

COMMITTEE AGENDA



TO **Corporate Administration, Finance and Emergency Services
Committee**

DATE December 5, 2011

LOCATION Council Chambers

TIME **4 p.m.**

DISCLOSURE OF PECUNIARY INTEREST

CONFIRMATION OF MINUTES – November 14, 2011

PRESENTATIONS (Items with no accompanying report)

a)

CONSENT AGENDA

The following resolutions have been prepared to facilitate the Committee's consideration of the various matters and are suggested for consideration. If the Committee wishes to address a specific report in isolation of the Consent Agenda, please identify the item. The item will be extracted and dealt with separately. The balance of the Corporate Administration, Finance & Emergency Services Committee Consent Agenda will be approved in one resolution.

ITEM	CITY PRESENTATION	DELEGATIONS	TO BE EXTRACTED
CAFES-47	Information Technology (IT): Strategic Plan Framework		
CAFES-48	Tax Billing and Collection Policy		
CAFES-49	2010 Investment Performance Report		
CAFES-50	Investment Policy Review		
CAFES-51	2011 Investment Portfolio Improvements Report		
CAFES-52	Budget Impacts Per Ontario		

	Regulation 284/09			
CAFES-53	Canada-EU Comprehensive Economic and Trade Agreement		<ul style="list-style-type: none"> • Cynthia Folzer • Nora Chaloner • Richard Chaloner • Terry O'Connor on behalf of the Guelph & District Labour Council • George Kelly, Co-Chair of the Guelph-Wellington Coalition for Social Justice • Keith Bellairs 	√

Resolution to adopt the balance of the Corporate Administration, Finance & Emergency Services Committee Consent Agenda.

ITEMS EXTRACTED FROM CONSENT AGENDA

Once extracted items are identified, they will be dealt with in the following order:

- 1) delegations (may include presentations)
- 2) staff presentations only
- 3) all others.

NEXT MEETING – January 9, 2012

**The Corporation of the City of Guelph
Corporate Administration, Finance, and Emergency Services
Committee
Monday November 14, 2011, 5:00 p.m.**

A meeting of the Corporate Administration, Finance and Emergency Services Committee was held on November 14, 2011 in the Council Chambers at 5:00 p.m.

Present: Councillors Hofland, Dennis, Wettstein and Mayor Farbridge

Absent: Councillor Kovach

Also Present: Councillors Bell, Findlay, Furfaro, Hofland and Van Hellemond

Staff Present: Ms. A. Pappert, Chief Administrative Officer; Mr. M. Amorosi, Executive Director, Corporate & Human Resources; Ms. C. Clack, Interim Executive Director, Community & Social Services; Mr. D. McCaughan, Executive Director of Operations & Transit; Ms. S. Aram, Acting City Treasurer; Ms. T. Agnello, Acting Clerk; and Ms. J. Sweeney, Council Committee Co-ordinator

There was no disclosure of pecuniary interest.

1. Moved by Councillor Dennis

Seconded by Councillor Wettstein

THAT the minutes of the Corporate Administration, Finance and Emergency Services Committee meeting held on October 11, 2011 be confirmed as recorded and without being read.

VOTING IN FAVOUR: Councillors Dennis, Hofland, Wettstein and Mayor Farbridge (4)

VOTING AGAINST: (0)

Carried

Consent Agenda

The following items were extracted from Corporate Administration, Finance & Emergency Services Committee November 14, 2011

Consent Agenda:

CAFES-2011 A.40 Residential Sprinklers – Community Awareness Initiative

CAFES-2011 A.43 Elizabeth Street Storm System Proposed Offer to Sell – 292 Elizabeth Street

CAFES-2011 A.46 Projected Operating Variance for 2011

November 14, 2011

Corporate Administration, Finance & Emergency Services Page No. 2

2. Moved by Mayor Farbridge
Seconded by Councillor Wettstein

THAT the balance of the Corporate Administration, Finance & Emergency Services Committee November 14, 2011 Consent Agenda, as identified below, be adopted:

a) **Diversity Strategy**

REPORT

THAT the Diversity Strategy be approved.

b) **Proposed Sale of Land to Guelph Junction Railway Company**

REPORT

THAT the Mayor and clerk be authorized to execute all documents required to transfer ownership of the City lands currently used for railway purposes between Norwich Street East and the northwest industrial area to Guelph Junction Railway Company.

c) **Proposed Offer to Purchase – City Land at North East Corner Division Street and Exhibition Street**

REPORT

THAT the Mayor and Clerk be authorized to execute an Offer to Purchase and Agreement of Purchase and Sale from Salman Shafique and Arfan Shafique for the property legally described as Part of Lot 44, Plan 172, City of Guelph, designated as Part 2 on 61R11684.

d) **City Owned Property at 65 Delhi Street – former Delhi Community Centre**

REPORT

THAT staff be directed to proceed as outlined in the report of the Manager of Realty Services – City Owned Property at 65 Delhi Street – Former Delhi Community Centre, dated November 14, 2011.

VOTING IN FAVOUR: Councillors Dennis, Hofland, Wettstein and Mayor Farbridge (4)

VOTING AGAINST: (0)

Carried

3. Moved by Mayor Farbridge
Seconded by Councillor Dennis

THAT the Corporate Administration, Finance & Emergency Services Committee now hold a meeting that is closed to the public with respect to:

1. **Citizen Appointments to the Economic Development Advisory Committee**

S. 239 (2) (b) personal matters about identifiable individuals

2. **Citizen Appointments to the Guelph Police Services Board**
S. 239 (2) (b) personal matters about identifiable individuals

3. **Elizabeth Street Storm System – Proposed Offer to Sell**
S. 239 (c) proposed or pending acquisition or disposition of land.

VOTING IN FAVOUR: Councillors Dennis, Hofland, Wettstein and Mayor Farbridge (4)

VOTING AGAINST: (0)

Carried

The Committee went into closed session.

Personal Matters About an Identifiable Individual

4. Moved by Councillor Dennis
Seconded by Mayor Farbridge

REPORT TO COUNCIL
IN CLOSED SESSION

THAT staff be given direction with respect to citizen appointments to the Economic Development Advisory Committee.

Carried

Personal Matters About an Identifiable Individual

5. Moved by Mayor Farbridge
Seconded by Councillor Dennis

REPORT TO COUNCIL
IN CLOSED SESSION

THAT staff be given direction with respect to citizen appointment to the Guelph Police Services Board.

Carried

Proposed or pending acquisition or disposition of land

6. Moved by Mayor Farbridge
Seconded by Councillor Dennis

REPORT TO COUNCIL
IN CLOSED SESSION

THAT the report of the Manager of Realty Services entitled "Elizabeth Street Storm System – Proposed Offer to Sell – 292 Elizabeth Street" dated November 14, 2011, be received for information.

Carried

The remainder of the meeting was held in public session.

Residential Sprinklers – Community Awareness Initiative

The General Manager of Emergency Services presented a video that emphasized the importance of residential sprinklers.

REPORT

7. Moved by Councillor Dennis
Seconded by Mayor Farbridge

THAT the report dated November 14th, 2011 with respect to Emergency Services support of residential sprinklers and the importance of sprinklers and smoke alarms be received;

AND THAT staff research communities with existing residential sprinkler programs and report back to the committee in the second quarter of 2012;

AND THAT Council authorizes staff to develop a formal partnership with The Co-operators to educate and enhance awareness on the benefits of sprinkler systems in residential occupancies for Guelph and Canada.

VOTING IN FAVOUR: Councillors Dennis, Hofland, Wettstein and Mayor Farbridge (4)

VOTING AGAINST: (0)

Carried

Elizabeth Street Storm System Proposed Offer to Sell – 292 Elizabeth Street

REPORT

8. Moved by Mayor Farbridge
Seconded by Councillor Wettstein

THAT the Mayor and Clerk be authorized to execute an Offer to Sell and Agreement of Purchase and Sale between the City and Giovanna Rossi for the property municipally known as 292 Elizabeth Street, Guelph for stormwater management purposes and as outlined in the Closed Meeting report of the Manager of Realty Services dated November 14, 2011.

VOTING IN FAVOUR: Councillors Dennis, Hofland, Wettstein and Mayor Farbridge (4)

VOTING AGAINST: (0)

Carried

Projected Operating Budget Variance Report for 2011

The Chief Administrative Officer highlighted the projected operating budget variance for 2011.

REPORT

9. Moved by Mayor Farbridge
Seconded by Councillor Dennis

THAT the Projected Operating Variance Report for 2011 dated November 14, 2011, be received for information;

AND THAT staff be directed to develop a draft rolling calendar for the January 2012 meeting of Corporate Administration, Finance & Emergency Services Committee for the purpose of providing a tool for the Committee to track and meet its Council-delegated responsibilities;

AND THAT staff bring forward a policy regarding variance reporting.

VOTING IN FAVOUR: Councillors Dennis, Hofland, Wettstein and Mayor Farbridge (4)

VOTING AGAINST: (0)

Carried

The meeting adjourned at 6:15 p.m.

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Chairperson

**CORPORATE ADMINISTRATION, FINANCE & EMERGENCY SERVICES COMMITTEE
CONSENT AGENDA**

December 5, 2011

Members of the Corporate Administration, Finance & Emergency Services Committee.

SUMMARY OF REPORTS:

The following resolutions have been prepared to facilitate the Committee’s consideration of the various matters and are suggested for consideration. If the Committee wishes to address a specific report in isolation of the Consent Agenda, please identify the item. The item will be extracted and dealt with immediately. The balance of the Corporate Administration, Finance & Emergency Services Committee Consent Agenda will be approved in one resolution.

A Reports from Administrative Staff

REPORT	DIRECTION
<p>CAFES-2011 A.47 INFORMATION TECHNOLOGY (IT): STRATEGIC PLAN FRAMEWORK</p> <p>THAT the IT Strategic Plan framework be approved and that staff be authorized to develop the IT Strategic Plan.</p>	Approve
<p>CAFES-2011 A.48 TAX BILLING AND COLLECTION POLICY</p> <p>THAT Report FIN-11-55 dated December 5, 2011, entitled ‘Tax Billing and Collection Policy’, be approved.</p>	Approve
<p>CAFES-2011 A.49 2010 INVESTMENT PERFORMANCE REPORT</p> <p>THAT the report dated December 5, 2011 entitled ‘2010 Investment Performance Report’, be received for information.</p>	Receive
<p>CAFES-2011 A.50 INVESTMENT POLICY REVIEW</p> <p>THAT the City investment policy, Appendix 1, be approved as amended.</p>	Approve
<p>CAFES-2011 A.51 2011 INVESTMENT PORTFOLIO IMPROVEMENTS REPORT</p> <p>THAT Report FIN-11-60 dated December 5, 2011 and entitled “2011 Investment Portfolio Improvements Report”, be received for information.</p>	Receive

CAFES-2011 A.52 **BUDGET IMPACTS PER ONTARIO REGULATION
284/09**

Approve

THAT Council approve the compliance report for expenditures excluded from the 2012 Budget as required by Ontario Regulation 284/09 passed under the Municipal Act, 2001.

CAFES-2011 A.53 **CANADA-EU COMPREHENSIVE ECONOMIC AND
TRADE AGREEMENT**

Approve

THAT the report dated December 5, 2011 regarding the Canada-EU Comprehensive Economic and Trade Agreement which has been prepared by Economic Development and Tourism Services be received; and

AND THAT Guelph City Council does not support the ratification of the Canada-EU Comprehensive Economic and Trade Agreement by the Government of Canada at this time without the Government of Canada providing further opportunity for public and municipal government assessment of the Canada-EU Comprehensive Economic and Trade Agreement and the opportunity for further input into the Canada-EU Comprehensive Economic and Trade Agreement.

B Items for Direction of Committee

attach.

COMMITTEE REPORT



TO Corporate Administration, Finance and Emergency Services Committee

SERVICE AREA Corporate and Human Resources

DATE December 5, 2011

SUBJECT Information Technology (IT): Strategic Plan Framework

REPORT NUMBER CHR - 2011 - 14

SUMMARY

Purpose of Report

To provide information for the development of an Information Technology Strategic Plan.

Committee Action

To approve the framework as outlined in the report and authorize staff to proceed to develop an IT strategic plan.

RECOMMENDATION

THAT the IT Strategic Plan framework be approved and that staff be authorized to develop the IT Strategic Plan.

BACKGROUND

A New Imperative

Critical to the City's success and effectiveness in meeting business and service objectives in support of Council's strategic directions will be the extent to which the City creates an environment that enables continuous improvement, learning and excellence in service delivery by leveraging technology. A Information Technology Strategy is required as an integral part of the Corporate Strategic Plan to provide a context for the direction and integration of technology solutions.

There has not yet been an overarching IT strategic plan at the City of Guelph. Historically, the acquisition, configuration and utilization of the current systems has been driven by individual service area needs and how they have evolved. It is recognized that this approach has led to 'silo' processes and their complementary IT solutions often limiting inter-operability and effective use.

A significant opportunity exists to integrate and leverage technology across departments to gain substantial efficiencies and add value to municipal government service provision thereby positioning IT as a valued strategic business partner.

REPORT

What is an IT Strategic Plan?

An IT strategic plan turns direction into action, outlining a series of goals, objectives and initiatives designed to support the strategic directions of the City. The plan is used to guide IT decision making, resource allocation and prioritization by focusing on how technology is planned for and delivered to the entire organization.

Why Do We Need an IT Strategic Plan?

In order to ensure that IT maintains its position as a valued service provider and a strategic partner to organization and community, a Strategic Plan is needed to affirm core directions consistent with corporate goals. This aligns with best practices of highly successful organizations that effectively leverage technology as a strategic asset and enabler. There are numerous anticipated benefits including:

- ✓ **Strengthened IT Governance:** a new governance perspective can drive technology development and set the context for decision making on investments in technology;
- ✓ **Better Service for Citizens:** changing expectations can be met with specific objectives for greater openness, transparency, accountability, access to real time data, increased utilization of social media, increased desire to access and conduct business with government online;
- ✓ **Increased Agility:** as the public sector enters a new era, strategically determined technology directions can facilitate the ability to develop a collective understanding and learn quickly enabling swift and effective action;
- ✓ **Improved Relationship Building:** leveraging technology can facilitate more effective relationships with City stakeholders;
- ✓ **Strengthened Decision Making:** technology can enable, facilitate and expedite effective and efficient management decision making to ensure sustainable and strategic investment in IT resources;
- ✓ **Better Integration:** technology can streamline a set of complex processes and systems based on interrelated relationships. Also, by moving applications closer together, a group of core corporate processes and IT systems can be developed that will reduce and in many cases eliminate duplication and manual processes;
- ✓ **Streamlined Citizen Transaction and Self-Service:** a strategic investment in technology will facilitate open government and enhanced e-capabilities to make government services more accessible to citizens and businesses, efficiently and securely;

- ✓ **Support for Collaborative Work Styles:** employees increasingly need to collaborate across service areas and locations to efficiently deliver the services citizens require. The technology tools that allow these employees to share data and information will require a more integrated infrastructure; Examples include (insert examples)
- ✓ **Positive Culture Change:** an IT strategy will contribute significantly to the development of a strengthened culture of continuous improvement through streamlined processes and technologically enabled employees; and
- ✓ **Resource Maximization:** a strategic IT approach will maximize the city's investment in technology and create a sustainable resource strategy improving the overall return on investment, promoting greater information accessibility, reducing operations risks and lowering the overall cost of ownership.



The Framework

The following pillars, based on a review of IT best practices and within other municipal government contexts are suggested as those that will constitute the IT Strategic Plan development framework for leveraging the City's technology investment and corporate strategic goals:

- I. Open Government Data/e-Government
- II. IT Governance
- III. IT Sustainability
- IV. Service Delivery Standards.

I. Open Government Data/e-Government

“Open Government Data is a foundational component for Open Government and focuses on freely making public data available in a usable format for all to re-use and add value for the benefit of citizens”(Jury Konga, *eGovFutures Group* – <http://www.slideshare.net/jkong/open-data-current-state-next-gen>). To strengthen accountability and transparency, the city must have the right mechanisms in place to share the large amount of data it collects. Advocates agree that sharing that information promotes the development of innovations in government and business and the development of social entrepreneurship and enterprise.

Citizen expectations of enhanced services, instant access, improved government transparency, cost reductions and value enhancements are primary drivers for open data.

Technology would enable and facilitate ‘open government’ through the implementation of items such as:

- Sharing of real time data to support community developed applications
- Immediate publication and availability of municipal government documents
- Increased engagement of citizens, businesses and community groups

II. IT Governance

IT Governance refers to the process and structure for overseeing the direction and management of the IT organization so that it carries out its work and performs effectively. The ability to establish a clear governance framework will promote effective and efficient use of IT in enabling an organization to achieve its goals.

IT governance is the responsibility of the executive management. It is an integral part of enterprise governance and consists of the leadership and organizational structures and processes that ensure that the organization’s IT sustains and extends the organization’s strategies and objectives.

(Source: IT Governance Institute, 2003)

To develop IT Governance in the City of Guelph, the IT Strategy would include program areas such as:

- capacity management
- project portfolio management
- prioritization of IT initiatives
- performance development
- IT risk management

III. IT Sustainability

For an IT department to remain a current, relevant and strategic asset to the organization, it must implement systems that are sustainable. Enterprise Resource Planning and Systems Integration must be a key goal in order to ensure the success of the organization. As decades of data have been accumulated with various systems, the IT department must gather that data and ensure it remains accessible for as long as the information is needed or relevant. Key planning in

sustainability will ensure that as systems mature and are replaced, the information of those systems will not be lost and the data will remain available for business intelligence and data mining purposes.

The IT Strategic Plan would address this requirement through the delivery of technology in a sustainable way by:

- utilizing the technology governance process to ensure alignment with corporate strategies
- establishing an enterprise wide forecasting for technology
- developing policies to promote an organizational view on all technology initiatives
- process development designed to facilitate data aggregation to ensure visibility and historical perspective

IV. Service Delivery Standards

IT Service level management provides a delivery mechanism to align the IT services with the business requirements. Service level management provides a structured way for customers and providers of IT services to meaningfully discuss and assess the management of IT resources.

