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# Council Policy

## Investment of Kelowna Funds

ESTABLISHED: AUGUST 30, 2004

Contact Department: Financial Services

### Guiding Principle

The City's assets, in the form of cash flow, reserves and the Legacy fund, are to be safeguarded and maximized within accepted risk tolerance.

### Purpose

To outline the portfolio framework for the investment of public funds in order to invest public funds in a manner that will provide the optimal blend of investment return and security while meeting the daily cash flow demands of the City.

To outline the portfolio framework for the investment of the Legacy fund, that is a long-term investment for provision of benefits to the City of Kelowna in perpetuity.

### Application

This Policy applies to:

- The investment of all cash assets relating to cash flow demands of the City (Appendix A)
- The investment of the City Cemetery Care Maintenance Fund (CCMF) assets (Appendix B)
- The investment of the Legacy Fund (Appendix C)

### Policy Statements

1. Statutory responsibility for the investment of municipal funds resides with the Financial Officer.
2. The Financial Officer will assign managerial oversight for the investment of municipal funds through the establishment of Financial Services Investment Portfolio guidelines and Financial Services Legacy Fund guidelines.
3. Authorized Investments:
  - Investment of municipal funds as authorized by the Community Charter and the Municipal Finance Authority Act;
  - Investments in internally financed City of Kelowna projects;
  - Ownership of corporations as outlined in the Community Charter and as explicitly approved by the Inspector of Municipalities;
  - Partnering and other agreements as outlined in the Community Charter.
4. Prohibited Investments:
  - Investments in shares, warrants, or other equities, convertible debt securities, derivatives, swaps, options or futures;
  - No other equity shares are permitted other than those explicitly approved by the Inspector of Municipalities;

- Investment categories that are not explicitly permitted;
- Restrictions on providing assistance as defined in in the Community Charter.

### **Appendix A - Cash assets relating to cash flow demands of the City**

#### **Description**

Monetary resources that enable the City to meet its operations and acquisitions requirements.

#### **Diversification**

This portfolio of invested funds will be diversified as follows:

#### **Rating Up to %**

Rating	Up to %
AAA	100 %
AA	100%
A	60 %

The portfolio will have a minimum of "A" rated investments but only up to 60% (maximum risk allowed). If an authorized investment per section 183 of the Community Charter is unrated, it shall be rated as "A" for the purposes of determining adherence to this Policy.

#### **Constraints**

- a) The maximum exposure to a single government (Government of Canada, BC MFA, Provincial, Municipal) or corporation, as a % of the total portfolio will be as follows:

Rating	Government	Corporation
AAA	70 %	40 %
AA	50 %	30 %
A	30 %	20 %

- b) The maximum exposure for a single internally financed project is 15% of the total portfolio.  
 c) The maximum exposure for all internally financed projects is 30% of the total portfolio.

#### **Long-term Portfolio (10 years+)**

After first ensuring adequate short & mid-term liquidity, the Financial officer may designate up to 25% of funds as "long-term: 10 years+" and suitable for investments with long investment horizons. If funds have been designated as "long-term: 10 years+" the Financial officer may invest those monies in:

- MFA Pooled Investment Funds created specifically for investment of long-term reserves;
- Any other investments as permitted by the Community Charter and this policy.

It is the City of Kelowna's intent to hold long-term investments to maturity and in the case of perpetual Funds, it is the City of Kelowna's intent to hold these investments for 10 years or longer.

**Reporting**

The Financial Officer will provide Council with an annual report on the performance of the portfolio in the first quarter of the following year.

**Performance objectives**

- To achieve an average rate of return greater than the Canada Consumer Price Index for all items, as listed on the "Benchmarks" page of the monthly fund review;
- To achieve an average rate of return greater than the DEX91 Day T-Bill;
- To achieve an average rate of return greater than the median return of money market funds as described in the Mercer's quarterly survey of Canadian Institutional Pooled Funds; and
- To achieve performance that matches or exceeds the Municipal Finance Authority of British Columbia (MFA) Short-term Bond Fund and Money Market Fund for the same time frame.
- For the purposes of assessing performance of the long-term portfolio (10 years +), annual returns will be reported as incurred, until MFA identifies a suitable benchmark.

