

Date: Wednesday, May 25, 2022
Time: 4:00 pm
Location: Zoom

Attendance: John Wink, Chair
Ron Kore, Councillor (part time)
Wayne Olson, Councillor
Michael Cottenden
Bill Crumm (part time)
David Cribbs, CAO
Teresa Quinlin-Murphy, Director of Corporate Services/Treasurer
Charlotte Tunikaitis, Deputy Treasurer
Trevor Ferguson, Deloitte (part time)
Andrea Metler, Secretary

1. Call to Order and Declaration of Quorum

Noting that quorum was present, Chair Wink called the meeting to order at approximately 4:00 p.m.

2. Land Recognition

We begin this meeting by acknowledging the land on which we gather is the traditional territory of the Haudenosaunee and Anishinaabe peoples, many of whom continue to live and work here today. This territory is covered by the Upper Canada Treaties and is within the land protected by the Dish With One Spoon Wampum agreement. Today this gathering place is home to many First Nations, Metis, and Inuit peoples and acknowledging reminds us that our great standard of living is directly related to the resources and friendship of Indigenous people.

3. Approval of Agenda

Moved by Councillor Wayne Olson
Seconded by Bill Crumm

THAT the agenda for the May 25, 2022 regular meeting of the Pelham Finance and Audit Committee be adopted.

Carried

4. Declaration of Pecuniary Interest and General Nature

None.

5. Approval of Minutes

February 16, 2022

Moved by Bill Crumm

Seconded by Michael Cottenden

THAT the minutes of the February 16, 2022 Pelham Finance and Audit Committee be approved.

Carried

6. Business Arising from Minutes

None.

7. New Business

7.1 2022 Municipal and School Board Election

7.1.1 Recruitment Letter

7.1.2 Municipal Election Worker Application Form

7.1.3 2022 Election Position Descriptions

The Chair stated that if anyone is interested in assisting with the municipal elections to please reach out to the Clerk.

8. Audit

8.1. Presentation by Trevor Ferguson, Deloitte Partner of Audit and Assurance: Report to Audit Committee on 2021 Audit

Mr. Ferguson, Partner at Deloitte presented to the Committee the audit plan for the 2022 Audit. He noted that the audit process was challenging with lots of changes within the Town and wanted to acknowledge the hard work and effort on the Deputy Treasurer's part in preparing for the audit and preparing the financial statements.

Trevor Ferguson noted that the audit scope and engagement were performed in accordance with the plan presented to Committee and there were no changes.

He highlighted the 5 risk areas and that there were no changes to-audit risks. There was one uncorrected misstatement carried forward from last year relating to the capital asset that was expensed. The Auditors understood the reasons why Management did that and the Auditors agreed to it and there are no new miscorrected statements at this stage.

Trevor Ferguson outlined the outstanding matters and next steps involved in completing the legal letter response process, the signed Management Representative letter and completing the subsequent events procedures. He noted that they are waiting for Council approval and then these steps can be taken care of and the Auditors can issue their clean audit opinion.

Mr. Ferguson brought to Committee's attention that there were no significant issues with the audit risks, and the Auditors are comfortable with the process of accounting policies; judgements and estimates that Management has for developing these estimates and the estimates themselves.

Trevor Ferguson outlined the four Appendices. Appendix 1 is the list of Communication Requirements from the audit standards and none were noted. Appendix 2 is the Independence letter detailing that the Auditors are independent of the Town and provide an independent auditor's report. This is not required to be provided for municipal audits only for public companies but they believe it is best practice and continue to provide this annually. Appendix 3 is the copy of the Management Representation letter that requests Management to sign off on the audit standards required and the auditors are required to show this to the Committee. Appendix 4 is the new and revised Accounting Standards and Mr. Ferguson noted that a brief discussion was had with the Treasurer and Deputy Treasurer near the end of the audit to better prepare them for the implementation of these new standards for the December 2023 financial statements. The Asset Retirement Obligation Standard will impact the Town of Pelham and will involve many departments not only the Finance department. Further discussions between the Auditors, the Treasurer and the Deputy Treasurer will occur in a few months and some material has been given to them to help them better understand how to go about implementing this new standard.

A member of the Committee asked if the Appendix 3 Management Representative letter refers to the Masters Service Agreement between the Town and Deloitte dated January 4, 2017 and asked if there was a new Master Service Agreement with the new RFP. Trevor Ferguson responded that a new Master Service Agreement was not needed because the terms and conditions were still applicable. Next year's audit will have updated terms and conditions which is a requirement every few years.

