

INVESTMENT POLICY

Recommendation

The Director of Reserves & Investments in consultation with the City Manager recommends:

- 1) That the revised Investment Policy (Attachment 1) be approved; and
- 2) That the Commissioner of Finance & Corporate Services, the City Clerk and the Mayor be authorized to execute on behalf of the City of Vaughan any documents necessary to participate in the investment pools operated by the One Fund.

Contribution to Sustainability

This is not applicable to this report.

Economic Impact

Revenue earned by the investment portfolio is for the reserve, reserve funds and the operating budget. The changes being proposed to the updated Policy such as expansion of eligible investments, changes to sector/credit exposure will provide more opportunities to both diversifying the holdings in the portfolio and enhance investment returns.

Communications Plan

This is not applicable to this report.

Purpose

The purpose of this report is to update the City of Vaughan's current investment policy governing the management and investment of funds.

Background - Analysis and Options

The Investment Policy provided direction on eligible investments, investment portfolio, terms of investment and portfolio mix. The Policy was last updated and approved by Council in September 2004.

The Municipal Act 2001, O.Reg 438/97 (as amended to O.Reg. 292/09) Section 7 states that "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." The updated Policy will continue to meet the requirements of this regulation.

Over the past number of years, the City's investment program has changed its focus from just providing liquidity for the day-to-day operations to a long term reserve management. This change in focus is transforming the investment portfolio from a short term money market portfolio to one that is more diversified in terms of credit and term exposure.

The new investment regulations filed since the City of Vaughan approved its Investment Policy in September 2004 has provided new investment opportunities to enhance portfolio yields.

Other than some housekeeping to some term limits and credit exposure to the existing investment policy, the following new eligible investment opportunities has been included in the updated Investment Policy:

1) ONE Fund

The ONE Fund is a municipal pooled investment program operated by two municipal organizations – the Local Authority Services Limited (a subsidiary of the Association of Municipalities of Ontario) and CHUMS Financing Corporation (a subsidiary of the Municipal Finance Officers Association of Ontario).

The ONE Fund currently operates two investment funds managed by professional investment firms – a money market fund and a bond fund. New provincial regulations have authorized the development of two new classes of funds to be operated by the ONE Fund – equity funds and a long-term corporate bonds fund.

Each of these funds may present value added investment opportunities to the City of Vaughan dependent on market circumstances and rates available. It may be beneficial for the City of Vaughan to invest in these funds from time to time. The credit exposure to this fund would be limited to 20% of the overall investment portfolio.

2) Public Hospital, Non-Profit Housing Corporations, Local Housing Corporations, Post Secondary Educational Institutions and College of Applied Arts

The inclusion of these investments is an addition of the previous eligible list of investments. Investments in these securities are anticipated to occur infrequently and will be evaluated on a case by case basis. The credit exposure to this category is limited to 10% of the total investment portfolio. The term limit is set at 1 year and the minimum acceptable credit rating will be “AA(L)”.

3) Schedule I, II and III Banks

The Bank Act classifies banks as Schedule I, II and III banks. Schedule I banks are domestic banks authorized under the Bank Act to accept deposits which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation (CDIC).

Schedule II banks are foreign bank subsidiaries authorized to accept deposits which may also be eligible for deposit insurance.

Schedule III banks are foreign bank branches that have been authorized to do banking business in Canada.

Schedule II banks were previously authorized as eligible investments and Schedule III banks were added to the list during recent updates to the Regulations.

Given the benefits of diversification to the portfolio, the Investment Policy is updated to include all three tiers of Banks. The term of Schedule I banks is increased to 10 years and terms for Schedule II and III banks are set at 5 years and 6 months respectively. A maximum of 5% of the portfolio value may be invested in Schedule III banks. The credit risk will be limited to investment in Schedule III banks that are “R1 High” money market rating.

Relationship to Vaughan Vision 2020/Strategic Plan

This report is consistent with the priorities previously set by Council specifically – Ensure Financial Sustainability. The necessary resources have been allocated and approved.

Regional Implications

There are no specific Regional implications associated with this report.

