



# Investment Policy

Policy # [C] - [DI] - 00000

Date Last Reviewed: February 26, 2021

## 1.0 Purpose and Scope

- 1.1 The Municipality of Lakeshore is committed to ensuring accountability and transparency when investing public funds.
- 1.2 The Municipality of Lakeshore is committed to ensuring the integrity of the investment management process.
- 1.3 This policy establishes a reporting structure to govern the investment activities of general, capital, and reserve funds.
- 1.4 This policy focuses on maintaining the following objectives:
  - 1.4.1 Adhere to statutory requirements
  - 1.4.2 Preservation of capital
  - 1.4.3 Maintenance of liquidity
  - 1.4.4 Competitive rate of return
- 1.5 Further to the broad parameters for investments established under the *Municipal Act, 2001*, this Policy provides guidance as to which investment instruments should, as a matter of best practise, be utilized to achieve the Municipality's investment objectives.
- 1.6 This policy applies to all Municipality of Lakeshore investment activities including, but not limited to, the Municipality's general funds, reserve funds, and the restricted cash fund.
- 1.7 This policy applies to all investments made by the Municipality on its own behalf, and on behalf of its agencies, boards, commissions, and wholly owned subsidiaries. This includes any new funds created by the Municipality, unless specifically directed otherwise by Council.

## 2.0 Definitions

- 2.1 "Asset Backed Securities" means fixed income securities (other than a government security) issued by a Special Purpose Entity. This is substantially all of the assets of which consist of Qualifying Assets.



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- 2.2** “Credit Risk” means the risk to an investor that an issuer will default in the payment of interest and/or principal on a security.
- 2.3** “DBRS” means a credit rating agency founded in 1976 (originally known as Dominion Bond Rating Service).
- 2.4** “Designated Signing Authorities” means the people authorized to execute legally binding contracts on behalf of the Municipality of Lakeshore, being the Mayor and the Clerk. This authority may be delegated to other individuals as contained in applicable Municipal By-laws.
- 2.5** “Diversification” means a process of investing assets among a range of security types by class, sector, maturity, and quality rating.
- 2.6** “Duration” means a measure of the timing of cash flows, such as interest payments and principal payments, to be received from a given fixed-income security. This is calculated 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.
- 2.7** “Forward Rate Agreement” (FRA) means a contract with a qualified financial institution that allows an investor to fix a rate of interest to be received on an investment for a specified term beginning at a specified future date.
- 2.8** “Interest Rate Risk” means the risk associated with declines or rises in interest rates that cause an investment in a fixed-income security to decrease or increase in value.
- 2.9** “Investment Grade Obligations” means an investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment grade is restricted to those rated BBB or higher by a credit rating agency.
- 2.10** “Liquidity” means a measure of an asset’s convertibility to cash. This implies a high degree of marketability and a high level of price stability.



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- 2.11** “Market Risk” means the risk that the value of a security will rise or decline as a result of changes in market conditions.
- 2.12** “Market Value” means the current market price of a security.
- 2.13** “Moody's Investors Service” (Moody's) means the bond credit rating business of Moody's Corporation, representing the company's traditional line of business and its historical name. Moody's Investors Service provides international financial research on bonds issued by commercial and government entities.
- 2.14** “ONE – the Public Sector Group of Funds” (the “One Fund”) is a professionally managed group of investment funds composed of pooled investments that meet eligibility criteria as defined by regulations under the *Municipal Act, 2001*.
- 2.15** “Prudent Person Rule” means an investment standard outlining the fiduciary responsibilities relating to the investment practices of public fund investors.
- 2.16** “Qualifying Assets” means financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period. This includes any rights or other assets designed to assure the servicing, timely distribution, or proceeds to security holders.
- 2.17** “Safekeeping” means the holding of securities by a qualified financial institution on behalf of the investor.
- 2.18** “Schedule I Banks” means domestic banks that are authorized under the *Bank Act* to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation.
- 2.19** “Schedule II Banks” means foreign bank subsidiaries authorized under the *Bank Act* to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. Foreign bank subsidiaries are controlled by eligible foreign institutions.



