

**Report from** Financial Management Services, Director

**Date of Report:** January 9, 2018

**Date of Meeting:** February 5, 2018

**Report Number:** FMS-B006-2018

**File:** 10.57.99

**Subject:** Annual Investment Report – Operating Fund as at December 31, 2017 and Investment Policy Amendments

## Recommendation

That Council receive the 2017 Annual Investment Report shown in Appendix 1 for information purposes; and

That Council approve the amendments to the Investment Policy shown in Appendix 2. FORTHWITH.

## Summary

In compliance with the City's Investment Policy, the Operating Fund Investment Report for the year ending December 31, 2017, is provided to Council in Appendix 1. The Report provides the details of the City's investments as of December 31, 2017, including issuer, book value, settlement date, maturity date, investment term, and interest rate.

Financial Management Services (FMS) is also seeking to make limited changes to the Investment Policy which are intended to improve returns while preserving capital, as well as aligning the policy with the current organizational structure in FMS. These changes comply with both current and proposed legislation, the latter of which will be reported on once finalized.

## Background

An Operating Fund Investment Report is provided to Council annually. This report is in compliance with the requirements of the Council approved Investment Policy. This Policy provides financial controls and outlines the four major competing objectives for investing activities: Compliance with Statutory Requirements; Preservation of Capital; Maintenance of adequate liquidity to meet ongoing operational cash requirements; and maximization of return.

The Municipal Act (Act) and related regulations is prescriptive providing acceptable investments, however in 2017 the Act was amended. In contrast, the new section of the Act, 418.1 on investments, is aligned with the Prudent Investor Standards and will allow qualifying municipalities to invest in any type of security provided that the investment is

made using the skill, care, diligence, and the City's own risk tolerance and liquidity needs. The new legislation (including both the Act and accompanying Regulations) is expected to come into force in 2018. When the full content of the new legislation is confirmed, FMS will bring forward to Council recommendations around both investment management and policy.

While these significant changes are occurring in the legislative environment for investing, interest rates have only increased slightly. FMS continues to look for ways to increase returns and assist in providing an alternative revenue stream for the City. Minimizing risk related to the preservation of capital, and complying with the current Act's investment requirements are the other objectives that must be satisfied.

## **Report**

### **Annual Investment Report**

The Annual Investment Report – Operating Fund at December 31, 2017, is attached as Appendix 1. Investment balances have grown to almost \$32.6 million, and comprise both guaranteed investment certificates and cash deposit accounts. While the City continues to hold the majority of its investments with the largest Schedule I banks, in 2017 investments with Credit Unions increased to almost the maximum amount allowed under the current policy (Appendix 1). The investments are in compliance with both the City Investment Policy, and the Provincial regulations which require issuer credit ratings of AA, for investments greater than two years.

As at December 31, 2017, the City earned 2.15% on GIC's issued by two different credit unions with terms to maturity of one year, compared to rates up to 1.45% for the City's general operating cash accounts. When Financial Management Services obtains bids for investments, it has been finding that Credit Unions offer favorable rates compared to other bank investment options with similar terms.

### **Amendments to Investment Policy**

The proposed amendments to the Investment Policy simplify the Policy by combining credit unions and trust companies into one investment category with a maximum portfolio share of 20%. Setting the individual issuer limit at 10% is intended to manage credit risk through requiring diversification of issuers.

Credit ratings provide a measure of individual issuer risk. The Schedule I banks continue to hold AA ratings, while the credit unions are largely unrated, which supports the larger allowable portfolio (100%) and issuer percentages (50%) for Schedule 1 banks compared to the Credit Unions. The City continues to require that credit union issued GICs are guaranteed by Central 1 Credit Union which has an A (high) credit rating, which mitigates the credit union's issuer risk. While schedule II banks (subsidiaries of foreign banks) have separate portfolio and issuer percentage limits within the Investment Policy, the City has not invested within this issuer category. As a

consequence, the next Policy review, will include further investigation of this issuer category.

A review of other comparator municipalities' Investment Policies highlights a large range of approaches, allowing for between 0% to 50% of portfolio investment in Credit Unions and 0% to 15% investment with an individual credit union issuer.

