

Date: Wednesday, May 5, 2021

Time: 4:00pm

Location: Zoom

Attendance: Councillor John Wink, Chair
Councillor Wayne Olson
Councillor Ron Kore
Bill Crumm
Michael Cottenden
David Cribbs, CAO
Teresa Quinlin, Director of Corporate Services/Treasurer
Charlotte Tunikaitis, Deputy Treasurer
Trevor Ferguson, Deloitte Partner of Audit and Assurance
Belinda Ravazzolo, Secretary
Mayor Marvin Junkin (Guest)

Regrets: None

1. Call to Order and Declaration of Quorum

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

The Chair noted that the Mayor might be joining the meeting but will be acting as an observer and not as a participant. He noted that the Mayor would not be joining the Committee during the In Camera portion of the meeting.

2. Approval of Agenda

Moved by Bill Crumm

Seconded by Michael Cottenden

THAT the agenda for the May 5, 2021 regular meeting of the Pelham Finance and Audit Committee be adopted.

Carried

3. Declaration of Pecuniary Interest and General Nature

There were no pecuniary interests disclosed by any of the members present.

4. Approval of Minutes

The Committee approved the February 10, 2021 minutes.

Moved by Wayne Olson

Seconded by Bill Crumm

THAT the minutes of the February 10, 2021 Pelham Finance and Audit Committee be approved.

Carried

5. Business Arising from Minutes

None

6. New Business.

None

7. Audit

7.1. Presentation by Trevor Ferguson, Deloitte Partner of Audit and Assurance: Report to Audit Committee on 2020 Audit

Trevor Ferguson, Auditor from Deloitte, made a presentation in regards to the Deloitte Audit Results, a copy of which is available upon request in the Clerks office. The presentation included but was not limited to, an overall review of the audit process and a summary of the results.

Mr. Ferguson commented on the additional layer of complexity added to this year's audit due to it being done virtually. He thanked the Treasurer, Deputy Treasurer and

Corporate Services team for providing all requested documentation electronically and timely.

Mr. Ferguson highlighted some big transactions that happened over the course of the year, being recorded as reasonably sized gains on the statement of operations. There were also some complexities around some of the COVID funding that the Town received over the course of the year and the accounting treatment and revenue recognition of those funds. He noted that it was not an easy year for staff to put financial statements together or for his organization to perform the audit but ensured the audit was performed exactly in accordance with the audit plan.

Mr. Ferguson highlighted Appendix 3 showing one uncorrected misstatement for \$77,000 but fully agreed with management's approach. He explained that the Town received COVID funding that could only be recognized if it was expensed in the year that it occurred. Deloitte believes that it meets the treatment of a capital asset and should be recorded as such but if it was done that way then the Town would not have received the funding. He feels that the amount is not material and does not affect their opinion. Mr. Ferguson stated that he agrees with business approach for the way in which it was handled. Although Mr. Ferguson is required to report this to the Audit Committee as an uncorrected misstatement, he feels that this is not something to worry about and would frankly commend management on the approach that was taken.

Mr. Ferguson noted that although there are a few matters outstanding it is only because Council has yet to approve the financial statements. Management was quick to turnaround the financial statements. Once approved by Council, Deloitte will be able to take care of the outstanding items and issue a clean report.

Mr. Ferguson noted that no significant issues were noted as a result of their testing. With regards to significant accounting policies, judgements and estimates, he was comfortable with the process that management has developing the estimates and the estimates themselves.

Under Communication Requirements and other Reportable Matters, Mr. Ferguson noted most comments indicating nothing to report or none noted.

Mr. Ferguson showed the Committee a copy of the Independence Letter that is not required but they believe is the best practice. The letter indicates that they are independent and thus able to issue an independent auditors report. As required to show the Committee, Mr. Ferguson shared the Draft Management Representation

letter indicating what it is they will be asking management to sign off on, showing no unusual representations in the letter.

Mr. Ferguson asked the Committee if they had any questions with respect to the report. There were no questions asked at that time.

Moved by Bill Crumm

Seconded by Michael Cottenden

THAT the Pelham Finance and Audit Committee receive the 2020 Deloitte Report for information;

Carried

7.2 Management Summary

The Deputy Treasurer shared the Town's financial statements and explained the results with the Committee and staff.

