

THE CORPORATION OF THE TOWNSHIP OF  
EDWARDSBURGH CARDINAL

BY-LAW NO. 2020-68

**“A BYLAW TO ADOPT A POLICY WITH RESPECT TO INVESTMENTS”**

**WHEREAS** the Municipal Act, 2001, S.O. 2001, c.25, Section 418 permits a municipality to invest in prescribes securities, in accordance with prescribed rules, money that it does not require immediately;

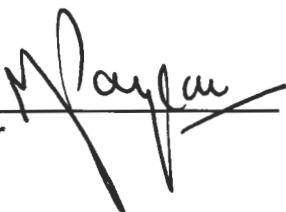
**AND WHEREAS** Ontario Regulation 438/97, Section 7(1) as amended, requires adoption of a statement of the municipality’s investment policies and goals;

**NOW THEREFORE BE IT RESOLVED** that the Council of the Township of Edwardsburgh Cardinal enacts as follows:

1. That the Investment Policy attached hereto as Schedule “A” and forming part of this bylaw is hereby adopted
2. That bylaw 2016-07 and all other bylaws previously passed that are inconsistent with the provisions of this bylaw are hereby repealed.
3. That this by-law shall come into force and take effect on the date of passing.

Read a first and second time in open Council this 23 day of November, 2020.

Read a third and final time, passed, signed and sealed in open Council this 23 day of November, 2020.

  
\_\_\_\_\_  
Mayor

  
\_\_\_\_\_  
Clerk

Schedule "A"  
By-Law 2020-68

**Purpose:**

This policy has been designed to provide an effective framework for optimal utilization of cash resources of the Township of Edwardsburgh Cardinal, within the statutory limitations and the basic need to preserve capital while maintaining solvency and liquidity to meet ongoing financial requirements.

**Application and Scope:**

The policy will govern the investment of surplus cash, reserve funds and trust funds of the Township of Edwardsburgh Cardinal and the Port of Johnstown.

**Objectives:**

The basic objective of the investment policy shall, in order of priority, be as follows:

1. Adherence to statutory requirements.
2. Preservation of principal.
3. Ensuring availability of cash to meet disbursements and other obligations.
4. Maintenance of liquidity.
5. Diversification of investment portfolio.
6. Competitive return on investments commensurate with constraints in 1 to 5 above.
7. Regular review of the effectiveness of the policy in meeting the above objectives.

**1. Legal Authority:**

This policy is based on the authority for investments provided under *The Municipal Act, 2001*, C25, Sections 418-420 and the Trustees Act where applicable.

**1.1 Permitted Investments**

The Township may invest in, and only invest in, securities issued by the following borrowers, as allowed under *The Municipal Act, 2001*, regulation 438/97 or by subsequent amending Ontario Regulations, subject to the restrictions, limitations and terms provided for elsewhere in this policy:

- I. Government of Canada
- II. Government of a Province of Canada (including provincial utilities)
- III. A regional or local municipality or school board in Ontario
- IV. A bank as per Schedule I and II of the *Bank Act*
- V. Trust companies or loan corporations registered under the *Trust or Loan Corporations Act*.
- VI. Investments eligible under the Trustees Act, only where applicable.

**2. Investment Quality Restrictions**

- 2.1. The Township shall not invest in a security offered by a borrower with a bond rating lower than "A" (Section 6 of this policy provides rating definitions), whether it be a province of Canada or a municipality in Canada, or a school board or local body.
- 2.2. The Township shall not invest in securities of financial institutions with a commercial paper rating lower the R-1 Middle (Section 6 of this policy provides rating definitions).

### 3. Approved Type of Investments:

Type of Investment	Short Term	Long Term	Quality of Credit Rating	Liquidity	Rate of Return	Maximum Amount
Bank Deposits	X		High	High	Low	100%
Bankers' Acceptance	X		High	High	High	50%
Canadian Treasury Bills	X		High	High	High	100%
Provincial Treasury Bills	X		High	High	High	100%
Term Deposits	X		Medium	Medium	Medium	50%
Guaranteed Investment Certificates	X	X	Medium	Medium	Medium	50%
Federal/Provincial Bonds		X	High	High	Low	100%
Municipal Debentures		X	High	Low	High	50%
Corporate Bonds/Debentures		X	Low	Medium	High	25%
One Funds Money Market Portfolio		X	High	High	Low	25%
One Funds Bond Portfolio		X	High	High	Medium	15%
One Funds Equity Portfolio		X	Low	High	High	15%
One Funds Universe Corporate Bond Portfolio		X	Medium	High	High	15%
One Funds Balanced Portfolio		X	Medium	High	Medium	15%

### 4. Investment Parameters

#### 4.1 Diversification

The investments shall be diversified by:

- Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding Government of Canada securities);
- Limiting investment to securities that have higher quality credit ratings;
- Investing in securities with varying maturities, and;
- Investing in mainly liquid, marketable securities that have an active secondary market to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

Note the portfolio percentage restrictions apply at the time an investment is made. The "Approved Types of Investments" chart listed in section 3 outlines the maximum percentages allowable. At specific times, the portfolio limitations may be exceeded as a result of the timing of the maturities.

#### 4.2 Maximum Maturities

To the extent possible, the Township and/or the Port of Johnstown shall attempt to match investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Township and/or the Port of Johnstown will not directly invest securities maturing more than ten (10) years from the date of purchase unless the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. There shall be no term restrictions on securities offered by or unconditionally guaranteed by the Government of Canada, or an eligible province of Canada.

