



P.O. Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 15.1.2
Halifax Regional Council
October 1, 2024

TO: Mayor Savage and Members of Halifax Regional Council

FROM: Cathie O'Toole, Chief Administrative Officer

DATE: September 9, 2024

SUBJECT: Amendments to the Investment Policy

ORIGIN

July 9, 2024 Halifax Regional Council motion (Item No. 15.5.1):

MOVED by Councillor Mancini, seconded by Councillor Mason

THAT Halifax Regional Council direct the Chief Administrative Officer to:

2. Commence the process to dissolve the Community Design Advisory Committee, Halifax Peninsula Planning Advisory Committee, Harbour East-Marine Drive Community Council Planning Advisory Committee, Investment Policy Advisory Committee, Margeson Drive Master Plan Committee, Port Wallace Community Public Participation Committee, Regional Watershed Advisory Committee, and Western Common Advisory Committee, and to return to Council with the necessary amendments to dissolve these committees;

MOTION AS AMENDED PUT AND PASSED UNANIMOUSLY.

EXECUTIVE SUMMARY

In response to Phase 1 of the Governance Review, this report outlines the process to dissolve the Investment Policy Advisory Committee and includes amendments to Administrative Order 1 to outline that Audit and Finance Standing Committee as the review body for the Investment Policy.

RECOMMENDATIONS

It is recommended that Halifax Regional Council:

1. Suspend the rules of procedure under Schedule 2, the Audit and Finance Standing Committee Terms of Reference, of Administrative Order One, the Procedures of the Council Administrative Order.
2. Adopt the amendments to the Investment Policy as set out in Attachment B to this report.
3. Adopt the amendments to Administrative Order One, the *Procedures of Council Administrative Order*, as set out in Attachment D to this report.

BACKGROUND

In June of 2023, Halifax Regional Council directed staff to undertake a review of Halifax Regional Municipality's (HRM) ABC's as well as Standing Committees to examine the decision-making process of the Municipality. On July 9, 2024 a staff report entitled "Governance Review – Phase 1 Implementation Plan and Advisory Committee Review"¹ was provided to Regional Council. This report recommended several committees commence the process to be dissolved. This report outlines the process to dissolve the Investment Policy Advisory Committee (IPAC) as directed by Regional Council on July 9.

DISCUSSION

Staff as part of the Governance Review Phase 1 report, conducted a review and analysis of some of HRM's existing committees, including the Investment Policy Advisory Committee. As outlined in the report and approved by Council, it is recommended that staff commence the process to dissolve IPAC.

The current investment policy is working for HRM and staff have measures in place to ensure there is oversight on the policy outside of IPAC through the quarterly Treasurer's Report that is sent to Audit and Finance Standing Committee. An Investment Policy is required under the HRM Charter and staff cannot make an investing decision that is outside of the policy. Further, the Investment Policy requires a no-risk stance to investing to meet objectives and its adherence is reviewed by the Audit and Finance Standing Committee and Regional Council. The rigorous process associated with the Investment Policy provides oversight of staff investing activities, but also inherently limits the influence of a committee as HRM's Investment Policy, outside of minor adjustments, is effectively set. While a committee may have been useful in establishing a policy, it is no longer required as the initial review body and the policy can be adjusted to refer to the Audit and Finance Standing Committee.

As required under the current Investment Policy, these amendments to the policy were reviewed and approved by the Investment Policy Advisory Committee on September 9, 2024.

FINANCIAL IMPLICATIONS

Dissolving the IPAC creates limited financial savings to the Municipality. Some savings could be seen in staff time for staff liaisons and Clerk's Office staff supporting the meetings, however, this is not expected to be a large savings as IPAC only meets bi-annually.

RISK CONSIDERATION

No risk considerations were identified.

COMMUNITY ENGAGEMENT

Community Engagement was undertaken as part of the July 9, 2024 report to Council. For more information refer to that report.. Following the decision of Council volunteers received an update on the decision of Council from the Clerk's Office.

ENVIRONMENTAL IMPLICATIONS

No environmental implications were identified.

¹ <https://cdn.halifax.ca/sites/default/files/documents/city-hall/regional-council/240709rc1551.pdf>

ALTERNATIVES

That Halifax Regional Council:

1. Refuse to adopt the amendments to Administrative Order One and the Investment Policy. This is not recommended;
2. Adopt the amendments to Administrative Order One and the Investment Policy subject to modifications. This may require a supplementary staff report.

