

The Corporation of the Township of North Huron

By-law No. 22-2026

a by-law to adopt an Investment Policy for the Corporation of the Township of North Huron.

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The Corporation of the Township of North Huron

By-law No. 22-2026

Being a By-law to adopt an Investment Policy for the Corporation of the Township of North Huron

WHEREAS Section 5(3) of the Municipal Act, 2001, S.O. 2001, c.25, as amended provides that municipal power shall be exercised by by-law;

AND WHEREAS Section 224 of the Municipal Act, 2001, S.O. 2001, c.25, as amended, states "It is the role of Council to (b) develop and evaluate the policies and programs of the municipality";

AND WHEREAS the Council of the Corporation of the Township of North Huron deems it desirous to adopt an Investment Policy;

NOW THEREFORE the Council of the Corporation of the Township of North Huron ENACTS as follows:

1. That the Investment Policy attached hereto as Schedule "A" is hereby adopted and shall form part of this by-law.
2. That By-law No. 103-2021 be hereby repealed.
3. That this by-law shall come into force and takes effect on the day of the final passing thereof.

Read a first and second time this 20th day of March, 2026.

Read a third time and passed this 20th day of March, 2026.

Paul Heffer, Reeve

CORPORATE SEAL

Carson Lamb, Clerk



The Corporation of the Township of North Huron

Investment Policy

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1. Purpose

- 1.1. The purpose of this Investment Policy shall be to invest all available funds in a prudent manner so as to maximize the rate of return while minimizing the degree of risk to the principal and ensuring an adequate level of liquidity within the legislated guidelines.
- 1.2. To outline the investment goals and objectives of the Township of North Huron and define the parameters within which staff may invest funds not required immediately.

2. Scope

- 2.1. This Policy will govern the investment of surplus cash, reserves and reserve funds and trust funds of the Township of North Huron.

3. Review

- 3.1. This policy shall be reviewed at least once per term of Council. Amendments may be made at any time at the recommendation of the Director.

4. Definitions

- 4.1. "**Asset-Backed Commercial Paper (Bank Sponsored Only)**" means a short-term promissory note issued by corporations, with maturities ranging from 2 to 365 days.
- 4.2. "**Basis Point**" means a unit of measurement used in the valuation of fixed-income securities equal to 1/100th of 1 percent of yield, e.g. "1/4" of 1 percent is equal to 25 basis points.
- 4.3. "**Credit Quality**" means a 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 Moody's and Dominion Bond Rating Service (DBRS).
- 4.4. "**Credit Risk**" means risk to an investor that a security issuer will default in the payment of interest and/or principal.
- 4.5. "**Designate**" means a person authorized by the Director to act on his/her behalf, for purposes of this policy.
- 4.6. "**Director**" means the Director of Finance and for the purposes of this policy, the Treasurer.

- 4.7. "**Discount**" means the amount by which the par value of a security exceeds the price paid for the security.
- 4.8. "**Diversification**" means a process of investing assets among a variety of security types by sector, maturity, and quality.
- 4.9. "**Duration**" a measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.
- 4.10. "**Fair value**" means the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale.
- 4.11. "**Interest Rate Risk**" the risk associated with declines or rises in interest rates which cause an investment in fixed-income security to increase or decrease in value.
- 4.12. "**Investment Policy**" means a concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.
- 4.13. "**Liquidity**" means the ease with which one can convert securities/assets to cash
- 4.14. "**Local Government Investment Pool (LGIP)**" means an investment by local government in which their money is pooled as a method for managing local funds, e.g., the "One Fund".
- 4.15. "**Market Risk**" means the risk that the value of a security will rise or fall as a result of changes in market conditions.
- 4.16. "**Market Value**" means the current market price of a security.
- 4.17. "**Maturity**" means the date on which payment of a financial obligation is due.

