



**Town of Aurora
Finance Advisory Committee
Meeting Agenda**

Date: Tuesday, April 15, 2025
Time: 5:45 p.m.
Location: Holland Room, Aurora Town Hall

Meetings are available to the public in person and via live stream on the [Town's YouTube channel](#). To participate, please visit aurora.ca/participation.

	Pages
1. Call to Order	
2. Land Acknowledgement	
3. Approval of the Agenda	
4. Declarations of Pecuniary Interest and General Nature Thereof	
5. Receipt of the Minutes	
5.1 Finance Advisory Committee Meeting Minutes of February 18, 2025	1
1. That the Finance Advisory Committee meeting minutes of Tuesday, April 15, 2025, be received for information.	
6. Delegations	
7. Matters for Consideration	
7.1 Memorandum from Senior Advisor, Financial Management; Re: Proposed Water and Wastewater Rate Strategy	4
(Presentation to be provided by Sandeep Dhillon, Senior Advisor, Financial Management)	
1. That the memorandum regarding the Proposed Water and Wastewater Rate Structure be received; and	
2. That the Finance Advisory Committee comments regarding the proposed water and wastewater rate structure be received and referred to staff for consideration and further action as appropriate.	

7.2 Memorandum from Financial Management Advisor; Re: Annual Investment Policy Review 25

1. That the memorandum regarding the annual investment policy review be received; and
2. That the Finance Advisory Committee comments regarding the annual investment policy review be received and referred to staff for consideration and further action as appropriate.

7.3 Memorandum from Manager, Financial Management Services; Re: Financial Risk Assessment – Possible US Tariffs 57

1. That the memorandum regarding the Financial Risk Assessment of Possible US Tariffs be received; and
2. That the Finance Advisory Committee comments regarding the Financial Risk Assessment of Possible US Tariffs be received and referred to staff for consideration and further action as appropriate.

8. New Business

9. Adjournment



**Town of Aurora
Finance Advisory Committee
Meeting Minutes**

Date: Tuesday, February 18, 2025
Time: 5:45 p.m.
Location: Holland Room, Aurora Town Hall

Committee Members: Mayor Tom Mrakas (Chair)
Councillor Harold Kim
Councillor Michael Thompson

Other Attendees: Doug Nadorozny, Chief Administrative Officer
Rachel Wainwright-van Kessel, Director, Finance
Patricia De Sario, Director, Corporate Services/Town Solicitor
Jason Gaertner, Manager, Financial Management
Laura Sheardown, Financial Management Advisor*
Linda Bottos, Council/Committee Coordinator

*Attended electronically

1. Call to Order

The Chair called the meeting to order at 5:49 p.m.

2. Land Acknowledgement

The Committee acknowledged that the meeting took place on Anishinaabe lands, the traditional and treaty territory of the Chippewas of Georgina Island, recognizing the many other Nations whose presence here continues to this day, the special relationship the Chippewas have with the lands and waters of this territory, and that Aurora has shared responsibility for the stewardship of these lands and waters. It was noted that Aurora is part of the treaty lands of the Mississaugas and Chippewas, recognized through Treaty #13 and the Williams Treaties of 1923.

3. Approval of the Agenda

Moved by Councillor Thompson

Seconded by Councillor Kim

That the agenda as circulated by Legislative Services be approved.

Carried

4. Declarations of Pecuniary Interest and General Nature Thereof

There were no declarations of pecuniary interest under the *Municipal Conflict of Interest Act, R.S.O. 1990, c. M.50*.

5. Receipt of the Minutes

5.1 Finance Advisory Committee Meeting Minutes of January 21, 2025

Moved by Councillor Kim

Seconded by Councillor Thompson

1. That the Finance Advisory Committee Meeting Minutes of January 21, 2025, be received for information.

Carried

6. Delegations

None.

7. Matters for Consideration

7.1 Memorandum from Financial Management Advisor; Re: Line by Line Budget Review of Corporate Services

The Committee reviewed and inquired about the budgeting and trends of various line items and staff provided clarification. The Committee inquired about any strategies being employed to reduce insurance costs and staff advised on the practice of subrogation and the possibility of an insurance pool being explored for York Region municipalities. The Committee suggested the Town also continue to investigate collective approaches to mitigate costs related to the services and consultants line item.

Moved by Councillor Thompson

Seconded by Councillor Kim

1. That the memorandum regarding Line by Line Budget Review of Corporate Services be received; and
2. That the Finance Advisory Committee comments regarding Line by Line Budget Review of Corporate Services be received and referred to staff for consideration and further action as appropriate.

Carried

7.2 Memorandum from Financial Management Advisor; Re: ONE JIB Update – Transition to Outsourced Chief Investment Officer (OCIO)

Staff provided an overview of the memorandum noting the transition to the OCIO model will offer a much wider range of investment funds and alternative investment opportunities for municipalities. The Committee expressed a preference to not participate in the alternative investment component of the OCIO's offerings at this time. Staff provided clarification on fees, the structure and more limited liquidity of alternative investments, the role of the internal investment officer, the transition of current funds, and the OCIO selection process.

Moved by Councillor Thompson

Seconded by Councillor Kim

1. That the memorandum regarding ONE JIB Update - Transition to Outsourced Chief Investment Officer (OCIO) be received; and
2. That the Finance Advisory Committee comments regarding ONE JIB Update - Transition to Outsourced Chief Investment Officer (OCIO) be received and referred to staff for consideration and further action as appropriate.

Carried

8. New Business

None.

9. Adjournment

That the meeting be adjourned at 6:19 p.m.



100 John West Way
Aurora, Ontario
L4G 6J1
(905) 727-3123
aurora.ca

Town of Aurora
Memorandum
Finance

Re: Proposed Water and Wastewater Rate Strategy

To: Finance Advisory Committee

From: Sandeep Dhillon, Senior Advisor, Financial Management

Date: April 15, 2025

Recommendation

1. That the memorandum regarding the Proposed Water and Wastewater Rate Structure be received; and
2. That the Finance Advisory Committee comments regarding the proposed water and wastewater rate structure be received and referred to staff for consideration and further action as appropriate.

Background

Presently the Town's water and wastewater rate structure consists of a single variable rate for both water and wastewater. As Town's fixed costs for the delivery of water and wastewater services continue to rise as infrastructure ages, so too does the need to ensure an equitable distribution of this burden across all user rate payers. The Town engaged DFA Infrastructure International Inc. to undertake a review of the existing water and wastewater rates and recommend a future rate structure. In March 2024, DFA presented the proposed fixed and variable water and wastewater rate strategies to Council as part of a public consultation meeting which was followed by a staff prepared detailed memo in May 2024 that addressed concerns raised by the residents at the public consultation meeting.

The current memo provides an overview of the further analysis done by staff of the impact of alternative rate structures on the Town as well as to the average Aurora resident and seeks FAC guidance to proceed with one recommended rate structure.

Analysis

Each rate structure was assessed based upon guiding principles

When assessing each of the alternative rate structures, the following guiding principals as summarized under Table 1 were considered.

Table 1
Guiding Principals

Rate Structure	Description
Full Cost Recovery	Ensures cost recover of all water / wastewater system costs
Promote Conservation	Encourages water conservation
Fair & Equitable	Does not unduly favour one ratepayer class over another
Ease of Administration	Minimizes administrative effort and cost
Rate / Revenue Stability	Minimizes annual swings in rates and maximizes revenue predictability
Affordable/Minimizes shifts in Burden	Should strive to minimize impact on ratepayers
Defensible	Must be transparent and defensible
Support Economic Development	Promotes commercial/industrial growth

Two new water and wastewater rate structure options are presented for consideration

The proposed fixed and variable rate structure consists of a base charge, based on meter size, which recovers the fixed cost associated with contributions to the water and wastewater reserves for future infrastructure replacement and a volumetric charge which recovers all variable costs based on volume consumption.

A base charge allows for the more equitable sharing of the fixed cost burden across all potential users. Meaning all residents and businesses will contribute toward the fixed cost recovery whether they consume water or not for a given billing period. Only those who consume water or wastewater services would contribute toward the cost recovery of a service's variable costs through the volumetric charge.

Further, a base charge also allows for greater assurance of fixed cost recovery regardless of the volume of water consumed each year. The amount of water sold each year is variable, demand is impacted by weather and other factors. Under a current single volumetric rate, the Town risks not being unable to fully recover all of its fixed costs.

Under the single volumetric rate, all Town customers are billed based on a single volumetric charge on all recorded water consumption. The combination of fixed and single volumetric rate structure promotes greater cost recovery fairness and offers the most transparent rate structure.

In consideration of water conservation promotion, a two-tiered volumetric charge is also presented. The two-tiered volumetric charge option considers the basic water needs of a household, providing water at a lower rate for the first 50 cubic meters per billing cycle. Once an average consumption of 50 cubic meters per billing cycle is reached, a higher rate will be charged for any water usage in excess of 50 cubic meters. A two-tier variable rate structure will encourage water conservation and provide some financial relief for basic water consumption needs as shown in Table 2.

Table 2
Current and Proposed Rate Structure Options
(based on average 2025 rates)

Option 1: 100% Variable - Current Structure				
	<u>per cubic meter</u>			
Water	\$2.62			
Wastewater	\$3.09			
Combined	\$5.71			
Option 2: Fixed & Single volumetric Charge - Proposed Rate Structure				
Fixed Charge based on meter size				
	<u><1.5"</u>	<u>2"</u>	<u>3" to 6"</u>	<u>>6"</u>
Water	\$111	\$334	\$1,335	\$4,340
Wastewater	\$84	\$251	\$1,004	\$3,262
Combined	\$195	\$585	\$2,339	\$7,602
Volumetric Charge:				
	<u>per cubic meter</u>			
Water	\$2.21			
Wastewater	\$2.78			

Combined	\$4.99			
Option 3: Base & tiered volumetric Charge - Proposed Rate Structure				
Fixed Charge (based on meter size):				
	<1.5"	2"	3" to 6"	>6"
Water	\$111	\$334	\$1,335	\$4,340
Wastewater	\$84	\$251	\$1,004	\$3,262
Combined	\$195	\$585	\$2,339	\$7,602
Volumetric Charge:				
	0 to 200m ³	>200m ³		
Water	\$2.09	\$2.34		
Wastewater	\$2.66	\$2.91		
Combined	\$4.75	\$5.25		

The total revenue/cost recovery under the current and proposed rate structures remains unchanged

The objective of the proposed rate structures is to promote fairness, ensure water conservation and maintain sustainable water and wastewater infrastructure. Therefore, the overall revenue generated from each proposed rate structure remains the same, it is only the distribution of each service's cost recovery from customers that changes with each option.

The proposed fixed and variable rate structures, options 2 and 3, consists of a base charge based on meter size which recovers the fixed cost associated with contributions to the water and wastewater reserves for future infrastructure replacement and a volumetric charge which recovers all variable costs based on volume consumption.

The three presented options have varying impacts on the average water bill for residential and commercial customers

Currently, the burden of fixed infrastructure cost lies more on higher consumption residential and commercial customers. By introducing a fixed (base) rate charge, this burden is shared equitably among all customers including vacant homes which currently do not pay anything for water and wastewater as they have zero consumption. A base charge allows for the more equitable sharing of the fixed cost burden across all potential users. Meaning all residents and businesses will contribute toward the fixed cost recovery whether they consume water or not. Only those who consume water or

wastewater services would contribute toward the cost recovery of these services' variable costs through the volumetric charge. The presented water and wastewater rate structure options have varying impact on customers based on their water usage as shown in figure 1 and 2.

