THE AUDIT, FINANCE & ADMINISTRATION COMMITTEE PRESENTS REPORT 12-002
AND RESPECTFULLY RECOMMENDS:

1. Freedom of Information Quarterly Report (October 1 to December 31, 2011) (CL11002(c)) (City Wide) (Item 5.1)

That Report CL11002(c), respecting the Freedom of Information Quarterly Report (October 1 to December 31, 2011), be received.

2. Treasurer's Apportionment of Land Taxes for Property in Flamborough (FCS12005(a)) (Ward 15) (Item 5.2)

That the 2010 land taxes in the amount of $1,517 for 81–95 Nisbet Boulevard, Flamborough (Roll #2518 303 420 23045 0000) be apportioned and split amongst the eight newly created parcels as set out in Appendix “A” to Report 12-002.
3. **Tax Appeals Under Section 357 and 358 of the Municipal Act (2001) (FCS12007(a)) (City Wide) (Item 5.3)**

(a) That Appendix “B” attached to Report 12-002 respecting the “Tax Write-Offs processed under Section 357 of the Municipal Act, 2001”, in the amount of $43,563 be approved;

(b) That Appendix “C” attached to Report 12-002 respecting the “Tax Appeals due to a Gross or Manifest Clerical Error, Pursuant to Section 358 of the Municipal Act, 2001”, in the amount of $20,964 be approved.

4. **Development Charge Exemption – Mission Services of Hamilton Inc., Conversion of 196 Wentworth St. N, Hamilton (from Educational Facility to Multi-Use) (FCS12008) (City Wide) (Item 8.1)**

(a) That the Municipal Development Charge (DC) Liability of $596,245 resulting from the conversion of 196 Wentworth St. N, Hamilton (owned by Mission Services of Hamilton Inc.), from use as a Post Secondary School academic or teaching facility (Mohawk College) to a multi use facility, be exempted;

(b) That Development Charge Deferral Agreement #140 between the City of Hamilton and Mission Services of Hamilton Inc. (Mission Services) be amended as per Recommendation (a).

5. **2011 External Audit Plan (FCS12016) (City Wide) (Item 8.2)**

(a) That the changes to the scope of audit work in the City of Hamilton’s 2011 External Audit Plan, as listed below, be approved:

(i) Ontario Employment Assistance Service by the Ministry of Training, Colleges and Universities.

(b) That the City of Hamilton’s 2011 External Audit Plan in Grant Thornton’s Report FCS12016, attached as Appendix “D” to Report 12-002, be approved.

6. **Desktop and Mobile Computer Contract Award and Management Policies (FCS11022(a)) (City Wide) (Item 8.3)**

(a) That a 5 year replacement lifecycle for standard computers and a 4 year replacement lifecycle for high capacity computers be approved.
(b) That the lifecycle for ruggedized mobile computers be established at 4 years for a 12 month trial period, during which time performance data will be captured to determine an appropriate lifecycle for ruggedized mobile computer devices.

7. Network Communications Standardization (FCS12019) (City Wide) (Item 8.4)

(a) That equipment manufactured by Cisco Systems be established as the Corporate Standard for networking, communications components and associated hardware including Unified Communications components providing the backbone network infrastructure of the City’s Internet Protocol (IP) phone services, desktops, wireless, and application communications throughout the city’s network;

(b) That staff be authorized to deviate from this standard only when required by a specific software solution;

(c) That this Corporate Standard be reviewed again in 2016.

8. Governance Sub-Committee Report 12-001, February 6, 2012 (Item 8.5)

(a) Ward Budgets (Item 4.1)

That the following recommendations be forwarded to the General Issues Committee 2012 operating budget process for further deliberations:

(i) That all Ward Councillor’s office budget be increased by $2600 to assist with administration coverage from sick leave and vacation;

(ii) That all Ward Councillor’s office budget be increased by $6000 per ward to provide for 2 seasonal information mailings;

(iii) That the annual “Inner City Fund” remain at the current level of funding;

(iv) That the annual “Geographic Factor” be increased to $2500;

(v) That a new “Population Factor” of $.50 for each of the first 15,000 thence $.75 for each of the remaining population in each ward as outlined in Appendix “A” to Governance Review Report 12-001.
(b) Ward Boundary Review – (CL11004(a)) (City Wide) (Outstanding Business List Item) (Item 4.2)

That Report CL11004(a) respecting Ward Boundary Review, be forwarded to the General Issues Committee for further deliberations.

(c) Reinstatement of the French Advisory Committee – Correspondence from the ACFO (Item 4.3)

That the correspondence from the ACFO respecting the reinstatement of the French Advisory Committee, be received.

9. Grants Sub-Committee Report 12-001, February 9, 2012 (Item 8.6)

(a) Convention and Sports Grants Review (GRA11017) (City Wide) (Item 4.1)

That Report GRA11017, respecting the Convention and Sports Grants Review, be received.

(b) Community Partnership Program Event Road Closure Services – Dundas Cactus Festival and Dundas Cactus Parade Grant Review (GRA12004) (Ward 13) (Item 5.1)

(i) That the 2010 Community Partnership Program funding request for the Dundas Cactus Festival, in the amount of $715.11, for traffic equipment and services costs, be approved.

(ii) That the 2010 Community Partnership Program grant for the Dundas Cactus Festival, in the amount of $715.11, for traffic equipment and services costs, be released to the organization.

(iii) That staff be directed to adjust the Community Partnership Program base funding, for the years 2010 and onward, for the Dundas Cactus Festival and the Dundas Cactus Parade, for the costs of traffic equipment and services, as follows:

1. Dundas Cactus Festival ($715.11)
2. Dundas Cactus Parade ($238.37)
(c) Community Partnership Program Event Road Closure Services – 2011 Event Funding Update (GRA11016) (City Wide) (Item 5.2)

(i) That funding in the amount of $160.15 (exclusive of 13% HST), for Shalom Village’s annual Hanukkah Hustle, to cover the cost of Roads services of November 20, 2011, to be funded from the 2011 Community Partnership Program, be approved.

