



**AUDIT, FINANCE & ADMINISTRATION COMMITTEE
AS APPROVED BY COUNCIL ON MARCH 26, 2014
REPORT 14-002**

9:30 a.m.
Monday, March 24, 2014
Council Chambers
Hamilton City Hall
71 Main Street West

Present: Councillors R. Powers (Chair), B. Clark (Vice Chair),
C. Collins, B. Johnson, B. Morrow, M. Pearson

**THE AUDIT, FINANCE & ADMINISTRATION COMMITTEE PRESENTS REPORT 14-002
AND RESPECTFULLY RECOMMENDS:**

**1. 2013 Fourth Quarter Emergency and Non-Competitive Procurements
Report (FCS13014(c)) (City Wide) (Item 5.2)**

That Report FCS13014(c), respecting the 2013 Fourth Quarter Emergency and Non-Competitive Procurements Report, be received.

**2. 2013 Fourth Quarter Non-compliance with the Procurement Policy Report
(FCS13015(c)) (City Wide) (Item 5.3)**

That Report FCS13015(c), respecting the 2013 Fourth Quarter Non-compliance with the Procurement Policy Report, be received.

**3. Status Report of Tenders and Requests for Proposals for November 2, 2013
to December 31, 2013 (FCS13016(j)) (City Wide) (Item 5.4)**

That Report FCS13016(j), respecting the Status Report of Tenders and Requests for Proposals for November 2, 2013 to December 31, 2013, be received.

4. Reserve/Revenue Fund Investment Performance Report - December 31, 2013 (FCS13063(a)) (City Wide) (Item 5.5)

That Report FCS13063(a), respecting the Reserve/Revenue Fund Investment Performance Report - December 31, 2013, be received.

5. Hamilton Future Fund Investment Performance Report - December 31, 2013 (FCS13064(a)) (City Wide) (Item 5.6)

That Report FCS13064(a), respecting the Hamilton Future Fund Investment Performance Report - December 31, 2013, be received.

6. Cemetery Accounts Investment Performance Report - December 31, 2013 (FCS13065(a)) (City Wide) (Item 5.7)

That Report FCS13065(a), respecting the Cemetery Accounts Investment Performance Report - December 31, 2013, be received.

7. Report of the 2013 Remuneration and Expenses as required under Section 284 of the *Municipal Act* (FCS14006) (City Wide) (Item 5.8)

That Report FCS14006, respecting the Report of the 2013 Remuneration and Expenses as required under Section 284 of the *Municipal Act*, be received.

8. Freedom of Information Quarterly Report (October 1 to December 31, 2013) (CL13001(c)) (City Wide) (Item 5.9)

That Report CL13001(c), respecting the Freedom of Information Quarterly Report (October 1 to December 31, 2013), be received.

9. Tax Appeals under Sections 357 and 358 of the *Municipal Act*, 2001 (FCS14016) (City Wide) (Item 5.10)

(a) That Appendix "A" attached to Report 14-002, respecting the "Tax Appeals processed under Section 357 of the *Municipal Act*, 2001", in the amount of \$85,721, be approved; and,

(b) That Appendix "B" attached to Report 14-002, respecting the "Tax Appeals due to a Gross or Manifest Clerical Error, pursuant to Section 358 of the *Municipal Act*, 2001", in the amount of \$12,221, be approved.

10. Treasurer's Apportionment of Land Taxes (FCS14002(a)) (Ward 12) (Item 5.11)

That the 2013 land taxes in the amount of \$21,926 for Wentworth Standard Condominium Plan 484, Ancaster, originally known as Roll #2518 140 280 29015 0000, be apportioned and split amongst the seventy-nine condominium units, as set out in the attached Appendix "C" to Report 14-002.

11. Follow Up of Audit Report 2011-10 - Human Resources - Grievance Processes (AUD14005) (City Wide) (Item 5.12)

That Report AUD14005, respecting the follow up of Audit Report 2011-10, Human Resources – Grievance Processes, be received.

12. Follow Up of Audit Report 2012-05 - Long Term Contract Review - Recycling Collection Services (Blue Box Collection) (AUD14006) (City Wide) (Item 5.13)

That Report AUD14006, respecting the follow up of Audit Report 2012-05, Long Term Contract Review – Recycling Collection Services (Blue Box Collection), be received.

13. Follow Up of Audit Report 2012-02 - Public Works - Bridge Maintenance Program (AUD14009) (City Wide) (Item 5.14)

That Report AUD14009, respecting the follow up of Audit Report 2012-02, Public Works – Bridge Maintenance Program, be received.

14. Follow Up of Audit Report 2012-10 - Public Health Services - Tobacco Control Program (AUD14010) (City Wide) (Item 5.15)

That Report AUD14010, respecting the follow up of Audit Report 2012-10, Public Health Services – Tobacco Control Program, be received.

15. Amended Water and Wastewater/Storm Arrears Policy (FCS14007) (City Wide) (Item 8.1)

That the Amended Water and Wastewater/Storm Arrears Policy, as outlined in the attached Appendix "D" to Report 14-002, be approved.

16. Reserve/Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures Review (FCS14020) (City Wide) (Item 8.3)

That the 2013 Reserve/Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures be deleted and replaced with the 2014 Reserve/Revenue Funds and Trust Accounts Statement of Investment Policies and Procedures, attached as Appendix "E" to Report 14-002.

17. Audit Report 2013-16 - Community and Emergency Services - Homes for the Aged - Accommodation Fees and Trust Funds (AUD14007) (City Wide) (Item 8.4)

- (a) That the Management Action Plans, as detailed in Appendix "F" of Report 14-002, be approved;
- (b) That the Acting General Manager of Community and Emergency Services be directed to instruct the appropriate staff to have the Management Action Plans (attached as Appendix "F" to Report 14-002) implemented; and,
- (c) That Legal staff, the Director of Audit Services and the Administrator for Homes for the Aged be directed to devise a policy respecting Powers of Attorney for residents of City of Hamilton homes for the aged and report back to the Emergency & Community Services Committee.

