



Finance and Administration Committee

Virtual Meeting BY ZOOM

10:00 am

April 9, 2021

AGENDA

ROLL CALL

Adoption of Agenda

Declaration of Interest (written)

1. Approval of Minutes, Finance and Administration Committee – February 8, 2021
 2. Loan Options for Shabomeka Lake Dam, Report 3121/21 (Angela Millar and Sally McIntyre)
 3. Amendment to 2021 Fee Schedules, Report 3122/21 (Angela Millar)
 4. 2021 - 2022 Insurance Renewal, Report 3123/21 (Angela Millar)
- Under separate cover:
5. CEWS Grant Update, Report 3124/21 (Sally McIntyre) – IN CAMERA (legal)
 6. Salary Review Follow-up, Report 3125/21 (Sally McIntyre) – IN CAMERA (personnel)

Other Business

ADJOURNMENT

REPORT**3121/21**

TO:	Finance & Administration Advisory Committee
FROM:	Angela Millar, Treasurer Sally McIntyre, General Manager
RE:	Loan Options for Shabomeka Lake Dam
DATE:	April 2, 2021

RECOMMENDATION:

That the Committee instruct staff to negotiate borrowing options with lenders that offer a fixed interest rate for the entire debt repayment period.

1.0 BACKGROUND

On March 17, 2021, the Board of Director's approved that staff secure a loan through "Infrastructure Ontario or a financial institution" for reconstruction of the Shabomeka Lake Dam. A third option has now presented itself; and, further direction is sought regarding the preferred approach to be taken for the loan.

2.0 DISCUSSION

At the March 17 Board meeting, some members expressed concerns regarding interest rates that could change every five-years over the life of the loan (3-4 times over 20-25 years.) This form of financing could cause annual payments to increase and significantly impact total debt servicing costs. It has since been confirmed by the banks contacted that they are unable to offer 10-year renewal periods. Furthermore, at least one indicated a preference that MVCA have a municipality guarantee the loan—suggesting the City of Ottawa as a potential backer.

Infrastructure Ontario (IO) offers a fixed rate over the full life of the debt. The starting interest rate is higher than what is offered by the commercial banks, but remains constant until the debt is retired. IO will also provide a 25-year amortization period, which not all banks will provide and, again, only with a municipal guarantor.

As Drummond North-Elmsley (DNE) has already offered to front a loan for MVCA with Infrastructure Ontario, the City was contacted to determine whether it might consider including the MVCA project in a future debenture, as the City bundles capital projects and uses a syndicate to obtain best rates/terms on bonds.

Early discussions indicate that this approach is viable, and City staff plan to seek Council approval to offer MVCA this option in its May report regarding conservation authority budgets. If authorized, city staff will structure a proposal for MVCA—likely a fixed rate over 30 years. As the City is the largest funder of MVCA’s capital program, city finance staff are motivated to try to structure the best loan possible, and hope to be able to provide a better rate than Infrastructure Ontario. City staff also indicated that the project appears suitable for marketing as a “Green Bond”, which adds to its appeal for a debenture being structured for issue this fall.

In discussions with other conservation authorities, one CA that obtained a loan directly from a member municipality recommend that the payment agreement include terms for rate relief, early pay out, additional payments on principal, and not be bound by the full term of the municipal bond. Unfortunately, the CA in question did not have these provisions and they are locked in at a higher rate for the full period of the bond. If MVCA goes this route, it will need to seek legal counsel to ensure that the loan agreement is structured to best mitigate risks.

Table 1 provides a comparison of the terms and debt servicing cost for the options considered to date.

Table 1: Financing Options: Comparison Estimates¹ for a \$750,000 loan

	Period	Interest Rate	Total interest
Bank A	20 years	↑0.25% every 5 years	\$222,020
Bank B	25 years	↑0.25% every 5 years	\$292,915
Infrastructure Ontario	25 years	Fixed	\$194,930

Given the potential for interest rates to change/increase every 5 years under a commercial bank loan, and the uncertainty this entails in terms of future monthly payments and total debt servicing costs, it is recommended that MVCA focus on the Infrastructure Ontario and City of Ottawa loan options.

¹ Interest rate increases are staff assumptions only and were not supplied by the financial institutions. All interest rate assumptions are subject to change as they are moving up domestically and internationally.

3.0 NEXT STEPS

The General Manager and Treasurer will continue to explore the requirements, costs, benefits and risks of:

- partnering with DNE to obtain a loan via Infrastructure Ontario; and
- securing a loan directly from the City of Ottawa.

Once these are understood, staff will recommend a preferred approach.

As interest rates are on an upward trend, it will be important to execute the agreement in a timely manner once the preferred approach is confirmed. Based upon the motions approved at the March Board meeting, the Chair, Vice Chair, GM and Treasurer have authority to execute the agreement once finalized. Time permitting, the final agreement will be brought to the Committee and/or the Board prior to signing.

REPORT

3122/21

TO:	Finance & Administration Advisory Committee
FROM:	Angela Millar, Treasurer
RE:	Amendment to 2021 Fee Schedules
DATE:	April 9, 2021

RECOMMENDATION:

That the Committee recommend that the Board approve amendment of Schedule D of the 2021 Fee Schedule, as presented.

The Board of Directors approved the 2021 Fee Schedules at its meeting October 21, 2020. Since then, the water resources department received a significant request to deliver digital models and data. This appears to be a growing trend and has both time, cost, and risk implications.

