

Date: Wednesday, November 24, 2021

Time: 4:00pm

Location: Zoom

Attendance: John Wink, Chair
Wayne Olson, Councillor
Michael Cottenden
Bill Crumm
Teresa Quinlin-Murphy, Director of Corporate Services/Treasurer
Charlotte Tunikaitis, Deputy Treasurer
Trevor Ferguson, Deloitte
David Cribbs, CAO
Belinda Ravazzolo, Secretary

1. Call to Order and Declaration of Quorum

Noting that quorum was present, Chair Wink called the meeting to order at approximately 4:02pm.

The CAO indicated that Mayor Junkin is present at the meeting through his phone with camera off but to avoid constituting a meeting of Council, the Mayor will just listen and not comment during the meeting.

2. Approval of Agenda

Moved by Councillor Wayne Olson

Seconded by Bill Crumm

THAT the agenda for the November 24, 2021 regular meeting of the Pelham Finance and Audit Committee be adopted.

Carried

3. Declaration of Pecuniary Interest and General Nature

None.

4. Approval of Minutes

The Committee approved the minutes from the August 4, 2021 Pelham Finance and Audit Committee meeting.

Moved by Michael Cottenden

Seconded by Bill Crumm

THAT the minutes of the August 4, 2021 Pelham Finance and Audit Committee be approved.

Carried

5. Business Arising from Minutes

None.

6. Audit**6.1. Deloitte Audit Plan Presentation, Trevor Ferguson, Partner**

Trevor Ferguson, Partner at Deloitte presented the Committee with the Audit Plan for the 2021 Year End. He stated that they are very happy to be working with the Town and to be successful during the RFP process.

Mr. Ferguson noted that there are no changes in either accounting or audit standards that will affect the Town's financial statements for 2021 year-end. He pointed out the reporting threshold is \$36,000, therefore if any misstatements greater than \$36,000 are identified, they will be bringing it to the Committee as part of their year-end audit.

Concerning fraud risk, every audit conducted under Canadian Audit Standards is required to consider the risk of fraud in their role of external auditors. Mr. Ferguson highlighted a section where Deloitte ask the Committee for their views about the risk of fraud, whether they know of any actual or suspected fraud affecting the Town and their role in the oversight of management's antifraud programs. The Chair asked the Committee if they had any concerns regarding fraud risk. The Committee had none.

Mr. Ferguson noted that they will continue to use Deloitte Connect which is their virtual platform where management uploads documents they ask for and need support for as part of the audit process. He noted that even if there comes a time where the audit process goes back to being done in-person, they would continue to use this tool.

Mr. Ferguson highlighted some of the more significant audit risks. Because Canadian Audit Standards presumes a risk of fraud around Revenue and Deferred Revenue Amounts as well as Management Override of Controls, Deloitte will then do a fair bit more testing in those areas. Mr. Ferguson stated that there are a number of estimates that goes into the preparation of the Town's statements and their job is to determine that the process that management has for developing their estimates is reasonable and that the estimates themselves are reasonable.

Mr. Ferguson stated that if anything of significance comes up when reviewing the list of Communication Requirements as part of the year-end reporting, Deloitte will not wait until the year-end reporting. They would bring it to the attention of the Committee right away.

Mr. Ferguson brought the new Canadian Public Sector Accounting Standards to the attention of the Committee noting that they will not come to affect until December 31, 2023 and 2024. He noted that more municipalities are starting to think ahead about dealing with the new standards in the future.

Mr. Ferguson is the Deloitte's municipal leader in Ontario. He will be hosting a municipal conference on December 8th and 9th and invited everyone on the Committee to participate in the conference.

Councillor Olson stated that he feels that there has been a lot of progress in the greatly improved agendas and minutes. He feels that this may be a useful audit tool in terms of management override of controls.

He asked if the Town has the digital horsepower to properly support the audit remotely. The Deputy Treasurer stated the Town has been doing it this way in the past couple of years and it has been a very helpful method of providing documentation and tracking audit requests and the Town is fully capable to support that.

Councillor Olson said that he would be happy to attend the conference that was offered by Mr. Ferguson and asked if there was material that the public could access. Mr. Ferguson commented that their website has plenty of material that can be accessed by the general population and not just clients.

Moved by Councillor Wayne Olson
Seconded by Bill Crumm

THAT the Pelham Finance and Audit Committee hereby direct the Chair to provide a letter to Council forthwith, indicating:

WHEREAS the Pelham Finance and Audit Committee received the presentation by Trevor Ferguson, Partner from Deloitte regarding the 2021 Year End Audit Service Plan, for information;

NOW THEREFORE, THAT the Committee hereby recommends that Council receive the 2021 Year End Audit Service Plan, for information.