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- 2.20** “Schedule III Banks” means foreign bank branches of foreign institutions that have been authorized under the *Bank Act* to do banking business in Canada. These branches have certain restrictions.
- 2.21** “Special Purpose Entity” means a trust, corporation, partnership, or other entity organized for the sole purpose of issuing securities that entitle the holders to receive payments that depend primarily on the cash flow from qualifying asset. This does not include a registered investment company.
- 2.22** “Standard and Poor’s” means a financial services company. It is a division of McGraw Hill Financial that publishes financial research and analysis on stocks and bonds.
- 2.23** “Supranational” means an agency sponsored by either a single or group of highly rated foreign banks or governments that will issue debt to fund loans in developing countries or large infrastructure projects. Supranational institutions may be owned or guaranteed by a consortium of national governments, and their debt is typically rated AA or higher.
- 2.24** “Weighted Average Maturity” (WAM) means the average maturity of all the securities that comprise a portfolio.

## 3.0 Policy

### Interpretations

- 3.1** Any reference to this policy to any statute or any section of a statute shall, unless expressly stated, be deemed to be reference to the statute as amended, restated or re-enacted from time to time. Any references to a By-law or Municipal policy shall be deemed to be a reference to the most recent passed policy or By-law and any replacements thereto.
- 3.2** Where the Treasurer is authorized to undertake any act pursuant to this policy, such act may be undertaken by the Treasurer’s authorized designate.



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- 3.3** Should there be any perceived conflict between the details listed within this policy and legislative requirements, the legislative requirements shall prevail.

## General Conditions

### **3.4 Legality of Investments**

- 3.4.1 In order to adhere to statutory requirements, all investment activities shall be governed by the *Municipal Act, 2001* as amended. Investments, unless limited further by Council, will be those deemed eligible under Ontario Regulation 438/97 or as authorized by subsequent provincial regulations.

### **3.5 Preservation of Capital**

- 3.5.1 Preservation of capital minimizes the risk of incurring a capital loss and preserves the value of the invested principal.
- 3.5.2 Preservation of capital shall be accomplished by investing in properly rated financial instruments as per legislation, by limiting the types of investments to a maximum percentage of the total portfolio, and by limiting the amount invested within individual institutions to a maximum percentage of the total portfolio.
- 3.5.3 Staff shall endeavor to mitigate credit and interest rate risk as follows:

#### **3.5.3.1 Credit Risk**

- a) Limiting investments to safer types of securities based on credit ratings.
- b) Pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Municipality does business.
- c) Diversifying the investment portfolio so that potential losses on individual securities will be minimized.



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- d) Setting dollar limits on the size of portfolio investment in asset sectors and in individual credit names in accordance and as restricted by the *Municipal Act, 2001*.

## 3.5.3.2 Interest Rate Risk

- a) Structuring the investment portfolio so that securities mature to meet ongoing cash flow requirements, thereby reducing the need to sell securities on the open market prior to maturity.
- b) Investing operating funds primarily in shorter-term securities or approved liquid investment pools.
- c) Diversifying longer-term holdings to mitigate effects of interest rate volatility.
- d) Investing in shares or equities of Canadian corporations through a legislatively approved government investment pool, in accordance and restricted by the *Municipal Act, 2001*.

## 3.6 Maintenance of Liquidity

3.6.1 The portfolio shall be structured to maintain a proportionate ratio of short, medium, and long-term maturities to meet the funding requirements of the Municipality.

3.6.2 The investment portfolio shall maintain sufficient liquidity to meet all operating or cash flow requirements, and limit temporary borrowing requirements. This shall be done where possible by structuring the portfolio such that securities mature concurrent with anticipated cash demands.

3.6.2.1 Since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets.

3.6.3 A portion of the portfolio may be placed in local government investment pools which offer liquidity for short-term funds.