Figure 1
Impact on Average Volume Consumption Customers

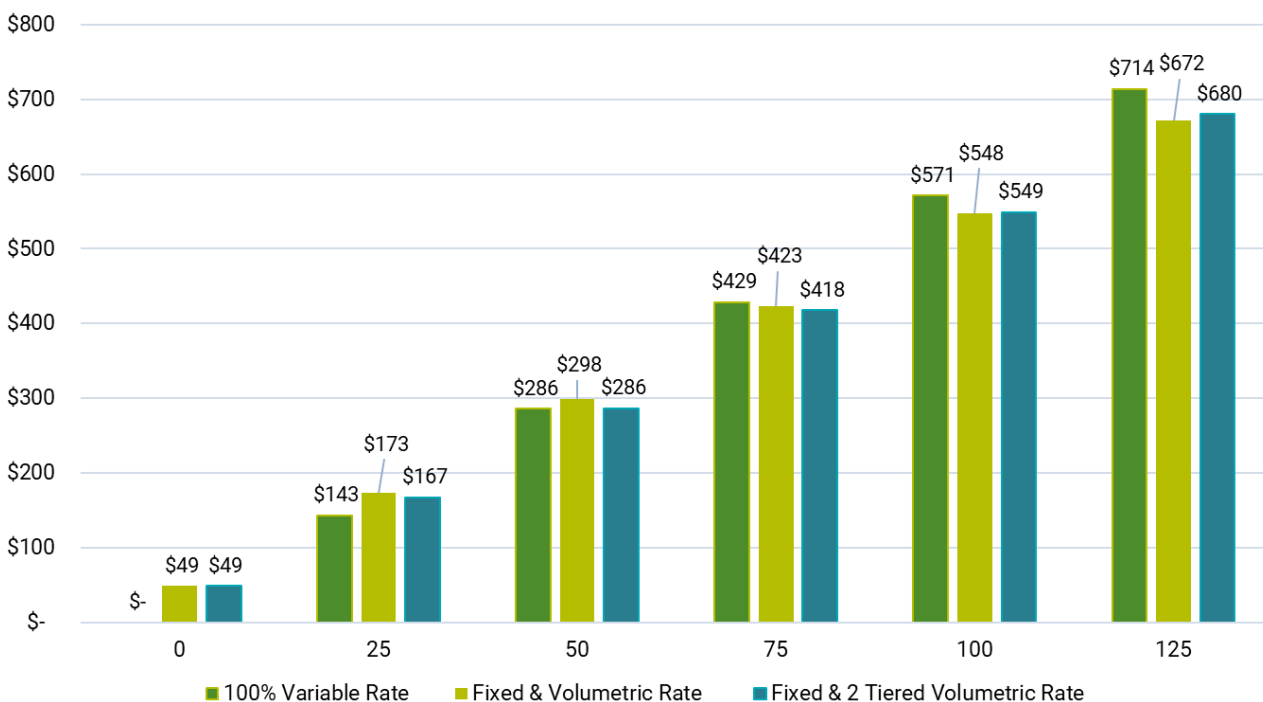
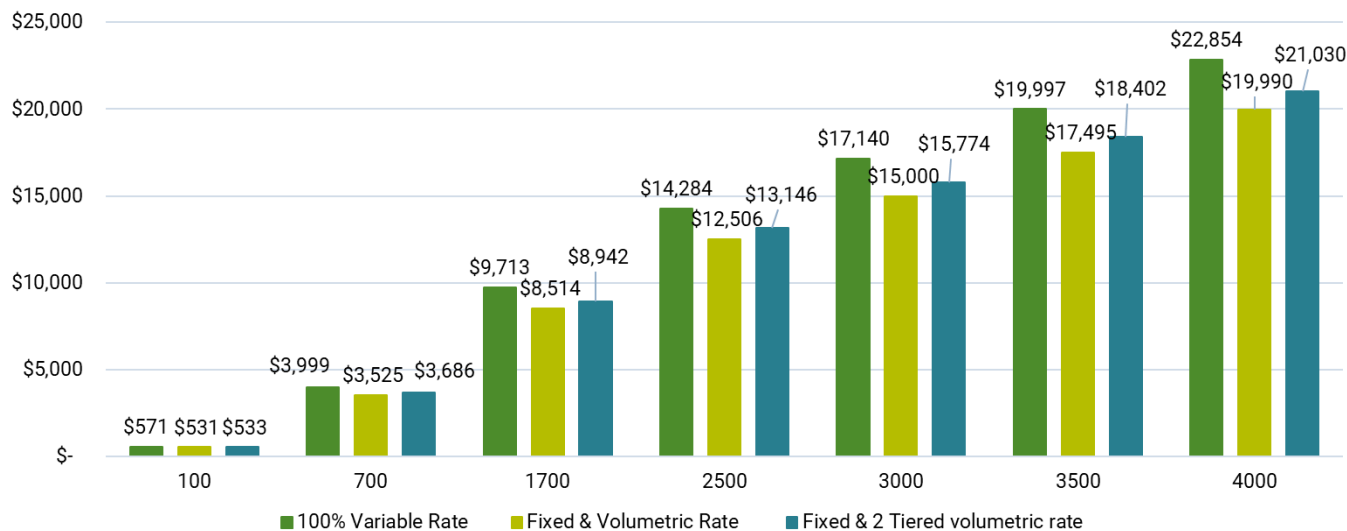


Figure 2
Impact on Higher Volume Consumption Customers



Under option two, being the fixed and single volumetric rate structure, an average Town resident’s water and wastewater bill will be \$13 higher per billing cycle. However, residents whose water and wastewater consumption are higher than 75 cubic meter per billing cycle would recognize savings due to the more equitable distribution of the fixed cost burden across all rate payers.

Under option three, being the fixed and two-tiered volumetric rate structure, an average Town resident’s water and wastewater bill will be same as under the current rate structure (100% variable rate) per billing cycle. However, residents with water and wastewater consumption greater than 100 cubic meter per billing cycle will not enjoy the true benefit of moving toward a fixed and variable rate structure as the tier 1 volumetric charge is discounted to benefit the average resident.

Each proposed rate structure has its own benefits and challenges with respect to the guiding principles

Table 3 provides a summary of the benefits and challenges of the current and each proposed rate structure. In order for Town staff to proceed further with a report to Council, staff seeks guidance from the Finance Advisory Committee to recommend its desired rate structure deciding between the two new proposed fixed and variable rate structure options.

Table 3
Benefits and Challenges of Proposed Water and Wastewater Rate Structure

	Option 1	Option 2	Option 3
Benefits and Challenges	Variable Rate Structure	Fixed and Single Variable Rate	Fixed and Two - Tiered Variable Rate
Full Cost Recovery	Ensures cost recover of all water / wastewater system costs	Ensures cost recover of all water / wastewater system costs	Ensures cost recover of all water / wastewater system costs
Promote Conservation	Do not promote conservation of water	Do not promote conservation of water	Encourages water conservation as the higher consumption customers pay higher water and wastewater cost due to 2-tier variable charge
Ease of Implementation	No change Status quo	Staff to confirm one-time capital cost of implementation of the new rate structure in the water and wastewater billing system and verify meter size database with operations team for accurate billing.	

	Option 1	Option 2	Option 3
Benefits and Challenges	Variable Rate Structure	Fixed and Single Variable Rate	Fixed and Two - Tiered Variable Rate
Fair & Equitable	Does not promote fairness as the higher water consumption customers bears the burden of fixed infrastructure cost	Promotes fairness and does not favour one rate payer over another	Promotes fairness for fixed charge. However, the higher consumption customers pay slightly more. For example, apartment buildings, commercial customers, school boards and senior center.
Affordable/Minimizes shifts in Burden	Favours the average and lower consumption customers	Average rate payers bill increases by \$13/ billing cycle	Strive for minimal impact on average ratepayers
Rate / Revenue Stability	Minimal revenue predictability due to volume-based revenue collection.	Minimizes annual swings in rates and maximizes revenue predictability	Minimizes annual swings in rates and maximizes revenue predictability

If approved, the new water and wastewater rate structure would become effective in 2027

The Town's May 1, 2025, water, and wastewater rates have already been approved, and it will take time to roll out a change in the rate structure, therefore the first opportunity to introduce any new rate structure would be in time for the Town's May 1, 2027 rate update. Table 4 presents a summary of the remaining key milestones in this review.

Table 4
Key Remaining Review Milestones

Date	Milestone / Activity
March 26, 2024	Public Open House (Complete)
May 19, 2024	Finance Advisory Committee Update (Complete)
April 15, 2025	Finance Advisory Committee Update
September 9, 2025	Committee of the Whole
September 23, 2025	Council possible approval of alternative water & wastewater rate structure
December, 2026	Council adoption of 2027 water & wastewater rates based on the new recommended rate structure
March, 2027	May 1, 2027, water & wastewater rate by-law approval

Attachments

1. Water and Wastewater Proposed Rate Structure Presentation



TOWN OF AURORA

Water & Wastewater Rate Study

Finance Advisory Committee

April 15th, 2025

Agenda



- Overview of current rate structure
 - Existing customer base & Cost
 - Challenges of existing rate structure
 - Residential consumption pattern
 - Commercial consumption pattern
- Proposed rate structure
 - Proposed rate structure impact to existing customer base
 - Benefits/challenges of proposed rate structure
- Next Steps



Current Rate Structure - Option 1



Water and Wastewater

No. of Customer	19090
Budgetd Annual Water Consumption	5.5 Million m3
2025 Cost to be recovered from Water customers	\$14.5 million
2026 Cost to be recovered from Wastewater customers	\$17.1 Million
Current Rate Structure	100% variable
2025 Average Water Rate (Jan - Dec)	\$ 2.62
2025 Average Wastewater Rate (Jan - Dec)	\$ 3.09

Current Rate Structure Challenges

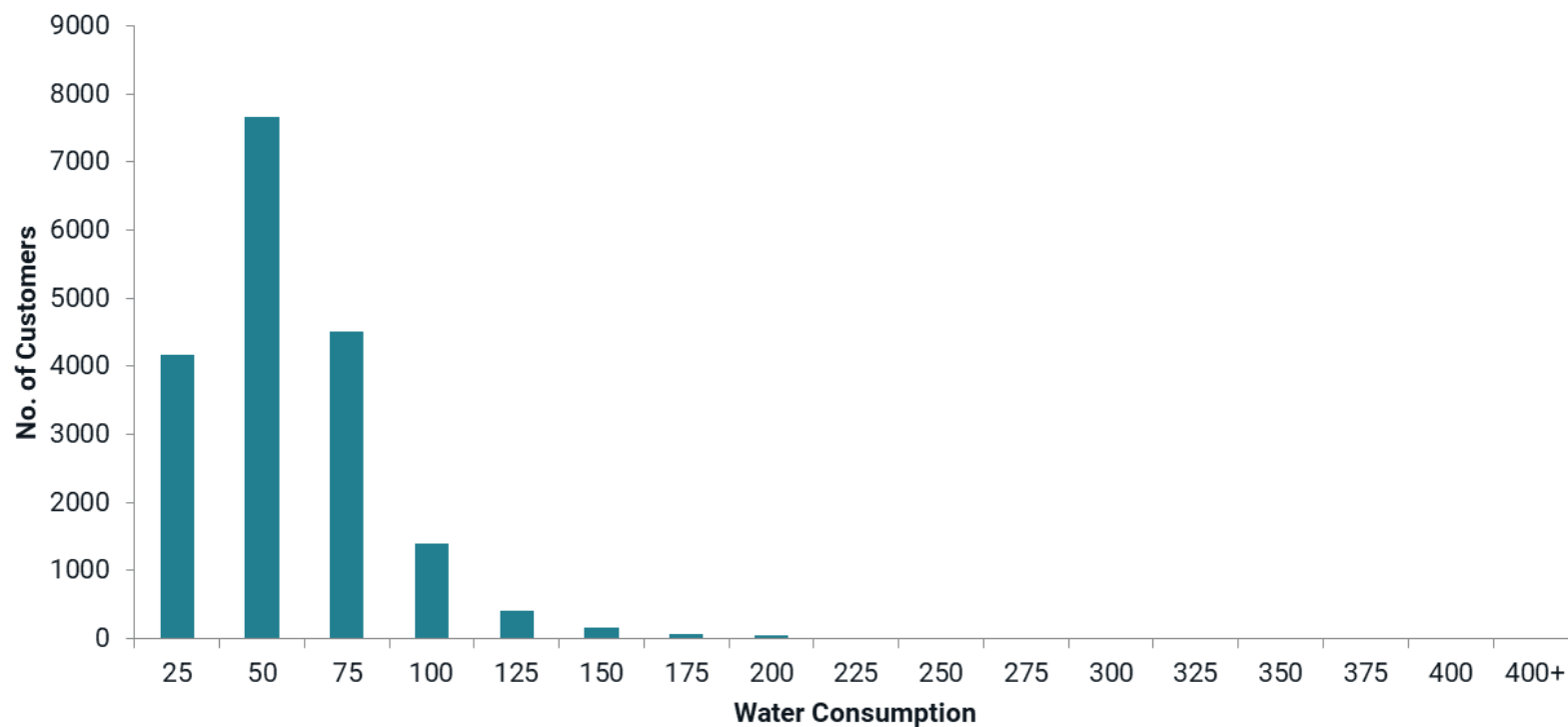


- Inactive customers & vacant home do not pay for the infrastructure cost
- Does not encourage water conservation
- Revenues 100% dependent on level of consumption. Could result in budget deficits due to low consumption and less revenues (e.g. in wet years)
- Active users bears the burden of full infrastructure cost

