

Managers' Reports

Request for Recommendation Priorities Committee





Type of Decision									
Meeting Date	June 25, 2003				Report Date	June 20, 2003			
Recommendation	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High	<input type="checkbox"/>	Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open	<input type="checkbox"/>	Closed

Report Title
Water/Wastewater Summer Levy and/or First Time Pool Fill Rebate

Policy Implications + Budget Impact	
<input checked="" type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified
<p>The recommendation is to continue with the existing 3 rebate programs being;</p> <ul style="list-style-type: none"> ◆ Commercial/industrial wastewater rebate program ◆ Water/wastewater plumbing rebate program ◆ Run to waste adjustment program and <p>with no new rebate programs.</p>	
<input checked="" type="checkbox"/>	Background attached

Recommendation	
<p>It is recommended that neither a summer levy nor first time pool fill rebate be implemented .</p>	
<input type="checkbox"/>	Recommendation attached

Recommended by the General Manager
 D. Wukerlic General Manager of Corporate Services

Recommended by the C.A.O.
 M. Mieto Chief Administrative Officer

Report Authored By

M. L. Gauvreau

S. Tremblay
Supervisor of Billing & Collection, Water/Wastewater

Division Review

S. Jonasson

S. Jonasson
Director of Finance / City Treasurer

BACKGROUND

Since the move to full cost recovery the water/wastewater staff have monitored customer concerns and have undertaken a survey of other municipalities in order to determine appropriate methods of compensating customers for water use that did not find its way into the wastewater system. Ten southern cities with comparable population and three Northern Cities (North Bay, Sault Ste Marie and Timmins) were surveyed.

We compared our rebate programs to those offered in other municipalities. Based on the information gathered, recommendations were made to council in two separate reports.

- 1) Council Report, May 16, 2003 - Water/wastewater Charges Vacant lots - Wastewater rebates.
- 2) Priorities Committee, March 26, 2003 - Water/wastewater Exemptions and Rebates

Overall, of the 13 municipalities surveyed, and based on the information gathered, it indicated that our existing rebate programs are broader and more generous than most water/wastewater rebate programs offered by any of the towns surveyed.

However staff was asked to look at other potential rebate programs such as pool rebate or summer levy. Here are the findings:

Analysis

Pool Rebate: Survey results showed that out of 13 cities surveyed, only Cambridge offers a first time pool fill rebate. Using 2002 Building Services statistics as representative of an average summer for new pools and an average pool size of 63 cu m., offering a first-time pool rebate would result in lost revenue of \$7,600. However, to offer only a pool rebate would be unfair to those homeowners who have gardens and sprinkler systems, the water from which does not enter the wastewater system either. Timmins even imposes an additional charge of \$150.00 per pool refill.

Summer Levy: The survey showed that Windsor is the only one to offer a summer levy. Their winter consumption is pro-rated and the water consumption in excess of the average winter consumption as read in the period May 1st to October 3rd is billed at \$.03 less than the winter water consumption rate of \$0.266 per cu m. (ie 25% reduction taking into consideration both water and wastewater charges). In order for the CGS to offer a comparable rebate, the summer consumption levy would have to be billed at \$0.07 less than the winter consumption rate.

Since the purpose of offering this type of rebate is to recognize that the water used in gardens, sprinkler systems and pools does not end up in the wastewater system, a more appropriate solution would seem to be to offer a rebate through the use of a decreased percentage wastewater charge only on the increased water consumption through the summer months. Considering May through August as the summer months in Sudbury, staff estimated the increase in summer consumption to be 15% worth \$662,470 (Schedule 1).

Four scenarios were considered - from a 100% wastewater rebate on the excess summer consumption which would result in lost revenue of \$662,470 necessitating an increase in the wastewater charge to 120%; down to a 25% wastewater rebate on the excess summer consumption which would result in lost revenue of \$165,617 necessitating an increase in the wastewater charge to 117% (See Schedule 2 for all scenarios). The implementation of any one of these scenarios would increase administrative workload considerably, the cost of which has not been factored into this analysis.