## **5. Internal Controls and Safekeeping of Securities:**

- 5.1. Subject to Council approval, the Treasurer or the CAO in the absence of the Treasurer or the Port General Manager shall be authorized to enter into arrangements with banks, investment dealers and brokers, and other financial institutions for the purchase, sale, redemption and safekeeping of securities and to execute and sign documents on behalf of the Township of Edwardsburgh Cardinal.
- 5.2. Nothing in the foregoing shall be deemed to restrict the Treasurer or the CAO in the absence of the Treasurer or the Port General Manager from performing all other related acts in the day-to-day operation of the investment program.
- 5.3. With respect to the Port of Johnstown, The Port General Manager shall make recommendations to the Port Management Committee with respect to the cash flow requirements on a regular basis in order to determine the proper investment of the Port's surpluses or reserve funds. Subject to Council approval, the Port General Manager shall be authorized to make investments as recommended by the Port Management Committee.
- 5.4. Investment transactions require two signatures, one of either the Mayor or Deputy Mayor and one of either the Treasurer or CAO for the Township and the Port General Manager for the Port of Johnstown
- 5.5. The CAO and the Port General Manager shall obtain adequate insurance coverage to guard against any losses that may occur due to misappropriation, theft, or other unscrupulous acts of fraud with respect to the Township's financial assets.
- 5.6. The Treasurer shall develop and maintain all necessary operating procedures for effective control and management of the investment function and reasonable assurance that the Township's investments are properly managed and adequately protected.
- 5.7. The Port General Manager shall develop and maintain all necessary operating procedures for effective control and management of the investment function and reasonable assurance that the Port of Johnstown's investments are properly managed and adequately protected.

## **6. Definitions:**

**Credit Rating:** a measurement of the financial strength of the bond issuer. This helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Higher credit rating results in lower interest rates as the risk of default is lower. Credit ratings are provided by nationally recognized agencies such as Canadian Bond rating Service (CBRS) for government securities and Dominion Bond Rating Services (DBRS) for non-government securities (banks, trust and loan corporations).

### CBRS ratings

AAA – Highest Quality  
Low)  
AA – Very Good Quality  
A – Good Quality  
BBB – Medium Grade  
BB – Lower Medium Grade  
B- Poor Quality  
C- Speculative  
D- Default

### DBRS ratings

R1 – Prime Credit (High, Medium,  
R2- Medium Grade  
R3- Below Medium Grade

**Credit Risk:** risk to an investor that a security issuer will default in the payment of the interest and/or principal.

**Diversification:** a process of investing assets among a variety of security types by sector, maturity, and quality.

**Liquidity:** the ease with which one can convert securities/assets to cash.

**Local Government Investment Pool (LGIP):** an investment by local government in which their money is pooled as a method for managing local funds, e.g., the "One Fund".

**Port:** The Port of Johnstown.

**Schedule I Bank:** a chartered bank operating under the Bank Act. The voting shares must be widely held with no investor holding more than 10% and the foreign ownership limited to 25%.

**Schedule II Bank:** a chartered bank operating under the Bank Act that may be wholly owned by non-residents.

**Township:** The Corporation for the Township of Edwardsburgh Cardinal.

## **7. Policy Maintenance:**

- 7.1. The Treasurer shall ensure that all cash management transactions for the Township are properly recorded and interest earnings are distributed to the various funds, as the case may be, in accordance with Township policies and generally accepted accounting principles for Ontario municipalities. The Port General Manager shall ensure that all cash management transactions and interest earnings for the Port of Johnstown are properly recorded.
- 7.2. Periodic audits shall be performed by the Municipal Auditor to determine whether or not the investment guidelines provided herein are being followed and to evaluate the adequacy of internal controls for both entities.

## **8. Reporting:**

- 8.1 The Treasurer shall provide quarterly statements of the investments to members of Council where applicable. The Port General Manager will provide quarterly statements of investments to the Port Management Committee.
- 8.2 Whenever there is a transaction that occurs during the quarter, the Treasurer will report to members of Council. The Port General Manager will report to the Port Management Committee whenever there is a transaction that occurs during the quarter.

8.3 The external auditor shall review, examine and report on the investments in the year-end financial statements for both entities.

8.4 The Treasurer, in accordance with Section 8(1) of O.Reg. 438/97, shall submit to Council and the Port Management Committee an annual report on investment activity and returns. The investment report shall include the following:

- a. A listing of individual securities held at the end of the reporting period by maturity date;
- b. A statement about the performance of the portfolio of investments of the Township and the Port during the period covered by the report;
- c. A description of the estimated proportion of the total investments of the Township and Port that are invested in its own long-term and short-term securities to the total investment of the Township and Port and a description of the change, if any, in that estimated proportion since the previous year's report;
- d. A statement by the Treasurer as to whether or not, in his or her opinion, all investments were made in accordance with the investment policy and goals adopted by the Township;
- e. A record of the date of each security transaction, including a statement of purchase and sale price of each security;
- f. Such other information that the Council may require or that, in the opinion of the Treasurer, should be included.

#### **9. Performance Standards:**

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. Market yields should be higher than the rate given by the Township's banking agreement for the various investment accounts. This rate will be used as the annual benchmark in measuring investment objectives.

#### **10. Policy Review:**

This policy should be reviewed every five years or if there is any significant change to the structure of the Corporation.