**Appendix B – City Cemetery Care Maintenance Fund****Description**

The City Cemetery Care Maintenance Fund is a distinct fund for the care and maintenance of the cemetery. The fund is established through requirements outlined in the Cremation, Interment, and Funeral Services Regulation:

- A percentage of fees of not less than 25% of the selling price of an interment,
- A percentage of fees of not less than 10% of the selling price for each right of interment related to a mausoleum or columbarium; and
- A deposit of not less than \$10 for each memorial installed at a place of interment.

**Diversification**

The care fund may be invested in:

- Securities approved by the Financial Officer, or that would be permissible investments for a reserve fund for the City of Kelowna as per the Cremation, Interment, and Funeral Services Regulation; and
- In accordance with the provisions of the Trustee Act as per the Cremation, Interment, and Funeral Services Act.

**Constraints**

Funds shall be invested, used and cared for in accordance with legislated constraints identified in the Cremation, Interment, and Funeral Services Act and the Cremation, Interment, and Funeral Services Regulation.

**Reporting**

The Financial Officer will provide Council with an annual report on the performance of the fund in the first quarter of the following year.

**Performance Objectives**

- To achieve an average rate of return greater than the Canada Consumer Price Index for all items, as listed on the "Benchmarks" page of the monthly fund review;
- To achieve an average rate of return greater than the DEX91 Day T-Bill;
- To achieve an average rate of return greater than the median return of money market funds as described in the Mercer's quarterly survey of Canadian Institutional Pooled Funds; and
- To achieve performance that matches or exceeds the Municipal Finance Authority of British Columbia (MFA) Intermediate Fund and Money Market Fund for the same time frame.

**Appendix C – Legacy Fund****Description**

The Legacy Fund consists of:

- City owned Fortis Inc. common shares purchased with the proceeds of the 2013 sale of the City's electrical utility to FortisBC Inc.; and
- The proceeds from the 2018 termination of the City's natural gas Lease-In Lease-Out Agreement with FortisBC Energy Inc.; and
- Investments that have met the guiding principles of the Legacy Fund, and as approved by Council.

**Diversification**

Allocation of investment between different types of allowable investments (revenue generating infrastructure, equities approved by the Inspector of Municipalities, debt, partnerships, etc.) as outlined in the Financial Services Legacy Fund guidelines and approved by the Financial Officer.

**Constraints**

- Infrastructure investments that do not have associated revenue streams attached or created by the City are to be restricted;
- Use of the fund as a dividend to the City and/or used in approved projects will be at a maximum threshold so that the defined performance objectives can be achieved in order to maintain and grow the overall value of the investment fund.

**Reporting**

The Financial Officer will provide Council with an annual report on the performance of the Legacy Fund in the first quarter of the following year.

**Performance objectives**

- To achieve growth of the Legacy Fund in the range of 3% per year on average above the City funds identified in 'Appendix A – Cash assets relating to cash flow demands of the City'
- To provide a flexible annual income stream at a minimum of 1.6 million for City use; and
- To incrementally increase the overall investment's monetary value on an annual basis

**Amendments**

August 30, 2004 – R841/04/08/30 – Council Policy 316 introduced

November 24, 2008 – R1038/08/11/24 – Policy Review, updated position titles

April 26, 2010 – R375/10/04/26 – replaced bullet under Investment Performance Objectives

June 16, 2014 – R435/14/06/16 - amendments to re-align portfolio to capitalize on higher returns

November 23, 2015 – R903/15/11/23 – removed administrative information

September 17, 2018 – R879/18/09/17 – added new appendices A, B & C

November 8, 2021 – R1017/21/11/08 – add the ability to invest in the Diversified Multi-Asset Class pooled investment fund ("DMAC").