- 4.18. **"ONE Fund - The One Investment Program ("ONE Fund")"** means A local government investment pool in which Ontario municipalities may invest. ONE Fund is operated by Local Authorities Service Limited (a wholly owned subsidiary of the Association of Municipalities of Ontario), together with CHUMS Financing Corporation (a wholly owned subsidiary of the Municipal Finance Officers' Association of Ontario).
- 4.19. **"Par"** means the face value or principal value of a bond, typically \$1,000 per bond.
- 4.20. **"Portfolio"** means a collection of securities held by an investor.
- 4.21. **"Premium"** means the amount by which the price paid for a security exceeds the security's par value.
- 4.22. **"Principal"** means the face or par value of a debt instrument or the amount of capital invested in a given security.
- 4.23. **"Prudent Person Rule"** means an investment standard outlining the fiduciary responsibilities relating to the investment practices of public fund investors.
- a) The standard of prudence to be used by investment managers shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio.
 - b) The "prudent person" must act in all matters regarding investments with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.
 - c) The "prudent person" must diversify the investments of the Funds so as to minimize the risk of large losses, unless under the circumstances it is clearly not prudent to do so.
- 4.24. **"Rate of Return"** means the yield obtainable on a security based on its purchase price or its current market price. Yield reflects coupon, term, liquidity and credit quality.
- 4.25. **"Schedule I Bank"** is 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%.
- 4.26. **"Schedule II Bank"** is a chartered bank operating under the Bank Act that maybe wholly owned by non-residents.
- 4.27. **"Securities"** include bonds debentures, treasury bills, commercial paper,

repurchase agreements, promissory notes and asset-backed securities.

- 4.28. "**Serial Bond**" means a bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.
- 4.29. "**Township**" means The Corporation of the Township of North Huron.
- 4.30. "**Weighted Average Maturity (WAM)**" means the average maturity of all the securities that comprise a portfolio.
- 4.31. "**Yield**" means the current rate of return on an investment security generally expressed as a percentage of the security's current price.

5. Reporting

- 5.1. The Director shall provide an investment report to Council annually or as requested by Council. The annual investment report should include the following:
- a. A listing of individual securities held at the end of the reporting period by maturity date;
 - b. Investment term in days and interest rate;
 - c. Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity;
 - d. Average weighted yield to maturity of portfolio on investments as compared to policy benchmark
 - e. A record of the date of each security transaction, including a statement of the purchase and sale price of each security;
 - f. Percentage of the total portfolio which each type of investment represents;
 - g. A statement about the performance of the investment portfolio during the period;
 - h. 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;
 - i. A statement by the Director as to whether or not, in his or her opinion, all investments were made in accordance with the investment policy;

j. Such other information that Council may require or that, in the opinion of the Director, should be included.

5.2. The investment portfolio will be managed in accordance with the parameters specified within this policy. Market yields should be higher than the rate given by the Town's bank for the various bank accounts. This rate will be used as the annual benchmark in measuring investment objectives.

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

6. General Objectives

6.1. The primary objectives of investment activities shall be adherence to statutory requirements, safety of principal, liquidity, and maximize rate of return:

a. Adherence to Statutory Requirements

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

b. Ensure Safety of Principal

i. Selection of highly rated investments conforming to the restrictions of the Legislative authority, forces the adoption of a defensive policy to minimize the risk of loss and the preservation of the value of the principal. The Township will:

- Structure 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.
- Invest operating funds primarily in shorter-term securities or approved investment pools.
- Diversify the investment portfolio so that risk of potential losses on individual securities will be minimized.

c. Maintain Adequate Liquidity

i. Liquidity is reliant upon an accurate forecast of the timing of the needs for funds and to cover the possibility of unplanned needs for funds. This, along with legislative restrictions, help determine the amounts and types of investments required to have a high degree of liquidity. Liquidity will be achieved where possible by structuring the portfolio so that securities mature concurrent with anticipated cash demands.

d. Maximize Rate of Return

- i. While conforming to all of the above objectives, this objective is to realize a competitive rate of return on invested funds. Investments are generally limited to relatively low risk securities in anticipation of earning a fair return relative to the assumed risk.