18. Performance Audit Report 2013-14 - Unlicensed Businesses (Value for Money Audit) (AUD14008) (City Wide) (Item 8.5)

- (a) That the Management Action Plans, as detailed in the attached Appendix "A" to Report AUD14008, be received;
- (b) That the Acting General Manager of Planning and Economic Development be directed to instruct the appropriate staff to investigate and detail the costs of staff resources and technology improvements required to implement recommendations 1 and 2 of Appendix "A" of Report AUD14008 and report back with a work plan, to the Audit, Finance and Administration Committee, no later than the July 9, 2014; and,
- (c) That, notwithstanding sub-section (b) above, staff be directed to modify the current work plan to ensure that unlicensed businesses be inspected in the immediate future to ensure that there are no health and safety issues at these establishments.

19. Authority to Negotiate and Place a Debenture Issue(s) (FCS14022) (City Wide) (Item 8.6)

- (a) That the General Manager, Finance & Corporate Services, be authorized and directed to negotiate the terms and placement of a debenture issue(s) in an amount not to exceed \$89,000,000 Canadian currency;
- (b) That the General Manager, Finance and Corporate Services, be authorized and directed to engage the services of a fiscal agent(s) and/or Infrastructure Ontario's Loan Program, and outside legal counsel; and enter into all agreements necessary, including Letter(s) of Representation with The Canadian Depository for Securities Ltd., to secure the terms and issuance of a debenture issue(s); and,
- (c) That a By-Law be passed authorizing the debenture issue(s) negotiated and placed in accordance with recommendation (a) above.

FOR THE INFORMATION OF COUNCIL:

(a) CHANGES TO THE AGENDA (Item 1)

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

- (i) Added as Item 4.1 – Delegation Request from Joey Coleman, respecting the City's New Public Facing Agenda System.

The agenda for the March 24, 2014 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 10, 2014 (Item 3.1)

The Minutes of the February 10, 2014 meeting of the Audit, Finance and Administration Committee were approved, as presented.

(d) DELEGATION REQUESTS (Item 4)

(i) Joey Coleman respecting the City's New Public Facing Agenda System (Item 4.1)

The delegation request from Joey Coleman, respecting the City's New Public Facing Agenda System, was approved.

The Rules of Order were waived to permit Joey Coleman to appear before Committee on March 24, 2014.

(e) Various Advisory Committee Minutes (Item 5.1)

That the following Advisory Committee Minutes, be received:

- (i) Committee Against Racism, November 26, 2013 (Item 5.1(a))
- (ii) Aboriginal Advisory Committee, December 5, 2013 (Item 5.1(b))
- (iii) LGBTQ Advisory Committee, September 19, 2013 (Item 5.1(c))
- (iv) Status of Women Committee, October 24, 2013 (Item 5.1(d))

(f) DELEGATIONS (Item 6)

(i) Gerald Asa, Vice President of The Effort Trust Company, respecting the Proposed Amendments to the Water and Wastewater / Storm Arrears Policy (Item 6.1)

Mr. Asa addressed Committee respecting the proposed Water and Wastewater / Storm Arrears Policy amendments. Mr. Asa voiced concerns respecting the proposed amendments to the Water and Wastewater / Storm Arrears Policy; primarily with respect to the notification of arrears process.

The presentation from Gerald Asa, Vice President of The Effort Trust Company, respecting the Water and Wastewater / Storm Arrears Policy, was received.

(ii) Written Submission from Martin Wray, Vice President of Operations for Cadillac Fairview, respecting the Proposed Amendments to the Water and Wastewater / Storm Arrears Policy (Item 6.2)

The correspondence from Martin Wray, Vice President of Operations for Cadillac Fairview, respecting the proposed amendments to the Water and Wastewater / Storm Arrears Policy, was received.

(iii) Joey Coleman respecting the City's New Public Facing Agenda System (Item 6.3)

Joey Coleman addressed Committee, respecting the City's agenda system. His comments included, but were not limited to, the following:

- Mr. Coleman understands that the goals of the upgrade are to focus on improvement to internal workflow, but externally he is no longer able to view agendas on his tablet or laptop, and now requires the use of a mouse to work the very small icons.
- His web site advised him that he now has hundreds of broken links.
- He believes this was a missed opportunity for public engagement.
- Accessibility at City Hall is limited and occasionally overflow seating is required for people who want to come to engage in the process.
- We should have the ability to simulcast at City Hall outside of Council Chambers.
- Mr. Coleman believes that the Engagement Committee is the best place to address those matters.
- Very limited amount of time, when chambers isn't being used, to make the required changes.

The presentation from Joey Coleman, respecting the City's New Public Facing Agenda System, was received.

**(g) Aboriginal Advisory Committee – Draft Terms of Reference (AAC14001)
(City Wide) (Item 8.2)**

Report AAC14001, respecting the Draft Terms of Reference for the Aboriginal Advisory Committee, was referred to the General Manager of Finance & Corporate Services for a report back to the Audit, Finance & Administration Committee.

(h) Audit of City of Hamilton Utilities (9.1)

Staff were directed to review the potential for including an audit of the City utilities (Horizon, Water and Wastewater), including the process on arrears, to the 2015 work plan and report back to the Audit, Finance & Administration Committee.

**(i) Live Streaming of Audio and Video at City Hall Upper and Lower Forecourts
(Item 9.2)**

Staff were directed to review the possibility of providing live streaming of audio and video for Council and Standing Committee meetings in the upper and lower City Hall lobby areas for meetings that require overflow seating outside of the Council Chambers and report back to the Audit, Finance & Administration Committee.

(j) By-law Compliance by Bidders to City of Hamilton Projects (Item 10.1)

Councillor Johnson introduced the following Notice of Motion:

That staff be directed to review the tender process to determine the feasibility of including a phase in the procedure, which ensures staff have confirmed that bidders are compliant with the zoning and licensing by-laws, prior to awarding a contract(s), and report back to the Audit, Finance & Administration Committee.

