Morning Issues Summary

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Date: Mon, 23 Apr 2018 08:24:59 -0400

Morning Minister,

Flagging the Globe and Mail's article over the weekend on Fair Hydro Accounting. As well, please note that the 2018-19 Expenditure Estimates will be tabled today.

1.) **Fair Hydro Accounting**

The Globe & Mail published the article, by Matthew McClearn on Saturday that alleges that the government used inappropriate accounting for our Fair Hydro Plan and that this might end up costing taxpayers billions.

The article is a lengthy investigative piece, offering a stark criticism of the accounting structure for OFHP, relying on the narrative offered by the Auditor General of Ontario and other accounting experts.

The article was featured prominently on the front page of the Globe & Mail's print edition and online. The news outlet also heavily promoted the article on social media and it was retweeted by several reporters. The sentiment has been negative.

Key Messaging

- We perceive that the frame on this story is incorrect.

- At the core of this issue is a technical issue about if the IESO is a rate-regulated agency and should thus use rated regulated accounting.

- The Auditor General does not believe that the IESO should use rate-regulated accounting.

- Instead, the auditor general is advocating for an accounting practice that shields $17 billion in transactions from public view.

- The provincial controller was concerned with the lack of transparency of the approach the IESO was taking and that the Auditor General is now advocating for.

- So she asked the necessary questions about this approach that have now resulted in greater transparency about the public sector finances in Ontario.

- The IESO's predecessor, the OPA, used rate regulated accounting and the AG at that time approved that accounting process.

- We have also confirmed that 18 other jurisdictions in North America utilize similar accounting practices in the electricity system as the IESO.

- Our government's policy to reduce electricity prices by 25% was extensively reviewed by our non-partisan officials and third party experts from firms such as KPMG, E&Y and Deloitte.

- They have all ensured that due diligence was completed in the implementation of the Fair Hydro Plan.

- Our government presents the provinces finances fairly and accurately and in accordance with Canadian Public Sector Accounting Standards.

- And the impact of the Fair Hydro Plan will be transparent in the consolidated financial statements of the province.

- For this matter, like any other, Ontario's public servants have implemented the government's direction with professionalism and dedication.

- In turn, we made a decision to step up by providing substantial and lasting relief on electricity bills to make life fairer and more affordable – for all Ontario families."

2.) The Tabling of Estimates

The Estimates will be tabled around 1-1:30 pm today. They will then be made immediately available online to the general public on Ontario.ca

Key Messaging

- Today our government is tabling the 2018-19 Expenditure Estimates.

- The Estimates are a key step in the province's annual fiscal cycle.

- The estimates provide a detailed public record of the spending plan our government put forward in our 2018 Budget.

- Once this record is approved by the legislature, the estimates become the legal spending authority for Ministries and Offices during the fiscal year.

- The Budget our government has put forward focuses on the delivering the programs and services that the people of Ontario depend on.

- Our government knows this is not the time to pull back the services people in our province rely on — we need more care.. not cuts

- Which is why We're expanding OHIP plus for seniors, providing free preschool child care for kids aged two-and-a-half until they're eligible for kindergarten, increasing access to mental health and addiction centres and so much more.

- The 2018-19 Expenditure Estimates outlines the details and line-by-line expenditure requirements of those services and programs proposed in our Budget.

General Articles

Matthew McClearn, The Globe and Mail - Ontario kept billions of borrowed money off its balance sheet. Here's how; As Ontarians head to the polls, voters have to make sense of two competing versions of the province's books: the Auditor-General's and the Kathleen Wynne government's
Victoria Gibson Toronto Star - Education groups to get $39 million; Move comes after Liberals paid Ontario's Catholic teachers $31M
Justin Giovannetti, Molly Hayes , The Globe and Mail - PCs vow to dial back 'burdensome' police oversight; Party's community safety critic says Bill 175 is 'disrespecting' officers and undermines public confidence in the force
David Rider Toronto Star - Ontario PCs won't say if they would shift recycling costs to businesses
Jennifer Pagliaro and Ben Spurr Toronto Star - Study changed to boost GO station, emails show; Original model didn't justify Lawrence East stop promised in Tory's SmartTrack plan
The Globe and Mail - Ford appoints Mike Harris's son as Tory candidate
Antonella Artuso, Toronto Sun - Unions dispute comes to a head at Queen's Park rally
Robert Benzie, Toronto Star - Cut taxes for businesses, board urges; Board of Trade study gives Ontario a 'C' due to required improvement

Ontario kept billions of borrowed money off its balance sheet. Here's how; As Ontarians head to the polls, voters have to make sense of two competing versions of the province's books: the Auditor-General's and the Kathleen Wynne government's. Matthew McClearn investigates how creative accounting made their math so different (G&M)

The Globe and Mail
Sat Apr 21 2018
Page: A12
Section: News
Byline: Matthew McClearn
Dateline: TORONTO

In March last year, Kim Marshall I called and left a message for Bonnie Lysyk, Ontario's Auditor-General. Ms. Marshall was the chief financial officer of the Independent Electricity System Operator (IESO), the agency that manages the province's electrical system and acts as an intermediary between power generators and consumers. The IESO had just made a big change to its accounting practices, and Ms. Marshall said she wanted to give the Auditor-General a "heads up."

Ms. Lysyk was already well aware of the change. She and her staff had found the IESO's latest financial statements online. Poring over them in their downtown Toronto office, they found a terse footnote describing the new accounting policy. "And my staff go, 'What the heck is this?' " Ms. Lysyk told The Globe and Mail. "You're not supposed to do this."

Ms. Lysyk believed the IESO's new practice - a method known as rate-regulated accounting - violated government accounting standards. What she didn't know was that it represented a radical departure in how the government of Premier Kathleen Wynne - not just the IESO - planned to disclose its future borrowing activities to the public.

Earlier that month, the government had announced significant reductions in electricity rates, what it dubbed the Fair Hydro Plan. A decade of investing in greener power sources, such as wind and solar, and the shuttering of cheaper but dirtier coal-fired power plants had resulted in soaring hydro bills - a serious political liability for Ms. Wynne, who had accepted personal responsibility for fixing the problem.

