# The Corporation of the City of Stratford
# Finance and Labour Relations Committee
# Open Session
# AGENDA

**Date:** Monday, July 24, 2017

**Time:** 7:15 P.M.

**Location:** Council Chamber, City Hall

**Committee Present:** Councillor Clifford - Chair Presiding, Councillor Mark - Vice Chair, Mayor Mathieson, Councillor Beatty, Councillor Brown, Councillor Bunting, Councillor Henderson, Councillor Ingram, Councillor McManus, Councillor Ritsma, Councillor Vassilakos

**Staff Present:** Ed Dujlovic - Acting CAO/Director of Infrastructure and Development Services, Andre Morin - Director of Corporate Services, David St. Louis - Director of Community Services, Carole Desmeules - Director of Social Services, Joan Thomson - City Clerk, John Paradis - Fire Chief, Jacqueline Mockler - Director of Human Resources, Tatiana Dafoe - Deputy Clerk

Pages

**1. Call to Order**

The Chair to call the Meeting to Order.

**2. Disclosure of Pecuniary Interest and the General Nature Thereof**

The *Municipal Conflict of Interest Act* requires any member of Council declaring a pecuniary interest and the general nature thereof, where the interest of a member of Council has not been disclosed by reason of the member's absence from the meeting, to disclose the interest at the first open meeting attended by the member of Council and otherwise comply with the *Act.*

Name, Item and General Nature of Pecuniary Interest

**3. Sub-committee Minutes** 8 - 23

Sub-committee minutes are provided for background regarding the discussion held at the June 20, 2017 Sub-committee meeting.

**4. Delegations**

None scheduled.

**5. Report of the Stratford Tourism Alliance**

**5.1 Stratford Tourism Alliance – Update#1 - 2017 (FIN17-027)** 24 - 49

**Staff Recommendation:** THAT the Stratford Tourism Alliance report dated June 20, 2017 be received for information.

Motion by ________________

**Sub-committee Recommendation: THAT the Stratford Tourism Alliance report dated June 20, 2017 be received for information.**

**6. Report of the Director of Corporate Services**

**6.1 2017 Annual Report of Investment Firm – CIBC Wood Gundy (FIN17-022)** 50 - 86

**Staff Recommendation:** THAT the annual investment report from CIBC Wood Gundy for the management of the City's reserve funds and the City Treasurer's statement regarding 2016 investment activity, be received for information.

Motion by ________________

**Sub-committee Recommendation: THAT the annual investment report from CIBC Wood Gundy for the management of the City's reserve funds and the City Treasurer's statement regarding 2016 investment activity, be received for information.**

**6.2 2016 Draft Surplus/Deficit (FIN17-021)** 87 - 98

**Staff Recommendation:** THAT the 2016 Draft Surplus/Deficit report be received for information.

Motion by ________________

**Sub-committee Recommendation: THAT the 2016 Draft Surplus/Deficit report be received for information.**

**6.3 Proposed 2018 Budget Schedule and Process (FIN17-026)** 99 - 102

**Staff Recommendation:** THAT the Proposed 2018 Budget Schedule be adopted.

Motion by ________________

**Sub-committee Recommendation: THAT #11 of the Proposed 2018 Budget Schedule be amended to October 20, 2017 and #12 be amended to October 2017 and the balance of the Schedule be adopted.**

## 7. Report of Festival Hydro Inc. and Festival Hydro Services Inc.

### 7.1 2016 Audited Financial Statements and 2017 First Quarter Financial Statement for Festival Hydro Inc. (FIN17-024) 103 - 157

**Staff Recommendation:** THAT the audited financial statements of Festival Hydro Inc. for the year ending December 31, 2016 be adopted by City Council;

AND THAT the Festival Hydro Inc. financial statement for March 31, 2017, be received for information;

AND THAT the following Resolution of the Sole Shareholder of Festival Hydro Inc. be adopted by City Council as follows:

The financial statements of the Corporation as of December 31, 2016 consisting of the Statements of Financial Position as at December 31, 2016, the Statements of Comprehensive Income for the year ended December 31, 2016, the Statements of Changes in Equity for the year ended December 31, 2016, and the Statements of Cash Flow for the year ended December 31, 2016, the notes to the financial statements, and; the report of the auditors thereon dated April 27, 2017 be and the same are hereby approved and adopted.

All acts, contracts, by-laws, proceedings, appointments, elections and payments enacted, made, done and taken by the directors and officers of the Corporation since the last annual meeting of the shareholder as the same are set out or referred to in the minutes of the meetings and resolutions of the board of directors or referred to or given effect to in the aforesaid financial statements be and the same are hereby approved, ratified and confirmed.

KPMG LLP be and they are hereby appointed auditors of the Corporation until the next annual meeting at a remuneration to be fixed by the directors, the directors being hereby authorized to fix such remuneration.

Motion by ________________

**Sub-committee Recommendation: THAT the audited financial statements of Festival Hydro Inc. for the year ending December 31, 2016 be adopted by City Council;**

**AND THAT the Festival Hydro Inc. financial statement for March 31, 2017, be received for information;**

**AND THAT the following Resolution of the Sole Shareholder of Festival Hydro Inc. be adopted by City Council as follows:**

**The financial statements of the Corporation as of December 31, 2016 consisting of the Statements of Financial Position as at December 31, 2016, the Statements of Comprehensive Income for the year ended December 31, 2016, the Statements of Changes in Equity for the year ended December 31, 2016, and the Statements of Cash Flow for the year ended December 31, 2016, the notes to the financial statements, and; the report of the auditors thereon dated April 27, 2017 be and the same are hereby approved and adopted.**

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**KPMG LLP be and they are hereby appointed auditors of the Corporation until the next annual meeting at a remuneration to be fixed by the directors, the directors being hereby authorized to fix such remuneration.**

**7.2 2016 Audited Financial Statements and 2017 First Quarter Financial Statement for Festival Hydro Services Inc. (FIN17-025)** 158 - 195

**Staff Recommendation:** THAT the audited financial statements of Festival Hydro Services Inc. for the year ending December 31, 2016 be adopted by City Council;

AND THAT the Festival Hydro Services Inc. financial statement for March 31, 2017, be received for information;

AND THAT the following Resolution of the Sole Shareholder of Festival Hydro Services Inc. be adopted by City Council as follows:

The financial statements of the Corporation as of December 31, 2016 consisting of the Statements of Financial Position as at December 31, 2016, the Statements of Comprehensive Income for the year ended December 31, 2016, the Statements of Changes in Equity for the year ended December 31, 2016, and the Statements of Cash Flow for the year ended December 31, 2016, the notes to the financial statements, and; the report of the auditors thereon dated May 4, 2017 be and the same are hereby approved and adopted.

All acts, contracts, by-laws, proceedings, appointments, elections and payments enacted, made, done and taken by the directors and officers of the Corporation since the last annual meeting of the shareholder as the same are set out or referred to in the minutes of the meetings and resolutions of the board of directors or referred to or given effect to in the aforesaid financial statements be and the same are hereby approved, ratified and confirmed.

KPMG LLP be and they are hereby appointed auditors of the Corporation until the next annual meeting at a remuneration to be fixed by the directors, the directors being hereby authorized to fix such remuneration.

Motion by ________________

**Sub-committee Recommendation: THAT the audited financial statements of Festival Hydro Services Inc. for the year ending December 31, 2016 be adopted by City Council;**

**AND THAT the Festival Hydro Services Inc. financial statement for March 31, 2017, be received for information;**

**AND THAT the following Resolution of the Sole Shareholder of Festival Hydro Services Inc. be adopted by City Council as follows:**

**The financial statements of the Corporation as of December 31, 2016 consisting of the Statements of Financial Position as at December 31, 2016, the Statements of Comprehensive Income for the year ended December 31, 2016, the Statements of Changes in Equity for the year ended December 31, 2016, and the Statements of Cash Flow for the year ended December 31, 2016, the notes to the financial statements, and; the report of the auditors thereon dated May 4, 2017 be and the same are hereby approved and adopted.**

**All acts, contracts, by-laws, proceedings, appointments, elections and payments enacted, made, done and taken by the directors and officers of**

**the Corporation since the last annual meeting of the shareholder as the same are set out or referred to in the minutes of the meetings and resolutions of the board of directors or referred to or given effect to in the aforesaid financial statements be and the same are hereby approved, ratified and confirmed.**

**KPMG LLP be and they are hereby appointed auditors of the Corporation until the next annual meeting at a remuneration to be fixed by the directors, the directors being hereby authorized to fix such remuneration.**

## 8. Report of the Manager of Financial Services

### 8.1 April 30, 2017 Financial Report (FIN17-023) 196 - 200

**Staff Recommendation:** THAT the April 30, 2017 financial report be received for information.

Motion by ________________

**Sub-committee Recommendation: THAT the April 30, 2017 financial report be received for information.**

## 9. Report of the Director of Human Resources

### 9.1 Amended Policy H.1.6 Workplace Harassment, Sexual Harassment and Discrimination and Amended Policy H.1.23 Workplace Violence (FIN17-020) 201 - 232

*this item will also be listed for consideration at the July 24, 2017 Council reconvene meeting.

**Staff Recommendation:** THAT amended Policy H.1.6 Workplace Harassment, Sexual Harassment and Discrimination and Amended Policy H.1.23 Workplace Violence be adopted.

Motion by ________________

**Sub-committee Recommendation: THAT amended Policy H.1.6 Workplace Harassment, Sexual Harassment and Discrimination and Amended Policy H.1.23 Workplace Violence be adopted.**

## 10. Report of the Supervisor of Tax Revenue

### 10.1 Tax Adjustments – July 24, 2017 (FIN17-029) 233 - 237

*this item will also be listed for consideration at the July 24, 2017 Council reconvene meeting.

Motion by ________________

**Staff Recommendation: THAT the Report of the Supervisor of Tax Revenue dated July 24, 2017 regarding the approval of a tax adjustment under Section 357 for 2016 be approved;**

**AND THAT the Minutes of Settlement under Section 36 for 2016, Amended Property Assessment Notices for 2017, Minutes of Settlement under Section 39.1 for 2017 and an adjustment under the Farm Property Class Tax Rate Program for 2017, be received for information.**

## 11. For the Information of Committee

### 11.1 Monthly Project Update 238 - 239

### 11.2 Next Sub-committee Meeting

The next Finance and Labour Relations Sub-committee meeting is July 18, 2017 at 12:00 p.m. in the Council Chamber, City Hall.

Councillor McManus and Councillor Vassilakos both provided regrets for the July 18, 2017 Sub-committee meeting. It was noted that if the meeting was not needed, items could go directly to Committee.

## 12. Advisory Committee/Outside Board Minutes 240 - 244

The following Advisory Committee/Outside Board minutes were provided for the information of Committee:

2017 Sesquicentennial Ad-Hoc Committee Minutes of March 15, 2017

## 13. Adjournment

Meeting Start Time:
Meeting End Time :

Motion by ________________

**Committee Decision: That the Finance and Labour Relations Committee meeting adjourn.**

# The Corporation of the City of Stratford
# Finance and Labour Relations Sub-committee
# MINUTES

Date: June 20, 2017
Time: 4:32 P.M.
Location: Council Chamber, City Hall

Sub-committee Present: Councillor Clifford - Chair Presiding, Councillor McManus, Councillor Vassilakos

Regrets: Councillor Mark - Vice Chair, Councillor Beatty

Staff Present: Andre Morin - Director of Corporate Services, Jacqueline Mockler - Director of Human Resources, Jodi Akins - Council Clerk Secretary

Also present: Warren Wolfenden, Peter Story, CIBC Wood Gundy (Item 3.1), Conroy Schelhaas, Kristin Sainsbury, Stratford Tourism Alliance (Item 4.1), Kelly McCann, Festival Hydro (Items 5.1 and 6.1), Rob Russell, Chair of the Stratford City Centre BIA, Zac Gribble, RT04 (Item 9.3), Media

## 1. Call to Order

The Chair called the meeting to Order.

Councillor Mark and Councillor Beatty provided regrets for this meeting.

## 2. Disclosure of Pecuniary Interest and the General Nature Thereof

The *Municipal Conflict of Interest Act* requires any member of Council declaring a pecuniary interest and the general nature thereof, where the interest of a member of Council has not been disclosed by reason of the member's absence from the meeting, to disclose the interest at the first open meeting attended by the member of Council and otherwise comply with the *Act.*

Name, Item and General Nature of Pecuniary Interest

None declared at the Sub-committee meeting.

## 3. Delegations

### 3.1 2017 Annual Report of Investment Firm – CIBC Wood Gundy (FIN17-022)

**Staff Recommendation:** THAT the annual investment report from CIBC Wood Gundy for the management of the City's reserve funds and the City Treasurer's statement regarding 2016 investment activity, be received for information.

**Sub-committee Discussion:** The Director of Corporate Services advised that CIBC Wood Gundy takes care of the City's reserve funds and introduced Warren Wolfenden and Peter Story, investment advisors from CIBC Wood Gundy.

They reviewed the documents distributed with the agenda and reported that the performance of the fund was favourable, up 2% since last year. Interest rates are slowly rising and this will cause a slight decline in the liquidation rate of the bonds. Overall, returns on the portfolio are very safe.

Discussion took place regarding whether they should put more money into corporate bonds and what the advantages could be.

The Director of Corporate Services is currently reviewing investment policies in the Municipal Act as a result of Bill 68, specifically around risk taking parameters in accordance with the length of the investment.

Motion by Councillor McManus

**Sub-committee Recommendation: THAT the annual investment report from CIBC Wood Gundy for the management of the City's reserve funds and the City Treasurer's statement regarding 2016 investment activity, be received for information.**

**Carried**

## 4. Report of the Stratford Tourism Alliance

### 4.1 Stratford Tourism Alliance – Update#1 - 2017 (FIN17-027)

**Staff Recommendation:** THAT the Stratford Tourism Alliance reported dated June 20, 2017 be received for information.

**Sub-committee Discussion:** Kristin Sainsbury, Executive Director of the Stratford Tourism Alliance was present at the Sub-committee meeting to speak to the report.

She advised that the STA just finished their AGM and referring to a Powerpoint presentation, highlighted key statistics, revenue sources, 2017 budget forecast and breakdown. They budgeted slightly less for destination marketing fees as they have had one partner indicate that they may not continue to participate in the program. The $52,000 in special projects compared to $8,000 last year is as a result of the way the consulting contract was scheduled for their strategic plan.

$20,000 of the $62,000 budgeted for loan and reserve is a contribution to the reserve fund, for a total of $60,000 in reserve by the end of year.

The STA participated in a benchmarking project with the Destination Marketing Association of Canada and Ms. Sainsbury provided some information on how that was completed. The DMO Resource Comparison slide was shown as an indication of how much other communities spend on tourism.

Specifics on marketing program spending were provided, as well as the results of the visitor surveys that were completed.

The strategic plan is underway and will run to 2022. Ms. Sainsbury reviewed the vision and mission statements and key pillars. Key themes that have emerged as a result of consultation and business plan priorities were also reviewed. Second round interviews for a new Executive Director are underway.

In response to how they quantify marketing or advertising as successful, Ms. Sainsbury stated that some things cannot be quantified, however, digital marketing can be tracked by number of clicks. They look at trends and are putting more money into Facebook advertising.

With respect to how information was collected for the visitor survey, Ms. Sainsbury advised that it was collected mainly through the visitor centre and their retail and accommodation partners.

Motion by Councillor Vassilakos
**Sub-committee Recommendation: THAT the Stratford Tourism Alliance report dated June 20, 2017 be received for information.**

**Carried**

## 5. Report of Festival Hydro Inc.

### 5.1 2016 Audited Financial Statements and 2017 First Quarter Financial Statement for Festival Hydro Inc. (FIN17-024)

**Staff Recommendation:** THAT the audited financial statements of Festival Hydro Inc. for the year ending December 31, 2016 be adopted by City Council;

AND THAT the Festival Hydro Inc. financial statement for March 31, 2017, be received for information;

AND THAT the following Resolution of the Sole Shareholder of Festival Hydro Inc. be adopted by City Council as follows:

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KPMG LLP be and they are hereby appointed auditors of the Corporation until the next annual meeting at a remuneration to be fixed by the directors, the directors being hereby authorized to fix such remuneration.

**Sub-committee Discussion:** Kelly McCann, CPA, CA, Chief Financial Officer of Festival Hydro Inc. was present at the meeting.

Beginning with the audited financial statements for 2016, she noted that their cash indebtedness has grown from the previous year by $2.4 million as a result of significant payments that were due.

With respect to income statements, service revenue increased as a result of the cost of power. They are under budget on the operating side but over budget on administration due to projects pulled in 2016.

With respect to the first quarter statements ending March 31, 2017, service revenue is slightly under budget and distribution is slightly over budget due to the weather and revenues budgeted for the battery storage project, which is happening later in the year.

Billing and collecting costs are over budget.  They are making efforts to convert customers to e-billing, which would significantly reduce costs. Administration costs are over budget due to timing of projects.

In response to a question regarding whether there is a trend of income being less than the previous year, Ms. McCann advised that in the first quarter operating expenses are typically higher than average.

Motion by Councillor McManus
**Sub-committee Recommendation: THAT the audited financial statements of Festival Hydro Inc. for the year ending December 31, 2016 be adopted by City Council;**

**AND THAT the Festival Hydro Inc. financial statement for March 31, 2017, be received for information;**

**AND THAT the following Resolution of the Sole Shareholder of Festival Hydro Inc. be adopted by City Council as follows:**

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**KPMG LLP be and they are hereby appointed auditors of the Corporation until the next annual meeting at a remuneration to be fixed by the directors, the directors being hereby authorized to fix such remuneration.**

**Carried**

## 6. Report of Festival Hydro Services Inc.

### 6.1 2016 Audited Financial Statements and 2017 First Quarter Financial Statement for Festival Hydro Services Inc. (FIN17-025)

**Staff Recommendation:** THAT the audited financial statements of Festival Hydro Services Inc. for the year ending December 31, 2016 be adopted by City Council;

AND THAT the Festival Hydro Services Inc. financial statement for March 31, 2017, be received for information;

AND THAT the following Resolution of the Sole Shareholder of Festival Hydro Services Inc. be adopted by City Council as follows:

The financial statements of the Corporation as of December 31, 2016 consisting of the Statements of Financial Position as at December 31, 2016, the Statements of Comprehensive Income for the year ended December 31, 2016, the Statements of Changes in Equity for the year ended December 31, 2016, and the Statements of Cash Flow for the year ended December 31, 2016, the notes to the financial statements, and; the report of the auditors thereon dated May 4, 2017 be and the same are hereby approved and adopted.

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KPMG LLP be and they are hereby appointed auditors of the Corporation until the next annual meeting at a remuneration to be fixed by the directors, the directors being hereby authorized to fix such remuneration.

**Sub-committee Discussion:** Kelly McCann, CPA, CA, was present at the meeting to speak to the reports.

She referred to the audited financial statements for 2016, noting that net income for services and revenue is ahead of budget due to unbudgeted consulting revenues.

In response to whether the consultant would continue or if this was a one-off situation, Ms. McCann advised that they do not anticipate it continuing past the three year contract. With respect to whether it was outside businesses that had been contracted or internal city resources, Ms. McCann stated it was internal. Festival Hydro is using four resources. Two are short-term and two remain to be seen whether they continue with this scenario or put the resources back into Festival Hydro.

With respect to the first quarter statements ending March 31, 2017, Ms. McCann stated that net income is ahead of budget by $52,000 and the revenue is on budget. Operating expenses are less than budgeted due to timing of resources.

Motion by Councillor Vassilakos
**Sub-committee Recommendation: THAT the audited financial statements of Festival Hydro Services Inc. for the year ending December 31, 2016 be adopted by City Council;**

**AND THAT the Festival Hydro Services Inc. financial statement for March 31, 2017, be received for information;**

**AND THAT the following Resolution of the Sole Shareholder of Festival Hydro Services Inc. be adopted by City Council as follows:**

**The financial statements of the Corporation as of December 31, 2016 consisting of the Statements of Financial Position as at December 31, 2016, the Statements of Comprehensive Income for the year ended December 31, 2016, the Statements of Changes in Equity for the year ended December 31, 2016, and the Statements of Cash Flow for the year ended December 31,**

**2016, the notes to the financial statements, and; the report of the auditors thereon dated May 4, 2017 be and the same are hereby approved and adopted.**

**All acts, contracts, by-laws, proceedings, appointments, elections and payments enacted, made, done and taken by the directors and officers of the Corporation since the last annual meeting of the shareholder as the same are set out or referred to in the minutes of the meetings and resolutions of the board of directors or referred to or given effect to in the aforesaid financial statements be and the same are hereby approved, ratified and confirmed.**

**KPMG LLP be and they are hereby appointed auditors of the Corporation until the next annual meeting at a remuneration to be fixed by the directors, the directors being hereby authorized to fix such remuneration.**

**Carried**

## 7. Report of the Manager of Financial Services

### 7.1 April 30, 2017 Financial Report (FIN17-023)

**Staff Recommendation:** THAT the April 30, 2017 financial report be received for information.

**Sub-committee Discussion:** The Manager of Finance advised that a detailed explanation of variances was included in her report, however, one thing not mentioned is that accounts receivable is higher this year than last due to HST rebates we have not received back yet. The Receiver General has advised of a glitch in their system.

*Councillor McManus left the meeting at 5:21 p.m. and returned at 5:22 p.m.

Motion by Councillor McManus
**Sub-committee Recommendation: THAT the April 30, 2017 financial report be received for information.**

**Carried**

## 8. Report of the Director of Human Resources

### 8.1 Amended Policy H.1.6 Workplace Harassment, Sexual Harassment and Discrimination and Amended Policy H.1.23 Workplace Violence (FIN17-020)

**Staff Recommendation:** THAT amended Policy H.1.6 Workplace Harassment, Sexual Harassment and Discrimination and Amended Policy H.1.23 Workplace Violence be adopted.

**Sub-committee Discussion:** The Director of Human Resources referred to the report, noting that it highlights the changes made to the policies. These changes resulted from legislative changes in 2016 and include; highlighting the inclusion of specific sexual harassment in the definition of workplace harassment, information on reporting harassment to individuals other than the harasser, if the harasser is the employer or supervisor; stipulation that information will not be disclosed unless necessary for the investigation or required by law and confirmation that both the victim and respondent will be advised in writing of the results of any investigation.

In response to whether the victim is expected to go to the harasser first, the Director replied yes, but there is an alternate route they could follow as well. Bill 132 introduced the sexual harassment piece to the workplace harassment and discrimination policies and provides more clearly defined procedures.

With respect to sensitivity training around domestic abuse, the Director advised that there are steps and protocol for staff to follow to assist the individual. In response to the suggestion that community agencies such as Optimism Place or the Emily Murphy Centre review the policies, the Director advised that Liz Hewitt has reviewed them and she specializes in workplace harassment investigation and assisted with the original policies.

Motion by Councillor Vassilakos
**Sub-committee Recommendation: THAT amended Policy H.1.6 Workplace Harassment, Sexual Harassment and Discrimination and Amended Policy H.1.23 Workplace Violence be adopted.**

**Carried**

## 9. Report of the Director of Corporate Services

### 9.1 2016 Draft Surplus/Deficit (FIN17-021)

**Staff Recommendation:** THAT the 2016 Draft Surplus/Deficit report be received for information.

**Sub-committee Discussion:** The Director of Corporate Services advised that the auditors have been in and are completing the financial statements. Further changes to the 2016 numbers are not expected.

There is a 2016 budget operating deficit of $825,000. He noted that the financial statements are based on an accrual basis and the annual budget is mostly on cash basis.

There were timing issues on the revenue side but staff expect to make some of it up in early 2017. With respect to tax write-offs, the ARB is working on settling up appeals. A lot of appeals were settled in 2016, some going back to 2008. Hydro costs were $500,000 higher than budgeted.

Recreation, transit and daycare were over budget. Police were under budget due to gapping. As in past years, any surplus goes into the working capital reserve. At the end of 2016, with this adjustment, it will be just under $250,000. Staff are looking at reserve policies and setting some guidelines.

The Director noted that they tighten the reins every year and from an operational standpoint, it is getting pretty tight.

Discussion took place regarding the reserve funds. The Director stated that they will look at all city reserves, noting that some have not been used in several years. Recommendations will be made to replenish the ones that are low and potentially repurpose the ones that are high. Guidelines will be set and in future budgets, contributions can be made to bring the reserves up.

As to whether there were unusual factors in 2016, the Director stated that for a department to be over or under by $100,000 or $200,000 happens. They try to mitigate that, however, there were a few items in 2016 that were unusual. He noted that they are doing a good job at asset management and capital reserves but they need to do better at taking a hard look at their operating reserves.

In response to whether they should be making this review a priority, the Director stated that staff expect to have it in early September as part of the 2018 budget deliberations.

Discussion took place about some of the areas that are over budget, including the roads budget and Anne Hathaway Daycare. The Director explained some of the factors, noting that internal transfers play a part and revenue has not been as high as anticipated at the daycare.

It was noted that a fleet supervisor has been hired.

Motion by Councillor Vassilakos
**Sub-committee Recommendation: THAT the 2016 Draft Surplus/Deficit report be received for information.**

**Carried**

### 9.2 Proposed 2018 Budget Schedule and Process (FIN17-026)

**Staff Recommendation:** THAT the Proposed 2018 Budget Schedule be adopted.

**Sub-committee Discussion:** The Director advised that staff have started having 2018 budget meetings and they are changing a few things, mainly spending some more time reviewing internal documents to make sure that the budget documents submitted are as accurate as possible.

He noted that staff have struggled with setting budget meeting dates and he is open to meeting with councillors individually. Most of the operational items will remain the same but staff want to do more work this year on consultation. It was noted that the Communications staff person could assist.

Staff would like to bring forward the capital budget to Council first to get pre-budget approval in early-mid fall for the capital items that need to go forward so they can get to tender sooner.

Concern was raised with the timeline for the grants process, noting that many groups do not meet in the summer.

With respect to a public consultation plan, the Director advised that staff have some ideas, including a new internal toolkit, online surveys, possible workshops with on the spot surveys, an open house with Q and A and potential social media Q and A.

It was suggested that a general budget open house doesn't get people out, but topic specific open houses engage people with the topics that they are interested in. The Director advised that they have discussed a workshop series covering big ticket items, such as roads and transit. It was suggested that specific groups be invited to give feedback on certain items.

It was suggested that #11 in the Budget Schedule be changed from September 15 to October 20 and #12 from September and October to October.

Motion by Councillor McManus

**Sub-committee Recommendation: THAT #11 of the Proposed 2018 Budget Schedule be amended to October 20, 2017 and #12 be amended to October 2017 and the balance of the Schedule be adopted.**

**Carried**

### 9.3 Request for City Hall Washrooms to be open during Stratford Destination Animation Fund events (FIN17-028)

**Staff Recommendation:** For the consideration of Sub-committee.

**Sub-committee Discussion:** Rob Russell, Chair of the Stratford City Centre BIA and Zac Gribble from RT04 were present at the meeting to request that washrooms at City Hall be opened for approximately 15 special events in Market Square and that the City cover any related costs.

In response to whether the washrooms would be open more, the Director of Corporate Services advised that the Infrastructure and Development Services Department is working on costing for having the washrooms open on Sundays. They are currently hiring part time custodians which will help from a staffing perspective. He advised that he would discuss the matter with the CAO.

Motion by Councillor Vassilakos
**Sub-committee Recommendation: THAT the request from Regional Tourism Organization 4 (RT04), Stratford City Centre (SCC) and the Stratford Tourism Alliance (STA) that the City Hall washrooms be open during the Stratford Destination Animation Fund events being held in or near the Market Square be approved;**

**AND THAT the costs, not to exceed $1,500, be funded through the Community Grants contingency fund.**

**Carried**

This item was listed on the June 26, 2017 Finance and Labour Relations Committee agenda and Council reconvene.

## 10. Monthly Project Update

The Director of Corporate Services to provide a verbal update on the status of Corporate Services projects.

**Sub-committee Discussion:** The Director of Corporate Services reviewed the Project Update distributed with the agenda.

He noted that there are a lot of new regulations coming forward in 2017 and they are looking at what the implications will be. Further reports will be coming forward.

With respect to unified communications, the RFP closed and he thinks that they will be pleasantly surprised with the operational savings.

It was noted that the Hot Dog Cart RFP was not included as part of the City's online e-bidding system. It was felt that the people who would be bidding on this RFP would not typically be members of the online program.

## 11. Advisory Committee/Outside Board Minutes

The following Advisory Committee/Outside Board Minutes are provided to Sub-committee for their information:

2017 Sesquicentennial Ad-Hoc Committee Minutes of March 15, 2017

## 12. Next Sub-committee Meeting

The next Finance and Labour Relations Sub-committee meeting is July 18, 2017 at 12:00 p.m. in the Council Chamber, City Hall.

Councillor McManus and Councillor Vassilakos both provided regrets for the July 18, 2017 Sub-committee meeting. It was noted that if the meeting was not needed, items could go directly to Committee.

## 13. Adjournment

Motion by Councillor McManus
**Sub-committee Decision: THAT the Finance and Labour Relations Sub-committee meeting adjourn.**

**Carried**

Meeting Start Time: 4:32 p.m.
Meeting End Time: 6:05 p.m.

Corporate Services Department

# MANAGEMENT REPORT

**Date:** June 20, 2017

**To:** Finance and Labour Relations Sub-committee

**From:** André Morin, Director of Corporate Services

**Report#:** FIN17-027

**Attachments:** Stratford Tourism Alliance Report – June 20, 2017

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**Title:** Stratford Tourism Alliance – Update#1 - 2017

**Objective:** To receive an update on the Stratford Tourism Alliance's activities and financial position so far in 2017.

**Background:** Stratford Tourism Alliance (STA) has been giving regular updates to Council through the Finance & Labour Relations Sub-committee for the past few years.

**Analysis:** Representatives from STA have been invited to attend as a delegation to present the attached report.

**Financial Impact:** None noted.

**Staff Recommendation: THAT the Stratford Tourism Alliance reported dated June 20, 2017 be received for information.**

André Morin, Director of Corporate Services

Rob Horne, Chief Administrative Officer

visit STRATFORD

**Finance and Labour Relations**
**June 20, 2017**

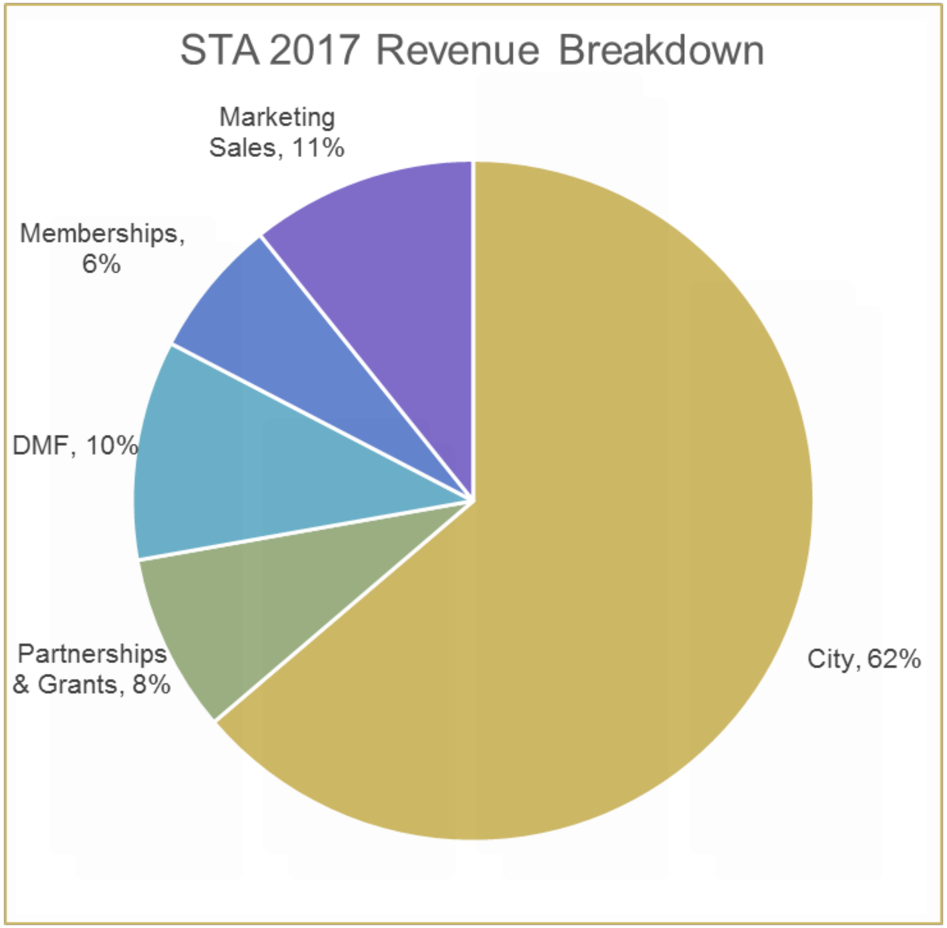
# Tourism is big business for Stratford

- 1.1M visitors per year
- 340,000 overnight visitors
- 144,000 room nights*

- Visitor Spending of $95 million

- 300  local hospitality businesses
- Employ over 4,400 people locally

# STA Revenue Sources (2017 Budget)




## REVENUE SOURCES

| | |
|---|---|
| City of Stratford | 62% |
| DMF | 10% |
| Marketing Sales | 11% |
| Membership | 6% |
| Partners & Grants | 8% |

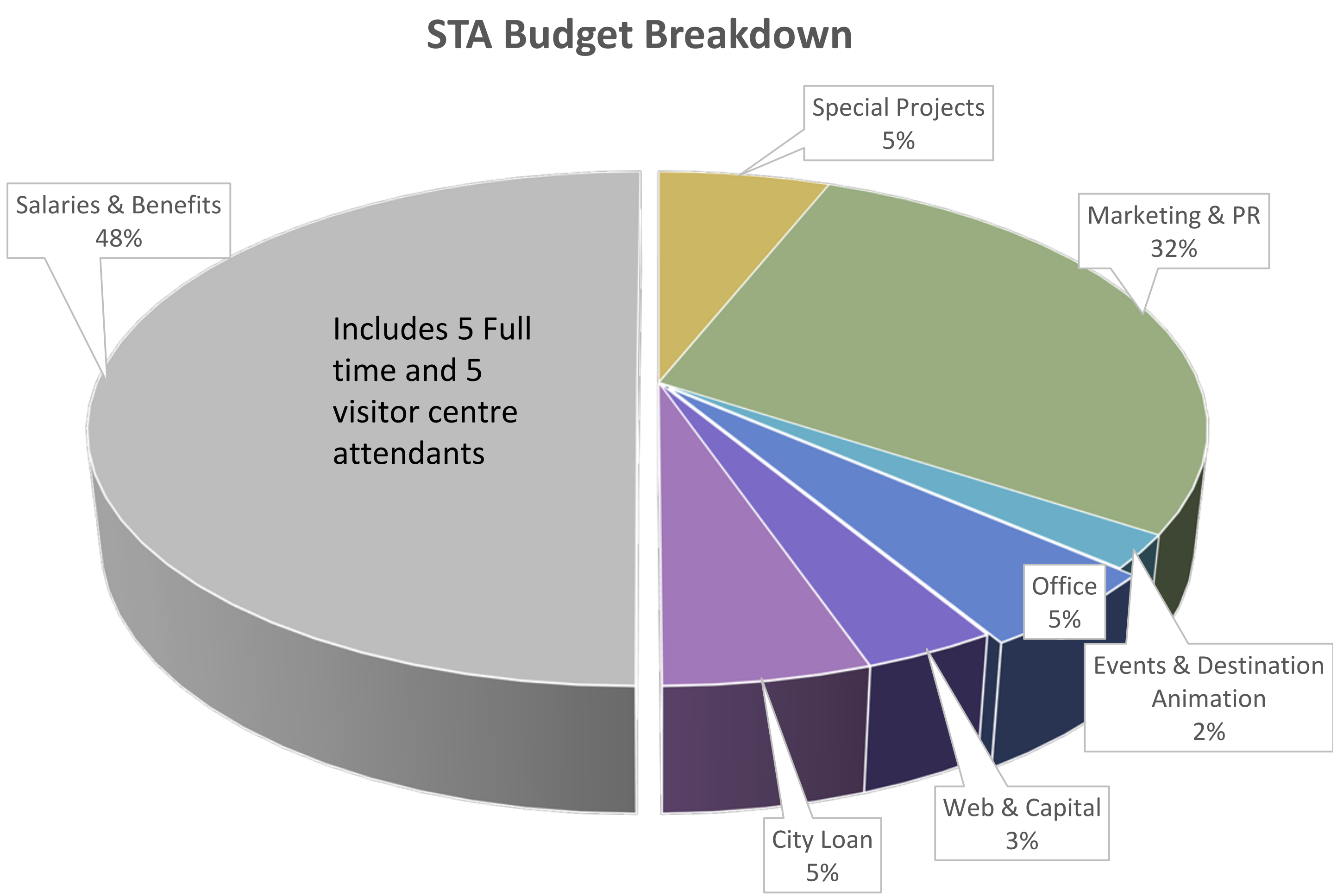
**Total 2017 Budget $859,000 up from $815,000 in 2016**

# 2017 | Budget Forecast Revenues

| | | 2016 Actuals | 2017 Budget |
|---|---|---|---|
| Revenues | | | |
| 1 | STS | $113,209 | $87,550 |
| 2 | Memberships | $54,531 | $54,410 |
| 3 | Marketing Sales | $84,365 | $90,275 |
| 4 | Partnerships & Grants | $54,484 | $63,000 |
| 5 | City of Stratford | $500,000 | $535,000 |
| 6 | Misc. | $825 | n/a |
| Total Revenues | | **$815,459** | **$859,285** |

| Budget Expenditures | 2016 Actual | 2017 Budget |
|---|---|---|
| Marketing Print & Radio | $77,241 | $81,500 |
| Marketing Digital | $90,617 | $110,230 |
| Marketing Other | $50,769 | $53,400 |
| Events | $8,747 | $8,750 |
| Salaries & Benefits | $375,175 | $407,950 |
| Professional Fees | $25,644 | $23,000 |
| Consulting Fees | $4,340 | $5,500 |
| Office expenses | $18,405 | $14,750 |
| Special Projects | $8,420 | $52,850 |
| Facilities | $2,117 | $5,500 |
| Insurance | $3,239 | $3,600 |
| Interest & Bank fees | $6,418 | $3,800 |
| Telephone & Communications | $8,624 | $8,500 |
| Loan & Reserve | $72,188 | $62,187 |
| Computer Lease | $20,520 | $21,600 |
| **Total** | **$777,945** | **$858,867** |

# STA Budget Breakdown - $859,000



# Benchmarking the STA


- Participated in National Benchmarking project with DMAC that is informing our Strategic Plan

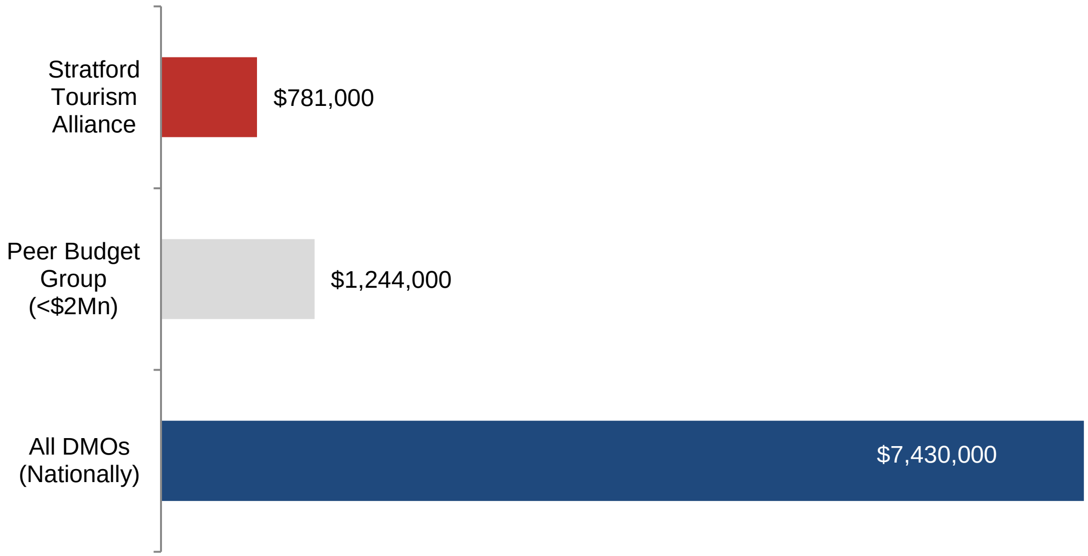
- Partnered with RT0 to undertake visitor surveys (1,000 short and 350 long) that will also provide visitor insights for the Strategic Plan and be ongoing

- Community Engagement of over 350 people providing input into our strategic plan process led by an international consulting firm

DMAC/ACDT
Destination Marketing Association Canada
l'Association canadienne des destinations touristiques

# • DMO Resource Comparison - Canada

• **Budget (2016)**




Stratford Tourism reported a lower annual operating budget in 2016 compared to Peer Group and significantly lower than Nationally.

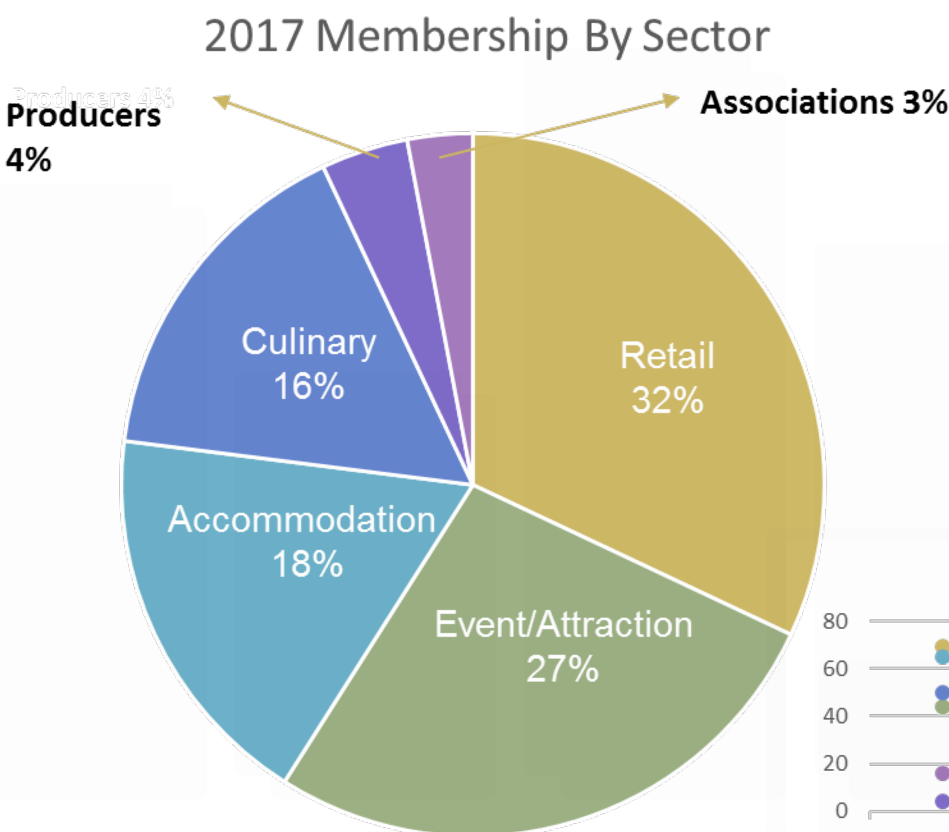
Stratford Tourism reported staff equating to 7FTES which is the same as peer groups and much lower than Nationally that report 28 FTEs

**Note**: Values have been rounded to the nearest $5,000.



Source: 2016 DMAC Performance Benchmarking Report for Canadian Destination Marketing Organisations

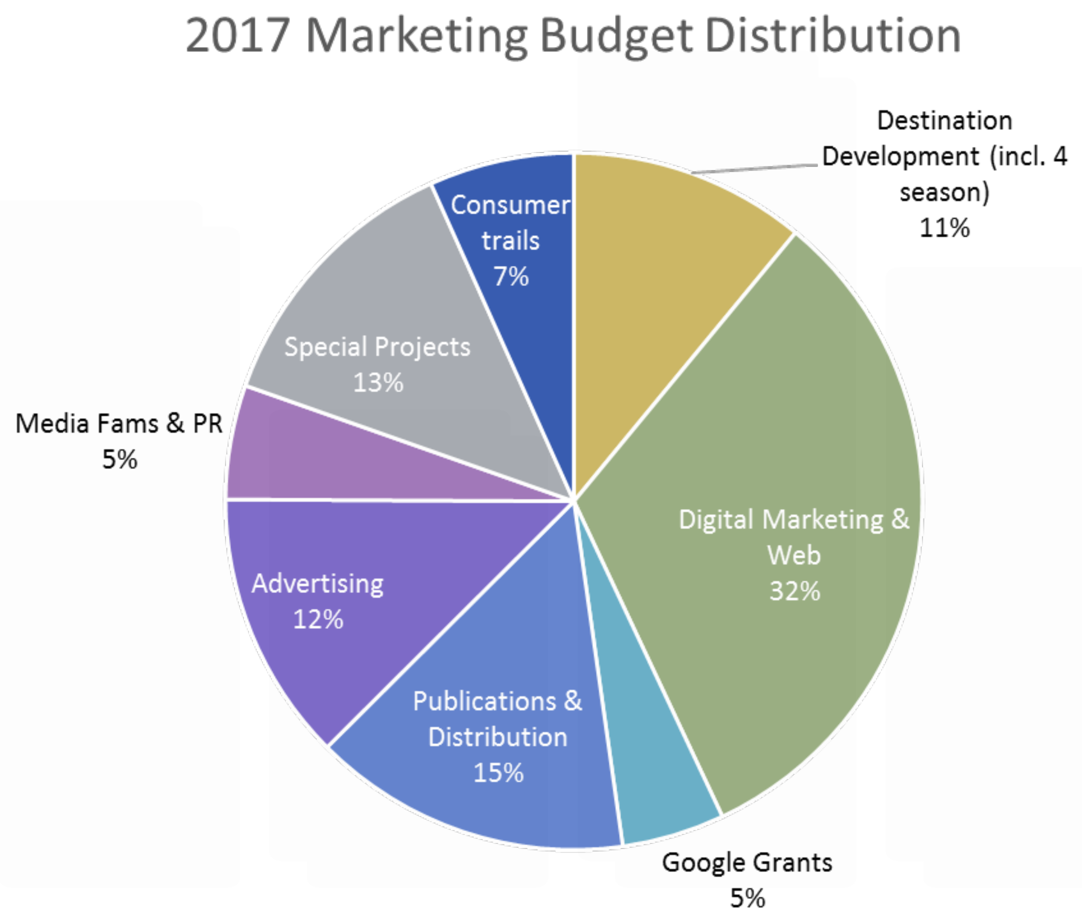
# STA Membership




187 Members up from 174 one year ago

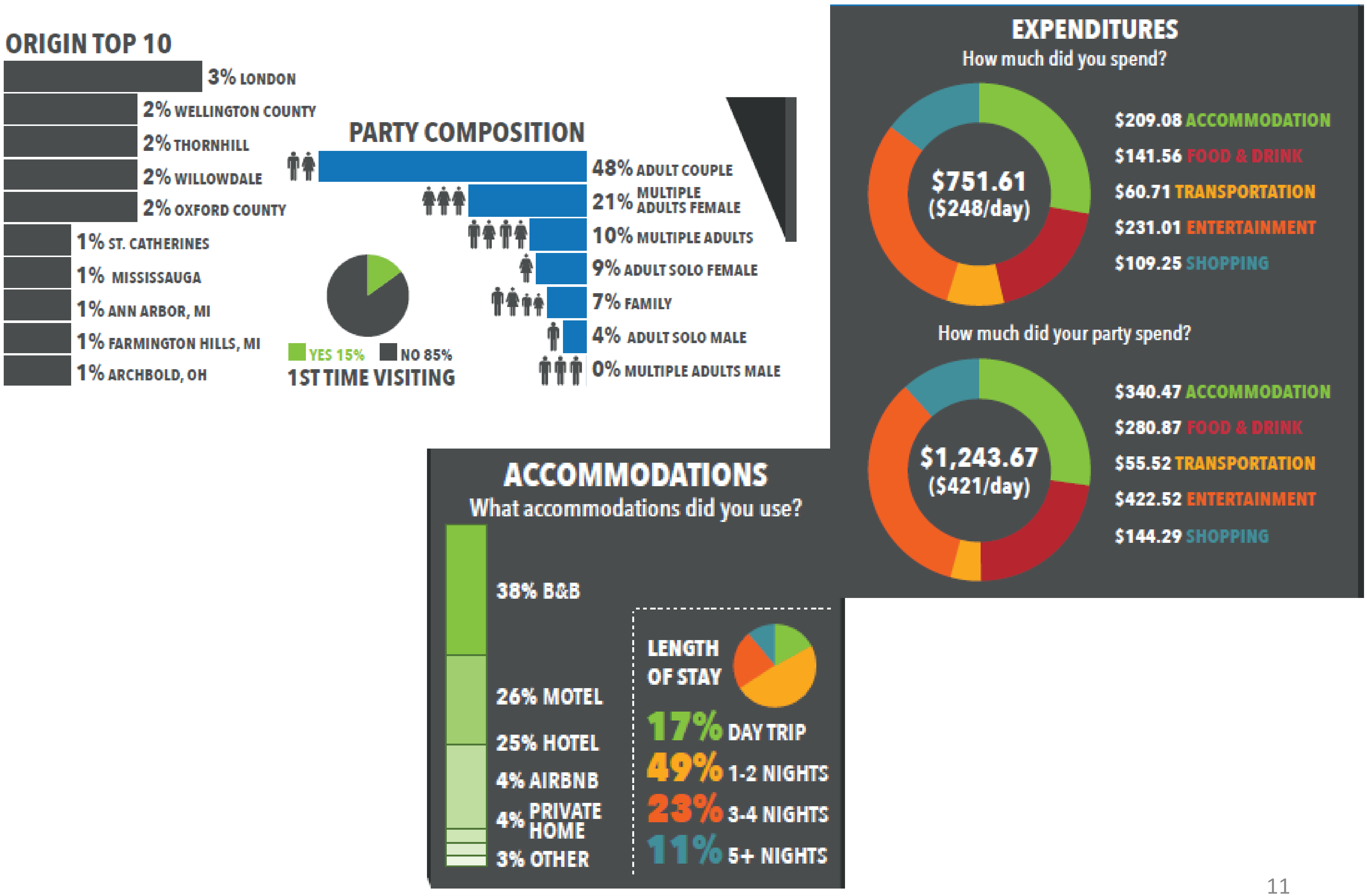
93% Retention

# 2017 Marketing Program




12,000 Newsletter Subscribers

# 2016 Visitor Survey Findings



# 2016 Visitor Survey Findings

## ACTIVITIES

10%

- Walking by the river
- Chocolate Trail
- Galleries
- Boat ride
- Walking trails
- Lovely parks
- Shakespeare Gardens
- Picnicking by the River
- Stratford Perth Museum

## OTHER

14%

**8% MISCELLANEOUS**
- Architecture
- Swans
- Beautiful surroundings
- Lots of pokeman stops
- Beautiful flowers and plants throughout town
- How walkable everything is

**3% EVENTS**
- Art in the Park
- Concerts
- Stratford Summer Music

**3% CUSTOMER SERVICE**
- Warm and friendly, kind and helpful service

## CULINARY

13%

- Great coffee shops
- Craft beer
- Accommodating restaurants
- Wonderful meals at specific restaurants
- Ice cream

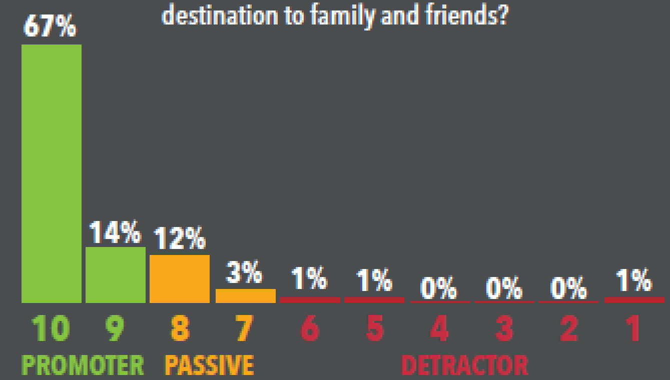
## VISITOR SATISFACTION

How satisfied were you, from 1-10, with the following experiences?

| STRATFORD FESTIVAL | CULINARY | SHOPPING | EVENT | RECREATION | FRIENDS & FAMILY |
|---|---|---|---|---|---|
| 9.3 | 8.8 | 8.4 | 9.2 | 9.1 | 9.8 |

## NET PROMOTER SCORE (NPS)

How likely are you to recommend this destination to family and friends?




81% − 3% = 78%

The Net Promoter Score is an index that measures the willingness of visitors to recommend a destination to others.

RTO4 tourism INNOVATION

# STRATFORD VISITOR SATISFACTION SURVEY 2016

Facilitating data-driven decision making and benchmarking destination development

## What do you wish you had known prior to visiting Stratford?


### ACCOMMODATION — 18%

- The need to book further in advance
- What accommodations have been recently updated
- Current state of accommodations
- Boutique hotels available
- Pet friendly options
- Better description of amenities (air conditioning, mini fridge)
- Location and distance to major attractions

### ACTIVITIES — 14%

- Activities on non-theatre days
- Activities for kids
- Family friendly activities
- Activities during the morning
- Current exhibition at galleries and museums
- Better understanding of bike trails
- Days and times of tours

### PARKING — 12%

- Best places to park
- Parking rates/times
- Free parking options

### CULINARY — 10%

- Recommendation to book reservations
- New restaurants
- Hours
- Where alcohol can be purchased
- Best coffee options
- Suggestions on where to eat

### STRATFORD FESTIVAL — 6%

- Recommend buy tickets early
- Last minute ticket deals
- Ticket policy regarding changes
- Independent reviews
- 2017 Playbill

### OTHER — 40%

**12% MISCELLANEOUS**
- Attractions/destinations nearby
- How beautiful Stratford is
- Suggested length of trip
- Weather

**6% MAP/DISTANCES**
- A printable map of Stratford
- Distances between attractions, accommodations, restaurants
- Distances to train station

**6% RETAIL**
- Hours/Days of operations (Mondays?)
- Suggested places & sales
- Crossing the border with purchases
- Acceptance of credit cards

**5% TRANSPORTATION**
- Ease of crossing the border
- How to book train trickets
- How long it takes to get here
- Days & times Festival Bus is available
- Taxi information

**5% CONSTRUCTION**
- Construction updates on major routes

**3% EVENTS**
- What events are happening
- Days, locations and times

**3% HYGIENE**
- Public washroom locations
- Cell service
- Visitor Info Centre hours & location

# STA Strategic Plan 2018-2022

## *Destination Vision:*

**A vibrant and picturesque must-visit year-round destination that celebrates the joy of the arts in all forms, in an invitingly walkable town that is genuine and neighbourly, with a new discovery around every corner**

## *Organization Vision:*

**Continually driven to successfully differentiate Stratford as Canada's leading year-round arts and culture destination by cultivating strong, sustained four-season business that maximizes overnight stays and community economic impact**

## *Organization Mission:*

**A catalyst and active partner for tourism prosperity and innovation through authentic, community-engaged destination development**

## 2017-2021 STRATEGIC GOALS

| 01 | 02 | 03 | 04 | 05 |
|---|---|---|---|---|
| Focused Destination Development | Compelling Destination Brand | Strategic Marketing & Business Development | Proactive Community & Stakeholder Collaboration | Sustained Organizational Strength |

## 2017-2021 KEY INITIATIVES

- Strategic Plan involved consulting over 300 leaders, stakeholders, members and residents
- Engagement has been analyzed, categorized and falls into five key Strategic areas that will be the foundation for the plan
- Plan will be finalized in the fall of 2017 with an implementation timeline of 2018-2022

# Key Themes from Strategic Plan Consultation

- Stratford has a rich, vibrant base of cultural assets,  and diversity of high quality experiences
- Support the future development of the destination and attract new events/attractions and audiences
- Engage technology to reach new audiences
- Take a leadership role in working to grow the destination and maximize overnight stays
- Welcome visitors as Stratford's front door.
- Serve as an enabler for the industry;
- Build partnerships and be a leading source of industry knowledge as a central collaborator, ***communicator*** and a key advocate on behalf of the community, business and tourism sector.

