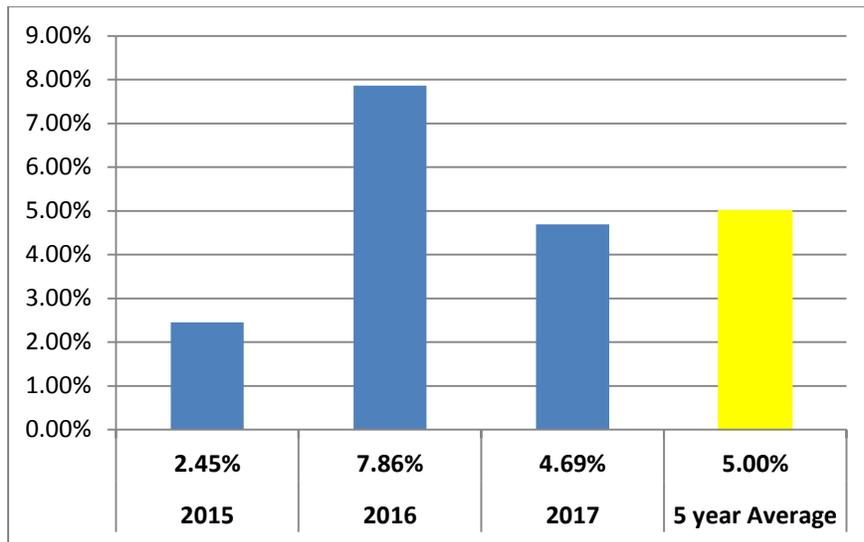


Motion Clause 1: *Whereas the Town of Pelham's operating levy increase since its 2015 budget is approximately 20% (2015 – 3.46%, 2016 – 9.69%, 2017 – 6.61% compounded) which is cause for concern;*

Facts:

The Town of Pelham's tax rates were an average of 5% between the years 2015, 2016, and 2017.



1

Compounded the rates would be 15% (2.45%+7.86%+4.69%), not the amount indicated in this motion.

The Town also continues to invest in infrastructure and has increased funding for capital sustainability. For example, Council included more than 6% for capital sustainability over the last three years:

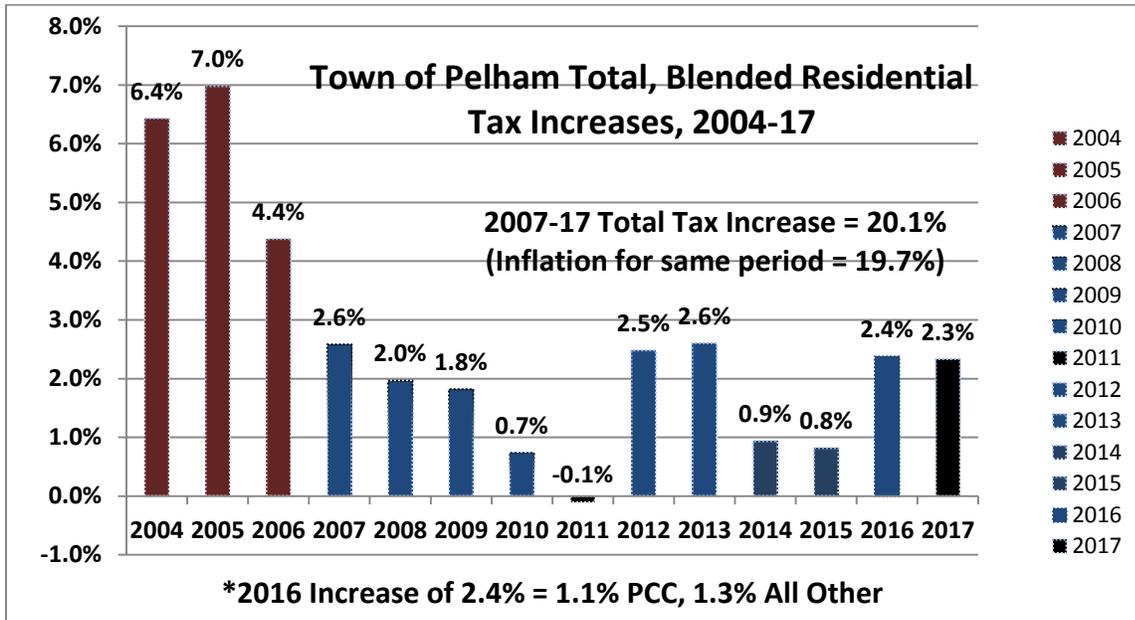
2015: 1.8% (of the 2.5% increase) was for capital sustainability;