Conclusion

Over the past few years, interest rates in general and particular the short term rates have decreased. The ability to diversify the investment portfolio into different investment terms, revised credit ratings and investment categories has become more important. By utilizing new investment opportunities, changes to terms and credit ratings, the City of Vaughan could increase returns on the funds invested.

Staff recommend approval of the updated City of Vaughan Investment Policy (Attachment 1). This Investment policy specifies goals, responsibilities and parameters of the investment program while enabling staff to maximize investment returns.

Attachments

Attachment 1: City of Vaughan Investment Policy December 2009

Attachment 2: The Municipal Act 2001, O. Reg. 438/97 (as amended to O. Reg. 292/09) Eligible Investments

Attachment 3: City of Vaughan Investment Policy – September 2004

Respectfully submitted,

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Director of Reserves & Investments

CITY OF VAUGHAN INVESTMENT POLICY

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POLICY STATEMENT

The City of Vaughan strives for the optimum utilization of its cash resources within statutory limitations and the basic need to protect and preserve capital, while maintaining solvency and liquidity to meet on-going financial requirements

SCOPE

The policy as outlined applies to all future investment of Current, Reserve and Trust Funds of the City of Vaughan.

DEFINITIONS

Bond - A debt security issued by such entities as corporations, governments, or their agencies, for example statutory authorities, in return for cash from lenders and investors. A bond holder is a creditor of the issuer and not a shareholder. The issuer of a bond is effectively a borrower, and is required to pay interest to creditors (lenders) throughout the life of the bond

CHUMS - (Colleges, Hospitals, Universities and Municipalities). The entity which operates One Fund, the Public Sector Group of funds, an investment pool in which local governments can invest. CHUMS Financing Corporation is a subsidiary of the Municipal Finance Officers' Association of Ontario recognized in the Ontario Regulations.

DBRS - means Dominion Bond Rating Service Limited.

Fitch - means Fitch Ratings.

Local Authorities Service Limited (LAS) - Entity which operates One Fund, the Public Sector Group of funds, an investment pool in which local governments can invest. LAS is a subsidiary of the Association of Municipalities of Ontario recognized in the Ontario Regulations.

Moody's - means Moody's Investors Services Inc.

ONE Fund - the Public Sector Group of Funds (the "One Fund) - is an investment pool in which local governments can invest and is administered by LAS and CHUMS Financing Corporation.

S & P - means Standard & Poors.

Safekeeping - Holding of assets (e.g., securities) by a qualified financial institution (e.g. bank) on behalf of the investor.

Schedule I banks - are domestic banks and are authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation

Schedule II banks - are foreign bank subsidiaries authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canada Deposit and Insurance Corporation. Foreign bank subsidiaries are controlled by eligible foreign institutions.

Schedule III banks - are foreign bank branches of foreign institutions that have been authorized under the Bank Act to do banking business in Canada. These branches have certain restrictions.

OBJECTIVES

The primary objectives of the City of Vaughan in order of priority are:

1. Legality of Investments
2. Preservation and security of capital
3. Maintenance of adequate level of liquidity
4. Competitive rate of return

Legal Authority

The City's investment portfolio shall conform to the Municipal Act and Ontario Regulation 438/97 as amended from time to time, Eligible Investments or as authorized by subsequent provincial regulations.

Preservation of Capital

The preservation of principal is of primary importance. Investments shall be selected in a manner that will attempt to ensure the safety of the City's capital. This will be accomplished through a program of diversification and maturity limitations more fully discussed below.

Maintenance of Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may reasonably be anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated cash demands.

Competitive Rate of Return

The investment portfolio shall be designed with the objective of attaining a market or better rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

Return on investments is of secondary importance compared to the safety of principal and liquidity objectives. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

Securities are generally held to maturity unless declining credit, or liquidity needs warrant a pre-maturity sale

STANDARD OF CARE

Prudence

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

An Investment Officer acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidation or sale of 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 investment program, or that could impair their ability to make impartial decisions. Employees shall disclose any material interests in financial institutions that conduct business with the City, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio. No employee involved in the investment process shall undertake personal investment transactions with the same individual with whom business is conducted on behalf of the City.

