TOWNSHIP OF WILMOT

BUILDING A SURE FOUNDATION

Council Meeting Agenda

Monday, May 4, 2020 Regular

Council Meeting

Electronic Online Participation

7:00 P.M.

This meeting will be live streamed to YouTube. Subscribe to the Township of Wilmot YouTube Channel or tune in at the time of the meeting.

Register to be a delegation to address Council on a matter on this Agenda

1. MOTION TO CONVENE INTO CLOSED SESSION (IF NECCESSARY)

2. MOTION TO RECONVENE IN OPEN SESSION (IF NECESSARY)

3. MOMENT OF SILENCE

4. LAND ACKNOWLEDGEMENT

5. ADDITIONS TO THE AGENDA

6. DISCLOSURE OF PECUNIARY INTEREST UNDER THE MUNICIPAL CONFLICT OF INTEREST ACT

7. MINUTES OF PREVIOUS MEETINGS

7.1 Council Meeting Minutes February 10, 2020 and February 24, 2020 and Special Council Meeting Minutes March 25, 2020

Recommendation

THAT the minutes of the following meetings be adopted as presented:

Council Meeting February 10, 2020 and February 24, 2020; and,

Special Council Meeting March 25, 2020.

8. PUBLIC MEETINGS

9. PRESENTATIONS/DELEGATIONS

10. CONSENT AGENDA

10.1 REPORT NO. COR 2020-18

Community Benefits Authority – Proposed Regulations

Recommendation

THAT Report No. 2020-17 be received for information purposes.

11. REPORTS

11.1 CORPORATE SERVICES

11.1.1 REPORT NO. COR 2020-21

2020 Final Tax Levy By-law

Recommendation

THAT report COR 2020-21 prepared by the Manager of Finance / Deputy Treasurer, regarding the 2020 Final Tax Levy By-law be received.

11.1.2 REPORT NO. COR 2020-22

Statement of Operations as of March 31, 2020 (un-audited)

Recommendation

THAT the Statement of Operations as of March 31, 2020, as prepared by the Manager of Finance / Deputy Treasurer, be received for information purposes.

11.1.3 REPORT NO. COR 2020-23

Financial Impact Analysis (COVID-19)

Recommendation

THAT Report COR 2020-23, outlining the Financial Impacts and Actions resulting from the COVID-19 pandemic be received, for information purposes.

11.2 PUBLIC WORKS AND ENGINEERING

11.2.1 REPORT NO. PW 2020-05

Wilmot and Church Street Reconstruction Phase 1 – Award of Contract

Recommendation

THAT RFT 2020-01 be awarded to BEECH Infrastructure Group Ltd. for the reconstruction of Wilmot and Church Street Phase 1 in New Hamburg, as per their contract tender bid submitted on February 27, 2020, in the amount of $1,537,797.10 plus HST.

11.2.2 REPORT NO. PW 2020-06

Annual Surface Treatment Program – Award of Contract

Recommendation

THAT RFT 2020-06 be awarded to Cornell Construction Limited of Brantford, ON for the Annual Surface Treatment Program, as per their bid submission dated April 22, 2020, in the amount of $ 479,496.50, plus HST.

11.2.3 REPORT NO. PW 2020-07

Annual Hot Mix Asphalt Program – Award of Contract

Recommendation

THAT RFT 2020-07 be awarded to Brantco Construction of Cambridge, Ontario for the Annual Hot Mix Asphalt Program, as per their bid submission dated April 22, 2020, in the amount of $342,610.65, plus HST.

11.2.4 REPORT NO. PW 2020-08

Granular Extraction, Crushing & Stockpiling – Award of Contract

Recommendation

THAT RFT 2020-10 be awarded to Joe Kerr Limited of Wingham, Ontario for the granular extractions, crushing and stockpiling of material at the Township's aggregate pit, as per their bid submission dated April 21, 2020, in the amount of $52,895.00, plus HST.

12. CORRESPONDENCE

12.1 Kitchener-Wilmot Hydro Financial Statements and 2019 Annual Community Report

Recommendation

THAT the audited financial statements of Kitchener Power Corporation for the year ended December 31, 2019 as audited by KPMG LLP, as presented, are hereby received; and,

THAT Mr. James Phillips, Ms. Rosa Lupo and during their tenure, Mayor Berry Vrbanovic, Mayor Les Armstrong, Ms. Sarah Marsh, Mr. Scott Davey, and President & CEO Mr. Jerry Van Ooteghem be hereby elected Directors of Kitchener Power Corporation for the ensuing year; and,

THAT KPMG, LLP be hereby appointed Auditors of Kitchener Power Corporation for the ensuing fiscal year and the Directors are authorized to set their remuneration.

13. BY-LAWS

13.1 By-law No. 2020-12 2020 Final Tax Levy

Recommendation

THAT By-law No. 2020-12 be read a first, second and third time and finally passed in Open Council.

14. NOTICE OF MOTIONS

15. ANNOUNCEMENTS

16. BUSINESS ARISING FROM CLOSED SESSION

17. CONFIRMATORY BY-LAW

17.1 By-law No. 2020-13

Recommendation

THAT By-law No. 2020-13 to Confirm the Proceedings of Council at its Meeting held on May 4, 2019 be introduced, read a first, second, and third time and finally passed in Open Council.

18. ADJOURNMENT

Recommendation

THAT we do now adjourn to meet again at the call of the Mayor.

TOWNSHIP OF WILMOT

Council Meeting Minutes

Monday, February 10, 2019

Closed Council Meeting

Wilmot Community Room

5:45P.M.

Regular Council Meeting

Council Chambers

7:00 P.M.

Members Present: Mayor L. Armstrong, Councillors A. Hallman, C. Gordijk, B. Fisher, J. Gerber and J. Pfenning

Staff Present: Chief Administrative Officer G. Whittington, Director of Information and Legislative Services D. Mittelholtz, Director of Public Works and Engineering J. Molenhuis, Director of Facilities and Recreation Services S. Nancekivell, Director of Development Services H. O'Krafka, Fire Chief R. Leeson, Director of Finance / Treasurer P. Kelly, Director / Curator Castle Kilbride T. Loch, Manager of Information and Legislative Services T. Murray, Manager of Planning A. Martin, Recreation Programmer L. Smith

1. MOTION TO CONVENE INTO CLOSED SESSION

Resolution No. 2020-11

Moved by: Councillor J. Pfenning **Seconded by: Councillor B. Fisher**

THAT a Closed Meeting of Council be held on Monday, February 10, 2020 at 5:45 p.m. in accordance with Section 239(2), (k) for the purposes of:

k) a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the municipality

CARRIED.

2. MOTION TO RECONVENE IN OPEN SESSION

Resolution No. 2020-12

Moved by: Councillor J. Pfenning Seconded by: Councillor A. Hallman

THAT Council reconvene in open session.

CARRIED.

3. MOMENT OF SILENCE

4. LAND ACKNOWLEDGEMENT

5. ADDITIONS TO THE AGENDA

6. DISCLOSURE OF PECUNIARY INTEREST UNDER THE MUNICIPAL CONFLICT OF INTEREST ACT

Councillor C. Gordijk advised that she will not be voting on the minutes from the January 13, 2020 meeting as she had a conflict of interest and was absent for the majority of the meeting.

7. MINUTES OF PREVIOUS MEETINGS

7.1 Council Meeting Minutes January 13, 2020

Resolution No. 2020-13

Moved by: Councillor J. Pfenning Seconded by: Councillor A. Hallman

THAT the minutes of the following meeting be adopted as presented:

Council Meeting January 13, 2020.

CARRRIED. AS AMENDED.

Councillor B. Fisher noted that the Mover and Seconder were missing from the Motion to Convene into Closed Session and the Motion to Reconvene in Open Session.

8. PUBLIC MEETINGS

8.1 REPORT NO. DS 2020-005

Zone Change Application 01/20

Mike Roth / Philip Peppiatt & Crystal Oliveria

236 Wilmot Street, New Hamburg

Resolution No. 2020-14

Moved by: Councillor C. Gordijk Seconded by: Councillor A. Hallman

THAT Council approve Zone Change Application 01/20 made by Mike Roth and Philip Peppiatt & Crystal Oliveira affecting 236 Wilmot Street to rezone a portion of the subject property from Zone 11 (Open Space) and Zone 3f (Residential) to Zone 3f(H) and to reduce the front yard setback from 7.6m to 3.5m.

CARRIED.

Mayor Armstrong declared the public meeting open and stated that Council would hear all interested parties who wished to speak. He indicated that if the decision of Council is appealed to the Local Planning Appeal Tribunal, the Tribunal has the power to dismiss an appeal if individuals do not speak at the public meeting or make written submissions before the by-law is passed.

Mayor Armstrong stated that persons attending as delegations at this meeting are required to leave their names and addresses which will become part of the public record and advised that this information may be posted on the Township's official website along with email addresses, if provided.

The Manager of Planning / EDO outlined the report.

Mayor L. Armstrong asked 3 times if anyone else wished to address Council on this matter. There were none and the public meeting was declared closed.

9. PRESENTATIONS/DELEGATIONS

9.1 Youth Action Council

Ms. L. Smith and the members of the Youth Action Council provided a presentation on the programming that is anticipated for the 2020 calendar year.

Councillor A. Hallman thanked the youth for their presentation and advised that she would like to partner with them for the art project, noting there are opportunities for displays during the Canada Day celebrations.

Councillor J. Gerber also thanked them for their presentation, advising that it is always a highlight when YAC presents.

10. CONSENT AGENDA

10.1 REPORT NO. PW 2020-03 (removed from Consent Agenda)

4th Quarter 2019 Operations Activity Report

October – December 2019

10.2 REPORT NO. FIN 2020-05 (Deferred from January 13, 2020) (removed from Consent Agenda)

Investing in Canadian Infrastructure Program (ICIP) - Intake 3

10.3 REPORT NO. FRS 2020-003(removed from Consent Agenda)

Facilities and Recreation Services Quarterly Activity Report

10.4 REPORT NO. DS 2020-003

2019 Building Code Act Enforcement Cost Summary

10.5 REPORT NO. FIN 2020-06 (Deferred from January 13, 2020)

Bill 138 Plan to Build Ontario Together Act

10.6 REPORT NO. FIN 2020-14

Rural Economic Development Funding

10.7 REPORT NO. FD 2020-01

Quarterly Report

10.8 REPORT NO. CK 2020-01(removed from Consent Agenda)

Quarterly Activity Report

Resolution No. 2020-15

Moved by: Councillor B. Fisher Seconded by: Councillor J. Pfenning

THAT Report Nos. DS 2020-003, FIN 2020-06, FIN 2020-14 and FD 2020-01 be approved.

CARRIED.

11. REPORTS

11.1 CLERKS

11.1.1 REPORT NO. ILS 2020-001 (Deferred from January 13, 2020) Notice of Proposed Procedural By-law Amendments

Resolution No. 2020-16

Moved by: Councillor J. Gerber Seconded by: Councillor B. Fisher

THAT the Draft Procedural By-law be received for information; and,

THAT the Director of Information and Legislative Services proceed with a Public Meeting at the Regular Council Meeting on February 24, 2020.

CARRIED.

The Director of Information and Legislative Services outlined the report.

Councillor C. Gordijk thanked staff for the report and noted her continuing concerns on religious representation at the Inaugural Council Meetings. She requested the township seek legal advice on this matter and asked staff proceed to receive a quote on the lawyer fees. *(Councillor C. Gordijk clarified at the February 24, 2020 Council Meeting that the request for legal advice was for a review of the draft Procedural By-law, not religious representation or the Inaugural Council Meetings exclusively)*

The Director of Information and Legislative Services acknowledged the comments, historically members of the religious community have been providing those words, but noted that the council elect may decided to go with past political leaders or other non-religious community leaders to provide these words. She noted this is what the

Township has done historically it doesn't mean that has to be done moving forward and the next council can make those decisions.

Councillor J. Gerber agreed that the By-law provides future Councils the ability to flavour the Inaugural as they see fit and a legal opinion may not be required. He acknowledged that a diverse faith group has been invited in the past.

Councillor A. Hallman noted that on the Inaugural meeting, the current Council did not have the option to participate and she noted that Council has a responsibility to the next Council. Councillor A. Hallman agreed that there is no harm in asking for a quote.

Councillor J. Gerber thinks it's asking staff to perform work that is redundant and likely to not surface again.

Councillor C. Gordijk noted this has nothing to do with prayer, rather to keep religion out of Council Chambers, and if needed, have a separate ceremony downstairs for prayer.

The Director of Information and Legislative Services / Clerk noted that the proposed amended Procedural By-law says all incoming members of Council shall set the agenda for the Inaugural.

Councillor C. Gordijk noted that if an incoming member of Council is of Muslim faith, they would not be able to participate in the Inaugural.

Councillor J. Gerber noted that this Council passed a resolution opposing the actions by the Quebec Government regarding censoring religion and that this could be seen as the same action.

Councillor J. Pfenning noted that including a religious ceremony would not be inclusive to all.

Mayor L. Armstrong suggested that Council vote on accepting the draft for discussion at the Public Meeting on February 24, 2020.

Councillor C. Gordijk moved that the report could be deferred until a legal opinion is obtained. The Motion was not voted on which is being noted as a procedural error.

Resolution No. 2020-17

Moved By: Councillor C. Gordijk Seconded By: Councillor A. Hallman

THAT Report No. ILS 2020-01 be deferred until a legal opinion is obtained.

MOTION LOST.

11.1.2 REPORT NO. ILS 2020-05

Establishment and Maintenance of Governance Policy and Administrative Directives Framework

Resolution No. 2020-18

Moved by: Councillor J. Pfenning Seconded by: Councillor B. Fisher

THAT Report ISL 2020-05, 'Establishment and Maintenance of Governance Policy and Administrative Framework be received; and,

THAT Governance Policy GP-001, as set out in Attachment "A" be approved.

CARRIED.

The Manager of Information and Legislative Services / Deputy Clerk outlined the report.

Councillor J. Pfenning asked for clarification surrounding the decision making between a Governance Policy vs. an Administrative Directive. The Manager of Information and Legislative Services / Deputy Clerk advised that staff will look at the existing Corporate Policy Manual and revise each policy to be under the appropriate document, current policies that have been approved by Council will likely be converted to Governance Policy and current policies approved at the Senior Management level will be converted to Administrative Directives.

11.2 FINANCIAL SERVICES

11.2.1 REPORT NO. FIN 2020-11

2020 Municipal Budget

Resolution No. 2020-19

Moved by: Councillor C. Gordijk Seconded by: Councillor J. Gerber

That the 2020 Municipal Budget, as prepared by the Director of Finance / Treasurer and Manager of Finance / Deputy Treasurer, be endorsed and recommended to Council on February 10, 2020.

CARRIED.

The Director of Finance / Treasurer highlighted the report and provided an overview of the budget through a slide deck.

Councillor A. Hallman thanked staff for the efforts put into the 2020 Budget and asked that the presentation be forwarded to allow for distribution to the community.

Councillor B. Fisher thanked staff for a job well done, noting that each year presents new challenges and staff continue to be creative and make things happen.

11.2.2 REPORT NO. FIN 2020-12 HR Management Administrative Directive, and Governance Policy for Hiring Personnel Recommendation

Resolution No. 2020-20

Moved by: Councillor J. Pfenning Seconded by: Councillor A. Hallman

THAT Council authorize the repeal of By-law 2001-61, being the Bylaw to Adopt an Employee Policy Manual and endorse Governance Policy #??? Being a policy for the Hiring of Employees; and further,

THAT Council receive the Administrative Directive on Human Resources Management, as approved by the Senior Management Team, for information purposes.

CARRIED.

The Director of Finance / Treasurer outlined the report.

Councillor B. Fisher advised he was pleased to see this come forward.

Councillor J. Pfenning asked for clarification regarding the numbering of the Governance Policy and it was noted that with the approval of the Governance Policy and Administrative Directive Framework, staff will begin to assign numbering.

Councillor J. Pfenning noted that she was please to see this update and advised that she would like to see Human Resources, in the future, be recognized and its independence reporting to the highest level in the organization. The Director of Finance / Treasurer noted that at this time the Human Resource function is progressing well as part of the Corporate Services Department, as the organization grows there may be adjustments; however, at this time it will remain.

11.2.3 REPORT NO. FIN 2020-05 (Deferred from January 13, 2020) (Moved from Consent Agenda)

Investing in Canadian Infrastructure Program (ICIP) - Intake 3

Resolution No. 2020-21

Moved by: Councillor C. Gordijk Seconded by: Councillor J. Pfenning

THAT Report FIN 2020-05, regarding the Investing in Canadian Infrastructure Program (ICIP) - Intake 3 application, be received for information purposes.

CARRIED.

11.3 PUBLIC WORKS AND ENGINEERING

11.3.1 REPORT NO. PW 2020-02

Water Supply Access Agreements with

Township of Perth East

Township of East Zorra-Tavistock

Resolution No. 2020-22

Moved by: Councillor C. Gordijk Seconded by: Councillor J. Pfenning

THAT the Water Supply Access Agreement with the Township of Perth East and the Township of East Zorra-Tavistock, be received for information;

THAT the Mayor and Clerk be authorized to execute the agreements.

CARRIED.

The Director of Public Work and Engineering outlined the report.

Councillor C. Gordijk asked for clarification on the maps and the Director of Public Works and Engineering noted those are the hydrants that are closest for their use.

11.3.2 REPORT NO. PW 2020-03 (Moved from Consent Agenda)

4th Quarter 2019 Operations Activity Report

October – December 2019

Resolution No. 2020-23

Moved by: Councillor B. Fisher Seconded by: Councillor C. Gordijk

THAT the Public Works Operations 4th Quarter Activity Report for the months of October, November and December 2019 be received for information.

CARRIED.

Councillor A. Hallman asked if the total was known for the vehicle damage payout and the Director of Public Works and Engineering noted that the claim is still currently in process.

Councillor A. Hallman asked if there were any further details surrounding the power outage in New Dundee and was advised that the outages are related to Regional infrastructure.

11.4 FACILITIES AND RECREATION SERVICES

11.4.1 REPORT NO. FRS 2020-002

Recreation Programming Update

Resolution No. 2020-24

Moved by: Councillor A. Hallman Seconded by: Councillor C. Gordijk

That Report FRS 2020-002 be received for information.

CARRIED.

The Recreation Programmer outlined the report relative to recreation and programming.

Councillor B. Fisher asked if staff have reached out to other municipalities and the Recreation Programmer advised that she participates in an Area Townships Group that discusses current trends, programming options and partnership opportunities.

Councillor J. Pfenning asked when the survey noted in the report was done and it was advised that it was complete in 2018 and another is planned for this year as part of the Co-op student program.

Councillor J. Pfenning asked how much interest the My Safe Life program has and the Recreation Programmer advised that the current capacity is 18 students at a time and there is usually a waiting list. Councillor J. Pfenning suggested that collaboration opportunities with local churches and Service Clubs may increase capacity, the Recreation Programmer acknowledged the suggestion while advised that there is a capacity limit with staffing.

11.4.2 REPORT NO. FRS 2020-003(Moved from Consent Agenda) Facilities and Recreation Services Quarterly Activity Report

Resolution No. 2020-25

Moved by: Councillor J. Gerber Seconded by: Councillor A. Hallman

That the Facilities & Recreation Services Activity Reports for the fourth quarter of 2019 be received for information.

CARRIED.

Councillor A Hallman noted that the staff numbers reflected on Page 296 highlight staff accomplishments and asked when the last new hire was and the Director of Facilities and Recreation Services advised it was 3 or 4 years ago.

11.5 DEVELOPMENT SERVICES

11.5.1 REPORT NO. DS 2020-004 Release of Agreement Instrument Number 988117 3 Redford Drive, Petersburg

Resolution No. 2020-26

Moved by: Councillor J. Pfenning Seconded by: Councillor C. Gordijk

THAT, Council authorize the Mayor and Clerk to execute and register the release of Agreement registered as Instrument Number 988117.

CARRIED.

11.6 CASTLE KILBRIDE

11.6.1 REPORT NO. CK 2020-01 (Moved from Consent Agenda) Quarterly Activity Report

Resolution No. 2020-27

Moved by: Councillor B. Fisher Seconded by: Councillor J. Pfenning

That the Castle Kilbride Activity Report for the months of October, November and December 2019 be received for information purposes.

CARRIED.

Councillor A. Hallman noted there was a drop in visitor numbers over the Christmas season and asked if the reason was known. The Director / Curator advised that number fluctuations are to be expected as some visitors and bus tours do not attend every year.

Councillor C. Gordijk asked if the drop in attendance is something to look into and the Director / Curator advised that there is no explanation that has been identified for that drop.

12. CORRESPONDENCE

12.1 Annual Ombuds Report (Deferred from January 13, 2020)

12.2 2019 Year End Assessment Report - MPAC

Resolution No. 2020-28

Moved by: Councillor C. Gordijk Seconded by: Councillor J. Pfenning

THAT the Correspondence 12.1 and 12.2 be received for information.

CARRIED.

13. BY-LAWS

13.1 By-law No. 2020-04 Execution of Water Agreement – Perth East

13.2 By-law No. 2020-05 Execution of Water Agreement – East Zorra Tavistock

13.3 By-law No. 2020-06 Zone Change Application 01/20

13.4 By-law No. 2020-07 Water Rates 2020

Resolution No. 2020-29

Moved by: Councillor J. Gerber Seconded by: Councillor B. Fisher

THAT By-law No. 2020-04, 2020-05, 2020-06, 2020-07 be read a first, second and third time and finally passed in Open Council.

CARRIED.

14. NOTICE OF MOTIONS

14.1 (Deferred from January 13, 2020)

Resolution No. 2020-30

Moved by: Councillor A. Hallman Seconded by Councillor C. Gordijk

To direct administration to bring a report back to council in the 2020 work program on the logistics of live streaming the Council Meetings for the viewing of live and archived meetings for the ability of the residents of Wilmot Township whom do not have the ability to attend our council meetings. This motion supports Wilmot's commitment to exploring open, transparent and effective governance.

CARRIED.

Councillor J. Gerber asked how this initiative would impact the budget and noted that additions such as these should come forward sooner to be included through that process. The CAO advised that this particular request would be acceptable under the Work Program as it is asking for a report.

Councillor B. Fisher advised he supports this Motion.

14.2 (Deferred from January 13, 2020)

Resolution No. 2020-31

Moved by: Councillor A. Hallman Seconded by: Councillor C. Gordijk

That staff be directed to prepare by the end of the second quarter to create an appropriate email address and an advertisement to be posted on the Townships website and social media inviting the community to nominate good neighbours in Wilmot.

This will be to recognize a Wilmot resident, group, business, or organization who make Wilmot a better place to live. They will receive a thank you card signed by the mayor and member(s) of council from the appropriate ward to send to the recipient.

CARRIED.

Councillor C. Gordijk advised she fully supports this initiative.

Mayor Armstrong asked if this is over and above the Citizen of the Year and Councillor A. Hallman advised that she sees this as something separate that could potentially lead up to that event.

Councillor J. Gerber asked if there was a Department identified to be responsible for this and Councillor A. Hallman advised that she felt Information and Legislative Services would be responsible for the program.

15. ANNOUNCEMENTS

15.1 Councillor J. Gerber thanked and congratulated the Director of Facilities and Recreation on his upcoming retirement.

Councillor B. Fisher echoed those comments and advised that he appreciates all the advice over the years.

Mayor L. Armstrong also wished the Director of Facilities and Recreation much luck and much great health in his retirement.

Councillor A. Hallman also wished well and asked that the Director of Facilities and Recreation return this summer to fulfill a promise made during the building of the Recreation Complex, which is to do the bucket at the splash pad.

Councillor J. Pfenning also wished well and advised she has enjoyed the short time that they have worked together.

In response, the Director of Facilities and Recreation Services thanked Council and staff for the many years of support.

Councillor C. Gordijk also thanked the Director of Facilities and Recreation Services.

15.2 Councillor C. Gordijk thanked the Optimist for the Valentine's Dance this past Saturday.

15.3 Councillor B. Fisher advised that there are Family Day activities at the Recreation Complex, including free swimming and skating with the Baden Optimist serving refreshments.

15.4 Councillor A. Hallman advised that the Polar Plunge raised just over $400.

15.5 Councillor A. Hallman advised that on February 26, the New Dundee Library will be hosting Technology Coaching sessions.

15.6 Councillor A. Hallman advised that on February 27, a talk on Early Settlers will be given by a Historian at the Steinmann Church.

15.7 Councillor A. Hallman advised that the New Dundee Optimist has a $1,500. scholarship opportunity for youth.

15.8 Councillor J. Pfenning advised of the upcoming Heritage Day celebrations on February 22, 2020 at the New Dundee Community Centre.

16. BUSINESS ARISING FROM CLOSED SESSION

17. CONFIRMATORY BY-LAW

17.1 By-law No. 2020-08

Resolution No. 2020-32

Moved by: Councillor C. Gordijk Seconded by Councillor Gerber

THAT By-law No. 2020-08 to Confirm the Proceedings of Council at its Meeting held on February 10, 2020 be introduced, read a first, second, and third time and finally passed in Open Council.

CARRIED.

18. ADJOURNMENT (9:30 pm)

Resolution No. 2020-33

Moved by: Councillor B. Fisher Seconded by: Councillor C. Gordijk

THAT we do now adjourn to meet again at the call of the Mayor.

Council Meeting Minutes

Monday, February 24, 2020

Regular Council Meeting

Council Chambers

7:00 P.M.

Members Present: Mayor L. Armstrong, Councillors A. Hallman, C. Gordijk, B. Fisher, J. Gerber and J. Pfenning

Staff Present: Chief Administrative Officer G. Whittington, Director of Information and Legislative Services D. Mittelholtz, Fire Chief R. Leeson, Director of Finance / Treasurer P. Kelly, Director / Curator Castle Kilbride T. Loch, Manager of Information and Legislative Services T. Murray

1. MOTION TO CONVENE INTO CLOSED SESSION

2. MOTION TO RECONVENE IN OPEN SESSION

3. MOMENT OF SILENCE

4. LAND ACKNOWLEDGEMENT

5. ADDITIONS TO THE AGENDA

6. DISCLOSURE OF PECUNIARY INTEREST UNDER THE MUNICIPAL CONFLICT OF INTEREST ACT

7. MINUTES OF PREVIOUS MEETINGS

7.1 Council Meeting Minutes February 10, 2020

Resolution No. 2020-34

Moved by: Councillor C. Gordijk **Seconded by: Councillor J. Pfenning**

THAT the minutes of the following meeting be deferred:

Council Meeting February 10, 2020.

CARRIED, AS AMENDED.

Councillor C. Gordijk requested that the approval of the minutes from February 10, 2020 be deferred, and requested that Council receive the audio of that meeting for confirmation of a motion raised that was not captured. The Director of Information and Legislative Services advised that the audio recordings of Council Meetings are used only for preparation of the minutes and are not kept.

Councillor J. Gerber noted that he remembers a request for a motion; however, believes that it was not voted on.

Councillor A. Hallman noted that she had seconded Councillor C. Gordijk's motion. The Director of Information and Legislative Services advised that not voting on the motion raised was a parliamentary error and the audio was not saved.

Councillor J. Gerber concurred that the motion was made and seconded and that deferral of approval of the minutes is appropriate for the minutes to accurately reflect that portion of the proceedings.

8. PUBLIC MEETINGS

8.1 REPORT NO. ILS 2020-006

Draft Procedural By-law Amendments and Public Meeting

Resolution No. 2020-35

Moved by: Councillor A. Hallman **Seconded by: Councillor C. Gordijk**

THAT the Information and Legislative Services staff be directed to prepare proposed amendments to the Procedural By-law and report having regard for the comments received in conjunction with the Public Meeting held at the Regular Council Meeting on February 24, 2020.

CARRIED.

Mayor Armstrong declared the public meeting open and stated that Council would hear all interested parties who wished to speak. Mayor Armstrong stated that persons attending as delegations at this meeting are required to leave their names and addresses which will become part of the public record and advised that this information may be posted on the Township's official website along with email addresses, if provided.

The Director of Information and Legislative Services / Municipal Clerk outlined the report.

Mayor L. Armstrong asked if anyone wished to address Council. In the absence of any comments, Mayor L. Armstrong declared the meeting closed.

Councillor C. Gordijk noted that she had requested at the February 10, 2020 Council meeting that the Procedural By-law be reviewed by the Township solicitor. Councillor C. Gordijk noted that she had consulted with area Mayors and Clerks within the Region and they advised they seek legal counsel on the Procedural By-law.

Councillor C. Gordijk requested that staff proceed with legal review of the Procedural By-law. And that Section 7.11.1 be amended to read as follows:

"All By-laws shall be considered by Council after being reviewed by the Township Solicitor and prior to them being produced and received and receiving first, second and third reading by motion"

The Director of Information and Legislative Services acknowledged a misunderstanding on the scope of legal counsel intended from the February 10, 2020 Council Meeting.

Councillor A. Hallman asked Councillor C. Gordijk if the legal counsel being requested is specific to the Procedural By-law. Councillor C. Gordijk confirmed her request is specific to the Procedural By-law.

Councillor A. Hallman asked that during review if staff reached out to other municipalities to clarify the range that they seek legal counsel. The Director of Information and Legislative Services noted that larger municipalities tend to have in house legal staff therefore there is no additional cost for review; however, noted that for Procedural By-laws, most municipalities would have legal review.

Councillor J. Gerber noted that the motion has not yet been voted on and suggested that be done to allow for an amendment to the motion.

The Director of Information and Legislative Services noted that this is a feedback process and that a request to have legal counsel sought can be a direction to staff.

Councillor C. Gordijk noted that it was not intended to be a motion rather a direction to staff to seek legal advice.

Councillor A. Hallman noted that page 3 of the Procedural By-law, that the word individual be included under presentation, noting that it would then read:

“Presentations made to Council by individuals or an advisory or other Committee.”

Councillor A. Hallman noted that page 9 of the Procedural By-law, under Inaugural Meetings that she is in favour that it be amended to read as follows:

The order of proceedings at the first meeting of Council after the regular election shall be as follows: Processional, National Anthem, Land Acknowledgment, Moment of Silence, Declarations of office, (i) Mayor, (ii) Members of Council in order of wards, Inaugural Address by the Mayor and followed by each elected seat of council, Appointment of committee, passing of confirming By-Law.

Councillor A. Hallman noted that she was in support of Councillor J. Pfenning’s comment of the following:

"The Inaugural ceremony and all other ceremonies of Council shall be devoid of all specific religious text, reference or prayer so as to ensure a neutral space in which all residents of our community can feel welcome and included."

Councillor A. Hallman asked for clarification on what would be considered a Report under Separate Cover and the Director of Information and Legislative Services noted that information can be provided.

Councillor C. Gordijk noted that there are extensive documents that Council and the public would require time to review and seek clarification, having Reports under Separate Cover may not allow for that time, Councillor C. Gordijk asked how staff would monitor to allow for adequate review time. The Director of Information and Legislative Services noted that Reports under Separate Cover would be used to avoid a delay in the release of the entire Council package and the delayed report or presentation would be received the next day.

Mayor L. Armstrong also noted that staff would be cognizant of not including lengthy reports as Reports Under Separate Cover.

Councillor J. Gerber asked for clarification that Report under separate cover would not apply to public meetings as they have their own legislative requirements. The Director of Information and Legislative Services concurred that any report relative to legislated public meetings would not be permitted as Reports Under Separate Cover.

Councillor C. Gordijk requested that the By-law provide additional clarification on what reports can be deferred to a future meeting. Mayor L. Armstrong noted that any report can be deferred.

Councillor J. Pfenning suggested it would be useful to include a comment noting the exception of documents pertaining to a public meeting would not be allowed under separate cover.

Councillor B. Fisher noted that on Page 27, 16-3 if quarterly or bi-annual reports from committees of Council can be included and the Director of Information and Legislative Services noted that will be included.

Councillor A. Hallman on page 18 of the Procedural By-law and Section 7.7.1 regarding presentations and that a time limit be included and that if more time is required then Council would be required to come to a consensus permitting an extension.

Councillor J. Gerber asked for clarification on policy changes that may not work as some presentations are beneficial to be longer in length. Councillor J. Gerber noted that presentations do not preclude everyone being heard.