(ii) That funding in the amount of $282.43 (exclusive of 13% HST), for Hamilton Wentworth Catholic District School Board’s Pilgrimage, to cover the cost of Roads services of October 23, 2011, to be funded from the 2011 Community Partnership Program, be approved.

(iii) That the following groups receive an annual grant within the Special Events Category of the Community Partnership Program, to be transferred from the Event Road Closure Services budget to the Special Events budget base for the total amount of $442.58, in lieu of Event Road Closure Services to cover the cost of Roads services:

1. Hanukkah Hustle (Shalom Village) in the amount of $160.15, exclusive of 13% HST

2. Pilgrimage (Hamilton Wentworth Catholic District School Board) in the amount of $282.43, exclusive of 13% HST.

(d) The Canadian Ballet Youth Ensemble Grant Request (Item 5.3)

That the correspondence, respecting the one time funding request from the Canadian Ballet Youth Ensemble, for $35,000 to hire the Hamilton Philharmonic Orchestra for the 2011 Hamilton Nutcracker, be referred to staff for a report back to the Grants Sub-committee.

(e) 2011 Community Partnership Program – Culture Stream Late Applications from Dundas Pipes and Drums (GRA11012) (City Wide) (Item 5.4)

That the funding request in the amount of $3,000, from Dundas Pipes & Drums, for its Continuous Learning, Improvement and Growth program, be received.
(f) 2011 Final Community Partnership Program Budget Update (GRA12002) (City Wide) (Item 5.5)

(i) That the additional Event Road Closure Services (ERCS) billings for 2011 in the amount of $98,301, be approved and funded from the remaining 2011 Community Partnership Program Surpluses.

(ii) That the overall 2011 Community Partnership Program (CPP) Surplus, in the amount of $44,355, be transferred to the Grants Reserve Account #112230.

(g) Requests for Advance 2012 Community Partnership Program Payments (GRA12001) (City Wide) (Item 5.6)

(i) That staff be authorized and directed to provide advance monthly payments, to 2012 Community Partnership Program applicants, as shown in Appendix “E” to Report 12-002, based upon 2011 funding levels, prior to final approval of the 2012 Community Partnership Program budget.

(ii) That any outstanding arrears due to the City of Hamilton, by any of the organizations, listed in Appendix “E” to Report 12-001, be paid in full utilizing the approved advance funding, prior to the organization receiving any Community Partnership Program funding.

(h) 2011 Special Events funding for Ottawa Street BIA for Traffic Services (GRA12005) (City Wide) (Item 5.7)

That funding in the amount of $246.35 (pro-rated), for the Traffic Services request submitted by the Ottawa Street BIA for the Street Sale, which took place on September 24, 2011, to be funded from the 2011 Community Partnership Program – Special Events budget, be approved.

(i) Mardi Gras Festival Base Funding (Item 6.2)

(i) That the Hamilton Mardi Gras Festival’s base funding status remain at its current 2011 approved amount of $32,796.05 for 2012; providing that the Mardi Gras Festival continues to qualify under the Council approved Community Partnership Program (CPP), maintains its 2011 ranking (score) on their 2013 application, and that funding is available through the CPP budget, at that time.

(ii) That the Hamilton Mardi Gras Festival’s base transfer from Event Road Closure Services to cash funding approved, as shown below,
be maintained for 2012; providing that the Mardi Gras Festival continues to qualify under the Council approved Community Partnership Program (CPP), maintains its 2011 ranking (score) on their 2013 application, and that funding is available through the CPP budget, at that time:

1. Police Services $6,303.29

(j) Emergency Funding Request – Flamborough Women’s Resource Centre (Item 7.1)

(i) That the Emergency Funding request in the amount of $33,134.29, submitted by Interval House for the Flamborough Women’s Resource Centre; be approved, contingent upon the receipt and review/rating of a Community Partnership Program application.

(ii) That emergency funding, in the amount of $33,134.29, for the Flamborough Women’s Resource Centre, be immediately released upon review/rating of their Community Partnership Program application.

(iii) That, if approved, the $33,134.29 in emergency funding paid to the Flamborough Women’s Resource Centre, be repaid to the Community Partnership Program through the Housing Services Division’s Operating budget, once approved through the 2012 Operating budget process.

(k) Compassion Ministries – Additional 2011 Tipping Fees (Item 7.2)

That Compassion Ministries, be provided $411.00 to cover 2011 tipping fees for additional tonnage, to be funded from the 2011 Community Partnership Program.

(l) Ancaster Heritage Days (Item 7.3)

(i) That Police Service ERCS, in the amount of $6,641.11, for the Ancaster Heritage Days Parade, be suspended for 2012 and reinstated for 2013.

(ii) That’s the Roads and Traffic costs, in the amount of $735.42 for roads and $638.00 for traffic, for the Ancaster Heritage Days Parade, be suspended for 2012 and reinstated for 2013.
(m) Erland Lee Museum (Item 7.4)

That Community Partnership Program Funding, in the amount of $2,943, be provided to the Erland Lee Museum for 2012, contingent upon staff receiving additional information.

10. Citizen Appointment to the Hamilton Status of Women Committee (Item 9.1)

That Katherine Kalinowski be appointed to the Hamilton Status of Women Committee for the balance of the 2010 to 2014 term of Council or until such time as a successor is appointed by Council.

FOR THE INFORMATION OF COUNCIL:

(a) CHANGES TO THE AGENDA (Item 1)

The Committee Clerk advised of the following changes to the agenda:

(i) Added as Item 8.5, Governance Sub-Committee Report 12-001, February 6, 2012.

(ii) Added as Item 8.6 – Grants Sub-committee Report 12-001, February 9, 2012

The agenda for the February 13, 2012 Audit, Finance & Administration Committee meeting was approved, as amended.

(b) DECLARATIONS OF INTEREST (Item 2)

There were no declarations of interest.

