

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.

1.1 Permitted Investments

Halton Hills may invest in and only invest in securities issued by the following borrowers, and/or unconditionally guaranteed by them as to principal and interest,* subject to the restrictions, limitations and terms provided for elsewhere in these guidelines:

- 1.1.1 Government of Canada
- 1.1.2 Government of a Province of Canada
- 1.1.3 A regional or local municipality in Ontario
- 1.1.4 A municipality in any of the other provinces of Canada (including Municipal Finance Authority of British Columbia)
- 1.1.5 School Boards, and Conservation Authorities and other local bodies in Canada
- 1.1.6 Canadian Chartered Banks
- 1.1.7 Trust Companies or Loan Corporations registered under the Loan and Trust Corporation Act
- 1.1.8 Credit Union as defined in the Credit Unions and Caisses Populaires Act
- 1.1.9 Joint Municipal Investment pools permitted under the Municipal Act
- 1.1.10 Investment eligible under the Trustee Act
- 1.1.11 Ontario Strategic Infrastructure Financing Authority (OSIFA)

* Provinces of Canada unconditionally guarantee the securities of their Provincial hydro-electric utilities and some of their finance authorities.

- 1.1.12 Post-secondary education institution as defined in s.3 of the Post Secondary Choice and Excellence Act, 2000
- 1.1.13 Board of Governors of college and applied arts and technology
- 1.1.14 Board of a Public Hospital within the meaning of the Public Hospitals Act
- 1.1.15 A non-profit housing corporation as defined in s. 13 of Housing Development Act
- 1.1.16 Local housing corporation as defined in s. 2 of Social Housing Reform Act, 2000
- 1.1.17 A Supranational financial institution or supranational governmental entity

2.0 **INVESTMENT QUALITY RESTRICTIONS**

- 2.1 Halton Hills shall not invest in a security offered by a borrower with a bond rating lower than 'A'*** whether it be a Province of Canada or a Municipality in Canada or a constituent municipality (s) in case of Regions, and its local boards and agencies, e.g.: a Conservation Authority, School Board or other local body.
- 2.2 Halton Hills shall not invest in securities of financial institutions with a commercial paper rating lower than R-1 or a longer term bond rating of AA (low)**.
- 2.3 The parent of a Schedule 'II' bank must also possess a commercial paper rating of A-1** or P-1**.
- 2.4 Trust Companies and Loan Corporations must qualify according to the criteria established under the Trustee Act.
- 2.5 Halton Hills will not invest in securities of a utility with a bond rating lower than 'AA***' and must qualify according to the criteria established under the Trustee Act.
- 2.6 Halton Hills shall not invest in any 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 'AA (low)'

** Section 8 provides rating definitions.

- 2.8 Halton Hills shall not invest in permitted investments as defined by 1.1.12 to 1.1.16 whose credit rating is below 'AA (low)'

3.0 **PORTFOLIO SIZE LIMITATION**

3.1 **Institutional Categories**

- 3.1.1 There shall be no restrictions on holdings of securities offered by or conditionally guaranteed by the Government of Canada or an eligible Province in Canada and if prudence so dictates, at times, 100% of the portfolio may be comprised of these securities.
- 3.1.2 Eligible municipal securities including Conservation Authorities, School Boards, and other local bodies shall not exceed 20% of the portfolio.
- 3.1.3 Investments in eligible financial institutions may comprise up to 100% of the portfolio. However, 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 and the Region may comprise up to 100% of the portfolio and invested as per their investment policies.
- 3.1.5 Investments in eligible utilities shall not exceed 20% of the total portfolio.
- 3.1.6 Eligible corporate debt shall not exceed 15% of the total portfolio.
- 3.1.7 Eligible supranationals shall not exceed 20% of the total portfolio

3.2 **Investment Limitations with Individual Institutions**

- 3.2.1 Government of Canada or Province of Ontario: There shall be no restrictions on the purchase of securities offered by or unconditionally guaranteed by the Government of Canada or by the Province of Ontario.
- 3.2.2 Provinces other than Ontario: The aggregate of securities offered by or unconditionally guaranteed by an individual province (other than Ontario) shall not exceed 50% of the total investment 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.

3.2.3.2 The purchase of securities of an individual municipality in Ontario with a minimum bond rating of 'A' shall not exceed 10% of total investment portfolio subject to limitations imposed by 3.1.2.

3.2.3.3 The purchase of securities of any other municipality, conservation authority, or other local body shall not exceed 5% of the total investment portfolio to the limitations imposed by 3.1.2.

3.2.3.4 The purchase of securities of the school board shall not exceed their next requisition from the Town.

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 shall not exceed 60% 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

There shall be no restrictions on the purchase of securities.

3.2.6 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 3.1.6.

3.2.7 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 3.1.7.

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 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) or Ontario Share and Deposit Insurance Corporation (OSDIC), yield consideration may take precedence up to the maximum amount covered under CDIC or OSDIC.

5.3 Investment in stocks and commercial bonds where permitted shall be restricted to Canadian Corporations who qualify under the Trustee 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 generally accepted accounting principles for Ontario municipalities.

6.3 Periodic internal 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**

The Town Treasurer shall be authorized to enter into arrangements with the 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 Halton Hills 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 Dominion Bond Rating Service (DBRS), or Moody's Investors Service (Moody's), or Standard and Poor's (S & P), or Fitch Ratings (Fitch).

<u>Rating</u>	<u>Moody's</u>	<u>S&P</u>	<u>DBRS</u>	<u>Fitch</u>	<u>Investment Grade</u>
Triple A	Aaa	AAA	AAA	AAA	Highest rating possible; capacity to repay principal Extremely strong
Double A	Aa1 Aa2 Aa3	AA+ AA AA-	AA(high) AA AA(low)	AA+ AA AA-	Has a very strong capacity to pay interest and principal
Single A	A1 A2 A3	A+ A A-	A(high) A A(low)	A A A-	Has a strong capacity to pay interest and principal, but more susceptible to adverse developments than higher rated debt categories

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

<u>Rating</u>	<u>Moody's</u>	<u>S&P</u>	<u>DBRS</u>	<u>Fitch</u>	<u>Investment Grade</u>
Highest Quality	Prime-1	A-1+	R-1 (high)	F-1+	Degree of safety regarding timely repayment is extremely strong
High Quality		A-1	R-1 (low)	F-1	Degree of safety regarding timely repayment is strong
Good Quality	Prime-2	A-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 imposed under 3.0 above 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.

8.3 Major Chartered Bank

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

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

8.4 Other Banks

The other banks referred to in the guidelines include all the banks, except those described in 8.3 above named in Schedule I and II 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.