



Corporate Policies, Programs and Procedures
Investment Policy – Policy No. 61

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| Topic: | Investments | Affects: | Finance Staff Only |
| Section: | Financial Planning | Replaces: | June 25, 2003 |
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| Prepared By: | Corporate and Financial Services | Approval Authority: | Council |

PURPOSE

The purpose of this investment policy is to ensure integrity of the investment management process.

POLICY STATEMENT

The Town will manage the investment of surplus cash, in accordance with the Provisions of the *Municipal Act, 2001*, S.O. 2001, c. 25 as amended (the "Act") and regulations thereto, including the current O.Reg. 438/97 – Eligible Investments and Related Financial Agreements.

APPLICATION

All Town employees who are responsible for the control, administration and reporting of investments managed by the Corporation.

In order of priority, the investment objectives of the Town are:

1. Legality of Investments
2. Preservation of Principal
3. Maintenance of Liquidity
4. Maximization of the Rate of Return

1. Legality of investments

The legal authority to invest funds comes from the Act. Investments shall be in conformity with O. Reg. 438/97 – Eligible Investments and Related Financial Agreements (See Schedule 1).

The Town shall not invest in a security that is expressed or payable in any currency other than Canadian dollars.

2. Preservation of principal

Investments shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. Investments shall be made with judgement and care, not for speculation, but for investment, considering the probable safety of the principal invested as well as the probable income derived.

This policy acts to minimize credit risk, i.e. the risk of loss due to the failure of the security issuer or backer, by limiting investments to the safest types of security investments and diversifying the investment portfolio so that potential losses on individual securities will be minimized. The limits imposed by the Province of Ontario in regulation shall act as the limitations on investment types and vehicles for these purposes.

Staff shall endeavor to mitigate credit and interest rate risk as follows:

Credit Risk:

- Limiting investments to safer types of securities;
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Corporation does business;
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized; and
- Setting dollar limits on the size of portfolio investments in asset sectors (fixed income and equities) and in individual credit names.

Interest Rate Risk:

- Structuring the investment portfolio so that securities mature to meet ongoing cash flow requirements, thereby reducing the need to sell securities on the open market prior to maturity;
- Investing operating funds primarily in shorter-term securities or approved liquid investment pools;
- Diversifying longer-term holdings to mitigate effects of interest rate volatility;
- Use of Forward Rate Agreements when appropriate; and
- Investing in shares or equities of Canadian corporations through the ONE Investment Program.

3. Maintenance of liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

All investments will be interest bearing in nature, either discounted or interest bearing. Equity capital gains are limited only to investments in the ONE Investment Program equity funds.

The Town's investment portfolio should be well staggered, with investments of at least 1-10 years. This ladder approach will allow investments to mature at various times, and allow the Town the opportunity to build up the portfolio based on market conditions/opportunities. Where known, maturity dates will approximate estimated need for capital funding based on the Town's Asset Management and Capital Investment Plan. Short term investments of terms with less than one year will be used for investment of excess cash and managing the cash flow requirements of daily operations, and the remittance of taxes and development charges to York Region and the school boards.

A portion of the portfolio may be placed in the approved local government investment pool (ONE Investment Program) which offers compliance and liquidity.

4. Maximization rate of return

The investment portfolio shall be designed with the goal of maximizing the long term rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Staff will explore and utilize any eligible investment vehicles in building the Town's investment portfolio.

The investment portfolio shall seek to augment returns consistent with or above industry thresholds, with risk limitations identified herein and prudent investment principles.

To take advantage of short-term fluctuations in interest rates, securities may be sold prior to maturity.

Investments shall be purchased once multiple bids are received and analysed. The highest yielding bid, which meets the Town's cash flow requirements, will be accepted. If the highest yielding bid is not selected, an explanation describing the rationale shall be provided. The Town staff involved will retain written records of each transaction, including the name of the financial institutions, rates quoted, description of the security, investment selected, and any special considerations that had an impact on the decision.

With the goal of maximizing the long term rate of return on its investments, staff may utilize eligible investment vehicles for which there is a sole available supplier, such as the ONE Investment Program products. In instances such as this, multiple bids will not be solicited.

STANDARD OF CARE

Prudence and Risk Tolerance

Investments shall be made with judgement and care, under circumstances then prevailing, with which persons of prudence, discretion and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their principal as well as the probable income to be derived.

