



Council Policy

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Number:	CP-00#
Title:	Commodity Hedging
Type:	Financial Management
Sub-type:	Financial Instruments
Owner:	Finance and Technology
	Financial Planning
	Council
Approved By:	
Approval Date:	February 26, 2024
Effective Date:	February 26, 2024
Revised Date:	Click or tap to enter a date.
Applicable to:	All Staff

1. Legislative or Administrative Authority:

- 1.1. The Municipal Act, 2001, S.17(2) states that the Minister may make regulations prescribing financial actions for the purpose of clause (1). This includes the ability for the Municipality to enter into agreements for the purpose of minimizing costs or financial risk associated with the incurring of debt.
- 1.2. The Province of Ontario Regulation [653/05: Debt-Related Financial Instruments and Financial Agreements](#) outlines the requirements for a municipality to enter into an agreement under Part II of the Municipal Act, 2001 for the supply of a commodity and entering into a financial agreement to minimize the cost or financial risk associated with incurring debt for the commodity.

2. Purpose:

- 2.1. The purpose of this policy is to adopt a statement of the Municipality's commodity price hedging policies and goals. Section 6(1) of O.Reg. 653/05 requires the adoption of such a statement prior to the Municipality entering into commodity price hedging agreements.

3. Scope:

- 3.1. This policy applies to all commodity price hedging agreements that the Municipality may enter into.

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4. Definitions:

- 4.1. **Commodity** - means, whether in the original or a processed state, an agricultural product, a forest product, a product of the sea, a mineral, a metal, a hydrocarbon fuel, electricity, a precious stone or other gem and other physical goods but does not include chattel paper, a document of title, an instrument, money or securities.
- 4.2. **Commodity Price Hedging Agreement** - A municipality that plans to enter an agreement under Part II of the Municipal Act for the supply of a commodity required for a municipal system may enter into one or more financial agreements to minimize the cost or financial risk associated with incurring debt for the commodity.
- 4.3. **Contract Agent** – means an external agent, contractor, consultant, or other representative retained by the Municipality to assist with the procurement, sale and/or delivery of commodities for the Municipality in accordance with the Municipality’s Purchasing By-law.
- 4.4. **Electricity Market** - is a system for effecting purchases through bids to buy, sales through offers to sell, and short-term trades, generally in the form of financial or obligation swaps. Bids and offers use supply and demand principles to set the price.
- 4.5. **Energy Commodity** - includes electricity, natural gas, propane, coal, and oil.
- 4.6. **Municipality** – the Corporation of the Municipality of Clarington.

5. Policy Requirements:

Statement of Commodity Price Hedging Policies and Goals.

- 5.1. The Municipality will consider commodity price hedging agreements as a means of fixing, directly or indirectly, or enabling the Municipality to fix, the price or range of prices to be paid by the Municipality for the future delivery of some or all of the commodity or the future cost to the Municipality of an equivalent quantity of the commodity, where it is advantageous for the Municipality to do so.

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- 5.2. In determining whether a particular commodity price hedging agreement is advantageous for the Municipality, the following will be considered:
 - 5.2.1. Any and all projects of the Municipality are projects for which commodity price hedging agreements will be appropriate;
 - 5.2.2. If, at the time, it is the opinion that the fixed costs and estimated costs of the Municipality will be reduced by virtue of the use of such an agreement;
 - 5.2.3. If, at the time, it is the opinion that the future price or cost to the Municipality of the applicable commodity will be lower or more stable than it would be without the agreement;
 - 5.2.4. If, at the time, the project includes a detailed estimate of the expected result of using such an agreement;
 - 5.2.5. If, at the time, it is the opinion that the financial and other risks to the Municipality that would exist with the use of such an agreement will be lower than the financial and other risks to the municipality that would exist without such an agreement;
 - 5.2.6. If, at the time, it is the opinion that the agreement contains adequate risk control measures relating to such an agreement, such as:
 - a) Limited credit exposure based on credit ratings and/or on the degree of regulatory oversight and/or the regulatory capital of the other party to the agreement;
 - b) A standard agreement
 - c) Ongoing monitoring with respect to the agreement.

Authority and Accountability

- 5.3. The Deputy CAO, Finance and Technology/Treasurer is the designated person responsible for the administrative matters pertaining to commodity price hedging and will delegate certain administrative duties and responsibilities to internal staff and external agents.
- 5.4. The Deputy CAO, Finance and Technology/Treasurer, or their designate, is authorized to enter into contracts for the purpose of securing a physical supply

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of commodities that are required by the Municipality in its normal course of operation and to engage a Contract Agent in accordance with the Municipality's purchasing policies.

Report on Commodity Price Hedging Agreements

- 5.5. If a municipality has any subsisting commodity price hedging agreements in a fiscal year, the Treasurer of the Municipality shall prepare and present to the municipal council once in that fiscal year, or more frequently if the council so desires, a detailed report on all of those agreements. O. Reg. 653/05, s. 7 (1).
- 5.6. The report must contain the following information and documents:
 - 5.6.1. A statement about the status of the agreements during the period of the report, including a comparison of the expected and actual results of using the agreements.
 - 5.6.2. A statement by the Treasurer indicating whether, in his or her opinion, all of the agreements entered during the period of the report are consistent with the Municipality's statement of policies and goals relating to the use of financial agreements to address commodity pricing and costs.
 - 5.6.3. Such other information as the council may require. Such other information as the Treasurer considers appropriate to include in the report.

6. Roles and Responsibilities:

6.1. Council is responsible for:

- 6.1.1. Setting the Commodity Hedging Policy.

6.2. Chief Administrative Officer (CAO) is responsible for:

- 6.2.1. Ensuring the Municipality is compliant with this policy and the legislative requirements of the Municipal Act, 2001.

6.3. Deputy CAO, Finance and Technology / Treasurer is responsible for:

- 6.3.1. Establishing relevant processes and controls for implementing commodity price hedging agreements.

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- 6.3.2. Negotiating and administering all commodity price hedging agreements.
- 6.3.3. Ensuring that all commodity price hedging agreements comply with this policy.
- 6.3.4. Reporting to Council all required legislative information regarding commodity price hedging agreements.
- 6.4. **Directors / Managers are responsible for the following within their scope of authority:**
 - 6.4.1. Ensuring that appropriate staff are trained on this policy.
- 6.5. **All Staff are responsible for:**
 - 6.5.1. Ensuring compliance with this policy.

7. Related Documents:

- 7.1. [O.Reg. 653/05](#)
- 7.2. Purchasing By-law

8. Inquiries:

- 8.1. Manager, Financial Planning/Deputy Treasurer
- 8.2. Manager, Accounting Services/Deputy Treasurer

9. Revision History:

Date	Description of Changes	Approved By