



Stratford City Council
Special Council Open Session
AGENDA

Meeting #: 4748th
Date: Tuesday, July 2, 2024
Time: 4:30 P.M.
Location: Council Chamber, City Hall
Council Present: Mayor Ritsma - Chair Presiding, Councillor Beatty, Councillor Biehn, Councillor Briscoe, Councillor Burbach, Councillor Henderson, Councillor Hunter, Councillor McCabe, Councillor Nijjar, Councillor Wordofa
Staff Present: Joan Thomson - Chief Administrative Officer, Tatiana Dafoe - City Clerk, Kim McElroy - Director of Social Services, Tim Wolfe - Director of Community Services, Taylor Crinklaw - Director of Infrastructure Services, Karmen Krueger - Director of Corporate Services, Adam Betteridge - Director of Building and Planning Services, Neil Anderson - Director of Emergency Services/Fire Chief, Audrey Pascual - Deputy Clerk, Dave Bush - Director of Human Resources

To watch the Council meeting live, please click the following link:

<https://video.isilive.ca/stratford/live.html>

A video recording of the meeting will also be available through a link on the City's website

<https://calendar.stratford.ca/meetings> following the meeting.

Pages

1. Call to Order:

Mayor Ritsma, Chair presiding, to call the Council meeting to order.

Councillor Sebben provided regrets for this meeting.

Land Acknowledgment

Moment of Silent Reflection

Respectful Workplace Policy Statement

2. Declarations of Pecuniary Interest and the General Nature Thereof:

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

Name, Item and General Nature Thereof

3. Adoption of the Minutes:

The June 24, 2024, Regular Council meeting minutes will be listed for adoption at the next Regular Council meeting.

4. Adoption of the Addendum/Addenda to the Agenda:

Motion by

THAT the Addendum/Addenda to the Special Council Agenda dated July 2, 2024 be added to the Agenda as printed.

5. Report of the Committee of the Whole In-Camera Session:

None scheduled.

6. Hearings and Deputations

None scheduled.

7. Orders of the Day:

7.1 Resolution - Supply and Delivery of Hybrid Vehicles (COU24-063)

1 - 4

Motion by

Staff Recommendation: THAT the portion of the tender (T-2024-05) for the supply and delivery of six (6) Hybrid Ford 150 XL Pickup Trucks be awarded to East Court Metro Lincoln at a total tender price of \$467,432.05, including HST;

AND THAT the portion of the tender (T-2024-05) for the supply and delivery of one (1) Hybrid Ford Escape SUV be awarded to Lunar Contracting at a total tender price of \$66,267.72, including HST.

7.2 Resolution - T-2024-11 Asphalt Resurfacing Tender Award (COU24-064)

5 - 8

Motion by

Staff Recommendation: THAT the Tender (T-2024-11) for the Asphalt Resurfacing 2024 Contract be awarded to GIP Paving Inc. at a total tender price of \$1,716,649.69, including HST;

AND THAT the Mayor and Clerk, or their respective delegates, be authorized to sign the T-2024-11 Contract Agreement.

7.3 Resolution - Health Unit Cost Apportionment Agreement Renewal (COU24-065)

9 - 11

Motion by

Staff Recommendation: THAT the Huron Perth Public Health Cost Apportionment Agreement between The Corporation of the City of Stratford, The Corporation of the Town of St. Marys, The Corporation of the County of Perth and The Corporation of the County of Huron be renewed for a further four (4) year term effective January 1, 2025 to December 31, 2028;

AND THAT the Mayor and Clerk, or their respective delegates, be authorized to sign the agreement on behalf of The Corporation of the City of Stratford.

7.4 Resolution - Spruce Lodge Apportionment Agreement Renewal (COU24-066)

12 - 14

Motion by

Staff Recommendation: THAT the Spruce Lodge Cost Apportionment Agreement between The Corporation of the City of Stratford, The Corporation of the Town of St. Marys and The Corporation of the County of Perth effective January 1, 2026 to December 31, 2028 be approved;

AND THAT the Mayor and Clerk, or their respective delegates, be authorized to sign the agreement on behalf of The Corporation of the City of Stratford.

7.5 Resolution - 2023 Audited Financial Statements and 2024 Unaudited Financial Statements and Commentary of Festival Hydro Inc. (FHI) and Festival Hydro Services Inc. (FHSI) for the year ended December 31, 2023 (FIN24-021)

15 - 101

Motion by

Staff Recommendations: THAT the Festival Hydro Inc. audited financial statements for the year ended December 31, 2023, be received for information;

THAT the Festival Hydro Services Inc. audited financial statements for the year ended December 31, 2023, be received for information;

THAT the Festival Hydro Inc. unaudited financial statements and commentary for the period ending March 31, 2024, be received for information;

THAT the Festival Hydro Services Inc. unaudited financial statements and commentary for the period ending March 31, 2024, be received for information;

AND THAT Council, as the sole shareholder, declare a top-up Common Share dividend in the amount of \$233,750 for the year 2023, calculated in accordance with Festival Hydro's Dividend Policy, to be paid in Q2 of 2024.

7.6 Correspondence - Resignation from Heritage Stratford

Motion by

THAT the resignation of Jack West from the Heritage Stratford Advisory Committee be accepted.

8. Business for Which Previous Notice Has Been Given:

None scheduled.

9. Report of the Standing Committees:

9.1 Report of the Infrastructure, Transportation and Safety Committee:

Motion by

THAT the Report of the Infrastructure, Transportation and Safety Committee dated July 2, 2024 be adopted as printed.

9.1.1 Amend Fireworks By-law 73-2006

102 - 111

THAT the Fireworks By-law 73-2006, as amended, be further amended by:

- Amending section 1.6 to remove sparklers from the definition of "family fireworks".
- Amending section 5.1 to "No person shall set off Family Fireworks in the City, except on the designated days of Victoria Day, Canada Day, and on the first day of the Diwali Festival annually. In the event that weather conditions such as rain, fog, smog or wind, on Victoria Day or Canada Day or the first day of the Diwali Festival make it impractical and/or unsafe to set off

family fireworks, the next day preceding or following Victoria Day or Canada Day or the first day of the Diwali Festival shall be the designated day.”

- Amending section 11.1 to: “The act of setting off of Family Fireworks on private property by the owner, tenant or authorized person on Victoria Day or Canada Day or the first day of Diwali for their own personal display shall not be deemed to be a Display Fireworks.”

AND THAT the City Clerk be directed to prepare and list an amendment to By-law 73-2006, for consideration at a future Regular Council meeting.

9.2 Reports of the Finance and Labour Relations Committee:

Motion by

THAT the Report of the Finance and Labour Relations Committee dated July 2, 2024.

9.2.1 Destination Stratford 2024 Update 2 (FIN24-017) 112 - 136

THAT the Destination Stratford 2024 Update 2 (FIN24-017) dated May 22, 2024, be received for information.

9.2.2 Financial Indicator Review, Financial Profile and Municipal Debt Limits (FIN24-014) 137 - 155

THAT the report titled "Financial Indicator Review, Financial Profile and Municipal Debt Limits" (FIN24-014), be received for information.

9.2.3 Preliminary 2023 Year-end Results (FIN24-016) 156 - 162

THAT the report titled, "Preliminary 2023 Year-end Results" (FIN24-016), dated May 22, 2024, be received for information.

10. Notice of Intent:

None noted.

11. Reading of the By-laws:

The following By-laws require First and Second Readings and Third and Final Readings and can be taken collectively upon unanimous vote of Council present:

Motion by

THAT By-laws 11.1 to 11.8 be taken collectively.

Motion by

THAT By-laws 11.1 to 11.8 be read a First and Second Time.

Motion by

THAT By-laws 11.1 to 11.8 be read a Third Time and Finally Passed.

- | | | |
|-------------|--|------------------|
| 11.1 | June 24, 2024 Confirmatory By-law | 163 |
| | To confirm the proceedings of Council of The Corporation of the City of Stratford at its meeting held on June 24, 2024. | |
| 11.2 | Award Tender for Supply and Installation of Sewer Lines | 164 |
| | To authorize the acceptance of a tender, execution of a contract and the undertaking of work from Clearwater Structures Inc. for the Supply and Installation of Sewer Liners (T-2024-20). | |
| 11.3 | Award Tender for the Supply and Delivery of Six (6) Hybrid Ford 150 XL Pickup Trucks | 165 |
| | To authorize the acceptance of a tender, from East Court Metro Lincoln for the supply and delivery of six (6) Hybrid Ford 150 XL Pickup Trucks (T-2024-05). | |
| 11.4 | Award Tender for the Supply and Delivery of One (1) Hybrid SUV | 166 |
| | To authorize the acceptance of a tender, from Lunar Contracting for the supply and delivery of one (1) Hybrid Ford Escape SUV (T-2024-05). | |
| 11.5 | Amend Fireworks By-law 73-2006 | 167 - 168 |
| | To amend By-law 73-2006 as amended, to add the first day of the Diwali Festival to the designated dates approved under Family Fireworks and to remove sparklers from the family fireworks definition. | |
| 11.6 | Cost Apportionment Agreement - Spruce Lodge | 169 - 170 |
| | To authorize the execution of the Spruce Lodge Long Term Care Cost Apportionment Agreement with The Corporation of the Town of St. Marys and The Corporation of the County of Perth from January 1, 2026 to December 31, 2028. | |
| 11.7 | Cost Apportionment Agreement Renewal - Huron Perth Public Health | 171 - 172 |
| | To authorize the execution of the Huron Perth Public Health Cost Apportionment Renewal Agreement with The Corporation of the Town of St. Marys, The Corporation of the County of Perth, and The | |

Corporation of the County of Huron with respect to the provision of public health programs and services for a further four (4) year term effective January 1, 2025 to December 31, 2028.

11.8 Award Tender for Asphalt Resurfacing 173

To authorize the acceptance of a tender, execution of a contract and the undertaking of work from GIP Paving Inc. for the Asphalt Resurfacing 2024 Contract (T-2024-11).

12. Consent Agenda: CA-2024-102 to CA-2024-115 174 - 180

Council to advise if they wish to consider any items listed on the Consent Agenda.

13. New Business:

14. Reading of the Confirmatory By-law 181

The following By-law requires First and Second Readings and Third and Final Readings.

By-law 11.9 Confirmatory By-law

To confirm the proceedings of Council of the Corporation of the City of Stratford at it's meeting held on July 2, 2024.

Motion by

THAT By-law 11.9 be read a First and Second Time.

Motion by

THAT By-law 11.9 be read a Third Time and Finally Passed.

15. Adjournment:

Motion by

THAT the July 2, 2024 Special Council Meeting adjourn.



MANAGEMENT REPORT

Date: June 24, 2024
To: Mayor and Council
From: Brent Raycraft, Supervisor of Fleet
Report Number: COU24-063
Attachments: T-2024-05 Bid Summary

Title: Supply and Delivery of Hybrid Vehicles

Objective: To obtain Council approval to accept the bid from East Court Metro Ford Lincoln for six (6) vehicles with a total price of \$467,432.05, including HST, and to accept the bid from Lunar Contracting of Oakville, Ontario, for one (1) vehicle with a total price of \$66,267.72, including HST.

Background: In accordance with the approved 2024 Capital Budget, the Fleet Division has consolidated the purchase of seven (7) hybrid vehicles to replace the aging gasoline-powered fleet. Proceeding with hybrid fleet purchases supports the City's Community Climate Action Plan to reduce community-wide greenhouse gas emissions and achieve net zero emissions. The new hybrid fleet is expected to improve fuel efficiency by approximately 30%, resulting in cost savings from reduced fuel consumption and a cumulative emissions reduction of 294 tCO₂e over the service life of the seven vehicles compared to the previous models.

Analysis: There were a total of four suppliers registered for the project, with all four submitting pricing. The lowest pricing submission that met the specifications for the six (6) Hybrid Pickups was East Court Metro Lincoln. The one (1) Hybrid SUV with the lowest pricing submission that met the specifications was Lunar Contracting. The approved budget for these purchases totaled \$475,000.00, with the submissions totalling \$533,699.77 including HST or \$508,195.53 after the partial HST rebate. Although the total expenditure slightly exceeds the budget, the remaining fleet tenders have come in well under budget, resulting in sufficient available funds within the overall fleet reserve.

As the City continues to focus on climate initiatives and to search for efficiencies in the Fleet Division, this tender has provided context for the sense of hybrid pricing for future purchases. The reduction in greenhouse gasses with seven (7) more hybrid vehicles in the Fleet is another stride in our climate reduction goal.

Due to ongoing supply chain issues, it is anticipated that these new vehicles will take approximately 150 days, or longer, to be delivered from the date of purchase.

Financial Implications:

Financial impact to current year operating budget:

There is no impact anticipated on the current budgeting year.

Financial impact on future year operating budget:

This purchase will result in a reduction in operating costs for these vehicles in future years, as there will be reduced repairs, a 3-year warranty, and reduced fuel costs that will be reflected in future budget estimates.

Link to asset management plan and strategy:

All seven new vehicles have an estimated useful lifecycle of 10 years. Annual contributions to fleet reserves totalling \$50,000 are included in the forecasted annual budget to account for future replacement of these specific vehicles.

Insurance considerations:

Since hybrid vehicles values are higher, it may result in insurance rates being a bit more than the traditional gas powered equivalent.

Alignment with Strategic Priorities:

Developing our Resources

Optimizing Stratford's physical assets and digital resources. Planning a sustainable future for Stratford's resources and environment.

Alignment with One Planet Principles:

Travel and Transport

Reducing the need to travel, encouraging walking, cycling and low carbon transport.

Material and Products

Using materials from sustainable sources and promoting products which help people reduce consumption.

Zero Waste

Reducing consumption, reusing and recycling to achieve zero waste and zero pollution.

Staff Recommendation: THAT the portion of the tender (T-2024-05) for the supply and delivery of six (6) Hybrid Ford 150 XL Pickup Trucks be awarded to East Court Metro Lincoln at a total tender price of \$467,432.05, including HST;

AND THAT the portion of the tender (T-2024-05) for the supply and delivery of one (1) Hybrid Ford Escape SUV be awarded to Lunar Contracting at a total tender price of \$66,267.72, including HST.

Prepared by: Brent Raycraft, Supervisor of Fleet
Recommended by: Taylor Crinklaw, Director of Infrastructure Services
Joan Thomson, Chief Administrative Officer

T-2024-05

Supply and Deliver Seven (7) Vehicles; One (1) Mid-Size Hybrid Sport Utility (SUV) and Six (6) Full Size Hybrid 4x4 Crew Cab Pickups

Closing Date: Tuesday, May 7, 2024

Submission Summary

<u>Vendor</u>	<u>City/Province</u>	<u>Submission Name</u>	<u>Unofficial Value or Notes</u>
Blue Mountain Chrysler Ltd.	Collingwood, Ontario	Submission 1	\$75,648.98
East Court Ford Lincoln	Toronto, Ontario	Submission 1	\$544,971.57
Listowel CDJR 2020 Ltd.	Listowel, Ontario	Submission 1	\$549,702.06
Lunar Contracting	Oakville, Ontario	Submission 1	\$680,908.62



MANAGEMENT REPORT

Date: June 24, 2024
To: Mayor and Council
From: Nathan Bottema, Project Engineer
Report Number: COU24-064
Attachments: T-2024-11 Bid Summary

Title: T-2024-11 Asphalt Resurfacing Tender Award

Objective: To obtain Council approval to accept the lowest bid from GIP Paving Inc. of \$1,716,649.69 including HST, for the Asphalt Resurfacing Contract T-2024-11.

Background: The Asphalt Resurfacing project scope of work includes partial and full depth asphalt replacement of Devon Street from 75 metres east of Pleasant Drive to Avonwood Drive South (1.4 km), Greenwood Drive (1.2 km), and West Gore Street from John Street to the Water Pollution Control Plant entrance (0.5 km). The road pavement quality was assessed in 2022 as being in poor to very poor condition. The storm sewers, sanitary sewers and watermains are in acceptable condition.

The Asphalt Resurfacing tender was posted on the City website Bid Opportunity page and in the Bids and Tender public forum on May 22, 2024. The tender closed on June 7, 2024.

Analysis: There were eighteen (18) contractors that picked up plans for the project, with five (5) submitting official bids. The lowest bid of \$1,716,649.69 including HST was submitted by GIP Paving Inc. The submission was reviewed, and their qualifications, experience and references were checked with positive results. The Contractor has successfully completed projects of similar scope in the City. The GIP Paving Inc. bid of \$1,716,649.69 is \$1,545,896.22 after the HST rebate.

The 2024 approved capital budget contains a total of \$2,250,000.00 for asphalt resurfacing, to be funded from gas tax reserve funds and levy-based capital reserve funds. The asphalt resurfacing budget provides funds for the resurfacing project, annual crack sealing, and the annual geotechnical testing program for future projects.

The estimated total project costs are:

Construction Contract (after HST rebate)	\$	\$1,545,896.22
Geotechnical fees (estimated)	\$	20,000.00
Total	\$	1,565,896.22

The 2024 capital budget contained a total of \$2,250,000.00 for this project to be funded as follows:

Federal Gas Tax	\$	2,025,000	R-R11-RFED
Wastewater Reserve	\$	75,000	R-R11-WWTR
Water Reserve	\$	75,000	R-R11-WATR
Storm Reserve	\$	75,000	R-R11-STRM
Total	\$	2,250,000	

An estimated \$100,000 for geotechnical investigations will also be required in 2024 (included in the above approved budget).

As the expenditures are below the total budget and are eligible expenditures under the CCBF (former federal gas tax) funding, the project will be funded entirely with these federal funds. The water, sanitary and storm reserve funds will not be required as planned in the 2024 budget and will remain in the reserve funds for future capital expenditures. Unused gas tax funding will also remain in the reserve funds for future capital expenditures.

Financial Implications:

Financial impact to current year operating budget:

There are no anticipated impacts to the current year operating budget.

Financial impact on future year operating budget:

There would be reduced annual operating and maintenance costs in future years for these segments. The new road surface would not need as much maintenance (pothole repair, crack sealing, patching) and would be in good condition for many years.

Link to asset management plan and strategy:

The road segments are part of the asset management plan, and the asphalt condition will be updated to reflect the new investment. Future asphalt replacements will be planned for based on estimated useful life. The adjustment to the asset management plan will impact future capital planning forecasts and funding strategies will be updated accordingly.

Alignment with Strategic Priorities:

Mobility, Accessibility and Design Excellence

Improving ways to get around, to and from Stratford by public transit, active transportation and private vehicle.

Developing our Resources

Optimizing Stratford's physical assets and digital resources. Planning a sustainable future for Stratford's resources and environment.

Alignment with One Planet Principles:

Equity and Local Economy

Creating safe, equitable places to live and work which support local prosperity and international fair trade.

Staff Recommendation: THAT the Tender (T-2024-11) for the Asphalt Resurfacing 2024 Contract be awarded to GIP Paving Inc. at a total tender price of \$1,716,649.69, including HST;

AND THAT the Mayor and Clerk, or their respective delegates, be authorized to sign the T-2024-11 Contract Agreement.

Prepared by: Nathan Bottema, Project Engineer
Recommended by: Taylor Crinklaw, Director of Infrastructure Services
 Joan Thomson, Chief Administrative Officer

T-2024-11

Asphalt Resurfacing

Closing Date: June 7, 2024

Submission Summary

<u>Vendor</u>	<u>City/Province</u>	<u>Submission Name</u>	<u>Bid Submission</u>
GIP Paving Inc.	Petersburg, Ontario	Submission 1	\$1,716,649.69
Steve Smith Construction Corporation	Stratford, Ontario	Submission 1	\$1,850,551.96
Steed and Evans Limited	St. Jacobs, Ontario	Submission 1	\$2,084,243.88
Dufferin Construction Company, A division of CRH Canada Group Inc.	London, Ontario	Submission 1	\$2,295,013.95
Cox Construction Limited	Guelph, Ontario	Submission 1	\$2,361,630.57



MANAGEMENT REPORT

Date: June 24, 2024
To: Mayor and Council
From: Joan Thomson, Chief Administrative Officer
Report Number: COU24-065
Attachments: None

Title: Health Unit Cost Apportionment Agreement Renewal

Objective: To consider renewal of the Cost Apportionment Agreement with area municipalities for the payment of services from Huron Perth Public Health.

Background: The *Health Protection and Promotion Act* (the "Act") provides for the organization and delivery of public health programs and services. Section 72 of the Act requires the participating municipalities to pay the expenses of the health unit in such proportion as agreed upon among the parties. If the parties fail to agree on the proportion of costs, regulation 489/97 sets out that costs will be apportioned using population.

Prior to January 1, 2020, the County of Perth, the City of Stratford, and the Town of St. Marys were the municipal partners in the Perth District Health Unit. A cost apportionment agreement for this service was developed and approved in 2017 with costs being shared on a weighted assessment basis.

Effective January 1, 2020 the Perth District Health Unit and the Huron County Health Unit amalgamated to create the Huron Perth Public Health. At the time, it was agreed by all four participating municipalities (County of Huron, County of Perth, City of Stratford and Town of St. Marys) to adopt the cost apportioning agreement template developed by the Perth municipalities. The County of Huron agreed to the proposed agreement at their Council meeting on January 8, 2020.

The current cost apportionment agreement is set to expire on December 31, 2024.

Analysis: This report presents a revised agreement that includes minor changes and a new term through to December 31, 2028. The changes to the agreement are minor in nature, with the primary revisions being:

- Revised the term of the agreement to January 1, 2025 through to December 31, 2028;
- Updated all relevant dates to reflect the new term of 2028 (i.e. key dates for commencement, Negotiation Notice, etc.).
- Added a clause to provide clarity: that the new agreement replaces the existing agreement; and that all parties to the agreement are responsible for their proportionate share of the health unit costs up to its expiry date.
- Fixed a minor typo in the example calculation for the Huron County allocation shown in Schedule "A".

It is recommended that the revisions to the agreement, being minor in nature, be made and that the City enter into the cost apportionment renewal agreement.

Financial Implications:

Financial impact to current year operating budget:

There is no impact to the 2024 operating budget as a result of this renewal of the cost sharing arrangement.

Financial impact on future year operating budget:

The costs for funding the municipal portion of the Huron Perth Public Health annual budget will be shared proportionally among Stratford, Perth, St. Marys and Huron on a weighted assessment basis as provided for in the renewal agreement.

Alignment with Strategic Priorities:

Not applicable: This report relates to the City's requirement to fund local public health services and the cost sharing arrangement with partner municipalities.

Alignment with One Planet Principles:

Health and Happiness

Encouraging active, social, meaningful lives to promote good health and wellbeing.

Culture and Community

Nurturing local identity and heritage, empowering communities and promoting a culture of sustainable living.

Staff Recommendation: THAT the Huron Perth Public Health Cost Apportionment Agreement between The Corporation of the City of Stratford, The Corporation of the Town of St. Marys, The Corporation of the County of Perth and The Corporation of the County of Huron be renewed for a further four (4) year term effective January 1, 2025 to December 31, 2028;

AND THAT the Mayor and Clerk, or their respective delegates, be authorized to sign the agreement on behalf of The Corporation of the City of Stratford.

Prepared by: Joan Thomson, Chief Administrative Officer

Recommended by: Joan Thomson, Chief Administrative Officer



MANAGEMENT REPORT

Date: June 24, 2024
To: Mayor and Council
From: Joan Thomson, Chief Administrative Officer
Report Number: COU24-066
Attachments: None

Title: Spruce Lodge Apportionment Agreement Renewal

Objective: To consider renewal of the Cost Apportionment Agreement with area municipalities for the payment of services received from Spruce Lodge.

Background: Commencing in 1896, the City of Stratford and County of Perth agreed to operate what is now known as Spruce Lodge Home for the Aged situated at 643 West Gore Street in the City of Stratford, Province of Ontario, ("Spruce Lodge"), which is a long-term care home pursuant to the provisions of the *Fixing Long-Term Care Act, 2021*, S.O. 2021, c. 39, Sched. 1 (the "Act").

In 1978, Stratford and Perth County agreed to the request from St. Marys to join in the operation of Spruce Lodge Home for the Aged and purchase an interest in the capital assets of Spruce Lodge Home for the Aged at that time.

Spruce Lodge is an approved long term care home now jointly operated by Perth County, Stratford and St. Marys that provides twenty-four hour nursing and personal care and consists of private and semi-private rooms and standard/basic beds.

Although funded by the partner municipalities, Spruce Lodge is operated by a Board of Management consisting of appointees from Stratford, Perth County and St. Marys, appointed in accordance with, and subject to, the provisions of the Act. The Board is responsible for fulfilling the services set out in the Act and regulations, including but not limited to, residents rights, care and services; care plans and plans of care; programs; nursing and personal support services; required programs; responsive behaviours; restorative care; recreational and social activities; nutrition care and hydration programs; and medical services.

The last iteration of the cost apportionment agreement between the parties was entered into in 2017, with costs being shared on a weighted assessment basis. The

current cost apportionment agreement is set to expire on December 31, 2024. Pursuant to the terms of the agreement, the parties have agreed to automatically renew the agreement for the 2025 calendar year while negotiations and Ministerial approval take place.

It is noted that no agreement may be entered into by Perth, Stratford, and St. Marys to establish a municipal joint home without the approval in writing of the Minister of Health and Long Term Care, or if the responsibility for the administration of the Act has been assigned to another Minister under the *Executive Council Act*, to the assigned Minister.

Subject to Ministerial approval, the Parties wish to enter into this renewal agreement.

Analysis: This report presents a revised agreement that includes minor changes and a new term through to December 31, 2028. The changes to the agreement are minor in nature, with the primary revisions being:

- Updated references to legislation to reflect amendments to long term care legislation in recent years;
- Revised the term of the agreement to January 1, 2026 through to December 31, 2028;
- Updated all relevant dates to reflect the new term of 2028;
- Removal of a clause agreeing that all shared services agreements (ie: land ambulance, Ontario Works, housing services, childcare and early years services, Spruce Lodge, Health Unit and Municipal Shared Services Committee) will be brought to Council as one package.
- Provision that if Ministerial approval is not granted by December 31, 2025, that the 2017 agreement will remain in effect.

Staff have reviewed the revisions to the agreement and recommend approval of the revisions as they are minor in nature. Please note that by entering into this agreement, the City is waiving its ability to issue a negotiation notice in 2025, while awaiting Ministerial approval.

Financial Implications:

Financial impact to current year operating budget:

There is no impact to the 2024 operating budget as a result of this renewal of the cost sharing arrangement.

Financial impact on future year operating budget:

The costs for funding the municipal portion of the Spruce Lodge annual budget will be shared proportionally among Stratford, Perth and St. Marys on a weighted assessment basis as provided for in the renewal agreement.

Alignment with Strategic Priorities:

Not applicable: This report relates to the City’s requirement to fund local long term care services and the cost sharing arrangement with partner municipalities.

Alignment with One Planet Principles:

Health and Happiness

Encouraging active, social, meaningful lives to promote good health and wellbeing.

Culture and Community

Nurturing local identity and heritage, empowering communities and promoting a culture of sustainable living.

Staff Recommendation: THAT the Spruce Lodge Cost Apportionment Agreement between The Corporation of the City of Stratford, The Corporation of the Town of St. Marys and The Corporation of the County of Perth effective January 1, 2026 to December 31, 2028 be approved;

AND THAT the Mayor and Clerk, or their respective delegates, be authorized to sign the agreement on behalf of The Corporation of the City of Stratford.

Prepared by: Joan Thomson, Chief Administrative Officer
Recommended by: Joan Thomson, Chief Administrative Officer



MANAGEMENT REPORT

Date: June 18, 2024
To: Finance and Labour Relations Sub-committee
From: Karmen Krueger, CPA, CA, Director of Corporate Services
Report Number: FIN24-021
Attachments: 1. FHI Financial Statement Q4 2023 and Q1 2024;
 2. FHSI Financial Statement Q4 2023 and Q1 2024

Title: 2023 Audited Financial Statements and 2024 Unaudited Financial Statements and Commentary of Festival Hydro Inc. (FHI) and Festival Hydro Services Inc. (FHSI) for the year ended December 31, 2023

Objective: To receive the draft audited financial statements for 2023 for both Festival Hydro Inc, and Festival Hydro Services Inc., and a first quarter update for 2024.

Background: City Council is updated regularly on the financial and operating activities of Festival Hydro. Previously this has been quarterly and is moving to semi-annually.

Analysis: The 2023 audited financial statements are attached. On a high level, the financial statements do not reflect any significant unanticipated financial variances. Festival Hydro Inc had increased revenues and some increased costs to deliver energy resulting in additional net revenues in 2023 compared to 2022.

Festival Hydro Services Inc. had smaller variances in revenues and expenses, and comparatively had similar results to 2022.

Both entities are performing as expected in the first quarter of 2024.

Interest and dividend payments to the City continue as expected and no concerns have been identified.

The Board is recommending a top-up Common Share dividend in the amount of \$233,750 for the year 2023, calculated in accordance with Festival Hydro's Dividend Policy, and is seeking a Council resolution to reflect this.

Financial Implications:

Financial impact to current year operating budget:

The reports are being provided for information so there are no significant financial impacts to note.

Alignment with Strategic Priorities:

Developing our Resources

Optimizing Stratford's physical assets and digital resources. Planning a sustainable future for Stratford's resources and environment.

Alignment with One Planet Principles:

Culture and Community

Nurturing local identity and heritage, empowering communities and promoting a culture of sustainable living.

Staff Recommendations: THAT the Festival Hydro Inc. audited financial statements for the year ended December 31, 2023, be received for information;

THAT the Festival Hydro Services Inc. audited financial statements for the year ended December 31, 2023, be received for information;

THAT the Festival Hydro Inc. unaudited financial statements and commentary for the period ending March 31, 2024, be received for information;

THAT the Festival Hydro Services Inc. unaudited financial statements and commentary for the period ending March 31, 2024, be received for information;

AND THAT Council, as the sole shareholder, declare a top-up Common Share dividend in the amount of \$233,750 for the year 2023, calculated in accordance with Festival Hydro's Dividend Policy, to be paid in Q2 of 2024.

Prepared by: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
Recommended by: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
 Joan Thomson, Chief Administrative Officer



Financial Statements

Prepared For:

Finance & Labour Relations Sub-Committee

June 2024

Financial Statements of



Year ended December 31, 2023

**KPMG LLP**

140 Fullarton Street, Suite 1400
London, ON N6A 5P2
Canada
Telephone 519 672 4880
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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Festival Hydro Inc.

Opinion

We have audited the financial statements of Festival Hydro Inc. (the Entity), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

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

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



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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 IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 generally accepted auditing standards will always detect a material misstatement when it exists.

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small flourish at the end.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

April 26, 2024

Festival Hydro Inc.

Statement of Financial Position

December 31, 2023, with comparative information for December 31, 2022

	Notes	2023	2022
Assets			
Accounts receivable	6, 22	\$ 8,744,272	\$ 8,079,655
Unbilled revenue	22	6,915,469	4,783,498
Inventories	7	212,005	177,526
Prepaid expenses		308,819	230,441
Income tax receivable		743,092	511,562
Due from corporations under common control	20	-	127,927
Total current assets		16,923,657	13,910,609
Non-current assets			
Property, plant and equipment	8	61,152,856	58,854,033
Intangible assets and goodwill	9	2,228,625	1,806,282
Interest rate swap	22	454,755	784,886
Total non-current assets		63,836,236	61,445,201
Total assets		80,759,893	75,355,810
Regulatory balances	13	6,468,077	7,503,962
Total assets and regulatory balances		\$ 87,227,970	\$ 82,859,772

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

Festival Hydro Inc.

Statement of Financial Position

December 31, 2023, with comparative information for December 31, 2022

	Notes	2023	2022
Liabilities and Equity			
Bank indebtedness	5	\$ 3,679,961	\$ 3,740,695
Accounts payable and accrued liabilities		9,367,511	8,658,017
Deferred revenue		330,454	273,286
Dividend payable	14, 15, 20	233,750	248,269
Current portion of long-term debt	14, 22	18,850,364	16,328,464
Customer deposits	11	1,256,618	1,016,175
Due to corporations under common control	20	24,254	-
Due to the Corporation of the City of Stratford	20, 22	611,591	630,031
Total current liabilities		34,354,503	30,894,937
Non-current liabilities			
Deferred revenue		2,953,985	2,641,341
Customer deposits	11	631,651	980,367
Deferred tax liabilities	10	2,617,863	2,381,370
Employee future benefits	12	1,024,453	1,009,878
Long-term debt	14, 22	9,061,648	9,812,012
Total non-current liabilities		16,289,600	16,824,968
Total liabilities		50,644,103	47,719,905
Share capital	15	15,568,388	15,568,388
Accumulated other comprehensive loss		(109,996)	(54,479)
Retained earnings		19,746,723	18,525,126
Total equity		35,205,115	34,039,035
Total liabilities and equity		85,849,218	81,758,940
Regulatory balances	13	1,378,752	1,100,832
Total liabilities, equity and regulatory balances		87,227,970	82,859,772

Commitments and contingencies (note 23)

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

On behalf of the Board:

Director

Director

Festival Hydro Inc.