Carried

7. New Business

7.1. 2022 Operating Budget

The Treasurer gave an overview of the budget as presented to the committee, noting that the Committee was provided the binder with all the details prior to this meeting. She stated that the Capital presentation to Council on November 29th would be more detailed.

Ms. Quinlin spoke about the challenges and difficulties of preparing the 2022 Budget stating that this is second year of the pandemic with almost 6 months of lockdown losing revenue at the MCC in 2021. When preparing the 2022 budget, staff assumed that with the increase of vaccinations, the circumstances surrounding COVID will get better and restrictions will be lifted.

The Treasurer showed the net 2022 Operating Budget increase of 4.77% that translates to an increase of \$96 in annual taxes to the average taxpayer. This is with an estimated assessment growth of 1.75% with the actual number expected sometime next week. Ms. Quinlin explained the breakdown of the increase indicating more than half going to reserve transfers and capital expenditure funding. The rest is split amongst various costs such as an increase in cost of benefits, new staff complements, pay increase for cost of living, continued costs due to COVID-19 and increased cost of materials and services for roads, parks, insurance and software. She indicated that she has not received any information from that ministry that the Town will receive any additional funding to cover COVID-19 costs through the Safe Restart COVID-19 grant funding.

The Town has not received any information from the Region concerning any additional Safe Restart COVID-19 grant funding. Because of the lack of grant funding, staff transferred \$200,000 from the working fund reserve to help offset some of those expenses. \$27,000 was transferred from the HR capacity reserve to cover some of the grid movements for staff. There was a slight increase in supplemental revenues. Staff tried to be conservative with this number due to the unknown and lack of control as this depends on the new properties and when the assessment is done by MPAC. The Transfer from the Building department has increased due to updating some of the current and direct costs to the building department. There was a decrease in the Provincial Grants budgeted in the Finance department pertaining to the OCIF funding, because some of the Asset Management and GIS Specialist wages are being allocated to water and wastewater. The increase in the Fees and Other Revenues in Finance reflects the increase to the Property Tax administrative fees. The Treasurer continued to explain the fluctuations in the budget throughout the departments regarding revenues. She then went on to explain the fluctuations in expenses.

The decrease in Public Works represents the revenue that the Town is no longer receiving for the Climate Change Coordinator position through the grant, with an offsetting decrease in wages. She indicated that as the municipality is growing and being developed, the costs are increasing as far as snow removal, grass cutting and other services that the Town provides.

RCW has an increase to administration expenses due to the addition of the Pathstone Youth Mental Health Clinic, which is being offset by the donations on the revenue side. RCW is also anticipating an increase in activity due to COVID-19 restrictions being lifted.

Councillor Olson asked about the new arrangement for tree maintenance and its implication on the budget. The Treasurer responded saying that it has increased the Beautification budget. Councillor Olson also asked about the Municipal Modernization Intake Number 3 grant in which the Treasurer said that the grant application was submitted and the Town is still waiting on a response.

The Treasurer offered to go through all the departments separately with all the details and asked the Committee if they would like her to do so. Mr. Cottenden indicated that there is a great deal of transparency in the budget and does not feel there is a need to go through it in its entirety.

The Treasurer indicated that the Region is looking between a 4-5% increase so the Town falls right in the ballpark. The Deputy Treasurer said that over half of the increase is capital

related. It was said that the Town's benefits increased greatly due to the amount of claims processed after reopening in 2021.

Moved By Michael Cottenden

Seconded By Bill Crumm

THAT the Committee receive the 2022 Operating Budget for information.

Carried

7.2. 2022 Capital Budget

The Treasurer went through the 2022 Capital Budget presentation with the Committee. In the Capital Summary, she indicated that there is approximately \$14 million worth of work to be done in 2022, not to mention any carry forward projects.

The biggest project for 2022 is the continuation of the Pelham Street project with Phase II almost complete. The Town received \$4.2 million of the infrastructure ICIP funding for that project with two more phases to complete.

The Treasurer showed the Capital Grant Summary, which indicates where the grant funding is coming from. The Town received notification that the funding formulas have been changed for the OCIF grant. The Town currently receives \$480,000 from that funding and hoping that it will increase. Staff is still waiting to hear back.

The Treasurer stated that they are hopeful that when the province receives all the Asset Management Plans that are due on July 1, 2022, they recognize the magnitude of the deferred maintenance and amount of funding that municipalities receive and therefore reconsider increasing the amount of the grants and provide more funding.

