



POLICY NO. 18

INVESTMENT POLICY

BE IT ENACTED by the Council of Region of Queens Municipality, under the authority of the Municipal Government Act, S.N.S. 1998, Chapter 18, as follows:

This policy shall be known as Policy Number 18 and may be cited as the "Investment Policy".

POLICY PURPOSE

The purpose of this policy is first and foremost to comply with Section 100 of the *Municipal Government Act*. Additionally, this policy shall be the guiding direction and support for the Audit and Internal Control Committee in recommending investment activities to staff and thereafter the evaluation of such investments to ensure that funds entrusted to the Municipality by its residents are invested in such a way to preserve capital, allow for the liquidating of assets when needed to reduce liquidity risk, and mitigate its future assets from market risks. Audit and Internal Control Committee shall be the primary oversight of the investment policy and are therefore tasked with recommending strategy amendments to staff and Council when deemed necessary to do so.

AUTHORITY

Section 100 of the *Municipal Government Act* provides that

(1) Funds in a sinking fund, capital reserve fund, utility depreciation fund or other fund of a municipality 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, 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 otherwise provides.

(3) The council may pledge any investments to the credit of the capital reserve fund as collateral security for a borrowing for a capital purpose.

CONFLICT OF INTEREST

All actions and decisions of the Audit and Internal Control Committee shall be made with due consideration of the *Municipal Conflict of Interest Act*. For greater certainty, 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 Number 74 - Code of Conduct for Members of Council and Public Committee Members.

Employees, while not subject to the *Municipal Conflict of interest Act*, are required to exhibit a high degree of ethical consideration and should recuse themselves from any discussions, recommendations, or actions which would otherwise put them in a conflict of interest if that Act had applied to them.

Both Council and staff must acknowledge their conflicts according to the rules contained within the *Municipal Conflict of Interest Act*.

DEFINITIONS

“Risk” or “Principal Risk” is the possibility that the Municipality will lose some or all of its original investment.

“Liquidity Risk” is the risk that the Municipality assumes if it is unable to liquidate its investment quickly enough when needed to meet its debt requirements and minimize financial losses.

“Market Risk” also known as Systemic Risk is the risk that the Municipality faces due to a decline in the market value of its investment caused by factors that affect the whole market and is not limited to a particular economic commodity.

“Interest Rate Risk” is a form of market risk that arises when the value of security falls because of the increase or decrease in the prevailing and long-term interest rates.

“Preservation of Capital” is a strategic plan for protecting the money the Municipality has available to invest by selecting insured funds or fixed-income investments that guarantee a certain rate of return.

“Liquidity” is the ability of an asset to be converted into cash quickly and without any price discount.

“Treasury Bill” is a financial instrument having a life of one year or less where backed by government security, yielding no interest but issued at a discount on its redemption price.

“Promissory Note” is a signed document containing a written promise to pay a specific sum to a specified person or the bearer at a specified date or on demand.

INVESTMENT OBJECTIVES

Pursuant to the requirements in the *Municipal Government Act* and the expectations of the Municipality's Audit and Internal Control Committee, it is established that this investment policy will achieve the following five objectives:

1. To recommend to Council and staff a solid and well-planned investment strategy that allows for timely decisions.
2. To provide advice and guidance on what markets for staff to invest in and the timing of such investments or movements within investments.
3. To recommend to Council the engagement of external investment experts when Audit and Internal Control Committee feels it is necessary to obtain advice or direction related to future investments.
4. To provide guidance to staff and make recommendations to Council on future investment policies.
5. To invest all available surplus funds not required for immediate use in the upcoming six months, with investments in treasury bills, promissory notes, and other legally authorized investment funds to protect against loss of capital from market risk and mitigate against losses from interest rate risks.
6. To monitor investment funds through the review of all investments not less than bi-annually, with a report being provided thereafter to Audit and Internal Control Committee to ensure investment objectives are being achieved.

