



EXECUTIVE COMMITTEE AGENDA

(available also at www.citywindsor.ca)

Monday, November 23, 2015

6:00 PM

Council Chambers, 3rd Floor, Windsor City Hall

Members:

Mayor Drew Dilkens

Ward 10 - Councillor Borrelli

Ward 3 - Councillor Bortolin

Ward 2 - Councillor Elliott

Ward 1 - Councillor Francis

Ward 6 - Councillor Gignac

Ward 4 - Councillor Holt

Ward 7 - Councillor Kusmierczyk

Ward 8 - Councillor Marra

Ward 9 - Councillor Payne

Ward 5 - Councillor Sleiman

1. **CALL TO ORDER**

2. **DISCLOSURE OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF**

3. **ADOPTION OF THE MINUTES**
 - 3.1. Minutes of the Executive Committee meeting held July 27, 2015

4. **REQUEST FOR DEFERRALS, REFERRALS OR WITHDRAWALS**

5. **PRESENTATIONS AND DELEGATIONS**
 - 5.1. Sustainable Communities - 20 year funding models and resulting projections for roads (20 minute presentation)

6. **BUSINESS ITEMS**
 - 6.1. Results of the 2015 Tax Sale proceedings and proposed 2016 Tax Sale process
 - 6.2. Sustainable Communities - 20 year funding models and resulting projections for roads

7. **COMMITTEE REPORTS**

8. **ADJOURNMENT**



COMMITTEE MATTERS
Executive Committee
November 23, 2015

Subject: **Minutes of the Executive Committee meeting held July 27, 2015**

A meeting of the **Executive Committee** of Council is held this day commencing at 6:00 o'clock p.m. in Council Chambers there being present the following members:

Members Present: Mayor Dilkens (Chair)
Councillor Borrelli
Councillor Bortolin
Councillor Elliott
Councillor Francis
Councillor Gignac
Councillor Holt
Councillor Kusmierczyk
Councillor Marra
Councillor Sleiman

Members Absent: Councillor Payne

1. **CALL TO ORDER**

Mayor Dilkens calls the meeting of the Executive Committee of Council to order at 6:00 o'clock p.m.

2. **DISCLOSURE OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF**

Councillor Francis discloses an interest and abstains from voting on Item No. 21, Delegation of Authority Semi-Annual Status Report for the period January 1, 2015 through June 30, 2015, specifically regarding the issue of adding a new delegated item for "Purchase of Alternate Vehicles and Equipment" as it could be related to his employer.

Councillor Marra discloses an interest and abstains from voting on Item 21, Delegation of Authority Semi-Annual Status Report for the period January 1, 2015 through June 30, 2015, specifically Page 19 of 40 – CAO2991, Page 28 of 40 – CAO3089, and Page 38 of 40 – CAO3022, as these items relate to his employer.

3. **ADOPTION OF THE MINUTES**

Moved by Councillor Francis, seconded by Councillor Gignac,
That the minutes of the Executive Committee of Council meeting held
June 29, 2015, **BE ADOPTED** as presented.
Carried.

4. **REQUEST FOR DEFERRALS, REFERRALS AND/OR WITHDRAWALS**

None requested.

5. COMMUNICATIONS**Item 1 Management Action Plan for PwC “Windsor Detroit Tunnel Corporation” Internal Audit Report**

Moved by Councillor Marra, seconded by Councillor Gignac,
THAT the report authored by the Executive Initiatives Coordinator dated July 2, 2015 entitled “Management Action Plan for PwC ‘Windsor Detroit Tunnel Corporation’ Internal Audit Report” **BE RECEIVED** for information.

Carried.

Report Number **17843, AF/11247 1**

Item 2 Management Action Plan for PwC “Windsor Essex Community Housing Corporation” Internal Audit Report

Moved by Councillor Francis, seconded by Councillor Bortolin,
THAT the report authored by the Executive Initiatives Coordinator dated July 2, 2015 entitled “Management Action Plan for PwC ‘Windsor Essex Community Housing Corporation’ Internal Audit Report” **BE RECEIVED** for information.

Carried.

Report Number **17842, AF/11247 2**

Item 3 Status Report on Implementation of Audit Recommendations – 2015 Q2

Moved by Councillor Francis, seconded by Councillor Marra,
THAT the report authored by the Executive Initiatives Coordinator dated July 6, 2015 entitled “Status Report on Implementation of Audit Recommendations – 2015 Q2” **BE RECEIVED** for information.

Carried.

Report Number **17844, AF/11247 3**

Item 4 Status Report - Compliance with Applicable Laws and Regulations, 2015 Q2

Moved by Councillor Sleiman, seconded by Councillor Bortolin,
THAT the report authored by the Executive Initiatives Coordinator dated July 6, 2015 entitled “Status Report – Compliance with Applicable Laws and Regulations – 2015 Q2” **BE RECEIVED** for information.

Carried.

Report Number **17845, AF/11247 4**

Item 5 Summary of Hotline Issues Referred to Management by PwC – 2015 Q2

Moved by Councillor Gignac, seconded by Councillor Marra,
THAT the report authored by the Executive Initiatives Coordinator dated July 8, 2015 entitled “Summary of Hotline Issues Referred to Management by PwC – 2015 Q2” **BE RECEIVED** for information.

Carried.

Report Number **17839, AF/11247 5**

Item 6 Windsor Fire & Rescue Services 2015 Second Quarter Variance Considerations

Moved by Councillor Francis, seconded by Councillor Gignac,
THAT the report authored by the Fire Chief dated July 8, 2015 entitled
“Windsor Fire & Rescue Services, 2015 Second Quarter Variance Considerations”
BE RECEIVED for information.

Carried.

Report Number **17854, SF2015 6**

6. PRESENTATIONS AND DELEGATIONS**Item 7 - PricewaterhouseCoopers – Windsor Detroit Tunnel Corp
Final Internal Audit Report dated June 1, 2015****Jacqueline Peterson, Partner, and Kevin Campagna, Senior Associate,
PricewaterhouseCoopers LLP**

Jacqueline Peterson, Partner, and Kevin Campagna, Senior Associate,
PricewaterhouseCoopers LLP, appear before the Executive Committee regarding the
“PricewaterhouseCoopers – Windsor Detroit Tunnel Corp Final Audit Report dated June 1,
2015” and provide some history and other related economic factors and conclude by stating
their significant findings.