These Policy amendments are intended to provide more opportunity for obtaining higher yields while not substantially changing the financial risk levels. FMS will continue to only purchase shorter term investments from Credit Unions that are guaranteed by Central 1 Credit Union. This guarantee reduces issuer risk and, even with the small reduction of yield, provides a favourable return. Obtaining the guarantee aligns with the corporate goal of ensuring preservation of capital.

The other proposed amendments to the Investment Policy are administrative in nature, such as updates to position titles and reporting to match changes previously approved by Council. All the Policy amendments are highlighted in Appendix 2.

## **Financial Implications**

Amendments to the Investment Policy may result in increased investment income, however the changes are not quantifiable at this time. As current investments mature, they will be invested at the best terms available at that time. The solicitation of multiple quotes for investment products assists in ensuring that returns are maximized.

## **Relationship to Strategic Plan**

The Investment Policy is a financial control implemented by FMS to ensure that each of the investment objectives are balanced, including both preservation of capital and maximization of yield, thereby supporting the City's financial sustainability.

## **Conclusion**

As a result of upcoming changes to the Municipal Act and related regulations, more amendments to the City's investment management and related policy may be required in 2018. However, in the intervening time, the recommended amendments to the Investment Policy could provide more opportunity to increase yield while maintaining the City's current risk profile.

Once new legislation is enacted, FMS will complete a full review of the Investment Policy and report back to Council on recommended changes to the Investment Policy.

## **Attachments**

Appendix 1 – City of St. Catharines Annual Investment Report for 2017

Appendix 2 – City of St. Catharines Investment Policy, as amended

**Prepared by:**

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Financial Management Services

**Submitted by:**

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Financial Management Services

**Approved by:**

Kristine Douglas, Director Financial Management Services/City Treasurer

## Appendix 1 to FMS-020-2018

### City of St. Catharines Annual Investment Report

Operating Fund – As at December 31, 2017

#### Investment Summary:

Institution <sup>1</sup>	Individual Share <sup>2</sup>	Portfolio Share <sup>2</sup>	Maturity Value	Policy Limit <sup>2</sup>
<b>Schedule I Banks</b>		<b>90.8%</b>	<b>\$29,566,589</b>	<b>100%</b>
Bank of Montreal	9.2%		\$3,000,000	50%
Bank of Nova Scotia	52.6%		\$17,125,243	50%
National Bank	6.1%		\$2,000,000	50%
Royal Bank of Canada	15.5%		\$5,063,343	50%
Toronto Dominion Bank	7.3%		\$2,378,003	50%
<b>Credit Unions</b>		<b>9.2%</b>	<b>\$3,000,000</b>	<b>10%</b>
First Ontario Credit Union	4.6%		\$1,500,000	5%
Meridian Credit Union	4.6%		\$1,500,000	5%
<b>Total</b>		<b>100%</b>	<b>\$32,566,589</b>	<b>100%</b>

#### Investment Detail by Due Date:

Security Issuer (Dealer <sup>3</sup> ), Type <sup>4</sup>	Settlement Date	Due Date	Term Days	Interest Rate	Maturity Value
Bank of Montreal (TD), GIC	24-Aug-16	24-Aug-26	3652	2.15%	\$3,000,000
Bank of Nova Scotia, GIC	24-Aug-16	24-Aug-19	1095	1.81%	\$3,165,866
Bank of Nova Scotia, GIC	24-Aug-16	24-Aug-21	1826	2.03%	\$3,317,116
Bank of Nova Scotia, GIC	24-Aug-16	24-Aug-23	2556	2.17%	\$3,486,463
Bank of Nova Scotia (TD), CA	29-Nov-10	N/A	N/A	1.20%	\$7,155,798
National Bank (RBC), GIC	17-Oct-17	17-Oct-18	365	1.88%	\$2,000,000
First Ontario Credit Union, GIC	17-Oct-17	17-Oct-18	365	2.15%	\$1,500,000
Meridian Credit Union, GIC	17-Oct-17	17-Oct-18	365	2.15%	\$1,500,000
Royal Bank of Canada, ISA (TD), CA	7-Oct-10	N/A	N/A	0.90%	\$5,063,343
Toronto Dominion Bank, ISA, CA	26-Jun-15	N/A	N/A	0.95%	\$2,378,003
<b>Total</b>					<b>\$32,566,589</b>

**Notes:**

<sup>1</sup> Investment eligibility in accordance with Section 418 of the *Municipal Act, 2001* and *O.Reg 399/02*.

