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**Title: Investments**

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**Department/Division:** Corporate Services/Revenue

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**Purpose**

1. The purpose of this policy is to ensure the prudent management of the City's surplus funds and investment portfolio.

**Scope**

2. This policy applies to all investments of Revenue Funds, Reserves and Reserve Funds.

**Definitions**

3. For the purposes of this policy,  
"City" means The Corporation of the City of Owen Sound;  
"Municipal Act" means the *Municipal Act, 2001*, S.O. 2001, c. 25;  
"Reserve Funds" means funds that have been set aside by either by-law or by requirement of provincial legislation to meet a future event. As a result, funds are either "discretionary" being those created by Council or "statutory" being those set up by virtue of a requirement of provincial statute. Municipal Council may set up reserve funds for any propose from which they have the authority to spend money ;  
"Reserves" means an appropriation from net revenue at the discretion of Council, after the provision for all known expenditures. It has no reference to any specific asset and does not require the physical segregation of money or assets as in the case of a reserve fund ;  
"Revenue Funds" means cash on hand in excess of existing liabilities that otherwise relate to operating balances, accounts payable, deposits on hand or accumulated surpluses.

## **Policy**

### **Authority**

4. The City has the power to invest under section 418 of the Municipal Act and only in those securities prescribed under O. Reg. 438/97.

### **Goals**

5. The assets of the City shall be invested and reinvested to:
  - a. achieve the preservation of the capital in the overall portfolio;
  - b. allow the City to remain sufficiently liquid to meet all operating or cash flow requirements and to minimize temporary borrowing requirements;
  - c. obtain a competitive rate of return to maximize the return earned on the City's portfolio by seeking competitive bids for investment products, seeking information and advice from financial sector professionals and assessing the market conditions relative to the City's need for cash.

### **Canadian currency**

6. The City shall invest only in securities that are expressed or payable in Canadian dollars.

### **Authorized Investments**

7. The following are authorized investments:
  - a. bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by:
    - i. the Government of Canada;
    - ii. a Province or Territory of Canada;
    - iii. a municipality in Canada;
    - iv. a school board in Canada;
    - v. the Ontario Strategic Infrastructure Financing Authority;
    - vi. the Municipal Finance Authority of British Columbia;
    - vii. a non-profit housing corporation incorporated under section 13 of the *Housing Development Act*, R.S.O 1990, c. H.18; and

- viii. a local housing corporation as defined in section 2 of the *Social Housing Reform Act, 2000, S.O. 2000, c. 27*;
  - b. bonds, debentures, deposit receipts, deposit notes, certificates of deposit or investment, acceptances of similar instruments issued, guaranteed or endorsed by:
    - i. a bank listed in Schedule I or II to the *Bank Act, S.C. 1991, c. 46*;
    - ii. a loan corporation or trust corporation registered under the Loan and Trust Corporation Act, R.S.O. 1990, c. L.25; or
    - iii. a credit union or league to which the *Credit Unions and Caisses Populaires Act, 1994, S.O. 1994, c. 11* applies; and
  - c. the Money Market Fund and Bond Fund administered by the Local Authority Services Limited (One Investment).
8. All authorized investments must meet or exceed the minimum credit ratings as detailed in Authorized Investments and Sector Limitations found in Appendix 'A' to this policy and are to be used in conjunction with the Portfolio Term Limitations as detailed in Appendix 'B' to this policy.

### **Authority to Make Investments**

9. The Treasurer is authorized to:
- a. invest surplus funds of the City in accordance with section 418 of the Municipal Act, O. Reg. 438/97 and this policy;
  - b. enter into arrangements with banks, investment dealers and brokers, and other financial institutions for the purchase, sale redemption, issuance, transfer and safekeeping of securities;
  - c. execute and sign documents on behalf of the City along with the Deputy Treasurer, and or the Mayor;
  - d. designate certain City staff to carry out the day-to-day management of the investment program; and
  - e. perform all other related acts in the day-to-day management of the investment program.