2016: 2.7% (of the 7.9% increase) was for capital sustainability;

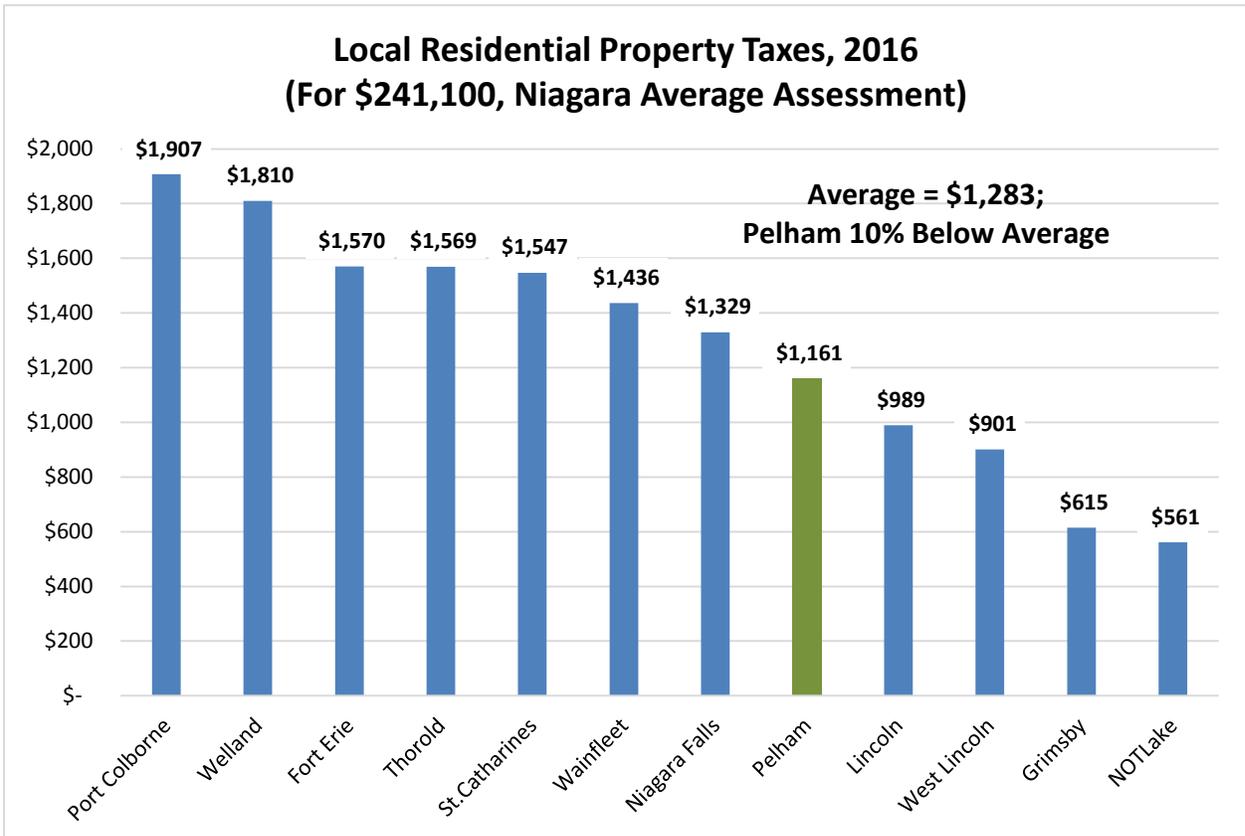
2017: 1.8% (of the 4.7% increase) was for capital sustainability.

