Agenda – Executive Policy Committee – November 17, 2021

Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – November 10, 2021

Moved by Councillor

That Rule 10(3) of The Procedure By-law No. 50/2007 be suspended in order that the following item, which was received less than four business days preceding the committee meeting, be considered by Committee.

Item No. 1 Cemeteries Business Plan

STANDING COMMITTEE RECOMMENDATION:

On November 10, 2021, the Standing Policy Committee on Property and Development, Heritage and Downtown Development concurred in the recommendation of the Winnipeg Public Service, as amended, and submitted the following to Council:

1. That the Cemeteries Business Plan, as identified in Appendix A, be received as information.

2. That the Winnipeg Public Service be directed to contact the Manitoba Funeral Association to determine if they would be interested in a presentation on the Cemeteries Business Plan.

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

Agenda – Executive Policy Committee – November 17, 2021

Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – November 10, 2021

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On November 10, 2021, the Standing Policy Committee on Property and Development, Heritage and Downtown Development concurred in the recommendation of the Winnipeg Public Service, with the following amendment:

- Add the following new Recommendation:

    "2. That the Winnipeg Public Service be directed to contact the Manitoba Funeral Association to determine if they would be interested in a presentation on the Cemeteries Business Plan."

and submitted the matter to the Executive Policy Committee and Council.

Brett Shenback, Cemeteries Administrator, Municipal Cemeteries Branch, Planning, Property and Development, submitted a presentation titled "Cemeteries Business Plan" dated November 10, 2021, with respect to the matter.

ADMINISTRATIVE REPORT

Title: Cemeteries Business Plan

Critical Path: Standing Policy Committee on Property and Development, Heritage and Downtown Development – Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
M. Pittet	M. McGinn (Acting)	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

The purpose of this report is to share the findings of the newly-completed Cemeteries Business Plan (the "Plan"), which was undertaken in order to:

- ensure the responsible use of cemetery lands and maximize the return on investment needed to accommodate future anticipated interment demand;
- ensure that the Cemetery By-law No. 130/2007, marketing efforts, product offerings and operations are aligned with community needs and best practices; and
- determine an appropriate and sustainable Perpetual Care Fund (PCF) funding level to meet future maintenance needs.

Key findings from the Plan are as follows:

- The development of an additional 9.8 to 11.7 acres of land will be required by 2045 in order to meet anticipated future demand at Brookside, Transcona and St. Vital Cemeteries.
- There is sufficient remaining developable land at Brookside Cemetery (36 acres) and Transcona Cemetery (25 acres) to meet demand beyond the next 25 years. St. Vital has only seven acres of remaining developable land but that is sufficient to meet local demand for the next 25 years and beyond.
- $29,347,000 of additional (PCF) contribution is required for Winnipeg Cemeteries to achieve fiscal self-sufficiency (i.e., to cover the annual maintenance costs) at a 2.5% Real Rate of Return (RROR). This can be achieved by the sale of 48 acres of cemetery land. If prudently managed, there is more than sufficient land remaining (68 acres) to achieve self-sufficiency in the Cemeteries' PCF. If the PCF is only able to generate a 2.0% RROR, then it will require all of the remaining land to achieve PCF fiscal self-sufficiency.
- Significant investment will be required in order to develop new cemetery lands and ensure that new product is available for sale. This will ensure that Winnipeg Cemeteries are able to continue to generate revenue, meet consumer demands and grow the PCF towards self-sufficiency.

The Plan also provides a series of recommendations to assist Winnipeg Cemeteries in strategically planning for the next 25 years so that they may continue to meet community needs. An Implementation Action Plan provides a level of priority/timeframe for each recommendation, as well as potential costs/incremental revenues.

RECOMMENDATIONS

That the Cemeteries Business Plan, as identified in Appendix A, be received as information.

REASON FOR THE REPORT

The 2018 City of Winnipeg Operating Budget included the following recommendation:

K. That Council authorize the Chief Financial Officer to conduct an external review of the Cemetery Perpetual Maintenance Reserves in an amount up to $150,000, to be funded from the perpetual maintenance reserves, to determine appropriate and sustainable funding levels for those reserves, and that the Chief Financial Officer report back to Council with ensuing recommendations.

In response to the above noted recommendation, the Public Service engaged GSP Group Inc. / Hilton Landmarks to undertake the development of a Cemeteries Business Plan, which includes a comprehensive review of the PCF. The Plan has been finalized and its findings and recommendations are being shared with Council for awareness.

IMPLICATIONS OF THE RECOMMENDATIONS

There are no immediate financial implications associated with this report. However, the Plan contains more than 20 recommendations that have been provided by the consultant team, which will be considered for implementation by the Cemeteries Branch and may require human and/or financial resources in the future. The Plan will be used by the Cemeteries Branch to guide future operational decisions in an effort to move closer to self-sufficiency. Should any adjustments to Perpetual Care Fund contribution rates be considered for implementation, they will require Council review and approval.

