City of Woodstock	City Council Policy Manual
Subject:	**Woodstock Hydro Legacy Fund Investment**
Policy Number:	**FIN-004**
Revision:	**02**
Approved by Council:	**November 19, 2015**
Amended:	**February 3, 2022**

Policy Statement

On October 1, 2015 the City of Woodstock approved the establishment of the Woodstock Hydro Legacy Fund utilizing the net proceeds of $29,200,000 from the sale of Woodstock Hydro Holding Inc. shares.

It is the intention of the City of Woodstock to hold the net proceeds (capital) in the Legacy Fund in perpetuity while making indexed annual contributions from investment earnings towards the City of Woodstock's needs.

Objectives

The primary objectives of the Legacy Fund investments, in priority order, shall be:

- Adherence to statutory requirements
- Preservation of Capital
- Maintaining liquidity,
- Earning a competitive rate of return and
- Community Prosperity

Standards of Care

1. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence would 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 probability of the income to be derived.

2. Investment officers acting in accordance with written procedure and in accordance with this policy shall be relieved of responsibility for an individual

security's credit risks or market price changes, provided deviations from expectations are reported in a timely manner and the liquidation or the sale of securities is carried out in accordance with the terms of this policy.

3. Investment officers shall refrain from personal business activity that could conflict with the proper execution of the investment program or which could impair their ability to make important investment decisions.

Responsibility

The Policy focuses on the following:

- Governance and Management
- Legacy Fund Investment Guidelines
- Annual Capital Contribution Timing, Calculations and Limits
- Legacy Fund Retention Reserve
- Reporting Requirements

Governance and Management

1. Council shall adopt this policy in the form of a by-law.

2. Council shall appoint a Fund Advisory Committee comprised of
   - The Mayor
   - Two Councillors
   - The Chief Administrative Officer
   - The Treasurer

3. The Fund advisory committee shall meet annually and more frequently as required to:

   - Review the investment performance of the Fund and Fund manager(s) in accordance with this policy
   - Review the current investment guidelines for the Fund
   - Make recommendations to Council with respect to changes to this policy

4. The City's Treasurer has overall responsibility for the prudent investment of the Legacy Fund. The Treasurer is responsible for the development of investment procedures consistent with this policy and to establish a system of internal controls.

5. Council approval is required for:
   - Changes to the Legacy Fund Policy
   - Changes to the Investment Guidelines
   - Transfer of the Legacy Fund Investment Earnings

6. Council shall appoint an external Fund manager(s)

7. Council shall consider and approve the recommended investment guidelines for the Fund.

Legacy Fund Investment Guidelines

1. All investments shall comply with the Municipal Act and Ontario Regulation 438/97 which provide the legislative authority and regulations for municipal investments.

2. The Fund investment guideline shall be the following:

Fund Investment Guideline

Portfolio	**Min**	**Target**	**Max**
Equity	20.0%	30.0%	40.0%
Bond	25.0%	35.0%	45.0%
Corporate bond	25.0%	35.0%	45.0%

3. Based on their periodic review the Fund Advisory Committee can recommend changes to the Fund investment guideline for consideration.

4. All reallocations within the Fund investment guidelines are at the discretion of the External Fund Manager.

5. Nothing precludes the Investment in the acquisition of land intended for resale for economic development provided it has been approved by a 2/3 majority of Council and the funds are returned for reinvestment in accordance with this policy upon sale.

Annual Capital Contribution Timing, Calculation and Limits

1. The first transfer from the fund shall occur one year from the date of the inception of the Fund.

2. All future transfers shall be made each year on the anniversary date of the inception of the Fund.

3. The amount of the first transfer to be considered by Council shall be $800,000.00

4. All subsequent transfers to be considered by Council will be indexed annually by 3%.

5. If the amount of investment earnings on the anniversary date is less than the planned current year's indexed transfer, funds may be transferred from the Legacy Fund Retention Reserve to cover the shortfall.

6. If there are not sufficient funds in the Legacy Fund Retention Reserve to cover such shortfall, the amount of the current year's transfer shall be reduced to the amount of available investment earnings.

7. At no time will a transfer from the Legacy Fund be permitted that will cause the value in the fund to fall below the initial capital investment of $ 29,200,000 unless authorized by a 2/3 majority of Council.

<u>Legacy Fund Retention Reserve</u>

1. To mitigate fluctuations in the level of Investment Earnings which could cause the current balance in the Legacy Fund to fall below the original investment of $29,200,000, a Legacy Fund Retention Reserve shall be created with an ongoing balance set at the equivalent of 2 years of projected transfers to provide funding for various purposes identified by Council.

2. On an ongoing basis, the Advisory Committee shall make recommendations to Council regarding the allocation of Excess Investment Earnings to be allocated to the Retention Reserve until the required level in the reserve is achieved.

3. Upon reaching the required level of the Retention Reserve, the Fund Advisory Committee, shall, on an annual basis, make recommendations to Council for the allocation of Excess Investment Earnings.

<u>Reporting</u>

1. The Treasurer shall report the results of the investments to Council on an annual basis, or more frequently as required, in the manner and form set out in legislation.

Revision Date	Revision #	Particulars
July 12, 2018	01	Update to Legacy Fund Investment Guideline
February 3, 2022	02	Update to Legacy Fund Investment Guideline