



Grimsby Downtown BIA Investment and Reserve Policy Financial Policy 001

1. Purpose

The primary purpose of this Investment Policy is to establish a clear, prudent framework for managing the financial assets of Grimsby Downtown BIA (GDBIA). This framework aims to safeguard the organization's financial assets, ensure sufficient liquidity to meet both planned and unforeseen expenditures, and generate a reasonable return on investments. It recognizes the importance of fiscal responsibility and the need for careful stewardship of funds to support the BIA's mission and long-term viability.

2. Scope

This policy applies universally to all funds, accounts, and investment activities directly managed or overseen by GDBIA. It encompasses all current and future financial assets, ensuring a consistent approach to investment management across the organization. This broad applicability ensures a unified strategy for asset management, risk mitigation, and financial planning.

3. Objectives

The investment objectives of GDBIA are multi-faceted:

- **Capital Preservation:** The primary concern is the safety of the principal. Investments are chosen to minimize the risk of loss, recognizing the importance of maintaining the value of the GDBIA's financial assets over time.
- **Liquidity:** The GDBIA maintains a liquidity strategy that ensures operational funds are readily available. This includes detailed cash flow forecasting to anticipate funding needs and maintain a liquidity reserve supporting six months of operating expenses, which will be created and maintained by the Treasurer and Executive Director.
- **Return on Investment:** While minimizing risk, the GDBIA seeks to optimize returns on its investments. This involves a balanced approach, considering the interest income and capital gains against potential market fluctuations and inflation impacts.

4. Investment Types

In accordance with Ontario's legal and regulatory framework, including but not limited to *O. Reg. 438/97: ELIGIBLE INVESTMENTS, RELATED FINANCIAL AGREEMENTS AND PRUDENT INVESTMENT*, GDBIA is committed to investing its funds responsibly and prudently. The

following investment types are selected based on their ability to meet the BIA's objectives of safety, liquidity, and a reasonable return, within the constraints of Ontario's legal framework:

- **Bank Deposits:** Including high-interest savings accounts and Guaranteed Investment Certificates (GICs) held with Canadian financial institutions insured by the Canada Deposit Insurance Corporation (CDIC) or equivalent provincial insurance schemes. These instruments offer secure, low-risk investment opportunities with predictable returns. A maximum of 50% of the total portfolio may be allocated to GICs and similar insured deposits.
- **Provincial and Federal Government Securities:** Investments in bonds, treasury bills, and other securities issued or guaranteed by the Government of Canada or the Province of Ontario. These are considered low-risk and are suitable for preserving capital and ensuring liquidity. A maximum of 40% of the portfolio may be invested in government securities.
- **Municipal & Government Bonds:** Bonds issued by other municipalities within Ontario, subject to due diligence to assess risk and return. These investments can offer competitive returns while supporting municipal projects and infrastructure within the province.
- **Canadian Corporate Bonds:** High-quality corporate bonds issued by corporations with a strong credit rating (minimum 'A' rating). These investments offer higher yields than government securities, with a moderate increase in risk. The selection of corporate bonds will prioritize companies with stable financial histories and strong business models. A maximum of 25% of the portfolio may be allocated to municipal bonds.

As capital preservation and liquidity are the primary objectives, the investment portfolio shall be predominantly allocated to secure, low-risk instruments, such as GICs and government bonds. Investments in corporate bonds and equities will be limited and utilized selectively to enhance yield, ensuring that safety and risk mitigation remain a priority. All investment decisions will adhere to the principles of risk management, diversification, and liquidity. Additionally, the GDBIA will consult with legal and financial advisors to ensure that all investments comply with the latest provincial regulations and align with the organization's financial goals and ethical standards.

5. Risk Management

Effective risk management is central to the GDBIA's investment strategy. This involves diversifying investments to spread risk and conducting thorough due diligence before committing funds. Investments are continuously monitored for changes in risk profile, and adjustments are made as necessary to protect the GDBIA's financial assets.