Service Delivery Standards provides a way to effectively manage services, for example, by adopting the Information Technology Infrastructure Library (ITIL) standards and procedures. ITIL Service Delivery will prove to be advantageous and consistent with goals and aspirations for positive and productive change. Organizations that successfully utilize ITIL standards have seen positive improvements in the management of IT resources.

To develop IT Service Delivery Standards in the City of Guelph, the IT Strategy would include program areas such as:

- Implementing ITIL standards and procedures
- Training Staff on ITIL best practices
- Enhancing customer service through continuous improvement
- Developing and improving corporate standards for service

PROJECT ELEMENTS

Purpose and Scope

The IT Strategy will provide a comprehensive report that documents the best utilization of the existing technology infrastructure and resources to accomplish its current and future technology related services. As part of the intended outcomes, it will also recommend a strategic direction for technology investment and decision-making.

Process Goals and Aspirations

Overarching process goals to develop the IT Strategy will include:

IT project leadership

- Effective communication to ensure awareness of directions and outcomes
- Inclusive, collaborative and transparent process
- Integrated strategic planning and performance management approach to ensure measureable objectives

Methodology

Development of the IT Strategic Plan will be led by the IT Management Team, supported internally by leveraging in-house resources and externally with specialized assistance from industry subject matter experts.

An IT Annual Report will be developed and progress against the IT Strategy will be measured and reported to Council.

Consultation

Stakeholder interviews will be performed with the following groups:

- Council Members
- Executive Team (ET)
- Senior Management Team (SMT)
- Information Technology Services management team
- All Service Areas and / or departments

NEXT STEPS

The Strategic Plan development process is scheduled to begin in 2011 with the following immediate actions:

- November 2011 – Request for Proposals (RFP) developed and issued
- December 2011– RFP proponent selected and contract awarded
- January 2012 – Project team charter and work plan created; effort formally initiated
- Stakeholder consultations and interviews, January 15 to February 28.
- April 3, 2012 – Final draft presented to ET
- April 15, 2012 – rollout to all City staff

CORPORATE STRATEGIC PLAN

5.6 Organizational excellence in planning, management, human resources and people practices.

FINANCIAL IMPLICATIONS

It is anticipated that this effort will not exceed \$100,000 which will be funded within the existing IT budget.

DEPARTMENTAL CONSULTATION/CONCURRENCE

Thorough consultation as described above will be a core aspect of developing the IT Strategy.

COMMUNICATIONS

A communications plan will accompany this effort.

ATTACHMENTS

Funding Summary.

“original signed by Gilles Dupuis”

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COMMITTEE REPORT



TO **Corporate Administration, Finance and Emergency Services Committee**

SERVICE AREA Finance
DATE December 5, 2011

SUBJECT Tax Billing and Collection Policy
REPORT NUMBER FIN-11-55

SUMMARY

Purpose of Report:

To adopt a policy and provide staff with the procedures for tax billing and collection purposes. This document will outline the timetable necessary to affect action and give credence to the wishes of City Council and to ensure that all taxpayers are being treated in a fair and equitable fashion with respect to tax arrears situations.

Committee Action:

Approval of the Tax Billing and Collection Policy

RECOMMENDATION

That Report FIN-11-55 dated December 5, 2011, entitled "Tax Billing and Collection Policy" be approved.

BACKGROUND

Property taxation is an important source of revenue for municipalities and currently pays for 61% of the services that the City provides. While the Municipal Act provides the relevant legislation for all Ontario Municipal Tax Departments to follow, there has never been a formal policy for which Tax Department staff could be guided by. In order to be fair and equitable to all taxpayers it is essential to have clearly defined guidelines for staff to follow. This policy will serve to supplement provincial legislation especially for situations where the legislation provides a choice, allows for City/Treasurer discretion and for issues on which the legislation is silent. The use of this policy and the procedures contained in this document will ensure the prompt, effective and efficient collection of all realty taxes due to the City of Guelph.

REPORT

A formal Tax Billing and Collection Policy will assist staff in ensuring that the public is treated fairly and consistently. The policies approved are to be incorporated into a Tax Policy and Procedures Manual to assist staff in dealing with taxpayer requests. It will ensure taxes are collected in a timely manner and provide the mechanisms to be initiated to collect taxes in arrears. It will establish guidelines for providing timely and appropriate information to Council as to the status of tax collection in order that Council can be informed as to the effectiveness of the collection policies and practices.

The majority of the policies recommended are to the benefit of the taxpayer. If an error has been made by staff, the tax Department's policy has always been to fix any consequences of that error.

Through various discussions with other Ontario Municipalities, we believe that the policies recommended are fair and equitable to all.

CORPORATE STRATEGIC PLAN

5.3 – Open, accountable & transparent conduct of municipal business

FINANCIAL IMPLICATIONS

Penalty/Interest and small balance write-offs cost the City less than \$6,000 per year for those one-time considerations.

DEPARTMENTAL CONSULTATION

N/A

COMMUNICATIONS

N/A

ATTACHMENTS

Schedule A – Tax Billing and Collection Policy

“original signed by Hillary Bryers”

“original signed by Gail Nisbet”

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CORPORATE POLICY AND PROCEDURE



POLICY	Tax Billing and Collection Policy
CATEGORY	Departmental
AUTHORITY	Finance, Revenue and Taxation Division
RELATED POLICIES	2011 Property Tax Policy
APPROVED BY	City Council
EFFECTIVE DATE	December 19, 2011
REVISION DATE	As Required

POLICY STATEMENT:

To establish a policy for the prompt, effective and efficient billing and collection of real property taxes.

SCOPE:

The scope of this document is intended to cover all aspects of the billing and collection of realty tax levies and any amounts added as taxes for collection. This policy excludes the collection of payments-in-lieu of taxes.

PURPOSE:

To ensure that municipal tax revenues are collected in a timely and effective manner.

To ensure that all taxpayers are treated fairly and equitably and to provide staff with guidance in decision making that is consistent with the City's commitment to excellence.

To ensure that collection procedures are applied in reference to the following legislation:

- The Municipal Act
- City By-Laws

-
- The Assessment Act
 - The Bailiffs Act

PROCEDURES:

The mandate of the Taxation and Revenue Division of the Finance Department is to ensure the prompt, effective and efficient collection of taxes to meet the budgetary expenditures for the fiscal year. To accomplish this, the following procedures will be discussed in this policy:

- A. Tax Billings
- B. Due Dates
- C. Payment Options and Methods of Payment
- D. Payment Application
- E. Penalty and Interest Charges (Late payments)
- F. Tax Arrears – Collection Methods and Payment Incentives
- G. Miscellaneous
 - i. Interest on Tax Overpayments from Assessment / Tax Appeals
 - ii. Minimum/Small Balance Write-offs
 - iii. Tax Service Charges
 - iv. Refunds and Credit Balances
- H. Reporting Standards
- I. Responsibilities

A. TAX BILLINGS

The authority to levy taxes is provided in *Section 312 of the Municipal Act, 2001*. It requires that the Council of a local municipality shall, each year, pass a by-law levying a separate tax rate on the assessment in each property class in the local municipality for the purpose of raising funds to satisfy its budgetary requirements. Tax rates are determined using the final assessment roll for the tax year provided by the Municipal Property Assessment Corporation (MPAC) and the levy requirement approved by Council. By-laws are required to be passed by Council for both the Interim and Final tax billings.

The Interim levy is the first billing of the year and is based on 50% of the prior year's annualized levy.

The Final levy is produced after the passing of the annual municipal budget and is based on the tax rates established by by-law based on the budgetary requirements of the City and those of the Ministry of Education in concern with the education portion of the property tax bill. The Final levy is based on the tax

year's assessment and the current year's rates and is adjusted for the portion of taxes already paid through the Interim billing along with any other legislated adjustments or additions to the taxes (e.g. capping/clawback levies).

Any applicable Downtown Improvement charges are included in the Final Levy. Local Improvement charges are included in both the Interim and Final billings.

Supplementary tax billings are issued throughout the tax year as Supplementary and Omitted Assessment Rolls are provided to the City by MPAC. These rolls represent new assessment from the construction of new buildings or improvements made to properties that were not captured through the roll returned by MPAC for the tax year or the previous two years. These supplementary tax billings are billed at the tax rates already approved by Council for the corresponding tax year.

Other additions to the roll that are deemed to be taxes are billed according to relevant legislation.

The tax bill issued will meet all of the requirements of the provincially standardized property tax bill in accordance with *Section 343 (2) of the Municipal Act, 2001*. Any arrears are included solely in the first instalment amount on each bill.

Tax bills must be mailed at least 21 calendar days prior to the first due date in accordance with *Section 343 of the Municipal Act, 2001*. Bills may be mailed earlier if time permits.

B. DUE DATES

There are four instalments per year with each regular billing having two instalments with due dates normally as follows:

INTERIM LEVY	The last business day of February The last business day of April
FINAL LEVY	The last business day of June The last business day of September

The specific due dates will be identified in both the Interim and Final Levy By-Laws for the City. Where due dates are delayed as a result of factors beyond the City's control, they shall then be set with regard to the notice provisions above.

Supplementary and Omitted Assessment Rolls received prior to the Final Billing will be billed in two instalments with instalment dates similar to those of the Final Levy. Supplementary and Omitted Assessments Rolls received after the Final Levy are billed in one or two instalments with the instalment(s) due date set by the Finance Department. A separate levying by-law is not required for a supplementary tax billing.

C. PAYMENT OPTIONS AND METHODS OF PAYMENT

Instalment payments are due in the City of Guelph Tax Office by the date listed as the instalment due date. Acceptable payment methods are:

- Cheque made payable to the City of Guelph and mailed to the City of Guelph – Taxation and Revenue Division, 1 Carden St.
- In person at the Service Guelph counter by cash, cheque or debit payment
- Through telephone or internet banking with a financial institution
- In person at a branch of a financial institution
- Cheques post-dated to the instalment due date are accepted at any time and are held by the Tax Division until the date of the cheque.
- Third party cheques are not accepted. A cheque made payable to both the City of Guelph and the property owner is not considered to be a third party cheque and will be accepted as payment.

When mailing a property tax payment, the taxpayer assumes the responsibility for the late payment charge if the payment is not received in the City of Guelph Tax Office by the due date.

Pre-authorized tax payment plans are also offered to taxpayers as a convenient way to have their property tax payments automatically withdrawn from their bank accounts. There are currently three pre-authorized plans: the due date plan, the 9-month plan and the 11-month plan.

Taxpayers on the due date plan have their property tax payments withdrawn on the due dates at the end of February, April, June and September. Taxpayers on this plan receive notices twice per year advising of the upcoming withdrawal dates and amounts.

The 9-month plan withdraws tax amounts on the last business day of each month from January to September. Withdrawals from January to May are estimated based on the previous year's taxes plus 5% while the June to September withdrawals are adjusted to reflect the current year's taxable property assessment and municipal tax rates.

The 11-month plan withdraws property tax payments on the last business day of each month from November to September. Withdrawals from November to May are estimated based on the previous year's taxes plus 5% while the June to September withdrawals are adjusted to reflect the current year's taxable property assessment and municipal tax rates. Taxpayers on both the 9-month and 11-month plan receive notification once per year in June of their upcoming property tax payment schedule.

Accounts with arrears may participate in a pre-authorized plan as a collection tool. These accounts will be charged penalty and interest until the account balance is current.

To participate in a pre-authorized payment plan, taxpayers are required to complete an application form and return it to the Tax Office by the dates established by that office. The form will clearly outline the program requirements as well as the policies regarding returned payments, penalty and interest charges and the 15-day written notice requirement to make any changes to their plan.

A returned payment under any payment plan will be subject to a service charge as set by Council. Any tax account on a pre-authorized payment plan that has two or more returned payments in one year may be terminated from the plan.

D. PAYMENT APPLICATION

Payments are applied to outstanding property tax accounts in accordance with *Section 347(1) of the Municipal Act, 2001*. Any partial payment shall be applied first to any penalty or interest outstanding and then to any outstanding taxes starting with the oldest amounts outstanding.

Note: Partial payments are not accepted where a Tax Arrears Certificate has been registered against a property, except where the City has entered into an Extension Agreement. If a payment is received, it will be returned or refunded as appropriate.

E. PENALTY AND INTEREST CHARGES (LATE PAYMENTS)

Penalty and interest charges are billed at a rate of 1.25% on the first day of default and the first day of each month thereafter on all property tax arrears in accordance with City By-Laws and *Section 345 of the Municipal Act, 2001*.

Failure to receive a property tax bill does not absolve the property owner from any taxes due or from penalty charges for the late payment. It is the taxpayer's responsibility to notify the property tax office in writing of any mailing address changes. Any notice sent by ordinary mail is considered delivered to and received by the addressee unless the notice is returned by Canada Post or an error in the mailing address is proven. Failure to notify the Tax Section of a mailing address change in writing is not considered to be an error.

Penalty and Interest charges added to taxes form part of such taxes and shall be collected as taxes. All collection actions taken against a property tax account shall include any and all outstanding penalty and interest charges.

Penalty and interest charges are only adjusted in accordance with:

1. Tax appeal adjustments made under *Section 334, 354, 357 and 358 of the Municipal Act, 2001.*
2. Adjustments to the assessment roll made subsequent to roll close by the Municipal Property Assessment Corporation (MPAC) through a Request for Reconsideration (RFR), Advisory Notice of Assessment or Post-Roll Amended Notice or through a decision of the Assessment Review Board (ARB) or any other changes made as a requirement of the *Assessment Act.*
3. Errors or omissions resulting in penalty and interest charges as a result of the City's error or omission
4. Direction of Council, the City Treasurer, Manager of Taxation and Revenue or by any court of law.

The amount of penalty and interest charges cancelled is limited to the amount related to the tax reduction associated with a tax adjustment, change in assessment or City error or omission.

Write-off limits are in concurrence with the City of Guelph's Purchasing Policy and signing limits the Treasurer assigns to Finance Staff under said policy. In addition, staff within the Taxation and Revenue Division will be allowed to write-off up to \$50.00 on the current instalment for properties in the residential tax classes.

F. TAX ARREARS – COLLECTION METHODS AND PAYMENT INCENTIVES

Property or realty taxes are a secured special lien on land in priority to any other claim except a claim by the Crown.

The City will primarily use the following methods to collect tax arrears:

- Arrears notices
- Telephone follow-up / Personal contact
- Payment arrangements
- Form or Personalized letters
- Title Searches and Notification of Interested Parties
- Rent Attornment
- Bailiff Services
- Municipal Tax Sales

Property taxes may be recovered, with costs, as a debt due to the City from the original owner and/or any subsequent owner of the property.

The ultimate resolution to clearing unpaid taxes three or more years in arrears is through a Tax Sale of the property. This authority is provided to municipalities as per *Part XI of the Municipal Act, 2001*, wherein it sets out the process for the "*Sale of Land for Tax Arrears*". Prior to the commencement of Tax Sale proceedings the following collection steps are available:

Arrears Notices

An arrears notice is sent each month to all taxpayers whose taxes are overdue. No statement is issued to those accounts in which the balance is \$5.00 or less. The notice will show all amounts of taxes in arrears on the account including any penalties and interest or items added as taxes. These notices are sent to remind taxpayers of the current delinquency of taxes and to determine whether any discrepancies exist.

Telephone Follow-Up and Personal Contact

Personal contact will be attempted for taxpayers who have a significant amount of arrears in addition to the mailing of the arrears notices. Every effort is made to try and reach an agreement that is satisfactory to both the taxpayer and the municipality. Results of this contact will be documented and noted on the property tax account for future reference.

Payment Arrangements

Payment arrangements may be entered into in order to provide for the clearing of arrears over a period of time. For accounts three or more years in arrears, payment arrangements entered into should not extend beyond two years (24 months) in length. Payment arrangements must include all tax arrears, current

taxes, accruing estimates of future taxes, interest/penalty and be sufficient to ensure that payment in full is realized by the end of the agreement term.

Notwithstanding any such arrangements, no third party payment(s) will be refused by the City of payment on account (e.g. payment from a mortgagee). The taxpayer would be considered to be in default of the established payment arrangements if a payment is not made or if it is returned by their financial institution. Once in default of the payment arrangement or no satisfactory payment arrangement can be made, the City will proceed or resume other collection actions as set out in this policy including the registration of a Certificate of Tax Arrears.

Payment arrangements for accounts less than three years in arrears should be made to minimize the time the account is in arrears while offering a workable solution to the taxpayer. Any reasonable arrangement will not be refused.

Late payment charges in terms of penalty and interest will continue to accrue during all such payment arrangements until full payment on the account has been made. Payment arrangements will not include any forgiveness of interest. Post-dated cheques or pre-authorized payments are to be obtained wherever possible. Payment arrangements should be documented and noted on the property tax accounts for future follow-up and be specific in their agreed upon terms.

Form or Personalized Letters:

Before an account is three years in arrears, specific collection letters/notices ("Sale of Lands for Municipal Tax Arrears") are sent to property owners advising of the potential of Tax Sale proceedings. The letter/notice will request payment in full or offer the property owner the opportunity to make specific payment arrangements to clear the account. This letter is sent prior to December 31 of each year to each account that will be three years in arrears as of December 31.

All tax accounts three years or more in arrears will be subject to collection proceedings which could lead to the "*Sale of Lands for Tax Arrears*" as provided by *Part XI of the Municipal Act, 2001*. If no payment or payment arrangements have been made by December 31st, a final letter will be sent advising the assessed owner of the effective date of tax registration if suitable payment arrangements are not met.

Title Searches – Notification of Interested Parties

When a property approaches three years in arrears, a title search will be conducted to identify all outstanding encumbrances and parties with a registered interest in the property and to confirm that the owners shown on the Tax Rolls are accurate. The City will provide information of the outstanding tax arrears to all registered mortgagees shown on the property records of the Land Registry Office in an effort to secure payment, before implementation of the Tax Sale process. This notice to interested parties advises that the City intends to proceed with a Municipal Tax Sale and provides them with an opportunity to pay the arrears in order to protect their interest in the property.

