
TO: GENERAL COMMITTEE

SUBJECT: INVESTMENT POLICY UPDATE

WARD: ALL

PREPARED BY AND KEY CONTACT: M. JERMEY, DEPUTY TREASURER (x4407)

SUBMITTED BY: C. MILLAR, DIRECTOR OF FINANCE AND TREASURER *cm*

GENERAL MANAGER APPROVAL: P. ELLIOTT-SPENCER, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES *PSS*

CHIEF ADMINISTRATIVE OFFICER APPROVAL: C. LADD, CHIEF ADMINISTRATIVE OFFICER *PSS*

RECOMMENDED MOTION

1. That the previous Investment Policy adopted under by-law 2003-197 be repealed.
2. That the Investment Policy attached as Appendix A to FIN016-15, which includes adding the One Investment Program as an allowable investment option, be adopted and the Corporation's Financial Policies Framework be updated accordingly.
3. That the Director of Finance and Treasurer be granted authority to enter into an appropriate agreement, to the satisfaction of the Director of Legal services, with The One Investment Program to facilitate investment in such securities as permitted under the City's Investment Policy.

PURPOSE & BACKGROUND

Report Overview

4. The purpose of this staff report is to seek Council's endorsement of an updated City of Barrie Investment Policy. Provincial regulations require that the City adopt a statement of the City's investment policies and goals before engaging in investment activities. The proposed Investment policy objectives apply broadly to all City investments; however, the proposed portfolio weighting applies to investment holdings, and does include the City's investment in any Municipal Corporations such as Barrie Hydro Holdings Inc.
5. The purpose of an Investment Policy is to ensure the prudent management of the Corporation's surplus funds and investment portfolio.
6. Section 418 of the *Municipal Act, 2001*, states that municipalities may invest in "prescribed" securities. The prescribed securities and associated rules are set out in O. Reg. 438/97, as amended.

ANALYSIS

7. The City's previous investment policy was endorsed by Council in 2003. It has not been updated since that time.

Investment Policy Statement & Objectives

8. The Investment policies and goals proposed in this policy are in compliance with the *Municipal Act, 2001* (as amended) and O. Reg. 438/97 (as amended).

The following table highlights both the current and proposed policy statement and objectives for the City's Investment policy:

POLICY STATEMENT		
Current (By-law 2003-197)	Proposed	Comment
It is the policy of the City of Barrie to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all legislation governing the investment of public funds.	The City of Barrie strives for the optimum utilization of its cash resources within statutory limitations and the need to protect and preserve capital with near risk free investments, while maintaining solvency and liquidity to meet on-going financial requirements.	Introducing the concepts of "optimum utilization" and "near risk free investments", complements the objective of earning a competitive rate of return, by broadening the City's portfolio mix to allow for investments in Municipal Investment Pools such as The One Investment Program.
PRIMARY INVESTMENT OBJECTIVES (in order of Priority) Current (By-law 2003-197) and Proposed		
<ol style="list-style-type: none"> 1) <i>Adherence to statutory requirements</i> 2) <i>Preserving of Capital</i> 3) <i>Maintaining liquidity</i> 4) <i>Earning a competitive rate of return: the investment portfolio shall be designed to attain the maximum rate of return while meeting the above three objectives.</i> 		

9. To achieve higher returns on the City's investment portfolio, the current policy requires a broadening of the investment portfolio mix combined with the need to actively manage the portfolio. Broadening the City's portfolio mix introduces additional near risk free investment options compared to the City's current investment policy which seeks maximum security.

Investment Portfolio Parameters

10. As described in paragraph 6 of this report, O. Reg. 438/97 provides a detailed list of "prescribed" securities that Municipalities are currently permitted to invest and hold. This includes rules associated with the credit ratings of such prescribed investments. The proposed investment policy reflects this legislation and is described in a table format in Schedule 1 of Appendix A, Eligible Investments and Related Conditions.
11. Schedule 2 of Appendix A, Portfolio Mix and Term Limits, identifies the proposed weightings for investment holdings and term limits. Highlights of the proposed portfolio mix include the following:

- a) Securities issued or guaranteed by the Government of Canada or a province or territory of Canada shall comprise not less than 30 per cent of the total investment portfolio (not including cash bank balances) at all times, and may comprise 100 per cent if prudence so dictates. The following maximum limits apply:
- i) a province other than Ontario – 20 per cent each;
 - ii) a Canadian territory – 10 per cent each;
 - iii) countries other than Canada – 5 per cent in total;
 - iv) Infrastructure Ontario – 5 per cent;
 - v) British Columbia Municipal Finance Authority – 5 per cent; and,
 - vi) International Bank for Reconstruction and Development – 5 per cent.
- b) Aggregate investments in municipal securities including conservation authorities, school boards, and other local boards cannot exceed 35 per cent of the total investment portfolio. The following maximum limits apply:
- i) municipalities, school boards and local boards in Ontario – 10 per cent per municipality or board;
 - ii) other municipalities and school boards in Canada (outside of Ontario) – 5 per cent per municipality or school board;
 - iii) Ontario Universities – 2 per cent;
 - iv) board of a public hospital – 2 per cent;
 - v) non-profit housing corporation – 2 per cent; and,
 - vi) local housing corporation – 2 per cent.
- c) Aggregate investment in financial institutions shall not exceed 70 per cent (not including cash bank balances) of the total investment portfolio. The aggregate holdings in financial institutions other than the banks listed in Schedule 1 to the *Bank Act* shall not exceed 40 per cent of the total investment portfolio. The following maximum limits apply to the individual institution:
- i) banks listed in Schedule I to the *Bank Act* – 20 per cent;
 - ii) banks listed in Schedule II to the *Bank Act* – 10 per cent;
 - iii) trust and loan companies – 2 per cent; and,
 - iv) credit unions – 2 per cent.
- d) Non-Financial Institution security investments may not exceed the following maximum limits of the portfolio:
- i) asset-backed securities – 20 per cent (each individual asset-backed trust – 5 per cent);
 - ii) corporate bonds, debentures or promissory notes not included in the ONE Universe Corporate Bond Fund – 5 per cent; and,
 - iii) negotiable promissory notes or commercial paper – 5 per cent.
- e) Aggregate investment in eligible municipal investment pools shall not exceed 25 per cent of the total investment portfolio. Eligible municipal investment pools and the maximum limits for each are as follows:
- i) ONE Money Market Fund – 20 per cent;
 - ii) ONE Bond Fund – 20 per cent;
 - iii) ONE Universe Corporate Bond fund – 5 per cent; and,
 - iv) ONE Equity Fund – 5 per cent.

Under O.Reg 438/97, the One Equity Fund is the only opportunity for Municipalities to invest in equities other than shares in a Municipal Corporation such as Barrie Hydro Holdings Inc.

12. The proposed portfolio mix aims for both diversification and near risk-free investments to ensure security of capital. Included in the proposed portfolio mix, are some conditions that are more restrictive than explicitly required by provincial regulation. These conditions generally take the form of restrictions for minimum credit rating; size and term limits and sector exposure. The proposed portfolio mix has been expanded over the current investment policy to include Municipal Investment Pools, such as the One Investment Program, as described in Appendix B.
13. In assessing the appropriate Portfolio mix for the City, Staff considered recently updated policies currently in force at other municipalities that maintain active investment programs, including the City of Mississauga and Wellington County.

Return on Investments

14. The following table shows the estimated yields of Ontario municipal investments since 2009, against the City of Barrie's target return and actual performance:

	2009	2010	2011	2012	2013	2014
Municipal Sector Estimated Yield*	5.8%	5.9%	3.7%	3.2%	2.9%	N/A
City of Barrie Target Yield**	1.7%	1.9%	2.3%	2.3%	2.4%	2.4%
City of Barrie Actual Yield***	1.5%	1.8%	1.1%	1.5%	1.4%	1.4%
One Bond Fund****	-	2.9%	2.0%	1.9%	2.4%	2.6%
One Equity Fund****	-	19.3%	21.2%	18.9%	11.8%	11.8%

* Source – Municipal Affairs and Housing – excludes investments in Municipal Corporations.

** Per the City of Barrie's Financial Policy Framework, targeted yield is Bank rate plus 1 per cent.

***Excludes interest earned from PowerStream Promissory note and internal interest charged against water and wastewater capital projects.

****Source: One Investment Program Returns (as of December 31 2014)
<https://www.las.on.ca/Services/Investments.aspx> (see attached Appendix B).

15. Total net earnings from combined investments are distributed appropriately among the City's operating funds, reserve and reserve funds, and when appropriate, any sinking funds.
16. In the table above, the municipal sector estimated yield does not include any investments in Municipal Corporations. Similarly, the City of Barrie returns above do not include interest earned from the \$20 Million promissory note invested with PowerStream. Instead, the returns for the City of Barrie reflect available cash and equivalents or working capital on hand.

17. Over the five year period ending in 2013, the City's actual investment yield was below the estimated Ontario Municipal sector by an average of 2.8 per cent. Over the same period, the City was below its own target return by an average 0.6 per cent.
18. The City's underperformance relative to its municipal peers is a result of a number of factors, which include no designated staff resource available to actively manage daily and short term cash balances. An active investment approach requires frequent monitoring and trading of securities, while managing daily internal cash flow needs. The City's return on investments over the last five years is from interest earned on its bank accounts.
19. Another contributing factor to the City's lower returns relative to municipal peers is the amount of funds available to invest. The table below compares Investment holdings for 2013 for some of the City of Barrie's municipal peers:

Investment Holdings*	2013 (\$Millions)
London	\$204
Burlington	\$185
Guelph	\$174
Kingston	\$110
Barrie (average bank balance)	\$104

*Source: Ministry of Municipal Affairs

The City of Barrie's bank balance of \$104 million in 2013 represents all the City's reserves and reserve funds plus operating working capital. The reserve funds include development charges, which are obligatory reserves and have restricted use. The City's capital reserves are close to being fully committed in any given year and therefore investments must be very liquid to ensure cash can be accessed quickly. As a result, the City's investment time horizon is generally short term with a period of one to three years. A short term time horizon limits the return on investment that other Municipalities can generate from healthier reserve fund balances. For example, the One Equity Fund as noted in paragraph 14 above generated a return of 11.8 per cent in 2013. However, the One Equity fund has a long term investment horizon, to reduce the greater risk associated with equity investments.