LEGISLATIVE AUTHORITY

The *Halifax Regional Municipality Charter*, 2008 SNS c 39 provides:

Section 20(1) The Council may make policies...(b) regulating its own proceedings and preserving order at meetings of the Council; (c) providing for committees and conferring powers and duties upon them, except the power to expend funds;...

Section 21(1) Council may establish standing, special and advisory committees.

Section 21(2) Each committee shall perform the duties conferred on it by this Act, and any other Act of the Legislature or the by-laws or policies of the Municipality.

Subsection 121(1) of the *Halifax Regional Municipality Charter* requires that funds be invested pursuant to an Investment Policy adopted by Council and approved by the Minister of Municipal Affairs (the Minister) or invested pursuant to the Trustee Act. Where HRM has chosen to adopt an Investment Policy, and the Minister has approved the Policy, investment activities are governed by this Policy.

121 (1) Funds in a sinking fund, capital reserve fund, utility depreciation fund or other fund of the Municipality must be

- (a) deposited in an interest-bearing account at a bank doing business in the Province;
- (b) invested pursuant to an investment policy adopted by the Council and approved by the Minister; or
- (c) invested in investments in which a trustee is permitted to invest pursuant to the Trustee Act.

ATTACHMENTS

Attachment A – Showing Proposed Changes to Halifax Regional Municipality Investment Policy

Attachment B – Amendments to Investment Policy

Attachment C – Showing Proposed Changes to Administrative Order One

Attachment D – Amendments to Administrative Order One

Report Prepared by: Laura Lewis, Deputy Clerk Council & Committee Services 902.490.4210

Investment Policy

Approved by:

Regional Council
MMMM DD, 202X

Minister of Municipal Affairs
MMMM DD, 202X

Table of Contents

- A. ~~Terms of Reference~~ Policy Committee 3**
- B. Introduction 3**
- C. Investment Objectives 5**
- D. Investment Policy 5**
 - Preservation of Capital 5
 - Liquidity 6
 - Competitive Return on Investments 6
- E. Investment Strategies 7**
 - Diversification of Investment Portfolio 7
 - Regular Review of Performance 8
 - Risk Management Approach 8
- F. Valuation of Investments 9**
- G. Conflict of Interest 9**

A. ~~Terms of Reference Policy Committee~~

~~The Investment Policy Advisory Committee was created by Halifax Regional Municipality Council which is responsible for appointment of its members. Membership includes one member of Regional Council and one staff member who serve as Co-Chairs as well as volunteer members of the public. The volunteer members shall have a combination of finance and investment knowledge and relevant professional, business or educational experience.~~ **Repealed**

The **Audit and Finance Standing Committee acts as the mandate of the** Policy Committee **with the following mandate:** ~~includes~~ establishing credit quality restrictions, recommending an appropriate set of guidelines, practices and procedures to guide the investment operations of the Halifax Regional Municipality (HRM), and monitoring same on an ongoing basis through periodic reports to Regional Council or any other body as directed by Regional Council.

B. Introduction

The Investment Policy of the Halifax Regional Municipality shall govern the investment of trust funds, reserve funds and surplus cash balances. Investments of the Halifax Regional Municipality Pension Plan are governed under a separate investment policy and are not addressed in this document. This Policy does not apply to loans permitted under the Municipal Government Act. Exceptions to this Policy shall be permitted from time to time upon approval by Regional Council and the Minister of Municipal Affairs.

The Investment Policy seeks to preserve and grow Halifax Regional Municipality revenues to fund both Operating and Capital Expenditures while adhering to strict legal requirements. Fundamental objectives of the Policy are built upon both preservation of capital and cash flow liquidity commensurate with HRM's expenditure requirements. For greater clarity, the vast majority of HRM investments shall be short term in nature as they exist only to provide a funding source for Operating and Capital Expenditures.

For the purpose of this policy, trust funds are funds which result from trust agreements through which the Municipality is accountable to third parties for the use and disposition of trust assets. In general these trusts are perpetual in nature with the majority of the income derived from the trust assets being used for the purpose of the trust and the principal being preserved.

Reserve funds are special purpose funds established through Provincial regulation or by motion of the Halifax Regional Municipality Council. Cash requirements are dependent on the purpose of the particular reserve fund. These requirements may be such that only a partial amount of a reserve may be expended in a given year which could allow for an investment time horizon spanning several years.