Statement of Comprehensive Income

Year ended December 31, 2023, with comparative information for 2022

	Notes	2023	2022
Revenues			
Sale of energy	16	\$ 63,941,022	\$ 55,589,074
Distribution revenue	16	13,332,221	12,174,085
Other income	17	1,114,379	1,118,521
		78,387,622	68,881,680
Costs and expenses			
Cost of power purchased		62,317,681	58,141,145
Operating expenses	18	7,490,213	6,759,045
Depreciation and amortization	8,9	2,619,161	2,505,726
		72,427,055	67,405,916
Income from operating activities		5,960,567	1,475,764
Finance income	19	7,070	1,747,174
Finance costs	19	(2,198,576)	(1,574,778)
Income before income taxes		3,769,061	1,648,160
Income tax expense	10	624,517	1,096,421
Net income		3,144,544	551,739
Net movement in regulatory balances:			
Net movement in regulatory balances	13	(1,429,562)	2,534,470
Income tax	10,13	130,695	992,021
Net income and net movement in regulatory balances		1,845,677	4,078,230
Other comprehensive income (loss)			
Items that will not be reclassified to profit and loss:			
Remeasurements of employee future benefits	12	(55,517)	303,258
Tax on remeasurements	10	14,712	(80,363)
Net movement in regulatory balances	13	(14,712)	80,363
Other comprehensive loss		(55,517)	303,258
Total comprehensive income		\$ 1,790,160	\$ 4,381,488

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

Festival Hydro Inc.

Statement of Changes in Equity

Year ended December 31, 2023, with comparative information for December 31, 2022

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total
Balance at January 1, 2022	\$15,568,388	\$15,085,495	\$ (357,737)	\$ 30,296,146
Net income after net movement in regulatory balances	-	4,078,230	-	4,078,230
Other comprehensive loss	-	-	303,258	303,258
Dividends, paid or payable	-	(638,599)	-	(638,599)
Balance at December 31, 2022	\$15,568,388	\$18,525,126	\$ (54,479)	\$ 34,039,035
Balance at January 1, 2023	\$15,568,388	\$18,525,126	\$ (54,479)	\$ 34,039,035
Net income after net movement in regulatory balances	-	1,845,677	-	1,845,677
Other comprehensive loss	-	-	(55,517)	(55,517)
Dividends, paid or payable	-	(624,080)	-	(624,080)
Balance at December 31, 2023	\$15,568,388	\$19,746,723	\$ (109,996)	\$ 35,205,115

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

Festival Hydro Inc.

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for December 31, 2022

Cash provided by (used in)	Notes	2023	2022
Operating activities			
Net income after net movement in regulatory balances		\$1,845,677	\$4,078,230
Adjustments for			
Depreciation - property, plant and equipment	8	2,369,747	2,243,817
Amortization - intangible assets	9	249,414	261,909
Amortization of deferred revenue		(76,869)	(76,869)
Employee future benefits		(40,942)	(48,508)
Net finance costs	19	2,191,506	(172,396)
Income tax expense	10	624,517	1,096,421
		7,163,050	7,382,604
Changes in non-cash operating working capital			
Accounts receivable		(664,617)	45,246
Unbilled revenue		(2,131,971)	447,273
Inventories		(34,481)	(14,083)
Prepaid expenses		(78,379)	126,841
Accounts payable and accrued liabilities		709,494	(1,244,625)
Due from related parties		151,502	210,656
Due from the City of Stratford		(18,678)	(1,209)
Dividends declared		(14,519)	(252,287)
Customer deposits		(108,272)	232,689
		(2,189,921)	(449,499)
Regulatory balances	13	1,298,867	(3,526,490)
Interest paid	19	(1,868,445)	(1,574,778)
Interest received		7,070	23,340
Income tax paid, net of refund		(608,888)	(5,476)
Net cash from operating activities		3,801,733	1,849,701
Investing activities			
Purchase of property, plant and equipment	8	(4,998,921)	(3,983,941)
Purchase of intangible assets	9	(341,397)	(333,350)
Net cash used in investing activities		(5,340,318)	(4,317,291)
Financing activities			
Contributions received from customers, net of repayments		466,382	341,267
Dividends	14	(638,599)	(890,886)
Proceeds from long-term debt		2,500,000	-
Repayment of long-term debt		(728,464)	(707,718)
Net cash used in financing activities		1,599,319	(1,257,337)
Decrease in bank indebtedness during the year		60,734	(3,724,927)
Bank indebtedness, beginning of the year		(3,740,695)	(15,768)
Bank indebtedness, end of the year		\$ (3,679,961)	\$ (3,740,695)

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

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

1. Reporting entity:

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

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

The financial statements are for the Corporation as at and for the year ended December 31, 2023.

2. Basis of preparation:

(a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements were approved by the Board of Directors on April 25, 2024.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

Information about judgements made in applying accounting policies that have an effect on the amounts recognized in the financial statements is included in the following notes:

Note 3(o)	Determination of the performance obligation for capital contribution and the related amortization period
Note 3(p)	Whether an arrangement contains a lease
Note 6	Estimate for impairment for uncollected amounts, based on the lifetime expected credit losses
Note 8	Property, plant and equipment: useful lives and the identification of significant components of property, plant and equipment.
Note 9	Intangible assets: useful lives and goodwill impairment testing.
Note 12	Measurement of the defined benefit obligation – actuarial assumptions
Note 23	Recognition and measurement of commitments and contingencies.

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

2. Basis of preparation (continued)

(e) Rate regulation

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

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

(f) Rate setting

Distribution revenue

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

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

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

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

2. Basis of preparation (continued)

- (f) Rate setting (continued)

Distribution revenue (continued)

Festival filed its 2022 IRM application for distribution rates and was approved new rates by the OEB effective January 1, 2022. The Corporation's approved adjustment to distribution rates was 3.00%, as a result of an OEB approved inflation factor of 3.30%, less a stretch factor of 0.30% determined by the relative efficiency of the Corporation. The application included the approval of rate riders for the disposition of certain deferral and variance balances.

Festival filed its 2023 IRM application for distribution rates and was approved new rates by the OEB effective January 1, 2023. The Corporation's approved adjustment to distribution rates was 3.10%, as a result of an OEB approved inflation factor of 3.70%, less a stretch factor of 0.60% determined by the relative efficiency of the Corporation. The application included the approval of rate riders for the disposition of certain deferral and variance balances.

Electricity rates

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

3. Material accounting policies:

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

- (a) Regulatory balances

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

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

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

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

3. Material accounting policies (continue):

(a) Regulatory balances (continued)

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

(b) Cash and cash equivalents

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

(c) Financial instruments

All financial assets and financial liabilities are classified as "Amortized cost". These financial instruments are recognized initially at fair value adjusted for any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between willing parties. The Corporation uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which carrying amounts are included in the statement of financial position:

- Cash and cash equivalents are classified as "Amortized cost" and are initially measured at fair value. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Accounts receivable and unbilled revenue are classified as "Amortized cost" and are initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method, less expected credit loss allowance. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Bank indebtedness is classified as "Amortized cost" and is initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The carrying amount approximates fair value due to the short maturity of these instruments.
- Accounts payable are classified as "Amortized cost" and are initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Customer deposits are classified as "Amortized cost" and are initially measured at fair value. Subsequent measurements are recorded at cost plus accrued interest. The carrying amounts approximate fair value taking into account interest accrued on the outstanding balance.
- Long-term debts are classified as "Amortized cost" and are initially measured at fair value. The carrying amounts of the debt are carried at amortized cost, based on the fair value of the debt at issuance, which was the fair value of the consideration received adjusted for transaction costs.

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

3. Material accounting policies (continued):

(d) Derivatives

The Corporation holds derivative financial instruments to manage rate risk exposures. Derivatives are initially recognized at fair value; any directly attributable transaction costs are recognized in the Statement of Comprehensive Income as incurred as a change in interest rate swap. Subsequent to initial recognition, derivatives are measured at fair value, using Level 2 inputs, and changes therein are recognized in the Statement of Comprehensive Income.

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

(e) Fair value measurements

The Corporation utilizes valuation techniques that maximize the use of observable inputs to minimize the use of unobservable inputs when measuring fair value. A fair value hierarchy exists that prioritizes observable and unobservable inputs used to measure fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Corporation's assumptions with respect to how market participants would price an asset or liability. The fair value hierarchy includes three levels of inputs that may be used to measure fair value:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis;
- Level 2: Other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3: Unobservable inputs, supported by little or no market activity, used to measure the fair value of the assets or liabilities to the extent that observable inputs are not available.

(f) Inventories

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

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

3. Material accounting policies (continued):

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

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

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

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

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

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

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

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

Other capital assets include vehicles, office and computer equipment.

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

3. Material accounting policies (continued):

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

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

(h) Intangible assets

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

(i) *Goodwill*

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

(ii) *Computer software*

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

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

Capital contributions paid under CCRAs are measured at cost less accumulated amortization and accumulated impairment losses.

(iv) *Amortization*

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

Computer software	5 to 10 years
CCRAs	15 to 25 years

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

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

3. Material accounting policies (continued):

(i) Impairment

(i) Financial assets measured at amortized cost

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

(ii) Non-financial assets

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

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

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

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

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

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

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

3. Material accounting policies (continued):

(j) Employee benefits

(i) *Pension plan*

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

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

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

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

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

(k) Deferred revenue and assets transferred from customers

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

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

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

3. Material accounting policies (continued):

(l) Customer deposits

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

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

(m) Revenue recognition

(i) Sale and distribution of electricity

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

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this billing stream.

(ii) Capital contributions

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

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

3. Material accounting policies (continued):

(m) Revenue Recognition (continued)

(ii) *Capital contributions (continued)*

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

(iii) *Other revenue*

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

(n) Leased assets

At inception of a contract, the Corporation assess whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Corporation with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

The lease liability is initially measured at the present value of lease payments plus the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

3. Material accounting policies (continued):

(n) Leased assets (continued)

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less or for leases of low value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(o) Finance income and finance costs

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

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

Changes in the fair value of interest rate swap agreements are recorded either in finance income, or costs, depending on whether an unrealized gain or loss is required.

(p) Income taxes

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

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

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

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

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

3. Material accounting policies (continued):

(p) Income taxes (continued)

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

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

(q) Changes in accounting standards

Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8))

In February 2021, the IASB issued amendments to IAS 8 to introduce a definition of “accounting estimates” and include other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments are to be applied prospectively.

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements (IAS 1))

In February 2021, the IASB issued amendments to IAS 1 requiring an entity to disclose its material accounting policies, rather than its significant accounting policies. Additional amendments were made to explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes (IAS 12))

In May 2021, the IASB issued amendments to IAS 12. The amendments clarify how companies should account for deferred tax on certain transactions such as leases and decommissioning obligations. The amendments narrow the scope of the initial recognition exemption, so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize both a deferred tax asset and a deferred tax liability when accounting for such transactions. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted.

Effective January 1, 2023, the Corporation adopted these amendments, with no impact on the financial statements.

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

4. Future accounting pronouncements:

The IASB has issued a number of standards and amendments to existing standards that are not yet effective. The Corporation has determined that the following amendment could have an impact on the Corporation's financial statements when adopted.

Disclosure Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

In January 2020, the IASB issued amendments to IAS 1 relating to the classification of liabilities as current or noncurrent. Specifically, the amendments clarify one of the criteria in IAS 1 for classifying a liability as non-current - that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. This right may be subject to compliance with covenants. After reconsidering certain aspects of the 2020 amendments, in October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1), reconfirming that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The amendments are to be applied retrospectively.

The Corporation anticipates that the adoption of these accounting pronouncements will not have a material impact on the Corporation's financial statements.

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

5. Bank indebtedness:

	2023	2022
Cash	\$ 120,039	\$ 539,305
Revolving credit facility, revolving in increments of \$10,000 with a limit of \$10,000,000, charging interest at Canadian bank prime rates	(3,800,000)	(4,280,000)
Bank indebtedness	\$ (3,679,961)	\$ (3,740,695)

6. Accounts receivable:

	2023	2022
Energy, water and sewer	\$ 7,708,701	\$ 6,523,810
Other	1,035,571	1,555,845
Total	\$ 8,744,272	\$ 8,079,655

Included in accounts receivable is \$1,478,832 (2022 - \$1,230,333) of customer receivables for water consumption and sewer ("water & sewer") that the Corporation bills and collects on behalf of the City of Stratford and the Town of St. Marys. As the Corporation does not assume liability for collection of these amounts, any amount related to City of Stratford and Town of St. Marys water & sewer charges that are determined to be uncollectible are charged to the City of Stratford and Town of St. Marys, respectively. At year end, there is nil (2022 - nil) included in the provision for impairment for uncollectable amounts relating to water and sewer.

7. Inventories:

The amount of inventories consumed by the Corporation and recognized as an expense during 2023 was \$130,666 (2022 - \$149,137). During 2023, an amount of nil (2022 - nil) was recorded as an expense for the write-down of obsolete or damaged inventory to net realizable value.

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

8. Property, plant and equipment:

a) Cost or deemed cost

	Land and buildings	Distribution & substation equipment	Other distribution system equipment	Transformer station	Total
Balance at January 1, 2022	\$3,133,922	\$50,046,755	\$3,116,334	\$14,192,427	\$70,489,438
Additions	357,228	3,022,647	281,971	86,263	\$ 3,748,109
Transfers	-	-	235,832	-	\$235,832
Disposals/retirements	(27,578)	(297,300)	(375,808)	-	(\$700,686)
Balance at December 31, 2022	\$3,463,572	\$52,772,102	\$3,258,329	\$14,278,690	\$73,772,693
Balance at January 1, 2023	\$3,463,572	\$52,772,102	\$3,258,329	\$14,278,690	\$73,772,693
Additions	1,060,506	2,876,421	420,018	212,043	\$ 4,568,988
Work in Progress	-	96,468	3,114	-	\$99,582
Disposals/retirements	(7,732)	(244,489)	(227,295)	-	(\$479,516)
Balance at December 31, 2023	\$4,516,346	\$55,500,502	\$3,454,166	\$14,490,733	\$77,961,747

b) Accumulated depreciation

	Land and buildings	Distribution & substation equipment	Other distribution system equipment	Transformer station	Total
Balance at January 1, 2022	\$ 427,301	\$ 9,160,998	\$1,232,991	\$2,554,239	\$13,375,529
Depreciation	120,660	1,491,865	285,635	345,657	\$ 2,243,817
Disposals/retirements	(27,578)	(297,300)	(375,808)	-	(\$700,686)
Balance at December 31, 2022	\$ 520,383	\$10,355,563	\$1,142,818	\$2,899,896	\$14,918,660
Balance at January 1, 2023	\$ 520,383	\$ 10,355,563	\$1,142,818	\$2,899,896	\$14,918,660
Depreciation	156,767	1,549,351	305,356	358,273	\$ 2,369,747
Disposals/retirements	(7,732)	(244,489)	(227,295)	-	(\$479,516)
Balance at December 31, 2023	\$ 669,418	\$11,660,425	\$1,220,879	\$3,258,169	\$ 16,808,891

c) Carrying amounts

	Land and buildings	Distribution & substation equipment	Other distribution system equipment	Transformer station	Total
December 31, 2022	\$2,943,189	\$42,416,539	\$2,115,511	\$11,378,794	\$58,854,033
December 31, 2023	\$3,846,928	\$43,840,077	\$2,233,287	\$11,232,564	\$61,152,856

d) Borrowing costs

During the year, no borrowing costs (2022 – nil) were capitalized as part of the cost of property, plant and equipment.

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

9. Intangible assets and goodwill:

a) Cost or deemed cost

	Goodwill	Computer software	Land Rights	CCRA's	Total
Balance at January 1, 2022	\$ 515,359	\$ 1,418,972	\$ 3,150	\$ 966,935	\$ 2,904,416
Additions	-	111,889	-	-	111,889
Work in Progress	-	221,461	-	-	221,461
Disposals	-	(312,506)	-	-	(312,506)
Balance at December 31, 2022	\$ 515,359	\$ 1,439,816	\$ 3,150	\$ 966,935	\$ 2,925,260
Balance at January 1, 2023	\$ 515,359	\$ 1,439,816	\$ 3,150	\$ 966,935	\$ 2,925,260
Additions	-	341,398	-	-	341,398
Work in Progress	-	330,359	-	-	330,359
Disposals	-	(207,569)	-	-	(207,569)
Balance at December 31, 2023	\$ 515,359	\$ 1,904,004	\$ 3,150	\$ 966,935	3,389,448

b) Accumulated amortization

	Goodwill	Computer software	Land Rights	CCRA's	Total
Balance at January 1, 2022	\$ -	\$ 741,083	\$ -	\$ 428,492	\$ 1,169,575
Amortization	-	207,436	-	54,473	261,909
Disposals	-	(312,506)	-	-	(312,506)
Balance at December 31, 2022	\$ -	\$ 636,013	\$ -	\$ 482,965	\$ 1,118,978
Balance at January 1, 2023	\$ -	\$ 636,013	\$ -	\$ 482,965	\$ 1,118,978
Amortization	-	194,941	-	54,473	249,414
Disposals	-	(207,569)	-	-	(207,569)
Balance at December 31, 2023	\$ -	\$ 623,385	\$ -	\$ 537,438	\$ 1,160,823

c) Carrying amounts

	Goodwill	Computer software	Land Rights	CCRA's	Total
December 31, 2022	\$ 515,359	\$ 803,803	\$ 3,150	\$ 483,970	\$ 1,806,282
December 31, 2023	\$ 515,359	\$ 1,280,619	\$ 3,150	\$ 429,497	\$ 2,228,625

d) Goodwill impairment

Management has determined that the Corporation's rate regulated operations are one cash generating unit. Therefore, the goodwill was allocated to the Corporation as a whole. The annual impairment test is based on the Corporation's value in use.

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

9. Intangible assets and goodwill:

d) Goodwill impairment (continued)

A detailed valuation of the Corporation was undertaken during 2023 based on preliminary financial results of the Corporation as at December 31, 2023. Cash flows were projected based on actual operating results and the cost of capital and rate of return as approved in the 2015 Cost of Service application. A discounted cash flow model was utilized based on free cash flows for 20 years, followed by a terminal value calculated based on a steady-state cash flow, with the terminal value within range of market-based terminal multiples. The recoverable amount of the Corporation was determined to be greater than the carrying value of goodwill and no impairment was recorded as at December 31, 2023 or December 31, 2022.

10. Income taxes:

	2023	2022
Income tax expense		
Current tax expense:		
Current year	\$ 373,312	\$ 160,945
Prior year	-	(56,545)
Total current tax expense	373,312	104,400
Deferred tax expense:		
Change in recognized deductible temporary differences	251,205	992,021
Total current and deferred income tax in profit or loss, before movement of regulatory balance	624,517	1,096,421
Other comprehensive income:		
Employee future benefits	(14,712)	80,363
Total current and deferred tax, before movement in regulatory balances	609,805	1,176,784
Net movement in regulatory balances	(115,983)	(1,072,384)
Income tax expense recognized in statement of comprehensive Income	\$493,822	\$104,400

Reconciliation of effective tax rate

	2023	2022
Income before taxes	\$2,283,982	\$4,486,834
Canada and Ontario statutory income tax rates	26.5%	26.5%
Expected tax provision on income tax at statutory rates	605,255	1,189,011
Increase (decrease) in income tax resulting from:		
Permanent differences	2,060	2,212
Recognized deductible temporary difference due from customers	(115,983)	(1,072,384)
Other	2,490	(14,439)
Income tax expense	\$ 493,822	\$ 104,400

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

10. Income taxes (continued):

	2023	2022
Deferred tax assets (liabilities):		
Property, plant, equipment and intangible assets	(\$2,820,051)	(\$2,488,634)
Employee future benefits	271,480	267,618
Unrealized gain on interest rate swap	(120,510)	(207,995)
Other	51,218	47,641
	(\$2,617,863)	(\$2,381,370)

11. Customer deposits:

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

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

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

Customer deposits comprise:

	2023	2022
Electricity deposits	\$ 911,071	\$ 957,164
Construction deposits	977,198	1,039,378
Total customer deposits	\$1,888,269	\$1,996,542
Consisting of:		
Short-term	\$ 1,256,618	\$ 1,016,175
Long-term	631,651	980,367

12. Employee future benefits:

(a) Employee future benefits, other than pension

The Corporation provides certain unfunded health, dental and life insurance benefits on behalf of its retired employees. These benefits are provided through a group defined benefit plan. The Corporation has reflected its share of the defined benefit costs and related liabilities, as calculated by the actuary, in these financial statements. The accrued benefit liability and the corresponding expense were based on results and assumptions determined by actuarial valuation as at December 31, 2023.

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

12. Employee future benefits (continued):

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

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

	2023	2022
Defined benefit obligation, beginning of year	\$ 1,009,878	\$ 1,361,643
Included in profit or loss:		
Current service cost	23,310	36,217
Interest cost	48,324	38,994
	71,634	75,211
Included in OCI:		
Actuarial (gains) losses arising from changes in financial assumptions	55,517	(303,258)
Benefits paid during the year	(112,576)	(123,718)
Defined benefit obligation, end of year	\$1,024,453	\$1,009,878

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

	2023	2022
Discount rate	4.60%	5.05%
Rate of compensation increase	3.30%	3.30%
Initial health care cost trend rate	4.90%	4.70%
Initial dental cost trend rate	5.10%	4.90%
Year that rate reaches the rate it is assumed to be	2040	2040
Cost trend rate declines to	4.00%	4.00%

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

	2023	2022
Benefit Obligation, end of year	\$1,024,453	\$1,009,878
1% increase in health care trend rate	33,300	26,900
1% decrease in health care trend rate	(29,900)	(24,300)
1% increase in discount rate	(105,500)	(96,500)
1% decrease in discount rate	130,900	119,000

(b) Pension plan

The Corporation provides a pension plan for its employees through the Ontario Municipal Employees Retirement System. The plan is a multi-employer, contributory defined benefit pension plan. In 2023, the Corporation made employer contributions of \$404,465 to OMERS (2022 - \$365,116). The Corporation's net benefit expense has been allocated as follows:

- \$145,607 (2022 - \$138,744) capitalized as part of PP&E
- \$214,366 (2022 - \$186,209) charged to operating expenses
- \$44,492 (2022 - \$40,163) charged to CDM and billable work

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

12. Employee future benefits (continued):

(b) Pension plan (continued)

As at December 31, 2023, OMERS states that their plan was 97% funded (2022 – 95%). OMERS has a strategy to return the plan to a fully funded position. The Corporation is not able to assess the implications, if any, of this strategy or of the withdrawal of other participating entities from the OMERS plan on its future contributions. The Corporation's contributions represent less than 1% of the total annual contributions to the OMERS plan.

13. Regulatory assets and liabilities:

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

In the tables below, the "Additions" column consists of new additions to regulatory balances (for both debits and credits). The "Recovery/reversal" column consists of amounts collected through rate riders or transactions reversing an existing regulatory balance. The "Other movements" column consists of reclassification between the regulatory debit and credit balances. For the years ended December 31, 2023 and 2022, the Corporation did not record any impairments related to regulatory debit balances.

	January 1, 2023	Transactions	Recovery/ reversal	Other Movements	December 31, 2023	Notes
Regulatory deferral account debit balances						
Settlement (Group 1) variances	\$ 5,087,624	\$ (1,275,857)	\$ (43,998)	\$ 97,326	\$ 3,865,095	(1)
Stranded meters	2,313	(2,313)	-	-	-	(2)
LRAM	24,647	85,846	(9,819)	4,955	105,629	(1)
Deferred Taxes	2,381,370	115,983	-	-	2,497,353	(4)
Rate application costs	8,008	(8,008)	-	-	-	(3)
	\$ 7,503,962	\$ (1,084,349)	\$ (53,817)	\$ 102,281	\$ 6,468,077	

	January 1, 2022	Transactions	Recovery/ reversal	Other Movements	December 31, 2022	Notes
Regulatory deferral account debit balances						
Settlement (Group 1) variances	\$ 2,939,939	\$ 386,141	\$ (313,926)	\$ 2,075,470	\$ 5,087,624	(1)
Stranded meters	2,292	21	-	-	2,313	(2)
LRAM	268,628	(244,237)	256	-	24,647	(1)
Deferred Taxes	1,308,987	1,072,383	-	-	2,381,370	(4)
Rate application costs	8,008	-	-	-	8,008	(3)
	\$ 4,527,854	\$ 1,214,308	\$ (313,670)	\$ 2,075,470	\$ 7,503,962	

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

13. Regulatory assets and liabilities (continued):

	January 1, 2023	Transactions	Recovery/ reversal	Other Movements	December 31, 2023	Notes
Regulatory deferral account credit balances						
Settlement (Group 1) variances	\$ (547,437)	(59,260)	\$ 53,817	\$ (97,326)	\$ (650,206)	(1)
IFRS transition adjustments	(10,783)	10,783	-	-	-	(5)
LRAM	-	(21,882)	-	(4,955)	(26,837)	(1)
PILS	(542,612)	(159,097)	-	-	(701,709)	
	\$ (1,100,832)	\$ (229,456)	\$ 53,817	\$ (102,281)	\$ (1,378,752)	
Regulatory deferral account credit balances						
Settlement (Group 1) variances	\$ (1,286,576)	2,500,939	\$ 313,670	\$ (2,075,470)	\$ (547,437)	(1)
IFRS transition adjustments	(10,783)	-	-	-	(10,783)	(5)
PILS	(434,218)	(108,394)	-	-	(542,612)	
	\$ (1,731,577)	\$ 2,392,545	\$ 313,670	\$ (2,075,470)	\$ (1,100,832)	

- 1) The changes in settlement (Group 1) and LRAM balances outstanding from December 31, 2022 were approved for disposition as part of the 2023 IRM application with rates effective January 1, 2023 to be collected over a 12-month period.
- 2) As part of the 2015 COS application, the OEB approved the disposition of stranded meters through a rate rider effective May 1, 2015 (implemented June 1, 2015) with recovery over a 7-month period ending December 31, 2015. Since the residual balance was trivial, it was cleared to \$nil at the end of 2023.
- 3) The 2015 COS rate application costs were approved for recovery by the OEB and have been amortized over a forty-three-month period ending December 31, 2019. Since the residual balance was trivial, it was cleared to \$nil at the end of 2023.
- 4) Disposition is not requested for the deferred tax balance as it is being reversed through timing differences in the recognition of deferred tax assets. No carrying charges are calculated on this balance.
- 5) As part of the 2015 COS application, the OEB approved the disposition of the account 1575/76 IFRS transition account balance used to record the difference arising on adoption of new asset useful lives and overhead rates and write off of end-of-life assets. These account balances were included as a rate rider effective May 1, 2015 (implemented June 1, 2015) and were recovered over a 7-month period ended December 31, 2015. Since the residual balance was trivial, it was cleared to \$nil at the end of 2023.

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

As part of the Corporation's 2023 IRM application, the change in debit and credit balance settlement (Group 1) variance accounts occurring during fiscal 2021 were approved as part of 2023 distribution rates for recovery over a 12-month period commencing January 1, 2023. As such, the risk associated with the recovery of variance accounts is limited to the incremental value of non-settlement variances arising since 2021.

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

14. Long-term debt:

Long-term debt consists of the following:

	2023	2022
Royal Bank revolving term loan, bearing interest at 2.93%, plus a stamping fee of 1.81% on bankers' acceptances, payable in monthly principal instalments of approximately \$40,000 plus interest, increasing by \$1,000 yearly until maturity on May 31, 2038, secured by a general security agreement, subject to a swap agreement as outlined below.	9,369,000	9,875,000
Royal Bank revolving term loan, bearing variable interest at 5.39%, plus a stamping fee of 1.51% on bankers' acceptances, interest only payments until December 31, 2024, subject to a swap agreement as outlined below.	2,500,000	-
Royal Bank loan, bearing interest at 2.62%, payable in monthly principal instalments of \$19,768, maturing November 25, 2025, secured by a general security agreement.	443,012	665,476
Notes payable to shareholder, bearing interest at 7.25% per annum, with interest payments only, due on demand, unsecured.	15,600,000	15,600,000
	27,912,012	26,140,476
Less: current portion	18,850,364	16,328,464
Long-term debt	\$9,061,648	\$9,812,012

Interest rate swaps

The Corporation entered into an interest rate swap agreement on a notional principal of \$14,000,000 effective May 31, 2013, which matures May 31, 2038. The swap is a receive-variable, pay-fixed swap with the Royal Bank. This agreement has effectively converted variable interest rates to an effective fixed interest rate of 2.93% plus stamping fee of 0.42% on the Royal Bank revolving term loan. The stamping fee is subject to change every 10 years, with the first maturity occurred on May 31, 2023. On this day, the stamping fee changed from 0.42% to 1.81%.

The Corporation entered into a swap agreement on a notational principal of \$2,500,000. The swap is a receive-variable, pay fixed swap with Royal Bank. This agreement has effectively converted variable interest rates to an effective fixed interest rate of 5.39% plus a stamping fee of 1.51%.

The Corporation has determined these swaps do not meet the standard to apply hedge accounting. Since the standard is not met, the interest rate swap contracts have been recorded at their fair value at December 31, 2023 with the combined unrealized loss for the year of \$330,131 (2022 – gain of \$1,723,834) recorded as finance cost in the statement of comprehensive income. The Corporation uses Level 2 inputs to determine fair value.

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

14. Long-term debt continued:

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Current and long- term debt	Dividends payable	Retained earnings	Total (financing cash flows)
Balance at January 1, 2023	\$ 26,140,476	\$ 248,269	\$ 18,525,126	
Dividends paid	-	(248,269)	(390,330)	\$ (638,599)
Proceeds from long-term debt	2,500,000	-	-	2,500,000
Repayments of long-term debt	(728,464)	-	-	(728,464)
Total changes from financing cash flows	\$ 1,771,536	\$ (248,269)	\$ (390,330)	\$ 1,132,937
Dividend declared but not paid	-	233,750	(233,750)	-
Net income after net movements in regulatory balances	-	-	1,845,677	1,845,677
Balance at December 31, 2023	\$ 27,912,012	\$ 233,750	\$ 19,746,723	\$ 2,978,614

15. Share capital:

	2023	2022
Authorized:		
Unlimited Class A special shares, non-cumulative, 5.0%		
Unlimited Class B special shares		
Unlimited Common shares		
Issued:		
6,100 Class A special shares	\$ 6,100,000	\$ 6,100,000
6,995 Common shares	9,468,388	9,468,388
	\$ 15,568,388	\$ 15,568,388

Dividends paid on the 6,100 class A special shares during the year totalled \$152,500 (2022 - \$152,500). Dividends paid on the 6,995 common shares during the year totalled \$471,580 (2022 - \$486,099). A common share dividend was declared on December 15, 2023 and is payable on all common shares on record at December 31, 2023, with the dividend to be paid in 2024. The dividend amount payable at December 31, 2023 is \$233,750 (2022 - \$248,269).

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

16. Revenue from Contracts with Customer:

The Corporation generates revenue primarily from the sale and distribution of electricity to its customers. Sources of revenue are as documented in the table below.

	2023 Sale of Energy	2023 Distribution Revenue	2022 Sale of Energy	2022 Distribution Revenue
Residential	\$ 17,732,062	\$ 7,097,764	\$ 17,226,468	\$ 6,928,900
Commercial	42,664,867	5,744,876	35,806,876	4,757,459
Large Users	2,849,463	323,578	2,762,863	314,993
Other	694,630	166,003	(207,133)	172,733
	\$ 63,941,022	\$ 13,332,221	\$ 55,589,074	\$ 12,174,085

17. Other income:

	2023	2022
Collection, late payment and other service charges	\$ 101,740	\$ 124,331
Pole attachment and other rental income	166,816	108,836
Miscellaneous	819,567	853,362
Solar generation	26,256	31,992
	\$ 1,114,379	\$ 1,118,521

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

Miscellaneous includes revenues from City of Stratford and Town of St. Marys water and sewage billing services, street lighting services, management fees charged to Festival Hydro Services Inc. and other revenue sources.

18. Operating expenses:

	2023	2022
Salaries and benefits	\$ 3,806,285	\$ 3,329,138
External services	2,215,081	1,924,106
Materials and supplies	540,790	584,647
Other support costs	928,057	921,154
	\$ 7,490,213	\$ 6,759,045

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

19. Finance income and costs:

	2023	2022
Interest income on loan to corporation under common control	\$ 3,398	\$ 10,862
Interest on bank account	3,531	12,036
Interest on written off trade receivables	141	442
Unrealized gain on interest rate swap	-	1,723,834
Finance income	\$ 7,070	\$ 1,747,174
Interest expense on demand notes payable	\$1,131,000	\$1,131,000
Interest expense on long-term debt	479,139	338,185
Interest on revolving credit facility	190,782	84,552
Interest expense on deposits	62,701	21,041
Other interest expense	4,823	-
Unrealized loss on interest rate swap	330,131	-
Finance costs	\$ 2,198,576	\$ 1,574,778
Net finance income (costs)	\$ (2,191,506)	\$ 172,396

20. Related party transactions:

a) *Parent and ultimate controlling party*

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

b) *Key management personnel*

The key management personnel of the Corporation has been defined as members of its Board of Directors and executive management team members. Total compensation of key management in 2023 was \$902,559 (2022 - \$833,946).