In fact, the blended rates since 2006 show how the Town has been prudent in ensuring that the Town's taxes align with inflation.

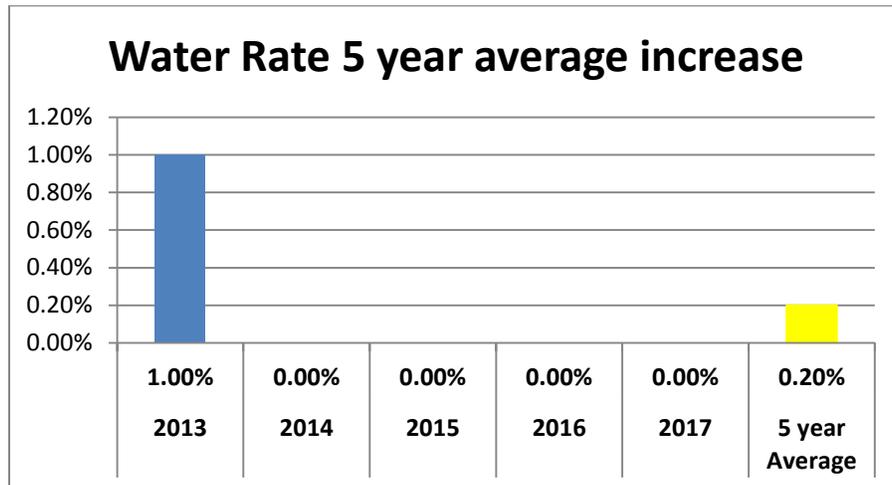
Over the last 11 years, for example, the Town's blended residential property tax increased only 0.4% above inflation (and that includes a one-time, 1.1% increase in 2016 for the Pelham Community Centre).



In addition, the Niagara Region’s 2016 Budget indicated that the average residential home is assessed at \$241,100. The Town’s portion of the 2016 residential property taxes for an assessed house was \$1,161. This amount was 10% below the average for all Niagara Municipalities and 8th least expensive.



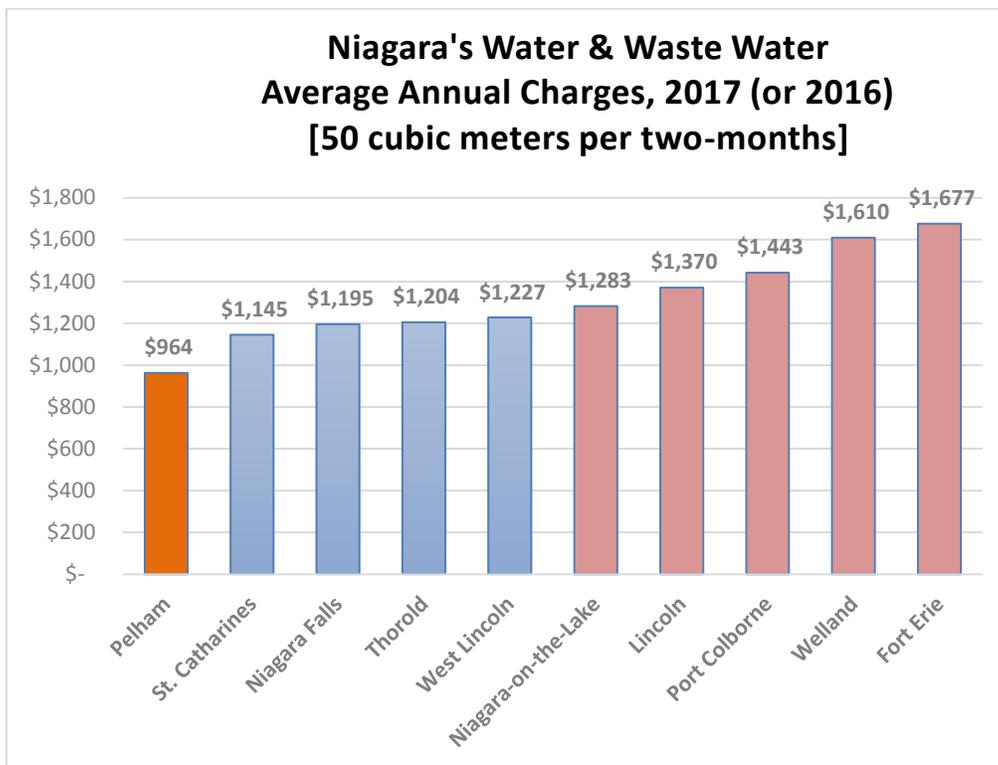
Finally, in addition to the Town’s due diligence with tax levy increases the Town also applies the same methodology to Water and Wastewater rates where the Town has not seen an increase in four years. The five-year average increase is 0.20%.