Surplus cash balances refer to the operating fund and capital fund. The operating fund pertains to the general operations of the Halifax Regional Municipality and the direct provision of services to its citizens. The investment time horizon for this fund would generally be short term in nature with some cash requirements daily while others are on bi-weekly and monthly cycles. The capital fund provides for expenditures on infrastructure and capital assets. Cash requirements would be driven by project expenditures that could span more than one year. Permanent funding of these project expenditures by cost sharing from other levels of government, debt, etc. may also be received over a number of years creating a requirement for bridge financing. This temporary financing is usually provided by operating fund cash flows and results in reduced liquidity and investment income for the operating fund.

Schedule A attached provides sector weights and investment quality restrictions for the portfolios anticipated above as well as for the total of all funds invested.

The Investment Policy of the Halifax Regional Municipality has been established on the basis of certain objectives which shall be adhered to in the investment of funds by or on behalf of the Halifax Regional Municipality.

The Policy Committee shall review the administration of the Investment Policy by the Halifax Regional Municipality staff responsible for on-going investment activities, as designated by the Treasurer. Such review shall focus on compliance with the specific investment objectives of the Policy and continued relevance of the Investment Policy itself. The ~~Policy Committee~~ **Treasurer** shall submit reports to Regional Council or the body designated by Regional Council not less frequently than quarterly.

The Investment Policy shall be reviewed by the Policy Committee annually. Each annual review shall include the continued relevance of the Policy objectives as well as the strategies employed to meet the objectives in the context of evolving market conditions, experience in applying the Policy to actual decision making as well as the history of the Policy. In addition, staff periodically consult with other Municipalities with similar investment activities and bring to the Policy Committee best practices of these other Municipalities for consideration for inclusion in the HRM Investment Policy.

C. Investment Objectives

The three objectives of the Investment Policy, stated in order of priority of importance, are as follows:

1. Preservation of Capital
2. Liquidity
3. Competitive Returns on Investments

To accomplish these objectives a number of strategies will be used. These strategies include, but are not limited to, portfolio diversification, regular review of performance and various risk management practices such as limitations on the percentage of the portfolio that can be invested in any one sector or entity as shown in the attached Sector Weight Schedules.

The Policy Committee shall review the Investment Policy and monitor the administration of the Investment Policy. Policy amendments, as necessary, shall be presented to Regional Council upon recommendation of the Chief Administrative Officer. The Policy Committee shall approve investment asset mix parameters, establish credit quality restrictions, and recommend an appropriate set of guidelines, practices and procedures for the investment of funds by the Halifax Regional Municipality.

D. Investment Policy

The Treasurer shall be responsible for administering the investment activities of the Halifax Regional Municipality in accordance with the Investment Policy. The Treasurer shall recommend to the Policy Committee investment asset mix parameters and credit quality restrictions and shall develop and maintain appropriate procedures and controls for recording, reporting, and monitoring investments to ensure that investments are made in accordance with the Investment Policy. The Treasurer shall monitor investment performance and prepare reports not less frequently than quarterly for the Policy Committee and Regional Council or the body designated by Regional Council on performance and adherence to the Investment Policy.

Investments by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objectives as discussed below.

The Sector Weight Schedules attached to this Policy should be used and interpreted in the context of the objectives of the Policy.

1. Preservation of Capital

Investment of public funds by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objective of preserving and protecting the principal amount. Accordingly,

all investment opportunities shall be evaluated on the basis of risk of loss or diminution of capital. Investments which are determined to be inconsistent with the objective of preserving and protecting the principal amount are prohibited.

In assessing the degree of risk of an investment decision, greater relevant importance shall be given to the objective of preservation of capital than to the extent to which an investment provides for maintenance of necessary liquidity or a competitive return.

Investments which have been subject to a downgrade in their credit rating below the minimum level required by the Policy shall be converted to cash within a reasonable period of time, given prevailing market conditions.

2. Liquidity

Investment of public funds by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objective of maintaining liquidity necessary in order to meet fluctuations in the cash flow requirements of the Halifax Regional Municipality.

The type and term of investments shall be determined by reviewing a forecast of the cash flow requirements of the Halifax Regional Municipality. The forecast of cash flow requirements will determine the proper proportion of investments that have terms to maturity which match the cash flow requirements of the Halifax Regional Municipality.

Approach: Staff of the Halifax Regional Municipality shall develop, not less frequently than monthly, forecasts of cash flow requirements based on revenue and expense projections.

