



## POLICY No. 2001-11

# Cash Management and Investments Policy

<b>Originating Department</b>	CS-FI-03-2001		
<b>SMT Approval:</b>	N/A		
<b>Council in Committee:</b>	2001-03-26	<b>Recommendation #:</b>	8
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<b>Revision History:</b>	<a href="#">Click here for revision history</a>		

### 1. PURPOSE

A policy to define the scope and responsibility of staff to provide protection of the financial assets of the Corporation of Haldimand County and to allow for preservation of capital while maximizing the financial returns of our available portfolio.

### 2. OBJECTIVES

This policy has been designed to provide an effective framework for optimal utilization of cash resources of the Corporation of Haldimand County with the statutory limitations and the basic need to protect and preserve capital while maintaining solvency and liquidity to meet on-going finance requirements.

Therefore, the basic objectives of the investment policy shall, in order of priority, be as follows:

- a) Adherence to statutory requirements;
- b) Preservation of principal;
- c) Ensuring availability of cash to meet disbursements and other obligations;
- d) Maintenance of liquidity;
- e) Diversification of investment portfolio;
- f) Competitive return on investments commensurate with constraints in (a) to (e) above;
- g) Regular review of the effectiveness of the policy in meeting the above objectives; and
- h) Periodic audit of the investment program to ensure adherence to the policy.

### 3. POLICY

#### 1.0 LEGAL AUTHORITY

This policy is based on the authority for investments provided under Section 418 of the Municipal Act and accompanying Ontario Regulation 438/97, as amended.

#### 2.0 PERMITTED INVESTMENTS

Authorized investments are as prescribed under O. Reg. 438/97, as amended from time to time. Pursuant to this regulation, the Corporation of Haldimand County may invest in and only invest in securities issued by the following borrowers, and/or unconditionally guaranteed by them as to principal and interest, subject to the restrictions, limitations and terms provided for in this policy:

- a) Government of Canada
- b) Government of a Province of Canada
- c) A regional or local municipality in Ontario
- d) A municipality in any of the other provinces of Canada
- e) School Boards and conservation Authorities and other local bodies in Canada
- f) Canadian Chartered Banks listed in Schedule I on II of the Bank Act
- g) Trust Companies or Loan Corporations registered under the Trust or Loan Corporations Act (Section 169 (2)(a)(ii) of the Municipal Act)
- h) Investments eligible under the Trustee Act
- i) Joint Municipal Investment pools permitted under the Municipal Act
- j) Credit Union or League to which the Credit Union and Caisse Populaires Act applies
- k) All eligible investments offered under the One Investment Program as outlined in an agreement with the Local Authority Services Limited and the CHUMS Financing Corporation.

#### 3.0 INVESTMENT QUALITY RESTRICTIONS

- a) The Corporation of Haldimand County shall not invest in a security offered by a borrower with a bond rating lower than "A" whether it be a Province of Canada or a Municipality in Canada or a constituent municipality(s) in case of Regions, and its local boards and agencies, e.g.: a Conservation Authority, School Board or other local body.
- b) Trust Companies and Loan Corporations must qualify according to the criteria established under the Trustee Act
- c) The Corporation of Haldimand County will not invest in securities of a utility with a bond rating lower than "A" and must qualify according to the criteria established under the Trustee Act.
- d) The Corporation of Haldimand County shall not invest in a security issued or guaranteed by a country other than Canada unless the Country's long-term debt obligations are rated at the time the investment is made.

- i) by Canadian Bond Rating Services Ltd. as “AA” – or higher;
  - ii) by Dominion Bond Rating Services Ltd. as “AA(low)” or higher;
  - iii) by Moody’s Investors Services Inc. as “Aa3” or higher; or
  - iv) by Standard and Poor’s Inc. as “AA-” or higher
- e) The Corporation of Haldimand County shall not invest in securities issued or guaranteed by itself if that would result in the outstanding principal of the municipality’s investments in its own securities exceeding 25 per cent of the outstanding principal of all securities or guarantees by the municipality.
- f) The Corporation of Haldimand County shall not invest in a security that is expressed or payable in any currency other than Canadian dollars