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

11.1 Amendments to Outstanding Business List

The proposed new due dates for the following Outstanding Business List items, were approved:

- (a) Item "F" - Costs Associated with Condominium Corporation Maintenance

Current Due Date: March 24, 2014
Proposed New Due Date: June 23, 2014

- (b) Item "G" - Employee Attendance Performance Measures -
Comprehensive Annual Report
Current Due Date: March 24, 2014
Proposed New Due Date: April 14, 2014
- (c) Item "M" - Timelines for the Retention of E-mails
Current Due Date: March 24, 2014
Proposed New Due Date: April 14, 2014
- (d) Item "P" - Performance Audit Report 2013-13 - Employer Paid Parking
(Value for Money Audit)
Current Due Date: March 24, 2014
Proposed New Due Date: April 14, 2014
- (e) Provision of Information Technology Services to Global Spectrum
Current Due Date: March 24, 2014
Proposed New Due Date: April 14, 2014

(I) ADJOURNMENT (Item 13)

There being no further business, the Audit, Finance & Administration Committee adjourned at 11:40 a.m.

Respectfully submitted,

Councillor R. Powers, Chair
Audit, Finance & Administration Committee

Stephanie Paparella
Legislative Coordinator
Office of the City Clerk

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
357-10-325	180 Beach Blvd	050511010300000	Exempt - Place of Worship many Masnsions Spirittual Centre	2010	-2,033.18
357-11-012	180 Beach Blvd	050511010300000	Exempt - Place of Worship many Masnsions Spirittual Centre	2011	-8,033.04
357-13-010	78 Wentworth St S	030207065900000	Fire - cancell processed on Post Roll Assessment Notice	2013	0.00
357-13-011	411 King St E	030212017200000	Fire - cancell processed on Post Roll Assessment Notice	2013	0.00
357-13-012	409 King St.E	030212017500000	Fire - cancell processed on Post Roll Assessment Notice	2013	0.00
357-13-047	232 Stonehenge Dr Unit 33	140280546370000	Fire renovation completed homeowner moved back March 15,2014	2013	-520.89
357-13-080	40 Holmes Ave	010043012400000	Demolition of house property split into two lots	2013	-495.60
357-13-091	451 Garner Rd	140220454000000	Demolition of original structure	2013	-560.75
357-13-119	438 Hughson St N	020164031300000	Exempt -denied - does not meet the criteria according to Assessment Act	2013	0.00
357-13-121	38 Smith Rd	003510024000000	Demolition of original structure	2013	-226.34
357-13-122	406 Fifth Rd E	003510330000000	Demolition occurred in 2012 not carried forward	2013	-1,942.75
357-13-139	433 Hamilton Dr	140220426000000	Demolition or original structure	2013	-62.24
357-13-141	145 Chatterson Dr	140240062000000	Demolition of inground pool	2013	-98.50
357-13-143	324 Robina Rd	140360096000000	Demolition or original structure	2013	-42.21
357-13-144	12 Hatt St	260120356000000	Tax Class Conversion now all residential	2013	-2,843.14
357-13-149	726 Strathearne Ave	051543001820000	Demolition of warehouse	2013	-46,656.66
357-13-162	300 Vanwagners Beach Rd	050481031800000	Tax Class Conversion city tenant vacated	2013	-4,367.28
357-13-159	2 King St W	003365160000000	Gross or Manifest Error amend tax class	2013	-182.38
357-13-097	756 Main St E	030254045300000	Demolition of Garage	2013	-36.59
357-13-113	651-653 Main St E	030231004300000	Tax Class Conversion now a four unit residential building	2013	-936.62
357-13-154	2880 King St E	050521005500000	Exempt City purchase	2013	-574.24
357-13-155	6 Centennial Pkwy S	050521050000000	Exempt City purchase	2013	-574.24
357-13-156	2874 King St E	050521005200000	Exempt City purchase	2013	-680.38
357-13-157	2900 King St E	050521005800000	Exempt City purchase	2013	-1,767.42
357-13-159	772 Barton St E	030265505800000	Gross or Manifest Error converted to residential years ago	2013	-1,406.93
357-13-164	992 Regional Rd 97	302710414000000	Tax Class Conversion now farm and residential	2013	-3,515.78
357-13-170	Twenty Rd E	902120610100000	Exempt city property	2013	-7,376.11
357-13-172	1378 Barton St E	040333586400000	Tax Class Conversion now all residential	2013	-787.70
				Total	-85,720.97

City of Hamilton

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
358-13-067	2 King St W	003365160000000	B	Demolition of building not recorded	2012	-173.48
358-13-067	2 King St W	003365160000000	B		2011	-143.92
358-13-056	438 Hughson St N	020164031300000	B1	A non-profit organization, eligible for residential class which it already has - does not meet the criteria for exemption	2012	0.00
358-13-057	438 Hughson St N	020164031300000	B1		2011	0.00
358-13-069	772 Barton S E	030265505800000	B	commercial ceased years ago, this property is all residential	2012	-1,499.53
358-13-070	772 Barton St E	030265505800000	B		2011	-1,351.51
358-13-058	180 Beach Blvd	050511010300000	E	place of worship now exempt	2012	-8,085.93
358-13-055	283 Robina Rd	140360102000000	B	original structure demolished still reflected on the roll	2012	-966.90
					Total	-12,221.27

APPORTIONMENT OF TAXES

That the original 2013 land taxes levied against WSCP 484 in the amount of \$21,925.97 recorded on Roll #2518 140 280 29015 0000 be split amongst the seventy-nine condominium units as summarized below:

1. Roll #2518 280 29043 0000 having a municipal address of 12 Montpellier Trail and an assessment value of 20,280 be apportioned \$263.35 for the 2013 taxes.
2. Roll #2518 280 29044 0000 having a municipal address of 10 Montpellier Trail and an assessment value of 18,317 be apportioned \$237.85 for the 2013 taxes.
3. Roll #2518 280 29045 0000 having a municipal address of 8 Montpellier Trail and an assessment value of 18,317 be apportioned \$237.85 for the 2013 taxes.
4. Roll #2518 280 29046 0000 having a municipal address of 6 Montpellier Trail and an assessment value of 18,317 be apportioned \$237.85 for the 2013 taxes.
5. Roll #2518 280 29047 0000 having a municipal address of 4 Montpellier Trail and an assessment value of 18,037 be apportioned \$234.22 for the 2013 taxes.
6. Roll #2518 280 29048 0000 having a municipal address of 2 Montpellier Trail and an assessment value of 19,830 be apportioned \$257.50 for the 2013 taxes.
7. Roll #2518 280 29049 0000 having a municipal address of 3 Toulon Ave. and an assessment value of 20,278 be apportioned \$263.32 for the 2013 taxes.
8. Roll #2518 280 29050 0000 having a municipal address of 5 Toulon Ave. and an assessment value of 18,317 be apportioned \$237.85 for the 2013 taxes.
9. Roll #2518 280 29051 0000 having a municipal address of 7 Toulon Ave. and an assessment value of 18,317 be apportioned \$237.85 for the 2013 taxes.
10. Roll #2518 280 29052 0000 having a municipal address of 9 Toulon Ave. and an assessment value of 18,317 be apportioned \$237.85 for the 2013 taxes.
11. Roll #2518 280 29053 0000 having a municipal address of 11 Toulon Ave. and an assessment value of 20,110 be apportioned \$261.14 for the 2013 taxes.
12. Roll #2518 280 29054 0000 having a municipal address of 12 Menton Drive and an assessment value of 17,757 be apportioned \$230.58 for the 2013 taxes.
13. Roll #2518 280 29055 0000 having a municipal address of 14 Menton Drive and an assessment value of 17,253 be apportioned \$224.04 for the 2013 taxes.
14. Roll #2518 280 29056 0000 having a municipal address of 16 Menton Drive and an assessment value of 15,349 be apportioned \$199.31 for the 2013 taxes.
15. Roll #2518 280 29057 0000 having a municipal address of 18 Menton Drive and an assessment value of 15,573 be apportioned \$202.22 for the 2013 taxes.
16. Roll #2518 280 29058 0000 having a municipal address of 20 Menton Drive and an assessment value of 17,925 be apportioned \$232.76 for the 2013 taxes.

17. Roll #2518 280 29059 0000 having a municipal address of 24 Menton Drive and an assessment value of 20,278 be apportioned \$263.32 for the 2013 taxes.
18. Roll #2518 280 29060 0000 having a municipal address of 26 Menton Drive and an assessment value of 18,317 be apportioned \$237.85 for the 2013 taxes.
19. Roll #2518 280 29061 0000 having a municipal address of 28 Menton Drive and an assessment value of 18,317 be apportioned \$237.85 for the 2013 taxes.
20. Roll #2518 280 29062 0000 having a municipal address of 30 Menton Drive and an assessment value of 19,438 be apportioned \$252.41 for the 2013 taxes.
21. Roll #2518 280 29063 0000 having a municipal address of 32 Menton Drive and an assessment value of 20,280 be apportioned \$263.35 for the 2013 taxes.
22. Roll #2518 280 29064 0000 having a municipal address of 36 Menton Drive and an assessment value of 25,839 be apportioned \$335.53 for the 2013 taxes.
23. Roll #2518 280 29065 0000 having a municipal address of 38 Menton Drive and an assessment value of 21,956 be apportioned \$285.11 for the 2013 taxes.
24. Roll #2518 280 29066 0000 having a municipal address of 40 Menton Drive. and an assessment value of 21,956 be apportioned \$285.11 for the 2013 taxes.
25. Roll #2518 280 29067 0000 having a municipal address of 42 Menton Drive and an assessment value of 25,839 be apportioned \$335.53 for the 2013 taxes.
26. Roll #2518 280 29068 0000 having a municipal address of 32 Toulon Ave. and an assessment value of 21,744 be apportioned \$282.36 for the 2013 taxes.
27. Roll #2518 280 29069 0000 having a municipal address of 30 Toulon Ave. and an assessment value of 21,462 be apportioned \$278.69 for the 2013 taxes.
28. Roll #2518 280 29070 0000 having a municipal address of 28 Toulon Ave. and an assessment value of 18,568 be apportioned \$241.11 for the 2013 taxes.
29. Roll #2518 280 29071 0000 having a municipal address of 26 Toulon Ave. and an assessment value of 18,568 be apportioned \$241.11 for the 2013 taxes.
30. Roll #2518 280 29072 0000 having a municipal address of 24 Toulon Ave. and an assessment value of 18,568 be apportioned \$241.11 for the 2013 taxes.
31. Roll #2518 280 29073 0000 having a municipal address of 22 Toulon Ave. and an assessment value of 21,321 be apportioned \$276.86 for the 2013 taxes.
32. Roll #2518 280 29074 0000 having a municipal address of 48 Toulon Ave. and an assessment value of 24,826 be apportioned \$315.37 for the 2013 taxes.
33. Roll #2518 280 29075 0000 having a municipal address of 46 Toulon Ave. and an assessment value of 23,651 be apportioned \$307.12 for the 2013 taxes.
34. Roll #2518 280 29076 0000 having a municipal address of 44 Toulon Ave. and an assessment value of 21,956 be apportioned \$285.11 for the 2013 taxes.
35. Roll #2518 280 29077 0000 having a municipal address of 42 Toulon Ave. and an assessment value of 21,956 be apportioned \$285.11 for the 2013 taxes.