Surplus and/or reserve funds not required for immediate or near-term expenses can be classified as follows:

- minimum cash balances
- temporary surpluses from operating funds
- longer term cash surpluses from reserve and trust funds

Investments: Efficient cash management results from a consideration of liquidity requirements and asset distribution within the parameters of preservation of capital, attainment of maximum return on investment, and diversification.

Funds not required for a specific short-term need can be invested in longer term securities; here, the most important consideration is the expectation of future interest rates and a reliable forecast of the timing of the need for these funds.

It is recognized that the Liquidity Objective may be satisfied by the sale of investments to selectively meet cash requirements as long as the sale does not result in a loss of capital.

3. Competitive Return on Investments

Investments by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objective of obtaining a competitive return on investments and weighing investment

alternatives within the constraints of the policy objectives and subject to regular performance review. In evaluating the return on investments, performance of investments shall be measured against the average yield of the three-month Canadian T-bill over the reporting period as agreed by the Policy Committee with an allowance for average fees for this asset class.

An investment program can be implemented through in-house management where individual investments are placed by Halifax Regional Municipality staff or through the use of an external pooled fund vehicle whereby active management is delegated to an outside service provider. A combination of the above is also allowable.

In the context of in-house management competitive return also implies a bidding process for each investment to ensure that the best return available at a given time is selected under the constraints of Objectives 1 to 3.

In the context of the use of external management (i.e. pooled fund), competitive return implies the selection of a service provider based on historical performance, fee structure, stability of the organization, ability to satisfy the Investment Objectives and other aspects of the Investment Policy.

For a combined approach an optimal choice would be made based on the investment options available under the constraints of the Investment Policy.

E. Investment Strategies

1. Diversification of Investment Portfolio

Investment of public funds by or on behalf of the Halifax Regional Municipality shall be made in accordance with the objective of diversification of the investment portfolio in order to minimize risk and achieve optimal balance of risk and return.

The allocation and limitation of investments will be determined in accordance with the objective of diversification, using the following inter-related criteria:

- liquidity of investment
- credit rating of issuer
- maximum allocation by sector class (e.g. federal vs. provincial vs. municipal government issue / private sector)
- duration of investment (interest rate risk)

Foreign currency investments shall only be made to match foreign currency requirements to meet obligations payable in foreign currencies from time to time.

On the advice of the Treasurer, the Chief Administrative Officer shall recommend to Regional Council and or any body designated by Regional Council any changes to asset mix and the

minimum credit rating criteria applicable to each investment type, class, and sector. Schedule A contains recommended sector weights and minimum credit rating criteria for investments by the Halifax Regional Municipality. Schedule B contains a list of categories of investments in which the Halifax Regional Municipality may invest. Schedule C contains a list of entities in which the Halifax Regional Municipality may invest. This list may be amended on the recommendation of the Treasurer and the concurrence of the Policy Committee as long as any additions meet the credit quality restrictions of Schedule A.

HRM staff shall select investments based on the above criteria which shall be reviewed by the Policy Committee not less frequently than semi-annually.

Diversification involves the allocation of funds among various counterparties. There is an inherent cost associated with the movement of funds including wire fees and additional administrative overhead. To minimize this administrative overhead and cost while maintaining the diversification objective, the portfolio will be rebalanced semi-annually or at the discretion of the Treasurer or their delegate. Funds that are expected to be expended for operations prior to the next portfolio rebalance will be excluded from the calculation for the purpose of rebalancing and will be invested in an approved instrument that provides appropriate liquidity while maximizing the rate of return.

2. Regular Review of Performance

In order that a concise overview of the performance of investments may be gleaned by all stakeholders, all segments and the total investment portfolio shall operate within a sound system of regular measurement, reporting, review, and evaluation.

Performance of the portfolio shall be measured against appropriate external benchmarks as agreed to by the Policy Committee as well as the objectives of the Investment Policy taking into consideration the priority of each objective.

3. Risk Management Approach

As many of the aspects of the Investment Policy seek to address risk in its various forms, decisions that implement the Investment Policy must also be based on managing and balancing risks. Typical investment risks that can be managed are credit risk, liquidity risk and interest rate or market risk. It is also recognized that active management of risks does not guarantee particular outcomes.

