



AUDIT, FINANCE & ADMINISTRATION COMMITTEE REPORT 13-003

9:30 a.m.
Monday, March 25, 2013
Council Chambers
Hamilton City Hall
71 Main Street West

Present: Councillors M. Pearson (Chair), R. Powers (Vice Chair),
B. Johnson

**Absent with
Regrets:** Councillors B. Clark and B. Morelli – Personal

Also Present: Councillors C. Collins, S. Duvall, L. Ferguson, S. Merulla and T.
Whitehead

THE AUDIT, FINANCE & ADMINISTRATION COMMITTEE PRESENTS REPORT 13-003 AND RESPECTFULLY RECOMMENDS:

**1. Reserve/Revenue Fund Investment Performance Report - December 31,
2012 (FCS12067(a)) (City Wide) (Item 5.1)**

That Report FCS12067(a), respecting the Reserve/Revenue Fund Investment
Performance Report - December 31, 2012, be received.

**2. Hamilton Future Fund Investment Performance Report - December 31, 2012
(FCS12068(a)) (City Wide) (Item 5.2)**

That Report FCS12068(a), respecting the Hamilton Future Fund Investment
Performance Report - December 31, 2012, be received.

3. Cemetery Accounts Investment Performance Report - December 31, 2012 (FCS12069(a)) (City Wide) (Item 5.3)

That Report FCS12069(a), respecting the Cemetery Accounts Investment Performance Report - December 31, 2012, be received.

4. Restructured Master Asset Vehicle Notes and Asset Backed Commercial Paper Update (FCS11006(b)) (City Wide) (Item 5.4)

That Report FCS11006(b), respecting Restructured Master Asset Vehicle Notes and Asset Backed Commercial Paper Update, be received.

5. Tax Appeals under Sections 357 and 358 of the *Municipal Act* (2001) (FCS13027) (City Wide) (Item 5.5)

(a) That Appendix "A" to Report 13-003, respecting the Tax Write-Offs processed under Section 357 of the *Municipal Act*, 2001, in the amount of \$196,014, be approved;

(b) That Appendix "B" to Report 13-003, respecting the Tax Appeals due to a Gross or Manifest Clerical Error, Pursuant to Section 358 of the *Municipal Act*, 2001, in the amount of \$43,032, be approved.

6. Update – Needs Assessment of the Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ) Community of Hamilton (FCS11104(d)) (City Wide) (Item 5.6)

That Report FCS11104(d), respecting the Update – Needs Assessment of the Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ) Community of Hamilton, be received.

7. Monthly Status Report of Tenders and Requests for Proposals for January 1, 2013 to February 15, 2013 (FCS13016) (City Wide) (Item 5.7)

That Report FCS13016, respecting the Monthly Status Report of Tenders and Requests for Proposals for January 1, 2013 to February 15, 2013, be received.

8. 2012 Fourth Quarter Non-compliance with the Procurement Policy Report (FCS12038(c)) (City Wide) (Item 5.8)

That Report FCS12038(c), respecting the 2012 Fourth Quarter Non-compliance with the Procurement Policy Report, be received.

9. Employee Attendance Performance Measures (HUR13003) (City Wide) (Item 5.9)

That Report HUR13003, respecting Employee Attendance Performance Measures, be received.

10. Report of the 2012 Remuneration and Expenses as Required under Section 284 of the *Municipal Act* (FCS13032) (City Wide) (Item 5.10)

That Report FCS13032, respecting the Report of the 2012 Remuneration and Expenses as Required under Section 284 of the *Municipal Act*, be received.

11. 2012 Fourth Quarter Emergency and Non-competitive Procurements Report (FCS12040(c)) (City Wide) (Item 5.11)

That Report FCS12040(c), respecting the 2012 Fourth Quarter Emergency and Non-competitive Procurements, be received.

12. Development Charges Demolition Credit Extensions (Chedoke Browlands - 849 Scenic Drive) and Industrial Development Charges Demolition Credit Transfers (FCS13012) (City Wide) (Item 8.1)

(a) That the request, attached as Appendix "C" to Report 13-003, to extend the expired Development Charges Demolition Credit for 849 Scenic Drive until December 31, 2016, be granted;

(b) That the General Manager of Finance & Corporate Services be granted authority to extend Development Charges Demolition Credits for the following development types:

(i) For rural developments, which are located outside the City of Hamilton Urban Boundary; and,

(ii) For developments for which it has been determined by the General Manager of Planning & Economic Development that significant development delays were not the responsibility of the developer;

(c) That a Transfer Policy for Industrial Development Charges Demolition Credits, based on the following conditions, be approved:

(i) One-time transfer per development up to a maximum 50% of the Industrial Development Charges demolition credit;

- (ii) The original site (from where the 100% Industrial Development Charges credit originates) must be a bona-fide employment land Brownfield property, as determined by the City's Planning and Economic Development Department;
- (iii) The transferred credits can only be used for industrial/employment land development, as determined by the Director of Planning;
- (iv) From the date of the transfer, transferred credits have a 5-year life and are subject to existing City policies on Development Charges credit extensions;
- (v) The original Brownfield property must have the demolition and remediation completed, and a draft plan of subdivision/site plan application approved before the transfer of credits occurs; and,
- (vi) An agreement detailing the applicable credits is required to be registered on title of the receiving lands.

13. Delegated Authority By-Law for Assessment Act Appeals (FCS13030) (City Wide) (Item 8.2)

That Appendix "A" attached to Report FCS13030, a By-Law delegating authority to the Treasurer and Deputy Treasurers for: Section 40, *Assessment Act* Appeals and Dispute Advisory Panel Assessment Appeals, under Section 11.1 of the *Payment in Lieu of Taxes Act* (Canada), be passed.

14. Reserve/Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures Review (FCS13017) (City Wide) (Item 8.3)

That the 2009 approved Reserve/Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures be deleted and replaced with the 2013 Reserve/Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures, attached as Appendix "D" to Report 13-003.

15. Follow Up of Audit Report 2011-11 – PRESTO – Financial Controls (AUD13010) (City Wide) (Item 8.4)

That Report AUD13010, respecting the follow up of Audit Report 2011-11, PRESTO – Financial Controls, be received.

16. Follow Up of Audit Report 2011-01 – Culture Facilities – Cash Handling (AUD13011) (City Wide) (Item 8.5)

That Report AUD13011, respecting the follow up of Audit Report 2011-01, Culture Facilities – Cash Handling, be received.

17. Procurement Policy #19 Review (AUD13012) (City Wide) (Item 8.6)

That Report AUD13012, respecting the Procurement Policy #19 review, be received.

18. Follow Up of Audit Report 2011-12 – Parking Infractions & Enforcement (AUD13013) (City Wide) (Item 8.7)

That Report AUD13013, respecting the follow up of Audit Report 2011-12, Parking Infractions & Enforcement, be received.

19. Follow Up of Audit Report 2010-13 - Domiciliary Hostels (AUD13008) (City Wide) (Item 8.8)

That Report AUD13008, respecting the follow up of Audit Report 2010-13, Domiciliary Hostels, be received.

20. Follow Up of Audit Report 2011-06 – Infectious Diseases Programs (AUD13009) (City Wide) (Item 8.9)

That Report AUD13009, respecting the follow up of Audit Report 2011-06, Infectious Diseases Programs, be received.

21. 2014 Development Charges Background Study (FCS13028) (City Wide) (Item 8.10)

(a) That a new Development Charges (DC) Background Study for all City services be initiated to support a new DC By-law, in accordance with the *Development Charges Act, 1997*; and,

(b) That Watson & Associates Economists Ltd. be approved as a single source through Purchasing Policy #11 as the consultant to complete the City's 2014 Development Charge (DC) Background Study and support the enactment of a new DC By-law, to be funded from the approved 2013 Capital Budget (FCS12096), project 3381355301 (2014 DC Study – DC Funding \$540,000, Levy Funding \$60,000).

22. Accounts Receivable Write-offs for March 2013 (FCS13034) (City Wide) (Item 8.11)

- (a) That the General Manager of Finance and Corporate Services be authorized to write-off uncollectible accounts receivables in the amount of \$202,477.27, attached as Appendix "E" to Report 13-003;
- (b) That the Schedule of Accounts Receivable Write-Offs (under \$1,000), attached as Appendix "B" to report FCS13034, be received for information.

23. Provincial Contribution Agreements for Ancaster Senior Achievement Centre Expansion and J. L. Grightmire Arena Renovations (FCS13038) (Wards 12 and 13) (Item 8.12)

- (a) That the Mayor and City Clerk be authorized and directed to execute, on behalf of the City of Hamilton, Contribution Agreements with the Province of Ontario for funding to be used towards the Ancaster Senior Achievement Centre Expansion and J. L. Grightmire Arena Renovations, with content acceptable to the General Manager of Finance and Corporate Services, and in a form satisfactory to the City Solicitor;
- (b) That the budget for the Ancaster Senior Achievement Centre Expansion (project 7101354104) be increased by \$250,000, to be funded from the Provincial contribution;
- (c) That the budget for Program – Arena Retrofits (project 7101354536) be increased by \$250,000, to be funded from the Provincial contribution.

24. Correspondence from B&F Investments (Nova Scotia Company), respecting ERASE Development Charge Credits for 201 Robert Street, Hamilton, ON (Item 11.1)

That the Correspondence from B&F Investments (Nova Scotia Company), respecting ERASE Development Charge Credits for 201 Robert Street, Hamilton, ON, be received and referred to Financial & Planning staff for the appropriate action.

25. 2013 Internal Auditor's Work Plan – GPS Audits (Item 9.1)

That the Internal Auditor's 2013 Work Plan be revised to include "Global Positioning System (GPS) Audits" of randomly selected Divisions where City vehicles have been retrofitted with a GPS system.

FOR THE INFORMATION OF COUNCIL:

(a) CHANGES TO THE AGENDA (Item 1)

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

- (i) Added as Item 4.1 – Delegation Request from Manny Bastos, of LIUNA Local 837, respecting Item 7.1 – Report FCS12083(a)/HUR12015(a), Proposed Fair Wage Policy and Fair Wage Schedule
- (ii) Added as Item 4.2 – Delegation Request from David McDonald, respecting Item 7.1 – Report FCS12083(a)/HUR12015(a), Proposed Fair Wage Policy and Fair Wage Schedule
- (iii) Item 6.1 has been withdrawn – Delegation from Michele Starr, Deanlee Management Inc., respecting a Request for Development Charge Demolition Credit Extension for the Chedoke Browlands, 849 Scenic Drive, Ancaster
- (iv) Added as Item 6.7 – Correspondence from the Hamilton & District Heavy Construction Association, respecting Report FCS12083(a) / HUR12015(a), Proposed Fair Wage Policy and Fair Wage Schedule
- (v) Added as Item 8.12 – Report FCS13038, respecting Provincial Contribution Agreements for Ancaster Senior Achievement Centre Expansion and J. L. Grightmire Arena Renovations

The agenda for the March 25, 2013 Audit, Finance & Administration Committee meeting was approved, as amended.

(b) DECLARATIONS OF INTEREST (Item 2)

There were no declarations of interest.

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

(i) February 11, 2013 (Item 3.1)

The Minutes of the February 11, 2013 meeting of the Audit, Finance and Administration Committee were approved, as presented.

(d) DELEGATION REQUESTS (Item 4.1)

- (i) Manny Bastos, of LIUNA Local 837, respecting Item 7.1 – Report FCS12083(a)/HUR12015(a), Proposed Fair Wage Policy and Fair Wage Schedule (Item 4.1)**

The delegation request from Manny Bastos, of LIUNA Local 837, respecting Item 7.1 – Report FCS12083(a) / HUR12015(a), Proposed Fair Wage Policy and Fair Wage Schedule, was approved.

- (ii) David McDonald, respecting Item 7.1 – Report FCS12083(a) / HUR12015(a), Proposed Fair Wage Policy and Fair Wage Schedule (Item 4.2)**

The delegation request from David McDonald, respecting Item 7.1 – Report FCS12083(a)/HUR12015(a), Proposed Fair Wage Policy and Fair Wage Schedule, was approved.

(e) DELEGATIONS (Item 6)

- (i) Michele Starr, Deanlee Management Inc., respecting a Request for Development Charge Demolition Credit Extension for the Chedoke Browlands, 849 Scenic Drive, Ancaster (Item 6.1)**

This item was withdrawn.

- (ii) Gord O'Coin, of the Christian Labour Association of Canada (CLAC), respecting Report (FCS12083(a)/HUR120159(a), Proposed Fair Wage Policy and Fair Wage Schedule (Item 6.2)**

Mr. O'Coin addressed Committee respecting Report (FCS12083(a) / HUR120159(a), Proposed Fair Wage Policy and Fair Wage Schedule. Mr. O'Coin's comments included, but were not limited to, the following:

- CLAC represents 50,000 employees across Canada in multiple sectors such as health care, retail, service, transportation, manufacturing, mining, volunteer firefighters including the volunteers in the City of Hamilton, and Construction.
- We represent members in all trades of the construction industry; labourers, carpenters, painters, dry-wallers, plumbers, electricians, sheet metal mechanics, and operators to name a few.

