

CORPORATE POLICY and PROCEDURE	 <p>WOOLWICH TOWNSHIP</p>	Policy No.: FI-06 Pages: 7 Effective Date: December 17, 2024 Supersedes: None.
---	--	--

SECTION: Finance

SUBJECT: Statement of Investment Policy and Goals

POLICY SCOPE

This statement of investment policy and goals applies to all financial assets of the Township. These funds are accounted for in the audited annual financial statements and include:

- General Funds
- Reserves / Reserve Funds
- Funds held in trust by the Township

POLICY STATEMENT

It is the policy of The Corporation of the Township of Woolwich (“the Township”) to invest public funds utilization of its cash resources within statutory limitations and the basic need to protect and preserve capital, while maintaining solvency and liquidity to meet ongoing financial requirements.

POLICY REQUIREMENTS

The primary objectives of the Investment Policy, in priority order, shall be:

- Adherence to legislative requirements;
- Preservation of capital;
- Maintaining liquidity; and
- Earning a competitive return.

Adherence to legislative requirements

All investment activities shall be governed by the Municipal Act 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.

Preservation of Capital

Investments shall be undertaken in a manner that protects and preserves the capital of the portfolio. Staff shall strive to mitigate credit risk and interest rate risk as follows:

Investment Diversification

In determining the composition of the portfolio, it will be recognized that the combination of several different investments (diversification) is likely to provide a more acceptable level of risk exposure than having a single investment. As a result, some reasonable diversification of the portfolio will be undertaken.

Investment Quality

The Township is empowered by statute to invest in securities as defined in Ontario Regulation 438/97 amended to Ontario Regulation 399/02 to the Municipal Act, 2001. All investments shall have a minimum rating within the limitations as set out in Schedule I to this policy. In addition, investments are further restricted by credit rating limitations as outlined in this policy.

1. The Township shall not invest in a security offered by any Borrower with a bond rating lower than 'A' as established by Dominion Bond Rating Services (DBRS) or their equivalent ratings provided by Moody's Investor Services (Moody's), Fitch Ratings (Fitch), or Standard & Poor's (S&P).
2. The Township shall not invest in securities with a Commercial Paper/ST debt rating lower than R-1 Mid (except Financial Institutions in Schedule I with ratings no lower than R-1 Low) as established by DBRS or their equivalent ratings provided by Moody's, Fitch, or S&P.

Publications of the relevant credit rating agencies shall be monitored on an ongoing basis. Should a rating change result in increased risk with respect to established limitations, an exception report will be prepared and reviewed by the Treasurer with the appropriate action taken to ensure the portfolio remains within the limitations and terms outlined in this policy.

Diversification will include sector limitations outlined in Schedule I to this policy. All eligible investments (excluding cash held in bank accounts / high interest savings accounts) must adhere to the institutional sector limits as established under Schedule I.

Investment Pools/Mutual Funds

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis, to ensure compliance with the statement of investment policy and goals.

ONE Fund is operated by Local Authorities Service Limited (a wholly owned subsidiary of the Association of Municipalities of Ontario), together with CHUMS Financing Corporation (a wholly owned subsidiary of the Municipal Finance Officers' Association of Ontario).

The Township may utilize the ONE Fund – The One Investment Program (“ONE Fund”) to invest in pooled investments subject to the limits outlined in Schedule I.

Maintaining Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating and 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. Furthermore, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets. A portion of the portfolio may be placed in eligible investment pools which offer liquidity for short-term funds.

Maximum Maturities

To the extent possible, the Township will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Township will not directly invest in securities maturing more than five (5) years from the settlement date.

Reserve funds may be invested in securities exceeding five (5) years if the maturity of such investments is made to coincide as nearly as practicable with the expected use of the funds.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds to ensure that appropriate liquidity is maintained to meet ongoing obligations.

Earning a competitive return

The rate of return on the investment portfolio will be optimized to the extent possible given the investment objectives of legality, safety of principal and the need to maintain adequate liquidity. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Investments will be made to obtain the most advantageous yields while at the same time ensuring that funds can be made available to meet expected cash requirements.

Performance Standards/Benchmarking

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a return throughout the budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs of the Township.

STANDARD OF CARE

Prudence

Investments shall be made with judgment 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.

The standard of prudence to be used by investment officials shall be the “prudent person” and/or “prudent investor” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the statement of investment policy and goals and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Ethics and Conflict of Interest

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 investment decisions. 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. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Township.

Delegation of Authority

Authority to manage the investment program is granted to the Treasurer of the Township, derived from section 418.5 of the Municipal Act, 2001, c. 25. Responsibility for the operation of the investment program is hereby delegated to the Treasurer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this statement of investment policy and goals.

