

FINANCE COMMITTEE MEETING – AGENDA

VILLAGE OF ANMORE

Agenda for the Finance Committee Meeting scheduled for
Monday, October 24, 2016 at 7:00 p.m. in Council Chambers at
Village Hall, 2697 Sunnyside Road, Anmore, BC



1. **CALL TO ORDER**

2. **APPROVAL OF THE AGENDA**

3. **MINUTES**

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(a) **Minutes of the Meeting held on February 22, 2016**

Recommendation: That the Minutes of the Finance Committee Meeting held on
February 22, 2016 be adopted.

4. **BUSINESS ARISING FROM THE MINUTES**

5. **UNFINISHED BUSINESS**

6. **NEW BUSINESS**

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(a) **Investment of Surplus Funds Policy**

Report dated October 19, 2016 from the Chief Administrative Officer is attached.

(b) **2016 Budget Recast**

Report provided on table.

(c) **Purchasing of Christmas Lights**

Verbal report from the Chief Administrative Officer.

7. **ADJOURNMENT**

FINANCE COMMITTEE MEETING – MINUTES

VILLAGE OF ANMORE

Minutes of the Finance Committee Meeting held on
Monday, February 22, 2016 in the portable classroom at
Anmore Elementary School, 30 Elementary Road, Anmore, BC



COMMITTEE MEMBERS PRESENT

Mayor John McEwen
Councillor Ryan Froese
Councillor Ann-Marie Thiele
Councillor Kim Trowbridge
Councillor Paul Weverink
Nick Cheng
Mark Roberts

STAFF PRESENT

Juli Kolby, Chief Administrative Officer
Christine Milloy, Manager of Corporate Services
Kevin Dicken, Director of Operations

1. CALL TO ORDER

Chair McEwen called the meeting to order at 7:00 p.m.

2. ADDITIONS AND DELETIONS TO THE AGENDA

Nil

3. APPROVAL OF THE AGENDA

It was Moved and Seconded:

“To approve the agenda.”

Carried Unanimously

4. DELEGATIONS

Nil

5. MINUTES

(a) Minutes of the Meeting held on January 25, 2016

It was Moved and Seconded:

“That the Minutes of the Finance Committee Meeting held on January 25, 2016 be adopted as circulated.”

Carried Unanimously

6. BUSINESS ARISING FROM THE MINUTES

Nil

7. UNFINISHED BUSINESS

Nil

8. NEW BUSINESS

(a) 2016-2020 Draft Five-Year Financial Plan

Juli Kolby presented the Plan, highlighting the following points:

- Despite the departure of the Manager of Public Works, ISL Engineering is able to proceed with the East Road improvements, north and south of Mossom Creek, and West Elementary Road construction.
- MRN funding received by the Village and put into reserve can only be used for replacing like-for-like; upgrades cannot be funded through this agreement.
- There is adequate funding (\$487,000) in the road reserve, which would allow road projects to be completed in 2016 and funded from the reserve.

Committee discussed safety aspects regarding the condition of the Village’s roads.

Committee discussed the worsening condition of the old village hall and the impact on its contents.

It was Moved and Seconded:

“That the Finance Committee asks staff to look at the cost of new or used trailers of a similar size, a washroom trailer, and the cost to do gables and a facade; and to join them, on the premise that we would have a minimum 900 square foot Council Chamber and a storage facility; and to look into demolition of the old village hall.”

Carried Unanimously

It was Moved and Seconded:

“That the draft 2016-2020 Five-Year Financial Plan, as reviewed by the Finance Committee on February 22, 2016, be presented to Council for deliberation.”

Carried Unanimously

9. ADJOURNMENT

It was Moved and Seconded:

“To adjourn.”

Carried Unanimously

The meeting adjourned at 9:05 p.m.

Certified Correct:

Approved:

Christine Milloy
Manager of Corporate Services

Mayor John McEwen
Chair, Finance Committee



VILLAGE OF ANMORE

REPORT TO FINANCE COMMITTEE

Date: October 19, 2016

Submitted by: Juli Kolby, Chief Administrative Officer

Subject: Investment of Surplus Funds Policy No. 54

Purpose / Introduction

To seek endorsement of the Investment of Surplus Funds Policy No. 54 from Finance Committee prior to Council's consideration of said policy.

