THE CORPORATION OF THE CITY OF WINDSOR

INVESTMENT POLICY

Service Area:	**Office of the Chief Financial Officer & City Treasurer**	Policy No.:	**CS.A1.09**
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1. PURPOSE

1.1 To ensure integrity and transparency of the investment management process when investing public funds;

1.2 To establish a structure to govern the investment activities for the City of Windsor.

1.3 The investment portfolio is comprised of:

I. Excess operating and capital cash flow
II. Reserve Accounts and Reserve Funds
III. Trust Funds
IV. Sinking Funds

1.4 Investment Policy Objectives

The primary objectives of the investment policy, in priority order, are as follows:

- Legality of investments;
- Preservation of capital;
- Maintenance of liquidity; and
- Competitive rate of return.

1.4.1 Legality of Investments - Adherence to Statutory Requirements

All investment activities shall be governed by the *Ontario Municipal Act, 2001* as amended. Investments, unless limited further by Council, will be those deemed eligible under Ontario Regulation 438/97 or as authorized by subsequent provincial regulations.

1.4.2 Preservation of Capital (Minimization of Credit Risk, Market Value Risk & Interest Rate Risk)

All investment decisions will be based upon the preservation of the value of the invested principal. This is accomplished by limiting the types of investments to a maximum percentage of the total portfolio, and by limiting the amount invested within individual institutions to a maximum percentage of the total portfolio.

Staff shall endeavor to mitigate credit, market value and interest rate risk as follows:

Credit Risk:

- Limiting investments to safer types of securities based on credit ratings;
- Vetting investment alternatives offered by the financial institutions, broker/dealers, intermediaries, and advisers against the stated credit limits;
- Setting dollar limits on the size of portfolio investments in asset sectors (fixed income and equities) and in individual credit names in accordance and as restricted by the Municipal Act.

Market Value Risk:

- Limiting investments, which are subject to market value fluctuations, to funds which are not required on a short-term basis (i.e. over 10 years)
- Diversifying the investment portfolio so that potential losses (if any) on individual securities will be minimized

Interest Rate Risk:

- Structuring the investment portfolio so that securities mature to meet ongoing cash flow requirements, thereby reducing the need to sell securities on the open market prior to maturity;
- Investing operating funds primarily in shorter-term securities or approved liquid investment pools;
- Use and diversification of longer-term holdings to mitigate effects of interest rate volatility;
- Investing in shares or equities of Canadian corporations through a legislatively approved government investment pool, in accordance and as restricted by the Municipal Act.

1.4.3 Maintenance of Liquidity

The term liquidity implies a high degree of marketability and a high level of price stability.

The portfolio shall be structured to maintain a proportionate ratio of short, medium and long-term maturities to meet the funding requirements of the Corporation. The investment portfolio shall remain sufficiently liquid to meet all operating or cash flow requirements and limit temporary borrowing requirements. This shall be done where possible by structuring the portfolio such that securities mature concurrent with anticipated cash demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets. A portion of the portfolio may be placed in local government investment pools which offer liquidity for short-term funds.

Therefore, important liquidity considerations include a reliable cash flow forecast outlining timing requirements of funds, a contingency to cover the possibility of unplanned requirement of funds, and an expectation of reliable

secondary marketability of investments prior to maturity. If cash flows are unpredictable, liquidity should be kept high in order to cope with unplanned events.

1.4.4 Competitive Rate of Return (Overall Yield)

Investment yields can only be sought within the boundaries set by the four foregoing objectives. Higher yields are best obtained by taking advantage of the interest rate curve of the capital market, which normally yields higher rates of return for longer-term investments. Yields will also fluctuate by institution as per individual credit ratings (greater risk confirmed by a lower credit rating) and by the type of capital instrument invested in. For example an instrument of a small trust company would normally have a slightly higher yield than a major bank, and capital instruments that are non-callable will have a lower yield than instruments, which are callable.