(c) APPROVAL OF MINUTES OF PREVIOUS MEETING (Item 3)

(i) January 18, 2012 (Item 3.1)

That the Minutes of the January 18, 2012 meeting of the Audit, Finance and Administration Committee were approved as presented.
(d) DELEGATIONS (Item 6)

(i) Mark McMaster, respecting a Request for Exemption from Development Charges at 168 West Avenue North, Hamilton (Item 6.1)

Mr. McMaster addressed Committee respecting his Request for Exemption from Development Charges at 168 West Avenue North, Hamilton. Mr. McMaster’s comments included, but were not limited to, the following:

- West Avenue North (at Cannon) in a residential neighbourhood zoned I1.
- Formerly used as a place of worship, was deemed to have a Development Charge Liability in excess of $26,000 (same as new single-family home) by the City’s Finance Department.
- Borders the previous Downtown Community Improvement Plan area.
- Included in the recently expanded area, but is still subject to Development Charges.
- Since requesting to appear before this committee, I have heard that the Finance Department will soon recommend that the expanded area be exempt from DC.
- Took possession of the property on April 1, 2011.
- The congregation had folded and the property had been listed for sale for almost two years.
- The religious organization renting the property twice attempted to purchase it, but was unable to raise the money.
- Potential buyers passed after realizing that the expense of development charges added to the cost of repair and renovations would put the effective purchase price far beyond market value.
- Intends to live there and to run a recording studio there.
- Does not make sense that a property, initially developed long before development charges existed, becomes subject to them now.
- Application of DC, in such cases, discourages owners from applying for permits and so effectively prevents the City from collecting taxes on higher assessed value.
- Collecting a development charge in this case contradicts the stated aim of the Development Charges By-law -- "...to pay for increased capital costs required because of increased needs for services arising from development of the area to which said By-law applies." as no expansion of existing services and no capital costs would be incurred by the City as a result of the renovation.
- Future business use of the proposed development is not expected to generate profit.
- Property is already much improved since the transfer of ownership (roof, windows, paving).
• Other necessary improvements (fencing, landscaping, facade) will be compromised or delayed if subject to DC.

The presentation by Mark McMaster, respecting a Request for Exemption from Development Charges at 168 West Avenue North, Hamilton, was received.

(e) 2011 External Audit Plan (FCS12016) (City Wide) (Item 8.2)

Melanie Dugard, Grant Thornton LLP, provided an overview of the 2011 External Audit Plan.

The presentation by Melanie Dugard, Grant Thornton LLP, respecting the 2011 External Audit Plan, was received.

(f) Desktop and Mobile Computer Contract Award and Management Policies (FCS11022(a)), subsections (c) and (d) (Item 8.3)

Report FCS11022(a), respecting the Desktop and Mobile Computer Contract Award and Management Policies (FCS11022(a)), subsections (c) and (d), was lifted from the table.

(g) Governance Sub-Committee Report 12-001, February 6, 2012 (Item 8.5)

Sub-section (d) of the Governance Sub-committee Report 12-001, as amended, which reads as follows, was tabled to the March 19, 2012 Audit, Finance & Administration Committee meeting:

(d) Review of the City’s Procedural By-law – Standing Committee Mandates as it relates to recent department reporting structure changes (City Wide) (CL12001) (Item 4.4)

(i) That the Culture and Tourism Division cease reporting to the Emergency and Community Services Committee, and report to the General Issues Committee for a one year trial period commencing in April 2012;

(ii) That Culture and Tourism Division’s reports pertaining to museums and heritage preservation matters, report to the Planning Committee;

(iii) That the Hamilton Veterans Committee continue to report to the Emergency & Community Services Committee;
(iv) That the Arts Advisory Commission report to the General Issues Committee;

(v) That the Hamilton Historical Board report to the Planning Committee;

(vi) That staff be directed to report back to the Governance Review Sub-Committee prior to the end of the one year term with results of the one year trial.

(h) GENERAL INFORMATION/OTHER BUSINESS (Item 11)

11.1 Amendments to the Outstanding Business List

(a) The following proposed new due date was approved:

   (i) Item “E” – Annual Performance Reporting – Savings Generated from the Management of Information Services Contracts
       Current Due Date: February 13, 2012
       Proposed New Due Date: March 19, 2012

(b) The Item respecting the Desktop and Computer Contract Award and Management Policies were considered complete and removed from the Audit, Finance & Administration Committee’s outstanding Business List.

(i) ADJOURNMENT (Item 13)

There being no further business, the Audit, Finance and Administration Committee adjourned at 10:35 a.m.

Respectfully submitted,

Councillor B. Johnson, Chair
Audit, Finance and Administration Committee

Stephanie Paparella
Legislative Coordinator
February 13, 2012
That the original land taxes recorded against:

