



POLICY AND GUIDELINES FOR INVESTMENT OF SURPLUS CASH

POLICY

This statement of Investment Policies and Goals is intended to direct the investment of surplus cash, Trust Funds, Reserve and Reserve Funds of the Corporation of the United Townships of Head, Clara & Maria in accordance with the requirements of the *Municipal Act*, 2001, S.O. 2001 c.25 and Ontario Regulation 438/97, as amended by Bill 130, the *Municipal Statute Law Amendment Act*, 2006 (O. Reg. 607/06).

PURPOSE

The goal of the investment policy shall be to set out the guiding principles and establish a statement of the investment policies and goals for the purpose of investing public funds while meeting the related statutory requirements.

LEGISLATIVE AND ADMINISTRATIVE AUTHORITIES

Section 418 of the *Municipal Act*, 2001 and Ontario Regulation 438/97, Eligible Investments and Related Financial Agreements, as amended

GUIDELINES

The investment powers of the Corporation of the United Townships of Head, Clara & Maria are delegated to the Treasurer as per S.418(5) of the *Municipal Act*, 2001, S.O. 2001 c.25.

The Treasurer shall only invest surplus monies in investments authorized by Ontario Regulation 438/97, as amended.

When investing surplus monies, the Treasurer shall do so in a prudent manner that ensures the preservation of capital and maintains the liquidity of the Corporation. To this end, portfolio diversification shall be employed when possible.

The Treasurer shall obtain legal and financial advice on an investment when the Treasurer, or Council, deems it to be appropriate.

The Treasurer shall report annually to Council on investment activities as per the requirements of Ontario Regulation 438/97, as amended.

GUIDING PRINCIPLES

The municipality shall adhere to the following guiding principles in the consideration, purchase, disposal and administration of any municipality held investments:

- a) Adhere to statutory requirements
- b) Preservation of capital
- c) Liquidity
- d) Diversification
- e) Yield

Adhere to Statutory Requirements

All investment activities shall be in compliance with the relevant sections of any applicable legislation and related regulations.

Preservation of Capital

Safety of principal is a primary objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating or cash flow requirements and limit temporary borrowing requirements. Furthermore, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets. A portion of the portfolio may also be placed in local government investment pools that offer liquidity for short-term funds.

Diversification

The portfolio shall be diversified by asset class, issuer type, credit rating and by term to the extent possible, given legal and regulatory constraints.

Yield

The municipality shall maximize the net rate of return earned on the investment portfolio, without compromising the other objectives listed previously. Investments are generally limited to relatively low risk securities in anticipation of earning a fair return relative to the assumed risk.

Prudence

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, direction and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived.

Authorized employees acting in accordance with this policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes.

Safekeeping & Custody

The Custodian services are to be provided by a designated Custodian.

Eligible Investments

In accordance with Ontario's Eligible Investments and Related Financial Agreements Regulation, the municipality is not authorized to invest in securities other than those listed in the Regulation.

Reporting

The Treasurer or designate shall submit an annual investment report to Council, together with the annual audited municipality financial statements. The investment report should include the following:

- a) A listing of investment portfolios held at the end of the reporting period;
- b) A statement about the performance of the portfolio of investments of the municipality during the period covered by the report;
- c) A statement by the Treasurer or designate as to whether or not, in his or her opinion, all investments were made in accordance with the investment policies and goals adopted by the municipality;
- d) A record of the date of each portfolio transaction;
- e) Such other information that the Council may require or that, in the opinion of the
- f) Treasurer or designate, should be included.

Performance Benchmarks

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return throughout budgetary and economic cycles that is commensurate with the investment risk constraints and cash flow needs of the municipality. Market yields should be higher than the rate given by the municipality's bank for the various bank accounts.

Market Value

The market value of the portfolio shall be calculated at least annually as at December 31st.

Signing Authority

Transactions related to investments made by the municipality require staff approval by the Treasurer or designate. In the absence of that individual, staff approval may be given by the Deputy Treasurer or the CAO.

Decision making authority for investment transactions may be delegated by the municipality directly to an Investment Manager, following an independent and competitive bidding process, to the extent that the Treasurer provides that Investment Manager with funds to invest and manage on behalf of the municipality.

Maximum Maturities

To the extent possible, the municipality shall attempt to match investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the municipality will not directly invest in securities maturing more than ten (10) years from the date of purchase.

Reserve and Trust funds with longer-term horizons may be invested in securities exceeding ten (10) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

Responsibilities

CAO

- Obtain adequate insurance coverage to guard against any losses that may occur due to misappropriation, theft, or other unscrupulous acts of fraud with respect to the municipality's financial assets.

Treasurer or designate

- Enters into arrangements with Investment Managers;
- Executes and signs documents on behalf of the municipality and performs all other related acts in the day to day operation of the investment and cash management program; and
- Develops and maintains all necessary operating procedures for effective control and management of the investment function and reasonable assurance that the municipality's investments are properly managed and adequately protected.

Investment Manager(s)

- Allocates assets and selects securities or investments within such classes, in accordance with established investment policy;
- Provides regular reports (quarterly, at a minimum) to Administration, which include the performance and risk characteristics of the municipality's Investment Portfolio and meets with Administration and / or Council as required;
- Recommends changes to established investment policy that are deemed appropriate;
- Provides advice and counsel with respect to the Investment Portfolio; and
- May also act as Custodian.

Custodian

- Provides safekeeping of the Investment Assets;
- Processes transactions as directed by the Investment Manager(s) and / or the municipality;
- Collects interest, dividends and the proceeds of cash equivalent and fixed income instrument maturities;
- Deposits funds and pays expenses as directed by the municipality;
- Maintains a record of all transactions; and
- Provides regular (monthly at a minimum) reports to the municipality.