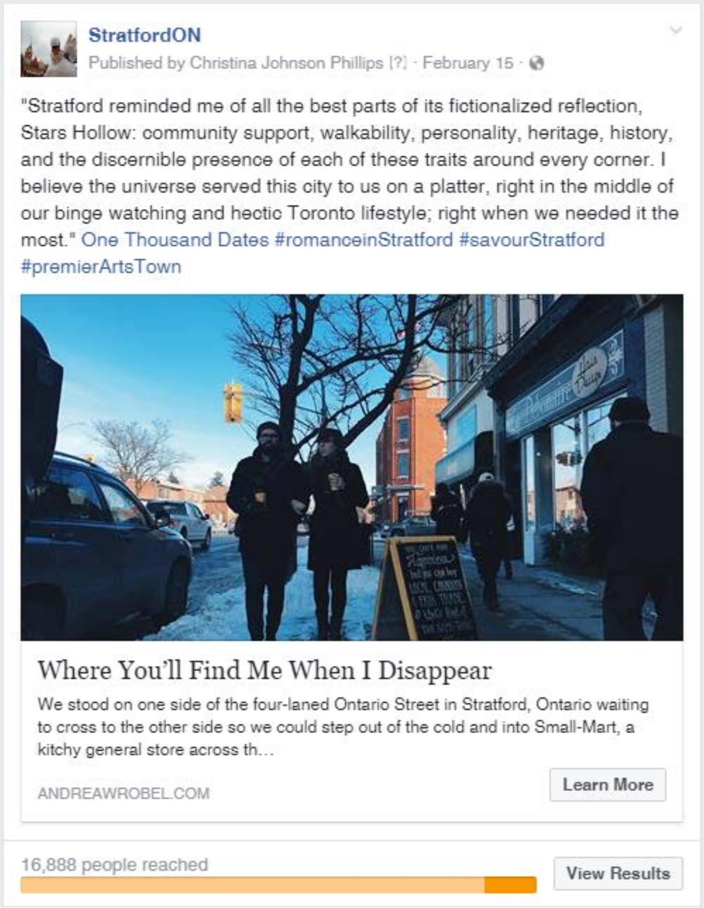
# 2017 Business Plan - Priorities

## Organization

- Finalize Policy manual
- Finalize Strategic Plan
- Building new Partnerships
- Assess Membership Fee Structure
- Working closely with City and Invest Stratford to ensure alignment

# Destination Development

- Partnership with RT0 4 & City Centre
  - Destination Animation
  - Google 365
- Enhanced Media Fams – A List Media include (*Via Rail, Chatelaine, Post Media, Travel Life Magazine, Bacon is Magic Blog*)
- Regional Partnerships

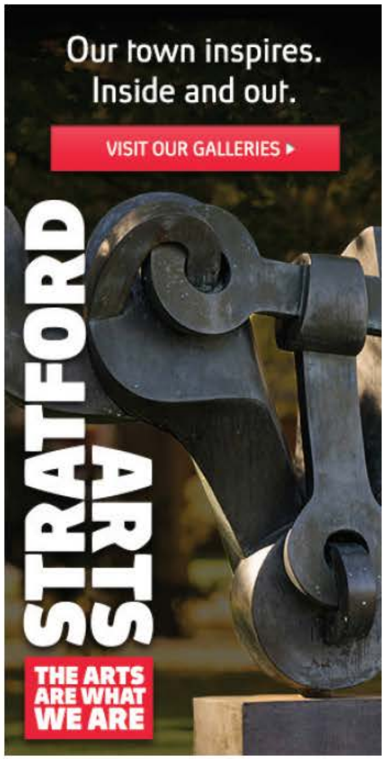


# Marketing

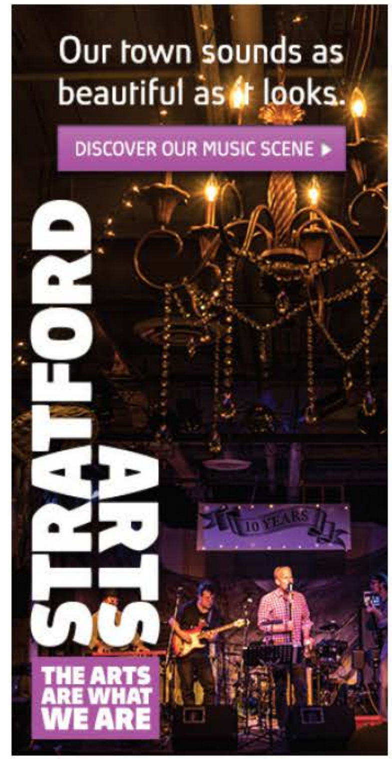
- New digital campaigns
- Retail & Culinary Guides
  - 40,000 in Globe & Mail
  - 20,000 in Post Media
- Further web-enhancements
- New Branding/Marketing

# Sneak Peek: New Branding 2017

# Sneak Peek: New Branding 2017








# Program Advancement

- New ED Search underway
- Image Refresh on kiosk
- 2017 Visitor Survey launching
- Four Season Strategy including sports tourism
- Digital Applications and integration (e.g. Trails)

# 2017 Slate of Directors



**Motion to elect the Directors as Nominated by the STA Board for the 2017 Board of Directors**

- Kathy Vassilakos, City Councillor, City of Stratford
- Graham Buting, City Councillor, City of Stratford
- Sarah Hamza, Stratford Festival
- Conroy Schelhaas, Accommodations
- Nigel Howard, Culinary- Stratford Chefs School
- Murray Sanderson, Accommodations
- L. Spencer-Cooper (Member at Large)
- R. Wiggan, Culinary & City Centre
- Carrie Wreford, Retail
- Kristene Steed, Producer/Retail
- Judy Matheson, Event

**Ex-Officio:**

- Nancy Fallis, Province of Ontario
- Sarah Franklin, County of Perth
- Kristin Sainsbury, Executive Director
- Rob Horne, CAO

*"Stratford reminded me of all the best parts of its fictionalized reflection, Stars Hollow: community support, walkability, personality, heritage, history, and the discernible presence of each of these traits around every corner. I believe the universe served this city to us on a platter, right in the middle of our binge watching and hectic Toronto lifestyle; right when we needed it the most."*

*"One of the major things I noticed once we arrived was the hospitality. At every venue the people working there seemed eager to help and show off their Stratford pride."*

~One Thousand Dates Blogger

Thank you and we look forward to working with you in 2017

visit STRATFORD

Corporate Services Department

# MANAGEMENT REPORT

| | |
|---|---|
| **Date:** | June 20, 2017 |
| **To:** | Finance & Labour Relations Sub-committee |
| **From:** | André Morin, Director of Corporate Services |
| **Report#:** | FIN17-022 |
| **Attachments:** | CIBC Wood Gundy Annual Review - 2017<br>CIBC Wood Gundy Economic Insights - 2017 |

**Title:** 2017 Annual Report of Investment Firm – CIBC Wood Gundy

**Objective:** To consider the annual investment report of CIBC Wood Gundy that manages the City's reserve funds investments, and to outline the investment strategy for the coming year.

**Background:** In 2003, the City awarded investment management of surplus funds of its reserve funds to CIBC Wood Gundy. The City's Investment Policy requires that annual reports of performance be presented to the Sub-committee.

**Analysis:** Portfolio and Performance Reports are attached which provide an overview of the City's investments. Warren Wolfenden and Peter Story, Investment Advisors for CIBC Wood Gundy, will be in attendance at the meeting.

Also, in accordance with Ontario Regulation 655/05, the Treasurer provides the following statement: "It is my opinion that in 2016 all investments were made in accordance with the Investment Policy and goals adopted by the City of Stratford."

**Financial Impact:** Not applicable.

**Staff Recommendation: THAT the annual investment report from CIBC Wood Gundy for the management of the City's reserve funds and the City Treasurer's statement regarding 2016 investment activity, be received for information.**

Andre Morin, Director of Corporate Services

Rob Horne, Chief Administrative Officer

CIBC
Wood Gundy

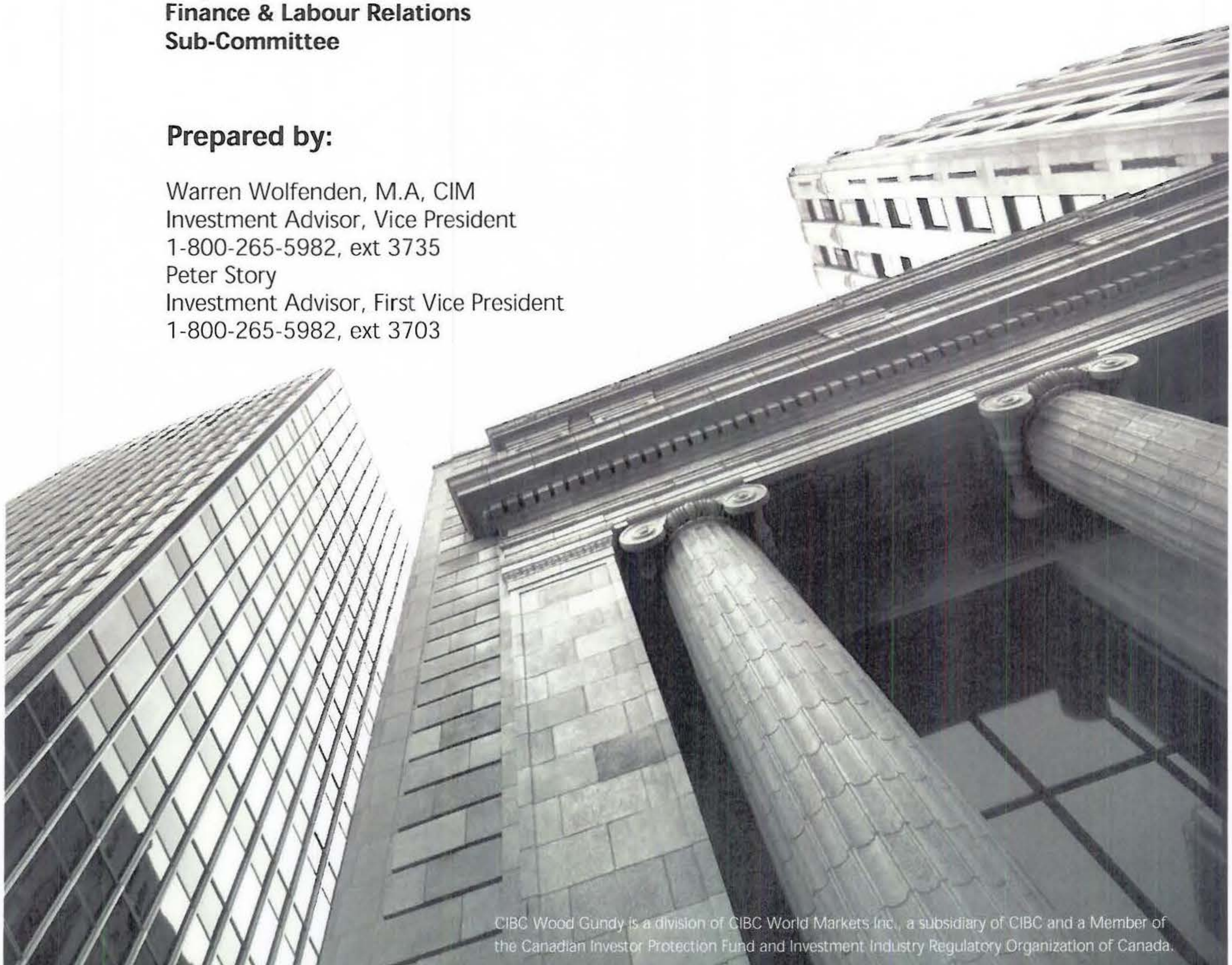
# Annual Review - June 2017

**Presented to:**

**Corporation Of The City Of Stratford-
Finance & Labour Relations
Sub-Committee**

**Prepared by:**

Warren Wolfenden, M.A, CIM
Investment Advisor, Vice President
1-800-265-5982, ext 3735
Peter Story
Investment Advisor, First Vice President
1-800-265-5982, ext 3703



CIBC Wood Gundy

CIBC World Markets Inc.
One London Place
255 Queens Avenue
Suite 2200
London ON N6A 5R8

Tel: (519) 663-5353
Fax: (519) 663-5037
Toll Free: 1-800-265-5982

June 5, 2017

Investment Option Summary

1. Options: Mandate for Capital:
   -Fixed Income-Government
   -Corp Bonds? Manulife
   "Corp Guarantee" thus corp bonds should be allowable

2. Money Markets:
   -0.75% Yield
   -No Upside to yield
   -No fee
   -Liquid
   GIC's at the bank- illiquid, rate adjustable if redeemened, corp guarantee

3. Individual Bonds: Hold until maturity
   -Low Yields- No upside in this market
   -Reinvestment risk at maturity

4. Guaranteed Autocallable Deposit Notes
   -Higher Fee 3%
   -Limited Liquidity-with penalty
   -5yrs-7yrs wait to see if any returns
   -Corporate Guarantee

5. Capital Requirements
   -Time Frame(when)
   -We need to know?

Forecast

1. Rising Rates- Very slow (see economic insights-pg. 2)
2. Low Returns- No major hike in rates
3. Price Volitility- Stock Market volitility affects bond price
4. Rising Rate Environment- Keep maturities short term = Low yields
   -Preservation of Capital- Need Longer Term Horizon when investing

CIBC Wood Gundy

# PORTFOLIO PERFORMANCE (CAD)

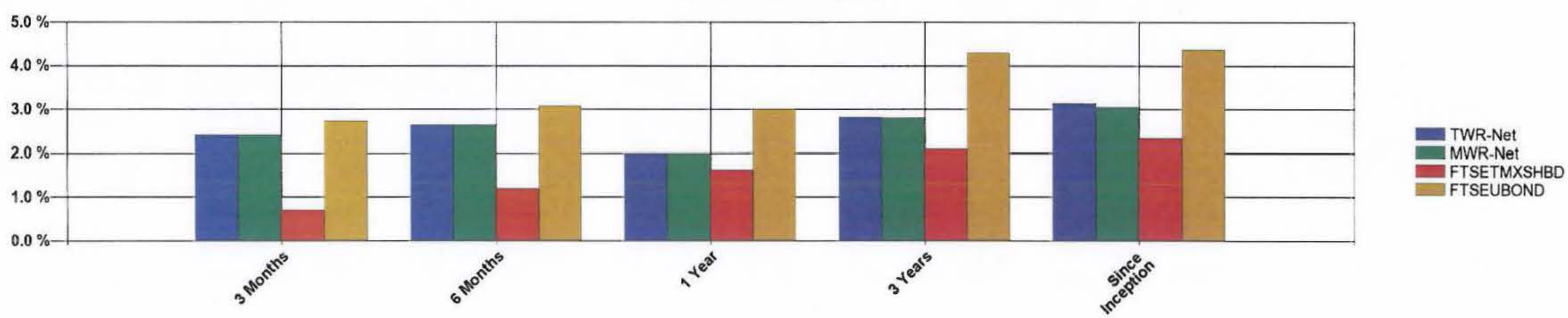
*As of May 31, 2017*

**CORPORATION OF THE CITY OF STRATFORD (530650781C)**

*Your Investment Advisor Story/Wolfenden*
CIBC Wood Gundy

| | 3 Months | 6 Months | 1 Year | 3 Years | Since Inception |
|---|---|---|---|---|---|
| | 03/01/2017 - 05/31/2017 | 12/01/2016 - 05/31/2017 | 06/01/2016 - 05/31/2017 | 06/01/2014 - 05/31/2017 | 06/21/2013 - 05/31/2017 |
| **Starting Value** | **$ 11,442,678.50** | **$ 11,416,625.59** | **$ 11,489,916.02** | **$ 6,630,836.56** | **$ 0.00** |
| Inflows | $ 0.00 | $ 0.00 | $ 0.00 | $ 4,172,000.00 | $ 10,567,900.00 |
| Outflows | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 |
| Revenues | $ 33,869.58 | $ 180,821.54 | $ 353,845.69 | $ 1,009,684.14 | $ 1,111,844.52 |
| **Ending Value** | **$ 11,717,619.50** | **$ 11,717,619.50** | **$ 11,717,619.50** | **$ 11,717,619.50** | **$ 11,717,619.50** |
| Time-Weighted-Net | 2.403 % | 2.636 % | 1.982 % | 2.805 % | 3.122 % |
| **Money-Weighted-Net** | 2.403 % | 2.636 % | 1.982 % | 2.795 % | 3.042 % |
| Indices | | | | | |
| FTSETMXSHBD | 0.69 % | 1.19 % | 1.62 % | 2.08 % | 2.33 % |
| FTSEUBOND | 2.72 % | 3.06 % | 2.99 % | 4.29 % | 4.37 % |

Portfolio Performance




* Legend: FTSETMXSHBD: FTSE TMX SHT TERM BD IDX (TR), FTSEUBOND: FTSE TMX CANADA UNIVERSE (TR)
Notes: Values in percentage are annualized for periods of more than twelve months.

CIBC Wood Gundy

# PORTFOLIO PERFORMANCE (CAD)

*As of May 31, 2017*

**CORPORATION OF THE CITY OF STRATFORD (530650781C)**

*Your Investment Advisor Story/Wolfenden*
CIBC Wood Gundy

| Account Number | Account Type | Name | Currency | Market Value (CAD) |
|---|---|---|---|---|
| 530650781C | Cash | CORPORATION OF THE CITY OF STRATFORD | CAD | 11,556,930.61 |

CIBC Wood Gundy

# PORTFOLIO EVALUATION (CAD)

*As of May 31, 2017*

**CORPORATION OF THE CITY OF STRATFORD (530650781C)**

*Your Investment Advisor Story/Wolfenden*
CIBC Wood Gundy

| Last Purchase | Quantity | Description | ACB | Book Value | Market Price | Market VL | % of Total | Ann. Int./Div. | Annual Income | CCY | Current Yield | Market Yield | Maturity Cost | Maturity Market | G/L (%) | Unrealized G/L ** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cash & Cash Equivalents** | | | | | | | | | | | | | | | | |
| Cash | | | | | | | | | | | | | | | | |
| | 227,703 | ACCOUNT BALANCE CAD | 1.000 | 227,703 | 1.000 | 227,703 | 1.97 | | | | | | | | | |
| *Total Cash & Cash Equivalents* | | | | *$ 227,703* | | *$ 227,703* | *1.97 %* | | | | | | | | | |
| **Short-Term** | | | | | | | | | | | | | | | | |
| Provincial Bonds | | | | | | | | | | | | | | | | |
| 09/14/2016 | 1,128,000 | QUEBEC MTN 4.5% 1DC19 | 110.844 | 1,250,320 | 108.440 | 1,223,199 | 10.58 | 4.50 | 50,760 | 4.06 | 4.06 | 4.15 | 1.06 | 1.07 | (2.17) | -27,121.63 |
| Canadian Corporate Paper | | | | | | | | | | | | | | | | |
| 07/15/2016 | 161,000 | CIBC CAP /C 9.976% 30JN19 | 131.006 | 210,919 | 115.494 | 185,945 | 1.61 | 9.98 | 16,061 | 7.61 | 7.61 | 8.64 | 3.26 | 2.31 | (11.84) | -24,974.04 |
| 12/01/2014 | 273,000 | HSBC BK CDA 2.908% 29SP21 | 101.101 | 276,007 | 104.740 | 285,939 | 2.47 | 2.91 | 7,939 | 2.88 | 2.88 | 2.78 | 2.73 | 1.77 | 3.60 | 9,931.97 |
| ***Total Canadian Corporate Paper*** | | | | *$ 486,926* | | *$ 471,884* | *4.08 %* | | *$ 24,000* | *4.93 %* | *4.93 %* | *5.09 %* | *2.96 %* | *1.98 %* | *(3.09) %* | *$ -15,042.07* |
| Corporate Bonds | | | | | | | | | | | | | | | | |
| 07/15/2016 | 373,000 | SUNLF CA /C 5.863% 31DC19 | 114.041 | 425,375 | 109.716 | 409,240 | 3.54 | 5.86 | 21,869 | 5.14 | 5.14 | 5.34 | 3.18 | 1.98 | (3.79) | -16,134.23 |
| 09/28/2016 | 382,000 | FORD CR CDA 2.923% 16SP20 | 102.670 | 392,199 | 102.339 | 390,935 | 3.38 | 2.92 | 11,166 | 2.85 | 2.85 | 2.86 | 2.22 | 2.18 | (0.32) | -1,264.80 |
| 08/18/2014 | 194,000 | BRP FIN ULC M 4.79% 7FB22 | 107.890 | 209,308 | 111.163 | 215,657 | 1.87 | 4.79 | 9,293 | 4.44 | 4.44 | 4.31 | 3.60 | 2.27 | 3.03 | 6,349.06 |
| ***Total Corporate Bonds*** | | | | *$ 1,026,881* | | *$ 1,015,832* | *8.79 %* | | *$ 42,327* | *4.12 %* | *4.12 %* | *4.17 %* | *2.90 %* | *2.12 %* | *(1.08) %* | *$ -11,049.98* |
| Government Agency | | | | | | | | | | | | | | | | |
| 12/21/2016 | 1,087,000 | CDA HS TR NO. 4.1% 15DC18 | 107.447 | 1,167,951 | 105.048 | 1,141,868 | 9.88 | 4.10 | 44,567 | 3.82 | 3.82 | 3.90 | 0.76 | 0.80 | (2.23) | -26,082.22 |
| 04/25/2017 | 134,000 | CDA HS TR NO. 3.8% 15JN21 | 110.015 | 147,420 | 110.034 | 147,446 | 1.28 | 3.80 | 5,092 | 3.45 | 3.45 | 3.45 | 1.31 | 1.25 | 0.02 | 25.46 |
| ***Total Government Agency*** | | | | *$ 1,315,371* | | *$ 1,289,314* | *11.16 %* | | *$ 49,659* | *3.78 %* | *3.78 %* | *3.85 %* | *0.82 %* | *0.85 %* | *(1.98) %* | *$ -26,056.76* |
| ***Total Short-Term*** | | | | *$ 4,079,499* | | *$ 4,000,228* | *34.61 %* | | *$ 166,747* | *4.09 %* | *4.09 %* | *4.17 %* | *1.67 %* | *1.37 %* | *(1.94) %* | *$ -79,270.43* |
| **Medium-Term** | | | | | | | | | | | | | | | | |
| Provincial Bonds | | | | | | | | | | | | | | | | |
| 04/25/2017 | 723,000 | ONTARIO BD 2.85% 2JN23 | 105.984 | 766,264 | 106.742 | 771,741 | 6.68 | 2.85 | 20,606 | 2.69 | 2.69 | 2.67 | 1.81 | 1.67 | 0.71 | 5,476.73 |
| 02/01/2017 | 777,000 | ONTARIO 2.6% 2JN25 | 101.043 | 785,106 | 104.821 | 814,456 | 7.05 | 2.60 | 20,202 | 2.57 | 2.57 | 2.48 | 2.48 | 1.95 | 3.74 | 29,349.97 |
| 01/19/2015 | 275,000 | QUEBEC 2.75% 1SP25 | 101.900 | 280,225 | 106.015 | 291,542 | 2.52 | 2.75 | 7,563 | 2.70 | 2.70 | 2.59 | 2.54 | 1.96 | 4.04 | 11,316.80 |
| ***Total Provincial Bonds*** | | | | *$ 1,831,595* | | *$ 1,877,739* | *16.25 %* | | *$ 48,370* | *2.64 %* | *2.64 %* | *2.58 %* | *2.21 %* | *1.83 %* | *2.52 %* | *$ 46,143.50* |
| Canadian Corporate Paper | | | | | | | | | | | | | | | | |
| 02/01/2017 | 457,000 | RBC SR UNSEC 2.333% 5DC23 | 99.680 | 455,538 | 101.970 | 466,003 | 4.03 | 2.33 | 10,662 | 2.34 | 2.34 | 2.29 | 2.38 | 2.01 | 2.30 | 10,465.30 |
| Corporate Bonds | | | | | | | | | | | | | | | | |
| 06/30/2015 | 311,000 | SHAW COMM 4.35% 31JA24 | 102.892 | 319,993 | 109.656 | 341,030 | 2.95 | 4.35 | 13,529 | 4.23 | 4.23 | 3.97 | 3.97 | 2.75 | 6.57 | 21,037.45 |
| 09/28/2016 | 215,000 | TELUS NT SER 3.75% 10MR26 | 108.330 | 232,910 | 107.578 | 231,294 | 2.00 | 3.75 | 8,063 | 3.46 | 3.46 | 3.49 | 2.74 | 2.77 | (0.69) | -1,615.94 |
| 02/01/2017 | 171,000 | IGM FIN SER 3.44% 26JA27 | 100.417 | 171,713 | 104.707 | 179,049 | 1.55 | 3.44 | 5,882 | 3.43 | 3.43 | 3.29 | 3.39 | 2.88 | 4.27 | 7,335.90 |
| ***Total Corporate Bonds*** | | | | *$ 724,615* | | *$ 751,373* | *6.50 %* | | *$ 27,473* | *3.79 %* | *3.79 %* | *3.66 %* | *3.44 %* | *2.79 %* | *3.69 %* | *$ 26,757.41* |
| Government Agency | | | | | | | | | | | | | | | | |
| 02/01/2017 | 1,125,000 | CDA HS TR 2.9% 15JN24 | 109.703 | 1,234,163 | 108.686 | 1,222,719 | 10.58 | 2.90 | 32,625 | 2.64 | 2.64 | 2.67 | 1.57 | 1.59 | (0.93) | -11,444.82 |
| ***Total Medium-Term*** | | | | *$ 4,245,912* | | *$ 4,317,833* | *37.36 %* | | *$ 119,130* | *2.81 %* | *2.81 %* | *2.76 %* | *2.25 %* | *1.95 %* | *1.69 %* | *$ 71,921.39* |

CIBC Wood Gundy

# PORTFOLIO EVALUATION (CAD)

*As of May 31, 2017*

**CORPORATION OF THE CITY OF STRATFORD (530650781C)**

*Your Investment Advisor Story/Wolfenden*
CIBC Wood Gundy

| Last Purchase | Quantity | Description | ACB | Book Value | Market Price | Market VL | % of Total | Ann. Int./Div. | Annual Income | CCY | Current Yield | Market Yield | Maturity Cost | Maturity Market | G/L (%) | Unrealized G/L ** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Long-Term** | | | | | | | | | | | | | | | | |
| Provincial Bonds | | | | | | | | | | | | | | | | |
| 08/18/2014 | 123,000 | ONTARIO 6.5% 8MR29 | 133.296 | 163,954 | 141.861 | 174,489 | 1.51 | 6.50 | 7,995 | 4.88 | 4.88 | 4.58 | 3.62 | 2.40 | 6.43 | 10,534.79 |
| 02/01/2017 | 480,000 | QUEBEC MTN 4.25% 1DC43 | 112.661 | 540,773 | 123.776 | 594,123 | 5.14 | 4.25 | 20,400 | 3.77 | 3.77 | 3.43 | 3.52 | 2.95 | 9.87 | 53,349.64 |
| 01/26/2017 | 608,000 | ONTARIO 3.45% 2JN45 | 101.524 | 617,264 | 109.579 | 666,237 | 5.76 | 3.45 | 20,976 | 3.40 | 3.40 | 3.15 | 3.36 | 2.95 | 7.93 | 48,973.45 |
| 08/24/2016 | 123,000 | MANITOBA DEBS 2.85% 5SP46 | 99.340 | 122,188 | 95.729 | 117,747 | 1.02 | 2.85 | 3,506 | 2.87 | 2.87 | 2.98 | 2.88 | 3.07 | (3.63) | -4,441.04 |
| ***Total Provincial Bonds*** | | | | ***$ 1,444,179*** | | ***$ 1,552,596*** | ***13.43 %*** | | ***$ 52,877*** | ***3.66 %*** | ***3.66 %*** | ***3.41 %*** | ***3.41 %*** | ***2.90 %*** | ***7.51 %*** | ***$ 108,416.84*** |
| Government Bond | | | | | | | | | | | | | | | | |
| 05/31/2017 | 513,000 | CDA SER ZS68 3.5% 1DC45 | 130.109 | 667,458 | 130.275 | 668,312 | 5.78 | 3.50 | | 2.69 | 2.69 | | 2.11 | 2.09 | 0.13 | 854.01 |
| Corporate Bonds | | | | | | | | | | | | | | | | |
| 06/15/2015 | 113,000 | GTA MTN (SEC 6.98% 15OC32 | 136.569 | 154,323 | 149.116 | 168,501 | 1.46 | 6.98 | 7,887 | 5.11 | 5.11 | 4.68 | 4.15 | 2.98 | 9.19 | 14,177.96 |
| 07/15/2016 | 298,000 | 407 INTL SEN 4.19% 25AP42 | 101.897 | 303,654 | 113.052 | 336,896 | 2.92 | 4.19 | 12,486 | 4.11 | 4.11 | 3.71 | 4.07 | 3.41 | 10.95 | 33,242.14 |
| 12/22/2016 | 163,000 | BELL CDA SER 4.35% 18DC45 | 105.241 | 171,543 | 102.904 | 167,734 | 1.45 | 4.35 | 7,091 | 4.13 | 4.13 | 4.23 | 4.04 | 4.17 | (2.22) | -3,809.65 |
| 12/22/2016 | 107,000 | TRANSCDA PPLN 4.35% 6JN46 | 108.172 | 115,744 | 109.465 | 117,127 | 1.01 | 4.35 | 4,655 | 4.02 | 4.02 | 3.97 | 3.88 | 3.81 | 1.19 | 1,383.01 |
| ***Total Corporate Bonds*** | | | | ***$ 745,264*** | | ***$ 790,258*** | ***6.84 %*** | | ***$ 32,119*** | ***4.31 %*** | ***4.31 %*** | ***4.06 %*** | ***4.05 %*** | ***3.54 %*** | ***6.04 %*** | ***$ 44,993.47*** |
| ***Total Long-Term*** | | | | ***$ 2,856,902*** | | ***$ 3,011,166*** | ***26.06 %*** | | ***$ 84,995*** | ***3.60 %*** | ***3.60 %*** | ***3.63 %*** | ***3.27 %*** | ***2.88 %*** | ***5.40 %*** | ***$ 154,264.31*** |
| **Total** | | | | $ 11,410,015 | | $ 11,556,931 | | | $ 370,872 | | | 3.48 % | | | 1.31 % | $ 146,915.27 |

| | |
|---|---|
| Accrued Interest: | $ 160,689 |
| Declared and Unpaid Dividends: | |
| Total Portfolio Value: | $ 11,717,620 |

** Where applicable, Unrealized G/L includes accumulated interest.
Accumulated interest is included in the "ACB" / "Invested Cost" and in the "Book Value" / "Invested Capital" columns.

CIBC Wood Gundy

# PORTFOLIO EVALUATION (CAD)

*As of May 31, 2017*

**CORPORATION OF THE CITY OF STRATFORD (450102041C)**

*Your Investment Advisor Story/Wolfenden*
CIBC Wood Gundy

| Last Purchase | Quantity | Description | ACB | Book Value | Market Price | Market VL | % of Total | Ann. Int./Div. | Annual Income | CCY | Current Yield | Market Yield | Maturity Cost | Maturity Market | G/L (%) | Unrealized G/L ** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cash & Cash Equivalents** | | | | | | | | | | | | | | | | |
| Cash | | | | | | | | | | | | | | | | |
| | 796 | ACCOUNT BALANCE CAD | 1.000 | 796 | 1.000 | 796 | 100.00 | | | | | | | | | |
| ***Total Cash & Cash Equivalents*** | | | | ***$ 796*** | | ***$ 796*** | ***100.00 %*** | | | | | | | | | |
| **Total** | | | | $ 796 | | $ 796 | | | | | | | | | | |

| | |
|---|---|
| Accrued Interest: | |
| Declared and Unpaid Dividends: | |
| Total Portfolio Value: | $ 796 |

** Where applicable, Unrealized G/L includes accumulated interest.
Accumulated interest is included in the "ACB" / "Invested Cost" and in the "Book Value" / "Invested Capital" columns.

Data as of March 31, 2017

# Manulife Canadian Bond

Individual Pension Plan suitable

## Firm Profile

Manulife Asset Management

| | |
|---|---|
| Headquarters: | Toronto, ON |
| Founded: | 1897 |
| Assets Under Management*: | $449.70 billion |
| Ownership: | 100% owned by Manulife Financial |

Manulife Asset Management (Manulife) is the asset management arm of Manulife Financial, with investment offices in the U.S., Canada, the United Kingdom, Japan, Hong Kong and throughout southeast Asia. Manulife has more than 100 years of experience managing portfolios for The Manufacturers Life Insurance Company, John Hancock Life Insurance Company and other major clients.

Manulife includes more than 300 investment professionals located around the world, managing a full spectrum of asset classes with a range of style perspectives. The group, with headquarters in Toronto, is well positioned to gain superior insight into markets at local and international levels.

## Investment Professionals

**Terry Carr**, CFA, *Vice President & Managing Director, North American Fixed Income*
Experience: Started in 1986

**Hosen Marjaee**, MBA, CFA, *Assistant Vice President & Senior Portfolio Manager*
Experience: Started in 1981

**Jean-Pierre D'Agnillo**, BBA, CFA, *Portfolio Manager*
Experience: Started in 1993

## Investor Suitability

The Manulife Canadian Bond strategy is ideal for investors:

- seeking exposure to fixed income
- seeking current income
- who are planning to hold their investments for the medium to long term

## Volatility Rating

| Low | Low to Medium | Medium | Medium to High | High |
|---|---|---|---|---|

## Investment Objective

The Manulife Canadian Bond strategy seeks to achieve a high level of current income and some capital growth with a focus on preservation of capital by investing primarily in Canadian fixed income securities.

## Investment Philosophy & Process

The strategy aims to add consistent, incremental returns over time through a diversified approach. The Canadian fixed income team derives the sector mix through economic and fundamental analysis.

Manulife utilizes a management style they refer to as structured active, which emphasizes a combination of credit analysis, security selection, sector-mix, yield curve analysis and interest rate anticipation. A top-down approach is used with a three to six-month projection to determine the duration target versus the benchmark. Yield curve analysis shapes the firm's interest rate outlook and forecasts the expected shape of the yield curve. Credit analysis and security selection focus on in-house credit analysis, management interviews and relative value within each sector.

The strategy will primarily invest in Canadian federal, provincial and corporate bonds but it can also invest a portion of the portfolio in foreign fixed income (Maple Bonds).

## Investment Style

| | |
|---|---|
| Investment Process: | Interest-rate anticipation, yield curve analysis and sector spread |
| Portfolio Structure: | Barbelled |
| Investment Style Matrix: | |

| | Short-Term | Medium-Term | Long-Term |
|---|---|---|---|
| Government | | | |
| Corporate | | | |
| High Yield | | | |
| Real Return Bond | | | |

Manulife Asset Management.

CIBC Wood Gundy

Investment Consulting Service

**Manulife Canadian Bond**

**Asset Class: Fixed Income – Canadian**

Data as of March 31, 2017

## Quarterly Commentary

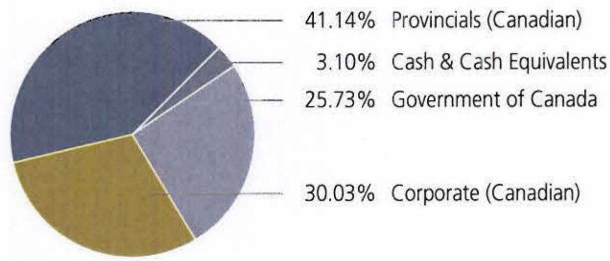
In the first quarter of 2017, accommodative monetary policy continued to be a theme. The European Central Bank left interest rates unchanged but is looking to scale back asset purchases starting April 2017. The U.S. Federal Reserve (Fed) increased its target federal funds rate by 25 basis points on strong economic and job growth. The Bank of Canada maintained its 0.50% target rate on "significant uncertainties" around U.S. trade policies and continued export weakness.

The Manulife Canadian Bond strategy's underweight position in AAA-rated bonds contributed to performance, as did its overweight position in A-rated bonds. An underweight in federal bonds and security selection in the financials sector also contributed positively. Security selection within A-rated and provincial bonds detracted from performance. Yield curve positioning also detracted as yields fell. At the end of the period, the strategy's duration was 7.2 years, roughly 0.2 years shorter than its benchmark, the FTSE TMX Canada Universe Bond Index. The strategy had a yield to maturity of 2.1%, roughly in line with the benchmark.

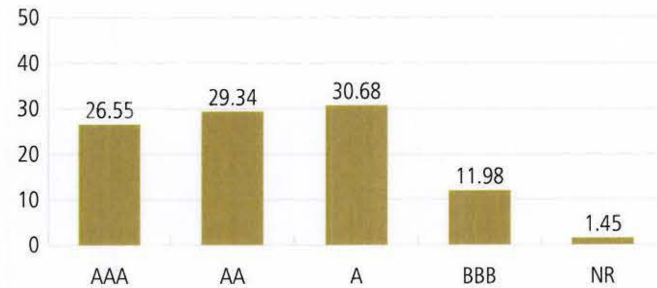
We believe last year's significant increase in yields is largely over; however, we have a slight upward bias for rates going forward as political and global economic uncertainty remain. We expect rates at the shorter-term end of the Canadian yield curve to remain at current levels over the near term. We believe the Fed is likely to further raise the federal funds rate in 2017, as U.S. economic conditions have been consistently improving. We expect Canada to lag the U.S. in raising interest rates as commodity prices in general remain depressed and Canadian growth remains subdued.

Our bias will be to maintain a duration shorter than that of the benchmark given the current environment. We maintain a positive outlook for corporate bonds and expect spreads to narrow. The search for yield in a persistently low interest rate environment should continue to be a significant theme, and we expect demand for corporate bonds to be robust. However, we believe the political uncertainty of a Trump-led U.S. administration could subject markets to volatility in the medium to long term.

## Portfolio Asset Mix (%)




## S&P Credit Rating




## Top 10 Holdings (%)

| | |
|---|---|
| Canada Housing Trust 4.10% 2018/12/15 | 11.10 |
| Quebec Province 4.50% 2019/12/1 | 10.70 |
| Canada Housing Trust 2.90% 2024/06/15 | 10.50 |
| Ontario Province 2.60% 2025/06/2 | 7.00 |
| Ontario Province 2.10% 2018/09/8 | 6.50 |
| Ontario Province 3.45% 2045/06/2 | 5.50 |
| Quebec Province 4.25% 2043/12/1 | 5.00 |
| Canada Government 3.50% 2045/12/1 | 4.10 |
| Royal Bank Cda 2.333% 2023/12/5 | 4.00 |
| Sun Life Capital Trust II 5.863% 2108/12/31 | 3.60 |
| **Total** | **68.00** |

Current Number of Holdings: 26

# ICS Strategy Information
## March 31, 2017

The performance returns, risk statistics, and graphs shown in this section are based on a composite of ICS accounts invested in this strategy (the "ICS Composite"). Performance returns are expressed in Canadian dollars. For details on the ICS Composite, refer to the disclaimer on the last page of this document.

## Portfolio Characteristics

| | Manulife Canadian Bond | FTSE TMX Canada Universe Bond Index |
|---|---|---|
| Average Duration (yrs) | 7.73 | 7.34 |
| Average Maturity (yrs) | 10.71 | 10.09 |
| Average Weighted Coupon (%) | 3.76 | 3.45 |
| Average Credit Quality | AA | AA |
| Average Yield To Maturity (%) | 2.02 | 2.06 |

## Trailing Returns (%)

| | 3 months | YTD | 1 year | 2 years | 3 years | 5 years | 7 years | 10 years |
|---|---|---|---|---|---|---|---|---|
| Manulife Canadian Bond | 1.49 | 1.49 | 1.61 | 0.99 | 4.05 | 3.59 | 4.63 | 4.91 |
| FTSE TMX Canada Universe Bond Index | 1.24 | 1.24 | 1.51 | 1.14 | 4.09 | 3.52 | 4.62 | 4.82 |

## Calendar Year Returns (%)

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| Manulife Canadian Bond | 1.62 | 3.27 | 8.87 | -1.25 | 5.15 | 8.46 | 6.83 | 6.99 | 5.57 | 3.51 |
| FTSE TMX Canada Universe Bond Index | 1.66 | 3.52 | 8.79 | -1.19 | 3.60 | 9.67 | 6.74 | 5.41 | 6.41 | 3.68 |

CIBC Wood Gundy

Investment Consulting Service

**Manulife Canadian Bond**

**Asset Class: Fixed Income – Canadian**

# ICS Strategy Information
# 5 Years as of March 31, 2017

## Risk Statistics

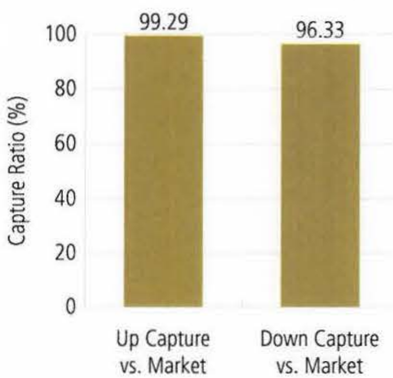
| | Std Dev (%) | Sharpe Ratio |
|---|---|---|
| Manulife Canadian Bond | 3.69 | 0.76 |
| FTSE TMX Canada Universe Bond Index | 3.66 | 0.75 |

## Risk Statistics - Strategy vs Benchmark

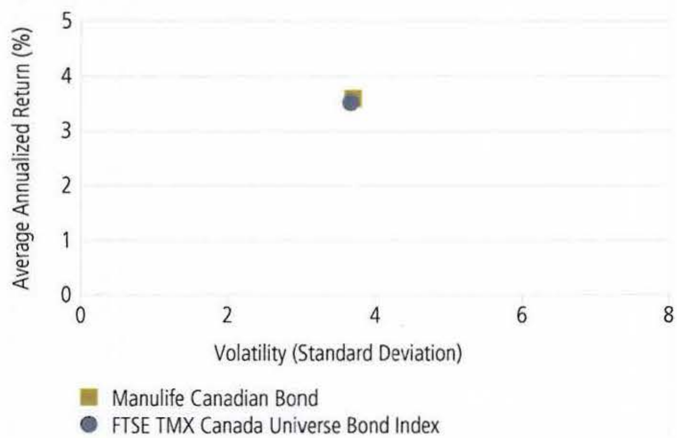
| | Beta vs. Market | Alpha vs. Market (%) | R-Squared vs. Market (%) |
|---|---|---|---|
| Manulife Canadian Bond vs. FTSE TMX Canada Universe Bond Index | 1.00 | 0.06 | 0.99 |

## Up/Down Market Capture

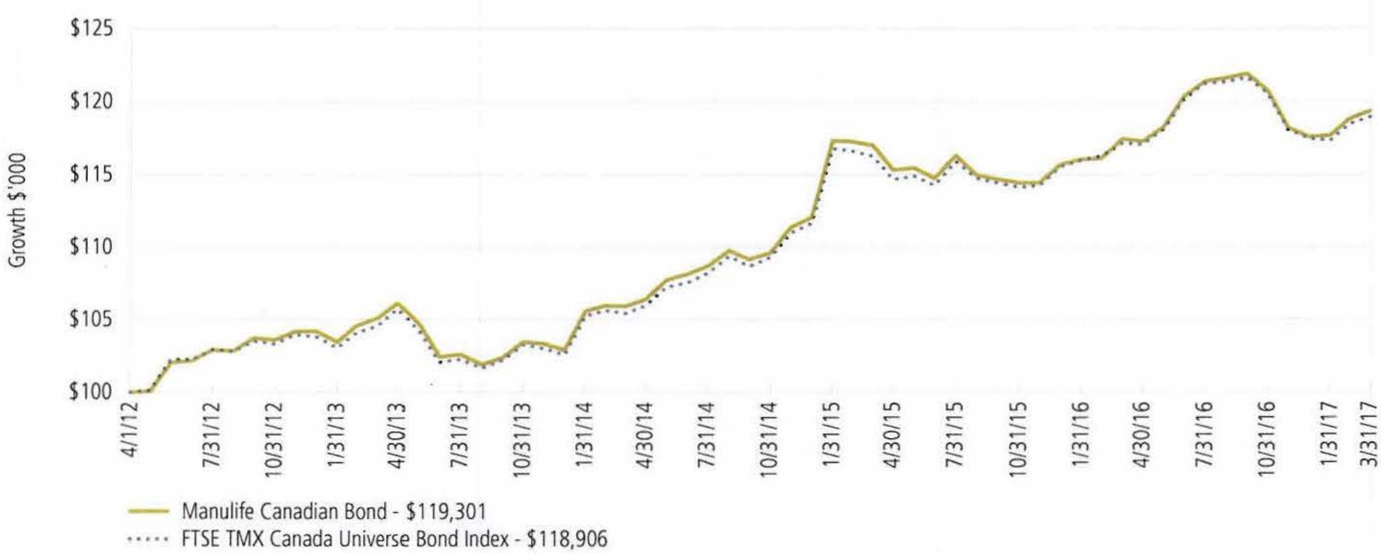
Manulife Canadian Bond vs. FTSE TMX Canada Universe Bond Index




## Risk/Reward Chart




## Growth of $100,000



CIBC Wood Gundy Investment Consulting Service

**Manulife Canadian Bond**

**Asset Class: Fixed Income – Canadian**

# ICS Strategy Information
# 7 Years as of March 31, 2017

## Risk Statistics

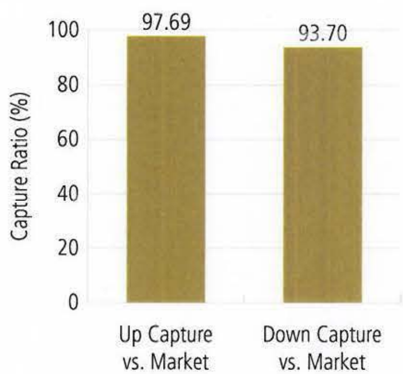
| | Std Dev (%) | Sharpe Ratio |
|---|---|---|
| Manulife Canadian Bond | 3.47 | 1.10 |
| FTSE TMX Canada Universe Bond Index | 3.52 | 1.08 |

## Risk Statistics - Strategy vs Benchmark

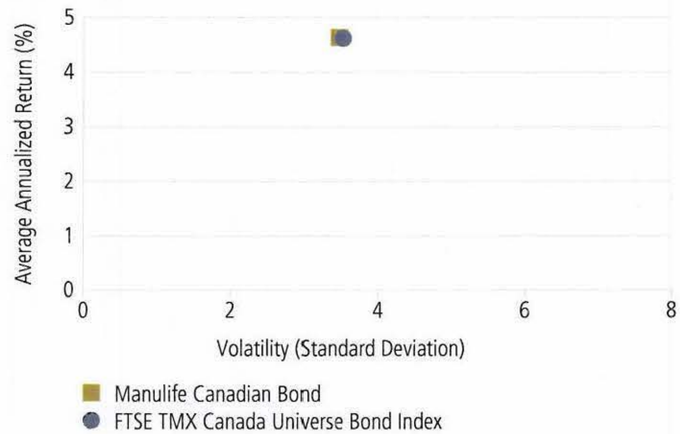
| | Beta vs. Market | Alpha vs. Market (%) | R-Squared vs. Market (%) |
|---|---|---|---|
| Manulife Canadian Bond vs. FTSE TMX Canada Universe Bond Index | 0.97 | 0.13 | 0.97 |

## Up/Down Market Capture

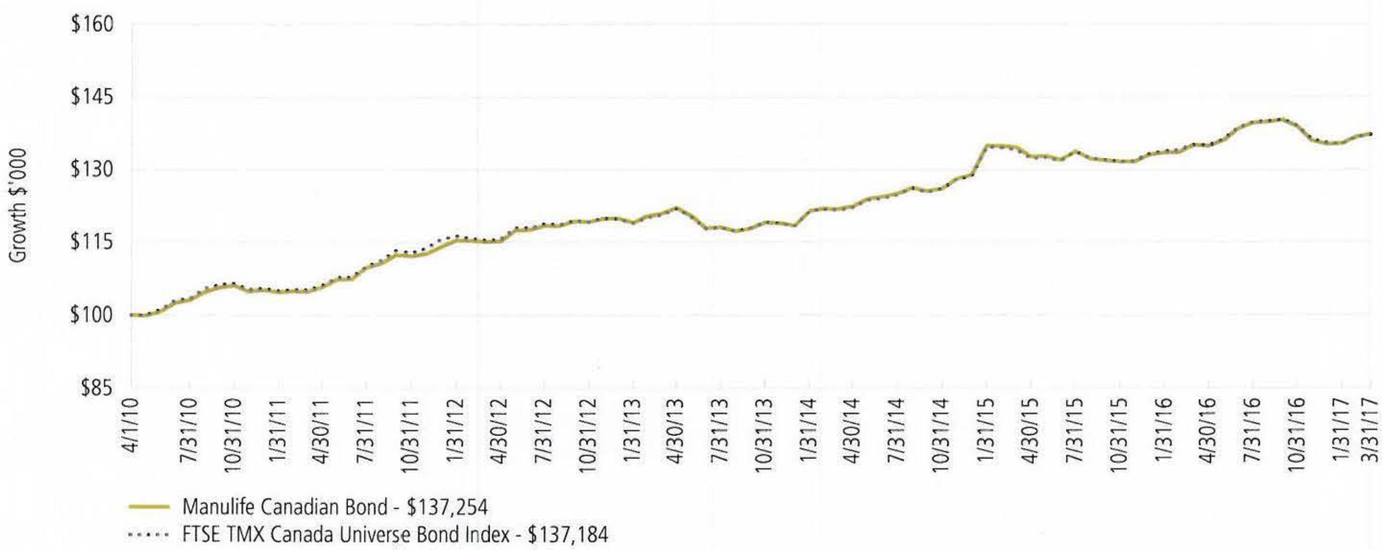
Manulife Canadian Bond vs. FTSE TMX Canada Universe Bond Index




## Risk/Reward Chart




## Growth of $100,000



CIBC Wood Gundy Investment Consulting Service

Manulife Canadian Bond

Asset Class: Fixed Income – Canadian

# ICS Strategy Information
# 10 Years as of March 31, 2017

## Risk Statistics

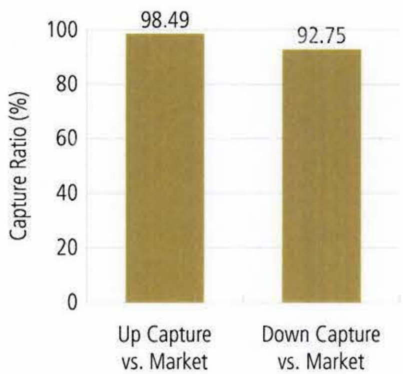
| | Std Dev (%) | Sharpe Ratio |
|---|---|---|
| Manulife Canadian Bond | 3.47 | 1.04 |
| FTSE TMX Canada Universe Bond Index | 3.56 | 0.99 |

## Risk Statistics - Strategy vs Benchmark

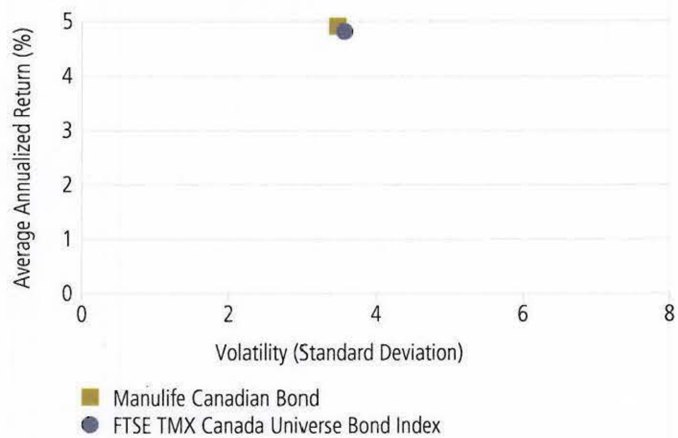
| | Beta vs. Market | Alpha vs. Market (%) | R-Squared vs. Market (%) |
|---|---|---|---|
| Manulife Canadian Bond vs. FTSE TMX Canada Universe Bond Index | 0.96 | 0.27 | 0.97 |

## Up/Down Market Capture

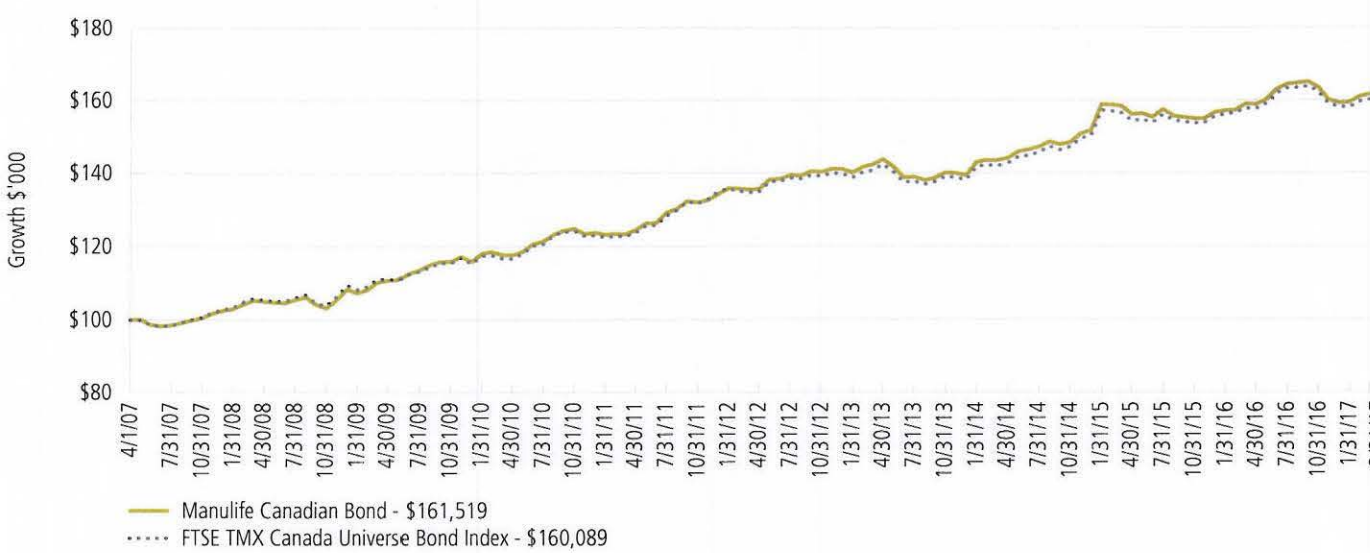
Manulife Canadian Bond vs. FTSE TMX Canada Universe Bond Index




## Risk/Reward Chart




## Growth of $100,000



* as at December 31, 2016.

Risk Statistics Definitions:

**Standard Deviation:** A gauge of risk that measures total volatility, or the spread of the difference of returns from their average. The more a portfolio's returns vary from it's average, the higher the standard deviation. Generally, the higher the standard deviation the more volatility that will occur in the portfolio.

**Beta:** A measure of systematic risk, or the return that is attributable to market movements. A portfolio with a beta of 1.0 has an expected risk level equal to that of the market. Portfolios are considered more risky than the market if their beta is greater than 1.0 or less risky than the market if their beta is less than 1.0.

**Alpha:** A measure of non-systematic return, or the return that cannot be attributed to the market. An alpha of 1% means the portfolio outperformed its benchmark by 1% after adjusting for the risk of the portfolio relative to its benchmark.

**R-Squared:** Measures how much of a change in a particular portfolio can be accounted for by changes in the benchmark it is measured against. If the portfolio's return is explained perfectly by the benchmark, the R-Squared would equal 1.00, while an R-Squared of 0.00 would indicate that no relationship exists between the portfolio's returns and the benchmark. Higher R-Squared values also indicate more statistically accurate alpha and beta figures.

**Up/Down Market Capture Ratio:** Measures a portfolio's performance in up markets and in down markets relative to the market (appropriate benchmark). The higher the ratio in the up market, the better the product performed relative to the market. The lower the ratio the better the portfolio protected capital during a market decline.

**Sharpe Ratio:** Represents the return per unit of risk. It is calculated by taking the difference between the portfolio's return and the risk free rate divided by the standard deviation of the portfolio's return for a given period of time. The risk free instrument applied would be the FTSE TMX Canada 91 Day T-Bill for returns denominated in Canadian dollars.

Fixed Income Characteristics:

**Weighted Average Maturity (years):** This figure is calculated by summing the market value weighted Maturity of each security in the portfolio.

**Weighted Average Duration (Modified - years):** This figure is calculated by summing the market value weighted Modified Duration of each security in the portfolio.

**Weighted Average Coupon (%):** This figure is calculated by summing the market value weighted Coupon of each security in the portfolio.

**Weighted Average Yield To Maturity (%):** This figure is calculated by summing the market value weighted Yield to Maturity (YTM) of each security in the portfolio.

**Weighted Average Credit Quality:** For each bond in the Portfolio, the bond quality grade is converted into a numerical rank. This average Credit Quality is then calculated by summing the market value weighted numerical rank of each security.