Moved by Councillor Wayne Olson
Seconded by Bill Crumm

THAT the Pelham Finance and Audit Committee receive the 2021 Deloitte Report for information;

Carried

8.2. Audited Consolidated Financial Statements

The Deputy Treasurer provided a high level overview of the Audited Consolidated Financial Statements.

The Deputy Treasurer noted that the 2021 cash balance increased due to the collection of more development charges in 2021 that have yet to be spent. Offsetting the deferred revenue was the obligatory reserve fund as well as some capital projects that have continued to be delayed.

The taxes receivable balance decreased due to a lot of supplemental bills in 2020 at year end that were not due till early 2021 and it also had a corresponding decrease this year.

User charges receivable increased due to not doing water shut offs throughout the pandemic. The decision was made to add balances to taxes instead of shutting water off as this was felt to be an important Health and Safety issue during the pandemic to ensure that people had access to clean water for hand washing.

The Accounts receivable increased due to the ICIP grant receivable and other fluctuations of \$1.8 million in funds spent on capital in 2021 still receivable at year end. The bank indebtedness decreased slightly as the CIBC demand loan was paid off with regular payments and the accounts payables decreased slightly because the Town had extra supplementals at the end of last year and owed the Region's portion of

supplemental and development charges which were higher last year. Also, other liabilities increased slightly due to more deposits held in trust.

The obligatory reserve funds increase due to the drop in development charges in 2020 when the pandemic hit and then picked up in 2021. The long term debt decreased because the Town made principle payments and didn't issue any new debt.

Overall, the Deputy Treasurer noted that as a result of all this, the 2021 net debt decreased by over \$6 million dollars. The tangible capital assets increased because more capital projects were done and there was also \$6 million in contributed tangible capital assets which happens when subdivisions are built by the developer and then the Town assumes them and are added to the Town assets.

The Deputy Treasurer detailed the Statement of Operations to the Committee. The tax revenue was slightly higher than budget due to supplemental revenues that exceeded budget as well as user charges being above budget due to the building and planning department and other fluctuations such as an increase in camp revenues.

The Operating grants were above budget due to the Municipal Modernization grants which the Town didn't know about at the time the budget was prepared. Capital grants are below budget due to delayed projects and grant revenues still being earned and this causes a timing difference between when the budget is there and the revenue recognized. The operating grants, COVID-19 recovery funding of \$347,000 was another reason the actuals are above budget and the Town was unaware of at budget preparation time.

Other revenues are significantly above budget and the vaccine clinic reimbursement for clinics held at the Meridian Community Centre were recoverable and the vast majority of other revenues and capital donations for the Meridian Community Centre.

General government expenses are above budget due to increased legal costs and contract service costs under the Modernization Grant funding which wasn't originally budgeted for as well as the general COVID costs that impacted the actuals vs budget.

The Deputy Treasurer noted that the statement of net debt decreased from \$18.5 to \$12.1 million dollars due to surplus earned and net of any capital transactions. The statement of cash flow generated \$11.2 million from operations which was higher last year primarily due to proceeds on the disposal of land on East Fonthill and there being more on capital than last year which was delayed when the pandemic hit.

8.3 Management Summary of 2021 Financial Overview

Treasurer pointed out that the Management Summary of 2021 Financial Overview has been included in the annual report.

8.4 Move to In-Camera

THAT the next portion of the meeting be closed to the public in order to consider the following:

239 (2) (b) – personal matters about an identifiable individual, including municipal employees; and

239 (2) (j) – a trade secret or scientific, technical, commercial or financial information that belongs to the municipality or local board and has monetary value or potential monetary value.

Moved by Councillor Ron Kore
Seconded by Bill Crumm

Carried

Staff left the meeting at this point

8.5 Rise from In-Camera

Staff rejoined the meeting at this point

THAT the Committee adjourn the In-Camera Session and that the Committee do now Rise:

____ With Report

 X With No Report

Moved by Councillor Wayne Olson
Seconded by Michael Cottenden

Carried

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 2021 Deloitte Report, for information;

AND WHEREAS the Pelham Finance and Audit Committee received the 2021 Town of Pelham Consolidated Financial Statements;

NOW THEREFORE, THAT the Committee hereby recommends that Council approve the 2021 Town of Pelham Consolidated Financial Statements.

