



The Municipal Corporation of the Town of Fort Erie

By-law No. 121-2022

Being a By-law to Amend the Town of Fort Erie Investment Policy By-law No. 109-2015 (Remove Semi-Annual Reporting Requirements)

Whereas By-law No. 109-2015 was passed by the Municipal Council of the Town of Fort Erie on August 17, 2015 to adopt an Investment Policy for the Town of Fort Erie; and

Whereas By-law No. 97-2017 was passed by the Municipal Council of the Town of Fort Erie on the 28th day of August, 2017 to amend the Investment Policy to implement a change in the portfolio and institutional limits for Credit Unions; and

Whereas By-law No. 52-2018 was passed by the Municipal Council of the Town of Fort Erie on the 26th day of March, 2018 to repeal and replace Appendix "B" to the Investment Policy to remove the minimum credit requirements and replace with financial indicator requirements for credit union investments; and

Whereas Report No. CS-13-2022 was considered at the Regular Council Meeting held on August 22, 2022 to remove the semi-annual reporting requirements and include the related analysis in the quarterly variance report; and

Whereas it is deemed desirable to amend the Investment Policy to remove the semi-annual reporting requirements and include the related analysis in the quarterly variance report;

Now therefore the Municipal Council of The Corporation of the Town of Fort Erie enacts as follows:

- 1. That** Schedule "A" of By-law No. 109-2015 is repealed and replaced with Schedule "A" attached hereto as Schedule "A" and forming part of this by-law.
- 2. That** the Clerk of the Town is authorized to effect any minor modifications, corrections or omissions, solely of an administrative, numerical, grammatical, semantical or descriptive nature to this by-law or its schedules after the passage of this by-law.

Read a first, second and third time and finally passed this 19th day of September, 2022.

Mayor

Clerk

I, Carol Schofield, the Clerk, of The Corporation of the Town of Fort Erie certifies the foregoing to be a true copy of By-law No. 121-2022 of the said Town. Given under my hand and the seal of the said Corporation, this _____ day of _____, 20____

**THE CORPORATION
OF THE
TOWN OF FORT ERIE**



INVESTMENT POLICY

September 2022

Adopted under By-law No. 109-2015

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ARTICLE 1 – POLICY STATEMENT

To provide guidance for investing activities of the General Operating, Trust and Reserves and Reserve Funds under the care, custody and control of the Corporation of the Town of Fort Erie.

ARTICLE 2 – APPLICATION AND ADMINISTRATION**2.1 Purpose**

The purpose of this policy is to establish procedures and practices that maximize the use of Town of Fort Erie funds through a program of term investments. Investments are to earn the highest return with the maximum security and appropriate liquidity while meeting daily cash flow demands and conforming to all legislation governing the investment of public funds. This policy has been prepared in consultation with Legal and Legislative Services.

2.2 Authority

Legislative authority for the Town of Fort Erie to invest funds is provided in Section 418 of the *Municipal Act, 2001*. Section 420 permits the Town to enter into agreements to invest money jointly with other municipalities and prescribed bodies. The prescribed rules governing investments are contained in Ontario Regulations 438/97, as amended.

Investment of funds held in trust must also consider the provisions of the *Trustee Act* as amended. Section 27 provides the criteria in planning the investment of trust property.

2.3 Joint Investments

The Region of Niagara's investment policy accommodates requests from area municipalities to make investments on their behalf, subject to adequate forms of disclaimers for liability. The *Municipal Act, 2001* permits such joint investment, and the Director of Financial Services / Treasurer is hereby authorized to sign agreements with the Regional Municipality of Niagara on behalf of the Town of Fort Erie for the purpose of purchasing investments.

2.4 Policy Considerations

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. Such investments shall be reinvested at maturity or liquidation only as provided by this policy.

This policy shall be reviewed periodically. Amendments may be made at any time at the recommendation of the Director and must be approved by Council.

Notwithstanding that an approved list of investment institutions is in effect, the Director of Financial Services / Treasurer may restrict investments to fewer institutions if it is determined that economic or market conditions warrant such action.

ARTICLE 3 – OBJECTIVES

The significant objectives of the investment policy are as follows, in order of importance:

3.1 Preservation of Capital

Safety of principal is paramount when investing funds under the care, custody and control of the Town. Credit risk and interest rate risk will be mitigated as follows:

- a) Credit Risk: The Town will minimize the risk of loss due to the failure of the security issuer or backer by limiting investments to safer (i.e., higher rated) types of securities. The investment portfolio is also to be diversified to minimize potential losses on individual securities.
- b) Interest Rate Risk: The Town will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring securities to mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. General operating funds should be invested primarily in shorter-term securities or approved investment pools.

3.2 Liquidity

Investments shall meet the daily cash flow requirements that may be reasonably anticipated. This shall be done where possible by structuring the portfolio so that securities mature concurrent with anticipated cash demands. The portfolio should consist largely of securities with active secondary or resale markets. Investments may also be placed in local government investment pools that offer liquidity for short-term funds.