Residential Consumption Pattern



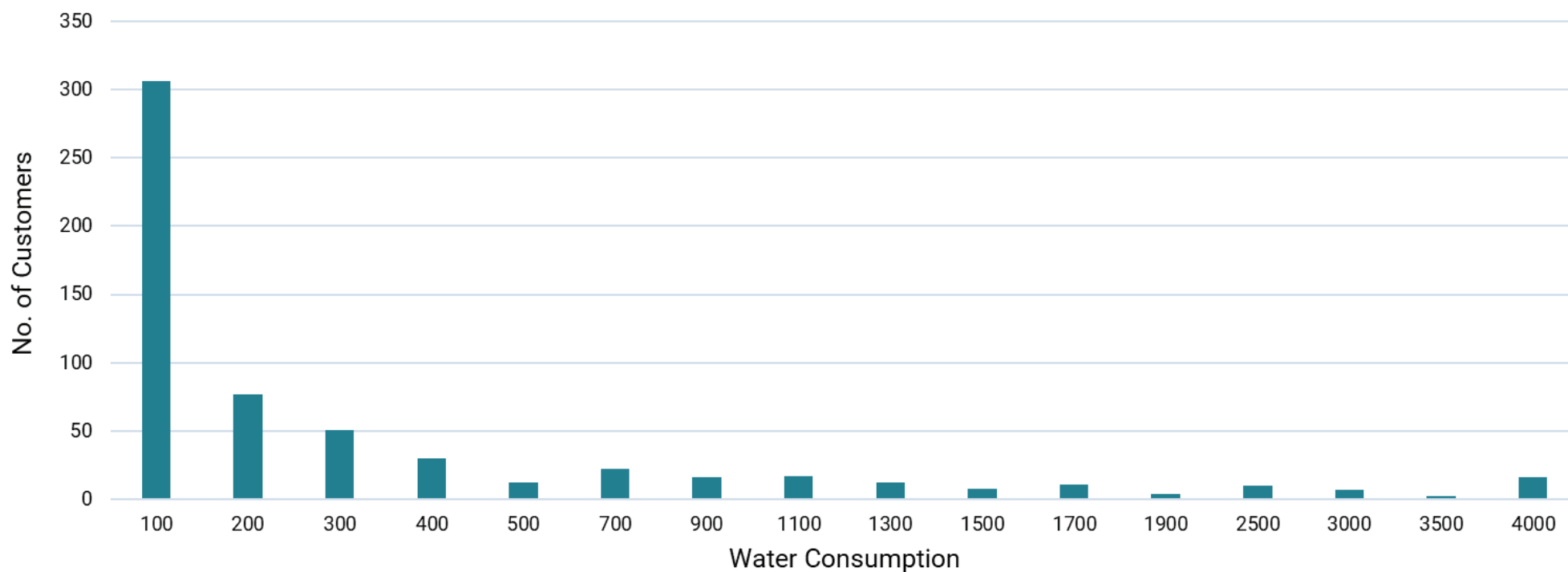
Quarterly Residential Consumption



Commercial consumption Pattern



Bi-Monthly Commercial Consumption



Proposed Rate Structure – Option 2



Option 2 Base & single volumetric Charge - Proposed Rate Structure

Water_Fixed Charge		Wastewater_Fixed charge	
Meter size	Annual Meter Charge		Annual Meter Charge
<1.5	\$ 111	\$	84
2	\$ 334	\$	251
3-6	\$ 1,335	\$	1,004
>6	\$ 4,340	\$	3,262
Volumetric Charge			
	2025 Average Rate		2025 Average Rate
Water	\$ 2.21	Wastewater	\$ 2.78

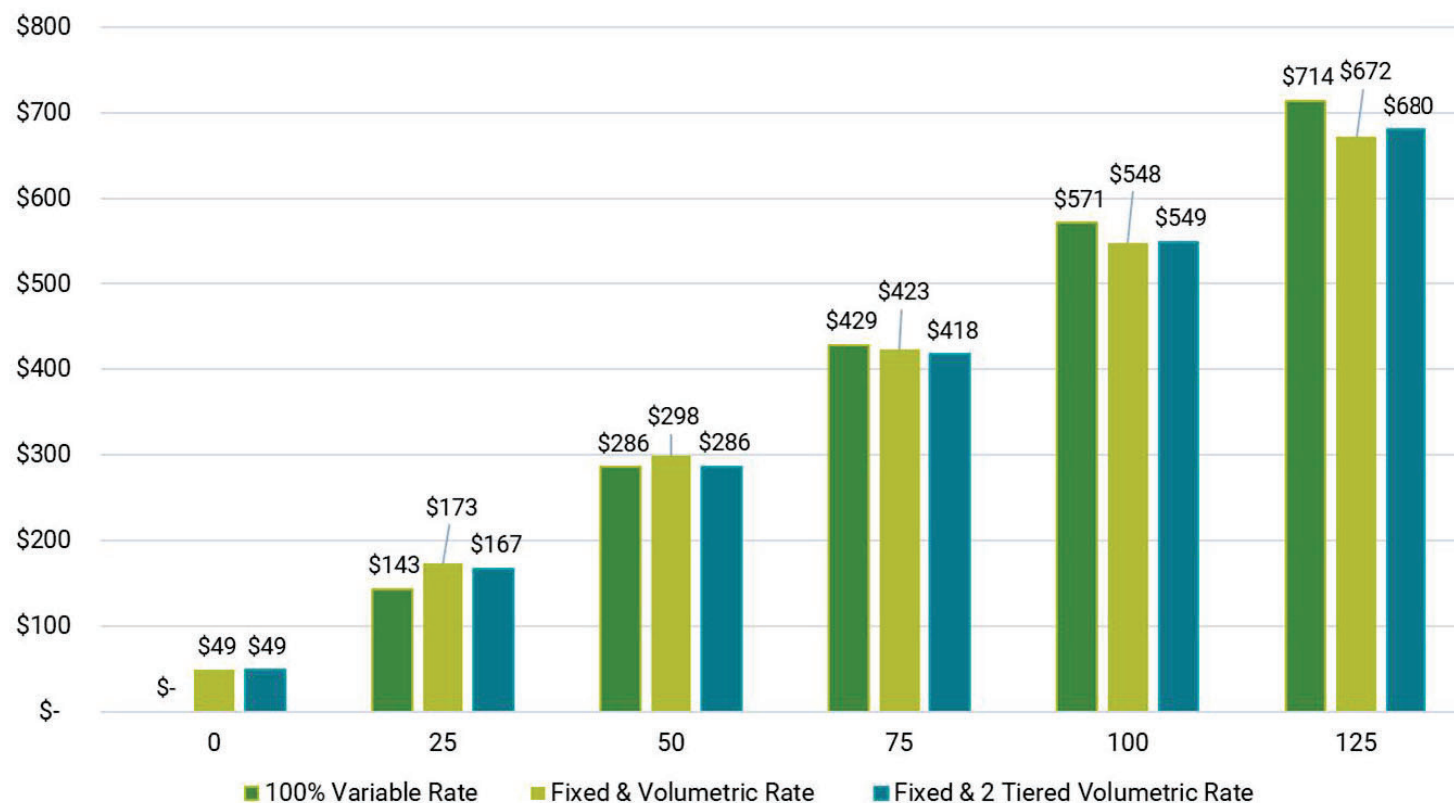
Proposed Rate Structure – Option 3



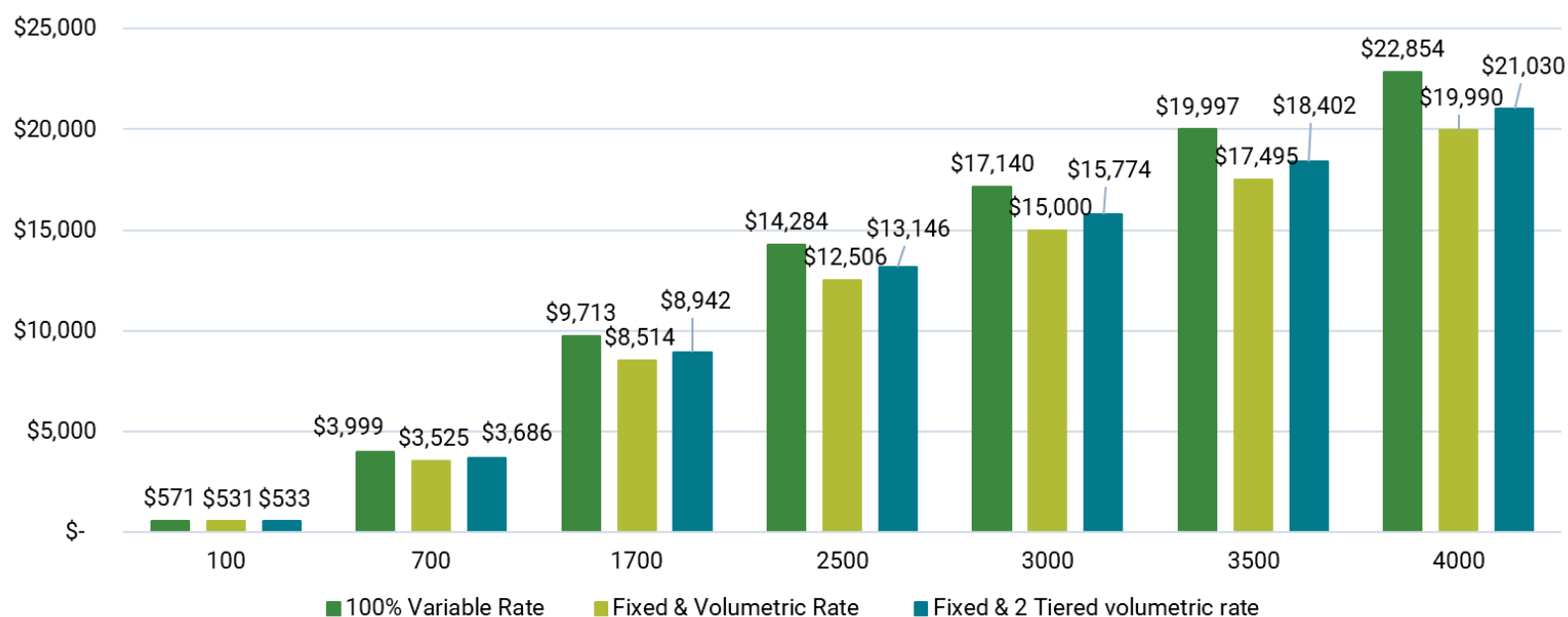
Option 3 Base & tiered volumetric Charge - Proposed Rate Structure

Water_Fixed Charge		Wastewater_Fixed charge	
Meter size	Annual Meter Charge	Annual Meter Charge	Annual Meter Charge
<1.5	\$ 111	\$ 84	
2	\$ 334	\$ 251	
3-6	\$ 1,335	\$ 1,004	
>6	\$ 4,340	\$ 3,262	
Volumetric Charge			
Annual Water Consumption		Annual Wastewater Consumption	
Consumption	2025 Average Rate	Consumption	2025 Average Rate
0-200 m3	\$ 2.09	0-200 m3	\$ 2.66
200+m3	\$ 2.34	200+m3	\$ 2.91

Rate Comparison – Average Consumption



Rate comparison – High Consumption



Next Steps



Date	Milestone / Activity
September 9, 2025	Committee of the Whole
September 23, 2025	Council possible approval of alternative water & wastewater rate structure
December, 2026	Council adoption of 2027 water & wastewater rates based on the new recommended rate structure
March, 2027	May 1, 2027, water & wastewater rate by-law approval

Feedback.....



Thank you



100 John West Way
Aurora, Ontario
L4G 6J1
(905) 727-3123
aurora.ca

Town of Aurora
Memorandum
Finance

Re: Annual Investment Policy Review

To: Finance Advisory Committee

From: Laura Sheardown, Financial Management Advisor

Date: April 15, 2025

Recommendation

1. That the memorandum regarding the annual investment policy review be received; and
2. That the Finance Advisory Committee comments regarding the annual investment policy review be received and referred to staff for consideration and further action as appropriate.

Background

In 2023, Council approved the transition of Aurora's long-term investments to the ONE Joint Investment Board (ONE JIB) which was completed in September 2023 with Aurora's investments seeing returns of 14.9 per cent since inception (as per Sept 2024 statement).

The ONE JIB's Strategic Plan includes a key goal of growing the assets under its management through the attraction of new large municipal members to the Prudent Investor Program. On February 28, 2024, the ONE JIB agreed to proceed with the implementation of an Outsourced Chief Investment Officer (OCIO). In support of the transition to the OCIO model, the ONE JIB undertook a tender review process resulting in the identification of Phillips, Hager & North Investment Management Ltd, (PH&N), a wholly owned subsidiary of RBC Global Asset Management Inc. as the successful bidder. The ONE JIB's implementation of an OCIO further supports its goal of adding new large municipal partners by making it more attractive to them by strengthening its governance model.

On February 18, staff presented an orientation to the Finance Advisory Committee on the Outsourced Chief Investment Officer (OCIO) framework. One key item of feedback received from the Finance Advisory Committee was its desire that the Town not invest in alternative investments which are available under this framework. The committee requested that this desire be reflected in the Town's upcoming investment policy update.

As a member of the ONE JIB, the Town is required to re-visit its investment policy on an annual basis to ensure its continued alignment with the Town's risk tolerances and objectives.