**Roll #2518 303 420 23045 0000** – (81-95 Nisbet Boulevard, Flamborough) in the amount of $1,516.48 for the year 2010 be split amongst the eight newly created lots listed below:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>ADDRESS</th>
<th>ROLL NUMBER</th>
<th>APPORTIONED ASSESSMENT</th>
<th>TAX AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>95 Nisbet Blvd.</td>
<td>2518 303 420 23045</td>
<td>14,270</td>
<td>$190.60</td>
</tr>
<tr>
<td>2010</td>
<td>93 Nisbet Blvd.</td>
<td>2518 303 420 23046</td>
<td>14,145</td>
<td>188.94</td>
</tr>
<tr>
<td>2010</td>
<td>91 Nisbet Blvd.</td>
<td>2518 303 420 23047</td>
<td>14,145</td>
<td>188.94</td>
</tr>
<tr>
<td>2010</td>
<td>89 Nisbet Blvd.</td>
<td>2518 303 420 23048</td>
<td>14,145</td>
<td>188.94</td>
</tr>
<tr>
<td>2010</td>
<td>87 Nisbet Blvd.</td>
<td>2518 303 420 23049</td>
<td>14,145</td>
<td>188.94</td>
</tr>
<tr>
<td>2010</td>
<td>85 Nisbet Blvd.</td>
<td>2518 303 420 23051</td>
<td>14,145</td>
<td>188.94</td>
</tr>
<tr>
<td>2010</td>
<td>83 Nisbet Blvd.</td>
<td>2518 303 420 23052</td>
<td>14,145</td>
<td>188.94</td>
</tr>
<tr>
<td>2010</td>
<td>81 Nisbet Blvd.</td>
<td>2518 303 420 23053</td>
<td>14,393</td>
<td>192.24</td>
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**Total** | **113,533** | **$1,516.48**
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<th>Appeal No.</th>
<th>Property Address</th>
<th>Roll Number</th>
<th>Explanation</th>
<th>YEAR</th>
</tr>
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<tr>
<td>357-11-196</td>
<td>70 King St W</td>
<td>0033801700000000</td>
<td>Exempt City purchased</td>
<td>2011</td>
</tr>
<tr>
<td>357-11-190</td>
<td>23-25 Lake Ave S</td>
<td>0034801120000000</td>
<td>Exempt building demolished area used for handicap access to place of worship</td>
<td>2011</td>
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<tr>
<td>357-11-136</td>
<td>77 James St N</td>
<td>0201240240000000</td>
<td>Exempt City occupies Suite 305</td>
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<td>357-10-196</td>
<td>4 Tiffany St</td>
<td>0201255760000000</td>
<td>Exempt Denied - purchased by the City tenants still occupying the space</td>
<td>2010</td>
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<tr>
<td>357-10-290</td>
<td>28 Rebecca St</td>
<td>0201545004000000</td>
<td>Exemption denied does not meet criteria as &quot;small theatre&quot;</td>
<td>2010</td>
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<tr>
<td>357-09-145</td>
<td>53 Gibson Ave</td>
<td>0302350049000000</td>
<td>Tax Class Conversion IT to CT used but not owned by religious organization</td>
<td>2009</td>
</tr>
<tr>
<td>357-11-043</td>
<td>53 Gibson Ave</td>
<td>0302350049000000</td>
<td>Tax Class Conversion IT to CT used but not owned by religious organization</td>
<td>2011</td>
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<tr>
<td>357-11-201</td>
<td>150 Hillyard St</td>
<td>0302720247000000</td>
<td>Tax Class Conversion tenant vacated Oct 31st (Scrapman)</td>
<td>2011</td>
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<tr>
<td>357-11-201</td>
<td>150 Hillyard St</td>
<td>0302720247000000</td>
<td>Tax Class Conversion tenant vacated Oct 31st (Scrapman)</td>
<td>2011</td>
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<tr>
<td>357-11-182</td>
<td>597 Upper Ottawa St</td>
<td>0605630103000000</td>
<td>Fire in March 2011 rendering the home unliveable</td>
<td>2011</td>
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<tr>
<td>357-11-104</td>
<td>280 East 24th</td>
<td>0706650170000000</td>
<td>Tax Class Conversion now all residential</td>
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<tr>
<td>357-10-166</td>
<td>666-682 Concession St</td>
<td>0706720084000000</td>
<td>Exempt Hamilton Health Sciences</td>
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<td>357-10-167</td>
<td>666-682 Concession St</td>
<td>0706720084000000</td>
<td>Exempt Hamilton Health Sciences</td>
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<tr>
<td>357-10-232</td>
<td>666-682 Concession St</td>
<td>0706720084000000</td>
<td>Exempt Hamilton Health Sciences</td>
<td>2010</td>
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<tr>
<td>357-11-105</td>
<td>1304 Upper Gage</td>
<td>0706910536000000</td>
<td>Exemption the site if vacant land not used in conjunction with adjoining place of worship</td>
<td>2011</td>
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<tr>
<td>357-10-294</td>
<td>631 Mohawk Rd W</td>
<td>0810710355000000</td>
<td>Exempt now used in conjunction with the place of worship</td>
<td>2010</td>
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<tr>
<td>357-11-106</td>
<td>157 Terrence Park</td>
<td>1402303560000000</td>
<td>Gross or Manifest Error billed twice old and new house</td>
<td>2011</td>
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<tr>
<td>357-11-052</td>
<td>1123 Garner Rd E</td>
<td>1402801580000000</td>
<td>Gross or Manifest Error billed twice</td>
<td>2011</td>
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<tr>
<td>357-11-168</td>
<td>202 Rosemary Lane</td>
<td>1403501700000000</td>
<td>Demolition of old house</td>
<td>2011</td>
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<tr>
<td>357-11-169</td>
<td>48 King St W</td>
<td>2601900720000000</td>
<td>Demolition of original structures</td>
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<tr>
<td>357-11-110</td>
<td>3 Delsey St</td>
<td>2602203640000000</td>
<td>Demolition of garage</td>
<td>2011</td>
</tr>
<tr>
<td>357-11-178</td>
<td>0 Highway 403</td>
<td>2602701967000000</td>
<td>Exempt property part of Highway 403</td>
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<tr>
<td>357-11-171</td>
<td>1300 Highway 5 W</td>
<td>3012406440000000</td>
<td>Exempt property purchased by MTO in January /11</td>
<td>2011</td>
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<tr>
<td>357-11-172</td>
<td>1300 Highway 5 W</td>
<td>3012406440000000</td>
<td>Exempt remainder of property purchased by MTO in November /11</td>
<td>2011</td>
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<td>357-11-170</td>
<td>1054 4th Con Rd W</td>
<td>3023100180000000</td>
<td>Demolition of original structures</td>
<td>2011</td>
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<tr>
<td>357-11-111</td>
<td>224 5th Con Rd W</td>
<td>3034201700000000</td>
<td>Demolition of original house</td>
<td>2011</td>
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<tr>
<td>357-11-189</td>
<td>9300 Airport Rd</td>
<td>9033103221700000</td>
<td>Exempt tenant vacated June 30 (LK Trailers )</td>
<td>2011</td>
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</table>

