

VILLAGE OF LYTTON COUNCIL POLICY

TITLE: Investment Policy	NO: 2022-07
AUTHORITY: <i>Community Charter</i>	Section: Finance
DATE ADOPTED: April 13, 2022	Motion: 22 - 315

Policy Statement:

It is the policy of the Village of Lytton (Village) to invest Village funds in a manner that will provide the optimal blend of investment security and return while meeting the short- and long-term cash flow demands and complying with the statutory requirements of the *Community Charter*.

1. Purpose:

The purpose of the investment policy of the Village of Lytton is to provide the framework for investment portfolio management.

2. Scope:

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

3. Objectives:

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

3.1 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.

3.2 Liquidity

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

3.3 Return on 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 Village.

4. Standard of Care:**4.1 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. Staff must be made aware of the reasonably foreseeable risks, trends and fluctuations in the market, and be able to recognize unreasonable risks whilst ensuring the liquidity of the investment portfolio.

4.2 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 business decisions.

4.3 Delegation of Authority

Authority to manage the Village investment program is granted to the Chief Financial Officer and is derived from Section 149 of the *Community Charter* as follows:

Section 149: One of the municipal officer positions must be assigned the responsibility of financial administration, which includes the following powers, duties and functions;

c) Investing municipal funds, until required in authorized investments

and including Government Contribution Funds

5. Credit Risk Monitoring:

In addition to in-house monitoring, the Village will make use of the credit analysis of the Dominion Bond Rating Service. It must be recognized that the use of any credit analysis is an assessment and not a guarantee for safety of principal.

6. Authorized and Suitable Investments:

Money held by the Village of Lytton may be invested or reinvested according to section 183 of the *Community Charter* subject to the following conditions:

6.1 Investments in securities of a chartered bank or savings institution or any province must:

- a.** Have a Dominion Bond Rating Service (DBRS) of R-1 mid or higher for short term debt and a rating of AA for long term debt or bonds or comparable ratings of another rating organization, indicating superior credit quality (see Appendix 1 of the policy).

- b. Be purchased directly from the chartered bank, savings institution or province or from an investment dealer who is a member of the Investment Dealers Association who will act as an agent for the institutions with the approved DBRS rating.
 - c. The above DBRS requirements are not applicable if section 6.2 applies.
- 6.2 Investments in credit union deposits must be covered by the Financial Institution Act of the Province of British Columbia which provides unlimited deposit insurance protection on all deposits in British Columbia credit unions.
- 6.3 Investments shall be held in the name of the Village by approved institutions.
- 6.4 Investments in any one security shall not exceed 10% of that security issue.
- 6.5 The percentage limits specified in items 6.4 do not apply to investments made in securities of the Government of Canada, the Provinces within Canada with the appropriate DBRS, and the Municipal Finance Authority of British Columbia (MFA) or pooled investments under section 16 of the *Municipal Finance Authority Act*.

7. **Investment Parameters:**

7.1 **Diversification**

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

7.2 **Maturity**

To the extent possible the Village shall attempt to match its investments with the 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.

8. **Competitive Bids:**

The Village 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 the value can be substantiated by market data information services.

9. **Safekeeping and Custody:**

All security transactions entered into by the Village of Lytton shall be conducted on a delivery versus payment basis. The Chief Finance Officer must be satisfied that physical possession of the security is in possession or held by a custodial service.

10. Policy Review:

This policy shall be reviewed periodically by the Chief Finance Officer to ensure congruence with changing activities of the Village, market conditions, technology, evolving regulatory standards and private industry best practices. In addition, to ensure periodic Council review, this policy must be reconsidered each time the Village tenders its banking services.

11. Reporting:

The Chief Finance Officer must report to the Council annually. The report must identify investment holdings and any deviations from policy.

12. Amendments:

Revisions, amendments or alterations to this policy can only be implemented following consideration and approval by the Council of the Village of Lytton.

13. Authority:

The Chief Administrative Officer and the Village of Lytton Council are responsible for executing this policy.

Jan Polderman

Mayor, Jan Polderman

Leslie Groulx

Leslie Groulx, Corporate Officer

Appendix 1

Dominion Bond Rating Service (DBRS) ratings on credit quality

Commercial Paper and Short Term Debt	Commercial Paper and Short	Bond and Long Term Debt	Bond and Long Term Debt
DBRS Symbol	Credit Quality	DBRS Symbol	Credit Quality
R-1 (high)	Highest	AAA	Highest
R-1 (mid)	Superior	AA	Superior
R-1 (low)	Satisfactory	A	Satisfactory
R-2 (high)	Adequate	BBB	Adequate
R-2 (mid)	Adequate	BB	Speculative
R-2 (low)	Adequate	B	Highly Speculative
R-3 (high)	Speculative	CCC	Very Highly Speculative
R-3 (mid)	Speculative	CC	Very Highly Speculative
R-3 (low)	Speculative	C	Very Highly Speculative
D	In Arrears	D	In Arrears
NR	Not Rated		