

**TOWNSHIP OF SOUTH FRONTENAC
BY-LAW 2016-05**

A BY-LAW TO ADOPT A MUNICIPAL INVESTMENT POLICY

WHEREAS Section 5(1) of the *Municipal Act, 2001, c. 25, as amended*, grants that the powers of a municipality shall be exercised by its Council; and

WHEREAS Section 5(3) of the *Municipal Act, 2001, c. 25, as amended*, provides that a Municipal power, including a municipality's capacity, right, power and privileges under section 9, shall be exercised by by-law unless the municipality is specifically authorized to do others; and

WHEREAS Section 5(4) of the *Municipal Act, 2001, c. 25, as amended*, applies to all Municipal powers, whether conferred by this Act or otherwise; and

WHEREAS Section 8(1) of the *Municipal Act, 2001, c. 25, as amended*, provides that the powers of a municipality under this or any other Act shall be interpreted broadly so as to confer broad authority on the municipality to enable the municipality to govern its affairs as it considers appropriate and to enhance the municipality's ability to respond to municipal issues; and

WHEREAS Section 7(1) of *Ontario Regulation 438/97*, 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; and

WHEREAS under Section 7(2) of *Ontario Regulation 438/97*, states that 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; and

WHEREAS the Council of The Corporation of the Township of South Frontenac deems it appropriate and necessary to adopt a Municipal Investment Policy;

NOW THEREFORE THE CORPORATION OF THE TOWNSHIP OF SOUTH FRONTENAC BY ITS COUNCIL, HEREBY ENACTS AS FOLLOWS:

1. **THAT** the Council of the Township of South Frontenac adopts the Municipal Investment Policy attached hereto as Schedule "A" and repeal By-law 1998-0010
2. **THAT** Schedule "A" is declared to form part of this By-law.
3. **THIS BY-LAW** shall come into force and take effect on date of its final passing.

Dated at the Township of South Frontenac this 2nd day of February, 2016.

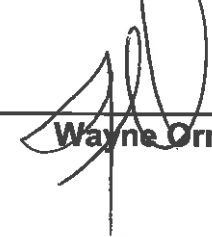
Read a first and second time this 2nd day of February, 2016.

Read a third time and finally passed this 2nd day of February, 2016.

**THE CORPORATION OF THE
TOWNSHIP OF SOUTH FRONTENAC**



Ron Vandewal, Mayor



Wayne Orr, Clerk-Administrator



Schedule A - Investment Policy

Policy Statement

The Township of South Frontenac shall invest funds, not immediately required, to ensure the safety of principal and to maintain adequate liquidity to meet expected cash requirements while maximizing the rate of return and subject to complying with Ontario's Eligible Investments and Related Financial Agreements Regulation.

The Township has authority to invest funds under Section 418 of the *Municipal Act, 2001, S.O. 2001, c.25 as amended*.

Purpose

This Policy provides guidance for the management of the Township's investment funds including restrictions and limitations, risk tolerance and investment objectives.

Application

This Policy applies to all investments made on behalf of the Township, including operating funds, reserve funds, capital funds and trust funds.

Policy Requirements

Objectives

The investment objectives for the Township, ranked in priority, are as follows:

a) Security of Principal

The primary objective of the Township's Investment Policy is to ensure the security of principal. To minimize the risk of loss, investments shall be subject to a minimum credit ratings and shall be diversified by maturity, type of investment and issuer, as follows:

Investment Ratings: Investments shall only be made in eligible securities with a minimum credit rating as outlined in the *Ontario Regulation 438/97, Eligible Investments and Related Financial Agreements*, as amended.

Term to Maturity of Investments: Investing activities should be reviewed on a regular basis as actual, revised and forecasted operating and capital plans are completed. Maturity dates should be staggered so that investment cash inflows occur throughout the year.

b) Liquidity Requirements

Liquidity is measured by the ease with which securities can be converted to cash to meet forecast spending. It is recognized that the various investments that are eligible under Ontario's Eligible Investments and Related Financial Agreements Regulation, possess different features and thus market prices will vary depending on market conditions as well as the particular features of the type of investment.

To ensure adequate liquidity, the Township's investments shall be diversified by holding securities of various terms to maturity and by various types of investments and issuers and to the extent possible, the term of such investments shall match the forecasted requirements for such funds to meet expenditures.

c) Rate of Return

The Township's funds shall be invested to maximize the rate of return within acceptable risk levels while respecting the security of principal, legal constraints and the adequate liquidity needs of each investment portfolio.

Under normal circumstances, longer-term investments offer higher yields than shorter-term investments.

The composition of each portfolio, including its term to maturity and type of investments, shall be adjusted within the guidelines of this Policy to take advantage of market opportunities. Such changes shall be made with the periodic interest rate outlook and target portfolio structure approved by the Township Treasurer.

Constraints

The Township's investments are subject to the following regulatory and term constraints:

a) Regulatory Constraints

In accordance with Ontario's Eligible Investments and Related Financial Agreements Regulation (*Municipal Act, 2001, O. Reg 438/97 – as amended*), the Township is not authorized to invest in securities other than those listed in the Regulation.

b) Term of Investments

A detailed cash flow forecast for up to one year shall be maintained to determine short-term liquidity requirements. This forecast shall allow the Township to maximize the return on surplus funds invested and minimize borrowing temporarily for operational purposes.

Further, a long-term forecast will be maintained factoring forecasted operating and capital requirements in order to determine long-term liquidity requirements.

c) Direction of Investments

Available funds will be managed between bank accounts (including LAS High Interest Savings Account), short term investments with institutions as per regulation (including the LAS One Investment Program) and long-term investments with the LAS One Investment Program.

Responsibilities

a) Authority

The Township Treasurer and CAO are jointly responsible for the prudent investment of the Township's portfolio, its strategy and to ensure that all investments are made in accordance with this Policy and any legislated requirements.

Any transaction related to investments requires two signing authorities corresponding to the

existing signing authorities for the Township's banking. Further, any transactions, at a minimum, must be approved by the Treasurer or CAO.

The Township Treasurer shall review the periodic interest rate outlook and both the Treasurer and CAO will jointly approve the proposed term structure and composition for the portfolios.

Investments shall be made with judgement and care. All reasonable steps shall be taken to ensure that the management of Township's investment portfolio is in accordance with this policy. The degree of care, diligence, skill, and prudence that a reasonable person would exercise in the administration of their own affairs must be exercised and in doing so shall attempt to maximize the investment earnings of the portfolio within the parameters of the objectives established within this policy.

b) Reporting

The Treasurer or designate has a specific responsibility to prepare and provide an annual investment report to Council. O. Reg. 438/97, s.8 (1). This report shall contain the following information:

- a statement about the performance of the portfolio of investments of the municipality during the period covered by the report
- 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 the estimated proportion since the previous year's report
- a statement by the treasurer as to whether or not, in his or her opinion, all investments were made in accordance with the investments policies and goals adopted by the municipality

Monitoring/Contraventions

Failure to comply with this Policy may result in the Township holding investments which are not eligible investments as prescribed by provincial regulation.

Legislative and Administrative Authorities

Section 418 of the *Municipal Act*, 2 S.O. 2001, c.25 as amended
Ontario Regulation 438/97, Eligible Investments and Related Financial Agreements, as amended