



CORPORATE POLICY

Sub Topic:	Investment Policy	Policy No.	FIN.3.01
Topic:	Financial Services Policy	Employees Covered:	All Employees
Section:	Financial Services	Council Adoption Date:	April 16, 2012
Effective Date:	April 16, 2012	Revision No:	Date:

Policy Statement & Strategic Plan Linkages

The Corporation of the Town of Newmarket strives for the best utilization of its cash resources within statutory limitations and the basic need to protect and preserve capital, while maintaining solvency and liquidity to meet on-going financial requirements. This policy is in line with the Town's "Well Equipped & Managed" Strategic Plan objective.

Purpose

The purpose of the Investment Policy is to set out guiding principles for the management of the Corporation of the Town of Newmarket's surplus funds and investment portfolio. This investment policy applies to all investments made on behalf of the Town including, but not limited to, operating funds, reserves and reserve funds, trust funds and any new funds created by the Town unless otherwise specifically exempted. This Policy is not applicable to the Town's investment in business enterprise entities, such as Newmarket Hydro.

Definitions

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

Investment: the purchase of a financial product such as stocks, bonds, mutual funds, etc, or other item of value with an expectation of favorable future returns.

Investment Official: person who is authorized by the Council to be responsible for the Town's investment activities.

Investment Parameters: Factors that define the investment decision making process and determine the investment performance.

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

ONE Investment Program: a pooled investment program designed specifically for the municipal and broader Ontario public sector. The program is operated jointly by Local Authority Services and the CHUMS Financing Corporation, wholly owned subsidiaries of

the Association of Municipalities of Ontario and the Municipal Finance Officers' Association of Ontario, respectively.

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

Securities: A security is an exchangeable, negotiable instrument representing financial value. Securities are broadly categorized into debt securities (such as banknotes, bonds and debentures) and equity securities, e.g., common stocks; and derivative contracts, such as forwards, futures, options and swaps.

Yield: Annual income earned from an investment, expressed usually as a percentage of the money invested.

Procedures

Standards of Care

a) Prudence

Investments shall be made with judgment and care. Under circumstances then prevailing, prudent persons will exercise their discretion and intelligence in the management of their own affairs, not for speculation, but for investment purposes, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by authorized employees dealing with investment activities shall be the prudent person standard and shall be applied in the context of managing an overall portfolio. Authorized employees acting in accordance with written procedures and the investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risks or market price changes.

b) Ethics and Conflict of Interest

Investment officials and employees 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. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officials shall not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the Town.

c) Delegation of Authority

The Treasurer of the Town shall establish written procedures and policies for the operation of the investment program consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures and policies established by the Town Treasurer.

Safekeeping and Custody

All securities shall be held for safekeeping by a financial institution approved by the Town. Individual accounts shall be maintained for each portfolio. All securities shall be held in the name of the Town.

The depository shall issue a safekeeping receipt to the Town listing the specific instrument, rate, maturity and other pertinent information. On a monthly basis, the depository will also provide statements to the Treasurer for reference purposes or decision making to change investments, etc, which list all securities held by the Town, the book value of holdings and the market value as of month-end.

Internal Controls

The Treasurer or delegate shall establish an annual process of independent review by the Town's auditor. This review will provide assurance of compliance with governing legislation, the investment policy and procedures established by the Treasurer.

Investment Parameters

a) Suitable and Authorized Investments

The Town may invest in certain securities as set out by Ontario Regulation 438/97 to the Municipal Act 2001 as amended from time to time. The Trustee Act regulates investment of trust funds. However, in keeping with the primary objective of the Town's investment policy, namely the preservation of capital, permissible investments will be restricted to those of high credit quality and reasonable liquidity. Consequently, 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 (Royal Bank of Canada, Canadian Imperial Bank of Commerce, Bank of Montreal, Bank of Nova Scotia, Toronto Dominion Bank, and National Bank of Canada), and the ONE Investment Program.

b) Diversification

The Town 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.

c) Term of Investment

To the extent possible, the Town shall attempt to match its investments with anticipated cash flow requirements. Deviation from this course of action is subject to the discretion of the Treasurer.

Performance Standards

The investment portfolio shall be designed with the objective of obtaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. Portfolio performance should be compared to benchmarks with similar maturity, liquidity and credit quality as the portfolio.

Reporting

The Treasurer shall submit a report to Council on investment activities and returns at least annually, including but not limited to the following:

- List of individual securities held at the end of the reporting period;
- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity;
- Average weighted yield to maturity on investments as compared to applicable benchmarks;
- Percentage of total portfolio which each type of investment represents;
- A statement by the Treasurer as to whether or not, in his or her opinion, all investments made were in line with the investment policies and goals adopted by the Town; and
- Such other information that the Council may require or that, in the opinion of the Treasurer, should be included.