2. SCOPE

2.1 It is understood that the policy and procedures herein shall govern the investment activities of the Corporation's Operating, Capital and Reserve Funds as well as Trust and Sinking Funds. This investment policy applies to all investments made by the City on its own behalf and, where appropriate or as deemed required, on behalf of and its agencies, boards, commissions, and wholly owned subsidiaries including any new funds created by the City unless specifically directed otherwise by City Council.

2.2 Agencies, boards, commissions, and wholly owned corporations incorporated by the City under Section 203 of the Municipal Act 2001, may only invest in instruments prescribed by Section 418 of the Ontario Municipal Act, 2001 as amended and by Ontario Regulation 438/97 or as authorized by subsequent provincial regulation. Therefore, consideration of this policy is recommended in the establishment of their respective policies.

3. RESPONSIBILITY

3.1 Chief Administrative Officer (CAO) & City Clerk or others as directed by City Council are authorized to:

3.1.2 Execute and sign agreements on behalf of the Corporation.

3.2 Chief Financial Officer (CFO) and City Treasurer or designate is:

3.2.1 Responsible for providing to City Council, each year or more frequently as specified by the City Council, an investment report;

3.2.2 As restricted in Section 4.8 of this policy, authorized to enter into arrangements with banks, investment dealers and brokers, and other financial institutions for the purchase, sale, redemption, issuance, transfer and safekeeping of securities, all in the name of the Corporation or in the name of a Trust or Sinking fund as approved by City Council.

3.2.3 Authorized to execute and sign administrative and trading investment agreements on behalf of the Corporation.

3.2.4 Responsible for ensuring that any investment that is not consistent with this Policy will be disposed of within prescribed timelines.

3.2.5 Responsible for ensuring that credit rating of any securities held in the investment portfolio are being monitored regularly by appropriate investment officers or employees and any material negative changes are communicated in a timely manner as may be appropriate.

3.2.6 Responsible for ensuring that all Reporting Requirements identified within this Policy are met.

3.2.7 Authorized to invest above the Policy's recommended maximum thresholds (both portfolio sector and individual institutional limit) by 5% if required in order to achieve a greater rate of return. This is allowed where the excess percentage relates to investments with terms of 6-months or less. And further, that in cases where a financial institution may be able to offer a third party guarantee of the full capital invested (such guarantee to be to the satisfaction of the City Treasurer), is authorized to invest above the Policy's recommended maximum thresholds (both portfolio sector and individual institutional limit) by 10% (without restriction on the length of the term) if required in order to achieve a greater rate of return**.**

3.3 The **Deputy Treasurer - Taxation and Financial Projects:**

3.3.1 Prepares and provides annual reports to the CFO & City Treasurer including an investment report prepared in accordance with the Municipal Act;

3.3.2. Develops and maintains all necessary operating procedures for effective control and management of the investment function and reasonable assurance that the Corporation's investments are properly managed and adequately protected.

3.3.3 Ensures that a Cash Management and Investment Procedure manual, remains up to date and accessible to all investment officers and employees.

3.3.4 As restricted in Section 4.8 of this policy, authorized to enter into arrangements with banks, investment dealers and brokers, and other financial institutions for the purchase, sale, redemption, issuance, transfer and safekeeping of securities, all in the name of the Corporation or in the name of a Trust/Sinking fund as approved by City Council and as delegated by the CFO & City Treasurer.

3.4 The **Manager of Treasury & Cash Management and staff** are responsible for the daily management of the Investment portfolio including:

3.4.1 Selection of investments in accordance with this policy and the Municipal Act;

3.4.2 All reporting requirements to the CFO & City Treasurer and Deputy Treasurer – Taxation & Financial Projects.

3.4.3 Maintenance and storage of all investment records in accordance with the City's Records and Retention By-law;

3.4.4 Preparation of year end and audit files;

3.4.5 The review and update of this policy at a minimum every five years as per Sec. 4.1.

GOVERNING RULES AND REGULATIONS

4.1 Legislative Authority

Legislative authority for the investment guidelines of municipal funds is Section 418 of the Municipal Act 2001, as amended from time to time. Investments, unless otherwise limited by City Council, will be those deemed eligible under Ontario Regulation 438/97, or as amended by subsequent provincial regulations.

