



Media Release: Friday, January 29, 2016, 4:30 p.m.

## **Regional Municipality of Waterloo**

### **Administration and Finance Committee**

#### **Agenda**

Tuesday, February 2, 2016

Approximately 10:30 a.m. (Immediately following Planning and Works Committee)

Regional Council Chamber

150 Frederick Street, Kitchener

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- 1. Declarations of Pecuniary Interest under the “Municipal Conflict Of Interest Act”**
  - 2. Delegations**

#### **Consent Agenda Items**

Items on the Consent Agenda can be approved in one motion of Committee to save time. Prior to the motion being voted on, any member of Committee may request that one or more of the items be removed from the Consent Agenda and voted on separately.

- 3. Request to Remove Items from Consent Agenda**
- 4. Motion to Approve Items or Receive for Information**
- 4.1 [COR-TRY-16-09](#), Write-off of Uncollectible Accounts for the Year Ended December 31, 2015 3**

#### **Recommendation**

That the Regional Municipality of Waterloo write-off accounts receivable in the amount of \$142,046.96 for the year ended December 31, 2015, as outlined in Report COR-TRY-16-09.





**Report:** COR-TRY-16-09

## **Region of Waterloo**

### **Corporate Services**

### **Treasury Services**

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**To:** Chair Sean Strickland and Members of the Administration and Finance Committee

**Date:** February 2, 2016

**File Code:** F03-21

**Subject:** **Write-off of Uncollectible Accounts for the Year Ended December 31, 2015**

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#### **Recommendation:**

That the Regional Municipality of Waterloo write-off accounts receivable in the amount of \$142,046.96 for the year ended December 31, 2015, as outlined in Report COR-TRY-16-09.

**Summary:** Nil

**Report:**

#### **Background**

Council Report F-10-008 provides the Chief Financial Officer with the authority to write-off accounts receivable up to \$2,500. Accounts with balances less than \$2,500 aged beyond 90 days, and where all regular collection efforts have been exhausted, have been written-off throughout the year. Write-offs of receivables exceeding \$2,500 require Regional Council approval. Regional staff has conducted a thorough review of all outstanding accounts to determine the amounts to be written off for 2015. A summary of policies and procedures used during the receivable collection process is attached as Schedule A.

The recommended write-offs for 2015 in excess of \$2,500 total \$142,046.96 which equates to 0.22% of the total billed revenue for General Receivables, Seniors' Services and Housing Services. A summary of billed revenue and write-offs for 2015 is shown in the following table:

<b>Region of Waterloo 2015 Billing and Write-off Summary</b>				
<b>Program Area</b>	<b>General Receivables</b>	<b>Seniors' Services</b>	<b>Housing</b>	<b>Total</b>
Billed Revenue	\$44,506,841	\$5,480,000	\$13,354,083	\$63,340,924
Write-offs <= \$2,500 approved by staff	\$14,635.60	\$6,089.93	\$44,187.07	\$64,912.60
% of Billed Revenue	0.03%	0.11%	0.33%	0.10%
<b>Recommended Write-offs &gt; \$2,500 to be approved by Council</b>	<b>\$3,807.00</b>	<b>\$48,839.65</b>	<b>\$89,400.31</b>	<b>\$142,046.96</b>
% of Billed Revenue	0.01%	0.89%	0.67%	0.22%
Total Write-offs	\$18,442.60	\$54,929.58	\$133,587.38	\$206,959.56
% of Billed Revenue	0.04%	1.00%	1.00%	0.33%

Details of amounts recommended for write-off are provided in the following sections.

**1. General Receivables – Total recommended write-off = \$3,807.00**

**Landfill (\$3,807.00)**

The amount being recommended for write-off is from one (1) debtor and relates to non-payment of tipping fees at Waterloo Regional Landfill sites. Landfill customers' access to landfill sites is suspended due to non-payment when accounts are overdue by sixty (60) days. The Region filed a statement of claim against the debtor and obtained default judgments. The company is insolvent with no assets left in the corporation and the sole officer and director filed for personal bankruptcy. The debt in the amount of \$3,807.00 is for landfill charges over a 2 month period. The entire balance will be charged against the 2015 Waste Management Budget.

The recommended write-off for general receivables represents 0.01% of billed revenue.

## 2. Seniors' Services - Sunnyside Home – Recommended Write-offs = \$48,839.65

The amount being recommended for write-off represents the amount owing from five (5) accounts, two (2) current residents and three (3) deceased residents. In the case of the three (3) deceased residents, attempts to recover the amounts owing from the residents' estates are not expected to be successful and the amounts owing are recommended for write-off. With respect to the two (2) current residents, they are now paying their current charges and one is making small contribution to the amount in arrears. However, in each case the total arrears are at a level that there is no reasonable expectation that the Region will collect all of the funds owed. As a result, it is recommended that the accounts be written down at this time.

The recommended write-off represents 0.89% of 2015 billed revenue for Seniors' Services. If approved, the Region will be eligible for 50% provincial subsidy for the 2015 portion of the amounts written off for the Long Term Care Home. The recommended write-offs will be charged against the Seniors' Services 2015 budget.

## 3. Housing Services – Recommended Write-offs = \$89,400.31

The recommended write-offs in excess of \$2,500 are \$89,400.31 for 20 former tenants of Waterloo Region Housing (WRH) across a total of 2,722 units. The vast majority of the recommended write-offs relates to unpaid rents (\$50,267.02) and move-out charges (\$28,356.29) due to excessive unit repairs. Factors affecting the amount of write-offs include the length of tenancies, the extent of unit damage at the time of turnover, and the timing and number of tenants taken to the rent tribunal and facing possible eviction. The recommended write-offs represent 0.67% of 2015 budgeted WRH revenues. The amount of \$89,400.31 will be charged against an allowance for write-offs that was previously provided for.

### Retail Water Collection Update

During 2015, three rounds of water shut offs were completed for retail water accounts with balances in excess of \$1,000 in accordance with the Retail Water Receivables Policies and Procedures detailed in Schedule A. Below is a summary of water shut off process performance:

Process Start Date	Number of accounts	Total Balance Outstanding of Accounts in excess of \$1,000	Paid in full before shut off date	Payment plans	Water Shut off *
Apr 23/15	18	\$32,552.00	16	2	2
Aug 4/15	24	\$41,014.11	14	10	5
Oct 8/15	21	\$49,492.57	13	8	0

\*Only one water shut off remains in place.

