

INVESTMENT POLICY

Recommendation

The Commissioner of Finance & Corporate Services in consultation with the Director of Reserves & Investments recommends:

That the revised Investment Policy (Attachment 1) be approved

Purpose

The purpose of this report is to revise the City of Vaughan current investment policy to ensure compliance with the Municipal Act and its related Regulations.

Background - Analysis and Options

On May 20, 1997 Council approved an Investment Policy (Attachment 3). The Investment Policy provided direction on eligible investments, investment portfolio, terms of investment and portfolio mix.

The Municipal Act, O. Reg. 438/97 (as amended to O. Reg. 399/02) Section 7(1) – Eligible Investments states:

“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.”

In the preparation of the statement of the municipality’s statement of investment policies and goals, Section 7(2) of O. Reg. 438/97 also states that the Council of the municipality shall consider:

- a) the municipality’s risk tolerance and preservation of its capital;
- b) the municipality’s need for a diversified portfolio of investments; and
- c) obtaining legal advise and financial advise with respect to the proposed investments

The new Eligible Investments regulation O. Reg. 438/97, as amended, made under the Municipal Act, (Attachment 2) maintains the existing range of investments permitted under the former regulation with the following additions:

Highly rated asset-backed securities;
Highly rated negotiable notes or commercial paper; and
Debt issued by an incorporated municipal electrical utility (provided that the investment replaced pre-existing municipal investment in such a corporation).

The investments listed in the Regulations are considered prudent. The City of Vaughan Investment Policy has been revised to ensure legislative compliance and to review investment risk return under the current policy with the requirements of the Municipal Act, O. Reg. 438/97 as amended.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Conclusion

Staff recommend approval of the City of Vaughan Investment Policy (Attachment 1).

Attachments

Attachment 1 – City of Vaughan Investment Policy – September 2004

Attachment 2 – The Municipal Act, 2001, O. Reg. 438/97 (as amended) Eligible Investments

Attachment 3 – City of Vaughan Investment Policy, May 1997

Report prepared by:

Ferrucio Castellarin, CGA

Director of Reserves & Investments, ext. 8271

Respectfully submitted.

Clayton D. Harris, CA

Commissioner of Finance & Corporate Services

CITY OF VAUGHAN

INVESTMENT POLICY

OCTOBER 2004

TABLE OF CONTENTS

1.0	POLICY STATEMENT	2
2.0	SCOPE	2
3.0	OBJECTIVES	2
3.1	Legal Authority	2
3.2	Preservation of Capital	2
3.3	Maintenance of Liquidity	2
3.4	Competitive Rate of Return	3
4.0	STANDARD OF CARE	3
4.1	Prudence	3
4.2	Ethics and Conflicts of -Interest	3
5.0	DELEGATION OF AUTHORITY	4
6.0	COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS	4
7.0	AUTHORIZED & SUITABLE INVESTMENTS	4
7.1	Authorized Investments	4
7.2	Minimum Quality Requirements	5
7.3	Portfolio Parameters	5
8.0	REPORTING	5
9.0	PERFORMANCE MEASUREMENT	6
10.0	SAFEKEEPING & CUSTODY	6
	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

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 all 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;

9.0 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.

10.0 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 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 Municipalities and School Board	AAA		25%	5%	10 years
	AA		15%	5%	10 years
	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 portfolio² includes Provincial Guarantees³ subject to Provincial regulatory approval

Investment Policy

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.

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

ONTARIO REGULATION 438/97

Amended to O. Reg. 399/02

ELIGIBLE INVESTMENTS

Notice of Currency:* This document is up to date.

*This notice is usually current to within two business days of accessing this document. For more current amendment information, see the Table of Regulations (Legislative History).

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,

v. a school board or similar entity in Canada,

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*, 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 issued, guaranteed or endorsed by,

i. a bank listed in Schedule I or II to the *Bank Act* (Canada),

ii. a loan corporation or trust corporation registered under the *Loan and Trust Corporation Act*,

iii. a credit union or league to which the *Credit Unions and Caisses Populaires Act, 1994* applies, or

iv. the Province of Ontario Savings Office.

4. Bonds, debentures or evidence of long-term 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. the board of governors of a college of applied arts and technology established under section 5 of the *Ministry of Training, Colleges and Universities Act*,

ii. a degree granting institution as authorized under section 3 of the *Post-secondary Education Choice and Excellence Act, 2000*, or

iii. a board as defined in the *Public Hospitals Act*.

6. Bonds, debentures or other securities issued or guaranteed by 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*.

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.

9. Bonds, debentures, promissory notes and other evidences of indebtedness of a corporation incorporated under section 142 of the *Electricity Act, 1998*. O. Reg. 438/97, s. 2; O. Reg. 265/02, s. 1; O. Reg. 399/02, s. 2.

3. (1) A municipality shall not invest in a security under subparagraph iii of paragraph or

paragraph 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;
- (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).