As you will note in the chart below, Pelham leads the pack with the lowest combined water and waste water charges.

3

Four of our neighbours – Niagara Falls, St. Catharines, Thorold, and West Lincoln – are between 19% and 27% more expensive. The others – Fort Erie, Lincoln, Niagara-on-the-Lake, Port Colborne, and Welland – are 33% to 79% more expensive!



Resources:

2015 Pelham Approved Operating Budget link and copy attached

<http://www.pelham.ca/en/services/resources/Corporate-Services/Files/2015/2015-Operating-Budget.pdf>

2016 Pelham Approved Operating Budget link and copy attached

<http://www.pelham.ca/en/services/resources/Corporate-Services/Files/2016/2016-Operating-Budget.pdf>

2017 Pelham Approved Operating Budget link and copy attached

<http://www.pelham.ca/en/services/resources/Corporate-Services/Files/2017/2017-Operating-Budget-for-Website.pdf>

Niagara Region Web-Based Property Tax Calculator:

<http://www.niagararegion.ca/government/budget/2016-budget-overview.aspx>

Websites for water and waste water rates for each Niagara City, Town, and Township.

Conclusions:

- Supporting documents refute motion's claim;
- 11-year total tax payer impact aligns with inflation;
- Pelham property taxes 10% below the average for all Niagara Municipalities (and ranked 8th least expensive).
- In addition to lower-than-claimed levy increase percentage, water and wastewater rates have not increased in the past four years

Motion Clause 6: *Whereas the Town of Pelham conducted a land transaction using a development charge scheme that does not accurately reflect its true debt levels in a transparent manner;*

Facts:

In September 2015, the Town entered into an agreement with Fonthill Gardens to provide for development credits to pay for their over dedication of parkland to the Town.

The East Fonthill Secondary Plan and Master Plan call for a Town park on lands owned by Fonthill Gardens (aka the Allen Group). As part of their developments, Fonthill Gardens is required to give the parkland to the Town because it is on their lands; other developers throughout the development will be required to pay Parkland Dedication for this parkland because it's not on their lands. Therefore, the cost of the park and the lands will be paid for as the area builds out. As the land values of the development increases, so will the Parkland Dedication payments increase.

Since Fonthill Gardens was in the process of developing the Fonthill Market (with the Food Basics, Tim Horton's, etc.), the parties developed the September 2015 agreement. In essence, instead of paying Fonthill Gardens for the value of their Parkland Excess Dedication and then them paying for Development Charges as they built buildings, the Town and Fonthill Gardens developed a legal agreement for a credit system. As Fonthill Gardens applied to the Town for their building permits, instead of them providing a cheque for their development fees, their Parkland Dedication credit was reduced. The attached agreement outlines this system. (Internally, the Town used a Journal Entry to transfer the funds from the Parkland Dedication reserve to the Development Charge reserve.)

After using many of the credits for their own developments, Fonthill Gardens offered to exchange the credits to other Town developers. When the Town learned of this, the Town asked Fonthill Gardens to stop that practice because Staff recognized it could become very complicated to administer. With the knowledge of Council, the Staff set up an accounting receivable (to be paid when others develop and pay their Parkland Dedication fee). The Town reimbursed Fonthill Gardens the balance of the credits at a lesser value (ie: to the Town's benefit).