HISTORY/DISCUSSION

The City of Winnipeg currently owns and operates three cemeteries: Brookside, St. Vital and Transcona. These cemeteries exist alongside seven corporately-owned commercial cemeteries, five not-for-profit cemeteries and 36 religious cemeteries. The City of Winnipeg's three operated cemeteries serve the community's 5,500 annual deaths along with the 48 other cemeteries in the region.

The Public Service engaged GSP Group Inc. / Hilton Landmarks to undertake the development of a Cemeteries Business Plan in order to provide the City of Winnipeg with a framework to guide the future development and operation of Brookside, St. Vital and Transcona Cemeteries. More specifically, the Plan is intended to:

- Ensure the responsible use of cemetery lands and maximize the return on investment needed to accommodate future anticipated interment demand.
- Ensure that the Cemetery By-law No. 130/2007, marketing efforts, product offerings and operations are aligned with community needs and best practices.
- Determine an appropriate and sustainable Perpetual Care Fund (PCF) funding level to meet future maintenance needs.

The report consists of a number of sections and includes the following key findings:

Demand / Land Needs Analysis

The number of deaths is expected to average 1.2% annually over the next 25 years, resulting in deaths in Winnipeg increasing by 35% to 7,442 per year by 2045.

Consumer preference for cremation has been increasing steadily for the last 30 years and is expected to continue to about 84% by 2045. This will result in the annual interment of cremains increasing by 67% to 6,274 by 2045, an average annual increase of 2.1%. Casket dispositions in the city will decline by 33% to 1,168 annually by 2045 (-1.6% annually).

Over the last 10 years, Brookside, Transcona and St. Vital Cemeteries have averaged 818 interments annually.

The three cemeteries are comprised of 271 acres of land, of which there remains about 68 acres of land available for future development – Brookside has approximately 36 acres, Transcona has about 25 acres (or 2/3 of its land remaining) to be developed, and St. Vital has seven acres of remaining developable land.

Two demand forecasts were prepared, which provide forecasts for dispositions and interment rights sales over the next 25 years. The 'Status Quo Forecast' assumes a continuation of operations as at present, while the 'High Demand Forecast' is based upon the improvement of the status quo through enhanced product and service offerings as well as increased marketing efforts.

In order to meet projected demand under the 'Status Quo Forecast', the development of an additional 9.8 acres of land will be required by 2045. Should demand increase and the projections in the 'High Demand Forecast' are realized, a total of 11.7 acres would be required by 2045.

There is sufficient remaining developable land at Brookside Cemetery (36 acres) and Transcona Cemetery (25 acres) to meet demand beyond the next 25 years. St. Vital has only seven acres of remaining developable land but that is sufficient to meet local demand for the next 25 years and beyond.

Recommendations from this section of the Plan include:

- Develop additional columbarium niches in Brookside and St. Vital Cemeteries in 2021.
- Plan for and develop additional cremation disposition and memorialization amenities in Brookside (expand Gardens of Remembrance) and St. Vital Cemeteries, including niches, plaques, rocks, trees, benches, etc.
- Develop additional casket lots and cremation ground lots in 2022.
- Develop a small Green Burial area (±1 acre) at Brookside Cemetery and/or St. Vital Cemetery.
- Identify and market premium historic heritage properties to provide additional value.
- Monitor demand relative to forecast annually.
- Review/revise demand forecasts at minimum every five years.
- Consider development of a small pet cemetery area (±1 acre) in Transcona Cemetery.

Perpetual Maintenance Fund Adequacy Analysis

The City of Winnipeg maintains PCF's for each of its three operated cemeteries as defined in the Cemetery By-law No. 130/2007. Depending on the interment right type (lot, plot,

columbarium niche, etc.), a percentage of the total sale price is deposited into the PCF in order to support the perpetual care of the cemeteries.

From an opening balance of $13,337,085 in 2010, the aggregated PCF for Brookside, Transcona and St. Vital cemeteries ended 2019 with a closing balance of $19,813,187, an increase of $6,476,100 over those ten years.

It is estimated that annual current maintenance costs are approximately $4,535 per acre per year. Given Winnipeg's three cemeteries' total areal extent of about 271 acres, all of which is currently being maintained, an annual total maintenance expense of $1,229,000 (2019 dollars) is suggested. Annual withdrawals from the City Cemeteries' PCF have averaged $336,000 per year over the last ten years. When compared to the annual perpetual care maintenance cost of $1,299,000, the PCF coverage ratio is 27%. The objective is to achieve 100% PCF coverage by the time the remaining developable land is exhausted.

