



# **MUNICIPALITY OF THE DISTRICT OF SHELburne**

## **Policy Statement**

### **Investment Policy**

#### DEFINITIONS:

“Capital gains (losses)”: Gains or losses on the sale of investment instruments.

“Cash & equivalents”: Cash, money market, Treasury bill and any investment maturing in one year.

“Cost”: Cash, cash equivalents and fixed income securities are recorded at purchase price. Equity instruments are recorded at average cost- purchase price plus brokerage fee.

“Council”: Governing body of the Municipality of the District of Shelburne, consisting of elected warden and councilors (elected at large).

“Equities”: Common stocks of Canadian corporations

“Fixed Income Securities”: Fixed income obligation of any Canadian government or corporation with a maturity of more than one year.

“Fund“: Special Perpetual Reserve Fund

“Investment Income”: Interest earned and dividends declared and paid.

“Policy”: Reserve Fund and Trust Fund Investment Policy

#### PURPOSE

The purpose of the Policy is to establish standards for the investment of municipal funds surplus to current requirements and for the investment of Trust Funds donated by groups or individuals for the benefit of the Municipality or its citizens to ensure an optimum level of return while ensuring the principal amount of the investment is preserved.

This Policy is not intended to govern the investment of funds of the Municipality **where:**

- funds held in trust or escrow to complete a transaction or settlement;
- funds under the lawful management and control of the Province of Nova Scotia or its designate; and
- the Pension Plan of the **Municipality's** employees.

## AUTHORITY

The Municipality of Shelburne is authorized to invest funds under subsection 100 (1) of the Municipal Government Act. The Policy has been adopted pursuant to subsection 100 (1) (b) of the Municipal Government Act.

## OBJECTIVES

Decisions related to the investments of the Municipality of Shelburne shall be governed by the following objectives in order of importance:

- Preservation of capital;
- Conformance with federal, provincial and other legal requirements;
- Diversification to avoid incurring unreasonable risks regarding specific investment types or individual financial institutions;
- Investments which will keep ahead of inflation; and
- Attainment of a market rate of return that reflects the risk profile of the portfolio and the investment term.

## MANAGEMENT

The Council for the Municipality of Shelburne shall be responsible for:

- the approval of the Investment Policy
- the amendments to the Investment Policy;
- the monitoring of the investments based on reports from the fund manager and staff;
- the achievement of the objectives stated above

The Director of Finance shall be responsible for monitoring the Fund in accordance with the Policy. The Chief Administrative Officer shall act as an alternate to the Director of Finance.

## PRUDENCE

Investments shall be made with judgment and care which persons of prudence, discretion and intelligence 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. Neither the Director of Finance nor Council shall engage in personal or business activities, which would profit from or be affected by the carrying out of their responsibilities as investors of the Municipality's funds.

## INTERNAL CONTROLS

A documented system of internal control shall be maintained for the purpose of ensuring compliance with the Policy and protecting the financial assets of the fund. The Municipality's auditors shall review this system on an annual basis.

## INVESTMENT DIVERSIFICATION

The investment portfolio of the Municipality shall be managed in a manner that minimizes risk and earns a market rate of return. The minimum standards, guidelines and criteria for various types of investment instruments are outlined in Appendix A to the Policy.

## COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS

Council, through the Director of Finance, shall seek competitive quotations for all investment instruments. A copy of the Policy shall be sent to all a selection of banks and investment, who may wish to participate. In addition, the Municipality should make use of the Province of Nova Scotia advertising open to municipal governments for municipal tendering.

In addition to assessing the risk of individual investments, Council shall make all reasonable efforts to assess the financial soundness of the firms providing quotations.

Council shall provide the participating financial institutions and inform them of the following:

- amount to invest;
- term;
- flexibility;
- time and date at which rates and investment proposals will be received;
- any other criteria, not inconsistent with this Policy, which will or may govern the choice of investment proposal;

- Obtain proposals from participating financial institutions and select the successful proponent for the investment based on comparison of rates and 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; and
- Inform participating financial institutions of the outcome.

