The Regional Municipality of Durham

Finance & Administration Committee Agenda

Council Chambers
Regional Headquarters Building
605 Rossland Road East, Whitby

Tuesday, November 9, 2021 **9:30 AM**

Please note: In an effort to help mitigate the spread of COVID-19, and to generally comply with the directions from the Government of Ontario, it is requested in the strongest terms that Members participate in the meeting electronically. Regional Headquarters is closed to the public, all members of the public may view the Committee meeting via live streaming, instead of attending the meeting in person. If you wish to register as a delegate regarding an agenda item, you may register in advance of the meeting by noon on the day prior to the meeting by emailing delegations@durham.ca and will be provided with the details to delegate electronically.

1. Roll Call

2. Declarations of Interest

3. Adoption of Minutes

A) Finance & Administration Committee meeting – October 12, 2021 Pages 4 - 9

4. Statutory Public Meetings

There are no statutory public meetings

5. Delegations

There are no delegations

6. Presentations

6.1 Nicole Pincombe, Director, Business Planning and Budgets, re:
Update from the 2022 Virtual Budget Open House and preview of the "How is the Region of Durham's Budget Prepared" video

6.2 Nancy Taylor, Commissioner of Finance, re: 2020 Financial Surplus, Optional Small Business Tax Class, and Multi-Residential Property Tax Ratio

7. Administration

7.1 Correspondence

7.2 Reports

A) Durham Region Anti-Racism Taskforce Membership Appointments (2021-A-20) 10 - 14

8. Finance

8.1 Correspondence

8.2 Reports

A) Multi-Residential Property Tax Class Ratio (2021-F-28) 15 - 24

B) Optional Small Business Property Tax Subclass (2021-F-29) 25 - 42

C) E-Mission Zero: Durham Region Transit Battery Electric Bus and Charging Infrastructure Demonstration Pilot Update (2021-F-30) 43 - 56

D) The Audited Consolidated Financial Statements for the year ended December 31, 2020 and Recommended Use of the One-Time Property Tax Surplus (2021-F-31) 57 - 85

9. Advisory Committee Resolutions

There are no advisory committee resolutions to be considered

10. Confidential Matters

There are no confidential matters to be considered

11. Other Business

12. Date of Next Meeting

Tuesday, December 14, 2021 at 9:30 AM

13. Adjournment

Notice regarding collection, use and disclosure of personal information:

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The Regional Municipality of Durham

MINUTES

FINANCE & ADMINISTRATION COMMITTEE

Tuesday, October 12, 2021

A regular meeting of the Finance & Administration Committee was held on Tuesday, October 12, 2021 in the Council Chambers, Regional Headquarters Building, 605 Rossland Road East, Whitby, Ontario at 9:30 AM. Electronic participation was offered for this meeting.

1. Roll Call

Present: Councillor Foster, Chair
Councillor Collier, Vice-Chair
Councillor Ashe
Councillor Drew
Councillor Leahy
Councillor Mulcahy
Councillor Nicholson
Regional Chair Henry
***all members of Committee participated electronically**

Also
Present: Councillor Grant, attended for part of the meeting
Councillor Smith
Councillor Wotten

Staff
Present: E. Baxter-Trahair, Chief Administrative Officer
D. Beaton, Commissioner of Corporate Services
N. Taylor, Commissioner of Finance
J. Austin, Deputy General Manager, Business Services, Durham Region Transit
S. Austin, Director, Strategic Initiatives
K. Chakravarthy, Chief Information Officer, attended for part of the meeting
S. Danos-Papaconstantinou, Commissioner of Social Services
J. Demanuele, Director of Business Services, Works Department, attended for part of the meeting
T. Fraser, Committee Clerk, Corporate Services – Legislative Services
B. Goodwin, Director, Financial Solutions, Utility Finance and Portfolio Management
A. Hector-Alexander, Director of Diversity, Equity, and Inclusion, attended for part of the meeting
J. Hunt, Regional Solicitor/Director of Legal Services, Corporate Services – Legal

R. Inacio, Systems Support Specialist, Corporate Services – IT
D. Ramkissoon, Manager, Investment Portfolio
R. Walton, Regional Clerk/Director of Legislative Services
L. Fleury, Legislative Officer and Deputy Clerk Pro Tem, Corporate Services – Legislative Services

2. Declarations of Interest

Councillor Drew made a declaration of interest under the Municipal Conflict of Interest Act with respect to Report #2021-A-19: Confidential Report of the Commissioner of Corporate Services – Labour Relations/Employee Negotiations with respect to the Canadian Union of Public Employees ("CUPE"), Local 1764 and Local 1764-04. She indicated that her son is an employee of the Region and is a member of the union.

3. Adoption of Minutes

Moved by Regional Chair Henry, Seconded by Councillor Nicholson,
(74) That the minutes of the regular Finance & Administration Committee meeting held on Tuesday, September 14, 2021, be adopted.
CARRIED

4. Statutory Public Meetings

There were no statutory public meetings.

5. Delegations

There were no delegations.

6. Presentations

6.1 Nancy Taylor, Commissioner of Finance, and Duane Ramkissoon, Manager, Investment Portfolio, re: Eligible Investments & Portfolio Update (2021-F-25)

Nancy Taylor, Commissioner of Finance, and Duane Ramkissoon, Manager, Investment Portfolio provided a presentation with respect to Report #2021-F-25: Eligible Investments & Portfolio Update.

Highlights of their presentation included:

- 2020 Investment Portfolio
- Regulatory Framework
- Permitted Short-term Investments
- Permitted Long-term Investments
- Investment Policy (IPS) update
- Active Portfolio Management

- GIC Ladder Strategy
- Dollar Cost Averaging
- Bond Ladder Strategy
- Support to Local Municipalities

N. Taylor and D. Ramkissoon responded to questions from the Committee with respect to the composition of the current investment portfolio; considerations, and criteria for being a prudent investor; investing with One Investment; whether there could be a perceived conflict of interest with N. Taylor as a member of One Investment's board; timing for the development of the Region's new investment policy; the effect of capital project delays on the Region's finances; and self-financing debentures.

Moved by Councillor Collier, Seconded by Councillor Drew,
(75) That the order of the agenda be altered to consider Item 8.2 A) Report #2021-F-25 at this time.
CARRIED

8.2 Reports

A) Eligible Investments & Portfolio Update (2021-F-25)

Report #2021-F-25 from N. Taylor, Commissioner of Finance, was received.

N. Taylor and D. Ramkissoon responded to questions with respect to the Region's rate of return on investments as compared to peer groups; Schedule 2 and 3 banks; and the level of risk involved in diversifying the investment portfolio.

Moved by Councillor Mulcahy, Seconded by Councillor Nicholson,
(76) That Report #2021-F-25 of the Commissioner of Finance be received for information.
CARRIED

7. Administration

7.1 Correspondence

A) Correspondence from the Township of Huron-Kinloss re: Resolution passed at the Council meeting held on September 8, 2021, in support of Northumberland County and the City of Toronto's resolution to include in Bill 177 Stronger Fairer Ontario Act

D. Beaton and J. Hunt responded to questions with respect to Bill 177 including the potential effects to Provincial Offences Act (POA) court services operations.

Moved by Councillor Collier, Seconded by Councillor Mulcahy,
(77) That we recommend to Council:

That the Region of Durham hereby supports the resolutions from Northumberland County and the City of Toronto with respect to their plea to halt the proclamation of the Early Resolution reforms included in Bill 177 Stronger Fairer Ontario Act and take immediate action to streamline and modernize this section of the legislation by making it easier and more convenient for the public and prosecutors to engage in resolution discussions, and by making it more effective and efficient to administer early resolution proceedings for Part I and Part II offences in the Provincial Offences Court.

CARRIED

7.2 Reports

There were no Administration reports to be considered.

8. Finance

8.1 Correspondence

A) Correspondence from Northumberland County re: Resolution passed at their Council meeting held on September 15, 2021, in support of the City of Sarnia's resolution regarding Capital Gains Tax on Primary Residence

Discussion ensued with respect to developing a motion for consideration by Regional Council which could incorporate the concerns raised in the correspondence as well as other issues such as limiting the negative impacts of speculation on the value of primary residences. Councillor Collier advised that he may develop a Notice of Motion in this regard for the next meeting of Regional Council.

Moved by Councillor Collier, Seconded by Councillor Leahy,
(78) That we recommend to Council:

That the City of Sarnia's resolution regarding Capital Gains Tax on Primary Residence, be endorsed.

CARRIED

8.2 Reports

A) Eligible Investments & Portfolio Update (2021-F-25)

This matter was considered earlier in the meeting. See Item 8.2 A) on page 3.

B) Authorization to Enter into Collection Agency Services Agreements for POA Defaulted Fines and General Accounts Receivables Under the Ontario Education Collaborative Marketplace (OECM) Master Agreement (2021-F-26)

Report #2021-F-26 from N. Taylor, Commissioner of Finance, was received.

N. Taylor responded to a question with respect to whether Regional employees also undertake collection related activities.

Moved by Councillor Collier, Seconded by Councillor Ashe,
(79) That we recommend to Council:

A) That the Region of Durham be authorized to enter into a Client Supplier Agreement with Gatestone & Co. Inc., Credit Bureau of Canada Collections, EOS Canada Inc., ARO Inc., and Debt Control Inc. for the collection of defaulted Provincial Offences Act (POA) fines and general account receivables, in accordance with the terms and conditions of the Ontario Education Collaborative Marketplace (OECM) Master Agreement, and including:

   i) Commission fees ranging from 12% to 15% for first placement agencies and 18% to 25% for the second placement agency; and,

   ii) The initial term ending on March 31, 2024, in accordance with the term established by the OECM, with up to two additional one-year extensions.

B) That the Commissioner of Finance be authorized to execute the Client Supplier Agreements and any other necessary agreements.

CARRIED

9. Advisory Committee Resolutions

There were no advisory committee resolutions to be considered.

10. Confidential Matters

10.1 Reports

A) Confidential Report of the Commissioner of Corporate Services – Labour Relations/Employee Negotiations with respect to the Canadian Union of Public Employees ("CUPE"), Local 1764 and Local 1764-04 (2021-A-19)

Confidential Report #2021-A-19 from D. Beaton, Commissioner of Corporate Services, was received.

Moved by Regional Chair Henry, Seconded by Councillor Leahy,
(80) That we recommend to Council:

That the recommendations contained in Confidential Report #2021-A-19 of the Commissioner of Corporate Services be adopted.
CARRIED

11. Other Business

There was no other business to be considered.

12. Date of Next Meeting

The next regularly scheduled Finance & Administration Committee meeting will be held on Tuesday, November 9, 2021 at 9:30 AM in Council Chambers, Regional Headquarters Building, 605 Rossland Road East, Whitby.

13. Adjournment

Moved by Councillor Nicholson, Seconded by Councillor Ashe,
(81) That the meeting be adjourned.
CARRIED

The meeting adjourned at 10:55 AM

Respectfully submitted,

A. Foster, Chair

L. Fleury, Legislative Officer

If this information is required in an accessible format, please contact 1-800-372-1102 ext. 3893

The Regional Municipality of Durham Report

To:	Finance and Administration Committee
From:	Chief Administrative Officer
Report:	#2021-A-20
Date:	November 9, 2021

Subject:

Durham Region Anti-Racism Taskforce Membership Appointments

Recommendation:

That the Finance and Administration Committee recommends to Regional Council:

A) That the following individuals be appointed as Citizen Members to the Durham Region Anti-Racism Taskforce:

i) Channon Oyeniran;

ii) Fatouma Ahmed;

iii) Gail Wilson-Beier;

iv) Jeany Munawa;

v) Kevin Vieneer;

vi) Laura Francis;

vii) Shauna Bookal;

viii) Shrishma Dave;

ix) Trynee Hancock; and

x) Zed Pickering.

B) That the following individuals be appointed as representatives from industry, association and public institutions to the Durham Region Anti-Racism Taskforce:

i) Jacqueline Williamson;

ii) Kari Garside;

iii) Nikhila Samuel;

iv) Pita-Garth Case; and

v) Sherry Caibaiosai.

That the above individuals be advised of their appointment to the Durham Region Anti-Racism Taskforce.

Report:

1. Purpose

1.1 The purpose of this report is to recommend individuals for appointment to the Durham Region Anti-Racism Taskforce.

2. Background

2.1 The Durham Region Anti-Racism Taskforce (DRART) was established in 2021 to act in an advisory role to Regional Council through the Finance and Administration Committee on issues related to racism – structural, systemic and interpersonal.

2.2 The DRART Terms of Reference provides for DRART members to be appointed by the Finance and Administration Committee and Durham Regional Council.

2.3 Durham Region Anti-Racism Taskforce is comprised of 15 to 18 members, as follows:

a. One member of Regional Council;
b. The Chief Administrative Officer (CAO) of the Region;
c. Ten (10) Racialized Community members with lived experience, specialized expertise, including those with intersectional social locations; and
d. Three (3) to six (6) representatives from industry, association and public institutions.

3. Previous Reports and Decisions

3.1 Report #2021-A-8, Durham Region Anti-Racism Taskforce Terms of Reference.

3.2 Report #2020-COW-26, Anti-Black Racism Town Hall and Diversity, Equity and Inclusion Follow-Up.

4. Membership Recruitment and Selection

4.1 Advertisements were placed on the Regional website and social media channels seeking individuals interested in serving on DRART. Interested individuals were required to complete an online application.

4.2 To ensure equitable representation across Durham's eight local area municipalities, the Office of the CAO directly engaged local area Councillors and Mayors within Clarington, Scugog, Uxbridge and Brock and requested they share the posting with their networks.

4.3 The individuals recommended for appointment to DRART collectively represent four different racial and cultural identities (including Black and Indigenous) and a large portion are women. Attachment #1 includes a DRART Profile using demographic data from the individuals recommended for appointment.

4.4 A total of 73 applications were received and attachment #2 includes the names of individuals recommended for appointment to DRART.

4.5 Applications were reviewed and scored by the Office of the CAO. A longlist of candidates was then scored by a cross-divisional review panel. Selection criteria included:

a. Living or working in The Regional Municipality of Durham
b. Applicant's knowledge and understanding of racism, equity, and inclusion
c. Applicant's personal experience with racism or experience gained through community service and volunteerism
d. Applicant's ability to contribute to and advance DRART's mandate

4.6 The CAO's office engaged the services of Sterling Backcheck Inc. to complete criminal record and social media background checks in compliance with privacy laws and regulations. Sterling Backcheck has completed a background check on all recommended candidates. The CAO's office reserves the right to reconsider an individual's appointment to DRART if they become aware of a change in a member's police record or social media activity that is not in alignment with the Region's stated Corporate Values.

4.7 The term of membership will correspond with the term of Regional Council.

5. Relationship to Strategic Plan

5.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:

a. Community Vitality:

- Goal 2.5: Build a healthy, inclusive, age-friendly community where everyone feels a sense of belonging

b. Economic Prosperity:

- Goal 3.1: Position Durham Region as the location of choice for business

c. Service Excellence:

- Goal 5.3: Demonstrate commitment to continuous quality improvement and communicating results

6. Conclusion

6.1 It is recommended that the individuals nominated for appointment in recommendations A) and B) be appointed to the Durham Region Anti-Racism Taskforce.

6.2 For additional information, contact: Allison Hector-Alexander, Director Diversity, Equity, and Inclusion at 905-668-7711, extension 3893.

7. Attachments

Attachment #1: Durham Region Anti-Racism Taskforce Profile

Attachment #2: Recommended Appointments' Biographies (under separate cover)

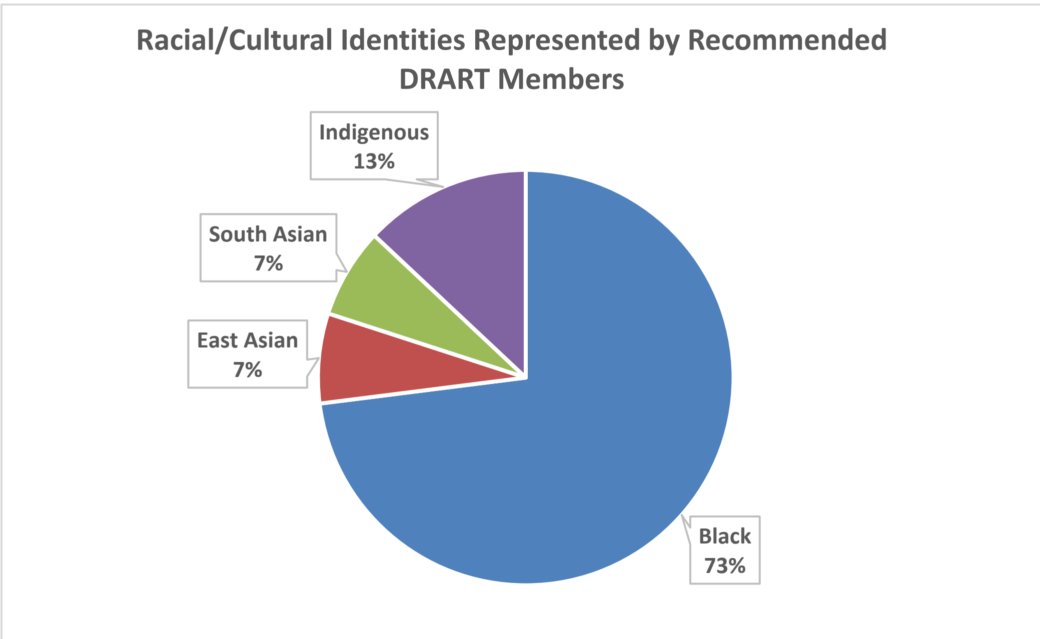
Respectfully submitted,

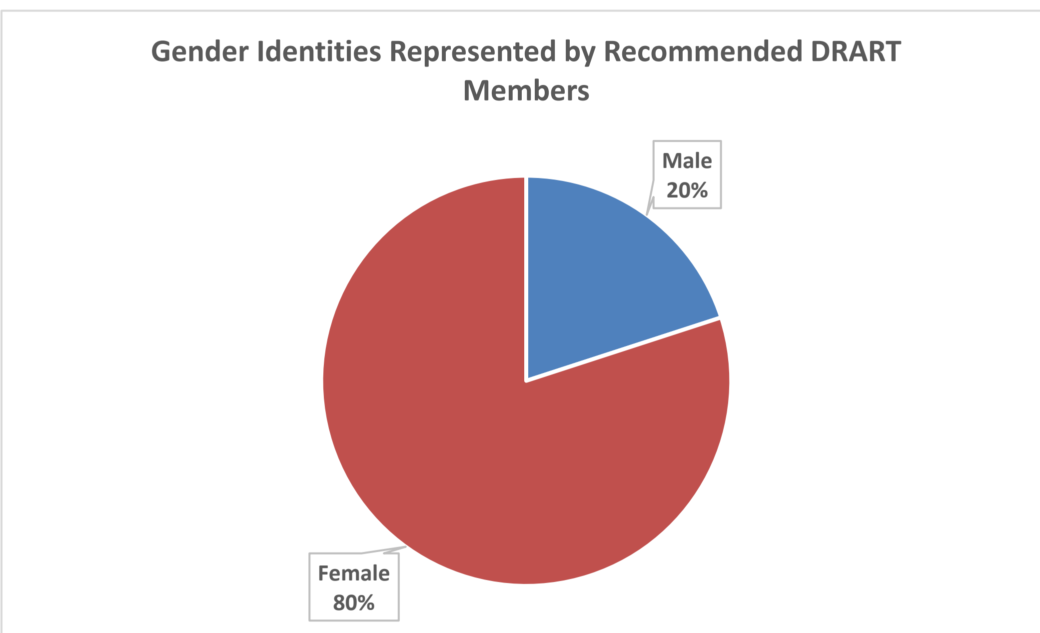
Original signed by

Elaine C. Baxter-Trahair
Chief Administrative Officer

Finance and Administration Committee

Durham Region Anti-Racism Taskforce Profile





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The Regional Municipality of Durham
Information Report

To:	Finance and Administration Committee
From:	Commissioner of Finance
Report:	#2021-F-28
Date:	November 9, 2021

Subject:

Multi-Residential Property Tax Class Ratio

Recommendation:

That the Finance and Administration Committee recommend to Regional Council that the Multi-Residential Property Tax Class Ratio remain at 1.8665 for 2022 and be reflected in the appropriate bylaw.

Report:

1. Purpose

1.1 The purpose of this report is to provide additional information and Staff's response and recommendation to Regional Council's referral, of an amending motion on February 24, 2021 to change the multi-residential ratio from 1.8665 to 1.1000 to match the new multi-residential ratio, to staff for consideration during the 2022 budget process.

