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Date November 15, 2023 **Report No.** 2023-402
To Chair and Members
Finance Committee
From Joelle Daniels
Commissioner, Corporate Services/City Treasurer

1.0 Type of Report

Consent Item
Item For Consideration

2.0 Topic **Update to Finance Policies [Financial Impact – None]**

3.0 Recommendation

- A. THAT report 2023-402, Update to Finance Policies, BE RECEIVED; and
- B. THAT the necessary by-law to amend by-law 70-2010, Being a Bylaw to adopt various policies of the City of Brantford and to create a Corporate Policy Manual BE PRESENTED to City council for adoption by repealing and replacing the following policies:
 - i. Finance Policy 004 – Investment Policy;
 - ii. Finance Policy 006 – Lease Financing Policy;
 - iii. Finance Policy 007 – Commodity Price Hedging;
 - iv. Finance Policy 013 – Development Charge Interest Policy.

4.0 Executive Summary

The purpose of this report is to propose amendments to Finance Policy 004 - Investment Policy, Finance Policy 006 - Lease Financing Policy, Finance Policy 007 - Commodity Price Hedging and Finance Policy 013 – Development Charge Interest Policy. The amendments include some minor housekeeping items in the

policy statements to reflect current terminology and to add in appropriate definitions and updated references.

5.0 Purpose and Overview

The purpose of this report is to propose amendments to Investment Policy (Finance 004), Lease Financing Policy (Finance 006) and Commodity Price Hedging (Finance 007), Development Charge Interest Policy (Finance 013), and update the Corporate Policy Manual accordingly.

6.0 Background

Background information related to the policies being considered in this report is provided below.

Finance Policy 004 – Investment Policy provides the statement of the municipality’s investment policies and goals as required by Section 7 of O. Reg. 438/97, Eligible Investments, Related Financial Agreements and Prudent Investment, requiring the adoption of such a statement before a municipality invests in a security prescribed under the Regulation. The policy delegates to the City Treasurer or Designate the authority to make investments which comply with the policy, and it provides investment guidelines which will direct the investment of the City’s funds not immediately required.

In preparing the statement of the municipality’s investment policies and goals the council of the municipality shall consider:

- 1) The municipality’s risk tolerance and the preservation of its capital;
- 2) The municipality’s need for a diversified portfolio of investments; and
- 3) Obtaining legal advice and financial advice with respect to the proposed investments.

The last documented review date of these policy was 2009.

Finance Policy 006 – Lease Financing Policy provides the statement of the municipality’s lease financing policies and goals, as required by Section 9(1) of O. Reg. 653/05, *Debt-Related Financial Instruments and Financial Agreements*.

The policy sets out the goals for considering lease financing agreements as a means of obtaining long term financing of municipal capital undertaking where it is advantageous to the municipality to do so, recognizing that the normal

process for acquiring capital undertakings is not to engage in lease transactions, but instead to purchase municipal capital undertakings when funds are available. The policy continues to discuss considerations that will be taken into account such as:

1. The financial risks and benefits of the lease transaction;
2. The non-financial risks and benefits of the lease transaction;
3. The legal elements of the transaction.

Lastly, the policy recognizes that certain categories of lease finance agreements will not involve costs or risks that will significantly affect, or would reasonable be expected to have effect on, the debt and financial limits prescribed for the municipality. These leases are categorized as Non-Material Financing Leases and have been approved by City Council. This list is reviewed annually and the categories of non-material leases are established in compliance with the current requirements of O. Reg. 653/05.

The last documented review date of this policy was 2011.

Finance Policy 007 – Commodity Price Hedging provides the statement of the municipality’s commodity price hedging policies and goals, as required by Section 6(1) of O. Reg. 653/05, *Debt-Related Financial Instruments and Financial Agreements*.

This policy sets out the policies and goals for considering commodity price hedging agreements as a means of fixing, directly or indirectly, or enabling the municipality to fix, the price or range of prices to be paid by the municipality for the future delivery of some or all of the commodity, where it is advantageous for the municipality to do so. This policy continues to discuss considerations that will be taken into account, such as:

1. Projects of the municipality for which commodity price hedging agreements will be appropriate.
2. Fixed costs and estimated costs of the municipality are estimated to be reduced by virtue of the use of such an agreement.
3. The financial and other risks that would exist with the agreement compared to the risks without such an agreement.

The last documented review date of this policy was 2009.

Finance Policy 013 – Development Charge Interest Policy provides the statement of the municipality’s fundamental principle of funding growth-related capital projects in that “Growth should pay for Growth”.

