

CASH MANAGEMENT AND INVESTMENT GUIDELINES

1.0 LEGAL AUTHORITY

These guidelines are based on the authority for investments provided under section 418(1) of the *Municipal Act* S.O. 2001 c.25 and Ontario Regulation 438/97 or as authorized by subsequent provincial regulations.

1.1 Permitted Investments

Halton Hills may only invest in the securities prescribed under Ontario Regulation 438/97, which are issued or guaranteed by the following borrowers, subject to the restrictions, limitations and terms as stated in these guidelines:

- 1.1.1 Canada or a province or territory of Canada,
- 1.1.2 an agency of Canada or a province or territory of Canada,
- 1.1.3 a country other than Canada,
- 1.1.4 a regional or local municipality in Canada including the Municipal Finance Authority of British Columbia and the municipality making the investment,
- 1.1.5 a school board or similar entity in Canada, a local board as defined in the *Municipal Affairs Act* or a conservation authority established under the *Conservation Authorities Act*,
- 1.1.6 a bank listed in Schedule I, II or III to the *Bank Act* (Canada),
- 1.1.7 a loan or trust corporation registered under the *Loan and Trust Corporation Act*,
- 1.1.8 securities that are arrangements for the sale of assets that entitle the purchaser to an undivided beneficial interest in a pool of assets which include, but are not limited to, joint municipal investment pools with the Local Authority Services and the CHUMS Financing Corporation offered through the ONE Investment program and asset-backed securities,
- 1.1.9 a credit union or league to which the *Credit Unions and Caisses Populaires Act, 1994* applies,
- 1.1.10 Joint Municipal Investment pools permitted under the *Municipal Act*,

- 1.1.11 a corporation that is incorporated under the laws of Canada or a province of Canada,
- 1.1.12 the Ontario Infrastructure and Lands Corporation,
- 1.1.13 a university in Ontario that is authorized to engage in an activity described in s. 3 of the *Post-secondary Education Choice and Excellence Act, 2000*,
- 1.1.14 a college established under the *Ontario Colleges of Applied Arts and Technology Act, 2002*,
- 1.1.15 a board of a public hospital within the meaning of the *Public Hospitals Act*,
- 1.1.16 a non-profit housing corporation incorporated under s. 13 of *Housing Development Act*,
- 1.1.17 a local housing corporation as defined in s. 24 of the *Housing Services Act, 2011*,
- 1.1.18 a supranational financial institution or supranational governmental organization.

2.0 **INVESTMENT QUALITY RESTRICTIONS**

- 2.1 Halton Hills shall not invest in securities offered by a province or municipality in Canada or a constituent municipality(s) in the case of Regions, and its local boards and agencies, e.g. conservation authorities, school boards or other local bodies, with a bond rating lower than A(low).
- 2.2 Halton Hills shall not invest in securities of financial institutions with a short-term rating below R-1(mid) or a long-term bond rating below A(low).
- 2.3 The parent corporation of a Schedule II or III bank must also possess a minimum short-term rating of R-1(mid).
- 2.4 Halton Hills shall not invest in any asset-backed security with a long-term credit rating below AAA or a short-term rating below R-1(high).
- 2.5 Halton Hills shall not invest commercial paper or promissory notes of a corporation whose credit rating is below R-1(mid).
- 2.6 Halton Hills shall not invest in any securities issued by supranational financial institution or supranational governmental entity whose credit rating is below AAA.

- 2.7 Halton Hills shall not invest in corporate debt whose credit rating is below A(low).
- 2.8 Halton Hills shall not invest in permitted investments as defined by 1.1.13 to 1.1.17 whose credit rating is below AA (low)
- 2.9 Halton Hills shall not invest in a security of a country other than Canada whose credit rating is below AA(low).

Note: Section 8 herein provides the relevant rating definitions for the ratings referred to in these guidelines.

