



THE REGIONAL MUNICIPALITY OF NIAGARA
CORPORATE SERVICES COMMITTEE
FINAL AGENDA

CSC 4-2020

Wednesday, May 13, 2020

9:30 a.m.

Meeting will be held by electronic participation only

All electronic meetings can be viewed on Niagara Region's website at:

<https://www.niagararegion.ca/government/council/>

Due to efforts to contain the spread of COVID-19 and to protect all individuals, the Council Chamber at Regional Headquarters will not be open to the public to attend Committee meetings until further notice. To view live stream meeting proceedings, visit:
[niagararegion.ca/government/council](https://www.niagararegion.ca/government/council)

	Pages
1. <u>CALL TO ORDER</u>	
2. <u>DISCLOSURES OF PECUNIARY INTEREST</u>	
3. <u>PRESENTATIONS</u>	
4. <u>DELEGATIONS</u>	
5. <u>ITEMS FOR CONSIDERATION</u>	
5.1 <u>CSD 33-2020</u> 2019 Audited Consolidated Financial Statements A presentation will precede the consideration of this item.	3 - 90
5.2 <u>CSD 26-2020</u> Long-Term Care (LTC) Redevelopment Procurement Process	91 - 99
5.3 <u>CSD 36-2020</u> Management of Sick Benefits Audit	100 - 114

6. CONSENT ITEMS FOR INFORMATION

- | | | |
|-----|---|-----------|
| 6.1 | <u>CSC-C 7-2020</u>
COVID-19 Response and Business Continuity in Corporate Services | 115 - 123 |
| 6.2 | <u>CSD 24-2020</u>
Regional Development Charges Treasurer's Statement 2019 | 124 - 135 |
| 6.3 | <u>CSC-C 6-2020</u>
A memorandum from A.-M. Norio, Regional Clerk, dated May 13, 2020, respecting Referral of Motion from Regional Council Meeting of April 23, 2020 | 136 |

7. OTHER BUSINESS

8. CLOSED SESSION

- 8.1 Confidential CSD 25-2020
A Matter Respecting Litigation and a Matter of Advice that is Subject to Solicitor – Client Privilege under s. 239(2) of the Municipal Act, 2001 – Update regarding Application for Judicial Review – Niagara Home Builders' Association

9. BUSINESS ARISING FROM CLOSED SESSION ITEMS

10. NEXT MEETING

The next meeting will be held on Wednesday, June 17, 2020 at 9:30 a.m.

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).



2019

2019 Consolidated Financial Statement Highlights

Corporate Services Committee
May 13, 2020

Agenda

Year-end Overview



Consolidated Financial Statement Highlights



Audit Findings Report



Next Steps

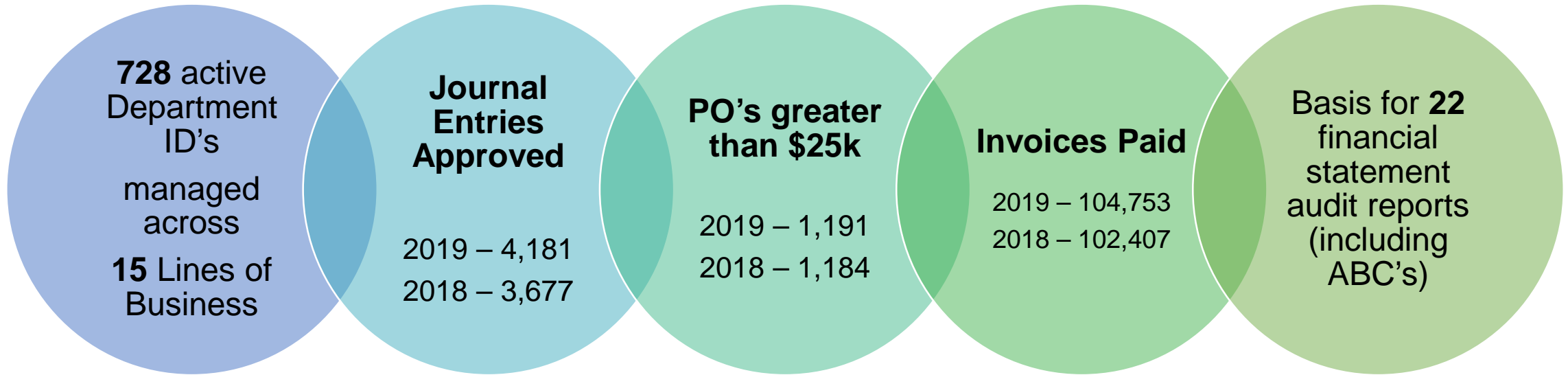
Year End Overview

Recap of reports presented during the year

Activity	2019	2018
Audit Planning Report	AC - Sept. 9, 2019	AC - Sept. 10, 2018
Q1 Financial Update	BRC - June 20, 2019 Council - July 18, 2019	CSC - June 6, 2018 Council - June 14, 2018
Q2 Financial Update	CSC - Sept. 11, 2019 Council - Sept. 19, 2019	CSC - Sept. 5, 2018 Council - Sept. 13, 2018
Q3 Financial Update	CSC - Dec. 4, 2019 Council - Dec. 12, 2019	CSC - Jan. 9, 2019 Council - Jan. 17, 2019
2019 Year End Results and Transfer Report	CSC - Mar. 11, 2020 Council - Mar. 19, 2020	CSC - Mar. 20, 2019 Council - Mar. 28, 2019
Committee Review of Audited Financial Statements	CSC - May 13, 2020	AC - May 6, 2019
Council Approval of Audited Financial Statements	May 21, 2020	May 16, 2019

Year End Overview

2019 Year End Statistics



2019 Audit Plan Highlights

- **Control Reliance Approach**
 - Deloitte tested our controls in order to place reliance on them
- **Risk Based Approach**
 - Significant risks were assessed and resulted in specific audit procedures
- **Materiality**
 - Determined on a basis of total revenues
 - Misstatements greater than 5% of materiality reported to Audit Committee / Corporate Services Committee
 - Financial statements are free from material misstatements

Presentation Reconciliation

Key highlights between what you see in the Budget vs. Audited PSAS*
Financial Statements

Budget Financials <i>(presented quarterly)</i>	Audited Financials <i>(presented annually)</i>
Functional basis - Levy, Rate, Capital	Canadian PSAS
Used for setting tax rates	Used for credit rating, annual report, MBN
Encumbrance accounting	Accrual accounting
Reserve accounting	Excludes reserve transfers
Excludes unfunded liabilities (i.e. employee future benefits, landfill)	Includes all liabilities
Capital is based on funding sources	Capital is expensed through depreciation
Not consolidated	Consolidated
Budget created to manage at program level	Audited statements summarized at overall financial position

*PSAS – Public Sector Accounting Standards

Reconciliation of Surplus

Reconciliation showing differences between year end results and audited financial statements

(in thousands)	2019	2018
Water & Wastewater (deficit) surplus	\$ (1,684)	\$ 2,079
Waste Management (deficit) surplus	(1,156)	1,551
Levy surplus	3,453	1,828
Net operating surplus (per Year End Transfer Report CSD 15-2020)	613	5,458
Net capital activity	(45,031)	(48,925)
Net funding activity	106,308	99,999
Change in unfunded liabilities	(4,494)	15,296
Annual surplus per PSAS consolidated financial statements	\$ 57,396	\$ 71,828

**A detailed surplus reconciliation is found in Appendix 1 of report*

Statement of Operations

Revenues

Budget to Actual (in thousands)	Change
Budgeted revenues per financial statements	\$ 1,019,305
<u>Significant changes</u>	
Requisitions on local governments driven by higher supplemental taxes	2,488
User charges driven mainly by reduced recycling commodity prices offset by higher rental income in NRH and additional accomodation fees in LTC	(2,733)
Government transfers - Ontario driven mainly by changes in Ministry funding formula for SAEO and timing of revenue recognition in NRH	(5,857)
Development Charges driven mainly by timing of revenue recognition on CSO projects	(6,500)
Other/miscellaneous	2,590
Actual revenues	\$ 1,009,293

Statement of Operations

Expenses

Budget to Actual (in thousands)	Change
Budgeted expenses per financial statements	\$ 982,294
<u>Significant changes</u>	
Transportation Services driven mainly by reduced labour related costs, utilities, materials, and transit costs	(7,518)
Environmental Services driven mainly by timing of CSO grants	(16,909)
Catharines child care centre offset by higher than anticipated compensation and medical supplies in Senior Services for costs 95% funded by the Ministry	(3,822)
Social Housing driven mainly by lower payments to providers	(2,789)
Miscellaneous/other differences than budget	640
Actual expenses	\$ 951,896

Statement of Financial Position

Employee future benefits (Note 5) and landfill liability (Note 7)

(in thousands)	2019		2018	
	EFB*	Landfill	EFB*	Landfill
Liability	\$ 109,642	\$ 61,277	\$ 104,421	\$ 61,397
Reserves	34,589	8,205	34,539	8,288
Funded Status	32%	13%	33%	13%

*EFB - Employee Future Benefits

These liabilities are partially unfunded and are only adjusted annually – no adjustments are made for quarterly reporting purposes

Statement of Financial Position

Long-term liabilities (Note 9)

(in thousands)	2019	2018	Change
Long-term liabilities			
Long-term liabilities	\$ 712,170	\$ 676,851	\$ 35,318
Less: sinking fund assets	(16,266)	(14,193)	(2,073)
Long-term debt	695,904	662,658	33,246
Less: Debt recoverable from LAMs	(316,419)	(305,684)	\$ (10,735)
Net Region long-term liabilities	\$ 379,485	\$ 356,974	\$ 22,511

- Total of \$97 million in debt was issued during the year; and \$64 million was repaid during the year broken down as follows:
 - Region issued \$58 million for NRPS, Transportation, Public Health, Water & Wastewater and NRH; repaid \$35 million
 - LAM's issued \$39 million; repaid \$29 million

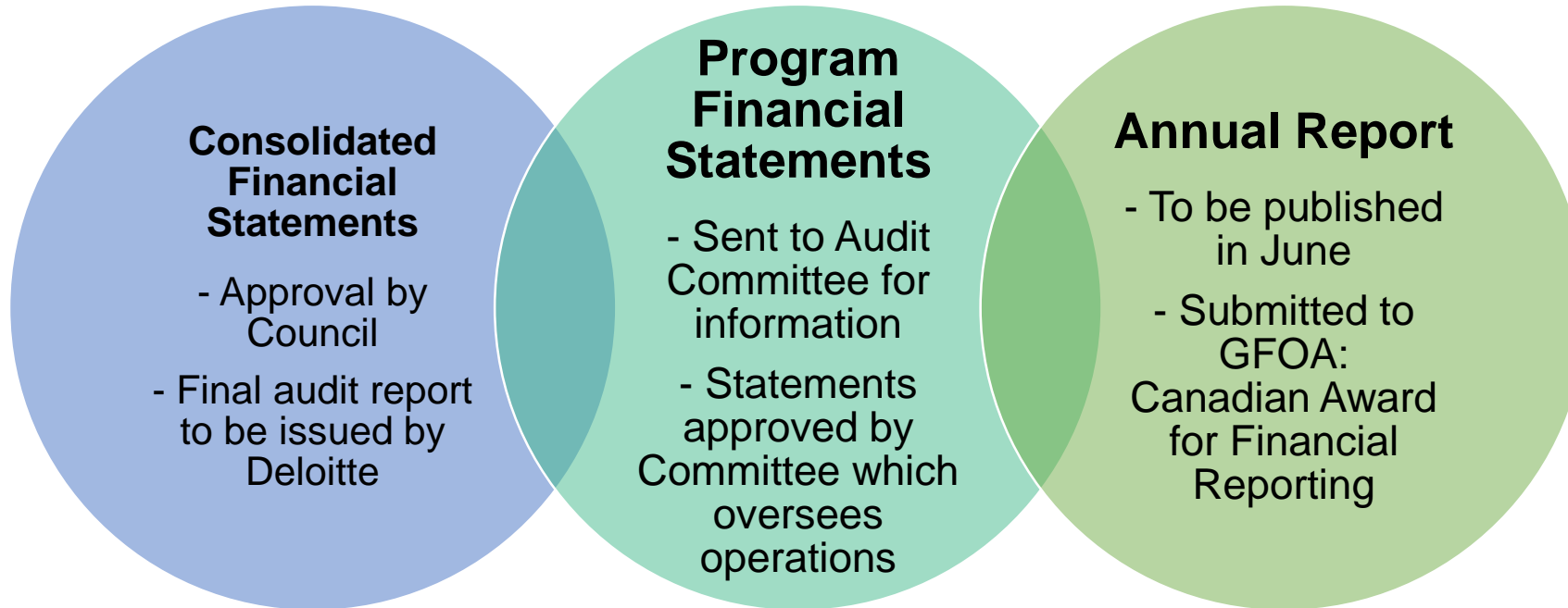
Audit Findings Report

Presented by: Trevor Ferguson, Partner, Deloitte

- Audit findings report included (Appendix 3)
- Unqualified audit opinion
- No Management Letter to Audit Committee / Corporate Services Committee for 2019 year end

Next Steps

Financial Statement Approval and Annual Report



Questions?

Melanie Steele

Associate Director, Reporting & Analysis

905-980-6000 ext. 3591

melanie.steele@niagararegion.ca

Subject: 2019 Audited Consolidated Financial Statements

Report to: Corporate Services Committee

Report date: Wednesday, May 13, 2020

Recommendations

1. That the audited consolidated financial statements of the Regional Municipality of Niagara (the “Niagara Region”), including the sinking fund financial statements and the trust fund financial statements, for the year ended December 31, 2019 **BE APPROVED**;
2. That the audit findings report pertaining to the audited consolidated financial statement of the Niagara Region for the year ended December 31, 2019 **BE RECEIVED** for information; and
3. That staff **BE DIRECTED** to co-ordinate with the auditors to finalize the statements as presented.

Key Facts

- The purpose of this report is to comply with the Audit Committee Terms of Reference that the Audit Committee satisfy itself, on behalf of Regional Council, that Niagara Region’s annual consolidated financial statements are fairly presented in accordance with generally accepted accounting principles and to recommend to Council whether the annual financial statements should be approved.
- Due to COVID-19 measures, the Niagara Region has amended its procedural by-law to allow for electronic meetings for Standing Committees and Council only therefore Audit Committee has been canceled. As all of the Audit Committee members are on Corporate Services Committee, the statements will be presented at Corporate Services Committee who will then recommend approval to Council. Our external auditors, Deloitte, do not have any concerns with this change in process as ultimate approval still rests with Council.
- The requirement for an annual audit is established in the Municipal Act, 2001, S.O. 2001, c.25 paragraphs 294.1 through 296.1
- Niagara Region received an unqualified audit opinion and no management letter points for the year ended December 31, 2019.
- Year end funding surplus results were reported in CSD 15-2020, 2019 Year End Results and Transfer Report, and are consistent with the results reported in the consolidated financial statements adjusted for accounting presentation required of

Public Sector Accounting Standards (PSAS). A reconciliation of the two presentation methodologies is provided in Appendix 1.

Financial Considerations

The consolidated financial statements have been prepared in compliance with legislation and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada.

The Niagara Region budget to actual results (funding surplus) are prepared and reported on a quarterly basis (used as a tool to manage funding requirements), whereas the consolidated financial statements are prepared using Public Sector Accounting Standards (PSAS). Appendix 1 reconciles the surplus per the audited Consolidated Statement of Operations to the funding surplus based on the budget approach previously presented in CSD 15-2020.

A draft copy of the Niagara Region's consolidated financial statements for the year ended December 31, 2019 is attached in Appendix 2. In addition, Deloitte's audit finding report for the year ended December 31, 2019 is also attached in Appendix 3.

Analysis

The consolidated financial statements of the Niagara Region, including the sinking fund financial statements and the trust fund financial statements, for the year ended December 31, 2019 have been audited.

Niagara Region's external auditor (Deloitte) has indicated that in their opinion, the consolidated financial statements present fairly, in all material respects. The fair presentation as of December 31, 2019 includes;

- Consolidated statement of financial position
- Consolidated statement of operations and accumulated surplus
- Consolidated statement of changes in net debt
- Consolidated statement of cash flows
- Sinking fund financial statements
- Trust fund financial statements

The consolidated financial statements are prepared using PSAS, making them comparable to other municipalities in Canada.

The consolidated financial statements reflect the assets, liabilities, revenues and expenses as well as the accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to Niagara Region and which are owned and controlled by the Region. These entities and organizations include:

- Niagara Regional Housing
- Court Services
- Niagara Regional Police Services

During the course of the audit, Deloitte makes note of any observed internal control weaknesses and makes suggestions for improvements through management letter comments. There are no management letter points for the 2019 consolidated financial statement audit.

Sinking Fund Financial Statements

In June 2010, Niagara Region issued sinking fund debentures by law of bylaw 76-2010. The first payment into the sinking fund occurred in June 2011. The Municipal Act, 2001, S.O. 2001, c.25 paragraph 409.6 requires the municipal auditor to certify the balance in the sinking fund each year.

Trust Fund Financial Statements

As per Ontario Regulation 79/10, section 241.(10) of the Long Term Care Homes Act, 2007, every licensee of a long-term care home must have each resident account audited annually.

In accordance with Canadian Auditing Standards, the consolidated financial statements will be dated on the date in which the recognized authority with respect to the financial statements has approved the financial statements. In the case of Niagara Region, this authority lies with Council, and as such, the signed Auditor's report will be received on the date when the financial statements are approved by Council. Until that approval is received, the consolidated financial statements are marked as draft.

Upon completion of the 2019 Annual Report, which contains the consolidated financial statements, the financial statements will be available to the public on the Niagara Region website:

<https://www.niagararegion.ca/business/finance/annual-reports/default.aspx>

Alternatives Reviewed

The consolidated financial statements are prepared using PSAS and an annual audit is a requirement of the Municipal Act, therefore no alternatives were reviewed.

Relationship to Council Strategic Priorities

Providing formal financial reporting to Council and the public supports the Council Strategic Priority of Sustainable and Engaging Government.

Other Pertinent Reports

CSD 15-2020, 2019 Year End Results and Transfer Report

Prepared by:

Melanie Steele, MBA CPA CA
Associate Director, Reporting & Analysis
Corporate Services

Recommended by:

Todd Harrison
Commissioner/Treasurer
Corporate Services

Submitted by:

Ron Tripp, P.Eng.
Acting Chief Administrative Officer

This report was prepared in consultation with Helen Chamberlain, Director, Financial Management and Planning.

Appendices

Appendix 1	Annual Surplus Reconciliation
Appendix 2	Draft 2019 Consolidated Financial Statements
Appendix 3	2019 Deloitte Audit Findings Report

Appendix 1: Annual Surplus Reconciliation

CSD 33-2020

(in thousands)	<u>Approved Budget</u>	<u>2019</u>	<u>2018</u>
Based on budget approach			
Water & Wastewater (deficit) surplus	\$ -	\$ (1,684)	\$ 2,079
Waste Management (deficit) surplus	-	(1,156)	1,551
Levy surplus surplus	-	3,453	1,828
Operating Surplus based on CSD 15-2020	-	613	5,458
PSAS Presentation Adjustments:			
Capital			
Recognize amortization	(87,189)	(87,189)	(82,301)
Recognize in year capital program revenues	44,517	45,376	44,969
Recognize capital fund expenditures resulting in operating expenses	(10,261)	(10,681)	(9,154)
Recognize operating fund expenditures resulting in capital assets	2,040	2,040	1,794
Recognize proceeds & loss on disposal of assets	(765)	(765)	(4,232)
Recognize operating funding transferred to capital program	-	6,190	-
Capital Subtotal	(51,658)	(45,029)	(48,924)
Funded			
Remove principal debt repayments	46,651	33,936	26,759
Remove net transfers to reserves (including interest allocation)	46,939	72,026	72,976
Remove sinking fund activity	-	345	263
Funded Subtotal	93,590	106,307	99,998
Unfunded			
Recognize change in landfill liability	120	120	17,794
Recognize power dams liability	-	422	422
Recognize change in unfunded employee future benefits liability	(5,041)	(5,036)	(2,920)
Unfunded Subtotal	(4,921)	(4,494)	15,296
Annual surplus per PSAS consolidated financial statements	\$ 37,011	\$ 57,397	\$ 71,828

A balanced operating budget, developed for the purposes of setting tax rates and user fees, was approved by Council on February 28, 2019. The operating surplus presented at the top of the chart represents the actual financial results of the Region compared to the operating budget. Since the Region is required to report its annual surplus using Public Sector Accounting standards (PSAS), a number of adjustments are required in order for the financial results to conform with PSAS. For example, in the operating budget capital projects are recognized when funding is allocated, however in order to conform with PSAS an adjustment is required as capital projects should be expensed over time through amortization, rather than immediately.

CONSOLIDATED FINANCIAL STATEMENTS OF THE REGIONAL MUNICIPALITY OF NIAGARA

For the year ended December 31, 2019

DRAFT

THE REGIONAL MUNICIPALITY OF NIAGARA

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of The Regional Municipality of Niagara (the "Region") are the responsibility of the Region's management and have been prepared in accordance with Canadian Public Sector Accounting Standards. A summary of the significant accounting policies is described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Region's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The audit committee meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Deloitte LLP, independent external auditors appointed by the Region. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Region's consolidated financial statements.

Todd Harrison,

Commissioner of Corporate Services/Treasurer

May 13, 2020

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
the Regional Municipality of Niagara

Opinion

We have audited the consolidated financial statements of Regional Municipality of Niagara (the "Region"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations and changes in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Region as at December 31, 2019, and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Region in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Region's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Region or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Region's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

DRAFT AS AT 04/17/2020

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Region's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Region's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Region to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Region to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

"Original signed by Deloitte"

Chartered Professional Accountants
Licensed Public Accountants
May 13, 2020

THE REGIONAL MUNICIPALITY OF NIAGARA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019 (In thousands of dollars)

	2019	2018
FINANCIAL ASSETS		
Cash	\$ 135,681	\$ 106,902
Investments (note 2)	635,596	585,420
Accounts receivable (note 3)	80,140	80,713
Other current assets	417	329
Tangible capital assets held for sale (note 4)	1,760	756
Debt recoverable from others (note 9)	316,419	305,684
	1,170,013	1,079,804
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	129,782	114,195
Employee future benefits and post-employment liabilities (note 5)	109,462	104,421
Deferred revenue (note 6)	219,750	178,320
Landfill closure and post-closure liability (note 7)	61,277	61,397
Long-term liabilities (note 9)	695,904	662,658
Capital lease obligation (note 10)	4,352	-
	1,220,527	1,120,991
Net debt	(50,514)	(41,187)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 11)	1,823,929	1,755,117
Inventory	7,498	7,360
Prepaid expenses	18,609	20,836
	1,850,036	1,783,313
Accumulated surplus (note 12)	\$ 1,799,522	\$ 1,742,126

The accompanying notes are an integral part of these consolidated financial statements.