## SAFEKEEPING

Except for those investments only available in bearer form, all investments shall be in the name of the Municipality of Shelburne. For registered securities, the Municipality of Shelburne shall require receipt of documentation in the form of certificate from the borrower of a confirmation by a broker or banker that the documentation is in safekeeping. All investments not held in safekeeping by financial institutions shall be kept in the Municipality of Shelburne vault.

## ACCOUNTING METHOD

All investment instruments shall be recorded at cost in the Fund from which the monies were invested and reported at mark to market.

## INVESTMENT INCOME

Investment income shall include interest earned and dividends declared and paid. Capital gains (losses) shall not be deemed “investment income”, as defined in the Act and the Policy. Capital gains (losses) shall be held within the Fund itself, subject to complete or partial withdrawal at the Committee’s recommendation to Council or Council’s recommendation to the Committee. The goal shall be to build against inflation and increase potential yearly earnings. This goal shall be reviewed annually.

## SPECIAL FUNDS

The Special Funds shall include:

- “Other Trust Funds” refers to funds left to the Municipality to be dedicated to specific purposes; and
- “Special Reserve Funds” refers to funds left to the Municipality for special projects.

The Special Funds shall only be used for the purposes for which they were intended. In the event that the “special purpose” no longer exists or is valid, the Committee shall review options for the future use of the said fund, however, priority shall be given to the other “special funds” and the recommendation shall be confirmed by Council with a 2/3 vote.

## REPORTING

Quarterly, the Director of Finance shall prepare a report on investment return for the Committee. The Committee' report shall then be presented to Council.

**Appendix A**  
**MUNICIPALITY OF SHELBURNE**  
**INVESTMENT GUIDELINES**

CONSTRAINTS/CONDITIONS

	<b>MINIMUM</b>	<b>MAXIMUM</b>	<b>TARGET</b>
<b>Normal Investments:</b>			
Cash/Short-term	0%	30%	5%
Equities (not to exceed 15% of total assets of a company)	0	50%	30%
Fixed income securities	50%	100%	65%
<b>Special Funds Investments:</b>			
Cash/Short-term	0%	30%	
Equities (not to exceed 15% of total assets of a company)	0%	100%	
Fixed income securities	0%	100%	

QUALITY OF INVESTMENTS

- Percentages are expressed as a percentage of the funds.
- Investment portfolio at market value

INVESTMENT CRITERIA

Cash/Short term

Bond instruments must have a minimum Dominion Bond Rating Service (DBRS) of R1.

- Maximum investments bonds of any Canadian province no more than 10%.
- Maximum bonds in one corporation not to exceed 5%.

Fixed income securities

- No bond shall have a DBRS rating of less than “BBB”.
- At least 25% of bond portfolio has a rating of “BBB” or better and at least 80% have a rating of “A” or better.

- Exposure in one corporation not to exceed 5%.
- If a Provincial bond held in the portfolio is downgraded following its purchase, it may be retained in the portfolio.
- If a Corporate bond held is downgraded to a “BB”, it is to be sold.

### Equities

- Investment in the equities of any industry group (excepting sub-industry group-diversified banks) not to exceed 10% of the total portfolio.
- Investment in the equities of sub-industry group- diversified banks not to exceed 15% of the total portfolio.
- Investment must have had a consistent dividend payout history, defined as actual dividends paid divided by normalized earnings.
- Investment must be listed on the Toronto Stock Exchange.
- Investment must be eligible to have options traded on the underlying security.
- No more than 10% of Equity Investments will have a market capitalization of less than \$1,000,000,000.00
- Share price must exceed \$ 5.00 per share.

### Corporate Limit (but not including Special Funds)

- No more than 10% of the total portfolio may be invested in the securities of any entity or any group of related entities.

### CURRENCY

All investments shall be denominated in Canadian dollars

### ETHICAL CRITERIA

The Manager will comply with the Code of Ethics and Standards of Professional Conduct adopted by the CFA Institute (formerly the Association for Investment Management and Research - AIMR).

Clerk's Annotation For Official Policy Book

Date of Notice to Council members of Intent to Consider: October 14, 2013

(7 days minimum)

Date of Passage of Policy: October 28, 2013