Analysis

Transition to OCIO

The Town of Aurora's current Investment Policy has been updated (using track changes) to incorporate the ONE JIBs transition to an OCIO framework and to ensure its continued alignment with the desires of FAC and Council pertaining to the composition of the Town's short and long-term investments.

Some key changes made to this policy include wording updates that enable the outsourcing of the management of the ONE JIB's combined holdings to an OCIO. This draft policy has also been updated to restrict the investment of Town funds in alternative investments as per feedback received from the FAC.

Some specific wording changes include:

- Changes in terminology **from** short and long-term money **to** money required immediately and money not required immediately
- Addition of an alternative investment section to the policy
- Addition of a listing of restricted special assets that are identified as investments longer than 24 months, but not controlled by the ONE JIB

Attachments

1. TOA – Investment Policy Statement July 2025

INVESTMENT POLICY STATEMENT

FOR

THE CORPORATION OF THE TOWN OF AURORA (the “Municipality”)

~~MARCH 7, 2023~~ JULY 2025

TABLE OF CONTENTS

OVERVIEW.....	1
1. GLOSSARY AND DEFINITIONS.....	2
2. PURPOSE AND LEGISLATIVE FRAMEWORK	7
2.1 Purpose of Policy	7
2.2 Governing Legislation	8
2.3 Prudent Investor Standard	9
3. MONEY REQUIRED IMMEDIATELY AND MONEY NOT REQUIRED IMMEDIATELY	9
3.1 Determination of MNRI and MRI	9
3.2 Overview of Portfolios	10
4. ROLES AND RESPONSIBILITIES	10
4.1 Role of ONE JIB	10
4.2 Role of Municipal Staff.....	11
5. INVESTMENT	11
5.1 MRI: Short-Term Funds.....	11
5.1.1 Short-Term Funds: Investment Objectives	12
5.1.2 Short-Term Funds: Eligible Investments	13
5.2 MNRI: Long-Term Funds.....	13
5.2.1 Long-Term Funds: Investment Objectives	13
5.2.2 Long-Term Funds: Eligible Investments.....	15
5.2.3 Long-Term Funds: Sinking Funds	15
5.2.4 Long-Term Funds: Local Distribution Corporation (LDC) Securities	15
5.2.5 Long-Term Funds: Other	15
5.3 Third Party Trust Funds and Designated Funds.....	16
5.4 Investment Management.....	16
5.4.1 Investment Management of Short-Term Funds	16
5.4.2 Investment Management of Long-Term Funds.....	16
5.5 Transition to Prudent Investor Regime	16
5.6 Investment Constraints	17
5.6.1 Environmental, Social and Governance (ESG) Investing	17
5.6.2 Securities Lending	17
5.6.3 Derivatives.....	17
5.6.4 Use of Leverage.....	18
5.6.5 Pooled Funds.....	18

iii

5.6.6	Currency Hedging.....	18
5.7	Performance Monitoring, Rebalancing and Management	19
5.7.1	Short-Term Funds	19
5.7.2	Long-Term Funds	19
6.	ADMINISTRATIVE POLICIES.....	19
6.1	Flow of Funds and Annual Municipal Budget	19
6.1.1	Transfer to ONE JIB as Part of Budget Process	19
6.1.2	Transfer to Municipality as Part of the Budget Process.....	19
6.2	Flow of Funds Otherwise than through the Budget Process.....	19
6.2.1	Surplus Funds	19
6.2.2	Contingencies.....	20
6.3	Valuation of Investments	20
6.4	Voting Rights.....	20
6.5	Internal Controls	20
6.6	Custodians.....	20
6.7	Reporting.....	21
6.7.1	Short-Term Funds	21
6.7.2	Long-Term Funds	21
7.	APPROVAL, SUBSEQUENT MODIFICATIONS AND EFFECTIVE DATE	22
7.1	Revocation / Amendment of Previous Investment Policy	22
7.2	Modifications to the IPS	22
7.3	Effective Date.....	22
	Appendix I: ONE JIB Agreement	23
	Appendix II: ONE External Portfolio Manager Mandates	26
	Schedule A Third Party Trust Funds and Designated Funds.....	27

Town of Aurora
Investment Policy Statement

OVERVIEW

Municipalities that are subject to the Municipal Act, 2001 (the “Act”) have no general power to invest money. Such powers must be found either in express provisions of the Act or by necessary implication.

Historically, municipalities that are subject to the Act had very limited express investment powers under section 418 of the Act. Section 418 continues to apply to all municipalities that are subject to the Act unless they elect to pass a by-law pursuant to the new section 418.1. Section 418 of the Act provides that “money that is not required immediately” (MNRI) can only be invested in securities prescribed by the Province in O. Reg. 438/97 (the “Regulation”). These prescribed securities are generally referred to as the “Legal List Securities” and are included in Part I of the Regulation.

Effective January 1, 2019, the new section 418.1 of the Act came into force. Section 418.1 provides that MNRI can be invested under that section in any security, provided that in making the investment the municipality exercises the care, skill, diligence and judgment that a prudent investor would exercise in making the investment. If a municipality elects to pass a by-law under section 418.1, the effect will be that its MNRI must be invested in accordance with the prudent investor regime. The rules, conditions and procedures that apply to investments under section 418.1 are set out in Part II of the Regulation.

Investing MNRI in Legal List Securities or in accordance with the prudent investor regime are mutually exclusive alternatives. That is to say, section 418 does not apply to a municipality that has adopted the prudent investor regime under section 418.1.

Every municipality, regardless of whether section 418 or 418.1 applies to it, has MNRI and also money that is required immediately (MRI). Municipalities retain the management and control of their MRI. The Act does not include any express provisions that deal with the investment of MRI. However, it is consistent with prudent practice to invest such money until it is actually spent, in order to preserve the capital value of that money. Accordingly, it is necessarily implied that a municipality has the power to invest such money on a short term basis. Because the Act is silent as to how municipalities are to deal with MRI and because of the historical investment powers under the Act, a conservative approach is to invest MRI in appropriate Legal List Securities.

Municipalities that elect to pass a by-law pursuant to the new section 418.1 include in their investment policy:

- (i) the basis upon which they distinguish between MNRI and MRI,
- (ii) principles governing the investment of each category of money, and
- (iii) This Investment Policy Statement (IPS) is intended to respond to the foregoing requirements.

Town of Aurora staff and Council understand that the funds being invested belong to the residents of Aurora. This investment and procedures documentation will ensure that all funds are invested with care, diligence and judgement of a prudent investor with a primary objective of principal preservation while maximizing returns.

1. GLOSSARY AND DEFINITIONS

The following capitalized terms are defined terms which have the meanings set out below:

Act: means the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended from time to time.

Agent: means any administrator, Custodian, payment servicer, ~~portfolio manager~~, investment counsel, consultant, banker, broker, dealer or other service provider engaged or appointed by ONE JIB and authorized by ONE JIB to exercise any of the functions of ONE JIB pursuant to a written agreement, in the manner and to the extent provided in the Regulation and without limiting the generality of the foregoing, Agent includes ONE Investment, and the Sub-Investment Manager.

Alternative Assets: means investments outside traditional investments such as equities, fixed income, and cash which may include, hedge funds, private equity, natural resources, real estate and infrastructure. Alternative investments are typically less liquid than traditional investments and are appropriate only for allocations with a long investment horizon.

Asset Class: An asset class is a specific category of assets or investments, such as cash, fixed income, equities, alternative investments, real estate etc.

Asset Mix (or Asset Allocation): means the proportion of each asset class in a portfolio. Asset classes include bank deposits, money market securities, bonds and equities, among other things.

Authorizing By-law: means a by-law of ~~a Participating Municipality which authorizes: (i) the approval of the Client Questionnaire and the adoption of the IPS; and (ii) the entering into of the ONE JIB Agreement~~ the Municipality that authorizes it to invest its money and investments that it does not require immediately in the OCIO offering of ONE JIB pursuant to section 418.1 of the Act, to approve various documents, the entering into of agreements including a Prudent Effective Date Agreement and the delegation of certain powers and duties to ONE JIB/ONE Investment.

Benchmark: means an index that is representative of a specific securities market (e.g. the S&P/TSX Composite Index, the FTSE/TMX 91 Day T-bill Index, etc.) against which investment performance can be compared. Performance benchmarks refer to total return indices in Canadian dollar terms.

CHUMS Financing Corporation (CHUMS): means a subsidiary of Municipal Finance Officers' Association of Ontario (MFOA) which, in conjunction with LAS, established ONE Investment.

CFA Institute: refers to the global, not-for-profit professional association that administers the Chartered Financial Analyst (CFA) and the Certificate in Investment Performance Measurement (CIPM) curricula and examination programs worldwide, publishes research,

3

conducts professional development programs, and sets voluntary, ethics-based professional and performance reporting standards for the investment industry.

Credit Risk: means the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. That is, the risk that a lender may not receive the owed principal and interest.

Custodian: means a specialized financial institution that is responsible for safeguarding a municipality's investments and is not engaged in "traditional" commercial or consumer/retail banking. Global custodians hold investments for their clients in multiple jurisdictions around the world, using their own local branches or other local custodian banks ("sub-custodians" or "agent banks").

Designated Funds: means source(s) of money in which the municipality may have an indirect interest but which the Municipality currently has no authority to invest. Designated Funds are listed in Schedule B of this IPS.

Diversification: means a risk management technique that mixes a variety of investment types within a portfolio to help mitigate portfolio risk. A diversified portfolio holds different kinds of investments to improve the risk adjusted returns.

Derivative: A derivative is a contract between two or more parties whose value is based on an agreed-upon underlying financial asset (like a security) or set of assets (like an index). Common underlying instruments include bonds, commodities, currencies, interest rates, market indexes, and stocks.

Environmental, Social and Governance (ESG) Investing: means considering and integrating ESG factors into the investment process, rather than eliminating investments based on ESG factors alone. Integrating ESG information can lead to more comprehensive analysis of a company.

External Portfolio Managers: means external third-party investment management firms whose investment offerings are accessed by ONE JIB directly or through services provided to a Pooled Fund. External Portfolio Managers are agents authorized by ONE JIB in accordance with Part II of the Regulation.

Interest Rate Risk: refers to the possibility that the value of a bond or other fixed- income investment will suffer as the result of a change in interest rates. Interest rate risk can be managed to help improve investment outcomes.

Internal Controls: means a system of controls that may include authorities, policies, procedures, separation and segregation of duties, compliance checks, performance measurement and attribution, reporting protocols, measures for safekeeping of property and data, and the audit process.

Investment Plan: means the investment plan applicable to the [Long-Term MoneyMNR! investments](#) and adopted by ONE JIB under the Regulation, as it may be amended from time to time.

Investment Policy Statement (IPS): means the investment policy applicable to the Municipality's investments adopted and maintained by the Council of the Municipality for

4

~~Long-Term Money~~MNRI under the Regulation, and for ~~Short-Term Money~~MRI, as the same may be amended from time to time. The IPS may also apply to the money and investments held by the Municipality for the benefit of persons other than the Municipality itself and may make reference to source(s) of money in which the Municipality may have an indirect interest but which the Municipality has no authority to invest.

JIB: is short for Joint Investment Board and means a joint municipal service board that is established under section 202 of the Act by two or more municipalities for the purposes of Part II of the Regulation.

Legal List Securities: means the securities and other investments and financial instruments that are included from time to time in Part I of the Regulation.

Leverage: means an instrument strategy of using borrowed money – specifically, the use of various financial instruments or borrowed capital – to increase the potential return of an investment. Typically leverage also tends to increase investment risks.

Liquidity: means the ability to turn an investment into cash relatively quickly, without a substantial loss in value. For Example, a savings account is more liquid than real estate.

Local Authority Servivces (LAS): means an entity which, in conjunction with MFOA/CHUMS, established ONE Investment.

Local Distribution Corporation or LDC: means a corporation incorporated under section 142 of the *Electricity Act, 1998*.

~~**Long-Term Money:** means the money that the municipality has defined as long-term and characterized as money that is not required immediately by the Municipality as described in section 5.2. Monies that are Long-Term Money will be invested in accordance with the Prudent Investor Standard.~~

Market Value: means the price at which a security is trading and could presumably be sold. Also known as Fair Market Value it represents the current value of the investment.

Maturity: means the date upon which the principal or stated value of an investment becomes due.

~~**MNRI:** means money that is not required immediately~~

Modern Portfolio Theory: means a theory of portfolio management that looks towards the portfolio as a whole, rather than towards the prudence of each investment in the portfolio. This is found in the CFA Institute Standards of Practice Handbook.

Money not Required Immediately (MNRI): means the money that is not required immediately by the Municipality that will be under the control and management of ONE JIB and as defined in this IPS that will be invested in accordance with the Prudent Investor Standard.

Money Required Immediately (MRI): means the money that is required immediately by the Municipality that remains under the control and management of the Municipality and, that can be invested in accordance with the Legal List Securities or other applicable legislation.