She explained the Safe Restart Funding that is carrying forward to 2021. It was determined that it did not meet the criteria to defer. The revenue came in 2020 but \$535,000 of the funding has gone into the working funds reserve fund and will be used towards COVID pressures in 2021.

There was a slight increase in the Taxes Receivable balance because tax rates were higher. She noted that there was some decline in collections due to COVID-19.

She noted that bank indebtedness has decreased \$9 million. The Infrastructure Ontario Loan was repaid with proceeds of land in East Fonthill, a small amount of debt substitution and a \$3.45 million debenture that was issued in the year, which explains the slight increase in long-term debt.

The Employee Benefit obligation stayed consistent year over year because there was decreased interest, which offset the fact that we had lower premiums.

The Net debt has decreased by \$14.8 million because of the sale of lands and other measures that were taken to pay off debt and build up reserves.

On the income statement, the reason that taxation exceeded budget was because of supplemental revenue. User charges are higher mostly because of water and

wastewater revenues being higher than budget but there were some items below budget like facility rentals because of COVID-19. Grant revenues are significantly above budget. Contributions from developers are lower than budget due to delayed capital projects.

The Deputy Treasurer explained to the Committee the various ways in which COVID-19 affected the budget. She shared the \$16 million surplus was mainly the result of the gain on disposal, the contributed tangible capital assets and the extra grants that were received. Although there was a COVID impact, the Safe Restart grant helped to offset it.

Councillor Olson asked how much the non-tax revenue amounted to in 2020 to which the Deputy Treasurer replied \$4,949,000 in operating revenues based on the budget, excluding water and wastewater revenues, capital revenues, and other PSAB adjustments. He stated that his interest was in the growth amount for setting the tax rate for the following year. She said that the growth number came in at 2.82% for this year and that the Town will not find out what the number will be that will affect 2022 until November of this year.

Mr. Cottenden asked if there was a way to have a ballpark amount in the budget for the Contributed Tangible Capital Assets. The Treasurer responded stating that the Town does not know when those subdivisions will be assumed therefore to put the number in the budget would not be feasible. Mr. Ferguson added that in his experience, other municipalities do not put that in their budget due to its uncertainty and therefore it is industry practice.

The Deputy Treasurer gave an explanation as to why there is a decrease in net debt stating that the Town generated almost \$20 million from operating activities. The money was used to purchase assets and repay debt, leaving the Town with almost \$16 million in cash at the end of the year.

The Treasurer wanted to highlight the Town's general surplus (part of the accumulated surplus) indicating that there was a decrease in the Town's portion from a deficit of \$10 million to a surplus of almost \$230,000. The Deputy Treasurer explained the increase in reserves and reserve funds resulted from about \$5 million in delayed capital projects, some of the in year non-COVID transfers that were transferred in, and some of the Safe Restart funding that will need to be used in 2021.

7.3 Move to In-Camera

Moved by Wayne Olson

Seconded by Michael Cottenden

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.

Carried

7.4 Rise from In-Camera

Moved by Michael Cottenden

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 2020 Deloitte Report, for information;

AND WHEREAS the Pelham Finance and Audit Committee received the 2020 Town of Pelham Consolidated Financial Statements;

NOW THEREFORE, THAT the Committee hereby recommends that Council approve the 2020 Town of Pelham Consolidated Financial Statements.

Carried

8. Operating Financial Report

Mr. Crumm questioned as to whether or not the Committee needs to go through the December 31, 2020 financial reports given that they just went through the financial statements. The Treasurer said that there is plenty of detail provided and asked if there were any questions of the Committee that she could answer. The Committee decided to not review the Financial Reports dated December 31, 2020 and instead just review the March 31, 2020 reports.

Mr. Cottenden made a suggestion about possibly establishing a threshold of either a dollar value or percentage when making notes. He made a suggestion to refrain from using words like “primarily” or “most” which he feels are subject to interpretation.

Councillor Wink asked the Finance team about the notes and wondered if they would want to establish some thresholds for making notes. The Treasurer stated that they try to give as much information as possible to tell the story but it is up to the Committee. Mr. Cottenden suggested making a generic note for every line that never changes. The Treasurer noted the recommendation.

9. MCC Operating Financial Report

The Committee reviewed the MCC report dated March 31, 2021.