THE REGIONAL MUNICIPALITY OF NIAGARA

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31, 2019 (In thousands of dollars)

	2019 Budget (note 20)	2019 Actual	2018 Actual
REVENUES (Note 19)			
Taxation and user charges:			
Levies on area municipalities	\$ 380,993	\$ 383,481	\$ 363,304
User charges	226,456	223,723	216,641
	607,449	607,204	579,945
Government transfers (note 18):			
Government of Canada	26,497	26,690	24,986
Province of Ontario	326,670	320,813	322,020
Other municipalities	687	861	608
	353,854	348,364	347,614
Other:			
Development charges earned	26,314	19,814	13,387
Investment income	17,519	18,176	16,613
Provincial offences	6,740	7,025	7,336
Miscellaneous	7,429	8,710	14,234
	58,002	53,725	51,570
Total revenues	1,019,305	1,009,293	979,129
EXPENSES (Note 19)			
General government	43,417	43,503	43,507
Protection to persons and property	193,701	192,662	189,911
Transportation services	80,451	72,933	66,063
Environmental services	167,317	150,408	123,780
Health services	106,017	107,966	98,499
Social and family services	306,453	302,631	297,976
Social housing	66,753	63,964	64,095
Planning and development	18,185	17,830	23,470
Total expenses	982,294	951,897	907,301
Annual surplus	37,011	57,396	71,828
Accumulated surplus, beginning of year	1,742,126	1,742,126	1,670,298
Accumulated surplus, end of year	\$ 1,779,137	\$ 1,799,522	\$ 1,742,126

The accompanying notes are an integral part of these consolidated financial statements.

THE REGIONAL MUNICIPALITY OF NIAGARA

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the year ended December 31, 2019 (In thousands of dollars)

	2019 Budget (note 20)	2019 Actual	2018 Actual
Annual surplus	\$ 37,011	\$ 57,396	\$ 71,828
Acquisition of tangible capital assets	(158,046)	(158,046)	(104,039)
Contributed tangible capital assets	(142)	(142)	(3,615)
Transfers from (to) tangible capital assets held for sale	1,004	1,004	(2,759)
Amortization of tangible capital assets	87,189	87,189	82,301
Loss on sale of tangible capital assets	197	197	1,295
Proceeds on sale of tangible capital assets	568	568	2,850
Write down on tangible capital assets held for sale	418	418	-
Change in inventory	-	(138)	(41)
Change in prepaid expenses	-	2,227	(3,664)
Change in net debt	(31,801)	(9,327)	44,156
Net debt, beginning of year	(41,187)	(41,187)	(85,343)
Net debt, end of year	\$ (72,988)	\$ (50,514)	\$ (41,187)

The accompanying notes are an integral part of these consolidated financial statements.

THE REGIONAL MUNICIPALITY OF NIAGARA

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019 (In thousands of dollars)

	2019	2018
OPERATING ACTIVITIES		
Annual surplus	\$ 57,396	\$ 71,828
Items not involving cash:		
Amortization of tangible capital assets	87,189	82,301
Loss on sale of tangible capital assets	197	1,295
Contributed tangible capital assets	(142)	(3,615)
Write down on tangible capital assets held for sale	418	-
Change in employee future benefits and post-employment liabilities	5,041	3,018
Change in landfill closure and post-closure liability	(120)	(17,794)
Change in non-cash assets and liabilities:		
Accounts receivable	573	(2,131)
Other current assets	(88)	(117)
Accounts payable and accrued liabilities	15,587	(8,026)
Deferred revenue	41,430	36,098
Inventory	(138)	(41)
Prepaid expenses	2,227	(3,664)
Net change in cash from operating activities	209,570	159,152
CAPITAL ACTIVITIES		
Proceeds on sale of tangible capital assets	568	2,850
Cash used to acquire tangible capital assets	(158,046)	(104,039)
Net change in cash from capital activities	(157,478)	(101,189)
INVESTING ACTIVITIES		
Proceeds on sale of investments	137,880	35,135
Purchase of investments	(188,056)	(140,425)
Net change in cash from investing activities	(50,176)	(105,290)
FINANCING ACTIVITIES		
Capital lease acquired	6,379	-
Capital lease payments	(2,027)	-
Proceeds on debt issued and assumed	58,263	38,999
Long-term debt repaid	(33,936)	(26,759)
Increase in sinking fund assets	(1,816)	(1,776)
Net change in cash from financing activities	26,863	10,464
Net change in cash	28,779	(36,863)
Cash, beginning of year	106,902	143,765
Cash, end of year	\$ 135,681	\$ 106,902
Cash paid for interest	13,289	12,993
Cash received from interest	20,065	15,175
Investing and financing activities on behalf of others:		
Debt issued on behalf of others	39,412	48,230
Repayment made on behalf of others	28,677	27,956

The accompanying notes are an integral part of these consolidated financial statements.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

1. Significant accounting policies:

The Regional Municipality of Niagara (the "Region") is an upper-tier municipality in the Province of Ontario (the "Province"), Canada. The provisions of provincial statutes such as the Municipal Act, Municipal Affairs Act and related legislation guide its operations.

The consolidated financial statements of The Regional Municipality of Niagara are prepared by management in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA Canada"). Significant accounting policies adopted by the Region are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Region and which are owned or controlled by the Region. These entities and organizations include:

Niagara Regional Police Services

Niagara Regional Housing

Court Services Operations

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

(ii) Trust funds:

Trust funds and their related operations administered by the Region are not included in these consolidated financial statements.

(b) Basis of accounting:

The Region follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Investments:

Investments consist of bonds and money market notes and are stated at the lower of cost and market value. Gains and losses on investments are recorded when incurred.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

1. Significant accounting policies (continued):

(f) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value of the tangible capital assets, excluding land and landfill sites, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Landfill and land improvements	3 – 50
Building and building improvements	3 – 60
Vehicles, machinery and equipment	- Vehicles 3 – 20
	- Machinery and equipment 3 – 60
Water and wastewater infrastructure	25 – 100
Roads infrastructure	- Base 40
	- Bridge and culvert 60
	- Surface 10
	- Other infrastructure 5 - 40

Landfill sites are amortized using the units of production method based upon capacity used during the year.

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction (work in progress) are not amortized until the asset is in service.

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Intangible assets:

Intangible assets and natural resources that have not been purchased are not recognized as assets in the consolidated financial statements.

(iv) Interest capitalization:

The Region's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of a tangible capital asset.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

(v) Leases:

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(vi) Inventories:

Inventories held for consumption are recorded at the lower of cost and replacement cost.

(g) Reserves and reserve funds:

Certain amounts, as approved by Regional Council are set aside in reserves for future operating and capital purposes. Transfers to and/or from reserves are an adjustment to the respective reserve when approved. Reserves are presented on the consolidated statement of financial position in accumulated surplus.

(h) Government transfers:

Government transfers are recognized as revenue in the consolidated financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made, except when and to the extent that stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

(i) Deferred revenue:

Deferred revenues represent development charges collected under the Development Charges Act (1997), grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts are recognized as revenues in the fiscal year the services are performed.

(j) Taxation revenue:

Property tax revenue is recognized on an accrual basis when the tax is authorized by the passing of the tax levy by-law. Taxes are levied on properties listed on the assessment roll at the time the by-law is passed based on approved budget and tax rates. Supplementary taxation is recognized as additional billings are issued for properties that are added to the assessment roll during the year.

At year end, the Region evaluates the likelihood of having to repay taxes as a result of tax appeals or other changes and recognizes the liability if the amount can be reasonably estimated.

(k) Investment income:

Investment income earned on surplus current fund, capital fund, reserves and reserve funds (other than obligatory reserve funds which are comprised of development charges and gas tax), are reported as revenue in the period earned. Investment income earned on obligatory reserve funds is added to the fund balance and forms part of the deferred development charges balance.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

1. Significant accounting policies (continued):

(l) Municipal cost-sharing:

The Region acts as an intermediary to administer capital projects for the acquisition of assets belonging to local area municipalities. Funding received and expenses incurred relating to the local area municipalities share of these projects amounted to \$4,886 (2018 \$982) and is not reflected in these consolidated financial statements.

(m) Tangible capital assets held for sale:

Tangible capital assets which meet the criteria for financial assets are reclassified as "tangible capital assets held for sale" on the consolidated statement of financial position. Tangible capital assets held for sale are recorded at the lower of cost and net realizable value.

Tangible capital assets held for sale are reasonably anticipated to be sold to a purchaser, external to the Region, within one year of the statement of financial position date.

(n) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for tax write-offs, accrued liabilities, landfill closure and post-closure liability, contaminated site liability, certain payroll liabilities and in performing actuarial valuations of employee future benefits and post-employment liabilities. Amounts recorded for amortization of tangible capital assets are based on estimates of useful service life. Actual results could differ from these estimates.

2. Investments:

Investments reported on the consolidated statement of financial position at the lower of cost or market have market values as follows:

	2019		2018	
	Cost	Market Value	Cost	Market Value
Investments	\$ 635,596	\$ 650,422	\$ 585,420	\$ 586,280

The Region has purchased \$4,841 (2018 - \$5,961) of its own debentures issued on behalf of itself and local area municipalities which have not been cancelled. This investment in own debentures is included in investments on the consolidated statement of financial position. The Region's share of the gross outstanding amount of these debentures is \$36,627 (2018 - \$39,742). Coupon rates for these debentures ranged from 3.10% to 3.95%.

3. Accounts receivable:

Accounts receivable are reported net of a valuation allowance of \$763 (2018 - \$643).

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

4. Tangible capital assets held for sale:

During the year, the Region wrote down tangible capital assets held for sale to these assets net realizable value in the amount of \$418 (2018 – \$nil). The value of write downs related to tangible capital assets held for sale is reported in the consolidated statement of operations.

5. Employee future benefits and post-employment liabilities:

The Region provides certain employee benefits which will require funding in future periods. These benefits include benefits under the Workplace Safety and Insurance Board ("WSIB") Act, sick leave, life insurance, extended health and dental benefits for early retirees.

	2019	2018
Workplace Safety & Insurance Board	\$ 48,039	\$ 42,407
Accumulated Sick Leave	11,818	13,544
Retiree benefits	35,335	34,909
Vacation pay	10,098	9,587
Other post-employment liabilities	4,172	3,974
Total employee future benefits and post-employment liabilities	\$ 109,462	\$ 104,421

Employee future benefits and post-employment benefits reported on the consolidated statement of financial position by entity consist of the following:

	2019	2018
Niagara Regional Police Services	\$ 61,438	\$ 59,976
Niagara Regional Housing	1,648	1,738
Niagara Region	46,376	42,707
Total	\$ 109,462	\$ 104,421

The Region has established reserve funds to mitigate the future impact of these obligations. These reserves were created under municipal by-law and do not meet the definition of a plan asset under PSAS PS3250 Retirement Benefits. Therefore, for the purposes of these financial statements, the plans are considered unfunded. These reserve funds are presented in the consolidated statement of financial position within accumulated surplus. Reserves relating to these liabilities are summarized by entity below:

	2019	2018
Niagara Regional Police Services	\$ 9,101	\$ 8,902
Niagara Regional Housing	793	792
Niagara Region	24,695	24,845
Total (Note 12)	\$ 34,589	\$ 34,539

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

5. Employee future benefits and post-employment liabilities (continued):

Information about the Region's benefit plans is as follows:

2019				
	Niagara Regional Police	Niagara Regional Housing	Niagara Region	Total
Accrued benefit obligation:				
Balance, beginning of year	\$ 65,513	\$ 460	\$ 52,454	\$ 118,427
Current benefit cost	5,075	42	6,367	11,484
Interest	2,302	6	1,610	3,918
Benefits paid	(6,466)	(28)	(5,070)	(11,564)
Balance, end of year	66,424	480	55,361	122,265
Unamortized actuarial (loss) gain	(4,986)	1,168	(8,985)	(12,803)
Liability	\$ 61,438	\$ 1,648	\$ 46,376	\$ 109,462
2018				
	Niagara Regional Police	Niagara Regional Housing	Niagara Region	Total
Accrued benefit obligation:				
Balance, beginning of year	\$ 59,187	\$ 1,779	\$ 37,098	\$ 98,064
Current benefit cost	5,370	344	2,481	8,195
Interest	1,724	51	826	2,601
Actuarial loss (gain)	4,416	(1,591)	14,858	17,683
Benefits paid	(5,184)	(123)	(2,809)	(8,116)
Balance, end of year	65,513	460	52,454	118,427
Unamortized actuarial (loss) gain	(5,537)	1,278	(9,747)	(14,006)
Liability	\$59,976	\$1,738	\$42,707	\$104,421

Included in expenses is \$1,202 (2018 - \$338) for amortization of the actuarial gain. The unamortized actuarial gain (loss) is amortized over the expected average remaining service life as listed below:

Accumulated Sick Leave Benefit Plan entitlements	6 - 12 years
Retiree benefits	16 - 21 years

The most recent actuarial valuation was completed as at December 31, 2018 with estimates to December 31, 2021.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

5. Employee future benefits and post-employment liabilities (continued):

Workplace Safety and Insurance Board ("WSIB")

With respect to responsibilities under provisions of the Workplace Safety and Insurance Act the Region has elected to be treated as a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. An actuarial estimate of future liabilities of the Region under the provisions of the Workplace Safety and Insurance Act has been completed and forms the basis for the estimated liability reported in these financial statements.

The unamortized actuarial gain on future payments required to WSIB is amortized over the expected period of the liability which is 11 years.

The main actuarial assumptions employed for the valuation are as follows:

Discount rate

The obligation of the present value of future liabilities as at December 31, 2019 and the expense for the year ended December 31, 2019, were determined using a discount rate of 3.75% (2018 – 3.75%).

Administration costs

Administration costs were assumed to be 32% (2018 – 32%) of the compensation expense.

Compensation expense

Compensation costs include loss of earnings benefits, health care costs and non-economic loss awards, were assumed to increase at a rate of 2.0% per annum (2018 – 2.0%).

Accumulated sick leave

Under the accumulated sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to a cash payment when they leave the Region's employment.

The main actuarial assumptions employed for the valuation are as follows:

Discount rate

The obligation as at December 31, 2019, of the present value of future liabilities and the expense for the year ended December 31, 2019, were determined using a discount rate of 3.75% (2018 – 3.75%).

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

5. Employee future benefits and post-employment liabilities (continued):

Retiree benefits

The Region pays certain life insurance benefits on behalf of retired employees as well as extended health and dental benefits for early retirees to age 65 and Health Care Spending Accounts for certain retirees until the age of 70 or 75 depending on year of retirement. The Region recognizes these post-retirement costs in the period in which the employees rendered the services.

The unamortized actuarial loss on retiree benefits is amortized over the expected average remaining service life of 10 years.

The main actuarial assumptions employed for the valuations are as follows:

Discount rate

The obligation as at December 31, 2019, of the present value of future liabilities and the expense for the year ended December 31, 2019, were determined using a discount rate of 3.75% (2018 - 3.75%).

Medical costs

Medical costs were assumed to increase at the rate of 3.42% (2018 – 3.42%) per year, reducing to 2.75% in 2022 and thereafter.

Dental costs

Dental costs were assumed to increase at the rate of 2.75% (2018 – 2.75%) per year.

Inflation

Inflation was assumed to be 1.75% (2018 – 1.75%) per year.

Other pension plans

The Region makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Region accounts for its participation in OMERS as a defined contribution plan. The OMERS Plan ended 2019 with a funding deficit of \$3.4 billion (2018 - \$4.2 billion). The funded ratio has increased to 97% from 96% in 2018. The funded ratio has increased for the seventh consecutive year.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

5. Employee future benefits and post-employment liabilities (continued):

Other pension plans (continued)

The amount contributed to OMERS for 2019 was \$31,292 (2018 - \$30,473) for current service and is included as an expense on the consolidated statement of operations. Employees' contribution to OMERS in 2019 were \$31,259 (2018 - \$30,453).

Contributions for employees with a normal retirement age of 65 were being made at rate of 9.0% (2018 - 9.0%) for earnings up to the yearly maximum pensionable earnings of \$57.40 (2018 - \$55.90) and at a rate of 14.6% (2018 - 14.6%) for earnings greater than the yearly maximum pensionable earnings. For uniformed police officers with a normal retirement age of 60, those rates were 9.2% (2018 - 9.2%) and 15.8% (2018 - 15.8%) respectively.

6. Deferred revenue:

In accordance with PSAS, obligatory reserve funds are reported as deferred revenue. The Region treats development charges and gas tax as obligatory reserve funds. The Region has obligatory reserve funds in the amount of \$198,142 (2018 - \$154,762). These reserve funds are considered obligatory as Provincial and Federal legislation restricts how these funds may be used, and under certain circumstances, how these funds may be refunded.

Amounts related to development charges collected are recognized as revenue when the Region has approved and incurred the expenses for the capital works for which the development charges were raised. These funds have been set aside, as required by the Development Charges Act (1997), to defray the cost of growth related capital projects associated with new development.

In 2008, Investing in Ontario approved a total funding of \$20,157 for capital infrastructure. Revenue is recognized as expenses are incurred. The remaining balance of \$10,617 has been set aside for the construction of the South Niagara East-West Corridor.

The deferred revenues, reported on the consolidated statement of financial position, are made up of the following:

	2019	2018
Development charges	\$ 163,141	\$ 134,530
Gas tax	35,001	20,232
Obligatory reserve funds	198,142	154,762
Investing in Ontario Grant	10,617	10,617
Other deferred revenue	10,991	12,941
Balance, end of year	\$ 219,750	\$ 178,320

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

6. Deferred revenue (continued):

The continuity of obligatory reserve funds are summarized below:

Development charges:

	2019	2018
Balance, beginning of year	\$ 134,530	\$ 97,197
Externally restricted inflows	45,478	48,817
Revenue earned	(19,814)	(13,387)
Investment income	2,947	1,903
Balance, end of year	\$ 163,141	\$ 134,530

Gas tax:

	2019	2018
Balance, beginning of year	\$ 20,232	\$ 19,124
Externally restricted inflows	28,344	14,415
Revenue earned	(14,121)	(13,630)
Investment income	546	323
Balance, end of year	\$ 35,001	\$ 20,232

7. Landfill closure and post-closure liability:

The Region owns and monitors 14 landfill sites, two of which are open and operating. The liability for closure of operational sites and post-closure care has been recognized based upon the usage of the site's capacity during the year. Landfill closure and post-closure care are activities that are expected to occur in perpetuity and requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance.

The costs were based upon the 2019 budget and inflation adjusted at a rate of 1.75% per annum (2018 – 1.75%) until the end of contamination. These costs were then discounted to December 31, 2019 using a discount rate of 3.75% (2018 – 3.75%). Post-closure care is estimated to be required for the contaminating lifespan of landfill sites up to 40 years (2018 – 40 years). The liability for closure and post-closure care as at December 31, 2019 is \$61,277 (2018 - \$61,397). Estimated total expenditures for closure and post-closure care are \$71,419 (2018 - \$75,440). The liability remaining to be recognized is \$10,142 (2018 - \$14,043). It is estimated that the life of open landfill sites range from 31 to 46 years with an estimated total remaining capacity of 3,285 thousand cubic meters (2018 - 3,473 thousand cubic meters).

The Region has a landfill reserve which is dedicated for costs relating to settling closure and post-closure care liabilities. As of December 31, 2019 the reserve balance is \$8,205 (2018 - \$8,288).

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

8. Contaminated site liability:

A liability for the remediation of contaminated sites is recognized as the best estimate of the amount required to remediate the contaminated sites when the following criteria are met: contamination exceeding an environmental standard exists, the Region is either directly responsible or accepts responsibility for the remediation, it is expected that the future economic benefit will be given up, and a reasonable estimate of the amount is determinable. If the likelihood of the Region's obligation to incur these costs is either not determinable, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements.

As at December 31, 2019 there are no contaminated sites that meet the specified criteria and no liability (2018 - \$nil) for contaminated sites has been recorded in the consolidated financial statements.

9. Net long-term liabilities:

- (a) As well as incurring long-term liabilities for regional purposes, the Region also incurs long-term liabilities on behalf of the area municipalities. The responsibility for raising the amounts required to service this debt lies with the respective area municipalities.

The balance of net long-term liabilities reported on the consolidated statement of financial position is made up of the following:

	2019	2018
Long-term liabilities incurred by the Region	\$ 712,170	\$ 676,851
Less: Sinking fund assets	(16,266)	(14,193)
Long-term debt	\$ 695,904	\$ 662,658
Debt recoverable from others net of sinking fund assets (long-term liabilities incurred by the Region for which other entities have assumed responsibility)	(316,419)	(305,684)
Net long-term debt, end of year	\$ 379,485	\$ 356,974

- (b) The long-term liabilities in (a) issued in the name of the Region have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.
- (c) The Region issued sinking fund debentures of \$78,079 payable on June 30, 2040 and bearing interest at the rate of 5.2% per annum. The sinking fund debentures are included in long-term liabilities in (a) and include \$9,333 borrowed on behalf of the City of St. Catharines and shown as debt recoverable from others. The City of St. Catharines share of the sinking fund assets have been removed from the debt recoverable from others in (a). Annual principal payments into the sinking fund of \$1,512 are due June 30 of each year. These payments are reflected as principal repayments in (e).

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

9. Net long-term liabilities (continued):

(d) The Region is contingently liable for long-term liabilities with respect to debt issued for area municipalities, school boards, tile drainage and shoreline property assistance. The total amount outstanding as at December 31, 2019 is \$316,419 (2018 - \$305,684) and is reported on the consolidated statement of financial position as debt recoverable from others.

(e) Principal payments to be funded by the Region, including sinking fund payments, due in each of the next five years are as follows:

	2019
2020	\$ 31,573
2021	27,233
2022	26,982
2023	26,603
2024	23,878
Thereafter	243,216
	\$ 379,485

Total interest on net long-term liabilities which are reported on the consolidated statement of operations amounted to \$13,340 in 2019 (2018 - \$13,212). The long-term liabilities bear interest at rates ranging from 1.3% to 4.8%. The interest on long-term liabilities assumed by the municipalities or by individuals in the case of tile drainage and shoreline property assistance loans are not reflected in these consolidated financial statements.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

10. Capital lease obligation:

In 2017, the Region entered into a lease agreement for the construction of land and building in Niagara Falls to be used for Public Health. Upon completion of the construction in 2019, the Region has accounted for the obligation as a capital lease. The amount of the obligation is calculated as the present value of payments required under the terms of the agreement. The discount rate used by the Region in determining the present value of the lease payments is 3.75%.