**TOTAL**
B- overcharge (Assessment Roll)
B1 - overcharged-application denied
E - Exempt

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<thead>
<tr>
<th>Appeal No.</th>
<th>Property Address</th>
<th>Roll Number</th>
<th>Reason</th>
<th>Explanation</th>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>22863</td>
<td>53 Gibson Ave</td>
<td>030235004900000</td>
<td>B</td>
<td>Tax Class Conversion IT to CT used but not owned by religious organization</td>
<td>2010</td>
<td>-4516.53</td>
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<tr>
<td>22895</td>
<td>4 Fall Fair Way</td>
<td>901340041010000</td>
<td>E</td>
<td>Lands dedicated to the City</td>
<td>2010</td>
<td>-17.39</td>
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<tr>
<td>23452</td>
<td>631 Mohawk Rd W</td>
<td>081071032600000</td>
<td>E</td>
<td>Now used as being part of the &quot;place of worship&quot;</td>
<td>2010</td>
<td>-2549.00</td>
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<td>23779</td>
<td>77 James St N</td>
<td>020124024800000</td>
<td>E</td>
<td>Exempt Suite 305 used as capital facility</td>
<td>2010</td>
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<tr>
<td>22894</td>
<td>10 Fall Fair Way</td>
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<td>Lands dedicated to the City</td>
<td>2010</td>
<td>-530.54</td>
</tr>
</tbody>
</table>

| Total      |                   |                 |                 |                                                                              |      | -20,694.96 |

Section "358" Appeals of the Municipal Act, 2001
Realty Tax Applications for overcharges
Report to the Audit, Finance & Administration Committee – Initial communication on audit planning

The City of Hamilton
For the year ended December 31, 2011
January 12, 2012

To the members of the Audit, Finance & Administration Committee of
The Corporation of the City of Hamilton

We’re pleased to enclose our Report to the Audit, Finance & Administration Committee – Initial communication on audit planning. The purpose of this document, and our upcoming meeting to discuss its content, is to initiate effective two way communication with you regarding our financial statement audit engagement of The Corporation of the City of Hamilton (the City) for the year ending December 31, 2011. This communication will assist the committee in understanding the terms of the audit engagement; our proposed audit strategy and the level of responsibility assumed by Grant Thornton LLP under Canadian auditing standards (CAS).

This communication has been prepared to comply with the requirements outlined in CAS 260 Communication with those Charged with Governance. The information in this document is intended solely for the information and use of the Audit, Finance & Administration Committee, Council and management. It is not intended to be distributed or used by anyone other than these specified parties.

If you have any particular comments, concerns or additional expectations that may require us to undertake additional work over and above that which is currently contemplated, please do not hesitate to raise them at our next scheduled meeting.

Yours sincerely,
Grant Thornton LLP

Melanie Dugard, CA
Principal
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The City of Hamilton – Environmental scan – changes in business and standards

The following is a summary of recent changes to the municipality’s business environment, regulatory environment in which it operates, and relevant accounting and auditing standards. We have considered these factors in preparing the 2011 audit plan for the City of Hamilton.

Municipal-specific changes and business environment
As part of our audit planning, we have discussions with management and staff in various departments to determine if there have been any significant changes that would impact our audit approach. We noted no significant changes in the processing of tax revenues, employee compensation, or within the purchasing department that would impact our overall audit strategy. Our planning for the other audits performed as part of our contract with the City did not identify any other significant matters impacting our approach for the 2011 audit of the City.

Canadian standards
Accounting standards
Accounting standards issued by the Accounting Standards Board which may affect the City for the current and future years include

- Section PS 3450 Financial instruments, Section PS 2601 Foreign currency translation and Section PS 1201 Financial statement presentation
- Section PS 3260 Liability for contaminated sites
- Section PS 3510 Tax Revenue
- Section PS 3410 Government Transfers, revised
- Withdrawal of Government assistance – Application of CICA Handbook – Accounting Section PS 3800

Further detail of the changes to accounting standards and their applicability to the City, are included in Appendix A. If you have any questions about these changes we invite you to raise them during our next meeting. We will be pleased to address your questions.

Auditing standards
The Auditing and Assurance Standard Board (AASB) has adopted the International Standards on Auditing (ISAs) as Canadian Auditing Standards (CASs). These CASs are in effect for year ended
December 31, 2011. Our audit plan and resulting audit strategy comply with the new CASs and as a result you may note a change in our audit procedures related to group audits, auditing estimates, use of experts and communications with those charged with governance. The most significant change is the wording of our standard report and when we date the audit report.

Auditing standards issued by the AASB that may change the nature, timing and extent of our audit procedures on The City of Hamilton and our communication with those charged with governance include:

- CAS 450 – Evaluation of Misstatements Identified During the Audit
- CAS 620 – Using the Work of an Auditor’s Expert

Further detail of the changes to auditing standards and their applicability to The City of Hamilton, are included in Appendix B.
Achieving effective governance

There are several fundamental components of effective governance. The Audit, Finance & Administration Committee plays a key role in achieving strong governance, particularly with respect to financial reporting.

### Roles in ensuring strong financial reporting

| Role of the Audit, Finance & Administration Committee | • Help set the tone for the City by emphasizing honesty, ethical behaviour and fraud prevention
| | • Oversee management, including ensuring that management establishes and maintains internal controls to provide reasonable assurance regarding reliability of financial reporting
| | • Directly oversee the work of the external auditors including reviewing, discussing and approving audit plan
| Role of management | • Prepare financial statements in accordance with Canadian GAAP for public sector organizations
| | • Design, implement and maintain effective internal controls over financial reporting processes
| | • Exercise sound judgment in selecting and applying critical accounting principles
| | • Safeguard assets
| | • Prevent, detect and correct errors
| | • Provide representations to external auditors
| | • Assess quantitative and qualitative impact of misstatements discovered during the audit on fair presentation of the financial statements
| Role of Grant Thornton LLP | • Provide an audit opinion that the financial statements are in accordance with Canadian GAAP for public sector entities
| | • Conduct our audit in accordance with Canadian Auditing Standards
| | • Maintain independence and objectivity
| | • Be a resource to the Audit, Finance & Administration Committee and management
| | • Implement an effective two way communication process that reports matters of interest to the Audit, Finance & Administration Committee and obtains input from the committee on audit risk matters
Quality assurance, independence and communication

Quality assurance
Grant Thornton LLP has a robust quality control program that forms a core part of our client service. We combine internationally developed audit methodology, advanced technology, rigorous review procedures, mandatory professional development requirements, and the use of specialists to deliver high quality audit services to our clients. In addition to our internal processes, we are subject to inspection and oversight by standard setting and regulatory bodies. We are proud of our firm’s approach to quality assurance and would be pleased to discuss any aspect with you at your convenience.

