

# CITY OF WELLAND

## POLICY

<b>Policy Title:</b> Investment Policy for Current Funds	
<b>Date of Approval:</b> October 2, 1985	<b>Policy Number:</b> FIN-001-0005
<b>Lead Role:</b> City Treasurer	<b>Support Role:</b>
<b>Cross Reference:</b>	<b>Next Review Date:</b>
<b>Council File Number:</b> 13-4	<b>Revision Date:</b> September 10, 2013

### **Policy Statement:**

The purpose of this policy is to establish procedures and practices to ensure the prudent management of the Corporation's surplus funds and investment portfolio.

### **Scope:**

This policy applies to the investment activities of the City of Welland revenue funds, reserve and reserve funds, and Trust funds.

Trust funds refer to funds entrusted with the City of Welland by individuals for the perpetual care and maintenance of City owned cemeteries.

### **Authority:**

The *Municipal Act, 2001* (S.O. 2001 c.25) provides in Section 418, the legislative authority for the City to invest funds in accordance with certain prescribed rules. Section 420 permits the City to enter into agreements to invest money jointly with other municipalities and prescribed bodies. The prescribed rules governing investments are contained in Ontario Regulation 77/97 and 438/97.

Trust Fund investments shall be made in accordance with the assigned responsibilities given to the City of Welland under the *Trustee Act*.

### **Purpose:**

The primary purposes of the Investment Program, in priority order, shall be:

## **Investment Policy for Current Funds FIN-001-005**

### 1. *Adherence to Statutory Requirements*

All investment activities shall be governed by applicable legislation, including primarily the *Municipal Act* and *Trustee Act* and their associated regulations as amended. Investments and rating agencies, unless limited further by Council, will be those deemed eligible under Ontario Regulation 438/97 or as authorized by subsequent provincial regulations.

### 2. *Preservation of Principal*

Safety of principal is of paramount importance. Investment shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Staff shall endeavour to mitigate credit risk and interest rate risk as follows:

#### Credit Risk

- Limiting investment to safer types of securities;
- Diversifying the investment portfolio so that potential losses on individual investments will be minimized

#### Interest Rate Risk

- Structuring the investment portfolio so that securities mature to meet the ongoing cash flow requirements, thereby reducing the need to sell securities on the open market prior to maturity;
- Investing operating funds primarily in shorter term securities; and
- Diversifying longer-term holdings to match term exposures to requirements of underlying reserve funds and to mitigate effects of interest rate volatility.

### 3. *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.

### 4. *Yield*

The investment portfolio shall be designed with the objective of attaining a market rate of return, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to safety and liquidity objectives described above.

## **Standards 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 principal as well as the probable income to be derived.

## **Investment Policy for Current Funds FIN-001-005**

Staff acting in accordance with this investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risks or market change.

### ***Ethics and Conflict of Interest***

Staff involved in the investment process shall refrain from personal business activity that could, or may reasonably be perceived to, conflict with the proper execution and management of the Investment Policy, or that could impair their ability to make impartial decisions. Such staff shall not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the City of Welland.

### ***Safekeeping and Custody***

All investments shall be held for safekeeping in the name of the Corporation of the City of Welland by financial institutions approved by the City of Welland. The depository shall issue a safekeeping receipt to the City for each investment transaction that lists all pertinent information. The depository shall also provide monthly reports for each account, indicating all investment activity, book value of holdings, market value as of the month-end and income earned by the investment.

### **Guidelines:**

The primary financial goals of the cash management program will be to ensure cash availability to meet daily cash needs and to maximize returns from investments in accordance with guidelines on risk, liquidity, safety and authority.

#### A) Authority to Invest

Investments made by the City of Welland may be settled electronically by wire. Specific investments require approval by one of the following approved staff in descending order:

- General Manager of Corporate Services/City Treasurer
- Manager of Budgets and Financial Reporting/Deputy Treasurer

#### B) Permitted Investments and Term to Maturity

Permitted investments and their term to maturity, if any, are as outlined in Ontario Regulation 438/97, to the *Municipal Act*, as amended from time to time.

In order to ensure maximum security and proper diversification in the City of Welland's portfolio, the maximum exposure for each category of investment and each individual investment within the category as a percentage of the total portfolio is as follows:

## Investment Policy for Current Funds FIN-001-005

<b>Category</b>	<b>Category Limit (Max)</b>	<b>Individual Organization Limit (Max)</b>
Federal and federal guaranteed	100%	100%
Provincial and provincial guaranteed	75%	25%
Niagara Region	75%	50%
Municipal and municipal guaranteed	25%	10%
Other government types not identified in this table (i.e. School Boards, Universities)	10%	5%
Corporate (includes Banks, Trust Companies, Credit Unions and Corporations)	100%	50%

Should the rating of any investment be downgraded below the minimum rating, it shall be sold **within 180 days** after the day the investment rating was downgraded.

### C) Reporting

On a quarterly basis, staff shall provide a report to Council which shall include the following:

- Listing of individual investments held at the end of the year;
- Percentage of the total portfolio by investment category and individual organization;
- A statement about the performance of the investment portfolio during the year; and
- 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 City of Welland

## **Investment Policy for Current Funds FIN-001-005**

### D) Performance Standards

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 the cash flow needs.