A review of this policy for adherence to legislative requirements should be undertaken at a minimum every five years or earlier as amendments are made to the regulations.

The parameters for investments as established under the Municipal Act are fairly broad allowing municipalities the ability to select from within a variety of investment instruments. As such, this policy serves to provide further limitations as to which investment options should, as a matter of due course, be utilized to achieve the City's investment objectives as laid out under Section 1.3. Should other investments as allowed by the Municipal Act 2001, other than those listed below be considered, Council direction and approval should be obtained. Should there be a perceived conflict between the details listed within this policy and legislative requirements, legislative requirements prevail.

A summary of eligible investment instruments, as they apply to the City of Windsor's investment portfolio, includes (further restrictions as to investment grades and portfolio limitations are outlined in sections 4.2 and 4.3 respectively):

4.1.1 Bonds, debentures, promissory notes or other evidences of indebtedness of issued or guaranteed by Canada or a province or territory of Canada, an agency of Canada or a province or territory of Canada, a country other than Canada;

4.1.2 Bonds, debentures, promissory notes or other evidences of indebtedness issued or guaranteed by a municipality in Canada including the municipality making the investment, a school board in Canada, a board of a public hospital, a local board as defined in the Municipal Affairs Act, a designated Ontario University or College, a non-profit housing corporation or local housing corporation;

4.1.3 Deposit receipts, deposit notes, certificates of deposit or investment, acceptances or similar instruments, bonds, debentures or evidence of long-term indebtedness issued or guaranteed, by a bank (as listed in Schedule I or II to the Bank Act), a loan corporation or trust corporation (that is registered under the Loan and Trust Corporations Act), a credit union to which the Credit Union and Caisses Populaires Act, 1994 applies;

4.1.4 Asset-backed securities are considered an allowable investment however use of this investment instrument is limited through investments held by way of the ONE Fund, which is subject to the full range of their normal due diligence measures.

4.1.5 Forward rate agreements are considered an allowable investment with consideration made to restrictions as provided under Ontario Regulation 438/97.

4.2 Eligible Investments, Grades & Limitations

Appendix A sets out a summary of the maximum recommended allowable exposure for each classification of security as a percentage of the total portfolio as well as the maximum recommended allowable exposure for each specific issuer in a security class as a percentage of the total portfolio. Notwithstanding the provisions of the Act, eligible investment institutions as well as minimum credit ratings are limited to those stated to provide minimum risk.

4.2.1 Investments issued or guaranteed by the Government of Canada, province or territory of Canada, including an agency of Canada or a province or territory of Canada;

4.2.2 Investments issued or guaranteed by a municipality in Canada, including the municipality making the investment, subject to a minimum DBRS rating of "AA low", Moody's Investor Services of "Aa3" or Standard and Poor's of "AA-";

4.2.3 Investments issued or guaranteed by a school board in Canada, a board of a public hospital, a local board as defined in the Municipal Affairs Act, a designated Ontario University or College, a non-profit housing corporation or local housing corporation subject to a minimum DBRS rating of "AA low", Moody's Investor Services of "Aa3" or Standard and Poor's of "AA-";

4.2.4 Investments issued or guaranteed by a bank (as listed in Schedule I or II of the Bank Act), by a loan or trust corporation (which is registered under the Loan and Trust Corporations Act), subject to a minimum DBRS rating of "AA low", Moody's Investor Services of "Aa3" or Standard and Poor's of "AA-";