2. Previous Reports and Decisions

2.1 Each year the Annual Strategic Property Tax Study is presented to Council as part of the Region's Business Planning and Budget Process. This annual strategy provides an update on various property tax items, including the setting of annual property tax ratios for the occupied property tax classes for the Region of Durham for the current property tax year. The most recent Strategic Property Tax Study (Report 2021-F-4) was approved by Council on February 24, 2021 and established a multi-residential property tax ratio of 1.8665 for 2021, consistent with the 2020 ratio.

2.2 Reports 2017-COW-23 and 2008-F-43 provided a more detailed analysis of the Region's residential assessment including the multi-residential assessment.

2.3 At the February 24, 2021 Council meeting the following resolution was passed:

> Moved by Councillor Nicholson, Seconded by Councillor John Neal, (43) That the main motion (42) of Councillors Foster and Collier to adopt the recommendations contained in Item #2 of Report #2 of the Finance and Administration Committee be amended in Part A) by changing the multi-residential rate from 1.8665 to 1.1000 to match the New Multi-Residential rate.
>
> MOTION REFERRED TO STAFF ON A RECORDED VOTE (See Following Motion) Moved by Councillor Collier, Seconded by Councillor Ryan, (44) That the foregoing amending motion (43) of Councillors Nicholson and John Neal be referred to staff for consideration during the 2022 budget process.

3. Background

3.1 A municipal tax ratio is the degree to which an individual property tax class is taxed relative to the residential class. (i.e., if the property tax class has a municipal tax ratio of 1.50, the municipal property tax rate for that particular property tax class is 1.50 times the municipal tax rate for the residential property tax class).

3.2 Municipal tax ratios have a direct impact on the property taxes paid by all classes and all individual taxpayers. Changes in municipal tax ratios are revenue neutral to the municipality. Any change in a municipal tax ratio will result in property tax shifts between the property tax classes and impact all municipal taxpayers (either through a property tax increase or a property tax decrease).

3.3 In a two-tiered municipal government system, the upper tier municipality is responsible for property tax policy including the setting of the municipal tax ratios, within the Provincial legislative framework, which must be followed by all lower tier municipalities. As part of the annual Strategic Property Tax Study, Durham Region Council approvals the municipal tax ratios for the current property tax year and authorizes the passing of the annual Property Tax Ratio By-law.

3.4 The current municipal tax ratio for the multi-residential property tax class is 1.8665. Ontario Regulation 282/98 under the *Assessment Act, R.S.O. 1990, C. A.* 31 defines a multi-residential property as having seven or more self-contained residential units and being built before April 20, 2017.

3.5 Ontario’s Fair Housing Plan, released on April 20, 2017, mandated the retroactive creation of a “new multi-residential property tax class for the 2017 property tax year with a maximum municipal tax ratio of 1.1000 to incentivize new multi-residential development. Multi-residential structures built after April 20, 2017 are placed in this property tax class for a period of 35 years.

3.6 Historically, Regional Council has decreased the multi-residential municipal tax ratio over the past two decades from 2.7103 to 1.8665 to improve the tax policy equity and staff are of the opinion that this has now been achieved as explained in the following paragraphs.

3.7 The Region’s 2021 multi-residential municipal tax ratio ranks fourth lowest and is slightly higher than the average of 10 similar jurisdictions as illustrated in Table 1.

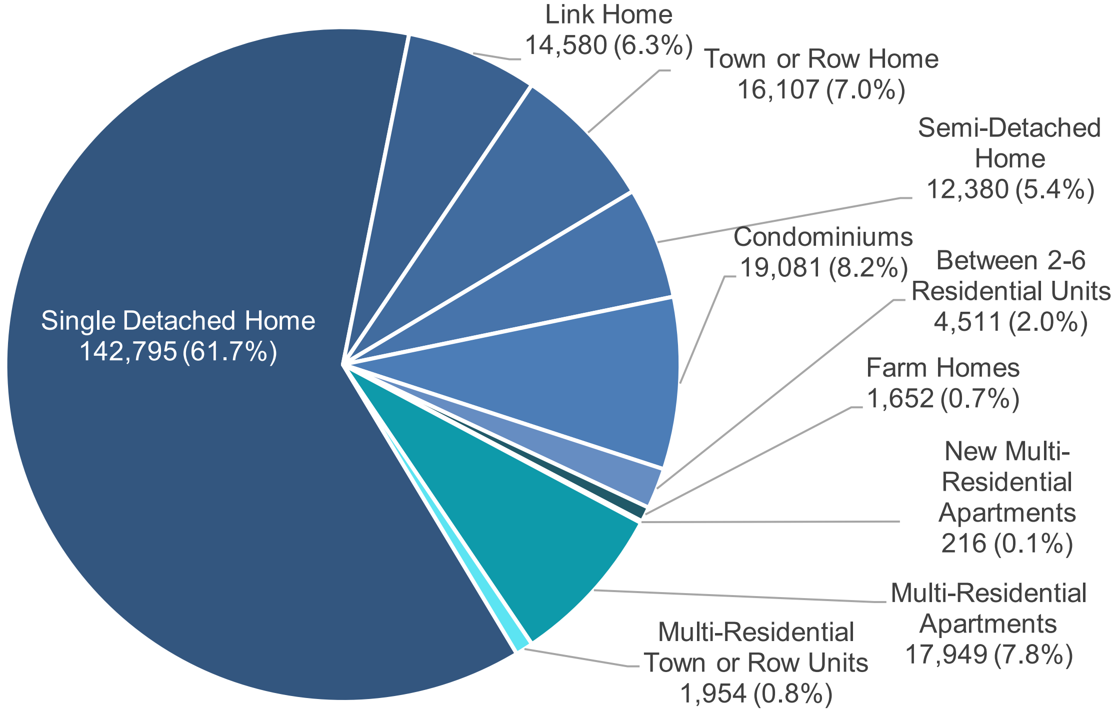
Table 1
Comparison of 2021 Multi-Residential Municipal Tax Ratios

	2021 Multi-Residential	
	Ratio	**Rank**
York Region	1.0000	1
Peel Region (Mississauga)	1.2656	2
Ottawa	1.3900	3
Durham Region	1.8665	4
Waterloo Region	1.9500	5
Niagara Region	1.9700	6
Halton Region	2.0000	7
Windsor	2.0000	7
Toronto	2.0838	9
Hamilton	2.4407	10
Average	**1.7967**	

4. Durham Region Residential Sector Overview

4.1 The residential sector in Durham is comprised of numerous different structures in three property tax classes, namely residential, multi-residential and new-multi-residential. Graph 1 provides a breakdown of the number of units for the different types of residential and multi-residential units in the Region.

Graph 1
Composition of Residential and Multi-Residential Units in the Region

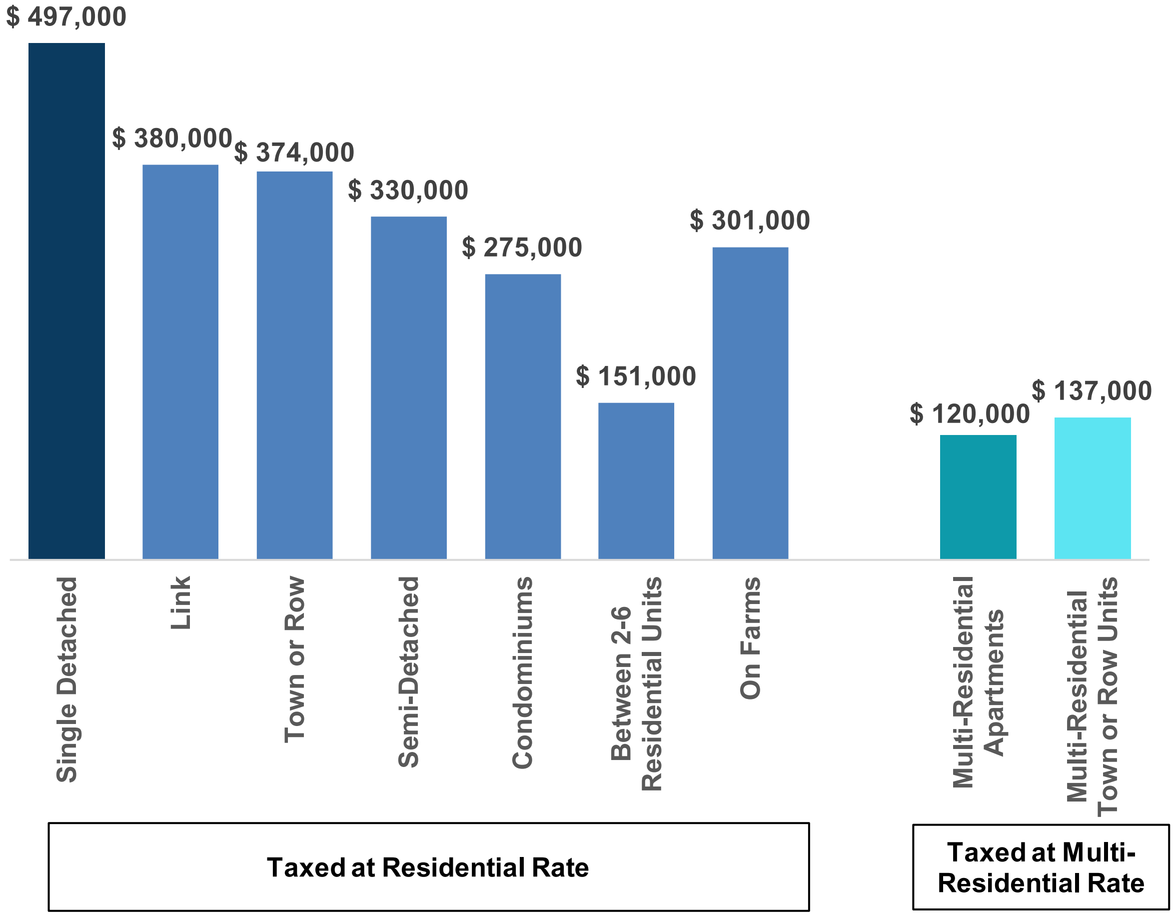


5. Average Regional Property Taxes in the Residential Sector

5.1 A comparison of Regional taxes within the residential sector was conducted in both 2008 and 2017. The results of both studies concluded that the municipal tax ratio for the multi-residential class was set at an appropriate level considering the average assessment of multi-residential units was significantly below that of the other residential structures. This analysis has been updated for this report based on 2021 current value assessments.

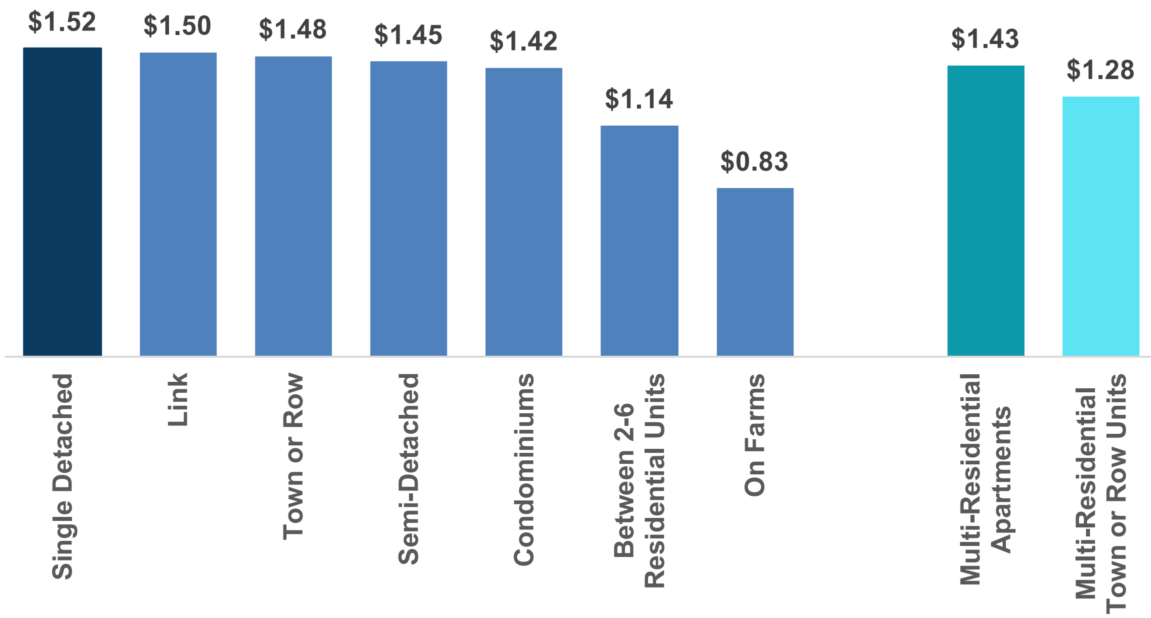
5.2 As show in Graph 2, the average current value assessment (CVA) for a multi-residential unit is approximately 75% less than the CVA for an average single detached unit. This is due in part to size, ownership structure and the different valuation approaches used by the Municipal Property Assessment Corporation (MPAC) to assess residential properties and multi-residential properties. Residential properties are assessed using a sales approach while multi-residential properties as assessed using the direct capitalization approach. If the multi-residential property tax class had a municipal tax ratio of 1.0 (same as the residential property tax class), then the municipal property taxes for an average multi-residential unit would be approximately one quarter of the municipal property taxes for an average single detached unit.

Graph 2
Durham 2021 Average Current Value Assessment Per Residential Unit



5.3 In an attempt to provide a more equitable comparison, Graph 4 provides a comparison of the estimated 2021 Regional property taxes per square foot and reflects the current municipal property tax ratio of 1.8665 for the multi-residential property tax class. As Graph 3 illustrates, the current municipal tax ratio results in very similar 2021 regional property taxes per square foot across the various residential structure types. As such, it can be said that the current multi-residential municipal tax ratio is at an equitable level.

Graph 3
2021 Estimate Average Regional Property Taxes per ft^2 by Residential Type



5.4 The on-farm properties show lower assessed value (Graph 2) and lower property taxes per square foot (Graph 3) as a result of the relative age and size of these structures (average over 2,150 ft^2) and the *Assessment Act* requiring that the surrounding land (one acre) be valued at the significantly lower farmland rate.

5.5 It is important to note that for the 2016 reassessment cycle, MPAC made changes to the methodology used to value multi-residential properties. In response, a significant number of multi-residential property owners have filed property tax appeals with the Assessment Review Board for the 2017 to 2021 property tax years. As of Regional Council's update in early 2021, almost $1.4 billion in multi-residential CVA (50 per cent) was still under appeal in the multi-residential class. Should these appeals be successful, the average regional property taxes per square foot for multi-residential properties could decrease.

6. Impacts of a Reduction in the Multi-Residential Municipal Tax Ratio

6.1 The amending motion that was referred to staff for consideration during the 2022 budget process proposed a reduction of the multi-residential municipal tax ratio from its current level of 1.8665 to 1.100 to be consistent with the ratio for the new multi-residential municipal tax ratio which is current set at the maximum level set by the province.

6.2 As mentioned previously, changes in municipal tax ratios are revenue neutral to the municipality. Any change in a municipal tax ratio will result in property tax shifts between the property tax classes and impact all municipal taxpayers, either through a property tax increase or a property tax decrease. For the regional portion of the property tax bill these property tax shifts will be spread across the Regional property tax base. For the local municipal portion of the property tax bill these property tax shifts will be spread across the local municipality with the impact being different for each local municipality.

6.3 The total CVA for the multi-residential class across the Region is $2.8 billion which accounts for 2.4 per cent of the Region's total taxable assessment. This percentage varies across each municipality depending on the assessment base composition for each local municipality. The City of Oshawa has the largest concentration of the Region's multi-residential properties where it comprises 5.8 per cent of the local assessment base. This higher concentration results in significantly larger local class tax shifts if the multi-residential MRT is reduced.

6.4 Table 2 illustrates the impact to an average residential homeowner by municipality for both the regional and local property tax shifts that would result from a reduction in the municipal tax ratio for the multi-residential property tax class from 1.8665 to 1.1000.

6.5 In summary, if the municipal tax ratio for the multi-residential property tax class is reduced to 1.100, it will result in:

a. A 40 per cent decrease in regional and local municipal taxes for multi-residential properties (no change in education taxes).

b. A shift of approximately $21.7 million in regional property taxes to all other property tax classes resulting in a regional tax increase of 1.76 per cent for all other property tax classes.

c. Varying property tax shifts for the local portion of the property tax bill depending on the proportion of the local municipality's assessment base that is in the multi-residential property tax class. The estimated impact on the local portion of the property tax bill for all non-multi-residential property tax classes ranges from an increase of 0.61 per cent for the Township of Brock to an increase of 4.18 per cent for the City of Oshawa.

Table 2
Average Home Impact by Local Municipality of Reducing Multi-Residential Municipal Tax Ratio to 1.100

		Estimated Municipal Tax Increases		
Municipality	**CVA**	**Region**	**Local**	**Total**
Pickering	599,100	$63 (1.76%)	$13 (0.63%)	$76
Ajax	527,500	$55 (1.76%)	$33 (1.80%)	$88
Whitby	551,600	$56 (1.76%)	$33 (1.54%)	$89
Oshawa	378,200	$39 (1.76%)	$90 (4.18%)	$129
Clarington	424,700	$45 (1.76%)	$12 (0.71%)	$57
Scugog	437,400	$46 (1.76%)	$5 (0.33%)	$51
Uxbridge	572,000	$60 (1.76%)	$10 (0.61%)	$70
Brock	300,200	$32 (1.76%)	$10 (0.69%)	$42
Region Average	483,100	$50 (1.76%)		

6.6 It is important to note property taxes are billed to and paid by the owner (landlord) of the property and not the tenants. As a result, reductions in property taxes for multi-residential properties do not always result in a rent reduction for tenants. There are current provisions in provincial legislation that outline when landlords are required to flow property rent reductions to tenants as well as provisions for tenant notification when reductions in property taxes occur.

7. Relationship to Strategic Plan

7.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:

a. Goal 3.1 Economic Prosperity – to position Durham Region as the location of choice for business. Property taxation is a consideration in building a strong and resilient economy that maximizes opportunities for business and employment growth, innovation, and partnership; and

b. Goal 4.1 Social Investment - to revitalize community housing and improve housing choice, affordability and sustainability; and

c. Goal 5.1 Service Excellence – to provide exceptional value to Durham taxpayers through responsive, effective, and financially sustainable service delivery.

8. Conclusion

8.1 An analysis of property taxes per square foot between residential and multi-residential property tax classes shows relatively consistent levels of taxation between different types of residential units and multi-residential units. The current municipal tax ratio for the multi-residential property tax class is required to adjust for the significantly lower CVA of individual multi-residential units which arises from the different ownership structure and MPAC valuation methodology to ensure relatively equitable level of property taxes per square foot between these different types of properties.

8.2 It is worthy of note that not all multi-residential properties are focused on providing affordability to residents. Some are for profit enterprises and they would also receive the benefit of any change to the multi-residential ratio. The new multi-residential ratio was established for the purpose of generating new investment in the multi-residential sector. It is meant to be a form of subsidization from the property tax base for the development of new units. Extending this to existing units does not promote the expansion of available units.

8.3 A decrease in the municipal tax ratio to 1.100 for the multi-residential property tax class will result in regional tax increase of 1.76 per cent for all other property tax classes. This is an annual increase of approximately $50 on the regional portion of the property tax bill for an average residential property owner with a 2021 CVA of $483,100. The increase on the local portion of the property tax bill would vary between municipality from an increase 0.61 per cent for the Township of Brock to an increase of 4.18 per cent for the City of Oshawa.

8.4 For 2022, staff are not recommending any changes to the municipal tax ratio for the multi-residential property tax class. This is based on the relative equity in property taxes per square foot for the various types of residential and multi-residential properties as well as the significant property tax shifts and financial impact to residential, commercial and industrial property owners that would result from reducing this ratio.

8.5 Staff will continue to monitor, through the Annual Strategic Property Tax Study, the equity of Durham Region's current property taxation policies and bring forward any further recommendations for Council's consideration.

Respectfully submitted,

Original Signed By

Nancy Taylor, BBA, CPA, CA
Commissioner of Finance

Recommended for Presentation to Committee

Original Signed By

Elaine C. Baxter-Trahair
Chief Administrative Officer

If this information is required in an accessible format, please contact 1-800-372-1102 ext. 2304

The Regional Municipality of Durham Report

To:	Finance and Administration Committee
From:	Commissioner of Finance
Report:	#2021-F-29
Date:	November 9, 2021

Subject:

Optional Small Business Property Tax Subclass

Recommendation:

That the Finance and Administration Committee recommend to Regional Council that the creation of a small business property tax subclass in the Region of Durham not be pursued at this time.

