



REPORT FIN-2016-014

TO: Mayor and Members of Council

FROM: Paul Creamer, Director of Finance/Treasurer

DATE: May 18, 2016

SUBJECT: Treasurer's Investment Report for 2015
File No. F12 INV

RECOMMENDATIONS

That Report FIN-2016-014 regarding the Treasurer's Investment Report for 2015 be received.

DISCUSSION

Purpose

The purpose of this report is to provide Council with the Treasurer's Investment Report for 2015.

Background

This report provides information to Council on the investment and cash management of the Township as required under the provision regulating municipal investments (Ontario Regulation 438/97).

Reporting Requirements of the Treasurer

Schedule A to Report FIN-2016-014 sets out the reporting requirements of the Treasurer under Ontario Regulation 438/97.

Investment Income

A comparison of the investment income allocated to the Operating Fund and Reserve Fund in 2015 and 2014 is below:

Description of Fund	2015	2014
Operating Fund	\$72,822	\$72,199
Reserve Funds	\$8,325	\$15,211
Total	\$81,147	\$87,410

The total investment income of \$81,147 provided an average rate of return of 1.57% (2014 – 1.83%). The average rate of return was calculated based on the amount of investment income obtained in 2015 divided by the average book value of the Township’s cash and investment position at December 31, 2015 and December 31, 2014.

The Township earned interest at a slightly lower rate in 2015 compared to 2014 resulting in lower investment income.

Investment Portfolio

The cash portfolio as of December 31, 2015 and December 31, 2014 at book value consisted of the following:

Type	2015 (\$)	2014(%)	2014 (\$)	2014 (%)
Cash	\$3,473,845	63%	\$4,861,071	100%
Temporary Investment	\$2,008,537	37%		
Total	\$5,482,382	100%	\$4,861,071	100%

Overall the Township’s available cash has increased by 12.8%. In 2015 the Township invested in a Temporary Investment through TD Bank. The Investment is a 90 day investment that is highly liquid as it can be converted back to cash without penalty.

Investment Policy

The Township’s investment policy was approved by Council in their meeting on August 13, 2014 through Council Resolution No. 2014-292. The investment policy is attached as Schedule B to Report FIN-2016-014 and it sets out the investment policy of the Township. It is recommended that the policy be reviewed annually to ensure the guidelines imposed by the policy reflect the objectives of the Township.

FINANCIAL IMPLICATIONS

There is no financial impact directly associated with this report.

APPLICABLE LEGISLATION AND REQUIREMENTS

Section 418 of the Municipal Act permits the municipality to invest money that it does not require immediately in accordance with certain rules as set out in Ontario Regulation 438/97, as amended, made under the Municipal Act.

Regulation 438/97 as amended, sets out the prescribed securities that a municipality can invest in, the annual reporting requirements of the Treasurer for the municipality’s investments, and the requirement of adopting a statement of the municipality’s investment policies and goals.

ATTACHMENTS

Schedule A: Investment Reporting Requirements Highlights

Schedule B: Investment Policy

Schedule A: Investment Reporting Requirements Highlights


These reporting requirements are in accordance with Ontario Regulation 438/97.

Statement of Performance

The Township of Puslinch earned an annual total rate of return of 1.70% for the year 2015.

Treasurer's Statement

In my opinion and based on information supplied to me by Toronto Dominion Commercial Bank, the cash and equivalents held by the Township of Puslinch during the calendar year 2015 were all prescribed in accordance with Section 418 of the Municipal Act, 2001 and were all eligible as outlined in Ontario Regulation 438/97. In my opinion, all cash transactions in 2015 comply with the investment policies and goals adopted by the Township of Puslinch on August 13, 2014.



Paul Creamer, CPA, CMA
Director of Finance/Treasurer

May 18/16

Date



Schedule B to Report FIN-2016-014.

TITLE: INVESTMENT POLICY

DATE: May 21, 2014

SUBJECT: INVESTMENTS OF SURPLUS FUNDS
File No. A09 INV

Purpose:

To govern and ensure the prudent management of the Township of Puslinch's surplus funds and investment portfolio in accordance with the authority for investments provided under Section 418 of the Municipal Act, 2001 and Ontario Regulation 438/97.

Scope:

This policy includes all funds that are the responsibility of the Township of Puslinch (Township).

Objectives:

Under Ontario Regulation 438/97, Council shall adopt a statement of the municipality's investment policies and goals. The goals and objectives for the investing of surplus funds are as follows, in priority order:

a. Adherence to Statutory Requirements:

All investment activities shall be governed by the Municipal Act, 2001. Investments will be those deemed eligible under Ontario Regulation 438/97 or as authorized by subsequent provincial regulations, and as further defined in this policy.

b. Preservation of Capital:

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

c. Maintenance of Liquidity:

The investment portfolio shall remain sufficiently liquid to meet all cash flow requirements and to minimize temporary borrowing requirements. To the greatest extent possible, the portfolio will be structured such that securities

mature concurrent with anticipated cash demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets. A portion of the portfolio may also be placed in local government investment pools (eg. One Investment Program) that offer liquidity for short-term funds.

d. Yield:

Without compromising other objectives, the Township shall maximize the rate of return earned on its portfolio. Investments are generally limited to relatively low risk securities in anticipation of earning a fair return relative to the assumed risk.