But charging Ontarians less for electricity than it cost to produce meant the province would have to borrow billions of dollars to cover the shortfall.

"In order for that to not show up on the bottom line, they created creative accounting to take it off the government's statements," Ms. Lysyk said.

Using that new accounting, the government declared it had balanced the province's books for the fiscal year ended Mar. 31, 2018, just months before a general election. But Ms. Lysyk said that was not true. And the Financial Accountability Office, the body responsible for providing the legislative assembly with independent analysis and advice on Ontario's finances, agreed: In December, it forecast that the province would actually rack up a deficit of $4-

billion - a discrepancy that will grow markedly as the government's off-balance-sheet borrowing continues.
Ms. Lysyk said she's worried that the Wynne government's success in concealing its borrowing will encourage more aggressive bookkeeping, both in Ontario and in other provinces.
"If you get away with doing something that's inappropriate accounting, the next time you'll do it again and you'll do it again," she said. "Pretty soon they won't have any numbers that will have any integrity behind them."
Ontario had been racking up large deficits every year since the 2008-09 recession and already owed more than $300-billion - almost $22,000 for every person in the province. Bond rating agencies had downgraded its credit rating. That, too, had become a serious political liability.
Even before Ms. Wynne became Premier in 2013, Ontario's Liberals promised a return to balanced budgets. In his April, 2017, budget speech, Finance Minister Charles Sousa boasted that her government had finally done it. "And next year and the year after we're projecting it to be balanced, too," he declared. "And the people of Ontario can count on it."
It was made possible by a team led by the Ministry of Energy that also included senior officials from the Ministry of Finance, Treasury Board Secretariat, the Provincial Controller, Ontario Power Generation and the IESO. Between December, 2016, and May, 2017, they devised a novel approach that would allow the government to have its cake and eat it, too.
"THE GOVERNMENT IS MAKING UP ITS OWN ACCOUNTING RULES"
As with most businesses, utilities record consumers' outstanding balances as assets, typically as "accounts receivable." The IESO's new practice, rate-regulated accounting, is akin to accounts receivable on steroids. The underlying idea is that heavily regulated industries, such as power generation, which are unable to set their own prices, should have a means of deferring costs, such as building a new power plant. Rate-regulated accounting allows utilities to place such costs in special accounts to carry them forward into future years, provided their regulator gives them the right to recover those costs through future bills. Such rights can be recorded as assets - even though no electricity has been generated, used or billed for.
The main criticism of the practice is that it can produce books bearing little resemblance to reality. When BC Hydro adopted it, that province's auditor-general objected strongly, warning in a special report that "if overused, rate-regulated deferrals can mask the true costs of doing business, distort the financial condition of an enterprise and place undue burdens on future taxpayers."
And what happens if the utility can't collect? "On a number of occasions," explained Michael Ferguson, the Auditor-General of Canada, "there has [later] come a realization that, in fact, the organization will not be able to charge those rates. And, therefore, there have been fairly large amounts of some regulatory assets that have been written off."
Recording expenses as assets is perfectly legal in certain contexts, but the practice has been controversial in the private sector. In their book Easy Prey

Investors, forensic accountants Al Rosen and Mark Rosen write that recording "fake assets" on corporate balance sheets is one of the "most common financial scams of the past 50 years."

If the accounting concept is elusive, the IESO's motives for adopting it are even murkier.

In fact, the IESO decided against adopting rate-regulated accounting when it was formed in 2015 - a decision supported by its auditor, KPMG. And earlier this year, Ms. Marshall told the province's public accounts committee that in February, 2017, she presented financial statements prepared in the usual way to her audit committee. The following month, though, she produced a fresh set of financial statements using rateregulated accounting.

The official explanation is that in mid-January, 2017, at one of the earliest meetings to discuss the Fair Hydro Plan, Ontario Controller Cindy Veinot ordered Ms. Marshall to "take a closer look" at adopting rate-regulated accounting because she didn't think the IESO's existing policies were appropriate.

The government has repeatedly stated that Ms. Veinot's request was completely unrelated to the Fair Hydro Plan. Deputy energy minister Serge Imbrogno asserted that "the important thing is that the changes that the IESO made reflected its existing business" and not the Fair Hydro Plan, which had not been announced yet. Peter Gregg, who was appointed IESO president and CEO in April, 2017, said the management team simply asked itself: "Is this the right thing to do?" Since Canada's public sector accounting standards make no mention of rate-regulated accounting, the IESO turned to private-sector standards in the United States known as generally accepted accounting principles, which permit the practice.

The official story overlooks two crucial details. First, while the IESO was changing its accounting policy, Mr. Imbrogno, Ms. Marshall, Ms. Veinot and other senior officials were already part of the team devising the Fair Hydro Plan. Enacted last June, the Fair Hydro Plan Act put IESO's new policy to immediate use, instructing the IESO to create a "regulatory asset" on its books. This "asset" reflected the agency's right to recover the costs it was about to incur paying for hydro discounts from future consumers, over a 30-year period.

Tim Beauchamp, a member of the auditor-general's advisory panel and a former director of the Public Sector Accounting Board, said the entire accounting structure of the Fair Hydro Plan depended on the IESO's ability to call this right an asset. "Without [the IESO], it doesn't work," he said.

The second detail is that, as an agency of the Province of Ontario, the IESO's finances are consolidated into the province's public accounts. With the provincial controller's encouragement, the agency's management had effectively adopted a new accounting policy on behalf of the entire province.

With those new rules in place, the Fair Hydro Plan could proceed.

Ontario Power Generation, which operates the province's fleet of nuclear and hydroelectric stations, has assigned four of its employees to manage the Fair Hydro Trust, a special-purpose entity created in December. OPG's financial results will actually get a boost because it will earn interest and management fees from the trust. And OPG doesn't need to worry if the trust blows up financially, because the trust "is structured to be bankruptcy remote and ring fenced from OPG."

Even so, OPG appears to be the only arm of government that has expressed reservations about its role in the Fair Hydro Plan. "OPG's reputation could potentially be adversely impacted through its involvement as the Financial Services Manager under the Fair Hydro Act," the company warned in its 2017 annual report.

