
City of Kelowna **MEMORANDUM**

DATE: August 23, 2004
FILE: 540-20
TO: Council
FROM: Audit Committee
RE: **City of Kelowna Investment Policy**
(Prepared by Investments & Payroll Manager)

RECOMMENDATION:

THAT Council approve Council Policy No. 316 in reference to the investment of the City's surplus funds;

AND THAT Council receive the attached Compliance and Benchmark Report related to City of Kelowna investments for 2003.

BACKGROUND:

Council Policy No. 316, along with Compliance and Benchmark Reports for the end of 2003 and the end of the first quarter of 2004 were presented to the Audit Committee on August 4th 2004. The Audit Committee approved forwarding of the policy to Council with the inclusion of the following changes:

- Increase the overall limit on internal investments from 20% to 30% of the total portfolio value and increase the limits on individual internally financed projects from 10% to 15% of the total portfolio value.
- Add the additional portfolio objective benchmarks of matching or exceeding the Municipal Finance Authority of British Columbia (MFA) results for the same time frames.

The development of an Investment Policy for the City of Kelowna began in May of 2003 when the City issued a Request for Proposal seeking consulting assistance. There was a need for an Investment Policy that would provide guidelines related to the management of surplus funds as well as set reasonable investment objectives upon which to periodically assess investment decisions. In July of 2003, Mercer Investment Consulting Ltd. was awarded the assignment.

The attached Investment Policy is intended to:

- Comply with the requirements of the Community Charter of the Province of British Columbia.
- Ensure that the City maintains sufficient liquid assets to meet ongoing operating expenses.
- Preserve and enhance the value of invested capital within the confines of acceptable risk, with that risk factor being conservative in nature and focused, in priority order on:
 - Security,
 - Liquidity, and
 - Yield.

We are confident that the adoption of this policy will strengthen and formalize the City's future investment decisions.

Mayor Walter Gray
Chair, Audit Committee

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