

	POLICY	Owner Department: Finance
	Investment Policy	
Effective Date: June 3, 2024	Last Reviewed Date: June 3, 2024	City Council Approval Dates: June 3, 2024
Approving Authority: Moncton City Council	Replaces No.: N/A	
1. Purpose		

This policy provides guidance for the management of the City’s funds including investment restrictions and limitations, risk tolerance and investment objectives.

2. Definitions

CFO : the individual appointed by the municipality as city chief financial officer, city treasurer.

Corporation: The City of Moncton.

Duration: a measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

GIC: GICs are a guaranteed investment certificates and term deposits which provide 100% guarantee of your original investment, while earning interest at a fixed rate of variable rate or based on a specific formula.

Interest Rate Risk: the risk associated with declines or rises in interest rates that cause an investment in a fixed-income security to increase or decrease in value.

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Laddering Approach: A strategy used whereby the maturity dates of investments made are staggered.

Liquidity: a measure of an asset's convertibility to cash.

Market Risk: the risk that the value of an investment will rise or decline because of changes in market conditions.

Market Value: current market price of an investment.

Maturity: the date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder.

3. Scope and Administration

This Policy applies to all investments made on behalf of the City, including operating funds, reserve funds, capital funds, and trust funds.

Objective

The objective of this investment policy is to ensure the City of Moncton yields the maximum investment income at a minimal risk while meeting the daily cash requirements of the City.

The primary objectives of the Investment policy, in priority order are:

1. Maintaining liquidity
2. Safeguard of financial assets
3. Generate income on cash surplus
4. Earn a competitive rate of return

Investment Strategy

The current day-to-day structure uses the consolidated bank balance to earn interest. Cash flow is managed on an ongoing basis and includes all activity affecting the cash balance of the Corporation.

The City will match its investments with anticipated cash flow requirements to maximize the advantage of investing while preserving sufficient cash for to properly maintain the day-to-day cash flow requirements.

The City's investments will be a composition of portfolios, including its term to maturity low risk type of investments, which could be adjusted within the guidelines of this policy to take advantage of

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market opportunities. Such changes shall be made with the periodic interest rate outlook and target portfolio structure approved by the City Treasurer.

The investment portfolio shall be managed in accordance with parameters specified within this policy.

Security of Principal

The City's investment policy will ensure the security of principal. To minimize the risk of any potential loss, investments shall be subject to GIC's, while guaranteeing the city's original investment.

Liquidity Requirements

Liquidity is measured by the ease with which securities can be converted to cash to meet forecast spending. It is recognized that the various investments possess different features and thus market prices will vary depending on market conditions as well as the particular features of the type of investment.

To ensure adequate liquidity, the City's investments shall not exceed \$10,000,000 at any given time to ensure cash on hand matches against the forecasted cash requirements to meet expenditures.

Term of Investments

Each GIC should be for no more than 5 years, 60 months.

Investment Income

For investment purposes, investment income outside of the general operating bank accounts will be held in a reserve fund. Investment income on investments made from specific cash (held for specific purpose) will be applied accordingly, while all other investment income earned will be allocated to each reserve fund in proportion to the balances in both General and Utility fund reserves, being both operating and capital reserves.

Internal Borrowing

In developing the cash requirements for the year, sufficient cash shall be available to fund capital expenditures. The main cash elements of the operating budget are stable and predictable, e.g. tax revenue and operating expenditures which is established in the budget process. The primary variable in forecasting cash demands is capital spending. Capital spending is supported (temporarily financed) by the general fund prior to securing long-term financing through the New Brunswick Finance Corporation through the issuance of long-term debentures.

If the General fund does not have sufficient cash to support capital expenditures and operating expenditures during the year, the best option is to borrow from the Reserve Funds on a short-term basis, rather than obtaining external financing. In order for this to occur, the Reserve Funds must have sufficient cash available (i.e. not locked into long-term investments) to support the General Fund

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through this period. A fair rate of interest shall be applied based on the interest rate paid on funds in the City's consolidated bank account. For the most part the interest charged is going 'from one City pocket to another', but given that some reserve funds are non-rate funded, there is a requirement to pay a fair rate to the reserve funds for 'investing' in the General fund.

Exceptions

There will be no investment made for the following segregated bank accounts:

- Gas tax fund
- Tourism Accommodation Levy funds
- Payroll Account
- US Bank Account
- Transportation Discovery Centre (TDC) Trust Account
- Events Moncton

These funds by nature must be maintained in a separate account and invested separately. The investment strategy will be dictated by the terms of the trust agreement. In the absence of specific direction, the strategy shall be in compliance with this policy.

Given the variability of capital spending, interest rates, and non-tax revenues, the investment strategy shall be reviewed, at a minimum, on a monthly basis. Any changes in the investment strategy shall be reported to Council in the annual investment report and the investment policy shall be amended for the change in strategy.

Committee

The CFO together with Deputy Treasurer(s) shall be authorized to enter into arrangements with banks, and other financial institutions for the purchase, sale, redemption, issuance, transfer and safekeeping of investments and perform other related acts in the day to day operation of the investment program for all transactions on behalf of the City of Moncton up to a maximum of \$10,000,000 in total.

The CAO and the City Clerk shall be authorized to sign the necessary documentation associated with the establishment and maintenance of approved investment accounts, subject to approval in form by the City Solicitor and in financial and technical content by the CFO.

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, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair

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their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees shall not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the Corporation. Conflicts shall be disclosed immediately to the employee's direct supervisor who in turn shall notify the CFO. Any conflicts noted by the CFO as to his or her personal business activity shall be disclosed to the CAO.

Reporting

As part of the delivery of the annual audited statements, the CFO shall provide City Council an investment report that contains the following information:

- A statement about the performance of the investments of the municipality during the period covered by the report
- A statement by the CFO as to whether or not, in his or her opinion, all investments were made in accordance with the investment policies and goals adopted by the municipality, and
- A record of the date of each transaction including a statement of the purchase and sale price of each security

An investment report will be developed and provided on a quarterly basis for the CAO and City Council review .

4. Administration and Contact

City Clerk's Office

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