

Investment and Internet Banking Policy



Cash Management Objectives

The purpose of the investment and internet banking policy is to establish protocol for the investment of surplus cash held by the Municipality. This policy intends to optimize the return on investment while minimizing risk.

The Municipality manages its cash and investment portfolio with the following primary objectives:

- The Principal investment amount must be safeguarded;
- The Return on Investment should be greater than normal interest earned on bank accounts;
- The selected investment portfolio should adhere to the principal of diversification;
- Cash liquidity must be ensured to provide for daily cash needs over and above the investment in the portfolio;
- Maximize investment earning within legislative requirements including but not limited to subsection 100 (1) of the Municipal Government Act, Council approved policies, and fiduciary responsibilities.

Currency

All investments shall be denominated in Canadian dollars.

Definitions

Capital gains (losses):	Gains or losses on the sale of investment instruments.
Cash & equivalents:	Cash, money market, Treasury bill and any investment maturing in one year.
Cost:	Cash, cash equivalents and fixed income securities are recorded at purchase price. Equity instruments are recorded at average cost-purchase price plus brokerage fee.
Council:	Governing body of the Municipality of the County of Colchester, consisting of elected Mayor and councillors.
Equities:	Common stocks of Canadian corporations.
Fixed Income Securities:	Fixed income obligation of any Canadian government or corporation with a maturity of more than one year.
Investment Income:	Interest earned and dividends declared and paid.
Policy:	Investment and Internet Banking Policy

Types of Suitable Investment Instruments

- Cash & Cash Equivalents
- Equities
- Fixed Income Securities

Authorized Institutions

The Municipality will, unless imprudent to do so place its segregated investments with the bank awarded tender under Municipality policy (“Bank”).

Investments that are placed outside of the Bank must be authorized by the Chief Administrative Officer and the Director of Corporate Services (or their specific designate during absences) and placed only with other major Canadian banks (Scotiabank, Royal Bank of Canada, Toronto Dominion, Bank of Montreal) or any other major bank specifically approved and authorized by the Council for purposes of investment.

Liquidity

Finance staff will ensure that there are always sufficient funds to meet daily cash needs, including the maintenance of minimum balance requirements stipulated in the Municipality’s current banking agreement.

Excess available balances from the operating fund and the various reserves will be invested an investment portfolio which is managed by either the Bank or other major Canadian Bank when designated to do so.

Funds will only be invested if it is anticipated that a greater return with minimized risk can be achieved than the interest earned under the current banking agreement with the Bank.

Capital Expenditures/Withdrawals from Reserves

A keen awareness must be maintained of pending capital requirements, as stipulated in the capital budget and other unplanned requirements while making investment decisions.

Authority Levels

All investments must be authorized by a minimum of two of the following individuals:

- Chief Administrative Officer;
- Director of Corporate Services; and,
- Finance Manager.

Investments that are placed outside of the Bank must be authorized by the Chief Administrative Officer and the Director of Corporate Services (or their specific designate during absences).

Accounting

Investments will be accounted for as prescribed by the Public Sector Accounting Manual. Fund accounting will continue to be used so that Returns are designated to the fund which is the source of principal funds invested.

Management

The Municipal Council shall be responsible for:

- Approval of the Investment and Internet Banking Policy
- Ensuring the objectives of the Investment and Internet Banking Policy are met

The Executive and Audit Committee shall be responsible for:

- Annual reviews of the Investment and Internet Banking Policy and related appendices
- Monitoring the performance of the investment portfolio
- Receipt of presentations from staff or the portfolio manager on at least an annual or as requested basis

The Director of Corporate Services shall be responsible for:

- Monitoring the investment portfolio in accordance with this policy
- Making recommendations on amendments to the policy to the CAO
- Ensuring the investment portfolio composition complies with terms outlined in Appendix A

The Finance Manager shall be responsible for:

- Monitoring on a daily basis, to ensure liquidity is maintained

The Bank will be responsible for:

- Day to Day management of the investment portfolio within the parameters set by Council
- Presentations on investment portfolio performance to Executive and Audit Committee
- Advising Staff of any changes that may be required in the portfolio
- Risk management of the portfolio

Internal Controls

Internal controls will be implemented by staff to ensure the Investment and Internet Policy is adhered to. The Municipal auditors will review these controls as part of the annual audit.

Internal controls will include but not be limited to the requirement of authorized banking signatures of Mayor or Deputy Mayor; and CAO or Director of Corporate Services.

Portfolio Composition

In order to ensure appropriate returns, minimize risk of loss, and ensure a market return, the principal of diversification will be followed. Diversification can be accomplished either through the purchase of either pre-existing funds or a series of individual investment instruments. The standards for the Municipality's investment portfolio are outlined in Appendix A of this policy. Appendix A will be reviewed by the Executive and Audit Committee at least annually. Recommendations to change its standards must be made by the Executive and Audit Committee to Council for approval.

Internet Banking

On-line banking may be used to facilitate the transfer of funds for investment purposes. Transfers may be initiated on-line by the Director of Corporate Services, the Finance Manager or the Finance Assistant. In all instances, the on-line initiator of the transfer must have source documentation that is signed by persons authorized by Council in accordance with this policy.

Clerk's Annotation for Official Policy Book

Date of Notice to Council Members of Intent to Consider (7 days minimum): December 5, 2014

Date of Passage of Current Policy: January 29, 2015

I certify that this Policy was adopted by Council as indicated above.

Ramesh Ummat
Municipal Clerk

January 30, 2015
Dated

*amended January 29, 2015
originally adopted January 27, 2005*

**Appendix A
Investment Standards**

The following constraints are required to be applied to the Municipality's Investment Portfolio:

Investment	Minimum	Maximum	Target
Cash/Short-term	0%	30%	5%
Equities	0%	25%	10%
Fixed Income Securities	50%	100%	85%

Notes:

1. Percentages represent the composition of the total portfolio's market value
2. Bonds should have target ratings as follows:

	Minimum	Maximum	Target
AAA	35%	100%	50%
AA	0%	50%	25%
A	0%	30%	20%
BBB	0%	25%	5%

3. Exposure in any one Corporation or entity must not exceed 5% of the total portfolio. Related companies/corporations must not exceed 7.5% of the market value of the portfolio.
4. Bonds must be disposed of if downgraded below a rating of BBB.
5. Equities must be diversified. No industry will exceed 10% of the market value of the total portfolio.
6. Equities must be listed on the TSE.
7. Where prudent mutual funds will be used to achieve diversification.