The Fair Hydro Plan's complexity comes at a cost. Had the province borrowed directly, the interest costs likely would total tens of billions of dollars over the plan's duration. But using information and assumptions supplied by the government, the Financial Accountability Office (FAO) calculated the additional interest costs at $4-billion over 30 years. Said Ms. Lysyk: "We're talking $4-billion more than needed, to get an accounting result."

Alexandre Laurin, the C.D.

Howe Institute's research director, said he'd never before encountered such a convoluted arrangement in the public sphere.

To him, the use of related party transactions between multiple entities resembles tax-avoidance schemes in the private sector.

"The same accountants that are advising the government are advising the private sector to build other types of complex accounting structures," he told The Globe. "How crazy is this, really?" FAO officials had immediate concerns. "It looked like there was at least a very novel new approach being taken to a large amount of planned borrowing and repayment," chief financial analyst Jeffrey Novak said.

Meanwhile, the auditor-general's office scrambled to find out what had happened. Ms. Lysyk demanded tens of thousands of pages of briefings and e-mails created by the Fair Hydro Plan's architects.

She began meeting with the senior officials responsible and their advisers, including KPMG.

Months later, she concluded that the IESO's accounting change was no mere coincidence: The government had instructed the Fair Hydro Plan's architects that the rate reductions must not cause a reported increase in the province's deficit and net debt.

Other options were rejected on that basis.

Energy Minister Glenn Thibeault categorically denied accusations that the Fair Hydro Plan was an election ploy. And he justified the new accounting practice that made it possible by telling the provinces's estimates committee last October that because electricity ratepayers, not taxpayers, would be required to repay the debt and interest costs associated with the Fair Hydro Plan, the associated costs did not belong on the province's books.

In order to weigh the AuditorGeneral's allegations against the government's position, The Globe sought the same documents Ms. Lysyk used in preparing her reports. Her office is not subject to the province's Freedom of Information and Protection of Privacy Act, so The Globe requested them from the departments

that originally produced them.
In responses to the requests, all the departments anticipated that large volumes of records would fall under exemptions in the act.
The Treasury Board Secretariat, for example, said that of the 1,500 or so relevant pages in the possession of its deputy minister, just 169 would be released. Citing the large number of records involved, the Ministry of Energy estimated The Globe would be charged $112,000 in fees, half of that up front.
So The Globe issued narrower requests and also asked that the Information and Privacy Commission mediate some of them.
At publication time, The Globe had received no documents.
"DON'T TELL THE AUDITOR-GENERAL WHAT WE'RE DOING" What is clear is that, in devising the Fair Hydro Plan, the government relied heavily on consultants, including three of the world's "Big Four" accounting firms: KPMG, Deloitte and Ernst & Young. It also hired Blakes, a law firm. According to the AuditorGeneral, the government paid these advisers a total of $2-million for their services. In a statement, the Treasury Board Secretariat emphasized that work was part of the government's efforts to "ensure due diligence was completed."
Their opinions and advice carried the day. Sophie Kiwala, a Liberal MPP and member of the estimates committee, said on Oct. 24: "Our plan has been approved by the peers of the Auditor-General at some of Canada's top accounting firms, including Ernst & Young, KPMG and Deloitte."
KPMG's team, composed of more than half a dozen of the firm's partners, was led by Michel Picard. In one 32-page document provided to The Globe by the government, KPMG itemized and refuted the Auditor-General's objections to the new accounting practice. "The concerns expressed by the AGO result from a difference of opinion in the application of professional judgment," KPMG spokesperson Lisa Papas told The Globe in a statement. As the auditor of IESO's books, the firm also signed off on the application of these new accounting standards, just as it had under the IESO's previous accounting methods. "We would like to emphasize that the standards provide a choice," the firm said in a statement. "There has always been the ability to choose between two alternatives."
In the past three years, KPMG earned between $86,000 and $92,000 in annual fees for auditing IESO's books. Last year, it earned $652,000 for its advice on the new accounting policy.
Did KPMG's dual role as auditor and consultant represent a conflict of interest?
"You might say that their ability to be impartial and effective auditors had become compromised," said Randy Hillier, a Conservative MPP who sits on the public accounts committee. "Why would you not [sign off] when you're getting such a significant bundle of cash?" Ms. Lysyk told the same committee that firms should not be advocating for particular accounting treatments on a client's behalf while auditing the client's books.
Forensic accountant Al Rosen said that, generally speaking, it's not difficult to hire consultants to provide favourable accounting opinions in Canada, in part because standards are so elastic.

"You can go to any of the public accounting firms and get them to render an opinion on whatever you want," he said. "The ethics have gone all to hell."
KPMG and the IESO denied any impropriety. "It is very common for auditors to provide advisory services to help their clients understand the application of complex accounting matters," KPMG said in a statement.
Should the Auditor-General have been consulted?
On Jan. 11, 2017, as Ms. Lysyk's office prepared to audit Ontario's public accounts, it sent a letter to KPMG asking if there would be any accounting policy changes at the IESO. KPMG did not respond.
There was a follow-up phone call, but KPMG did not call back. In Ms. Lysyk's opinion, KPMG had a professional obligation to respond.
She also felt that the Ministry of Finance and the Treasury Board should have told her earlier. "You do assume when you're the external auditor for anybody that you're kept in the loop," she said.
"That's the relationship, it should be open and transparent."
She said the e-mails reviewed by her office confirm that the architects of the Fair Hydro Plan expected her office to object to the IESO's proposed accounting changes - and that their silence had been deliberate. "All the stuff said, 'Don't tell the Auditor-General what we're doing.' " Helen Angus, the deputy minister of the Treasury Board Secretariat, resisted that allegation before the public accounts committee. "I don't think we secondguessed the Auditor-General on her opinion," she said.
KPMG agreed that it had a professional obligation to respond to the Auditor-General's requests, but it said it discharged that duty by answering her inquiries in the months after the publication of the IESO's statements.
And the IESO's senior management saw no need whatsoever to consult the Auditor-General. Mr. Gregg, the CEO, said his obligation was to satisfy his own board of directors and its audit committee.
And Ms. Marshall told MPPs in February: "We would speak to the Auditor-General once we had come to a conclusion on our own."
So what did those "approvals" from the big accounting firms actually mean? In a statement to The Globe, KPMG emphasized it had no formal role in selecting or approving Ontario's accounting policies. Nor did Deloitte. Ernst & Young declined to answer questions about its work.
The Auditor General's office, on the other hand, is the only body responsible by law for opining on whether the province's financial statements have been prepared according to appropriate accounting standards. And if the government did not stand down, Ms. Lysyk warned, she would issue a qualified opinion on Ontario's books.
Other auditors-general confirmed that is not something they do lightly.
"It's one of the most serious things we can do ... to say we don't believe this set of financial statements has been fairly stated," said Mr. Ferguson, Canada's AuditorGeneral.
Ms. Lysyk said she received letters from all the other auditorsgeneral in Canada supporting her position. Although she declined to release those letters to The

