Policy GP-33 – Corporate Investment Policy

Governance Policy GP-33	**Section:** Corporate Services
Issue Date: July 22, 2025	**Approval Date:** July 22, 2025
Review Date:	**Initiating Department:** Finance

Purpose:

The Corporate Investment Policy establishes guidelines for the prudent management of the County's short- and medium- term investment portfolio. Investments within the short- and medium- term portfolio are the result of cash availability based on the timing difference of cash in- and outflows. The goals of this policy are to ensure compliance with legislation, ensure integrity of the investment management process and to establish annual reporting requirements to Council, which ensures transparent disclosure relating to municipal investments held.

Policy Statement:

The Corporation of Norfolk County strives for the optimum utilization of its cash resources within statutory limitations and the basic need to protect and preserve capital, while maintaining an adequate level of liquidity to meet ongoing financial requirements.

Scope:

This policy applies to all investments of the financial assets held by Norfolk County, including available operating cash flows, Reserves, Reserve Funds and Trust Funds; the only exclusion is for investments of the Legacy Fund, which are governed by provisions within a separate policy (GP-25, as amended).

The policy applies to all employees of Norfolk County responsible for the control, administration and management of the County's investment portfolio. The policy also applies to external advisors (i.e. investment managers, investment advisors and custodians).

Investment Objectives:

The primary objectives of the Investment Program, in order of priority, are:

1. Adherence to statutory requirements
    - All investment activities shall be made in line with Section 418 of the *Municipal Act, 2001* and *Ontario Regulation 438/97,* as amended.

2. Capital Preservation
    - Investments shall be undertaken in a manner that seeks to ensure the safety of principal in the overall portfolio. Staff shall endeavour to mitigate credit and interest rate risk.

3. Maintaining Liquidity
    - The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.

    - Since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets, or in investments which offer same-day liquidity.

    - In instances where cash flow is unpredictable, liquidity will be kept high in order to cope with unplanned events.

4. Earning a Competitive Rate of Return
    - The objective to realize a competitive rate of return means to assume only as much risk as the investment limitations permit in order to maximize returns. Security of principal will not be compromised in order to maximize returns.

    - The County shall maximize the rate of return earned on its portfolio by adopting an investment strategy that includes:

        1. Seeking competitive bids for investment products
        2. Seeking information and advice from financial sector professionals, including the County's investment management services provider
        3. Consulting with other municipalities regarding their investment strategies
        4. Constantly assessing market conditions relative to the County's need for cash

Investment Guidelines:

<u>Authorized Investments</u>

Authorized types of investments are restricted by Section 418 of the *Municipal Act, 2001* and *Ontario Regulation 438/97,* as amended. At the time of investment selection, criteria outlined within the following two sections of the policy must also be followed.

Limiting Credit and Interest Rate Risk

The municipality will minimize credit risk (risk of loss due to the failure of the security issuer) by:

- Limiting investments to safer types of securities
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the Municipality does business subject to the Treasurer's approval
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized

The County will minimize risk that the market value of securities in the portfolio will fall due to change in general interest rates by:

- Structuring the investment portfolio so that securities mature to meet ongoing cash flow requirements, thereby reducing the need to sell securities on the open market prior to maturity
- Investing operating funds primarily in shorter-term securities or approved investment pools
- Diversifying longer-term holdings to match term exposures to requirements of underlying Reserve Funds and to mitigate effects of interest rate volatility

Investment Limitations

To ensure maximum preservation of capital and proper portfolio diversification, the maximum exposure for each category of investment and each individual investment within a category is identified in the table below.

Category	Portfolio Limit	Individual Institution Limit
Federal Government – Canada	100%	100%
Provincial Governments	100%	100%
Municipal Governments		
Norfolk County	25%	100%
Other Canadian Municipalities & School Boards	25%	100%
Canadian Banks		
Major Chartered Banks*	90%	50%
Schedule I Banks (excluding Major Chartered Banks)	25%	50%
Schedule II Banks	25%	50%
Credit Unions (limited to 2 years in length)	25%	80%
One Fund Investment	15%	100%

Other (not specifically listed above, but compliant investment with *O. Reg 438/97*)	10%	80%

*Major Chartered Banks include: Canadian Imperial Bank of Commerce (CIBC), Toronto-Dominion Bank, Royal Bank of Canada, Bank of Nova Scotia, National Bank of Canada, and Bank of Montreal.

For clarity, the investment limit on the individual institution is to be applied to the portfolio limit to identify the eligible proportion of the portfolio for investment. (Example using the credit union category: the maximum investment in a particular credit union is limited to 20% of the total portfolio (calculated by portfolio limit 25% x individual limit 80%)).

Responsibilities:

<u>Treasurer Responsibilities and Delegated Authority</u>

The Treasurer has overall responsibility for the prudent investment of the County's portfolio. The Treasurer shall develop and maintain suitable procedures, which provide for effective control and management of the County's investments, consistent with this Policy.

Investment transactions shall be authorized by two of the following positions: Treasurer, Deputy Treasurer, Payables & Cash Management Analyst, or Mayor. No person may engage in an investment transaction except as provided under the terms of the Corporate Investment Policy and the procedures and policies established by the Treasurer.

The Treasurer shall review the Policy every 5 years, at minimum, to ensure continued effectiveness.

The Treasurer shall be authorized to enter into arrangements with banks, investment dealers/managers, custodians, brokers, and other financial institutions for the purchase, sale, redemption, issuance, transfer and safekeeping of securities in a manner that conforms to the *Municipal Act, 2001* and this Policy.

<u>Standards of Care</u>

All persons involved in the care and maintenance of the County's investments shall act with prudence and a high level of ethical conduct.

Prudence:

The Treasurer shall ensure that investments shall be made in accordance with the provisions this Policy exercising due diligence and care, under circumstances prevailing at the time the investment is being completed, considering the probable safety of the capital as well as the potential investment income to be derived.

County staff, involved with investment activities, acting in accordance with the provisions of this Policy and procedures and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risks or market price changes, provided any deviations from expectations are reported to the Treasurer in a timely fashion.

Ethics and Conflict of Interest:

Employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. Employees shall disclose to the Treasurer any material interests in financial institutions with which they conduct business and shall disclose any personal investment positions that could be related to performance of the investment portfolio. Employees involved with the investment process for the County shall not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the County.

Reporting Requirements:

O .Reg. 438/97 provides that the Treasurer shall submit an investment report to Council, at least annually, including the following:

- A statement about the performance of the portfolio of investments of the municipality during the period covered by the report

- A description of the estimated proportion of the total investments of a municipality that are invested in its own long-term and short-term securities to the total investment of the municipality and a description of the change since the previous report

- A statement by the Treasurer as to whether or not all investments were made in accordance with the investment policies and goals adopted by the municipality

- A record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale price of each security

- Such other information that Council may require or that, in the opinion of the Treasurer, should be included.