#### 4.0 TERM AND PORTFOLIO MIX

- a) There shall be no term restrictions on securities offered or unconditionally guaranteed by Government of Canada, a Province of Canada, municipalities, major chartered banks or a utility or a municipal pool (including the One Investment Program).
- b) Term shall not exceed one year for all the Canadian chartered banks, and municipal boards and agencies.
- c) Term shall not exceed two months for all trust and loan companies.
- d) In order to ensure maximum preservation of capital and proper portfolio diversification, the maximum exposure for each category of investment, as provided for in section 2.0, and each individual investment within a category is identified in Appendix 1 to this policy. Furthermore, the ranges and target percentages of asset mix within the County’s overall portfolio are as follows:

<b>Asset Class</b>	<b>Min</b>	<b>Target</b>	<b>Max</b>
<b>Cash</b>	<b>1.25%</b>	<b>3.75%</b>	<b>25.00%</b>
Canadian Fixed Income	38.75%	50.75%	70.00%
<b>Total Fixed Income</b>	<b>40.00%</b>	<b>52.00%</b>	<b>75.00%</b>
<b>Growth/Equity</b>	<b>25.00%</b>	<b>48.00%</b>	<b>60.00%</b>

#### 5.0 TRUST ACCOUNTS

- a) Investment of Trust Accounts must ensure compliance with the investment provisions of the Trustee Act, R.S.O. 1990, c. T.23 (the “Trustee Act”).

- b) The above objectives and guidelines for permissible investments shall also apply to investments of trust funds subject to the exception under 4 b) and 4c).
- c) When an investment is made under a trust name with a financial institution covered by Canada Deposit Insurance Corporation, yield consideration may take precedence up to the maximum amount covered under CDIC.
- d) Investments in stocks and commercial bonds where permitted shall be restricted to Canadian Corporations who qualify under the Trustee Act.

## 6.0 POLICY MAINTENANCE

- a) The Treasurer shall develop and maintain suitable procedures, which provide for effective control and management of investments and a reasonable assurance that Haldimand County's investments are properly managed and adequately protected.
- b) All cash management transactions shall be properly recorded and interest earnings distributed to the various funds, as the case may be, in accordance with the County's policies and generally accepted accounting principles for Ontario municipalities.
- c) Periodic internal audits shall be carried out to determine whether or not the investment guidelines provided herein are being followed and to evaluate the adequacy of internal controls.
- d) Provisions shall be made to obtain adequate insurance coverage at all times to guard against any losses that may occur due to misappropriation or theft or other unscrupulous act of fraud by its employees.

## 7.0 INVESTMENT STRATEGY, TRANSACTIONS AND SAFEKEEPING OF SECURITIES

- a) The investment portfolio strategy will be overseen by an Investment Committee consisting of the Mayor, Chair of Financial & Data Services, Chief Administrative Officer, Chief Financial Officer and Treasurer. Such committee will receive an analysis of the portfolio performance and advice on future trends from the external investment manager through semi-annual meetings, or more frequently if required.
- b) In accordance with the provisions of this Policy, the Treasurer shall be authorized to enter into arrangements with banks, investment dealers and brokers, and other financial institutions for the purchase, sale, redemption, issuance, transfer and safekeeping of securities and to execute and sign documents on behalf of Haldimand County and perform all other related acts in the day to day operation of the investment program.

## 8.0 INVESTMENT INCOME STABILIZATION RESERVE

The main objectives of the investment policy are to preserve capital while maintaining liquidity and maximizing portfolio returns. Despite the safeguards provided in this policy, investment markets can fluctuate over time and are beyond the control of staff and/or the external investment manager. As such, an Investment Income Stabilization Reserve will be used to hedge against any significant interest income fluctuations due to changing market conditions/portfolio returns. This reserve will be funded by capital gains from disposition of investments, earnings exceeding budget projections in a given year, as well as other sources as approved by Council from time to time. This Reserve will be affected when a positive or negative variance greater than \$100,000 is realized.

## 9.0 INVESTMENT REPORTS

- a) The external investment manager shall provide monthly reports to the Investment Committee providing information on the actual performance of the portfolio, as well as any other projections/analysis deemed appropriate to meet the objectives of this Policy.
- b) The Treasurer shall provide to Council on an annual basis, or more frequently as required, an Investment Report.
- c) The investment report referred to in subsection (b) shall contain,
  - i) For each investment in a security prescribed under this Regulation, a statement about the performance of the investment during the period covered by the report;
  - ii) Comparison to established investment benchmarks for similar short and long term investment portfolios, as determined by the Treasurer in consultation with the County's external investment manager;
  - iii) A statement about the flow to and from the Investment Income Stabilization Reserve; and
  - iv) Such other information that, in the opinion of the Treasurer, should be included.