Collection notices and follow up telephone calls were actioned on a total of 63 retail water accounts and 7 accounts had water shut off.

### Corporate Strategic Plan:

One of the Focus Areas of the Corporate Strategic Plan is “Responsive and Engaging Government Services.” The objective of this focus area is to ensure all Regional programs and services are efficient, effective and provide value for money.

### Financial Implications:

For 2015, write-offs under \$2,500 total \$64,912.60 while the recommended write-offs in excess of \$2,500 total \$142,046.96 for a grand total of \$206,959.56 which equates to 0.33% of the total amount invoiced. Write-offs of \$117,559.25 will be expensed in 2015 as \$89,400.31 for former housing tenants will be charged against a previously provided allowance for write-offs. The write-off of a receivable account does not necessarily mean that staff has determined that no payment is forthcoming. Rather, given the time elapsed and the status of the collection activity, it is highly unlikely any payments would be received.

Total account write-offs for 2014 and 2015 are shown in the following table:

<b>Region of Waterloo Write-off Summary – Comparative Chart</b>			
	<b>2014</b>	<b>2015</b>	<b>Change</b>
Total Invoiced	\$72,897,865.00	\$63,340,924.28	(\$9,556,940.72)
Write-off <= \$2,500	64,786.14	64,912.60	126.46
Write-off >\$2,500	272,707.90	142,046.96	(130,660.94)
<b>Total Write-off</b>	<b>\$337,494.04</b>	<b>\$206,959.56</b>	<b>(\$130,534.48)</b>
Write-off as % of Invoiced Revenue	0.46%	0.33%	

While total write-offs have decreased in 2015, the amount remains comparable to years prior to 2014.

### Other Department Consultations/Concurrence:

The Legal Services Division staff has assisted on the legal aspects of the collection of delinquent accounts. Staff from a number of departments across the Region, have assisted in the review of overdue accounts and in the collection activities. Departments affected by the write-offs concur with the recommended amounts.

**Prepared By: Mirela Oltean**, Financial Analyst, Treasury Services

**Tricia Alpaugh**, Manager, Treasury Services

**Approved By: Craig Dyer**, Commissioner, Corporate Services/Chief Financial Officer

## **Schedule A**

### **Accounts Receivable Policies and Procedures**

#### **General Receivables**

Effective management of receivables requires that procedures are in place to ensure timely receipt of funds due to the Region. Before accounts are recommended for write-off, a number of steps are generally followed by Treasury Services staff to ensure that all reasonable efforts have been made to effect payment of the account in full. These steps include:

- Once the good or service is delivered, an invoice is created and mailed, and the revenue is credited to the program area;
- Monthly client statements are produced by staff and mailed at the beginning of each month;
- At 31 days overdue, the first collection letter is issued by staff. Telephone contact is attempted during this time and customers unable to pay in full are informed of the option of entering into a repayment plan;
- At 60 days overdue, if the account remains outstanding, the second collection letter is issued by Treasury Services. Collection letters request full payment and the client is advised that access to service may be suspended and that legal action is a possibility. Due to the nature of the business, service suspension is applicable for daycare, landfill, and police reporting center customers. In the case of landfill, suspension is automatic at 60 days overdue. Telephone contact is still attempted during this time;
- If staff are unable to collect the account or get a written commitment from the customer as to a repayment plan, further options are considered including suspension of services and referral of the collection file to the Region's Legal Services for possible legal action.

#### **Retail Water Receivables**

A series of processes are undertaken by Treasury Services staff with respect to collection of retail water revenue as allowed under The Municipal Act including:

- Water and wastewater invoices are issued bi-monthly for water consumption in the prior 2 months and are due 21 days from the invoice date. Invoices include previous unpaid balances and interest charges;

- Interest of 1% per month on overdue amounts is charged monthly 2 days after the invoice due date;
- The first collection letter is mailed 10 days after the invoice due date;
- Regional staff initiates customer calls/emails to follow up on payment. Where payment in full is not possible, payment plans are drawn up and approved. Generally, water payment plans are not to exceed six months;
- The second collection letter is mailed and potentially hand delivered or posted on the front door 40 days after the invoice due date. The letter notifies customers of potential water service disconnection if payment is not made within 21 days of the date on the letter or a payment plan is not arranged. Payment can be made in person, by telephone, certified cheque, online banking or credit card;
- Next billing period invoices are issued. Invoices include previous unpaid balances;
- Regional staff will follow up by telephone with customers who were mailed the second collection letter. Staff will discuss payment of arrears, a potential payment plan and the possibility of water disconnection should payment or payment plan agreement remain outstanding 21 days after the date on the letter;
- Accounts that are not paid or accounts that have not committed to a payment plan within those 21 days will be reviewed and water disconnection notices will be prepared;
- Water disconnection notices will be hand delivered or posted on the front door of the service address. The letter indicates when water disconnection is scheduled to happen;
- Water is turned back on within 24 hours (business hours Monday to Friday) after payment is made and a \$100 water re-connection fee is charged to the account as approved in the fees and charges by-law;
- If the customer fails to pay the balance outstanding after water disconnection, the account is sent to Legal Services for collection and/or a request for transfer to property tax is issued to the applicable area municipality. This request is made on an annual basis in early June.

### **Seniors' Services - Sunnyside Home**

A series of processes are undertaken by Seniors' Services staff with respect to collection of overdue accounts for Long Term Care including:

- Invoices are sent out on a monthly basis for trust and accommodation accounts;
- Outstanding balances are reviewed monthly;
- When a payment has not been received within 30 days, staff contact the Power of Attorney for Finances (POA) by telephone to inform them of the amount owing;
- If a payment is not received after the first collection attempt, the Manager of Administrative Services contacts the POA to discuss payment options;
- If the amounts remain unpaid, a collection letter is sent to the POA with details of the amount owing and the request to submit payment within 10 business days. The letter includes notification that legal action is a possibility;
- When payments or payment options with the POA have not been successful the file is forwarded to Legal Services for collection action;
- Accounts receivable balances for Long Term Care are reviewed regularly with the Manager of Financial Services;

### **Waterloo Region Housing (WRH)**

A series of processes are undertaken by Waterloo Region Housing (WRH) staff with respect to rent collection management and as allowed under the Residential Tenancy Act (RTA) including:

- Frequent review of arrear listings (more than once a month);
- Tenants who are in arrears by the 10th day of the month receive a N4 (Notice to End a Tenancy Early for Non-payment of Rent) under the RTA;
- Staff generally receive payments or enter into arrear repayment agreements with tenants;
- In the event that a tenant has not made efforts regarding their outstanding balance, an application to terminate tenancy is made to Rental Tribunal. Early intervention with tenants in arrears assists WRH in avoiding this process;
- If tenant vacates, invoice for amounts owing is sent to former tenant;

- If the amounts are not paid and forwarding address is available, letter is sent stating that the file will be sent to collections if the former tenant fails to contact WRH by a specific date;
- If there is no response to the letter, staff will attempt to contact former tenant by phone - every effort is made to contact the tenant before sending the file to the collection agency;
- File is sent to collection agency;
- Information is also shared among other Service Managers through the province-wide arrears database where tenants with arrears are not eligible to reapply for housing in Ontario unless the arrears are paid or a payment plan is in place.



