Report – Executive Policy Committee – July 19, 2006

Item No. 8 Elmwood Cemetery – Financial and Operational Sustainability Plan
File PC

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 19, 2006, the Executive Policy Committee concurred in the administrative recommendation and submits the following to Council:

1. That the City provide an additional one-time grant contribution of $200,000.00 to the Elmwood Cemetery perpetual care fund in the calendar year 2006, subject to a corresponding contribution from the Province of Manitoba.

2. That the City forgive the $75,000.00 fundraising loan to the Friends of Elmwood Cemetery Inc. and the accrued interest, subject to the loan amount being deposited to the perpetual care fund and a corresponding forgiveness from the Province of Manitoba.

3. That the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement matters as directed by Council.

4. That the Proper Officers be authorized to do all things necessary to implement the intent of the foregoing.

Report – Executive Policy Committee – July 19, 2006

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 19, 2006, the Executive Policy Committee concurred in the administrative recommendation and submitted the matter to Council.

REPORT

RE: ELMWOOD CEMETERY - FINANCIAL AND OPERATIONAL SUSTAINABILITY PLAN

FOR SUBMISSION TO: Executive Policy Committee

ORIGINAL REPORT SIGNED BY: Acting Chief Financial Officer

REPORT DATE: May 29, 2006

RECOMMENDATION(S):

1. That the City provide an additional one-time grant contribution of $200,000 to the Elmwood Cemetery perpetual care fund in the calendar year 2006 subject to a corresponding contribution from the Province of Manitoba.

2. That the City forgive the $75,000 fundraising loan to the Friends of Elmwood Cemetery Inc. and the accrued interest subject to the loan amount being deposited to the perpetual care fund and a corresponding forgiveness from the Province of Manitoba.

3. That the Chief Administrative Officer be authorized to finalize and approve the terms and conditions of all agreements required to implement matters as directed by Council.

4. That the proper officers of the City of Winnipeg be authorized to do all things necessary to implement the intent of the foregoing.

Report Summary

Key Issue(s):

- This report provides information concerning the historical funding relationship between the City of Winnipeg, Province of Manitoba and the Friends of Elmwood Cemetery Inc.

- A plan has been developed that will ensure the ongoing operation of the Elmwood Cemetery (“Cemetery”) while at the same time allow the City and Province to discontinue their respective financial support to the Cemetery at the end of 2006.

- The City and Province have, in partnership, provided financial support to the operation of the Elmwood Cemetery since its ownership by the Friends of Elmwood Cemetery Inc.

- The Friends of Elmwood Cemetery Inc., the City of Winnipeg and the Province of Manitoba have reviewed options for ensuring the continued financial sustainability of the Elmwood Cemetery.

- The objective is to provide a framework within which the Cemetery can continue to operate without the need for continued and ongoing financial support from the City and Province. At issue is the timeframe within which this financial self-sufficiency should be achieved.

- The Friends of Elmwood Cemetery Inc. previously requested that annual operating grant funding support continue until 2009 (inclusive). The City of Winnipeg and the Province of Manitoba are in agreement that their respective funding support should end in 2006.

- The Friends of Elmwood Cemetery Inc. have proposed a plan which will meet the City and Provincial timeframe.

Implications of the Recommendation(s):

General Implications

	None
	For the organization overall and/or for other departments
X	**For the community and/or organizations external to the City**
	Involves a multi-year contract

Comment(s): If approved, the recommendations would provide the Friends of Elmwood Cemetery Inc. with the necessary funds to ensure the ongoing operation of the Elmwood Cemetery without the need of continued financial support from the City and Province.

Policy Implications

X	**No**
	Yes

Comment(s):

Regulatory Implications

[X] **None**
[ ] **Eliminates or reduces regulatory impact**
[ ] **Proposes regulatory impact**
Comment(s):

Environmental Implications:

[X] **No**
[ ] **Yes**
Comment(s):

Human Resources Implications:

[X] **No**
[ ] **Yes**
Comment(s):

Financial implications

[X] **Within approved current and/or capital budget**
[ ] **Current and/or capital budget adjustment required**
Comment(s): The additional contribution of $275,000 proposed under the plan can be found within existing budgeted amounts. The $100,000 operating grant, which has been previously approved for 2006, is not included in these amounts.

