



**FINANCE
ADVISORY COMMITTEE
MEETING AGENDA**

TUESDAY, AUGUST 11, 2015

5:30 P.M.

**LEKSAND ROOM
AURORA TOWN HALL**

PUBLIC RELEASE
August 7, 2015


AURORA
TOWN OF AURORA
FINANCE ADVISORY COMMITTEE
MEETING AGENDA

DATE: Tuesday, August 11, 2015

TIME AND LOCATION: 5:30 p.m., Leksand Room, Aurora Town Hall

1. DECLARATION OF PECUNIARY INTEREST AND GENERAL NATURE THEREOF

2. APPROVAL OF THE AGENDA

RECOMMENDED:

THAT the agenda as circulated by Legal and Legislative Services be approved.

3. RECEIPT OF THE MINUTES

Finance Advisory Committee Meeting Minutes of May 26, 2015 pg. 1

RECOMMENDED:

THAT the Finance Advisory Committee meeting minutes of May 26, 2015, be received for information.

4. DELEGATIONS

5. CONSIDERATION OF ITEMS

1. CFS15-033 – Updated Investment Policy – Final Draft pg. 5

RECOMMENDED:

THAT Report No. CFS15-033 be received; and

THAT the final draft of the revised Investment Policy – Policy No. 61 be referred to a future Council meeting for its review and approval; and

THAT a ONE Investment Program enabling participation bylaw be brought to a future Council meeting for its review and approval.

6. NEW BUSINESS

7. ADJOURNMENT



**TOWN OF AURORA
FINANCE ADVISORY COMMITTEE
MEETING MINUTES**

Date: Tuesday, May 26, 2015

Time and Location: 5:30 p.m., Holland Room, Aurora Town Hall

Committee Members: Councillor Michael Thompson (Chair), Councillor Harold Kim, and Mayor Geoffrey Dawe (arrived 5:32 p.m.)

Member(s) Absent: None

Other Attendees: Councillor Tom Mrakas, Neil Garbe, Chief Administrative Officer, Dan Elliot, Director of Corporate and Financial Services/Treasurer, Jason Gaertner, Manager of Financial Planning, Laura Sheardown, Financial Analyst, Cash Flow and Investments, and Samantha Kong, Council/Committee Secretary

The Chair called the meeting to order at 5:30 p.m.

1. DECLARATION OF PECUNIARY INTEREST AND GENERAL NATURE THEREOF

There were no declarations of pecuniary interest under *the Municipal Conflict of Interest Act*.

2. APPROVAL OF THE AGENDA

**Moved by Councillor Kim
Seconded by Councillor Thompson**

THAT the agenda as circulated by Legal and Legislative Services, ***with the following addition***, be approved:

- Item 3 – Memorandum from Chief Administrative Officer
Re: Citizen Budget Survey – Original Script

CARRIED

3. RECEIPT OF THE MINUTES

Finance Advisory Committee Meeting Minutes of April 28, 2015

**Moved by Councillor Kim
Seconded by Councillor Thompson**

THAT the Finance Advisory Committee meeting minutes of April 28, 2015, be received for information.

CARRIED

4. DELEGATIONS

None

5. CONSIDERATION OF ITEMS

**1. Memorandum from Chief Administrative Officer
Re: Costs for Citizen Budget Survey**

Staff presented an overview of the base package and potential add-ons of the Citizen Budget Survey and indicated that the base package is currently on reserve and suggested that customizations one and two would be beneficial investments. Staff further stated that the Survey would be promoted at various Town events during the summer months towards its launch in September. The results would be presented to Council at a workshop for consideration at budget discussions. The Committee was pleased with the concept of the Survey, however, the Committee requested that staff investigate the approaches of neighbouring municipalities to ensure best practices and to identify a method to measure the effectiveness of the Survey.

**Moved by Mayor Dawe
Seconded by Councillor Kim**

THAT the memorandum regarding Costs for Citizen Budget Survey be received for information.