Globe, Mr. Ferguson confirmed that wrote such a letter.
So did Carol Bellringer, B.C.'s Auditor-General. "It's inconsistent with the framework that is in place for the public sector," she said. "If British Columbia decided to set up a regulatory account within its provincial accounts, we would say, 'No, you can't do that.' " Others also rallied to Ms. Lysyk's defence. In a report published in December, the FAO adopted her recommended accounting policy and warned that the government's approach "reduced the transparency and reliability of Ontario's fiscal plan."

But Ms. Wynne's government seemed untroubled by Ms. Lysyk's warnings. She had already issued a qualified opinion on a separate issue - the government's accounting for the assets of two pension funds, a matter of billions of dollars - but the government shrugged that off, too.

Deputy finance minister Scott Thompson signed the statement of responsibility on last year's public accounts, with which the government accepts responsibility for the statements' integrity and avows that they conform with public sector accounting standards. So did Ms. Veinot, the controller, and Ms. Angus, deputy minister of the Treasury Board. In theory, these signatures conferred substantial obligations upon these officials - even as the Auditor-General was warning them that the province was using improper accounting. (None of them granted The Globe an interview.)

The last line of defence was the legislature. The public accounts committee is charged with reviewing the Auditor-General's reports and making recommendations to the Legislative Assembly.

When it convened in February to discuss the Auditor-General's concerns, Mr. Hillier, the Tory MPP, flagged the issue as unusual.

"This committee has a track record of being non-partisan to a large extent," he said - suggesting, though, that neutrality might be difficult when it came to the politically charged Fair Hydro Plan.

Indeed, the committee's questioning split along party lines. Mr. Hillier and NDP MPP John Vanthof hammered the officials involved in creating the financial and accounting structure, demanding justification for the additional interest costs.

Liberal MPP Liz Sandals, by contrast, asked no questions about the Fair Hydro Plan. Instead, she voiced her support for rate-regulated accounting and defended the IESO's decision to not consult the Auditor-General. She used much of her allotted time to ask Mr. Thompson to comment on the balanced budget. He responded that the government was "in a very solid position to balance this fiscal year."

AN ERA OF COOKED BOOKS?

Last month, the government published the 2018 Pre-Election Report on the state of the province's finances. The requirement to produce that report was first introduced in 2004, by the government of Dalton McGuinty. Published in the lead-up to the 2007 election, then-finance minister Greg Sorbara presented it as an antidote to the Conservatives' alleged accounting shenanigans.

"The previous government's approach to balancing the budget was to count on phantom revenues like asset sales which they knew would not materialize," Mr.

Sorbara said in a statement. "It is essential that the real state of the province's finances be known before and not after an election."
With Ontarians heading to the polls on June 7, they are confronted by two conflicting accounts about the state of their province's current and future indebtedness.
At press time, the Auditor-General's office was rushing to prepare her opinion on the Pre-Election Report. She is likely to issue another qualified opinion.
The Fair Hydro Plan triggered a breakdown of trust. Previously, the Auditor-General relied on KPMG to audit the IESO's books.
Not any more: This year, she conducted her own special audit. "We couldn't risk that something else is going to pop up on this," Ms. Lysyk said.
It did not go well. Ms. Lysyk said she was "professionally unable" to provide an audit opinion because management refused to sign certain documents.
"They basically treated, I think, my audit team like we were subservient to KPMG," she told the public accounts committee.
"When a board or management in any other province recognizes that an AG's office has issues with their accounting, they would have handled it differently."
Both the IESO and KPMG said they co-operated fully at all times.
Ms. Marshall will step down as the IESO's CFO at the end of this month. (No replacement has been named.) But the battle over the integrity of Ontario's financial statements rages on. In March, Ms. Lysyk warned the public accounts committee that the government risked receiving its firstever "adverse" opinion - essentially a disclaimer that the financial statements should not be trusted.
One year after the unveiling of the Fair Hydro Plan, the irony is that the alleged raison d'etre for the accounting practice that made it possible has suddenly vanished: Mr. Sousa, the finance minister, has revealed that Ontarians can no longer count on balanced budgets; he has forecast deficits of more than $6-billion for each of the following three years as the government ramps up spending on health care, child care, social assistance and postsecondary education.
The government now forecasts its next balanced budget won't arrive until 2024-25. In a recent report examining Ontario's finances, the C.D. Howe Institute concluded: "While the government may claim to have balanced the budget for 2017/18, the mediumand long-term fiscal outlook for Ontario is dire." BY THE NUMBERS Financial projections for Ontario appear to vary between those of the governing Liberals and the province's Auditor-General.
ELECTRIFYING THE BOOKS
Last year, the Fair Hydro Plan lowered electricity rates for Ontario consumers by 25% and held increases to the rate of inflation for four years. The government must borrow billions of dollars to pay for most of it. The Auditor-General of Ontario says the government is using "bogus" accounting to keep that debt off its books.
Here's a simplified illustration of how it works:
FOLLOWING THE MONEY
1 Ontarians pay discounted hydro rates to local distribution companies, which

remit that money to the Independent Electricity System Operator (IESO), which manages Ontario's electrical system.
2 The IESO owes more to generators than it receives from ratepayers, causing a shortfall.
Using new accounting policies, the IESO calls this shortfall a "regulated asset." (The Auditor-General prefers the term "nonexistent asset.")
3 The IESO adds interest charges, fees and other expenses incurred by other government bodies to the "regulatory asset," then sells it to the Fair Hydro Trust, a specialpurpose entity the government created in December.
4 The trust receives the asset, which under its own policies must be called an "intangible asset."
Meanwhile, the trust borrows 51% of the money needed to pay for the "asset" from investors.
5 Ontario Power Generation (OPG), which controls the trust, raises another 5%.
6 The province borrows the remaining 44%.
7 The province forwards its borrowings to OPG as an "equity injection." This "investment" offsets the borrowing on its books.
8 OPG lends the money it borrowed, plus the government's contributrion, to the trust. Now the trust has enough money.
9 The trust pays the IESO for the "asset."
10 The IESO pays generators.
11 Future ratepayers will pay back all that borrowed money, plus interest costs, management fees and other expenses, through "Clean Energy Adjustment" charges on their electricity bills.