Investment officers and employees exercising due diligence and acting in accordance with written procedures and this Policy shall be relieved of personal responsibility for an individual security's credit risks or market price changes, provided deviations from expectations are reported in a timely fashion.

Within the limits of the investment types permissible by Regulation, the Town of Aurora will ensure the portfolio remains diversified in investment term durations, product types, issuers and risk ratings so as to minimize market and credit risk exposures to the Town. The Town has low risk tolerance with respect to its investment of funds, all of which are to be used for municipal purposes to the benefit of the community, and treated with the utmost of care.

Forward rate agreements will not be used without the specific authorization of Council in appropriate circumstances.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Officers and employees involved in the investment procedures shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Officers and employees shall not undertake personal investment transactions with the

same individual with whom business is conducted on behalf of the Town. Any such disclosures of conflict or potential perceived conflict shall be made in writing to the Chief Administrative Officer.

ADMINISTRATIVE PROCEDURES

All investment transactions are to be recorded and interest earnings distributed in accordance with Town policies and generally accepted accounting principles for municipalities.

Reporting Procedures

The Treasurer shall prepare and provide to Council each year an investment report.

The investment report shall contain:

- A statement about the performance of the investments during the period covered by the report;
- A description of the estimated proportion of the total investments that are invested in its own long-term and short-term securities to the total investment of the Town and a description of the change, in any, in that estimated proportion since the previous year's report;
- A statement by the Treasurer as to whether or not, in their opinion, all investments are consistent with the investment policies and goals of the Town;
- Listing of all investments by maturity date;
- Percentage of total portfolio that each type of investment represents.

Authorized Financial Institutions and Brokers/Dealers

The following is a current list of all financial institutions authorized to provide investment services to the Town of Aurora. This list will be maintained and updated as the business environment changes:

- TD Canada Trust
- CIBC Wood Gundy
- BMO Nesbitt Burns Inc.
- RBC Dominion Securities Inc.
- Scotia McLeod Inc.
- Raymond James Ltd.
- ONE Investment Program

Related Policies and Documents

Town By-law #5614-14 Persons Authorized to sign cheques and other banking related authorities on behalf of the Town. See Schedule #2 for extract of Investment transaction details.

SCHEDULE 1

ELIGIBLE INVESTMENTS UNDER THE MUNICIPAL ACT

ONTARIO REGULATION 438/97

ELIGIBLE INVESTMENTS AND RELATED FINANCIAL AGREEMENTS

- 1.0** A municipality does not have the power to invest under section 418 of the Act in a security other than a security prescribed under this Regulation. O. Reg. 438/97, s. 1; O. Reg. 399/02, s. 1.
- 2.0** The following are prescribed, for the purposes of subsection 418 (1) of the Act, as securities that a municipality may invest in:
- 1.0 Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by,
- i. Canada or a province or territory of Canada,
 - ii. an agency of Canada or a province or territory of Canada,
 - iii. a country other than Canada,
 - iv. a municipality in Canada including the municipality making the investment,
 - iv.1 the Ontario Strategic Infrastructure Financing Authority,
 - v. a school board or similar entity in Canada,
 - v.1 a university in Ontario that is authorized to engage in an activity described in section 3 of the Post-secondary Education Choice and Excellence Act, 2000,
 - v.2 the board of governors of a college established under the Ontario Colleges of Applied Arts and Technology Act, 2002,
 - vi. a local board as defined in the Municipal Affairs Act (but not including a school board or a municipality) or a conservation authority established under the Conservation Authorities Act,
 - vi.1 a board of a public hospital within the meaning of the Public Hospitals Act,
 - vi.2 a non-profit housing corporation incorporated under section 13 of the Housing Development Act,
 - vi.3 a local housing corporation as defined in section 24 of the Housing Services Act, 2011, or
 - vii. the Municipal Finance Authority of British Columbia.
- 2.0 Bonds, debentures, promissory notes or other evidence of indebtedness of a corporation if,
- i. the bond, debenture or other evidence of indebtedness is secured by the assignment, to a trustee, as defined in the Trustee Act, of payments that Canada or a province or territory of Canada has agreed to make or is required to make under a federal, provincial or territorial statute, and
 - ii. the payments referred to in subparagraph i are sufficient to meet the amounts payable under the bond, debenture or other evidence of indebtedness, including the amounts payable at maturity.