Recommended Resolutions

1. **THAT Finance Committee endorse Investment of Surplus Funds Policy No. 54 as attached and outlined in the report dated October 19, 2016 from the Chief Administrative Officer regarding Investment Policy No. 54.**

OR

2. **THAT Finance Committee endorse Investment of Surplus Funds Policy No. 54 as attached and outlined in the report dated October 19, 2016 from the Chief Administrative Officer regarding Investment Policy No. 54, with amendments.**

OR

3. **THAT Finance Committee refer the policy back to staff for further information.**
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Background

The Village has not previously had an Investment Policy adopted by Council.

Discussion

The draft investment policy is included as **Attachment 1** for review and consideration. Section 183 of the *Community Charter* (**Attachment 2**) specifies the allowable investments a local government can make. This section is intended to ensure the investment of municipal funds is lower risk and that funds are not invested in certain markets (i.e. tobacco, arms, volatile commodities, etc.).

Report/Recommendation to Finance Committee

Investment of Surplus Funds Policy No. 54

October 19, 2016

The Government Finance Officers Association (GFOA) makes recommendations in relation to the development of an investment policy. These recommendations have been included as **Attachment 3**. Investment of Surplus Funds Policy No. 54 includes three investment priorities which are in line with the GFOA recommendations (listed in priority order):

1. Preservation of Capital
2. Liquidity
3. Return on Investment/Yield

Procedures for investing surplus municipal funds will be drafted by the Chief Financial Officer. It is recommended at this time that the Village undertake a RFP process which will result in a recommendation by staff to appoint an external investment manager. As per the draft policy, the appointment of this role will be approved by Finance Committee.

Financial Implications

As outlined in the report and policy.

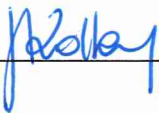
Communications / Civic Engagement

Not applicable.

Corporate Strategic Plan Objectives

The creation of an investment policy is in line with Council's strategic corporate objective of ensuring the financial sustainability of municipal resources.

Prepared by:



Juli Kolby
Chief Administrative Officer



Village of Anmore

COUNCIL POLICY

Policy	Investment of Surplus Funds	Policy No.	54
Effective Date	TBD	Approved by	
Date Amended	n/a	Resolution No.	
Date Established	TBD		

PURPOSE

The purpose of this policy is to provide the framework for investment portfolio management to Village staff. This policy considers industry best practices, and incorporates recommendations pursuant to the Government Finance Officers Association (GFOA).

It is the policy of the Village to invest municipal funds in a manner that will provide the optimal blend of investment security and return, while meeting the daily cash flow demands of the Village and complying with the statutory requirements of the *Community Charter*.

SCOPE

These policy guidelines are applicable to all funds managed by the Village. These funds are pooled and interest revenue is allocated on an annual basis.

DEFINITIONS

Refer to Appendix A.

INVESTMENT PRIORITIES

Investments managed by the Village will be invested in accordance with sound investment management principles contained herein and shall conform to Section 183 of the *Community Charter* and will reflect a conservative philosophy based on three fundamental objectives, in the following order of priority:

1. Preservation of Capital

Investments shall be made to ensure the safety of the principal within the portfolio. This is accomplished by placement of funds with creditworthy institutions and through portfolio diversification. Portfolio diversification is necessary in order to minimize potential losses on individual securities and to maximize the yield from a combination of financial products.

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating and capital requirements that may be reasonably anticipated.

3. Return on Investment/Yield

The investment portfolio shall be designed with the objective of maximizing market rate of return subject to the investment risk constraints and liquidity requirements of the Village.

STANDARDS OF CARE

Prudence

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 risk/return relationship of each security.

Ethics and Conflicts of Interest

Officers and employees shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Officers and employees shall disclose any material financial interests in financial institutions and/or investment dealers that conduct business with the Village.

Officers and employees shall conduct themselves in accordance with the Code of Conduct established by GFOA, LGMA and professional accounting bodies.

Delegation of Authority

Authority to manage the Village's investment portfolio is derived from Section 149 of the *Community Charter* as follows:

"One of the municipal officer positions must be assigned the responsibility of financial administration, which includes the following powers, duties and functions:

...(c) investing municipal funds, until required, in authorized investments;"

The Financial Officer, under the authority of the Officer Designation and Delegation of Authority Bylaw No. 556-2016 is assigned the powers, duties and responsibilities for financial administration pursuant to Section 149 of the *Community Charter*.

Management responsibility for the investment program is hereby delegated to the Chief Financial Officer, who shall establish and maintain written procedures for the operation of the investment program consistent with this policy. The Chief Financial Officer shall be responsible for all transactions undertaken, and shall be responsible for the investment transactions.