Rent Attornment

Rent attornment may be used to discharge the tax arrears on an income producing property where there is a significant amount of taxes owing but the property is ineligible for tax registration. The seizure of rent is the most severe deterrent on this type of property in that it deprives the owner of their operating funds. It is the rent collected that pays the bills to operate the rental units. This measure is only used when all other methods are unsuccessful and is provided for under *Sections 350 and 351 of the Municipal Act, 2001*.

A first notice is sent advising the owner that the account is in serious arrears, and that if full payment or alternative payment arrangements are not made, the seizure of rent could take place. If full payment has not been received or payment arrangements made within thirty (30) days from the date of the first notice, a second notice will be sent advising the owner of the effective date that rent attornment will be implemented by the City if full payment or payment arrangements have not been made.

When the taxes still remain unpaid, thirty (30) days from the date of the second letter a third notice will be sent to the tenants advising them to remit their rents to the City as a result of the tax arrears.

The second and third letters will be sent by registered mail.

Bailiff/Third Party Collections

The City is authorized to utilize third party services including a Bailiff to expedite collection prior to registration of a Tax Arrears Certificate for residential realty tax accounts which are three (3) years or more in arrears and have received notice of such. Commercial, industrial and multi-residential

properties may have the services of a Bailiff utilized at any time prior to the registration of a Tax Arrears Certificate in order to expedite collection.

Section 349 of the Municipal Act, 2001 provides that taxes may be recovered with costs as a debt due to the municipality from the taxpayer originally assessed for them and from any subsequent owner of the assessed land or any part of it. When the services of a Bailiff are deemed appropriate to facilitate the collection of tax arrears, the City may issue a notice called "Final Notice – Bailiff Collection" to property owner(s) advising a "warrant to distrain" will be issued to a Bailiff in order that the outstanding taxes are collected.

The services of a Bailiff may include personal visitation to the property as an agent of the City in an effort to collect or arrange settlement of the account in full with the property owner. Costs associated with this action are the responsibility of the property owner and are deducted by the Bailiff, in accordance with legislation, prior to the remittance of payment to the municipality. Once an account is forwarded to a Bailiff for collection purposes, the property owner must deal directly with the Bailiff and make payments directly to the Bailiff. The City will not accept payments from property owners in this case as it blurs the line of accountability and record keeping in regard to collection efforts and costs.

Municipal Tax Sale

Tax registration should be only considered after all reasonable means of collection have been exhausted. Every effort to work with the taxpayer to make suitable arrangement prior to this step should be exhausted.

The City will follow the procedures as set out in *Part XI of the Municipal Act, 2001* when the decision is made to implement the Tax Sale process.

Prior to commencement of the Tax Sale process, a *Farm Debt Mediation Act* "Notice of Intent to Realize on Security" will be sent to the registered property owner(s), with an explanatory covering letter and a current statement of taxes. This notification serves as final notice before a Tax Arrears Certificate Registration is completed. It provides the property owner with thirty (30) days to pay their tax arrears in full or enter into a firm, suitable arrangement with the City. Otherwise, the City will register a Tax Arrears Certificate against the property.

There is a one (1) year redemption period after the Tax Arrears Certificate is registered on title, during which full payment of all taxes, penalty/interest and costs can be made. No partial payments are allowed. If full payment is made, the City will register a Cancellation Certificate (as defined by the *Municipal Act*,

2001). Once registered, the City will send a Notice of Registration of Tax Arrears Certificate to the property owner and all interested parties.

If requested within the redemption period, the Manager of Taxation and Revenue may recommend Council pass a By-law authorizing an Extension Agreement (as defined under *Section 378 of the Municipal Act, 2001*). If taxes remain unpaid after the one year period has passed and no Extension Agreement has been entered into, the account will then be reviewed by the Manager of Taxation and Revenue as well as Legal Services prior to advertising for Tax Sale.

For a purchase bid to be acceptable it must be in the prescribed form as well as meet all other legislated requirements with the appropriate deposit attached and must be sufficient to cover all taxes, penalties/interest , any charges added to the account as taxes and costs attributable to the Tax Sale. The Treasurer may direct staff to complete the portion of the tender form to describe the subject property. There is no requirement for the municipality to establish market value prior to the sale, give any warranties with the property or provide vacant possession.

The Treasurer and/or the Manager of Taxation and Revenue has the discretion to cancel a Tax Sale pursuant to *Section 382(6) of the Municipal Act, 2001* at any time up to the registration of a tax deed or notice of vesting.

From the sale proceeds, the City retains sufficient funds to clear all outstanding taxes, penalty/interest and costs (total is considered to be the "Cancellation Price"). Any proceeds in excess of the Cancellation Price shall be paid into the Court, where any party having a claim may apply for a share of the surplus.

If there is no successful Tax Sale, the Manager of Taxation and Revenue shall report to Council suggesting further actions that may be taken, which may include registration of a notice of vesting.

G. MISCELLANEOUS

i. Interest on Tax Overpayments from Assessment / Tax Appeals

The City shall pay interest on tax overpayments resulting from appeal decisions released to the City of Guelph by the Assessment Review Board in accordance with *Section 345(6) of the Municipal Act, 2001*. Interest begins to accrue 120 days after the date the decision is released to the City and the City has been sent all necessary information required to process said decision. The rate of interest payable is in the same manner as interest is

paid under *subsection 257.11(4) of the Education Act*, which states the rate of interest payable is the lowest Prime Rate reported to the Bank of Canada by any of the banks listed in schedule 1 of the *Bank Act (Canada)* on the date interest is paid. This interest rate will be paid commencing at the end of the 120-day period until the date the appeal adjustment is applied to the tax account.

The appeal adjustment amount plus any applicable interest will be credited to the relevant tax roll number.

ii. Minimum/Small Balance Write-offs

Some accounts have remaining balances and credits that are small enough that the additional cost of collection is not deemed worthwhile. Before Interim and Final billings are produced and at year end, accounts are reviewed and all accounts with balances of less than \$5.00 are written off. Council authorizes the Manager of Taxation and Revenue to approve such write-offs for outstanding amounts less than \$5.00.

iii. Tax Service Charges

Subject to annual review and Council approval, certain service charges may be levied on individual tax accounts in amounts set by City By-Law. Current Fees are:

Taxation and Revenue Fees	2011	2012
Tax Certificate	\$50.00	\$50.00
Statement of Account	\$25.00	\$25.00
Duplicate Tax Bill	\$25.00	\$25.00
Tax Receipt	\$25.00	\$25.00
NSF Administration Fee	\$35.00	\$35.00
PAP Plan (re-join fee if cancelled)	\$25.00	\$25.00
Additions to Tax Roll	\$50.00	\$50.00
Search Tax Information (per property)	\$50.00	\$50.00
Title Searches		\$40.00

iv. Refunds and Credit Balances

All refund requests must be made in writing to the City of Guelph Revenue and Taxation Division. All requests will be thoroughly reviewed by staff before any cheque requisitions are produced.

No refund will be given unless there is an overpayment on the account. All taxes owing, including those levied but not yet due, must be paid before a refund can be issued. Credits under \$5.00 will be written off. No refunds for \$20.00 or less will be issued and instead will be applied towards the next instalment.

All credits resulting from Tax Appeals, Assessment Appeals and other rebate programs will be applied to the property tax account against any outstanding taxes billed and owed. Any remaining credit will be left on the account and written notification will be sent to the property owners to advise them of the appeal's completion.

In cases of overpayments or misapplied payments to property tax accounts, the party requesting the refund must also submit proof of payment along with their refund request. In cases where the ownership of a property has changed, a copy of the statement of adjustments from the parties' lawyers must also be submitted to the Tax Office before a refund can be issued.

Tax and Assessment Appeal credits will be refunded in compliance with *Section 341 (2) of the Municipal Act, 2001* which states that the municipality "...shall refund any overpayment to the owner of the land as shown on the tax roll on the date the adjustment is made...". Former owners of property applying to the City for refunds of property taxes must obtain a written letter of authorization from the property's current owners before any funds can be released to them.

The Tax Office reserves the right to request any additional documentation as deemed necessary in order to facilitate the processing of a refund request.

H. REPORTING STANDARDS

The Manager of Taxation and Revenue shall prepare a report for the Treasurer's and Council's information semi-annually or as directed by Council with respect to tax collections, showing a comparative position for the immediate prior periods and that of the prior four periods with regard to taxes levied and outstanding.

I. RESPONSIBILITIES

The Manager of Taxation and Revenue shall ensure that property tax billing and collection processes are performed in accordance with this policy and is authorized to create, amend, adapt or change any procedures necessary for the

implementation/administration of this policy. The Manager may exercise discretion in the application of the guidelines of this policy where unusual circumstances exist and so that consistent fairness is provided to the taxpayer. Municipal collection procedures must be maintained in principal, pursuant with approved policies or where governed by legislation.

INFORMATION REPORT



TO **Corporate Administration, Finance and Emergency Services**

SERVICE AREA Finance
DATE December 5, 2011

SUBJECT 2010 Investment Performance Report
REPORT NUMBER FIN-11-57

SUMMARY

Purpose of Report: The purpose of this report is to provide 2010 investment performance information as required by the 2009 City investment policy and the Ontario Regulation 438/97.

Council Action: To receive this report for informational purposes.

BACKGROUND

Interest earnings of \$1.472 million have been achieved for the 2010 year resulting in a small deficit to budgeted earnings (\$1.497 million) of \$25 thousand. The City of Guelph investment portfolio totaled \$74.5 million as at December 31, 2010. These earnings have been allocated to operating (\$380,000) and reserve funds (\$1.09 million) in proportion to the balances on deposit in accordance with the City General Reserve and Reserve Fund Policy.

REPORT

Requirements of Performance Report

Investment performance reporting is a requirement of Ontario Regulation 438/97. As per section 8 of this regulation a number of items must be included in the report:

1. **Statement of Performance:** A statement about the performance of the portfolio of investments of the municipality during the period covered by the report;
2. **Investments in Own Securities:** Description of the estimated proportion of the total investments of a municipality incorporating the date of each transaction that are invested in its own securities to the total portfolio of the municipality and a description of the change, if any, from the previous year's report;
 - Investments in City of Guelph debentures were not held during the 2010 year.
3. **Investment Policy Compliance:** A statement by the Treasurer as to whether all investments are in compliance with the investment policies and goals adopted by the municipality;

4. **Standard Required Ontario Regulation:** Should an investment fall below the standard required in Ontario Regulation 487/97 during the period covered by the report; and
5. **Other:** Any other information that Council may require or that in the opinion of the Treasurer should be included.

Statement of Performance

2010 Investment Activity - Cash

The current agreement with the City’s bank allows for interest to be paid on the bank balance at a rate of prime minus 1.75%. In 2010 interest earned was \$466,684 versus \$483,302 in 2009.

Chart 1 shows the change in City of Guelph’s interest rate on cash balances from January 2009 to December 2010. The bank account rate declined steadily from 1.75% in January 2009 to .5% in June 2009 until June 2010 at which time the rate progressively increased to 1.25%.

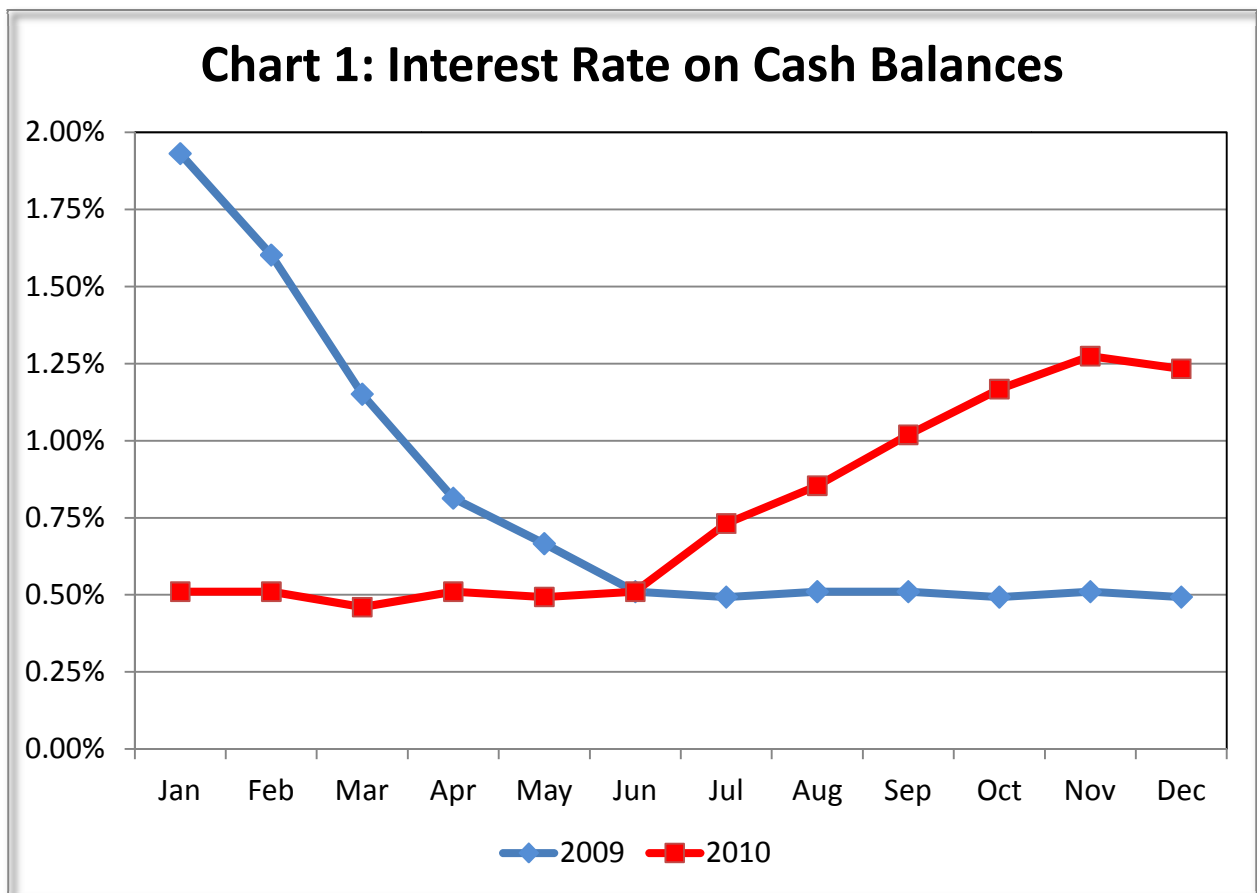
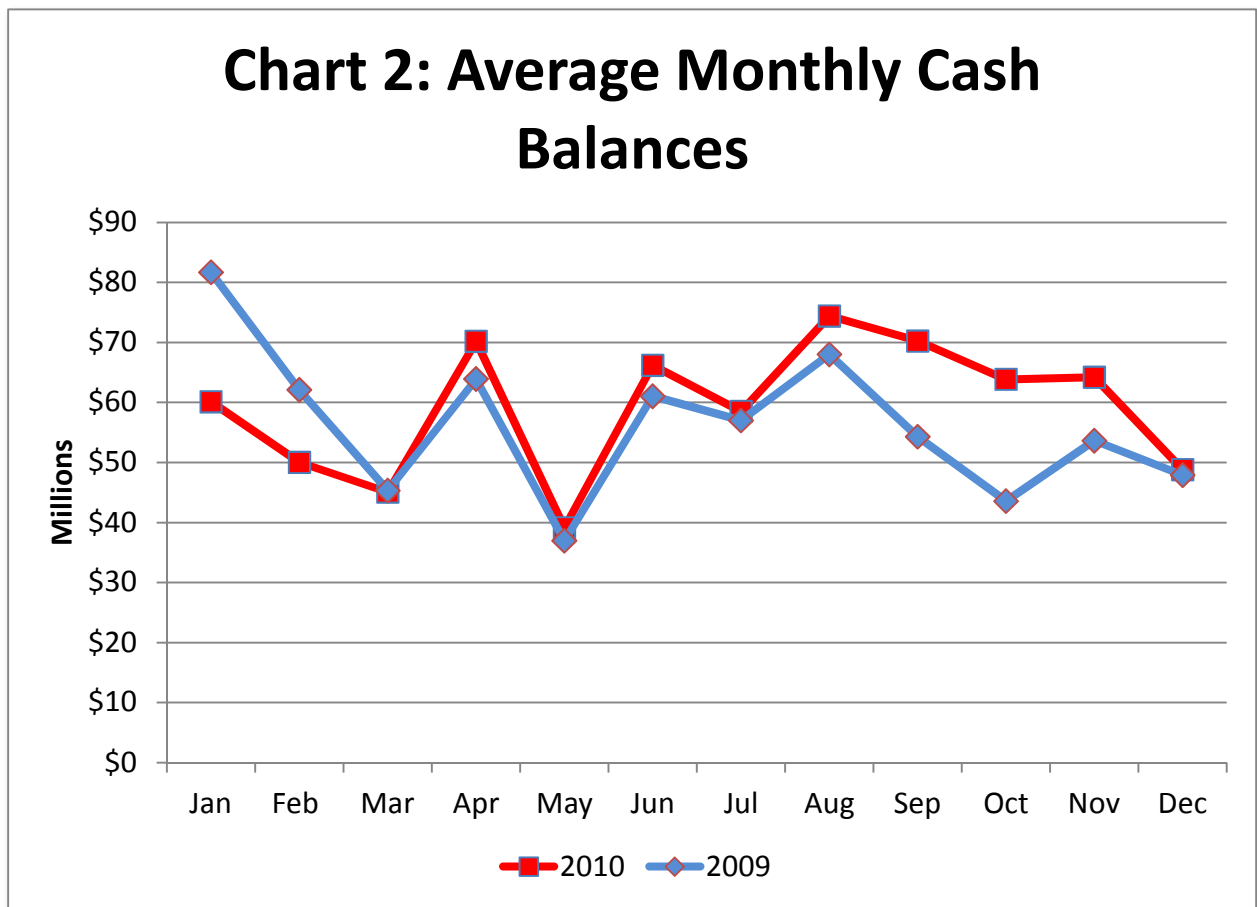


Chart 2 provides a comparison of the 2009 and the 2010 average monthly bank balances. A high level of liquidity was maintained in 2010 in order to ensure funds were readily available to meet expenditure obligations for stimulus and infrastructure projects, such as the Organics Plant, POA Court House, Museum and South End Emergency Services Facility. The federal/provincial portion of the stimulus projects required upfront bridge financing by the City. In November 2010 the monetization of the Hydro Note proceeds were utilized to finance these projects, which allowed debt financing to be deferred until Nov of 2011.