Cross References

CAO. 3-01 Employee Code of Conduct
CORP. 1-03 Accountability and Transparency Policy
Delegation By-law No. XXXX-XX
FIN. 2-01 Operating and Capital Financial Policy
Investment Policy FIN.3.01 Procedures
Municipal Act 2001 (Excerpt) – Investment
Ontario Regulation 438/97 of the Municipal Act

**Appendix 'A' -
Investment Policy Procedures**
to
Town of Newmarket
Investment Policy FIN.03.01

Purpose

The purpose of the Investment Policy Procedures shall guide Finance staff with investment operations. These procedures shall be reviewed and updated at least annually.

Legal Authority to Invest

The Council may authorize the Treasurer by bylaw to invest the Town's surplus funds in compliance with the Town's Investment Policy. The Treasurer may delegate the authority to select investment instruments in which the Town's funds may be placed to the Deputy Treasurer. The Treasurer approves the investments and retains ultimate responsibility as the fiduciary of the assets of the Town of Newmarket. The Treasurer and his/her designate shall perform their investment duties in good faith and in compliance with the Investment Policy. By so doing, they have no personal liability for their actions.

Cash Review

An overall Town cash flow model shall be prepared prior to making any investments. This model shall include: actual cash flow for the past quarter, short term (one year) forecast for operating purposes by month, and long term (5 years and beyond) cash flow forecast for reserves and reserve funds. Cash available for short-term and long-term investments will be determined from the model analysis. The model should be reviewed and revised periodically to incorporate the actual results and any new factors to be incurred.

The Treasurer or his/her designate shall review the cash balances daily and the investment portfolio monthly or as needed.

Investment Strategy and Performance Standards

The Town will implement a passive buy and hold strategy as opposed to an active strategy of buy and sell. The structure of the portfolio will always take into consideration the cash flow needs of the Town. Given the passive nature of the Town's investment strategy, the portfolio performance benchmark will be as follows:

- Short-term investment (within one year): prime -1.75%;
- Mid - and long-term investment: Government of Canada Marketable Bond Average Yield (5-10 years).

Investment Selection

All investments must be in compliance with the investment parameters outlined by the Town's Investment Policy. Further restrictions on the allowable securities and their respective term and size are as follows:

- Government of Canada Securities: no limit;
- Provinces of Canada Bonds: no limit;
- Municipalities in Ontario: not exceeding three years, maximum 50%;
- Financial Institutions: six major Canadian chartered banks only – not exceeding five years, maximum 50%;
- Municipal Investment Pool such as One Fund – maximum 50%;
- Guaranteed Investment Certificates (GIC's) – must be offered by the six major Canadian chartered banks, no limit.

The Senior Financial Analyst shall research the investment products and provide recommendations to the Treasurer and his/her designee. The Treasurer will make the final decision on the purchase and sale of investment products.

Investment Transactions

Investment transactions are evidenced and substantiated by properly authorized supporting documentation. All the transactions shall be reviewed and approved by the Treasurer. All the documentation shall be kept in a separate filing system for at least seven years. Dual signatures are required for all cheques or electronic transfers for purchasing investment products. One of the signatures shall be from the Treasurer or the Deputy Treasurer; the other shall be from the Mayor or the Regional Councillor.

Accounting, Reporting & Auditing

The Senior Financial Analyst is responsible for the accounting of the investment transactions which includes but is not limited to: journal entries, account reconciliation, and any required analysis. The Senior Financial Analyst shall provide information and supporting documentation for all investment transactions as required by the auditors during the annual auditing process.

The Treasurer shall submit a report to Council on investment activities and returns annually, including but not limited to the following:

- Securities held at the end of the reporting period;
- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities that are not intended to be held until maturity;
- Average weighted yield to maturity on investments as compared to applicable benchmarks;
- Percentage of total portfolio which each type of investment represents;
- A statement by the Treasurer as to whether or not, in his or her opinion, all investments made were in line with the investment policies and procedures adopted by the Town; and
- Such other information that the Council may require or that, in the opinion of the Treasurer, shall be included.

Roles and Responsibilities:

The key persons and main tasks involved in the Town's investment activities are as follows:

Senior Financial Analyst	<ul style="list-style-type: none">• Prepare and update cash flow model;• Research investment products and make recommendations to the Treasurer or his/her designee;• Execute investment transactions approved by the Treasurer;• Perform accounting duties related to investment transactions;• Keep all the records of the investment transactions;• Provide information and supporting documentation related to investment transactions to auditors.
Manager of Finance & Accounting	<ul style="list-style-type: none">• Review the Senior Financial Analyst's work as listed above.
Treasurer	<ul style="list-style-type: none">• Management responsibility for investment activities;• Establish appropriate systems of internal control, procedures, and reporting practices to support investment activities;• Report investment activities to Council.
Deputy Treasurer	<ul style="list-style-type: none">• Back up the Treasurer for the activities listed above
Council	<ul style="list-style-type: none">• Approve Investment Policy and Procedures and subsequent amendments;• Approve delegations to the Treasurer in relation to the investment activities.