

The Regional Municipality of York

Committee of the Whole
Finance and Administration
October 8, 2020

Report of the Commissioner of Finance

Technical Amendments to the Investment Policy

1. Recommendations

Council approve the technical amendments to the Investment Policy as highlighted in Attachment 1.

2. Summary

This report seeks Council's approval to update the Investment Policy to incorporate recommendations from an Audit Services review of the Region's investment program related to:

1. Changing the responsibility for obtaining insurance coverage for the investment program from the Treasury Office to the Controllership Office.
2. Clarifying the prequalification of the financial institutions that York Region deals with for its security transactions.

In addition, there is a third technical update being recommended at this time:

3. Amendment to the performance benchmarks being used to better measure the equity investments of the Region.

Key Points:

- Changes to the Investment Policy address Audit Services' requirements related to functional responsibilities and prequalification of financial institutions
- Changes also address improvements to portfolio performance measurement criteria

3. Background

Amendments to York Region's Investment Policy are required to incorporate changes recommended by Audit Services

The last update of the Investment Policy was approved by Council on June 28, 2018. That update was the result of new provincial regulations concerning eligible investments for

Ontario Municipalities. The Investment Policy was revised to provide the Region with the opportunity to benefit from those enhanced powers.

In the Fall of 2018, the Audit Services Branch conducted an audit of the investment program managed by the Treasury Office. This audit also included a review of the Investment Policy and the application of provincial regulations dealing with municipal investments.

In its management summary detailing the results of the audit, it was noted that:

“the results of our detailed testing indicate that the process for investment transactions operate in a manner that is in compliance with the Council approved Investment Policy and Ontario Regulation 438/97”

The need for two technical items was cited by Audit Services which was recommended to be addressed with the next update of the Investment Policy.

4. Analysis

Proposed changes to the Investment Policy include updating the responsibility for insurance coverage, clarifying the prequalification process for financial institutions, and amending performance benchmarks for equity investments

Audit Services completed its audit of York Region’s investment function in October 2018, which resulted in them making two technical recommendations impacting the Investment Policy.

The first recommendation dealt with changing the responsibility for obtaining insurance coverage related to the management of the investment program. Audit Services observed that at the time of the last Policy update this function was the responsibility of the Director, Treasury Office. However, as a result of a reorganization of the Finance Department, the responsibility for insurance coverage has now been transferred to the Director, Controllership Office. This change of responsibility is reflected in the updated Policy shown as Attachment 1.

The second recommendation related to the prequalification process for the financial institutions that York Region uses when making security transactions. The Investment Policy currently states that staff shall endeavour to pre-qualify the financial institutions/intermediaries with which York Region does business. Audit Services recommended that this section be expanded to describe the process undertaken by Treasury Office staff when pre-qualifying financial intermediaries. The updated Investment Policy now includes a description of the pre-qualification factors used by the Treasury Office.

In addition to the Audit Services recommendations, a third technical update to the Policy is being recommended at this time pertaining to the performance benchmark used when reporting investment portfolio returns.

Although York Region's investment portfolio is predominantly invested in fixed income (bonds and money market) securities, the proportion of equity/stocks investments has grown over time from approximately two percent in the past to four (or more) percent more recently. Best practices suggest that the benchmarks used to evaluate the performance of the investment portfolio should be updated to reflect the higher equity component. Amendments to the performance benchmarks have been included in the updated Policy to better measure the higher equity investments.

5. Financial

There are no financial implications associated with the changes to this Council approved investment policy.

6. Local Impact

There are no local municipal implications.

7. Conclusion

This report proposes to update York Region's Investment Policy to incorporate technical amendments recommended as a result of an audit of the investment program in the Fall of 2018 as well as the description of certain performance benchmarks being used.

For more information on this report, please contact Edward Hankins, Director, Treasury Office and Deputy Treasurer at 1-877-464-9675 ext. 71644. Accessible formats or communication supports are available upon request.

Recommended by: **Laura Mirabella, FCPA, FCA**
Commissioner of Finance and Regional Treasurer

Approved for Submission: **Bruce Macgregor**
Chief Administrative Officer

September 25, 2020
Attachments (1)
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