2010 Investment Activity - Investments

The City earned a total of \$1.472 million and an average yield of 2.13% on its investments for 2010 compared with 3.43% for 2009, a decrease of 1.3% due to higher-yielding longer-term investments maturing and being re-invested at lower interest rates.

The cash and investment positions (book value) of the City at the end of 2009 are compared to the positions at the end of 2010 in Table A below:

Table A

	December 2009 (Book Value)	December 2010 (Book Value)	December 2010 (Market Value)
Cash	\$55,314,103	\$41,731,793	\$41,731,793
Short-Term	\$22,930,034	\$46,743,580	\$46,649,944
Long-Term	\$36,754,841	\$27,752,535 *	\$27,219,034 *
Total Investments	\$59,684,875	\$74,496,115	\$73,868,978
Total	\$114,998,978	\$116,227,908	\$115,600,771

*The City has recorded an overall provision of \$1.1 million for MAVII notes. At December 31, 2010 the net expected to be received for these notes was \$1.2 million (Book Value of \$2.3 million less Overall Provision of \$1.1 million).

Schedule A includes a listing of the year-end portfolio which includes a comparison of individual investment terms to the limits contained in the current investment policy. Schedules B and C contain tables indicating actual portfolio holdings at December 31, 2010 compared to current policy limitations.

A comparison of total investments held by month is provided in Schedule D, as required in the investment policy. Balances were higher in 2010 in all but the month of September.

Asset-Backed Commercial Paper (ABCP) Restructuring

Recognizing the speculative nature of the ultimate payment of principal at maturity, provisions for impairment of \$578,153 in 2009 and an additional \$565,469 in 2010 have been booked for a total provision of \$1.1 million at December 31, 2010.

Recent transactions in the market have resulted in transfers at 55 – 64% of book value. The City of Guelph's current net book value (\$2.3 million-1.1 million) is 51% at \$1.2 million. Subsequent to the year-end, notice was received that the principal amount of MAVII 3 notes, with a book value of \$245,818, has been reduced to zero, and the value of these assets will be written off against the provision in 2011. The asset backed securities will continue to be closely monitored.

Performance Standards/Benchmarking

Chart 3 below is a graph of the City ST portfolio's monthly income earned as compared to the ONE Fund, Money Market. The average City ST interest rate was 0.8% versus the ONE Fund, Money Market average rate of 0.5%. The City outperformed the Money Market Fund with short-term investments for the all of the months in 2010.

Chart 3: 2010 ST Return Comparison City vs ONE Funds Money Market

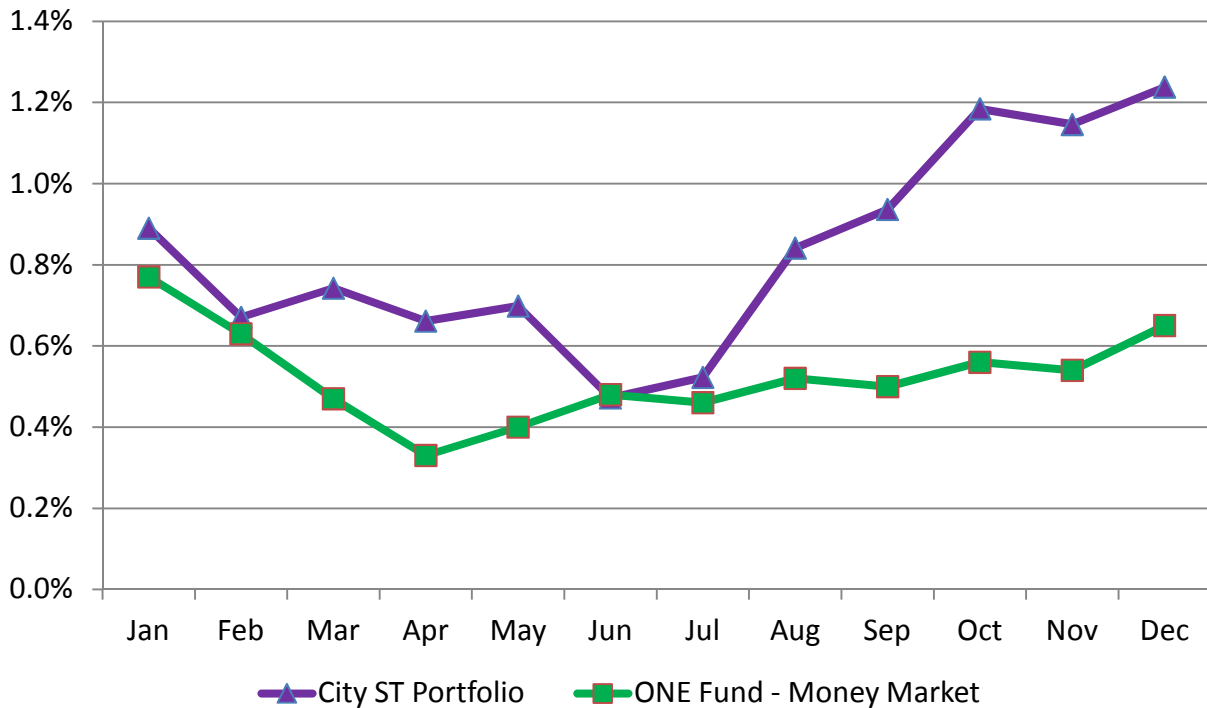
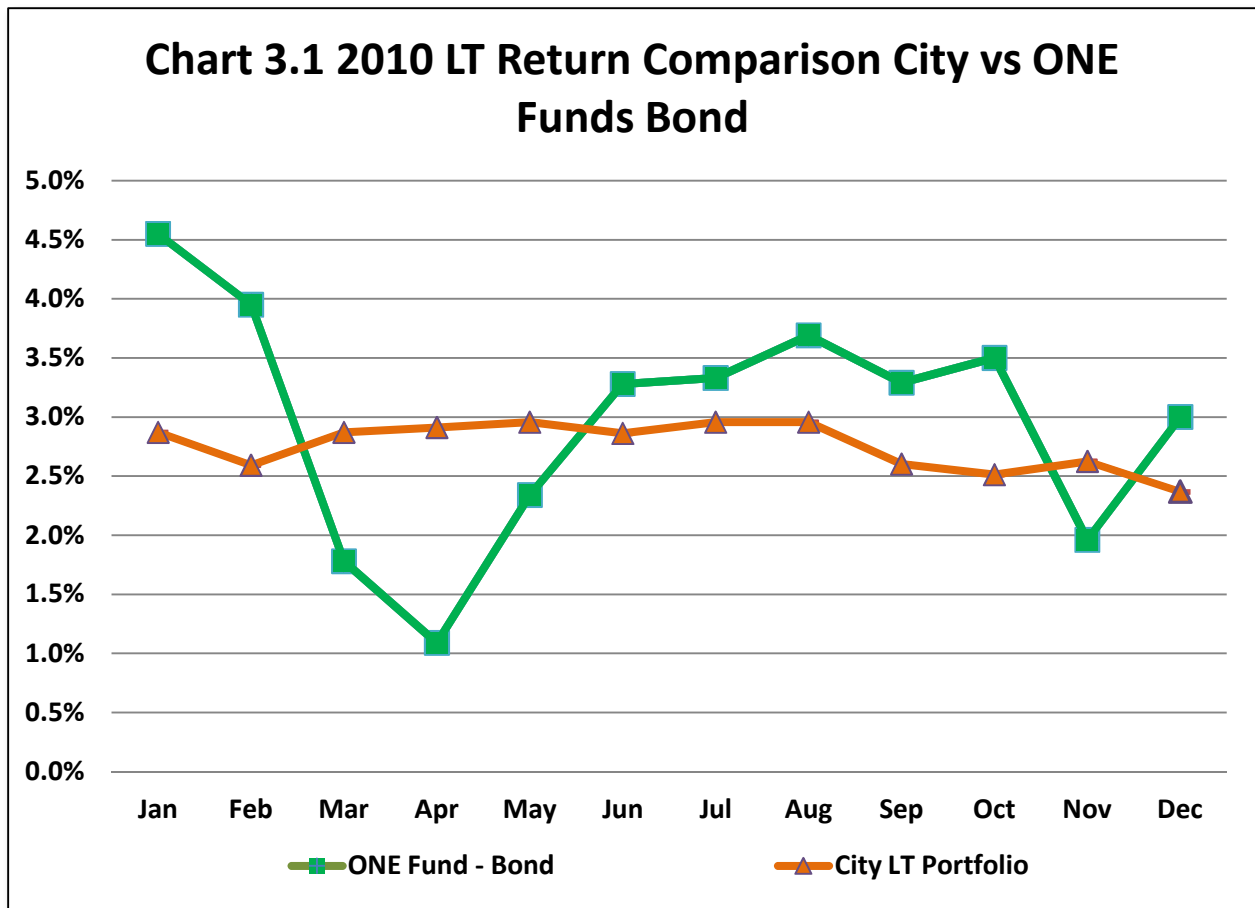


Chart 3.1 below is a graph of the City LT portfolio's monthly income earned as compared to the ONE Fund, Bond Funds. The average City LT interest rate was 2.8% versus the ONE Fund, Bond Fund average rate of 3%. The City did not outperform the Bond Fund but remained consistent over the fiscal year.



Investment Policy and Standard Required Ontario Regulation Compliance:

Compliance with 2009 Investment policy

All investments were made in accordance with Ontario Regulation 438/97 of the *Municipal Act*. Non-compliance with the City of Guelph 2009 policy as follows:

1. **To ensure diversification the aggregate of Tier I Banks held in the short-term portfolio shall at no time exceed more than 90% of the short-term investment portfolio.**
 - Short-term holdings of Tier I Banks have been exceeded. The limit is 90% while actual December 31, 2010 holdings are 97%. The breach did not put the City's portfolio at risk as the investments were held in liquid investments with the TD and CIBC banks. In March of 2011, a Tier I investment has matured, bringing the City into compliance.

2. **Term limits have been established with respect to individual sectors based upon credit quality and to minimize the interest rate exposure. Subject to individual limitations imposed the weighted average maturity of the Long Term Portfolio for municipal debenture investments shall not exceed 5 years.**

- The long-term limitation for a Municipal debenture investment is 5 years. Currently the City has two municipal debentures in its long term investment portfolio that exceed this maximum term length. These investments are currently providing a high rate of return and it is not recommended that they be sold.
 - i. City of Toronto debenture exceeds the 5 year limit by 1.6 years.
 - ii. Region of Waterloo debenture exceeds the 5 year limit by 0.9 years.
 - iii. MAVII CL Notes exceed the 5 year limit by 41 years.
3. **Within the established limits for Financial Institutions as outlined, the aggregate of securities offered by or unconditionally guaranteed by any one of the Financial Institutions shall not exceed 35% of the total investment portfolio.**
 - At 52.4% the aggregate of CIBC securities exceeded the maximum Financial Institutions limit of 35% of the total investment portfolio
 4. **Within the established limits for Provincial investment outlined, the aggregate of securities offered by or unconditionally guaranteed by an individual province shall not exceed 35 % of the total long term investment portfolio.**
 - At 40.4% the aggregate of Province of Ontario debentures exceeded the maximum Provincial limit of 35% of the total long term investment portfolio
 5. **Not more than 50% of the Long Term Portfolio will be held in investments with less than AAA rating.**
 - At 24.8% or \$6,143,000, the aggregate of the Long Term Portfolio held in AAA rating investments did not meet the minimum 50% requirement.

The Investment Policy has been reviewed to increase its flexibility and reduce its restrictive complexity to allow for improved and simplified management. It was also identified there was a need to have a functioning Cash Forecasting model and enhanced Investment model to assist with the investment process. These models have been developed and are being utilized in fiscal 2011.

CORPORATE STRATEGIC PLAN

5 - A community-focused responsive and accountable government.

5.5 - A high credit rating and strong financial position.

FINANCIAL IMPLICATIONS

Investment income reduces financing required from taxation for City activities and also assists with increasing the City's reserve funds to fund future capital needs.

DEPARTMENTAL CONSULTATION/CONCURRENCE

N/A

COMMUNICATIONS

N/A

ATTACHMENTS

Appendix 1: Investment Reporting Requirements

Schedule A: Investment Portfolio Listing and Term Limits Dec 31, 2010

Schedule B: Short-term Investment Portfolio Holding Limits

Schedule C: Long-term Investment Portfolio Holding Limits

Schedule D: Total Investments Held by Month Chart

“original signed by Vicki McLaughlin”

Prepared By:

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“original signed by Susan Aram”

Recommended By:

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Investment Reporting Requirements

These reporting requirements are in accordance with Ontario Regulation 438/97 for municipalities.

1. **Statement of Performance**
The City of Guelph earned an average return of 2.13% on its investments in 2010.
2. **Investments in own securities**
Investments in City of Guelph debentures were not held during the 2010 year.
3. **Record of the date of each transaction in or disposal of investments in own securities**
Investments in City of Guelph debentures were not held during the 2010 year.
4. **Statement of Treasurer**
I, Susan Aram, Acting Treasurer for the City of Guelph, hereby states that:
 - a - The short-term holding limit of 90% has been exceeded for Tier I Banks.
 - b - At 54.2% the aggregate of CIBC securities exceeded the maximum Financial Institutions limit of 35% of the total investment portfolio.
 - c - City of Toronto debenture exceeds the 5 year term limit by 1.6 years
 - d - Region of Waterloo debenture exceeds the 5 year term limit by 0.9 years
 - e - MAVII CL Notes exceed the 5 year limit by 41 years.
 - f - At 40.4% the Province of Ontario debentures exceeded the maximum Provincial limit of 35% of the long term investment portfolio
 - g - At 24.8% or \$6,143,000 the aggregate of the Long Term Portfolio held in AAA rating did not meet the minimum 50% of the investment portfolio

The remaining investments have been made in accordance with the investment policies adopted by the City of Guelph.
5. **Statement by the Treasurer should an investment fall below the standard required in O.R. 438/97**
Investments held by the City of Guelph did not all below standards.

Signed: “original signed by Susan Aram”

Dated: November 28, 2011

INFORMATION REPORT



Schedule A

City of Guelph Investment Portfolio As at December 31, 2010

Short-term Investment Portfolio

Issuer	Yield	Maturity Date	Purchase Price/ Book Value	Term to Maturity (Days)		
				To Maturity	Restriction	Exceeded
CIBC	1.300%	07-Nov-11	\$11,000,000	311	365	-
TD Bank	4.500%	28-Oct-11	\$1,500,000	301	365	-
CIBC	1.350%	03-Oct-11	\$10,019,945	276	365	-
CIBC	1.350%	13-Sep-11	\$15,400,000	256	365	-
Province of Ontario	1.500%	21-Jun-11	\$500,000	172	365	-
Province of Ontario	1.500%	21-Jun-11	\$1,000,000	172	365	-
CIBC	0.787%	28-Mar-11	\$10,323,635	87	365	-
Short-term Investment Total				\$49,743,580		

Long-term Investment Portfolio

Issuer	Yield	Maturity Date	Purchase Price/ Book Value	Term to Maturity (Years)		
				Purchased	Restriction	Exceeded
MAVII CL A-1 Note	-	15-Jul-56	\$502,795	46	5	41
MAVII CL A-2 Note	-	15-Jul-56	\$1,270,940	46	5	41
MAV II CL B Note	-	15-Jul-56	\$230,711	46	5	41
MAV II CL C Note	-	15-Jul-56	\$62,043	46	5	41
City of Toronto	5.076%	18-Jul-17	\$5,000,000	6.6	5	1.6
Region of Waterloo	3.510%	01-Dec-16	\$1,143,000	5.9	5	0.9
MAV II CL-3 Note	-	24-Oct-16	\$245,818	6	5	1
RBC	4.640%	04-Nov-13	\$1,297,228	2.8	5	-
IBRD	1.120%	31-Oct-12	\$5,000,000	1.8	-	-
Province of Ontario	3.000%	13-Mar-12	\$10,000,000	1.2	15	-
Long-term Investment Total				\$24,752,535		
Total Investment Portfolio				\$74,496,115		

INFORMATION REPORT



Schedule B

**The City of Guelph
Short-term Investment Portfolio
As of December 31, 2010**

Sector	Investment by Institution	Investment Percentage Holdings	Sector Percentage Policy Limitations
Federal			
Government of Canada			100%
Federal Guarantees			100%
Category Total	\$0	0.0%	100%
Provincial and Provincial Guarantees			
R1 High			90%
R1 Mid	\$1,500,000	3.0%	35%
R1 Low			25%
Category Total	\$1,500,000	3.0%	90%
Municipalities			
Category Total	\$0	0.0%	90%
Financial Institutions			
Tier I Banks	\$48,243,580	97.0%	90%
Tier II and III Banks (R1 Mid only)			90%
Trust & Loan Corporations (R1 High only)			90%
ABCP (Min. 2 ratings)			
Category Total	\$48,243,580	97.0%	90%
Eligible Investment Pools			
Category Total	\$0	0.0%	90%
TOTAL	\$49,743,580	100.0%	

