

Department:	Finance and Accounting	Policy Number:	F12-0500-15
Section:		Effective Date:	April 13, 2015
Subject:	Investment Policy	Revised Date:	
Authority:	By-Law 2015-028, Section 418 of the Municipal Act, R.S.O. 1990 Ontario Regulation 438/97		

Purpose:

To govern the investment of surplus cash, reserves, and reserve funds of the Corporation of the Municipality of Brockton in accordance with Section 418 of the Municipal Act, 2001 and Ontario Regulation 438/97. The objective is to invest all available funds in a prudent and lawful manner to:

- Maximize return on investment,
- Minimize risk exposure, and
- Maintain adequate liquidity.

Definitions:

1. **Chief Financial Officer (CFO)** - the statutory Treasurer under Section 286 of the Municipal Act, is responsible for managing all financial affairs of the municipality, including budgeting, accounting, financial reporting, revenue collection, and ensuring compliance with applicable legislation and Council directives.
2. **Council** - means the Council of the Municipality of Brockton
3. **Diversification** - a process of investing assets among a range of security types by sector, maturity, and quality rating
4. **Duration** - a measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates
5. **Interest Rate Risk** - the risk associated with declines or rises in interest rates that cause an investment in fixed-income security to increase or decrease in value.
6. **Investment Portfolio** – a collection of financial investments that are held to achieve a specific goal.
7. **Liquidity** – a measure of an asset’s convertibility to cash.

- 8. Municipal Act** – the Municipal Act, 2001, S.O. 2001, c. 25.
- 9. Municipality** – The Corporation of the Municipality of Brockton
- 10. Reserves** - Monies set aside by approval of Council (either by Council resolution or budget adoption) and not restricted by legislation. Reserves can be related to projects that are of a nature prescribed and managed by approval of Council.
- 11. Reserve Funds** - Monies set aside for a specific purpose as required by provincial legislation, a municipal by-law, or agreement. There are two types of reserve funds, discretionary reserve funds and obligatory reserve funds.
 - a) *Obligatory Reserve Fund* – Monies set aside and legally restricted by provincial legislation, corporate agreement, or municipal by-law establishing a specific restricted fund. The funds are raised for a specific purpose and cannot be used for any other purpose. The main Obligatory Reserve Funds are the Development Charges Reserve Funds and Canada Community Building Fund Reserve Funds.
 - b) *Discretionary Reserve Fund* – Monies set aside for a specific purpose by Council and legislated by municipal by-law.
- 12. Revenue Funds** – Cash on hand in excess of existing liabilities that otherwise relate to operating balances, accounts payable, deposits on hand, or accumulated surpluses.
- 13. Schedule I Banks** – Domestic banks that are authorized under the *Bank Act* (SC 1991, c. 46) to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation.
- 14. Schedule II Banks** – Foreign bank subsidiaries authorized under the *Bank Act* (SC 1991, c. 46) to accept deposits, which may be eligible for deposit insurance provided by the Canada Deposit and Insurance Corporation. Foreign bank subsidiaries are controlled by eligible foreign institutions.

Policy:

1. Determination of Funds

The CFO shall determine the amount of surplus funds available for investment and the expected duration of availability.

The assets of the Municipality shall be invested and reinvested in consideration of the following:

- a) Ensure the preservation of the capital in the overall portfolio.
- b) Maintain sufficient liquidity to meet all daily operating or cash flow requirements and to minimize temporary borrowing requirements.
- c) Obtain a competitive rate of return to maximize the return earned on its portfolio by seeking competitive bids for investment products, seeking information and advice from the financial sector professionals and to assess the market conditions relative to the Municipality's need for cash.

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

2. Eligible Investments

Investments shall only be made in securities permitted under Ontario Regulation 438/97, including but not limited to:

- Bonds, debentures, or promissory notes issued or guaranteed by the Government of Canada, a province, or a municipality in Canada.
- Securities issued by agencies such as the Ontario Infrastructure and Lands Corporation.
- Deposit instruments issued by banks listed in Schedules I, II, or III of the Bank Act (Canada), provided they mature within two years.
- Other instruments as prescribed under the Regulation

3. Investment Institutions

The Municipality may use the services of financial institutions such as CIBC, BMO Nesbitt Burns, ONE Investment, or others that comply with the Regulation.

4. Investment Process

- a. The CFO is responsible for the development and maintenance of suitable procedures to provide for effective control and management of investments. These procedures include:
 - i. The CFO designates all persons authorized to enter into investment transactions on behalf of the Municipality of Brockton.
 - ii. All cash management transactions are recorded and interest earnings distributed to the various funds, as the case may be, in accordance with the Municipalities policies and generally accepted accounting practices for Ontario municipalities.
- b. Annual reviews are to 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.

5. Prudent Investment Standard

The CFO shall ensure that all investments adhere to the prudent investor standard, where applicable, and that the Municipality's investment policy and plan are consistent with the requirements under Part II of Ontario Regulation 438/97, if the Municipality opts into the prudent investor regime.

Reporting:

The Chief Financial Officer (CFO) shall prepare an annual investment report to Council, which must include:

- A list of all investments held,
- A performance summary of each investment,

- Confirmation of compliance with the investment policy and Regulation,
- Any inconsistencies and actions taken to address them, as required under Section 8.1 of the Regulation