



The Regional Municipality of Durham

COUNCIL INFORMATION PACKAGE

August 27, 2021

Information Reports

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Early Release Reports

There are no Early Release Reports

Staff Correspondence

There is no Staff Correspondence

Durham Municipalities Correspondence

There are no Durham Municipalities Correspondence

Other Municipalities Correspondence/Resolutions

There are no Other Municipalities Correspondence / Resolutions

Miscellaneous Correspondence

There are no Miscellaneous Correspondence

Advisory / Other Committee Minutes

There are no Advisory / Other Committee Minutes

Members of Council – Please advise the Regional Clerk at clerks@durham.ca, if you wish to pull an item from this CIP and include on the next regular agenda of the appropriate Standing Committee. Items will be added to the agenda if the Regional Clerk is advised by Wednesday noon the week prior to the meeting, otherwise the item will be included on the agenda for the next regularly scheduled meeting of the applicable Committee.

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The Regional Municipality of Durham Information Report

From: Commissioner of Finance
Report: #2021-INFO-90
Date: August 27, 2021

Subject:

2020 Annual Investment Report

Recommendation:

Receive for information

Report:

1. Purpose

- 1.1 In accordance with the *Municipal Act, 2001*, *Ontario Regulation 438/97*, and the Region's "Statement of Investment Policy and Goals", the Treasurer is required to report annually on the Region's investment portfolio following the end of each fiscal year, generally to report on performance of the portfolio and its conformity with investment policies and goals.
- 1.2 This report summarizes the performance for the investment portfolio for 2020 and provides the required statement of the Treasurer.

2. Background

- 2.1 The Region's Statement of Investment Policy and Goals sets a low risk tolerance level, and the overall investing approach emphasizes security of principal while maintaining liquidity. The policy permits investment in a variety of securities that meet the high credit ratings thresholds established in the policy.
- 2.2 Not unlike 2019, but with the added impact to the COVID-19 pandemic, the investment landscape continued to be characterized by low returns. The performance of the Region's investment portfolio thus reflects the low interest rate option vehicles that were available in the investment marketplace.
- 2.3 Ensuring liquidity, the Region invests available cash not required for immediate use in its operations, reserve funds, and capital program. Earnings from the investment portfolio are allocated to each of these areas in proportion to the cash balances invested.

3. Previous Reports and Decisions

- 3.1 An investment report is prepared annually by the Treasurer to report on the performance of the investment portfolio for the prior fiscal year and compliance with the Region's investment policies and goals.

4. Performance of the Investment Portfolio

Investment Returns

- 4.1 The approved Statement of Investment Policy and Goals specifically recognizes the Region's role as custodian of taxpayer's money, with safeguarding of funds being of utmost importance. The policy also recognizes that trade-offs among investment objectives will occur in order to emphasize security of principal, provide overall liquidity, and, at the same time, maximize investment returns. While investment return is an important measure of the performance of the portfolio, it is a measure that reflects the investment objectives as well as market conditions.
- 4.2 The Region's overall investment returns were lower than those obtained in the prior year, reflecting the continuing low returns available in the marketplace for investments. For 2020, the return on the portfolio averaged 1.942% (2019 – 2.425%).
- 4.3 The average rate of return for investments stratified by the remaining term is shown in the following table:

Investment Returns by Remaining Term

Remaining Term of Investment	2020	2019
Less than 6 months	1.55%	2.63%
6 months to 1 year	1.97%	2.49%
1 year up to 5 years	2.09%	2.48%
5 years up to 10 years	2.63%	4.47%
10 years up to 20 years	4.30%	4.28%

Investment Terms

- 4.4 The Statement of Investment Policy and Goals also provides guidelines for the stratification of the Region's portfolio over investment terms ranging from less than six months up to twenty years.