4.2.5 Investments issued or guaranteed by a credit union to which the Credit Union and Caisses Populaires Act, 1994 applies, subject to receipt of within 30 days before the investment is made and annually thereafter:

4.2.5.1 Receipt of audited financial statements for the most recent completed fiscal year and;

4.2.5.2 Certification in writing that all of the financial indicators as prescribed by Ontario Regulation 438/97 have been met

4.2.6 A review of the credit rating for all bonds, debentures, promissory notes and other evidence of indebtedness of a corporation is to take place within 30

days of each calendar quarter. That is for the 3 months ending March 31st by no later than April 30th, June 30th by no later than July 31st, September 30th by no later than October 31st and December 31st by no later than January 31st of the following year. This review is to ensure that all investments held meet the standards outlined and established within the Municipal Act.

4.2.7 Where it has been identified that an investment that has fallen below the stated standard, a plan to dispose of the investment will be developed and the investment sold in accordance with the plan.

4.2.8 All investments must be stated and held in Canadian currency. Investments in certain US funds are allowed and should only be utilized to facilitate the purchase of goods and services from US vendors.

4.3 Investment Portfolio Diversification

4.3.1 To balance the investment risk/liquidity profile of the portfolio, the investments are spread over a time horizon of short (less than 1 year), and long-term (greater than 1 year). In addition, the investments are spread over a number of eligible institutions subject to the following maximum percentages, (generally, more specifically as noted in Appendix A):

4.3.1.1 Limited to a percentage of Portfolio as follows:

a) Government of Canada - 100%;

b) Province or Territory of Canada - 80%, limited to no more than 25% in any single Province or Territory;

c) City of Windsor Debentures - 50%; 25% max for sinking funds

d) City of Windsor internally financed capital projects – 100% at the discretion of the CFO & City Treasurer

e) Other Canadian municipalities – 25%, limited to no more than 10% in any single municipality;

f) Applied Arts, Housing Corp, Education & Hospitals – 25%, limited to no more than 5% in any single entity;

g) Schedule I bank debt –90%, limited to 30% in any single bank;

h) Schedule II banks debt – 10%, limited to 5 % in any single bank;

i) One Fund Money Market Fund – 50%;

j) One Fund Bond Fund – 25%;

k) One Fund Equity Fund – 5%;

l) Loan or trust corporation, credit union – 25% limited to 15% in any single entity;

4.3.1.2 Term limitations of Portfolio:

a) Less than 90 days – minimum 10% to a maximum of 100%;
b) Less than 1 year – minimum 10% to a maximum of 100%;
c) From 1 year up to 2 years – maximum 75%;
d) From 2 years up to 5 years – maximum 30%;
e) From 5 years up to 30 years – maximum 20%.

The portfolio percentage restrictions apply at the time an investment is made and exclude sinking or trust fund investments requirements. At specific times thereafter, the portfolio limitations may be exceeded for a short time as a result of the timing of maturities or as may be required, and as authorized by S.3.2.7, in order to maximize investment returns. However, from time to time, due to cash flow fluctuations, longer-term discrepancies may be noted. Prior to the disposal of those investments, the CFO & City Treasurer will make a determination giving consideration to the stated investment objectives and any penalties that may be incurred as a result of disposition. Based upon the business case, the CFO & City Treasurer may retain, at his discretion, the investment(s) that exceed portfolio limitations provided that such action is not contrary to the Municipal Act.

Any investments that are may have exceeded the portfolio limitations with this policy at the time of adoption, will be re-invested at the time of maturity to comply.

Sinking and trust fund portfolio limitations are subject to the terms and conditions of the agreement to which the fund applies. Failing specific wording, compliance with the stated portfolio limitations is required.

4.4 Investment Strategy

4.4.1 Cash flow will be managed on an ongoing basis and will include all investment, borrowing, operations, and capital activity affecting the cash balance of the Corporation.

