



# INFORMATION REPORT

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	August 11, 2022
<b>SUBJECT/REPORT NO:</b>	2021 Annual Report on Commodity Price Hedging (FCS22062) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Dianne Hicks (905) 546-2424 Ext. 2016
<b>SUBMITTED BY:</b>	Kirk Weaver Acting Director, Financial Planning, Administration and Policy Corporate Services Department
<b>SIGNATURE:</b>	

## COUNCIL DIRECTION

The City's Corporate Energy and Sustainability Policy (PW14050(a)) stipulates that the General Manager, Finance and Corporate Services, reports to Council at least once each fiscal year with respect to any Energy Commodity agreements.

## INFORMATION

Price volatility on commodity products purchased by the City presents both a budgeting challenge and a financial risk. While long-term, fixed price contracts can be tendered or negotiated for some products, other products are subject to market pricing at the time of the delivery of the product or the demand for the product is sufficiently uncertain that long-term commitments are not available or prudent.

The primary purpose of a commodity price hedging agreement is to provide price stability / cost certainty by fixing some portion of future commodity prices. A secondary purpose is to use hedging to lock in favourable pricing for commodity purchase commitments when other means, such as long-term contracts, are not practicable.

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OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

The primary objectives for the City's commodity price hedging program are as follows:

- Adhere to statutory requirements
- Promote financial flexibility
- Limit financial risk exposure

A commodity price hedging agreement may only be undertaken if the agreement follows the relevant sections of the *Municipal Act, 2001* and regulations thereunder.

Requirements include but are not limited to the following:

- a) The City may enter into a financial agreement only for the future delivery of some or all of a commodity or the future cost of an equivalent quantity of a commodity. A financial agreement shall not be entered into for the purpose of speculative investing; and
- b) The City is prohibited from selling or disposing of the financial agreement or an interest in the agreement. An exception to this requirement exists if there is a sale or change of use of real property to which the agreement applies or the City ceases an activity for which the commodity was being acquired.

#### Reporting Requirements

The General Manager, Finance and Corporate Services, shall report to Council at least once each fiscal year with respect to any and all energy commodity price hedging agreements and other energy commodity agreements in place. The report shall contain, at a minimum, all requirements as set out in O. Reg. 653/05 (as it exists from time to time) and shall include:

- (1) A statement about the status of the energy commodity price hedging agreements during the period of the report, including a comparison of the expected and actual results of using the agreements;
- (2) A statement by the General Manager, Finance and Corporate Services, indicating whether, in his opinion, all the agreements entered during the period of the report are consistent with this Energy Commodity Policy relating to the use of financial agreements to address commodity pricing and costs;
- (3) An overview of any agreements with contract agents (including, without limitation, actual costs, services provided and frequency of use) and a statement by the General Manager, Finance and Corporate Services, indicating whether, in his opinion, all these agreements are consistent with this Energy Commodity Policy with respect to the use of contract agents.

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- (4) An overview of any co-operative energy purchasing initiatives and / or agreements and a statement by the General Manager, Finance and Corporate Services, indicating whether, in his opinion, all these agreements are consistent with this Energy Commodity Policy with respect to the use of co-operative energy purchasing;
- (5) Such other information as Council may require; and
- (6) Such other information as the General Manager, Finance and Corporate Services, considers appropriate to include in the report.

Accordingly, Appendix “A” to Report FCS22062 provides the Treasurer’s Annual Statement on Commodity Price Hedging that includes statements as required per the reporting requirements.

Appendix “B” to Report FCS22062 provides the annual Report on Commodity Price Hedging authored by the City’s Office of Energy Initiatives. This Report, that forms the foundation for the Treasurer’s Annual Statement of Commodity Price Hedging, deals exclusively with the City’s energy commodity price hedging agreements and utility rate transactions for natural gas, electricity and fuel.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report FCS22062 – 2021 Treasurer’s Annual Statement on Commodity Price Hedging

Appendix “B” to Report FCS22062 – 2021 Annual Energy Report on Commodity Price Hedging

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