THE CITY OF WINDSOR
ONTARIO, CANADA

Office of the Municipal Auditor General,
The Corporation of the City of Windsor

May 7, 2025

INVESTMENT PRACTICES
AUDITOR GENERAL COMPLAINT INVESTIGATION

REPORT

Executive Summary

Background

The complainant alleges that:

1. Administration recommended an Investment in April 2024. The investment policy change effectively sets the portfolio limit for credit unions at 35% and the limit for individual institutions at 25% (this is given limits and discretionary powers). One of the supports noted was a review of four comparator municipalities (not named in the report provided to Council). However, after the complainant conducted a "thorough search, they have been unable to find any municipal investment policies that contain limits this high for investments in the credit union sector or for individual institutions."

2. The flexibility offered by treating the Windsor-Essex Hospital Plan Investment Portfolio as a separate portfolio in terms of complying with maximum portfolio limitations (both sector and institutional) has led to an over-concentration of risk for this investment in one sector or a single institution.

3. Based on Administration's report to the Council, the City's investments have exceeded sector and institutional limits in 2022 and 2023. This has not been correctly reported to Council (per the Municipal Act Reg. 438/97 (8.1) and the City's Investment Policy clause 4.6.7).

4. The City of Windsor's investment governance structure may lack sufficient oversight and transparency. Specifically related to three concerns.

5. The City of Windsor may lack sufficient oversight over its investment practices, particularly regarding the General Investment Portfolio and the Windsor-Essex Hospital Plan Investment Portfolio, which together total approximately $621 million in reserve funds. Unlike some other Ontario municipalities that mandate independent or external audit review of their investment activities as part of their formal investment governance, Windsor does not currently require such review. This raises concerns about whether the City's investment decisions and use of discretion are subject to adequate independent scrutiny, and whether the current oversight framework provides sufficient accountability for the management of significant public funds.

Investigation Approach

Allegation #1:

1. Consider the Council decision and the role of the Auditor General in such an allegation.
2. Assess whether the policy change was implemented transparently.
    a. Understand which four municipalities were considered as part of Administration's analysis.
    b. Reviewing the four investment policies, or equivalent evidence, to ascertain the support for the Administration's statement.
    c. Assess if the change was considered in public in a manner consistent with other policy changes.
3. Consider the risk of 3.2.7 and permitted use/exposure
    a. Consider the requirements of clause 3.2.7.
    b. Consider if 2022 and 2023 Credit Union holdings exceeded the former limit, and if required disclosures were provided and permitted.
4. Consider concentration/portfolio and sector risks in light of peers.
    a. Sector Concentration Risk
    b. Consider total possible portfolio limits compared to the four comparators used by Administration
    c. Consider changes in the sector related to Credit Unions

Allegation #2:

1. Determine if the Windsor-Essex Hospital Plan Investment Portfolio is approved to be established as a separate portfolio.
2. Review evidence to determine if the compliance report shows the portfolio is within limits.
3. Are there specific limits, and does the Investment Policy Framework apply to the Hospital Fund?

Allegation #3:

1. Consider if there is a breach of provincial regulation 438/97.
2. Consider if there is a breach of Investment Policy Limits, considering Council-Authorized Exceptions.
3. Consider if there is a breach of the City's Investment Policy related to clause 4.6.7

Allegation #4:

1. Consider the delegation and discretionary limits in place at the City compared to other municipalities, including the four comparators used by Administration.
2. Consider the reporting transparency in place at the City compared to other municipalities, including the four comparators used by Administration.

Allegation #5:

1. Determine if there is any legal necessity for an independent review.
2. Consider and compare with the peers previously used in other tests in this investigation.

Summary of Conclusion and Findings

Support was not found for the majority of the allegations.

Allegation #1: The allegation is not supported.

Allegation #2: The allegation is not supported.

Allegation #3: The allegation is not supported.

Allegation #4: The allegation is partially warranted.

Allegation #5: The allegation is not supported.

Recommendations for Administration regarding:

1. Further enabling transparency and accountability, Administration should consider including comparator names and summary comparisons in future public materials.
2. Administration should conduct periodic stress testing or sensitivity analysis to assess downside risk scenarios (e.g., interest rate shocks, deposit insurance events, liquidity mismatches), or other oversight controls to monitor sector concentration risk and why, or why not, it is a concern.
3. Consider low-cost transparency improvements (e.g., reporting discretionary use or holdings by institution), and reassess the need for larger-scale changes only if similar concerns arise again or if the City's investment structure grows in complexity or scale.

Management has provided responses to address the findings.

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Contextual Information

The scope Period was for the 2022 and 2023 investments, related compliance reports, and supporting documents.

The Municipal Act 2001 and ONTARIO REGULATION 438/97 govern municipalities with regard to the investment limitations/boundaries.

> The Municipal Act, 2001 (Ontario) provides the legal foundation and authority for municipal investments in Ontario. It establishes what municipalities are allowed to do, who is responsible, and under what conditions investments can be made.
>
> O. Reg. 438/97 is a regulation made under Section 418 of the Municipal Act, 2001, and it defines the types of investments municipalities are legally allowed to make, the rules for prudent investment, and requirements for investment policies. This regulation governs:
>
> - The types of eligible investments (e.g., federal/provincial bonds, bank instruments),
> - Requirements for an Investment Policy,
> - Additional rules if the Prudent Investor Standard is adopted.

Under the Municipal Act and O. Reg. 438/97, municipalities may develop their own policies/guidelines related to investments, as long as they align with or are enabled by the Regulation. If a municipality wants broader flexibility (e.g., under the Prudent Investor Standard), it must meet specific conditions and formally opt into that regime. Windsor has not opted into the Prudent Investor Standard under Ontario Regulation 438/97. Instead, Windsor continues to manage its investments according to the "legal list" approach, adhering to the eligible investments specified in the Regulation.

The assessment of limits is considered at the time of the investment. Considering a point in time portfolio view (i.e. at the investment compliance report date) will not provide the perspective used when executing internal controls.

Further, the Municipal Act, 2001 (Ontario) provides the legal framework for the investment powers and responsibilities of municipal officials, including the treasurer and deputy treasurer. The relevant sections are primarily found in Part VII – Financial Administration, particularly Section 418 and Section 286.

The following summarizes some of the key points from the legilation:

1. Investment Powers – Section 418

Section 418(1)–(7) of the *Municipal Act* governs how municipalities can invest money.

Who may invest:

> Section 418(1) states that "The money of a municipality that is not immediately required may only be invested by the municipality in the prescribed securities."
>
> This investment is carried out by the municipality, typically through the treasurer under the authority of Council.

Delegation to Investment Managers:

> Section 418(2) allows Council to authorize one or more agents (investment managers) to manage the investments, but the treasurer retains oversight responsibility.