Edition: Ontario
Length: 3982 words Top of the Document

Education groups to get $39 million; Move comes after Liberals paid Ontario's Catholic teachers $31M (TorStar)

Toronto Star
Mon Apr 23 2018
Page: A8
Section: News
Byline: Victoria Gibson Toronto Star
The Ontario Liberals will pay $39 million to various education groups, from principals and vice-principals to other non-unionized staff, settling the agreements in advance of the June 7 provincial election. The announcement comes weeks after the government agreed to quietly pay as much as $31 million to the province's Catholic teachers, who won a grievance over a delay to their salary grid. About 40 per cent of members of the Ontario English Catholic Teachers' Association will receive $2,000 each under the deal reached last month.
Harvey Bischof, head of the province's public secondary teachers union, called

the payment to Catholic teachers "a dirty deal."
Sam Hammond, president of the Elementary Teachers' Federation of Ontario, said it was "outrageous."
The news comes days after Ontario's public elementary and secondary teacher unions filed a complaint with the labour board, saying provincial payouts to their Catholic counterparts were unfair.
The Elementary Teachers' Federation of Ontario and the Ontario Secondary School Teachers' Federation have accused the government of bargaining in bad faith in 2014 by saying "all four of Ontario's teacher unions would be receiving substantially identical financial settlements for their 2014-2017 collective agreements."
They also accused the government of engaging in "coercion," "reprisals" and "discrimination" against certain union's members.
A spokesperson for the education minister confirmed the payout to the Star Wednesday night.
"The government has acted with fairness and equity in our discussions with our education sector partners," a statement from the spokesperson said.
Last year, the Star reported that Ontario's public high school teachers were in line for a cash bonus of as much as $3,000 each after a court found that the government breached the Charter of Rights and Freedoms in 2012 by temporarily stripping teacher and support staff's rights to collective bargaining under the Putting Students First Act.
In response to the Superior Court's ruling, the ministry statement said it has now reached agreements with the Ontario Secondary School Teachers' Federation, Ontario Public Service Employees Union, Canadian Union of Public Employees and Unifor.
The province does not yet have a deal with the Elementary Teachers Federation of Ontario, which has indicated it will be returning to court, the spokesperson wrote, adding that the ministry would engage in discussion with other education partners that weren't party to the challenge "to mitigate further legal risks."
The provincial government has now reached agreements with the Association des enseignantes et des enseignants franco-ontariens, Education Workers Alliance of Ontario, Ontario Council of Education Workers, Ontario English Catholic Teachers' Association and the principals and vice-principals associations, according to the ministry.

Edition: ONT
Length: 417 words
Tone: Negative
Ad Value: $8,876
Circulation: 361,323 Top of the Document

PCs vow to dial back 'burdensome' police oversight; Party's community safety critic says Bill 175 is 'disrespecting' officers and undermines public

confidence in the force

The Globe and Mail
Published: April 23rd, 2018
Byline : JUSTIN GIOVANNETTI, MOLLY HAYES
Doug Ford's Progressive Conservatives are looking to dial back parts of Bill 175, sweeping changes to policing introduced last year that significantly increased oversight rules, saying the law has unnecessarily undermined confidence in police.

"The general sense of the bill was disrespecting police officers," said Laurie Scott, the Official Opposition's communitysafety critic. "We should be respecting the work of police officers in protecting our safety, not denigrating it. … People need to feel that they are never unsafe with police."

If Mr. Ford's party forms government after a spring election expected on June 7, Ms. Scott said they would consult with policing associations and unions who have opposed the legislation to see what changes need to be made.

While police unions have pushed for modifications to the bill, the association of police chiefs warns it would be reckless to pull back on a law that promises a new level of accountability.

The legislation, known as the Safer Ontario Act, was the first overhaul of policing rules in a generation and was meant to address concerns from minority groups about unjust treatment and concerns that police were doing an inadequate job of policing themselves.

Ontario's more than 400-page legislation was designed to help deal with some of those issues.

When it was passed by the legislature in March, after a torturous process that saw sniping between legislators and more than 200 amendments, Attorney-General Yasir Naqvi said the new law would give police the tools they need in a modern Ontario. "This bill is very much about strengthening the trust and respect between the police and the communities they serve," he said at the time.

Joe Couto, the spokesman for the Ontario Association of Chiefs of Police, said the group fears policing could become a "political football" between party leaders. Because of the coming election, where Premier Kathleen Wynne's Liberals are facing a difficult challenge from Mr. Ford, "Bill 175 could fall prey to a political, versus, public safety lens," he said.

Ms. Scott, who has questioned the legislation since it was first introduced, said that while it has some worthwhile sections, including a new Missing Persons Act and what she deemed a "reasonable approach" to suspension without pay for police officers who commit serious crimes, she felt the overall package was rushed and falls short.

The centrepiece of the bill is a complete overhaul of how Ontario's policing bodies are held accountable. The act established a new office of Inspector-General, which can investigate and audit law-enforcement agencies.

Three existing police-oversight bodies were also revamped and given expanded mandates.

The Special Investigations Unit, currently known as the SIU, is to be renamed the Ontario Special Investigations Unit and will be able to investigate current, former and off-duty police officers, volunteer members and special-constable and First Nations police members.

