



# STAFF REPORT

To: Tim Tanton  
Chief Administrative Officer

Meeting Date: March 6, 2023

From: Stephanie Munro  
Director of Financial Services

Staff Report No.FS-23-005

**Re: Socially Responsible Investment Strategy Options**

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## **RECOMMENDATION:**

That Council direct staff to allocate up to 50% of the District's investment portfolio to Canaccord Genuity Cash Management Group's Socially Responsible Investment fund as outlined in Staff Report No. FS-23-005.

## **STRATEGIC PLAN IMPLICATIONS:**

This matter relates to the following Council strategic priority:

- ***Ensure Strong Leadership, Fiscal Responsibility and Transparent Government***

## **INTRODUCTION AND PURPOSE:**

Many local governments and community organizations are adopting Socially Responsible Investment (SRI) strategies to invest their funds in a way that aligns with their organizational and community values.

The District's current investment portfolio of approximately \$30 million dollars is managed by the Cash Management Group at Canaccord Genuity, a group which specializes in investing municipal funds in accordance with Section 183 of the *Community Charter*. The portfolio is currently diversified among a number of Canadian banks and credit union term deposits. Although all of the financial institutions are Canadian and are considered low risk, there are no defined parameters over the use of the term deposit proceeds by the financial institutions. SRI strategies incorporate social, green and other SRI initiatives into a portfolio and ensure the transparent use of proceeds to ensure the portfolio aligns with the strategy.

Participation in an SRI strategy could support the District in a number of its current strategic initiatives. The purpose of this report is to present the concept of an SRI strategy and provide program options for Council's consideration.

## **DISCUSSION:**

Participating in an SRI strategy will better align how the municipality invests its reserve funds and excess cash with its vision and mission statements. It can also serve to invest in specific ways which aim to move strategic initiatives forward.

The District's 2022 Strategic Plan includes a mission to *provide leadership and good governance that reflect the community vision and protects, promotes and enhances a safe and diverse community for current and future generations*. The District's reconciliation statement also *commits to respectfully and appropriately engaging First Nations communities in matters of common interest*. In addition, there are several climate action related items in the current strategic plan.

### **OPTIONS:**

Staff have explored two SRI program options for Council to consider. Both options align with the District's mission statement and climate action goals, and are compliant with Section 183 of the *Community Charter* and with the District's investment policy.

#### **Option 1. Canaccord Cash Management Group (CMG) SRI Strategy**

Overview of the SRI Strategy: Green Bonds, Indigenous Organizations, and IMPACT GICs<sup>1</sup>

This program invests municipal funds in a way that aligns with organizational values and is monitored regularly. The program features some of the most innovative SRI investment products in the industry, and offers a model that provides for regular, quarterly reporting back to each client. Detailed information on the SRI Strategy is included as Appendix 1.

#### **Option 2. Municipal Finance Authority (MFA) Fossil Fuel Free Investment Options**

Overview of the Investment Options: 2 Pooled High Interest Savings Accounts with CIBC and National Bank, Government Focused Ultra-short Bond Fund (GF US BF) and Fossil Fuel Free Short-term Bond Fund (FFF ST BF)

These options provide credible and well-diversified active investment solutions to municipal clients who choose to divest from fossil fuel investments. A detailed summary of these options is included as Appendix 2.

### **FINANCIAL IMPLICATIONS:**

Currently the District's portfolio earns a weighted average yield (WAY) of 3.18%. This is a competitive yield considering the limited nature of investment diversity allowed in the *Community Charter*, and it also aims to grow critical infrastructure replacement reserves at a similar pace to inflation.

The CMG's SRI strategy utilizes strong and embedded relationships with many of their financial partners to generate similar investment returns to the District's current portfolio, with these additional social benefits.

The MFA's Fossil Fuel Free Options returns will vary depending on the option. High interest savings accounts are liquid and offer lower interest rates than term deposits. Bond fund returns depend on the interest rate environment and are not as stable as term deposits returns.

Considering the District's current laddered strategy reinvests \$2 million dollars in funds each month, staff would recommend that funds be gradually reallocated to an SRI option in these intervals over the remainder of the year, up to a maximum portfolio allocation of 50%. Weighted average yields and strategy results would be monitored and reported to Council at the mid-year point and at year end. Council could then consider the WAY of the SRI portfolio and determine if a higher or lower allocation is desired.

### **COMMUNICATIONS IMPLICATIONS:**

If Council should decide to allocate a portion of the District's investment portfolio to a SRI, staff will develop an investments page on the District website to provide more information on the District's SRI strategy and how it aligns with the Strategic Plan and any other applicable organizational plans.

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<sup>1</sup> IMPACT GIC – Term Sheet: Full details on the IMPACT GICs including the screening categories, booking deposits, reporting, fees attached as Appendix 1.1

**SUMMARY/CONCLUSION:**

In assessing each SRI strategy, staff conclude that there are a number of synergies between the District's mission, commitment to reconciliation and climate action goals, and the SRI Strategy offered by Canaccord Genuity's Cash Management Group. The strategy incorporates three elements for investors: green bonds, Indigenous financial institutions, and IMPACT GIC's. These elements offer a wider umbrella of social impact than the MFA options which are centered around investments that are fossil-fuel free. The regular monitoring and reporting is also an attractive feature of CMG's program, in addition to earning similar investment returns to the District's current portfolio.

For the reasons identified above, staff recommend that Council direct staff to allocate up to 50% of the District's current investment portfolio to the Cash Management Group's SRI Strategy in accordance with the current laddered strategy. Staff would report to Council on the SRI Strategy results at the mid-year point and at the end of 2023.

Respectfully submitted,

Concurrence,

*Stephanie Munro*



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Stephanie Munro  
Director of Financial Services

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Tim Tanton  
Chief Administrative Officer

**Attachments:**

- Appendix 1. Canaccord Genuity Cash Management Group's Socially Responsible Investing Strategy
- Appendix 1.1 IMPACT GIC Term Sheet
- Appendix 2. MFA Fossil Fuel Free Investment Options