Report

REASON FOR THE REPORT:

A plan for ensuring the financial and operational sustainability of the Elmwood Cemetery has been proposed. The plan is contingent upon the City and Province each providing a one-time $200,000 cash contribution in addition to the operating grants already approved for 2006. Also, the plan proposes that the City and Province forgive the $75,000 principal sum and accrued interest owing under the previously approved Fundraising Loan Agreement subject to Friends of Elmwood Cemetery Inc. depositing the principal sum otherwise repayable, to the Elmwood Cemetery perpetual care fund.

Council approval is required for this grant and to alter the provisions of the existing Fundraising Loan Agreement in order to have the $75,000 principal sum, otherwise repayable under the loan, converted to a donation/contribution to the perpetual care fund and to forgive the payment of accrued interest.

HISTORY:

Prior to 1998, the land on which the Elmwood Cemetery is located was owned by Elmco Ventures Ltd. Between 1988 and 1990 (inclusive), taxes on the land were unpaid. In February 1991, the land was sold in Tax Sale for the amount of unpaid taxes owing for the years 1988, 1989 and 1990 which represented $107,307.60.

In June 1993, City Council adopted a motion which halted the final stages of the Tax Sale proceedings. At the same time, Council requested the Province of Manitoba to consider: (i) an amendment to The Cemetery Act to require owners of private cemeteries to contribute a larger percentage of plot sales to the Perpetual Maintenance Fund; and, (ii) a funding commitment to the capital improvements and ongoing operating costs prior to the City taking title to the Elmwood Cemetery through Tax Sale proceedings.

These negotiations and discussions continued until late 1998 when the Friends of Elmwood Cemetery Inc. (the “FEC”), a non-profit corporation with registered charity status, assumed ownership and operation of the Elmwood Cemetery (the “Cemetery”). On June 22, 1998, Council approved a grant to the FEC in the amount equivalent to the amount required to redeem the Cemetery lands from the Tax Sale proceedings.

In order to ensure the ongoing operation of the Cemetery by the FEC and to avoid a long-term commitment to the FEC, on May 26, 1999, Council approved the provision of an operating grant, the terms and conditions of a fundraising loan and authorized the City to enter into a service agreement for the operational works of the Cemetery. The

City's support (with the exception of the fundraising loan) was to be for a one year period.

DISCUSSION:

Both the City and Province have worked cooperatively in the ongoing funding of the Cemetery during the period it has been owned by the FEC. This involvement has been in the areas of: (I) Service/Maintenance Support and Annual Operating Grants; (II) a Fundraising Loan; and, (III) Capital Works - Riverbank Stabilization.

(I) <u>Service/Maintenance Support and Annual Operating Grants</u>

Although the initial intention was to provide service/maintenance support and an operating grant for a one year period only, at a meeting held on October 16, 2000, the City and the Province agreed to continue their respective support to the FEC for the following two year period.

The City provides burial and maintenance services to the Cemetery on a cost recovery basis through Service Agreements. Between 1999 and 2004, the City has recovered a total of $658,032 from burial and maintenance services it has provided to the Cemetery. On June 23, 2004, Council authorized the renewal of the Service Agreement to cover the period of May 26, 2002 through December 31, 2006. Further, the Chief Administrative Officer was provided with the delegated authority to approve future renewals of the Service Agreement.

With respect to operating grants, these have continued to be provided by the City and the Province on an annual basis since 1999. For the past several years, these grants have been paid subject to the following conditions:

- That the FEC submit quarterly financial statements to the City;
- That the FEC submit audited year-end financial statements as soon as they become available; and
- That the FEC submit ongoing status reports on its fundraising campaign.

The following is a summary of the operating grants that have been provided by the City since 1999:

1999 – $165,631
2000 – $145,383
2001 – $147,191
2002 – $109,691
2003 – $109,691

2004 – $105,000
2005 – $103,000
2006 – $100,000*
Total - $985,587
(* Approved but not yet paid)

The FEC had requested that the City and Province each continue to provide operating grant support in the amount of $100,000 per year between 2007 and 2009 (inclusive). This would bring the City's contribution in operating grant support to a total of $1,285,587 by the end of 2009.

It should be noted that the revenues the Cemetery currently generates from the sale of plots, markers and columbarium niches are transferred to the perpetual care fund rather than all, or a portion, of the revenue being used for operating expenses. Therefore, in essence, a portion of the annual operating grants provided by the City and Province could be viewed as indirect contributions to the perpetual care fund.