3.0 **PORTFOLIO SIZE LIMITATION**

3.1 **Institutional Categories**

- 3.1.1 A minimum of 30% of the portfolio at all times shall be comprised of cash and securities offered by or unconditionally guaranteed by the Government of Canada or an eligible province in Canada or the Region of Halton. There shall be no upward restriction on these assets and if prudence so dictates, at times, 100% of the portfolio may be comprised of these assets.
- 3.1.2 Eligible municipal securities including conservation authorities, school boards and other local bodies including those as defined in 1.1.12 to 1.11.17 shall not exceed 40% of the portfolio.
- 3.1.3 Investments in eligible banks shall not exceed 50% of the portfolio and the aggregate holdings of securities in financial institutions other than the six major Canadian chartered banks shall not exceed 20% of the portfolio.
- 3.1.4 Investments in municipal investment pools not exceed 25% of the portfolio.
- 3.1.5 Eligible asset-backed securities shall not exceed 10% of the portfolio.
- 3.1.6 Eligible commercial paper or promissory notes shall not exceed 10% or the portfolio.
- 3.1.7 Eligible corporate debt shall not exceed 15% of the total portfolio.
- 3.1.8 Eligible supranationals shall not exceed 20% of the total portfolio.
- 3.1.9 Eligible foreign countries shall not exceed 10% of the portfolio.

3.2 Investment Limitations with Individual Institutions and Region of Halton

3.2.1 There shall be no restrictions on the purchase of securities offered or unconditionally guaranteed by the Government of Canada, Province of Ontario or the Region of Halton. (Sinking Funds are limited from investing in some short-term securities issued by the Region of Halton as described in the regulations).

3.2.2 The aggregate of securities offered by or unconditionally guaranteed by an individual province (other than Ontario) shall not exceed 20% of the portfolio.

3.2.3 Investment Limitations on Municipalities

3.2.3.1 There shall be no restrictions on the purchase of securities on the Region of Halton.

3.2.3.2 The purchase of securities of an individual Canadian municipality, including the Municipal Finance Authority of British Columbia, with a minimum bond rating of "A(low)" shall not exceed 10% of the portfolio subject to limitations imposed by 3.1.2.

3.2.3.3 The purchase of securities of any conservation authority, school board or other local body including those as defined in 1.1.12 to 1.1.17 shall not exceed 5% of the portfolio subject to the limitations imposed by 3.1.2.

3.2.4 Investment Limitations on Financial Institutions

3.2.4.1 The holdings of securities of any one of the six major Canadian chartered banks (as listed in Section 8 below) shall not exceed 20% of the total portfolio subject to the limitations imposed by 3.1.3.

3.2.4.2 The holdings of securities of any other financial institutions shall not exceed 5% of the total portfolio subject to the limitations imposed by 3.1.3.

3.2.5 Investment Limitations on Municipal Pools

Investments in each municipal investment pool under 1.1.9 shall not exceed 10% of the portfolio subject to the limitations imposed by 3.1.4..

3.2.6 Investment Limitations on Asset-backed securities

The holdings of securities of any individual asset-backed security shall not exceed 5% of the portfolio subject to the limitations imposed by 3.1.5.

3.2.7 Investment Limitations on Commercial Paper and Promissory Notes

The holdings of securities of any individual issuer shall not exceed 5% of the portfolio subject to the limitations imposed by 3.1.6.

3.2.8 Investment Limitations on Corporate Debt

The holdings of securities of any individual issuer shall not exceed 5% of the total portfolio subject to limitations imposed by 3.1.7.

3.2.9 Investment Limitations on Supranationals

The holdings of securities of any individual issuer shall not exceed 5% of the total portfolio subject to the limitations imposed by 3.1.8.

3.2.10 Investment Limitations on Foreign Countries

The holdings of securities of any individual issuer shall not exceed 5% of the portfolio subject to the limitations imposed by 3.1.9.

4.0 **TERM**

4.1 There shall be no term restrictions on all securities listed in 1.1 Permitted Investments except for:

4.2 Term shall not exceed 364 days for all commercial paper, promissory notes and bankers' acceptance.

4.3 Term shall not exceed 5 years at the time of purchase for corporate debt.

5.0 **TRUST ACCOUNTS**

5.1 The above guidelines for Permissible Investments shall also apply to investments of trust funds subject to the exceptions under 5.2 and 5.3.

5.2 When an investment is made under a trust name with a financial institution covered by Canada Deposit Insurance Corporation (CDIC), yield consideration may take precedence up to the maximum amount covered under CDIC.