## 10.0 DEFINITIONS

### Rating Agencies

- a) References to credit ratings are as follows:
  - i) Credit ratings developed by Canadian Bond Rating Service (CBRS) for government securities and utilities or their equivalent ratings provided by Dominion Bond Rating Service (DBRS), or Moody's Investors Service (Moody's), or Standards and Poor's (S&P).

RATING QUALITY	CBRS	DBRS	MOODY'S	S & P
Highest	AAA	AAA	Aaa	AAA
Very Good	AA	AA	Aa	AA
Good	A	A	A	A
Medium Grade	BBB	BBB	Baa	BBB
Lower Medium	BB	BB	Ba	BBB
Poor	B	B	B	B
Speculative	C	CCC	C (all grades)	CCC to C
Default	D	CC to C		CI & D

ii) Credit ratings developed by Dominion Bond Rating Service (DBRS) for all other securities, (banks and trust and loan corporations) or their equivalent ratings provided by Canadian Bond Rating Service (CBRS), or Moody's Investors Service (Moody's) or Standards and Poor's (S & P).

\*R1 Prime Credit

R2 Medium Grade

R3 Below Medium Grade

iii) Credit ratings developed by Moody's Investors Service, Inc. and Standard and Poor's Corporation for parents of Schedule "B" Canadian Banks.

	Moody's	Standard & Poor's
Highest Quality	*P-1	*A-1

b) Portfolio size limitations imposed under Section 4.0 above for various institutional categories will be applicable based on the allowable percentage of the portfolio on the day a restricted investment is made.

c) Major Chartered Banks

The following are the six major chartered banks referred to in this policy:

The Royal Bank of Canada

The Canadian Imperial Bank of Commerce

Bank of Montreal

The Bank of Nova Scotia

The Toronto-Dominion Bank

The National Bank of Canada

d) Other Banks

The other banks referred to in this policy include all the banks, except those described in (c) above named in Schedule “A” and “B” of the Bank Act (Canada) who qualify under the criteria established in this policy.

11.0 PRUDENCE

The guidelines provided in this policy reflect the desire of Council to ensure foremost the preservation and liquidity of County Funds. The Treasurer is directed to act with prudence in managing County money and to take all actions necessary in the interest of preserving capital if conditions in the financial markets to dictate.

4. REVISION HISTORY

REVISION HISTORY					
REPORT	CIC		COUNCIL		DETAILS
CS-FI-08-2016	26-Apr-16	16	2-May-16	79-16	
FIN-06-2022	10-May-22	12	16-May-22	57-22	
	Date	Rec#	Date	Res#	
	Date	Rec#	Date	Res#	

### APPENDIX 1 – Investment Limitations

Category	Exposure Limits	
	Portfolio Limit	Individual Limit
<b>Federal Government - Canada</b> <i>Federally guaranteed Agencies</i>	<b>100%</b> 100%	<b>100%</b> 25%
<b>Provincial Governments</b>	<b>100%</b>	<b>50%</b>
<b>Municipal Governments</b> <i>Haldimand County</i> <i>Other Canadian Municipalities and School Boards</i>	<b>50%</b> 25% 25%	 25% 10%
<b>Canadian Bank - Principal Protected Notes</b>	<b>90%</b>	<b>90%</b>
<b>Canadian Bank Debt</b> <i>Schedule I Banks</i> <i>Schedule II Banks</i>	<b>50%</b> 50% 15%	 10% 5%
<b>Commercial Paper</b>	<b>15%</b>	<b>5%</b>
<b>One Fund Investment</b>	<b>20%</b>	<b>20%</b>
<b>Corporate Debt - Under 5 years</b>	<b>15%</b>	<b>5%</b>
<b>OSIFA / "AA" Broader Public Sector</b>	<b>15%</b>	<b>5%</b>
<b>Supranational</b>	<b>30%</b>	<b>10%</b>
<b>Asset Backed Securities</b>	<b>20%</b>	<b>10%</b>
<b>Foreign Country Debt (CDN Issued)</b>	<b>25%</b>	<b>10%</b>
<b>Other (Loan or trust corporation, credit union, Province of Ontario Savings Bank)</b>	<b>15%</b>	<b>15%</b>