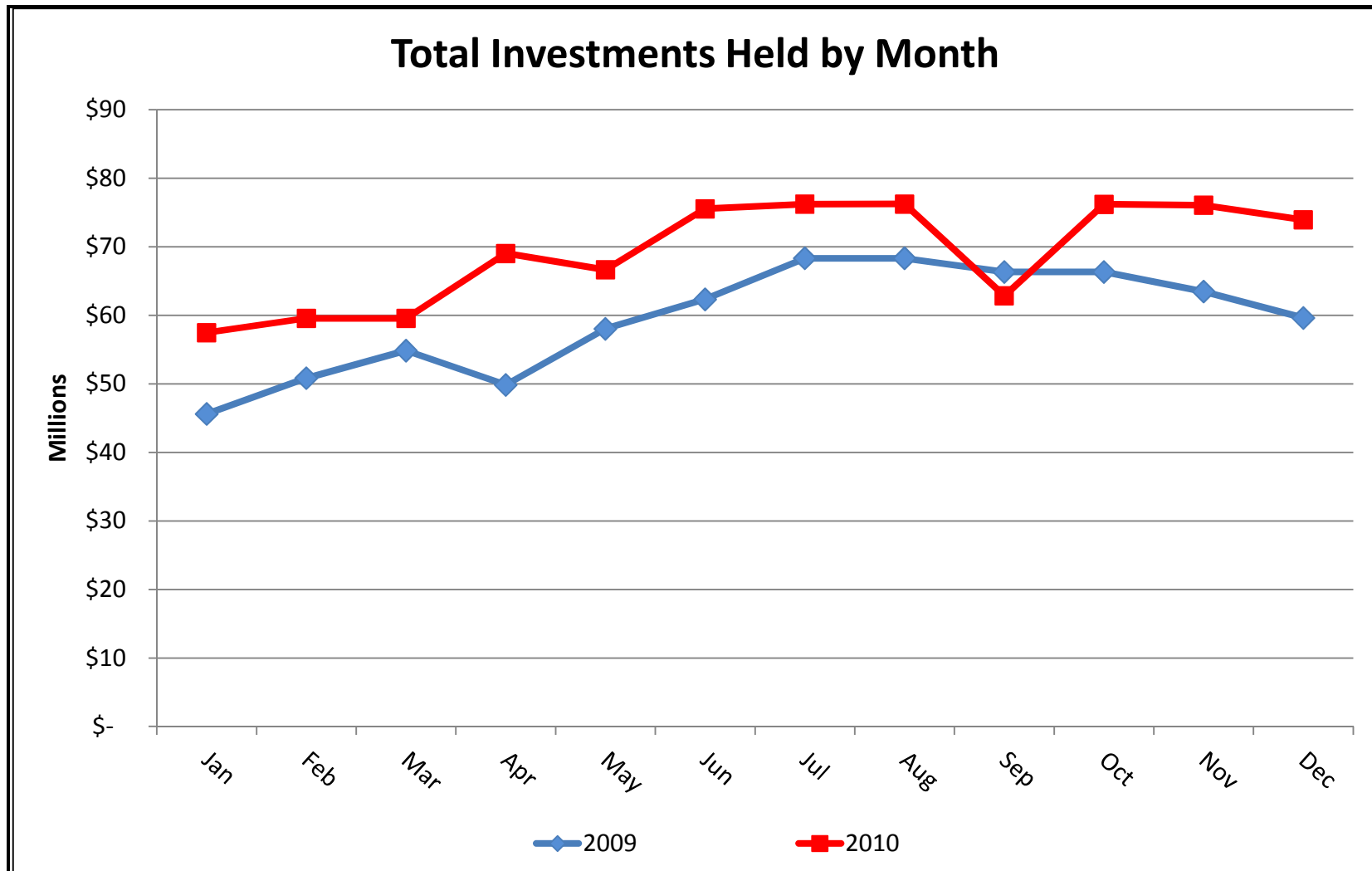
INFORMATION REPORT



Schedule C

**The City of Guelph
Long-term Investment Portfolio
As of December 31, 2010**

Sector	Investment by Institution	Investment Percentage Holdings	Sector Percentage Policy Limitations
Federal			
Government of Canada			100%
Federal Guarantees			50%
Category Total	\$0	0.0%	100%
Provincial and Provincial Guarantees			
AAA Rating			50%
AA Rating	\$10,000,000	40.4%	35%
A Rating			25%
Category Total	\$10,000,000	40.4%	50%
Municipal Guarantees (excl. City of Guelph)			
Category Total	\$6,143,000	24.8%	25%
City of Guelph			
Category Total	\$0	0.0%	50%
Financial Institutions			
Tier I Banks	\$1,297,228	5.2%	50%
Tier II and III Banks			25%
Category Total	\$1,297,228	5.2%	50%
Eligible Investment Pools			
Asset-backed Securities AAA rating only all downgraded and do not meet AAA	\$2,312,307	9.3%	25%
Category Total	\$2,312,307	9.3%	25%
Supranational			
Category Total	\$5,000,000	20.2%	
TOTAL	\$24,752,535	100.0%	



COMMITTEE REPORT



TO **Corporate Administration, Finance & Emergency Services
Committee**

SERVICE AREA Finance
DATE December 5, 2011

SUBJECT Investment Policy Review
REPORT NUMBER FIN-11-58

SUMMARY

Purpose of Report: To present amendments to the current City investment policy for approval. The current City investment policy is restrictive due to the complexity of the policy. The following key issues have been identified:

- In the current market of low interest rates, certain limitations in credit ratings and terms have limited the City's flexibility to invest in Provincial bonds, Municipal debentures and bank guaranteed investments. Changes have been proposed to permit a wider range of investment options to improve returns without incurring significant additional risk.
- Management of the short and long term portfolios separately can be complex when maximum limitations and terms conflict. In order to simplify management of the portfolio, changes have been recommended.
- Changes to wording throughout the policy which is currently inconsistent from the Bank of Canada Act and Ontario Regulation 438/97 wording. The amended policy also provides additional clarification relating to approval requirements and Asset Backed Securities..

Committee Action: Recommend approval of the amended Investment Policy by Council.

RECOMMENDATION

THAT the City investment policy, Appendix 1, be approved as amended.

BACKGROUND

The City's investment policy has undergone a comprehensive review in consultation with our Investment dealers. Proposed changes to the existing policy, regarding term and credit risk have been recommended to permit a wider range of investment options and to improve returns while maintaining policy goals. All of the recommended changes comply with requirements and limitations set out in Ontario Regulation 438/97 of the *Municipal Act* which defines permitted investments.

Cash management activities and the income resulting from the investment of idle funds play an integral part in the revenue sources available to the City. Maximum use of available funds is important for prudent fiscal management and to assist in funding capital reserves and reducing the taxpayer's burden.

REPORT

Investment Policy Review

Ontario Regulation 438/97 requires a Council approved investment policy and goals. The City of Guelph's investment policy has undergone a comprehensive review.

All of the recommended changes comply with requirements and limitations contained in the *Municipal Act*.

The following changes to the existing policy have been recommended to address the above identified issues:

Issue 1

In the current market of low interest rates, certain limitations in credit ratings and terms have limited the City's flexibility to invest in Provincial bonds, Municipal debentures and bank guaranteed investments. The following changes have been proposed to align with other municipal investment policies and permit a wider range of investment options to improve returns without incurring significant additional risk.

Clarification of permitted investments

- Identified all the permitted investments in O.R. 438/97 and defined investment limitations and term maximums for each permitted asset. These investments have been added to Schedule 1 of the Investment Policy to allow for greater clarity.

Term modifications

- A number of institutions will have the maximum term limits extended. The increased term for these institutions will increase flexibility with minimal additional risk. All applicable investments have a secondary market should liquidity be required earlier. The following modifications to long-term investments (LT) have been made:
 - Increase the maximum term for AA rated Provincial and Provincial Guarantees to 20 years from 15 years.
 - Increase the maximum term for municipal products rated AA low or higher to 10 years from 5 years
 - Add the term limitation for A low rated to 5 years.
 - Increase the maximum terms for Schedule I Banks to 10 years from 5 years.
 - Increase the overall weighted average of Long term investments to 10 years from 7 years.

- Modify the term requirements of short-term (ST) investments. Modify the requirement of a maximum weighted average term to 365 days or one year from 91 days. This is being proposed for the following reasons:
 - Investments may be purchased with cashable and callable dates resulting in liquid ST investments. For example, a cashable 1 year GIC may be cashed as early as 30 days.
 - By increasing the maximum term, investments can be made for longer periods which will increase the rate of return available.
 - To ensure liquidity will meet cash flow requirements, combine bank balances and ST investments to determine the measurement of compliance.

- Remove the requirement for a portion of the Long Term (LT) portfolio to be AAA rated. The current investment policy requires 50% of the LT portfolio to be AAA rated. This is very difficult to achieve as the majority of AAA offered investments are Federal which have very low rates. There are very few provincial and municipal products with AAA rating and financial institutions are all below AAA..

Credit Rating and Limit Modifications

- The following modifications to the credit rating limits have been identified to increase the flexibility of the overall investment portfolio while maintaining diversification and flexibility with minimal additional risk. Additional maximum limits have been identified based on credit ratings within each section to ensure diversification within the sections as well. The section limitations can be viewed on Schedule 1. The following aggregate limitations have been modified:

-
- Increase the maximum percentage of aggregate investments allowed in provincial and provincial guarantees to 75% of the aggregate portfolio from 50% in AAA for LT and 90% for R1 High ST. Currently only AAA rated provinces are permitted to the 50% maximum. Most of the Provinces, including Ontario are currently rated AA, and provide a higher return than long term government of Canada investments. Therefore the rating limits have been modified to allow 75% of the aggregate portfolio to include R1 mid or AA low rated investments. The only Provincial investments currently rated AAA are the Province of Alberta and the Province of British Columbia and these investments are not always available.
 - Modify the credit rating limitations and maximum percentage of investments for municipal securities with a minimum A rating and 25% term limit for long term investments to A low rating and 50% of the total short term and long term portfolio.
 - The maximum percentage of aggregate investments for Financial Institutions Schedule 1 Banks to 75% from 50% for LT and 90% for ST.

Issue II

- Management of the two portfolios can be complex when maximum limitations and terms conflict. In order to simplify management of the portfolio, changes have been recommended that will increase the flexibility of the portfolio to improve returns without incurring significant additional risk.
 - The current investment policy requires 50% of the portfolio to be held in ST investments and LT investments respectively. This restriction has resulted in the inability to invest in LT opportunities that would carry a higher rate of return as the LT percentage is currently at its maximum. As the total value of the investment portfolio increases the requirement to maintain a split portfolio reduces.
 - To ensure the investment portfolio remains sufficiently liquid to meet operating and cash flow requirements, the standard measurement of combining the total of ST investments and bank balances will be used in conjunction with the City developed Cash flow model which is reviewed prior to each investment.

Issue III

- Replace Financial Institution bank reference from “Tier” to “Schedule” to match *Bank of Canada Act* and Ontario Regulation 438/97 wording.
- Replace reference to Director of Finance with Treasurer or designate.
- Amend approval requirements for investment transaction authorization from two approvals (Treasurer and Deputy Treasurer) to one approval (Treasurer or Deputy Treasurer). It has been difficult to obtain both signatures within a suitable amount of time
- Requirement to use the ONE Fund performance for benchmarking purposes has been removed

-
- Asset-backed securities (ABS) be restricted to those that are administered by a Canadian Bank. No rated ABS debt in Canada has suffered any losses to date as they:
 - Have multiple ratings by credit rating agencies. (e.g. RBC 4 ratings, National Bank 2 ratings); and
 - Contain traditional assets (Canadian only). Examples of traditional assets are auto loans/leases, residential & commercial mortgages, credit cards, trade receivables, and equipment loans/leases of which each series is backed by a distinct asset pool.

Inclusion of all permitted investments in Schedule 1 has been completed to provide a summary document of the investment policy.

CORPORATE STRATEGIC PLAN

Goal 5 - A community-focused responsive and accountable government.

5.5 - A high credit rating and strong financial position.

FINANCIAL IMPLICATIONS

Investment income reduces financing required from taxation for City activities and also assists with increasing the City's reserve funds to fund future capital needs.

The modifications recommended to the investment policy will allow existing investments in municipal debentures, which are currently providing strong returns to be in compliance with the City's investment policy, and allow more flexibility to invest in provincial and municipal bonds and longer term bank paper to increase returns, within prudent risk levels.

DEPARTMENTAL CONSULTATION

Not applicable

COMMUNICATIONS

The Finance department continues to work with Corporate Communications to provide greater access to more user-friendly information about City financial information. This work is part of a broader program to provide the public with better information about the City's overall financial position.

ATTACHMENTS

Appendix 1: Recommended Investment Policy

Schedule 1: Authorized Investment and Limitations

Schedule 2: Ontario Regulation 438/97, Eligible Investments and Related Financial Agreements

“original signed by Vicki McLaughlin”

Prepared By:

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“original signed by Susan Aram”

Recommended By:

Susan Aram
Acting Treasurer
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Susan.Aram@guelph.ca

CORPORATE POLICY AND PROCEDURE



POLICY	INVESTMENT POLICY
CATEGORY	CORPORATE
AUTHORITY	FINANCE
RELATED POLICES	
APPROVED BY	COUNCIL
EFFECTIVE DATE	
REVISION DATE	As needed

POLICY STATEMENT

The City of Guelph strives for the optimum utilization of its cash resources within statutory limitations and the basic need to protect and preserve capital, while maintaining solvency and liquidity to meet on-going financial requirements.

SCOPE

The investment policy applies to all financial assets of the City of Guelph held within the following:

- General Funds;
- Reserve Funds and
- Funds held in Trust with the City of Guelph.

OBJECTIVES

The primary objectives of the Investment Program, in priority order, shall be:

- A. Adherence to statutory requirements;
- B. Preservation of capital;
- C. Maintaining liquidity and
- D. Earning a competitive rate of return.

A) Adherence to Statutory Requirements:

All investment activities shall be governed by the *Municipal Act* as amended. Investments, unless limited further by Council, will be those deemed eligible under

Ontario Regulation 438/97 or as authorized by subsequent provincial regulations. Relevant excerpts of the regulation are attached to this policy as Schedule 2.

B) Preservation of Capital:

Safety of principal is an important objective of the investment program. Investments of the City shall be undertaken in a manner that protects and preserves the capital of the portfolio. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Staff shall endeavour to mitigate credit risk and interest rate risk as follows:

Credit Risk:

- Limiting investments to safer types of securities
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized; and
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Region does business.

In determining the composition of the portfolio, it will be recognised that the combination of several different investments ("diversification") is likely to provide a more acceptable level of risk exposure than having a single investment. As a result, some reasonable diversification of the portfolio will be undertaken. To attain this goal, the City will undertake to establish limitations with respect to credit and investment size.

Investment Quality

All investments shall have a minimum rating within the limitations as set out in Schedule 2. In addition investments are further restricted by credit rating limitations as outlined in this policy.

- 1) The City shall not invest in a security offered by any Borrower (except City/Municipal Notes) with a bond rating lower than 'A' as established by Dominion Bond Rating Services (DBRS) or their equivalent ratings provided by Moody's Investor Services (Moody's), Fitch Ratings (Fitch), or Standard & Poors (S&P).
- 2) The City shall not invest in securities with a Commercial Paper/ST debt rating lower than 'R-1' Mid (except Financial Institutions in Schedule I with ratings no lower than R1 Low) as established by Dominion Bond Rating Services (DBRS) or their equivalent ratings provided by Moody's Investor Services (Moody's), or Standard & Poors (S&P)

Publications of the relevant credit rating agencies shall be monitored on an ongoing basis. Should a rating change result in increased risk with respect to established limitations, an exception report must be prepared and reviewed by the Treasurer with

the appropriate action taken to ensure the City's portfolio remains within the limitations and terms outlined in this policy.

Investment Diversification

Institutional exposure limitations have been established to reflect the relative safety of various issuers and the maximum desired exposure to various levels of government and financial institutions.

Diversification will include sector limitations outlined in Schedule 1 to this policy. All eligible investments (excluding cash held in the bank accounts of the City of Guelph) must adhere to the institutional sector limits as established under Schedule 1.

C) Maintaining Liquidity:

The investment portfolio shall remain sufficiently liquid to meet all operating and cash flow requirements and limit temporary borrowing requirements. This shall be done where possible by structuring the portfolio such that securities mature concurrent with anticipated cash demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets. A portion of the portfolio may be placed in eligible investment pools which offer liquidity for short-term funds.

D) Earning a Competitive Rate of Return:

The Rate of Return on the investment portfolio will be optimized to the extent possible given the investment objectives of legality, safety of principal and the need to maintain adequate liquidity. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

Normally longer term investments offer higher yields than shorter term investments. Investments will be made to obtain the most advantageous yields while at the same time ensuring that funds can be made available to meet expected cash requirements. The composition of the portfolio, including its term and class of investments will be adjusted within the guidelines of this policy to take advantage of market opportunities which arise to enhance the rate of return on the portfolio.

Performance Standards/Benchmarking

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return throughout the budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs of the City. The market yields should be higher than the rate given by the City's general bank account.

ELIGIBLE INVESTMENTS

The City will invest only in securities permitted under the *Municipal Act* and Ontario Regulation 438/97, as amended from time to time.

Only Canadian Dollar investments are authorized for the purposes of this Policy within the limitations set out in Schedule 2 and as further limited by Schedule 1.

AUTHORIZED INVESTMENT DEALERS

The City may invest funds through the investment arm of various Schedule I banks. The following Schedule I banks are authorized to be the City's primary investment dealers:

1. RBC Royal Bank
2. BMO Bank of Montreal
3. CIBC
4. TD Bank Financial Group
5. Scotiabank (The Bank of Nova Scotia)
6. National Bank of Canada

STANDARD OF CARE

A) Prudence

Investments shall be made with judgment and care, under circumstances then prevailing, following the prudent person principle of investment management and considering the probable safety of their principal as well as the probable income to be derived. Consideration will be given to obtaining independent legal and/or financial advice in circumstances in which the municipality believes additional expertise is warranted.

Investment staff acting in accordance with written procedure, this investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risks or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidation or the sale of securities are carried out in accordance with the terms of this policy.

B) Ethics and Conflicts of Interest

Staff involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment policy, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the City.

C) Delegation of Authority

The investment policy and any amendments thereto must be adopted by City Council. This policy will delegate to the Treasurer the authority to make investments which comply with this policy, pursuant to section 418(5) of the Act. The Treasurer has overall responsibility for the prudent investment of the City's portfolio.