Conclusion

In the City of Greater Sudbury, the need for a pool rebate and summer levy has been evaluated in light of the following factors and in relation to programs offered in other municipalities:

- ◆ The number of swimming pools is relatively small (120/year as per Building Services statistics for 2002)
- ◆ Summer length is short thereby minimizing the amount of lawn and garden watering required.
- ◆ **The cost of implementing and managing a pool rebate or summer levy is not justified as the lost revenue in the summer would have to be recovered by increasing the wastewater rate in order to maintain 100% cost recovery.**

It is recommended that the City of Greater Sudbury not implement a summer levy nor first time pool fill rebate and continue with its three existing rebate programs:

- ◆ Commercial/industrial wastewater rebate program
- ◆ Water/wastewater plumbing rebate program
- ◆ Run to waste adjustment program

Schedule 1

Average Monthly Winter Consumption *		Average Monthly Summer Consumption *	Difference in Monthly Consumption	Difference for 4 Summer Months	Lost Wastewater Revenue			
					100% Rebate	75% Rebate	50% Rebate	25% Rebate
1,420,635.00		1,633,730.00	213,095.00	852,380.00	\$ 662,469.74	\$ 496,852.30	\$ 331,234.87	\$ 165,617.43

* Note: These are 2-year averages (2001 and 2002) from a representative sample of the 6-month billing cycles. CGS just started quarterly billing cycles April 1, 2003.

SCHEDULE 2

CITY OF GREATER SUDBURY

Summer Levy

	Existing	25% Wastewater Rebate	50% Wastewater Rebate	75% Wastewater Rebate	100 % Wastewater Rebate
Budgeted 2003 wastewater costs	\$ 19,703,783	\$ 19,703,783	\$ 19,703,783	\$ 19,703,783	\$ 19,703,783
Less other revenue sources:					
INCO and Falconbridge donation	(166,500)	(166,500)	(166,500)	(166,500)	(166,500)
Frontage fees	(382,513)	(382,513)	(382,513)	(382,513)	(382,513)
Total	(549,013)	(549,013)	(549,013)	(549,013)	(549,013)
Required wastewater billing revenue	19,154,770	19,154,770	19,154,770	19,154,770	19,154,770
Total water billing revenue	17,266,653	17,266,653	17,266,653	17,266,653	17,266,653
Less: portion not receiving wastewater services	(690,700)	(690,700)	(690,700)	(690,700)	(690,700)
Less: Summer levy	16,575,953	(165,617)	(331,235)	(496,852)	(662,470)
Required wastewater surcharge as a percentage of water billings	115.6%	116.7%	117.9%	119.1%	120.4%

Request for Recommendation Priorities Committee




Type of Decision										
Meeting Date	June 25 th , 2003				Report Date	June 18 th , 2003				
Recommendation	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High	<input type="checkbox"/>	Low	
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open	<input type="checkbox"/>	Closed	

Report Title
Community Placement Target Reserve


Policy Implications + Budget Impact	
<input checked="" type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified
<p>Policy Implications: Support of these projects through funds available from the Community Placement Target Fund reserve will enhance human services to the community and provide opportunity to generate revenue through Employment Assistance activities.</p> <p>Budget Impact: Financial support will be available through the allocation of the Community Placement Target reserve and will not impact on the 2003 budget. Provincial legislation requires that the funds be invested in local priorities to address unmet human services needs and may not be used for: major capital projects, policing enforcement in which municipalities are responsible, development or maintenance of roads, sewers or any other such items that are traditionally referred to as hard services; and municipal reserve funds.</p>	
<input checked="" type="checkbox"/>	Background attached

Recommendation
<p>Whereas the City of Greater Sudbury authorized through resolution 2002-22 the establishment of a reserve for the Community Placement Target Fund,</p> <p>Therefore let it be resolved that:</p> <p>The City of Greater Sudbury authorizes further one time funding from the reserved Community Placement Target fund for the following:</p>
<input checked="" type="checkbox"/> Recommendation attached

Recommended by the General Manager



 Catherine Sandblom
 General Manager, Health & Social Services

Recommended by the C.A.O.


 Mark Mieto
 Chief Administrative Officer

Date: June 18th, 2003

Report Authored By



Vivienne Martin
Technical Writer/Trainer

Division Review



Harold Duff
Director, Social Service

- For the balance of 2003, a net amount of \$2,650 be allocated to the Red Cross for the Housing Registry and Emergency Rent Bank Program which will generate an additional \$10,150 from the Ministry of Community, Family and Children's Services for a total of \$12,800.
- For the balance of 2003, a net amount of \$23,267 be allocated to the Salvation Army to continue to provide lodging and supportive programming for males aged 16+ which will generate an additional \$92,966 from the Ministry of Community, Family and Children's Services for a total amount of \$116,233.
- For the balance of 2003 and through to December 31st, 2004 a total amount of \$50,000 be allocated to the Social Planning Council, for project funding, to support the City of Greater Sudbury's official plan.
- A total amount of \$100,000 be allocated to homelessness initiatives that include the Samaritan Centre du Samaritain, the final Time 7 Study on Homelessness in Sudbury, Homelessness Awareness Days and a study on the provision of emergency beds within the City of Greater Sudbury.
- A total amount of \$209,556 be allocated for the purpose of purchasing two hundred (200) psycho-vocational assessments for Ontario Works Participants to enable them to participate in appropriate employment related activities or to apply for financial assistance from the Ontario Disability Support Program.
- A total amount of \$115,000 be allocated to establish a Employment Assistance Project Fund will enable service providers to apply for financial assistance for projects that will provide opportunities for Ontario Works Participants to participate in Level 2 and 3 employment assistance activities

