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Item No. 9.1.2
Audit and Finance Standing Committee
December 17, 2014

TO: Councillor Bill Karsten, Chair and Members of the Audit and Finance Standing Committee
Original Signed

SUBMITTED BY: _____
Greg Keefe, Director of Finance and Information Technology / CFO

DATE: December 5, 2014

SUBJECT: Bank Account for Investment Purposes

ORIGIN

Last year staff recommended that bank accounts be opened at a number of Canadian financial institutions to potentially enhance the rate of return on temporarily surplus cash within the Objectives of the HRM Investment Policy. Following approval by Council, bank accounts for investment purposes were opened at four major Canadian financial institutions which has resulted in increased investment income. Staff is recommending the addition of a fifth investment bank account.

LEGISLATIVE AUTHORITY

Section 121(1) of the HRM Charter requires that funds be invested pursuant to an Investment Policy adopted by Council and approved by the Minister of Service Nova Scotia and Municipal Relations or invested pursuant to the Trustee Act. Where HRM has chosen to adopt an Investment Policy and the Minister has approved the Policy investment activities are governed by this Policy.

RECOMMENDATION

It is recommended that the Audit and Finance Standing Committee recommend to Regional Council to:

1. Authorize staff to open an account for investment purposes with the National Bank of Canada.
2. Authorize the HRM bank signing officers for these accounts to be the Chief Administrative Officer, the Deputy Chief Administrative Officer, the Director of Finance and Treasurer and the Deputy Treasurer.

RECOMMENDATION CONTINUED ON PAGE TWO

3. Authorize any two of the HRM bank signing officers to execute any Agreements required and any disbursements from these accounts with the exception of transfers to other HRM bank accounts which may be authorized by one signing officer or individuals as designated by the Treasurer.

BACKGROUND

The opening of investment bank accounts last year with Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada and Toronto Dominion Bank has met or exceeded expectations for enhancing investment income and improved funds management. Staff is recommending that a similar account be opened with the National Bank of Canada.

DISCUSSION

Under the HRM Investment Policy (the Policy) up to 10% of the total portfolio may be invested in each of the "Big 5" Canadian banks which are Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Scotiabank and Toronto Dominion Bank. The Policy allows for up to 5% of the total portfolio to be invested in National Bank of Canada recognizing its lower but still very high credit rating. While in the past investments with all of these institutions had been through the purchase of their Banker's Acceptances and Bearer Deposit Notes, the approval last year of the opening of bank accounts for investment purposes with the four institutions discussed above provided an alternative investment vehicle. This alternative has been used extensively by staff. While the original estimate of incremental income from the use of the investment bank accounts had been \$200,000 per annum staff is currently projecting this amount should be closer to \$300,000. In addition, the flexibility to move funds to and from these bank accounts electronically has improved cash management.

As experience has been gained with these investment bank accounts a logical extension of this strategy was to explore whether other financial institutions authorized under the Policy would offer similar accounts. Staff approached the National Bank of Canada in this regard and received a proposal similar to what has been implemented with the other financial institutions. This proposal was discussed with the Investment Policy Advisory Committee. After a full discussion of investment exposure to non-Government institutions in general and the investment bank accounts in particular the consensus was supportive to obtaining investment exposure to the National Bank of Canada through an investment bank account.

Similar to with the other investment bank accounts, the recommended bank signing officers are as established by Council at the October 30, 2012 meeting being the Chief Administrative Officer, the Deputy Chief Administrative Officer, the Director of Finance and Treasurer with the addition of the Deputy Treasurer who has normally been delegated bank signing authority by the Treasurer under Section 41 (2) of the HRM Charter. Also as approved by Council on July 9, 2002 transfers between HRM bank accounts only require the approval of one signing officer. As these accounts will be for investment purposes only under the HRM Investment Policy they will be effectively a 'closed loop' with funds being transferred to and from the HRM banker Scotiabank hence the recommendation for only one signing officer to authorize the transfers. It should also be recognized that electronic means may be used to execute these transfers and that the Treasurer may designate other signing authorities to approve these transfers to meet investment operational requirements.

FINANCIAL IMPLICATIONS

Staff anticipates that the addition of the National Bank of Canada bank account will have a further positive impact on investment income. The actual magnitude will depend on a number of factors including market conditions. The actual incremental income from the investment bank accounts is reported as part of the Quarterly reporting to the Investment Policy Advisory Committee, the Audit and Finance Standing Committee and Regional Council.

COMMUNITY ENGAGEMENT

This matter has been discussed with the Investment Policy Advisory Committee. The majority of the members of this Committee (4 of 6) are volunteers from the general public.

ENVIRONMENTAL IMPLICATIONS

None

ALTERNATIVES

The Audit and Finance Committee could reject the staff recommendation to open the bank account discussed in this report. This is not recommended as staff believes additional investment income can be gained from the use of this account without any increase in credit risk and with less liquidity risk.

Alternatively the Audit and Finance Committee could approve the opening of the account but modify the recommended signing officers. This is not recommended as the signing officers suggested by staff are consistent with the current HRM signing officers.

ATTACHMENTS

None

A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/index.php> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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