

**Subject: Adoption of the Ottawa Investment Board Procedure By-law and
Mandatory Policies for Boards**

File Number: ACS2024-FCS-OIB-0001

Report to Ottawa Investment Board on 31 May 2024

**Submitted on May 22, 2024 by Manager, Treasury, Corporate Finance, Finance
and Corporate Services Department**

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Ward: Citywide

**Objet : Adoption du Règlement de procédure du Conseil d'investissement
d'Ottawa et des politiques obligatoires pour les conseils**

Numéro de dossier : ACS2024-FCS-OIB-0001

Rapport présenté au Conseil d'investissement d'Ottawa le 31 mai 2024

**Soumis le 22 mai 2024 par Mark Martin, Gestionnaire, Trésorerie, Service des
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organisationnels**

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATIONS

That the Ottawa Investment Board approve:

- 1. the Ottawa Investment Board Procedure By-law (Document 1);**
- 2. the policies for sale and disposition of land, hiring of employees and
procurement of goods and services (Document 2); and**

3. the rules and procedures regarding the use of Board resources during the election campaign period (Document 3).

RECOMMANDATIONS DU RAPPORT

Que le Conseil d'investissement d'Ottawa approuve :

1. le Règlement de procédure du Conseil d'investissement d'Ottawa (document 1);
2. les politiques concernant la vente et la disposition de terrains, l'embauche de personnel et l'acquisition de biens et de services (document 2); et
3. les règles et les procédures sur l'utilisation des ressources pendant la période de campagne électorale (document 3).

BACKGROUND

The Prudent Investor Standard is an industry best practice methodology to investing an entity's funds. The prudent investor rule means that when a person is given discretionary control over another person's assets, they must make investments that a person of reasonable intelligence, discretion, and prudence could be expected to make. Under the *Municipal Act, 2001*, Section 418.1(8) "a municipality must exercise the care, skills, diligence and judgment that a prudent investor would exercise in making such an investment."

Prudent Investor Standard for municipalities in Ontario

In 2019, Ontario municipalities became eligible under the *Municipal Act, 2001* (the Act) to invest their funds not immediately required for use under the Prudent Investor Standard. Since 2019, at least two Ontario municipalities including Toronto and Barrie are investing their eligible municipal funds through this investment standard. Section 418.1 and Ontario Regulation 438/97 (a regulation under the Act) outline the rules and requirements that municipalities must follow to be eligible to invest using the standard, including that a municipality must delegate its authority to an investment board to manage and oversee the municipalities' investment of funds not immediately required, among other requirements.

Ottawa Investment Board legislative history

On June 22, 2022, through consideration of the [2021 Investments, Endowment Fund, and other Treasury Activities report](#) (AS2022-FSD-FIN-0005), City Council adopted the

prudent investor regime and established an Investment Board to invest City funds not immediately required by passing By-law No. 2022-317, which was enacted on September 21, 2022. At this meeting, Council also directed the Chief Financial Officer (CFO) to develop an Investment Governance Plan supported by an Outsourced Chief Investment Officer (OCIO), and authorized the CFO to begin the recruitment process to select Board members.

As reported by staff to Council, the key benefits of the prudent investor regime for the City include increased risk adjusted returns, additional investment expertise, portfolio diversification for better risk management, environmental, social and governance expertise, and cost efficiencies. Prudent investing can potentially generate additional investment revenues and reduce risk for municipalities, because it allows for the diversification of assets. This broader set of investment options can also enable municipalities to align risk and return strategies with council objectives and priorities.

On December 7, 2022, City Council delegated authority to a selection panel to appoint members to the Ottawa Investment Board (OIB) through the [2022-2026 Council Governance Review report](#) (ACS2022-OCC-GEN-0030).

On June 14, 2023, Council approved the Terms of Reference and Governance Plan for the OIB through the [2022 Investments, Endowment Fund, and other Treasury Activities report](#) (ACS2023-FCS-FIN-0005).