- 3.0 Deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments the terms of which provide that the principal and interest shall be fully repaid no later than two years after the day the investment was made, if the receipt, note, certificate or instrument was issued, guaranteed or endorsed by,
 - i. a bank listed in Schedule I, II or III to the Bank Act (Canada),
 - ii. a loan corporation or trust corporation registered under the Loan and Trust Corporations Act, or
 - iii. a credit union or league to which the Credit Unions and Caisses Populaires Act, 1994 applies.

- 3.1 Deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments the terms of which provide that the principal and interest shall be fully repaid more than two years after the day the investment was made, if the receipt, note, certificate or instrument was issued, guaranteed or endorsed by,
 - i. a bank listed in Schedule I, II or III to the Bank Act (Canada),
 - ii. a loan corporation or trust corporation registered under the Loan and Trust Corporations Act,
 - iii. a credit union or league to which the Credit Unions and Caisses Populaires Act, 1994 applies.

- 4.0 Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by an institution listed in paragraph 3.

- 5.0 Short term securities, the terms of which provide that the principal and interest shall be fully repaid no later than three days after the day the investment was made, that are issued by,
 - i. a university in Ontario that is authorized to engage in an activity described in section 3 of the Post-secondary Education Choice and Excellence Act, 2000,
 - ii. the board of governors of a college established under the Ontario Colleges of Applied Arts and Technology Act, 2002, or
 - iii. a board of a public hospital within the meaning of the Public Hospitals Act.

- 6.0 Bonds, debentures, promissory notes, other evidence of indebtedness or other securities issued or guaranteed by the International Bank for Reconstruction and Development.

- 6.1 Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by a supranational financial institution or a supranational governmental organization, other than the International Bank for Reconstruction and Development.

- 7.0 Asset-backed securities, as defined in subsection 50 (1) of Regulation 733 of the Revised Regulations of Ontario, 1990 made under the Loan and Trust Corporations Act.

- 7.1 Bonds, debentures, promissory notes or other evidence of indebtedness issued by a corporation that is incorporated under the laws of Canada or a province of Canada, the terms of which provide that the principal and interest shall be fully repaid more than five years after the date on which the municipality makes the investment.

- 7.2 Bonds, debentures, promissory notes or other evidence of indebtedness issued by a corporation that is incorporated under the laws of Canada or a province of Canada, the terms of which provide that the principal and interest shall be fully repaid more than one year and no later than five years after the date on which the municipality makes the investment.

- 8.0 Negotiable promissory notes or commercial paper, other than asset-backed securities, maturing one year or less from the date of issue, if that note or commercial paper has been issued by a corporation that is incorporated under the laws of Canada or a province of Canada.
 - 8.1 Shares issued by a corporation that is incorporated under the laws of Canada or a province of Canada.
 - 9.0 Bonds, debentures, promissory notes and other evidences of indebtedness of a corporation incorporated under section 142 of the Electricity Act, 1998.
 - 10.0 Bonds, debentures, promissory notes or other evidence of indebtedness of a corporation if the municipality first acquires the bond, debenture, promissory note or other evidence of indebtedness as a gift in a will and the gift is not made for a charitable purpose.
 - 11.0 Securities of a corporation, other than those described in paragraph 10, if the municipality first acquires the securities as a gift in a will and the gift is not made for a charitable purpose.
 - 12.0 Shares of a corporation if,
 - i. the corporation has a debt payable to the municipality,
 - ii. under a court order, the corporation has received protection from its creditors,
 - iii. the acquisition of the shares in lieu of the debt is authorized by the court order, and
 - iv. the treasurer of the municipality is of the opinion that the debt will be uncollectable by the municipality unless the debt is converted to shares under the court order. O. Reg. 438/97, s. 2; O. Reg. 265/02, s. 1; O. Reg. 399/02, s. 2; O. Reg. 655/05, s. 2; O. Reg. 607/06, s. 1; O. Reg. 39/07, s. 1; O. Reg. 373/11, s. 1.
- 2.1** A security is prescribed for the purposes of subsection 418 (1) of the Act as a security that a municipality may invest in if,
- (a) the municipality invested in the security before January 12, 2009; and
 - (b) the terms of the municipality's continued investment in the security have been changed pursuant to the Plan Implementation Order of the Ontario Superior Court of Justice dated January 12, 2009 (Court file number 08-CL-7440) and titled "In the matter of the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36 as amended and in the matter of a plan of compromise and arrangement involving Metcalfe & Mansfield Alternative Investments II Corp. et al". O. Reg. 292/09, s. 1.
- 3.0** 1.0 A municipality shall not invest in a security under subparagraph 1 iii, v.1, v.2, vi.1, vi.2 or vi.3 or paragraph 3.1 or 4 of section 2 unless the bond, debenture, promissory note or evidence of indebtedness is rated,
- (a) REVOKED: O. Reg. 265/02, s. 2 (1).
 - (b) by Dominion Bond Rating Service Limited as "AA(low)" or higher;
 - (b.1) by Fitch Ratings as "AA-" or higher;
 - (c) by Moody's Investors Services Inc. as "Aa3" or higher; or
 - (d) by Standard and Poor's as "AA-" or higher. O. Reg. 438/97, s. 3 (1); O. Reg. 265/02, s. 2 (1); O. Reg. 399/02, s. 3 (1); O. Reg. 655/05, s. 3 (1, 2); O. Reg. 607/06, s. 2; O. Reg. 39/07, s. 2.

