

From: AMO Communications <communicate@amo.on.ca>
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To: Lisa Slomke
Subject: AMO Policy Update – Province Broadens Municipal Investment Powers

March 6, 2018

Province Broadens Municipal Investment Powers

Today the Minister of Municipal Affairs, Bill Mauro, sent a letter to all heads of council informing them of the Province's reforms to the municipal eligible investment regulation. The regulatory change will guide the use of the prudent investor standard by municipal governments, paving the way for new investment options and opportunities.

Rather than just being able to invest in a "legal list" of eligible investments set out by the province, qualifying municipalities will be able to invest in any security, as long as it is prudent for their situation. This standard is already used by pension fund managers and trustees.

It means that municipal governments will be able to build more diverse investment portfolios that are more tailored to local needs and better manage risk. It also provides greater flexibility to respond to changing financial markets.

Municipalities will be able to pass a by-law approving the approach on or after January 1, 2019, giving the municipal community about 10 months to prepare.

The regulation details who qualifies for the new powers, and how these investments are to be managed and governed, including:

- Municipalities will be able to qualify either independently or as part of a group. To qualify independently, the municipal government must have at least \$100 million in money and investments that it does not require immediately, or at least \$50 million in net financial assets.
- Municipalities must pass a by-law to participate, and adopt an investment policy that includes investment objectives, timeframes, and risk tolerance levels.
- A Council-appointed Investment Board will use the policy to develop and implement an investment plan. Other than the municipal treasurer, no other municipal staff or

elected officials would sit on this board, which would be comprised of investment experts. Municipal governments will have the option of establishing this Board independently or jointly with other municipalities.

- The regulation requires compliance monitoring systems, and regular reviews and financial reports.

AMO welcomes this regulation change and appreciates the support of the Ministry of Municipal Affairs in granting this new authority, which will offer municipalities more options and independence in financing critical projects.

AMO, through Local Authority Services (LAS) and its ONE Investment program, has been advocating for prudent investor standard for a long time. It is in keeping with ONE's 25-year track record of providing turnkey investment solutions for municipal governments, whether to help fund capital projects or build up reserve accounts.

ONE will ensure that all municipalities, regardless of financial assets, will have options to access the prudent investor standard and the benefits it can offer. ONE will also continue to operate its current investment programs.

Municipalities will continue to have the option of investing under the "legal list" of investments. As part of its announcement, the Province also made several changes to the list. Most significantly, it will drop the minimum credit rating for securities from AA- to A-. AMO had advocated for changing this to BBB (Triple Bs), given that many large corporations are borrowing more in the low-interest environment. The Province's change is a step in the right direction and will allow more opportunities under the legal list.

For more details, ONE Investment has developed [full analysis](#) of the regulation and legal list amendments, and what it all means for municipal governments. As well, municipal treasurers and finance directors are receiving regular updates on the details of the new investment standard.

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