



<b>Title:</b>	<b>Investment Policy</b>	
<b>Policy Group:</b> <b>Your Government and People</b>	<b>Policy Administrator:</b> <b>Finance</b>	
<b>Resolution No.</b> <b>CW-118-2022</b>	<b>Policy Number:</b> <b>FIN-02</b>	
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## 1. Policy Statement

- a) The County of Prince Edward shall invest funds from time to time when appropriate subject to complying with Section 418 of the Municipal Act, 2001, S.O. 2001, c25 and Ontario Regulation 438/97 Eligible Investments, Related Financial Agreements and Prudent Investment.

## 2. Purpose

- a) The purpose of this policy is to set out the Municipality's investment objectives and establish a formal investment policy for the purpose of investing public funds while meeting all statutory requirements.

## 3. Scope

- a) This policy applies to all investments made on behalf of the Municipality, including operating funds, reserve funds, capital funds and trust funds.

## 4. Legislative Authority

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

## 5. Definitions

- a) **Accounting Liquidity** - is an accounting term that refers to a measure of the ability of a debtor to pay their debts as and when they fall due. It is usually expressed as a ratio or a percentage of current liabilities. Liquidity is the ability to pay short-term obligations.

- b) **Investment** - the action or process of investing money for profit or material result.
- c) **Liquidity** - refers to the ease with which an asset, or security, can be converted into ready cash without affecting its market price. Cash is the most liquid of assets, while tangible items are less liquid. The two main types of liquidity include market liquidity and accounting liquidity.
- d) **Market Liquidity** - In business, economics or investment, market liquidity is a market's feature whereby an individual or firm can quickly purchase or sell an asset without causing a drastic change in the asset's price. Liquidity involves the trade-off between the price at which an asset can be sold, and how quickly it can be sold.

## 6. General

### a) Authorized Investments

- i. The eligible securities are prescribed under Ontario Regulation 438/97.
- ii. The Municipality will attempt where possible to diversify the investments so that certificates are insured under Canada Deposit Insurance Corporation (CIDIC) which insures eligible deposits up to a maximum of \$100,000 (principal and interest) per insured categories. These are deposits guaranteed or endorsed by;
  - 1. A bank listed in Schedule I, II or III to the Bank Act (Canada), or
  - 2. A loan corporation or trust corporation registered under the Loan and Trust Corporations Act.

### b) Investment Objectives

The Municipality shall adhere to the following investment objectives in the consideration, purchase, disposal and administration of any municipality held investments. The investment objectives for the Municipality, ranked in priority, are as follows:

- i. Adhere to Statutory Requirements

All investments shall comply with the relevant sections of any applicable legislation and related regulations.

- ii. Security of Principal

The primary objective of the Municipality's Investment Policy is to ensure the security of principal. Investments shall be undertaken in a manner that seeks to ensure that the preservation of principal. The minimize the risk of loss, investments shall be subject to a minimum

credit rating and shall be diversified by maturity, type of investment and issuer, as follows:

- a. Investment Ratings: Investments shall only be made in eligible securities with a minimum credit rating as outlined in the Ontario Regulations 438/97, Eligible Investments and Related Financial Agreements, as amended.
- b. Term to Maturity of Investments: Investing activities should be reviewed in a regular bases 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.

iii. Liquidity Requirements

Liquidity is measured by the ease with which securities can be converted to cash to meet forecasting spending. It is recognized that 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 Municipality'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.

iv. Return on Investment

The Municipality'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. Investments should be limited to relatively low risk securities in anticipation of earning a fair return relative to the assumed risk.

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

v. Risk Tolerance

The Municipal Council will approve all investments with care and sound judgement. More specifically, The Municipal Treasurer and CAO will review the risks associated with all potential investments to ensure that the Municipality's best interests are accounted for. This includes a detailed cash flow forecast to determine short-term

liquidity requirements to minimize any short-term borrowing to meet operating, capital, and any other unanticipated needs.

**c) Constraints**

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

**i. Regulatory Constraints**

In accordance with Ontario's Eligible Investments and Related Financial Agreements Regulation (Ontario Regulation 438/97, formerly under Municipal Act, 2001), the Municipality is not authorized to invest in securities other than those listed in the Regulation.

**ii. 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 Municipality 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.

**iii. Direction of Investments**

The Municipality will maintain its current tiered bank account structure to manage available funds in order to meet short term operating and capital needs while maximizing the rate of return on municipal funds.

If viable, the Municipality will consider investment options such as the One Investment Program, subject to Council's direction.

**7. Responsibility and Implementation**

**a) Authority**

The Municipal Council is responsible for the prudent investment of the Municipality's portfolio, its strategy and to ensure that all investments are made in accordance with this Policy and any legislated requirements. The Municipal Treasurer and CAO are jointly responsible for administering the prudent investment of the Municipality's portfolio 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 Municipality's banking. Further, any transactions must be approved by the Head of Council, the CAO and the Municipal Treasurer.

The Municipal 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 the Municipality'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 Municipal Treasurer or designate has a specific responsibility to prepare and provide an annual investment report to Council. Ontario Regulation 438/97, s.20 (1). This report shall contain the following information:

- i. A statement about the performance of the portfolio of investments of the municipality during the period covered by the report
- ii. 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
- iii. A statement by the Municipal Auditor whether or not, in his or her opinion, all investments were made in accordance with the investments policies and goals adopted by the municipality
- iv. 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
- v. Such other information that the Council may require or that, in the opinion of the Municipal Treasurer, should be included.

c) Failure to comply with this policy may result in the Municipality holding investments which are not eligible investments as prescribed by provincial regulation.

d) Policy shall be reviewed annually to ensure compliance, and updated as required.