CARRIED

2. CFS15-028 – Updated Investment Policy – Draft for Discussion

Staff introduced an updated draft Investment Policy (Corporate Policy No. 61), which guides the decisions and activities for the management of the Town's investment portfolio, largely comprising surplus operating cash and reserve fund balances. Staff explained that the proposed Investment Policy update would permit pooled participation in an equity fund managed jointly by AMO/LAS and the Municipal Finance Officers Association, which offers a number of pooled, professionally managed funds with differing short- or long-term focuses. The Committee expressed concerns regarding the preservation of capital, however, it is supportive of diversification and requested that staff report back on limits with rationale.

**Moved by Councillor Kim
Seconded by Mayor Dawe**

THAT Report No. CFS15-028 be received; and

THAT the comments from the Finance Advisory Committee discussion be referred back to staff for incorporation into a final revised Investment Policy, to be presented at a future Finance Advisory Committee meeting.

CARRIED

**3. Memorandum from Chief Administrative Officer
Re: Citizen Budget Survey – Original Script**

(Added Item)

Staff presented the original script of the Citizen Budget Survey to receive feedback from the Committee. The Committee suggested phrasing the questions more generically to facilitate unbiased responses, and to launch the survey in June to receive responses earlier. Staff indicated that the intention of the questions is to educate residents about the impacts of property tax increases, as well as to receive their concerns. Staff further stated that they are unable to launch the survey in June 2015, however, it is possible to have an earlier launch date in the following year. The Committee suggested including a field at the beginning of the survey that identifies the area in which the resident resides in, which would allow staff to address concerns appropriately. Staff indicated that including a postal code field would be possible.

**Moved by Mayor Dawe
Seconded by Councillor Kim**

THAT the memorandum regarding Citizen Budget Survey – Original Script be received for information.

CARRIED

6. NEW BUSINESS

Staff indicated that a document regarding budget processes, principles, and directives is being developed, and is expected to be presented to the Committee for discussion at its next meeting.

7. ADJOURNMENT

**Moved by Councillor Kim
Seconded by Mayor Dawe**

THAT the meeting be adjourned at 6:36 p.m.

CARRIED

COMMITTEE RECOMMENDATIONS ARE NOT BINDING ON THE TOWN UNLESS
ADOPTED BY COUNCIL AT A LATER MEETING.

 **TOWN OF AURORA
FINANCE ADVISORY COMMITTEE REPORT CFS15-033**

SUBJECT: *Updated Investment Policy – Final Draft*

FROM: *Dan Elliott, Director, Corporate & Financial Services - Treasurer*

DATE: *August 11, 2015*

RECOMMENDATIONS

THAT Report No. CFS15-033 be received; and

THAT the final draft of the revised Investment Policy – Policy No. 61 be referred to a future Council meeting for its review and approval; and

THAT a ONE Investment Program enabling participation bylaw be brought to a future Council meeting for its review and approval.

PURPOSE OF THE REPORT

The Town's Investment Policy guides decisions and activities for the management of the Town's investment portfolio, comprised substantially of surplus operating cash, and reserve fund balances. This report presents the proposed final draft of the Town's updated investment policy document for the Finance Advisory Committee's (FAC) final review and referral to Council for final approval. This final draft reflects all previous feedback received from the Finance Advisory Committee.

BACKGROUND

Municipalities are restricted by provincial legislation in regard to the types of financial investments which can be acquired to optimize the yield of idle cash holdings. Section 418 of the *Municipal Act, 2001*, S.O. 2001, c. 25 as amended (the "Act"), coupled with a regularly updated regulation O.Reg. 438/97. The current Investment Policy of the Town, Corporate Policy #61, was last updated in 2003. Since that time, a few minor changes have occurred in the Regulations which constrain eligible investments.

Further, the current trend amongst municipalities, such as Markham, has been to move away from specific duplication of bits of the regulation limits, rather now set general goals and objectives, followed by a referral to the regulation for eligible investment types.