Moved by Councillor Marra, seconded by Councillor Gignac,
THAT the report authored by PricewaterhouseCoopers LLP entitled “Windsor
Detroit Tunnel Corp – Final Internal Audit Report, dated June 1, 2015”
BE RECEIVED for information.

Carried.

7

**Item 8 - PricewaterhouseCoopers – Windsor Essex Community Housing Corp Final
Internal Audit Report dated May 8, 2015****Jacqueline Peterson, Partner, and Suk Bedi, Manager, PricewaterhouseCoopers LLP**

Jacqueline Peterson, Partner, and Suk Bedi, Manager, PricewaterhouseCoopers
LLP, appear before the Executive Committee regarding the report entitled
“PricewaterhouseCoopers – Windsor Essex Community Housing Corp Final Internal Audit
Report dated May 8, 2015” and conclude by identifying enhancements and control processes
that will be established.

Moved by Councillor Francis, seconded by Councillor Bortolin,
THAT the report authored by PricewaterhouseCoopers LLP entitled “Windsor
Essex Community Housing Corp. Final Internal Audit Report dated May 8, 2015” **BE
RECEIVED** for information.

Carried.

8

Item 9 - PricewaterhouseCoopers – Manage Changes to Information Systems Final Internal Audit Report dated July 8, 2015

Jacqueline Peterson, Partner, and John Pajares, Senior Associate, PricewaterhouseCoopers LLP

Jacqueline Peterson, Partner, and John Pajares, Senior Associate, PricewaterhouseCoopers LLP, appear before the Executive Committee regarding the report entitled “PricewaterhouseCoopers – Manage Changes to Information Systems Final Internal Audit Report dated July 8, 2015” and provide a summary of their significant findings.

Moved by Councillor Borrelli, seconded by Councillor Francis,
THAT the report authored by PricewaterhouseCoopers LLP entitled “Manage Changes to Information Systems, Final Internal Audit Report, dated July 8, 2015” **BE RECEIVED** for information.

Carried.

9

Item 10 - PricewaterhouseCoopers – Recommend Annual Budgets Final Internal Audit Report dated July 8, 2015

Jacqueline Peterson, Partner, and Kevin Campagna, Senior Associate, PricewaterhouseCoopers LLP

Jacqueline Peterson, Partner, and Kevin Campagna, Senior Associate, PricewaterhouseCoopers LLP, appear before the Executive Committee regarding the report entitled “PricewaterhouseCoopers – Recommend Annual Budgets Final Internal Audit Report dated July 8, 2015” and provide comments for improvement.

Moved by Councillor Sleiman, seconded by Councillor Francis,
THAT the report authored by PricewaterhouseCoopers LLP entitled “Recommend Annual Budgets, Final Internal Audit Report, dated July 8, 2015” **BE RECEIVED** for information.

Carried.

10

Item 11 - PricewaterhouseCoopers – Executive Summary Internal Audit 3 Year Rolling Internal Audit Plan dated June 30, 2015

Jacqueline Peterson, Partner, and Suk Bedi, Manager, PricewaterhouseCoopers LLP

Jacqueline Peterson, Partner, and Suk Bedi, Manager, PricewaterhouseCoopers LLP, appear before the Executive Committee regarding the report entitled “PricewaterhouseCoopers – Executive Summary Internal Audit 3 Year Rolling Internal Audit Plan dated June 30, 2015” and provide details on nature of risks including the importance of notifying owners regarding upcoming projects.

Moved by Councillor Bortolin, seconded by Councillor Borrelli,
THAT the report authored by PricewaterhouseCoopers LLP entitled “Executive Summary Internal Audit 3 Year Rolling Internal Audit Plan, dated June 30 2015” **BE APPROVED**.

Carried.

AF/11247 11

7. **COMMITTEE MATTERS**

None presented.

8. **ADMINISTRATIVE ITEMS**

Item 12 The Corporation of the City of Windsor Internal Audit Performance Dashboard dated June 30, 2015

Moved by Councillor Borrelli, seconded by Councillor Gignac,
THAT the report authored by PricewaterhouseCoopers LLP entitled “Internal Audit Performance Dashboard—June 30, 2015” **BE RECEIVED** for information.
Carried.

12

Item 13 Concerned Citizen/Employee Hotline and Notification Process

Moved by Councillor Kusmierczyk, seconded by Councillor Borrelli,
THAT the report authored by PricewaterhouseCoopers LLP entitled
“Concerned Citizen/Employee Hotline and Notification Process—modification to
exempt SPAM email messages from the regular reporting process ” dated July 2015
BE RECEIVED for information.
Carried.

13

Item 14 2016 Proposed Budget Process & Timeline

Moved by Councillor Francis, seconded by Councillor Gignac,
THAT the report of the Chief Financial Officer & City Treasurer dated June 26, 2015 regarding the 2016 Proposed Budget Process & Timeline **BE RECEIVED** for information; and THAT Council **COMMUNICATE** to Administration any priority initiatives to be considered in the development of the 2016 budget, including fiscal goals, any increases or decreases to service levels and/or changes to the methodology of how the services are currently delivered and;

THAT through the 2016 budget process, the 5-year Capital Budget Plan **BE UPDATED** to include projects for the year 2020, including any identified in the 20 year vision exercise, balanced to projected available funding, and based on existing levels of contribution from the Operating Fund, updated revenue projections from the Sewer Surcharge Operating Fund and other funding sources and;

THAT an updated 5-Year Debt Reduction / Reserve Enhancement Model **BE PREPARED** and included in the 2016 Budget Documents and;

THAT an updated 5-year Sewer Surcharge model **BE DEVELOPED** and included in the 2016 Budget Documents.

Carried.

Report Number 17836 AFB/12131 14

Item 15 Management Action Plan for PwC “Manage Changes to Information Systems” Internal Audit Report

Moved by Councillor Marra, seconded by Councillor Kusmierczyk,
THAT City Council **AUTHORIZE** administration to proceed to implement Items 1-3 of the Management Action Plan (Appendix A) in response to the findings of the “Manage Changes to Information Systems” internal audit report, and;

THAT City Council **DIRECT** administration to report on the progress of the implementation of the Management Action Plan and that such reports should coincide with PricewaterhouseCoopers LLP’s quarterly updates to Council.

Carried.