Municipal Services Corporation (MSC): means a corporation established under section 203 of the Act in accordance with the applicable regulation (Ontario Regulation 599/06).

MRI: means money required immediately.

Municipality: means The Corporation of the Town of Aurora.

OCIO Offering: means the comprehensive investment program made available through ONE Investment as an agent for ONE JIB, where a qualified investment manager is engaged to advise a Participating Municipality with regard to the investment of the Participating Municipality's MNRI and to invest and manage such MNRI in accordance with the terms and conditions set out in the ONE JIB Agreement.

ONE Investment: means the not-for-profit corporation established by CHUMS and LAS which provides certain management, administrative and other services to ONE JIB as its agents.

ONE JIB: means ONE Joint Investment Board, established by certain founding municipalities under section 202 of the Act as a JIB for purposes of Part II of the Regulation, which is the duly appointed JIB for the Municipality, as constituted from time to time and which acts in accordance with the Act, the Regulation, the ONE JIB Agreement, including the Terms of Reference, this IPS and the Investment Plan.

ONE JIB Agreement: means the agreement effective as of the Prudent Effective Date, entered into in accordance with the requirements of the Regulation, pursuant to which ONE JIB has control and management of the Municipality's ~~Long-Term Money~~ MNRI.

Outcome: in the context of the municipality's IPS the word 'outcome' is used interchangeably with 'solutions'. Investment outcomes are a set of investment allocations with varying risk/return characteristics. The outcomes assigned to each investor are intended to reflect the needs and circumstances of the municipality. MNRI may be invested into several outcomes based on the characteristics of the municipality's accounts/reserves and its saving and spending needs.

ONE JIB's Outcome Framework: a set of Investment Outcomes designed by the ONE JIB to categorize the potential goals of investing MNRI. Each Outcome has a unique Asset Allocation with risk/return characteristics that are aligned with the intended use of the money assigned to the outcome.

Operational: means the funds required to meet annual operating and capital plan needs.

Participating Municipality: means from time to time each of the municipalities for whom ONE JIB acts as the JIB under the terms of the ONE JIB Agreement.

Pooled Fund: means a unit trust established under a trust instrument, generally not available to the public, in which institutional, sophisticated or high net worth investors contribute monies that are invested and managed by an External Portfolio Manager. Monies are pooled or combined with monies of other investors.

Portfolio: means any collection of funds that are grouped together and required for specific purposes.

6

Proxy Voting: means a legal transfer to another party of a shareholder's right to vote thereby allowing shareholders who cannot attend meetings to participate. External Portfolio Managers usually vote proxies on behalf of their clients.

Prudent Effective Date: means the mutually agreed-upon date by the Municipality and ONE Investment on which the prudent investor regime applies to the municipality as a participating municipality.

Prudent Effective Date Agreement: means an agreement entered into by the Municipality and ONE Investment that sets out the day on which the prudent investor regime starts to apply to the Municipality.

Prudent Investor Standard: means the standard that applies when the Municipality invests money that it does not require immediately under section 418.1 of the Act. It requires the Municipality to exercise the care, skill, diligence and judgment that a prudent investor would exercise in making such an investment and the standard does not restrict the securities in which the Municipality can invest. The Prudent Investor Standard ~~makes use of Modern Portfolio Theory and~~ applies the standard of prudence to the entire portfolio in respect of the Municipality's ~~Long-Term Money~~ MNRI rather than to individual securities. It identifies the fiduciary's central consideration as the trade-off between risk and return as found in the CFA Institute Standards of Practice Handbook.

Rebalancing: means the process of realigning the weightings of a portfolio of assets. Rebalancing involves periodically buying or selling securities in a portfolio to maintain an original or desired level of asset allocation or risk.

Regulation: means Ontario Regulation 438/97.

Restricted Special Assets: means investments specified by this IPS and held by the Municipality as of the Prudent Effective Date, where ONE JIB is not able to exercise control. Restricted Special Assets are listed in Schedule A of the IPS and are not considered to be MNRI.

Risk: means the uncertainty of future investment returns or chance of loss of capital.

Risk Tolerance: means the financial ability and willingness to absorb a loss in return for greater potential for gains.

Safekeeping: means the holding of assets (e.g. securities) by a financial institution.

Securities Lending: means loaning a security to another market participant. The borrower is required to deliver to the lender, as security for the loan, acceptable collateral with value greater than the value of the securities loaned. The Securities Lending program is managed by the Custodian or another appointed agent on behalf of investors. A Securities Lending program is widely used by institutional investors to generate additional marginal returns on the total portfolio.

Short-Term Money: ~~means money that is required immediately by the Municipality as described in section 5.1 and which remains under the control and management of the Municipality. The money can be invested in appropriate Legal List Securities.~~

7

Sinking Fund: means a fund established to fulfil the requirements to make annual contributions in respect of various debenture issues wherein money is to be regularly set aside for the payment of the principal of the debentures at maturity.

Sinking Fund Required Contributions (Annual Sinking Fund Requirement): means the amount of money to be set aside each year for deposit into a sinking fund or a retirement fund, as applicable, for each sinking fund and term debenture issue in accordance with the Municipality's debenture by-laws when such debentures are issued.

Sinking Fund Required Earnings: means the investment earnings needed for the Sinking Fund Contributions to continue to grow to a value sufficient to repay the principal at maturity for each issue of sinking fund and term debentures.

Sinking Fund Excess Earnings: means the investment earnings in excess of the required earnings.

[Sub-Investment Manager: means and asset management firm or investment consultant, acting as a sub-investment manager for ONE JIB that provides investment advice and professional services and is involved in the implementation and operational aspects of the OCIO Offering, and that has full responsibility for the investment and management of a Participating Municipality's MNRI through ONE Investment, based on an IPS approved by the Council of the municipality.](#)

[Third-Party Trust Funds: means money over which the Municipality exercises both management and policy control but whose assets are not owned by the Municipality. These funds are governed by a variety of agreements and, in some cases, by legislation. Some funds may have externally mandated investment policies, and some may have investment policies that are determined by the Municipality. Third-Party Trust Funds are listed in Schedule B of this IPS.](#)

[Trust Fund: means a fund which consists of assets that have been converted or assigned to a trustee to be administered as directed by agreement or statute. As a result, a trustee holds title to the assets for the purposes of providing benefits, and being accountable, to the beneficiary. The Municipality is the trustee of funds that are to be used for specific purposes by the Municipality or any related parties.](#)

2. PURPOSE AND LEGISLATIVE FRAMEWORK

2.1 Purpose of Policy

This IPS governs the investment of the Municipality's MNRI and MRI. It is intended, among other things, to direct the Treasurer in the investment of MRI and to direct ONE Joint Investment Board (ONE JIB) in the investment of MNRI by implementing the Authorizing By-law 6502-23 pursuant to which the Municipality authorized the establishment of guidelines for the prudent management of the Municipality's MNRI pursuant to section 418.1 of the Act.

In addition to the Municipality's MRI and MNRI, the Municipality is from time to time entrusted with the management of money and investments for a third-party beneficiary ("third party trust funds"), [or Third-Party trust Funds. The Municipality's Third-Party Trust Funds are listed in Schedule B of this IPS.](#)

8

There are also source(s) of money in which the Municipality may have an indirect interest but which the Municipality currently has no authority to invest. Such source(s) of money, referred to in this IPS as "~~designated~~ Designated funds", are listed in Schedule ~~A-B attached heretoof this IPS~~. The ~~designated~~ Designated funds and the Restricted Special Assets, listed in Schedule A of this IPS, are identified in this IPS for the sole purpose of enabling the Municipality to better see, on an aggregated basis, the various financial assets in which the Municipality has an interest. ~~The Municipality is not responsible for the investment activities or performance of designated funds.~~

ONE JIB is not responsible for the investment activities or performance of Third-Party Trust Funds, Designated Funds or Restricted Special Assets.

The goals of this IPS are to:

- Define and assign responsibilities for investment of MRI and MNRI;
- Describe the Municipality's responsibilities with respect to Restricted Special Assets, Third-Party Trust Funds and Designated Funds;
- Ensure compliance with the applicable legislation;
- Direct ONE JIB as to the Municipality's investment goals and risk tolerance;
- Provide guidance and limitations regarding the investments and their underlying risks;
- Establish a basis of evaluating investment performance and the underlying risks; and,
- Establish a reporting standard to Council.

This IPS applies to employees of the Municipality, to ONE JIB and to the employees of ONE Investment. ONE JIB, the Treasurer, and any agent, sub-investment manager or advisor providing services to ONE JIB in connection with the investment of the portfolio shall accept and strictly adhere to this IPS.

2.2 Governing Legislation

Investments of MRI will, in accordance with this IPS, only be made in Legal List Securities.

Investments of MNRI are governed by the Prudent Investor Standard in accordance with Section 418.1 of the Act. This standard is similar to that which governs trustees and pension fund administrators and creates a fiduciary responsibility. Prudent investment in compliance with the Act and the Regulation enhances the potential for the Municipality to earn improved risk-adjusted rates of return.

Money and investments that the Municipality holds as Restricted Special Assets, Third-Party Trust Funds or has an interest in as Designated Funds will be subject to applicable legislation and any related agreements or instruments.

The Act provides that the Municipality, and therefore ~~————~~ ONE JIB, must consider the following criteria in planning investments of MNRI, in addition to other criteria relevant to the circumstances:

- General economic conditions;

9

- The possible effect of inflation or deflation;
- The role that each investment plays within the Municipality's total portfolio of investments;
- The expected total return from income and the appreciation of capital; and
- Needs for liquidity, regularity of income and preservation or appreciation of capital.

2.3 Prudent Investor Standard

For MNRI, the standard to be used by the Municipality and ONE JIB shall be the Prudent Investor Standard as required by section 418.1 of the Act and Part II of the Regulation in the context of managing the Municipality's MNRI and investments thereof. Investments shall be made with the care, skill, diligence, and judgment, taking into account the prevailing circumstances, that persons of prudence, discretion and integrity would exercise in the management of investments, considering the necessity of preserving capital as well as the need for income and appreciation of capital. The Act includes a duty to obtain the advice that a prudent investor would obtain under comparable circumstances.

Officers, employees and investment agents acting in accordance with written procedures and the IPS and exercising due diligence shall take all necessary actions to optimize performance of investments on a portfolio basis, taking into account the prescribed risk and other parameters set out in this IPS and market factors. The Municipality's staff acting in accordance with written procedures and this IPS, shall be relieved of personal responsibility for an investment's performance, provided underperformance relative to expectations is reported to Council and the liquidation or sale of investments is carried out in accordance with this IPS.

3. MONEY REQUIRED IMMEDIATELY AND MONEY NOT REQUIRED IMMEDIATELY

3.1 Determination of MNRI and MRI

Determination of the Municipality's MNRI is the responsibility of Council. In making the determination, Council may consider:

- the time horizon within which the monies are needed to meet financial obligations
- the purpose for which the monies have been collected or set aside and are to be used
- the source of the money
- any combination of the foregoing

~~The Municipality's MNRI will be comprised of money that is to be used to meet financial obligations that become due more than 24 months from the date of receipt of such money by the Municipality.~~

The Municipality has defined MNRI as money from the municipality's own reserves, reserve funds, sinking funds and current ONE Investments that will not be required to meet financial obligations that become due more than 2 years from the receipt of such money. The purpose of the money is to fund the municipality's future capital, operational and contingency needs.

10

For certainty, all money and investments of the Municipality that have not been identified as MNRI (other than [Restricted Special Assets](#), ~~Third-Party Trust~~ ~~Funds~~ and any ~~Designated Funds~~ referenced in Section 2.1) shall be deemed for purposes of this IPS to be MRI.

Determination of the Municipality's MNRI and MRI may be modified at any time and from time to time by action of Council and with respect to specific money by the Treasurer in accordance with the provisions of Section 6.2.

Any changes in this IPS regarding the Municipality's MNRI and MRI must be communicated immediately in writing to ONE JIB.

3.2 Overview of Portfolios

The Municipality's portfolios represent funds ~~required for specific purposes available to support Municipal needs~~. A high-level description of each of these portfolios and their objectives is provided in Section 5 below. This IPS applies to the following money of the Municipality, its agencies, boards and commissions including:

- MRI which is invested in Legal List Securities; and/or
- MNRI which is invested under the Prudent Investor Standard.

4. ROLES AND RESPONSIBILITIES

4.1 Role of ONE JIB

ONE JIB has been appointed by the Municipality in accordance with the requirements of the Act and the Regulation and on the terms and conditions set out in the ONE JIB Agreement (Appendix I).

ONE JIB exercises control and management of the Municipality's MNRI and the investments made by it in accordance with the objectives and risk tolerance established in this IPS.