7. Standard of Care

7.1. Prudence:

- a. Investments shall be made with judgment and care, under circumstances then prevailing, following the prudent person principle of investment management and considering the probable safety of their capital as well as the probable income to be derived.

7.2. Ethics and Conflicts of Interest:

- a. 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.

7.3. Delegation of Authority:

- a. All investments for the Township are to be authorized jointly by the Director of Finance (the Director) and the CAO. The authority to manage and implement the investment program is granted to the Treasurer, or in their absence, the Deputy Treasurer, hereinafter referred to as designate, 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.

7.4. Investment Placement:

- a. Investments are selected after consultation and upon advice from the investment dealers and banks which have been approved by the Township.
- b. Each investment dealer and bank is requested to provide current rates of interest on the various types of qualified investments. Upon receipt of the investment rates, the type of investment and term of investment will be jointly approved by the Director and CAO.
- c. Investment dealers and banks approved by the Township may change from time to time upon the discretion of the Township, provided they meet

legislative requirements.

7.5. Investment Reporting:

- a. On a quarterly basis, a year-to-date investment register is to be prepared, for review by the Director.

7.6. Combining Investments:

- a. This policy allows the Township to combine and invest money held in the general fund, capital fund, reserve fund and trust fund. This policy also allows the Township to enter into agreements with other municipalities for the joint investment of money.

8. Safekeeping and Custody

- 8.1. All investments shall be held for safekeeping in the name of the Township by approved institutions (Appendix A). The depository shall issue a safekeeping receipt to the Township 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.

9. Investment Parameters

9.1. Diversification

- a. The investments shall be diversified by:
 - i. Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding Government of Canada securities);
 - ii. Limiting investment in securities that have higher credit risks;
 - iii. Investing in securities with varying maturities, and;
 - iv. 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.
- b. Note that the "Maximum Portfolio Limit" as included in Appendix A may be exceeded as a result of the timing of maturities.

9.2. Maximum Maturities

- a. To the extent possible, the Township shall attempt to match investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Township will not directly invest in securities maturing more than ten (10) years from date of purchase unless the maturities of such

investments are made to coincide as nearly as practicable with the expected use of the funds

10. Securities for Subdivision and Development Servicing

- 10.1. This policy addresses securities required for subdivision and development servicing (i.e. "Letters of Credit") and has been designed to provide adequate protection to the Township of North Huron 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 Township when required.

Appendix A Authorized Investments and Sector Limitations

Issuer	Minimum Credit Rating		Sector/Credit Exposure Limitation (Maximum Portfolio Limit)	Sector Term Limitation (maximum)
	Bond Market	Money Market		
(A)	(B)	(C)	(D)	(E)
Government of Canada or their Agencies	N/A	N/A	100%	15 years
Provinces or their Agencies	N/A	N/A	75%	15 years
Municipalities within North Huron			50%	20 Years
Canadian Municipalities and School Boards	AAA		20%	10 years
	AA		15%	10 years
	A		10%	5 years
Municipal Investment Pools (LAS - One Investments)			50%	N/A
Schedule I Banks and guarantees: CIBC, Bank of Montreal, Bank of Nova Scotia, National Bank of Canada, Royal Bank of Canada, Toronto-Dominion Bank	AA(low)	R1 mid	75%	10 years
	A(low)**	R1 low	25%	5 years
Other Schedule I and guarantees	AA(low)**	R1 mid	15%	5 years
	A(low)**	R1 low	5%	5 years
Schedule II Banks and guarantees	AA(low)	R1 high	5%	5 years
Loan or trust Corporations	AA(low)	R1 mid	5%	5 years
Credit Unions	AA	R1 mid	5%	2 years
Municipal Finance Authority of British Columbia	A(low)	R1 mid	5%	15 years
Non-Profit or Local Housing Authority	AA(low)			

*Ratings based on DBRS, Fitch, Moody's or Standard & Poor's

**2-year minimum term for bond, debenture, promissory note or other evidence of indebtedness with a credit rating between A(low) and A(high)