Report Number 17838 AF11247 15

Item 16 Management Action Plan for PwC “Recommend Annual Budgets” Internal Audit Report

Moved by Councillor Kusmierczyk, seconded by Councillor Sleiman,
THAT City Council **AUTHORIZE** administration to proceed to implement Items 1-2 of the Management Action Plan (Appendix A) in response to the findings of the “Recommend Annual Budgets” internal audit report, and;

THAT City Council **DIRECT** administration to report on the progress of the implementation of the Management Action Plan and that such reports should coincide with PricewaterhouseCoopers LLP’s quarterly updates to Council.

Carried.

Report Number 17841 AF/11247 16

Item 17 Acquisition of One (1) Heavy Rescue Fighting Vehicle

Moved by Councillor Marra, seconded by Councillor Borrelli,
THAT City Council **APPROVE** the purchase of (1) Heavy Rescue firefighting apparatus from Res-Q-Tech Systems Inc. at a cost of \$725,500 CAD plus HST, to be funded from 2012 Fire Truck Replacement project 7121011, and that the Purchasing Manager **BE AUTHORIZED** to issue a purchase order for this purchase; and

THAT City Council **APPROVE** the additional expenditure of \$80,000 from Fire Truck Equipment Purchases project 7145008 for equipment necessary to make the vehicle operational.

Carried.

Report Number 17832 SF2015 17

Item 18 2015 Second Quarter Operating Budget Variance Report

Moved by Councillor Bortolin, seconded by Councillor Elliott,
THAT Council **RECEIVE FOR INFORMATION** the 2015 2nd Quarter Operating Budget Variance Report dated July 10, 2015 from the Chief Financial Officer and City Treasurer and;

THAT the Chief Administrative Officer along with the Chief Financial Officer and City Treasurer **BE DIRECTED** to monitor the 2015 Operating Budget and continue to seek further means of offsetting any potential variances that may arise.

Carried.

Report Number 17837 AFB/11647 18

Item 19 The Corporation of the City of Windsor 2014 Consolidated Financial Statements

Nick Thomas, KPMG

Nick Thomas, KPMG, appears before the Executive Committee and is available for questions regarding the City of Windsor's 2014 Consolidated Financial Statements.

Moved by Councillor Sleiman, seconded by Councillor Marra,

THAT the City of Windsor Executive Committee **RECEIVE AND ACCEPT** the Audited Consolidated Financial Statements for the year ended December 31, 2014 including the City of Windsor Trust Fund Statements, and that the Audited Consolidated Financial Statements including Trust Fund Statements **BE FORWARDED** to Windsor City Council for their approval.

Carried.

Report Number 17835 AF/12131 AF/11247 19

Item 20 Information Management Strategy

Moved by Councillor Bortolin, seconded by Councillor Gignac,

That the Information Management Strategy – July 2015 attached hereto as Appendix “A” **BE APPROVED**.

Carried.

Report Number 17850, SI2015 20

Item 21 Delegation of Authority Semi-Annual Status Report for the period January 1, 2015 through June 30, 2015

Moved by Councillor Sleiman, seconded by Councillor Elliott,

THAT the Delegation of Authority Semi-Annual Status Report for the first half of 2015 (January 1, 2015 through June 30, 2015) **BE RECEIVED** for information; and

THAT City Council **APPROVE** an amendment to Parking Fee (Flat Rate) for Business Improvement Area (BIA) Special Events (Section 1.22 of the Delegation of Authority By-law 208-2008) to provide the Chief Administrative Officer the authority to administer a flat rate parking fee for any event, not just BIA Special Events and rename the item to “*Parking Fee (Flat Rate) for Special Events*”; and

THAT City Council **APPROVE** an amendment to Alleys, Right-of-Ways and Easements (Section 3.28 of the Delegation of Authority By-law 208-2008) as follows:

“Authority for the Chief Administrative Officer to approve amendments to street and alley closing by-laws, subject to support by City Planner, for the following purposes:

- (a) easements;
- (b) to convey unclaimed parcels in accordance with applicable street and alley closing policy in effect from time to time;
- (c) set conveyance price in accordance with applicable street and alley closing policy in effect from time to time; and

THAT City Council **APPROVE** the addition of a new item to the Delegation of Authority By-law to allow for “*Purchase of Alternate Vehicles and Equipment*”; and further

THAT City Council **AUTHORIZE** the City Solicitor to amend the Delegation of Authority By-law 208-2008 to reflect amendments and add all updates to By-law for Delegated Items previously approved by City Council as outlined in this report.

Carried.

Councillor Francis declares an interest and abstains from voting on the issue of adding a new delegated item for “Purchase of Alternate Vehicles and Equipment”.

Councillor Marra declares an interest on Page 19 of 40 – CAO2991, Page 28 of 40 – CAO3089 and Page 38 of 40 - CAO3022 and abstains from voting on those items.

Report Number 17840 AS/7748 21

9. DATE OF NEXT MEETING

The next meeting of the Executive Committee of Council will be held on August 31, 2015 at 6:00 o'clock p.m. in Council Chambers.

10. ADJOURNMENT

Moved by Councillor Gignac, seconded by Councillor Sleiman,
There being no further business, the meeting is adjourned at 8:42 o'clock p.m.
Carried.

CHAIR

DEPUTY CLERK

MISSION STATEMENT

"Our City is built on relationships – between citizens and their government, businesses and public institutions, city and region – all interconnected, mutually supportive, and focused on the brightest future we can create together"

REPORT #: S 49/2015	Report Date: 11/12/2015
Author's Contact: Janice Guthrie Deputy Treasurer, Taxation & Financial Projects 519-255-6100 Ext 6271	Date to Council: November 23, 2015
	Clerk's File #: APM2015

To: Mayor and Members of City Council

Subject: Results of the 2015 Tax Sale proceedings and proposed 2016 Tax Sale process

RECOMMENDATION:

THAT City Council **RECEIVE** the information regarding the 2015 Tax Sale and 2016 Tax Sale plan for information.