The payments under the lease agreement began in 2019 and the agreement requires monthly lease payments over a period of 30 years until 2049 in addition to balloon payment required in 2029.

Future annual lease payments under the agreement are as follows:

	2019
2020	\$ 216
2021	216
2022	216
2023	216
2024	216
Thereafter	6,263
Total minimum lease payments	\$ 7,343
Less: amount representing implicit interest at 3.75%	(2,991)
Capital lease obligation	\$ 4,352

In 2019, interest of \$95 relating to the capital lease obligation has been reported in the consolidated statement of operations.

The cost of the leased tangible capital assets at December 31, 2019 is \$6,379 and accumulated amortization of leased tangible capital assets at December 31, 2019 is \$69. Amortization of the building is calculated using the straight line method for a period of 40 years.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

11. Tangible capital assets:

	2019							
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Work in progress	Total
Cost								
Balance, beginning of year	\$ 223,572	\$ 101,046	\$ 773,995	\$ 627,622	\$ 355,448	\$ 781,767	\$ 148,601	\$ 3,012,051
Additions/transfers	1,526	5,300	38,050	18,441	17,151	46,936	30,784	158,188
Disposals	(1,432)	(1,756)	(4,246)	(6,892)	-	(4,462)	-	(18,788)
Balance, end of year	223,666	104,590	807,799	639,171	372,599	824,241	179,385	3,151,451
Accumulated Amortization								
Balance, beginning of year	-	53,869	363,510	403,820	82,372	353,363	-	1,256,934
Disposals	-	(1,747)	(4,073)	(5,438)	-	(5,343)	-	(16,601)
Amortization expense	-	3,505	24,005	30,541	5,282	23,856	-	87,189
Balance, end of year	-	55,627	383,442	428,923	87,654	371,876	-	1,327,522
Net Book Value, end of year	\$ 223,666	\$ 48,963	\$ 424,357	\$ 210,248	\$ 284,945	\$ 452,365	\$ 179,385	\$ 1,823,929

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

11. Tangible capital assets (continued):

	2018							
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Work in progress	Total
Cost								
Balance, beginning of year	\$ 221,881	\$ 98,785	\$ 764,034	\$ 621,224	\$ 342,251	\$ 762,655	\$ 114,490	\$ 2,925,320
Additions/transfers	1,691	2,538	10,617	21,010	13,234	24,453	34,111	107,654
Disposals	-	(277)	(656)	(14,612)	(37)	(5,341)	-	(20,923)
Balance, end of year	223,572	101,046	773,995	627,622	355,448	781,767	148,601	3,012,051
Accumulated Amortization								
Balance, beginning of year	-	50,854	340,824	386,901	77,332	338,259	-	1,194,170
Disposals	-	(277)	(421)	(14,095)	(18)	(4,726)	-	(19,537)
Amortization expense	-	3,292	23,107	31,014	5,058	19,830	-	82,301
Balance, end of year	-	53,869	363,510	403,820	82,372	353,363	-	1,256,934
Net Book Value, end of year	\$ 223,572	\$ 47,177	\$ 410,485	\$ 223,802	\$ 273,076	\$ 428,404	\$ 148,601	\$ 1,755,117

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

11. Tangible capital assets (continued):

(a) Work in progress

Work in progress having a value of \$179,385 (2018 - \$148,601) have not been amortized. Amortization of these assets will commence when the asset is put into service. Included in work in progress at December 31, 2019 is \$13,687 (2018 - \$nil) related to Niagara Region's contribution toward the construction of the 2021 Canada Summer Games infrastructure. The Niagara Region also has an additional commitment of \$6,350 to this project and plans to fund 68% of the total contribution with federal gas tax revenue

(b) Contributed tangible capital assets

Contributed capital assets are recognized at fair market value at the date of contribution. Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned. The value of contributed assets transferred to the Region during the year is \$142 (2018 - \$3,615).

(c) Works of art and historical treasures

No works of art or historical treasures are held by the Region.

(d) Write-downs of tangible capital assets

The Region had \$nil write-downs (2018 - \$nil) of tangible capital assets during the year.

The value of write-downs related to tangible capital assets is reported in the consolidated statement of operations.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

12. Accumulated Surplus:

Accumulated surplus consists of balances as follows:

	2019	2018
Surplus:		
Invested in tangible capital assets	\$ 1,440,091	\$ 1,398,144
Capital fund – unexpended capital financing	271,407	226,159
Operating fund	(10,886)	(12,686)
Unfunded		
Landfill closure and post-closure liability	(61,277)	(61,397)
Employee future benefits and post-employment liabilities	(108,148)	(103,112)
Total surplus	1,531,187	1,447,108
Reserves set aside by Council:		
Ambulance communication	37	37
Circle route initiatives	1,383	1,383
Employee benefits	34,589	34,539
Encumbrances	16,377	19,494
General capital levy	15,680	26,221
Niagara Regional Housing	14,482	10,439
Court Services facilities renewal	2,876	1,650
Public liability self-insurance	2,270	2,270
Smart growth	201	201
Taxpayer relief reserve	23,757	26,539
Waste management	21,813	24,330
Wastewater	43,424	46,228
Water	81,798	91,930
Landfill liability	8,205	8,288
Other reserves	1,443	1,469
Total reserves	268,335	295,018
Total accumulated surplus	\$ 1,799,522	\$ 1,742,126

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

13. Trust funds:

Trust funds administered by the Region amounting to \$962 (2018 - \$958) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations. The financial position and activities of the trust funds are reported separately in the trust fund financial statements.

14. Commitments:

- (a) The Region has outstanding contractual obligations of approximately \$184,243 (2018 - \$93,111) for public works projects. These costs include holdbacks. The holdbacks related to work completed as of December 31, 2019 have been accrued. Regional council has authorized the financing of these obligations.
- (b) The Region is committed to paying principal and interest payments on provincial debentures issued to finance the properties transferred to Niagara Regional Housing from Ontario Housing Corporation. The debentures are outstanding in the amount of \$7,124 (2018 - \$8,750). Annual payments of \$2,063 (2018 - \$2,159) have been charged to current operations.
- (c) The Region enters into various service contracts and other agreements in the normal course of business, which have been approved by the appropriate level of management or by Council but which have not been reported as commitments.
- (d) Minimum annual operating lease payments:

The Region has commitments under various building, land and equipment lease agreements with minimum annual operating lease payments as follows:

	2019
2020	\$ 2,032
2021	1,620
2022	1,173
2023	733
2024	647
Thereafter	389
	<u>\$ 6,594</u>

15. Contingent liabilities:

At December 31, 2019, the Region has been named defendant or co-defendant in a number of outstanding legal actions. No provision has been made for any claims that are expected to be covered by insurance or where the consequences are undeterminable. A provision of \$9,576 (2018 - \$10,935) has been made for those claims not expected to be covered by insurance.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

16. Public Liability Insurance:

The Region has undertaken a portion of the risk for public liability as a means of achieving efficient and cost effective risk management. The Region is self-insured for public liability claims up to \$1,000 for any individual claim and \$1,000 for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these amounts up to \$50,000 per occurrence.

The Region has a reserve fund for allocated self-insurance claims which as at December 31, 2019 amount to \$2,270 (2018 - \$2,270) and is reported on the consolidated statement of financial position under accumulated surplus. An amount of \$nil (2018- \$nil) has been transferred from this reserve fund in the current year.

Payments charged against operations in the current year amounted to \$6,091 (2018 - \$3,972).

17. Self-funded employee benefit plans:

The Region provides a group health and dental plan for certain employees and has assumed the full liability for payment of benefits under this plan.

Payments charged against operations in the current year amounted to \$17,886 (2018 - \$17,754).

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THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

18. Government transfers:

The government transfers reported on the consolidated statement of operations are:

	Budget	2019	2018
Revenue:			
Government of Canada:			
Transportation services	\$ 10,668	\$ 10,668	\$ 12,059
Environmental services	6,164	6,164	2,602
Health services	-	54	53
Social and family services	1,082	1,125	2,339
Social housing	8,383	8,598	7,787
Planning and development	200	81	146
	26,497	26,690	24,986
Province of Ontario:			
General government	1,951	1,952	1,930
Protection to persons and property	10,008	9,652	10,007
Transportation services	2,048	2,031	1,558
Environmental services	1,626	1,626	1,127
Health services	65,843	64,920	62,419
Social and family services	233,277	230,206	226,638
Social housing	11,917	10,426	18,306
Planning and development	-	-	35
	326,670	320,813	322,020
Other municipalities:			
General government	369	542	200
Protection to persons and property	318	319	332
Transportation services	-	-	576
Environmental services	-	-	(500)
	687	861	608
Total revenues	\$ 353,854	\$ 348,364	\$ 347,614

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

19. Segmented information:

Segmented information has been identified based upon functional areas by the Region.

The functional areas have been separately disclosed in the segmented information as follows:

(i) General government:

General government consists of the general management of the Region, including adopting by-laws and policy, levying taxes, issuing debentures and providing administrative, technical, facility management, and financial services.

(ii) Protection to persons and property:

Protection to persons and property is comprised of Police Services and Court Services. The mandate of Police Services is to ensure the safety of the lives and property of citizens, preserve peace and good order, prevent crimes from occurring, detect offenders and enforce the law. Court Services is responsible for administering and prosecuting Provincial Offences including those committed under the Highway Traffic Act, the Compulsory Automobile Insurance Act, the Trespass to Property Act, the Liquor License Act and other provincial legislation, municipal by-laws and minor federal offences. Court Services governs all aspects of the legal prosecution process, from serving an offence notice to an accused person to conducting trials including sentencing and appeals.

(iii) Transportation services:

Transportation services is responsible for the planning, design, operation and maintenance of the roadway system, the maintenance of parks and open space, and street lights.

(iv) Environmental services:

Environmental services is responsible for the engineering and operation of the water and wastewater systems and waste management. Waste management encompasses solid waste collection and disposal and Niagara Recycling.

(v) Health services:

The Public Health Department offers a range of programs related to health services that includes protection and promotion, disease and injury prevention and also oversees the Emergency Services Division ("ESD") that encompasses both Land Ambulance ("Paramedic") Services and Land Ambulance Communications ("Dispatch") Services.

(vi) Social and family services:

The Community Services department is responsible for providing public services that sustains and supports individuals, families and communities. Programs and services are delivered through Senior Services, Children's Services, Social Assistance and Employment Opportunities and Homelessness Services and Community Engagement.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

19. Segmented information (continued):

(vii) Social housing:

Social housing is responsible for providing and advocating for secure, affordable housing in the Region.

(viii) Planning and development:

The Planning and Development department provides information to Council and the community through working with partners and community groups to support planning initiatives in the region, providing information to residents about Region programs and services. The planning and development department also supports the Region special initiatives.

Certain allocation methodologies are employed in the preparation of segmented information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment's budgeted net expenses. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development charges earned and developer contributions received are allocated to the segment for which the charge was collected.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

19. Segmented information (continued):

	2019								
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Social housing	Planning and development	Total
Revenues:									
Levies on area municipalities	\$ 348,152	-	-	\$ 35,329	-	-	-	-	\$ 383,481
User charges	746	8,119	6,680	163,353	735	27,908	15,293	889	223,723
Government transfers	2,494	9,971	12,699	7,790	64,974	231,331	19,024	81	348,364
Development charges earned	-	(4)	12,556	6,570	14	-	272	406	19,814
Investment income	17,842	-	-	-	-	-	334	-	18,176
Provincial offenses	-	7,025	-	-	-	-	-	-	7,025
Miscellaneous	1,815	835	61	4,691	74	842	388	4	8,710
Total revenues	371,049	25,946	31,996	217,733	65,797	260,081	35,311	1,380	1,009,293
Expenses:									
Salaries, wages and employee benefits	6,061	156,665	15,648	32,249	90,134	110,197	6,042	5,506	422,502
Operating expenses	13,784	17,728	25,133	86,358	14,793	78,421	19,876	1,849	257,942
External transfers	3,247	7,895	5,490	4,263	-	110,122	29,516	10,475	171,008
Debt services	13,230	-	26	-	-	-	-	-	13,256
Amortization	7,181	10,374	26,636	27,538	3,039	3,891	8,530	-	87,189
Total expenses:	43,503	192,662	72,933	150,408	107,966	302,631	63,964	17,830	951,897
Annual surplus (deficit)	\$ 327,546	\$ (166,716)	\$ (40,937)	\$ 67,325	\$ (42,169)	\$ (42,550)	\$ (28,653)	\$ (16,450)	\$ 57,396

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

19. Segmented information (continued):

2018									
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Social housing	Planning and development	Total
Revenues:									
Levies on area municipalities	\$ 328,702	-	-	\$ 34,602	-	-	-	-	\$ 363,304
User charges	178	8,510	3,937	161,464	385	26,892	14,192	1,083	216,641
Government transfers	2,118	10,339	14,205	3,230	62,473	228,976	26,092	181	347,614
Development charges earned	6	33	10,953	1,890	249	-	-	256	13,387
Investment income	16,234	-	-	-	3	-	376	-	16,613
Provincial offenses	-	7,336	-	-	-	-	-	-	7,336
Miscellaneous	6,579	1,574	(1,722)	5,655	1,117	503	455	73	14,234
Total revenues	353,817	27,792	27,373	206,841	64,227	256,371	41,115	1,593	979,129
Expenses:									
Salaries, wages and employee benefits	6,084	152,946	13,927	30,084	81,503	107,727	6,451	5,328	404,050
Operating expenses	16,091	17,066	27,287	63,173	13,609	81,667	22,582	2,381	243,856
External transfers	1,229	9,250	2,229	3,390	-	104,684	27,336	15,761	163,879
Debt services	13,188	-	27	-	-	-	-	-	13,215
Amortization	6,915	10,649	22,593	27,133	3,387	3,898	7,726	-	82,301
Total expenses:	43,507	189,911	66,063	123,780	98,499	297,976	64,095	23,470	907,301
Annual surplus (deficit)	\$ 310,310	\$ (162,119)	\$ (38,690)	\$ 83,061	\$ (34,272)	\$ (41,605)	\$ (22,980)	\$ (21,877)	\$ 71,828

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

20. Budget data:

The budget amounts presented in these consolidated financial statements are based upon the 2019 operating and capital budgets approved by Council on February 28, 2019. The chart below reconciles the approved budget to the budget amounts reported in these consolidated financial statements. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried out over one or more years. Where amounts were budgeted for on a project-oriented basis, the budget amounts used are based on actual projects that took place during the year to reflect the same basis of accounting that was used to report the actual results. In addition, to ensure comparability of expenses, the allocation of program support costs completed for actual reporting was also applied to the budget amounts.

	Budget Amount
REVENUES	
Operating	
Approved budget	\$ 973,894
Budget Adjustments	33,848
Expenses classified as revenue	(195)
Capital:	
Development charges	18,376
Grants and subsidies	25,864
Other contributions	277
Loss on sale of tangible capital assets	(197)
Less:	
Transfers from reserves	(31,994)
Proceeds on sale of tangible capital assets	(568)
Total revenue	1,019,305
EXPENSES	
Operating	
Approved budget	\$ 973,894
Budget Adjustments	33,848
Expenses classified as revenue	(195)
Add:	
Capital project cost resulting in operating expenses	10,261
Amortization	87,189
Employee future benefits	5,041
Landfill liability	(120)
Less:	
Operating expenses resulting in tangible capital assets	(2,040)
Transfers to reserves, including capital	(78,933)
Debt principal payments	(46,651)
Total expenses	982,294
Annual surplus	\$ 37,011

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

21. Comparative figures:

Certain prior year figures have been reclassified to conform to the consolidated financial statement presentation adopted in the current year.

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the
Regional Municipality of Niagara

Opinion

We have audited the financial statements of the Sinking Funds of the Regional Municipality of Niagara (the "Region"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the sinking funds of the Region as at December 31, 2019, and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Region in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Region's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Region or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Region's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

DRAFT AS AT 04/17/2020

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Region's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Region's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Region to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

"Original signed by Deloitte"

Chartered Professional Accountants
Licensed Public Accountants
May 13, 2020

THE REGIONAL MUNICIPALITY OF NIAGARA

SINKING FUND STATEMENT OF FINANCIAL POSITION

As at December 31, 2019 (In thousands of dollars)

	2019	2018
FINANCIAL ASSETS		
Cash	\$ 228	\$ 169
Interest receivable	96	65
Due from operating fund	48	5
Investments (note 2)	15,941	13,960
	16,313	14,199
LIABILITIES		
Accounts payable and accrued liabilities	4	4
Sinking fund requirements		
City of St. Catharines	1,907	1,665
The Regional Municipality of Niagara	14,049	12,265
	15,960	13,934
Accumulated surplus and net financial assets	\$ 353	\$ 265

The accompanying notes are an integral part of these financial statements.

THE REGIONAL MUNICIPALITY OF NIAGARA**SINKING FUND STATEMENT OF OPERATIONS AND CHANGE IN NET FINANCIAL ASSETS**

For the year ended December 31, 2019 (In thousands of dollars)

	2019	2018
REVENUES		
Contributions	\$ 1,512	\$ 1,512
Investment Income	606	528
Total revenues	2,118	2,040
EXPENSES		
Professional fees and dues	3	7
Provision for sinking fund requirements	2,027	1,958
Total expenses	2,030	1,965
Annual Surplus	88	75
Accumulated surplus and net financial assets, beginning of year	265	190
Accumulated surplus and net financial assets, end of year	\$ 353	\$ 265

The accompanying notes are an integral part of these financial statements.

THE REGIONAL MUNICIPALITY OF NIAGARA

SINKING FUND STATEMENT OF CASH FLOWS

For the year ended December 31, 2019 (In thousands of dollars)

	2019	2018
OPERATING ACTIVITIES		
Annual surplus	\$ 88	\$ 75
Change in non-cash assets and liabilities:		
Interest receivable	(31)	(30)
Due from operating fund	(43)	-
Net change in cash from operating activities	14	45
INVESTING ACTIVITIES		
Purchase of investments	(1,981)	(2,087)
Net change in cash from investing activities	(1,981)	(2,087)
FINANCING ACTIVITIES		
Increase in sinking fund requirements	2,026	1,959
Net change in cash from financing activities	2,026	1,959
Net change in cash	59	(83)
Cash, beginning of year	169	252
Cash, end of year	\$ 228	\$ 169

The accompanying notes are an integral part of these financial statements

THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO SINKING FUND FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

1. Significant accounting policies:

The financial statements of sinking funds of The Regional Municipality of Niagara (the "Region") are the representation of management prepared in accordance with Canadian public sector accounting standards.

The sinking fund is a separate fund maintained for the purpose of providing for the repayment of all sinking fund debt when it becomes due. The Region issued sinking fund debentures of \$78,079 payable on June 30, 2040 and bearing interest at the rate of 5.2% per annum. Included in the sinking fund debenture is \$9,333 borrowed on behalf of the City of St. Catharines, representing a proportionate share of 11.95%. Annual interest payments on the sinking fund debt are \$4,060.

Significant accounting policies adopted by the Region for the sinking funds are as follows:

(a) Basis of accounting:

The Region's sinking fund follows the accrual method of accounting for revenues and expenses.

(b) Sinking fund requirements:

The requirements of the sinking fund represent the amounts required which, together with interest compounded annually, will be sufficient to retire the related debentures at maturity. The requirements were calculated using a rate of 3.5% per annum.

(d) Investment income:

Investment income is reported as revenue in the period earned.

2. Investments:

The investments consist of municipal bonds and are carried at cost. At December 31, 2019 the investments have a market value of \$17,751 (2018 - \$14,254)

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
the Regional Municipality of Niagara

Opinion

We have audited the financial statements of the trust funds of the Regional Municipality of Niagara (the "Region"), which comprise the statement of financial position as at December 31, 2019, and the statements of financial activities and change in fund balance and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the trust funds of the Region as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Region in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Region's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Region or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Region's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

DRAFT AS AT 04/17/2020

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Region's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Region's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Region to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

"Original signed by Deloitte"

Chartered Professional Accountants
Licensed Public Accountants
May 13, 2020

THE REGIONAL MUNICIPALITY OF NIAGARA

TRUST FUNDS STATEMENT OF FINANCIAL POSITION

As at December 31, 2019 (In thousands of dollars)

	2019	2018
ASSETS		
Cash	\$ 244	\$ 249
Due from Regional Municipality of Niagara	718	709
Fund balance	\$ 962	\$ 958

The accompanying notes are an integral part of these financial statements.

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THE REGIONAL MUNICIPALITY OF NIAGARA**TRUST FUNDS STATEMENT OF FINANCIAL ACTIVITIES AND CHANGE IN FUND BALANCE**

For the year ended December 31, 2019 (In thousands of dollars)

	2019	2018
REVENUE		
Deposits from residents	\$ 468	\$ 492
Donations	261	227
	<u>729</u>	<u>719</u>
EXPENSES		
Expenditures for the benefit of residents	725	685
	<u>725</u>	<u>685</u>
Excess of revenues over expenses / (expenses over revenues)	4	34
Fund balance, beginning of year	<u>958</u>	<u>924</u>
Fund balance, end of year	\$ <u>962</u>	\$ <u>958</u>

The accompanying notes are an integral part of these financial statements.

THE REGIONAL MUNICIPALITY OF NIAGARA

TRUST FUNDS STATEMENT OF CASH FLOWS

For the year ended December 31, 2019 (In thousands of dollars)

	2019	2018
OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 4	\$ 34
Change in non-cash assets and liabilities		
Due from Regional Municipality of Niagara	(9)	(59)
Net change in cash from operating activities	(5)	(25)
Cash, beginning of year	249	274
Cash, end of year	\$ 244	\$ 249

The accompanying notes are an integral part of these financial statements.

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THE REGIONAL MUNICIPALITY OF NIAGARA

NOTES TO TRUST FUNDS FINANCIAL STATEMENTS

For the year ended December 31, 2019 (In thousands of dollars)

1. Significant accounting policies:

These financial statements reflect the financial position, financial operations, and cash flows of funds held in trust by The Regional Municipality of Niagara ("the Region") for residents of the eight long-term care homes:

- Gilmore Lodge
- Upper Canada Lodge
- Deer Park Villa
- Woodlands of Sunset
- Linhaven
- Rapelje Lodge
- Northland Point
- Meadows of Dorchester

These financial statements are the representation of management and are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations, and reflect the following policies:

(a) Basis of Accounting:

Revenues are recorded in the period in which the transactions or events occurred that gave rise to the revenue.

Expenses are recorded in the period the goods and services are acquired and a liability is incurred, or transfers are due.

(b) Uses of Estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.