2. Role of the Treasurer – Section 286

Section 286(1) outlines the responsibilities of the treasurer:

> "A municipality shall appoint a treasurer who is responsible for handling all of the financial affairs of the municipality on behalf of and in the manner directed by the council."
>
> This includes:
>
> - Managing and overseeing investments
> - Preparing and maintaining financial records
> - Ensuring compliance with investment policies and provincial regulations

3. Role of Deputy Treasurer – Section 286(2)

"A municipality may appoint one or more deputy treasurers who have all the powers and duties of the treasurer under this and any other Act."

Deputy Treasurers have full delegated authority to act in the capacity of the treasurer, including:

- Making investments,
- Signing financial documents,
- Managing funds — provided they act within Council's delegated authority and policy frameworks.

4. Where Credit Unions Come In: O. Reg. 438/97

The treatment of credit unions as equivalent to Tier 1 banks for investment purposes comes from the regulation, not Section 418 itself.

Under O. Reg. 438/97, Section 1(2) and (3):

> Municipalities may invest in deposit instruments from:
>
> - Schedule I, II, and III banks (i.e., federally regulated banks),
> - Credit unions and caisses populaires regulated by the Deposit Insurance Corporation of Ontario (DICO) — now under the Financial Services Regulatory Authority of Ontario (FSRAO).

These are treated equally for investment purposes provided:

- They are registered in Ontario,
- Covered by a deposit insurer (like FSRAO),
- The investment is a deposit instrument (not equity or unsecured loans),
- The municipality's investment policy permits it.

As of February 22, 2021 the following Investment Strategy as it relates to the Windsor-Essex Hospital Plan was approved by City Council:

- At a minimum, rate quotes are obtained from at least five (5) independent sources with representation of at least two (2) Schedule I Banks and at least two (2) credit unions
- The annual contributions are invested in guaranteed investment certificates on a declining basis over the number of years remaining for the overall projection.
- The awarding of each annual contribution is granted based upon:
    - Rate is equal to or greater than the rate which was used in the original projections. Should there be no acceptable quote on the basis of minimum rate, that Administration accept the best alternative and report the results to City Council as part of the next regular reporting of the Fund.
    - No more than 50% of the total estimated City contribution to the Hospital end date can be placed with any one (1) institution.

Summary of Investigation Approach Results

Allegation #1: Administration recommended an Investment in April 2024. The investment policy change effectively sets the portfolio limit for credit unions at 35% and the limit for individual institutions at 25% (this is given limits and discretionary powers). One of the supports noted was a review of four comparator municipalities (not named in the report provided to Council). However, after the complainant conducted a "thorough search, they have been unable to find any municipal investment policies that contain limits this high for investments in the credit union sector or for individual institutions."

Detailed Allegation: On April 22, 2024, City Council passed a recommendation on its consent agenda to change the City's investment policy by increasing the investment portfolio limits within the credit union sector from 15% to 25% and on individual institutions from 8-15%. However, the City's investment policy already contains a clause (3.2.7) that allows the CAO and/or Treasurer to exceed portfolio and individual institution limits by up to 10%. Based on the City's 2023 Investment Compliance Report ending December 31, 2023, more than 27% of the City's General Investment Portfolio was already invested in the credit union sector.

I am concerned that the approved change in portfolio limits combined with the discretion provided in clause 3.2.7 will have the effect of overconcentrating the city's investments in the credit union sector (up to 35% - 25% portfolio limit + 10% discretionary increase) and/or in any individual institution (up to 25% - 15% individual institution limit + 10% discretionary increase). This is particularly concerning given that the City's total Investments in the credit union sector have already increased by 98% between 2021 and 2023 compared to a 5% increase in investments in the Schedule I and Schedule II Banking sectors during that same time frame.

Administration recommended the policy change which effectively sets the portfolio limit for credit unions at 35% and the limit for individual institutions at 25% in part based on a review of four comparator municipalities (not named in the report provided to Council). However, after a thorough search, I have been unable to find any municipal investment policies that contain limits this high for investments in the credit union sector or for individual institutions.

#	Approach	Summary of Key Findings
1	Consider the Council decision and the role of the Auditor General in such an allegation.	The increase in credit union and institutional limits, approved by Council on April 22, 2024, was enacted through a formal policy resolution. On April 22, 2024, Council formally approved a change to the base limits in the City's Investment Policy (CS.A1.09), increasing: • The portfolio limit for the credit union sector from 15% to 25%

#	Approach	Summary of Key Findings
		• The individual institution limit from 8% to 15% These changes were brought forward in an open session and adopted on consent, following Administration's policy review and benchmarking analysis. **Assessment:** The role of Auditor General is not to question or override Council's authority to set such limits under the Municipal Act. However, it is within the Auditor General's mandate to: • Assess whether the policy change was implemented transparently (see Test #2) • Ensure that any resulting investment decisions adhere to the new policy and provincial regulations (see Test #3) • Highlight and report on emerging or systemic risks, such as sector overconcentration, even when those risks arise from a Council-approved policy (see Test #4 and Allegations 4 & 5)
2	Assess whether the policy change was implemented transparently. a. Understand which four municipalities were considered as part of Administration's analysis. b. Reviewing the four investment policies, or equivalent evidence, to ascertain the support for the Administration's statement.	2.a. Discussed approach with Administration. Administration indicated that research was conducted based on what was publicly available. Given that this is historical in nature, a re-performance may not provide the same results. Administration indicated they some screenshots may be included in the original analysis. The municipalities considered were Kitchener, Vaughan, York and Ottawa. 2.b. Screenshots of the investment schedules were taken at the time of Administration's analysis. The investigator traced 12 of the Portfolio Limits and 12 of the Individual Limits out of the 18 potential fields available in each, 66.7% coverage. No issues noted. 2.c. These changes were brought forward in an open session as part of Regular Business Items and adopted on consent, following Administration's policy review and benchmarking analysis. This is similar to other policy adjustments, and others were included in the same package. The agenda has the content (pages 319-320 summary and pages 328-345 for policy).