**Report:** COR-TRY-16-11

## **Region of Waterloo**

### **Corporate Services**

### **Treasury Services**

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**To:** Chair Sean Strickland and Members of the Administration and Finance Committee

**Date:** February 2, 2016                      **File Code:** F04-01

**Subject:** 2016 Temporary Borrowing By-laws

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#### **Recommendation:**

That the Regional Municipality of Waterloo authorize the Chief Financial Officer, by By-law, to borrow funds as required on a temporary basis to meet current and capital expenditures in 2016 to a maximum of \$112.0 million for current expenditures and \$66.0 million for capital expenditures, as outlined in report COR-TRY-16-11, dated February 2, 2016.

#### **Summary:**

This report provides information on routine, temporary borrowing and recommends approval of temporary borrowing for 2016 as required to meet current and capital expenditures.

#### **Report:**

The Municipal Act authorizes municipalities to borrow monies to meet current expenditures pending the receipt of revenue and to borrow monies to meet capital expenditures pending the issuance of debentures.

#### **Municipal Act Provisions**

Section 407 of the Municipal Act permits a municipality to authorize temporary borrowing until taxes are collected and other revenues are received in an amount Council considers necessary to meet the current expenditure of the municipality. The Region has on-going operational expenditures throughout the year while tax revenue is

not received until the Area Municipalities levy for and remit the Region's share of property taxes. The by-law for temporary borrowing enables the Region to borrow funds as needed during this time to ensure it has an adequate cash flow to meet its operating commitments. As set out in the Municipal Act, the maximum amount of borrowing at any one time, including amounts outstanding, is 50% of estimated revenue from January 1 to September 30<sup>th</sup> and 25% of estimated revenues from October 1 to December 31. For 2016, the limit on temporary borrowing for current expenditures would be \$405.5 million for the first nine months and \$202.8 million for the remaining three months.

Section 405 of the Municipal Act permits a municipality to authorize temporary borrowing for capital works to be financed in whole or in part by the issuance of debentures. Capital expenditures are on-going throughout the year while debentures to finance the works are generally issued on an annual basis. A by-law for temporary borrowing enables the Region to, if required, fund the capital projects throughout the year and issue debentures at a later date. While the approved 2016 capital budget includes \$132.4 million of debenture financing, the amount to be debentured will likely be in the range of 60% to 75% of that amount.

### **Staff Recommendation**

While the Municipal Act would permit the Region of Waterloo to authorize temporary borrowing to a maximum of \$405.5 million for current expenditures and \$132.4 million for capital expenditures in 2016, staff is recommending significantly lower maximums. The recommended maximum of \$112.0 million for operating expenses is approximately 25% of the 2015 tax levy and less than 28% of the maximum allowed under the Act. Temporary borrowing for current expenditures would generally only be required in the first few months of the year pending the receipt of tax levies from the Area Municipalities. The recommended maximum of \$66.0 million for capital expenditures is 50% of the maximum allowed under the Act for 2016 and based on past amounts and timing of capital expenditures and planned debenture issues.

It should be noted that passing temporary borrowing by-laws does not mean that the Region will actually borrow funds. The enactment of the by-laws allows the Region to act quickly in the unlikely event of a cash flow shortage. Staff are not expecting that such borrowing will be required in 2016 for either operating or capital purposes. Temporary borrowing has not been required in any of the past fifteen (15) years. The passing of the temporary borrowing by-laws is a "housekeeping" matter to ensure accordance with the Municipal Act and is a prudent financial management practice.

**Corporate Strategic Plan:**

The approval of temporary borrowing by-laws aligns with the Responsive and Engaging Government Services Focus Area of the 2015-2018 Corporate Strategic Plan and the objective to ensure Regional programs and services are efficient, effective and provide value for money.

**Financial Implications:**

The 2016 Corporate Financial budget includes a provision of \$40,000 to cover interest expense in the unlikely event that temporary borrowing is required.

**Other Department Consultations/Concurrence: Nil****Attachments:**

**Attachment 1** – Draft By-law to Authorize the Temporary Borrowing for Current Expenditures Pending the Receipt of Revenues

**Attachment 2** – Draft By-law to Authorize the Temporary Borrowing for Capital Expenditure Pending the Receipt of Debenture Proceeds

**Prepared By:** Angela Hinchberger, Director of Treasury Services/Deputy Treasurer

**Approved By:** Craig Dyer, Commissioner, Corporate Services/Chief Financial Officer

**Attachment 1 – Draft By-law to Authorize the Temporary Borrowing for Current Expenditures Pending the Receipt of Revenues**

By-Law Number 16-0xx

OF

The Regional Municipality of Waterloo

A By-law to Authorize the Temporary Borrowing for Current Expenditures  
Pending the Receipt of Revenues

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**Whereas** the Council of the Regional Municipality of Waterloo deems it necessary to pass and enact a by-law to authorize the temporary borrowing of monies by the Region to meet current budget expenditures for the year 2016 pending receipt of current revenue;

**And Whereas** Section 407(1) of the Municipal Act, 2001, as amended, (the "Act") provides that a municipality may authorize temporary borrowing, until the taxes are collected and other revenues are received, of the amount council considers necessary to meet the current expenditures of the municipality for the year;

**And Whereas** the Act imposes limitations on the amounts that may be borrowed such that the amounts borrowed at any one time plus any outstanding amounts of principal borrowed and accrued interest shall not exceed 50% of the total estimated revenues of the municipality from January 1 to September 30 in the same year and 25% of the total estimated revenues of the municipality from October 1 to December 31 in the same year;

**And Whereas** the total estimated revenues for the Regional Municipality of Waterloo are \$811.0 million as set out in the 2016 operating budget approved by Regional Council on January 13, 2016;

The Council of the Regional Municipality of Waterloo enacts as follows:

1. The Regional Municipality of Waterloo is hereby authorized to borrow, from time to time, a sum or sums of monies not exceeding in the aggregate \$112.0 million from January 1, 2016 to September 30, 2016 and \$112.0 million from October 1, 2016 to December 31, 2016 to meet the current operations including sinking funds, principal and interest payments falling due within the fiscal year and the sums required by law to provide for the purposes of the Region.