- 2.0 REVOKED: O. Reg. 655/05, s. 3 (3).
- 2.1 A municipality shall not invest in a security under paragraph 6.1 of section 2 unless the security is rated,
- (a) by Dominion Bond Rating Service Limited as “AAA”;
 - (b) by Fitch Ratings as “AAA”;
 - (c) by Moody’s Investors Services Inc. as “Aaa”; or
 - (d) by Standard and Poor’s as “AAA”. O. Reg. 655/05, s. 3 (4).
- 3.0 A municipality shall not invest in an asset-backed security under paragraph 7 of section 2 that matures more than one year from the date of issue unless the security is rated,
- (a) by Dominion Bond Rating Service Limited as “AAA”;
 - (a.1) by Fitch Ratings as “AAA”;
 - (b) by Moody’s Investors Services Inc. as “Aaa”; or
 - (c) by Standard and Poor’s as “AAA”. O. Reg. 265/02, s. 2 (2); O. Reg. 399/02, s. 3 (2); O. Reg. 655/05, s. 3 (5).
- 4.0 A municipality shall not invest in an asset-backed security under paragraph 7 of section 2 that matures one year or less from the date of issue unless the security is rated,
- (a) by Dominion Bond Rating Service Limited as “R-1(high)”;
 - (a.1) by Fitch Ratings as “F1+”;
 - (b) by Moody’s Investors Services Inc. as “Prime-1”; or
 - (c) by Standard and Poor’s as “A-1+”. O. Reg. 265/02, s. 2 (2); O. Reg. 399/02, s. 3 (3); O. Reg. 655/05, s. 3 (6).
- 4.1 A municipality shall not invest in a security under paragraph 7.1 of section 2 unless the security is rated,
- (a) by Dominion Bond Rating Service Limited as “AA(low)” or higher;
 - (b) by Fitch Ratings as “AA-” or higher;
 - (c) by Moody’s Investors Services Inc. as “Aa3” or higher; or
 - (d) by Standard and Poor’s as “AA-” or higher. O. Reg. 292/09, s. 2 (1).
- 4.2 A municipality shall not invest in a security under paragraph 7.2 of section 2 unless the security is rated,
- (a) by Dominion Bond Rating Service Limited as “A” or higher;
 - (b) by Fitch Ratings as “A” or higher;
 - (c) by Moody’s Investors Services Inc. as “A2”; or
 - (d) by Standard and Poor’s as “A”. O. Reg. 292/09, s. 2 (1).
- 5.0 A municipality shall not invest in a security under paragraph 8 of section 2 unless the promissory note or commercial paper is rated,
- (a) by Dominion Bond Rating Service Limited as “R-1(mid)” or higher;
 - (a.1) by Fitch Ratings as “F1+”;
 - (b) by Moody’s Investors Services Inc. as “Prime-1”; or
 - (c) by Standard and Poor’s as “A-1+”. O. Reg. 265/02, s. 2 (2); O. Reg. 399/02, s. 3 (4); O. Reg. 655/05, s. 3 (8).

