

MUNICIPALITY OF THE COUNTY OF ANNAPOLIS <b>POLICY AND ADMINISTRATION MANUAL</b>	<b>Policy 136</b>
Subject <b>Municipal Investments</b>	

**PURPOSE**

1. To ensure compliance, first and foremost, with Section 100 of the Municipal Government Act, and to identify decision-making criteria to ensure protection of public funds and maximize return on investments.

**AUTHORITY**

2. Section 100 of the *Municipal Government Act*, as amended

*Investment of Funds*

*100(1) Funds in a sinking fund, capital reserve fund, utility depreciation fund or other fund of the municipality or village shall be*

- (a) Deposited in an interest-bearing account at a bank doing business in the Province;*
- (b) Invested pursuant to an investment policy adopted by the council or village commission, as the case may be, and approved by the Minister; or*
- (c) Invested in investments in which a trustee is permitted to invest pursuant to the Trustee Act.*

*(2) Income arising from the investment of a fund is part of that fund unless the council or village commission otherwise provides*

**DEFINITIONS**

3. Except as defined below, terms used in this policy shall have the same meaning as in the *Municipal Government Act*, or as their context applies according to a dictionary of the Canadian language.
  - (a) “Risk” is the possibility that the Municipality will lose some or all of its original investment.
  - (b) “Liquidity” is the ability to convert the investment to cash.
  - (c) “Preservation of capital” means the protection of the principal investment and indicates insured funds.
  - (d) “Public funds” indicate monies that belong to the public by way of goods and services offered through the Municipality; typically collected via property taxation and rates.
  - (e) “Return on investment” is the interest or return received based on the principal and other terms upon maturity.
  - (f) “Equity markets” are based on the stock exchanges and are publicly traded and subject to volatile gains and losses.

MUNICIPALITY OF THE COUNTY OF ANNAPOLIS <b>POLICY AND ADMINISTRATION MANUAL</b>	<b>Policy 136</b>
Subject <b>Municipal Investments</b>	

**SCOPE**

4. This policy applies to all investments for the following Municipal Funds:
- General Operating
  - General Capital
  - Reserves and Reserve Funds
  - County of Annapolis Water Utility – Operating and Capital Funds
  - Bridgetown Water Utility – Operating and Capital Funds

This policy does not apply to pension plan assets or trust funds.

**CONFLICT OF INTEREST**

5. All actions and decisions of the Audit Committee shall be made with due consideration of the *Municipal Conflict of Interest Act*. No member of the Committee shall participate in any discussions regarding policies, recommendations or actions under consideration by the Committee, prior to, during or after consideration by the Committee when such discussions may relate to the pecuniary or non-pecuniary interest of a member according to the Municipal Conflict of Interest Act or the Municipality’s Policy 120 Code of Conduct.
6. Employees, while not subject to the Municipal Conflict of Interest Act, shall exhibit a high degree of ethics and shall recuse themselves as if the Act applies to them.

**INVESTMENT OBJECTIVES**

7. **Preservation of Capital**  
All investments shall ensure full principal protection to ensure safety and security of public funds. Therefore, the Municipality will not engage in equity investments where there is no principal protection.
8. **Liquidity**  
All investments must bear the option of liquidity ensuring the ability to respond to operating conditions and unexpected events.
9. **Competitive Return on Investment**  
All investments must be made ensuring that the return on investment is greater than that of the general bank account.

MUNICIPALITY OF THE COUNTY OF ANNAPOLIS <b>POLICY AND ADMINISTRATION MANUAL</b>	<b>Policy 136</b>
Subject <b>Municipal Investments</b>	

**10. Investment Diversification**

To ensure protection of investments and minimize impact of economic conditions.

**11. Legislative Compliance**

To ensure compliance with all internal policies as well as Provincial and Federal legislation as it exists and/or changes.

**12. Deposit Insurance**

All investments shall be made at institutions with Canadian Deposit Insurance Corporation (CDIC) insurance, or equivalent. This is a standard offered at all major financial institutions in Canada. Diversification is encouraged to maximize deposit insurance and preservation of capital.