Mayor L. Armstrong noted that providing a time limit allows for presenters to prepare ahead of time; however, there is opportunity to allow for longer presentations should that be beneficial.

Councillor J. Pfenning noted there is value in a time limit to allow for presenters to have an idea of what an appropriate time is; however, adding in verbiage that states unless otherwise arranged ahead of time.

Councillor J. Gerber noted that the legal review may address this.

The Director of Information and Legislative Services noted that staff will take all feedback into consideration and will consult with the other Department Heads, review peer practices and submit for legal review. The Director of Information and Legislative Services noted that when presenters and delegations are registering the Procedural By-law requirements and options are outlined for them.

Councillor J. Pfenning noted that the inaugural meeting section, proposes including wording that the inaugural meeting be a neutral space that is inclusive to all and similar to what the Director of Information and Legislative Services has suggested.

Councillor A. Hallman noted that she supports Councillor J. Pfenning’s suggestion.

Councillor A. Hallman noted on Page 18, section 7.8.2 in regards to delegations that if a report is delayed Council members have not had time to review, can delegations be provided a delay as well, the Director of Information and Legislative Services noted that delegations can provide delegation materials to staff up to one hour prior to the meeting.

Councillor A. Hallman noted that Procedural By-law Section 7.8.5 requested that the wording “replace leave of the Mayor” be changed to consensus of Council. The Director of Information and Legislative Services noted that section was worded that way previously and was changed when the Procedural By-law was amended in 2019 at the request of the public.

Councillor A. Hallman noted that Procedural By-law Section 7.9.4, Consent Agenda suggesting that the following amendment be made:

A member of Council may speak to an item on the Consent Agenda prior to the consideration of the adoption of the matters listed on the Consent Agenda. However, if a Council member wishes to amend the recommendations of an item on the Consent Agenda the member shall request the items(s) be removed from the Consent Agenda for consideration and debate.”

Councillor A. Hallman noted this is similar to other Procedural By-laws that she has reviewed. The Director of Information and Legislative Services noted that particular section was also being reviewed by staff.

Councillor A. Hallman suggested that the following also be included:

“The Clerk may list the following items as consent items on the Agenda.”

a. Staff appointments
b. Committee appointments
c. Reports provided for information only that will return at the next meeting of council
d. Tenders
e. Administration Information
f. Reports

Councillor A. Hallman noted that these are the common items that are on other Procedural By-laws.

Councillor J. Pfenning suggested that if an item is removed from the consent agenda that it be considered following the approval of the consent agenda to avoid confusion. Mayor L. Armstrong noted that once the items are removed from the consent agenda they become staff reports. Councillor J. Gerber agreed that it was confusing to follow. The Director of Information and Legislative Services noted that either way is procedurally acceptable and Council may decide. Councillor C. Gordijk noted that maintaining the order in which the reports are in the Council package will allow for a clearer understanding.

Councillor A. Hallman suggested that Section 7.10.2, in regards to Petitions be amended to read:

Any person who signs a petition must be made aware by the person filing the petition that their names, signatures, and contact information, as included on the petition, may be included in the Council Agenda and made available to the public including publication on the Township website. It is recommended that the public use our prescribed form of petition.

Councillor A. Hallman suggested under Section 7.12.2 be amended to read:

A notice of motion is a written introduction of intent to Council to consider a motion at its next meeting. A notice of motion presented verbally at a Council meeting will then be introduced by motion at the next regular Council meeting for consideration by all of Council. Notice shall also be deemed duly given if the same is provided in writing to the Clerk no later than six days prior to a regular Council meeting and included in the next regular Council Agenda. The right to move a notice of motion shall be deemed to be that of the Councillor who introduced the Notice.

Councillor C. Gordijk asked that under Section 7.12.2 have the word shall be changed to may. The Director of Information and Legislative Services noted that the providing a Notice of Motion in writing is required and Council can decide if the word may should be used.

Councillor J. Pfenning noted that it should be Notices of Motions.

Councillor A. Hallman noted that under section 13.11 should have more clarity and suggested it read:

The manner of determining the decision of Council shall be by show of hands, except when a recorded vote is requested.

Councillor A. Hallman asked that the Procedural By-law include that the audio records are kept until the passing of the minutes.

9. PRESENTATIONS/DELEGATIONS

9.1 Jim Rodger, Co-Coordinator

Prime Ministers Path

Mr. J. Rodger provided an update on the Prime Minsters Path. He advised that there will be a new installation this year. He noted that the feedback received on the existing sculptures has been positive and it is becoming an increasingly popular tourist destination. Mr. Rodger thanked the 100 Women Who Care organization for their donation last year and they have been using that donation to help promote the Path. He noted this year is going to focus on the years 1891 to 1896 and showcase the four Prime Ministers of that time as a grouping, the sculpture refers to this sculpture as the Unfortunate Four. Mr. Rodger noted that the interaction ability of the sculpture will be in line with the theme of the existing sculptures.

Mr. Rodger noted that on June 19 and 20, the first Prime Minister's symposium will occur. Mr. John English is assisting with the symposium. The first day is focused on academics and the second day is designed for public education leading up to the unveiling the new installation.

Councillor A. Hallman thanked Mr. Rodger for his presentation and noted that the Path is a valuable asset.

Mayor L. Armstrong noted the educational component is valuable and thanked Mr. Rodger for his presentation.

10. CONSENT AGENDA

11. REPORTS

11.1 Information and Legislative Services

11.1.1 REPORT NO. 2020-07

Resolution No. 2020-36

Moved by: Councillor J. Pfenning Seconded by: Councillor C. Gordijk

THAT Report No. ILS 2020-07 be received for information; and further,

THAT Governance Policy GP 20-005, Proclamation be endorsed; and further,

THAT Administrative Directive AD 20-001 Flag Standards and Criteria be received for information purposes.

CARRIED.

The Director of Information and Legislative Services outlined the report.

Councillor C. Gordijk noted that she is in support of the report; however, noted that there were two proclamations declared last year and asked for clarification on the procedure. The Director of Information and Legislative Services acknowledged the proclamations made, and noted that during that time the Proclamation Policy was approved by the Senior Management Team and the review of the Governance Policy Program has now identified proclamations as being approved by Council.

Councillor A. Hallman noted she supports staff recommendation and that Council members maintain the opportunity to acknowledge during the announcements section.

Councillor C. Gordijk noted that she is not in agreement with the Flag Standards and asked that staff review the guidelines that the Province and Federal governments use. The Director of Information and Legislative Services acknowledged the request; however, noted that this is an Administrative Directive and flying a flag that is not governmental, is essentially a proclamation.

Councillor J. Pfenning asked how many flags the Provincial and Federal governments fly and to follow what those levels of government are doing would be appropriate.

The Director of Information and Legislative Services noted that there are only four flag poles and additional poles would be a capital cost.

Councillor J. Gerber noted that he agrees that if the Township is not doing proclamations, then the flying of a variety of flags would not be appropriate and he noted that having flag policy that is that of other levels of government may bind us to potentially something we are not supportive of.

Councillor A. Hallman disagreed with Councillor J. Gerber and noted that she had discussions with other government officials on this matter. She requested that the First Nation Flags and the Pride flag be included under flag definition.

Councillor A. Hallman also asked that the following additions be included under the lowering of the flags:

- August 9th Peacekeepers Day
- Second Sunday in September for Fire Fighters National Memorial Day
- Last Sunday in September National Police and Peace Officers' Memorial Day
- October 4th National Day for missing and murdered Indigenous Women and Girls
- December 6th Ecole Polytechniuque Massacre

The Director of Information and Legislative Services noted that the Township does lower the flags for several if not all of those dates and noted that this is an Administrative Directive and if members of Council would like to request additional lowering of the flags dates they can do so by request to the Senior Management Team.

Councillor B. Fisher noted he was in agreement with the staff recommendation.

12. CORRESPONDENCE

12.1 Annual Report 2019

Township of Wilmot Integrity Commissioner

Resolution No. 2020-37

Moved by: Councillor B. Fisher **Seconded by: Councillor C. Gordijk**

THAT the Correspondence 12.1 be received for information.

CARRIED.

13. BY-LAWS

14. NOTICE OF MOTIONS

15. ANNOUNCEMENTS

15.1 Councillor B. Fisher noted that the Heritage Day was successful and 302 people were in attendance.

15.2 Councillor C. Gordijk noted the Coldest Night of the Year was very successful and raised over $24,000

15.3 Councillor C. Gordijk reminded everyone of Pancake Tuesday celebrations tomorrow.

15.4 March 2, 2020 Council Meeting

Moved by: Councillor C. Gordijk **Seconded by: Councillor J. Pfenning**

THAT the Regular Council Meeting scheduled for March 2, 2020 be cancelled.

CARRIED.

16. BUSINESS ARISING FROM CLOSED SESSION

17. CONFIRMATORY BY-LAW

17.1 By-law No. 2020-09

Resolution No. 2020-38

Moved by: Councillor J. Pfenning **Seconded by: Councillor C. Gordijk**

THAT By-law No. 2020-09 to Confirm the Proceedings of Council at its Meeting held on February 24, 2020 be introduced, read a first, second, and third time and finally passed in Open Council.

CARRIED.

18. ADJOURNMENT (8:37PM)

Resolution No. 2020-39

Moved by: Councillor C. Gordijk **Seconded by: Councillor B. Fisher**

THAT we do now adjourn to meet again at the call of the Mayor.

CARRIED.

TOWNSHIP OF WILMOT

Special Council Meeting Minutes

Wednesday, March 25, 2020

Special Council Meeting

Electronic Online Participation

7:00 P.M.

Members Present: Mayor L. Armstrong, Councillors A. Hallman, C. Gordijk, B. Fisher, J. Gerber and J. Pfenning

Staff Present: Chief Administrative Officer G. Whittington, Director of Information and Legislative Services D. Mittelholtz, Fire Chief R. Leeson, Director of Corporate Services / Treasurer P. Kelly, Director / Curator Castle Kilbride T. Loch, Manager of Information and Legislative Services T. Murray

1. MOMENT OF SILENCE

2. LAND ACKNOWLEDGEMENT (Councillor J. Gerber)

3. DISCLOSURE OF PECUNIARY INTEREST UNDER THE MUNICIPAL CONFLICT OF INTEREST ACT

4. REPORTS

4.1 Information and Legislative Services

4.1.1 REPORT NO. ILS 2020-09

Procedural By-law Amendment

Emergency Provisions

Resolution No. 2020-40

Moved by: Councillor J. Gerber **Seconded by: Councillor C. Gordijk**

THAT By-law Number 2020-10, amending Procedural By-law Number 2019-25, be endorsed.

CARRIED.

The Director of Information and Legislative Services outlined the report.

4.2 Corporate Services

4.2.1 REPORT NO. CS 2020-19

Fiscal and Economic Support for COVID-19

Resolution No. 2020-41

Moved by: Councillor B. Fisher Seconded by: Councillor A. Hallman

THAT the Township provide support to residents and businesses for sixty (60) days by:

a) Waiving penalties and interest on property taxes for the months of April and May 2020;
b) Waiving late payment charges on utility bills and miscellaneous receivable invoices for the months of April and May 2020
c) Suspending collection activities until May 31, 2020; and,
d) Waiving Non-Sufficient Funds (NSF) fees charged on customer accounts for the months of April and May 2020.

CARRIED.

The Director of Corporate Services / Treasurer outlined the report.

Councillor A. Hallman asked for clarification on the due date for the next tax installment and the Director of Corporate Services / Treasurer advised that date is April 30, 2020.

Councillor A. Hallman asked if staff will be informing residents of the initiatives if passed by Council and the Director of Corporate Services / Treasurer advised that communications will be coordinated through the Information and Legislative Services Department.

Councillor A. Hallman asked for clarification regarding payments to the Region of Waterloo and the School Boards, the Director of Corporate Services / Treasurer advised that those funds have already been collected through installment one therefore, no change will be required.

Councillor C. Gordijk asked if the projected $40,000 loss would be expected to be recouped through community service charges and the Director of Corporate Services / Treasurer advised that is the historical revenue for the identified time period.

Councillor B. Fisher thanked staff for their work and noted that supporting residents through this time is important.

Councillor J. Gerber echoed Councillor B. Fisher's comments.

Councillor J. Pfenning noted she was pleased to see this come forward and appreciates the consistency with area municipalities.

5. BY-LAWS

5.1 By-law No. 2020-10 - Amendment to Procedural By-law No. 2019-25

Resolution No. 2020-42

Moved by: Councillor J. Pfenning Seconded by: Councillor C. Gordijk

THAT By-law No. 2020-10 be read a first, second and third time and finally passed in Open Council.

CARRIED.

6. CONFIRMATORY BY-LAW

6.1 By-law No. 2020-11

Resolution No. 2020-43

Moved by: Councillor J. Pfenning Seconded by: Councillor A. Hallman

THAT By-law No. 2020-11 to Confirm the Proceedings of Council at its Meeting held on March 25, 2020 be introduced, read a first, second, and third time and finally passed in Open Council.

CARRIED.

7. ADJOURNMENT

Resolution No. 2020-44

Moved by: Councillor B. Fisher Seconded by: Councillor C. Gordijk

THAT we do now adjourn to meet again at the call of the Mayor.

CARRIED.

TOWNSHIP OF WILMOT

CORPORATE SERVICES
Staff Report

REPORT NO:	**COR 2020-18**
TO:	**Council**
SUBMITTED BY:	**Patrick Kelly CPA, CMA, Director of Corporate Services / Treasurer**
PREPARED BY:	**Patrick Kelly CPA, CMA, Director of Corporate Services** **Harold O'Krafka MCIP RPP, Director of Development Services**
REVIEWED BY:	**Grant Whittington, Chief Administrative Officer**
DATE:	**May 4, 2020**
SUBJECT:	**Community Benefits Authority – Proposed Regulations**

RECOMMENDATION:

THAT Report COR 2020-17 be received for information purposes.

SUMMARY:

This report provides feedback that was submitted to the Ministry from a Corporate Services and Development Services perspective on the proposed regulatory matters pertaining to Community Benefits Authority.

BACKGROUND:

In May 2019, the Minister of Municipal Affairs and Housing released More Homes, More Choice: Ontario's Housing Supply Action Plan. Section 12 of the Act, once proclaimed, establishes a new authority under the Planning Act for municipalities to charge for community benefits.

On November 6, 2019, amendments to the community benefits charge provisions were introduced, including new transition provisions for alternative parkland dedication, and a mechanism to appeal a municipality's community benefits charge by-law to LPAT.

On February 28, 2020 a second regulatory proposal was posted on the Environmental Registry of Ontario for public feedback pertaining to the community benefits authority under the Planning Act.

REPORT:

Staff from Development Services, Corporate Services, and across area municipalities were encouraged to see that the draft regulation returns parks and recreation and library services to the DCA framework, and removes the 10% mandatory discount. In the case of Wilmot, approximately $11M in growth related capital was included within the 2019 DC Background Study and DC Rate Calculations for infrastructure needs within these initially excluded service areas.

Bill 108 proposed that rental housing, non-profit housing and industrial / commercial / institutional (ICI) developments pay their DC's in six (6) payments over five (5) years or twenty-one (21) installments over twenty (20) years. The draft regulations have rolled this back to institutional and rental housing (6) and non-profit housing (20). Township staff are appreciative that the Province has listened to the concerns of municipalities in this regard, notwithstanding the additional work load that even these limited deferrals will create.

Deferral Interest Rates

Under the proposed regulations, municipalities are enabled to collect interest for the carrying costs of the deferrals. Collectively the area municipalities are considering a Prime +2% environment for the six year deferrals.

As the 20 year deferrals relate to affordable housing, there are currently two streams of thought across area municipalities. One stream favours a zero-interest environment, as a means by which to support affordable housing projects. The second stream favours a Prime Interest environment, to be supportive of affordable housing projects, while at the same time ensuring that the costs of growth are not burdened on the existing tax base. Wilmot staff are supportive of the second scenario as a means to remain fiscally responsible, while providing support to the affordable housing efforts.

Parkland Dedication and Development

With respect to parkland dedication and development the Province has similarly rolled back the proposals of Bill 108 within the draft regulation to permit the continued funding of park development through the local DC, and as such have addressed a significant concern previously raised by the Township and other municipalities. This change allows a 'business as usual' approach to the acquisition and development of parklands in Wilmot, and likely negates the need for Wilmot to employ a Community Benefits Charge.

Having said that the Region of Waterloo may need to employ a Community Benefits Charge in addition to their Development Charge, and as such additional administration related to collecting the fee at Building Permit issuance and submission of same to the RMOW by the Township will create additional workload without direct benefit to the Township. Staff are also concerned with the inconsistency this presents between the upper and lower tier.

Other Modifications

Other changes such as the fixing/calculating of DC rates for developments on the basis of the date of site plan approval or zoning amendment application, rather than the date of building permit issuance will have minimal fiscal impacts on the municipality. They will, however, require some measure of additional administrative tracking with the Development Services Department.

Overall we wanted to recognize and thank our Provincial partners for reflecting the feedback from municipalities related to the items noted above. Having said that, staff felt that several challenges remain within the proposed regulations, especially at the upper-tier level.

Concerns with Draft Regulation

Wilmot shares many of the concerns noted by the upper-tier Region of Waterloo, as outlined in Region of Waterloo Report COR-FSD-20-07. This same concerns have been noted by our external consultants for the DC Background Study at Watson & Associates.

Development Services and Corporate Services staff provided the following feedback pertaining to the draft regulation:

- The Province should reconsider the need to establish a separate community benefits charge framework, and instead expand eligible services under the exiting DCA framework;
- The imposition of an unnecessary, costly and cumbersome Community Benefits Charge regime would require additional studies, by-laws and administration;
- The transition period is extremely tight, given the potential study requirements, community engagement and by-laws; and should be extended to the date of expiry of a municipality's current DC by-law to promote alignment;
- The proposed amendment to the Planning Act, making the Community Benefits Charge appealable to the LPAT creates significant revenue risk and uncertainty for municipalities.

This feedback was submitted on behalf of the Township to the Ministry for consideration in their review of the Proposed Regulations.

ALIGNMENT WITH THE TOWNSHIP OF WILMOT STRATEGIC PLAN:

This report is aligned with the goal of being an engaged community through the communication of municipal matters. Staff will provide Council and the community with an update on the status of the Community Benefits Authority regulation, when received from the Ministry.

FINANCIAL CONSIDERATIONS:

As noted above the proposed regulations will have a favourable impact by returning the previously excluded eligibility for parks, recreation and library services. The removal of this eligibility would have had a drastic impact on the long-term capital planning across Parks, Recreation and Facilities at the Township.

The regulations pertaining to parkland dedication and development essentially allow a ‘business as usual’ approach to the acquisition and development of parklands in Wilmot and negates the need for Wilmot to employ a Community Benefits Charge. This will result in reduced needs from an external consulting perspective, which were previously approved for funding from the existing DC Reserve Funds, thereby reducing the impact on existing deficits in DC reserves.

ATTACHMENTS:

Appendix A – ERO – Proposed Regulatory Matters Pertaining to Community Benefits Authority Under the Planning Act, the Development Charges Act and the Building Code Act.

Appendix B – Region of Waterloo Report – COR-FSD-20-07

Appendix A

Ontario Environmental Registry of Ontario

Proposed regulatory matters pertaining to community benefits authority under the Planning Act, the Development Charges Act, and the Building Code Act

ERO (Environmental Registry of Ontario) number	019-1406
Notice type	Regulation
Act	Planning Act, R.S.O. 1990
Posted by	Ministry of Municipal Affairs and Housing
Notice stage	Proposal
Proposal posted	February 28, 2020
Comment period	February 28, 2020 - March 30, 2020 (31 days) Open
Last updated	February 28, 2020

This consultation closes at 11:59 p.m. on:

March 30, 2020

Proposal summary

Proposed Regulatory Matters Pertaining to Community Benefits Authority Under the *Planning Act*, the *Development Charges Act*, and the *Building Code Act*

Proposal details

Introduction

In May 2019, the Minister of Municipal Affairs and Housing released More Homes, More Choice: Ontario's Housing Supply Action Plan. In support of the Action Plan, the Minister of Municipal Affairs and Housing introduced the *More Homes, More Choice Act, 2019* (Bill 108) which received Royal Assent on June 6, 2019. Schedule 12 of the Act, once proclaimed, establishes a new authority under the *Planning Act* for municipalities to charge for community benefits with respect to land to be developed or redeveloped. Community benefits charges are intended to fund municipal infrastructure for community services, such as land for parks, affordable housing and child care facilities, that are needed to support new residents and businesses associated with new development.

On November 6, 2019, amendments to the community benefits charge provisions under the *Planning Act* were introduced through the *Plan to Build Ontario Together Act, 2019*. The Bill received Royal Assent on December 10, 2019. The amendments, set out under Schedule 31 of the Act, include new transition provisions for alternative parkland dedication and a mechanism to appeal a municipality's community benefits charge by- law to the Local Planning Appeal Tribunal.

The community benefits charge authority has not been proclaimed and is not in effect at this time.

This is the second regulatory proposal that the government has posted for public feedback on the proposed components of a new community benefits charge authority. The initial regulatory proposal was posted on the Environmental Registry of Ontario on June 21, 2019 ("Proposed new regulation pertaining to the community benefits authority under the Planning Act", ERO 019-0183).

This proposal outlines additional matters for public input to inform the further development of the community benefits charge authority and regulation under the Planning Act.

Proposal for public comment

This proposal outlines several matters related to the community benefits charge authority under the *Planning Act*.

The changes made by the *More Homes, More Choice Act, 2019* will mean that municipalities will have two primary funding streams to pay for the increased need for services due to new development.

Development charges are a mechanism for municipalities to pay for the capital costs of infrastructure like roads and sewers associated with new development. The government is also seeking feedback in this proposal on changes to the types of services that could be funded through development charges. It is proposed that development charges could also pay for the capital costs of certain community services such as public libraries, parks development (other than acquiring land for parks) and recreational facilities (see Section #2).

The new community benefits charge would complement development charges by giving municipalities the flexibility to fund growth-related capital infrastructure costs of other community services. For example, funds generated through community benefits charges could be used to support community priorities such as acquiring land for parks, supporting affordable housing or building child care facilities which will be needed due to growth.

A municipality could choose to collect development charges to fund the development of new park facilities or enhance existing parks such as playgrounds and splash pads. To acquire the land needed to build new parks, a municipality would have the option of using one of the following tools under the *Planning Act*:

1. A municipality could apply the basic parkland dedication rate in which a maximum of either 5% (for example, for a residential development) or 2% (for a commercial or industrial development) of a proposed development is dedicated as parkland or cash-in-lieu is provided (section 42 "Conveyance of land for park purposes" and section 51.1 "Parkland" under the *Planning Act*).
2. Alternatively, a municipality could establish a community benefits charge by-law to collect funds to acquire land for parks as well as other community services such as affordable housing and child care. If both a developer and municipality agree, a developer could provide land for parks (rather than a payment). The agreed-upon value attributed to the in-kind parkland contribution would be applied toward the community benefits charge payable.

If a municipality has a community benefits charge by-law in place it cannot apply the basic parkland dedication provisions of the *Planning Act*.

To implement the new community benefits charge authority, the province is seeking feedback on the following regulatory matters under the *Planning Act*, the *Development Charges Act* and the *Building Code Act*:

1. Required content of a community benefits charge strategy
2. Services eligible to be funded through development charges
3. Percentage of land value for determining a maximum community benefits charge

4. Timeline to transition to the new community benefits charge regime
5. Community benefits charge by-law notice
6. Minimum interest rate for community benefits charge refunds where a by-law has been successfully appealed
7. Building code applicable law

1. Required content of a community benefits charge strategy

Before passing a community benefits charge by-law, a municipality must prepare a community benefits charge strategy. The strategy must identify the items that a municipality intends to fund through community benefits charges. It must also comply with any requirements that may be prescribed in regulation regarding the mandatory content that a strategy should address. In preparing a community benefits charge strategy, a municipality must consult, but has the flexibility to determine their consultation approach.

Proposal

To provide greater clarity about the components of a community benefits charge strategy, it is proposed that a municipality would need to include the following content in their strategy:

1. The anticipated type, amount and location of development or redevelopment that would be subject to a community benefits charge
2. The anticipated increase in the need for a specific community service (for example, the acquisition of land for parks, affordable housing, child care, etc.) resulting from new development or redevelopment
3. A parks plan that examines the need for parkland in the municipality
4. The amount of parkland per person currently being provided in the municipality, and if this is planned to increase, decrease or stay the same
5. The capital costs associated with the increased need for a specific community service resulting from new development or redevelopment
6. The excess capacity that exists in those specific services (for example, the extra capacity that exists in a service that is not currently being used)
7. Whether the increased provision of those specific services would also serve existing residents (for example, existing residents may also benefit from new child care facilities that are needed as a result of new development or redevelopment)
8. Any capital grants, subsidies, or contributions from other levels of government or other sources like donations that are anticipated to be made to support those specific services

2. Services eligible to be funded through development charges

The *Development Charges Act* provides authority for municipalities to impose development charges to pay for the increased capital costs of specific services that are needed as a result of new growth.

The services that are eligible to be funded through development charges are listed under subsection 2(4) of the Development Charges Act. The list includes a provision for other services that may be prescribed in regulation. The *Planning Act* stipulates that services funded by development charges may not be funded by community benefits charges.

When proclaimed, the *More Homes, More Choices Act, 2019* will make waste diversion and ambulance services fully recoverable through development charges.

The government is proposing to prescribe additional services to be funded under the *Development Charges Act*, through regulation.

Proposal

It is proposed that the following services would be identified in regulation under subsection 2(4) of the *Development Charges Act*:

1. Public libraries, including library materials for circulation, reference or information purposes
2. Long-term care
3. Parks development, such as playgrounds, splash pads, equipment and other park amenities (but not the acquisition of land for parks)
4. Public health
5. Recreation, such as community recreation centres and arenas

Development charges may be imposed to fully recover the capital costs related to the provision of these proposed services due to new growth. These proposed services would be ineligible to be funded through community benefits charges.

3. Percentage of land value for determining a maximum community benefits charge

The community benefits charge authority established through the *More Homes, More Choice Act, 2019*, includes a mechanism to determine the maximum community benefits charge payable for any particular development. The community benefits charge payable cannot exceed the amount determined by applying a prescribed percentage to the value of the land under development.

The ministry is seeking feedback on the proposed prescribed percentages through this posting.

Proposal

The proposed percentages of land value that would be prescribed in regulation under the Planning Act would be structured as follows:

- single-tier municipalities: 15%
- lower-tier municipalities: 10%
- upper-tier municipalities: 5%

In any particular case, the community benefits charge levied by a municipality could not exceed the amount determined by applying the applicable proposed percentage to the value of the land that is subject to development. The land value would be calculated as of the valuation date, which is the day before the date the building permit is issued in respect of the development or redevelopment.

The community benefits charges levied by municipalities would support the growth- related capital costs of acquiring land for parks, and other community benefits required because of development, such as child care facilities, affordable housing, social services, parking and by-law enforcement. There would need to be a connection between the community benefits charge levied and the increased need for community services associated with new development.

Different percentages are being proposed for single, upper and lower-tier municipalities to reflect the varying service delivery requirements of each tier of municipality to service new growth with community amenities. This percentage structure ensures that the combined percentage for upper and lower-tier municipalities would be equal to the percentage for single tier municipalities.

4. Timeline to transition to the new community benefits charge regime

The date by which municipalities must transition to the community benefits charge authority, if they wish to collect funds for community benefits, would be prescribed in regulation under the Development Charges Act, 1997. The prescribed date would be the deadline for establishing a community benefits charge strategy and by-law in order to charge for the capital costs of services funded through community benefits charges.

The community benefits charge by-law would set out the charge payable in any particular instance, any municipal exemptions, and other details.

Proposal

It is proposed that the specified date for municipalities to transition to the community benefits charges regime would be one year after the date the proposed community benefits charge regulation comes into effect.

This transition period would allow municipalities to prepare community benefits charge strategies and pass by-laws if they choose to implement a community benefits charge regime.

5. Community benefits charge by-law notice

The *Plan to Build Ontario Together Act, 2019* amended the *Planning Act* to establish a mechanism by which a municipality's community benefits charge by-law could be appealed to the Local Planning Appeal Tribunal. A municipality would be required to provide notice to the public when it passes a community benefits charge by-law. To implement the by-law appeal mechanism, requirements associated with how to provide public notice would be prescribed in regulation.

Proposal

To implement the appeal mechanism, it is proposed that upon passage of a community benefits charge by-law, a municipality would be required to comply with the following notice provisions. These provisions are similar to the notice provisions under the *Development Charges Act* regarding the passage of a development charges by-law:

1. Notice would be required to be given through newspaper or to every land owner in the area covered by the by-law through personal service, fax, mail or email.

2. Notice would also be required to be provided by personal service, fax, mail or email to those individuals who specifically request notice, the clerk of the lower or upper-tier municipality (if and as applicable), and the secretary of every school board having jurisdiction in the area covered by the by-law.
3. In order to facilitate public awareness of the passage of a community benefits charge by-law, notice would include the following:
   - i. A statement that the council of the municipality has passed a community benefits charge by-law.
   - ii. A statement setting out when the by-law was passed.
   - iii. A statement that any person or public body may appeal the by-law to the Local Planning Appeal Tribunal by filing with the clerk of the municipality a notice of appeal setting out the objection to the by-law and the reasons supporting the objection.
   - iv. A statement setting out the last day for appealing the by-law.
   - v. An explanation of the charges imposed by the by-law.
   - vi. A description of the lands to which the by-law applies, a key map showing the lands to which the by-law applies, or an explanation why no description or key map is provided.
   - vii. An explanation of where and when persons may examine a copy of the by-law.

The date on which notice would be deemed to have been given would be:

- the newspaper publishing date if the notice is published by a newspaper
- the date the fax is sent, if the notice is faxed
- the date the email is sent, if the notice is emailed
- the date the notice is mailed, if the notice is sent by mail

6. Minimum interest rate for community benefits charge refunds where a by-law has been successfully appealed

The mechanism to appeal a community benefits charge by-law includes a requirement for municipalities to provide full or partial refunds in the event of a successful appeal. The interest rate paid on amounts refunded must not be less than the prescribed minimum interest rate.

Proposal

It is proposed that the minimum interest rate a municipality would be required to pay on amounts refunded after successful appeals would be the Bank of Canada rate on the date the by-law comes into force. Alternatively, if the municipality's by-law so provides, the minimum interest rate would be the Bank of Canada rate updated on the first business day of every January, April, July and October.

This proposal aligns with the prescribed minimum interest rate for refunds of development charges after successful appeals under the *Development Charges Act*.

7. Building Code applicable law

The Building Code is a regulation under the *Building Code Act, 1992*. The Building Code sets out minimum administrative and technical requirements for the construction, renovation, demolition and change of use of buildings. It also establishes a list of applicable law that must be satisfied in order to receive a building permit. Municipalities enforce the Building Code and are responsible for issuing building permits for the construction, renovation, demolition or change of use of buildings.

Proposal

It is proposed that the Building Code be amended to add the community benefits charge authority to the list of items under Division A - Article 1.4.1.3 Definition of Applicable Law. This amendment would establish a mechanism for ensuring the payment of community benefits charges prior to the issuance of a building permit.

Public comment

Your feedback on the implementation of the community benefits charge authority will inform government decisions on the development of a new community benefits charge regulation under the *Planning Act* and amendments to regulations under the *Development Charges Act* and *Building Code Act*.

Submissions may be made online or provided via email to the contact below.

Supporting materials

Related links

Planning Act (https://www.ontario.ca/laws/statute/90p13)

Development Charges Act, 1997 (https://www.ontario.ca/laws/statute/97d27)

Building Code Act, 1992 (https://www.ontario.ca/laws/statute/92b23)

Related ERO (Environmental Registry of Ontario) notices

Proposed new regulation pertaining to the community benefits authority under the Planning Act (/notice/019-0183)

View materials in person

Some supporting materials may not be available online. If this is the case, you can request to view the materials in person.

Get in touch with the office listed below to find out if materials are available.

Municipal Finance Policy Branch
College Park 13th flr, 777 Bay St
Toronto, ON
M7A 2J3
Canada

416-585-6111

Comment

Let us know what you think of our proposal.

