


TO: Members of Finance & Corporate Services Committee

FROM: Michael Jerney, CPA, CA, Deputy Treasurer

NOTED: Debbie McKinnon, CGA, Director of Finance

Richard Forward, MBA, M.Sc., P. Eng. General Manager of Community & Corporate Services 

Carla Ladd, Chief Administrative Officer 

RE: Investment Strategy

DATE: May 28, 2014

Actions taken to date

Review of existing City of Barrie (CoB) Investment Policy and processes:

The CoB Investment Policy was approved by council in 2003 but is in need of updating. While the existing Investment Policy references some procedures this is not the expressed purpose of this document.

High Yield Savings Account (HYSA):

A HYSA has been set up with the City's current banking services provider. The yield is +15 basis points over the current operating account interest rate with next day liquidity. The most recent interest rate on this account is 1.45%. \$40M has been transferred to the HYSA to date.

Short term (ST) investment options:

Staff performed a scan of ST investment opportunities in an effort to improve the City's investment income while maintaining maximum liquidity leading up to approval of the Developer MOU and Development Charges By-law. Fixed Income Investments generally required a 3yr investment before yields were appreciably higher than the City is achieving with its new HYSA.

Investment Brokers:

In anticipation of the eventual need for investment broker services, staff engaged in informal meetings with representatives from TD Securities, RBC Capital Markets, BMO, and CIBC Wood Gundy to gain an understanding of the services they provide, fee structures, information requirements, and a general sense of the level of municipal resources required for a successful investment process.

Peer group review:

Staff obtained sample investment policy/process information from various members of the City's peer group. These documents have provided staff with information such as: Preferred investment management models, Staffing resource requirements, Control structures, and Procurement templates.

This information will be leveraged by staff when updating the City's Investment Policy and Investment Processes.

Challenges encountered

Cash Flow Forecasting

Implications of Growth

The Fiscal Impact Analysis (FIA), Infrastructure Implementation Plan (IIP), Secondary Plans, and Developer MOU have recently been approved by Council and the Development Charges Background Study/By-law (DCBS) is expected to be approved in the coming months. These plans/policies will materially impact the future cash flows of the corporation and are a cause for significant cash flow uncertainty until the direction of the plans is crystallized.

Tools & Data Collection

Cash flow forecasting is currently achieved by way of an in-house developed cash flow model. The model is highly manual from both a maintenance and review perspective which increases the risk of error and decreases the efficiency and effectiveness of the model.

Data collection from departments provides critical input for the cash flow model. This process is very resource intensive and almost completely manual which limits the frequency with which the information can be obtained and increases the risk of reliability issues when it is obtained.

Staff anticipate the introduction of the ERP system will address most of the Tools & Data Collection issues.

\$200K Target

Staff anticipate that meeting the \$200K increase to investment income benefiting the tax base will be difficult given the limited ST investment opportunities available and the legislated requirement to share investment income proportionally with reserve funds.

Action plan

Update CoB Investment Policy (2015):

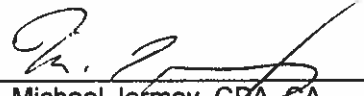
The CoB Investment Policy will be updated to reflect current standards and will generally follow the structure below:

1. Objectives
2. Limitations
3. Standard of Care
4. Reporting

Develop CoB Investment Process (2015):

With reference to the updated Investment Policy, Staff will undertake the development of a CoB Investment Process that will broadly focus on the following:

1. Determining the most appropriate investment management model for the City,
2. Assignment of staff resources,
3. Design & implementation of control structure,
4. Addressing cash flow forecasting needs, and
5. Establishing relationships with reputable brokers



Michael Jermey, CPA, CA
Deputy Treasurer