- CLAC supports a policy that ensures workers receive a fair wage. These policies guarantee all contractors and sub-contractors compete for available work on a level playing field and more specifically, that all workers receive a fair wage performing this work.
- Every collective agreement is deemed as an equitable and fair wage.
- Every collective agreement with CLAC is negotiated and freely accepted by the members. It is a process of proposals, negotiations and ratification. Therefore, the compensation package in each collective agreement should be considered a fair and equitable wage.
- Alternatively, if a collective agreement is not considered being a fair wage for the purpose of this policy, then we would suggest the fair wage standard reflect the cost of the total compensation package including wage rates, vacation pay, pensions, benefits, and negotiated bonuses.
- Combining all of these categories, rather than separating them, will provide a better reflection of a fair and equitable compensation package.
- A fair wage standard that reflects the total compensation allows flexibility between the employee and employer to structure their compensation, but ensuring workers performing the work receive equitable and fair compensation.
- In conclusion, we submit the City of Hamilton deem a union's collective bargaining agreement as fulfilling the requirement of a fair and equitable compensation package; and,
- Alternatively, we suggest the fair wage policy take into consideration the cost of the total compensation package when ensuring employers are in compliance of the policy.

The presentation from Gord O'Coin, of the Christian Labour Association of Canada, respecting Report (FCS12083(a)/HUR120159(a), Proposed Fair Wage Policy and Fair Wage Schedule, was received.

(iii) **Joe Beattie, of the Hamilton-Brantford, Ontario Building and Construction Trades Council, respecting Report (FCS12083/HUR12015), Proposed Fair Wage Policy and Fair Wage Schedule (Item 6.3)**

Mr. Beattie addressed Committee, respecting Report (FCS12083(a) / HUR120159(a), Proposed Fair Wage Policy and Fair Wage Schedule. Mr. Beattie's comments included, but were not limited to, the following:

- Fair wage policies are a necessary counter balance to the tendency of the construction industry, have important and direct effects on the Health & Safety Skills Training, and on deterring underground practices.
- These policies encourage the use of more skilled and better qualified labour; thereby, support worker investments in skilled training and apprenticeships.
- Local level fair wage policies protect local employment and increase the benefits of the local economy from construction that is financed by local funds.
- Never been the intent to use tax payers' money to drive down the wages of workers performing construction work for the City.
- The building trades did not support the recommendations brought forward by staff in previous reports. Since that time, the Building Trades and City staff have met and attempted to address concerns on both sides.
- Building Trades proposed maintaining the current Fair Wage Policy with rates up to 2012, using the Building Trades base rates, we attempted to improve the fair wage administration by:
 - (i) Freezing the 2012 rates for 3 years;
 - (ii) Raising the exemption threshold to \$300,000 up from current \$100,000 dollars.
 - (iii) Setting the complaint fee at \$5,000 to discourage frivolous complaints and to defray the cost of fair wage administration.
 - (iv) Establishment of an ad hoc committee to meet at least once yearly or more regularly, if required, to address any concerns and to foster better communications with City staff.

- We strongly believe these enhancements should be accepted as an entire package.
- Research conducted by respected independent researchers supports the public policy benefits of fair wage policies; and, have concluded that there is no evidence that Fair Wage policies have a significant impact on construction costs. Therefore, we strongly object to the alternative shown in the staff report respecting the elimination of the Fair Wage Policy.
- One standard should be maintained for a number of compelling reasons including: ease of administration, the number of alternative agreements and increased potential for abuse.
- In discussions with affiliates of the Hamilton-Brantford, Ontario Building and Construction Trades Council, in light of the report before you, and in the spirit of cooperation, we would like to offer a compromise to the recommendations we have made. We would be willing to modify our proposal by basing the fair wage schedule on the 2009 Building Trades base rates, raising the threshold to \$500,000, setting the complaint fee at \$5,000 and establishing an ad hoc committee.
- We urge you to support the Fair Wage Policy and the workable recommendations that the affiliates of the Hamilton Building Trades Council have put before you.

The presentation from Joe Beattie, of the Hamilton-Brantford, Ontario Building and Construction Trades Council, respecting Report (FCS12083(a)/HUR120159(a), Proposed Fair Wage Policy and Fair Wage Schedule, was received.

A copy of Mr. Beattie's handout is available on-line at www.hamilton.ca or through the Office of the City Clerk.

(iv) John Gray, Municipal Solutions, respecting Report (FCS12083/HUR12015), Proposed Fair Wage Policy and Fair Wage Schedule (Item 6.4)

Mr. Gray addressed Committee, respecting Report (FCS12083(a) / HUR120159(a), Proposed Fair Wage Policy and Fair Wage Schedule. Mr. Gray's comments included, but were not limited to, the following:

- On November 12, 2012, concerns of the IBEW 105 and UA 67, regarding major changes to the City of Hamilton's Fair Wage policies were raised.
- I am here to raise the single biggest issue; that any collective agreement be recognized as a substitute to the Fair Wage schedule.
- Federal Government has repealed its Fair Wage Policy for a second time.
- An area of concern is the potential penalty to an employee that tries to make a fair wage complaint. Fair wage is about being fair to all employees, particularly to a non-union individual who feels that he or she did not receive the correct level of compensation.
- The City of Hamilton should maintain a secular approach to its policies, be inclusive and not let religious differences be exploited to the benefit to someone of another faith. Religion should not play a part in a Fair Wage Policy. The workplace should always be open to all; men and women of any faith, based on skill set ~ not personal faith. That is the Hamilton tradition and it must be maintained.

The presentation from John Gray, Municipal Solutions, respecting Report (FCS12083(a)/HUR120159(a), Proposed Fair Wage Policy and Fair Wage Schedule, was received.

A copy of Mr. Gray's handout is available on-line at www.hamilton.ca or through the Office of the City Clerk.

(v) Manny Bastos, of LIUNA Local 837, respecting Item 7.1 – Report FCS12083(a)/HUR12015(a), Proposed Fair Wage Policy and Fair Wage Schedule (Item 6.5)

Mr. Bastos addressed Committee, respecting Report (FCS12083(a) / HUR120159(a), Proposed Fair Wage Policy and Fair Wage Schedule. Mr. Bastos' comments included, but were not limited to, the following:

- Our 4,000 members represent 10 to 12,000 families in the Hamilton / Niagara area. All tax paying community minded citizens.
- Our members our highly skilled and produce value for their work and they produce a good product at a fair cost.

- LIUNA has concern with the proposed policy. LIUNA does not object to a policy, but in having a policy that does not identify the potential Union competition, their origin or their intent.
- The present contractors that perform the work within the city of Hamilton employ workers that pay the taxes to this City. Therefore, this is the optimum situation – win-win by all.
- Our recommendation is that the policy be left the way that it is. Do not add, delete or change any of the content, except raising the ceiling to \$300,000 and the cost of the audit to \$5,000. Delete any reference to other collective agreements.

The presentation from Manny Bastos, of LIUNA Local 837, respecting Item 7.1 – Report FCS12083(a)/HUR12015(a), Proposed Fair Wage Policy and Fair Wage Schedule, was received.

A copy of Mr. Bastos' handout is available on-line at www.hamilton.ca or through the Office of the City Clerk.

(vi) David McDonald, respecting Item 7.1 – Report FCS12083(a) / HUR12015(a), Proposed Fair Wage Policy and Fair Wage Schedule (Item 6.6)

Mr. McDonald addressed Committee, respecting Report (FCS12083(a) / HUR120159(a), Proposed Fair Wage Policy and Fair Wage Schedule. Mr. McDonald's comments included, but were not limited to, the following:

- Retired Chair of the Merit Open Shop Ontario and an expert on the Toronto Fair Wage policy and have 30 years of experience working under it in my previous employment. I am appearing before you with Phil Besseling of Besseling Mechanical, another past Chair of Merit.
- We are in attendance to support the recommendations of staff, in general, with some recommendations to improve the Policy.
- We recommend the incorporation of a version of the Toronto Fair Wage Policy Intend clause to make it clear that going forward the Building Trades rates are not the foundation of Hamilton's policy. We would recommend changing section D to say "To protect public finances."
- The intent of the Fair Wage Policy can be summarized as follows:

- (i) To produce stable labour relations with minimal disruption;
 - (ii) To compromise between the wage differentials of organized and unorganized labour;
 - (iii) To create a level playing field in competitions for City work;
 - (iv) To protect the public; and,
 - (v) To enhance the reputation of the City for ethical and fair business dealings
-
- For better clarity, incorporate into the Schedules the usage of the construction sector definitions used in the Toronto Fair Wage Policy, as each sector has different unions, contractors and agreements as in ICI, Sewer and Water Main, etc.
 - We are pleased that the recommendations of staff, including freezing the present schedules and accepting CLAC rates, recognizes that the Building Trades Schedules are not industry standards or “prevailing rates” in the region, but simply the highest rates of a minority of contractors and trades who seek a financial subsidy from the taxpayers of Hamilton for their private sector enterprise.
 - We reject the claims of private sector lobbyists that not using Building Trade rates in any way compromises quality or safety or value for money on City projects.
 - The facts are that the official schedules and rates of the Building Trades are not even their own “prevailing rates” and that for years the Building Trades have used a two tiered pricing system where they charge one rate when there is open shop competition, and a higher monopoly rate when there is no competition, as is the case with the Carpenters Union’s rates charged to the City of Hamilton by their affiliated Contractors.
 - The City of Hamilton, as the employer in a contractual relationship with the Carpenters Union, demand from the union an accounting of where public funds are being spent and that the City renew its’ demand to the Province for an amendment to the *Labour Relations Act* to escape from its “Captive Employer” status, as per the attached LUMCO resolution in support of Hamilton Council.

The presentation from Mr. McDonald, respecting Item 7.1 – Report FCS12083(a) / HUR12015(a), Proposed Fair Wage Policy and Fair Wage Schedule, was received.

A copy of Mr. McDonald's handout is available on-line at www.hamilton.ca or through the Office of the City Clerk.

(f) PRESENTATIONS (Item 7)

(a) Proposed Fair Wage Policy and Fair Wage Schedule (FCS12083(a))/HUR12015(a) (City Wide) (Item 7.1)

Rick Male, Director of Financial Services and Corporate Controller; and, Lora Fontana, Director of Employee and Labour Relations, provided a PowerPoint presentation and overview of Report FCS12083(a) / HUR12015. The presentation included, but was not limited to, the following:

- **Historical Background:**
 - 1967 – Board of Control Report
 - Resolution to add rates for various trades to the Fair Wage Clause in City contracts.
 - 1993 - Finance & Administration Committee
 - Resolution to adopt a Fair Wage Policy for all construction contracts.
 - 1998 – Fair Wage Policy updated
 - 2005 – Wages were revised
 - 2008/09 – Wages were updated to reflect Provincial ICI and HAND contracts.
 - 8 out of more than 440 Ontario municipalities have a Fair Wage Policy.
 - The Province of Ontario repealed the Provincial Fair Wage legislation in 2001.
 - Federal Government passed Bill C-38, repealing the *Fair Wages and Hours of Labour Act* (aka Fair Wages Act) in Spring 2012.

o **Fair Wage Policies in Ontario:**

Municipality	\$ Threshold	Date Wage Schedule Updated	Population
Clarington	\$1,000,000	2013	84,598
Hamilton	\$100,000	2009/2010	519,949
Toronto	\$100,000	2003/2004	2.48 million
Oshawa	\$500,000	2003/2004	149,607
Pickering	\$1,000,000	2003/2004	88,721
Thunder Bay	\$100,000	2002	108,359
London	\$100,000	1995	366,151
Greater Sudbury	\$160,000	1995	160,274

o **Current Policy and Schedule Overview:**

- Construction contract of \$100,000 or greater.
- Applies to the Contractor and all its subcontractors.
- Complaint process in place allowing the City to audit those contracts in question.
- Various measures in place when the (sub)contractor is found to be non-compliant with the Policy & Schedule, up to and including being banned from bidding.

o **Proposed Amendments:**

- Policy has been amended to recognize collective agreements that are duly bargained and registered with the Ontario Ministry of Labour
- Public Accountants Report is required by non-compliant (sub)contractors on future contracts
- Contractors will be charged a minimum fee of \$5,000 for contracts that the Policy and/or Schedule were not followed.

- Wages rates in the Schedule have been frozen to existing rates (Provincial – 2009 / HAND – 2010)
- **Financial Impact:**
 - 2012: 123 construction contracts were awarded at a value of \$95 million.
 - Labour is typically 2/3rds of the contract value.
 - Labour would be approximately \$63.7 million.
 - Increase of 7 – 9% of Schedule to 2013/14 rates would increase annual cost.
 - HHBCTC recommended freezing rate to 2012 wages, which represents a 5-7% increase over existing City Fair Wage Schedule.
- **Elimination of the Fair Wage Policy:**
 - Allow for procurement process relying entirely on competitive wages with Construction Industry.
 - Repeal of *Fair Wage & Hours Labour Act* (Bill C-38)
 - Less than 2% of municipalities have a Fair Wage Policy.
 - Quality of Work unrelated to Fair Wage Policy.
 - Ensures level playing field for competent and respectable contractors.
 - Wages within construction industry already competitive.
- **Recognition of Collectives Agreements**
 - It's a matter of law.
 - Encouraging or inducing violation of collective agreements.
 - Perceived "windfall" by unionized members.

- City is potentially interfering with rights and privileges of unionized members.
- Allows for negotiated benefits specific to unionized group.