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- 3.6.4 Liquidity considerations include:
  - 3.6.4.1 A reliable cash flow forecast outlining timing requirements of funds.
  - 3.6.4.2 A contingency to cover the possibility of unplanned requirement of funds.
  - 3.6.4.3 An expectation of reliable secondary marketability of investments prior to maturity.
- 3.6.5 If cash flows are unpredictable, liquidity should be kept high in order to cope with unplanned events.
- 3.6.6 The investment portfolio is comprised of:
  - 3.6.6.1 Excess Operating cash flow balances
  - 3.6.6.2 Excess Capital cash flow balances
  - 3.6.6.3 Reserve funds
  - 3.6.6.4 Restricted cash funds

## 3.7 Competitive Rate of Return

- 3.7.1 Investment yields can only be sought through:
  - 3.7.1.1 Legality of investments.
  - 3.7.1.2 Preservation of capital.
  - 3.7.1.3 Maintenance of liquidity.
  - 3.7.1.4 Competitive rate of return
- 3.7.2 Whenever possible, higher yields will be sought by taking advantage of the interest rate curve of the capital market, which typically yields higher rates of return for long-term investments.
- 3.7.3 Yields will fluctuate based on the institution as a result of individual credit ratings and the type of capital investment, and as such will be monitored.

## 3.8 Other Investments

- 3.8.1 Should other investments as allowed by the *Municipal Act, 2001*, other than those listed in this policy be considered, Council must provide direction and approval of said investments.

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## 3.9 Eligible Investments, Grades And Limitations

3.9.1 The following is a summary of the eligible investment instruments that the Municipality may partake in:

3.9.1.1 Bonds, debentures, promissory notes, or other evidences of indebtedness of issued or guaranteed by Canada or a province or territory of Canada, an agency of Canada or a province or territory of Canada, a country other than Canada.

3.9.1.2 Bonds, debentures, promissory notes or other evidences of indebtedness of issued or guaranteed by a municipality in Canada including the municipality making the investment, a school board in Canada, a board of a public hospital, a local board as defined in the *Municipal Affairs Act*, a designated Ontario University or College, a non-profit housing corporation or local housing corporation.

3.9.1.3 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 or II to the *Bank Act*), a loan corporation or trust corporation (that is registered under the *Loan and Trust Corporations Act*), a credit union to which the *Credit Union and Caisses Populaires Act, 1994* applies.

3.9.1.4 Asset-backed securities are considered an allowable investment, however, use of this investment instrument is limited through those investments held by the ONE Fund.

3.9.1.5 Forward rate agreements are considered an allowable investment with consideration made to restrictions which are provided under Ontario Regulation 438/97.

3.9.2 A summary of the maximum allowable exposure for each classification of security as a percentage of the total portfolio, as well as the maximum allowable exposure for each specific issuer in a security class as a percentage of the total portfolio, is set out in Appendix A.





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3.9.3 Eligible investment institutions are limited to the following, in order to provide minimum exposure to risk:

3.9.3.1 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.

3.9.3.2 Investments issued or guaranteed by a municipality in Canada, including the Municipality making the investment, subject to a minimum DBRS rating of "AA low", Moody's Investor Services of "Aa3" or Standard and Poor's of "AA-".

3.9.3.3 Investments issued or guaranteed by a school board in Canada, a board of a public hospital, a local board as defined in the *Municipal Affairs Act*, a designated Ontario University or College, a non-profit housing corporation or local housing corporation subject to a minimum DBRS rating of "AA low", Moody's Investor Services of "Aa3" or Standard and Poor's of "AA-".

3.9.3.4 Investments 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*), a credit union to which the *Credit Union and Caisses Populaires Act, 1994* applies, subject to a minimum DBRS rating of "AA low", Moody's Investor Services of "Aa3" or Standard and Poor's of "AA-".

3.9.3.5 A review of the credit rating for all bonds, debentures, promissory notes, and other evidence of indebtedness of a corporation incorporated shall take place within thirty days of each calendar quarter. This review is to ensure that all investments held by the Municipality meet the standards outlined and established with the *Municipal Act, 2001*.

3.9.3.6 Any investments that are off-side in terms of long-term and/or short-term credit rating with this policy at the time of adoption will be cancelled within ninety days from the date of the default.



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3.9.4 All investments must be stated and held in Canadian currency.

## **3.10 Investment Portfolio Diversification**

3.10.1 In order to properly balance the investment risk/liquidity profile of the portfolio, investments will be spread over a time horizon of short-term (less than one year), and long-term (greater than one year).

3.10.2 In addition to being spread over a time horizon, the investments are spread over a number of eligible institutions subject to the following maximum percentages.