There are also financial risks that are beyond the scope of this Investment Policy. For example, while Canadian Monetary Policy seeks a stable long term inflation rate of 2% which usually implies a short term interest rate structure above this inflation rate, there may be periods of time when interest rates may persist below the actual and desired rate of inflation. As a result the maintenance of a rate of return above the rate of inflation, although highly desirable, may not always be available given the constraints of the Investment Policy.

F. Valuation of Investments

Investments in publicly traded securities shall be recorded, by the custodian, on a mark to market basis and shall be reported to the Treasurer not less frequently than monthly.

Investment in pooled funds comprising publicly traded securities shall be valued according to the unit values published at least weekly by the pooled fund manager.

If a market valuation of the investment is not readily available, then a fair value shall be determined by the Treasurer in accordance with generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, as published in the Handbook of the Canadian Institute of Chartered Accountants, or any successor publication. For each such non-traded investment, an estimate of fair value shall be supplied by the custodian no less frequently than monthly. In all cases, the methodology should be applied consistently over time.

Any Custodian acting on behalf of the Halifax Regional Municipality shall record the investments held by the Halifax Regional Municipality. The Custodian shall also record and receive any income from these investments as well as perform those other duties typically associated with a professional custodian.

G. Conflict of Interest

A conflict of interest occurs when any interested person may benefit materially from knowledge of, participation in, or by virtue of an investment decision.

An "interested person" includes:

- any employee of the Halifax Regional Municipality who is managing in-house portfolios or is involved in the investment of funds by the Halifax Regional Municipality
- any member of the Policy Committee, and
- any person related to any of the foregoing

Should a conflict of interest occur, the person who has a conflict of interest or any person who becomes aware of a conflict of interest situation, shall immediately disclose the conflict to the Treasurer. Any such party shall abstain from decision making with respect to the area of conflict, and a written record of the conflict shall be maintained by the Treasurer.

Interested persons involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

The Code of Ethics and Standards of Professional Conduct adopted by the Chartered Financial Analysts (CFA) Institute shall be expected to apply to external investment managers.

SCHEDULE A

Sector Weights – Total Portfolio

	Maximum % or \$ of Portfolio Per Issuer	Maximum Allowable % of Portfolio Per Category	Minimum Credit Rating Required*
<u>CASH & EQUIVALENTS</u> (Treasury Bills, Banker's Acceptance, etc. under one year)		100%	
Federal Government & its Guarantees	100%	100%	N/A
Provincial Governments & their Guarantees	25%***	100%	R-1 Mid
Municipal Governments & their Guarantees	10%	25%	R-1 Mid
Schedule 1 Financial Institutions & their Guarantees	20% 15%	60% ** 60% **	R-1 High R-1 Mid
<u>FIXED</u> (Bonds, etc. over one year)		20%	
Federal Government & its Guarantees	100%	100%	N/A
Provincial Governments & their Guarantees	25%***	100%	A
Municipal Governments & their Guarantees	10%	25%	AA
Schedule 1 Financial Institutions (1-5years)	20%	50%**	AA

The Maximum % or \$ of Portfolio Per Issuer and Maximum % of Portfolio Per Category refer to maximums at the time of placing an investment.

Investments in this Schedule are subject to the terms and conditions of this Investment Policy.

Investments denominated in foreign currency shall be limited to foreign currency requirements.

Total Portfolio refers to all invested funds prior to allocation to individual Funds. Risk exposure, through Maximum % or \$ of Portfolio Per Issuer, is managed at the Total Portfolio level.

* Rating agency as determined by the ~~Investment Policy Advisory Committee~~ **Audit and Finance Standing Committee** from time to time.

** The Total Maximum Allowable for Schedule 1 Financial Institutions and their Guarantees and Corporations in total shall not exceed 50%.

*** The Total Maximum Allowable exposure for individual Provinces and their Guarantees shall not exceed 25%.

SCHEDULE B

Eligible List of Investments

Investments by or on behalf of the Halifax Regional Municipality shall be made in accordance with the Investment Policy. The Halifax Regional Municipality may invest in the following asset categories:

- Banker's Acceptances
- Bearer Deposit Notes
- Canadian Treasury Bills
- Commercial Paper
- Municipal Promissory Notes
- Bank Subsidiary Paper
- Provincial Treasury Bills
- Term Deposits
- Guaranteed Investment Certificates
- CMHC Mortgage Backed Securities
- Federal, Provincial, Municipal Bonds and Debentures
- Corporate Bonds and Debentures

