



THE REGIONAL MUNICIPALITY OF NIAGARA
CORPORATE SERVICES COMMITTEE
AGENDA

CSC 3-2025

Wednesday, April 9, 2025

9:30 a.m.

Council Chamber - In Person and Electronic Meeting

Niagara Region Headquarters, Campbell West

1815 Sir Isaac Brock Way, Thorold, ON

To view live stream meeting proceedings visit: niagararegion.ca/government/council

	Pages
1. <u>CALL TO ORDER</u>	
2. <u>LAND ACKNOWLEDGEMENT STATEMENT</u>	
3. <u>DISCLOSURES OF PECUNIARY INTEREST</u>	
4. <u>PRESENTATIONS</u>	
5. <u>DELEGATIONS</u>	
6. <u>ITEMS FOR CONSIDERATION</u>	
6.1 <u>CSD 11-2025</u> 2025-T-9 Award of Tender - New NRPS D3 NG911 Stand Alone Back Up Facility, 5 Lincoln Street, City of Welland	3 - 9
6.2 <u>CSD 14-2025</u> Linhaven Redevelopment - Update and Amendment to Construction Agreement	10 - 15
A presentation (to be distributed) will precede the consideration of this item.	

7. CONSENT ITEMS FOR INFORMATION

7.1	<u>CSC-C 5-2025</u> Update Regarding Procurement By-law Review and Proposed Amendments	16 - 33
7.2	<u>CSC-C 8-2025</u> Internal Controls in Procurement	34 - 40
7.3	<u>CSC-C 7-2025</u> Procure to Pay Process Overview	41 - 66
	A presentation will precede the consideration of this item.	
7.4	<u>CSD 16-2025</u> Niagara Region Debt Issuance Information Report	67 - 84
7.5	<u>CSD 17-2025</u> Municipal Insurance Program Renewal Update 2024-2025	85 - 88

8. OTHER BUSINESS

9. CLOSED SESSION

10. NEXT MEETING

The next meeting will be held on Wednesday, May 7, 2025, at 9:30 a.m. in the Council Chamber, Regional Headquarters.

11. ADJOURNMENT

If you require any accommodations for a disability in order to attend or participate in meetings or events, please contact the Accessibility Advisor at 905-980-6000 ext. 3252 (office), 289-929-8376 (cellphone) or accessibility@niagararegion.ca (email).

Subject: 2025-T-9 Award of Tender - New Niagara Regional Police Services (NRPS) D3 NG911 Stand Alone Back Up Facility, 5 Lincoln St. Welland, ON

Report to: Corporate Services Committee

Report date: Wednesday, April 9, 2025

Recommendations

1. That CCDC-2 Stipulated Price Contract 2025-T-9 New NRPS D3 NG911 Stand Alone Back Up Facility **BE AWARDED** to the lowest compliant bidder, 1320376 Ontario Ltd. (GEN-PRO), at their bid price of \$10,605,728 (including 13% HST); and
2. That the gross capital budget for the 911 Backup Rationalization **BE INCREASED** by \$1,363,017 and that the increase **BE FUNDED** as follows:
 - Capital Variance Project – Levy - \$900,000
 - Provincial Grants - \$463,017
3. That the Regional Chair and the Regional Clerk **BE AUTHORIZED** to execute a CCDC-2 Stipulated Price Contract between Niagara Region and 1320376 Ontario Ltd. (GEN-PRO), in a form satisfactory to the Director, Legal and Court Services.

Key Facts

- The purpose of this report is to:
 - Seek Council's approval to award a contract to the lowest compliant bidder, 1320376 Ontario Ltd. (GEN-PRO) for construction of the New NRPS D3 NG911 Stand Alone Back Up Facility located at 5 Lincoln Street, Welland, at the submission price of \$10,605,728 (including 13% HST); and,
 - Seek Council approval to increase the gross capital budget for Project 20001271 (911 Backup Rationalization) by \$1,363,017, with \$900,000 funded from the Capital Variance Project (CVP) – Levy and \$463,017 funded from Provincial Grants.
- A public tender process to seven pre-qualified general contractors was issued in January 2025. 1320376 Ontario Ltd. (GEN-PRO) is the lowest compliant bidder at a bid price of \$9,385,600 (excluding 13% HST).
- Council approval is required for tender awards greater than \$5,000,000, in accordance with the Procurement By-law 02-2016, as amended.

-
- The increased gross capital budget is required to address inflationary pressures and increased consulting scope.
 - As set out in the Budget Control By-law 2022-80 as amended, Council approval is required for Capital Variance requests greater than \$250,000.

Financial Considerations

Council approved \$8,760,000 in the 2021 Capital Budget for design and construction of the Back Up 911 Facility (Project 20001271) and \$4,600,000 for the NRPS Next Generation (NG) 911 Dispatch infrastructure and equipment (Project 20001462) that would be housed in the new facility. As the design evolved, NRPS and Region Staff recognized that greater efficiencies would be realized by procuring the full construction scope under a single contract. On April 27, 2023, Niagara Police Services Board approved transfer of capital project funds in the amount of \$3,024,000 from NRPS Project 20001462 to Project 20001271. This resulted in a revised total capital budget of \$11,784,000 for the design and construction of the facility.

The cost of the construction tender award is \$9,550,805 (including non-recoverable HST). To accommodate this tender award and ensure adequate funds for the full remainder of the project, the overall capital project budget will need to increase by \$1,363,017 for a total budget of \$13,147,017. The increase will be funded with \$900,000 from Capital Variance Project – Levy and \$463,017 from Provincial Grants. As of March 17, 2025, the Capital Variance Project – Levy has an uncommitted balance of approximately \$4,513,134 and can accommodate this request.

The budget increase of \$1,363,017 incorporates increases in the original budget lines for construction and consulting, as well as redistribution of budget across specific project elements (Permitting, Furniture, Fixtures and Equipment and Project Management (In-House) and Operations). COVID-driven supply constraints and high monetary inflation have driven the increase for construction costs. Redesign of the facility to implement several space saving and value engineering opportunities have driven the increase for consulting and project management costs.

The Region successfully applied for Provincial Grants of \$463,017 to directly fund consulting for the technology upgrades related to NG911. This funding allowed the Region to reduce the levy funded increase required in the project.

A full breakdown of costs can be found in Appendix 1 to Report CSD 11-2025 – Total Estimated Project Costs.

Analysis

Over the past several years, while NRPS and Niagara Region worked through the schematic and detailed design phases, the surrounding construction sector saw significant cost increases in both labour and materials. COVID-driven supply constraints, high monetary inflation, and now the risk of tariffs have all played a role. As the design phase progressed, periodic cost estimates by the Prime Consultant, AECOM, indicated the need to reduce the overall size of the facility to realign with the project budget. AECOM's scope was increased to redesign the facility and work collaboratively with Region and NRPS staff to implement several space saving and value engineering opportunities. Examples include multiuse rooms and alternate material selection. At the conclusion of the design phase, all cost-reduction opportunities were exhausted to the extent that any further reduction would have a direct negative impact on the delivery of 911 dispatch services.

A Request for Prequalification (RFSQ) of General Contractors "2022 – RFSQ- 218 - Request for Supplier Qualifications – Niagara Regional Police Service (NRPS) D3 Back Up 911 Location – General Contractor Prequalification" was issued through Region Procurement on January 31st, 2023. The RFSQ closed on March 2nd, 2023 with the Region receiving a total of thirteen (13) submissions. A three (3) member evaluation committee, with representation from Construction Energy and Facilities Management (CE&FM) and the project's Prime Consultant, AECOM, was formed to review the RFSQ submissions. The evaluation process was overseen and coordinated by a representative from Procurement. Seven (7) general contractors met the minimum benchmark score and were successfully pre-qualified for the New NRPS D3 NG911 Stand Alone Back Up Facility - 5 Lincoln St. Welland ON.

The list of pre-qualified general contractors is identified below.

- Aquicon Construction Co. Ltd
- Atlas Constructors Inc.
- Collaborative Structures Limited
- 1320376 Ontario Ltd. (GEN – PRO)
- M.J. Dixon Construction Limited
- Merit Contractors Niagara Ltd.
- 1014542 Ontario Limited (TRP Construction General Contractors)

On January 30th, 2025, the Region issued Request for Tender 2025-T-9 New NRPS D3 NG911 Stand Alone Back Up Facility to the seven (7) prequalified general contractors

on the Region roster. At tender close, the Region received bids from six (6) of the seven pre-qualified general contractors. Upon review of the mandatory submission requirements by Procurement, five (5) of the six bids were deemed to be compliant.

A summary of the tender results is presented in the table below (excluding HST). All bids include a 5% construction contingency.

Bidder	Tender Price	Rank
1320376 Ontario Ltd. (GEN – PRO)	\$9,385,600	1
Merit Contractors Niagara Ltd.	\$9,706,480	2
M.J. Dixon Construction Limited	\$10,006,150	3
1014542 Ontario Limited (TRP Construction General Contractors	\$10,742,200	4
Atlas Constructors Inc.	\$10,937,500	5
Collaborative Structures Limited	Sealed	6

1320376 Ontario Ltd. (GEN-PRO) was the low bidder, submitting a tender price of \$9,385,600 (excluding HST). All five compliant bids were within \$1,551,900 (excluding HST) or 14% of one another. The narrow range in pricing is indicative of a common understanding of the project requirements amongst the bidders and illustrates a competitive bidding process.

The low bid was higher than the anticipated construction cost identified in the pre-tender estimate. The increased costs are likely a result of contractors building higher risk into their bids due to the ongoing volatility in the construction market, supply chain issues and material price increases.

Alternatives Reviewed

Responding to information gathered from progressive construction cost estimates throughout the design phase, the project team carried out a series of value engineering sessions to reduce construction costs. Several refinements were incorporated into the design to achieve savings and the final building design features an optimized and efficient layout, incorporates durable yet cost effective building materials, meets post disaster design requirements, and provides the functionality required of an emergency NG911 back up facility.

Given the extensive value engineering conducted throughout the design process, any further cost-saving or scope reduction would negatively impact operational efficiency,

shorten the lifespan of building components, and increase annual facility operation costs. As such, the project team is recommending that no further reductions be made.

Relationship to Council Strategic Priorities

Strategic Priority 01 – An Effective Region

- Implement continuous improvement and modernized processes to ensure value-for-money in Regional services and programs.
- Deliver fiscally responsible and sustainable services.

Strategic Priority 02 – A Green and Resilient Region

- Deliver operations and services in alignment with the Region’s greenhouse gas emission target and climate change goals.
- Build resiliency into our Regional infrastructure to support growth and prepare for the impacts of climate change.

Other Pertinent Reports

- [CSD 4-2017](#) Corporate Services Committee November 29th, 2017

(https://niagararegion.escribemeetings.com/Corporate%20Services%20Committee_Nov29_2017/Pages/VisitorView.aspx?itemID=15)

- [CSD 22-2020](#) Corporate Services Committee March 11th, 2020

(https://niagararegion.escribemeetings.com/Corporate%20Services%20Committee_Mar11_2020/Pages/VisitorView.aspx?itemID=25)

- [CSD 58-2020](#) Budget Review COTW October 15th, 2020

(https://niagararegion.escribemeetings.com/Budget%20Review%20Committee%20of%20the%20Whole_Oct15_2020/Pages/VisitorView.aspx?itemID=13)

- [CSD 1-2022](#) Corporate Services Committee January 12th, 2022

(https://niagararegion.escribemeetings.com/Corporate%20Services%20Committee_Jan12_2022/Pages/VisitorView.aspx?itemID=13)

- [NRPS](#) NRPS Police Services Board Report April 27th, 2023

(<https://www.bing.com/ck/a?!&&p=9742b591e47ec88bc3f47cc853404efa30b982e1a52558ccfd11ff29863aa1a7JmItdHM9MTc0MjI1NjAwMA&pfn=3&ver=2&hsh=4&fclid=0b578259-a8ab-651d-1edd-968fa978646d&psq=NRPS+police+services+board+minutes+2023&u=a1aHR0cHM6Ly9jYWxlbmRhci5uaWFnYXJhcG9saWNILmNhL21lZXRpbmdzL0RldGFpbC8yMDIzLTA0LTl3LTA5MDAtUmVndWxhci1QdWJsaWMtQm9hcmQtTWVldGluZzlvMTZjOWQwZGEtMzdmZS00MmQzLWFiYmUtYjBhMDAwZjZkY2Zh&ntb=1>)

Prepared by:

Brad Ray
Associate Director
Construction, Energy & Facilities
Management

Recommended by:

Dan Carnegie
Commissioner, Corporate
Services/Treasurer

Submitted by:

Ron Tripp, P.Eng.
Chief Administrative Officer

This report was prepared in consultation with Adam Niece, Program Financial Specialist; Renee Muzzell, Manager, Program Financial Support and reviewed by Nicole Wolfe, Director CE&FM; Melanie Steele, Associate Director, Reporting & Analysis.

Appendices

Appendix 1 Total Estimated Project Costs

**Total Estimated Project Cost
911 Backup Rationalization**

Appendix 1
CSD 11-2025

Total Estimated Project Cost (20001271)*	Council Approved Budget	Proposed Budget Adjustment	Revised Council Approved Budget	Expended & Committed as of 01/07/24	Contract Award/ Forecast	Budget Remaining
Project Element	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (C) - (D) - (E)
(a) Construction (including Construction Contingency and 1.76% non-recoverable HST)	9,231,000	319,805	9,550,805	8,086,186	1,464,619	-
(b) Project Contingency	776,000	(195,855)	580,145	-	580,145	-
(c) Property Acquisition	-	-	-	-	-	-
(d) Consulting Services	531,000	1,065,017	1,596,017	1,298,933	297,084	-
(e) Permitting	-	19,000	19,000	-	19,000	-
(f) Furniture, Fixtures and Equipment	-	107,000	107,000	-	107,000	-
(g) Project Management (In-House) and Operations	246,000	276,000	522,000	277,545	244,455	-
(h) Phase 1 Relocation Costs	1,000,000	(227,950)	772,050	772,050	-	-
Total Estimated Project Cost	11,784,000	1,363,017	13,147,017	10,434,714	2,712,303	-

General Capital Levy	(1,000,000)	-	(1,000,000)	(1,000,000)	-	-
Provincial Grants	-	(463,017)	(463,017)	(208,730)	(254,287)	-
Debt	(10,784,000)	-	(10,784,000)	(3,024,000)	(7,760,000)	-
Capital Variance - Levy	-	(900,000)	(900,000)	-	(900,000)	-
Total Project Funding Sources	(11,784,000)	(1,363,017)	(13,147,017)	(4,232,730)	(8,914,287)	-

*All costs include 1.76% non-recoverable HST

** Total Contract Award is equal to i) \$9,385,600 before tax; ii) \$9,550,805 including 1.76% non-recoverable HST; iii) \$10,605,728 including 13% HST

Subject: Linhaven Redevelopment – Update and Amendment to Construction Agreement

Report to: Corporate Services Committee

Report date: Wednesday, April 9, 2025

Recommendations

1. That the CCDC-2 stipulated price contract of \$103,232,238 (including 13% HST) (the “**Construction Contract**”) awarded to Buttcon Ltd. (“**Buttcon**”) for the construction of the Linhaven Long Term Care Facility in St. Catharines **BE INCREASED** by \$1,130,000 (including 13% HST), for a total revised contract price of \$104,362,238; and
2. That the Regional Chair and the Regional Clerk **BE AUTHORIZED** to execute an amendment to the Construction Contract to reflect the increase in total contract price provided for in Recommendation 1, in a form satisfactory to the Director of Legal and Court Services.