20. Appendix B outlines the structure and benefits of the One Investment Program, including an attached copy of the programs 2014 Report.

Policy Implementation

21. An active investment program as described in paragraph 18, combined with a broadened portfolio mix, has the potential to enhance non-tax revenue for the City. Over the coming weeks, during the 2016 Business Plan and Budget development process, EMT will be engaged in discussions on how the Finance Work Plan can deliver an active investment program.
22. First steps in implementing the policy include working within the City's purchasing by-law to pre-qualify financial institutions, brokers/dealers, and intermediaries. As well, set up appropriate arrangements with The One Investment Program to permit investments in their funds.

23. The proposed policy attached in Appendix A, includes descriptions on Authority, Standard of Care, Controls, Eligible Investments, Investment Parameters and Risk Management, as well as Reporting. The policy does require the City Treasurer to submit an investment report at least annually to Council. The purpose of the report will allow Council to determine whether investment activities conform to the City's Investment Policy.

ENVIRONMENTAL MATTERS

24. There are no environmental matters related to the recommendations.

ALTERNATIVES

25. The following alternative is available for consideration by General Committee:

Alternative #1 General Committee could further limit the eligible investments listed in Appendix A.

This alternative is not recommended as the eligible investments prescribed by O. Reg 438/97 are generally designed for preservation of Capital and lower risk. In order to strive for optimum utilization of cash resources, a broader investment portfolio as permitted under legislation is required.

FINANCIAL

26. There are no direct financial implications for the Corporation resulting from the proposed recommendations.

LINKAGE TO 2014-2018 STRATEGIC PLAN

27. The recommendations included in this Staff Report support the following goal identified in the 2014-2018 Strategic Plan:

Responsible Spending

28. The effective management of the City's investment portfolio is expected to generate additional non-tax revenue.

APPENDIX "A"

INVESTMENT POLICY

1. POLICY STATEMENT

The City of Barrie strives for the optimum utilization of its cash resources within statutory limitations and the need to protect and preserve capital with near risk free investments, while maintaining solvency and liquidity to meet on-going financial requirements.

2. PURPOSE

This policy will ensure the prudent management of the Corporation's surplus funds and investment portfolio.

3. SCOPE

This investment policy applies to all investments of Revenue Funds, Reserves and Reserve Funds, and Trust Funds of the City of Barrie. The proposed portfolio weightings are intended for investment holdings other than cash within a bank account, and do not include the City's investment in any Municipal Corporations such as Barrie Hydro Holdings Inc.

4. DEFINITIONS

"DBRS" means Dominion Bond Rating Service Limited

"Fitch" means Fitch Ratings

"Moody's" means Moody's Investors Services Inc.

"Non-Obligatory Reserve(s)" means an appropriate from net revenue at the discretion of Council, after the provision of all known expenditures. Reserves have no reference to any specific asset and do not require the physical segregation of money or assets. Example – Tax Capital Reserve.

"Obligatory Reserve Fund(s)" means a fund that is segregated and restricted to meet the purpose of the specific Reserve Fund. Example – Development Charges Reserve Fund.

"S&P" means Standard and Poor's.

"Sinking Fund(s)" means a segregated pool of funds for which an estimated amount in each year, with interest compounded annually, will be sufficient to meet the repay the principal of the stated financial liability at maturity.

"Short Term Securities" means a security that matures in 12 months or less from the date of investment.

"Long Term Securities" means a security that matures more than 12 months from the date of investment.

5. OBJECTIVES

The primary objectives, in order of priority, of the City's investment activities shall be:

APPENDIX "A" (Continued)

INVESTMENT POLICY

Adherence to statutory requirements: All investment activities shall be governed by the *Municipal Act, 2001* as amended. Investments, unless limited further by Council, will be those deemed eligible under Ontario Regulation 438/97 or as authorized by subsequent provincial regulations.

Preservation of capital: Limit investments to safe types of securities; pre-qualify the financial institutions, broker/dealers, intermediaries, and advisers with which the City does business subject to the City Treasurer's approval; diversifying the portfolio; structuring the investment portfolio so that securities mature to meet ongoing cash flow requirements; investing operating funds primarily in shorter-term securities or approved investment pools; and diversifying longer-term holdings to match term exposures to requirements underlying the sinking fund and reserve funds and to mitigate effects of interest rate volatility.

Maintaining liquidity: The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating and capital requirements which might be reasonably anticipated.