Regional Municipality of Niagara Report to the Audit Committee on the 2019 Audit



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April 8, 2020

Private and confidential

Members of the Audit Committee
Regional Municipality of Niagara
1815 Sir Isaac Brock Way
Thorold ON L2V 4T7

Re: Report on audited annual financial statements

Dear Audit Committee Members,

We are pleased to submit this report on the results of our audit of the consolidated financial statements of the Regional Municipality of Niagara (the "Region") for the 2019 fiscal year. This report summarizes the scope of our audit, our findings and reviews certain other matters that we believe to be of interest to you.

As agreed in our Master Services Agreement dated November 8, 2016, and the confirmation of changes letter dated January 30, 2019, we have performed audits of the following, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"):

- Consolidated financial statements of the Region as at, and for the year ended, December 31, 2019;
- Financial statements of Niagara Regional Housing ("NRH") as at, and for the year ended, December 31, 2019;
- Financial statements of the Regional Municipality of Niagara Trust Funds (the "Trust Funds") as at, and for the year ended, December 31, 2019;
- Financial statements of the Regional Municipality of Niagara Sinking Funds (the "Sinking Funds") as at, and for the year ended, December 31, 2019; and
- Various agencies, boards, commissions and programs (the "Programs") as at, and for the year ended, December 31, 2019.

Herein after, collectively referred to as the "Financial Statements".

We expect to issue our Independent Auditor's Reports on the financial statements of the Region, the Trust Funds, and the Sinking Funds upon approval of the financial statements and completion of the outstanding matters noted in this report.

Our audit was conducted in accordance with the audit plan dated July 31, 2019.

This report is intended solely for the information and use of the Regional Council through the Audit Committee, management and others within the Region, and is not intended to, and should not, be used by anyone other than these specified parties. Accordingly, we disclaim any responsibility to any other party who may rely on it.

We would like to express our appreciation for the cooperation we received from management and the employees of the Region with whom we worked to discharge our responsibilities. We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,

"Original signed by Deloitte"

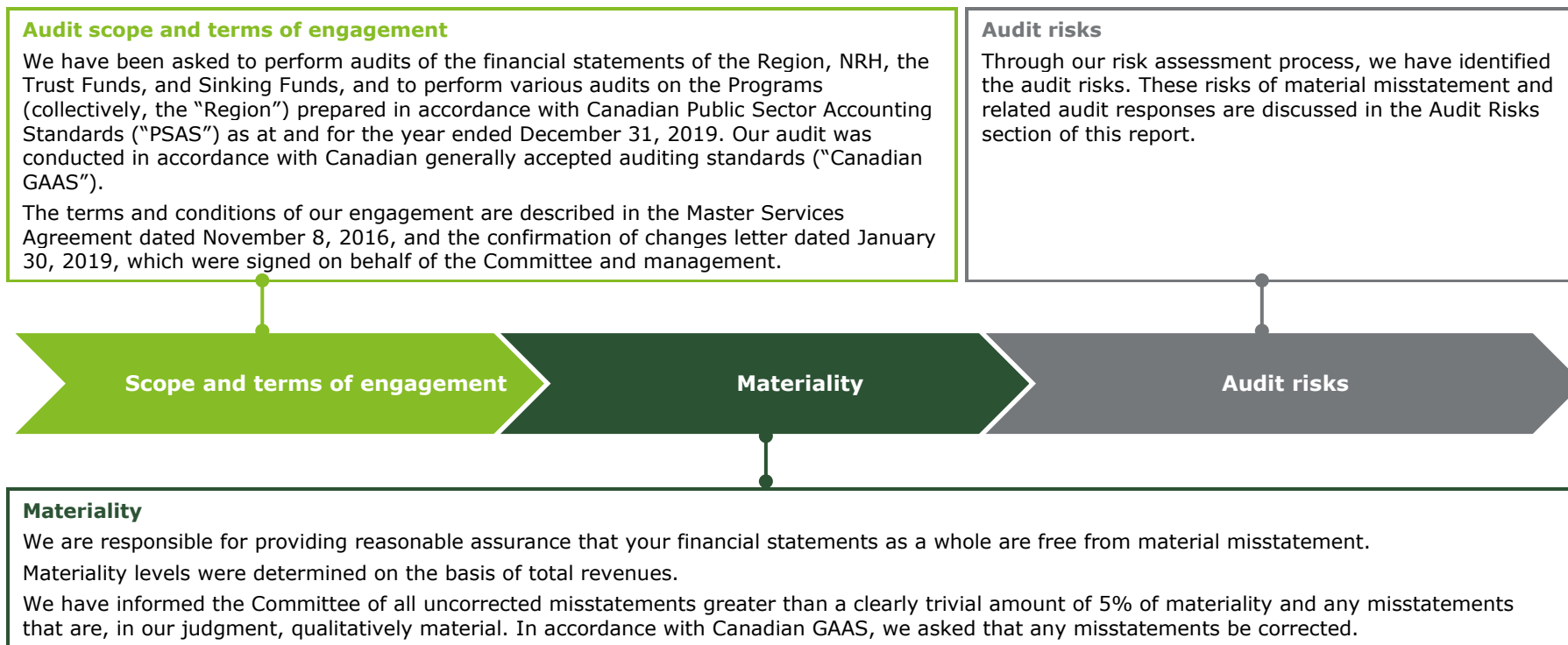
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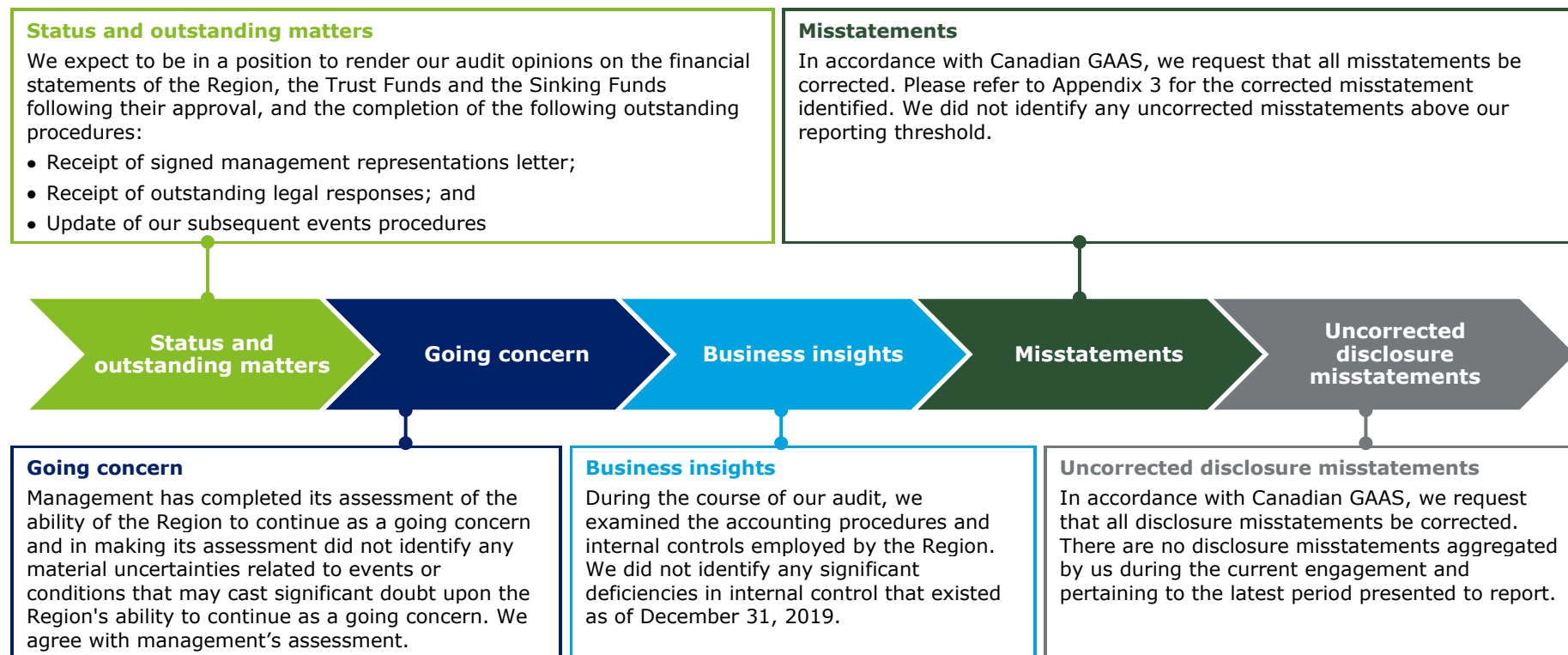
Table of contents

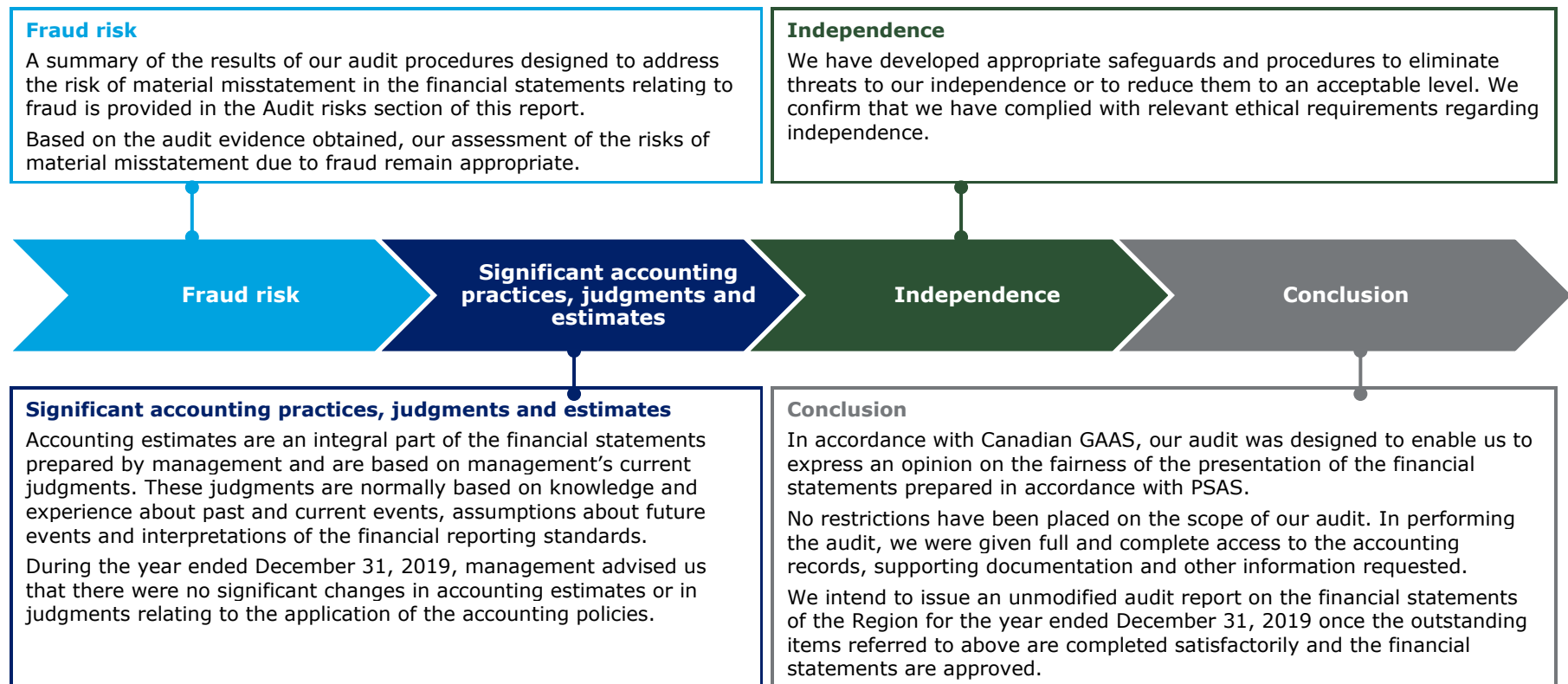
Our audit explained	1
Audit risks	4
Other reportable matters	7
Appendix 1 – Communication requirements	8
Appendix 2 – Independence letter	10
Appendix 3 – Summary of misstatements	12
Appendix 4 – Draft management representation letter	13
Appendix 5 – Deloitte Resources a click away	19

Our audit explained

This report summarizes the main findings arising from our audits.







Audit risks

The areas of audit risk identified as part of our risk assessment, together with our responses and conclusions, are described below.

Region of Niagara

Revenue and deferred revenue amounts*

Audit risk

Canadian Auditing Standards include the presumption of a fraud risk involving improper revenue recognition.

Our audit response

- Substantive testing to determine if restricted contributions (i.e., development charges, conditional grants, etc.) have been recognized as revenue in the appropriate period.

Audit results

No significant issues were noted as a result of this testing.

Year-end cut-off

Audit risk

Determine if cut-off of revenues and expenses is appropriate.

Our audit response

- Substantive testing on accounts payable, accrued liabilities, deferred revenue and accounts receivable, and
- Test disbursements subsequent to year-end.

Audit results

No significant issues were noted as a result of this testing.

Tangible capital assets

Risk identified

Appropriate accounting and disclosure.

Our audit response

- Test assumptions used in determining completeness, valuation, recording and cut-off of additions and disposals, and
- Testing of calculations of amortization.

Audit results

No significant issues were noted as a result of this testing. See appendix 3 for corrected misstatement related to tangible capital assets held for sale.

Year-end accruals and other estimates (including salaries, employee future benefits, landfill closure and post-closure liability, contaminated sites and allowance for doubtful accounts)

Risk identified

Estimates require management judgments and assumptions.

Our audit response

- Obtain documentation on management's control over accounting estimates and assess risk;
- Review and assess the consistency of major assumptions used to develop significant accounting estimates;
- Compare actual historical experience to models employed in such calculations'
- Obtain calculations from experts for accruals such as employee future benefit liability and landfill liability, and assess assumptions and data used to prepare the report; and
- Review actual outcome of prior year estimates.

Audit results

No significant issues were noted as a result of this testing.

Management override of controls*

Audit risk

Management override of controls is a presumed area of risk in a financial statement audit due to management's ability to override controls that otherwise appear to be operating effectively.

Our audit response

- Our audit tests the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of financial statements;
- We obtained an understanding of the business rationale for significant transactions that we become aware of that are outside of the normal course of business, or that otherwise appear to be unusual given our understanding of the Region and its environment;
- We reviewed accounting estimates for bias and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement;
- In addition, experienced Deloitte personnel were assigned to the testing and review of journal entries and areas of estimates; and
- Professional skepticism was maintained throughout the audit.

Audit results

Management has represented to us that they have not identified any fraud or illegal items and our audit procedures support this assessment.

Niagara Regional Housing

Tenant and other receivables/revenue*

Audit risk

Canadian Auditing Standards include the presumption of a fraud risk involving improper revenue recognition. Valuation of tenant and other receivables.

Our audit response

- Review aging reports and estimate allowance for doubtful tenant receivables for reasonableness;
- Confirm subsidies received from the Service Manager; and
- Perform detail testing of tenant and other receivables and related revenue.

Audit results

No significant issues were noted as a result of this testing.

Long-term debt

Audit risk

Appropriate accounting and disclosure.

Our audit response

- Confirm long-term debt balances; and
- Recalculate interest.

Audit results

No significant issues were noted as a result of this testing.

Financial statement disclosures

Audit risk

Appropriate disclosure of proposed future operational changes.

Our audit response

- Ensure changes to future operations are appropriately disclosed as subsequent events in the financial statements.

Audit results

No significant issues were noted as a result of this testing.

*These areas have been identified as areas of significant risk.

Other reportable matters

The following summarizes the status and findings of key aspects of our audit. In the appendices to this report, we have provided additional information related to certain matters we committed to report to the Committee as part of the audit plan.

	Comment
Changes to the audit plan	The audit was conducted in accordance with our audit plan, which was communicated to the Committee. We confirm that there have been no amendments to the audit scope and approach communicated in the audit plan.
Significant difficulties encountered in performing the audit	Due to COVID-19, all audit work was performed remotely; we did not encounter any significant difficulties while performing the audit, we appreciate the assistance received from management in working with us during this time. There was not an unnecessarily brief timetable in which to complete the audit.
Significant accounting policies	In our judgment, the significant accounting practices and policies, selected and applied by management are, in all material respects, acceptable under PSAS and are appropriate to the particular circumstances of the Region.
Management judgment and accounting estimates	During the year ended December 31, 2019, management advised us that there were no significant changes in accounting estimates or in judgments relating to the application of the accounting policies.
Related party transactions	Related party transactions or balances have been properly disclosed in the financial statements. We have not identified any related party transactions that were not in the normal course of operations and that involved significant judgments by management concerning measurement or disclosure.
Disagreements with management	During the course of our audit, there were no disagreements with management about matters that individually or in the aggregate could be significant to the financial statements.
Consultation with other accountants	Management has informed us that the Region has not consulted with other accountants about auditing or accounting matters.
Legal and regulatory compliance	Our limited procedures did not identify any areas of material non-compliance with laws and regulations by the Region.
Post-balance sheet events	At the date of finalizing this report, we are not aware of any significant post balance sheet events.

Appendix 1 – Communication requirements

The table below summarizes our communication requirements under Canadian GAAS and other communications that we believe would help us achieve an effective audit. We confirm that all required communications have been reported in our audit service plan and year end communication.

Required communication	Reference	Refer to this report or document described below
Audit Service Plan		
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	CAS ¹ 260.14	Master services agreement dated November 8, 2016, and the confirmation of changes letter dated January 30, 2019
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit b. Significant risks, including fraud risks c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk d. Names, locations, and planned responsibilities of other independent public accounting firms or others that perform audit procedures in the audit 	CAS 260.15	Audit service plan dated July 31, 2019
3. Significant transactions outside of the normal course of business, including related party transactions	CAS 260 App. 2, CAS 550.27	None noted
Enquiries of those charged with governance		
4. How those charged with governance exercise oversight over management's process for identifying and responding to the risk of fraud and the internal control that management has established to mitigate these risks	CAS 240.20	We are not aware of any fraudulent events
5. Any known suspected or alleged fraud affecting the Region	CAS 240.21	None noted
6. Whether the Region is in compliance with laws and regulations	CAS 250.14	Other reportable matters section

¹ CAS: Canadian Auditing Standards – CAS are issued by the Auditing and Assurance Standards Board of CPA Canada

Required communication	Reference	Refer to this report or document described below
Year End Communication		
7. Fraud or possible fraud identified through the audit process	CAS 240.40-.42	None noted
8. Significant accounting policies, practices, unusual transactions, and our related conclusions	CAS 260.16 a.	Other reportable matters section
9. Alternative treatments for accounting policies and practices that have been discussed with management during the current audit period	CAS 260.16 a.	Other reportable matters section
10. Matters related to going concern	CAS 570.23	Page 2 of this report
11. Management judgments and accounting estimates	CAS 260.16 a.	Other reportable matters section
12. Significant difficulties, if any, encountered during the audit	CAS 260.16 b.	Other reportable matters section
13. Material written communications between management and us, including management representation letters	CAS 260.16 c.	Master services agreement dated November 8, 2016, confirmation of changes letter dated January 30, 2019, audit service plan dated July 31, 2019, and Management representation letter – Appendix 4
14. Other matters that are significant to the oversight of the financial reporting process	CAS 260.16d.	None
15. Modifications to our Independent Auditor's Reports.	CAS 260.A18	None
16. Our views of significant accounting or auditing matters for which management consulted with other accountants and about which we have concerns	CAS 260.A19	None
17. Significant matters discussed with management	CAS 260.A.19	None
18. Matters involving non-compliance with laws and regulations that come to our attention.	CAS 250.23	None noted
19. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	CAS 265	None noted
20. Uncorrected misstatements and disclosure items	CAS 450.12-13	None noted
21. Any significant matters arising during the audit in connection with the Region's related parties	CAS 550.27	None noted

Appendix 2 – Independence letter



Deloitte LLP
25 Corporate Park Drive
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St. Catharines ON L2S 3W2
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April 8, 2020

Private and confidential

The Members of the Audit Committee
Regional Municipality of Niagara
1815 Sir Isaac Brock Way
Thorold ON L2V 4T7

Dear Audit Committee Members,

We have been engaged to audit the consolidated financial statements of Regional Municipality of Niagara (the "Region") for the year ended December 31, 2019.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between the Region, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator/ordre and applicable legislation, covering such matters as:

- a. Holding a financial interest, either directly or indirectly, in a client
- b. Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client

- c. Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
- d. Economic dependence on a client, and
- e. Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since our appointment as your auditors.

We are not aware of any relationships between the Deloitte entities (defined as the Member Firms of Deloitte Touche Tohmatsu Limited and their respective affiliates) and the Region, its affiliates, or persons in financial reporting oversight roles at the Region and its affiliates, that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from March 29, 2019 to April 8, 2020.

We hereby confirm that we are independent with respect to the Region in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario as of April 8, 2020.

This letter is intended solely for the use of the Committee, management, and others within the Region.

Yours truly,

"Original signed by Deloitte"

Chartered Professional Accountants
Licensed Public Accountants

Appendix 3 – Summary of misstatements

Corrected misstatement

	Debit \$ (000's)	Credit \$ (000's)
Miscellaneous revenue	2,829	
Tangible capital assets held for sale		2,829
To adjust the tangible capital assets held for sale and miscellaneous revenue balances for amounts related to assets that were improperly written up when transferred from tangible capital assets to assets held for sale during the year.		

Appendix 4 – Draft management representation letter

[Region letterhead]

_____, 2020

Private and confidential

Deloitte LLP
25 Corporate Park Drive
3rd Floor
St. Catharines, ON L2S 3W2

Dear Mr. Trevor Ferguson:

Subject: Consolidated financial statements of the Regional Municipality of Niagara for the year ended December 31, 2019

This representation letter is provided in connection with the audit by Deloitte LLP ("Deloitte" or "you") of the consolidated financial statements of the Regional Municipality of Niagara (the "Region" or "we" or "us") for the year ended December 31, 2019, and a summary of significant accounting policies and other explanatory information (the "Financial Statements") for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Region in accordance with Public Sector Accounting Standards ("PSAS").

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities as set out in the terms of the Master Services Agreement between the Region and Deloitte dated November 8, 2016 and amended January 30, 2019 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of the Region as at December 31, 2019 and the results of its operations and cash flows for the years then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, management makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The Region has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity. No events have occurred subsequent to December 31, 2019 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

3. The Region has identified all related parties in accordance with Section PS 2200, Related Party Disclosures ("PS 2200"). Management has made the appropriate disclosures with respect to its related party transactions in accordance with PS 2200
4. We have determined that the Financial Statements are complete as of date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected. The Financial Statements have been approved in accordance with our process to finalize financial statements.
5. We have completed our review of events after December 31, 2019 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
6. The Financial Statements are free of material errors and omissions.

