

BYLAW NO. 2021-8

THE REGINA ADMINISTRATION AMENDMENT BYLAW, 2021

THE COUNCIL OF THE CITY OF REGINA ENACTS AS FOLLOWS:

- 1 The purpose of this Bylaw is to amend Bylaw 2003-69, being *The Regina Administration Bylaw*, to amend Schedule C of that Bylaw which contains the City of Regina's investment policy.
- 2 The authority for this Bylaw is section 132 of *The Cities Act*.
- 3 Schedule C of Bylaw 2003-69 is repealed and the Schedule C attached to this Bylaw is substituted.
- 4 This Bylaw comes into force on the day of passage.

READ A FIRST TIME THIS 24th DAY OF February 2021.

READ A SECOND TIME THIS 24th DAY OF February 2021.

READ A THIRD TIME AND PASSED THIS 24th DAY OF February 2021.

Mayor

City Clerk

(SEAL)

CERTIFIED A TRUE COPY

City Clerk

Approved as to form this _____ day of _____, 20____.

City Solicitor

Schedule C

Investment Policy

Purpose

1. The purpose of the Investment Policy is to establish, pursuant to the requirement of section 132 of the Act, the guidelines for the investment of City funds.

Definitions

2. In this Schedule:

“**credit rating**” means a current opinion from a recognized bond rating agency, of the creditworthiness of an issuer with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program;

“**custodian**” means the financial institution responsible for safeguarding the City’s investment assets;

“**duration**” means the weighted average term-to-maturity of the cash flow of the security or portfolio;

“**funds**” means those City assets held in an account at a financial institution or invested in securities for the benefit of the City;

“**investment account**” means distinct groups of investment funds by investment horizon;

“**investment committee**” means the administrative investment committee appointed by the Executive Director, Financial Strategy and Sustainability that is responsible for overseeing the investments of the City in accordance with this Schedule;

“**investment horizon**” means the expected time the assets in an investment account will be held for;

“**liquidity**” means the ability to sell an investment quickly;

“**long-term account**” has the meaning ascribed in section 4 of this Schedule;

“**long-term investment**” means any investment that has a term greater than one year;

“**mid-term account**” has the meaning ascribed in section 4 of this Schedule;

“**portfolio**” means the total market value of all investments held by or for the benefit of the City;

“**prudent person principle**” means the principle that restricts investments to only those that a person of prudence, would invest in to obtain reasonable return at an acceptable level of risk;

“**rate of return**” means the yield obtainable on a security based on the purchase price or the current market price of the investment, with the yield reflecting the coupon rate, term, liquidity and credit quality;

“**recognized bond rating agency**” means S&P Global, Moody’s Investor Services, DBRS Morningstar or Fitch Ratings;

“**related entities**” means the subsidiaries of an equity or debt issuer whether owned directly or indirectly and whether or not they are consolidated for financial statement purposes;

“**safety of principal**” means the minimization of potential losses on the principal amount invested in a debt security;

“**short-term account**” has the meaning ascribed in section 4 of this Schedule;

“**short-term investment**” means any investment that has a term of one year or less;

“**term**” means the length of time from the date of purchase of an investment to the date of maturity of the investment;

“**total portfolio**” means the combined value of the short-term account, mid-term account and long-term account.

Investment Committee

3. (1) The Executive Director, Financial Strategy and Sustainability and the investment committee shall invest the City’s investments in accordance with this Schedule.
- (2) On or before June 30th of each year, the Executive Director, Financial Strategy and Sustainability shall submit an annual investment report to City Council for its information that includes the following:

- (a) the rate of return achieved in the prior period for each account and the combined portfolio;
- (b) an analysis of accounts and total portfolio compared to relevant benchmarks;
- (c) any proposed changes to the investment policy.

Investment Accounts

- 4. The City's investments will be maintained in one of the following three accounts that allocate funds based on the expected time the funds will be required to fund operating or capital expenditures:
 - (a) a short-term account will be used for cash reserves expected to be spent within three years from the date the funds were received;
 - (b) a mid-term account will be used for cash reserves expected to be spent in three to five years from the date the funds were received; and
 - (c) a long-term account will be used for cash reserves expected to be spent in five or more years from the date the funds were received.

Investment Management

- 5. Investment funds in all accounts, other than guaranteed investment certificates, will be managed by a professional investment manager.

Investment Custody

- 6. Investments, other than guaranteed investment certificates, will be held in custody by the same custodian as the City's pension assets.

Investment Objectives

- 7. (1) The objective of the policy is to incorporate industry best practices in order to ensure the preservation of capital and to maintain liquidity in the portfolio.
- (2) Each investment account seeks to achieve a combination of:
 - (a) safety of principal;

- (b) income maximization subject to the constraints of the investment policy; and
 - (c) minimization of the use of the temporary borrowing facility.
- 8. In managing the investments, in order to meet the objectives, consideration will be given to:
 - (a) rate of return for the investment relative to the risk;
 - (b) liquidity of the investment;
 - (c) legal and tax status of the income and principal payments;
 - (d) the duration of the investment portfolio; and
 - (e) the prudent person principle of investment management.

Eligible Investments

- 9. Subject to the limits in sections 15-17, eligible investments include:
 - (a) Canadian and foreign equities such as:
 - (i) equity securities traded through a marketplace; or
 - (ii) preferred shares;
 - (b) fixed income and mortgages such as:
 - (i) bonds, notes and other debt instruments of Canadian issuers denominated in Canadian dollars;
 - (ii) mortgages on income producing commercial property and multi-unit residential properties in Canada; or
 - (iii) term deposits and guaranteed investment certificates;
 - (c) cash and short-term investments such as:
 - (i) cash on hand and demand deposits;
 - (ii) treasury bills issued by the federal and provincial governments and their agencies;

- (iii) obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances; or
- (iv) commercial paper and term deposits;
- (d) real estate such as:
 - (i) investment in real estate through investment funds;
- (e) investment funds such as:
 - (i) investment in institutional pooled funds managed by a professional fund manager.