No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The Treasurer shall develop and maintain investment procedures for the operation of the investment program, consistent with this statement of investment policy and goals.

The Investment Policy and any amendments must be adopted by Council. This policy will delegate to the Treasurer the authority to make investments which comply with this policy, pursuant to section 418(5) of the Act. The Treasurer has overall responsibility for the prudent investment of the Township's portfolio.

INTERNAL CONTROLS AND PROCEDURES

Safekeeping and Custody

All security transactions entered into by the Township shall be conducted on a delivery-versus-payment basis. Securities will be held by a third-party custodian designated by the Treasurer and evidenced by safekeeping receipts.

Internal Controls

The Treasurer will be responsible for the development and maintenance of suitable procedures to provide for the effective control and management of investments.

Authorized Financial Brokers and Institutions

The Township may invest funds through the investment arm of various Schedule I banks. The following Schedule I banks are authorized to be the Township's primary investment dealers:

1. RBC Royal Bank
2. BMO Bank of Montreal
3. CIBC

4. TD Bank
5. Scotiabank
6. National Bank of Canada

Pooling of Funds

Except for cash in certain restricted and special funds, the Township will consolidate cash balances from all funds to maximize investment earnings. In general, investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

REPORTING AND PERFORMANCE

Performance Standards / Benchmarks

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs.

The Township's investment strategy is passive. Given this strategy, the basis used by the Treasurer to determine whether market yields are being achieved shall be to identify a benchmark that is comparable to the portfolio's investment duration (e.g., a one-year constant maturity Treasury Bill).

Reporting

The Treasurer shall provide to the Council annual investment reports that provide a clear picture of the status of the current investment portfolio. The management report should include comments on the fixed income markets and economic conditions, discussions regarding possible changes in the portfolio going forward, and thoughts on investment strategies. The investment report shall contain:

- A statement about the performance of the portfolio of investments of the Township during the period covered by the report;
- A statement by the Treasurer as to whether or not, in his or her opinion, all investments were made in accordance with the investment policies and goals adopted by the municipality; and
- Such other information that the Council may require or that, in the opinion of the Treasurer, should be included.

Disclosure

If the Township, at any given point in time, is not compliant with this policy or within the Schedule I limits it will have one year to correct the sector balances and become compliant.

POLICY REVIEW

The Township's statement of investment policy and goals shall be adopted by resolution of the Township Council.

This policy will be reviewed at every change in Council and/or as needed.

ATTACHMENTS

Schedule I - Authorized investments and limits at time of purchase.

Schedule I – Authorized investments and limits at time of purchase

Authorized Investments and Limitations							
Category	Sector ⁽¹⁾	Portfolio Maximum		Individual Maximum ⁽²⁾	Term Limitation (Years)	Minimum DBRS Rating ⁽³⁾	
						Short-term	Long-Term
Federal	Federal and Federal Guaranteed	100%		100%	20	N/A	A (low)
Provincial	Provincial and Provincial Guaranteed (example: Provincial Hydro Authority)	100%		20%	20	R-1 (low)	A (low)
Municipal	Municipal and Municipal Guaranteed	50%		10%	15	R-1 (low)	A (low)
Boards / Schools	School Board	10%		5%	10	R-1 (low)	AA (low)
	University and College						
	Local Board or Conservation Authority						
	Public Hospital Board						
	Non-profit Housing Corporation						
Financial Institution ⁽⁴⁾	Schedule I Bank (BMO, BNS, CIBC, NBC, RBC, TD)	100%	100%	50%	10	R-1 (low)	A (low)
	Schedule II & Other Schedule I Banks not listed above Trust Loan / Credit Union		20%	10%	2		
ONE Investment Program ⁽⁵⁾	Canadian Government Bond Portfolio	25%		10%	N/A	N/A	N/A
	Canadian Corporate Bond Portfolio			10%			
	Canadian Equity Portfolio			10%			
Other	Asset Backed Securities	10%		5%	5	R-1 (high)	AAA
	Commercial paper or promissory notes	10%		5%	1	R-1 (mid)	N/A

(1) Per definitions and regulations under Ontario Regulation 438/97.

(2) Individual maximum applies to either an individual institution or in the case of the ONE Investment Program it applies to individual portfolios.

(3) Equivalent ratings from Moody's Investor Services, Standard and Poor's or Fitch Ratings are also acceptable.

(4) Up to 100% of the portfolio may be invested in Schedule 1 banks, but no single bank may hold more than 50% of the portfolio.

(5) The ONE Investment Program provides recommended investment timelines for each fund however funds can be withdrawn with one day's notice and investments in each pool meet eligibility criteria as defined by regulations under the Municipal Act.