<sup>2</sup> The “Policy Limit” sets out the maximum share of a particular investment or investment category at the time of placement. Refer to the City of St. Catharines Investment Policy, Appendix B Approved Investments, Diversification and Ratings.

<sup>3</sup> Security dealer noted if different than security issuer.

<sup>4</sup> Investment Types:

BA = Bankers’ Acceptance, purchased at discount

BDN = Bearer Deposit Note, purchased at discount

CD = Certificate of Deposit

FRN = Floating Rate Note, purchased at premium

GN = Guaranteed Note, purchased at discount

DN = Deposit Note (Senior Bank Paper)

NC = Non-Callable

CA = Cash Account

GIC = Guaranteed Investment Certificate

SU = Extendible Step-Up Deposit Note



## INVESTMENT POLICY

### Appendix 2

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## INVESTMENT POLICY

### **SECTION I – POLICY STATEMENT**

The purpose of this investment policy is to establish and maintain practices and procedures to invest public funds with the highest return on investment with the maximum security and appropriate liquidity while meeting daily cash flow demands and conforming to all legislation governing the investment of public funds. The policy has been prepared in consultation with the City Treasurer and City Legal Services.

### **SECTION II – SCOPE**

This policy applies to the investment activities of the Operating, Capital, Trust, Reserves and Reserve Funds. Funds held within the operating accounts (general, savings and notice accounts) of the City's financial institution shall be excluded from this policy.

### **SECTION III – GENERAL OBJECTIVES**

The primary objectives of investment activities shall be adherence to statutory requirements, preservation of capital, liquidity, and yield:

#### **1. Adherence to Statutory Requirements**

Legislative authority for the investment guidelines of municipal funds is provided in Section 418 of the *Municipal Act 2001*.

#### **2. Preservation of Capital**

Safety of principal is a primary objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk and interest rate risk will be mitigated as follows:

- a. Credit Risk: The City will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
  - Limiting investments to the safer (i.e. higher rated) types of securities
  - Diversifying the investment portfolio so that potential losses on individual securities will be minimized
- b. Interest Rate Risk: The City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:
  - Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
  - Investing operating funds primarily in shorter-term securities or approved investment pools





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### 3. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating or cash flow requirements that may be reasonably anticipated. This shall be done where possible by structuring the portfolio so that securities mature concurrent with anticipated cash demands. The portfolio should consist largely of securities with active secondary or resale markets since all possible cash demands cannot be anticipated. A portion of the portfolio may also be placed in local government investment pools that offer liquidity for short-term funds.

### 4. Yield

The City shall maximize the rate of return earned on the investment portfolio without compromising the other objectives listed above. Investments are generally limited to relatively low risk securities in anticipation of earning a fair return relative to the assumed risk.

## SECTION IV – STANDARD OF CARE

### 1. 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 probable safety of capital as well as the probable income to be derived. Investment officers acting in accordance with this policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes.

### 2. Ethics and Conflicts of Interest

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. Material interests in financial institutions with which they conduct business shall be disclosed. Further, any personal financial/investment positions that could be related to the performance of the investment portfolio shall be disclosed. Officers and employees shall not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the City.

### 3. Delegation of Authority

The Director of Financial Management Services is responsible for the prudent investment of the City's portfolio. Authority to manage and implement the investment program is granted to the Assistant Director, or in the Assistant Director's absence, the Manager of Accounting and Payroll, hereinafter referred to as investment officer, who shall act in accordance with established procedures and internal controls consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy. The Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Those investments governed by the provisions of the "ONE – The Public Sector Group of Funds" agreement shall be deemed delegated to that Agent.