4.4.2 The General fund borrows from the reserve funds to provide cash for operations and to finance capital work. For the most part the interest charged is going 'from one City fund to another', however given that some reserve funds are non-rate funded, there is a requirement to pay a fair rate to the reserve funds for 'investing' in the General fund. At a minimum, a rate will be applied based on the interest rate paid on funds in the City's consolidated bank account. This rate may be adjusted at the discretion of the CFO & City Treasurer based upon an annual average of GIC investment rates, Bank of Canada benchmark bond yields, and the Bank of Canada 6-month T-Bill rate. This methodology may be changed from time to time by the CFO & City Treasurer as appropriate.

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements to maximize the advantage of longer investment terms, while preserving cash sufficient for internal financing purposes, except where the projected period of external borrowing is very brief. Key requirements and limitations of this strategy are:

- development and maintenance of a solid cash flow forecast
- use of One Funds in order to benefit from the usually enhanced returns associated with actively managed investment portfolios
- working capital to be invested in bank account balances, One Funds Money Market Fund and/or short-term investments of 30 to 90 days
- periodic review (no less than annually) of the City’s investment strategy based on analysis of prior period returns

4.4.3 Sinking Fund investment strategy is fundamentally a passive buy and hold strategy with respect to assets (securities and/or other investments) required to redeem specific debt securities at maturity. The investment portfolio shall be designed to obtain as a minimum, the rate of return specified in the sinking fund by-law. The maturity of such investments shall be made to coincide, as nearly as practical, with the expected use of funds.

4.4.4 Trust funds by nature must be maintained in a separate account and invested separately. The investment strategy will be primarily dictated by the terms of the trust agreement. In the absence of specific direction, the strategy must be in compliance with this policy. The maturity of such investments shall be made to coincide, as nearly as practical, with the expected use of funds.

4.4.5 To the extent that certain funds may be invested for longer periods of time in order to maximize investment yields, there is an acknowledgment that those investment yields may be subject to short-term market value fluctuations. Notwithstanding any short-term fluctuations, those investments should continue to be held with a long range view. Market value gains should be realized at maturity. Where there is no defined maturity (i.e. investments held in an equity fund) and there is an identified use for the investment yield consideration should be given to realizing the market value gain where such realization is possible and practical. Where there is a prolonged period of market value declines, a plan should be developed to mitigate further loss in value of the investment including a plan for the disposition of the investment.

4.5 Investment Income

4.5.1 For investment purposes funds to include money held in a general fund, a capital fund and a reserve fund. The allocation of earnings from combined investments shall be credited to each separate fund in proportion to the amount invested from it.

4.6 Investment Reporting

Each quarter a report of the "Portfolio Yield" and the "Portfolio Compliance with the Investment Policy" is completed for the CFO & City Treasurer's review.

The CFO & City Treasurer shall provide City Council each year an investment report that shall contain:

4.6.1 A statement about the performance of the portfolio of investments of the municipality during the period covered by the report;

4.6.2 A description of the estimated proportion of the total investments of a municipality that are invested in its own long-term and short-term securities to the total investment of the municipality and a description of the change, if any, in that estimated proportion since the previous year's report;

4.6.3 A statement by the CFO & City Treasurer as to whether or not, in his or her opinion, all investments were made in accordance with the investment policies and goals adopted by the municipality;

4.6.4 A record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale price of each security; and

4.6.5 Such other information that City Council may require or that, in the opinion of the Treasurer, should be included.

4.6.6 A statement by the CFO & City Treasurer as to whether or not, in his or her opinion, all investments are in compliance with the minimum credit rating standards as outlined in this policy.

4.6.7 In cases where the authority delegated by section 3.2.7 of the Policy is exercised, it shall be reported to City Council, inclusive of the rationale for such decisions, as part of the annual investment report.

4.7 Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs of the Municipality.

The performances of investments are measured using multiple benchmarks and performance indicators.