DELEGATION OF AUTHORITY

The Director of Reserves & Investments is responsible for the implementation of the investment program and the establishment of investment procedures consistent with this investment policy. The Director of Reserves & Investments shall delegate to staff, within an established system of controls and procedures, the day-to-day responsibilities of managing the investment activities. The Director shall be responsible for all transactions undertaken, and shall exercise control over that staff. Those investments governed by the provisions of the "ONE Fund – The Public Sector Group of Funds" agreement shall be deemed delegated to that Agent.

COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

It will be the policy of the City to transact all securities purchase/sales only with approved financial institutions through a competitive process. The City will accept the offer which (a) has the highest rate of return within the maturity required; and (b) optimizes the investment objective of the overall portfolio. When selling a security, the City will select the bid that generates the highest sale price. If there is a tie bid between one or more brokers, the City will award the winning bid to the brokers on a rotating basis.

It will be the responsibility of the personnel involved with each purchase/sale to produce and retain written records of each transaction including the name of the financial institutions solicited, rate quoted, description of the security, investment selected, and any special considerations that had an impact on the decision. If the lowest priced

security (highest yield) was not selected for purchase, an explanation describing the rationale will be included in this record.

AUTHORIZED & SUITABLE INVESTMENTS

Authorized Investments

The City will invest only in securities permitted under the *Municipal Act* and Regulation O.Reg 438/97, as amended from time to time.

The following Canadian Dollar investments are authorized for the purposes of this Policy within the limitations set out in appendix 1.

- Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by,
 - a) Canada or a province or territory of Canada,
 - b) an agency of Canada or a province or territory of Canada,
 - c) municipality in Canada
 - d) the Ontario Strategic Infrastructure Financing Authority,
 - e) a school board or similar entity in Canada (money must be used for school purposes),
 - f) a local board as defined in the *Municipal Affairs Act* or a conservation authority established under the *Conservation Authorities Act*,
 - g) the Municipal Finance Authority of British Columbia,
- Bonds, debentures, term deposits, deposit receipts, deposit notes, certificates of deposit, acceptances or similar instruments issued or guaranteed by,
 - a) a bank listed in Schedule I, II or III to the *Bank Act (Canada)*,
 - b) loan or trust corporations, registered under the *Loan and Trust Corporation Act*,
 - c) Credit unions or leagues to which the *Credit Unions and Caisses Populaires Act* applies,
 - d) the Province of Ontario Savings Office
- Bonds, debentures, promissory notes and other evidences of indebtedness of a corporation incorporated under section 142 of the *Electricity Act, 1998*.
- Joint Municipal Investment pools permitted under the *Municipal Act*

Minimum Quality Requirements

The City shall not invest in a security that does not meet the credit rating requirements established under the Municipal Act and Regulations

The quality of a short-term investment is rated as follows:

Investment Grade	DBRS	Standard & Poors	Fitch	Moody's
Highest	R-1 (high)		R-1 (high)	P-1
High	R-1 (middle)		R-1 (middle)	P-2
Upper Medium	R-1 (low)		R-1 (low)	P-3
Medium	R-2 (high)		R-2 (high)	NP
Lower Medium	R-2 (middle)		R-2 (middle)	NP
Low	R-2 (low)		R-2 (low)	NP
Poor	R3		R3	NP

The quality of a long-term investment is rated as follows:

Investment Grade	DBRS	Standard & Poors	Fitch	Moody's
Highest	AAA	AAA	AAA	Aaa
High	AA	AA+ to AA-	AA+ to AA-	Aa1 to AA3
Upper Medium	A	A+ to A-	A+ to A-	A-1, A
Medium	BBB	BBB+ to BBB-	BBB	Baa-1, Baa
Lower Medium	BB	BB+ to BB-	BB	Ba
Low	B	B+ to B-	B	B
Poor	CCC	CCC to CCC-	CCC	Caa
Speculative	CC	CC	DDD	Ca
Default	C to D	R & D	DD & D	C

Portfolio Parameters

The City shall maintain a diversified portfolio to minimize the risk of loss by :

- a) Limiting investments to avoid over-concentration of securities from a specific issuer or security type.
- b) Limiting investment in securities to those that have higher credit ratings
- c) Investing in securities with varying maturities, and
- d) Investing in mainly liquid marketable securities which have an active secondary market, to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.
- e) Limited to Canadian investments only.