The Treasurer spoke to the fact that the MCC has only been open for 4 weeks during the first 5 months of the year. The COVID grant is offsetting some of the lost revenue, the staff have been decreased and some have been deployed to other areas of the Town. The gyms are being used for vaccination clinics and by the end of May there will be about 7,000 vaccinations happening at the MCC.

The Town received \$347,000 of additional COVID funding that has not been included in the original budget. The Treasurer feels the Town has enough revenue depending on the length of the MCC shut down. As far as other activities in the Town, building permits are going strong and planning is doing well.

The CAO stated that he feels this year will be weaker than last year financially for the MCC with it being closed 5 out of 6 months. He feels that they have learned a lot through the last two shutdowns and this time around, the Town did not stop issuing building permits. There was recently 20 water meters picked up in one day, equaling roughly \$5,000 each in yearly revenue to the Town.

The Treasurer commented about a report taken to Council noting that special events for the Town have been cancelled for 2021. Staff is still looking at doing some events in a safe way with running the swimming program and waiting to see about the opening of the MCC as to what events could happen there.

Councillor Olson wanted to know what the status is on pledge donations and taxes receivables. The Treasurer stated that the Town has roughly a 2% increase in comparison from last year and as for donations, she noted that they are slower coming in due to COVID.

The CAO spoke to the rate of return on taxes stating that the Town makes 1.25% per month or 15% per year on overdue taxes with a 100% collection rate.

10. Transit Operating Financial Report

The Committee reviewed the Transit report dated March 31, 2021.

The Treasurer informed the Committee that Council approved the second year of the pilot project with the Region for the On-Demand Transit Service until August 16, 2022. The cost has come down significantly with the Town's contributed portion decreasing as well. Ridership is lower due to the lockdown.

Councillor Olson asked what the amount of the Regional subsidy was for transit. The CAO informed the Committee that the Town receives more than it is paying for the service. The Treasurer stated that when the Town was running the transit service, it was costing the Town \$250,000 for one bus and another \$400,000 for the second bus, not providing the same level of service that is provided now. She said that there is roughly a savings of \$130,000. The Region is absorbing some of the cost as they are trying to get other municipalities on board and connect with the Regional Transit Plan.

11. Capital Report

The Committee reviewed the Capital report dated March 31, 2021.

The Treasurer noted there was \$8.17 million approved for 2021 capital and carrying forward another \$5.21 million leaving the Town with over \$13 million dollars in capital for 2021. She said the biggest project in 2021 for the Town is the urbanization of Pelham Street between Port Robinson Road and John Street with a total cost of over \$9 million, which is being phased in over four years. The Town did receive a \$4.2 million grant to apply to this project.

She informed the Committee that Public Works is very busy working with Procurement getting many RFPs out to tender.

Mr. Crumm spoke to the fact that construction costs are rising due to COVID and asked the Treasurer if she is seeing any effects of that in the tender results going outside of budget. The Treasurer said that they did not see any increases last year and the RFPs are just going out for this year. She reminded the Committee that if an amount does come in over budget, they have to go back to Council to seek approval. The few that have come back so far have been within budget.

The Deputy Treasurer asked the Committee if they felt that the month-by-month Transit Report is still something that they would like to see as there is a fixed agreement with the Region, for the time being. The Chair commented that although it was worthwhile a few months ago when they were dealing with the Region and possibly an overhaul, he feels he does not need to see it every month now, possibly every 3 months would suffice. Councillor Kore said that he would only like to see it if there were any extra expenses on a particular month. The Treasurer added that the Director of RCW will add the ridership numbers to her Committee of the Whole reports to Council. Councillor Olson said that he was fine with receiving the report every quarter as well. He questioned why Pelham does not have use of the handicap transit while it is used over the rest of the Region. The Treasurer offered to follow up with the Director of RCW to inquire.

Moved by Ron Kore

Seconded by Michael Cottenden

THAT the Pelham Finance and Audit Committee receive the Operating, MCC, Transit and Capital reports dated December 31, 2020, for information.

Carried

Moved by Wayne Olson

Seconded by Bill Crumm

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

Carried

12. Reserves

The Deputy Treasurer shared the Reserve and Reserve Fund Report and Reserves Appendices. She noted that although there is quite a significant jump in numbers showing improvement, she wanted to point out that it is all spoken for and mostly committed to delayed capital projects, with some improvement due to the non-COVID transfers that were transferred into reserves. The Town is still a long way away from the target that was set when establishing the Reserve and Reserve Fund Policy.

