



FINANCE DEPARTMENT
Policy #5-003: Investment Policy

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POLICY STATEMENT

This policy, to be referred to as the "Investment Policy", shall govern the investment activities of the Town of Tillsonburg operating account, its trust accounts, reserves and reserve funds. It shall be administered by the Finance Department, and comes into force and effect on the date adopted.

PURPOSE

The purpose of this policy is to maximize investment income at a minimal risk to capital. Accordingly, the emphasis for investments is security first, liquidity second, and third, overall yield. The purpose of this policy is to ensure integrity of the investment management process and to establish a reporting structure.

AUTHORITY

Section 418 of the *Municipal Act, 2001*, *Ontario Regulation 438/97*, and *Ontario Regulation 43/18*, are the legislative authority for the investment guidelines of municipal funds.

A summary of the pertinent legislative guidelines as it applies to the Town's eligible investment portfolio is as follows:

1. Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by Canada or a province or territory of Canada or an agency of Canada;
2. Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by a municipality in Canada including the municipality making the investment, a school board in Canada, a local board as defined in the *Municipal Affairs Act*, and the *Municipal Finance Authority of British Columbia*;

3. Deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments, bonds, debentures or evidence of long-term indebtedness issued or guaranteed, by a bank (as listed in Schedule I, II or III to the Bank Act), a loan corporation or trust corporation (that is 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.

Earnings from the combined investment shall be credited to the fund from which they originated in proportion to the amount invested.

Signing Authority:

Investments made by the Town are settled by cheque requisition or by Electronic Funds Transfer with prior approval by the Treasurer (Deputy Treasurer).

Reporting:

The Treasurer shall provide an annual investment report that details the status of current investments.

Responsibility:

Investment decisions are delegated to the Treasurer. The Treasurer or the designate enters into arrangements with banks and other financial institutions for the purchase, sale, redemption, transfer, issuance, transfer and safekeeping of investments.

POLICY**Investment Policy Objectives:***Minimization of Credit Risk*

Meeting the first objective forces the adoption of a defensive policy to minimize the risk of incurring a capital loss and of preserving the value of the invested principal. This is accomplished by investing in properly rated financial instruments.

Maintenance of Liquidity

The term liquidity implies a high degree of marketability and a high level of price stability. A proportionate ratio of short and medium term maturities are maintained so as to meet the known funding requirements of the Town.

Rate of Return

Investment yields can only be sought within the boundaries set by the two foregoing objectives. Yields will fluctuate by institution as per individual credit ratings (greater risk confirmed by a lower credit rating). For example an instrument of a small trust company would in many cases

have a slighter higher yield than a major bank and conversely a small Province would have a higher yield than a large Province.

Eligible Investment Institutions

Eligible investment institutions are limited to those restricted to provide minimum risk as follows:

1. Investments issued or guaranteed by the Government of Canada, province or territory of Canada, including an agency of Canada or a province or territory of Canada, a school board or similar entity in Canada, or a local board as defined in the Municipal Affairs Act.
2. Investments issued or guaranteed by a municipality in Canada, including the Municipal Finance Authority of British Columbia.
3. Bonds, debentures or evidence of long-term indebtedness issued or guaranteed by a bank (as listed in Schedule I or II of the Bank Act), by a loan or trust corporation (which is registered under the Loan and Trust Corporations Act), subject to a minimum Dominion Bond Rating Service (DBRS) rating of "AA low", Moody's Investor Services Inc. of "Aa3" or Standard and Poor's of "AA-" as it applies under paragraph 3.1 or 4.1 of section 2 of *O. Reg. 43/18*.
4. Deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments the terms of which provide that the principal and interest shall be fully repaid no later than two years after the day the investment was made.
5. Bonds, debentures or other evidence of long-term indebtedness issued or guaranteed, by a bank (as listed in Schedule I or II to the Bank Act), a loan corporation or trust corporation (that is registered under the Loan and Trust Corporations Act).
6. Deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments, the terms of which provide that the principal and interest shall be fully repaid more than two years after the day the investment was made if the receipt, note, certificate or instrument was issued, guaranteed or endorsed by a credit union or league to which the Credit Unions and Caisses Populaires Act, 1994 applies provided that the required financial indicators are met by the credit union or league.

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. These accounts are designated for investment transactions only and are not to be used for the Town's day-to-day banking requirements.

Authorization requirements for these special purpose accounts vary from one institution to another. The Treasurer (Deputy Treasurer) and Mayor (Deputy Mayor) are authorized to establish such special purpose accounts as required by the particular financial institution. A

report to Council authorizing the account is not required 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.