3.10.3 Portfolio percentages limitations:

3.10.3.1 Government of Canada – 100%

3.10.3.2 Province or Territory of Canada – 80%  
(no more than 25% in any single Province or Territory)

3.10.3.3 Municipality of Lakeshore internally financed capital projects -100% (at the discretion of the Treasurer, with Council approval)

3.10.3.4 Other Canadian municipalities – 25% (no more than 10% in any single municipality)

3.10.3.5 Applied Arts, Housing Corporations, Education, and Hospitals – 25% (no more than 5% in any single entity)

3.10.3.6 Schedule I bank debt – 75%  
(no more than 25% in any single bank)

3.10.3.7 Schedule II bank debt – 10%  
(no more than 5% in any single bank)

3.10.3.8 One Fund Money Market Fund – 50%

3.10.3.9 One Fund Bond Fund – 25%

3.10.3.10 One Fund Equity Fund – 5%

3.10.3.11 Loan or Trust Corporation, Credit Union – 10%



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(no more than 5% in any single entity)

## 3.10.4 Portfolio term limitations:

- 3.10.4.1 Less than ninety days – 10% to 100%
- 3.10.4.2 Less than one year – 25% to 100%
- 3.10.4.3 From one year up to two years – maximum of 75%
- 3.10.4.4 From two years up to five years – maximum of 25%
- 3.10.4.5 From five years up to thirty years – maximum of 20%

3.10.5 The portfolio percentage restrictions apply at the time that the investment is made. At specific times thereafter, the portfolio limitations may be exceeded for a short time as a result of the timing of maturities, where due to cash flow fluctuations longer-term discrepancies may be noted.

3.10.6 Prior to the disposal of investments, the Treasurer will make a determination giving consideration to the stated investment objectives and any penalties that may be incurred as a result of deposition.

3.10.7 Based upon the performance, the Treasurer may retain, at their discretion, the investment(s) that exceed the prescribed portfolio limitations provided that such action is not contrary to the *Municipal Act, 2001*.

3.10.8 Any investments that are off-side with regards to portfolio limitations stated in this policy at the time of adoption will be re-invested at the time of maturity to comply.

## 3.11 Investment Strategy

3.11.1 Cash flow will be managed on an ongoing basis and will include all investment, borrowing, operations, and capital activity affecting the cash balance of the Municipality.

3.11.2 Whenever possible, the Municipality will attempt to match its investments with anticipated cash flow requirements to maximize the advantage of longer investment terms, while preserving sufficient cash flow.



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## 3.11.3 Key requirements and limitations of this strategy are:

3.11.3.1 Development and maintenance of a solid cash flow forecast.

3.11.3.2 Use of One Funds in order to benefit from the usually enhanced returns associated with actively managed investment portfolios.

3.11.3.3 Working capital to be invested in bank account balances, One Funds Money Market Fund and/or short-term investments of thirty to ninety days

3.11.3.4 Periodic review of the Municipality's investment strategy on analysis of prior period returns, conducted once per year at a minimum.

## 3.12 Investment Income

3.12.1 For investment purposes, funds are to include money that is held in a general fund, a capital fund, a reserve fund, and restricted cash balances. The allocation of earnings from combined investments shall be credited to each separate fund on proportion to the amount invested from it.

## 3.13 Investment Reporting

3.13.1 Each year, a report of the "Portfolio Yield" and the "Portfolio Compliance with the Investment Policy" is completed for the Treasurer's review.

3.13.2 The Treasurer shall provide Council with an annual investment report that shall contain:

3.13.2.1 A statement about the performance of the portfolio of investments of the Municipality during the period covered by the report.

3.13.2.2 A description of the estimated proportion of the total investments of the Municipality that are invested in its own long-term and short-term securities to the total investment of the Municipality, and a description of the change, if any, in that estimated proportion since the previous year's report.

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3.13.2.3 A record of the date of each transaction regarding securities, or disposal of securities, including a statement of the purchase and sale price of each security.

3.13.2.4 Such other information that Council may require or, that in the professional opinion of the Treasurer, should be included.

## **3.14 Performance Standards**

3.14.1 The investment portfolio will be managed in accordance with the criteria set out within this policy.

3.14.2 The portfolio should obtain a market average rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs of the Municipality.

3.14.3 The performances of investments are measured using multiple benchmarks and performance indicators:

3.14.3.1 Short-term funds will be compared to the three-month return rate on the Government of Canada Treasury Bills and the One Fund's Money Market Fund.

