Agenda – Council – June 20, 2019

Report – Standing Policy Committee on Finance – June 7, 2019

Item No. 1 City of Winnipeg Investment Policy Revision

STANDING COMMITTEE RECOMMENDATION:

On June 11, 2019, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Finance and submitted the following to Council:

1. That the attached, revised City of Winnipeg Investment Policy be approved, and that the previous Investment Policy adopted by Council on July 21, 2010, be rescinded;

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report – Standing Policy Committee on Finance – June 7, 2019

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 11, 2019, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Finance and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On June 7, 2019, the Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: City of Winnipeg Investment Policy Revision

Critical Path: Standing Policy Committee on Finance – Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Adams, Superintendent of Treasury/ R. Provencher Manager of Financial Services	M. Ruta	M. Ruta	D. McNeil

EXECUTIVE SUMMARY

On an annual basis the Financial Services Division of Corporate Finance reviews the Investment Policy to determine if it aligns with industry best practices, is appropriate from a risk management perspective, and provides sufficient flexibility to attain investment benchmark returns within acceptable risk parameters.

Our Investment Policy review and investment activities during 2018 indicated amendments to the Investment Policy are required.

RECOMMENDATIONS

1. That the attached, revised City of Winnipeg Investment Policy be approved, and that the previous Investment Policy adopted by Council on July 21, 2010, be rescinded;

2. That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Revisions to the Investment Policy are recommended to reflect market conditions and changes in the investment industry. The previous Investment Policy was approved by Council and, therefore, Council approval is being sought to approve the recommended revisions to the Investment Policy.

IMPLICATIONS OF THE RECOMMENDATIONS

Revising the Investment Policy will ensure that the City is meeting its financial goals, achieving safety of capital, the marketplace and associated market conditions, regulatory standards, technology and industry best practices.

HISTORY/DISCUSSION

The City's investment program facilitates management of cash balances, reserves, and the cash positions of the Winnipeg Civic Employees' Benefits Program.

A formal investment policy was brought forward for Council approval which was subsequently adopted on September 24, 2003. Since that time, the Public Service has continued to review the policy on an annual basis and to bring forward revisions that enhance the ability to more effectively manage the City's investment programs. Two revisions have taken place since the initial investment policy, one on November 19, 2008, and the last revision was brought forward for Council approval July 21, 2010.

The City's current Investment Policy states that it "will be reviewed annually by the Corporate Finance Department in consideration of meeting City financial goals, achieving safety of capital, the marketplace and associated market conditions, regulatory standards, technology and industry best practices".

The annual review of the Investment Policy has resulted in recommended revisions to the Investment Policy as follows:

1. Short-term investment portfolio duration increased from a maturity date of one year to two years. Medium term investment policy changed from one year to five years to two years to five years.
2. Updated performance benchmarks which utilize third party performance data consistent with industry leading practices.
3. Removed the practice of Security Lending.
4. Amend the Credit Risk Criteria as follows:
    a) Short-term portfolio:
        i. Add related entities to Canada, Provincial and Municipal Government credit
        ii. Add or modify limits for certain investment credits to be more reflective of current market conditions as follows:
            a. a maximum of $200 million in AAA Provincial credit (up from $125 million)
            b. a maximum of $175 Million in AA Provincial credit (up from $100 million)
            c. a maximum of $150 Million in A Provincial credit (up from $50 million)
            d. a maximum of $150 million in AAA Municipal credit (up from $100 million)
            e. a maximum of $125 million in AA Municipal credit (up from $75 million)
            f. a maximum of $100 million in A Municipal credit

g. Schedule 1 banks a maximum of 60% of the portfolio (up from a maximum of 50%)
h. a maximum of $150 million in R1H Schedule 1 credit (up from $100 million)
i. a maximum of $100 million in R1M Schedule 1 credit (up from $75 million)
j. a maximum of $75 million in R1L Schedule 1 credit (up from $50 million)
k. Schedule 2 banks R1H credit increased to a maximum of 1 year (previously 6 months) and credit up to $75 million (up from $50 million)
l. Commercial paper a maximum of 30% of the portfolio (up from a maximum of 25%)

Any other minor changes that have been made are considered administrative and housekeeping in nature. For example, removed references to the position of City Treasurer.

FINANCIAL IMPACT

Financial Impact Statement **Date:** **March 9, 2019**

Project Name: City of Winnipeg Investment Policy Revision

COMMENTS:

There is no direct financial implications as a result of this report as it is policy in nature.

(Original signed by T. Yanchishyn)
Tanis Yanchishyn
Manager of Finance (Campus)
Corporate Finance Department

CONSULTATION

In preparing this report there was consultation with:

Legal Services

OURWINNIPEG POLICY ALIGNMENT

Section 02 of OurWinnipeg (A Sustainable City) provides policy guidance and states social, environmental and economic sustainability are essential to Winnipeg's long-term well-being.

A revised Investment Policy for Council consideration aligns with economic sustainability goals to ensure the long-term economic well-being of the City.

SUBMITTED BY

Department: Corporate Finance Department
Division: Financial Services Division
Prepared by: Rob Provencher, Manager of Financial Services and Bob Adams, Superintendent of Treasury and Money Management

Date: May 9, 2019
File No: n/a

Attachments: Investment Policy