One key development within the investment regulations in the last few years has been the introduction of certain Canadian corporate equity products. The only way to participate in this is through acquisition of a participation interest in the ONE Investment

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Program's equities fund, managed jointly by AMO/LAS and the Municipal Finance Officers Association. The ONE Investment Program offers a number of pooled, professionally managed funds with differing short or long term focuses, including a money market fund, a bond fund and an equities fund. Our previous policy did not specifically permit this pooled participation, with the proposed replacement policy allowing it.

An earlier proposed draft of the Town's updated investment policy was brought to Finance Advisory Committee for its review and feedback on May 26, 2015. All feedback received from the committee has been integrated into the proposed final draft of this policy.

COMMENTS

The final revised draft policy has stepped back from specifying asset mix limits, product mix limits, and moved to the provision of more flexible guidance allowing the policy to remain applicable regardless of swings in the economics of the market place and interest rates. This new draft policy allows for changes to occur to applicable municipal act driven regulations without a requirement for policy update. This policy achieves this through defining its key limiting criteria as the noted municipal act driven regulations, which are subject to amendment from time to time. The most current municipal regulations will continue to be attached to this policy.

The only limits that remain within this draft of the updated investment policy which are in addition to the limits as defined in the municipal act driven regulations relate to the maximum share of the Town's total investment portfolio that investments of an equity nature and protected principal notes (PPNs) can make up.

Through open reference to the current applicable regulations, the participation in the ONE Investment Program is now permitted under this updated policy, which is currently not permitted through silence in the prescriptive style current policy. However, a separate enabling participation bylaw of Council is required before the Town is able to begin utilizing the ONE Program.

The new draft policy also references directly the financial controls and authorities in place for the management of the actual approvals process of investment purchase transactions. Each purchase requires a same day wire transfer to the broker account, using specific electronic approvals by two different persons, each equipped with special two-factor authentication codes for use on the TD Bank's secure on-line banking wire transfer service. The process is set out in the Town's Cheque Signing and Banking Authorities By-law 5614-14.

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Prior Finance Advisory Committee discussions of this policy included whether or not the FAC was satisfied with the absence of specific asset mix limits, product mix limits, or sector limits. In addition, it was deemed important that the staff administering the policy were required by the policy to ensure preservation and protection of capital through diversification.

LINK TO STRATEGIC PLAN

Reviewing and updating the Town's investment policy to allow for the participation in emerging investment vehicles and opportunities contained within the current restrictive regulations supports the Strategic Plan guiding principles of improved accountability and transparency of the municipal government, while building and maintaining the fiscal strength and sustainability of the organization, and by extension, the community.

ALTERNATIVE(S) TO THE RECOMMENDATIONS

The Final Draft of the Town's Investment Policy can be further reviewed and updated by the FAC prior to its referral to Council for final review and approval.

FINANCIAL IMPLICATIONS

The existing applicable Provincial Regulations have been developed and are continually monitored by the Province, AMO, and the Municipal Finance Officers Association (MFOA) for adequacy, security, safety, yet also for flexibility and opportunity.

The Town's current investment strategy is governed through its compliance with its own policy, as well as the applicable provincial regulations. With the limited number of transactions, and the very limited selection of investment products, Town staff currently identify their investment need, (value and term) and solicit offers from a selection of preselected brokers across the country. The product with the highest net yield rate, most closely matching our term needs is then selected for purchase that day. Each broker holds the Town's actual investments on its behalf, and monitor's them for continued relevance given changes in the market place and will provide advice to the Town on these investments, as necessary.

Most investments are intended to be held to maturity, although occasionally they are sold prior to maturity based upon broker recommendations in order to optimize overall portfolio yields. Staff work closely with the individual brokers in understanding market trends and recommendations. Unfortunately, hiring an experienced portfolio manager in-house is cost prohibitive for the Town, as the salary demand would be prohibitive, but also the volume of activity for such does not match the need for a full time staffer. Hiring a contract manager only adds to our portfolio carrying costs and diminishes the net returns of the portfolio. With the very restrictive limits on the types of investments

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allowable, and the few transactions made, it is difficult to recommend that the Town could benefit from the engagement of a specialist portfolio manager on a long term basis at this time. However, as the Town and its investment portfolio continue to grow perhaps the business case for a full time staffer of this nature will become stronger.