These models are developed and/or maintained by MVCA staff, using data obtained by MVCA, and designed and intended for MVCA use. Time is required to assemble the information, and to execute agreements that limit MVCA’s liability for use of the base data and models.

Both Rideau Valley Conservation Authority and South Nation Conservation charge a flat fee for providing digital copies of their models, and cost recover staff time expended in fulfilling the request. In order to be consistent with partner conservation authorities, staff recommend that Schedule D of the MVCA fee schedule be updated to include the following:

Schedule D	Proposed Addition to Approved 2021 Schedule	
Information, Professional Services	Models – digital copies Hydrologic Model (HEC-HMS, SWMHYMO, PCSWMM)	\$2,060 plus staff time
	Hydraulic Model (HEC2, HEC-RAS)	\$2,060 plus staff time

REPORT**3123/21**

TO:	Finance & Administration Advisory Committee
FROM:	Angela Millar, Treasurer
RE:	2021 - 2022 Insurance Renewal
DATE:	March 31, 2021

FOR INFORMATION

MVCA's insurance premiums are negotiated through an insurance collaborative comprised of representatives from Conservation Ontario and a selection of CAs that act on behalf of all conservation authorities. Insurance is secured through Marsh Canada Limited and managed by Glenn Sheppard, Vice President, Public Entity, Education, Healthcare and Life Science of Marsh Canada Limited. MVCA recently received an update from Mr. Sheppard regarding rate changes that are summarized in Table 1. (See his email explaining details in Attachment 1.) Note, the MVCA 2021 Budget includes \$89,700 for insurance.

Table 1: Summary comparison, Insurance Renewal April 1, 2021 to April 1, 2022

	<u>2021</u>	<u>2020</u>	<u>Difference</u>
Property	32,305	28,402	\$ 3,903
Equipment	1,174	1,086	\$ 88
Crime	825	825	\$ -
Commercial General Liability	12,926	17,380	\$ (4,454)
Automobile	6,386	5,900	\$ 486
Errors & Omissions Liability	11,827	12,682	\$ (855)
Umbrella Liability	7,026	4,456	\$ 2,570
Directors & Officers Liability	3,089	2,574	\$ 515
Source Water Protection	1,380	1,150	\$ 230
Cyber Insurance	329	263	\$ 66
Brokerage Fee	6,273	6,273	\$ -
	\$ 85,561	\$ 83,011	\$ 2,550

Attachment 1**Correspondence from Glenn Sheppard, Marsh Canada Limited, March 31, 2021**

*"We are pleased to provide this years renewal terms attached for the **Conservation Ontario Group Insurance Program** April 1, 2021 to April 1, 2022 term.*

Along with your Insurance committee we have been proactively working on this renewal for months in discussing, negotiating with the current Insurers and attempting to procure alternative Insurers in order to secure the best terms available on your program and minimize the hard markets effect on all Conservation Authorities.

Because of this shift, referred to as a 'hard' market, many organizations have seen major disruptions with their insurance renewals including coverage being restricted, available limits reduced, and renewal premium increases of 15-35% for claims free accounts and 20-100% increases for accounts with claims.

These changes in the Insurance Industry have resulted in tougher renewal negotiations than anyone has seen and has now far surpassed the short hard market after 9/11. The background cause is a result of many years of;

- Flat Insurance renewal premiums which equates to reducing rates against Authorities growth in value, revenues, and activities*
- Several record-breaking years of global catastrophes and increased natural disasters in Canada including flooding, windstorms, freezing rain/hail, and forest fires.*
- Drastic upswing in the value and frequency of weather-related losses*
- Year over year increasing in the cost of labour, parts, and materials for repairs*
- The propensity of the public to sue continues to rise dramatically*
- Continuing and escalating litigious environment and willingness of the legal system to find blame on organizations and apply larger court awards on the liability, Directors & Officers and Employment Practices Liability*

Particularly hard hit this year was:

- Commercial General Liability and Errors & Omissions due to the ever-increasing litigious environment, and particularly the Excess limits on these coverages provided by the Umbrella policy which were historically priced to assume claims on a very rare basis, but are now being brought into smaller claims on a regular basis from Auto claims to Class Action Lawsuits.*

- *Directors & Officers which once received very few claims are being hit regularly with Employment Practices losses such as Wrongful dismissal, harassment and discrimination claims.*
- *Cyber Insurance which has received an unprecedented 148% increase in ransomware attacks just in the past year and which have also increased in severity with 2300% increase in the amount of Cyber payments.*
- *Some competitors have actually stopped writing some of these classes of business and most others have reduced their limits and rates and increased their deductibles.*

It is important to note that the Conservation program is underwritten on its own merits but also that the insurance markets worldwide (Europe, Australia etc.) are in the same state as the Canadian market.

We are very pleased to confirm a successful renewal for Conservation program for the upcoming policy term with very minor reductions in coverage terms, no reduction in limits, and an average increase of 22% made up of an average 'rate' increase of 17.4% and the remainder due to increase in values, vehicles and other exposure. This is a huge success in comparison to other organizations, including many of your Municipalities who are again this year seeing larger increases on top of reduced coverage, reduced limits and larger deductible retentions.

Your actual renewal premiums will include your own Authorities relative increase/decrease in values, vehicles, and exposures provided in your renewal application as well as your individual Authorities percentage of overall premium in the various lines of coverage which have varying rate increases.”