The Office of the Independent Police Review Director will be renamed the Ontario Policing Complaints Agency under the law and would investigate all complaints against police officers. Finally, the Ontario Civilian Police Commission would be renamed the Ontario Policing Discipline Tribunal and would deal with adjudicating police disciplinary matters, removing that duty from police services.

"The oversight in the bill is going to be extremely costly and burdensome," Ms. Scott said.

"While everyone wants to see oversight, we don't know where the resources will come from."

Issues with police oversight were highlighted in early 2017 when The Globe and Mail reported after a 20-month investigation that one in five sexual-assault allegations reported to police in Canada was being dismissed as unfounded. After the unfounded investigation was published, lawenforcement agencies began the review of more than 37,000 cases and many, including a number of police services in Ontario, promised to revamp their approach to policing sexual violence.

According to Mr. Naqvi, the government worked on the bill, including numerous consultations, for five years before introducing it in the legislature last November.

While the bill has already become law, Ms. Scott said it's unclear when many of its far-reaching changes will take effect.

Some of the new powers for the oversight bodies might not be in place until after the June election.

Under a government run by Mr. Ford, she said police would be consulted on how the package should look. "You have to work with police officers on the front lines and their associations. They were quite upset with the government and didn't feel like they were being listened to. They felt undermined and I wouldn't blame them," she said, adding that police morale has suffered as a result.

Desmond Cole, an activist and journalist, said it is distressing that the Progressive Conservatives are proposing to revamp a bill that, in his view, "wasn't actually tough in terms of police oversight to begin with."

Police unions should have no role in crafting how their members are overseen by the public, Mr. Cole said, explaining that their priority will always be to protect officers.

"You can't ask the police how to do police oversight. You have to go above the police and say there are certain things we're going to decide for you, whether you agree with them or not, because you don't get all the power in this situation," he said.

Bruce Chapman, president of the Police Association of Ontario (PAO), said they have been "vocal and strong" about their concerns with Bill 175, including that it might open up more policing functions to privatization.

"That's not for one second to say we're not supportive of oversight," he said.

One change in the act is that it clearly defines police responsibilities as those that can only be performed by a sworn officer. As an example of what that change could mean, Ontario's Community Safety Minister said in November that police officers might not be the best people to monitor construction sites. The police association has worried that the change could mean more civilian workers in police-like roles.

"We needed a new Police Services Act, there's no doubt about it," Mr. Chapman said. But he doesn't see the current omnibus act as a solution; arguing it should be broken down into six or seven different acts.

While the fate of the law might not be a ballot-box question for the average Ontarian, Mr. Chapman said it will be for the PAO's 18,000 members.

According to Mr. Couto, the chiefs of police are worried that the future of the act will be decided by "who's screaming the loudest." The group's biggest worry is that the legislation might be repealed.

"We would remind them this took six years," he said. "To simply say we're going to scrap six years of work would be … irresponsible."

While the bill is not perfect, he says the province's chiefs of police by and large support it.

“We’ve heard loud and clear that the status quo of policing is not great,” he said.

Ontario PCs won't say if they would shift recycling costs to businesses

Toronto Star
Published: April 23rd, 2018
Byline : David Rider Toronto Star Chief
Ontario’s Progressive Conservatives are not committing to continue a Liberal program that shifts the cost and responsibility for recycling waste on to the companies that produced it.

Amid concerns over the future of Toronto’s blue bin program, the Star asked the opposition parties if they would forge ahead with the Liberals’ Bill 151, now delayed amid “stakeholder consultations,” to shift the cost of recycling away from municipalities.

Currently, municipalities share the cost with industry, through Stewardship Ontario, but each must administer what amounts to a patchwork of province-wide recycling programs.

Melissa Lantsman, a PC spokesperson, said the governing Liberals are “all talk” when it comes to recycling and “Ontario has some of the worst waste diversion rates in the entire country.”

“When it comes to waste diversion the only thing this government does is waste tax dollars, and divert money away from your pocketbook,” she said in an email.

Lantsman did not respond to questions about what a Ford government would do differently than the Liberals, and if his government would shift the cost and burden to producers.

The NDP supports Bill 151 and would add timelines to ensure producers start paying all recycling costs as soon as possible, the party’s environment critic, MPP Peter Tabuns, said .

“The government needs to pick up the pace, and work with municipalities and producers to enable a timely and smooth transition … that puts the public interest first

Study changed to boost GO station, emails show; Original model didn't justify Lawrence East stop promised in Tory's SmartTrack plan

Toronto Star

Published: April 23rd, 2018

Byline : Jennifer Pagliaro and Ben Spurr Toronto Star
After initial analysis determined a new GO station key to Mayor John Tory's SmartTrack plan should not be built, the provincial transit agency invited city officials to improve the outcome of the study days before a crucial vote.

Internal emails, obtained by the Star through freedom of information requests, show city planners worked at the direction of senior city managers to change the modelling and provide Metrolinx with an alternative analysis that took a far more optimistic view of how many people would live and work close to the station at Lawrence East.

The Metrolinx board voted in June 2016 to approve the station, the emails reveal, despite the fact that the initial analysis Metrolinx had commissioned concluded it was "not recommended for further study or consideration."

City spokesperson Wynna Brown, in response to the Star's questions, said in an email that staff made a "formal submission to Metrolinx" in order to "address potential gaps" in the agency's initial analysis.

At a meeting this week, council will vote on whether to move forward with the $1.46-billion SmartTrack plan, which includes a $155-million Lawrence East stop and five others that would be added to GO lines as part of broader expansion plans already underway by Metrolinx. Lawrence East, which was earlier estimated to cost just $23 million, is a key part of Tory's promise for new transit in Scarborough.

Before the board vote, an initial business case commissioned by Metrolinx had determined the proposed station met some planning objectives but would not attract enough new riders to offset the projected number of passengers who would stop taking GO as a result of the increased travel time caused by adding the station to the line.

Tory met with Metrolinx on May 31, 2016.A day later, then Metrolinx CEO Bruce McCuaig reported to colleagues that after discussions with the mayor, "the one outstanding station location is Lawrence … The city would like to include it; Metrolinx believes there is not a strong case for its inclusion."

McCuaig said the two parties had agreed to take another look.

