



POLICY FS-23: Corporate Investment Policy

Financial Services

Approval Date: September 10, 2013
Approval Authority: Municipal Act, 2001 and Ontario Regulation 438/97
Effective Date: September 10, 2013
Revision Date/s:

Purpose:

The Corporate Investment Policy establishes guidelines for the prudent management of the County's surplus funds and investment portfolio. The goals of this policy are to ensure compliance with legislation, ensure integrity of the investment management process and to establish a reporting practice to Council where, at least annually, a full disclosure of information relating to municipal held investments is provided.

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 of Norfolk County, including current, capital, Reserve Funds and Trust Funds. Investments of the Norfolk County Legacy Fund are dealt with in a separate policy and are not governed by provisions of the Corporate Investment Policy.

The policy applies to all employees of Norfolk County responsible for the control, administration and management of the County's surplus funds and 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 shall be:

- Adherence to Statutory Requirements
- Preservation of Capital
- Maintaining Liquidity
- Earning a Competitive Rate of Return

Adherence to Statutory Requirements

All investment activities shall be governed by the *Municipal Act* as amended. Investments, unless limited further by Council, will be those deemed eligible under O. Reg. 438/97 or as authorized by subsequent provincial regulations.

Preservation of Capital

Preservation of capital is an important objective of the Investment Program. 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.

Credit 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

Interest Rate Risk

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

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. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds. In instances where cash flow is unpredictable, liquidity will be kept high in order to cope with unplanned events.

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:

- Seeking competitive bids for investment products
- Seeking information and advice from financial sector professionals
- Consulting with other municipalities regarding their investment strategies
- Constantly assessing market conditions relative to the County's need for cash.

AUTHORITY

Authority to invest public funds is provided in the *Municipal Act, 2001 (Act)*, and *Ontario Regulations (O.Reg)* under the Act. The Act provides authority for the County to invest surplus funds in accordance with prescribed rules, to invest money through an agent and to enter into agreements to invest money jointly with other municipalities and prescribed bodies. The prescribed rules governing investments are contained in Ontario Regulation 438/97, a copy of which is provided as Attachment #1 to this policy.

The Act provides that management of the investment program of the municipality is delegated to the Treasurer. When operating within the rules of this policy, the Treasurer or his designate has full authority regarding all aspects of investments.

The amount of surplus funds available for deposit or investment will be determined in accordance with estimates of cash requirements on a day to day or weekly basis at the Treasurer's discretion. When investing is feasible, it shall be done only with the prior approval of the Treasurer or Treasurer's designate.

STANDARDS OF CARE

Prudence

The Treasurer shall ensure that investments shall be made in accordance with the provisions of the Corporate Investment 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 the Corporate Investment 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.

Delegation of Authority

The Treasurer has overall responsibility for the prudent investment of the County's portfolio. The Treasurer shall establish written procedures and policies for the operation of the investment program consistent with the Corporate Investment Policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. 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.

Safekeeping

For the most part, investment certificates are issued in electronic form and are held in specific accounts in the County's name with various investment dealers. In some instances the investment transaction may be represented by investment certificates, debentures or other documents representing the investment. The Treasurer shall ensure that written records of each transaction, including the dealer's name, investment particulars – rate, term, etc., – settlement tickets, correspondence, monthly statements and all investment certificates, debentures, or other documents representing the investment be maintained in a secure location. A list or inventory of all documentation will be maintained in an electronic format available for review by staff involved in investment activities.

AUTHORIZED INVESTMENTS

Authorized investments are as prescribed under O. Reg. 438/97, as amended from time to time, a copy of which is provided as Attachment #1 to this policy. In addition, the County further restricts investments to:

- Bonds, debentures, or other evidences of indebtedness guaranteed by:
 - Canada and all provinces and territories of Canada
 - Agencies of Canada and all provinces and territories of Canada
 - Municipalities in Canada, including Norfolk County
 - A country other than Canada
 - School Board or similar entity in Canada
 - Local Board as defined in the *Municipal Affairs Act*
 - Conservation Authority established under *Conservation Authorities Act*
 - Municipal Finance Authority of BC, Infrastructure Ontario

- Deposits, receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments issued guaranteed or endorsed by:
 - a bank listed in Schedule I or II to the *Bank Act* (Canada),
 - a loan corporation or trust corporation registered under the *Loan and Trust Corporations Act*, or
 - a credit union or league to which the *Credit Unions and Caisses Populaires Act, 1994* applies.
- Bonds, debentures, promissory notes or other evidence of indebtedness issued by or guaranteed by any bank in Schedule I or II of the *Bank Act*
- The Money Market Fund, the Bond Fund, the Corporate Bond Fund and the Equity Fund, operated by the *One Investment Program*.

In accordance with the provisions of *O. Reg. 438/97*, all authorized investments must meet or exceed the minimum credit ratings and must be expressed or payable in Canadian dollars.

Banking Arrangements

To facilitate movement of investment funds to and from different banks and financial institutions there is a requirement to open special purpose bank accounts designated for investment purposes. Typically these transfers to and from the bank/institution would be via wire transfer; however the transfer could also be made by direct deposit of funds into these special purpose bank accounts.

These accounts are designated as for investment transactions only and are not to be used for the County's day-to-day banking requirements. Authorization requirements for these special purpose accounts vary from one institution to another.

The Treasurer is authorized to establish such special purpose accounts as required by the particular financial institution. A report to Council authorizing the account is not required, however each time a resolution about banking is required with another institution, a resolution be presented directly to Council to authorize banking arrangements, providing that such arrangements are similar to those for other financial institutions.

If, in the opinion of the Treasurer, the requirements for the new institution are sufficiently different from other existing special account requirements a report will be presented to Council outlining the differences and seeking Council approval.

REPORTING

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, for example:
 - Listing of individual securities held at the end of the reporting period
 - Listing of investment by maturity
 - Percentage of total portfolio which each type of investment represents

Attachment

Municipal Act, 2001 Ontario Regulation 438/97

http://www.e-laws.gov.on.ca/html/regs/english/elaws_regs_970438_e.htm