Have questions? Get in touch with the contact person below. Please include the ERO (Environmental Registry of Ontario) number for this notice in your email or letter to the contact.

Read our commenting and privacy policies. (/page/commenting-privacy)

Submit by mail

John Ballantine
Municipal Finance Policy Branch

College Park 13th flr, 777 Bay St
Toronto, ON
M7A 2J3
Canada

Connect with us

Contact

John Ballantine

416-585-6348

john.ballantine@ontario.ca

Report: COR-FSD-20-07

Region of Waterloo

Corporate Services

Financial Services and Development Financing

To: Regional Chair Karen Redman and Members of Regional Council

Date: March 24, 2020 **File Code:** F27-50

Subject: Community Benefits Authority – Draft Regulation

Recommendation:

That the Regional Municipality of Waterloo endorse and submit to the Minister of Municipal Affairs and Housing the input and recommendations on the Proposed Regulatory Matters Pertaining to Community Benefits Authority Under the Planning Act, the Development Charges Act and the Building Code Act as set out in report COR-FSD-20-07 dated March 24, 2020.

Summary:

On February 28th, 2020 the Provincial government posted "Proposed Regulatory Matters Pertaining to Community Benefits Authority Under the Planning Act, The Development Charges Act, and the Building Code Act" for public comment. The proposal outlines several matters for public input to inform the further development of the Community Benefits Authority (CBA) under the Planning Act (PA). Comments are due by March 30, 2020.

Staff are encouraged to see that the draft regulation returns public libraries and parks and recreation to the DCA framework and removes the 10% mandatory discount for these services. Staff recommend that council express its thanks to the Province for reflecting the feedback from municipalities related to these services.

Beyond that, staff feel that several challenges remain with the proposed implementation of the CBA. It is clear, through review of the draft regulations pertaining to the CBA, that the CBA essentially mirrors many of the policies and procedures already in place

under the development charge framework. Implementation of the CBA will duplicate existing administrative processes and procedures in place to calculate development charges and accordingly staff recommend that the Province not implement a cumbersome and costly community benefits charge regime which will require additional studies, by-laws and administration. It would be preferable to add the relevant services to the existing DCA framework, rather than imposing a separate community benefits charge regime. Other recommendations include:

- Add municipal airports to the list of eligible services in the DCA;
- Extend the transition period to the date of expiry of a municipality's current DC by-law (the Region's by-law expires July 31, 2024) in order to align the timing of DC background study and community benefits charge strategy preparation; and
- Reconsider amendments to the PA that will, once proclaimed, establish a mechanism by which a community benefits charge by-law could be appealed to the LPAT.

This report summarizes the proposed content of the regulation and provides staff comments and recommendations (where applicable) with respect to the draft regulations pertaining to the CBA, DCA, and PA.

Report:

Background

Staff provided several updates over the past year regarding proposed changes to the Development Charges Act (DCA) and the Planning Act (PA) introduced through Bill 108, More Homes, More Choice Act 2019 and Bill 138 Plan to Build Ontario Together Act, 2019, including:

- COR-FSD-19-25: Region's Response to Bill 108, More Homes, More Choice Act, 2019 dated May 28, 2019;
- COR-FSD-19-41: Bill 108, More Homes, More Choice Act, 2019 – Draft Regulations dated August 13, 2019;
- COR-FSD-19-57: Bill 138, Plan to Build Ontario Together Act, 2019 dated December 3, 2019; and
- COR-FSD-20-01: Amendments to the Development Charges Act dated January 14, 2020.

The current status of the two bills and the related regulation is as follows:

- Bill 108 received Royal Assent on June 6, 2019;
- Bill 138 received Royal Assent on December 10, 2019;
- Certain sections of Bill 108 and 138 which amend the DCA were proclaimed and came into effect on January 1, 2020;
- O/Reg. 454/19 under the DCA was published on December 20, 2019; and
- Certain sections of Bill 108 relating to the proposed Community Benefits Charge (which amend both the DCA and the Planning Act) have yet to be proclaimed, pending regulations.
- Draft regulations posted to the Environmental Registry of Ontario for comment on February 28, 2020. Comments are due by March 30, 2020.

This report summarizes the proposed content of the regulation and provides staff comments and recommendations (where applicable) with respect to the draft regulations pertaining to the Community Benefits Authority (CBA), DCA, and PA.

Community Benefits Authority Draft Regulation

On February 28th, 2020 the Provincial government posted “Proposed Regulatory Matters Pertaining to Community Benefits Authority Under the Planning Act, The Development Charges Act, and the Building Code Act” for public comment. The proposal outlines several matters for public input to inform the further development of the Community Benefits Authority (CBA) under the Planning Act. Comments are due by March 30, 2020.

The proposed CBA would provide a mechanism for municipalities to fund a portion of growth related capital infrastructure costs of community services such as acquiring land for parks, affordable housing, child care facilities, parking, by-law enforcement and municipal airports.

To implement the new CBA, the province is seeking feedback on the following regulatory matters under the PA, DCA and Building Code Act:

1. Required content of a community benefits charge strategy
2. Services eligible to be funded through development charges
3. Percentage of land value for determining a maximum community benefits charge
4. Timeline to transition to the new CBA regime
5. Community benefits charge by-law notice
6. Minimum interest rate for community benefit charge refunds where a by-law has been successfully appealed
7. Building code applicable law

A summary of the proposed content of the regulation and staff comments and recommendations (where applicable) follows.

1. Required Content of a Community Benefits Charge Strategy

a. Proposed Content

Before passing a community benefits charge by-law, a municipality must prepare a community benefits charge strategy. The strategy must include the following content:

- Anticipated type, amount and location of development or redevelopment
- Anticipated increase in the need for a specific community service resulting from new development
- A parks plan examining the need for parkland in the community
- Amount of parkland per person currently being provided
- Capital costs associated with the increased need for a specific community service resulting from new development
- Excess capacity that exists in those specific services
- An estimate of the benefit to the existing population
- Any grants, subsidies or contributions form other levels of government that are to be made in support of those services

b. Staff Analysis and Commentary

The process to develop a community benefits strategy as outlined in the draft regulation is to a great extend the same as prescribed by the DCA to calculate development charges with the possible exception of the parks plan. Implementation of the CBA will duplicate administrative processes, background studies and procedures that are already in place to calculate development charges. It would be more efficient and less costly to simply add the relevant services to the existing DCA framework.

c. Recommendation

That the Province not implement a cumbersome and costly community benefits charge regime which will require additional studies, by-laws and administration. It is not clear why moving to a community benefit charge by-law is deemed necessary when a framework is already in place in the DCA. It would be preferable to add the relevant services to the existing DCA framework, rather than imposing a separate community benefits charge regime.

2. Services Eligible to be Funded Through Development Charges

a. Proposed Content

The services that are eligible to be funded through development charges are listed under subsection 2(4) of the DCA. The list includes provisions for other services that may be prescribed in regulation. The following services are eligible for development charge recovery:

- Water supply services, including distribution and treatment services.
- Waste water services, including sewers and treatment services.
- Storm water drainage and control services.
- Services related to a highway as defined in subsection 1 (1) of the Municipal Act, 2001 or subsection 3 (1) of the City of Toronto Act, 2006, as the case may be.
- Electrical power services.
- Policing services.
- Ambulance services.
- Fire protection services.
- Toronto-York subway extension, as defined in subsection 5.1 (1).
- Transit services other than the Toronto-York subway extension.
- Waste diversion services.
- Other services as prescribed

The draft regulation proposes that the following services will added to the list of eligible services under the DCA:

- Public libraries, including materials;
- Long-term care;
- Parks development, such as playgrounds, splash pads, equipment and other park amenities (but not land acquisition)
- Public health; and,
- Recreation, such as community recreation centres and arenas

b. Staff Analysis and Commentary

Staff are encouraged to see that the draft regulation returns public libraries and parks and recreation to the DCA framework and removes the previous 10% mandatory discount for these services. Staff recommend that council express its thanks to the Province for reflecting the feedback from municipalities related to these services.

Staff are concerned that municipal airports have been omitted from the list of eligible services under the DCA. Municipal airports have historically been a DC eligible service for which the Region currently assesses development charges. Municipal airports are important components of the overall transportation infrastructure and accordingly should be included in the DCA framework similar to Roads and Transit. The omission from the DCA framework would mean that the funding required to support growth related infrastructure at the airport will have to transition to the community benefits strategy and potentially the tax levy. It is unclear at this point if the level of growth related costs at the airport recovered under the CBA framework will be similar to that recovered under the DCA.

c. Recommendation

That the Regional Council thank the province for returning libraries and parks/recreation to the DCS as eligible services and: and that the Province add municipal airports to the list of eligible services in the DCA, and if not, request the Province to establish a long term, predictable and stable funding program for the development and expansion of municipal airports. Historically, the Province of Ontario has only participated in airport capital funding through joint, shared infrastructure programs with the federal and municipal governments. Other provinces such as British Columbia and Saskatchewan have airport specific funding programs that can be used for safety and infrastructure enhancements that help strengthen local, regional and provincial economies.

3. Percentage of Land Value for Determining a Maximum Community Benefits Charge

a. Proposed Content

The CBA includes a mechanism to determine the maximum community benefits charge payable for any particular development. The maximum charge levied by a municipality cannot exceed the amount determined by applying the applicable proposed percentage to the value of the land that is subject to development on the day before the building permit is issued. The proposed percentages of land value that would be prescribed in the regulation would be structured as follows:

- Single-tier municipalities: 15%
- Lower-tier municipalities: 10%
- Upper-tier municipalities: 5%

The legislation also prescribes a process for situations where the owner of the land is of the view that the amount of a community benefits charge imposed by the municipality exceeds the amount legislatively permitted and pays the charge under protest. In these situations, the owner has 30 days to provide the municipality with an appraisal of the value of land. If the municipality disputes the value of the land in the appraisal provided by the owner, the municipality has 45 days to provide the owner with an appraisal of the value of the land. If the municipality's appraisal differs by more than 5 percent from the appraisal provided by the owner of the land, the owner can select an appraiser from the municipal list of appraisers, that appraiser's appraisal must be provided within 60 days.

b. Staff Analysis and Commentary

It is unclear how the relative percentages were defined aside from the fact that the lower-tier and upper-tier charges would be equal to the percentage for single-tier municipalities. Staff maintain that there are several potential issues with this methodology including, but not limited to, the following:

- The value of the land is not necessarily related to the cost impact to the municipality i.e. high density development can result in higher costs to the municipality and therefore potentially should have a higher maximum CBC rate
- It is not certain that using land values will produce a result that is more predictable than the current per unit development charge
- The methodology for valuing land will have to be very clear to avoid confusion and delays at the time of municipal building permit issuance.
- It is unclear how the value of the land is initially set and who is responsible for providing the value at the time that the CBC is calculated
- The land appraisal process will add both additional costs and administrative time to the development approval process

- A single, defined percentage does not take into account the varying values of land for differences in types of developments, zoning, land use and geography.
- It is unclear how phased developments will be treated i.e. will the municipality collect the CBC on the entire site or on portions of the site as they are developed.
- It is unclear whether redevelopment credits will apply under the CBC regime as they do in the DCA.
- Construction costs and land values vary significantly both across and within municipalities

c. Recommendation

That the Province reconsider the need to establish a separate community benefits charge framework, and instead add the CBA-eligible services to the existing DCA framework.

4. Timeline to Transition to the New Community Benefits Charge Regime

a. Proposed Content

The date by which municipalities must transition to the new CBA regime would be prescribed in regulation to the DCA. The prescribed date would be the deadline for establishing a community benefits strategy and by-law that would set out the community benefits charge payable in any particular instance, any municipal exemptions, and other details. It is proposed that the specified date for municipalities to transition to the CBA be one year from the date the proposed regulation comes into effect.

b. Staff Analysis and Commentary

The proposed process to establish a community benefits strategy and by-law is very similar to the process to undertake a development charge background study and by-law review which typically take longer than a year to complete. Staff are concerned that establishing a one-year deadline will not provide sufficient time for municipalities across the Province to transition to the CBA with the appropriate level of planning, analysis and stakeholder engagement.

c. Recommendation

That the transition period for the CBA be extended to the date of expiry of a municipality's current DC by-law (the Region's DC by-law expires July 31, 2024) in order to align the timing of a DC background study and CBA strategy preparation.

5. Community Benefits Charge By-law Notice

a. Proposed Content

Similar to the DCA, amendments to the PA will, once proclaimed, establish a mechanism by which a municipality's community benefits charge by-law could be appealed to the Local Planning Appeal Tribunal (LPAT). The draft regulation sets out the notice provisions for a community benefits charge by-law that the municipality must comply with. The draft provisions provide guidance relating to who the notice must be provided to and the form the notice should take.

b. Staff Analysis and Commentary

Overall, staff remain concerned that CBC by-laws would be appealable to the Local Planning Appeal Tribunal (LPAT). The ability to appeal CBC by-laws creates significant revenue risk for municipalities. The proposed amendment to the PA also represents an administrative burden for municipalities. It undermines revenue predictability and municipal autonomy, and ultimately could delay the emplacement of growth-related infrastructure.

The specific notice provisions as set out in the draft regulation are similar to those in the DCA for appeals and are not a cause for concern at this point.

c. Recommendation

That the Province reconsider amendments to the PA that will, once proclaimed, establish a mechanism by which a municipality's community benefits charge by-law could be appealed to the LPAT.

6. Minimum Interest Rate for Community Benefits Charge Refunds Where a By-law Has Been Successfully Appealed

a. Proposed Content

The mechanism to appeal a community benefits charge by-law includes a requirement for municipalities to provide full or partial refunds in the event of a successful appeal. The interest rate paid on amounts refunded must not be less than the prescribed minimum interest rate which the draft regulations prescribes at the Bank of Canada rate on the day the by-law comes into force (updated for the first business day every quarter if applicable). This proposal aligns with the prescribed minimum interest rate for refunds of development charges under the DCA.

b. Staff Analysis and Commentary

As stated above, staff remain concerned that proposed amendments to the PA will provide a mechanism for a municipality's community benefits charge by-law to be appealed to the LPAT. Staff have no immediate concerns with the interest rate set out in the draft regulation relating to refunds.

c. Recommendation

NIL.

7. Building Code Applicable Law

a. Proposed Content

The building code sets out minimum administrative and technical requirements for the construction, renovation, demolition and change of use of buildings. It also establishes a list of applicable law that must be satisfied in order to receive a building permit. The draft regulation proposes that the building code be amended to establish a mechanism for ensuring the payment of community benefits charges prior to the issuance of a building permit as is the case with development charges.

b. Staff Analysis and Commentary

Staff support the draft amendment to the building code to establish a mechanism for ensuring the payment of community benefits charges prior to the issuance of a building permit.

c. Recommendation

NIL.

Concluding Comments

It is clear, through review of the draft regulations pertaining to the Community Benefits Authority, that the CBA essentially mirrors many of the policies and procedures already in place under the development charge framework. Implementation of the CBA will duplicate existing administrative processes and procedures in place to calculate development charges. It would be far more efficient to simply add the relevant services to the existing DCA framework rather than implement a cumbersome and costly community benefits charge regime which will require additional studies, by-laws and administration.

Of particular concern to Regional staff is the omission of municipal airports from the eligible service list in the DCA. The Region’s most recent development charge background study includes approximately $20 million in potential DC recoverable costs for growth related infrastructure at the airport.

Staff recommend that Council endorse and submit to the Minister of Municipal Affairs and Housing the input and recommendations with respect to the impact of the “Proposed Regulatory Matters Pertaining to Community Benefits Authority Under the Planning Act, the Development Charges Act, and the Building Code Act” on municipal development charges and the proposed community benefits charge as set out in this report.

Corporate Strategic Plan:

This report supports strategic objectives found in the Corporate Strategic Plan, and particularly Focus Area 5.4 - Ensure the Region provides value for money and long term financial sustainability under Focus Area 5, Responsive and Engaging Public Service.

Financial Implications:

Although the Province has stated that one of the goals in transitioning to the CBA authority is to keep municipalities revenue neutral, it is still not clear how the proposed allocation between upper and lower tier municipalities achieves this objective.

The omission of municipal airports from the eligible service list in the DCA is concerning as the Region’s most recent development charge background study includes approximately $20 million in potential DC recoverable costs for growth related infrastructure at the airport. It is unclear at this point if the level of recovery of growth related costs at the airport under the CBA will be similar to that allowed under the DCA.

Staff will continue to assess the financial impacts related to Bill 108 and the associated regulations and report to Council as information becomes available.

Other Department Consultations/Concurrence:

Staff from Planning, Development and Legislative Services were consulted

Attachments

Appendix A: ERO – Proposed Regulatory Matters Pertaining to Community Benefits

Authority Under the Planning Act, the Development Charges Act and the Building Code Act

Prepared By: Shane Fedy, Manager, Infrastructure Financing

Approved By: Craig Dyer, Commissioner, Corporate Services/Chief Financial Officer

TOWNSHIP OF WILMOT

CORPORATE SERVICES
Staff Report

REPORT NO:	**COR 2020-21**
TO:	**Council**
SUBMITTED BY:	**Patrick Kelly CPA, CMA, Director of Corporate Services / Treasurer**
PREPARED BY:	**Ashton Romany, CPA Manager of Finance / Deputy Treasurer**
REVIEWED BY:	**Grant Whittington, Chief Administrative Officer**
DATE:	**May 4, 2020**
SUBJECT:	**2020 Final Tax Levy By-Law**

RECOMMENDATION:

THAT report COR 2020-21 prepared by the Manager of Finance / Deputy Treasurer, regarding the 2020 Final Tax Levy By-law be received.

SUMMARY:

This report outlines the 2020 Final Tax Levy By-Law to establish tax rates and collect property taxes for the 2020 property tax year.

BACKGROUND:

Council approved the 2020 Municipal Budget on February 10, 2020. The approved Budget includes a total Tax Levy for municipal purposes of $8,646,811. By-law 2020-12, presented for Council's approval, will give Finance staff the authority to issue the final tax bills for 2020.

REPORT:

Through the 2020 budget process, it was determined that the levy required for municipal operating and capital needs for the year would be $8,646,811. In addition to the municipal levy, the Township is responsible for billing on behalf of the Region of Waterloo and School Boards. Final tax bills are issued upon receipt of information on Regional tax ratios and tax rates, as well as information from the Ministry on the distribution of taxes amongst the four school boards.

Upon Council's approval of the by-law, staff will prepare final tax bills to the ratepayers in the Township.

COVID-19 Economic Relief Measures

Currently, Council has approved the waiver of penalty/interest charges for water and tax payments up until May 31 as per Council Report COR 2020-19. The Waterloo Region Area Treasurers Group continue to investigate additional Fiscal and Economic Support measures for residents and business owners. Area Treasurers agree that payment due dates will remain status quo as further support can be made through waiving penalty/interest charges; similar to what is currently in place. Any additional financial and economic relief measures would be presented to Council for approval at a future date.

ALIGNMENT WITH THE TOWNSHIP OF WILMOT STRATEGIC PLAN:

This report is aligned with the Strategic Plan goal of being an engaged community through the communication of municipal matters, by providing the rates of taxation required to raise the 2020 tax levy. The revenue from this levy will assist in fulfilling the 2020 financial requirements of the Township.

FINANCIAL CONSIDERATIONS:

The tax levy is utilized to fund both the operating and capital expenses of the Township of Wilmot, as identified within the 2020 budget.

ATTACHMENTS:

None

TOWNSHIP OF WILMOT

CORPORATE SERVICES
Staff Report

REPORT NO:	**COR 2020-22**
TO:	**Council**
SUBMITTED BY:	**Patrick Kelly CPA, CMA, Director of Corporate Services / Treasurer**
PREPARED BY:	**Ashton Romany, CPA, Manager of Finance / Deputy Treasurer**
REVIEWED BY:	**Grant Whittington, Chief Administrative Officer**
DATE:	**May 4, 2020**
SUBJECT:	**Statement of Operations as of March 31, 2020 (un-audited)**

RECOMMENDATION:

That the Statement of Operations as of March 31, 2020, as prepared by the Manager of Finance / Deputy Treasurer, be received for information purposes.

SUMMARY:

This report outlines the statement operations as of March 31, 2020.

BACKGROUND:

Finance staff report to Council on the status of municipal operations on a quarterly basis.

REPORT:

Attached is the statement of operations as of March 31, 2020. The report is divided into sections outlining revenues and expenses from general government, protective services, transportation services, recreation and cultural services and development services.

Net General Levy Expenditure

The total section of the report outlines revenues and expenses from all municipal operations, and how they relate to the Council approved operating budget. As of the statement date, YTD revenues and expenses are within the budgetary guidelines, and the net effect on general levy is 28.0% of budget (Q1 2019 – 25.5%).

Wilmot Recreation Complex

The WRC represents approximately 22.3% of all operating expenses from the general levy. Staff are reporting that as of the statement date, operations met Q1 budget projections, with the combination of administrative and operating/maintenance costs at approximately 27.74% of the annual budget (Q1 2019 – 26.75%).

The WRC also represents approximately 50.0% of the budgeted operating revenue to the general levy. As of the statement date, WRC revenues were slightly behind target to meet budget projections, with current receipts at 28.0% of the annual budget (Q1 2019 – 31.8%). This was primarily due to cancellation of programming and rentals in mid-to-late March. Further information pertaining to the anticipated Financial Impacts of COVID-19 are included with Report COR 2020-23.

Winter Maintenance

Winter maintenance activity levels for Q1 2020 were slightly below Q1 2019. YTD expenditures of $541,507 represent 67.9% of the annual budget (Q1 2019 – 80.7%). The capacity of this expense line to stay within the total budget of $797,970 will be contingent upon weather events in early Q2, and the last few months of 2020.

Any savings from the program at year end are transferred to the dedicated reserve fund to offset any overages from years of higher than average snowfall.

User Pay Divisions

The second section of the attached statements outlines financial performance from the user pay divisions. Each of these divisions is independent of the levy, and any surplus/deficit from current year operations is transferred to/from dedicated reserve funds at year end.

Each division is well below the projected year-end transfers to reserve funds, for a number of reasons. Water/Sanitary consumption peaks during the summer season while building activity levels and cemetery burials historically peak in the second and third quarter of the fiscal year.

COVID-19 Impacts

The attached statements outline operations as of March 31, 2020. Q1 Operations as a whole were not significantly influenced by COVID-19 as the majority of revenue and expenditures attributable to Q1 occurred prior to facility closures. Any notable deviations experienced in Q1, due to COVID-19, are included within the notes. Report COR 2020-23, will provide further information on preliminary projections associated with COVID-19 financial impacts.

The preceding report is presented to Council for information purposes. The next report outlining operating results will occur in July to include activities up to the end of Q2.

ALIGNMENT WITH THE TOWNSHIP OF WILMOT STRATEGIC PLAN:

This report is aligned with the Strategic Plan goal of being an engaged community through communication of municipal matters. Staff provide Council and the community an updated status of municipal finances in accordance with the Township's Accountability and Transparency Policy.

FINANCIAL CONSIDERATIONS:

As part of year end processing, net operating expenditures, capital funding from general levy are deducted from income generated through taxation, provincial grants and investments, to calculate the annual transfer to/from infrastructure reserve funds.

ATTACHMENTS:

Appendix A – Statement of Operations as of March 31, 2020

TOWNSHIP OF WILMOT
2020 OPERATING AS OF MARCH 31, 2020 (UN-AUDITED)

	2020 Budget	2020 Actual	Variance %
GENERAL GOVERNMENT			
REVENUE			
Administration Fees / Sale of Surplus Assets [1]	(93,200)	(11,121)	11.9%
Grant Funding - General Government [2]	(35,000)	-	0.0%
Licenses and Fines [3]	(94,650)	(58,427)	61.7%
Penalties & Interest Revenue [4]	(258,600)	(54,158)	20.9%
	(481,450)	**(123,706)**	**25.7%**
EXPENSES			
Council [5]	166,080	41,384	24.9%
Municipal Grants Program [6]	55,400	-	0.0%
Office of the CAO, Information and Legislative Services [7]	656,550	165,186	25.2%
Insurance [8]	268,040	14,159	5.3%
Municipal Law Enforcement/Animal Control [9]	166,600	52,526	31.5%
Crossing Guards Operating Expenses [10]	59,570	15,328	25.7%
Municipal Election [11]	22,500	1,933	8.6%
Corporate Services [12]	712,510	159,680	22.4%
IT Services [13]	354,500	69,513	19.6%
	2,461,750	**519,710**	**21.1%**
FIRE SERVICES			
REVENUE			
Fire Services Revenues [14]	(56,770)	(8,990)	15.8%
	(56,770)	**(8,990)**	**15.8%**
EXPENSES			
Fire Services Administration [15]	998,360	241,891	24.2%
Fire Services Operating Expenses [16]	368,035	65,018	17.7%
	1,366,395	**306,909**	**22.5%**

TOWNSHIP OF WILMOT
2020 OPERATING AS OF MARCH 31, 2020 (UN-AUDITED)

	2020 Budget	2020 Actual	Variance %
PUBLIC WORKS			
REVENUE			
Roads/Engineering Service Charges [17]	(266,870)	(14,405)	5.4%
Aggregate Resource Fees [18]	(171,000)	-	0.0%
Grant Funding - Public Works [19]	(47,500)	-	0.0%
	(485,370)	**(14,405)**	**3.0%**
EXPENSES			
Engineering Administration [20]	269,200	51,968	19.3%
Roads Administration [21]	652,390	137,055	21.0%
Roads Operating Expenses [22]	564,050	68,264	12.1%
Winter Control Expenses [23]	797,970	541,507	67.9%
Municipal Drainage Operating Expenses [24]	60,000	1,479	2.5%
Street Lighting Operating Expenses [25]	145,000	20,922	14.4%
	2,488,610	**821,193**	**33.0%**

TOWNSHIP OF WILMOT
2020 OPERATING AS OF MARCH 31, 2020 (UN-AUDITED)

	2020 Budget	2020 Actual	Variance %
RECREATION AND FACILITIES			
REVENUE			
Wilmot Recreation Complex Revenues [26]	(1,485,250)	(416,804)	28.1%
Park, Facility and Community Centre Rental Revenue [27]	(181,600)	(14,421)	7.9%
	(1,666,850)	**(431,226)**	**25.9%**
EXPENSES			
Recreation Administration [28]	811,875	222,609	27.4%
Wilmot Recreation Complex Administration [29]	1,570,690	454,299	28.9%
Wilmot Recreation Complex Operating Expenses [30]	965,920	249,365	25.8%
Parks & Facilities Administration [31]	666,930	124,045	18.6%
Parks and Community Centre Operating Expenses [32]	312,290	41,938	13.4%
Municipal Facilities Operating Expenses [33]	133,140	30,200	22.7%
Abandoned Cemetery Operating Expenses	3,500	875	25.0%
	4,464,345	**1,123,331**	**25.2%**

TOWNSHIP OF WILMOT
2020 OPERATING AS OF MARCH 31, 2020 (UN-AUDITED)

	2020 Budget	2020 Actual	Variance %
CULTURAL SERVICES			
REVENUE			
Castle Kilbride Admissions & Events [34]	(51,080)	(2,839)	5.6%
Grant Funding - Castle Kilbride [35]	(27,030)	-	0.0%
	(78,110)	**(2,839)**	**3.6%**
EXPENSES			
Castle Kilbride Administration [36]	266,180	58,347	21.9%
Castle Kilbride Operating Expenses [37]	48,400	18,185	37.6%
Archives Operating Expenses	1,530	-	0.0%
Heritage Wilmot Operating Expenses [37]	9,220	851	9.2%
	325,330	**77,383**	**23.8%**
DEVELOPMENT SERVICES			
REVENUE			
Planning Application Fees [38]	(200,150)	(24,304)	12.1%
Business Licensing	(4,000)	(75)	1.9%
	(204,150)	**(24,379)**	**11.9%**
EXPENSES			
Planning [39]	233,560	66,323	28.4%
Economic Development [40]	55,000	50,500	91.8%
	288,560	**116,823**	**40.5%**
TOTAL OPERATING			
REVENUES	**(2,972,700)**	**(605,544)**	**20.4%**
EXPENSES	**11,394,990**	**2,965,350**	**26.0%**
NET GENERAL LEVY EXPENDITURE	**8,422,290**	**2,359,806**	**28.0%**

NOTES:

1 Includes administrative fees associated with tax certificates; NSF payments; account balance transfer fees; tax sale and sale of surplus assets.

2 Reflects OCIF formula funding to be received supporting the Asset Management Coordinator role in Q2 2020 ($35,000). Additional $5,000 anticipated to be received towards the 2020 Discover Your Wilmot Program from the KWCF.

3 Includes Dog and Kennel Licences ($52,175); Parking Fines ($4,570); Marriage Licences ($1,040); Lottery Licences ($297); and Provincial Offences ($345). Marriage Licence revenue anticipated to fall short of budget expectations due to COVID-19.

4 Includes penalty and interest on overdue water accounts ($7,146) and taxes receivable ($47,012). Revenue anticipated to fall short of budget expectations due to the Financial and Economic Relief measures associated with COVID-19.

5 YTD expenditures include Council Honorariums, memberships, training and development, and tribute to staff.

6 Municipal Grant Program allocations were approved under Report FIN 2019-43. Disbursements are anticipated to occur in Q2 2020. 2020 Discover Your Wilmot Intake anticipated to open in late Q2 2020.

7 YTD expenditures includes direct and indirect staffing costs associated with the Office of the CAO and ILS staff, corporate postage, legal, and the corporate phone system.

8 Waterloo Region Municipal Insurance Pool Premiums are typically remitted in Q2. YTD expenditures represent claims falling under the Township's deductible limit ($10,000), net of allocations to user-pay operations.

9 YTD expenditures includes direct and indirect staffing costs associated with Municipal Law Enforcement Officers and contracted services for Animal Control.

10 YTD expenditures represent direct and indirect staffing costs associated with crossing guards. Annual expenditures anticipated to be lower than budget expectations, due to school closures under COVID-19.

11 Budget includes annual transfer of $21,900 to cover costs associated with the 2022 municipal election; YTD expenditures reflect costs towards maintenance of the voting list.

12 YTD costs reflect the direct and indirect staffing costs for Corporate Services net of cost allocations from user-pay divisions.

13 YTD costs reflect the direct and indirect staffing costs for IT Services, Support Contracts and Web Service Charges. These support contracts / service charges are billed at various times throughout the year.

14 Includes revenue from Fire Permits ($319) and billable calls/activities ($8,671). Boundary Service Agreement with Blandford-Blenheim to be billed in Q2.

15 YTD costs reflect direct and indirect staffing costs for Fire Services, including Practices, Fire Calls and other chargeable VFF

16 Operating expenses include Minor Capital, Vehicle/Equipment Repairs and Maintenance, Dispatch Fees etc., and generally peak in the later quarters of the fiscal year.

17 Roads/Engineering Services Charges activities typically peak during Q2/Q3. Influences from COVID-19 currently under review. Service fees will be impacted by the levels of development activity and approvals during COVID-19.

18 Ontario Aggregate Resources Corporation (OARC) fees are based upon actual tonnage extracted from private pits within the Township from the preceding fiscal year. Aggregate Resource Fees payment is typically received in late Q3.

19 Budget is a combination of OMAFRA funding 50% of Drainage Superintendent ($12,500) and Municipal Modernization Funding to support share service for Municipal Drainage Consulting with Township of Woolwich ($35,000). Grant funding has yet to be received.

20 YTD costs reflect direct and indirect staffing costs for Engineering Administration net of transfer form utilities.

21 YTD costs reflect the direct and indirect staffing costs for Roads Operations excluding Winter Control.

22 Roads operating costs are impacted by seasonality. The majority of focus in Q1 is on Winter Control Operations. Costs include maintenance of Hardtop and Loosetop Roads, Boundary Roads, Roadside, and Safety (Signage, Line Painting, etc.).

23 Winter Control activities peak in Q1 and Q4. Any savings from the program at year end are transferred to the dedicated reserve fund to offset any overages from years of higher than average snowfall.

24 Majority of drainage works are typically billed by the Superintendent in late Q4.

25 YTD Street Light hydro costs reflect consumption in Q1. YTD Consumption is consistent with first three months of 2019.