Internal Controls

7. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
8. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

Information provided

9. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters.
 - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit; and,
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
10. All transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
11. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.
12. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the Financial Statements.
13. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting the Region.
14. We have disclosed to you all communications from regulatory agencies concerning non-compliance with or deficiencies financial reporting practices and all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the Financial Statements.
15. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration.
16. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.

Independence matters

For purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

17. Prior to the Region having any substantive employment conversations with a former or current Deloitte engagement team member, the Region has held discussions with Deloitte and obtained approval from the Audit Committee.
18. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the Audit Committee in accordance with its established approval policies and procedures.

Other matters

19. The Region has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.
20. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.
21. We have disclosed to you, and the Region has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
22. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements.

Selection of accounting policies and recording of transactions

23. The Region's accounting policies and their method of application have been applied on a basis consistent with that of the audited consolidated financial statements as at and for the year ended December 31, 2018.

Work of management's experts

24. We agree with the work of management's experts in evaluating the landfill liability and employee future benefits liability, and have adequately considered the competence and capabilities of the experts in determining amounts and disclosures used in the Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to management's experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the experts.

Plans or intentions affecting carrying value/classification of assets and liabilities

25. We have disclosed to you all plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the Financial Statements.

Loans and receivables

26. The Region is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.
27. We have identified to you all forgivable loans and loans with concessionary terms and have appropriately reflected these instruments in the financial statements.

Investments

28. With regard to the Region's investments, we have disclosed to you any events that have occurred and facts that have been discovered with respect to such investment that would indicate any other than temporary impairment of the investment's value.

Employee future benefits

29. Employee future benefit costs, assets, and obligations have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit and defined contribution plans as well as termination arrangements. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, liabilities and costs for financial accounting purposes are appropriate in the circumstances.
30. We have disclosed to you any intentions of terminating any of our pension plans or withdrawing from the multi-employer plan, or taking any other action that could result in an effective termination or reportable event for any of the plans. We have disclosed to you any occurrences that could result in the termination of any of our pension or multi-employer plans to which we contribute.
31. We are unable to determine the possibility of a withdrawal liability in a multi-employer benefit plan.
32. We do not plan to make frequent amendments to our pension or other post-retirement benefit plans.

Liabilities for contaminated sites

33. We have evaluated all of our tangible capital assets that we own or accept responsibility, and have not identified any sites in which contamination exceeds an environmental standard.

Various matters

34. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:
- a. Economic dependence on another party
 - a. Losses arising from sale and purchase commitments
 - b. Agreements to buy back assets previously sold
 - c. Provisions for future removal and site restoration costs
 - d. Financial instruments with significant individual or group concentration of credit risk, and related maximum credit risk exposure
 - e. Sales with recourse provisions
 - f. Sales incentives, including cash consideration provided to customers and vendor rebates
 - g. Arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements
 - h. All impaired loans receivable
 - i. Loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.

Yours truly,

Regional Municipality of Niagara

Ron Tripp
Chief Administrative Officer

Todd Harrison
Commissioner of Enterprise Recourse Management Services

Draft

Appendix 5 – Deloitte Resources a click away

At Deloitte, we are devoted to excellence in the provision of professional services and advice, always focused on client service. We have developed a series of resources, which contain relevant and timely information.

<input type="checkbox"/> Canada's Best Managed Companies (www.bestmanagedcompanies.ca)	<ul style="list-style-type: none"> • Directors • CEO/CFO 	The Canada's Best Managed Companies designation symbolizes Canadian corporate success: companies focused on their core vision, creating stakeholder value and excelling in the global economy.
<input type="checkbox"/> Centre for financial reporting (www.cfr.deloitte.ca)	<ul style="list-style-type: none"> • Directors • CEO/CFO • Controller • Financial reporting team 	Web site designed by Deloitte to provide the most comprehensive information on the web about financial reporting frameworks used in Canada.
<input type="checkbox"/> Financial Reporting Insights (www.iasplus.com/fri)	<ul style="list-style-type: none"> • CFO • Controller • Financial reporting team 	Monthly electronic communications that helps you to stay on top of standard-setting initiatives impacting financial reporting in Canada.
<input type="checkbox"/> On the board's agenda	<ul style="list-style-type: none"> • Directors • CEO/CFO 	Bi-monthly publication examining a key topic in detail, including the perspectives of a Deloitte professional with deep expertise in the subject matter as well as the views of an experienced external director.
<input type="checkbox"/> State of change (www.iasplus.com/StateOfChange)	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	Bi-monthly newsletter providing insights into key trends, developments, issues and challenges facing the not-for-profit sector in Canada, with a Deloitte point of view.
<input type="checkbox"/> Deloitte Financial Reporting Update (www.deloitte.com/ca/update)	<ul style="list-style-type: none"> • CFO • VP Finance • Controller • Financial reporting team 	Learning webcasts offered throughout the year featuring our professionals discussing critical issues that affect your business.

Subject: Long-Term Care (LTC) Redevelopment Procurement Process

Report to: Corporate Services Committee

Report date: Wednesday, May 13, 2020

Recommendations

1. That the procurement process for the Long-Term Care (LTC) Redevelopment project, outlined in this report, **BE APPROVED**;
2. That the evaluation criteria to be used for prequalification of General Contractors for the LTC Redevelopment Project, contained in Appendix 1 of this report, **BE APPROVED**; and
3. That staff **BE AUTHORIZED** to proceed with the approved procurement process.

Key Facts

- The purpose of this report is to seek Council approval of the procurement process and contractor prequalification evaluation criteria for the LTC Redevelopment project
- Approval of recommendations contained within this report will authorize staff to prequalify general contractors and issue two Request for Tenders for the Linhaven and Gilmore Lodge LTC Redevelopment projects
- Mandatory Ministry of Long-Term Care (MLTC) approvals are required prior to the Region issuing a Request for Tender and before awarding a contract for construction services
- A tender award recommendation report will be brought to Corporate Services Committee and Council for approval upon tender completion and MLTC approval being received

Financial Considerations

The total capital budget for the LTC Redevelopment Project is \$175 million, \$15.63 million of which was approved in previous capital budgets and the remaining \$159.37 million approved as part of the 2020 capital program. The budget for the St. Catharines site is \$102 million and is funded with debt (\$86.5 million) and development charges (\$15.5 million). The budget for the Fort Erie site is \$73 million and is funded with debt (\$58.022 million), development charges (\$9.078 million), grant (\$0.3 million) and external contribution from Hospice Niagara (\$5.6 million). Upon construction completion, the annual construction subsidy received from the MLTC will be used to offset future associated debt charges.

With such a significant financial investment, utilizing an effective procurement process as outlined in this report and in alignment with the procurement By-Law, will support the Region's objective of delivering critical infrastructure and services in a financially responsible manner. Receiving value for money and minimizing project risk will be achieved through the prequalification of General Contractors having the requisite experience, capacity and qualifications to successfully deliver projects of similar size and complexity to the LTC Redevelopment.

Analysis

The approach to procuring construction services for the LTC Redevelopment project is detailed below. The procurement process and evaluation criteria is being brought to Committee and Council for approval given that the construction of the LTC Redevelopment projects are of substantial value (i.e. exceeding the CAO's execution authority of \$5 million) and have significant public importance.

The Linhaven LTC Redevelopment project is being constructed on the existing Linhaven property located at 403 Ontario Street, St. Catharines. The new facility is proposed to be five stories with a total gross floor area of approximately 222,000 square feet. The project is currently in the design development phase and is scheduled to be tendered in November 2020 with a construction start date of February 2021. The building program will be comprised of private and semi-private resident rooms, dining and program spaces, nursing stations, clinical and administration offices, support spaces, commercial kitchen and laundry facilities and community service areas to support community programs.

The Gilmore LTC Redevelopment project is being constructed at 200 Garrison Road, Fort Erie. The new facility is proposed to be three stories with a total gross floor area of approximately 155,000 square feet. The project is currently in the design development phase and is scheduled to be tendered in January 2021 with a construction start date of spring 2021. The building program for Gilmore Lodge will be similar to Linhaven, but in addition contemplates a community physiotherapy clinic, Early-on Centre and a 10 bed Hospice to be constructed adjacent to the main building.

LTC Redevelopment Project Procurement Strategy

A two stage procurement process is being recommended for awarding construction contracts for each of the two LTC Redevelopment projects. The key recommended steps in the procurement process are as follows:

- 1) Obtain Council approval of the procurement process for the Request for Prequalification of General Contractors and evaluation criteria to be utilized.

- 2) Issue a single Request for Prequalification (RFPQ) of General Contractor procurement process for both LTC Redevelopment projects (Linhaven and Gilmore Lodge).
- 3) Evaluate RFPQ submissions against the evaluation criteria outlined in Appendix 1. Post list of successful Applicants eligible to bid on both the Linhaven and Gilmore Lodge construction tenders.
- 4) Initiate a separate Request for Tender (RFT) procurement process for construction of each LTC Redevelopment project (Linhaven and Gilmore Lodge). Tender packages will only be issued to successful Applicants identified from the RFPQ process.
- 5) Upon completion of each RFT procurement process:
 - a. Submit Tender results to the Ministry of Long-Term Care (MLTC) to obtain Minister approval;
 - b. Prepare a recommendation report for Corporate Services Committee and Regional Council, to award the construction contract.
- 6) After obtaining Ministry and Council approval, award contract for construction services to the successful bidder for each LTC Redevelopment tender.

General Information Related to Prequalification

The purpose of prequalification is to ensure Prequalified General Contractors invited to bid the work are capable of delivering quality and value specific to project requirements. Prequalification is frequently used for public sector projects, where the opportunity to be considered as the successful bidder must be open to all, while at the same time still allowing the Owner to manage risks associated with the open tender process. The Owner, through pre-determined criteria, identifies candidates who demonstrate that they have the necessary financial capacity, technical expertise, managerial ability, project success and relevant experience for the project being tendered. Some advantages of using a contractor prequalification process prior to a RFT include:

- The greatest chance of getting the best value General Contractor for the project
- A comprehensive, cost-effective and convenient framework for contractor selection
- Qualification of only those contractors who have the necessary experience to complete the work
- Provides a better understanding of the project to the contractor that is awarded the work
- Leveling of the playing field as prequalified General Contractors will ideally have equitable experience

- A higher level of confidence that protests will be avoided and prequalified contractors are capable of carrying out the work
- Protects contractors from taking on work for which they don't have the experience or capacity to complete
- Reduces project risk and provides enhanced end-product quality

A Guide to Prequalification of Contractors, developed by the Ontario General Contractors Association (OGCA), provided staff a framework to develop the RFPQ evaluation criteria for the LTC Redevelopment project. As identified in the guide the design of the prequalification system places emphasis on qualifying construction service providers rather than on disqualifying Applicants and focuses on the three founding procurement principles of transparency, openness and fairness.

LTC Redevelopment Request for Prequalification

The purpose of issuing a RFPQ is to identify a list of General Contractors with the requisite experience, capacity and qualifications to bid on the LTC Redevelopment projects.

Niagara Region, through issuance of a RFPQ, will invite Applicants to submit proposals to be considered for the construction of the two LTC Redevelopment projects. The intent of the RFPQ is to approve a single list of General Contractors that will be eligible to submit bids for both the Linhaven and Gilmore Lodge tenders. Applicants who meet all mandatory requirements and achieve a score 75% or higher on the evaluated criteria will be prequalified to submit a bid in response to the RFT.

Applicant responses to the RFPQ will include the Prequalification Form, as provided with the RFPQ and address all sections outlined in the Evaluation Criteria Qualifications Table 1 attached as Appendix 1.

The following are the main components of the submission:

- Mandatory Requirements
- Corporate Experience
- Similar Projects
- Experience of Key Personnel
- Contractor Processes, Methodology & Approach

Two of the key sections of the RFPQ submission are the Mandatory Requirements and Similar Projects. Details of these key sections are as follows:

Mandatory Requirements

The following are the mandatory requirements of the LTC Redevelopment RFPQ that must be submitted by the Applicant:

- A completed Prequalification Form signed by an authorized representative of the Applicant.
- A completed CCDC 11 form – latest edition completed in full.
- A letter from a nationally recognized Surety Company stating:
 - Total bonding limit available to the bidder
 - Confirming their willingness provide a 50% performance bond and 50% labour and material payment bond for a new LTC Facility project valued at up to \$50M for Gilmore Lodge and up to \$80M for Linhaven, if accepted as the successful Applicant.

Applicants must pass the mandatory requirements section in order to proceed through to evaluation.

Similar Projects

All Applicants responding to the RFPQ will be required to provide supporting documentation for three (3) similar projects they have completed and will be evaluated in relation to how comparable the projects are to the proposed LTC Redevelopment.

Applicants are to demonstrate their depth and capability for similar project experience, with maximum points being assigned for projects with comprehensive demonstration of the following requirements:

- a) Construction of buildings of similar type, scale and complexity to the proposed LTC Redevelopment project. This may include but not be limited to long-term care homes, hospitals, other healthcare facilities, institutional buildings with similar programmatic requirements
- b) Constructed or renovated facility with a minimum area of 125,000 square feet
- c) Constructed or renovated facility with a minimum construction value of \$50M
- d) Completed within the last 10 years
- e) Multi-storey, non combustible construction

Applicants shall also submit a reference letter for each Similar Project indicating satisfactory performance. The letter must be from the project owner or architect of each similar project submitted.

Request for Tender and Award

Once the RFPQ of General Contractor is complete, successful Applicants are identified and construction drawings and specifications are complete, a RFT processes will be initiated for each project. Upon completion of the tender processes, the bid results must be submitted to the MLTC for Ministry approval prior to awarding a contract. A tender award recommendation report will be prepared for Corporate Services Committee and Council approval. After receiving all required approvals, construction contracts for the LTC Redevelopment projects will be awarded to the successful bidder(s).

The form of contract for the construction work will be the Canadian Construction Documents Contract (CCDC 2-2008) Stipulated Price Contract with Niagara Region Supplementary Conditions.

Procurement Oversight and Evaluation Team

The RFPQ and RFT procurement processes will be administered by Procurement and Strategic Acquisitions in accordance with the Region's procurement By-Law 02-2016, as amended. Applicants will be evaluated by an evaluation team consisting of Niagara Region staff and the project architect in accordance with the criteria and requirements set out in the RFPQ document. The evaluation criteria is attached as Appendix 1.

Alternatives Reviewed

Proceed Immediately to Tender:

An alternative approach to obtain a General Contractor is to proceed immediately to RFT. With this approach, the tender would be awarded to the lowest compliant bidder with no ability to evaluate based on experience or qualifications. Staff does not recommend the direct to Tender method. Instead, the use of the Prequalification approach is recommended as it allows the Region to evaluate Contractors on their ability to deliver a quality project, specific to the requirements of the LTC Redevelopment project prior to going out for Tender.

Issue Single Tender for Both Projects

The project team looked at issuing a single tender for both projects and determined this was not viable option since the two projects have different completion dates. Linhaven has a MLTC mandated completion date of December 31, 2022 while for Gilmore Lodge the completion date is December 31, 2023. The MLTC deadline for Linhaven is one year earlier due to 13 new licensed beds being added to this location. The additional beds were added to optimize the size of resident home areas at 32 residents.

To issue as a single tender, construction documents for both Linhaven and Gilmore Lodge would need to be completed together. The additional time required to complete the construction documents would push out the tender issue date and, as a result, the completion date for Linhaven would not be achieved, potentially putting Ministry funding at risk. Issuing separate tenders also minimizes risks with delays on one project affecting the other.

Proceed to RFPQ using Sample Prequalification Evaluation Forms directly from industry guides provided by the *Canadian Construction Documents Committee (CCDC)* or the *Ontario General Contractors Association (OGCA)*:

The guidelines provided by the OGCA and CCDC are intended to guide the development of an RFPQ by providing practices and principles that help to ensure qualified providers. However, each prequalification is unique and should be developed to provide assurance of the capabilities of prospective applicants for the unique services required for a given project.

A RFPQ should address the uniqueness or complexity of the specific project, the special working environments, special methodologies and capabilities for the project at hand. In some circumstances the prequalification evaluation criteria, as detailed in industry standards, is more restrictive than that proposed in the LTC Redevelopment RFPQ. For example, there is a shorter time frame for which project experience is evaluated by the CCDC document (5 vs. 10 years for the proposed Niagara Region LTC Redevelopment RFPQ).

Although generic prequalification evaluation criteria as provided by these guidelines could be utilized, staff does not recommend this approach. Instead, staff recommends proceeding with the RFPQ process as presented in this report.

Relationship to Council Strategic Priorities

Healthy and Vibrant Community, Objective 2.1

Other Pertinent Reports

CSD 53-2019	Budget Review COTW	October 10, 2019
COTW 05-2019	Committee of the Whole	July 4, 2019
CSD 15-2018	Corporate Services Committee	April 4, 2018
CL-C 21-2018	Regional Council	April 12, 2018
CSD 50-2017	Regional Council	June 20, 2017
CSD 49-2017	Regional Council	June 29, 2017
CSD 43-2017	Corporate Services Committee	June 21, 2017

CSD 9-2017	Corporate Services Committee	January 11, 2017
CAO 10-2016	Regional Council	July 21, 2016
CAO 4- 2016	Regional Council	March 24, 2016
CAO 13-2015	Regional Council	June 11, 2015
CAO 05-2015	Regional Council	March 26, 2015

Prepared by:

Mislav Koren
Sr. Project Manager, Construction
Energy & Facilities Management

Recommended by:

Todd Harrison, CPA, CMA
Commissioner, Corporate Services

Submitted by:

Ron Tripp, P.Eng.
Acting, Chief Administrative Officer

This report was prepared in consultation with Henri Koning, Director Senior Services; Jeffrey Mulligan, Manager Strategic Sourcing; Bradley Ray, Associate Director CE&FM; Adam Niece, Program Financial Specialist;

Appendices

Appendix 1 LTC Redevelopment RFPQ: Evaluation Criteria

LTC Redevelopment Request for Prequalification Evaluation Criteria

The criteria in the following Qualifications Table 1 will be used in the evaluation of General Contractors.

Proponents are advised that as part of the evaluation, the references provided in the applicants' submission may be contacted to verify and/or clarify the information provided.

Qualifications Table 1:

Tab	Requirements and Criteria	
1.0	Mandatory Requirements All required documents must be submitted to pass through to the next stage of evaluation	Yes/No
		Points
2.0	Corporate Experience	15
3.0	Similar Projects <ul style="list-style-type: none"> Each of the three (3) required similar projects will be scored out of 10 points based on criteria identified in RFPQ 	30
4.0	Experience of Key Personnel <ul style="list-style-type: none"> Project Team Structure, Roles & Time Commitment Project Manager Site Superintendent 	30
5.0	Contractor Processes, Methodology & Approach <ul style="list-style-type: none"> Schedule Management & Control Quality Control Methodology Staff and Subcontractor Management Contractor's Health & Safety Policy, Safety Record Project Close-out Methodology Conflict Resolution & Communication Strategy 	25

A minimum score of **75** is required to prequalify for invitation to submit a bid.

Subject: Management of Sick Benefits Audit

Report to: Corporate Services Committee

Report date: May 13, 2020

Recommendations

1. That report CSD 36-2020 **BE RECEIVED** for information; and
2. That staff **BE DIRECTED** to implement the recommendations in Appendix 1 of Report CSD 36-2020, respecting Management of Sick Benefits Audit Report.

Key Facts

- The purpose of this report is to provide the Corporate Services Committee with a summary of findings noted during the Management of Sick Benefits Audit, which focused on the management control framework in place to manage sick absences and employee sick absence policies.
- This report contains the findings, implications and recommendations for the observations discovered during the Audit in addition to a Management Action Plan (MAP) from program staff for each of the recommendations.
- Two observations, focusing on Data Management and Performance Management, with three total recommendations have been detailed in the audit report.

Financial Considerations

There are no immediate budgetary considerations associated with this report. It is anticipated that some of the recommendations may have an implementation cost associated to them. If management chooses to pursue the recommendations then all costs will be funded through the regular annual budget process.

Analysis

This audit project was identified in the 2019 Audit Plan approved by Audit Committee (see **AC-C 5-2019**). The purpose of the audit was to provide assurance to Management and Niagara Region's Audit Committee on the effectiveness of the management control framework to support employee absences and compliance to the Attendance Support Program. The audit tested whether all absence occurrences are processed in a manner

that is compliant with current policies. Finally, the audit attempted to determine the effectiveness of current procedures to ensure consistency, compliance, and support to employee health and wellness in the workplace.

Alternatives Reviewed

No other alternatives were reviewed at this time.

Relationship to Council Strategic Priorities

Value-for-money (VFM) audits were identified and approved within the current Council's Strategic Priority – Sustainable and Engaging Government. The goal of this strategic initiative is a commitment to high quality, efficient, fiscally sustainable and coordinated core services through enhanced communication, partnerships and collaborations with the community.

The 2019 Annual Audit Plan, which included an audit of Sick Benefits and Employee Extended Benefits, was approved by Audit Committee on February 4, 2019.

Other Pertinent Reports

AC-C 5-2019 – 2019 Internal Audit Plan.

Prepared by :

Frank Marcella, MPA, Bed
Manager, Internal Audit

Recommended by:

Todd Harrison, CPA, CMA
Commissioner/Treasurer
Corporate Services

Submitted by:

Ron Tripp, P.Eng.
Acting Chief Administrative Officer

Appendices

Appendix 1 CSD 36-2020 – Management of Sick Benefits Audit



Internal Audit

Management of Sick Benefits Audit

Operating Unit:	Niagara Region
Date of Audit:	September – December 2019
Auditors:	Frank Marcella, Manager, Internal Auditor Henrik (Xiang) Gao, Internal Audit Analyst Katie Mamede, Internal Audit Co-op Student
Distributed To:	Niagara Region Audit Committee Ron Tripp, Chief Administrative Officer Franco Meffe, Director, Human Resources Linda Gigliotti, Associate Director, Employee Services Dan Miron, Manager, Health, Safety and Wellness
Date Issued:	January 10, 2020

EXECUTIVE SUMMARY

BACKGROUND

In accordance with the 2019 Audit Plan, Internal Audit performed a comprehensive review of the Management of Sick Absences as well as the role of the Employee Health Services team in Human Resources, in monitoring and case managing employee sick absences. The audit was conducted within professional standards published by the Institute of Internal Auditors.

The purpose of the audit was to provide assurance to Management and Niagara Region's Audit Committee on the effectiveness of the management control framework respecting management of sick absences and employee sick absence policies. The audit tested whether the management of sick absences are processed in a manner that is compliant with the current case management practices and related sick leave policies. Finally, the audit provided an evaluation of the current technology used (specifically Kronos and Parklane) and business processes to determine their effectiveness in supporting the management of sick leave absences.