Standards of Care:

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would 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.

Authorized Township staff acting in accordance with the Act and regulations thereto and this investment policy, and exercising due diligence, shall be relieved of personal responsibility for the credit risk, interest rate risk, or market risk of any particular security, provided deviations from expectations are reported promptly to Council and the liquidation or the sale of securities is carried out in accordance with the terms of this policy.

Ethics and Conflict of Interest:

Authorized Township staff 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; and
- Not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the Township.

Delegation of Authority:

The Director of Finance/Treasurer will have overall responsibility for the prudent investment of the Township's portfolio including authorization to:

- Invest surplus funds of the Township in accordance with the Municipal Act, 2001, Ontario Regulation 438/97, and this policy;

- Enter into arrangements with banks, investment dealers and brokers, and other financial institutions for the purchase, sale redemption, issuance, transfer and safekeeping of securities;
- Execute and sign documents on behalf of the Township (safekeeping agreements must also be signed by the Chief Administrative Officer);
- Designate certain Township staff to carry out the day to day management of the investment program; and
- Perform all other related acts in the day to day management of the investment program.

Safekeeping & Custody:

All securities shall be held for safekeeping by a financial institution or institutions approved by the Township. Individual accounts shall be maintained for each portfolio. All securities shall be held in the name of the Township. The Township may consolidate all holdings with one institution.

The depository shall issue a safekeeping receipt to the Township listing the specific instrument, rate, maturity and other pertinent information. The depository will also provide reports which list all securities held for the Township, the book value of holdings and the market value thereof.

Authorized Investments:

The Township may invest in certain securities as set out by Ontario Regulation 438/97 to the Municipal Act.

The portfolio aims for both diversification and near risk-free investments to ensure security of capital. Emphasis is placed on securities offered by or unconditionally guaranteed by the Government of Canada, a Province of Canada or the six major chartered banks.

The Township shall invest only in securities that are expressed or payable in Canadian dollars.

Investment in a municipal investment pool as allowed by Ontario Regulation 438/97, such as the One Investment Program is an appropriate investment.

Diversification:

The Township shall diversify its investments to the best of its ability based on the type of funds invested and the cash flow needs of those funds. Diversification can be by type of investment, number of institutions invested in and length of maturity. Investment in a municipal investment pool as allowed by Ontario Regulation 438/97, such as the One Investment Program, should be considered an appropriate method of investment diversification.

Maximum Maturity:

The Township shall hold sufficient funds in short-term investment instruments in order to maintain adequate liquidity and meet the day to day cash flow requirements.

To the extent possible, the Township shall match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Township will not directly invest in securities maturing more than ten (10) years from the date of purchase. Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding ten (10) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds.

Performance Benchmarks:

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 through budgetary and economic cycles that is commensurate with the investment risk constraints and cash flow needs of the Township. The market value of the portfolio shall be calculated at the end of each fiscal year by the Director of Finance/Treasurer. This is a requirement for financial statement purposes and ensures that a review of the investment portfolio, in terms of value and price volatility, has been performed. The investment portfolio will be designed to obtain, at a minimum, market rates of return taking into account the Township's investment risk tolerance, constraints and cash flow needs.

Reporting:

The Director of Finance/Treasurer, in accordance with legislative requirements, shall submit an annual investment report to Council. The investment report will include the following:

- a.) A statement about the performance of the investment portfolio 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 Director of Finance/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 Township;
- d.) A record of the date of each portfolio transaction of the Township's 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 Director of Finance/Treasurer, should be included.

Definitions:

Credit Risk: the risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Diversification: a process of investing assets among a range of security types by sector, maturity, and quality rating.

Interest Rate Risk: the risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

Liquidity: a measure of an asset's convertibility to cash.

Long-Term Securities: investments with duration of greater than 365 days at the time of acquisition.

Major Chartered Banks: the following are the six major chartered banks referred to in this policy:

- Royal Bank of Canada
- Canadian Imperial Bank of Commerce
- Bank of Montreal
- Bank of Nova Scotia
- Toronto Dominion Bank
- National Bank of Canada

Market Risk: the risk that the value of a security will increase or decrease as a result of changes in market conditions.

Market Value: current market price of a security.

Maturity: the date on which payment of a financial obligation is due.

ONE Investment Program: a professionally managed group of investment funds composed of pooled investments that meet eligibility criteria as defined by regulations

under the Municipal Act. The Local Authority Services Limited (LAS) and CHUMS Financing Corporation (CHUMS) operate this program.

Prudent Person Rule: an investment standard outlining the fiduciary responsibilities relating to the investment practices of public fund investors.

Safekeeping: holding of assets (e.g., securities) by a financial institution.

Short-Term Securities: investments with duration of 365 days or less at the time of acquisition.

Township: The Corporation of the Township of Puslinch