3.14.3.2 Long-term funds will be compared to the Bank of Canada one year Treasury Bill rate.

3.14.3.3 Prime interest rates and other applicable market rates can and may be utilized to provide a useful benchmark for investment performance with consideration made to the limitations laid out in the *Municipal Act, 2001*.

3.14.4 Baseline expectations are determined at the beginning of each fiscal year and could be reviewed and adjusted quarterly with consideration made to current market conditions.

## **3.15 Investment Transaction, Accounts And Safekeeping**



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3.15.1 The Treasurer, together with the Deputy 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 perform other related acts in the day-to-day operation of the investment program for all investment transactions on behalf of the Municipality.

3.15.2 The Designated Signing Authorities shall be authorized to sign the necessary documentation associated with maintaining approved investment accounts, subject to approval in financial content by the Treasurer.

3.15.3 Investment records are issued for each investment held in Municipal specific accounts through various investment dealers. Each investment transaction generates a ticket, which is received and recorded by staff within the Financial Services department. Quarterly statements are generated for each Municipal specific account, indicating all investment activity, including income earned by the investments.

## **3.16 Selection Process of Investment Instruments**

3.16.1 The purchase and sale of securities shall be conducted through a competitive process with financial institutions approved by the Treasurer.

3.16.2 The Municipality will accept an offer, which:

3.16.2.1 Optimizes the investment objectives of the overall portfolio;  
and

3.16.2.2 Has the highest rate of return within the maturity required.

3.16.3 Before selling a security, the Municipality will select the bid that generates the highest sale price or the transaction that will yield the best return for the portfolio.

3.16.3.1 In a situation where there is a tie between one or more brokers, the Municipality will award the winning bid to the brokers on a rotating basis.



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3.16.4 The Treasurer and Deputy Treasurer will be responsible, for each purchase/sale. The Treasurer and Deputy Treasurer will also be responsible for producing and retaining written records of each transaction, including the name of the financial institutions solicited (at least two brokers), rate quoted, description of the security, investment selected, and any special considerations that had an impact on the decision.

3.16.4.1 In the case that the lowest priced security (highest yield) was not selected for purchase, an explanation describing the rationale shall be included in this record.

3.16.5 Agencies, boards, commissions, and wholly owned corporations incorporated by the Municipality under Section 203 of the *Municipal Act, 2001*, may only invest in instruments prescribed by Section 418 of the *Municipal Act, 2001*.

## **3.17 Prudence**

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

## **3.18 Ethics and Conflicts of Interest**

3.18.1 Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

3.18.2 Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.

3.18.3 Employees and officers shall not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the Municipality.



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3.18.4 Conflicts shall be disclosed immediately to the employee's direct supervisor who in turn shall notify the Treasurer. Any conflicts noted by the Treasurer as to his/her personal business activity shall be disclosed to the Chief Administrative Officer.

## **4.0 Responsibilities**

**4.1** Designated Signing Authorities have the authority and responsibility to:

4.1.1 Execute and sign all agreements in relation to this policy on behalf of the Municipality.

**4.2** The Treasurer has the authority and responsibility to:

4.2.1 Provide Council with an annual investment report, or more frequently as directed by Council.

4.2.2 Enter into arrangements with banks, investment dealers and brokers, and other financial institutions for the purchase, sale, redemption, issuance, transfer and safekeeping of securities, all in the name of the Municipality.

4.2.3 Ensure that any investment that is not consistent with this policy will be disposed of within prescribed timelines.

4.2.4 Ensure that credit ratings of securities held in the investment portfolio are being monitored regularly and that any negative changes are communicated in a timely manner, as deemed appropriate.

4.2.5 Ensure that all reporting requirements identified within this policy are met.

**4.3** Deputy Treasurer has the authority and responsibility to:





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- 4.3.1 Prepare and provide annual reports to the Treasurer including an investment report prepared in accordance with the *Municipal Act, 2001*.
- 4.3.2 Develop and maintain all necessary operating procedures for the effective control and management of the investment function, and reasonable assurance that the Municipality's investments are properly managed and adequately protected.
- 4.3.3 Authorized to enter, as restricted in Section 6.12 of this Policy, into arrangements with banks, investments dealers and brokers, and other financial institutions for the purchase, sale, redemption, issuance, transfer and safekeeping of securities, all in the name of the Municipality, as delegated by the Treasurer.
- 4.3.4 In the absence of the Treasurer, the Deputy Treasurer shall assume the roles and responsibilities of the Treasurer.

