

Council Policy

Policy Number: [PLY_FIN_Investment_Policy_2018]

Investment Policy

Date Approved by Council:

County Commissioner:

1. Purpose

To instill public confidence in the investment activities of the Sturgeon County. The primary objectives of the investment activities of Sturgeon County are to preserve capital, maintain and enhance liquidity, mitigate financial risk and maximize returns while ensuring compliance with the *Municipal Government Act*. It is intended that this policy will be reviewed every two years or when relevant legislative changes take place.

2. Revision History

Approval Date	Revision Number	Modification
Year/Month/Date	1.0	Replacement Investments: ADM-INV-1

3. Persons/Areas Affected

Corporate Support
Municipal Services
Integrated Growth
County Commissioners Office
Council

4. Policy Statement

It is the policy of Sturgeon County to responsibly invest public funds in a prudent manner that ensures maximum return with the highest level of security while meeting Sturgeon County's cash flow requirements and adhering to the *Municipal Government Act*, RSA 2000, c. M-26 (Section 250) and all other provincial statutes and regulations governing the investment of municipal funds.

This Policy rescinds the prior Investment Policy ADM-INV-1 approved 01/09/11.

Council Policy

Policy Number: [PLY_FIN_Investment_Policy_2018]

5. Definitions

Benchmark - A standard against which the performance of an investment portfolio can be measured which often includes a market index.

Bond Rating - A bond rating is a grade given to bonds that indicates their credit quality. Private independent rating services such as Standard & Poor's (S&P), Moody's and Fitch and Dominion Bond Rating Service (DBRS) provide these evaluations of a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion. See "Schedule A".

Investment Officer - A delegated employee (Manager of Finance) by the County Commissioner (CAO) to be responsible for the investment of public funds in short or long-term securities on behalf of the County.

Liquidity - The degree to which an asset or security can be quickly bought or sold in the market without affecting the asset's price.

Securities - A generic term used to describe stocks, bonds, money market securities (e.g. treasury bills) and other instruments representing the right to receive future benefits under a set of stated conditions.

6. Responsibilities

- Sturgeon County recognizes its fiduciary responsibility for the stewardship of public funds with which it has been entrusted.
- Sturgeon County will ensure that funds are safe from significant losses whether it be through market fluctuations or issuer default.
- Sturgeon County will maintain sufficiently liquid securities within its portfolio in order to enable the County to meet its operating cash flow requirements as they become due in the short and long term.
- Sturgeon County will limit its risk by only investing funds in the securities allowed within this policy and in accordance with the *Municipal Government Act*.
- Sturgeon County will maintain a diversified investment portfolio.
- Sturgeon County will balance out the highest possible return available for its investments while ensuring capital preservation that is practical in the selection of securities it includes in its investment portfolios.

Council Policy

Policy Number: [PLY_FIN_Investment_Policy_2018]

- Sturgeon County will ensure minimum standards are set to the credit quality of all investments meets or exceed those standards as defined in the attached Schedule B – Approved investments, short/medium/long.
- The County Commissioner (CAO) is ultimately responsible and accountable for the control, management, and administration of Sturgeon County's investments in accordance with the investment policy approved by Council. The County Commissioner (CAO) may delegate this responsibility to the Investment Officer.
- **Portfolio Diversification and Restraints**
 - Not more than 25% of the total investment portfolio shall be invested in any single security.
 - Not more than 35% of medium and long-term Investments shall be invested in any single issuer, except for securities of or fully guaranteed by the government of Canada or a province of Canada.
 - If the investment portfolio becomes noncompliant as investments mature over time, the percentage at the time when the investments were purchased shall be used for purpose of evaluating compliance to policy.
- **Conflicts of Interest and Ethics**
 - Officers, employees and persons involved in the investment process must refrain from personal business activity that could conflict with the proper execution of their responsibilities, or which could impair their ability to make impartial investment decisions. Officers and employees shall disclose to their manager any material interests in financial institutions that conduct business with the County, and they shall subordinate their personal investment transactions to those of the County, particularly with regard to the timing of purchases and sales.
 - This guideline also extends to any external investment management firms utilized by the County to manage its portfolio.
 - Strict adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct and the CFA Institute Asset Manager Code of Professional Conduct.