- 6.0 If an investment made under subparagraph 1 iii, v.1, v.2, vi.1, vi.2 or vi.3 of section 2 or paragraph 3.1, 4, 6.1, 7, 7.1, 7.2 or 8 of section 2 falls below the standard required by this section, the municipality shall sell the investment within 180 days after the day the investment falls below the standard. O. Reg. 292/09, s. 2 (2).
 - 6.1 Subsection (6) does not apply with respect to an investment made by a municipality under paragraph 7 of section 2 on a day before the day this subsection comes into force. O. Reg. 292/09, s. 2 (3).
 - 7.0 A municipality shall not invest in a security under paragraph 9 of section 2 unless, at the time the investment is made and as long as it continues, the investment ranks, at a minimum, concurrently and equally in respect of payment of principal and interest with all unsecured debt of the corporation. O. Reg. 265/02, s. 2 (2).
 - 8.0 A municipality shall not invest in a security under paragraph 9 of section 2 unless, at the time the investment is made, the total amount of the municipality's investment in debt of any corporation incorporated under section 142 of the Electricity Act, 1998 that would result after the proposed investment is made does not exceed the total amount of investment in debt, including any interest accrued on such debt, of the municipality in such a corporation that existed on the day before the day the proposed investment is to be made. O. Reg. 265/02, s. 2 (2).
 - 9.0 Any investment made under paragraph 9 of section 2, including any refinancing, renewal or replacement thereof, may not be held for longer than a total of 10 years from the date such investment is made. O. Reg. 265/02, s. 2 (2).
 - 10.0 Subsections (7), (8) and (9) do not prevent a municipality from holding or disposing of a security described in paragraph 9 of section 2 issued by a corporation incorporated under section 142 of the Electricity Act, 1998, if the municipality acquired the security through a transfer by-law or otherwise under that Act. O. Reg. 655/05, s. 3 (9).
 - 11.0 A municipality shall sell an investment described in paragraph 10 or 11 of section 2 within 90 days after ownership of the investment vests in the municipality. O. Reg. 655/05, s. 3 (9).
 - 12.0 REVOKED: O. Reg. 292/09, s. 2 (4).
- 4.0**
- 1.0 A municipality shall not invest more than 25 per cent of the total amount in all sinking and retirement funds in respect of debentures of the municipality, as estimated by its treasurer on the date of the investment, in short-term debt issued or guaranteed by the municipality. O. Reg. 438/97, s. 4 (1).
 - 2.0 In this section, "short-term debt" means any debt, the terms of which provide that the principal and interest of the debt shall be fully repaid no later than 364 days after the debt is incurred. O. Reg. 438/97, s. 4 (2).

- 4.1** 1.0 A municipality shall not invest in a security under paragraph 7 of section 2 or in a promissory note or commercial paper under paragraph 8 of section 2 unless, on the date that the investment is made,
- (a) the municipality itself is rated, or all of the municipality’s long-term debt obligations are rated,
 - (i) by Dominion Bond Rating Service Limited as “AA(low)” or higher,
 - (i.1) by Fitch Ratings as “AA-” or higher,
 - (ii) by Moody’s Investors Services Inc. as “Aa3” or higher, or
 - (iii) by Standard and Poor’s as “AA-” or higher; or
 - (b) the municipality has entered into an agreement with the Local Authority Services Limited and the CHUMS Financing Corporation to act together as the municipality’s agent for the investment in that security, promissory note or commercial paper. O. Reg. 265/02, s. 3; O. Reg. 399/02, s. 4; O. Reg. 655/05, s. 4 (1, 2).
- 1.1 A municipality shall not invest in a security under paragraph 7.1 or 8.1 of section 2 unless, on the date the investment is made, the municipality has entered into an agreement with the Local Authority Services Limited and the CHUMS Financing corporation to act together as the municipality’s agent for the investment in the security. O. Reg. 655/05, s. 4 (3).
- 1.2 Subsection (1.1) does not apply to investments in securities by the City of Ottawa if all of the following requirements are satisfied:
- 1. Only the proceeds of the sale by the City of its securities in a corporation incorporated under section 142 of the Electricity Act, 1998 are used to make the investments.
 - 2. The investments are made in a professionally-managed fund.
 - 3. The terms of the investments provide that,
 - i. where the investment is in debt instruments, the principal must be repaid no earlier than seven years after the date on which the City makes the investment, and
 - ii. where the investment is in shares, an amount equal to the principal amount of the investment cannot be withdrawn from the fund for at least seven years after the date on which the City makes the investment.
 - 4. The City establishes and uses a separate reserve fund for the investments.
 - 5. Subject to paragraph 6, the money in the reserve fund, including any returns on the investments or proceeds from their disposition, are used to pay capital costs of the City and for no other purpose.
 - 6. The City may borrow money from the reserve fund but must repay it plus interest. O. Reg. 655/05, s. 4 (3).