Earning a competitive rate of return: the investment portfolio shall be designed to attain the maximum rate of return while meeting the above three objectives

6. **AUTHORITY**

The City's investment practices comply with the provisions of the *Municipal Act, 2001*, as amended, specifically Part XIII – Debt and Investment, and Ontario Regulation 438/97, last amended by O. Reg. 373/11.

Investments made by the City are further restricted by the limitations and terms outlined in this policy.

The City Treasurer and Deputy Treasurer, or the Treasurer's designate, is authorized to:

- i) Invest surplus City funds in accordance with the *Municipal Act, 2001* (as amended), O. Reg. 438/97 (as amended), and this policy;
- ii) Per the City's Purchasing By-law, through pre-qualification, enter into arrangements with banks, investment dealers and brokers, and other financial institutions for the purchase, sale, redemption, issuance, transfer and safekeeping of securities.

Execute and sign documents on behalf of the Corporation and performs all other related acts in the day-to-day operation of the investment and cash management program.

7. **STANDARD OF CARE**

Prudence: Investments shall be made with judgement 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 probably safety of their capital as well as the probably income to be derived. Investment officers acting in accordance with this investment policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risks or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidation or the sale of securities are carried out in accordance with the terms of this Policy

APPENDIX "A" (Continued)

INVESTMENT POLICY

Ethics and Conflicts of Interest: In conjunction with the Corporate Code of Ethics, officers and 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 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 and officers shall not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the City.

8. CONTROLS

The Treasurer is responsible for the development and maintenance of suitable procedures for the effective control and management of the investment function and reasonable assurance that the City's investments are properly managed and adequately protected. Investment procedures include the following requirements:

- i) The Treasurer designates, in writing, all persons authorized to enter into investment transactions on behalf of the City;
- ii) All investments are confirmed by signature of the individual making the investment and ratified by signature of the Treasurer;
- iii) All cash management transactions are recorded and interest earnings distributed to the various funds, as the case may be, in accordance with City practices and Generally Accepted Accounting Principles for Ontario municipalities;
- iv) Provision is made to obtain adequate insurance coverage to guard against any losses that may occur due to misappropriation, theft, or other unscrupulous acts of fraud with respect to the Corporation's financial assets;
- v) If an investment made by the City is, in the City Treasurer's opinion, not consistent with the investment policies, goals, and objectives adopted by the City, the City Treasurer shall report the inconsistency to Council within 30 days of becoming aware of it;
- vi) Period reviews are to be carried out to determine whether or not the investment guidelines provided by this policy are being followed and to evaluate the adequacy of internal controls.

9. ELIGIBLE INVESTMENTS

All investments must meet the conditions and criteria outlined in the attached schedules regarding the types of securities in which the City may invest; investment quality; size and term limitations.

Schedule 1 – Sets out eligible investments; conditions set out in the Municipal Act and regulations; and additional conditions imposed under this policy.

Schedule 2 – Sets out size and term limits for eligible investments.

APPENDIX "A" (Continued)

INVESTMENT POLICY

10. **INVESTMENT PARAMETERS AND RISK MANAGEMENT**

The City shall mitigate credit risk, interest rate risk, and market risk by:

- i) Preparing and maintaining a cash flow projection to determine liquidity needs and suitable investment horizons;
- ii) Diversifying the investment portfolio to minimize on individual securities;
- iii) Limiting investment in securities to those with higher credit ratings;
- iv) Adopting higher investment standards than allowed under the Municipal Act and regulations where, in the opinion of the City Treasurer, such standards would be prudent;
- v) Establishing size, sector, and term limits for investments;
- vi) Staggering maturity dates to match the requirements of underlying reserve funds to mitigate the effects of interest rate volatility;
- vii) Placing emphasis on securities offered by, or unconditionally guaranteed by, the Government of Canada, a province of Canada, or Schedule I banks;
- viii) Seeking legal and financial advice with respect to proposed investments, where applicable.

11. **REPORTING**

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return commensurate with the investment risk constraints and cash flow requirements of the City.

The City Treasurer shall submit an investment report for Council at least annually. The report shall be prepared in such a manner as will allow Council to ascertain whether investment activities during the period have conformed with the investment policy. The report will include the following:

- i) A statement about the performance of the investment portfolio during the period covered by the report;
- ii) Percentage of the total portfolio which each type of investment represents;
- iii) Listing of the individual securities held at the end of the reporting period;
- iv) Average weighted yield to maturity of portfolio;
- v) An estimated ratio of the total long-term and short-term securities compared to the total investments and a description of the change, if any, in that estimated proportion since the previous report;
- vi) A record of the date of each transaction in or disposal of the City's own securities, including a statement of the purchase and sale price of each security;

APPENDIX "A" (Continued)
INVESTMENT POLICY

- vii) A statement by the City Treasurer 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 City;
- viii) A statement by the City Treasurer as to whether any investments fell below the standard required for that investment during the period covered by the report;
- ix) Such other information that council may require or that, in the opinion of the City Treasurer, should be included.

