



District of Lantzville

Incorporated June 2003

Policy No.: 3009 - 1

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Council Resolution: C105-03

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Council Resolution: C16-102

Investment Policy

PURPOSE

The purpose of the investment policy of the District of Lantzville is to provide the framework for investment portfolio management. It is the policy of the District of Lantzville to invest District funds in a manner that will provide the optimal blend of investment security and return while meeting the daily cash flow demands and comply with the statutory requirements of the *Local Government Act* and *Community Charter*.

SCOPE

The investment policy applies to all cash operating funds, capital funds and reserve funds.

PRIMARY GOALS

The investment of funds must reflect a conservative management philosophy based on three fundamental objectives, in the following order of priority:

- **Safety of Principal**

Investments shall be made to ensure preservation of capital within the portfolio. Preservation of capital is accomplished through placement of funds with creditworthy institutions and through portfolio diversification. Diversification is required to minimize potential losses on individual securities and to maximize the yield from a blend of financial products.

- **Liquidity**

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated operating requirements.

- **Return of Investment**

The investment portfolio shall be designed with the objective of maximizing market rate of return subject to the investment risk constraints and liquidity requirements of the District.

STANDARD OF CARE

- **Prudence**

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs. Investments will not be made for speculation. Foremost will be consideration for the safety of capital. The Director of Financial Services must be aware of reasonably foreseeable risks, trends and fluctuations in the market, and be able to recognize unreasonable risks whilst ensuring the liquidity of the investment portfolio. Any deviations from expected must be reported immediately to Council and appropriate action taken to control or minimize adverse development.

- **Ethics and Conflict of Interest**

Staff responsible for investing shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions.

- **Delegation of Authority**

Authority to manage the District's investment program is granted to the Director of Financial Services and is derived from Section 237 of the *Local Government Act* as follows:

Section 237: One of the officer positions established under Section 234 must be assigned the responsibility of financial administration, which includes the following powers, duties and functions: investing funds, until required, in investments referred to in Section 183 of the *Community Charter* (investment of municipal funds).

AUTHORITY AND SUITABLE INVESTMENTS

The District is empowered by Section 183 of the *Community Charter* to invest in the following types of securities:

Section 183: Money held by a municipality that is not immediately required may only be invested or reinvested in one or more of the following:

- (a) securities of the Municipal Finance Authority;*
- (b) pooled investment funds under section 16 of the Municipal Finance Authority Act;*
- (c) securities of Canada or of the province;*
- (d) securities guaranteed for principal and interest by Canada or by a province;*
- (e) securities of a municipality, regional district or greater board;*
- (f) investments guaranteed by a chartered bank;*
- (g) deposits in a savings institution, or non-equity or membership shares of a credit union;*
- (h) other investments specifically authorized under this or another Act.*

Further to Section 183 of the *Community Charter*, all investments shall be through a chartered bank, credit union or the Municipal Finance Authority.

INVESTMENT PARAMETERS

- **Diversification**

The District will diversify its cash reserve investments by security type and institution, taking into consideration the impact on return on investment.

- **Maturity**

To the extent possible the District shall attempt to match its investments with anticipated cash flow requirements. However, because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio shall be continuously invested in readily available funds to meet ongoing obligations. Long term investments may be acquired if the maturity is related to a specific program, and is made to coincide as nearly as practicable with the expected use of the funds attached to that program.

COMPETITIVE BIDS

The District shall solicit competitive verbal quotations for the purchase and sale of securities when it is prudent to do so. This policy recognizes that, from time to time, offerings of value may require immediate action. Under such circumstances competitive bids may not be sought provided that value can be substantiated by market data information services.

POLICY REVIEW

This policy shall be reviewed periodically by the Director of Financial Services to ensure congruence with changing activities of the District, market conditions, technology, evolving regulatory standards and industry best practices. In addition, to ensure periodic Council review, this policy will be reconsidered each time the District tenders its banking services.

REPORTING

The Director of Financial Services will report to the Committee of the Whole every six months. The report must identify investment holdings and any deviations from policy.