

SECTION: Finance		POLICY #: FIN-006
Date Approved: October 3, 2011		Investment Policy
Revision Date:	Review Date:	
Authority: Report DCS-26-11		

COVERAGE

All investments of surplus cash, impost funds and reserve funds of the Corporation of the Town of Hanover in accordance with the relevant enabling legislation.

SCOPE

This investment policy applies to all investments made on behalf of the Town and its agencies, boards and commissions including, but not limited to, operating funds, reserves, reserve funds, sinking funds, pension funds, trust funds and any new fund created by the Town unless specifically exempted.

PURPOSE

The purpose of the investment program is to ensure maximum investment income at a minimal risk. The primary objectives of the Investment Program, in priority order are:

1. Adherence to statutory requirements
2. Preservation of principal
3. Maintaining liquidity
4. Diversification of the investment portfolio
5. Earning a competitive rate of return.

The Town of Hanover strives for the optimum 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.

Conformity to Statutory Requirements

As per Section 418-420 of the *Municipal Act* and O. Reg. 438/97 eligible investments may be summarized as security of Federal, Provincial or Municipal Governments, or of banks, trust companies or credit unions.

Preservation of Capital

Since public funds are at stake, the Municipality shall adopt a conservative risk policy using the accepted measure of risk: bond ratings. Portfolio diversification will also be used to minimize risk. A limit shall be set for amounts that may be invested in higher risk instruments.

Maintenance of Liquidity

Liquidity shall be kept high in order to cope with unplanned events.

Diversification

The Municipality shall diversify its investments to the best of its ability based on the type of funds invested and the cash flow needs of those funds. Diversification can be by type of investment, number of institutions invested in and length of maturity.

Rate of Return Maximization

The maximization of returns from term investments must be in accordance with guidelines on safety, liquidity, risk and authority, in order to provide general revenues to the Municipality and reduce amounts otherwise required from taxation by the Municipality.

AUTHORITY

The *Municipal Act, 2001* (S.O. 2001, c.25) provides in Section 418 the legislative authority for the Municipality to invest surplus funds in accordance with certain prescribed rules. Section 419 permits the Municipality to invest money through an agent and Section 420 permits the Municipality to enter into agreements to invest money jointly with other municipalities and prescribed bodies.

BROKERAGE SERVICES

The Treasurer will have the authority to use any of the firms listed below for the investment of the excess funds:

- CIBC Investors Services Inc.
- Wood Gundy Incorporated
- BMO Nesbitt Burns Limited
- Credential Securities Inc.
- ONE – The Public Sector Group of Funds

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 capital as well as the probable income to be derived.

Ethics and Conflict of Interest

Officers and employees shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make important investment decisions.

Delegation of Authority

The Treasurer has overall responsibility for the prudent investment of the Town's portfolio and is responsible for the implementation of the investment program and the establishment of investment procedures consistent with this policy. The Treasurer shall be responsible for all transactions undertaken, and shall establish a system of controls to regulate the activities of subordinate officials and shall exercise control over that staff.

Safekeeping and Custody

All securities shall be held for safekeeping by a financial institution approved by the Municipality. Individual accounts shall be maintained for each portfolio. All securities shall be held in the name of the municipality.

Internal Controls

The Treasurer of the municipality shall establish an annual process of independent review by the municipality's auditor. This review will provide assurance of compliance with governing legislation, this investment policy and procedures established by the Treasurer.

Suitable and Authorized Investments

The portfolio aims for both diversification and near risk-free investments to ensure security of the capital. Emphasis is placed on securities offered by or unconditionally guaranteed by the Government of Canada, a Province of Canada or the six major chartered banks (Royal Bank of Canada, Canadian Imperial Bank of Commerce, Bank of Montreal, Bank of Nova Scotia, TD/Canada Trust and the National Bank of Canada) as well as the Meridian Credit Union.

