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**Halifax Regional Council**  
**February 11, 2003**

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:** Derek Tynski  
Derek Tynski, Chair, Investment Policy Advisory Committee

**DATE:** December 10, 2002

**SUBJECT:** Investment Policy Advisory Committee Report - Quarters Ending June 30, 2002 and September 30, 2002

**INFORMATION REPORT**

**ORIGIN**

The Halifax Regional Municipality Investment Policy requires that the Investment Policy Advisory Committee report to Council on compliance by staff with the Investment Objectives of the Investment Policy not less frequently than quarterly. The Quarter ending September 30, 2002 marks the first full quarter in which the Investment Policy was formally in effect.

**BACKGROUND**

The Halifax Regional Municipality Investment Policy (the Policy) was adopted by Council April 23, 2002 and was approved by the Minister of Service Nova Scotia and Municipal Relations on May 14, 2002. The Policy was approved in accordance with Section 100 of the *Municipal Government Act*.

The mandate of the Investment Policy Advisory Committee (the Committee) is to recommend an investment policy to Council as well as provide ongoing monitoring of investment activities. Following adoption and approval of the Policy, the activities of the Committee have shifted to the monitoring role.

## DISCUSSION

The Investment Policy Advisory Committee is pleased to provide the first report to Council under the provisions of the recently approved Policy. The primary focus of this report will be to report on compliance with the objectives of the Policy.

The six objectives of the Policy, stated in order of priority of importance, are as follows:

1. Adherence to Legal Requirements
2. Preservation of Capital
3. Liquidity
4. Diversification of Investment Portfolio
5. Competitive Return on Investments
6. Regular Review of Performance

Copies of the Sector Weight schedules recommended under the Policy are attached.

The Committee has reviewed the information provided by staff in the Treasurer's reports to the Committee for the Quarters ending June 30, 2002 and September 30, 2002, and accepts the reports and the findings contained in the reports.

- A) Quarter ending June 30, 2002. The Committee accepts the findings by staff that the investment activities reported are in compliance with the Policy with the exception of the Sector Weights. The amount of funds held within the HRM bank account under the provisions of the *Municipal Government Act* and investments in the Financial Institution Sector in total were greater than the percentage recommended in the Sector Weight tables of the Policy. The Committee accepted the advice of staff that this was a transition issue as staff moved to fully implement the Policy. The Committee believes the time frame outlined by staff for addressing this issue was quite reasonable given that the Policy only received formal approval in the middle of May 2002.
- B) Quarter ending September 30, 2002. The Committee accepts the findings by staff that the investment activities reported are in compliance with the Policy. The Committee suggests, however, that greater transparency in reporting can be gained by dis-aggregating the Sector Weight schedule to show the investments attributable to the various Funds of HRM. Staff have agreed to address this issue in future Quarterly reports. The Committee also requests a somewhat more detailed reporting of cash flows. Staff have agreed to continue to work with the Committee to provide the "right fit" in reporting to add to the Committee's confidence that the Liquidity Objective is being met.

C) Staff raised for discussion an issue as to other applications of cash. These are loans approved by Council which are generally made to advance a public purpose rather than to earn investment income. Following review and discussion of the matter, the Committee concluded that these "Council-approved" loans do not fall within the mandate of the Policy on an individual basis. However, the Committee will monitor the total amount of these other uses of cash and may provide comment to Council in the future should the Committee feel that the magnitude of the loans are having a negative impact on the effectiveness of investments under the Policy.

**BUDGET IMPLICATIONS**

N/A

**FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

The Committee has been advised by staff that this report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

**ALTERNATIVES**

N/A

**ATTACHMENTS**

Recommended Sector Weight schedules June 30 and September 30, 2002.