City officials met with Metrolinx 10 days later. McCuaig reported to the chair of the agency's board, Rob Prichard, that the city had agreed to provide a "strategic narrative on how a station at Lawrence contributes to city-building," as well as suggested revisions to the assumptions Metrolinx had used about future development around the station, according to earlier emails obtained by the Star.

McCuaig didn't appear to believe the city's submission would change the outcome, however. "The challenge is that the city's analysis is not all that different from ours, showing the location is not a high-performing (one)."

Meanwhile, city planners took up the challenge of improving the analysis, the emails show. On June 10, 2016, the city's director of transit and transportation, James Perttula, told colleagues deputy city manager John Livey had asked them to "undertake a couple of key tasks," including "strengthen(ing) the strategic case" for Lawrence and reviewing the modelling assumptions Metrolinx had used "to see how the economic case might be adjusted."

Emails show city staff looking to make the analysis appear better, despite what they found. At one point, they compared the number of people who would board trains at a new Lawrence East stop to those expected to board at the planned Finch station. But after modelling showed the boardings at Lawrence would be half those at Finch, senior transportation planner Gary Papas suggested ditching the comparison, writing to his colleagues: "I was hoping the boardings would be similar."

On June 15, 2016, the Metrolinx board met behind closed doors and, on advice from agency staff, endorsed a list of 10 stations that didn't include Lawrence East. The same day, McCuaig requested Livey and former chief planner Jennifer Keesmaat make the case for the stop, emails show.

"Since the meeting with the mayor on May 31st, we have collectively invested significant time and energy in evaluating" Lawrence, but Metrolinx still did not have "sufficient rationale" to include it. But he assured them Metrolinx was not proposing to "reject" the stop and that it could still be a potential site in the future.

On June 16, 2016, the city wrote a four-page analysis on Livey's letterhead outlining its own modelling that showed the station performed much better. It's unclear if the letter was sent.

Metrolinx's planning process was upended the same day the letter was drafted. As the Star has previously reported, the Transportation Ministry shocked Metrolinx officials by sending the agency news releases that showed then transportation minister Steven Del Duca planned to announce Lawrence and three other stops the agency hadn't approved.

That set off discussions between Metrolinx and the ministry. McCuaig took the lead in altering agency reports to the board to recommend Lawrence and another stop the minister wanted. The Metrolinx board voted publicly on June 28 to approve Lawrence as part of the expanded network.

Since 2016, the city's projections for Lawrence have continued to improve.

According to the 2016 Metrolinx report, there were then almost 7,000 people living and 8,500 jobs in an 800-metre radius around the station. The original analysis projected those numbers would grow to 8,600 people and about the same number of jobs by 2031.

The city has countered that several "soft sites" around the station had more potential for development despite it historically being a slow growth area. Faced with the challenge of justifying the station, in their 2016 analysis city staff projected upward of 10,200 people and 8,900 jobs by 2031.

The latest numbers, provided by the city in 2017, predicted 12,000 residents in the area - triple the population growth assumed by Metrolinx.

The new numbers also predict jobs near the station would decrease, to 6,000. The city did not explain this change when asked by the Star last week.

Metrolinx, which included the new figures in its latest report, did not verify the numbers on its own.

The kind of growth projected could require council to change its policy about protecting employment areas, where several of the soft sites are located. But Brown, the city spokesperson, told the Star employment districts "will be protected and promoted exclusively for economic activity."

The latest projections still fall well below provincial guidelines that say the minimum density to support an express rail station is 150 people and jobs per hectare. Even the city's most optimistic projection has a density of 90 people and jobs per hectare.

According to Metrolinx, a site not achieving the density target is not a reason to preclude a new station, and many stations on the GO network don't meet the target.

However, a consultant hired by the city questioned why Metrolinx would approve Lawrence given the agency's own analysis of low population and job density in the area and limited real estate demand. Reducing fares or increasing how often trains stop at the station "will not change this," he wrote in August 2016. "So what argument is there that SmartTrack station should be built here, other than to replace the one that will be lost with the decommissioning of the (Scarborough RT)," said Sheldon Frankel, from the firm HDR.

While the city originally projected just over 2,000 daily boardings, that number has since more than doubled.

Brown said the ridership estimates increased because the city assumed the Scarborough subway extension was reduced from a three-stop to a one-stop plan, as currently envisioned, removing a proposed subway station at Lawrence.

The city’s model also placed greater emphasis on the effects of integrating TTC and GO fares.

Metrolinx spokesperson Anne Marie Aikins said all municipalities where stations were proposed were given the chance to “submit updates to planned growth and development around each station site, including local transit improvements.”

The latest Metrolinx analysis also makes several new assumptions, including the use of express trains, that have improved the performance of Lawrence and several of the new stations.

Ford appoints Mike Harris's son as Tory candidate

The Globe and Mail

Published: April 23rd, 2018

Ontario Progressive Conservative Leader Doug Ford has appointed candidates in nearly a dozen ridings ahead of the coming provincial election, and they include the son of a former premier.

With Ontarians set to go to the polls on June 7, the PCs released a statement on Saturday announcing 11appointees for ridings where a nomination meeting hadn’t been scheduled.

They include Mike Harris Jr., the son of former Ontario premier Mike Harris, who led a Tory government in the province for nearly seven years from 1995 to 2002.

Mr. Harris Jr. has been appointed to represent the PCs in the riding of Kitchener-Conestoga - a seat currently held by a politician with a strikingly similar name.

Michael Harris - no relation to Mr. Harris Jr. - announced earlier this month he would not be running for re-election because of medical reasons.

He was later booted from the Tory caucus amid allegations of harassment from a former intern.

Another candidate selected by Mr. Ford on Saturday was Doug Downey, who was appointed to run for the Tories in Barrie-Springwater-Oro-Medonte.

The party’s former leader, Patrick Brown, had been nominated to run for the Tories in that riding, but the party’s nominations committee announced in March that he would not be eligible to run.

Mr. Brown stepped down as the party's leader in January amid allegations of sexual misconduct, plunging the Tories into turmoil and leading to Mr. Ford's successful leadership bid.

Meanwhile, former PC leadership contender Tanya Granic Allen won the party's nomination to run as the Tory candidate in Mississauga Centre.