26 Revenues include: Aquatics ($133,519); Ice Pads/Arena Floor ($216,867); Concession ($32,132); Programming ($5,559); Room/Field Rentals ($11,741); Rink Board Advertising ($14,269); Other ($2,717). Significant revenue shortfalls are projected due to the extended closures of recreation facilities and cancellation of programming / events under COVID-19.

27 Revenues include: NH Arena ($5,497); Baden ($0); Haysville ($2,901); Mannheim ($3,882); New Dundee ($1,296); New Hamburg Parks ($768); Petersburg ($0); St Agatha ($0); Other ($77). Significant revenue shortfalls are projected due to the extended closures of facilities and cancellation of programming / events under COVID-19.

28 YTD costs include direct and indirect staffing costs for Recreation Administration, Scheduling and Customer Service personnel. Cost savings are projected to occur due to part-time staffing adjustments under COVID-19.

29 YTD costs include direct and indirect, full-time and part-time, staffing costs for the Wilmot Recreation Complex. Cost savings are projected to occur due to part-time staffing adjustments under COVID-19.

30 WRC Operating Expenses cover building/Grounds Maintenance, Utility Costs, Equipment Repairs and Maintenance, etc. Cost savings are projected to occur due to less utilities and contracted services during extended closures under COVID-19.

31 YTD Costs reflect the direct and indirect staffing costs for all Parks and Facilities staff excluding the WRC. Cost savings are projected to occur due to part-time staffing adjustments under COVID-19.

32 Activity levels at the Township parks and community centres are seasonal, however extended closures under COVID-19 may reduce overall costs to maintain sports fields and other amenities. Cost containment measure are being deployed for contracted services.

33 Includes unbudgeted minor capital: Admin Building Rear Exterior Staircase Railing Replacement ($4,199).

34 Revenue includes: Admission ($1,104); Giftshop ($111); Programs & Workshops ($1,549); and Other ($75). Revenue shortfall anticipated in this area due to facility closures under COVID-19.

35 Grant funding for Castle Kilbride/Heritage typically received in Q4.

36 YTD costs reflect direct and indirect staffing costs for Castle Kilbride Administration. Cost savings are projected to occur due to part-time staffing adjustments under COVID-19.

37 Operating expenses tend to peak in the last three quarters. Cost savings anticipated in this area due to COVID-19 facility closures.

38 Planning and Business Licencing typically follow same activity levels in Q1. Staff will continue to monitor during COVID-19.

39 YTD costs reflect direct and indirect staffing costs for Planning net of cost allocations from Building Services.

40 YTD expenditures include Waterloo Region Economic Development Corporation (WREDC) membership ($50,000).

TOWNSHIP OF WILMOT (USER-PAY)
2020 OPERATING AS OF MARCH 31, 2020 (UN-AUDITED)

	2020 Budget	2020 Actual	Variance %
WATER/SANITARY			
REVENUE			
Utility User Fees, including Local Improvements [1]	(6,031,958)	(687,545)	11.4%
Utilities Sales, Service Charges [2]	(77,350)	(7,978)	10.3%
	(6,109,308)	**(695,522)**	**11.4%**
EXPENSES			
Water/Sanitary Administration [3]	523,430	143,025	27.3%
Water/Sanitary Operating Expenses [4]	1,096,642	227,451	20.7%
Water Regional Charges [5]	1,446,000	205,108	14.2%
Sanitary Regional Charges [5]	2,058,802	346,013	16.8%
	5,124,874	**921,596**	**18.0%**
TRANSFER (TO)/FROM RESERVE FUNDS [6]	**(984,434)**	**226,074**	**-23.0%**

TOWNSHIP OF WILMOT (USER-PAY)
2020 OPERATING AS OF MARCH 31, 2020 (UN-AUDITED)

	2020 Budget	2020 Actual	Variance %
CEMETERY			
REVENUE			
Cemetery User Fees [7]	(75,150)	(9,492)	12.6%
Cemetery Investment Income [8]	(8,000)	-	0.0%
	(83,150)	**(9,492)**	**11.4%**
EXPENSES			
Cemetery Administration [9]	21,750	762	3.5%
Cemetery Operating Expenses [10]	59,100	10,858	18.4%
	80,850	**11,620**	**14.4%**
TRANSFER (TO)/FROM RESERVE FUNDS [5]	**(2,300)**	**2,129**	**-92.6%**
BUILDING			
REVENUE			
Building Permit Fees [11]	(657,130)	(131,488)	20.0%
	(657,130)	**(131,488)**	**20.0%**
EXPENSES			
Building Administration [12]	419,720	114,049	27.2%
Building Operating Expenses [13]	237,410	56,165	23.7%
	657,130	**170,215**	**25.9%**
TRANSFER (TO)/FROM RESERVE FUNDS [6]	**-**	**38,726**	**N/A**

NOTES:

1 YTD fees represent January billing for New Hamburg Residents and January/February billing for the rest of the Township.

2 Sales and Service Charges include Sale of Water Meters, Final Reading Fees, and other misc. fees.

3 YTD costs reflect direct and indirect staffing costs for Utilities.

4 Utilities Operating expenses include Allocation to General Levy, Contracted Services, Minor Capital, Fuel, etc.

5 Reflects flows to/from the Region of Waterloo for the months of January and February.

6 Transfers to/from reserve funds are completed as part of year end processing.

7 Cemetery User Fees include Burials, Sale of Plots etc.

8 Investment income is transferred as part of year end processing.

9 YTD costs reflect direct and indirect staffing costs for Cemetery Operations.

10 Cemetery Operating expenses include Grave Opening, Foundations, Buildings/Grounds Maintenance, Allocation to General Levy

11 YTD permit fees are outlined within the Building Statistics reporting from Development Services.

12 YTD costs reflect direct and indirect staffing costs for Building Operations.

13 Building Operating Expenses include Allocation to General Levy, Contracted Services, Vehicle Repairs/Maintenance, etc.

TOWNSHIP OF WILMOT

CORPORATE SERVICES
Staff Report

REPORT NO:	**COR 2020-23**
TO:	**Council**
SUBMITTED BY:	**Patrick Kelly CPA, CMA, Director of Corporate Services**
PREPARED BY:	**Patrick Kelly CPA, CMA, Director of Corporate Services** **Ashton Romany CPA, Manager of Finance / Deputy Treasurer**
REVIEWED BY:	**Grant Whittington, Chief Administrative Officer**
DATE:	**May 4, 2020**
SUBJECT:	**Financial Impact Analysis (COVID-19)**

RECOMMENDATION:

THAT Report COR 2020-23, outlining the Financial Impacts and Actions resulting from the COVID-19 pandemic be received, for information purposes.

SUMMARY:

This report provides a high level update to Council on the Township's fiscal circumstances as a result of the COVID-19 pandemic.

BACKGROUND:

In February 2020, Council approved the 2020 Municipal Budget, which funded the 2020 Operating and Capital requirements of the municipality.

Since mid-March 2020, the COVID-19 pandemic has created economic uncertainty and a financial strain on our community's businesses and residents. Similar to businesses and residents across the Township, staff have been monitoring the financial health of the municipality and have taken some initial steps to mitigate the overall impact throughout fiscal 2020.

The following sequence of actions have been taken as they relate to municipal finances in Wilmot:

- March 16 - All municipal facilities were closed to the public until April 5, including the Wilmot Recreation Complex, Castle Kilbride and Township owned and operated community centres. Closures also resulted in the cancellation of all programming through April 5
- March 17 – The Administration Complex was closed to the public
- March 25 – Municipal State of Emergency was declared
- March 26 – Council approves the Phase I of Financial and Economic Support to residents and businesses by waiving penalty/interest, NSF fees and collection activities for the months of April and May 2020
- April 1 - All municipal facilities closures are extended to May 4, in alignment with Provincial direction of schools across the Province
- April 3 – Spring registered programming sessions and all facility rentals are cancelled until May 4
- April 6 – Corporate Services deploys Cost Containment strategy across all departments and divisions, in an effort to mitigate the annual impact on Township finances
- April 8 – Corporate Services initiates review of 2020 Capital Program across all departments and divisions, in a further effort to mitigate the annual impact on Township finances
- April 8 – Corporate Services releases a Staff Redeployment / Business Continuity strategy, in another effort to mitigate the annual impact on Township finances
- April 9 – All part-time / casual staff are placed on job protected, declared emergency leave
- April 15 - All spring indoor and outdoor municipal recreation programs are canceled, up to and including June 30, 2020

The COVID-19 business environment continues to evolve, and will continue to impact the Township in many ways that we cannot yet predict. As such, further information will be provided to Council as it becomes available, with periodic reporting to Council summarizing known impacts to-date. What is known, is that the overall impacts will not be limited to fiscal 2020, and will have further impacts into the 2021 Municipal Budget and updated 10-Year Capital Forecast.

REPORT:

This report attempts to provide preliminary updates on the various financial aspects of the organization, impacted by COVID-19. Given that the current business disruptions caused by the pandemic have no clear end date, some of the items listed below are subject to change over time.

Cost Containment Strategy

As noted above, in early April, staff prepared and distributed a Cost Containment Strategy to all departments and divisions for implementation moving forward and throughout the current COVID-19 business disruption. Drawing on some of the actions from area municipalities, the Finance Team within Corporate Services prepared a strategy to identify potential savings, to help offset the additional costs and lost revenues due to COVID-19. This strategy focused on the ongoing need to balance cost savings, while ensuring the municipality continues meeting its statutory responsibilities.

The guiding principle for this strategy was to ensure the financial sustainability of the Township, through controlling costs to the greatest extent possible. The desired outcomes of this strategy include:

- Control costs through the management of discretionary spending items;
- Recover costs where possible through grants and other forms of financial assistance from Senior Government Partners;
- Minimize any potential deficit in the Township's operating fund at end of year;
- Mitigate impact on reserves and reserve funds

Cost savings have been targeted through various Township Directed Initiatives, as well as naturally occurring savings.

From a Township perspective costs will be controlled through the following initiatives:

- the elimination of all discretionary professional development spending;
- reduced operating expenses for office supplies/materials, meals, clothing;
- reduced general maintenance contracts at closed facilities;
- suspension of all HR recruitment activities, excluding critical needs approved by CAO and Director of Corporate Services
- consider reduction in service levels, with consideration of risk and liability in doing so;
- review / deferral of Capital Projects

Some naturally occurring savings are anticipated from:

- fuel savings on vehicles and equipment, associate with reduced unit rates and utilization;
- hydro and natural gas savings from facility closures and rate reductions

Overall results of the various cost containment initiatives will be monitored and incorporated into forecasting models within the Finance division as staff analyze the long-term impact of this pandemic.

2020 Capital Program Review

In response to the fiscal challenges of COVID-19, members of the Senior Management Team have been asked to review existing capital projects carried forward from previous years, and new capital initiative within the 2020 Capital Program. Through this review, projects will be classified into three (3) distinct categories:

Proceed

- These projects are recommended to proceed as originally planned and scheduled

Proceed with Caution

- These projects are recommended to proceed with caution, provided that there are sufficient project management resources available, and minimal project support resources are required
- Work on these projects may continue by the project manager until such time that there is a need to solicit internal or external project support
- Internal project support must be deemed critical to proceed, and external project support decisions will be made in an effort to strike balance between economic benefits and fiscal capacity

Defer to 2021

- These projects are not recommended to proceed, and would be deferred and presented part of the 2021 capital program

The determination of project status will be made by using the following criteria to evaluate each project:

- Project urgency
    - Project is required to support to maintain the health and safety of our community during the COVID-19 pandemic
- Project status
    - Project has been awarded, with contractual agreement in place
- Project management resources
    - Project management resources are available, for the duration of anticipated project timeline, to lead and deliver the project
- Project support resources
    - Internal project support resources that are deemed critical under the current COVID-19 environment, are available to support the project
    - These resources may include Procurement, Communications, IT Services
- Completion in 2020
    - It is anticipated project execution can continue to move forward, including construction work, irrespective of the COVID-19 emergency, with low risk of creating an unsafe condition in the event of a work stoppage

This updated listing of Capital projects is currently under review by the Director of Corporate Services / Treasurer and Chief Administrative Officer, in order to make a final determination based on critical needs and fiscal capacity. The updated Capital Program plans will be presented to Council when determined with the corresponding financial impacts provided.

Staff Redeployment / Business Continuity Strategy

This strategy focused on the guiding principle of ensuring that all full-time and permanent part-time staff, at the Township of Wilmot, are performing critical services and / or meaningful work during this prolonged state of emergency.

The desired outcomes from this Staff Redeployment / Business Continuity Strategy include:

- Minimize or eliminate the number of staff awaiting redeployment;
- Provide a safe and effective work environment for all staff;
- Provide options to staff with unique personal circumstances;
- Meet the minimum service level requirements under Business Continuity Plans;
- Mitigate the financial impact on the municipality.

Departments continue to monitor and adapt business continuity plans to the changing environment, recently working to segment tasks between critical work, meaningful work and suspended works. This segregation will assist in determining staffing requirements as the Township progresses through the evolution of this business disruption.

Impact of Taxation in the Township

The Township levies and collects taxes for not only the Township, but also for the Region of Waterloo and Provincially-funded School Boards. The Township does not remit payment to the Region and School Boards based on what is collected, but rather remits based on what is levied at each level.

The Township interim instalment dates were February 28 and April 30. At the time of this report it was not yet determined how many property owners opted into the financial and economic relief, and withheld payment of the April 30 instalment. The status of these collections will determine whether cash flow challenges will come into play, as remittances to the Region and School Boards continue to be required.

The amount collected on behalf of the Region from Wilmot ratepayers is approximately $18,370,000, with payment due in equal instalments over 9 months commencing April 1 through December 1, 2020. To-date no revisions have been made to the due date for these remittances.

The amount collected on behalf of the School Boards from Wilmot ratepayers in 2020 totals approximately $7,350,000. This levy is due in four instalments on March 31, June 30, September 30 and December 15, as legislated by the Province. On March 25, the Province announced the June and September installments would be deferred by 90 days.

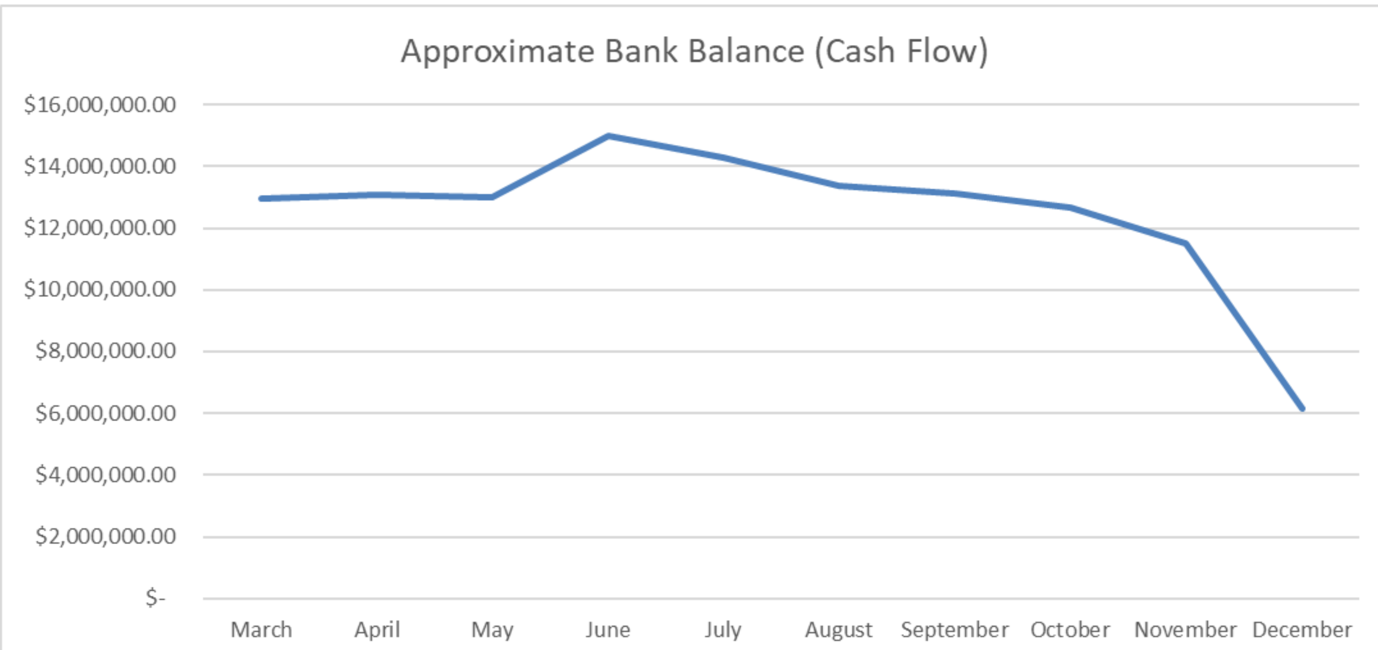
The important point here is that financial relief mechanisms deployed at the local level do not change the total levy payment required to the upper tier and school boards, and should be considered under that lens.

To-date area municipalities have avoided implementation of any tax deferral measures, as the short term financial relief can cause long-term negative effects for the majority of property owners. As such the Township, in alignment with area municipalities has opted to provided financial relief through waiving of penalty and interest. Future phase(s) of financial relief through the property tax system are currently being discussed, and staff are looking to continue consistency with our area municipal peers.

Cash Flow Impact / Analysis

As shown in the graph below, early projections indicate that the Township is expected to sustain the COVID-19 service disruption from a cash flow perspective. Wilmot was fortunate to enter this pandemic in a strong cash position with a significant amount of cash in the general bank account to service the 2020 Capital Program. This cash position, coupled with collections from the first instalment of taxes and second instalment expected on or before April 30 help keep the Township in a cash positive position, without requiring draws from dedicated infrastructure reserve funds.

The visual decline in cash from June to December is associated with the Region and School Board levy remittances noted above, along with spending on various capital projects and critical operations. The forecast makes assumptions regarding lost penalty/interest revenues and investment income previously outlined in Report COR 2020-19, as well as further revenue losses and cost savings outlined in Appendix A.



As a result of the COVID-19 pandemic, there is an extremely high level of economic uncertainty. Many municipalities across Ontario are looking at their financial health and fiscal capacity to meet the needs of 2020 and moving forward. Township staff continue to take action to mitigate impacts on Township finances, while providing relief to our residents and businesses.

ALIGNMENT WITH THE TOWNSHIP OF WILMOT STRATEGIC PLAN:

This report is aligned with our corporate goal of being an engaged community, through the action of strengthening customer service, as well of the corporate goal of a prosperous economy.

The financial items outlined within this report are a direct response from the Township to the fiscal challenges of our residents, business community and our own organization. These temporary measures coupled with support from Federal and Provincial Governments will help mitigate long-term economic impacts of the COVID-19 pandemic.

FINANCIAL CONSIDERATIONS:

As noted throughout this report, it is far too early to project the outcomes of COVID-19 on the overall Township of Wilmot financial position. Having said that, Appendix A provides a preliminary summary of cost savings and lost revenues known or projected at this time. This list will be further refined as future events occur, and updated within future reporting to Council.

Based on preliminary analytics, the COVID-19 service disruption is projected to have an unbudgeted net expense of approximately $135,500. Approximately 75% ($450,000) of the projected revenue losses ($600,000) is anticipated to be offset through a variety of cost containment measures noted above. Having said that, these preliminary estimates do not include any revenue shortfalls that may occur within Planning, Engineering and/or Fire Services. The assumptions utilized in modelling these projections are based on the existing closure of recreation and facilities until June 30, 2020. Models will continue to be updated as the pandemic evolves in the coming weeks and months.

This unbudgeted impact would offset the Township ability to meet projected transfer to infrastructure reserve funds that are critical to the long-term fiscal sustainability of our capital planning. Fortunately, the Township holds funding within the Working Funds Reserve that is held for unexpected, emergency events such as this. This dedicated Reserve had an ending balance of $502,139 as of December 31, 2019. Staff will review the need to utilize this special funding mechanism to mitigate the impact of COVID-19 on 2020 year-end finances, and future capital plans.

ATTACHMENTS:

Appendix A – Preliminary Projections of Cost Savings and Revenue Losses

APPENDIX A

Preliminary Projections of Cost Savings and Revenue Losses

Revenue Impacts		
Forgone Penalty & Interest (Tax and Water) (June 30/20)	$	(60,000.00)
Forgone Bank Interest (Dec 31/20)	$	(154,000.00)
Forgone WRC & Parks and Facility Revenue (June 30/20)	$	(344,000.00)
Forgone Service Fees Revenue (June 30/20)	$	(16,500.00)
Forgone Castle Kilbride Revenue (June 30/20)	$	(13,000.00)
Total Revenue Loss	$	(587,500.00)
Expenditures Impacts		
Savings on PT Staffing (June 30/20)	$	226,000.00
Savings on Hiring Freeze (June 30/20)	$	100,000.00
Savings on Utiliites (June 30/20)	$	38,000.00
Savings on Fuel (June 30/20)	$	21,000.00
Savings on Office Supplies (Dec 31/20)	$	11,000.00
Savings on Training and Development (Dec 31/20)	$	56,000.00
Total Expenditures	$	452,000.00
Net COVID-19 Projected Impact By December 31, 2020	$	(135,500.00)

TOWNSHIP OF WILMOT

PUBLIC WORKS & ENGINEERING
Staff Report

REPORT NO:	**PW2020-05**
TO:	**Council**
SUBMITTED BY:	**Jeff Molenhuis, P. Eng., Director of Public Works & Engineering**
PREPARED BY:	**Bryan Bishop, C.E.T., Manager of Engineering**
REVIEWED BY:	**Grant Whittington, CAO**
DATE:	**May 4, 2020**
SUBJECT:	**Wilmot and Church Street Reconstruction Phase 1 – Award of Contract**

<u>RECOMMENDATION:</u>

THAT RFT 2020-01 be awarded to BEECH Infrastructure Group Ltd. for the reconstruction of Wilmot and Church Street Phase 1 in New Hamburg, as per their contract tender bid submitted on February 27, 2020, in the amount of $1,537,797.10 plus HST.

<u>SUMMARY:</u>

This report outlines the capital design process and recommends award of tender for construction of Phase 1 for road and underground servicing works. It also outlines anticipated impacts to the project from the COVID-19 pandemic.

<u>BACKGROUND:</u>

In 2018, Council awarded engineering services for the reconstruction of a portion of Wilmot Street and Church Street to MTE Consultants Inc.. The scope of services included preliminary design, public consultation, detailed design, agency approvals and construction management activities for Wilmot Street from Church to Bleams and Church Street from Wilmot to Peel (Phase 1). The tender for construction of Phase 1 was released for bids in 2019, but due to market conditions and low volume of bids received, the tender was not awarded. At that time, the scope of design work was extended to encompass the remaining section of Wilmot Street from Huron to Church (Phase 2). Phase 2 will include coordination and completion of Kirkpatrick Parking Lot works, including on-street parking and installation of an EV charging station. Public Information Centres (PICs) were hosted in 2018 and late 2019 for each of the phases identified.

The construction schedule for this work is anticipated to be between June and October 2020, subject to the contractor's scheduling.

REPORT:

On January 29, 2020, the tender document for Phase 1 was again made available online through the Township's e-bidding site. There were a total of twenty-five (25) plan takers, with nine (9) bids received at time of close on February 27, 2020.

The lowest bid received was BEECH Infrastructure Group Ltd. from Paris, Ontario at a cost of $1,537,797.10 plus HST. The low bidder has provided the appropriate bid bond documentation. Tender compliance has been checked and the recommendation for award has been provided by MTE.

Results of the bids received are summarized below:

Bidder	Location	Bid Amount
BEECH Infrastructure Group Ltd.	Paris, ON	$1,537,797.10
Terracon Underground Ltd.	Brantford, ON	$1,574,439.59
410754 Ontario Ltd o/a Sousa Concrete	Cambridge, ON	$1,717,599.45
Alfred Fach Excavating	Cambridge, ON	$1,827,722.50
Sierra Infrastructure Inc.	Woodstock, ON	$1,969,000.00
Oxford Civil Group Inc.	Woodstock, ON	$1,989,548.20
Euro Ex Construction	Woodstock, ON	$2,098,293.65
Network Sewer and Watermain Ltd.	Cambridge, ON	$2,253,613.72
J. Weber Contracting Ltd.	Breslau, ON	$2,265,555.15
AVERAGE BID		*$1,914,841.04*

The above figures do not include HST. As noted, the reconstruction works are scheduled to be undertaken starting in the summer and into the fall.

The contractor is a newly established contractor, with other projects scheduled for completion this year in the greater region area. MTE Consultants Inc. has reviewed the bids received, and found the bids to conform to the tender requirements. As such, MTE is recommending the award of contract to BEECH Infrastructure Group Ltd..

If Council proceeds with award of tender, notice will be provided to residents regarding schedule and potential impacts during the construction process.

COVID-19 Anticipated Project Impacts

The Regional Infrastructure Control Group has been hosting virtual meetings twice weekly since the on-set of the pandemic. In the most recent Provincial workplace orders issued on April 4, 2020, many non-essential workplaces were required to close their physical work place. Discussions in the Control Group were focused on the determination of essential and critical services for construction projects. Various legal opinions from area municipalities, Ontario Water Works Association, Ontario Good Roads Association and Ontario Public Works Association agree generally that construction projects are considered essential under:

> 28. Construction projects and services required to ensure safe and reliable operations of, or to provide new capacity in, critical provincial infrastructure, including transit, transportation, energy and justice sectors beyond the day-to-day maintenance

As such, the Regional Infrastructure Control Group is planning to proceed with construction projects and capital plans for roads, water, wastewater and stormwater infrastructure. The Province of Ontario supports maintenance, operation and construction to support municipal services that are deemed essential to ensure that these services continue to work properly and continue to meet our community's needs. The Township is acting consistently with other local area municipalities and other municipalities in the province.

This project was bid prior to the current pandemic environment. Staff have been in contact with the low bidder, and do not anticipate cost or project length impacts due to COVID-19. At the time of close, the contractor identified mid to late summer to proceed with work; however, that will be confirmed following award of contract.

Construction and maintenance activities will take place in accordance with all applicable laws including the Occupational Health and Safety Act, and in compliance with advice, recommendations and instructions of public health officials, including as it relates to physical distancing, cleaning and disinfecting. Furthermore, under the Occupational Health and Safety Act, employers must take precautions to keep workers safe, including keeping them informed, creating health and safety policies and procedures and ensuring workers use the right protective equipment. The contractor will be required to provide their Health and Safety Program to the Township, including their policies related to COVID-19.

ALIGNMENT WITH THE TOWNSHIP OF WILMOT STRATEGIC PLAN:

We have a prosperous community through maintaining our infrastructure. We are an engaged community through communicating municipal matters.

FINANCIAL CONSIDERATIONS:

The following funding sources were identified in the 2018, 2019 and 2020 Capital Budget process for the preliminary design, engineering and construction works.

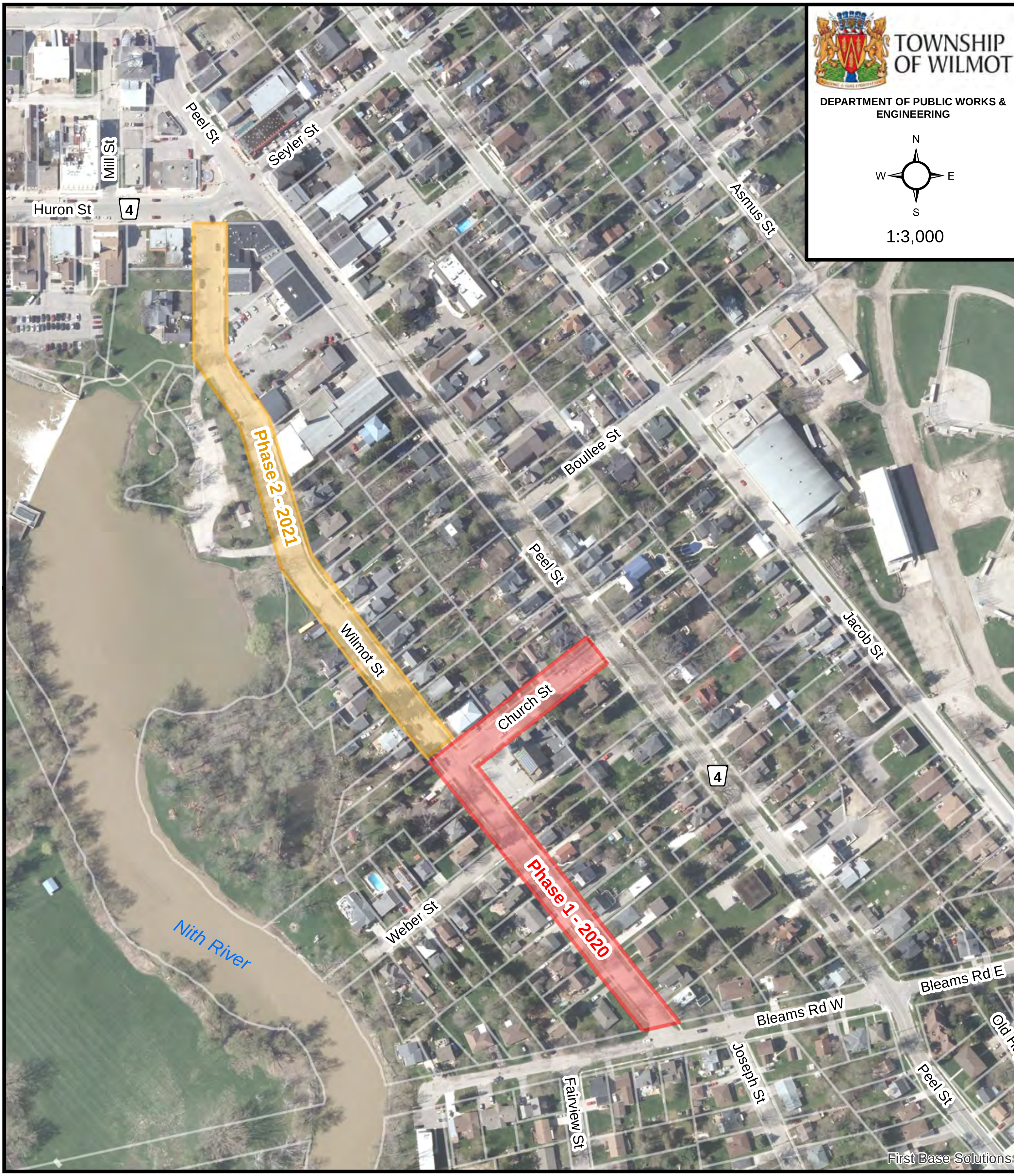
Funding Source	Amount
Ontario Community Infrastructure Fund (2019/2020)	$ 861,748
Funding from 2018/2019 Capital Levy	189,028
Funding Gas Tax (2020)	37,100
Infrastructure Reserve Fund – Transportation	255,552
Infrastructure Reserve Fund - Water	325,450
Infrastructure Reserve Fund - Sanitary	232,000
Total Budget	**$ 1,900,878**

As per the approved 10-Year Capital Budget forecast, the 2021 Capital Budget includes $1,780,000 for the completion of Phase 2 of reconstruction on Wilmot Street (Huron to Church).

The project remains under budget, including previously awarded engineering costs for this phase of the project. The engineering fees for Phase 1 were awarded under RFP2018-12, for a total of $89,972.50, not including HST. Remaining funds at the completion of Phase 1 of the project will be utilized for Phase 2 of the project, if needed.

ATTACHMENTS:

Project limits and phasing are shown in Figure 1 attached.



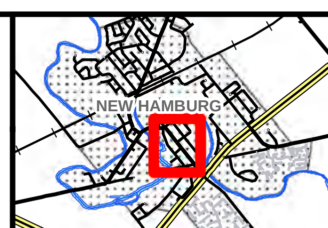
Reconstruction Phasing Extents

Phase 1 - 2020

Phase 2 - 2021

Figure 1:

Church Street & Wilmot Street Road Reconstruction Phasing Limits



PUBLIC WORKS & ENGINEERING
Staff Report

REPORT NO:	**PW2020-06**
TO:	**Council**
SUBMITTED BY:	**Jeff Molenhuis, P. Eng., Director of Public Works & Engineering**
PREPARED BY:	**Mark Jeffery, C.E.T., Senior Engineering Technologist**
REVIEWED BY:	**Grant Whittington, CAO**
DATE:	**May 4, 2020**
SUBJECT:	**Annual Surface Treatment Program – Award of Contract**

RECOMMENDATION:

THAT RFT 2020-06 be awarded to Cornell Construction Limited of Brantford, ON for the Annual Surface Treatment Program, as per their bid submission dated April 22, 2020, in the amount of $ 479,496.50, plus HST.

