

Staff Report



Financial Services Department

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REPORT TO: Finance and Corporate Services Committee

DATE OF MEETING: March 17, 2025

SUBMITTED BY: Katie Fischer, Director Financial Reporting & ERP Solutions, 519-904-9354

PREPARED BY: Katie Fischer, Director Financial Reporting & ERP Solutions, 519-904-9354

WARD(S) INVOLVED: All Wards

DATE OF REPORT: March 3, 2025

REPORT NO.: FIN-2025-088

SUBJECT: Surety Bonds Regulation

RECOMMENDATION:

That the housekeeping amendments required on the City's investment policy FIN-PLA-605, attached as Appendix A to staff report FIN-2025-088, be approved.

REPORT HIGHLIGHTS:

- The purpose of this report is to incorporate housekeeping amendments to the City's Investment Policy to reflect the new regulation associated with acceptance of surety bonds as securities under the Planning Act.
- This report supports the delivery of core services.

BACKGROUND:

On November 20, 2024, a new regulation *O. Reg. 461/24: Surety Bonds - Section 70.3.1 of the Act* came into force under the *Planning Act R.S.O. 1990, c. P.13*. This regulation provides land owners and those applying for planning approvals with the option of using surety bonds as securities required for development approvals.

REPORT:

Municipalities generally require securities as a condition of development approvals, such as part of a site plan or subdivision agreement, to ensure that monies to guarantee the installation of services will be available to the City when required. Traditionally, these securities were in the form of cash (via bank draft or certified cheque) or a letter of credit.

Surety bonds are a new security option that the City is required to accept for development approvals under the Planning Act. Under the new regulation, the surety bond will provide a guaranteed payment to the municipality if the developer defaults in performing an obligation

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guaranteed by the surety bond, within 15 business days after the municipality provides notice of default. Developers have indicated that surety bonds are more flexible and frees up capital, as compared to the traditional cash or letter of credit securities, which can thereby be used to build homes faster.

The City of Kitchener's Investment Policy FIN-PLA-605 provides the approved form of securities that the City accepts, as it relates to the City's risk exposure associated with financial institutions. This policy is therefore recommended to be amended to reflect the new form of security that the City is required to accept. Additionally, staff have noted an unintentional omission previously in the policy and have proposed to add in the language associated with accepting cash securities as is current practice. The amended policy, with proposed changes tracked (shown in red font colour), is attached in Appendix A.

STRATEGIC PLAN ALIGNMENT:

This report supports the delivery of core services.

FINANCIAL IMPLICATIONS:

Capital Budget – The recommendation has no impact on the Capital Budget.

Operating Budget – The recommendation has no impact on the Operating Budget.

COMMUNITY ENGAGEMENT:

INFORM – This report has been posted to the City's website with the agenda in advance of the council / committee meeting.

PREVIOUS REPORTS/AUTHORITIES:

- FIN-PLA-605 Investment Policy
- *Municipal Act, 2001, S.O. 2001, c.25*
- *Planning Act, R.S.O. 1990, c. P.13*

APPROVED BY: Jonathan Lautenbach, Chief Financial Officer

ATTACHMENTS:

Appendix A – FIN-PLA-605 Investment Policy