Among the responsibilities of ONE JIB are the following:

- Reviewing this IPS;
- Adopting and maintaining an Investment Plan that complies with this IPS;
- Engaging ~~External Portfolio Managers~~, Custodians, administrators and other investment professionals (Agents);
- Allocating the money and investments under its control and management ~~among External Portfolio Managers and their funds~~ in compliance with this IPS;
- Monitoring the performance of the [OCIO Offering and Agents](#); and,
- Reporting to the Municipality.

The foregoing is subject to the more detailed terms and conditions contained in the ONE JIB Agreement.

Commented [JG1]: Should there not be an OCIO role here?

Commented [LS2R1]: OCIO Managers are monitored by the ONE JIB

4.2 Role of Municipal Staff

This IPS is approved and adopted by Council with input from the Treasurer, and from ONE JIB with respect to MNRI. MRI of the Municipality, ~~and in addition to~~ any ~~Third-Party Trust Funds, Designated Funds and Restricted Special Assets~~ referenced in Section 2.1, remain under the control and management of the Treasurer.

Consistent with this IPS, the Treasurer is responsible for the implementation of the investment program and the establishment of investment procedures which shall include:

- Investment management of MRI and any ~~Third-Party Trust Funds, Designated Funds and Restricted Special Assets~~ referenced in Section 2.1 by, or under the direction of, the Treasurer;
- The deposit or withdrawal of MNRI, under the explicit delegation of authority regarding MNRI, and the investment thereof, to ONE JIB, which is responsible for the control and management of such funds and investments; and,
- A system of controls exercised by the Treasurer to regulate the activities of Deputy Treasurers and Financial Management Advisors.

No person including, without limitation, ONE JIB, may engage in an investment transaction except as provided under the terms of this IPS.

In the management of MRI of the Municipality, and any ~~Third-Party Trust Funds, Designated Assets and Restricted Special Assets~~ referenced in Section 2.1, the Treasurer may engage one or more agents and service providers. ONE Investment can assist with the investment of the Municipality's MRI, in Legal List Securities, and with the investment of ~~Third-Party Trust Funds~~, in accordance with the terms of the applicable trust, if permitted, at the request of the Municipality.

4.3 Ethics and Conflicts of Interest

Individuals who are responsible for the Municipality's Short-Term Portfolio shall comply with the Municipality's Conflict of Interest guidelines and any relevant professional codes of conduct (e.g. the CPA Code of Professional Conduct).

ONE JIB, in its capacity as a joint municipal service board, in addition to being a local board of each member Municipality is subject to a Code of Conduct as required by the Municipal Act, 2001 (the "Act"). This Code of Conduct applies to the Chair and the other Members of ONE JIB acting in their capacity as Members of ONE JIB.

5. INVESTMENT

5.1 ~~MRI: Short-Term Money~~

The Municipality's MRI is described in this IPS ~~as Short-Term Money. Short-Term Money~~ consists of money that is needed to meet the short-term financial obligations

of the Municipality ~~coming due within 24 months from the date of receipt of such money~~ and are controlled and managed by the Treasurer.

5.1.1 **Short-Term MoneyMRI: Investment Objectives**

The main focus of the investment of MRI is cash management, and the interest income generated by the investment of these monies contribute to municipal revenues. To the extent possible, the Municipality shall attempt to match its investments with anticipated obligations.

Capital Preservation is the paramount objective for MRI investments, and these investments need to be highly liquid. Consequently, only high-quality investments that are also Legal List Securities will be held in this portfolio. The Municipality may invest in full liquid money market securities and deposit accounts. The Municipality aims to maximize returns subject to the constraints set out in Part I of the Regulation, as amended from time to time, with a view to preserve capital and to further manage risk through diversification by issuer and credit quality.

The investment objectives, in the order of priority, for the Municipality for Short-Term Money are:

- **Compliance with Portfolio Restrictions:** The legal authority to invest funds comes from the Act. All investments acquired shall be in conformity with portfolio restrictions and permissions set out in O. Reg. 438/97 – Eligible Investments and Related Financial Agreements, as amended from time to time. The Municipality shall not invest in a security that is expressed or payable in any currency other than Canadian dollars.
- **Preservation of Principal:** Investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. Investments shall be made with judgement and care, not for speculation, but for investment, considering the probable safety of the principal invested as well as the probable income derived. Staff shall also endeavor to mitigate credit and interest rate risk by: pre-qualifying the financial institutions, brokers/dealers and advisors with which the Municipality does business; diversifying the investment portfolio; structuring the investment portfolio so that maturing securities meet ongoing cash flow requirements; and investing operating funds primarily in shorter-term securities or approved liquid investment pools.
- **Maintenance of Liquidity:** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. All non-equity investments shall be interest bearing in nature and equity exposure will be limited to investments in the ONE Investment Program equity funds. The Municipality's portfolio should be well staggered, using a ladder approach which allows investments to mature at various times and provides the Municipality the opportunity to build up the portfolio based on market conditions/opportunities. A portion of the portfolio may be placed in the ONE Investment Program, which offers compliance and liquidity.
- **Maximization of the Rate of Return:** The Investment Portfolio shall be designed with the goal of maximizing the rate of return through budgetary and economic cycles, considering the investment risk constraints and liquidity needs. Staff will explore and utilize any eligible investment vehicles

in building the Municipality's investment portfolio. The investment portfolio will be managed with prudent investor principles, to maximize returns within established risk parameters. To take advantage of short-term fluctuations in interest rates, securities may be sold prior to maturity. Investments shall be purchased once multiple bids are received and analysed. The highest yielding bid, which meets the Municipality's cash flow requirements, will be accepted. If the highest yielding bid is not selected, an explanation describing the rationale shall be provided. Staff involved will retain written records of each transaction, including the name of the financial institutions, rates quoted, description of the security, investment selected, and any special considerations that had an impact on the decision. With the goal of maximizing the rate of return on its investments, staff may utilize eligible investment vehicles for which there is a sole available supplier, such as the ONE Investment Program products. In instances such as this, multiple bids will not be solicited.

5.1.2 **Short-Term MoneyMRI: Eligible Investments**

~~Short Term MoneyMRI~~ may be invested in high quality, ~~short-term~~ investments that are also Legal List Securities available from banks, dealers and other financial institutions. Investments issued or guaranteed by approved institutions will be permitted by this ~~PolicyIPS~~, as deemed eligible by ~~Ontario the~~ Regulation 438/97 or as authorized by subsequent provincial regulations.

5.2 **MNRI: Long-Term Money**

The Municipality's MNRI is described in Section 3.2 ~~as Long-Term Money1~~. In accordance with the ONE JIB Agreement and this IPS, ONE JIB has exclusive control and management of the ~~Long-Term Money2MNRI~~ and the investments made therewith.

From time to time, the Municipality may require money immediately to meet financial obligations and may require ONE JIB to liquidate one or more investments in order to generate money to meet those obligations. ONE JIB will select the investment(s) to be liquidated. The timing of such liquidation will be determined by ONE JIB in consultation with the Treasurer.

5.2.1 **Long-Term MoneyMRI: Investment Objectives**

In setting the objectives noted below, the Municipality has taken into account the following considerations:

- Preservation of capital;
- Adequate liquidity that takes into account the needs of financial obligations and reasonably anticipated budgetary requirements;
- Diversification by asset class, market, sector, issuer, credit quality and term to maturity;
- Income and capital appreciation; and,
- Macro risks, such as inflation, economic growth and interest rates.

Investment of MNRI is managed by ONE JIB in a way that balances investment objectives, expected returns, and risk to develop asset allocations that achieve the Municipality's financial objectives within stated risk tolerances. The municipality's investment objectives for its Long-Term Money (MNRI) can be achieved via allocations to the Outcomes defined within the ONE JIB's Outcome Framework. The table below provides a summary of this framework.

Outcome Category	Outcome Strategy	Objective	Risk Tolerance, Liquidity	Investment Horizon
Cash	Cash	Preservation of Capital	Low risk; high liquidity	< 3 years
Stable Return	Stable Return	Income Generation; To generate returns to fund recurring needs	Moderate risk with emphasis on growth and stable returns, regular liquidity	> 5 years (Perpetual)
Contingency	Contingency	Contributions for unexpected and infrequent events	Higher risk; emphasis on longer-term capital growth with some liquidity	> 5 years (Perpetual)
	Asset Mgt Reserves	Contributions to generate returns to fund asset management reserves	Higher risk; emphasis on longer-term capital growth low liquidity	> 10 years (Perpetual)
Target Date	Target Date 3-5 yrs	Preservation of capital	Low risk; high liquidity	3-5 years
	Target Date 5-10 yrs	Contributions toward capital projects; mitigate inflation impacts and meet target funding requirements	Moderate risk, liquid	5-10 years
	Target Date 10+ yrs	Contributions toward capital projects; mitigate inflation impacts and meet target funding requirements	Higher risk; emphasis on long-term inflation-adjusted growth	> 10 years

Investment of ~~long-term money~~MNRI is to be managed by ONE JIB, in a way that balances the investment objectives, with a level of risk that is appropriate for the municipality. The MNRI invested with ONE JIB will be broadly diversified to help reduce the volatility of returns. Returns have an impact on revenues, as well as a longer-term impact on future years' budgets and should, at a minimum, keep pace with inflation. To the extent possible, the Long-Term Money's investment horizons are aligned with the Municipality's obligations and cash flow requirements and may consist of liquid and non-liquid securities based on future cash flow requirements.

5.2.2 ~~Long-Term Money~~MNRI: *Eligible Investments*

Eligible investments for Long-Term Money include any Pooled Fund or other collective investment vehicle or institutional investment management product ~~sponsored~~approved or ~~managed~~selected by ONE Investment for the Prudent Investment Program (Prudent Investment Offering, OCIO Offering), provided always that the products and the selection of products comply in all material respects with the IPS.

Additionally, nothing in this IPS prevents ~~Long-Term Money~~MNRI from being held in cash, short term money market instruments, or overnight deposits.

5.2.3 ~~Long-Term Money~~MNRI: *Sinking Funds*

~~Not applicable~~Sinking Funds are currently not applicable to the Municipality; however, should any sinking funds be established in the future, they are to be classified as MNRI and will be managed separately by ONE JIB.

5.2.4 ~~Long-Term Money~~: *Local Distribution Corporation (LDC) Securities*

Not applicable to this Municipality.

5.2.5 ~~Long-Term Funds~~: *Other*Restricted Special Assets

~~Not applicable~~With the exception of the Municipality's investments held in the ONE Investment Legal List Portfolios specified below, all existing assets, listed in Schedule A of this IPS and held by the Municipality on the Prudent Effective Date, shall be considered to be Restricted Special Assets, and shall not be held by ONE JIB as MNRI. The Treasurer may choose to liquidate these investments and determine that the proceeds are MNRI, to be invested as per this IPS and the approved ONE JIB Investment Plan.

For certainty, Restricted Special Assets are not MNRI of the Municipality, and such assets are not under the control or management of ONE JIB.

The ONE Investment Legal List Portfolio Investments, held by the Municipality, shall be considered to be MNRI and transferred to ONE JIB to be invested as MNRI, unless deemed by the Municipality to be MRI.

16

5.3 Third Party Trust Funds and Designated Funds

Not applicable [to this Municipality](#).

5.4 Investment Management

5.4.1 *Investment Management of ~~Short-Term Money~~MRI*

The investment of Short-Term Funds shall be controlled and managed by the Treasurer and his/her designate as documented in By-law #6212-19, Schedule "C".

5.4.2 *Investment Management of ~~Long-Term Money~~MNRI*

The investment of ~~Long-Term Money~~MNRI shall be controlled and managed by ONE JIB in accordance with this IPS [and the ONE JIB Agreement](#).

~~Competent External Portfolio Managers shall be appointed by ONE JIB and they shall enter into an agreement with ONE Investment that complies with this IPS and Part II of the Regulation and provide compliance and performance reports. In accordance with the applicable regulatory requirements, ONE JIB shall make any External Portfolio Manager changes deemed in the best interest of the Municipality. For each External Portfolio Manager, ONE Investment shall agree on a set of operational guidelines including constraints, discretion limits, diversification and quality standards, and performance expectations, which are documented in each External Portfolio Manager's guidelines. The selected Sub-Investment Manager shall enter into an agreement with ONE Investment related to the OCIO Offering, that complies with this IPS and Part II of the Regulation and will provide compliance and performance reports to ONE JIB and ONE Investment. ONE JIB shall make any investment management changes deemed in the best interest of the Municipality.~~

5.5 Transition to Prudent Investor Regime/ [OCIO Offering](#)

Until the Prudent Effective Date, the Municipality will continue to control and manage its MRI, MNRI and investments in Legal List Securities. Some Legal List investments were made with MRI and some with MNRI.