SUMMARY:

This report outlines the tender processes and recommends award of tender to the successful contractor for the application of surface treatment for the Township's Surface Treatment Program. This report also outlines anticipated impacts due to the COVID-19 pandemic.

BACKGROUND:

The 2020 Surface Treatment Program continues the past practice of upgrading the service level of existing gravel roads to hard surface roads. In addition, the 2020 Surface Treatment Program includes the renewal of existing surface treated roadways by reapplying new surface treatment to these roads.

The approved 2020 Public Works & Engineering Capital Budget identifies the application of surface treatment to the following Township roads:

- Diamond Road (Bridge Street to Oxford-Waterloo Road) – Triple Surface
- Nafziger Road (Bleams Road to South Limit) - Triple Surface
- Carmel-Koch Road (Wilmot-Easthope Road to Nafziger Road) – Single Surface
- Wilmot Line (Erb's Road to ESL) – Single Surface

After the flooding event in January 2020, Holland Mills Road repairs were included, as follows:

- Holland Mills (flood damaged areas) – Triple Surface

REPORT:

On March 26, 2020, the tender document was made available online through the Township's e-bidding site. There was a total of five (5) plan takers, with a total of three (3) bids received at time of close on April 22, 2020.

The lowest bid received was from Cornell Construction Limited from Brantford, ON at a cost of $ 479,496.50, plus HST. The low bidder has provided the appropriate bid bond documentation.

Results of the bids received are summarized below:

Bidder	Location	Bid Amount
Cornell Construction Limited	Brantford, ON	$ 479,496.50
Duncor Enterprises Inc.	Barrie, ON	$ 494,623.90
NorJohn Contracting and Paving Limited	Niagara Falls, ON	$ 509,390.00
AVERAGE BID		*$ 494,503.50*

The above figures do not include HST. The bids include a $30,000 contingency allowance for material testing and any unforeseen expenses encountered during construction.

COVID-19 Anticipated Project Impacts

The Regional Infrastructure Control Group has been hosting virtual meetings twice weekly since the on-set of the pandemic. In the most recent Provincial workplace orders issued on April 4, 2020, many non-essential workplaces were required to close their physical work place. Discussions in the Control Group were focused on the determination of essential and critical services for construction projects. Various legal opinions from area municipalities, Ontario Water Works Association, Ontario Good Roads Association and Ontario Public Works Association agree generally that construction and major maintenance projects are considered essential under the following:

- Construction projects and services required to ensure safe and reliable operations of, or to provide new capacity in, critical provincial infrastructure, including transit, transportation, energy and justice sectors beyond the day-to-day maintenance; and

- Businesses that deliver or support the delivery of services including:

    i. Sewage treatment and disposal.
    ii. Collecting, transporting, storing, processing, disposing or recycling of any type of waste.
    iii. Potable drinking water.
    iv. Critical infrastructure repair and maintenance including roads, dams, bridges etc.
    v. Environmental rehabilitation, management and monitoring, and spill clean up and response.
    vi. Administrative authorities that regulate and inspect businesses.
    vii. Professional and social services that support the legal and justice system.
    viii. Government services including but not limited to policing and law enforcement, fire and emergency services, paramedics, coroner and pathology services, corrections and court services, licences and permits.

As such, the Regional Infrastructure Control Group is planning to proceed with construction projects, maintenance projects and capital plans for roads, water, wastewater and stormwater infrastructure. The Province of Ontario supports maintenance, operation and construction to support municipal services that are deemed essential to ensure that these services continue to work properly and continue to meet our community's needs. The Township is acting consistently with other local area municipalities and other municipalities in the province.

The construction schedule for this work is anticipated to be completed between June and August 2020, and is subject to the contractor's schedule. Prior to the Township executing the Form of Agreement in the contract, the bid document requires the successful contractor to forward a copy of their Corporate Heath and Safety Policy to ensure proper measures have been incorporated to address general safe work practices, as well as to ensure procedures are in place to address concerns related to COVID-19. Some of the contractor's work will require coordination with Township resources for Nafziger Road construction, which may impact work schedule or potentially works completed within this contract.

Any planned roadway closures in order to facilitate the work will be kept to a minimum and communicated to the public or any affected residents prior to the closure.

ALIGNMENT WITH THE TOWNSHIP OF WILMOT STRATEGIC PLAN:

We have a prosperous community through maintaining our infrastructure. We are an engaged community through communicating municipal matters.

FINANCIAL CONSIDERATIONS:

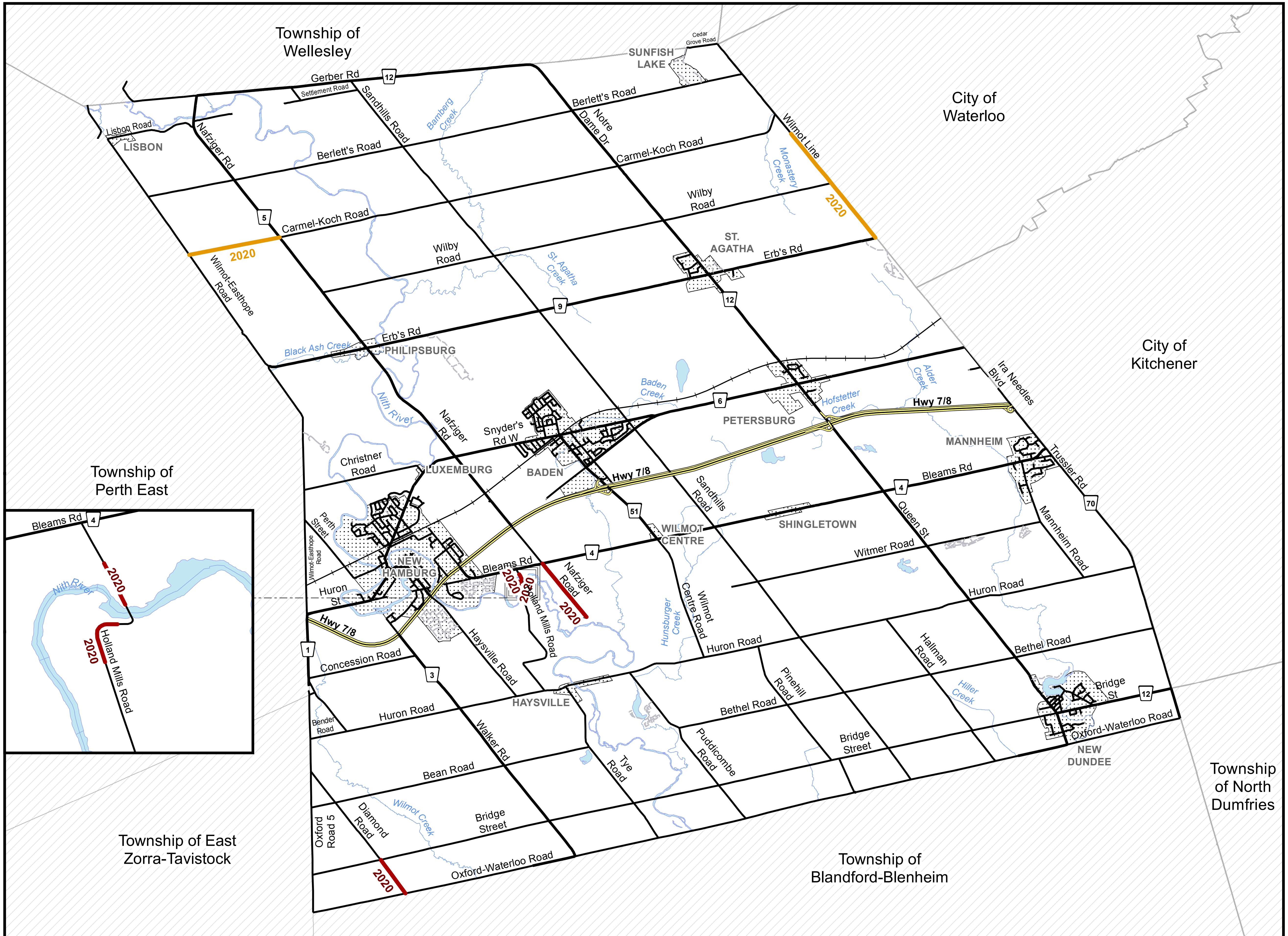
The combined budget for this project is outlined below:

Funding Source	Amount
Infrastructure Reserve Fund – Transportation	$ 294,957
Funding Gas Tax (2020)	$ 105,073
City of Waterloo Boundary Road	$ 50,000
Total Budget	**$ 450,030**

Given the tender amount of $485,442.26, net of HST rebate, the Surface Treatment Program is slightly over the anticipated budget. The additional costs are largely due to unanticipated repairs to Holland Mills Road from flood damage in January 2020. During the construction process, best efforts will be given to manage the contingency allowance to align project expenses with budget constraints. The additional costs associated with this project will be reconciled with the overall capital expenditure statement at year-end.

ATTACHMENTS:

Figure 1 - Project Locations.



TOWNSHIP OF WILMOT

DEPARTMENT OF PUBLIC WORKS & ENGINEERING

Surface Treatment Contract 2020

January 2020

N
W E
S

1:80,000

Legend

Roads

Class

- Regional
- M.T.O. Highway
- M.T.O. Ramp
- Arterial
- Collector
- Local Street
- Private

Rural Road Surfacing

Surfacing Type

- Asphalt
- Single Surface Treatment
- Triple Surface Treatment
- Railway
- Surface Water
- Adjacent Municipalities

TOWNSHIP OF WILMOT

PUBLIC WORKS & ENGINEERING
Staff Report

REPORT NO:	**PW2020-07**
TO:	**Council**
SUBMITTED BY:	**Jeff Molenhuis, P. Eng., Director of Public Works & Engineering**
PREPARED BY:	**Mark Jeffery, C.E.T., Senior Engineering Technologist**
REVIEWED BY:	**Grant Whittington, CAO**
DATE:	**May 4, 2020**
SUBJECT:	**Annual Hot Mix Asphalt Program – Award of Contract**

RECOMMENDATION:

THAT RFT 2020-07 be awarded to Brantco Construction of Cambridge, Ontario for the Annual Hot Mix Asphalt Program, as per their bid submission dated April 22, 2020, in the amount of $ 342,610.65, plus HST.

SUMMARY:

This report outlines the tender processes, funding sources and recommends award of tender to the successful contractor for the repair and replacement of hot mix asphalt surfaces for the Township's Hot Mix Asphalt Program. This report also outlines anticipated impacts due to the COVID-19 pandemic.

BACKGROUND:

The Hot Mix Asphalt Paving Program is established through the 10-Year Capital Forecast, and generally based upon existing road conditions.

The 2020 Hot Mix Asphalt Program anticipated primarily the removal of existing asphalt and placement of hot mix paving on the following road sections:

- Queen Street (New Dundee)
- Elizabeth Street (Baden)
- Schneller Drive (Baden)

Also included in this year's contract are the following:

- Improvements to the geometric alignment at the intersection of Queen Street and Oxford Waterloo Road to address traffic operations;
- Repairs to a short segment of Forler Avenue (Baden) to address an ongoing surface drainage issue;
- Placement of hot mix asphalt on a small portion of Hillfield Drive (New Hamburg) that was carried forward from 2019;
- Small section repairs to asphalt from service delivery failures or repairs to water, wastewater and stormwater infrastructure; and
- A small portion of concrete curb, gutter and sidewalk repairs required to facilitate asphalt placement.

REPORT:

On March 30, 2020, the tender document was made available online through the Township's e-bidding site. There was a total of ten (10) plan takers, with a total of six (6) bids received at time of closing on April 22, 2020.

The lowest bid received was from Brantco Construction of Cambridge, ON at a cost of $342,610.65, plus HST. The low bidder has provided the appropriate bid bond documentation.

Results of the bids received are summarized below:

Bidder	Location	Bid Amount
Brantco Construction	Cambridge, ON	$ 342,610.65
Coco Paving Inc.	Petersburg, ON	$ 350,692.50
Gedco Excavating Ltd.	Brantford, ON	$ 353,978.59
Steed and Evans Limited	St. Jacobs, ON	$ 362,446.50
Ashland Construction Group Ltd.	Concord, ON	$ 399,987.77
Capital Paving Inc.	Guelph, ON	$ 407,007.00
AVERAGE BID		*$ 368,983.84*

The above figures do not include HST. The bids also include a $15,000 contingency allowance for material testing and any unforeseen expenses encountered during construction.

COVID-19 Anticipated Project Impacts

The Regional Infrastructure Control Group has been hosting virtual meetings twice weekly since the on-set of the pandemic. In the most recent Provincial workplace orders issued on April 4, 2020, many non-essential workplaces were required to close their physical work place.

Discussions in the Control Group were focused on the determination of essential and critical services for construction projects. Various legal opinions from area municipalities, Ontario Water Works Association, Ontario Good Roads Association and Ontario Public Works Association agree generally that construction and major maintenance projects are considered essential under the following:

- Construction projects and services required to ensure safe and reliable operations of, or to provide new capacity in, critical provincial infrastructure, including transit, transportation, energy and justice sectors beyond the day-to-day maintenance; and

- Businesses that deliver or support the delivery of services including:

    i. Sewage treatment and disposal.
    ii. Collecting, transporting, storing, processing, disposing or recycling of any type of waste.
    iii. Potable drinking water.
    iv. Critical infrastructure repair and maintenance including roads, dams, bridges etc.
    v. Environmental rehabilitation, management and monitoring, and spill clean up and response.
    vi. Administrative authorities that regulate and inspect businesses.
    vii. Professional and social services that support the legal and justice system.
    viii. Government services including but not limited to policing and law enforcement, fire and emergency services, paramedics, coroner and pathology services, corrections and court services, licences and permits.

As such, the Regional Infrastructure Control Group is planning to proceed with construction projects, maintenance projects and capital plans for roads, water, wastewater and stormwater infrastructure. The Province of Ontario supports maintenance, operation and construction to support municipal services that are deemed essential to ensure that these services continue to work properly and continue to meet our community's needs. The Township is acting consistently with other local area municipalities and other municipalities in the province.

The construction schedule for this work is anticipated to be completed between June and August 2020, and is subject to the contractor's schedule. Prior to the Township executing the Form of Agreement in the contract, the bid document requires the successful contractor to forward a copy of their Corporate Heath and Safety Policy to ensure proper measures have been incorporated to address general safe work practices, as well as to ensure procedures are in place to address concerns related to COVID-19.

Any planned roadway closures in order to facilitate the work will be kept to a minimum and communicated to the public or any affected residents prior to the closure.

ALIGNMENT WITH THE TOWNSHIP OF WILMOT STRATEGIC PLAN:

We have a prosperous community through maintaining our infrastructure. We are an engaged community through communicating municipal matters.

FINANCIAL CONSIDERATIONS:

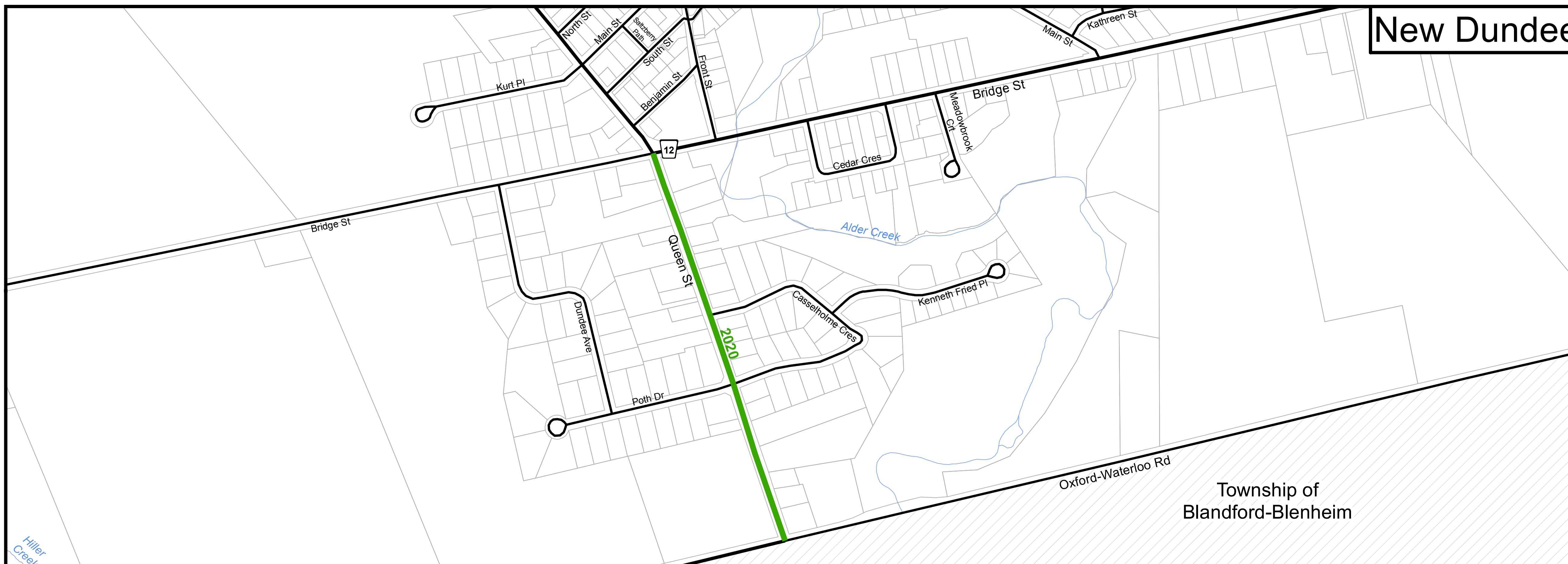
The combined budget for this project is $341,985 which consists of $278,985 - Gas Tax Funding (2020); $48,000 – 2019 Capital Carry Forward (Hillfield Drive); $15,000 for Sanitary Sewer and Watermain cut repairs and structure adjustments.

Funding Source	Amount
2020 Gas Tax Funding	$ 278,985
2019 Capital Carry Forward (Hillfield)	$ 48,000
2020 Water/Wastewater Contracted Services	$ 15,000
Total Budget	**$ 341,985**

Given the tender amount of $ 346,859.02, net of HST rebate, the Hot Mix Asphalt Program is slightly over the anticipated budget. During the construction process, best efforts will be given to manage the contingency allowance to align project expenses with budget constraints. The additional costs associated with this project should be considered minor and will be reconciled with the overall capital expenditure statement at year-end.

ATTACHMENTS:

Figure 1 - Project Locations.

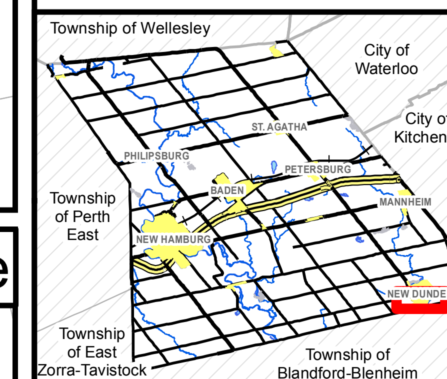


TOWNSHIP OF WILMOT

DEPARTMENT OF PUBLIC WORKS & ENGINEERING

Hot Mix Contracts 2020

January 2020



Legend

Roads

Class

- Regional
- M.T.O. Highway
- M.T.O. Ramp
- Arterial
- Collector
- Local Street
- Private

Paving and Reconstruction

Type of Work

- Asphalt Resurfacing
- Railway
- Surface Water

PUBLIC WORKS & ENGINEERING
Staff Report

REPORT NO:	**PW2020-08**
TO:	**Council**
SUBMITTED BY:	**Jeff Molenhuis, P. Eng., Director of Public Works & Engineering**
PREPARED BY:	**Mark Jeffery, C.E.T., Senior Engineering Technologist**
REVIEWED BY:	**Grant Whittington, CAO**
DATE:	**May 4, 2020**
SUBJECT:	**Granular Extraction, Crushing & Stockpiling – Award of Contract**

RECOMMENDATION:

THAT RFT 2020-10 be awarded to Joe Kerr Limited of Wingham, Ontario for the granular extraction, crushing and stockpiling of material at the Township's aggregate pit, as per their bid submission dated April 21, 2020, in the amount of $ 52,895.00, plus HST.

SUMMARY:

This report outlines the tender processes and recommends award of tender to the successful contractor for the Township's Granular Extraction, Crushing & Stockpiling Program.

BACKGROUND:

Each year, the Township undertakes gravel road maintenance activities utilizing granular material extracted from the Township's aggregate pit. To produce the quantity of granular material required for road maintenance on an annual basis, a contractor is required to extract, crush and stockpile this material. The granular material produced in this program is used by Public Works primarily for restoring and reshaping of existing gravel roadways throughout the

Township and to provide a readily available source of granular material for miscellaneous maintenance activities that occur throughout the year.

The 2020 Public Works & Engineering workplan identifies the restoration of the following gravel roads:

- Wilmot Line (Weimar Line to 500m S. of Carmel-Koch Road)
- Cedar Grove Road (Wilmot Line to 700m W. of Wilmot Line)

REPORT:

On April 2, 2020, the tender document was made available online through the Township's e-bidding site. There was a total of six (6) plan takers, with a total of one (1) bid received at time of close on April 21, 2020.

The only bid received was from Joe Kerr Limited from Wingham, ON at a cost of $ 52,895.00, plus HST. This figure does not include HST. The unit rates received are comparable to unit rates received in previous years. The bidder has provided the appropriate bid bond documentation.

The schedule for this work is anticipated to be completed between June and September 2020, and is subject to the contractor's schedule. Prior to the Township executing the Form of Agreement in the contract, the bid document requires the successful contractor to forward a copy of their Corporate Heath and Safety Policy to ensure proper measures have been incorporated to address general safe work practices, as well as to ensure procedures are in place to address concerns related to COVID-19.

ALIGNMENT WITH THE TOWNSHIP OF WILMOT STRATEGIC PLAN:

We have a prosperous community through maintaining our infrastructure. We are an engaged community through communicating municipal matters.

FINANCIAL CONSIDERATIONS:

The approved 2020 Public Works & Engineering Capital Budget includes $ 65,000 for the Granular Extraction, Crushing and Stockpiling Program with funding allocated as follows:

Funding Source	Amount
General Levy	$ 1,352
Ontario Community Infrastructure Fund	$ 63,648
Total Budget	**$ 65,000**

Given the tender amount of $ 53,550.90, net of HST rebate, the Granular Extraction, Crushing and Stockpiling Program will remain within the budget allocation for this year.

KITCHENER WILMOT HYDRO INC.

2019 Community Report

Contents

About Kitchener-Wilmot Hydro Inc.

Customers	97,695
Residential	88,630
Small Business	8,114
Commercial	951

Employees	183
Regular	178
Temporary	5

Assets	
Overhead wire	1,009 km
Underground cable	970 km
Transformer stations	8
Distribution stations	6
Transformers	11,019
Poles	23,163

Kitchener-Wilmot Hydro Inc. (Kitchener-Wilmot Hydro) is responsible for delivering electricity safely and reliably to more than 97,000 homes and businesses across 425 square kilometres in Kitchener and Wilmot Township.

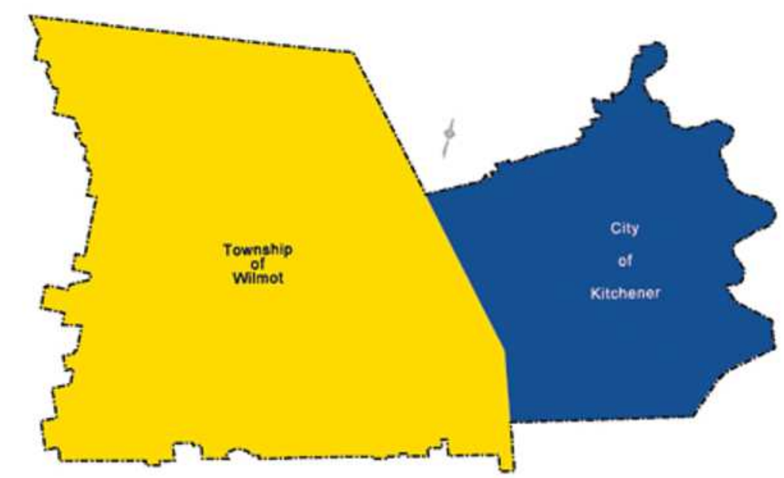
Our distribution system consists of 23,163 poles and 1,979 kilometres of overhead wire and underground cable. This is enough wire and cable to travel to the International Space Station and back – twice.

A wholly-owned subsidiary of Kitchener Power Corp., Kitchener-Wilmot Hydro is one of the most efficient utilities in Ontario. The City of Kitchener and the Township of Wilmot are the shareholders of Kitchener Power Corp., with ownership interests of 92.25 per cent and 7.75 per cent respectively.

Kitchener-Wilmot Hydro is governed by our senior leadership team and board of directors and is regulated by the Ontario Energy Board.

We are committed to ensuring that we are financially viable to make necessary investments to provide safe, reliable, quality service to our customers. Our objective is to meet that commitment while maintaining fair and reasonable local rates.

Kitchener-Wilmot Hydro Service Area



System Peaks

Summer Current Year/All-Time Peak
342.6 MW July 2019/387 MW June 2005

Winter Current Year/All-Time Peak
296 MW January 2019/344 MW December 2004

Electricity Consumed In Kitchener & Wilmot

Total – 1,822 gigawatt hours

Residential – 683 gigawatt hours

Commercial – 1,139 gigawatt hours

Message from the CEO & Chair

We are pleased to share with you Kitchener-Wilmot Hydro's 2019 Annual Community Report.

The year 2019 was a year of planning and preparation for Kitchener-Wilmot Hydro. We finalized our business plan and distribution system plan for the years 2020 through 2024 and filed our Cost of Service rate application with the Ontario Energy Board to make those plans a reality. Research, planning, and writing our business and distribution system plans and the subsequent rate application consumed much of 2018 and the first half of 2019, and the resulting settlement will allow us to continue to build a modern, safe, reliable electricity future for the communities of Kitchener and Wilmot Township, with a minimal rate increase that ensures that our customers continue to receive top value for their electricity dollars.

After an extensive effort to define our requirements and evaluate options and vendors, we selected and began implementation of an Oracle Customer Care & Billing solution as our new Customer Information System. The new system will streamline many of our customer care processes and functions and represents one of the largest software investments we have made to date. There is a lot of work ahead to move everything into the new system, and we look forward to rolling the system out to our employees.

We completed our bi-annual Customer Satisfaction Survey and are proud to have again exceeded industry averages in almost every category, and achieved an "A" in overall customer satisfaction. These results would not be possible without the relentless hard work of our employees, who strive day in and day out to ensure that our customers receive best-in-class service. We're proud of all they have achieved, and congratulate them on these outstanding results.

To ensure that as a company and culture we are united and moving towards the same vision, in 2019 we introduced our new Mission, Vision and Values. This refreshed foundation for our corporate culture was developed by a working group of our employees and leadership team, who carefully reflected on what makes Kitchener-Wilmot Hydro the organization it is and the values we believe best deliver value for our customers. We thank everyone who took the time to identify and carefully consider the qualities that make Kitchener-Wilmot Hydro the best electricity distribution company we can be.

The success and passion of our employees has garnered attention in the electricity industry and from across the country. In 2019 we were thrilled to receive a number of awards and accolades for safety and overall performance:

- We were proudly recognized by the Electricity Distributors Association with two prestigious industry awards: The Electrical Safety Authority Public Safety Excellence Award for leading a partnership of 31 local distribution companies in the development of a series of animated videos featuring Lucky the Safety Squirrel, and the Ontario Power Generation LDC Performance Excellence Award for our financial performance while delivering customer service excellence.
- We were named one of Canada's Safest Employers by Canadian Occupational Safety magazine, honoured with a Gold Award in the Utilities and Electrical category.
- We also received two industry awards from the Independent Electricity System Operator for billing accuracy and data synchronization.

Reflecting on our accomplishments, we are incredibly proud of our team and what they have achieved. The year was a whirlwind of activity, and we are eager to see what the future holds for Kitchener-Wilmot Hydro. Ensuring that Kitchener-Wilmot Hydro delivers best-in-class service is more than just a catch phrase; its our commitment to our community. We hope, as community owners of Kitchener-Wilmot Hydro, you are as proud of what we have achieved as we are.

J. Phillips	J. Van Ooteghem	Dave Schnarr
CHAIR, KITCHENER POWER CORP.	PRESIDENT & CEO	CHAIR, KITCHENER-WILMOT HYDRO INC.

2019 Financial Performance: Maximizing Value

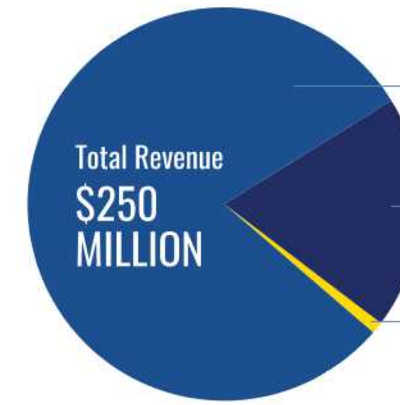
Prudent financial management is the cornerstone of decision making for the management team at Kitchener-Wilmot Hydro.

Our priority is to deliver a safe, efficient, reliable supply of electricity to our customers while maintaining reasonable distribution rates.

Spending decisions are carefully considered to ensure that customers receive the best possible value for the investments we make.

Pacing and prioritizing investments helps keep our costs among the lowest in the province. In 2018 our Operating, Maintenance, and Administration (OM&A) costs were the lowest among Ontario's 63 local distribution companies (LDCs), and our residential customers benefited from the second-lowest bills in the province.

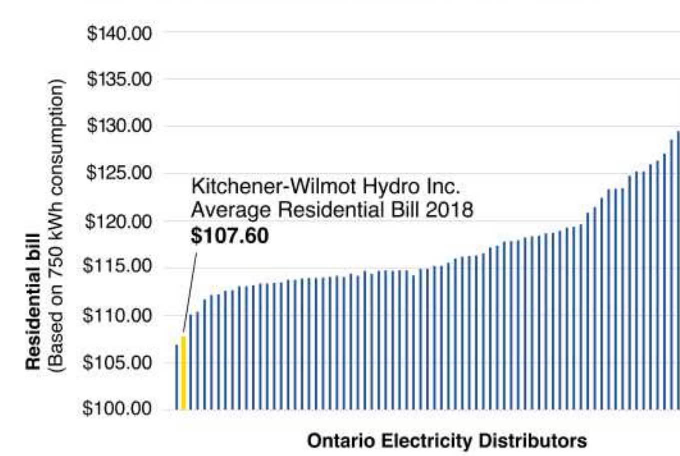
Total revenue	$250 million
Distribution revenue	$42.3 million
Net income	$10.5 million



Economic Value

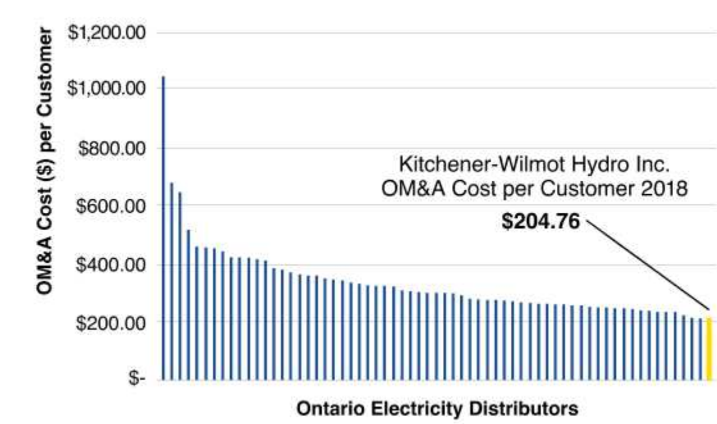
Interest and dividends paid to the City of Kitchener and Township of Wilmot	$4.4 million
Reforestation grants to the City of Kitchener and Township of Wilmot	$90,000
Contributions to Low Income Energy Assistance Program	$49,000
Sponsorships & Community Support	$114,000

RESIDENTIAL BILL COMPARISON* 2018



*Source: Ontario Energy Board 2018 Yearbook of Electricity Distributors. Rates shown exclude tax and the Fair Hydro Plan rebate.