36. Roll #2518 280 29078 0000 having a municipal address of 40 Toulon Ave. and an assessment value of 21,956 be apportioned \$285.11 for the 2013 taxes.
37. Roll #2518 280 29079 0000 having a municipal address of 38 Toulon Ave. and an assessment value of 23,580 be apportioned \$306.20 for the 2013 taxes.
38. Roll #2518 280 29080 0000 having a municipal address of 36 Toulon Ave. and an assessment value of 23,580 be apportioned \$306.20 for the 2013 taxes.
39. Roll #2518 280 29081 0000 having a municipal address of 60 Toulon Ave. and an assessment value of 25,839 be apportioned \$335.53 for the 2013 taxes.
40. Roll #2518 280 29082 0000 having a municipal address of 58 Toulon Ave. and an assessment value of 23,298 be apportioned \$302.54 for the 2013 taxes.
41. Roll #2518 280 29083 0000 having a municipal address of 56 Toulon Ave. and an assessment value of 21,674 be apportioned \$281.45 for the 2013 taxes.
42. Roll #2518 280 29084 0000 having a municipal address of 54 Toulon Ave. and an assessment value of 21,956 be apportioned \$285.11 for the 2013 taxes.
43. Roll #2518 280 29085 0000 having a municipal address of 52 Toulon Ave. and an assessment value of 24,287 be apportioned \$315.38 for the 2013 taxes.
44. Roll #2518 280 29160 0000 having a municipal address of 72 Toulon Ave. and an assessment value of 24,625 be apportioned \$319.77 for the 2013 taxes.
45. Roll #2518 280 29161 0000 having a municipal address of 70 Toulon Ave. and an assessment value of 22,450 be apportioned \$291.52 for the 2013 taxes.
46. Roll #2518 280 29162 0000 having a municipal address of 68 Toulon Ave. and an assessment value of 20,915 be apportioned \$271.59 for the 2013 taxes.
47. Roll #2518 280 29163 0000 having a municipal address of 66 Toulon Ave. and an assessment value of 20,915 be apportioned \$271.59 for the 2013 taxes.
48. Roll #2518 280 29164 0000 having a municipal address of 64 Toulon Ave. and an assessment value of 24,625 be apportioned \$319.77 for the 2013 taxes.
49. Roll #2518 280 29165 0000 having a municipal address of 84 Toulon Ave. and an assessment value of 24,625 be apportioned \$319.77 for the 2013 taxes.
50. Roll #2518 280 29166 0000 having a municipal address of 82 Toulon Ave. and an assessment value of 23,857 be apportioned \$309.79 for the 2013 taxes.
51. Roll #2518 280 29167 0000 having a municipal address of 80 Toulon Ave. and an assessment value of 20,915 be apportioned \$271.59 for the 2013 taxes.
52. Roll #2518 280 29168 0000 having a municipal address of 78 Toulon Ave. and an assessment value of 20,915 be apportioned \$271.59 for the 2013 taxes.
53. Roll #2518 280 29169 0000 having a municipal address of 76 Toulon Ave. and an assessment value of 25,201 be apportioned \$327.25 for the 2013 taxes.
54. Roll #2518 280 29170 0000 having a municipal address of 2 Burgundy Grove and an assessment value of 23,666 be apportioned \$307.31 for the 2013 taxes.

55. Roll #2518 280 29171 0000 having a municipal address of 4 Burgundy Grove and an assessment value of 21,555 be apportioned \$279.90 for the 2013 taxes.
56. Roll #2518 280 29172 0000 having a municipal address of 6 Burgundy Grove and an assessment value of 20,915 be apportioned \$271.59 for the 2013 taxes.
57. Roll #2518 280 29173 0000 having a municipal address of 8 Burgundy Grove and an assessment value of 23,410 be apportioned \$303.99 for the 2013 taxes.
58. Roll #2518 280 29174 0000 having a municipal address of 95 Toulon Ave. and an assessment value of 23,666 be apportioned \$307.31 for the 2013 taxes.
59. Roll #2518 280 29175 0000 having a municipal address of 93 Toulon Ave. and an assessment value of 20,915 be apportioned \$271.59 for the 2013 taxes.
60. Roll #2518 280 29176 0000 having a municipal address of 91 Toulon Ave. and an assessment value of 20,723 be apportioned \$269.10 for the 2013 taxes.
61. Roll #2518 280 29177 0000 having a municipal address of 89 Toulon Ave. and an assessment value of 22,962 be apportioned \$298.17 for the 2013 taxes.
62. Roll #2518 280 29178 0000 having a municipal address of 5 Burgundy Grove and an assessment value of 23,154 be apportioned \$300.67 for the 2013 taxes.
63. Roll #2518 280 29179 0000 having a municipal address of 7 Burgundy Grove and an assessment value of 23,857 be apportioned \$309.79 for the 2013 taxes.
64. Roll #2518 280 29180 0000 having a municipal address of 9 Burgundy Grove and an assessment value of 20,915 be apportioned \$271.59 for the 2013 taxes.
65. Roll #2518 280 29181 0000 having a municipal address of 11 Burgundy Grove and an assessment value of 20,915 be apportioned \$271.59 for the 2013 taxes.
66. Roll #2518 280 29182 0000 having a municipal address of 13 Burgundy Grove and an assessment value of 23,410 be apportioned \$303.99 for the 2013 taxes.
67. Roll #2518 280 29183 0000 having a municipal address of 15 Burgundy Grove and an assessment value of 24,561 be apportioned \$318.94 for the 2013 taxes.
68. Roll #2518 280 29184 0000 having a municipal address of 17 Burgundy Grove and an assessment value of 25,287 be apportioned \$328.36 for the 2013 taxes.
69. Roll #2518 280 29185 0000 having a municipal address of 104 Toulon Ave. and an assessment value of 24,561 be apportioned \$318.94 for the 2013 taxes.
70. Roll #2518 280 29186 0000 having a municipal address of 106 Toulon Ave. and an assessment value of 19,252 be apportioned \$250.00 for the 2013 taxes.
71. Roll #2518 280 29187 0000 having a municipal address of 108 Toulon Ave. and an assessment value of 20,915 be apportioned \$271.59 for the 2013 taxes.
72. Roll #2518 280 29188 0000 having a municipal address of 110 Toulon Ave. and an assessment value of 20,595 be apportioned \$267.44 for the 2013 taxes.
73. Roll #2518 280 29189 0000 having a municipal address of 112 Toulon Ave. and an assessment value of 19,124 be apportioned \$248.33 for the 2013 taxes.

74. Roll #2518 280 29190 0000 having a municipal address of 114 Toulon Ave. and an assessment value of 24,625 be apportioned \$319.77 for the 2013 taxes.
75. Roll #2518 280 29191 0000 having a municipal address of 10 Toulon Ave. and an assessment value of 23,346 be apportioned \$303.16 for the 2013 taxes.
76. Roll #2518 280 29192 0000 having a municipal address of 8 Toulon Ave. and an assessment value of 20,979 be apportioned \$272.42 for the 2013 taxes.
77. Roll #2518 280 29193 0000 having a municipal address of 6 Toulon Ave. and an assessment value of 20,915 be apportioned \$271.59 for the 2013 taxes.
78. Roll #2518 280 29194 0000 having a municipal address of 4 Toulon Ave. and an assessment value of 17,845 be apportioned \$231.73 for the 2013 taxes.
79. Roll #2518 280 29195 0000 having a municipal address of 2 Toulon Ave. and an assessment value of 24,625 be apportioned \$319.77 for the 2013 taxes.