### 4. Competitive Selection

The purchase and sale of securities shall be transacted through a competitive process with financial institutions approved by the Director. The City will accept the offer that optimizes the investment



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objectives of the portfolio. A minimum of three quotations shall be obtained for each short-term transaction prior to placement and a reasonable number of quotations for each long-term transaction, considering the existing market conditions at the time of placement. Written records shall be retained of each transaction including the name of the institution solicited, rate quoted, description of the security, investment selected, as well as any other considerations that impacted the decision. If the highest yield security was not selected, an explanation describing the rationale shall be included in this record.

### **SECTION V – SAFEKEEPING AND CUSTODY**

All investments shall be held for safekeeping in the name of the City by approved institutions (Appendix B). The depository shall issue a safekeeping receipt to the City for each investment transaction that lists all pertinent information. The depository shall also provide monthly reports for each account, indicating all investment activity, book value of the holdings, market value as of month-end, and income earned by the investments.

### **SECTION VI – ELIGIBLE INVESTMENTS**

Investments issued or guaranteed by the following institutions will be permitted by this policy, as deemed eligible by Ontario Regulation 438/97 or as authorized by subsequent provincial regulations:

1. The Government of Canada.
2. Provincial governments of Canada.
3. A municipality, school board or local board as defined in the *Municipal Affairs Act* or a conservation authority established under the *Conservation Authorities Act*.
4. Schedule I banks. Bonds, debentures, and other evidences of indebtedness are subject to a minimum DBRS rating of R-1 middle or AA. Schedule I banks are set out by Section 14 of the *Bank Act*.
5. Schedule II banks. Bonds, debentures, and other evidences of indebtedness are subject to a minimum DBRS rating of R-1 high or AAA. Schedule II banks are set out by Section 14 of the *Bank Act*.
6. Loan or trust corporations, registered under the *Loan and Trust Corporation Act*. Bonds, debentures, and other evidences of indebtedness are subject to a minimum DBRS rating of R-1 middle or AA.
7. Credit unions or leagues to which the *Credit Unions and Caisses Populaires Act* applies. Bonds, debentures, and other evidences of indebtedness are subject to a minimum DBRS rating of R-1 middle or AA.
8. Bonds, debentures, promissory notes and other evidences of indebtedness of a corporation incorporated under section 142 of the *Electricity Act, 1998*.
9. Joint Municipal Investment pools permitted under the *Municipal Act*.



## **SECTION VII – INVESTMENT PARAMETERS**

### **1. Diversification**

The investments shall be diversified by:

- Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding Government of Canada securities);
- Limiting investment in securities that have higher credit risks;
- Investing in securities with varying maturities, and;
- Investing in mainly liquid, marketable securities that have an active secondary market to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

In order to ensure maximum security and proper diversification of the portfolio, additional limitations apply as set out in Appendix B. Column 3 sets out the maximum allowable exposure for each classification of security as a percentage of the total portfolio. Column 4 sets out the maximum allowable exposure for each specific issuer in a security class as a percentage of the total portfolio. Note that portfolio percentage restrictions apply at the time an investment is made. At specific times, the portfolio limitations may be exceeded as a result of the timing of maturities.

### **2. Maximum Maturities**

To the extent possible, the City shall attempt to match investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than ten (10) years from the date of purchase. Reserve and Trust funds with longer-term horizons may be invested in securities exceeding ten (10) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

## **SECTION VIII – REPORTING**

### **1. Method**

The investment officer shall provide an **annual** Operating Fund investment report to Council in the first ~~meeting of each month~~ **quarter of each year** (Appendix C). All other funds are to be reported annually to Council together with the annual audited City Financial Statements. The annual investment report should include the following:

- A listing of individual securities held at the end of the reporting period by maturity date;
- Investment term in days and interest rate;
- A record of the date of each security transaction, including a statement of the purchase and sale price of each security;
- Percentage of the total portfolio which each type of investment represents;
- A statement about the performance of the investment portfolio during the period;
- 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 year's report;



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- A statement by the Director of Financial Management Services 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;
- Such other information that the Committee may require or that, in the opinion of the Director of Financial Management Services, should be included.

### 2. Performance Measures

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 throughout budgetary and economic cycles that is commensurate with the investment risk constraints and cash flow needs of the City. Market yields should be higher than the rate given by the City's bank for the various bank accounts.