The presentation, respecting Report FCS12083(a)/HUR12015 – Proposed Fair Wage Policy and Fair Wage Schedule, was received.

Report FCS12083(a)/HUR12015(a), respecting the Fair Wage Policy and the Fair Wage Schedule, was referred back to staff with the following direction:

- (i) That staff be directed to meet with all representatives to discuss their new proposals; and,
- (ii) That staff be directed to review and detail all options put forward by the delegates present at the March 25, 2013 Audit, Finance & Administration Committee and the subsequent meeting(s);

and report back to the Audit, Finance and Administration Committee by June 24, 2013.

A full copy of the presentation is available on-line at www.hamilton.ca or through the Office of the City Clerk.

(g) Follow Up of Audit Report 2011-01 – Culture Facilities – Cash Handling (AUD13011) (City Wide) (Item 8.5)

Staff was directed to report back to the Audit, Finance & Administration Committee with a supplementary report, respecting the status of the incomplete recommendations outlined in Report AUD13011 - Follow up of Audit Report 2011-01 – Culture Facilities – Cash Handling, at the September 9, 2013 meeting.

(h) Follow Up of Audit Report 2010-13 - Domiciliary Hostels (AUD13008) (City Wide) (Item 8.8)

Staff was directed to report back to the Audit, Finance & Administration Committee with a supplementary report, respecting the status of the incomplete recommendations outlined in Report AUD13008 - Follow up of Audit Report 2010-13 – Domiciliary Hostels, at the September 9, 2013 meeting.

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

(i) Various Advisory Committee Minutes (Item 11.2):

The following Advisory Committee minutes were received:

1. Hamilton Mundialization Committee, November 21, 2012 (Item 11.2(a))
2. Hamilton Mundialization Committee, December 19, 2012 (Item 11.2(b))
3. Committee Against Racism, November 27, 2012 (Item 11.2(c))
4. Aboriginal Advisory Committee, January 3, 2013 (Item 11.2(d))
5. Aboriginal Advisory Committee, February 7, 2013 (Item 11.2(e))
6. Status of Women Committee, September 27, 2012 (Item 11.2(f))
7. Status of Women Committee, January 31, 2013 (Item 11.2(g))

(ii) Amendments to the Outstanding Business List (Item 11.4)

The following proposed new due dates, were approved:

- (a) Item "F" – Hybrid Auditor General's Annual Work Plan
Current Due Date: March 25, 2013
Proposed New Due Date: May 13, 2013
- (b) Item "M" – Value for Money Audit Program
Current Due Date: March 25, 2013
Proposed New Due Date: May 13, 2013
- (c) Item "N" – Benefit Payouts
Current Due Date: March 25, 2013
Proposed New Due Date: June 10, 2013
- (d) Item "Q" – Open Data
Current Due Date: March 25, 2013
Proposed New Due Date: June 10, 2013
- (e) Item "S" – WiFi Capabilities for Municipal Buildings & Parks
Current Due Date: March 25, 2013
Proposed New Due Date: April 15, 2013

(j) ADJOURNMENT (Item 13)

There being no further business, the Audit, Finance & Administration Committee, was adjourned at 12:17 p.m.

Respectfully submitted,

Councillor M. Pearson, Chair
Audit, Finance & Administration Committee

Stephanie Paparella
Legislative Coordinator
Office of the City Clerk

Appendix "A" to Item 5 of AFA Report 13-003
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City of Hamilton
Corporate Services Department
Taxation Division
Section "357" Appeals of the Municipal Act, 2001

Appeal No.	Property Address	Roll Number	Explanation	YEAR	Amount
357-11-113	11 Third Private Rd	0030401440000000	Exempt - City owned	2011	-2,355.67
357-12-138	1296 Highway 8	0032101280000000	Demolition of garage	2012	-57.41
357-12-139	179 Lewis Rd	0032205000000000	Demolition of house and garage	2012	-918.61
357-12-183	260 Margaret Ave	0032502740000000	Demolition of original dwelling not carried forward into 2012	2012	-930.20
357-12-184	32 New Mountain Rd	0034601200000000	Major Renovations ruptured water line damage house unlivable	2012	-352.64
357-12-185	406 Fifth Rd E	0035103300000000	Demolition of original structure new house under construction	2012	-471.22
357-12-140	0 Highland Rd W	0036509460500000	Exempt - City owned	2012	-241.60
357-12-142	0 Highland Rd W	0038850912050000	Exempt - City owned no longer farmed	2012	-762.23
357-12-186	270 Longwood Rd S	0100910155000000	Demolition of part of the building	2012	-5,919.55
357-12-006	112 Hughson St S	0201420004000000	Tax Class Conversion building demolished property now a parking lot	2012	-3,657.10
357-11-245	30 King St E	0201515016000000	Demolition of building	2011	-2,180.96
357-09-371	160 King St E	0201520007000000	Major Renovations preventing use	2009	-2,988.10
357-11-246	142 James St n	0201530016000000	Major Renovations preventing use	2011	-206.51
357-12-126	201 Burlington St E	0201710003000000	Tax Class Conversion Labatt's lease expired property converts back to PILT	2012	-23,508.72
357-11-166	35 Brant St	0302240920000000	Gross or Manifest Error denied	2011	0.00
357-12-030	755 Barton St E	0302655176000000	Tax Class Conversion-denied handled through a PRAN	2012	0.00
357-12-191	150 Hilliard St	0302720247000000	Gross or Manifest Error correction of omit date	2012	-95.60
357-12-148	70 Beach Rd	0302730017000000	Tax Class Conversion new tenant now all CTN	2012	-9,641.99
357-12-073	537 Queenston Rd	0504505027000000	Tax Class Conversion - now 100% residential	2012	-706.39
357-12-120	475 Kenora Ave	0504810419800000	Tax Class Conversion from ITN to CTN no longer any manufacturing	2012	-76,154.06
357-12-193	306 Lake Ave n	0504810760000000	Demolition denied upon inspection building have not been demolished	2012	0.00
357-12-017	1631 Rymal Rd E	0605810418000000	Exempt - City owned	2012	-3,277.82
357-12-196	928 Concession St	0606230240000000	Fire house demolished only the garage left standing	2012	-741.18
357-12-101	726 Upper Gage Ave	0706320782000000	Tax Class Conversion property now being used as a residence	2012	-12,742.59
357-11-254	1061 Garner Rd E	1402801620000000	Exempt - denied	2011	0.00
357-12-176	376 Filman Rd	1402802767600000	Demolition of old house	2012	-258.18
357-09-036	522 Book Rd E	1404204200000000	Exempt - Place of Worship except the area used by Montessori Day Care	2009	-12,029.36
357-12-201	522 Book Rd E	1404204200000000	Exempt - Place of Worship	2012	-15,052.69
357-08-318	522 Book Rd E	1404204200000000	Place of Worship change to RT until first Service Oct 19th daycare at CT	2008	-904.42
357-08-318	522 Book Rd E	1404204200000000	Exempt - Place of Worship Oct 19th except the area used by Montessori Day Care	2008	-3,143.40
357-12-202	2555 Creekside Dr	2601203366000000	Exempt - City owned	2012	-150.60
357-12-160	22 Alma	2602001760000000	Demolition denied already reflected in the value	2012	0.00
357-12-161	183 Lynden Rd	3011103360000000	Tax Class Conversion denied	2012	0.00
357-12-218	777 Lynden Rd	3014103200000000	Tax Class Conversion granted farm status	2012	-1,434.21
357-12-163	69 Marshboro Ave	3021106118000000	Exempt - City owned storm management pond	2012	-2,703.87
357-12-221	Freelton Rd	3029100085000000	Gross or Manifest Error roll created in error this is part of roadway	2012	-1,429.83
357-12-164	0 Attridge Cres	3033100731000000	Exempt - City owned storm management pond	2012	-1,858.95
357-12-220	Roadway	3034200130000000	Gross or Manifest Error roll created in error this is part of roadway	2012	-1,973.53
357-12-166	151 Binhaven Blvd	9014106181000000	Exempt - City owned Summerlea West Park	2012	-7,165.02
			Total		-196,014.21

City of Hamilton

Corporate Services Department
Taxation Division

Section "358" Appeals of the Municipal Act, 2001
Realty Tax Applications for overcharges

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

Appeal No.	Property Address	Roll Number	Reason	Explanation	Year	Amount
358-12-058	Highland Rd W	003850912050000	B	Exempt City property	2011	-143.73
358-12-078	23 Burlington St E	021824000160000	B	Correct date of omitted assessment	2011	-188.89
358-12-008	1 Emerald St S	030211056900000	B	Carry forward tax class change processed in 2009 property should be assessed as residential land	2011	-1377.45
358-12-007	1 Emerald St S	030211056900000	B		2010	-1494.07
358-11-105	10 Hillyard St	030224055600000	B1	Gross or Manifest Error denied does not meet criteria	2009	0.00
358-12-079	749A Barton St E	030265518200000	B		2011	-4458.42
358-12-080	749A Barton St E	030265518200000	B	Gross or Manifest Error property should have been CT/RT split	2010	-4148.55
358-12-072	306 Lake Ave N	050481076000000	B1	Gross or Manifest Error denied buildings not demolished	2011	0.00
358-12-038	91 Moore Cres	140320712100000	B	Gross or Manifest Error incorrect square footage when house was originally assessed	2011	-50.35
358-12-036	91 Moore Cres	140320712100000	B		2010	-34.79
358-12-074	522 Book Rd E	140420420000000	B	Exempt Place of Worship now 100 % exempt day care's lease expired June 30th	2011	-12059.28
358-12-074	522 Book Rd E	140420420000000	B	Exempt Place of Worship except the space leased to daycare	2011	-1545.52
358-12-075	522 Book Rd E	140420420000000	B	Exempt Place of Worship except the space leased to daycare	2010	-12116.39
358-12-061	22 Alma St	260200176000000	B	Gross or Manifest Error house demolished in 2010 not reflected on roll	2011	-1417.38
358-12-048	Highway 403	260270119070000	B1	Exemption denied does not meet criteria	2010	0.00
358-12-049	Highway 403	260270119070000	B1	Exemption denied does not meet criteria	2009	0.00
358-12-086	Freilton Rd	302910008500000	B		2011	-1406.39
358-12-087	Freilton Rd	302910008500000	B	Roll created in error - actually part of a roadway - roll number now deleted	2010	-351.21
358-12-084	Roadway	303420013000000	B		2011	-1846.10
358-12-085	Roadway	303420013000000	B	Roll created in error - actually part of a roadway - roll number now deleted	2010	-393.35
					Total	-43,031.87



DEANLEE MANAGEMENT INC.
Development, Planning and Land Use Consultants

October 22, 2012

Ms. Rose Caterini
City Clerk
City of Hamilton
71 Main Street West
Hamilton, ON
L8P 4Y5

OCT 26 2012

**Re: Request Development Charge Demolition Credit Extension
Chedoke Browlands
849 Scenic Drive
Ancaster Con 2 PT Lot 57, Plan 699 PCL A RP 62R17555**

Dear Ms. Caterini:

Please accept this letter, as owners of the above noted property, as our formal request to Audit, Finance and Administration Committee and Council for an extension on the development charge demolition credit for West Pavillion building. It has only recently come to our attention, as part of our due diligence in follow up with the City on implementation of the Ontario Municipal decisions, did we realize that a DC Demolition credit is available for a period of 5-years only from the date of demolition permit issuance. We have since been in contact with your corporate services department to confirm the details of the demolition permit for the West Pavillion building issued December 2000 under permit number 00-152509. This department further assisted us with the requirements on providing a request letter to you for a extension of the DC Demolition Credits applying to this particular building.

The property, formerly owned by The Chedoke Hospital was declared surplus and offered for sale in 2006 to Deanlee Management Inc. As this time the DC demolition credit was identified and understood that once a master plan was approved for the development of the lands and building permits issued, a credit would be netted against the Development Credits payable.

The Chedoke Browlands property is historically and physically unique and was originally developed as a sanatorium for the treatment of tuberculosis patients. Deanlee in 2007 purchased the property and submitted an application for development for medium density residential uses. During the application process we undertook a series of public meetings and consultants and had many meetings with City planning staff on the proposed development. Consultation with the public indicated that the public wanted very little to no development at the site. Ultimately on June 10, 2010 City planning staff recommended approval of the development applications to the Economic Development and Planning Committee. Unfortunately Council neglected to make a decision regarding the applications

s. Rose Caterini
October 22, 2012

**Re: Request Development Charge Demolition Credit Extension
Chedoke Browlands
849 Scenic Drive
Ancaster Con 2 PT Lot 57, Plan 699 PCL A RP 62R17555**

and on June 30, 2010 Deanlee filed the appeal to the Ontario Municipal Board. During the appeal period, Deanlee attempted to settle with the city to avoid a hearing but unfortunately was unsuccessful and proceeded to an OMB hearing December 2011. A decision by the board was rendered on June 23, 2012 in favour of development on these lands. The City and the order has determined that the entirety of these lands be developed under a master plan. Prior to development, a master site plan and precinct plans will be required to ensure compatibility with the OP and the surrounding neighbourhood and to the satisfaction of the NEC. In addition and pursuant to the board orders no further demolition can occur nor can any building permits and construction occur on the property subject to the fulfillment of the draft conditions.