Short-term funds will be compared to the return on the three-month Government of Canada Treasury Bills and the One Fund's Money Market Fund. Long-term funds will be compared to the Bank of Canada one-year Treasury Bill rate. Furthermore, prime interest rates and other applicable market rates (i.e. Banker's Acceptance) could be utilized to provide a useful benchmark for investment performance with consideration to limitations due to the Municipal Act.

Such quantifiable baseline expectations are determined at the beginning of each fiscal year and could be reviewed and adjusted quarterly with consideration to current market conditions.

4.8 Investment Transactions, Accounts, and Safekeeping

The CFO & City Treasurer together with any one of the three Deputy Treasurers shall be authorized to enter into arrangements with banks, investment dealers and brokers, and other financial institutions for the purchase, sale, redemption, issuance, transfer and safekeeping of securities and perform other related acts in the day to day operation of the investment program for all investment transactions on behalf of the City of Windsor.

The CAO and the City Clerk shall be authorized to sign the necessary documentation associated with the establishment and maintenance of approved investment accounts, subject to approval in form by the City Solicitor and in financial and technical content by the CFO & City Treasurer.

Investment records are issued for each investment held in City specific accounts through various investment dealers. Each investment transaction generates a settlement ticket, which is received and recorded by treasury staff. Monthly or Quarterly statements are generated for each City specific account, indicating all investment activity, including income earned by the investments.

4.9 Standard of Care

4.9.1. Prudence

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

4.9.2. Ethics and Conflicts of Interest

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. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Officers and employees shall not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the Corporation.
Conflicts shall be disclosed immediately to the employee's direct supervisor who in turn shall notify the CFO & City Treasurer. Any conflicts noted by the CFO & City Treasurer as to his or her personal business activity shall be disclosed to the CAO.

4.9.3 Delegation of Authority

The CFO & City Treasurer will have overall responsibility for the prudent investment of the Corporation's portfolio. However, the Deputy Treasurer – Taxation & Financial Projects will be responsible and have the authority for the implementation of the investment program and the establishment of investment procedures consistent with this Policy. Such procedures shall include the explicit delegation of the authority needed by the Manager of Treasury & Cash Management and other staff in order to complete investment transactions. No person may engage in an investment transaction except as provided under the terms of this Policy. The Deputy Treasurer - Taxation & Financial Projects shall be responsible for all transactions undertaken, and shall establish a system of controls to regulate the activities of employees and shall exercise control over them. The Deputy Treasurer - Taxation & Financial Projects may delegate responsibility for the day-to-day management of the portfolio to subordinate investment officers within established guidelines.

4.9.4 Competitive Selection of Investment Instruments

The purchase and sale of securities shall be transacted through a competitive process with financial institutions approved by the CFO & City Treasurer. The Corporation will accept the offer, which (a) optimizes the investment objectives of the overall portfolio; and (b) has the highest rate of return within the maturity required. When selling a security, the Corporation will select the bid that generates the highest sale price or the transaction that will yield the best return for the portfolio. If there is a tie bid between one or more brokers, the Corporation will award the winning bid to the brokers on a rotating basis. A minimum of three quotations shall be obtained for each short-term transaction prior to placement and a reasonable number of quotations

for each long-term transaction, considering the existing market conditions at the time of placement.

It will be the responsibility of authorized investment officers and employees involved with each purchase/sale to produce and retain written records of each transaction including the name of the financial institutions solicited (at least 2 brokers), rate quoted or interpolated, description of the security, investment selected, and any special considerations that had an impact on the decision. If the lowest priced security (highest yield) was not selected for purchase, an explanation describing the rationale shall be included in this record.

5. RECORDS

Records and manual files will be kept according to the existing municipal Records and Retention By-law.

6. GLOSSARY OF TERMS

Asset Backed Securities: fixed income securities (other than a government security) issued by a Special Purpose Entity, substantially all of the assets of which consist of Qualifying Assets.