- 4.5 At the 2020 year end, 49.1% (2019 – 76.9%) of the value of the portfolio was invested in securities maturing in one year or less, 48.7% (2019 – 22.6%) of the portfolio was maturing within one to five years and the remaining 2.2% (2019 – 0.5%) had maturities due beyond five years.
- 4.6 The liquidity guideline ensures ready access to funds in order to meet the financial obligations of the Region as they come due and suggests a minimum of 50% of the Region's investments should have a term of one year or less. The value of the investment portfolio was right around this minimum target at the end of 2020.
- 4.7 An additional term-related objective of the policy is to hold all investments until maturity unless cash flow is required for operational purposes. This practice continued for 2020 as Regional staff actively monitor cash requirements and inflows to ensure sufficient balances are held for day to day operations.

Investment Portfolio Composition

- 4.8 The Investment Policy provides general guidelines for minimum and maximum investment targets by type of financial instrument and by issuers, as well as minimum credit ratings for issuers. The portfolio composition at any one point in time tends to reflect the availability of safe investments at rates of return that exceed those being received on surplus operating cash balances.
- 4.9 The composition of the Region's investment portfolio at year end by type of financial institution is shown in the following table:

Investment Portfolio Composition

Financial Institution / Instrument	Guidelines		Actual at Dec 31/20 %
	Target Minimum %	Target Maximum %	
Government of Canada (incl. T-bills)	25	100	0
Provincial Governments	15	50	1.6
Large Urban Municipal Debentures	0	25	1.5
Schedule 1 Banks (GIC's, bonds and high interest accounts)	0	50	95.1
ONE Investment	0	20	1.8

- 4.10 Canadian interest rates continued to be relatively low in 2020. Investing in high interest accounts and GICs remained the primary investment vehicles for the Region.

4.11 The Investment Policy also permits the Region to invest in its own debt issuances, with the requirement to report such investments in each annual investment report. The following table provides details of the Region of Durham debentures held in its own investment portfolio as at December 31, 2020:

Investment in Own Debt Issues

Broker	Coupon Rate	Maturity Amount	Issue Date	Purchase Date	Maturity Date
RBC	4.588%	\$6,123,780*	Oct. 6/05	Feb. 14/11	Oct. 6/28
RBC	4.15%	\$1,538,000	Oct. 16/13	Oct. 16/13	Oct. 16/29
RBC	4.20%	\$1,602,000	Oct. 16/13	Oct. 16/13	Oct. 16/30
RBC	4.25%	\$1,669,000	Oct. 16/13	Oct. 16/13	Oct. 16/31
RBC	4.30%	\$1,740,000	Oct. 16/13	Oct. 16/13	Oct. 16/32
RBC	4.30%	\$1,814,000	Oct. 16/13	Oct. 16/13	Oct. 16/33

*Amortizing bond – amount will reduce over the term

4.12 The total value of the Region's investment portfolio was \$3,086,410,905 as at December 31, 2020. Of that amount, \$51,451,935 was invested in equities for the first time through the ONE Investment Canadian Equity Fund. Below is a summary of the portfolio composition by type of security at year end:

Portfolio Composition by Type of Security

Type of Investment	\$ ('000's)	Yield % Range	Maturity Dates
Bonds / Coupons / Deposit Notes / GICs			
Provinces	50,226	2.66 – 3.22	2021 - 2022
Municipalities	44,240	1.50 – 4.75	2021 - 2033
Schedule 1 Banks	2,475,000	0.99 – 2.60	2021 - 2023
High Interest Accounts	465,493	0.90 – 1.00	2021
Equity Funds	51,452	1.70	not applicable

5. Compliance with Investment Policies and Goals

- 5.1 Internal controls established by Finance Department staff are an integral component in ensuring that all investment transactions are made in accordance with the Region's Statement of Investment Policies and Goals.
- 5.2 The controls include those outlined in the policy as well as the ethics and conflict of interest guidelines. In addition, the Region's investments are reviewed annually by the external auditors.