### 3. Market Value

The market value of the portfolio shall be calculated at least annually.

## SECTION IX – SECURITIES FOR SUBDIVISION AND DEVELOPMENT SERVICING

This policy relating to securities required for subdivision and development servicing (i.e. "Letters of Credit") has been designed to provide adequate protection to the City of St. Catharines and to be fair and reasonable to developers and other interested parties. The objective is to ensure that monies that guarantee the installation of services will be available to the City when required. The City of St. Catharines will only accept approved securities in the prescribed letter of credit form issued by Schedule I banks, Schedule II banks, loan or trust corporations with a minimum DBRS rating of R-1 middle or issued by credit unions.

## SECTION X – POLICY CONSIDERATIONS

### 1. Exemption

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

### 2. Amendments

This policy shall be reviewed on a regular basis. Amendments may be made at any time at the recommendation of the Director recommended at any time by the Director of Financial Management Services. The appropriate authority City Council must approve any policy changes.

## SECTION XI – GENERAL

### 1. Signing Authority

Investments made by the City are settled by cheque requisition, electronically by wire or through an electronic fund transfer. A *Voucher Payable Request* initiates a cheque requisition and is authorized by the Manager of Accounting and Payroll and verified by the Director or Assistant Director of Financial



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Management Services. Investments settled by electronic funds transfer or wire require staff approvals by any two of the following approved staff; Director of Financial Management Services, ~~Assistant Director of Financial Management Services~~ Manager of Accounting and Payroll, ~~Budget Review Analyst~~ **Manager of Budgets and Capital, and Intermediate Bookkeeper.**



## INVESTMENT POLICY Appendix A – Definitions

The following is a glossary of policy definitions and key investing terms:

**Accrued Interest:** the accumulated interest due on a bond as of the last interest payment made by the issuer.

**Amortization:** the systematic reduction of the amount owed on a debt issue through periodic payments of principal.

**Asset Backed Securities:** fixed income securities (other than a government security) issued by a Special Purpose Entity, substantially all of the assets of which consist of Qualifying Assets.

**Basis Point:** a unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g. “1/4” of 1 percent is equal to 25 basis points.

**Bid:** the indicated price at which a buyer is willing to purchase a security or commodity.

**Book Value:** the value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security’s current value in the market.

**Callable Bond:** a bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specific conditions.

**Call Risk:** the risk to a bondholder that a bond may be redeemed prior to maturity.

**City:** The Corporation of the City of St. Catharines

**Commercial Paper:** an unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

**Competitive:** issuers are given an equal opportunity to compete for City business.

**Council:** the Municipal Council of the City of St. Catharines.

**Coupon Rate:** the annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as “interest rate”.

**Credit Quality:** the measurement of the financial strength of a bond issuer. This helps an investor to understand an issuer’s ability to make timely interest payments and repay the loan principal upon maturity. Higher credit quality results in lower interest rates as the risk of default is lower. Credit quality ratings are provided by nationally recognized agencies such as Dominion Bond Rating Service (DBRS).

**Credit Risk:** the risk to an investor that a security issuer will default in the payment of interest and/or principal.

**Designate:** a person authorized by the Director to act on his/her behalf, for purposes of this policy.

**Discount:** the amount by which the par value of a security exceeds the price paid for the security.





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### Appendix A – Definitions

- Diversification:** a process of investing assets among a variety of security types by sector, maturity, and quality.
- Fair value:** the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale.
- Investment Policy:** a concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.
- Liquidity:** an asset that can be converted easily and quickly into cash.
- Local Government Investment Pool (LGIP):** an investment by local government in which their money is pooled as a method for managing local funds, e.g., the “One Fund”.
- Market Risk:** the risk that the value of a security will rise or fall as a result of changes in market conditions.
- Market Value:** the current market price of a security.
- Maturity:** the date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder.
- Offer:** an indicated price at which market participants are willing to sell a security or commodity.
- Par:** the face value or principal value of a bond, typically \$1,000 per bond.
- Premium:** the amount by which the price paid for a security exceeds the security's par value.
- Principal:** the face or par value of a debt instrument or the amount of capital invested in a given security.
- Prudent Person Rule:** an investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.
- Safekeeping:** holding of assets such as securities by a financial institution.
- Schedule I bank:** a chartered bank operating under the *Bank Act*. The voting shares must be widely held with no investor holding more than 10% and foreign ownership limited to 25%.
- Schedule II bank:** a chartered bank operating under the *Bank Act* that may be wholly owned by non-residents.
- Serial Bond:** a bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.
- Yield:** the current rate of return on an investment security generally expressed as a percentage of the security's current price.
- Yield-to-maturity:** the rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.