ICS Composite

Performance results set out in this document are based on a composite of CIBC Wood Gundy Investment Consulting Service ("ICS") retail accounts with more than $90,000 invested in the CIBC Wood Gundy ICS Manulife Asset Management ("Manulife") Canadian Bond strategy (the "Strategy"). The composite includes open fee-paying discretionary managed ICS accounts held in the Strategy through a purchase or a switch from another investment or ICS strategy. ICS accounts are included at the start of the second month following their inception. Also included in the composite are closed ICS accounts that held the Strategy, up to the last full month the Strategy was held. The composite was created in September 2001. It includes account performance data from November 1, 2001, the second month after the inception of the first account in the Strategy.

Composite performance returns are geometrically linked and calculated by weighting each ICS account's monthly performance, including changes in securities' values, and accrued income (i.e. dividends and interest), against its market value at the beginning of each month, as represented by the market value at the opening of the first business day of each month. Performance returns are expressed in CAD and are gross of ICS investment management fees, and other expenses, if any. Each ICS account's performance returns will be reduced by these costs.

For use in consultation with a CIBC Wood Gundy investment advisor. CIBC Wood Gundy is responsible for the advice provided to CIBC Wood Gundy Investment Consulting Service (ICS) clients by any of the ICS investment managers. The ICS program manager, CIBC Asset Management Inc., is a subsidiary of Canadian Imperial Bank of Commerce (CIBC). CIBC Wood Gundy is a division of CIBC World Markets Inc., a subsidiary of CIBC and Member of the Canadian Investor Protection Fund and Investment Industry Regulatory Organization of Canada. The views expressed in this document are the personal views of the authors and should not be taken as the views of CIBC Asset Management Inc. The ICS investment manager information in this document has been supplied from outside sources including the investment managers.

This document is provided for general informational purposes only and does not constitute financial, investment, tax, legal or accounting advice nor does it constitute an offer or solicitation to buy or sell any securities referred to. The information contained in this document has been obtained from sources believed to be reliable and is believed to be accurate at the time of publishing, but we do not represent that it is accurate or complete and it should not be relied upon as such. All opinions and estimates expressed in this document are as of the date of publication unless otherwise indicated, and are subject to change.

Individual account performance results for clients of ICS invested in the Strategy may also materially differ from the performance results set out in this document, which are based on the Composite due to the factors described above, and other factors such as an account's size, the length of time the Strategy has been held, cash flows in and out of the individual ICS client account, trade execution timing, market conditions and movements, trading prices, foreign exchange rates, specific client constraints, and constraints against purchasing securities of related and connected issuers to CIBC Wood Gundy, the investment manager and/or either of their affiliates. Past performance may not be repeated and is not indicative of future results. Consideration of individual circumstances and current events is critical to sound investment planning. All investments carry a certain degree of risk. It is important to review objectives, risk tolerance, liquidity needs, tax consequences and any other considerations before choosing an ICS strategy. Clients are advised to seek advice regarding their particular circumstances from their tax and legal advisors. Some investment managers may be situated outside of Canada and may not be registered as an advisor in Canada.

Investment Style Definitions:

**Deep Value:** Focuses on the value of a stock's tangible assets minus liabilities, with little emphasis on quality.

**Traditional Value:** Capitalizes on discrepancies between an estimate of a stock's intrinsic value and its price. Buying occurs when sentiment appears excessively pessimistic, and selling when investors seem unduly optimistic.

**Relative Value:** Expected value of a stock is assessed in comparison to other similar investments. Relative Value managers tend to participate in a broader number of sectors than other value managers.

**Core:** Style is not overly dependent on a particular investment style or factor.

**GARP:** Expected growth is above market levels, while stock valuation is not excessive.

**Sustainable Growth:** Concentrates on stocks expected to grow at a rate higher than average for a long period.

**Contrarian Growth:** Concentrates on identifying growth opportunities where consensus expectations have failed to do so.

**Earnings Momentum:** Concentrates on stocks with accelerating earnings relative to a prior period.

**Quality:** Concentrates on stocks with strong financial strength and leading market position.

**Dividends:** Focuses on stocks paying a higher than market and/or growing dividend.

**Thematic:** Focuses on broad investment trends that are expected to have an influence on the economy to the benefit of certain industries and stocks.

Benchmark Index



Source: FTSE TMX Global Debt Capital Markets Inc.

# Current Environment

## Canada in Gear, US Off to Slower Start

Canada's economy jumped into a higher gear in the latter half of 2016, and has accelerated again in early 2017. While the first quarter pace is unlikely to be sustained, the worst of the hit from crude oil's weakening two years ago is now behind us, allowing growth in other sectors to shine through. In the US, output and sales measures decelerated over the winter, but healthy employment and sentiment data suggests a rebound in the balance of the year. In both cases, real GDP for 2017 looks poised to run only a shade under 2.5%, fast enough to make further progress towards full employment, and to support moderate gains in corporate bottom lines.

Global growth has also shown signs of improvement, with China off to a better-than-expected start, and Europe's economic news not showing much damage from the growing list of political uncertainties across the EU. Still, by the standards of past cycles, a projected 3.3% pace to 2017 global growth isn't stellar, and won't provide the lift to commodity prices that would be needed to do better than a shallow-sloped upturn from here.

Moreover, there is room on the policy front for markets to be a bit disappointed with news out of Washington. The room to maneuver on corporate and personal tax reductions looks a bit squeezed, given the divisions that have become visible within the Republican party, as well as the larger gap to the Democrats who hold nearly half the seats in the Senate. Fiscal stimulus from a ramping up of infrastructure spending looks likely to be constrained by deficit hawks. A lighter regulatory touch will help the US energy sector, but financial services stocks may have been counting on a more sweeping change than is likely to be seen.

Although the timing will depend on the flow of monthly data, even without a fiscal boost, the US is close enough to full employment to keep the Federal Reserve on course for a modest additional 50 bps in tightening this year, with a further 50 bps in rate hikes for 2018. That will supplement the tightening inherent in an upcoming decision to begin winding down the size of the central bank's bond holdings.

In Canada, although the economy has recovered from its oil-related slowdown, the central bank is choosing to stall for time in terms of reversing the 50 bps of rate cuts it delivered in 2015. It would like greater clarity on US protectionism, and also wants to see Canada ease its dependence on housing, and show greater signs of life in exports and related capital spending. Keeping the Canadian dollar range-bound by lagging behind the Fed will help in tilting more of the growth to exports. Look for the Bank of Canada to eventually join in with its own 50 bps of rate hikes in the first half of 2018.

## Bond Rally Looks Overdone

A quarter ago, we judged that North American bond yields had climbed to levels that should be sustainable in the face of a gradual climb in policy rates. The subsequent rally, however, looks to have yields sitting too low, reflecting undue scepticism about growth being fast enough for the Fed's to hike again this year and the Bank of Canada's ability to follow suit in 2018.

Inflation remains close to central bank targets. Although in Canada the headline number is elevated by gasoline prices, it's also been supressed by a temporary drop in food prices from earlier elevated levels. In both the US and Canada, a case could be made that today's historically low jobless rates mask some labour market slack, but we are not far from employment conditions that would support faster wage growth. In the US, additional pressure could be put on the long end as the Fed winds down its holdings, with a spillover impact on Canadian yields. All of that points to a return to the higher 10 year rates that prevailed earlier this year.

## Outlook & Recommended Allocation

Momentum following President Trump's victory and optimism surrounding the potential fiscal stimulus and improving global growth helped propel the S&P/TSX Composite (TSX) and S&P 500 indices higher gaining 1.7% and 5.5%, respectively, in Q1/17. Longer-term government sovereign bond yields consolidated with the yield on the U.S. 10-year Treasury bond declining 5 basis points to finish off the quarter at 2.39%. Investors became more cautious as the quarter progressed due to rising equity market valuations, increasing global tension and signs that President Trump will encounter resistance in implementing his pro-growth policies despite having a Republican Congress and Senate.

Overall, the Asset Allocation Committee remains bullish on equities relative to bonds. Although equity markets may consolidate in the near-term we expect further global growth and earnings growth in the second half of the year. We expect the combination of lower unemployment, rising wages, and fiscal stimulus to lift the inflation rate towards the Federal Reserve's 2% target. Given this, we believe that further rate hikes from the U.S. central bank remain on the table.

The committee maintains a positive view on oil. While North American production continues to rise we expect that this will be offset by the production cuts from OPEC which we expect will be extended. Furthermore, with global growth strengthening, we expect demand for oil to also increase. As such, we believe global daily oil production will balance with demand in H2/17.

Given the strong performance of the S&P 500 Index relative to its Canadian counterpart, we are reducing our overweight to the U.S. index by 1% and adding it Canadian equities. As such, we will now be overweight U.S. and Canadian equities by 2% and 1%, respectively.

With the expectations that longer-term government bond yields will continue their move higher after a period of consolidation, we are reducing our exposure to long-term government bonds by 1% and using the proceeds to add to our position in short-term corporate bonds.

## Exhibit 1: Investment Strategy Committee Targets

| | | RECENT | Q2/2017F | EXPECTED TOTAL RETURN Q2/2017F | Q4/2017F | EXPECTED TOTAL RETURN Q4/2017F |
|---|---|---|---|---|---|---|
| **TSX** | | 15,685 | 15,816 | 0.84% | 16,016 | 2.11% |
| **S&P 500** | | 2,349 | 2,365 | 0.67% | 2,439 | 3.81% |
| **CANADA** | | | | | | |
| | TSX YIELD (WEIGHTED) | 2.72% | | | | |
| | 10-YEAR BOND YIELD | 1.52% | 1.75% | - | 1.90% | - |
| **UNITED STATES** | | | | | | |
| | S&P 500 YIELD (WEIGHTED) | 1.99% | | | | |
| | 10-YEAR BOND YIELD | 2.25% | 2.45% | - | 2.75% | - |
| WTI OIL (US$/bbl) | | $52.65 | $54.00 | 2.56% | $56.00 | 6.36% |
| GOLD (US$/oz) | | $1,284.69 | $1,275.00 | -0.75% | $1,250.00 | -2.70% |
| C$ (vs USD) | | 0.75 | 0.74 | -1.46% | 0.75 | -0.13% |

Recent values as of Apr 17, 2017
Source: Bloomberg and CIBC World Markets Inc.

## Exhibit 2: Recommended Asset Allocation

| | | Asset Mix Breakdown | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | GROWTH (Canadian Core Model) | | | | INCOME & GROWTH (North American Yield Model) | | | |
| | | Recommendation | Benchmark | Diff +/- | | Recommendation | Benchmark | Diff +/- | |
| CANADA | | | | | | | | | |
| | TSX | 57.00% | 55.00% | 2.00% | | 30.00% | 30.00% | 0.00% | |
| | GoC BONDS | 27.71% | 27.89% | -0.18% | | 30.66% | 34.86% | -4.20% | |
| | CDN CORP BONDS | 11.29% | 12.11% | -0.83% | | 16.34% | 15.14% | 1.19% | |
| | T-BILLS | 4.00% | 5.00% | -1.00% | | 5.00% | 5.00% | 0.00% | |
| UNITED STATES | | | | | | | | | |
| | S&P 500 | | | | | 18.00% | 15.00% | 3.00% | |
| | TOTAL | 100.00% | 100.00% | 0.00% | | 100.00% | 100.01% | 0.01% | |
| ASSET ALLOCATION | | Recommendation | Benchmark | Diff +/- | Allowable Range | Recommendation | Benchmark | Diff +/- | Allowable Range |
| | EQUITIES | 57.00% | 55.00% | 2.00% | 20% - 70% | 48.00% | 45.00% | 3.00% | 30% - 60% |
| | BONDS | 39.00% | 40.00% | -1.00% | 20% - 70% | 47.00% | 50.00% | -3.00% | 30% - 60% |
| | CASH | 4.00% | 5.00% | -1.00% | 0% - 50% | 5.00% | 5.00% | 0.00% | 0% - 40% |
| | TOTAL | 100.00% | 100.00% | 0.00% | | 100.00% | 100.00% | 0.00% | |
| GEOGRAPHIC EQUITY ALLOCATION | | Recommendation | Benchmark | | | Recommendation | Benchmark | Diff +/- | |
| | CANADA | 100.00% | 100.00% | | | 62.50% | 66.67% | -3.17% | |
| | UNITED STATES | | | | | 37.50% | 33.33% | 3.17% | |
| | TOTAL | 100.00% | 100.00% | | | 100.00% | 100.00% | 0.00% | |

Recent values as of April 17, 2017
Source: CIBC World Markets Inc.

## Disclosures and Disclaimers

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# CIBC Canadian Blue Chip Growth Deposit Notes, Series 37

## Oral Disclosure Summary for Sales in Person or by Telephone

The Deposit Notes are governed by federal regulations for "Principal Protected Notes". For any purchases of Deposit Notes in person or by telephone, the advisor must orally provide the following information to the investor at the time the purchase order is taken:

## Term

- The CIBC Canadian Blue Chip Growth Deposit Notes, Series 37 will be issued on June 29, 2017 and will mature on June 29, 2023, resulting in a term to maturity of 6 years. The Principal Amount of $100.00 per Deposit Note will be repaid at maturity

## Variable Interest

- Variable Interest, if any, payable under the Deposit Notes is linked to the price performance of Bank of Montreal, Bank of Nova Scotia, BCE, Emera, Inter Pipeline, Pembina Pipeline, Rogers Communications, Shaw Communications, TELUS, and TransCanada. Please see the Information Statement for a description of the Shares.
- Variable Interest, if any, payable at maturity will be equal to the Principal Amount multiplied by the Variable Return. The Variable Return will be equal to 100 % of the average of the Share Returns. The Share Return for a Share is the percentage increase or decrease in the Closing Price for such Share from the Issue Date to the fifth Banking Day prior to the Maturity Date. There is no minimum Share Return for any Share. If a Share Return is negative, there is no floor on such Share's negative contribution to the average price return of the Portfolio.
- The full amount of Variable Interest, if any, generally will be included in the investor's income in the investor's taxation year that includes the Maturity Date except to the extent that some part or all of any amount of Variable Interest has already been included in the investor's income for that or a preceding taxation year. Where payment of Variable Interest takes place prior to the Maturity Date as a result of an Extraordinary Event, the full amount of such payment will be included in the investor's income in the investor's taxation year in which Variable Interest becomes calculable, except to the extent that any Variable Interest has already been included in the investor's income for that or a preceding taxation year.
- It is possible that no Variable Interest may be payable on the Deposit Notes. No Variable Interest will be payable unless the average of the Share Returns is positive. Variable Interest, if any, payable at maturity will not reflect any dividends declared on the Shares. The average dividend yield for the Portfolio is 4.25% as of May 18, 2017, which would represent aggregate dividends of 25.50% over the term of the Deposit Notes, assuming the dividend yield remains constant and the dividends are not reinvested. The Principal Amount will be repaid only at maturity. An investor cannot elect to receive the Principal Amount or Variable Interest prior to maturity.

- Investors should read the Information Statement for more detailed information regarding the payment of the Principal Amount and Variable Interest.
- For accounts held in nominee name, CIBC will pay all amounts owing at maturity to CDS Clearing and Depository Services Inc., or a successor, or its nominee ("CDS") and CIBC understands that payment of such amounts will be credited by CDS in the appropriate amounts to the relevant CDS participant. Payments from the CDS participant to investors will be governed by standing instructions and customary practices and will be the responsibility of the CDS participant. For client-name accounts, CIBC will pay all amounts owing at maturity to investors directly.

## Fees and Expenses

- The Selling Agent will receive an upfront sales fee equivalent to 2.50% of the Principal Amount payable on the Issue Date. Dealers and other firms will sell the Deposit Notes to investors. The Selling Agent will pay from the upfront sales fee received an upfront commission to these dealers and firms in connection with the sale of Deposit Notes to investors. No fees or expenses will be charged that will impact any Variable Interest payable on the Deposit Notes.

## Secondary Market

- The Deposit Notes cannot be redeemed prior to maturity. CIBC World Markets Inc. will provide a secondary market for the Deposit Notes but reserves the right not to do so in the future, without providing prior notice to investors. Proceeds on sale may be less than the Principal Amount. An investor who sells a Deposit Note prior to maturity will have to pay an Early Trading Charge, deductible from the proceeds of the Deposit Notes, of 3.96% initially, reducing daily by 0.011% to 0.00% after 360 days.
- The secondary market bid price (i) might have a non-linear sensitivity to the rise and fall in the prices of the Shares (i.e. the bid price of a Deposit Note might increase and decrease at a different rate compared to the respective percentage increase and decrease in the prices of the Shares); and (ii) may be substantially affected by changes in the level of interest rates independent of the price performance of the Shares.
- An investor who disposes of a Deposit Note to CIBC World Markets Inc. in the secondary market will generally be required to include in income an amount of interest deemed to have accrued on the Deposit Note to the time of sale equal to the amount, if any, by which the sale price exceeds the Principal Amount. See "Canadian Federal Income Tax Considerations" in the Information Statement.

## Suitability

- The Deposit Notes are different from conventional fixed income investments. The Deposit Notes do not provide investors with a return or income stream prior to the Maturity Date, nor do they provide a return that is calculated or determined by reference to a fixed or floating rate of interest.
- An investment in the Deposit Notes is suitable only for investors who: (i) are prepared to assume risks with respect to a return linked to the price performance of the Shares; (ii) are prepared to hold the Deposit Notes to maturity; (iii) do not require a guaranteed return; and (iv) understand the terms of the Deposit Notes and the risks involved in holding the Deposit Notes. CIBC makes no recommendation as to the suitability of the Deposit Notes for investment.

## Risk Factors

- Investors should consider certain risk factors before reaching a decision to purchase the Deposit Notes, including but not limited to (i) the Deposit Notes are not suitable for all investors; (ii) the Deposit Notes are different than conventional fixed income investments; (iii) no Variable Interest may be payable over the term of the Deposit Notes; (iv) investors in the Deposit Notes have no ownership of, or recourse to, the Shares; (v) CIBC has not performed any review of the Shares and investors should undertake an independent investigation as deemed necessary; (vi) the likelihood that investors will receive the payment owing to them in connection with the Deposit Notes will be dependent upon the financial health and creditworthiness of CIBC. The Deposit Notes will not be insured by the Canada

Deposit Insurance Corporation or any other entity; (vii) there is no cap or maximum amount of Variable Interest that theoretically may be payable at maturity, except that the Criminal Code (Canada) prohibits a person from receiving interest greater than 60% each year; (viii) there is no assurance that CIBC World Markets Inc. will provide a secondary market for the Deposit Notes and if not, a secondary market may not be available; (xi) investors should consider the tax consequences of an investment in the Deposit Notes; (x) the occurrence of Special Circumstances may accelerate or delay the payment of Variable Interest, if any, and change the manner in which Variable Interest is calculated; however, the Principal Amount will not be repaid until maturity; (xi) CIBC is the issuer of the Deposit Notes, will calculate the amount of Variable Interest that may be payable and may be required to exercise its judgment in relation to the Deposit Notes from time to time. CIBC or one or more of its affiliates may publish research reports with respect to the Shares that may express opinions inconsistent with purchasing the Deposit *Notes*. CIBC World Markets Inc. provides the bid price and facilitates sales of the Deposit Notes in the secondary market. As such, CIBC and CIBC World Markets Inc. may have economic interests that are adverse to those of investors; (xii) changes in economic conditions may adversely affect the business and prospects of the Companies and their Shares and are not within the control of CIBC; and (xiii) changes made to federal and provincial legislation, regulations or administrative practice, including with respect to taxation, may adversely affect investors. Investors should read the Information Statement for more detailed information regarding risk factors.

## Other Important Information

- Investors may cancel an order to purchase a Deposit Note (or cancel the purchase of a Deposit Note if the Deposit Note has been issued) by providing instructions to CIBC through their investment advisor any time up to 48 hours after the later of (i) the day on which the agreement to purchase the Deposit Note is entered into and (ii) deemed receipt of the Information Statement. Investors should read the Information Statement for more detailed information about their right of cancellation.
- CIBC may amend the terms of the Deposit Notes without notice to investors if CIBC and CIBC World Markets Inc. agree that the amendment would not have an impact on any Variable Interest payable under the Deposit Notes. In all other cases, CIBC will provide notice to investors of the amendment prior to making the amendment or without delay after the amendment is made.
- Investors may request information about the Deposit Notes or a copy of the Information Statement from their investment advisor. A copy of the Information Statement is also posted at www.cibcnotes.com.
- Ongoing disclosure regarding the Deposit Notes will be available to investors at www.cibcnotes.com, including (i) the current Closing Prices of the Shares; (ii) the formula for determining the Variable Interest of the Deposit Notes; and (iii) if available, CIBC World Markets Inc.'s most recent secondary market bid price for the Deposit Notes (and the applicable Early Trading Charge).

This is only a synopsis of certain terms of the Deposit Notes. Investors should read the Information Statement for more detailed and complete information on all aspects of the Deposit Notes.

# Economic Insights

May 16, 2017

CIBC

Economics

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## Objects in the Mirror are Closer Than They Appear

by Avery Shenfeld

On May 25th, a little watched economic report on Canada is due to be released: payrolls. For those who keep tabs on the US, it may seem odd that such a key series on employment and pay rates would be largely ignored. Its status in Canada is diluted because it lags a month and a half behind the household survey of employment. But it's still worth watching, particularly these days when the focus is on how much the Canadian economy is behind the US, in getting to full employment and the accompanying interest rate hikes.

The Bank of Canada has argued that its jurisdiction has considerably more slack than the US, a reason for keeping a neutral stance on rates while the Fed continues to tighten. True, comparing household survey measures of unemployment, Canada's 6.5% jobless rate looms well above America's 4.4%. But adjusted to the US methodology (and then seasonally adjusted), Canada's rate would sit at 5.3%, only a hair above its all-time low.

Moreover, the drop in the US jobless rate has been flattered by weaker labour force participation among marginal groups, with the drop-outs not counted as unemployed. Excluding those of school age or potential retirees, Canada is well ahead of the US in the percentage of prime-age people who have a job (Chart, left side).

Some, however, would see slack evidenced in the last observation from Canada's household (LFS) survey showing a mere 0.7% yearly gain in average hourly earnings, far weaker than the 2½% pace in US payrolls, and its poorest reading since that series began in 1998. But that's based on polling a modest fraction of Canadian households, and looks suspect given that a year ago, with the economy much weaker, wages were showing a nearly 3% gain.

That's where the Canadian payrolls (SEPH) data come in, where the results are in part, based on required filings with the tax authorities, as well as a sample of 15,000 businesses employing far more Canadians than are in the household survey. Like the US series, it excludes the self-employed. Its last reading stood at 2.4% and has trended near 2%.

In the race to full employment, Canada might still be in America's rear view mirror, but it's much closer behind than it appears at first look. Uncertainties over trade issues with the US are really the only reason for the Bank of Canada to delay a hike for now.

**_Canada Ahead of US in Employment (L), With Payrolls Wages Not That Weak (R)_**


*Source: Statistics Canada, CIBC*



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## MARKET CALL

- We held steadfast to our forecast of three Fed hikes this year through a soft first quarter, and are sticking to our guns as that slowdown proves mostly temporary (see pages 7-9). There's still a bit of upward pressure on Treasury yields ahead as the Fed surpasses market expectations somewhat, although we don't see the start of its balance sheet unwind as a major shock to yields (see pages 10-11).
- Similarly, we haven't seen the need to change our Bank of Canada or Canadian yield outlook despite an upside surprise to Q1 growth. The Bank overstates its case in terms of the degree of existing slack (see cover), but uncertainties over US trade policy will be enough to keep it on hold until early 2018, with a rate hike at that point conditional on at least some calming of the rhetoric in Washington.
- As political uncertainties fade, there's room for the euro to rally towards fair value, with ECB QE ending on cue in 2018. The C$ could regain a bit of ground on a modest climb for oil (see pages 3-6) and 2018 BoC hikes, as long as a trade war with the US is averted.

## INTEREST & FOREIGN EXCHANGE RATES

| | | 2017 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|---|
| **END OF PERIOD:** | | **15-May** | **Jun** | **Sep** | **Dec** | **Mar** | **Jun** | **Sep** | **Dec** |
| **CDA** | Overnight target rate | 0.50 | 0.50 | 0.50 | 0.50 | 0.75 | 1.00 | 1.00 | 1.00 |
| | 98-Day Treasury Bills | 0.52 | 0.50 | 0.50 | 0.55 | 0.85 | 1.00 | 0.95 | 1.00 |
| | 2-Year Gov't Bond | 0.69 | 0.75 | 0.85 | 1.00 | 1.10 | 1.25 | 1.25 | 1.35 |
| | 10-Year Gov't Bond | 1.59 | 1.70 | 1.70 | 1.85 | 1.90 | 2.00 | 2.05 | 2.15 |
| | 30-Year Gov't Bond | 2.24 | 2.40 | 2.40 | 2.45 | 2.50 | 2.60 | 2.65 | 2.75 |
| **U.S.** | Federal Funds Rate | 0.875 | 1.125 | 1.375 | 1.375 | 1.375 | 1.625 | 1.875 | 1.875 |
| | 91-Day Treasury Bills | 0.88 | 1.15 | 1.25 | 1.25 | 1.40 | 1.65 | 1.70 | 1.70 |
| | 2-Year Gov't Note | 1.30 | 1.40 | 1.50 | 1.60 | 1.55 | 1.85 | 2.10 | 2.15 |
| | 10-Year Gov't Note | 2.34 | 2.50 | 2.65 | 2.65 | 2.60 | 2.65 | 2.75 | 2.85 |
| | 30-Year Gov't Bond | 3.00 | 3.10 | 3.20 | 3.25 | 3.25 | 3.30 | 3.35 | 3.40 |
| Canada - US T-Bill Spread | | -0.37 | -0.65 | -0.75 | -0.70 | -0.55 | -0.65 | -0.75 | -0.70 |
| Canada - US 10-Year Bond Spread | | -0.75 | -0.80 | -0.95 | -0.80 | -0.70 | -0.65 | -0.70 | -0.70 |
| Canada Yield Curve (30-Year — 2-Year) | | 1.55 | 1.65 | 1.55 | 1.45 | 1.40 | 1.35 | 1.40 | 1.40 |
| US Yield Curve (30-Year — 2-Year) | | 1.71 | 1.70 | 1.70 | 1.65 | 1.70 | 1.45 | 1.25 | 1.25 |
| **EXCHANGE RATES** | CADUSD | 0.73 | 0.74 | 0.74 | 0.75 | 0.76 | 0.75 | 0.74 | 0.75 |
| | USDCAD | 1.37 | 1.35 | 1.36 | 1.34 | 1.32 | 1.33 | 1.36 | 1.34 |
| | USDJPY | 113 | 113 | 112 | 110 | 109 | 108 | 108 | 106 |
| | EURUSD | 1.09 | 1.10 | 1.12 | 1.14 | 1.15 | 1.16 | 1.17 | 1.18 |
| | GBPUSD | 1.29 | 1.26 | 1.27 | 1.30 | 1.31 | 1.33 | 1.34 | 1.36 |
| | AUDUSD | 0.74 | 0.74 | 0.75 | 0.77 | 0.78 | 0.79 | 0.80 | 0.80 |
| | USDCHF | 0.99 | 0.98 | 0.97 | 0.96 | 0.96 | 0.95 | 0.95 | 0.95 |
| | USDBRL | 3.16 | 3.18 | 3.16 | 3.19 | 3.17 | 3.18 | 3.17 | 3.18 |
| | USDMXN | 18.8 | 19.4 | 19.8 | 19.7 | 20.2 | 20.5 | 20.5 | 20.5 |

# The 2018 Resource Forecast: Partly Cloudy

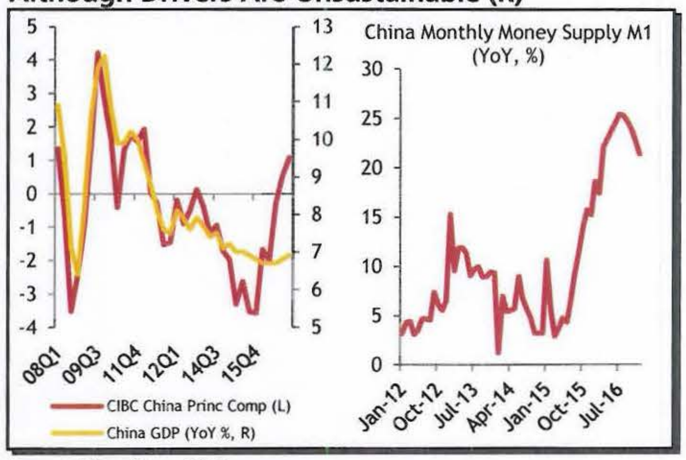
Avery Shenfeld and Nick Exarhos

Resource markets are inexorably tied to global growth, and despite a soft start to the year stateside, the global economy has been basking in the sunshine over the past few quarters. Our base case for world GDP included a healthy first half of this year, after a strong end to 2016. But if anything the momentum has been even firmer than we had been anticipating. That strength has been evident in Chinese industrial readings, with our composite of real time indicators suggesting a growth surge (Chart 1, left).

For commodities, however, the strong start to the year may be telling us more about what's already happened to prices than what lies ahead. The growth lift from the resource hungry Middle Kingdom has been fueled by an unsustainable ramp up in lending, signaled by the growth in money supply (Chart 1, right). The US has legs for this year, but will be hitting full employment constraints by 2018. And with oversupply still an issue in some corners of the commodities space, 2018 is likely to see only a mixed picture for prices (Table 1), mirroring the deceleration in growth for world GDP that year.

*Chart 1*

**China Industrial Readings Surge (L), Although Drivers Are Unsustainable (R)**




*Source: Bloomberg, CIBC*

## Base Metals: Losing Ground in 2018

A turn higher in metals was paced by the performance of iron ore in the back half of last year. Curbs to Chinese coking coal production stoked steel prices, and gave the fuel needed to lift iron ore. That overshoot versus other industrial prices is now turning into an undershoot (Chart 2).

Metallurgical coal prices had temporarily surged in the wake of production cuts in China, but its subsequent slide has been cushioned of late by supply disruptions in Australia, and Beijing's decision to ban imports from North Korea. Nevertheless, that recent relief for coal has not yielded a bounce in iron this time around. A persistent glut of productive capacity will mean that there's a ceiling on iron ore, although 2% growth in Chinese steel production, in addition to a firming in Chinese import volumes (Chart 3) could mean a modest grind higher in prices.

*Table 1*

**Commodities Outlook**

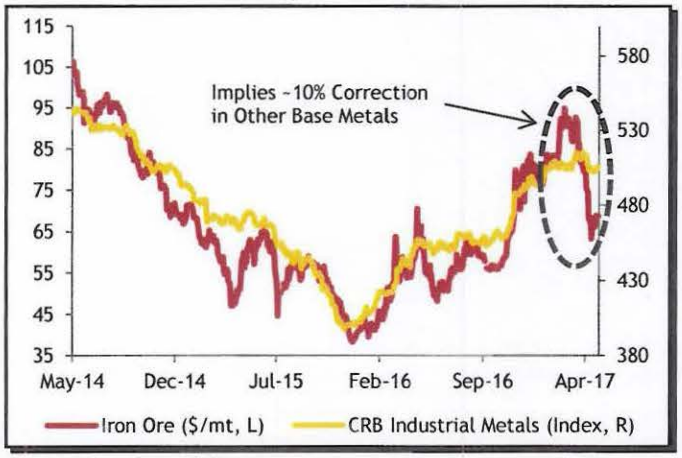
| | | 9-May | 2013 | 2014 | 2015 | 2016 | 2017 (f) | 2018 (f) |
|---|---|---|---|---|---|---|---|---|
| Oil (WTI) | $/bbl | 46 | 98 | 93 | 49 | 43 | 51 | 56 |
| Natural Gas (Henry) | $/Mn Btu | 3.03 | 3.73 | 4.35 | 2.61 | 2.49 | 2.95 | 2.80 |
| Gold* | $/troy oz | 1218 | 1202 | 1184 | 1061 | 1148 | 1200 | 1250 |
| Silver* | $/troy oz | 16.14 | 19.5 | 15.7 | 13.8 | 15.9 | 16.9 | 18.1 |
| Iron Ore (62% Fe) | $/mt | 61 | 136 | 97 | 56 | 58 | 72 | 69 |
| Copper | $/lb | 2.48 | 3.33 | 3.12 | 2.50 | 2.21 | 2.50 | 2.36 |
| Aluminum | $/lb | 0.85 | 0.84 | 0.85 | 0.76 | 0.73 | 0.81 | 0.76 |
| Nickel | $/lb | 4.14 | 6.82 | 7.68 | 6.38 | 4.37 | 4.50 | 4.68 |
| Zinc | $/lb | 1.18 | 0.87 | 0.98 | 0.95 | 0.95 | 1.24 | 1.23 |
| Lumber** | $/'000 bd ft | 380 | 345 | 338 | 268 | 300 | 360 | 370 |
| Potash | $/tonne | 214 | 379 | 297 | 304 | 246 | 220 | 230 |

* *end of period,* ***1st CME Futures*

*Source: Bloomberg, CIBC*

*Chart 2*

**Iron Ore Prices: Canary in the Coal Mine?**




*Source: Bloomberg, CIBC*

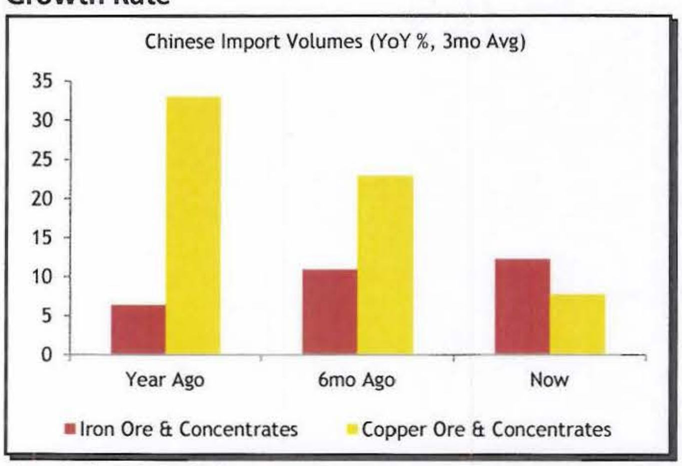
That firming in China's appetite hasn't been seen in all metals, with other commodities seeing an even trend in import volumes. An expected cooling in industrial demand will see 2018 average pricing down on the year for the complex, although more constructive supply trends have us continuing to favour zinc and nickel over copper and aluminum. That should see a convergence between iron and other metals as we head deeper into this year.

### Energy: Home, Home on the Range

Oil and gas prices have tracked closely to our forecasts, and their range-bound fate is starting to sink in among equity investors. In oil, it's a saw-off between rebounding growth in emerging market sources of demand, and the supply response, largely in the US, to a better pricing environment. For natural gas, North American prices are an easy call, with an elastic supply gluing prices into a narrow band, but one that still presents hedging opportunities for market participants.

*Chart 3*

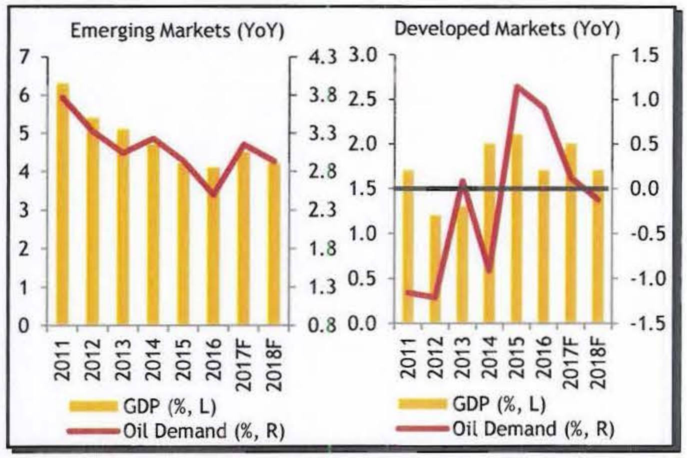
**Chinese Import Volumes: Iron Passing Copper's Growth Rate**




*Source: Bloomberg, CIBC*

*Chart 4*

**Emerging Markets Drive All of Total Oil Demand Growth**




*Source: IMF, BP, CIBC*

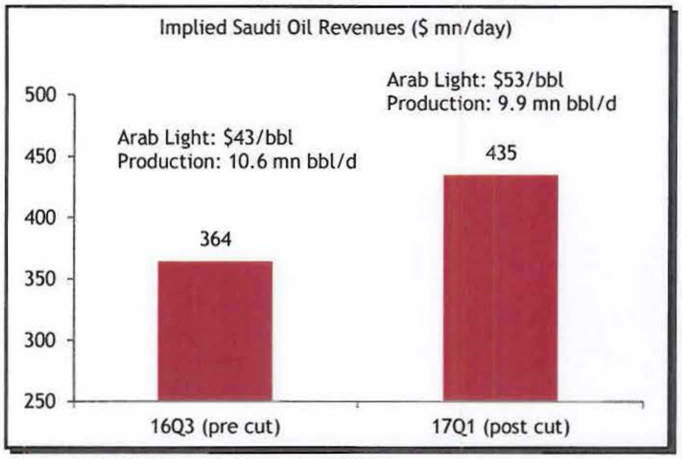
Crude oil demand could surprise slightly on the upside in 2017, with a 1.6 mn bbl/day gain over 2016. That's about the same pace in demand we saw in 2016, despite the headwind of higher prices. Offsetting that is an evident pickup in economic activity in emerging markets, which account for all of the growth in demand these days (Chart 4, left). That's not only due to their ability to outpace developed economies in GDP growth, but the fact that intensity isn't falling off sharply. In the West, oil demand will be flat to negative in 2017-18 despite GDP running at 1.5-2% per year (Chart 4, right).

Of course, it wasn't demand that sent prices tumbling and then partially recovering in the last three years, but supply. On that front, the good news is that OPEC's key players have reason to extend their recent restraint out of self-interest. The Saudi's, for example, are earning more revenue now from the combination of higher prices and lighter volumes than they were prior to the OPEC deal (Chart 5) and there are cost savings with lower production as well. It's of no surprise then that Saudi Arabia and Russia have agreed to extend their production curbs for an additional nine months, ahead of the May 25 OPEC meeting.

There are, however, two important countertrends that will cap the upside from here. For now, demand growth can be met in large part by drawing inventories down

*Chart 5*

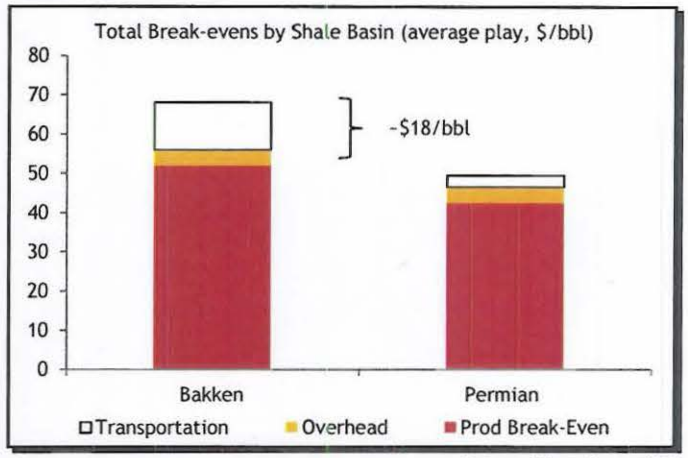
**Saudi Makes More (Dollars) With Less (Production)**




*Source: OPEC Secretariat, Bloomberg, CIBC*

*Chart 7*

**Transportation One Factor Delaying Return of Bakken**




*Source: Bloomberg, CIBC*

to normal levels. On the production side, rig counts are coming back quickly in low cost US plays like the Permian (Chart 6). We're still much further from prior peaks in rig counts elsewhere in the US, with costs in the Bakken (both US and Canada), particularly including transportation, still too high relative to the pricing environment (Chart 7).

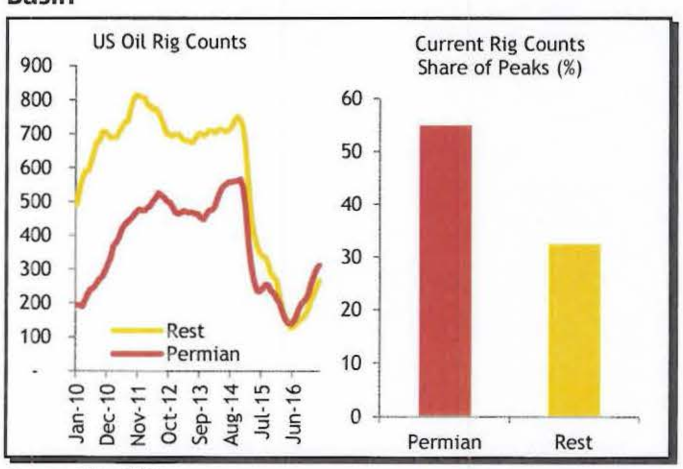
The higher initial productivity of Permian plays is also being accompanied, however, by more rapid depletion. That's why we see prices having to climb towards $55-60 in 2018 to incent a broader recovery in US activity, with pipelines also likely to help out by lowering transportation costs from the Bakken, as well as from Canada, to the US gulf.

Equity analysts are gradually bringing down medium-term assumptions towards our projected plateau, but still look a bit too rosy (Chart 8). And our price forecasts will still leave only a muted recovery in Canadian oil sands capital spending until much later in the decade, although there too, progress in lowering costs for SAGD projects is looking promising.

In natural gas, as in many areas of our resource outlook, it's really all about supply. Faster North American growth should bring with it some additional demand, and LNG poses an opportunity for exports, but supply appears ready to respond with additional volumes on Henry Hub moves above $3 US (Chart 9, right). The result is a pricing environment that has much more muted swings than we

*Chart 6*

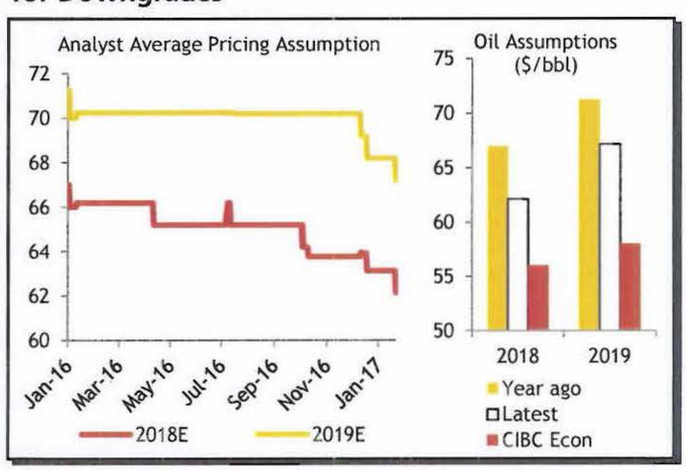
**Return of US Production Mostly About Permian Basin**




*Source: EIA, CIBC*

*Chart 8*

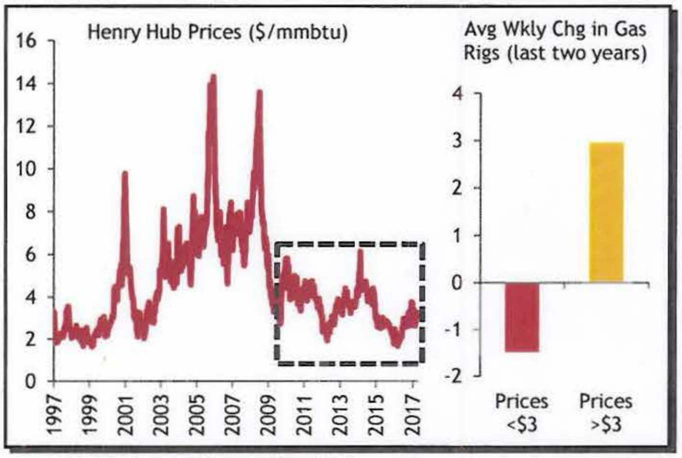
**Median Forecasts from Equity Analysts: Still Room for Downgrades**




*Source: CIBC*

*Chart 9*

**Nat Gas Stuck in a Tight Range (L), With $3 Being the Swing Point for Production (R)**




*Source: Bloomberg, Baker Hughes, CIBC*

saw prior to 2008, when shale gas was more in its infancy (Chart 9, left).

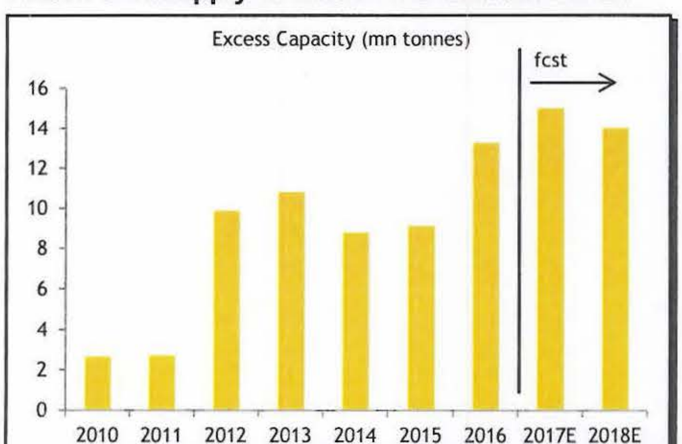
For producers, the unfortunate development is that, in the past couple of years, markets have caught on to that reality. The spread between spot prices and futures prices two years out has flattened. Producers looking to hedge future production now have to strike when the iron is warm, as neither spot nor futures prices are likely to look too generous in the next two years.

### Potash: Still Facing Headwinds

If there is one market where oversupply is old news, it's in the fertilizer space. And the glut doesn't seem be ending anytime soon for potash (Chart 10). Furthermore, Chinese port inventories have been trending higher recently,

*Chart 10*

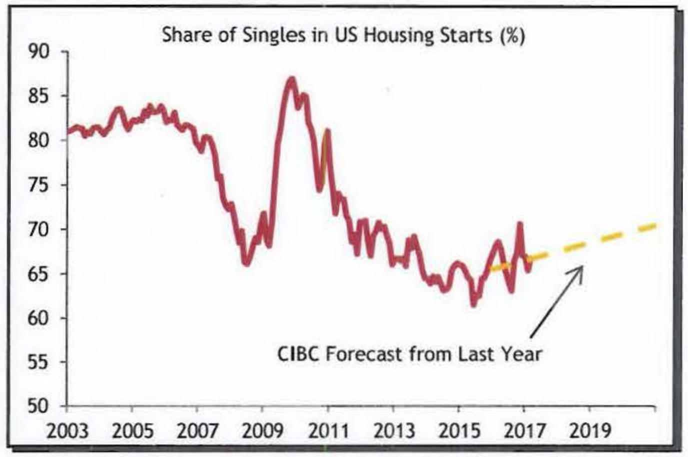
**Potash Oversupply to Loom Over Market Ahead**




*Source: Industry reports, CIBC*

*Chart 11*

**Singles Gaining Ground in US Housing Starts, But Slowly**




*Source: US Census, CIBC*

while wholesale prices have been tracking lower. Despite longer-term secular forces that will increase the need for fertilizers (wealthier emerging market consumers eating more protein-rich diets), the near-term path for potash is likely range bound.

We were looking for a recovery in lumber prices as US housing activity continued to normalize. But prices have leapt above our forecast range on America's reintroduction of countervailing import duties on Canadian softwood, and there's a risk in the near term that the US will add further anti-dumping duties. We're hopeful that a negotiated end to the standoff will provide some duty relief, and therefore see a bit of a moderation in US lumber prices ahead.

US housing activity is supportive with momentum in starts having returned of late, but has been tilted towards multiple unit construction. The market share of more lumber-intensive single family starts is only gradually recovering (Chart 11).

### Bring An Umbrella, Just In Case

In the end, commodities are all about supply and demand, and the tamer trend to global growth in this cycle, coupled with the absence of supply shocks, limits our enthusiasm. Many markets are still working through persistent oversupply, and there are renewed risks that China's eventual slowdown from the recent growth spike will cause dislocations, and the US has little room to accelerate as it approaches full employment. As a result, while the commodities forecast in 2018 is for merely partly cloudy skies, we'd bring an umbrella, just in case.

# US Q1 Slowdown: Transitory or Transition?

Andrew Grantham

Welcome to CIBC Economics' annual "why the US economy isn't as bad as first quarter data suggest" publication. This year's report is brought to you by a sharp deceleration in consumer spending and weakness in lending to non-financial corporations.

Of course, given what we've seen in previous years, it's natural to make light of the situation and expect this to be a temporary slowdown. After all, growth rates in quarters other than Q1s have on average been much higher, particularly on first release (Chart 1, left). And in contrast to the previous two years, a weighted combination of economic indicators that form the Chicago Fed's National Activity Indicator actually picked up in Q1 compared to Q4 2016's average level (Chart 1, right).

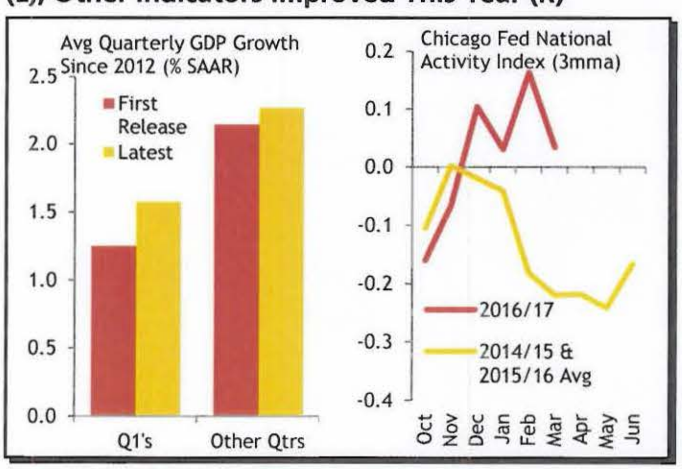
However, while it's likely that the economy will accelerate again in Q2, writing off the entire weakness seen recently to transitory factors could be ignoring important trends that also highlight a transition in the drivers of growth.

## Spot the Differences

It's important to recognize firstly that the villains of the piece are different this year. At the time first quarter figures were initially released in 2014,15 &16 the only consistent factors driving the slowdown were non-residential investment and net trade.

*Chart 1*

**Q1s Have Been Weak, Particularly on First Release (L), Other Indicators Improved This Year (R)**




*Source: BEA, Chicago Fed, CIBC*

However, this Q1 saw investment rise at its sharpest pace since the end of 2013 and net trade provide a very marginal lift to growth. The main negatives came in the form of the always volatile inventory component, but also in a near-standstill in consumer spending. That slowdown in consumer spending deserves further investigation (Chart 2).

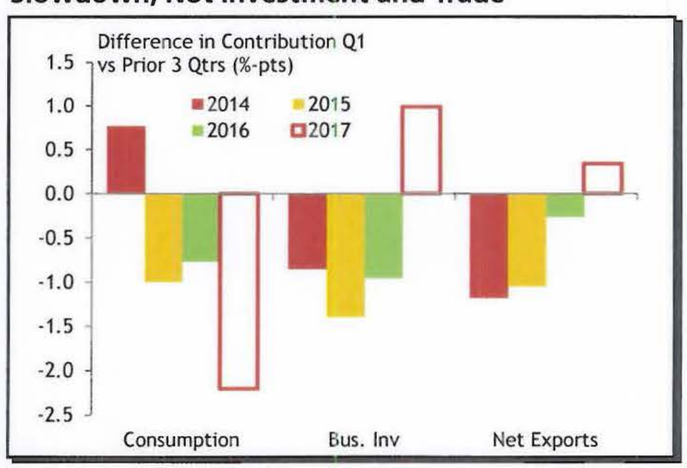
## Consumer Spending in Transition

On the surface, we appear to have all of the ingredients for a strong acceleration in consumer spending in the months ahead. Solid job gains and a moderately higher pace of hourly earnings growth than prior years have contributed to a 4.5% year-over-year increase in personal income growth as of March. That annual pace is a full percentage point above where it stood at the same period of 2016, and is enough to cover the pick-up in inflation seen over that period.

Added to that, consumer confidence is high. Even on the University of Michigan's sentiment index, which has been trending a little weaker than the Conference Board's, confidence is historically high. And when it is high and rising, confidence generally has a positive relationship with discretionary consumer spending. The just-over-3% growth in real discretionary spending seen over the past year is at the low end of what we've seen historically, given these levels of confidence (Chart 3).

*Chart 2*

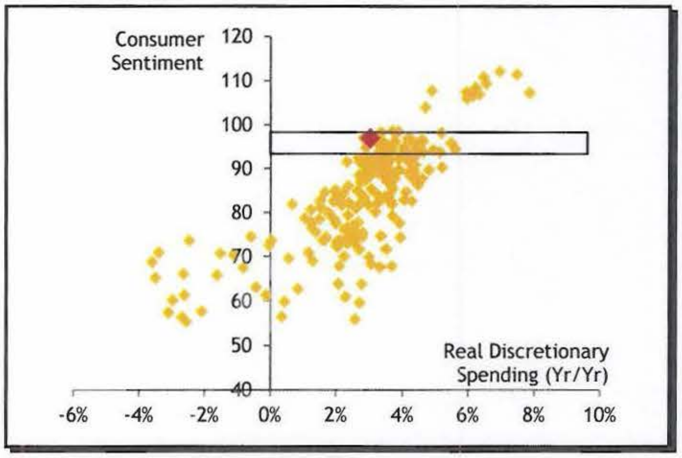
**This Year Inventories and Consumers Drive Slowdown, Not Investment and Trade**




*Source: BEA, CIBC*

*Chart 3*

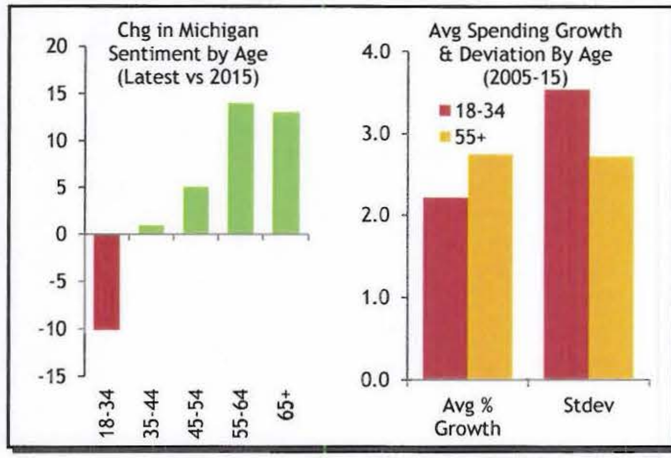
**Discretionary Spending at Low End of Range Given Consumer Sentiment**




*Source: University of Michigan, BEA, CIBC*

*Chart 4*

**Sentiment Falls in Younger Demographics (L) Who Tend to Have More Volatile Consumption (R)**




*Source: University of Michigan, BEA, CIBC*

However, there are reasons for caution. While sentiment has improved on aggregate, there's been a large divergence in age groups with younger people actually feeling less optimistic than a couple of years ago (Chart 4, left). You may think that's no great cause for concern, given that older age groups are a greater proportion of the population and have seen stronger spending growth per household in recent years.

Yet, because the standard deviation of spending is higher for the younger age groups, they can still be the swing factor behind whether overall spending is accelerating or decelerating (Chart 4, right). We saw an example of that in 2013, when a decline in average consumption among young households restrained overall real consumption growth to a sluggish 1.5% pace.

Added to that, we should expect at this stage of the economic cycle to see a change in spending behaviour. That's not necessarily a deceleration or acceleration in aggregate consumption, but a shift in the drivers.

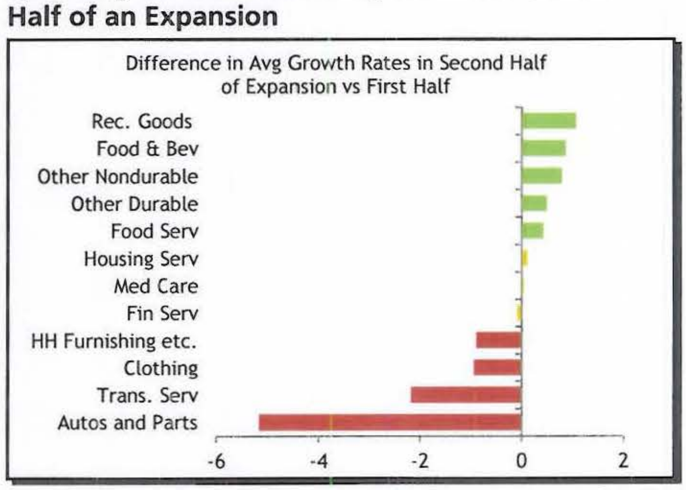
One area that's seen weakness recently is autos. While March's sharp deceleration in unit sales was waved off initially as weather-driven, the only muted pick-up in April suggests a longer lasting dip from prior highs. That's to be expected at this stage of the economic cycle, particularly given that interest rates are starting to edge up. Of all the broad consumer spending components, autos has the biggest divergence in average growth rates during the first and second halves of an expansion (Chart 5).

As such, it's only natural to expect that component of consumption to slow further from the 6% year-over-year growth rate that was still recorded in Q1. To offset that, look for an acceleration in components that typically perform better in the second part of a recovery. We're already seeing strong growth in recreational goods, but there's scope for an acceleration in other durables/ nondurables and food service spending (Chart 6).