**Moved by Bill Crumm
Seconded by Councillor Ron Kore**

Carried

A member of the Committee pointed out how the Town's financial state has improved drastically with the reduction in net debt, increase in cash and the replenishment of reserves. Everything is moving in the right direction for the Town and he is happy to be a part of this Committee over the last 3 year duration in the establishment of both policies and Council support for those policies and living by them to get to this state since joining this Committee. The member wanted to give credit to staff for the progression over the last few years and how much advancement has been accomplishment.

The Chair noted that the state of the Town's finances are a lot different than 3 years ago and extended his thanks to staff for all of their hard work in guiding Council through this and looking forward to a continued brighter future.

Another member of the committed stated that this is very impressive and a story that should be celebrated and shared with the community to show the commitment of Management and Council.

The Chair suggested that staff direct the Communications and Public Relations Specialist for the Town to draft this good news story based on Committee member comments for the Voice and Niagara This Week.

Another Committee member stated that as a tax payer with a financial background, he wanted to applaud staff for the level of transparency and access to information that they didn't have before.

9. Operating Financial Report

The Treasurer pointed out that the Operating Financial Report has been done in the budget format on the modified cash basis. The Revenue Schedule 2 highlights the COVID grant funding which has had a significant impact on the financial results on revenue numbers being higher.

There were no questions from the Committee.

9.1. Report to Council – December 31, 2021

9.2. December 31, 2021 Revenue Report

9.3. December 31, 2021 Expenditure Report

The Treasurer explained that the area where the Town has gone over budget pertains to expenses from COVID and to offset those expenses there is the grant and the reimbursement from the vaccination clinics.

There were no questions from the Committee members.

10. MCC Operating Financial Report

10.1. December 31, 2021 MCC Report

The Treasurer noted that the Meridian Community Centre was shutdown for 6 months of the year and when it reopened the arena revenues picked up. The budget was \$355,000 and the Town is almost at \$482,000 and \$253,000 was from the vaccine clinic reimbursement. The budget was in deficit of \$1.6 million and the actual was \$1.1 million, this is a significant decrease in expenses being over revenue and the net surplus deficit is down by \$230,000.

The Treasurer pointed out that when the Meridian Community Centre shut down, we didn't know how the year was going to end up. There was a high demand for ice rentals and only a few municipalities in the Region had ice open 12 hours a day, 7 days a week. We also were able to maintain a safe facility and provide a wonderful service with 66 vaccination

clinics that vaccinated 73,000 people. The Town also received many positive comments about having the nicest vaccine clinics in the Region.

11. Transit Operating Financial Report

11.1. December 31, 2021 Transit Report

12. Capital Report

12.1. December 31, 2021 Capital Report

The Treasurer provided the overview of the December 31, 2021 Capital Report. The carry forward to 2022 is \$8.1 million dollars worth of projects that still need to be spent and noted that the cash balance is high due to these capital projects that need to be spent. Approximately \$4.5 million dollars will come from reserves and the rest is from grant money. The progress for RFPs for capital projects for this year is really good and the Town is moving forward on completing some of these projects as well.

A Committee member asked if the vaccination grant has been received and the Treasurer stated that the money was received last week and the amount is \$291,452.00.

A Committee member asked about the impact of fuel costs in relation to the Town's fleet and landscaping equipment and whether the cost has gone up 100% more. The Treasurer responded that the Town is seeing an increase in the cost of fuels but can not say if it has increased to 100 %. The demand for vehicles is high and the supply is not there and the price is going up. Currently, it is very difficult to get vehicles.

Moved by Councillor Ron Kore
Seconded by Bill Crumm

THAT the Pelham Finance and Audit Committee receive the Operating, MCC, Transit and Capital reports dated December 31, 2021 and March 31, 2022, for information.

Carried

13. Reserves

13.1. 2021 Reserve and Reserve Fund Report

The Deputy Treasure provided a high overview of the 2021 Reserve and Reserve Fund Report. The balance is \$10.1 million dollars and at the end of 2021 the balance was \$13.9 million dollars. This increase is due to delayed capital projects. The amount delayed funded from reserves is higher than what is was at the end of 2020 which was closer to \$4.8 million and accounts for part of the reason for the higher balance. The cash balance is \$1 million and is slightly less than what we need due to \$1.86 million receivable for ICIP grant. The Town has to pay for that capital project out of the cash and when the grant is paid in accordance to the Town's agreement then it replenishes that cash and the funds should be received shortly.