Key Facts

- The purpose of this report is to request approval from Regional Council to amend the Construction Contract between the Region and Buttcon for forecasted extra costs, increasing the contract value by \$1,130,000 (including 13% HST), and to update Council on progress of construction.
- The total project cost of the Linhaven LTC Redevelopment continues to track within the Council approved project budget of \$105,652,420.
- The original Contract amount of \$100,972,238 (including 13% HST) was increased to \$103,232,238 in February 2024 under CSD 5-2024. The increase in Contract contingency was used to address additional costs related to site conditions and necessary Change Orders.
- Subject to Council approval of this report, the new Construction Contract total will be \$104,362,238 (including 13% HST). The increase to the contract will be transferred from the project contingency to the Buttcon contract and will not increase the project budget.

-
- The CCDC-2 contract is routinely used in construction projects and includes a rigorous process to increase/decrease the contract amount based on approved change orders.
 - Construction began in July 2021. To date, the project has experienced multiple delays in construction and the facility is expected to be substantially complete in Q3 of this year.
 - The cumulative value of the Construction Contract, inclusive of the proposed amendment, will exceed \$1,000,000 and therefore requires the authorization of Regional Council in accordance with Niagara Region's Procurement By-law 02-2016 as amended, pursuant to Section 18 (c) and Schedule B.

Financial Considerations

The total approved capital budget for the Linhaven Long Term Care (LTC) Redevelopment (Project Number 20001203) is \$105,652,420. In June 2021, pursuant to CSD 35-2021, Council approved award of Contract 2021-T-5 for construction of the Linhaven LTC redevelopment to Buttcon Limited in the amount \$90,928,807 (inclusive of non-recoverable HST). Contract award was inclusive of a \$4,070,408 construction contingency, representing 4.5% of the overall construction cost.

To address unforeseen site conditions and design coordination issues, typical in a construction project of this magnitude, change orders have been issued to the contractor to incorporate necessary adjustments to the contract documents. In February 2024, pursuant to CSD 5-2024, Council approved an increase of \$2,035,204 (inclusive of non-recoverable HST) to the contract to cover the cost of known and anticipated change orders, for a total revised contract price of \$92,964,011.

While the project team has been closely monitoring expenditures, ongoing project challenges continue to strain the construction contingency. As of February 2025, anticipated expenditures against the construction contingency, including approved changes, identified risks and change requests, are forecasted to be \$5,820,505, representing ninety five percent (95%) of available contingency funds. To cover future costs not yet identified, including the potential for tariff-driven cost increases, the project team is requesting the construction contingency be further increased from \$6,105,612 to \$7,123,214, or 7.6% of the construction cost. As outlined in Appendix 1 to the Report CSD 14-2025, the \$1,017,602 (inclusive of non-recoverable HST) increase to the construction contingency would be funded from the current project contingency and would not require an increase to the current approved project budget.

Analysis

Upon approval of CSD 35-2021 (June 2021) and the award of CCDC-2 Stipulated Price Contract, Buttcon broke ground on the 256 bed, five-storey Linhaven LTC facility in July 2021.

The building structure and exterior envelope are substantially complete, providing a weathertight enclosure. The building's four elevators have been installed and are operational, with two being utilized for construction access. Most major pieces of mechanical and electrical equipment, apart from the generator, are onsite and installed. Interior partitions are installed, and mechanical and electrical rough ins are nearing completion. Doors and frames are installed, and flooring in several areas of the building, including all resident rooms, is complete. Millwork, including wardrobes, vanities, and cabinetry installation has commenced in several areas. Over the next several months the Contractor will be focusing on completing and painting drywall partitions, installation of mechanical and electrical devices, installation of finish carpentry, ceilings, and finally, testing and commissioning of building systems.

The project is 87% complete, and while significant progress has been made, the project has endured several challenges affecting progress, resulting in delay of project completion.

The original substantial performance date was June 15, 2024. The contractor's most recent schedule shows a substantial performance date of August 20, 2025. Upon construction completion, Region staff will manage the numerous post-construction activities (final cleaning, furniture and equipment placement, IT/Telecommunications, staff training) and Ministry inspections/approvals. Staff will continue to monitor progress and mitigate delays as the project progresses.

Alternatives Reviewed

With stipulated sum contracts (CCDC-2), it is appropriate to carry a construction contingency of 5% to 10% for the various conditions that routinely occur during construction but are not known at the time of contract award. The requested transfer of funds to the construction contingency of \$1,000,000 would bring the total construction contingency to 7.6% of the CCDC-2 contract price.

Region staff will continue to be actively involved in the management of the project through to completion. The Project Management team is working diligently to manage

costs and coordinate with Region's Senior Services as we work toward facility completion.

Relationship to Council Strategic Priorities

- Equitable Region: Provide opportunities for a safe and inclusive Niagara by listening and responding to our community needs and planning for future growth. The successful delivery of Linhaven LTC will provide the Region with a legacy of health and wellness.

Other Pertinent Reports

- [CSD 35-2021 - 2021-T-5 Award of Tender- Long Term Care \(LTC\), Linhaven, St. Catharines](https://pub-niagararegion.escribemeetings.com/Meeting.aspx?Id=cbaefb84-af9d-437e-8dc6-ee65cc914e5f&Agenda=Agenda&lang=English&Item=14&Tab=attachments)
(<https://pub-niagararegion.escribemeetings.com/Meeting.aspx?Id=cbaefb84-af9d-437e-8dc6-ee65cc914e5f&Agenda=Agenda&lang=English&Item=14&Tab=attachments>)
- [CSD 5-2024 - Linhaven LTC Construction – Amendment to Construction Agreement](https://pub-niagararegion.escribemeetings.com/Meeting.aspx?Id=be78b1c0-d275-4e4d-8201-d8aec86560a4&Agenda=Merged&lang=English&Item=15&Tab=attachments)
(<https://pub-niagararegion.escribemeetings.com/Meeting.aspx?Id=be78b1c0-d275-4e4d-8201-d8aec86560a4&Agenda=Merged&lang=English&Item=15&Tab=attachments>)

Prepared by:

Brad Ray, P.Eng., MBA
Associate Director, Construction Energy
& Facilities Management
Corporate Services

Recommended by:

Dan Carnegie
Commissioner, Corporate
Services/Treasurer

Submitted by:

Ron Tripp, P.Eng.
Chief Administrative Officer

This report was prepared in consultation with Nicole Wolfe, Director of Construction Energy & Facilities Management, Mislav Koren, Senior Project Manager and Adam Niece, Program Financial Specialist.

Appendices

Appendix 1 Linhaven LTC Total Estimated Project Costs

Linhaven LTC Home Redevelopment, St. Catharines Total Estimated Project Costs

	Council Approved Budget CSD 5-2024	Proposed Budget Adjustment	Revised Council Approved Budget	Expended & Committed as of 03/17/24	Contract Award/ Forecast	Budget Remaining
	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (C) - (D) - (E)
Total Estimated Project Cost (20001203)*						
(a) Construction (including Construction Contingency and 1.76% non-recoverable HST)	92,964,011	1,017,602	93,981,613	78,563,281	15,418,332	
(b) Project Contingency	2,035,204	(1,017,602)	1,017,602	-	1,017,602	
(c) Property Acquisition						
(d) Consulting Services	\$3,737,000.00	\$0.00	\$3,737,000.00	\$3,715,885.00	\$21,115.00	\$0.00
(e) Permitting	\$622,100.00	\$0.00	\$622,100.00	\$579,721.00	\$42,379.00	\$0.00
(f) Furniture, Fixtures and Equipment	\$4,792,000.00	\$0.00	\$4,792,000.00	\$681,125.00	\$4,110,875.00	\$0.00
(g) Project Management (In-House) and Operations	\$1,502,105.00	\$0.00	\$1,502,105.00	\$1,239,432.00	\$262,673.00	\$0.00
Total Estimated Project Cost	\$105,652,420.00	\$0.00	\$105,652,420.00	\$84,779,444.00	\$20,872,976.00	\$0.00
Project Funding Sources						
Debt	-\$86,500,000.00	\$0.00	-\$86,500,000.00	\$0.00	-\$86,500,000.00	\$0.00
Development Charges - LTC Facilities	-\$15,500,000.00	\$0.00	-\$15,500,000.00	-\$11,935,319.31	-\$3,564,680.69	\$0.00
Provincial Grant (MLTC Development Grant)	-\$3,652,420.00	\$0.00	-\$3,652,420.00	-\$250,000.00	-\$3,402,420.00	\$0.00
	-\$105,652,420.00	\$0.00	-\$105,652,420.00	-\$12,185,319.31	-\$93,467,100.69	\$0.00

* All costs include 1.76% non-recoverable HST

** Total Contract Award is equal to i) \$92,355,963 before tax; ii) \$93,981,613 including 1.76% non-recoverable HST; iii) \$104,362,238 including 13% HST

Memorandum

CSC-C 5-2025

Subject: Update Regarding Procurement By-law Review and Proposed Amendments

Date: April 9, 2025

To: Corporate Services Committee

From: Bart Menage, Director, Procurement Services

The purpose of this memorandum is to inform Council that as a result of further internal consideration pursuant to the February 6 Committee of the Whole meeting, Staff are proposing two amendments to the initially proposed recommendations. Staff are confident that all proposed changes will serve to positively advance the objectives of meeting operational needs, aligning approval authority to support accountability, and achieving consistent solutions that mitigate business risk while maximizing efficiencies.

Contract Amendments Approval Authority

Staff recognized the potential complexity of the initial recommendation which sought to align approval workflow with the value of the change relative to the awarded value based on its relation to both 20% and the open competitive threshold (greater/ less than) could serve to hinder implementation.

As a result, Staff now recommend a much simpler mechanism whereby Schedule B of the By-law would include a defined approval authority for contract amendments based solely on the value of the change(s), at financial levels commensurate with risk including the Commissioner, Corporate Services/ Treasurer and Deputy CAO, thereby achieving efficiency, accountability and oversight.

Collapsing the Formal Quotation - Construction Category into Goods/ Services

The initial recommendation sought to separate invitational procurement processes for goods/ services (\$133,800) from construction (\$334,400) to align with the different dollar values prescribed by the Canadian Free Trade Agreement (CFTA) for those two types of procurements. In the interests of further simplifying implementation, Staff recommend collapsing the proposed invitational procurement for construction back into goods/ services at the current CFTA threshold limit of \$133,800, which is also consistent with other surveyed municipalities (CSD 5-2025) and ensures continued compliance with

trade treaty legislation including the Ontario-Quebec Trade and Cooperative Agreement (OQTCA).

Respectfully submitted and signed by:

Bart Menage
Director, Procurement Services
Corporate Services Division

Appendices

Appendix 1 CSD 5-2025 Procurement By-law Review and Proposed
Amendments

Subject: Procurement By-law Review and Proposed Amendments

Report to: Committee of the Whole

Report date: Thursday, February 6, 2025

Recommendations

1. That Report CSD 5-2025 **BE RECEIVED** for information.

Key Facts

- To ensure the Procurement By-law remains effective, responsive, and aligned with industry standards, staff undertook a comprehensive review of the existing procurement policy.
- An external firm, The Procurement Office (TPO), led by Paul Emanuelli, a recognized expert in Canadian public procurement law, was engaged to conduct the initial review of our current procurement by-law and they were consulted to consider whether the recommendations contained herein were compliant with legislative requirements, such as the trade treaty.
- The review process was informed by expert review of the procurement landscape at the Region in comparison to industry standards and best practices, as well as a thorough jurisdictional scan.
- A number of substantive changes are proposed in order to make the process for the acquisition of goods and services more responsive to business needs and better aligned to Council's strategic priorities.
- Subject to Council direction as part of the Committee of the Whole presentation, staff will finalize the draft by-law and will report back to seek Council approval early in Q2.

Financial Considerations

This report does not have an immediate direct financial impact; however, the Procurement By-law plays a critical role in ensuring efficient, transparent, and competitive procurement processes. Over time, this leads to long-term cost savings, reduced risks, and improved financial management.

Procurement By-law Review – Purpose and Approach

Section 270(1) of the Municipal Act (Ontario) requires that all municipalities adopt and maintain a policy with respect its procurement of goods and services. The Region's current Procurement By-law was last updated in 2019 and, in accordance with its terms, is to be reviewed for effectiveness at least every 5 years. To ensure the Procurement By-law remains effective, responsive, and aligned with industry standards, Niagara Region undertook a comprehensive review of the existing procurement policy. The review was guided by expert consultation and a thorough evaluation of emerging trends, best practices, and municipal comparators. The review sought to align the By-law with industry standards, focusing on openness, fairness, and transparency at every stage of the process.

Niagara Region engaged The Procurement Office (TPO), led by Paul Emanuelli, a recognized expert in Canadian public procurement law, to assist in the initial review of the by-law. Subsequent processes included in-depth consultations with municipal counterparts, a jurisdictional scan of comparable municipalities, and an evaluation of best practices.

An internal working group comprised of senior management from across the organization was established to ensure that any proposed changes would reflect operational needs, mitigate business risks and maximize efficiencies to support successful implementation.

The insights gathered from this review culminated in a series of recommendations aimed at modernizing the Procurement By-law to make service delivery more efficient and effective.

Niagara Region's Procurement Landscape

Procurement plays an important role as an integral partner in the daily operations of Niagara Region, the NRPS and the NTC. Procurement provides professional services, strategic planning, a client based focused approach to customer service which is value add.