12. ATTACHMENTS

Schedule 1 – Eligible Investments and Conditions

Schedule 2 – Portfolio Mix and Term Limits

Schedule 3 – Credit Rating Definitions

APPENDIX "A" (Continued)
INVESTMENT POLICY
Schedule 1: Eligible Investments and Related Conditions

O. Reg 438/97 Ref.	Eligible Investment	Minimum Security Rating	Conditions (O. Reg 438/97)	Conditions (Internally imposed)		
				Minimum Municipal Debt/Credit Rating	Other	Short Term
1	Bonds, debentures, promissory notes or other evidences of indebtedness issued or guaranteed by:					
i.	Canada or a province or territory of Canada,				None	None
ii.	an agency of Canada or a province or territory of Canada,				R-1 (low)	A (low)
iii.	a country other than Canada	DBRS: AA(low) Fitch: AA- Moody's: Aa3 S&P: AA-		City shall sell the investment within 180 days after the investment falls below minimum rating	None	None
iv.	a municipality in Canada including the City of Barrie,				R-1 (low)	A (low)
iv.1	the Ontario Strategic Infrastructure Financing Authority					
v.	a school board or similar entity in Canada,				R-1 (middle)	AA (low)
v.1	a university in Ontario that is authorized to engage in an activity described in section 3 of the <i>Post-secondary Education Choice and Excellence Act, 2000</i> ,	DBRS: AA(low) Fitch: AA- Moody's: Aa3 S&P: AA-		City shall sell the investment within 180 days after the investment falls below minimum rating	N/A, see 5 (below)	None
v.2	the board of governors of a college established under the <i>Ontario Colleges of Applied Arts and Technology Act, 2002</i> ,	DBRS: AA(low) Fitch: AA- Moody's: Aa3 S&P: AA-		City shall sell the investment within 180 days after the investment falls below minimum rating	N/A, see 5 (below)	None
vi	a local board as defined in the <i>Municipal Affairs Act</i> (but not including a school board or municipality) or a conservation authority established under the <i>Conservation Authorities Act</i> ,				None	None

APPENDIX "A" (Continued)

INVESTMENT POLICY

Schedule 1: Eligible Investments and Related Conditions

O. Reg 438/97 Ref.	Eligible Investment	Minimum Security Rating	Conditions (O. Reg 438/97)	Conditions (Internally imposed)		
				Minimum Municipal Debt/Credit Rating	Other	Short Term
vi.1	a board of a public hospital within the meaning of the <i>Public Hospitals Act</i>	DBRS: AA(low) Fitch: AA- Moody's: Aa3 S&P: AA-		City shall sell the investment within 180 days after the investment falls below minimum rating	N/A, see 5 (below)	None
vi.2	a non-profit housing corporation incorporated under section 13 of the <i>Housing Development Act</i>	DBRS: AA(low) Fitch: AA- Moody's: Aa3 S&P: AA-		City shall sell the investment within 180 days after the investment falls below minimum rating	None	None
vi.3	a local housing corporation as defined in section 24 of the <i>Housing Services Act, 2011</i> or	DBRS: AA(low) Fitch: AA- Moody's: Aa3 S&P: AA-		City shall sell the investment within 180 days after the investment falls below minimum rating	None	None
vii	the Municipal Finance Authority of British Columbia					
2	Bonds, debentures, promissory notes or other evidence of indebtedness of a corporation if:					
i.	bond, debenture or other evidence of indebtedness is secured by assignment, to a trustee as defined in the <i>Trustee Act</i> , of payments that Canada or province or territory of Canada has agreed to make or is required to make under federal, provincial or territorial statute, and				N/A	N/A
ii.	payments referred to in (i) are sufficient to meet the amounts payable under the bond, debenture or other evidence of indebtedness, including the amounts payable at maturity				N/A	N/A

APPENDIX "A" (Continued)
INVESTMENT POLICY

Schedule 1: Eligible Investments and Related Conditions

O. Reg 438/97 Ref.	Eligible Investment	Conditions (O. Reg 438/97)		Conditions (Internally imposed)	
		Minimum Security Rating	Minimum Municipal Debt/Credit Rating	Short Term	Long Term
3, 3.1					
Deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments issued, guaranteed or endorsed by:					
i.	a bank listed in schedule I or II to the Bank Act (Canada)	2 years or less: N/A		2 years or less: Schedule I: R-1 (low)	See 4 (below)
ii.	a loan corporation or trust corporation registered under the Loan and Trust Corporation Act	>2 years: DBRS: AA(low) Fitch: AA- Moody's: Aa3 S&P: AA-		Schedule II: R-1 (mid)	
iii.	a credit union or league to which the Credit Unions and Caisses Populaires Act, 1994 applies			2 years or less: R-1 (mid)	See 4 (below)
4					
Bonds, debentures or evidence of long-term indebtedness issued or guaranteed by:					
	an institution listed in 3 (above)	DBRS: AA(low) Fitch: AA- Moody's: Aa3 S&P: AA-		City shall sell the investment within 180 days after the investment falls below minimum rating	2 years or less: R-1 (mid)
5					
Short term securities that are issued by:					
i.	a university in Ontario that is authorized to engage in an activity described in section 3 of the Post-secondary Education Choice and Excellence Act, 2000			City shall sell the investment within 180 days after the investment falls below minimum rating	N/A
ii.	the board of governors of a college established under the Ontario Colleges of Applied Arts and Technology Act, 2002,			Principal and interest shall be fully repaid no later than three days after the day the investment was made	N/A
iii.	a board of a public hospital within the meaning of the Public Hospitals Act				N/A