- 2.0 The investment made under clause (1) (b) or described in subsection (1.1), as the case may be, must be made in the One Investment Program of the Local Authority Services Limited and the CHUMS Financing Corporation with,
- (a) another municipality;
 - (b) a public hospital;
 - (c) a university in Ontario that is authorized to engage in an activity described in section 3 of the Post-secondary Education Choice and Excellence Act, 2000;
 - (d) the board of governors of a college established under the Ontario Colleges of Applied Arts and Technology Act, 2002;
 - (d.1) a foundation established by a college mentioned in clause (d) whose purposes include receiving and maintaining a fund or funds for the benefit of the college;
 - (e) a school board; or
 - (f) any agent of an institution listed in clauses (a) to (d.1). O. Reg. 265/02, s. 3; O. Reg. 655/05, s. 4 (4); O. Reg. 607/06, s. 3; O. Reg. 292/09, s. 3; O. Reg. 52/11, s. 1.
- 5.0** A municipality shall not invest in a security issued or guaranteed by a school board or similar entity unless,
- (a) the money raised by issuing the security is to be used for school purposes; and
 - (b) REVOKED: O. Reg. 248/01, s. 1.O. Reg. 438/97, s. 5; O. Reg. 248/01, s. 1.
- 6.0** 1.0 A municipality shall not invest in a security that is expressed or payable in any currency other than Canadian dollars. O. Reg. 438/97, s. 6 (1).
- 2.0 Subsection (1) does not prevent a municipality from continuing an investment, made before this Regulation comes into force, that is expressed and payable in the currency of the United States of America or the United Kingdom. O. Reg. 438/97, s. 6 (2).
- 7.0** 1.0 Before a municipality invests in a security prescribed under this Regulation, the council of the municipality shall, if it has not already done so, adopt a statement of the municipality's investment policies and goals. O. Reg. 438/97, s. 7.
- 2.0 In preparing the statement of the municipality's investment policies and goals under subsection (1), the council of the municipality shall consider,
- (a) the municipality's risk tolerance and the preservation of its capital;
 - (b) the municipality's need for a diversified portfolio of investments; and
 - (c) obtaining legal advice and financial advice with respect to the proposed investments. O. Reg. 265/02, s. 4.
- 3.0 REVOKED: O. Reg. 655/05, s. 5.
- 4.0 In preparing the statement of the municipality's investment policies and goals under subsection (1) for investments made under paragraph 9 of section 2, the council of the municipality shall consider its plans for the investment and how the proposed investment would affect the interest of municipal taxpayers. O. Reg. 265/02, s. 4.