Now that the city has implemented the board's decision into the official planning documents of the City of Hamilton, Deanlee can move forward with the development of the master site plan, precinct plan and satisfying the draft conditions in an effort to develop the lands. Once approvals have been granted through the city process and building permits applied for then Deanlee would request that the demolition credit for the West Pavillion building be applied as a credit against the Development Charges for the construction of all the new building.

Deanlee is requesting that the Development Charges Demolition Credit for the West Pavillion building be extended until December 2016.

We thank you in advance for your consideration of our request. We have copied the following persons at the request of the Audit, Finance and Administration department.

Yours truly,



Michele Starr, BA, BES, PLE

c:c Councillor Terry Whitehead
GM Finance & Corporate Services Robert Rossini
GM Planning & Economic Development Tim McCabe
Manager Capital Budgets & Development Joseph Spiler

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Executive Summary

Section 1: Overview and Administration

- Policy provides investment framework for the City's Reserve/Revenue funds and Trust Accounts.
- Overall objective is to ensure Funds and Trust Accounts are invested in accordance with existing legislation.
- Overall responsibility for Funds and Trust Accounts rests with the City Treasurer and Council, but many administrative duties and responsibilities have been delegated.
- The Chief Investment Officer (CIO) will complete and deliver a performance report to City Treasurer semi-annually and inform the City Treasurer of any security which experiences a credit downgrade in a timely manner.
- City's Investment staff will comply with the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute and the City's Code of Conduct.
- Council members, the City's senior management team, and all external advisors are subject to the City's guidelines pertaining to actual and perceived conflicts of interest.
- CIO will monitor the Funds' and Trust Accounts' asset mixes on a quarterly basis and will rebalance when necessary.
- City Treasurer must formally review the Policy at least annually.
- City Treasurer shall prepare and provide a comprehensive annual investment report to Council.

Section 2: Asset Mix and Diversification

- CIO will arrange for the investment of the Funds and Trust Accounts to achieve a satisfactory return using diversified portfolios that conform with all legislative constraints.
- Asset mix policies have been established for the Funds and Trusts Accounts at acceptable risk levels.
- Funds and Trust Accounts will be managed by the City's investment personnel.

Section 3: Reserve/Revenue Funds

- A short description of the City's Reserve/Revenue Funds and important cash flow considerations.
- The primary goals of the Funds include: 1) conforming to legislative constraints; 2) preserving capital; 3) maintaining adequate liquidity; and 4) maximizing returns.
- The performance objective is to outperform its benchmark composed of sixty-two decimal five percent (62.5%) DEX All-Gov't Short Term Bond Index, twenty-seven decimal five percent (27.5%) DEX All-Gov't Bond Index and ten percent (10.0%) DEX 91-Day T-Bill Index.
- Accounting issues will be taken into account when managing the City's fixed income assets.
- Duration is to be maintained between one (1) year and six (6) years.

Section 4: Reserve/Revenue Funds – Permitted Investments

- The investments of the Funds must comply with the requirements and restrictions set out in the *Municipal Act, 2001*, specifically Eligible investments and Related Financial Agreements, Ontario Regulation 438/97 and any revisions thereof.
- Minimum quality standard for eligible individual bonds is "BBB" and for short term securities is "R-1 low" as rated by a recognized bond rating agency.
- Please refer to chart in Section 4.06 for maximum quantity restrictions.
- The City shall not invest in a security that is payable in any currency other than Canadian dollars.
- Securities lending is acceptable but must be properly securitized.

Section 5: Trust Accounts

- A very brief description of the City's Trust Accounts is included.
- The primary goals of the Trust Accounts include: 1) conforming to legislative constraints; 2) preserving capital; 3) maintaining adequate liquidity and 4) maximizing returns.
- Individual performance objectives will be set for each Trust Account. A customized sub-policy will also be drafted and appended to this Policy because the composition of investment assets and asset mix may vary broadly for each Trust Account.

Section 6: Trust Accounts – Permitted Investments

- The investments of the Trust Accounts must comply with the requirements and restrictions set out in the *Trustee Act*.
- Permitted investments are set out in detail in Section 6.02.
- Minimum quality standard for eligible individual bonds is "A (low)" and short term securities is "R-1 low" at purchase, as rated by a recognized bond rating agency. However issues rated "BBB" are permitted subject to the individual Trust Account maximums.
- All investment must be reasonably liquid (capable of liquidation with six (6) months).
- Please refer to Section 6.04 for maximum quantity restrictions.
- If it is not obvious that an investment qualifies under this Policy, the CIO must consult with the City Treasurer prior to purchasing the investment.

Appendix A – Sector and Issuer Limitations

Appendix B – *Municipal Act, 2001* (Eligible Investments and Related Financial Agreements, Ontario Regulation 438/97)

Appendix C – *Trustee Act* (Investment Provisions)

Appendix D – CFA institute Code of Ethics and Standards of Professional Conduct

Section 1 – Overview and Administration

1.01 Purpose of Statement

This Statement of Investment Policies and Procedures (the "Policy") provides the framework for the investment of the assets of the City of Hamilton's Reserve/Revenue Funds (the "Funds") and the City of Hamilton's Trust Accounts (the "Trust Accounts").

The overall objective of the Policy is to ensure that the Funds and Trust Accounts are invested in accordance with existing legislation in such a way as to maximize investment returns while minimizing investment risk.

1.02 Background

The City Treasurer of the City of Hamilton (the "City") establishes the Policy for approval by the Council of the Municipality for the City of Hamilton ("Council") and ensures that the designated assets are managed in accordance with the guidelines set out in the Policy. Council has determined that the Funds and Trust Accounts shall be managed internally by the Chief Investments Officer (the "CIO"). The Custodian, as appointed by council, is to hold an account for the assets to be managed in accordance to this policy.

1.03 Delegation of Responsibilities

Overall responsibility for the Funds and Trust Accounts ultimately rests with the City Treasurer and Council. It is permitted however to delegate administrative duties and responsibilities to internal and external agents.

a) Chief Investment Officer

The CIO is responsible for:

- (i) monitoring asset mix and rebalancing as required;
- (ii) day-to-day liaison with the Custodian and the Investment Consultant;
- (iii) monitoring and budgeting for cash flow within the Funds and Trust Accounts.
- (iv) researching, recommending and implementing improvements to asset management of the City's investment assets; and
- (v) directing and implementing investment strategies for City managed portfolios.

b) Custodian/Trustee

The custodian/trustee will:

- (i) fulfill the regular duties of a Custodian/Trustee as required by law;
- (ii) maintain safe custody over the assets of the Funds and Trust accounts;
- (iii) execute the instructions of the City Treasurer and the CIO; and
- (iv) record income and provide financial statements to the City Treasurer monthly, or as required.

c) Investment Consultant

The investment consultant will:

- (i) assist the CIO and the City Treasurer in developing a prudent long-term asset mix, and specific investment objectives and policies;
- (ii) monitor, analyze and report on the Fund's investment performance and to support the City Treasurer on any investment related matters;

- (iii) assist with the selections of investment managers, custodians and other suppliers; and,
- (iv) meet with the City Treasurer and/or CIO as required.

d) The City Treasurer

The City Treasurer will provide annual audited financial statements of the Funds and Trust Accounts.

e) City Solicitor

The City's Solicitor will:

- (i) provide legal advice to the City Treasurer regarding compliance with relevant legislation; and
- (ii) provide legal counsel on a range of issues, including the review of contracts with suppliers.

The City Treasurer has the authority to retain other consultants/suppliers, as the City Treasurer deems necessary from time to time.

1.04 Performance Reporting

The CIO is required to complete and deliver a performance report to the City Treasurer and to Council semi-annually.

1.05 Downgrades in Credit Quality

In order to keep the City Treasurer informed, the CIO will take the following steps in the event of a downgrade in the credit rating of a portfolio asset by a recognized bond rating agency to below the purchase standards set out in Sections 4.04 and 6.03:

- within ten (10) business days, the CIO will advise the City Treasurer in writing of the course of action taken, or intended to be taken by the CIO, and his rationale;
- immediately upon downgrade, the asset will be placed on a Watch List subject to monthly review by the CIO with the City Treasurer until such time as the security is sold or is upgraded to a level consistent with the Policy's purchase quality standards; and
- if an investment falls below the standard required, the municipality shall sell the investment within one hundred and eighty (180) days after the day the investment falls below the standard.

1.06 Standard of Professional Conduct

The City's investment personnel are expected to comply, at all times and in all respects, with the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute and the City's Code of Conduct Policy.

The CIO will manage the assets with the care, diligence and skill that an investment manager of ordinary prudence would use in dealing with assets of this nature. The CIO will also use all relevant knowledge and skill that he or she possesses, as a prudent investment manager.

1.07 Conflicts of Interest

The standard applies to individual members of Council, the City's senior management team, the Custodian, the Investment Consultant and any other external Advisor(s). All are subject to the following guidelines pertaining to both actual and perceived conflicts of interest.

Disclosure of Council Members and the Senior Management Team

Council Members and City employees shall subscribe to the City's Conflict of Interest guidelines. In addition:

- a) A member of Council and the City's senior management team shall fully disclose the particulars of any actual or perceived conflict of interest immediately upon becoming aware of the actual or perceived conflict, and in writing to the City Treasurer; and
- b) The person or persons in conflict as identified above shall not directly or indirectly participate in any discussion on the subject of the conflict nor participate in any vote on the matter. All such disclosures shall be recorded in the minutes of council or the senior management team meeting during which the apparent conflict was discussed.

The Custodian, the Investment Consultant and any other Advisor(s) (the "Parties")

While it is impossible to determine every circumstance or case which can give rise to possible conflicts of interest, the following indicates some of the types of activities that could result in an actual or perceived conflict of interest and must be disclosed:

a) Disclosure of Conflict

A representative of the Parties shall disclose to the City Treasurer any material conflict of interest relating to him, and any material beneficial ownership of investments involved, which could reasonably be expected to impair his ability to render unbiased and objective advice. These disclosures shall be made whenever one of the Parties wishes to make recommendations concerning an investment in which he has a material beneficial interest or perceived conflict.

b) Disclosure of additional compensation arrangements

The Parties shall disclose to the City Treasurer in writing any compensation including payments in cash or in kind, he receives from an issuer of securities or any person other than his employer for services he renders to his customers or clients which could reasonably be expected to impair his ability to render unbiased and objective advice with respect to the assets. An employee of the Parties shall also disclose, with the approval of his employer, special compensation arrangements with the employer that might conflict with the City's interests, such as bonuses based on short term performance criteria. Such written notice shall be presented within thirty (30) days.

c) Disclosure of referral fees

The Parties shall disclose any consideration paid to others for making a particular recommendation relating to asset matters. This disclosure statement shall be provided before the recommendation is implemented.

1.08 Related Party Transactions

The City Treasurer, on behalf of the Funds and Trust Accounts, may not enter into a transaction with a related party unless:

- a) the transaction is both required for operation and or administration of the Funds and Trust Accounts and the terms and conditions of the transaction are not less favourable than market terms and conditions;
- b) securities of the related party are acquired at a public exchange; or
- c) the combined value of all transactions with the same related party is nominal or the transaction(s) is immaterial

For the purposes of this Section 1.08, transactions involving less than TEN THOUSAND DOLLARS (\$10,000.00) are considered nominal. A "related party" is defined to include any officer, director or employee of the City. It also includes a spouse or child of the persons named previously, or a corporation that is directly or indirectly controlled by the persons named previously, among others. Related party does not include government or a government agency, or a bank, trust company or other financial institution that holds the assets of the Funds and/or Trust accounts.

1.09 Monitoring of Asset Mix

In order to ensure that the Funds and Trust Accounts operate within the minimum and maximum guidelines stated in the Policy, the CIO shall monitor the asset mix on a calendar quarterly basis. Rebalancing can take place over a reasonably short period of time after an imbalance has been identified. Rebalancing may be effected by redirecting the net cash flows to and from the Funds and/or Trust Accounts, or by transferring cash or securities.

1.10 Policy Review

This Policy may be reviewed and revised at any time, but the City Treasurer and Council must formally review it at least once in every calendar year.

1.11 City Treasurer's Report

The City Treasurer shall provide an investment report annually to Council by May 31 of the calendar year for the prior fiscal year that:

- a) contains a statement about the performance of the portfolio of investments of the City during the period covered by the report;
- b) contains a listing of the types of securities in which the portfolio invested during the period covered by the report;
- c) contains a listing of the securities and their credit ratings held by the portfolio at the date of the report;
- d) contains 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;
- e) contains a record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale of each security.
- f) contains a statement by the CIO as to whether or not, in his or her opinion all investments were made in compliance with this investment policy; and
- g) contains such other information that the council may require or that, in the opinion of the City Treasurer, should be included.

Section 2 – Asset Mix and Diversification Policy

2.01 Portfolio Return Expectations

The City Treasurer has appointed the CIO to arrange for the investment of part or all of the assets of the Funds and Trust Accounts to achieve a satisfactory long-term rate of return through a diversified portfolio, consistent with acceptable risks and prudent management and that conforms with all legislative constraints.

An appropriate asset mix policy has been established for the Funds and Trust Accounts to provide a reference for long-term return requirements at risk levels acceptable to the City Treasurer. Risk is controlled by investing in well diversified and high quality portfolios.