ACCOUNTABILITY

Responsibility for the oversight and implementation of this policy shall lie with the Municipality's Director of Corporate Services according to the terms and conditions of this policy. The policy shall be reviewed with the Audit and Internal Control Committee no less than biennially.

It shall be the responsibility of the Director of Corporate Services to bring forth clear recommendations to the Audit and Internal Control Committee for review related to strong investment objectives while maintaining the security of the Municipality's capital investments.

PRESERVATION OF CAPITAL

All financial investments made on behalf of the Municipality must as its first investment criteria contain a provision for the guarantee of safety of its capital amount. Therefore, this policy clearly prohibits the purchase of any investment where there is any risk to the capital portion of any investment. When determining the suitability of an investment, the preservation of capital must always be the main emphasis before liquidity or investment returns.

LIQUIDITY

The Municipality's investment portfolio shall contain enough assets that are liquid to meet the regular operating and cash flow needs of the organization thus eliminating or reducing the need for temporary borrowings or short-term bank indebtedness. To ensure liquidity is maintained, Director of Corporate Services shall ensure that investment maturity dates are structured and staggered so that all anticipated future cash flow demands can be met with readily converted investments to cash with minimal cost impacts. This will be done through the development of quarterly cash flow assessments.

COMPETITIVE RETURN ON INVESTMENTS

The sole purpose of this policy is to ensure the protection of capital investment assets while leveraging the Municipality's assets to generate positive financial returns. All investments shall be made with a goal of obtaining competitive and fair market rates of return considering the current market conditions in Nova Scotia and Canada. Similar to the goals of capital preservation, obtaining a competitive rate on investments must be secondary to following our legal

requirements, preservation of capital, while ensuring the liquidity of required asset funds is always available.

INVESTMENT INCOME

Investment income including interest and dividends earned pursuant to any investments noted herein shall form part of the fund from which the investment is made unless otherwise provided for by Council and legally allowed pursuant to legislation or regulation.

INTERNAL BORROWING

Section 99(5) of the *Municipal Government Act* authorizes the Municipality to borrow internally from its own reserve funds to pay for capital acquisitions subject to a resolution of Council authorizing such use of these funds including the repayment terms and interest rate to be charged. This interest rate cannot be less than the interest rate that the Municipality would pay to borrow the funds for a similar borrowing and term from its current financial institution or Municipal Finance Corporation.

INVESTMENTS

Investments made on behalf of Region of Queens Municipality shall at all times adhere to this policy and shall only be made according to the portfolio diversification noted in Appendix "A", approved investment institutions noted in Appendix "B", and only with those with long term investment ratings of A- or above as noted in Appendix "C".

EFFECTIVE DATE

This policy shall take effect from the date of approval of the Minister of Municipal Affairs noted below.

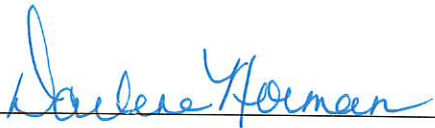
REPEAL

Investment Policy adopted by the Council of Region of Queens Municipality on the 16th day of August 2004, is hereby repealed effective on the date of approval noted in this policy by Minister of Municipal Affairs.

OFFICIAL CERTIFICATION

THIS IS TO CERTIFY THAT this policy was passed by the Council of Region of Queens Municipality at a duly constituted meeting of said Council held on the 10th day of May, 2022.

SIGNED by the Mayor and Municipal Clerk this 11th day of May, 2022.



Mayor



Municipal Clerk

Recommended by Audit and Internal Control Committee:	May 10, 2021
Adopted by Council:	May 25, 2021
Notice to Council on Amended Policy:	April 27, 2022
Amended Policy Adopted by Council:	May 10, 2022
Approved by Minister of Municipal Affairs and Housing:	

APPENDIX "A" - PORTFOLIO DIVERSIFICATION

Region of Queens Municipality's assets shall be sufficiently spread between the following portfolios to ensure a strong and balanced diversification of capital to ensure their best chance of future investment growth.