CHUMS Financing Corporation (CHUMS): A subsidiary of the Municipal Finance Officers Association of Ontario (MFOA) which in conjunction with the Local Authority Services Limited operates the ONE Fund.

Corporation: The Corporation of the City of Windsor, its Boards and Subsidiaries.

Credit Risk: the risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Diversification: a process of investing assets among a range of security types by class, sector, maturity, and quality rating.

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.

Forward Rate Agreement (FRA): a contract with a qualified financial institution (eg. bank) that allows an investor to fix a rate of interest to be received on an investment for a specified term beginning at a specified future date.

Interest Rate Risk: the risk associated with declines or rises in interest rates that cause an investment in a fixed-income security to increase or decrease in value.

Investment-grade Obligations: an investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

Liquidity: a measure of an asset's convertibility to cash.

Local Authorities Service Limited (LAS): a subsidiary of the Association of Municipalities of Ontario ('AMO') which in conjunction with CHUMS operates the ONE Fund, the Public Sector Group of funds, an investment pool in which local governments can invest.

Market Risk: the risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value: current market price of a security.

Maturity: the date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity".

ONE - the Public Sector Group of Funds (the "ONE Fund"): a professionally managed group of investment funds composed of pooled investments that meet eligibility criteria as defined by regulations under the Municipal Act.

Prudent Person Rule: an investment standard outlining the fiduciary responsibilities relating to the investment practices of public fund investors.

Qualifying Assets: financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period, plus any rights or other assets designed to assure the servicing or timely distribution of proceeds to security holders.

Safekeeping: holding of securities by a qualified financial institution (e.g. bank) on behalf of the investor.

Schedule I banks: Schedule I banks are domestic banks and are authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation.

Schedule II banks: Schedule II banks are foreign bank subsidiaries authorized under the *Bank Act* to accept deposits, which may be eligible for deposit insurance provided by the Canada Deposit and Insurance Corporation. Foreign bank subsidiaries are controlled by eligible foreign institutions.

Schedule III banks: Schedule III banks are foreign bank branches of foreign institutions that have been authorized under the *Bank Act* to do banking business in Canada. These branches have certain restrictions.

Sinking Fund: securities and/or deposits accumulated on a regular basis in a separate safekeeping and/or bank account that will be used to redeem debt securities at maturity.

Special Purpose Entity: a trust, corporation, partnership or other entity organized for the sole purpose of issuing securities that entitle the holders to receive payments that depend primarily on the cash flow from Qualifying Assets, but does not include a registered investment company.

Supranational: an agency sponsored by either a single or group of highly rated foreign banks or governments that will issue debt to fund loans in developing countries or large infrastructure projects. Supranational institutions may be owned or guaranteed by a consortium of national governments and their debt is typically rated "AA" or higher.

Weighted Average Maturity (WAM): the average maturity of all the securities that comprise a portfolio.

APPENDIX A – AUTHORIZED INVESTMENTS AND SECTOR LIMITATIONS

Sectors	Minimum Credit Rating[1]		Sector/Credit Exposure Limitation[2] (maximum)		Sector Term Limitation (maximum)
	Long-term	Short-term	Portfolio Limit	Individual Limit	
(a)	(b)	(c)	(d)	(e)	(f)
Federal[3]					
Canada		N/A	100%	100%	1 year
Canada	N/A		75%	75%(>1year)	30 years
Overall Category Limit			**100%**		
Provincial[3]		R1 mid	80%	25%	1 year
		R1 low	10%	5%	1 year
	AA		75%	25%	30 years
	A		25%	15%	15 years
	BBB		10%	5%	5 years
Overall Category Limit			**80%**		
Municipal Sector					
City of Windsor Debenture	N/A		50% (25% sinking funds)	50% (25% sinking funds)	None
City of Windsor internally financed capital projects	N/A		100%	100%	None
Other Municipalities[4]	AAA		25%	10%	20 years
	AA(low)		25%	5%	10 years
Applied Arts, Housing Corp, Education, Hospitals and Other[5]	AA(low)		25%	5%	10 years
Overall Category Limit[6]			**50%**		