## **4.4 Delegation of Authority**

- 4.4.1 The Treasurer will have overall responsibility for the prudent investment of the Municipality's portfolio.
- 4.4.2 The Deputy Treasurer will be responsible and have the authority for the implementation of the investment program and the establishment of investment procedures consistent with this policy.
- 4.4.3 The Deputy Treasurer shall share in the responsibility with the Treasurer for all transactions undertaken, and shall establish a system of controls to regulate the activities.
- 4.4.4 The Deputy Treasurer may delegate responsibility for the day-to-day management of the portfolio to subordinate Managers within established guidelines and in accordance with this policy.



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4.4.5 No Person may engage in an investment transaction except as provided under the terms of this policy.

## 4.5 Legislative Authority

4.5.1 Legislative authority for the investment guidelines of municipal funds is Section 418 of the *Municipal Act, 2001*.

4.5.2 Investments, unless otherwise limited by Council, will be those deemed eligible under Ontario Regulation 438/97, or as amended.

## 5.0 Consequences

5.1 Failure to follow this policy could result in negative financial consequences to the Municipality.

## 6.0 Reference Documents

6.1 Appendix A: Eligible Investments and Sector Thresholds

6.2 *Municipal Act, 2001*

## 7.0 Communication and Training

7.1 This policy will be communicated to Council.

7.2 This policy will be communicated to Finance Staff.

## 8.0 Review/Revisions

8.1 This policy will be reviewed every two years or at the discretion of the Treasurer.

8.2 Revision Log:



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#	Date Revised	Author	Section	Details of Change
1	Feb 26, 2021	R.Pellerito		New Policy
2				

Refer policy questions to: Director of Finance/Treasurer



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## Appendix A – Eligible Investments and Sector Thresholds

Sectors	Minimum Credit Rating		Sector/Credit Exposure Limitation (Maximum)		Sector Term Limitations (Maximum)
	Long-Term	Short-Term	Portfolio Limit	Individual Limit	
(I)	(II)	(III)	(IV)	(V)	(VI)
<b>Federal</b>					
Canada		N/A	100%	100%	1 Year
	N/A		75%	75% (> 1 Year)	30 Years
<b>Overall Category Limit</b>			<b>100%</b>		
<b>PROVINCIAL</b>					
Ontario		R1 Mid	80%	25%	1 Year
		R1 Low	10%	5%	1 Year
	AA		75%	25%	30 Years
	A		25%	15%	15 Years
	BBB		10%	5%	5 Years
<b>Overall Category Limit</b>			<b>80%</b>		
<b>Municipal</b>					
Internally financed capital projects	N/A		100%	100%	None
Other Municipalities	AAA		25%	10%	20 Years
	AA (low)		25%	5%	10 Years
Applied Arts, Housing Corp., Education, Hospitals and Other	AA (low)		25%	5%	10 Years
<b>Overall Category Limit</b>			<b>25%</b>		
<b>Banks</b>					
Schedule I Banks		R1 Mid	75%	25%	1 Year
		R1 Low	20%	5%	6 Months
	AA (low)		30%	15%	10 Years
Schedule II Banks		R1 Mid	10%	5%	1 Year
	AA(low)		10%	5%	10 Years
<b>Overall Category Limit</b>			<b>75%</b>		



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Sectors	Minimum Credit Rating		Sector/Credit Exposure Limitation (Maximum)		Sector Term Limitations (Maximum)
	Long-Term	Short-Term	Portfolio Limit	Individual Limit	
(I)	(II)	(III)	(IV)	(V)	(VI)
<b>One Fund</b>					
Money Market Fund	N/A		50%	N/A	None (pooled funds)
Bond Fund	N/A		25%	N/A	None (pooled funds)
Equity Fund	N/A		5%	N/A	None (pooled funds)
<b>Overall Category Limit</b>			<b>50%</b>		
<b>Other</b>					
Loan or trust corporation, credit union	AA(low)		10%	5%	10 Years
Deposit: Loan or trust corporation, credit union		N/A	10%	5%	1 Year
<b>Overall Category Limit</b>			<b>10%</b>		