The Town has not experienced any difficulties in communication, compliance or custody matters with any of its brokers while using the current processes, policy and reviews.

CONCLUSIONS

Reflecting previously received FAC feedback, staff have created the attached final draft of the Town of Aurora's updated Investment Policy. This updated policy has been fashioned after the review and consultation on the investment policies of several municipalities. The new policy retains the same risk averse, conservative investment strategies of the previous policy, however, it predominantly simply defers to the prevailing provincial investment regulations for municipalities, which limit investment options to only highly conservative and mostly guaranteed products. This updated policy also allows the Town to take advantage of all available investment products such as the ONE Investment Program.

As a result, it is recommended that the FAC sponsor this updated Investment Policy to Council for its review and approval.

It is also recommended that the FAC sponsor the presentation of a ONE Investment Program enabling participation bylaw to Council for its review and approval.

PREVIOUS REPORTS

None

ATTACHMENTS

Attachment #1 – Proposed Final Draft Investment Policy
Attachment #2 – Current Investment Policy (#61)

PRE-SUBMISSION REVIEW

N/A

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Report No. CFS15-033

Prepared by: Dan Elliott, Director of Corporate & Financial Services - Treasurer


for/ **Dan Elliott, CPA, CA**
**Director of Corporate & Financial
Services - Treasurer**


Patrick Moyle
Interim Chief Administrative Officer



TOWN OF AURORA
 Corporate and Financial Services

Attachment #1

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

Topic:	Investments	Affects:	Finance Staff Only
Section:	Financial Planning	Replaces:	June 25, 2003
Effective Date:	June 1, 2015	Revision Date:	tdb
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 (as currently amended).

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. Compliance with Portfolio Restrictions
2. Preservation of Principal
3. Maintenance of Liquidity
4. Maximization of the Rate of Return

1. Compliance with Portfolio Restrictions

The legal authority to invest funds comes from the Act. All investments acquired shall be in conformity with portfolio restrictions and permissions set out in O. Reg. 438/97 – Eligible Investments and Related Financial Agreements, as amended from time to time (See Schedule 1 for current version at time of approval).

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 pay a nominal amount of interest, as discount or interest bearing securities. Equity exposure will be limited 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 of 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 will be managed with prudent investment principles, in order to maximize returns within established risk parameters.

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.

Additional Local Limitations on Investments

- 1) Investments made under paragraph 7, 7.1, 7.2 or 8.1 of Section 2 of O.Reg. 438/97 (equity investments through the ONE Fund) shall not, on a combined value basis, exceed 25%.
- 2) Investments in “Principle Protected Notes” or other similar investment products shall not exceed 5%.

The portfolio percentage restrictions apply at the time an investment is made. Should one of the upper limits be exceeded due to fluctuations of the total portfolio value, no further investments in these categories will be undertaken until there is sufficient space within the above limitation. If the limitations are exceeded due to fluctuations in the total portfolio value, the previously made investments are not to be sold, but held until it is to the Town’s advantage to sell them or they mature.

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 (as currently amended)

ELIGIBLE INVESTMENTS AND RELATED FINANCIAL AGREEMENTS

1. 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. The following are prescribed, for the purposes of subsection 418 (1) of the Act, as securities that a municipality may invest in:
 1. 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. 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. 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. Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by an institution listed in paragraph 3.
5. 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. 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. 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. 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. Bonds, debentures, promissory notes and other evidences of indebtedness of a corporation incorporated under section 142 of the Electricity Act, 1998.
10. 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. 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. 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. (1) 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) 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) 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) 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) 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) 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) 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) 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) 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) 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) 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) REVOKED: O. Reg. 292/09, s. 2 (4).
- 4. (1) 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) 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) 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) 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. 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. (1) 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) 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. (1) 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) 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) REVOKED: O. Reg. 655/05, s. 5.
 - (4) 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. (1) 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) 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) 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. (1) 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) 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.** (1) 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) 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) 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) 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) 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) 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. (1) 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) 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. (1) 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) 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.