The methodology used by Internal Audit included a review of relevant documentation, analysis of sick occurrence data, interviews with key individuals involved in the processes and re-performance of certain procedures. The period covered by the audit was from January 1, 2017 to December 31, 2019.

SCOPE

A risk based auditing approach was used to determine the scope of the audit. The timing and analysis of the Audit was combined with the Employee Extended Benefits Audit as both programs share common objectives and goals – to support health and wellness of employees in the workplace. The following processes, procedures and items were considered in scope for the audit:

- Risk identification and assessment of the management of sick leave use , including operational and oversight practices;
- Interviews and process walkthrough with key staff in Employee Health Services, to determine their roles, responsibilities, and oversight methodology;
- Analytical review of metrics used to monitor sick leave use, benefits and report on operational performance and;
- Detailed testing of a sample of sick day occurrences to assess accuracy of encoding and monitoring by all staff involved in accordance with the provisions laid out in sick leave management policies and practices.

The following was considered out of scope:

- Work related injuries and absenteeism approved under WSIB;
- Long Term Disability claims that are managed through SunLife as an independent insurance policy; and,
- Attendance management within Niagara Regional Housing and Niagara Regional Police Service.

In 2018 Internal Audit completed two audits on Payroll processes – Phase 1 Timekeeping and Phase 2 Timely and Accuracy of Payroll Remittance. While this audit did not duplicate testing conducted previously, some of the findings may overlap. In addition, several of the requirements within the Attendance Support Program were not tested as a revised policy has recently been approved by CLT and will be implemented by mid-2020. It is strongly suggested that Internal Audit consider auditing the efficacy of the revised policy and management/staff requirements within it by end 2022.

INTERNAL AUDIT FINDINGS

The report is broken into the following sections:

- Data Management – this section analyzes the encoding, receiving, monitoring and management of data/documentation related to the management of sick absences.
- Performance Management – analysis of the current reporting, goals, strategies and performance measures related to the operationalization of sick absence practices and policies.

In 2019, Niagara Region employed approximately 3,582 employees with an annual compensation of \$205,587,243. Not all employees are eligible for sick leave benefits, such as some casual, part time and student. For 2019, Niagara had approximately 2,588 eligible full-time employees use 207,182 sick day hours at a cost of \$6,586,905. Sick time accounts for just over 3.2% of total salary compensation. Table 1 below shows a three year breakdown of the number of eligible full time employees, sick occurrences and total cost of sick time. It should be noted that this does not include employees on Long Term Disability. An occurrence is defined as an incident of absence which can range from less than one day/shift up to when a person returns to work or is placed on long term disability. For testing purposes, the audit did not focus on eligible part time employees as that cohort represents less than 1% of total sick time hours and less than 1% of costs.

Attendance Support Eligibility and Cost	2017	2018	2019
Eligible Employees	2452	2,468	2,588
Number of Occurrences	9,925	10,133	11,307
Total Sick Hours	207,246	203,660	207,182
Total Cost	\$6,296,897	\$6,218,201	\$6,586,905

Human Resources Benchmarking Canada (HRBN) 2018 data shows that Niagara's sick time accounted for 3.6% of total salary compensation. Based on all participating municipalities Niagara's is within the top 25th percentile. Salary dedicated to sick time compensation in Niagara is below most of the comparators that participate in HRBN surveying.

Human Resources Benchmarking Network - 2018	Sick Pay Expense as a Percentage of Eligible Salary Expense
Weighted Average	3.71%
HRBN 10 th Percentile	3.00%
HRBN 25 th Percentile	3.59%
HRBN 50 th Percentile	4.04%
HRBN 75 th Percentile	4.47%
Niagara Region	3.60%

The medical case management of sick absences is managed through the Employee Health Services team in Human Resources. Employee sick absences, as well as other attendance records, are encoded by local office administrators (encoders) into the Kronos system. Kronos is the Region's main system for recording employee time and attendance, and supports the payroll process at Niagara Region. For employee absences beyond 3-5 days (depending upon the employee group), staff are required to submit suitable medical documentation, most notably a Treatment Memorandum or doctor's note (suitable medical certificate) to verify that the sick absence was justified and non-culpable. Sick absence documentation is uploaded into the Parklane system and monitored regularly by EHS staff to proactively support employees to return to work or to verify that employees are continuing to participate in treatment if they remain out of the workplace on sick leave.

OBSERVATIONS AND RECOMMENDATIONS

The following are all the observations from the audit along with recommendations and Management's Action Plans to address these issues. See Appendix I for the risk ranking justification.

Observation #1 – Data management processes seem to be managed effectively although they are highly manual and lack integration with other related systems.

Risk Ranking

LOW

A. DATA ENCODING

The ongoing responsibility for monitoring and encoding attendance resides with local management and administrators (encoders) including reporting of employee absences for various reasons such as sick days. Responsibility is also delegated to local staff to update Kronos regarding an employee's continued absence, potential pay rate adjustments and return from an extended absence while collecting the necessary documentation.

The majority of training for encoders can be considered hands-on with the support of other encoders. Human Resources may provide training to encoders and managers upon request. In the event of encoder absences, operating areas are required to arrange for appropriate backup to ensure timely completion of payroll processes.

The amount of hours for employee sick banks (and other employee time allotments, such as vacation, lieu, etc.) is set annually by Human Resources including the system rules around pay decreases for longer term absences. In other words, a person's pay progressively decreases the more time they take off for absences related to illnesses based on employee group, years of seniority and employment status such as full time vs part time. By incorporating these rules into the system it decreases the discretion and judgement required of encoders. Most of the in-year updates to staff sick day banks are manually inputted by HR staff.

Internal Audit testing revealed a few minor errors in the accuracy of sick day resets and updates. Specifically, it was noted that employees were granted additional time off beyond their seniority levels which may impact compensation rates depending on the amount of sick time taken during the course of a year. Through our sample testing we found no errors that can be directly attributed to encoders, while there were some errors related to sick bank resets and employee allocations these are not directly attributed to encoders. The monetary impact of these errors can be considered negligible.

B. DATA REPORTING

While all sick day occurrences are initially encoded into Kronos, EHS staff manually generate a report following each pay period, entitled UMUL, to review employee sick absences for the past pay period and determine if any employees have been non-complaint with medical

certificate reporting requirements. A CA15 Parklane report is also generated weekly by EHS staff to support local management by developing a monitoring plan, identifying any outstanding issues and when appropriate facilitate a return to work plan for the employee.

It is within Parklane that all required documentation such as medical notes is stored and a monitoring/reporting plan is developed to proactively support management until an employee returns to full and regular duty or is approved for LTD benefits. In other words, EHS staff determine the review and reporting dates and these are inputted into a CA15 Parklane report that is used by EHS as a prompt of when to interact with management and an employee on short term disability.

While the majority of the processes described above are manual and labour intensive, the audit found very few issues with the overall management and documentation. Following five consecutive days off on sick absence, (three consecutive shifts for paramedics) staff are required to submit medical documentation to verify the legitimacy of the absence. Employees are required to submit the documentation within ten days of the last shift worked. There were some cases where documents, mostly medical notes, were submitted beyond the required stipulated timeframe of ten consecutive days but all required updates were eventually made.

Parklane being a standalone system has no integration with Kronos however files and information from PeopleSoft are uploaded to Parklane on a regular basis so that Parklane records remain current. This results in staff manually generating and reviewing reports, delays in determining and updating employee statuses and inputting necessary documentation.

Implication

Lack of formalized training and monitoring by Human Resources could result in inconsistent interpretation and application of encoding absentee rules and inputting requirements.

Poor integration of Parklane with other systems, mostly Kronos, increases the effort of EHS staff to create reports and monitor employee absentee occurrences and rates. This has an impact on the requirements for timeliness and accuracy for submitting documentation.

Recommendation

1. EHS should investigate other computer systems that allows for better integration with Kronos to support and improve business processes to:
 - a. Capitalize and improve on better and more timely monitoring of employee sick absences;
 - b. Ensure all necessary medical documentation is inputted in a timely manner to accurately verify the absence the within Kronos and validate the nature of an employee absence, i.e. culpable vs non-culpable;

- c. Create and analyze more elaborate corporate absentee trends to develop effective and strategic programs to support employees and reduce absentee rates and costs; and,
- d. Reduce the number of errors related to absentee encoding and resetting of employee sick banks.

Management Action Plan

Person(s) Responsible	Linda Gigliotti, Associate Director Employee Services Dan Miron, Manager Health/Safety/Wellness	Completion Date	Q4 2020
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1. While the audit does confirm the current technology and business processes are essentially effective, Management supports the continual need to fully leverage existing technologies, and to periodically review and explore the market for improved efficiencies and gains with new available technology. The current application used by the Employee Health Services team, Parklane, in addition to absence tracking allows for the necessary medical charting used by the Occupational Health Nurses and Employee Health Services team to facilitate absence tracking and also for development of Return to Work opportunities and plans. Although WSIB is out of scope of this audit, Parklane does provide efficiencies with automated filing and reporting to the Board which covers a large volume of incidents in a timely manner to maintain compliance. Similar applications and tools in the market that deliver all of these specific functions appear to be limited, however Management continues to review the market for new software applications that meet the robust need and allow for more integration. **Management is including this consideration as part of a broader HRIS review occurring in 2020, and will report back any new developments in this regard specific to the sick benefits audit.**
2. Management supports the need for improved reporting, and has been working closely with the Information Technology team to support the introduction of new Business Intelligence (BI) reporting tools. During the pilot, the use of the BI reporting tools allowed for quicker, easier, more robust reporting with the ability to present large data points in an audience friendly manner. **It is HR's intention to continue to work closely with IT in the coming months and leverage the opportunities that the new BI will bring with reporting, and will report back progress this year on trending and forecasting opportunities with the introduction and use of BI reporting.**

Observation #2 – While the attendance management and sick day results are within a reasonable range, there is a lack of performance measures and reports to support continuous improvement.

Risk Ranking

LOW

Compensation related to sick days for 2019 was \$6,586,905, up from the 2018 total of \$6,218,201. In total, that equated to 207,182 hours of direct paid sick day costs in 2019 or approximately 80 hours per eligible full-time employee, as shown in Table 3 below. (Auditors utilized an hourly basis instead of days as the length of shifts varies based on position with the Region). When compared to other jurisdictions through the HR Business Network (HRBN) database, Niagara's costs over a five year period from 2014 to 2018 approximate the average of the 11 municipal comparators. HRBN provides summarized costing and operation data from several Ontario municipalities related to HR administration and program areas to support comparative analysis.

Sick Day Cost and Hours Breakdown	2017	2018	2019
# of Eligible Employees*	2452	2,468	2,588
Number of Paid Sick Hours	207,246	203,660	207,182
Average Sick Hours per Eligible Employee*	85	83	80
Total Sick Leave Cost	\$6,296,897	\$6,218,201	\$6,586,905

*Full time employees only

Table 4 below shows a comparative breakdown of Niagara against other local regional municipalities. While 2019 data is not available the table demonstrates that for 2018, as mentioned earlier, Niagara approximates the average of the comparison group. The difference between the two numbers is represented by the addition of part time staff which reduces the total from 83 hours per employee to 81.14 hours per employee,

Regional Municipalities	2018
Halton	68.78
Waterloo	78.14
York	79.85
Niagara	81.14
Hamilton	90.29
Durham	95.70

*Includes ALL staff, excluding Police Services

For the three year period studied the number of sick day occurrences has increased from 9,925 in 2017 to 10,133 in 2018 and finally 11,307 in 2019. The total number of sick hours though in that period has actually decreased from 207,246 in 2017 to 207,182 in 2019 meaning the average duration that employees are off work is decreasing from 93.3 hours in

2017 to 89.9 hours in 2019. This average is based on employees that have at least 1 sick day occurrence. In general, this signifies that staff are returning to work quicker reducing sick day and other administrative costs such as backfilling staff, when required. The illness related statistics are detailed in Table 3 below. (As shown in Table 5, annually the number of people who do not take a sick day/hour is increasing annually).

Sick Day Occurrences and Hours	2017	2018	2019
# of Paid Occurrences	9,925	10,133	11,307
Average Hours per Occurrence	21	20	18
Average Hours per Employee* (at least 1 occurrence)	93.3	91.5	89.9
Avg. Cost per Occurrence	\$634	\$614	\$583
# of Staff with NO Occurrence	267	288	323

*Full time employees only

As the total and average sick day hours decreases it should be noted that other administrative costs decrease as well. While this audit did not study the cost of lost productivity and backfilling staff for certain positions (even for short term absences) one can conclude that additional administrative costs related to backfilling fluctuates proportionately with the number of sick days.

The audit analyzed sick day statistics at the bargaining group level to determine anomalies or issues. Table 6 breaks down the sick day statistics for 2018 and 2019 to determine any changes at the per employee level. It should also be noted that when breaking down data at the employee group level a couple of longer term illnesses may skew the results for the entire group. This type of analysis is necessary to support profession specific strategic plans to address potential systemic attendance management issues.

Annual Sick Day Changes by Employee Group	Number of Employees		Total Paid Sick Hours		Average Per Employee		% Change
	2018	2019	2018	2019	2018	2019	
CUPE 911	219	237	26,886	35,010	123	148	+20%
CUPE 1757	113	128	8,369	7,687	74	60	-19%
CUPE 1263	553	581	56,698	55,306	103	95	-7%
CUPE 1287	823	837	75,095	68,886	91	82	-10%
Non Union	618	655	25,474	27,263	41	42	+1%
ONA 9 Homes	35	36	3,778	4,102	108	114	+6%
ONA 9 Public Health	107	114	7,367	8,934	69	78	+14%
Grand Total	2468	2588	203,660	207,182	83	80	-3%

The audit tested for frequency and timing of sick days over the course of the last three years. The audit looked at 25 employees with the highest frequency of sick day occurrences to determine if there was a correlation between the length/timing of their sick day occurrence with certain sick absence milestone requirements. The 25 staff selected for our sample represent 369 separate sick day occurrences. With regard to milestones, the audit looked at whether staff returned to work immediately prior to any of the following milestones:

- A medical note being required,
- Reduction in pay due to length of occurrence (i.e. 100% to 75% to 60%) and
- Prior to transition to Long Term Disability.

Testing also looked at whether those same staff had another occurrence immediately after their sick day bank was reset back at 100%. The audit determined that there was no direct correlation between sick day occurrence timing and/or compensation milestones. This issue was prevalent in other municipalities as noted in internal audits. “Gaming the system” is not occurring in Niagara as was discovered in other internal audits from comparable jurisdictions.

The audit tested if there was a higher occurrence (paid and unpaid) of sick days either prior to or immediately following statutory holidays and weekends. As shows in Table 7, employee groups were grouped together based on similarity of statutory holiday compensation clauses within their plans. The 4431 total occurrences noted in column 3 below are ‘NEW’, meaning the absence started on either a Friday or Monday or just prior to or after a statutory holiday. Also, the occurrences are for short term absences that do not require medical notes.

Employee Group	Number of Occurrences	Prior to or After Holiday or Weekend	Percent
CUPE 911	1252	401	32%
CUPE 1263 and ONA 9 H	3623	1295	36%
Non-Union, CUPE 1287, CUPE 1757, ONA 9 PH	6432	2735	43%
Total	11307	4431	39%

Overall, Niagara is below the levels reported in other audit reports from comparable jurisdictions. While this statistic is not part of HRBN data, it was studied in a few other audit reports. Compared to other jurisdictions, Niagara’s data is considerably lower yet should be continuously analyzed to ensure the terminology in employment contracts is sufficient to reduce or eliminate culpable absences in and around weekends and statutory holidays.

Finally, as part of our audit, regular reports or summaries were reviewed that may be shared with Senior Management to identify potential trends, either corporately or within specific

business areas, areas of concerns and strategies to address those concerns. While we noted earlier that the current sick day compensation and per employee number of sick days approximates the average of the 11 jurisdictions that provided data through the HR Business Network database, Niagara does not have a formal long term strategy to reduce the sick day totals and related costs. In addition, the attendance support program does not have detailed performance measures or reports to support ongoing monitoring and continuous improvement.

It should be noted that the CLT recently approved a revised Attendance Support Program policy that will be implemented in Q2 2020. This revised policy improves and clarifies the role of management and employees, including the importance of timely attendance support meetings to develop proactive solutions to attendance issues. This was the first update to the Attendance Support Program since 2012.

Internal Audit recently engaged the services of MNP Consulting to support a related audit focusing on employee benefit claims. As part of their engagement, MNP consulted with an industry expert from Jackson and Associates (J&A). While their recommendations are detailed in the Benefits Audit, some apply to this review as well. As part of their overall recommendations J&A states that, "The most effective approach to a desired result is by changing the focus of the benefit plans and getting in front of a claim through promoting a healthy lifestyle [that] would address physical, mental and financial health."

Also J&A recommends that, "Creating a Wellness vision/mission statement is a strategic exercise that needs to be collaborative." Focusing upon employee wellness as an overall strategy of which attendance management and benefit programs are subcomponents can have an impact on program costs, design and operations.

Implication

Without detailed performance measures and agreed upon targets the Region may not be able to address potential absentee issues succinctly and reduce or better manage is absentee rates while proactively addressing the needs of employees

Without an overall vision, mission statement, and attendance support objectives as part of the enhanced benefits program, the organization may be limited in its efficiency and effectiveness.

Recommendation

1. Human Resources needs to develop an overall vision and mission for the various corporate benefits programs that includes the prevention and management of sick absences to ensure employee's long term needs are satisfied in a cost effective and efficient manner.

2. Human Resources should identify and implement Niagara based attendance management performance measures and targets to monitor ongoing attendance-related trends and develop programs to manage potential issues.

Management Action Plan

Person(s) Responsible	Linda Gigliotti, Associate Director Employee Services Dan Miron, Manager Health/Safety/Wellness	Completion Date	Q4 2020
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1. As demonstrated by the results of this audit, Human Resources (HR) has been diligently working on sick time/absence management practices over the past several years, effective safe and early return to work strategies, and continually monitoring results against internal and external benchmarks. In addition, HR has proactively partnered with higher risk employee groups, such as Emergency Services, to develop, implement and monitor a Psychological Wellness and PTSD Prevention Plan. Management has also placed a significant focus on improved Return to Work strategies to reduce absence durations, and to achieve the reported results introduced a new EFAP provider in 2017 and introduced a fitness facility available to all staff (expanded in 2019). HR has partnered with health care benefit providers (Green Shield Canada, Morneau Shepell) for employee health care fairs, training (ie. Mental Health Leadership certification) and programs (smoking cessation). Additionally, Management is already committed to a Total Rewards and Employee Labour Strategy this year which will include a specific vision statement and will align with the current direction taken by Human Resources. This strategy will assist with setting future direction for benefit plan and design.
Management will report back to Audit Committee on the Total Rewards and Employee Labour Strategy to be developed. This will align with Management's response to the Human Resources Employee Extended Health Benefit Claims Audit.
2. As stated, Management is supportive of monitoring, identifying trends, and also to using data to inform enhancements to benefit plan design, Attendance Support Program, etc. Management will continue to monitor and measure against internal and external benchmark indicators.

APPENDIX I - RATING SCALE

Rating	Definition
CRITICAL	Requires immediate action by Senior Management to avert a severe/disastrous risk event in the near-term. Internal controls are deemed to be ineffective, absent or poorly designed. Management Actions Plans (MAP's) are to be implemented immediately to mitigate risk of substantial financial losses, business interruption, loss of reputation and/or environmental, public health & safety risk.
HIGH	Requires prompt action by Management to avert, reduce or transfer a major risk event. Internal controls are deemed to be ineffective, absent or poorly designed. MAP's should be implemented to mitigate the risk of financial losses, loss of reputation, address fraud issues or legal/regulatory non-compliance.
MEDIUM	Requires timely actions by Management to reduce risks to a low level. Internal controls are deemed to be ineffective or poorly designed. Management action is required, but is not immediate. Moderate financial losses, temporary/minor reputational impairment, lesser potential for fraud or regulatory non-compliance may occur without timely MAP's.
LOW	Management actions are recommended to address the weaknesses identified. Internal controls are operating effectively or partially address the control objective; however they may be poorly designed and/or operational inefficiencies exist which may result in an opportunity for improvement. Low risk events may cause operational inconvenience or minor financial losses.

Memorandum

CSC-C 7-2020

Subject: COVID-19 Response and Business Continuity in Corporate Services
Date: May 13, 2020
To: Corporate Services Committee
From: Todd Harrison, Commissioner of Corporate Services and Regional Treasurer

Corporate Services delivers efficient and innovative service excellence to external and internal customers in an integrated and timely manner.

During this pandemic, our staff have continued this support function for core businesses within our group and for operating departments. In addition, Corporate Services has provided critical support to the Emergency Operations Committee (EOC).

The following provides an overview of activity that has taken place and a projection of expected service delivery moving forward.

CONSTRUCTION, ENERGY AND FACILITIES MANAGEMENT (CE&FM)

Current Status of Operations

The CE&FM group is divided into two main groups, Construction and Facilities Management. This team has played an important role in the Regional EOC.

The Construction unit has continued to deliver construction projects for the Region up to such time that the provincial legislation for essential construction projects was refined. As a result, staff have worked with contractors to pause projects deemed non essential, most notably NRPS District 1. As a result, a reduced number of projects have continued, these include:

- Installation of backup generators at Headquarters;
- Transfer of backup 911 equipment to a new site; and
- Continuation of construction drawings for long term care facilities.

The Facilities Management Team has been an essential component of the Region's EOC. Some of the functions performed in this capacity are:

- Coordinated the sourcing of essential supplies in collaboration with other departments;
- Continuing Operations and Maintenance of all opened facilities including enhanced cleaning protocols to ensure safe working environment for essential staff not working from home;
- Coordinating emergency procurements of PPE and other supplies that are critical to business continuity for essential services;
- Upgrading facilities with social distancing barriers, protective screens;
- Responding to internal client needs for changes in normal operations, special moves and health & safety concerns;
- Enhanced security monitoring of sites with reduced and or no staff on site; and
- Coordinating shipping/receiving and securement of critical supply needs.

