



## Purpose:

This Policy establishes the objectives, standard of care, eligible investments, reporting requirements and responsibilities of the prudent management of portfolio investments held by the Corporation of the Township of Zorra (the Township).

It is the Policy of the Township to invest public funds in a manner that will protect and preserve capital while meeting the cash flow demands of the Township and conforming to all legislation governing the investment of public funds.

This Policy applies to all investments made on behalf of the Township, including, but not limited to, operating funds, capital funds, reserve funds and trust funds.

## Definitions:

**"Benchmark"** – A standard or index used to measure the performance of an investment portfolio.

**"Bonds"** – Debt instruments issued by governments or corporations, representing a loan made by an investor to the issuer.

**"Conflict of Interest"** – A situation where personal interests could interfere with professional judgment or actions.

**"Credit Rating"** – An assessment of the creditworthiness of an issuer or security, typically provided by rating agencies.

**"Debentures"** – Unsecured debt instruments backed only by the issuer's creditworthiness.

**"Deposit Notes / Receipts"** – Short-term debt instruments issued by financial institutions acknowledging receipt of funds.

**"Diversification"** – The practice of spreading investments across various issuers, sectors, and maturities to reduce risk.

**"Financial Institution Debt"** – Debt instruments issued by banks or similar entities, including deposit notes and certificates.

**"Government Issued or Guaranteed Debt"** – Debt securities backed by federal, provincial, or municipal governments.

**"Investment Portfolio"** – The collection of financial assets held by the Township for investment purposes.

**"Liquidity"** – The ability to quickly convert investments into cash without significant loss of value..

**"Principal"** – The original sum of money that is invested or loaned, excluding any interest, dividends, or returns earned over time.

**"Prudence"** – The exercise of care, skill, and judgment that a reasonable person would apply in managing investments.

**"Promissory Notes"** – Written promises to pay a specified amount to the holder at a future date.

**"Rate of Return"** – The gain or loss on an investment over a specified period, expressed as a percentage.

## **Policy:**

### **1.0. Objectives**

#### **1.1. Adherence to Legislation**

All investment activity of the Township is regulated under the requirements of *the Municipal Act, 2001* and *Ontario Regulation 438/97 - Eligible Investments*.

In general, municipalities invest funds not immediately needed in accordance with a prescribed list of securities as set out in regulation. The prescribed list includes:

- i. Government issued or guaranteed debt (bonds, debentures, promissory notes, etc.)
- ii. Bank and financial institution debt, deposit receipts and notes
- iii. Certain Canadian corporate shares
- iv. Certain corporate debt (i.e., bonds)
- v. Certain asset backed securities and corporate paper

Municipalities investing money under this standard must exercise the care, skill, diligence and judgement that a prudent investor would exercise in making an investment.

#### **1.2. Ensuring the Preservation of Capital in the Overall Portfolio**

The primary objective of the Investment Policy is the safety of principal. This is achieved by preserving the value of the invested funds through compliance with applicable legislation. Risk



is further minimized by limiting investment types to a set percentage of the portfolio through diversification. The Township must diversify its investments so that potential losses on individual securities will be minimized.

### **1.3. Maintaining Liquidity of the Township's Funds**

The investment portfolio must remain sufficiently liquid to meet cash flow needs and limit temporary borrowing requirements. To achieve this, the Township primarily invests in liquid, marketable securities, ensuring price stability and timely maturities. The portfolio is structured using a variety of maturity dates to maintain adequate liquidity for ongoing obligations.

### **1.4. Competitive Rate of Return**

Within the boundaries of legislative compliance, preservation of capital and maintenance of liquidity, the investment portfolio aims to maximize total returns to preserve the purchasing power of funds. The Township must consider current and future economic conditions, the role of each investment within the overall portfolio, expected total return from income and capital appreciation, and the need for liquidity, regular income, and capital preservation.

## **2.0. Standards of Care**

### **2.1. Prudence**

Investments must be made with prudence, discretion, and sound judgment, prioritizing safety of capital and reasonable income over speculation. Decisions should reflect the care that a prudent person would exercise in managing their own affairs under prevailing circumstances.