Investment Procedures and Internal Control

The Treasurer will be responsible for the development and maintenance of suitable procedures to provide for the effective control and management of investments. The procedures include the following requirements:

- The Treasurer or designate is authorized to obtain a reasonable number of quotations with the approved institutions on any individual investment transaction prior to the decision to invest in a transaction on behalf of the City of Guelph;
- All investments are confirmed by signature of the individual making the investment and ratified by signatures of either the Treasurer or the Deputy Treasurer;
- All cash management transactions are recorded and interest earnings distributed to the various funds, as the case may be, in accordance with City policies and generally accepted accounting principles for Ontario municipalities;
- Periodic audits are carried out to determine whether or not the investment guidelines provided by this policy are being followed. An external audit is carried out to evaluate the adequacy of internal controls and
- Provision is made to obtain insurance coverage at all times to guard against any losses that may occur due to misappropriation, theft or other acts of fraud by employees.

Reporting to Council

In accordance with legislation, submit to Council at least twice per year, a report on the financial position, investment performance, market value and compliance status of the portfolio. The investment report will include reporting requirements as outlined in Schedule 2 and should include:

- A summary, by amount and percentage, of the composition of the investment portfolio;
- Monthly investment balances;
- Year end balance; and
- Such other information that City Council may require or that, in the opinion of the Treasurer, should be included.

D) Safekeeping and Custody

All investments shall be held for safekeeping in the name of the City of Guelph by financial institutions approved by the City. The depository shall issue a safekeeping receipt to the City for each investment transaction, listing the specific instrument, rate, maturity and other pertinent information. On a monthly basis, the depository will provide reports which list all investment activity, the book value of holdings, the market value as of month-end and income earned by the investments.

COLLATERALIZATION

In order to mitigate the City's exposure to credit risk, the City will only invest in Bank Sponsored asset-backed securities and repurchase agreements having satisfactory collateralization in place. The level of collateralization for these investments must be at least 100% of their market value.

DEFINITIONS

Asset Backed Securities: fixed income securities (other than a government security) issued by a Special Purpose Entity, substantially all of the assets of which consist of Qualifying Assets.

Credit Risk: the risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Diversification: a process of investing assets among a range of security types by sector, maturity, and quality rating.

Duration: a measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Interest Rate Risk: the risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

Liquidity: a measure of an asset's convertibility to cash.

Market Risk: the risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value: current market price of a security.

Master Repurchase Agreement: an agreement between a dealer and a client which

substantiates that the securities the client receives under a repurchase agreement are the property of the client in the event of a dealer failure.

Maturity: the date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity".

ONE – The Public Sector Group of Funds ("ONE Fund"): A local government investment pool in which Ontario municipalities may invest. ONE is operated by Local Authorities Service Limited (a wholly owned subsidiary of the Association of Municipalities of Ontario), together with CHUMS Financing Corporation (a wholly owned subsidiary of the Municipal Finance Officers' Association of Ontario).

Portfolio: collection of securities held by an investor.

Prudent Person Rule: an investment standard outlining the fiduciary responsibilities relating to the investment practices of public fund investors.

- a) The standard of prudence to be used by investment managers shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio.
- b) The "prudent person" must act in all matters regarding investments with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.
- c) The "prudent person" must diversify the investments of the Funds so as to minimize the risk of large losses, unless under the circumstances it is clearly not prudent to do so.

Qualifying Assets: financial assets, either fixed or revolving, that, by their terms convert into cash within a finite time period, plus any rights or other assets designed to assure the servicing or timely distribution of proceeds to security holders.

Rate of Return: the yield obtainable on a security based on its purchase price or its current market price. Yield reflects coupon, term, liquidity and credit quality.

Repurchase Agreement: an agreement between a dealer and client to sell a security and to repurchase that security, with interest, at a later date.

Safekeeping: holding of assets (e.g., securities) by a financial institution.

Securities: include bonds debentures, treasury bills, commercial paper, repurchase agreements, promissory notes and asset-backed securities.

Sinking Fund: money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

Special Purpose Entity: a trust, corporation, partnership or other entity organized for the sole purpose of issuing securities that entitle the holders to receive payments that depend primarily on the cash flow from Qualifying Assets, but does not include a registered investment company.

Weighted Average Maturity (WAM): the average maturity of all the securities, that comprise a portfolio.

AUTHORIZED INVESTMENTS AND LIMITATIONS

Sector ⁽¹⁾		Minimum DBRS ⁽²⁾ Credit Rating		Maximum Term (years)	Maximum Credit Exposure	
		Short Term	Long Term		Individual Limit by Credit Rating	Portfolio Limit (max)
Federal	Government of Canada ⁽³⁾	n/a	n/a	20	100%	100%
	Federal Guarantees	n/a	n/a	20	100%	50%
Provincial	Provincial Governments & Provincial Guarantees ⁽⁴⁾	R1 high	AAA	20	75%	75%
		R1 mid	AA low	20	75%	
		R1 low	A low	7	50%	
Country other than Canada			AA low	1	5%	5%
Municipal	City of Guelph					50%
	Other Municipalities & OSIFA		AAA	10	50%	50%
			AA low		40%	
			A low	5	10%	10%
School Boards						
University in Ontario, Board of Governors of a College						
Local Board or Conservation Authority			AA low	2	10%	20%
Board of a Public Hospital						
Non-profit Housing Corporation, Local Housing Corp.						
Financial Institutions	Schedule I Banks	R-1 low	AA low	10	75%	75%
	Schedule II & III Banks	R-1 mid	AA low	5	25%	25%
	Loan/Trust Corporations, Credit Unions	R-1 high	AA low	1	5%	5%
Supranational Financial Institution or Supranational Government Organization			AAA	5	25%	25%
Asset Backed Securities ⁽⁵⁾		R-1 high	AAA	5	25%	25%
Corporate Debt			AAA	5	25%	25%
			AA low	> 5	15%	
Commercial Paper		R-1 mid		1	15%	15%
Joint Municipal Investment Pools					15%	15%
Portfolio Term To Maturity				ST - 1 LT - 10		

Note (1) Per definitions and restrictions contained in O.R. 438/97

Note (2) Equivalent ratings from Moody's Investor Services, Standard and Poor's or Fitch Ratings are acceptable as well.

Note (3) Minimum 5% of the portfolio must be in Government of Canada or Federal Government Guarantees.

Note (4) Minimum 10% of the portfolio must be in Provincial Governments or Provincial Guarantees, rated AA (low) or higher.

Note (5) Canadian Bank administered with a minimum of 2 credit ratings.

NOTE: Complete and up to date version is available on www.e-laws.gov.on.ca

Municipal Act, 2001

ONTARIO REGULATION 438/97

ELIGIBLE INVESTMENTS AND RELATED FINANCIAL AGREEMENTS

Last amendment: O. Reg. 52/11.

1. A municipality does not have the power to invest under section 418 of the Act in a security other than a security prescribed under this Regulation.

2. The following are prescribed, for the purposes of subsection 418 (1) of the Act, as securities that a municipality may invest in:

1. Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by,
 - i. Canada or a province or territory of Canada,
 - ii. an agency of Canada or a province or territory of Canada,
 - iii. a country other than Canada,
 - iv. a municipality in Canada including the municipality making the investment,
 - iv.1 the Ontario Strategic Infrastructure Financing Authority,
 - v. a school board or similar entity in Canada,
 - v.1 a university in Ontario that is authorized to engage in an activity described in section 3 of the *Post-secondary Education Choice and Excellence Act, 2000*,
 - v.2 the board of governors of a college established under the *Ontario Colleges of Applied Arts and Technology Act, 2002*,
 - vi. a local board as defined in the *Municipal Affairs Act* (but not including a school board or a municipality) or a conservation authority established under the *Conservation Authorities Act*,
 - vi.1 a board of a public hospital within the meaning of the *Public Hospitals Act*,
 - vi.2 a non-profit housing corporation incorporated under section 13 of the *Housing Development Act*,
 - vi.3 a local housing corporation as defined in section 2 of the *Social Housing Reform Act, 2000*, or
 - vii. the Municipal Finance Authority of British Columbia.
2. Bonds, debentures, promissory notes or other evidence of indebtedness of a corporation if,
 - i. the bond, debenture or other evidence of indebtedness is secured by the assignment, to a trustee, as defined in the *Trustee Act*, of payments that Canada or a province or territory of Canada has agreed to make or is required to make under a federal, provincial or territorial statute, and
 - ii. the payments referred to in subparagraph i are sufficient to meet the amounts payable under the bond, debenture or other evidence of indebtedness, including the amounts payable at maturity.
3. Deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments the terms of which provide that the principal and interest shall be fully repaid no later than two years after the day the investment was made, if the receipt, note, certificate or instrument was issued, guaranteed or endorsed by,
 - i. a bank listed in Schedule I, II or III to the *Bank Act* (Canada),
 - ii. a loan corporation or trust corporation registered under the *Loan and Trust Corporations Act*, or
 - iii. a credit union or league to which the *Credit Unions and Caisses Populaires Act, 1994* applies.
- 3.1 Deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments the terms of which provide that the principal and interest shall be fully repaid more than two years after the day the investment was made, if the receipt, note, certificate or instrument was issued, guaranteed or endorsed by,
 - i. a bank listed in Schedule I, II or III to the *Bank Act* (Canada),
 - ii. a loan corporation or trust corporation registered under the *Loan and Trust Corporations Act*,
 - iii. a credit union or league to which the *Credit Unions and Caisses Populaires Act, 1994* applies.

4. Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by an institution listed in paragraph 3.
5. Short term securities, the terms of which provide that the principal and interest shall be fully repaid no later than three days after the day the investment was made, that are issued by,
 - i. a university in Ontario that is authorized to engage in an activity described in section 3 of the *Post-secondary Education Choice and Excellence Act, 2000*,
 - ii. the board of governors of a college established under the *Ontario Colleges of Applied Arts and Technology Act, 2002*, or
 - iii. a board of a public hospital within the meaning of the *Public Hospitals Act*.
6. Bonds, debentures, promissory notes, other evidence of indebtedness or other securities issued or guaranteed by the International Bank for Reconstruction and Development.
- 6.1. Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by a supranational financial institution or a supranational governmental organization, other than the International Bank for Reconstruction and Development.
7. Asset-backed securities, as defined in subsection 50 (1) of Regulation 733 of the Revised Regulations of Ontario, 1990 made under the *Loan and Trust Corporations Act*.
- 7.1 Bonds, debentures, promissory notes or other evidence of indebtedness issued by a corporation that is incorporated under the laws of Canada or a province of Canada, the terms of which provide that the principal and interest shall be fully repaid more than five years after the date on which the municipality makes the investment.
- 7.2 Bonds, debentures, promissory notes or other evidence of indebtedness issued by a corporation that is incorporated under the laws of Canada or a province of Canada, the terms of which provide that the principal and interest shall be fully repaid more than one year and no later than five years after the date on which the municipality makes the investment.
8. Negotiable promissory notes or commercial paper, other than asset-backed securities, maturing one year or less from the date of issue, if that note or commercial paper has been issued by a corporation that is incorporated under the laws of Canada or a province of Canada.
- 8.1 Shares issued by a corporation that is incorporated under the laws of Canada or a province of Canada.
9. Bonds, debentures, promissory notes and other evidences of indebtedness of a corporation incorporated under section 142 of the *Electricity Act, 1998*.
10. Bonds, debentures, promissory notes or other evidence of indebtedness of a corporation if the municipality first acquires the bond, debenture, promissory note or other evidence of indebtedness as a gift in a will and the gift is not made for a charitable purpose.
11. Securities of a corporation, other than those described in paragraph 10, if the municipality first acquires the securities as a gift in a will and the gift is not made for a charitable purpose.
12. Shares of a corporation if,
 - i. the corporation has a debt payable to the municipality,
 - ii. under a court order, the corporation has received protection from its creditors,
 - iii. the acquisition of the shares in lieu of the debt is authorized by the court order, and
 - iv. the treasurer of the municipality is of the opinion that the debt will be uncollectable by the municipality unless the debt is converted to shares under the court order.
- 2.1** A security is prescribed for the purposes of subsection 418 (1) of the Act as a security that a municipality may invest in if,
 - (a) the municipality invested in the security before January 12, 2009; and
 - (b) the terms of the municipality's continued investment in the security have been changed pursuant to the Plan Implementation Order of the Ontario Superior Court of Justice dated January 12, 2009 (Court file number 08-CL-7440) and titled "In the matter of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended and in the matter of a plan of compromise and arrangement involving Metcalfe & Mansfield Alternative Investments II Corp. et al".
- 3.** (1) A municipality shall not invest in a security under subparagraph 1 iii, v.1, v.2, vi.1, vi.2 or vi.3 or paragraph 3.1 or 4 of section 2 unless the bond, debenture, promissory note or evidence of indebtedness is rated,
 - (b) by Dominion Bond Rating Service Limited as "AA(low)" or higher;
- (b.1) by Fitch Ratings as "AA-" or higher;
- (c) by Moody's Investors Services Inc. as "Aa3" or higher; or
- (d) by Standard and Poor's as "AA-" or higher.

- (2.1) A municipality shall not invest in a security under paragraph 6.1 of section 2 unless the security is rated,
- (a) by Dominion Bond Rating Service Limited as “AAA”;
 - (b) by Fitch Ratings as “AAA”;
 - (c) by Moody’s Investors Services Inc. as “Aaa”; or
 - (d) by Standard and Poor’s as “AAA”.
- (3) A municipality shall not invest in an asset-backed security under paragraph 7 of section 2 that matures more than one year from the date of issue unless the security is rated,
- (a) by Dominion Bond Rating Service Limited as “AAA”;
 - (a.1) by Fitch Ratings as “AAA”;
 - (b) by Moody’s Investors Services Inc. as “Aaa”; or
 - (c) by Standard and Poor’s as “AAA”.
- (4) A municipality shall not invest in an asset-backed security under paragraph 7 of section 2 that matures one year or less from the date of issue unless the security is rated,
- (a) by Dominion Bond Rating Service Limited as “R-1(high)”;
 - (a.1) by Fitch Ratings as “F1+”;
 - (b) by Moody’s Investors Services Inc. as “Prime-1”; or
 - (c) by Standard and Poor’s as “A-1+”.
- (4.1) A municipality shall not invest in a security under paragraph 7.1 of section 2 unless the security is rated,
- (a) by Dominion Bond Rating Service Limited as “AA(low)” or higher;
 - (b) by Fitch Ratings as “AA-” or higher;
 - (c) by Moody’s Investors Services Inc. as “Aa3” or higher; or
 - (d) by Standard and Poor’s as “AA-” or higher.
- (4.2) A municipality shall not invest in a security under paragraph 7.2 of section 2 unless the security is rated,
- (a) by Dominion Bond Rating Service Limited as “A” or higher;
 - (b) by Fitch Ratings as “A” or higher;
 - (c) by Moody’s Investors Services Inc. as “A2”; or
 - (d) by Standard and Poor’s as “A”.
- (5) A municipality shall not invest in a security under paragraph 8 of section 2 unless the promissory note or commercial paper is rated,
- (a) by Dominion Bond Rating Service Limited as “R-1(mid)” or higher;
 - (a.1) by Fitch Ratings as “F1+”;
 - (b) by Moody’s Investors Services Inc. as “Prime-1”; or
 - (c) by Standard and Poor’s as “A-1+”.
- (6) If an investment made under subparagraph 1 iii, v.1, v.2, vi.1, vi.2 or vi.3 of section 2 or paragraph 3.1, 4, 6.1, 7, 7.1, 7.2 or 8 of section 2 falls below the standard required by this section, the municipality shall sell the investment within 180 days after the day the investment falls below the standard.
- (6.1) Subsection (6) does not apply with respect to an investment made by a municipality under paragraph 7 of section 2 on a day before the day this subsection comes into force.
- (7) A municipality shall not invest in a security under paragraph 9 of section 2 unless, at the time the investment is made and as long as it continues, the investment ranks, at a minimum, concurrently and equally in respect of payment of principal and interest with all unsecured debt of the corporation.
- (8) A municipality shall not invest in a security under paragraph 9 of section 2 unless, at the time the investment is made, the total amount of the municipality’s investment in debt of any corporation incorporated under section 142 of the *Electricity Act, 1998* that would result after the proposed investment is made does not exceed the total amount of investment in debt, including any interest accrued on such debt, of the municipality in such a corporation that existed on the day before the day the proposed investment is to be made.

Schedule 2 cont.

(9) Any investment made under paragraph 9 of section 2, including any refinancing, renewal or replacement thereof, may not be held for longer than a total of 10 years from the date such investment is made.

(10) Subsections (7), (8) and (9) do not prevent a municipality from holding or disposing of a security described in paragraph 9 of section 2 issued by a corporation incorporated under section 142 of the *Electricity Act, 1998*, if the municipality acquired the security through a transfer by-law or otherwise under that Act.

(11) A municipality shall sell an investment described in paragraph 10 or 11 of section 2 within 90 days after ownership of the investment vests in the municipality.

4. (1) A municipality shall not invest more than 25 per cent of the total amount in all sinking and retirement funds in respect of debentures of the municipality, as estimated by its treasurer on the date of the investment, in short-term debt issued or guaranteed by the municipality.

(2) In this section,

“short-term debt” means any debt, the terms of which provide that the principal and interest of the debt shall be fully repaid no later than 364 days after the debt is incurred.

4.1 (1) A municipality shall not invest in a security under paragraph 7 of section 2 or in a promissory note or commercial paper under paragraph 8 of section 2 unless, on the date that the investment is made,

(a) the municipality itself is rated, or all of the municipality’s long-term debt obligations are rated,

(i) by Dominion Bond Rating Service Limited as “AA(low)” or higher,

(i.1) by Fitch Ratings as “AA-” or higher,

(ii) by Moody’s Investors Services Inc. as “Aa3” or higher, or

(iii) by Standard and Poor’s as “AA-” or higher; or

(b) the municipality has entered into an agreement with the Local Authority Services Limited and the CHUMS Financing Corporation to act together as the municipality’s agent for the investment in that security, promissory note or commercial paper.