6. Forecast

- 6.1 The Bank of Canada has continued to keep rates to near zero levels in response to the COVID-19 crisis. For the foreseeable future, it is expected that interest rates will remain quite low. This low interest rate environment will continue to depress the investment earnings on the Region's available cash balances, creating a challenge not only for operations but also for the reserve funds and capital program that rely on investment earnings as supplemental funding for tangible capital asset investment.
- 6.2 Going forward, a strategic priority of the Finance Department is to maximize returns on the Region's Investment Portfolio through dedicated resources, enhanced portfolio diversification and more active investment trading strategies. In the coming months, a refresh of the investment policy, procedures and goals will be undertaken with a view to active management of the portfolio. Updates to the Investment Policy will include access to an expanded list of eligible investments and amendments to portfolio targets which reflect best practices and changes in legislation. A more active investment strategy will include efforts to minimize cash holdings by redeploying funds to high credit quality fixed income securities or other investment vehicles to diversify and improve investment returns and mitigate portfolio risk. Going forward, more detailed capital financing forecasts will inform investment decisions where higher yielding investments can be sought after with maturity dates that coincide with projected capital expenditures, ultimately improving portfolio returns.

7. Relationship to Strategic Plan

- 7.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:
 - a) Goal 5.3 Service Excellence – This investment report demonstrates the commitment to financial stability and transparency by communicating the annual performance and compliance results.

8. Conclusion

- 8.1 The Region continues to invest in a diversified basket of high credit rated securities that meet the minimum credit rating criteria defined in the policy and deliver a suitable rate of return. Durham Region's investment portfolio composition is in compliance with the Council approved Statement of Investment Policies and Goals.
- 8.2 In my opinion, all investment transactions for 2020 continue to conform to the Region's investment policies and goals as adopted by Regional Council, reflecting a low risk tolerance and overall conservative investing approach to emphasize the security of principal, while maintaining ample liquidity.

Respectfully submitted,

Original Signed By

Nancy Taylor, BBA, CPA, CA
Commissioner of Finance

If this information is required in an accessible format, please contact 1-800-372-1102 ext. 2304



The Regional Municipality of Durham Information Report

From: Commissioner of Finance
Report: #2021-INFO-91
Date: August 27, 2021

Subject:

Durham Receives the 2020 Government Finance Officers Association of the United States and Canada (GFOA) Financial Policy Challenge Award

Recommendation:

Receive for information

Report:

1. Purpose

1.1 The purpose of this report is to inform Regional Council that Durham Region was one of just 12 winners from across North America, of the Government Finance Officers Association of the United States and Canada (GFOA) 2020 Financial Policy Challenge.

2. Background

2.1 The GFOA notes that it established the 2020 Financial Policy Challenge to encourage '... financial policies that are essential to a strong financial foundation.'

2.2 Financial Policy Challenge winners were required to meet the majority of GFOA's criteria for what makes a good financial policy. The criteria varied depending on the following policy categories established by the GFOA:

- a. Capital planning
- b. Structurally balanced budget
- c. Debt (focused on affordability)
- d. Long-term forecasting and planning
- e. Reserves
- f. One-time revenues
- g. User Fees
- h. Investing

- i. Economic Development
- j. Procurement

3. Highlights

- 3.1 Over 40 governments, primarily located within the United States, submitted over 160 policies to the Financial Policy Challenge and 12 governments were selected for the award. Winners will be publicly recognized by the GFOA in the Fall of 2021.
- 3.2 The Finance Department entered the inaugural GFOA Financial Policy Challenge, submitting the following key Regional financial policies:
 - a. The Budget Management Policy (under the balanced budget category);
 - b. Purchasing Bylaw #16-2020 (procurement);
 - c. The Long-term Forecasting and Financial Planning Framework (Long-term forecasting and planning) and Report #2019-F-33, which included Reserve and Reserve Fund analysis and new Reserve Fund Strategy;
 - d. The Strategic Asset Management Policy (Capital Planning); and,
 - e. Tangible Capital Asset Policy (Capital Planning).
- 3.3 All winners of the GFOA Financial Policy Challenge will be profiled in an upcoming issue of the 'Government Finance Review' in the Fall of 2021.
- 3.4 Well documented financial policies are recognized as playing a key role in ensuring fiscal stability, continuity and sustainability and Regional Council's commitment to the Region's updated financial policies, help ensure:
 - a. Continued alignment with the Region's broader strategic plans and objectives;
 - b. Provide consistency and guidance to staff and Councillors; and,
 - c. Enhance accountability to Durham's residents and businesses.
- 3.5 Clear and transparent financial policies also support streamlined decision-making and foster higher efficiencies across all business and operational divisions.