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

20. Related party transactions (continued):

c) Transactions with the Corporation of the City of Stratford

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

	2023	2022
Revenues:		
Energy sales	\$ 1,342,294	\$ 1,475,873
Water and sewer administration fee	539,320	499,716
Street lighting services	12,617	18,760
Service centre space rental	36,851	33,477
Total revenues	\$ 1,931,082	\$ 2,027,826
Expenses:		
Interest on demand notes payable	\$ 1,131,000	\$ 1,131,000
Property taxes	149,822	121,157
Tree trimming	56,980	54,494
Total expenses	\$ 1,337,802	\$ 1,306,651
	December 31, 2023	December 31, 2022
Receivable balances:		
Accounts receivable	\$ 366,769	\$ 365,293
Payable balances:		
Accounts payable and accrued charges	\$ 978,360	\$ 995,324
Demand notes payable	15,600,000	15,600,000
Dividends payable	233,750	248,269
Total payables	\$16,812,110	\$16,843,593
The net amount owing to the Corporation of the City of Stratford for accounts receivable, accounts payable and accrued charges is \$611,591 (2022 - \$630,031).		
Dividends paid or payable	\$ 624,080	\$ 638,599

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

20. Related party transactions (continued):

d) Transactions with corporations under common control of the parent

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

	2023	2022
Revenues:		
Operational services	\$ 31,538	\$ 33,397
Management fee	60,982	64,851
Office and fibre room rentals	1,347	1,470
Joint pole rentals	57,384	55,308
Interest earned	3,398	10,862
Energy sales	30,817	28,689
Water billing and collection services	76,358	75,120
Total revenues	\$261,824	\$269,697
Expenses:		
Fiber and WIFI services	\$154,148	\$154,148
Information technology and management services	330,947	273,165
Total expenses	\$485,095	\$427,313
Receivable balance:		
	December 31, 2023	December 31, 2022
Due from(to) corporations under common control	\$(24,254)	\$127,927

21. Capital management:

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

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

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

There have been no changes in the Corporation's approach to capital management during the year. As at December 31, 2023, the Corporation's definition of capital included borrowings under its revolving credit facility, long-term debt and obligations including the current portion thereof, and equity, and had remained unchanged from the definition as at December 31, 2022. As at December 31, 2023, equity amounted to \$35,205,115 (2022 - \$34,039,035), borrowings in the form of demand notes payable and long-term debt, including the current portion thereof, amounted to \$27,912,012 (2022 - \$26,140,476) and the revolving credit facility amounted to \$3,681,457 (2022 - \$3,720,132).

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

21. Capital management (continued):

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

The Corporation is subject to debt agreements that contain various covenants. The Corporation's credit agreement with Royal Bank provides a revolving demand facility, letter of guarantee which is posted with the IESO as prudential support, and a long-term loan facility. These combined facilities are subject to a funded indebtedness debt to equity ratio of no more than 65%.

The Corporation has customary covenants typically associated with long-term debt. As at December 31, 2023 and December 31, 2022, the Corporation was in compliance with all credit agreement covenants and limitations associated with its long-term debt.

22. Financial instruments and risk management:

Fair value disclosure

The carrying values of accounts receivable, unbilled revenue, due to Corporations under common control & to the City of Stratford, accounts payable and accrued liabilities approximate their fair values due to the short maturity of these instruments. The fair values of customer deposits approximate their carrying amounts taking into account interest accrued on the outstanding balance. Cash is measured at fair value.

The swap agreements are measured at fair value, which is provided by a third-party, banking institution and is based on market rates at the date of the valuation. The valuation of the interest rate swaps resulted in a cumulative unrealized gain recorded on the statement of financial position at December 31, 2023 of \$454,755 (2022 - \$784,886).

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

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

22. Financial instruments and risk management (continued):

	2023	2022
Carrying amounts:		
Notes payable to shareholder, bearing interest at 7.25% per annum, due on demand	\$15,600,000	\$15,600,000
Royal Bank revolving term loan, bearing interest at 2.93%, plus a stamping fee of 1.81%, maturing May 31, 2038	9,369,000	9,875,000
Royal Bank revolving term loan, bearing variable interest at 5.39%, plus a stamping fee of 1.51%, interest only payments until December 31, 2024	2,500,000	-
Royal Bank loan, bearing interest at 2.62%, maturing November 25, 2025	443,012	665,476
Total	\$27,912,012	\$26,140,476

	2023	2022
Fair values:		
Notes payable to shareholder, bearing interest at 7.25% per annum, due on demand	\$11,797,814	\$12,556,106
Royal Bank revolving term loan, bearing interest at 2.93%, plus a stamping fee of 1.81%, maturing May 31, 2038	5,502,035	9,581,114
Royal Bank revolving term loan, with a variable interest rate of 5.39%, plus a stamping fee of 1.51% on bankers' acceptances, interest only payments until December 31, 2024	2,332,090	-
Royal Bank loan, bearing interest at 2.62%, maturing November 25, 2025	410,511	609,697
Total	\$20,042,450	\$22,746,917

Financial risks

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

a) Credit risk

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

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

22. Financial instruments and risk management (continued):

a) Credit risk (continued)

The Corporation's credit risk associated with accounts receivable and unbilled revenue is primarily related to electricity bill payments from electricity customers. The Corporation obtains security deposits from certain customers in accordance with direction provided by the OEB and as outlined in the Corporation's conditions of service. As of December 31, 2023, the Corporation held security deposits related to electricity receivables in the amount of \$911,071 (2022 - \$957,164).

As at December 31, 2023, there were no significant concentrations of credit risk with respect to any one customer. No single customer accounts for revenue in excess of 5% of total distribution revenue. The Corporation earns its revenue from a broad base of approximately 21,000 customers (2022 - 21,000 customers) located throughout its service territory.

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

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

	2023	2022
Not more than 30 days	\$ 5,497,458	\$ 6,448,968
More than 30 but less than 90 days	589,425	405,840
More than 90 days	103,687	167,531
Less allowance for impairment	(180,369)	(173,017)
Unbilled revenue	6,915,469	4,783,498
	\$ 12,925,670	\$ 11,632,820

As at December 31, 2023, the Corporation's accounts receivable and unbilled revenue which were not past due or impaired were assessed by management to have no significant collection risk and no additional allowance for impairment was required for these balances.

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

	2023	2022
Balance, beginning of year	\$ 173,017	\$ 178,684
Provision for impairment	117,179	53,870
Write offs	(117,115)	(72,374)
Recoveries	7,288	12,837
Balance, end of year	\$ 180,369	\$ 173,017

Unbilled revenue represents amounts for which the Corporation has a contractual right to receive cash through future billings and are unbilled at year end. Unbilled revenue is considered current and no provision for impairment was established as at December 31, 2023 (2022 – nil).

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

22. Financial instruments and risk management (continued):

(b) Interest rate risk

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

As at December 31, 2023, aside from the valuation of its employee future benefit obligations, the Corporation was exposed to interest rate risk predominately from short-term borrowings under its revolving credit facility and customer deposits, while most of its remaining obligations were either non-interest bearing or bear fixed interest rates, and its financial assets were predominately short-term in nature and mostly non-interest bearing. The Corporation estimates that a 100 basis point increase in short-term interest rates, with all other variables held constant, would result in an increase of approximately \$116,070 (2022 - \$61,266) to annual finance costs. A decrease of 100 basis points would result in a reduction in financing costs of \$116,070 (2022 - \$61,266).

(c) Liquidity risk

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

The Corporation has a revolving credit facility available of \$10,000,000 with a Canadian chartered bank. As at December 31, 2023, \$3,800,000 (2022 - \$4,280,000) was drawn on this facility.

As a purchaser of electricity through the Independent Electricity System Operator ("IESO"), the Corporation is required to provide security to minimize the risk of default based on its expected activity in the market. The IESO may draw on this security if the Corporation fails to make payment required by a default notice issued by the IESO. The Corporation has a \$3.6 million revolving term facility by way of a letter of guarantee with Royal Bank, of which \$3,095,139 (2022 - \$3,095,139) has been assigned to secure the prudential support required by the IESO.

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

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

22. Financial instruments and risk management (continued):

Contractual cash flows, including interest, at year end are:

December 31, 2023					
	Carrying Amounts	Total	Due within 1 year	Due within 1 to 5 years	Due > 5 years
Revolving credit facility	\$ 3,800,000	\$ 3,800,000	\$ 3,800,000	\$ -	\$ -
Accounts payable and accrued liabilities	9,367,511	9,367,511	9,367,511	-	-
Due to City of Stratford	611,591	611,591	611,591	-	-
Notes payable to shareholder, bearing interest at 7.25% per annum, due on demand	15,600,000	16,731,000	16,731,000	-	-
Royal Bank revolving term loan, bearing interest at 2.93%, plus a stamping fee of 1.81%, maturing May 31, 2038	9,369,000	12,832,870	958,369	3,731,883	8,142,618
Royal Bank loan, bearing interest at 2.62%, maturing November 25, 2025	443,012	454,673	237,221	217,452	-
Royal Bank revolving term loan, bearing variable interest at 5.39%, plus a stamping fee of 1.51%, interest only payments until December 31, 2024	2,500,000	2,672,500	2,672,500	-	-
	\$ 41,691,114	\$ 46,470,145	\$ 34,378,192	\$ 3,949,335	\$ 8,142,618
December 31, 2022					
	Carrying Amounts	Total	Due within 1 year	Due within 1 to 5 years	Due > 5 years
Revolving credit facility	\$ 4,280,000	\$ 4,280,000	\$ 4,280,000	\$ -	\$ -
Accounts payable and accrued liabilities	8,658,017	8,658,017	8,658,017	-	-
Due to City of Stratford	630,031	630,031	630,031	-	-
Notes payable to shareholder, bearing interest at 7.25% per annum, due on demand	15,600,000	16,731,000	16,731,000	-	-
Royal Bank revolving term loan, bearing interest at 2.93%, plus a stamping fee of 1.81%, maturing May 31, 2038	9,875,000	12,645,318	828,224	3,308,138	8,508,956
Royal Bank loan, bearing interest at 2.62%, maturing November 25, 2025	665,476	691,894	237,221	454,673	-
	\$ 39,708,524	\$ 43,636,260	\$ 31,364,493	\$ 3,762,811	\$ 8,508,956

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

23. Commitments and contingencies:

Operating leases

The Corporation entered into a non-cancellable operating lease for service centre space for a period of five years dated November 15, 2015. The contract is subject to an annual increase based on the Ontario Consumer Price Index. Minimum lease payments required are \$1,027 per month for 2023 (2022 - \$997 per month).

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

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

The CCRA has been trued-up effective July 5, 2013. Since load growth had fallen below a target amount, a cumulative contribution in the amount of \$550,200 has been paid to Hydro One Networks. This amount has been recorded as an intangible asset subject to 15-year amortization over the remaining life of the agreement. The agreement was subject to true up effective on the fifteenth year of the agreement in July 2018 however, this has not been completed by Hydro One Inc. It is possible that the Corporation may owe a further payment as a result of the agreement but an estimate of any amount owing is not possible at December 31, 2023 given the nature of the variables included in the calculation. The need for a contribution will be determined by Hydro One Networks Inc. based on actual new load growth.

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

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

General

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

General Liability Insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the electrical utilities in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members on a pro-rata basis based on the total of their respective service revenues. It is anticipated that should such an assessment occur it would be funded over a period of up to 5 years. As at December 31, 2023, no assessments had been made.

Festival Hydro Inc.

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

24. Comparative figures:

Certain comparative figures have been restated to conform to the current year presentation.

To: Mark Hunter and the Finance and Labour Relations Committee
From: Alyson Conrad, CFO
Re: Commentary on FHI Financial Results –
 For the period ended March 31, 2024

Net income for the period is \$449K, which is \$2K below the YTD budget. Detailed commentary on the balance sheet and statement of operations are noted below:

BALANCE SHEET COMMENTARY:

Accounts Receivable – The accounts receivable balance is \$1.54M higher than it was in March of 2023, but \$1.05M lower than December 2023. The main components of the variance include:

- Electric receivables are \$970K higher than March 2023, the majority of this (\$784K) being current balance i.e., not in arrears. However, we are seeing steady increases in past due balances, specifically in the 1-30 day bucket and greater than 90 days. The greater than 90 days mostly relates to the winter moratorium, and this is typically collected in May when disconnects return.
- Water and sewer receivables are \$205K higher than March 2023 with the majority (\$179K) being current balances. Water and sewer receivables are seeing a similar trend in increasing arrears specifically in the greater than 90-day bucket. These arrears have improved since December yearend balances.
- OER settlement has increased by \$403K compared to the prior year mainly because of increase in the OER rate from 11.7% to 19.3%.

Electric receivables are being continuously monitored due to the disconnection moratorium which will end on April 30, 2023. The customer service team continues to work diligently to attempt to collect arrears while being understanding and empathic to customers. Wherever possible, customer service representatives are making payment arrangements with customers.

Prepaid Expenses – Prepaid expenses have increased compared to prior year because of Cost of Service (COS) costs that are anticipated to be recovered through the COS process and therefore are not expensed as incurred and will be recovered over 5 years starting in 2025.

Due to/from FHSI – The balance in this account is sitting at \$3K at March 31st, 2024. In Q1 2023 and December 2023, this balance was in a payable position due to the sale of QR Fibre shares and additional work completed by Rhyzome for FHI. This balance has adjusted back to a typical receivable balance at the end of Q1 2024.

Corporate PILs Recoverable – This balance has increased from prior year by \$510K due to additional payments made on account for the PILs audit to ensure that interest is reduced during the Notice of Objection Period.

Unbilled Revenue – This balance is \$340K lower than the balance in March of 2023. The major difference is due to the decreases in usage due to the mild winter compared to prior year.

Regulatory Assets – The regulatory asset balance has decreased by \$1.35M since March 2023 and this is mainly driven by the clearing in the 2024 IRM Application of the 1588/89 balances. The regulatory asset balances have increased by \$246K since December 2023 due to an increase in combined cost of power and global adjustment by 14% compared to December.

Bank Indebtedness – This balance has increased by \$1.89M since March 2023 and \$844K since December 2023. This is due to planned capital work on the renovations as well as the new CIS. FHI anticipates that it will draw on the remaining \$2.5M portion of the SWAP in Q2. The benefit of the interest savings for the SWAP will not be seen until January 1, 2025.

A/P and Accrued Liabilities – This balance has increased by \$1.23M from the March 2023 balance. A large portion of the difference (\$600K) relates to a higher IESO compared to the prior year. The remaining variance is higher trade payables compared to prior year at this time.

INCOME STATEMENT COMMENTARY

Gross Margin on Service Revenue (Distribution Revenue) – The distribution revenue to the end of Q1 2024 is \$64K below budget. The main reason being the decrease in usage through the unusually mild winter. The majority of the decrease in usage was seen in the GS>50kW rate class which used 1.7M fewer kWhs than the same period in the prior year. FHI also transitioned one large use customer to GS>50kW based on their consistently lower usage. This change was budgeted for but will still have a material impact compared to the prior year.

Other Revenue – Other revenue is running \$29K below budget at the end of Q1. The decrease is due to no sale of scrap to date in Q1 compared to \$32K sold in 2023. This variance should decrease in future quarters but may not be at the same levels as 2023.

Controllable Costs - Total controllable costs are \$55K less than budget to the end of Q1.

Operating and Maintenance expenses are down overall by \$37K compared to the budget. There were a few areas where FHI saw slightly larger variances. Metering expenses were down as there was a new position budgeted for the full year. This position was filled in late March. Underground Distribution Lines and Services were also down because FHI did not see many underground issues in Q1 compared to historical years. Testing programs that are budgeted for will occur later in the year. Transformer expenses have increased compared to budget because we had to have a vendor on site to complete repair work to T1 and T2 while they were onsite for Hydro One work. This was to replace components on the power transformers that had been identified during our monthly inspections as needing attention.

Administration expenses are down by \$18K. The majority of this balance is due to the timing differences of non-labour costs in this area occur later in the year.

Interest Expense – Interest expense while still high is down compared to budget due to slightly lower than expected rates on the BA rollover on the SWAP loan.

CASH FLOW COMMENTARY

As per the cash flow statement, the March 31 bank indebtedness has increased by \$844K since yearend however the average overdraft balance has decreased significantly since 2023. FHI is ramping up on capital expenditures which were planned. As noted above, FHI is planning to draw on the remaining \$2.5M SWAP loan in Q2.

LOAN COVENANT RATIOS

The Loan Covenant as prescribed by our lender, RBC, is being met.

Presented for information purposes.

FESTIVAL HYDRO INC.

Balance Sheet For the period ending March 31, 2024

	YTD as at Mar 31, 2023	YTD as at Dec 31, 2023	YTD as at Mar 31, 2024		YTD as at Mar 31, 2023	YTD as at Dec 31, 2023	YTD as at Mar 31, 2024
ASSETS				LIABILITIES			
Current Assets				Current Liabilities			
Accounts Receivable	6,539,384	9,135,134	8,081,657	Bank Indebtedness	2,542,785	3,679,961	4,524,220
Inventory	398,248	212,005	632,996	Accounts Payable & Accrued Liabilities	8,858,826	10,364,864	10,086,296
Prepaid Expenses	372,951	308,822	474,744	Current Portion of Consumer Deposits	947,048	1,256,618	899,756
Due from FHSI	(46,469)	(29,355)	3,410	Current Portion of Long Term Loans	548,393	750,364	564,832
Corporate PILS Recoverable	578,562	743,093	1,052,000	Dividends Declared	248,269	233,750	233,750
Unbilled Revenue	6,744,927	6,915,469	6,404,629	Promissory Note	15,600,000	15,600,000	15,600,000
				Loan Advance	2,500,000	2,500,000	2,500,000
	14,587,604	17,285,168	16,649,436		31,245,320	34,385,556	34,408,855
Property, Plant & Equipment	58,463,051	61,152,857	61,482,978	Other Liabilities			
				Unrealized loss on interest rate swap	(784,886)	(454,755)	(454,755)
Other Assets				Deferred Revenue	3,219,858	3,284,439	3,568,294
Intangible Assets	1,884,244	2,228,625	2,362,790	Employee Future Benefits	1,009,878	1,024,453	1,024,453
Future payments in lieu of income taxes	(3,239,959)	(3,518,269)	(3,518,269)				
Regulatory Assets	7,589,699	5,989,731	6,235,862	Long Term Debt			
				Consumer Deposits over one year	—	631,651	—
				RBC Loan - LT Portion	9,812,012	9,061,648	9,061,648
				TOTAL LIABILITIES	44,502,183	47,932,993	47,608,495
				EQUITY			
				Share Capital - Common	9,468,388	9,468,388	9,468,388
				Share Capital - Preferred	6,100,000	6,100,000	6,100,000
				Retained Earnings	19,268,547	19,746,727	20,145,909
				Accumulated Other Comprehensive Income	(54,479)	(109,996)	(109,996)
				TOTAL EQUITY	34,782,456	35,205,119	35,604,301
TOTAL ASSETS	79,284,639	83,138,112	83,212,796	TOTAL LIABILITIES AND EQUITY	79,284,639	83,138,112	83,212,796

FESTIVAL HYDRO INC.

Income Statement For the period ending March 31, 2024

	YTD as at Mar 31, 2023	YTD as at Mar 31, 2024	YTD Budget at Mar 31, 2024	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
REVENUE					
Service Revenue	19,576,732	19,875,225	18,309,351	1,565,873	9%
Cost of Power	16,111,849	16,512,444	14,882,332	1,630,112	11%
GROSS MARGIN (DISTRIBUTION REVENUE)	3,464,883	3,362,781	3,427,019	(64,239)	(2%)
Other Operating Revenue	287,431	234,739	263,359	(28,620)	(11%)
OPERATING & MAINTENANCE EXPENSE					
Transformer & Distribution Station Expense	116,732	105,029	85,933	19,097	22%
Distribution Lines & Services Overhead	450,914	499,027	490,321	8,706	2%
U/G Distribution Lines & Services	73,819	31,533	62,114	(30,581)	(49%)
Distribution Transformers	26,875	27,973	21,456	6,517	30%
Distribution Meters	128,880	80,165	115,136	(34,971)	(30%)
Customer Premises	45,054	57,107	63,037	(5,930)	(9%)
TOTAL OPERATING AND MAINTENANCE	842,274	800,834	837,996	(37,163)	(4%)
ADMINISTRATION					
Billing, Collecting & Meter Reading	324,902	381,306	381,797	(491)	(0%)
Administration	739,227	842,180	860,020	(17,840)	(2%)
TOTAL ADMINISTRATION	1,064,129	1,223,486	1,241,817	(18,331)	(1%)
Allocated Depreciation	(30,582)	(33,843)	(33,843)	—	—
TOTAL CONTROLLABLE COST	1,875,820	1,990,476	2,045,970	(55,494)	(3%)
NET INCOME BEFORE DEP'N, INTEREST & TAX	1,876,494	1,607,044	1,644,408	(37,365)	(2%)
Depreciation	671,472	700,236	700,236	0	0%
Interest Expense	472,295	497,739	529,665	(31,926)	(6%)
Interest Income	(70,690)	(83,107)	(80,000)	(3,107)	4%
NET INCOME BEFORE SWAP, ICM & PBA & INC TAXES	803,417	492,175	494,507	(2,332)	(0%)
Current Tax	60,000	42,992	42,992	—	—
NET INCOME BEFORE SWAP, ICM & FUTURE TAX	743,417	449,182	451,514	(2,332)	(1%)
Unrealized Gain/Loss on Swap	—	—	—	—	—
Future Tax	—	—	—	—	—
Marketable Security - recorded as OCI	—	—	—	—	—
NET INCOME	743,417	449,182	451,514	(2,332)	(1%)

FESTIVAL HYDRO INC.

Cash Flow Statement For the period ending March 31, 2024

	YTD as at Dec 31, 2023	YTD as at Mar 31, 2024
Cash from Operations		
Net Income	1,790,160	449,182
Depreciation	2,619,161	700,236
Amortization of deferred revenue in other revenue	(96,570)	283,856
Unrealized loss on interest rate swap	330,131	—
Decrease/(Increase) in Receivables	(677,770)	1,003,477
Decrease/(Increase) in Inventory	(34,479)	(420,991)
Decrease/(Increase) in Prepays	(78,381)	(165,921)
Decrease/(Increase) in Due from FHSI	151,502	(32,765)
Decrease/(Increase) in PILS	(231,530)	(308,908)
Decrease/(Increase) in Unbilled Revenues	(2,131,971)	510,839
Decrease/(Increase) in Future Tax (offsetting entry in payabl	278,310	—
Decrease/(Increase) in Regulatory Assets	1,271,988	(246,131)
Increase/(Decrease) in Payables	701,773	(278,567)
Increase/(Decrease) in Deposits	(108,272)	(988,513)
Increase/(Decrease) in Employee Future Benefits	14,575	—
Contributed Capital	466,382	86,638
Net Cash Provided	4,265,008	592,433
Cash from Financing		
Loan Repayments	728,465	185,532
Loan Advance	(2,500,000)	—
Cash Used - Capital Expenditures	5,337,210	1,251,160
Cash Used - Dividends paid current year	390,330	—
Cash Used - Dividends declared in prior year	248,269	—
Net Cash Used	4,204,274	1,436,692
Increase (Decrease) in Cash Position	60,734	(844,259)
Bank Indebtedness, Beg of Period	(3,740,695)	(3,679,961)
Bank Indebtedness, End of Period	(3,679,961)	(4,524,220)
Bank and Line of Credit Analysis	2023	2024
High balance (YTD)	2,146,529	1,668,009
Low Balance (YTD)	(6,140,288)	(6,552,953)
Overdraft interest (annualized)	199,421	69,406
Interest rate (avg annual for period)	6.94%	7.20%
Average overdraft balance	2,872,478	963,973

Key Financial Ratios:	Actual Ratio	Required Ratio
RBC Compliance Ratio - Funded Debt to Total Capital	0.46	Less than 0.65
Debt to Equity Test	30:70	Less than 75:25
Debt Service Ratio	1.96	Not less than 1.30X

FESTIVAL HYDRO INC.

Statement of Capital For the period ending March 31, 2024

	YTD as at Mar 31, 2023	YTD as at Mar 31, 2024	YTD Budget at Mar 31, 2024	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
DISTRIBUTION					
Distribution Overhead	1,129,642	315,295	545,175	(229,880)	(42%)
Underground Conductor and Devices	934,978	339,282	586,975	(247,693)	(42%)
Distribution Transformers	465,413	41,734	157,500	(115,766)	(74%)
Services	352,527	65,536	97,500	(31,964)	(100%)
Distribution Meters	422,498	64,100	167,500	(103,400)	(62%)
SCADA/Distribution Automation	59,266	18,457	37,500	(19,043)	(51%)
Tools and Miscellaneous Equipment	34,267	3,425	15,000	(11,575)	(77%)
TOTAL DISTRIBUTION	3,398,590	847,828	1,607,150	(759,322)	(47%)
OTHER CAPITAL					
Land and Buildings	395,369	147,038	459,000	(311,962)	(68%)
Transformer Station	87,637	44,774	82,500	(37,726)	(46%)
Vehicles and Trailers	68,635	—	37,500	(37,500)	(100%)
Computer Hardware and Software	631,363	211,520	320,888	(109,367)	(34%)
TOTAL OTHER CAPITAL	1,183,004	403,332	899,888	(496,555)	(55%)
TOTAL CAPITAL	4,581,594	1,251,160	2,507,038	(1,255,877)	(50%)



Financial Statements

Prepared For:

Finance & Labour Relations Sub-Committee

June 2024

Financial Statements of

FESTIVAL HYDRO SERVICES INC.

And Independent Auditors' Report thereon

Year ended December 31, 2023

FESTIVAL HYDRO SERVICES INC.

Statements of Financial Position

December 31, 2023, with comparative information for December 31, 2022

	Note	2023	2022
Assets			
Current assets			
Cash		\$ 6,194	\$ 6,340
Accounts receivable		14,089	40,088
Inventory	5	7,132	7,617
Other assets		259	124
Due from Festival Hydro Inc.	15	24,254	-
Due from City of Stratford	15	5,101	5,780
Income tax receivable		3,859	-
Total current assets		60,888	59,949
Non-current assets			
Plant and equipment	6	2,641,169	2,840,389
Intangible assets	7	12,635	21,219
Due from QR Fibre Inc.		-	49,500
Total non-current assets		2,653,804	2,911,108
Total assets		\$ 2,714,692	\$ 2,971,057
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 22,849	\$ 56,021
Due to Festival Hydro Inc.	15	-	127,927
Current portion of long-term debt	9	416,156	415,324
Deferred revenue	9	86,967	107,374
Income tax payable		-	22,299
Total current liabilities		525,972	728,945
Non-current liabilities			
Long-term debt	9	233,825	277,981
Deferred revenue	9	393,292	442,786
Deferred tax liability	8	248,000	247,000
Total non-current liabilities		875,117	967,767
Total liabilities		1,401,089	1,696,712
Equity			
Share capital	10	249,235	249,235
Retained earnings		1,064,368	1,025,110
Total equity		1,313,603	1,274,345
Total liabilities and equity		\$ 2,714,692	\$ 2,971,057

Guarantee (note 17)

Subsequent event (note 19)

See accompanying notes to the financial statements.

On behalf of the Board:

Director

Director

FESTIVAL HYDRO SERVICES INC.

Statement of Comprehensive Income

Year ended December 31, 2023, with comparative information for 2022

	Note	2023	2022
Revenue	11	\$ 1,358,059	\$ 1,371,519
Operating expenses			
Employee salaries and benefits	12	527,364	463,684
Operating expenses	13	409,227	417,695
Depreciation and amortization	6, 7	373,188	366,553
		1,309,779	1,247,932
Income from operating activities		48,280	123,587
Finance income	14	1,544	36
Finance costs	14	(38,566)	(44,001)
Income before undernoted items		11,258	79,622
Other income:			
Gain on sale of QR Fibre shares		50,000	-
Income before income taxes		61,258	79,622
Income tax expense	8	22,000	22,000
Net income and comprehensive income		\$ 39,258	\$ 57,622

See accompanying notes to financial statements.

FESTIVAL HYDRO SERVICES INC.

Statement of Changes in Equity

Year ended December 31, 2023, with comparative information for 2022

		Share capital	Retained earnings	Total
Balance at January 1, 2022	\$	249,235	\$ 967,488	\$1,216,723
Net income and comprehensive income		-	57,622	57,622
Balance at December 31, 2022	\$	249,235	\$1,025,110	\$ 1,274,345
Balance at January 1, 2023	\$	249,235	\$1,025,110	\$ 1,274,345
Net income and comprehensive income		-	39,258	39,258
Balance at December 31, 2023	\$	249,235	\$1,064,368	\$ 1,313,603

See accompanying notes to the financial statements.

FESTIVAL HYDRO SERVICES INC.

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Operating activities:		
Net income and comprehensive income	\$ 39,258	\$ 57,622
Adjustments for:		
Depreciation and amortization	373,188	366,553
Amortization of deferred revenue	(86,967)	(84,651)
Net finance costs	37,022	43,965
Gain on sale of QR Fibre shares	(50,000)	-
Income tax expense	1,000	4,000
Remeasurement of debt	(6,169)	(5,239)
Changes in non-cash operating working capital		
Accounts receivable	26,000	19,868
Inventory	485	-
Other assets	(135)	2,134
Due from QR Fibre Inc.	49,500	(49,500)
Income tax payable	(26,158)	(5,701)
Accounts payable and accrued liabilities	(33,172)	22,810
Due to Festival Hydro Inc.	(154,900)	(221,518)
Interest paid	(28,999)	(27,900)
Interest received	1,544	36
	141,496	122,479
Financing activities:		
Repayment of long-term debt	(43,324)	(42,508)
Deferred revenue received	17,066	37,346
	(26,258)	(5,162)
Investing activities:		
Purchase of plant and equipment	(165,197)	(119,993)
Purchase of intangible asset	(187)	-
Proceeds from sale of QR Fibre shares	50,000	-
	(115,384)	(119,993)
Decrease in cash	(146)	(2,676)
Cash, beginning of year	6,340	9,016
Cash, end of year	\$ 6,194	\$ 6,340

See accompanying notes to financial statements.

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

1. Reporting entity:

Festival Hydro Services Inc. (the "Company") was incorporated under the Business Corporations Act (Ontario) pursuant to Section 142 of the Electricity Act 1998 on July 11, 2000. The Corporation of the City of Stratford (the "City") passed a bylaw pursuant to Section 145 of the Electricity Act 1998 transferring certain assets and liabilities used in connection with water heaters, sentinel lights, and other energy services and telecommunications from the Stratford Public Utility Commission – Electric Departments. In exchange for these assets the City received a promissory note and common shares. The Company also maintains a 45% ownership share in QR Fibre Inc. QR Fibre Inc., operates a telecommunications business under the regulation of the Canadian Radio-television and Telecommunications Commission (CRTC). The investment in QR Fibre Inc is accounted for using the equity method. The Company is located in the City of Stratford. The address of the Company's registered office is 187 Erie Street, Stratford, Ontario N5A 2M6.

Festival Hydro Services Inc. is a telecommunications company that rents dark fibre and sentinel lights and is an internet service provider that focuses on lit fibre services as well as wireless services for its customers.

The financial statements are for the Company as at and for the year ended December 31, 2023.

2. Basis of presentation:

(a) Statement of compliance:

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Approval of the financial statements:

The financial statements were approved by the Board of Directors on April 25, 2024.

(c) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for the following:

(i) Where held, financial instruments at fair value through profit or loss, including those held for trading, are measured at fair value.

(ii) Contributed assets are measured at fair value upon initial recognition.

The methods used to measure fair values are discussed further in note 3 (c) and note 16.

(d) Functional and presentation currency:

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

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

2. Basis of presentation (continued):

(e) Use of estimates and judgements:

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

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

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

- (i) Note 6 – Plant and equipment: useful lives and the identification of significant components of property, plant and equipment
- (ii) Note 7 – Intangible assets: useful lives and identification of significant components, including software that is acquired or developed by the Company.

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

3. Material accounting policies:

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

(a) Financial instruments:

All financial assets and financial liabilities are classified as “Amortized cost”. These financial instruments are recognized initially at fair value adjusted for any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm’s length transaction between willing parties. The Company uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which carrying amounts are included in the statement of financial position:

- Cash and cash equivalents are classified as “Amortized cost” and are initially measured at fair value. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Accounts receivable are classified as “Amortized cost” and are initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method, less expected credit loss allowance. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Accounts payable are classified as “Amortized cost” and are initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The carrying amounts approximate fair value due to the short maturity of these instruments.
- Long-term debt is classified as “Amortized cost” and are initially measured at fair value. The carrying amounts of the debt are carried at amortized cost, based on the fair value of the debt at issuance, which was the fair value of the consideration received adjusted for transaction costs.

