

# Township of Brock Corporate Policy

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**Policy Name:** Municipal Investment Policy

**Policy Type:** Finance

**Policy Number:** F5

**Reference:**

**Date Approved:** May 1997

**Date Revised:** March 2024

**Approval By:** By-Law No. XX-2024

**Point of Contact:**

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## **Purpose of Policy:**

The purpose of this policy is to invest the Township's funds in a prudent manner. In order of priority, the investment objectives are:

- Legality of investments
- Preservation of principal
- Maintenance of liquidity
- Competitive rate of return

## **Scope:**

This policy will cover the investment of surplus cash and reserve funds of the Township of Brock in accordance with the relevant enabling legislation.

## **Policy:**

### **Legality of Investment**

The Township may only invest in conformance with the Ontario Municipal Act and Ontario Regulation 438/97. In accordance with this Act, and specifically section 167(2), the list of eligible securities is attached as Schedule 1.

### **Preservation of Principal**

The Township's investments shall ensure the preservation of capital in the overall portfolio. This policy minimizes risk by limiting investments to the safest types of securities and diversifying the portfolio.

All investments must have a “safety” and “liquidity rating” of high to medium, in accordance with Schedule 1.

The portfolio shall be diversified by:

- Investing in securities of varying maturities while providing for stability of income
- Investing a portion of the portfolio in readily available funds to ensure appropriate liquidity is maintained to meet ongoing obligations.

### **Maintenance of Liquidity**

The portfolio shall have liquidity sufficient to meet all operating requirements that may be reasonably anticipated. No investment shall be made in a security with a term to maturity exceeding ten (10) years. A minimum of 20% of the portfolio must be invested in securities having a term of one year or less.

Investments for terms in excess of one year are restricted to any of the Canadian Federal, Provincial, and Municipal governments, the 5 largest Canadian Schedule 1 banks ranked by assets, and institutions guaranteed by the aforementioned.

The maximum that may be invested in any one industry group will not exceed the limit as set out in Schedule 2, unless authorized by Council by way of resolution.

### **Competitive Rate of Return**

The investment portfolio shall be designed with the goal of maximizing the long-term rate of return through budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

Return on investment is of secondary importance when compared to the safety and liquidity objectives. Investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

**Limits of Investments** – See Schedule 2

## **Standard of Care**

### **a) Prudence**

Staff and/or the Investment Manager shall act with impartiality, loyalty and prudence; shall maintain overall portfolio risk at an appropriate level in consideration of the Township's needs; and ensure the portfolio is reasonably diversified.

Staff and/or the Investment Manager exercising due diligence and acting in accordance with this Policy shall be relieved of personal responsibility for an individual security's credit risks or market prices changes, provided deviations from expectations are reported in timely fashion and the liquidation or the sale of securities are carried out in accordance with the terms of the Policy.

### **b) Ethics and Conflicts of Interest**

Staff and investment officials of the Investment Manager 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. These personnel shall disclose any material interests in financial institutions in which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. They shall not undertake personal investment transactions with the same individual(s) with whom business is conducted on behalf of the Township.

## **Investment Manager Eligibility Criteria**

The Township may use the services of an Investment Manager approved by the Treasurer. To be eligible for managing the portfolio or investments, the Investment Manager must have a team of professionals with applicable investment credentials and be able to provide a report, when asked, setting out its performance for the past five (5) years, demonstrating that investment performance meets that of the benchmarks of the managed portfolios.

## **Reporting**

When investments are held, the Treasurer or Deputy Treasurer will prepare a semi-annual report to Council outlining the investments held in each fund. The report will summarize the investments in a manner that will enable Council to determine whether the investment activities during the reporting period have conformed with the investment policy including, but not limited to: the list of securities held; maturity dates; and the percentage of total portfolio that each type of investment represents. This report will outline the annual total investment return and compare the return with budgetary expectation. The report shall indicate any areas of policy concern and/or planned revision of investment strategies.

### **Administrative Procedures:**

The Treasurer, or their designate, are responsible for ensuring that all investments held by the Township of Brock meet the requirements of this policy. Each investment undertaken must be authorized by the Treasurer (or designate) and by the Mayor (or designate). In addition, the CAO will be provided with a copy of all investment purchases and will be required to sign that they are aware of the transaction.

The Treasurer of the Corporation of the Township of Brock or his/her delegate (provided the Mayor has provided authorization for purchase of investments) has the authority:

- To enter into arrangements with banks, investment brokers, and other financial institutions for the purchase, sale, redemption and safekeeping of securities;
- To execute and sign documents on behalf of the Corporation of the Township of Brock;
- To perform all related acts in the day to day operation of the investment program.

All investment transactions are recorded and interest earnings distributed to the various funds in accordance with Township policies and general accepted accounting principles for municipalities.

No person may engage in an investment transaction except as provided under the terms of this Policy.

### **Monitoring of Asset Mix**

The Treasurer will monitor the asset mix of the portfolio at least quarterly to ensure that the mix is within the guidelines established in this Policy.

### **Review Cycle:**

This policy will be reviewed in each term of Council.

**Schedule 1**  
Eligible List of Investments  
Under this Policy

| Type of Investment                          | Safety | Liquidity | Rate of Return | Legality |
|---|--------|-----------|----------------|----------|
| Banker's Acceptances                        | High   | High      | High           | 1        |
| Bearer Deposit Notes                        | Medium | High      | High           | 1        |
| Cdn. Treasury Bills                         | High   | High      | Low            | 1        |
| Commercial Paper                            | Low    | Medium    | High           | 2        |
| Municipal Prom. Note                        | High   | Low       | Medium         | 1        |
| Bank Subsidiary Paper                       | Medium | Medium    | High           | 1        |
| Provincial and Federal T-Bills              | High   | High      | Low            | 1        |
| Term Deposits                               | Medium | Medium    | Medium         | 1        |
| G.I.C.'s                                    | Medium | Medium    | Medium         | 1        |
| CMHC Mortgage Backed Securities             | High   | Medium    | High           | 1        |
| Floating Rate Notes                         | Medium | Low       | High           | 1        |
| Federal/Provincial Bonds                    | High   | High      | Low            | 1        |
| Municipal Debentures                        | High   | Low       | High           | 1        |
| Corporate Bonds/Debentures/Promissory Notes | Low    | Low       | High           | 2        |

1. Eligible for Revenue, Capital, Trust and Reserve Funds
2. Eligible for Trust and Reserve Funds as restricted by Ontario Regulation 438/99.

**Schedule 2**  
Limits of Investment

| Industry Group   | Industry Sector | Maximum Portfolio Share | Limit Per Institution                                |
|------------------|-----------------|-------------------------|--|
| Government       | Federal         | 100%                    | None   |
|                  | Provincial      | 100%                    | None   |
| Banks            | Schedule 1      | 100%                    | None   |
|                  | Schedule 2      | 50%                     | \$2,000,000 or 20% of Total Portfolio, which is less |
| One Fund ("One") |                 | 50%                     | 50% of Total Portfolio                               |
| Other            |                 |                         | By resolution of Council                             |

**The five (5) Biggest Schedule 1 Banks:** Royal Bank of Canada, Toronto Dominion Bank, Bank of Nova Scotia, Bank of Montreal and Canadian Imperial Bank of Commerce