

Municipality of Lakeshore - Report to Council

Finance Services



To: Mayor & Members of Council
From: Rosanna Pellerito, Director of Finance
Date: June 16, 2021
Subject: Investment Policy

Recommendation

Direct the Clerk to prepare a by-law adopting the Investment Policy for the Municipality of Lakeshore to establish a reporting structure to govern the investment activities of general, capital, and reserve funds to achieve the Municipality's investment objectives, as presented at the June 22, 2021 Council meeting.

Background

Regulation 438/97 of the *Municipal Act, 2001* requires a municipality to adopt a statement of investment policies and goals and requires the Treasurer to submit to Council, at least annually, an investment report. This report is being prepared in compliance with the above stated Regulation.

Comments

As permitted by legislation, the Municipality maintains a number of operating, capital, reserve, and trust funds for various purposes. These funds are invested in accordance with the Municipal Act and Ontario Regulation 438/97. These funds are currently maintained in operating bank accounts with TD bank and investments in ONE Investment. ONE Investment is an approved investment authority for Municipalities under the Local Authority Services (LAS) and CHUMS Financing Corp. (a subsidiary of the Municipal Finance Officers' Association of Ontario). A summary of these investments is attached in Appendix B.

The current investment portfolio consist of investments intended to be of a shorter term nature anywhere from 18 months to 3 years. These investment portfolios have existed prior to amalgamation and need to be reviewed. Of this total 74% is invested in bond funds and 26% is invested in money market funds. In the absence of an investment policy to guide investment decisions, these portfolios have remained in their original form since they were created. With the adoption of an Investments policy, Administration can begin

to actively review these investments with ONE Investment for options that may provide for better returns to the Municipality.

The Municipality also incurs interest income from internally funded drainage projects. For these projects, the Municipality bears the upfront cost of the work. At the completion of the project, property owners are invoiced for their proportionate share of the project based on the drainage Engineer's report. For charges in excess of \$750, property owners have the ability to debenture the debt. Depending on the amount, these can be debentured up to a maximum of 10 years. Should a property owner request their debt to be debentured, the Municipality adds the applicable annual amount plus interest to their tax bill over the life of the debenture. This interest is recognized as interest income by the Municipality. Council has previously approved an interest rate on these projects equal to that of the rate being issued by Infrastructure Ontario.

Prior to 2015 these projects were debentured through Infrastructure Ontario. The Municipality collected the payments on taxes and remitted the principle plus interest amount to Infrastructure Ontario, annually. Given the Municipalities ability to internally finance these projects, and given the Municipalities ability to generate interest income from these arrangements, it is recommended this practice continue as permitted under the Municipal Act and under the provisions of the proposed investment policy until such time that it may not be financially advantageous to do so.

The proposed investment policy will provide Administration guidance to continue to undertake prudent investment decisions to achieve the Municipality's investment objectives.

Others Consulted

Other regional Municipalities
MFOA - ONE Fund Investments

Financial Impacts

The current market value of the Municipalities ONE Fund investments is approximately \$5.7M. This is primarily made up of bond market investments with a small investment in money market funds. Since January 1, 1999, the Municipality has earned interest in excess of \$2.4M all of which has been reinvested within the fund.

Under the guidance of the investment policy, the Director of Finance will work with ONE Fund to review the current investment portfolio to comply with the policy and to provide investment opportunities to mitigate the potential book value loss that had occurred. The Director of Finance will also review additional investment opportunities that may provide the Municipality additional investment income. Any financial implications resulting in changes to the current investment portfolio or new investments will be reported to Council through an annual investment report.

Attachments: Appendix A: Investment Policy
Appendix B: ONE Funds May 2021 Investment Statement

Report Approval Details

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| Document Title: | Investment Policy.docx |
| Attachments: | - Appendix A Investment Policy.docx - Appendix B May2021 Investment Statement.pdf |
| Final Approval Date: | Jun 17, 2021 |

This report and all of its attachments were approved and signed as outlined below:

Kristen Newman

Truper McBride