Background

From 1999 to 2002 The Ministry of Community, Family and Children's Services permitted Ontario Works delivery agents an opportunity to earn additional funding. The additional funding, or Community Placement Target Fund, was earned through the combined efforts of the staff from the Social Services Division and the Employment Support Services Section from the Health and Social Services Department and the participation of Ontario Works recipients in community and employment placements. The total amount reserved at the end of 2002 was \$2, 445,072. This balance is comprised of revenue from 2001 and 2002. In the fall of 2002 Council for the City of Greater Sudbury approved an allocation of funds totalling \$1,657,700 for projects in 2002 to 2005. Then in January 2003 \$35,000 was approved to be allocated to the Extreme Cold Weather Alert.

Date: June 18th, 2003

The attached chart shows the commitments to date, and the uncommitted balance of \$103,827 if this report is approved. The Health and Social Services Department, through the Social Services Division and the Employment Support Services Section continue to monitor budgetary requirements.

This fund is allocated based on the specific criteria set by the Ministry of Community, Family and Children's Services. The above programming recommended for approval fits the criteria of "investment in local priorities that address unmet human services needs in local communities" (Community Placement Target Fund, Council Report October 2002).

Some of the requests within this report represent the community recommendations contained within the series of "Studies on Homelessness in Sudbury". By providing funding to these projects Council will continue to uphold the October 2002 approved "Policy on Homelessness" and support the work done by the Task Force on Homelessness and Emergency Shelters.

Description of Programming and Funding Requested

The Red Cross - Housing Registry and Emergency Rent Bank Program

The Housing Registry offers an updated database of available and affordable rental units within the City of Greater Sudbury. Services include a Housing Co-ordinator who is able to advocate on the client's behalf with landlords, funding sources and local utilities. Additional supports are available such as phone access and information on tenant rights and responsibilities.

The Rent Bank Program provides assistance in crisis situations to secure or maintain citizens in their homes. This program has provided financial support to citizens within the City of Greater Sudbury who were unable to pay for the increased costs associated with Ontario Hydro rate adjustments and the drastic increase in heating costs. The City of Greater Sudbury recorded 37 calendar days in which an "Extreme Cold Weather Alert" advisory was issued. As a homelessness prevention program the Rent Bank Program has been able to avert eviction from current accommodations or disconnection of vital services. Citizens must utilize all other resources and have accessed these emergency funds as a last resort.

By providing one time funding to the Red Cross to meet the needs of citizens of the City of Greater Sudbury through the Housing Registry and Emergency Rent Bank Program, individuals most vulnerable to increased accommodation cost have a resource available to maintain themselves in a residency. Last year the Red Cross had 1522 contacts with citizens in the City of Greater Sudbury and were able to assist 1027 clients.

A net amount of \$2,650 be allocated to the Red Cross for the Housing Registry and Emergency Rent Bank Program which will generate \$10,150 from the Ministry of Community, Family and Children's Services for a total of \$12,800.

The Salvation Army

Services provided include lodging and supportive programming for males age 16+ to establish or re-enter the community. Supports include daily nutritional provisions, weekly NA & AA meetings, counselling services, chapel services and clothing for the homeless.

Date: June 18th, 2003

By providing one time funding to the Salvation Army a continuum of supports necessary for individuals in the community who are seeking to re-establish a productive life in the City of Greater Sudbury can meet the demand for services that support recovery and rehabilitation. The Salvation Army provided service to 677 males in the City of Greater Sudbury in 2002. This marks the third year with an increase in services provided. For 2000, service was provided to 528 males and in 2001 the Salvation Army assisted 634 males.

A net amount of \$23,267 be allocated to the Salvation Army to continue to provide lodging and supportive programming for males aged 16+ which will generate \$92,966 from the Ministry of Community, Family and Children's Services for a total amount of \$116,233.

The Social Planning Council

The primary goal of the Social Planning Council is to effect social planning which includes: planning; research and co-ordination; social policy and advocacy; community development and education.