POLICY TITLE: City of Hamilton Water and Wastewater/Storm Arrears Policy

POSITION RESPONSIBLE FOR TASK: Senior Policy Advisor, Financial Planning and Policy Division

POLICY NO: PP-0004

LAST REVISION DATE: October 24, 2007

EFFECTIVE DATE:

MANAGER REVIEWED: Tom Hewitson

TO BE REVIEWED: January 2019

MAINTENANCE RESPONSIBILITY: Financial Planning and Policy Division

I GENERAL

The Water and Wastewater/Storm Arrears Policy details the current account collections protocol including the timing of certain collection activities when accounts are unpaid and past due for water and/or wastewater/storm services provided by the City. Disconnection of water and/or wastewater service for delinquent accounts does not occur under this Water and Wastewater/Storm Arrears Policy.

II BACKGROUND

The City has a service agreement with Horizon Utilities Corporation (HUC) for the provision of water and wastewater/storm billing, account collection and meter reading services. As a result, the Water and Wastewater/Storm Arrears Policy is administered by HUC. The current term of this service agreement is up to December 31, 2014.

III POLICY

Water and Wastewater/Storm Account Collection Process

1. Accounts are issued with a due date of 21 calendar days from the mailing date. Interest begins to be charged 6 calendar days after the due date compounded daily from the due date (current rate is 19.56% per annum).
2. Accounts that fall into arrears follow the collection protocol below. The collection protocol applies to residential, commercial and industrial water accounts and provides:
 - a. reminders to account holders and property owners of their financial obligation;
 - b. ample opportunity for payment; and
 - c. the City with tools needed to safeguard its water and wastewater revenue.

Table 1

Progressive Steps	Circumstance	Response Outcome	Result
1	Account outstanding 10 calendar days beyond due date	“Reminder Notice” mailed to account holder on the 10 th day	Payment of amount due or account remains outstanding
2	Account outstanding 17 calendar days beyond due date	“Final Notice” is mailed to account holder on the 17 th day (where arrears exceeds a minimum of \$99.00)	Payment of amount due or account remains outstanding
3	Account outstanding 30 or more calendar days beyond due date	“Arrears Letter” is mailed to account holder and the property owner (if different from the account holder) on the Friday following the 30 th day advising of arrears on account and request to pay	Payment of amount due or account remains outstanding
4	Account outstanding 60 or more calendar days beyond due date	“Final Arrears Letter” is mailed to account holder and the property owner (if different from the account holder) on the Friday following the 60 th day advising of pending action if payment not received within 15 days.	Payment of amount due or account remains outstanding
5	Account outstanding 90 or more calendar days beyond due date	Outstanding amount transferred to property tax account roll. No further notice to the account holder or property owner.	City water and wastewater/storm revenue secured

Customer Notifications

Reasonable efforts are undertaken by the City and HUC to provide the following notifications:

Reminder Notice – mailed to account holder of accounts 10 calendar days after the due date. This notice provides a reminder to the account holder of the overdue status and requests payment within 7 calendar days.

Final Notice – mailed to account holder 17 calendar days after the due date. This notice provides notice of account overdue status and requests immediate payment.

Arrears Letter – mailed to account holder and property owner (if different from the account holder) of all water and wastewater/storm accounts 30 or more calendar days after the due date. This notification advises of the past due water and/or wastewater/storm arrears and requests payment of outstanding amounts.

Final Arrears Letter – mailed to account holder and property owner (if different from the account holder) of all water and wastewater/storm accounts 60 or more calendar days after the due date. This notification advises of the past due water and/or wastewater/storm arrears and advises of a two-week period for the payment to be made.

HUC's property owner database is updated on a monthly basis with the City's Corporate Services Department's (Taxation Division) records.

Rental Properties

Where a landlord-tenant relationship exists, the protocol outlined in Table 1 is followed. Where the tenant is named as the account holder, the Reminder and Final Notices will be received by the tenant. The Arrears and Final Arrears Letters advising of the potential transfer of arrears to the property tax roll are sent to both the account holder and the property owner.

Authority to Transfer Arrears to Tax Roll

The *Municipal Act, 2001* authorizes the municipality to place unpaid fees and charges for public utilities on the tax roll for the property to which the public utility was supplied, regardless of who is the consumer. Section 398(2) provides that a municipality may add unpaid public utility fees and charges, which include water and/or wastewater/storm arrears, to the respective property's tax roll.

Ontario Regulation No. 581/06 additionally identifies such fees or charges associated with the supply of water and sewage services as having 'priority lien status' as described in section 1 of the Act such that, when added to a property tax roll because of payment default, these fees/charges:

- (a) may be collected in the same manner as taxes on the property;
- (b) may be recovered with costs as a debt due to the municipality from the assessed owner of the property at the time the fee was added to the tax roll and from any subsequent owner of the property or any part of it;
- (c) are a special lien on the property in the same manner as taxes under subsection 349 (3) Act; and
- (d) may be included in the cancellation price under Part XI of the Act, in the same manner as are taxes on the property, in the event that a Tax Arrears Certificate is registered on title of the property.

The City's Waterworks By-Law R84-026, as amended, re-stated or re-enacted from time to time, also permits the collection of water and wastewater/storm arrears in the same manner as property taxes by transferring arrears amounts to the tax roll.

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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 once in every four calendar years.
- 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 four calendar years.

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 3041 – 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 formal 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

l) 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.

m) Credit exposure limits

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

n) 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.

o) 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 formal 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	RI 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.

