



Policy: Investment Policy

Department: Corporate Services

Effective Date: Draft

Revision Date:

Review Date:

1. Coverage

This policy applies to all County departments.

2. Policy Statement

Bruce County strives to optimize all cash resources within statutory limitations and with the basic principle to protect and preserve capital, while maintaining solvency and liquidity to meet ongoing financial requirements.

3. Purpose

The purpose of this policy is to provide guidelines for the investment of County funds not immediately required.

4. Legislative Authority

Through this policy the County will ensure that all investments are eligible and that the County complies with the regulatory requirements under *Ontario Regulation 438/97 Eligible Investments, Related Financial Agreements and Prudent Investments*.

5. Definitions

Capital

This is the initial investment amount made by the County, also can be referred to as the principle.

Credit Risk

The risk to an investor that an issuer will default on the payment of interest and/or principal on a security.

Diversification

The process of investing in assets among a range of security types by sector, maturity, and quality rating. The rationale of diversification will on average yield higher returns and result in lower price volatility than an individual investment.

Interest Rate Risk

The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

Other Price Risk

This risk that the value or future cashflows of an investment will fluctuate or decline due to changes in market prices, whether specific to the individual investment or to the market as a whole.

Liquidity

A measure of an asset's convertibility to cash.

Liquidity Risk

The risk that the County encounters difficulty in meeting its obligations as they fall due.

Portfolio

Collection of securities (stocks, bonds, cash, etc.) held by an investor.

Rate of Return

The yield obtained on a security based on its purchase price or its current market price. Yield reflects coupon, term, liquidity, and credit quality.

Securities

This includes bonds, debentures, treasury bills, commercial papers, repurchasing agreements, promissory notes and asset-backed investments.

6. Procedure

Objectives

Statutory Requirements

All investment activities will adhere to legislative and regulatory requirements specifically to the *Municipal Act, 2001* and the *Ontario Regulation 438/97* or as it is amended from time to time.

Preservation of Capital

Safety of the principal amount is of the utmost importance of the investment portfolio. Investments shall be made in manner that protects and preserves the capital of the portfolio. The County will use strategies such as limiting investments to safer types of securities, diversifying the portfolio so that a loss on one investment can be minimized, and annually reviewing the full investment portfolio to ensure the preservation of capital.

Maintaining Liquidity

The investment portfolio will remain sufficiently liquid to meet all operating and cash flow requirements of the County. Only surplus funds will be invested, temporary investments will be utilized where appropriate and staggered to ensure access to these funds. A portion of the portfolio may be placed in eligible investment pools which offer high liquidity for short-term funds.

Competitive Rate of Return

The investment portfolio will be designed in a way to maximize investment returns while complying with the above stated objectives. The rate of return is of secondary importance as compared to the safety and liquidity of the funds. Investments will be made to obtain the most advantageous yields which will include the use of both short- and longer-term investments where appropriate.

Reporting to Council

On an annual basis the Treasurer shall submit a report to Council regarding the County's investment portfolio. This report shall include a summary of the composition of the investment portfolio including but not limited to the principal amount invested, interest rate, term, and annual investment income.

Conflict of Interest

County staff involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment policy, or that could impact their ability to make impartial decisions. County staff shall not undertake personal investment transactions with the same individual(s) with whom business is conducted on behalf of the County.

Managing Risks

The following are strategies that the County takes to mitigate or reduce its exposure to risk where possible:

- **Credit Risk**
 - Limiting investment selections to safer options with reputable financial organizations.
 - Diversifying investment portfolio holdings so that potential losses are minimized.
- **Interest Rate Risk**
 - Diversify the terms and composition of holdings to mitigate impacts of interest rate volatility.

- Develop budgets that do not rely on current year interest returns to fund current operating or capital needs.
- **Liquidity Risk**
 - Structuring maturity dates so that investments mature on staggered schedules, preventing the need to sell investments prior to maturity, and providing diversification in timing.
 - Aligning investment terms with the timelines for utilization of funds.
 - Monitor cashflows on a regular basis to allow for planning of liquidity needs.
- **Other Price Risk**
 - Selection of investments that prioritize a principal guarantee if held to term.
 - Diversify the terms and composition of holdings to mitigate impacts of both investment specific and market volatility.

Strategic and Value Alignment

- All investments shall be made in Canadian dollars.
- The County will aim to increase investments made with the consideration of ESG issues (environmental, social and governance).
- All investment transactions must be approved by two of the following four County officials: Treasurer, Deputy Treasurer, Chief Administrative Officer, and/or Deputy Chief Administrative Officer.