EXECUTIVE SUMMARY:

N/A

BACKGROUND:

The Municipal Tax Sale Process

Pursuant to Section Part XI of the Ontario Municipal Act, 2001 (the Act), the City Treasurer may register a tax arrears certificate against a property where there are taxes owing in the third year following the year the taxes are due (in the fourth year of outstanding taxes). A tax arrears certificate is the first step required to be able to eventually proceed to a tax sale if all other collection measures fail. The City's interest ranks above all other creditors which typically include mortgage holders and other credit or debt collection agents with the exception of the Federal or Provincial Crown liens. After a tax arrears certificate has been registered, the property owner has one year in which to pay a cancellation price (defined as the total amount of tax arrears, including any other charges which have been added and considered a priority lien, plus an administrative fee) to have the lien discharged. Alternatively, the property owner may

enter into an extension agreement with formal repayment terms (up to a maximum of 5-years or 60 months) for the payment of the cancellation price.

If payment of the cancellation price does not occur within the period of time under either of the above two options noted above, the City Treasurer has the right to place the property up for public sale using either the auction or tender method. Typically Administration has used a tender method. Sealed bids, which remain closed until time of sale, often result in a tender price closer to the current assessment value of the property. Since the City only retains the amount necessary to collect the outstanding property taxes, any excess amount is placed with the Provincial Courts for distribution by way of official application by either the property owner or those with a registered interest. It should be noted that until such time as the closing of the tenders (3 o'clock pm) property owners can come forward with payment in full to redeem their property. A property which has been subject to an unsuccessful tax sale may be re-advertised once again in a subsequent tax sale.

Advertising commences approximately 6 weeks prior to each tax sale running for four consecutive weeks in the Windsor Star and once in the Ontario Gazette. Any person(s) wanting to place a tender on a property are allowed to do so up until 3:00 p.m. on the date of sale.

Should a tax sale, or subsequent resale, not result in a successful purchase, the City has two (2) years upon which to make a decision to vest in the property or return the property to the registered owner. Regardless of its decision to vest, City Council also has the ability to write-off any or all accumulated tax arrears after an unsuccessful tax sale.

The purpose of the tax sale statute is to bring finality to the process of tax collection. Prior to the point in time where a tax arrears lien is registered, collection staff have completed the required due diligence following guiding collection principles as approved by Council and have essentially exhausted all efforts to otherwise collect the debt.

Prior to moving a property forward to tax sale, Administration considers the following factors which could inhibit the ability for a successful sale:

- Federal liens (which take higher priority over the City's interest)
- Environmental concerns and potential liabilities
- Pending demolitions/property standard compliance issues

Consultation with other departmental staff and stakeholders takes place prior to making a final recommendation to place a property on the list.

The purpose of this report is twofold:

- to provide Council with an update as to the results of the 2015 tax sales;
- to advise Council of Administration's plans for the 2016 tax sales.

DISCUSSION:

2015 Tax Sale Update

In February 2015 (Livelink Report #17538), City Council was advised that Administration would conduct three separate property tax sales for those properties that became eligible for sale within the year (those properties for which a tax lien had been registered in a previous year (i.e. 2014 or earlier) and the one-year waiting period had expired. Three tax sales were held in May, August and November 2015. At the time of writing the February report, a total of 73 properties were projected to be advertised and auctioned by way of public tender. However, by the time that the actual sale proceedings were formalized in 2015, the list of actual properties deemed to be moving forward was significantly reduced down to thirty-five (34). This not unusual for reasons that primarily include property owners or other parties with registered interests coming forward to provide payment in full to avoid the tax sale process.

Of the Thirty-four properties listed for sale, six (6) were redeemed with payment in full prior to the closing of the tender process, four (4) were removed with satisfactory payment agreements and eleven (11) were ultimately sold. The remaining thirteen (13) properties will be considered for vesting by the City.

Vesting of Residual Tax Sale Properties

Should a tax sale not result in a successful purchase, the City has two (2) years upon which to make a decision to vest in the property or return the property to the registered owner. Regardless of its decision to vest, City Council also has the ability to write-off any or all accumulated tax arrears after an unsuccessful tax sale.

Over the course of the next two years Administration will be meeting to discuss potential vesting considerations such as tenancies, structural issues, building/property standard compliance orders and the resources required to manage the additional properties. In the interim Administration may have to expend funds in order to address property standard issues and/or sell some of these properties at less than the current assessment value. However this would serve to re-instate them onto the tax roll as taxable properties, such that the payment of future municipal taxes could be realized.

Administration will bring forward a report with recommendations as to vesting under a separate cover.

2016 Tax Sale Plan

As of November 5, 2015, there are 220 properties with tax arrears liens registered by the City of Windsor. Of the properties with tax arrears liens approximately 97 properties have been identified as becoming eligible within the time frame allotted for tax sale throughout 2016. These properties are detailed in a separate memo which has been marked Confidential on the basis that until such time as the properties are publically

advertised the list contains properties which are pending dispositions by the municipality and contain personal information about identifiable individual(s). To effectively manage the list of potential properties, Administration is planning to hold four (4) tax sales prior to December 31, 2016. Tax sale dates will be determined at a later date based upon various criteria including workload requirements and changes in number of properties; however they have preliminarily been set for late winter, spring, summer and fall.

Of the 97 properties eligible for sale in 2016, 53 are residential homes, 28 are commercial/mixed use buildings, and 16 are considered vacant land. Administration does not undertake tax sales lightly and given a majority of the properties are residential will continue to communicate with the property owners throughout the process.

Prior to scheduling each tax sale, the full listing of properties will be circulated to appropriate City departments for review and departmental consideration. Certain City departments may consider recommending acquisition of some of the properties. Should they wish to do so, they need to obtain separate Council approval to place a tender and will need to assess the impact on their annual budget operating approvals.

RISK ANALYSIS:

2016 Tax Sale Plan

As outlined above, there are several risks that need to be carefully weighed prior to making a determination to proceed with a tax sale. Ultimately if a property does not sell by way of the tax sale, Administration will be required to make a determination as to whether or not to recommend to City Council vesting ownership of the property with the municipality. The intention of the tax registration process is to enable the municipality to take action by which to collect the outstanding taxes, not take property ownership away. In many cases, there is no municipal use for these properties which leave these properties to accumulate as inventory in land held for resale.

Property specific risks such as Crown liens, environmental concerns and property standard compliance issues are considered prior to individual properties being recommended for sale. In September 2014, City Council authorized Administration to enter into agreement with external third party organizations as it relates to the collection of outstanding property taxes (CR 237-2014) which serves to mitigate this risk.

