



Corporation of the Township of Brock

Staff Report to the Members of Council

From: John Henry and Trena DeBruijn

Position: Deputy Treasurer

Director of Finance/Treasurer

Title / Subject: Municipal Investment Policy (F5) Amendment

Date of Meeting: November 24, 2025

Report No: 2025-FI-038

1.0 Issue / Origin

This report outlines recommended adjustments to the Township's Municipal Investment Policy (F5) to incorporate opportunities permitted by the Ontario Municipal Act and Ontario Regulation 438/97.

2.0 Background

Municipal investments are governed by the Ontario Municipal Act Section 418 and associated regulation 438/97 "Eligible Investments, Related Financial Agreements and Prudent Investment". Eligible investments legislatively prescribed are conservative and focused on high grade investment instruments and principal protection.

A policy is required to provide guidance on the Township's investment goals, principals and risk assessment. The Township's policy provides a good framework but excludes some permitted investments. A broader spectrum of investments may compliment the Township's objectives, as the investment portfolio shifts from day-to-day operational liquidity to a more balanced mix of short, medium and long-term investments based on fund availability projections.

The economic landscape has shifted over the last five years due to the pandemic and recently U.S. fiscal trade policy resulting in investment uncertainty. Recently, the Bank of Canada has shifted its monetary policy position from combating inflation to economic stimulation. This change in policy recently resulted in successive bank rate reductions, impacting investment yields, particularly conservative investments like GICs, etc.

In the emerging low-interest rate environment, staff are monitoring the market for opportunities with optimal returns, providing the rationale to adjust the policy to create greater investment flexibility in accordance with legislative parameters.

As per policy, staff plan to bring forward a further updated investment policy during the next term of Council (i.e. the investment policy is to be updated each term of Council).

3.0 Analysis

Several municipal investments have recently matured and staff are waiting to re-invest these pending an update to the Municipal Investment Policy.

In the interest of seeking optimal returns, staff have reached out to various investment agents to assess opportunities. Areas of current interest include Credit Unions and Principal Protected Notes. Staff have reviewed the current investment policy and recommend the following amendments to expand the range of eligible investments to maximize yields and more closely align with legislative investment parameters.

Credit Unions (Investment Group)

Credit unions in Canada are either provincially or federally regulated and required to meet standards to ensure they are financially sound. Examples of credit unions are Meridian, Desjardins, Alterna, Coast, Duca. Some credit unions hold greater assets than smaller listed Schedule 1 Banks and three credit unions are classified as Schedule 1 Banks. All provinces have deposit guarantee frameworks that provide members with deposit protection at least equal to big banks. In some provinces that coverage is unlimited.

Credit unions are full-service financial co-operatives offering the same products and services as other financial institutions, including chequing and savings accounts, mortgages, business loans, online banking, and registered savings plans. Credit union investments are permissible under regulation 438/97. Staff are in contact with a large credit union, who has offered very competitive GIC rates, and a high interest savings account. Staff feel these opportunities are low risk and would complement the investment portfolio. It is suggested Credit Unions be limited to a maximum portfolio share of 35% and a limit per institution of the lesser of \$3M or 35% of the portfolio value.

Schedule III Banks (Investment Group)

Schedule III banks are classified as foreign bank branches permitted to operate in Canada. They operate as branches of foreign banks and are subject to certain restrictions and regulations. Examples are Capital One, Citibank, Deutsche Bank, etc. Schedule III banks are permissible under regulation 438/97 and commonly included in municipal investment policies. Staff do not have opportunities at present with Schedule III banks but felt it prudent to incorporate them within the policy should future opportunities arise. It is suggested Schedule III Banks be limited to a maximum portfolio share of 20% and a limit per institution of the lesser of \$2M or 15% of the portfolio value.

Principal Protected Notes (“PPN’s”) (Investment Type)

PPN’s are structured investments that provide the benefit of guaranteed capital like GICs with the upside potential of GIC’s, equities, etc. Most notes will have a maturity term of 7 to 10 years, but there are some shorter 3 to 5-year term offerings. These products provide potential for higher returns by linking the performance to market indices and returns are triggered when the note is called, typically when the index exceeds a predetermined level.

There is the ability to customize offerings or piggyback on larger municipal opportunities. Several municipalities have had good success with these instruments. It is important to note, the guarantee of capital applies to holding the note to maturity, and the worst-case scenario is the principal is returned with a lost of the yield opportunity. Like any financial instrument (i.e. GICs, bonds, etc.), there is investment risk with a premature sale, which could yield positive or negative market returns. Staff feel this is a good opportunity that could complement the investment portfolio, particularly for funds without pending commitments such as hydro sale or post retirement benefit funds. Staff plan to further assess these opportunities in 2026.

High Interest Savings Accounts (HISA)

Although high interest savings accounts are considered when managing investments, they are classified as a bank account and not an investment security. For this reason, high interest savings accounts are excluded from the investment policy and associated schedules related to eligible investments and limitations.

Administrative Policy Housekeeping

While undertaking a review of the policy staff have made minor amendments to the policy to keep current and provide greater clarification.

The current policy requires a semi-annual report to Council on investments. As the Township does not have significant change in investments annually, it is recommended that this be changed to annual reporting to Council.

In addition, the limit related to Schedule II Banks were adjusted to the lessor of \$5M or 50%, from \$2M or 20%. This change is intended to increase flexibility. Examples of Schedule II Banks are AMEX Bank, Cidel Bank, HSBC.

4.0 Related Policies / Procedures

This amendment updates the Municipal Investment Policy (F5), which was last updated in March 2024.

5.0 Financial / Budget Assessment

The current investment portfolio fluctuates between \$6-\$10 million depending on operational needs. Current big bank short to mid-term GICs yield between 2 to 3%, substantially lower than recent years. A 1% portfolio yield improvement would result in increased returns in the

range of \$60,000 to \$100,000 which staff feel is possible with additional flexibility within the investment policy.

5.1 Asset Management

Investment yields are transferred to reserves and reserves funds supporting funding availability for asset management efforts.

6.0 Climate Change Impacts

N/A

7.0 Communications

N/A

8.0 Conclusion

This report provides an overview of proposed adjustments to the Municipal Investment Policy (F5).

9.0 Recommendation

That Council receive report 2025-FI-038 on the Municipal Investment Policy Amendment for information and deliberation purposes; AND THAT

Council adopts the updated “Municipal Investment Policy”, as provided in Attachment 1.

Attachment 1 – Municipal Investment Policy (F5) – Amended November 2025

Attachment 2 – Municipal Investment Policy (F5) – From March 2024 – Being amended subject to changes in Attachment 1 and outlined in this report.