Diversification will include sector limitations outlined in appendix 1 to this policy. The Investment Officer under the direction of the Commissioner of Finance or his designate is permitted to deviate +/- 10% from the sector limitation to take advantage of changing market conditions.

REPORTING

The Commissioner of Finance or his designate shall submit an investment report to Council at least annually, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last year. This management summary will be prepared in a manner which will allow Council to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will include the following Listing of individual securities held at the end of the reporting period;

- a) Listing of individual securities held at the end of the reporting period;
- b) Listing of investment by maturity date;
- c) Realized and unrealized gains or losses resulting from investments that were not held until maturity;
- d) Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks;
- e) Percentage of the total portfolio which each type of investment represents and;
- f) A statement about the performance of the investment portfolio during the period covered by the report;

PERFORMANCE MEASUREMENT

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. Appropriate benchmarks shall be established against which performance shall be compared on a regular basis.

SAFEKEEPING & CUSTODY

All securities shall be held for safekeeping by a financial institution approved by the City. All securities will be held in the name of the City. Individual accounts shall be maintained for each portfolio.

The depository shall issue a safekeeping receipt to the City listing the specific instrument, issuer, maturity, purchase or sale price, transaction date, and other pertinent information. The depository will provide monthly reports listing all securities held for the City, the book value of the holdings and market value as of month end.

Appendix 1 Authorized Investments and Sector Limitations

SECTORS	Minimum Credit Rating	Minimum Credit Rating	Sector/Credit Exposure Limitation (Maximum) ¹		Limitation (Maximum)
			Portfolio Limit	Individual Limit	
Federal					
Canada		R1 high	100%	100%	1 year
Federal Guarantees		R1 high	50%	25%	1 year
Canada	N/A		70%	70%	20 years
Federal Guarantees	N/A		50%	25%	20 years
Federal Total			100%		
Provincial²					
		R1 mid	80%	25%	1 year
		R1 low	20%	5%	1 year
	AA(L)		70%	25%	20 years
	A		25%	15%	15 years
	BBB		10%	5%	5 years
Provincial Total			80%		
Municipal					
Municipalities and School Boards ³	AAA		35%	10%	15 years
	AA		15%	5%	10 years
	A		10%	2%	5 years
Applied Arts, Housing Corp, Education & Hospital	AA(L)		10%	2%	1 year
Municipal Total			35%		
Banks					
Schedule I Banks		R1 mid	80%	25%	1 year
		R1 low	20%	5%	1 year
Schedule II Banks	AA(L)		20%	10%	10 years
		R1high	15%	5%	6 months
		R1mid	10%	3%	6 months
Schedule III Banks	AA(L)		10%	2%	5 years
		R1 high	10%	5%	6 months
Bank Total			80%		
Bank Short Term			80%		
Bank Long Term			20%		

Appendix 1 (continued)

SECTORS	Minimum Credit Rating	Minimum Credit Rating	Sector/Credit Exposure Limitation (Maximum) ^{iv}		Limitation (Maximum)
One Fund					
Money Market	N/A		10%		
Bond Fund	N/A		10%		
Equity Shares	N/A		5%		
Corporate Debt	A		5%		
Total One Fund			20%		
Other: Loan or trust corporation, credit union, Province of Ontario Saving Bank	AA(L)		10%	2%	5 years

¹ exposure % limitations to be applied to the par value of the total portfolio

² includes guarantees

³ includes OSIFA and BCMFA

Appendix 2 - Portfolio Terms Limitation

Term Limitation	Percentage	
	<u>Minimum</u>	<u>Maximum</u>
Less than 90 days	20%	100%
Less than 1 year	30%	100%
From 1 year up to, but not including 5 years	0%	60%
From 5 years up to, but not including 10 years	0%	40%
From 10 years up to 20 years	0%	20%

Municipal Act, 2001
Loi de 2001 sur les municipalités **Attachment 2**

ONTARIO REGULATION 438/97

formerly under Municipal Act

ELIGIBLE INVESTMENTS AND RELATED FINANCIAL AGREEMENTS

Consolidation Period: From July 31, 2009 to the e-Laws currency date.