4. Relationship to Strategic Plan

- 4.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:
 - a. Optimize resources and partnerships to deliver exceptional quality services and value.
 - b. Responsibly manage the Region's financial assets to deliver critical infrastructure and services for current and future generations.

5. Conclusion

- 5.1 Durham Region's selection as a recipient of the 2020 GFOA Financial Policy Challenge is an impressive achievement for the Region and reflects Regional

Council's commitment to a disciplined financial management approach, guided by the principles of fiscal sustainability, financial flexibility and taxpayer affordability.

Respectfully submitted,

Original Signed By

Nancy Taylor BBA, CPA, CA
Commissioner of Finance and Treasurer

If this information is required in an accessible format, please contact 1-800-372-1102 ext. 3540.



The Regional Municipality of Durham Information Report

From: Commissioner of Works
Report: #2021-INFO-92
Date: August 27, 2021

Subject:

Final Hazardous and Special Products Regulation

Recommendation:

Receive for information.

Report:

1. Purpose

1.1 This report provides Regional Municipality of Durham (Region) Council with a summary of the recently finalized Hazardous and Special Products Regulation and its impacts to the Region.

2. Background

2.1 In 2016 the Province of Ontario passed the Resource Recovery and Circular Economy Act (RRCEA) as the enabling legislation for enacting Extended Producer Responsibility (EPR) in Ontario. The Resource Productivity and Recovery Authority (RPRA) was also established to act as Registrar and oversee reporting and compliance of programs developed under the RRCEA.

2.2 Regulations already established under the RRCEA include EPR programs for tires, batteries, and electrical and electronic equipment. The Region has successfully transitioned its collection programs to the new regulatory framework for each of these materials.

2.3 On June 8, 2021 Ontario Regulation 449/21 Hazardous and Special Products was published. Hazardous and Special Products (HSP), formerly referred to as Municipal Special and Hazardous Waste or MHSW will transition to EPR on October 1, 2021.

3. Previous Reports and Decisions

3.1 2021-INFO-27 provided staff comments on the Proposed Hazardous and Special Products Regulation Environmental Registry of Ontario #019-2836 provided Regional Council with an overview of the draft HSP regulation including potential impacts to the Region. Staff comments submitted to the Ministry of Environment, Conservation and Parks (MECP) were attached to the report.

4. Final Hazardous and Special Products Regulation

4.1 As indicated in 2021-INFO-27, the HSP Regulation does not expand on the existing MHSW program currently operated with partial producer funding under the Waste Diversion Transition Act.

4.2 The new HSP Regulation takes effect on October 1, 2021 allowing a short time for producers and Producer Responsibility Organizations (PROs) to ensure collection and management systems can meet the requirements of the new regulation.

4.3 The HSP Regulation imposes full EPR on a limited number of consumer products in five categories:

- a. Category A consists of non-refillable pressurized containers and oil filters;
- b. Category B consists of antifreeze, oil containers, paints and coatings, pesticides, refillable pressurized containers (excluding fire extinguishers, aerosol containers and cylinders that must be punctured for use) and solvents;
- c. Category C consists of mercury containing barometers, thermometers and thermostats;
- d. Category D consists of fertilizers; and
- e. Category E consists of refillable propane containers.