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.  
Report Approved by: Investment Policy Advisory Committee Date: December 5, 2002  
Report Prepared by: Derek Tynski, Chair, Investment Policy Advisory Committee

Sector Weights - @ June 30, 2002

<u>Category</u>	<u>Status</u>	<u>Cumulative Amount Invested @ Book Value</u>	<u>%</u>	<u>Guideline Limit</u>	<u>%</u>	<u>Limit Available</u>	<u>%</u>
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>\$93,291,030</b>	<b>48%</b>	<b>\$193,322,878</b>	<b>100%</b>	<b>\$100,031,848</b>	<b>52%</b>
Federal Government	Open	\$81,423,010	42%				
Business Development Bank	Open						
Canada Mortgage & Housing Corp.	Open						
Canadian Wheat Board	Open	\$11,868,020	6%				
Export Development Canada	Open						
Farm Credit Corp	Open						
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$5,962,820</b>	<b>3%</b>	<b>\$193,322,878</b>	<b>100%</b>	<b>\$187,360,058</b>	<b>97%</b>
Alberta (R-1 High)	Open			\$48,330,719	25%	\$48,330,719	25%
Alberta Municipal Finance Corp (R-1 High)	Open			\$48,330,719	25%	\$48,330,719	25%
British Columbia (R-1 Mid)	Open			\$48,330,719	25%	\$48,330,719	25%
Manitoba (R-1 Low)	Closed			\$48,330,719	25%	\$48,330,719	
New Brunswick (R-1 Low)	Closed			\$48,330,719	25%	\$48,330,719	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$48,330,719	25%	\$48,330,719	
Nova Scotia (R-1 Low)	Closed			\$48,330,719	25%	\$48,330,719	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$48,330,719	25%	\$48,330,719	
Ontario (R-1 Mid)	Open	\$5,962,820	3%	\$48,330,719	25%	\$42,367,899	22%
Prince Edward Island (R-1 Low)	Closed			\$48,330,719	25%	\$48,330,719	
Quebec (R-1 Low)	Closed			\$48,330,719	25%	\$48,330,719	
Saskatchewan (R-1 Low)	Closed			\$48,330,719	25%	\$48,330,719	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>		<b>\$48,330,719</b>	<b>25%</b>	<b>\$48,330,719</b>	<b>25%</b>
Calgary (R-1 Mid)	Open			\$19,332,288	10%	\$19,332,288	10%
Edmonton (R-1 High)	Open			\$19,332,288	10%	\$19,332,288	10%
Winnipeg (R-1 Mid)	Open			\$19,332,288	10%	\$19,332,288	10%
<b>Financial Institutions &amp; their Guarantees</b>	<b>BA's Schedule A Canadian Banks R-1 Mid</b>	<b>\$34,811,935</b>	<b>18%</b>	<b>\$48,330,719</b>	<b>25%</b>	<b>\$13,518,784</b>	<b>7%</b>
Bank of Montreal (R-1 Mid)	Open	\$0		\$19,332,288	10%	\$19,332,288	10%
Bank of Nova Scotia (R-1 Mid)	Open	\$11,439,675	6%	\$19,332,288	10%	\$7,892,613	4%
Canadian Imperial Bank of Commerce (R-1 Mid)	Open	\$11,933,920	6%	\$19,332,288	10%	\$7,398,368	4%
Laurentian Bank (R-1 Low)	Closed			\$19,332,288	10%	\$19,332,288	
National Bank of Canada (R-1 Low)	Closed			\$19,332,288	10%	\$19,332,288	
Royal Bank (R-1 Mid)	Open	\$3,976,880	2%	\$19,332,288	10%	\$15,355,408	8%
Toronto Dominion (R-1 Mid)	Open	\$7,461,460	4%	\$19,332,288	10%	\$11,870,828	6%
Corporations & their Guarantees	Closed						
FIXED (Bonds, etc. over one year)	Closed						
<b>Interest Bearing Bank Accounts</b>		<b>\$59,257,093</b>	<b>31%</b>				
<b>Total</b>		<b>\$193,322,878</b>					