Credit Risk Monitoring

Investments will reflect the credit worthiness of the institution. In addition to in-house credit analysis, the Village shall rely on the credit analysis of the Dominion Bond Rating Service (DBRS), given their prominence in the Canadian market. In-house or credit rating agency credit analysis information is an assessment and cannot serve as a guarantee for safety of principal.

The purchase of any non-rated securities or other securities carrying a credit rating below those as noted in this policy is strictly prohibited.

Downgrade in Credit Ratings

Should an issuer's credit rating be downgraded while the Village holds the investment, it shall be at the discretion of the Chief Financial Officer as to its disposition.

APPLICATION

Option 1 – Village Managed Investment Portfolio

Except for overnight deposits, the Village shall solicit competitive verbal quotations for the purchase and sale of securities. This policy recognizes that from time to time, offerings of value may require immediate action. Under such circumstances, competitive bids may not be sought provided that value can be substantiated by market data information. The selection of investments will depend upon the overall investment criteria, the security, term, cash flow, and interest rates offered as well as considering the limits below. The investment selected will not necessarily be based on the highest return/lowest cost. A variety of brokers/quotations should be used as much as is practical.

Competitive bids received verbally must be recorded and such documentation retained for two audited years. This policy is to protect municipal officials and to ensure adequate audit information.

Option 2 – Investment Fund Portfolio

The Chief Financial Officer in consultation with the Finance Committee may elect to assign a portion or all of the management of the Village's investments to a specific institution, the External Investment Manager, such as the Village's principal bankers or to an Investment Management firm. That being the case, the requirement for different brokers and for competitive bids noted in the previous two paragraphs would be suspended. A separate agreement will cover the terms and conditions of this arrangement.

All investments must meet the criteria outlined in this policy.

Permissible Investments

Section 183 of the *Community Charter* sets out permissible investments as follows:

"Money held by a municipality that is not immediately required may only be invested or reinvested in one or more of the following:

- *securities of the Municipal Finance Authority;*
- *pooled investment funds under section 16 of the Municipal Finance Authority Act;*
- *securities of Canada or of a province;*
- *securities guaranteed for principal and interest by Canada or by a province;*
- *securities of a municipality, regional district or greater board;*
- *investments guaranteed by a chartered bank;*
- *deposits in a savings institution, or non-equity or membership shares of a credit union;*
- *other investments specifically authorized under this or another Act."*

Authorized Investment Limits

Notwithstanding the limitations placed by Section 183 of the *Community Charter* on the investment portfolio, the Chief Financial Officer shall adhere to the guidelines set out in this section.

The following percentage limits are at the time of purchase only.

ISSUER SECTOR	MAXIMUM % OF PORTFOLIO	PER ISSUER
Federal Government – R1H/AAA	100%	75%
Provincial Governments - R1H/R1M/AA	100%	50%
Municipal Finance Authority		60%
Canadian Chartered Bank - R1H/R1M/AA Low	100%	50%
Canadian Credit Union – R1M/AA	50%	30%

(Note: These limits may be marginally exceeded for strategic reasons with approval of the Chief Financial Officer)

INVESTMENT PARAMETERS

Diversification

Assets held in investment portfolios shall be diversified to eliminate the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. Diversification strategies shall be determined and revised periodically by the Chief Financial Officer. In establishing specific diversification strategies, maturities selected shall provide for stability of income and reasonable liquidity.

Maturities

The Village shall attempt to match short-term investments with anticipated cash flow requirements to the extent possible. However, because of the inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio shall be continuously invested in readily available funds to meet ongoing obligations.

The Village will generally not directly invest in long-term investments maturing more than five (5) years from the date of purchase. However, investment terms exceeding five (5) years may be invested in if the maturity of investments are tied to a specific program, and are made to coincide as nearly as practicable with the expected use of the funds attached to the program in question.

SAFEKEEPING AND CUSTODY

Authorization

The custodial bank shall not accept delivery or payment without prior authorization and instructions from the Village. Village policy requires two authorized signatories on every investment transaction.

Evidence

All transactions shall be evidenced by a contract advice from the investment dealer as well as a settlement advice from the custodial bank. The broker/agent shall conduct transactions authorized verbally, and be followed by written confirmation per standard investment industry regulations.

Registration

All securities shall be registered in the name of the Village. Where applicable, securities purchased directly from British Columbia (BC) credit unions shall be held in the Village's name in a separate account maintained within the issuing credit union.

Where applicable, BC credit union securities purchased through an investment dealer shall be held in the Village's name in a separate account maintained by the investment dealer with whom the transaction was undertaken.