The Company does not enter into derivative instruments. Hedge accounting has not been used in the preparation of these financial statements.

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

3. Material accounting policies (continued):

(b) Inventory:

Inventory is stated at lower of cost and net realizable value and consists of maintenance materials and supplies. Cost is determined on a weighted average basis. The cost of inventory includes expenditures incurred in acquiring the material and supplies and other costs incurred in bringing it to its existing location and condition.

(c) Fair value measurements:

The Company utilizes valuation techniques that maximize the use of observable inputs to minimize the use of unobservable inputs when measuring fair value. A fair value hierarchy exists that prioritizes observable and unobservable inputs used to measure fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions with respect to how market participants would price an asset or liability. The fair value hierarchy includes three levels of inputs that may be used to measure fair value:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis;
- Level 2: Other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3: Unobservable inputs, supported by little or no market activity, used to measure the fair value of the assets or liabilities to the extent that observable inputs are not available.

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

3. Material accounting policies (continued):

(d) Plant and equipment:

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

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of twelve months to construct.

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

The cost of replacing part of an item of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of plant and equipment are recognized in profit or loss as incurred.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part or component of an item of plant and equipment.

The estimated useful lives for the current and comparative years are as follows:

Fibre optics	25 years
WiFi assets	7 years
Computer hardware	5 years
Sentinel lights	10 years
Furniture and fixtures	10 years
Buildings	30 years

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognized within other income or operating expenses in profit or loss.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

3. Material accounting policies (continued):

(e) Intangible asset:

Computer software that is acquired or developed by the Company, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

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

Computer software	5 years
-------------------	---------

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

(f) Impairment:

(i) Financial assets measured at amortized cost

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

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventory and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

3. Material accounting policies (continued):

(g) Revenue:

Monthly fees in connection with fibre optic, sentinel light, WiFi services, rental revenue, and consulting revenue are recognized as the services are rendered to customers.

Deferred revenue relating to contributions under a cost share agreement is amortized to income on a straight-line basis over the term of the agreement with the customer which represents the period of ongoing service to the customer.

(h) Deferred revenue and assets transferred from customers:

Certain partners are required to contribute towards the capital cost of fibre connections as part of a revenue/cost sharing agreement. Cash contributions are recorded as current liabilities. When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue.

The deferred revenue amount represents the Company's obligation to continue to provide the customers access to the fibre services and is amortized to income on a straight-line basis over the term of the agreement with the customer.

(i) Finance income and finance costs:

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash. Finance costs comprise interest expense on borrowings.

(j) Income taxes:

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

Under the Electricity Act, 1998, the Company makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes. Payments in lieu of taxes ("PIL"s) are referred to as income taxes.

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

3. Material accounting policies (continued):

(j) Income taxes (continued):

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

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

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Changes in accounting standards:

Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8))

In February 2021, the IASB issued amendments to IAS 8 to introduce a definition of “accounting estimates” and include other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments are to be applied prospectively.

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements (IAS 1))

In February 2021, the IASB issued amendments to IAS 1 requiring an entity to disclose its material accounting policies, rather than its significant accounting policies. Additional amendments were made to explain how an entity can identify a material accounting policy. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted.

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

3. Material accounting policies (continued):

(k) Changes in accounting standards (continued):

Deferred related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes (IAS 12))

In May 2021, the IASB issued amendments to IAS 12. The amendments clarify how companies should account for deferred tax on certain transactions such as leases and decommissioning obligations. The amendments narrow the scope of the initial recognition exemption, so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize both a deferred tax asset and a deferred tax liability when accounting for such transactions. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted.

Effective January 1, 2023, the Company adopted these amendments, with no impact on the financial statements.

4. Future accounting pronouncements:

The IASB has issued a number of standards and amendments to existing standards that are not yet effective. The Company has determined that the following amendment could have an impact on the Company's financial statements when adopted.

Disclosure Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

In January 2020, the IASB issued amendments to IAS 1 relating to the classification of liabilities as current or noncurrent. Specifically, the amendments clarify one of the criteria in IAS 1 for classifying a liability as non-current - that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. This right may be subject to compliance with covenants. After reconsidering certain aspects of the 2020 amendments, in October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1), reconfirming that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The amendments are to be applied retrospectively.

The Company anticipates that the adoption of these accounting pronouncements will not have a material impact on the Company's financial statements.

5. Inventory:

The amount of inventory consumed by the Company and recognized as an expense during 2023 was \$486 (2022 - nil).

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

6. Plant and equipment:

Cost	Fibre optics	WiFi assets	Computer hardware	Sentinel lights	Buildings and office furniture	Total
Balance at January 1, 2022	\$3,078,676	\$748,392	\$954,744	\$ 7,335	\$520,828	\$5,309,975
Additions	28,612	14,484	75,986	-	911	119,993
Disposals/retirements	-	(14,584)	-	(2,182)	-	(16,766)
Balance at December 31, 2022	\$3,107,288	\$748,292	\$1,030,730	\$5,153	\$521,739	\$5,413,202
Balance at January 1, 2023	\$3,107,288	\$748,292	\$1,030,730	\$ 5,153	\$521,739	\$5,413,202
Additions	98,484	1,492	48,629	-	16,592	165,197
Disposals/retirements	(32,756)	(115,786)	-	(859)	-	(149,401)
Balance at December 31, 2023	\$3,173,016	\$633,998	\$1,079,359	\$4,294	\$538,331	\$5,428,998
Accumulated depreciation						
Balance at January 1, 2022	\$1,527,925	\$401,556	\$241,504	\$3,399	\$57,413	\$2,231,797
Depreciation	123,147	96,241	120,112	984	17,298	\$357,782
Disposals/retirements	-	(14,584)	-	(2,182)	-	(\$16,766)
Balance at December 31, 2022	\$1,651,072	\$483,213	\$361,616	\$2,201	\$74,711	\$2,572,813
Balance at January 1, 2023	\$1,651,072	\$483,213	\$361,616	\$2,201	\$74,711	\$2,572,813
Depreciation	125,351	88,066	132,573	836	17,591	\$364,417
Disposals/retirements	(32,756)	(115,786)	-	(859)	-	(\$149,401)
Balance at December 31, 2023	\$1,743,667	\$455,493	\$494,189	\$2,178	\$92,302	\$2,787,829
Carrying amounts						
December 31, 2022	\$1,456,216	\$265,079	\$669,114	\$2,952	\$447,028	\$2,840,389
December 31, 2023	\$1,429,349	\$178,505	\$585,170	\$2,116	\$446,029	\$2,641,169

Borrowing costs:

During the year there were no borrowing costs capitalized as part of the cost of plant and equipment (2022 – nil).

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

7. Intangible assets:

	Computer software
Cost	
Balance at January 1, 2022	\$52,719
Additions	-
Disposals/retirements	(10,974)
Balance at December 31, 2022	<u>\$41,745</u>
Balance at January 1, 2023	\$41,745
Additions	187
Disposals/retirements	(6,889)
Balance at December 31, 2023	<u>\$35,043</u>
Accumulated amortization	
Balance at January 1, 2022	\$22,729
Amortization	8,771
Disposals/retirements	(10,974)
Balance at December 31, 2022	<u>\$20,526</u>
Balance at January 1, 2023	\$20,526
Amortization	8,771
Disposals/retirements	(6,889)
Balance at December 31, 2023	<u>\$22,408</u>
Carrying amounts	
December 31, 2022	\$ 21,219
December 31, 2023	<u>\$ 12,635</u>

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

8. Income taxes:

	2023	2022
Current Tax Expense	\$ 21,000	\$ 18,000
Deferred tax expense:		
Origination and reversal of temporary differences	1,000	4,000
	<hr/>	<hr/>
Total income tax expense	\$22,000	\$22,000
	<hr/>	<hr/>
	2023	2022
Basic rate applied to profit before income tax 26.5% (2022 - 26.5%)	\$21,000	\$21,000
Other	1,000	1,000
	<hr/>	<hr/>
	\$22,000	\$22,000
	<hr/>	<hr/>

Significant components of the Company's deferred tax balances are as follows:

	2023	2022
Deferred tax liabilities:		
Plant and equipment	\$ (243,000)	\$ (241,000)
Other	(5,000)	(6,000)
	<hr/>	<hr/>
Deferred tax liability	\$ (248,000)	\$ (247,000)
	<hr/>	<hr/>

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

9. Long-term debt:

	2023	2022
Demand note payable to shareholder, bearing interest at 7.5% per annum with interest payments only, due on demand, unsecured	\$372,000	\$372,000
Fixed rate loan, bearing an interest rate of 1.92%, quarterly instalments of \$12,373, term ending December 31, 2029	277,981	321,305
	<u>\$649,981</u>	<u>\$693,305</u>
Less: current portion	416,156	415,324
Long-term debt	<u>\$233,825</u>	<u>\$277,981</u>

The Company incurred interest expense in respect of these lending arrangements of \$34,069 (2022 – \$33,139).

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Current and long- term debt	Current and long- term deferred revenue	Total (financing cash flows)
Balance at January 1, 2023	\$693,305	\$550,160	\$1,243,465
Deferred revenue received	-	17,066	17,066
Repayments of long-term debt	(43,324)	-	(43,324)
Total changes from financing cash flows	\$(43,324)	\$17,066	\$(26,258)
Amortization of deferred revenue	-	(86,967)	(86,967)
Balance at December 31, 2023	\$649,981	\$480,259	\$1,130,240

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

10. Share capital:

	2023	2022
Authorized:		
Unlimited Class A special shares		
Unlimited Class B special shares		
Unlimited common shares		
Issued:		
3,382 common shares (2022 - 3,382)	\$249,235	\$249,235

11. Revenue:

	2023	2022
Fibre optics	\$ 593,663	\$ 657,128
Consulting revenue	383,637	311,179
WiFi services	248,212	271,642
Fibre room rental service	122,732	121,414
Sentinel light fixture rentals	9,815	10,156
	\$ 1,358,059	\$ 1,371,519

Included in fibre optic services is the amortization of deferred revenue in the amount of \$12,803 (2022 - \$13,025). Included in Wifi services is the amortization of deferred revenue in the amount of \$71,705 (2022 - \$71,626). Included in fibre room rental service is the amortization of deferred revenue in the amount of \$10,429 (2022 - \$nil).

12. Employee salaries and benefits:

	2023	2022
Salaries, wages and benefits	\$ 482,663	\$ 424,669
CPP and EI remittances	28,295	24,501
Group RRSP contributions	16,406	14,514
	\$ 527,364	\$ 463,684

13. Operating expenses:

	2023	2022
Administrative expenses	\$ 122,771	\$ 127,731
WiFi maintenance	149,150	131,822
Fibre optics maintenance	133,283	156,168
Sentinel lights maintenance	4,023	1,974
	\$ 409,227	\$ 417,695

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

14. Finance income and expense:

	2023	2022
Finance income		
Interest income on bank deposits	\$ 1,544	\$ 36
Finance costs		
Interest expense on long-term debt	\$ 34,069	\$ 33,139
Interest expense on loans with subsidiaries of the City	3,398	10,862
Interest expense on other financial liabilities	1,099	-
	<u>\$ 38,566</u>	<u>\$ 44,001</u>
Net finance costs recognized in profit or loss	<u>\$ 37,022</u>	<u>\$ 43,965</u>

15. Related party transactions:

- (a) Parent and ultimate controlling party

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

- (b) Key management personnel

The key management personnel of the Company have been defined as members of its Board of Directors and executive management team members. Executive management are paid under an administrative services agreement with Festival Hydro Inc., a company under common control by the City.

	2023	2022
Directors fees	\$ 8,865	\$ 12,719
Management fee	60,982	64,851
	<u>\$ 69,847</u>	<u>\$ 77,570</u>

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

15. Related party transactions (continued):

(c) Transactions with parent

The table below summarizes the Company's related party transactions, recorded at the exchange amounts, with the parent, the City of Stratford, for the year ended December 31. The transactions include the sale of fibre and WiFi services to the City as well as payment of joint pole charges for attachments on City owned poles as well as interest expense on amounts owed to the City.

	2023	2022
Revenue		
Fibre services	\$ 60,800	\$ 60,800
WiFi services	3,476	2,993
	\$ 64,276	\$ 63,793
Expenses		
Joint pole attachments on streetlights	\$ 144	\$ 178
Interest	27,900	27,900
	\$ 28,044	\$ 28,078

On December 31, 2023, the balance outstanding from the City was \$5,101 (2022 – \$5,780).

(d) Transactions with subsidiaries of the City

Festival Hydro Inc. performs all of the administrative functions for the Company. Most expenses are paid and revenue received through Festival Hydro Inc. according to a service level agreement, effective September 1, 2012. At December 31, 2023, the balance receivable from Festival Hydro Inc. was \$29,355. At December 31, 2022, there was a balance owing to Festival Hydro Inc of \$122,147.

Festival Hydro Inc. charges interest on the balance owing from the Company at an interest rate equivalent to the Bank of Canada prime rate of 7.20% at December 31, 2023 (2022 – 6.45%) as per the revised loan agreement, effective September 1, 2022. The loan is repayable on demand and no later than November 1, 2027. There is no interest accruing on the receivable balance.

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

15. Related party transactions (continued):

(d) Transactions with subsidiaries of the City (continued):

The Company had the following transactions with subsidiaries of the City:

	2023	2022
Revenue		
Consulting services	\$ 330,947	\$ 273,165
WiFi services	124,000	124,000
Fibre services	30,148	30,148
	<u>\$ 485,095</u>	<u>\$ 427,313</u>
Expenses		
Water operations	\$ 76,358	\$ 75,120
Management fee	60,982	64,851
Joint pole attachments on hydro poles	57,384	55,308
Office and room rental	1,347	1,470
Operational services	31,538	33,397
Interest	3,398	10,862
Electricity charges	30,817	28,689
	<u>\$ 261,824</u>	<u>\$ 269,697</u>

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

16. Financial instruments and risk management:

Fair value disclosure

The carrying values of cash, accounts receivable, due to Corporations under common control & to the City of Stratford, accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments.

The fair value of the shareholder demand note at December 31, 2023 is \$319,360 (2022 - \$341,901). The fair value is calculated based on the present value of future interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2023 was 7.20% on the City demand note (2022 – 6.45%)

The fair value of the non-interest-bearing loan debt agreement with Wightman at December 31, 2023 is calculated based on the present value of future principal and interest cash flows, discounted at the Bank of Canada 10-year rate at the reporting date. The interest rate used to calculate fair value at December 31, 2023 was 3.10% (2022 – 1.67%). The difference between the amount lent and the fair value of the debt of \$ 6,169 (2022 - \$ 5,239) is recognized in interest expense.

Financial risks

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company's exposures to a variety of risks such as credit risk, interest rate risk and liquidity risk as well as related mitigation strategies are discussed.

(a) Credit risk

Financial assets carry credit risk that counter-party will fail to discharge and obligation which would result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment, which management estimates based on lifetime expected credit losses, and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2023 is nil as the Company does not have a history of collection losses (2022 - nil).

The Company's credit risk associated with accounts receivable is primarily related to payments from fibre or wireless customers. At December 31, 2023 there was \$5,916 of 60 days past due (2022 – \$7,615).

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

16. Financial instruments and risk management (continued):

(b) Market risk

The Company is minimally exposed to fluctuations in interest rates based on its need for external financing.

A 1% increase in the interest rate at December 31, 2023 would have increased interest expense on the long-term debt by an immaterial amount.

(c) Liquidity risk

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure.

The Company has access to operating funds from an affiliate through an ongoing borrowing agreement and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due. There are no fixed repayment terms. Payment is reasonably assured as the affiliate provides cash management activities for the Company.

The majority of accounts payable, as reported on the balance sheet are due within 30 days.

Contractual cash flows, including interest, at year end are:

December 31, 2023					
	Carrying Amounts	Total	Due within 1 year	Due within 1 to 5 years	Due > 5 years
Accounts payable and accrued liabilities	\$ 22,849	\$ 22,849	\$ 22,849	-	-
Fixed Rate Loan 1.92% maturing December 31, 2029	277,981	296,952	49,492	247,460	-
Demand note payable	372,000	399,900	399,900	-	-
	\$ 672,830	\$ 719,701	\$ 472,241	\$ 247,460	\$ -

(d) Capital disclosures

The main objective of the Company when managing capital is to ensure ongoing access to funding to maintain and improve the fibre and wireless infrastructure. The Company's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2023, shareholder's equity amounts to \$1,313,603 (2022 - \$1,274,345) and long-term debt, including current portion thereof, amounts to \$649,981 (2022 - \$693,305).

FESTIVAL HYDRO SERVICES INC.

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

17. Comparative figures:

Certain comparative figures have been restated to conform to the current year presentation.

To: Mark Hunter and the Finance and Labour Relations Committee
From: Alyson Conrad, CFO
Re: Commentary on FHSI Financial Results –
For the period ended March 31, 2024

The net income for the period was \$27, virtually breakeven, which is \$7.8K lower than budget and \$45K lower than at this point last year. Detailed commentary on the balance sheet and income statement activity are noted below:

Balance Sheet Commentary:

A/R & Prepaids – This balance in prepaid expenses is \$50K higher than March 31st, 2023, due to the billing of joint pole use for the year from FHI was billed in March in 2024, in 2023 this was billed in April.

Outstanding accounts receivable balances are generally held in Festival Hydro as they hit the intercompany account and revenues when they are billed, not when they are collected. They are being monitored through the monitoring of the miscellaneous AR aging in Festival Hydro and there is a decrease in the aged balances at March 31st. We will continue to monitor the aged miscellaneous AR balances regularly to ensure Rhyzome receivables are not impacting Festival's cash flows increasingly.

Capital Asset Additions – Additions to the end of March 2024 are \$268. The first quarter saw a slow start to FHSI's 2024 capital program. Several jobs were started in March but will not be invoiced until Q2. As well, direction on the downtown fibre project is required to set order of operations on the next series of capital jobs. Preparations have been ongoing to ensure these projects are ready when green lit.

Due to Festival Hydro Inc. – The balance in this account is sitting at \$3K at March 31st, 2024. In Q1 2023 and December 2023, this balance was in a receivable position due to the sale of QR Fibre shares and additional work completed by Rhyzome for FHI. This balance has adjusted back to a typical payable balance at the end of Q1 2024.

Deferred Revenue – This balance has decreased from the December 2023 balance as a portion of the balance has been recognized into revenue for Q1 2024. There have been no new funds received in Q1.

Income Statement Commentary:

Revenues – Revenues are \$30K lower than budget in Q1. Minimal growth was built into Dark Fibre Rental, WiFi and Co-Locate revenues which has not been realized in Q1 2024. There are a few contracts that will be renegotiated in the year and therefore revenue is likely to be made up in future quarters. Growth in ISP revenue was budgeted based on downtown expansion projections. This project has not been invested in as of March 2024. Consulting revenue is down compared to the budget, mostly due to lower than typical FHI project work in January. FHI work has increased through March and will continue to be high as FHI undergoes implementation of its Customer Information System in Q2.

Operating Expenses – Operating expenses are below budget by \$10K at the end of Q1 and higher than Q1 2023 by \$13K. The majority of costs are relatively close to budget, however there were some slightly higher staffing costs due to changes in two positions after the budget was approved. Fibre costs decreased by \$11K compared to budget due to lower maintenance required. This balance is comparable to 2023 at this point in the year.

Current Tax – Due to break even net income, no tax expense has been recorded.

Cash Flow Commentary:

The cash balance has decreased to \$7K from the \$10K December 2023 balance. As discussed above, net income is falling short of budget. The variances in cash from year end are due to the net change in receivables and payables, loan repayments and working capital items.

FESTIVAL HYDRO SERVICES INC.

Balance Sheet

For the period ending March 31, 2024

	YTD as at Mar 31, 2023	YTD as at Dec 31, 2023	YTD as at Mar 31, 2024		YTD as at Mar 31, 2023	YTD as at Dec 31, 2023	YTD as at Mar 31, 2024
ASSETS				LIABILITIES			
Current Assets				Current Liabilities			
Cash	12,822	6,194	7,260	Accounts Payable	40,724	22,849	13,357
Accounts Receivable & Prepaids	19,266	14,348	68,941	Due to Festival Hydro Inc.	(46,469)	(29,355)	3,410
Inventory	7,617	7,131	7,131	Current Portion of LTD	32,493	44,156	33,117
				Promissory Note	372,000	372,000	372,000
				Income Tax Receivable/(Payable)	37,299	(3,859)	(7,659)
Total Current Assets	39,704	27,673	83,332	Total Current Liabilities	436,047	405,790	414,225
Fixed Assets				Other Liabilities			
Gross Book Value	5,472,698	5,464,038	5,464,307	Deferred Revenue	545,344	480,259	458,280
Accumulated Depreciation	(2,687,072)	(2,810,234)	(2,892,679)	Deferred Tax Liabilities	247,000	248,000	248,000
Net Book Value	2,785,626	2,653,805	2,571,628	Long Term Debt			
				POP Loan Long Term Portion	277,981	233,825	233,825
				TOTAL LIABILITIES	1,506,372	1,367,874	1,354,330
				EQUITY			
				Share Capital	249,236	249,236	249,236
				Retained Earnings	1,069,723	1,064,368	1,051,395
				TOTAL EQUITY	1,318,959	1,313,604	1,300,630
TOTAL ASSETS	2,825,330	2,681,478	2,654,960	TOTAL LIABILITIES AND EQUITY	2,825,330	2,681,478	2,654,960

FESTIVAL HYDRO SERVICES INC.

Statement of Operations For the period ending April 30, 2024

	YTD as at Mar 31, 2023	YTD as at Mar 31, 2024	YTD Budget at Mar 31, 2024	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
TOTAL REVENUE	399,765	340,035	369,607	-29,571	(8%)
TOTAL OPERATING EXPENSES	236,050	248,851	258,927	-10,075	(4%)
NET INCOME BEFORE DEPRECIATION & INTEREST	163,715	91,184	110,680	-19,496	(18%)
Depreciation	93,735	82,445	85,085	—	—
Interest Expense	11,370	8,843	11,742	-2,899	(25%)
Interest Income	-1,004	-130	—	-130	—
NET INCOME FOR THE PERIOD BEFORE TAXES	59,614	27	13,852	-13,826	(100%)
Current Tax Provision	15,000	—	4,375	-4,375	(100%)
Future Tax Provision	—	—	1,625	-1,625	(100%)
NET INCOME(LOSS) FOR THE PERIOD	44,614	27	7,852	-7,826	(100%)

FESTIVAL HYDRO SERVICES INC.

Cash Flow Statement

For the period ending March 31, 2024

	YTD as at Dec 31, 2023	YTD as at Mar 31, 2024
Cash from Operations		
Net Income	39,259	27
Future tax provision	1,000	—
Current tax provision (ITC portion)	21,000	—
Depreciation	373,188	82,445
Amortization of contributed capital	(63,735)	(15,934)
Amortization of deferred revenue	(6,167)	(6,045)
Due to/from QR Fibre Co.	49,500	—
Net Change in Receivables/Payables	(53,981)	(80,885)
Net Cash Provided	360,064	(20,392)
Cash from Financing		
Capital expenditures - Festival	(165,384)	(268)
Loan - Wightman	(43,324)	(11,039)
Loan from/(repayment to) Festival	(151,502)	32,765
Net Cash Used	(360,211)	21,458
Increase (Decrease) in Cash Position	(146)	1,065
Cash Beg of Period	6,341	6,194
Cash End of Period	6,194	7,260

FESTIVAL HYDRO SERVICES INC.

Statement of Capital For the period ending March 31, 2024

	YTD as at Mar 31, 2024	YTD Budget at Mar 31, 2024	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
CAPITAL				
Computer Equipment - Hardware	—	5,000	(5,000)	(100%)
Computer Software	—	500	(500)	(100%)
Buildings	—	2,500	(2,500)	(100%)
Fibre Capital	268	26,000	(25,732)	(99%)
WiFi Capital	—	20,000	(20,000)	(100%)
TOTAL CAPITAL	268	54,000	(53,732)	(100%)

June 4, 2024

City of Stratford
P.O. Box 818
1 Wellington Street
Stratford, ON N5A 6W1

Dear City of Stratford Representative:

The following motion was made by the Festival Hydro Inc. Board of Directors at the April 25, 2024 Board Meeting:

MOTION - It was moved by M. Henderson and seconded by D. Baldarelli THAT the Board recommend to the City of Stratford to declare a top-up Common Share dividend in the amount of \$233,750 for the year 2023, calculated in accordance with Festival Hydro's Dividend Policy, to be paid in Q2 of 2024.

CARRIED

If you have any questions or require any clarification, please do not hesitate to contact me.

Regards,



Jeff Graham, P. Eng
President & Chief Executive Officer
Festival Hydro Inc.

JG/cf

cc: Alyson Conrad, Chief Financial Officer



MANAGEMENT REPORT

Date: April 30, 2024
To: Infrastructure, Transportation, and Safety Sub-committee
From: Neil Anderson, Fire Chief
Report Number: ITS24-010
Attachments: Fireworks By-law 73-2006

Title: Amend Fireworks By-law 73-2006

Objective: To seek City Council approval to amend Fireworks By-law 73-2006 to recognize the Diwali religious festival to the list of approved events for fireworks celebrations and to amend the regulation of sparklers by not including them under the Family Fireworks definition.

Background: The current Fireworks By-law allows for family fireworks on Canada Day and Victoria Day only.

The Fire Department has received an increase in inquiries from families that have requested to set off *Family Fireworks* as part of the Hindu religious ceremony commonly referred to as the "Festival of Lights". The Diwali Festival is celebrated over a period of 5 days, in October or November annually, with the dates varying annually.

Based upon the existing by-law, such requests have been denied.

Further, it is noted that under section 1.6 that 'sparklers' is included under the definition of Family Fireworks. Sparklers are used for many celebrations, including in restaurants with some desserts and birthday celebrations. They continue to be sold by many vendors and are used by families throughout the year, despite being regulated as being included as a family firework.

Analysis: To reflect the inclusive spirit of Stratford staff are recommending that the first day of Diwali, the Hindu religious ceremony commonly referred to as the "Festival of Lights", be added to Sections 5.1 and 11.1 of the Fireworks By-law as an eligible day. Sections 5.1 and 11.1 would be amended as follows:

5.1 No person shall set off Family Fireworks in the City, except on the designated days of Victoria Day and Canada Day **and on the first day of the Diwali Festival annually**. In the event that weather conditions such as rain, fog, smog or wind, *on the*

designated days (Victoria Day or Canada Day or the first day of the Diwali Festival) make it impractical and/or unsafe to set off family fireworks, the next day preceding or following these days shall be the designated day.

11.1 The act of setting off of Family Fireworks on private property by the owner, tenant or authorized person Victoria Day, Canada Day **or the first day of Diwali** for their own personal display shall not be deemed to be a Display Fireworks.

The Stratford Fire Department is also recommending removal of sparklers from article 1.6 as a regulated family firework but continues to encourage safe use of them, external of buildings, and with adult supervision.

In all cases, alternatives to fireworks (glow sticks, flashlights, etc.) will always be encouraged and welcomed.

Financial Implications:

Financial impact to current year and future year operating budgets:

There are no financial impacts to budget anticipated from this report.

Alignment with Strategic Priorities:

Strengthening our Plans, Strategies and Partnerships

Partnering with the community to make plans for our collective priorities in arts, culture, heritage and more. Communicating clearly with the public around our plans and activities.

Alignment with One Planet Principles:

Health and Happiness

Encouraging active, social, meaningful lives to promote good health and wellbeing.

Culture and Community

Nurturing local identity and heritage, empowering communities and promoting a culture of sustainable living.

Staff Recommendation: THAT the Fireworks By-law 73-2006, as amended, be further amended by:

- **Amending section 1.6 to remove sparklers from the definition of "family fireworks".**
- **Amending section 5.1 to "No person shall set off Family Fireworks in the City, except on the designated days of Victoria Day, Canada Day, and on the first day of the Diwali Festival annually. In the event that weather conditions such as rain, fog, smog or wind, on Victoria Day or Canada Day or the first day of the Diwali Festival make it impractical**

and/or unsafe to set off family fireworks, the next day preceding or following Victoria Day or Canada Day or the first day of the Diwali Festival shall be the designated day.”

- **Amending section 11.1 to: “The act of setting off of Family Fireworks on private property by the owner, tenant or authorized person on Victoria Day or Canada Day or the first day of Diwali for their own personal display shall not be deemed to be a Display Fireworks.”**

AND THAT the City Clerk be directed to prepare and list an amendment to By-law 73-2006, for consideration at a future Regular Council meeting.

Prepared by: Neil Anderson, Director of Emergency Services Fire Chief
Recommended by: Joan Thomson, Chief Administrative Officer



**BY-LAW NUMBER 73-2006
OF
THE CORPORATION OF THE CITY OF STRATFORD**

BEING a By-law to prohibit and regulate the sale of fireworks and the setting off of fireworks in the City of Stratford and to repeal By-law 184-87 and all amendments thereto.

WHEREAS section 121 of the *Municipal Act 2001, S.O. 2001 c.25* as amended, provides that a local municipality may prohibit and regulate the sale of fireworks and the setting off of fireworks and to prohibit such activities unless a permit is obtained from the municipality for those activities and may impose conditions;

AND WHEREAS section 130 of the *Municipal Act 2001, S.O. 2001 c.25* as amended provides that a municipality may regulate matters for purposes related to the health, safety and well-being of the inhabitants of the municipality;

AND WHEREAS Council of The Corporation of the City of Stratford deems it necessary for the safety and well being of the community to prohibit and regulate the setting off of fireworks and for requiring permits within the geographic limits of the City of Stratford;

NOW THEREFORE BE IT ENACTED by Council of The Corporation of the City of Stratford as follows:

1.0 DEFINITIONS

- 1.1 **"City"** means the geographic limits of the City of Stratford;
- 1.2 **"competent person"** means a person who is at least 18 years of age and is fully aware of applicable legislative requirements at all levels of Government, with regards to the discharging of fireworks.
- 1.3 **"Council"** means the Council of The Corporation of the City of Stratford;
- 1.4 **"display fireworks"** means an outdoor, high hazard, recreational firework that is classed as a subdivision 2 of Division 2 of Class 7 Fireworks under the *Explosives Act*, and includes rockets, serpents, shells, bombshells, tourbillions, maroons, large wheels, bouquets, bombardos, waterfalls, fountains, batteries, illumination, set pieces and pigeons but does not include firecrackers;
- 1.5 **"Explosives Act"** means the *Explosives Act, Revised Statutes of Canada, 1985, Chapter E-17 and the Regulations* enacted thereunder as mended from time to time or Act and Regulations enacted in substitution therefore.
- 1.6 **"family fireworks"** means an outdoor, low hazard, recreational firework that is classed as a subdivision 1 of Division 2 of Class 7 Fireworks under the *Explosives Act* and includes fireworks showers, fountains, golden rain, lawn lights, pin wheels, Roman candles, volcanoes and sparklers, but does not include Christmas crackers and caps for toy guns containing not in excess of twenty-five one-hundredths of a grain of explosive used per cap;
- 1.7 **"firecracker"** means a pyrotechnic device that explodes when ignited and does not make any subsequent display or visible effect after the explosion and includes those devices commonly known as Chinese firecrackers. For the purpose of this By-law,

Consolidated to September 24, 2018

Christmas crackers and caps used in cap pistols, shall not be deemed as "firecrackers".