(2) If an investment made under subparagraph iii of paragraph 1 or paragraph 4 of section 2 falls below the standard required under subsection (1), the municipality shall sell the investment within 90 days after the day the investment falls below the standard. O. Reg. 438/97, s. 3 (2).

(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";
- (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).

(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)";
- (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).

(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;
- (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).

(6) If an investment made under paragraph 7 or 8 of section 2 falls below the standard required under subsection (3), (4) or (5), as the case may be, the municipality shall sell the investment within 30 days after the day the investment falls below the standard. O. Reg. 265/02, s. 2 (2).

(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).

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) all of the municipality's long-term debt obligations are rated,

(i) by Dominion Bond Rating Service Limited as "AA(low)" 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.

(2) The investment under clause (b) 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 operate under section 3 of the *Post-secondary Education Choice and Excellence Act, 2000*;
- (d) a college established under section 5 of the *Ministry of Training, Colleges and Universities Act*;
- (e) a school board; or
- (f) any agent of an institution listed in clauses (a) to (d). O. Reg. 265/02, 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.

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) Before a municipality makes an investment under clause 4.1 (1) (b), the municipality shall require a statement from the treasurer as to whether, in his or her opinion, the investment guidelines of the Local Authority Services Limited and the CHUMS Financing Corporation comply with the statement of the municipality's investment policies and goals under this section. O. Reg. 265/02, s. 4.

(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 were made in accordance 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).

(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.

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;

(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.

(2) If the rating of an investment continued under subsection (1) falls below the standard required by that subsection, the municipality shall sell the investment within 90 days after the day the investment falls below the standard. O. Reg. 438/97, s. 9 (2).

[Back to top](#)

**ATTACHMENT 1
CITY OF VAUGHAN
INVESTMENT POLICY**

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.

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

Objectives

The objectives of the City of Vaughan investment policy for the investing of funds are as follows:

- 1) legality of investment.
- 2) preservation of the City's financial assets (principal).
- 3) maintenance of adequate level of liquidity.
- 4) competitive rate of return.

Eligible Investments

In accordance with the provisions of the Municipal Act and Ontario Regulations 74/97, the City of Vaughan may invest in securities issued or guaranteed as to principal and interest by the following borrowers:

- * government of Canada;
- * government of a province of Canada;
- * a municipality in Ontario including The Municipality making the investment;
- * school board or local board;
- * the Municipal Finance Authority of British Columbia;
- * a chartered bank listed in Schedule I or II to the Bank Act;
- * a loan corporation or trust corporation registered under the Loan and Trust Corporation Act;
- * a credit union or league to which The Credit Union and Caisses Populaires Act applies;
- * the Province of Ontario Savings Office.

Investment Portfolio

The investment must conform to Section 167 of the Municipal Act and the accompanying Regulation 74/97. The investment portfolio will aim for both diversification and near risk free investments. Specific emphasis is placed on securities offered by or unconditionally guaranteed by:

- * government of Canada
- * a province of Canada
- * or the six major Canadian chartered banks (Royal Bank of Canada, C.I.B.C., Bank of Montreal, Bank of Nova Scotia, Toronto Dominion Bank and The National Bank of Canada).

Investment Quality

Investments in Government of Canada or Provincial securities are limited to securities with a minimum "A" rating at the time of investment. All other investments in securities are limited to securities with a minimum "AA" rating at the time of investment.

Term of Investments

The term of approval investments is limited as follows:

Government of Canada - No Limit

Provinces of Canada - not exceeding 5 years

Municipalities in Ontario - not exceeding 5 years

Eligible Municipal Investment Pools - not exceeding 5 years

Six Major Canadian Banks - not exceeding 5 years

Other Canadian Chartered Banks (Schedule "I") - not exceeding 12 months

Schedule "II" Banks - not exceeding 12 months

Trust Companies - not exceeding 6 months

Others - not exceeding 6 months

Portfolio Mix

The portfolio mix is designed to diversify the types of investments that the municipality is holding and thereby reduce risk. For this purpose investments were defined into the following five Classes. Classes are further subdivided by investment type.

	Limit by Type	Limit by Class
1. Government Securities Canada Provinces	unlimited <u>unlimited</u>	unlimited
2. Municipal Securities Municipalities & Boards in Ont. York Region Board of Education	\$ 5 million <u>\$10 million</u>	\$10 million
3. Eligible Municipal Investment Pools	\$10 million	\$10 million
4. Six Major Canadian Chartered Banks ⁽¹⁾	<u>\$40 million</u>	\$40 million
5. Other Financial Institutions Other Canadian Chartered Banks and Schedule "II" banks Other Financial Institutions	\$ 5 million <u>\$ 1 million.</u>	\$5 million

(1) Limit of \$25 million in any one Institution

(1) INCREASED TO \$100m
- as amended October 14, 1997