Report:

1. Purpose

1.1 The purpose of this report to provide an overview of the option introduced by the provincial government to adopt and provide a property tax discount to eligible small business properties and to advise Regional Council of the challenges and impacts of introducing a small business property tax subclass discount program in Durham Region.

2. Previous Reports and Decisions

2.1 The 2021 Strategic Property Tax Study (Report 2021-F-4) was approved by Council on February 24, 2021 and provided an overview of the introduction of the new optional small business property tax subclass.

3. Background

3.1 The province, as part of the 2020 Ontario Budget released on November 5, 2020, announced a new optional small business property tax subclass that provides municipalities with the flexibility to target property tax relief to small business in a way that best reflects their local circumstances.

3.2 The province indicated that it would consider matching any municipal reductions with similar education tax reductions on a case-by-case basis upon municipalities undertaking comprehensive consultation with stakeholders. It is not clear how the province would fund any education property tax discount provided to eligible small business properties.

3.3 Under this program, the upper tier or single tier is responsible for defining a "small business" and evaluating which businesses meet the municipality's definition and are eligible for the reduction, determining the level of discount provided (to a maximum of 35 per cent), determining how the discount would be funded and resolving any disputes that result from the classification, or lack of classification, of a business as a "small business".

3.4 Provincial regulation allows for a new subclass in the commercial and/or industrial classes. The provincial regulation prohibits the inclusion of parking lots, vacant land, excess land and large industrial properties (greater than 125,000 ft^2) from being included in the optional small business property tax subclass.

3.5 On May 7, 2021, the provincial government filed Regulations 331/21 on the Small Business Property Subclass. These regulations provide further details on program parameters and implementation, municipal by-law requirements and the administration of the small business property tax subclass.

3.6 The optional small business property tax subclass discount was not intended as a temporary pandemic relief program but rather to provide the flexibility for municipalities to choose to adopt a permanent discount for small businesses based on the unique needs of their municipalities. It is clearly recognized that small businesses have been uniquely challenged by the pandemic as evidenced by the number of supports provided by the Region of Durham, local municipalities, the Province of Ontario and the Government of Canada throughout the various stages of the pandemic. However, permanent property tax adjustments must be considered in the context of implications to other property owners in the region.

3.7 The Municipal Property Assessment Corporation (MPAC) in collaboration with the Municipal Finance Officers' Association of Ontario (MFOA), Ontario Business Improvement Area Association (OBIAA), Ontario Municipal Tax and Revenue Association (OMTRA) and the Toronto Association of Business Improvement Areas (TABIA) released a report titled "Ontario's Small Business Property Subclass: Considerations for Municipalities" on October 1, 2021. This report provides an objective summary of different policy directions for small businesses that may be relevant to a municipality's consideration of this optional property tax subclass. The report provides guidance on defining "small business" based on local policy goals and outlines key process considerations and administrative requirements for use of the subclass. The report indicates that most municipalities are not expected to find the subclass necessary from a policy perspective as small businesses in most municipalities are not experiencing property tax issues relative to large commercial and industrial properties. Region of Durham staff participated as a member of the Working Group that assisted in the development of this report.

3.8 As part of the 2020 Ontario Budget, the Province also announced significant reductions in the 2021 Business Education Tax (BET) rates by materially lowering the highest rates in the province to a common ceiling rate of 0.88 per cent. Table 1 illustrates the estimated $15.2 million in property tax savings for Durham Region commercial and industrial property owners as a result of the reduction in the 2021 BET rates.

Table 1
Estimated 2021 Provincial Education Property Tax Reductions for Durham Commercial and Industrial Property Owners

Broad Property Class	2020 Education Tax Rate	2021 Education Tax Rate	Estimated 2021 Education Reduction	
			$ millions	%
Commercial	0.98%	0.88%	$10.0	10.2%
Industrial	1.25%	0.88%	$5.2	28.0%
Total			**$15.2**	

4. Durham Region Property Tax Policy Lenses

4.1 The following objectives/criteria have historically been considered when evaluating potential property tax policy options or changes in Durham Region and should be considered when evaluating whether to adopt a small business property tax subclass discount in the Region of Durham.

a. Taxpayer Equity – property tax policy should treat similar regional taxpayers in a similar fashion regardless of geographic location or property tax class.

b. Market Effects – tax policy should not unduly affect or distort business decisions.

c. Property Tax Competitiveness – consideration should be given to the impact property tax policy has on the region's overall competitiveness with respect to other jurisdictions.

d. Impact on Property Owners – prior to any new policy or policy change, a complete understanding of the properties affected, and the extent must be understood and considered.

5. Consultation

5.1 Regional staff have continually consulted with the local area Treasurers on this topic. Like the region, the local area Treasurers are concerned with the impact on other commercial and industrial properties, the various challenges in defining a small business as well as the significant cost and administration burden required to administer a small business subclass discount program and are supportive of staff's recommendation to not adopt a small business property tax subclass discount at this time. For those familiar with property tax policy history, property tax capping became a very long-term challenge impacting those properties with clawbacks for many years.

5.2 In addition, staff have been involved in various working groups reviewing, evaluating, and sharing information on the new subclass. These consultations include:

a. Participating as a member of the Greater Toronto Hamilton Area (GTHA) Sustainable Finance Small Business Subclass Working Group. This working group completed a survey of GTHA municipalities and continues to share information on respective municipal considerations and positions on the optional small business property tax subclass discount;

b. Participating as a member of the MPAC Working Group including providing input on the Ontario's Small Business Property Subclass: Considerations for Municipalities report;

c. Sharing information on respective municipal considerations, modeling and positions on the optional small business property tax subclass discount with other property tax policy analysts and economists across the Greater Toronto Area (GTA);

d. Participating in the Toronto Region Board of Trade roundtable session on small business tax subclass; and

e. Ongoing monitoring of stakeholder releases from MFOA, OMTRA, AMCTO, and the provincial government.

6. Considerations for Whether to Adopt a Small Business Property Tax Discount

6.1 Small business is typically defined in terms of economic measures such as number of employees, gross revenues or net income. The major challenges in adopting a small business property tax subclass discount stem from the current property tax system in Ontario being based on the value of land and structures (not employees, revenues or income) and property taxes being billed and paid by owners, not the operating businesses.

6.2 The following subsections examine the major issues related to the potential implementation of the new subclass and support the Report recommendation.

Defining Small Business

6.3 Small businesses are not defined by the province in either the *Municipal Act, 2021* or the *Assessment Act* for property tax purposes. The province requires municipalities to establish a set of criteria for defining small businesses for the purposes of the small business property tax subclass. In a two-tiered structure it is the upper tier that must define and enshrine the small business subclass definition in by-law along with the reduction percentage provided.

6.4 Once defined and identified, the listing of properties to be placed in the new subclass is provided to MPAC who will change the classification on the assessment roll. Further, municipalities must make available to the public a listing of the properties within the new subclass.

6.5 Table 2 provides a sample of the type of data that can be used to define a small business property along with both the source and reliability of the data. Provincial legislation permits an application-based process that allows for data to be collected from the property owner and/or operating business to determine eligibility. This information would need to be reviewed and validated by the municipality.

Table 2
Potential Data for Use in Definition of "Small Business"

Readily Available Reliable	Available Verification Required	Application Based Process (owner/operating business)
• Current Value Assessment (MPAC)	• Lot Size (MPAC)	• Operating Business Employees
• Realty Tax Class & Qualifier (MPAC)	• Gross Floor Area (MPAC)	• Operating Business Revenues/Net Income
• Geographical (including BIA area or CIP area)	• Property Code (MPAC)	• Ownership Structure
	• Structural Code (MPAC)	

6.6 Typically, small businesses are defined based on the number of employees, business revenues, business income and business type or ownership structure. Unfortunately, municipalities do not have ready access to this type of reliable, timely information to assess a business's eligibility. Should municipalities opt to define small businesses using these typical criteria, municipalities would have to implement an application-based program where businesses would need to provide evidence of the number of employees and business revenue, as an example. These application-based programs are very administratively burdensome and often cost-prohibitive to deliver.

6.7 Property based criteria, while more readily available through MPAC's databases, do not allow municipalities to provide targeted relief to small businesses.

6.8 Using a criteria based on geographic location or any type of threshold (i.e., CVA or floor area) creates significant equity issues for those just beyond the threshold. Defining small business using these types of thresholds may in fact provide a disincentive for small businesses to grow as they may no longer be eligible for the small business property tax subclass discount. This is referred to as a 'cusp' issue. Many local municipalities rely on small business expansion as a cornerstone of their economic development strategies. This impact would be contrary to the region's strategic goal of supporting and encouraging growth of our small businesses.

6.9 Defining small business by square footage identifies properties that are small in size and not necessarily small businesses. Classification based solely on square footage would likely capture franchises and similar businesses as well as small businesses and potentially exclude many small businesses who are tenants in large buildings or malls. For example, local bank branches of the major banks or local locations of major brands such as coffee franchises may be eligible but a small entrepreneur who is a tenant in a larger facility would not be eligible. As well, multiple property owners could receive multiple discounts, but the parent business company would not meet a definition of small business. This may also be true for companies who keep the property in a different company name than the operating ‘small’ business.

6.10 Municipalities have also raised concerns over the potential lack of stability to taxpayers. For example, if a property that was previously eligible for the discount became ineligible due to reassessment or expansion, the property would see a significant increase in taxes as a result of no longer being eligible for the small business property tax subclass discount. This impact would be in addition to the impact due to the reassessment or growth. This is counter to incentives for businesses to expand found in development charge policies. This also adds significantly to the administrative burden of running the program.

6.11 Equity concerns have also been raised by large single and two-tier municipalities where different areas of the municipality/region can have different economic profiles. Using a common property type definition may be seen as unfair as business property in a larger urban area could have the same assessed value as a much larger property in the more rural area of the Region.

6.12 Regardless of the criteria used, municipalities will need to ensure that the information provided either by the applicant or MPAC is accurate and current. Extensive verification may be required both pre and post implementation to validate the information provided leading to increased municipal administrative costs.

Two-Tier Municipal Structure

6.13 Additional complexity arises in a two-tiered municipal structure. As an example, the provincial regulation allows for designating only a portion of a municipality eligible for the subclass and for different portions of a municipality to have unique defining criteria. This creates the possibility of the new subclass existing in only a select few of Durham Region’s local municipalities. This would create an inequity whereby a property in a local municipality with the new subclasses would receive a regional property tax reduction that is funded by a similar property in a different municipality (without the subclass).

Landlord/Tenant

6.14 Property taxes are billed to and paid by the property owner (landlord) and not the tenants or operating business.

6.15 Provincial regulation does permit the upper tier municipality to include in the by-law a requirement that the property owner (landlord) pass on the tax reduction to the tenant. It is not clear how this can be monitored and what enforcement mechanisms are available. Exclusion from the subclass for failure to flow-through to the tenant is an option, but this then negates the original purpose of the subclass.

6.16 A further complication is related to a municipality's ability to share information with a tenanted small business. Individual property tax information is considered confidential, and it is not clear if a municipality is even permitted to communicate specific property tax information on the property to the tenant as they are not a party to the property tax billing/payment process.

6.17 In addition, landlords/tenants will have existing legal agreements in place (lease provisions), and it is unclear what, if any powers, a municipality has to alter these agreements to ensure that any property tax relief provided under the small business property tax subclass discount is passed on to the small business tenants.

Dispute Mechanism

6.18 Historically MPAC has been responsible for the classification of all properties in the Province. In the case of an owner disputing this classification, there are two avenues available: the informal MPAC Request for Reconsideration (RfR) process and the formal appeal process to the Ontario Assessment Review Board (ARB).

6.19 For the new subclass, classification of the property is the sole responsibility of the municipality. As such, the existing dispute mechanisms are not available and Provincial regulation requires that new and separate processes (both informal and formal) be created and funded by the municipality.

6.20 In a two-tiered structure, the dispute mechanism can be designated at either an upper or lower tier level with the designated staffing from either the upper or lower tier. Potential confusion over appeal deadlines is of concern.

Program Administration

6.21 A robust administration system would be required to meet the legislative requirements of a small business property tax subclass discount program including updates to property tax billing systems, development of business processes to define and identify eligible small businesses and to respond to and adjudicate all appeals received under the program.

6.22 Specifically, the legislation requires that a Program Administrator and Appellate Authority be appointed by municipal by-law to administer the program.

6.23 The Program Administrator is responsible for identifying all qualifying properties to be classified in the commercial and/or industrial small business property tax subclasses that meet the eligibility criteria established by the municipality. The Program Administrator is also responsible for establishing a process where a property owner may file a request for reconsideration concerning their eligibility in the small business property tax subclass.

6.24 The Appellate Authority is responsible for hearing and deciding on any appeals about whether a property should be included in the small business property tax subclass.

6.25 Neither the Region nor the local municipalities are resourced to administer the small business property tax subclass program. An increase in the operating budget would be required resulting in an increase in property taxes for all properties in the Region. Other municipalities have raised concerns with the relatively small amount of discount provided compared to the anticipated costs to administer the small business property tax subclass discount.

7. Impacts on Other Property Taxpayers

7.1 Property taxation policy decisions (such as the new subclass) alters the funding allocated to the different classes/subclasses; it does not change the total amount of property taxes required to be raised in a given year. The amount of property tax required for a given year is determined through the annual regional and local budget processes. Therefore, a property tax policy decision cannot reduce taxes in isolation, but only shift taxes from one property tax class/subclass to another property tax class/subclass.

7.2 Provincial legislation allows for any discounts provided to eligible properties within the new small business property tax subclass to be funded from one of the following three options:

a. Fund by absorbing the cost into the budget

b. Fund across all property classes

c. Fund within the commercial and/or industrial broad property tax classes through adoption of revenue neutral property tax ratios.

7.3 The first option of having the municipality (both region and local municipality) absorb the cost is essentially the same as funding the discount from all property tax classes as all property classes fund both the budget of the local municipality and the region.

7.4 For illustrative purposes, Attachment #1 provides additional details on the following estimated tax shifts that would occur should the Region opt to adopt the small business property tax subclass with a 15 per cent discount for both eligible commercial and industrial properties with an MPAC property code of 400 (commercial) or 500 (industrial) and with a gross floor area of less than 25,000 square feet and a current value assessment of less than $1.0 million:

a. Total estimated regional discount of $1.7 million and local discount of $1.2 million.

b. Average annual savings in municipal property taxes of $856 ($71 monthly) for an eligible commercial property and $1,063 ($89 monthly) for an eligible industrial property.

c. An estimated regional property tax increase of 1.6 per cent for the balance of commercial properties and 1.1 per cent for the balance of industrial properties if the discount was funded from within the broad classes.

d. The estimated regional property tax increase would be 0.23 per cent for all properties if the discount was funded from across the tax base; this increase would be reduced to an increase of 0.18 per cent if the program was only for commercial properties (with the residential class funding approximately 80 per cent of the reduction).

e. The estimated local municipal property tax increase would vary by municipality depending on the assessment mix for the particular local municipality. The estimated local municipal property tax increase would range from a low of 0.7 per cent in the City of Pickering to a high of 8.0 per cent in the Township of Brock for the balance of commercial properties and from a low of 0.6 per cent in the Town of Whitby to a high of 4.1 per cent in the Township of Brock for the balance of industrial properties if the funding was provided from the broad property classes.

f. The estimated local municipal property tax increase would range from a low of 0.13 per cent in the City of Pickering to a high of 0.48 per cent in the Township of Brock for all properties if the discount was funded from across the entire tax base, this increase would be reduced to a low of 0.10 per cent in the City of Pickering to a high of 0.41 per cent in the Township of Brock if the program was only for commercial properties.

7.5 The above scenario is for illustrative purposes based on some potential parameters for defining small business. Should Council wish staff to explore the adoption of a small business property tax subclass, further research and data validation would be required before establishing the final criteria for defining a small business.

7.6 The above estimates do not consider the increased costs for the administration of the program. These costs are significant due to the staffing and software requirements.

8. Other Municipal Jurisdictions

8.1 At the time of writing this report, the City of Toronto's Executive Committee and Council is considering adoption of a small business property tax subclass discount for eligible commercial properties in 2022. The program would provide a 15 per cent reduction to eligible commercial properties and be funded within the broad commercial property tax class. The City of Toronto is considering the following definition of small businesses:

a. Business located downtown, on central waterfront, designed growth centers in the Toronto Official Plan:
   - Within the commercial/new commercial tax class; and
   - With CVA less than or equal to $7 million; and

- Lots 7,500 square feet or less, commercial condos gross floor area of 2,500 square feet or less.

b. Business located anywhere else in the City:
- Within the commercial/net commercial tax class; and
- With a CVA less than or equal to $1 million.

8.2 The City of Toronto has been a proponent of the municipal flexibility offered with the optional small business property tax subclass as it addresses some of their unique concerns including significant property tax increases resulting from rising commercial property values prior to the COVID-19 pandemic. MPAC's practice of valuing the land portion of properties based on their **highest and best use** has resulted in instances in the City of Toronto where small businesses surrounded by large multi-residential developments have assessments that are disproportionate to their income. In addition, the City of Toronto has graduated property tax rates which the City is looking to phase-out with the adoption of a discount for the optional small business property tax subclass. These unique concerns facing the City of Toronto are not currently an issue for the Region of Durham.

8.3 On October 13, 2021, the City of Ottawa adopted a small business property tax subclass discount program for eligible commercial and industrial properties. The program will be phased in with a 7.5 per cent discount provided to eligible small business properties in 2022 increasing to a 15 per cent discount for eligible small business properties in 2023. The program will be funded from within the broad commercial and industrial property tax classes. The City of Ottawa has defined eligible commercial and industrial properties as being less than 25,000 square feet. They also have similar policy considerations as the City of Toronto due to their urbanization.

8.4 The Regional Municipality of York, the Regional Municipality of Peel, the City of London and Bruce County have opted not to proceed with the small business property tax subclass discount.

8.5 The Regional Municipality of Halton Council has opted to defer a decision on the small business property tax subclass to 2023.

9. Relationship to Strategic Plan

9.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:

a. Goal 3.1 Economic Prosperity – to position Durham Region as the location of choice for business. Property taxation is a consideration in building a strong and resilient economy that maximizes opportunities for business and employment growth, innovation, and partnership; and

b. Goal 5.1 Service Excellence – to provide exceptional value to Durham taxpayers through responsive, effective, and financially sustainable service delivery.

10. Conclusion and Looking Forward

10.1 Staff are recommending that the adoption of the optional small business property tax discount not be pursued at this time due to the following critical elements and challenges associated with adopting the subclass for the Region of Durham:

a. Challenges of program design and implementation outlined in this report;

b. Significant administrative burden and cost relative to the small reduction in property taxes which results in a marginal benefit to small businesses; and

c. Tax shifts and resulting affordability considerations that would occur for other commercial and industrial property taxpayers and possibly the residential sector.

10.2 This recommended direction is supported by the local area Treasurers.

10.3 If directed to pursue further, staff would need to continue consultation with the business community including the Chambers of Commerce, Boards of Trade and the Business Improvement Areas. Informal dialogue has taken place where the interest was not positive once it was understood that it is a tax redistribution program. Stakeholder consultation is a requirement for the Province to consider whether they will adopt a similar discount on the educational property taxes for properties in the small business property tax subclass.

10.4 Given the time required to complete these consultations, develop a definition of small business, provide MPAC with a list of eligible properties to be included in the subclass, and develop the required business administrative processes to administer the program including processes and procedures for responding to and resolving any appeals by property owners, the earliest that the small business property tax subclass could be implemented would be for the 2023 taxation year.

11. Attachments

Attachment #1: Preliminary Financial Analysis

Respectfully submitted,

Original Signed by

Nancy Taylor, BBA, CPA, CA
Commissioner of Finance

Recommended for Presentation to Committee

Original Signed by

Elaine C. Baxter-Trahair
Chief Administrative Officer

Attachment 1: Preliminary Financial Analysis

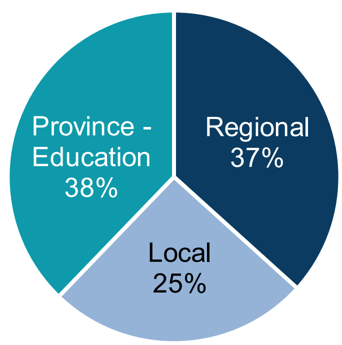
Composition of Commercial and Industrial Property Tax Bill

The following graphs illustrate the composition of a 2021 commercial and industrial property tax bill in Durham Region.