The Deputy Treasurer explained that the funding sources for the Town's debt is essentially staying the same from 2021 and 2022. She stated at 45% of the Town's debt is paid for by development charges. It is important to recognize that when looking at the annual repayment limit, the development charges are excluded from that revenue. The annual repayment limit technically is the difference between the percentage that the Town is at and the 25% limit. The repayment limit forecast has changed significantly from where it stood in the 2021 Capital Budget forecast due to the even distribution of the capital projects within the Public Works department as well as a lot of work in building reserves and reducing debt.

Regarding the debt-related financial indicators the Deputy Treasurer showed the committee that Pelham still sits at high-risk in debt servicing and has moved into lower risk with some indicators. She highlighted that over the years, Pelham's debt to reserve ratio has improved significantly over the past 4 years.

The Deputy Treasurer explained the 10-Year Reserve Forecast Summary and why the significant change in the balance between 2020 and 2021. She informed the committee that the 2020 balance on the financial statements would exclude all the commitments against the reserves, which are projects that are carrying forward. The capital budget forecast 2021 and onwards includes the commitments and assumes that all capital projects will be completed.

When sharing the Summary of Capital Reserve Transfers and Forecast Tax Levy Impact, the Deputy Treasurer said that in order to complete the plan that is in place based on all the assumptions that are there, the capital itself would impact the tax levy by 3% to 4% per year for about five years. This is just an indicator as these numbers are in isolation of other things such as newfound revenue, grants, etc. The Chair asked if those numbers took growth into consideration in which she replied no saying that this is purely capital and nothing else.

Mr. Crumm asked about the expected completion date of the Asset Management Plan knowing that it is such a critical component to the Capital Budget. As well, how do they envision it affecting the Town's short-term asset needs? The Treasurer said that the AMP would be going to Council on December 20th. Plan would meet all of the requirements that the ministry is requesting which is due July 1, 2022. Based on the condition of the assets, the plan shows the shortfall and the funding required. Mr. Crumm suggested highlighting any deviation from what is presented through the Asset Management Plan and the capital budget presentation.

The Treasurer did a comparison of the Asset Management Plan with the capital budget to ensure that there would not be a massive shortfall in the short-term. The CAO indicated that the Asset Management Plan presented in December would not include the facilities, as it is not required until 2022. Therefore, although staff is hitting all the major the milestones, the Asset Management Plan is not essentially complete until it includes Meridian Community Centre. The Treasurer indicated that the facilities portion of the AMP is due in July of 2023 being deferred a year due to Covid.

Mr. Crumm was pleased to see the continued focus on reserves being built into the planning exercise as well as no debt requirement for the upcoming budget. He believes the

Town has been working very hard at realigning and recalibrating the establishment of the reserves and minimizing debt. He felt there was a significant improvement showing the Town's progress with the financial health indicators over a 4-year period.

Moved By Councillor Wayne Olson

Seconded By Michael Cottenden

THAT the Committee receive the 2022 Capital Budget for information.

Carried

7.3. 2022 Water & Wastewater Budget

The Treasurer went through the Water & Wastewater Budget with the Committee. She reminded the Committee of the BMA study that was completed in 2018 for the Water Wastewater long-range financial plan from 2019 to 2024. The Town is following the recommendations made by the consulting firm, which guides the increase of 7.5% for water and 9.5% for wastewater. The Niagara Region has passed their Water and Wastewater Budget for 2022 indicating a 5.15% increase, which is incorporated into the Town's increase. The extra money being received as part of the plan helps to increase the reserves, which has improved over the years. Because the water and wastewater projects need to be funded directly from these budgets and not part of the tax levy, the BMA study helps to ensure that the fee that is charged on the usage is enough to cover the future capital plan which is important the sustainability of the water and wastewater. The increase would represent an increase of \$80.26 per year to the average household. The Treasurer highlighted a graph indicating that even with the increase Pelham is still below the average residential water and wastewater cost per 200m³ across the Region.

Mr. Cottenden left the meeting at this point due to prior commitments.

Councillor Olson noted that he was pleased to see the incentives to use less water in the structure with fixed versus variable costs.

Mr. Crumm asked if water and wastewater was considered in the Asset Management Plan in which the Treasurer said it was considered a core asset. He is curious to see how the BMA study compares to the outcome of the Asset Management Plan and check to validate and see if it still holds true. He also asked if the high percentage increases are coming to an end from a ratepayer's point of view. The Treasurer said that the study is over the 6-year term but although the study suggests to charge up to the particular rate, staff should review every year to make sure it is still logical to make that increase. Mr. Crumm suggested that

as Pelham reaches that Regional average, there should be a reduction in the amount of increase.

