



SUBJECT: Investment Policy

TO: Corporate Services, Strategy, Risk & Accountability Cttee.

FROM: Finance Department

Report Number: F-41-21

Wards Affected: not applicable

File Numbers: 401-13

Date to Committee: December 6, 2021

Date to Council: December 14, 2021

Recommendation:

Approve the updated Investment Policy as outlined in appendix A of finance department report F-41-21.

PURPOSE:

Vision to Focus Alignment:

- Deliver customer centric services with a focus on efficiency and technology transformation

Background and Discussion:

The City engages in investment activity in accordance with the *Ontario Municipal Act 2001 S. 418-420* as well as in accordance with the City's approved Investment Policy. While the Municipal Act sets out eligible investments, the City's policy sets out guiding principles for the overall investment strategy. The policy serves as a guide to the planning and implementation of the City's investment program.

The City's long-term investments consist of primarily bonds issued by the Federal, Provincial, Regional and Municipal governments and Canadian banks. The City actively trades these bonds to realize capital gains on long term investments. 2020 investment activity included purchases and sales totaling approximately \$295 million in trades.

Short term investments held by the City include money market instruments with Schedule I and II Canadian banks and credit unions.

The City's Investment Policy is reviewed annually by Finance staff. The last update was approved by Council in report F-19-20 on December 14, 2020 providing an increase to the maximum holdings limit on provincial bonds to add more flexibility and potential investment opportunities to the policy. An annual review of the investment policy is considered essential in order to respond to changing economic conditions.

After reviewing the current investment policy, staff have updated the language on banking investment restrictions to expand investment opportunities beyond only bonds to also include additional bank products such as structured notes and term deposits. The restrictions on amount, term and rating requirements were not changed. The current low rate interest environment is anticipated to continue, this refinement to the investment policy gives staff the opportunity to consider new banking products being offered by the banks specifically tailored to municipalities. Aside from the amendment noted above no further changes to the investment policy are needed at this time.

Financial Matters:

Income generated by the City's investments is an important component of the City's operating revenues. In the 2020 financial statements of the City reflected investment income of \$10.9 million.

The City's operating budget relies on investment interest as part of the base budget (\$5.3M for 2021). The current low interest rate environment and expectation for it to continue well into the next year make this a difficult target to achieve. Additional flexibility to the investment policy allows staff to consider alternative investments to help reach this target.

Total Financial Impact

Not applicable

Source of Funding

Not applicable

Other Resource Impacts

Not applicable.

Climate Implications

The City has had the opportunity and invested in newly issued green bonds by the Province of Ontario and Quebec. Green bonds are used to finance projects with specific environmental benefits. Access to green bonds is limited as only a small number of provinces and regions are actively issuing these types of debt. Staff will continue to monitor these programs and explore opportunities to support these environmental investments when prudent to do so.

Conclusion:

Staff believe the recommended changes to the investment policy will provide greater flexibility to the investment portfolio and potential to increase investment income.

Respectfully submitted,

Michelle Moore

Controller and Manager of Financial Services

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Appendices:

A. Corporate Investment Policy

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.