Procurement is responsible for the management of all formal procurement processes to support operational needs; ensuring compliance with trade agreements; the Municipal Act and Procurement By-law. These currently include all formal quotations between \$25,000 and \$100,000, any Request for Tenders more than \$100,000 and any Request

for Proposals in excess of \$10,000. Supplier Administration and Purchasing Card Administration are also supported by Procurement.

Appendix 1 provides historical comparators including number of published projects, awarded value and average number of projects per FTE. In 2023, there were 211 published projects with a total award value of \$219 million or an average of 28 projects per FTE. In 2024, there were 234 projects but as 46 of those projects are currently in award stage the total award value of those projects cannot be reported until those agreements are executed.

Review Process

Significant outreach was conducted to engage municipal counterparts and gather insights on industry standards and emerging trends. As part of this, a comprehensive jurisdictional scan was performed, comparing procurement practices among upper and lower-tier municipalities across Ontario. This scan offered valuable insights into how other municipalities are adapting to changing regulations, market conditions, and operational needs.

In addition to the jurisdictional scan, the review process included internal consultations and was informed by expert review of the procurement landscape at the Region in comparison to industry standards and best practices. The Niagara Region working group was engaged throughout the process to ensure that the proposed amendments addressed service delivery needs, mitigated business risks, maximized efficiency and effectiveness, and TPO was then consulted to consider whether the recommendations complied with applicable legislative requirements, such as trade treaties.

Key Findings

A key goal of the review exercise was to assess whether the Region's current procurement practices could be more responsive to business needs and better aligned to Council's strategic priorities, while still preserving the overarching principles of competition, best value, fairness, objectivity, accountability and transparency. With this objective in mind, the following observations emerged from the review process:

1. The Region's purchasing value thresholds have not been updated since 2006;
2. There is an opportunity to better leverage and align procurement methodologies to trade agreements;
3. The Region would benefit from a more robust and standardized approach to vendor performance management;

4. The Procurement By-law contains both policy and procedural content and could be structured in a way that better aligns with the corporate policy framework;
5. Best practices in accountability controls suggest an opportunity to better separate political from administrative functions;
6. The current approval framework should be re-aligned to promote operational efficiency and to better reflect the current corporate structure (e.g., Associate Director and Deputy CAO do not currently appear as approval authorities); and
7. The By-law could better support the Region's commitment to social procurement and community benefits.

These observations, in turn, became the areas of focus for modernization. By leveraging the inter-jurisdictional benchmarking work and the recommendations of TPO staff are proposing a number of substantive changes to the current By-law, together with several housekeeping items.

Proposed Changes and Next Steps

A summary of the proposed substantive changes relative to the current By-law can be found in Appendix 2. Each substantive change is further discussed below and effectively balances controls to manage risks while enabling faster and more effective service delivery.

A. By-law Structure

Currently, the Procurement By-law includes both policy and procedural content. This proposed change would see procedural content being moved into a new suite of comprehensive procedural documents. This proposed change flows from a recommended best practice to separate policy from procedure and is in alignment with the Region's corporate policy framework. York Region underwent a similar exercise with their By-law in 2020 when it moved content that was procedural in nature to a series of administrative protocols which work to support but do not form part of their procurement bylaw. Delegation to the CAO for approval of procedural content will allow for the more efficient and agile updating of procedural elements from time to time. While the Procurement and Strategic Acquisitions Division has developed a number of resources (process/guidance) documents over the years, this structural change allocates clear responsibility for the development and approval of procedural content and codifies this content as integral to the operationalization of the By-law. The procedural documents will help ensure a standardized (and consistent) approach to things like, supplier performance evaluation, bidder debriefings, procurement planning, supplier suspension, etc.

B. Improving Vendor Performance Management

Vendor management is an area where there is opportunity for improvement by creating better alignment/standardization across the organization. By introducing more robust procedures to manage vendor performance the organization will create clear expectations of the vendor community and will enable better tracking of vendor performance over time (with more transparent and defensible consequences for poor vendor performance). These documents reflect a formalization of many of the more informal approaches/strategies currently in use and is responsive to the program opportunities identified by KPMG in its 'Vendor Performance Management Final Advisory Internal Audit Report' presented to Audit Committee on December 9, 2024. Collectively, these documents, set a standard expectation for supplier conduct; standardize the approach to performance monitoring/evaluation and suspension; and provide role clarity and expectations of staff regarding contract management.

C. Re-Aligning Values for Procurement Methods

Low Value Threshold. The Region has not updated its purchasing thresholds since 2006. Over the course of the last 19 years the relative value/utility of a 'low value' acquisition threshold of less than \$10k has largely been eroded. Moving from a \$10k to a \$25k threshold is consistent with a number of other municipalities who have recently increased their low value threshold to \$25k, including, Mississauga, Waterloo and York. Notably, the City of Toronto has a low value threshold of \$50k. While departments are only required to obtain one quote in the case of low value procurements, where practical, departments are encouraged to obtain multiple quotes to ensure they are obtaining best value. Quotes may be obtained through advertisements or supplier catalogues or by contacting the potential supplier(s) by telephone or email. If a department anticipates making multiple low-value procurements of the same deliverables and the total value of those purchases may exceed the applicable low-value procurement threshold, the department must contact Procurement Services to discuss the possibility of setting up a standing offer or qualified supplier roster.

Informal Quotes. A second proposed change seeks to expand the informal quote range to \$100k. The informal quote process is completed at the department level and not through procurement services. This is a simpler and more efficient process than the formal quote process (which is completed by a procurement agent). By increasing the informal quotation band, it decentralizes a number of low risks, low value procurements allowing the Procurement and Strategic Acquisitions Division to focus their efforts on larger and more complicated Bid Solicitations. Training materials are available to departments to assist with conducting informal quotes and the Procurement and

Strategic Acquisitions Division is always available to answer questions and assist, as necessary. Operationally, this change will mean that individual departments can more quickly obtain quotes for low dollar value works that are well below trade treaty open competition thresholds. Over the last three years, the number of quotes that would have been subject to the informal quote process would have ranged from 55 to 64. A number of other municipalities follow a similar decentralized approach for lower value procurements (i.e., those below trade treaty open procurement thresholds) as shown, below:

Mississauga	York Region	Halton	Durham
\$25k-100k	\$25k-100k	\$15k-100k	\$10k-100k

Formal Quotes. Owing to the change to the Informal Quote methodology, above, the Region's Formal Quote procurement methodology would now be conducted for the procurement of goods and services between \$100k and the Open Competition Threshold (a concept tied to the Canadian Free Trade Agreement (CFTA) and is currently set at \$133,800 for goods and services and \$334,400 for construction and is adjusted 'up' every 2 years). Open Competitions (e.g., tenders/RFPs) will be required for bid solicitations above the Open Competition Threshold set by the CFTA. These changes align the Region's requirement for open competition with its trade treaty obligations.

D. Approval Authorities

General Realignment. A key theme that emerged from the working group was that approval authorities were, in some cases, sitting too high in the organization and that they should be re-aligned to better reflect an approval process closer to the project. Additionally, the associate director and the Deputy CAO roles are not currently contemplated in the Bylaw. By introducing these roles as purchasing and document execution authorities there is, generally, a downward shift in approval authority. This change will allow for more timely and effective approvals at value appropriate levels (by staff closer to the work), while still ensuring appropriate safeguards for larger value acquisitions.

Council Approval for Competitive Awards. Best practices in municipal procurement include the clear separation of political and administrative functions in relation to the municipality's procurement operations. In accordance with best practices, elected

officials should not be involved in the award of contracts in a competitive procurement process. Subject to accountability controls (e.g., the contract value is within budget and the process was conducted in accordance with governing rules), the authority to award the contract to the top-ranked proponent should be delegated to staff and neither Council nor any committee of Council should be involved in the award process. This ensures that the integrity of the bidding process is maintained and avoids potential risk exposure. From an operational perspective, the current need to go to Council before a contract is awarded is also inefficient. From the time a bid solicitation closes to the time it is approved at Council can take as much as two months.

This approach is consistent with a number of other municipalities, including York Region, Durham Region, Peel Region, Halton Region, Hamilton and Toronto who all provide delegated authority to senior staff to authorize and execute all contracts (i.e., there is no report to Council post-bid seeking approval to award). Recognizing the importance of keeping Council informed, the current requirement for Council approval will be replaced with a regular reporting requirement for all competitive contract awards in excess of \$5 million dollars. Importantly, this change would just apply to competitive procurement awards. Staff would still be required to seek Council approval for single source awards above \$1 million dollars.

E. Contract Amendments and Extensions

Approval authority for contract amendments and/or extensions is not expressly addressed in the current iteration of the Procurement By-law. Accordingly, in all cases, the extension to, or addition of, any work to a contract over and above what was initially awarded is processed in accordance with the single source approval authorities in Schedule "B" with any increase to a contract value above \$ 1 million requiring Council approval. Operationally, this proves cumbersome (and not practical) in situations where for example,

- (i) It would be costly to demobilize a construction site or stop work on a project in order to prepare a report and wait for it to go through the committee cycle for approval; and
- (ii) The additional work is such that it is a natural extension of, or necessary to complete, the initial scope owing to an circumstances that were unforeseen at the time of initial award (e.g., the need for additional bore holes; an unknown site condition, like contaminated soil, presents itself; the need to extend the term of a consultancy contract owing to construction delays, etc.).

In order to address this, a number of municipalities, including York Region, Peel Region, Halton Region, and, most recently the City of Orillia in 2022, have introduced specific language in their procurement bylaws providing for delegated authority to staff to approve contract amendments/extensions.

The single source approval authorities that are currently in Schedule “B” of the By-law were developed for the scenario of a non-competitive process to acquire goods and/or services from a specific supplier even though there may be more than one supplier capable of providing that good or service. Owing to a different risk profile, these approval authorities do not map well onto the above-referenced contract amendment or extension scenarios where it is not practical (or in some cases even feasible) to award the additional work to a different supplier.

The two primary risk elements when adding new value/scope to a contract are: (i) the increase(s) in contract value relative to the initial contract award value; and (ii) the increase(s) in value relative to the Open Procurement Threshold. Staff propose the introduction of the approval authority regime in the tables below to address these risk elements by tying approval authority to the level of relative risk. That is, as the value of the contract amendment relative to the original value of the contract increases and where the value of the increase exceeds the Open Competition Threshold so too does the approval authority. The introduction of this stand-alone contract amendment regime adds clarity and better supports operational reality by more appropriately attaching approval authority to risk level in contract amendment situations (as opposed to the single source approval authority table which is more appropriately designed to address an initial direct award).

Table of Authority if the Total Cumulative Value of the Increase is Less than 20% of the Original Procurement Value

Total Cumulative Increase	Authority
< Open Competition Threshold	Department Manager
> Open Competition Threshold	Associate Director (or Director where there is no AD)

Table of Authority if the Total Cumulative Value of the Increase is Equal to or Greater than 20% of the Original Procurement Value

Total Cumulative Increase	Authority
< Open Competition Threshold	Director
> Open Competition Threshold	Commissioner

There are a number of additional safeguards attached to the delegated authority being proposed above:

- (i) It is only applicable to competitively awarded contracts (e.g., it is not available in cases where the initial contract was a single source);
- (ii) It cannot be used in cases where the proposed additional scope is not a natural extension of (or logically flows from or is necessary to complete) the initial contract scope of work (e.g., it cannot be used to surreptitiously circumvent the need for a competitive process or appropriate single source approvals where there is no nexus between the proposed additional scope and original contract scope);
- (iii) The cumulative value of all amendment(s) is within the approved budget envelope); and
- (iv) There is a rolled-up reporting requirement to Council in the event that the total cumulative value of all contract amendments exceed \$1 million dollars.

F. Schedule “A” Exemptions

In order to avoid confusion and provide for clear delegation of authority to execute certain agreements, additions are being made to Schedule “A” for things like Indigenous engagement activities and instances where the Region is acting as service manager in accordance with a legislative mandate. These activities should properly be exempt from procurement by-law methodologies and by adding these items to Schedule “A” staff are able to follow the approval authorities for document execution set out in Schedule “B”.

G. Social Procurement

Staff propose to introduce a new section supporting social and community benefits in procurements. Subject to complying with applicable trade agreements, where practical, procurements are to consider the requirements of this section. It is anticipated that a procedural document will be established to provide guidelines and parameters

pertaining to social procurement and community benefits once a Council approved policy position is adopted.

Housekeeping Items

In addition to the substantive amendments being proposed, a number of other housekeeping items are also being made, including:

1. The integration of the Niagara Transit Commission (NTC) flowing from By-law 2022-38 which requires that NTC comply with the Region's Procurement By-law;
2. The expansion of the use of rostering methodology
3. A modernization of the co-operative purchasing language which would see the By-law continue to support co-operative purchasing opportunities with local municipalities and other public agencies.
4. The establishment of a procurement review committee consisting of the director of procurement and strategic acquisitions together with two or more persons designated by the Corporate Leadership Team who are responsible for making determinations under the Procurement Protest Procedure, the Supplier Suspension Procedure and any other matters referred to it by the Director of Procurement and Strategic Acquisitions.
5. Refreshing some of the naming conventions (e.g. changing "single source" to "direct award").

Relationship to Council Strategic Priorities

This report reflects the importance of Procurement and how its related activities are critical in maintaining taxpayer affordability. Effective Region, Objective 1.1 Implement continuous improvement and modernized processes to ensure value-for-money in regional services and programs.

Other Pertinent Reports

[PAC-C 6-2019](#) - Nov 18, 2019 Procurement Work Plan Update 19/20

(<https://pub-niagararegion.escribemeetings.com/Meeting.aspx?Id=c58101e4-a3e8-4feb-a16b-83b04b165b37&Agenda=Agenda&lang=English>)

[CSD 12-2019](#) - January 9, 2019 Procurement By-Law Review and Proposed Amendments

(<https://pub-niagararegion.escribemeetings.com/Meeting.aspx?Id=f437d899-38ba-4d24-b975-080215968efa&Agenda=Merged&lang=English>)

PAC-C 3-2015 - Sept 14, 2015 By-Law Review and Recommended Changes
(Should you require a copy of this report, kindly contact the Regional Clerks Office)

Prepared by:

Bart Menage
Director, Procurement & Strategic
Acquisitions

Prepared by:

Brain Wilson
Legal Counsel, Legal Services
Corporate Services

Recommended by:

Dan Carnegie
Acting Commissioner/Treasurer
Corporate Services

Submitted by:

Ron Tripp, P.Eng.
Chief Administrative Officer

This report was prepared in consultation with Donna Gibbs, Director, Legal Services

Appendices

Appendix 1 Internal Performance Measures

Appendix 2 Procurement Review Recommendations

Internal Performance Measures

	2019	2020	2021	2022	2023	2024
Approved/Budgeted FTEs	6.5	6.5	6.5	6.5	7.5	7.5
Total Published Projects	216	210	269	229	211	234
* Total Awarded Value	\$185.9M	\$126.2M	\$329.7M	\$229.5M	\$219.6M	*\$125.4M
* Average Value/Project	\$860K	\$601K	\$1.2M	\$1.0M	\$1.04M	*\$535.9K
Average # Projects/FTE	33.2	32.3	41.4	35.2	28.13	31.2

0.5 FTE is Junior Buyer Role (0.5 Admin support & 0.5 = Procurement)

* As of December 31, 2024, Source: MBN Canada Report. Total Published Projects – 234 - (includes 46 projects in the award stage), and the total awarded value does not include these 46 projects.