6. Performance Review and Reporting

If any investments are held, the Treasurer, in collaboration with the Finance and Audit Committee, will conduct rigorous quarterly reviews of the investment portfolio and prepare a quarterly variance report. This report will be included in the regular board reports presented to the Town and submitted as part of the Town's quarterly financial reporting to

the Finance Committee, ensuring transparency and alignment with broader financial oversight practices. The investments will be reviewed annually by the auditor and included in the financials. These reviews assess each investment's performance against benchmarks and the portfolio's alignment with the GDBIA's strategic financial goals. Annual reports are comprehensive, providing the Board with a detailed analysis of performance, including comparisons to benchmarks, an evaluation of the portfolio's risk posture, and recommendations for adjustments to the investment strategy.

7. Reserve Funds and Expenditure Approval

Maintaining a reserve fund equivalent to six months of operating expenses is a cornerstone of the GDBIA's financial stability strategy. This reserve ensures that the GDBIA can weather financial downturns, unexpected expenses, or revenue shortfalls without compromising its operational integrity. Withdrawals from this reserve require careful consideration and a two-thirds majority vote from the Board, reflecting the fund's significance to the GDBIA's financial health.

8. Policy Review and Amendments

The investment policy is a living document, subject to annual reviews to ensure it remains relevant and effective in meeting the GDBIA's financial objectives. The review process is thorough, considering changes in financial markets, regulatory environments, and the GDBIA's own financial situation and goals. Amendments proposed by the Board or the Treasurer and/or a Finance and Audit Committee are deliberated carefully, with a focus on maintaining or enhancing the policy's effectiveness in governing the GDBIA's investment activities.

9. Ethical Considerations

Investments are made with a keen awareness of the GDBIA's role in the community and its responsibility to act ethically and responsibly. This includes avoiding investments. This includes investing in industries or companies that conflict with the GDBIA's values or could harm its reputation. Additionally, the GDBIA is committed to transparency in its investment activities, providing stakeholders with confidence in how financial resources are managed.

10. Investment Advisor Role

When external investment advisors are engaged, they are selected based on stringent criteria, including their experience, performance history, understanding of not-for-profit financial management, and their approach to risk management. Advisors are expected to work closely with the Treasurer and/or a Finance and Audit Committee, providing insights and recommendations that align with the GDBIA's investment policy and financial objectives. Their performance is reviewed annually, ensuring they continue to meet the GDBIA's needs.

11. Conflict of Interest Policy

A robust conflict of interest policy ensures that all investment decisions are made in the best interest of the GDBIA. Board members and the investment committee are required to

disclose any financial interests or relationships that could influence their decision-making. This policy fosters an environment of trust and integrity, ensuring that investment activities are conducted transparently and ethically.

12. Investment Horizon

The GDBIA’s investments are managed with a clear understanding of the organization’s short-term and long-term financial needs. Short-term investments are selected to ensure liquidity, while longer-term investments are chosen for their potential to generate higher returns. This stratified approach allows the GDBIA to meet its immediate financial obligations while also supporting its long-term financial goals.

13. Liquidity Requirements

In addition to maintaining a reserve fund, the GDBIA’s overall investment strategy prioritizes liquidity to ensure that funds are available when needed. This involves careful planning to match investment maturities with anticipated cash flow needs, minimizing the need to liquidate investments under unfavorable market conditions.

14. Sustainability and Social Responsibility

The GDBIA’s investment activities are guided by a commitment to sustainability and social responsibility. This includes considering the environmental, social, and governance (ESG) impacts of investment choices, supporting investments that contribute positively to society and the environment while providing financial returns.

15. Legal and Regulatory Compliance

All investment activities are conducted in strict compliance with applicable laws and regulations. This includes adhering to financial reporting standards, regulatory requirements, and any other legal obligations related to investment activities. Regular training and updates on legal and regulatory changes are provided to those involved in investment management.

16. Amendment Process

The process for amending the investment policy is designed to be inclusive and rigorous. Proposed amendments can originate from any Board member or from the Treasurer and/or a Finance and Audit Committee, but they must undergo thorough review and discussion before being adopted. This ensures that any changes to the policy are made thoughtfully, with a clear understanding of their implications for the GDBIA’s investment strategy and financial health. 50% +1 vote of the board is required to change any details of this policy.

Revision #	Description of Changes	Date Created	Date Revised	Reviewed By:	Approved By:
001	Creation of Document	April 2024	N/A	Executive Team	Pending
002	Approval of Board	April 2024	N/A	Board of Management	Approved