#	Approach	Summary of Key Findings
	c. Assess if the change was considered in public in a manner consistent with other policy changes.	Minutes show the final Consent Agenda acceptance of the item #8.3. **Assessment** This change was transparent, Council-directed, and legally within the authority of the City under the Municipal Act and O. Reg. 438/97. One observation was noted related to additional transparency (see Observation #1).
3	Consider the risk of 3.2.7 and permitted use/exposure a. Consider the requirements of clause 3.2.7 b. Consider if 2022 and 2023 Credit Union holdings exceeded the former limit, and if required disclosures were provided and permitted	3.a. Clause 3.2.7 allows the Treasurer to exceed policy limits by up to 10% only when necessary to achieve favourable investment returns, and must: ● Be used within clearly defined limits. ● Be reported annually to Council under Section 4.6.7 The boundaries for this discretionary power are: (1) 5% is for a term of <=6 months. (2) 10% must have 100% guarantee of principal. It is not cumulative with the base limits, meaning the policy does not entitle automatic exposure up to 35% in credit unions or 25% in a single institution unless: ● Such exposure is justified ● Actively monitored ● Reported in full transparency 3.b. Under the City's pre-2024 investment policy, the credit union sector limit was 15%. ● In both 2022 and 2023, the General Investment Portfolio exceeded that limit: ○ 2022: 25.01% credit union exposure ○ 2023: 27.34% credit union exposure ● In both cases, the Treasurer invoked the discretionary authority provided under Investment Policy section 3.2.7, which allows up to a 10% increase above the policy limit to achieve better returns (within the required discretionary boundaries). 2022 Report Disclosure (p.10):

#	Approach	Summary of Key Findings
		"Investments were placed with various institutions which utilized the additional institutional room as authorized by section 3.2.7…" "There were no occurrences of non-compliance to be reported…" 2023 Report Disclosure (p.10): "Funds… utilized the additional institutional room as authorized by section 3.2.7…" "There were no occurrences of non-compliance…" ● The disclosures satisfy Investment Policy clause 4.6.7, which requires reporting of discretionary limit use with rationale as part of the annual report to Council. **Assessment** In both years, the increased exposure was within the delegated 10% flexibility, and Council was properly informed through the required annual reporting mechanism.
4	Consider concentration/portfolio and sector risks in light of peers a. Sector Concentration Risk — Emerging Risk, Trend Confirmed b. Consider total possible portfolio limits compared to the four comparators used by Administration c. Consider changes in the sector related to Credit Unions	4.a. Credit union exposure in the General Investment Portfolio increased from approximately 13.6% in 2021 to: ● 25.01% in 2022, and ● 27.34% in 2023 → A 98% increase over two years, significantly outpacing growth in Schedule I and II Bank investments (5% increase in the same period). ● The 2024 policy amendment raised the credit union sector limit to 25% and the individual institution limit to 15%, with the Treasurer retaining up to 10% discretionary authority under clause 3.2.7. ● This means exposure could now lawfully reach 35% sector-wide, and up to 25% in a single credit union under Council-approved limits and delegated discretion. Further the 5% >=6 months or 10% with 100% principal guarantee would be required. 4.b. Various Credit Union Investment Limits – With Discretionary Authority Considered - see Appendix A. Windsor

#	Approach	Summary of Key Findings
		is unique among these municipalities in: ● Explicitly defining both base limits and a specific discretionary override (+10%) ● Requiring formal disclosure to Council (Investment Policy clause 4.6.7) ● Demonstrating documented use of discretion in 2022 and 2023 4.c. Credit union exposure rose from ~13.6% (2021) to 27% by the end of 2023, a 98% increase. ● This trend significantly outpaces growth in Schedule I and II Bank investments (5% over the same period). ● The 2024 policy change raises the sector limit to 25%, with potential for an additional 10% discretionary increase under clause 3.2.7, allowing up to 35% exposure to credit unions. ● This reflects a deliberate strategy outlined in the compliance report to optimize yield during rising interest rate cycles, where credit unions offered competitive rates within regulatory limits. ● Even with expanded limits, the City is: ○ Bound by provincial eligibility rules (O. Reg. 438/97) ○ Required to maintain credit rating standards ○ Subject to annual compliance reporting to Council ● The City has not placed funds in uninsured or unrated vehicles, and credit union exposure remains in eligible deposit instruments with acceptable risk ratings. **Assessment** The City's investments continue to meet: ● All requirements under O. Reg. 438/97 (Legal List) ● Minimum credit rating standards ● Internal reporting obligations (e.g., Treasurer's Statement of Compliance) ● The City's credit union holdings remain in eligible deposit instruments with capital protection and acceptable creditworthiness at the time of placement. However, as exposure to any one financial sector grows, the City's sensitivity to shifts in that sector's performance increases, warranting additional forward-looking risk management tools, such as:

#	Approach	Summary of Key Findings
		• Sector caps for sub-funds • Credit risk diversification thresholds • Periodic third-party benchmarking One observation related to sector concentration risk. See Observation #2.

Conclusion: The allegation is not supported.

Given the complexity of the investment process/practices, as well as the City polices and approach to threshold calcuations the initial allegation is understandable.

However, the City is in compliance with the Municipal Act, Ontario Regulation 438/97 and the City Investment Policy. The City of Windsor has lawfully expanded its credit union investment limits through a Council-approved amendment in April 2024, raising the base portfolio limit to 25% and the individual institution limit to 15%. In addition, the Treasurer retains the delegated authority under clause 3.2.7 of the Investment Policy to exceed these limits by up to 10%, resulting in a potential effective exposure of up to 35% portfolio-wide and 25% per institution. This discretionary power is to be used only within the approved boundaries (5% >=6 months or 10% with 100% principal guarantee).

This structure is unique among comparable Ontario municipalities, most of which either:

- Do not explicitly permit credit union investments at this scale, or
- Lack defined discretionary override provisions.

While Windsor's framework remains compliant with the Municipal Act and O. Reg. 438/97, and appropriate disclosures were made in the 2022 and 2023 Investment Compliance Reports, the City's relative position in the sector and its increased exposure to credit unions constitute an emerging concentration risk. This is particularly notable given the 98% increase in credit union holdings between 2021 and 2023, compared to just 5% growth in Schedule I/II bank investments.

Accordingly, while no breaches or reporting failures have occurred, enhanced risk oversight may be warranted. The following observations were noted:

1. **Comparator Transparency**: While Administration compared the current and proposed policy limits with other selected municipalities, the comparators were not publicly disclosed. Without disclosure of comparators, Council and the public cannot verify whether Windsor's new limits align with sector norms.

2. **Sector Concentration Risk Management**: This concentration could expose the City to liquidity risk, counterparty risk, and regional financial sector dependency, particularly if credit union sector fundamentals change.

Allegation #2: The flexibility offered by treating the Windsor-Essex Hospital Plan Investment Portfolio as a separate portfolio in terms of complying with maximum portfolio limitations (both sector and institutional) has led to an over-concentration of risk for this investment in one sector or a single institution.

As of December 31, 2023 the balance of this portfolio which contains funds related to the City's obligatory share of the Windsor-Essex Hospital Plan stood at over $72 million with 60.89% or $44 million of those funds invested in credit unions. This level far exceeds the limits set in the City's Investment Policy, even with the change made on April 22, 2024. My understanding, based on reports found in Council agendas, is that Administration was granted approval to treat the hospital reserve fund as a separate portfolio in terms of complying with maximum portfolio limitations (both sector and institutional). However, it is unclear as to whether there are any investment parameters or portfolio limits that apply to this investment at all or whether City staff has complete discretion as to how these funds are invested. Given the recent report to council on the fund, I am concerned that this flexibility has led to an overconcentration of risk for this investment in one sector or a single institution.