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2. The Regional Chair and the Treasurer of the Regional Municipality of Waterloo are hereby authorized to borrow such sums with any person, firm or banker and authorized to sign and execute the required promissory notes, banker's acceptances, hypothecations, agreements and other such documents, writings and papers which shall give effect to the foregoing.

3. This By-law shall come into force and effect on the day of passing and shall remain in force and effect until December 31, 2016.

By-law read a first, second and third time and finally passed in the Council Chamber in the Regional Municipality of Waterloo this 10<sup>th</sup> day of February A.D., 2016.

\_\_\_\_\_  
Regional Clerk

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Regional Chair

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**Attachment 2 – Draft By-law to Authorize the Temporary Borrowing for Capital Expenditure Pending the Receipt of Debenture Proceeds**

By-Law Number 16-0xx

OF

The Regional Municipality of Waterloo

A By-law to Authorize the Temporary Borrowing for Capital Expenditures  
Pending the Receipt of Debenture Proceeds

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**Whereas** the Council of the Regional Municipality of Waterloo deems it necessary to pass and enact a by-law to authorize the temporary borrowing of monies by the Region for capital expenditures within the year 2016 pending receipt of debenture financing;

**And Whereas** Section 405(1) of the Municipal Act, 2001, as amended, (the "Act") provides that a municipality may authorize temporary borrowing to meet expenditures made in connection with a work to be financed in whole or in part by the issue of debentures;

**And Whereas** the Act requires the proceeds obtained through temporary borrowing for an expenditure made in connection with a work to be applied to the approved work;

**And Whereas** the total maximum estimated debenture financing for the Regional Municipality of Waterloo for 2016 is \$132.4 million as set out in the 2016 capital budget approved by Regional Council on January 13, 2016;

The Council of the Regional Municipality of Waterloo enacts as follows:

1. The Regional Municipality of Waterloo is hereby authorized to borrow, from time to time, a sum or sums of monies not exceeding in the aggregate \$66.0 million from January 1, 2016 to December 31, 2016 to fund expenditures incurred for capital projects where the approved funding source is debenture financing and the debenture proceeds have not yet been received.

2. The Regional Chair and the Treasurer of the Regional Municipality of Waterloo are hereby authorized to borrow such sums with any person, firm or banker and authorized to sign and execute the required promissory notes, banker's acceptances, hypothecations, agreements and other such documents, writings and papers which shall give effect to the foregoing.

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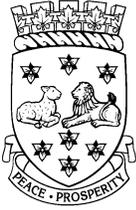
3. This By-law shall come into force and effect on the day of passing and shall remain in force and effect until December 31, 2016.

By-law read a first, second and third time and finally passed in the Council Chamber in the Regional Municipality of Waterloo this 10<sup>th</sup> day of February A.D., 2016.

\_\_\_\_\_  
Regional Clerk

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Regional Chair

2058141



Report: COR-TRY-16-10

**Region of Waterloo**  
**Corporate Services**  
**Treasury Services (Procurement)**

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**To:** Chair Sean Strickland and Members of the Administration and Finance Committee

**Date:** February 2, 2016 **File Code:** F18-30

**Subject: Quarterly Summary of Tenders/Quotes, Requests for Proposals and Consultant Selections Approved by the Chief Administrative Officer**

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**Recommendation:**

For Information

**Summary:** Nil

**Report:**

The Region's Purchasing By-law allows for the Chief Administrative Officer to award certain tenders/quotes, requests for proposals, and consultant proposals, as set out below:

1. Tenders are competitive bids which specify the scope of work and the terms under which the Region will contract for the goods and services. Administrative awards of tenders between \$100,000 and \$500,000 can occur if the following criteria are met: a minimum of three compliant bids are received, award to the lowest bidder, and the bid amount within budget.
2. A Request for Proposal (RFP) is a formal, publicly released document outlining a need and inviting proponents to submit plans to fulfill that need. The RFP specifies in general terms what the Region wants but provides flexibility for respondents to propose a solution. RFPs include an evaluation criteria and scoring matrix. While price is part of the evaluation criteria and scoring, award is made to the vendor with the highest overall score. For RFPs between \$100,000 and \$500,000, the criteria to enable an administrative award are that the proposal is compliant, that it best meets the criteria as established, that at least

three compliant proposals are submitted, and price is within budget.

3. Consultant Proposals are a type of RFP with the commodity being consultant services. For consultant proposals between \$100,000 and \$300,000, the criteria to enable an administrative award are that the proposal is compliant, that it best meets the criteria as established, and the price is within budget.

Administrative awards allow for an efficient and timely procurement process. A summary report is submitted on a quarterly basis to the Administration and Finance Committee outlining all tenders, RFPs and consultant proposals approved by the Chief Administrative Officer. Appendices 1, 2 and 3 provide the details of the tender, RFP and consultant proposal awards made by the Chief Administrative Officer from October 1, 2015 to December 31, 2015.

The Chief Administrative Officer is also authorized to award bids when Council is not in session. No other bids were awarded other than those noted in this report.

**Corporate Strategic Plan:**

Award of this contract meets the 2015-2018 Corporate Strategic Plan objective to ensure regional programs and services are efficient, effective and provide value for money under Strategic Focus Area 5, Responsive and Engaging Government Services.

**Financial Implications:**

As set out in each Appendix.