APPENDIX "A" (Continued)
INVESTMENT POLICY

Schedule 1: Eligible Investments and Related Conditions

O. Reg 438/97 Ref.	Eligible Investment	Conditions (O. Reg 438/97)		Conditions (Internally imposed)	
		Minimum Security Rating	Minimum Municipal Debt/Credit Rating	Short Term	Long Term
6	Bonds, debentures or other securities issued or guaranteed by:				
	the International Bank for Reconstruction and Development				
6.1	Bonds, debentures, promissory notes or other evidence of indebtedness issued or guaranteed by:				
	a supranational financial institution or a supranational governmental organization, other than the International Bank for Reconstruction and Development	DBRS: AAA Fitch: AAA Moody's: Aaa S&P: AAA		City shall sell the investment within 180 days after the investment falls below minimum rating	N/A N/A
7	Asset-backed securities:				
	as defined in subsection 50(1) of Regulation 733 of the Revised Regulations of Ontario, 1990 made under the Loan and Trust Corporations Act	1 year or less: DBRS: R-1(high) Fitch: F1+ Moody's: Prime-1 S&P: A-1+ > 1 year: DBRS: AAA Fitch: AAA Moody's: Aaa S&P: AAA	The City of Barrie, or all of the City's long-term debt must be rated at a minimum: DBRS: AA(low) Fitch: AA- Moody's: Aa3 S&P: AA- or Investment made through One Investment Program	City shall sell the investment within 180 days after the investment falls below minimum rating	N/A N/A

APPENDIX "A" (Continued)
INVESTMENT POLICY
Schedule 1: Eligible Investments and Related Conditions

O. Reg 438/97 Ref.	Eligible Investment	Minimum Security Rating	Minimum Municipal Debt/Credit Rating	Other	Conditions (Internally imposed)	
					Short Term	Long Term
7.1, 7.2	Bonds, debentures, promissory notes or other evidence of indebtedness issued by: a corporation that is incorporated under the laws of Canada or a province of Canada	> 1 year and no later than 5 years: DBRS: A Fitch: A Moody's: A2 S&P: A > 5 years: DBRS: AA(low) Fitch: AA- Moody's: Aa3 S&P: AA-	The City of Barrie, or all of the City's long-term debt must be rated at a minimum: DBRS: AA(low) Fitch: AA- Moody's: Aa3 S&P: AA- or Investment made through One Investment Program	Investment through One Investment Program only if > 5 years City shall sell the investment within 180 days after the investment falls below minimum rating	N/A, see 8 (below)	N/A
8	Negotiable promissory notes or commercial paper, other than asset-backed securities, maturing one year or less from the date of issue, if that note or commercial paper has been issued by: a corporation that is incorporated under the laws of Canada or a province of Canada	DBRS: R-1(high) Fitch: F1+ Moody's: Prime-1 S&P: A-1+	The City of Barrie, or all of the City's long-term debt must be rated at a minimum: DBRS: AA(low) Fitch: AA- Moody's: Aa3 S&P: AA- or Investment made through One Investment Program	City shall sell the investment within 180 days after the investment falls below minimum rating	N/A	N/A
8.1	Shares of: a corporation that is incorporated under the laws of Canada or a province in Canada			Through One Investment Program only	N/A	N/A

APPENDIX "A" (Continued)

INVESTMENT POLICY

Schedule 1: Eligible Investments and Related Conditions

O. Reg 438/97 Ref.	Eligible Investment	Conditions (O. Reg 438/97)		Conditions (Internally imposed)		
		Minimum Security Rating	Minimum Municipal Debt/Credit Rating	Short Term	Long Term	
		Other				
9	Bonds, debentures, promissory notes and other evidences of indebtedness of: a corporation incorporated under section 142 of the <i>Electricity Act</i> , 1998			N/A	N/A	
				At the time the investment is made and as long as it continues, the investment must rank, at a minimum, concurrently and equally in respect of payment of principal and interest with all unsecured debt of the corporation. Investment only if, at the time the investment is made, the total amount of the municipality's investment in debt of any corporation incorporated under section 142 of the <i>Electricity Act</i> , 1998 that would result after the proposed investment is made does not exceed the total amount of investment in debt, including any interest accrued on such debt, of the City in such a corporation that existed on the day before the day the proposed investment is made. Any investment under this section, including any refinancing, renewal or replacement thereof, may not be held for longer than a total of 10 years from the date such investment is made. The above conditions do not prevent the City from holding or disposing of a security issued by a corporation incorporated under section 142 of the <i>Electricity Act</i> , 1998, if the municipality acquired the security through a transfer by-law or otherwise under that Act.		