#	Approach	Summary of Key Findings
1	Determine if the Windsor-Essex Hospital Plan Investment Portfolio is approved to be established as a separate portfolio.	On April 25, 2016, per CR 282/2016, City Council approved the establishment of a new reserve fund for the purpose of placing annual funding contributions. This is permitted under CS.A1.09 Investment Policy 2. Scope, 2.1. **Consider if such a resolution is permitted under the Municipal Act and ONTARIO REGULATION 438/97.** How municipalities can apply differentiated portfolio strategies within the legal list framework, without adopting the Prudent Investor regime. Here's how the City lawfully treats the Windsor-Essex Hospital Fund as a "standalone portfolio" under the Legal List regime (s.418): 1. <u>The City is *not* using the Prudent Investor standard.</u> This is explicitly confirmed in the report: "Administration has previously recommended that City Council not endorse the prudent investor standard… The current Investment Policy… is available to provide the necessary guidance…"

#	Approach	Summary of Key Findings
		(*p. 9*) So they remain under Section 418 and O. Reg. 438/97 (Legal List). 2. <u>Flexibility is granted under the Investment Policy, not the regulation.</u> The City's Council-approved Investment Policy (CS.A1.09) includes a clause that allows this kind of flexibility within the legal framework. However, for the hospital fund, even greater flexibility is granted via Council direction, not just delegated authority. From the 2022 Report: "Administration was granted approval to treat the hospital reserve fund as a separate portfolio in terms of complying with maximum portfolio limitations (both sector and institutional)." "Further… Council provided direction in 2020 that would allow for more flexibility in terms of institutional limits allowing for larger segments… grouped with one or more financial institution…" (*p. 7–8*) This is not a regulatory exemption — it's a Council-sanctioned internal override to the *City's* policy limits. <u>3. How Is This Legal If Not Using the Prudent Investor?</u> Because Ontario Regulation 438/97 doesn't set portfolio percentage limits. It sets: ○ Eligible investments (types of securities) ○ Requirements for pooling ○ Credit rating standards ○ Conditions for special institutions (e.g., credit unions) However, it does not mandate portfolio composition

<table>
<tr><th>#</th><th>Approach</th><th>Summary of Key Findings</th></tr>
<tr><td></td><td></td><td>rules (e.g., no regulation says “only 25% in credit unions”). Those rules are self-imposed by municipalities via their investment policies.

So:

○ The City’s Investment Policy sets the 25% limit on credit union exposure
○ The Municipal Act doesn’t prohibit exceeding it, so long as all instruments are still legal under 438/97
○ Council can approve exceptions for specific funds like the Hospital Reserve Fund, especially since it's earmarked, long-term, and treated separately for reporting

Summary

<table><tr><th>Question</th><th>Answer</th></tr><tr><td>Is the City using the Prudent Investor regime?</td><td>❌ No — still under Legal List (s.418)</td></tr><tr><td>Can they treat a fund separately for strategy/limits?</td><td>✅ Yes — if Council approves and all investments remain within Reg. 438/97</td></tr><tr><td>Is the Windsor-Essex Hospital Fund exempt from internal policy limits?</td><td>✅ Yes — by Council direction in 2020</td></tr><tr><td>Is this lawful without adopting s.418.1?</td><td>✅ Yes — because the policy overrides are local, not regulated by the province</td></tr></table>
Assessment

The Windsor-Essex Hospital Plan Investment Portfolio is approved to be established as a separate portfolio.</td></tr>
<tr><td>2</td><td>Review evidence to determine if the compliance report shows the portfolio is within limits.

a. Consider if the</td><td>Does the report contain the required elements?

Yes — it largely complies with the Municipal Act and the City's Investment Policy CS.A1.09. Here's the breakdown:</td></tr>
</table>

#	Approach	Summary of Key Findings		
	2022 Annual Investment Compliance Report from the City of Windsor's Treasurer contains the required elements and determine if the reporting is on a fund or portfolio basis.	**Required by Policy (Section 4.6)**	**Included in Report**	**Where It Appears**
		1. **Statement about portfolio performance**	✅ Yes	Multiple sections, especially "General Investment Portfolio Performance" and "Trust Investment Portfolio Performance" (pp. 4–6, 12)
		2. **Proportion invested in the City's own securities**	✅ Yes	Mentioned under General Investment Portfolio (Appendix A), but not deeply analyzed. Could benefit from clearer reporting.
		3. **Confirmation of compliance with investment policy**	✅ Yes	"City Treasurer's Statement of Compliance" (p. 10)
		4. **Record of transactions in the City's own securities**	✅ Partially	It lists investments and maturity dates but does not have a full transaction ledger. This is typically fulfilled by internal documentation rather than a public report. Observed sample listing of transactions, specifically related to the hospital fund.
		5. **Disclosure of any policy breaches or excess investments**	✅ Yes	States there were no occurrences of non-compliance, and any authorized overages were under section 3.2.7 (p. 10)

#	Approach	Summary of Key Findings
		6. **Statement on compliance with credit rating standards** ✅Yes — Explicitly confirmed in "City Treasurer's Statement of Compliance" (p. 10) 7. **Other info at Treasurer's or Council's discretion** ✅Yes — Several strategic and contextual updates (e.g. prudent investor regime, hospital fund strategy, market outlook) are provided. Note - <u>the assessment of limits is considered at the time of the investment, a point in time portfolio view will not provide the perspective used when executing internal controls.</u> --- **Is the reporting on a fund or a portfolio basis?** It is both, but primarily portfolio-based. **Portfolio-Level Reporting** ● The general investment report aggregates investments and performance of over $450M in operating, reserve, and capital funds. ● Averages, yields, and policy compliance are reported for the overall pooled investment portfolio. ● This matches the City's policy (Section 4.6) and the legal list approach, which allows pooled investing with proportionate earnings allocation. **Fund-Level Breakouts (Included for Specific Funds)** ● Trust Funds: Reported separately (Appendix B) ● Arts Endowment Fund: Treated as a long-term/perpetual fund with detailed market/book value analysis (Appendix C) ● Windsor-Essex Hospital Plan: Reported as a standalone portfolio due to special Council direction and sectoral exemptions (Appendix D) Each fund section includes: ● Balance