Last amendment: O. Reg. 292/09.

This Regulation is made in English only.

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 2 of the *Social Housing Reform Act, 2000*, 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.

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 public sector group of funds 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.

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 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.

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Attachment 3

CITY OF VAUGHAN

INVESTMENT POLICY

OCTOBER 2004

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Appendix 1 Authorized Investment and Sector Limitations

Appendix 2 Portfolio Term Limitations

1.0 POLICY STATEMENT

The City of Vaughan strives for the optimum utilization of its cash resources within statutory limitations and the basic need to protect and preserve capital, while maintaining solvency and liquidity to meet on-going financial requirements

2.0 SCOPE

The policy as outlined applies to all future investment of Current, Reserve and Trust Funds of the City of Vaughan.

3.0 OBJECTIVES

The primary objectives of the City of Vaughan in order of priority are:

1. Legality of Investments
2. Preservation and security of capital
3. Maintenance of adequate level of liquidity
4. Competitive rate of return

3.1 Legal Authority

The City's investment portfolio shall conform to the Municipal Act and Ontario Regulation 438/97 as amended from time to time, Eligible Investments or as authorized by subsequent provincial regulations.

3.2 Preservation of Capital

The preservation of principal is of primary importance. Investments shall be selected in a manner that will attempt to ensure the safety of the City's capital. This will be accomplished through a program of diversification and maturity limitations more fully discussed below.

3.3 Maintenance of Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may reasonably be anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated cash demands.

3.4 Competitive Rate of Return

The investment portfolio shall be designed with the objective of attaining a market or better rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs.

Return on investments is of secondary importance compared to the safety of principal and liquidity objectives. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

Securities are generally held to maturity unless declining credit, or liquidity needs warrant a pre-maturity sale

4.0 STANDARD OF CARE

4.1 Prudence

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

An Investment Officer acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidation or sale of securities are carried out in accordance with the terms of this Policy.

4.2 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 investment program, or that could impair their ability to make impartial decisions. Employees shall disclose any material interests in financial institutions that conduct business with the City, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the investment portfolio. No employee involved in the investment process shall undertake personal investment transactions with the same individual with whom business is conducted on behalf of the City.

5.0 DELEGATION OF AUTHORITY

The Director of Reserves & Investments is responsible for the implementation of the investment program and the establishment of investment procedures consistent with this investment policy. The Director shall delegate to staff, within an established system of controls and procedures, the day-to-day responsibilities of managing the investment activities. The Director shall be responsible for all transactions undertaken, and shall exercise control over that staff.

6.0 COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

It will be the policy of the City to transact all securities purchase/sales only with approved financial institutions through a competitive process. The City will accept the offer which (a) has the highest rate of return within the maturity required; and (b) optimizes the investment objective of the overall portfolio. When selling a security, the City will select the bid that generates the highest sale price. If there is a tie bid between one or more brokers, the City will award the winning bid to the brokers on a rotating basis.

It will be the responsibility of the personnel involved with each purchase/sale to produce and retain written records of each transaction including the name of the financial institutions solicited, rate quoted, description of the security, investment selected, and any special considerations that had an impact on the decision. If the lowest priced security (highest yield) was not selected for purchase, an explanation describing the rationale will be included in this record.

7.0 AUTHORIZED & SUITABLE INVESTMENTS

7.1 Authorized Investments

The City will invest only in securities permitted under the *Municipal Act* and Regulation O.Reg 438/97, as amended from time to time.