APPENDIX "A" (Continued)
INVESTMENT POLICY
Schedule 1: Eligible Investments and Related Conditions

O. Reg 438/97 Ref.	Eligible Investment	Conditions (O. Reg 438/97)		Conditions (Internally imposed)	
		Minimum Security Rating	Minimum Municipal Debt/Credit Rating	Short Term	Long Term
			Other		
10	Bonds, debentures, promissory notes or other evidence of indebtedness issued by a corporation if: the City first acquires the security as a gift in a will and the gift is not made for a charitable purpose.			Must sell within 90 days of taking ownership	N/A
11	Securities of a corporation, other than those described in 10 (above), if: the City first acquires the security as a gift in a will and the gift is not made for a charitable purpose.			Must sell within 90 days of taking ownership	N/A
12	Shares of a corporation if: the corporation has a debt payable to the City, and under a court order, corporation has received protection from creditors, and the share are in lieu of a debt authorized by a court, and the Treasurer is of the opinion that the debt is unrecoverable unless the debt is converted into shares under the court order				N/A

APPENDIX "A" (Continued)

INVESTMENT POLICY

Schedule 2: Portfolio Mix and Term Limits

Sector/Group	Size Limits (maximums)			Term Limits (maximums)		
	Individual investment as % of portfolio	Sector/Group as % of portfolio		Months	Years	
FEDERAL, PROVINCIAL, TERRITORIAL, INTERNATIONAL						
Sector aggregate of total portfolio *		100%				
Federal	100%	100%		-	20	
Province of Ontario	100%	100%		-	20	
Province other than Ontario	20%	100%		-	20	
Canadian Territory	10%	100%		-	20	
Countries other than Canada	2%	5%		-	15	
Infrastructure Ontario	5%	5%		-	-	
British Columbia Municipal Finance Authority	5%	5%		-	-	
International Bank for Reconstruction and Development	-	-		-	-	
Supranational governmental organizations	-	-		-	-	
MUNICIPAL, SCHOOL BOARD AND LOCAL BOARDS						
Sector aggregate of total portfolio		35%				
Ontario municipalities, school boards and local boards	10%	-		-	20	
Municipalities in provinces/territories other than Ontario	5%	-		-	15	
school boards and local boards	5%	-		12	-	
Ontario universities	-	2%		12	-	
board of governors of an Ontario college	-	2%		12	-	
board of a public hospital	-	2%		12	-	
non-profit housing corporation	-	2%		12	-	
local housing corporation	-	2%		12	-	

APPENDIX "A" (Continued)

INVESTMENT POLICY

Schedule 2: Portfolio Mix and Term Limits (Continued)

Sector/Group	Size Limits (maximums)		Term Limits (maximums)		
	Individual investment as % of portfolio	Sector/Group as % of portfolio	Months	Months	Years
FINANCIAL INSTITUTIONS					
Sector aggregate of total portfolio		70%			
Non-Schedule I bank aggregate of total portfolio		40%			
Schedule I banks	20%	-	-	-	10
Schedule II banks	10%	-	-	-	5
Schedule III banks	-	-	-	-	-
trust and loan companies	2%	-	-	-	2
credit unions	2%	-	-	-	2
Supranational financial institutions	-	-	-	-	-
NON-FINANCIAL INSTITUTIONS					
asset-backed securities	5%	20%	-	-	5
corporate bonds, debentures, promissory notes (outside ONE Fund)	-	5%	-	-	5
negotiable promissory notes or commercial paper	-	5%	-	-	1
MUNICIPAL INVESTMENT POOLS					
Sector aggregate of total portfolio		25%			
ONE Money Market Fund	-	20%	-	-	-
ONE Bond Fund	-	20%	-	-	-
ONE Universe Corporate Bond Fund	-	5%	-	-	-
ONE Equity Fund	-	5%	-	-	-

* Minimum portfolio holdings will aggregate 30 per cent

APPENDIX "A" (Continued)

INVESTMENT POLICY

Schedule 3: Credit Rating Definitions

Available credit ratings: Short Term Securities

Rating Quality	DBRS	Fitch	Moody's	S&P
High Grade	R1	F1	Prime-1	A-1
Medium Grade	R2	F2	Prime-2	A-2
Lower Grade	R3	F3	Prime-3	A-3
Speculative	R3	B	Not Prime	B

Available credit ratings: Medium or LT Securities

Rating Quality	DBRS	Fitch	Moody's	S&P
Highest Grade	AAA	AAA	Aaa	AAA
High Grade	AA	AA	Aa	AA
Upper Medium Grade	A	A	A	A
Lower Medium Grade	BBB	BBB	Baa	BBB
Speculative	BB	BB	Ba	BB
Highly Speculative	B	B	B	B
Extremely Speculative	CCC to C	CCC to C	C (all grades)	CCC to C
Default	D	DDD to D		D

APPENDIX "B"

THE ONE INVESTMENT PROGRAM

Amendments made to the Municipal Act in 1992 allow Ontario municipalities to participate in joint municipal investment strategies. These amendments permitted municipalities to pool their investments in order to gain the opportunity to earn higher returns through access to larger, diversified, high-quality investment portfolios.