#	Approach	Summary of Key Findings
		● Investment return ● Average yield ● Detailed GIC holdings and terms This granularity exceeds minimum requirements and aligns well with the fund-specific investment strategies described in the City Investment policy. **Assessment** This report: ● Meets the annual reporting requirements of the *Municipal Act*, Regulation 438/97, and the City's own Investment Policy. ● Is primarily portfolio-based, but includes fund-level reporting where: ○ Council has made special designations (e.g., Arts Fund, Hospital Plan) ○ Legal or strategic needs require it (e.g., Trust Funds) ● Demonstrates strong compliance and transparency.
2	Review evidence to determine if the compliance report shows the portfolio is within limits. b. Based on a comparison of: - The City of Windsor's Investment Policy (CS.A1.09) - The 2022 Annual Investment Compliance Report (submitted August 2023) and consider if there are any of the limits breached.	**Official Confirmation from the Report:** "All investments comprised within the City's investment portfolio were made in accordance with the investment policies and goals adopted by the municipality. All investments made during the year were in compliance with the minimum credit rating standards as outlined by the Investment Policy." (*p. 10 – City Treasurer's Statement of Compliance*) "There were no occurrences of non-compliance to be reported as part of the annual investment report." (*p. 10*) --- **Independent Spot-Check Against Policy Limits:** A cross-check of key limits from Appendix A of the Investment Policy (CS.A1.09) vs. data in the annual report: **1. General Portfolio Composition** (Appendix A of the report)

#	Approach	Summary of Key Findings

Institution Type	Policy Limit	2022 Portfolio	Status
Schedule I & II Banks	90% combined, 30% single Schedule I bank	60.56% total	✅ OK
Credit Unions	25% total, 15% single	25.01%	✅ At limit, but not over
Cash (Schedule I)	Not explicitly capped	14.43%	✅ OK
Total Portfolio	N/A	100%	✅ OK

2. Trust Funds Portfolio (Appendix B of the report)

- Gov't of Canada Bond: 35.69% → ✅ OK (100% allowed)
- Credit Union: 14.71% → ✅ OK (≤25%)
- Cash (Schedule I): 49.6% → ✅ OK

3. Arts Endowment Fund (Appendix C)

- ONE Bond Fund: 84.06%
- ONE Equity Fund: 15.94%

✅ OK – These pooled funds are within the maximum 25% bond fund / 5% equity fund limits for the overall portfolio, and this specific fund has its own Council-approved strategy.

4. **Windsor-Essex Hospital Fund** (Appendix D)
- Credit Unions: 68.03%
- Schedule I Banks: 31.97%

✅ While this breaches the general policy limits (25% credit union cap), Council has explicitly approved treating this fund as a standalone portfolio with separate thresholds:

> "City Council provided direction… that would allow for more flexibility in terms of institutional limits…" (p. 7–8)
>
> Further, CR B12/2021 of February 22, 2021 requires that the Credit Union limit is set at not more then 50% of the total estimated City contribution (at end date) to the Hospital can be placed with any one (1) institution. Per

#	Approach	Summary of Key Findings
		the 2016 report, this was expected to be $108 million (excluding inflationary factors). As such, the limit for one credit union would be $54 million and this has not been reached yet. Therefore, this is **not a breach**, but an authorized exemption. **Assessment** All reported investments comply with the City's Investment Policy limits or are Council-approved exceptions. ● There are no breaches of: ○ Sector limits ○ Individual institution limits ○ Credit rating minimums ○ Maturity band thresholds No breaches of the investment limits or credit standards are identified in the report, and the report explicitly confirms this.
3	Are there specific limits, and does the Investment Policy Framework apply to the Hospital Fund?	Does the Hospital Fund Have Its Own Investment Policy? No — the Windsor-Essex Hospital Reserve Fund does not have a separate, standalone investment policy. However, its treatment is explicitly governed through Council-approved exceptions to the City's main Investment Policy (CS.A1.09). Here's how it works: --- **What the City's Main Investment Policy Says (CS.A1.09)** ● Section 2.1 (Scope): "This investment policy applies to all investments made by the City on its own behalf and, where appropriate or as deemed required, on behalf of its agencies, boards, commissions, and wholly owned subsidiaries, including any new funds created by the City unless specifically directed otherwise by City Council." This means the City's Investment Policy governs the Hospital Fund by default *unless* the Council provides specific direction for deviating. ---

#	Approach	Summary of Key Findings
		What Council Has Approved Via Council resolutions (e.g., CR282/2016, CR193/2017 and CR170/2020) and reporting in subsequent compliance reports: ● Council explicitly authorized treating the Hospital Reserve Fund as a separate portfolio for the purposes of applying investment limits (sector/institution). ● This allows greater flexibility in concentration (e.g., higher percentages in a single institution or sector like credit unions). ● Council did not create a new policy but overrode specific thresholds within the existing policy through formal direction. --- **Confirmation in Investment Reports** From the 2022 and 2023 Investment Compliance Reports: "Administration was granted approval to treat the hospital reserve fund as a separate portfolio in terms of complying with maximum portfolio limitations (both sector and institutional)... Council provided direction in 2020 that would allow for more flexibility…" This confirms that the fund is exempt from standard portfolio limits but remains subject to all other parts of the Investment Policy unless otherwise directed. --- **Assessment** Council explicitly authorized treating the Hospital Reserve Fund as a separate portfolio for the purposes of applying investment limits (sector/institution). Council did not create a new policy but overrode specific thresholds within the existing policy through formal direction.

Conclusion:x Allegation not supported.

The investments comply with the Municipal Act, Ontario Regulation 438/97 and the City Investment Policy, and there is specific Council direction for the Hospital Fund.

The Windsor-Essex Hospital Fund was explicitly approved by Council (per CR282/2016, CR193/2017, and subsequent direction) to be treated as a separate portfolio for the purposes of investment limits. CR B12_2021 provides the Investment Strategy.

While credit union exposure exceeded general limits (60.89% in 2023), this was done under Council-approved exemptions. No breaches of O. Reg. 438/97 or CS.A1.09 were found.

The Hospital Fund does not have a standalone policy, but remains subject to the City's Investment Policy except where Council has directed otherwise. No evidence of unconstrained discretion was found.

The 2022 and 2023 Investment Compliance Reports include standalone reporting for the fund (Appendix D), clearly noting the fund's distinct treatment, composition, and performance. Reporting meets Municipal Act and policy requirements.

Allegation #3

Detailed Allegation: Based on Administration's report to the Council, the City's investments have exceeded sector and institutional limits in 2022 and 2023. This has not been correctly reported to Council (per the Municipal Act Reg. 438/97 (8.1) and the City's Investment Policy clause 4.6.7).

#	Approach	Summary of Key Findings
1	Consider if there is a breach of provincial regulation 438/97.	Section 8.1 of Reg. 438/97 requires annual reporting on: • Investment performance • Credit rating compliance • Consistency with the municipality's investment policy The 2022 and 2023 Annual Investment Reports include a Treasurer's Statement of Compliance confirming that: • All investments complied with the policy • All credit standards were met • No regulatory requirements were breached **Assessment** Regulation 438/97 s.8.1 – No Breach Occurred
2	Consider it there is a breach of Investment Policy Limits, considering Council-Authorized Exceptions.	Appendix A of the Investment Policy sets binding portfolio and institutional limits. However, Council authorized the Windsor-Essex Hospital Fund to be treated as a separate portfolio (2020), with flexibility to exceed standard limits in pursuit of long-term yield objectives. This was disclosed in the 2022 report (see pp. 7–8, Appendix D) **Assessment** Investment Policy Limits — Council-Approved Deviation
3	Consider if there is a breach of the City's Investment Policy related to clause 4.6.7	Clause 4.6.7 requires reporting when section 3.2.7 authority (exceeding limits) is used. The 2022 and 2023 reports included this disclosure: "Investments were placed with various institutions which

		utilized the additional institutional room as authorized by section 3.2.7…" (*p. 10, Annual Report*) **Assessment** The policy requirement under section 4.6.7 was met — rationale and use of discretion were documented and presented to Council.