Independence
We have a rigorous process where we continually monitor and maintain our independence. We are required to communicate this annually to the Audit, Finance & Administration Committee of The City of Hamilton in writing and have attached our letter of independence as Appendix C. The process of maintaining our independence includes, but is not limited to:

- Identification of threats to our independence and putting into place safeguards to mitigate those threats. For example, we evaluate the independence threat of any non-audit services provided to the City; and
- Confirming the independence of our engagement team members.

Communication with the Audit, Finance & Administration Committee
Effective and timely communication is key to quality service. In conducting our audit we will communicate as required with the Audit, Finance & Administration Committee so that issues and concerns are addressed in a timely and productive manner. We also require the Audit, Finance & Administration Committee’s input and perspective on various risk assessment matters such as fraud risk, compliance with laws and regulations and we welcome the Audit, Finance & Administration Committee’s view on the municipality’s system of internal controls.

We encourage the members of the Audit, Finance & Administration Committee to contact us at any time if questions or concerns arise.
Our audit approach

An understanding of the municipality drives the Grant Thornton LLP audit approach. The audit methodology is risk based and specifically tailored to the City as depicted below:

Our tailored audit approach results in procedures designed to respond to an identified risk. The greater the risk of material misstatement associated with the account, transaction or balance, the greater audit emphasis placed in terms of audit verification and analysis.
Other communications
As a result of our audit process we will communicate in our “results report” information on the following matters:

- Misstatements, other than trivial errors;
- Fraud;
- Misstatements that may cause future financial statements to be materially misstated;
- Illegal or possibly illegal acts, other than those considered inconsequential; and
- Material weaknesses and significant deficiencies in internal control over financial reporting.

Internal control
Our audit includes gaining an understanding of the City’s internal control over financial reporting. Our understanding will focus on processes associated with the identified financial statement risk areas (see below). The audit team uses this understanding to determine the nature, extent and timing of our audit procedures.

Our understanding may also result in valuable internal control findings for your consideration. Please note that the objectives of a financial statement audit are different from fiduciary control objectives. Therefore, management and the Audit, Finance & Administration Committee cannot rely on our findings to discharge their responsibilities in this area.

Risk assessment
Our risk assessment process has identified the following areas where we will focus our attention:

<table>
<thead>
<tr>
<th>Risk area</th>
<th>Planned audit procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxation</td>
<td>Test the existence of taxation and other receivables at December 31, 2011.</td>
</tr>
<tr>
<td></td>
<td>Recalculation of the net taxable assessment based on verified assessment rolls and approved levies.</td>
</tr>
<tr>
<td></td>
<td>Assess adequacy of allowance for doubtful accounts by testing subsequent receipts, reviewing management estimates and examining support for the value of underlying property.</td>
</tr>
<tr>
<td>Purchases and payables</td>
<td>Analytical assessment of expenses based on expectations</td>
</tr>
<tr>
<td></td>
<td>Review supporting documentation and management estimates with respect to the completeness and accuracy of significant year-end accruals.</td>
</tr>
<tr>
<td>Provisions for employee benefits and landfill closure/post-closure costs</td>
<td>Review assumptions used by management, and any available independent reports.</td>
</tr>
<tr>
<td></td>
<td>Recalculation of the present value calculation for the future liability.</td>
</tr>
<tr>
<td>Grants and subsidies</td>
<td>Review of the allocation of funds between fiscal periods to determine if it is appropriate.</td>
</tr>
<tr>
<td></td>
<td>Review of grant terms to determine if any deferrals, receivables or payables are appropriate.</td>
</tr>
</tbody>
</table>
Materiality

The purpose of our audit is to provide an opinion as to whether your financial statements present fairly, in all material respects, the financial position, results of operations and cash flows in accordance with Canadian accounting standards for public sector entities as of December 31, 2011. Therefore, materiality is a critical auditing concept and as such we apply it in all stages of the engagement.

Applying the concept of materiality at the planning and execution stage of the engagement recognizes that the audit team cannot verify every balance, transaction or judgment made in the financial reporting process. During audit planning, we make a preliminary assessment of materiality for purposes of developing our audit strategy, including determining the extent of our audit procedures. During the completion stage, we consider not only the quantitative assessment of materiality, but also qualitative factors, in assessing the impact on the financial statements, our audit opinion and the matters reported to the Audit, Finance & Administration Committee.

Fraud considerations

We are responsible for planning and performing the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement caused by error or by fraud. Our audit procedures comply with the requirements of CAS 240 Auditor’s Responsibility Relating to Fraud in an Audit of Financial Statements. CAS 240 heightens the auditors’ awareness of the potential for fraud when planning and executing audits and it emphasizes the need for professional scepticism during the audit. In addition, the auditing standard requires us to communicate with you on matters related to fraud including obtaining your perspective on the risk of fraud within the municipality and whether you are aware of or suspect any fraudulent activity. If our audit procedures identify fraud or we suspect fraud, we will report such matters to you.

The following provides a summary of some of the fraud-related procedures we plan to perform during the audit:

| Commitments and contingencies | Verify accuracy and reasonableness of amounts and disclosures, with reference to correspondence with lawyers. |
| Capital assets                | Review of supporting documentation for capital asset additions with respect to the validity of the additions. |
|                              | Review of disposals to determine if any gain/loss is calculated appropriately. |
|                              | Recalculation of depreciation expense, as well as deemed dispositions for pooled assets. |
|                              | Review of capital project costs to determine if any additional costs should be capitalized. |
| Employee compensation        | Review the calculation of salary and wage accruals to determine if the amounts were calculated appropriately. |
|                              | Analytical assessment of employee-related expenses based on expectations. |
- Discuss amongst the engagement team where the financial statements may be susceptible to material misstatement due to fraud.
- Gather information to identify the risks of material misstatement due to fraud, including our understanding of internal control and making detailed inquiries to senior management, internal audit and members of the Audit, Finance & Administration Committee.
- Using the information gathered in our risk assessment process.