**Other Department Consultations/Concurrence: Nil**

**Attachments**

Appendix 1 – C.A.O. Tender/Quote Awards

Appendix 2 – C.A.O. Proposal Awards

Appendix 3 – C.A.O. Consultant Proposal Awards

**Prepared By: Lisa Evans**, Manager, Procurement/Chief Purchasing Officer

**Approved By: Craig Dyer**, Commissioner, Corporate Services/Chief Financial Officer

**Appendix 1 – CAO Tender/Quote Awards (October 1, 2015 to December 31, 2015)**

Tender Number & Name	Description	List of Bidders (Successful Bidder Indicated in Bold)	Tender/Quote Price (Excludes HST)	Budget	Total Cost of Award (Including Applicable Net HST of 1.76%)
T2015-221 Parking Garage Slab-on-Grade Refinishing, 99 Regina Street, Waterloo	Preparation of the slab and the installation of a traffic coating on the concrete surface, in order to extend the overall life of the concrete slab.	<b>Brook Restoration Ltd.</b> Birchcliff Construction Ltd. Eagle Restoration Inc. Canadian Construction Controls Limited Tritan Inc.	\$104,500.00 \$117,500.00 \$139,900.00 \$155,553.00 \$278,300.00	The 2015 Facilities Asset Renewal Capital Program included a budget of \$2,453,000 for PHSS 99 Regina Building Maintenance to be funded from debentures. At the time of award, \$1,306,571 had been spent or committed, leaving a balance of \$1,146,429. An amount of \$175,000 was allocated to this tender.	\$106,339.20

Tender Number & Name	Description	List of Bidders (Successful Bidder Indicated in Bold)	Tender/Quote Price (Excludes HST)	Budget	Total Cost of Award (Including Applicable Net HST of 1.76%)
T2015-229 Podium Deck Rehabilitation 99 Regina Street South, Waterloo	Replace stone pavers with cast-in-place concrete surface which will eliminate potential trip hazards and reduce maintenance costs.	<b>Eagle Restoration Inc.</b> Ellis Don Brook Restoration Ltd. Heritage Restoration Inc. Birchcliff Construction Ltd.	\$105,000.00 \$105,500.00 \$114,450.00 \$135,000.00 \$180,000.00	The Region's 2015 Facilities Asset Renewal Capital Program included a budget of \$2,453,000 for PHSS 99 Regina Building Maintenance to be funded by debentures. At the time of award, \$1,475,000 had been spent or committed, leaving a balance of \$978,000. An amount of \$200,000 was allocated for this work.	\$106,848.00

Tender Number & Name	Description	List of Bidders (Successful Bidder Indicated in Bold)	Tender/Quote Price (Excludes HST)	Budget	Total Cost of Award (Including Applicable Net HST of 1.76%)
T2015-224 Waterloo Regional Police Service South Division Bathroom Renovations	Remove and replace all drainage piping associated with the men's locker room, bathrooms and showers.	<b>Ball Construction Ltd.</b> Ross & Anglin Ontario Ltd. James Kemp Construction Ltd.	\$168,860.00 \$208,800.00 \$223,548.00	The approved 2015 Region of Waterloo Police Services (WRPS) Capital Program included a budget of \$870,000 for Divisions Capital Renewal to be funded from debentures. At the time of award, \$145,000 had been spent or committed, leaving a balance of \$725,000. An amount of \$175,000 was allocated for the bathroom renovations.	\$171,831.93

Tender Number & Name	Description	List of Bidders (Successful Bidder Indicated in Bold)	Tender/Quote Price (Excludes HST)	Budget	Total Cost of Award (Including Applicable Net HST of 1.76%)
T2015-227 South Division Front Desk Renovation	Demolition and reconstruction of the front reception desk at WRPS South Division.	<b>Ross &amp; Anglin Ontario Limited</b> James Kemp Construction Limited Ball Construction Limited Bestco Construction (2005) Limited	\$214,600.00 \$217,769.00 \$237,500.00 \$265,197.00	The approved 2015 Waterloo Region Police Service Capital Program included a budget of \$870,000 for the South Division Front Desk Renovation to be funded from debentures. At the time of award, \$317,162 had been committed or spent, leaving a balance of \$552,838 to cover this tender.	\$218,376.96

Tender Number & Name	Description	List of Bidders (Successful Bidder Indicated in Bold)	Tender/Quote Price (Excludes HST)	Budget	Total Cost of Award (Including Applicable Net HST of 1.76%)
T2015-226 Butterfly Valve Procurement, Mannheim Water Treatment Plant	Replacement of aging valves.  Note: The old valves will be rehabilitated and held in storage for use as back-up.	<b>Floval Equipment Limited</b> Syntec Process Equipment Limited Conval Equipment Limited Devine & Associates Limited	\$171,062.00 \$179,922.00 \$190,140.00 \$419,522.00	The Region's approved 2015 Water Capital Program included a budget of \$3,350,000 in 2015 for Facilities Upgrade funded from the Water Reserve Fund (74%; \$2,479,000) and Regional Development Charges (26%; \$871,000). An amount of \$300,000 had been allocated for this project.	\$174,072.69

Tender Number & Name	Description	List of Bidders (Successful Bidder Indicated in Bold)	Tender/Quote Price (Excludes HST)	Budget	Total Cost of Award (Including Applicable Net HST of 1.76%)
T2015-211 Morningside Wastewater Pumping Station Upgrades	Supply, installation, testing and commissioning of a temporary pumping station by-pass system.	<b>Baseline Constructors Inc.</b> H2Ontario Inc. Stone Town Construction Ltd. Finnbilt General Contracting Ltd. W.A. Stephenson Mechanical Contractors Ltd. Xterra Construction Inc. MN Dynamic Construction Ltd. Christie Mechanical Contractors Ltd. BGL Contractors Corp. Facca Inc. Meehan's Industrial Ltd. Bestco Construction (2005) Ltd.	\$398,900.00 \$402,924.00 \$407,632.00 \$411,215.00 \$414,596.00 \$428,953.21 \$457,227.00 \$480,000.00 \$492,287.00 \$495,774.00 \$543,155.00 \$675,025.00	The Region's 2016 Wastewater Capital Program includes a budget of \$350,000 in 2016 and \$250,000 in 2017 for Sewage Pumping Stations Infrastructure Upgrades funded from the Wastewater Reserve Fund (74%; \$442,200) and Regional Development Charges (26%; \$157,800). An amount of \$470,000 has been allocated for this project.	\$405,920.64