On February 2, 2024, staff communicated the results of the selection process through a memo to Council on the [Appointment of the Ottawa Investment Board Members](#) and outlined the next steps to establish an Investment Strategy for the City of Ottawa, including Member orientation and training, drafting the Statement of Investment Policies and Procedure for Council's approval, procuring an Outsourced Chief Investment Officer (OCIO) and developing an OCIO Investment Plan.

Ottawa Investment Board mandate

In partnership with an OCIO, the OIB will adopt and follow an Investment Plan using the OCIO model of investment. The Investment Plan will outline how the City's funds not immediately required are to be invested and proportioned among various asset classes. The Investment Plan will align with the Statement of Investment Procedures, which will be brought forward to Council for approval later this year.

DISCUSSION

As set out in the [2022-2026 Council Governance Review report](#) (ACS2022-OCC-GEN-0030), considered by City Council on December 7, 2022, the Office of the City Clerk worked the Finance and Corporate Services Department to ensure that the relevant statutory policies were prepared for consideration and approval at the first meeting of the OIB.

By approving the recommendations of this report, the OIB will be meeting its statutory obligations under the *Municipal Act, 2001* as a local board.

Local board statutory requirements

In accordance with Ontario Regulation 438/97 (under the *Municipal Act, 2001*), an Investment Board means, “a municipal service board that is established under Section 196 of the Act.” Section 196 of the Act authorizes a municipality to establish a municipal service board. Subsection 197(3) of the Act further provides that a municipal service board “is a local board of the municipality for all purposes.”

As a “local board,” the OIB is subject to a number of mandatory requirements and provisions set under the Act and the *Municipal Elections Act, 1996* (MEA), as follows:

- Must pass a procedure by-law in accordance with Subsection 238(2) of the Act;
- Must adopt and maintain policies with respect to its sale and other disposition of land, its hiring of its employees and its procurement of goods and services, as set out in Subsection 270(2) of the Act;
- Must establish rules and procedures with respect to the use of board resources during the election campaign period, pursuant to Section 88.18 of the MEA;
- Subject to open meeting requirements in Section 239 of the Act, and the City’s Meetings Investigator;
- Subject to the Code of Conduct for Members of Local Boards, further to Section 223.2 of the Act;
- Subject to the Integrity Commissioner’s role as it relates to the *Municipal Conflict of Interest Act*, as set out in Section 223.3 of the Act; and
- Subject to the Auditor General’s role further to Section 223.19 of the Act.

The OIB Procedure By-law is attached as Document 1. The policy requirements for sale and other disposition of land, hiring of employees and procurement of goods and services is attached as Document 2. The rules and procedures regarding the use of Board resources during the election campaign period is attached as Document 3.

FINANCIAL IMPLICATIONS

There are no financial implications with the approval of the policies, rules and procedures as described in this report.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations in this report.

ACCESSIBILITY IMPACTS

Finance and Corporate Services adheres to the requirements of the *Accessibility for Ontarians with Disabilities Act, (2005)* in its operations, programs and initiatives. This report is administrative in nature and has no associated accessibility impacts.

DISPOSITION

By approving the procedures, policies and rules listed in this report, the Ottawa Investment Board will be meeting its statutory obligations under the *Municipal Act, 2001*, as a local board.

Ottawa City Council has the opportunity to review requirements for local boards twice per Term of Council, as part of the Governance Review and Mid-Term Governance Review reports.

Rules, procedures and policies would be maintained as required by the *Municipal Act, 2001*, by further adoptions of revisions approved by the Ottawa Investment Board.

SUPPORTING DOCUMENTATION

Supporting documents are included with the report as separate files.

Document 1 – Ottawa Investment Board Procedure By-law

Document 2 – Ottawa Investment Board policy requirements for sale and other disposition of land, hiring of employees and procurement of goods and services

Document 3 – Ottawa Investment Board rules and procedures regarding the use of Board resources during the election campaign period