**Use of work of internal audit**
We will review and consider the internal audit reports issued in the year and assess the consequences of their findings on our audit approach.

**Use of experts**
We intend to use the work of experts for the following:

- Landfill closure obligations,
- Verification of the fair value of asset backed commercial paper and master asset vehicles, and
- Employee future benefit liability

**Client assistance and readiness**
Client assistance and readiness are integral to the successful meeting of our targeted report release date. As presented further below, it is also critical in meeting our agreed fee. To facilitate the communication process, we will provide management with a letter detailing expected assistance and the critical milestone dates.
Deliverables
We are committed to executing our audit in a most effective, efficient and timely manner. We will provide the following deliverables to the Audit, Finance & Administration Committee:

- Initial communication on audit planning,
- Audit report on the financial statements of the City,
- Communication of audit results, and
- Management letter that provides our observations and recommendations regarding internal controls based on matters identified during the course of our audit.
Client service team

We have assembled a team of outstanding professionals to demonstrate our commitment to quality and service to the City. Below are the senior members of our team, should you need to contact us.

<table>
<thead>
<tr>
<th>Engagement member</th>
<th>Role</th>
<th>Phone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melanie Dugard</td>
<td>Engagement principal</td>
<td>(289) 313-3378</td>
<td><a href="mailto:Melanie.Dugard@ca.gt.com">Melanie.Dugard@ca.gt.com</a></td>
</tr>
<tr>
<td>Joanne Rogers</td>
<td>Concurring partner</td>
<td>(416) 960-2379</td>
<td><a href="mailto:Joanne.Rogers@ca.gt.com">Joanne.Rogers@ca.gt.com</a></td>
</tr>
<tr>
<td>Barb Carnegie</td>
<td>Audit manager</td>
<td>(289) 313-3386</td>
<td><a href="mailto:Barbara.Carnegie@ca.gt.com">Barbara.Carnegie@ca.gt.com</a></td>
</tr>
<tr>
<td>Graeme Morissey</td>
<td>Audit senior</td>
<td>(289) 313-3356</td>
<td><a href="mailto:Graeme.Morissey@ca.gt.com">Graeme.Morissey@ca.gt.com</a></td>
</tr>
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</table>
## Audit timetable

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 19 - 23, 2011</td>
<td>Audit planning and update of information technology processes and controls</td>
</tr>
<tr>
<td>December 31, 2011</td>
<td>Date for bank and tax confirmations</td>
</tr>
<tr>
<td>February 2012</td>
<td>Meeting with Audit, Finance &amp; Administration Committee and presentation of Report to the Audit, Finance &amp; Administration Committee – Initial Communication on Audit Planning</td>
</tr>
<tr>
<td>March 26 – April 20, 2012</td>
<td>Year-end visit</td>
</tr>
<tr>
<td>May 2012</td>
<td>Preliminary clearance to be provided on draft financial statements</td>
</tr>
<tr>
<td>May 2012</td>
<td>Meeting with the Audit, Finance &amp; Administration Committee and presentation of Report to the Audit, Finance &amp; Administration Committee – Communication of Audit Results</td>
</tr>
</tbody>
</table>
Fee schedule

Fee proposal considerations
Upfront and periodic discussions are central to our approach in dealing with fees. Our goal is to avoid surprises by having early and frank communication. We wish to provide the City with a competitive price and fair value, while also allowing sufficient audit hours to conduct an effective audit and deliver quality service.

We have established a proposed fee for the audit for the year ended December 31, 2011 that is based on the level of activity and the anticipated complexity of the audit of the City's financial statements, and is in accordance with our quoted fee provided under RFP C6-10-06.

The proposed fee is based on receiving the following from management:

- Draft financial statements including the notes to the financial statements,
- All working papers and schedules as outlined in our requirements letter,
- Trial balance together with reconciled control accounts,
- All books and records made available to us when requested, and
- Use of the City's staff to help us locate information and provide explanations.

Our ability to deliver the services outlined in the agreed timetable and our proposed fee will depend upon these schedules being available/tasks being completed by the due dates. If there are any variances to the above plan, we will discuss them with you and agree to any additional fees before costs are incurred, wherever possible.

Any unforeseen work outside the scope of this proposal will be billed separately after discussion with appropriate City management.
## Appendix A – Accounting developments

<table>
<thead>
<tr>
<th>Public Sector Accounting Board</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section PS 3450 Financial Instruments, Section PS 2601 Foreign currency translation and Section PS 1201 Financial statement presentation</td>
<td>The new requirements are all required to be applied at the same time. For governments, the sections are effective for fiscal years beginning on or after April 1, 2015. For government organizations, the sections are effective for fiscal years beginning on or after April 1, 2012. Earlier adoption is permitted.</td>
</tr>
<tr>
<td>Section PS 3450 Financial instruments is a new section that establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives.</td>
<td></td>
</tr>
<tr>
<td>Section PS 2601 Foreign currency translation revises and replaces Section PS 2600 Foreign currency translation.</td>
<td></td>
</tr>
<tr>
<td>Section PS 1201 Financial statement presentation revises and replaces Section PS 1200 Financial statement presentation.</td>
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</tr>
<tr>
<td>The issuance of these new sections also includes consequential amendments to:</td>
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<tr>
<td>• Introduction to accounting standards that apply only to government not-for-profit organizations</td>
<td></td>
</tr>
<tr>
<td>• Section PS 1000 Financial statement concepts</td>
<td></td>
</tr>
<tr>
<td>• Section PS 1100 Financial statement objectives</td>
<td></td>
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<tr>
<td>• Section PS 2125 First-time adoption by government organizations</td>
<td></td>
</tr>
<tr>
<td>• Section PS 2500 Basic principles of consolidation</td>
<td></td>
</tr>
<tr>
<td>• Section PS 2510 Additional areas of consolidation</td>
<td></td>
</tr>
<tr>
<td>• Section PS 3060 Government partnerships</td>
<td></td>
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<tr>
<td>• Section PS 3070 Investments in government business enterprises</td>
<td></td>
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<tr>
<td>• Section PS 3230 Long-term debt</td>
<td></td>
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<tr>
<td>• Section PS 3310 Loan guarantees</td>
<td></td>
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<tr>
<td>• Section PS 4200 Financial statement presentation by not-for-profit organizations</td>
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<tr>
<td>PSG-5 Including results of organizations and partnerships applying fair value measurement was withdrawn as a result of the issuance of these sections.</td>
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</tbody>
</table>

### Section PS 3260 Liability for contaminated sites

This section establishes the recognition criteria, measurement and disclosure requirements for reporting liabilities associated with remediation of contaminated sites that either are not in use or resulted from unexpected environmental events (such as a toxic spill or natural disaster).