Conclusion: Allegation not supported

The City did exceed standard portfolio/institutional thresholds, but this was authorized and properly disclosed under Council-approved policy exceptions and section 3.2.7.

- Reporting requirements under both O. Reg. 438/97 and Investment Policy section 4.6.7 were fulfilled.
- No breach occurred, and Council was informed through the 2022 Annual Investment Report.

A recommendation to enhance the transparency of future disclosures is reasonable (see Allegation #1, Obs #1) — but no breach of law or policy has occurred.

Allegation #4: The City of Windsor's investment governance structure may lack sufficient oversight and transparency. Specifically related to three concerns.

Detailed Allegation: The City of Windsor's investment governance structure may lack sufficient oversight and transparency. Specifically:

1. **The City's Investment Policy grants staff broad discretionary authority to exceed portfolio and institutional investment limits, with limited public disclosure of how that discretion is used.**
2. **Investment reporting to Council and the public may lack sufficient detail to enable effective oversight (e.g., no reporting by institution, limited explanation of over-limit positions).**
3. **In 2023, Council removed the Mayor as a signatory on investment accounts and delegated sole signing authority to the City Treasurer and deputies, potentially concentrating operational control without corresponding oversight mechanisms.**

Together, these conditions may contribute to a governance model that lacks adequate checks and balances.

#	Approach	Summary of Key Findings
1	Consider the delegation and discretionary limits in place at the City compared to other municipalities, including the four comparators used by Administration.	Test #1 - Consider the delegation and discretionary limits in place at the City compared to other municipalities, including the four comparators used by Administration. Assessing the concerns regarding investment oversight, discretionary authority, and transparency in the City of Windsor's practices requires a comparative analysis with other Ontario municipalities. Below is a structured comparison focusing on discretionary authority limits, reporting transparency, and governance structures. --- **Discretionary and Delegated Authority Limits** **1. City of Vaughan** • **Delegated Authority**: The **Chief Financial Officer (CFO)** has the authority to manage the City's investment portfolio, including executing investment transactions and overseeing day-to-day operations. • **Discretionary Authority**: The CFO is authorized to **redirect funding between discretionary reserves** based on reserve adequacy analysis. This allows flexibility to address financial needs as they arise.

2. City of Ottawa

- **Delegated Authority**: The **Chief Financial Officer/Treasurer** is authorized to approve, amend, extend, and execute service agreements, contribution agreements, and grant agreements, provided they align with City policies, departmental objectives, and budget limits.
- **Discretionary Authority**: The CFO/Treasurer has the discretion to manage investment transactions and ensure compliance with the Municipal Act and related regulations. This includes making investment decisions that align with the City's financial strategies.

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3. Regional Municipality of Durham

- **Delegated Authority**: The **Director of Financial Planning and Purchasing** is responsible for implementing the investment program and establishing procedures consistent with the policy. This includes delegating authority to staff for executing investment transactions.
- **Discretionary Authority**: The policy allows for flexibility in managing the investment portfolio to optimize returns while adhering to the standard of care and eligible investments as defined by the Municipal Act.

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4. City of Windsor

- **Delegated Authority**: The **City Treasurer** is responsible for managing the City's investment program, including executing transactions and ensuring compliance with legislative requirements.
- **Discretionary Authority**: The Treasurer has the discretion to exceed institutional or sector investment limits by up to 5% for short-term investments (≤6 months) and up to 10% for any term where a third-party guarantee of principal is provided. Such discretionary actions must be reported to Council with the rationale.

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1. For other municipalities like **Sarnia**, **Chatham-Kent**, **LaSalle**, **Kitchener**, **Georgina**, **Guelph**, and **York**

		Region, the available policies primarily delegate investment management authority to the Treasurer or equivalent officer. These policies emphasize adherence to statutory requirements and the municipality's investment objectives but do not explicitly detail discretionary authority to exceed established investment limits or guidelines. It's important to note that while some municipalities grant specific discretionary powers to their financial officers, others may require Council approval for actions that deviate from standard investment policies. Key items noted: ● The removal of the Mayor as a signatory in Windsor is consistent with common Ontario municipal practice. In modern governance models, elected officials generally do not act as financial signatories for operational accounts, especially investments. ● Most municipalities vest signing and execution authority in the Treasurer and/or designate, with accountability provided through reporting to Council and compliance with a Council-approved policy framework. ● However, where operational authority is concentrated among staff, many municipalities (e.g., those using ONE JIB or requiring dual sign-off) provide additional governance layers to maintain transparency and accountability. Consider discretionary authority for Credit Union limits: see Appendix B. With the discretionary limit applied, Windsor has the highest portfolio and institutional limits in the comparator pool, being 10% points and 15% points greater than 9 of 10 comparators for the Portfolio Limits and Individual Limits, respectively. **Assessment** Windsor’s current approach aligns with practices in Ontario municipalities, but to maintain public confidence, it should be complemented with strong oversight mechanisms.
2	Consider the reporting transparency in place at the City compared to other municipalities,	Consider trends in reporting transparency across 10 Ontario Municipalities, including the four comparators Administration used. Assessing the transparency of municipal investment reporting among Ontario municipalities of similar size to Windsor reveals

	including the four comparators used by Administration.	a spectrum of practices. While all adhere to the minimum standards set by Ontario Regulation 438/97, the depth and clarity of their disclosures vary. **1. City of Guelph: Enhanced Transparency** ● **Interim Reporting:** Guelph provides interim investment performance reports, offering timely updates beyond the annual requirement. ● **Detailed Disclosures:** Their reports include specifics on investment holdings, performance metrics, and compliance status. Notably, they transparently discuss any deviations from the investment policy, such as holdings which exceed policy limits, and outline corrective actions. **2. City of Sarnia: Standard Compliance** ● **Annual Reporting:** Sarnia adheres to the annual reporting mandate, detailing investment performance and compliance. ● **Policy Guidance:** Their investment policy outlines objectives like safety, liquidity, and yield, and specifies reporting requirements, including performance statements and records of transactions **3. Municipality of Chatham-Kent: Standard Compliance** ● **Policy Objectives:** Chatham-Kent's investment policy emphasizes compliance, security, liquidity, and yields. ● **Delegated Authority:** The policy delegates investment responsibilities to the Treasurer or Deputy Treasurer, ensuring professional oversight. **4. Town of LaSalle: Standard Compliance** ● **Policy Review:** LaSalle's investment policy mandates a review at least every five years to ensure adherence to legislative requirements. ● **Delegation of Authority:** The Treasurer is granted authority to manage the investment program, including entering into agreements with financial institutions. **5. Regional Municipality of Durham: Enhanced Transparency** ● **Comprehensive Policy:** Durham's Statement of Investment Policy and Goals governs the management of surplus funds, emphasizing legality, preservation of capital, and earning a competitive rate of return. ● **Regular Reviews:** The policy is subject to regular

reviews to adapt to changing financial landscapes.