Over the past years Social Planning Council has worked in conjunction with the City of Greater Sudbury on numerous projects:

- participated in the Regional Review - Focus 20/20 in 1999
- participated and facilitated in the New Way process in 2000
- participated on the Mayor's Round Table on Volunteerism and Community Participation 2001
- worked with the Advisory Council on Emergency Shelter
- were one of the four partners who produced the report on Child Poverty 1999
- designed and carried out the Homelessness Study in 2000 -2002 (which was the basis for the Community Plan to end Homelessness in Sudbury)
- participated in ongoing attempts to create a Quality of Life Report Card for the community
- assisted in the organization of the Champions for Children breakfast; participated in the planning and execution of the Children's Forum 2000; followed through on early childhood development issues with the Council of Partners (Success by Six) and co-chair the Mayor and Council's Round Table on Children
- facilitated the community development process in designing the Supportive Housing for Teenage Parents project
- participated in the development of Community Gardens in low income neighbourhoods
- developed the Emergency Response program to administer the distribution of NCB funds to Ontario Works recipients as well as to raise general funds for emergency use
- created the information Technology in the Non-profit sector project in partnership with the Sudbury Public Library, e-Sudbury and private sector partner
- participated on the Mayor's Smart Community Round Table in 1999

The Social Planning Council works with numerous City Departments on initiatives that support the vision adopted by City Council and the priorities set by Council, including the Official Plan. Social Planning Council is requesting \$50,000 for project funding to conduct specific human services planning around the Official Plan.

Date: June 18th, 2003

Homelessness Initiatives

The allocation of the \$100,000 will be used to support the implementation and completion of several key homelessness initiatives in the City of Greater Sudbury. Among the homeless initiatives are:

Samaritan Centre du Samaritain

The combined efforts of Glad Tidings, The Soup Kitchen, The Corner Clinic and Overcomers, with the support and direction by staff at the City of Greater Sudbury, will result in the opening of the co-location facility.

Homeless Study Time 7

The Homeless Study Time 7 is the final leg of a three year study that will "identify and track changes in homelessness from July 2000 to July 2003" (*Time 6 study*). The allocation will ensure that the valuable seasonal information can be completed and will be used to assist in future studies.

Homelessness Awareness Day

In 2002 a group of service providers initiated the first Homelessness Awareness Day event. The Homelessness Awareness Day is organized through the Task Force on Homelessness and Emergency Shelters and is designed to highlight services dedicated to assisting citizens of the City of Greater Sudbury who are homeless or at risk of becoming homeless.

Emergency Beds

Through the Task Force on Homelessness and Emergency Shelters it has been identified that an action plan needs to be developed to assist in allocation of emergency beds in the City of Greater Sudbury.

Key policy and anticipated program changes for current emergency bed providers will require that a study include such information as community capacity and alternative solutions. The following programming developments have brought this issue forward from the Task Force:

- Focus to develop a stand alone shelter concentrating on supports to address violence against Women:
- the Salvation Army where the National direction indicates potential realignment of services to exclude Emergency bed provision; and
- establishment of culturally appropriate services for Aboriginal people.

Through the Co-ordinator of Homelessness and Emergency Shelters a Request for Proposal will be made to undertake the necessary in-depth research required for this report. The report should be an environmental scan acknowledging existing resources, gaps (already noted in Reports on Homelessness in Sudbury) and identify the most feasible plan (operational and financial) to offer services. The report will be made available by October 2003. Based on the resulting recommendations and or solutions made by the report a sub committee, with representation by shelter providers and Task Force Members, will undertake to complete the required steps to implement by April 1st, 2004.

Date: June 18th, 2003

Psycho-Vocational Assessments

Staff of the Social Services Division and Employment Support Services Section have identified a group of nearly fifty (50) Ontario Works participants who require psycho-vocational assessments to enable them to participate in appropriate employment related activities or to apply for financial assistance from the Ontario Disability Support Program.

Many of these individuals present with multiple barriers to employment and have either not benefited from employment-related services and programs that have been made available to them or they have had difficulties participating in them. Psycho-vocational assessments are administered under the direction of and interpreted by a registered psychologist. These assessments are comprised of medical, psychological, social, personal and vocational information that is gathered from different types of testing instruments. The results of these assessments will help Caseworkers, Employment Counsellors and agencies to which participants are referred, better understand their levels of employability, vocational interests and their academic and learning aptitudes. The provision of psycho-vocational assessments will help participants either develop realistic career goals and pursue appropriate educational and training activities to help them reach their goals or provide documentation that is required to enable participants to apply for the Ontario Disability Support Program (ODSP).