The level of tax arrears as compared to the assessment or market value must also be considered to ensure that the minimum cancellation price is attainable.

Staff resourcing will be necessary to plan, co-ordinate and conduct the scheduled tax sales which may take priority over other collection activities.

FINANCIAL MATTERS:

2015 Tax Sale Update

As a result of the 2015 tax sale proceedings, Administration was successful in collecting in excess of \$505,000 in outstanding property taxes (inclusive of amounts that were paid prior to tax sale and also amounts for those properties sold at tax sale). It should be noted that the collection of the arrears is not considered to be new funding for the City but rather a repayment of a loan effectively made to property owners who did not remit payment on the prescribed due dates. At a minimum, the lowest possible tender is equivalent to the cancellation price at the time of the sale.

With regards to the properties that did sell at tax sale, excess funds in the amount of \$85,609 were received as a result of tender bids being above the cancellation price. These funds are required to be placed with the Courts for subsequent distribution. Application to the Courts may be made by the property owners or those with registered interests in the property to receive the excess funds. After one-year, should these funds still be available, the City may make application on its own to the Courts for the funds which would be considered wind-fall revenue in the year received. Funds are typically used to offset any maintenance and repair costs associated with those properties that are vested.

CONSULTATIONS:

During the tax sale process, all properties are vetted for municipal considerations by Administration through a number of City Departments, including but not limited to : Planning, Office of the City Solicitor, Real Estate Division, Parks, Fire and Building.

CONCLUSION:

The results of the 2015 tax sale, quite similar to other tax sales, demonstrate positive results in the culmination and collection of tax arrears.

Administration is planning to hold four (4) tax sales during 2016. Each of the property owners on title have been notified by Administration on several occasions and have not responded to our efforts to collect or have been unable to pay the outstanding balances. The number of properties actually proceeding to sale will likely be reduced as owners come forward and make payment in order to retain their property and/or other relevant facts are brought forward to administration. Results from the process will be reported to Council in early 2017.

PLANNING ACT MATTERS:

N/A

APPENDICES:

MISSION STATEMENT

“Our City is built on relationships – between citizens and their government, businesses and public institutions, city and region – all interconnected, mutually supportive, and focused on the brightest future we can create together”

REPORT #: S 40/2015	Report Date: 11/4/2015
Author’s Contact: Melissa Osborne Senior Manager Asset Planning mosborne@citywindsor.ca 519-255-6100 x6111	Date to Council: 11/23/2015
	Clerk’s File #: SW2015

To: Mayor and Members of City Council

Subject: Sustainable Communities - 20 year funding models and resulting projections for roads

RECOMMENDATION:

THAT Council **RECEIVE** this report for information and that it be **REFERRED** to the 2016 Capital Budget deliberations along with the companion presentation on the same subject.

EXECUTIVE SUMMARY:

This report provides council with an update on the roads level of risk, service levels, and funding options work that has been ongoing in the Finance department working closely with the Public Works staff.

It is recommended that the report along with the companion council presentation be referred to the 2016 budget deliberations and that at those deliberations council consider approving the following recommendations:

THAT Council **APPROVE** an incremental property tax levy of ½% (or approximately \$2 million) to be used exclusively for the rehabilitation and reconstruction of the City’s existing roadways in order to augment the current funding available for such purposes; and

THAT Council **DIRECT ADMINISTRATION** to include a roads improvements levy of approximately ½%, incremental to the previous year's amount, in the annual budgets of fiscal years 2017 through 2035.

That Council **ADOPT** the Levels of Service reflected in Model 3 as well as the following general order of priority and selection of projects guidelines:

Order of Priority

1. EC Row
2. Arterial
3. Collector
4. Local (industrial, commercial and residential)

Selection of Projects Guidelines:

1. Best efforts will be made to keep EC Row, Arterial and Collectors from sliding into the reconstruction only category, aiming to have none in "Poor" or "Very Poor" condition;
2. Roadways which have sewer or water work scheduled to be completed will have priority;
3. Consideration for roadways are impacted by legislation, regulations, environmental studies, transportation policies (i.e. Complete Streets) and or traffic studies;
4. The slide of assets from rehabilitation to reconstruction will be managed;
5. Mill and Pave will only be done on roads where it will yield 10 – 15 years of added life; and
6. Local roads will be managed as best as possible recognizing that, based on current funding levels, a percentage of those roads will always be in the "Very Poor" category.

BACKGROUND:

Infrastructure Deficits- A Universal Problem

The Federation of Canadian municipalities recently set the price for eliminating the municipal infrastructure deficit at \$123 billion.

Windsor is in generally the same situation as other older municipalities across Ontario and Canada in trying to determine how best to address the infrastructure deficit challenge. It is important to understand that the City's infrastructure deficit did not happen overnight but is the cumulative result of decades of decisions. Our inventory of assets has grown over the years and as those assets age the ability to balance the maintenance costs of existing assets versus funding the costs for assets related to growth is an increasing challenge.

Significant effort has been put into increasing capital funding. The current capital funding of approximately \$100 million is essentially double the \$50 million base typical of the budgets in the early 2000's.

Roadways rehabilitation expenditures have also dramatically increased, even during the 7 years that the City has not increased the overall tax levy (2009-2015). During this 7-year period the roadways rehabilitation expenditures have averaged approximately \$ 26.5 million per year compared to \$10.5 million in the previous 7-year period.

Nonetheless, the data shows that more funding is required and this report aims to quantify these needs.

Council Question CQ5/2015

March 23, 2015 report CR17609 was brought to Council in response to CQ5-2015. The report provided a high level understanding of what a 1% levy for 4 years would achieve, and stated that a more detailed study of the impact would be provided to Council in the fall. This report is the results of the more detailed study.

Windsor's Formal Asset Management Plan

The province mandated municipalities to prepare comprehensive formal asset management plans by the end of 2013.

City Council approved Windsor's first formal comprehensive Asset Management Plan (AMP) in 2013, and Council approved the Plan on December 16, 2013. Prior to that date there were significant efforts already underway relative to asset management that

allowed for the development of the formal AMP and the continued progress Windsor has had to date in asset management matters. We expect our corporate AMP to be provided to Council every 4-5 years. Our second AMP should therefore be expected around 2017-18.

It is noted that recent senior level of government grants relative to infrastructure are dependent on having up to date AMPs. This requirement will continue going forward.