OM&A COST PER CUSTOMER** 2018



**Source: Ontario Energy Board 2018 Yearbook of Electricity Distributors

Building the Foundation for a Powerful Future

A key focus for Kitchener-Wilmot Hydro in 2019 was our Cost of Service rate application with the Ontario Energy Board, which set our business and distribution system plans for the five-year period from 2020 through 2024.

A critical component of the rate application was the customer outreach we undertook in 2018, which saw more than 2,500 residential, small business and commercial customers review our plans in detail and provide input. Customers were candid in their feedback and overall supported the plans we have made, which include:

- Replacing more than 3,500 poles that are nearing end of life.
- Replacing two 40-year-old high-voltage substation power transformers that are nearing end of life.
- The purchase of a new customer information system to replace an obsolete legacy system.

The application was filed with the Ontario Energy Board in April, 2019 and a settlement was reached in August that will ensure customers continue to receive safe, reliable electricity while benefiting from distribution rates that are among the lowest in the province.

Investment in Capital Projects	$24.8 M
New Residential Services Connected	1,159
Poles installed or replaced	601

Kitchener-Wilmot Hydro continues to operate one of the most reliable distribution systems in Ontario.

In 2019, Kitchener-Wilmot Hydro's customers experienced on average 70 minutes of power outages.

2019 Power Outage Causes

Equipment Failure	24%
Animal Contact	12%
Planned Maintenance	11%
Weather Related	2%
Other (includes tree contact, and vehicle accidents)	51%

What They're Saying On Twitter

Dan Lauckner @vidman • Oct 16

The end of a 🌈? This @KWHydro crew! 👍

Award-Winning Attention to Detail

In November, 2019, Kitchener-Wilmot Hydro was presented with two awards from the Independent Electricity System Operator (IESO) for outstanding performance.

We are proud to have received awards for achieving the highest billing success rate in the province, and 100% synchronization success with the province's Meter Data Management/Repository, which stores all of the smart meter data in the province.

2019 Data Excellence Awards for achieving Highest Billing Success Rate & 100% Synchronization Success.

These awards are a remarkable achievement in our industry. All of the province's electricity distributors, such as Kitchener-Wilmot Hydro, must ensure that their billing systems are correctly transmitting smart meter data back and forth. This is not easy; the tens of thousands of smart meters installed in homes and businesses across Ontario transmit electricity use data every hour to ensure customers are billed for their electricity use in each time-of-use period correctly.

Congratulations to our billing, information technology, metering, and distribution teams for their tireless efforts in ensuring that our data is transmitted and customers are correctly billed.

Committed to Safety Excellence

School Safety Presentations

Presentations	51
Schools	20
Students reached	1,345

Construction Safety Presentations

Workers reached	203

First Responders Safety Presentations

Emergency Medical	33
Firefighters	76
Community events	4
Safety awards	2

Safety is one of Kitchener-Wilmot Hydro's core values, and a key priority. The product we deliver is dangerous and potentially lethal, and the safety of the public and our employees is of utmost importance, demonstrated by our extensive and comprehensive safety program.

Kitchener-Wilmot Hydro's employees are engaged and committed to promoting electrical safety to each other and in the community, and in 2019 our leadership in safety saw Kitchener-Wilmot Hydro named one of Canada's Safest Employers by Canadian Occupational Safety magazine, honoured with a Gold Award in the Utilities and Electrical category, and receive the Electricity Distributors Association's Public Safety Excellence Award.

We are also incredibly proud to have achieved 1.5 million hours worked consecutively without a lost-time injury as of December 31, 2019.

Kitchener-Wilmot Hydro was named one of Canada's Safest Employers and received the Electricity Distributors Association's Public Safety Excellence Award.

Top Marks In Customer Care

Calls answered	62,720
Bills issued	1,179,629
Emails received	17,743
In-person visits	34,926
Web forms processed	8,694
Website visits	255,735
Tweets sent	559
Twitter followers	6,973

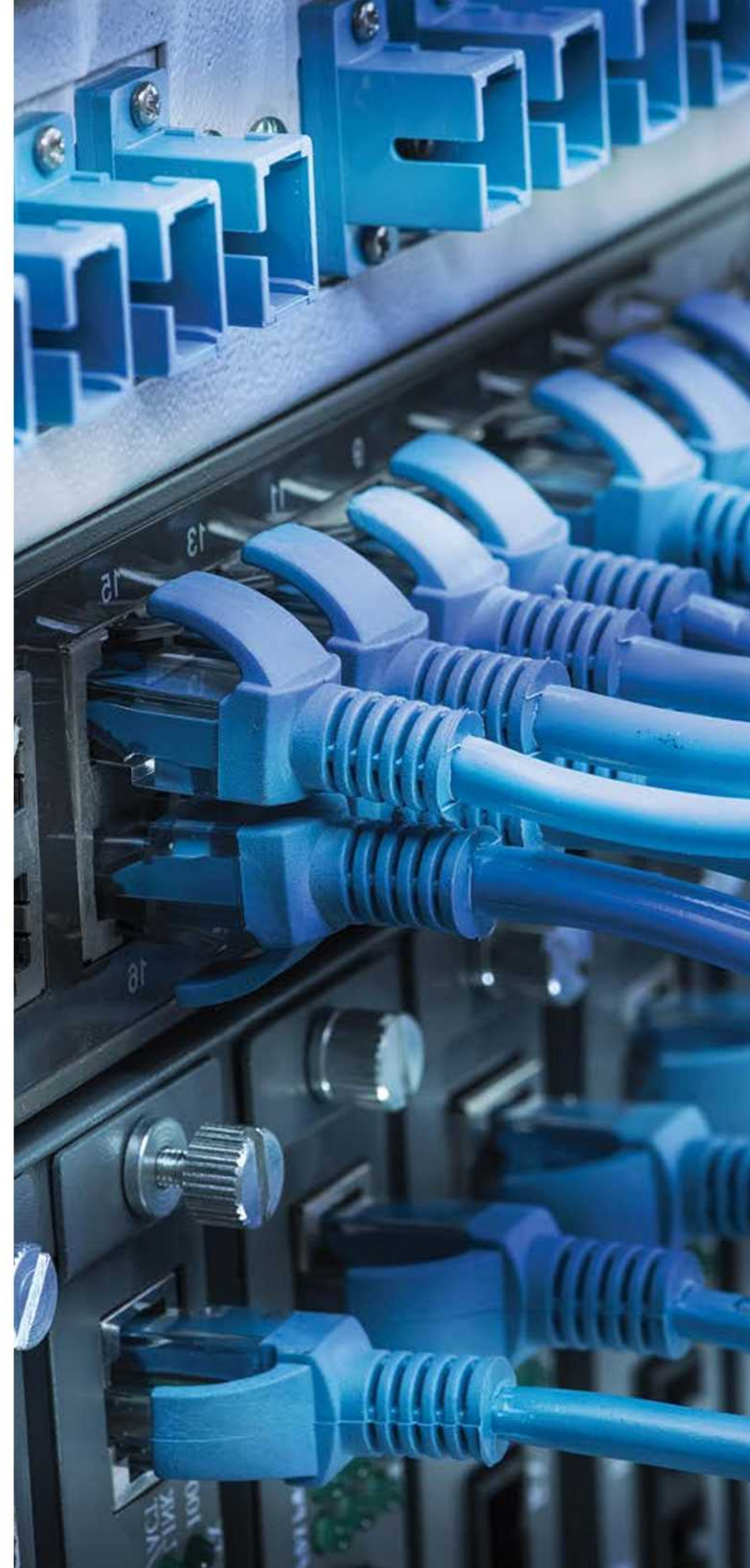
Trusted. Responsive. Dedicated.

These three words describe all that we strive to embody in delivering best-in-class customer care.

Based on the results of our 2019 Customer Satisfaction Survey, we are hitting the mark. In 2019, UtilityPULSE on behalf of Kitchener-Wilmot Hydro conducted a telephone survey to measure customer satisfaction. We once again exceeded industry scores in many key metrics and achieved an "A" in overall customer satisfaction.

421 Customer Satisfaction Survey Participants Agree Kitchener-Wilmot Hydro:

Operates a cost-effective distribution system	83%
Customer-focused and treats customers as if they're valued	85%
Accurate billing	92%
Makes electricity safety a top priority	92%
Is a trusted & trustworthy company	93%
Quickly handles outages & restores power	93%
Provides consistent, reliable electricity	94%
Overall the utility provides excellent quality services	93%



Powering Tomorrow With New Technology

One of the key projects in Kitchener-Wilmot Hydro's 2020-2022 business plan is the purchase of a new customer information system. Our legacy system has served us well for 30 years, but the technology is no longer supported.

In 2019 we launched Project Powerhouse, the project to replace our aging customer information system.

After a long and thorough search, we selected a system and put a project team in place. Project Powerhouse is one of the largest software investments Kitchener-Wilmot Hydro has made and will streamline many customer care functions and transactions that are currently done manually.

Project Powerhouse is progressing on time and on budget, and we expect to have the new system in place in early December 2020.

GridSmartCity: the Power of Cooperation

Kitchener-Wilmot Hydro is a proud member of the GridSmartCity Cooperative. The GridSmartCity Cooperative is a cooperative of municipally-owned LDCs that share resources, insights, and systems that help run smarter companies, while advancing innovation, reliability and efficiency across Ontario's electricity grid.

GridSmartCity's 14 member LDCs manage approximately $2.7 billion in assets and serve close to 737,500 customers across more than 25 communities.

Membership in the GridSmartCity Cooperative allows Kitchener-Wilmot Hydro to realize the benefits of purchasing power, collaboration, and innovation with other member utilities while customers continue to enjoy the benefits of a locally-owned electrical utility.

Learn more about GridSmartCity at gridsmartcity.com

Powerful People Powerful Communities

The communities we serve are where our employees live, work and play, and our employees are passionate about contributing to the well-being of those communities.

Every year, Kitchener-Wilmot Hydro and its employees donate time and resources to building strong, healthy communities.

In 2019 Kitchener-Wilmot Hydro and its employees donated more than $114,000 to many community groups and charities:

- The Alzheimer's Society
- Canadian Mental Health Association
- Centre in the Square
- Children's Safety Village
- Community Energy Investment Strategy for Waterloo Region
- Conestoga College Education Grants
- Foodbank of Waterloo Region
- Heart & Stroke Foundation
- Kitchener Panthers
- Kitchener-Waterloo Symphony
- REEP Green Solutions
- Salvation Army Toy Mountain
- St. Mary's General Hospital
- Strong Start
- THEMUSEUM
- United Way Waterloo Region Communities
- Victoria Park Christmas Fantasy

Sustainability

Kitchener-Wilmot Hydro's Sustainability Team was active in 2019. 12 employees took part in a neighbourhood clean up for Earth Day, gathering more than 16 bags of trash from the parks and trails around the office.

In addition, the team conducted a waste audit and introduced a battery recycling program.

Participation in the battery recycling program has been well received by employees, with batteries being collected on a regular basis. The waste audit revealed that Kitchener-Wilmot Hydro is diverting more than 90 per cent of its waste to recycling, with opportunities to divert even more by adding organics waste. The company will explore these opportunities in 2020.

We Cleaned Up Our Community

Employees	12
Bags of garbage	16
Waste diverted to recycling programs	90%

Corporate Governance

Kitchener-Wilmot Hydro Inc. is a wholly-owned subsidiary of Kitchener Power Corp. Kitchener Power Corp. was incorporated under the Business Corporations Act (Ontario) on July 1, 2000.

The City of Kitchener and the Township of Wilmot are the shareholders of Kitchener Power Corp., with ownership interests of 92.25 per cent and 7.75 per cent respectively.

Kitchener Power Corp. owns two subsidiary companies and is one-third owner in a third company:

Kitchener-Wilmot Hydro Inc., a regulated distribution company.

Kitchener Energy Services Inc., a corporation which provides streetlight maintenance services to our shareholder municipalities, and other future energy services.

Grand River Energy (GRE), a non-regulated corporation investing in energy assets and services jointly owned by Kitchener Power Corp., Waterloo North Hydro Holding Corporation, and Cambridge and North Dumfries Energy Solutions Inc.

Kitchener Power Corp.

The directors for Kitchener Power Corp. are appointed by the shareholders for a term of one year. The Mayors and President and CEO hold a seat on this board of directors by right of office.

Jim Phillips, Chair
Councillor Bil Ioannidis, Vice-Chair
Jerry Van Ooteghem, President & CEO & Secretary
Mayor Berry Vrbanovic
Mayor Les Armstrong
Councillor Kelly Galloway-Sealock
Rosa Lupo

Kitchener-Wilmot Hydro Inc.

The directors for Kitchener-Wilmot Hydro Inc. are appointed by the Kitchener Power Corp. board of directors for a term of one year. The Mayors and President and CEO hold a seat on this board of directors by right of office.

Dave Schnarr, Chair
Sandra MacGillivray, Vice-Chair
Jerry Van Ooteghem, President & CEO & Secretary
Mayor Berry Vrbanovic
Mayor Les Armstrong
Jim Beingessner
Jacinda Reitsma

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kwhydro.ca

Financial Statements of

Kitchener Power Corp.
Consolidated

And Independent Auditors' Report thereon

Year ended December 31, 2019
(Expressed in thousands of dollars)

KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3
Canada
Tel 519-747-8800
Fax 519-747-8830

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Kitchener Power Corp.

Opinion

We have audited the consolidated financial statements of Kitchener Power Corp. (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

KPMG

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

March 27, 2020

KITCHENER POWER CORP.

Consolidated Statement of Financial Position

As at December 31, 2019, with comparative information for 2018
(Expressed in thousands of dollars)

	Note		2019		2018
Assets					
Current assets					
Cash	4	$	13,940	$	22,199
Accounts receivable	5		17,511		18,540
Unbilled revenue			27,648		22,122
Inventory	6		2,324		1,949
Prepaid expenses			1,347		1,044
Income taxes receivable			131		8
Total current assets			62,901		65,862
Non-current assets:					
Property, plant and equipment	7		259,864		245,229
Intangible assets	8		629		716
Deferred tax assets	9		173		147
Investment in subsidiaries and associates			763		967
Total non-current assets			261,429		247,059
Total assets			324,330		312,921
Regulatory deferral account debit balances	10		9,400		7,366
Deferred taxes associated with regulatory accounts			-		-
Total assets and regulatory assets		$	333,730	$	320,287

KITCHENER POWER CORP.

Consolidated Statement of Financial Position

Year ended December 31, 2019, with comparative information for 2018
(Expressed in thousands of dollars)

	Note	2019	2018
Liabilities and Shareholder's Equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 30,060	$ 22,656
Income taxes payable		9	449
Current portion of long-term debt	11	607	1,176
Current portion customer deposits	13	9,366	8,123
Current portion of deferred revenue		952	855
Total current liabilities		40,994	33,259
Non-current liabilities:			
Long-term debt	11	76,963	77,569
Employee future benefits	12	5,858	5,305
Long-term customer deposits	13	6,188	6,136
Deferred revenue		36,385	32,910
Deferred tax liablilty	9	2,536	2,021
Total non-current liabilities		127,930	123,941
Total liabilities		168,924	157,200
Shareholder's equity:			
Share capital - common shares	14	66,389	66,389
Retained earnings		95,195	88,739
Accumulated other comprehensive loss		(620)	(278)
Total shareholder's equity		160,964	154,850
Total liabilities and shareholder's equity		329,888	312,050
Regulatory deferral account credit balances	10	2,307	6,950
Deferred taxes associated with regulatory accounts		1,535	1,287
Total equity, liabilities and shareholder's equity		$ 333,730	$ 320,287

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

On behalf of the Board:

J. Phillips __________ Director

J. Van Oostegem __________ Director

KITCHENER POWER CORP.

Consolidated Statement of Comprehensive Income

Year ended December 31, 2019, with comparative information for 2018
(Expressed in thousands of dollars)

	Note		2019		2018
Energy sales		$	206,409	$	197,253
Cost of energy sold			207,393		194,142
			(984)		3,111
Other operating revenue					
Distribution sales			38,285		38,354
Other income	15		2,867		2,595
Net operating revenue			40,168		44,060
Expenses:					
Operations and maintenance			11,684		11,661
Customer services			4,474		4,545
Administration			4,341		4,180
Amortization			9,550		9,104
			30,049		29,490
Other					
Energy conservation program revenue			(1,676)		(4,971)
Energy conservation program expense			1,676		3,674
Net energy conservation programs			-		(1,297)
Finance income	16		(433)		(498)
Finance charges	16		4,119		4,117
Net finance costs			3,686		3,619
Income before income taxes			6,433		12,248
Income tax expense	9		870		1,934
Income for the year before movements in regulatory deferral account balances			5,563		10,314
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement	10		4,927		639
Income for the year and net movements in regulatory deferral account balances			10,490		10,953
Other comprehensive loss	12		(342)		-
Total comprehensive income for the year		$	10,148	$	10,953

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

KITCHENER POWER CORP.

Consolidated Statement of Changes in Equity

Year ended December 31, 2019, with comparative information for 2018
(Expressed in thousands of dollars)

	Share capital	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2018	$ 66,389	$ (278)	$ 81,857	$ 147,968
Net income		-	10,953	10,953
Other comprehensive income		-	-	-
Dividends		-	(4,071)	(4,071)
Balance at December 31, 2018	66,389	(278)	88,739	154,850
Net income		-	10,490	10,490
Other comprehensive income		(342)	-	(342)
Dividends		-	(4,034)	(4,034)
Balance at December 31, 2019	$ 66,389	$ (620)	$ 95,195	$ 160,964

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

KITCHENER POWER CORP.

Consolidated Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018
(Expressed in thousands of dollars)

	2019	2018
Cash flows from operating activities:		
Total comprehensive income for the year	$ 10,148	$ 10,953
Adjustments to reconcile net income to cash provided by (used in) operations:		
Amortization	10,251	9,789
Amortization of deferred revenue	(908)	(782)
Gain on disposal of property, plant and equipment	(36)	(128)
Income tax expense	870	1,934
Income taxes paid	(1,360)	(1,798)
Increase decrease in employee future benefits	551	92
	19,516	20,060
Change in non-cash operating working capital:		
Accounts receivable	1,029	(337)
Unbilled revenue	(5,526)	(268)
Inventory	(375)	260
Prepaid expenses	(302)	(235)
Other current assets	-	-
Accounts payable and accrued liabilities	7,410	(3,401)
Other current liabilities	1,339	(392)
Change in regulatory assets	(2,038)	2,707
Change in regulatory liabilities	(4,468)	(3,919)
Change in deferred tax	489	479
Net cash from operating activities	17,074	14,954
Cash flows from investing activities:		
Proceeds on disposals of property, plant and equipment	40	136
Purchase of property, plant and equipment	(24,487)	(20,361)
Purchase of intangible assets	(315)	(276)
Net cash used in investing activities	(24,762)	(20,501)
Cash flows from financing activities:		
Net change in customer deposits	52	250
Investments in subsidiaries and associates	204	(925)
Dividends paid out	(4,034)	(4,071)
Change in contributed capital received	4,383	4,574
Repayment of long-term debt	(1,176)	(1,127)
Net cash from financing activities	(571)	(1,299)
Change in cash and cash equivalents	(8,259)	(6,846)
Cash and cash equivalents, beginning of year	22,199	29,045
Cash and cash equivalents, end of year	$ 13,940	$ 22,199

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

1. Reporting entity:

Kitchener Power Corp. (the “Corporation”) is a holding company for the affiliate companies, Kitchener-Wilmot Hydro Inc. and Kitchener Energy Services Inc., and is itself wholly owned by the Corporation of the City of Kitchener and the Corporation of the Township of Wilmot.

The Corporation oversees the operations of Kitchener-Wilmot Hydro Inc., a regulated distribution company, and Kitchener Energy Services Inc., an unregulated retail services company. The Corporation also owns 33% of Grand River Energy Solutions Corp. (GRE), a generation and renewable energy solutions company.

It is located in the City of Kitchener. The address of the Corporation’s registered office is 301 Victoria Street South, Kitchener, Ontario, Canada.

The financial statements are for the Corporation as at and for the year ended December 31, 2019.

2. Basis of presentation:

(a) Statement of compliance:

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements were approved by the Board of Directors on March 27, 2020.

(b) 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

(ii) Contributed assets are initially measured at fair value.

The methods used to measure fair values are discussed further in note 22.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

2. Basis of presentation (continued):

(d) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, 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.

Information about critical judgments 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 3(b) – Determination of the performance obligation for contributions from customers and the related amortization period
ii) Note 7 – Property, plant and equipment
iii) Note 9 – Deferred tax assets
iv) Note 12 – Employee future benefits
v) Note 17 – 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, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

Rate setting:

Distribution revenue and 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 low volume customers without a contract with an energy retailer are charged the OEB mandated rate for electricity. If a customer (regardless of volume) has a retailer agreement, then retailer rates are charged instead. All remaining consumers pay the market price for electricity. The

2. Basis of presentation (continued):

(e) Rate regulation (continued):

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.

For the distribution revenue included in electricity sales, the Corporation files a "Cost of Service" ("COS") rate application with the OEB every four years where rates are determined through a review of the forecasted annual amount of operating and capital expenses, 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 customer class. The COS application is reviewed by the OEB and intervenors and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years, an Incentive Rate Mechanism application ("IRM") is filed. 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.

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 filed a COS application on June 21, 2013 for rates effective January 1, 2014 to December 31, 2014. The GDP IPI-FDD for 2019 is 1.5%, the Corporation's productivity factor is 0% and the stretch factor is 0.15%, resulting in a net adjustment of 1.35% to the previous year's rates. In addition, a COS application was filed April 30, 2019 for rates effective January 1, 2020 to December 31, 2020.

(f) Investments

Investments in subsidiary companies, associates and other long-term investments are accounted for by the equity method. Dividends received are recorded as a reduction of the carrying value of these investments.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently in all years presented in these financial statements unless otherwise indicated.

(a) Financial instruments:

At initial recognition, the Company measures its financial assets at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of the financial asset depends on the classification determined on initial recognition. Financial assets are classified as either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets.

Financial liabilities are initially measured at fair value, net of transaction costs incurred. They are subsequently carried at amortized cost using the effective interest rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings.

The Corporation has not entered into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

(b) Revenue recognition:

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to 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 has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

3. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Capital contributions

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered.

Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

(c) Inventory:

Inventory, comprising material and supplies, the majority of which is consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on a weighted average cost basis, and includes expenditures incurred in acquiring the material and supplies and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(d) Property, plant and equipment:

Items of property, plant and equipment (“PP&E”) used in rate-regulated activities and acquired prior to January 1, 2015 are measured at deemed cost established on the transition date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is transferred from customers, its fair value, less accumulated depreciation. Consistent with IFRS 1, the Corporation elected to use the carrying amount as previously

(Expressed in thousands of dollars)

3. Significant accounting policies (continued):

(d) Property, plant and equipment (continued):

determined under Canadian GAAP as the deemed cost at January 1, 2015, the transition date to IFRS.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

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.

Gains and losses on the disposal of an item of PP&E are determined by comparing the proceeds from disposal, if any, with the carrying amount of the item of PP&E and are recognized net within other income in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of property, plant and equipment is recognized in the net book value 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. In this event, the replaced part of property, plant and equipment is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation is calculated over the depreciable amount and 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. The depreciable amount is cost. Land is not depreciated. Construction-in-progress assets are not amortized until the projects are complete and in service.

The estimated useful lives are as follows:

Buildings	**20-50 years**
Transformer station equipment	**15-50 years**
Distribution station equipment	**15-50 years**
Distribution system	**25-60 years**
Meters	**15-25 years**
SCADA equipment	**15 years**
Other capital assets	**3-10 years**

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

3. Significant accounting policies (continued):

(e) Intangible assets (continued):

(i) Computer software:

Computer 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.

(ii) Land rights:

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title. Land rights are measured at cost less accumulated amortization and accumulated impairment losses.

(iii) 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 are:

Computer software	**3-10 years**
Land rights	**100 years**

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

(f) Impairment:

(i) Financial assets:

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

3. Significant accounting policies (continued):

(f) Impairment (continued):

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than 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 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 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.

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. For assets other than goodwill, impairment recognized in prior periods is 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.

(g) 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.

3. Significant accounting policies (continued):

(h) Regulatory deferral accounts:

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. These amounts have been accumulated and deferred in anticipation of their future recovery in electricity distribution 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 capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in profit and loss. The debit balance is reduced by the amount of customer billings as electricity is delivered to the customer and the customer is billed at rates approved by the OEB for the recovery of the capitalized costs.

Regulatory deferral account credit balances are recognized if it is probable that future billings in an amount at least equal to the credit balance will be reduced as a result of rate-making activities. The offsetting amount is recognized in profit and loss. The credit balance is reduced by the amounts returned to customers as electricity is delivered to the customer at rates approved by the OEB for the return of the regulatory account credit balance.

The probability of recovery or repayment of the regulatory account balances are assessed annually based upon the likelihood that the OEB will approve the change in rates to recover or repay the balance. Any resulting impairment loss is recognized in profit and loss in the year incurred.

Regulatory deferral accounts attract interest at OEB prescribed rates. With the exception of Pension and OEB Forecast Accrual accounts (OPEBs), the rates from January to March 2019 were 2.45%, April to June 2019 were 2.18% and July to December 2019 were 2.18%. Prior year rates from January to March 2018 were 1.5%, April to September 2018 were 1.89% and October to December 2018 were 2.17%.

In 2019, OPEBs were 3.82%, 3.39% and 2.88% for the same time periods noted above and in 2018 January to March 2.99%, and April to December 3.35%.

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3. Significant accounting policies (continued):

(i) Employee future 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"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. 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. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income when they are due.

(ii) Post-employment benefits, other than pension:

The Corporation provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The cost of these benefits is expensed as earned by employees through employment service. The accrued benefit obligations and the current service costs are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Actuarial gains and losses arising from defined benefit plans are recognized immediately in other comprehensive income and reported in retained earnings. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in net income on a straight-line basis over the average period until the benefits become vested. In circumstances where the benefits vest immediately, the expense is recognized immediately in net income.

3. Significant accounting policies (continued):

(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. 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. Deferred revenue represents the Corporation's obligation to continue to provide customers access to the supply of electricity, and is amortized to income on a straight-line basis over the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

(k) Leased assets:

This policy is effective for periods before January 1, 2019. Refer to Note 24 for the change in accounting policy to IFRS 16.

Leases, where the terms cause the Corporation to assume 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 balance sheet. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(l) 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 and on regulatory assets.

Finance charges comprise interest expense on borrowings, finance lease obligations, regulatory liabilities and unwinding of the discount on provisions and impairment losses on financial assets. Finance costs are recognized as an expense unless they are capitalized as part of the cost of qualifying assets.

3. Significant accounting policies (continued):

(m) 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.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the “Tax Acts”). Under the *Electricity Act*, 1998, 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. Payments in lieu of taxes 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.

(Expressed in thousands of dollars)

4. Cash:

	2019	2018
Cash	$ 13,940	$ 22,199

5. Accounts receivable:

	2019	2018
Customer and other trade receivables	$ 17,397	$ 18,433
Trade receivables from related parties	114	107
	$ 17,511	$ 18,540

6. Inventory:

The amount of inventories consumed by the Corporation and recognized as an expense during 2019 was $363 (2018 - $311).

7. Property, plant and equipment:

(a) Cost or deemed cost:

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
Balance at January 1, 2019	$ 24,463	$ 242,418	$ 8,850	$ 3,622	$ 279,353
Additions	279	17,723	4,614	1,865	24,481
Transfers	-	-	-	-	-
Disposals/Retirements	(13)	(132)	(488)	-	(633)
Balance at December 31, 2019	$ 24,729	$ 260,009	$ 12,976	$ 5,487	$ 303,201

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
Balance at January 1, 2018	$ 23,598	$ 224,431	$ 7,091	$ 4,342	$ 259,462
Additions	936	18,141	2,004	-	21,081
Transfers	-	-	-	(720)	(720)
Disposals/Retirements	(71)	(154)	(245)	-	(470)
Balance at December 31, 2018	$ 24,463	$ 242,418	$ 8,850	$ 3,622	$ 279,353

(Expressed in thousands of dollars)

7. Property, plant and equipment (continued) :

(b) Accumulated depreciation:

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
Balance at January 1, 2019	$ 2,053	$ 30,012	$ 2,059	$ -	$ 34,124
Depreciation charge	678	7,886	1,282	-	9,846
Disposals/Retirements	(13)	(132)	(488)	-	(633)
Balance at December 31, 2019	$ 2,718	$ 37,766	$ 2,853	$ -	$ 43,337

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
Balance at January 1, 2018	$ 1,461	$ 22,699	$ 1,087	$ -	$ 25,247
Depreciation charge	663	7,467	1,209	-	9,339
Disposals/Retirements	(71)	(154)	(237)	-	(462)
Balance at December 31, 2018	$ 2,053	$ 30,012	$ 2,059	$ -	$ 34,124

(c) Carrying amounts:

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
At December 31, 2019	$ 22,011	$ 222,243	$ 10,123	$ 5,487	$ 259,864
At December 31, 2018	$ 22,410	$ 212,406	$ 6,791	$ 3,622	$ 245,229

(d) Leased plant and equipment:

The Corporation does not have leases for plant or equipment.

(e) Security:

At December 31, 2019, the Corporation had zero properties subject to a general security agreement.

(f) Borrowing costs:

During the year, borrowing costs of $ nil (2018 - $ nil) were capitalized as part of the cost of property, plant and equipment.