The County Commissioner (CAO) or Investment Officer shall establish appropriate guideline, procedures, and internal control to achieve the objective identified within this policy.

Council Policy

Policy Number: [PLY_FIN_Investment_Policy_2018]

7. Procedures

Administration:

- a. The investment officer must make investments with judgement, diligence, caution, and utmost care. While performing this task, the Investment Officer shall do so with the intention of generating the maximum rate of return within the guidelines of this investment policy.
- b. Officers, employees, and persons involved in the investment process shall refrain from personal investing activities that may impair the proper execution of their assigned investing responsibilities on behalf of the County. If the County deems it necessary to solicit the services of a third-party investment professional, no Investment Officer of Sturgeon County may use the same individual with whom business is conducted on behalf of the County. Investment Officers and employees shall disclose to the County Commissioner (CAO) any material interest in financial institutions with which they conduct business.
- c. "Schedule B" provides a list of acceptable securities that the County Commissioner (CAO) or the Investment Officer is permitted to invest in on behalf of or in the name of Sturgeon County.
- d. The County Commissioner (CAO) or designate shall report to Council on the performance of investments on an annual basis. The report will highlight the total assets within the investment portfolio, the amount of return generated, a summary of securities invested in and performance of the portfolio measured against a pre-determined benchmark.
- e. Sturgeon County's short-term investments will have maturities no longer than a year. The investments will consist of guaranteed investments that provide guaranteed rate of return over a fixed period and the eventual return of principal at maturity. Short term investments will be initiated by the Investment Officer.
- f. Sturgeon County's longer-term investments will consist of investment portfolios managed by trusted and reputable investment brokers. Portfolios may consist of bonds issued by large Canadian commercial banks or mutual funds. The funds invested in

Council Policy

Policy Number: *[PLY_FIN_Investment_Policy_2018]*

these portfolios will be determined based on a cash flow analysis prepared annually determining the cash flow requirements for operations and the excess of which shall be invested in such longer-term investments. The Investment Officer will provide final recommendation before funds are invested.

8. Cross Reference

Municipal Government Act, RSA 2000, c. m-26 s.250

Proposed

Council Policy

Policy Number: [PLY_FIN_Investment_Policy_2018]

Schedule A – Ratings Chart

Ratings Chart		
Credit Ranking	DBRS Long-Term	DBRS Short-Term
Highest Credit Quality	AAA	R-1 (high)
Superior Credit Quality	AA	R-1 (middle)
Satisfactory Credit Quality	A	R-1 (low)/ R-2 (high)
Adequate Credit Quality	BBB	R-2 (middle)/ R-2 (low)
Speculative Credit Quality	BB	
Highly Speculative Credit Quality	B	
Very Highly Speculative Credit Quality	CCC/CC	

***(DBRS) - Dominion Bond Rating Services, defined within Bond Rating**

Council Policy

Policy Number: [PLY_FIN_Investment_Policy_2018]

Schedule B – Approved Investments – Short/Medium/Long Term Portfolio

Investment Type	SHORT TERM (up to 1 year)		MEDIUM TERM (1-10 Years)		LONG TERM (11-20 Years)	
	Credit Rating	Institutional Limit*	Credit Rating	Institutional Limit*	Credit Rating	Institutional Limit*
Government; Securities issued or guaranteed by:						
Federal Government	R-1 (L)	100%	A	100%	A	100%
Provincial Governments	R-1 (L)	100%	A	100%	A	100%
Crown Corporations	R-1 (L)	100%	A	100%	A	100%
Municipal Governments	R-1 (M)	60%	A	50%	A	50%
Schedule I Chartered Banks; Obligations of, or guarantees of:						
Per any Financial Institution	R-1 (M)	75%	A	80%	A	80%
Provincially Guaranteed Financial Institutions:						
Province of Alberta Treasury Branches & Credit Unions	R-1 (L)	Unlimited	A	75%	A	75%
Treasury Branches from other provinces	R-1 (M)	85%	A	75%	A	75%
Other Financial Institutions; Obligations of, or guarantees of:						
Rated Schedule II Banks, Trust Companies & Credit Unions	R-1 (M)	75%	AA	65%	AA	65%

**Institutional Limit refers to the total percentage that the County can invest in a specific investment type. See the portfolio diversification and restraints section above for further investment restrictions on single securities and issuers.*