3.3 Yield

The goal shall be to maximize the yield earned on investments without compromising the objectives of authority, safety and liquidity listed above. The returns anticipated are relative to the level of assumed risk. Investment returns provide revenues to the Town and reduce reliance on taxation. The total portfolio should obtain a market average rate of return throughout budgetary and economic cycles that is commensurate with the investment risk constraints and cash flow needs of the Town. Market yields should be higher than the benchmark of the rate given by the Town's bank for the various bank accounts.

3.4 Diversification

Investments shall be diversified by limiting concentration in securities from a specific issuer or business sector (excluding Government of Canada securities), limiting investment in securities that have higher credit risks, investing in securities with varying maturities, and investing in mainly liquid, marketable securities that have an active secondary market to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

In order to ensure maximum security and proper diversification of the portfolio, additional limitations shall apply as set out in Appendix B. The limitations include

reference to the maximum allowable exposure for each category as a percentage share of the total portfolio. Limitations are also set out for each individual institutional issuer in a category as a percentage of the total portfolio. Portfolio percentage restrictions apply at the time an investment is made. At specific times, the portfolio limitations may be exceeded as a result of the timing of maturities.

3.5 Investment Horizon

In general, the term of an investment will be based on a term strategy, comprising of short and mid-term duration. Longer terms may be considered for funds where the expected use has longer horizons and maximizing investment income is a primary consideration.

The term of the investment will be determined by analyzing the anticipated cash flow requirements of general operating funds, reserves and reserve funds, and trust funds. An appropriate term will be matched with the cash flows and investments will be bought with the aid of any approved broker and approved by the Director or designate.

ARTICLE 4 – ELIGIBLE INVESTMENTS AND PARAMETERS

4.1 Eligible Investments

Investments will be made only in those instruments permitted by this policy, and deemed eligible by the *Municipal Act, 2001* or as authorized by subsequent provincial regulation. Only those investments issued or guaranteed by the following institutions are permitted, subject to the minimum credit ratings and other limitations as set out in Appendix B:

1. The Government of Canada, including its agencies.
2. The Provincial Governments of Canada, including their agencies.
3. A municipality or school board as defined in the *Municipal Affairs Act* or of a conservation authority established under the *Conservation Authorities Act*.
4. The Municipal Finance Authority of British Columbia.
5. Schedule I banks, as set out by Section 14 of the *Bank Act, 1991 (Canada)*.
6. Schedule II banks, as set out by Section 14 of the *Bank Act, 1991 (Canada)*.
7. A loan corporation or trust corporation registered under the *Loan and Trust Corporations Act*.
8. A credit union or league to which the *Credit Unions and Caisses Populaires Act, 1994* applies.
9. One Investment Program (joint municipal investment pool). Joint municipal investment pools permitted under the *Municipal Act, 2001*, provided the investment guidelines of the pool comply with the Town's statement of policies

and goals contained in this policy. This includes the investment of Canadian corporate debt and equities.

Investment in asset-backed securities, negotiable promissory notes or commercial paper requires an agreement with the Local Authority Services Limited and the CHUMS Financing Corporation to act together as the Town's agent, as the Town of Fort Erie's debt is not separately rated as defined in O. Reg. 399/02.

4.2 General Parameters

The Dominion Bond Rating Service (DBRS) is to be the recognized rating house for rating requirements specified above as permitted by the *Municipal Act, 2001*.

Periodic reviews of credit ratings should be carried out to determine the status of each of the above institutions as proposed in these guidelines and the Director or designate shall take the necessary steps to ensure investments remain with prime quality institutions.

The Town shall not invest in a security that is expressed or payable in any currency other than Canadian dollars.

4.3 Investment Terms

To ensure minimum liquidity levels, the investment portfolio will contain funds with a range of maturity dates subject to the following:

General Operating balances

- Funds to mature in 365 days or less.

Reserve and Trust fund balances

- Funds that mature in one year or less are limited to a maximum of 75%.
- Funds that mature in more than one year are limited to a maximum of 75%.

Fully liquid investments are not included in the above and are not subject to term limitations.

ARTICLE 5 – ROLES AND RESPONSIBILITIES

5.1 Delegation of Authority

The Director is responsible for the prudent investment of the Town's portfolio. Authority to manage and implement the investment program is granted to the Manager of Accounting Services, who shall act in accordance with established procedures and internal controls consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy. The Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

5.2 Approvals

Investing activities require the prior approval of the Director or the Director's designate. A signed copy of an Investment Purchase Authorization form, attached as Appendix A to this policy, is required to be completed prior to placing an investment. The form is to be signed by one of the Mayor, Chair or Vice-Chair of the Corporate Services Committee and one of the Director of Financial Services, Manager of Revenue or Chief Administrative Officer.

5.3 Review

The Town's solicitor and auditor are required to review the policy prior to adoption as a by-law, and prior to any modifications to the by-law.