This transition from early to later-cycle consumption drivers may not happen smoothly, and could lead to a softer spell for consumption than income and confidence data suggest.

*Chart 5*

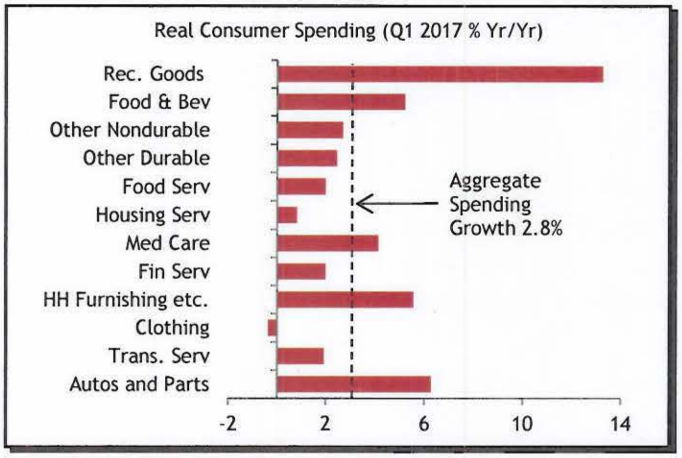
**Spending on Autos Normally Slows in Second Half of an Expansion**




*Source: BEA, CIBC*

*Chart 6*

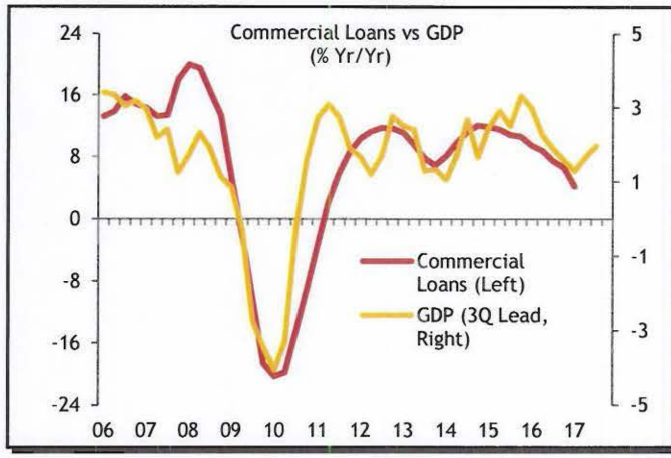
**Recent Consumer Spending Breakdown Uneven**




*Source: BEA, CIBC*

*Chart 8*

**Weakness in Loan Growth May be Lagged Impact of Late 2015/16 GDP Slowdown**




*Source: Federal Reserve, BEA, CIBC*

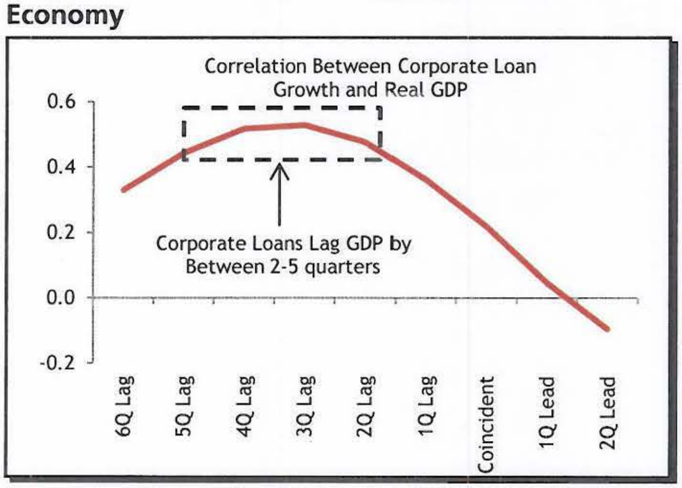
## Not Lending a Hand

As well as the "usual" slowing in GDP during Q1, a sharp deceleration in commercial loan growth is also garnering attention and concern. Standing at roughly 10% less than a year ago, commercial & industrial loan growth has slowed sharply to only 3.0% as of March. Such a deceleration is rarely seen outside of recessionary periods.

However, here we aren't particularly worried. Growth in loans to non-financial corporations tends to be a lagging rather than leading indicator for the rest of the economy. That lag can be between 2 and 5 quarters typically (Chart 7).

*Chart 7*

**Corporate Loan Growth a Lagging Indicator of the Economy**




*Source: Federal Reserve, BEA, CIBC*

Plotting commercial loan growth against GDP, with a three-quarter lead applied to the latter, it can be seen that the downturn in loan growth recently correlates with the slowing in GDP growth seen in late 2015 and into 2016 (Chart 8). It's likely that during that period mining companies were taking on additional lines of credit and loans to struggle through the period of low prices, which kept overall loan growth elevated. Now, they are borrowing less and even paying down some of that debt, resulting in the overall slowing in commercial/industrial loans.

## Transitory or Transition?

The slowdown in commercial loan growth isn't a cause for concern, unless of course it continues for a couple more quarters. However, the slowdown in consumer spending may take longer to turn around, even if fundamentals in terms of income growth and confidence are solid.

Policymakers appear confident that the softness in Q1 GDP is "transitory", with no use of the phrase "in part" that appeared in statements during 2014 and 2015. As such, a June fed hike appears to be a lock. Yet while it's likely GDP will see a bounce in the second quarter, consumer spending may be more uneven going forward than the Fed expects. As a result, and assuming no large boost from fiscal stimulus, there will be no rush to hike rates more than once after June in 2017 and twice in total during 2018.

# Don't Get Wound Up Over Fed Unwinding

Royce Mendes

The topic du jour among monetary policy wonks has turned to shrinking balance sheets, and that has some investors concerned. Central banks hold massive piles of government debt, creating the potential for major market moves. So why aren't we forecasting a big selloff in fixed income?

### Mastering the Art of Communication

The single largest holder of US Treasury debt, the Federal Reserve, is indeed going to be the first to take the plunge, setting up a major test. However, any comparisons to the 'taper tantrum' have so far been overstated.

At its heart, the 'taper tantrum' was a communications issue more than anything else. With officials learning from that experience, there has been a slow dribble of information on balance sheet reduction this time around, allowing markets to gradually adjust.

Following a number of Fed speeches, the first communication from the committee as a whole regarding the timing of any action came in the March FOMC Minutes. It was met with a yawn. Unlike the 'taper tantrum' currencies and yields barely moved on the day (Chart 1, left & right).

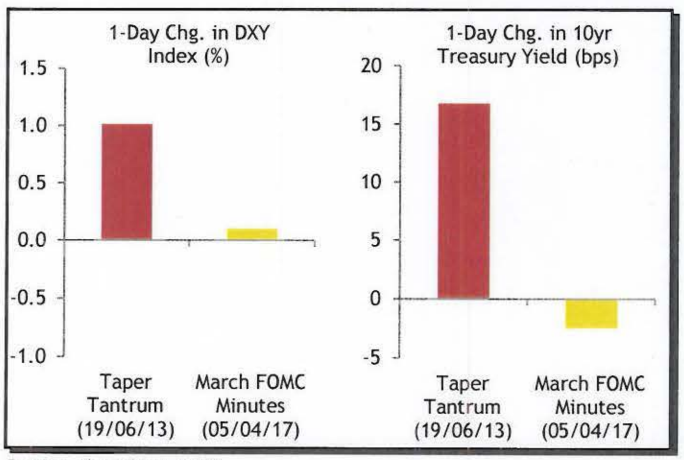
### Slow and Steady: A Winning Strategy

Of course, it's possible that the true test for markets happens when the Fed actually begins the process of balance sheet normalization. Public statements, thus far, indicate that the method will be very gradual, limiting the additional Treasury supply in the short-run. Indeed, it's possible that policymakers even decide to phase out reinvestments rather than go cold turkey.

A recent simulation performed by staff at the Federal Reserve Board, combined with our expectation that the FOMC reinvests 50% of maturities in 2018, suggests that less than $300bn of securities will roll off the balance sheet in 2018, equating to roughly $20bn per month (Chart 2, left). That could rise to a peak of roughly $45bn in 2019 before moving back lower. That's a tidy sum relative to the recent pace of net Treasury issuance, which has been roughly $50bn a month. But it pales in comparison to the $100bn the Fed was buying during QE1 or the purchases made during any of the subsequent rounds (Chart 2, right).

*Chart 1*

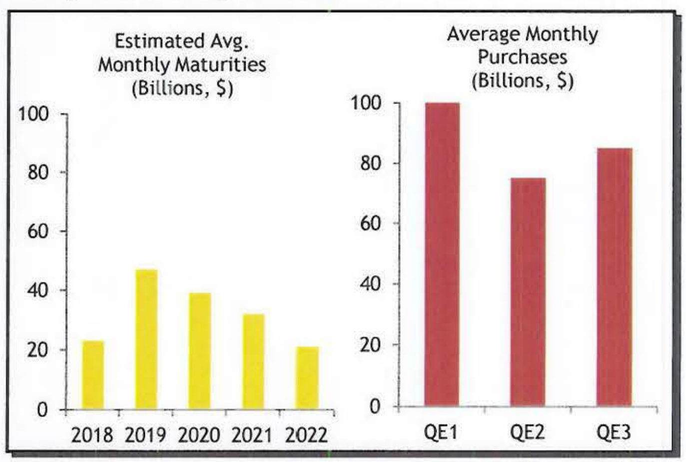
**Despite Communications on Balance Sheet Reduction, Financial Conditions Have Not Tightened**




*Source: Bloomberg, CIBC*

*Chart 2*

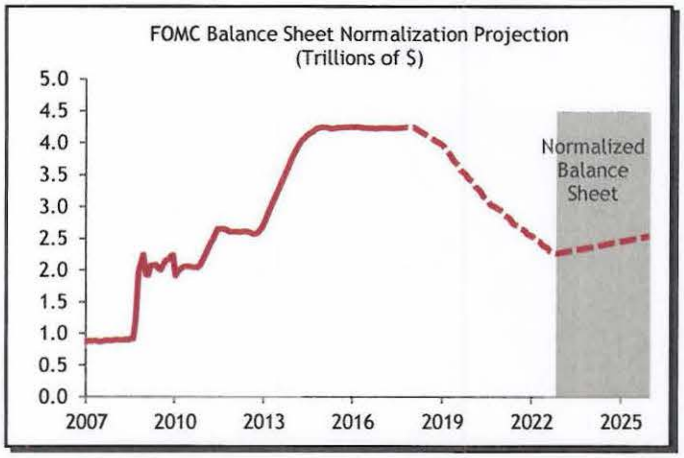
**Monthly Balance Sheet Reduction Will Pale In Comparison to QE Purchases**




*Source: FRB, CIBC*

*Chart 3*

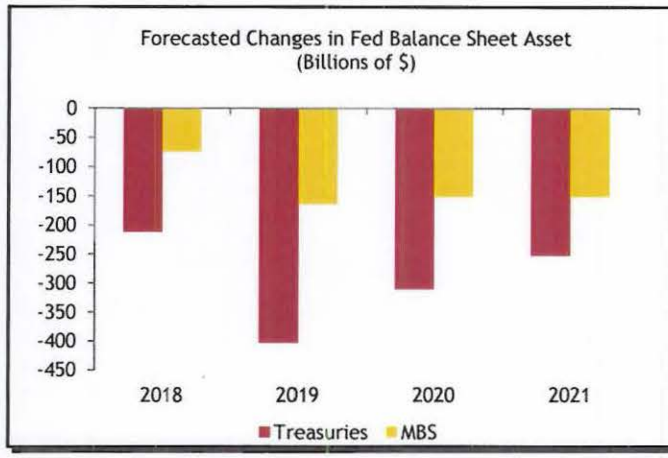
**Fed Balance Sheet Not Returning to Pre-Crisis Levels**




*Source: FRB, CIBC*

*Chart 4*

**Balance Sheet Reduction Skewed Toward Treasuries**




*Source: FRB, CIBC*

## A New Normal

Nevertheless, even with the securities rolling off very gradually, the process of normalization will probably only take five years. That's because the Fed won't be taking its balance sheet back to pre-crisis levels. The stockpile of securities held by the Fed in 2007, roughly $900bn, matched its liabilities at the time which were made up almost entirely of currency in circulation. But currency in the financial system has grown since then. The demand for legal tender reflects the size of the economy among other things. As a result of the growth in nominal GDP since 2007, currency in circulation has risen to roughly $1.5tn and will only continue to grow. That means that the actual total value of the securities that will be reintroduced to the market is closer to $2tn over the next few years rather than the $4tn the Fed purchased in the aftermath of the crisis (Chart 3).

### What's Not Rolling Off Is Important Too (Maybe Even More)

Maturing assets aren't the whole story though. The reason the Fed's QE operations were so successful was that they removed longer-dated securities from the market, putting pressure on those yields. So it's important to know what's happening with the assets that are not close to maturing. The vast majority of those are mortgage-backed securities of which only a small amount will come off the balance sheet in the coming years because of embedded prepayment options (Chart 4). The rest will simply roll down the yield curve gradually.

This is key. Most of the securities that are coming off the balance sheet are already short-term in nature. If they are reissued as short-term debt instruments by the Treasury, then there's no reason to believe that they will put much upward pressure on yields. Through their command of overnight rates, central banks control the short-end of the curve with authority. So, while the slow grind lower in the average maturity of Fed holdings will put upward pressure on yields, it's unlikely to materially change the current dynamics in the Treasury market.

Indeed, last week researchers at the Kansas City Fed published a paper suggesting that all of the coming changes in the balance sheet would only raise 10-year yields by 25bps from now until the end of 2019. Even estimates on the high end like the one from Federal Reserve Board staff only peg the increase over the next two and a half years at 45 bps.

### The Fed's Toolbox Is Looking Less Bare

Model estimates can of course diverge from the real world. But if financial conditions still end up tightening too much, the Fed has tools to fight back. Expected interest rate hikes can always be pushed back. If things really go awry, the Fed can even reinitiate reinvestments or begin purchasing assets again. And it may just be that knowledge which ultimately ensures an orderly process to normalization.

## ECONOMIC UPDATE

| CANADA | 16Q4A | 17Q1F | 17Q2F | 17Q3F | 17Q4F | 18Q1F | 2016A | 2017F | 2018F |
|---|---|---|---|---|---|---|---|---|---|
| Real GDP Growth (AR) | 2.6 | 4.0 | 1.8 | 1.9 | 1.6 | 2.1 | 1.4 | 2.5 | 1.9 |
| Real Final Domestic Demand (AR) | 0.4 | 3.8 | 2.4 | 1.6 | 1.0 | 1.7 | 0.9 | 2.0 | 1.5 |
| Household Consumption (AR) | 2.6 | 2.7 | 1.7 | 1.5 | 1.0 | 1.7 | 2.2 | 2.2 | 1.5 |
| All Items CPI Inflation (Y/Y) | 1.4 | 1.9 | 1.7 | 2.0 | 2.6 | 2.4 | 1.4 | 2.0 | 2.3 |
| Unemployment Rate (%) | 6.9 | 6.7 | 6.5 | 6.6 | 6.5 | 6.5 | 7.0 | 6.6 | 6.4 |

| U.S. | 16Q4A | 17Q1A | 17Q2F | 17Q3F | 17Q4F | 18Q1F | 2016A | 2017F | 2018F |
|---|---|---|---|---|---|---|---|---|---|
| Real GDP Growth (AR) | 2.1 | 0.7 | 3.9 | 2.3 | 2.4 | 1.4 | 1.6 | 2.3 | 2.1 |
| Real Final Sales (AR) | 1.1 | 1.6 | 3.0 | 2.3 | 2.4 | 1.8 | 2.0 | 2.1 | 2.2 |
| All Items CPI Inflation (Y/Y) | 1.8 | 2.5 | 2.2 | 2.5 | 2.8 | 2.6 | 1.3 | 2.5 | 2.6 |
| Core CPI Inflation (Y/Y) | 2.2 | 2.2 | 2.1 | 2.2 | 2.3 | 2.3 | 2.2 | 2.2 | 2.4 |
| Unemployment Rate (%) | 4.7 | 4.7 | 4.5 | 4.4 | 4.4 | 4.4 | 4.9 | 4.5 | 4.3 |

## CANADA

Another month, another upgrade to the Canadian growth outlook. It's only a modest move, but growth this year is tracking a tick higher at 2.5%, with evidence suggesting that Q2's slowdown from the first quarter's blistering pace won't be as dramatic as previously expected. Our upgrade to consumer spending is supported by what's been continued momentum in employment, and a decent pace to wages despite what the Labour Force Survey suggests (see cover). The unemployment rate should track a tick lower than we were expecting both this year and next.

## UNITED STATES

The US economy took a breather in Q1, but there's reason to believe that was more of an aberration than the beginning of a new trend. Both employment and income growth continue to look healthy, suggesting that household spending will show more vigour in upcoming readings, even if consumption growth doesn't hit previous highs. Furthermore, aside from the always volatile inventories category, business investment actually perked up to begin the new year. All told, there's still reason to believe that the US economy will be able grow by more than 2% over the course of 2017.

Corporate Services Department

# MANAGEMENT REPORT

**Date:** June 20, 2017

**To:** Finance & Labour Relations Sub-committee

**From:** André Morin, Director of Corporate Services

**Report#:** FIN17-021

**Attachments:** 2016 Budget vs Actual

**Title:** 2016 Draft Surplus/Deficit

**Objective:** To provide Sub-committee with information regarding the 2016 budget surplus/deficit.

**Background:** Internal year end entries for 2016 are complete. External auditors are currently performing their annual assurances and will be presenting the final audited financial statements in July 2017. Under PSAB (Public Sector Accounting Board), financial statements are prepared on an accrual basis. For Municipal tax levy purposes, the City prepares its budget on a modified cash basis. Specifically, instead of accruing some liabilities, the City budgets annual cash outlays and places funds into reserves for future expenses. The major differences lie with the capital assets – for financial reporting purposes, assets are capitalization and depreciated over time; for tax levy purposes, capital assets are fully budgeted in the year of purchase and some reserves are set aside for future purchases.

**Analysis:** There were two significant items that impacted the 2016 financials; first being hydro rate changes in 2015/2016 having an impact of approximately $500,000 and secondly, the timing of property tax assessment growth and assessment appeal adjustments having a net impact of approximately $600,000. Both these items have been accounted for or are expected to stabilize in 2017.

Attached is a draft operating surplus/deficit report by division. Overall, the draft deficit for the City for 2016 is **($825,442.25)**. The deficit represents a 1.5% variance from the 2016 tax levy of $53,385,944. Below is a list of the items that had a significant impact (+/- $100,000) in 2016:

Items that were over budget in 2016:

- Sick Leave Reserve transfer of $439,853 - **$164,853** over the budgeted $275,000. 2014 was the first year that an amount was budgeted for this transfer and the transfer has increased by $25,000 each year.
- Supplemental property tax revenue from newly assessed properties was under budget by **$382,724.** Much of this variance is due to the timing of new properties being assessed and it is expected that most of this revenue will become assessed in 2017.
- Property tax adjustments were over budget by **$547,279**, due to many long outstanding assessment appeals being resolved in 2016. The largest impact was the settlement of a provincial wide mass appeal for Multi-Residential properties. A reserve was set up in 2014 in anticipation of these settlements and a transfer of $300,000 was made.
- Utilities across all City departments were over budget by **$343,637** - hydro costs being significantly over by $518,000 and gas costs under budget by $175,000.
- The overall Roads budget was over by $**427,000** - many contributing factors led to this deficit, but mainly vehicle maintenance/repairs, road repair cost overruns, internal vehicle rental transfers, and street lighting hydro.
- The Anne Hathaway Daycare budget was over by **$158,000** due to revenue shortfalls and increased salary costs.
- The Recreation Division net budget was over by **$352,000** relating to shortfalls in revenue targets, along with large hydro and water cost overruns.
- The Transit Division had a net deficit of **$278,000** due to salary and benefit cost increase. A portion of this is related to the expansion of service.

Items that were under budget in 2016:

- Transfer from the tax stabilization reserve of **$300,000** to offset property tax adjustments was unbudgeted.
- General investment income was approximately **$200,000** more than originally budgeted.
- The Police budget was under by **$429,000**, salaries and benefits making up approximately $325,000 due to the gapping of wages and savings on benefits.
- The Ontario Works budget was under budget by $131,000 due mostly to salary gapping.
- The Parks division had a surplus of **$151,000**, generated by extra revenues and a decrease in maintenance contracts.

Per practice, any general surplus or deficit after adjustments is transferred to/from the City's Working Capital Reserve. The Working Capital Reserve balance, after the adjustment for the 2016 deficit, is **$244,295.**

City staff are working on a reserve and reserve fund policy which will include recommendations on reserve targets. Recommendations will also be made for the consolidation of reserves and reserve funds.

**Financial Impact:** As discussed above.

**Staff Recommendation: THAT the 2016 Draft Surplus/Deficit report be received for information.**

André Morin, Director of Corporate Services

Rob Horne, Chief Administrative Officer

Fiscal Year: 2016
Period Range: 0 To 12
Order By: Fund,Department

Segment Fund Range: g To g
Segment Department Range: 100 To 872

| Account Number | | Period Range | | | YTD | | | | | Prior YTD |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Actual | Budget | Variance | Actual | Commit | Budget | Variance | % | Actual |
| **G** | **General Fund** | | | | | | | | | |
| **100** | **GENERAL REVENUES** | | | | | | | | | |
| | **Revenue** | ($ 55,836,410.5 | ($ 55,829,488.0 | $ 6,922.50 | ($ 55,836,410.5 | $ 0.00 | ($ 55,829,488.0 | $ 6,922.50 | 100% | ($ 53,825,906.9 |
| | **Expense** | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 6,922.50 | 100% | $ 0.00 |
| **100** | **Total** | ($ 55,836,410.5 | ($ 55,829,488.0 | $ 6,922.50 | ($ 55,836,410.5 | $ 0.00 | ($ 55,829,488.0 | $ 6,922.50 | 100% | ($ 53,825,906.9 |
| **101** | **MAYOR'S OFFICE** | | | | | | | | | |
| | **Revenue** | ($ 2,238.86) | $ 0.00 | $ 2,238.86 | ($ 2,238.86) | $ 0.00 | $ 0.00 | $ 2,238.86 | 100% | ($ 2,176.34) |
| | **Expense** | $ 83,864.47 | $ 85,902.00 | $ 2,037.53 | $ 83,864.47 | $ 0.00 | $ 85,902.00 | $ 2,238.86 | 97% | $ 81,995.39 |
| **101** | **Total** | $ 81,625.61 | $ 85,902.00 | $ 4,276.39 | $ 81,625.61 | $ 0.00 | $ 85,902.00 | $ 4,276.39 | 95% | $ 79,819.05 |
| **102** | **CITY COUNCIL SERVICES** | | | | | | | | | |
| | **Revenue** | ($ 138,141.26) | $ 0.00 | $ 138,141.26 | ($ 138,141.26) | $ 0.00 | $ 0.00 | $ 138,141.26 | 100% | ($ 4,418.62) |
| | **Expense** | $ 335,393.87 | $ 222,239.00 | ($ 113,154.87) | $ 335,393.87 | $ 660.00 | $ 222,239.00 | $ 138,141.26 | 151% | $ 205,465.30 |
| **102** | **Total** | $ 197,252.61 | $ 222,239.00 | $ 24,986.39 | $ 197,252.61 | $ 660.00 | $ 222,239.00 | $ 24,986.39 | 89% | $ 201,046.68 |
| **111** | **CITY ADMINISTRATOR'S OFFICE** | | | | | | | | | |
| | **Revenue** | ($ 27,987.45) | ($ 50,000.00) | ($ 22,012.55) | ($ 27,987.45) | $ 0.00 | ($ 50,000.00) | ($ 22,012.55) | 55% | ($ 11,623.20) |
| | **Expense** | $ 520,254.76 | $ 557,628.00 | $ 37,373.24 | $ 520,254.76 | $ 0.00 | $ 557,628.00 | ($ 22,012.55) | 93% | $ 507,811.86 |
| **111** | **Total** | $ 492,267.31 | $ 507,628.00 | $ 15,360.69 | $ 492,267.31 | $ 0.00 | $ 507,628.00 | $ 15,360.69 | 96% | $ 496,188.66 |
| **112** | **PERSONNEL & HUMAN RESOUCES** | | | | | | | | | |
| | **Revenue** | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| | **Expense** | $ 608,621.15 | $ 569,037.00 | ($ 39,584.15) | $ 608,621.15 | $ 108.00 | $ 569,037.00 | $ 0.00 | 106% | $ 569,483.00 |
| **112** | **Total** | $ 608,621.15 | $ 569,037.00 | ($ 39,584.15) | $ 608,621.15 | $ 108.00 | $ 569,037.00 | ($ 39,584.15) | 106% | $ 569,483.00 |
| **113** | **PAYROLL DIVISION** | | | | | | | | | |

| Account Number | | Period Range | | | YTD | | | | | Prior YTD |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Actual | Budget | Variance | Actual | Commit | Budget | Variance | % | Actual |
| | Revenue | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| | Expense | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| **113** | **Total** | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| **121** | **CITY CLERK'S OFFICE** | | | | | | | | | |
| | Revenue | ($ 151,213.97) | ($ 157,000.00) | ($ 5,786.03) | ($ 151,213.97) | $ 0.00 | ($ 157,000.00) | ($ 5,786.03) | 96% | ($ 156,403.33) |
| | Expense | $ 579,134.27 | $ 630,100.00 | $ 50,965.73 | $ 579,134.27 | $ 0.00 | $ 630,100.00 | ($ 5,786.03) | 91% | $ 619,253.20 |
| **121** | **Total** | $ 427,920.30 | $ 473,100.00 | $ 45,179.70 | $ 427,920.30 | $ 0.00 | $ 473,100.00 | $ 45,179.70 | 90% | $ 462,849.87 |
| **131** | **TREASURER'S OFFICE** | | | | | | | | | |
| | Revenue | ($ 266,390.18) | ($ 229,000.00) | $ 37,390.18 | ($ 266,390.18) | $ 0.00 | ($ 229,000.00) | $ 37,390.18 | 116% | ($ 209,794.55) |
| | Expense | $ 1,478,067.71 | $ 1,408,900.00 | ($ 69,167.71) | $ 1,478,067.71 | $ 0.00 | $ 1,408,900.00 | $ 37,390.18 | 104% | $ 1,286,798.39 |
| **131** | **Total** | $ 1,211,677.53 | $ 1,179,900.00 | ($ 31,777.53) | $ 1,211,677.53 | $ 0.00 | $ 1,179,900.00 | ($ 31,777.53) | 102% | $ 1,077,003.84 |
| **134** | **INFORMATION TECHNOLOGY SERV** | | | | | | | | | |
| | Revenue | ($ 120,106.32) | ($ 128,835.00) | ($ 8,728.68) | ($ 120,106.32) | $ 0.00 | ($ 128,835.00) | ($ 8,728.68) | 93% | ($ 125,557.32) |
| | Expense | $ 915,778.79 | $ 934,071.00 | $ 18,292.21 | $ 915,778.79 | $ 0.00 | $ 934,071.00 | ($ 8,728.68) | 98% | $ 915,582.31 |
| **134** | **Total** | $ 795,672.47 | $ 805,236.00 | $ 9,563.53 | $ 795,672.47 | $ 0.00 | $ 805,236.00 | $ 9,563.53 | 98% | $ 790,024.99 |
| **135** | **PARKING DIVISION** | | | | | | | | | |
| | Revenue | ($ 1,481,722.73 | ($ 1,024,000.00 | $ 457,722.73 | ($ 1,481,722.73 | $ 0.00 | ($ 1,024,000.00 | $ 457,722.73 | 144% | ($ 1,232,457.61 |
| | Expense | $ 1,236,722.73 | $ 779,000.00 | ($ 457,722.73) | $ 1,236,722.73 | $ 13,426.00 | $ 779,000.00 | $ 457,722.73 | 160% | $ 992,457.61 |
| **135** | **Total** | ($ 245,000.00) | ($ 245,000.00) | $ 0.00 | ($ 245,000.00) | $ 13,426.00 | ($ 245,000.00) | $ 0.00 | 94% | ($ 240,000.00) |
| **136** | **CROSSING GUARD DIVISION** | | | | | | | | | |
| | Revenue | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| | Expense | $ 136,866.08 | $ 159,700.00 | $ 22,833.92 | $ 136,866.08 | $ 0.00 | $ 159,700.00 | $ 0.00 | 85% | $ 121,506.11 |
| **136** | **Total** | $ 136,866.08 | $ 159,700.00 | $ 22,833.92 | $ 136,866.08 | $ 0.00 | $ 159,700.00 | $ 22,833.92 | 85% | $ 121,506.11 |
| **139** | **GENERAL FINANCIAL SERVICES** | | | | | | | | | |

| Account Number | | | Period Range Actual | Period Range Budget | Period Range Variance | YTD Actual | YTD Commit | YTD Budget | YTD Variance | % | Prior YTD Actual |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Revenue | ($ 5,701,668.37 | ($ 5,017,991.00 | $ 683,677.37 | ($ 5,701,668.37 | $ 0.00 | ($ 5,017,991.00 | $ 683,677.37 | 113% | ($ 5,965,913.73 |
| | | Expense | $ 12,113,047.44 | $ 11,001,076.00 | ($ 1,111,971.44 | $ 12,113,047.44 | $ 0.00 | $ 11,001,076.00 | $ 683,677.37 | 110% | $ 11,585,638.78 |
| 139 | Total | | $ 6,411,379.07 | $ 5,983,085.00 | ($ 428,294.07) | $ 6,411,379.07 | $ 0.00 | $ 5,983,085.00 | ($ 428,294.07) | 107% | $ 5,619,725.05 |
| 141 | CITY BLDG/PROP OPERATION/MAIN | | | | | | | | | | |
| | | Revenue | ($ 544,094.36) | ($ 616,057.00) | ($ 71,962.64) | ($ 544,094.36) | $ 0.00 | ($ 616,057.00) | ($ 71,962.64) | 88% | ($ 548,047.22) |
| | | Expense | $ 984,864.13 | $ 1,023,049.00 | $ 38,184.87 | $ 984,864.13 | $ 177.78 | $ 1,023,049.00 | ($ 71,962.64) | 96% | $ 958,517.44 |
| 141 | Total | | $ 440,769.77 | $ 406,992.00 | ($ 33,777.77) | $ 440,769.77 | $ 177.78 | $ 406,992.00 | ($ 33,777.77) | 108% | $ 410,470.22 |
| 211 | FIRE DEPARTMENT | | | | | | | | | | |
| | | Revenue | ($ 182,545.40) | ($ 187,000.00) | ($ 4,454.60) | ($ 182,545.40) | $ 0.00 | ($ 187,000.00) | ($ 4,454.60) | 97% | ($ 413,355.00) |
| | | Expense | $ 7,067,652.31 | $ 7,079,409.00 | $ 11,756.69 | $ 7,067,652.31 | $ 0.00 | $ 7,079,409.00 | ($ 4,454.60) | 99% | $ 6,967,568.21 |
| 211 | Total | | $ 6,885,106.91 | $ 6,892,409.00 | $ 7,302.09 | $ 6,885,106.91 | $ 0.00 | $ 6,892,409.00 | $ 7,302.09 | 99% | $ 6,554,213.21 |
| 231 | POLICE DEPARTMENT | | | | | | | | | | |
| | | Revenue | ($ 611,939.34) | ($ 522,000.00) | $ 89,939.34 | ($ 611,939.34) | $ 0.00 | ($ 522,000.00) | $ 89,939.34 | 117% | ($ 570,316.02) |
| | | Expense | $ 10,493,903.96 | $ 10,833,851.00 | $ 339,947.04 | $ 10,493,903.96 | $ 0.00 | $ 10,833,851.00 | $ 89,939.34 | 96% | $ 10,527,488.47 |
| 231 | Total | | $ 9,881,964.62 | $ 10,311,851.00 | $ 429,886.38 | $ 9,881,964.62 | $ 0.00 | $ 10,311,851.00 | $ 429,886.38 | 95% | $ 9,957,172.45 |
| 251 | BUILDING & PLANNING DEPARTMENT | | | | | | | | | | |
| | | Revenue | ($ 957,612.58) | ($ 737,432.00) | $ 220,180.58 | ($ 957,612.58) | $ 0.00 | ($ 737,432.00) | $ 220,180.58 | 129% | ($ 872,602.53) |
| | | Expense | $ 1,285,095.00 | $ 1,125,707.00 | ($ 159,388.00) | $ 1,285,095.00 | $ 35.43 | $ 1,125,707.00 | $ 220,180.58 | 114% | $ 1,096,984.96 |
| 251 | Total | | $ 327,482.42 | $ 388,275.00 | $ 60,792.58 | $ 327,482.42 | $ 35.43 | $ 388,275.00 | $ 60,792.58 | 84% | $ 224,382.43 |
| 310 | ENGINEERING | | | | | | | | | | |
| | | Revenue | ($ 808,997.14) | ($ 713,200.00) | $ 95,797.14 | ($ 808,997.14) | $ 0.00 | ($ 713,200.00) | $ 95,797.14 | 113% | ($ 518,996.05) |
| | | Expense | $ 1,670,899.51 | $ 1,610,531.00 | ($ 60,368.51) | $ 1,670,899.51 | $ 0.00 | $ 1,610,531.00 | $ 95,797.14 | 103% | $ 1,544,195.56 |
| 310 | Total | | $ 861,902.37 | $ 897,331.00 | $ 35,428.63 | $ 861,902.37 | $ 0.00 | $ 897,331.00 | $ 35,428.63 | 96% | $ 1,025,199.51 |
| 311 | | | | | | | | | | | |

| Account Number | | | Period Range Actual | Period Range Budget | Period Range Variance | YTD Actual | YTD Commit | YTD Budget | YTD Variance | % | Prior YTD Actual |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Revenue | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| | | Expense | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| 311 | Total | | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| 320 | ROAD | | | | | | | | | | |
| | | Revenue | ($ 662,845.91) | ($ 680,500.00) | ($ 17,654.09) | ($ 662,845.91) | $ 0.00 | ($ 680,500.00) | ($ 17,654.09) | 97% | ($ 688,233.49) |
| | | Expense | $ 4,839,230.94 | $ 4,429,290.00 | ($ 409,940.94) | $ 4,839,230.94 | $ 0.00 | $ 4,429,290.00 | ($ 17,654.09) | 109% | $ 4,606,145.19 |
| 320 | Total | | $ 4,176,385.03 | $ 3,748,790.00 | ($ 427,595.03) | $ 4,176,385.03 | $ 0.00 | $ 3,748,790.00 | ($ 427,595.03) | 111% | $ 3,917,911.70 |
| 330 | SANITARY | | | | | | | | | | |
| | | Revenue | ($ 6,301,966.73 | ($ 6,819,162.00 | ($ 517,195.27) | ($ 6,301,966.73 | $ 0.00 | ($ 6,819,162.00 | ($ 517,195.27) | 92% | ($ 6,189,928.85 |
| | | Expense | $ 6,301,966.73 | $ 6,819,162.00 | $ 517,195.27 | $ 6,301,966.73 | $ 0.00 | $ 6,819,162.00 | ($ 517,195.27) | 92% | $ 6,189,928.85 |
| 330 | Total | | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| 340 | STORM | | | | | | | | | | |
| | | Revenue | ($ 39,656.07) | ($ 36,000.00) | $ 3,656.07 | ($ 39,656.07) | $ 0.00 | ($ 36,000.00) | $ 3,656.07 | 110% | ($ 36,457.17) |
| | | Expense | $ 198,304.19 | $ 279,200.00 | $ 80,895.81 | $ 198,304.19 | $ 0.00 | $ 279,200.00 | $ 3,656.07 | 71% | $ 252,919.19 |
| 340 | Total | | $ 158,648.12 | $ 243,200.00 | $ 84,551.88 | $ 158,648.12 | $ 0.00 | $ 243,200.00 | $ 84,551.88 | 65% | $ 216,462.02 |
| 350 | WATER | | | | | | | | | | |
| | | Revenue | ($ 4,422,730.56 | ($ 4,497,060.00 | ($ 74,329.44) | ($ 4,422,730.56 | $ 0.00 | ($ 4,497,060.00 | ($ 74,329.44) | 98% | ($ 4,202,657.45 |
| | | Expense | $ 4,422,730.56 | $ 4,497,060.00 | $ 74,329.44 | $ 4,422,730.56 | $ 0.00 | $ 4,497,060.00 | ($ 74,329.44) | 98% | $ 4,202,657.45 |
| 350 | Total | | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| 360 | WASTE | | | | | | | | | | |
| | | Revenue | ($ 3,089,123.37 | ($ 3,012,000.00 | $ 77,123.37 | ($ 3,089,123.37 | $ 0.00 | ($ 3,012,000.00 | $ 77,123.37 | 102% | ($ 3,042,765.91 |
| | | Expense | $ 3,089,123.37 | $ 3,012,000.00 | ($ 77,123.37) | $ 3,089,123.37 | $ 0.00 | $ 3,012,000.00 | $ 77,123.37 | 102% | $ 3,042,765.91 |
| 360 | Total | | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| 380 | | | | | | | | | | | |

| Account Number | | | Period Range 94 Actual | Budget | Variance | YTD Actual | Commit | Budget | Variance | % | Prior YTD Actual |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Revenue | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| | | Expense | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| 380 | Total | | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| 411 | STRATFORD PUBLIC LIBRARY | | | | | | | | | | |
| | | Revenue | ($ 423,928.00) | ($ 384,230.00) | $ 39,698.00 | ($ 423,928.00) | $ 0.00 | ($ 384,230.00) | $ 39,698.00 | 110% | ($ 465,499.93) |
| | | Expense | $ 2,541,770.50 | $ 2,483,198.00 | ($ 58,572.50) | $ 2,541,770.50 | $ 0.00 | $ 2,483,198.00 | $ 39,698.00 | 102% | $ 2,505,282.39 |
| 411 | Total | | $ 2,117,842.50 | $ 2,098,968.00 | ($ 18,874.50) | $ 2,117,842.50 | $ 0.00 | $ 2,098,968.00 | ($ 18,874.50) | 100% | $ 2,039,782.46 |
| 511 | ECOMOMIC DEVELOPMENT DEPT | | | | | | | | | | |
| | | Revenue | $ 0.00 | ($ 5,000.00) | ($ 5,000.00) | $ 0.00 | $ 0.00 | ($ 5,000.00) | ($ 5,000.00) | 0% | ($ 1,251.49) |
| | | Expense | $ 604.97 | $ 5,000.00 | $ 4,395.03 | $ 604.97 | $ 0.00 | $ 5,000.00 | ($ 5,000.00) | 12% | $ 4,125.70 |
| 511 | Total | | $ 604.97 | $ 0.00 | ($ 604.97) | $ 604.97 | $ 0.00 | $ 0.00 | ($ 604.97) | 100% | $ 2,874.21 |
| 512 | STRATFORD MUNICIPAL AIRPORT | | | | | | | | | | |
| | | Revenue | ($ 242,958.10) | ($ 242,450.00) | $ 508.10 | ($ 242,958.10) | $ 0.00 | ($ 242,450.00) | $ 508.10 | 100% | ($ 215,692.02) |
| | | Expense | $ 426,931.48 | $ 415,225.00 | ($ 11,706.48) | $ 426,931.48 | $ 0.00 | $ 415,225.00 | $ 508.10 | 102% | $ 416,870.29 |
| 512 | Total | | $ 183,973.38 | $ 172,775.00 | ($ 11,198.38) | $ 183,973.38 | $ 0.00 | $ 172,775.00 | ($ 11,198.38) | 106% | $ 201,178.27 |
| 514 | SMALL BUS ENTERPRISE CENTRE | | | | | | | | | | |
| | | Revenue | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| | | Expense | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| 514 | Total | | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| 521 | TOURISM DEPARTMENT | | | | | | | | | | |
| | | Revenue | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| | | Expense | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| 521 | Total | | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| 611 | SOCIAL SERVICES DEPARTMENT | | | | | | | | | | |

| Account Number | | Period Range Actual | Period Range Budget | Period Range Variance | YTD Actual | YTD Commit | YTD Budget | YTD Variance | % | Prior YTD Actual |
|---|---|---|---|---|---|---|---|---|---|---|
| | Revenue | ($ 7,850,217.12 | ($ 8,580,071.00 | ($ 729,853.88) | ($ 7,850,217.12 | $ 0.00 | ($ 8,580,071.00 | ($ 729,853.88) | 91% | ($ 8,007,493.07 |
| | Expense | $ 8,550,858.65 | $ 9,412,391.00 | $ 861,532.35 | $ 8,550,858.65 | $ 17.98 | $ 9,412,391.00 | ($ 729,853.88) | 90% | $ 8,898,265.45 |
| 611 | Total | $ 700,641.53 | $ 832,320.00 | $ 131,678.47 | $ 700,641.53 | $ 17.98 | $ 832,320.00 | $ 131,678.47 | 84% | $ 890,772.38 |
| 612 | ONTARIO WORKS | | | | | | | | | |
| | Revenue | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| | Expense | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| 612 | Total | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| 613 | ANNE HATHAWAY DAY CARE CENTRE | | | | | | | | | |
| | Revenue | ($ 1,419,527.80 | ($ 1,142,869.00 | $ 276,658.80 | ($ 1,419,527.80 | $ 0.00 | ($ 1,142,869.00 | $ 276,658.80 | 124% | ($ 1,069,700.08 |
| | Expense | $ 1,633,409.72 | $ 1,197,886.00 | ($ 435,523.72) | $ 1,633,409.72 | $ 0.00 | $ 1,197,886.00 | $ 276,658.80 | 136% | $ 1,229,083.31 |
| 613 | Total | $ 213,881.92 | $ 55,017.00 | ($ 158,864.92) | $ 213,881.92 | $ 0.00 | $ 55,017.00 | ($ 158,864.92) | 388% | $ 159,383.23 |
| 614 | SOCIAL HOUSING | | | | | | | | | |
| | Revenue | ($ 2,278,397.54 | $ 0.00 | $ 2,278,397.54 | ($ 2,278,397.54 | $ 0.00 | $ 0.00 | $ 2,278,397.54 | 100% | ($ 2,198,818.02 |
| | Expense | $ 4,081,686.74 | $ 0.00 | ($ 4,081,686.74 | $ 4,081,686.74 | $ 0.00 | $ 0.00 | $ 2,278,397.54 | 100% | $ 3,878,978.04 |
| 614 | Total | $ 1,803,289.20 | $ 0.00 | ($ 1,803,289.20 | $ 1,803,289.20 | $ 0.00 | $ 0.00 | ($ 1,803,289.20 | 100% | $ 1,680,160.02 |
| 615 | PERTH & STRATFORD HOUSING | | | | | | | | | |
| | Revenue | ($ 10,172,324.5 | ($ 7,791,831.00 | $ 2,380,493.53 | ($ 10,172,324.5 | $ 0.00 | ($ 7,791,831.00 | $ 2,380,493.53 | 130% | ($ 8,828,310.49 |
| | Expense | $ 10,172,324.53 | $ 9,586,007.00 | ($ 586,317.53) | $ 10,172,324.53 | $ 0.00 | $ 9,586,007.00 | $ 2,380,493.53 | 106% | $ 8,828,310.49 |
| 615 | Total | $ 0.00 | $ 1,794,176.00 | $ 1,794,176.00 | $ 0.00 | $ 0.00 | $ 1,794,176.00 | $ 1,794,176.00 | 0% | $ 0.00 |
| 616 | CHILD CARE DIVISION | | | | | | | | | |
| | Revenue | ($ 2,339,010.38 | ($ 2,340,949.00 | ($ 1,938.62) | ($ 2,339,010.38 | $ 0.00 | ($ 2,340,949.00 | ($ 1,938.62) | 99% | ($ 2,260,050.93 |
| | Expense | $ 2,691,025.63 | $ 2,691,023.00 | ($ 2.63) | $ 2,691,025.63 | $ 0.00 | $ 2,691,023.00 | ($ 1,938.62) | 100% | $ 2,552,423.71 |
| 616 | Total | $ 352,015.25 | $ 350,074.00 | ($ 1,941.25) | $ 352,015.25 | $ 0.00 | $ 350,074.00 | ($ 1,941.25) | 100% | $ 292,372.78 |
| 617 | EARLY LEARNING & CHILD DEVELOP | | | | | | | | | |

| Account Number | | Period Range Actual | Period Range Budget | Period Range Variance | YTD Actual | YTD Commit | YTD Budget | YTD Variance | % | Prior YTD Actual |
|---|---|---|---|---|---|---|---|---|---|---|
| | Revenue | ($ 2,950,999.68 | ($ 3,596,169.00 | ($ 645,169.32) | ($ 2,950,999.68 | $ 0.00 | ($ 3,596,169.00 | ($ 645,169.32) | 82% | ($ 2,454,954.50 |
| | Expense | $ 2,950,999.08 | $ 3,596,169.00 | $ 645,169.92 | $ 2,950,999.08 | $ 0.00 | $ 3,596,169.00 | ($ 645,169.32) | 82% | $ 2,454,954.59 |
| **617** | **Total** | ($ 0.60) | $ 0.00 | $ 0.60 | ($ 0.60) | $ 0.00 | $ 0.00 | $ 0.60 | 100% | $ 0.09 |
| **711** | **PARKS DIVISION** | | | | | | | | | |
| | Revenue | ($ 314,188.46) | ($ 258,000.00) | $ 56,188.46 | ($ 314,188.46) | $ 0.00 | ($ 258,000.00) | $ 56,188.46 | 121% | ($ 326,775.40) |
| | Expense | $ 2,086,448.32 | $ 2,182,215.00 | $ 95,766.68 | $ 2,086,448.32 | $ 2,280.27 | $ 2,182,215.00 | $ 56,188.46 | 95% | $ 2,102,565.04 |
| **711** | **Total** | $ 1,772,259.86 | $ 1,924,215.00 | $ 151,955.14 | $ 1,772,259.86 | $ 2,280.27 | $ 1,924,215.00 | $ 151,955.14 | 92% | $ 1,775,789.64 |
| **721** | **RECREATION DIVISION** | | | | | | | | | |
| | Revenue | ($ 2,168,745.58 | ($ 2,294,090.00 | ($ 125,344.42) | ($ 2,168,745.58 | $ 0.00 | ($ 2,294,090.00 | ($ 125,344.42) | 94% | ($ 2,235,759.27 |
| | Expense | $ 4,416,335.33 | $ 4,189,554.00 | ($ 226,781.33) | $ 4,416,335.33 | $ 1,684.08 | $ 4,189,554.00 | ($ 125,344.42) | 105% | $ 4,333,634.92 |
| **721** | **Total** | $ 2,247,589.75 | $ 1,895,464.00 | ($ 352,125.75) | $ 2,247,589.75 | $ 1,684.08 | $ 1,895,464.00 | ($ 352,125.75) | 118% | $ 2,097,875.65 |
| **731** | **CEMETERY DIVISION** | | | | | | | | | |
| | Revenue | ($ 359,901.82) | ($ 370,000.00) | ($ 10,098.18) | ($ 359,901.82) | $ 0.00 | ($ 370,000.00) | ($ 10,098.18) | 97% | ($ 352,656.77) |
| | Expense | $ 607,992.93 | $ 537,800.00 | ($ 70,192.93) | $ 607,992.93 | $ 0.00 | $ 537,800.00 | ($ 10,098.18) | 113% | $ 623,029.06 |
| **731** | **Total** | $ 248,091.11 | $ 167,800.00 | ($ 80,291.11) | $ 248,091.11 | $ 0.00 | $ 167,800.00 | ($ 80,291.11) | 147% | $ 270,372.29 |
| **750** | **TRANSIT OPERATIONS** | | | | | | | | | |
| | Revenue | ($ 1,142,987.95 | ($ 1,184,000.00 | ($ 41,012.05) | ($ 1,142,987.95 | $ 0.00 | ($ 1,184,000.00 | ($ 41,012.05) | 96% | ($ 1,063,001.30 |
| | Expense | $ 2,786,995.01 | $ 2,549,737.00 | ($ 237,258.01) | $ 2,786,995.01 | $ 34,500.00 | $ 2,549,737.00 | ($ 41,012.05) | 110% | $ 2,711,261.41 |
| **750** | **Total** | $ 1,644,007.06 | $ 1,365,737.00 | ($ 278,270.06) | $ 1,644,007.06 | $ 34,500.00 | $ 1,365,737.00 | ($ 278,270.06) | 122% | $ 1,648,260.11 |
| **751** | **PARALLEL TRANSIT** | | | | | | | | | |
| | Revenue | ($ 46,139.97) | ($ 57,000.00) | ($ 10,860.03) | ($ 46,139.97) | $ 0.00 | ($ 57,000.00) | ($ 10,860.03) | 80% | ($ 48,609.17) |
| | Expense | $ 446,338.76 | $ 426,044.00 | ($ 20,294.76) | $ 446,338.76 | $ 300.00 | $ 426,044.00 | ($ 10,860.03) | 104% | $ 425,360.33 |
| **751** | **Total** | $ 400,198.79 | $ 369,044.00 | ($ 31,154.79) | $ 400,198.79 | $ 300.00 | $ 369,044.00 | ($ 31,154.79) | 108% | $ 376,751.16 |
| **810** | **REQUISITIONS FROM OTHERS** | | | | | | | | | |

| Account Number | | Period Range | | | YTD | | | | | Prior YTD |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Actual | Budget | Variance | Actual | Commit | Budget | Variance | % | Actual |
| | Revenue | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | ($ 89,677.00) |
| | Expense | $ 8,315,618.25 | $ 8,342,998.00 | $ 27,379.75 | $ 8,315,618.25 | $ 0.00 | $ 8,342,998.00 | $ 0.00 | 99% | $ 7,451,751.84 |
| **810** | **Total** | $ 8,315,618.25 | $ 8,342,998.00 | $ 27,379.75 | $ 8,315,618.25 | $ 0.00 | $ 8,342,998.00 | $ 27,379.75 | 99% | $ 7,362,074.84 |
| **814** | | | | | | | | | | |
| | Revenue | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| | Expense | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| **814** | **Total** | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| **820** | **OTHER MUN SERVICES/PROGRAMS** | | | | | | | | | |
| | Revenue | ($ 32,337.41) | ($ 25,022.00) | $ 7,315.41 | ($ 32,337.41) | $ 0.00 | ($ 25,022.00) | $ 7,315.41 | 129% | ($ 2,401.06) |
| | Expense | $ 230,444.13 | $ 266,097.00 | $ 35,652.87 | $ 230,444.13 | $ 0.00 | $ 266,097.00 | $ 7,315.41 | 86% | $ 159,418.81 |
| **820** | **Total** | $ 198,106.72 | $ 241,075.00 | $ 42,968.28 | $ 198,106.72 | $ 0.00 | $ 241,075.00 | $ 42,968.28 | 82% | $ 157,017.75 |
| **850** | **TRANSFERS TO LOCAL BOARDS** | | | | | | | | | |
| | Revenue | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| | Expense | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| **850** | **Total** | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| **871** | **GRANTS TO CHARITABLE ORGZNTS** | | | | | | | | | |
| | Revenue | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| | Expense | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| **871** | **Total** | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.00 | 100% | $ 0.00 |
| **872** | **GENERAL GRANTS** | | | | | | | | | |
| | Revenue | ($ 111,828.91) | ($ 30,000.00) | $ 81,828.91 | ($ 111,828.91) | $ 0.00 | ($ 30,000.00) | $ 81,828.91 | 372% | ($ 11,375.00) |
| | Expense | $ 858,764.60 | $ 753,894.00 | ($ 104,870.60) | $ 858,764.60 | $ 0.00 | $ 753,894.00 | $ 81,828.91 | 113% | $ 802,658.28 |
| **872** | **Total** | $ 746,935.69 | $ 723,894.00 | ($ 23,041.69) | $ 746,935.69 | $ 0.00 | $ 723,894.00 | ($ 23,041.69) | 103% | $ 791,283.28 |

| Account Number | | Period Range Actual | Period Range Budget | Period Range Variance | YTD Actual | YTD Commit | YTD Budget | YTD Variance | % | Prior YTD Actual |
|---|---|---|---|---|---|---|---|---|---|---|
| | Revenue | ($ 113,200,884. | ($ 108,558,406. | $ 4,642,478.35 | ($ 113,200,884. | $ 0.00 | ($ 108,558,406. | $ 4,642,478.35 | 105% | ($ 108,249,636. |
| | Expense | $ 111,160,070.6 | $ 105,692,150.0 | ($ 5,467,920.60 | $ 111,160,070.6 | $ 53,189.54 | $ 105,692,150.0 | $ 4,642,478.35 | 105% | $ 105,653,136.8 |
| **G** | **Total** | ($ 2,040,813.75 | ($ 2,866,256.00 | ($ 825,442.25) | ($ 2,040,813.75 | $ 53,189.54 | ($ 2,866,256.00 | ($ 825,442.25) | 69% | ($ 2,596,500.00 |
| | Revenue | ($ 113,200,884. | ($ 108,558,406. | $ 4,642,478.35 | ($ 113,200,884. | $ 0.00 | ($ 108,558,406. | $ 4,642,478.35 | 104% | ($ 108,249,636. |
| | Expenses | $ 111,160,070.6 | $ 105,692,150.0 | ($ 5,467,920.60 | $ 111,160,070.6 | $ 53,189.54 | $ 105,692,150.0 | $ 4,642,478.35 | 105% | $ 105,653,136.8 |
| 3,108 | Total All Accounts | ($ 2,040,813.75 | ($ 2,866,256.00 | ($ 825,442.25) | ($ 2,040,813.75 | $ 53,189.54 | ($ 2,866,256.00 | ($ 825,442.25) | 69% | ($ 2,596,500.00 |

Stratford ONTARIO CANADA Dramatically Different!

Corporate Services Department

# MANAGEMENT REPORT

**Date:** June 20, 2017

**To:** Finance and Labour Relations Sub-committee

**From:** André Morin, Director of Corporate Services

**Report#:** FIN17-026

**Attachments:** Proposed 2018 Budget Schedule

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**Title:** Proposed 2018 Budget Schedule and Process

**Objective:** To establish general timelines for approval of the 2018 budget, and to obtain feedback from Sub-Committee on specific directives for staff when preparing 2018 budgets.

**Background:** The budget process involves a number of planning aspects. The first step is City departments conducting an assessment of their needs and priorities for the coming year, and reviewing their current and future financial state in order to develop preliminary budgets. It would be useful at this time to set some general dates and establish any other direction for staff to facilitate the 2018 budget process.

**Analysis:** The attached proposed 2018 budget schedule is provided for Sub-Committee's consideration. Timelines are similar to previous years, with a few exceptions:

- Earlier pre-budget meeting
- Enhanced public engagement
- Pre-Approval of capital budgets

**Financial Impact:** Not applicable.

**Staff Recommendation: THAT the Proposed 2018 Budget Schedule be adopted.**

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Andre Morin, Director of Corporate Services

Rob Horne

Rob Horne, Chief Administrative Officer

# CITY OF STRATFORD

## PROPOSED 2018 BUDGET SCHEDULE

To Finance & Labour Relations Sub-committee on June 20, 2017

| | Key Actions/Events | Date(s) |
|---|---|---|
| 1 | Release of Memo to Staff re: 2018 Budget Working Papers | May 26, 2017 |
| 2 | Approval of Proposed 2018 Budget Schedule & Process at Finance & LR Sub-committee | June 20, 2017 |
| 3 | Pre-Budget Meeting for Finance & LR Committee (Strategy) | July 2017 (to be determined) |
| 4 | Dept meetings with Finance staff to assist with completion of budget submissions | June – July 2017 |
| 5 | All operating budgets, operating budget notes & funded capital budgets submitted by depts. to Director of Corporate Services | July 28, 2017 |
| 6 | Invitation to Apply for 2018 Community Grants | July 28, 2017 |
| 7 | CAO/Director of Corporate Services meet with individual Dept Heads for detailed budget reviews | August - September 2017 |
| 8 | Staff meetings for 2018 capital budget | August – September 2017 |
| 9 | All unfunded capital lists and 2019-22 capital forecasts submitted by depts. to Director of Corporate Services | September 1, 2017 |
| 10 | Public Engagement:<br>• Online survey<br>• Open House(s)<br>• Budget Workshops<br>• Facebook Q&A Session(s) | July through December 2017 |

| | Key Actions/Events | Date(s) |
|---|---|---|
| 11 | 2017 Community Grants Applications closed | September 15, 2017 |
| 12 | Grants Evaluation Committee meetings | September and October 2017 |
| 13 | 2017 Carry Forward requests submitted by depts. to Director of Corporate Services | October 27, 2017 |
| 14 | Draft Operating & Capital Budget Review & Presentations to Finance & LR Committee:<br>• Meeting #1 & #2 – Capital Budgets – forward final recommendations for pre-budget approval to November 27 Committee meeting<br>• Meeting #3 & #4 – Operating Budgets<br>• Meeting #5 – wrap-up | end of Oct to beginning of Dec 2017 |
| 15 | Grants Evaluation Committee recommendations for 2018 grants to Finance & LR Sub-Committee | November 21, 2017 |
| 16 | Special Year-End Council meeting re: 2017 reserves approved for carry forward and pre-budget approval for 2018 grants and capital | December 19, 2017 |
| 17 | Final Draft 2018 Budget to Finance & LR Committee (with all adjustments and recommendations for Council) | mid-January 2018 |
| 18 | Formal 2018 Budget Approval by Council (By-Law) | end-January 2018 |

Corporate Services Department

# MANAGEMENT REPORT

| | |
|---|---|
| **Date:** | June 20, 2017 |
| **To:** | Finance and Labour Relations Sub-committee |
| **From:** | André Morin, Director of Corporate Services |
| **Report#:** | FIN17-024 |
| **Attachments:** | FHI 2016 Audited Financial Statements<br>FHI Annual Shareholder Resolution<br>FHI 2017 Q1 Results |

**Title:** 2016 Audited Financial Statements and 2017 First Quarter Financial Statement for Festival Hydro Inc.

**Objective:** To approve the 2016 audited financial statements and review the 2017 first quarter financial statements from Festival Hydro Inc. (FHI).