**Sector Weights - @ September 30, 2002**

Category	Status	Cumulative Amount Invested @ Book Value	%	Guideline Limit	%	Limit Available	%
<b>CASH &amp; EQUIVALENTS</b>							
<b>Federal Government &amp; its Guarantees</b>	<b>Open</b>	<b>\$129,905,055</b>	<b>63%</b>	<b>\$205,437,513</b>	<b>100%</b>	<b>\$75,532,458</b>	<b>37%</b>
Federal Government	Open	\$75,483,890	37%				
Business Development Bank	Open	\$11,874,100	6%				
Canada Mortgage & Housing Corp.	Open	\$2,468,875	1%				
Canadian Wheat Board	Open	\$31,128,890	15%				
Export Development Canada	Open						
Farm Credit Corp	Open	\$8,949,300	4%				
<b>Provincial Governments &amp; their Guarantees</b>	<b>R-1 Mid or Greater</b>	<b>\$32,859,684</b>	<b>16%</b>	<b>\$205,437,513</b>	<b>100%</b>	<b>\$172,577,828</b>	<b>84%</b>
Alberta (R-1 High)	Open			\$51,359,378	25%	\$51,359,378	25%
Alberta Municipal Finance Corp (R-1 High)	Open	\$0		\$51,359,378	25%	\$51,359,378	25%
British Columbia (R-1 Mid)	Open			\$51,359,378	25%	\$51,359,378	25%
Manitoba (R-1 Low)	Closed			\$51,359,378	25%	\$51,359,378	
New Brunswick (R-1 Low)	Closed			\$51,359,378	25%	\$51,359,378	
New Brunswick Municipal Finance Corp (R-1 Low)	Closed			\$51,359,378	25%	\$51,359,378	
Nova Scotia (R-1 Low)	Closed			\$51,359,378	25%	\$51,359,378	
Nova Scotia Municipal Finance Corp (R-1 Low)	Closed			\$51,359,378	25%	\$51,359,378	
Ontario (R-1 Mid)	Open	\$32,859,684	16%	\$51,359,378	25%	\$18,499,694	9%
Prince Edward Island (R-1 Low)	Closed			\$51,359,378	25%	\$51,359,378	
Quebec (R-1 Low)	Closed			\$51,359,378	25%	\$51,359,378	
Saskatchewan (R-1 Low)	Closed			\$51,359,378	25%	\$51,359,378	
<b>Municipal Governments &amp; their Guarantees*</b>	<b>R-1 Mid or Greater</b>	<b>\$0</b>		<b>\$51,359,378</b>	<b>25%</b>	<b>\$51,359,378</b>	<b>25%</b>
Calgary (R-1 Mid)	Open			\$20,543,751	10%	\$20,543,751	10%
Edmonton (R-1 High)	Open			\$20,543,751	10%	\$20,543,751	10%
Winnipeg (R-1 Mid)	Open			\$20,543,751	10%	\$20,543,751	10%
<b>Financial Institutions &amp; their Guarantees</b>	<b>BA's Schedule A Canadian Banks R-1 Mid</b>	<b>\$43,094,898</b>	<b>21%</b>	<b>\$51,359,378</b>	<b>25%</b>	<b>\$8,264,480</b>	<b>4%</b>
Bank of Montreal (R-1 Mid)	Open	\$19,147,718	9%	\$20,543,751	10%	\$1,396,033	1%
Bank of Nova Scotia (R-1 Mid)	Open	\$15,969,080	8%	\$20,543,751	10%	\$4,574,671	2%
Canadian Imperial Bank of Commerce (R-1 Mid)	Under Review	\$0		\$20,543,751	10%	\$20,543,751	
Laurentian Bank (R-1 Low)	Closed			\$20,543,751	10%	\$20,543,751	
National Bank of Canada (R-1 Low)	Closed			\$20,543,751	10%	\$20,543,751	
Royal Bank (R-1 Mid)	Open	\$7,978,100	4%	\$20,543,751	10%	\$12,565,651	6%
Toronto Dominion (R-1 Mid)	Under Review	\$0		\$20,543,751	10%	\$20,543,751	
Corporations & their Guarantees	Closed						
FIXED (Bonds, etc. over one year)	Closed						
<b>Interest Bearing Bank Accounts</b>				<b>(\$422,125) *</b>			
<b>Total</b>		<b>\$205,437,513</b>					

\*Additional funds anticipated for deposit Sept. 30