



COUNCIL – AGENDA REPORT

Meeting Date: 1 October 2024
Subject: Investment Policy Update
Directorate: Corporate Services and CFO

Issue:

Council is being asked to rescind Investment Policy FIN-22-C and endorse the new updated Investment Policy FIN-30-C.

Policy / Council Direction:

As this is a Council approved policy, Council approval is required to rescind and replace the existing policy.

Background:

The investment policy outlines limits on investment types in order to reduce risk and ensure the policy remains diversified. Investment Policy FIN-22-C currently states investment in corporate bonds are not to exceed 60% of the portfolio value and an update to 75% is being requested. The *Municipal Government Act* (MGA) refers to securities rather than Bonds or Notes and for consistency a policy wording update is also being requested.

The MGA outlines the investments a Municipality is allowed to make. The general idea is to ensure the investments are safe and the principle is protected. Allowable investments include those guaranteed by the Crown (both federal and provincial), securities issued by a municipality, school division, hospital district, and those issued or guaranteed by a bank, treasury branch, credit union or trust corporation. As well as shares of a corporation incorporated under the *Canada Business Corporation Act* (Canada) or if approved by the Minister registered under the *Business Corporations Act*.

The MGA does not specify a required mix of these investments. Administration has established a policy made up of 8 principles to provide optimum investment returns while maintaining security and meeting cash flow requirements. This policy also outlines some diversification parameters. In particular, up to 100% of the investments may be held in Federal and Provincial Bonds, while only up to 60% may be in Corporate Bonds (we include those guaranteed by a bank in this category). In general, Federal and Provincial Bonds are deemed very safe, and therefore tend to offer a lower rate of return. Those guaranteed by banks are

also deemed very safe but can offer a better rate of return. For instance, in July, Provincial bonds were in the 4.03-4.06% range of return, while bank notes were between 7.26-9% return.

Due to taking advantage of some better rates of return (over time), the portfolio is currently not in line with the existing policy of 60% maximum in Corporate Bonds. While some investments could be sold and replaced with Federal or Provincial bonds at a lower rate or future investments could strictly be invested in Federal or Provincial bonds until the portfolio is on side, this does not ensure optimum investment returns.

The format of the document has been updated to the new policy template. Also, the reference to Council Budget Committee has been updated to reflect the Corporate Services Standing Committee.

Administration Recommendation:

That Council rescinds Investment Policy FIN-22-C and endorses the new updated Council Investment Policy FIN-30-C:

1. to allow the maximum limit for Corporate Bonds to be increased to 75%;
2. the term “Bond” be replaced with “Securities” as outlined in the MGA for consistency purposes;
3. to replace Council Budget Committee with Community and Corporate Services Committee.

Alternatives/Implications:

1. Council could choose to keep the existing policy with no changes made, and instruct administration rebalance the investment portfolio through the immediate sale of some Corporate securities. This will result in lower short term and long term investment revenue.
2. Council could choose to instruct Administration make other changes to the policy.

Budget Implications:

There are no budget implications if the policy is updated.

Recommendation:

That Council rescinds Investment Policy FIN-22-C and endorses the new updated Council Investment Policy FIN-30-C.

Monica Labait
Manager of Treasury

Staff Presenter:	Monica Labait
External Presenter:	N/A
Department:	Treasury
Reviewed by:	Shannon Schindeler
Attachments:	#1: Current Investment Policy – Red Line Version #2: New Investment Policy FIN-30-C