RESTRICTIONS

The Municipality shall not invest in a security that is expressed or payable in any currency other than Canadian dollars. Investments issued or guaranteed by the following Investment-Instrument listing will be permitted by this policy, as deemed eligible by O. Reg. 438/97 or by subsequent amending Ontario Regulations.

Term – No Investment shall be made in a security with a term to maturity exceeding five (5) years, without prior approval of Council.

Type of Investment -- Investments shall be further restricted by type to ensure adequate diversification of the portfolio and investments as follows:

INVESTMENT – INSTRUMENT	NOT TO EXCEED
1. Obligations of, or guarantees of the Government of Canada Canada Treasury Bills Promissory Notes Government of Canada Bonds Debentures	NO LIMIT
2. Obligations of, or guarantees of any Canada Province with a Minimum credit rate of “A” Treasury Bills Promissory Notes Provincial Bonds Debentures	NO LIMIT
3. Investments which are direct obligations of or guaranteed by the following Canadian Financial Institutions: – Canadian Imperial Bank of Commerce – Bank of Montreal – Royal Bank of Canada – TD/Canada Trust Bank – Bank of Nova Scotia – National Bank of Canada – Meridian Credit Union Bankers Acceptance Term Deposits Or other instruments as approved by the Municipal Act	NO LIMIT
4. ONE-The Public Sector Group of Funds Money Market Fund Bond Fund Corporate Bond Fund	NO LIMIT
5. Investments which are direct obligations of or guaranteed by any Canadian Trust Company protected by the Canadian Deposit Insurance Corporation (CDIC) or the Deposit Insurance Corporation of Ontario (DICO)	\$100,000 per Company (incl. accrued interest)
6. Investments which are direct obligations of or guaranteed by a Municipality described by the Municipal Affairs Act	\$250,000

Selling Short of Term

During rapid declines of interest rates it may become desirable to sell, to a broker or investment dealer, a security before its maturity date. The further the current rate diverges from the rate of the securities held, the greater financial gain accruing to the Town. In other cases, unexpected cash requirements may arise which require immediate attention and selling part of the portfolio may be the only viable means to meet our obligations. In either case, only the Treasurer can authorize the transaction.

INVESTMENT PROCEDURE

1. The Treasurer will determine when any surplus funds are available for short term investing by reviewing the status of the bank accounts and future short-term case requirements.
2. The Treasurer will seek out the best investment available from the list of approved brokers and banks.
3. The investment will then be placed by telephone, facsimile or email with the broker or bank by the Treasurer.
4. The Treasurer will transfer the necessary funds by telephone or cheque from the Town's bank to the broker or bank.
5. The transaction will be journalized into the proper general ledger or reserve fund accounts. This procedure will also be followed when an investment has matured and being transferred into the Town's bank account.
6. When the bank debit and credit advices and confirmations from the bank/broker are returned, the Treasurer or Deputy-Treasurer will verify and initial these documents to his/her records and confirm that all transactions have been properly affected. These documents will be filed in chronological order and maintained. In the case of long term investments such as promissory notes, the Treasurer will deposit same to the safety deposit box in the Town's financial institution.

REPORTING

The Treasurer will maintain an investment register and annually prepare a report for Council outlining the investments held in each fund by the Corporation. This report will outline issuer, type of instrument, par amount, maturity date, the purchase price and yield of each investment held in these funds.

GENERAL

The Treasurer has the responsibility to ensure that the reserve funds always have enough liquidity to meet the needs of the annual budget expenditures. The Treasurer may at his/her discretion combine monies from more than one reserve fund in a single instrument, provided that the instrument total does not exceed the limit per institution specified in this policy.

MAINTENANCE OF POLICY

It will be the responsibility of the Treasurer to ensure that all investments held by the Corporation meet the requirements of the investment policy. Each investment undertaken for the purposes of this policy must be authorized by the Treasurer. Investments made prior to the date of the adoption of this policy shall be exempt from its provisions until maturity.

ULTRA VIRES

Any Provincial Statutes or Regulations thereof will supersede and take precedence over this policy.