## Appendix 2 – CAO Request for Proposal Awards (October 1, 2015 to December 31, 2015)

Proposal Number & Name	Description	List of Bidders (Successful Bidder Indicated in Bold)	Proposal Price (Excludes HST)	Budget	Total Cost of Award (Including Applicable Net HST of 1.76%)
P2015-18 Adult Continence Care Program	Provide program management and supply of adult continence products for the Adult Continence Care Program within Sunnyside Home Long Term Care Facility	<b>Cardinal Health Canada</b> Medical Mart The Steven Company Limited	\$124,826.00	The Region of Waterloo's approved 2015 operating budget for Sunnyside Home included a provision for continence supplies in the amount of \$158,464.	\$127,022.93

**Appendix 3 – CAO Request for Consultant Proposal Awards (October 1, 2015 to December 31, 2015)**

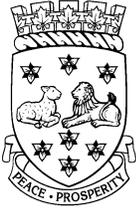
Proposal Number & Name	Description	List of Bidders (Successful Bidder Indicated in Bold)	Proposal Price (Excludes HST)	Budget	Total Cost of Award (Including Applicable Net HST of 1.76%)
C2015-29 Community Energy Investment Strategy for Waterloo Region	Development of an integrated Community Energy Investment Strategy to guide Waterloo Region to optimize its use of energy resources, improve energy security, achieve several economic development objectives, and reduce environmental impact.	<b>Indeco Strategic Consulting Inc.</b>  Golder Associates Inc.	\$141,530.00	The amended 2015 Community Planning Ten Year Capital Forecast included \$180,000 for the Community Investment Strategy (project #22037) to be funded \$10,000 from the 2015 operating budget, \$90,000 from the Province, \$30,000 from the three local cities and \$50,000 from the five local utility companies.	\$144,020.92

Proposal Number & Name	Description	List of Bidders (Successful Bidder Indicated in Bold)	Proposal Price (Excludes HST)	Budget	Total Cost of Award (Including Applicable Net HST of 1.76%)
C2015-16 Grand River Transit Business Plan 2016-2020	To map out the operating and capital resources required by GRT to continue the ridership growth trend that would meet the 2021 and 2031 Regional Transportation Master Plan	<b>WSP Canada In.</b> Dillon Consulting Limited MMM Group Limited  Note * Five (5) proposals were received and three (3) proposals were shortlisted and their price envelopes opened.	\$171,991.00	The Region's approved 2015 Transportation Capital Program included a budget of \$350,000 in 2015 and 2016 for Growth Related Studies to be funded from the Development Charge Reserve Fund (100%). Of this amount, \$200,000 has been committed to fund the work of this contract.	\$175,081.04

Proposal Number & Name	Description	List of Bidders (Successful Bidder Indicated in Bold)	Proposal Price (Excludes HST)	Budget	Total Cost of Award (Including Applicable Net HST of 1.76%)
C2015-10 Closed Woolwich Landfill Site Monitoring and Annual Reporting	Closed site monitoring and annual reporting for the closed Woolwich Landfill Site including environmental monitoring, coordination of analytical services, review and interpretation of results, preparation of communications and annual Report, and responses to any Ministry of Environment and Climate Change (MOECC) comments.	<b>WSP Canada Inc.</b> BluMetric Environmental Inc. Ch2M HILL Canada Limited. Englobe Corporation Exp Services Inc. GHD Limited Matrix Solutions Inc. MMM Group Limited Pinchin Ltd. Premier Environmental Services Inc. RWDI AIR Inc. Stantec Consulting Ltd. Terrapex Environmental Inc.	\$169,179.00	The 2015 Waste Management Operating Budget includes \$45,000 for the monitoring and annual reporting for the closed Woolwich Landfill Site. The 2015 Waste Management Capital Program includes a budget of \$1,134,000 in 2016 for capital works at all decommissioned sites, funded by debentures. An amount of \$175,000 has been allocated for the balance of this assignment as well as monitoring well installation to be completed in 2016.	\$172,156.55

Proposal Number & Name	Description	List of Bidders (Successful Bidder Indicated in Bold)	Proposal Price (Excludes HST)	Budget	Total Cost of Award (Including Applicable Net HST of 1.76%)
C2015-21 Wellesley Wastewater Treatment Plant Tertiary Filter Upgrades	To perform the necessary engineering requirements to replace the existing four (4) tertiary sand filters at the Wellesley WWTP with new cloth media filters.	<b>CH2M Hill Canada Ltd.</b> AECOM Canada Ltd. CIMA Canada Inc. Stantec Consulting Ltd.	\$109,683.00	The Region's approved Wastewater Capital Program includes a budget of \$1,000,000 in 2016 and \$575,000 in 2017 for Rural Infrastructure Upgrades funded from the Wastewater Reserve Fund (59%; \$929,000) and Regional Development Charges (41%; \$646,000). An amount of \$150,000 has been allocated for the tertiary filter upgrades. This work will be done in 2016 and 2017.	\$111,613.42

Proposal Number & Name	Description	List of Bidders (Successful Bidder Indicated in Bold)	Proposal Price (Excludes HST)	Budget	Total Cost of Award (Including Applicable Net HST of 1.76%)
C2015-23 St. Jacobs and Conestogo Wastewater Treatment Plant (WWTP) Supervisory Control and Data Acquisition (SCADA) Upgrades	Consulting Engineering Services for the Detailed Design, System Integration, Construction Inspection and Construction Administration.	<b>Next Level SCADA Inc. o/a NLS Engineering</b>  AECOM Canada Ltd.  Eramosa Engineering Inc.  Westin Inc.	\$266,112.00	The Region's 2016 Wastewater Capital Program includes a budget of \$3,520,000 in 2016 and \$2,790,000 in 2017 for SCADA System funded from the Wastewater Reserve Fund (74%; \$4,650,500) and Regional Development Charges (26%; \$1,659,500). An amount of \$500,000 has been allocated for this work.	\$270,795.57



**Report:** COR-FSD-16-04

## **Region of Waterloo**

### **Corporate Services Department**

### **Financial Services & Development Financing**

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**To:** Chair Sean Strickland and Members of the Administration and Finance Committee

**Date:** February 2, 2016

**File Code:** F05-00

**Subject:** Long-term Financial Sustainability Initiatives

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#### **Recommendation:**

For Information

#### **Summary:**

Staff are continually refining infrastructure financing plans for each iteration of the 10-year capital budget and forecast, and will be undertaking further work in 2016 to advance funding strategies in order to enhance the Region's long-term financial sustainability. Staff will be seeking Council approval during 2016 of certain financial policies and strategies to be used in the development of the 2017-2026 Capital Program. This report provides an overview of the following initiatives:

- Development Charges Background Study for Transit and Waste Diversion
- Annual Adequacy of RDC Collections Review and 2015 Regional Development Charge Transaction Report
- Capital Financing Principles
- Master Plans
- Reserve and Reserve Fund Policy Update
- Corporate Asset Management Program
- Optimization of Water Services Capital Program Delivery

The outcomes arising from these initiatives will be reflected in financing strategies for future capital programs.