5.3 Investment in stocks and commercial bonds where permitted shall be restricted to Canadian Corporations who qualify under the *Trustees Act*.

6.0 **GUIDELINES MAINTENANCE**

- 6.1 The Town Treasurer shall develop and maintain suitable procedures which provide for effective control and management of investments and a reasonable assurance that the Town's investments are properly managed and adequately protected.
- 6.2 All cash management transactions shall be properly recorded and interest earnings distributed to the various funds, as the case may be, in accordance with Town policies and the Public Sector Accounting Board (PSAB) financial reporting standards for public sector entities.
- 6.3 Periodic audits shall be carried out to determine whether or not the investment guidelines provided herein are being followed and to evaluate the adequacy of internal controls.
- 6.4 Provision shall be made to obtain adequate insurance coverage at all times to guard against any losses that may occur due to misappropriation or theft or other unscrupulous act of fraud by its employees.

7.0 **INVESTMENT TRANSACTIONS AND SAFEKEEPING OF SECURITIES**

- 7.1 The Town Treasurer shall be authorized to enter into arrangements with Halton Region, municipal investment pools, banks, investment dealers and brokers, and other financial institutions for the purchase, sale, redemption, issuance, transfer and safekeeping of securities and to execute and sign documents on behalf of the Town and perform all other related acts in the day-to-day operation of the investment program.

8.0 **DEFINITIONS**

Rating Agencies

- 8.1 References to credit ratings are as follows:

8.1.1 Long-term credit ratings developed by Standard and Poor's (S&P), Moody's Investors Service (Moody's), Dominion Bond Rating Service (DBRS) or Fitch Ratings (Fitch).

Rating	S&P	Moody's	DBRS	Fitch	Investment Grade
Triple A	AAA	Aaa	AAA	AAA	Highest rating possible; capacity to repay principal is extremely strong.
Double A	AA+ AA AA-	Aa1 Aa2 Aa3	AA(high) AA AA(low)	AA+ AA AA-	Has a very strong capacity to repay interest and principal.

Single A	A+ A A-	A1 A2 A3	A(high) A A(low)	A+ A A-	Has a strong capacity to repay principal and interest but can be more susceptible to adverse developments than higher rated issuers.
-----------------	---------------	----------------	------------------------	---------------	--

8.1.2. Short-term credit ratings developed by Standard and Poor's (S&P), Moody's Investors Service (Moody's), Dominion Bond Rating Service (DBRS) or Fitch Ratings (Fitch).

Rating	S&P	Moody's	DBRS	Fitch	Investment Grade
Highest Quality	A-1+	Prime-1	R-1 (high) R-1 (mid)	F-1+	Degree of safety regarding timely payment is extremely strong.
High Quality	A-1			F-1	Degree of safety regarding timely payment is strong.
Good Quality	A-2	Prime-2	R-2 (high) R-2 (mid) R-2 (low)	F-2	Capacity for timely payment on these issues is good.

8.2 Portfolio size limitations established in these guidelines for various institutional categories will be applicable based on the allowable percentage of the portfolio on the day a restricted investment is made. The limits percentage will be based on the portfolio's adjusted book value including the operating cash balance.

8.3 Major Canadian Bank

The following are the six major Canadian banks referred to in these guidelines:

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

8.4 Other Banks

The other banks referred to in these guidelines include all the banks, except those described in Section 8.3 above listed in Schedule I, II and III of the *Bank Act* (Canada) who qualify under the criteria established in these guidelines.

8.5 Joint Municipal Investment Pools

For the purpose of these guidelines, Joint Municipal Investment Pools refers to ONE – The Public Sector Group of Funds.

8.6 Region

For the purpose of these guidelines, Region refers to the Regional Municipality of Halton.

8.7 Investment Dealers and Brokers

Professional advice and full investment services offered by specialized investment institutions working in association with the major chartered banks.

9.0 **PRUDENCE**

The guidelines provided for the investment and cash management purpose reflect the desire of Council to ensure foremost the preservation and liquidity of Town funds. The Town Treasurer is directed to act with prudence in managing Town money and to take all actions necessary in the interest of preserving capital if conditions in the financial markets so dictate.