- 8.0** 1.0 If a municipality has an investment in a security prescribed under this Regulation, the council of the municipality shall require the treasurer of the municipality to prepare and provide to the council, each year or more frequently as specified by the council, an investment report. O. Reg. 438/97, s. 8 (1).
- 2.0 The investment report referred to in subsection (1) shall contain,
- (a) a statement about the performance of the portfolio of investments of the municipality during the period covered by the report;
 - (b) a description of the estimated proportion of the total investments of a municipality that are invested in its own long-term and short-term securities to the total investment of the municipality and a description of the change, if any, in that estimated proportion since the previous year's report;
 - (c) a statement by the treasurer as to whether or not, in his or her opinion, all investments are consistent with the investment policies and goals adopted by the municipality;
 - (d) a record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale price of each security; and
 - (e) such other information that the council may require or that, in the opinion of the treasurer, should be included. O. Reg. 438/97, s. 8 (2); O. Reg. 655/05, s. 6.
- 2.1 The investment report referred to in subsection (1) shall contain a statement by the treasurer as to whether any of the following investments fall below the standard required for that investment during the period covered by the report:
- 1. An investment described in subparagraph 1 iii, v.1, v.2, vi.1, vi.2 or vi.3 of section 2.
 - 2. An investment described in paragraph 3.1, 4, 6.1, 7, 7.1, 7.2 or 8 of section 2.
 - 3. An investment described in subsection 9 (1). O. Reg. 292/09, s. 4.
- 3.0 Upon disposition of any investment made under paragraph 9 of section 2, the council of the municipality shall require the treasurer of the municipality to prepare and provide to the council a report detailing the proposed use of funds realized in the disposition. O. Reg. 265/02, s. 5.
- 8.1** If an investment made by the municipality is, in the treasurer's opinion, not consistent with the investment policies and goals adopted by the municipality, the treasurer shall report the inconsistency to the council of the municipality within 30 days after becoming aware of it. O. Reg. 655/05, s. 7.
- 9.0** 1.0 Despite this Regulation, an investment by a municipality in bonds, debentures or other indebtedness of a corporation made before March 6, 1997 may be continued if the bond, debenture or other indebtedness is rated,
- (a) REVOKED: O. Reg. 265/02, s. 6.
 - (b) by Dominion Bond Rating Service Limited as "AA(low)" or higher;
 - (b.1) by Fitch Ratings as "AA-" or higher;
 - (c) by Moody's Investors Services Inc. as "Aa3" or higher; or
 - (d) by Standard and Poor's as "AA-" or higher. O. Reg. 438/97, s. 9 (1); O. Reg. 265/02, s. 6; O. Reg. 399/02, s. 5; O. Reg. 655/05, s. 8.

- 1.1 Despite subsection 3 (4.1), an investment in a security under paragraph 7.1 of section 2 made on a day before the day this subsection comes into force may be continued if the security is rated,
 - (a) by Dominion Bond Rating Service Limited as “A” or higher;
 - (b) by Fitch Ratings as “A” or higher;
 - (c) by Moody’s Investors Services Inc. as “A2”; or
 - (d) by Standard and Poor’s as “A”. O. Reg. 292/09, s. 5 (1).
- 2.0 If the rating of an investment continued under subsection (1) or (1.1) falls below the standard required by that subsection, the municipality shall sell the investment within 180 days after the day the investment falls below the standard. O. Reg. 438/97, s. 9 (2); O. Reg. 292/09, s. 5 (2).

FORWARD RATE AGREEMENTS

- 10.0** 1.0 A municipality that enters into an agreement to make an investment on a future date in a security prescribed by section 2 may enter one or more forward rate agreements with a bank listed in Schedule I, II or III to the Bank Act (Canada) in order to minimize the cost or risk associated with the investment because of fluctuations in interest rates. O. Reg. 655/05, s. 9.
- 2.0 A forward rate agreement shall provide for the following matters:
 1. Specifying a forward amount, which is the principal amount of the investment or that portion of the principal amount to which the agreement relates.
 2. Specifying a settlement day, which is a specified future date.
 3. Specifying a forward rate of interest, which is a notional rate of interest applicable on the settlement day.
 4. Specifying a reference rate of interest, which is the market rate of interest payable on a specified future date on an acceptance issued by a bank listed in Schedule I, II or III to the Bank Act (Canada).
 5. Requiring a settlement payment to be payable on the settlement day if the forward rate and the reference rate of interest are different. O. Reg. 655/05, s. 9.
- 3.0 A municipality shall not enter a forward rate agreement if the forward amount described in paragraph 1 of subsection (2) for the investment whose cost or risk the agreement is intended to minimize, when added to all forward amounts under other forward rate agreements, if any, relating to the same investment, would exceed the total amount of the principal of the investment. O. Reg. 655/05, s. 9.
- 4.0 A municipality shall not enter a forward rate agreement unless the settlement day under the agreement is within 12 months of the day on which the agreement is executed. O. Reg. 655/05, s. 9.
- 5.0 A municipality shall not enter a forward rate agreement if the settlement payment described in paragraph 5 of subsection (2) exceeds the difference between the amount of interest that would be payable on the forward amount calculated at the forward rate of interest for the period for which the investment was made and the amount that would be payable calculated at the reference rate of interest. O. Reg. 655/05, s. 9.