An Asset Management Plan is expected to be continually evolving and providing greater detail with each update. In order to enhance our next AMP several initiatives were identified as projects which should be completed. These included obtaining objective condition assessment information for our facilities, developing levels of service and risk for key assets as well as further analyzing the impact various funding levels would have for assets over a 20 year period.

Administration has been working on these projects since 2014. This report is to provide information and recommendations based on the results from levels of service, risk and 20 year funding projections to Council as it relates to the roads assets.

DISCUSSION:

The Importance of AMPs

Implementing various asset management best practices ensures that the assets selected for funding are based on objective critical asset information such as: condition and life cycle costing and also assist with clarifying risk, determining levels of service and willingness to pay associated with the assets.

Good asset management practices can also help to reduce unexpected minor or major financial impacts resulting from failed assets. This is achieved by determining the funding levels which optimize the life of the asset and allow for better preparation to address them at various stages of their life cycle. Over time the cost to own the asset can actually be reduced as more data is captured and analyzed to better predict the deterioration and ways to optimize the assets life.

The Importance of Long Term Sustainable Funding

While the 2013 Asset Management Plan (AMP) provided us valuable information, there were additional projects identified to further enhance the results for decision making purposes. As an example the Asset Management Plan identified nearly \$1B in replacement cost for all "Poor" and "Very Poor" assets identified in the AMP. Of this number approximately \$365M was directly attributable to roads, and represents some nearly 20%% of the entire roadway network. This means that nearly 20% of our

roadway network requires full reconstruction because they are past the point of panel fixes or mill and paves being able to extend their life.

The challenge with this is that \$365M does not solve the problem. Firstly it would require approximately 196kms of roads to be reconstructed throughout the City which would create very significant traffic issues in getting around the city. The concept of worst first is generally not the recommended resolution to road assets, for several reasons.

The increased demand resulting from one time funding of a significant nature is likely to exceed the supply thereby resulting in substantially increased construction costs for the work. The volume of work would also exceed administrative City staffing abilities, thus creating the need to increase operational costs to hire the necessary resources.

Businesses as well as the community in general would also be adversely affected as a result of the sheer volume of construction being done over a short period of time. In addition while focusing on what is already in a “Poor” or “Very Poor” condition the balance of the road network would continue to deteriorate resulting in a new set of roads which require complete reconstruction once this work is completed.

The Benefits of Long term sustainable funding include:

- Allows for the development of long term maintenance and rehabilitation programs which can be established, optimizing the value obtain from the funding;
- Provides the ability to better plan for co ordination of roadway work with sewers and water
- Allows local industry to establish base manpower and equipment needs based on consistent yearly infrastructure spending;
- Reduces potential pricing increases resulting from a one-time funding infusion;
- Allows for a continual approach to reducing the infrastructure deficit with a gradual and sustainable funding level; and
- Allows for City operations employment levels to be stabilized thus providing consistent coverage and better quality control.

Determining the Optimal Funding Requirements

In order to determine what our long term sustainable funding amount is, a municipality must first define three critical factors:

- 1. What level of service is expected of an asset?**
- 2. What risk are we willing to tolerate, with letting the assets decline?**
- 3. What are we willing to pay to achieve the expected level of service and risk?**

On February 3, 2014, Council approved CR 16966, in which several asset management projects including Levels of Service (LOS) and Risk were recommended. The projects were to develop a corporate approach to defining these factors and then develop the specific results for roads, sidewalks, sewers, parks and facilities. GHD Canada was selected as the consultants to assist with the project and work commenced in September 2014.

Determining Appropriate Levels of Service and Risks

The corporate template developed for Levels of Service (LOS) considers the following service type factors for assets: Availability, Cost Effectiveness, Reliability, Responsiveness, Safety, Suitability and Sustainability. The process first defines level of service as set by Council Approved directions.

The corporate risk template and policy, as approved by Council April 2015 CR 17656, was used as the foundation for development of the risk associated with the assets. This part of the project also included participation from members of the CAO's office who oversee the Corporate Risk Policy. Each asset was assessed against the template for probability of occurrence and consequence of failure.

Road Results

Each roadway classification (Local, Collector, Arterial, EC Row) were assessed for the consequence if that road type were to fail. The overall results in noted in the chart below:

Roadway Classification	Consequence of Failure
EC Row	Significant
Arterial	Significant
Collector	Significant
Local	Moderate

The results show that while having Local roads in the “Very Poor” category is not desirable from a level of service standpoint, as a function of risk they create a Moderate risk in the worst case.

The chart below shows the percentage of roads for the various condition ratings, comparing data in the 2013 AMP results to the June 2015 data pulled for our 20 year models.

Condition Rating	2013 AMP Percentages	March 2015 Percentages
Very Good	38.37%	40.92%
Good	11.25%	10.65%
Fair	30.33%	29.29%
Poor	11.17%	10.08%
Very Poor	8.87%	9.06%

Analysis of the capital budget from 2010 to 2020 (projected) indicates that on average approximately 20.8% (\$21M) is allocated to road rehabilitation and reconstruction out of the capital budget on a yearly basis. The extent to which the road network can be managed to reduce the amount of roads in “Poor” or “Very Poor” condition is directly related to the level of funding provided for the rehabilitation and reconstruction of the existing roadway network.

Currently there are approximately 196 kms of City roads identified as “Poor” or “Very Poor”, meaning they require reconstruction. This represents nearly 20% of the entire

road network which is approximately 1,027 kms of road. This furthers the need to develop models which project the impact of various funding levels on our roadways to ensure we understand which funding levels should yield better results, the same results or poorer results over the next 20 years.

While there are essentially infinite combinations, the following four funding models were created for this project.