### **2.2. Ethics**

Employees involved in the investment process must avoid personal business activities that could create conflicts of interest or impair impartial decision-making. They are required to disclose any material interests in financial institutions they deal with and any personal financial positions related to the portfolio's performance. Additionally, they must not engage in personal investment transactions with individuals who conduct business on behalf of the Corporation.

### **2.3. Delegation of Authority**

The Township's Treasurer holds overall responsibility for the prudent investment of the Township's portfolio and the implementation of the investment program. The Treasurer may delegate transactional activities but remains accountable for compliance with regulations and policy. Only authorized individuals with signing authority may execute investment transactions.

The Treasurer will be responsible for the development and maintenance of suitable procedures to provide for the effective control and management of investments.

### **3.0. Investment Strategy**

#### **3.1. Eligible Investments**

The Township will only invest in securities permitted under the *Municipal Act* and *Ontario Regulation 438/97* as amended from time to time.

Only Canadian dollar investments are authorized for the purposes of this policy within the limitations set out in Schedule 1.

#### **3.2. Diversification & Liquidity**

To minimize portfolio risk and to maintain liquidity of the investment portfolio, investment diversification shall be guided by the following:

- i. Limiting investments to avoid over-concentration in securities from a specific issuer or sector/category where possible;
- ii. Investing in securities with varying maturities when possible;
- iii. Investing in securities which have an active secondary market where possible; and
- iv. Investing in various asset classes and sectors/categories where possible.

#### **3.3. Investment Portfolio Guidelines**

Authorized investments and limitations are identified in Schedule 1.

All investments shall be expressed and payable in Canadian dollars.

All investments shall have a minimum credit rating within the limitations as set out in Schedule 1. All investment minimum credit ratings shall be adhered to and maintained at time of purchase and throughout the holding period for each category of security where outlined and applicable as per *Ontario Regulation 438/97*.

#### **3.4. Performance Standards**

The performance of investments shall be measured using benchmarks, performance indicators, and targets where applicable. Performance shall be reviewed internally at least quarterly.

### **4.0. Reporting**



- 4.1.** At least annually, the Treasurer will prepare and provide to Council an investment report to fulfill the stipulations of *Ontario Regulation 438/97*. This statement shall contain:
- i. a statement about the performance of the portfolio of investments of the municipality during the period covered by the report;
  - ii. a summary, by amount and percentage, of the composition of the investment portfolio;
  - iii. a statement by the treasurer as to whether or not, in their opinion, all investments are consistent with the investment policies and goals adopted by the municipality;
  - iv. year end balance
  - v. such other information that the council may require or that, in the opinion of the Treasurer, should be included.

**Next revision date: (every five years)**

This policy shall be reviewed every 5 years.

The next revision date is December 2030.

**Accessible Formats:**

If you require this document to be in an accessible format, please contact the Director of Corporate and Protective Services at [clerk@zorra.ca](mailto:clerk@zorra.ca) or 519-485-2490 ext. 7228.

**Schedule 1**

Sector <sup>1</sup>	Minimum S&P Credit Rating <sup>2</sup>	Maximum Term (Years) <sup>3</sup>	Maximum Credit Exposure Portfolio Limit
Federal Government of Canada and Crown Corporations	N/A	5	100%
Provincial Government	AA-	5	75%
Municipal-Other Municipalities and Infrastructure Ontario	AA-	5	10%
Universities, Colleges and School Boards	AA-	1	10%
Financial Institutions – Schedule 1	A-	5	75%
Financial Institutions – Schedule 2	A-	5	25%
Financial Institutions – Credit Unions	N/A	1	10%
Financial Institutions – Loan/Trust Corporations	A	1	10%
Asset Backed Securities <sup>4</sup>	AAA	5	10%
Canadian Corporations	A	5	10%
The One Investment Program	N/A	N/A	10%

<sup>1</sup> Per Definitions and restrictions contained in *Ontario Regulation 438/97*

<sup>2</sup> Equivalent Ratings from Moody's Investor Services, Fitch Ratings or Dominion Bond Rating Service are acceptable in addition to Standard and Poor's

<sup>3</sup> No more than 50% of the portfolio may hold securities with maturity of 5 years

<sup>4</sup> Canadian Bank administered with a minimum of 2 credit ratings