Investment Criteria

- 10. Short-term investments must have a minimum credit rating of R1-Low.
- 11. Fixed income investments must have a minimum credit rating of BBB.
- 12. Preferred shares must have a minimum credit rating of P-1.
- 13. Asset-backed securities must have ratings from at least two recognized credit rating agencies.
- 14. An investment where the current rating is downgraded below the investment policy guidelines should be sold as soon as practical without compromising the portfolio.

Investment Limits

- 15. The investment limits for investments in the short-term account are detailed in the following table:

2.01

Assets	Minimum %	Short-Term Benchmark %	Maximum %
Fixed Income			
Short-Term Corporate Bonds	40.0	70.0	80.0
Short-Term Government Bonds	0.0	0.0	20.0
Short-Term Investments (Money Market)	20.0	30.0	40.0
Guaranteed Investment Certificates (GIC)	0.0	0.0	40.0
Total Fund		100.0	

16. The investment limits for investments in the mid-term account are detailed in the following table:

2.02

Assets	Minimum %	Mid-Term Benchmark %	Maximum %
Equities			
Canadian Equities	5.5	7.5	10.5
Global Equities	12.5	17.5	22.5
Total Equities		25.0	
Alternatives			
Mortgages	7.0	10.0	13.0
Canadian Real Estate	2.0	5.0	8.0
Total Alternatives		15.0	
Fixed Income			
Mid-Term Corporate Bonds	25.0	30.0	35.0
Mid-Term Government Bonds	15.0	20.0	25.0
Short-term investments (Money Market)	7.0	<u>10.0</u>	13.0
Total Fixed Income		<u>60.0</u>	
Total Fund		100.0	

17. The investment limits for investments in the long-term account are detailed in the following table:

Assets (as a % of market value)	Minimum %	Long-Term Benchmark %	Maximum %
Equities			
Canadian Equities	7.5	12.5	17.5
Global Equities	27.5	32.5	37.5
Total Equities		45.0	
Alternatives			
Mortgages	7.0	10.0	13.0
Canadian Real Estate	7.0	10.0	13.0
Total Alternatives		20.0	
Fixed Income			
Mid-Term Corporate Bonds	15.0	20.0	25.0
Mid-Term Government Bonds	10.0	15.0	20.0
Short-term investments (Money Market)	0.0	<u>0.0</u>	10.0
Total Fixed Income		35.0	
Total Fund		100.0	

Maximum Quantities

18. To prevent undue concentration of investment in any single entity, the following limits are placed on the investment portfolio:
- (a) for the total account the combined equity and debt holdings of a single corporation and its associates or affiliated companies, at the time of purchase, shall not represent more than 10% of the total market value of the portfolio;
 - (b) for the equities that the City holds:
 - (i) no one equity holding shall represent more than 10% of the market value of the portfolio;
 - (ii) no one equity holding shall represent more than 10% of the voting shares of a corporation;
 - (iii) no one equity holding shall represent more than 10% of the available share capital of such an equity.
 - (c) for bonds and short-term investments:
 - (i) except for federal and provincial bonds, including government guaranteed bonds, no more than 10% of the market value of the portfolio may be invested in the bonds of a single issuer and its related companies;
 - (ii) except for federal and provincial bonds, including government guaranteed bonds, no one bond holding shall represent more than 10% of the market value of the total outstanding for that bond issue;
 - (iii) 'BBB' bonds may not be purchased if the purchase would raise the 'BBB' holdings to more than 20% of the market value of the bond portfolio;
 - (iv) no more than 20% of the market value of the portfolio shall be invested in a commercial mortgage investment fund."

ABSTRACT

BYLAW NO. 2021-8

THE REGINA ADMINISTRATION AMENDMENT BYLAW, 2021

PURPOSE:	This Bylaw amends Bylaw 2003-69, being <i>The Regina Administration Bylaw</i> to replace the current investment policy in Schedule C with a new investment policy.
ABSTRACT:	Bylaw 2003-69 is being amended to replace the current investment policy in Schedule C with a new investment policy. The elements of the new investment policy include: allowing the City to invest in equities subject to certain types and limits; the establishment of an investment committee to monitor investments; a requirement to provide an annual investment report to Council; sections that break the investments down into three separate accounts (short, mid and long-term) based on the timeframe that the funds are required; a requirement that all investments other than investments in guaranteed investment certificates will be managed by a professional investment manager; and changes to the definitions sections to accommodate the other changes to the policy.
STATUTORY AUTHORITY:	Section 132 of <i>The Cities Act</i>
MINISTER'S APPROVAL:	N/A
PUBLIC HEARING:	N/A
PUBLIC NOTICE:	Public notice is required for all changes to the City's investment policy pursuant to sections 101 and 102 of <i>The Cities Act</i> . Public notice was provided in The Leader Post and on the City's public notice board and the City's website on January 26, 2021.
REFERENCE:	Report EX21-11 from the February 3, 2021 Executive Committee meeting.
AMENDS/REPEALS	amends Bylaw 2003-69
CLASSIFICATION:	administrative

INITIATING DIVISION: Financial Strategy and Sustainability

INITIATING DEPARTMENT: Financial Services