**ELIGIBLE INVESTMENTS**

13. The only investments for surplus funds of the Municipality are bonds, bills, Guaranteed Investments Certificates, deposits accounts, or other money market, fixed income or debt instruments of the following institutions or corporations:

- (a) Government of Canada;
- (b) Province of Nova Scotia;
- (c) other Provincial governments of Canada with a minimum AA credit rating;
- (d) chartered banks, trust companies and credit unions having a DBRS Morningstar rating of "R-1 Mid" or higher;
- (e) credit unions covered by the Nova Scotia Credit Union Stabilization Fund;
- (f) 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
- (g) investment pools approved by the Minister.

<b>MUNICIPALITY OF THE COUNTY OF ANNAPOLIS POLICY AND ADMINISTRATION MANUAL</b>	<b>Policy 136</b>
Subject <b>Municipal Investments</b>	

13.1 The maximum term and total investment of short-term excess funds and their minimum credit rating shall be as follows:

Security (section 13)	Max Non-Redeemable Term*	Max Investment Limits		DBRS
		Individual	Aggregate	Credit Quality
(a) Government of Canada	1 year	--	100%	N/A
(b) Province of Nova Scotia	1 year	--	100%	N/A
(c) Other Provincial governments of Canada	1 year	100%	100%	R-1 (mid)
(d) Chartered banks, trust companies & credit unions	1 year	100%	100%	R-1 (mid)
(g) investment pools approved by the Minister	1 year	100%	100%	

\*- i.e. could include a GIC with a term of more than the time limit above if the GIC was redeemable within the time limit above.

13.2 The minimum credit rating of medium or long-term surplus funds shall be as follows:

Security (section 13)	DBRS	Max Investment Limits	
	Credit Quality	Individual	Aggregate
(a) Government of Canada	N/A	--	100%
(b) Province of Nova Scotia	N/A	--	100%
(c) Other Provincial governments of Canada	AA	50%	100%
(d) Chartered banks, trust companies & credit unions	A	50%	100%
(f) Canadian companies	A	10%	20%
(g) investment pools approved by the Minister		100%	100%

13.3 For clarity, the investment in equity investments and private placements are not permitted.

MUNICIPALITY OF THE COUNTY OF ANNAPOLIS <b>POLICY AND ADMINISTRATION MANUAL</b>	<b>Policy 136</b>
Subject <b>Municipal Investments</b>	

**AUTHORITY**

- 14. The Director of Finance with the assistance of the Finance Team shall be responsible for cash flow monitoring and forecasting to ensure availability of funds for investment.
- 15. Investment decisions shall be made by the Director of Finance/Municipal Treasurer, in consultation with the Chief Administrative Officer, as investments are time sensitive in nature and are unable to go through the governance approvals process. All decisions will be made with full consideration of all the guidelines and objectives set out in this Policy.
- 16. It shall be the responsibility of the Director of Finance to bring recommendations to the Audit Committee to strengthen investment objectives and address changes in the economic conditions.
- 17. The Audit Committee shall review the Investment Policy, at minimum, biennially. The Audit Committee shall also be responsible for reviewing quarterly investment reports, as detailed below.

**REPORTING**

- 18. Quarterly investment reporting is required and will be presented to the Audit Committee including types of investments, projected returns, and conditions of investments. Any decision criteria considered with new investments shall be communicated to the Audit Committee.

**INTERNAL CONTROLS**

- 19. A formalized set of internal controls shall be established and documented to ensure compliance to this Policy as presented and protection of public funds. These internal controls shall be reviewed, at minimum, biannually with the Audit Committee.
- 20. All investment decisions will be thoroughly documented and analysed to ensure compliance and protection of public funds.

**ACCOUNTING METHOD**

- 21. All investments shall be recorded at cost, pursuant to PSAS.
- 22. Investment income shall be accrued and/or recognized quarterly, except for investments acquired and matured within the fiscal year. In those circumstances, interest will be recognized when received (cash basis).
- 23. In the event that returns are variable, interest will be recognized upon maturity.