Funding Models for Consideration

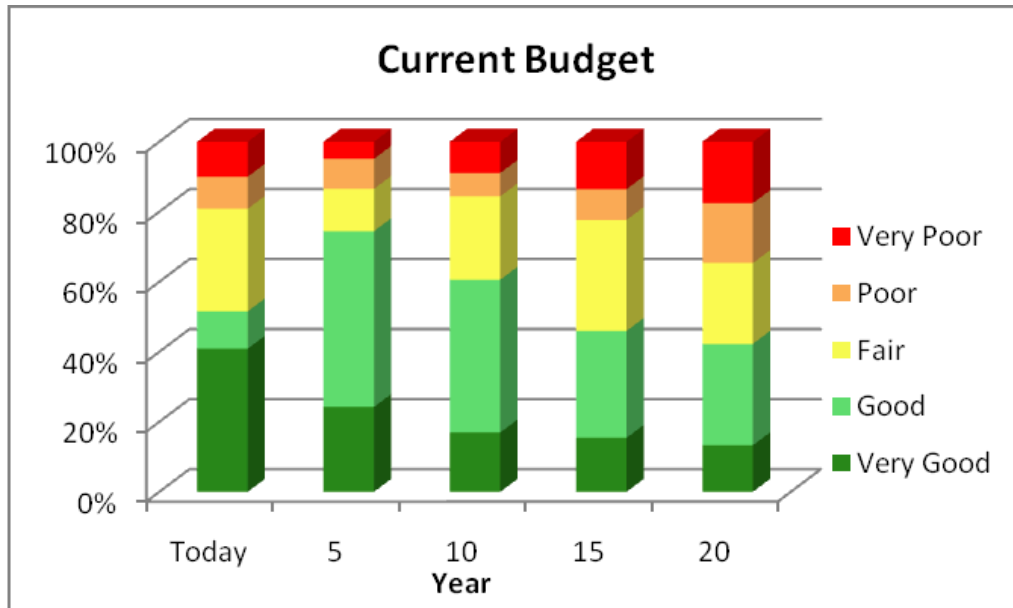
1. Current Budget Funding Level (Status Quo)
 - a. The average 20.8% (\$21M) of the \$100M continue to be applied for road rehabilitation and reconstruction over the next 20 years with no anticipated increases in funding to the capital budget.
2. 1% levy each year for 4 years
 - a. The average 20.8% (\$21M) of the \$100M continue to be applied for road rehabilitation and reconstruction over the next 20 years and
 - b. 1% levy be applied each year for the next four years specifically dedicated to road rehabilitation and reconstruction.
3. ½% levy each year for 20 years
 - a. The average 20.8% (\$21M) of the \$100M continue to be applied for road rehabilitation and reconstruction over the next 20 years and
 - b. ½% levy be applied each year for the next 20 years specifically dedicated to road rehabilitation and reconstruction.
4. 1% for one year, ¼% each year for 10 years, then ¾% each year for 9 years
 - a. The average 20.8% (\$21M) of the \$100M continue to be applied for road rehabilitation and reconstruction over the next 20 years and
 - b. 1% levy be introduced in year 1, then
 - c. ¼ % levy each year for the next 10 years, then
 - d. ¾% levy each year for the next 9 years.

It should be noted that as with any modelling exercise, as the inputs or assumptions are changed it is expected that the outputs will change as well.

The detailed results of the various funding models will be addressed in the companion presentation. However, the status quo current budget model and the preferred model (Model 3) are summarized below. Each graph shows the opening percentage of the

roadway network in the various conditions, noting we start with 196kms in “Poor” or “Very Poor” condition, and provides for 5, 10, 15 and 20 year projections of the roadways conditions based on each funding model.

Funding Model 1



Km's in Poor and Very Poor Condition (Now Deficient)

Current – 196.82

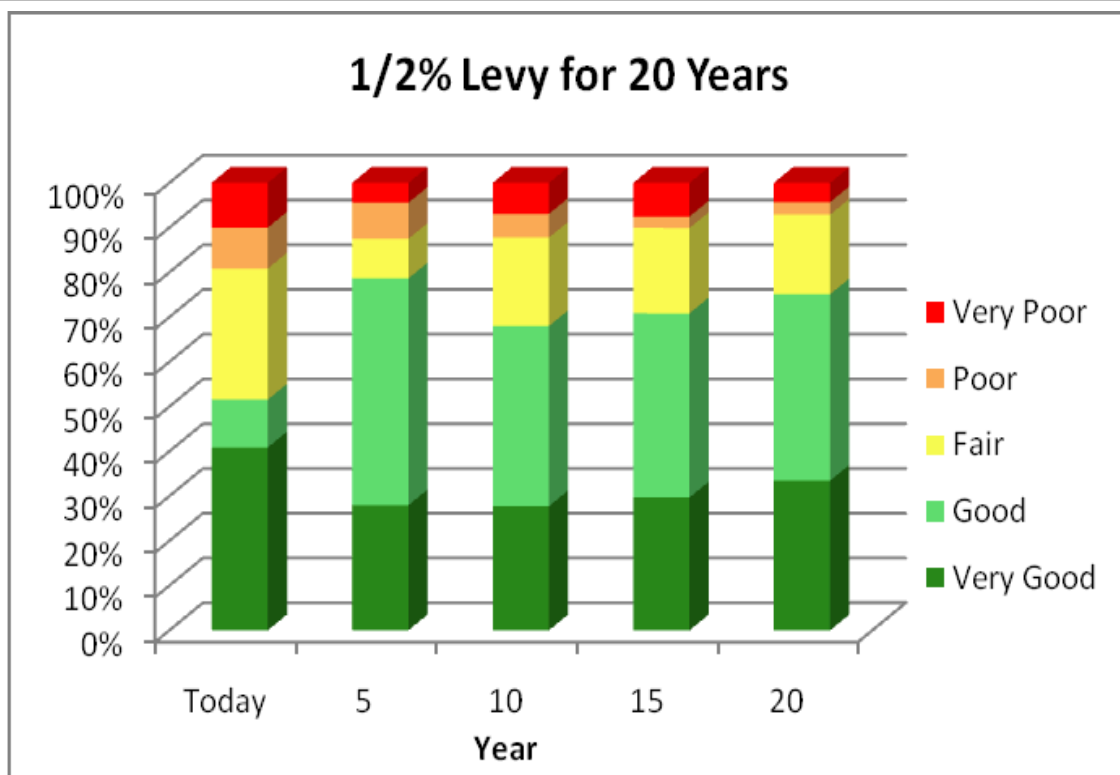
Year 5 – 145.31

Year 10 – 167.60

Year 15 – 233.52

Year 20 - 358.49

Funding Model 3



Km's in Poor and Very Poor Condition (Now Deficient)

Current – 196.82

Year 5 – 135.96

Year 10 – 131.97

Year 15- 106.91

Year 20 – 73.42

The results for models 2 and 4 are be briefly summarized in the chart below.