2.02 Management Structure

The Funds and Trust Accounts will be managed by the City's investment personnel.

Section 3 – Reserve/Revenue Funds

3.01 Fund Policy

The City's Reserve/Revenue Funds were amalgamated in 2001. Little historical data is available to accurately project the pattern of cash flows for the Fund. But based on the pattern of cash flows experienced in the past, one can assume that cash flow will be added to the Funds between February and October and the Funds will be drawn down between November and February.

These assets of the Reserve/Revenue Fund will be managed on a total return basis and measured against performance benchmarks. Another important cash flow consideration relates to the Fund's intra-month cash flow activity. According to City sources, there is a great deal of short-term cash activity every month and the Funds require a comprehensive cash management operation.

3.02 Objectives

The primary goals of the Funds are to ensure compliance with the *Municipal Act, 2001* and Eligible Investments and Related Financial Agreements, Ontario Regulation 438/97, to minimize investment risk, and to maximize investment returns.

The four basic objectives of the Policy are:

1. Conform to Legislative Constraints

The City's investment portfolios must conform with the *Municipal Act*, which is the guiding legislation for investment of municipal funds. In particular, the investments must conform to Eligible Investments and Related Financial Agreements, Ontario Regulation 438/97. Eligible investments are discussed in greater detail in Section 4.02.

2. Preserve Capital

Ensuring the safety of principal is of paramount importance for the City. Proper diversification will help to ensure that this objective is met. The establishment of limitations relating to credit rating, sector exposure and term structure will ensure safety of principal by limiting the investment exposure to any one issuer, sector or term.

The limitations described in Section 4 reflect the requirements of the current legislation and the City's own guidelines on prudent investment standards. All eligible investments must adhere to these limits.

3. Maintain Adequate Liquidity

Maintaining adequate liquidity ensures that the Funds can be fully invested until required by the City. Liquid investments also afford more opportunities for investment management (i.e. lengthening or shortening the term of securities to take advantage of movements in interest rates or shifts in the yield curve).

The predictability of the City's cash flows will be an important consideration in determining the degree of liquidity required in the portfolio.

4. Maximize Returns while Conforming to Other Objectives

Investment returns should be maximized through opportunistic investment management without compromising the objectives of preservation of capital and maintenance of liquidity.

The CIO is responsible for managing the Fund's investment assets. For the purposes of evaluating the Fund's performance, all rates of returns will be measured over moving one-year and four-year periods. Return objectives will be on a total return basis and will include realized and unrealized capital gains or losses plus income from all sources. Returns will be calculated on a time-weighted basis and compared to the objectives described below.

Performance Objectives:

The Fund's performance objective, as outlined in Section 4.10, is to outperform a benchmark portfolio constructed from a blend of returns composed of sixty-two decimal five percent (62.5%) of the DEX All-Government Short Term Bond Index, twenty-seven decimal five percent (27.5%) of the DEX All-Government Bond Index and ten percent (10.0%) of the DEX 91-Day Treasury Bill Index, measured over four-year cycles.

The City's cash management objectives include the maintenance of positive cash flow, the development of prudent temporary borrowing strategies and the investment of the City's idle funds to earn a competitive rate of return.

3.03 Investment and Risk Philosophy

a) Investment Philosophy

The Funds will be managed on a total return basis, as per the objectives, guidelines and constraints imposed by the Policy. Efforts will be made to maximize returns and avoid capital losses, while incorporating the Funds' unique cash flow demands.

b) Risk Philosophy

The Funds shall be managed in a conservative manner with special care and attention being taken to minimize risk and preserve capital.

3.04 Accounting Issues

With the likelihood that the City's fixed income portfolio may incur unrealized losses, it is extremely important to address the accounting treatment of such unrealized losses with the City's auditors. Discussions with the City's auditors reveal that they will adopt a very conservative approach in valuing the portfolio, but will distinguish between temporary and permanent impairments in value. Should the loss in value of a portfolio be deemed permanent, the investment will be written down to recognize the loss. A write down of a portfolio investment to reflect a loss in value will not be reversed if there is a subsequent increase in value.

Section PS 3040 – Portfolio investments, Paragraph .10 of The Canadian Institute of Chartered Accountants Official Pronouncements Collection states: *"that a decline in quoted market value below carrying value of an investment with a fixed maturity amount may be considered temporary unless it is anticipated that the investment will be disposed of before it matures or that the carrying value may not be realizable"*.

This information has important implications for the manner in which the City's fixed income investments should be managed and its resulting term structure.

Section 4 - Reserve/Revenue Funds: Permitted Investments and Performance Measurement

4.01 General Guidelines

The investments of the Funds must comply with the requirements and restrictions set out in the *Municipal Act, 2001* S.O. 2001, c.25 (the "*Municipal Act*"), specifically Eligible Investments and Related Financial Agreements, Ontario Regulation 438/97 and any revisions thereof. Any changes or revisions to the *Municipal Act*, specifically Eligible Investments and Related Financial Agreements, Ontario Regulation 438/97, subsequent to the formal adoption of this Policy, will be effective immediately. This Policy will be updated to reflect the change(s) at the time of its annual review.

4.02 Permitted Investments

The City will invest only in securities permitted under the *Municipal Act* and its related regulations, as amended from time to time.

A list of Sector and Issuer Limitations (the List) will be established by the General Manager and the Chief Investments Officer (see Appendix A). The List will state explicitly the approved sectors and issuer limitations of securities that may be held in the portfolio. In addition, while all investments on the List must meet legislative requirements, specific minimum credit rating requirements, dollar limits and/or percentage limits (of the total portfolio) will be established for each issuer. The List will be amended from time to time by the Chief Investments Officer.

4.03 Grandfathered Investments—Non-Bank ABCP

Investments which were allowed under the *Municipal Act* will be grandfathered and considered acceptable investments provided that:

- a) the City invested in the security before January 12, 2009; and
- b) the terms of the City'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". O. Reg. 438/97 s.2.1

4.04 Minimum Quality Requirements

The City shall not invest in a security that does not meet the credit rating requirements established under the *Municipal Act* and Regulations.

4.05 Investments in School Board Issued Securities

A municipality shall not invest in a security issued or guaranteed by a school board or similar entity unless the money raised by issuing the security is to be used for school purposes.

4.06 Maximum Quantity Restrictions

The City shall not invest more than twenty-five percent (25%) of the portfolio in short-term debt issued or guaranteed by the City. Short-term debt means any debt instrument that shall be fully repaid no later than three hundred and sixty-four (364) days after the debt is incurred. The total investment in 'A' or equivalent rated debt on purchase must not exceed thirty-five percent (35%) of the market value of the City's bond portfolio.

Subject to the quality limits imposed above, the following quantity restrictions at the total fund level are to be respected. Please see the Sector and Issuer Limitations List in Appendix A for more details:

	Minimum %	Maximum %
Federal issues in aggregate	0	100
Federal Guarantee	0	100
Provincial holdings in aggregate	0	100
Single province exposure	0	50
Individual non-federal/non-provincial holding (*)	0	10
Non-federal/non-provincial holdings in aggregate	0	50
Municipal Issues (*)		
-individual muni issue rated "AAA"	0	10
-individual muni issue rated "AA"	0	10
-individual muni issue rated "A"	0	5
Municipal holdings in aggregate	0	30
Banks in aggregate	0	50
Asset-Backed in aggregate	0	25
Foreign Country Debt in Cdn dollars	0	25
Commercial paper in aggregate	0	20
ONE Funds in aggregate	0	10
Corporate Debt rated A or better < 5 years in aggregate	0	15
OSIFA/"AA" Broader Public Sector	0	15
Supranational	0	30
Short term securities in aggregate	0	50
Non charitable gift of bonds, debentures, promissory notes or other securities of a corporation, must be sold within 90 days	0	N/A
Shares of a corporation received through a court order in lieu of debt that is payable to the municipality	0	N/A
Forward Rate Agreement	0	N/A
Portfolio benchmark duration (Macaulay)	1 year	6 years

(*) Except for City of Hamilton issues which have a limit of twenty-five percent (25%).

4.07 Currency

The City shall not invest in a security that is expressed or payable in any currency other than Canadian Dollars.

4.08 Securities Lending

The investments of the Funds may be loaned, for the purpose of generating revenue for the Funds on a fully indemnified basis.

For securities held in segregated accounts, such loans must be secured by cash and/or readily marketable government bonds, treasury bills and/or letters of credit, discount notes and bankers' acceptances of chartered banks. For bonds, the security held must have a market value of at least one hundred and two percent (102%) of the market value of the loaned securities. This market value relationship must be calculated at least daily.

The terms and conditions of any securities lending program will be set out in a contract with the Custodian. The Custodian shall, at all times, ensure that the City Treasurer has a current list of those institutions that are approved to borrow the Fund's investments.

4.09 Forward Rate Agreements

The City is authorized to enter into agreements to make prescribed investments as outlined in O. Reg. 438/97, on a future date and to that effect may enter into a one or more forward rate agreements.

a) Description of a Forward Rate Agreement

A Forward Rate Agreement ("FRA") is legally binding agreement between two parties to exchange cash flows based on interest rates (usually one party pays a fixed interest rate and the other party pays a floating interest rate) applied to a notional principal amount at a given future date.

b) Purpose

The FRA should be used to minimize the cost or risk associated with investments because of fluctuations in interest rates.

Overall, the FRA should provide the City with the possibility to protect the future returns in anticipation of fluctuating interest rates (i.e. fixes today the interest rate that will accrue on an investment occurring in the future). It will also allow the City's to plan for cash flows more effectively as future interest rates are no longer uncertain.

The FRA must be entered into with the intent of accomplishing the above purposes. For example, the fund may enter into a FRA to fix the rate of return for an investment that would meet the obligations of a sinking fund debenture.

c) Standard FRA Contract

The standard FRA contract shall include the following:

- A forward amount, which is the principal amount of the investment or that portion of the principal amount to which the agreement relates;
- A settlement day, which is a specified future date;
- A forward rate of interest, which is a notional rate of interest applicable on the settlement day;

- A reference rate of interest, which is the market rate of interest payable on a specified future date on an acceptance issued by a bank listed in Schedule I, II and III to the *Bank Act*, S.C. 1991, c. 46 (the "*Bank Act*"); and
- A settlement payment to be payable on the settlement day if the forward rate and the reference rate of interest are different.

d) Type of investments

The City is allowed to enter into a FRA in any of the fixed income securities prescribed in the Sector and Issuer Limitations list (Appendix A). Dealing in FRA's is permitted in Canadian dollars only.

e) Counterparty

The City shall not enter a FRA except with a bank listed in Schedule I, II and III to the *Bank Act* and only if the bank's long term debt obligations on the day the agreement is entered are rated A (high) or higher by DBRS, A+ or higher by Fitch, A1 or higher by Moody's or A+ or higher by S&P.

f) Reference Rate

The reference rate is the market rate of interest (floating interest rate) payable on a specified future date.

The parties are free to use any market rate of interest as a reference rate for entering into a FRA, provided the methodology of computing the rate is objective, transparent and mutually acceptable to counterparties.

g) Size Limit

The City should not enter a FRA if the forward notional amount, when added to all forward notional amounts under other forward agreements, if any, relating to the same investment, would exceed the total amount of the principal of the investment.

h) Term

The City shall not enter a FRA unless the settlement day under the agreement is within twelve (12) months of the day on which the agreement is executed.

i) Valuation

The FRA portfolio must be marked to market as determined by the custodian. The City shall apply the Generally Accepted Accounting Principles (GAAP) in reporting the impact of the FRA on the financial statements.

j) Netting Settlement

The agreement should be set up so that on the settlement date, all FRA payments to be exchanged will be net settled (i.e. only the differential between the fixed and floating is paid).

In case of insolvency, the claim of the counterparty provides for the netting of the transaction between the insolvent and the creditor. In such case, the amount payable by one party is set off against the amount payable by the other party and only the net balance is paid or received.

k) Risk Management Authorization

All agreements will be negotiated by the CIO and authorized by the City Treasurer or Council of the City. The City Treasurer or Council will be presented with:

1. Estimated cost to the municipality resulting from the use of a FRA
2. Detailed estimate of the expected results of the use of a FRA
3. An analysis of financial and other risk to the municipality that would exist with and without the use of a FRA

Contract

A FRA contract should be developed and used as standard in all transactions. The standard shall clearly define the rights and obligations of each party.

Credit exposure limits

FRA with Schedule III banks should be limited to twenty-five percent (25%) of the entire FRA portfolio.

Monitoring

The CIO shall ensure that the appropriate infrastructure and monitoring systems such as ability to price the FRA, marked to market the positions, monitor limit exposures on an ongoing basis are put in place.

Monitoring Report

If the City has any subsisting FRA in a fiscal year, the City Treasurer of the City shall prepare and present to the City council once in that fiscal year, or more frequently if the council or desires, a detailed report on all those agreements.

The report must contain the following information and documents:

- A statement about the status of the forward rate agreements during the period of the report, including a comparison of the expected and actual results of using the agreements;
- A statement by the City Treasurer indicating whether, in his or her opinion, all the forward rate agreements entered during the period of the report are consistent with the City's statement of policies and goals relating to the use of forward rate agreements;
- Such information as the council may require; and
- Such other information as the City Treasurer considers appropriate to include in the report.