**Report:**

The Region's 2016-2025 Capital Budget and Forecast, approved by Council in December 2015 (Water and Wastewater) and in January 2016 (Tax Supported Programs), anticipates expenditures totalling almost \$3.3 billion, as shown in the following table.

<b>2016-2025 Capital Expenditure (\$ millions)</b>	
Water and Wastewater	\$ 1,156.3
Transportation	937.3
Rapid Transit	365.3
Corporate Services Facilities and Fleet	240.5
Transit Services	222.9
Waste Management	128.3
Community Services (Housing, Children's, Seniors')	110.6
Planning, Development & Legislative Services	78.8
Other	24.1
<b>Total Expenditure</b>	<b>\$ 3,264.2</b>

The sources of funding available for the capital program are limited to property taxes, user rates, regional development charges (RDC) and grants/subsidies (when available). Financing of Regional funding sources can be from current year revenues, reserves/reserve funds, and long term borrowing. Just over one-third (approx. \$1 billion) of the Region's 2016-2025 capital program is planned to be debt-financed, with the resulting debt servicing costs to be funded by a combination of property taxes, user rates and development charges. Proposed funding and financing sources are set out in the table below.

<b>2016-2025 Sources of Funding and Financing (\$ millions)</b>	
Grants/Subsidies/Recoveries	\$ 505.5
Development Charges	
Reserve Funds	622.4
Debentures	391.9
Property Taxes	
Reserves	474.1
Debentures	591.3
Contributions from Operating	25.6
User Rates	
Reserves	539.2
Debentures	114.3
<b>Total Funding and Financing</b>	<b>\$ 3,264.2</b>

Staff are continuing to explore strategies to reduce the anticipated level of borrowing and ensure long-term financial sustainability and flexibility. Components of long-term financial

sustainability include the following:

- A diverse and robust economy;
- A mature and supportive institutional framework governing municipalities;
- Positive operating results over an extended period of time; and
- Strong governance and management practices

The Region has implemented a number of governance and management practices over the past few years to enhance long term financial sustainability, as set out in the following sections.

For the **2014 budget**, such initiatives included:

- Staff developed capital plan principles which set clear guidelines for staff to include projects in operating or capital budgets;
- Expenditures were realigned between operating and capital budgets;
- A detailed review was undertaken to ensure debt financing is used appropriately to finance tangible capital assets;
- Council approved an increased transfer to the Capital Levy Reserve Fund (\$750,000) to be used as a source of financing for capital projects that would not qualify for debt financing;
- A debt projection model was developed in order to provide a more accurate profile of projected debt outstanding and future debt requirements and debt servicing costs;
- Council approved a surplus allocation policy ensuring that 100% of any operating surplus is transferred to reserves.

The **2015 budget** development process included additional initiatives to further strengthen the Region's long-term financial sustainability including:

- Detailed analysis of capital plan affordability through in-depth capital plan reviews by senior staff;
- Council approved an increased transfer to the Capital Levy Reserve Fund (\$650,000) to be used as a source of financing for capital projects that would not qualify for debt financing;
- Council approved a new development charge by-law which increased the RDC rate and established a fixed end date for RDC exemptions in downtown core areas;
- Reallocation of debt servicing cost savings to reserve transfers to begin the transition from debt financing to reserve financing for Grand River Transit bus replacements;
- Reallocation of debt servicing cost savings to capital reserve transfers in order to work towards the ROW International Airport becoming debt free;
- Creation of a funding provision for building lifecycle projects in order to reduce reliance on long term borrowing for the Facilities Renewal Capital Program;

- Adjustments to vehicle reserve contributions to ensure long term vehicle replacement reserve sustainability.

Building on these fundamentals, work continued in the **2016 budget** with additional refinements to capital program development and monitoring including:

- Detailed reviews of capital programs with all departments that included the need, cost and timing of proposed capital works and the available and appropriate sources of capital financing. These reviews resulted in a reduction of long term borrowing of \$59.2 million in the 2016 capital budget [\$39.3 million for tax supported services (excl. police) and \$19.9 million for user rates];
- A detailed review of projected Regional Development Charge Reserve Fund balances was used to assess the 10-year affordability of growth-related capital works, resulting in adjustments to the timing of certain projects, interim financing being used to fund certain projects and debt financing being identified for the growth-related share of certain major projects;
- Council approved an increased transfer to the Capital Levy Reserve Fund (\$500,000) to be used as a source of financing for capital projects that would not qualify for debt financing;
- Staff submitted to Council the first Annual Adequacy of Regional Development Charge Collections Review;
- Continued progress regarding reserve financing of GRT bus replacements;
- A reworked Airport capital program designed to ensure appropriate investment in airport infrastructure without the issuance of debt, with the Airport to become debt free by 2022.

To continue to enhance the Region's overall financial sustainability, a number of initiatives (as described in the following sections) will be undertaken during 2016 and coming years, some of which will inform the 2017 budget process.

### **1. Development Charges Background Study for Transit and Waste Diversion**

RDCs are a key source of funding for growth-related capital works. Report COR-FSD-16-02 "Development Charges Act Amendments and Proposed Next Steps" was approved by Council on January 20, 2016, and as a result the Region will undertake a scoped Development Charges background study for transit and waste diversion in 2016. Staff is currently preparing a detailed work plan for this project. It is anticipated that the background study will be available for public review and comment over the summer of 2016, with the goal of having new development charges for transit and waste diversion in place in the fall of 2016. This will help to ensure that development pays a more appropriate share of growth related capital costs than is currently the case. Staff plan to undertake a full development charges background study (for all services) beginning in 2018, in anticipation of the current by-law expiring on July 31, 2019.

## 2. Annual Adequacy of RDC Collections Review and 2015 Regional Development Charge Transaction Report

Report COR-FSD-15-17 “Annual Adequacy of Regional Development Charge Collections Review” was submitted to Council in the fall of 2016 in response to lower than anticipated RDC collections to July 31, 2015. As part of the 2014 Development Charges by-law process, staff were directed to monitor RDC collections and capital program expenditures and report back annually on any shortfalls which may result to assist Council in determining the sufficiency of the rates established under the RDC by-law. In the Spring of 2016 staff will report back on the adequacy of 2015 RDC collections reflecting collections to December 31, 2015 and staff will also bring forward the RDC Transaction Report as required under the Development Charges Act. Through these reports staff will identify program areas for which RDC revenue does not match the capital expenditure requirement and any associated recommendations.