Issuer	Portfolio Limit*	Individual Issuer Limit	Minimum Credit Rating Limit
Cash and cash equivalents (less than one year)	100%	-	-
Government of Canada	100%	100%	N / A
Province of Nova Scotia	100%	100%	N / A
Other Provinces in Canada	40%	10%	R-1 (Mid)
Schedule I Banks	75%	25%	R-1 (Mid)
Schedule II Banks	10%	5%	R-1 (Mid)
Fixed Income (more than one year)	75%	-	-
Government of Canada	100%	100%	N / A
Province of Nova Scotia	100%	100%	N / A
Other Provinces in Canada	50%	25%	A (High)
Other Municipal Governments	25%	5%	A (High)
Schedule I Banks	30%	15%	AA (Low)
Schedule II Banks	10%	5%	AA (Low)

* Portfolio limits are correct at the time of investment, and shall not be subject to immediate sale, at the Municipality's discretion, should the balancing of the portfolio change during one particular year because of investment fluctuations.

APPENDIX "B" – APPROVED INVESTMENT INSTITUTIONS

Region of Queens Municipality, with Director of Corporate Services acting as its official agent, is authorized to make investments through the following financial institutions subject to federal, provincial and municipal laws and regulations, and the Municipality's Investment Policy.

- a. Government of Canada;
- b. Province of Nova Scotia, including Municipal Finance Corporation;
- c. Provincial Governments of other Canadian Provinces;
- d. Canadian municipalities or collective Canadian municipalities with a credit rating of AA (Low) or better;
- e. Chartered banks and trust companies with a credit rating of AA (Low) or better;
- f. Credit Unions insured by the Nova Scotia Credit Union Deposit Insurance Corporation, up to insured amount;
- g. Deposits covered by Canadian Deposit Insurance Corporation, up to insured amount; and
- h. Any other investments approved by the Minister of Municipal Affairs from time to time.

APPENDIX “C” - CREDIT RATING SYSTEM

Region of Queens Municipality will only make investments with financial institutions with credit ratings of A – or A (Low and above. Credit ratings at the B level and below are less likely to generate higher returns on capital investments.

Long Term Debt Credit Rating System

Investment Quality	Moody's	Standard and Poor's	Dominion Bond Rating Service	Fitch
Highest Quality	Aaa	AAA	AAA	AAA
Substantial Payment Capacity	Aa1 Aa2 Aa3	AA+ AA AA-	AA (High) AA (Middle) AA (Low)	AA+ AA AA-
High Payment Capacity	A1 A2 A3	A+ A A-	A (High) A (Middle) A (Low)	A+ A A-
Adequate Payment Capacity	Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB (High) BBB (Middle) BBB (Low)	BBB+ BBB BBB-
Payment Capacity Vulnerable to Adverse Changes	Ba1 Ba2 Ba3	BB+ BB BB-	B (High) BB (Middle) BB (Low)	B+ B B-
Payment Capacity Not Protected Against Adverse Changes	B1 B2 B3	B+ B B-	B (High) B (Middle) BB (Low)	B+ B B-
Substantial Default Risk	Caa1 Caa2	CCC+ CCC	CCC (High) CCC (Middle) CCC (Low)	CCC
Very High Default Risk	Caa3 Ca	CCC- CC C	CC (High) CC (Middle) CCC (Low)	CCC
In Default	C	D	D	DD D D

Short Term Debt Credit Rating System

Investment Quality	Moody's	Standard and Poor's	DBRS	Fitch
Highest Quality	P-1	A-1	R-1 (High)	F-1
Good Quality	P-2	A-2	R-1 (Mid) R-1 (Low)	F-2
Adequate Credit Quality	P-3	A-3	R-2 (High) R-2 (Mid) R-2 (Low)	F-3
Payment Capacity Vulnerable to Adverse Changes	Not Prime	B-1 B-2 B-3	R-3	B
High Default Risk	Not Prime	C	R-4 R-5	C
Under Regulatory Supervision	Not Prime	R	-	-
In Default	Not Prime	D	D	D