## **Controls**

10. The Treasurer is responsible for the development and maintenance of suitable procedures to provide for effective control and management of investments. These procedures shall include that:
  - a. the Treasurer designates all persons authorized to enter into investment transactions on behalf of the City;
  - b. all cash management transactions shall be recorded and interest earnings distributed to the various funds, as the case may be, in accordance with City policies and generally accepted accounting practices for Ontario municipalities;
  - c. annual reviews shall be carried out to determine whether or not the investment guidelines provided by this policy are being followed and to evaluate the adequacy of internal controls; and
  - d. in the event that the rating of an investment held by the City falls below the minimum requirements set out in Appendix "A", the Treasurer shall create a workout plan that includes an expected timeline for disposing of the downgraded investment and then disposing of it in accordance with the plan. This could involve the City selling the investment prior to maturity or allowing the investment to mature. The plan shall utilize information and/or advice provided by the City's financial advisors and shall take into consideration current market conditions, the time horizon of the City, the remaining tenure of the investment, the credit risk of the investment, as well as the current market value and book value of the investment.

## **Reporting**

11. The Treasurer shall prepare and provide to Council each year an investment report. The investment report shall contain:
  - a. a statement about the performance of the portfolio of investments of the municipality during the period covered by the report;
  - b. 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, if any, in that estimated proportion since the previous report;
  - c. a statement by the Treasurer as to whether or not, in their opinion, all investments were made in accordance with this Policy;

- d. 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; and
- e. such other information that Council may require or that, in the opinion of the Treasurer, should be included.

**Related Policies & Legislation:**

**Internal**

- 12. N/A

**External**

- 13. The Municipal Act.
- 14. O. Reg. 438/97.

**Appendices:**

- 15. Appendix 'A' – Authorized Investments and Sector Limits
- 16. Appendix 'B' – Portfolio Term Limitations

**Revision History:**

<b>By-law Number</b>	<b>Date</b>
2022-088	July 25, 2022

## Appendix 'A' to Policy No. FS09

### Authorized Investments and Sector Limitations

Issuer	Minimum Credit Rating *		Sector/Credit Exposure Limitation (Maximum Portfolio Limit)	Sector Term Limitation (Maximum Portfolio Limit)
	Bond Market	Money Market		
(A)	(B)	(C)	(D)	(F)
Government of Canada or their Agencies	N/A	N/A	100%	15 years
Provinces or their Agencies	N/A	N/A	75%	15 years
Canadian Municipalities and School Boards	AAA		50%	10 years
	AA		25%	10 years
	A		10%	5 years
Municipal Investment Pools (LAS - ONE Investments)			50%	n/a
Schedule I Banks and guarantees: CIBC, Bank of Montreal, Bank of Nova Scotia, National Bank of Canada, Royal Bank of Canada, Toronto-Dominion Bank	AA(low)	R1 mid	75%	10 years
	A(low)**	R1 low	25%	5 years
Other Schedule I Banks**	AA(low)	R1 mid	15%	5 years
	A(low)**	R1 low	5%	5 years
Schedule II Banks and guarantees	A(low)**	R1 mid	5%	5 years
Loan or trust corporations	AA(low)	R1 mid	5%	5 year
Credit unions			5%	1 year
Municipal Finance Authority of British Columbia	A(low)	R1 mid	5%	15 Years
Non-Profit or Local Housing Corporation	AA(low)			

\* Ratings based on DBRS, Moody's or Standard & Poor's

\*\* 2 year minimum term for bond, debenture, promissory note or other evidence of indebtedness with a credit rating between A(low) and A(high)

## Appendix 'B' to Policy No. FS09

### Portfolio Term Limitations

<b>Term Limitation</b>	<b>Percentage</b>	
	<b>Minimum</b>	<b>Maximum</b>
Less than 90 days	20%	100%
Less than 1 year	30%	100%
From 1 year up to, but not including 5 years	0%	60%
From 5 years up to, but not including 10 years	0%	40%
From 10 years up to 20 years	0%	20%