Investment Policy Update **Effective: June 25, 2003**

Section I - Scope and Objectives

THAT the Town's Investment Policy be adopted as follows:

Scope: This policy constitutes the Town's policy governing the effective and efficient management of surplus and idle cash resources within the general, capital, reserve and reserve funds.

Objectives: The policy establishes the following as its core objectives:

- Adherence to statutory requirements for eligible investments;
- Preservation and security of capital;
- Maintenance of necessary liquidity; and
- Realizing a competitive rate of return.

Adherence to Statutory Requirements

This policy applies to the management of all monies of the Operating Fund, Capital Fund, Reserve and Reserve Funds. Section 418 of the Municipal Act, 2001 (as amended) governs investments made by municipalities as prescribed in Ontario Regulation 438/97 as amended by Ontario Regulation 265/02. In exercising the statutory responsibility of a Municipal Treasurer, the Director of Finance/Treasurer for the Town of Aurora is responsible for the administration of this policy in compliance with the requirements prescribed in the Municipal Act, 2001 as amended from time to time.

Preservation and Security of Capital

The Town's investment policy is directed toward the preservation and security of capital identified for specific future uses and purposes such as (but not limited to) levy requisitions of the Regional Municipality of York, the Boards of Education and the Town's own requirements.

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital within the overall investment portfolio. Credit and interest rate risks are to be mitigated as follows:

Credit Risk:

- Limiting investments to guaranteed securities;
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisers with whom the Town completes transactions for eligible investments subject to approval by the Director of Finance;

Section I - Scope and Objectives (Con't)

Credit Risk (Con't):

- Diversifying the investment portfolio so to manage risk of poor performance on individual securities or overall economic conditions.

Interest Rate Risk:

- Structuring the investment portfolio so the securities mature to meet on-going 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; and
- Diversifying longer-term holdings to match term exposure to requirements of underlying reserve funds and to mitigate effects of interest rate volatility.

Maintenance of Necessary Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating and cash flow requirements. This shall be done where possible by structuring the portfolio such that securities mature concurrent with anticipated cash flow demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets.

Realizing Competitive Rate of Return

Without compromising other objectives, the Town shall maximize the rate of return earned on its portfolio by implementing a sound investment strategy as part of its investment program. Trends in economic variables will be monitored including interest rates and inflationary pressures.

Diversification, as well as ensuring safety of principal by limiting exposure to credit, sector or term risks, also provides opportunities to enhance investment returns of the Town's portfolio by means of prudent and timely adjustments to the asset mix.

Section II - Standard of Care

Prudent Investment Principles

Investments shall be made in accordance with the policy, under the prevailing circumstances. Consideration of the probable safety of principal, as well as income to be derived, should be of utmost importance. Town staff, acting in accordance with this policy and other corporate policies & procedures and having exercised due diligence, shall be relieved of personal responsibility for any individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and the liquidation or sale of such securities are carried out in accordance with the terms of this policy.

Ethics and Conflicts of Interest

Employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the Town's investment program, or that could impair their ability to make impartial investment decisions. Employees involved in 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 Town's investment portfolio. Town employees and financial institution officers shall not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the Town.

Delegation of Authority

The Director of Finance/Treasurer has overall responsibility for establishing and implementing a prudent investment strategy for the Town's portfolio in a manner consistent with this policy. The Director of Finance/Treasurer shall be responsible for all transactions undertaken, and shall exercise control over any staff delegated to implement the investment program.

Competitive Selection of Investment Instruments

All security purchase/sale transactions will be completed through a competitive process and with financial institutions approved by the Director of Finance/Treasurer. The Town will accept an offer to purchase, which (a) has the highest rate of return for the investment term required; and (b) optimises the investment objectives of the overall portfolio. When selling a security, the Town will select the bid that generates the highest sale price.

It will be the responsibility of the Director of Finance/Treasurer to produce and retain written records of each transaction, including the names of financial institutions solicited, rate quoted, description of the security, investment selected, and any special considerations that had an impact on the final decision.