Procurement By-law – Recommended Revisions Summary

	ISSUE	CURRENT STATE	PROPOSED CHANGE
1	BYLAW STRUCTURE		
1A	By-law Structure: Separating Policy from Procedure	All policy and procedure is contained within the bylaw	<p>This structural change would see Bylaw continuing to set policy framework and introduces a series of procedural documents to complement the policy statements contained in the Bylaw.</p> <p>Any procedural content that is currently in the Bylaw will be moved to a procedural document. There are currently 18 procedural documents in development.</p> <p>Following the structure of the corporate policy framework, the policy content contained in the Bylaw will be approved by Council and the CAO will have delegated authority to approve the procedural documents and updates to same from time to time.</p>
	ISSUE	CURRENT STATE	PROPOSED CHANGE
1B	Vendor Performance Management	Current bylaw addressed supplier performance in s.29; however, its not addressed in a substantive way. Approach to vendor performance management has been more informal and department specific.	A more standardization approach to vendor performance management is proposed through a suite of more developed procedural documents, namely (i) Supplier Code of Conduct; (ii) Supplier Performance Evaluation; (iii) Contract Management; and (iv) Supplier Suspension, which introduce more concrete tools/procedures aimed at better managing vendor performance.

Procurement By-law – Recommended Revisions Summary

	ISSUE	CURRENT STATE	PROPOSED CHANGE
2	RE-ALIGNING VALUE FOR PROCUREMENT METHODS	Low value <\$10k Informal Quote > \$10K - \$25K (Staff) Formal Quote > \$25K to \$100K (Procurement) Request for Tender >\$100k	Increase low value procurement to \$25k and expand the use of informal quote methodology for Staff from \$25k to \$100k. Formal quotes would be conducted by Procurement between \$100k to the Open Competition Threshold (a concept tied to the Canadian Free Trade Agreement (CFTA) is currently set at \$133,800 for goods and services and \$334,400 for construction is adjusted 'up' every 2 years). Open Competitions (e.g., tenders) will be conducted for bid solicitations above the Open Competition Threshold set by the CFTA. Departments will continue to be responsible for completing informal quotes and the procurement department will continue to manage all formal quote processes as well as Bid Solicitations above the open competition threshold.
	ISSUE	CURRENT STATE	PROPOSED CHANGE
3	APPROVAL AND DOCUMENT EXECUTION THRESHOLDS		
3A	General Re-alignment	Attached as Schedule "B" to the current Procurement By-law	As a result of the updates to the procurement methodologies (see item 2, above) Schedule "B", which is tied to the procurement methodologies and their respective limits, requires a general re-alignment. Additionally, the current bylaw does not consider the associate director or deputy CAO roles. Accordingly, a number of approval authorities in Schedule "B" to have been updated to account for the introduction of theses authorities with the effective of pushing down (by one level) some of the current approval requirements.

Procurement By-law – Recommended Revisions Summary

	ISSUE	CURRENT STATE	PROPOSED CHANGE
3B	Council Approval for competitive awards >\$5M	Competitive awards over \$5M go to Council for approval post-bid solicitation	<p>Remove the requirement for Council approval post-bid solicitation for competitive awards >\$ 5M for 'routine' procurements and replace with a reporting requirement. Notably, there a requirement to still go to Council where portions of the bylaw are being waived and/or staff seeks to award other than in accordance with process set out in the RFx (e.g., bypass low bid) or if there isn't budget.</p> <p>Essentially, this change permits staff to proceed to award a contract (of any value) provided that the procurement has been completed in accordance with the Bylaw.</p>
	ISSUE	CURRENT STATE	PROPOSED CHANGE
4	CONTRACT VALUE/SCOPE INCREASES	The current by-law does not address this matter	<p>We propose to introduce new language that expressly addresses the addition of scope and/or contract increases to a contract. Specifically, provided that (i) there is project budget availability; and (ii) the requisite approval authority is satisfied that the proposed 'new' or 'additional' scope is necessary and logically flows from and/or is in furtherance of the initial scope of the Contract, a more streamlined contract amendment approval regime would apply.</p> <p>The effect of this change is to attach appropriate approval authority having regard to the level of risk associated with the change, as shown in <u>Appendix 2</u>. In the case of contract amendments meeting the requisite criteria, rather than seeking approval for any increase in excess of \$1 million dollars, staff would be required to report back to Council on a rolled basis for all contract increase(s) where the cumulative value of the increase(s) exceed \$1 million dollars at regular reporting intervals. Importantly, any additions not meeting the criteria above will continue to follow the current single source approval mechanism.</p>

Procurement By-law – Recommended Revisions Summary

	ISSUE	CURRENT STATE	PROPOSED CHANGE
5	SCHEDULE "A" EXEMPTIONS	Schedule "A" of current Procurement By-law. Deliverables set out in Schedule "A" can be procured under the authority of the bylaw without adhering to the procurement methods and reporting requirements. Authorities for execution follow the single source authorities.	Additional items have been added to Schedule "A" – including (i) insurance; (ii) indigenous consultation; (iii) a number of specialized community services where the Region is acting a service manager (childcare centre funding, homelessness services...etc.).
6	SOCIAL PROCUREMENT	Not expressly addressed in the current by-law.	To include general enabling statement, but substantively this will be addressed in a stand-alone separate policy once Council direction is provided.

Memorandum

CSC-C 8-2025

Subject: Internal Controls in Procurement

Date: April 9, 2025

To: Corporate Services Committee

From: Hari Vemuri, Manager, Internal Audit and Bart Menage, Director of Procurement Services

Background

This memo has been prepared in response to Council's request on Report CSD 5-2025 to provide information respecting internal audit controls and the use of independent auditors that report to Council considering the proposed changes to the Procurement By-law. The purpose of this memo is to demonstrate how the existing control framework, through checks and balances embedded in systems, policies, and oversight processes, continues to ensure transparency, accountability, and integrity in procurement operations. To address this, the memo is structured into two distinct components:

1. Internal Controls in Procurement – detailing controls within:
 - a. Procurement Governance and Oversight
 - b. IT Application Controls in Financial Enterprise Resource Planning (ERP)
 - c. Reporting and Transparency Mechanisms
2. Independent Internal Audits and External Reviews – Describing how audits validate, enhance, and reinforce procurement controls.

1a. Procurement Governance and Oversight

The Regional Municipality of Niagara's procurement framework, established under By-law No. 02-2016, is designed to uphold transparency, fairness, and accountability in the acquisition of goods and services. As mandated by Section 270(1) of the Municipal Act, 2001 (Ontario), all municipalities must maintain a procurement policy. The last update in 2019 is now under review to enhance oversight, improve operational efficiency, and align with best practices.

Authorization and Approval Controls

- The Commissioner of Corporate Services/Treasurer administers the Procurement By-law.
- Schedule “B” of the Procurement By-law defines the purchasing authority thresholds and assigns this responsibility at different levels of management. Staff must follow clearly defined approval pathways to ensure consistency and compliance across all procurement activities.

Current Purchasing Authority	Proposed Purchasing Authority
Director	Manager
Commissioner	Director

- Schedule “B” of the Procurement By-law also defines the authority by which contracts can be executed. These contracts require proper authorization at the departmental or executive level, depending on the contract value.

Current Execution Authority	Proposed Execution Authority
Director	Manager
Commissioner	Director

- While all transactions exceeding specified thresholds are approved based on increasing level of approval authority, culminating in higher levels approvals which must be reviewed and approved by senior executives (e.g., Deputy CAO or Commissioner of Corporate Services/Treasurer) who are independent of the department initiating the procurement.
- While Council approval will still be required for non-competitive (single source) requests in excess of \$1 Million, the ability to delivery projects more efficiently can be achieved with Council’s support of delegating their award approval for contracts in excess of \$5 Million and contract amendments in excess of \$1 Million (which are currently considered single source) to an appropriate level of independent senior staff (Treasurer and Deputy CAO) provided Council is kept informed of awards/amendments.

Proposed updates to the Procurement By-law include a realignment of approval authorities to improve efficiency and ensure decision-making is closer to operational activities. The introduction of Associate Director and Deputy CAO roles as purchasing, and document execution authorities decentralizes approval responsibilities while maintaining necessary safeguards for high-value acquisitions.

The proposed changes, as outlined in CSD 5-2025, are subject to further refinement in consultation with the Council to ensure they effectively support Niagara Region's operational and governance objectives.

Budget Controls

- No procurement is authorized without confirming budget allocation and funding availability to prevent financial overcommitment.
- Contract amendments or scope additions must have confirmed budget availability.
- Contract changes require approval based on financial impact and risk.
- Additional work must be justified, directly linked to the original contract, and not constitute scope creep.
- Non-qualifying amendments follow stricter single-source approval mechanisms to uphold procurement integrity.

Competitive Bidding and Procurement Process Controls

- Procurement By-law requires the use of defined procurement processes at the specified dollar value.

Method	Current Threshold	Proposed Threshold
Low Value Purchases	Up to \$10,000	Up to \$25,000
Informal Quote - optional to obtain three quotes	\$10,000 - \$25,000	\$25,000 - \$100,000
Formal Quote (RFQ) – Bid solicitation to obtain a minimum of three quotes	\$25,000 - \$100,000	\$100,000 – \$133,800
Request for Tender (RFT)	>\$100,000	> \$133,800

- In addition to the above methods of procurement, a request for proposal (RFP) method is used in cases where:
 - the purchase is to seek solutions which solve a problem, satisfy a requirement, or achieve an objective
 - the selection of the supplier depends more upon the effectiveness of the proposed solution, rather than the price alone
 - a precise scope of work cannot be clearly defined, and it is expected that suppliers will further define them

Additional Method	Current Threshold	Proposed Threshold
Request for Proposal (RFP)	> \$10,000	> \$25,000

Competitive bidding process is conducted in accordance with Section 21 of the Procurement By-Law to award the contract using the RFP method.

-
- For high-value procurements, a Pre-Qualification process may be conducted to assess and ensure that suppliers possess the necessary experience, technical capability, and financial stability appropriate to the scope and complexity of the project.
 - The overarching intention of any procurement process is to deliver best value solutions, cost savings, risk mitigation and fiscal prudence.

Vendor Management and Conflict of Interest Controls

- Departments are responsible for monitoring and managing vendor performance, but the current approach allows flexibility in the methodology, frequency, and complexity of such reviews. To address this variability and ensure consistency, the new Procurement By-law will be supported by the introduction of 18 new comprehensive and standardized procedural documents including one specific to vendor performance which will incorporate key recommendations from the KPMG Vendor Performance Management Audit (December 2024).
- The following procedural documents will be developed to support these processes:
 - Supplier Code of Conduct – Outlining expectations of ethical behavior and compliance.
 - Supplier Performance Evaluation – Standardizing how performance is measured and tracked.
 - Contract Management Procedures – Clarifying roles, responsibilities, and milestones throughout the contract lifecycle.
 - Supplier Suspension Protocols – Providing guidance on suspension, appeal, and reinstatement procedures for non-compliant vendors.
- Employees must declare conflicts of interest before engaging in all procurement activities including when asked to participate as an evaluator in a Request for Proposal process (based on the respondents to that process)
- A multi-disciplinary team evaluates procurement protests, supplier suspensions, and policy compliance matters.

Segregation of Duties and Accountability Controls

- Schedule “B” of the Procurement By-law prescribes differing and increasing levers of approval authority for Staff related to purchasing, document execution, and payment release responsibilities.
- Procurement Services reviews and administers all formal purchasing methods.

-
- Direct awards without competition cannot proceed without the appropriate approval authority which escalates on the value stipulated in the Council approved exceptions and a justification which supports the exception being leveraged.

Contract and Financial Risk Controls

- Bid Solicitations may include requirements for bidders to provide bid deposits, performance bonds, or insurance.
- All purchases must be supported by either a Purchase Order or a formal written agreement, except for low-value or routine operational items that are exempt under Schedule A of the Procurement By-law (e.g., utilities, training sessions, memberships, or other recurring low-risk expenses.)
- Supplier contracts include indemnification clauses, insurance requirements, performance terms, scope change approval requirements, dispute resolution and legal safeguards to protect against financial and operational risks.
- Suppliers must submit proof of insurance and WSIB clearance as part of the document execution process, prior to commencing work.

Fraud Prevention and Risk Mitigation Controls

- Robust supplier enrolment process and enhanced due diligence process when any supplier profile changes are made.
- Bid documents provide for addressing bid discrepancies or non-compliance.
- Suppliers may formally dispute procurement decisions, ensuring accountability.
- Strict asset disposal procedures prevent conflicts of interest and ensure fair sales.

1b. IT Application Controls in Financial Enterprise Resource Planning (ERP)

The Region's procure-to-pay processes are integrated with the financial enterprise resource planning system (ERP). The ERP is setup in alignment with the Procurement By-law and Niagara Region's organizational structure. Key IT controls in procurement include:

- Automated workflow approvals based on Schedule 'B' of the By-law.
- Electronic validation of requisitions, purchase orders, invoices, and payments
- Two-way and three-way matching processes for invoice reconciliation
- Budgetary controls to prevent over-commitment in line with Council-approved budgets and the Budget Control By-law

- Escalation mechanism on requisition approvals to ensure smooth flow of purchases.
- Compliance checks for IT procurement to align with corporate technology standards.

The integration of IT controls in procurement ensures a seamless, compliant, and transparent procurement lifecycle. For further details, refer to CSC-C 7-2025 Procure-to-Pay Overview.