The cost of psycho-vocational assessments range from \$900 to \$1,200 each, depending on the variety of tests that are used. It is estimated that two hundred (200) participants will require psycho-vocational assessments from July 1, 2003 to December 31, 2005. The total cost is estimated to be \$209,556

Employment Assistance Project Fund

The establishment of an Employment Assistance Fund will enable service providers to apply for financial assistance for the purpose of funding projects that increase the participation of Ontario Works Participants in Level 2 and 3 employment assistance activities which will increase employment assistance revenue.

Requests for proposals will be requested from service providers for submission by September 30, 2003 and 2004 for projects and activities that will take place during the 2004 and 2005 calendar year. Proposals will be reviewed by staff. Agencies will be notified of the decision with respect to funding their proposals by October 31, 2003 and 2004.

An total amount of \$115,000 will be allocated for the Employment Assistance Project Fund over the two year period.

Summary

To date the allocation of funds has been to either community service providers or projects designed to enable the Social Services Division and the Employment Support Services Section opportunity to enhance other revenue generating formulas. The overall ratio of commitments through allocation of this fund has been 40% to community services and 60% to Employment related programming.

Subsequent reports will include provisions for meeting the needs of the community while balancing the requirements of the Social Services Division and the Employment Support Services Section. The balance of funds uncommitted after resolution of this report is \$103,827.

COMMUNITY PLACEMENT TARGET FUND RESERVE

	Time Frame for Exp.	Commitment \$	Exp. To Date at Dec. 31/02 \$	Balance \$
Balances Remaining from 2001 Funding				
Skills training	2003-2004			(87,702)
Midnorth Network	2003-2004			(1,972)
Participation Kits	2003-2004			(515)
Equipment/Workwear	2003-2004			(5,184)
Community Placement Incentive	2003-2004			(91,302)
Totals				(186,675)
2002 Funding Received				(2,297,000)
2002 Expenditures as Noted Below				38,603
December 31, 2002 Reserve Balance				(2,445,072)

Commitments

2001 Commitments as Noted Above				186,675
October 2002 Report				
Skills training	2002-2004	450,000	0	450,000
YMCA Empl. & Career	2002-2004	207,000	(37,103)	169,897
MidNorth Network	2002-2004	46,700	0	46,700
Temp. Employee (OW participants resumes)	2002-2004	106,000	0	106,000
Counselling - Pastoral etc.	2003-2004	100,000	0	100,000
Training - OW and ESS staff	2002-2003	14,000	(1,500)	12,500
Corner Clinic, Elizabeth Fry etc.	2003-2005	734,000	0	734,000
		1,657,700		
February 2003 Report				
Cold Weather Alert	2003-2004	35,000		35,000
Balance Uncommitted after February 2003 Report				(604,300)
June 2003 Report				
Red Cross	2003	2,650		2,650
Salvation Army	2003	23,267		23,267
Social Planning	2003-2004	50,000		50,000
Homelessness Initiatives	2003-2004	100,000		100,000
Psycho-vocational assessments	2003-2005	209,556		209,556
Community Project Fund	2004-2005	115,000		115,000
		500,473		
Balance uncommitted after June 2003 Report				(103,827)

Overall Ratio of Commitments

Employment Related	60%
Community Services	40%

Request for Recommendation Priorities Committee



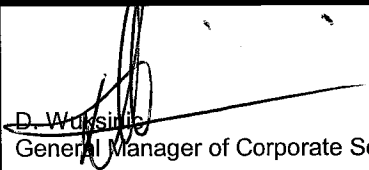
Type of Decision									
Meeting Date	June 26, 2003				Report Date	June 16, 2003			
Recommendation	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High	<input type="checkbox"/>	Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open	<input type="checkbox"/>	Closed

Report Title
Investment Policy


Policy Implications + Budget Impact	
<input checked="" type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified
<input checked="" type="checkbox"/>	Background attached

Recommendation	
<p>THAT the Investment Policy Statement attached to this report dated June 13, 2003 be adopted;</p> <p>AND THAT Schedule "A" to By-law 2002-83F be amended accordingly</p>	
<input type="checkbox"/>	Recommendation attached

Recommended by the General Manager

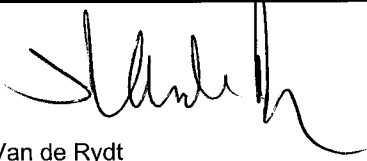

D. Wukosinic
General Manager of Corporate Services

Recommended by the C.A.O.