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### Appendix B – Approved Investments, Diversifications and Ratings

Category	Minimum Credit Rating for Bond, Debenture or Indebtedness	Maximum Portfolio Share	Institutional Limit per Issuer
1. Government of Canada		100%	100%
2. Provincial governments	R-1 middle, AA	50%	25%
3. Municipalities and local boards		50%	10%
4. Schedule I banks	R-1 middle, AA	100%	50%
5. Schedule II banks	R-1 high, AAA	50%	15%
6. Loan or trust corporations or Credit union	R-1 middle, AA	40% 20%	5%10%
7. Credit unions	R-1 middle, AA	10%	5%
7. Incorporated under <i>Electricity Act</i>		15%	5%
8. Pooled investment funds		25%	15%

Dominion Bond Rating Service (“DBRS”) provides ratings on institutional quality. A company having an R-1 rating is a high grade prime credit. It has a very high ability to repay its current liabilities as they become due. The strength of various liquidity ratios is unquestioned and alternative sources of funds to commercial paper exist. The outlook for future liquidity and the trend of these ratios should be favourable. The level of profitability has been reasonable and relatively stable with only modest fluctuations. No substantial qualifying negative factors exist and the firm is of sufficient size to be a strong influence in its industry. DBRS also indicates where within the rating classification the company falls (high, middle or low).

#### Commercial Paper and Short Term Debt:

Symbol	Credit Quality
R-1 (high)	Highest
R-1 (middle)	Superior
R-1 (low)	Satisfactory
R-2 (high)	Adequate
R-2 (middle)	Adequate
R-2 (low)	Adequate
R-3 (high)	Speculative
R-3 (middle)	Speculative
R-3 (low)	Speculative
D	In Arrears
NR	Not rated

#### Bond and Long Term Debt:

Symbol	Credit Quality
AAA	Highest
AA	Superior
A	Satisfactory
BBB	Adequate
BB	Speculative
B	Highly Speculative
CCC	Very Highly Speculative
CC	Very Highly Speculative
C	Very Highly Speculative
D	In Arrears





## INVESTMENT POLICY

### Appendix C – Investment Report

#### Investment Summary:

Institution <sup>1</sup>	Individual Share <sup>2</sup>	Portfolio Share	Maturity Value	Policy Limit
Government of Canada				100%
Provincial Governments				50% 25%
Municipalities and local boards				50% 10%
Schedule I banks				100% 50%
Schedule II banks				50% 15%
Loan or Trust corporations and Credit unions				20% 10%
Credit Unions				40% 5%
Incorporated under the Electricity Act				15% 5%
Pooled investment funds				25% 15%
<b>TOTAL</b>			\$0	100%

#### INVESTMENT DETAIL BY DUE DATE:

Security Issuer (Dealer <sup>3</sup> ), Type <sup>4</sup>	Settlement Date	Due Date	Term Days	Interest Rate	Maturity Value
<b>TOTAL</b>					\$0

#### NOTES:

<sup>1</sup> In accordance with Section 418 of the Municipal Act 2001, as amended and Ontario Regulation 438/97, amended to O. Reg 399/02

<sup>2</sup> The "Policy Limit" sets out the maximum share of a particular investment or investment category at the time of placement. Refer to the City of St. Catharines Investment Policy, Appendix B – Approved Investments, Diversifications and Ratings.

<sup>3</sup> Security dealer noted if different than security issuer

<sup>4</sup> Investment Types:

BA = Bankers Acceptance, purchased at discount  
BDN = Bearer Deposit Note, purchased at discount  
GN = Guaranteed Note, purchased at discount