(1.1) A municipality shall not invest in a security under paragraph 7.1 or 8.1 of section 2 unless, on the date the investment is made, the municipality has entered into an agreement with the Local Authority Services Limited and the CHUMS Financing corporation to act together as the municipality’s agent for the investment in the security.

(2) The investment made under clause (1) (b) or described in subsection (1.1), as the case may be, must be made in the public sector group of funds of the Local Authority Services Limited and the CHUMS Financing Corporation with,

(a) another municipality;

(b) a public hospital;

(c) a university in Ontario that is authorized to engage in an activity described in section 3 of the *Post-secondary Education Choice and Excellence Act, 2000*;

(d) the board of governors of a college established under the *Ontario Colleges of Applied Arts and Technology Act, 2002*;

(d.1) a foundation established by a college mentioned in clause (d) whose purposes include receiving and maintaining a fund or funds for the benefit of the college;

(e) a school board; or

(f) any agent of an institution listed in clauses (a) to (d.1).

5. A municipality shall not invest in a security issued or guaranteed by a school board or similar entity unless,

(a) the money raised by issuing the security is to be used for school purposes; and

6. (1) A municipality shall not invest in a security that is expressed or payable in any currency other than Canadian dollars.

7. (1) Before a municipality invests in a security prescribed under this Regulation, the council of the municipality shall, if it has not already done so, adopt a statement of the municipality’s investment policies and goals.

(2) In preparing the statement of the municipality’s investment policies and goals under subsection (1), the council of the municipality shall consider,

(a) the municipality’s risk tolerance and the preservation of its capital;

(b) the municipality’s need for a diversified portfolio of investments; and

(c) obtaining legal advice and financial advice with respect to the proposed investments.

(4) In preparing the statement of the municipality’s investment policies and goals under subsection (1) for investments made under paragraph 9 of section 2, the council of the municipality shall consider its plans for the investment and how the proposed investment would affect the interest of municipal taxpayers.

Schedule 2 cont.

8. (1) If a municipality has an investment in a security prescribed under this Regulation, the council of the municipality shall require the treasurer of the municipality to prepare and provide to the council, each year or more frequently as specified by the council, an investment report.

(2) The investment report referred to in subsection (1) shall contain,

- (a) a statement about the performance of the portfolio of investments of the municipality during the period covered by the report;
- (b) a description of the estimated proportion of the total investments of a municipality that are invested in its own long-term and short-term securities to the total investment of the municipality and a description of the change, if any, in that estimated proportion since the previous year's report;
- (c) a statement by the treasurer as to whether or not, in his or her opinion, all investments are consistent with the investment policies and goals adopted by the municipality;
- (d) a record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale price of each security; and
- (e) such other information that the council may require or that, in the opinion of the treasurer, should be included.

(2.1) The investment report referred to in subsection (1) shall contain a statement by the treasurer as to whether any of the following investments fall below the standard required for that investment during the period covered by the report:

- 1. An investment described in subparagraph 1 iii, v.1, v.2, vi.1, vi.2 or vi.3 of section 2.
- 2. An investment described in paragraph 3.1, 4, 6.1, 7, 7.1, 7.2 or 8 of section 2.
- 3. An investment described in subsection 9 (1).

(3) Upon disposition of any investment made under paragraph 9 of section 2, the council of the municipality shall require the treasurer of the municipality to prepare and provide to the council a report detailing the proposed use of funds realized in the disposition.

8.1 If an investment made by the municipality is, in the treasurer's opinion, not consistent with the investment policies and goals adopted by the municipality, the treasurer shall report the inconsistency to the council of the municipality within 30 days after becoming aware of it.

INFORMATION REPORT



TO Corporate Administration, Finance and Emergency Services

SERVICE AREA Finance
DATE December 5, 2011

SUBJECT 2011 Investment Portfolio Improvements Report
REPORT NUMBER FIN-11-60

SUMMARY

Purpose of Report: The purpose of this report is to provide a 2011 investment portfolio information update and identify current year improvements.

Council Action: To receive this report for information.

BACKGROUND

The review of the 2010 Investment Portfolio identified a number of items that were in non-compliance with the City of Guelph 2009 policy. In an effort to address these items a number of improvements and procedures have been developed by staff. A comprehensive review of the current Investment Policy has been undertaken and a series of recommended amendments are being put forward to address the restrictive nature of the policy.

REPORT

The following items were identified in the 2010 Investment Portfolio review. A large number of them have been addressed by improvements made in the processes by staff and will be discussed in this report.

Non-compliance items from 2010 Investment Portfolio:

- To ensure diversification the aggregate of Tier I Banks held in the short-term portfolio shall at no time exceed more than 90% of the short-term investment portfolio.**
 - Short-term holdings of Tier I Banks have been exceeded. The limit is 90% while actual December 31, 2010 holdings are 97%. The breach did not put the City's portfolio at risk as the investments were held in liquid investments with the TD and CIBC banks. In March of 2011, a Tier I investment has matured, bringing the City into compliance.

As of October 31st, 2011 the current position of the investment portfolio remains in non-compliance due to the lack of available non-financial investment opportunities within the short term criteria of the current investment policy. Available short term rates for non-financial institutions remain lower than the City bank rate which is achieving returns of 1.25%. As an example current quotes are ranging from .90 to 1.14% for short term non-financial and 1.30% to 1.55% for financial institution Tier 1 Banks.

With the review of the current policy and the recommendation of combining the portfolios, the compliance would be measured as an aggregate of the long term and short term portfolios. If the recommendations are approved the portfolio will be in compliance.

2. Term limits have been established with respect to individual sectors based upon credit quality and to minimize the interest rate exposure. Subject to individual limitations imposed the weighted average maturity of the Long Term Portfolio for municipal debenture investments shall not exceed 5 years.

- The long-term limitation for a Municipal debenture investment is 5 years. Currently the City has two municipal debentures in its long term investment portfolio that exceed this maximum term length. These investments are currently providing a high rate of return and it is not recommended that they be sold.
 - i. City of Toronto debenture exceeds the 5 year limit by 1.6 years.
 - ii. Region of Waterloo debenture exceeds the 5 year limit by 0.9 years.
 - iii. MAVII CL Notes exceed the 5 year limit by 41 years.

As of October 31st, 2011 the current position of the investment portfolio has improved but the City of Toronto and MAVII CL Notes remain in non-compliance.

With the review of the current policy and the recommendation of increasing the term limitations of municipal debenture investments to 10 years the City of Toronto investment will be within compliance but the MAVII CL Notes will remain in non-compliance. These investments continue to be monitored for improvement in ratings, return, and maturity dates.

3. Within the established limits for Financial Institutions as outlined, the aggregate of securities offered by or unconditionally guaranteed by any one of the Financial Institutions shall not exceed 35% of the total investment portfolio.

- At 52.4% the aggregate of CIBC securities exceeded the maximum Financial Institutions limit of 35% of the total investment portfolio

As of Oct 31st, 2011 the current position of the investment portfolio is in compliance with the 2009 investment policy.

4. **Within the established limits for Provincial investment outlined, the aggregate of securities offered by or unconditionally guaranteed by an individual province shall not exceed 35% of the total long term investment portfolio.**

- At 40.4% the aggregate of Province of Ontario debentures exceeded the maximum Provincial limit of 35% of the total long term investment portfolio

As of Oct 31st, 2011 the current position of the investment portfolio is in compliance with the 2009 investment policy.

5. **Not more than 50% of the Long Term Portfolio will be held in investments with less than AAA rating.**

- At 24.8% or \$6,143,000, the aggregate of the Long Term Portfolio held in AAA rating investments did not meet the minimum 50% requirement.

As of Oct 31st, 2011 the current position of the investment portfolio although improved remains in non-compliance with the 2009 investment policy.

The review of the current policy has made the recommendation to remove the requirement to have 50% of the Long term Portfolio be held in investments with less than a AAA rating as the portfolio will be combined and ratings adjusted to reflect market conditions and availability of AAA rated investments.

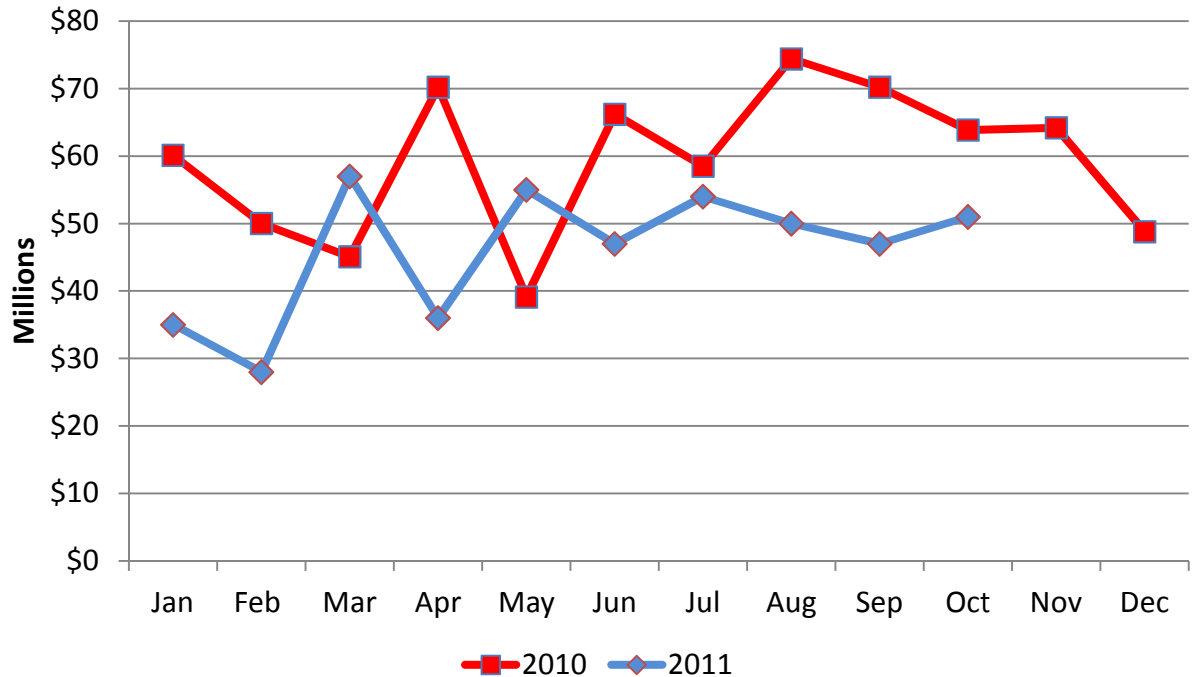
Update 2011 Improvements and Portfolio Status

2011 Investment Activity - Cash

The current agreement with the City's bank allows for interest to be paid on the bank balance at a rate of prime minus 1.75%. In 2011 interest earned as of October 31, 2011 was \$479,765 versus \$466,684 at December 31st 2010.

Chart 1 provides a comparison of the 2010 and the 2011 average monthly bank balances. A reduction in the average balances held in 2011 has been achieved based on the improved ability to forecast cash flow requirements utilizing the Cash Flow model that was developed by staff in 2011. The model identifies requirement levels on a month to month basis which provides the ability to increase investments and forecast the cash requirements with improved accuracy.

Chart 1: Average Monthly Cash Balances



Also contributing to the reduction in cash balances is improved processes in the overall investment forecasting. Currently the Cash Flow and investment models are reviewed monthly with the Deputy Treasurer and the projected investment amounts are approved. Once approved, quote forms are obtained from at least 3 financial institutions who are given specific criteria of the type of investment that is required based on the built in triggers in the investment model. The quotes are reviewed with the Deputy Treasurer and signed for final approval prior to the purchase of the investment.

2011 Investment Activity - Investments

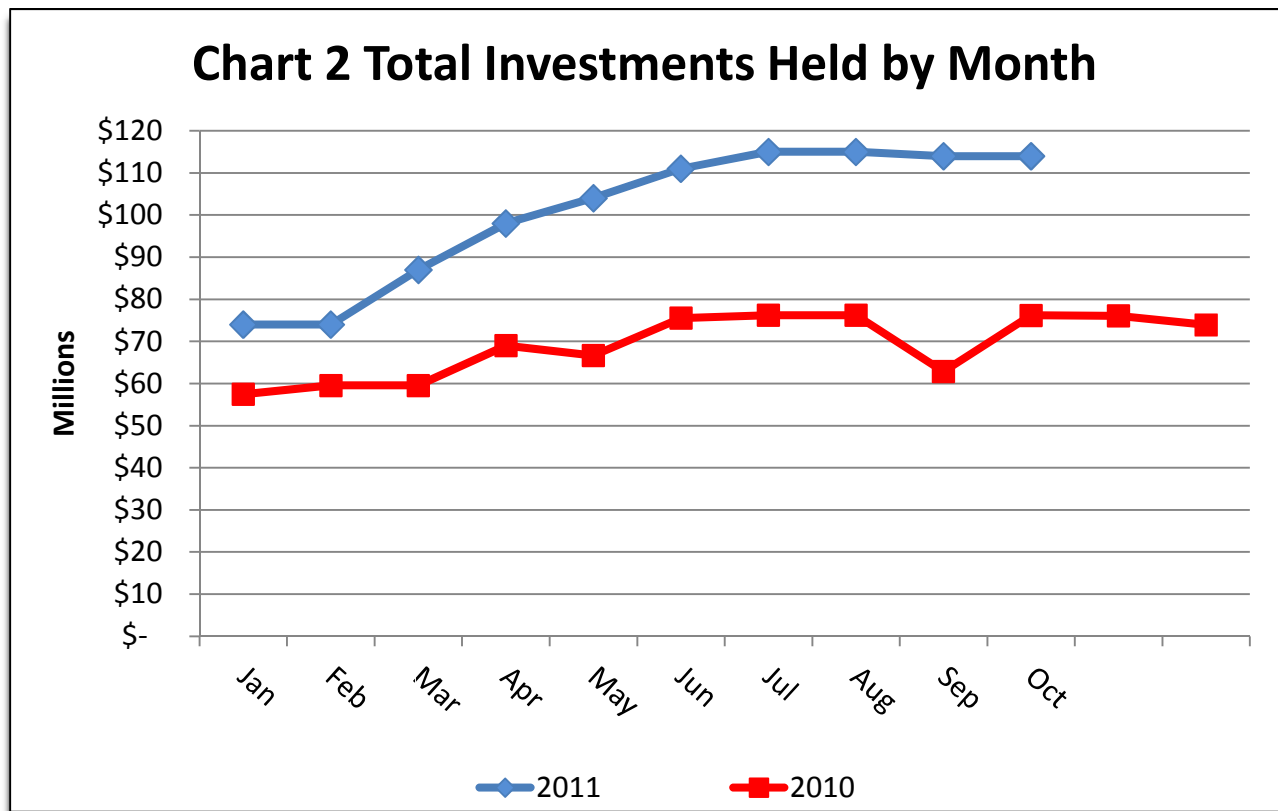
The City has earned a total of \$1.658 million with an average yield of 1.96% on investments up to October 31, 2011 compared with \$1.472 million with an average yield of 2.13% for 2010, a decrease of .17% which is due to higher-yielding longer-term investments maturing and being re-invested at lower interest rates. However year over year investment income has increased due to the higher investment activity despite low market rates.

The cash and investment positions (book value) of the City at the end of 2010 are compared to the positions at October 31, 2011 in Table A below:

Table A

	October 31 2011 (Book Value)	December 2010 (Book Value)
Cash	\$50,567,738	\$41,731,793
Short-Term	\$54,099,654	\$46,743,580
Long-Term	\$59,529,716	\$27,752,535
Total Investments	\$113,629,370	\$74,496,115
Total	\$164,197,108	\$116,227,908

A comparison of total investments held by month is provided in Chart 2. Balances in 2011 were higher due to the development of the Cash Forecasting model and improvements that have been made to the Investment model to identify potential compliance issues.



Asset-Backed Commercial Paper (ABCP) Restructuring

Recognizing the speculative nature of the ultimate payment of principal at maturity, provisions for impairment have been made in prior years totaling 1.1 million. In 2011 notice was received that the principal amount of MAVII 3 notes, with a book value of \$245,818, has been reduced to zero, and the value of these assets has been written off against the provision in 2011, leaving an overall provision of \$854,182. The market position of these assets at October 31, 2011 is \$1.479 million. The current book value is \$2.049 million, so the current provision may be reduced by \$284,000 if the values continue to hold.

CORPORATE STRATEGIC PLAN

5 - A community-focused responsive and accountable government.

5.5 - A high credit rating and strong financial position.

FINANCIAL IMPLICATIONS

Investment income reduces financing required from taxation for City activities and also assists with increasing the City's reserve funds to fund future capital needs.

DEPARTMENTAL CONSULTATION/CONCURRENCE

N/A

COMMUNICATIONS

N/A.

ATTACHMENTS

N/A

"original signed by Vicki McLaughlin"

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COMMITTEE REPORT



TO **CAFES**

SERVICE AREA Finance
DATE December 5, 2011

SUBJECT Budget Impacts per Ontario Regulation 284/09
REPORT NUMBER FIN-11-56

SUMMARY

Purpose of Report: The City of Guelph is required under Ontario Regulation 284/09 to report on the accrual based expenditures, including amortization, post employment benefits and solid waste landfill closures and post-closure costs that can be excluded from the annual cash based budget.

Committee Action: Refer the compliance report for expenses excluded from the 2012 budget as required under the Municipal Act, 2001 Ontario Regulation 284/09 to Council for approval.

RECOMMENDATION

THAT Council approve the compliance report for expenditures excluded from the 2012 Budget as required by Ontario Regulation 284/09 passed under the Municipal Act, 2001.