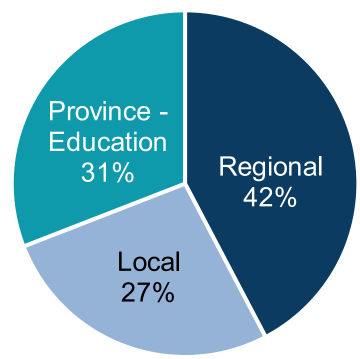
The average commercial property owner pays approximately 38 per cent and the average industrial property owner pays approximately 31 per cent of its property tax bill to the province for education purposes.

A significant portion of the savings for small businesses would only be realized if the province agrees to match the region's discount. The province has indicated that they will consider matching the municipality's small business property tax subclass discount on a case-by-case basis only once the municipality has demonstrated that they have consulted comprehensively with stakeholders.

Average Commercial Property Tax Bill



Average Industrial Property Tax Bill



All Eligible Properties – Commercial Broad Class

There are 5,294 eligible property segments[1] in the eligible commercial broad property class with a total 2021 CVA of $9.5 billion and total 2021 property taxes of $222.7 million broken down by local municipality in Table 1. Properties in the vacant, excess land and parking lot subclasses are not included in Table 1 as these properties are not eligible for inclusion in the small business property tax subclass as legislated by the province.

A 30 per cent municipal property tax reduction[2] would shift $24.5 million of regional taxes and $17.1 million in local municipal taxes to the other property tax classes.

Table 1
Eligible Properties in the Commercial Broad Property Tax Class

	Commercial Broad Class									
	Number of Segments *		CVA ($m)		2021 Property Taxes ($m)					
					Region	Local	Educ.	Total	
Pickering	729	13.8%	1,932.5	20.2%	**16.73**	**9.25**	17.01	**42.99**	19.3%
Ajax	731	13.8%	1,722.0	18.0%	**14.90**	**8.52**	15.15	**38.57**	17.3%
Whitby	953	18.0%	1,999.3	20.9%	**16.94**	**11.18**	17.59	**45.71**	20.5%
Oshawa	1,313	24.8%	2,450.2	25.8%	**20.76**	**20.16**	21.56	**62.48**	28.1%
Clarington	717	13.5%	831.8	8.7%	**7.20**	**4.84**	7.32	**19.36**	8.7%
Scugog	333	6.3%	259.5	2.7%	**2.25**	**1.24**	2.28	**5.77**	2.6%
Uxbridge	294	5.6%	277.1	2.9%	**2.40**	**1.15**	2.44	**5.99**	2.7%
Brock	224	4.2%	77.1	0.8%	**0.67**	**0.51**	0.68	**1.86**	0.8%
Region	**5,294**	**100.0%**	**9,549.5**	**100.0%**	**81.85**	**56.85**	**84.03**	**222.73**	**100.0%**
			30% Reduction		**(24.56)**	**(17.06)**		**(41.62)**	

All Eligible Properties – Industrial Broad Class

There are 670 eligible property segments in the industrial broad property class with a total 2021 CVA of $781.0 million and total 2021 property taxes of $22.2 million broken down by local municipality in Table 2. Properties in the vacant, excess land and large industrial subclasses are not included in Table 2 as these properties are not eligible for inclusion in the small business property tax subclass as legislated by the province.

The maximum 35 per cent municipal property tax reduction would shift $3.3 million of regional taxes and $2.1 million in local municipal taxes to the other classes.

1 A property segment is a unique class/subclass combination that has its own specific municipal tax rate.
2 A reduction of greater than 30 per cent will result in a commercial municipal tax ratio below the residential level of 1.0.

Table 2
Eligible Properties in the Industrial Broad Property Tax Class

	Industrial Broad Class									
	Number of Segments		CVA ($m)		2021 Property Taxes ($m)					
					Region	Local	Educ.	Total		
Pickering	136	20.3%	197.9	25.2%	**2.39**	**1.32**	1.74	**5.45**	24.6%
Ajax	122	18.2%	142.0	18.2%	**1.71**	**0.98**	1.25	**3.94**	17.8%
Whitby	87	13.0%	145.9	18.7%	**1.73**	**1.14**	1.28	**4.15**	18.7%
Oshawa	92	13.7%	92.6	11.9%	**1.09**	**1.06**	0.81	**2.96**	13.3%
Clarington	89	13.3%	74.2	9.5%	**0.90**	**0.60**	0.65	**2.15**	9.7%
Scugog	40	6.0%	33.2	4.3%	**0.40**	**0.22**	0.29	**0.91**	4.1%
Uxbridge	70	10.4%	74.1	9.5%	**0.90**	**0.43**	0.65	**1.98**	8.9%
Brock	34	5.1%	21.1	2.7%	**0.25**	**0.20**	0.19	**0.64**	2.9%
Region	**670**	**100.0%**	**781.0**	**100.0%**	**9.37**	**5.95**	**6.86**	**22.18**	**100.0%**
			35% Reduction		**(3.28)**	**(2.08)**		**(5.36)**	

All Eligible Properties – Commercial & Industrial Broad Classes Combined

There are 5,964 eligible property segments in the combined commercial and industrial broad property classes with a total 2021 CVA of $10.3 billion and total 2021 property taxes of $244.9 million broken down by local municipality in Table 3. Properties in the vacant, excess land, parking lot and large industrial subclasses are not included in Table 3 as these properties are not eligible for inclusion in the small business property tax subclass as legislated by the province.

The combined 30 per cent commercial and 35 per cent industrial municipal property tax reduction would shift $27.8 million of regional taxes and $19.1 million in local municipal taxes to the other classes.

Table 3
Eligible Properties in the Commercial and Industrial Broad Property Tax Class

	All Eligible Taxable Properties								
	Number of Segments		CVA ($m)		2021 Property Taxes ($m)				
					Region	Local	Educ.	Total	
Pickering	865	14.5%	2,130.4	20.6%	**19.12**	**10.57**	18.75	**48.44**	19.8%
Ajax	853	14.3%	1,864.0	18.0%	**16.61**	**9.50**	16.40	**42.51**	17.4%
Whitby	1,040	17.4%	2,145.2	20.8%	**18.67**	**12.32**	18.87	**49.86**	20.4%
Oshawa	1,405	23.6%	2,542.8	24.6%	**21.85**	**21.22**	22.37	**65.44**	26.6%
Clarington	806	13.5%	906.0	8.8%	**8.10**	**5.44**	7.97	**21.51**	8.8%
Scugog	373	6.3%	292.7	2.8%	**2.65**	**1.46**	2.57	**6.68**	2.7%
Uxbridge	364	6.1%	351.2	3.4%	**3.30**	**1.58**	3.09	**7.97**	3.3%
Brock	258	4.3%	98.2	1.0%	**0.92**	**0.71**	0.87	**2.50**	1.0%
Region	**5,964**	**100.0%**	**10,330.5**	**100.0%**	**91.22**	**62.80**	**90.89**	**244.91**	**100.0%**
			Reduction		**(27.84)**	**(19.14)**		**(46.98)**	
Estimated Tax Impact On All Other Classes					**3.76%**	**3.80%**			

The combined eligible properties contribute approximately 80 per cent of all non-residential property taxation which would result in a significant increase in the balance of the broad commercial and industrial properties should the reductions be funded from within the broad commercial and industrial property tax classes. It is estimated that the increase in the broad commercial class for regional taxes would be 26.0 per cent for the broad commercial class and 14.0 per cent for the broad industrial class. In addition, the local increase would range from a low of a 23.8 per cent increase in the broad commercial class and a 28.0 per cent increase in the broad industrial class in the Municipality of Clarington to a high of a 28.0 per cent increase for the broad commercial class in the Township of Uxbridge and a 27.3 per cent increase in the broad industrial class in the Township of Brock.

If the funding of these reductions was spread across all property classes, it is estimated to result in a 3.8 per cent increase in regional taxes for all other property classes. In addition, the local increase would range from a low of a 1.6 per cent increase in the Township of Uxbridge to a high of a 4.4 per cent increase in the City of Pickering.

These estimates do not consider the increased costs for the administration of the program.

Illustrative Example – Small Business Example Criteria

The following illustrative example provides similar information based on an illustrative set of municipal criteria involving maximum property CVA, floor space and MPAC property coding related to commercial and industrial usage.

For the purposes of this example, eligible properties are defined as properties with:

1. Current Value Assessment (CVA) of less than $1.0 million, and
2. Gross floor area of less than 25,000 ft^2, and
3. An MPAC property type code series of 400 commercial or 500 industrial; and
4. A property tax discount of 15 per cent for eligible properties.

It is important to note that the CVA and floor space maximum criteria would eliminate all large malls and office buildings that may be leased to multiple tenants that could be considered a “small business”.

Should Council wish staff to explore the adoption of a small business property tax subclass, further research would be required before establishing the final criteria for defining a small business.

The numbers provided below are for illustrative and discussion purposes only. The property data for floor space and property type code is from MPAC and must be considered preliminary and would need to be reviewed and validated before using it to determine a property’s eligibility.

Illustrative Example – Commercial Broad Class

It is estimated that there are 2,957 eligible property segments in the Illustrative Example for the commercial broad property class (47 per cent of commercial property segments) with a total 2021 CVA of $1.2 billion and total 2021 property taxes of $27.1 million broken down by local municipality in Table 4.

A 15 per cent municipal property tax reduction would shift $1.5 million of regional taxes and $1.1 million in local municipal taxes to the other classes. The average commercial property segment would receive approximately $856 in annual municipal tax savings ($71 in monthly municipal tax savings).

If the reduction is funded from the broad commercial class, it would result in an estimated 1.6 per cent regional tax increase and between a 0.7 per cent increase and 8.0 per cent increase in local municipal tax increase on other commercial properties. Should the discount be funded across all property tax classes it would result in an estimated 0.18 per cent regional tax increase and between a 0.10 per cent increase and 0.41 per cent increase in local municipal tax increase on all other properties.

Table 4
Illustrative Example
Eligible Properties in the Commercial Broad Property Tax Class

	Commercial Broad Class								
	Number of Segments *		CVA ($m)		2021 Property Taxes ($m) Region	Local	Educ.	Total	
Pickering	328	11.1%	97.2	8.4%	**0.84**	**0.47**	0.86	**2.17**	8.0%
Ajax	397	13.4%	164.7	14.3%	**1.43**	**0.82**	1.45	**3.70**	13.7%
Whitby	505	17.1%	201.9	17.5%	**1.71**	**1.13**	1.78	**4.62**	17.1%
Oshawa	807	27.3%	317.3	27.6%	**2.69**	**2.61**	2.79	**8.09**	29.9%
Clarington	391	13.2%	155.4	13.5%	**1.34**	**0.90**	1.37	**3.61**	13.3%
Scugog	209	7.1%	95.7	8.3%	**0.83**	**0.46**	0.84	**2.13**	7.9%
Uxbridge	157	5.3%	71.3	6.2%	**0.62**	**0.30**	0.63	**1.55**	5.7%
Brock	163	5.5%	48.8	4.2%	**0.42**	**0.33**	0.43	**1.18**	4.4%
Region	**2,957**	**100.0%**	**1,152.3**	**100.0%**	**9.88**	**7.02**	**10.15**	**27.05**	**100.0%**
			15%	**Reduction**	**(1.48)**	**(1.05)**		**(2.53)**	
Average Segment Annual Tax Decrease					**(501)**	**(355)**	**Monthly Savings**		**71**
Estimated Tax Impact on Broad Class					**1.58%**	**1.62%**			

Illustrative Example – Industrial Broad Class

It is estimated that there are 362 eligible property segments in the Illustrative Example for the industrial broad property class (31 per cent of industrial property segments) with a total 2021 CVA of $127.8 million and total 2021 property taxes of $3.7 million broken down by local municipality in Table 5.

A 15 per cent municipal property tax reduction would shift $0.23 million of regional taxes and $0.16 million in local municipal taxes to the other classes. The average industrial property segment would receive approximately $1,063 in annual municipal tax savings ($89 in monthly municipal tax savings.

If the reduction is funded from the broad industrial class, it would result in an estimated 1.1 per cent regional tax increase and between a 0.6 per cent increase and 4.1 per cent increase in local municipal tax increase on other industrial properties. Should the discount be funded across all property tax classes it would result in an estimated 0.06 per cent regional tax increase and between a 0.02 per cent increase and 0.08 per cent increase in local municipal tax increase on all other properties.

Table 5
Illustrative Example
Eligible Properties in the Industrial Broad Property Tax Class

	Industrial Broad Class									
	Number of Segments		CVA ($m)		2021 Property Taxes ($m)					
					Region	Local	Educ.	Total		
Pickering	69	19.0%	22.5	17.6%	**0.27**	**0.15**	0.20	**0.62**	16.8%
Ajax	68	18.8%	21.0	16.3%	**0.25**	**0.15**	0.18	**0.58**	15.8%
Whitby	38	10.5%	15.7	12.3%	**0.19**	**0.12**	0.14	**0.45**	12.2%
Oshawa	55	15.2%	22.6	17.7%	**0.27**	**0.26**	0.20	**0.73**	19.9%
Clarington	48	13.3%	20.8	16.3%	**0.25**	**0.17**	0.18	**0.60**	16.3%
Scugog	24	6.6%	9.8	7.7%	**0.12**	**0.07**	0.09	**0.28**	7.6%
Uxbridge	39	10.8%	8.5	6.7%	**0.10**	**0.05**	0.07	**0.22**	6.0%
Brock	21	5.8%	6.9	5.4%	**0.08**	**0.06**	0.06	**0.20**	5.4%
Region	**362**	**100.0%**	**127.8**	**100.0%**	**1.53**	**1.03**	**1.12**	**3.68**	**100.0%**
			15%	**Reduction**	**(0.23)**	**(0.16)**		**(0.39)**	
			Average Segment Annual Tax Decrease		**(635)**	**(428)**	**Monthly Savings**		**89**
			Estimated Tax Impact on Broad Class		**1.09%**	**1.10%**			

Illustrative Example – Commercial & Industrial Broad Classes Combined

It is estimated that there are 3,319 eligible property segments in the Illustrative Example for the commercial and industrial broad property class (45 per cent of all commercial and industrial property segments) with a total 2021 CVA of $1.3 billion and total 2021 property taxes of $30.7 million broken down by local municipality in Table 6.

A 15 per cent municipal property tax reduction would shift $1.7 million of regional taxes and $1.2 million in local municipal taxes to the other classes. If the reduction is funded from the respective broad commercial and industrial class, it would result in an estimated 1.6 per cent regional tax increase for commercial properties and a 1.1 per cent regional tax increase for industrial properties and between a 0.7 per cent increase and 8.0 per cent increase in local municipal tax increase on other commercial properties and between a 0.6 per cent increase and 4.1 per cent increase in local municipal tax increase on other industrial properties. Should the discount be funded across all property tax classes, it would result in an estimated 0.23 per cent regional tax increase and between a 0.13 per cent increase and 0.48 per cent increase in local municipal tax increase on all other properties.

Table 6
Illustrative Example
Eligible Properties in the Commercial and Industrial Broad Property Tax Class

	All Eligible Taxable Properties								
	Number of Segments		CVA ($m)		2021 Property Taxes ($m)				
					Region	Local	Educ.	Total	
Pickering	397	12.0%	119.7	9.4%	1.11	**0.62**	1.06	**2.79**	9.1%
Ajax	465	14.0%	185.7	14.5%	1.68	**0.97**	1.63	**4.28**	13.9%
Whitby	543	16.4%	217.6	17.0%	1.90	**1.25**	1.92	**5.07**	16.5%
Oshawa	862	26.0%	339.9	26.5%	2.96	**2.87**	2.99	**8.82**	28.7%
Clarington	439	13.2%	176.2	13.8%	1.59	**1.07**	1.55	**4.21**	13.7%
Scugog	233	7.0%	105.5	8.2%	0.95	**0.53**	0.93	**2.41**	7.8%
Uxbridge	196	5.9%	79.8	6.2%	0.72	**0.35**	0.70	**1.77**	5.8%
Brock	184	5.5%	55.7	4.4%	0.50	**0.39**	0.49	**1.38**	4.5%
Region	**3,319**	**100.0%**	**1,280.1**	**100.0%**	**11.41**	**8.05**	**11.27**	**30.73**	**100.0%**
				Reduction	(1.71)	(1.21)		(2.92)	
Estimated Tax Impact On All Other Classes					0.23%	0.24%			

These estimates do not consider the increased costs for the administration of the program.

If this information is required in an accessible format, please contact 1-800-372-1102 ext. 2304

The Regional Municipality of Durham Report

To:	Finance and Administration Committee
From:	Commissioner of Finance
Report:	#2021-F-30
Date:	November 9, 2021

Subject:

E-Mission Zero: Durham Region Transit Battery Electric Bus and Charging Infrastructure Demonstration Pilot Update

Recommendations:

The Finance and Administration Committee recommends to Regional Council:

A) That additional financing of $2.0 million, from the one-time Federal Gas Tax revenues received in 2021, be approved to increase the total approved financing to $2.9 million for the supply of electric bus charging equipment for the Oshawa Bus Depot, from Oshawa Power and Utilities Corporation (OPUC), for the purpose of DRT's electric bus pilot project;

B) That financing for the contract being negotiated with OPUC for the operation and maintenance of the charging equipment at the Oshawa Bus Depot for a period of five years, with a mutual option to renew for up to two one-year extensions, subject to the approval of the Commissioner of Finance and Legal Services, be included in the annual Durham Region Transit Business Plans and Budget; and

C) That a capital contribution of $0.1 million from the one-time Federal Gas Tax revenues received in 2021 be approved to finance the design and construction of facility upgrades at the Oshawa Transit Maintenance Depot, to be performed by eCamion, necessary to implement integrated charging and energy storage equipment, for the purpose of DRT's electric bus pilot project.

Report:

1. Purpose

1.1 This report seeks approval for the financing required to implement DRT's Electric Bus and Charging Infrastructure Demonstration Pilot (eBus Pilot) project that is being considered by the Transit Executive Committee on November 3, 2021.

1.2 A similar report seeking approval of the project plan and related agreements is being presented to the Transit Executive Committee on November 3, 2021 (2021-DRT-28).

2. Background

2.1 The 2019 Durham Region Community Energy Plan (DCEP) reported that transportation is responsible for more energy use, costs, and greenhouse gas (GHG) emissions than any other source within the Region. In March 2021, Council approved the Corporate Climate Action Plan with targets to reduce corporate greenhouse gas (GHG) emissions to net zero by 2045. This includes the transition of corporate fleets, such as public transit vehicles, to low carbon alternatives.

2.2 The eBus Pilot is part of the broader suite of initiatives that will be managed through Durham Region Transit's (DRT) E-Mission Zero Program, which is DRT's commitment to adopt a zero-emission fleet to help reduce overall GHG emissions from the transportation sector in Durham.

3. Previous Reports and Decisions

3.1 In November 2019, Regional Council approved the eBus Pilot and purchase of up to eight electric buses and associated charging infrastructure for a total of $10.1 million funded through one-time Federal Gas Tax revenues (2019-COW-31). This pilot allows for the assessment of battery electric bus and charging technology, including its performance in local conditions to inform long-term fleet transition and deployment. $900,000 of this approved funding of $10.1 million will be used to fund a portion of the charging equipment and design and build facility upgrades at the Oshawa Bus Depot estimated to cost $2.9 million.

3.2 In January 2020, a non-binding letter of intent (LOI) was signed with Oshawa Power and Utilities Corporation (OPUC), setting forth the basis upon which OPUC or its affiliates would offer to design, construct, own and operate electric bus charging infrastructure at DRT's Oshawa Bus Depot as part of the eBus Pilot. Considerations included pro-bono project design and due diligence investigation of the pilot project by OPUC.

3.3 In May 2020, The Atmospheric Fund (TAF) Board of Directors approved $195,000 in funding over two years to support advancing the eBus Pilot (2020-DRT-13). The grant was awarded to DRT in partnership with OPUC, to fund the program management expertise necessary to develop specifications for the buses and charging infrastructure, and key project components such as training, re-tooling, software, and performance monitoring.

3.4 In September 2020, the Canadian Urban Transit Research and Innovation Consortium (CUTRIC) announced its investment of $999,000 in a project led by eCAMION, an Ontario-based energy storage solution provider (2020-DRT-21). This investment enabled eCAMION to develop a new bus charging technology with integrated energy storage, delivering a product with commercialization potential that will create jobs in Ontario. DRT was identified as eCamion's first deployment partner, with deployment planned for 2022.