ARTICLE 6 – STANDARD OF CARE

6.1 Prudence

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 capital as well as the probable income to be derived. Persons acting in accordance with this policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes.

6.2 Ethics and Conflicts 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 decisions. Material interests in financial institutions with which they conduct business shall be disclosed. Further, any personal financial positions that could be related to the performance of the investment portfolio shall be disclosed. Officers and employees shall not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the Town.

6.3 Competitive Selection

The purchase and sale of securities shall be transacted through a competitive process with financial institutions approved by the Director. The Town will consider offers that optimize the investment objectives of the portfolio. A minimum of three quotations shall be obtained for each short-term transaction prior to placement and a reasonable number of quotations for each long-term transaction, considering the existing market conditions at the time of placement. Written records shall be retained of each transaction including the name of the institution solicited, rate quoted, description of the security, investment selected, as well as any other considerations that impacted the decision. If the highest yield security was not selected, an explanation describing the rationale shall be included in this record.

ARTICLE 7 – REPORTING

The Director shall report investment activity annually to Council for the 12 months ending December 31. The investment reports should contain the following:

- A listing of individual securities held at the end of the reporting period by maturity date, including the related term of the investment in days and the applicable interest rate;
- A summary of investments by category and institution calculating the percentage of the total portfolio which each category and institution represents;
- A summary of investments by term, categorized in accordance with Article 4.3 and calculating the percentage of the total portfolio.
- The date of each security transaction, including a statement of the purchase and sale price;
- A statement by the Director as to whether any investments prescribed by the *Municipal Act, 2001* fall below the standard required for that investment during the period of the report;
- A statement about the performance of the portfolio of investments during the period covered by the report;
- If applicable, a description of the estimated proportion of the total investments of the Town that are invested in its own securities to the total investment of the Town and a description of the change, if any, in that estimated proportion since the previous year's report;
- A statement by the Director as to whether or not, in their opinion, all investments are consistent with the investment policies and goals adopted by the Town;
- Such other information that Council may require or that, in the opinion of the Director, should be included.

APPENDIX "A" – Investment Purchase Authorization Form

The Corporation of The Town of Fort Erie
Investment Purchase Authorization
(For Internal Use Only)

- General Operating
- Reserves and Reserve Funds
- Trust Fund

Authorization is hereby given to purchase:

\$_____ of _____

in the form of a _____ at a rate of _____%

for _____ days maturing on _____ dated _____.

Two signatures required

One of Mayor, Corporate Services Chairperson or Corporate Services Vice-Chairperson

One of Director of Financial Services, Manager of Revenue, or Chief Administrative Officer

APPENDIX "B" – Eligible Investments, Diversifications and Ratings

Category	Limitations			
	Minimum credit		Portfolio Limit	Institutional Limit
	S/T	L/T		
Federal Government				
Government of Canada and Federal Guarantees			100%	100%
Provincial				
Provincial Governments and Provincial Guarantees	R-1 mid	A	100%	25%
Municipal Finance Authority of BC			20%	20%
Municipalities and Boards				
Other municipalities		A (low)	25%	10%
School board or similar		AA(low)	5%	5%
Banks/Corporates				
Sch I Banks	R-1 mid	AA(low)	75%	25%
Sch II Banks	R-1 mid	AA(low)	20%	10%
Total Banks			80%	
Loan or Trust companies	R-1 mid	AA(low)	10%	5%
Credit Unions	Note 1	Note 1	15%	10%
One Investment Program - Money Market			50%	N/A
One Investment Program - Bond			25%	N/A
One Investment Program - Equity			25%	N/A
Total One Funds			50%	

Dominion Bond Rating Service ("DBRS") provides ratings on institutional quality. A company having an R-1 rating is a high-grade prime credit. It has a very high ability to repay its current liabilities as they become due. The strength of various liquidity ratios is unquestioned and alternative sources of funds to commercial paper exist. The outlook for future liquidity and the trend of these ratios should be favourable. The level of profitability has been reasonable and relatively stable with only modest fluctuations. No substantial qualifying negative factors exist and the firm is of sufficient size to be a strong influence in its industry. DBRS also indicates where within the rating classification the company falls (high, middle or low).

Commercial Paper and Short Term Debt

<u>Symbol</u>	<u>Credit Quality</u>
R-1 (high)	Highest
R-1 (middle)	Superior
R-1 (low)	Satisfactory
R-2 (high)	Adequate
R-2 (middle)	Adequate
R-2 (low)	Adequate
R-3 (high)	Speculative
R-3 (middle)	Speculative
R-3 (low)	Speculative
D	In Arrears
NR	Not rated

Bond and Long Term Debt

<u>Symbol</u>	<u>Credit Quality</u>
AAA	Highest
AA	Superior
A	Satisfactory
BBB	Adequate
BB	Speculative
B	Highly Speculative
CCC	Very Highly Speculative
CC	Very Highly Speculative
C	Very Highly Speculative
D	In Arrears

Note 1

Financial indicators per section 3 (2.0.2) of O. Reg 438/97 must be achieved.