## 3. Capital Financing Principles

The lower than anticipated RDC collections prompted the formation of a staff working group that met several times in 2015 to develop strategies related to financing the growth-related portion of capital projects for inclusion in the 2016-2025 Capital Plan. A combination of project timing adjustments, interim financing and long term borrowing was put in place to ensure that the RDC Reserves maintain adequate balances. This group will continue to meet throughout 2016. Recommendations and proposed strategies from the working group relating to the 2017-2026 and future capital programs will be brought forward for Council’s consideration. Recommendations may include guidelines on the use of debt financing, modelling of the annual debt repayment limit under various scenarios, strategic reinvestment of debt charge savings and other financial strategies.

## 4. Master Plans

There are a number of program-specific master plans and business plans currently underway, as set out below.

Program Area	Expected Completion Date
Water Master Plan	Was completed in 2014
Grand River Transit Business Plan	June 2016
Paramedic Services Master Plan	Fall 2016
Airport Business Plan	Late 2016
Wastewater Master Plan	Fall 2017
Regional Transportation Master Plan	December 2017
Regional Accommodation Master Plan	Mid 2018
Development Charges Background Study	Before August 2019
Biosolids Master Plan	Winter 2019

These master plans, which form the basis of future capital programs, will include financial implications and projections of future capital investments, operating costs, long term borrowing requirements, reserve and reserve fund forecasts, and potential development charge implications. It is important to develop financing strategies as these master plans are being developed so they can be reflected in future capital budgets and Regional development charge background studies.

## **5. Reserve and Reserve Fund Policy Update**

Reserves and reserve funds are an important component of a prudent long term financing strategy. Adequate reserve balances allow municipalities to stabilize revenue and expenditure fluctuations, fund capital works, and respond quickly to opportunities such as new cost-shared infrastructure programs. Most Canadian municipalities rely on a mix of financing sources for capital spending, given the high upfront investment often required for infrastructure projects. The availability of reserves and reserve funds helps to limit debt increases and supports the expected continued rise in capital spending.

The Region's reserves are governed by By-law Number 12-011 "A By-law for the Establishment and Continuation of Reserve and Reserve Funds of the Regional Municipality of Waterloo." As previously reported, the Region has relatively low reserve and reserve fund balances relative to typical Regional comparators. While the Region has been conservative in terms of building up reserve balances, reserves are a key factor considered by credit rating agencies, particularly relative to levels of debt outstanding. And while there is no "right number" for reserve levels, regional reserve balances should be higher given the scope of regional operations, the extent of assets both in place (which will need to be replaced) and planned, debt levels and the magnitude of the Region's capital program.

Accordingly, staff will undertake a reserve and reserve fund policy update to support longer term capital planning and operational needs. This work will include a peer review of best practices and will recommend conditions under which each reserve can be used, appropriate target balances, sources of funding and related financing strategies. It is anticipated that work will be completed and brought forward for Council's consideration in late 2016.

## **6. Corporate Asset Management Program**

As set out in Report TES-15-03/COR-15-02 re: "Corporate Asset Management Strategy Project Update" the Region owns assets with a total replacement value of approximately \$5.5 billion covering a wide range of asset types. The Region will continue to develop its formal Corporate Asset Management Program including establishing an Asset Management Policy, submission to Council of an updated Asset Management Plan in 2016, and the implementation of centralized corporate work management and decision support systems. It is anticipated that the selection of a corporate Work Management System

(WMS) will be made shortly, while the professional support services to implement the WMS will be recommended for Council approval in mid-2016, with the implementation and integration of the system beginning thereafter. The availability of more detailed and sophisticated asset management plans will be reflected in more robust capital budget forecasts, which in turn will better inform future financing strategies.

## **7. Optimization of Water Services Capital Program Delivery**

Staff from Water Services, in conjunction with Design & Construction and Finance staff, has initiated a project to increase the accuracy and accountability of its capital program delivery. This work is being led by a local consultant that uses project management methodologies defined by the Construction Industry Institute (University of Texas, Austin) and the Project Management Institute. These two Institutes have worked with many large public and private organizations around the world to develop best practices for project delivery optimization and project management. The consultant will work with the staff to develop best practices that are specifically tailored to the needs of the Region. Some of the benefits from this project should be reflected in the preparation of the 2017 Water and Wastewater Capital Programs.

### **Concluding Comment**

Staff continue to work towards a more appropriate mix of funding sources (property taxes, development charges, and user rate revenues) and financing mechanisms (current year revenues, reserve and reserve funds, and long term borrowing) in order to enhance the long term sustainability of the Region's capital program. This is a long term continuous improvement exercise, and staff will report back at various times with recommendations and updates to Council

### **Corporate Strategic Plan:**

This report supports strategic objectives found in the Corporate Strategic Plan and particularly Focus Area 1.2 to plan for and provide the infrastructure and services necessary to create the foundation for economic success.

### **Financial Implications: Nil**

### **Other Department Consultations/Concurrence:**

Transportation and Environmental Services Department; Planning, Development and Legislative Services Department.

### **Attachments: Nil**

**Prepared By: Cathy Deschamps**, Director, Financial Services & Development Financing

**Approved By: Craig Dyer**, Commissioner, Corporate Services/Chief Financial Officer

<b>Council Enquiries and Requests for Information</b>				
<b>Administration and Finance Committee</b>				
<b>Meeting date</b>	<b>Requestor</b>	<b>Request</b>	<b>Assigned Department(s)</b>	<b>Anticipated Response Date</b>
24-Mar-15	T. Galloway	Report on options and impacts regarding blending Multi-Residential and New Multi-Residential property classes.	PDLS/COR (Finance)	Feb-2016
17-Nov-15	S. Strickland	Report on options related to collaboration between WRTMC and the local private sector, particularly with respect to a destination marketing fee.	PDLS (Cultural Services)	Apr-2016
1/13/2016 (Budget Committee)	D. Craig	Report listing of Regional programs that are provincially mandated with no additional provincial funding.	COR (Finance)	Sep-2016