4.10 Performance Measurement

For purposes of evaluating the performance of the Funds, all rates of returns are measured over moving one-year and four-year periods. Return objectives include realized and unrealized capital gains or losses plus income from all sources.

The Funds' performance objective is to outperform a benchmark portfolio constructed from a blend of returns composed of sixty-two decimal five percent (62.5%) of the DEX All-Government Short Term Bond Index, twenty-seven decimal five percent (27.5%) of the DEX All-Government Bond Index and ten percent (10.0%) of DEX 91-Day Treasury Bill Index.

Total Fund

Investment weightings and investment results are to be measured regularly against a long-term Benchmark Portfolio comprising:

Benchmark	%
DEX All-Government Short Term Bond Index	62.5
DEX All-Government Bond Index	27.5
DEX 91-Day Treasury Bill Index	<u>10.0</u>
	100.0

Section 5 - Trust Accounts

5.01 Profile

The City's Trust Accounts consist of multiple accounts, each with distinct and unique objectives. The individual Trust Accounts therefore, although small, may not be co-mingled.

Notwithstanding the following, a subpolicy will be developed for each individual Trust Account and appended to this Policy. Each subpolicy will contain a statement of objectives, and constraints and guidelines customized to the unique requirements of the individual Trust Accounts.

5.02 Objectives

The primary goals of the Trust Accounts are to ensure compliance with the investment provisions of the Trustee Act, R.S.O. 1990, c. T.23 (the "*Trustee Act*"). Effective July 1, 1999, the investment provisions of the *Trustee Act* were amended to a "prudent investor" standard. The new legal standard of "prudent investor" allows for greater portfolio diversification and a less restrictive means of selecting appropriate investments.

The basic objectives of the Trust Accounts include:

1. Conform to Legislative Constraints

The City's Trust Accounts must conform with the *Trustee Act of Ontario*, which is the guiding legislation for investment of trust monies. In particular, the investments must conform to the requirements and restrictions imposed by Section 27 of the *Trustee Act*.

Among other criteria, Section 27 of the *Trustee Act* stipulates that a trustee:

- must exercise the care, skill, diligence and judgment that a prudent investor would exercise in making investments;
- may invest trust property in any form of property in which a prudent investor might invest; and
- must diversify the investments of trust property to the extent that is appropriate.

2. Preserve Capital

Ensuring the safety of principal is of paramount importance for the City. Proper diversification will help to ensure that this objective is met.

The limitations described in Section 6 reflect the requirements of the current legislation and the City's own guidelines on prudent investment standards. All eligible investments must adhere to these limits.

3. Maintain Adequate Liquidity

Maintaining adequate liquidity ensures that the Trust Accounts can be fully invested until required by the City. Liquid investments also afford more opportunities for investment management (i.e. moving in to or out of equity investments as dictated by prevailing market conditions or lengthening or shortening the term of fixed income securities to take advantage of movements in interest rates).

4. Maximize Returns while Conforming to Other Objectives

Investment returns should be maximized through opportunistic investment management without compromising the objectives of preservation of capital and maintenance of liquidity.

The CIO is responsible for managing the Trust Accounts' investment assets. For the purposes of evaluating the Trust Accounts performance, all rates of returns will be measured over moving one-year and four-year periods. Return objectives will be on a total return basis and will include realized and unrealized capital gains or losses plus income from all sources. Returns will be calculated on a time-weighted basis.

Performance Objectives:

The performance objectives of the individual Trust Accounts must be treated on an account- by account basis. The Trust Accounts are too diverse in nature to set specific performance objectives as individual objectives and constraints vary and the composition of investment assets and asset mix vary broadly.

5.03 Investment and Risk Philosophy

a) Investment Philosophy

The Trust Accounts will be managed on a total return basis, as per the objectives, guidelines and constraints imposed by the Policy and individual Trust Accounts. Efforts will be made to maximize returns and avoid capital losses.

b) Risk Philosophy

The Funds shall be managed in a conservative manner with special care and attention being taken to minimize risk and preserve capital.

Section 6 - Trust Accounts: Permitted Investments

6.01 General Guidelines

The investments of the Trust Accounts must comply with the requirements and restrictions set out in the *Trustee Act*, R.S.O. 1990, c. T.23 (the "*Trustee Act*"), specifically the requirements and restrictions imposed by Section 27 of the *Trustee Act*. Any changes or revisions to the *Trustee Act*, specifically Section 27, subsequent to the formal adoption of this Policy will be effective immediately. This Policy will be updated to reflect the change(s) at the time of the Policy's annual review.

6.02 Permitted Investments

The following are prescribed, for the purposes of this investment policy, as securities that the City may invest in:

1. Canadian and Foreign Equities

Permitted instruments are:

- common and convertible preferred equity listed on recognized stock exchanges;
- debentures convertible into common equity;
- rights, warrants and special warrants for common or convertible preferred stock;
- instalment receipts;
- American Depository Receipts and Global Depository Receipts; and
- exchange traded index participation units.

2. Bonds

Permitted instruments are:

- bonds, debentures, notes and other evidences of indebtedness of Canadian issuers denominated in Canadian dollars;
- mortgage-backed securities, guaranteed by the federal government as to the timely payment of all payments under the *National Housing Act*, R.S.C. 1985, c. N-11;
- term deposits and guaranteed investment certificates; and
- Supra-National bonds issued by the International Bank for Reconstruction and Development denominated in Canadian dollars.

3. Cash and Short Term Investments

Permitted instruments (defined to be securities with less than one (1) year to maturity) are:

- cash on hand and demand deposits including deposit accounts of the custodian,
- treasury bills issued by the federal and provincial governments and their agencies, obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances, and
- commercial paper and term deposits.

4. Other Investments

Permitted instruments are:

- deposit accounts of the custodian which can be used to invest surplus cash holdings; and
- investments may be made in mutual funds.

6.03 Minimum Quality Requirements

Within the investment restrictions for individual portfolios, including mutual funds, all portfolios should hold a prudently diversified exposure to the intended market.

The following minimum quality restrictions apply to all investments held in the portfolio:

- generally speaking, the minimum quality standard for individual bond issues is 'A (Low)' or equivalent, as rated by a recognized bond rating agency at the time of purchase, however, issues rated 'BBB' are permitted subject to the individual Trust Account maximums;
- the minimum quality standard for individual short term securities is 'R-1 (Low)' or equivalent, as rated by a recognized bond rating agency at the time of purchase; and
- all investments shall be reasonably liquid (i.e. in normal circumstances they should be capable of liquidation within six (6) months).

6.04 Maximum Quantity Restrictions

The following restrictions are to be respected:

Equities

- The equity holdings will be well diversified and contain at least fifteen (15) securities. The maximum holding for any individual stock will be ten percent (10%) of the equity portfolio based on market value;
- Equity holdings representing more than ten percent (10%) of the voting shares of a corporation or more than ten percent (10%) of the available public float shall be disclosed on a quarterly basis; and
- Equity holdings representing more than twenty percent (20%) of the voting shares of a corporation or more than twenty percent (20%) of the available public float are not permitted. In addition, the combined share of all holdings in excess of ten percent (10%) of the voting shares or public float may not exceed three percent (3%) of the total equity portfolio. All calculations are based on market value.

Bonds and Short Term

- Except for federal and provincial bonds (including government guaranteed bonds), no more than ten percent (10%) of the bond portfolio may be invested in the bonds of a single issuer and its related companies;
- No one bond holding shall represent more than ten percent (10% of the market value of the total outstanding for that bond issue;
- No more than ten percent (10%) of the market value of the bond portfolio may be held in 'BBB' issues; and
- No more than ten percent (10%) of the market value of the bond portfolio may be held in real return bonds.

Mutual Fund Investments

The CIO may invest in mutual funds, provided that every effort is made to minimize investment management fees.

Pooled Fund Investments

Investments in pooled funds are not permitted, unless such funds can be deemed to be mutual funds.

Prior Permission Required

The following investments may be permitted **provided that** prior approval has been obtained from the City Council:

- investments in private placements;
- direct investments in real estate;
- direct investments in venture capital financing or private equity limited partnerships;
- investments in bonds of foreign issuers;
- investments in units of investment trusts (e.g. REITs or resource trust units); and
- direct investments in mortgages.

No other investment is permitted.

6.05 General Restriction

At all times, the CIO must meet the requirements for eligible investments as outlined in the *Trustee Act*.

If it is not obvious that an investment qualifies under this Policy, the CIO should consult with the City Treasurer of his concern about the investment before the investment is acquired.

Appendix A – Sector and Issuer Limitations

	Minimum Credit Rating	Money Market Rating	Sector/Credit Exposure Limitations (maximum) (1)	
			Portfolio Limit	Individual Limit
Federal Canada Government	N/A	R1 high	100%	100%
Federal Guarantees	N/A	R1 high	100%	25%
Provincial(2)	AA	R1 mid	100%	50%
	A	R1 mid	20%	10%
	BBB	R1 mid	10%	10%
Municipal				
City of Hamilton	N/A		25%	25%
Other Municipalities and School Boards	AAA & AA		25%	10%
	A		15%	5%
Municipal Totals			30%	
Asset-Backed	AAA	R1 high or mid	25%	10%
Banks				
Schedule I Banks	AA(L)	R1 mid	50%	10%
	A	R1 low	20%	5%
Schedule II Banks	AA(L)	R1 high	15%	5%
	A	R1 mid	10%	5%
Schedule III Banks	AA(L)	R1 high	15%	5%
	A	R1 mid	10%	5%
Bank Total			50%	
Commercial Paper		R1 high	15%	5%
		R1 mid	10%	2%
Commercial Total			20%	
Foreign Country Debt (Cdn Issued)	AA		25%	10%
One Funds			10%	10%
Corporate Debt < 5Yrs.	A		15%	5%
OSIFA/ "AA" Broader Public Sector			15%	5%
Supranationals	AAA		30%	10%
Securities of a Corporation(3)			n/a	n/a
Shares of a Corporation(4)			n/a	n/a
Forward Rate Agreements			n/a	25% (5)

(1) – Exposure % limitations to be applied to the par value of the total portfolio.

(2) – Includes Provincial Guarantees.

(3) – Securities of a corporation received as a non-charitable gift. Must sell within ninety (90) days.

(4) – Shares of a corporation received if the corporation has a debt payable to municipality, under court order the corporation has received creditor protection, and in lieu of debt is authorized by the court order and in the opinion of the Treasurer of the municipality the debt would be uncollectible by the City.

(5) – FRA with Schedule III Bank limited to 25% of entire FRA portfolio.

**Appendix B - *Municipal Act, 2001*, Ontario Regulation 438/97
(Eligible Investments and Related Financial Agreements)**

ONTARIO REGULATION 438/97 (formerly under Municipal Act)

ELIGIBLE INVESTMENTS AND RELATED FINANCIAL AGREEMENTS

Last amendment: O. Reg. 373/11

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. O. Reg. 438/97, s. 1; O. Reg. 399/02, s. 1.

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 24 of the *Housing Services Act, 2011*, 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. O. Reg. 438/97, s. 2; O. Reg. 265/02, s. 1; O. Reg. 399/02, s. 2; O. Reg. 655/05, s. 2; O. Reg. 607/06, s. 1; O. Reg. 39/07, s. 1; O. Reg. 373/11, s. 1.

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". O. Reg. 292/09, s. 1.

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,

- (a) Revoked: O. Reg. 265/02, s. 2 (1).
- (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. O. Reg. 438/97, s. 3 (1); O. Reg. 265/02, s. 2 (1); O. Reg. 399/02, s. 3 (1); O. Reg. 655/05, s. 3 (1, 2); O. Reg. 607/06, s. 2; O. Reg. 39/07, s. 2.

(2) Revoked: O. Reg. 655/05, s. 3 (3).

(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". O. Reg. 655/05, s. 3 (4).

(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". O. Reg. 265/02, s. 2 (2); O. Reg. 399/02, s. 3 (2); O. Reg. 655/05, s. 3 (5).

(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+". O. Reg. 265/02, s. 2 (2); O. Reg. 399/02, s. 3 (3); O. Reg. 655/05, s. 3 (6).

(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. O. Reg. 292/09, s. 2 (1).

(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". O. Reg. 292/09, s. 2 (1).

(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+". O. Reg. 265/02, s. 2 (2); O. Reg. 399/02, s. 3 (4); O. Reg. 655/05, s. 3 (8).

(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. O. Reg. 292/09, s. 2 (2).

(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. O. Reg. 292/09, s. 2 (3).

(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. O. Reg. 265/02, s. 2 (2).

(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. O. Reg. 265/02, s. 2 (2).

(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. O. Reg. 265/02, s. 2 (2).

(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. O. Reg. 655/05, s. 3 (9).

(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. O. Reg. 655/05, s. 3 (9).

(12) Revoked: O. Reg. 292/09, s. 2 (4).

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. O. Reg. 438/97, s. 4 (1).

(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. O. Reg. 438/97, s. 4 (2).

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. O. Reg. 265/02, s. 3; O. Reg. 399/02, s. 4; O. Reg. 655/05, s. 4 (1, 2).

(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. O. Reg. 655/05, s. 4 (3).

(1.2) Subsection (1.1) does not apply to investments in securities by the City of Ottawa if all of the following requirements are satisfied:

1. Only the proceeds of the sale by the City of its securities in a corporation incorporated under section 142 of the *Electricity Act, 1998* are used to make the investments.