3.5 At its meeting on September 8, 2021, TEC received a report on E-Mission Zero – Towards Zero Emission Public Transit in Durham Region (2021-DRT-21). The report and attached E-Mission Zero booklet outlined the suite of initiatives underway at DRT supporting the assessment and deployment of clean technologies aimed at reducing greenhouse gas emissions from public transit in Durham. This includes the battery electric bus and charging infrastructure demonstration pilot project (the eBus Pilot), the Whitby Autonomous Vehicle and Electric (WAVE) shuttle pilot project, the zero-emission fleet and facility feasibility study, and the development of a new flagship operations and maintenance facility.

3.6 At its meeting on November 3, 2021, TEC is reviewing a report on E-Mission Zero: Durham Region Transit Battery Electric Bus and Charging Infrastructure Demonstration Pilot Update (2021-DRT-28). The report outlines and seeks approval of the proposed strategy to implement DRT's Electric Bus Charging Infrastructure Demonstration Pilot (eBus Pilot) including approval to enter into agreements with:

a. OPUC for the supply of charging equipment and design and construction of facility upgrades at the Oshawa Bus Depot;

b. OPUC for the operations and maintenance of the charging equipment at the Oshawa Bus Depot;

c. eCamion for the supply of integrated charging and energy storage equipment at the Oshawa Transit Maintenance Depot; and

d. eCamion for the design and construction of facility upgrades at the Oshawa Transit Maintenance Depot.

4. eBus Pilot Project Status

4.1 This report is focused on the charging equipment and infrastructure upgrades required at DRT's Oshawa Bus Depot and Oshawa Transit Maintenance Depot to support the charging requirements of the electric buses. This includes an upgrade to the electrical service, onsite transformer, distribution equipment, energy storage system, charging equipment and pantograph dispensers at the Oshawa Bus Depot. There are also extensive facility upgrades required to civil, structural, and electrical systems to install the infrastructure and equipment.

4.2 Summarized below are the key planning decisions, proposed scope and delivery models for the project:

a. Battery Electric Bus - Preparation for Deployment;

b. Bus Charging Infrastructure; and

c. Maintenance Charging Infrastructure and Energy Storage

Battery Electric Bus – Preparation for Deployment

4.3 A feasibility analysis and key planning decisions have been completed and/or currently underway, including:

a. Completed an industry scan to identify and review specifications of North American bus manufacturers that offer heavy duty battery electric transit buses;

b. Selected DRT's Oshawa Bus Depot for the eBus pilot considering the recent facility upgrades, the available space for charging equipment and capacity for expansion;

c. Selected Pulse routes 900 and 901 for eBus deployment. These preferred routes are consistent with published operating ranges of electric bus technology, experience the highest ridership levels on the DRT network, operate throughout the day, and operate across multiple jurisdictions;

d. Completed route modelling and simulation exercises to estimate the operating efficiency (kWh/km) and bus battery capacity required to service the selected routes; and

e. Identified crucial operations and maintenance requirements prior to launching the eBus Pilot including:

- Workplace electrical safety program: A program that documents policies and practices to eliminate or reduce the risk of exposure to electrical hazards in the workplace, enable safe operation and maintenance of electrical equipment and provide additional safeguards for those who work near live electrical equipment.

- Maintenance equipment: Assessment of facility maintenance equipment, tooling and personal protective equipment (PPE) required at the facility.

4.4 Development of the bus specifications and contract requirements (e.g., training, warranty, supply chain, etc.) to purchase long range battery electric buses through a competitive procurement process is underway. DRT will consider opportunities to test different bus models and configurations, and to understand operation and maintenance requirements during the eBus Pilot to inform DRT's future bus requirements as electric bus fleet transition scales up.

4.5 The GHG emissions savings by displacing up to eight diesel buses as part of the eBus Pilot are estimated to be between 800 to 900 tonnes CO_2e per year.

Bus Depot Charging Infrastructure

4.6 Based on DRT's decision to undertake the eBus Pilot at the Oshawa Bus Depot in Oshawa, OPUC was engaged as the local electrical distribution company to identify the electrical service upgrades required to support the eBus Pilot.

4.7 Following discussion with and feedback from transit agency peers and associations (Canadian Urban Transit Association, Canadian Urban Transit and Research Innovation Consortium), DRT further explored delivery models where electrical utilities could deliver, own, and operate public transit charging infrastructure.

4.8 DRT entered into a non-binding letter of intent (LOI) with OPUC to prepare a business case to design, construct, own and operate electric bus charging infrastructure solely for the eBus Pilot. OPUC Group is the parent company to Oshawa Power, Oshawa's regulated local electrical distribution company, EnerFORGE a non-regulated independent power producer and energy services company that operates across Ontario and Durham Broadband, Durham's largest fibre optic high-speed communications company. The combination of expertise derived from this structure positions OPUC to support zero GHG emissions vehicle deployment as they have:

a. Core competencies in the advanced energy and data sectors, offering turnkey energy and communication services with partial to full asset co-investments;

b. Local expertise in the maintenance of high voltage equipment and supporting energy cost savings through specialized analytics and turnkey development of distributed energy resources;

c. Broadband fibre optic services to support advanced communications protocols requirements of the charging equipment; and

d. Existing multi-millon dollar energy and communications projects held by OPUC for governmental clients.

4.9 This approach of working with utility partners for charging infrastructure enabling the testing of emerging zero GHG emission technologies is consistent with the approach taken by other transit systems taking first steps in the transition of their fleets. This enables transit agencies to continue focusing on vehicle operations and performance while the utility partner ensures delivery of reliable energy requirements. Similar examples include:

a. Toronto Transit Commission (TTC)

- In June 2018, the TTC board directed TTC staff to work with Toronto Hydro-Electric System Limited (THESL) on the design and implementation of charging systems infrastructure for the TTC's first 60 electric buses.

- In April 2021, the TTC board approved a framework for agreement between TTC, THESL and Ontario Power Generation (OPG), where THESL is responsible for upgrading the electrical supply to TTC properties and OPG co-invests, designs, builds, owns and operates electrification infrastructure on TTC property.

- This framework is expected to cover the infrastructure requirements in the TTC capital investment plan from 2021-2035 to implement the TTC Green Bus Program.

b. City of Ottawa

- In June 2021, the City of Ottawa entered into an agreement with Hydro Ottawa to procure, supply, install, and operate for the City the electrical equipment and charging equipment initially in the St. Laurent bus garage, and later if necessary, across other locations.

- This work will support the infrastructure requirements for 450 battery electric buses from 2022-2027.

c. York Region

- In 2019, York Region entered into a partnership with a local electrical utility (Newmarket-Tay Power Distribution) for the first time in North America whereby the utility owned and operated an on-route charging system for a public transit agency. This was a limited partnership to support the on-route charging requirements for the six bus pilot.

4.10 OPUC, in collaboration with DRT, Finance and Works (Facilities), has completed preliminary work (due diligence and project pre-design) to develop the charging infrastructure requirements at the Oshawa Bus Depot to support the electric bus pilot. This includes:

a. Industry scan, including an outreach to suppliers to identify the technology that could best align with DRT's requirements and in consideration of anticipated future needs;

b. Analysis of the power consumption requirements from the buses and the resultant energy profile and electricity demand at the facility;

c. Grid and connection impact assessment to support overnight charging of up to eight electric buses;

- OPUC has submitted for, and has received, ESA approval to provide a new dedicated service feed that will support the electrical load of the charging equipment

d. General engineering and technical review of charging equipment for the eBus Pilot;

- Charging systems and a configuration capable of supplying power to a total of eight ceiling-mounted pantograph dispensers to be installed at the bus storage garage;

- Preliminary design includes adequate space for infrastructure to expand for scale-up in the future;

e. Preparation and OPUC's release of a Request for Proposal (RFP) through a competitive procurement process for the supply, design and build of charging equipment and infrastructure to obtain certainty on project budget and confirm technical details for project implementation;

- OPUC has provided the Region with a memo, providing an overview of their procurement process, highlighting their obligations as a municipally owned group of companies and their commitment to a fair and open procurement process that follow the guidelines set forth in the Broader Public Sector Procurement Directive (BPSPD);

- The RFP was reviewed by DRT and the Finance department prior to its release by OPUC on a public procurement website;

- DRT staff have been included in the selection committee for the charging equipment and infrastructure; and

- Proposals have been received and are currently under evaluation, requiring further negotiations with the top Proponents for scope clarification and budget certainty. The award is contingent on execution of the negotiated agreements with OPUC.

4.11 DRT collaborated with Finance and OPUC to undertake a review and assessment of delivery models for the charging equipment and infrastructure, considering the benefits and risks of each model that can best support the operational requirements of the eBus Pilot and business needs of the Region. The range of delivery models included:

a. Option 1: Energy-as-a-Service (EaaS) model, whereby OPUC would own all assets and deliver the energy required for the buses on site, charging DRT an annual fee for this service;

b. Option 2: Design-Build-Operate-Maintain (DBOM) model with shared ownership of assets, an equipment leasing agreement from OPUC and an operations and maintenance (O&M) agreement with OPUC for the charging equipment;

c. Option 3: Design-Build-Operate-Maintain (DBOM) model whereby DRT would own all assets, and OPUC would deliver the project and offer an O&M arrangement for the charging equipment; and

d. Option 4: Business-as-Usual (BAU) model whereby DRT would procure the equipment and infrastructure, procure a vendor to design-build and either hire staff or retain another vendor to operate and maintain the charging equipment.

4.12 Based on this assessment, Option 3: Design-Build-Operate-Maintain (DBOM) model with OPUC was recommended. Under this model, the Region will own the charging equipment and infrastructure, and for the purposes of this Pilot, enter into an arrangement with OPUC on the basis of the following:

a. The DBOM model offers a “turnkey” approach, where a single entity, OPUC, holds responsibility and contractual risk for all aspects of the build and project delivery (e.g. assessment, engineering, equipment supply, subcontracting, construction, testing and commissioning) and post-construction operations and maintenance of the equipment;

b. Clear knowledge of the methods and equipment used for the build, that allows for a tailored maintenance plan, anticipating and addressing potential issues, thereby reducing risk and costs;

c. Limited time and resources required by the Region to address operational, and maintenance issues related to the charging equipment;

d. Opportunity to pursue alternative operation and maintenance arrangements, as necessary, as scale up of fleet transition progresses;

e. Alignment of the arrangement with Section 23 of the Durham Region Purchasing By-law (Bylaw 16-2020) related to the adoption of innovative technologies and the piloting or testing of proof of concepts.

4.13 The partnership framework with OPUC offers the Region additional benefits with respect to transparency on actual costs for the project and operations, providing an opportunity for shared savings among both parties and a minimized total cost of ownership for DRT.

4.14 Based on the work completed to date in further developing DRT's requirements, through industry research and the competitive RFP procurement process with OPUC, the upset cost for the charging equipment and infrastructure at the Oshawa Bus Depot in Oshawa is estimated to be $2.9 million, including:

a. Charging equipment and a total of eight ceiling-mounted pantograph dispensers, at an estimated cost of $2 million, with the pantograph approach expected to offer many benefits, including:

- Ceiling-mounted pantograph dispensers allows for automation of charging, space savings inside of the depot and increased safety from the elimination of cables from plug-in dispensers;
- The solution is expected to be modular and scalable, allowing for additional pantograph dispensers to be added to the existing configuration for a marginal cost (per unit) as DRT scales-up its transition to zero GHG emission buses; and
- Based on this early trend in the industry, a standardized and interoperable solution with pantograph dispensers and bus design that can accommodate pantograph charging, offers potential joint procurement opportunities with other transit agencies in the future.

b. The infrastructure upgrades required at the Oshawa Bus Depot, at an estimated cost of $900,000, which consists of a new service connection, a new transformer, new distribution equipment, facility upgrades (e.g. structural) and civil works to accommodate the enhanced load and support the charging equipment. These are foundational infrastructure upgrades that will enable future upgrades as additional battery electric buses are acquired.

4.15 Upon the approval of this report and Report 2021-DRT-28, DRT will enter into negotiations with OPUC and the equipment suppliers to verify cost assumptions and negotiate the commercial terms of the appropriate agreements, to the satisfaction of Legal Services and the Commissioner of Finance.

4.16 The parties are aware that this project is a demonstration pilot, offering opportunities to learn from actual operations and empirical data collection. Additional risks will be managed through the commercial negotiation process, a strong governance structure and an effective project team.

Maintenance Depot Charging Infrastructure and Energy Storage

4.17 In addition to the charging infrastructure at the Oshawa Bus Depot, DRT requires chargers for maintenance back-up charging and redundancy purposes at the Oshawa Transit Maintenance Depot.

4.18 The supply of the charging equipment, including an integrated energy storage system, is being leveraged from eCamion through funding it has received from the Canadian Urban Transit and Research Innovation Consortium (CUTRIC).

4.19 eCamion's integrated bus charging solution leverages current grid infrastructure using an energy storage system. The energy storage system acts as a buffer between the grid and the electric bus and enables charging of electric buses at high power without costly grid upgrades. The technology is also intended to help transit agencies reduce peak demand electricity costs for bus charging while providing backup power at times of power outages. Piloting this solution provides an opportunity to assess its performance and ability to mitigate grid upgrade requirements as DRT scales up its fleet transition.

4.20 eCamion, in collaboration with DRT, has completed the following preliminary work (feasibility analysis and due diligence) to develop the charging infrastructure requirements which will provide back-up charging during bus maintenance and servicing activities. This includes:

a. Review and assessment of multiple options to implement the charging solution with integrated energy storage as part of the eBus Pilot;

b. Complete a preliminary review of DRT requirements and solution design necessary to support the operational needs; and

c. Develop a preliminary scope, division of responsibilities and cost sharing among the project parties.

4.21 eCamion has consolidated the information from the preliminary work into a business case proposal, considering the following:

a. eCamion will supply DRT with a universal energy hub, with technology components that include battery energy storage, power electronics, a plug-in charging system, an overhead pantograph charging system, software and control systems;

b. The division of responsibilities for the supply of equipment and capital project delivery is described in the table below:

Table 1: eCamion Solution Delivery Model

	DRT	eCamion
Design	C	RA
Equipment Supply	C	RA
Build	C	RA
Capital Investment	RA	RA

Notes: C = Consult; RA = Responsible/Accountable

c. The benefits and risks in pursuing the proposed arrangement with eCamion for the supply of the integrated charging and energy storage solution are summarized below:

Table 2: eCamion Arrangement - Benefits vs Risks Assessment

Benefits	Risks
Limited impact on existing infrastructure and facility load Low-cost installation, minimal investment for DRT Demand charge mitigation, operational expense reduction (to be tested through pilot) Versatile, scalable, and future integration with renewables Future potential revenue generation (feed energy back to grid)	Lower technology readiness level (purpose of the deployment is to move from prototype to demonstrable technology) Lack of O&M experience (could be offset through opportunities for third party contracting) Failure of the technology and replacement with additional infrastructure and equipment.

4.22 Although the supply of equipment is subsidized through grant funding, there is an expected capital cost of approximately $200,000 for the design and installation of the solution. DRT will co-invest with eCamion in this work, with a Regional net capital contribution of up to $100,000.

4.23 Following the expiry of warranty on the equipment, DRT expects to enter into a service contract with an authorized representative for the operations and maintenance of the equipment.

4.24 The recommended arrangement is in alignment with Section 23 of the Durham Region Purchasing Bylaw (Bylaw 16-2020) related to innovative technologies and the piloting and testing of proof of concepts.

4.25 If DRT were not authorized to proceed with the eCamion solution, DRT will still be required to procure and install chargers at the Oshawa Transit Maintenance Depot for back-up charging of the electric buses and for redundancy purposes. The eCamion solution allows DRT to leverage additional charging equipment, including an integrated energy storage system that will provide additional benefits to DRT as described.

5. Relationship to Strategic Plan

5.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:

a. Environmental Sustainability

- Goal 1.1 - Accelerate the adoption of green technologies and clean energy solutions through strategic partnerships and investment.
- Goal 1.4 - Demonstrate leadership in sustainability and addressing climate change.

b. Economic Prosperity

- Goal 3.4 - Capitalize on Durham’s strengths in key economic sectors to attract high-quality jobs.

6. Financial Summary

6.1 Table 3 outlines the total estimated cost and proposed financing for the Durham Region Transit eBus Pilot Vehicle Charging Infrastructure.

6.2 Operating and maintenance costs for the charging equipment at the Oshawa Bus Depot are to be negotiated with OPUC and the equipment suppliers subject to approval of the Commissioner of Finance and Legal Services, and will be included as part of the annual Durham Region Transit Business Plans and Budget.

6.3 DRT expects to enter into a service contract with an authorized representative for the operations and maintenance of the integrated charging and energy storage equipment at the Oshawa Transit Maintenance Depot following the expiry of the warranty on this equipment.

Table 3: Expense and Financing Summary for DRT eBus Pilot Vehicle Charging Infrastructure

	($, '000)
Capital Expenses:	
Design, engineering and construction of infrastructure upgrades	$900
Design, engineering, purchase and install of charging equipment	$2,000
Design, engineering, construction and install of eCamion charging and energy storage equipment	$100
Total	**$3,000**
Capital Financing:	
Federal Gas Tax Funding (Approved through 2019-COW-31)	$900
One-time Federal Gas Tax revenues (received in 2021)	$2,100
Total	**$3,000**
Estimated Annual Operating Expenses*:	
Operating and maintenance of charging equipment**	TBD
Total	**TBD**

* Operating expenses to be accommodated within DRT's 2022 and subsequent annual business plans and budgets.

** Expenses related to operation and maintenance of charging equipment to be determined through negotiation and are dependent on the warranty provisions of the charging equipment.

6.4 The costs related to mid-life refurbishment of the electric buses and charging equipment (to maintain their useful life of at least 12 years) have not been included in this report as the technology is still new, and limited information from the industry on refurbishments is available as electric buses purchased by other Transit agencies remain under warranty.

6.5 Assessment of additional capital necessary to operationalize bus charging infrastructure, potentially including maintenance equipment, software, protective equipment and hand tools, is underway and any such additional costs will be included in the 2022 Durham Region Transit Business Plans and Budget.

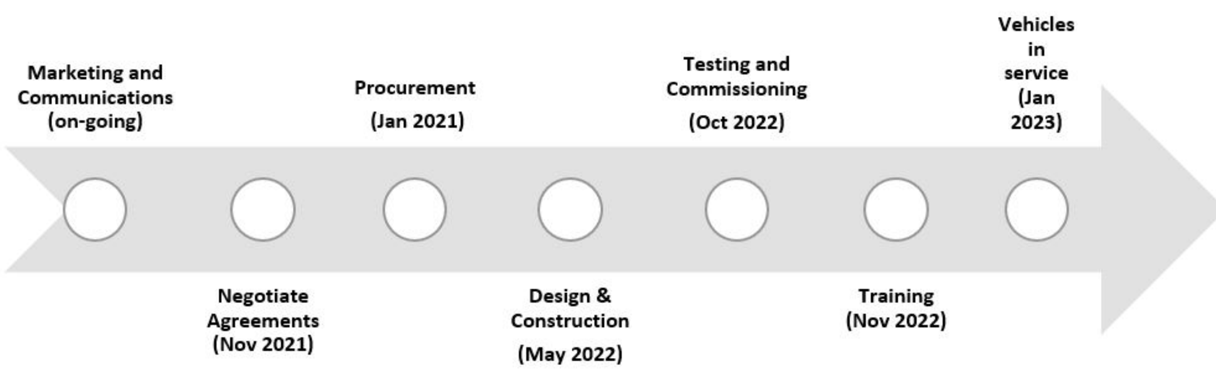
6.6 Electric buses could yield up to 35 per cent in operating savings through reduced fuel and maintenance costs over diesel buses, based on an expected life cycle of 12 years. Based on an average of 73,000 km distance travelled by a 40-foot bus each year, this equates to a projected savings of approximately $40,000 per bus per year.

7. Next Steps

7.1 Upon approval of the recommendations contained in this report and Report 2021-TEC-28, DRT will proceed into the negotiation phase with OPUC and the equipment suppliers to verify costs assumptions, develop commercial terms and enter into appropriate agreements for the design, build, operations and maintenance of the charging equipment and electrical infrastructure, to the satisfaction of the Commissioner of Finance and Legal Services.