Local Authority Services Limited (a subsidiary of the Association of Municipalities of Ontario) and the CHUMS Financing Corporation (a subsidiary of the Municipal Finance Officers' Association of Ontario) both established investment pools in response to the 1992 amendments. In 1995, LAS and CHUMS combined their efforts to create a single professionally-managed investment program known as ONE - The Public Sector Group of Funds (commonly referred to as the "One Funds"). One historically offered a Money Market Portfolio and a Bond Portfolio, but an Equity Portfolio was added in 2007 and a Corporate Bond Portfolio in 2008.

The addition of the Corporate Bond and Equity portfolios were launched as a result of 2005 amendments to the Municipal Act Eligible Investment Regulation (O. Reg. 438/97) allowing municipalities to invest in Canadian equities and longer term Canadian corporate bonds. The regulation however offered access to these investment types only through The One Investment Program. Throughout 2006, One worked with a diverse committee of municipal investment practitioners to develop investment policies and operating guidelines for both the Equity and Corporate Bond Portfolios, and to select professional managers for the two new portfolios.

In February 2010 the Program was renamed "The One Investment Program". The program has continued to grow in recent years and now also welcomes investment from organizations within the broader Ontario public sector. Investors from the broader public sector include conservation authorities and municipal services boards, but the program is also available to hospitals and other segments of the MUSH sector.

Local government investment pools are not a new idea, with many having been established in jurisdictions across Canada and the United States. They have proven to be highly successful and popular investment and cash management tools for municipalities. Participation in such pools is, in fact, recognized as a recommended practice for achieving portfolio diversification and liquidity by the Government Finance Officers Association of the United States and Canada.

Since 1995, The One Investment Program has successfully met the needs of Ontario municipalities by providing safe and high-quality investment opportunities. Asset levels in One have ranged between \$300M and \$600M since inception, with recent investment balances (2009 and 2010) in the \$525-\$550M range. The Program provides professional investment services to almost 100 organizations, and throughout history performance has been competitive with the permitted alternative investments for Ontario municipalities.

All One Portfolios are governed by formal investment guidelines requiring that monies be invested only in instruments allowed under the Municipal Act, with additional restrictions being established by the guidelines. All Portfolio Guidelines are available for review on The One Investment Program website: www.oneinvestmentprogram.ca.

One currently utilizes the professional investment services of McLean Budden for Money Market, Bond, and Corporate Bond Portfolios, and Guardian Capital for its Equity Portfolio. Both organizations have tens of billions in assets under management and have a long track record of managing large multi-customer investment pools.

APPENDIX "B" (Continued)

THE ONE INVESTMENT PROGRAM

The investment guidelines and manager activities for each investment portfolio are monitored by One staff, an independent third-party investment consultant, as well as the One Advisory Committee, which is comprised primarily of senior public sector officials appointed by LAS and CHUMS. In addition, the program also receives periodic oversight from the MFOA/CHUMS and LAS Board of Directors, comprised of municipal finance professionals and municipal administrators and elected officials, respectively.

There is no requirement for municipalities to invest for a specified period of time in The One Investment Program; money can be invested, withdrawn or transferred at any time, although each of the Portfolios has been established with a certain investment duration in mind. If investment/redemption instructions are provided by 4:00 p.m. on any banking day, the funds are deposited or withdrawn, as the case may be on, the next banking day. The minimum transaction amount is \$5,000 for any Portfolio. There are no penalties or fees for deposit or withdrawal at any time.

As an added value, investors also have password protected access to their account balances through a secure portion of the One website. Portfolio balances and unit pricing are updated daily for each investor and account.

Investment fees for all invested monies are calculated on a daily basis based on the total balance held in the account, and all performance figures provided by One are always posted net of fees. Current One Investment Program annual fees are lower than any other available public sector investment pool, as follows:

- Money Market – 19 Basis Points
- Bond – 40 Basis Points
- Universe Corporate Bond – 45 Basis Points
- Equity Fund – 60 Basis Points

For the fees paid, each investor receives numerous benefits, including but not limited to:

- Professional money management
- Reduced risk through diversification and regular investment oversight
- Flexibility & liquidity of investments
- Accounting & performance reporting
- Legal costs for program related issues
- Regulatory compliance guarantee
- Lower brokerage costs

To allow for the investment of municipal funds through a joint public sector investment fund in order to leverage enhanced returns and reduced administration costs, it is recommended that The One Investment Program be added to the municipality's list of eligible investments.

IT IS THEREFORE RECOMMENDED THAT The One Investment Program be added to the municipality's investment policy as an allowable investment option, as the securities held in the One Portfolios consist exclusively of highly rated, diversified investment instruments that are guaranteed to be eligible investments as defined in O. Reg. 438/97 under the Municipal Act.