

District of Barriere
REPORT TO COUNCIL
Request for Decision

Date: September 9, 2024	File: 530.20/Rpts
To: Council	From: Chief Administrative Officer
Re: Investment of District Funds Policy No. 53FI	
Recommendation: THAT Council adopts the Investment of District Funds Policy No. 53FI as presented.	

Purpose

For Council to consider a new Policy No. 53FI that would provide guidance to Staff by defining the parameters for investing the District’s surplus funds.

Background

The District does not currently have an investment policy, and historically the District determined on an ad-hoc basis when and where to invest funds. As the District works towards building its infrastructure renewal reserves, and a significant amount of grant funding is held by the District, Council and Staff recognize that an investment policy is necessary to define the parameters for diversification, security and maximization of returns for any surplus cash held.

The purpose of this policy is to provide Staff with a framework for the prudent investment of surplus cash held in operating and reserve funds. The objectives outlined in this policy are primarily protection of principal, secondly liquidity, and thirdly maximization of rates of return.

Section 183 of the *Community Charter* and Section 16 of the *Municipal Finance Authority Act* specify the type of investments which are eligible for local government, and thus have been included in this policy. This legislation serves to limit investment risk and promote high-quality secure investments which contribute to the primary goal of preservation of capital.

The attached policy is introduced here to establish clear direction to staff. Currently the Officers and Delegation of Authority Bylaw No. 201 only specifies that the Chief Financial Officer’s role is to “invest District funds, until required, in authorized investments”; however, no definition exists for these “authorized” funds. As such, this policy would define those investments that Council deems appropriate.

Staff has drafted this policy based on guidelines from the Municipal Finance Authority (MFA) and the feedback from other CFO’s and their engagements with MFA to draft their respective policies.

MFA for example previously provided comments regarding the minimum recommended parameters in policies on the types on investment portfolios, which they advised are as follows:

AA or higher	100%
A+/A/A-	75%
BBB+/BBB/BBB- or unrated	25%

The MFA did not recommend excluding BBB or A rated investments as that would preclude investments in credit unions, which are at best BBB+ rated, with the majority actually considered unrated by the MFA.

As such, Staff included a balanced portfolio approach in the Policy to protect District funds, yet enabling a variety of investment options, including investments with Credit Unions:

Rating	Up to %
AAA	100%
AA	90%
A	70%
BBB	30%

Note: Term deposits or other guaranteed rate deposits are considered risk free and as such do generally not receive a rating by any of the major credit ratings organizations like Moody's or Standard and Poor's (S&P).

The policy would continue to allow up to 100% investment into those types of risk free deposits while equally enabling investments into other portfolios that generally provide a higher yield, for example, the MFA offers pooled security funds that allows local governments and educational institutions to combine their funds which historically have yielded higher returns.

Summary

At this stage, Council is asked to adopt this policy which codifies existing practices while enabling other investment options to maximize potential investment returns.

Benefits or Impact

General

This new investment policy will provide guidance to staff by defining the parameters for investing the District's surplus funds.

Finances

N/A – Staff would work on establishing a diversified investment portfolio that has the potential to generate additional income for the District over time.

Strategic Impact

N/A

Risk Assessment

Compliance: Community Charter, Municipal Finance Authority Act

Risk Impact: Low

Internal Control Process: Staff would work with the MFA to set up appropriate investment accounts to diversify the District's portfolio.

Next Steps / Communication

- Staff to contact MFA and set up accounts
 - Immediately expiring term deposits may be re-invested as such, however, by 2025 the other strategies would be implemented
 - Council to receive a report annually by June 30 of each year.
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Attachments

- Draft Policy No. 53FI – Investment of District Funds

Recommendation

THAT Council adopts the Investment of District Funds Policy No. 53FI as presented.

Alternative Options

1. Council could choose not to pursue this Policy at this time.

Prepared by:

D. Drexler, Chief Administrative Officer



DISTRICT OF BARRIERE COUNCIL POLICY MANUAL

Approval Date: N/A
Amended Date: N/A

NO: 53FI
SECTION: Finance
SUBJECT: Investment of District Funds

Purpose

The purpose of this Policy is to provide a framework for the prudent management of the District of Barriere's (the "District") investment portfolio within an acceptable investment risk tolerance level.

Scope

This Policy applies to the investment of all surplus cash in operating and reserve funds.