(Expressed in thousands of dollars)

7. Property, plant and equipment (continued):

(g) Allocation of depreciation and amortization:

The depreciation of property, plant and equipment and the amortization of intangible assets has been allocated to profit or loss as follows:

	Operations and maintenance expense	Customer services expense	Administration expense	Energy conservation expense	Other	Total
December 31, 2019:						
Depreciation of property, plant and equipment	$ 688	$ 6	$ -	$ 7	$ 9,145	$ 9,846
Amortization of intangible assets	-	-	-	-	405	405
	$ 688	$ 6	$ -	$ 7	$ 9,550	$ 10,251

	Operations and maintenance expense	Customer services expense	Administration expense	Energy conservation expense	Other	Total
December 31, 2018:						
Depreciation of property, plant and equipment	$ 672	$ 6	$ -	$ 7	$ 8,654	$ 9,339
Amortization of intangible assets	-	-	-	-	450	450
	$ 672	$ 6	$ -	$ 7	$ 9,104	$ 9,789

8. Intangible assets:

(a) Cost or deemed cost:

	Computer Software	Land Rights	Total
Balance at January 1, 2019	$ 2,802	$ 8	$ 2,810
Additions	321	-	321
Disposals	4	-	4
Balance at December 31, 2019	$ 3,119	$ 8	$ 3,127
Balance at January 1, 2018	$ 2,526	$ 8	$ 2,534
Additions	276	-	276
Balance at December 31, 2018	$ 2,802	$ 8	$ 2,810

(Expressed in thousands of dollars)

8. Intangible assets (continued):

(b) Accumulated amortization:

	Computer Software	Land Rights	Total
Balance at January 1, 2019	$ 2,086	$ 8	$ 2,094
Additions	404	-	404
Balance at December 31, 2019	$ 2,490	$ 8	$ 2,498
Balance at January 1, 2018	$ 1,636	$ 8	$ 1,644
Additions	450	-	450
Balance at December 31, 2018	$ 2,086	$ 8	$ 2,094

(c) Carrying amounts:

	Computer Software	Land Rights	Total
At December 31, 2019	$ 629	$ -	$ 629
At December 31, 2018	$ 716	$ -	$ 716

(Expressed in thousands of dollars)

9. Income tax expense:

Current tax expense:

		2019		2018
Current period	$	1,138	$	2,120
Adjustment for prior periods		(194)		(155)
	$	944	$	1,965

Deferred tax expense:

		2019		2018
Original & reversal of temporary differences	$	(47)	$	(25)
Recognition of previously unrecognized tax losses		(26)		(7)
	$	(73)	$	(32)

Reconciliation of effective tax rate:

		2019		2018
Total comprehensive income for the year	$	10,148	$	10,953
Total income tax expense		870		1,934
Comprehensive income before income taxes		11,018		12,887
Income tax using the Corporation's statutory tax rate of 26.5%		2,920		3,415
Temporary differences not benefitted		(1,856)		(1,326)
Under (over) provided in prior periods		(194)		(155)
	$	870	$	1,934

Significant components of the Corporation's deferred tax balances are as follows:

		2019		2018
Deferred tax assets (liabilities):				
Plant and equipment	$	(14,168)	$	(12,518)
Non-vested sick leave		168		144
Employee benefits		1,552		1,405
Intangible assets		7		7
Loss carry-forward		166		140
Ontario refundable tax credits		18		-
Deferred tax liability		2,536		2,021
Deferred revenue - contributed capital		9,894		8,948
	$	173	$	147

(Expressed in thousands of dollars)

10. Regulatory deferral account balance:

The following is a reconciliation of the carrying amount for each class of regulatory deferral account balances:

	2018	Balances arising in the period	Recovery/ Reversal	Other	2019	Remaining recovery/ reversal period (years)
Regulatory deferral account debit balances						
Group 1 deferred accounts	$ 1,812	$ (2,661)	$ 971	$ 1,117	$ 1,239	Note 1
Regulatory asset recovery account	-	4,557	(2,216)	(1,711)	630	Note 1
Smart meter recovery	13	-	-	-	13	
Deferred tax asset	4,857	933	-	-	5,790	Note 2
LRAM	-	837	-	-	837	1
Other	684	182	-	25	891	
Total amount related to regulatory deferral account debit balances	**$ 7,366**	**$ 3,848**	**$ (1,245)**	**$ (569)**	**$ 9,400**	

	2018	Balances arising in the period	Recovery/ Reversal	Other	2019	Remaining recovery/ reversal period (years)
Regulatory deferral account credit balances						
Group 1 deferred accounts	4,868	(3,653)	(1,276)	1,118	1,057	Note 1
Regulatory asset recovery account	1,711	-	-	(1,711)	-	Note 1
Deferred tax liability	-	-	-	-	-	Note 2
Other	371	854	-	25	1,250	
Total amount related to regulatory deferral account credit balances	**6,950**	**(2,799)**	**(1,276)**	**(568)**	**2,307**	

	2019	2018
Movements in regulatory accounts		
Net change in regulatory deferral account debit and credit balances	6,677	1,363
Less movement related to the balance sheet		
Deferred income tax	(933)	(693)
Deferred revenue	(817)	(31)
Amounts moved to property, plant, equipment	-	-
Net movement in regulatory deferral account balances related to profit or loss and the related deferral tax movement	4,927	639

(Expressed in thousands of dollars)

10. Regulatory deferral account balance (continued):

Note 1 The Corporation has been approved for collection of these amounts in its 2019 filing for 2020 rates

Note 2 The Corporation has not sought approval for the disposition of this amount as changes in underlying assumptions may reduce the amounts recorded in the account. KWHI may seek refunds in the future.

11. Long-term debt:

Effective August 1, 2000, the Corporation incurred unsecured promissory notes payable to the City of Kitchener and the Township of Wilmot, and have an interest rate of 4.88% per annum. Interest is payable in quarterly installments, in arrears, on March 31st, June 30th, September 30th and December 31st. Beginning in 2020, the interest rate has been adjusted to 3.23%.

Effective February 1, 2010, the Corporation incurred a ten year senior unsecured debenture payable to Ontario Infrastructure Projects Corporation. An initial payment of $7,000 was received February 1, 2010, followed by a second payment of $3 million on May 17, 2010. The debenture has an interest rate of 4.28%, and interest is payable in equal semi-annual installments, in arrears, on May 17th and November 17th each year commencing November 17, 2010 until maturity in 2020.

	2019	2018
Senior unsecured debentures:		
City of Kitchener	$ 70,998	$ 70,998
Township of Wilmot	5,965	5,965
Ontario Infrastructure Projects Corporation	607	1,782
Senior unsecured debentures, net proceeds	$ 77,570	$ 78,745
Less: current portion of long-term debt	$ (607)	$ (1,176)
Total long-term debt	$ 76,963	$ 77,569

12. Employee future benefits:

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability at December 31, 2019 of $5,858 was based on an actuarial valuation completed in 2020 using a discount rate of 3.1% (3.9% in prior years).

(Expressed in thousands of dollars)

12. Employee future benefits (continued):

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

		2019		2018
Defined benefit obligation, beginning of year	$	5,305	$	5,213
Current service cost		160		162
Interest cost		202		199
Benefits paid during the year		(274)		(269)
Actuarial loss recognized in other comprehensive income		465		-
Accrued benefit liability, end of year	$	5,858	$	5,305

Components of net benefit expense recognized are as follows:

		2019		2018
Current service cost	$	160	$	162
Interest cost		202		199
Net benefit expense recognized	$	362	$	361

Actuarial losses recognized in other comprehensive income:

		2019		2018
Cumulative amount at January 1	$	(278)	$	(278)
Recognized during the year		(342)		-
Cumulative amount at December 31	$	(620)	$	(278)

(Expressed in thousands of dollars)

12. Employee future benefits (continued):

The significant actuarial assumptions used in the valuation are as follows (weighted average):

		2019	2018
Accrued benefit obligation:			
Discount rate		3.1%	3.9%
Benefit cost for the year:	Age		
Withdrawal rate	18-29	3.50%	3.50%
	30-34	2.00%	2.50%
	35-39	1.7%	2.2%
	40-49	1.3%	1.8%
	50-54	1.0%	1.4%
Assumed health care cost trend rates:			
Initial health care cost trend rate	Health	4.2%	6.2%
	Dental	4.5%	4.5%

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:

	Benefit Obligation	Periodic Benefit Cost
1% increase in health care trend rate	$ 212	$ 22
1% decrease in health care trend rate	$ (190)	$ (20)

Historical Information

Amounts for the current and previous year, for the entire plan, are as follows:

	2019	2018
Defined benefit obligation	$ 5,858	$ 5,305
Experience adjustments	$ (342)	$ -

(Expressed in thousands of dollars)

12. Employee future benefits (continued):

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

General inflation - future general inflation levels, as measured by the changes in the Consumer Price Index, were assumed at 2% in 2019, and thereafter (2018 - 2%).

Discount (interest) rate - the discount rate used to determine the present value of future liabilities and the expense for the year ended December 31, 2019, was 3.1% (2018 – 3.9%).

Salary levels - future general salary and wage levels were assumed to increase at 3.3% (2018 - 3.3%) per annum.

Medical costs - medical costs were assumed to be 4.5% for 2019, (5.99% for 2018) decreasing annually to 4.2% in 2022 to 2024.

Dental costs - dental costs were assumed to be 4.5% for 2019 and thereafter.

13. Customer and IESO deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers, as well as construction deposits.

Deposits from electricity distribution customers are refundable to customers who demonstrate 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.

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.

The Corporation delivers conservation and demand management programs for its customers on behalf of the IESO. Prepayments received from the IESO have been recorded and will be transferred to revenue as programs are delivered and the revenue is earned.

The deposits comprise:

	2019	2018
Customer deposits	$ 7,414	$ 7,471
Construction deposits	6,982	5,630
IESO deposit for energy conservation programs	1,158	1,158
Total customer and IESO deposits	$ 15,554	$ 14,259

(Expressed in thousands of dollars)

14. Share capital:

	2019	2018
Authorized:		
Unlimited number of common shares		
Issued:		
20,000 common shares	$ 66,389	$ 66,389

Dividends:

The holders of the common shares are entitled to receive dividends as declared from time to time. The Corporation paid aggregate dividends in the year on common shares of $4,034 (2018 - $4,071).

15. Other operating revenue:

Other income comprises:

	2019	2018
Specific service charges	$ 1,844	$ 1,479
Deferred revenue	908	782
Scrap sales	190	175
Net gain on disposal of capital assets	36	128
Retailer services	44	28
Sundry	(155)	3
Total other income	$ 2,867	$ 2,595

16. Finance income and expense:

	2019	2018
Interest income on bank deposits	$ 433	$ 498
Finance income	433	498
Interest expense on long-term debt	3,816	3,864
Interest expense on BMO Letter of Credit	122	123
Interest expense on deposits	170	121
Other	11	9
	4,119	4,117
Net finance costs recognized in profit or loss	$ 3,686	$ 3,619

17. Commitments and contingencies:

Contractual Obligations

There are no contractual obligations.

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 LDCs 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. As at December 31, 2019, no assessments have been made.

18. Guarantees:

Kitchener Power Corp. is the guarantor for a line of credit issued by the Canadian Imperial Bank of Commerce on behalf of Grand River Energy Solutions Corp (GRE Corp). GRE Corp is one third owned by each of Kitchener Power Corp., Waterloo North Hydro Holding Corporation and Cambridge & North Dumfries Energy Plus Inc.; each of which has guaranteed a maximum of $3 million in the event of default by GRE Corp.

19. Pension agreement:

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2019, the Corporation made employer contributions of $1,661 to OMERS (2018 - $1,601). The Corporation's net benefit expense has been allocated as follows:

a) $459 (2018 - $444) capitalized as part of property, plant and equipment;

b) $1,202 (2018 - $1,157) charged to net income.

The Corporation estimates that a contribution of $1,738 to OMERS will be made during the next fiscal year.

(Expressed in thousands of dollars)

20. Employee benefits:

	2019	2018
Salaries, wages and benefits	$ 19,022	$ 18,592
CPP and EI remittances	722	697
Contributions to OMERS	1,661	1,601
Expenses related to defined benefit plans	361	361
	$ 21,766	$ 21,251

21. Related party transactions:

(a) Parent and ultimate controlling party:

The Corporation is wholly-owned by the Corporation of the City of Kitchener and the Corporation of the Township of Wilmot. The City and the Township produce financial statements that are available for public use.

(b) Entity with significant influence:

The Corporation of the City of Kitchener exercises significant influence over the Corporation through its 92.25% ownership interest in the Corporation.

(c) Key management personnel:

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members, and is summarized below.

	2019	2018
Directors' fees	$ 58	$ 61
Salaries and other short-term benefits	993	925
Post employment benefits	18	17
Other long-term benefits (OMERS)	84	77
	$ 1,153	$ 1,080

(d) Transactions with parent:

During the year the Corporation paid management and business development services to its parent in the amount of $ nil (2018 - $ nil)

(e) Transactions with entity with significant influence:

In the ordinary course of business, the Corporation delivers electricity to the Corporation of the City of Kitchener. Electricity is billed to the City of Kitchener at prices and under terms approved by the OEB.

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21. Related party transactions (continued):

(f) Transactions with ultimate parent (the City of Kitchener)

In 2019, the Corporation had the following significant transactions with its ultimate parent, a government entity:

- Construction, contracted through Kitchener Wilmot Hydro Inc.
- Streetlight maintenance services contracted through Kitchener Energy Services Inc.

22. Financial instruments and risk management:

Fair value disclosure

Cash and cash equivalents are measured at fair value. The carrying values of receivables, and accounts payable and accrued charges approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the long term debt (senior unsecured debentures issued by the shareholders (City of Kitchener and Township of Wilmot) approximates the carrying value due to the short term nature of the loan.

The fair value of the long term debt (senior unsecured debentures) issued by Ontario Infrastructure Projects Corporation at December 31, 2019 is $607 (2018 - $1,800). 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, 2019 was 4.28% (2018 – 4.28%).

Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the City of Kitchener and the Township of Wilmot. As of December 31, 2019, two customers accounted for more than 1% of total accounts receivable, totaling $756 (or 4.3%) out of a total accounts receivable of $17,511.

22. Financial instruments and risk management (continued):

(a) Credit risk (continued):

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 net income. Subsequent recoveries of receivables previously provisioned are credited to net income. The balance of the allowance for impairment at December 31, 2019 is $250 (2018 - $250). An impairment loss of $44 (2018 - $183) was recognized during the year.

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2019, approximately $245 (2018 - $242) is considered 60 days past due. The Corporation has over 97 thousand customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2019, the Corporation holds security deposits in the amount of $15,600 (2018 - $14,300).

(b) Market risk:

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A 1% increase in the interest rate at December 31, 2019 would have increased interest expense on the long-term debt by $6 (2018 - $18), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

(c) Liquidity risk:

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a $5,000 credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they come due. As at December 31, 2019, no amounts had been drawn under Bank of Montreal credit facility (2018 - $ nil).

The Corporation also has a bilateral facility for $35,000 (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which $35,000 has been drawn and posted with the IESO (2018 - $35,000).

The majority of accounts payable, as reported on the balance sheet, are due within 30 days.

(Expressed in thousands of dollars)

22. Financial instruments and risk management (continued):

(d) Capital disclosures:

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2019, shareholder's equity amounts to $160,964 (2018 - $154,850) and long-term debt amounts to $76,963 (2018 - $77,569).

23. Revenue from Contracts with Customers

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. Other sources of revenue include performance incentive payments under CDM programs

		2019		2018
Revenue from Contracts with Customers	$	246,092	$	236,777
Other Revenue:				
CDM programs		1,676		4,971
Other		1,901		1,923
Total	**$**	**249,669**	**$**	**243,671**

In the following table, revenue from contracts with customers is disaggregated by type of customer.

		2019		2018
Residential	$	93,701	$	89,870
Commercial		149,386		144,107
Large Users		1,448		1,382
Other		1,557		1,418
Total Revenue	**$**	**246,092**	**$**	**236,777**

24. Change in Accounting Policy

Corporation adopted IFRS 16 in its financial statements for the annual period beginning January 1, 2019. The 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 the lessor. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The Corporation has no leases under the definition provided by IFRS 16, or previously under IAS 17. Therefore, there was no impact from IFRS 16 on the results of operations, financial position and disclosures.

25. Future accounting pronouncements:

At the date of authorization of these financial statements, several new, but not yet effective, standards and amendments to existing standards, and Interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Corporation.

New standards, amendments and interpretations not adopted in the current year include the following:

Amendments to References to Conceptual Framework in IFRS Standards.

Definition of a Business (Amendments to IFRS 3).

Definition of Material (Amendments to IAS 1 and IAS 8).

Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

The Corporation is currently assessing the impact of these standards.

26. Subsequent Event:

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company’s operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect our business is not known at this time.

Financial Statements of

Kitchener Power Corp.

And Independent Auditors' Report thereon

(Unconsolidated)

Year ended December 31, 2019
(Expressed in thousands of dollars)

KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3
Canada
Tel 519-747-8800
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Kitchener Power Corp.

Opinion

We have audited the non-consolidated financial statements of Kitchener Power Corp. (the Entity), which comprise:

- the non-consolidated statement of financial position as at December 31, 2019
- the non-consolidated statement of comprehensive income for the year then ended
- the non-consolidated statement of changes in equity for the year then ended
- the non-consolidated statement of cash flows for the year then ended
- and notes to the non-consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the non-consolidated financial position of the Entity as December 31, 2019, and its non-consolidated financial performance and its non-consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the non-consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

March 27, 2020

KITCHENER POWER CORP.

Statement of Financial Position

As at December 31, 2019, with comparative information for 2018
(Expressed in thousands of dollars)

	Note	2019	2018
Assets			
Current assets			
Cash and cash equivalents	4	$ 519	$ 677
Accounts receivable	5	11	5
Total current assets		530	682
Non-current assets:			
Deferred tax assets	6	173	147
Investment in subsidiaries and associates	7	160,266	154,024
Total non-current assets		160,439	154,171
Total assets		$ 160,969	$ 154,853

	Note	2019	2018
Liabilities and Shareholder's Equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 5	$ 3
Total liabilities		5	3
Shareholder's equity:			
Share capital - common shares	8	66,389	66,389
Retained earnings		94,575	88,461
Total shareholder's equity		160,964	154,850
Total equity, liabilities and shareholder's equity		$ 160,969	$ 154,853

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

On behalf of the Board:

J. Phillips Director   J. Van Ooteghem Director

KITCHENER POWER CORP.

Statement of Comprehensive Income

Year ended December 31, 2019, with comparative information for 2018
(Expressed in thousands of dollars)

	Note		2019		2018
Revenue					
Income from subsidiaries and associates	7	$	10,276	$	11,026
Net operating revenue			10,276		11,026
Expenses:					
Administration			170		87
			170		87
Other					
Finance income			(16)		(7)
Net finance income			(16)		(7)
Income before income taxes			10,122		10,946
Income tax recovery	6		(26)		(7)
Total comprehensive income for the year		$	10,148	$	10,953

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

KITCHENER POWER CORP.

Statement of Changes in Equity

Year ended December 31, 2019, with comparative information for 2018
(Expressed in thousands of dollars)

	Share capital	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2018	$ 66,389	$ -	$ 81,579	$ 147,968
Net income		-	10,953	10,953
Dividends		-	(4,071)	(4,071)
Balance at December 31, 2018	66,389	-	88,461	154,850
Net income		-	10,148	10,148
Dividends		-	(4,034)	(4,034)
Balance at December 31, 2019	$ 66,389	$ -	$ 94,575	$ 160,964

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

KITCHENER POWER CORP.

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018
(Expressed in thousands of dollars)

	2019	2018
Cash flows from operating activities:		
Total comprehensive income for the year	$ 10,148	$ 10,953
Adjustments to reconcile net income to cash provided by (used in) operations:		
Income from subsidiaries	(10,276)	(11,026)
Income tax recovery	(26)	(7)
	(154)	(80)
Change in non-cash operating working capital:		
Accounts receivable	(6)	-
Prepaid expenses	-	-
Accounts payable and accrued liabilities	2	(1)
Net cash from operating activities	(158)	(81)
Cash flows from investing activities:		
Dividends received	4,034	5,571
Net cash from investing activities	4,034	5,571
Cash flows from financing activities:		
Investments in subsidiaries	-	(1,000)
Dividends paid out	(4,034)	(4,071)
Net cash from financing activities	(4,034)	(5,071)
Change in cash and cash equivalents	(158)	419
Cash and cash equivalents, beginning of year	677	258
Cash and cash equivalents, end of year	$ 519	$ 677

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

1. **Reporting entity:**

   Kitchener Power Corp. (the “Corporation”) is a holding company for the affiliate companies, Kitchener-Wilmot Hydro Inc. and Kitchener Energy Services Inc., and is itself wholly owned by the Corporation of the City of Kitchener and the Corporation of the Township of Wilmot.

   The Corporation oversees the operations of Kitchener-Wilmot Hydro Inc., a regulated distribution company and Kitchener Energy Services Inc., an unregulated retail services company. The Corporation also owns 33% of Grand River Energy Corp. (GRE Corp), a generation and renewable energy solutions company.

   It is located in the City of Kitchener. The address of the Corporation’s registered office is 301 Victoria Street South, Kitchener, Ontario, Canada.

   The financial statements are for the Corporation as at and for the year ended December 31, 2019, unconsolidated.

2. **Basis of presentation:**

   (a) Statement of compliance:

   The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), with the exception that investments in subsidiary and associate companies are accounted for by the equity method. The financial statements were approved by the Board of Directors on March 27, 2020.

   (b) 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

   (ii) Contributed assets are initially measured at fair value

   The methods used to measure fair values are discussed further in note 12.

   (c) Functional and presentation currency:

   These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

   (d) Investments

   Investments in subsidiary companies, associates and other long-term investments are accounted for by the equity method. Dividends received are recorded as a reduction of the carrying value of these investments.

2. Basis of presentation (continued):

(e) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, 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.

Information about critical judgments 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 – Income tax expense
(ii) Note 7 – Long term investments in subsidiaries and associates

3. Significant accounting policies:

The accounting policies set out below have been applied consistently in all years presented in these financial statements unless otherwise indicated.

(a) Financial instruments:

At initial recognition, the Company measures its financial assets at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of the financial asset depends on the classification determined on initial recognition. Financial assets are classified as either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets.

Financial liabilities are initially measured at fair value, net of transaction costs incurred. They are subsequently carried at amortized cost using the effective interest rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings.

The Corporation has not entered into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

3. Significant accounting policies (continued):

(b) Impairment:

(i) Financial assets:

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than 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 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 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.

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. For assets other than goodwill, impairment recognized in prior periods is 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.

3. Significant accounting policies (continued):

(c) 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.

(d) 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 and on regulatory assets.

Finance charges comprise interest expense on borrowings, finance lease obligations, regulatory liabilities and unwinding of the discount on provisions and impairment losses on financial assets. Finance costs are recognized as an expense unless they are capitalized as part of the cost of qualifying assets.

(e) Income taxes:

The income tax expense is comprised of 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.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the “Tax Acts”). Under the *Electricity Act*, 1998, 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. Payments in lieu of taxes 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.

4. Cash:

	2019	2018
Cash	$ 519	$ 677

5. Accounts receivable:

	2019	2018
Accounts receivable	$ 11	$ 5

(Expressed in thousands of dollars)

6. Income tax expense:

The current tax expense for 2019 is nil (2018 - nil).

Deferred tax expense:

	2019	2018
Original & reversal of temporary differences	$ (26)	$ (7)
Recognition of previously unrecognized tax losses	-	-
	$ (26)	$ (7)

Reconciliation of effective tax rate:

	2019	2018
Profit for the period	$ 10,148	$ 10,953
Total income tax expense	(26)	(7)
Profit excluding income tax	10,122	10,946
Income tax using the Corporation's statutory tax rate	2,682	2,901
Taxes associated with non-taxable equity income	(2,716)	(2,918)
Other differences	8	10
	$ (26)	$ (7)

Significant components of the Corporation's deferred tax balances are as follows:

	2019	2018
Deferred tax assets (liabilities):		
Intangible assets	$ 7	$ 7
Loss carry-forward	166	140
	$ 173	$ 147

(Expressed in thousands of dollars)

7. Long-term investments in subsidiaries and associates:

The Company owns 100% of Kitchener-Wilmot Hydro Inc., a regulated distribution company, and Kitchener Energy Services Inc., an unregulated retail services company. The Company also owns 33% of GRE Corp., an unregulated company.

2019	Investment in Kitchener-Wilmot Hydro Inc.	Investment in Grand River Energy Corp.	Investment in Kitchener Energy Services Inc.	Total Investment
Balance, beginning of year	$ 153,011	$ 967	$ 46	$ 154,024
Investment in associate		-		-
Equity share of earnings	10,455	(204)	25	10,276
Dividends issued	(4,034)	-	-	(4,034)
Balance, end of year	$ 159,432	$ 763	$ 71	$ 160,266

2018				
Balance, beginning of year	$ 147,497	$ 42	$ 30	$ 147,569
Investment in associate	-	1,000	-	1,000
Equity share of earnings	11,085	(75)	16	11,026
Dividends issued	(5,571)	-	-	(5,571)
Balance, end of year	$ 153,011	$ 967	$ 46	$ 154,024

8. Share capital:

	2019	2018
Authorized:		
Unlimited number of common shares		
Issued:		
20,000 common shares	$ 66,389	$ 66,389

Dividends:

The holders of the common shares are entitled to receive dividends as declared from time to time.

The Corporation paid aggregate dividends in the year on common shares of $4,034 (2018 - $4,071).

9. Commitments and contingencies:

Contractual Obligations:

There are no contractual obligations.

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 LDCs 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. As at December 31, 2019, no assessments have been made.

10. Guarantees:

Kitchener Power Corp. is the guarantor for a line of credit issued by the Canadian Imperial Bank of Commerce on behalf of GRE Corp. GRE Corp. is one third owned by each of Kitchener Power Corp., Waterloo North Hydro Holding Corporation and Cambridge & North Dumfries Energy Plus Inc.; each of which has guaranteed a maximum of $3 million in the event of default by GRE Corp.

11. Related party transactions:

(a) Parent and ultimate controlling party:

The Corporation is wholly-owned by the Corporation of the City of Kitchener and the Corporation of the Township of Wilmot. The City and the Township produce financial statements that are available for public use.

(b) Entity with significant influence:

The Corporation of the City of Kitchener exercises significant influence over the Corporation through its 92.25% ownership interest in the Corporation.

(c) Key management personnel:

The key management personnel of the Corporation is defined as members of its board of directors and is summarized below.

11. Related party transactions (continued):

(d) Transactions with shareholders:

During the year, the Corporation paid management and business development services to its shareholders in the amount of nil (2018 - nil).

(e) Transactions with entity with significant influence:

In the ordinary course of business, the Corporation may issue dividends to the shareholders.

	2019	2018
Directors' remuneration	$ 58	$ 58
CPP remittances	2	2
	$ 60	$ 60

12. Financial instruments and risk management:

Fair value disclosure

Cash and cash equivalents are measured at fair value. The carrying values of receivables, and accounts payable and accrued charges approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) Market risk:

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk.

(b) Liquidity risk:

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure.

12. Financial instruments and risk management (continued):

(c) Capital disclosures:

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2019, shareholder's equity amounts to $160,964 (2018 - $154,850) and long-term debt amounts of nil (2018 - nil).

13. Change in Accounting Policy:

The Corporation adopted IFRS 16 in its financial statements for the annual period beginning January 1, 2019. The 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 the lessor. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The Corporation has no leases under the definition provided by IFRS 16, or previously under IAS 17. Therefore, there was no impact from IFRS 16 on the results of operations, financial position and disclosures.

14. Future accounting pronouncements:

At the date of authorization of these financial statements, several new, but not yet effective, standards and amendments to existing standards, and Interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Corporation.

New standards, amendments and interpretations not adopted in the current year include the following:

Amendments to References to Conceptual Framework in IFRS Standards.

Definition of a Business (Amendments to IFRS 3).

Definition of Material (Amendments to IAS 1 and IAS 8).

Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

The Corporation is currently assessing the impact of these standards.

Financial Statements of

Kitchener-Wilmot Hydro Inc.

And Independent Auditors' Report thereon

Year ended December 31, 2019
(Expressed in thousands of dollars)

KPMG LLP
115 King Street South
2nd Floor
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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Kitchener-Wilmot Hydro Inc.

Opinion

We have audited the financial statements of Kitchener-Wilmot Hydro Inc. (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

March 27, 2020

KITCHENER-WILMOT HYDRO INC.

Statement of Financial Position

As at December 31, 2019, with comparative information for 2018
(Expressed in thousands of dollars)

	Note	2019	2018
Assets			
Current assets			
Cash	4	$ 13,357	$ 21,488
Accounts receivable	5	17,477	18,532
Unbilled revenue		27,648	22,122
Inventory	6	2,324	1,949
Prepaid expenses		1,347	1,045
Income taxes receivable		131	-
Total current assets		62,284	65,136
Non-current assets:			
Property, plant and equipment	7	259,864	245,229
Intangible assets	8	629	716
Total non-current assets		260,493	245,945
Total assets		322,777	311,081
Regulatory deferral account debit balances	10	9,400	7,366
Total assets and regulatory assets		$ 332,177	$ 318,447

KITCHENER-WILMOT HYDRO INC.

Statement of Financial Position

Year ended December 31, 2019, with comparative information for 2018
(Expressed in thousands of dollars)

	Note	2019	2018
Liabilities and Shareholder's Equity			
Current liabilities:			
Accounts payable and accrued liabilities		$ 30,048	$ 22,655
Income taxes payable		-	449
Current portion of long-term debt	11	607	1,176
Current portion customer deposits	13	9,366	8,123
Current portion of deferred revenue		952	855
Total current liabilities		40,973	33,258
Non-current liabilities:			
Long-term debt	11	76,963	77,569
Employee future benefits	12	5,858	5,305
Long-term customer deposits	13	6,188	6,136
Deferred revenue		36,385	32,910
Deferred tax liability	9	2,536	2,021
Total non-current liabilities		127,930	123,941
Total liabilities		168,903	157,199
Shareholder's equity:			
Share capital - common shares	14	63,689	63,689
Retained earnings		96,363	89,600
Accumulated other comprehensive loss		(620)	(278)
Total shareholder's equity		159,432	153,011
Total liabilities and shareholder's equity		328,335	310,210
Regulatory deferral account credit balances	10	2,307	6,950
Deferred taxes associated with regulatory accounts		1,535	1,287
Total equity, liabilities and shareholder's equity		$ 332,177	$ 318,447

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

On behalf of the Board:

_______________ Director _______________ Director

KITCHENER-WILMOT HYDRO INC.

Statement of Comprehensive Income

Year ended December 31, 2019, with comparative information for 2018
(Expressed in thousands of dollars)

	Note	2019	2018
Energy sales		$ 206,409	$ 197,253
Cost of energy sold		207,393	194,142
		(984)	3,111
Other operating revenue			
Distribution revenue		38,285	38,354
Other income	15	2,601	2,353
Net operating revenue		39,902	43,818
Expenses:			
Operations and maintenance		11,253	11,373
Customer services		4,474	4,544
Administration		4,165	4,086
Amortization		9,550	9,104
		29,442	29,107
Other			
Energy conservation program revenue		(1,676)	(4,971)
Energy conservation program expense		1,676	3,674
Net energy conservation programs		-	(1,297)
Finance income	16	(417)	(492)
Finance charges	16	4,119	4,119
Net finance costs		3,702	3,627
Income before income taxes		6,758	12,381
Income tax expense	9	888	1,935
Income for the year before movements in regulatory deferral account balances and OCI		5,870	10,446
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement	10	4,927	639
Other comprehensive loss	12	(342)	-
Total comprehensive income for the year		$ 10,455	$ 11,085

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

KITCHENER-WILMOT HYDRO INC.

Statement of Changes in Equity

Year ended December 31, 2019, with comparative information for 2018
(In thousands of Canadian dollars)

	Share capital	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance at January 1, 2018	$ 63,689	$ (278)	$ 84,086	$ 147,497
Net income before OCI			11,085	11,085
Other comprehensive income		-	-	-
Dividends			(5,571)	(5,571)
Balance at December 31, 2018	63,689	(278)	89,600	153,011
Net income before OCI		-	10,797	10,797
Other comprehensive income		(342)		(342)
Dividends		-	(4,034)	(4,034)
Balance at December 31, 2019	$ 63,689	$ (620)	$ 96,363	$ 159,432

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

KITCHENER-WILMOT HYDRO INC.

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018
(Expressed in thousands of dollars)

	2019	2018
Cash flows from operating activities:		
Total comprehensive income for the year	$ 10,455	$ 11,085
Adjustments to reconcile net income to cash provided by (used in) operations:		
Amortization	10,251	9,789
Amortization of deferred revenue	(908)	(782)
Gain on disposal of property, plant and equipment	(36)	(128)
Income tax expense	888	1,935
Income taxes paid	(1,515)	(1,798)
Increase in employee future benefits	551	92
	19,686	20,193
Change in non-cash operating working capital:		
Accounts receivable	1,055	(365)
Unbilled revenue	(5,526)	(268)
Inventory	(375)	260
Prepaid expenses	(302)	(235)
Accounts payable and accrued liabilities	7,396	(3,376)
Other current liabilities	1,339	(392)
Change in regulatory assets	(2,035)	2,707
Change in regulatory liabilities	(4,348)	(3,912)
Change in deferred tax	516	486
Net cash from operating activities	17,406	15,098
Cash flows from investing activities:		
Proceeds on disposals of property, plant and equipment	40	136
Purchase of property, plant and equipment	(24,487)	(20,361)
Purchase of intangible assets	(315)	(276)
Net cash used in investing activities	(24,762)	(20,501)
Cash flows from financing activities:		
Net change in customer deposits	52	250
Dividends paid out	(4,034)	(5,571)
Change in contributed capital received	4,383	4,574
Repayment of long-term debt	(1,176)	(1,127)
Net cash from financing activities	(775)	(1,874)
Change in cash and cash equivalents	(8,131)	(7,277)
Cash and cash equivalents, beginning of year	21,488	28,765
Cash and cash equivalents, end of year	$ 13,357	$ 21,488

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

1. Reporting entity:

Kitchener-Wilmot Hydro Inc. (the “Corporation”) is a rate regulated, municipally owned hydro distribution company incorporated under the laws of Ontario, Canada. The Corporation is located in the City of Kitchener. The address of the Corporation’s registered office is 301 Victoria Street South, Kitchener, Ontario, Canada.