7.2 Negotiations will also take place with eCamion to develop commercial terms and enter into appropriate agreements for the supply, design and installation of the integrated charging and energy storage equipment at the Oshawa Transit Maintenance Depot for the maintenance area, to the satisfaction of the Commissioner of Finance and Legal Services.

7.3 Key milestones with estimated timelines for the acquisition and roll-out of the battery electric buses and charging equipment are shown below. DRT will report back to TEC with updates as the eBus Pilot advances.



7.4 The Zero Emission Bus (ZEB) feasibility study - part of the E-Mission Zero program - is underway to develop a full transition plan and inform the future requirements for the transition of the DRT fleet to zero GHG emissions technology.

8. Conclusion

8.1 The eBus pilot is a key initiative that is part of DRT’s E-Mission Zero program and will inform our planning and preparations for the transition to a zero GHG emissions fleet.

8.2 Approval of this report and the accompanying Transit Executive Committee Report (2021-DRT-28) is a necessary step to advancing the electrification of the transit fleet starting in late 2022.

Respectfully submitted,

Original Signed by

Nancy Taylor, BBA, CPA, CA
Commissioner of Finance

Recommended for Presentation to Committee

Original Signed by

Elaine Baxter-Trahair
Chief Administrative Officer

‘If this information is required in an accessible format, please contact 1-800-372-1102 ext. 2304

The Regional Municipality of Durham Report

To:	Finance and Administration Committee
From:	Commissioner of Finance
Report:	#2021-F-31
Date:	November 9, 2021

Subject:

The Audited Consolidated Financial Statements for the year ended December 31, 2020 and Recommended Use of the One-Time Property Tax Surplus

Recommendation:

That the Finance and Administration Committee recommends to Regional Council:

A) That the 2020 Audited Consolidated Financial Statements for the year ended December 31, 2020 be received;

B) That the current practice of setting aside the Supplementary Taxes received in the year in the Economic Development Reserve Fund (10 per cent of the net annual general supplementary taxation revenue) and the applicable Operating Impact Reserve Fund for General Operations, Transit and Solid Waste (balance of net annual supplementary taxes) be continued;

C) That the following one-time initiatives that best advance the Region’s strategic priorities and relieve pressure on the 2022 Business Plans and Budgets, in the aggregate amount of approximately $13.3 million, to be funded from the 2020 Property Tax surplus that was transferred to the Operating Impact and Capital Impact Stabilization Reserve Funds, be approved;

Project	Strategic Priority	Amount
Homelessness Initiatives	Social Investment	$700,000
Long-Term Care Capital	Social Investment / Asset Maintenance	$777,909

Materials Testing Lab	Environmental Sustainability / Health and Safety	$932,223
101 Consumers Drive	Environmental Sustainability / GHG Emission Reduction	$8,389,868
Comprehensive Building Condition Assessments and Level 3 Energy Audits for Facilities	Environmental Sustainability / GHG Emission Reduction	$2,500,000
TOTAL		$13,300,000

D) That the matching funding for the Materials Testing Lab be drawn at $932,223 from each of the respective water supply rate stabilization reserve fund and the sanitary sewer rate stabilization reserve fund; and,

E) The Commissioner of Finance be authorized to execute any required documents to put this into effect, subject to the concurrence of Legal Department as needed.

Report:

1. Purpose

1.1 The purpose of this report is to provide an update to the Finance and Administration Committee and Regional Council on the Region of Durham's 2020 audited financial statements, highlight one-time cost pressures that have arisen during 2021 and recommend a plan of action to utilize the 2020 property tax related surplus in addressing the cost pressures, in advancement of the Region's strategic priorities, particularly climate change and investments to assist the vulnerable sector.

2. Background

2.1 The Consolidated Financial Statements for 2020 present the results of all Regional operations and activities, including those of the Durham Region Police Services, Durham Region Transit, and the Durham Regional Local Housing Corporation. The 2020 Consolidated Financial Statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) as prescribed by the Canadian Chartered Professional Accountants' (CPA) Public Sector Accounting Handbook.

2.2 The Consolidated Financial Statements were audited by the Region's auditor Deloitte and an unqualified opinion, dated June 15, 2021, was received. The statements were approved by the Audit Committee September 20, 2021.

2.3 Despite the COVID-19 pandemic, the resultant changes in demand for Regional services, and unbudgeted pandemic response and recovery expenditures being incurred, the Region ended the year in a cash surplus position. This positive outcome provides an opportunity to invest in projects that will address gaps in service and priorities established through the strategic planning process as well as provide some relief to cost pressures identified in the upcoming budget cycle.

3. Previous Reports and Decisions

Report 2019-F-33, the Long-term Financial Planning Framework for the Region of Durham, set the framework for the treatment of surplus amounts from various sources at the end of a year as follows:

a) 10% of net annual supplementary taxation revenue be transferred to the Economic Development Reserve Fund.

b) 2.5% of the prior year annual operating surplus be transferred to the Innovation and Modernization Initiatives Reserve Fund

c) 47.5% of prior year annual operating surplus be transferred to Operating Impact Stabilization Fund

d) 50% of prior year annual operating surplus be transferred to Capital Impact Stabilization Fund.

4. Audited Consolidated Financial Statements - December 31, 2020

4.1 The audited Consolidated Financial Statements for the year ended December 31, 2020 (Attachment #1) show an Annual Surplus of approximately $322 million, on a **PSAS basis**. This translates to a property tax based surplus of $13.3 million. The Region’s Consolidated Financial Statements are prepared on the required **PSAS basis**, the generally accepted accounting principles for public sector entities, while the Annual Business Plans and Budgets utilize a **cash-based focus** necessary to determine the applicable funds to be raised from property tax and user rate payers. A financial statement surplus is not useful in decision making around budget as it does not relate to funds available to spend. For financial statement purposes, this cash-based budget has to be converted to the PSAS basis.

4.2 One of the prime differences between the PSAS and cash-based methodologies is the manner in which investment in tangible capital assets (TCA) is handled. Under cash-based budgeting, the total cost of the TCA item or project being expended is the amount included in the budget while PSAS uses the depreciation of historical cost of assets as the expense. This does not tie into the cash needs to fund assets. Another major difference is related to the treatment of reserve and reserve fund transactions, debt and actuarial determined liabilities.

4.3 In order to determine the amount of surplus available for utilization, it is necessary to translate the Annual Surplus as shown on the Consolidated Statement of Operations and Accumulated Surplus to a cash basis surplus as shown on the following table.

Surplus Reconciliation - 2020 Consolidated Financial Statements	
	$ (Millions)
Annual Surplus – Consolidated Financial Statements	**322**
Net transfers to/from reserves/reserve funds	(57)
Net change in tangible capital assets	(72)
Repayment of debenture debt	(18)
Change in unexpended capital financing for future capital acquisitions	(121)
Change in employee benefits and post-employment liabilities	8
Change in landfill closure and post- closure liabilities	(10)
Total 2020 Cash-based Surplus	**52**

4.4 The Total 2020 Cash-based Surplus includes the 2020 surpluses from the User Rate supported operations and has a number of components to which the Long-term Financial Planning Framework applies. **The available surplus arising from just the General Tax operations is approximately $13.3 million**, after deducting the surplus from User Rate operations and the Framework items.

2020 Property Tax Surplus Reconciliation	
	$ (Millions)
Total 2020 Cash-based Surplus (including property tax and user rate funds)	52.0
Supplementary taxes to Economic Development Reserve Fund	(1.0)
Supplementary taxes/PILS to Operating Impact Reserve Fund	(13.4)
Innovation & Modernization Reserve Fund transfer of surplus	(0.3)
Water Supply & Sanitary Sewer surplus to Treatment Plant / Rate Stabilization Reserve Funds	(24.0)
Property Tax Operating Surplus	13.3
Net Property Tax Budget Approved by Regional Council (Statement of Operations – Property Tax Revenue)	710
Property Tax Operating surplus as a % of Budget	1.9%

4.5 While the total cash-based surplus appears significant, when broken into the components as shown in the reconciliation, the amount attributable to the Property Tax funded operations in 2020 represents less than 2 per cent of the property taxes raised.

4.6 The Consolidated Statement of Financial Position demonstrates that the Region has the resources to finance its future operations and capital requirements as demonstrated by the reported Net Financial Assets position of $1.9 billion. This figure represents the amount of financial assets in excess of financial liabilities.

4.7 These financial accomplishments are a good news story as they continue to provide the financial stability necessary to proactively address Regional Council's strategic service delivery and infrastructure priorities given the annual budget requirements in excess of $1.8 billion.

4.8 With the onset of the COVID-19 pandemic and emergency declarations, staff undertook measures intended to offset or at least mitigate the effect of the estimated revenue losses and additional expenditures associated with the pandemic response and recovery efforts. As municipalities are not supposed to run deficits, mitigation measures were a critical action and the additional expenditures incurred totalled approximately $63 million in 2020. These measures were put in place prior to the announcement of senior government funding programs, ranging from Transit and General Municipal Safe Restart funding and the Social Services Relief Fund to Temporary Pandemic and Wage Enhancement Pay for front-line workers. While the additional funding permitted the Region to amend a number of its mitigating measures, some of the service modifications had to be continued, and as a result an overall surplus was generated.

4.9 Durham is not alone is this regard. Many municipalities across the country have also reported higher than expected surpluses as a result of cost savings measures deployed and the impact of timing of senior government funding assistance to deliver pandemic response actions.

4.10 Further, the timing of announcements of grant funding for a number of capital projects, such as COVID-19 Resilience and Investing in Canada Infrastructure Programs and Oral Health Clinic funding, permitted Regional funds previously earmarked for capital projects to be returned to the funding sources, a portion of which has contributed to the Annual Surplus.

4.11 The resultant surplus for 2020 has been directed to the applicable reserve funds in accordance with the Long-term Financial Planning Framework approved in 2019. However, the 2020 surplus also provides a one-time opportunity to advance key service delivery and / or capital requirements priorities through use of the property tax cash-based surplus.

4.12 As part of the 2021 User Rate setting, the assumptions for water and sewer consumption were materially adjusted to closer align with actual consumption thereby reducing future water supply and sanitary sewerage surpluses. Consequently, the surplus from the Water supply and Sanitary Sewer funds has been excluded from recommendations for utilization of the surplus, with the focus being the property tax related amounts.

5. Recommended Utilization of the One-Time 2020 Property Tax Surplus

5.1 It is being recommended that the current practice of setting aside the Supplementary Taxes received in the year in the Economic Development Reserve Fund (10 per cent of the net annual general supplementary taxation revenue) and in the applicable Operating Impact Reserve Funds for General Operations, Transit and Solid Waste (balance of net annual supplementary taxes) be continued. This is based on the fluctuating nature of this revenue stream. Continuation of this practice is one component of the long-term financial framework that the Region utilizes to meet its objectives of maintaining and enhancing service levels and infrastructure, accommodating growth, funding strategic investments and priorities, and providing for stable property taxes and user rates.

5.2 In 2021, a number of initiatives have been identified where use of the remaining available cash-based surplus from 2020 can be beneficial, thereby relieving some of the budget pressures for the 2022 cycle and in advancing the Region's strategic initiatives:

a) As part of the Region's climate change emergency declaration, the reduction of Green House Gas (GHG) emissions is a key deliverable. Proposals have been put forth to update the status of Regional building condition assessments, identifying the advantageous areas for future capital works for the maximum reduction of GHG emissions. This requires the completion of comprehensive building condition assessments and level 3 energy audits for baseline and development of the greenhouse gas emissions reduction plan and pathway for Regional buildings at an estimated cost of $2.5 million.

b) The addition of energy savings features for Regional facilities or for renovations currently in progress and the incorporation of Near Zero GHG scope changes require additional project financing. The optimization of the building at 101 Consumers Drive, in the Town of Whitby, is required to accommodate staff being displaced from the Whitby Water Supply plant facility. While under renovation, deep energy retrofit features could be added to obtain a near-zero energy outcome. This project has an approved budget of $4,554,000. The addition of a new elevator for improved accessibility, energy efficiency upgrades, building automation system modernization, LED lights and similar measures for improved energy efficiency requires financing of $2,715,175. Additional measures to achieve near-zero GHG require the inclusion of electrical upgrades, and generator, HVAC and related improvements totaling an additional $5,674,693.

c) Relocation of the Materials Testing Laboratory at the Oshawa/Whitby depot to the Durham Recycling Centre located at 4600 Garrard Road in Whitby is urgently required to address health and safety matters totals $2,796,700. This amount will be split evenly three ways between the 2020 general tax surplus, and the water supply and sanitary sewer treatment plant / rate stabilization reserve funds.

d) A phase-in plan to provide funding from property tax sources to supplement the current 100 per cent provincial funding provided for the homelessness prevention programs. As the Social Services Relief Fund expires, and critical funding to community partner agencies is reduced, introducing a property tax base to support the remaining provincial funding would be desirable. Currently there is a hard stop to this funding in 2022 which would leave a significant gap while our vulnerable citizens are still being impacted by the COVID-19 pandemic. It is recommended that transition funding of $700,000 be dedicated to homelessness prevention programs with the allocations determined through the Commissioner of Social Services and the Advisory Committee on Homelessness.

e) Repairs to long-term care facilities and the inclusion of energy savings features to advance comfort for the residents and address a backlog of capital requirements as identified through the asset management process in the amount of $777,909.

5.3 It is recommended that the Commissioner of Finance be authorized to execute any necessary documents to further the one-time initiatives noted above to advance the Region's strategic priorities and relieve pressure on the 2022 Business Plans and Budgets in the aggregate amount of approximately $13.3 million, to be funded from the 2020 Property Tax surplus that was previously transferred to the Operating Impact and Capital Impact Reserve Funds. This will significantly further our ability to respond to the climate change emergency from a facilities basis as well as address concerns regarding homelessness and the safety and comfort of our long-term-care residents.

6. Relationship to Strategic Plan

6.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:

Goal 1: Environmental Sustainability: To protect the environment for the future by demonstrating leadership in sustainability and addressing climate change.

- Accelerate the adoption of green technologies and clean energy solutions through strategic partnerships and investment
- Demonstrate leadership in sustainability and addressing climate change

Goal 2: Community Vitality: To foster an exceptional quality of life with services that contribute to strong neighbourhoods, vibrant and diverse communities, and influence our safety and well-being.

- Revitalize existing neighbourhoods and build complete communities that are walkable, well-connected, and have a mix of attainable housing

Goal 5: Service Excellence: To provide exceptional value to Durham taxpayers through responsive, effective and fiscally sustainable service delivery.

- Optimize resources and partnerships to deliver exceptional quality services and value
- Demonstrate commitment to continuous quality improvement and communicating results

7. Conclusion

7.1 Despite the uncertainties and challenges of the COVID-19 pandemic in 2020, the Region generated a property tax based surplus for the fiscal year of $13.3 million. The financial stability and flexibility that arises from this surplus is a positive outcome and provides an opportunity to address upcoming budget pressures and priorities in a fiscally responsive and responsible way. Investment of the 2020 property tax surplus in service delivery areas and/or capital works that advance Regional priorities on a one-time basis is consistent with the groundwork laid out in the long-term financial planning framework.

8. Attachments

Attachment #1: Audited Consolidated Financial Statements of The Regional Municipality of Durham for the year ended December 31, 2020

Respectfully submitted,

Original Signed by

Nancy Taylor, CPA, CA
Commissioner of Finance

Recommended for Presentation to Committee

Original Signed by

Elaine C. Baxter-Trahair
Chief Administrative Officer

Consolidated Financial Statements of

The Regional Municipality of Durham

For the year ended December 31, 2020

Deloitte.

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Independent Auditor's Report

To the Members of Council of
the Regional Municipality of Durham

Opinion

We have audited the consolidated financial statements of the Regional Municipality of Durham, which comprise the statement of financial position as at December 31, 2020, and the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Regional Municipality of Durham as at December 31, 2020, and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated financial statements* section of our report. We are independent of The Regional Municipality of Durham in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 Regional Municipality of Durham'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 Regional Municipality of Durham or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regional Municipality of Durham's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated 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 auditor's 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 GAAS 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 these consolidated financial statements.

As part of an audit in accordance with Canadian GAAS, 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.
- 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 Regional Municipality of Durham'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 Regional Municipality of Durham's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Regional Municipality of Durham to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Regional Municipality of Durham to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 15, 2021

The Regional Municipality of Durham

Consolidated Statement of Financial Position

December 31, 2020
(in thousands of dollars)

	2020	2019
FINANCIAL ASSETS		
Cash	**$ 155,993**	$ 72,610
Investments (Note 4)	**3,117,437**	2,836,281
Accounts receivable	**187,590**	166,583
Other current assets	**293**	391
Debenture debt recoverable from local municipalities (Note 5)	**137,174**	134,683
	3,598,487	3,210,548
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	**433,641**	368,937
Deferred revenue - Schedule 1	**837,051**	750,571
Debenture debt (Note 5)	**191,119**	206,279
Employee benefits and post-employment liabilities (Note 6)	**222,634**	209,918
Landfill closure and post closure liabilities (Note 7)	**7,248**	17,171
	1,691,693	1,552,876
NET FINANCIAL ASSETS	**$ 1,906,794**	$ 1,657,672
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 9)	**4,159,540**	4,087,090
Inventories	**5,101**	5,078
	4,164,641	4,092,168
ACCUMULATED SURPLUS (Note 10)	**$ 6,071,435**	$ 5,749,840

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

The Regional Municipality of Durham

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2020
(in thousands of dollars)

	2020 Budget (Note 11)	2020 Actual	2019 Actual
REVENUES			
Property taxes	$ 710,393	$ 720,698	$ 690,912
User charges			
Water and sewer	218,289	237,375	220,255
Other	122,551	106,480	110,662
Government transfers			
Canada	10,446	12,560	9,625
Ontario	307,561	356,581	323,587
Deferred revenue earned - Schedule 1	120,166	100,456	79,077
Fines (Note 15)	9,157	5,156	6,164
Contributed tangible capital assets (Note 9)	15,333	28,704	13,016
Other	23,387	68,300	91,386
TOTAL REVENUES	1,537,283	1,636,310	1,544,684
EXPENSES			
General government	84,943	72,872	70,424
Protection to persons and property	257,049	243,466	237,519
Transportation services	87,712	89,484	88,551
Transit	101,761	98,535	107,826
Environmental services	346,168	289,416	286,682
Health services	111,508	111,188	102,360
Social and family services	332,157	337,770	339,014
Social housing	56,879	71,984	65,268
TOTAL EXPENSES	1,378,177	1,314,715	1,297,644
ANNUAL SURPLUS	159,106	321,595	247,040
ACCUMULATED SURPLUS, BEGINNING OF YEAR	5,749,840	5,749,840	5,502,800
ACCUMULATED SURPLUS, END OF YEAR (Note 10)	$ 5,908,946	$ 6,071,435	$ 5,749,840

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

The Regional Municipality of Durham

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2020
(in thousands of dollars)

	2020 Budget (Note 11)	2020 Actual	2019 Actual
ANNUAL SURPLUS	$ 159,106	$ 321,595	$ 247,040
Acquisition of tangible capital assets	(414,632)	(197,442)	(176,925)
Contributed tangible capital assets (Note 9)	(15,333)	(28,704)	(13,016)
Amortization of tangible capital assets	144,484	151,530	145,730
Loss on disposal of tangible capital assets	-	1,651	350
Proceeds on disposal of tangible capital assets	-	515	626
Change in inventories	-	(23)	(826)
INCREASE IN NET FINANCIAL ASSETS	(126,375)	249,122	202,979
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,657,672	1,657,672	1,454,693
NET FINANCIAL ASSETS, END OF YEAR	$ 1,531,297	$ 1,906,794	$ 1,657,672

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

The Regional Municipality of Durham

Consolidated Statement of Cash Flows

Year ended December 31, 2020
(in thousands of dollars)

	2020	2019
OPERATING		
Annual surplus	**$ 321,595**	$ 247,040
Non-cash charges to operations		
Amortization of tangible capital assets	**151,530**	145,730
Contributed tangible capital assets (Note 9)	**(28,704)**	(13,016)
Loss on disposal of tangible capital assets	**1,651**	350
Amortization of bond (discount)/premium	**(586)**	754
Change in non-cash assets and liabilities		
Accounts receivable	**(21,007)**	(7,011)
Other current assets	**98**	122
Accounts payable and accrued liabilities	**64,704**	9,010
Deferred revenue	**86,480**	98,759
Employee benefits and post-employment liabilities	**12,716**	8,740
Landfill closure and post closure liabilities	**(9,923)**	4,950
Inventories	**(23)**	(826)
Net increase in cash from operating activities	**578,531**	494,602
CAPITAL		
Proceeds on disposal of tangible capital assets	**515**	626
Acquisition of tangible capital assets	**(197,442)**	(176,925)
Net (decrease) in cash from capital activities	**(196,927)**	(176,299)
INVESTING		
Proceeds on maturity of investments	**1,275,109**	1,045,218
Acquisition of investments	**(1,555,679)**	(1,704,176)
Net (decrease) in cash from investing activities	**(280,570)**	(658,958)
FINANCING		
Regional debenture debt principal repayments	**(17,651)**	(22,076)
Net (decrease) in cash from financing activities	**(17,651)**	(22,076)
NET INCREASE/(DECREASE) IN CASH, DURING THE YEAR	**83,383**	(362,731)
CASH, BEGINNING OF YEAR	**72,610**	435,341
CASH, END OF YEAR	**$ 155,993**	$ 72,610

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

1. Municipal Structure

The Regional Municipality of Durham (the "Region") came into existence on October 15, 1973 and assumed its responsibilities on January 1, 1974, and operates as an upper tier government in the Province of Ontario, Canada.