1c. Reporting and Transparency Mechanisms

To enhance transparency and accountability, a structured reporting framework has been established for procurement activities. In addition, reporting is provided to Corporate Services Committee or Council as follows:

Category	Current Reporting/Approval Protocol	Proposed Reporting/Approval Protocol
Competitive contract awards	<ul style="list-style-type: none"> • Publicly reported through bids and tenders • Contracts exceeding \$5 million require Council approval 	<ul style="list-style-type: none"> • Publicly reported through bids and tenders • Contracts exceeding \$5 million will be reported to Council post award
Non-competitive purchases	<ul style="list-style-type: none"> • Non-competitive purchases exceeding \$100,000 are reported to Corporate Services Committee • Purchases exceeding \$1 million require Council approval 	<ul style="list-style-type: none"> • Non-competitive purchases exceeding \$100,000 are reported to Corporate Services Committee • Purchases exceeding \$1 million require Council approval
Contract amendments	Amendments exceeding \$100,000 are reported to Corporate Services Committee	Amendments exceeding \$1 million are reported to Council post award

The proposed modernization of the Procurement By-law, combined with IT integration and independent audits, strengthens the Region's procurement framework. These initiatives ensure an effective, efficient, and accountable procurement process that supports the Region's strategic objectives.

2. Independent Internal Audits and External Reviews

Procurement activities undergo regular audits to ensure compliance and effectiveness. Key procurement-related audits from 2019-2024 include:

Audit Topic	Auditor	Objective
Accounts Payable (2019)	MNP LLP	Assess internal controls over vendor payments
Procurement (2020)	Internal Audit Manager	Evaluate procurement compliance and efficiency
Non-Competitive Procurement (2020)	Internal Audit Manager	Assess adherence to policies regarding direct awards
Non-Competitive Procurement (2020)	KPMG	Independently assess effectiveness of internal controls on non-competitive procurement
Purchasing Card (2021)	Internal Audit Manager	Review internal controls over purchasing card transactions
Non-Competitive Procurement (2023)	Internal Audit manager	Follow-up audit to review implementation status of previous audit recommendations
Purchasing Card (2024)	Internal Audit Manager	Review internal controls over purchasing card transactions
Vendor Performance Management (2024)	KPMG	Assess Tier 1 vendor oversight mechanisms
Vendor Governance and Relationship Management (2024)	KPMG	Examine strategic vendor relationship controls

These audits have driven enhancements in procurement practices, ensuring risk mitigation and compliance with governance structures.

Respectfully submitted and signed by

Hari Vemuri, CPA, CISA
Manager, Internal Audit

Bart Menage
Director of Procurement Services

Procure-to-pay Process

Corporate Services Committee

CSC-C 7-2025

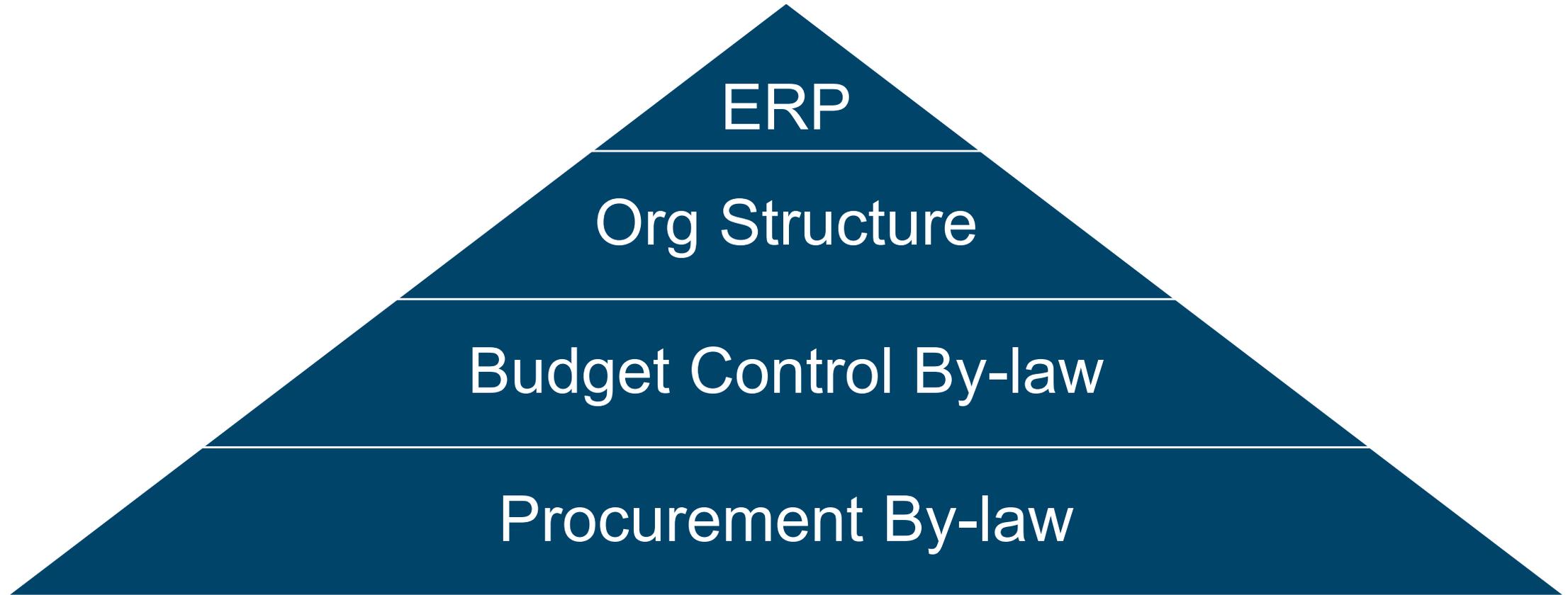
April 9th, 2025

Erin Amirault MBA, Associate Director, Corporate Business Continuity and Resilience Strategy

Procure-to-pay Process

An Overview

Enterprise Resource Planning (ERP) System Foundation



Procure-to-pay Process

1. Requisition
2. Purchase order
3. Supplier invoice
4. Payment

ERP Training

E-learning Options

- Procurement Essentials for Leaders
- Procurement Essentials for Niagara Region Staff
- Introduction to Financial ERP
- Requisitioning Part 1
- PCard for Cardholders and Preparers
- PCard for Approvers

ERP Training

Instructor-led Options

- Introduction to Financial ERP
- Requisitioning Part 1
- Requisitioning Part 2
- Financial ERP for Supervisors
- Financial ERP for Budget Owners
- Financial ERP for Project Managers

Step 1 - Requisition

- Initial request to make a purchase of goods and/or services
- Add items details, categories, quantities, prices, shipping, and chart of account details
- Choose the supplier (if applicable)
- Select a Procurement By-law purchasing type (origin)
- Attach all necessary supporting documentation
- Submit for electronic approval

Step 1 – Requisition Checkout Screen

← | 🕒 | ❤️

Checkout - Review and Submit

Review the item information and submit the req for approval.

My Preferences
 Requisition Settings

Requisition Summary

Business Unit:

Requester:

*Currency: 🔍

Niagara Region

Amirault, Erin

Requisition Name:

Requisition ID: 0000152050

Priority: ▼

Origin: ▼

Cart Summary: Total Amount 113,000.00 CAD

Expand lines to review shipping and accounting details [+ Add More Items](#)

Requisition Lines ?

Line	Description	Item ID	Supplier	Quantity	UOM	Price	Total	Amt Only	Details	Comments	Delete
▶ <input type="checkbox"/> 1	Demo item description		Smith Industrial Supply	<input type="text" value="10.0000"/>	Each	10000.00	100000.00	<input type="checkbox"/>		Add	

Select All / Deselect All
Select lines to:
 Add to Favorites
 Add to Template(s)
 Delete Selected
 Mass Change

Total Amount 100,000.00 CAD

VAT Amount 13,000.00 CAD

Requisition Amount 113,000.00 CAD

Pre-Encumbrance Balance 101760.20 CAD

Step 1 – Requisition Checkout Screen (continued)

Requisition Comments and Attachments

Enter requisition comments
deliver to back door between 9:00 and 3:00 only

Send to Supplier Show at Receipt Shown at Voucher [Edit more Comments and Attachments](#)

Bylaws
Justification Examples and Training

Approval Justification

Enter approval justification for this requisition

Key Components of an Acceptable Justification
- Include a reference to the section of the Procurement By-law that applies to your purchase;
- Provide details that support why your purchase applies to this section of the By-law;
- Indicate why you selected this supplier over other available suppliers (not applicable for an RFQ/RFP/RFT where a supplier is chosen after a formal bid award); and

Check Budget **Budget Checking Status: Valid**

Step 1 – Requisition Approval

Approval Chain

Requisition (NR)

▼ ASE- JPC 2025 & 2026 Pending

[Start New Path](#)

NR ONL/SCA/INF

Skipped

[Fraser, Scott](#)
Requisitions-Department Mgrs
03/07/25 1:02 PM >

Approved

[Tassone, Frank](#)
Requisitions-Directors
03/10/25 2:06 PM >

Approved

[Ricketts, Terry](#)
Requisitions-Commissioners
03/11/25 1:51 PM >

Approved

[Gibbs, Donna for Carnegie, Dan](#)
Requisitions-Treasurer
03/12/25 2:40 PM >

Pending +

[Tripp, Ronald Edward](#)
Requisitions-CAO >

▼ **Comments**

System at 03/12/25 - 5:01 AM
Reassigned from CARNEGIED to GIBBS (18081,2022)

Step 2 – Purchase Order (PO)

- Legally binding document issued to a supplier
- Non-competitive purchases (e.g. low value or single source)
 - Automatically converted to a PO
 - No approvals required
- Competitive purchases (e.g. request for proposal)
 - Manually converted to a PO by Procurement Services after bid award
 - Manager approval if PO value less than or equal to requisition
 - All by-law required approvals if PO value is greater than requisition

Step 2 – Purchase Order

Non-competitive

← | 🕒 | ❤️

View Approvals

Business Unit	10000	View Printable Version	PO Status	Dispatched
PO ID	0000141965		PO Date	11/16/2024
PO Total	800.00 CAD		Budget Status	Valid
Supplier ID	0000008204	2026801 Ontario Inc.o/a Daniel Goodstadt	Review Budget Exceptions during prior budget check process	
Buyer	REGION_BUYER		Justification	This requisition is to secure consulting hours from a consultant who implemented modules of [redacted] for the Region and has recent involvement with implementing [redacted] Insights for [redacted]
PO Reference			View Comments and Attachments	
PO Type	SNG - Single Source	Bylaws Justification Examples and Training		

> [Review Lines](#)

∨ [Review / Edit Approvers](#)

No approvals required

[Return to Purchase Order](#)

Step 2 – Purchase Order Competitive

← | 🕒 | ❤️

View Approvals

Business Unit	10000	View Printable Version	PO Status	Dispatched
PO ID	0000144692		PO Date	01/16/2025
PO Total	136,353.00 CAD		Budget Status	Valid
Supplier ID	0000009410	ValGuard Security Inc.	Review Budget Exceptions during prior budget check process	
Buyer	ALCIDE		Justification 2024-T-245 closed on December 19th, [redacted] with 1 submission. ValGuard Security Inc. was the lowest submission with a value of \$116,353.00. After a discussion with Fin [redacted]	
PO Reference	Armoured Car Services		View Comments and Attachments	
PO Type	FRM - RFQ/RFP/RFT	Bylaws Justification Examples and Training		

> [Review Lines](#)

▼ [Review / Edit Approvers](#)

PO (less than Req)

▼ **Purchase Order 0000144692: Approved** [View/Hide Comments](#)

NR (less than Req)

Approved	Foley, Jacqueline for Vink, Miranda PO-Department Managers 01/16/25 - 4:39 PM
Approved	Montague, Melissa PO-Department Managers 01/17/25 - 10:25 AM

▶ **Comments**

[Return to Purchase Order](#)

Step 3 – Supplier Invoice

- Recorded as vouchers in the ERP
- Approvals follow payment release authority of by-law
- Two-way matching for service purchases (invoice to PO)
- Three-way matching for goods purchases (invoice to PO to receipt)

Step 3 – Supplier Invoice (continued)

- “No PO, no pay” practice
 - Invoices received without a valid PO number are returned to the supplier by the Accounts Payable team
- Exceptions:
 - Purchase is made on a PCard (corporate Visa, approved “low value” method under the by-law)
 - It falls under the special circumstances (emergency) section of the bylaw (where a PO is required but can follow later)
 - It’s a schedule ‘A’ exemption (where a PO isn’t required, but still encouraged)

Step 4 - Payment

- Released to suppliers based on invoice due dates
- No additional approvals required
 - Pay cycles follow accounting best practices and internal controls

Thank You

Memorandum

CSC-C 7-2025

Subject: Procure to Pay Process Overview

Date: April 9, 2025

To: Corporate Services Committee

From: Erin Amirault, Associate Director, Finance Operations and Systems

The purpose of this memo is to demonstrate the checks and balances that are in place related to staff's compliance with the Niagara Region's electronic procure-to-pay processes and Procurement By-law.

Niagara Region went live with our current financial enterprise resource planning system (the "ERP") in February 2016. The Procurement By-law (the "by-law") has been the backbone of the design and setup of how electronic transactions automatically route for approval (the "workflow") in the ERP since its inception. The current proposed updates to the by-law have been made with the ERP in mind to ensure the ongoing integrity of all purchase approvals. The system will be updated accordingly to reflect all Council-approved changes when the new by-law is effective.

In general, using a procure-to-pay process means that a requisition must be entered and approved in the ERP before goods are ordered or services received. A purchase goes through four steps:

- 1) Requisition – the initial request to make a purchase of goods and/or services.
- 2) Purchase order (PO) – an official, legally binding document issued by the Region to a supplier indicating the agreed upon specifications of a purchase.
- 3) Supplier invoice – the document from the supplier requesting payment for the purchase.
- 4) Payment – the funds sent to the supplier based on the invoice due date.

Each step has comprehensive checks and balances. The requisition, purchase order, and supplier invoice are automatically routed for the appropriate electronic approvals as set out in the by-law (e.g. manager, director, commissioner, and so on).

For example, currently when staff create a low value requisition for \$500, the transaction routes for approval in the ERP as follows:

-
- 1) Budget owner (the manager responsible for approving the indicated portion of the Council-approved operating or capital budget)

In comparison, a single-source requisition to increase an existing contract for \$500,000 requires multiple approvers for a higher level of scrutiny:

- 1) Budget owner
- 2) Department Director
- 3) Department Commissioner
- 4) Director of Procurement Services
- 5) Treasurer

Approvers are required to review the content and supporting documentation to ensure the request complies with the by-law and aligns with related policies and procedures. Each approver looks at the transaction with a different lens. This can be related to their position in the organization, delegated responsibility under the by-law, and knowledge of and connection to the business needs that are driving the purchase. They then electronically approve or deny the transaction in the ERP.