Funding Model	Year 5	Year 10	Year 15	Year 20
Model 2	126.26	122.99	125.03	148.01
Model 4	136.07	141.43	142.98	115.61

In summary, sustaining funding for roads at the current level over the next 20 years results in a significant reduction in the level of service of our roadway network as well as an increased risk.

The preferred funding Model 3 results in a significant improvement of the overall roadway network. Using the funding reflected in this model reduces the roads classified as poor or very poor from 358 km to 73 km by year 20.

Levels of Service Guiding Principles for Roads

A substantial cost savings can be realized when proactive intervention is undertaken before the road deteriorates below a certain rating threshold. Proactive intervention is much less expensive compared to only performing maintenance and rehabilitation once noticeable degradation of the road becomes apparent.

As an example, there is an estimated \$365M of roads currently past of the point of being able to be rehabilitated, or mill and paved, to extend their useful life. Once a road goes beyond a rating of “Fair” the base or foundation of the road is actually compromised, such that any work like mill and pave would not yield good results. A mill and pave should extend the life of a road by 10 to 15 years. If the base is compromised, then a mill and pave is likely to only improve the road for 3 years maximum. As such the results do not provide for the best results for the funding spent, and creates a situation where a road which was a good candidate for a mill and pave was not done and it could then deteriorate and require a full reconstruction. The cost difference between the two methods is significant with a mill and pave costing approximately \$40/sm and reconstruction \$180/sm. As such 1km of road mill and paved would be approximately \$600,000 where as a reconstruction would be \$2.7M.

Adopting the proposed Levels of Service in Model 3 will provide a benchmark which will help ensure that the City’s overall road network is maintained to a standard that protects the City’s capital investment and sustains or prolongs the road’s useful life. In addition to providing a level of accountability, the proposed Levels of Service will also serve as a

guide in making future financial decisions and are designed to maintain the City's roads to the level appropriate given its relative priority.

As well as the Levels of Service themselves, consideration will also be given to applicable legislation and regulations, environmental studies, transportation policies (i.e. Complete Streets), traffic studies, and other relevant information in order to make informed capital decisions. Similarly future grants from the provincial or federal government related to roads may allow an improved level of service compared to what is reflected in Model 3.

The work undertaken with respect to levels of service and risks also results in a recommendation for the following general order of priority as well as selection of projects guidelines:

Order of Priority

1. EC Row
2. Arterial
3. Collector
4. Local (industrial, commercial and residential)

Selection of Projects Guidelines:

1. Best efforts will be made to keep EC Row, Arterial and Collectors from sliding into the reconstruction only category, aiming to have none in "Poor" or "Very Poor" condition;
2. Roadways which have sewer or water work scheduled to be completed will have priority;
3. Consideration for roadways are impacted by legislation, regulations, environmental studies, transportation policies (i.e. Complete Streets) and or traffic studies;
4. The slide of assets from rehabilitation to reconstruction will be managed;
5. Mill and Pave will only be done on roads where it will yield 10 – 15 years of added life; and

6. Local roads will be managed as best as possible recognizing that, based on current funding levels, a percentage of those roads will always be in the “Very Poor” category.

RISK ANALYSIS:

This report provides an understanding of what the expected road network will look like over 20 years based on different funding scenarios. If there are no increases in funding for the rehabilitation and reconstruction of our existing road network it will continue to fail at a rate which exceeds current levels. We can expect our current figure of nearly 20% of the network being identified as “Poor” or “Very Poor” to increase to well over 30%. Not only will this create a reduced level of service for our road network, it will increase risk to the City as there will be more Arterial, Collector and EC Row classifications, which are of significant risk to the City, in a “Very Poor” condition.

The ability to have an impact on the deterioration trend requires response sooner than later. While the next 5 years may not have a significant slide of assets to a “Poor” or “Very Poor” condition, the longer waited to address the issue, the more challenging financially it will be to recover from the volume of assets which are declining.

The slow and steady ½% incremental annual increase over 20 years also reduces the risk of requiring additional staff in Public Works in the near future associated with large infusions of funding in a short time frame.

FINANCIAL MATTERS:

The various funding models identified in the report outline the suggested means in which to increase funding for road rehabilitation and reconstruction. Although Council can direct Administration to allocate more of the current capital budget to roads without increasing the amount of available funding for capital, this approach would have significant implications on all other assets and capital projects. While the roads network may be the most visible example of the infrastructure deficit, most municipal assets face similar issues.

The impact of a ½% dedicated roads levy has an incremental annual impact on the average homeowner (\$150,000 assessed value) of approximately \$14.

CONSULTATIONS:

Rob Slater, Executive Initiatives Coordinator – Office of the City Engineer

Public Works Operations

Public Works Engineering

Brittney Yeats, Manager, Corporate Initiatives (Acting)

CONCLUSION:

This report provides council with an update on the roads level of risk, service levels, and funding options work that has been ongoing in the Finance department working closely with the Public Works staff.

It is recommended that the report along with the companion council presentation be referred to the 2016 budget deliberations and that at those deliberations council consider approving the following recommendations:

THAT Council **APPROVE** an incremental property tax levy of ½% (or approximately \$2 million) to be used exclusively for the rehabilitation and reconstruction of the City's existing roadways in order to augment the current funding available for such purposes; and

THAT Council **DIRECT ADMINISTRATION** to include a roads improvements levy of approximately ½%, incremental to the previous year's amount, in the annual budgets of fiscal years 2017 through 2035.

That Council **ADOPT** the Levels of Service reflected in Model 3 as well as the following general order of priority and selection of projects guidelines:

Order of Priority

1. EC Row
2. Arterial
3. Collector
4. Local (industrial, commercial and residential)

Selection of Projects Guidelines:

1. Best efforts will be made to keep EC Row, Arterial and Collectors from sliding into the reconstruction only category, aiming to have none in “Poor” or “Very Poor” condition;
2. Roadways which have sewer or water work scheduled to be completed will have priority;
3. Consideration for roadways are impacted by legislation, regulations, environmental studies, transportation policies (i.e. Complete Streets) and or traffic studies;
4. The slide of assets from rehabilitation to reconstruction will be managed;
5. Mill and Pave will only be done on roads where it will yield 10 – 15 years of added life; and
6. Local roads will be managed as best as possible recognizing that, based on current funding levels, a percentage of those roads will always be in the “Very Poor” category.