Any obligations unconditionally guaranteed by the federal government of Canada

Any obligations unconditionally guaranteed by a provincial government of Canada

SCHEDULE C

Eligible List of Counterparties (Investment Entities)

Investments by or on behalf of the Halifax Regional Municipality shall be made in accordance with the Investment Policy. The Halifax Regional Municipality may invest in the following entities:

The Government of Canada and its Guarantees:	
Federal Government	Business Development Bank
Canada Mortgage and Housing Corporation	Canadian Wheat Board
Export Development Canada	Farm Credit Corporation

Provincial Governments and their Guarantees:	
Province of Alberta and its Guarantees	Province of Ontario and its Guarantees
Province of British Columbia and its Guarantees	Province of Quebec and its Guarantees
Province of Manitoba and its Guarantees	Province of Saskatchewan and its Guarantees
Province of New Brunswick and its Guarantees	Province of Nova Scotia and its Guarantees

Municipal Governments and their Guarantees:
Municipality of Calgary and its Guarantees

Financial Institutions and their Guarantees (Schedule 1):	
Bank of Montreal and its Guarantees	Royal Bank of Canada and its Guarantees
Bank of Nova Scotia and its Guarantees	Toronto Dominion Bank and its Guarantees
National Bank of Canada	
Canadian Imperial Bank of Commerce and its Guarantees	

Appendix A

Definitions

Risk: The quantifiable likelihood of loss or less-than-expected returns. Examples: currency risk, inflation risk, principal risk, country risk, economic risk, mortgage risk, liquidity risk, market risk, opportunity risk, income risk, interest rate risk, prepayment risk, credit risk, unsystematic risk, call risk, business risk, counterparty risk, purchasing-power risk, event risk.

Principal Risk: The risk of losing the amount invested due to bankruptcy or default. There is always the possibility that through some set of circumstances, invested money will decrease or completely disappear. In this case, principal is lost, not just profits.

Liquidity Risk: The risk that arises from the difficulty of selling an asset. An investment may sometimes need to be sold quickly. Unfortunately, an insufficient secondary market may prevent the liquidation or limit the funds that can be generated from the asset. Some assets are highly liquid and have low liquidity risk (such as stock of a publicly traded company), while other assets are highly illiquid and have high liquidity risk (such as a house).

Furthermore, in the context of the HRM Investment Policy, Liquidity Risk also refers to the risk of not having sufficient funds available to meet financial obligations as they come due.

Market Risk: Risk which is common to an entire class of assets or liabilities. The value of investments may decline over a given time period simply because of economic changes or other events that impact large portions of the market. Asset allocation and diversification can protect against market risk because different portions of the market tend to underperform at different times.

Interest Rate Risk: The possibility of a reduction in the value of a security, especially a bond, resulting from a rise in interest rates. This risk can be reduced by diversifying the durations of the fixed-income investments that are held at a given time.

Policy Committee: The Audit and Finance Standing Committee

Preservation of Capital: A conservative investment strategy characterized by a desire to avoid risk of loss.

Liquidity: The ability of an asset to be converted into cash quickly and without any price discount.

Banker's Acceptance: A short-term credit investment which is created by a non-financial firm and whose payment is guaranteed by a bank. Often used in importing and exporting, and as a money market fund investment.

Treasury Bill: A negotiable debt obligation issued by a government and backed by its full faith and credit, having a maturity of one year or less.

Promissory Note: A document signed by a borrower promising to repay a loan under agreed-upon terms. also called note.

(Most of the definitions are from InvestorWords.com with some modifications to make them more relevant to the Investment Policy)

INVESTMENT POLICY

BE IT RESOLVED by the Council of the Halifax Regional Municipality that the Investment Policy is amended, as follows:

1. The Table of Contents is amended by:
 - (a) Striking out the words “Terms of Reference” after the Letter and period “A.” and replacing them with words “Policy Committee.
2. Part A “Terms of Reference” is amended by:
 - (a) Striking out the words “Terms of Reference” after the Letter and period “A.” and replacing them with the words “Policy Committee”;
 - (b) Repealing the first paragraph;
 - (c) Striking out the words “mandate of the” after the word “The” and before the word “Policy” and replacing them with the words “Audit and Finance Standing Committee” in the second paragraph; and
 - (d) Striking out the word “includes” after the word “Committee” and before the word “establishing” and replacing it with the words and colon “with the following mandate:” in the second paragraph.
3. Part B “Introduction” is amended by:
 - (a) Striking out the words “Policy Committee” after the word “The” and before the word “shall” and replacing them with the word “Treasurer” in the eighth paragraph.
4. Schedule A is amended by:
 - (a) Striking out the words “Investment Policy Advisory Committee” after the word “the” and before the word “from” and replacing them with the words “Audit and Finance Standing Committee” in the first bullet point labelled with an “*” of the Schedule.
5. Appendix A is amended by:
 - (a) Adding the following definition immediately after the definition of “Interest Rate Risk” and before the definition of “Preservation of Capital”:

Policy Committee: The Audit and Finance Standing Committee

Done and passed this

day of

, 2024.