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#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
1.	<p><u>Power of Attorney (POA) for Property</u> Residents may have appointed a POA for Property who is legally authorized to make decisions regarding the resident's finances and receive financial information.</p> <p>Residents have the option to maintain a Personal Trust Account (PTA) administered by the home. This acts as a bank account to withdraw funds or charge for optional services authorized on the Purchases of Services Agreement. A review of ten residents' PTAs at each Lodge identified:</p> <ul style="list-style-type: none"> • Three PTA statements sent to and two Purchases of Services Agreements signed by a POA for Property without legal documentation supporting the appointment of the individual. • One Purchases of Services Agreement signed by and sent to an individual other than the POA for Property on record. 	<p>That legal documentation supporting the appointment of the POA for Property be required on admission and signing of the Purchase of Services Agreement.</p>	<p>Disagreed. Not all residents have assigned a POA for Property on Admission. Residents may request that family members or friends be responsible for ensuring that their finances are managed when they are no longer able. These family members and friends are privy to the transactions through the Personal Trust Accounts and deposit funds into the residents' accounts, as required. The family member or friend cannot withdraw any funds without the POA for Property.</p> <p>On admission, residents capable of making decisions regarding their finances, but who do not have a Power of Attorney for Property, will now be requested to sign a form stating that they give permission to the person of their choice for access to their financial information.</p>

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#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
1.	<p><u>Power of Attorney (POA) for Property (Cont'd)</u></p> <ul style="list-style-type: none"> PTA statements sent to the residents' billing contacts who, on occasion, differ from the POAs for Property. <p>Without adequate legal documentation supporting the individuals' appointment as POA for Property, residents' confidential financial information may be released to or decisions on behalf of residents made by unauthorized parties.</p> <p>Further, family or friends may make deposits into residents' PTAs. They are provided receipts showing the trust account balances. This results in residents' confidential financial information being released to unauthorized parties.</p>	<p>That all PTA statements be addressed only to the resident or POA for Property.</p> <p>That resident account balances be blacked out on deposit receipts provided to individuals other than the resident or POA for Property.</p>	<p>Disagreed. The PTA statements are addressed to the billing contacts who may not be the POAs for Property. The billing contact is the person that the resident has chosen to manage his/her finances. The billing contact needs to know what transactions have occurred every quarter and is requested to deposit funds into the PTA for those expenses agreed to on the Purchase of Services Agreement.</p> <p>Partially disagreed. For the same reasons as noted above, the regular person depositing funds who is either a family member or friend and who does not hold a POA for Property should see the balance to ensure there are sufficient funds for ongoing charges. However, on admission, residents capable of making decisions regarding their finances, but who do not have a Power of Attorney for Property, will be requested to sign a form stating that they give permission to the person of their choice for access to their financial information. Other individuals simply depositing funds for the resident (e.g. as gifts) will not be provided with the trust account balance on the receipt.</p>

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#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
2.	<p><u>Authorized Services</u> On admission, the Admissions Counsellor enters into Point Click Care (PCC) the authorized optional services allowed to be charged to a resident's PTA from the authorization provided by the signed Purchase of Services Agreement. One resident at Macassa Lodge and three residents at Wentworth Lodge were identified with services authorized / not authorized in PCC that differed from their signed Agreement. In fact, two residents in the sample tested at Wentworth Lodge had charges to their PTA for services that were not authorized on their signed Agreement.</p> <p>For certain services, a listing of authorized residents is provided to the service provider, using information from PCC. The Business Office Clerk also checks the PCC when service providers request confirmation of resident authorization for services. If this information is not accurate, it can result in unauthorized services being charged to resident accounts.</p>	<p>That the Business Office Clerk sign off on the verification of authorizations on the Purchase of Services Agreement against entries in Point Click Care to confirm the accuracy of information entered by the Admissions Counsellor.</p>	<p>Agreed. The Business Office Clerk will verify (initial) the services indicated on the Purchase of Services Agreement against the services entered into PCC. To be implemented by February 2014.</p>

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#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
3.	<p><u>Sequential Ordering</u> Deposits and withdrawals made to/from a resident's PTA are supported by a signed slip or batch. The slips and batches are automatically pre-numbered by Point Click Care, the system used to track PTA balances and transactions.</p> <p>The Business Office Clerk records the sequences on the daily reconciliations. During the month of July, one slip and nine deposit batches at Macassa and two deposit batches at Wentworth were omitted from the recorded sequence listing. However, they were attached as supporting documentation. There was no evidence of review to ensure slips and batches were accounted for in sequential order.</p> <p>In addition, the sequential ordering of withdrawal batches is not consistently recorded or reviewed. These batches are not signed off as evidence of management review for items paid from cash.</p> <p>When the sequence of transactions is not reviewed, the risk of fraudulent transactions being posted through PCC to cover misappropriated resident funds increases.</p>	<p>That the month end review of slips and batches include checking their sequential ordering. Spot checks should be performed to ensure sequences recorded agree to supporting documentation.</p> <p>That the sequential ordering of withdrawal batches be recorded on the daily reconciliation.</p> <p>That management signoff on withdrawal batches for items paid by cash as evidence of review.</p>	<p>Agreed. The month-end review will include the checking of the sequential ordering of slips and batches and will ensure that they match supporting documentation. To be implemented by February 2014.</p> <p>Agreed. The sequential ordering of withdrawal batches will be recorded on the daily reconciliation. Has been implemented in January 2014.</p> <p>Agreed. The Business Office Supervisor will sign off on withdrawal batches for items paid by cash. Has been implemented in January 2014.</p>

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#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
4.	<p><u>Cash Box Maximums</u> Funds are available for residents requesting withdrawals from their PTAs through the use of a cash box at each Lodge. The Cash Box Maximum policy states that no more than \$2,000 and \$1,500 are to be kept in the cash tray at Macassa and Wentworth Lodges respectively. Cash tray balances exceeded the maximum at Macassa Lodge for 13 days during the test month of July 2013.</p> <p>Excess cash available to clerks increases the risk of misappropriation, lapping or theft of funds.</p>	<p>That the Business Office Supervisor transfer funds exceeding the cash box maximums (as per policy) into the safe.</p>	<p>Agreed. A new practice was introduced in late 2013 whereby the Business Office Clerks email their final closing cash balances daily to the Business Office Supervisor to ensure that the cash boxes do not exceed the maximum as per policy. On occasion, the cash box may exceed the amount if there is, for example, a shopping trip planned for the next day for residents and additional cash may be required. Has been implemented in October 2013.</p>
5.	<p><u>Security - Personal Trust Deposits</u> Residents or families may place cash or cheques for deposit in the residents' PTAs through the mail slot of the Business Office outside regular business hours. These amounts land on the desk inside the Business Office. Management and maintenance and housekeeping staff all have access to this area outside regular business hours. In addition, at Wentworth, all clerks with a key can access the office after hours.</p> <p>When access is not restricted, the potential for unauthorized entry and misappropriation of cash and cheques is increased.</p>	<p>That a locked drop box be used to collect deposits outside regular business hours.</p>	<p>Agreed. The purchase/installation of locked boxes at both locations is currently being investigated. To be completed by March 2014.</p>