~~Upon and after the Prudent Effective Date, the control and management of money and investments that are determined to be not required immediately shall be given to ONE JIB. Nothing in this IPS requires that such investments need be liquidated or disposed of. It is not contrary to this IPS for investments that the Municipality does not require immediately to be held, and to continue to be held by ONE JIB, in instruments such as term deposits, guaranteed investment certificates or principal protected notes issued by a financial institution. They can be held to maturity and invested upon receipt of cash proceeds. During the transition to the OCIO Offering the Chair and Vice-Chair of ONE JIB have discretionary power to approve temporary investments recommended by the Sub-Investment Manager that may not be expressly described in this IPS but are, in the opinion of the Chair and Vice-Chair, in the best interests of the Municipality and are entirely consistent with their fiduciary obligations to the Municipality.~~

~~Management of third-party trust funds and any designated funds is not directly affected by the Prudent Effective Date. All MNRI that is not Third-Party Trust Funds, Designated Fnds or Restricted Special Assets shall be provide to ONE JIB on the Prudent Effective Date.~~

5.6 Investment Constraints

5.6.1 Environmental, Social and Governance (ESG) Investing

The Municipality supports ESG investing for ~~Short-Term~~MNRI and ~~Long-Term Money~~MNRI. The ~~Town Municipality~~ believes that well-managed companies are those that demonstrate high ethical and environmental standards and respect for their employees, human rights, and the communities in which they do business, and that these actions contribute to long term financial performance.

For the investment of ~~short-term funds~~MNRI will be done in compliance with the investment objectives identified in section 5.1.1. Accommodating specific ESG considerations may not be possible due to conflicts with the investment objectives. The ~~Municipality/Town~~ has chosen to monitor the developments of ESG factors and will reconsider its approach to ESG investing for the Short-Term Portfolio as and when appropriate to do so.

For the investment of ~~Long-Term Money~~MNRI, ONE JIB is required to explore ~~how External Portfolio Managers are and consider how the OCIO is~~ implementing responsible investing principles at the time of hiring and during periodic reviews. It may report on results periodically, if requested.

5.6.2 Securities Lending

For the investment of ~~Short-Term Money~~MNRI ~~S~~securities ~~L~~ending is ~~not~~ permitted through ~~ONE Investment Program investments only~~.

For the investment of ~~Long-Term Funds~~MNRI, the Municipality may invest in pooled funds, and other investment funds that are managed by ~~an External Portfolio Manager~~~~the Sub-Investment Manager~~ who may engage in Securities Lending if the policies of the ~~External Portfolio Manager~~OCIO permit such an action.

5.6.3 Derivatives

Derivatives may not be used for ~~speculative purposes~~~~the investment of MNRI~~. They ~~may be used for the investment of Long-Term Money where they are fully covered by a backing asset, e.g., as for currency or other hedging, to change portfolio duration or in covered call strategies.~~

For the investment of MNRI, futures and forward contracts, options and other derivative instruments may only be used to (a) create an asset mix position that does not leverage the portfolio, (b) replicate the performance of a capital market index, or (c) reduce risk as part of a hedging strategy.

5.6.4 Use of Leverage

Nothing in this IPS prevents the use of leverage, provided it is prudent to do so. Leverage is inherent in the use of certain types of investment strategies and instruments. Where leverage is employed, ONE JIB (for MNRI) and the Treasurer (for MRI) shall have in place monitoring procedures to manage overall exposure to any counterparty. Leverage is not a strategy currently employed by ONE JIB but may be considered at a later date. Leverages should not be exercised for speculative purposes but may be used as a hedging tool.

5.6.5 Pooled Funds

All investment strategies may be pursued directly through holdings of corporate and government issuers and indirectly via pooled funds and investment funds or any combination thereof. The investment strategies may also include allocations to cash or short-term investment vehicles. Investments in open-ended pooled funds, closed-ended pooled funds, limited partnerships and other specialist corporate structures (e.g. LLCs), are permitted provided that the assets of such funds are permissible investments under this IPS or provided that any non-permitted investments are disclosed by the Sub-Investment Manager. Within pooled funds, the External Portfolio Manager's policies will take precedence over this IPS.

5.6.6 Currency Hedging

The ~~Short-Term Portfolio~~MRI Investment Portfolio will not utilize currency hedging.

The Municipality's funding requirements are in Canadian dollars. However, some exposure to foreign currencies in the Long-Term MNRI Investment Portfolio may be advantageous to provide diversification and potentially enhance returns. Therefore, it shall not be a violation of this IPS for investments in global mandates to be unhedged, in whole or in part, where the diversification benefits embedded in the currency exposure are considered to be beneficial or desirable by ONE JIB.

5.6.7 Alternative Asset Classes

The applicable legislation does not prevent the direct/indirect placement of the MNRI in Alternative Asset Classes; this IPS restricts investments in alternative investments for the purposes of management of MNRI under One JIB.

Alternative Asset Classes, such as infrastructure or real estate, may have uncorrelated return characteristics with traditional Asset Classes that may improve diversification within the portfolio, which may lead to better risk adjusted returns. Typically, these investments may not be fully liquid and are only appropriate for inclusion in portfolios with long investment horizons.

5.6.8 Prohibited Investments

Not applicable for this Municipality.

5.7 Performance Monitoring, Rebalancing and Management

5.7.1 ~~Short-Term MoneyMRI~~

For the investment of ~~Short-Term MoneyMRI~~, Municipality staff will monitor the cash flow needs of the Municipality on a periodic basis. Should the needs on the Municipality no longer be met by the asset mix, staff will make changes, at the discretion of the Treasurer, taking into consideration the ~~Short-TermMRI~~ Investment objectives.

5.7.2 ~~Long-Term MoneyMNR~~

For the investment of ~~Long-Term MoneyMNR~~, ONE JIB shall establish parameters for monitoring investments and rebalancing through policy or directly within the investment plan.

Investments are expected to achieve returns at least equal to their benchmarks measured over a rolling five-year period. At minimum, ONE JIB shall provide reporting described in Section 6.6-7 that shows the Municipality's holdings, ~~declares confirms~~ compliance with this IPS and ~~shows External Portfolio Manager reports on the Sub-Investment Manager's~~ performance.

6. ADMINISTRATIVE POLICIES

6.1 Flow of Money and Annual Municipal Budget

6.1.1 *Transfer to ONE JIB as Part of Annual Review Process*

On an annual basis, as part of the Municipality's Annual Review process, the Municipality shall identify the amount, if any, of ~~Long-Term MoneyMNR~~ that it holds. Any ~~Long-Term MoneyMNR~~ not already under the control and management of ONE JIB shall be transferred to ONE JIB as soon as practicable.

6.1.2 *Transfer to Municipality as Part of the Annual Review Process*

On an annual basis, ONE JIB shall be notified by the Treasurer as to the amount, if any, required by the Municipality from the ~~Long-Term MoneyMNR~~ then under the control and management of ONE JIB for the Municipality's operational purposes. Such amount shall be deemed to be ~~Short-Term MoneyMRI~~ and shall be returned to the Municipality in a lump sum or by way of periodic payments, as directed by the Treasurer.

6.2 Flow of Money Otherwise than through the Budget Process

6.2.1 *Surplus Funds*

The ~~Short-Term FundsMRI~~ captures revenues received by the Municipality during each year after the approval of the Municipality's budget for the year. Any amounts deemed to be MNR by the Treasurer at any such time during the year shall be

20

transferred to ONE JIB to be under its management and control as [Long-Term MoneyMNRI](#). Amounts so transferred will be recorded annually in the Investment Plan and allocated by ONE JIB in accordance with the Investment Plan.

6.2.2 Contingencies

The Treasurer is authorized, to direct ONE JIB to return any amounts determined by the Treasurer to be required to meet expenditures for unexpected contingencies not anticipated by the Municipality's budget in force for that year, provided however that the aggregate of the amounts to be returned to the Municipality under this Section 6.2.2 during the year shall not exceed 25% of the [Long-Term MoneyMNRI](#) under the control and management of ONE JIB as at the date that the Municipality approved its budget for the year (the Budgeted [Long-Term MoneyMNRI](#)). In determining the Budgeted [Long-Term MoneyMNRI](#) for purposes of calculating the 25% limit, any [Long-Term MoneyMNRI](#) to be transferred to the control and management of ONE JIB in accordance with that year's Annual Review pursuant to Section 6.1.1 shall be included and any amount to be returned by ONE JIB to the Municipality pursuant to Section 6.1.2 shall be excluded. [ONE Investment should be made aware of material transactions in advance to ensure the orderly sale of securities to fund withdrawals.](#)

6.3 Valuation of Investments

Investments shall be valued according to the values provided by the Custodian(s). For the investment of [Long-Term MoneyMNRI](#), values of unitized vehicles shall be valued according to the unit values published by the Custodian. Other investments shall be valued at their market value when that is available from regular public trading. If a market valuation of an investment is not available, then a fair value shall be supplied by the [External Portfolio Sub-Investment](#) Manager to [the Custodian ONE Investment](#) no less frequently than quarterly.

6.4 Voting Rights

~~Where External Portfolio Managers have been appointed, such External Portfolio~~[The Sub-Investment](#) Managers shall assume the responsibility of exercising voting rights [in respect of the Municipality's MNRI](#) and will report their voting policies to ONE JIB annually. The Municipality may access these policies at any time.

6.5 Internal Controls

The Treasurer shall establish an annual process of review of all investments made under this IPS. This review will provide internal control by assuring compliance with governing legislation and with policies and procedures established by the Treasurer. To the extent ONE JIB's input is needed, these requirements will be communicated in advance to ONE JIB.

6.6 Custodians

All [municipal](#) investments and assets of the investment portfolios shall be held by a Custodian and any of the Custodian's sub-custodians or nominees. For [Long-Term MoneyMNRI](#), the Custodian shall be acceptable to ONE Investment.

For [Short-Term-FundsMRI](#) the following is a list of financial institutions authorized to provide investment services to the Municipality. This list will be maintained and updated as the business environment changes:

- TD Canada Trust
- CIBC Wood Gundy
- BMO Nesbitt Burns Inc.
- RBC Dominion Securities Inc.
- Raymond James Ltd.
- Canaccord Genuity
- ONE Investment

6.7 Reporting

6.7.1 [Short-Term-MoneyMRI](#)

For the investment of [Short-Term-FundsMRI](#), the Treasurer shall provide an annual investment report to Council. The Investment report shall contain:

- A statement about the performance of the investments during the period covered by the report;
- A statement by the Treasurer as to whether or not, in their opinion, all investments are consistent with the investments policies and goals of the Municipality;
- Listing of all investments by maturity date;
- Percentage of total portfolio that each type of investment represents; and
- Such other information that Council may request, or that the Treasurer may consider pertinent.

6.7.2 [Long-Term-MoneyMNR](#)

The Regulation provides that ONE JIB shall submit an investment report to Council in respect of the investment of [Long-Term-MoneyMNR](#) at least annually. This report shall include the following.

- Investment performance during the period covered by the report;
- Asset mix of the total portfolio;
- A listing of individual investments held at the fund level at the end of the reporting period showing, where appropriate book value, market value, realized/unrealized gains/losses and actual income received;
- A list of all transactions including the security name, trade date, and the purchase and/or sale price;
- A statement by the Treasurer as to whether all investments were made in accordance with the IPS and as to whether all investments were made in accordance with the Investment Plan; and
- Any other pertinent information in the opinion of the Treasurer.

All securities invested on behalf of the Municipality by ONE JIB or with the assistance of ONE Investment shall be held for safekeeping in the name of the Municipality by a Custodian.

7. APPROVAL, SUBSEQUENT MODIFICATIONS AND EFFECTIVE DATE

7.1 Revocation / Amendment of Previous Investment Policy

This policy replaces any existing investment policy of the Municipality, in its entirety, and all previous investment policies are revoked and repealed.

7.2 Modifications to the IPS

At least annually Council shall review the IPS and update it, if required. In the course of reviewing the IPS, Council may request comments from the Treasurer with respect to the investment of ~~Short-Term Money~~[MRI](#) and from ONE JIB with respect to the investment of ~~Long-Term Money~~[MNRI](#).

Following the Council's review of the IPS, ONE JIB shall review the Investment Plan and update it, if required.

At a minimum, the annual review will consider:

- the adequacy of funding for capital works;
- the Municipality's ability to reduce other spending;
- flexibility of the timeframe to payout; and
- sensitivity to loss.

7.3 Effective Date

This IPS is adopted by Council of the Municipality effective DATE TBD. The Treasurer is directed to sign a copy of this IPS to evidence approval and to deliver a copy of this IPS to ONE JIB.