Mayor

Municipal Clerk

SCHEDULE 2

AUDIT AND FINANCE STANDING COMMITTEE
TERMS OF REFERENCE

Purpose

1. (1) The purpose of the Audit and Finance Standing Committee is to provide advice to the Council on matters relating to audit and finance.
- (2) The other purposes of the Committee are to:
 - (a) fulfill the requirements as outlined in Section 48 of the *HRM Charter*; and
 - (b) assist the Council in meeting its responsibilities by ensuring the adequacy and effectiveness of financial reporting, risk management and internal controls.

Composition

2. (1) The Audit and Finance Standing Committee shall consist of six (6) Members of the Council.
- (2) The Members of the Audit and Finance Standing Committee shall be appointed by the Council as follows:
 - (a) one (1) Member appointed from each Community Council; and
 - (b) three (3) Members appointed at large.
- (2A) The Audit Committee shall consist of the Members of the Audit and Finance Committee and one (1) or two (2) persons who are not Members or employees of the Municipality and these one (1) or two (2) persons shall:
 - (a) reside within the boundaries of the Municipality;
 - (b) be at least eighteen (18) years of age at the time of appointment;
 - (c) not serve concurrently on any other board or committee of the Municipality;
 - (d) satisfy any recruitment requirements as set forth in any recruitment advertisement issued by the Municipality;

(e) be appointed by Council in accordance with the Public Appointment Policy; and

(f) be voting members of the Audit Committee only.

(3) The term of each appointment shall be for two (2) years.

(4) The Chair and Vice-Chair shall be elected annually in November, by the Members and from the Members of the Audit and Finance Standing Committee.

COMMUNITY COUNCIL	MEMBERS AT	CHAIR AND VICE CHAIR	EX OFFICIO	RESIDENTS OF HRM FOR AUDIT
Halifax & West Community Council	Three (3) Members at large.	Elected by and from the members of the committee.	Mayor.	One (1) or two (2).
North West Community Council				
Harbour East – Marine Drive Community				

Duties and Responsibilities

Audit

3. The Audit and Finance Standing Committee shall meet at least twice in each fiscal year as an Audit Committee to:

(a) review the qualifications, independence, quality of service and performance of the External Auditors annually and recommend to the Council the appointment or discharge of the External Auditors;

(b) carry out the responsibilities of the Audit Committee as outlined in subsection 48(2) of the *HRM Charter*, including:

(i) reviewing, in detail, the financial statements of the Municipality with the External Auditors,

(ii) evaluating internal control systems and management letters with the External Auditors,

(iii) reviewing the conduct and adequacy of any internal audit undertaken,

(iv) reviewing matters arising out of any internal audit that require further Investigation, and

(v) undertaking other actions determined by the Council to be the duties of the Audit Committee; and

(c) review with management and the External Auditor and recommend to the Council for approval, the annual audited financial statements.

Finance and Risk Management

4. The Audit and Finance Standing Committee shall:

(a) review with Finance management the monthly financial forecast and KPIs (key performance indicators) to be presented to the Council;

(b) review annually the debt and interest risk management activities proposed for the upcoming year by the CFO;

(c) review annually with Finance management and report to the Council on the appropriateness of financial accounting policies, disclosures and forecasts;

(d) ensure the adequacy and effectiveness of the systems of internal control in relation to financial controls and risk management as established by Administration;

(e) review bi-annually with management, the enterprise risk management and financial implications coming from such risk and implications, including: Environmental, Human Resources, Operational and the insurable risks and insurance coverage strategy of the Municipality; and

(f) review, as required, any other policies, procedures, forecasts, reports or process as agreed to mutually by the CAO and the Committee.