Councillor Kore asked how much surplus land the Town still owns. The Treasurer stated the only parcel of land remaining is at the MCC that Council put on hold for future parking.

The Treasurer reiterated that the Town is still \$8.4 million short in reserves that was established in the Town's Reserve and Reserve Fund Policy. She stressed that although the Town is moving in the right direction, more money needs to be put towards the reserves.

The Deputy Treasurer highlighted capital grants that were deferred last year then used this year as being part of the reason the obligatory reserves decreased year over year. She stated that the Town spent more than collected in development charges in 2020 and that is why the balance decreased from the beginning of the year to the end. She noted that the Town is not in control of timing of development so it is difficult to plan.

The Treasurer added that it was not until September 2020 that the Town collected enough DC revenue to cover the DC debt. The DC debt payments are \$1.6 million, which is the minimum that needs to be collected every year.

Mr. Crumm commented that the Town is moving in the right direction and the movement was rather expedited this year because the Town was able to take advantage of some one-offs. He suggested adding another column to the Summary of all reserves indicating what the target would have been for each of the reserves as per the Reserve Policy. This may show a level of measurement to compare where the Town is at to where it should be. The Treasurer thought that this would be a good thing to add at budget time.

The Deputy Treasurer reviewed the 2020 Building Department report with the Committee. She explained that the Building Department report is required by regulation to bring to Council and part of the purpose is to make sure that Council has information about direct and indirect costs of running the Building Department. She noted that the Building Department has to be self-sustaining covering all costs for operation through revenues. Year over year they were just slightly over budget on revenues.

Moved by Michael Cottenden
Seconded by Ron Kore

THAT the Pelham Finance and Audit Committee receive the 2020 Reserves Report and the 2020 Building Department Report for information.

Carried

13. Financial Risks

The Treasurer stated that most of the COVID implications were discussed when going through the first quarter reports but wanted to emphasize that the Town was very fortunate to receive additional grant funding which needs to be used, as the third wave was not anticipated. At the end of last year, the Town purchased many PPE supplies for the MCC to use up some of the grant money. She is hoping that there can be some savings this year to offset that. Last year there were more one-time expenses such as the purchase of staff laptops for working from home. The loss of revenue at the MCC is hitting the Town harder this year but staff is hoping to make up some revenue if both rinks are available to open again for the summer at the MCC.

Chair Wink commented about the Town receiving compensation for use of the two gyms at the MCC for vaccination. The Treasurer explained that the Town is not receiving compensation. The CAO added that the Region has asked all of its partners to track their costs associated with running the clinics because the province has implied that they may compensate them after the fact. The Town is documenting in the anticipation of receiving additional money.

Chair Wink asked if the Town would be able to utilize the gyms for recreational use come September 2021. The CAO informed the Committee that the Town has entered into a deal with the Region for the use of one of the two gyms to December 31, 2021. Assuming that the MCC can open, the Town would divide the other gym with one half being used for vaccinations and the other for recreational use.

Mr. Cottenden asked if the ice was still in the rinks at the MCC. The Treasurer confirmed that there was and the CAO added that the agreement states that once open, the Town can operate the rinks whether or not the clinics are in operation.

Chair Wink questioned where the summer camps will run. The Treasurer said that they could run out of the Accursi or Kinsmen Rooms as well as the outside courtyard. They will most likely need to downsize the programming to accommodate. The CAO said assuming

that the Town can run the camps; the Director of RCW is looking at other venues including Old Pelham Town Hall.

Mr. Crumm asked when the Committee would receive the health/financial indicators from the Ministry. The Deputy Treasurer indicated that last year, it was received in December of 2020.

Mr. Crumm said that it was impressive to see the funding that the Town received and wondered if the FIR had anything to do with it. He believes that what was received was a testament to the level of work that went into it.

14. Unfinished Business

None.

15. Next Meeting

The next Pelham Finance and Audit Committee meeting is scheduled for Wednesday, June 9, 2021.

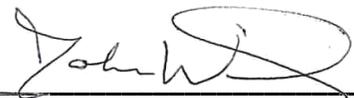
16. Adjournment

Moved by Ron Kore

Seconded by Michael Cottenden

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

Carried



Chair, John Wink



Executive Assistant to CAC/Mayor, Belinda Ravazzolo