BACKGROUND

In 2009, accounting standards and financial reporting requirements changed dramatically, with the most significant change being that municipalities were required to report on their tangible capital assets. However, the new accounting standards do not require budgets to be prepared on the same basis. The City of Guelph, like many municipalities, continues to prepare budgets on the traditional cash basis. On an annual basis, Council is required to approve a balanced budget which provides a plan for current and future activities. One of the most important outcomes of the budget process is a tax rate, or user rate in the case of water and wastewater, which Council is asked to approve. The tax or user rate is set based on a cash basis of accounting and therefore does not include the Public Sector Accounting Board (PSAB) requirements of accrual accounting and accounting for non-financial assets and liabilities.

REPORT

Ontario Regulation 284/09 was introduced by the Province of Ontario. This regulation allows municipalities to exclude the following expenses from their municipal budgets:

- Amortization expense on tangible capital assets
- Post-employment benefit expenses
- Solid waste landfill and post-closure expenses

Under this regulation, municipalities are required to report on the impact of these excluded costs prior to final approval of the annual budget; Council must adopt the report by resolution. For purposes of this report, final approval of the annual budget occurs when Council approves the annual Tax Policy which is scheduled to come forward in April 2012.

The City of Guelph's 2012 proposed budgets exclude the following expenditures:

1. Amortization expense, estimated at \$44 million, is excluded from the City's tax supported operating and enterprise budgets. Amortization is a useful tool to predict the future annual financial commitment required for asset rehabilitation and the City of Guelph's 2012 tax supported operating and enterprise budgets include contributions of \$38.1 million to capital reserves. These contributions will provide on-going funding for capital replacement and rehabilitation. Further analysis on the level of reserve contributions that are required in order to address the infrastructure gap and achieve a sustainable level of funding will be carried out in 2012 as part of the City's Capital Asset Management Plan.
2. Future Post Employment Benefit Expenses are not included in the budget. However, the 2012 budget does include funding for the current year's post employment benefit expense for the City's eligible retired employees. The amount budgeted is \$1.99 million. The actual current year forecasted liability is \$1.46 million resulting in a slight excess which will help build reserve balances and meet targeted levels.

In accordance with the regulation, municipalities are not required to include solid waste landfill and post-closure expenses in their budgets. However, the City of Guelph does include the current year expense associated with reducing the liability recognized on the City's financial statements.

The schedule below reconciles the City's 2012 budget from a cash based or "zero based" budget to the the Public Sector Accounting Board format and shows the anticipated change to the year-end accumulated surplus. Overall, the City's accumulated surplus will increase due to the budgeted cost of the replacement of assets being higher than the cost of amortization. However, it is important to recognize that amortization is based on historical, not replacement, cost.

Schedule 1
2012 City of Guelph Tax Supported & Enterprise Budgets (Unconsolidated)
PSAB 3150 Reconciliation

2012 Proposed Budget (Prepared on a Cash Basis)

Revenues	
Operating	(295,910,263)
Capital	(86,615,600)
Total Revenues	(382,525,863)
Expenses	
Operating	295,910,263
Non-Tangible Capital	2,000,000
Capital	84,615,600
Total Expenditures	382,525,863
Net Budget	0

Adjustments Required to Reconcile to an Accrual Based Budget

<i>Reductions to Revenues</i>	
Transfers from Reserves/Reserve Funds ⁽¹⁾	58,721,780
<i>Reductions to Expenditures</i>	
Transfers to Reserve/Reserve Funds ⁽²⁾	(39,389,129)
Capital Expenses ⁽³⁾	(84,615,600)
Debt Principle Payments ⁽⁴⁾	(6,609,819)
Reduction of Post-Closure Landfill Liability ⁽⁵⁾	(300,000)
<i>Increases to Expenditures</i>	
Amortization of Tangible Capital Assets ⁽⁶⁾	44,000,000
Annual (Surplus)/Deficit	(28,192,768)
Accumulated Surplus, beginning of the year	838,769,788
Accumulated Surplus, end of the year	866,962,556

- (1) "Transfers from Reserve/Reserve Funds" is the budgeted amount transferred from the reserves to fund expenditures, mainly related to capital work. This is not considered revenue under PSAB accounting because we did not receive this money from an external source. These funds would have been recorded as revenue in the period it was received as part of tax revenue or grant revenue.
- (2) "Transfers to Reserve/Reserve Funds" is the budgeted contribution transferred to the reserves to fund future expenditures included in the City's operating budget. This is not considered an expense under PSAB accounting because we did not pay this money to an external entity. These funds will be recorded as an expense in the period a good / service is received by the City and funds are expended.
- (3) "Capital Expenses" is the amount budgeted to be spent on capital projects in the City's capital budget. These are not considered an expense under PSAB accounting as they will be capitalized on the balance sheet as tangible capital assets and amortized as an expense over the useful life of the asset.
- (4) "Debt principal payments" are included in the City's operating budget in order to raise the funds required to repay the current year's debt obligations. These are not considered an expense under PSAB accounting and instead debt principal is recorded as a reduction of the City's long-term debt liability.
- (5) "Reduction of Post-Closure Landfill Liability" is a non-cash accounting revenue that is not included as part of the City's operating budget. The City was required by PSAB accounting rules to set up a liability in 2008 that accounted for the present value of the total expected costs associated with the closure of the landfill site in 2003. The City continues to budget on a cash basis for these actual costs annually.
- (6) "Amortization of tangible capital assets" is considered a non-cash expense and is therefore not included in the City's operating budget. However, amortization is considered an expense under PSAB accounting and needs to be added back for financial reporting purposes.

CORPORATE STRATEGIC PLAN

There is no relationship under the Corporate Strategic Plan as this is a compliance report under the Municipal Act.

FINANCIAL IMPLICATIONS

There are no direct financial implications associated with this report. However, the information contained within this report will be reflected in the 2012 annual audited financial statements.

DEPARTMENTAL CONSULTATION

N/A

COMMUNICATIONS

N/A

ATTACHMENTS

Ontario Regulation 284/09 Budget Matters- Expenses

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ServiceOntario

e-Laws

ONTARIO REGULATION 284/09

made under the

MUNICIPAL ACT, 2001

Made: July 31, 2009

Filed: July 31, 2009

Published on e-Laws: August 4, 2009

Printed in *The Ontario Gazette*: August 15, 2009**BUDGET MATTERS — EXPENSES****Exclusion**

1. In preparing the budget for a year, a municipality or local board may exclude from the estimated expenses described in paragraph 3 of subsection 289 (2) and in paragraph 3 of subsection 290 (2) of the Act all or a portion of the following:

1. Amortization expenses.
2. Post-employment benefits expenses.
3. Solid waste landfill closure and post-closure expenses.

Report

2. (1) For 2011 and subsequent years, the municipality or local board shall, before adopting a budget for the year that excludes any of the expenses listed in section 1,

- (a) prepare a report about the excluded expenses; and
- (b) adopt the report by resolution.

(2) If a municipality or local board plans to adopt or has adopted a budget for 2010 that excludes any of the expenses listed in section 1, the municipality or local board shall, within 60 days after receiving its audited financial statements for 2009,

- (a) prepare a report about the excluded expenses; and
- (b) adopt the report by resolution.

Contents

3. A report under section 2 shall contain at least the following:

1. An estimate of the change in the accumulated surplus of the municipality or local board to the end of the year resulting from the exclusion of any of the expenses listed in section 1.

2. An analysis of the estimated impact of the exclusion of any of the expenses listed in section 1 on the future tangible capital asset funding requirements of the municipality or local board.

Review

4. The Ministry of Municipal Affairs and Housing shall initiate a review of this Regulation on or before December 31, 2012.

Commencement

5. **This Regulation is deemed to have come into force on January 1, 2009.**

Made by:

JIM WATSON

Minister of Municipal Affairs and Housing

Date made: July 31, 2009.

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COMMITTEE REPORT



TO Corporate Administration, Finance and Emergency Services Committee

SERVICE AREA Economic Development and Tourism Services

DATE December 5, 2011

SUBJECT Canada-EU Comprehensive Economic and Trade Agreement

REPORT NUMBER

RECOMMENDATION

THAT the report dated December 5, 2011 regarding the Canada-EU Comprehensive Economic and Trade Agreement which has been prepared by Economic Development and Tourism Services be received; and

THAT Guelph City Council does not support the ratification of the Canada-EU Comprehensive Economic and Trade Agreement by the Government of Canada at this time without the Government of Canada providing further opportunity for public and municipal government assessment of the Canada-EU Comprehensive Economic and Trade Agreement and the opportunity for further input into the Canada-EU Comprehensive Economic and Trade Agreement.

BACKGROUND

The Comprehensive Economic and Trade Agreement (CETA) is a proposed free trade agreement between Canada and the European Union (EU). CETA is intended to replace the former Canada-EU Trade and Investment Enhancement Agreement (TIEA).

The TIEA moved beyond traditional market access issues, to include areas such as trade and investment facilitation, competition, mutual recognition of professional qualifications, financial services, e-commerce, temporary entry, small- and medium-sized enterprises, sustainable development, and sharing science and technology. The TIEA established a Canada- EU regulatory cooperation framework for promoting cooperation on approaches to regulatory governance, advancing good regulatory practices and facilitating trade and investment. The TIEA continued until 2006, at which time the Government of Canada and the EU agreed to negotiate a much broader and ambitious scope trade agreement known as CETA.

Staff has conducted preliminary research on CETA's proposed increased scope. The expanded agreement appears to open up the EU's ability to: access natural resources; bid on national, provincial and municipal government contracts; and open up public municipal water systems across Canada to privatization.

Many groups such as the Council of Canadians, the Union of B.C. Municipalities, the Canadian Auto Workers union, the Sierra Club Canada, the Canadian Union of Postal Workers, the Canadian Union of Public Employees, the Canadian Community Economic Development Network, the Canadian Centre for Policy Alternatives, the Centre for Civic Governance and the National Union of Public and General Employees have raised concerns about CETA. There has been increased pressure on Ottawa to either fully or partly shield the municipal sector from government procurement of goods and services. Giving the EU full access to sub-national purchasing and contracting in Canada may also impact local school boards, universities, hospitals, as well as other provincial agencies.

Concerns have also been raised that the negotiation of CETA by the Government of Canada, and more recently the Provinces has not included much, if any public consultation, especially with respect to input from local municipal governments.

REPORT

In reaction to the above information, the Council of Canadians has initiated efforts to seek support from municipal governments for a greater level of disclosure from the Government of Canada and greater involvement from local municipal governments. To this end, local representatives of the Council of Canadians recently approached the City of Guelph to seek Council resolutions supporting greater public disclosure and the ability for municipalities to provide meaningful input into the development of CETA.

The Council of Canadians has prepared a draft resolution for municipalities to consider. It reads:

WHEREAS the government of Canada and the European Union have been negotiating a trade agreement known as the Comprehensive Economic and Trade Agreement (CETA); and

WHEREAS the European Union and EU-based corporations are insisting on unobstructed access to procurement by sub national governments --including municipalities, school boards, universities, hospitals and other provincial agencies -- which could significantly reduce or eliminate the right to specify local priorities when public money is invested in goods, services or capital projects; and

WHEREAS Canadian municipalities have expressed growing concerns with trade agreements and their potential impacts on municipal programs and services and local autonomy; and

WHEREAS unobstructed access to Canadian municipal procurement by both EU and Canadian corporations, combined with investment protections in CETA on government concessions related to transit, water, electricity and other social services delivered locally may encourage privatization and reduce economic development options for local communities; and

WHEREAS the provincial and territorial governments have been actively involved in negotiating CETA with the European Union:

THEREFORE BE IT RESOLVED that the **[MUNICIPALITY NAME]** request:

- a briefing from the Ontario Government on the scope and content of trade negotiations with the European Union, including the details of its procurement, services and investment offers to the EU;
- the Federation of Canadian Municipalities to provide a sector-by-sector analysis of the potential impacts on municipal functions and powers of the procurement regime that the European Union is seeking, and which exists already in the WTO Agreement on Government Procurement;
- the Federation of Canadian Municipalities to urge the government of Canada not to provide the European Union with access to sub national government procurement;
- Municipal staff to review the available information on the impact CETA will have on municipal governments, with special emphasis on procurement and the delivery of social services;
- the Government of Ontario to negotiate a clear, permanent exemption for local governments from CETA; and
- that this resolution be sent to the **[PROVINCIAL MUNICIPAL ASSOCIATION]** for consideration and circulation.

To date the following municipal councils have adopted resolutions in response to CETA.

British Columbia

Burnaby
Logan Lake
North Vancouver
Spallumchee
Trail

New Brunswick

Sackville

Nova Scotia

Lunenburg

Ontario

Alnwick/Haldimand
Asphodel-Norwood
Brantford
Brockville
French River
London
Tecumseh
Trent Hills
Windsor/Windsor-
Essex
Quinte West

Given the lack of public information provided by the Government of Canada, City of Guelph staff does not have enough information about CETA to recommend that Guelph City Council pass the resolution as drafted by the Council of Canadians.

However, it is the opinion of staff that there appears to be enough public information from non-government sources that the City of Guelph should be concerned about CETA and its potential local impact. This approach is consistent with the position of the Association of Municipalities of Ontario (AMO) as noted in **Schedule "A"** of this report.

CORPORATE STRATEGIC PLAN

Goal 1 - An attractive, well-functioning and sustainable city

Goal 3 - A diverse and prosperous local economy

Goal 5 - A community-focused, responsive and accountable government

FINANCIAL IMPLICATIONS

N/A

DEPARTMENTAL CONSULTATION

- Corporate and Human Resources
- Operations and Transit
- Planning, Building, Engineering and Environmental Services

COMMUNICATIONS

N/A

ATTACHMENTS

Schedule "A" – Association of Municipalities of Ontario – August 15th, 2011
Information Release



"original signed by Ann Pappert"

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Schedule "A"

TO THE IMMEDIATE INFORMATION OF MEMBERS OF COUNCIL

August 15, 2011

The Canada-European Union Comprehensive Economic and Trade Agreement (CETA) and Municipal Governments

The Canada-European Union Comprehensive Economic and Trade Agreement's (CETA) implications for municipal governments is a topic that more and more municipalities in Ontario are becoming interested in as citizens and local groups make deputations to councils across the Province.

The European Union (EU) market represents the largest trading bloc in the world with annual GDP of almost \$19 trillion in 2009 meaning that a successful agreement with the EU could have important implications to economic development in Canada.

AMO understands that while the Canadian government and the European Union have been in discussions regarding a trade and economic deal since 2009, only recently have these discussions yielded an exchange of government procurement offers (i.e. Canadian access to EU and EU access to Canada, provinces, territories). AMO understands that the negotiating agenda for CETA also includes a number of other areas that are being discussed. These include:

- Market Access (tariffs on goods);
- regulatory cooperation;
- intellectual property;
- temporary entry of business persons;
- competition policy and other related matters;
- labour; and
- environment.

AMO is guided by the multiple interests of municipal governments and local decision making in all matters of policy and administration – interests that consider local autonomy, municipal property taxpayer value and the broader economic well-being of communities and Ontario among the myriad of other interests – so that municipalities are safeguarded in any initiative.

As the CETA negotiations progress, AMO anticipates that we may have an opportunity with the Province and within the confidentiality of any national process between the federal government, provinces and territories to better understand what the potential impacts may be for municipalities before a final agreement is reached.

To best assess CETA's impact on municipalities, AMO has endorsed the guiding principles that the Federation of Canadian Municipalities (FCM) is using in its discussions with federal officials. These principles (below) in general require that any deal offer significant opportunities for economic development for our local companies for any limitations that may be accepted. We have shared these principles with the Ontario government to assist them in understanding our municipal perspective. They are:

- **Reasonable procurement thresholds:** Inappropriately high or broad procurement thresholds may force municipalities to tender projects when tendering is neither practical nor financially justified.
- **Streamlined administration:** Ensuring that municipal procurement policies are free-trade compliant will likely create new costs and may require specialized expertise. The administrative design of these rules must be as streamlined as possible and developed in close cooperation with municipal procurement practitioners.
- **Progressive enforcement:** Enforcing provisions of any deal should be progressive, starting with verbal or public warnings before moving to financial penalties, and should recognize and not penalize inadvertent non-compliance, particularly in cases where municipalities do not have the expertise to appropriately apply the rules.
- **Canadian content for strategic industries or sensitive projects:** A trade deal must recognize strategic and public interest considerations before barring all preferential treatment based on country of origin. There may be industries of strategic significance to a particular region, such as transit, or projects where considerations of quality, public benefit, environmental protection or business ethics means that a local government may wish to implement minimum Canadian-content levels. This should be allowed, within reason.

-
- **Dispute resolution:** A dispute-resolution process, like the one in NAFTA, may require a careful review of the municipal role in that process so they can appropriately defend their policies and by-laws as an order of government.
 - **Consultation and communications:** Consultation and communications during negotiations are required to ensure any resulting agreement responds to municipal concerns.
 - **Reciprocity:** Canada's negotiating position must support reciprocity in Canadian and foreign municipal procurement practices.

It is anticipated that as the negotiations mature between the parties, greater engagement of municipalities across Canada will be sought. AMO will continue to work provincially and with FCM on this matter.

In the meantime, to ensure Ontario municipalities are able to respond to the concerns about CETA and the municipal sector from interested residents, the following resources may be helpful:

- FCM's web page on [Free Trade Agreements](#) and [Position on Municipalities and Free Trade](#), including the federal Minister International Trade's assurances to FCM that a final deal should adhere to the principles.
- FCM's [Reality Check: The Comprehensive Economic and Trade Agreement \(CETA\) Between Canada and the European](#).
- Foreign Affairs and International Trade Canada's web page on [Canada-European Union: Comprehensive Economic and Trade Agreement \(CETA\) Negotiations](#).
- July 15th, 2011 [News Release](#) on Canada-EU Free Trade Talks by Minister of International Trade, Ed Fast.

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PLEASE NOTE AMO Breaking News will be broadcast to the member municipality's council, administrator and clerk. Recipients of the AMO broadcasts are free to redistribute the AMO broadcasts to other municipal staff as required. We have decided to not add other staff to these broadcast lists in order to ensure accuracy and efficiency in the management of our various broadcast lists.

DISCLAIMER These are final versions of AMO documents. AMO assumes no responsibility for any discrepancies that may have been transmitted with the electronic version. The printed versions of the documents stand as the official record.