Limited salting mains and secondaries, road patrolling	\$29,050	
20-Jan	Road patrolling to address blowing snow	\$1,100	
20-Jan	Limited salting mains and secondaries, road patrolling, limited sidewalk snow clearing	\$30,770	
21-Jan	Road patrolling and limited sidewalk snow clearing	\$6,210	
23-Jan	Road patrolling	\$4,520	
27-Jan	Road patrolling	\$1,170	
28-Jan	Snow event - limited sanding and salting mains and secondaries, limited sidewalk snow clearing	\$19,480	
29-Jan	Limited salting mains and secondaries, road patrolling, limited sidewalk snow clearing	\$17,400	
5-Feb	Road patrolling	\$5,325	
9-Feb	Road patrolling	\$4,870	
12-Feb	Snow event - snow and blowing snow. Limited Plowing, limited sanding and saltingmains and secondaries, road patrolling, limited sidewalk snow removal	\$29,670	
19-Feb	Road patrolling	\$2,460	
23-Feb	Direct liquid application on hills and bridges	\$1,100	
24-Feb	Road patrolling	\$1,070	
25-Feb	Limited salting and sanding mains and secondaries, road patrolling, limited sidewalk snow clearing	\$33,955	
29-Feb	Direct liquid application on roads	\$1,560	
3-Mar	Road patrolling	\$2,780	
4-Mar	Road patrolling	\$4,180	
23-Mar	Salt mains and secondaries, road patrolling	\$37,740	
6-Apr	Road patrolling	\$1,670	
8-Apr	Road patrolling	\$2,435	
10-Apr	Salt mains and secondaries, road patrolling	\$18,910	
7-Dec	Direct liquid application on roads	\$1,615	
8-Dec	Road patrolling	\$2,030	
13-Dec	Road patrolling	\$1,850	
14-Dec	Road patrolling, limited sidewalk snow clearing	\$2,805	
15-Dec	Salt mains and secondaries	\$19,770	
22-Dec	Salt and sand mains and secondaries, road patrolling	\$32,470	
29-Dec	Road patrolling	\$10,240	
30-Dec	Salt mains. Limited salting secondaries	\$16,530	
Total	33	\$378,765	
Other Winter Control Activities			
Work Description			Cost
Winter Control Supervision (not related to a Major Event)			\$45,965
Senior Sidewalk Snow Clearing			\$59,580
Snow Fence Installation and Removal			\$77,670
Plow Maintenance			\$37,600
Repair Roadside Damage Made by Plows			\$10,370
Spring Cleanup			\$120,350
Other Winter Activities - salt boxes install/remove, salt box maintenance, hydrant flagging install/remove, brine making, winter drainage issues			\$27,120
Tools			\$2,290
Total - Other			\$380,945
Total Expenses			\$1,939,890
Revenue			
Work Description			Cost
Reimbursement from Region of Niagara for work on Regional Roads			-\$287,868
Sidewalk Clearing Fines			-\$4,160
Total			-\$292,028
Total Net Costs			\$1,647,862

City of St Catharines Winter Control - Budget vs Actual Costs



Memorandum

To: Budget Standing Committee
Cc: Dan Carnegie, CAO
From: Tracey Miller, Manager of Business Process Improvement (BPI)
Date: January 29, 2017
Subject: Lean Process Review Savings

Continuous improvement refers to an organization's ongoing efforts to improve products, services and/or processes in order to increase efficiencies and reduce costs. In addition to being a method for increased efficiency, a continuous improvement approach acknowledges that opportunities for improvement are constant and this is a philosophy that has been incorporated into the workplace culture at the City of St. Catharines.

Continuous improvement efforts have provided opportunities for more effective use of staff resources, improved processes, eliminated duplication, and renewed the focus on customer service and program delivery. These efforts are not reflected as an actual line item or savings within the budget; however, staff has estimated the savings to demonstrate the value of continuous improvement.

Training

- a) Training is an important component of creating a Lean culture and encouraging an environment where employees join together to eliminate waste and ensure value, with the customer in mind. Participation in Kaizen training promotes employee engagement and ensures knowledge sharing throughout the corporation, while improving current practices.

The (BPI) unit formalized and began reviewing processes in early 2015. Since inception, 33 informal training process reviews have been performed, in an introductory/White Belt format, involving approximately 165 staff members, over about 200 days. In addition, 12 formal Kaizen review training sessions have been performed, in over 50 days, with approximately 120 more members.

BPI has a five-year training plan, including future utilization of highly motivated team members to deal with larger, more complex problems.

The result of the first two years is that 285 of our 637 employees have received the benefits of Lean training without costly outside expenses, while improving our own processes. Furthermore, a survey of Formal Kaizen review participants, indicates a 93% satisfaction level in the training.

If the City were to choose external introductory/White Belt training courses for the 165 employees, it would have cost approximately \$92,000. In addition, had the City chosen external training courses for basic training/Yellow Belt certification for the 120 formal Kaizen participants, the cost would have been approximately \$216,000. The decision to provide in-house training, yields Cost Avoidance in course fees over the five-year plan of an estimated \$1,235,000.

Lean Results tracked by internally to December 31, 2016

- b) **Actual Financial Savings** equal \$480,075. Of that amount, more than \$160,000 has been accomplished as cost avoidance in meter reading staff wages and \$183,000 in paper and mailing costs, due to the implementation of Automated Water Meter Reading (AMR).
- c) **Hours of Labour Savings** totaling 4,580 have also been achieved. 1,600 are attributed to 105 program enhancements developed by IT staff and 2,490 are due to Automated Meter Reading (AMR) enhancements implemented by FMS staff. If the City were translate these labour hours saved, into dollars, the Cost Avoidance would exceed \$219,000.
- d) **Actual Revenue** generated from Lean process improvements is \$28,131.

City staff in various departments also have about 15 projects where savings have not been determined, due to work in progress, and other projects where savings have not yet been fully realized. For example; electronic paystub delivery began in May 2015 and will not break-even until year three. Significant savings will begin after the break-even point.

In summary, Lean Revenues and Financial Savings have resulted in approximately \$510,000 in combined financial savings and cost avoidance. Labour hours and training, when translated into dollars, totals \$527,000. Future training courses over the five-year plan could represent an additional \$927,000 in cost avoidance.

This update supports Lean process improvement as a key element to maintaining budget, engaging employees and ensuring resources are focused on value for our citizens.