Section III - Eligible Investments and Parameters

Eligible Investments

The following are eligible investments:

- Bonds, debentures, or other evidences of indebtedness of or guaranteed by the Government of Canada, the Province of Ontario, or another province of Canada;
- Bonds, debentures, term deposits, deposit receipts, deposit notes, certificates of instruments issued, accepted, guaranteed or endorsed by any bank in Schedule I or II to the Bank Act (Canada) or by credit unions and trust companies as defined in the Credit Unions and Caisses Populaires Act; and
- Bonds, debentures or promissory notes of a metropolitan, regional or district municipality, a school board, or a local board as defined in the Municipal Act.

All eligible investments must meet or exceed the minimum credit rating as defined in Section VII of this policy and are to be used in conjunction with the sector limitations noted in the below under the reference Investment Parameters.

Investment Parameters

The investment parameters shall be achieved through diversification by:

- Limiting investments to avoid over-concentration in securities of a specific type, from a specific issuer or sector (excluding Government of Canada instruments);
- Limiting investments in securities to those that have higher credit ratings;
- Investing in securities with varying maturities; and
- Investing in mainly liquid, marketable securities, which have an active secondary market, to ensure that appropriate liquidity is maintained in order to meet on-going cash flow requirements.

In order to promote diversification in the Town's portfolio holdings, percentage weightings for sector and security type shall be established and maintained (See Section VII).

To the extent possible, the Town shall match its term structure with anticipated cash flow requirements. Unless matched to specific cash flow requirements, the Town will not directly invest in securities maturing more than ten (10) years from the date of purchase. Reserve Funds and other longer-term investment horizons may be invested in securities exceeding the ten (10) years if the maturity of such investments are made to coincide, as near as possible, with the expected use of such funds. The final column of Section VII sets out the maximum term in order to ensure liquidity requirements are maintained.

Section IV - Reporting Requirements

Reports to Council

The Director of Finance/Treasurer shall provide an investment report to Council annually. The report will include the following:

- Listing of individual securities held at the end of the preceding fiscal year;
- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over the one-year duration;
- Percentage of total portfolio which each type of investment represents;
- Summary statement about the performance of the investment portfolio during the period covered by the report;
- An estimated ratio of the total long-term and short-term securities compared to the total investments and a description of the change, if any, in that estimated proportion since the last year's report;
- A statement (opinion) by the Director of Finance/Treasurer as to whether or not all investments were made in accordance with the investment policies and objectives adopted by the Town and in compliance with the Municipal Act; and
- Such other information that Council may require or that, in the opinion of the Director of Finance/Treasurer, should be included.

Performance Benchmarks

The investment portfolio will be managed in accordance with the parameters specified within this policy. Short-term funds will be compared to the return on the Scotia McLeod's Capital 30 day Treasury Bill Index and the 91 day Treasury Bill Index as well as the ONE Funds Money Market Fund. Long-term funds will be compared to the Scotia McLeod's Capital – All Government – Bond Index and the ONE Funds Bond Fund.

Section V - Safekeeping and Custody

The custody and safekeeping of the Town's investments is held off site with the broker from whom the investment was purchased. All securities shall be held in the name of the Corporation of the Town of Aurora.

The brokerage organization shall issue a confirmation receipt to the Town listing specific investment instrument details, rate, maturity and other pertinent information. On a monthly (or quarterly basis depending on the broker) the broker will also provide reports which list all securities held for the Town, the book value of the holdings and the market value of the holdings as of the month (period) end date.

Section VI - Responsibilities

The responsibilities of the Director of Finance/Treasurer are as follows:

- Enters into arrangements with banks, investments dealers, brokers and other financial institutions for the purchase, sale, redemption, issuance, transfer and safekeeping of securities;
- Executes and signs documents on behalf of the Corporation of the Town of Aurora and performs all other related acts in the day-to-day operation of the investment and cash management program;
- Develops and maintains all necessary operating procedures for the effective control and management of the investment function and reasonable assurance that the Corporation's investments are properly managed and adequately protected; and
- Ensures that adequate insurance coverage to guard against any losses that may occur due to misappropriation, theft, or other acts of fraud with respect to the Corporation's financial assets.