The automatic workflow happens based on the setup of the ERP which is maintained by the ERP Support team in collaboration with the Program Financial Support team. Both teams fall under the Financial Management and Planning Division. The maintenance procedures are in alignment with by-law definitions and authority and dictate what supporting documentation and approvals are required.

Purchases also require a mandatory written justification which is guided by a corporate standard. The justification must reference the by-law section, state why the purchase applies to that section of the by-law, indicate why the supplier was selected over other available suppliers (if applicable), and provide a thorough and clear explanation of why the purchase is needed. Both requisitioners and approvers are trained on the standard.

Transactions also go through an electronic budget-checking process. This is to prevent over-commitment and ensure funds are available in alignment with Council-approved budgets. If there are insufficient funds, users receive an error message, and the transaction cannot proceed.

With respect to processing invoices, the Region follows a “no PO, no pay” practice for additional enforcement of by-law compliance. An invoice must be submitted by the supplier to the Accounts Payable team with the PO number stated on it. Invoices without a valid PO are returned to suppliers with a letter requiring the invoice to be resubmitted with a PO.

All processes are supported by internal controls and accounting best practices, including periodic audits. Various system reports and data extracts are available for staff's use to monitor existing purchases and inform future purchasing needs. Fulsome training and education are in place to support staff's awareness and compliance with both the procure-to-pay process and the by-law including mandatory training for new employees.

More details on procure-to-pay and supporting process and controls can be found in Appendix 1 of this memo.

Respectfully submitted and signed by

Erin Amirault, MBA
Associate Director, Finance Operations and Systems

Appendix 1 Procure to Pay Process

This memo was prepared in consultation with Nora Charette, Manager, ERP Business Support and Bart Menage, Director, Procurement Services.

CSC-C 7-2025 Appendix 1

Procure to Pay Process

To support compliance with the procurement by-law, the Region follows a procure-to-pay process using the ERP. In general, this process follows four steps:

- 1) Requisition – the initial request to make a purchase of goods and/or services.

These are created by staff (the requisitioners) in the ERP with necessary supporting attachments (e.g. supplier quotes, certificates of insurance, WSIB clearance certificates, etc.) and mandatory written justification for the purchase. Electronic approvals follow in line with the “purchasing authority” column of the by-law schedule ‘B’.

- 2) Purchase order (PO) – an official, legally binding document issued by the Region to a supplier indicating the agreed upon specifications of a purchase.

Once approved, non-competitive requisitions (e.g. low value, informal quotations, single source, etc.) are automatically converted to purchase orders and emailed directly to suppliers. No additional approvals are required on the PO, unless change orders are made at future dates.

Competitive requisitions (e.g. requests for proposal or tender) are manually converted to purchase orders and have the supplier information added by the Procurement Services Division only after the award of a formal bid. Where the award amount value and specifications are the same or less as the original requisition, only manager level approval is required on the PO. Where the value is higher at award, full approvals are required again, in line with the “purchasing authority” column of the by-law schedule ‘B’.

All change orders are processed by the Procurement Services Division and require supporting documentation, justification, and electronic approvals in line with the “purchasing authority” column of the bylaw schedule ‘B’.

- 3) Supplier invoice – document from the supplier requesting payment for the purchase.

These are recorded as vouchers in the ERP by the Accounts Payable team. Electronic approvals follow in line with the “payment release authority” column of the by-law schedule ‘B’.

Two-way (invoice to PO, for service purchases) and three-way (invoice to PO to receipt, for goods purchases) matching processes are also required and managed electronically.

- 4) Payment – payments of approved vouchers are electronically released to the supplier based on the invoice due dates.

Payment terms are typically net 30 days but can vary based on factors such as supplier contract terms or Construction Act requirements. No additional approvals are required at this stage given that payment release authority level of approval was made on the voucher. Pay cycles follow Accounts Payable processes in line with accounting best practices and internal controls.

Justification

The mandatory written justification for requisitions, PO changes, and contract amendments is governed by a corporate standard developed in response to AC-C 3-2020 Non-Competitive Procurement Audit. The key components of an acceptable justification at the Region are:

- Include a reference to the section of the Procurement By-law that applies to your purchase;
- Provide details that support why your purchase applies to this section of the by-law;
- Indicate why you selected this supplier over other available suppliers (not applicable for an RFQ/RFP/RFT where a supplier is chosen after a formal bid award); and
- Include an explanation that is thorough enough for the reviewer or approver, who may not be familiar with the technical purchase requirements, to understand the connection without needing to ask follow-up questions.

Both requisitioners and approvers are trained on these components. Convenient links to a guidance document and the by-law are available on both the transaction entry and approval screens in the ERP.

Budget Checking

All transactions are electronically budget checked at each of steps one to three of the procure-to-pay process (requisition, PO, and supplier invoice). This is to prevent over-commitment and ensure funds are available in alignment with Council-approved budgets. If there are insufficient funds, users receive an error message, and no PO is

sent. Either business decisions are made to reevaluate other planned purchases, or budget adjustments are required in compliance with the Budget Control By-law (including gathering necessary approvals, which can include Council, depending on the value). Otherwise, the purchase cannot proceed.

Workflow Setup

The system is set up in such that the automated approval routing (the workflow) complies with the by-law schedule 'B' approval authorities. The level of authority is tracked by the ERP Support team, in collaboration with the Program Financial Support team, through maintenance of the deptID (also known as a cost center) approval tree, which denotes the level of approval (e.g. who owns what deptID and if it is at a manager, director, commissioner, or CAO level). The system routes the transaction appropriately based on the org chart, type of transaction (such as a single source requisition or request for tender purchase order), and dollar value. Where Council approval is required, the CAO withholds approval as the top of the ERP chain until such time as the required Council report has been approved. He or she then approves the transaction, noting the report number in the electronic approval comments.

Over and above the Procurement By-law authority, the ERP can also route approvals based on the category of a purchase. For example, in addition to the required by-law approvals, purchases in certain IT categories route to senior leadership in the IT Division. This allows IT to ensure that such purchases align with corporate technology requirements and standards.

It's important to note that the ERP manages multiple workflows, not just related to the different paths under the Region's by-law, but also the purchasing by-laws, policies, and organizational structures of Niagara Regional Police Service, Niagara Regional Housing, Niagara Transit Commission, and the City of St. Catharines – all of whom use the Region's system. Although they each have distinct differences, the broad governing principles and controls of the ERP are the same.

Requisition Escalation

To ensure the timely flow of goods and services purchases, an ERP function called escalations is leveraged for requisitions only (escalations do not apply on any other transactions). Approvers have three business days to approve a requisition (other types of transactions stay with the approver until they action it). If they don't act in time, they show as "skipped" in the requisition approval workflow and the transaction routes to the next person the chain.

If the skipped approver is at the top of the approval chain, the requisition routes to the individual above the approver on the org chart. The ERP has a daily integration with the organization's HR structure. When changes are made in staff and reporting relationships, those automatically flow through into the ERP.

Delegation

When an approver is going to be away, they can set their delegate in the ERP. This allows the flow of goods and services to continue in their absence. In alignment with the by-law, approvers must choose someone at the same level, one above, or one below them in the org chart (but no lower than the minimum level required in the by-law). For example, a director can choose another director (same level), a manager/associate director (one below), or a commissioner (one above) to be their delegate.

Delegations are time bound, with a start and end date. All pending approvals at the time of delegation automatically move to the delegate's approval list and any new approvals during the period route directly to the delegate. At the end date, anything that has not been approved returns to the original approver for their action. All transactions approved by a delegate are recorded in the ERP as "Smith, Jane for Doe, John" for complete transparency.

Reports

A considerable amount of data is housed in the ERP. Various system reports and data extracts are available for staff's use to monitor existing purchases and inform future purchasing needs. Commonly used reports include a listing of open requisitions and POs to evaluate for closure (this is reviewed quarterly by budget owners and finance staff, at a minimum) and PO activity details to review associated transactions (such as invoices paid against a PO). Reports can be pulled on demand or scheduled to be run on a periodic basis, based on staff's preferences.

Training

Fulsome training and education are in place to support staff's awareness and compliance with procure to pay processes, and in turn, with the by-law. Everyone in an approver role is required to take a mandatory e-learning course entitled "Procurement Essentials for Leaders" when they join the Region. There is an optional staff version of the course available on demand to anyone who wishes to enroll. A tool called the "Procurement Navigator" was created using Power BI to aid users in selecting the correct procurement method.

In addition, the ERP Support team offers a full suite of training courses on using the ERP, both e-learning and instructor-led. These include an introductory course, courses for PCard preparers and approvers, a two-part course on requisitioning, and separate courses tailored for supervisors, budget owners, and project managers. There are also training videos and detailed user guides linked on the corporate intranet and available to all staff.

All training courses and user guides go well beyond step-by-step screen shots. Everything is geared toward embedding a foundational understanding of the “requisition must come first” message to promote by-law compliance.

Audits

To supplement this, the ERP Support team completes periodic audits of the deptID approval tree. This is important given the size of the organization and the amount of staff movement and business changes throughout the year. The team cross references approver positions with the level of approval on the tree to ensure the right positions are approving at the right level. In addition, to support the by-law delegation of authority, standard language regarding budget ownership and approval must be included in all approvers’ job descriptions. The audit includes a check of job descriptions to ensure the language is present. If missing, the team works with related division leadership to decide the next step: either a change in budget ownership is processed, or HR is engaged to update the job description, depending on business needs.

For further oversight, the annual external audit of the Region’s financial statements also includes an IT component where the auditors review our electronic processes. They sample the logs of our security changes to ensure user access is appropriately managed and supported by the correct approvals. The auditors also request samples of documents called change controls. These documents provide the details, testing methodology, and approvals on changes of core system functionality (anything that we’ve done to customize or change the out-of-the box system code). For example, the above-referenced links to a guidance document and the by-law that are on both the transaction entry and approval screens in the ERP were customizations. There are approved change controls on file related to this work.

No PO, no Pay

Additionally, as the gatekeepers of the last step of the procure-to-pay process, the Accounts Payable team enforces the Region’s “no PO, no pay” practice. Unless they fall under the special circumstances or schedule ‘A’ sections of the by-law, supplier invoices must be submitted with the PO number stated. This requirement is included in article 5,

payment for deliverables, of the Region's PO terms and conditions. Invoices without a valid PO are returned to suppliers with a letter requiring the invoice to be resubmitted with a PO. The AP team flags up to ERP Support those divisions that would benefit from additional education on the procure to pay process. Targeted communication and training have been provided to related staff as needed.

Subject: Debt Information Report – 2025 Debenture Issuance

Report to: Corporate Services Committee

Report date: Wednesday, April 9, 2025

Recommendations

1. That this report **BE RECEIVED** for information; and
2. That this report **BE CIRCULATED** to the Local Area Municipalities Council members for information.

Key Facts

- The purpose of this report is to advise Council of the Region’s intention to issue debentures in 2025 for both the Region and the Local Area Municipalities (LAMs), in accordance with established debenture issuance procedures.
- Each year the Region and LAMs require the issuance of debentures for Council approved capital projects. During construction, these projects were internally financed and are now either complete or are nearing completion and debenture financing must be secured. A total issuance of \$157.0 million is being proposed (see Appendix 1 to Report CSD 16-2025).
- Of the proposed \$157.0 million debt issuance, \$79.9 million relates to regional debt which will increase the Region’s 2025 outstanding debt from \$358.7 million to \$438.6 million. Previously authorized but unissued debt for the Region will decrease by \$79.9 million, from \$428.7 million to \$348.8 million.
- The Region largely raises funds through the sale of Niagara Region debentures in the capital markets or through the Infrastructure Ontario (IO) lending program.
- Regional staff are proposing two capital markets debt issuances this year in June and December 2025 in alignment with the 2025 Council approved business case, and one debt issuance through the IO lending program in October 2025.
- Regional staff monitor the rates for the IO lending program and capital markets and propose the issuance of debentures in consideration of interest rate levels and cash flow management.

- Current and future debenture approvals and issuances are recommended in consideration of the impact on our Annual Repayment Limit (ARL), Standard and Poor (S&P) impacts and our IO Sector Limit which are all discussed in more detail in the report.

Financial Considerations

The Region plans to issue debentures in 2025 for its financing requirements and that of certain LAMs identified in Appendix 1 to Report CSD 16-2025. The debenture issuance requirements for 2025 are summarized as follows:

Table 1 – Summary of Debt Requirements

Debt Term	Region Amount	LAM Amount	Total
1-10 Year Debt		\$31.3 M	\$31.3 M
15-30 Year Debt	\$79.9 M	\$45.8 M	\$125.7 M
Total	\$79.9 M	\$77.1 M	\$157.0 M

Total issued debt will be recorded as a long-term liability on the Region’s financial statements with a corresponding debt recoverable from the LAM for the amount issued on behalf of the LAMs. Debt servicing costs associated with the Region’s approved debt have been included within the Region’s operating budget. The projected debt servicing costs associated with the Region’s debt requirement of \$79.9 million is estimated at \$5.4 million and can be accommodated within the approved budget.

Each year the Region includes in its annual budget the estimated cost of debt servicing for Council approved but unissued debt. When developing budgets staff consider forecasted interest rates to ensure the full cost of debt servicing is included in the annual budget. The region currently has \$428.7 million of approved but unissued debt. Knowing that not all unissued debt is required currently, staff will continue to monitor interest rates and recommend debt issuance when projects are substantially complete and while taking into consideration interest rates and cash flow requirements. Debt servicing costs for the LAMs are budgeted by each individual LAM and recovered by the Region from the LAM.

The Region’s \$79.9 million debt requirement in 2025 relates to the long-term care home project. IO approved the Region’s application for debt financing of the new long term care home in St. Catharines in 2023. The debt will be financed over 25 years to align

with the Construction Funding Subsidy (CFS). The CFS received helps offset the debt servicing costs and is calculated using a set per diem based on market segment.