(II) Fundraising Loan

On May 26, 1999, Council adopted the conditions of a loan of up to $112,500 to the FEC for the purpose of a $5.0 million Fundraising Campaign. The funds were to be advanced in $37,500 increments in the years 1999, 2000 and 2001. The loan was to be repaid to the City in full, without interest, by December 31, 2001. The loan was also conditional upon a matching loan from the Province of Manitoba.

Due to remedial work required at the Cemetery, the FEC was unable to commence its fundraising campaign until 2001. During that period, the FEC realized certain operational efficiencies in running the Cemetery which enabled them to also adjust the fundraising projections from the original $5.0 million target to a more modest $3.0 million target.

On July 18, 2001, City Council reconfirmed its approval of a three year interest free loan of up to $112,500 and amended the original conditions of the fundraising loan with provisions including, but not limited to, the following:

- The amount of the loan was not to exceed the lesser of $112,500 or 50% of the administrative costs of the planned fund raising campaign;
- The Province of Manitoba was to make a matching loan; and
- The loan was to be repaid in full, no later than three years after the date the loan agreement was signed.

The Fundraising Loan Agreement between the City, Province and the FEC was duly executed on October 12, 2001 and $150,000 ($75,000 each from the City and the Province) was advanced to the FEC. The remaining $37,500 in available funds under the loan has not yet been paid to the FEC by the City.

In accordance with the terms and conditions of the loan agreement, repayment of the loan was to occur on, or before, October 12, 2004.

In a letter dated October 20, 2004, the FEC requested, among other things, that the City and Province each waive the repayment of their respective share of the $150,000 fundraising loan and convert the loan into a donation for the fundraising campaign. In addition, while a decision on this request was being made, the FEC requested that the interest charges on the loan be suspended.

(III) Capital Works - Riverbank Stabilization

In 1995, the City and the Province jointly funded an engineering study into riverbank stability at the Cemetery. The project consultants/managers (KGS Group) recommended that remedial works be completed to improve riverbank stability conditions. The estimated cost of the recommended approach was $566,000.

As a result of the additional damage that may have been caused to the riverbank by the 1997 flood, the cost estimate for the remedial work was updated in 1998. The revised cost estimate had increased to $965,000.

Riverbank stability conditions at the Cemetery were again reviewed and updated in the fall of 2001. The KGS Group recommended that the remedial work be implemented as soon as possible and that, in the meantime, a geo-technical monitoring program be put in place. The revised cost estimate of the remedial work had increased to $1,120,000.

The City and Province have cost-shared other interim activities associated with the Cemetery and riverbank stabilization. In 1997 and 1998, the City and Province cost-shared the disinterment of about 74 gravesites that were endangered by riverbank erosion.

Also, between 1999 and 2004, the City and Province covered the cost of periodic geo-technical monitoring of riverbank performance. The City's share of this expense totaled $6,950.

From the beginning of its involvement and ownership of the Cemetery, the FEC have pursued financial assistance for remedial works required to stabilize the riverbank flanking the property.

In January 2004, the City and Province agreed to cost-share the required riverbank stabilization work at the Cemetery under the Strategic Initiatives and Priority Capital Projects funding program. The $1.2 million allocation for the project was characterized

as a joint City/Provincial commitment to ensure the ongoing sustainability of the Cemetery grounds.

In August 2004, the terms and conditions of the project were negotiated and duly executed in an Agreement between the City and the FEC. The remedial work on the riverbank started during the winter of 2004/2005. The major components of the project have been completed with only minor work remaining to be finished including the planting and/or re-planting of vegetation along the riverbank.

The Financial and Operational Sustainability Plan

The FEC, the City of Winnipeg and the Province of Manitoba have reviewed options for ensuring the financial sustainability of the Elmwood Cemetery. The objective is to provide a framework within which the Cemetery can continue to operate without the need for continued and ongoing financial support from the City and Province. At issue was the timeframe within which this objective should be met.

In a letter dated January 26, 2005, the City and the Province jointly requested that the FEC provide, among other things, "*a total and breakdown of all sources of the perpetual care funds and the projected annual operating budget for the Cemetery once fundraising was complete"*.

In a letter dated June 21, 2005, the FEC provided the City and Province with information concerning its 2004 Audited Financial Statements as well as information concerning the perpetual care fund.