The Region comprises the following local municipalities that are responsible for local services, including property tax billing and collections:

- Town of Ajax
- Township of Brock
- Municipality of Clarington
- City of Oshawa
- City of Pickering
- Township of Scugog
- Township of Uxbridge
- Town of Whitby

Within these local municipalities, the Region provides a wide range of regional services to stakeholders. The services are classified in the following segments:

General Government

This segment consists of services provided by the following administrative departments: Regional Council, Offices of the Regional Chair and the Chief Administrative Officer, Finance, Corporate Services, and Planning and Economic Development. In addition to the governmental administrative functions, the services of this segment include Regional official plan formulation and administration, regional development and promotion, and administrative and financial support, including debt issues and property tax policy.

Protection to Persons and Property

This segment includes Police Services, Emergency Management, Fire Co-ordination, Emergency 911 telephone services, the administration, prosecution and collection of fines under the Provincial Offences Act, and funding provided to Conservation Authorities.

Transportation Services

This segment consists of the planning, design, construction and maintenance of Regional roads, including winter control and associated traffic signal systems and controls.

Transit

Durham Region Transit ("DRT") operates an integrated public transit system serving communities in the Region.

1. Municipal Structure (Continued)

Environmental Services

The services of this segment fall under three areas: Solid Waste Management – solid waste collection, disposal and diversion (for all local municipalities with the exception of collection performed by the City of Oshawa and the Town of Whitby directly) and recycling programs; Water Supply - supply, treatment and distribution of water; and, Sanitary Sewerage – sewage collection and treatment, and the maintenance of regional storm sewers.

Health Services

Services provided include public health programs targeted at the prevention of disease, health promotion and protection as well as land ambulance services.

Social and Family Services

The following services are included in this segment: Income and Employment Support, Long-Term Care and Services for Seniors, Children's Services, and Family Services.

Social Housing

This segment is responsible for the provision, in partnership with the community, of subsidized housing, including the operations of the wholly-owned Durham Regional Local Housing Corporation ("DRLHC"), rent supplement and homelessness programs.

2. Summary of Accounting Policies

The consolidated financial statements of the Region are representations of management and are prepared in accordance with generally accepted accounting principles for government as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

The focus of PSAB financial statements is on the financial position of the Region and its financial performance. The Consolidated Statement of Financial Position reports financial assets and liabilities, and the non-financial assets of the Region. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position of the Region and is the sum of the Region's net financial assets and non-financial assets.

(a) Reporting Entity

i. The consolidated financial statements reflect the financial activities of all entities that are controlled by the Region, and include the Durham Regional Police Services, DRT, and the DRLHC. The assets, liabilities, revenues and expenses of these entities are consolidated line by line on a uniform basis of accounting, after eliminating all inter-entity transactions. The financial position and operations of community social housing providers are not consolidated in these consolidated financial statements as the Region does not exercise control over them. Funding paid to these providers is included in the expenses of the social housing segment in the Consolidated Statement of Operations and Accumulated Surplus.

2. Summary of Accounting Policies (Continued)

ii. Trust Funds administered by the Region are not included in these consolidated financial statements. Trust Funds are disclosed separately in the Trust Funds Statement of Financial Position and the Trust Funds Statement of Financial Activities and Fund Balances.

(b) Basis of Accounting

i. Accrual Basis of Accounting
Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

ii. Non-financial assets
Non-financial assets are not available to discharge existing liabilities and are used in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations.

(a) Tangible capital assets
Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of tangible capital assets, excluding land and active landfill sites, is amortized on a straight line basis over estimated useful lives as follows:

	Useful Life - Years
Land improvements	20
Buildings and building improvements	15 - 80
Vehicles	3 - 15
Machinery and equipment	3 - 30
Water and wastewater - infrastructure	20 - 80
Roads - infrastructure	30 - 100

Active landfill sites are amortized using the units of production method based upon capacity used during the year.

Amortization is charged in the year of acquisition and in the year of disposal. Tangible capital assets under construction are not amortized until the tangible capital assets are in service.

(b) Contributed tangible capital assets
Tangible capital assets received as contributions, primarily water and wastewater infrastructure, and the related revenue, are recorded at their fair value on the earlier of the date received or the transfer of risk and responsibility.

2. Summary of Accounting Policies (Continued)

(c) Leases
Leases are classified as operating or capital leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(d) Inventories
Inventories held for consumption are recorded at the lower of cost or replacement cost.

iii. Pension and Employee Benefits and Post-Employment Liabilities
The Region accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlements, sick leave benefits, post-employment benefits and workplace safety and insurance ("WSI") benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave, post-employment and WSI benefits are subject to actuarial valuations and are accrued in accordance with the projected benefit method, prorated on service, and management's best estimate of salary escalation and retirement ages of employees. Actuarial gains and losses related to past service of employees or changes in actuarial assumptions are amortized on a straight line basis over the expected average remaining service life of the employee groups. Amortization begins in the year following the effective date of the related actuarial valuation.

iv. Deferred Revenue
Development charges collected under the Development Charges Act, 1997, government transfers of gas taxes and other conditional grants are reported as deferred revenue in the Consolidated Statement of Financial Position. These amounts are recognized as revenues in the period in which related transactions or events occur.

v. Investments
Investments are recorded at the lower of cost plus accrued interest or market value. Investment income on available funds is recorded in the period earned. Interest income earned on deferred revenue forms part of the deferred revenue balances.

vi. Tax Revenue
Tax revenue is recognized on all taxable properties that are included in the annual assessment roll or through supplementary assessment rolls provided by the Municipal Property Assessment Corporation ("MPAC") in the period the tax is levied. Tax revenue is determined using the current value assessments provided by MPAC in the annual assessment roll or through supplementary assessment rolls at the tax rates authorized by Regional Council based on the approved budget.

2. Summary of Accounting Policies (Continued)

vii. Government Transfers

Government transfers are recognized in the period during which the transfers are authorized and any eligibility criteria are met. Government transfers are deferred if they are restricted through stipulations that require specific actions to be carried out in order to recognize the transfer. For such transfers, revenue is recognized when the stipulation has been met. Significant transfers recognized as revenue include subsidies for Health Services, including Land Ambulance Services, and for Social and Family Services programs, including Income and Employment Support, Long-Term Care and Services for Seniors, and Children's Services. Significant transfers recognized as expenses include payments to individuals under the Social and Family Services Income and Employment Support programs and to Social Housing providers under the Social Housing segment. The Consolidated Schedule of Segment Disclosure, Schedule 3, discloses government transfer revenues and expenses by segment.

viii. Use of Estimates

The preparation of these consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Significant estimates relate to accounts receivable, accrued liabilities and employee benefits and post-employment liabilities. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

ix. Segment Disclosure

Revenues and expenses of the segments identified in Note 1 include amounts that are directly attributable to the segment and amounts that can be allocated on a reasonable basis. Items that are corporate in nature and not subject to allocation are identified as unallocated. The accounting policies used for segmented disclosure are consistent with the accounting policies noted above.

(in thousands of dollars)

3. Accounting Standards Issued for Future Adoption

The Public Sector Accounting Board has approved new Public Sector Accounting Standards to be adopted by the Region in the future. A number of these new standards are interdependent and therefore will require concurrent adoption.

PS 1201, Financial Statement Presentation, PS 3450, Financial Instruments, PS 3041, Portfolio Investments, and PS 2601 Foreign Currency Translation, are new standards that are interdependent and will require concurrent adoption. PS 1201 provides guidance and presentation requirements for financial statements, including a new statement of remeasurement of gains and losses. PS 3450 establishes standards on how to account for and report all types of financial instruments including derivatives. Unrealized gains and losses will be presented in the new statement of remeasurement of gains and losses. PS 3041 has removed the distinction between temporary and portfolio investments, and pooled investment funds will now be included within the standard's scope. PS 2601 requires that both monetary, and fair valued, non-monetary assets and liabilities, denominated in a foreign currency, be adjusted to reflect exchange rates in effect at the financial statement date. Any unrealized gains or losses will be recognized in the new statement of remeasurement of gains and losses.

PS 3280, Asset Retirement Obligations, addresses the recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets.

PS 3400, Revenue, establishes standards on how to account for and report revenue, and differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations.

The Public Sector Accounting Board has deferred the effective dates of these new standards to fiscal years beginning on or after the effective dates shown in the following table.

Public Sector Accounting Standard	Effective Date
PS 1201 - Financial Statement Presentation	April 1, 2022
PS 3450 - Financial Instruments	April 1, 2022
PS 3041 - Portfolio Investments	April 1, 2022
PS 2601 - Foreign Currency Translation	April 1, 2022
PS 3280 - Asset Retirement Obligations	April 1, 2022
PS 3400 - Revenue	April 1, 2023

The Region has not yet adopted these standards or determined the effect on the consolidated financial statements.

4. Investments

Investments consisting of bankers acceptances, guaranteed investment certificates, treasury bills, bonds and money market funds have an amortized cost of $3,117,437 (2019 – $2,836,281) and a market value of $3,128,772 (2019 – $2,839,941). Included in the Consolidated Statement of Operations and Accumulated Surplus is bond discount amortization of $586 (2019 – bond premium amortization of $754). There are no portfolio investments (2019 – $nil).

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

5. Debenture Debt

(a) Debenture debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2020	2019
Total debenture debt	**$ 191,119**	$ 206,279
Debenture debt recoverable from local municipalities	**(137,174)**	(134,683)
Regional debenture debt (Note 10)	**$ 53,945**	$ 71,596

Interest rates for Regional debenture debt range from 2.8% to 5.73%, with maturities between September 2021 and October 2033.

Local municipalities have assumed responsibility for payment of principal and interest charges for their respective portions of the total debenture debt, interest rates ranging from 0.45% to 5.33% and maturities between July 2021 and October 2040. In 2020 the Region issued debenture debt on behalf of the local municipalities for $19,606 (2019 – $17,291). The Region is contingently liable for these debentures.

(b) The Regional debenture debt principal repayments required over the next five years and in total thereafter are as follows:

	2021	2022	2023	2024	2025	Thereafter	Total
	$	$	$	$	$	$	$
Sanitary Sewerage	694	716	738	761	784	3,386	7,079
Long Term Care	5,504	5,806	6,126	6,463	709	6,800	31,408
General Government	2,971	3,142	1,638	-	-	-	7,751
Police Services	3,252	2,189	2,266	-	-	-	7,707
	12,421	11,853	10,768	7,224	1,493	10,186	53,945

Total interest charges for Regional debenture debt reported on the Consolidated Statement of Operations and Accumulated Surplus are $3,009 (2019 - $3,893).

The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

(in thousands of dollars)

6. Employee Benefits and Post-Employment Liabilities

The Region provides certain employee benefits that require funding in future periods. These benefits include post-employment benefits for health and dental, sick leave, and benefits mandated under the Workplace Safety and Insurance Act. The accrued benefit liability and expense amounts for these employee benefits are based on the results of the December 31, 2018 triennial actuarial valuations, updated to December 31, 2020, prepared by an independent actuary. These benefits are comprised of:

	2020	2019
Sick leave benefits	**$ 91,652**	$ 88,019
Post-employment benefits	**109,444**	101,914
Workplace safety and insurance benefits	**21,538**	19,985
Total employee benefits and post-employment liabilities	**222,634**	209,918
Funded post-employment benefits	**(37,353)**	(32,146)
Unfunded employee benefits and post-employment liabilities (Note 10)	**$ 185,281**	$ 177,772

Significant management assumptions used in the actuarial valuations are:

Discount rates for accrued benefit obligations	3.60% (sick leave) 3.40% to 3.60% (post-employment) 3.40% (workplace safety and insurance)
Inflation rate	3% (sick leave and post-employment) 2% (workplace safety and insurance)
Healthcare benefit cost escalation	
Drug	7% in 2019, reducing to 4% over 15 years
Healthcare spending account	6% in 2019, reducing to 0% over 15 years
Vision	2.5% in 2019, reducing to 0% over 10 years
Dental and other health	4%

(in thousands of dollars)

6. Employee Benefits and Post-Employment Liabilities (Continued)

(a) Sick Leave Benefits

Employees accrue sick leave benefits for future use. In addition, certain sick leave benefit plans provide for accumulation of unused benefits and employees may become entitled to a cash payment when they leave the Region's employment. The liability for these two components of sick leave benefits and expense, as determined by actuarial valuation at December 31, 2018, updated to December 31, 2020, is as follows:

	2020	2019
Liability for sick leave benefits		
Accrued benefit obligation, beginning of year	**$ 92,042**	$ 93,987
Current period benefit cost	**6,985**	7,255
Plan amendment	**-**	(4,147)
Interest on accrued benefit obligation	**3,436**	3,491
Benefit payments	**(7,176)**	(8,544)
Accrued benefit obligation, end of year	**95,287**	92,042
Unamortized actuarial losses	**(3,635)**	(4,023)
Liability for sick leave benefits	**$ 91,652**	$ 88,019

	2020	2019
Sick leave benefit expense		
Current period benefit cost	**$ 6,985**	$ 7,255
Plan amendment incurred during the year	**-**	(4,147)
Interest on accrued benefit obligation	**3,436**	3,491
Amortization of actuarial losses	**388**	1,867
Total sick leave benefit expense	**$ 10,809**	$ 8,466

Actuarial gains/losses are amortized over the expected average remaining service life of twelve to fifteen years for the related employee groups.

(in thousands of dollars)

6. Employee Benefits and Post-Employment Liabilities (Continued)

(b) Post-Employment Benefits

The Region provides certain benefits to qualifying employees following retirement. Benefit entitlement ceases at age 65, with the exception of Police Services employees whose entitlement ceases at either age 70 or 75, and of certain employees whose coverage is maintained for life. The liability for post-employment benefits and expense, as determined by actuarial valuation at December 31, 2018, updated to December 31, 2020, is as follows:

	2020	2019
Liability for post-employment benefits		
Accrued benefit obligation, beginning of year	**$ 127,515**	$ 123,442
Current period benefit cost	**6,607**	6,382
Interest on accrued benefit obligation	**4,671**	4,520
Benefit payments	**(6,943)**	(6,829)
Accrued benefit obligation, end of year	**131,850**	127,515
Unamortized actuarial losses	**(22,406)**	(25,601)
Liability for post-employment benefits	**$ 109,444**	$ 101,914

	2020	2019
Post-employment benefit expense		
Current period benefit cost	**$ 6,607**	$ 6,382
Interest on accrued benefit obligation	**4,671**	4,520
Amortization of actuarial losses	**3,195**	3,194
Total post-employment benefit expense	**$ 14,473**	$ 14,096

Actuarial gains/losses are amortized over the expected average remaining service life of ten to fifteen years for the related employee groups.

(in thousands of dollars)

6. Employee Benefits and Post-Employment Liabilities (Continued)

(c) Workplace Safety and Insurance (WSI) Benefits

The Region is a Schedule II employer under the Workplace Safety and Insurance Act and follows a policy of self-insurance for employees. Accordingly, the Region assumes liability for awards made under the Act, reimbursing the Workplace Safety and Insurance Board for costs relating to its workers' claims. The liability for WSI benefits and expense, as determined by actuarial valuation at December 31, 2018, updated to December 31, 2020, is as follows:

	2020	2019
Liability for WSI benefits		
Accrued benefit obligation, beginning of year	**$ 28,445**	$ 27,919
Current period benefit cost	**5,489**	5,308
Interest on accrued benefit obligation	**1,052**	1,031
Benefit payments	**(5,986)**	(5,813)
Accrued benefit obligation, end of year	**29,000**	28,445
Unamortized actuarial losses	**(7,462)**	(8,460)
Liability for WSI benefits	**$ 21,538**	$ 19,985

	2020	2019
WSI benefit expense		
Current period benefit cost	**$ 5,489**	$ 5,308
Interest on accrued benefit obligation	**1,052**	1,031
Amortization of actuarial losses/(gains)	**998**	1,025
Total WSI benefit expense	**$ 7,539**	$ 7,364

Actuarial gains/losses are amortized over the expected average remaining service life of nine to ten years for the related employee groups.

7. Landfill Closure and Post Closure Liabilities

The Region owns seven closed landfill sites and is responsible for post closure, which includes monitoring of ground and surface water, leachate and gas, ongoing maintenance and annual reporting for a period of 40 years. Closure costs include final cover and vegetation, drainage control features, leachate control and monitoring systems, water quality monitoring systems, gas monitoring and recovery, land acquisition (buffer zones), site remediation, and site closure reports.

The total estimated cost for closure and post closure care is $7,248 (2019 - $17,171) and is reported on the Consolidated Statement of Financial Position. A discount factor of 4.25%, less an estimated inflation factor of 2%, has been used to calculate the total estimated cost.

8. Liability for Contaminated Sites

A contaminated site exists when substances introduced into the air, soil, water or sediment exceeds the maximum acceptable environmental standards and a liability for remediation occurs when a site is not in productive use. The estimated liability includes costs directly attributable to remediation activities as well as post remediation, maintenance and monitoring of the contaminated site, net of any expected recoveries.

As at December 31, 2020, there are no contaminated sites that meet the specified criteria and no liability (2019 - $nil) for contaminated sites has been recorded in these Consolidated Financial Statements.

(in thousands of dollars)

9. Tangible Capital Assets

The net book value of tangible capital assets reported in the Consolidated Statement of Financial Position is made up of the following:

	2020	2019
Land	$ 72,027	$ 50,958
Land improvements	16,715	15,690
Building and building improvements	693,676	695,677
Vehicles	58,466	63,742
Machinery and equipment	418,518	422,780
Water and wastewater - infrastructure	1,733,783	1,693,272
Roads - infrastructure	855,342	821,173
	3,848,527	3,763,292
Work in progress	311,013	323,798
	$4,159,540	$ 4,087,090

The Consolidated Schedule of Tangible Capital Assets (Schedule 2) discloses the changes in the cost and accumulated amortization by category.

(a) *Work in Progress*

Work in progress, having a value of $311,013 (2019 - $323,798) has not been amortized. Amortization of these assets will commence when the assets are put in service.

(b) *Contributed Tangible Capital Assets*

Typical examples of contributed tangible capital assets are water and wastewater infrastructure installed by developers. The value of contributed tangible capital assets transferred to the Region in 2020 was $28,704 (2019 - $13,016).

(c) *Tangible Capital Assets Recognized at Nominal Values*

Certain tangible capital assets, primarily land under roads, have been assigned a nominal value because of the difficulty of determining a tenable valuation and/or the tangible capital assets were older than their estimated useful lives, and therefore were already fully amortized.

(d) *Works of Art and Historical Treasures*

No works of art or historical treasures are held by the Region.

(e) *Other*

During the year, there were no write-downs of assets (2019 - $nil), no interest was capitalized (2019 - $nil), and there are no capital lease obligations (2019 - $nil).