The Deputy Treasurer mentioned that they felt it was necessary to increase the rates this year due to the affect it would have in years to come if not increased. The BMA study anticipated debt taken out when there has not been, therefore, the Town has improved its situation over where it was forecasted to be.

Moved By Bill Crumm

Seconded By Councillor Wayne Olson

THAT the Committee receive the 2022 Water & Wastewater Budget for information.

Carried

7.4. Goals and Priorities for 2019-2022 Update and Set Meeting Dates for 2022

The Treasurer explained that because this is the last year for the Audit committee for the election in 2022, she reviewed the Pelham Finance and Audit Committee Goals and Priorities for 2019 to 2022 with the committee members. She noted that with regards to the review of the risk management framework, it was noted at the November 24, 2020 meeting that this would be taken off the task list for the committee, as this will be assigned to the Town Solicitor. The Town Solicitor could bring it back to the committee through presentation for consultation but the prime responsibility of the committee is to review financial risk.

The Treasurer went over the proposed 2022 meeting schedule as outlined below.

DATE	TOPIC
February 16, 2022	Review final approved 2022 Operating, Capital and Water & Wastewater Budgets
May 4, 2022	Review 2021 Consolidated Audited Financial Statements
June 8, 2022	Review the 2021 Annual Report
November 16, 2022	Audit Plan Presentation with Deloitte for 2022 audit

Because next year is an election year, the timelines will change as to when the budgets will be brought to the Committee waiting on new Council.

Mr. Crumm asked about Council's expectation in reviewing operating reports as they have done in the past. The Treasurer indicated that the operating reports are done on a monthly basis but does not feel the need for the committee to meet monthly. Mr. Crumm feels that the Committee is to be a financial supporting role to Council and therefore, reports be brought through the Committee for review in the event that Council requires further review or guidance by the Committee, prior to approval. He does not feel it necessary to receive reports on a monthly basis but maybe quarterly or semi-annually unless management brings forward a risk. Councillor Olson stated that he feels that the Committee meetings are becoming more strategic than tactical and evolving well, focusing on higher-level issues.

Moved By Councillor Wayne Olson

Seconded By Bill Crumm

THAT the Committee receive and approve the proposed 2022 Goals and Priorities AND approve the following dates for the future 2022 meetings:

- February 16, 2022
- May 4, 2022
- June 8, 2022
- November 16, 2022

Carried

8. Operating Financial Report

9. MCC Operating Financial Report

10. Transit Operating Financial Report

11. Capital Report

Although the Treasurer had intended on sending the Financial Reports to September 30, 2021 electronically on Friday, November 26, 2021 to the committee for review, as stated

above Mr. Crumm felt it not necessary unless there is a financial risk or is asked by Council to review. The Treasurer will reach out to Mr. Cottenden to ask his preference.

12. Reserves

None.

13. Financial Risks**13.1. COVID-19 Update**

The Treasurer indicated that with the regards the Covid expenses and the revenue losses for 2021, the Town will maximize all revenue. Additional pressures for the Town were due to the vaccination clinics, not receiving any funding to run the clinics. Still waiting to see if the Town will receive additional funding due to the cost in running the clinics to offset some of the expenses. The Town is very proud that over 74,000 people were vaccinated at the Meridian Community Centre, which is remarkable for a municipality just over 17,000. She noted that the revenue at the MCC is doing very well with camp registrations, programming, arenas and gyms, operating at least 12 hours a day. In one month, over 36,000 people went through the MCC including vaccination clinic and all the activity at the MCC.

Moved by Bill Crumm

Seconded by Councillor Wayne Olson

THAT the Committee accept the COVID-19 Update Report for information.

Carried

14. Unfinished Business

None.

15. Next Meeting – February 16, 2022**16. Adjournment**

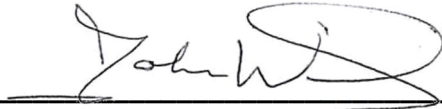
Moved by Bill Crumm

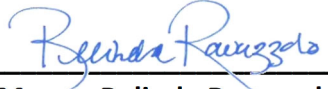
Seconded by Councillor Wayne Olson

THAT this Regular Meeting of the Pelham Finance and Audit Committee be adjourned.

Carried

The meeting was adjourned at 5:47pm.



Chair, John Wink

Executive Assistant, CAO/Mayor, Belinda Ravazzolo