- 1.8 "fireworks" means display fireworks, pyrotechnic special effects fireworks and family fireworks but does not includes sparklers;
- 1.9 "Fire Chief" means the Fire Chief for the City or designate;
- 1.10 "Fire Department" means the Stratford Fire Department;
- 1.11 "motor vehicle" means motor vehicle as defined in the *Highway Traffic Act, R.S.O. 1990 c.H.8* as amended;
- 1.12 "minor" means a person who is under 18 years of age;
- 1.13 "Noise By-law" means By-law No. 113-79, as amended and as enacted by the City or any subsequent by-laws enacted by the City to regulate noise;
- 1.14 "permit" means an application for Display Fireworks Permit;
- 1.15 "person" includes a partnership, a corporation and a natural individual. Where a person is a minor "person" includes the parent or guardian of the minor.
- 1.16 "pyrotechnician" means a person who is certified under the *Explosives Act* as a Theatrical User, an Assistant, a Pyrotechnician or a Special Effects Pyrotechnician and is qualified to purchase and supervise the display of pyrotechnic special effect fireworks under the *Explosives Act*;
- 1.17 "pyrotechnic special effect firework" means a high hazard firework that is classed as a subdivision 5 of Division 2 of Class 7 Firework under the *Explosives Act* and that is used to produce a special pyrotechnic effect for indoor or outdoor performances and includes black powder bombs, bullet effect, flash powder, air bursts, smoke compositions, bergs, lances and wheels;
- 1.18 "**Retail Business Holidays Act**" means the *Retail Business Holidays Act, R.S.O. 1990, CHAPTER R.30*, as amended, and any regulations enacted thereunder as amended from time to time or Act and Regulations enacted in substitution therefore;
- 1.19 "sale" includes all attempts or offers to sell or cause or permit to sell or invitations to purchase, whether by express act or implication;
- 1.20 "flying lantern" means a small hot air balloon made of paper, with an opening at the bottom where a small fire is suspended and also known as "sky lantern";

2.0 SALE OF FIREWORKS

- 2.1 No person shall display, offer for sale, or sell fireworks within the City, except on Victoria Day or Canada Day and for a period of 14 calendar days prior to each of the above holidays.
- 2.2 For greater certainty, only those persons authorized to undertake retail sales pursuant to section 4 of the *Retail Business Holidays Act* and any by-law enacted by the City in accordance with the *Retail Business Holidays Act* may sell fireworks on Victoria Day and/or Canada Day.
- 2.3 Subject to section 2.1 herein, no person shall display, offer for retail sale, or sell fireworks in the City unless:
 - a) the fireworks are displayed in a package, glass case or other suitable receptacle away from inflammable goods;
 - b) the fireworks are displayed in a place where they are not exposed to the rays of the sun or to excess heat;

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- c) the fireworks are displayed inside of a building and a minimum of 3 metres from any window;
 - d) the fireworks are displayed in or near an area where smoking or igniting of any smoking or other substance or device is prohibited; and
 - e) the fireworks are displayed in or near any areas where cooking or heating of food or beverage or other substance is prohibited.
- 2.4 No person who offers for sale or sells fireworks shall fail to post the location where the fireworks are kept as a "No Smoking Area".
- 2.5 No person shall sell or cause or permit to be sold, fireworks to a person who is not a competent person.
- 2.6 Notwithstanding the provisions of this Section, retail sales of family fireworks may be permitted from detached storage units or tractor/trailer units outside of a building, provided that the units are located at least:
- a) 6 metres from any combustible material;
 - b) 6 metres from any building or any other temporary retail outlet;
 - c) at least 3 metres from any vehicle parking and
 - d) with the prior approval of the Fire Chief or designate, for the location.

3.0 POSSESSION OF FIREWORKS

- 3.1 No person, other than a competent person, shall be in possession of fireworks.

4.0 FIRECRACKERS

- 4.1 No person shall set off firecrackers within the City.
- 4.2 No person shall display, offer for sale or sell firecrackers within the City.

5.0 SETTING OFF FAMILY FIREWORKS AND FLYING LANTERNS

- 5.1 No person shall set off Family Fireworks in the City, except on the designated days of Victoria Day and Canada Day. In the event that weather conditions such as rain, fog, smog or wind, on Victoria Day or Canada Day make it impractical and/or unsafe to set off family fireworks, the next day preceding or following Victoria Day or Canada Day shall be the designated day.
- 5.2 No person shall set off Family Fireworks on designated days as prescribed in this By-law at any time except in accordance with the Noise By-law between the hours of 8:00 pm and 12:00 midnight of the same day.
- 5.3 Only a competent person shall be in charge of setting off Family Fireworks in the City.
- 5.4 No minor shall set off any fireworks, other than a sparkler where the minor is under the supervision of an adult at all times.
- 5.5 No person shall set off family fireworks in, into or on:
- a) a building;
 - b) a motor vehicle;
 - c) a highway or street;
 - d) park or other public place.
- 5.6 Property damage or injury as a result of family fireworks shall be the responsibility of the person setting off the fireworks.

- 5.7 Family Fireworks shall only be permitted to be set off on private property.
- 5.8 No person shall set off fireworks on any land of which he or she is not the owner, without obtaining the prior written permission of the owner to do so.
- 5.9 No person shall set off flying lanterns within the City.
- 5.10 No person shall display, offer for sale or sell flying lanterns within the City.

6.0 STORING OF FAMILY FIREWORKS

- 6.1 No person shall store, handle or set off family fireworks in an unsafe manner or in a manner that creates a nuisance, taking into account the noise, danger from fire and explosion, and risk of death, injury and damage to property inherent in the storage, handling or use of fireworks.
- 6.2 A person who stores family fireworks shall use reasonable care to ensure that those fireworks are not accessible to a minor.

7.0 PERMITS FOR SETTING OFF DISPLAY FIREWORKS

- 7.1 No person shall set off Display Fireworks in the City unless they have applied for and been granted a permit to do so in accordance with the provisions of this By-law.
- 7.2 No person shall set off Display Fireworks in the City except on Victoria Day or Canada Day. In the event that weather conditions such as rain, fog, smog or wind, on Victoria Day or Canada Day make it impractical and/or unsafe to set off display fireworks, the Fire Chief may designate an alternate day and time.
- 7.3 For the celebration of a special event or community event in the City, the Fire Chief may approve the setting off of Display Fireworks on a day other than Victoria Day or Canada, subject to the provisions of this By-law.
- 7.4 A complete application, including permit fee to set off Display Fireworks shall be made to the Fire Chief in accordance with this By-law at least 30 calendar days prior to the holding of the Display Fireworks and the Fire Chief may grant a permit for the setting off of Display Fireworks in a manner acceptable to the regulations and all applicable by-laws of the City of Stratford. Filed with the application shall be a statement of the safety measures being implemented and a current and up to date site plan with dimensions showing:
 - a) the location of the proposed Display Fireworks,
 - b) the access to be provided for fire and emergency vehicles,
 - c) the free zone area of clear distance between the point of launch and an occupied area.
- 7.5 The Fire Chief may require any additional information of the applicant to ensure the public's safety and may impose additional conditions on the issuance of a permit as he deems advisable in the particular circumstances of the application.
- 7.6 If, the opinion of the Fire Chief, it is necessary for a firefighter or firefighters to be present at the setting off of Display Fireworks, the presence of such firefighter(s) shall be a condition of the permit. The firefighter(s) shall have the right to enter any premises for the purpose of ensuring public safety and shall not be hindered or obstructed in any way whatsoever. Such firefighter(s) shall also have the authority to require any precautions for the prevention of fire which in the firefighter(s) opinion is deemed necessary before any Display Fireworks are set off pursuant to the permit issued by the Fire Chief.
- 7.7 Each permit/application shall state the name of the corporation, club, association or group to whom it is issued, the place and date at which and on which it may be held,

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the type and kind of Display Fireworks that will be set off, the name of the person under whose supervision it shall be held and such other information as required by the Fire Chief. Any special conditions imposed by the Fire Chief to promote health and safety of the public at the event shall also be listed on the permit.

- 7.8 A permit for setting off Display Fireworks shall only be issued by the Fire Chief to a service club, corporation, association or group.
- 7.9 A Display Fireworks permit may be issued for the purpose of celebrating Victoria Day or Canada Day or such other event approved by the Fire Chief, subject to the following:
- a) If Display Fireworks are to be held on municipal property, approval of Council must be obtained prior to applying for a permit.
 - b) No permit shall be issued for a location within 150 metres of any place where explosives, gasoline or other highly flammable substances are stored.
 - c) Every applicant shall provide with the permit, proof of Liability Insurance with a minimum coverage of five million Canadian dollars (\$5,000,000.00CA) with The Corporation of the City of Stratford to be named as an additional insured.
 - d) The fee for a permit is prescribed in the Fee By-law as amended from time to time by Council.
- 7.10 No person shall set off Display Fireworks in the City except on the day or days specified by the permit and in accordance with the Noise Control By-law between the hours of 8:00 pm and 12:00 midnight of the same day.
- 7.11 The permit may be suspended or revoked by the Fire Chief if the conditions of the permit are not being met or it would be unsafe to allow the Display Fireworks.
- 7.12 No person shall set off Display Fireworks or advertise that a Display Fireworks event is to be held in the City without a permit issued by the Fire Chief.
- 7.13 Every person to whom a permit is issued under this section shall:
- a) provide and maintain approved fully operational fire extinguishing equipment ready for immediate use, throughout the time while the Display Fireworks is being set off or displayed and for a reasonable period thereafter, at the location or site of the setting off or holding of a Display Fireworks;
 - b) produce the permit on demand by the Fire Department or to any police officer, or any person authorized to enforce this By-law; and
 - c) permit the inspection of any site where the Display Fireworks may be stored, set off or displayed and the fireworks themselves together with all associated equipment, by the Fire Department or anyone authorized to enforce this By-law, forthwith, upon demand.
- 7.14 Every person to whom a permit is issued under this section, shall, immediately after the conclusion of the setting off or holding of a Display Fireworks, carry out a site inspection and shall:
- a) remove all unused or partly used fireworks from the site;
 - b) gather together and remove all debris remaining after using or partial use of the Display Fireworks; and
 - c) return the site to the condition it was prior to the setting off or holding of the display.

8.0 SETTING OFF DISPLAY FIREWORKS

Consolidated to September 24, 2018

- 8.1 No person shall set off Display Fireworks in the City without first receiving a permit from the Fire Chief.
- 8.2 Display fireworks shall only be set off under the supervision of a person who is qualified for such purpose to the satisfaction of the Fire Chief.
- 8.3 Every person who sets off Display Fireworks shall take all steps reasonably necessary, as would a reasonable and prudent person, to ensure no harm to persons or property damage.
- 8.4 Conditions set out in the permit as well as legislative requirements at all levels of Government shall be adhered to.
- 8.5 Property damage or injury as a result of Display Fireworks shall be the responsibility of the person setting off the fireworks.

9.0 NOISE BY-LAW

- 9.1 No person shall set off any fireworks in accordance with this By-law, except during the times prescribed in the Noise By-law.

10.0 PYROTECHNIC SPECIAL EFFECTS FIREWORKS

- 10.1 No person shall hold a display of Pyrotechnic Special Effect Fireworks in the City without having first obtained a permit to do so issued by the Fire Chief.
- 10.2 No person shall set off any Pyrotechnic Special Effect Fireworks in the City without having first obtained a permit to do so issued by the Fire Chief authorizing the pyrotechnic special effect fireworks.
- 10.3 The Fire Chief may require any additional information of the applicant to ensure the public's safety and may impose additional conditions on the issuance of a permit as he deems advisable in the particular circumstances of the application.
- 10.4 The Pyrotechnic Special Effect Fireworks shall only be set off under the supervision of a pyrotechnician.
- 10.5 If, the opinion of the Fire Chief, it is necessary for a firefighter or firefighters to be present at the setting off of any Pyrotechnic Special Effect Fireworks, the presence of such firefighter(s) shall be a condition of the permit. The firefighter(s) shall have the right to enter any premises for the purpose of ensuring public safety and shall not be hindered or obstructed in any way whatsoever. Such firefighter(s) shall also have the authority to require any precautions for the prevention of fire which in the firefighter(s) opinion is deemed necessary before any Pyrotechnic Special Effect Fireworks are set off pursuant to the permit issued by the Fire Chief.

11.0 EXEMPTIONS

- 11.1 The act of setting off of Family Fireworks on private property by the owner, tenant or authorized person on Victoria Day or Canada Day for their own personal display shall not be deemed to be a Display Fireworks.
- 11.2 It is hereby declared for great certainty that the Festival Cannon is exempt from the provisions of this By-law.

12.0 VALIDITY

- 12.1 If any provisions of this By-law are for any reason held to be invalid, it is declared to the intention, that all remaining provisions shall remain in full force and effect until repealed, notwithstanding that one or more provision shall be been declared invalid.

13.0 CONFLICT WITH OTHER BY-LAWS

- 13.1 Nothing in this By-law shall exempt any person from complying with the requirements of any by-law in force or from obtaining any licence, permission, permit, authority or approval required under any by-law or legislation

14.0 OFFENCES

- 14.1 Every person who contravenes any provision of this By-law is guilty of an offence and upon conviction is liable to a fine of not more than \$5,000.00 exclusive of costs as provided for in the *Provincial Offences Act, R.S.O. 1990, c.P.33* as amended.

15.0 REPEAL

- 15.1 Upon the passage of this By-law, By-law 184-87 and all amendments thereto, shall be repealed.

16.0 ENACTMENT

- 16.1 This By-law shall come into force and effect immediately upon the passing thereof.

Read a FIRST, SECOND and THIRD time and

FINALLY PASSED this 8th day of May, 2006.

"Daniel B. Mathieson"

Mayor – Daniel B. Mathieson

"Joan Thomson"

Clerk – Joan L. Thomson



MANAGEMENT REPORT

Date: May 22, 2024
To: Finance and Labour Relations Sub-committee
From: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
Report Number: FIN24-017
Attachments: 1) Destination Stratford 2024 Budget vs Actual;
 2) Draft Lights On FS March 31 2024;
 3) Draft STA FS December 31 2023

Title: Destination Stratford 2024 Update 2

Objective: To receive an update on 2024 activities and financials for Destination Stratford.

Background: Destination Stratford gives regular updates to Council through the Finance and Labour Relations Sub-committee.

Analysis: Zac Gribble from Destination Stratford has been invited to attend to present the attached reports for Destination Stratford.

Financial Implications:

Financial impact to previous year and current year operating budget:

In 2024, the City contribution is \$618,800 plus \$150,000 toward the Lights On Stratford program, for a total City contribution of \$768,800 (\$75,000 coming from the City's portion of 2023 Municipal Accommodation Tax revenues and \$693,800 via the 2024 tax levy). Destination Stratford has a total operating budget of \$1,420,321.

Beyond the financial contributions from the City, there are some in-kind impacts that are provided in the form of facility costs at 47 Downie, and specific program supports from the Community Services division including the AI Fresco program. The costs relating to the building are included in the City Facilities division and are approximately \$90,150, consisting of custodial costs, heat, hydro, water, and other general maintenance.

Financial impact on future year operating budget:

It is anticipated that the City will continue to support Destination Stratford through annual operating contributions. The Lights On event will also continue to require support as outlined in presentations.

Alignment with Strategic Priorities:

Strengthening our Plans, Strategies and Partnerships

Partnering with the community to make plans for our collective priorities in arts, culture, heritage and more. Communicating clearly with the public around our plans and activities.

Widening our Economic Opportunities

Strengthening Stratford's economy by developing, attracting and retaining a diversity of businesses and talent.

Alignment with One Planet Principles:

Equity and Local Economy

Creating safe, equitable places to live and work which support local prosperity and international fair trade.

Staff Recommendation: THAT the Destination Stratford 2024 Update 2 (FIN24-017) dated May 22, 2024, be received for information.

Prepared by: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
Recommended by: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
 Joan Thomson, Chief Administrative Officer

Destination Stratford 2024 Budget	2023 Actual	2024 Budget	2024 Adjusted	Actuals	Notes
				as of 2024-04-29	
INCOME					
3999 · MAT DS PORTION			405,021	158,621	2023 + \$75k / quarter estimate of Q1+Q2+Q3 2024 MAT
9999 · CITY LOS CONTRIBUTION			150,000	150,000	*City contribution / City MAT portion
4050 · MARKETING SALES	159,983	127,000	138,500	17,527	
4260 · PARTNERSHIPS	701,210	744,300	726,800	639,574	
(4001 · City of Stratford Portion)	595,000	618,800	618,800	618,800	
4280 · STRATFORD TOURISM SUPPLEMENT	16,506	0	0	0.00	NO LONGER ACTIVE
TOTAL REVENUE	877,699	871,300	1,420,321	965,725	
EXPENSE					
5100 · CONTRACT AND CONSULTING	0	2,500	15,000	0.00	Strategic Plan Community Engagement
DESTINATION DEVELOPMENT					
5992 · STRATFORD AL FRESCO (MAT)			35,000	0	
5997 · LIGHTS ON STRATFORD (MAT)			300,000	300,000	City + DS matched contribution
5999 · SPORT TOURISM OFFICE (MAT)			75,000	24,950	
6480D · PAYROLL · DEVELOPMENT	155,242	150,341	161,741	51,076	
5950 · SPECIAL PROJECTS	58,178	27,000	35,000	4,266	Destination Development Projects
5990 · PARTNERSHIPS	33,440	35,000	35,000	2,750	Destination Development Fund
Total Development	246,860	212,341	641,741	383,043	
DESTINATION MARKETING					
6480M · PAYROLL · MARKETING	232,862	225,511	242,611	76,615	
6000 · MARKETING - INTERNET	13,628	19,475	19,475	5,292	
6150 · MARKETING - MEDIA & PRINT	59,543	84,490	109,490	22,613	
6151 · MARKETING - RADIO	0	2,500	2,500	0	
6152 · MARKETING - TRAILS, INFLUENCERS	120,398	108,750	130,971	18,031	
Total Marketing	426,431	440,726	505,047	122,551	Increased expenses with additional marketing projects
ADMINISTRATION					
5637 · BANK CHARGES	3,495	4,000	4,000	1,388	
5645 · INSURANCE	5,081	5,250	5,250	5,683	
5660 · TRAVEL	394	2,500	2,500	100	
6153 · PROFESSIONAL FEES	23,844	23,200	23,200	697	
6155 · FACILITY MAINTENANCE	1,591	2,000	2,000	1,237	
6480A · PAYROLL · ADMIN	129,368	125,284	134,784	42,564	
6540 · OFFICE EXPENDITURES	12,093	25,000	32,800	7,551	
6550 · EVENT EXPENSES	4,440	2,000	2,000	763	
7000 · TELEPHONE/COMMUNICATIONS	15,932	16,500	17,000	5,725	
Total Administration	196,238	205,734	223,534	65,706.31	
TOTAL EXPENSE	869,529	861,300	1,385,321	571,301	
5154 Transfer to Reserve	10,000	10,000	35,000	0.00	Catching up with \$60k missed pandemic years contributions
NET REVENUE	-1,830	0	0	394,424.47	

LIGHTS ON STRATFORD
FINANCIAL STATEMENTS
MARCH 31, 2024

DRAFT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lights On Stratford
Stratford, Ontario

Opinion

We have audited the financial statements of **Lights On Stratford**, which comprise the balance sheet as at **March 31, 2024** and the statements of operations, surplus and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Lights On Stratford** as at **March 31, 2024** 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. Our responsibilities under those standards are further described in Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of **Lights On Stratford** 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 those 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 these 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 entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity, cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITORS' REPORT - continued

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (a) 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.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- (e) 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.

Professional Corporation
Chartered Professional Accountants
*Authorized to practise public accounting by
the Chartered Professional Accountants of Ontario*

Stratford, Ontario
April 24, 2024

Lights On Stratford
Balance Sheet
As at March 31, 2024

ASSETS

	2024	2023
Current Assets		
Bank	\$ 191,748	\$ 62,725
Accounts receivable	-	93,845
Prepaid expenses	73,906	3,387
HST receivable	<u>7,799</u>	<u>12,044</u>
	\$ <u>273,453</u>	\$ <u>172,001</u>

LIABILITIES

Current Liabilities		
Accounts payable and accrued liabilities	5,706	5,155
Accounts payable - Stratford Tourism Alliance	170,273	109,476
Deferred revenue	<u>150,000</u>	<u>-</u>
	325,979	<u>114,631</u>

SURPLUS

Unrestricted Surplus	<u>(52,526)</u>	<u>57,370</u>
	\$ <u>273,453</u>	\$ <u>172,001</u>

Approved on Behalf of the Board:

Director

Director

(See Accompanying Notes to the Financial Statements)

Lights On Stratford
Statement of Surplus
For the year ended March 31, 2024

	2024	2023
Balance - beginning of year	\$ 57,370	\$ 78,263
Excess of revenues over expenditures (expenditures over revenue) for the year	<u>(109,896)</u>	<u>(20,893)</u>
Balance - end of year	<u>\$ (52,526)</u>	<u>\$ 57,370</u>

DRAFT

(See Accompanying Notes to the Financial Statements)

Lights On Stratford
Statement of Operations
For the year ended March 31, 2024

	2024	2023
Revenue		
Partner funding	\$ 287,500	\$ 646,452
Sponsor funding	100,850	70,750
Grant funding	50,000	-
Other	<u>960</u>	<u>4,887</u>
	\$ 439,310	<u>722,089</u>
Expenditures		
Programming and production - displays	356,168	361,559
- storefront displays	-	112,703
- Stratford Festival displays	-	15,000
- hydro support	-	1,972
Marketing and media buys	63,460	41,435
Site and event logistics	78,830	63,028
- consultants	-	6,700
- exhibit maintenance	-	31,001
Other expenditures	35,748	109,584
Repayment of OCAF grant	<u>15,000</u>	<u>-</u>
	<u>549,206</u>	<u>742,982</u>
Excess of revenue over expenditures		
(expenditures over revenue) for the year	<u>\$ (109,896)</u>	<u>\$ (20,893)</u>

(See Accompanying Notes to the Financial Statements)

Lights On Stratford
Statement of Cash Flows
For the year ended March 31, 2024

	2024	2023
Cash Provided By (Used In):		
Operating Activities		
Excess of revenue over expenditures (expenditures over revenue) for the year	\$ (109,896)	\$ (20,893)
Items not requiring cash		
Net changes in non-cash current operating accounts		
Decrease (increase) in accounts receivable	93,845	(34,595)
Decrease (increase) in prepaid expenses	(70,519)	48,423
Decrease (increase) in HST receivable	4,245	2,023
Increase (decrease) in accounts payable and accrued liabilities	551	1,155
Increase (decrease) in accounts payable - Stratford Tourism Alliance	60,797	14,966
Increase (decrease) in deferred revenue	<u>150,000</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	\$ 129,023	11,079
Cash and cash equivalents - beginning of year	<u>62,725</u>	<u>51,646</u>
Cash and cash equivalents - end of year	<u>\$ 191,748</u>	<u>\$ 62,725</u>
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents comprise the following balance sheet amounts:		
Bank	<u>\$ 191,748</u>	<u>\$ 62,725</u>

(See Accompanying Notes to the Financial Statements)

Lights On Stratford
Notes to the Financial Statements
For the year ended March 31, 2024

1. Purpose of Organization

The objective of Lights On Stratford is to safely encourage tourists to Stratford, Ontario during the COVID-19 pandemic. The project was initiated by a committee formed by certain Partnership organizations in Stratford.

The organization is a not-for-profit organization and thus, exempt from income tax under Section 149(1)(1) of the Income Tax Act.

2. Summary of Significant Accounting Policies

These financial statements have been prepared from information available within the guidelines of Canadian accounting standards for not-for-profit organizations summarized below:

(a) Revenue Recognition

Operational funding and grant revenue is recognized in the year in which it is receivable from the funder and collection is reasonably assured.

(b) Use of Estimates

Preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that could affect amounts reported as assets, liabilities, revenues and expenditures. Due to measurement uncertainty, results could differ from those estimates.

(c) Financial Instruments

A financial asset is any asset that is cash; a contractual right to receive cash from another party; or an equity instrument of another entity. A financial liability is any liability that is a contractual obligation to deliver cash to another party.

Financial assets and liabilities are initially measured at fair value, except for certain non-arm's length transactions. Subsequently, financial assets and financial liabilities are measured at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenditures.

3. Stratford Tourism Alliance

The Stratford Tourism Alliance was appointed by the Partnership committee to be the oversight organization in monitoring and administering Lights On Stratford.

None of the operations for Stratford Tourism Alliance are included in the Statement of Operations for Lights On Stratford. Any surplus or deficit resulting from the Lights On Stratford project will remain with the Partnership committee for Lights On Stratford.

Stratford Tourism Alliance provided funding of \$ 125,000 (2023 - \$ nil) towards Lights On Stratford, which is included in sponsor funding revenues. Stratford Tourism Alliance charged a \$ 15,000 administration fee (2023 - \$ 15,000) for staff, administration, and other services, which is included in other expenditures.

Lights On Stratford
Notes to the Financial Statements
For the year ended March 31, 2024

4. Other Expenditures

During the year, the organization paid for the following expenditures that are not eligible for funding reimbursements. These expenditures have been reported as Other Expenditures on the Statement of Operations.

	2024	2023
Administration & overhead	\$ -	\$ 25,522
Administration contribution (STA)	-	15,000
Salaries and benefits	-	51,579
Miscellaneous supplies	-	8,480
Travel and meals	-	4,278
Video production	<u>-</u>	<u>4,725</u>
	<u>\$ -</u>	<u>\$ 109,584</u>

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STRATFORD TOURISM ALLIANCE
FINANCIAL STATEMENTS
DECEMBER 31, 2023

DRAFT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Stratford Tourism Alliance
Stratford, Ontario

Qualified Opinion

We have audited the financial statements of **Stratford Tourism Alliance**, which comprise the balance sheet as at **December 31, 2023** and the statements of operations, surplus and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of **Stratford Tourism Alliance** as at **December 31, 2023** 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 Qualified Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of **Stratford Tourism Alliance** 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

In common with many not-for-profit organizations, the organization derives cash revenue, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures and cash flows from operations for the years ended December 31, 2023 and 2022, current assets as at December 31, 2023 and 2022, and surplus as at January 1 and December 31 for both the 2023 and 2022 year ends. Our audit opinion on the financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

INDEPENDENT AUDITORS' REPORT - continued

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

Management is responsible for the preparation and fair presentation of these 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 entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity, cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (a) 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.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- (e) 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.

Stratford, Ontario
April 24, 2024

Professional Corporation
Chartered Professional Accountants
*Authorized to practise public accounting by
the Chartered Professional Accountants of Ontario*

DRAFT

Stratford Tourism Alliance
Balance Sheet
As at December 31, 2023

ASSETS

	2023	2022
Current Assets		
Bank - operating	\$ 168,508	\$ 451,516
Accounts receivable - trade	172,295	12,688
Accounts receivable - Lights On Stratford (Note 7)	18,860	18,226
HST receivable	-	17,923
Prepaid expenses	1,109	1,164
Current and cashable portion of investments	<u>149,279</u>	<u>134,508</u>
	\$ 510,051	\$ 636,025
Investments - at fair value		
Investment savings account	41,025	30,260
Guaranteed Investment Certificate - 2.75%, payable upon maturity, due March, 2023	-	104,248
Guaranteed Investment Certificate - 4.00%, payable upon maturity, due April, 2024	<u>108,254</u>	<u>-</u>
	149,279	134,508
Less: Current and cashable portion	<u>149,279</u>	<u>134,508</u>
	-	-
Property, Plant and Equipment - at cost		
Furniture and fixtures	19,817	19,817
Computer equipment	54,905	54,905
Website development	194,450	194,450
Leasehold improvements	2,892	-
Property, plant and equipment not in use	<u>-</u>	<u>225,855</u>
	272,064	495,027
Less: Accumulated amortization	<u>257,203</u>	<u>247,747</u>
	<u>14,861</u>	<u>247,280</u>
	\$ 524,912	\$ 883,305

Approved on Behalf of the Board:

Director

Director

(See Accompanying Notes to the Financial Statements)

Stratford Tourism Alliance
Balance Sheet
As at December 31, 2023

LIABILITIES

	2023	2022
Current Liabilities		
Accounts payable and accrued liabilities	\$ 19,554	\$ 218,410
Payroll remittances payable	7,308	7,475
HST payable	<u>5,220</u>	<u>-</u>
	\$ 32,082	<u>225,885</u>
Deferred Capital Contributions (Note 4)	<u>1,545</u>	<u>229,345</u>
	33,627	<u>455,230</u>
SURPLUS		
Restricted Surplus	149,279	134,508
Unrestricted Surplus	<u>342,006</u>	<u>293,567</u>
	<u>491,285</u>	<u>428,075</u>
	<u>\$ 524,912</u>	<u>\$ 883,305</u>

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(See Accompanying Notes to the Financial Statements)

Stratford Tourism Alliance
Statement of Surplus
For the year ended December 31, 2023

	2023	2022
Balance - beginning of year	\$ 428,075	\$ 382,421
Excess of revenue over expenditures for the year	<u>63,210</u>	<u>45,654</u>
Balance - end of year	<u>\$ 491,285</u>	<u>\$ 428,075</u>

DRAFT

(See Accompanying Notes to the Financial Statements)

Stratford Tourism Alliance
Statement of Operations
For the year ended December 31, 2023

	2023	2022
Revenue		
Municipal funding	\$ 595,000	\$ 580,000
Municipal Accommodation Tax apportionment	158,621	-
Stratford Tourism Supplement	16,506	39,519
Marketing sales	1,939	19,830
Culinary trails	153,304	120,350
Partnership funding (Note 5)	95,384	76,925
Amortization of deferred capital contributions (Note 4)	663	947
Administration fees - Lights On Stratford (Note 7)	15,000	15,000
Other	<u>4,776</u>	<u>1,579</u>
	\$ 1,041,193	<u>854,150</u>
Expenditures		
Marketing - general	247,152	240,678
Marketing - Lights On Stratford (Note 7)	125,000	-
Event - general	5,795	4,209
Salaries and benefits	513,269	473,209
Project management and implementation	15,795	15,940
Professional fees	23,844	24,954
Office	12,482	16,362
Repairs and maintenance	1,591	-
Insurance	5,487	5,291
Interest and bank charges	2,180	2,709
Telephone and telecommunications	15,932	15,365
Amortization of property, plant and equipment	<u>9,456</u>	<u>9,779</u>
	<u>977,983</u>	<u>808,496</u>
Excess of revenue over expenditures for the year	\$ <u>63,210</u>	\$ <u>45,654</u>

(See Accompanying Notes to the Financial Statements)

Stratford Tourism Alliance
Statement of Cash Flows
For the year ended December 31, 2023

	2023	2022
Cash Provided By (Used In):		
Operating Activities		
Excess of revenue over expenditures for the year	\$ 63,210	\$ 45,654
Items not requiring cash		
Amortization of property, plant and equipment	9,456	9,779
Amortization of deferred capital contributions	(663)	(947)
Net changes in non-cash current operating accounts		
Decrease (increase) in accounts receivable	(160,241)	(9,645)
Decrease (increase) in HST receivable	23,143	(6,654)
Decrease (increase) in prepaid expenses	55	13,724
Increase (decrease) in accounts payable and accrued liabilities	(198,856)	131,434
Increase (decrease) in payroll remittances payable	(167)	1,276
Increase (decrease) in deferred grant revenue	<u>-</u>	<u>(30,263)</u>
	\$ (264,063)	<u>154,358</u>
Financing Activities		
Capital contribution funding	270,551	<u>227,137</u>
Investing Activities		
Purchase of property, plant and equipment	(274,725)	(232,530)
Increase in investment savings	(10,765)	(10,187)
Purchase of Guaranteed Investment Certificate	<u>(4,006)</u>	<u>(1,359)</u>
	<u>(289,496)</u>	<u>(244,076)</u>
Increase (decrease) in cash and cash equivalents	(283,008)	137,419
Cash and cash equivalents - beginning of year	<u>451,516</u>	<u>314,097</u>
Cash and cash equivalents - end of year	<u>\$ 168,508</u>	<u>\$ 451,516</u>
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents comprise the following balance sheet amounts:		
Bank - operating	<u>\$ 168,508</u>	<u>\$ 451,516</u>

(See Accompanying Notes to the Financial Statements)

Stratford Tourism Alliance
Notes to the Financial Statements
For the year ended December 31, 2023

1. Purpose of Organization

The objective of the Stratford Tourism Alliance is to be the leading marketing organization for Stratford aimed at increasing overnight visitors and tourism spending to Stratford and area. The organization is incorporated in Ontario without share capital and is a not-for-profit organization and thus, exempt from income tax under Section 149(1)(1) of the Income Tax Act.

2. Summary of Significant Accounting Policies

These financial statements have been prepared from information available within the guidelines of Canadian accounting standards for not-for-profit organizations summarized below:

(a) Revenue Recognition

Operational funding and grant revenue is recognized in the year in which it is receivable from the funder and collection is reasonably assured. Funding towards capital contributions are deferred and recognized as revenue at the same time as amortization expense of the related asset.

Grant and other revenue received for specific events and projects is recognized in the year in which the event occurs and collection is reasonably assured.

Revenue from the Stratford Tourism Supplement is recognized in the year in which it is received by the individual accommodation provider and collection is reasonably assured.

Revenue from the Municipal Accommodation Tax is recognized in the year in which it is received by the individual accommodation provider and collection is reasonably assured.

(b) Use of Estimates

Preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that could affect amounts reported as assets, liabilities, revenues and expenditures. Due to measurement uncertainty, results could differ from those estimates.

(c) Financial Instruments

A financial asset is any asset that is cash; a contractual right to receive cash from another party; or an equity instrument of another entity. A financial liability is any liability that is a contractual obligation to deliver cash to another party.

Financial assets and liabilities are initially measured at fair value, except for certain non-arm's length transactions. Subsequently, financial assets and financial liabilities are measured at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenditures.

(d) Amortization

Amortization of property, plant and equipment is calculated using the declining balance method at the annual rates reflected in the accompanying schedule of property, plant and equipment and amortization.

Amortization of leasehold improvements is calculated using the straight-line method over the term of the lease reflected in the accompanying schedule of property, plant and equipment and amortization.