This section applies to fiscal years beginning on or after April 1, 2014. Earlier adoption is encouraged.
<table>
<thead>
<tr>
<th>Public Sector Accounting Board</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section PS 3510 Tax Revenue</td>
<td>This section applies to fiscal years beginning on or after April 1, 2012. Earlier adoption is encouraged.</td>
</tr>
<tr>
<td>This Section establishes standards for the recognition, measurement and disclosure of tax revenue in government financial statements.</td>
<td></td>
</tr>
<tr>
<td>Section PS 3410 Government Transfers, revised</td>
<td>This section applies to fiscal years beginning on or after April 1, 2012. Earlier adoption is encouraged.</td>
</tr>
<tr>
<td>This Section replaces the existing Section PS 3410, Government Transfers. This Section establishes standards for recognition, presentation and disclosure for government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective.</td>
<td></td>
</tr>
<tr>
<td>Withdrawal of Government assistance – Application of CICA Handbook – Accounting Section PS 3800</td>
<td>Withdrawal of section is effective for fiscal years beginning on or after January 1, 2011.</td>
</tr>
<tr>
<td>The section will be removed as IFRS standard IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will be applicable to government business enterprises and other government entities choosing to apply IFRS. For those other government organizations following the PSA Handbook, there is sufficient guidance on this matter elsewhere in the Handbook.</td>
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</table>
Appendix B – Auditing developments

<table>
<thead>
<tr>
<th>Canadian Auditing Standards (CASs) issued by the CICA</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAS 450 – Evaluation of Misstatements Identified During the Audit</strong></td>
<td>Applies to audit of financial statements for periods commencing on or after December 15, 2009.</td>
</tr>
<tr>
<td>This CAS, combined with CAS 320, replaces Section 5142, Materiality. The significant changes from the existing standard are as follows:</td>
<td></td>
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<tr>
<td>• the auditor is required to request that management correct all the misstatements accumulated during the audit in all cases, regardless of whether the financial statements are materially misstated. This differs from the current guidance in Section 5142 in that auditors previously encouraged management to correct all non-trivial misstatements.</td>
<td></td>
</tr>
<tr>
<td>• if management refused to correct known misstatements, the auditor is required to obtain an understanding of management’s reasons for not making the corrections.</td>
<td></td>
</tr>
<tr>
<td>• the auditor is also required to request to those charged with governance that uncorrected misstatements be corrected.</td>
<td></td>
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</table>

| **CAS 620 – Using the Work of an Auditor’s Expert** | Applies to audits of financial statements for periods commencing on or after December 15, 2009. |
| This CAS will replace Section 5049, Use of Specialists in Assurance Engagements. The significant change from the existing standard is that the requirements in determining the need for an auditor’s expert are now more explicitly defined. |
Appendix C – Letter of independence

January 12, 2012

Dear Audit, Finance & Administration Committee Members:

We have been engaged to audit the financial statements of The City of Hamilton (the City) for the year ending December 31, 2011.

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between the City and its related entities, and Grant Thornton LLP that, in our professional judgment, may reasonably be thought to bear on our independence. Related entities include:

- Hamilton Police Services Board
- Tourism Hamilton Inc.
- The Hamilton Entertainment and Convention Facilities Inc.
- The Hamilton Public Library Board
- The Hamilton Street Railway Company
- CityHousing Hamilton Corporation
- Ancaster Business Improvement Area
- Barton Street Village Business Improvement Area
- Concession Street Business Improvement Area
- Downtown Hamilton Business Improvement Area
- International Village Business Improvement Area
- King Street West Business Improvement Area
- Locke Street Business Improvement Area
- Main Street West Esplanade Business Improvement Area
- Downtown Stoney Creek Business Improvement Area
- Ottawa Street Business Improvement Area
- Waterdown Business Improvement Area
- Westdale Business Improvement Area
- Dundas Business Improvement Area
- Flamborough Recreation Sub-Committees
- Hamilton Utilities Corporation, and
- Hamilton Renewable Power Inc.
In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the appropriate provincial institute and applicable legislation, covering such matters as:

1. holding a financial interest, either directly or indirectly, in a client;
2. holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
3. personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
4. economic dependence on a client; and
5. provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since January 12, 2011.

We are not aware of any relationships between the City, its related boards/entities, listed above, and Grant Thornton LLP that, in our professional judgment, may reasonably be thought to bear on our independence, that have occurred from January 12, 2011 to January 12, 2012.

We confirm that we are independent with respect to the City within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of January 12, 2012.

This report is intended solely for the use of the Audit, Finance & Administration committee, management, and others within the City and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter.

Yours sincerely,
Grant Thornton LLP

Melanie Dugard, CA
Principal
Community Partnership Program Advance Payments

Based upon the 2011 amounts, these payments will be distributed as monthly payments, pending Council approval. Any difference between the 2011 and 2012 approved grants will be adjusted, as necessary, throughout the remainder of the year:

<table>
<thead>
<tr>
<th>ORGANIZATION</th>
<th>PROGRAM</th>
<th>2012 3 MONTHS ADVANCE</th>
<th>2011 APPROVED BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Information Services</td>
<td>Community Information Services</td>
<td>$20,307.00</td>
<td>$81,228.00</td>
</tr>
<tr>
<td>Salvation Army</td>
<td>Young Parent Resource</td>
<td>$26,000.00</td>
<td>$104,000.00</td>
</tr>
</tbody>
</table>