

ITEM	3
MANAGER'S REPORT NO.	47
COUNCIL MEETING	89/07/10

RE: MUNICIPAL INVESTMENTS

MUNICIPAL MANAGER'S RECOMMENDATION:

1. THAT the recommendation of the Director Finance be adopted.

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TO: MUNICIPAL MANAGER

FROM: DIRECTOR FINANCE

SUBJECT: MUNICIPAL INVESTMENTS

PURPOSE: To update Council on our current investment program.

1989 June 28
File: I56-1-2

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RECOMMENDATION

1. THAT this report be received for information purposes.

BACKGROUND

REPORT

Annually the Finance Department makes a stewardship report to Council regarding the municipal investment portfolio. The report highlights significant events that have occurred in the investment community since the last report, lists the current institutions we invest with, and states the current limits that have been placed on investments.

The Municipal Act states that Council has the authority to invest the municipality's statutory and reserve (capital) funds and that the Municipal Treasurer has the authority to invest the revenue (operating) funds.

Many years ago Council decided that due to the volume of transactions involved in the placement of investments, the Treasurer would be assigned the responsibility for the management of the entire investment portfolio. Since then the placement of investments has been conducted under the Treasurer's authority with periodic reports to Council as the need arises.

DEFINITIONS

In this report reference will be made to a number of terms with which the reader may not be familiar. A brief definition of the terms follows:

<u>Term</u>	<u>Meaning</u>
Schedule A Bank	A Canadian owned bank
Schedule B Bank	A foreign owned bank
Dominion Bond ratings	A recognized investment industry authority on the ranking of financial institutions
R-1	High grade credit
R-2	Medium grade credit
R-3	Below medium grade credit
High)	The relative standing within the rating classification, e.g. R-1 High is, by definition, a very strong company.
Medium)	
Low)	

SIGNIFICANT EVENTS

In 1988 the prime lending rate rose steadily from 9.75% in January to 12.25% at the end of the year. The financial market predictions during this period indicated that the interest rates were going to level off imminently, consequently the investment decisions made during the year contained a higher degree of uncertainty than in past years.

Early in 1989 the Municipal Finance Authority (formerly strictly a lending institution) expanded their mandate to include the pooling and placement of funds for municipalities. Although we haven't placed any funds with the Municipal Finance Authority yet, we are currently evaluating their pooling facility with the view to adding them to our list of investment institutions.

INSTITUTIONS AND LIMITS

Attached is a schedule summarizing the institutions and limits currently in place for the combined capital and operating investment portfolio. The only major institutional change since our report of 1988 July 11 was the addition of the Royal Trust Company to the list of institutions. Royal Trust is one of the largest trust companies operating in Canada and is rated R-1 Middle by the Dominion Bond Rating Service. This rating indicates that Royal Trust is in the same range, with regard to security on our investments, as the major five Canadian banks.

1988 ACTIVITY

The investment portfolio comprises two distinct components: operating funds and capital funds. The strategy for investing each of the funds is determined by the need for cash to pay the municipality's liabilities, the current interest rates and the expected trend of future interest rates. Generally, operating funds are invested for relatively short periods and capital funds are invested for somewhat longer periods.

In 1988 we placed 65 operating investments that ranged in value from \$400,000 to \$10 million. These were invested at rates that were at a low of 8.40% in January and rose to 10.58% by year end. The resulting operating investment income totaled \$2,760,000 for the year.

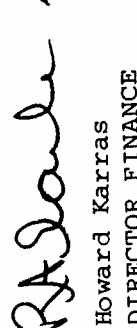
There were 100 capital investments placed in 1988, ranging in value from \$800,000 to \$13.9 million. The rates rose during the year from 8.44% to 11.00% by year end. The resulting capital investment income was \$11,190,000 for the year.

Annually the investment income from operating funds is shown as revenue in the operating budget. Investment income on capital and reserve funds, as required by the Municipal Act, is distributed among the specific reserve accounts for which funds are held.

CONCLUSION

We constantly monitor the money market and make changes to our schedule of investment institutions and limits to ensure that our investment policies keep pace with the marketplace. With this approach we endeavour to attain the highest possible return on investments while minimizing the corporate risk.

Interim reports will be made to report any significant events which might affect our portfolio.


for
Howard Karras
DIRECTOR FINANCE

INVESTMENT LIMITS BY INS

<u>Financial Institution</u>	<u>Dominion Bond Rating(1)</u>	<u>Investment Limit</u> \$ Million
<u>Canadian Owned Banks - Schedule A</u>		
Royal Bank of Canada	R-1 M	Unlimited (2)
Bank of Montreal	R-1 M	
Canadian Imperial Bank of Commerce	R-1 M	
Bank of Nova Scotia	R-1 M	
Toronto-Dominion Bank	R-1 H	
National Bank of Canada	R-1 M	10
<u>Foreign Owned Banks - Schedule B</u>		
<u>United States of America</u>		
Citibank Canada	R-1 M	10
Security Pacific Bank of Canada (3)	R-1 M	
<u>Great Britain</u>		
Barclays Bank of Canada	R-1 H	10
National Westminster Bank of Canada	R-1 H	
Lloyds Bank Canada	R-1 H	
<u>Japan</u>		
Bank of Tokyo Canada	R-1-M	10
Dai-Ichi Kangyo Bank of Canada	R-1 H	
Sanwa Bank of Canada	R-1 H	
Mitsui Bank of Canada	R-1 H	
Industrial Bank of Japan (Canada)	R-1 H	
<u>Hong Kong</u>		
Hongkong Bank of Canada	R-1 M	5
<u>Credit Unions & Trust Companies</u>		
B.C. Central Credit Union	R-1 L	5
Vancouver City Savings Credit Union	N/A	
Royal Trust Company	R-1 M	
<u>G.V.R.D., G.V.W.D, G.V.S. & D.D.</u>		
		5
<u>Federal and Provincial</u>		
Treasury Bills, bonds and promissory notes		Unlimited

Note (1)

R-1 - High grade prime credit
R-2 - Medium grade credit
R-3 - Below medium grade credit

N/A - The institution has not made application to the Dominion Bond Rating Service for rating

The relative standing within the rating classification is indicated by High (H), Middle (M), Low (L). By definition, it takes a very strong company to be classified as a Middle or High R-1.

Note (2)

Although we have no limit on investments with the major five Schedule A banks we strive to maintain a reasonable balance amongst them.

Note (3)

The investment limit for Security Pacific alone is \$5 million with a maximum of 90 days to maturity.