2. The investments are made in a professionally-managed fund.
3. The terms of the investments provide that,
 - i. where the investment is in debt instruments, the principal must be repaid no earlier than seven years after the date on which the City makes the investment, and
 - ii. where the investment is in shares, an amount equal to the principal amount of the investment cannot be withdrawn from the fund for at least seven years after the date on which the City makes the investment.
4. The City establishes and uses a separate reserve fund for the investments.
5. Subject to paragraph 6, the money in the reserve fund, including any returns on the investments or proceeds from their disposition, are used to pay capital costs of the City and for no other purpose.
6. The City may borrow money from the reserve fund but must repay it plus interest. O. Reg. 655/05, s. 4 (3).

(2) The investment made under clause (1) (b) or described in subsection (1.1), as the case may be, must be made in the One Investment Program 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). O. Reg. 265/02, s. 3; O. Reg. 655/05, s. 4 (4); O. Reg. 607/06, s. 3; O. Reg. 292/09, s. 3; O. Reg. 52/11, s. 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
- (b) Revoked: O. Reg. 248/01, s. 1.

O. Reg. 438/97, s. 5; O. Reg. 248/01, s. 1.

6. (1) A municipality shall not invest in a security that is expressed or payable in any currency other than Canadian dollars. O. Reg. 438/97, s. 6 (1).

(2) Subsection (1) does not prevent a municipality from continuing an investment, made before this Regulation comes into force, that is expressed and payable in the currency of the United States of America or the United Kingdom. O. Reg. 438/97, s. 6 (2).

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. O. Reg. 438/97, s. 7.

(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. O. Reg. 265/02, s. 4.

(3) Revoked: O. Reg. 655/05, s. 5.

(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. O. Reg. 265/02, s. 4.

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. O. Reg. 438/97, s. 8 (1).

(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. O. Reg. 438/97, s. 8 (2); O. Reg. 655/05, s. 6.

(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). O. Reg. 292/09, s. 4.

(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. O. Reg. 265/02, s. 5.

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. O. Reg. 655/05, s. 7.

9. (1) Despite this Regulation, an investment by a municipality in bonds, debentures or other indebtedness of a corporation made before March 6, 1997 may be continued if the bond, debenture or other indebtedness is rated,

- (a) Revoked: O. Reg. 265/02, s. 6.
- (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. O. Reg. 438/97, s. 9 (1); O. Reg. 265/02, s. 6; O. Reg. 399/02, s. 5; O. Reg. 655/05, s. 8.

(1.1) Despite subsection 3 (4.1), an investment in a security under paragraph 7.1 of section 2 made on a day before the day this subsection comes into force may be continued if 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". O. Reg. 292/09, s. 5 (1).

(2) If the rating of an investment continued under subsection (1) or (1.1) falls below the standard required by that subsection, the municipality shall sell the investment within 180 days after the day the investment falls below the standard. O. Reg. 438/97, s. 9 (2); O. Reg. 292/09, s. 5 (2).

FORWARD RATE AGREEMENTS

10. (1) A municipality that enters into an agreement to make an investment on a future date in a security prescribed by section 2 may enter one or more forward rate agreements with a bank listed in Schedule I, II or III to the *Bank Act* (Canada) in order to minimize the cost or risk associated with the investment because of fluctuations in interest rates. O. Reg. 655/05, s. 9.

(2) A forward rate agreement shall provide for the following matters:

- 1. Specifying a forward amount, which is the principal amount of the investment or that portion of the principal amount to which the agreement relates.
- 2. Specifying a settlement day, which is a specified future date.
- 3. Specifying a forward rate of interest, which is a notional rate of interest applicable on the settlement day.
- 4. Specifying a reference rate of interest, which is the market rate of interest payable on a specified future date on an acceptance issued by a bank listed in Schedule I, II or III to the *Bank Act* (Canada).

5. Requiring a settlement payment to be payable on the settlement day if the forward rate and the reference rate of interest are different. O. Reg. 655/05, s. 9.

(3) A municipality shall not enter a forward rate agreement if the forward amount described in paragraph 1 of subsection (2) for the investment whose cost or risk the agreement is intended to minimize, when added to all forward amounts under other forward rate agreements, if any, relating to the same investment, would exceed the total amount of the principal of the investment. O. Reg. 655/05, s. 9.

(4) A municipality shall not enter a forward rate agreement unless the settlement day under the agreement is within 12 months of the day on which the agreement is executed. O. Reg. 655/05, s. 9.

(5) A municipality shall not enter a forward rate agreement if the settlement payment described in paragraph 5 of subsection (2) exceeds the difference between the amount of interest that would be payable on the forward amount calculated at the forward rate of interest for the period for which the investment was made and the amount that would be payable calculated at the reference rate of interest. O. Reg. 655/05, s. 9.

(6) A municipality shall not enter a forward rate agreement except with a bank listed in Schedule I, II or III to the *Bank Act* (Canada) and only if the bank's long-term debt obligations on the day the agreement is entered are rated,

- (a) by Dominion Bond Rating Service Limited as "A(high)" or higher;
- (b) by Fitch Ratings as "A+" or higher;
- (c) by Moody's Investors Service Inc. as "A1" or higher; or
- (d) by Standard and Poor's as "A+" or higher. O. Reg. 655/05, s. 9.

11. (1) Before a municipality passes a by-law authorizing a forward rate agreement, the council of the municipality shall adopt a statement of policies and goals relating to the use of forward rate agreements. O. Reg. 655/05, s. 9.

(2) The council of the municipality shall consider the following matters when preparing the statement of policies and goals:

- 1. The types of investments for which forward rate agreements are appropriate.
- 2. The fixed costs and estimated costs to the municipality resulting from the use of such agreements.
- 3. A detailed estimate of the expected results of using such agreements.
- 4. The financial and other risks to the municipality that would exist with, and without, the use of such agreements.
- 5. Risk control measures relating to such agreements, such as,
 - i. credit exposure limits based on credit ratings and on the degree of regulatory oversight and the regulatory capital of the other party to the agreement,
 - ii. standard agreements, and
 - iii. ongoing monitoring with respect to the agreements. O. Reg. 655/05, s. 9.

12. (1) If a municipality has any subsisting forward rate agreements in a fiscal year, the treasurer of the municipality shall prepare and present to the municipal council once in that fiscal year, or more frequently if the council so desires, a detailed report on all of those agreements. O. Reg. 655/05, s. 9.

(2) The report must contain the following information and documents:

1. A statement about the status of the forward rate 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 treasurer indicating whether, in his or her opinion, all of the forward rate agreements entered during the period of the report are consistent with the municipality's statement of policies and goals relating to the use of forward rate agreements.
3. Such other information as the council may require.
4. Such other information as the treasurer considers appropriate to include in the report. O. Reg. 655/05, s. 9.

Appendix C - Trustee Act (Investment Provisions)

R.S.O. 1990, c. T.23

Amended by: 1992, c. 32, s. 27; 1993, c. 27, Sched.; 1994, c. 27, s. 43 (2); 1998, c. 18, Sched. B, s. 16; 2000, c. 26, Sched. A, s. 15; 2001, c. 9, Sched. B, s. 13; 2002, c. 24, Sched. B, s. 47; 2005, c. 5, s. 71; 2006, c. 19, Sched. B, s. 23.

Definitions

1. In this Act,

"assign" means the execution and performance by a person of every necessary or suitable deed or act for assigning, surrendering, or otherwise transferring land of which such person is possessed, either for the whole estate of the person so possessed or for any less estate, and "assignment" has a corresponding meaning; ("céder", "cession")

"contingent right" as applied to land includes a contingent and executory interest, and a possibility coupled with an interest, whether the object of the gift or limitation of such interest or possibility is or is not ascertained, and also a right of entry whether immediate or future, vested or contingent; ("droit éventuel")

"convey" applied to a person means the execution and delivery by such person of every necessary or suitable assurance for conveying or disposing to another land whereof such person is seized, or wherein the person is entitled to a contingent right, either for the whole estate or for any less estate, together with the performance of all formalities required by law to the validity of such conveyance, and "conveyance" has a corresponding meaning; ("transporter", "transport")

"devisee" includes the heir of a devisee, and the devisee of an heir, and any person who may claim right by devolution of title of a similar description; ("légataire immobilier")

"instrument" includes a deed, a will and a written document and an Act of the Legislature, but not a judgment or order of a court; ("acte")

"land" includes messuages, and all other hereditaments, whether corporeal or incorporeal, chattels and other personal property transmissible to heirs, money to be laid out in the purchase of land, and any share of the same hereditaments and properties, or any of them, and any estate of inheritance, or estate for any life or lives, or other estate transmissible to heirs, and any possibility, right or title of entry or action, and any other interest capable of being inherited, whether the same estates, possibilities, rights, titles and interests, or any of them, are in possession, reversion, remainder or contingency; ("bien-fonds")

"mortgage" is applicable to every estate, interest or property, in land or personal estate, that is merely a security for money, and "mortgagee" has a corresponding meaning and includes every person deriving title under the original mortgagee; ("hypothèque", "créancier hypothécaire")

"personal estate" includes leasehold estates and other chattels real, and also money, shares of government and other funds, securities for money (not being real estate), debts, choses in action, rights, credits, goods, and all other property, except real estate, which by law devolves upon the executor or administrator, and any share or interest therein; ("biens meubles")

"personal representative" means an executor, an administrator, and an administrator with the will annexed; ("représentant successoral")

"possessed" is applicable to any vested estate less than a life estate, legal or equitable, in possession or in expectancy, in any land; ("possession")

"securities" includes stocks, funds and shares; ("valeurs mobilières")

"seized" is applicable to any vested interest for life, or of a greater description, and extends to estates, legal and equitable, in possession, or in futurity, in any land; ("saisi")

"stock" includes fully paid-up shares, and any fund, annuity, or security transferable in books kept by any incorporated bank, company or society, or by instrument of transfer, either alone or accompanied by other formalities, and any share or interest therein; ("action")

"transfer", in relation to stock, includes the performance and execution of every deed, power of attorney, act or thing, on the part of the transferor to effect and complete the title in the transferee; ("transfert")

"trust" does not mean the duties incident to an estate conveyed by way of mortgage but, with this exception, includes implied and constructive trusts and cases where the trustee has some beneficial estate or interest in the subject of the trust, and extends to and includes the duties incident to the office of personal representative of a deceased person, and "trustee" has a corresponding meaning and includes a trustee however appointed and several joint trustees; ("fiducie", "fiduciaire")

"will" includes,

- (a) a testament,
- (b) a codicil,
- (c) an appointment by will or by writing in the nature of a will in exercise of a power, and
- (d) any other testamentary disposition. ("testament") R.S.O. 1990, c. T.23, s. 1; 2006, c. 19, Sched. B, s. 23.

INVESTMENTS

Investments authorized by other Acts or regulations

26. If a provision of another Act or the regulations under another Act authorizes money or other property to be invested in property in which a trustee is authorized to invest and the provision came into force before section 16 of Schedule B of the *Red Tape Reduction Act, 1998*, the provision shall be deemed to authorize investment in the property in which a trustee could invest immediately before the coming into force of section 16 of Schedule B of the *Red Tape Reduction Act, 1998*. 1998, c. 18, Sched. B, s. 16 (1).

Investment standards

27. (1) In investing trust property, a trustee must exercise the care, skill, diligence and judgment that a prudent investor would exercise in making investments. 1998, c. 18, Sched. B, s.16 (1).

Authorized investments

(2) A trustee may invest trust property in any form of property in which a prudent investor might invest. 1998, c. 18, Sched. B, s. 16 (1).

Mutual, pooled and segregated funds

(3) Any rule of law that prohibits a trustee from delegating powers or duties does not prevent the trustee from investing in mutual funds, pooled funds or segregated funds under variable insurance contracts, and sections 27.1 and 27.2 do not apply to the purchase of such funds. 2001, c. 9, Sched. B, s. 13 (2).

Common trust funds

(4) If trust property is held by co-trustees and one of the co-trustees is a trust corporation as defined in the *Loan and Trust Corporations Act*, any rule of law that prohibits a trustee from delegating powers or duties does not prevent the co-trustees from investing in a common trust fund, as defined in that Act, that is maintained by the trust corporation and sections 27.1 and 27.2 do not apply. 1998, c. 18, Sched. B, s. 16 (1); 2001, c. 9, Sched. B, s. 13 (3).

Criteria

(5) A trustee must consider the following criteria in planning the investment of trust property, in addition to any others that are relevant to the circumstances:

1. General economic conditions.
2. The possible effect of inflation or deflation.
3. The expected tax consequences of investment decisions or strategies.
4. The role that each investment or course of action plays within the overall trust portfolio.
5. The expected total return from income and the appreciation of capital.
6. Needs for liquidity, regularity of income and preservation or appreciation of capital.
7. An asset's special relationship or special value, if any, to the purposes of the trust or to one or more of the beneficiaries. 1998, c. 18, Sched. B, s. 16 (1).

Diversification

(6) A trustee must diversify the investment of trust property to an extent that is appropriate to,

- (a) the requirements of the trust; and
- (b) general economic and investment market conditions. 1998, c. 18, Sched. B, s. 16 (1).