**Background:** City Council is required to approve the annual audited financial statements of FHI. City Council is also updated quarterly on the financial position of FHI.

**Analysis:** As noted in the attached statements. Representatives of FHI will attend the meeting to review and answer questions.

**Financial Impact:** The 2016 Declared Dividend from Festival Hydro to the City of Stratford is $1,119,000. The interest paid on the note receivable is $1,131,000. The total revenue to the City for 2016 is $2,250,000.

**Staff Recommendation: THAT the audited financial statements of Festival Hydro Inc. for the year ending December 31, 2016 be adopted by City Council;**

**AND THAT the Festival Hydro Inc. financial statement for March 31, 2017, be received for information;**

**AND THAT the following Resolution of the Sole Shareholder of Festival Hydro Inc. be adopted by City Council as follows:**

**The financial statements of the Corporation as of December 31, 2016 consisting of the Statements of Financial Position as at December 31, 2016, the Statements of Comprehensive Income for the year ended December 31, 2016,**

**the Statements of Changes in Equity for the year ended December 31, 2016, and the Statements of Cash Flow for the year ended December 31, 2016; the notes to the financial statements; and; the report of the auditors thereon dated April 27, 2017 be and the same are hereby approved and adopted.**

**All acts, contracts, by-laws, proceedings, appointments, elections and payments enacted, made, done and taken by the directors and officers of the Corporation since the last annual meeting of the shareholder as the same are set out or referred to in the minutes of the meetings and resolutions of the board of directors or referred to or given effect to in the aforesaid financial statements be and the same are hereby approved, ratified and confirmed.**

**KPMG LLP be and they are hereby appointed auditors of the Corporation until the next annual meeting at a remuneration to be fixed by the directors, the directors being hereby authorized to fix such remuneration.**

André Morin, Director of Corporate Services

Rob Horne

Rob Horne, Chief Administrative Officer

Financial Statements of

Festival Hydro Inc.

Year ended December 31, 2016

KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
Fax 519 672-5684

# INDEPENDENT AUDITORS' REPORT

To the Shareholder of Festival Hydro Inc.

We have audited the accompanying financial statements of Festival Hydro Inc., which comprise the statement of financial position as at December 31, 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Festival Hydro Inc. as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards**.**

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 27, 2017

London, Canada

# Festival Hydro Inc.

## Statement of Financial Position

December 31, 2016, with comparative information for December 31, 2015

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **Assets** | | | |
| Accounts receivable | 6,19,21 | $ 5,525,523 | $ 3,840,574 |
| Unbilled revenue | 21 | 9,569,483 | 8,425,940 |
| Inventories | 7 | 121,944 | 134,210 |
| Prepaid expenses | | 385,327 | 393,951 |
| Income tax receivable | | 34,031 | 354,548 |
| Due from corporations under common control | 19 | 96,889 | 67,446 |
| **Total current assets** | | **15,733,197** | **13,216,669** |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 51,874,190 | 51,628,285 |
| Intangible assets | 9 | 2,136,148 | 2,095,887 |
| Deferred tax assets | 10 | 566,403 | 841,045 |
| **Total non-current assets** | | **54,576,741** | **54,565,217** |
| **Total assets** | | **70,309,938** | **67,781,886** |
| Regulatory balances | 13 | 706,374 | 2,041,868 |
| **Total assets and regulatory balances** | | **$71,016,312** | **$69,823,754** |

# Festival Hydro Inc.

**Statement of Financial Position**

December 31, 2016, with comparative information for December 31, 2015

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **Liabilities and Equity** | | | |
| Bank indebtedness | 5 | $2,609,133 | $245,562 |
| Accounts payable and accrued liabilities | 21 | 8,567,823 | 9,177,222 |
| Deferred revenue | | 13,811 | 7,771 |
| Dividend payable | 15,19 | 338,340 | 399,340 |
| Long-term debt due within one year | 14,21 | 16,179,947 | 16,159,213 |
| Customer deposits | 11 | 781,855 | 804,679 |
| Due to the Corporation of the City of Stratford | 19 | 539,813 | 638,773 |
| **Total current liabilities** | | **29,030,722** | **27,432,560** |
| **Non-current liabilities** | | | |
| Deferred revenue | | 510,036 | 320,282 |
| Customer deposits | 11 | 125,580 | 536,452 |
| Employee future benefits | 12 | 1,401,539 | 1,379,334 |
| Unrealized loss on interest rate swap | 14,21 | 807,158 | 798,891 |
| Long-term debt | 14,21 | 13,640,922 | 14,220,869 |
| **Total non-current liabilities** | | 16,485,235 | 17,255,828 |
| **Total liabilities** | | **45,515,957** | **44,688,388** |
| Share capital | 15 | 15,568,388 | 15,568,388 |
| Accumulated other comprehensive loss | | (135,021) | (112,048) |
| Retained earnings | | 8,534,411 | 7,917,403 |
| **Total equity** | | **23,967,778** | **23,373,743** |
| **Total liabilities and equity** | | 69,483,735 | 68,062,131 |
| Regulatory balances | 13 | 1,532,577 | 1,761,623 |
| **Total liabilities, equity and regulatory balances** | | **$71,016,312** | **$69,823,754** |

Commitments and contingencies (note 22)

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

On behalf of the Board:

Director

Director

# Festival Hydro Inc.

**Statement of Comprehensive Income**
Year ended December 31, 2016, with comparative information for 2015

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **Revenues** | | | |
| Sales of energy | | $ 80,108,874 | $ 70,555,667 |
| Distribution revenue | | 10,799,954 | 11,543,996 |
| Other income | 16,19 | 830,348 | 956,400 |
| | | **91,739,176** | **83,056,063** |
| | | | |
| **Operating expenses** | | | |
| Cost of power purchased | | 78,718,905 | 71,472,888 |
| Operating expenses | 17,19 | 5,593,388 | 5,490,130 |
| Depreciation and amortization | 8,9 | 2,322,251 | 2,225,052 |
| | | **86,634,544** | **79,188,070** |
| **Income from operating activities** | | **5,104,632** | **3,867,993** |
| Finance income | 18,19 | 9,029 | 45,560 |
| Finance costs | 18,19 | 1,730,563 | 1,949,856 |
| **Income before income taxes** | | **3,383,098** | **1,963,697** |
| Income tax expense | 10 | 546,730 | 1,193,461 |
| **Net income** | | **2,836,368** | **770,236** |
| Net movement in regulatory balances, net of tax | 13 | (1,100,360) | 2,488,610 |
| **Net income and net movement in regulatory balances** | | **1,736,008** | **3,258,846** |
| **Other comprehensive income (loss)** | | | |
| Items that may be reclassified to profit and loss: | | | |
| Reclassifications to profit and loss on sale of available for sale assets | 16 | - | (18,518) |
| Items that will not be reclassified to profit and loss: | | | |
| Remeasurements of employee future benefits | 12 | (22,973) | - |
| Tax on remeasurements | 10 | 6,088 | 4,907 |
| Net movement in regulatory balances, net of tax | | (6,088) | (4,907) |
| **Other comprehensive loss** | | **(22,973)** | **(18,518)** |
| **Total comprehensive income** | | **$ 1,713,035** | **$3,240,328** |

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

# Festival Hydro Inc.

**Statement of Changes in Equity**

Year ended December 31, 2016, with comparative information for December 31, 2015

| | Share capital | Retained earnings | Accumulated other comprehensive loss | Total |
|---|---|---|---|---|
| **Balance at January 1, 2015** | **$ 15,568,388** | **$ 5,838,557** | **$ (93,530)** | **$ 21,313,415** |
| Net income after net movements in regulatory balances | – | 3,258,846 | – | 3,258,846 |
| Other comprehensive loss | – | – | (18,518) | (18,518) |
| Dividends, paid or payable | – | (1,180,000) | – | (1,180,000) |
| **Balance at December 31, 2015** | **$ 15,568,388** | **$ 7,917,403** | **$ (112,048)** | **$ 23,373,743** |
| **Balance at January 1, 2016** | **$ 15,568,388** | **$ 7,917,403** | **$ (112,048)** | **$ 23,373,743** |
| Net income after net movements in regulatory balances | – | 1,736,008 | – | 1,736,008 |
| Other comprehensive loss | – | – | (22,973) | (22,973) |
| Dividends, paid or payable | – | (1,119,000) | – | (1,119,000) |
| **Balance at December 31, 2016** | **$15,568,388** | **$8,534,411** | **$(135,021)** | **$ 23,967,778** |

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

# Festival Hydro Inc.

**Statement of Cash Flows**

Year ended December 31, 2016, with comparative information for 2015

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **Operating activities** | | | |
| **Net income after net movement in regulatory balances** | | $ 1,736,008 | $ 3,258,846 |
| **Adjustments for** | | | |
| Depreciation - property, plant and equipment | 8 | 2,091,870 | 2,064,877 |
| Amortization - intangible assets | 9 | 230,381 | 160,175 |
| Losses on disposal of property, plant and equipment | | 36,494 | 3,024 |
| Amortization of deferred revenue | | (10,791) | (5,892) |
| Employee future benefits | | (768) | 22,225 |
| Impact of permanent bypass agreement ruling | | - | 1,062,454 |
| Net finance costs | 18 | 1,721,534 | 1,904,296 |
| Income tax expense | 10 | 546,730 | 1,193,461 |
| | | 6,351,458 | 9,663,466 |
| **Changes in non-cash operating working capital** | | | |
| Accounts receivables | | (1,684,949) | (478,614) |
| Unbilled revenue | | (1,143,543) | 447,052 |
| Inventories | | 12,266 | (31,345) |
| Prepaid expenses | | 8,624 | 124,715 |
| Accounts payable and accrued liabilities | | (609,402) | (323,350) |
| Due from related parties | | (29,443) | 1,293,472 |
| Due from the City of Stratford | | (98,960) | (74,967) |
| Dividend payable | | - | 399,340 |
| Customer deposits | | (433,696) | 370,270 |
| | | (3,979,103) | 1,726,573 |
| Regulatory balances | 13 | 1,100,360 | (2,488,610) |
| Interest paid | | (1,722,296) | (1,687,842) |
| Interest received | | 9,029 | 45,560 |
| Income tax paid, net of refund | | 54,520 | (369,976) |
| **Net cash from operating activities** | | **1,813,968** | **6,889,171** |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | 8 | (2,374,269) | (2,838,669) |
| Purchase of intangible assets | 9 | (270,642) | (475,177) |
| Contributions received from customers, net of repayments | | 206,585 | 170,827 |
| **Net cash used in investing activities** | | (2,438,326) | (3,143,019) |
| **Financing activities** | | | |
| Dividends paid | 15 | (1,180,000) | (780,660) |
| Repayment of long-term debt | | (559,213) | (540,760) |
| **Net cash used in financing activities** | | (1,739,213) | (1,321,420) |
| Net decrease (increase) in bank indebtedness during the year | | (2,363,571) | 2,424,732 |
| Bank indebtedness, beginning of the year | | (245,562) | (2,670,294) |
| **Bank indebtedness, end of the year** | | **$ (2,609,133)** | **$ (245,562)** |

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

## 1. Reporting entity:

Festival Hydro Inc. (the "Corporation") is a wholly-owned subsidiary of the City of Stratford. The Corporation was incorporated on July 11, 2000 under the Business Corporations Act (Ontario) pursuant to Section 142 of the Electricity Act Laws of the Province of Ontario, Canada. The address of the Corporation's registered office is 187 Erie Street, Stratford, Ontario, Canada.

The principal activity of the Corporation is to distribute electricity to the residents and businesses in the City of Stratford and the towns of Brussels, Dashwood, Hensall, Seaforth, St. Marys and Zurich, under a license issued by the Ontario Energy Board ("OEB"). The Corporation is regulated by the Ontario Energy Board and adjustments to the Corporation's distribution and power rates require OEB approval.

The financial statements are for the Corporation as at and for the year ended December 31, 2016.

## 2. Basis of preparation:

(a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements were approved by the Board of Directors on April 27, 2017.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, unless otherwise stated.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

## 2. Basis of preparation (continued):

(d) Use of estimates and judgements (continued)

| | |
|---|---|
| Note 6 | Receivables: estimates of customer usage for unbilled revenue. |
| Note 8 | Property, plant and equipment: useful lives and the identification of significant components of property, plant and equipment. |
| Note 9 | Intangible assets: useful lives and goodwill impairment testing. |
| Note 12 | Employee future benefits: measurement of the defined benefit obligation using key actuarial assumptions. |
| Note 13 | Recognition and measurement of regulatory assets and liabilities. |
| Note 22 | Recognition and measurement of commitments and contingencies. |

(e) Rate regulation

The Corporation is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the Ontario Energy Board Act, 1998. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Corporation, which may include, amongst other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The Corporation is required to bill certain classes of customers for the debt retirement charges. The Corporation may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC") once each year.

(f) Rate setting

***Distribution revenue***

For the distribution revenue included in sale of energy, the Corporation files a "Cost of Service" ("COS") rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Corporation's business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each class. The COS application is reviewed by the OEB and interveners on record. Rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years, Festival has chosen to file a Price Cap Incentive Rate Mechanism ("IRM") application. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand ("GDP IPI-FDD") net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

## 2. Basis of preparation (continued):

(f) Rate setting (continued)

As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

On May 27, 2014, the Corporation filed its 2015 Cost of Service application. The OEB issued its final Decision and Order dated June 5, 2015. The Decision allows for a total service revenue requirement of $11,210,828 based on a total rate base of $61,778,759. The deemed debt portion of the rate base (60%) at $27,067,256 earns a weighted average rate of 4.05%. The deemed equity portion of the rate base (40%) at $24,711,504 earns a deemed return on equity of 9.30%. The rates were effective May 1, 2015 with an implementation date of June 1, 2015. The OEB approved disposition of the ICM rate rider balance in its entirety. In addition, the Corporation received approval to recover the net book value of stranded meters totalling $234,537. A number of other rate riders were approved as part of the 2015 COS rate filing with a sunset date of December 31, 2015 with the exception of the Permanent Bypass Expenditure Rate Rider which is effective until December 31, 2017.

The OEB, in its 2015 COS Decision and Order also ordered that the Permanent Bypass Agreement, which was included in the Corporation’s 2013 and 2014 financial statements as an intangible asset, be expensed during 2015 in its entirety in the amount of $932,094 and to recover this expenditure over a 31 month period ending December 31, 2017. Due to the certainty of collecting the amount, the OEB allowed the Corporation to record the remaining uncollected balance of $649,816 in accounts receivable at December 31, 2015. Recoveries during 2016 totalled $459,916 (2015 -$282,278) and the balance remaining to be collected is $189,900.

Festival filed its 2016 IRM application for distribution rates and was approved new rates by the OEB effective January 1, 2016. The Corporation's approved adjustment to distribution rates was 1.65%, as a result of an OEB approved inflation factor of 2.10%, less a stretch factor of 0.45% determined by the relative efficiency of the Corporation. The application included the approval of rate riders for the disposition of certain deferral and variance balances.

Festival filed its 2017 IRM application for distribution rates and was approved new rates by the OEB effective January 1, 2017. The Corporation's approved adjustment to distribution rates was 1.45%, as a result of an OEB approved inflation factor of 1.90%, less a stretch factor of 0.45% determined by the relative efficiency of the Corporation. The application included the approval of rate riders for the disposition of certain deferral and variance balances.

***Electricity rates***

The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity and the global adjustment. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

## 3 Significant accounting policies:

The accounting policies set out below have been applied consistently for both years presented in these financial statements in accordance with IFRS.

(a) Regulatory balances

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or other comprehensive income ("OCI"). When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Corporation is required to refund amounts to ratepayers in the future, the Corporation recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

(b) Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts. On the statement of cash flows, cash and cash equivalents includes bank overdrafts (revolving credit facility) that are repayable on demand and form an integral part of the Corporation's cash management.

(c) Financial instruments

All financial assets are classified as loans and receivables, except for marketable securities which are classified as available for sale and derivatives which are measured as fair value through profit and loss. All financial liabilities are classified as other financial liabilities. These financial instruments are recognized initially at fair value adjusted for any directly attributable transaction costs.

Loans and receivables and other financial liabilities are subsequently measured at amortized cost using the effective interest method less any impairment for the financial assets.

## 3. Significant accounting policies (continued):

(c) Financial instruments (continued)

Available for sale financial assets are subsequently measured at fair value, within the changes therein recognized in other comprehensive income until the assets are sold. Upon sale of an available for sale asset, the Corporation has elected to record the accumulated unrealized change in value of the asset as a transfer through other comprehensive income into profit and loss.

The Corporation holds derivative financial instruments to manage its interest rate risk exposures. Derivatives are initially measured at fair value; any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein, are recognized in the statement of comprehensive income. Hedge accounting has not been used in the preparation of these financial statements.

(d) Inventories

Inventories are stated at lower of cost and net realizable value and consist of maintenance materials and supplies. Cost is determined on a weighted average basis, net of a provision for obsolescence, as applicable. The Corporation classifies all major construction related component of its electricity distribution infrastructure to property, plant and equipment.

(e) Property, plant and equipment (“PP&E”)

Items of property, plant and equipment used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost, or, where the item is transferred from customers, its fair value, less accumulated depreciation and accumulated impairment losses. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs on qualifying assets are capitalized as part of the cost of the asset and are based on the Corporation’s cost of borrowing. For construction projects of less than one year in length, borrowing costs are not capitalized unless specific identifiable loans are acquired for the express purpose of financing a specific construction activity.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part or component of an item of property, plant and equipment. Land is not depreciated. Construction in progress assets are not amortized until the project is complete and in service.

## 3. Significant accounting policies (continued):

(e) Property, plant and equipment ("PP&E") (continued)

Depreciation begins when an asset becomes available for use. Depreciation is provided on a straight-line basis over the estimated useful lives. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives for the current and comparative years are as follows:

| | |
|---|---|
| Buildings | 10 to 60 years |
| Distribution substation equipment | 30 to 60 years |
| Distribution system equipment | 30 to 60 years |
| Transformers | 35 to 40 years |
| Meters | 15 to 40 years |
| Other capital assets | 4 to 20 years |

Other capital assets include vehicles, office and computer equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized within other income in the statement of comprehensive income.

(f) Intangible assets

Intangible assets include goodwill, computer software and capital contributions paid under capital cost recovery agreements ("CCRAs").

*(i) Goodwill*

Goodwill represents the excess of cost over fair value of net assets which arose upon amalgamation of the former electrical distribution entities. Goodwill is measured at cost less accumulated impairment losses.

*(ii) Computer software*

Computer software acquired prior to January 1, 2014, is measured at deemed cost less accumulated depreciation. All other software that is acquired or developed by the Corporation, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

*(iii) Capital contributions paid under capital cost recovery agreements ("CCRAs")*

Capital contributions paid under capital cost recovery agreements ("CCRAs") are measured at cost less accumulated amortization and accumulated impairment losses.

## 3. Significant accounting policies (continued):

(f) Intangible assets (continued)

*(iv) Amortization*

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are:

| | |
|---|---|
| Computer software | 5 years |
| CCRAs | 15 to 25 years |

Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted if appropriate.

(g) Impairment

*(i) Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

*(ii) Non-financial assets*

The carrying amounts of the Corporation's non-financial assets, other than regulatory assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated as at December 31 of each year.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The Corporation has determined that it has one cash generating unit. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

## 3. Significant accounting policies (continued):

(g) Impairment (continued)

*(ii) Non-financial assets (continued)*

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Employee benefits

*(i) Pension plan*

The Corporation provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System (OMERS). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (“the Fund”). The Fund is a contributory defined benefit pension plan which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund.

OMERS is a defined benefit plan, however, as the plan assets and pension obligations are not segregated in separate accounts for each member entity, sufficient information is not available to enable the Corporation to directly account for the plan. As such, the plan has been accounted for as a defined contribution plan. The contribution payable is recognized as an employee benefit expense in the statement of comprehensive income in the period in which the service was rendered by the employee, since it is not practicable to determine the Corporation’s portion of person obligations of the fair value of plan assets.

## 3. Significant accounting policies (continued):

(i) Employee benefits (continued)

*(ii) Employee future benefits, other than pension (continued)*

The Corporation has an unfunded benefit plan providing post-employment benefits (other than pension) to its employees. The Corporation provides its retired employees (20 years service; less than age 65) with life insurance and medical benefits beyond those provided by government sponsored plans. Life insurance is provided for current retirees including those over age 65.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses, are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

(j) Deferred revenue and assets transferred from customers

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. Cash contributions are initially recorded under current liabilities as customer deposits. Once the distribution system asset is completed or modified, as outlined in the terms of the contract, the contribution amount is transferred to deferred revenue.

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction. The contributions in aid of construction account, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is reported as deferred revenue, and is amortized to other income on a straight-line basis over the terms of the agreement with the customer or the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

(k) Customer deposits

Security deposits from electricity customers are cash collections to guarantee the payment of electricity bills. The electricity customer security deposits liability includes related interest amounts, calculated using OEB prescribed interest rates, and owed to the customers with a corresponding amount charged to finance costs. Deposits that are refundable upon demand are classified as a current liability. Annually, accrued interest is applied directly to the customers' accounts.

Security deposits on offers to connect are cash collections from specific customers to guarantee the payment of additional costs relating to expansion projects. This liability includes related interest amounts owed to the customers with a corresponding amount charged to finance costs. Deposits are classified as a current liability when the Corporation no longer has an unconditional right to defer payment of the liability for at least 12 months after the reporting period.

## 3. Significant accounting policies (continued):

(l) Revenue recognition

The Corporation is licensed by the OEB to distribute electricity. As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers. The Corporation has determined that they are acting as a principal for the electricity distribution and therefore have presented the electricity revenues on a gross basis.

Revenue attributable to the delivery of electricity is based upon OEB-approved distribution tariff rates and includes the amounts billed to customers for electricity, including the cost of electricity supplied, distribution charges and any regulatory charges. Revenue is recognized as electricity is delivered and consumed by customers. Energy revenue is recorded on the basis of regular meter readings and estimates of customer usage since the last meter reading date to the end of the year. Revenue is measured at the fair value of the consideration received or receivable, net of sales tax.

The difference between the amounts charged by the Corporation to customers, based on regulated rates, and the corresponding cost of electricity and non-competitive electricity service costs billed monthly by the IESO and Hydro One to the Corporation is recorded as a settlement variance. In accordance with IFRS 14, these settlement variances are presented within regulatory balances on the statement of financial position and within net movements in regulatory balances, net of tax on the statement of comprehensive income.

Distribution revenue is recorded based on OEB-approved distribution rates to recover the costs incurred by LDCs in delivering electricity to customers. Distribution revenue also includes revenue related to the collection of certain OEB approved rate riders.

Other revenue, which includes revenue from services ancillary to the distribution of electricity and as revenue from the delivery of other services, is recognized as the services are rendered. When services are made up of different components which are not separately identifiable, the related other revenues are recognized on a straight-line basis over the term of the contract.

Water and sewage billing and collection revenue is charged on a per-bill fee basis and the amounts are recognized in the period in which the billing services are rendered.

Revenues and costs associated with CDM programs are presented using the net basis of accounting. Cost efficiency incentives related to the CDM programs and OEB performance incentives, included as part of other revenue, are recognized when it is probable that future economic benefits will flow to the entity and the amount can be reasonably measured.

Customer billings for Debt Retirement Charges and the Ontario Clean Energy Benefit are recorded on a net basis as the Corporation is acting as an agent for this revenue stream. The Corporation may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation (“OEFC”) once each year.

## 3. Significant accounting policies (continued):

(l) Revenue recognition (continued)

Deferred revenue relating to contributions in aid of construction is amortized to income on a straight-line basis over the terms of the agreement with the customer or the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

All other revenues are recorded on a gross basis and are recognized when services are rendered.

(m) Leased assets

Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are classified as operating leases and the leased assets are not recognized on the Corporation's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(n) Finance income and finance costs

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents.

Finance costs comprise interest expense on customer deposits, the demand notes payable, revolving credit facility and long-term borrowings.

(o) Income taxes

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act. Pursuant to the Electricity Act, 1998 (Ontario), the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes.

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to other comprehensive income or items recognized directly in equity, in which case, it is recognized in accumulated comprehensive income or retained earnings, respectively.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

## 3. Significant accounting policies (continued):

(o) Income taxes (continued)

Deferred tax is recognized using the balance sheet method. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

Rate-regulated accounting requires the recognition of regulatory balances and related deferred tax assets and liabilities for the amount of deferred taxes expected to be refunded to or recovered from customers through future electricity distribution rates. A gross up to reflect the income tax benefits associated with reduced revenues resulting from the realization of deferred tax assets is recorded within regulatory credit or debt balances. Deferred taxes that are not included in the rate-setting process are charged or credited to the statements of comprehensive income.

The benefits of the refundable and non-refundable apprenticeship and other ITCs are credited against the related expense in the statements of comprehensive income.

(p) Change in accounting policies

The Corporation has adopted the following amendments to standards, with a date of initial application of January 1, 2016.

**Amendments to IAS 1**

In December 2014, the IASB issued Disclosure Initiative (Amendments to IAS 1 *Presentation of Financial Statements)*. These amendments improve the existing presentation and disclosure requirements and encourage entities to apply professional judgment regarding disclosure and presentation in their financial statements. These amendments were adopted effective January 1, 2016. The adoption of these amendments has no material impact on the Corporation’s financial statements.

**Annual Improvements to IFRS (2012-2014) cycle**

On September 25, 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The amendments apply for annual periods beginning on or after January 1, 2016. Each of the amendments has its own specific transition requirements.

## 3. Significant accounting policies (continued):

(p) Change in accounting policies (continued)

Amendments were made to clarify the following in their respective standards:

- Changes in method for disposal under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- 'Continuing involvement' for servicing contracts and offsetting disclosures in condensed interim financial statements under IFRS 7 Financial Instruments: Disclosures;
- Discount rate in a regional market sharing the same currency under IAS 19 Employee Benefits;
- Disclosure of information 'elsewhere in the interim financial report' under IAS 34 Interim Financial Reporting;

The Corporation adopted these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments was not material.

## 4. Standards issued but not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these financial statements. The Corporation continues to analyze these standards and has determined that the following could have an impact on its financial statements.

**Annual Improvements to IFRS (2014-2016) cycle**

On December 8, 2016, the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. Each of the amendments has its own specific transition requirements and effective date.

Amendments were made to clarify the following in their respective standards:

- Clarification that IFRS 12 *Disclosures of Interests in Other Entities* also applies to interests that are classified as held for sale, held for distribution, or discontinued operations, effective retrospectively for annual periods beginning on or after January 1, 2017;
- Removal of out-dated exemptions for first time adopters under IFRS 1 *First-time Adoption of International Financial Reporting Standards*, effective for annual periods beginning on or after January 1, 2018; and
- Clarification that the election to measure an associate or joint venture at fair value under IAS 28 *Investments in Associates and Joint Ventures* for investments held directly, or indirectly, through a venture capital or other qualifying entity can be made on an investment-by investment basis. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2018.

The Corporation intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2017 or 2018 as applicable. The Corporation does not expect the amendments to have a material impact on the financial statements.

## 4. Standards issued but not yet adopted (continued):

### Disclosure Initiative (Amendments to IAS 7)

On January 7, 2016, the IASB issued Disclosure Initiative (Amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide reconciliation between the opening and closing balances for liabilities from financing activities.

The Corporation will adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The Corporation does not expect the amendments to have a material impact on the financial statements.

### Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

On January 19, 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12). The amendments apply for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

The Corporation will adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The Corporation does not expect the amendments to have a material impact on the financial statements.

### IFRS 15 Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue Bartering Transactions Involving Advertising Services.* On April 12, 2016, the IASB issued Clarifications to IFRS 15, Revenue from Contracts with Customers, which is effective the same time as IFRS 15.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licences of intellectual property

The Corporation intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

## 4. Standards issued but not yet adopted (continued):

**IFRS 9 *Financial Instruments***

On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

**IFRS 16 *Leases***

On January 13, 2016, the IASB issued IFRS 16 *Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 *Leases.*

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

## 4. Standards issued but not yet adopted (continued):

### IFRIC 22 Foreign Currency Transactions and Advance Consideration

On December 8, 2016, the IASB issued IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration. The Interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Interpretation may be applied either: retrospectively; or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after:

- the beginning of the reporting period in which the entity first applies the Interpretation; or
- the beginning of a prior reporting period presented as comparative information in the financial statements.

The Corporation intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2018. The Corporation does not expect the Interpretation to have a material impact on the financial statements.

### Transfer of assets between an investor and its associate or joint venture

On September 11, 2014, the IASB issued Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). The amendments were to be applied prospectively for annual periods beginning on or after January 1, 2016, however, on December 17, 2015 the IASB decided to defer the effective date for these amendments indefinitely. Adoption is still permitted.

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture (JV). Specifically, under the existing consolidation standard the parent recognises the full gain on the loss of control, whereas under the existing guidance on associates and JVs the parent recognises the gain only to the extent of unrelated investors' interests in the associate or JV.

The main consequence of the amendments is that a full gain/loss is recognised when the assets transferred meet the definition of a 'business' under IFRS 3 Business Combinations. A partial gain/loss is recognised when the assets transferred do not meet the definition of a business, even if these assets are housed in a subsidiary.

The Corporation does not intend to adopt these amendments in its financial statements for the annual period beginning January 1, 2016, as the effective date for these amendments has been deferred indefinitely.

## 5. Bank indebtedness:

| | 2016 | 2015 |
|---|---|---|
| Cash | $ 1,660 | $ 1,660 |
| Revolving credit facility | (2,610,793) | (247,222) |
| **Bank indebtedness** | **$ (2,609,133)** | **$ (245,562)** |

## 6. Accounts receivable:

| | 2016 | 2015 |
|---|---|---|
| Energy, water and sewer | $5,137,350 | $2,883,589 |
| Other | 388,173 | 956,985 |
| **Total** | **$5,525,523** | **$3,840,574** |

Included in accounts receivable is $897,551 (2015 - $517,116) of customer receivables for water consumption and sewer (“water & sewer”) that the Corporation bills and collects on behalf of the City of Stratford and the Town of St. Marys. As the Corporation does not assume liability for collection of these amounts, any amount related to City of Stratford and Town of St. Marys water & sewer charges that are determined to be uncollectible are charged to the City of Stratford and Town of St. Marys, respectively. At year end, there is nothing (2015 - nil) included in the provision for impairment for uncollectable amounts relating to water and sewer.

Included in other receivables is an amount authorized by the OEB to be recovered through rates over a 31-month period ending December 31, 2017 related to the cost of a permanent bypass arrangement. The amount remaining at December 31, 2016 totalled $189,900 (2015 - $649,815).

## 7. Inventories:

The amount of inventories consumed by the Corporation and recognized as an expense during 2016 was $117,832 (2015 - $117,091). During 2016, an amount of nil (2015 – $16,050) was recorded as an expense for the write-down of obsolete or damaged inventory to net realizable value.

## 8. Property, plant and equipment:

a) Cost or deemed cost

| | Land and buildings | Distribution substation equipment | Other distribution system equipment | Transformer station | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2015 | $1,718,031 | $34,956,137 | $2,321,351 | $13,935,158 | $52,930,677 |
| Additions | 141,389 | 2,401,271 | 296,009 | - | 2,838,669 |
| Disposals/retirements | - | (6,731) | (27,740) | - | (34,471) |
| **Balance at December 31, 2015** | **$1,859,420** | **$37,350,677** | **$2,589,620** | **$13,935,158** | **$55,734,875** |
| | | | | | |
| Balance at January 1, 2016 | $1,859,420 | $37,350,677 | $2,589,620 | $13,935,158 | $55,734,875 |
| Additions | 146,538 | 2,013,712 | 214,019 | - | 2,374,269 |
| Disposals/retirements | (10,247) | (85,047) | (181,531) | - | (276,825) |
| **Balance at December 31, 2016** | **$1,995,711** | **$39,279,342** | **$2,622,108** | **$13,935,158** | **$57,832,319** |

b) Accumulated depreciation

| | Land and buildings | Distribution substation equipment | Other distribution system equipment | Transformer station | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2015 | $35,923 | $1,438,209 | $278,840 | $320,188 | $2,073,160 |
| Depreciation | 34,332 | 1,420,587 | 289,766 | 320,192 | 2,064,877 |
| Disposals/retirements | - | (3,707) | (27,740) | - | (31,447) |
| **Balance at December 31, 2015** | **$70,255** | **$2,855,089** | **$540,866** | **$640,380** | **$4,106,590** |
| | | | | | |
| Balance at January 1, 2016 | $70,255 | $2,855,089 | $540,866 | $640,380 | $4,106,590 |
| Depreciation | 41,099 | 1,436,798 | 293,784 | 320,189 | 2,091,870 |
| Disposals/retirements | (10,247) | (81,833) | (121,559) | (26,692) | (240,331) |
| **Balance at December 31, 2016** | **$101,107** | **$4,210,054** | **$713,091** | **$933,877** | **$5,958,129** |

c) Carrying amounts

| | Land and buildings | Distribution substation equipment | Other distribution system equipment | Transformer station | Total |
|---|---|---|---|---|---|
| December 31, 2015 | $1,789,165 | $34,495,588 | $2,048,754 | $13,294,778 | $51,628,285 |
| December 31, 2016 | 1,894,604 | $35,069,288 | 1,909,017 | 13,001,281 | 51,874,190 |

d) Borrowing costs

During the year, no borrowing costs (2015 – nil) were capitalized as part of the cost of property, plant and equipment.

## 9. Intangible assets:

a) Cost or deemed cost

| | Goodwill | Computer software | CCRA's | Total |
|---|---|---|---|---|
| Balance at January 1, 2015 | $515,359 | $547,778 | $2,360,056 | $3,423,193 |
| Additions | - | 404,977 | 70,200 | 475,177 |
| Disposals | - | - | (1,463,321) | (1,463,321) |
| **Balance at December 31, 2015** | **$515,359** | **$952,755** | **$966,935** | **$2,435,049** |
| Balance at January 1, 2016 | $515,359 | $952,755 | $966,935 | $2,435,049 |
| Additions | - | 270,642 | - | 270,642 |
| Disposals | - | (70,110) | - | (70,110) |
| **Balance at December 31, 2016** | **$515,359** | **$1,153,287** | **$966,935** | **$2,635,581** |

Upon direction of the OEB, the permanent bypass agreement originally recognized as an intangible at a value of $1,436,321 was removed from intangible assets effective May 1, 2015.

b) Accumulated amortization

| | Goodwill | Computer software | CCRA's | Total |
|---|---|---|---|---|
| Balance at January 1, 2015 | $ - | $99,602 | $79,385 | $178,987 |
| Amortization | - | 137,906 | 22,269 | 160,175 |
| Disposals | - | - | - | - |
| **Balance at December 31, 2015** | **$ -** | **$237,508** | **$101,654** | **$339,162** |
| Balance at January 1, 2016 | $ - | $237,508 | $101,654 | $339,162 |
| Amortization | - | 175,908 | 54,473 | 230,381 |
| Disposals | - | (70,110) | - | (70,110) |
| **Balance at December 31, 2016** | $ - | **$343,306** | **$156,127** | **$499,433** |

c) Carrying amounts

| | Goodwill | Computer software | CCRA's | Total |
|---|---|---|---|---|
| December 31, 2015 | $515,359 | $715,247 | $865,281 | $2,095,887 |
| December 31, 2016 | 515,359 | 809,981 | 810,808 | 2,136,148 |

d) Goodwill impairment

Management has determined that the Corporation's rate regulated operations are one cash generating unit. Therefore, the goodwill was allocated to the Corporation as a whole. The annual impairment test is based on the Corporation's value in use. Value in use was determined by discounting the future cash flows of the Corporation and was based on the following key assumptions:

A detailed valuation of the Corporation was undertaken during 2016 based on financial results of the Corporation as at December 31, 2015. Cash flows were projected based on actual operating results and the cost of capital and rate of return as approved in the 2015 Cost of Service application. A discounted cash flow model was utilized based on free cash flows for 20 years, followed by a terminal value calculated based on a steady-state cash flow, with the terminal value within range of market-based terminal multiples. The recoverable amount of the Corporation was determined to be greater than the carrying value of goodwill and no impairment was recorded as at December 31, 2016 or December 31, 2015.

## 10. Income taxes:

| Income tax expense | 2016 | 2015 |
|---|---|---|
| Current tax expense: | | |
| Current year | $266,000 | $65,000 |
| Prior year | - | 29,000 |
| Total current tax expense | 266,000 | 94,000 |
| Deferred tax expense: | | |
| Change in recognized deductible temporary differences | 280,730 | 1,099,461 |
| Total current and deferred income tax in profit or loss, before movement of regulatory balance | 546,730 | 1,193,461 |
| Other comprehensive income: | | |
| Employee future benefits | (6,088) | (4,907) |
| Total current and deferred tax, before movement in regulatory balances | 540,642 | 1,188,554 |
| Net movement in regulatory balances | (274,642) | (1,094,554) |
| **Income tax expense recognized in statement of comprehensive Income** | **$266,000** | **$94,000** |

**Reconciliation of effective tax rate**

| | 2016 | 2015 |
|---|---|---|
| Income before taxes | $1,979,035 | $3,334,328 |
| Canada and Ontario statutory income tax rates | 26.5% | 26.5% |
| Expected tax provision on income tax at statutory rates | 524,445 | 883,597 |
| Increase (decrease) in income tax resulting from: | | |
| Permanent differences | 16,727 | 80,457 |
| Recognized deductible temporary difference due from customers | (274,642) | (1,094,554) |
| Other | (530) | 224,500 |
| **Income tax expense** | **$266,000** | **$94,000** |

| | 2016 | 2015 |
|---|---|---|
| Deferred tax assets (liabilities): | | |
| Property, plant and equipment | $129,847 | $567,223 |
| Cumulative eligible capital | (183,701) | (345,316) |
| Employee future benefits | 371,408 | 365,524 |
| Other | 248,849 | 253,614 |
| | $566,403 | $841,045 |

## 11. Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers as well as construction deposits. These customer deposits bear interest at the OEB's prescribed interest rate, which is the Bank of Canada's prime business rate less 2%.

Deposits from electricity distribution customers are refundable to customers demonstrating an acceptable level of credit risk as determined by the Corporation in accordance with policies set out by the OEB or upon termination of their electricity distribution service. Due to the demand nature of these deposits, they are classified as current liabilities.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to deferred revenue.

Customer deposits comprise:

| | 2016 | 2015 |
|---|---|---|
| Electricity deposits | $712,181 | $790,086 |
| Construction deposits | 195,254 | 551,045 |
| **Total customer deposits** | **$907,435** | **$1,341,131** |
| Consisting of: | | |
| Short-term | $781,855 | $804,679 |
| Long-term | 125,580 | 536,452 |

## 12. Employee future benefits:

(a) Employee future benefits, other than pension

The Corporation provides certain unfunded health, dental and life insurance benefits on behalf of its retired employees. These benefits are provided through a group defined benefit plan. The Corporation has reflected its share of the defined benefit costs and related liabilities, as calculated by the actuary, in these financial statements. The accrued benefit liability and the corresponding expense were based on results and assumptions determined by actuarial valuation as at December 31, 2016.

Changes in the present value of the defined benefit unfunded obligation and the accrued benefit liability:

| | 2016 | 2015 |
|---|---|---|
| **Defined benefit obligation, beginning of year** | $ 1,379,334 | $ 1,357,109 |
| Included in profit or loss: | | |
| Current service cost | 31,178 | 30,008 |
| Interest cost | 52,154 | 51,766 |
| | 83,332 | 81,774 |
| Included in OCI: | | |
| Actuarial (gains) losses arising from | | |
| changes in financial assumptions | (33,570) | - |
| changes in demographic assumptions | 1,158 | - |
| changes in experience adjustments | 55,385 | - |
| | 22,973 | - |
| Benefits paid during the year | (84,100) | (59,549) |
| **Defined benefit obligation, end of year** | **$1,401,539** | **$1,379,334** |

## 12. Employee future benefits (continued):

(a) Employee future benefits, other than pension (continued)

The significant actuarial assumptions used in the valuation are as follows:

| | 2016 | 2015 |
|---|---|---|
| Discount rate | 3.80% | 3.90% |
| Rate of compensation increase | 2.50% | 2.60% |
| Initial health care cost trend rate | 6.20% | 6.70% |
| Cost trend rate declines to | 4.50% | 4.60% |
| Year that rate reaches the rate it is assumed to be | 2025 | 2022 |
| Health and dental benefit cost trend rate | 4.50% | 4.60% |

Significant actuarial assumptions for benefit obligation measurement purposes are the discount rate and assumed medical and dental cost trend rates. The sensitivity analysis below has been determined based on reasonably possible changes in the assumptions, in isolation of one another, occurring at the end of the reporting period. This analysis may not be representative of the actual change since it is unlikely these changes in assumptions would occur in isolation from each other. The approximate effect on the accrued benefit obligation of the entire plan and the estimated net benefit expense of the entire plan if the health care trend rate assumption was increased or decreased by 1%, and all other assumptions were held constant, is as follows:

| | 2016 | 2015 |
|---|---|---|
| Benefit Obligation, end of year | $1,401,539 | $1,379,334 |
| 1% increase in health care trend rate | 33,000 | 49,000 |
| 1% decrease in health care trend rate | (31,000) | (44,000) |
| 1% increase in discount rate | (186,000) | (154,000) |
| 1% decrease in discount rate | 148,000 | 194,000 |

(b) Pension plan

The Corporation provides a pension plan for its employees through the Ontario Municipal Employees Retirement System (“OMERS”). The plan is a multi-employer, contributory defined benefit pension plan. In 2016, the Corporation made employer contributions of $337,925 to OMERS (2015 - $351,496). The Corporation’s net benefit expense has been allocated as follows:

- $48,024 (2015 - $46,304) capitalized as part of PP&E
- $276,282 (2015 - $284,574) charged to operating expenses
- $13,619 (2015 - $20,618) charged to CDM and billable work

The Corporation expects to contribute approximately $345,000 to the OMERS plan in 2017.

As at December 31, 2016, OMERS states that their plan was 93.4% funded (2015 – 91.5%). OMERS has a strategy to return the plan to a fully funded position. The Corporation is not able to assess the implications, if any, of this strategy or of the withdrawal of other participating entities from the OMERS plan on its future contributions. The Corporation’s contributions represent less than 1% of the total annual contributions to the OMERS plan.

## 13. Regulatory assets and liabilities:

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory balances.

In the tables below, the "Additions" column consists of new additions to regulatory balances (for both debits and credits). The "Recovery/reversal" column consists of amounts collected through rate riders or transactions reversing an existing regulatory balance. The "Other movements" column consists of reclassification between the regulatory debit and credit balances. For the years ended December 31, 2016 and 2015, the Corporation did not record any impairments related to regulatory debit balances.

| | January 1, 2016 | Additions | Recovery/ reversal | Other | December 31, 2016 | Notes |
|---|---|---|---|---|---|---|
| **Regulatory deferral account debit balances** | | | | | | |
| Settlement (Group 1) variances | $ 1,613,058 | $ 387,716 | $ (1,843,161) | $ 181,628 | $ 339,241 | (1) |
| Stranded meters | 1,997 | 216 | - | - | 2,213 | (2) |
| LRAM | 199,386 | 142,132 | (149,822) | - | 191,696 | (1) |
| Rate application costs | 227,427 | 2,197 | (56,400) | - | 173,224 | (3) |
| | **$ 2,041,868** | **$ 532,261** | **(2,049,383)** | **$181,628** | **$ 706,374** | |

| | January 1, 2015 | Additions | Recovery/ reversal | Other | December 31, 2015 | Notes |
|---|---|---|---|---|---|---|
| **Regulatory deferral account debit balances** | | | | | | |
| Settlement (Group 1) variances | $ 3,651,100 | $ (379,996) | $ (2,130,632) | $472,586 | $ 1,613,058 | (1) |
| Stranded meters | 234,537 | 1,065 | (233,605) | - | 1,997 | (2) |
| LRAM | 281,735 | 97,102 | (179,451) | - | 199,386 | (1) |
| Rate application costs | 3,725 | 283,827 | (60,125) | - | 227,427 | (3) |
| IFRS transition costs | 115,083 | - | (115,083) | - | - | (1) |
| Other | 97,169 | - | (97,169) | - | - | (1) |
| | **$4,383,349** | **$ 1,998** | **$(2,816,065)** | **$472,586** | **$ 2,041,868** | |

| | January 1, 2016 | Additions | Recovery/ reversal | Other | December 31, 2016 | Notes |
|---|---|---|---|---|---|---|
| **Regulatory deferral account credit balances** | | | | | | |
| Deferred taxes | $ (841,045) | $ 274,642 | $ - | $ - | $ (566,403) | (4) |
| Settlement (Group 1) variances | (910,529) | (1,706,395) | 1,843,161 | (181,628) | (955,391) | (5) |
| IFRS transition adjustments | (10,049) | (734) | - | - | (10,783) | (6) |
| | **$ (1,761,623)** | **$(1,432,487)** | **$ 1,843,161** | **$(181,628)** | **$ (1,532,577)** | |

| | January 1, 2015 | Additions | Recovery/ reversal | Other | December 31, 2015 | Notes |
|---|---|---|---|---|---|---|
| **Regulatory deferral account credit balances** | | | | | | |
| Deferred taxes | $(1,935,599) | $ 1,094,554 | $ - | $ - | $ (841,045) | (4) |
| Settlement (Group 1) variances | (2,516,537) | (577,472) | 2,656,066 | (472,586) | (910,529) | (5) |
| IFRS transition adjustments | (1,448,220) | (89,789) | 1,527,960 | - | (10,049) | (6) |
| Incremental Capital Rate rider | (504,420) | (269,708) | 774,128 | - | - | (7) |
| Tax related variances | (182,031) | - | 182,031 | - | - | (5) |
| | **$(6,586,807)** | **$ 157,585** | **$ 5,140,185** | **$(472,586)** | **$ (1,761,623)** | |

## 13. Regulatory assets and liabilities (continued):

1) As part of the 2015 COS application, debit deferral and variance account balances outstanding as at December 31, 2013 were approved by the OEB to be included as rate riders effective May 1, 2015 (implemented June 1, 2015) and were recovered over a 7-month period ending December 31, 2015. The changes in settlement (Group 1) balances outstanding from December 31, 2013 to December 31, 2014 were approved for disposition as part of the 2016 IRM application with rates effective January 1, 2016 to be collected over a 12-month period.

2) As part of the 2015 COS application, the OEB approved the disposition of stranded meters through a rate rider effective May 1, 2015 (implemented June 1, 2015) with recovery over a 7-month period ending December 31, 2015. Since the residual balance is not material, it will remain in place until the next COS application.

3) The 2015 COS rate application costs were approved for recovery by the OEB and are being amortized over a forty-three-month period ending December 31, 2019.

4) Disposition is not requested for the deferred tax balance as it is being reversed through timing differences in the recognition of deferred tax assets. No carrying charges are calculated on this balance.

5) As part of the 2015 COS application, credit deferral and variance account balances outstanding as at December 31, 2013 were approved by the OEB to be included as rate riders effective May 1, 2015 (implemented June 1, 2015) and were recovered over a 7-month period ended December 31, 2015. The changes in settlement (Group 1) balances outstanding from December 31, 2013 to December 31, 2014 were approved for disposition as part of the 2016 IRM application with rates effective Jan 1, 2016 to be collected over a 12-month period.

6) As part of the 2015 COS application, the OEB approved the disposition of the account 1575/76 IFRS transition account balance used to record the difference arising on adoption of new asset useful lives and overhead rates and write off of end-of-life assets. These account balances were included as a rate rider effective May 1, 2015 (implemented June 1, 2015) and were recovered over a 7-month period ended December 31, 2015. Since the residual balance is not material, it will remain in place until the next COS application.

7) As part of the 2015 COS application, the OEB approved the disposition of the ICM rate rider account to its respective PP&E, intangible asset and revenue and expense accounts, and recovery of an additional rate rider for a seven-month period ending December 31, 2015.

Carrying charges are applied to all regulatory account balances at the OEB prescribed interest rates, with the exception of the deferred tax assets on which no carrying charges are applied.

As of December 31, 2015, as a result of the 2015 COS application approval, by December 31, 2015 the Corporation had collected all variance account balances outstanding as of December 31, 2013. As part of the Corporation's 2016 IRM application, the change in debit and credit balance settlement (Group 1) variance accounts occurring during fiscal 2014 were approved as part of 2016 distribution rates for recovery over a 12-month period commencing January 1, 2016. As such, the risk associated with the recovery of variance accounts is limited to the incremental value of non-settlement variances arising since 2014 and incremental settlement variance balances arising in 2015 and 2016.

## 14. Long-term debt:

Long-term debt consists of the following:

| | 2016 | 2015 |
|---|---|---|
| Subordinate, secured loan advances from Infrastructure Ontario Projects Corporation (OIPC), bearing interest at 4.4% per annum, with payments of $100,585 due semi-annually, maturing June 15, 2025, secured by a general security agreement. | $1,413,798 | $1,548,306 |
| Subordinate, secured loan advances from Infrastructure Ontario Projects Corporation (OIPC), bearing interest at 3.98% per annum, with payments of $13,733 due semi-annually, maturing October 1, 2025, secured by a general security agreement. | 206,071 | 224,776 |
| Royal Bank revolving term loan, bearing interest at 2.93%, plus a stamping fee of 0.42%, payable in monthly principal instalments of approximately $35,000 plus interest, increasing by $1,000 yearly until maturity on May 31, 2038, secured by a general security agreement. | 12,601,000 | 13,007,000 |
| Notes payable to shareholder, bearing interest at 7.25% per annum, with interest payments only, due on demand, unsecured. | 15,600,000 | 15,600,000 |
| | **29,820,869** | **30,380,082** |
| Less: current portion | 16,179,947 | 16,159,213 |
| **Long-term debt** | **$13,640,922** | **$14,220,869** |

***Interest rate swap***

The Corporation entered into an interest rate swap agreement on a notional principal of $14,000,000 effective May 31, 2013, which matures May 31, 2038. The swap is a receive-variable, pay-fixed swap with the Royal Bank. This agreement has effectively converted variable interest rates to an effective fixed interest rate of 2.93% plus stamping fee of 0.42% on the Royal Bank revolving term loan. The stamping fee is subject to change every 10 years, with the first maturity being May 31, 2023.

The Corporation has determined this swap does not meet the standard to apply hedge accounting. Since the standard is not met, the interest rate swap contract has been recorded at its fair value at December 31, 2016 with the unrealized loss for the year of $8,267 (2015 – $262,014) recorded as a finance cost in the statements of comprehensive income.

## 15. Share capital:

| | 2016 | 2015 |
|---|---|---|
| **Authorized:** | | |
| Unlimited Class A special shares, non-cumulative, 5.0% | | |
| Unlimited Class B special shares | | |
| Unlimited Common shares | | |
| **Issued:** | | |
| 6,100 Class A special shares | $ 6,100,000 | $ 6,100,000 |
| 6,995 Common shares | 9,468,388 | 9,468,388 |
| | **$ 15,568,388** | **$15,568,388** |

Dividends paid on the 6,100 special shares during the year totalled $305,000 (2015 - $305,000). Dividends paid on the 6,995 common shares during the year totalled $875,000 (2015 - $475,660). A common share dividend was declared on December 15, 2016 and is payable on all common shares on record at December 31, 2016, with the dividend to be paid in 2017. The dividend amount payable at December 31, 2016 is $338,340 (2015- $399,340).

## 16. Other income:

| | 2016 | 2015 |
|---|---|---|
| Collection, late payment and other service charges | $ 228,209 | $ 234,999 |
| Pole attachment and other rental income | 188,907 | 188,453 |
| OEB CDM Performance incentive/IESO cost sharing | - | 221,926 |
| Miscellaneous | 378,544 | 275,502 |
| Solar generation | 34,688 | 35,520 |
| | **$830,348** | **$956,400** |

Collection, late payment and other service charges are based on service charge rates and retailer rates as approved by the OEB. Pole attachment and other rentals consist primarily of pole attachment charges and charges for office and service centre space.

The OEB in April 2016 approved the Corporation’s submission for a CDM Performance Incentive in the amount of $179,766 related to 2011-2014 CDM programs for meeting prescribed target levels. The IESO awarded $42,160 as a cost sharing incentive related to the 2011-2014 remaining performance based funding, as stipulated in the CDM agreement. These amounts were accrued as at December 31, 2015, and collected in 2016. There are no CDM Performance incentives available to be awarded for the 2016 CDM year.

Miscellaneous includes revenues from City of Stratford and Town of St. Marys water and sewage billing services, street lighting services, management fees charged to Festival Hydro Services Inc. and other revenue sources. In addition, marketable securities were sold for a gain of $18,518 in 2015.

## 17. Operating expenses:

| | 2016 | 2015 |
|---|---|---|
| Salaries and benefits | $ 3,315,410 | $ 3,359,079 |
| External services | 1,234,045 | 1,124,417 |
| Materials and supplies | 337,046 | 321,661 |
| Other support costs | 706,887 | 684,973 |
| | **$5,593,388** | **$5,490,130** |

## 18. Finance income and costs:

| | 2016 | 2015 |
|---|---|---|
| Interest income on loan to Corporation under common control | $2,426 | $39,224 |
| Interest on bank account | 2,227 | 358 |
| Interest on written off trade receivables | 4,127 | 4,009 |
| Dividends on marketable securities | - | 439 |
| Other | 249 | 1,530 |
| **Finance income** | **$ 9,029** | **$ 45,560** |
| Interest expense on demand notes payable | $1,131,000 | $1,131,000 |
| Interest expense on long-term debt | 504,643 | 511,778 |
| Unrealized loss on interest rate swap | 8,267 | 262,014 |
| Interest on revolving credit facility | 46,531 | 37,189 |
| Interest expense on deposits | 21,250 | 7,321 |
| Other interest expense | 18,872 | 554 |
| **Finance costs** | **$1,730,563** | **$1,949,856** |
| **Net finance costs** | **$1,721,534** | **$1,904,296** |

## 19. Related party transactions:

a) *Parent and ultimate controlling party*

The parent and sole shareholder of the Corporation is the Corporation of the City of Stratford (the "City"). The City of Stratford produces financial statements that are available for public use.

b) *Key management personnel*

The key management personnel of the Corporation has been defined as members of its Board of Directors and executive management team members. Total compensation of key management in 2016 was $568,589 (2015 - $529,601).