As other developments occur in the East Fonthill area, the parkland fees will be deposited into the receivable account. Therefore, this new park will not cost tax payers, but, rather, new development.

Addendum to March 29, 2017 Response to Councillor Barrick's Motion

April 18, 2017

Town of Pelham

Appraised value of conveyed parkland	\$3,674,217.58
Credits used by Fonthill Gardens (and transferred to appropriate G/L account)	<u>\$ 584,811.33</u>
Balance of parkland credits	\$3,089,406.25
2% discount negotiated at time of payout	<u>\$(61,788.13)</u>
Balance owing paid in full	\$3,027,618.12

Finally, this practice of parkland dedication, receivable development accounts and front-end development agreements are standard in growing municipalities. Under public sector accounting practices, such accounts are treated as receivables, and, as such, are not considered debt or debt instruments. Town Council considered and publicly approved these agreements based on the advice of the Town's legal counsel [and professional Staff.]

Resources:

Pelham Bylaw #3650 – Excess Parkland Dedication Agreement

Excess Parkland Dedication Agreement, 8 September 2015

Conclusions:

- Front end, development agreements are standard operating procedures for many growing municipalities;
- They are treated as receivables – not as long-term debt or debt instruments;
- Since value of land for parkland dedication is determined at time of building permit issuance, the payments will increase as land values increase.

Resolution – Paragraphs 14-17:

*That the Niagara Region **REAFFIRM** its support for the current Regional Taxpayer Affordability Guidelines requiring operating levy increases to be at or below the rate of inflation;*

*That the Niagara Region **REQUESTS** the Town of Pelham to publicly disclose its 2015 annual audited financial statement along with the corresponding management letter with staff responses as well as the same documents for fiscal years 2016 and 2017, once published;*

*That the Niagara Region **REQUESTS** the Town of Pelham develop a taxpayer affordability guideline that includes an evening public meeting to ensure Pelham's operating levy remains below 25% compounded for the 2015-2018 term and its annual repayment limit does not increase above 20%; and*

*That this motion **BE CIRCULATED** to Niagara's local area municipalities, the MPP for Niagara West-Glanbrook, the Minister of Municipal Affairs and Housing, Standard & Poor's Ratings Agency, the Auditor General of Ontario, the Premier of Ontario, the Canadian Taxpayers Federation, all local Chambers' of Commerce in Niagara, the Ontario Chamber of Commerce, Canadian Federation of Independent Business, the Pelham Business Association, the Niagara Industrial Association and the Niagara Homebuilder's Association.*

8

Facts:

The "Taxpayer Affordability Guidelines" allow for the Region to take all Provincial "Uploading" savings and use growth to lower Regional net tax levy impacts.

As described above, Pelham's residential property taxes since 2004 show how the Town has been prudent in ensuring that the Town's taxes align with inflation. (Please see the tabs for clauses 1, 8, and 12&13, for examples and charts.)

The Town publishes all Audited Financial Statements, and Capital, Operating, and Water & Waste Water Budgets from 2012 to the present on its website at: <http://www.pelham.ca/en/services/Budgets-and-Reports.aspx>. This includes the Audited Financial Statements for 2015.

The annual Audit Plan, the Financial Statements, and other audit documents are publicly presented to and approved by Town Council.

Since the Town's Independent Auditors "did not identify any control deficiencies that, individually or in the aggregate, [they] consider to be material weaknesses," they did not issue a management letter.

Since 2007, Pelham Council has been hosting an annual “pre-budget consultation” meeting with the public. We continue each year to welcome residents, representatives of sports teams, service clubs, and committees, and businesses and property tax payers to provide input.

Following Council budget deliberations each year, the Town has been able to follow-through on most of the suggestions offered by the public. In previous years, residents requested a dog park, a skate park, sidewalks along a number of roads, crosswalks, sidewalk snow clearing on every sidewalk in Town, partnerships on service club signs, and a new community centre. Town Council discussed each of these requests, and most have been approved or are forecasted in future budgets.