(e) Contributed Services

Volunteers contribute significant hours to the organization annually. Because of the difficulty in determining their fair value, contributed services are not recognized in these financial statements.

Stratford Tourism Alliance
Notes to the Financial Statements
For the year ended December 31, 2023

2. Summary of Significant Accounting Policies (continued)

(f) Investments in GIC's

Investments in GIC's are recorded at fair market value. Interest income is accrued on these investments to year-end, wherein the principal plus accrued interest approximates fair value.

3. Lease Commitments

The organization rents its operating premises from the City of Stratford at a nominal amount.

4. Deferred Capital Contributions

Deferred capital contributions represent the balance remaining from funding received for the purchase of property, plant and equipment. The amount of the annual charge to the Statement of Operations is equivalent to the annual amortization expense and any write-offs of the related property, plant and equipment.

Upon completion of construction in the year ended December 31, 2023, funding related to the Boathouse public washroom project received in the years ended December 31, 2022 and December 31, 2023 were reallocated to the Schedule of Property, Plant and Equipment in the December 31, 2023 financial statements.

	2023	2022
Opening balance	\$ 229,345	\$ 3,155
Amounts received	270,551	227,137
Allocation of amounts to property, plant and equipment	(497,688)	-
Amounts amortized to revenue	<u>(663)</u>	<u>(947)</u>
Closing balance	<u>\$ 1,545</u>	<u>\$ 229,345</u>

5. Partnership Funding

During the year, the organization received funding towards its operations from the following sources:

	2023	2022
Downtown Stratford - Business Improvement Area	\$ 45,000	\$ 45,000
National Trust for Canada	7,624	2,625
Government of Canada	4,340	4,200
Regional organizations	<u>38,420</u>	<u>25,100</u>
	<u>\$ 95,384</u>	<u>\$ 76,925</u>

6. Restricted Surplus

The restricted surplus represents funds that have been designated for future projects. These amounts have been approved by the Board of Directors and will be revisited on an annual basis.

Stratford Tourism Alliance
Notes to the Financial Statements
For the year ended December 31, 2023

7. Lights On Stratford

In August 2020, a committee was formed by certain Partnership organizations in Stratford to monitor Lights On Stratford, a project to safely encourage tourists to Stratford, Ontario during the COVID-19 pandemic. Stratford Tourism Alliance was the oversight organization in administering, planning and running the project.

Final project results and operations for the year ended March 31, 2024 will be reported separately. None of the operations for Lights On Stratford are included in the Statement of Operations for Stratford Tourism Alliance. Any surplus or deficit resulting from the Lights On Stratford project will remain with the Partnership committee for Lights On Stratford.

The following Fund Balances for Lights On Stratford as of December 31, 2023 are not incorporated in the Balance Sheet of Stratford Tourism Alliance.

	2023	2022
Bank	\$ 159,816	\$ 241,523
HST receivable	15,314	15,268
Accounts payable and accrued liabilities	(26,635)	(45,023)
Accounts payable - Stratford Tourism Alliance	<u>(18,860)</u>	<u>(18,226)</u>
	<u>\$ 129,635</u>	<u>\$ 193,542</u>

Stratford Tourism Alliance provided funding of \$ 125,000 (2022 - \$ nil) using funds from unrestricted surplus towards Lights On Stratford, which is reported in Expenditures on the Statement of Operations. Stratford Tourism Alliance also received fees of \$ 15,000 (2022 - \$ 15,000) for staff, administration, and other services provided to Lights On Stratford, which is reported in Revenue on the Statement of Operations.

Stratford Tourism Alliance
Schedule of Property, Plant and Equipment and Amortization
For the year ended December 31, 2023

	<u>As at December 31, 2022</u>			Add.	Grant Funding	Gain	Unamort. Bal.	Rate	Prov.	<u>As at December 31, 2023</u>		
	Cost	Accum. Amort.	Unamort. Bal.							Cost	Accum. Amort.	Unamort. Bal.
Furniture and fixtures	19,817	15,271	4,546				4,546	20	909	19,817	16,180	3,637
Computer equipment	54,905	48,988	5,917				5,917	40	2,367	54,905	51,355	3,550
Website development	194,450	183,488	10,962				10,962	30	3,289	194,450	186,777	7,673
Leasehold Improvements				500,580	497,688		2,892	s.l.	2,892	2,892	2,892	
Property, plant and equipment not in use	225,855		225,855	(225,855)								
	495,027	247,747	247,280	274,725	497,688		24,317		9,457	272,064	257,204	14,860

DRAFT



MANAGEMENT REPORT

Date: April 16, 2024
To: Finance and Labour Relations Sub-committee
From: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
Report Number: FIN24-014
Attachments: 1) Financial Indicator Review;
 2) Financial Profile;
 3) Debt Limits

Title: Financial Indicator Review, Financial Profile and Municipal Debt Limits

Objective: To provide information regarding the City's financial performance indicators and municipal debt limits.

Background: Municipalities are required to submit financial data to the Ministry of Municipal Affairs and Housing (MMAH) under Section 294 of the Municipal Act. The Financial Information Return (FIR) is the main data collection document used by the Ministry of Municipal Affairs to collect financial and statistical information from municipalities.

While the reporting tool is cumbersome, it does give the Ministry a mechanism to compare municipalities by requiring a standardized structure.

Using information collected from the Financial Information Return and several key financial indicators, the Ministry of Municipal Affairs monitors municipal financial performance and financial health. The key elements measured are sustainability and flexibility as outlined in the Public Sector Accounting Boards' Statements of Recommended Practice (SORP-4). The attached Financial Indicator Review was received from the Ministry recently, after completion of the 2021 FIR. While this information is slightly dated at this point, it is still relevant and useful to identify trends and see how the City compares to its regional peers as well as province wide.

It also uses the data in this reporting tool to calculate the City's borrowing constraints.

Analysis: Municipalities are organized into groups defined to reflect different size and service responsibilities, type of municipality (single, lower or upper tier) and rural versus nonrural. Stratford has been placed in the South, Single Tier group which includes

Barrie, Belleville, Brant County, Brantford, Brockville, Chatham-Kent, Cornwall, Gananoque, Guelph, Haldimand County, Hamilton, Kawartha Lakes, Kingston, London, Norfolk County, Orillia, Ottawa, Pelee, Pembroke, Peterborough, Prescott, Prince Edward County, Quinte West, Smith Falls, St. Marys, St. Thomas, Stratford and Windsor.

Sustainability indicators look at the degree to which the municipality can maintain its existing financial obligations both in respect to its existing service commitments to the public and financial commitments to creditors. All indicators are in the Low-risk range and most of the comparisons are very close. One noteworthy item is Total Taxes Receivable less Allowance for Uncollectible Taxes as a % of Total Taxes Levied. Stratford has been significantly lower than the comparators in all previous years. This speaks to strong tax collection policies and arrears management.

Flexibility indicators provide insight into how a Municipality manages its finances. High debt levels reduce future flexibility. Other than the Debt Servicing Cost as a % of Total Revenues (Less Donated TCA's), all indicators in this category are in the Low-risk range.

That all the comparators are in a similar position of 'Moderate risk is an indication that we're all facing similar pressures to use increased levels of debt financing as one of the tools to mitigate asset investment pressures.

The Municipal Financial Profile document is just summarizing a few high-level attributes about the City and showing its comparators. Interestingly, Stratford's statistical information figures are consistently below the averages showing for the South-Single Tiers which is just demonstrating that many of those comparators are larger cities.

The Ministry notes that this information is not intended to be used on its own and should be used in conjunction with other financial information and resources available.

The Municipal Debt Limits refer to the City's capacity for repayment. The Province has established a calculation that stated simply caps the amount of annual debt repayments of Principal and Interest to 25% of own source revenues. For Stratford, this limit was \$16,104,887 annually while actual annual repayment was \$8,174,670 from the Financial Information Return (FIR) and due to timing, is the limit used for 2023. Since 2021, the calculated limit has increased, and the actual amounts have decreased, essentially increasing capacity slightly. Since this calculation refers only to annual repayments, the total debt load can vary, and would be dependent upon interest rates and repayment term length.

Once the 2022 year-end audit and Financial Information Return is completed, this more recent information will be communicated.

Financial Implications:**Not applicable:**

Not applicable as this information is historical and provided for information.

Alignment with Strategic Priorities:**Strengthening our Plans, Strategies and Partnerships**

Partnering with the community to make plans for our collective priorities in arts, culture, heritage and more. Communicating clearly with the public around our plans and activities.

Developing our Resources

Optimizing Stratford's physical assets and digital resources. Planning a sustainable future for Stratford's resources and environment.

Alignment with One Planet Principles:

Not applicable: Not applicable as this information is historical and provided for information.

Staff Recommendation: THAT the report titled, "Financial Indicator Review, Financial Profile and Municipal Debt Limits" (FIN24-014), be received for information.

Prepared by: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
Recommended by: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
 Joan Thomson, Chief Administrative Officer

FINANCIAL INDICATOR REVIEW

(Based on 2021 Financial Information Return)

Stratford C

Date Prepared:	15-Mar-24	2021 Households:	15,716	Median Household Income:	64,772
MSO Office:	Western	2021 Population:	31,465	Taxable Residential Assessment as a	
Prepared By:	Jane Parnell	2022 MFCI Index:	n/a	% of Total Taxable Assessment:	65.6%
Tier:	ST			Own Purpose Taxation:	63,581,213

SUSTAINABILITY INDICATORS

Indicator	Ranges	Actuals	South - Single Tiers		Level of Risk	
			Median	Average		
Total Taxes Receivable less Allowance for Uncollectibles as a % of Total Taxes Levied	Low: < 10% Mod: 10% to 15% High: > 15%	2017	3.7%	5.9%	6.5%	LOW
		2018	3.6%	5.7%	6.1%	LOW
		2019	3.7%	5.1%	5.4%	LOW
		2020	3.2%	6.1%	6.3%	LOW
		2021	3.0%	5.2%	5.5%	LOW
Net Financial Assets or Net Debt as % of Own Source Revenues	Low: > -50% Mod: -50% to -100% High: < -100%	2017	-27.8%	-3.9%	-8.0%	LOW
		2018	-11.3%	7.5%	-5.0%	LOW
		2019	-4.9%	-2.1%	-1.6%	LOW
		2020	8.0%	10.3%	4.2%	LOW
		2021	15.3%	14.7%	14.7%	LOW
Total Reserves and Discretionary Reserve Funds as a % of Municipal Expenses	Low: > 20% Mod: 10% to 20% High: < 10%	2017	28.1%	41.1%	42.7%	LOW
		2018	36.1%	42.3%	45.2%	LOW
		2019	38.4%	46.3%	47.6%	LOW
		2020	43.0%	58.3%	56.4%	LOW
		2021	59.8%	64.4%	62.2%	LOW
Cash Ratio (Total Cash and Cash Equivalents as a % of Current Liabilities)	Low: > 0.5:1 Mod: 0.5:1 to 0.25:1 High: < 0.25:1	2017	1.11:1	1.22:1	1.72:1	LOW
		2018	2.3:1	1.22:1	1.87:1	LOW
		2019	1.78:1	1.56:1	2.12:1	LOW
		2020	2.51:1	2.05:1	2.25:1	LOW
		2021	2.09:1	1.85:1	2.62:1	LOW

FLEXIBILITY INDICATORS

Debt Servicing Cost as a % of Total Revenues (Less Donated TCAs)	Low: < 5% Mod: 5% to 10% High: >10%	2017	6.5%	5.1%	4.8%	MODERATE
		2018	5.7%	5.0%	4.8%	MODERATE
		2019	6.2%	5.0%	4.8%	MODERATE
		2020	5.6%	4.8%	4.8%	MODERATE
		2021	5.4%	5.1%	5.0%	MODERATE
Closing Amortization Balance as a % of Total Cost of Capital Assets (Asset Consumption Ratio)	Low: < 50% Mod: 50% to 75% High: > 75%	2017	38.9%	41.0%	41.8%	LOW
		2018	39.4%	42.1%	41.9%	LOW
		2019	38.8%	42.9%	42.3%	LOW
		2020	40.0%	43.4%	42.5%	LOW
		2021	39.9%	43.6%	42.9%	LOW
Annual Surplus / (Deficit) as a % of Own Source Revenues	Low: > -1% Mod: -1% to -30% High: < -30%	2017	15.6%	13.1%	13.3%	LOW
		2018	24.9%	13.8%	14.8%	LOW
		2019	14.7%	14.1%	13.2%	LOW
		2020	17.1%	19.1%	19.0%	LOW
		2021	22.5%	18.4%	18.4%	LOW

 The data and information contained in this document is for informational purposes only. It is not an opinion about a municipality and is not intended to be used on its own - it should be used in conjunction with other financial information and resources available. It may be used, for example, to support a variety of strategic and policy discussions.

FINANCIAL INDICATOR REVIEW

(Based on 2021 Financial Information Return)

Stratford C

NOTES

Financial Information Returns ("FIRs") are a standard set of year-end reports submitted by municipalities to the Province which capture certain financial information. On an annual basis, Ministry staff prepare certain financial indicators for each municipality, based on the information contained in the FIRs. It is important to remember that these financial indicators provide a snapshot at a particular moment in time and should not be considered in isolation, but supported with other relevant information sources. In keeping with our Financial Information Return review process and follow-up, Ministry staff may routinely contact and discuss this information with municipal officials.

Supplementary Indicators of Sustainability and Flexibility

The following is a summary, adapted from the Chartered Professional Accountants of Canada Statement of Recommended Practice (SORP) 4.

- A government (including a municipality) may choose to report supplementary information on financial condition, to expand on and help explain the government's financial statements.
- Supplementary assessment of a government's financial condition needs to consider the elements of sustainability and flexibility.
- Sustainability in this context may be seen as the degree to which a municipality can maintain its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others without inappropriately increasing the debt or tax burden relative to the economy within which it operates.
- Sustainability is an important element to include in an assessment of financial condition because it may help to describe a government's ability to manage its financial and service commitments and debt burden. It may also help to describe the impact that the level of debt could have on service provision.
- Flexibility is the degree to which a government can change its debt or tax level on the economy within which it operates to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others.
- Flexibility provides insights into how a government manages its finances. Increasing taxation or user fees may reduce a municipality's flexibility to respond when adverse circumstances develop if the municipality approaches the limit that citizens and businesses are willing to bear.
A municipality may temporarily use current borrowing, subject to the requirements set out in the Municipal Act to meet expenses and certain other amounts required in the year, until taxes are collected and other revenues are received. Municipal current borrowing cannot be carried over the long term or converted to long term borrowing except in very limited circumstances.
- For each element of financial condition, the report on indicators of financial condition should include municipality-specific indicators and municipality-related indicators. It may be useful to also include economy-wide information when discussing financial condition.

Additional Notes on what Financial Indicators may indicate:

Total Taxes Receivable less Allowance for Uncollectibles as a % of Total Taxes Levied - Shows how much of the taxes billed are not collected.

Net Financial Assets or Net Debt as % of Own Source Revenues - Indicates how much property tax and user fee revenue is servicing debt.

Reserves and Reserve Funds as a % of Municipal Expenses - Indicates how much money is set aside for future needs and contingencies.

Cash Ratio (Total Cash and Cash Equivalents as a % of Current Liabilities) - Indicates how much cash and liquid investments could be available to cover current obligations.

Debt Servicing Cost as a % of Total Revenues (Less Donated TCAs) - Indicates how much of each dollar raised in revenue is spent on paying down existing debt.

Closing Amortization Balance as a % of Total Cost of Capital Assets (Asset Consumption Ratio) - Indicates how much of the assets' life expectancy has been consumed.

Annual Surplus / (Deficit) (Less Donated TCAs) as a % of Own Source Revenues - Indicates the municipality's ability to cover its operational costs and have funds available for other purposes (e.g. reserves, debt repayment, etc.)

The Northern and Rural Municipal Fiscal Circumstances Index (MFICI) is used by the Ministry of Finance to calculate the "Northern and Rural Fiscal Circumstances Grant" aimed at northern as well as single and lower-tier rural municipalities. The index measures a municipality's fiscal circumstances. The MFICI is determined by six indicators: Weighted Assessment per Household, Median Household Income, Average Annual Change in Assessment (New Construction), Employment Rate, Ratio of Working Age to Dependent Population, and Per Cent of Population Above Low-Income Threshold. A lower MFICI corresponds to relatively positive fiscal circumstances, whereas a higher MFICI corresponds to more challenging fiscal circumstances. (Note: the MFICI index is only available for northern and rural municipalities)

FINANCIAL INDICATOR REVIEW

(Based on 2021 Financial Information Return)

Stratford C

CALCULATIONS

Total Taxes Rec. less Allowance for Uncollectibles as % of Total Taxes Levied	SLC 70 0699 01 / (SLC 26 9199 03 - SLC 72 2899 09)
Net Financial Assets or Net Debt as % of Own Source Revenues	SLC 70 9945 01 / (SLC 10 9910 01 - SLC 10 0699 01 - SLC 10 0899 01 - SLC 10 1098 01 - SLC 10 1099 01 - SLC 10 1811 01 - SLC 10 1812 01 - SLC 10 1813 01 - SLC 10 1814 01 - SLC 10 1830 01 - SLC 10 1831 01 - SLC 12 1850 04)
Total Reserves and Reserve Funds as a % of Municipal Expenses	(SLC 60 2099 02+SLC 60 2099 03)/(SLC 40 9910 11-SLC 12 9910 03-SLC 12 9910 07)
Cash Ratio (Total Cash and Cash Equivalents as a % of Current Liabilities)	SLC 70 0299 01 / (SLC 70 2099 01 + SLC 70 2299 01)
Debt Servicing Cost as a % of Total Revenues (Less Donated TCAs)	(SLC 74 3099 01 + SLC 74 3099 02) / (SLC 10 9910 01 - SLC 10 1831 01)
Closing Amortization Balance as a % of Total Cost of Capital Assets (Asset Consumption Ratio)	SLC 51 9910 10 / SLC 51 9910 06
Annual Surplus / (Deficit) (Less Donated TCAs) as a % of Own Source Revenues	(SLC 10 2099 01 - SLC 10 1831 01) / (SLC 10 9910 01 - SLC 10 0699 01 - SLC 10 0899 01 - SLC 10 1098 01 - SLC 10 1099 01 - SLC 10 1811 01 - SLC 10 1812 01 - SLC 10 1813 01 - SLC 10 1814 01 - SLC 10 1830 01 - SLC 10 1831 01 - SLC 12 1850 04)

MUNICIPAL FINANCIAL PROFILES

(Based on 2021 Financial Information Return)

Stratford C

Date Prepared:	March 15, 2024
MSO Office:	Western
Prepared By:	Jane Parnell

2021 FIR Load Status:	Updated Under Review
Last Updated:	February 22, 2024

2021 Households:	15,716
2021 Population:	31,465
2022 MFCI Index: *8	0.0

Median Household Income (2016) : *4	64,772
2022 Annual Repayment Limit:	16,504,746
Borrowing Capacity 7% over 10 yrs:	115,922,428

STATISTICAL INFORMATION

	2017	2018	2019	2020	2021	2021 AVERAGES FOR:		21/20 %	20/19 %	19/18 %	18/17 %
						South - Single Tiers	PROVINCE				
Population *3	31,465	31,465	31,465	31,465	31,465	127,238	35,311	0.0%	0.0%	0.0%	0.0%
Households *3	14,302	14,862	14,882	14,882	15,716	54,986	14,278	5.6%	0.0%	0.1%	3.9%
Municipal Expenses *7	\$ 110,124,898	\$ 113,506,417	\$ 112,671,971	\$ 120,563,331	\$ 104,580,913	\$ 424,490,945	\$ 114,220,745	-13.3%	7.0%	-0.7%	3.1%
Own Source Revenues	\$ 91,674,142	\$ 97,216,880	\$ 102,548,617	\$ 105,925,088	\$ 97,039,619	\$ 340,115,377	\$ 92,936,043	-8.4%	3.3%	5.5%	6.0%
Own Source Revenue per Household	\$ 6,410	\$ 6,541	\$ 6,891	\$ 7,118	\$ 6,175	\$ 5,838	\$ 3,816	-13.2%	3.3%	5.3%	2.1%
Own Source Revenue as a % of Total Revenues (Less Donated TCAs)	71.4%	68.4%	74.3%	71.7%	64.4%	73.7%	73.7%	-10.1%	-3.5%	8.6%	-4.2%
Total Revenues	\$ 128,329,475	\$ 142,083,093	\$ 137,999,947	\$ 147,742,278	\$ 150,611,193	\$ 523,535,599	\$ 139,073,444	1.9%	7.1%	-2.9%	10.7%
Annual Repayment Limit	\$ 12,959,730	\$ 13,125,336	\$ 14,292,852	\$ 15,506,253	\$ 15,554,266	\$ 60,396,674	\$ 16,270,868	0.3%	8.5%	8.9%	1.3%
Own Purpose Taxation	\$ 55,125,026	\$ 57,589,663	\$ 59,729,113	\$ 61,688,867	\$ 63,581,213	\$ 215,286,847	\$ 54,181,541	3.1%	3.3%	3.7%	4.5%
Direct Water Billings as % of Gross Water Expenditures	103.3%	100.2%	110.6%	99.2%	137.0%	114.0%	68.1%				
Taxable Res. Assessment as a % of Total Taxable Assessment	65.2%	65.5%	65.7%	65.2%	65.6%	70.2%	78.7%				

DISCOUNTED WEIGHTED ASSESSMENT *1 (Source: Financial Information Return)

	2017	2018	2019	2020	2021	2021 AVERAGES FOR:	
						South - Single Tiers	PROVINCE
Taxable	4,490,668,278	4,675,568,571	4,903,965,216	5,157,110,834	5,187,323,530	19,832,366,959	7,796,466,273
PIL	26,157,469	27,020,486	28,529,700	28,746,521	29,414,935	595,587,319	104,465,742
Total	4,516,825,747	4,702,589,057	4,932,494,916	5,185,857,355	5,216,738,464	20,427,954,278	7,900,932,014

MUNICIPAL FINANCIAL PROFILES

(Based on 2021 Financial Information Return)

Stratford C

Date Prepared:	March 15, 2024
MSO Office:	Western
Prepared By:	Jane Parnell

2021 FIR Load Status:	Updated Under Review
Last Updated:	February 22, 2024

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Borrowing Capacity 7% over 10 yrs:	115,922,428

RESIDENTIAL TAXES

	2017	2018	2019	2020	2021	2021 AVERAGES FOR:		21/20 %	20/19 %	19/18 %	18/17 %
						South - Single Tiers	PROVINCE				
# of Residential Households	11,817	12,004	12,174	12,264	12,570	44,803	11,878	2.5%	0.7%	1.4%	1.6%
Avg Municipal Property Taxes Per Avg Residential Household	\$ 2,934	\$ 2,991	\$ 3,094	\$ 3,208	\$ 3,296	\$ 2,928	\$ 2,561	2.7%	3.7%	3.4%	2.0%
Avg Total Property Taxes per Avg Residential Household	\$ 3,363	\$ 3,413	\$ 3,508	\$ 3,618	\$ 3,711	\$ 3,307	\$ 2,951	2.6%	3.1%	2.8%	1.5%
Avg Total Property Taxes per Avg Residential Household as a % of Median Household Income (Tax Effort)	5.2%	5.3%	5.4%	5.6%	5.7%	5.3%	4.5%				
# of Residential Households Excluding Recreational Properties (Excl. RDUs)	11,816	12,003	12,173	12,263	12,569	44,237	11,414	2.5%	0.7%	1.4%	1.6%
Avg Municipal Property Taxes Per Avg Residential Household (Excl. RDUs)	\$ 2,934	\$ 2,991	\$ 3,093	\$ 3,208	\$ 3,296	\$ 2,911	\$ 2,540	2.7%	3.7%	3.4%	2.0%
Avg Total Property Taxes per Avg Residential Household (Excl. RDUs)	\$ 3,363	\$ 3,413	\$ 3,508	\$ 3,617	\$ 3,711	\$ 3,288	\$ 2,923	2.6%	3.1%	2.8%	1.5%
Avg Total Property Taxes per Avg Residential Household (Excl. RDUs) as a % of Median Household Income (Tax Effort)	5.2%	5.3%	5.4%	5.6%	5.7%	5.2%	4.4%				

RESIDENTIAL TAX RATES *2 (Source: Financial Information Return)

	2017	2018	2019	2020	2021	21/20 %	20/19 %	19/18 %	18/17 %
Lower / Single-Tier General Rate	0.0122365	0.0120635	0.0120259	0.0119783	0.0121436	1.4%	-0.4%	-0.3%	-1.4%
Upper-Tier General Rate	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%
Education Rate	0.0017900	0.0017000	0.0016100	0.0015300	0.0015300	0.0%	-5.0%	-5.3%	-5.0%

TAXES RECEIVABLE

	2017	2018	2019	2020	2021	2021 AVERAGES FOR:		21/20 %	20/19 %	19/18 %	18/17 %
						South - Single Tiers	PROVINCE				
Total Taxes Receivable less Allowance for Uncollectibles	\$ 2,520,857	\$ 2,542,338	\$ 2,664,938	\$ 2,385,054	\$ 2,224,491	\$ 12,216,156	\$ 3,996,747	-6.7%	-10.5%	4.8%	0.9%
Total Taxes Rec. less Allowance for Uncollectibles as % of Total Taxes Levied	3.7%	3.6%	3.7%	3.2%	3.0%	5.5%	8.6%				
Current Year Taxes Receivable as % of Total Taxes Receivable	43.9%	42.0%	38.1%	49.2%	47.4%	51.1%	57.1%				
Working & Contingency Reserves and Discretionary Reserve Funds as % of Current Yr Taxes Rec.	508.7%	152.7%	0.0%	0.0%	0.0%	455.5%	396.9%				
Previous and Prior Years Taxes Receivable as % of Total Taxes Receivable	45.9%	47.8%	49.4%	42.7%	43.6%	36.6%	32.1%				

MUNICIPAL FINANCIAL PROFILES

(Based on 2021 Financial Information Return)

Stratford C

Date Prepared:	March 15, 2024
MSO Office:	Western
Prepared By:	Jane Parnell

2021 FIR Load Status:	Updated Under Review
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2022 Annual Repayment Limit:	16,504,746
Borrowing Capacity 7% over 10 yrs:	115,922,428

GRANTS

	2017	2018	2019	2020	2021	2021 AVERAGES FOR:		21/20 %	20/19 %	19/18 %	18/17 %
						South - Single Tiers	PROVINCE				
Total Unconditional Grants	\$ -	\$ -	\$ -	\$ 2,821,432	\$ 2,512,407	\$ 18,317,544	\$ 6,915,770	-11.0%	0.0%	0.0%	0.0%
Ontario Municipal Partnership Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,970,325	\$ 1,133,125	0.0%	0.0%	0.0%	0.0%
As % of Municipal Expenses	0.0%	0.0%	0.0%	0.0%	0.0%	2.8%	9.3%				
Other	\$ -	\$ -	\$ -	\$ 2,821,432	\$ 2,512,407	\$ 15,347,219	\$ 5,782,645	-11.0%	0.0%	0.0%	0.0%
Total Ontario Conditional Grants	\$ 27,138,627	\$ 28,645,183	\$ 22,022,665	\$ 23,482,285	\$ 33,089,481	\$ 90,044,065	\$ 21,034,561	40.9%	6.6%	-23.1%	5.6%
As a % of Municipal Expenses	24.6%	25.2%	19.5%	19.5%	31.6%	16.4%	10.9%				
Total Ontario Conditional and Unconditional Grants											
As a % of Municipal Expenses	24.6%	25.2%	19.5%	21.8%	34.0%	25.5%	24.5%				

COVID - 19

COVID-19 Municipal Operating Funding Allocations - Actual

	2020	2021	TOTAL
- Phase 1 Allocation	\$ 1,808,300		
- Phase 2 Application Based Allocation	\$ -		
- Phase 2 2021 Allocation		\$ 362,000	
2021 Provincial COVID-19 Recovery Funding for Municipalities		\$ 453,523	
Total COVID-19 Municipal Operating Funding	\$ 1,808,300	\$ 815,523	\$ 2,623,823

COVID-19 Municipal Funding - Amounts Recognized

	2020	2021	TOTAL
Safe Restart Agreement - Municipal Operating Funding	\$ 1,808,300	\$ 533,522	\$ 2,341,822
Provincial COVID-19 Recovery Funding for Municipalities		\$ -	\$ -
TOTAL COVID-19 MUNICIPAL OPERATING FUNDING RECOGNIZED	\$ 1,808,300	\$ 533,522	\$ 2,341,822
		Funding not recognized:	\$ 282,001
Safe Restart Agreement - Public Transit Funding	\$ 64,787	\$ 50,000	\$ 114,787
Social Services Relief Fund (SSRF)	\$ 948,345	\$ 1,919,601	\$ 2,867,946

* Note: Because a municipality has recognized all of their funding, does not necessarily mean that they have used all of their funding. Some may still be in a reserve / reserve fund.