- 4.4 Each of the HSP categories has container volume or size limits, product type limits and other restrictions that increase the specificity of what is captured under the EPR program.
- 4.5 The HSP Regulation requires producers to establish collection sites for their products based on the population of the municipality in which they are sold. The number of collection sites required varies based on the category of HSP and is designed to allow return-to-retail locations to provide the required numbers of collection sites.
- 4.6 Producers are required to promote their collection and management services for HSP, provide the location of HSP collection sites on a website along with a description of the collection services provided and how the collected HSP is managed. Promotional and educational materials must also be made available to retailers.
- 4.7 Producers of fertilizer are required to educate consumers on using up, sharing or properly disposing of unwanted product. Fertilizer producers are also required to provide information to municipalities on innovative end-use options as an alternative to disposal.

5. Impacts to Durham Region

- 5.1 The final HSP regulation contains only minor changes from the draft version. As a result, many of the Region's concerns with the new regulation remain unaddressed.
- 5.2 Since the categories of designated products has not been expanded, the Region will continue to receive significantly more household hazardous waste types than what is designated under the regulation for full producer responsibility. Hence, the proper management of many HSP materials will continue to be a cost to the Region.
- 5.3 The approach for pesticides and fertilizer remains unchanged in the final regulation. Limited types of pesticides are designated under the regulation for full EPR and fertilizers are not obligated for collection at all. The Region will continue to be responsible for proper management and disposal of 85 to 90 per cent of all pesticides and fertilizers it collects.

- 5.4 The regulation requires collectors to report on the weight of each type of HSP collected. Since not all HSP received by the Region is designated under the regulation as obligated material, the Region will need to separate designated and non-designated material. This requirement will be labour intensive and require additional staff training and storage containers for HSP.
- 5.5 Used lubricating oil is not a designated product in the regulation despite being associated with the used oil filters and containers that are designated materials. Historically used lubricating oil has been a source of revenue for the Region. However, other municipalities are reporting incurring a cost for recycling used oil. The Region is subject to the same market forces and could also incur a cost in the future for managing used oil.
- 5.6 Promotion and education to inform residents of the importance of properly disposing of HSP at a return to retail or Regional drop-off location will continue to be a Region priority to ensure HSP is not placed in the garbage.
- 5.7 Durham Region is prepared to transition to the HSP regulation on the October 1 date with no impact to drop-off services available to residents at Region Waste Management Facilities. All operational and contractual changes required under the new regulations will be managed with minimal impact to services provided.

Improvements to the HSP Regulation

- 5.8 The draft regulation was amended to add a new category of HSP, Category E, to include refillable propane cylinders. Producers of Category E HSP must establish a collection system for the material and must collect any Category E material received by a municipality within three months of being notified that there is material for collection. Since the Region receives a significant quantity of refillable propane cylinders each year, ensuring these items are removed from the Region free of charge is a significant improvement to the regulation.
- 5.9 The HSP regulation requires collection sites to record weights of each type of HSP collected. If more than 50 kilograms of HSP is dropped off by a single person on a single day, additional personal information must also be recorded by the collection site. The Region raised concerns about the administrative burden and privacy issues for this requirement. An exemption was added to the final regulation to exempt municipalities from the requirement to record personal information for most designated HSP. The requirement still applies to some HSP such as refillable propane cylinders and fertilizer which could be delivered in quantities greater than 50 kilograms.

6. Relationship to Strategic Plan

- 6.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:
- a. Goal 1.2 Increase waste reduction and resource recovery

7. Conclusion

- 7.1 The final HSP regulation does not expand the current scope of the existing MHSW stewardship program.
- 7.2 Minor improvements were made to the regulation because of consultation which remove some administrative burdens for municipalities and to ensure refillable propane cylinders are removed from municipal collection points at no charge.
- 7.3 For additional information, contact: Gioseph Anello, Director, Waste Management Services, at 905-668-7711, extension 3445.

Respectfully submitted,

Original signed by:

Susan Siopis, P.Eng.
Commissioner of Works