Auditor General

4A. The Chair and Vice Chair of the Committee shall review and approve the expenses of the Auditor General respecting employment and professional development expenses, such as travel, conferences and training, and for the purposes of:

(a) the *Employment Expense Reimbursement Policy*, the Chair and Vice Chair of the Audit and Finance Standing Committee stand in the place of the business unit;

(b) the Employee Learning & Development Policy, the Chair and Vice Chair of the Audit and Finance Standing Committee stands in the place of the approval authority; and

(c) the Request for Education Reimbursement Policy, the Chair and Vice Chair of the Audit and Finance Standing Committee stand in the place of the manager for approval and the HRM Corporate Training office for a review to determine if it meets the conditions under the policy.

Halifax Regional Library

5. The mandate of the Audit and Finance Standing Committee shall include auditing, finance and risk management of the Halifax Regional Library.

Liaison

6. Notwithstanding section 49 of the *HRM Charter* outlining the role, independence and reporting relationship of the Municipal Auditor General, the Audit and Finance Standing Committee shall act as a liaison and communication link between the Auditor General and the Council.

7. The Audit and Finance Standing Committee shall liaison with:

(a) the Provincial Property Valuation Service through representation on the Union of Nova Scotia Municipalities (UNSM) oversight board;

(b) ~~the Investment Policy Advisory Committee through appointment of the Council representative to the Committee~~ Repealed; and

(c) the Grants Committee through nomination of the Council and Citizen representatives and appointment of the Chair of the Committee from a member of the Audit and Finance Standing Committee.

(d) the Special Events Advisory Committee through nomination of the Council and Citizen representatives and appointment of the Chair of the Committee from the members of Regional Council appointed to the Special Events Advisory Committee.

Other Duties and Responsibilities

8. The Audit and Finance Standing Committee shall review and make recommendations on proposals coming to the Council outside of the annual budget or tender process including:

(a) new programs or services not yet approved or funded;

(b) programs or services that are being substantially altered;

- (c) proposed changes in any operating or project budget items;
- (d) the commitment of funds where there is insufficient approved budget;
- (e) new or increased capital projects not within the approved budget;
- (f) increases in project budget due to cost sharing; and
- (g) the creation or modification of reserves and withdrawals not approved in the approved budget.

Administration and Procedures

9. The Audit and Finance Standing Committee shall meet no less than four (4) times annually, preferably monthly, or as determined by the Committee.

10. Administrative and meeting procedures shall be in accordance with this *Administrative Order*.

11. Pursuant to clause 20(1) (c) of the *HRM Charter*, the Council delegates the power to direct staff to prepare reports to this Standing Committee provided that:

- (a) the topic of the report is consistent with the mandate of the Standing Committee as expressed in the Committee's terms of reference approved by the Council; and
- (b) the topic of the report is consistent with the Council's approved strategic priorities, budgets and policies.

11A (1) The Audit and Finance Standing Committee may hear and consider a submission or representation from any person who wishes to be heard, and each submission will be limited to five (5) minutes.

(2) If more than one person appears representing a group or association in relation to a particular item, the Audit and Finance Standing Committee may require that the persons designate a spokesperson who shall speak on behalf of the group or association so appearing.

Staff Liaison

12. Management support and liaison shall be through the Office of the Director of Finance/CFO, the Office of the Auditor General and the Office of the Director of Legal Services and Risk Management (as required) supported through the Office of the Clerk.

Subcommittees

13. (1) The Audit and Finance Standing Committee shall appoint a subcommittee to oversee the contract of the Auditor General.

(2) The subcommittee shall be comprised of the Mayor, the Chair and the Vice-Chair of the Audit and Finance Standing Committee.

(3) The subcommittee shall report, as required, to the Audit and Finance Standing Committee who, in turn, shall report to the Council.

Standing Committee Advisory Committees

14. The following Committees shall be advisory committee to the Audit and Finance Standing Committee:

COMMITTEE	TYPE	APPOINTMENT
Investment Policy	Advisory	One (1) Member shall be appointed by and from the Audit and Finance Standing Committee. The other Members shall be appointed at large. Repealed
Grants	Advisory	The Chair shall be appointed by and from the Audit and Finance Standing Committee. One (1) Member shall be appointed from each Community Council Citizen Members shall be appointed at large.
Special Events	Advisory	The Chair shall be appointed by the Audit and Finance Standing Committee from the three councillors appointed as members. One (1) Member shall be appointed from each Community Council, except the Regional Centre Community Council The Citizen/Sector Members shall be appointed at large.