Custodial holding reports from the third-party custodian, statements from BC credit unions and statements from investment dealers will be reconciled to the Village's investment portfolio on a monthly basis.

Should the Village appoint an External Investment Manager, specific provisions for payment and safekeeping shall be provided for.

CO-MINGLED FUNDS

Investments may be made in the pooled investment funds of the Municipal Finance Authority: Money Market, Intermediate and Bond Funds – which are managed by an independent third party, provided that the Safety, Liquidity, and Yield characteristics of the fund are consistent with or better than alternative money market strategies approved pursuant to these guidelines.

REPORTING

The Finance Committee will be provided with a summary annual report. The Committee will be notified immediately in circumstances where the portfolio risk profile or return deviates significantly from expectations.

RELIEF FROM PERSONAL RESPONSIBILITY

Individuals acting in accordance with written procedures and within the guidelines of this policy and exercising due diligence shall be relieved of personal responsibility for an individual issuer's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments in credit risk change.

POLICY REVIEW

This policy shall be reviewed and amended as necessary every three years, or more frequently as required, to ensure that it remains consistent with the overall objectives of the Village and with current prudent investment practices.

APPENDIX A

Definitions

BANKERS ACCEPTANCE: An investment instrument that is a commercial draft drawn by a borrower for payment on a specified date and accepted, or guaranteed, by the borrower's bank. The bank's acceptance is signified by a counter signature on the draft. Once a draft of this nature has been co-signed, it becomes a Bankers Acceptance and is backed by the credit of the accepting bank. These instruments are actively and openly traded in the money markets and as a result are extremely liquid.

BOND: An IOU from the borrower to the lender. It refers to any interest bearing government or corporate security that obligates the issuer to pay a particular sum of money at specified intervals and to repay the principal amount of the loan upon maturity. A secured bond is backed by collateral that may be sold by the bondholder if the bond issuer fails to pay interest and principal as due. A debenture or unsecured bond is not backed by any specific collateral.

CALLABLE SECURITIES: Securities redeemable by the issuer prior to the scheduled maturity date.

CENTRAL DEPOSITORY FOR SECURITIES (CDS): A national clearing house for securities trading owned by the major banks, investment dealers and trust companies. CDS is regulated directly by the Provincial Securities Commissions and indirectly through the Federal regulations of Financial Institutions. It manages the recording and clearing of Canadian stocks, bonds, and coupons on a book basis. The physical securities are stored in vaults of CDS and the Bank of Canada.

COLLATERAL: Asset pledged to a lender as security for a loan.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

ISSUER EXTENDIBLE NOTES: Differ from traditional fixed income investments such as bonds and GIC's in that there is a greater level of uncertainty as to the maturity date, and the income received may vary according to a predetermined schedule. For example, a note may have:

- An initial term to maturity of 1 year and might be extendible by the issuer on a year-by-year basis up to 10 years.
- In addition the interest paid or coupon, may rise over time if the maturity date of the note is extended.
- Generally issued by governments, federal agencies or high grade corporations (such as schedule I Canadian Banks) with strong credit ratings.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between the bid and asked price is narrow and a holding of reasonable size can be sold at those quotes.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MONEY MARKET: The market in which short-term (one year or less) debt instruments (treasury bills, commercial paper, bankers acceptances, etc.) are issued and traded.

OVERNIGHT TRANSACTION: An investment of funds maturing on Village's next business day. May take the form of a term deposit with a bank or credit union, or may take the form of a repurchase agreement.

PORTFOLIO: Collection of securities held by an investor.

RATING: Evaluation of the likelihood of default by a security issuer. Canada Bond Rating Service and Dominion Bond Rating Service are the primary bond and money market security rating agencies in Canada. Standard and Poors, and Moody's Investor Service are American bond rating firms that also rate Canadian issuers.

REPURCHASE AGREEMENT: A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security “buyer” in effect lends the “seller” money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Investment dealers use repurchase agreements extensively to finance their positions.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables are held in the bank’s vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

STEP-UP NOTES (a subtype of Issuer Extendible Notes): Step-up notes feature coupon rates that increase over time according to a pre-determined schedule. Generally, the issuer has the option of extending the maturity beyond its initial maturity date (usually in one-year increments) at a higher coupon rate. For example, an issue might have an initial term to maturity of 2 years, extendible to 10 years. The initial coupon may be 5.00% which rises to 5.25% if extended at the first maturity date, 5.50% if extended to the third maturity date and so on. Investors often find this feature attractive as the rising coupon rates offset some of the risk posed by a potential increase in interest rates.