$29,347,000 of additional PCF contribution is required to achieve fiscal self-sufficiency (i.e., to cover the annual maintenance costs) at a 2.5% Real Rate of Return (RROR). This can be achieved by the sale of 48 acres of cemetery land. If prudently managed, there is more than sufficient land remaining (68 acres) to achieve self-sufficiency in the Cemeteries' PCF. If the PCF is only able to generate a 2.0% RROR then it will require all of the remaining land to achieve PCF fiscal self-sufficiency.

Recommendations from this section include:

- Raise the PCF contribution rate on upright monument lots to 35% (as provided for in the Cemeteries Act), this will reduce operational revenue by about $28,000 annually to be offset by increased withdrawals from the PCF and increased prices outlined in Section 5.
- Raise the PCF contribution rate on flat marker lots to 30% (as in the Cemeteries Act) this will reduce operational revenue by about $10,000 annually to be offset as above.
- Withdraw up to the Real Rate of Return each year from the PCF, which will increase the operational revenue provided the PCF maintains a RROR greater than inflation.
- Utilize the withdrawal to offset annual perpetual care maintenance expenses.
- Capital may be borrowed from the fund for capital expansion but should be repaid with interest adequate to offset inflation.
- Monitor PCF coverage ratio (i.e., PCF income divided by maintenance expense) to ensure continual progress toward fiscal self-sufficiency (i.e., 100% coverage).

<u>Competitive Price Benchmarking</u>

The range of current fees and charges were compared with several local cemeteries, as well as with other municipal cemeteries, including: Regina, Saskatoon, Calgary, Red Deer and Edmonton.

Recommendations from this section include:

- Adjusting prices towards parity with comparable municipalities.
- Continuing to ensure that prices are adequate to cover their associated costs (job costing).
- Continuing to ensure that annual price increases at least keep pace with inflation.
- Assigning surcharges for services requiring extra effort/costs (as is currently done with winter burials for example).
- Consider charging a premium for interment rights to non-residents.

Marketing Plan

This section provides a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis, examining Winnipeg Cemeteries strengths, weaknesses, opportunities and threats.

The section also provides a wide range of potential marketing activities for consideration by Winnipeg Cemeteries.

Recommendations from this section include:

- Preparing a detailed Marketing Plan as a priority initiative, including key marketing activities, timelines, budgets, etc.
- Developing a social media plan (including a review of the current website) to increase public awareness of the cemeteries.
- Key metrics to be monitored are: market share (casket and cremation), preneed to at-need sales ratio, price comparisons with regional competitors, resident versus non-resident sales ratio, PCF coverage ratio (PCF income divided by maintenance expense).

Implementation Action Plan

The Plan also includes an Implementation Action Plan, which assigns a level of priority / timeframe, as well as the potential cost associated with each recommendation.

FINANCIAL IMPACT

Financial Impact Statement

Date: September 14, 2021

Project Name:

Cemeteries Business Plan

COMMENTS:

There are no immediate financial implications associated with the recommmendation contained in this report. In response to Council's 2018 direction to the Chief Financial Officer, the business plan indicates that, subject to prudent management of the City's three cemeteries, there will be appropriate and sustainable funding in all Perpetual Care Funds to maintain each cemetery in perpuity upon full absorption.

The financial implications of operational and investment recommendations contained in the business plan will be included in future operating and/or capital budget submissions for consideration by Council.

Mike McGinn Sept. 14, 2021

Mike McGinn, CPA, CA
Manager of Finance

CONSULTATION

This Report has been prepared in consultation with:

- Chief Financial Officer

OURWINNIPEG POLICY ALIGNMENT

This report aligns with the following Directions and Enabling Strategies from *OurWinnipeg* section 01-3 (Prosperity):

- Direction 1: Provide efficient and focused civic administration and governance (page 49).
- Direction 5: Demonstrate visionary civic leadership and commitment to sustainable long-term planning (page 51).
- Enabling Strategy: Monitor and respond to demographic, social, economic and environmental trends both locally and globally (page 51).
- Enabling Strategy: Monitor and evaluate policy decisions, programs and services, budget allocation and development activity from a long-term sustainability perspective (page 51).

Additionally, the report aligns with the following Directions and Enabling Strategies found in Section 02-3 (Heritage):

- Direction 2: Conserve, protect and celebrate the significant heritage resources that illustrate the broad range of Winnipeg's heritage values (page 69).
- Enabling Strategy: Recognize the importance of a broad range of tangible and intangible heritage resources throughout the city that illustrate a unique sense of place and community pride (page 69).

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

N/A

SUBMITTED BY

Department: Planning, Property, and Development
Division: Real Estate and Land Development, Cemeteries Branch
Prepared by: Brett Shenback
Date: September 29, 2021
File No: N/A

Attachments:

Appendix A – *Cemeteries Business Plan*