Other Regional and Municipal debt considerations for 2025 and going forward include:

Instructure Ontario Sector Limit

Following the approval of the significant debt financing for the two new Long Term Care Homes of \$135 million in 2023, IO made finance staff aware that the Region is approaching its sector limit. All municipalities in Ontario are subject to a concentration limit, referenced as a Sector Limit, which is the same amount across all Upper and Single Tiers, not dependent on size or geographic location. The sector limit places limitations on the amount of IO debt that the Region and its LAMs will be able to access in the future. As of the end of 2024, the sector limit for the Region was identified as \$623.5 million with \$76.7 million remaining unutilized. It is estimated that an additional \$20 million of sector limit room will become available each year as other debt obligations fall off. As IO is heavily relied upon for its availability of longer term (25 and 30 year) financing, relative to the market debentures, the sector limit will require the Region and LAMs to continue to work collaboratively to stay within the limit or consider alternative financing methods.

Standard and Poor (S&P)

On October 8, 2024, S&P reaffirmed Niagara's rating of AA+. The rating reflects the views on Canadian municipal governments improved institutional framework. The rating also incorporates S&P's opinion of Niagara's exceptional liquidity, strong budgetary performance and financial management, and moderate debt burden.

In their 2024 report, S&P Global Ratings lauded the Niagara Region for sound and transparent financial management protocols. It also deemed strengths of the regional economy to include sectors such as manufacturing and trade, healthcare, and the innovative Port Colborne electric vehicle battery separator facility currently under construction. Still, S&P predicted that the Niagara Region will face adversity in preserving its AA+ credit rating as it adds debt to upgrade essential infrastructure needs, especially in the realms of transportation and water/wastewater.

Niagara continually strives to improve our credit rating, as it sends a strong, positive message to investors, and directly impacts our cost of borrowing in the capital markets. One criteria evaluated by S&P is consolidated debt outstanding (Region and LAMs) over total operating revenues (Region and LAMs), staff were advised that the Region

should strive to remain below 75% in order to sustain its current credit rating. The Region's 2024 S&P ratio was 61.4% and 2025 forecasted ratio would be 63.9% based on proposed debt issuance in this report. It is expected that the S&P ratio will increase to 70.1% in 2026 and could exceed the 75% in the next five years based on forecasted LAM debt requirement and approved unissued Regional debt. A downgrading of the Region's credit rating could result in higher interest rates for the Region's debt which will impact Regional and LAM operating budgets.

Annual Repayment Limit (ARL)

The Province imposes on each municipality an Annual Repayment Limit (ARL) of the amount of operating revenues that can be dedicated to servicing debt. Region's ARL is forecasted to be 5.69% after the 2025 debenture issuance, well below the 25% ARL set by the Province. The ARL for each LAM is provided in Appendix 2 to Report CSD 16-2025 and is based on the latest available published Financial Information Return (FIR) which is generally 2023. While the Region has significant room to absorb debt servicing costs within the ARL, an increase in debt does put pressure on operating budgets and the increase in debt outstanding would put pressure on the S&P evaluation of total debt outstanding.

Macroeconomic Outlook

According to the Region's main bank, RBC, the threat of significant international trade disruptions is overshadowing what would have been a substantially improving Canadian economy. The positive effect of lower interest rates had been showing up earlier than we expected a quarter ago without the tariff threats. RBC anticipates the Bank of Canada will cut the overnight rate to 2.25% by the summer this year due to the ongoing Canada-US trade war. Regional staff monitor the rates for the IO lending program and capital markets and propose the issuance of debentures in consideration of interest rate levels and cash flow management.

Financing Strategy

The Regions Capital financing Policy (Appendix 3 to Report CSD 16-2025) is a strategy for establishing adequate levels of funding for capital projects that address sustainment, growth and new strategic investments. The policy supports debt for growth and strategic investments in an effort to be strategic within the debt constraints. It also ensures that as current property owners use capital assets, they are paying for the life cycle sustainment costs through annual operating budget transfers to capital reserves. The Region is forecasting that total 16 capital projects will be complete or nearing

completion in 2025. These projects were approved with debt financing by Council through budget process. Due to declining interest rates and effective cash flow management, staff are recommending to not proceed with debt financing in 2025.

Analysis

Each year, the Region raises funds through the sale of Niagara Region debentures in the capital markets or through the IO lending program to finance previously approved capital projects for both the Region and the LAMs. While projects are under construction funding is generally provided internally and once projects are complete financing must be secured. The authority to issue debentures is granted solely to regional government in accordance with the *Municipal Act*.

A listing of the proposed debenture amounts is shown in Appendix 1 to Report CSD 16-2025:

- **For the 1–10-year term**, the proposed requirement for the municipalities of Welland, St. Catharines, and Lincoln totals \$31.3 million.
- **For the 15–30-year term**, The proposed requirement for the Region’s Long Term Care Home project is \$79.9 million. The proposed requirement for the municipalities of Lincoln, Niagara Falls, Port Colborne, Niagara-on-the-Lake and St. Catharines totals \$45.8 million.

Capital Markets

The Region monitors the markets and in consultation with our fiscal agents determines the most appropriate time to enter the capital markets. Some of the main benefits of implementing two debt issuances through the capital markets include:

- **Interest rate risk management** – by issuing debt more frequently the Region reduces risk to interest rate fluctuations. If rates rise, only a portion of the year’s debt is affected rather than the entire issuance. On the other hand, the Region will be able to take advantage of lower interest rate through the second issuance should the rates fall later in the year.
- **Diversified investor base** – multiple issuances provide more opportunities for different investors to participate, potentially improving demand and reducing borrowing costs. Some investors may prefer shorter or longer maturities depending on market conditions.

- **More competitive pricing** - If demand is high at one issuance but low at another, a twice-yearly approach provides flexibility to tap the market when conditions are more favorable, potentially securing better interest rates.
- **Cashflow and budgeting flexibility** - municipalities often have ongoing capital projects with varying cash needs. Issuing debt in two smaller tranches allows better alignment of debt proceeds with project expenditures, reducing the risk of idle cash and improving budget management.
- **Improved public perception and transparency** - frequent issuance can demonstrate proactive financial management, reassuring taxpayers, rating agencies, and investors that the municipality is carefully planning its debt strategy.

While issuing debt twice a year may increase administrative and legal costs slightly, these benefits are expected to outweigh the downsides, especially for municipalities with large or ongoing capital programs.

Table 2 – Summary of Capital Markets Issuances

Municipality	June Issuance	December Issuance	Total Capital Markets Debt
Niagara Region			
Lincoln	\$2.1 M		\$2.1 M
Niagara-on-the-Lake	\$1.7 M		\$1.7 M
St. Catharines	-	\$9.3 M	\$9.3 M
Welland	\$9.9 M	\$10.5 M	\$20.4 M
Total	\$13.7 M	\$19.8 M	\$33.5 M

The Region engages its fiscal syndicate in the sale of Regional debentures in the capital markets; the syndicate is comprised of three fiscal agents: CIBC World Markets, RBC Capital Markets and National Bank Financial. National Bank Financial will be the lead for the June 2025 capital market transaction as per the annual established rotation.

Infrastructure Ontario (IO)

Staff are also proceeding with debenture issues via the IO lending program throughout the remainder of 2025.

Table 3 – Summary of IO Issuance

Municipality	IO Debt
Niagara Region	\$79.9 M*
Lincoln	\$21.9 M**
Niagara Falls	\$15.1 M
Port Colborne	\$6.5 M
Total	\$123.5 M

Notes:

* \$79.9 million for Long-term Care Home in St. Catharines was reflected in the IO unutilized debt room at the end of 2024;

** Out of the \$21.9 million, \$15.0 is pre-approved IO construction loans which were reflected in the IO unutilized debt room at the of 2024.

Table 4 – Available IO Debt Room

2024 Amount Remaining	\$76.7 M
2025 Principal Payment	\$20.0 M
2025 Amount Remaining	\$96.7 M
2025 Proposed IO Issuance (Table 3)	(\$123.5 M)
Add Back Amounts Accounted for in 2024	\$94.9 M
2025 Amount Remaining at Yearend	\$68.1 M

Sinking Fund

Given that the Region is approaching its sector limit, other options for longer term financing will need to be considered. One option is to issue longer term debt through the capital markets, which can only be accessed through a bullet bond, and requires a sinking fund. The region currently has one sinking fund, that relates to debt issued for the Region and the City of St. Catharines, in 2010. Sinking funds require the annual investment of funds over the term of the debenture and the funds must be accounted for and reported on separately including annual audited financial statements. Staff have not pursued this particular type of debt since 2010 as a result of the administration required. Resources required to administer further sinking funds would need to be considered with this option. The capital markets offer serial or amortized loans for terms 20 years or less, which is another option. This option could result in potential operating budget pressure as 30-year projects would need to be financed over shorter amortization periods. Approximately \$343.8 million or 80% of the Regions unissued debt is currently budgeted for based on a 30-year term.

Borrowing Rates

- The current 10-year rates for IO and capital markets are approximately 3.60% and 3.575% respectively.
- The Region's last 10-year capital markets issuance was in 2024 for \$27.5 million at an average rate of 4.140%.
- The current 25-year IO rate is 4.33%.
- In September 2024, the Region settled an IO serial debenture for a Regional Long Term Care Home at a rate of 4.34% for 25 years.

These rates are indicative of current conditions including the past decreases to the Bank of Canada rate, and it should be noted that rates may change according to subsequent market conditions and timing of the actual debenture issue. Interest rates for both IO and capital markets are in line with budget assumptions therefore staff are not anticipating further pressure as a result of interest rates at this time.

Future Debt Planning and Modernization

Regional and LAM staff are in discussions around the future of the Regions debt program with the goal of establishing common debt approval and issuance principles in support of maintaining our credit rating with S&P and supporting the debenture needs of both the Region and LAMs for longer term debt. To support this work there will need to

be more investment made in understanding our consolidated future capital needs and available funding sources. These conversations will also consider other debt funding instruments. Both Region and LAM staff are actively monitoring and applying for applicable grant funding which would potentially reduce debt requirement following funding approval.

Alternatives Reviewed

The only alternatives available to the Region are:

- The decision of whether to issue debt with IO or capital markets however there are some limitations regarding the term of the debt and the administrative effort associated with setting up a sinking fund.
- The timing of the debenture which staff will monitor based on interest rate levels and cash flow requirements.

Relationship to Council Strategic Priorities

The proposed 2025 debt issuance will fund capital infrastructure projects that support Council's strategic priorities of:

- Effective Region
- Equitable Region

Other Pertinent Reports

[CSD 64-2024 2025 Consolidated General Levy Budget](#)

(<https://pub-niagararegion.escribemeetings.com/Meeting.aspx?Id=0281408c-b40e-404a-b9b0-5cdd3582ac52&Agenda=Merged&lang=English&Item=22&Tab=attachments>)

[BRC-C 25-2024 2025 Consolidated General Levy Budget Update Memo](#)

(<https://pub-niagararegion.escribemeetings.com/Meeting.aspx?Id=6fe248c3-7e32-435a-8ffc-103cabcc703d&Agenda=Agenda&lang=English&Item=12&Tab=attachments>)

[CSD 48-2024 2025 Budget – Water and Wastewater Operating Budget, Rate Setting and Requisition](#)

(<https://pub-niagararegion.escribemeetings.com/Meeting.aspx?Id=93252d78-80cf-4c36-9b0f-2f9cb97010a3&Agenda=Merged&lang=English>)

[CSD 46-2024 2025 Capital Budget](#)

(<https://pub-niagararegion.escribemeetings.com/Meeting.aspx?Id=5b219e1e-806b-4418-92d6-0adf0327c6cd&Agenda=Agenda&lang=English&Item=13&Tab=attachments>)

[CSD 44-2024 Waste Management 2025 Operating Budget and Requisition](#)

(<https://pub-niagararegion.escribemeetings.com/Meeting.aspx?Id=6ed594dd-1cef-4a22-92e7-186d204662a7&Agenda=Agenda&lang=English>)

[BRC-C 2-2024 2025 Proposed Operating Budget and Special Levy Requisition –
Niagara Transit Commission](#)

(<https://pub-niagararegion.escribemeetings.com/Meeting.aspx?Id=93252d78-80cf-4c36-9b0f-2f9cb97010a3&Agenda=Merged&lang=English>)

[BRC-C 3-2024 Niagara Transit Commission Additional Budget Information](#)

(<https://pub-niagararegion.escribemeetings.com/Meeting.aspx?Id=93252d78-80cf-4c36-9b0f-2f9cb97010a3&Agenda=Merged&lang=English>)

Prepared by:

Lucia Chen, MAcc, CPA, CMA
Manager, Revenue Planning and
Strategy
Corporate Services

Recommended by:

Dan Carnegie
Acting Commissioner
Corporate Services

Submitted by:

Ron Tripp, P.Eng.
Chief Administrative Officer

This report was prepared in consultation with Beth Brens, Associate Director, Budget Planning & Strategy and Dorothy Szymkow, Supervisor – Corporate Budgets and reviewed by Melissa Raquion, Director, Financial Management & Planning/Deputy Treasurer.