# Festival Hydro Inc.

**Notes to the Financial Statements**
**Year ended December 31, 2016**

## 19. Related party transactions (continued):

*c) Transactions with parent*

The following summarizes the Corporation's related party transactions, recorded at the exchange amounts, with the parent, City of Stratford, for the years ended December 31:

| | 2016 | 2015 |
|---|---|---|
| **Revenues:** | | |
| Energy sales | $2,634,981 | $2,215,699 |
| Water and sewer administration fee | 465,382 | 450,594 |
| Street lighting services | 23,185 | 36,707 |
| Service centre space rental | 34,213 | 33,673 |
| Total revenues | $3,157,761 | $2,736,673 |
| **Expenses:** | | |
| Interest on demand notes payable | $1,131,000 | $1,131,000 |
| Property taxes | 111,497 | 109,193 |
| Tree trimming | 89,177 | 70,713 |
| Total expenses | $1,331,674 | $1,310,906 |

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| **Receivable balances:** | | |
| Accounts receivable | $112,881 | $111,837 |
| **Payable balances:** | | |
| Accounts payable and accrued charges | $539,813 | $638,773 |
| Demand notes payable | 15,600,000 | 15,600,000 |
| Dividends payable | 338,340 | 399,340 |
| Total payables | $16,478,153 | $16,638,113 |
| Dividends paid | $1,119,000 | $780,660 |

*d) Transactions with corporations under common control of the parent*

The following summarizes the Corporation's related party transactions, recorded at the exchange amounts, with Festival Hydro Services Inc., a wholly-owned subsidiary of the City of Stratford, for the years ended December 31:

| | 2016 | 2015 |
|---|---|---|
| **Revenues:** | | |
| Operational services | $45,588 | $70,373 |
| Management fee | 36,867 | 78,230 |
| Office and fibre room rentals | 43,918 | 42,779 |
| Joint pole rentals | 36,141 | 35,544 |
| Interest earned | 2,426 | 39,224 |
| Energy sales | 30,239 | 29,215 |
| Water billing and collection services | 43,936 | - |
| Total revenues | $239,115 | $295,365 |
| **Expenses:** | | |
| Fiber and WIFI services | $179,711 | $229,426 |
| Information technology and management services | 269,175 | 27,650 |
| Total expenses | $448,886 | $257,076 |

## 19. Related party transactions (continued):

*d) Transactions with corporations under common control of the parent (continued)*

| Receivable balance: | December 31, 2016 | December 31, 2015 |
|---|---|---|
| | $96,889 | $67,446 |

## 20. Capital management:

The Corporation's main objectives when managing capital is to:

- ensure ongoing access to funding to maintain, refurbish and expand the electricity distribution system;
- ensure sufficient liquidity is available (either through cash and cash equivalents or committed credit facilities) to meet the needs of the business;
- ensure compliance with covenants related to its credit facilities; and
- prudent management of its capital structure with regard to recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation monitors forecasted cash flows, capital expenditures, debt repayment and key credit ratios. The Corporation manages capital by preparing short-term and long-term cash flow forecasts, statements of financial position and comprehensive statements of income. In addition, the Corporation accesses its revolving credit facility to fund net periodic net cash outflows and to maintain available liquidity.

There have been no changes in the Corporation's approach to capital management during the year. As at December 31, 2016, the Corporation's definition of capital included borrowings under its revolving credit facility, long-term debt and obligations including the current portion thereof, and equity, and had remained unchanged from the definition as at December 31, 2015. As at December 31, 2016, equity amounted to $23,967,778 (2015 - $23,373,743), and borrowings in the form of demand notes payable and long-term debt, including the current portion thereof, amounted to $29,820,869 (2015 - $30,380,082).

The OEB regulates the amount of deemed interest on debt and rate of return that may be recovered by the Corporation, through its electricity distribution rates, in respect of its regulated electricity distribution business. The OEB permits such recoveries on the basis of a deemed capital structure represented by 60% debt and 40% equity. The actual capital structure and finance costs for the Corporation may differ from the OEB deemed structure.

The Corporation is subject to debt agreements that contain various covenants. The Corporation's credit agreement with a Canadian chartered bank provides a revolving demand facility, letter of guarantee which is posted with the IESO as prudential support, and a long-term loan facility. These combined facilities are subject to a funded indebtedness debt to equity ratio of no more than 65%. Long term lending arrangements with Infrastructure Ontario ("OICP") are subject to meeting a debt to equity test of no greater than 75:25 and debt servicing ratio of no less than 1.30 times.

The Corporation has customary covenants typically associated with long-term debt. As at December 31, 2016 and December 31, 2015, the Corporation was in compliance with all with all credit agreement covenants and limitations associated with its long-term debt.

## 21. Financial instruments and risk management

### Fair value disclosure

The carrying values of accounts receivable, unbilled revenue, and the revolving term facility, accounts payable and accrued liabilities approximated their fair values due to the short maturity of these instruments. The fair values of customer deposits approximate their carrying amounts taking into account interest accrued on the outstanding balance. Cash and cash equivalents are measured at fair value. During 2015, the available for sale marketable security was sold in its entirety for a gain of $18,518.

The swap agreement is measured at fair value, which is provided by a third-party, banking institution and is based on market rates at the date of the valuation. The valuation of the interest rate swap resulted in an unrealized loss recorded on the statement of financial position at December 31, 2016 of $807,158 (December 31, 2015 - unrealized loss of $798,891).

The fair value of the long-term borrowings is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The carrying amounts and fair values of the Corporation's long term loans consist of the following:

| | 2016 | 2015 |
|---|---:|---:|
| **Carrying amounts:** | | |
| Demand notes payable, 7.25% | $15,600,000 | $15,600,000 |
| OIPC 4.4% maturing June 15, 2025 | 1,413,798 | 1,548,306 |
| OIPC 3.98% maturing October 1, 2025 | 206,071 | 224,776 |
| Term Loan 2.93% maturing May 1, 2038 plus stamping fee of 0.42% maturing May 1, 2023 | 12,601,000 | 13,007,000 |
| **Total** | **$29,820,869** | **$30,380,082** |

| | 2016 | 2015 |
|---|---:|---:|
| **Fair values:** | | |
| Demand notes payable valued based on current OIPC posted 25-year rate of 3.63% | $18,380,330 | $18,559,931 |
| OIPC 4.4% maturing June 15, 2025 using current OIPC posted 10-year rate of 2.70% | 1,509,329 | 1,670,465 |
| OIPC 3.98% maturing October 1, 2025, using current OIPC posted 10-year rate of 2.70% | 216,881 | 238,659 |
| Term Loan 2.93 % plus stamping fee of 0.42% maturing May 1, 2023, using rate of 3.14% | $12,726,130 | $12,994,195 |
| **Total** | **$32,832,670** | **$33,463,250** |

## 21. Financial instruments and risk management (continued):

**Financial risks**

The following is a discussion of financial risks and related mitigation strategies that have been identified by the Corporation for financial instruments. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks listed. The Corporation's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

a) *Credit risk*

The Corporation is exposed to credit risk as a result of the risk of counterparties defaulting on their obligations. The Corporation's exposure to credit risk primarily relates to accounts receivable and unbilled revenue. The Corporation monitors and limits its exposure to credit risk on a continuous basis.

The Corporation's credit risk associated with accounts receivable and unbilled revenue is primarily related to electricity bill payments from electricity customers. The Corporation obtains security deposits from certain customers in accordance with direction provided by the OEB and as outlined in the Corporation's conditions of service. As of December 31, 2016, the Corporation held security deposits related to electricity receivables in the amount of $712,181 (2015 - $790,086).

As at December 31, 2016, there were no significant concentrations of credit risk with respect to any one customer. No single customer accounts for revenue in excess of 5% of total distribution revenue. The Corporation earns its revenue from a broad base of approximately 20,900 customers (2015 - 20,600 customers) located throughout its service territory.

The credit risk and mitigation strategies with respect to unbilled revenue are the same as for accounts receivable. The credit risk related to cash is mitigated by the Corporation's treasury policies on assessing and monitoring the credit exposures of counterparties.

Credit risk associated with electricity accounts receivable and unbilled revenue (electricity only) is as follows:

| | 2016 | 2015 |
|---|---|---|
| Not more than 30 days | $ 4,069,502 | $ 2,302,627 |
| More than 30 but less than 90 days | 301,703 | 198,887 |
| More than 90 days | 4,215 | 883 |
| Less allowance for impairment | (135,621) | (135,936) |
| Unbilled revenue | 9,569,483 | 8,425,940 |
| | **$13,809,282** | **$10,792,401** |

## 21. Financial instruments and risk management (continued):

*a) Credit risk (continued)*

As at December 31, 2016, the Corporation’s accounts receivable and unbilled revenue which were not past due or impaired were assessed by management to have no significant collection risk and no additional allowance for impairment was required for these balances.

Reconciliation between the opening and closing allowance for impairment is as follows:

| | 2016 | 2015 |
|---|---|---|
| Balance, beginning of year | $ 135,936 | $ 138,186 |
| Provision for impairment | 73,502 | 75,000 |
| Write offs | (93,181) | (100,604) |
| Recoveries | 19,364 | 23,354 |
| **Balance, end of year** | **$135,621** | **$135,936** |

Unbilled revenue represents amounts for which the Corporation has a contractual right to receive cash through future billings and are unbilled at year end. Unbilled revenue is considered current and no provision for impairment was established as at December 31, 2016 (2015 – nil).

*b) Interest rate risk*

The Corporation is exposed to fluctuations in interest rates for the valuation of its employee future benefit obligations (note 12). The Corporation is also exposed to short-term interest rate risk on the net of cash position and short-term borrowings under its Revolving Credit Facility and customer deposits. The Corporation manages interest rate risk by monitoring its mix of fixed and floating rate instruments, and taking action as necessary to maintain an appropriate balance.

As at December 31, 2016, aside from the valuation of its employee future benefit obligations, the Corporation was exposed to interest rate risk predominately from short-term borrowings under its revolving credit facility and customer deposits, while most of its remaining obligations were either non-interest bearing or bear fixed interest rates, and its financial assets were predominately short-term in nature and mostly non-interest bearing. The Corporation estimates that a 100 basis point increase in short-term interest rates, with all other variables held constant, would result in an increase of approximately $47,625 (2015 - $22,572) to annual finance costs. A decrease of 100 basis points would result in a reduction in financing costs of $38,518 (2015 – $21,094).

*c) Liquidity risk*

The Corporation is exposed to liquidity risk related to its ability to fund its obligations as they become due. The Corporation monitors and manages its liquidity risk to ensure access to sufficient funds to meet operational and financial requirements. The Corporation has access to credit facilities and monitors cash balances daily. The Corporation’s objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing finance costs.

The Corporation has a revolving credit facility available of $10,000,000 with a Canadian chartered bank. As at December 31, 2016, $2,610,793 (2015 - $247,222) was drawn on this facility.

# Festival Hydro Inc.

**Notes to the Financial Statements**
**Year ended December 31, 2016**

## 21. Financial instruments and risk management (continued):

Financial risks (continued)

*c) Liquidity risk (continued)*

As a purchaser of electricity through the Independent Electricity System Operator ("IESO"), the Corporation is required to provide security to minimize the risk of default based on its expected activity in the market. The IESO may draw on this security of the Corporation fails to make payment required by a default notice issue by the IESO. The Corporation has a $3.6 million revolving term facility by way of a letter of guarantee with a Canadian chartered bank, of which $3,095,139 (2015 - $3,095,139) has been assigned to secure the prudential support required by the IESO.

The majority of accounts payable, as reported on the statement of financial position, is due within 30 days. Liquidity risks associated with financial commitments are as follows:

**December 31, 2016**

| | Due within 1 year | Due within 1 to 5 years | Due> 5 years | Total |
|---|---|---|---|---|
| **Revolving credit facility** | $ 2,609,133 | $ - | $ - | $ 2,609,133 |
| **Accounts payable and accrued liabilities** | 8,567,823 | - | - | 8,567,823 |
| **Due to City of Stratford** | 878,153 | - | - | 878,153 |
| **Interest on demand notes payable at 7.25%** | 1,131,000 | 4,524,000 | - | 5,655,000 |
| **OIPC 4.4% maturing June 15, 2025** | 140,491 | 627,301 | 646,007 | 1,413,799 |
| **OIPC 3.98% maturing October 1, 2025** | 19,457 | 85,968 | 100,646 | 206,071 |
| **Term Loan 2.93 % plus stamping fee of 0.42% maturing May 1, 2023** | 420,000 | 1,815,000 | 10,366,000 | 12,601,000 |
| **Interest payments on long-term loans** | 483,286 | 1,720,074 | 3,176,442 | 5,379,802 |
| | $ 14,249,343 | $ 8,772,343 | $ 14,289,095 | $ 37,310,781 |

**December 31, 2015**

| | Due within 1 year | Due within 1 to 5 years | Due> 5 years | Total |
|---|---|---|---|---|
| **Revolving credit facility** | $ 245,562 | $ - | $ - | $ 245,562 |
| **Accounts payable and accrued liabilities** | 9,177,222 | - | - | 9,177,222 |
| **Due to City of Stratford** | 1,038,113 | - | - | 1,038,113 |
| **Interest on demand notes payable at 7.25%** | 1,131,000 | 4,524,000 | - | 5,655,000 |
| **OIPC 4.4% maturing June 15, 2025** | 134,507 | 600,584 | 813,214 | 1,548,306 |
| **OIPC 3.98% maturing October 1, 2025** | 18,705 | 82,646 | 123,425 | 224,776 |
| **Term Loan 2.93 % plus stamping fee of 0.42% maturing May 1, 2023** | 406,000 | 1,760,000<br>- | 10,841,000<br>- | 13,007,000<br>- |
| **Interest payments on long-term loans** | 504,942 | 1,808,844 | 3,570,958 | 5,884,744 |
| | $ 12,656,051 | $ 8,776,074 | $ 15,348,597 | $ 36,780,723 |

## 22. Commitments and contingencies:

### Operating leases

The Corporation entered into a non-cancellable operating lease for service centre space for a period of five years dated November 15, 2015. The contract is subject to an annual increase based on the Ontario Consumer Price Index. Minimum lease payments required are $908 per month for 2017.

### Connection and cost recovery agreement - St. Mary's transformer station

The Corporation and Hydro One Networks Inc. entered into a twenty-five-year capital cost recovery agreement ("CCRA") in September, 2002 relating to Hydro One Networks Inc. building new feeder positions at the existing St. Mary's Transformer Station. Under the terms of the agreement, the Corporation has guaranteed new load growth which, if not met, would require the Corporation to provide a financial contribution toward the capital investment of the transformer station.

The CCRA has been trued-up effective July 5, 2013. Since load growth had fallen below a target amount, a cumulative contribution in the amount of $550,200 has been paid to Hydro One Networks (none paid in 2016). This amount has been recorded as an intangible asset subject to 15-year amortization over the remaining life of the agreement. The agreement is subject to true up effective on the fifteenth year of the agreement in July 2018.

### Connection and cost recovery agreement-Stratford transformer station ("Festival Hydro MTS1")

The Corporation and Hydro One Networks Inc. entered into a twenty-five-year capital cost recovery agreement in November, 2012, relating to Hydro One Networks Inc. building a new 230kV line to connect Festival Hydro`s MTS1 to Hydro One`s 230kV circuit. Under the terms of the agreement, the Corporation has guaranteed new load growth which, if not met, would require the Corporation to provide a financial contribution toward the capital investment. The CCRA is trued-up (a) following the fifth and tenth anniversaries of the in-service date; and (b) following the fifteenth anniversary of the in-service date if the actual load is 20% higher or lower than the load forecast at the end of the tenth anniversary of the in-service date. The fifth anniversary of the in-service date will be in November 2017, at which time the need for a contribution will be determined based on actual new load growth.

### General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation’s financial position, results of operations or its ability to carry on any of its business activities.

### General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (“MEARIE”). MEARIE is a pooling of public liability insurance risks of many of the electrical utilities in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members on a pro-rata basis based on the total of their respective service revenues. It is anticipated that should such an assessment occur it would be funded over a period of up to 5 years. As at December 31, 2016, no assessments had been made.

Festival Hydro INC.

**TO:** Chair Tom Clifford and the Finance & Labour Relations Committee
**FROM:** Ysni Semsedini, CEO, Festival Hydro
**RE:** Financial Statement Commentary for the year ended Dec 31, 2016

Net income for the year is $1.7M, which is $149K below budget. Detailed commentary on the balance sheet and statement of operations are noted below:

**BALANCE SHEET COMMENTARY:**

**Cash indebtedness** - has grown from the previous year by $2.4 million. During 2016, Festival paid $1.5 million to Hydro One for the Permanent Bypass Agreement and St. Marys CCRA. Festival also paid out $399K more in dividends in 2016 compared to 2015 as a result of moving the payment of the top up dividend to the following year. Another driver is the rising cost of power which has tied up more cash in the form of receivables and unbilled revenue. Power purchased increased by $7.2 million or 10.1% over the previous year.

**Accounts Receivable** – Accounts receivable is up by $1.8M over the previous year, driven primarily by higher cost of power.

**Unbilled Revenue** – Unbilled revenue is up by $1.1 million, primarily due to higher cost of power and remaining repayment due on 2016 variance account rate riders.

**Fixed Assets & Intangible Assets –** Fixed assets and intangible assets combined have increased as a result of capital spending being around $286K more than depreciation for the year.

**Regulatory Assets –** Regulatory assets have reduced by $1.1 million from one year earlier as a result of OEB approved 2016 rate rider recoveries, which will be substantially completed by mid-February 2017.

**Financial Statement Commentary for the year ended Dec 31, 2016**

**Accounts Payable –** has reduced by $541K primarily as a result of the Hydro One payment.

**Dividend declared –** In October 2016, Festival Hydro recommended to the City a top-up dividend of $338,340, with total dividends for the year of $1,119,000 (to be paid in Q2 2017 after final audited financial statements are complete).

**Unrealized Loss on Interest Rate Swap –** There was an $8,267 further loss on the interest rate swap as reported by RBC. Note that this book value (now at $807,158) varies annually based on rates. There is no gain/loss to be realized if the loan and related swap agreement are held to maturity**.**

**INCOME STATEMENT COMMENTARY**

**Service Revenues and Cost of Power -** Service Revenues and Cost of Power increased over the previous year as a result of much higher cost of power, which has been reflected on customers' electricity bills over the past year.

**Gross Margin on Service Revenue (Distribution Revenue) –** The gross margin on service revenue (or Distribution Revenue) is above budget by $48K.

**Operating and Maintenance (O & M) Expenses** – O & M spending is $42K below budget for the year primarily as a result of lower meter maintenance costs.

**Billing & Collecting Costs** – Billing and collecting costs are $44K below budget primarily as a result of being short one IT staff member for the last four months of the year.

**Administration Costs-** Administration costs are over budget by $223K as a result of unbudgeted admin projects being completed in the year.

**Current Income Tax - Current Income Tax -** The current provision of $266K for December 31, 2016 is at an effective tax rate that is below the statutory tax rate. The CCA deduction for tax purposes is substantially greater than the depreciation expense for accounting driving our effective tax rate down.

**Unrealized Loss on Interest Rate Swap –** There was an $8,267 further loss on the interest rate swap as reported by RBC. This is a paper entry as long as the loan and related swap are held to maturity.

**LOAN COVENANT RATIOS**

The Loan Covenant liquidity ratios and debt to equity ratios as prescribed by our major lenders, RBC and Infrastructure Ontario are being met.

# Festival Hydro Inc.
# Balance Sheet
# as at December 31, 2016

*21/04/2017 Final*

| ASSETS | 12/31/2015 | 12/31/2016 |
|---|---|---|
| **Current** | | |
| Accounts Receivable | 3,894,089 | 5,746,179 |
| Inventory | 134,210 | 121,944 |
| Prepaid Expenses | 393,951 | 385,327 |
| Due from Festival Hydro Services Inc | 67,446 | 96,889 |
| Corporate PILs recoverable | 354,548 | 34,031 |
| Unbilled Revenue | 8,425,940 | 9,569,483 |
| Total Current Assets | 13,270,185 | 15,953,854 |
| **Fixed Assets** | | |
| Gross Book Value | 55,761,556 | 57,762,207 |
| Accumulated Depreciation | (4,133,271) | (5,888,017) |
| Net Book Value | 51,628,285 | 51,874,190 |
| **Intangible Assets (net of amortization)** | 2,095,887 | 2,136,148 |
| **Future Payment in Lieu of Income Taxes** | 841,045 | 566,403 |
| **Regulatory Assets (Liabilities)** | 280,246 | (826,203) |
| **Total Assets** | **68,115,648** | **69,704,392** |
| **LIABILITIES** | | |
| **Current** | | |
| Bank Indebtedness | 245,562 | 2,609,133 |
| Accounts Payable & Current Liabilities | 9,869,511 | 9,328,292 |
| Dividends Declared | 399,340 | 338,340 |
| Current Portion of Deposits | 804,679 | 781,855 |
| Current Portion of Long-Term Loans | 559,212 | 579,947 |
| Promissory Note | 15,600,000 | 15,600,000 |
| Total Current Liabilities | 27,478,304 | 29,237,567 |
| **Employee Future Benefits** | 1,379,334 | 1,401,539 |
| **Deferred Revenue** | 328,054 | 523,847 |
| **Unrealized Loss on Interest Rate Swap** | 798,891 | 807,158 |
| **Long Term Debt** | | |
| Long Term Consumer Deposits | 536,452 | 125,580 |
| Infrastructure Ontario Loan -L.T. Portion | 1,619,869 | 1,459,922 |
| RBC Loan | 12,601,000 | 12,181,000 |
| Total Long Term Debt | 14,757,321 | 13,766,502 |
| **Equity** | | |
| Share Capital - Common | 15,568,388 | 15,568,388 |
| Accumulated Other comprehensive income | (112,048) | (135,021) |
| Retained Earnings | 7,917,403 | 8,534,411 |
| Total Equity | 23,373,743 | 23,967,778 |
| **Total Liabilities and Equity** | **68,115,648** | **69,704,392** |

# Festival Hydro Inc.
## Statement of Operations
## For the Year Ended December 31, 2016

*04/21/2017 MIFRs Version*

| | 2015 YTD Actual | 2016 YTD Budget | 2016 YTD Actual | 2016 YTD Budget Variance |
|---|---|---|---|---|
| **Revenue** | | | | |
| Service Revenue | $81,978,026 | $85,535,353 | $89,518,859 | **$3,983,506** |
| **Cost of Power** | 71,472,888 | 74,784,222 | 78,718,905 | **$3,934,683** |
| Gross Margin on Service Revenue | $10,505,138 | $10,751,131 | $10,799,954 | **$48,823** |
| **Other Operating Revenue** | 851,262 | 781,153 | 813,094 | **$31,941** |
| **Operating and Maintenance Expense** | | | | |
| Distribution & TS Station Operations | 139,698 | $149,194 | 125,434 | **-$23,760** |
| Distribution Lines & Services Overhead | 1,269,138 | 1,270,462 | 1,257,171 | **-$13,291** |
| Distribution Lines & Services Underground | 155,670 | 151,538 | 158,416 | **$6,878** |
| Distribution Transformers | 49,570 | 46,231 | 41,391 | **-$4,840** |
| Distribution Meters | 348,289 | 355,599 | 360,652 | **$5,053** |
| Customer Premises | 193,240 | 202,531 | 190,007 | **-$12,524** |
| Total Operating and Maintenance | $2,155,605 | $2,175,555 | $2,133,071 | **-$42,484** |
| **Administration** | | | | |
| Billing, Collecting and Meter Reading | 1,251,776 | $1,339,990 | 1,295,739 | **-$44,251** |
| Administration | 1,907,097 | 2,090,717 | 2,314,193 | **$223,476** |
| Total Administration | $3,158,873 | $3,430,707 | $3,609,931 | **$179,224** |
| Allocated Depreciation | ($161,976) | ($151,164) | ($165,255) | **-$14,091** |
| Total Controllable Cost | $5,152,501 | $5,455,098 | $5,577,747 | **$122,649** |
| **Net Income Before Dep'n, Interest & Tax** | 6,203,899 | 6,077,186 | 6,035,301 | **-$41,885** |
| Depreciation | 2,225,052 | 2,298,066 | 2,322,251 | **$24,185** |
| Interest Expense | 1,709,961 | 1,684,535 | 1,731,187 | **$46,652** |
| Interest Revenue | (84,975) | (21,721) | (28,412) | **-$6,691** |
| **Net income before Swap, ICM & PBA and Inc Taxes** | 2,353,861 | 2,116,306 | 2,010,275 | **(106,031)** |
| Current Tax | 94,000 | 253,957 | 266,000 | **$12,043** |
| **Net income before Swap & ICM** | 2,259,861 | 1,862,349 | 1,744,275 | **-$118,074** |
| Net income on ICM account disposition | (1,260,999) | | | |
| Unrealized loss on Swap | 262,014 | | 8,267 | **$8,267** |
| OCI - 2015 Gain on Security; 2016 -Loss on Future Emp Benefits remeasurement) | (18,518) | | 22,973 | **$22,973** |
| **Net Income** | **3,240,328** | **1,862,349** | **1,713,035** | **(149,314)** |

| Key Financial Ratios: | Actual Ratio | Required Ratio |
|---|---|---|
| RBC Compliance Ratio - Funded Debt to Total Capital | 0.58 | Less than 0.65 |
| Infrastructure Ont Compliance - Debt to Equity Test | 43:57 | Less than 75:25 |
| Infrastructure Ont Compliance - Debt Service Ratio | 1.96 | Not less than 1.30 X |

| Income Impact of Unbundling ICM Variance Accounts | Budget for year 2015) | Actual (2015) |
|---|---|---|
| ICM Rate Rider (Distribution Revenue) to Apr 30, 2015 | 1,376,575 | 1,369,599 |
| ICM Rate Rider true up Income to be collected over 7 mths | 554,808 | 529,558 |
| Depreciation Expense | (365,781) | (365,781) |
| O & M Expenses | (40,000) | (40,000) |
| Interest Expense - net Regulatory Debits | (232,377) | (232,377) |
| **Net income on ICM disposition and new rate rider** | **1,293,225** | **1,260,999** |

| Permanent Bypass Expense | Budget for year 2015) | Actual (2015) |
|---|---|---|
| Permanent Bypass charge to Expense | (1,431,117) | (932,094) |
| Permanent Bypass 2015 RR Recovery -being collected over 31 mo | 277,748 | 278,970 |
| OEB direction to set up as receivable | | 653,124 |
| **Net Permanent Bypass loss in 2015** | **(1,153,369)** | **(0)** |

**Festival Hydro Inc.**

**STATEMENT OF CAPITAL**

**AS AT DECEMBER 31**

*21/04/2017 Final*

| | 2016 Budget (excludes subdivisions) | 2016 Y.T.D. Actual (excludes subdivisions) | 2016 Total Y.T.D. Actual (includes subdivisions) |
|---|---|---|---|
| Distribution Overhead | 902,000 | 696,760 | 696,760 |
| Underground Conductor and Devices | 515,000 | 528,134 | 587,134 |
| Distribution Transformers | 279,000 | 288,191 | 309,191 |
| Services | 320,000 | 302,474 | 315,974 |
| Distribution Meters | 89,000 | 97,885 | 97,885 |
| Scada/Distribution Automation | 50,000 | 38,213 | 38,213 |
| Tools and Miscellaneous Equipment | 30,000 | 22,343 | 22,343 |
| **DISTRIBUTION SUB-TOTAL** | **2,185,000** | **1,973,999** | **2,067,499** |
| Lands and Buildings | 133,500 | 153,023 | 153,023 |
| Non utility | | 7,193 | 7,193 |
| Vehicles and Trailers | 30,000 | 30,426 | 30,426 |
| Computer Equipment | 333,000 | 349,236 | 349,236 |
| **OTHER CAPITAL SUB-TOTAL** | **496,500** | **532,685** | **539,878** |
| **TOTAL CAPITAL** | **2,681,500** | **2,506,683** | **2,607,376** |
| | | *93.5%* | *97.2%* |

**Festival Hydro Inc.**

**STATEMENT OF CASH POSITION**

**AS AT DECEMBER 31**

*21/04/2017 Final*

| | 2014 Y.T.D. Actual | 2015 Y.T.D. Actual |
|---|---|---|
| Cash from Operations | | |
| Net Income | $3,240,328 | $1,713,035 |
| Depreciation | 2,225,052 | 2,322,251 |
| Unrealized loss on interest rate swap & FEB | 243,496 | 31,240 |
| Net Change in Receivables/Payables | 1,942,780 | (1,215,202) |
| Net change in regulatory liabilities | (2,483,706) | (1,106,449) |
| Interco receivable from Rhyzome | 1,293,472 | (29,443) |
| Contributed Capital | 181,876 | 206,585 |
| Total Cash Provided | $6,643,298 | $1,922,017 |
| | | |
| Cash Used: | | |
| Principal Repayment of Long Term Loans | $540,761 | $559,212 |
| Dividends Paid | 780,660 | 1,119,000 |
| Capital Expenditures | 2,897,146 | 2,607,376 |
| | 4,218,567 | 4,285,588 |
| Increase (Decrease) in Cash Position | 2,424,732 | (2,363,571) |
| Bank Indebtedness, Beginning of Year | (2,670,294) | (245,562) |
| Bank Indebtedness, End of Year | **($245,562)** | **($2,609,133)** |
| | 245,562 | 2,609,133 |

**RESOLUTION OF THE SOLE SHAREHOLDER OF FESTIVAL HYDRO INC. (the "Corporation")**

RESOLVED THAT:

1. The financial statements of the Corporation as of December 31, 2016 consisting of the Statements of Financial Position as at December 31, 2016, the Statements of Comprehensive Income for the year ended December 31, 2016, the Statements of Changes in Equity for the year ended December 31, 2016, and the Statements of Cash Flow for the year ended December 31, 2016; the notes to the financial statements; and; the report of the auditors thereon dated April 27, 2017 be and the same are hereby approved and adopted.

2. All acts, contracts, by-laws, proceedings, appointments, elections and payments enacted, made, done and taken by the directors and officers of the Corporation since the last annual meeting of the shareholder as the same are set out or referred to in the minutes of the meetings and resolutions of the board of directors or referred to or given effect to in the aforesaid financial statements be and the same are hereby approved, ratified and confirmed.

3. KPMG LLP be and they are hereby appointed auditors of the Corporation until the next annual meeting at a remuneration to be fixed by the directors, the directors being hereby authorized to fix such remuneration.

The foregoing resolution is signed by the sole Shareholder of the Corporation pursuant to the *Business Corporations Act* this day of , 2017.

The Corporation of the City of Stratford

Per: ________________________
Mayor:

Per: ________________________
Clerk:

Festival Hydro INC.

**TO:** Chair Tom Clifford and the Finance & Labour Relations Committee
**FROM:** Ysni Semsedini, CEO, Festival Hydro
**RE:** Financial Statement Commentary for the year ended March 31, 2017

Net income for the period is $443K, which is $80K below the YTD budget. Detailed commentary on the balance sheet and statement of operations are noted below:

**BALANCE SHEET COMMENTARY:**

**Cash indebtedness** - has grown from the previous year by $220k up to $417K, however is down significantly from the year-end balance. The improvement in the balance is mainly the result of the change in receivables and variance accounts in the quarter.

**Accounts Receivable** – Accounts receivable is down $470k from Q1 of the prior year which is in line with the reduction in service revenues billed this quarter.

**Due from Festival Hydro Services (FHSI) –**The amount due from FHSI has been reduced by $46K since Q1 of 2016.

**Unbilled Revenue** – Unbilled revenue is $199K lower than Q1 of 2016 mainly as a result of commodity prices not changing in November 2016. Also, in 2016 Festival was making larger recoveries through rate riders. In 2017, Festival is returning amounts to customers through rate riders.

**Regulatory Assets –** Regulatory assets have reduced from Q1 2016 as a result of the receipt of rate riders from OEB approved recoveries as well as the movement in RSVA accounts.

**Accounts Payable –** is $1.6M lower than one year ago mainly due to payment to Hydro One for CCRAs which occurred in Q2 of 2016.

**Deferred Revenue** – Deferred revenue is $466K higher than Q1 2016 as a result of more contributed capital based on timing of sub-development construction and rebates payable to developers.

**INCOME STATEMENT COMMENTARY**

**Service Revenues and Cost of Power –** Both service revenue and cost of power are under budget to March 31, 2017 as a result of the budget including a rate increase for both service revenues and their costs, however the rates were not changed effective November 1, 2016 as anticipated. As these are simply flow through items, they do not impact distribution revenues.

**Gross Margin on Service Revenue (Distribution Revenue) –** The gross margin on service revenue (or Distribution Revenue) is below budget by $37K. Traditionally Q1 revenue is higher than budget, however we had a milder than normal winter. In addition, the budget includes battery storage sales which will not be recognized until later in the year.

**Operating and Maintenance (O & M) Expenses** – O&M costs are over budget by $32K at the end of Q1. This is reasonable based on history in that typically maintenance projects are completed in the first quarter of the year.

**Billing & Collecting Costs** – Billing and collecting costs are $32K below budget primarily as a result of being short one IT staff member. Also note that Festival is making efforts to convert customers to e-billing to reduce postage costs and anticipate more savings in future quarters.

**Administration Costs-** Administration costs are over budget by 26K to the end of Q1. This overage is driven by Festival incurring the full spend of the school safety program in the first quarter which is annualized in the budget. In addition, $3K was spent on an initiative to entice customers to move to paperless billing by offering a donation to the United Way each time a customer moves from a paper bill to an online bill. This amount was not budgeted for, however with each transition to online billing, Festival will see reduced postage costs on an ongoing basis.

**LOAN COVENANT RATIOS**

The Loan Covenant liquidity ratios and debt to equity ratios as prescribed by our major lenders, RBC and Infrastructure Ontario are being met.

# Festival Hydro Inc.
## BALANCE SHEET
## As at MARCH 31, 2017

| | | 31-Mar-16 | | 31-Mar-17 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current** | | | | |
| Accounts Receivable | $ | 5,140,180 | $ | 4,670,714 |
| Inventory | | 258,324 | | 210,048 |
| Prepaid Expenses | | 283,086 | | 332,399 |
| Due from FHSI | | 116,162 | | 70,004 |
| Unbilled Revenue | | 8,438,993 | | 8,239,694 |
| | $ | 14,236,746 | $ | 13,522,859 |
| **Fixed Assets** | | | | |
| Gross Book Value | $ | 55,942,268 | $ | 58,144,519 |
| Accumulated Depreciation | | (4,663,890) | | (6,493,904) |
| Net Book Value | $ | 51,278,379 | $ | 51,650,615 |
| Future Payments in Lieu of taxes | $ | 841,045 | $ | 566,403 |
| Intangible Assets | $ | 2,098,827 | $ | 2,103,651 |
| Regulatory Assets | $ | 143,600 | $ | (687,837) |
| **Total Assets** | **$** | **68,598,597** | **$** | **67,155,692** |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Bank Indebtedness | $ | 196,719 | $ | 416,638 |
| Accounts Payable & Current Liabilities | | 10,158,033 | | 8,564,747 |
| Dividend payable | | 399,340 | | 338,340 |
| Current Portion of Consumer Deposits | | 757,778 | | 737,135 |
| Current Portion of Long-Term Debt | | 459,212 | | 497,649 |
| Promissory Note | | 15,600,000 | | 15,600,000 |
| Total Current Liabilities | $ | 27,571,082 | $ | 26,154,509 |
| Unrealized loss on interest rate swap | $ | 779,846 | $ | 807,158 |
| Deferred Revenue | $ | 326,104 | $ | 792,259 |
| Employee Future Benefits | $ | 1,389,834 | $ | 1,412,039 |
| Long Term Debt | | | | |
| Consumer Deposits over one year | $ | 536,452 | $ | 125,580 |
| RBC Loan - LT Portion | | 12,601,000 | | 12,181,000 |
| Infrastructure Ontario Loan- LT Portion | | 1,619,869 | | 1,459,922 |
| | | 14,757,321 | | 13,766,502 |
| Equity | | | | |
| Share Capital | $ | 15,568,388 | $ | 15,568,388 |
| Other comprehensive income | | (112,048) | | (135,021) |
| Retained Earnings | | 8,318,071 | | 8,789,857 |
| Total Equity | $ | 23,774,411 | $ | 24,223,224 |
| **Total Liabilities and Equity** | **$** | **68,598,597** | **$** | **67,155,692** |

## Festival Hydro Inc. STATEMENT OF OPERATIONS For the Period Ending MARCH 31

| | 2016 Y.T.D. Actual | 2017 Y.T.D. Budget | 2017 Y.T.D. Actual | 2017 Y.T.D. Budget Variance |
|---|---|---|---|---|
| **Revenue** | | | | |
| Service Revenue | $21,855,186 | $22,962,999 | $21,298,533 | ($1,664,465) |
| **Cost of Power** | 19,155,720 | 20,222,028 | 18,594,595 | ($1,627,432) |
| Gross Margin on Service Revenue | $2,699,466 | $2,740,971 | $2,703,938 | -$37,033 |
| **Other Revenue** | 181,909 | 210,759 | 207,657 | ($3,102) |
| **Operating and Maintenance Expense** | | | | |
| Transformer & Distribution Station Equipment | $29,630 | $35,085 | $35,026 | ($58) |
| Distribution Lines & Services Overhead | 371,710 | 310,905 | 354,936 | $44,031 |
| Distribution Lines & Services Underground | 77,533 | 37,279 | 53,147 | $15,868 |
| Distribution Transformers | 7,725 | 11,449 | 12,225 | $777 |
| Distribution Meters | 100,703 | 105,632 | 89,885 | ($15,747) |
| Customer Premises | 37,669 | 51,088 | 38,637 | ($12,450) |
| Total Operating and Maintenance | $624,968 | $551,437 | $583,856 | $32,420 |
| **Administration** | | | | |
| Billing, Collecting and Meter Reading | $301,698 | $327,578 | $295,559 | ($32,018) |
| Administration | 529,103 | 551,145 | 577,315 | $26,171 |
| Total Administration | $830,801 | $878,722 | $872,875 | ($5,847) |
| Allocated Depreciation | ($38,250) | ($39,484) | ($37,405) | $2,079 |
| Total Controllable | $1,417,519 | $1,390,675 | $1,419,326 | $28,651 |
| **Net Income Before Depreciation & Interest** | 1,463,856 | 1,561,055 | 1,492,269 | (68,786) |
| Depreciation | 572,700 | 600,000 | 602,724 | $2,724 |
| Interest Expense | 427,997 | 417,809 | 423,765 | $5,957 |
| Interest Revenue | (3,531) | -5,532 | (2,777) | $2,755 |
| **Net Income Before Tax** | 466,690 | 548,779 | 468,556 | -80,222 |
| Current Tax | 63,503 | 25,000 | 25,000 | 0 |
| **Net Income** | **403,187** | **523,779** | **443,556** | **(80,222)** |

| **Key Financial Ratios:** | Actual Ratio | Required Ratio |
|---|---|---|
| RBC Compliance Ratio - Funded Debt to Total Capital | 0.56 | Less than 0.65 |
| Infrastructure Ont Compliance - Debt to Equity Test | 39:61 | Less than 75:25 |
| Infrastructure Ont Compliance - Debt Service Ratio | 2.04X | Not less than 1.30 X |

**Festival Hydro Inc. STATEMENT OF CAPITAL**
**For the Period Ending MARCH 31**

| | 2017 Budget (excludes subdivisions) | 2017 Y.T.D. Actual (excludes subdivisions) | 2017 Total Y.T.D. Actual (includes subdivisions) |
|---|---|---|---|
| Distribution Overhead | 827,000 | 104,210 | 104,210 |
| Underground Conductor and Devices | 485,000 | 27,015 | 27,015 |
| Distribution Transformers | 313,000 | 117,440 | 117,440 |
| Services | 234,500 | 54,654 | 54,654 |
| Distribution Meters | 175,000 | 26,164 | 26,164 |
| Scada/Distribution Automation | 50,000 | 14,989 | 14,989 |
| Tools and Miscellaneous Equipment | 30,000 | 1,139 | 1,139 |
| **DISTRIBUTION SUB-TOTAL** | **2,114,500** | **345,611** | **345,611** |
| Lands and Buildings | 207,000 | 1,350 | 1,350 |
| Transformer station | - | - | - |
| Vehicles and Trailers | 10,000 | 5,868 | 5,868 |
| Computer Equipment | 475,000 | 40,880 | 40,880 |
| **OTHER CAPITAL SUB-TOTAL** | **692,000** | **48,098** | **48,098** |
| **TOTAL CAPITAL** | **2,806,500** | **393,709** | **393,709** |
| *% completion* | | | |

**Festival Hydro Inc. STATEMENT OF CASH POSITION AS AT MARCH 31**

| | 2016 Y.T.D. Actual | 2017 Y.T.D. Actual |
|---|---|---|
| Cash from Operations | | |
| Net Income | $403,187 | $443,556 |
| Depreciation | 572,700 | 602,724 |
| Net Change in Receivables/Payables/Var Accts | (402,396) | 1,795,942 |
| Contributed Capital | 164,078 | 43,146 |
| Total Cash Provided | $737,569 | $2,885,368 |
| | | |
| Loan Repayments | $100,000 | $104,000 |
| Cash Used - Capital Expenditures | 393,561 | 393,709 |
| Cash Used - Dividends paid | 195,165 | 195,165 |
| | 688,726 | 692,874 |
| | | |
| Increase (Decrease) in Cash Position | $48,843 | $2,192,495 |
| | | |
| Bank Indebtedness, Beg of Period | (245,562) | (2,609,133) |
| | | |
| Bank Indebtedness, End of Period | **($196,719)** | **($416,638)** |

Corporate Services Department

# MANAGEMENT REPORT

**Date:** June 20, 2017

**To:** Finance and Labour Relations Sub-committee

**From:** André Morin, Director of Corporate Services

**Report#:** FIN17-025

**Attachments:** FHSI 2016 Audited Financial Statements
FHSI Annual Shareholder Resolution
FHSI 2017 Q1 Results

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**Title:** 2016 Audited Financial Statements and 2017 First Quarter Financial Statement for Festival Hydro Services Inc.

**Objective:** To approve the 2016 audited financial statements and review the 2017 first quarter financial statements from Festival Hydro Services Inc. (FHSI).

**Background:** City Council is required to approve the annual audited financial statements of FHSI. City Council is also updated quarterly on the financial position of FHSI.

**Analysis:** As noted in the attached statements. Representatives of FHSI will attend the meeting to review and answer questions.

**Financial Impact:** Not applicable.

**Staff Recommendation: THAT the audited financial statements of Festival Hydro Services Inc. for the year ending December 31, 2016 be adopted by City Council;**

**AND THAT the Festival Hydro Services Inc. financial statement for March 31, 2017, be received for information;**

**AND THAT the following Resolution of the Sole Shareholder of Festival Hydro Services Inc. be adopted by City Council as follows:**

**The financial statements of the Corporation as of December 31, 2016 consisting of the Statements of Financial Position as at December 31, 2016, the Statements of Comprehensive Income for the year ended December 31, 2016, the Statements of Changes in Equity for the year ended December 31, 2016, and the Statements of Cash Flow for the year ended December 31, 2016; the notes**

**to the financial statements; and; the report of the auditors thereon dated May 4, 2017 be and the same are hereby approved and adopted.**

**All acts, contracts, by-laws, proceedings, appointments, elections and payments enacted, made, done and taken by the directors and officers of the Corporation since the last annual meeting of the shareholder as the same are set out or referred to in the minutes of the meetings and resolutions of the board of directors or referred to or given effect to in the aforesaid financial statements be and the same are hereby approved, ratified and confirmed.**

**KPMG LLP be and they are hereby appointed auditors of the Corporation until the next annual meeting at a remuneration to be fixed by the directors, the directors being hereby authorized to fix such remuneration.**

____________________________
André Morin, Director of Corporate Services

____________________________
Rob Horne, Chief Administrative Officer

Financial Statements of

# FESTIVAL HYDRO SERVICES INC.

Year ended December 31, 2016

KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4800
Fax 519 672-5684

# INDEPENDENT AUDITORS' REPORT

To the Shareholder of Festival Hydro Services Inc.

We have audited the accompanying financial statements of Festival Hydro Services Inc., which comprise the statement of financial position as at December 31, 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Festival Hydro Services Inc. as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards**.**

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 4, 2017

London, Canada

# FESTIVAL HYDRO SERVICES INC.

Statement of Financial Position
December 31, 2016, with comparative information for December 31, 2015

| | Note | 2016 | 2015 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash | | $ 29,386 | $ 3,446 |
| Accounts receivable | 15 | 42,597 | 49,968 |
| Inventory | 5 | 12,916 | 13,579 |
| Other assets | | 26,508 | 27,790 |
| Income tax receivable | | 7,924 | - |
| Total current assets | | 119,331 | 94,783 |
| **Non-current assets** | | | |
| Plant and equipment | 6 | 2,282,731 | 2,511,800 |
| Intangible asset | 7 | 8,977 | 7,691 |
| Deferred tax assets | 8 | - | 54,000 |
| Investment tax credit receivable | 8 | 64,000 | - |
| Total non-current assets | | 2,355,708 | 2,573,491 |
| **Total assets** | | $ 2,475,039 | $ 2,668,274 |
| **Liabilities and Equity** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | $ 52,209 | $ 66,524 |
| Payments in lieu of income taxes payable | | - | 397 |
| Due to Festival Hydro Inc. | 15 | 96,889 | 67,446 |
| Long-term debt due within one year | 9 | 665,559 | 658,892 |
| Deferred revenue | | 27,838 | 54,565 |
| Total current liabilities | | 842,495 | 847,824 |
| **Non-current liabilities** | | | |
| Long-term debt | 9 | 895,937 | 1,189,497 |
| Deferred revenue | | 189,660 | 192,118 |
| Deferred tax liabilities | 8 | 62,000 | - |
| Total non-current liabilities | | 1,147,597 | 1,381,615 |
| **Total liabilities** | | 1,990,092 | 2,229,439 |
| **Equity** | | | |
| Share capital | 10 | 249,235 | 249,235 |
| Retained earnings | | 235,712 | 189,600 |
| **Total equity** | | 484,947 | 438,835 |
| **Total liabilities and equity** | | $ 2,475,039 | $ 2,668,274 |

See accompanying notes to the financial statements.

On behalf of the Board:

__________________________ Director __________________________ Director

# FESTIVAL HYDRO SERVICES INC.

Statement of Comprehensive Income

Year ended December 31, 2016, with comparative information for 2015

| | Note | 2016 | 2015 |
|---|---|---|---|
| **Revenue** | 11 | $ 1,252,017 | $ 1,037,023 |
| **Operating expenses** | | | |
| Employee salaries and benefits | 12 | 359,434 | 149,246 |
| Operating expenses | 13 | 300,997 | 366,818 |
| Depreciation | | 420,410 | 412,987 |
| | | 1,080,841 | 929,051 |
| **Income from operating activities** | | 171,176 | 107,972 |
| Finance income | 14 | 153 | 530 |
| Finance costs | 14 | 61,217 | 82,915 |
| **Income before income taxes** | | 110,112 | 25,587 |
| Income tax expense (reversal) | 8 | 64,000 | (6,000) |
| **Net income and comprehensive income** | | $ 46,112 | $ 31,587 |

See accompanying notes to financial statements.

# FESTIVAL HYDRO SERVICES INC.

Statement of Changes in Equity
Year ended December 31, 2016, with comparative information for 2015

| | Share capital | Retained earnings | Total |
|---|---|---|---|
| **Balance at January 1, 2015** | $ 249,235 | $ 158,013 | $ 407,248 |
| Net income and comprehensive income | - | 31,587 | 31,587 |
| **Balance at December 31, 2015** | $ 249,235 | $ 189,600 | $ 438,835 |
| **Balance at January 1, 2016** | $ 249,235 | $ 189,600 | $ 438,835 |
| Net income and comprehensive income | - | 46,112 | 46,112 |
| **Balance at December 31, 2016** | $ 249,235 | $ 235,712 | $ 484,947 |

See accompanying notes to the financial statements.

# FESTIVAL HYDRO SERVICES INC.

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|---|---|---|
| **Operating activities:** | | |
| Net income and comprehensive income | $ 46,112 | $ 31,587 |
| Adjustments for: | | |
| Depreciation | 420,410 | 412,987 |
| Amortization of deferred revenue | (64,449) | (89,982) |
| Contributed capital received | 23,528 | 22,668 |
| Net finance costs | 61,064 | 82,385 |
| Income tax expense | 64,000 | (6,000) |
| Changes in non-cash operating working capital | | |
| Accounts receivable | 7,371 | (22,279) |
| Inventory | 663 | 8,952 |
| Other assets | 1,282 | (9,288) |
| Income tax receivable | (8,321) | - |
| Tax credit receivable | (12,000) | - |
| Accounts payable and accrued liabilities | (14,976) | 19,816 |
| Due to Festival Hydro Inc. | 27,017 | (1,332,696) |
| Interest paid | (58,130) | (43,020) |
| Interest received | 153 | 530 |
| | 493,724 | (924,340) |
| **Financing activities:** | | |
| Proceeds from issuance of long-term debt | - | 1,500,000 |
| Repayment of long-term debt | (286,893) | (459,721) |
| Deferred revenue received | 35,264 | 49,500 |
| | (251,629) | 1,089,779 |
| **Investing activities:** | | |
| Purchase of plant and equipment | (192,627) | (154,962) |
| Contributed capital | (23,528) | (22,668) |
| | (216,155) | (177,630) |
| Increase (decrease) in cash | 25,940 | (12,191) |
| Cash, beginning of year | 3,446 | 15,637 |
| Cash, end of year | $ 29,386 | $ 3,446 |

See accompanying notes to financial statements.

## 1. Reporting entity:

Festival Hydro Services Inc. (the "Company") was incorporated under the Business Corporations Act (Ontario) pursuant to Section 142 of the Electricity Act 1998 on July 11, 2000. The Corporation of the City of Stratford (the "City") passed a bylaw pursuant to Section 145 of the Electricity Act 1998 transferring certain assets and liabilities used in connection with water heaters, sentinel lights, and other energy services and telecommunications from the Stratford Public Utility Commission – Electric Departments. In exchange for these assets the City received a promissory note and common shares. The Company is located in the City of Stratford. The address of the Company's registered office is 187 Erie Street, Stratford, Ontario N5A 2M6.

Festival Hydro Services Inc. is a telecommunications company that rents dark fibre and sentinel lights and is an internet service provider that focuses on lit fibre services as well as wireless services for its customers.

The financial statements are for the Company as at and for the year ended December 31, 2016.

## 2. Basis of presentation:

(a) Statement of compliance:

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Approval of the financial statements:

The financial statements were approved by the Board of Directors on May 4, 2017.

(c) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for the following:

(i) Where held, financial instruments at fair value through profit or loss, including those held for trading, are measured at fair value.

(ii) Contributed assets are measured at fair value upon initial recognition.

The methods used to measure fair values are discussed further in note 3 (c) and note 16.

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

**2. Basis of presentation (continued):**

(e) Use of estimates and judgements:

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

(i) Note 6 – Plant and equipment: useful lives and the identification of significant components of property, plant and equipment
(ii) Note 7 – Intangible assets
(iii) Note 8 – Income taxes: utilization of tax losses
(iv) Note 16 – Financial instruments and risk management: valuation of long term debt

## 3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Financial instruments:

All financial assets of the Company are classified into one of the following categories: financial assets at fair value through profit or loss, available for sale financial assets, held-to-maturity, and loans and receivables. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other liabilities.

The Company has classified its financial instruments as follows:

| | |
|---|---|
| Cash | Fair value through profit or loss |
| Accounts receivable | Loans and receivables |
| Other assets | Fair value through profit or loss |
| Accounts payable and accrued liabilities | Other liabilities |
| Long-term debt | Other liabilities |
| Due to Festival Hydro Inc. | Other liabilities |

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, all non-derivative financial instruments of the Company are carried on the statement of financial position at fair value, except for loans and receivables, held-to-maturity investments and financial liabilities at amortized cost, which are measured at amortized cost.

The Company does not enter into derivative instruments. Hedge accounting has not been used in the preparation of these financial statements.

(b) Inventory:

Inventory is stated at lower of cost and net realizable value and consists of maintenance materials and supplies. Cost is determined on a weighted average basis. The cost of inventory includes expenditures incurred in acquiring the material and supplies and other costs incurred in bringing it to its existing location and condition.

**3. Significant accounting policies (continued):**

(c) Plant and equipment:

Items of plant and equipment are measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of twelve months to construct.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The cost of replacing part of an item of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of plant and equipment are recognized in profit or loss as incurred.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part or component of an item of plant and equipment.

The estimated useful lives for the current and comparative years are as follows:

| | |
|---|---|
| Fibre optics | 25 years |
| WiFi assets | 7 years |
| Computer hardware | 5 years |
| Sentinel lights | 10 years |
| Furniture and fixtures | 10 years |

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognized within other income or operating expenses in profit or loss.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

# FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2016

## 3. Significant accounting policies (continued):

(d) Intangible asset:

Computer software that is acquired or developed by the Company, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative years are:

| | |
|---|---|
| Computer software | 5 years |

Depreciation methods and useful lives of all intangible assets are reviewed at each reporting date.

(e) Impairment:

(i) Financial assets measured at amortized cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventory and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or “CGU”). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**3. Significant accounting policies (continued):**

(f) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(g) Revenue:

Monthly fees in connection with fibre optic, sentinel light, WiFi services, rental revenue, and consulting revenue are recognized in the period in which the services are rendered to customers.

Deferred revenue relating to contributions under a cost share agreement is amortized to income on a straight-line basis over the term of the agreement with the customer which represents the period of ongoing service to the customer.

(h) Deferred revenue and assets transferred from customers:

Certain partners are required to contribute towards the capital cost of fibre connections as part of a revenue/cost sharing agreement. Cash contributions are recorded as current liabilities. When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue

The deferred revenue amount represents the Company's obligation to continue to provide the customers access to the fibre services and is amortized to income on a straight-line basis over the term of the agreement with the customer.

(i) Finance income and finance costs:

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash. Finance costs comprise interest expense on borrowings.

## 3. Significant accounting policies (continued):

(j) Income taxes:

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

Under the Electricity Act, 1998, the Company makes payments in lieu of corporate taxes to the OEFC. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes. Payments in lieu of taxes ("PIL"s) are referred to as income taxes.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2016

## 3. Significant accounting policies (continued):

(k) Change in accounting policies

The Company has adopted the following amendments to standards, with a date of initial application of January 1, 2016.

**Amendments to IAS 1**

In December 2014, the IASB issued Disclosure Initiative (Amendments to IAS 1 *Presentation of Financial Statements*). These amendments improve the existing presentation and disclosure requirements and encourage entities to apply professional judgment regarding disclosure and presentation in their financial statements. These amendments were adopted effective January 1, 2016. The adoption of these amendments has no material impact on the Company's financial statements.

**Annual Improvements to IFRS (2012-2014) cycle**

On September 25, 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The amendments apply for annual periods beginning on or after January 1, 2016. Each of the amendments has its own specific transition requirements.

Amendments were made to clarify the following in their respective standards:

- Changes in method for disposal under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- Continuing involvement' for servicing contracts and offsetting disclosures in condensed interim financial statements under IFRS 7 Financial Instruments: Disclosures;
- Discount rate in a regional market sharing the same currency under IAS 19 Employee Benefits;
- Disclosure of information 'elsewhere in the interim financial report' under IAS 34 Interim Financial Reporting;

The Company adopted these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments was not material.

# FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2016

## 4. Standards issued but not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these financial statements. The Company continues to analyze these standards and has determined that the following could have an impact on its financial statements.

**Annual Improvements to IFRS (2014-2016) cycle**

On December 8, 2016, the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. Each of the amendments has its own specific transition requirements and effective date.

Amendments were made to clarify the following in their respective standards:

- Clarification that IFRS 12 *Disclosures of Interests in Other Entities* also applies to interests that are classified as held for sale, held for distribution, or discontinued operations, effective retrospectively for annual periods beginning on or after January 1, 2017;

- Removal of out-dated exemptions for first time adopters under IFRS 1 *First-time Adoption of International Financial Reporting Standards*, effective for annual periods beginning on or after January 1, 2018; and

- Clarification that the election to measure an associate or joint venture at fair value under IAS 28 *Investments in Associates and Joint Ventures* for investments held directly, or indirectly, through a venture capital or other qualifying entity can be made on an investment-by investment basis. The amendments are effective retrospectively for annual periods beginning on or after January 1, 2018.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2017 or 2018 as applicable. The Company does not expect the amendments to have a material impact on the financial statements.

**Disclosure Initiative (Amendments to IAS 7)**

On January 7, 2016, the IASB issued Disclosure Initiative (Amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide reconciliation between the opening and closing balances for liabilities from financing activities.

The Company will adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The Company does not expect the amendments to have a material impact on the financial statements.

## 4. Standards issued but not yet adopted (continued):

### Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

On January 19, 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12). The amendments apply for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

The Company will adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The Company does not expect the amendments to have a material impact on the financial statements.