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#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
6.	<p><u>Safeguarding of Cheques</u> Accommodation cheques, whether received at Macassa or Wentworth Lodge, are endorsed when the payment is processed (approximately weekly). Even though the cheques are kept locked up, the potential for loss, theft or misappropriation is increased when cheques are not endorsed when received.</p> <p>Accommodation payments for both Lodges are processed by the Financial Assistant (FA) at Macassa Lodge. Cheque payments for accommodation invoices may be mailed or dropped at the Lodge. When payments are received at Wentworth Lodge, they are not logged and are subsequently placed in interoffice mail to be delivered to the Financial Assistant at Macassa Lodge for processing.</p> <p>When cheques received are not logged and handled by multiple parties, in addition to not being endorsed as noted above, the risk of misappropriation or loss is increased. Additional time may be spent trying to track misplaced cheques.</p>	<p>That accommodation cheques are restrictively endorsed immediately upon receipt.</p> <p>That a log of all accommodation cheques received at Wentworth Lodge be kept by the Business Office Clerk. The date the cheques are sent through interoffice mail should also be noted.</p>	<p>Agreed. Cheques are now endorsed upon receipt. Has been implemented in January 2014.</p> <p>Agreed. The Business Office Clerk at Wentworth Lodge will email the FA1 at Macassa a copy of the log when the Business Office at Wentworth is sending the cheques in the interoffice mail to the FA1 to process so that she is informed that the cheques are being sent. The FA1 will use the log as a double check to ensure that she has received all the cheques sent. To be implemented in March 2014.</p>

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#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
7.	<p><u>Segregation of Duties - Administration</u> The Business Office Supervisor (BOS) reviews the cheque receipts for accommodation payments (as recorded by the Financial Assistant (FA)), prepares the deposit and takes it to the bank. When the BOS is away, the FA prepares and makes the deposit. The FA also prepares invoices, posts payments in Point Click Care and records journal entries in the PeopleSoft accounts.</p> <p>This does not provide adequate segregation of duties as the FA would bill, collect, record and deposit accommodation funds when she fills in for the BOS.</p>	That accommodation payments and deposits be prepared and reviewed by another staff (independent of the FA) in the absence of the BOS.	Agreed. In the absence of the BOS, another member of the Management Team will sign off on accommodation payments and deposits. To be implemented in February 2014.
8.	<p><u>Segregation of Duties – Personal Trust Accounts</u> A part-time clerk performs monthly reviews of residents' PTAs which include reviewing daily and monthly reconciliations and backup. On occasion, the same part-time clerk fills in for the Business Office Clerk and receives / distributes cash to residents and prepares daily reconciliations. As a result, the part-time clerk could review his/her own reconciliations and transactions at the end of the month.</p> <p>When there is no independent review of daily reconciliations, the clerk has the opportunity to change documentation, conceal shortages and misappropriate funds.</p>	That the Business Office Supervisor review and signoff on daily reconciliations prepared by the part-time clerk.	Agreed. The Business Office Supervisor signs off on those daily reconciliations completed by the Lodge Clerk responsible for monthly audits. Has been implemented in December 2013.

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#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN
9.	<p><u>Updated Accommodation Agreements</u></p> <p>When residents internally transfer from one accommodation type to another (e.g. basic to semi private), the Business Office Supervisor will run a report in PCC of internal transfers and prepare and send an updated accommodation agreement to be signed by the resident or the POA for Property. If a resident does not physically change rooms but the room he/she resides in changes types, it does not show on the PCC report and the BOS will not be alerted to send an updated agreement. One instance was noted of this occurring in the sample testing.</p> <p>Updated agreements are required as evidence of the accommodation type and rate agreed to by the resident or his/her representative.</p>	<p>That the BOS review the Monthly Census Report for internal transfers to ensure new agreements are requested for all changes.</p>	<p>Agreed. The Business Office Supervisor will review the Monthly Census Report and the PCC Action Summary report to ensure new Accommodation Agreements are completed, as required. To be implemented in February 2014.</p>

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ADDENDUM

The following items were noted during the course of the audit. Although they do not present internal control deficiencies, they are indicated in this Addendum so management is aware of the issues and can address them appropriately.

Bad Debt Reimbursement

1. The Local Health Integration Network (LHIN) will reimburse one half (50%) of eligible bad debt expenses. Bad debts are to be reported on the annual return prepared by the long term care Home. Bad debts were reported for reimbursement on the 2011 annual return - \$10,536 at Macassa and \$71,194 at Wentworth (there were no write offs during 2012 and 2013 has not yet been completed). The 2011 reimbursement was denied by the Ministry in 2013 as the original charges were not billed for the 2011 year (but were approved by Council for write off in 2011).

It is recommended:

That the Business Administrator obtain clarification on the timing of filing bad debts for reimbursement to ensure criteria are met on future submissions.

Management Response:

Agreed. Ministry procedure regarding write-offs was ambiguous and further clarification regarding the timing of filing of bad debts for reimbursement has been obtained. A cost benefit analysis will be undertaken for 2012 returns to determine if amendments are required. Current City practices regarding the reporting of bad debts now reflect Ministry guidelines.

It is recommended:

That the Business Administrator follow up with the Ministry of Health and Long-Term Care to determine if previous annual returns can be amended and bad debts submitted for reimbursement.

Management Response:

Agreed. Amounts reported on the 2011 annual returns were historical prior year amounts and could not be settled with the Ministry of Health and Long Term Care for 50% reimbursement. Years prior to 2012 cannot be amended.