Section VII - Eligible Investments and Sector Limitations

	Minimum Credit Rating (DBRS) ¹	Money Market Rating	Investment Type / Sector Exposure Limitation ² (maximum)	Sector Term Limitation (maximum)
Federal³ (Canada)	AAA	R-1 high	100 %	20 years
Provincial⁴	AA	R-1 mid	80 %	20 years
	A	R-1 mid	20 %	10 years
	BBB	R-1 mid	10 %	5 years
Provincial Total			Maximum = 80% of portfolio	
Municipal				
Regional or Other Municipalities	AA or A		40 %	10 years
Banks				
Schedule I Banks		R-1 mid/low	75 %	5 years
Schedule II Banks, Credit Unions and Trust Companies		R-1 mid	15 %	6 months
Bank Total			Maximum = 75% of portfolio	

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1. DBRS = Dominion Bond Rating Service
 2. Exposure % limitations to be applied to the par value of the total portfolio
 3. Includes Federal Government Guarantees
 4. Includes Provincial Government Guarantees

Section VIII - Portfolio Term Limitations

Term Limitations		Percentage of Portfolio by Term (maximum)
Less than 90 days		100 %
Less than 1 year		100 %
From 1 year up to, but not including 5 years		70 %
From 5 years up to, but not including 10 years		70 %
From 10 years up to 20 years		50 %
Over 20 years		10 %

Section IX - Definitions

Money Market Ratings

<u>Rating</u>	<u>Definition</u>
R-1 (high)	Short-term debt rated R-1 (high) is of the highest quality, and indicates an entity that possesses unquestioned ability to repay current liabilities as they fall due. Entities rated in this category normally maintain strong liquidity positions, conservative debt levels and profitability which is both stable and above average.
R-1 (mid)	Debt rated R-1 (mid) is of superior credit quality and in most cases, ratings in this category differ from R-1 (high) credits to only a small degree.
R-1 (low)	High quality debt with a strong degree of safety regarding timely repayment of financial obligations.

Dominion Bond Rating Service (DBRS) – Investment Grade Obligations

<u>Rating</u>	<u>Definition</u>
AAA	Highest rating possible where the capacity to pay interest and repay principal is extremely strong.
AA	Has a very strong capacity to pay interest and repay principal and differs from AAA to a small degree.
A	Has a very strong capacity to pay interest and repay principal, but more susceptible to adverse developments than the higher rated categories.
BBB	Average to adequate capacity to pay interest and repay principal. Current levels of protection are adequate but adverse economic conditions are more likely to lead to a weakening capacity to fulfil financial obligations.

Section IX - Definitions (Con't)

Other Definitions:

Credit Risk:	the risk to an investor that an issuer will default in its obligation to pay interest and/or principal on a security.
Diversification:	the process of investing assets among a range of security types, across business sectors, with varying term and quality of credit rating.
Duration:	a measure of the timing of cash flows, such as the interest payment and principal repayment dates, to be received from a fixed-income investment instrument. The calculation is based on three variables: term to maturity, coupon rate and yield to maturity. The duration of an investment instrument is a useful indicator of its price volatility in relation to fluctuations in interest rates.
Interest Rate Risk:	the risk associated with declines or rises in interest rates, which result in the fixed-income investment instrument to increase or decrease in value.
Investment-grade Obligations:	an investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a recognized rating agency.
Liquidity:	a measure of an asset's convertibility to cash.
Market Risk:	the risk that the value of a security will rise or decline as a result of changes in capital market conditions.
Market Value:	current market price of a security.
Maturity:	the date on which payment of a financial obligation is due and payable. The final stated maturity date is the date on which the issuer must retire a bond and pay the face value to the bondholder.
Safekeeping:	the role of holding assets (e.g. securities) by a financial institution on behalf of the investor.