Signed by:

Treasurer

Date

Schedule A**Restricted Special Assets****Other****Nesbitt Burns (Bank of Montreal)**

- BMO Step-up Note (Mat Aug 24, 2031) \$500,000
- BMO Accrual Note (Mat July 2, 2030) \$1,134,000
- BMO Canadian Equity PP Dep Note S379 (Mat Mar 22, 2030) \$2,000,000
- BMO Canadian Equity PP Dep Note S391 (Mat Nov 16, 2028) \$747,000
- BMO Growth PP Dep Note S421 (Mat June 24, 2030) \$750,000
- BMO PPN CAD Equity S622 (Mat Sept 22, 2031) \$2,000,000
- BMO S&P/TSX Comp Cpn Dep Note S9 (Mat April 5, 2027) \$1,750,000
- National Bank GIC (Mat Aug 23, 2027) \$1,000,000
- BMO Accrual Note (Mat Sept 1, 2027) \$1,000,000
- City of Toronto Bond (Mat Nov 9, 2029) \$233,574.12
- BMO Step-up Note (Mat Mar 12, 2031) \$4,000,000
- BMO Step-up Note (Mat Aug 13, 2031) \$3,000,000
- City of Toronto Green Bond (Mat Sept 24, 2029) \$794,400

Woods Gundy (CIBC)

- BMO Accrual Note (Mat Aug 17, 2036) \$5,000,000
- CIBC Coupon Dep Note (Mat July 9, 2031) \$1,500,000
- BNS Canadian Banks PPN (Mat May 5, 2031) \$1,000,000

Schedule B

Third-Party Trust Funds and Designated Funds

Third-Party Trust Funds

None

Designated Funds

None

| **Appendix I: ONE JIB Agreement**

Appendix II: ONE External Portfolio Manager Mandates

Schedule A

Third Party Trust Funds and Designated Funds

Third Party Trust Funds

1. None

Designated Funds

2. None



100 John West Way
Aurora, Ontario
L4G 6J1
(905) 727-3123
aurora.ca

Town of Aurora
Memorandum
Finance

Re: Financial Risk Assessment – Possible US Tariffs

To: Finance Advisory Committee

From: Jason Gaertner, Manager, Financial Management Services

Date: April 15, 2025

Recommendation

1. That the memorandum regarding the Financial Risk Assessment of Possible US Tariffs be received; and
2. That the Finance Advisory Committee comments regarding the Financial Risk Assessment of Possible US Tariffs be received and referred to staff for consideration and further action as appropriate.

Background

On January 20, 2025, a new United States of America (US) administration was sworn in. The new government immediately adopted an aggressive stance toward its trading partners, including Canada, threatening to deploy punishing tariffs on goods entering its country.

Firstly, a reciprocal tariff and a retaliatory tariff are essentially the same. A reciprocal tariff already exists; in this instance, the negatively impacted trading partner decides to introduce its own tariff that matches the tariff currently levied on its exports. A retaliatory tariff is a brand-new tariff that a trading partner levies on another's goods coming into its country. The economic effects of both these tariff types are exactly the same.

After two previous false starts, on March 4 the US proceeded with its implementation of a retaliatory tariff of 25 percent across the board on all Canadian and Mexican goods, with the exception of Canadian energy and critical minerals (oil, gas, and potash) to which a 10 percent tariff was applied. In response, Canada imposed its own 25 percent tariff on a specified list of US goods totaling \$30 billion which would be expanded to a larger group of products totalling \$155 billion in 21 days time should the trade war with

the US continue. Further, the US increased its previously implemented across the board retaliatory tariff on all Chinese good entering its country from 10 to 20 percent. In response, China has implemented its own tariffs of up to 15 percent on select US good imports. Trump exempted all Canada-United States-Mexico Agreement (CUSMA) eligible goods from these tariffs, representing approximately 40 percent of Canadian goods that are imported to the US.

On March 12, 2025, President Trump implemented a further retaliatory tariff of 25 percent on all imported steel and aluminium. In response, multiple impacted countries such as China, the EU and Canada implemented further tariffs on select US good imports. In particular, Canada extended its 25 percent tariff to \$29.8 billion of additional US good imports.

On April 3, 2025, the United States implemented reciprocal tariffs on all of its trading partners. The degree of tariff impact was determined by the US' perception of each trading partner's barriers to the import of US goods. Firstly, a baseline reciprocal tariff of 10 percent will be applied to all US trading partners with the exception of any countries that are part of the CUSMA free trade agreement being Canada and Mexico. These baseline tariffs were escalated for select trade partners who the US believes are taking the greatest advantage of the United States. Any escalated reciprocal tariffs took effect on April 9, 2025. It was noted that these reciprocal taxes would not 'stack' on top of the 25 percent retaliatory tariffs on steel & aluminium and automobiles.

It was also reaffirmed that the previously implemented retaliatory tariffs on non-CUSMA eligible goods for Canada, Mexico and China would continue. Should these tariffs be lifted for Canada and Mexico, these same goods would instead be subject to a 12 percent reciprocal tariff. However, China's reciprocal tariff would stack on top of the previously implemented retaliatory tariff of 20 percent bringing its total general good impact to 54 percent.

In addition, the US implemented a retaliatory tariff of 25 percent on all automobiles imported into the country on April 3, 2025. These tariffs are applicable only to the portion of an automobile that is not US made; for example, if a Canadian assembled automobile contains 40 percent US made parts, then only 60 percent of the vehicle's value would be subject to this tariff. The US has also announced that it intends to implement a retaliatory tariff of 25 percent on all non-US made automobile part imports on May 3, 2025. In response to this tariff, Canada has implemented a reciprocal tariff of an equivalent value on all non-CUSMA compliant US automobile imports.

President Trump also signaled to US trading partners his intent to implement retaliatory tariffs on copper, pharmaceuticals, semi-conductors and lumber.

On February 25 Town of Aurora Council adopted a bylaw to amend the Town's Procurement By-law to protect the Town from trade treaty partners who are not acting in good faith, while also supporting Canadian sourced procurements and suppliers.

The Finance Advisory Committee requested that staff undertake a Financial Risk Assessment of the financial impacts to the Town of a trade war with the United States.

Analysis

US imposed tariffs on its trading partner goods that it imports will result in an indirect financial impact to the Town, while Canadian imposed tariffs on US good imports will have a direct financial impact.

US imposed tariffs will only impact the Town should it purchase a US good which itself or its inputs have previously been subject to a US tariff. Further, any tariffs arising from the consumption of Canadian energy in the construction or transport of a US good will also have an indirect financial impact on the cost of US sourced goods to the Town. It is assumed that any incremental costs due to tariffs will be passed onto the end purchaser of a US good through its sticker price. Should an imported US good be subject to a Canadian tariff, this cost would be added to that good's sticker price.

Potential Town good purchases that may be impacted by tariffs

Table 1 presents a summary of applicable categories of goods that may be impacted by retaliatory or reciprocal tariffs should the Town purchase them from the US directly through a US vendor, or indirectly through a 3rd party Canadian vendor.

This table also estimates the possible degree of 'tariff stacking' that may occur further inflating the cost of these goods to the Town. Potential tariff stacking is indicated by more than one tariff type with a 'yes' for a possibly impacted good category. For example, the inputs into the creation of US building materials may come from Canada and the production/shipment of these products may use Canadian energy whose import would be subject to US tariffs; in addition, the import of these finished US goods into Canada would be subject to a Canadian tariff. It is assumed that all of these incremental tariff costs will be passed onto the Town as the potential end purchaser of these goods.

Table 1
Potential Town Goods Impacted by Tariffs

Possible Impacted Good	US Tariffs					CDN Tariffs
	CDN Goods	CDN Energy	Mexican Goods	Chinese Goods	Reciprocal Tariffs (All Countries)	
Building materials	No	Yes	No	No	No	Yes
Appliances	No	Yes	No	No	No	Yes
Manual / power hand tools	No	Yes	No	Yes	Yes	Yes
Oil and gasoline	No	Yes	No	No	No	No
Machinery & Equipment	No	Yes	No	No	Yes	Yes
Vehicles (all sizes)	Yes	Yes	Yes	No	Yes	Yes
IT equipment	No	Yes	No	Yes	No	No
Water Infrastructure	No	Yes	No	No	No	No
Clothing	No	Yes	No	Yes	Yes	Yes
Steel & Aluminum	Yes	Yes	No	No	No	Yes
Sports Equipment	No	Yes	Yes	Yes	No	Yes
Cast-iron products	Yes	Yes	No	Yes	No	Yes
Other Electronics	No	Yes	No	Yes	Yes	Yes
Electric Vehicles	Yes	Yes	Yes	No	No	Yes
Trucks	Yes	Yes	Yes	No	No	Yes

The financial impact of tariffs on the cost of US goods will depend upon the extent of foreign inputs into each good's production and the degree to which these foreign inputs are subject to tariffs. The larger the number of foreign inputs subject to US tariffs, the greater the effect of tariff stacking will be on the good's sticker price. US good costs may be further inflated by any retaliatory or reciprocal Canadian tariffs that the imported US good is subject to. The far-right column reflects the currently imposed Canadian tariffs upon each applicable good category; the bottom two rows of US goods may

become subject to Canadian tariffs within 21 days should the US tariffs still be in place at this time.

The general applicable categories of goods to the Town for which a Canadian tariff of 25 percent has been applied to date include:

- All building materials (lumber, all bathroom fixtures)
- All lighting fixtures
- All appliances (stoves, refrigerators, washing machines, water heaters)
- Manual / power hand tools (drills, saws, sanders)
- All furniture
- All clothing
- Some equipment (HVAC, riding lawn mowers, chain saws, snow blowers)
- Tires
- Envelopes / printed material
- Other Electronics
- Steel
- Aluminium

Should the US tariffs remain after 21 days, this list may grow to include the following additional applicable US goods that will be subject to a 25 percent tariff:

- Electric vehicles
- Trucks

This list may be expanded further should Canada decide to respond to the US' recently announced automobile tariffs.

Early staff assessments have identified that the greatest potential financial impact to the Town as a result of the trade war will be to its purchase of vehicles and vehicle parts (all sizes and types), oil & gasoline and machinery & equipment. Further, in consideration that approximately 25 percent of all municipal building supplies are supplied from the US, it is anticipated that the Town's building material costs will be subject to inflationary pressures as a result of the trade war as well.

Further, the recently implemented 25 percent US retaliatory tariff and Canadian reciprocal tariff on automobiles, steel and aluminium are expected to have a material financial impact on the cost of vehicles and building supplies to the Town. Also, US

reciprocal tariffs on assembled electronics and their components will very likely raise the town's costs for its IT equipment in particular.

An extended trade war will negatively impact the country's overall economy

An extended trade war will negatively impact the country's overall economy. Stagflation is likely to result, upon which the usual Bank of Canada monetary levers will be ineffective. Stagflation is defined as a period over which the economy experiences slow to negative growth, high unemployment, and rising prices. It is anticipated that job losses will occur across multiple sectors of the economy. The Bank of Canada predicts that any extended trade war will result in a structural recession; meaning the economy will not bounce back like it did after the pandemic. It will take time for the economy to restructure itself to its new reality.

The Canadian and US stock markets have lost trillions in dollars of value to date in the early days of this trade war. The S&P 500 has dropped by 10 percent. This market decline is a further indicator that a recession is looming.

Any resultant economic contraction and increasing prices may result in Aurora citizens experiencing challenges in paying their bills. The degree of impact will be heavily dependent upon the US and Canadian tariffs imposed and the duration that they remain effect.

It is anticipated that a trade war with the US will negatively affect the Canadian dollar's exchange rate

The Canadian dollar fell by close to 10 percent versus the US dollar commencing on the date of the President's announcement of US tariffs on Canadian goods. This event offered an early indication of the impact that tariffs may have on the Canadian exchange rate should the trade war continue over an extended period.

A reduced Canadian dollar exchange rate will result in savings for US producers for who import Canadian components in the creation of their products which will help to mitigate some of their tariff costs that may be passed onto its consumers via the US good's sticker price but is unlikely.

Further, a deteriorated exchange rate will effectively erode the Canadian dollar's purchasing power of imported goods and services resulting in further imported good price inflation in addition to tariff driven inflation.

Possible financial risk mitigation strategies

As tariffs and a weak exchange rate are expected to result in significant price inflation of imported goods, the Town must strive to mitigate this risk. The best strategy that the Town can deploy is to avoid this risk all together through minimizing its need to purchase imported goods wherever possible. Some risk avoidance strategies might include:

- Explore the purchase of comparable alternatives that are available domestically, or perhaps from a tariff friendly country
- Delay the purchase of goods or any major Town facility construction project until such time tariffs are lifted, if possible
- Strive to collaborate with all applicable stakeholders such as York Region and other municipalities, Aurora Economic Development Corporation, and the Aurora Chamber of Commerce, to leverage local expertise and resources.
- Legal Services and Procurement review existing contracts and add protective measures to new agreements to help safeguard against tariff-related price surges (*underway*)
- Amend the Town's procurement bylaw to support Canadian procurement and provide greater flexibility to respond to tariff-related expenses (*completed on February 25*)

With regard to the anticipated overall economic impacts of an extended trade war, both the federal and provincial governments have announced multiple supporting mitigating financial strategies.

Attachments

None