ATTACHMENT 1

Housing York Inc. Policy Summary

Local Policy: Investment Policy

Authority: *Social Housing Reform Act, 2000* for mandatory investment of Capital Reserve and Equipment Replacement Reserve for the Provincial Reform/Non Profit properties.

Explanation: In May 2003 the Board approved several recommendations concerning the prudent management of the Corporation's surplus operating funds and capital reserves, including delegation of authority to the Treasurer or delegate to make investment decisions on behalf of Housing York Inc. This policy reflects and updates those guiding principles.

Current Practice: The capital reserve and equipment replacement fund is attributable to the Provincial Reform properties and is invested in the Social Housing Services Corporation mandatory investment pool according to legislative requirements. The fund is managed by Phillips, Hager & North, recognized as one of Canada's largest investment managers with a major business focus in the non-profit sector.

The need for a capital reserve for Armitage Gardens has been recognized and will accumulate from surplus operating funds over time. These funds are held in the capital bank account earning interest and will be invested in more lucrative instruments as the reserve grows in size.

Other restricted funds and operating surpluses are invested periodically as cash flows permit, using advice and guidance from the Policy, Risk and Treasury Branch in York Region.

Proposed Policy: The primary objectives of the Investment Policy in priority are:

- Adherence to statutory requirements;
- Preservation of capital;
- Maintaining liquidity; and
- Earning a competitive rate of return.

The standard of care for managing Housing York Inc. investments is the same as York Region's Investment Policy. This includes exercising due diligence, impartial decision-making, disclosure of material interests, system controls through delegations of authority, and competitive selection of investment instruments.

The mix of investment instruments will be diversified with varying maturity dates. Investments will mainly be liquid to ensure ongoing obligations. Risk tolerance is considered low.

The Board of Directors will be informed of investment results at least annually including a status report of the current investment portfolio, transactions made during the year, realized and unrealized gains and losses and any other information that the Treasurer feels should be included.

Interest income and other realized or unrealized gains/losses will be disclosed using accepted financial reporting practices.

Capital Reserve and Equipment Replacement Fund

Housing York Inc. will participate in the 'pooled' capital reserve fund managed by Philips, Hager & North as required by the *Social Housing Reform Act, 2000*. Mandatory participation is required for capital reserves attributable to Provincial Reform properties only. Investment of capital reserves for other properties is considered discretionary.

All compulsory capital reserve funds will be deposited in the pooled fund except for an amount equal to the current's year capital plan expenditures which will be retained locally in a bank account restricted exclusively for the use of capital expenditures. Participation in the pooled fund is viewed to be long term with deposits and withdrawals directly correlated to the needs of spending projections outlined in the approved annual budget and associated capital plans. Authority for deposits, withdrawals or transfers within the fund requires two signatures which are limited to the Treasurer or Assistant Treasurer jointly with the General Manager or Assistant General Manager.

There are four investment funds available in the mandatory capital investment program:

- Social Housing Canadian Money Market Fund
- Social Housing Canadian Short-term Bond Fund
- Social Housing Canadian Bond Fund
- Social Housing Canadian Equity Fund

Housing York Inc. will select a mix of funds using a risk assessment tool provided by Phillips, Hager & North and endorsed by the Social Housing Services Corporation Financial Inc. (SHSCFI).

Quarterly reports on the investment's performance will be reviewed by the Program Manager-Finance and Administration in consultation with Policy, Risk and Treasury staff to determine if a change in mix is recommended. On an annual basis, an Asset Allocation Questionnaire for Phillips, Hager & North is completed to reassess risk tolerance, portfolio mix and planned spending over the business planning period.

<u>Other Restricted Funds, Retained Earnings and Surplus Operating Funds</u>

All investment decisions not related to the legislated capital reserve investment will be made under the authority of the Housing York Inc. Treasurer or delegate. Any of these funds are available for investment when not needed to fund ongoing operations.

Other Restricted Funds represents Last Month's Rent Reserves and related accrued interest, Retained Earnings from prior years, and short term cash flow excesses not needed to support operations. All of these funds are held in the operating bank account earning interest when they are not specifically invested in another instrument.

Investment of these funds in the Phillips, Hager & North pool is discretionary. In order to maximize investment choices, Housing York Inc. will use the Policy, Risk and Treasury Branch in York Region to seek out investment options that are comparable to other Regional investments.

The duration of these investments will typically fall into a short term investment horizon of 3 months to 3 years. The purpose of these investments is intended to maximize the return that would otherwise be made earning bank interest, while still complying with the other objectives of this policy.

Investments made on behalf of Housing York Inc. by the Policy, Risk and Treasury Branch will fall within the Region's approved list of authorized investments as governed by Provincial regulations.

Housing York Inc. will use cash flow projections and any known business factors to determine the duration and type of investment most suitable for investment of these funds.

Sensitivity: Housing York Inc. is responsible to its shareholder and the rate payers of The Regional Municipality of York for the control, administration, and management of its reserves, restricted funds and investment portfolio.

Consultation: York Region Policy, Risk and Treasury Branch.
York Region Investment Policy.
Phillips, Hager & North Simplified Prospectus.

Effective Date: This policy takes effect November 9, 2005.

Other Service Managers: None known.