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

10. Accumulated Surplus

The accumulated surplus consists of the following:

	2020	2019
Surplus		
Tangible capital assets (Note 9)	**$ 4,159,540**	$ 4,087,090
Regional debenture debt (Note 5)	**(53,945)**	(71,596)
Unexpended capital financing for future capital acquisitions	**454,448**	333,819
Employee benefits and post-employment liabilities (Note 6)	**(185,281)**	(177,772)
Landfill closure and post closure liabilities (Note 7)	**(7,248)**	(17,171)
Total Surplus	**4,367,514**	4,154,370
Reserves Set Aside By Council		
Capital	**262,327**	258,812
Sick leave	**135,771**	131,268
Working capital	**49,869**	48,563
Regional roads	**53,497**	48,050
Property tax assessment appeals	**32,764**	30,306
Employee benefits	**24,989**	22,701
Equipment replacement	**13,965**	16,260
UOIT and Durham College	**937**	937
Contingencies	**400**	400
Total Reserves	**574,519**	557,297
Reserve Funds Set Aside For Specific Purpose By Council		
Treatment plant/rate stabilization - Sanitary sewerage	**206,881**	193,915
Capital impact stabilization fund	**197,477**	193,368
Treatment plant/rate stabilization - Water supply	**136,143**	121,526
Solid waste management	**103,483**	84,458
Insurance	**69,153**	68,124
Operating impact stabilization fund	**75,507**	61,909
Asset management	**54,127**	48,952
Workers' compensation	**46,365**	44,335
Transit capital	**44,343**	40,067
Social housing	**29,937**	35,371
Seaton facilities	**32,280**	32,034
Roads rehabilitation	**29,636**	28,924
Servicing of employment lands and key locations	**18,815**	19,650
Regional revitalization	**17,852**	15,654
Bridge rehabiliation	**7,709**	9,674
Innovation and modernization initiatives	**3,386**	5,254
Vision zero initiatives	**3,980**	5,031
Climate mitigation and environment	**4,218**	5,031
Economic development	**5,724**	4,642
Other reserve funds	**42,386**	20,254
Total Reserve Funds	**1,129,402**	1,038,173
Accumulated Surplus	**$ 6,071,435**	$ 5,749,840

(in thousands of dollars)

11. Budget Amounts

The budget figures presented for comparative purposes in the Consolidated Statement of Operations and Change in Net Financial Assets represent the cash basis budgets for Property Tax, Water Supply and Sanitary Sewer, as approved by Regional Council, adjusted to the full accrual basis, as required by Public Sector Accounting Standards ("PSAS"). The adjustments are as follows:

	Property Tax $	Water Supply $	Sanitary Sewerage $	Total $
Revenues				
Approved Budget	1,442,559	152,578	205,465	1,800,602
Reclassifications between revenue and expense	(1,998)	(225)	(16,571)	(18,794)
Budget before PSAS adjustments	1,440,561	152,353	188,894	1,781,808
Contributed tangible capital assets	1,259	6,843	7,231	15,333
Transfers from reserves and reserve funds	(110,254)	(6,221)	(11,383)	(127,858)
Proceeds of debt issued for Regional purposes	(132,000)	-	-	(132,000)
Total Revenues	1,199,566	152,975	184,742	1,537,283
Expenses				
Approved Budget	1,442,559	152,578	205,465	1,800,602
Reclassifications between revenue and expense	(1,998)	(225)	(16,571)	(18,794)
Budget before PSAS adjustments	1,440,561	152,353	188,894	1,781,808
Post-employment benefit expense	12,278	623	716	13,617
Landfill closure and post closure costs	4,701	-	-	4,701
Amortization	89,152	24,673	30,659	144,484
Transfers to reserves and reserve funds	(99,849)	(8,956)	(26,022)	(134,827)
Acquisition of tangible capital assets	(327,029)	(82,032)	(77,293)	(486,354)
Less: Recovery for shared ownership	52,417	962	18,343	71,722
Net Acquisition of tangible capital assets	(274,612)	(81,070)	(58,950)	(414,632)
Regional debenture debt principal repayments	(11,003)	-	(5,971)	(16,974)
Total Expenses	1,161,228	87,623	129,326	1,378,177
Annual Surplus	38,338	65,352	55,416	159,106

The budget for property tax purposes was presented to Regional Council under Report 2020-F-4 and was approved February 26, 2020 under by-laws 05-2020, 06-2020, and 07-2020.

The budget for water supply and sanitary sewerage were presented to Regional Council in Report 2019-F-52 and were approved December 18, 2019 under by-laws 066-2019 and 067-2019.

The Regional Municipality of Durham

Notes to the Consolidated Financial Statements

December 31, 2020
(in thousands of dollars)

12. Contractual Obligations

(a) Sanitary Sewerage System

The Region and the Regional Municipality of York jointly own certain sanitary sewerage systems and have entered into a joint operating agreement, whereby the Region operates and maintains these facilities. Each co-owner is responsible for its share of tangible capital asset acquisitions and operating costs based on actual sewerage flows.

(b) Solid Waste Management

The Region and the Regional Municipality of York jointly own a waste management facility that produces energy from the combustion of residual solid waste. The facility, which began commercial operations in 2016, is operated by a third party contractor under a twenty year agreement with the owners. Each owner is responsible for its share of costs based on tonnages of solid waste processed, to a combined total of 140,000 tonnes per year. Revenue from the sale of electricity generated is shared between the owners based on their ownership share.

(c) Lease Commitments

The Region has commitments under various building, land and equipment lease agreements expiring from 2021 to 2031. These operating leases require approximate annual rental payments as follows:

2021	4,601
2022	2,843
2023	2,623
2024	2,034
2025	1,488
Thereafter	4,159
	$ 17,748

(d) Tangible Capital Assets Commitments

Contractual obligations for tangible capital asset work in progress total approximately $218,300 (2019 - $141,135). Financing for these commitments has been approved by Regional Council.

(e) Advancement of Infrastructure

The Region has entered into agreements whereby owners of land receive a credit towards development charges that would otherwise be due under the Region's development charge by-laws in exchange for the advancement of construction of infrastructure assets that become tangible capital assets of the Region.

Deferred revenue earned from development charges, equivalent to the value of the infrastructure assets, is recognized at the time payment is received for regionally-constructed works, or when the developer-constructed assets are transferred to the Region. Credits issued and outstanding under such agreements total $154,813 (2019 - $92,436), of which $9,192 (2019 - $6,313) is recognized as deferred revenue earned in the current year.

13. Contingency

The Region has been named as defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable as at December 31, 2020; however, in the opinion of management, any liability that may arise from such actions would not have a significant adverse effect on the Consolidated Financial Statements.

14. Pension Contributions

The Region contributed $48,182 (2019 - $45,150) to OMERS on behalf of 5,486 employees for current service. Contributions by employees were a similar amount. The Region's contributions are included on the Consolidated Statement of Operations and Accumulated Surplus classified under the appropriate functional expense category. As at December 31, 2020, the OMERS plan, with approximately 526,000 members, has a funding deficit that is approximately $3.2 billion.

15. Provincial Offences Administration

The Region has assumed responsibility for the administration of fines arising under the Provincial Offences Act ("POA") from the Ministry of the Attorney General. The Region provides court support, administration and collection functions for all related fines and fees and prosecutes matters under the POA. The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the Highway Traffic Act, Compulsory Automobile Insurance Act, Trespass to Property Act, Liquor Licence Act, municipal by-laws and minor federal offences. Offenders may pay their fines at any Provincial Offences court office in Ontario, at which time the receipts are recorded in the Integrated Courts Operation Network system ("ICON").

Gross revenues for POA charges total $5,156 (2019 - $6,164). Net program costs total $929 (2019 – $369). Local municipalities share 60 per cent of net revenues and the Region retains 40 per cent. As there were no net revenues, the Region was responsible for the net costs (2019 – nil net revenue).

16. Trust Funds

Trust Funds administered by the Region amount to $886 (2019 - $785) and are presented in separate Trust Funds Statements of Financial Position and Financial Activities and Fund Balances. As such, balances held in trust by the Region for the benefit of others have not been included in the Consolidated Statement of Financial Position, nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

17. COVID-19 Pandemic

On March 11, 2020, The World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. On March 17, 2020, the Province of Ontario ("Province") made an order declaring a state of emergency in response to COVID-19 and the Region followed suit on March 24, 2020.

As a result of the COVID-19 pandemic response, the Region experienced a change in demand for some of its services and incurred unbudgeted pandemic response and recovery expenditures during the year ended December 31, 2020. The Province issued a series of funding announcements during the year to support the continued COVID-19 response across the municipal sector. The various funding envelopes are intended to support the continued provision of service during the pandemic, to reduce operating pressures resulting from contact tracing, enhanced sanitation and protection measures, particularly in long-term care, and replace lost revenue, primarily for transit services.

The duration and impact of the COVID-19 pandemic is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of the pandemic will have on the financial results and condition of the Region in future periods.

The Regional Municipality of Durham

Consolidated Schedule of Deferred Revenue

Year ended December 31, 2020
(in thousands of dollars)

Schedule 1

	BALANCE, BEGINNING OF YEAR	INCREASE IN DEFERRED REVENUE: Interest	Government transfers	Development charges collected	Total	DEFERRED REVENUE EARNED	BALANCE, END OF YEAR
	$	$	$	$	$	$	$
Development Charges							
Residential & Non-Residential							
Sanitary sewerage	153,205	1,844	-	35,443	37,287	16,546	173,946
Water supply	308,887	3,442	-	44,406	47,848	15,765	340,970
Roads	191,378	1,883	-	47,461	49,344	29,570	211,152
Transit	17,187	354	-	6,074	6,428	2,559	21,056
Residential							
Police	16,987	350	-	2,932	3,282	29	20,240
Long-Term Care	-	-	-	78	78	78	-
Development Charge Study	643	13	-	88	101	2	742
GO Transit	-	-	-	3,027	3,027	3,027	-
Emergency Medical Services	4,152	61	-	741	802	438	4,516
Health & Social Services	1,968	42	-	503	545	-	2,513
Social Housing	1,515	39	-	1,575	1,614	-	3,129
Development Charges	695,922	8,028	-	142,328	150,356	68,014	778,264
Gas Tax							
Federal	27,258	496	19,589	-	20,085	14,864	32,479
Provincial	18,454	345	8,978	-	9,323	9,714	18,063
Gas Tax	45,712	841	28,567	-	29,408	24,578	50,542
Conditional Grants							
Transit	371	-	-	-	-	-	371
Municipal Infrastructure	2,786	-	-	-	-	-	2,786
Social Housing	5,780	23	7,149	-	7,172	7,864	5,088
Conditional Grants	8,937	23	7,149	-	7,172	7,864	8,245
Total	750,571	8,892	35,716	142,328	186,936	100,456	837,051

The Regional Municipality of Durham

Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2020
(in thousands of dollars)

Schedule 2

	Land	Landfills	Land improvements	Buildings and building improvements	Vehicles	Machinery and equipment	Water and wastewater - infrastructure	Roads - infrastructure	Work in progress	2020 Total
	$	$	$	$	$	$	$	$	$	$
COST										
Balance, beginning of year	50,958	1,199	26,391	1,006,564	152,599	872,294	2,350,403	1,395,544	323,798	6,179,750
Additions	20,876	-	2,307	23,947	8,390	36,089	44,062	74,556	197,442	407,669
Contributed tangible capital assets	250	-	-	-	-	943	27,511	-	-	28,704
Work in progress completed	-	-	-	-	-	-	-	-	(210,227)	(210,227)
Disposals	(57)	-	(15)	(734)	(3,197)	(2,520)	(540)	(3,686)	-	(10,749)
BALANCE, END OF YEAR	72,027	1,199	28,683	1,029,777	157,792	906,806	2,421,436	1,466,414	311,013	6,395,147
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	1,199	10,701	310,887	88,857	449,514	657,131	574,371	-	2,092,660
Amortization of tangible capital assets	-	-	1,282	25,689	13,352	41,206	30,811	39,190	-	151,530
Disposals	-	-	(15)	(475)	(2,883)	(2,432)	(289)	(2,489)	-	(8,583)
BALANCE, END OF YEAR	-	1,199	11,968	336,101	99,326	488,288	687,653	611,072	-	2,235,607
NET BOOK VALUE, END OF YEAR	72,027	-	16,715	693,676	58,466	418,518	1,733,783	855,342	311,013	4,159,540

The Regional Municipality of Durham

Consolidated Schedule of Tangible Capital Assets

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

Schedule 2

	Land	Landfills	Land improvements	Buildings and building improvements	Vehicles	Machinery and equipment	Water and wastewater - infrastructure	Roads - infrastructure	Work in progress	2019 Total
	$	$	$	$	$	$	$	$	$	$
COST										
Balance, beginning of year	50,762	1,199	25,058	968,626	142,742	829,013	2,261,916	1,371,911	354,317	6,005,544
Additions	196	-	1,334	37,945	18,394	46,304	75,693	27,578	176,925	384,369
Contributed tangible capital assets	-	-	-	-	-	-	13,016	-	-	13,016
Work in progress completed	-	-	-	-	-	-	-	-	(207,444)	(207,444)
Disposals	-	-	(1)	(7)	(8,537)	(3,023)	(222)	(3,945)	-	(15,735)
BALANCE, END OF YEAR	50,958	1,199	26,391	1,006,564	152,599	872,294	2,350,403	1,395,544	323,798	6,179,750
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	1,199	9,533	286,521	83,017	414,439	627,405	539,575	-	1,961,689
Amortization of tangible capital assets	-	-	1,169	24,373	14,030	38,088	29,884	38,186	-	145,730
Disposals	-	-	(1)	(7)	(8,190)	(3,013)	(158)	(3,390)	-	(14,759)
BALANCE, END OF YEAR	-	1,199	10,701	310,887	88,857	449,514	657,131	574,371	-	2,092,660
NET BOOK VALUE, END OF YEAR	50,958	-	15,690	695,677	63,742	422,780	1,693,272	821,173	323,798	4,087,090

The Regional Municipality of Durham

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2020
(in thousands of dollars)

Schedule 3

	General Government	Protection to Persons and Property	Transportation Services	Transit	Environmental Services	Health Services	Social and Family Services	Social Housing	Unallocated	2020 Total
	$	$	$	$	$	$	$	$	$	$
REVENUES										
Property taxes	-	-	-	-	-	-	-	-	720,698	720,698
User charges	1,681	5,288	3,425	14,626	289,145	714	21,566	7,410	-	343,855
Government transfers	15,416	8,628	-	9,169	10,572	69,802	242,519	13,035	-	369,141
Deferred revenue earned	2	29	35,491	15,300	41,223	438	78	7,895	-	100,456
Fines	-	5,156	-	-	-	-	-	-	-	5,156
Contributed tangible capital assets	-	-	250	-	28,454	-	-	-	-	28,704
Other	16	194	2,660	1,217	1,980	15	1	-	62,217	68,300
TOTAL REVENUES	17,115	19,295	41,826	40,312	371,374	70,969	264,164	28,340	782,915	1,636,310
EXPENSES										
Salaries, wages and benefits	53,492	195,054	23,698	51,531	71,599	97,035	153,033	5,519	-	650,961
Operating materials and supplies	16,780	20,754	16,518	18,212	73,532	7,674	19,589	8,715	-	181,774
Contracted services	12,085	5,780	2,935	10,297	53,150	1,580	69,592	2,401	-	157,820
Rents and financial services	415	2,382	1,533	826	8,239	519	1,813	2,807	-	18,534
Government transfers	1,973	8,915	-	5,424	-	-	84,179	50,596	-	151,087
Amortization of tangible capital assets	3,568	9,536	44,819	9,837	71,681	3,524	7,635	930	-	151,530
Interfunctional charges	(15,533)	565	(44)	2,386	10,752	772	100	1,002	-	-
Debenture interest	92	480	25	22	463	84	1,829	14	-	3,009
TOTAL EXPENSES	72,872	243,466	89,484	98,535	289,416	111,188	337,770	71,984	-	1,314,715
ANNUAL SURPLUS	(55,757)	(224,171)	(47,658)	(58,223)	81,958	(40,219)	(73,606)	(43,644)	782,915	321,595

The Regional Municipality of Durham

Consolidated Schedule of Segment Disclosure

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

Schedule 3

	General Government	Protection to Persons and Property	Transportation Services	Transit	Environmental Services	Health Services	Social and Family Services	Social Housing	Unallocated	2019 Total
	$	$	$	$	$	$	$	$	$	$
REVENUES										
Property taxes	-	-	-	-	-	-	-	-	690,912	690,912
User charges	1,518	6,601	3,584	29,884	257,461	1,084	23,423	7,362	-	330,917
Government transfers	497	9,062	23	4,492	15,164	59,374	234,069	10,531	-	333,212
Deferred revenue earned	12	257	19,729	9,953	40,550	182	50	8,344	-	79,077
Fines	-	6,164	-	-	-	-	-	-	-	6,164
Contributed tangible capital assets	-	-	-	-	13,016	-	-	-	-	13,016
Other	41	204	830	758	9,918	34	75	-	79,526	91,386
TOTAL REVENUES	2,068	22,288	24,166	45,087	336,109	60,674	257,617	26,237	770,438	1,544,684
EXPENSES										
Salaries, wages and benefits	52,888	189,387	20,088	52,480	68,776	87,287	143,696	4,858	-	619,460
Operating materials and supplies	14,685	20,163	21,538	20,121	67,698	8,366	18,510	9,003	-	180,084
Contracted services	12,014	6,263	2,844	13,635	64,041	1,637	72,510	455	-	173,399
Rents and financial services	408	2,444	587	786	7,621	571	1,817	2,587	-	16,821
Government transfers	2,318	8,261	-	8,424	-	-	92,562	46,692	-	158,257
Amortization of tangible capital assets	3,843	9,866	43,524	9,856	66,849	3,539	7,479	774	-	145,730
Interfunctional charges	(15,852)	531	(63)	2,483	10,858	852	310	881	-	-
Debenture interest	120	604	33	41	839	108	2,130	18	-	3,893
TOTAL EXPENSES	70,424	237,519	88,551	107,826	286,682	102,360	339,014	65,268	-	1,297,644
ANNUAL SURPLUS	(68,356)	(215,231)	(64,385)	(62,739)	49,427	(41,686)	(81,397)	(39,031)	770,438	247,040

Trust Funds Financial Statements

For the year ended December 31, 2020

Deloitte.

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of
the Regional Municipality of Durham

Opinion

We have audited the financial statements of the trust funds of the Regional Municipality of Durham, which comprise the statement of financial position as at December 31, 2020, and the statements of financial activities and fund balance and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the trust funds of the Regional Municipality of Durham as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the trust funds of the Regional Municipality of Durham 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 Canadian accounting standards for not-for-profit organizations, 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 Regional Municipality of Durham'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 Regional Municipality of Durham or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the trust funds of the Regional Municipality of Durham's financial reporting process.

Auditor's 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 auditor's 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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 trust funds of the Regional Municipality of Durham'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 Regional Municipality of Durham's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Regional Municipality of Durham 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.

We 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 15, 2021

The Regional Municipality of Durham

Trust Funds: Statement of Financial Position

December 31, 2020
(in thousands of dollars)

	2020					2019
	Long-Term Care					
	Residents	Donations	Bequests	Other	Total	Total
	$	$	$	$	$	$
FINANCIAL ASSET						
Cash	**166**	**285**	**86**	**349**	**886**	785
FUND BALANCES	**166**	**285**	**86**	**349**	**886**	785

The Regional Municipality of Durham

Trust Funds: Statement of Financial Activities and Fund Balances

Year ended December 31, 2020
(in thousands of dollars)

	2020					2019
	Long-Term Care					
	Residents	Donations	Bequests	Other	Total	Total
	$	$	$	$	$	$
REVENUES						
Residents	**651**	**18**	**-**	**-**	**669**	671
Recipients	**-**	**-**	**-**	**1,085**	**1,085**	957
Interest earned	**-**	**5**	**2**	**3**	**10**	13
TOTAL REVENUES	**651**	**23**	**2**	**1,088**	**1,764**	1,641
EXPENSES ON BEHALF OF						
Residents	**660**	**15**	**-**	**-**	**675**	719
Recipients	**-**	**-**	**-**	**988**	**988**	915
TOTAL EXPENSES	**660**	**15**	**-**	**988**	**1,663**	1,634
NET REVENUES/(EXPENSES)	**(9)**	**8**	**2**	**100**	**101**	7
FUND BALANCES, BEGINNING OF YEAR	**175**	**277**	**84**	**249**	**785**	778
FUND BALANCES, END OF YEAR	**166**	**285**	**86**	**349**	**886**	785

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

The Regional Municipality of Durham

Notes to the Trust Funds Financial Statements

December 31, 2020
(in thousands of dollars)

1. Accounting Policies

The financial statements of the trust funds of the Regional Municipality of Durham are the representations of management and are prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

(a) Basis of Accounting

Revenues are recorded in the period in which the transactions or events occurred that gave rise to the revenue. Expenses are recorded in the period the goods and services are acquired and a liability is incurred.

(b) Use of Estimates

The preparation of the periodic financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from these estimates.

2. Statement of Cash Flows

A statement of cash flows has not been included in these financial statements as the information that would be provided is readily available from the information presented.