Appendices

- | | |
|------------|----------------------------------|
| Appendix 1 | Proposed 2025 Debenture Amounts |
| Appendix 2 | Annual Repayment Limits |
| Appendix 3 | C-F-027 Capital Financing Policy |

Proposed 2025 Debenture Amount

CSD 16-2025

Appendix 1

The Regional Municipality of Niagara

Description	Q2 Issuance	Q4 Issuance	IO Construction Loan	Total Proposed Amount
1-10 Year Term				
Area Municipalities				
Lincoln	2,079,000			2,079,000
St. Catharines		8,800,000		8,800,000
Welland	9,875,900	10,502,454		20,378,354
Total for Area Municipalities	11,954,900	19,302,454	-	31,257,354
Total 1 - 10 Year Term	11,954,900	19,302,454	-	31,257,354
15-30 Year Term				
Region				
Facilities - LTC		79,883,688		79,883,688
Total for Region	-	79,883,688	-	79,883,688
Area Municipalities				
Port Colborne		6,511,500		6,511,500
St. Catharines		500,000		500,000
Lincoln		6,898,670	15,031,423	21,930,093
NOTL	1,740,000			1,740,000
Niagara Falls		15,126,617		15,126,617
Total for Area Municipalities	1,740,000	29,036,787	15,031,423	45,808,210
Total 15 - 30 Year Term	1,740,000	108,920,475	15,031,423	125,691,898
Total Proposed Debenture Amount - 2025	13,694,900	128,222,929	15,031,423	156,949,252

Annual Repayment Limits

Niagara Region:	Total Outstanding Debt (including sinking fund assets) as at Dec 31, 2024 (in \$000s)	Principal Payments in 2025 (in \$000s)	Adjusted Debt Outstanding As at Dec. 31, 2025 (in \$000s)	Forecasted Debt Issuance for 2025 (in \$000s)	Total Debt Outstanding, including 2025 Forecasted Issuance As at Dec. 31, 2025 (in \$000s)	Annual Repayment Limit % (Note 1)
IT Solutions	791	(35)	756	-	756	
Court Services	7,342	(321)	7,020	-	7,020	
Properties Management	4,445	(1,223)	3,222	-	3,222	
General Government - Other	3,955	(605)	3,349	-	3,349	
General Government	16,532	(2,184)	14,348	-	14,348	
Police	70,922	(4,951)	65,971	-	65,971	
Roads	95,378	(11,403)	83,976	-	83,976	
Transportation	95,378	(11,403)	83,976	-	83,976	
Public Health	5,937	(380)	5,558	-	5,558	
Emergency Medical Services	2,462	(104)	2,357	-	2,357	
Public Health	8,399	(484)	7,915	-	7,915	
Community Services	5,332	(277)	5,054	-	5,054	
Seniors Services	71,216	(2,958)	68,258	79,884	148,142	
Community Services	76,548	(3,236)	73,312	79,884	153,196	
NRH	27,891	(5,201)	22,690	-	22,690	
Sub-Total Levy	295,670	(27,458)	268,212	79,884	348,095	
NRT	11,027	(1,915)	9,112	-	9,112	
Sub-Total Special Levy	11,027	(1,915)	9,112	-	9,112	
Wastewater	64,075	(3,421)	60,654	-	60,654	
Water	21,525	(777)	20,748	-	20,748	
Sub-Total Rate	85,601	(4,198)	81,403	-	81,403	
Total Niagara Region:	392,298	(33,572)	358,726	79,884	438,610	5.69%

Niagara Region:	Total Outstanding Debt (including sinking fund assets) as at Dec 31, 2024 (in \$000s)	Principal Payments in 2025 (in \$000s)	Adjusted Debt Outstanding As at Dec. 31, 2025 (in \$000s)	Forecasted Debt Issuance for 2025 (in \$000s)	Total Debt Outstanding, including 2025 Forecasted Issuance As at Dec. 31, 2025 (in \$000s)	Annual Repayment Limit % (Note 1)
External:						
Fort Erie	9,267	(1,163)	8,104	-	8,104	1.56%
Grimsby	8,630	(648)	7,982	-	7,982	1.11%
Lincoln	30,294	(870)	29,424	24,009	53,433	6.92%
Niagara Falls	75,432	(5,429)	70,002	15,127	85,129	4.59%
NOTL	8,050	(617)	7,433	1,740	9,173	4.22%
Pelham	24,275	(2,075)	22,200	-	22,200	10.17%
Port Colborne	24,968	(1,191)	23,777	6,512	30,289	5.49%
St. Catharines	93,997	(13,127)	80,869	9,300	90,169	9.03%
Thorold	299	(146)	152	-	152	0.04%
Wainfleet	5,432	(371)	5,061	-	5,061	2.11%
Welland	64,088	(8,536)	55,551	20,378	75,930	15.06%
West Lincoln	21,115	(944)	20,171	-	20,171	7.90%
Local Area Municipalities	365,846	(35,118)	330,727	77,066	407,793	
Total Consolidated	758,144	(68,690)	689,454	156,949	846,403	

Note 1 - The ARL for the Region and the Local Area Municipalities (LAMs) is based on the most recent Financial Information Return (FIR). The Region relies upon the LAMs to update their FIR and ARL in accordance with the Municipal Act. The ARL for the Region and for those LAMs seeking debentures in 2025 has been updated to include debt servicing estimates for the 2025 debt issuance.

<i>Policy Category</i>	<i>Name of Policy</i>
<i>Financial</i>	<i>Capital Financing Policy</i>

Page 1 of 4

Policy Owner	Corporate Services, Financial Management and Planning
Approval Body	Council
Authorization Reference:	Council Minutes CL 18-2019 October 17, 2019: Minute Item 12.1 (COTW 8-2019 October 3, 2019) Report CSD 51-2019
Effective Date	October 17, 2019
Review by Date	October 2020

1. Policy

This policy establishes principles and practices for preparing Niagara Region's Capital Budget, operating impacts and multi-year capital forecast and the prudent use of funding. The Region recognizes the importance of creating a capital financing strategy. This strategy will utilize the following principles:

1.1. Ensure long-term financial sustainability and flexibility

- a. On an annual basis, the multiyear capital plan shall be analyzed for funding requirements.
 - i. Projects that are aligned to asset management should utilize reserves and any deficiencies shall be communicated and considered in the operating budget before utilizing debt.
 - ii. Projects that are supporting growth should be funded with development charges.
 - iii. Projects that are new strategic investments should be funded with debt.
 - iv. The cost of servicing the debt and operating impacts of capital will be requested in the operating budget in the year the capital program is approved.
 - v. Favourable timing variances on debt charges or operating impacts resulting from timing of project completion will be utilized to substitute previously approved debt or fund pay as you go for projects aligned to the asset management plan or otherwise as approved in the budget.
- b. To the extent practicable, the hierarchy and principle of allocating funding will be in the following order.
 - i. External sources that are known to the project should be utilized first
 - ii. Federal Gas Tax will be allocated to reduce the use of reserves or debt funding.

<i>Policy Category</i>	<i>Name of Policy</i>
<i>Financial</i>	<i>Capital Financing Policy</i>

- iii. Development Charges Reserve will be allocated in accordance to the methodology included in the Development Charge background study.
- iv. Reserves (pay as you go) will be allocated as defined under C-F-013 Reserve and Reserve Funds Policy and as updated from time to time to support renewal investment and state of good repair projects as identified in the asset management plan.
- v. Debt will be utilized for growth and strategic investment projects.

1.2. Maintain a Strong Credit Rating

- a. The Region will undertake due diligence and consider the impacts of debt financing on the Regions credit rating.

1.3. Adhere to Statutory Requirements

- a. On an annual basis, the capital budget will be developed including a multi-year capital plan and include a financing strategy adhering to legislative requirements including but not limited to asset management regulations and compliance to the provincially mandated 25% annual repayment limit.

2. Purpose

Niagara Region prepares a Capital Budget annually as required by the Municipal Act. In addition, multi-year capital forecasts are prepared to plan funding for upcoming capital requirements. This policy will establish the principles Niagara Region will undertake to ensure financial sustainability, flexibility, transparency and legislative compliance of its capital funding program.

3. Scope

This policy applies to the following:

- a. Capital budget financing for projects.
- b. Operating budget impacts required to support the approved Capital projects including but not limited to debt servicing costs, operations and maintenance.
- c. The administration and management of the issuance of debt for approved capital projects.

The Budget Control By-Law defines the Region’s authority over Agencies, Board and commissions and this policy shall comply congruently.

<i>Policy Category</i>	<i>Name of Policy</i>
<i>Financial</i>	<i>Capital Financing Policy</i>

3.2. Roles and Responsibilities

- a. The Responsibility of Regional Council
 - i. To approve the annual budget.
 - ii. To pass debenture by-law prior to the issuance of debentures.

- b. The Responsibilities of the Corporate Leadership Team
 - i. To recommend and support the budget submissions to Council.

- c. The Responsibilities of the Financial Management and Planning Team
 - i. To transparently consolidate and present budget considerations to Council in accordance with the policy.
 - ii. To direct staff on strategy to meet Council’s expectations of the annual budget.
 - iii. To recalculate the Annual Repayment Limit (O. Reg. 403/02, s. 4(1)) each year.
 - iv. To manage the administration of the debenture issuances.
 - v. To lead the annual credit rating review process.

- d. The Responsibilities of Project Managers
 - i. To provide sufficient information to determine the type of project for the financing strategy.
 - ii. To provide required capital project information including specific external funding sources.

4. References and Related Documents.

4.1. Legislation, By-Laws and/or Directives

- a. Municipal Act, 2001, S.O. 2001, C .25
- b. Tile Drainage Act, R.S.O. 1990, c.T.8
- c. Local Improvement Act, R.S.O. 1990, C. L.26
- d. Asset Management Planning for Municipal Infrastructure O.Reg. 588/17
- e. Budget Control By-law No. 2017-63

4.2. Procedures

5. Related Policies

- a. Operating Surplus/Deficit Policy (C-F-022)
- b. Reserve and Reserve Fund Policy (C-F-013)

<i>Policy Category</i> <i>Financial</i>	<i>Name of Policy</i> <i>Capital Financing Policy</i>
--	--

6. Document Control

The electronic version of this document is recognized as the only valid version.

Approval History

Approver(s)	Approved Date	Effective Date
Regional Council	October 17, 2019	October 17, 2019

Revision History

Revision No.	Date	Summary of Change(s)	Changed by

Subject: Municipal Insurance Program Renewal Update 2024-2025

Report to: Corporate Services Committee

Report date: Wednesday, April 9, 2025

Recommendations

1. That Report CSD 17-2025 **BE RECEIVED** for information.

Key Facts

- The purpose of this report is to provide Council with information regarding the November 1, 2024, to November 1, 2025, insurance program renewal.
- In accordance with Council approval on April 25, 2024, of CSD 8-2024, Staff pursued a renewal quotation from Niagara Region's existing Broker/Insurer, Marsh Canada Limited ("Marsh"), for the November 1, 2024 to November 1, 2025 policy period.
- Staff successfully negotiated and bound coverages with Marsh for Niagara Region, Niagara Regional Police Services ("NRPS") and Niagara Regional Housing ("NRH") within budget and with improved property coverage limits.
- The insurance premium for November 1, 2024, to November 1, 2025 policy period is \$2,681,190 (inclusive of non-recoverable 8% PST where applicable) compared to last year's premium of \$2,441,443. The overall premium increase of 7% is primarily attributable to increased asset values and inflation.
- A further report will follow regarding next steps for the November 1, 2025 to November 1, 2026, insurance renewal, targeting May 2025.

Financial Considerations

The total premium cost for November 1, 2024, to November 1, 2025, is \$2,681,190. (inclusive of non-recoverable 8% PST where applicable) which is within the approved 2024/2025 budgets.

The approved budget for the 2025 fiscal year is \$3,099,807 compared to \$2,968,264 for 2024.

Given the premium term, it is funded by the budgets of two fiscal years; namely the months of November and December 2024 were funded from 2024 budget and the months of January to October 2025 are funded from the 2025 budget.

The 2025 budget also includes funding for an estimated increase for the months of November and December 2025 that are part of the subsequent renewal process for the 2025-2026 term of insurance. Staff believe there is sufficient funding within the approved 2025 budget for the above noted two months. In addition, Staff believe the 2025 budget can accommodate any increases in premium flowing from the Property Valuations and Loss Control assessments currently underway that are anticipated to result in determinations of increased property values.

Analysis

November 1, 2024, to November 1, 2025 Insurance Renewal Update

On April 25, 2024, by approval of Report CSD 8-2024, Council authorized Staff to negotiate a renewal with Marsh on behalf of Niagara Region, NRPS, and NRH for an additional one-year policy term for the period of November 1, 2024 to November 1, 2025, and authorized the CAO to execute any required agreements and documentation for purposes of the extension, subject to available budget.

Staff negotiated with Marsh who went out to the municipal insurance market on Niagara Region's behalf to secure the best terms available. Staff's review and analysis of the renewal terms presented by Marsh revealed a modest 7% premium increase over last year which was primarily due to increased asset values and inflation. Most other coverage rates were flat, and Marsh indicated that our property insurer applied their lowest rate available to Ontario municipalities in their municipal portfolio to Niagara Region's account. Staff were also able to negotiate and secure additional property limits of \$50M and still remain within budget. In communication with other comparable municipalities regarding their renewal experience, it is Staff's view that the renewal terms were favourable.

On October 30, 2024, Staff obtained CAO approval and was able to bind the 2024-2025 insurance program for Niagara Region, NRPS and NRH commencing November 1, 2024, for an annual premium of \$2,681,190 (inclusive of non-refundable 8% PST where applicable).

November 1, 2025 Insurance Renewal

Staff have been actively reviewing options and alternative approaches for the November 1, 2025 - November 1, 2026, insurance renewal. Research of the current municipal insurance sector indicates the market has stabilized; however, it is important to note that going back out to the market still comes with some uncertainty and risk.

There are currently only 3 other municipal Broker/Insurer insurance programs, besides the current provider, with the capability to quote given Niagara Region's size/portfolio; however, they are unable to quote for social housing and some may also have property limit capacity issues to cover Niagara Region's large asset portfolio. Preliminary reviews suggest that only Marsh can continue to include NRH in its renewal quote with Niagara Region and NRPS; meaning that NRH would instead be required to seek direct quotes from the Housing Services Corporation (HSC) insurance program that may result in overall increased premiums, costs and reduced coverages for NRH.

Staff will continue researching available options for the November 1, 2025- November 1, 2026, renewal, targeting a further report to Council for consideration in May 2025.

Alternatives Reviewed

This report is for information purposes only to advise that negotiations with Marsh were successful in securing improved coverages within the approved budget for the Nov. 1, 2024- Nov.1, 2025 renewal term as authorized by Council further to Report CSD 8-2024.

Relationship to Council Strategic Priorities

Niagara Region's insurance program placement for 2024-2025 (which includes NRPS and NRH) is consistent with Council's 2023-2026 strategic priority focus on Effective Region by delivering fiscally responsible and sustainable services. The inclusion of NRPS and NRH within Niagara Region's insurance program results in sustainable shared insurance and risk services as well as premium cost and Staff resource efficiencies.

Other Pertinent Reports

- [CSD 8-2024 dated April 10, 2024 – Municipal Insurance Program Update and Recommendations for 2024-2025 Renewal](https://www.google.com/url?client=internal-element-cse&cx=005774670460367375179:knxndu-yx3mm&q=https://pub-niagararegion.escribemeetings.com/filestream.ashx%3FDocumentId%3D36988&sa)
(<https://www.google.com/url?client=internal-element-cse&cx=005774670460367375179:knxndu-yx3mm&q=https://pub-niagararegion.escribemeetings.com/filestream.ashx%3FDocumentId%3D36988&sa>)

[=U&ved=2ahUKEwjQyt-8mfGLAxURMVkFHZ4dDaoQFnoECAMQAQ&usg=AOvVaw0sb6mpEG1mQsRSONI9Rvxv\)](#)

Prepared by:

Donna Pasto
Risk Management Program Manager
Corporate Services

Recommended by:

Dan Carnegie
Acting Commissioner/Treasurer
Corporate Services

Submitted by:

Ron Tripp, P.Eng.
Chief Administrative Officer

This report was prepared in consultation with Donna Gibbs, Director of Legal and Court Services, and Adam Niece, Program Financial Specialist.