The Deputy Treasure noted that the Town was able to transfer some specific identifiable amounts into reserves this year, \$128,000 from the COVID recovery funding carried to 2022 and \$535,000 from the safe restart funding that was carried forward to COVID related expenses and carried a little bit into 2022. After all transfers including the \$147,000 to the land acquisition reserve in accordance to our reserve and reserve fund policy an additional \$19,000 went into the working capital reserve.

The Treasurer noted that 4 years ago, the Town had 6 reserves in deficit and now there is only 1 reserve in deficit which is the land acquisition that is taking some time to bring down. The reserve policy developed and approved by Council has helped us move toward helping to bring the reserve to the right level. As we sell land and get other funds, the goal is to bring the land reserve deficit down and bring it to a positive.

The Deputy Treasurer stated that the development charges picked up in 2021 which was good because there was uncertainty throughout 2020 as to whether enough payments would be collected on the development charges and the result was double. The Town collected \$3 million dollars and the debt payments were \$1.6 million dollars which put the Town in a better position.

Bill Crumm left the meeting at this point due to prior commitments.

A Committee member asked a question about the land acquisition in regards to the reserves and the annual amount of \$147,000. The Deputy Treasurer responded that under the policy there is no set amount unless there is a surplus. When there is a surplus for the year then \$147,000 will be taken off the top and put into the land acquisition until we return it to a surplus position. As a result of the surplus this amount was transferred into the land acquisition reserves.

13.2. Reserve Appendices**13.3. 2021 Building Department Report and Reserve**

Moved by Councillor Wayne Olson
Seconded by Councillor Ron Kore

THAT the Pelham Finance and Audit Committee receive the Reserves Report, for information.

Carried

14. Financial Risks**14.1. COVID-19 Update**

The Treasurer confirmed that the Town did receive the money for the vaccination clinic and that a little bit on the money has been carried forward in a reserve for any additional COVID expenses that the Town might incur in 2022. Staff are still wearing masks and the Meridian Community Centre is operational and hasn't closed so there have been no incurred lost revenues in 2022 so far.

The Chair commented that despite the 2 years of heavy impacts on the Town's financials due to COVID, the results are extremely positive.

15. Unfinished Business

None.

16. Next Meeting

The Treasurer noted that the remaining 2022 meetings are scheduled for Wednesday, June 8, 2022 at 3:00 pm and Wednesday November 16, 2022 at 4:00 pm and would like to cancel the June 8th meeting because there is nothing to add to the meeting over the next couple of weeks. Further to this, the Financial Overview which is approved by the Committee has

been included in the May 25th Agenda package. The Treasurer also mentioned that the Annual Report once completed will be sent to the Audit Committee for review prior to going to Council.

The chair asked Committee members to take the opportunity to review and comment and if there are no issues to reply to the Treasurer.

The Chair stated that with the elections taking place this year there will be a new Council and all Committees are cancelled effective August 16, 2022. Therefore, the November 16th meeting will not be held. The Chair noted that this is the last Pelham Finance and Audit Committee (PFAC) meeting this year and expressed the importance of this Committee to the Town and thanked the Committee members and staff for their input and efforts into this Committee.

A Committee Member inquired about what would happen with the PFAC Committee with the new Council and the CAO responded that there will be a Council meeting in September and a report to Council looking at committee structures and making recommendations. He noted that they will be recommending that the Pelham Finance and Audit Committee (PFAC) carry on.

The CAO noted that the new Committees will be up and running by February next calendar year.

The Chair asked the CAO what month the budget would be presented in front of the new Council and the CAO's response is that our goal is January.

A Committee Member inquired as to whether the new PFAC Committee would be up and running before the budget is presented to the new Council. The CAO's responded that this would be the Committee that we would want to establish first.

A Member of the Committee acknowledged that Council and staff have made a lot of good decisions within this Committee and recognize that it is the whole organizations effort. He wanted to add congratulations to staff on their efforts and to express his appreciation for the work they have done here.

17. Adjournment

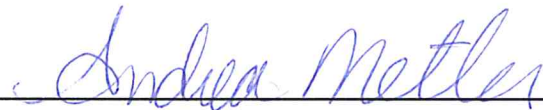
Moved by Councillor Wayne Olson
Seconded by Councillor Ron Kore

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

Carried



Chair, Bill Crumm



Administrative Assistant to Corporate Services, Andrea Metler