

	Title: Investment Policy	Policy No: FN-13
	Category: Council Policy	Classification: Finance

1. Purpose:

This Council policy provides guidance to ensure that the investment of public funds is handled in a prudent manner with due care.

Scope:

This Policy applies to the investment of cash in all funds and reserves.

2. Policy Statement:

The investment of public money must reflect a conservative philosophy based on the following three prioritized objectives:

1. **Safety / Preservation of Capital** – Minimizing the potential for loss of the investment principal by considering the credit risk of the issuer of the investment and diversifying the investment portfolio.
2. **Liquidity** – Ensuring that the maturity dates of the investments match to the operating cash requirements so that investments do not have to be sold prior to maturity which will minimize the risk of capital loss. Liquidity is enhanced by holding a portion of the portfolio in cash and readily marketable short term investments.
3. **Maximization of Returns** – A significant amount of revenue is generated through investment earnings. The investment portfolio is designed with the objective of maximizing return subject to the criteria of preservation of capital and liquidity.

3. Principles:

- 3.1 All investments must be made in accordance with Section 183 of the *Community Charter* which reads as follows:

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

- a) securities of the Municipal Finance Authority;
- b) pooled investment funds under section 16 of the Municipal Finance Authority Act;
- c) securities of Canada or of a province;
- d) securities guaranteed for principal and interest by Canada or by a province;
- e) securities of a municipality, regional district or greater board;
- f) investments guaranteed by a chartered bank;
- g) deposits in a savings institution, or non-equity or membership shares of a credit union;
- h) other investments specifically authorized under this or another Act.

- 3.1.1 As an alternative, the City may, as approved by Council bylaw, internally finance borrowings. Such internal financing shall be for a period not to exceed 10 years, unless otherwise stated in the bylaw, and shall bear interest at the market rate. The loan and debt payments will be created through transfers in the Financial Plan. The reserve lending the funds will benefit from the earnings or interest payment.
- 3.2 A prudent investment is made with judgment and care, under circumstances then prevailing, not for speculation but with consideration of the safety of the capital and probable income to be derived. The Director of Corporate Services (or designate) acting in accordance with the investment policy and exercising due diligence will have the authority to undertake prudent investment transactions. Two signing officers are required for each investment purchase/sale.
- 3.3 All securities invested in must achieve a rating of better than or equivalent to R-1 Low (short term) or A (long term) as determined by Dominion Bond Rating Services (DBRS), or an equivalent rating service. For example, Schedule I banks like TD, RBC, Scotia, BMO, CIBC are all R-1 High or AA. The National Bank of Canada is A. Schedule II banks are foreign owned subsidiaries for example HSBC is rated AA (low). BC Credit Unions are rated R-1 Low and the investment is fully guaranteed by the Province. Investments in securities of institutions which are not rated can only be invested in with consent of Council.
- 3.4 The City will attempt to diversify its investments by security type and institution. However, at times this will not be possible given the investment portfolio is small. With the exception of securities issued and / or guaranteed by the Government of Canada, generally not more than 50% of the city's total investment portfolio with maturities greater than one year will be invested with the Municipal Finance Authority or a single province, or a single Regional District or City, or single chartered bank or credit union.
- 3.5 Investment maturities will be planned according to the ongoing cash requirement ideally having maturities occurring in a ladder effect over a number of years. Investments will be limited to 10 years to the initial call dates. Investments of longer than ten years may be advantageous if the timing of cash needs has a long term horizon, however would require the approval of the City Council to purchase.
- 3.6 The City will solicit competitive quotations for the purchase and sale of securities when it is prudent to do so. This policy recognizes that from time to time, offerings of value may require immediate action. Under such circumstances, competitive bids may not be sought provided that value can be substantiated by market data.
- 3.7 All investments will be in Canadian dollars unless approved by the City Council.
- 3.8 All security transactions entered into by the City shall be conducted on a delivery versus payment (DVP) basis. Settlement may take place at the main branch of the City's bank in any Canadian city. Securities shall be held by the City's custodial bank or alternatively, shall be registered with the Central Depository for Securities (CDS).
- 3.9 A report shall be prepared annually by the Director of Corporate Services and presented to Council no later than May 15th which identifies the investments held as at the prior December 31st, the overall rate of return on the investment portfolio and discloses any variance from this policy.

References

Policy Number:	FN-13
Policy Owner:	Finance
Endorsed by:	City Council
Final Approval:	July 9, 2012
Date Approved:	July 9, 2012
Revision Date:	
Amendments:	
Related Policies:	
Related Publications:	

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