In a letter dated September 9, 2005, the City and Province requested additional information concerning the FEC's June 21, 2005 letter. In response, on September 30, 2005, FEC suggested a meeting be held to review the information previously provided to the City and Province.

A meeting was held on October 28, 2005, at which the FEC provided information on the projected operational costs of the Cemetery and requested continued operating grant funding from both the City and the Province in the amount of $100,000 each per year from 2006 to 2009 (inclusive).

In response, the City and Province indicated that the preferred approach would be to pursue options that would result in the FEC being financially self-sufficient and in need of no further financial support from the City or Province by the end of 2006. In this regard, the FEC was requested to determine what would be required to implement an "exit strategy" and report back to the City and Province in early 2006.

In a letter dated February 28, 2006, the FEC provided information on its updated financial plan. In order to meet the projected operating expenses for the Cemetery (estimated to be $195,000 annually), the required balance of the perpetual care fund would need to be $3,900,000 (a 5% annual return on investment would raise the required $195,000 to cover operating expenses). The projected balance of the perpetual care fund as at December 31, 2006 is estimated to be $3,356,231 which would leave a shortfall of $543,769. The FEC have proposed the following plan to meet the shortfall:

- The City and the Province each make a one-time cash contribution of $200,000 ($400,000 total) to the perpetual care fund; and,

- The City and Province each forgive the repayment of the $150,000 principal sum and accrued interest owing under the Fundraising Loan Agreement ($75,000 each) and convert their respective amounts to a donation to the perpetual care fund.

These amounts would be in addition to the $100,000 annual operating grant which the City and Province have already approved for 2006.

In a meeting on March 20, 2006, representatives of the City and Province agreed to pursue the necessary approvals required to finalize the arrangements proposed under the above noted plan. If the plan is approved and the funds are transferred to the perpetual care fund, the Security Agreement related to the Fundraising Loan would be discharged.

Conclusion

The purpose of this report was to put into perspective the significant financial support the operation of the Elmwood Cemetery has received from the City and Province since 1999.

It is anticipated that the proposed plan will address the financial sustainability issues for the Cemetery and will limit the continued financial exposure for the City and Province to the end of 2006.

In this regard, it is recommended that the City make a contribution of $275,000 to the perpetual care fund in 2006, made up of an additional $200,000 grant as well as the forgiveness of the $75,000 loan, which will be converted into a payment to the perpetual care fund. The $275,000 requirement can be found within existing resources as follows:

Funding Source	**Amount***
Remaining accrual from riverbank works	$125,900
GST rebate from riverbank stabilization project	33,900
Fundraising loan principal amount forgiveness	75,000
Balance of funds remaining from fundraising loan agreement	37,500
Corporate Account 001 - 139990 – 120168	2,700
Total contribution proposed under the plan	**$275,000**

***Does not include the $100,000 Operating Grant already approved for 2006**

It is further recommended that the Fundraising Loan Agreement be amended such that the $75,000 principal sum and accrued interest repayable to the City pursuant to the loan are forgiven under the condition that the amount of $75,000, that would otherwise be payable to the City, is transferred to the perpetual care fund.

FINANCIAL IMPACT STATEMENT - Date: May 29,2006

Project Name: Elmwood Cemetery Financial Sustainability Plan First Year of Program **2006**

	2006	2007	2008	2009	2010
Capital					
Capital Expenditures Required					
Less: Existing Budgeted Costs					
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal					
Debt - External					
Grants (Enter Description Here)					
Reserves, Equity, Surplus					
Other - Enter Description Here					
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 275,000				
Less: Incremental Revenue/Recovery	-				
Net Cost/(Benefit)	$ 275,000	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	275,000				
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: The $275,000 additional contribution proposed under the plan can be found within existing budget amounts including: $125,900 accrual from riverbank works; $33,900 GST rebate from the Riverbank Stabilization Project; $75,000 principal sum to be forgiven under the fundraising loan; $37,500 payment remaining in fundraising loan; and $2,700 from the Corporate Account 001 - 139990 - 120168. The $100,000 operating grant which has been previously approved for 2006 is not included in these amounts.

"original signed by Carrie Erickson"
Manager of Finance and Administration

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:

Corporate Services, Legal Services

External Consultation With:

Province of Manitoba, Manitoba Finance

THIS REPORT SUBMITTED BY:

Department: Corporate Finance Department
Division: Taxation & Revenue
Prepared by: Robert Weselowski, Manager of Taxation and Revenue
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