Policy Statements

1. **Objectives**

a) Principal Protection

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Preservation of principal is accomplished through placement of investments in the safest type of securities with creditworthy institutions, and through portfolio diversification.

b) Liquidity

The investment portfolio shall remain sufficiently liquid to meet all annual operating and other reasonably anticipated cash flow requirements. The portfolio structure should be such that maturity dates correspond to short and long term cash requirements as much as reasonably possible.

c) Return on Investment

The investment portfolio shall be designed to maximize the rate of return subject to investment risk constraints and liquidity needs.

2. **Standard of Care**

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would exercise in the management of their own affairs, with priority given firstly to security of capital, secondly to liquidity, and thirdly to maximization of returns.

3. Ethics & Conflict of Interest

Staff responsible for investing shall refrain from personal business activity that could conflict with proper execution and management of the investment program or impair their ability to make impartial investment decisions.

4. Delegation of Authority

Authority to manage the District's investment program is delegated to the Chief Financial Officer under the Officers and Employees Bylaw and amendments thereof, and in accordance with Section 149 of the *Community Charter*.

5. Responsibilities

a) Council

- to receive and review annual reports from the Chief Financial Officer on the performance of the portfolio

b) Chief Administrative Officer

- to review and approve investment recommendations from the Chief Financial Officer

c) Chief Financial Officer

- to select investment dealers and institutions to assist in meeting performance objectives for the portfolio
- to select and manage investments in accordance with the objectives of principal protection, liquidity, and return on investment while ensuring the District's operating and capital cash flow requirements are met
- to review portfolio performance on a regular basis and make recommendations for changes
- to report annually to Council on investment performance and rates of return

6. Authorized Investments

a) Investments must comply with Section 183 of the *Community Charter*.

Money held by a municipality that is not immediately required may only be invested or reinvested in one or more of the following:

- securities of the Municipal Finance Authority;
- pooled investment funds under Section 16 of the *Municipal Finance Authority Act*;
- securities of Canada or of a province;
- securities guaranteed for principal and interest by Canada or a province;
- securities of a municipality or regional district or greater board;
- investments guaranteed by a chartered bank;
- deposits in a savings institution, or non-equity or membership shares of a credit union;
- other investments specifically authorized under this or another Act.
- investments in internally financed projects.

- b) All investments must be denominated in Canadian dollars or US. dollars. US dollar investments are not to exceed 5% of the total portfolio.
- c) The District's operating and reserve funds may be pooled for investment purposes.
- d) Investments in shares, warrants, or other equities, convertible debt securities, derivatives, swaps, options or futures are prohibited, and all investment categories that are not explicitly permitted are prohibited.

7. Authorized Investment Dealers and Financial Institutions

A list will be maintained by the Chief Financial Officer of approved investment dealers and financial institutions authorized to provide investment services. Preference will be given to investment dealers and financial institutions that can provide the District with the broadest range of investment instruments. Where feasible, the District will endeavor to invest funds with institutions and dealers which support the local economy. Professional judgement, due diligence, and care will be exercised when selecting investment dealers.

The Chief Financial Officer may from time to time engage consultants or other advisors to assist them in fulfilling their responsibilities.

8. Investment Parameters

a) Rating

All investments must have a rating of at least BBB by Standard & Poor's (S&P) or equivalent by Dominion Bond Rating Service (DBRS) or Moody's.

The total portfolio should be limited to the following credit rating thresholds on a weighted average basis (as defined by S&P or equivalent):

Rating	Up to %
AAA	100%
AA	90%
A	70%
BBB	30%

Note: Term deposits and other guaranteed rate deposits are permitted at up to 100% as they are risk free and as such are not rated.

Due to market fluctuations, maximum percentages may be exceeded at a point in time. Securities need not be liquidated to rebalance the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

b) Diversification

The District will endeavor to diversify its investment portfolio by institution, maturity, type and sector of investment in order to reduce overall risk given prevailing market conditions.

c) Maturity

All securities held in the portfolio shall have a maturity of five years or less, however it is understood that the majority of assets will be invested in securities with a maturity considerably shorter than this five year maximum. Overall, the total portfolio shall have an average term to maturity of no greater than five years.

9. Reporting

The Chief Financial Officer will provide an annual report to Council on the performance of the portfolio by June 30th of the following year.

10. References

Community Charter Sections 149 and 183

Municipal Finance Authority Act Section 16

Resolutions and Amendments

MMM DD, YYYY – Council Policy No. 53FI Established