



Investments

PURPOSE/RATIONALE

This policy is established to ensure that funds which the Library generates by way of cash flows, surpluses, trust funds, reserves, or any other source, are invested to provide optimal returns after due consideration of yield, term, security, and diversification. The two main goals of this investment are to preserve purchasing power of assets through time and to provide a level of liquidity to provide the flexibility to adjust to changing market conditions and to provide adequate cash flow to permit the Library to carry out its mandate.

SCOPE/LIMITS

- This policy includes, but is not limited to trusts, endowments, donations, reserve funds, funds received from a municipality set aside for a new branch, and any other excess Library cash balances that are either on deposit or invested.
- This policy applies to all funds invested by the Library and recorded as an asset of the Library, such as those invested with the Municipal Finance Authority.
- This policy does not apply to endowment funds invested with Victoria Foundation, as these funds are invested separately from the Library and administered through the Endowment Fund Board of Management.

OBJECTIVES

The investment of all assets, including excess cash balances must satisfy the following investment objectives:

- A level of liquidity to provide the flexibility to adjust to changing market conditions.
- Maturity terms that ensure sufficient cash is available to meet the obligations of the Library.
- Protecting the portfolio from loss due to market fluctuations and/or poor diversification.
- Investment yields that maximize returns to ensure continued growth without the capital erosion by inflation.
- Investments that minimize financial risk.
- The terms of reference agreed with donors are respected.



PRINCIPLES

- Investments that would be considered speculative according to generally accepted principles of conservative investment management are strictly prohibited.
- Wherever possible, excess cash balances should be minimized.

RESPONSIBILITIES

- Responsibility for investment of the trusts, reserve fund and any other cash or assets that are deemed excess to the daily operations of the Library rests with the Finance Committee as delegated by the Board.
- The responsibilities of the Finance Committee with respect to investment management include:
 - Selecting a custodian/investment advisor,
 - Reviewing, at least annually, the performance of investments,
 - Reviewing annually the custodian's performance,
 - Reviewing annually this policy including a reassessment of the return expectations, risk tolerance and recommending changes to the Board,
 - Reporting annually to the Board.
- To ensure that donor's wishes are respected, any restrictions on the use of funds or assets must be carefully considered before accepting the donation. These considerations are outlined in [Policy 3.4 – Gifts & Fundraising](#) and [Policy 3.11 – Endowment Fund](#).

ELIGIBLE INVESTMENT GUIDELINES

Guidelines for the type and quality of the investment assets are summarized below.

The rating agencies used will be Canadian Bond Rating Services (CBRS) and Dominion Bond Rating Services (DBRS).

SHORT-TERM INVESTMENTS

- Government of Canada treasury bills, guaranteed notes and bonds with maturity < 3 years
- Crown Corporations & Agencies notes with maturity < 3 years
- Provincial treasury bills, notes and bonds with maturity < 3 years
- Canadian Schedule 1 chartered banks Bankers Acceptances (BAs) with maturity < 1 year
- Canadian Schedule 1 chartered banks debentures with maturity < 3 years
- CDIC¹-insured Term Deposits (TDs) and Guaranteed Income Certificates (GICs) with maturity < 3 years

¹ CDIC – Canadian Deposit Insurance Corporation – Insurance Limit of \$100,000

The minimum quality standard for short term investments will be:

- CBRS rating A-1 (Low) = Good (commercial paper & short term debt)
- DBRS rating R-1 (Low) = Satisfactory Credit (commercial paper & short term debt)
- DBRS rating A = Satisfactory Credit (bond)

FIXED INCOME SECURITIES:

- Canadian bonds (federal, provincial, municipal government and corporate) with maturity from 3-5 years
- Canadian Schedule 1 chartered banks medium-term notes or debentures with maturity from 3-5 years

The minimum quality standard for bonds and debentures will be an A- (Good) rating.

INELIGIBLE INVESTMENTS

Funds shall not be invested in any of the following types of investment:

- Preferred shares
- Debentures, other than those listed under Fixed Income Securities under the Eligible Investment Guideline section of this policy
- Equities (Common shares and securities convertible into common shares, income trusts, instalment receipts, rights, warrants, American Depository Receipts)
- Pooled/Mutual Funds
- Derivatives (e.g. Forward exchange contracts)
- Income Trust Options
- Commodities
- Real estate (Investment in Real Estate Investment Trust (REIT) that is actively traded on a public stock exchange is permitted.)
- Mortgages,
- Mortgage-backed securities,
- Non-marketable (e.g. restricted stock, private placements) securities other than GICs or similar instruments,
- Non-arm's length transactions that may be considered a conflict of interest.

CONFLICT OF INTEREST

A conflict of interest is defined as any event or circumstance that impairs the ability of any member of the Board or designate, or any employee or consultant to render unbiased and objective advice regarding any investment decision of the portfolio. In such cases, the conflict must be fully disclosed on a timely basis and the member shall withdraw from the meeting during the discussion and voting on the investment decision.



RELATED POLICIES

Policy 3.4 – Gifts and Fundraising

Policy 3.7 – Reserve Funds

Policy 3.11 – Endowment Fund

Approved by the Greater Victoria Public Library Board:

January 27, 2004

Reviewed by the Policy & Program Development Committee:

November 12 2008

Amended by the Greater Victoria Public Library Board:

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