6. City of Kitchener: Standard Compliance

- **Policy Updates:** Kitchener periodically updates its investment policy to reflect current financial practices and regulatory changes.
- **Council Reporting:** Reports are submitted to the Finance and Corporate Services Committee, detailing policy amendments and their implications.

7. Town of Georgina: Standard Compliance

- **Authorized Investments:** Georgina's policy specifies permissible securities for investment, aligning with Ontario Regulation 438/97.
- **Delegated Responsibility:** The policy outlines the delegation of investment responsibilities to ensure proper management.

8. City of Vaughan: Enhanced Transparency

- **Annual Investment Reports:** Vaughan publishes comprehensive annual investment reports detailing portfolio performance, income generated, and compliance with the City's Investment Policy and Ontario regulations.
- **Detailed Disclosures:** The reports include specifics on investment income from various portfolios (e.g., Money Market, Bond, Alectra Note), comparisons to benchmarks, and summaries of holdings by term and issuer
- **Policy Provisions:** Vaughan's Investment Policy mandates annual reporting to Council, including statements on portfolio performance, compliance, and detailed listings of securities held.

9. City of Ottawa: Standard Compliance with Emerging Enhancements

- **Annual Financial Reports:** Ottawa's Annual Financial Reports contain audited consolidated financial statements prepared in accordance with Canadian public sector accounting standards.
- **Investment Policy:** The City has an established Investment Policy outlining objectives, standards of care, eligible investments, and reporting requirements.
- **Prudent Investor Standard:** In 2022, Ottawa adopted the Prudent Investor Standard and established the Ottawa Investment Board to oversee the City's

investments not immediately required, aiming to enhance investment practices and oversight.

10. York Region: Enhanced Transparency

- **Annual Investment Reports:** York Region provides detailed annual investment reports discussing investment activities, portfolio performance, and compliance with the Region's Investment Policy and Ontario regulations.
- **Comprehensive Disclosures:** The reports offer insights into realized investment returns for both General and Sinking Funds, comparisons to benchmarks, and adherence to investment policies.
- **Investment Policy:** York Region's Investment Policy establishes objectives, standards of care, eligible investments, and reporting requirements for the prudent management of surplus funds.

11. City of Windsor: Standard Compliance with Gaps in Transparency

- **Annual Investment Reports**: Issues an annual investment compliance report with sector-level summaries and a Treasurer's Statement of Compliance. Holdings are not disclosed by individual institutions.
- **Investment Policy:** The City has an Investment Policy whcih outlines the framework for managing public funds to ensure integrity, transparency, and compliance with legal standards. It establishes objectives, governance/oversight and reporting/compliance.

  The City also has

  - Discretionary Authority:
    Policy allows staff to exceed limits by up to 10% (clause 3.2.7), but reports do not quantify usage or provide a clear rationale as required.
  - Hospital Fund:
    Treated as a separate portfolio; high sector concentration not governed by a formal sub-policy, but the fund follows the general City Investment Policy unless Council explicitly modifies the rules for it, which they have done via resolutions such as CR193/2017 and CR282/2016

Comparative Insights:

- **Enhanced Transparency Practices:** Municipalities like

		York, Vaughan, Guelph and Durham go beyond the minimum requirements by providing interim reports and detailed disclosures, including specific holdings, performance analyses, and discussions of policy deviations. Ottawa is moving towards enhancements. ● **Standard Compliance Practices:** Municipalities such as Sarnia, Chatham-Kent, LaSalle, Kitchener, and Georgina meet standard compliance by adhering to annual reporting requirements and maintaining clear investment policies with defined objectives and delegated authorities. **Assessment**: ● Windsor's reporting practices align with those of other municipalities, focusing on compliance and performance. ● However, some municipalities provide more frequent updates and detailed disclosures and may include forward-looking analyses, enhancing transparency. While all reviewed municipalities comply with Ontario's regulatory requirements, the extent of transparency varies. Enhanced practices, including interim reporting and detailed disclosures of investment holdings and policy deviations, contribute to greater transparency and public trust. Municipalities aiming to improve transparency might consider adopting practices from some peers to provide more comprehensive insights into their investment activities.

Conclusion: The allegation is partially warranted.

Windsor’s current approach to delegation of authority aligns with practices in Ontario municipalities.

With the discretionary limit applied, Windsor has the highest portfolio and institutional limits in the comparator pool, being 10% points and 15% points greater than 9 of 10 comparators for the Portfolio Limits and Individual Limits, respectively.

While delegation of authority aligns with other Ontairo municipalities, the availability of potential discretionary power (5% >=6 months or 10% with 100% principal guarantee) to maintain public confidence, the City should consider enhancing oversight mechanisms.

While no policy or legislative breaches were identified, the current investment governance model, which includes broad discretionary authority and limited disclosure, does present a valid governance risk, particularly from a transparency and oversight standpoint.

However, a single citizen raised this concern, and there is no evidence of financial loss, operational failure, or systemic risk realization to date. As such, while governance enhancements may strengthen future public confidence and accountability, any changes should be proportionate to the actual risk, cost, and broader stakeholder input.

One observation was noted:

3. **Consider enhancing governance reporting/practices**: This concern was raised by a single citizen, and there is no evidence of financial loss, operational failure, or systemic risk realization to date. As such, while governance enhancements may strengthen future public confidence and accountability, any changes should be proportionate to the actual risk, cost, and broader stakeholder input.

Allegation #5

Detailed Allegation: The City of Windsor may lack sufficient oversight over its investment practices, particularly regarding the General Investment Portfolio and the Windsor-Essex Hospital Plan Investment Portfolio, which together total approximately $621 million in reserve funds. Unlike some other Ontario municipalities that mandate independent or external audit review of their investment activities as part of their formal investment governance, Windsor does not currently require such review. This raises concerns about whether the City's investment decisions and use of discretion are subject to adequate independent scrutiny, and whether the current oversight framework provides sufficient accountability for the management of significant public funds.