### IFRS 15 Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue Bartering Transactions Involving Advertising Services.* On April 12, 2016, the IASB issued Clarifications to IFRS 15, Revenue from Contracts with Customers, which is effective the same time as IFRS 15.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licences of intellectual property

The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

**4. Standards issued but not yet adopted (continued):**

**IFRS 9 *Financial Instruments***

On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

**IFRS 16 *Leases***

On January 13, 2016, the IASB issued IFRS 16 *Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 *Leases.*

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

# FESTIVAL HYDRO SERVICES INC.
Notes to Financial Statements
Year ended December 31, 2016

## 5. Inventory:

The amount of inventory consumed by the Company and recognized as an expense during 2016 was $663 (2015 - $8,951)

## 6. Plant and equipment:

| | Fibre optics | WiFi assets | Computer hardware | Sentinel lights | Office furniture | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance at January 1, 2015 | $2,572,363 | $1,962,872 | $170,783 | $30,720 | $6,447 | $4,743,185 |
| Additions | 101,176 | 14,584 | 61,870 | - | - | 177,630 |
| Balance at December 31, 2015 | $2,673,539 | $1,977,456 | 232,653 | $30,720 | $6,447 | $4,920,815 |
| Balance at January 1, 2016 | $2,673,539 | $1,977,456 | $232,653 | $30,720 | $6,447 | $4,920,815 |
| Additions | 66,741 | 115,787 | 450 | 6,449 | - | 189,427 |
| Transfers | - | - | (1,328) | - | - | (1,328) |
| Disposals/retirements | - | (14,832) | (104,315) | (18,970) | - | (138,117) |
| Balance at December 31, 2016 | $2,740,280 | $2,078,411 | $127,460 | $18,199 | $6,447 | $4,970,797 |
| **Accumulated depreciation** | | | | | | |
| Balance at January 1, 2015 | $725,239 | $1,138,233 | $111,684 | $20,694 | $2,837 | $1,998,687 |
| Depreciation | 104,918 | 267,459 | 35,455 | 1,851 | 645 | 410,328 |
| Balance at December 31, 2015 | $830,157 | $1,405,692 | $147,139 | $22,545 | $3,482 | $2,409,015 |
| Balance at January 1, 2016 | $830,157 | $1,405,692 | $147,139 | $22,545 | $3,482 | $2,409,015 |
| Depreciation | 108,277 | 274,995 | 31,319 | 2,066 | 644 | 417,301 |
| Transfers | - | - | (133) | - | - | (133) |
| Disposals/retirements | - | (14,832) | (104,315) | (18,970) | - | (138,117) |
| Balance at December 31, 2016 | $938,434 | $1,665,855 | $74,010 | $5,641 | $4,126 | $2,688,066 |
| **Carrying costs** | | | | | | |
| December 31, 2015 | $1,843,382 | $ 571,764 | $85,514 | $ 8,175 | $ 2,965 | $2,511,800 |
| December 31, 2016 | 1,801,846 | 412,556 | 53,450 | 12,558 | 2,321 | 2,282,731 |

**Borrowing costs:**
During the year there were no borrowing costs capitalized as part of the cost of plant and equipment (2015 – nil).

# FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2016

### 7. Intangible assets:

| | Computer software |
|---|---|
| **Cost** | |
| Balance at January 1, 2015 | $13,301 |
| Additions | - |
| Balance at December 31, 2015 | $13,301 |
| | |
| Balance at January 1, 2016 | $13,301 |
| Additions | 3,200 |
| Transfers | 1,328 |
| Disposals/retirements | (1,366) |
| Balance at December 31, 2016 | $16,463 |
| | |
| **Accumulated depreciation** | |
| Balance at January 1, 2015 | $2,950 |
| Depreciation | 2,660 |
| Balance at December 31, 2015 | $5,610 |
| | |
| Balance at January 1, 2016 | $5,610 |
| Depreciation | 3,109 |
| Transfers | 133 |
| Disposals/retirements | (1,366) |
| Balance at December 31, 2016 | $7,486 |
| | |
| **Carrying amounts** | |
| December 31, 2015 | $7,691 |
| December 31, 2016 | 8,977 |

# FESTIVAL HYDRO SERVICES INC.
Notes to Financial Statements
Year ended December 31, 2016

## 8. Income taxes:

| | 2016 | 2015 |
|---|---|---|
| Deferred tax expense (reversal): | | |
| Origination and reversal of temporary differences | $64,000 | ($6,000) |
| **Total income tax expense (reversal)** | $64,000 | ($6,000) |

| | 2016 | 2015 |
|---|---|---|
| Basic rate applied to profit before income tax 26.5% (2015 -26.5%) | $26,000 | $6,800 |
| Increase (decrease) in income tax resulting from: | | |
| Permanent differences | 1,000 | (13,500) |
| Other | 37,000 | 700 |
| | $64,000 | ($6,000) |

Significant components of the Company's deferred tax balances are as follows:

| | 2016 | 2015 |
|---|---|---|
| Deferred tax assets | | |
| Non-capital loss carry forwards | $ 39,000 | $ 86,000 |
| SR&ED pool, ITC & CMT credit carry forwards | 45,000 | 97,000 |
| Other | 17,000 | 20,000 |
| Deferred tax liabilities | | |
| Plant and equipment | (163,000) | (149,000) |
| | ($62,000) | $54,000 |

At December 31, 2016, non-capital loss carry forwards have been recorded as deferred tax assets. The utilization of this asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The Company believes that this asset should be recognized as it will be recovered through future profits.

# FESTIVAL HYDRO SERVICES INC.
Notes to Financial Statements
Year ended December 31, 2016

## 9. Long-term debt:

| | 2016 | 2015 |
|---|---|---|
| Fixed rate loan bearing interest at 2.3% per annum, payable in blended monthly payments of $26,486, maturing on November 22, 2020, secured by a general security agreement | $1,189,496 | $1,476,389 |
| Demand note payable to shareholder, bearing interest at 7.5% per annum with interest payments only, due on demand, unsecured | 372,000 | 372,000 |
| | $1,561,496 | $1,848,389 |
| Less: current portion | 665,559 | 658,892 |
| Long term debt | $895,937 | $1,189,497 |

The Company incurred interest expense in respect of these lending arrangement of $58,686 (2015 – $43,691).

## 10. Share capital:

| | 2016 | 2015 |
|---|---|---|
| Authorized: | | |
| Unlimited Class A special shares | | |
| Unlimited Class B special shares | | |
| Unlimited common shares | | |
| Issued: | | |
| 3,382 common shares (2015 - 3,382) | $249,235 | $249,235 |

## 11. Revenue:

| | 2016 | 2015 |
|---|---|---|
| Fibre optics | $710,788 | $704,350 |
| WiFi revenues | 244,522 | 257,322 |
| Sentinel light fixture rentals | 13,152 | 13,215 |
| Consulting revenue | 273,066 | 51,936 |
| Fibre room rental service | 10,489 | 10,200 |
| | $1,252,017 | $1,037,023 |

# FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2016

## 12. Employee salaries and benefits:

| | 2016 | 2015 |
|---|---|---|
| Salaries, wages and benefits | $335,378 | $139,254 |
| CPP and EI remittances | 20,798 | 7,529 |
| Group RRSP contributions | 3,258 | 2,463 |
| | $359,434 | $149,246 |

## 13. Operating expenses:

| | 2016 | 2015 |
|---|---|---|
| Fibre optics maintenance | $51,696 | $53,278 |
| Sentinel lights maintenance | 258 | 1,678 |
| WiFi maintenance | 176,178 | 194,719 |
| Administrative expenses | 70,765 | 115,643 |
| Unrealized change in value of investments | 2,100 | 1,500 |
| | $300,997 | $366,818 |

## 14. Finance income and expense:

| | 2016 | 2015 |
|---|---|---|
| **Finance income** | | |
| Interest income on bank deposits | $153 | $530 |
| **Finance costs** | | |
| Interest expense on long-term debt | $30,786 | $15,791 |
| Interest expense on other financial liabilities | 30,431 | 67,124 |
| | $61,217 | $82,915 |
| Net finance costs recognized in profit or loss | $61,064 | $82,385 |

# FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2016

## 15. Related party transactions:

(a) Parent and ultimate controlling party

The sole shareholder and ultimate parent of the Company is the City of Stratford ("City"). The City produces financial statements that are available for public use.

(b) Key management personnel

The key management personnel of the Company have been defined as members of its Board of Directors and executive management team members. Executive management are paid under an administrative services agreement with Festival Hydro Inc., a company under common control by the City.

| | 2016 | 2015 |
|---|---|---|
| Directors fees | $2,193 | $3,730 |
| Management fee | 36,867 | 78,230 |
| | $39,060 | $81,960 |

(c) Transactions with parent

The table below summarizes the Company's' related party transactions, recorded at the exchange amounts, with the parent, the City of Stratford, for the year ended December 31. The transactions include the sale of fibre and WiFi services to the City as well as payment of joint pole charges for attachments on City owned poles as well as interest expense on amounts owed to the City.

| | 2016 | 2015 |
|---|---|---|
| **Revenue** | | |
| Fiber services | $58,449 | $49,088 |
| WiFi services | 3,456 | 4,178 |
| | $61,905 | $53,266 |
| **Expenses** | | |
| Joint pole attachments on streetlights | $1,364 | $1,364 |
| Interest | 27,900 | 27,900 |
| | $29,264 | $29,264 |

At December 31, 2016, the balance outstanding from the City was $9,588 netted as a receivable against the intercompany loan from Festival Hydro Inc. who collects these receivables on the Company's behalf (2015 – $10,065)

# FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements
Year ended December 31, 2016

## 15. Related party transactions (continued):

(d) Transactions with subsidiaries of the City

Festival Hydro Inc. performs all of the administrative functions for the Company. Most expenses are paid and revenue received through Festival Hydro Inc. according to a service level agreement dated June 27, 2013, effective September 1, 2012. At December 31, 2016, the balance owing to Festival Hydro Inc. was $96,889 (2015 - $67,446)

Festival Hydro Inc. charges interest on the balance owing from the Company at an interest rate equivalent to the Bank of Canada prime rate of 2.7% at December 31, 2016 (2015 – 2.7%) as per the revised loan agreement dated June 27, 2013 effective September 1, 2012. The loan is repayable on demand and no later than September 1, 2017.

A listing of the various entities under the control of the City is set out on the City's website
The Company had the following transactions with subsidiaries of the City:

| | 2016 | 2015 |
|---|---|---|
| **Revenue** | | |
| Fiber services | $31,711 | $63,426 |
| WiFi services | 148,000 | 166,000 |
| Consulting Services | 269,175 | 27,650 |
| | $448,886 | $257,076 |
| **Expenses** | | |
| Interest | $2,426 | $39,224 |
| Operational services | 45,588 | 70,373 |
| Management fee | 36,867 | 78,230 |
| Joint pole attachments on hydro poles | 36,141 | 35,544 |
| Electricity charges | 30,239 | 29,215 |
| Office and room rental | 43,918 | 42,779 |
| Water operations | 43,936 | - |
| | $239,115 | $295,365 |

## 16. Financial instruments and risk management:

### Fair value disclosure

The carrying values of cash, accounts receivable, due to Festival Hydro Inc. and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments.

The fair value of the long-term debt at December 31, 2016 is $1,667,092 (2015 - $1,961,282). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2016 was 1.82% on the RBC term facility and 3.34% on the City demand note (2015 – 1.82% and 3.34%, respectively)

Other assets includes options to purchase shares of another company. The fair value has been determined using a Black-Scholes model for option valuation as at December 31. Significant inputs into the model include the current stock price based on quoted market prices (2016 - $0.21, 2015 - $0.21), the exercise price of the options (2016 - $0.135; 2015 - $0.135), number of years to exercise (2016 - 0.5; 2015 – 1.5), the risk free interest rate from the Bank of Canada (2016 - 2.30%; 2015 – 2.30%), and a calculation of volatility based on historical weekly stock prices. The fair value of the options as at December 31, 2016 was $8,800 (2015 - $10,900). The estimated fair value would change if the stock price changed or the risk free rate changed.

### Financial risks

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company's exposures to a variety of risks such as credit risk, interest rate risk and liquidity risk as well as related mitigation strategies are discussed.

(a) Credit risk

Financial assets carry credit risk that counter-party will fail to discharge and obligation which would result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2016 is nil as the Company does not have a history of collection losses (2015 - nil).

**16. Financial instruments and risk management (continued):**

(a) Credit risk (continued)

The Company's credit risk associated with accounts receivable is primarily related to payments from fibre or wireless customers. At December 31, 2016 there were no balances that were 60 days past due.

(b) Market risk

The Company is minimally exposed to fluctuations in interest rates based on its need for external financing.

A 1% increase in the interest rate at December 31, 2016 would have increased interest expense on the long-term debt by an immaterial amount.

(c) Liquidity risk

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure.

The Company has access to operating funds from an affiliate through an ongoing borrowing agreement and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

The Company also obtained third party financing in 2015 in the form of a long-term debt facility being repaid over a period of five years through monthly principal and interest payments.

The majority of accounts payable, as reported on the balance sheet are due within 30 days.

(d) Capital disclosures

The main objective of the Company when managing capital is to ensure ongoing access to funding to maintain and improve the fibre and wireless infrastructure. The Company's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2016, shareholder's equity amounts to $484,947 (2015 - $438,835) and long-term debt, including current portion thereof, amounts to $1,561,496 (2015 - $1,848,389).

**TO:** Chair Tom Clifford and the Finance & Labour Relations Committee
**FROM:** Ysni Semsedini, CEO, Festival Hydro
**RE:** Financial Statement Commentary for the year ended December 31, 2016

The net income for the period was $46K which is $38K ahead of budget. Detailed commentary on the balance sheet and income statement activity are noted below:

**Balance Sheet Commentary:**

**Capital asset gross book value -** Additions for 2016 YTD are $193K, 82% of budget. The amount underspent in 2016 is as a result of fewer Aruba AP units being installed in 2016 as anticipated. All of the units purchased in 2016 have had their make-ready work completed and are being installed early 2017 with an expected completion date for the installation of these first 27 units by mid- February 2017.

**Other Assets** – The Leonovus stock options have been written down to $8,800 based on the valuation performed for year end.

**Due to FHI** – The balance has increased by $29K from the end of 2015. 2016 budgets anticipated this balance to reach $162K by the end of this calendar year, however with income ahead of budget, the balance didn't increase as much.

**Income Statement Commentary:**

**Revenue –** Revenue is above budget by $206K for 2016, mainly driven by unbudgeted consulting revenue ($180K). The consulting services are not core to Rhyzome's business and are impacting net income for 2016 by $72K.

**Operating Expenses** – Operating expenses are above budget by $114K driven by resource costs for the consulting services being offered. The amount over budget on contract payroll costs is offset by some other operating expenses being under budget – mainly Wi-Fi operations costs.

Interest Expense – These expenses are under budget by $11K as a result of the RBC loan that was negotiated at a lower interest rate than was budgeted for in 2016.

| Text | Cur Yr YTD | Pre Yr YTD |
|---|---|---|
| CURRENT ASSETS | | |
| CASH | 29,386.29 | 3,446.07 |
| ACCOUNTS RECEIVABLE & PREPAIDS | 60,305.13 | 66,858.71 |
| INCOME TAX RECEIVABLE/(PAYABLE) | 7,924.00 | -397.00 |
| OTHER ASSETS | 8,800.00 | 10,900.00 |
| INVENTORY | 12,915.70 | 13,578.99 |
| TOTAL CURRENT ASSETS | 119,331.12 | 94,386.77 |
| FIXED ASSETS | | |
| GROSS BOOK VALUE | 4,987,258.31 | 4,934,114.30 |
| ACCUMULATED DEPRECIATION | -2,695,550.30 | -2,414,623.80 |
| NET BOOK VALUE | 2,291,708.01 | 2,519,490.50 |
| INVESTMENT TAX CREDIT RECEIVABLE | 64,000.00 | 0.00 |
| TOTAL ASSETS | 2,475,039.13 | 2,613,877.27 |
| LIABILITIES & EQUITY | | |
| CURRENT LIABILITIES | | |
| ACCOUNTS PAYABLE | -52,208.58 | -66,524.82 |
| DUE TO FESTIVAL HYDRO INC. | -96,889.41 | -67,446.17 |
| CURRENT PORTION OF LTD | -293,559.49 | -286,891.38 |
| PROMISSORY NOTE | -372,000.00 | -372,000.00 |
| TOTAL CURRENT LIABILITIES | -814,657.48 | -792,862.37 |
| DEFERRED REVENUE | -217,498.26 | -246,683.18 |
| DEFERRED TAX LIABILITIES | -62,000.00 | 54,000.00 |
| RBC FINANCING | -895,937.00 | -1,189,497.00 |
| EQUITY | | |
| SHARE CAPITAL | -249,235.50 | -249,235.50 |
| RETAINED EARNINGS | -235,710.89 | -189,599.22 |
| TOTAL EQUITY | -484,946.39 | -438,834.72 |
| TOTAL LIABILITIES & EQUITY | -2,475,039.13 | -2,613,877.27 |

| Text | Pre Yr YTD | Cur Yr YTD Bdg | Cur Yr YTD |
|---|---|---|---|
| REVENUE | | | |
| Total Revenue | 1,037,023.00 | 1,045,700.00 | 1,252,017.00 |
| Total Operating Expenses | 516,064.00 | 546,000.00 | 660,432.00 |
| Net Income Before Depreciation & Interest | 520,960.00 | 499,701.00 | 591,586.00 |
| Depreciation | 412,987.00 | 420,000.00 | 420,410.00 |
| Interest Income | -531.00 | 0.00 | -153.00 |
| Interest Expense | 82,915.00 | 72,900.00 | 61,217.00 |
| Net Income for the Period before Taxes | 25,588.00 | 6,801.00 | 110,112.00 |
| Current Tax Provision | 0.00 | 0.00 | 0.00 |
| Future Tax Provision | -6,000.00 | -1,000.00 | 64,000.00 |
| Net Income for the Period before Taxes | 31,588.00 | 7,801.00 | 46,112.00 |

## Festival Hydro Services Inc.
## STATEMENT OF CAPITAL
## For the Year Ended December 31, 2016

| | 2016 Budget | 2016 Actual YTD |
|---|---|---|
| Sentinel Lights | $0 | $6,449 |
| ISP Equipment/Computer HW & SW | $70,000 | $3,650 |
| WiFi | $90,000 | $115,786 |
| Fibre Optic Cable - FHI | $75,000 | $43,214 |
| Contributed Capital - Wightman | | $23,528 |
| **Total Capital Expenditures** | **$ 235,000** | **$ 192,627** |

## Festival Hydro Services Inc.
## STATEMENT OF CASH POSITION
## For the Year Ended December 31, 2016

| | 2015 Actual | 2016 Actual |
|---|---|---|
| *Cash from Operations* | | |
| Net Income | 31,587 | 46,112 |
| Future tax provision | (6,000) | 64,000 |
| Depreciation | 412,987 | 420,336 |
| Change in value of options | 1,500 | 2,100 |
| Change in Deferred revenue | (17,814) | (29,185) |
| Contributed capital (non-cash) | (22,668) | (23,527) |
| Net Change in Receivables/Payables | (3,628) | (27,348) |
| Total Cash Provided | 395,964 | 452,488 |
| *Cash Used/Received* | | |
| Capital expenditures | (154,962) | (169,099) |
| RBC loan repayment | (459,721) | (286,892) |
| New RBC Loan | 1,500,000 | - |
| | 885,317 | (455,991) |
| *Increase (Decrease) in Cash Position* | 1,281,281 | (3,503) |
| *Cash and due to FHI beginning of Year* | (1,345,281) | (64,000) |
| Cash and due to FHI end of Period | **(64,000)** | **(67,503)** |

**RESOLUTION OF THE SOLE SHAREHOLDER OF FESTIVAL HYDRO SERVICES INC. (the "Corporation")**

RESOLVED THAT:

1. The financial statements of the Corporation as of December 31, 2016 consisting of the Statements of Financial Position as at December 31, 2016, the Statements of Comprehensive Income for the year ended December 31, 2016, the Statements of Changes in Equity for the year ended December 31, 2016, and the Statements of Cash Flow for the year ended December 31, 2016; the notes to the financial statements; and; the report of the auditors thereon dated May 4, 2017 be and the same are hereby approved and adopted.

2. All acts, contracts, by-laws, proceedings, appointments, elections and payments enacted, made, done and taken by the directors and officers of the Corporation since the last annual meeting of the shareholder as the same are set out or referred to in the minutes of the meetings and resolutions of the board of directors or referred to or given effect to in the aforesaid financial statements be and the same are hereby approved, ratified and confirmed.

3. KPMG LLP be and they are hereby appointed auditors of the Corporation until the next annual meeting at a remuneration to be fixed by the directors, the directors being hereby authorized to fix such remuneration.

The foregoing resolution is signed by the sole Shareholder of the Corporation pursuant to the *Business Corporations Act* this day of , 2017.

The Corporation of the City of Stratford

Per: ________________________
Mayor:

Per: ________________________
Clerk:

**TO:** Chair Tom Clifford and the Finance & Labour Relations Committee
**FROM:** Ysni Semsedini, CEO, Festival Hydro
**RE:** Financial Statement Commentary for the year ended March 31,2017

The net income for the period was $68K which is $52K ahead of budget. Detailed commentary on the balance sheet and income statement activity are noted below:

**Balance Sheet Commentary:**

**Capital asset gross book value -** Additions for 2017 YTD are $58K, 13% of budget. Most of the capital budget for 2017 will be driven by the purchase of the Aruba units and related equipment and installation for the update to the network. The $44K spent to date on WiFi relates to the first 30 units purchased with installation completed in 2017.

**Due to FHI** – The balance has decreased by $27K from the end of 2016 as a result of the timing of the receipt of revenues versus the purchase of capital and payment of operating costs. The balance is projected at $421K by the end of 2017, driven by the capital purchases expected in the year.

**Income Statement Commentary:**

**Revenue –** Revenue is above budget by $7K for Q1 2017. Dark fibre revenues are ahead of budget as a result of expired contracts remaining at existing rates versus budgeted average reductions that are typical for contracts expiring in the year. This is offset by lower than budget consulting revenue as a result of one IT resource not being charged out as anticipated in early January. Post January, consulting revenue is falling in line with budget.

**Operating and Administration Expenses** – Operating and admin expenses are lower than budget by $40K. This is driven by lower resource costs in Q1 compared to budget. A technical resource budgeted for hiring in Q1, was not put in place until May 1. In addition, there is lower than anticipated management fee costs as a result of the VP of IT not being hired and in place in Q1. While these costs are expected to come closer in line with budget nearing the end of 2017, we do expect to finish the year under budget with these expenses given the revised timeline now anticipated for resource costs in 2017.

| Text | Cur Yr YTD | Pre Yr YTD |
|---|---|---|
| CURRENT ASSETS | | |
| CASH | 41,053.98 | 5,826.59 |
| ACCOUNTS RECEIVABLE & PREPAIDS | 88,686.48 | 102,417.76 |
| INCOME TAX RECEIVABLE/(PAYABLE) | 7,924.00 | -397.00 |
| OTHER ASSETS | 8,800.00 | 10,900.00 |
| INVENTORY | 12,915.70 | 13,578.98 |
| TOTAL CURRENT ASSETS | 159,380.16 | 132,326.33 |
| FIXED ASSETS | | |
| GROSS BOOK VALUE | 5,045,042.65 | 4,975,362.90 |
| ACCUMULATED DEPRECIATION | -2,778,050.30 | -2,519,623.80 |
| NET BOOK VALUE | 2,266,992.35 | 2,455,739.10 |
| INVESTMENT TAX CREDIT RECEIVABLE | 64,000.00 | 0.00 |
| TOTAL ASSETS | 2,490,372.51 | 2,588,065.43 |
| LIABILITIES & EQUITY | | |
| CURRENT LIABILITIES | | |
| ACCOUNTS PAYABLE | -93,830.92 | -37,699.18 |
| DUE TO FESTIVAL HYDRO INC. | -70,004.46 | -116,162.37 |
| CURRENT PORTION OF LTD | -220,800.56 | -215,785.23 |
| PROMISSORY NOTE | -372,000.00 | -372,000.00 |
| TOTAL CURRENT LIABILITIES | -756,635.94 | -741,646.78 |
| DEFERRED REVENUE | -222,949.49 | -238,406.23 |
| DEFERRED TAX LIABILITIES | -62,000.00 | 54,000.00 |
| RBC FINANCING | -895,937.00 | -1,189,497.00 |
| EQUITY | | |
| SHARE CAPITAL | -249,235.50 | -249,235.50 |
| RETAINED EARNINGS | -303,614.58 | -223,279.92 |
| TOTAL EQUITY | -552,850.08 | -472,515.42 |
| TOTAL LIABILITIES & EQUITY | -2,490,372.51 | -2,588,065.43 |

| Text | Pre Yr YTD | Cur Yr YTD Bdg | Cur Yr YTD |
|---|---|---|---|
| REVENUE | | | |
| Total Revenue | 268,645.00 | 337,701.00 | 344,797.00 |
| Total Operating Expenses | 114,671.00 | 220,525.00 | 180,709.00 |
| Net Income Before Depreciation & Interest | 153,974.00 | 117,176.00 | 164,088.00 |
| Depreciation | 105,000.00 | 82,500.00 | 82,500.00 |
| Interest Income | -15.00 | 0.00 | -56.00 |
| Interest Expense | 15,308.00 | 14,975.00 | 13,741.00 |
| Net Income for the Period before Taxes | 33,681.00 | 19,701.00 | 67,904.00 |
| Current Tax Provision | 0.00 | 0.00 | 0.00 |
| Future Tax Provision | 0.00 | 4,000.00 | 0.00 |
| Net Income for the Period before Taxes | 33,681.00 | 15,701.00 | 67,904.00 |

## Festival Hydro Services Inc.
## STATEMENT OF CAPITAL
## For the Period Ended March 31, 2017

| | 2017 Budget | 2017 Actual YTD |
|---|---|---|
| Sentinel Lights | $0 | $1,692 |
| ISP Equipment/Computer HW & SW | $29,000 | $184 |
| WiFi | $320,000 | $44,153 |
| Fibre Optic Cable - FHI | $97,000 | $11,755 |
| Contributed Capital - Wightman | | $0 |
| **Total Capital Expenditures** | **$ 446,000** | **$ 57,784** |

## Festival Hydro Services Inc.
## STATEMENT OF CASH POSITION
## For the Period Ended March 31, 2017

| | Dec 2016 Actual | 2017 Actual |
|---|---|---|
| *Cash from Operations* | | |
| Net Income | 46,112 | 67,903 |
| Future tax provision | 64,000 | - |
| Depreciation | 420,336 | 82,500 |
| Change in value of options | 2,100 | - |
| Change in Deferred revenue | (29,185) | 5,451 |
| Contributed capital (non-cash) | (23,527) | - |
| Net Change in Receivables/Payables | (27,348) | 13,242 |
| Total Cash Provided | 452,488 | 169,096 |
| *Cash Used/Received* | | |
| Capital expenditures | (169,099) | (57,784) |
| RBC loan repayment | (286,892) | (72,759) |
| | (455,991) | (130,543) |
| *Increase (Decrease) in Cash Position* | (3,503) | 38,553 |
| *Cash and due to FHI beginning of Year* | (64,000) | (67,503) |
| Cash and due to FHI end of Period | **(67,503)** | **(28,950)** |

Corporate Services Department

# MANAGEMENT REPORT

**Date:** June 20, 2017

**To:** Finance and Labour Relations Sub-committee

**From:** Manager of Financial Services

**Report#:** FIN17-023

**Attachments:** Statement of Operations - April 30, 2017

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**Title:** April 30, 2017 Financial Report

**Objective:** To explain variances on the Statement of Operations as of April 30, 2017.

**Background:** A quarterly financial report is distributed and actual to budget variances are noted. Also included are some of the relevant balance sheet figures with comparisons to the previous year.

| | April 2017 | April 2016 | Change |
|---|---|---|---|
| Cash | $9,941,290 | $14,857,611 | $4,916,321 |
| Accounts Receivable | $3,589,303 | $1,175,731 | $2,413,572 |
| Taxes Receivable | $7,183,941 | $6,900,998 | $282,943 |
| Accounts Payable | $4,119,604 | $3,551,734 | $567,870 |
| Short term operating loan | $0 | $0 | $0 |
| Debt | $74,049,877 | $80,090,718 | $6,040,841 |

Unfinanced capital outlay at December 31, 2016 was $5,069,450.

**Analysis:** Budget amounts for expenses such as consultants, training, materials, services other, conference etc. are evenly distributed throughout the year. Actual amounts are not evenly distributed and therefore cause some variances.

The following is an analysis of some of the larger variances in the Statement of Operations:

- In Mayor and Council, expenses are over budget as memberships are paid in full at the beginning of the year and budgeted throughout the year.
- In the CAO department, salaries and benefits are under budget. The Communication position is included in this budget and the recruitment is still in process.

- In the HR department, advertising, legal fees and training are under budget.
- In the Corporate Services department, parking revenue is under budget $77,671 which is normal for the first part of the year. In expenses, principle and interest on long term debt are under budget which is related to the timing of payments. Wages are under budget, we are short in our staff complement and currently recruiting.
- In the Fire department, revenue is over budget because a truck was sold for $38,868 that was not included in the budget. Salaries and wages are under budget $90,498.
- In the Police department, grant revenue is over budget which is due to the timing of receiving grants which are evenly budgeted through the year. Salaries and benefits are under budget $280,204 and Pride expenses are under budget $67,920. Pride expenses normally occur later in the year.
- In the Building department, building permit revenue is over budget $48,000. Legal expenses are under budget and services other for various buildings is under budget.
- In the Library, wages are under budget $43,265.
- In the Airport, fuel sales and fuel purchases are under budget which is normal for the first 4 months of the year.
- In Community Services, recreation program revenue is under budget $22,853. The department has implemented new registration software and the reconciliation to the finance system is still being implemented. Transit revenue is under budget $29,682 and cemetery revenue is over budget $16,580.
- In External Boards, donations and sponsorships for Sesquicentennial were received but not budgeted, will be balanced with event expenditures.
- Other revenue is under budget which is Festival Hydro dividends. This is due to timing of when dividends are received.

**Financial Impact:** As noted above.

**Staff Recommendation: THAT the April 30, 2017 financial report be received for information.**

Janice Beirness

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Janice Beirness, Manager of Finance

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André Morin, Director of Corporate Services

Rob Horne

Rob Horne, Chief Administrative Officer

**CITY OF STRATFORD**

**Statement of Operations**

**April 30, 2017**

**(favourable) unfavorable**

| Department | | 2017 Actual YTD | 2017 Budget YTD | 2017 Budget Annual | 2017 Variance YTD |
|---|---|---|---|---|---|
| **Revenue Fund** | | | | | |
| **Mayor and Council** | | | | | |
| | Revenue | | - | - | - |
| | Expense | 107,494 | 103,744 | 311,222 | 3,750 |
| | Net | 107,494 | 103,744 | 311,222 | 3,750 |
| **Chief Administrator** | | | | | |
| | Revenue | - | - | - | - |
| | Expense | 168,614 | 208,944 | 626,799 | (40,330) |
| | Net | 168,614 | 208,944 | 626,799 | (40,330) |
| **Human Resources** | | | | | |
| | Revenue | - | - | - | - |
| | Expense | 171,381 | 193,984 | 581,937 | (22,603) |
| | Net | 171,381 | 193,984 | 581,937 | (22,603) |
| **Corporate Services** | | | | | |
| | Revenue | (609,674) | (665,399) | (3,413,092) | 55,725 |
| | Expense | 2,848,390 | 4,962,138 | 14,514,773 | (2,113,748) |
| | Net | 2,238,716 | 4,296,739 | 11,101,681 | (2,058,023) |
| **Fire Department** | | | | | |
| | Revenue | (167,121) | (134,970) | (134,970) | (32,151) |
| | Expense | 2,158,464 | 2,260,260 | 6,780,780 | (101,796) |
| | Net | 1,991,343 | 2,125,290 | 6,645,810 | (133,947) |
| **Police Services** | | | | | |
| | Revenue | (156,865) | (139,004) | (417,000) | (17,861) |
| | Expense | 3,209,018 | 3,624,744 | 10,874,256 | (415,726) |
| | Net | 3,052,153 | 3,485,740 | 10,457,256 | (433,587) |
| **Building and Planning** | | | | | |
| | Revenue | (471,878) | (429,204) | (1,378,551) | (42,674) |
| | Expense | 633,213 | 711,244 | 2,133,696 | (78,031) |
| | Net | 161,335 | 282,040 | 755,145 | (120,705) |
| **Public Works** | | | | | |
| | Revenue | (4,605,152) | (4,616,596) | (15,223,825) | 11,444 |
| | Expense | 4,817,684 | 4,969,040 | 14,164,982 | (151,356) |
| | Net | 212,532 | 352,444 | (1,058,843) | (139,912) |
| **Library** | | | | | |
| | Revenue | (13,755) | (14,156) | (380,579) | 401 |
| | Expense | 790,050 | 846,804 | 2,540,398 | (56,754) |
| | Net | 776,295 | 832,648 | 2,159,819 | (56,353) |

| Department | 2017 Actual YTD | 2017 Budget YTD | 2017 Budget Annual | 2017 Variance YTD |
|---|---|---|---|---|
| **Economic Dev & Airport** | | | | |
| Revenue | (58,232) | (81,364) | (244,093) | 23,132 |
| Expense | 95,567 | 101,548 | 304,628 | (5,981) |
| Net | 37,335 | 20,184 | 60,535 | 17,151 |
| **Social Services** | | | | |
| Revenue | (8,011,941) | (8,012,408) | (24,037,238) | 467 |
| Expense | 9,364,412 | 9,365,096 | 28,095,287 | (684) |
| Net | 1,352,471 | 1,352,688 | 4,058,049 | (217) |
| **Community Services** | | | | |
| Revenue | (1,118,777) | (1,153,799) | (4,018,200) | 35,022 |
| Expense | 2,830,539 | 2,808,987 | 10,177,117 | 21,552 |
| Net | 1,711,762 | 1,655,188 | 6,158,917 | 56,574 |
| **External Boards & Services** | | | | |
| Revenue | (2,500) | | | (2,500) |
| Expense | 3,061,688 | 3,024,302 | 8,589,359 | 37,386 |
| Net | 3,059,188 | 3,024,302 | 8,589,359 | 34,886 |
| **Grants** | 74,815 | 137,175 | 562,225 | (62,360) |
| **Other Revenue** | (506,263) | (529,767) | (2,150,000) | 23,504 |
| **Tax Revenue** | (26,866,833) | (26,866,833) | (55,264,912) | - |
| **Net (Rev) Exp before Capital & Reserve Transfers** | **(12,257,662)** | **(9,325,490)** | **(6,405,001)** | **(2,932,172)** |

Human Resources Department

# MANAGEMENT REPORT

**Date:** June 5, 2017

**To:** Finance and Labour Relations Sub-committee

**From:** Jacqueline Mockler, Human Resources Director

**Report#:** FIN17-020

**Attachments:** Draft Policies with Changes – H.1.6 Workplace Harassment, Sexual Harassment and Discrimination Policy and H.1.23 Workplace Violence

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**Title:** Amended Policy H.1.6 Workplace Harassment, Sexual Harassment and Discrimination and Amended Policy H.1.23 Workplace Violence

**Objective:** To amend the current Workplace Harassment and Discrimination and Workplace Violence Policies to be compliant with Bill 132.

**Background:** Bill 132 is an act to amend various statutes with respect to sexual violence, sexual harassment, domestic violence and related matters that took effect September 8, 2016.

Employers in Ontario have always been obligated under the *Occupational Health and Safety Act* to take all reasonable steps to ensure the safety and protection of workers in the workplace. The draft policies were provided to the Joint Health and Safety Committee Members for their input. The current policies were last amended by City Council in 2010.

Ontario's Bill 132 introduced new sexual harassment related provisions to the *Occupational Health & Safety Act* including a new mandatory investigation obligation in the case of alleged or suspected workplace (including sexual) harassment.

The attached amended Workplace Harassment, Sexual Harassment and Discrimination and Workplace Violence Policies will ensure The Corporation of the City of Stratford continues to foster a respectful workplace and is compliant with the changes in legislation.

**Analysis:** Highlights of the legislative changes captured in the policies include:

- Specific inclusion of sexual harassment in the definition of workplace harassment;

- Information about reporting harassment to individuals other than the alleged harasser, if the harasser is the employer or the supervisor;
- A stipulation that information about an incident or complaint will not be disclosed unless necessary for purposes of the investigation or as required by law;
- Confirmation that both the alleged victim and the alleged respondent will be advised in writing of the results of the investigation and any corrective action.

**Financial Impact:** The Corporation of the City of Stratford employees will be provided with the amended policies. Training for employees is included in the 2017 Budget.

**Staff Recommendation: THAT amended Policy H.1.6 Workplace Harassment, Sexual Harassment and Discrimination and Amended Policy H.1.23 Workplace Violence be adopted.**

Jacqueline Mockler, Director of Human Resources

Rob Horne, Chief Administrative Officer

| The Corporation of the City of Stratford Policy Manual | H.1 Human Resources |
| --- | --- |
| | Dept: Human Resources |
| | Committee: Finance and Labour Relations |

# H.1.6 Workplace Harassment and Discrimination

Adopted: June 12, 1995
Amended: May 9, 2005, July 12, 2010
Reaffirmed:
Related Documents:
☑ Council Policy ☐ Administrative Policy

This policy applies to all employees of The Corporation of the City of Stratford (the "City"), including managerial, supervisory, full-time and part-time, as well as to all members of City Council, contractors, clients, customers, and volunteers.

**PURPOSE:**
This policy responds to the City's commitment to provide, in accordance with the Ontario *Human Rights Code* and the *Occupational Health and Safety Act*, a workplace that is free from harassment and discrimination and that respects the dignity, self-worth and human rights of every individual.

The City will not tolerate any behaviour which denies individuals their dignity and respect and which is offensive, embarrassing or humiliating. All City employees and members of City Council have a responsibility to respect the dignity and human rights of their co-workers and the public they serve. Harassment of another employee in the carrying out of duties or in the provision of goods and services, constitutes a disciplinary infraction and will be dealt with severely.

**APPLICABILITY:**
This policy applies to all employees of the Corporation of the City of Stratford (the "City"), including managerial, supervisory, full-time and part-time, as well as to all members of City Council, contractors, clients, customers, and volunteers.

Other individuals, conducting business on City of Stratford's premises (including but not limited to contractors, citizens and visitors), are also expected to conduct themselves in any City of Stratford-related activity in a manner consistent with this policy. Allegations of workplace harassment and discrimination by such individuals will be dealt with by the City of Stratford and, if substantiated, may be considered a breach of contract or affect the person's right to be present on the City of Stratford's premises or participate in any of its activities.

**RELATIONSHIP TO OTHER POLICIES**

Some behaviours that are defined as harassment under this policy can also constitute workplace violence or abuse and, as such, the City of Stratford's Workplace Violence and Abuse Policy may also be applicable in some circumstances.

**RESPONSIBILITIES**

Managerial and supervisory staff are responsible for communicating to all employees that harassment and discrimination is not permitted and will not be condoned or ignored. Management and supervisory staff will make every effort to prevent harassment by:

(i) demonstrating by leadership and action a commitment to the prevention of harassment and discrimination;
(ii) communicating the principles of this policy and upholding its spirit and intent;
(iii) taking all steps to put a stop to any harassment or discrimination of which they are aware, regardless of whether a complaint is filed;
(iv) taking all complaints of harassment and discrimination seriously and promptly and diligently investigating any alleged incident;
(v) taking prompt action to resolve complaints and taking appropriate corrective action.

All employees share the responsibility to create a workplace that is free from harassment and discrimination. Each employee is responsible for understanding what constitutes harassing and/or discriminatory behaviour and conducting himself or herself in accordance with the spirit and intent of this policy.

Notwithstanding the existence of this policy, every person continues to have the right to seek assistance and advice from the Ontario Human Rights Commission.

**DEFINITIONS**

a) Harassment under the *Occupational Health and Safety Act*

The Ontario *Occupational Health and Safety Act* defines harassment as "engaging in a course of vexatious comment or conduct against a worker that is known or ought reasonably to be known to be unwelcome".

For the purposes of this Policy, any vexatious, objectionable or unwelcome conduct or comment that serves no legitimate work-related purpose and has the effect of creating an intimidating, humiliating, threatening or hostile work environment will be considered to be harassment.

Examples of harassment could include, but are not limited to:

(i) bullying, insulting, taunting or ostracizing;
(ii) malicious or gestures or actions;
(iii) behaviour that frightens, belittles or degrades;
(vi) persistent unjustified threats of discipline or sanctions;
(v) constant unjustified criticism
(vi) yelling, shouting;
(vii) damaging or interfering with another's property or equipment.

b) Harassment and Discrimination under the *Human Rights Code*

In accordance with the Ontario *Human Rights Code*, every person covered by this policy has a right to freedom from harassment in the workplace or classroom because of race, ancestry, place of origin, colour, ethnic origin, citizenship, creed, sex, sexual orientation, age, record of offences, marital status, same-sex partnership status, family status or disability.

For the purposes of this policy, harassment is defined, in accordance with the Ontario *Human Rights Code*, as follows:

> "harassment" means engaging in a course of vexatious comment or conduct that is known or ought reasonably be known to be unwelcome.

Every person has the right to equal treatment in all aspects of employment, services, goods and facilities, without discrimination because of race, ancestry, place of origin, colour, ethnic origin, citizenship, creed, sex, sexual orientation, age, record of offences, marital status, same-sex partnership status, family status or disability.

Harassment can constitute a discriminatory practice under applicable human rights laws where the objectionable conduct or comment relates to race, ancestry, place of origin, colour, ethnic origin, citizenship, creed, sex, sexual orientation, age, record of offences, marital status, same-sex partnership status, family status or disability.

Behaviour giving rise to a complaint of harassment does not need to be intentional in order to be considered harassment. The key factor is how the recipient reasonably perceives the behaviour. Examples of harassment include, but are not limited to:

(i) Objectionable remarks, innuendos or taunting about a person in relation to his or her racial or ethnic background, colour, place of birth or any of the other prohibited grounds.

(ii) Displaying material that is racist, derogatory or objectionable in relation to any of the other prohibited grounds.

(iii) Refusing to converse or work cooperatively with an employee because of racial or ethnic background or any of the other prohibited grounds.

(iv) Insulting gestures, graphics or jokes based on a person's sex or sexual orientation or any of the other prohibited grounds that cause embarrassment or discomfort.

Harassment may occur over one incident, or over a series of related or unrelated incidents.

Harassment does not include actions taken by managerial or supervisory staff who are exercising their supervisory rights and responsibilities in good faith. Performance reviews, work evaluations and disciplinary measures taken by the City for any valid reason do not constitute harassment.

c) <u>Sexual Harassment</u>:

For the purposes of this policy, sexual harassment means any unwelcome conduct, comment, gesture or contact of a sexual nature that is likely to cause offense or humiliation, or that might, on reasonable grounds, be perceived as placing a condition of a sexual nature on employment or on any opportunity for promotion or training or any other benefit or advancement within the City.

Sexual harassment includes, but is not limited to, sexual advances, requests for sexual favours or other verbal or physical conduct of a sexual nature when:

(i) submission to such conduct is made either implicitly or explicitly a condition of employment;
(ii) submission to or rejection of such conduct is used as a basis for any employment decisions such as promotions, salaries, separation affecting the employee;
(iii) such conduct has the purpose or the effect of unreasonably interfering with the employee's work performance or creating an intimidating, hostile or offensive work environment.

Examples of sexual harassment would include, but are not limited to:

(i) requests for sexual favours;
(ii) unwelcome remarks, e-mails, voicemails, written materials, questions, jokes, innuendo or taunting, about a person's body or sex, including sexist comments or sexual invitations;
(iii) verbal abuse or threats of a sexual nature;
(iv) leering, staring or making sexual gestures;
(v) display of pornographic or other sexual materials in the form of degrading pictures, graffiti, cartoons, sayings or email;
(vi) unwanted physical contact such as touching, patting, pinching or hugging;
(vii) intimidation, threat or actual physical assault of a sexual nature;
(viii) sexual advances with actual or implied work related consequences.

This definition of sexual harassment is not intended to inhibit interactions or relationships based on mutual consent or normal social contact between employees.

d) <u>The Workplace</u>
For the purposes of this policy, the workplace includes, but is not limited to, all City facilities and worksites, including vehicles, cafeterias, training sessions, business travel, conferences and all locations where the business of the organization is conducted. The workplace also includes all City sanctioned social functions or business performed at any location away from the City, during or outside of normal working hours.

**COMPLAINT PROCEDURE**
At all times throughout any of the informal or formal complaint procedures referred to below, the City reserves the right to determine that it is necessary to take appropriate action, including an investigation, even if the complainant indicates that he or she does not wish the matter to proceed.

Several options are available to employees who believe they have been subjected to workplace harassment or discrimination:

a) <u>Direct Action</u>:
Employees who believe they have been harassed or have been the subject of discrimination are encouraged to raise the concern directly with the individual responsible for the alleged misconduct, make it known that the conduct or comment is unwelcome and that they wish it to stop immediately. Employees are further encouraged to keep a detailed record of the harassment or discrimination, including dates, times, locations and witnesses.

Employees may choose not to approach the individual responsible for the alleged misconduct directly if they feel this may be difficult or inappropriate. In these situations, complainants are encouraged to take action as outlined in paragraph (b).

b) <u>Informal Complaint</u>:
Employees who believe they have been harassed or have been the subject of discrimination and have unsuccessfully tried to deal directly with the individual responsible for the alleged misconduct or feel that a direct approach is inappropriate, may deal with the complaint on an informal basis. In this instance, the complainant is encouraged to contact:

(i) his or her Department Head; or
(ii) if the Department Head is the source of the problem leading to the complaint, the Director of Human Resources;

The complainant, with the assistance of the contact person, will determine the desired course of action. Some options are to:

(i) discuss the concern directly with the respondent;
(ii) discuss the concern directly with the respondent, with the assistance of the contact person;
(iii) request that the contact person meet with the respondent and discuss the complaint;
(iv) request that a neutral third party be appointed to mediate the complaint;
(v) make a Formal Complaint [see paragraph (c)];
(vi) any other course of action that may be appropriate;
(vii) take no action at this time.

The contact person or any third party appointed to mediate the complaint will not have the authority to conduct an investigation or other formal fact finding process unless a Formal Complaint is made pursuant to Paragraph (c) or approval to proceed is given by Director of Human Resources.

If the concern or complaint is resolved through a written agreement, the only written record of the resolution will be given to the complainant and the respondent, and a copy given to the Director of Human Resources.

If, after the Informal Complaint process, or, if the Informal Complaint process is not appropriate, the complaint remains unresolved, the complainant may refer the complaint to the Formal Complaint process.

c) Formal Complaint:
Upon becoming aware of any incident which may fall under the definition of harassment or discrimination, nothing precludes the City from deciding that it may be necessary to take appropriate action, including a formal investigation, even in the absence of a formal complaint [or complainant] or if the complainant does not wish the matter to proceed. In the event that the City decides to proceed, the complainant will be notified.

Employees may choose to file a Formal Complaint either directly, or after an Informal Complaint is considered.

A Formal Complaint must be submitted in writing to the Director of Human Resources. Complaints with respect to the Director of Human Resources will be directed to the Chief Administrative Officer. The written complaint should include:

(i) the name of the person(s) reporting the complaint, name of the complainant and respondent;
(ii) nature of the conduct;
(iii) date, time and place of incident(s);
(iv) name(s) of any witness(es);
(v) steps already taken (if any) to resolve the matter.

A copy of the Formal Complaint will be provided to the respondent. The respondent will be afforded an opportunity to respond to the Formal Complaint, in writing, and a copy of that response will be provided to the complainant.

**Investigation of a Formal Complaint:**
In most instances, the Director of Human Resources will be responsible for investigating the complaint. The Director of Human Resources, in his or her sole discretion, may appoint an external investigator to investigate the complaint. Pending the results of the investigation the City may impose such interim measures as it deems necessary. Interim measures may include relocating the respondent, changing reporting structures or placing him or her on a non-disciplinary suspension with pay pending the outcome of the investigation.

The City will advise the complainant and the respondent if an investigation has been initiated and the name(s) of the internal or external investigator(s).

a) Fact Finding:
The investigator(s) will conduct interviews with all relevant parties including any witnesses, review any relevant material to clarify the details of the reported incident(s) and keep written records of all discussions held with the complainant, the respondent and all witnesses. Both the complainant and respondent will be given full opportunity to present their cases.

b) Report of Findings:
The investigator(s) will, after completing the investigation, produce a final written report which will be forwarded to the Director of Human Resources and Chief Administrative Officer. This report will include the investigator's findings of fact, his or her opinion on whether harassment or discrimination has occurred and a non-binding recommended course of action.

The complainant and respondent will be advised in writing of the findings of the investigation.

**CORRECTIVE AND/OR DISCIPLINARY ACTION**
If, after an investigation, the investigator(s) finds that a complaint is substantiated, the Chief Administrative Officer will determine what corrective action and/or disciplinary action is to be taken, if any. Potential actions may include, but are not limited to, the following:

i) an apology;
ii) the introduction of information or education sessions for the respondent(s) or a particular work group;
iii) requiring the respondent(s) to participate in a counselling process;
iv) imposing discipline on the respondent(s), ranging from a letter of reprimand up to and including dismissal;
v) requiring a review and modification of policies, procedures and practices for a particular work group.

Where a complaint of harassment or discrimination is substantiated, a formal record of the action taken will be placed in the respondent(s)'s personnel file.

a) <u>Retaliation</u>:
All employees have a right to be free of retaliation or threat of retaliation as a result of being involved in a complaint of harassment or discrimination. Retaliation will be deemed to be harassment and will be dealt with in accordance with this policy.

b) <u>Malicious Complaints</u>:
If, as a result of an investigation, it is determined that an otherwise unfounded complaint was intended to be malicious, it will be considered a form of harassment and may be dealt with in accordance with this policy and/or as a disciplinary matter.

**CONFIDENTIALITY**
The administration of this policy will be done in accordance with all applicable provincial and federal laws. The City understands that it may be difficult to come forward with a complaint of harassment or discrimination and recognizes a complainant's interest in keeping the matter confidential. To protect the interests of the complainant, the person complained against and any others who may report incidents of harassment and discrimination, confidentiality will be maintained throughout the investigatory process to the extent practicable and appropriate under the circumstances.

All records of complaints, including minutes of meetings, interviews, results of investigations and other relevant material will be kept confidential by the Director of Human Resources except to the extent that disclosure is necessary to conduct an investigation and to take remedial and/or disciplinary action in relation to the complaint. In that regard, information regarding the particulars of the allegations and the identity of the complainant may, where necessary, be provided to the individual against whom a complaint has been made regardless of whether the informal or formal complaint procedure is invoked.

| The Corporation of the City of Stratford<br>Policy Manual | H.1 Human Resources<br>Dept: Human Resources<br>Committee: Finance and Labour Relations |
|---|---|

# H.1.6 Workplace Harassment, Sexual Harassment and Discrimination

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Adopted: June 12, 1995
Amended: May 9, 2005, July 12, 2010
Reaffirmed:
Related Documents:
☑ Council Policy ☐ Administrative Policy

This policy applies to all employees of The Corporation of the City of Stratford (the “City”), including managerial, supervisory, full-time and part-time, as well as to all members of City Council, contractors, clients, customers, and volunteers.

**PURPOSE:**
This policy responds to the City’s commitment to provide, in accordance with the Ontario *Human Rights Code* and the *Occupational Health and Safety Act*, a workplace that is free from harassment, sexual harassment or discrimination ~~and discrimination~~ and that respects the dignity, self-worth and human rights of every individual.

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The City will not tolerate any behaviour which denies individuals their dignity and respect and which is offensive, embarrassing or humiliating. All City employees and members of City Council have a responsibility to respect the dignity and human rights of their co-workers and the public they serve. Harassment, sexual harassment or discrimination of another employee in the carrying out of duties or in the provision of goods and services, constitutes a disciplinary infraction and will be dealt with severely.

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**APPLICABILITY:**
This policy applies to all employees of the Corporation of the City of Stratford (the “City”), including managerial, supervisory, full-time and part-time, as well as to all members of City Council, contractors, clients, customers, and volunteers.

Other individuals, conducting business on City of Stratford’s premises (including but not limited to contractors, citizens and visitors), are also expected to conduct themselves in any City of Stratford-related activity in a manner consistent with this policy. Allegations of workplace harassment, sexual harassment or discrimination ~~and discrimination~~ by such individuals will be dealt with by the City of Stratford and, if substantiated, may be considered a breach of contract or affect the person's right to be present on the City of Stratford’s premises or participate in any of its activities.

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## RELATIONSHIP TO OTHER POLICIES

Some behaviours that are defined as harassment under this policy can also constitute workplace violence or abuse and, as such, the City of Stratford's Workplace Violence and Abuse Policy may also be applicable in some circumstances.

## RESPONSIBILITIES

Managerial and supervisory staff are responsible for communicating to all employees that harassment, sexual harassment or discrimination ~~and discrimination~~ is not permitted and will not be condoned or ignored. Management and supervisory staff will make every effort to prevent harassment by:

(i) demonstrating by leadership and action a commitment to the prevention of harassment and discrimination;
(ii) communicating the principles of this policy and upholding its spirit and intent;
(iii) taking all steps to put a stop to any harassment or discrimination of which they are aware, regardless of whether a complaint is filed;
(iv) taking all complaints of harassment and discrimination seriously and promptly and diligently investigating any alleged incident;
(v) taking prompt action to resolve complaints and taking appropriate corrective action.

All employees share the responsibility to create a workplace that is free from harassment, sexual harassment and discrimination. Each employee is responsible for understanding what constitutes harassing and/or discriminatory behaviour and conducting himself or herself in accordance with the spirit and intent of this policy.

~~Notwithstanding the existence of this policy, every person continues to have the right to seek assistance and advice from the Ontario Human Rights Commission.~~

## DEFINITIONS

a) Workplace Harassment under the *Occupational Health and Safety Act*

The Ontario *Occupational Health and Safety Act* defines harassment as:

(a) ~~"~~engaging in a course of vexatious comment or conduct against a worker that is known or ought reasonably to be known to be unwelcome; or~~".~~

(b) workplace sexual harassment

For the purposes of this Policy, any vexatious, objectionable or unwelcome conduct or comment that serves no legitimate work-related purpose and has the effect of creating an intimidating, humiliating, threatening or hostile work environment will be considered to be harassment.



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Examples of harassment could include, but are not limited to:

(i) bullying, insulting, taunting or ostracizing;
(ii) malicious or gestures or actions;
(iii) behaviour that frightens, belittles or degrades;
(vi) persistent unjustified threats of discipline or sanctions;
(v) constant unjustified criticism
(vi) yelling, shouting;
(vii) damaging or interfering with another's property or equipment.

Harassment does not include actions taken by administrative or supervisory staff who are exercising their supervisory rights and responsibilities in good faith. Performance reviews, work evaluations and disciplinary measures taken by the City for any valid reason do not constitute harassment.

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The Ontario *Occupational Health and Safety Act* defines workplace sexual harassment as:

(a) Engaging in a course of vexatious comment or conduct against a worker because of sex, sexual orientation, gender identity or gender expression, where the course of comment or conduct is known or ought reasonably to be known to be unwelcome; or

(b) Making a sexual solicitation or advance where the person making the solicitation or advance is in a position to confer, grant or deny a benefit or advancement to the worker and the worker knows or ought reasonably to know that the solicitation or advance is unwelcome.

Sexual harassment includes, but is not limited to, sexual advances, requests for sexual favours or other verbal or physical conduct of a sexual nature when:

(i) submission to such conduct is made either implicitly or explicitly a condition of employment;
(ii) submission to or rejection of such conduct is used as a basis for any employment decisions such as promotions, salaries, separation affecting the employee;
(iii) such conduct has the purpose or the effect of unreasonably interfering with the employee's work performance or creating an intimidating, hostile or offensive work environment.

Examples of sexual harassment would include, but are not limited to:

(i) requests for sexual favours;
(ii) unwelcome remarks, e-mails, voicemails, written materials, questions, jokes, innuendo or taunting, about a person's body or sex, including sexist comments or sexual invitations;
(iii) verbal abuse or threats of a sexual nature;
(iv) leering, staring or making sexual gestures;
(v) display of pornographic or other sexual materials in the form of degrading pictures, graffiti, cartoons, sayings or email;

(vi) unwanted physical contact such as touching, patting, pinching or hugging;
(vii) intimidation, threat or actual physical assault of a sexual nature;
(viii) sexual advances with actual or implied work related consequences.
(ix) Insulting gestures, graphics or jokes based on a person's sex, sexual orientation, gender identify or gender expression.

This definition of sexual harassment is not intended to inhibit interactions or relationships based on mutual consent or normal social contact between employees.

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b) Harassment and Discrimination under the *Human Rights Code*

In accordance with the Ontario *Human Rights Code*, every person covered by this policy has a right to freedom from harassment in the workplace or classroom because of race, ancestry, place of origin, colour, ethnic origin, citizenship, creed, sex, sexual orientation, gender identity, gender expression, age, record of offences, marital status, same-sex partnership status, family status or disability.

For the purposes of this policy, harassment is defined, in accordance with the Ontario *Human Rights Code*, as follows:

> "harassment" means engaging in a course of vexatious comment or conduct that is known or ought reasonably be known to be unwelcome.

Every person has the right to equal treatment in all aspects of employment, services, goods and facilities, without discrimination because of race, ancestry, place of origin, colour, ethnic origin, citizenship, creed, sex, sexual orientation, gender identity, gender expresson, age, record of offences, marital status, same-sex partnership status, family status or disability.

Harassment can constitute a discriminatory practice under applicable human rights laws where the objectionable conduct or comment relates to race, ancestry, place of origin, colour, ethnic origin, citizenship, creed, sex, sexual orientation, age, record of offences, marital status, same-sex partnership status, family status or disability.