Investment advice

(7) A trustee may obtain advice in relation to the investment of trust property. 1998, c. 18, Sched. B, s. 16 (1).

Reliance on advice

(8) It is not a breach of trust for a trustee to rely on advice obtained under subsection (7) if a prudent investor would rely on the advice under comparable circumstances. 1998, c. 18, Sched. B, s. 16 (1).

Terms of trust

(9) This section and section 27.1 do not authorize or require a trustee to act in a manner that is inconsistent with the terms of the trust. 2001, c. 9, Sched. B, s. 13 (4).

Same

(10) For the purposes of subsection (9), the constating documents of a corporation that is deemed to be a trustee under subsection 1 (2) of the *Charities Accounting Act* form part of the terms of the trust. 2001, c. 9, Sched. B, s. 13 (4).

Trustee may delegate functions to agent

27.1 (1) Subject to subsections (2) to (5), a trustee may authorize an agent to exercise any of the trustee's functions relating to investment of trust property to the same extent that a prudent investor, acting in accordance with ordinary investment practice, would authorize an agent to exercise any investment function. 2001, c. 9, Sched. B, s. 13 (5).

Investment plan or strategy

(2) A trustee may not authorize an agent to exercise functions on the trustee's behalf unless the trustee has prepared a written plan or strategy that,

(a) complies with section 28; and

(b) is intended to ensure that the functions will be exercised in the best interests of the beneficiaries of the trust. 2001, c. 9, Sched. B, s. 13 (5).

Agreement

(3) A trustee may not authorize an agent to exercise functions on the trustee's behalf unless a written agreement between the trustee and the agent is in effect and includes,

(a) a requirement that the agent comply with the plan or strategy in place from time to time; and

(b) a requirement that the agent report to the trustee at regular stated intervals. 2001, c. 9, Sched. B, s. 13 (5).

Trustee's duty

(4) A trustee is required to exercise prudence in selecting an agent, in establishing the terms of the agent's authority and in monitoring the agent's performance to ensure compliance with those terms. 2001, c. 9, Sched. B, s. 13 (5).

Same

(5) For the purpose of subsection (4),

(a) prudence in selecting an agent includes compliance with any regulation made under section 30; and

(b) prudence in monitoring an agent's performance includes,

(i) reviewing the agent's reports.

(ii) regularly reviewing the agreement between the trustee and the agent and how it is being put into effect, including considering whether the plan or strategy of investment should be revised or replaced, replacing the plan or strategy if the trustee considers it appropriate to do so, and assessing whether the plan or strategy is being complied with,

(iii) considering whether directions should be provided to the agent or whether the agent's appointment should be revoked, and

(iv) providing directions to the agent or revoking the appointment if the trustee considers it appropriate to do so. 2001, c. 9, Sched. B, s. 13 (5).

Duty of agent

27.2 (1) An agent who is authorized to exercise a trustee's functions relating to investment of trust property has a duty to do so,

(a) with the standard of care expected of a person carrying on the business of investing the money of others;

(b) in accordance with the agreement between the trustee and the agent; and

(c) in accordance with the plan or strategy of investment. 2001, c. 9, Sched. B, s. 13 (5).

No further delegation

(2) An agent who is authorized to exercise a trustee's functions relating to investment of trust property shall not delegate that authority to another person. 2001, c. 9, Sched. B, s. 13 (5).

Proceeding against agent

(3) If an agent is authorized to exercise a trustee's functions relating to investment of trust property and the trust suffers a loss because of the agent's breach of the duty owed under subsection (1) or (2), a proceeding against the agent may be commenced by,

(a) the trustee; or

(b) a beneficiary, if the trustee does not commence a proceeding within a reasonable time after acquiring knowledge of the breach. 2001, c. 9, Sched. B, s. 13 (5).

Protection from liability

28. A trustee is not liable for a loss to the trust arising from the investment of trust property if the conduct of the trustee that led to the loss conformed to a plan or strategy for the investment of the trust property, comprising reasonable assessments of risk and return, that a prudent investor could adopt under comparable circumstances. 1998, c. 18, Sched. B, s. 16 (1).

Assessment of damages

29. If a trustee is liable for a loss to the trust arising from the investment of trust property, a court assessing the damages payable by the trustee may take into account the overall performance of the investments. 1998, c. 18, Sched. B, s. 16 (1).

Regulations, agents

30. The Attorney General may make regulations governing or restricting the classes of persons or the qualifications of persons who are eligible to be agents under section 27.1 and establishing conditions for eligibility. 2001, c. 9, Sched. B, s. 13 (6).

Application, ss. 27-30

31. Sections 27 to 30 apply to a trust whether it is created before or after the date section 13 of Schedule B to the *Government Efficiency Act, 2001* comes into force. 2001, c. 9, Sched. B, s. 13 (6).

32. Repealed: 1998, c. 18, Sched. B, s. 16 (1).

33. Repealed: 1998, c. 18, Sched. B, s. 16 (1).

34. Repealed: 1998, c. 18, Sched. B, s. 16 (1).

Appendix D - CFA Institute Code of Ethics and Standards of Professional Conduct

PREAMBLE

The CFA Institute Code of Ethics and Standards of Professional Conduct (Code and Standards) are fundamental to the values of CFA Institute and essential to achieving its mission to lead the investment profession globally by setting high standards of education, integrity, and professional excellence. High ethical standards are critical to maintaining the public's trust in financial markets and in the investment profession. Since their creation in the 1960s, the Code and Standards have promoted the integrity of CFA Institute members and served as a model for measuring the ethics of investment professionals globally, regardless of job function, cultural differences, or local laws and regulations. All CFA Institute members (including holders of the Chartered Financial Analyst® (CFA®) designation) and CFA candidates must abide by the Code and Standards and are encouraged to notify their employer of this responsibility. Violations may result in disciplinary sanctions by CFA Institute. Sanctions can include revocation of membership, candidacy in the CFA Program, and the right to use the CFA designation.

THE CODE OF ETHICS

Members of CFA Institute (including Chartered Financial Analyst® [CFA®] charterholders) and candidates for the CFA designation ("Members and Candidates") must:

STANDARDS OF PROFESSIONAL CONDUCT

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- Place the integrity of the investment profession and the interests of clients above their own personal interests.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.
- Promote the integrity of, and uphold the rules governing, capital markets.
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

I. PROFESSIONALISM

A. Knowledge of the Law. Members and Candidates must understand and comply with all applicable laws, rules, and regulations (including the CFA Institute Code of Ethics and Standards of Professional Conduct) of any government, regulatory organization, licensing agency, or professional association governing their professional activities. In the event of conflict, Members and Candidates must comply with the more strict law, rule, or regulation. Members and Candidates must not knowingly participate or assist in and must dissociate from any violation of such laws, rules, or regulations.

B. Independence and Objectivity. Members and Candidates must use reasonable care and judgment to achieve and maintain independence and objectivity in their professional activities. Members and Candidates must not offer, solicit, or accept any gift,

benefit, compensation, or consideration that reasonably could be expected to compromise their own or another's independence and objectivity.

C. Misrepresentation. Members and Candidates must not knowingly make any misrepresentations relating to investment analysis, recommendations, actions, or other professional activities.

D. Misconduct. Members and Candidates must not engage in any professional conduct involving dishonesty, fraud, or deceit or commit any act that reflects adversely on their professional reputation, integrity, or competence.

II. INTEGRITY OF CAPITAL MARKETS

A. Material Nonpublic Information. Members and Candidates who possess material nonpublic information that could affect the value of an investment must not act or cause others to act on the information.

B. Market Manipulation. Members and Candidates must not engage in practices that distort prices or artificially inflate trading volume with the intent to mislead market participants.

III. DUTIES TO CLIENTS

A. Loyalty, Prudence, and Care. Members and Candidates have a duty of loyalty to their clients and must act with reasonable care and exercise prudent judgment. Members and Candidates must act for the benefit of their clients and place their clients' interests before their employer's or their own interests. In relationships with clients, Members and Candidates must determine applicable fiduciary duty and must comply with such duty to persons and interests to whom it is owed.

B. Fair Dealing. Members and Candidates must deal fairly and objectively with all clients when providing investment analysis, making investment recommendations, taking investment action, or engaging in other professional activities.

C. Suitability.

1. When Members and Candidates are in an advisory relationship with a client, they must:

a. Make a reasonable inquiry into a client's or prospective clients' investment experience, risk and return objectives, and financial constraints prior to making any investment recommendation or taking investment action and must reassess and update this information regularly.

b. Determine that an investment is suitable to the client's financial situation and consistent with the client's written objectives, mandates, and constraints before making an investment recommendation or taking investment action.

c. Judge the suitability of investments in the context of the client's total portfolio.

2. When Members and Candidates are responsible for managing a portfolio to a specific mandate, strategy, or style, they must only make investment recommendations or take investment actions that are consistent with the stated objectives and constraints of the portfolio.

D. Performance Presentation. When communicating investment performance information, Members or Candidates must make reasonable efforts to ensure that it is fair, accurate, and complete.

E. Preservation of Confidentiality. Members and Candidates must keep information about current, former, and prospective clients confidential unless:

1. The information concerns illegal activities on the part of the client or prospective client.
2. Disclosure is required by law.
3. The client or prospective client permits disclosure of the information.

IV. DUTIES TO EMPLOYERS

A. Loyalty. In matters related to their employment, Members and Candidates must act for the benefit of their employer and not deprive their employer of the advantage of their skills and abilities, divulge confidential information, or otherwise cause harm to their employer.

B. Additional Compensation Arrangements. Members and Candidates must not accept gifts, benefits, compensation, or consideration that competes with, or might reasonably be expected to create a conflict of interest with, their employer's interest unless they obtain written consent from all parties involved.

C. Responsibilities of Supervisors. Members and Candidates must make reasonable efforts to detect and prevent violations of applicable laws, rules, regulations, and the Code and Standards by anyone subject to their supervision or authority.

V. INVESTMENT ANALYSIS, RECOMMENDATIONS, AND ACTION

A. Diligence and Reasonable Basis. Members and Candidates must:

1. Exercise diligence, independence, and thoroughness in analyzing investments, making investment recommendations, and taking investment actions.
2. Have a reasonable and adequate basis, supported by appropriate research and investigation, for any investment analysis, recommendation, or action.

B. Communication with Clients and Prospective Clients.

Members and Candidates must:

1. Disclose to clients and prospective clients the basic format and general principles of the investment processes used to analyze investments, select securities, and construct portfolios and must promptly disclose any changes that might materially affect those processes.
2. Use reasonable judgment in identifying which factors are important to their investment analysis, recommendations, or actions and include those factors in communications with clients and prospective clients.
3. Distinguish between fact and opinion in the presentation of investment analysis and recommendations.

C. Record Retention. Members and Candidates must develop and maintain appropriate records to support their investment analysis, recommendations, actions, and other investment-related communications with clients and prospective clients.

VI. CONFLICTS OF INTEREST

A. Disclosure of Conflicts. Members and Candidates must make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with respective duties to their clients, prospective clients, and employer. Members and Candidates must ensure that such disclosures are prominent, are delivered in plain language, and communicate the relevant information effectively.

B. Priority of Transactions. Investment transactions for clients and employers must have priority over investment transactions in which a Member or Candidate is the beneficial owner.

C. Referral Fees. Members and Candidates must disclose to their employer, clients, and prospective clients, as appropriate, any compensation, consideration, or benefit received from, or paid to, others for the recommendation of products or services.

VII. RESPONSIBILITIES AS A CFA INSTITUTE MEMBER OR CFA CANDIDATE

A. Conduct as Members and Candidates in the CFA Program.

Members and Candidates must not engage in any conduct that compromises the reputation or integrity of CFA Institute or the CFA designation or the integrity, validity, or security of the CFA examinations.

B. Reference to CFA Institute, the CFA designation, and the CFA Program.

When referring to CFA Institute, CFA Institute membership, the CFA designation, or candidacy in the CFA Program, Members and Candidates must not misrepresent or exaggerate the meaning or implications of membership in CFA Institute, holding the CFA designation, or candidacy in the CFA Program.

A/R Write-Offs over \$1,000 February 2013

<u>Total</u>	<u>CUSTOMER NAME</u>	<u>DESCRIPTION</u>
Exhausted Collection Efforts		
8,797.68	Angel Excavating	Road cuts - Business closed
1,557.09	Hamilton Mardi Gras	Warning boards - No further grant requests Principal contact unreachable
26,721.74	Greely Construction	Damaged sewer lateral - Dispute
3,531.83	Garcia's	Paid duty charges - Business closed
10,164.01	Concrete USL Inc	Warning boards - Bankrupt
32,172.97	Homes for Special Care	HSR Passes - MOH outstanding/misapplied invoices 2002-2005
102,037.50	V/Z Investments	HSR Tickets - Business closed
2,541.08	1043219 Ontario Inc	HSR Tickets - Sent to collection in 2009

Deceased/No Estate/No Funds

1,849.82	****	Wentworth Lodge Resident
2,707.74	****	Wentworth Lodge Resident
4,091.80	****	Macassa Lodge Resident
6,304.01	****	Macassa Lodge Resident

\$202,477.27

Note:

Identifiable Individual. Name left off at request of Council
Amounts listed have been allowed for in the December 2012 year end
Write-offs will not affect the 2013 budget.