VILLAGE: Means the Village of Anmore.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) **COUPON YIELD** is the rate of annual payments to the lender expressed as a percentage of the par value of the security. (b) **YIELD TO MATURITY** is the interest rate that will make the present value of future cash flows from a security equal to the current price or market value of the security.

Investment of municipal funds

183 Money held by a municipality that is not immediately required may only be invested or reinvested in one or more of the following:

- (a) securities of the Municipal Finance Authority;
- (b) pooled investment funds under section 16 of the *Municipal Finance Authority Act* ;
- (c) securities of Canada or of a province;
- (d) securities guaranteed for principal and interest by Canada or by a province;
- (e) securities of a municipality, regional district or greater board;
- (f) investments guaranteed by a chartered bank;
- (g) deposits in a savings institution, or non-equity or membership shares of a credit union;
- (h) other investments specifically authorized under this or another Act.

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A written investment policy is the single most important element in a public funds investment program. An investment policy should describe the most prudent primary objectives for a sound policy: safety, liquidity, and yield. It should also indicate the type of instruments eligible for purchase by a government entity, the investment process, and the management of a portfolio. Such a policy improves the quality of decisions and demonstrates a commitment to the fiduciary care of public funds, with emphasis on balancing safety of principal and liquidity with yield. Adherence to an investment policy signals to rating agencies, the capital markets and the public that a government entity is well managed and is earning interest income suitable to its situation and economic environment.

Recommendation:

GFOA recommends that all governing bodies adopt a comprehensive written investment policy and review and update its policies, if necessary on an annual basis.

The process of creating an investment policy should include:

- Examination of state public funds investment statutes. Most states have some form of public funds investment statutes. A states public funds statute defines the parameters of what a government entity may do and serves as a guideline to begin drafting an investment policy. A government entity's policy may be more restrictive than a statute (e.g., limiting the amount (usually a percentage) or prohibiting the purchase of commercial paper, even though state law allows it) but it may not be more expansive.
- Examination of state public funds collateral statutes. State collateral laws correlate with public funds investment statutes and define how the government entity's public funds must be protected against depository failure. Government entities should adopt a public funds collateral policy just as they do an investment policy or incorporate such language within its investment policy. Many times a collateral law or policy will reference state investment statutes in establishing what instruments or techniques are eligible for use as collateral.
- Review of sample investment policies. Rather than starting an investment policy from scratch, government entities should consider reviewing existing investment policies. The GFOA's sample investment policy provides a format and content that can be modified for an entity's needs. Policies from other jurisdictions or state associations can be similarly useful.
- Drafting of an investment policy. The most prudent primary objectives for drafting a sound investment policy should be: safety, liquidity, and yield, in that order. The investment policy should address certain key questions, including:
 - Who are the authorized investment officers?
 - What standard of care will be established?
 - What instruments will be eligible for investment?
 - How will diversification be ensured?
 - How will safekeeping be handled?
 - What is the maximum term for any given investment?
 - What type of internal controls should be in place?
 - Who will comprise the investment committee (internal/external members), if any?
 - What type of investment reports/performance reports will be produced?
 - What types of benchmarks will be used?
 - Will an investment advisor be used (and to what capacity)?
 - What are the criteria for beginning or ending an investment relationship?
- Review by appropriate parties. Once a draft policy is formulated, seek input from the government entity's proposed investment officer(s), its leadership, including the government entity's legal department or counsel and the proposed investment committee. Colleagues in other jurisdictions might also be willing to review and comment.
- Adoption by formal action of governing body. Many states require a government investment policy to be approved by the entity's governing body. The approval process can be by resolution or other official action in a public meeting. By presenting the policy for formal approval, the policy becomes an established part of the government entity's operations, rather than simply serving as an internal guideline.

- Establishment of written investment procedures. Just as the investment policy defines the boundaries of an entity's investing program, written procedures document who will do what on a day to day basis. Topics should include: procedures for taking competitive bids, delivering and paying for purchases, recording transactions, and obtaining approval before buying or selling decisions.
- Annual review of investment policy. The written investment policy should be a living document that is reviewed each year by a government entity's investment officials and modified as needed. The policy should be presented each year to the governing body for formal review and approval.

Committee: Treasury and Investment Management

References:

- Sample Investment Policy (GFOA) (2011)
 - *Investing Public Funds* by Girard Miller with M. Corinne Larson and W. Paul Zorn. 2nd edition. Chicago: GFOA, 1998.
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