The following are authorized investments:

- a) Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by, the Government of Canada, the Province of Ontario, or another province or territory of Canada

- a) Bonds, debentures, term deposits, deposit receipts, deposit notes, certificates of instruments issued by any bank listed in Schedule I or II to the *Bank Act* (Canada) as amended from time to time
- b) Bonds, debentures or promissory notes of a regional or district municipality, a school board or a local board as defined in the *Municipal Affairs Act* or a conservation authority established under the *Conservation Authorities Act*
- c) Asset-backed securities; and
- d) Negotiable promissory notes or commercial paper, other than asset-backed securities, maturing one year or less from the date of issue, issued by a Canadian corporation
- e) Bonds, debentures, promissory notes and other evidences of indebtedness of a corporation incorporated under section 142 of the *Electricity Act*, 1998.

All authorized investments must meet or exceed the minimum credit ratings as detailed in Appendix 1 to this policy and are to be used with the limitations in the Portfolio Parameters section.

7.2 Minimum Quality Requirements

The City shall not invest in a security that does not meet the credit rating requirements established under the Municipal Act and Regulations

7.3 Portfolio Parameters

The City shall maintain a diversified portfolio to minimize the risk of loss by :

- a) Limiting investments to avoid over-concentration of securities from a specific issuer or security type.
- b) Limiting investment in securities to those that have higher credit ratings
- c) Investing in securities with varying maturities, and
- d) Investing in mainly liquid marketable securities which have an active secondary market, to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.
- e) Limited to Canadian investments only.

Diversification will include sector limitations outlined in appendix 2 to this policy.

8.0 REPORTING

The Treasurer or his designate shall submit an investment report to Council at least annually, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last year. This management summary will be prepared in a manner which will allow Council to ascertain whether investment activities during the reporting period

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Appendix 1 - Authorized Investments and Sectors Limitations

	Minimum Credit Rating	Money Market Rating	Sector /Credit Exposure Limitation ¹ (maximum)		Sector Term Limitation (Maximum)
Federal					
Canada	N/A	R1 high	100%	100%	20 years
Federal Guarantees	N/A	R1 high	50%	25%	20 years
Federal Total			100%		
Provincial²					
	AA	R1 mid	50%	25%	20 years
	A	R1 mid	20%	10%	10 years
	BBB	R1 mid	10%	5%	5 years
Provincial Total			80%		
Municipal					
Region of York	N/A		25%	25%	10 years
other	AAA		25%	5%	10 years
Municipalities	AA		15%	5%	10 years
and School Board	A		10%	2%	5 years
Municipal Total			35%		
Asset Backed³	AAA		10%	5%	5 years
Banks					
Schedule I Banks	AA(L)	R1 mid	80%	25%	1 year
	AA(L)	R1 mid	10%	5%	5 years
	A	R1 low	20%		6 months
Schedule II Banks		R1 high	15%	5%	6 months
		R1 mid	10%	3%	6 months
Bank Total			80%		
Commercial Paper					
		R1 high	15%	5%	1 year
		R1 mid	10%	2%	6 months
Commercial³ Total			20%		

¹ exposure % limitations to be applied to the par value of the total portfolio

² includes Provincial Guarantees

³ subject to Provincial regulatory approval

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Appendix 2 - Portfolio Terms Limitation¹

Term Limitation	Percentage	
	<u>Minimum</u>	<u>Maximum</u>
Less than 90 days	20%	100%
Less than 1 year	30%	100%
From 1 year up to, but not including 5 years	0%	60%
From 5 years up to, but not including 10 years ²	0%	40%
From 10 years up to 20 years	0%	20%

Other Restrictions

- 1) Term is limited to an individual maximum term of 20 years and a weighted average term of 4 years for the whole portfolio
- 2) Investments for terms in excess of 1 year are restricted to any of the Canadian Federal, Provincial and Municipal governments, the top 5 Canadian Schedule 1 banks, asset backed securities: and institutions guaranteed by the aforementioned, subject to the credit rating limitation set out on Appendix 1.

Term % limitations to be applied to the total amortized book value of the General Fund Portfolio.

Unused percentages from longer-term tiers can be rolled down into short-term tiers to an overall maximum of 90% for beyond 1 year.