Ms. Granic Allen is a social conservative whom the Ontario Liberal Party accused in a Saturday release of having "an addiction to hateful rhetoric."

Mr. Ford's appointments were met with criticism by some within his own party.

"After nearly two years of campaigning for the Ontario Progressive Conservative nomination in London West, I learned this morning that another candidate had been summarily appointed," Jake Skinner wrote in a statement on Twitter. "Frankly, I'm in a state of shock. I am deeply disappointed for our members."

The province's Tories were plagued by controversial nomination battles in ridings across the province, including allegations of vote-stuffing that predated Mr. Ford's leadership.

The party reopened several races shortly after he was elected leader.

Mr. Ford also issued a statement on Saturday, saying the PCs are "only 47 days away" from defeating the Liberals under Premier Kathleen Wynne.

"Help is on the way," Mr. Ford said.

Unions dispute comes to a head at Queen's Park rally (TorSun)

Toronto Sun
Mon Apr 23 2018
Page: A7
Section: News
Byline: Antonella Artuso
Source: Toronto Sun

A long-standing dispute between two powerful construction unions is coming to a head at a Queen's Park rally Monday.

Members of LiUNA, the union representing construction labourers in Ontario, plan to protest what they call "draconian" measures tucked into the provincial government's budget legislation, labour law changes known as Schedule 14 that they say give the Carpenter's Union an advantage at their expense.

LiUNA International Vice President Joseph Mancinelli said the union was

stunned to find Schedule 14 embedded in a budget bill, and that even Liberal MPPs contacted were unaware of its presence.
LiUNA says the Ontario Labour Relations Act amendment would strip potentially thousands of concrete form workers of their collective agreement and bargaining rights they've had since 1970, pushing many of those workers into the arms of the Carpenter's Union.
"So this kind of smells of favouritism, something's going on," Mancinelli said. "We're not sure why the Carpenter's Union is the recipient of this level of favouritism, we don't know why that happened."
Mancinelli noted that Economic Development Minister Steven Del Duca is a former government relations staffer with the Carpenter's Union, although it is the provincial Labour Ministry that's handling the file.
Tomi Hulkkonen, coordinator for Local 494 of the Carpenter's Union, said the argument put forward by LiUNA that Schedule 14 will leave thousands of workers without a collective agreement is a false one.
Instead, the revised labour law addresses an inequity that has plagued the Ontario construction industry for 15 to 30 years, Hulkkonen said.
"As long as I've been a union representative, it's been a problem," he said. "What this actually does, what LiUNA's not telling you, is this is a change that tells LiUNA you need to apply your ICI (industrial, commercial and institutional) collective agreement in the ICI sector as it was always intended.
"The agreement that's in question here has rates of pay that are up to $15 an hour or more less than their ICI agreement, so it creates an unfair bidding advantage for their contractors that do work in a sector that it wasn't intended for," Hulkkonen said. The office of Ontario Labour Minister Kevin Flynn issued a statement saying that Schedule 14 responds to recommendations made by labour arbitrator Kevin Burkett.
Construction law expert C. Michael Mitchell was then asked to develop an implementation strategy for Burkett's recommendations that would cause the least disruption to the construction industry, the statement says.
"This proposal would enable the Minister of Labour to amend the designation and level the playing field between the Carpenters and Labourers (unions)," the government statement says. "This would enable the Carpenters to enjoy a similar ability to organize formwork employees in certain areas of the province."
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Cut taxes for businesses, board urges; Board of Trade study gives Ontario a 'C' due to required improvement

Toronto Star

Mon Apr 23 2018
Page: A8
Section: News
Byline: Robert Benzie Queen's Park Bureau Chief

One of the Greater Toronto Area's most influential business groups is urging Ontario's political parties to cut taxes to help companies be more competitive.

In a new pre-election report to be released Monday, the Toronto Region Board of Trade says that "while Ontario consistently ranks as one of the best places to live, we don't rank as highly in the cost of doing business."

"Businesses benefit from Ontario's diverse and educated workforce, but face barriers due to housing affordability, rising electricity prices and poor (research and development) investment," says the eight-page study. "The recent government decision to sharply increase the minimum wage over a very short time and raise payroll taxes only increases the pressure to keep costs down, particularly for small businesses."

Jan De Silva, the board's president and CEO, said Ontario is "falling behind in key areas where the government makes, or influences, policy, notably labour costs, housing affordability and energy prices."

With Ontario voters headed to the polls on June 7, De Silva said whatever party forms the next government should harmonize and cut provincial property taxes on businesses.

That would eliminate the different rates paid in municipalities across the province as well as "free up more funds for employment and investment" and help businesses better compete against U.S. states that are lowering corporate taxes, the report said.

Ontario Chamber of Commerce president and CEO Rocco Rossi said his organization is "advocating that the next provincial government reduce the overall tax burden on business."

"The (Toronto Region Board of Trade's) call for a return to provincial business property tax reduction and harmonization is a smart way for Ontario to strengthen its competitive advantage."

According to the report, Toronto has among the highest business property tax rates in Canada - ahead of Montreal, Vancouver, Calgary, Halifax, St. John's, Winnipeg and Saskatoon, but lower than Saint John and Charlottetown.

"To deliver fair and inclusive growth, we need to create the conditions for our companies to succeed. This requires a renewed focus on the cost of doing business," the study says.

"Avoiding uncompetitive policies and cutting property taxes for businesses will protect existing enterprises and increase investor confidence in Ontario," it continues.

"Greater stability and investment, particularly in uncertain global economic times, allows for a stronger economy in which everyone benefits."

The report compared Ontario to 14 other Canadian and American jurisdictions on 18 indicators, such as housing affordability, population growth, median age, labour force participation rate and the level of women in the workforce.

"Ontario's overall ranking is a middling 'C' grade, reflecting some strengths, but revealing several areas that require improvement," it says.
The province ranked behind Minnesota, Texas and Indiana and was tied with Michigan, Georgia, North Carolina and Quebec. But Ontario was ahead of New York, Ohio, Pennsylvania, Illinois, Kentucky, and SouthCarolina.

Edition: ONT
Length: 464 words

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