6.0 A municipality shall not enter a forward rate agreement except with a bank listed in Schedule I, II or III to the Bank Act (Canada) and only if the bank's long-term debt obligations on the day the agreement is entered are rated,

- (a) by Dominion Bond Rating Service Limited as "A(high)" or higher;
- (b) by Fitch Ratings as "A+" or higher;
- (c) by Moody's Investors Service Inc. as "A1" or higher; or
- (d) by Standard and Poor's as "A+" or higher. O. Reg. 655/05, s. 9.

11.0 1.0 Before a municipality passes a by-law authorizing a forward rate agreement, the council of the municipality shall adopt a statement of policies and goals relating to the use of forward rate agreements. O. Reg. 655/05, s. 9.

2.0 The council of the municipality shall consider the following matters when preparing the statement of policies and goals:

- 1. The types of investments for which forward rate agreements are appropriate.
- 2. The fixed costs and estimated costs to the municipality resulting from the use of such agreements.
- 3. A detailed estimate of the expected results of using such agreements.
- 4. The financial and other risks to the municipality that would exist with, and without, the use of such agreements.
- 5. Risk control measures relating to such agreements, such as,
 - i. credit exposure limits based on credit ratings and on the degree of regulatory oversight and the regulatory capital of the other party to the agreement,
 - ii. standard agreements, and
 - iii. ongoing monitoring with respect to the agreements. O. Reg. 655/05, s. 9.

12.0 1.0 If a municipality has any subsisting forward rate agreements in a fiscal year, the treasurer of the municipality shall prepare and present to the municipal council once in that fiscal year, or more frequently if the council so desires, a detailed report on all of those agreements. O. Reg. 655/05, s. 9.

2.0 The report must contain the following information and documents:

- 1. A statement about the status of the forward rate agreements during the period of the report, including a comparison of the expected and actual results of using the agreements.
- 2. A statement by the treasurer indicating whether, in his or her opinion, all of the forward rate agreements entered during the period of the report are consistent with the municipality's statement of policies and goals relating to the use of forward rate agreements.
- 3. Such other information as the council may require.
- 4. Such other information as the treasurer considers appropriate to include in the report. O. Reg. 655/05, s. 9.

SCHEDULE 2

Extract from Town By-law #5614-14

Being a By-law to provide for persons authorized to sign cheques and other banking authorities on behalf of the Town.

1. THAT all cheques issued by the Town upon the Town's general bank account shall require two (2) signatures and shall be signed:
 - (a) firstly, by any one (1) of the following officers or employees of the Town:
 - i. the Treasurer; or
 - ii. the Manager of Accounting & Revenues – Deputy Treasurer; or
 - iii. the Manager of Financial Planning – Deputy Treasurer;
 - (b) and secondly, by any one (1) of the following officials, officers or employees of the Town:
 - i. the Mayor; or
 - ii. the Deputy Mayor; or
 - iii. the Acting Mayor; or
 - iv. the Chief Administrative Officer; or
 - v. the Town Solicitor; or
 - vi. the Town Clerk; or
 - vii. the Director of Parks & Recreation Services.

...

6. THAT the Treasurer or his/her designate be and is hereby authorized to establish business relationships, accounts, and enter into agreements on behalf of the Town with investment brokers or financial institutions for the purposes of purchasing, trading, and holding financial investments as deemed appropriate by the Treasurer or his/her designate from time to time.
7. THAT the purchase of financial investments and all wire transfers of funds from the Town's general bank account shall be made only to the benefit of those investment brokers or financial institutions pre-approved in writing with the Town's lead bank. The execution of any necessary or ancillary documents required to perform any of the actions set out in this paragraph shall be signed in the same manner as provided for in paragraph 1 of this By-law.
8. THAT with respect to the actual purchase of investment transactions, the transaction shall be approved in writing in two (2) stages, and using the secured wire payments facility of the Town's lead bank, as follows:

- (a) firstly, by any one (1) of the following officers or employees of the Town:
 - i. a Financial Analyst; or
 - ii. the Manager of Financial Planning – Deputy Treasurer;

- (b) and secondly, by any one (1) of the following officers or employees of the Town:
 - i. the Treasurer; or
 - ii. the Manager of Accounting & Revenues – Deputy Treasurer; or
 - iii. the Manager of Financial Planning – Deputy Treasurer;

and the same person may not approve any subject transaction in both stages.