This policy establishes the practices for charging interest as permitted under section 26.1 and 26.2 of the *Development Charges Act, 1997, S.O. 1997 (DCA)*. This policy continues to outline the circumstances related to interest on development charges for items such as:

1. Installment payments and interest under section 26.1 of the DCA.
2. Development charges freeze and interest under section 26.2 of the DCA.
3. The method for determining the interest rate and calculations, including compounding and prorating.

The last documented review date of this policy was 2021.

7.0 Corporate Policy Context

This report seeks amendments to Finance Policy 004 – Investment Policy, Finance Policy 006 – Lease Financing Policy, Finance Policy 007 – Commodity Price Hedging, and Finance Policy 013 – Development Charges Interest Policy.

8.0 Input From Other Sources

Staff from Legal have reviewed the amendments to the policies.

9.0 Analysis

9.1 Finance Policy 004 – Investment Policy

Finance Policy 004 – Investment Policy was established in 1997 and has not been reviewed since 2009.

Upon review of this policy, staff is recommending removing those parts of the policy which are outdated and reference repealed regulations. Staff recommends updating the policy by expanding the Related Policy Procedures/Guidelines to include Primary Objectives and Standard of Care in order to more clearly address O. Reg. 438/97 Section 7(2) which identifies what the council of the municipality shall consider when preparing the investment policy. Finance Policy 004 is attached to this report as Appendix A.

9.2 Finance Policy 006 – Lease Financing Policy

Finance Policy 006 – Lease Financing Policy was established in 2003 and has not been reviewed since 2011.

Upon review of this policy, staff is recommending minor housekeeping items to the wording in the policy statement to reflect current terminology in Section 9(1) of O.Reg. 653/05. Additionally, staff is recommending the addition of definitions that were not in the previous version. The City currently enters into to non-material leases provided under this policy for items such as photocopiers, golf carts, vehicles and fitness equipment. Finance Policy 006 is attached to this report as Appendix B.

9.3 Finance Policy 007 – Commodity Price Hedging

Finance Policy 007 – Commodity Price Hedging was established in 2006 and has not been reviewed since 2009.

Upon review of this policy, staff is recommending minor housekeeping items to the wording in the policy statement to reflect current terminology in Section 9(1) of O.Reg. 653/05. Additionally, staff are recommending the addition of definitions that were not in the previous version. The City of Brantford has entered into an agreement with Local Authority Services (LAS) for the purchase of natural gas for over thirty City properties. Under this agreement, LAS is authorized to negotiate, execute and manage gas supply contracts, delivery agreements on behalf of the City for the purposes of managing natural gas supply. Finance Policy 007 is attached to this report as Appendix C.

9.4 Finance Policy 013 – Development Charges Interest Policy

Finance Policy 013 – Development Charges Interest Policy was established in 2021.

Upon review of this policy, staff is recommending additional wording to clarify the interest to be calculated on development charges that are frozen in section 3(d) of the policy. It was not the intent when the policy was first established that when a building permit is issued, that the calculated development charge payable (frozen rates plus interest) would exceed what would have otherwise been payable had the DC rates not been frozen. With the additional statement, clarification to this affect has been made. Finance Policy 013 is attached to this report as Appendix D.

10.0 Financial Implications

There are no direct financial implications with adopting the recommendations in this report.

11.0 Climate and Environmental Implications

There are no climate and environmental implications associated with this report.

12.0 Conclusion

Updates to Finance Policy 004 – Investment Policy, Finance Policy 006 – Lease Financing Policy, Finance Policy 007 – Commodity Price Hedging, and Finance Policy 013 – Development Charges Interest Policy are proposed, and to have the updated policies amended to the Corporate Policy Manual.



Joelle Daniels
Commissioner, Corporate Services/City Treasurer

Prepared By:

Judy Moore, Director of Finance
Rebecca Fader, Financial Analyst-Investments

Attachments (if applicable)

Appendix A – Finance 004 – Investment Policy

Appendix B – Finance 006 – Lease Financing Policy

Appendix C – Finance 007 – Commodity Price Hedging Policy

Appendix D – Finance 013 – Development Charges Interest Policy

Copy to:

In adopting this report, is a by-law or agreement required? If so, it should be referenced in the recommendation section.

By-law required yes no

Agreement(s) or other documents to be signed by Mayor and/or City Clerk yes no

Is the necessary by-law or agreement being sent concurrently to Council? yes no