The Town also solicits input via the Town's website, a special email, and by post. Members of the public providing input also receive a letter outlining the actions taken on their idea or suggestion.

As enunciated under tabs 4 and 5, the Town of Pelham projects its debt requirements on a rolling 10-year basis. This projection aligns all debt obligations with the Towns debt repayment limit. The Town is prudent in ensuring that all debt is within the Provincially legislated requirements and taxpayer affordability.

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This motion, along with detailed records, documentation, and proof to the contrarious claims found within, will be circulated to those mentioned above and posted on the Town's website for the media and public.

Resources:

Tabs 1, 4, 5, 8, and 12;

<http://www.pelham.ca/en/services/Budgets-and-Reports.aspx>

<http://www.pelham.ca/en/services/resources/Corporate-Services/Files/2015/2015-Financial-Statements.pdf>

2017 Annual Debt Repayment Limit

Mayor Dave's Weekly Column re: 2017 Pre-Budget Consultation:

<http://pelhammayordave.blogspot.ca/2016/10/how-should-we-spend-your-money-in-2017.html>

Niagara Region Standards and Poor's Report, 2017

Deloitte Letter, April 3, 2017 regarding no need for management letter.

Final Conclusion:

Through this document, the Town corrected or clarified each of the points expressed in the Motion's preamble and body with information from source documents.

As evidenced from the S&P Global Ratings Report and Author, the Town's borrowing does not and will not impact the Region's credit rating;

Pelham Council and the Town of Pelham take pride in being open, transparent and fiscally responsible; as such, we are always prepared to answer questions from colleagues and the public.



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April 3, 2017

Private and confidential

Ms. Cari Pupo
Treasurer / Director of Corporate Services
Town of Pelham
20 Pelham Town Square
Fonthill, Ontario L0S 1E0

Dear Ms. Pupo:

We have audited the financial statements (hereinafter referred to as "annual financial statements") of Town of Pelham (the "Town") as at and for the years ended December 31, 2013, 2014 and 2015. In planning and performing our audits of the Town's annual financial statements, we reviewed the Town's systems and internal controls to the extent we considered necessary to make an evaluation of such systems and procedures in accordance with Canadian generally accepted auditing standards. Under these standards, the fundamental purpose of the evaluation is to assess audit risk and to establish a basis for reliance on the internal controls in determining the nature, extent and timing of other auditing procedures, which are necessary for the expression of an opinion on the financial statements; it is not to determine whether internal controls are adequate for management's purposes.

The maintenance of adequate controls designed to fulfill control objectives is the responsibility of management. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, controls found to be functioning at a point in time, may later be found deficient because of the performance of those responsible for applying them, and there can be no assurance that controls currently in existence will prove to be adequate in the future as changes take place in the Town.

Our consideration of internal control over financial reporting in our audit of the annual financial statements would not necessarily disclose all internal control matters that might be weaknesses under Canadian Auditing Standards. A weakness in internal control is a deficiency in the design or effective operation of internal control. A weakness in internal control is significant if the deficiency is such that a material misstatement is not likely to be prevented or detected in the financial statements being audited.

This letter is intended solely for the purposes of management and those charged with governance and is not suitable for any other purposes. We shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, any other purposes.

Town of Pelham

April 3, 2017

Page 2

Definitions

A control deficiency is a deficiency in the design or effective operation of internal control. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

Canadian Auditing Standards

A material weakness is a deficiency or combination of deficiencies in internal control over financial reporting, such that a material misstatement of Town's annual financial statements is not likely to be prevented or detected.

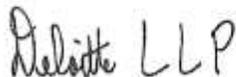
Professional standards

Professional standards require us to communicate significant deficiencies identified during the audit to management and those charged with governance.

Material weaknesses

During the audits of the Town's annual financial statements for the years ended December 31, 2013, 2014 and 2015, we did not identify any control deficiencies that, individually or in the aggregate, we consider to be material weaknesses as defined above.

Yours truly,



Chartered Professional Accountants
Licensed Public Accountants