

## **POLICY MDL - 20 (Approved by Council May 14, 2002)**

### **INVESTMENT POLICY**

1. This Policy is entitled “ Investment Policy”.
2. In this Policy:
  - (1) “Government of Canada” includes entities guaranteed by the Government of Canada, to the extent the guarantee applies to the security in question;
  - (2) “medium or long-term surplus funds” means surplus funds that are
    - (a) in a sinking fund, capital reserve fund, utility depreciation fund, special reserve fund or a surplus special purpose tax fund; and
    - (b) in the reasonable opinion of the Municipality of the District of Lunenburg after consultation with the Municipality’s Audit Committee at or shortly after a fiscal year-end, not likely to be exhausted within 12 months in order to meet any operating or capital expenditures or liabilities of the Municipality for which the particular funds have been reserved;
  - (3) “other Provincial Governments of Canada” includes entities guaranteed by such governments, to the extent the guarantee applies to the security in question;
  - (4) “participating financial institutions” means banks, credit unions, trust companies, investment dealers or brokers including all banks, credit unions, trust companies, investment dealers or brokers which express a wish to participate in the Municipality’s investment program;
  - (5) “Province of Nova Scotia” includes entities guaranteed by the Province of Nova Scotia, to the extent the guarantee applies to the security in question;
  - (6) “short -term surplus funds” means surplus funds other than medium long-term surplus funds; and
  - (7) “surplus funds” means funds beneficially owned and controlled by the Municipality in excess of a cash/chequing account float as authorized by the Audit Committee to be used for day to day operation of the Municipality.
3. This Policy is intended to govern the investment of surplus funds of the Municipality except in regards:
  - (1) particular funds in respect of which Council, by resolution, has provided specified investment direction;

- (2) funds held in trust or escrow to complete a transaction or settlement;
  - (3) funds under the lawful management and control of the Province of Nova or its designate; and
  - (4) the Pension Plan of the Municipality's employees.
4. Investment activity on behalf of the Municipality shall be governed by the Conflict of Interest Policy Guidelines in the *Municipal Government Act* and, in particular, the Municipality's Director of Financial Services and Municipal Treasurer shall not engage in any personal or business activities which would benefit from, or reasonably be perceived to benefit from, investment choices made on behalf of the Municipality.
  5. Every investment shall be in the name of the Municipality and registered securities shall bear the name of the Municipality and documentation shall be obtained in the form of a certificate from the borrower, or a confirmation by a broker or banker that the documentation is held in safe-keeping for the Municipality.
  6. The only eligible investments for surplus funds of the Municipality are bonds, bills, Guaranteed Investment Certificates, deposit accounts, or other money market, fixed income or debt instruments of the following institutions or corporations:
    - (1) Government of Canada;
    - (2) Province of Nova Scotia;
    - (3) other Provincial Governments of Canada;
    - (4) chartered banks, trust companies and credit unions having a rating of "R1 Medium" or better;
    - (5) credit unions covered by the Nova Scotia Stabilization Fund;
    - (6) institutions covered by the Canadian Deposit Insurance Corporation, but only up to the extent of the insured limit;
    - (7) for medium or long-term surplus funds only, Canadian companies having a Bond rating of "A" and a Commercial Paper rating of "R1 Medium" or better from the Dominion Bond Rating Service; and/or
    - (8) investment pools approved by the Minister of Housing and Municipal Affairs.

## **Short-Term Surplus Funds**

7. The following objectives are the principles underlying this Policy in regards the investment of short-term surplus funds, ranked in order of importance:
  - (1) preservation of the principal amount of all investments;
  - (2) subject to subsection (1), maintenance of the liquidity of all investments; and
  - (3) subject to subsections (1) and (2), maximization of the rate of return on all investments.
  
8. The maximum term for which an investment of short-term surplus funds shall be committed shall not exceed the amount shown in parentheses for the respective institutional or corporate category:
  - (1) Government of Canada (1 year);
  - (2) Province of Nova Scotia (1 year);
  - (3) other Provincial Governments of Canada (1 year);
  - (4) chartered banks, trust companies and credit unions (1 year);
  - (5) other institutions covered by Canadian Deposit Insurance Corporation (6 months); and
  - (6) investment pools approved by Service Nova Scotia and Municipal Relations (1 year).
  
9. The maximum total investment of short-term surplus funds with
  - (1) any individual institution or corporation covered under subsections (4), (5), or (6) of section 6 will be limited to a maximum of 10% of invested short-term surplus funds.
  
10. Subject to section 3, the following investment process for short-term surplus funds shall be carried out by the Municipality's Director of Financial Services and Municipal Treasurer:
  - (1) Determine the amount to be invested, the term of the investment having regard to the anticipated date of utilization of the funds and any flexibility requirements regarding the term, by referring to the latest estimate of the cash flow forecast

(cash budget) and consultation with the Department Heads or the Audit Committee, or both;

- (2) Provide a copy of this Policy to participating financial institutions;
- (3) Contact at least 3 participating financial institutions and inform them of the following:
  - (a) amount to invest,
  - (b) term,
  - (c) flexibility,
  - (d) time and date at which rates and investment proposals will be received,
  - (e) any other criteria, not inconsistent with this Policy, which will or may govern the choice of investment proposal;
- (4) Obtain proposals from participating financial institutions and select the successful proponent for the investment based on comparison of rates (a reduction of up to five basis points will be accepted on federal government securities), the extent to which a proposal best meets the objectives and terms of this Policy and any other criteria which are provided in advance to participating financial institutions of the outcome.

### **Medium or Long-Term Surplus Funds**

11. The following objectives are the principles underlying this Policy in regards the investment of medium or long-term surplus funds, ranked in order of importance:
  - (1) preservation of the principal amount of all investments;
  - (2) subject to subsection (1), matching the maturing or liquidity of investments with the anticipated dates of utilization of the funds, as determined by the Municipality's Director of Financial Services and Municipal Treasurer after consultation with the Municipality's Audit Committee at or shortly after a fiscal year-end; and
  - (3) subject to subsections (1) and (2), maximization of the rate of return on all investments.

12. For the purposes of section 11, an asset is not liquid if it might have to be sold at a loss in order to make funds available for utilization.
13. The total medium or long-term surplus funds invested with:
  - (1) any individual financial institution or corporation covered under subsections (4) of Section 6 shall be limited to maximum of 20% of medium or long-term surplus funds;
  - (2) any individual institution or corporation covered under subsections (5), (6), or (7) of section 6 shall be limited to a maximum of 10% of medium or long-term surplus funds;
  - (3) all financial institutions covered under subsection (4) of section 6, in aggregate, shall be limited to a maximum of 50% of medium or long-term surplus funds;
  - (4) all corporations covered under either of subsections (5) and (6) of section 6, in aggregate, shall be limited to a maximum of 20% of medium or long-term surplus funds;
  - (5) all corporations covered under subsection (7) of section 6, in aggregate, shall be limited to a maximum of 20% of medium or long-term surplus funds;
  - (6) the Province of Nova Scotia, in aggregate, shall be limited to a maximum of 70% of medium or long-term surplus funds;
  - (7) any individual other Provincial Government of Canada shall be limited to a maximum of 35% of medium or long-term surplus funds;
  - (8) the other Provincial Governments of Canada, in aggregate, shall be limited to a maximum of 70% of medium or long-term surplus funds;
  - (9) the Government of Canada shall not be limited; and
14. The process outlined in section 10 of this Policy shall be followed in regards medium and long-terms investments with any necessary changes for the context.