	2020	2021
Total COVID-19 Expenses as reported on SLC 42 6009 01	\$ -	\$ -

TOTAL DEBT BURDEN

	2017	2018	2019	2020	2021	2021 AVERAGES FOR:		21/20 %	20/19 %	19/18 %	18/17 %
						South - Single Tiers	PROVINCE				
Total Debt Burden	\$ 68,616,306	\$ 68,755,668	\$ 62,327,653	\$ 56,029,731	\$ 49,775,855	\$ 215,811,130	\$ 56,567,107	-11.2%	-10.1%	-9.3%	0.2%
Per Household	\$ 4,798	\$ 4,626	\$ 4,188	\$ 3,765	\$ 3,167	\$ 3,022	\$ 1,373	-15.9%	-10.1%	-9.5%	-3.6%
Debt Servicing Cost	\$ 8,335,042	\$ 8,118,297	\$ 8,594,479	\$ 8,264,449	\$ 8,174,670	\$ 23,241,521	\$ 5,999,961	-1.1%	-3.8%	5.9%	-2.6%

MUNICIPAL FINANCIAL PROFILES

(Based on 2021 Financial Information Return)

Stratford C

Date Prepared:	March 15, 2024
MSO Office:	Western
Prepared By:	Jane Parnell

2021 FIR Load Status:	Updated Under Review
Last Updated:	February 22, 2024

2021 Households:	15,716
2021 Population:	31,465
2022 MFCI Index: *8	0.0

Median Household Income (2016) : *4	64,772
2022 Annual Repayment Limit:	16,504,746
Borrowing Capacity 7% over 10 yrs:	115,922,428

Per Household	\$ 583	\$ 546	\$ 578	\$ 555	\$ 520	\$ 395	\$ 181	-6.3%	-3.8%	5.7%	-6.3%
As a % of Municipal Expenses	7.6%	7.2%	7.6%	6.9%	7.8%	6.0%	3.8%				
As a % of Own Purpose Taxation	15.1%	14.1%	14.4%	13.4%	12.9%	10.9%	7.0%				
As a % of Own Source Revenue	9.1%	8.4%	8.4%	7.8%	8.4%	6.8%	4.3%				
As a % of Total Revenues (Less Donated TCAs)	6.5%	5.7%	6.2%	5.6%	5.4%	5.0%	3.2%				
Debt Service Coverage Ratio (Target: Ratio >= 2)	3	4	3	3	6	7	40				

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LIABILITIES (Including Post-Employment Benefits)

	2017	2018	2019	2020	2021	2021 AVERAGES FOR:		21/20 %	20/19 %	19/18 %	18/17 %
						South - Single Tiers	PROVINCE				
Temp. Loans for Current Purposes as % of Municipal Expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.2%				
Post-Employment Benefits	\$ 13,691,913	\$ 13,869,245	\$ 11,925,000	\$ 14,011,995	\$ 15,234,090	\$ 89,163,131	\$ 22,458,503	8.7%	17.5%	-14.0%	1.3%
Total Reserves and Reserve Funds for Post-Employment Benefits	\$ 6,245,266	\$ 6,716,520	\$ 6,688,367	\$ 6,930,754	\$ 7,054,776	\$ 10,191,577	\$ 4,525,307	1.8%	3.6%	-0.4%	7.5%

RESERVES AND RESERVE FUNDS

	2017	2018	2019	2020	2021	2021 AVERAGES FOR:		21/20 %	20/19 %	19/18 %	18/17 %
						South - Single Tiers	PROVINCE				
Total Reserves	\$ 28,533,261	\$ 9,992,443	\$ 12,183,215	\$ 14,211,782	\$ 19,360,697	\$ 75,252,538	\$ 33,047,310	36.2%	16.7%	21.9%	-65.0%
Total Discretionary Reserve Funds	\$ 2,463,329	\$ 30,996,253	\$ 31,136,848	\$ 37,642,841	\$ 43,166,463	\$ 116,231,987	\$ 40,018,956	14.7%	20.9%	0.5%	1158.3%
Total Reserves and Discretionary Reserve Funds	\$ 30,996,590	\$ 40,988,696	\$ 43,320,063	\$ 51,854,623	\$ 62,527,160	\$ 191,484,525	\$ 73,066,267	20.6%	19.7%	5.7%	32.2%
Per Household	\$ 2,167	\$ 2,758	\$ 2,911	\$ 3,484	\$ 3,979	\$ 4,132	\$ 3,290	14.2%	19.7%	5.5%	27.3%
As a % of Total Taxes Receivable	1229.6%	1612.2%	1625.6%	2174.1%	2810.9%	2312.5%	1443.8%				
As a % of Municipal Expenses	28.1%	36.1%	38.4%	43.0%	59.8%	62.2%	77.9%				
As a % of Own Purpose Taxation	56.2%	71.2%	72.5%	84.1%	98.3%	111.0%	136.3%				

FINANCIAL ASSETS

	2017	2018	2019	2020	2021	2021 AVERAGES FOR:		21/20 %	20/19 %	19/18 %	18/17 %
						South - Single Tiers	PROVINCE				
Net Financial Assets or Net Debt as a % of Total Revenues (Less Donated TCAs)	-19.9%	-7.8%	-3.6%	5.7%	9.8%	11.4%	45.5%				
Net Financial Assets or Net Debt as a % of Own Source Revenues	-27.8%	-11.3%	-4.9%	8.0%	15.3%	14.7%	61.6%				
Net Working Capital as a % of Municipal Expenses	13.2%	25.8%	18.8%	29.6%	35.1%	47.4%	82.0%				
Net Book Value of Capital Assets as a % of Cost of Capital Assets	62.0%	62.5%	62.5%	61.5%	61.9%	59.7%	53.7%				
Asset Sustainability Ratio (Target: > 90%)	224.5%	164.9%	246.9%	174.2%	283.5%	180.1%	173.1%				
Closing Amortization Balance as a % of Total Cost of Capital Assets (Asset Consumption Ratio)	38.9%	39.4%	38.8%	40.0%	39.9%	42.9%	47.0%				

MUNICIPAL FINANCIAL PROFILES

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SURPLUS / DEFICIT

	2017	2018	2019	2020	2021	2021 AVERAGES FOR:		21/20 %	20/19 %	19/18 %	18/17 %
						South - Single Tiers	PROVINCE				
Annual Surplus / (Deficit) (Less Donated TCAs)	\$ 14,293,958	\$ 24,230,413	\$ 15,114,355	\$ 18,087,609	\$ 21,825,198	\$ 69,210,410	\$ 18,932,674	20.7%	19.7%	-37.6%	69.5%
Annual Surplus / (Deficit) (Less Donated TCAs) Adjusted for Ontario Budget Reg. 284/09)	\$ 17,931,126	\$ 26,643,261	\$ 16,142,153	\$ 23,935,238	\$ 26,370,884	\$ 110,350,753	\$ 31,435,434	10.2%	48.3%	-39.4%	48.6%
Annual Surplus / (Deficit) (Less Donated TCAs) as a % of Own Source Revenues	15.6%	24.9%	14.7%	17.1%	22.5%	18.4%	19.7%				
Current Ratio (Target: >= 100%)	218.7%	295.4%	235.0%	306.4%	272.4%	341.4%	684.6%				

OTHER INDICATORS

	2017	2018	2019	2020	2021	2021 AVERAGES FOR:	
						South - Single Tiers	PROVINCE
Rates Coverage Ratio (Target: >=40%)	67.0%	68.7%	67.1%	64.2%	75.6%	77.0%	75.9%
Cash Ratio (Total Cash and Cash Equivalents as a % of Current Liabilities)	1.11:1	2.3:1	1.78:1	2.51:1	2.09:1	2.62:1	5.38:1
Operating Balance as a % of Total Revenues (Less Donated TCAs) ⁵	11.1%	17.1%	11.0%	11.9%	22.8%	15.6%	14.4%
Cumulative Annual Growth Rate ⁶	3.0%	3.2%	0.7%	0.3%	2.4%	1.1%	1.2%
Interest Payments as a % of Total Revenues (Less Donated TCAs)	1.8%	1.5%	1.6%	1.3%	1.3%	1.4%	0.8%

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VULNERABILITY MEASURES

	2017	2018	2019	2020	2021	2021 AVERAGES FOR:					
						South - Single Tiers	PROVINCE				
Own Source Revenue as a % of Total Revenues (Less Donated TCAs)	71.4%	68.4%	74.3%	71.7%	64.4%	73.7%	73.7%	-10.1%	-3.5%	8.6%	-4.2%
Own Source Revenue per Household	\$ 6,410	\$ 6,541	\$ 6,891	\$ 7,118	\$ 6,175	\$ 5,838	\$ 3,816	-13.2%	3.3%	5.3%	2.1%
Avg Municipal Property Taxes Per Avg Residential Household as a % of Median Household Income (Tax Effort)	\$ 2,934	\$ 2,991	\$ 3,094	\$ 3,208	\$ 3,296	\$ 2,928	\$ 2,561	2.7%	3.7%	3.4%	2.0%
	5.2%	5.3%	5.4%	5.6%	5.7%	5.3%	4.5%				

SUPPLEMENTARY INDICATORS OF SUSTAINABILITY, FLEXIBILITY AND VULNERABILITY

The following is a summary, adapted from the Chartered Professional Accountants of Canada Statement of Recommended Practice (SORP) 4:

- A government (including a municipality) may choose to report supplementary information on financial condition, to expand on and help explain the government's financial statements.
- Supplementary assessment of a government's financial condition needs to consider, at a minimum, the elements of sustainability, flexibility and vulnerability.
- Vulnerability in this context may be seen as the degree to which a municipality is dependent on sources of funding outside its control or influence or is exposed to risks that could impair its ability to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others.
- Vulnerability is an important element of financial condition because it provides insights into a municipality's reliance on funding sources outside its direct control or influence and its exposure to risks. A municipality whose vulnerability is relatively low has greater control over its financial condition.
- For each element of financial condition, the report on indicators of financial condition should include municipality-specific indicators and municipality-related indicators. It may be useful to also include economy-wide information when discussing financial condition.

ADDITIONAL NOTES ON WHAT FINANCIAL MEASURES MAY INDICATE:

Own Source Revenue as a % of Total Revenues (Less TCAs)

Indicates the extent to which a municipality has a high proportion of revenues for its own sources, reducing its impact to a change in transfers from other levels of government.

Own Source Revenue per Household

Indicates the demand for resources and the municipality's ability and willingness to provide resources.

Average Municipal Property Taxes per Average Residential Household

Indicates the level of taxes on residential households for municipal purposes.

Average Municipal Property Taxes per Average Residential Household as a % of Average Household Income

Indicates the portion of a ratepayer's income used to pay municipal property taxes.

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NOTES

- 1* 2016 assessment use phase-in assessment based on 2012 property values. 2017 , 2018 , 2019 and 2020 assessment uses phase-in assessment based on 2016 property values.
- 2* Average tax rates are calculated where necessary when amalgamations occur.
- 3* Household and Population data are as reported by the municipality on Schedule 02 of the FIR.
- 4* Median Household Income - Source: Ministry of Finance - Statistics Canada's measure of median income for all private households in 2015.
- 5* Total Revenues include revenues from other municipalities.
- 6* The Cumulative Annual Growth Rate has been measured over a three year period. Infrastructure Ontario uses a five year period.
- 7* Total Municipal Expenses exclude amounts for other municipalities
- 8* MFCI index - Source: Ministry of Finance (2022 OMPF Calculation). This index is available for northern and rural municipalities only.

NUMBER OF MUNICIPALITIES IN COMPARISON GROUPS

	South - Single Tiers	Province
2017	28	444
2018	28	444
2019	28	444
2020	28	442
2021	28	438

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CALCULATIONS

STATISTICAL INFORMATION

Population *3	SLC 02 0041 01
Households *3	SLC 02 0040 01
Municipal Expenses *7	SLC 40 9910 11 - SLC 12 9910 03 - SLC 12 9910 07
Own Source Revenues	SLC 10 9910 01 - SLC 10 0699 01 - SLC 10 0899 01 - SLC 10 1098 01 - SLC 10 1099 01 - SLC 10 1811 01 - SLC 10 1812 01 - SLC 10 1813 01 - SLC 10 1814 01 - SLC 10 1830 01 - SLC 10 1831 01 - SLC 12 1850 04
Own Source Revenue per Household	Own Source Revenues / SLC 02 0040 01
Own Source Revenue as a % of Total Revenues (Less Donated TCAs)	Own Source Revenues / (SLC 10 9910 01 - SLC 10 1831 01)
Total Revenues	SLC 10 9910 01
Annual Repayment Limit	The annual repayment limit is calculated annually as per Ontario regulation 403/02. To view the full calculation of the annual repayment limit, please go to the FIR website. https://efis.fma.csc.gov.on.ca/fir/ViewARL.htm
Own Purpose Taxation	ARLs for all municipalities (except the City of Toronto) are posted here as they are made available.
Direct Water Billings as % of Gross Water Expenditures	SLC 10 0299 01
Taxable Res. Assessment as a % of Total Taxable Assessment	(SLC 12 0831 04 + SLC 12 0832 04) / (SLC 40 0831 11 + SLC 40 0832 11) SLC 26 0010 17 / SLC 26 9199 17

DISCOUNTED WEIGHTED ASSESSMENT *1 (Source: Financial Information Return)

Taxable	SLC 26 9199 17
PIL	SLC 26 9299 17
Total	SLC 26 9199 17 + SLC 26 9299 17

RESIDENTIAL TAXES

# of Residential Households	Residential CVA and corresponding household counts are provided by OPTA (excludes the City of Toronto). Residential assessment includes:
Avg Municipal Property Taxes Per Avg Residential Household	Single Family, 2 - 6 Units, Farm Residential and Recreational (where included). Note: does not include vacant land.
Avg Total Property Taxes per Avg Residential Household	
Avg Total Property Taxes per Avg Residential Household as a % of Median Household Income (Tax Effort)	If labeled (Excl. RDUs) Recreational units are excluded.
# of Residential Households Excluding Recreational Properties (Excl. RDUs)	An average household assessment is calculated by taking the sum of the CVA for these residential groups divided by the corresponding households.
Avg Municipal Property Taxes Per Avg Residential Household (Excl. RDUs)	
Avg Total Property Taxes per Avg Residential Household (Excl. RDUs)	An estimated tax rate for each tier (i.e. lower tier, upper tier and school) is applied to the average household assessment to calculate the averages taxes per household by tier.
Avg Total Property Taxes per Avg Residential Household (Excl. RDUs) as a % of Median Household Income (Tax Effort)	(the estimated tax rates are provided by OPTA).

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RESIDENTIAL TAX RATES *2 (Source: Financial Information Return)

Lower / Single-Tier General Rate	SLC 22 0010 12 / SLC 22 0010 16
Upper-Tier General Rate	SLC 22 0010 13 / SLC 22 0010 16
Education Rate	SLC 22 0010 14 / SLC 22 0010 16

TAXES RECEIVABLE

Total Taxes Receivable less Allowance for Uncollectibles	SLC 70 0699 01
Total Taxes Rec. less Allowance for Uncollectibles as % of Total Taxes Levied	SLC 70 0699 01 / (SLC 26 9199 03 - SLC 72 2899 09)
Current Year Taxes Receivable as % of Total Taxes Receivable	SLC 70 0610 01 / (SLC 70 0690 01 + SLC 70 0699 01)
Working Fund Reserves & Contingency Funds as % of Current Yr Taxes Rec.	(SLC 60 5010 02 + SLC 60 5020 03) / SLC 70 0610 01
Previous and Prior Years Taxes Receivable as % of Total Taxes Receivable	(SLC 70 0620 01 + SLC 70 0630 01) / (SLC 70 0699 01 + SLC 70 0690 01)

GRANTS

Total Unconditional Grants	SLC 10 0699 01
Ontario Municipal Partnership Fund	SLC 10 0620 02
As % of Municipal Expenses	SLC 10 0620 01 / (SLC 40 9910 11 - SLC 12 9910 03 - SLC 12 9910 07)
Other	SLC 10 0699 01 - SLC 10 0620 01
Total Ontario Conditional Grants	SLC 10 0810 01 + SLC 10 0815 01
As a % of Municipal Expenses	(SLC 10 0810 01 + SLC 10 0815 01) / (SLC 40 9910 11 - SLC 12 9910 03 - SLC 12 9910 07)
Total Ontario Conditional and Unconditional Grants	
As a % of Municipal Expenses	(SLC 10 0699 01 + SLC 10 0810 01 + SLC 10 0815 01) / (SLC 40 9910 11 - SLC 12 9910 03 - SLC 12 9910 07)

COVID - 19

COVID-19 Municipal Operating Funding Allocations - Actual	
- Phase 1 Allocation	Phase 1 Allocations - Actual
- Phase 2 Application Based Allocation	Phase 2 Application Based Allocations - Actual
- Phase 2 2021 Allocation	Phase 2 2021 Allocations - Actual
2021 Provincial COVID-19 Recovery Funding for Municipalities	2021 Provincial COVID-19 Recovery Funding for Municipalities Allocations - Actual
Total COVID-19 Municipal Operating Funding	Phase 1 Allocations + Phase 2 Application Based Allocations + Phase 2 2021 Allocations + 2021 Provincial COVID-19 Recovery Funding for Municipalities Allocations
COVID-19 Municipal Funding - Amounts Recognized	
Safe Restart Agreement - Municipal Operating Funding	SLC 10 0626 01
Provincial COVID-19 Recovery Funding for Municipalities	SLC 10 0629 01
TOTAL COVID-19 MUNICIPAL OPERATING FUNDING RECOGNIZED	SLC 10 0626 01 (FY20) + SLC 10 0626 01 (FY21) + SLC 10 0629 01 (FY21)
Funding not recognized:	Total COVID-19 Municipal Operating Funding - Total COVID-19 Municipal Operating Funding Recognized
Safe Restart Agreement - Public Transit Funding	SLC 10 0627 01
Social Services Relief Fund (SSRF)	SLC 10 0628 01
Total COVID-19 Expenses as reported on SLC 42 6009 01	SLC 42 6009 01

TOTAL DEBT BURDEN

Total Debt Burden	SLC 74 9910 01
Per Household	SLC 74 9910 01 / SLC 02 0040 01

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Debt Servicing Cost	SLC 74 3099 01 + SLC 74 3099 02
Per Household	(SLC 74 3099 01 + SLC 74 3099 02) / SLC 02 0040 01
As a % of Municipal Expenses	(SLC 74 3099 01 + SLC 74 3099 02) / (SLC 40 9910 11 - SLC 12 9910 03 - SLC 12 9910 07)
As a % of Own Purpose Taxation	(SLC 74 3099 01 + SLC 74 3099 02) / SLC 10 0299 01
As a % of Own Source Revenue	(SLC 74 3099 01 + SLC 74 3099 02) / (SLC 10 9910 01 - SLC 10 0699 01 - SLC 10 0899 01 - SLC 10 1098 01 - SLC 10 1099 01 - SLC 10 1811 01 - SLC 10 1812 01 - SLC 10 1813 01 - SLC 10 1814 01 - SLC 10 1830 01 - SLC 10 1831 01 - SLC 12 1850 04)
As a % of Total Revenues (Less Donated TCAs)	(SLC 74 3099 01 + SLC 74 3099 02) / (SLC 10 9910 01 - SLC 10 1831 01)
Debt Service Coverage Ratio (Target: Ratio >= 2)	(SLC 10 9910 01 - SLC 40 9910 11 + SLC 40 9910 02 + SLC 40 9910 16) / (SLC 74 3099 01 + SLC 74 3099 02)

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LIABILITIES (Including Post-Employment Benefits)

Temp. Loans for Current Purposes as % of Municipal Expenses	SLC 70 2010 01 / (SLC 40 9910 11 - SLC 12 9910 03 - SLC 12 9910 07)
Post-Employment Benefits	SLC 70 2899 01
Total Reserves and Reserve Funds for Post-Employment Benefits	SLC 60 5060 02 + SLC 60 5060 03 + SLC 60 5070 02 + SLC 60 5070 03 + SLC 60 5080 02 + SLC 60 5080 03 + SLC 60 5090 02 + SLC 60 5090 03

RESERVES AND RESERVE FUNDS

Total Reserves	SLC 60 2099 03
Total Discretionary Reserve Funds	SLC 60 2099 02
Total Reserves and Discretionary Reserve Funds	SLC 60 2099 02 + SLC 60 2099 03
Per Household	(SLC 60 2099 02 + SLC 60 2099 03) / SLC 02 0040 01
As a % of Total Taxes Receivable	(SLC 60 2099 02 + SLC 60 2099 03) / (SLC 70 0699 01 + SLC 70 0690 01)
As a % of Municipal Expenses	(SLC 60 2099 02 + SLC 60 2099 03) / (SLC 40 9910 11 - SLC 12 9910 03 - SLC 12 9910 07)
As a % of Own Purpose Taxation	(SLC 60 2099 02 + SLC 60 2099 03) / SLC 20 0299 01

FINANCIAL ASSETS

Net Financial Assets or Net Debt as a % of Total Revenues (Less Donated TCAs)	SLC 70 9945 01 / (SLC 10 9910 01 - SLC 10 1831 01)
Net Financial Assets or Net Debt as a % of Own Source Revenues	SLC 70 9945 01 / (SLC 10 9910 01 - SLC 10 0699 01 - SLC 10 0899 01 - SLC 10 1098 01 - SLC 10 1099 01 - SLC 10 1811 01 - SLC 10 1812 01 - SLC 10 1813 01 - SLC 10 1814 01 - SLC 10 1830 01 - SLC 10 1831 01 - SLC 12 1850 04)
Net Working Capital as a % of Municipal Expenses	(SLC 70 0299 02 + SLC 70 0499 01 + SLC 70 0699 01 + SLC 70 0830 01 + SLC 70 0835 01 + SLC 70 6250 01 + SLC 70 6260 01 + SLC 70 2010 01 + SLC 70 2299 01) / (SLC 40 9910 11 - SLC 12 9910 03 - SLC 12 9910 07)
Net Book Value of Capital Assets as a % of Cost of Capital Assets	(SLC 70 6210 01 - SLC 51 2005 11 - SLC 51 2205 11) / (SLC 51 9910 06 - SLC 51 2005 11 - SLC 51 2205 11)
Asset Sustainability Ratio (Target: > 90%)	SLC 51 9910 03 / SLC 51 9910 08
Closing Amortization Balance as a % of Total Cost of Capital Assets (Asset Consumption Ratio)	SLC 51 9910 10 / SLC 51 9910 06

SURPLUS / DEFICIT

Annual Surplus / (Deficit) (Less Donated TCAs)	SLC 10 2099 01 - SLC 10 1831 01
Annual Surplus / (Deficit) (Less Donated TCAs) Adjusted for Ontario Budget Reg. 284/09	SLC 10 2099 01 - SLC 10 1831 01 + SLC 40 9910 16 + (SLC 70 2799 01 (CY) - SLC 70 2799 01 (PY)) + (SLC 70 2899 01 (CY) - SLC 70 2899 01 (PY)) - SLC 74 3099 01 (CY = CURRENT YEAR, PY = PREVIOUS YEAR)
Annual Surplus / (Deficit) (Less Donated TCAs) as a % of Own Source Revenues	(SLC 10 2099 01 - SLC 10 1831 01) / (SLC 10 9910 01 - SLC 10 0699 01 - SLC 10 0899 01 - SLC 10 1098 01 - SLC 10 1099 01 - SLC 10 1811 01 - SLC 10 1812 01 - SLC 10 1813 01 - SLC 10 1814 01 - SLC 10 1830 01 - SLC 10 1831 01 - SLC 12 1850 04)
Current Ratio (Target: >= 100%)	(SLC 70 9930 01 - SLC 70 0829 01 - SLC 70 0845 01 - SLC 70 0898 01) / (SLC 70 2099 01 + SLC 70 2299 01)

OTHER INDICATORS

Rates Coverage Ratio (Target: >=40%)	(SLC 10 0299 01 + SLC 10 1299 01 + SLC 10 1880 01 + SLC 10 1885 01) / SLC 40 9910 01
Cash Ratio (Total Cash and Cash Equivalents as a % of Current Liabilities)	SLC 70 0299 01 / (SLC 70 2099 01 + SLC 70 2299 01)
Operating Balance as a % of Total Revenues (Less Donated TCAs) ⁵	(SLC 10 9910 01 - SLC 40 9910 07) / (SLC 10 9910 01 - SLC 10 1831 01)
Cumulative Annual Growth Rate ⁶	((SLC 10 9910 01 (CY) / SLC 10 9910 01 (CY - 3) ^ (1/3) - 1) - ((SLC 40 9910 07 (CY) / SLC 40 9910 07 (CY - 3) ^ (1/3) - 1))
Interest Payments as a % of Total Revenues (Less Donated TCAs)	SLC 74 2099 02 / (SLC 10 9910 01 - SLC 10 1831 01)

FIR2021: Stratford C

Asmt Code: 3111
MAH Code: 65101

**Schedule 81
ANNUAL DEBT REPAYMENT LIMIT**

based on the information reported for the year ended December 31, 2021

NOTE: THE ESTIMATED ANNUAL REPAYMENT LIMIT IS EFFECTIVE JANUARY 01, 2023

Please note that fees and revenues for Homes for the Aged are not reflected in this estimate.

DETERMINATION OF ANNUAL DEBT REPAYMENT LIMIT

		1
		\$
Debt Charges for the Current Year		
0210	Principal (SLC 74 3099 01)	6,253,872
0220	Interest (SLC 74 3099 02)	1,920,798
0299	Subtotal	8,174,670
0610	Payments for Long Term Commitments and Liabilities financed from the consolidated statement of operations (SLC 42 6010 01)	0
9910	Total Debt Charges	8,174,670

		1
		\$
Excluded Debt Charges		
1010	Electricity - Principal (SLC 74 3030 01)	0
1020	Electricity - Interest (SLC 74 3030 02)	0
1030	Gas - Principal (SLC 74 3040 01)	0
1040	Gas - Interest (SLC 74 3040 02)	0
1050	Telephone - Principal (SLC 74 3050 01)	0
1060	Telephone - Interest (SLC 74 3050 02)	0
1099	Subtotal	0
1410	Debt Charges for Tile Drainage/Shoreline Assistance (SLC 74 3015 01 + SLC 74 3015 02)	0
1411	Provincial Grant funding for repayment of long term debt (SLC 74 3120 01 + SLC 74 3120 02)	0
1412	Lump sum (balloon) repayments of long term debt (SLC 74 3110 01 + SLC 74 3110 02)	0
1420	Total Debt Charges to be Excluded	0
9920	Net Debt Charges	8,174,670

		1
		\$
1610	Total Revenues (SLC 10 9910 01)	150,611,193
Excluded Revenue Amounts		
2010	Fees for Tile Drainage / Shoreline Assistance (SLC 12 1850 04)	0
2210	Ontario Grants, including Grants for Tangible Capital Assets (SLC 10 0699 01 + SLC 10 0810 01 + SLC 10 0815 01)	35,601,888
2220	Canada Grants, including Grants for Tangible Capital Assets (SLC 10 0820 01 + SLC 10 0825 01)	2,478,595
2225	Deferred revenue earned (Provincial Gas Tax) (SLC 10 0830 01)	680,074
2226	Deferred revenue earned (Canada Gas Tax) (SLC 10 0831 01)	2,270,275
2230	Revenue from other municipalities, including Revenue for Tangible Capital Assets (SLC 10 1099 01 + SLC 10 1098 01)	11,759,586
2240	Gain/Loss on sale of land & capital assets (SLC 10 1811 01)	48,243
2250	Deferred revenue earned (Development Charges) (SLC 10 1812 01)	580,527
2251	Deferred revenue earned (Recreation Land (The Planning Act)) (SLC 10 1813 01)	73,776
2253	Other Deferred revenue earned (SLC 10 1814 01)	0
2252	Donated Tangible Capital Assets (SLC 53 0610 01)	0
2254	Increase / Decrease in Government Business Enterprise equity (SLC 10 1905 01)	0
2255	Other Revenue (SLC 10 1890 01 + SLC 10 1891 01 + SLC 10 1892 01 + SLC 10 1893 01 + SLC 10 1894 01 + SLC 10 1895 01 + SLC 10 1896 01 + SLC 10 1897 01 + SLC 10 1898 01)	0
2299	Subtotal	53,492,964
2410	Fees and Revenue for Joint Local Boards for Homes for the Aged	0
2610	Net Revenues	97,118,229
2620	25% of Net Revenues	24,279,557
9930	ESTIMATED ANNUAL REPAYMENT LIMIT	16,104,887

For Illustration Purposes Only

Annual Interest Rate @ Term years =



MANAGEMENT REPORT

Date: May 22, 2024
To: Finance and Labour Relations Sub-committee
From: Michael Koktan, CPA, CA, Manager of Financial Services
Report Number: FIN24-016
Attachments: Fourth Quarter 2023 Operating Variance Report

Title: Preliminary 2023 Year-end Results

Objective: To highlight preliminary 2023 year-end results and variances.

Background: Regular monitoring of budgetary performance provides both early warnings of potential problems and ongoing tools to flag areas requiring attention. It gives decision makers time to consider actions if major deviations in budget to actual results become evident.

The effects of the COVID-19 pandemic linger as we navigate changes to services and revenues, inflationary pressures, and supply chain related issues while meeting increasing expectations from residents.

Analysis: Finance staff continue to process 2022 and 2023 year-end transactions, so the attached variance summary remains preliminary. The overall preliminary operating surplus for the year is \$1.4 million. Significant contributing factors include salary variances due to staffing vacancies and supply chain issues impacting on budgeted revenues and expenditures.

The forecasted variance from budget includes planned adjustments relating to year-end and represents department and finance staff's best preliminary estimate of the final surplus position.

The allocation of the surplus will be consistent with the reserves and reserve fund policies.

Detailed commentary on each of the departments' variances is in the attachment with this report. A high-level departmental overview is below.

Mayor, Council, Committees

Slight wage and training expense surplus of 8% due to timing of payroll payments.

Chief Administrative Officer

Staffing vacancy led to wages, benefits, and training costs below budget by 6%.

Human Resources

The forecasted budget surplus is approximately 2% and is due primarily to planned training expenses not incurred in the year.

Corporate Services (including Finance, Taxation, Clerks, IT)

Overall, there is a slight deficit of about \$13,000.

Finance/General: The division had a planned use of tax stabilization reserve funds of \$1.5 million, however, due to supplemental taxes and additional interest income creating a slight surplus, the transfer will be significantly less, or not required at all. If this is the case, then the funds will remain in the tax stabilization reserve for future use. The effects of Bill 23, along with a decreased dividend from Festival Hydro, additional costs relating to shared services and a WSIB settlement relating to presumptive legislation changes created an unplanned deficit of 30%. As mentioned, this deficit is offset by other surpluses within the division, resulting in a lesser reliance on the tax stabilization reserve than planned.

Clerks: The forecasted budget surplus is approximately \$231,000 and is due primarily to planned training expenses not incurred in the year and crossing guard vacancies.

IT: The forecasted budget surplus is approximately 13% and is due primarily to planned training expenses not incurred in the year.

Infrastructure Services (IS)

The IS department as whole, is tracking to breakeven between all the divisions.

Unanticipated fleet repairs, increased fuel costs and revenues below budget are partly mitigated by salaries below budget due to vacancies and lower than planned overtime costs.

Building & Planning Services

Building division required less than expected from its reserves to balance their budget due to slightly higher than planned permit revenues.

In the planning division, the 2023 budget was prepared with the intention of spending \$150,000 on the official plan and having this offset with transfers from the reserve. With the creation of the new department and director, and considerable staff turnover, additional planning support was required, and the official plan was not completed. So, the reserve funds were not required for this purpose.

The by-law division did have a surplus, due to wage variances (staffing turnover) which helped reduce the planning deficit by \$74,000.

Fire Department / Airport

As a result of collective agreement arbitration rulings throughout the year, additional expenses occurred relating to salaries and benefits, uniforms, and equipment. These expenses, along with unbudgeted repairs and maintenance expenses, resulted in a deficit to budget of \$43,000.

The airport experienced a surplus of \$31,000 due to contractor expenses below budget.

Community Services

Overall, the department is forecasting an \$837,000 surplus, due largely to staffing vacancies throughout each of the divisions. Increased ice rental and facility revenues, combined with unspent maintenance dollars contributed to the surplus.

Social Services

Social Services expects a small surplus of \$88,000 after adjusting the shared services partnerships. A majority of the variance relates to expenditures on specific initiatives (i.e. Resource Centre and Community Social Investment Fund or Emergency Planning) not occurring in 2022.

Conclusion

Year-end forecasts as noted in the attached. Currently forecasting an operating budget surplus of \$1,414,181. This is higher than expected earlier in the year but when considered in the context of the City's total budgeted revenues and expenses, this represents a 1% variance from the total budgeted revenues and expenditures of \$134 million.

This projected operating surplus is still subject to change based on year-end entries, but the current process outlined in the Reserve and Reserve Fund policy is to have any unallocated year-end surplus flow to the Tax Stabilization Reserve. From there, this reserve is to 'stabilize' or mitigate subsequent year budget increases that relate to certain timing differences or unanticipated in-year variances if they arise. This approach ensures that surpluses benefit taxpayers through usage in a subsequent year.

Financial Implications:

Financial impact to current year and future year operating budgets:

There are no impacts to the 2024 or subsequent operating budgets because of 2023 activity and this report is for information only. If a final surplus results from the accounting currently underway, it will flow into the tax stabilization reserve for future use towards one-time effects in future budget years.

Alignment with Strategic Priorities:

Strengthening our Plans, Strategies and Partnerships

Partnering with the community to make plans for our collective priorities in arts, culture, heritage and more. Communicating clearly with the public around our plans and activities.

Developing our Resources

Optimizing Stratford's physical assets and digital resources. Planning a sustainable future for Stratford's resources and environment.

Alignment with One Planet Principles:

Not applicable: As this report is being prepared for informational purposes, the One Planet Principles do not apply.

Staff Recommendation: THAT the report titled, "Preliminary 2023 year-end results" (FIN24-016), dated May 22, 2024, be received for information.

Prepared by: Michael Koktan, CPA, CA, Manager of Financial Services
Recommended by: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
 Joan Thomson, Chief Administrative Officer

City of Stratford						
Q4 Operating Variance Report as at 31st December 2023						
Department	2023 Net Budget	Unaudited at 31-Dec-23 Agrees to GL	% of Budget Spent	(Surplus) / Deficit FORECASTED Variance At 31 Dec 2023	Variance as a % of Budget	Explanation for Variances greater than 5%
<i>Mayor/Council/CAO Office</i>						
101 - Mayor & Council	693,700	560,378	80.8	(58,322)	-8%	Surplus due to timing of wages paid and unused training expenses in the year.
102 - Committees of Council	94,945	94,945	100.0	0	0%	No variance as reserve is used to balance to budget.
111 - CAO's Office	1,148,500	960,872	83.7	(72,628)	-6%	Salaries and benefits under budget due to a temporary staffing vacancy. Special projects under budget as GO transit initiative paused due to staffing vacancy and unspent amounts moved to reserve for 2024 use. Training and consulting budgets were underspent due to staff vacancies.
<i>Human Resources</i>						
112 - Human Resources	719,230	704,570	98.0	(14,660)	-2%	Variance less than 5% but due mainly to training that was unscheduled in the year.
<i>Corporate Services</i>						
100 - Taxation	(73,267,074)	(73,276,047)	100.0	(8,973)	0%	Variance less than 5%
100 - General Revenues	(1,658,900)	(1,549,230)	93.4	109,670	-7%	Discretionary dividends from Festival Hydro less than anticipated.
121 - City Clerk	707,665	548,322	77.5	(159,343)	-23%	Deficit is less than budget due to lower payroll costs resulting from staff vacancies
134 - Information Technology	1,551,955	1,344,134	86.6	(207,821)	-13%	Deficit less than budget as some planned projects did not occur in 2023.
135 - Parking	(249,968)	(518,977)	207.6	0	0%	Surplus higher than budget (\$269k) due to higher parking and fine revenue in addition to a reduction in contractor expenses. Surplus moved to Parking reserve fund per the reserve fund policy, resulting in no variance.
136 - Crossing Guards	261,369	206,917	79.2	(54,452)	-21%	Deficit less than budget due to lower than anticipated contractor fees.
139 - General Financial Services	2,725,601	3,964,057	145.4	0	0%	A one-time WSIB settlement related to presumptive legislation changes to eligible illnesses for firefighters was required, but was offset from the planned contribution of tax stabilization reserves.
513 - Industrial Land Sales	0	0	0.0	0	0%	Activity in this division is balanced through the Industrial Land Reserve Fund.
810 - Requisitions from Others	9,676,482	9,769,150	101.0	92,668	1%	Variance less than 5%
872 - Community Supports	670,870	911,964	135.9	241,094	36%	Forecasted deficit due to effects of Bill 23, and the portion of DCs borne by tax levv.
<i>Building & Planning</i>						
250 - Building Permits	71,742	67,270	93.8	(71,742)	-100%	User pay - Activity in this division is balanced through the reserve/reserve fund but the 2023 budget indicated a levy impact that will be covered from the reserve fund.