The Corporation delivers electricity and related energy services to residential and commercial customers in the City of Kitchener and the Township of Wilmot. The Corporation is wholly owned by Kitchener Power Corporation, which is itself wholly owned by the Corporation of the City of Kitchener and the Corporation of the Township of Wilmot.

The financial statements are for the Corporation as at and for the year ended December 31, 2019.

2. Basis of presentation:

(a) Statement of compliance:

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements were approved by the Board of Directors on March 27, 2020.

(b) 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 initially measured at fair value.

The methods used to measure fair values are discussed further in note 22.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(d) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, 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.

2. Basis of presentation (continued):

(d) Use of estimates and judgments (continued):

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.

Information about critical judgments 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 3(b) – Determination of the performance obligation for contributions from customers and the related amortization period
ii) Note 7 – Property, plant and equipment
iii) Note 9 – Deferred tax assets
iv) Note 12 – Employee future benefits
v) Note 17 – 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, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

Rate setting:

Distribution revenue and electricity rates

The OEB sets electricity prices for low-volume consumers based on an estimate of how much it will cost to supply the province with electricity for the next year. All low volume customers without a contract with an energy retailer are charged the OEB mandated rate for electricity. If a customer (regardless of volume) has a retailer agreement, then retailer rates are charged instead. All remaining consumers pay the market price for electricity. 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.

2. Basis of presentation (continued):

(e) Rate regulation (continued):

For the distribution revenue included in electricity sales, 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 expenses, 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 customer class. The COS application is reviewed by the OEB and intervenors and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years, an Incentive Rate Mechanism application ("IRM") is filed. 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.

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 filed a COS application on June 21, 2013 for rates effective January 1, 2014 to December 31, 2014. The GDP IPI-FDD for 2019 is 1.5%, the Corporation's productivity factor is 0% and the stretch factor is 0.15%, resulting in a net adjustment of 1.35% to the previous year's rates. In addition, a COS application was filed April 30, 2019 for rates effective January 1, 2020 to December 31, 2020.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently in all years presented in these financial statements unless otherwise indicated.

(a) Financial instruments:

At initial recognition, the Company measures its financial assets at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of the financial asset depends on the classification determined on initial recognition. Financial assets are classified as either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets.

Financial liabilities are initially measured at fair value, net of transaction costs incurred. They are subsequently carried at amortized cost using the effective interest rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings.

The Corporation has not entered into derivative instruments.

Hedge accounting has not been used in the preparation of these financial statements.

Cash equivalents include short-term investments with maturities of three months or less when purchased.

(b) Revenue recognition:

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to 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 has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

3. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Capital contributions

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered.

Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

(c) Inventory:

Inventory, comprising material and supplies, the majority of which is consumed by the Corporation in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on a weighted average cost basis, and includes expenditures incurred in acquiring the material and supplies and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(d) Property, plant and equipment:

Items of property, plant and equipment (“PP&E”) used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is transferred from customers, its fair value, less accumulated depreciation. Consistent with IFRS 1, the Corporation elected to use the carrying amount as previously

(Expressed in thousands of dollars)

3. Significant accounting policies (continued):

(d) Property, plant and equipment (continued):

determined under Canadian GAAP as the deemed cost at January 1, 2014, the transition date to IFRS.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

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.

Gains and losses on the disposal of an item of PP&E are determined by comparing the proceeds from disposal, if any, with the carrying amount of the item of PP&E and are recognized net within other income in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of property, plant and equipment is recognized in the net book value 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. In this event, the replaced part of property, plant and equipment is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation is calculated over the depreciable amount and 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. The depreciable amount is cost. Land is not depreciated. Construction-in-progress assets are not amortized until the projects are complete and in service.

The estimated useful lives are as follows:

Buildings	**20-50 years**
Transformer station equipment	**15-50 years**
Distribution station equipment	**15-50 years**
Distribution system	**25-60 years**
Meters	**15-25 years**
SCADA equipment	**15 years**
Other capital assets	**3-10 years**

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

3. **Significant accounting policies (continued):**

(e) Intangible assets

(i) Computer software:

Computer 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.

(ii) Land rights:

Payments to obtain rights to access land ("land rights") are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title. Land rights are measured at cost less accumulated amortization and accumulated impairment losses.

(iii) 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 are:

Computer software	**3-10 years**
Land rights	**100 years**

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

(f) Impairment:

(i) Financial assets:

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

3. Significant accounting policies (continued):

(f) Impairment (continued):

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than 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 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 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.

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. For assets other than goodwill, impairment recognized in prior periods is 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.

(g) 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.

3. Significant accounting policies (continued):

(h) Regulatory deferral accounts:

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. These amounts have been accumulated and deferred in anticipation of their future recovery in electricity distribution 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 capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in profit and loss. The debit balance is reduced by the amount of customer billings as electricity is delivered to the customer and the customer is billed at rates approved by the OEB for the recovery of the capitalized costs.

Regulatory deferral account credit balances are recognized if it is probable that future billings in an amount at least equal to the credit balance will be reduced as a result of rate-making activities. The offsetting amount is recognized in profit and loss. The credit balance is reduced by the amounts returned to customers as electricity is delivered to the customer at rates approved by the OEB for the return of the regulatory account credit balance.

The probability of recovery or repayment of the regulatory account balances are assessed annually based upon the likelihood that the OEB will approve the change in rates to recover or repay the balance. Any resulting impairment loss is recognized in profit and loss in the year incurred.

Regulatory deferral accounts attract interest at OEB prescribed rates. With the exception of Pension and OEB Forecast Accrual accounts (OPEBs), the rates from January to March 2019 were 2.45%, April to June 2019 were 2.18% and July to December 2019 were 2.18%. Prior year rates from January to March 2018 were 1.5%, April to September 2018 were 1.89% and October to December 2018 were 2.17%.

In 2019, OPEBs were 3.82%, 3.39% and 2.88% for the same time periods noted above and in 2018 January to March 2.99%, and April to December 3.35%.

3. Significant accounting policies (continued):

(i) Employee future 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"), and provides pensions for employees of Ontario municipalities, local boards and public utilities. 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. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income when they are due.

(ii) Post-employment benefits, other than pension:

The Corporation provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The cost of these benefits is expensed as earned by employees through employment service. The accrued benefit obligations and the current service costs are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Actuarial gains and losses arising from defined benefit plans are recognized immediately in other comprehensive income and reported in retained earnings. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in net income on a straight-line basis over the average period until the benefits become vested. In circumstances where the benefits vest immediately, the expense is recognized immediately in net income.

3. Significant accounting policies (continued):

(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. 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. Deferred revenue represents the Corporation's obligation to continue to provide customers access to the supply of electricity, and is amortized to income on a straight-line basis over the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

(k) Leased assets:

This policy is effective for periods before January 1, 2019. Refer to Note 24 for the change in accounting policy to IFRS 16.

Leases, where the terms cause the Corporation to assume 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 balance sheet. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(l) 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 and on regulatory assets.

Finance charges comprise interest expense on borrowings, finance lease obligations, regulatory liabilities and unwinding of the discount on provisions and impairment losses on financial assets. Finance costs are recognized as an expense unless they are capitalized as part of the cost of qualifying assets.

(Expressed in thousands of dollars)

3. Significant accounting policies (continued):

(m) 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.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, 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. Payments in lieu of taxes 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.

4. Cash:

	2019	2018
Cash	$ 13,357	$ 21,488

5. Accounts receivable:

	2019	2018
Customer and other trade receivables	$ 17,252	$ 18,431
Trade receivables from related parties	225	101
	$ 17,477	$ 18,532

6. Inventory:

The amount of inventories consumed by the Corporation and recognized as an expense during 2019 was $363 (2018 - $311).

(Expressed in thousands of dollars)

7. Property, plant and equipment:

(a) Cost or deemed cost:

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
Balance at January 1, 2019	$ 24,463	$ 242,418	$ 8,850	$ 3,622	$ 279,353
Additions	279	17,723	4,614	1,865	24,481
Transfers	-	-	-	-	-
Disposals/Retirements	(13)	(132)	(488)	-	(633)
Balance at December 31, 2019	$ 24,729	$ 260,009	$ 12,976	$ 5,487	$ 303,201

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
Balance at January 1, 2018	$ 23,598	$ 224,431	$ 7,091	$ 4,342	$ 259,462
Additions	936	18,141	2,004	-	21,081
Transfers	-	-	-	(720)	(720)
Disposals/Retirements	(71)	(154)	(245)	-	(470)
Balance at December 31, 2018	$ 24,463	$ 242,418	$ 8,850	$ 3,622	$ 279,353

(b) Accumulated depreciation:

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
Balance at January 1, 2019	$ 2,053	$ 30,012	$ 2,059	$ -	$ 34,124
Depreciation charge	678	7,886	1,282	-	9,846
Disposals/Retirements	(13)	(132)	(488)	-	(633)
Balance at December 31, 2019	$ 2,718	$ 37,766	$ 2,853	$ -	$ 43,337

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
Balance at January 1, 2018	$ 1,461	$ 22,699	$ 1,087	$ -	$ 25,247
Depreciation charge	663	7,467	1,209	-	9,339
Disposals/Retirements	(71)	(154)	(237)	-	(462)
Balance at December 31, 2018	$ 2,053	$ 30,012	$ 2,059	$ -	$ 34,124

(Expressed in thousands of dollars)

7. Property, plant and equipment (continued):

(c) Carrying amounts:

		Land and buildings		Distribution equipment		Other fixed assets		Construction-in-progress		Total
At December 31, 2019	$	22,011	$	222,243	$	10,123	$	5,487	$	259,864
At December 31, 2018	$	22,410	$	212,406	$	6,791	$	3,622	$	245,229

(d) Leased plant and equipment:

The Corporation does not have leases for plant or equipment.

(e) Security:

At December 31, 2019, the Corporation had zero properties subject to a general security agreement.

(f) Borrowing costs:

During the year, borrowing costs of $ nil (2018 - $ nil) were capitalized as part of the cost of property, plant and equipment.

(g) Allocation of depreciation and amortization:

The depreciation of property, plant and equipment and the amortization of intangible assets has been allocated to profit or loss as follows:

		Operations and maintenance expense		Customer services expense		General and administration expense		Energy Conservation expense		Other		Total
December 31, 2019:												
Depreciation of property, plant and equipment	$	688	$	6	$	-	$	7	$	9,145	$	9,846
Amortization of intangible assets		-		-		-		-		405		405
	$	688	$	6	$	-	$	7	$	9,550	$	10,251
December 31, 2018:												
Depreciation of property, plant and equipment	$	672	$	6	$	-	$	7	$	8,654	$	9,339
Amortization of intangible assets		-		-		-		-		450		450
	$	672	$	6	$	-	$	7	$	9,104	$	9,789

(Expressed in thousands of dollars)

8. Intangible assets:

(a) Cost or deemed cost:

	Computer Software	Land Rights	Total
Balance at January 1, 2019	$ 2,802	$ 8	$ 2,810
Additions	321	-	321
Disposals	4	-	4
Balance at December 31, 2019	$ 3,119	$ 8	$ 3,127
Balance at January 1, 2018	$ 2,526	$ 8	$ 2,534
Additions	276	-	276
Balance at December 31, 2018	$ 2,802	$ 8	$ 2,810

(b) Accumulated amortization:

	Computer Software	**Land Rights**	**Total**
Balance at January 1, 2019	$ 2,086	$ 8	$ 2,094
Additions	404	-	404
Balance at December 31, 2019	$ 2,490	$ 8	$ 2,498
Balance at January 1, 2018	$ 1,636	$ 8	$ 1,644
Additions	450	-	450
Balance at December 31, 2018	$ 2,086	$ 8	$ 2,094

(c) Carrying amounts:

	Computer Software	**Land Rights**	**Total**
At December 31, 2019	$ 629	$ -	$ 629
At December 31, 2018	$ 716	$ -	$ 716

(Expressed in thousands of dollars)

9. Income tax expense:

		2019		2018
Current period	$	1,129	$	2,115
Adjustment for prior periods		(194)		(155)
	$	935	$	1,960

Deferred tax expense:

		2019		2018
Original & reversal of temporary differences	$	(47)	$	(25)
	$	(47)	$	(25)

Reconciliation of effective tax rate:

		2019		2018
Total comprehensive income for the year	$	10,455	$	11,085
Total income tax expense		888		1,935
Comprehensive income before income taxes		11,343		13,020
Income tax using the Corporation's statutory tax rate of 26.5%		3,006		3,450
Temporary differences not benefitted		(1,924)		(1,360)
Under (over) provided in prior periods		(194)		(155)
	$	888	$	1,935

Significant components of the Corporation's deferred tax balances are as follows:

		2019		2018
Deferred tax assets (liabilities):				
Plant and equipment	$	(14,168)	$	(12,519)
Non-vested sick leave		168		144
Employee benefits		1,429		1,406
Ontario refundable tax credits		18		-
Actuarial gain/loss		123		-
Regulatory deferral account balances				
Deferred revenue - contributed capital		9,894		8,948
	$	(2,536)	$	(2,021)

(Expressed in thousands of dollars)

10. Regulatory deferral account balance:

The following is a reconciliation of the carrying amount for each class of regulatory deferral account balances:

	2018	Balances arising in the period	Recovery/ Reversal	Other	2019	Remaining recovery/ reversal period (years)
Regulatory deferral account debit balances						
Group 1 deferred accounts	$ 1,812	$ (2,661)	$ 971	$ 1,117	$ 1,239	Note 1
Regulatory asset recovery account	-	4,557	(2,216)	(1,711)	630	Note 1
Smart meter recovery	13	-	-	-	13	1 Year
Deferred tax asset	4857	933	-	-	5,790	Note 2
LRAM	-	837	-	-	837	1 Year
Other	684	182	-	25	891	1 Year
Total amount related to regulatory deferral account debit balances	**$ 7,366**	**$ 3,848**	**$ (1,245)**	**$ (569)**	**$ 9,400**	

	2018	Balances arising in the period	Recovery/ Reversal	Other	2019	Remaining recovery/ reversal period (years)
Regulatory deferral account credit balances						
Group 1 deferred accounts	$ 4,868	$ (3,653)	$ (1,276)	$ 1,118	$ 1,057	Note 1
Regulatory asset recovery account	1,711	-	-	(1,711)	-	Note 1
Other	371	854	-	25	1,250	1 Year
Total amount related to regulatory deferral account credit balances	**$ 6,950**	**$ (2,799)**	**$ (1,276)**	**$ (568)**	**$ 2,307**	

	2019	2018
Movements in regulatory accounts		
Net change in regulatory deferral account debit and credit balances	$ 6,677	$ 1,363
Less movement related to the balance sheet		
Deferred income tax	(933)	(693)
Deferred revenue	(817)	(31)
Net movement in regulatory deferral account balances related to profit or loss and the related deferral tax movement	$ 4,927	$ 639

Note 1 KWHI has been approved for collection of these amounts in its 2019 filing for 2020 rates.

Note 2 KWHI has not sought approval for the disposition of this amount as changes in underlying assumptions may reduce the amounts recorded in the account. KWHI may seek refunds in the future.

(Expressed in thousands of dollars)

11. Long-term debt:

Effective August 1, 2000, the Corporation incurred unsecured promissory notes payable to the Corporation of the City of Kitchener and the Corporation of the Township of Wilmot, and have an interest rate of 4.88% per annum. Interest is payable in quarterly installments, in arrears, on March 31st, June 30th, September 30th and December 31st. Beginning in 2020, the interest rate has been adjusted to 3.23%.

Effective February 1, 2010, the Corporation entered into a ten year senior unsecured debenture payable to Ontario Infrastructure Projects Corporation. An initial payment of $7,000 was received February 1, 2010, followed by a second payment of $3,000 on May 17, 2010. The debenture has an interest rate of 4.28%, and interest is payable in equal semi-annual installments, in arrears, on May 17th and November 17th each year commencing November 17, 2010 until maturity in 2020.

		2019		2018
Senior unsecured debentures:				
City of Kitchener	$	70,998	$	70,998
Township of Wilmot		5,965		5,965
Ontario Infrastructure Projects Corporation		607		1,782
Senior unsecured debentures, net proceeds	$	77,570	$	78,745
Less: current portion of long-term debt	$	(607)	$	(1,176)
Total long-term debt	$	76,963	$	77,569

12. Employee future benefits:

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability at December 31, 2019 of $5,858 was based on an actuarial valuation completed in 2020 using a discount rate of 3.1% (3.9% in prior years).

(Expressed in thousands of dollars)

12. Employee future benefits (continued):

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

		2019		**2018**
Defined benefit obligation, beginning of year	$	5,305	$	5,213
Current service cost		160		162
Interest cost		202		199
Benefits paid during the year		(274)		(269)
Actuarial loss recognized in other comprehensive income		465		-
Accrued benefit liability, end of year	$	5,858	$	5,305

Components of net benefit expense recognized are as follows:

		2019		**2018**
Current service cost	$	160	$	162
Interest cost		202		199
Net benefit expense recognized	$	362	$	361

Actuarial losses recognized in other comprehensive income:

		2019		**2018**
Cumulative amount at January 1	$	(278)	$	(278)
Recognized during the year		(342)		-
Cumulative amount at December 31	$	(620)	$	(278)

(Expressed in thousands of dollars)

12. Employee future benefits (continued):

The significant actuarial assumptions used in the valuation are as follows (weighted average):

		2019	2018
Accrued benefit obligation:			
Discount rate		3.1%	3.9%
Benefit cost for the year:	Age		
Withdrawal rate	18-29	3.50%	3.50%
	30-34	2.00%	2.50%
	35-39	1.7%	2.2%
	40-49	1.3%	1.8%
	50-54	1.0%	1.4%
Assumed health care cost trend rates:			
Initial health care cost trend rate	Health	4.2%	6.2%
	Dental	4.5%	4.5%

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:

	Benefit Obligation	Periodic Benefit Cost
1% increase in health care trend rate	$ 212	$ 22
1% decrease in health care trend rate	$ (190)	$ (19)

Historical Information

Amounts for the current and previous year, for the entire plan, are as follows:

	2019	2018
Defined benefit obligation	$ 5,858	$ 5,305
Experience adjustments	$ (342)	$ -

(Expressed in thousands of dollars)

12. Employee future benefits (continued):

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

General inflation - future general inflation levels, as measured by the changes in the Consumer Price Index, were assumed at 2% in 2019, and thereafter (2018 - 2%).

Discount (interest) rate - the discount rate used to determine the present value of future liabilities and the expense for the year ended December 31, 2019, was 3.1% (2018 – 3.9%).

Salary levels - future general salary and wage levels were assumed to increase at 3.3% (2018 - 3.3%) per annum.

Medical costs - medical costs were assumed to be 4.5% for 2019 (5.99% for 2018), increasing annually to 5.3% in 2025.

Dental costs - dental costs were assumed to be 4.5% for 2019, increasing annually to 5.6% in 2025.

13. Customer and IESO deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers, as well as construction deposits.

Deposits from electricity distribution customers are refundable to customers who demonstrate 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.

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.

The Corporation delivers conservation and demand management programs for its customers on behalf of the IESO. Prepayments received from the IESO have been recorded and will be transferred to revenue as programs are delivered and the revenue is earned.

The deposits comprise:

	2019	2018
Customer deposits	$ 7,414	$ 7,471
Construction deposits	6,982	5,630
IESO deposit for energy conservation programs	1,158	1,158
Total customer deposits	$ 15,554	$ 14,259

(Expressed in thousands of dollars)

14. Share capital:

		2019		2018
Authorized:				
Unlimited number of common shares				
Issued:				
10,000 common shares	$	63,689	$	63,689

Dividends:

The holder of the common shares is entitled to receive dividends as declared from time to time.

The Corporation paid aggregate dividends in the year on common shares of $4,034 (2018 - $5,571).

15. Other operating revenue:

Other income comprises:

		2019		2018
Specific service charges	$	1,375	$	1,163
Deferred revenue		908		782
Scrap sales		190		175
Net gain on disposal of capital assets		36		128
Retailer services		44		28
Sundry		48		77
Total other income	$	2,601	$	2,353

16. Finance income and expense:

		2019		2018
Interest income on bank deposits	$	417	$	492
Finance income		417		492
Interest expense on long-term debt		3,816		3,864
Interest expense on BMO letter of credit		122		123
Interest expense on deposits		170		121
Other		11		11
		4,119		4,119
Net finance costs recognized in profit or loss	$	3,702	$	3,627

(Expressed in thousands of dollars)

17. Commitments and contingencies:

Contractual Obligations

There are no contractual obligations.

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 LDCs 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. As at December 31, 2019, no assessments have been made.

18. Guarantees:

Guarantees are not applicable to the Corporation.

19. Pension agreement:

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2019, the Corporation made employer contributions of $1,661 to OMERS (2018 - $1,601). The Corporation's net benefit expense has been allocated as follows:

(a) $459 (2018 - $444) capitalized as part of property, plant and equipment;

(b) $1,202 (2018 - $1,157) charged to net income.

The Corporation estimates that a contribution of $1,738 to OMERS will be made during the next fiscal year.

20. Employee benefits:

	2019	2018
Salaries, wages and benefits	$ 19,022	$ 18,592
CPP and EI remittances	722	697
Contributions to OMERS	1,661	1,601
Expenses related to defined benefit plans	361	361
	$ 21,766	$ 21,251

(Expressed in thousands of dollars)

21. Related party transactions:

(a) Parent and ultimate controlling party:

The sole shareholder of the Corporation is Kitchener Power Corp., which in turn is wholly-owned by the Corporation of the City of Kitchener and the Corporation of the Township of Wilmot. The City and the Township produce financial statements that are available for public use.

(b) Entity with significant influence:

The Corporation of the City of Kitchener exercises significant influence over the Corporation through its 92.25% ownership interest in the Corporation.

(c) Key management personnel:

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members, and is summarized below.

	2019	2018
Directors' fees	$ 58	$ 61
Salaries and other short-term benefits	993	925
Post employment benefits	18	17
Other long-term benefits (OMERS)	84	77
	$ 1,153	$ 1,080

(d) Transactions with entity with significant influence:

In the ordinary course of business, the Corporation delivers electricity to the Corporation of the City of Kitchener. Electricity is billed to the Corporation of the City of Kitchener at prices and under terms approved by the OEB.

(e) Transactions with ultimate parent (the Corporation of the City of Kitchener):

In 2019, the Corporation had the following significant transactions with its ultimate parent, a government entity:

- construction
- streetlight maintenance services under contract through a related party, Kitchener Energy Services Inc.

22. Financial instruments and risk management:

Fair value disclosure

Cash and cash equivalents are measured at fair value. The carrying values of receivables, and accounts payable and accrued charges approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

The fair value of the long term debt (senior unsecured debentures issued by the shareholders (Corporation of the City of Kitchener and Corporation of the Township of Wilmot) approximates the carrying value due to the short term nature of the loan.

The fair value of the long term debt (senior unsecured debentures) issued by Ontario Infrastructure Projects Corporation at December 31, 2019 is $607 (2018 - $1,800). 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, 2019 was 4.28% (2018 – 4.28%).

Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

(a) Credit risk:

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the City of Kitchener and the Township of Wilmot. As of December 31, 2019, two customers accounted for more than 1% of total accounts receivable, totaling $756 (or 4.3%) out of a total accounts receivable of $17,477.

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 net income. Subsequent recoveries of receivables previously provisioned are credited to net income. The balance of the allowance for impairment at December 31, 2019 is $250 (2017 - $250). An impairment loss of $44 (2018 - $183) was recognized during the year.

22. Financial instruments and risk management (continued):

(a) Credit risk (continued):

The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2019, approximately $245 (2018 - $242) is considered 60 days past due. The Corporation has over 97 thousand customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2019, the Corporation holds security deposits in the amount of $15,600 (2018 - $14,300).

(b) Market risk:

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

A 1% increase in the interest rate at December 31, 2019 would have increased interest expense on the long-term debt by $6 (2018 - $18), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

(c) Liquidity risk:

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a $5,000 credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they come due. As at December 31, 2019, no amounts had been drawn under Bank of Montreal credit facility (2018 - $ nil).

The Corporation also has a bilateral facility for $35,000 (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which $35,000 has been drawn and posted with the IESO (2018 - $35,000).

The majority of accounts payable, as reported on the balance sheet, are due within 30 days.

(Expressed in thousands of dollars)

22. Financial instruments and risk management (continued):

(d) Capital disclosures:

The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2019, shareholder's equity amounts to $159,432 (2018 - $153,011) and long-term debt amounts to $76,963 (2018 - $77,569).

23. Revenue from Contracts with Customers

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. Other sources of revenue include performance incentive payments under CDM programs

		2019		2018
Revenue from Contracts with Customers	$	246,092	$	236,777
Other Revenue:				
CDM programs		1,676		4,971
Other		1,620		1,675
Total	**$**	**249,388**	**$**	**243,423**

In the following table, revenue from contracts with customers is disaggregated by type of customer.

		2019		2018
Residential	$	93,701	$	89,870
Commercial		149,386		144,107
Large Users		1,448		1,382
Other		1,557		1,418
Total Revenue	**$**	**246,092**	**$**	**236,777**

24. Change in Accounting Policy

Corporation adopted IFRS 16 in its financial statements for the annual period beginning January 1, 2019. The 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 the lessor. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The Corporation has no leases under the definition provided by IFRS 16, or previously under IAS 17. Therefore, there was no impact from IFRS 16 on the results of operations, financial position and disclosures.

25. Future accounting pronouncements:

At the date of authorization of these financial statements, several new, but not yet effective, standards and amendments to existing standards, and Interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Corporation.

New standards, amendments and interpretations not adopted in the current year include the following:

Amendments to References to Conceptual Framework in IFRS Standards.

Definition of a Business (Amendments to IFRS 3).

Definition of Material (Amendments to IAS 1 and IAS 8).

Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

The Corporation is currently assessing the impact of these standards.

26. Subsequent Event:

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect our business is not known at this time.

THE CORPORATION OF THE TOWNSHIP OF WILMOT
BY-LAW NO. 2020-12

BEING A BY-LAW TO ESTABLISH THE 2020 FINAL TAX LEVY, THE 2020 RATES OF TAXATION AND TO PROVIDE FOR THE PAYMENT OF TAXES BY INSTALMENTS.

WHEREAS Section 290 of the Municipal Act, 2001, S.O. 2001, CHAPTER 25, as amended, provides that the Council of a local municipality shall, after consideration of the estimates for the year, pass a by-law to adopt the estimates and levy a separate tax rate on the assessment in each property class;

AND WHEREAS Section 307 of the Municipal Act, 2001, S.O. 2001, CHAPTER 25, as amended, outlines the manner in which taxes shall be assessed against a property, and,

AND WHEREAS the Regional Municipality of Waterloo has provided the 2017 tax ratios and subclass reductions as required by the Municipal Act, 2001, S.O. 2001, CHAPTER 25, as amended,

NOW THEREFORE the Council of the Corporation of the Township of Wilmot hereby enacts as follows:

Definitions

- "Municipal Act" means the Municipal Act, 2001, S.O. 2001, CHAPTER 25, as amended.
- "Person" means a natural person, partnership, association, corporation, legal representative, trustee, trustee in bankruptcy, or receiver.
- "Property Owner" means a person who has legal title or right to a property.
- "Region" means the Regional Municipality of Waterloo.
- "Tax" or "Taxes" means any sum payable as taxes and includes upper tier, lower tier and school board property taxes, local improvement charges, and all other fees that may have been added to the property's tax roll as outlined in the Municipal Act.
- "Township" means The Corporation of the Township of Wilmot.

Final Tax Levy

- The current estimates for 2020, totalling $8,646,811, detailed in the 2020 Municipal Budget, approved by Council on February 10, 2020, are used in the creation of the 2020 Township tax rates.
- Every property owner shall be taxed a Final Levy according to the tax rates in this by-law, save and except that portion of taxes raised by the 2020 Interim Levy under Section 317 of the Municipal Act.
- Taxes levied under this by-law shall be payable in multiple instalments, and the dates for payment shall be authorized by the Treasurer.
- Notice of 2020 Final Levy shall be mailed at least 21 days prior to the due date of the 1st Instalment.

- Failure to pay the amount of taxes due on the dates stated above shall constitute default and the provisions of By-law 2012-02 (being a by-law to provide for penalties to be applied to current taxes due and unpaid and for interest to be applied to taxes in arrears) shall be applicable.

- The Treasurer is hereby authorized to mail, deliver or cause to be mailed or delivered, the notice of taxes due to the address of the residence or place of business of the person to whom such notice is required to be given.
- Taxes shall be payable to the Township.

- The Treasurer is authorized to accept part payment from time to time on accounts of any taxes due and to give a receipt for such payment, provided that acceptance of any such payment shall not affect the collection of any percentage charge imposed and collectable under By-law No. 2012-02 in respect of non-payment of any taxes or any class of taxes or of any instalment thereof.

2020 Tax Rates

- The 2020 tax ratios provided by the Region are as follows:

Tax Class Description	Tax Ratio	Tax Class Description	Tax Ratio
Residential	1.0000	Commercial	1.9500
Residential Farmland Cl 1	1.0000	Shopping Centre	1.9500
Multi-Residential	1.9500	Industrial	1.9500
New Multi-Residential	1.0000	Industrial Farmland Cl 1	1.0000
Farm	0.2500	Landfill	1.5400
Managed Forest	0.2500	Pipeline	1.1613

- The 2020 sub-class reductions provided by the Region are as follows:

Tax Class Description	Sub-Class Reduction
Residential Farmland Cl 1	25%
Industrial Farmland Cl 1	25%

- The 2020 tax rates are set as follows:

Tax Code	Tax Code Description	Tax Rate
RT	Residential Taxable: Full	0.00239932
R1	Residential Taxable: Farmland Cl 1	0.00179949
MT	Multi-Residential Taxable: Full	0.00467867
NT	New Multi-Residential Taxable: Full	0.00239932
FT	Farm Taxable: Full	0.00059983
TT	Managed Forest Taxable: Full	0.00059983
CT	Commercial Taxable: Full	0.00467867
CU	Commercial Taxable: Excess Land	0.00467867
CX	Commercial Taxable: Vacant Land	0.00467867
C7	Commercial Taxable: Small-Scale On-Farm	0.00467867
XT	Commercial New Construction: Full	0.00467867
XU	Commercial New Construction: Excess Land	0.00467867
XX	Commercial New Construction: Vacant Land	0.00467867
YT	Office Building New Construction Taxable: Full	0.00467867
ST	Shopping Centre Taxable: Full	0.00467867
SU	Shopping Centre Taxable: Excess Land	0.00467867
SX	Shopping Centre Taxable: Vacant Land	0.00467867
ZT	Shopping Centre New Construction: Full	0.00467867

ZU	Shopping Centre New Construction: Excess Land	0.00467867
ZX	Shopping Centre New Construction: Vacant Land	0.00467867
IT	Industrial Taxable: Full	0.00467867
IH	Industrial Taxable: Full, Shared PIL	0.00467867
IK	Industrial Taxable: Excess Land, Shared PIL	0.00467867
IU	Industrial Taxable: Excess Land	0.00467867
IX	Industrial Taxable: Vacant Land	0.00467867
I1	Industrial Taxable: Farmland Cl 1	0.00179949
I7	Industrial Taxable: Small-Scale On-Farm	0.00467867
JT	Industrial New Construction: Full	0.00467867
JU	Industrial New Construction: Excess Land	0.00467867
JX	Industrial New Construction: Vacant Land	0.00467867
J7	Industrial Taxable: Small-Scale On-Farm	0.00467867
PT	Pipeline Taxable: Full	0.00278633
HT	Landfill Taxable: Full	0.00369495
E	Exempt	0.00000000

Severability

- If a Court of competent jurisdiction should declare any section or part of a section of this by-law to be invalid, such section or part of a section shall not be construed as having persuaded or influenced Council to pass the remainder of this by-law and it is hereby declared that the remainder of this by-law shall be valid and shall remain in full force and effect.

Coming to Force

- This by-law hereby rescinds By-law 2019-20 and shall come into force and take effect on the date of its passage by Council.

READ a first and second time in Open Council this 4th day of May, 2020.

READ a third time and finally passed in Open Council this 4th day of May, 2020.

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Mayor

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Clerk