M. Mieto
Chief Administrative Officer

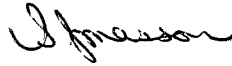
44

Report Prepared By



J. Van de Rydt
Co-Ordinator of Capital Budget & Risk Management

Division Review



S. Jonasson
Director of Finance

BACKGROUND

Changes to the Municipal Act

The Investment Policy has been updated to comply with recent changes to the Municipal Act. Investments, unless limited further by Council, are prescribed under Ontario Regulation 438/97 (amended to Regulation 265/02). The amended regulation gives municipalities new flexibility to invest municipal funds in a broader range of investments and permits municipalities with an AA- or better credit rating to invest in:

- commercial paper (short term notes or drafts typically issued by a government or corporation); and
- asset-backed securities (high-quality assets such as loans and mortgages sold by financial institutions to institutional investors).

Commercial paper is essentially promissory notes or drafts of corporations maturing in less than one year that offer potentially higher returns at slightly higher risk over treasury bills. Previously such paper had to be guaranteed by a bank.

Asset-backed securities are bonds that earn returns from a stream of loan or mortgage payments that offer higher returns with some incremental risk.

The regulation also allows municipalities with a lower credit rating to use these new investment tools through approved investment pools such as the ONE Fund, offered by Local Authority Services Ltd. and CHUMS Financing Corporation, subsidiaries of the Association of Municipalities of Ontario and the Municipal Finance Officers Association of Ontario, respectively.

The City currently does not have a credit rating so it would be limited to participating in these new investment opportunities only through the ONE Fund which is authorized by By-law 2002-223.

Updated Investment Policy Statement

The attached Investment Policy Statement has been updated to reflect these changes and are shown in bold. Substantive changes that have been made are as follows:

The section headed Legal Authority has been revised to note that the amended regulation will permit investments in commercial paper and asset-backed securities provided the municipality has a "AA" credit rating, and that the municipality is able to participate indirectly in these new investment instruments through the ONE Fund - public sector group of funds.

HS

The section headed Pre-Funding Capital Projects has been revised to clarify that capital projects that are pre-funded with repayments coming from future year's capital envelopes or other revenue sources will have their interest rate locked-in at the time Council approves pre-funding, and that interest will be charged as funds are advanced.

The section headed Eligible Investments has been revised to expand the list of securities that the municipality can invest in. Of note, securities issued and/or unconditionally guaranteed by school boards, conservation authorities and other local boards, credit unions and caisses populaires, and loan and trust corporations.

In the section headed Investment Limits, limits for credit unions and caisse populaires, municipal and school board debt issues, and ONE Fund have been established. Exercising prudence, these limits have been set at 20%, however they will be monitored over time to determine whether they ought to be changed. The prime objective in setting these limits and listing them as eligible investments is to ensure that the City has a well diversified investment portfolio.

Council Questions

At a Council meeting earlier this year, the question was raised regarding the difference between reserve, trust, current and capital funds and how they interact. The investment treatment of these funds is elaborated in the Investment Policy Statement. Generally, the current fund handles the day-to-day operating expenses and revenues, while the capital fund transacts major project expenditures and asset acquisitions, and their attendant revenues. This would include amounts contributed from the current, reserves and reserve funds. Reserves and reserve funds hold monies that have been specifically set aside for special purposes. Trust funds are restricted funds for specific purposes. Transfers between funds are authorized by Council through the adoption of the annual budget, by special resolution or under the authority of the by-law establishing the funds.

Another question that was raised related to the rationale for investing long term versus short term, and what portion of investment portfolio was long term. To the extent possible, the City matches its investments with anticipated cash flow requirements. Reserve funds and other funds with longer-term investment horizons may be invested for longer periods. The aim is to coincide the maturity of such investments as nearly as practicable with the expected use of the funds. The City has set a limit of up to \$25 million for longer terms (more than one year but not exceeding ten years) in order to ensure liquidity requirements. This limit was arbitrarily set, and is not validated by any substantive analysis other than the exercise of professional judgement. This limit is monitored on an on-going basis to ensure that the portfolio has a diversification of investments that will maximize rate of return. In general, the current yield curve, the economic outlook (both short and long term), and the cash requirements of the City all play a part in the decision process regarding investments and their term. Increased limits are subject to Council approval.

A third question asked what the impact would be if the capital fund was credited with the interest it earned rather than attributing it to the current fund, and what impact that would have had on our tax levy. Last year, the capital fund earned \$1.6 million. Had that revenue not been credited to the current fund, this would have equated to about a 1¼ % tax levy increase.

SCHEDULE "A" to By-law 2002-83F



INVESTMENT POLICY STATEMENT

STATEMENT OF POLICY AND GOALS

The City of Greater Sudbury strives to invest surplus cash resources within statutory limitations, to protect and preserve capital, to maintain solvency and liquidity to meet on-going financial requirements, and to earn a competitive rate of return.

