

Committee of the Whole (2) Report

DATE: Tuesday, September 20, 2022

WARD(S): ALL

TITLE: INVESTMENT POLICY UPDATE

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: DECISION

Purpose

To obtain Council's approval for an updated City of Vaughan Investment Policy (No. 12.C.14).

Report Highlights

- The City's Investment Policy provides a governance framework for the prudent management of the City's surplus funds and investment portfolio, in accordance with the Municipal Act.
- The effective management of the City's funds and investment portfolios play an important role in the overall financial health of the corporation.
- The Investment Policy was updated to reflect changes to legislation (Ontario Reg. 438/97), provide flexibility to adjust to changing market conditions, expand permitted eligible investments to maximize returns and help support City's long-range financial sustainability.
- All updates made are in compliance to the Municipal Act.

Recommendations

1. That the City of Vaughan's updated Investment Policy No. 12.C.14 as contained in Attachment 1, be approved; and
2. That the Investment Policy No. 12.C.14 replace the previous Investment Policy No. FPDF – 003.

Background

The Municipal Act is the governing legislation for the investment of municipal surplus funds. Ontario Regulation 438/97 outlines the criteria for eligible investments. The City's Investment Policy conforms to this legislation and acts as the governing parameters in managing the City's investment portfolios.

A key component of sound financial management requires periodic reviews and updates to the City's Investment Policy to ensure that it remains relevant and continues to guide and support the City's financial health and long-term sustainability. The Investment Policy was last updated and approved by Council in April 2015.

Previous Reports/Authority

Not applicable.

Analysis and Options

A detailed review of the current investment policy was undertaken by staff. Proposed updates to the Policy were developed based on the City's Fiscal Sustainability Framework Guiding Principles endorsed by Council, legislative changes to the Municipal Act, investment best practices, and a jurisdictional scan of neighbouring municipalities.

The proposed updates were made to the City's short-term and long-term portfolio investment parameters to:

- reflect changes to legislation - Ontario Reg 438/97;
- expand the range of eligible investments to maximize yields;
- enhance ability to respond to changes in market conditions;
- closely align to neighbouring municipalities; and
- support the City's long range financial sustainability.

The amendments to the policy essentially consists of minor increases in both the portfolio and individual limits in various sectors, but especially the Federal, Provincial and Schedule I Banks where there is the potential to earn higher investment income in response to changes in the market. Additionally, new permitted eligible investments (corporate debt/commercial paper) were added to allow for more investment options. All these updates are in conformance with the Municipal Act.

Attachment 2 provides a detailed comparison of the investment parameters of the previous policy versus the updated policy.

It is important to note that key elements of the current investment policy are and continued to be applicable. Except for housekeeping amendments, these key elements remained unchanged with this update, including City's investment objectives, management structure, delegation of authority, risk management and diversification, reporting and custody.

Financial Impact

The effective management of the City's funds and optimization to the City's investment portfolio play an important role in the overall financial health of the corporation. The Investment Policy provides parameters for the investment of the City's available funds and helps to support long term financial sustainability. Investment income from City's investments are allocated to reserves/reserve funds and the operating budget, which helps reduce tax levy requirements.

Broader Regional Impacts/Considerations

Not applicable.

Conclusion

The recommended updates to the investment policy will support the City's long-range financial sustainability. It will enhance ability to respond to changes in market conditions, expand eligible investment options to maximize returns, and reflect changes to legislation. The recommendations, as outlined in this report, are in accordance with the Municipal Act and the criteria for eligible investments under Ontario Regulation 438/97.

For more information, please contact:

Michael Marchetti, Director of Financial Planning & Development Finance & Deputy City Treasurer, Ext. 8271.

Kenneth Quan, Manager, Corporate Financial Planning & Analysis, Ext. 8029.

Attachments

1. Updated City of Vaughan Investment Policy (No. 12.C.14).
2. Highlights of changes to the policy.

Prepared by

Alex Ly, Senior Analyst, Investments, Ext. 8312

Approved by



Michael Coroneos, Deputy City
Manager, Corporate Services, City
Treasurer and Chief Financial Officer

Reviewed by



Nick Spensieri, City Manager