City of Stratford						
Q4 Operating Variance Report as at 31st December 2023						
Department	2023 Net Budget	Unaudited at 31-Dec-23 Agrees to GL	% of Budget Spent	(Surplus) / Deficit FORECASTED Variance At 31 Dec 2023	Variance as a % of Budget	Explanation for Variances greater than 5%
251 - Planning Services	420,957	565,106	134.2	144,149	34%	Costs for planning consultants due to staffing vacancies combined with site plan agreement revenue lower than anticipated created departmental deficit.
252 - By-Law Enforcement	353,010	279,131	79.1	(73,879)	-21%	Actual salary and benefit expenses lower than budget due to staffing vacancies.
<i>Infrastructure Services</i>						
310 - Engineering	1,130,090	1,356,797	120.1	(23,293)	-2%	Budgeted recoverables lower than budget.
315 - Fleet	1,502,455	1,759,965	117.1	7,510	0%	Higher than anticipated repairs and maintenance costs incurred due major repairs related to landfill equipment and a bus engine replacement.
320 - Roads	6,267,912	6,269,814	100.0	1,902	0%	Variance less than 5%
330 - Sanitary	0	(793,203)	0.0	0	0%	User pay - Activity in this division is balanced through the reserve/reserve fund.
340 - Storm	4,523,645	4,523,084	100.0	(561)	0%	Variance less than 5%
350 - Water	0	(439,569)	0.0	0	0%	User pay - Activity in this division is balanced through the reserve/reserve fund.
360 - Waste	773,746	779,227	100.7	5,481	1%	Variance less than 5%
<i>Fire</i>						
211 - Fire	8,649,460	8,692,469	100.5	43,009	0%	The department faced unexpected costs due to staff turnover and aging equipment. New hires and transfers caused personal protective equipment and uniform expenses to be over budget. Buildings and equipment expenditures were over budget due to building improvements and repairs. Vehicle repairs & expenses were over budget from repairs on an old truck. scheduled for replacement in 2027.
512 - Airport	167,240	135,840	81.2	(31,400)	-19%	Contractors expenses were also under budget due to lower repairs and replacements than anticipated.
<i>Community Services</i>						
141 - City Buildings	1,481,628	1,068,701	72.1	(412,927)	-28%	Expenses lower than budget as LED lighting retrofits for facilities has been carried forward to 2024 and salaries and benefits were lower than anticipated.
711 - Parks	2,438,300	2,220,216	91.1	(218,084)	-9%	Salaries and benefits were lower than anticipated.
715 - Facilities	1,632,805	994,079	60.9	(638,726)	-39%	Ice rental revenue significantly increased with introduction of Last Minute Ice booking online. In addition salaries and benefits were lower than anticipated.
721 - Recreation	4,684,399	4,735,000	101.1	50,601	1%	Variance less than 5%
731 - Cemetery	464,170	459,601	99.0	(4,569)	-1%	Variance less than 5%
750 - Transit	2,804,924	2,044,274	72.9	(276,650)	-10%	Salaries and benefits lower than anticipated.

City of Stratford						
Q4 Operating Variance Report as at 31st December 2023						
Department	2023 Net Budget	Unaudited at 31-Dec-23 Agrees to GL	% of Budget Spent	(Surplus) / Deficit FORECASTED Variance At 31 Dec 2023	Variance as a % of Budget	Explanation for Variances greater than 5%
751 - Parallel Transit	532,494	559,786	105.1	27,292	5%	Salaries and benefits were higher than anticipated but were offset in part by higher than anticipated transit fares.
752 - Community Transportation	56,172	(4,054)	-7.2	(60,226)	-107%	Lower than anticipated service contract and legal expenses.
<i>Social Services</i>						
610 - Social Services Administration	16,980	(135,572)	0.0	(2,000)	-12%	There are still pending y/e entries, anticipate a very small surplus to budget at the end of 2023.
611 - Ontario Works	499,450	1,069,123	214.1	36,000	7%	There are still pending y/e entries, anticipate a small deficit to budget at the end of 2023, mostly resulting around an unbudgeted legal cost and higher wage costs.
612 - Homelessness	85,480	(82,958)	-97.0	9,000	11%	There are still pending y/e entries, anticipate a small deficit to budget at the end of 2023.
613 - Anne Hathaway Day Care Centre	12,210	1,310,476	10732.8	(8,000)	-66%	There are still pending y/e entries, anticipate a small surplus to budget at the end of 2023.
614 - Perth & Stratford Housing Corporation	1,968,730	3,225,764	163.8	173,000	0%	Anticipate a deficit to budget at the end of 2023 as a result of increased property taxes, maintenance charges and lost revenue as a result of vacating a property due to structural issues.
615 - Housing Division - Service Manager	730,980	401,959	55.0	4,700	1%	Variance less than 5%
616 - Child Care	326,990	(4,411,141)	-1349.0	1,000	0%	Variance less than 5%
618 - Britannia Street Apartments	0	33,952	0.0	37,000	0%	The deficit to budget at the end of 2023 is a result of 200 Britannia occupancy occurring in December (budget was for April occupancy) as well as an extraordinary heat expenditure received at the end of 2023 for the previous 12 months relating to construction heating during the build of 200 Britannia
<i>Police</i>						
231 - Police	12,621,026	12,665,367	100.4	0	0%	Activity is balanced through the reserve fund. There is an anticipated deficit to costs relating to 789 Erie St. and higher than usual turnover of staff.
<i>Library</i>						
411 - Library	2,708,630	2,711,033	100.1	0	0%	Activity is balanced through the reserve fund. Any surplus is transferred to reserves. Outstanding reserve fund transfers still to be completed.
Total Net Expenses (Revenue)	\$ -	(4,217,408)		(1,414,181)		



**BY-LAW NUMBER XXX-2024
OF
THE CORPORATION OF THE CITY OF STRATFORD**

BEING a By-law to confirm the proceedings of Council of The Corporation of the City of Stratford at its meeting held on June 24, 2024.

WHEREAS subsection 5(1) of the *Municipal Act, 2001, S.O. 2001 c.25*, as amended, (*the Act*) provides that the powers of a municipal corporation are to be exercised by its council;

AND WHEREAS subsection 5(3) of the *Act* provides that the powers of council are to be exercised by by-law unless the municipality is specifically authorized to do otherwise;

AND WHEREAS it is deemed expedient that the proceedings of the Council of The Corporation of the City of Stratford at this meeting be confirmed and adopted by By-law;

NOW THEREFORE BE IT ENACTED by the Council of The Corporation of the City of Stratford as follows:

1. That the action of the Council at its meeting held on June 24, 2024, in respect of each report, motion, resolution, recommendation or other action passed and taken by the Council at its meeting, is hereby adopted, ratified and confirmed, as if each report, motion, resolution or other action was adopted, ratified and confirmed by its separate by-law.
2. The Mayor of the Council and the proper officers of the City are hereby authorized and directed to do all things necessary to give effect to the said action, to obtain approvals where required, and, except where otherwise provided, to execute all documents necessary in that behalf in accordance with the by-laws of the Council relating thereto.

Read a FIRST, SECOND and THIRD time and

FINALLY PASSED this 2nd day of July, 2024.

Mayor – Martin Ritsma

Clerk – Tatiana Dafoe



**BY-LAW NUMBER XXX-2024
OF
THE CORPORATION OF THE CITY OF STRATFORD**

BEING a By-law to authorize the acceptance of a tender, execution of a contract and the undertaking of work from Clearwater Structures Inc. for the Supply and Installation of Sewer Liners (T-2024-20).

WHEREAS Section 8(1) of the Municipal Act, 2001, S.O. 2001, c.25 as amended, (“the Municipal Act, 2001”) provides that the powers of a municipality under this or any other Act, shall be interpreted broadly so as to confer broad authority on the municipality to enable the municipality to govern its affairs as it considers appropriate and to enhance the municipality’s ability to respond to municipal issues;

AND WHEREAS Section 9 of the Municipal Act, 2001, provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

AND WHEREAS Section 10(1) of the Municipal Act, 2001, provides that a single-tier municipality may provide any service or thing that the municipality considers necessary or desirable for the public;

NOW THEREFORE BE IT ENACTED by Council of The Corporation of the City of Stratford as follows:

1. That the tender (T-2024-20) of Clearwater Structures Inc. for the Supply and Installation of Sewer Liners, be accepted and the Mayor and Clerk, or their respective delegates, be and the same are hereby authorized to execute the contract for the said work and to affix the Corporate seal thereto.
2. That the accepted amount of the tender (T-2024-20) for the Supply and Installation of Sewer Liners is \$676,080.47, including HST.

Read a FIRST, SECOND and THIRD time and

FINALLY PASSED this 2nd day of July, 2024.

Mayor – Martin Ritsma

Clerk – Tatiana Dafoe



**BY-LAW NUMBER XXX-2024
OF
THE CORPORATION OF THE CITY OF STRATFORD**

BEING a By-law to authorize the acceptance of a tender, from East Court Metro Lincoln for the supply and delivery of six (6) Hybrid Ford 150 XL Pickup Trucks (T-2024-05).

WHEREAS Section 8(1) of the Municipal Act, 2001, S.O. 2001, c.25 as amended, (“the Municipal Act, 2001”) provides that the powers of a municipality under this or any other Act, shall be interpreted broadly so as to confer broad authority on the municipality to enable the municipality to govern its affairs as it considers appropriate and to enhance the municipality’s ability to respond to municipal issues;

AND WHEREAS Section 9 of the Municipal Act, 2001, provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

AND WHEREAS Section 10(1) of the Municipal Act, 2001, provides that a single-tier municipality may provide any service or thing that the municipality considers necessary or desirable for the public;

NOW THEREFORE BE IT ENACTED by Council of The Corporation of the City of Stratford as follows:

1. That the tender (T-2024-05) of East Court Metro Lincoln for the supply and delivery of six (6) Hybrid Ford 150 XL Pickup Trucks, be accepted and the Mayor and Clerk, or their respective delegates, be and the same are hereby authorized to execute the contract for the said work and to affix the Corporate seal thereto.
2. That the accepted amount of the tender (T-2024-05) for the supply and delivery of six (6) Hybrid Ford 150 XL Pickup Trucks is \$467,432.05, including HST.

Read a FIRST, SECOND and THIRD time and

FINALLY PASSED this 2nd day of July, 2024.

Mayor – Martin Ritsma

Clerk – Tatiana Dafoe



**BY-LAW NUMBER XXX-2024
OF
THE CORPORATION OF THE CITY OF STRATFORD**

BEING a By-law to authorize the acceptance of a tender, from Lunar Contracting for the supply and delivery of one (1) Hybrid Ford Escape SUV (T-2024-05).

WHEREAS Section 8(1) of the Municipal Act, 2001, S.O. 2001, c.25 as amended, (“the Municipal Act, 2001”) provides that the powers of a municipality under this or any other Act, shall be interpreted broadly so as to confer broad authority on the municipality to enable the municipality to govern its affairs as it considers appropriate and to enhance the municipality’s ability to respond to municipal issues;

AND WHEREAS Section 9 of the Municipal Act, 2001, provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

AND WHEREAS Section 10(1) of the Municipal Act, 2001, provides that a single-tier municipality may provide any service or thing that the municipality considers necessary or desirable for the public;

NOW THEREFORE BE IT ENACTED by Council of The Corporation of the City of Stratford as follows:

1. That the tender (T-2024-05) of Lunar Contracting for the supply and delivery of one (1) Hybrid Ford Escape SUV, be accepted and the Mayor and Clerk, or their respective delegates, be and the same are hereby authorized to execute the contract for the said work and to affix the Corporate seal thereto.
2. That the accepted amount of the tender (T-2024-05) for the supply and delivery of one (1) Hybrid Ford Escape SUV is \$66,267.72, including HST.

Read a FIRST, SECOND and THIRD time and

FINALLY PASSED this 2nd day of July, 2024.

Mayor – Martin Ritsma

Clerk – Tatiana Dafoe



**BY-LAW NUMBER XXX-2024
OF
THE CORPORATION OF THE CITY OF STRATFORD**

BEING a By-law to amend By-law 73-2006 as amended, to add the first day of the Diwali Festival to the designated dates approved under Family Fireworks and to remove sparklers from the family fireworks definition.

WHEREAS Section 121 of the Municipal Act, 2001, S.O. 2001 c.25 as amended, provides that a local municipality may prohibit and regulate the sale of fireworks and the setting off of fireworks and to prohibit such activities unless a permit is obtained from the municipality for those activities and may impose conditions;

AND WHEREAS the Council of the Corporation of the City of Stratford adopted By-law 73-2006 to prohibit and regulate the sale of fireworks and the setting off of fireworks in the City of Stratford;

AND WHEREAS Council of The Corporation of the City of Stratford deems it necessary to amend the Fireworks By-law from time to time;

NOW THEREFORE BE IT ENACTED by the Council of The Corporation of the City of Stratford as follows:

1. That section 1.6 of By-law 73-2006, be amended to remove sparklers from the definition of "family fireworks".
2. That section 5.1 of By-law 73-2006, be deleted and replaced with the following new section 5.1:

"No person shall set off Family Fireworks in the City, except on the designated days of Victoria Day, Canada Day, and on the first day of the Diwali Festival annually. In the event that weather conditions such as rain, fog, smog or wind, on Victoria Day or Canada Day or the first day of the Diwali Festival make it impractical and/or unsafe to set off family fireworks, the next day preceding or following Victoria Day or Canada Day or the first day of The Diwali Festival shall be the designated day."

3. That section 11.1 of By-law 73-2006, be deleted and replaced with the following new section 11.1:

"The act of setting off of Family Fireworks on private property by the owner, tenant or authorized person on Victoria Day or Canada Day or the first day of

Diwali for their own personal display shall not be deemed to be a Display
Fireworks.”

Read a FIRST, SECOND and THIRD time and
FINALLY PASSED this 2nd day of July, 2024.

Mayor – Martin Ritsma

Clerk – Tatiana Dafoe



**BY-LAW NUMBER XXX-2024
OF
THE CORPORATION OF THE CITY OF STRATFORD**

BEING a By-law to authorize the execution of the Spruce Lodge Long Term Care Cost Apportionment Agreement with The Corporation of the Town of St. Marys and The Corporation of the County of Perth from January 1, 2026 to December 31, 2028.

WHEREAS by various previous agreements commencing in 1896, Perth and Stratford agreed to operate what is now known as Spruce Lodge Home for the Aged situated at 643 West Gore Street in the City of Stratford, Province of Ontario, ("Spruce Lodge Home for the Aged"), which is a long-term care home pursuant to the provisions of the Fixing Long-Term Care Act, 2021, S.O. 2021, c. 39, Sched. 1 (the "Act");

AND WHEREAS in 1978 Perth and Stratford deemed it in the public interest to permit St. Marys to join in the operation of Spruce Lodge Home for the Aged and to purchase an interest in the capital assets of Spruce Lodge Home for the Aged at that time;

AND WHEREAS Spruce Lodge Home for the Aged is an approved long term care home jointly operated by Perth, Stratford and St. Marys;

AND WHEREAS the Act requires that every southern municipality that is an upper or single tier, which includes Perth, Stratford and St. Marys, to establish and maintain a municipal home which includes establishing a joint home such as Spruce Lodge Home for the Aged;

AND WHEREAS no agreement may be entered into by Perth, Stratford, and St. Marys to establish a municipal joint home without the approval in writing of the Minister of Health and Long Term Care, or if the responsibility for the administration of the Act has been assigned to another Minister under the Executive Council Act, to the assigned Minister ("Minister");

AND WHEREAS in 2017, the Parties entered into a cost apportionment agreement (the "2017 Agreement"), which automatically renewed in 2024, and which continues until December 31, 2025, subject to provisions on negotiation and renewal;

AND WHEREAS subject to Ministerial approval, the Parties wish to terminate the 2017 Agreement and replace it with a new Agreement;

AND WHEREAS Section 5(3) of the Municipal Act, 2001, S.O. 2001, c.25, as amended, provides that a municipal power shall be exercised by By-law;

NOW THEREFORE BE IT ENACTED by the Council of The Corporation of the City of Stratford as follows:

DRAFT By-law 11.6

1. That the Spruce Lodge Long Term Care Cost Apportionment Agreement dated the 1st day January, 2026 between The Corporation of the City of Stratford, The Corporation of the Town of St. Marys and The Corporation of the County of Perth from January 1, 2026 to December 31, 2028, be entered into and the Mayor and Clerk, or their respective delegates, be and the same are hereby authorized to execute the said agreement on behalf of and for this Corporation and to affix the corporate seal thereto.

2. That this By-law shall come into force and take effect as of January 1, 2026.

Read a FIRST, SECOND and THIRD time and
FINALLY PASSED this 2nd day of July, 2024.

Mayor – Martin Ritsma

Clerk – Tatiana Dafoe



**BY-LAW NUMBER XXX-2024
OF
THE CORPORATION OF THE CITY OF STRATFORD**

BEING a By-law to authorize the execution of the Huron Perth Public Health Cost Apportionment Renewal Agreement with The Corporation of the Town of St. Marys, The Corporation of the County of Perth, and The Corporation of the County of Huron with respect to the provision of public health programs and services for a further four (4) year term effective January 1, 2025 to December 31, 2028.

WHEREAS the Health Protection and Promotion Act, R.S.O. 1990, c. H.7 (the "Act") provides for the organization and delivery of public health programs and services, the prevention of disease and the promotion and protection of the health of the people of Ontario;

AND WHEREAS Section 9 of the Municipal Act, 2001, provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

AND WHEREAS Section 5(3) of the Municipal Act, 2001, S.O. 2001, c.25, as amended, provides that a municipal power shall be exercised by By-law;

AND WHEREAS the Perth District Health Unit and Huron County Health Unit merged into a single health unit as of January 1, 2020, called Huron Perth Public Health;

AND WHEREAS pursuant to Schedule 14 of Regulation 553 of the Revised Regulations of Ontario, 1990, as revised, under the Act, the Huron Perth Health Unit (the "Health Unit") is the health unit for the geographic areas governed by the Parties, effective January 1, 2020;

AND WHEREAS the Parties entered into a new Health Unit Cost Apportionment Agreement for updating the apportionment of costs for provision of public health programs and services as set out in the agreement in 2020;

AND WHEREAS the Council for The Corporation of the City of Stratford agrees to enter into a renewal of the Huron Perth Public Health Cost Apportionment Agreement for a further four (4) year term effective January 1, 2025 to December 31, 2028;

NOW THEREFORE BE IT ENACTED by the Council of The Corporation of the City of Stratford as follows:

1. That the Huron Perth Public Health Cost Apportionment Renewal Agreement dated the 1st day January, 2025 between The Corporation of the City of Stratford, The Corporation of the Town of St. Marys, The Corporation of the County of Perth, and The Corporation of the County of Huron for a further

DRAFT By-law 11.7

four-team term to December 31, 2028, be entered into and the Mayor and Clerk, or their respective delegates, be and the same are hereby authorized to execute the said agreement on behalf of and for this Corporation and to affix the corporate seal thereto.

- 2. This By-law shall come into force and take effect as of January 1, 2025.

Read a FIRST, SECOND and THIRD time and

FINALLY PASSED this 2nd day of July, 2024.

Mayor – Martin Ritsma

Clerk – Tatiana Dafoe



**BY-LAW NUMBER XXX-2024
OF
THE CORPORATION OF THE CITY OF STRATFORD**

BEING a By-law to authorize the acceptance of a tender, execution of a contract and the undertaking of work from GIP Paving Inc. for the Asphalt Resurfacing 2024 Contract (T-2024-11).

WHEREAS Section 8(1) of the Municipal Act, 2001, S.O. 2001, c.25 as amended, (“the Municipal Act, 2001”) provides that the powers of a municipality under this or any other Act, shall be interpreted broadly so as to confer broad authority on the municipality to enable the municipality to govern its affairs as it considers appropriate and to enhance the municipality’s ability to respond to municipal issues;

AND WHEREAS Section 9 of the Municipal Act, 2001, provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

AND WHEREAS Section 10(1) of the Municipal Act, 2001, provides that a single-tier municipality may provide any service or thing that the municipality considers necessary or desirable for the public;

NOW THEREFORE BE IT ENACTED by Council of The Corporation of the City of Stratford as follows:

1. That the tender (T-2024-11) of GIP Paving Inc. for the Asphalt Resurfacing 2024 Contract, be accepted and the Mayor and Clerk, or their respective delegates, be and the same are hereby authorized to execute the contract for the said work and to affix the Corporate seal thereto.
2. That the accepted amount of the tender (T-2024-11) for the Asphalt Resurfacing 2024 Contract is \$1,716,649.69, including HST.

Read a FIRST, SECOND and THIRD time and

FINALLY PASSED this 2nd day of July, 2024.

Mayor – Martin Ritsma

Clerk – Tatiana Dafoe



STRATFORD CITY COUNCIL
CONSENT AGENDA

July 2, 2024

REFERENCE NO. CONSENT AGENDA ITEM

CA-2024-102 World in a Weekend Noise Control By-law Exemption

I, Tim Wolfe, Director of Community Services, as authorized by By-law 135-2017, do hereby authorize that:

- An exemption be granted from Noise Control By-law 113-79 for the World in a Weekend event.
- For amplification of sound, for the loading and unloading provision [Schedule 2 clause 4], and from the unreasonable noise provision [Schedule 1 clause 8] from 8:00am to 6:00pm each day from Thursday, August 1, 2024 to Sunday, August 4, 2024 including takedown on Sunday, August 4, 2024 until 11:00pm.
- That the grant of this exemption is subject to change should new information become available prior to the start of the Event.
- All other provisions of Noise by-law 113-79 that are applicable remain in force and effect.

CA-2024-103 In accordance with By-law 135-2017 as amended, the Infrastructure Services Department is providing notification that:

Perth Line 36 (Quinlan Road) from Mornington Street to O'Loane Avenue will be temporarily closed to through traffic, local traffic only, beginning Tuesday, June 4, 2024 until approximately June 25, 2024.

This temporary road closure is necessary to facilitate the Knightsbridge Subdivision Development water service connections to municipal infrastructure. A traffic detour will be in place along Road 122 and line 39.

CA-2024-104 In accordance with By-law 135-2017 as amended, the Infrastructure Services Department is providing notification that:

Hibernia Street, from John Street to St. Vincent Street, Stratford, will be temporarily closed to through traffic, June 6, 2024 from 8:00 a.m. until early evening for a stormwater maintenance.

CA-2024-105

In accordance with By-law 135-2017 as amended, the Infrastructure Services Department is providing notification that:

The following streets will be temporarily closed to through traffic from 6:00 a.m. Thursday, June 20th until 7:00 p.m. Sunday, June 23rd for Stratford Live Music and Food:

- Veterans Drive from Waterloo Street to Cobourg Street
- Erie Street Northbound from Ontario Street to Veterans Drive
- Cobourg Street from Waterloo Street to Veterans Drive (access remains for local residents and businesses)

CA-2024-106

Municipal Information Form for Liquor Licence Application for an indoor area at 75 Wellington Street (Burger Queen)

Section 2 - To be completed by the City Clerk.

Section 3 – Asking if Council has specific concerns regarding zoning, non-compliance with by-law or general objections to this application.

The Building Division, Public Health and the Fire Department have not expressed concerns with this application.

As of June 7, 2024, no response has been received from the Planning Division or Stratford Police Services.

CA-2024-107

Road Closure Rain Date Request for Pat Cook Run

The May 28th Consent Agenda included notice of a temporary road closure to vehicular traffic for the Pat Cook Run. An updated road closure notice is provided below.

I, Taylor Crinklaw, Director of Infrastructure Services, as authorized by By-law 102-2008, do hereby authorize the temporary closure to vehicular traffic of the below noted street for the time period noted:

On Thursday, September 26, 2024, from 3:00 p.m. to 6:00 p.m. as follows:

- Matilda Street from Smith Street to Bell Court
- Oakdale Avenue from O'Loane Avenue to Forman Avenue

- Oakdale Avenue from Forman Avenue will be left open for buses and emergency personnel only. Buses can use the St. Michael CSS turnaround as required.

That these temporary street closures are not subject to Ministry of Transportation approval with respect to a connecting link;

That the event organizer provides the Events Coordinator with the required certificate of insurance at least 48 hours prior to the event;

That the Events Coordinator cause notice of these temporary street closures to be posted to the City's website and to be sent to emergency services, Chamber of Commerce, and Stratford Tourism Alliance; and

That the Clerk's Office advise Council of these authorized temporary street closures on the next available Consent Agenda.

CA-2024-108

Road Closure Rain Date Request for Bike Month Kick Off event;

I, Taylor Crinklaw, Director of Infrastructure Services, as authorized by By-law 102-2008, do hereby authorize the temporary closure to vehicular traffic of the below noted street for the time period noted:

On Sunday, June 23, 2024, from 6:00 a.m. to 1:00 p.m. as follows:

- Market Place from Wellington Street to Downie Street

That these temporary street closures are not subject to Ministry of Transportation approval with respect to a connecting link;

That the event organizer provides the Events Coordinator with the required certificate of insurance at least 48 hours prior to the event;

That the Events Coordinator cause notice of these temporary street closures to be posted to the City's website and to be sent to emergency services, Chamber of Commerce, and Stratford Tourism Alliance; and

That the Clerk's Office advise Council of these authorized temporary street closures on the next available Consent Agenda.

CA-2024-109

In accordance with By-law 135-2017 as amended, the Infrastructure Services Department is providing notification that:

Nile Street, from Shakespeare Street to Milton Street, Stratford, will be temporarily closed to through traffic June 11, 2024 from 8:00 a.m. until early evening for an emergency sanitary repair.

CA-2024-110

Resolution from the Township of Larder Lake regarding Asset Retirement Obligations PS 3280.

Attachment – Resolution from the Township of Larder Lake dated June 11, 2024.

Endorsement of this resolution is requested.

CA-2024-111

In accordance with By-law 135-2017 as amended, the Infrastructure Services Department is providing notification that:

The following street will be temporarily closed to through traffic from 3:30 p.m. until 6:30 p.m. Monday, July 1st for the 2024 Canada Day Parade:

- Lakeside Drive from Waterloo Street to Front Street

Additionally, the following streets will be temporarily closed to through traffic from 5:30 p.m. until 7:30 p.m. Monday, July 1st (parade route):

- Waterloo Street from Lakeside Drive to Mornington Street
- Mornington Street from Waterloo Street to McCarthy Road
- McCarthy Road from Mornington Street to Stratford Rotary Complex

CA-2024-112

In accordance with By-law 135-2017 as amended, the Infrastructure Services Department is providing notification that:

The following streets will be temporarily closed to through traffic from 6:00 a.m. until 5:00 p.m. Monday, July 1st for the City's Canada Day event in Market Square:

- Wellington Street from St. Patrick Street to Downie Street
- Downie Street from Albert Street to George Street West
- Market Place from Wellington Street to Downie Street

CA-2024-113

In accordance with By-law 135-2017 as amended, the Infrastructure Services Department is providing notification that:

St Vincent Street, from Worsley to St David, will be temporarily closed Monday, June 17th from 7:00 a.m. to approximately 6:00 p.m. to allow for Train Track maintenance. There will be detour in place using Worsley, Birmingham, and St. David.

CA-2024-114

Municipal Information Form for Liquor Licence Application for an indoor area at 125 Erie Street (New Erie Convenience Store)

Section 2 - To be completed by the City Clerk.

Section 3 – Asking if Council has specific concerns regarding zoning, non-compliance with by-law or general objections to this application.

The Building Division, Public Health and the Fire Department have not expressed concerns with this application.

As of June 14, 2024, no response has been received from the Planning Division or Stratford Police Services.

CA-2024-115

Notification that the Corporate Services Department, Clerk's Office, intends to issue a request for proposal in accordance with the City's Purchasing Policy for Integrity Commissioner Services.

THE CORPORATION OF THE TOWNSHIP OF LARDER LAKE

69 Fourth Avenue, Larder Lake, ON
 Phone: 705-643-2158 Fax: 705-643-2311



MOVED BY:

- Thomas Armstrong
- Patricia Hull
- Paul Kelly
- Lynne Paquette

SECONDED BY:

- Thomas Armstrong
- Patricia Hull
- Paul Kelly
- Lynne Paquette

Motion #: 12

Resolution #:

Date: June 11, 2024

WHEREAS, the Public Sector Accounting Board (PSAB) establishes accounting standards for the public sector which must be followed by all Ontario municipalities; And

WHEREAS, the Municipal Act, 2001 section 294.1 states that a municipality shall, for each fiscal year, prepare annual financial statements for the municipality in accordance with generally accepted accounting principles for local governments as recommended, from time to time, by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada; And

WHEREAS, PS 3280 is a new accounting standard covering asset retirement obligations (ARO) that was approved by PSAB in March 2018; And

WHEREAS, the standard must be applied by all public sector entities who prepare their financial statements under PSAB, including all Canadian municipalities; And

WHEREAS, many small municipalities do not have accountants or engineers on staff to complete the ARO obligations and this major accounting change will force small municipalities to hire consultants to complete this work and cause a significant financial burden to municipalities;

NOW THEREFORE BE IT RESOLVED THAT The Corporation of the Township of Larder Lake hereby calls upon the province of Ontario to provide financial assistance to municipalities to complete the ARO; And

FINALLY, THAT a copy of this resolution be forwarded to the Honourable Paul Calandra, Minister of Municipal Affairs and Housing, the Association of Municipal Clerks and Treasurers

Recorded vote requested:

	For	Against
Tom Armstrong		
Patricia Hull		
Paul Kelly		
Lynne Paquette		
Patty Quinn		

I declare this motion

<input type="checkbox"/> Carried
<input type="checkbox"/> Lost / Defeated
<input type="checkbox"/> Deferred to: _____ (enter date)
Because:
<input type="checkbox"/> Referred to: _____ (enter body)
Expected response: _____ (enter date)

Disclosure of Pecuniary Interest*

Chair: _____

*Disclosed his/her (their) interest(s), abstained from discussion and did not vote on this question.

THE CORPORATION OF THE TOWNSHIP OF LARDER LAKE

69 Fourth Avenue, Larder Lake, ON

Phone: 705-643-2158 Fax: 705-643-2311



MOVED BY:

- Thomas Armstrong
- Patricia Hull
- Paul Kelly
- Lynne Paquette

SECONDED BY:

- Thomas Armstrong
- Patricia Hull
- Paul Kelly
- Lynne Paquette

Motion #: 13

Resolution #:

Date: June 11, 2024

of Ontario (AMCTO), the Timiskaming Municipal Association (TMA), the Federation of Ontario Municipalities (FONOM), and all municipalities within the District of Timiskaming.

Recorded vote requested:

	For	Against
Tom Armstrong		
Patricia Hull	✓	
Paul Kelly	✓	
Lynne Paquette	✓	
Patty Quinn	✓	

I declare this motion

<input checked="" type="checkbox"/> Carried
<input type="checkbox"/> Lost / Defeated
<input type="checkbox"/> Deferred to: _____ (enter date)
Because:
<input type="checkbox"/> Referred to: _____ (enter body)
Expected response: _____ (enter date)

Disclosure of Pecuniary Interest*

Chair: 

*Disclosed his/her (their) interest(s), abstained from discussion and did not vote on this question.



**BY-LAW NUMBER XXX-2024
OF
THE CORPORATION OF THE CITY OF STRATFORD**

BEING a By-law to confirm the proceedings of Council of The Corporation of the City of Stratford at its meeting held on July 2, 2024.

WHEREAS subsection 5(1) of the *Municipal Act, 2001, S.O. 2001 c.25*, as amended, (*the Act*) provides that the powers of a municipal corporation are to be exercised by its council;

AND WHEREAS subsection 5(3) of the *Act* provides that the powers of council are to be exercised by by-law unless the municipality is specifically authorized to do otherwise;

AND WHEREAS it is deemed expedient that the proceedings of the Council of The Corporation of the City of Stratford at this meeting be confirmed and adopted by By-law;

NOW THEREFORE BE IT ENACTED by the Council of The Corporation of the City of Stratford as follows:

1. That the action of the Council at its meeting held on July 2, 2024, in respect of each report, motion, resolution, recommendation or other action passed and taken by the Council at its meeting, is hereby adopted, ratified and confirmed, as if each report, motion, resolution or other action was adopted, ratified and confirmed by its separate by-law.
2. The Mayor of the Council and the proper officers of the City are hereby authorized and directed to do all things necessary to give effect to the said action, to obtain approvals where required, and, except where otherwise provided, to execute all documents necessary in that behalf in accordance with the by-laws of the Council relating thereto.

Read a FIRST, SECOND and THIRD time and

FINALLY PASSED this 2nd day of July, 2024.

Mayor – Martin Ritsma

Clerk – Tatiana Dafoe