INVESTMENT OBJECTIVES

The four major objectives of this investment policy, in priority order, are:

- i. Adherence to statutory requirements;
- ii. Preservation of capital;
- iii. Maintaining liquidity; and
- iv. Earning a competitive rate of return.

LEGAL AUTHORITY

All investment activities will be governed by section 418 of the Municipal Act, 2001 as amended. Investments, unless limited further by Council, will be those as prescribed under Ontario Regulation 438/97 (amended to Regulation 265/02) or as authorized by subsequent provincial regulations.

Recent amendments now permit certain municipalities whose credit rating is AA- or higher to invest in:

- **Commercial paper (short term notes or drafts typically issued by a government or corporation); and**
- **Asset-backed securities (high quality assets such as loans and mortgages sold by financial institutions to institutional investors).**

At this time the City of Greater Sudbury does not have a credit rating and is therefore precluded from investing directly in these new financial instruments. However, the regulation does allow municipalities with a lower credit rating to use these new investment tools through an approved investment pool. The initial approved investment pool is the ONE Fund, offered by Local Authority Services Ltd. and CHUMS Financing Corporation, subsidiaries of the Association of Municipalities of Ontario and the Municipal Finance Officers Association of Ontario, respectively.

PRESERVATION OF CAPITAL

Ensuring the safety of principal is of paramount importance. The risk of loss is minimized by investing City funds only in those instruments that meet a minimum credit rating. Analysis of the credit worthiness of issuers is undertaken by several reputable credit ratings agencies. These agencies assess the relative strength of issuers and their capacity to pay interest and repay principal. The establishment of a minimum credit rating for all investments minimizes exposure. For the investment purposes of the City of Greater Sudbury, the financial institution must have a "AA" credit rating as follows:

- "AA low" or higher (Dominion Bond Rating Service Limited);
- "Aa 3" or higher (Moody's Investors Services Inc.); or
- "AA-" or higher (Standard and Poor's Inc.).

In accordance with Ontario Regulation 438/97 should an investment held by the City be re-evaluated by one of these rating firms and fall below the standard required, the City must sell the investment within 90 days after the day the investment falls below the standard.

MAINTAINING LIQUIDITY

In most municipalities, cash outflows can only be estimated, necessitating certain levels of liquidity to be built into the investment portfolio to meet variances from forecast and other unanticipated demands.

Liquidity can be measured by the ease with which one can convert the securities to cash. The most liquid instruments available are federal and provincial treasury bills, of which the federal bills are more liquid. That being the case, treasury bills also provide the lowest return available in the market. This is due not only to liquidity, but also to their lack of credit risk and their wide acceptance. Also highly liquid are bank term deposits and guaranteed investment certificates. For the City's investment purposes, the purchase of federal and provincial treasury bills shall provide the necessary liquidity.

The following outlines the investment treatment for each of the City's funds:

CURRENT FUND

During the early part of the year the Current Fund is in a borrowing position as major revenues do not materialize until well into the year, whereas expenditures tend to be more evenly timed. Before the City goes "outside" to borrow funds, it first borrows from the Capital and/or Reserve Funds. When borrowing from these other funds, the City pays interest at the average monthly investment yield.

RESERVE FUNDS

Although most City funds are pooled for investment purposes, interest earned or accrued each month is credited to every reserve fund, based on its balance at the previous month-end together with the average rate of return on all pooled investments for the current month.

CAPITAL FUND

Interest earned by the Capital Fund shall be credited to this fund, based on its balance at the previous month-end together with the rate of return on all investments for the current month. However, in keeping with the City's capital policy, any interest revenue earned by the Capital Fund shall then be credited to the Current Fund.

PRE-FUNDING CAPITAL PROJECTS

From time to time, a capital project may require pre-funding with repayments to come from capital envelopes or other sources over time. So as to maintain the rate of return, both on investments and to the City's funds, interest will be charged on these pre-funded projects at one per cent above the average investment rate locked in at the time pre-funding is approved.

TRUST FUNDS

A number of trust funds are administered by the City. Each trust fund is kept entirely separate, and interest earned is credited directly to each fund.

PERIOD OF INVESTMENTS

The City shall maintain both an annual cash flow forecast model and a quarterly cash flow analysis to determine its cash needs and investment opportunities. Using these tools, investments can then be made for periods of time that will enable the City to meet its current financial needs and obligations. Within this time framework, every effort will be made to maximize the rate of return on the investments.