Operational Outlook

1/3/6 months

Cleaning:

- Expanded existing cleaning contracts to meet enhanced COVID cleaning requirements
- Successfully created/tendered/awarded cleaning contract for EMS base cleaning to meet enhanced COVID cleaning requirements
- Successfully sourced/procured and secured additional cleaning and janitorial supplies to meet divisional and client needs
- Facilities front-line staff refocused to meet enhanced COVID cleaning requirements for internal staff and public safety
- Have addressed multiple emergency workplace disinfection requests following positive COVID findings in the workplace

Supply Chain and Deliveries

- Dedicated staff to delivery and reception of all Region HQ deliveries to loading dock to limit personnel entry to Region HQ
- Sourced and provided secure storage areas to assist LTC pandemic supply requirements
- Created Facilities tracking documents for EOC to track program delivery changes
- Created Portal request mechanism for EOC supply chain requests
- Have met all client and divisions support requests for procurement of PPE, hygiene and cleaning supplies

Building Security

- Adjusted security and facility access control systems to meet program delivery changes with minimal notice and short timelines
- Assisted with creation and testing of HR re-deployment tool in preparation of tool launch
- Assisted with creation and testing of screening tool for PH and continue to support with coordination of access control systems data with screening tool
- Continue to keep all Region sites functional, safe and secure for eventual return to normal operations

Housing / Brock University

- Secured temporary housing for essential service workers at Brock University and continue to manage unit allocations. Have 27 rooms available with option of an additional 14 should they be needed

Construction and non-essential maintenance and repair work

- Reviewed and stopped all non-essential maintenance repair work and services based on provincial order
- Successfully shut down non-essential construction based on initial provincial order and in the process of re-opening construction sites based on May 4th provincial order.

REOC

- Secured space and coordinated setup of Region EOC at initial stages of emergency response
- Redeployment of CE&FM staff to support REOC and facilities operations

FINANCIAL MANAGEMENT AND PLANNING (FMP)

Current Status of Operations

As indicated, all of the Corporate Services Departments continue to deliver core services while at the same time perform a significant number of duties to support the Regional EOC.

FMP staff have continued to support core business functions during the pandemic. Some highlights of these actions include:

- Complete the 2019 year end audit;
- Develop 2020 tax bylaws and provide required necessary report and bylaws; and
- Work with Public Works to develop financial implications of SNF water treatment plant.

Alternatively, FMP has a main role in the Region's EOC as part of the Finance and Administration Unit. Highlights include:

- Development and implementation of procedures for cost reporting and tracking;
- Review of Regional capital projects in light of provincial legislative essential construction business and Regional capacity to complete;
- Implementation of on-line/credit card payments for services such as business licenses, garbage bag tags, planning and transportation permits, long term accommodations, etc.;
- Support HR in development of cost tracking system to facilitate staff redeployment to essential services in pandemic; and
- Extensive cash flow analysis and business continuity planning in conjunction with local municipalities.

Operational Outlook

1/3/6 months

- Managing Local Area Municipality receivable and payables in accordance with CSD 31-2020
- Phase 2 of on line payments i.e. garbage bag tags sales direct to residents.
- Improvements to Cash Flow model tools and processes to support ongoing operations and cash flow implications of municipal COVID concessions
- Preparing Annual Report and provincial financial information return
- Ongoing COVID financial analysis and weekly/monthly impact and cash flow reporting to Council
- Analysis and reporting related to Council motion to consider deferral of 2020 water/wastewater budget increases
- Provincially funded Program Financial Audits underway to comply with legislation
- Supporting the 2020 Capital and Operating Budgets timetables as established

- Supporting GO implementation, Niagara Regional Transit Governance, Canada Summer Games, Airport Master Plan RFP
- Managing debenture issuance process with consideration to market factors and municipal needs and risk.

PROCUREMENT AND STRATEGIC ACQUISITIONS (PSA)

Current Status of Operations

Similar to other departments within Corporate Services, PSA staff have delivered by supporting core business functions while taking on additional projects to support the Region's EOC.

Highlights of activity during the operational period includes:

- Facilitating new and ongoing procurements culminating in award;
- Realty related works for inflight projects, leases and licenses;
- PeopleSoft Change PO's, Supplier and PCard administration; and
- Sourcing critical PPE and supplies needed for the EOC response to the pandemic.

In addition, Procurement has completed the transition to full eBidding and effective immediately, all procurement bid documents issued include the requirement for electronic submissions.

Operational Outlook

1/3/6 months

The Region's review of essential projects both capital and operational has resulted in a prioritization of formal procurements moving forward. This will continue throughout the pandemic and afterwards.

INFORMATION TECHNOLOGY SERVICES (ITS)

Current Status of Operations

Similar to other departments within Corporate Services, ITS staff have delivered by supporting core business functions while taking on additional established projects to support the Region's EOC.

Highlights of initiatives completed during the pandemic include the following:

- Put the tools, technology and processes in place to enable and support the move towards large numbers of staff working from home;
- Developed operational data driven dashboards for Public Health, Community Services and EOC to help monitor and manage workload and staff capacity;
- Developed staff redeployment portal to help facilitate the management of requests for additional or redeployed staff related to COVID-19 priorities; and
- Working with Clerks Department to move Council and Committee meetings to an all-digital platform to support physical distancing requirements.

Operational Outlook

1/3/6 months

- 1/3 Successfully launched remote, Electronic Council meetings along with the team in Clerks
- Working with Clerks to develop a solution for public participation in Council and Committee meetings when required
- Continue to enhance HR Redeployment tool to help manage the redeployment of staff and track costs associated with COVID-19 event
- Updates to various interfaces and reports for new cost codes and tracking of COVID-19 expenses
- Built EMS live time alerts dashboard showing ambulance capacity available
- Developed Public Health EOC operational dashboard to assist with reporting and trending
- Built public facing dashboards highlighting COVID-19 statistics
- Developed support tools to support Homelessness team's initiatives during the pandemic

LEGAL SERVICES

Current Status of Operations

As indicated, all of the Corporate Services Departments continue to deliver core services while at the same time perform a significant number of duties to support the Regional EOC.

The Legal team provides a key role in the Region's EOC. The team has responded to significant number of new provincial legislation and announcements throughout the pandemic period. Highlights of advice provided to EOC:

- Advise on response to construction legislation related to essential services;
- Risk Management advice on building screening and security issues; and
- Various legal advice during pandemic.

Operational Outlook

1/3/6 months

The Legal team will continue to provide advice and deliver services to operational departments on core business activities. The insurance RFP is on-going and is expected to be completed in the fall.

COURT SERVICES

Current Status of Operations

The Court Services team is overseen by the Region's legal department on behalf of the joint board of management, between the Region and area municipalities.

Highlights of operational charges to Court Services:

- Court matters have been adjourned to May 29;
- Timelines have been extended for the duration of emergency;
- At present, POA building closed to the public but telephone/email service continue;
- Enforcement agencies continue to file charges with unit; and

- On-going contact with Municipal Attorney General Offices and Local Administrative Justice of the Peace.

Operational Outlook

1/3/6 months

Continue responding to public enquiries and requests from enforcement agencies while awaiting resumption of regular court proceedings.

BUSINESS LICENSING

Current Status of Operations

Similar to the other departments in Corporate Services, the Business Licensing unit has continued to operate with core service delivery as well as play a role in the Region's EOC. These activities are identified separately.

Business License

- Revenues are down for the renewal period ending May 31st, which has been reflected in regular EOC reporting to Council. Currently, license payments have been deferred until pandemic ends. A transition plan regarding license payments is being developed for when businesses resume. A report to Corporate Services will come forward in June.
- The Region has over 5,000 license holders that span a variety of businesses, vehicles and people that will need to be renewed.
- The emergency orders impacted not only the businesses but the employees of those businesses. There may be a reduced employee pool that these businesses may draw from and further impact their business operation.

Provincial Order Enforcement

The provincial government's announcement for stricter enforcement of social distancing and business' temporary closings resulted in an enhanced bylaw enforcement. In cooperation and coordination with local municipalities, the Region's enforcement team has increased its how's of operations to respond to increased complaints.

- Staff have been re-assigned to enforce the Provincial Orders and remain assigned to an evening shift schedule Saturday to Tuesday supported by staff from Tobacco Enforcement. Staff remain assigned to this until further notice or when the orders and state of emergency is lifted; and
- Staff respond to after-hours calls to assist the local response and also monitor the Region's six public open space properties, and ensure Region licensed businesses that are non-essential remain closed.

Operational Outlook

1/3/6 months

The Regional Enforcement Manager will continue to work in cooperation with local municipalities, NRPS and other Regional departments in a coordinated approach to enforcement of the social distancing legislation until the pandemic eases.

The business license bylaw review is ongoing and will likely come before Council after the pandemic eases.

Respectfully submitted and signed by

Todd Harrison, CPA, CMA
Commissioner of Corporate Services and
Regional Treasurer

Subject: Regional Development Charges Treasurer's Statement 2019

Report to: Corporate Services Committee

Report date: Wednesday, May 13, 2020

Recommendations

1. That this report **BE RECEIVED** for information.

Key Facts

- This report provides Regional Council with a statement relating to the Development Charges (DC) reserve fund activities for 2019 in accordance with the Province's *Development Charges Act, 1997* as amended (DCA) and *Ontario Regulation 82/98*.
- Beginning in 2016, the DC reserve fund reporting requirements were updated to require municipalities to provide all sources of funding for anything funded from DC's, a compliance statement regarding imposing additional levies or requiring the construction of a service not authorized under the DCA and require that the statement be made available to the public.
- At the end of 2019, a total of approximately \$83.0 million in DC revenue is available for future eligible growth related capital projects after accounting for outstanding capital commitments.
- Outstanding DC capital commitments are approximately \$80.1 million.

Financial Considerations

Regional DC revenues collected in accordance with the DC By-law are deposited in the DC reserve funds and subsequently applied to eligible growth-related costs once those costs have been incurred. This report provides both summary level transaction information by reserve, and detailed funding information by project. DC reserves are necessary to move forward with the growth related projects in the 2020-2029 capital budget and forecast, which includes \$565 million in DC funded projects. At the end of 2019, the \$83.0 million in DC's available for funding included \$45.5 million collected and \$19.8 million expended from DC's in 2019.

It is important to note, that the \$45.5 million in DC's collected includes amounts totaling \$8.4 million in tax supported funding to pay for the exemptions in the DC By-law. Additional details of the \$8.4 million in grants is discussed in greater detail in the 2019 Q4 Financial Update.

Analysis

In accordance with the amended DCA, this report must be prepared annually. The annual statements will be made available to the public through the Development Charges section on the Region's website.

Appendix 1 shows the breakdown of the reserve fund activity from January 1, 2019 to December 31, 2019. During this period, the total DC reserve balances (before accounting for outstanding commitments) increased \$28.6 million, from \$134.5 million to \$163.1 million. After accounting for outstanding commitments to capital projects the net available balance equaled \$83.0 million at year end 2019. This total will be applied to eligible growth-related capital projects in 2020 and throughout the rest of the forecast period.

The \$83.0 million after commitments related to each of the DC service categories as follows:

<u>DC Service Category</u>	<u>Ending Balance (\$)</u>
General Government	\$ 1,483,024
Police Services	2,937,443
Services Related to a Highway	15,097,638
Wastewater	42,860,310
Water	8,772,458
EMS	1,449,160
Long Term Care	5,727,175
Provincial Offenses Act*	(15,848)
Health	768,259
Social Housing	2,480,731
Waste Diversion	1,444,178
Total	\$ 83,004,529

* Balance excluding commitments is \$315,152 (positive balance).

Included within the DC reserve fund activity in Appendix 1 are transfers from the DC reserve totaling \$19.8 million to fund capital and operating projects. DCs are transferred to and recorded as project revenues as eligible costs are spent, matching funding with expenditures. Funding reviews occur quarterly with consideration of the expenditures incurred to date and respective funding sources. Regional DC's are collected by area municipalities at time to building permit issuance.

Appendix 2 identifies 119 active capital projects to which the \$18.3 million in DC funding was applied, along with a summary of the life-to-date expenditures and approved funding sources as of 2019 year end. A total of \$66.8 million of DCs have been allocated to projects that were active during 2019 from approved DC funding of \$147.3 million at year-end. On average DC funded projects have spent 45% of their respective budgets.

Appendix 3 identifies 166 active operating projects to which \$1.5 million in DCs were applied, along with a summary of life-to-date expenditures and any other approved funding sources providing partial funding to the projects.

Appendix 4 provides supplemental information required as outlined in O.Reg 82/98, including a description of the DC service categories, credit balances, and a summary of any borrowing from the DC reserve funds. Similar to previous Treasurer Statements on DC reserve funds, there are no credit balances or borrowing amounts to report. The Region is also required to make a statement regarding its compliance with Sections 59.1(1) & (2) of the amended DCA respecting imposing additional levies or requiring the construction of a service not authorized under the DCA. The Region does not impose additional levies or require construction of services not authorized under the DCA, therefore it is compliant with Sections 59.1(1) & (2).

Alternatives Reviewed

Alternatives are not applicable as this report provides historic and legislatively required information. The Development Charges Act, 1997 as amended requires that this report be provided annually to Council and made available to the public.

Relationship to Council Strategic Priorities

Regional Development Charges are a major source of funding for growth projects in the capital budget. As such, Regional Development Charges assist in achieving the strategic priorities of a fiscally sustainable government.

Other Pertinent Reports

None.

Prepared by:

Rob Fleming, MBA
Senior Tax & Revenue Analyst
Corporate Services

Recommended by:

Todd Harrison, CPA, CMA
Commissioner/Treasurer
Corporate Services

Submitted by:

Ron Tripp, P.Eng.
Acting, Chief Administrative Officer

This report was prepared in consultation with Margaret Murphy, Associate Director, Budget Planning & Strategy and reviewed by Helen Chamberlain, Director, Financial Management & Planning/Deputy Treasurer.

Appendices

Appendix 1	DC Reserve Fund Activity
Appendix 2	Capital Projects funded with DCs in 2019
Appendix 3	Operating Projects funded with DCs in 2019
Appendix 4	Description of Services

Niagara Region
2019 Development Charges Reserve Fund Statement
Statement of Activity - January 1, 2019 to December 31, 2019

Development Charge Category	Balance at December 31, 2018	Development Charges Revenue	Interest Income (1)	Transfer to Current Fund (see appendix 3)	Transfer to Capital (see appendix 2)	Balance at December 31, 2019	Capital Commitments (2)	Available Balance at December 31, 2019
General Government	\$ 1,265,389	\$ 596,567	\$ 27,212	\$ (406,144)	\$ -	\$ 1,483,024	\$ -	\$ 1,483,024
Police Services	\$ 1,883,936	\$ 1,043,581	\$ 48,158	\$ -	\$ 4,321	\$ 2,979,996	\$ (42,553)	\$ 2,937,443
Services Related to Highways	\$ 50,882,654	\$ 17,499,264	\$ 1,067,084	\$ -	\$ (12,556,156)	\$ 56,892,847	\$ (41,795,209)	\$ 15,097,638
Wastewater	\$ 43,821,654	\$ 11,854,219	\$ 950,641	\$ (1,120,037)	\$ (3,313,389)	\$ 52,193,089	\$ (9,332,779)	\$ 42,860,310
Water	\$ 28,296,497	\$ 8,308,802	\$ 626,986	\$ -	\$ (2,203,203)	\$ 35,029,081	\$ (26,256,623)	\$ 8,772,458
EMS	\$ 1,139,733	\$ 378,436	\$ 26,439	\$ -	\$ (14,048)	\$ 1,530,559	\$ (81,399)	\$ 1,449,160
Long Term Care	\$ 3,076,420	\$ 2,563,590	\$ 87,164	\$ -	\$ -	\$ 5,727,175	\$ -	\$ 5,727,175
Provincial Offenses Act	\$ 180,783	\$ 129,459	\$ 4,910	\$ -	\$ -	\$ 315,152	\$ (331,000)	\$ (15,848)
Health	\$ 414,769	\$ 341,777	\$ 11,713	\$ -	\$ -	\$ 768,259	\$ -	\$ 768,259
Social Housing	\$ 2,609,230	\$ 1,963,977	\$ 69,103	\$ -	\$ (272,102)	\$ 4,370,209	\$ (1,889,478)	\$ 2,480,731
Waste Diversion	\$ 958,534	\$ 799,171	\$ 27,827	\$ -	\$ 66,468	\$ 1,852,000	\$ (407,821)	\$ 1,444,178
Total	\$ 134,529,600	\$ 45,478,843.81	\$ 2,947,237.53	\$ (1,526,180.80)	\$ (18,288,108.56)	\$ 163,141,391.59	\$ (80,136,862.64)	\$ 83,004,528.95

(1) Interest Income is allocated to DC Reserve Funds in accordance with the Reserve and Reserve Fund Policy (C4-002)

(2) At year end, a review of the status of the respective capital projects is completed and development charge revenue earned is allocated accordingly. The capital commitment represents the share of approved capital project expenditures that have been budgeted to be funded by development charges, but for which the related expenditures are yet to occur.

Niagara Region
2019 Development Charge Reserve Fund Statement
Capital Projects Funded with Development Charges 2019

Project	Project Description	Development Charges Transferred to Projects			Total Expenditures (Life-to-Date)	Approved Budget by Funding Source (at 2019 Year-end)						
		Prior Years	Current Year	Total		Development Charge Fund	Levy Reserve	Rate Reserves	Debt Funding	Gas Tax Funding	External Recovery	Grand Total
EMS												
20000605	18 Ann-EMS Ambulance and Equip	(249,073)	(14,048)	(263,121)	1,981,887	(344,520)	-	-	(2,250,480)	-	-	(2,595,000)
EMS Total		(249,073)	(14,048)	(263,121)	1,981,887	(344,520)	-	-	(2,250,480)	-	-	(2,595,000)
Social Housing												
20000752	18-Social Housing ASD Reqs	-	-	-	-	(1,575,000)	(175,000)	-	-	-	-	(1,750,000)
20000680	18-NRH New Development	-	(272,102)	(272,102)	432,570	(586,580)	(117,420)	-	-	-	(106,000)	(810,000)
Social Housing Total		-	(272,102)	(272,102)	432,570	(2,161,580)	(292,420)	-	-	-	(106,000)	(2,560,000)
Provincial Offences Act												
10GD1107	Court Facilities Renewal	-	-	-	11,520,370	(331,000)	(2,244,105)	-	(9,433,070)	-	-	(12,008,175)
Provincial Offences Act Total		-	-	-	11,520,370	(331,000)	(2,244,105)	-	(9,433,070)	-	-	(12,008,175)
Long Term Care												
10PO0515	Long-term Acc - NRPS HQ & D2	(3,751,274)	4,321	(3,746,953)	65,265,866	(3,789,506)	2,700,000	-	(64,766,503)	-	(151,056)	(66,007,065)
Long Term Care Total		(3,751,274)	4,321	(3,746,953)	65,265,866	(3,789,506)	2,700,000	-	(64,766,503)	-	(151,056)	(66,007,065)
Services Related to Highways												
10RC1566	81-St Paul W CNR Bridge-SC	-	(29,325)	(29,325)	351,890	(187,500)	-	-	(1,562,500)	-	(500,000)	(2,250,000)
20000658	18-Struc-Mewburn@CNR Tracks-NF	-	-	-	-	(2,125,000)	(75,000)	-	(300,000)	-	-	(2,500,000)
10RC0944	81-081220-Burgoyne-SC	(5,657,918)	(283,082)	(5,941,000)	91,504,089	(5,941,000)	(11,721,615)	-	(24,919,725)	(9,850,000)	(38,433,334)	(90,865,674)
10RC0939	South Niag East West Arterial	(30,492)	-	(30,492)	30,492	(500,000)	-	-	-	-	-	(500,000)
10RC0940	Hwy 406@Third Interchange-SC	(548,020)	-	(548,020)	727,373	(1,100,000)	(360,000)	-	-	-	-	(1,460,000)
10RC1236	New Escarpment Crossing	(414,794)	(54,010)	(468,804)	691,323	(2,170,000)	(1,030,000)	-	-	-	-	(3,200,000)
10RC1344	55-Con 6/EW Line-NOTL	(1,536,333)	(14,186)	(1,550,519)	2,398,137	(2,812,500)	(1,537,500)	-	-	-	-	(4,350,000)
10RC1554	Glendale Ave Interchange @ QEWS	(4,656)	(43,675)	(48,331)	61,233	(5,525,000)	(975,000)	-	-	-	(500,000)	(7,000,000)
10RC1555	54-Hwy 20/Merritt-PL	(2,132,809)	(3,112,034)	(5,244,844)	6,170,405	(6,672,500)	(1,177,500)	-	-	-	-	(7,850,000)
20000491	2017-Cpcty RR37 406-Rice-Mer-Q	-	-	-	-	(510,000)	(90,000)	-	-	-	-	(600,000)
20000503	Cpcty Imp-98-Charnwood-McLeod	(10,141)	(1,333,006)	(1,343,147)	3,324,520	(1,963,500)	(1,196,500)	-	-	(1,700,000)	-	(4,860,000)
10PR1007	RR 77(Fourth Ave), D'Illario #	(186,659)	-	(186,659)	186,659	(222,000)	-	-	-	-	-	(222,000)
10PR1015	RR 77(Fourth Ave), Raptis	-	-	-	-	(130,000)	-	-	-	-	-	(130,000)
10RC0816	57-TSR Ext-NF	(4,313,702)	(326,261)	(4,639,963)	6,564,271	(10,730,000)	(1,700,000)	-	(2,750,000)	-	-	(15,180,000)
10RC1020	10-Livingston/QEWS-GR	(52,840)	(15,188)	(68,028)	68,027	(100,000)	-	-	-	-	-	(100,000)
10RC1329	10-Livingston/QEWS-GR	(495,935)	(506,826)	(1,002,761)	1,193,158	(9,875,000)	(1,875,000)	-	-	-	-	(11,750,000)
10RC0933	49-Montrose/Stanley-NF	(3,159,193)	(547,232)	(3,706,425)	8,249,636	(3,719,137)	(406,000)	-	(800,000)	-	(3,352,794)	(8,277,931)
20000905	19 Ann-Illum Install&Upgrade	-	(1,395)	(1,395)	13,949	(75,000)	(675,000)	-	-	-	-	(750,000)
10RC0853	89-Jacobsen/Burleigh-SC	(1,256,365)	(10,619)	(1,266,984)	4,051,403	(1,563,636)	(2,686,364)	-	-	(750,000)	-	(5,000,000)
10RC0905	46-Geneva/St Paul/Niagara-SC	(567,036)	(721,062)	(1,288,098)	2,875,815	(1,590,070)	(1,235,930)	-	(724,000)	-	-	(3,550,000)
20000141	20-Roundabout at S Grimsby Rd	(3,704)	(5,615)	(9,319)	616,236	(75,000)	(2,125,000)	-	-	(2,759,863)	-	(4,959,863)
20000142	5-Killaly@Mellanby-PC	(79)	79	-	158	(37,500)	(37,500)	-	-	-	-	(75,000)
20000497	2017-Interchg St Davids @ 406	-	(341,663)	(341,663)	2,279,776	(341,663)	(512,494)	-	-	-	(1,425,620)	(2,279,776)
20000659	18-Int Imprv-57 @ Cardinal-NF	-	-	-	-	(150,000)	-	-	-	-	-	(150,000)
20000928	19-Int Impr-RR100 Four MileCrk	-	-	-	-	(125,000)	(125,000)	-	-	-	-	(250,000)
20000984	Hwy 58 Eastbound at Collier Rd	(8,678)	(41,017)	(49,695)	49,694	(200,000)	-	-	-	-	-	(200,000)
20000495	2017-Misc Road Properties	-	(1,272)	(1,272)	8,483	(30,000)	(170,000)	-	-	-	-	(200,000)
10RC0627	38-QEWS/Fourth-SC	(6,946,766)	(4,514,137)	(11,460,903)	13,450,840	(17,918,711)	(2,091,196)	-	(920,000)	-	(100,000)	(21,029,907)
20000319	St Davids Road East	(10,089)	(29,623)	(39,712)	428,724	(616,800)	(5,776,200)	-	-	-	(266,000)	(6,659,000)
10RC1172	20-Station/Rice-Ph3-PL	(1,075,507)	(1,458)	(1,076,965)	2,931,422	(1,154,700)	268,487	-	(281,798)	(1,975,000)	-	(3,143,011)
10RC1447	69-Effingham/Wessel-PH 2-SC	(67,840)	(88,517)	(156,356)	1,563,562	(910,000)	(1,020,000)	-	(720,000)	(6,450,000)	-	(9,100,000)
10RC1558	89-Dick's Creek Culvert-SC	(1,681)	-	(1,681)	16,806	(75,000)	-	-	(675,000)	-	-	(750,000)
10RC1559	69-Wessel/Centre PH3-Li	(82,531)	66,112	(16,419)	164,192	(100,000)	(450,000)	-	(450,000)	-	-	(1,000,000)
10RC1560	1-Albert/Lakeshore-FE	(136,500)	100,694	(35,806)	567,912	(136,500)	(1,228,500)	-	(800,000)	-	-	(2,165,000)
10RC1561	1-Burleigh/Buffalo-FE	(18,976)	(2,077)	(21,053)	11,288,823	(22,500)	(2,942,500)	-	-	(9,100,000)	-	(12,065,000)
10RC1562	RR 42 - Ontario Street EA	(12,914)	(210)	(13,124)	131,247	(50,000)	-	-	(450,000)	-	-	(500,000)
10RC1563	45-RR4/RR63-WF	(31,111)	(1,730)	(32,842)	328,419	(177,500)	(337,500)	-	(1,260,000)	-	-	(1,775,000)
10RC1564	81-Durham/Lincoln-Li	(5,463)	(1,083)	(6,546)	170,189	(37,500)	(937,500)	-	-	-	-	(975,000)
10RC1567	27-PCD/Lincoln-WF	(19,251)	(22,579)	(41,829)	462,785	(470,000)	(4,730,000)	-	-	-	-	(5,200,000)
20000145	63-Wellandport/Com Cntre-WL	(8,865)	7,941	(924)	15,404	(30,000)	(470,000)	-	-	-	-	(500,000)
20000147	89-Welland Canal/Homer-NOTL	(238)	214	(24)	397	(30,000)	(470,000)	-	-	-	-	(500,000)
20000486	2017-Rehab RR 48 Carlton-Scott	(729)	(686)	(1,415)	3,537	(120,000)	(180,000)	-	-	-	-	(300,000)