[1] credit ratings indicated are minimum ratings as per DBRS that must be demonstrated as of date of investment. Reference should be made to the equivalency matrix provided in Appendix B

[2] exposure % limitations to be applied to the par value of the total portfolio

[3] includes guarantees

[4] includes advances to area municipalities

[5] includes Ontario Infrastructure Projects Corporation (OIPC formerly OSIFA), School Boards, Local Boards & Conservation Authorities

[6] Except for City of Windsor internally financed capital projects – the limit is 100% as per Sec. 4.3.1.1 (d) of this policy.

Sectors	Minimum Credit Rating[1]		Sector/Credit Exposure Limitation[2] (maximum)		Sector Term Limitation (maximum)
	Long-term	Short-term	Portfolio Limit	Individual Limit	
(a)	(b)	(c)	(d)	(e)	(f)
Banks-Debt					
Schedule I Banks		R1 mid	90%	30%	1 year
		R1 low	20%	5%	6 months
	AA(low)		30%	15%	10 years
Schedule II Banks		R1 mid	10%	5%	1 year
	AA(low)		10%	5%	10 years
Overall Category Limit			**90%**		
ONE Fund					
Money Market Fund	N/A		50%	N/A	None (pooled funds)
Bond Fund	N/A		25%	N/A	None (pooled funds)
Equity Fund	N/A		5%	N/A	None (pooled funds)
Overall Category Limit			**50%**		
Other					
Loan or trust corporation	AA(low)		10%	10%	10 years
Credit Union	See below		10%	10%	10 years
Loan or trust corporation		N/A	15%	15%	1 year
Credit Union	See below		15%	15%	1 year
Overall Category Limit			**25%**		

CRITERIA FOR INVESTMENTS WITH CREDIT UNION

The following information shall be obtained at a minimum 30 days prior to the placement of funds and maintained on an annual basis thereafter where there is the decision to place funds in securities to be held by a credit union and where such fund value is $250,000 or more:

a) Audited financial statements for the most recent fiscal year.
b) Attestation in writing that all of the required financial indicators as prescribed under Ontario Regulation 438/97 are met

Prescribed financial indicators to be identified are as follows:

1. Positive retained earnings in its audited financial statement for its most recently completed fiscal year
2. Regulatory capital of at least the prescribed percentage of its total assets as the date of the most recently completed fiscal year
3. Regulatory capital of at least the prescribed percentage of total risk weighted assets as of the date of the most recently completed fiscal year
4. Positive net income in audited financial statements for three of the five most completed fiscal years.

PORTFOLIO TERM LIMITATIONS (excluding Sinking and Trust Funds)

Term Limitation	Minimum Percentage	Maximum Percentage
Less than 90 days	10%	100%
Less than 1 year	10%	100%
From 1 year up to 2 years	---	75%
From 2 years up to 5 years	---	30%
From 5 years up to 30 years	---	20%

Minimum and Maximum limitations for sinking and trust funds are to be determined by the specific requirements of the agreement to which the fund relates. Barring specific terminology, stated portfolio limitations will apply.

APPENDIX B – INVESTMENT GRADE EQUIVALENCY MATRIX

Investment Grade	Moody's		S&P		Fitch		DBRS			
	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term		
Prime	Aaa	P1	AAA	A-1+	AAA	A1+	AAA	R-1H		
High Grade	Aa1		AA+		AA+		AAHigh		R-1M	
	Aa2		AA		AA		AA			
	Aa3		AA-		AA-		AALow			R-1L
Upper Medium Grade	A1		A+	A-1	A+	A1	AHigh			
	A2		A		A		A			
	A3	P2	A-	A-2	A-	A2	ALow			