Much of the City's short-term cash requirements are predictable, which means a substantial portion of the investment portfolio can be in higher-yielding term investments, which can be timed to mature on or close to dates which funds are to be disbursed.

In general, the current yield curve, the economic outlook (both short and long term), and the cash requirements of the City all play a part in the decision process regarding investments and their term. When interest rates are rising or uncertain, investment terms will tend to be shorter to enable the City to roll its portfolio over into higher yield instruments. Conversely, when interest rates are declining, investments will be in longer term instruments, where possible. The economic outlook and interest rates will be monitored by staff, and decisions concerning investments will be made accordingly

Up to \$25 million may be invested in long-term instruments (over one year but not exceeding ten years). The remainder of the portfolio will be restricted to short-term investments (one-year and shorter).

COMPETITIVE RATE OF RETURN

Although important, maximization of the rate of return ranks considerably lower than ensuring the safety of the City's funds. There is a trade-off between the rate of return and the safety of principal. Debt with a low credit rating will serve to maximize the rate of return but offers only very limited safety. Conversely, federal treasury bills maximize safety while offering a much lower rate of return. For City purposes, the safety of the City's funds must always come first. For this reason, only those instruments with ratings as outlined previously will be considered for investments.

ELIGIBLE INVESTMENTS

Instruments in which the City may invest must comply with current legislation and be made with consideration for the safety of invested principal, while endeavouring to maximize the rate of return. The City may invest in securities issued and or/unconditionally guaranteed as to principal and interest, by the following:

- Canada or a province of Canada;
- an agency of Canada or a province of Canada;
- a regional or local municipality in Ontario;
- a metropolitan municipality in any of the other provinces of Canada;
- **school boards, conservation authorities, and other local bodies in Canada;**
- **the Municipal Finance Authority of British Columbia;**
- Canadian chartered banks (Schedule I and II);
- **a credit union or league to which the Credit Unions and Caisses Populaires Act, 1994 applies;**
- **a loan corporation or trust corporation registered under the Loan and Trust Corporation Act;**
- investments in the ONE Fund - public sector group of funds of the Local Authority Services Limited and the CHUMS Financing Corporation; or
- advances to the City's capital accounts or community development corporations.

The City is not permitted to invest any security that is expressed or payable in any currency other than Canadian dollars.

INVESTMENT LIMITS

The portfolio aims for both diversification and near risk-free investments to ensure safety of the capital. Emphasis is placed on securities offered by or unconditionally guaranteed by the Government of Canada, a province of Canada, or the six major Canadian chartered banks (Royal Bank of Canada, Canadian Imperial Bank of Commerce, Bank of Montreal, Bank of Nova Scotia, Toronto Dominion Bank, and National Bank of Canada).

The City may invest with each type of institution to the following limits:

	<u>Maximum % Limit</u>
Federal Government and its Crown Agencies	100%
Provincial Governments and their Crown Agencies	100%
Schedule "I" Banks	100%
Schedule "II" Banks	30%
Credit Unions and Caisse Populaires	20%
Municipal/School Board Debt Issues	20%
ONE Fund - public sector group of funds	20%
Other	As authorized by the Treasurer/Director of Finance

RESPONSIBILITY

Responsibility for the investment program is delegated to the Treasurer/Director of Finance, who in turn may delegate authority to persons responsible for investment transactions. No person shall engage in an investment transaction except as provided in this policy.

PROCESS

Every effort shall be made to obtain at least three quotations from banking institutions and investment dealers with which the City does business. Once these quotations are received, the investment decision shall be made. A record of these quotations shall be kept on file for a period of at least six months. From these quotations, the instrument which provides the highest yield, while staying within the investment limits of that institution, and meeting the needs of the City, will be chosen.

ELECTRONIC INVESTING

In general, with the exception of inter-municipal loans, and investments with the City's banker, investment will be made electronically, using the electronic banking feature, as provided by the City's banker. Multi-level security measures are in place to ensure the safety of the investment.

SAFEKEEPING AND CUSTODY

All investment securities will be held in safekeeping at the issuing institution, or in the case of inter-municipal loans, and investment in own debentures, in the City's vault.

OVERNIGHT INVENTORY

Excess funds should be invested overnight if the current market rate exceeds the rate obtainable from the City's bank.

REPORTS

Reports will be prepared by the municipal investment officer no less frequently than each month-end, and relayed to the Treasurer/Director of Finance outlining the current investment position of the City of Greater Sudbury. Annually, after each year-end, an investment report will be forwarded to Council, before the end of March. This report shall contain information about the performance of the portfolio investments of the City during the preceding year, together with a statement by the Treasurer as to whether all investments made were in accordance with this policy.