#	Approach	Summary of Key Findings
1	Determine if there is any legal necessity for an independent review.	Legally or regulatorily? → ❌ No. ○ Ontario has no legal requirement (under the Municipal Act or O. Reg. 438/97) that external auditors must review investment compliance annually. ○ The Treasurer is responsible for compliance and reporting to Council. From a governance perspective? → ✔️ It can be advisable. ○ Independent or third-party review adds credibility, especially when discretion is involved (as in Windsor). ○ Where public trust, risk concentration, or discretionary authority are concerns, independent oversight is a best practice — but not mandatory. **Assessment** Independent review is not required, but may be advisable. The second test will be leveraged for additional information related to independent testing.

#	Approach	Summary of Key Findings
2	Consider and compare with the peers previously used in other tests in this investigation.	Some are — but most are not.

Municipality	Auditor/ Independent Review Mandated?	Notes
York Region	✔️ Yes (via ONE JIB)	Investments governed by a Joint Investment Board with reporting to Council.
Durham Region	✔️ Yes (via ONE JIB)	Same as York; not an external audit per se, but arms-length board oversight.
Ottawa	✔️ Indirectly (Ottawa Investment Board)	Independent Board oversees all non-immediate investment funds.
Guelph	❌ No formal audit required	Strong internal reporting, but no mandated external audit.
Vaughan	❌ No formal external audit required	Robust disclosures, but oversight is internal + Council.
Kitchener, Sarnia, LaSalle, Georgina, Chatham-Kent	❌ No independent audit in policy	Standard policies, internal compliance led by the Treasurer.
Windsor	❌ No external audit of investment compliance	Annual compliance reporting by Treasurer; some discretionary use not quantified.

Assessment

Most municipalities do not mandate an external audit of investment compliance, except where Joint Investment Boards or Prudent Investor structures exist. An independent review of investments is not required and this practice is aligned with

#	Approach	Summary of Key Findings
		peers.

Conclusion: Allegation not supported

While Windsor's investment policy does not currently mandate an external compliance audit, this is consistent with most Ontario municipalities. Jurisdictions with broader discretionary authority or more complex investment frameworks (e.g., York, Durham, Ottawa) have implemented independent oversight mechanisms. If the other governance recommendations noted in this investigation were addressed, the cost/benefit of an independent review may not be warranted at this time

Recommendations

1. ## Comparator Transparency

While Administration compared the current and proposed policy limits with other selected municipalities, the comparators were not publicly disclosed. Without disclosure of comparators, Council and the public cannot verify whether Windsor's new limits align with sector norms.

To enable further transparency and accountability, Administration should consider including comparator names and summary comparisons in future public materials.

Administration Response			
Administration agrees that transparency is essential when it comes to public accountability and will ensure that in the future, where comparators are referenced, reports provide full disclosure.			
Responsible Party:	City Treasurer	Due Date:	Complete

2. ## Sector Concentration Risk Management

This concentration could expose the City to liquidity risk, counterparty risk, and regional financial sector dependency, particularly if credit union sector fundamentals change.

Administration should conduct periodic stress testing or sensitivity analysis to assess downside risk scenarios (e.g., interest rate shocks, deposit insurance events, liquidity mismatches), or other oversight controls to monitor sector concentration risk and why, or why not, it is a concern.

Administration Response			
Administration agrees that when investing public funds into marketable securities that said funds are subject to various risk factors such as interest rate risk, market volatility risk as well as sector concentration risk. Given that a majority of funds invested are held in guaranteed investment securities those risks are significantly mitigated. Further, where discretionary provisions are utilized for periods of greater than 6 months, any investment contains a guarantee of principal. Administration will ensure that future reporting contains an assessment with regards to risks, including sector concentration risks and why or why not it is a concern.			
Responsible Party:	Deputy Treasurer Taxation, Treasury & Financial Projects	Due Date:	Q2 2026 (June 30, 2026)

3. **Consider enhancing governance reporting/practices**

A single citizen raised this concern, and there is no evidence of financial loss, operational failure, or systemic risk realization to date. As such, while governance enhancements may strengthen future public confidence and accountability, any changes should be proportionate to the actual risk, cost, and broader stakeholder input.

Consider low-cost transparency improvements (e.g., reporting discretionary use [date, %/$, count, total impact or by institution] or listing of transactions and threshold at date, $ guaranted/earned/at risk), and reassess the need for larger-scale changes only if similar concerns arise again or if the City's investment structure grows in complexity or scale.

Administration Response			
Administration agrees that improvements to the Annual Investment report will enhance public transparency and will consider appropriate changes in future reports.			
Responsible Party:	Deputy Treasurer Taxation, Treasury & Financial Projects	Due Date:	Q2 2026 (June 30, 2026)

Appendix A - Credit Union Investment Limits – With Discretionary Authority Considered

Municipality	Base Portfolio Limit	Base Individual Limit	Discretionary Authority	Effective Max Portfolio Limit	Effective Max Individual Limit	Notes
Windsor	25%	15%	✔️ Up to +10% via s.3.2.7 (5% >=6 months or 10% with 100% principal guarantee)	**35%**	**25%**	Discretion must be reported annually; used in 2022 & 2023
Kitchener	20%	10%	❌ No discretionary authority (allows temporary breaches due to maturity timing, but no discretion for strategic overages)	**20%***	**10%**	Breaches allowed only due to maturities; must be corrected in 30 days
York Region	Not specified	Not specified	❌ No discretionary provision	N/A	N/A	Credit unions were not explicitly addressed
Vaughan	30% (Short-Term only)	10% (Short-Term only)	❌ No discretionary authority	**30%***	**10%**	No stated flexibility; unclear if short-term limit applies

						to whole portfolio
Ottawa	20%	5%	No discretionary authority	**20%***	**5%**	No clause permitting Treasurer override

* Confirmed through direct contact with Municipality (phone calls and one email response)

Appendix B - Credit Union Limit Research

Municipality	Portfolio Limit (CU)	Institutional Limit (CU)	Discretionary Authority?	Limits with Discretionary Authority (Portfolio/Individual)
Windsor	25%	15%	✅ Yes – Up to +10% by Treasurer (per s.3.2.7)	35%/25%
Kitchener	20%	10% (short-term) + 10% (long-term)	❌ Not beyond stated limits	20%/20%
York Region	20%	5%	✅ Managed through ONE JIB (independent board)	20%/5%
Durham Region	10%	5%	✅ Managed through ONE JIB (independent board)	10%/5%
Vaughan	30%	10%	❌ No discretionary override stated	30%/10%
Ottawa	20%	5%	✅ Oversight via Ottawa Investment Board	20%/5%
Guelph	25%	10%	❌ No explicit discretionary room	25%/10%
Georgina	25%	10%	❌ No discretionary override in policy	25%/10%
Sarnia	25%	10%	❌ No discretionary room mentioned	25%/10%
Chatham-Kent	25%	10%	❌ No discretionary override in policy	25%/10%
LaSalle	25%	10%	❌ No discretionary authority noted	25%/10%