Behaviour giving rise to a complaint of harassment does not need to be intentional in order to be considered harassment. The key factor is how the recipient reasonably perceives the behaviour. Examples of harassment include, but are not limited to:

(i) Objectionable remarks, innuendos or taunting about a person in relation to his or her racial or ethnic background, colour, place of birth or any of the other prohibited grounds.
(ii) Displaying material that is racist, derogatory or objectionable in relation to any of the other prohibited grounds.
(iii) Refusing to converse or work cooperatively with an employee because of racial or ethnic background or any of the other prohibited grounds.

(iv) Insulting gestures, graphics or jokes based on any of the ~~a person's sex or sexual orientation or any of the other~~ prohibited grounds ~~that cause embarrassment or discomfort~~.

Harassment may occur over one incident, or over a series of related or unrelated incidents.

Harassment does not include actions taken by managerial or supervisory staff who are exercising their supervisory rights and responsibilities in good faith. Performance reviews, work evaluations and disciplinary measures taken by the City for any valid reason do not constitute harassment.

~~c)~~
c) Sexual Harassment under the Ontario *Human Rights Code*:

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In accordance with the Ontario *Human Rights Code*, every person covered by this policy has a right to freedom from sexual harassment because of sex, sexual orientation, gender identity or gender expression.

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Every person covered by this policy has a right to be free from:

(a) a sexual solicitation or advance made by a person in a position to confer, grant or deny a benefit or advancement to the person where the person making the solicitation or advance knows or ought reasonably to know that it is unwelcome; or

(b) a reprisal or a threat of reprisal for the rejection of a sexual solicitation or advance where the reprisal is made or threatened by a person in a position to confer, grant or deny a benefit or advancement to the person.

~~Sexual Harassment:~~
~~For the purposes of this policy, sexual harassment means any unwelcome conduct, comment, gesture or contact of a sexual nature that is likely to cause offense or humiliation, or that might, on reasonable grounds, be perceived as placing a condition of a sexual nature on employment or on any opportunity for promotion or training or any other benefit or advancement within the City.~~

~~Sexual harassment includes, but is not limited to, sexual advances, requests for sexual favours or other verbal or physical conduct of a sexual nature when:~~

~~submission to such conduct is made either implicitly or explicitly a condition of employment;~~
~~submission to or rejection of such conduct is used as a basis for any employment decisions such as promotions, salaries, separation affecting the employee;~~
~~such conduct has the purpose or the effect of unreasonably interfering with the employee's work performance or creating an intimidating, hostile or offensive work environment.~~

~~Examples of sexual harassment would include, but are not limited to:~~

~~(i) requests for sexual favours;~~

~~(ii) unwelcome remarks, e-mails, voicemails, written materials, questions, jokes, innuendo or taunting, about a person's body or sex, including sexist comments or sexual invitations;~~
~~(iii) verbal abuse or threats of a sexual nature;~~
~~(iv) leering, staring or making sexual gestures;~~
~~(v) display of pornographic or other sexual materials in the form of degrading pictures, graffiti, cartoons, sayings or email;~~
~~(vi) unwanted physical contact such as touching, patting, pinching or hugging;~~
~~(vii) intimidation, threat or actual physical assault of a sexual nature;~~
~~sexual advances with actual or implied work related consequences.~~

This definition of sexual harassment is not intended to inhibit interactions or relationships based on mutual consent or normal social contact between employees.

Notwithstanding the existence of this policy, every person continues to have the right to seek assistance and advice from the Ontario Human Rights Commission.

d) The Workplace

For the purposes of this policy, the workplace includes, but is not limited to, all City facilities and worksites, including vehicles, cafeterias, training sessions, business travel, conferences and all locations where the business of the organization is conducted. The workplace also includes all City sanctioned social functions or business performed at any location away from the City, during or outside of normal working hours.

**COMPLAINT PROCEDURE**

Upon becoming aware of any incident which may fall under the definition of harassment, sexual harassment or discrimination, the City will ensure that an investigation is conducted if it is appropriate in the circumstances and nothing precludes the City from deciding, where appropriate, that it may be necessary to take appropriate action, including a formal investigation, even in the absence of a formal complaint [or complainant] or if the complainant does not wish the matter to proceed or if an informal resolution has taken place between the complainant and the respondent.
~~At all times throughout any of the informal or formal complaint procedures referred to below, the City reserves the right to determine that it is necessary to take appropriate action, including an investigation, even if the complainant indicates that he or she does not wish the matter to proceed.~~

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Several options are available to employees who believe they have been subjected to workplace harassment, sexual harassment or discrimination:

a) Direct Action:
Employees who believe they have been harassed, sexually harassed or have been the subject of discrimination are encouraged to raise the concern directly with the individual responsible for the alleged misconduct, make it known that the conduct or comment is unwelcome and that they wish it to stop immediately. Employees are further encouraged to keep a detailed record of the harassment or discrimination, including dates, times, locations and witnesses.

Employees may choose not to approach the individual responsible for the alleged misconduct directly if they feel this may be difficult or inappropriate. In these situations, complainants are encouraged to take action as outlined in paragraph (b).

b) Informal Complaint:

Employees who believe they have been harassed, sexually harassed or have been the subject of discrimination and have unsuccessfully tried to deal directly with the individual responsible for the alleged misconduct or feel that a direct approach is inappropriate, may deal with the complaint on an informal basis. In this instance, the complainant is encouraged to contact:

(i) his or her Department Head; or
(ii) if the Department Head is the source of the problem leading to the complaint, the Director of Human Resources; or
(iii) if the Director of Human Resources is the source of the problem leading to the complaint, the Chief Administrative Officer.
~~(ii)~~

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The complainant, with the assistance of the contact person, will determine the desired course of action. Some options are to:

(i) discuss the concern directly with the respondent;
(ii) discuss the concern directly with the respondent, with the assistance of the contact person;
(iii) request that the contact person meet with the respondent and discuss the complaint;
(iv) request that a neutral third party be appointed to mediate the complaint;
(v) make a Formal Complaint [see paragraph (c)];
(vi) any other course of action that may be appropriate;
(vii) take no action at this time.

The contact person or any third party appointed to mediate the complaint will not have the authority to conduct an investigation or other formal fact finding process unless a Formal Complaint is made pursuant to Paragraph (c) or approval to proceed is given by Director of Human Resources.

If the concern or complaint is resolved through a written agreement, the only written record of the resolution will be given to the complainant and the respondent, and a copy given to the Director of Human Resources.

If, after the Informal Complaint process, or, if the Informal Complaint process is not appropriate, the complaint remains unresolved, the complainant may refer the complaint to the Formal Complaint process.

c) Formal Complaint:
Upon becoming aware of any incident which may fall under the definition of harassment or discrimination, nothing precludes the City from deciding that it may be necessary to take

appropriate action, including a formal investigation, even in the absence of a formal complaint [or complainant] or if the complainant does not wish the matter to proceed. In the event that the City decides to proceed, the complainant will be notified.

Employees may choose to file a Formal Complaint either directly, or after an Informal Complaint is considered.

A Formal Complaint must be submitted in writing to the Director of Human Resources. Complaints with respect to the Director of Human Resources will be directed to the Chief Administrative Officer. The written complaint should include:

(i) the name of the person(s) reporting the complaint, name of the complainant and respondent;
(ii) nature of the conduct;
(iii) date, time and place of incident(s);
(iv) name(s) of any witness(es);
(v) steps already taken (if any) to resolve the matter.
(vi) any supporting documents may the Complainant have in his or her possession
(vii) any relevant documents the respondent, a witness or other person may have in his or her possession
~~(v)~~

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A copy of the Formal Complaint will be provided to the respondent. The respondent will be afforded an opportunity to respond to the Formal Complaint, in writing, and a copy of that response will be provided to the complainant.

**Investigation of a Formal Complaint:**

In most instances, the Director of Human Resources will be responsible for investigating the complaint. The Director of Human Resources, in his or her sole discretion, may appoint an external investigator to investigate the complaint. Pending the results of the investigation the City may impose such interim measures as it deems necessary. Interim measures may include relocating the respondent, changing reporting structures or placing him or her on a non-disciplinary suspension with pay pending the outcome of the investigation.

The City will advise the complainant and the respondent if an investigation has been initiated and the name(s) of the internal or external investigator(s).

a) Fact Finding:
The investigator(s) will conduct interviews with all relevant parties including any witnesses, review any relevant material to clarify the details of the reported incident(s) and keep written records of all discussions held with the complainant, the respondent and all witnesses. Both the complainant and respondent will be given full opportunity to present their cases.

b) Report of Findings:
The investigator(s) will, after completing the investigation, produce a final written report which will be forwarded to the Director of Human Resources and Chief Administrative Officer. This

report will include the investigator's findings of fact, his or her opinion on whether harassment, sexual harassment or discrimination has occurred. ~~and a non-binding recommended course of action.~~

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The complainant and respondent will be advised in writing of the results of ~~findings of~~ the investigation and any corrective action to be taken.

**CORRECTIVE AND/OR DISCIPLINARY ACTION**

If, after an investigation, the investigator(s) finds that a complaint is substantiated, the Chief Administrative Officer will determine what corrective action and/or disciplinary action is to be taken, if any. Potential actions may include, but are not limited to, the following:

- i) an apology;
- ii) the introduction of information or education sessions for the respondent(s) or a particular work group;
- iii) requiring the respondent(s) to participate in a counselling process;
- iv) imposing discipline on the respondent(s), ranging from a letter of reprimand up to and including dismissal;
- v) requiring a review and modification of policies, procedures and practices for a particular work group.

Where a complaint of harassment, sexual harassment ~~-~~or discrimination is substantiated, a formal record of the action taken will be placed in the respondent(s)'s personnel file.

a) Retaliation:

All employees have a right to be free of retaliation or threat of retaliation as a result of being involved in a complaint of harassment, sexual harassment or discrimination. Retaliation will be deemed to be harassment and will be dealt with in accordance with this policy.

b) Malicious Complaints:

If, as a result of an investigation, it is determined that an otherwise unfounded complaint was intended to be malicious, it will be considered a form of harassment, sexual harassment and may be dealt with in accordance with this policy and/or as a disciplinary matter.

**CONFIDENTIALITY**

The administration of this policy will be done in accordance with all applicable provincial and federal laws. The City understands that it may be difficult to come forward with a complaint of harassment or discrimination and recognizes a complainant's interest in keeping the matter confidential.

To protect the interests of the complainant, the person complained against and any others who may report incidents of harassment, sexual harassment and discrimination, confidentiality will be maintained throughout the investigatory process to the extent appropriate ,and information obtained about an incident, including any identifying information about any individuals involved, will not be disclosed unless the disclosure is necessary for the purposes of investigating the complaint or taking corrective action, or is otherwise required by law.

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~~To protect the interests of the complainant, the person complained against and any others who may report incidents of harassment and discrimination, confidentiality will be maintained~~

~~throughout the investigatory process to the extent practicable and appropriate under the circumstances.~~

All records of complaints, including minutes of meetings, interviews, results of investigations and other relevant material will be kept confidential by the Director of Human Resources except to the extent that disclosure is necessary to conduct an investigation and to take remedial and/or disciplinary action in relation to the complaint. In that regard, information regarding the particulars of the allegations and the identity of the complainant may, where necessary, be provided to the individual against whom a complaint has been made regardless of whether the informal or formal complaint procedure is invoked.

| The Corporation of the City of Stratford | H.1 Human Resources |
|---|---|
| Policy Manual | Dept: Human Resources |
| | Committee: Finance and Labour Relations |

# H.1.23 Workplace Violence

Adopted: July 12, 2010
Revised:
Amended:
Reaffirmed:
Related Documents:
☑ Council Policy ☐ Administrative Policy

**PURPOSE:**

The City of Stratford is committed to providing a positive and safe working environment for every individual at the City of Stratford. Accordingly, The City of Stratford will not tolerate acts of workplace violence. Any allegations of workplace violence will be investigated promptly and appropriate action will be taken, which may include discipline of offenders up to and including termination. The purpose of this policy is to ensure that all parties understand their roles and responsibilities in regards to preventing workplace violence.

**APPLICABILITY:**

The City of Stratford's workplace violence policy applies to all City of Stratford employees, including managerial, supervisory full-time, part-time, and casual employees, as well as its members of City Council.

Other individuals, conducting business on City of Stratford's premises (including but not limited to contractors, citizens, volunteers and visitors) are also expected to conduct themselves in any City of Stratford-related activity in a manner consistent with this policy. Allegations of violence by such individuals will be dealt with by the City of Stratford and, if substantiated, may be considered a breach of contract or affect the person's right to be present on the City of Stratford's premises or participate in any of its activities.

**RELATIONSHIP TO OTHER POLICIES**

Some behaviours that are defined as workplace violence under this policy can also constitute harassment under the Ontario *Human Rights Code* and the *Occupational Health and Safety Act*, and, as such, the City of Stratford's Workplace Harassment and Discrimination Policy may also be applicable in some circumstances.

**RESPONSIBILITIES**

Managerial and supervisory staff are responsible for communicating to all employees that workplace violence will not be condoned or ignored. Managerial and supervisory staff will make every effort to prevent workplace violence by:

(i) City departments shall identify those operations or work locations where workplace violence incidents have occurred or where there is a significant probability that violence, including domestic violence, may occur;

(ii) Establishing and implementing specific procedures, response plans and other controls where these risks occur or may occur to help minimize or eliminate the risk. The measures shall be reviewed by those employees involved and by the applicable joint health & safety committee(s);

(iii) Where appropriate, provide training and education to employees that will allow them to manage and de-escalate crisis situations that may lead to violence and to establish personal safety measures;

(iv) Investigating and implementing corrective actions to minimize potential future occurrences;

(v) Ensuring that employees who are experiencing difficulties and/or exhibiting behaviours that may contribute or lead to workplace violence are aware of, and support given to them to attend, the Employee Assistance Program (EAP) or other community services;

(vi) Ensuring that employees who are exposed to a violent or traumatic situations are aware of, and support given to them to attend, the Employee Assistance Program (EAP) or other community services, if appropriate.

All employees share the responsibility to create a workplace that is free of workplace violence. Each employee is responsible for understanding what constitutes workplace violence and conducting himself or herself in accordance with the spirit and intent of this policy. The responsibilities of employees include:

(i) Not engaging in any behaviour that would constitute workplace violence, including coercion, threats, intimidation and physical assault;

(ii) Participating and providing input in regards to the development of workplace violence procedures, response plans and other controls that are proposed or implemented to minimize or eliminate the risk;

(iii) Attending education and training sessions offered by the employer regarding workplace violence;

(iv) Reporting all workplace violence incidents to your supervisor or manager;

(v) Advising your supervisor or manager that there is a risk of workplace violence in the workplace.

(vi) Co-operating and assisting with investigations regarding workplace violence incidents;

(vii) Seeking support and assistance from the Employee Assistance Program (EAP) or other community service when experiencing stress or other personal difficulties that may contribute to workplace violence;

(viii) Seeking support and assistance from the Employee Assistance Program (EAP) or other community service if exposed to a violent or traumatic situation, if appropriate;

The City of Stratford recognizes that an employee experiencing domestic abuse may be reluctant, for safety and other reasons, to disclose the problem to a supervisor or manager. The City of Stratford encourages disclosure in order to ensure the employee's safety and that of his or her coworker. Disclosure also enables the City of Stratford to support the employee and provide links to appropriate community resources.

Although the City of Stratford respects an employee's need for confidentiality and self-determination, an employee is responsible for disclosing any situation which threatens the safety of the workplace. This includes threats an intimate partner or ex-partner has made towards the employee. An employee must inform his or her supervisor or manager if they have applied for, or obtained, a restraining order that lists any City of Stratford location as being a protected area, or that requires a person to remain a certain distance away from the employee at all times, including during the work day.

**DEFINITIONS**

a) **<u>Domestic Violence</u>**

A pattern of coercive behaviour that is used by one person to gain power and control over another which may include, but is not limited to, physical violence, sexual, emotional and psychological intimidation, verbal abuse, stalking and use of electronic devices to harass and gain control.

b) **<u>Workplace Violence</u>**

Workplace violence means:

(i) the exercise of physical force by a person against a worker, in a workplace, that causes or could cause physical injury to the worker,

(ii) an attempt to exercise physical force against a worker, in a workplace, that could cause physical injury to the worker,

(iii) a statement or behaviour that it is reasonable for a worker to interpret as a threat to exercise physical force against the worker, in a workplace, that could cause physical injury to the worker.

**PROCEDURE**

**Immediate Action**

Where an employee is the subject of or witness to an incident of workplace violence, the employee should assess the situation and respond appropriately as follows:

(i) Where an incident of workplace violence has occurred, medical attention should be sought as required.

(ii) If the situation warrants immediate notification of the police, it should be done directly by the employee affected, any employees who have witnessed the incident or the supervisor. The City of Stratford encourages and supports staff to lay criminal charges where appropriate.

Any investigation carried out by the police will be in addition to the investigation conducted by the City of Stratford.

(iii) Record events as soon as possible. The written record should include a description of the workplace violence, dates, times, locations and the identity of any witnesses to the alleged workplace violence.

(iv) Employees are responsible for immediately reporting all incidents of workplace violence to the Supervisor or, in the Supervisor's absence, the Human Resources Department. The Supervisor or Human Resources Department will conduct a preliminary investigation to assess the seriousness of the incident and the immediate response needed.

(v) It is the responsibility of all staff to ensure that the safety and well-being of the individual(s) involved are attended to immediately.

**Interim Measures**

Pending the results of a complaint, the City of Stratford may impose such interim measures as it deems necessary. Interim measures may include relocating the respondent, changing reporting structures or placing him or her on a non-disciplinary suspension with pay pending the outcome of the investigation.

**Informal Process**

After an employee has reported an incident of workplace violence, the Department Head, or, if the Department Head is the source of the problem leading to the complaint, the Director of Human Resources (the "contact person") will, with the input of the employee, determine the desired course of action. Some options are to:

(i) discuss the concern directly with the respondent;

(ii) discuss the concern directly with the respondent, with the assistance of the contact person;

(iii) request that the contact person meet with the respondent and discuss the incident;

(iv) request that a neutral third party be appointed to mediate the incident;

(v) proceed to a formal investigation of the incident;

(vi) any other course of action that may be appropriate;

(vii) take no action at this time.

The contact person or any third party appointed to mediate will not have the authority to conduct an investigation or other formal fact finding process unless the matter is referred to a full investigation and approval to proceed is given by Director of Human Resources.

If the concern is resolved through a written agreement, the only written record of the resolution will be given to the complainant and the respondent, and a copy given to the Director of Human Resources.

If the Informal process is unsuccessful, or, if the Informal process is not appropriate, the incident may be referred for a formal investigation.

**Formal Investigation**

Upon becoming aware of any incident which may fall under the definition of workplace violence, nothing precludes the City from deciding that it may be necessary to take appropriate action, including a formal investigation, even in the absence of a formal complaint [or complainant] or if the complainant does not wish the matter to proceed. In the event that the City decides to proceed, the complainant will be notified.

In most instances, the Director of Human Resources will be responsible for investigating the incident. The Director of Human Resources, in his or her sole discretion, may appoint an external investigator to investigate the incident.

**a) Fact Finding:**

The investigator will conduct interviews with all relevant parties including any witnesses, review any relevant material to clarify the details of the reported incident(s) and keep written records of all discussions. All parties will be given the full opportunity to present their cases.

**b) Report of Findings:**

The investigator(s) will, after completing the investigation, produce a final written report which will be forwarded to the Director of Human Resources and Chief Administrative Officer. This report will include the investigator's findings of fact and his or her opinion on whether workplace violence has occurred.

The parties will be advised in writing of the findings of the investigation.

**CORRECTIVE AND/OR DISCIPLINARY ACTION**

If, after an investigation, the investigator(s) finds that workplace violence has occurred, the Chief Administrative Officer will determine what corrective action and/or disciplinary action is to be taken, if any. Potential actions may include, but are not limited to, the following:

i) an apology;

ii) the introduction of information or education sessions for the respondent(s) or a particular work group;

iii) requiring the respondent(s) to participate in a counselling process;

iv) imposing discipline on the respondent(s), ranging from a letter of reprimand up to and including dismissal;

v) requiring a review and modification of policies, procedures and practices for a particular work group.

Where a complaint of workplace violence is substantiated, a formal record of the action taken will be placed in the respondent(s)'s personnel file.

**RETALIATION**

All individuals have a right to be free of retaliation or threat of retaliation as a result of being involved in a complaint of workplace violence. Retaliation will be deemed to be a form of abuse or harassment under this policy and/or the City of Stratford's Workplace Harassment and Discrimination Policy.

**MALICIOUS COMPLAINTS**

If, as a result of an investigation, it is determined that an otherwise unfounded complaint of workplace violence was intended to be malicious, it will be considered a form of abuse and/or harassment and will be dealt with in accordance with this policy and/or the City of Stratford's Workplace Harassment and Discrimination Policy.

**CONFIDENTIALITY**

The administration of this policy will be done in accordance with all applicable provincial and federal laws. The City of Stratford understands that it may be difficult to come forward with a complaint of workplace violence and recognizes a complainant's interest in keeping the matter confidential. To protect the interests of the complainant, the person complained against and any others who may report incidents of workplace violence, confidentiality will be maintained throughout the investigatory process to the extent practicable and appropriate under the circumstances.

All records of complaints, including minutes of meetings, interviews, results of investigations and other relevant material will be kept confidential by the Director of Human Resources except to the extent that disclosure is necessary to conduct an investigation and to take remedial and/or disciplinary action in relation to the incident or as required by law.

| The Corporation of the City of Stratford Policy Manual | H.1 Human Resources |
|---|---|
| | Dept: Human Resources |
| | Committee: Finance and Labour Relations |

## H.1.23 Workplace Violence

Adopted: July 12, 2010
Revised:
Amended:
Reaffirmed:
Related Documents:
☑ Council Policy ☐ Administrative Policy

**PURPOSE:**

The City of Stratford is committed to providing a positive and safe working environment for every individual at the City of Stratford. Accordingly, The City of Stratford will not tolerate acts of workplace violence. Any allegations of workplace violence will be investigated promptly and appropriate action will be taken, which may include discipline of offenders up to and including termination. The purpose of this policy is to ensure that all parties understand their roles and responsibilities in regards to preventing workplace violence.

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**RELATIONSHIP TO OTHER POLICIES**

Some behaviours that are defined as workplace violence under this policy can also constitute workplace harassment or sexual harassment under the Ontario *Human Rights Code* and the *Occupational Health and Safety Act*, and, as such, the City of Stratford's Workplace Harassment and Discrimination Policy may also be applicable in some circumstances.

**RESPONSIBILITIES**

Managerial and supervisory staff are responsible for communicating to all employees that workplace violence will not be condoned or ignored. Managerial and supervisory staff will make every effort to prevent workplace violence by:

(i) City departments shall identify those operations or work locations where workplace violence incidents have occurred or where there is a significant probability that violence, including domestic violence, may occur;

(ii) Establishing and implementing specific procedures, response plans and other controls where these risks occur or may occur to help minimize or eliminate the risk. The measures shall be reviewed by those employees involved and by the applicable joint health & safety committee(s);

(iii) Where appropriate, provide training and education to employees that will allow them to manage and de-escalate crisis situations that may lead to violence and to establish personal safety measures;

(iv) Investigating and implementing corrective actions to minimize potential future occurrences;

(v) Ensuring that employees who are experiencing difficulties and/or exhibiting behaviours that may contribute or lead to workplace violence are aware of, and support given to them to attend, the Employee Assistance Program (EAP) or other community services;

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(ii) Participating and providing input in regards to the development of workplace violence procedures, response plans and other controls that are proposed or implemented to minimize or eliminate the risk;

(iii) Attending education and training sessions offered by the employer regarding workplace violence;

(iv) Reporting all workplace violence incidents to your supervisor or manager;

(v) Advising your supervisor or manager that there is a risk of workplace violence in the workplace.

(vi) Co-operating and assisting with investigations regarding workplace violence incidents;

(vii) Seeking support and assistance from the Employee Assistance Program (EAP) or other community service when experiencing stress or other personal difficulties that may contribute to workplace violence;

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The City of Stratford recognizes that an employee experiencing domestic abuse may be reluctant, for safety and other reasons, to disclose the problem to a supervisor or manager. The City of Stratford encourages disclosure in order to ensure the employee's safety and that of his or her coworker. Disclosure also enables the City of Stratford to support the employee and provide links to appropriate community resources.

Although the City of Stratford respects an employee's need for confidentiality and self-determination, an employee is responsible for disclosing any situation which threatens the safety of the workplace. This includes threats an intimate partner or ex-partner has made towards the employee. An employee must inform his or her supervisor or manager if they have applied for, or obtained, a restraining order that lists any City of Stratford location as being a protected area, or that requires a person to remain a certain distance away from the employee at all times, including during the work day.

**DEFINITIONS**

a) **Domestic Violence**

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b) **Workplace Violence**

Workplace violence means:

(i) the exercise of physical force by a person against a worker, in a workplace, that causes or could cause physical injury to the worker,

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(iii) a statement or behaviour that it is reasonable for a worker to interpret as a threat to exercise physical force against the worker, in a workplace, that could cause physical injury to the worker.

c) **The Workplace**

For the purposes of this policy, the workplace includes, but is not limited to, all City facilities and worksites, including vehicles, cafeterias, training sessions, business travel, conferences and all locations where the business of the organization is conducted. The workplace also includes all City sanctioned social functions or business performed at any location away from the City, during or outside of normal working hours.

**PROCEDURE**

**Immediate Action**

Where an employee is the subject of or witness to an incident of workplace violence, the employee should assess the situation and respond appropriately as follows:

(i) Where an incident of workplace violence has occurred, medical attention should be sought as required.

(ii) If the situation warrants immediate notification of the police, it should be done directly by the employee affected, any employees who have witnessed the incident or the supervisor. The City of Stratford encourages and supports staff to lay criminal charges where appropriate. Any investigation carried out by the police will be in addition to the investigation conducted by the City of Stratford.

(iii) Record events as soon as possible. The written record should include a description of the workplace violence, dates, times, locations and the identity of any witnesses to the alleged workplace violence.

(iv) Employees are responsible for immediately reporting all incidents of workplace violence to the Supervisor or, in the Supervisor's absence, the Human Resources Department. The Supervisor or Human Resources Department will conduct a preliminary investigation to assess the seriousness of the incident and the immediate response needed.

(v) It is the responsibility of all staff to ensure that the safety and well-being of the individual(s) involved are attended to immediately.

**Interim Measures**

Pending the results of a complaint, the City of Stratford may impose such interim measures as it deems necessary. Interim measures may include relocating the respondent, changing reporting structures or placing him or her on a non-disciplinary suspension with pay pending the outcome of the investigation.

**Informal Process**

After an employee has reported an incident of workplace violence, the Department Head, or, if the Department Head is the source of the problem leading to the complaint, the Director of Human Resources (the "contact person") will, with the input of the employee, determine the desired course of action. Some options are to:

(i) discuss the concern directly with the respondent;

(ii) discuss the concern directly with the respondent, with the assistance of the contact person;

(iii) request that the contact person meet with the respondent and discuss the incident;

(iv) request that a neutral third party be appointed to mediate the incident;

(v) proceed to a formal investigation of the incident;

(vi) any other course of action that may be appropriate;

(vii) take no action at this time.

The contact person or any third party appointed to mediate will not have the authority to conduct an investigation or other formal fact finding process unless the matter is referred to a full investigation and approval to proceed is given by Director of Human Resources.

If the concern is resolved through a written agreement, the only written record of the resolution will be given to the complainant and the respondent, and a copy given to the Director of Human Resources.

If the Informal process is unsuccessful, or, if the Informal process is not appropriate, the incident may be referred for a formal investigation.

**Formal Investigation**

Upon becoming aware of any incident which may fall under the definition of workplace violence, the City will ensure that an investigation is conducted if it is appropriate in the circumstances and nothing precludes the City from deciding, where appropriate, that it may be necessary to take appropriate action, including a formal investigation, even in the absence of a formal complaint [or complainant] or if the complainant does not wish the matter to proceed or if an informal resolution has taken place between the complainant and the respondent. ~~. In the event that the City decides to proceed, the complainant will be notified.~~

In most instances, the Director of Human Resources will be responsible for investigating the incident. The Director of Human Resources, in his or her sole discretion, may appoint an external investigator to investigate the incident.

**a) Formal Complaint**

Employees may choose to file a Formal Complaint either directly, or after an Informal Complaint is considered.

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A Formal Complaint must be submitted in writing to the Director of Human Resources. Complaints with respect to the Director of Human Resources will be directed to the Chief Administrative Officer. The written complaint should include:

(i) the name of the person(s) reporting the complaint, name of the complainant and respondent;
(ii) nature of the conduct;
(iii) date, time and place of incident(s);
(iv) name(s) of any witness(es);
(v) steps already taken (if any) to resolve the matter
(vi) any supporting documents may have in his or her possession
(vii) any relevant documents the respondent, a witness or other person may have in his or her possession

A copy of the Formal Complaint will be provided to the respondent. The respondent will be afforded an opportunity to respond to the Formal Complaint, in writing, and a copy of that response will be provided to the complainant.

**b~~a~~) Fact Finding:**

The investigator will conduct interviews with all relevant parties including any witnesses, review any relevant material to clarify the details of the reported incident(s) and keep written records of all discussions. All parties will be given the full opportunity to present their cases.

**c~~b~~) Report of Findings:**

The investigator(s) will, after completing the investigation, produce a final written report which will be forwarded to the Director of Human Resources and Chief Administrative Officer. This report will include the investigator's findings of fact and his or her opinion on whether workplace violence has occurred.

The parties will be advised in writing of the findings of the investigation.

## CORRECTIVE AND/OR DISCIPLINARY ACTION

If, after an investigation, the investigator(s) finds that workplace violence has occurred, the Chief Administrative Officer will determine what corrective action and/or disciplinary action is to be taken, if any. Potential actions may include, but are not limited to, the following:

i) an apology;

ii) the introduction of information or education sessions for the respondent(s) or a particular work group;

iii) requiring the respondent(s) to participate in a counselling process;

iv) imposing discipline on the respondent(s), ranging from a letter of reprimand up to and including dismissal;

v) requiring a review and modification of policies, procedures and practices for a particular work group.

Where a complaint of workplace violence is substantiated, a formal record of the action taken will be placed in the respondent(s)'s personnel file.

## RETALIATION

All individuals have a right to be free of retaliation or threat of retaliation as a result of being involved in a complaint of workplace violence. Retaliation will be deemed to be a form of abuse or harassment under this policy and/or the City of Stratford's Workplace Harassment and Discrimination Policy.

**MALICIOUS COMPLAINTS**

If, as a result of an investigation, it is determined that an otherwise unfounded complaint of workplace violence was intended to be malicious, it will be considered a form of abuse and/or harassment and will be dealt with in accordance with this policy and/or the City of Stratford's Workplace Harassment and Discrimination Policy.

**CONFIDENTIALITY**

The administration of this policy will be done in accordance with all applicable provincial and federal laws. The City of Stratford understands that it may be difficult to come forward with a complaint of workplace violence and recognizes a complainant's interest in keeping the matter confidential. To protect the interests of the complainant, the person complained against and any others who may report incidents of workplace violence, confidentiality will be maintained throughout the investigatory process to the extent practicable and appropriate under the circumstances.

All records of complaints, including minutes of meetings, interviews, results of investigations and other relevant material will be kept confidential by the Director of Human Resources except to the extent that disclosure is necessary to conduct an investigation and to take remedial and/or disciplinary action in relation to the incident or as required by law.

Corporate Services Department

# MANAGEMENT REPORT

| | |
|---|---|
| **Date:** | July 24, 2017 |
| **To:** | Finance & Labour Relations Committee |
| **From:** | Marilyn Pickering, Supervisor of Tax Revenue |
| **Report#:** | FIN17-029 |
| **Attachments:** | Summary of Tax Adjustments – July 24, 2017 |

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**Title:** Tax Adjustments – July 24, 2017

**Objective:** To consider approval of a tax adjustment under Section 357 for 2016 and to receive Minutes of Settlement under Section 36 for 2016, Amended Property Assessment Notices for 2017, Minutes of Settlement under Section 39.1 for 2017 and an adjustment under the Farm Property Class Tax Rate Program for 2017.

**Background:** Section 357 of the Municipal Act, 2001 states in part 'upon application to the treasurer, the local municipality may cancel, reduce or refund all or part of taxes levied on land in the year in respect of which the application is made.
Minutes of Settlement under Section 36 has been issued to settle the appeal and no further hearing is required by the Assessment Review Board.
Amended Property Assessment Notices are issued to correct factual information on a property that results in a change to the assessment and/or classification.
Minutes of Settlement under Section 39.1 are for information purposes. The municipality can object to the settlement by signing the Minute of Settlement form and filing the prescribed fee to the Assessment Review Board by the required date.
The Farm Property Class Tax Rate Program is the result of a classification change and reapportionment to the farm property class as approved by The Ministry of Agriculture, Food and Rural Affairs.

**Analysis:** Summary is attached.

**Financial Impact:** There has been an allowance made in the 2017 Budget for anticipated tax adjustments.

**Staff Recommendation: THAT the Report of the Supervisor of Tax Revenue dated July 24, 2017 regarding the approval of a tax adjustment under Section 357 for 2016 be approved;**

**AND THAT the Minutes of Settlement under Section 36 for 2016, Amended Property Assessment Notices for 2017, Minutes of Settlement under Section 39.1 for 2017 and an adjustment under the Farm Property Class Tax Rate Program for 2017, be received for information.**

Marilyn Pickering, Supervisor of Tax Revenue

André Morin, Director of Corporate Services

Rob Horne, Chief Administrative Officer

| | SUMMARY OF TAX ADJUSTMENTS - JULY 24, 2017 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| APP. NO. | PROPERTY ADDRESS | REASON FOR APPLICATION AND ASSESSMENT AMOUNT | COVERED IN DAYS | TOTAL ADJMT | LEDGER REDUCTION | CASH REBATE | CITY CENTRE | BILL 140 ADJMT | TOTAL ADJMT |
| | **AMENDED PROPERTY ASSESSMENT NOTICE - 2017** | | | | | | | | |
| 1 | 55 HARRISON ST | ASSESSED UNDER NEW ROLL NUMBER | 365 | 1,756.83 | 1,756.83 | 0.00 | 0.00 | 0.00 | 1,756.83 |
| | | ASSESSMENT - 125,250 RT | | | | | | | |
| 2 | 589 WEST GORE ST | ASSESSED UNDER NEW ROLL NUMBER | 365 | 2,132.03 | 2,132.03 | 0.00 | 0.00 | 0.00 | 2,132.03 |
| | | ASSESSMEMT - 152,000 RT | | | | | | | |
| 3 | 551 ONTARIO ST | HOUSE DEMOLISHED | 365 | 1,051.99 | 1,051.99 | 0.00 | 0.00 | 0.00 | 1,051.99 |
| | | ASSESSMENT - 75,000 RT | | | | | | | |
| 4 | 561 ALBERT ST | CLASS CHANGE | 365 | 2,973.63 | 2,973.63 | 0.00 | 0.00 | 0.00 | 2,973.63 |
| | | ASSESSMENT - 212,000 RT TO EN | | | | | | | |
| | | **TOTAL** | | **7,914.48** | **7,914.48** | **0.00** | **0.00** | **0.00** | **7,914.48** |
| | **SECTION 357 - 2016** | | | | | | | | |
| 1 | 48-50 DALY AVE | STRUCTURE DELMOLISHED | 38 | 246.18 | 246.18 | 0.00 | 0.00 | 0.00 | 246.18 |
| | | ASSESSMENT - 169,000 RT | | | | | | | |
| | | **TOTAL** | | **246.18** | **246.18** | **0.00** | **0.00** | **0.00** | **246.18** |
| | **MINUTES OF SETTLEMENT UNDER SECTION 36 - 2016** | | | | | | | | |
| 1 | 198 MORNINGTON ST | ASSESSMENT REDUCTION | 366 | 6,993.36 | 6,993.36 | 0.00 | 0.00 | 0.00 | 6,993.36 |
| | | ASSESSMENT - 184,000 CT | | | | | | | |
| | | **TOTAL** | | **6,993.36** | **6,993.36** | **0.00** | **0.00** | **0.00** | **6,993.36** |
| | **MINUTES OF SETTLEMENT UNDER SECTION 39.1 - 2017** | | | | | | | | |
| 1 | 90 NORMAN ST | UPDATED STRUCTURE DATA | 365 | 182.35 | 182.35 | 0.00 | 0.00 | 0.00 | 182.35 |
| | | ASSESSMENT - 13,000 RT | | | | | | | |
| 2 | 63 AVON ST | UPDATED STRUCTURE DATA | 365 | 2,086.45 | 2,086.45 | 0.00 | 0.00 | 0.00 | 2,086.45 |
| | | ASSESSMENT - 148,750 RT | | | | | | | |
| 3 | 514 MORNINGTON ST | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 126.24 | 126.24 | 0.00 | 0.00 | 0.00 | 126.24 |
| | | ASSESSMENT - 9,000 RT | | | | | | | |
| 4 | 61 SHARMAN ST | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 417.29 | 417.29 | 0.00 | 0.00 | 0.00 | 417.29 |
| | | ASSESSMENT - 29,750 RT | | | | | | | |
| 5 | 45 HENRY DR | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 378.72 | 378.72 | 0.00 | 0.00 | 0.00 | 378.72 |
| | | ASSESSMENT - 27,000 RT | | | | | | | |
| 6 | 32 WARWICK RD | UPDATED STRUCTURE DATA | 365 | -87.43 | -87.43 | 0.00 | 0.00 | 0.00 | -87.43 |
| | | ASSESSMENT - 6,233 RT+ | | | | | | | |
| 7 | 232 JOHN ST N | UPDATED STRUCTURE DATA | 365 | 183.43 | 183.43 | 0.00 | 0.00 | 0.00 | 183.43 |
| | | ASSESSMENT - 13,077 RT | | | | | | | |
| 8 | 321 HURON ST | UPDATED STRUCTURE DATA | 365 | 241.96 | 241.96 | 0.00 | 0.00 | 0.00 | 241.96 |
| | | ASSESSMENT - 17,250 RT | | | | | | | |
| 9 | 42 BROWN ST | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 161.31 | 161.31 | 0.00 | 0.00 | 0.00 | 161.31 |
| | | ASSESSEMENT - 11,500 RT | | | | | | | |
| 10 | 740 MORNINGTON ST | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 66.62 | 66.62 | 0.00 | 0.00 | 0.00 | 66.62 |
| | | ASSESSMENT - 4,750 RT | | | | | | | |
| 11 | 63 WATER ST | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 220.92 | 220.92 | 0.00 | 0.00 | 0.00 | 220.92 |
| | | ASSESSMENT - 15,750 RT | | | | | | | |
| 12 | 5 WATER ST | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 108.70 | 108.70 | 0.00 | 0.00 | 0.00 | 108.70 |

| | SUMMARY OF TAX ADJUSTMENTS - JULY 24, 2017 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |
| **APP.** | **PROPERTY ADDRESS** | **REASON FOR APPLICATION** | **COVERED IN** | **TOTAL** | **LEDGER** | **CASH** | **CITY** | **BILL 140** | **TOTAL** |
| **NO.** | | **AND ASSESSMENT AMOUNT** | **DAYS** | **ADJMT** | **REDUCTION** | **REBATE** | **CENTRE** | **ADJMT** | **ADJMT** |
| | | ASSESSMENT - 7,750 RT | | | | | | | |
| 13 | 52 NORTH ST | ADJUSTMENT FOR OBSOLESCENCE | 365 | 133.26 | 133.26 | 0.00 | 0.00 | 0.00 | 133.26 |
| | | ASSESSMENT - 9,500 RT | | | | | | | |
| 14 | 29 VIOLA CRT | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 369.64 | 369.64 | 0.00 | 0.00 | 0.00 | 369.64 |
| | | ASSESSMENT - 26,353 RT | | | | | | | |
| 15 | 50 MCMANUS RD | CHANGE IN SITE VALUE | 365 | 10.52 | 10.52 | 0.00 | 0.00 | 0.00 | 10.52 |
| | | ASSESSMENT - 750 RT | | | | | | | |
| 16 | 3223 VIVIAN LINE 37 | UIPDATED STRUCTURE DATA | 365 | 224.42 | 224.42 | 0.00 | 0.00 | 0.00 | 224.42 |
| | | ASSESSMENT - 16,000 RT | | | | | | | |
| 17 | 1-55 HARRISON ST | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 171.83 | 171.83 | 0.00 | 0.00 | 0.00 | 171.83 |
| | | ASSESSMENT - 12,250 RT | | | | | | | |
| 18 | 8-55 HARRISON ST | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 168.32 | 168.32 | 0.00 | 0.00 | 0.00 | 168.32 |
| | | ASSESSMENT - 12,000 RT | | | | | | | |
| 19 | 10-55 HARRISON ST | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 168.32 | 168.32 | 0.00 | 0.00 | 0.00 | 168.32 |
| | | ASSESSMENT - 12,000 RT | | | | | | | |
| 20 | 102-160 ROMEO ST S | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 143.77 | 143.77 | 0.00 | 0.00 | 0.00 | 143.77 |
| | | ASSESSMENT - 10,250 RT | | | | | | | |
| 21 | 207-160 ROMEO ST S | ADJUSTED BASED ON SIMILAR PROPERTEIS | 365 | 154.29 | 154.29 | 0.00 | 0.00 | 0.00 | 154.29 |
| | | ASSESSMENT - 11,000 RT | | | | | | | |
| 22 | 202-160 ROMEO ST S | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 143.77 | 143.77 | 0.00 | 0.00 | 0.00 | 143.77 |
| | | ASSESSMENT - 10,250 RT | | | | | | | |
| 23 | 408-160 ROMEO ST S | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 147.28 | 147.28 | 0.00 | 0.00 | 0.00 | 147.28 |
| | | ASSESSMENT - 10,500 RT | | | | | | | |
| 24 | 58 PLEASANT DR | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 185.85 | 185.85 | 0.00 | 0.00 | 0.00 | 185.85 |
| | | ASSESSMENT - 13,250 RT | | | | | | | |
| | | | | | | | | PAGE 2 | |
| 25 | 668 DEVON ST | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 31.56 | 31.56 | 0.00 | 0.00 | 0.00 | 31.56 |
| | | ASSESSMENT - 2,250 RT | | | | | | | |
| 26 | 48-50 DALY AVE | STRUCTURE DEMOLISHED | 365 | 2,875.05 | 2,875.05 | 0.00 | 0.00 | 0.00 | 2,875.05 |
| | | ASSESSMENT - 204,972 RT | | | | | | | |
| 27 | 303 ST VINCENT ST S | UPDATED STRUCTURE DATA | 365 | 10.52 | 10.52 | 0.00 | 0.00 | 0.00 | 10.52 |
| | | ASSESSMENT - 750 RT | | | | | | | |
| 28 | 36 MODERWELL ST | UPDATED STRUCTURE DATA | 365 | 31.56 | 31.56 | 0.00 | 0.00 | 0.00 | 31.56 |
| | | ASSESSMENT - 2,250 RT | | | | | | | |
| 29 | 36 FREELAND DR | CHANGE IN SITE VALUE | 365 | 35.07 | 35.07 | 0.00 | 0.00 | 0.00 | 35.07 |
| | | ASSESSMENT - 2,500 RT | | | | | | | |
| 30 | 48 FREELAND DR | UPDATED STRUCTURE DATA | 365 | 140.27 | 140.27 | 0.00 | 0.00 | 0.00 | 140.27 |
| | | ASSESSMENT - 10,000 RT | | | | | | | |
| 31 | 42 KILLORAN CRES | UPDATED STRUCTURE DATA | 365 | 52.55 | 52.55 | 0.00 | 0.00 | 0.00 | 52.55 |
| | | ASSESSMENT - 3,746 RT | | | | | | | |
| 32 | 190 QUEEN ST | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 38.57 | 38.57 | 0.00 | 0.00 | 0.00 | 38.57 |
| | | ASSESSMENT - 2,750 RT | | | | | | | |

| | SUMMARY OF TAX ADJUSTMENTS - JULY 24, 2017 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **APP.** | **PROPERTY ADDRESS** | **REASON FOR APPLICATION** | **COVERED IN** | **TOTAL** | **LEDGER** | **CASH** | **CITY** | **BILL 140** | **TOTAL** |
| **NO.** | | **AND ASSESSMENT AMOUNT** | **DAYS** | **ADJMT** | **REDUCTION** | **REBATE** | **CENTRE** | **ADJMT** | **ADJMT** |
| 33 | 539 ONTARIO ST | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 52.60 | 52.60 | 0.00 | 0.00 | 0.00 | 52.60 |
| | | ASSESSMENT - 3,750 RT | | | | | | | |
| 34 | 13 STRATFORD ST | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 59.62 | 59.62 | 0.00 | 0.00 | 0.00 | 59.62 |
| | | ASSESSMENT - 4,250 RT | | | | | | | |
| 35 | 19 CAMBRIA ST | UPDATED STRUCTURE DATA | 365 | 21.04 | 21.04 | 0.00 | 0.00 | 0.00 | 21.04 |
| | | ASSESSMENT - 1,500 RT | | | | | | | |
| 36 | 186 RAILWAY AVE | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 73.64 | 73.64 | 0.00 | 0.00 | 0.00 | 73.64 |
| | | ASSESSMENT - 5,250 RT | | | | | | | |
| 37 | 437 NELSON ST | ADJUSTED BASED ON SIMILAR PROPERTIES | 365 | 70.13 | 70.13 | 0.00 | 0.00 | 0.00 | 70.13 |
| | | ASSESSMENT - 5,000 RT | | | | | | | |
| | | **TOTAL** | | **9,600.01** | **9,600.01** | **0.00** | **0.00** | **0.00** | **9,600.01** |
| | **FARM PROPERTY CLASS TAX RATE PROGRAM** | | | | | | | | |
| 1 | 4239 PERTH LINE 36 | CLASS CHANGE | 365 | 5,924.19 | 5,924.19 | 0.00 | 0.00 | 0.00 | 5,924.19 |
| | | ASSESSMENT - 561,067 RT, 554,846 FT+ | | | | | | | |
| | | **TOTAL** | | **5,924.19** | **5,924.19** | **0.00** | **0.00** | **0.00** | **5,924.19** |

Information on this form is compiled by the City under the authority of the Municipal Act, 2001 for the purpose of considering applications for cancellation, reduction or refund of taxes by the City and for administrative purposes. This information may be included in material available in acordance with the provisions of the Municipal Freedom of Information and Protections of Privacy Act.

Questions regarding the use and disclosure of this information may be directed to the City Clerk 1 Wellington Street, Stratford ON N5A 6W1, telephone 519-271-0250 ext. 235 during business hours.

# CORPORATE SERVICES DEPARTMENT

## Project Update to
## Finance & Labour Relations Sub-Committee
## June 20, 2017

**Director's Office**

Staffing:

2 Finance Clerk positions currently vacant, interviews have been conducted
IT Business Analyst external posting closed, interview forthcoming
Customer Service Clerk II posted externally

2018 Budget:

Internal meetings began in June and Pre-Budget meeting with Finance Committee will take place in July

Provincial Regulations:

Municipal Act – Bill 68 – has received royal assent, staff is performing a review of notable changes
Proposed Asset Management Regulation – Staff is preparing comments to Ministry

Other:

Agreement with Chef School – awaiting Chef School solicitor comments
Sesquicentennial – Celebrations well in hand, volunteers still needed
DC By-Law Transit – Consultant working on background study

**Finance / Tax**

Property Tax:

2017 tax bills for residential were mailed recently

**Information Technology (I.T.)**

Parking Software Upgrade:

Phase 1 (upgrading parking ticketing software) - Completed
Phase 2 for 2017 (online payment of parking tickets)

Network Security Assessment:

I.T. Division completed a network security assessment last year. As per recommendations, new password policies and idle timeouts for desktops across all city devices will be enforced - Completed

eProcurement Tool:

I.T. is working with purchasing to implement and facilitate training for the new eProcurement tool going live in late January 2017 – Completed

Unified Communications:

I.T. is working with different departments across the City to gather requirements and prepare an RFP with regards to unified communications and cellular system – Submissions closed April 12. Currently reviewing the responses

GIS Upgrade and Internal Viewer:

I.T. is working on upgrading the internal GIS viewer. The upgrade will allow for better and more efficient communication between the viewer users especially in Fire and Water departments. This upgrade will also allow for new 2015 Ortho Image to be available for internal GIS applications. – Completed

GIS External Viewer:

Working to build an external GIS viewer for citizens.

## Clerks

RFP – Hot Dog Cart:

The RFP for the Hot Dog Cart at Memorial Gardens is now available and will close Tuesday, July 4, 2017.

A meeting of the **2017 Sesquicentennial Ad-Hoc** Committee was held on the above date at 7:00 p.m., Kiwanis Community Centre – Conference Room, 111 Lakeside Drive, Stratford ON.

**Members Present**: Kimberly Richardson – Chair Presiding, Dave Gaffney, Mary O'Rourke, Bryan Beer, Keith Hillyer, Katherine Gunnel Gavin, Cindy Hubert

**Staff Present:** Casey Riehl – Recording Secretary

**Also Present:** *Lissa Lichti – Canada Day Committee, *Jessie Votary – City Centre

**Absent:** Mayor Dan Mathieson, Councillor Graham Bunting, Councillor Tom Clifford, Jo-Anne Hood-Tidman

# MINUTES

## 1.0 CALL TO ORDER

Kimberly Richardson called the 2017 Sesquicentennial Ad-Hoc meeting to order at 7:00 p.m.

## 2.0 DECLARATION OF PECUNIARY INTEREST

None declared.

## 3.0 ADOPTION OF PREVIOUS MINUTES – February 15, 2017

**Motion by Dave Gaffney, seconded by Mary O'Rourke to adopt the minutes dated February 15, 2017 as printed. Carried.**

## 4.0 BUSINESS ARISING FROM PREVIOUS MINUTES

### (a) Canada Day 2017 Celebration Update – L. Lichti/M. O'Rourke

Lissa Lichti reviewed the plans to date. They are working on a co-host for the programming at the main stage. The Harvard planes are now finalized, with sponsors now funding the event. Dave Gaffney suggested that Keith Hillyer possibly take the last seat with the Harvard's. He graciously accepted the offer should it work out. The Stratford Star winner will now be performing on the main stage, instead of the originally planned youth stage. A horn section has now been added to Dan Stacey's performance.

This Canada Day performance will be used to film a commercial for Stratford. Judy's School of Dance will also be collaborating on this performance. She reported that almost all previous sponsors are on board to sponsor again this year. Dave Gaffney suggested some sort of corporate challenge to get large companies involved in sponsorship. Ms. Lichti hopes to hear around mid-April regarding the heritage grant. Kimberly Richardson reported that they should also hear about the Community Foundation grant by April 12th. Ms. Lichti will continue to work on the budget breakdown. There have been some cost savings for radio advertising, signage and inflatables. Noise by-law letters have been sent out to nearby residents and businesses affected by the set up and events and she will deliver the road closure schedule to downtown businesses. She hopes to e-blast the volunteer schedule out by next week for members to share with potential volunteers. She reported that there are 13 booked vendors, which is more than usual this early on.

Mary O'Rourke reported that the permits are completed for the Veterans Drive event. She has completed the script to give Eddie Matthews as the MC. She also reported that the Veterans Drive Bandshell is being repaired by Community Services prior to Canada Day.

Kimberly Richardson is attending the City Centre AGM on March 28th to discuss Canada Plans, as well as ITS Sub-committee on March 29th. She will meet with Lissa Lichti prior to discuss some details.

*Lissa Lichti and Jessie Votary no longer present (7:20 p.m.)

**(b) Kinsmen Canada Day Update**

No new updates.

**(c) Budget & Funding Update – Kimberly Richardson**

- Sponsorship for Harvard planes
- Festival Hydro has agreed to an in-kind sponsorship by hanging all the Canada Day decorations
- Community Foundation Grant – will hear some time in April
- Grant application submitted on behalf of the Kinsmen – no word yet
- Andre Morin working out the HST that will come back into the budget
- City covering cost of permit fees and some signage
- Mayor's office helping to cover the cost of some of the events
- Still looking for additional corporate sponsorship
- Potential for RTO4 cultural grant application (deadline end of March)

**(d) Legacy Project Update – Dave Gaffney**

No new updates.

**(e) Legacy Unveiling – Kimberly Richardson**

Members suggested possibly Councillor Bunting or Councillor Clifford and a representative from the Gallery could host the unveiling.

**(f) Beard Growing Contest – Bryan Beer**

Bryan Beer updated the committee that they have secured three judges and an MC for the event. Members are continuing to put posters up around the city.

**(g) Milestones Update – Mary O'Rourke**

Brittlestar is on track for the social media release on March 29th. No new updates with the arrangements with the schools. Kimberly Richardson updated the committee that the Governor General is unable to attend the November 6th performance at Central School. She has invited the Lieutenant Governor to attend, as well as the MP and MPP.

**(h) Update on Time Capsules – M. O'Rourke/D. Gaffney**

The digital time capsule is now live on the City website. People can go in and fill out the form up until the end of the day July 1, 2017. Submissions will be screened by IT and a small committee made up of sesquicentennial members for any inappropriate submissions. A hard copy will go to the Archives and a digital version will be kept on a thumb drive and stored in the Clerk's Office.

**(i) Family Forest Update – Mary O'Rourke**

The event will take place on Tuesday, May 2nd. The planting will begin at 9:00 a.m. with the ceremony at 10:00 a.m. If members could please arrive at approximately 9:30 a.m. The plaque that will be displayed at the forest has been ordered. Representatives from Parks Board, Councillors, Boy Scouts, AMDSB, Mayor and UTRCA to be invited.

**(j) Decorations – Erie St. Banner/City Hall/Light Posts – M. O'Rourke**

Mary O'Rourke has found a supplier that has 2X3 Canada flags that will hang on the light standards. They will hang from the top post and not be fastened to the bottom post. There are 40 light standards with flag poles on them. The mock up for the banner on Erie Street is completed, Ms. O'Rourke has sent to staff for approval. Ms. O'Rourke will contact the Development Services Division for guidance on the two banners on either side of the main doors at City Hall.

Mary O'Rourke also mentioned that they are pricing silicone Canada Day bracelets to give away to kids at the Veterans Drive events Saturday morning. Members discussed having enough bracelets to give away to all kids who participate in various activities surrounding Canada Day events.

**Motion by Dave Gaffney, seconded by Katherine Gunnel Gavin that the 2017 Sesquicentennial Ad-Hoc Committee spends up to a maximum of $3,000.00 on various Canada Day decorations and promotional items. Carried.**

**(k) Social Media Update**
No new updates.

**(l) Drone/Time Lapse Project Update – Kimberly Richardson**
Kimberly Richardson explained the idea of taking a time-lapsed video of the giant Canada flag being painted at Lower Queen's Park and other Canada Day events. The cost would be approximately $2,300.00-$4,000.00. Members inquired if a network or STA or the City was looking at doing this, would the cost not be their responsibility, as opposed to the committees. Ms. Richardson will gather some additional information.

**(m) Update on Engraving Stones/Bricks – Katherine Gunnel Gavin**
Katherine Gunnel Gavin has done some investigating regarding costs to have stones or bricks engraved as part of a fundraiser. She has found someone who will do the engraving on-site, if that is the only option. Most engravers require the bricks/stones to be brought to their facility to be done. She will inquire about costs and the committee can make a decision on plans for this project. Other groups have also shown interest in this sort of fundraiser. Kimberly Richardson suggested engraving the Shakespeare bricks and put them around the time capsule. Ms. Richardson will inquire with a contact who was involved in the Discovery Centre, which has engraved bricks. Dave Gaffney will also contact a possible engraver.

## 5.0 NEW BUSINESS

**(a) Update on MapleShot Change Challenge – Kimberly Richardson**
Andy Foster has contacted Kimberly Richardson with an update on the Canada Change Initiative. They inquired if they could submit a video to the digital time capsule. The committee suggested they download their videos onto a USB to include in the traditional time capsule, as the digital one only accepts the forms people fill in, not videos or pictures.

**(b) Recommendation for Legacy Hand-off**
Kimberly Richardson discussed with the committee when they would like to recommend to Council plans to turn over the responsibility of maintaining the legacy project moving forward. Would it be best to make the

recommendation before July 1, 2017 or after? Further discussion at the April meeting.

**(c) Meeting Schedule After July 1, 2017**
Members discussed meeting periodically after July 1, 2017 to wrap up some projects taking place closer to the end of the year.

**(d) Upcoming Presentations – Kimberly Richardson**
Kimberly Richardson will circulate her presentations to committee members for them to review and give some feedback before she presents.

## 6.0 NEXT MEETING: April 19, 2017 – 7:00 p.m. – KCC Conference Rm.

## 7.0 ADJOURNMENT

**Motion by Dave Gaffney, seconded by Mary O'Rourke to adjourn the meeting. Carried.**

Time: 8:40 p.m.