

TO: Mayor J. Lehman and Members of Council

FROM: C. Millar, MBA, CPA, CGA, Director of Finance and Treasurer

NOTED: P. Elliott-Spencer, MBA, CPA, CMA, General Manager of Community and Corporate Services
C. Ladd, Chief Administrative Officer *for forward*

RE: Supervisor of Investment and Debt Management Request

DATE: November 30, 2015


As requested by General Committee at the November 16, 2015 Committee meeting, attached is the Intake Form supporting the request for a new resource, Supervisor of Investment and Debt Management. This Intake Form will be included as part of the 2016 Business Plan and Budget.

This position is needed to support an appropriate treasury function within the City's Finance Department. The City of Barrie has an annual gross operating budget of approximately \$289 Million and a forecasted five year capital plan of \$627 Million. In 2014, the City's Financial Impact Analysis (FIA) identified that over the next 20 years, an investment of \$1.8 Billion is planned to service growth, plus \$1.3 Billion for critical asset renewal needs. Currently, the Finance Department is not resourced appropriately to strategically manage current or future cash flows.

This Supervisor of Investment and Debt Management functions would include:

- Oversee execution of all cash and investment transactions;
- Implement strategy for the City's cash and investment portfolio;
- Maintain effective relationships in the banking and brokerage community;
- Maintain Corporate Policy on Investment in accordance with the *Municipal Act*;
- Ensure compliance of all existing and potential investments to Corporate Policy and regulatory requirements;
- Oversee the debt management process;
- Prepare timely reports on investment and debt activity; and,
- Manage relationship with Credit Rating Agency, including monitoring key Agency performance measures.

If approved by Council, this new position would first go through an internal job evaluation process to ensure an appropriate level of compensation relative to function. Once this evaluation is complete, the recruitment process would commence.


C. Millar, MBA, CPA, CGA
Director of Finance and Treasurer

1027 – SUPERVISOR OF INVESTMENT AND DEBT MANAGEMENT
COMMUNITY AND CORPORATE SERVICES
CONTACT: Craig Millar, Director of Finance and Treasurer (Ext. 5130)

DESCRIPTION:

The objective of this position is to generate higher returns from the City's excess cash on hand and better manage the borrowing process and related costs. The addition of this position will not require any additional funding from Tax or User Rates as it is expected to be fully funded from an increased return on investments.

Investment Management

The City's Financial Policies Framework sets an annual target of bank account interest rate +1% for the average return on investment. Excluding certain specific long term investments, the City's return on excess cash on hand has been approximately 1.5% over the last six years ending 2014. For the same period, the average targeted return was 2.2%. The City's approach to investing and debt management has been passive, primarily as a result of limited resources. As well, improved processes for monitoring cash requirements are required. With an updated investment policy and improved cash flow forecasting, combined with this proposed resource, the City will be able to assume an active approach to investing City funds as permitted under the Municipal Act. At a minimum, the City will achieve the current target of bank account +1%; however, the opportunity to improve upon this target is expected.

Debt Management

The City has historically issued debentures through Infrastructure Ontario (IO) to make use of the preferential rates available to the Province, as well as the expertise and know-how of IO. This strategy may not always be financially advantageous for the City, particularly if the Province's credit rating continues to decline. With the proposed resource, combined with an updated Debt Management Policy, the City will be better aligned to examine all options available for debt with the objective of minimizing borrowing costs. As well, this proposed resource will provide sufficient capacity to appropriately manage the debt issuance process.

BENEFITS:

- Additional investment revenues for reserves, reserve funds, tax and rate support budgets;
- No net cost to tax levy or rates;
- Better cash management of daily, monthly, and yearly needs; and,
- Improved debt management process and associated costs.

FINANCIAL DETAILS:

Year	Operating Impacts					Funding Sources						Capital Costs
	Operating Cost	Cost Savings	Revenue	Transfer to Reserves	Net Operating Impact	Tax	Water	Wastewater	Parking	Other	Comments	
2016	\$79,018		\$700,000	\$467,000	(\$153,982)	(\$153,982)						\$10,920
2017	\$105,040		\$700,000	\$467,000	(\$127,960)	(\$127,960)						
2018	\$106,294		\$700,000	\$467,000	(\$126,706)	(\$126,706)						