

**To:** Chief Administrative Officer **Date:** August 16, 2021  
**From:** Scott Ross, Manager of Accounting Services  
**Subject:** **FIN.20 Investment Policy Update**

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**Recommendation:**

That the amended policy FIN.20 – Investment Policy as attached as Appendix A to the report from the Manager of Accounting Services dated August 16, 2021 entitled “FIN.20 Investment Policy Update” be approved.

**Purpose**

The purpose of this report is to bring updates to the City’s FIN.20 Investment Policy for Council’s consideration.

**Background**

The City’s FIN.20 Investment Policy (“FIN.20”) was last updated on May 21, 2019. Staff frequently consult with other municipalities and the MFABC (Municipal Finance Authority of British Columbia) to ensure our policy is current and investment limitations are relevant. This revised policy has some proposed changes that are intended to increase the diversification of the portfolio and to minimize risk.

No investment is ever truly 100% safe in terms of guaranteed return of the principal investment. While it is extremely unlikely that a government in Canada would default there still is a very remote possibility that could happen. Schedule 1 banks are insured by the Canada Deposit Insurance Corporation (a federal crown corporation) for the first \$100,000 of deposits to each depositor. Credit union deposits in British Columbia are protected against default by the various funds either held or controlled by the Credit Union Deposit Insurance Corporation (CUDIC). Technically the Province of BC has the ability to step in and financially assist this fund if found to be insufficient or impaired; however, this is ultimately a discretionary decision of the Province. Since there is always a risk in any investment decision it is prudent to develop and maintain a comprehensive investment policy to mitigate this risk as much as possible based on the options available to a local government.

**Discussion and Analysis**

Section 183 of the *Community Charter* authorizes the specific types of investments that municipalities in British Columbia are permitted to invest in. Although these parameters significantly reduce a municipality’s exposure to potential financial loss there, are further actions that provide greater protection over the City’s investments. All investments contain some element of risk; however, it is staff’s paramount objective to minimize this risk wherever possible. Diversification is essential for managing investment risk and return.

Staff have researched and consulted with industry experts and other municipalities to see what additional measures or modifications to our existing policy could be of benefit to the City. The revised Appendix A - FIN.20 Investment Policy changes the following:

- Lowers the percentage cap for Provincial securities from 15% to 10%.
- Lowers the investment holdings issued by a municipality from 10% to 5% and overall investment portfolio holdings from 25% to 15%.
- Lowers the Schedule 1 Domestic Bank overall investment portfolio holdings from 60% to 50%.
- Adds a new category to permit limited investments in Schedule 1 banks with a DBRS (Dominion Bond Rating Service) of “A”. Our current policy is too conservative and limits the City to only investing in the “Big Six” banks (BNS, BMO, CIBC, National Bank, RBC, and TD). By investing in this new category, in a very limited capacity, staff will be able to achieve better diversification in the portfolio.
- Lowers the investment holdings by a Canadian Credit Union from 15% to 10% and overall investment portfolio holdings from 60% to 40%. This change is being recommended to lower the City’s exposure to credit risk in the event of a credit union failure.
- Removes the MFA Pooled High Interest Savings accounts as these are already covered in Schedule 1 Domestic Banks’ restrictions in Appendix A.

## **Financial Implications**

There are no financial implications directly associated with this report.

## **Communication**

*Internal/External Communications:*

Financial institutions that the City of Mission conducts investment business with will be advised of the updated policy.

*Key Messaging:*

The key communication messages from this report are:

- The City is updating its investment policy to increase diversification by allowing investments in Schedule 1 banks with a lower credit rating than the “Big Six” banks.
- The City is changing some of the individual institutional and overall portfolio caps in certain investment types to lower overall risk.

## **Summary and Conclusion**

The City’s FIN.20 Investment Policy (“FIN.20”) was last updated on May 21, 2019. Staff frequently consult with industry experts and other municipalities to ensure our policy is current and investment limitations are relevant. This policy has some revisions to reflect these proposed changes in order to increase diversification and minimize risk.

**Report Prepared by:** Scott Ross, Manager of Accounting Services

**Reviewed by:** Doug Stewart, Director of Finance

**Approved for Inclusion:** Mike Younie, Chief Administrative Officer

## **Attachment(s)**

Appendix A: FIN.20 Investment Policy