Project	Project Description	Development Charges Transferred to Projects			Total Expenditures (Life-to-Date)	Approved Budget by Funding Source (at 2019 Year-end)						
		Prior Years	Current Year	Total		Development Charge Fund	Levy Reserve	Rate Reserves	Debt Funding	Gas Tax Funding	External Recovery	Grand Total
20000488	2017-Rehab RR 87 Locke to Ann	(614)	(16,730)	(17,345)	226,277	(35,000)	(315,000)	-	-	-	-	(350,000)
20000660	18-Rehab 56-Glendale to St Dav-TH	(13,461)	(4,672)	(18,133)	1,303,888	(200,000)	(1,800,000)	-	-	-	-	(2,000,000)
20000667	18- Rehab 49-HEPC to Wil P2-NF	(2,871)	(89,554)	(92,425)	108,736	(595,000)	(105,000)	-	-	-	-	(700,000)
20000668	18-Rehab 81-Burgoyne to CNR-SC	(2,300)	2,070	(230)	2,300	(50,000)	(450,000)	-	-	-	-	(500,000)
20000897	19-Rds Rehab RR20 - Griffin St	-	-	-	-	(50,000)	(450,000)	-	-	-	-	(500,000)
20000898	19-Rds Rehab - RR 72 Louth St	-	(1,685)	(1,685)	4,213	(200,000)	(300,000)	-	-	-	-	(500,000)
20000900	19-Rds Rehab - RR 81 Main St	-	(558)	(558)	5,589	(25,000)	(225,000)	-	-	-	-	(250,000)
20000912	19 Ann-Roads Resurfacing	-	(450,895)	(450,895)	4,508,948	(884,400)	(3,159,600)	-	-	(4,800,000)	-	(8,844,000)
10RC1242	87-Lakeport/Lake-SC	(1,000,000)	(40,805)	(1,040,805)	4,148,310	(1,040,805)	(607,505)	-	(1,900,000)	(600,000)	-	(4,148,310)
10RC1353	87-Lake/Geneva Ph3-SC	(2,023,253)	(13,212)	(2,036,465)	5,034,794	(2,120,000)	(322,081)	-	(2,799,239)	-	-	(5,241,320)
20000915	19 Ann-Patrol Yard Imprv	-	(308)	(308)	855	(360,000)	(640,000)	-	-	-	-	(1,000,000)
20000993	2018 Intelligent Transport Sys	-	(6,348)	(6,348)	63,480	(27,400)	(246,600)	-	-	-	-	(274,000)
20000994	2018 Signal Upgrades Program	(13,067)	(31,404)	(44,472)	444,722	(60,600)	(545,400)	-	-	-	-	(606,000)
20001251	19-Ann-Intellgnt Transport Sys	-	-	-	-	(30,000)	(270,000)	-	-	-	-	(300,000)
20001252	19-Ann-Traffic Signal Equipmen	-	-	-	-	(65,000)	(585,000)	-	-	-	-	(650,000)
20000629	18 Ann-Illum Install & Upgrade	(2,049)	(10,483)	(12,532)	125,320	(40,000)	(360,000)	-	-	-	-	(400,000)
20000985	RR12 Chris/Mntn @ RR81 Main	(52)	(18,672)	(18,724)	187,239	(20,000)	(180,000)	-	-	-	-	(200,000)
20000986	RR50 GlenRdge @ RR91 WestCh	(19)	(266)	(285)	2,846	(30,000)	(270,000)	-	-	-	-	(300,000)
20000987	RR102 Stanley @ Portage	(135)	(426)	(560)	5,599	(30,000)	(270,000)	-	-	-	-	(300,000)
20000988	RR25 Netherby @ RR116 Sodom	(4,116)	3,069	(1,047)	10,468	(30,000)	(270,000)	-	-	-	-	(300,000)
20000989	RR24Victoria @ RR63 Canborough	(2)	(128)	(130)	1,296	(28,500)	(256,500)	-	-	-	-	(285,000)
20000990	RR27 Schisler @ RR98 Montrose	-	-	-	-	(1,000)	(9,000)	-	-	-	-	(10,000)
20000991	RR36 South Pelham @ Thorold Rd	(138)	(102)	(239)	2,395	(28,500)	(256,500)	-	-	-	-	(285,000)
20000992	RR24 Victoria @RR81 Old Hwy 8	(132)	(227)	(360)	3,598	(1,000)	(9,000)	-	-	-	-	(10,000)
20001250	19-Ann-Traffic Signal Design	-	(200)	(200)	1,996	(5,000)	(45,000)	-	-	-	-	(50,000)
20001253	19-RR91 Westchester Av @ Blain	-	(7)	(7)	73	(27,500)	(247,500)	-	-	-	-	(275,000)
20001254	19-RR41 (Woodlawn Av) @ Seaway	-	(86)	(86)	859	(27,500)	(247,500)	-	-	-	-	(275,000)
Services Related to Highways Total		(31,860,022)	(12,556,156)	(44,416,177)	179,134,785	(86,332,421)	(62,518,498)	-	(41,312,262)	(37,984,863)	(44,577,748)	(272,725,791)
Wastewater												
10SW1362	Burleigh Hill/Glendale Ph1 CSO	(72,129)	25,161	(46,968)	46,968	(425,000)	-	-	-	-	-	(425,000)
10SW1365	Sewer Separation - River Rd A	(35,666)	-	(35,666)	42,800	(250,000)	-	(50,000)	-	-	-	(300,000)
10SW1368	Sewer Separation - Empire St	(17,279)	-	(17,279)	190,069	(25,000)	-	(250,000)	-	-	-	(275,000)
10SW1467	Maranda Street Sewer Separati	(9,352)	9,352	-	-	(10,000)	-	-	-	-	-	(10,000)
10SW1485	Extraneous Flow & Collection	(44,709)	(55,949)	(100,658)	100,658	(500,000)	-	-	-	-	-	(500,000)
20000859	19-Decomission Biggar Lagoon	-	(7,890)	(7,890)	26,299	(102,000)	-	(238,000)	-	-	-	(340,000)
10SW1504	Misc Prgm - Master Meter Repl	(86,884)	(50)	(86,934)	530,879	(90,000)	-	(459,600)	-	-	-	(549,600)
10SW1527	Master Meter Replace - Mrt Med	(63,985)	(599,892)	(663,877)	728,409	(823,000)	-	(80,000)	-	-	-	(903,000)
20000696	18-SPS REPLACE-Rosemount S-PC	(89)	-	(89)	178	(100,000)	-	(100,000)	-	-	-	(200,000)
20000697	18-SPS REPLACE-Beaverdams-PT.D	(19,713)	(93,199)	(112,912)	141,140	(372,000)	-	(93,000)	-	-	-	(465,000)
20000698	18-SPS REPLACE Campden-LN	(2,361)	(46,923)	(49,284)	54,760	(180,000)	-	(20,000)	-	-	-	(200,000)
20000707	18-SPS REPLACE-Bridgeport-GR	(2,907)	(51,030)	(53,937)	67,421	(200,000)	-	(50,000)	-	-	-	(250,000)
20000709	18-SPS REPLACE-Jordan Valley	(556)	(33,305)	(33,860)	42,326	(140,000)	-	(35,000)	-	-	-	(175,000)
20000729	18-SPS-UPG-Catharine St-FE	(15,030)	(13,288)	(28,318)	35,397	(400,000)	-	(100,000)	-	-	-	(500,000)
20000854	19-Line 2 SPS Pump Replacement	-	(19,678)	(19,678)	24,597	(136,000)	-	(34,000)	-	-	-	(170,000)
20000856	19-Lake Street SPS Upgrade	-	(9,605)	(9,605)	12,007	(672,000)	-	(168,000)	-	-	-	(840,000)
20000866	19-Decomission Old Central SPS	-	(16,271)	(16,271)	54,238	(45,000)	-	(105,000)	-	-	-	(150,000)
10SW1230	Lakeside Pump Station Upgrade	(52,368)	35,061	(17,307)	166,359	(260,086)	-	(2,239,914)	-	-	-	(2,500,000)
10SW1267	PS Imprv Program - South Side	(536,103)	(223)	(536,327)	6,369,542	(560,000)	-	(6,090,689)	-	-	-	(6,650,689)
10SW1525	PS Cpcy Expsns Prg-Smth Odour	(367,492)	(37,823)	(405,315)	828,189	(734,100)	-	(765,900)	-	-	-	(1,500,000)
10SW1407	Lakeshore (NOTL), Garrison, W	(361,438)	(2,623)	(364,061)	3,139,876	(380,838)	-	(2,886,615)	-	-	(17,120)	(3,284,573)
10SW1526	PS Improve Prgm - E-side PS PC	(25,035)	(4,392)	(29,427)	294,270	(40,000)	-	(360,000)	-	-	-	(400,000)
20000194	Sewer & Frce - Hansler Trunk	(449,461)	(174,293)	(623,754)	623,754	(700,000)	-	-	-	-	-	(700,000)
20000196	Sewer & Frce - Hwy406 Trunk	(399)	(1,273,114)	(1,273,513)	1,478,335	(1,273,513)	-	-	-	-	-	(1,273,513)
20000702	18-SPS & FM UPG- Laurie AVE-LN	(31,790)	(136,908)	(168,698)	187,442	(630,000)	-	(70,000)	-	-	-	(700,000)
10SW1517	WWTP Upgrade Prgm - Niagara F	(14,982)	(46,547)	(61,529)	1,076,759	(120,000)	-	(1,980,000)	-	-	-	(2,100,000)
20000724	18-WWTP-NEW-South NF Plant	(16,547)	(362,433)	(378,980)	947,450	(1,960,000)	-	-	(2,940,000)	-	-	(4,900,000)
10SW0807	NOTL WWTP Capacity Expansion	(5,302,480)	(301,827)	(5,604,307)	47,353,117	(5,668,440)	-	(12,678,093)	-	(800,000)	(28,748,467)	(47,895,000)
10SW1528	NOTL WWTP Decommissioning	-	(95,699)	(95,699)	337,606	(3,600,000)	-	(700,000)	(8,400,000)	-	-	(12,700,000)
Wastewater Total		(7,528,754)	(3,313,389)	(10,842,143)	64,900,845	(20,396,977)	-	(29,553,811)	(11,340,000)	(800,000)	(28,765,587)	(90,856,375)

Project	Project Description	Development Charges Transferred to Projects			Total Expenditures (Life-to-Date)	Approved Budget by Funding Source (at 2019 Year-end)						
		Prior Years	Current Year	Total		Development Charge Fund	Levy Reserve	Rate Reserves	Debt Funding	Gas Tax Funding	External Recovery	Grand Total
Water												
10CW1317	Decommissioning Crescent Park	(54,977)	1,825	(53,152)	432,008	(112,500)	-	(762,500)	-	-	-	(875,000)
20000183	Watermain - Hwy406 Cross Trans	(10,596)	(1,690,891)	(1,701,487)	2,181,261	(1,701,487)	-	(210,000)	-	-	-	(1,911,487)
20000467	2017-CNR Transmission Main	(104,267)	(185,438)	(289,705)	580,545	(6,400,000)	-	(25,092)	(6,400,000)	-	-	(12,825,092)
20000623	18-WM NEW-Barrick Road	(332)	(79)	(411)	823	(982,500)	-	(132,500)	(850,000)	-	-	(1,965,000)
20000847	19-Decom of Ridgeway Standpipe	-	(1,035)	(1,035)	3,449	(127,500)	-	(297,500)	-	-	-	(425,000)
20000848	19-Port Robinson Interconnect	-	(664)	(664)	1,328	(220,000)	-	-	(220,000)	-	-	(440,000)
10CW1304	Misc Prgm-Port Colborne Stora	(4,250,896)	60,862	(4,190,034)	9,815,911	(4,250,896)	-	(5,707,594)	-	-	-	(9,958,490)
10CW1302	Misc Prgm-Grimsby System Stor	(314,899)	(195,549)	(510,447)	759,802	(18,064,587)	-	(7,669,587)	(1,155,000)	-	-	(26,889,174)
20000461	2017-King St Elev Tank Decom	(24,571)	(86,280)	(110,851)	369,501	(285,000)	-	(665,000)	-	-	-	(950,000)
20000614	18-ET-NEW Fort Erie	(5,535)	(68,107)	(73,642)	147,284	(277,500)	-	(127,500)	(150,000)	-	-	(555,000)
20000619	18-ET-NEW Pelham	(4,025)	(37,847)	(41,872)	83,745	(810,000)	-	(217,500)	(592,500)	-	-	(1,620,000)
20000457	2017-NOTL PRV Four Mile Creek	(242,697)	-	(242,697)	525,844	(300,000)	-	(150,000)	-	-	(200,000)	(650,000)
Water Total		(5,012,795)	(2,203,203)	(7,215,998)	14,901,500	(33,531,970)	-	(15,964,773)	(9,367,500)	-	(200,000)	(59,064,243)
Waste Diversion												
10GL1519	15-Bridge-Drop-Off Depot	(101,136)	66,963	(34,174)	154,697	(187,110)	(659,890)	-	-	-	-	(847,000)
20000713	18-Bridge-Reuse Centre	-	-	-	-	(113,400)	(66,600)	-	-	-	-	(180,000)
20000171	16-NR12-Drop-Off Depot	-	(7)	(7)	30	(91,980)	(320,020)	-	-	-	-	(412,000)
20000893	19-RCYL Facility Improve	-	(488)	(488)	4,875	(50,000)	(450,000)	-	-	-	-	(500,000)
Waste Diversion Total		(101,136)	66,468	(34,669)	159,602	(442,490)	(1,496,510)	-	-	-	-	(1,939,000)
Grant Total		(48,503,054)	(18,288,109)	(66,791,163)	338,297,425	(147,330,464)	(63,851,533)	(45,518,584)	(138,469,815)	(38,784,863)	(73,800,390)	(507,755,649)

Niagara Region
2019 Development Charge Reserve Fund Statement
Operating Projects Funded with Development Charges 2019

Project Name	Development Charges Transferred to Projects			Total Expenditures (Life-to-Date)	Approved Budget by Funding Source (at 2019 Year End)			
	Prior Years	Current Year	Total		Development Charge Reserve Fund	Rate Operating	Levy Operating	Total
Wastewater								
Combined Sewer Overflow Program (164 projects)	(991,662)	(1,120,037)	(2,111,699)	8,084,994	(7,570,186)	(14,710,557)	-	(22,280,742)
Wastewater Total	(991,662)	(1,120,037)	(2,111,699)	8,084,994	(7,570,186)	(14,710,557)	-	(22,280,742)
General Government								
Municipal Comprehensive Review	(393,686)	-	(393,686)	463,160	(578,000)	-	(102,000)	(680,000)
New Regional Official Plan	(123,323)	(406,144)	(529,467)	803,309	(1,470,000)	-	(670,000)	(2,140,000)
General Government Total	(517,010)	(406,144)	(923,154)	1,266,470	(2,048,000)	-	(772,000)	(2,820,000)
Total	(1,508,672)	(1,526,181)	(3,034,852)	9,351,464	(9,618,186)	(14,710,557)	(772,000)	(25,100,742)

**Development Charges Reserve Fund
Treasurer's Statement
January 1, 2019 to December 31, 2019**

1. Description of the Service for which each fund was established:

Service Category	Description of Service
Services Related to a Highway	The fund is used for growth-related projects for roads and roads related structures.
Police Services	The fund is used for growth related projects for facilities or rolling stock vehicles with a useful economic life beyond 7 years.
General Government	The fund is used to finance the cost of growth-related studies.
Long Term Care	The fund is used for growth related projects for facilities that provide services.
Provincial Offences Act	The fund is used for growth related projects for facilities that provide services.
Health	The fund is used for growth related projects for facilities that provide services or rolling stock vehicles with a useful economic life beyond 7 years.
Emergency Medical Services	The fund is used for growth-related projects for facilities or rolling stock vehicles with a useful economic life beyond 7 years.
Social Housing	The fund is used for growth related projects for facilities that provide services.
Waste Diversion	The fund is used for growth-related projects for facilities and related infrastructure or rolling stock vehicles with a useful economic life beyond 7 years.
Wastewater	The fund is used for growth-related projects for infrastructure and facilities that provide services including collection and treatment.
Water	The fund is used for growth-related projects for infrastructure and facilities that provide services including supply, storage, treatment and distribution.

2. For credits (ex. Pre-payments, front-ended projects) in relation to the service or service category for which the fund was established:

Outstanding prepayment agreements have been entered into by the Region and the applicable developer as summarized below:

Statement of Credit Holder Transactions¹

<i>Credit Holder</i>	<i>Applicable D.C. Reserve Fund</i>	<i>Credit Balance Outstanding Beginning of Year 2019 (\$)</i>	<i>Additional Credits Granted During Year (\$)</i>	<i>Credits Used by Holder During Year (\$)</i>	<i>Credit Balance Outstanding End of Year 2019 (\$)</i>
Richard P. Dystra Inc. (386 Killaly St. East, Port Colborne)	General Government	261	-	-	261
	EMS	252	-	-	252
	Police Services	864	-	-	864
	Roads	13,306	-	-	13,306
	Wastewater	10,867	-	-	10,867
	Water	3,136	-	-	3,136
Ross Great Lakes Holdings Inc. (386 Killaly St. East, Port Colborne)	General Government	261	-	-	261
	EMS	252	-	-	252
	Police Services	864	-	-	864
	Roads	13,306	-	-	13,306
	Wastewater	10,867	-	-	10,867
	Water	3,136	-	-	3,136
Homes by Desantis (Lake) Inc. (Corner North Service Rd & Casablanca Blvd, Grimsby)	General Government	1,583	-	(1,583)	-
	EMS	1,488	-	(1,488)	-
	Police Services	5,055	-	(5,055)	-
	Roads	109,557	-	(109,557)	-
	Wastewater	63,888	-	(63,888)	-
	Water	18,428	-	(18,428)	-
Total		257,375	-	(200,000)	57,375

¹ Differences may exist due to rounding.

3. The amount of any money borrowed from the DC reserve during the previous year and the purpose for which it was borrowed:

No money was borrowed.

4. The amount of interest accrued during the previous year on money borrowed from the fund by the municipality:

No interest was accrued as no money was borrowed.

5. The amount and source of any money used by the municipality to repay, in the previous year, money borrowed from the fund, or interest on such money:

No source of money to repay as no money was borrowed.

6. A schedule that identifies credit recognized under section 17 and, for each credit organized, sets out the value of the credit, the service against which the credit is applied and the source of funds used to finance the credit.

No schedule as there are no credits to recognize as per section 17.

7. Statement respecting additional levies under Section 59.1 (1) & (2) of the Development Charges Act, 1997, as amended.

In accordance with Section 59.1 (1) & (2), the Niagara Region has not imposed any additional payments nor required the construction of a service not authorized under the Development Charges Act, 1997, as amended.

MEMORANDUM

CSC-C 6-2020

Subject: Referral of Motion from Regional Council Meeting of April 23, 2020

Date: May 13, 2020

To: Corporate Services Committee

From: Ann-Marie Norio, Regional Clerk

At its meeting held on April 23, 2020, Regional Council referred the following motion to the Corporate Services Committee meeting being held on May 13, 2020:

That Niagara Region **BE DIRECTED** to coordinate amongst Niagara municipalities and other stakeholders with higher levels of government with respect to how we fund operational and infrastructure expenses.

Respectfully submitted and signed by

Ann-Marie Norio
Regional Clerk