

Section: 2.0 General Government and Administrative Services
- B. Finance

Authority: Council

Administering Department: Corporate Services

Statement

It is the policy of the Municipal District of Bonnyville (M.D.) to invest public funds in a prudent manner that will provide optimum investment returns with the maximum security while meeting the M.D.'s cash flow requirements and conforming to the *Municipal Government Act* and all other provincial statutes and regulations governing the investment of municipal funds.

Purpose

The purpose of this policy is to provide general investment principles, rules and delegated authority for managing and monitoring the investments of the M.D. Adherence to the Investment Policy will ensure compliant and effective investment management and assist in achieving the strategic goals and growth objectives of the M.D.

Definitions

For the purposes of this policy:

- (1) "Bond Rating Services" means a third-party service for rating a bond through a grade given to that bond which indicates its credit quality. Private, independent rating services such as Standard & Poor's (S&P) and Dominion Bond Rating Services (DBRS) provide evaluations of a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion.
- (2) "Chief Administrative Officer" (CAO) means the Chief Administrative Officer of the M.D. appointed by Council, or their authorized delegate.
- (3) "Corporate Bonds" means instruments which are interest bearing debt that is secured by the assets of the issuing corporation. These Securities generally have a maturity which is greater than one year and form a part of the money markets only when the long-term debt approaches maturity. These instruments are actively traded within the markets and do have some degree of Liquidity.
- (4) "Council" means the duly elected Council of the M.D.
- (5) "Effective Rate of Return" means the actual Rate of Return based on the purchase price of the investments and the interest accrued to a specific date. Market values, gains, and losses are excluded from the calculation.

- (6) “Investment Officer” means the delegate(s) approved by the CAO to manage and implement the investment program.
- (7) “Liquidity” means, in the context of a firm, the ability to meet its financial obligations as they become due. In the context of investments, Liquidity refers to the ability to convert the security on short notice into cash without a substantial loss of principal or accrued interest.
- (8) “Managed Funds” means a professionally managed investment portfolio which includes a diverse range of investments. In reference to this Policy, Managed Funds will only include a narrow range of investments as defined within the *Municipal Government Act*.
- (9) “Safekeeping” means a bank or broker holding Securities that are registered in the client’s name for the client. This allows for physical protection and makes them readily available to sell at the client’s instruction.
- (10) “Schedule “1” Chartered Banks” means banks that are allowed to accept deposits and which are not subsidiaries of a foreign bank. Chartered banks receive their charters from the federal government under the Bank Act. Schedule “1” Chartered Banks are widely held (no single person or corporation may hold more than 10% of the voting stock and foreign ownership is limited to 25%);
- (11) “Securities” means investments issued by a government agency or corporation offered for purchase to investors. Securities, as defined by the *Municipal Government Act* include: bonds, debentures, trust certificates, guaranteed investment certificates, certificates of deposits, deposit receipts, bills, notes and mortgages, rights or interest in respect of a security.

Policy

- (1) Objectives
 - (a) Capital Preservation: The M.D. recognizes its fiduciary responsibility for the stewardship of public funds with which it has been entrusted. Therefore, the prime objective of this policy is to ensure that the principal amount of each investment is safe from losses due to market conditions and issuer default.
 - (b) Maintenance of Liquidity: The M.D.'s investment portfolio will be sufficiently liquid in order to enable the M.D. to meet its operating cash flow requirements which might be reasonably anticipated in the short and long term.
 - (c) Rate of Return: The M.D.'s investment portfolio will be effectively managed to ensure that an optimum Rate of Return is realized on all investments within the parameters of the objectives established within this Policy.
 - (d) Risk Mitigation: Ensuring that there is sufficient diversification with respect to issuer and term among assets of the fixed income portfolio.
 - (e) Compliance with the *Municipal Government Act*: The M.D. will ensure that all investments purchased and owned by the M.D. are in accordance with the *Municipal Government Act, R.S.A. 2000, c. M-26*.

(2) Guidelines

- (a) Authority: The CAO is ultimately responsible and accountable for the control, management, and administration of the M.D.'s investments in accordance with this Policy. The CAO may delegate this responsibility.
- (b) Responsibilities of the CAO, or delegate: They shall establish appropriate guidelines, procedures, and internal controls:
 - (i) To achieve the objectives identified within this Policy;
 - (ii) For authorizing officers, employees and persons to engage in investment activities;
 - (iii) For the accounting, safekeeping, and reporting of investment activities.
- (c) Safekeeping and Custody: The CAO shall ensure that:
 - (i) All securities shall be held in the name of the M.D.;
 - (ii) All securities shall be held for safekeeping by the financial institution where the investment accounts are maintained.
- (d) Prudence and Standards of Care: Investments shall be made with judgment and care under circumstances then prevailing. All reasonable steps shall be taken to ensure that the management of the M.D.'s investment portfolio is in accordance with this Policy. Investment Officers and persons involved in investment activities shall exercise the degree of care, diligence, skill, and prudence that a reasonable person would exercise in the administration of their own affairs and in doing so shall attempt to maximize the investment earnings of the portfolio within the parameters of the objectives established within this Policy. Investment Officers acting in accordance with written procedure and this Policy, and exercising due diligence, shall be relieved of personal responsibility provided that they:
 - (i) Act in all matters with loyalty, impartiality and prudence;
 - (ii) Mitigate portfolio risk through a balance approach that considers a risk/return trade off;
 - (iii) Provides a reasonable diversification strategy. An investment manager can invest in any allowable asset as long as it meets the requirements of prudent investing and considers portfolio in its entirety.
- (e) Authorized Investments: The Schedule of Approved Investments identifies the securities that the CAO can purchase on behalf of, and in the name of, the M.D.
- (f) Ethics and Conflict of Interest: Investment Officers, employees, and persons involved in the investment process shall 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. Investment Officers and employees shall disclose to the CAO any material interests in financial institutions with which they conduct business. They shall further disclose any personal/financial investment positions that could be related to the performance of the investment portfolio. Employees and Investment Officers shall not undertake personal investment transactions with the same individual with whom business is conducted on behalf of the M.D.

In addition, strict adherence to the Chartered Financial Analyst (CFA) Institute Code of Ethics and Standards of Professional Conduct along with the CFA Institute Asset Manager Code shall apply to all investment related matters. For the purpose of the adoption of this Policy, members and candidates of the CFA who manage the M.D.'s portfolio will be equal to Investment Officers, employees and persons involved in the investment process and managers will be equal to external portfolio managers for managed funds

- (g) Permitted Investments:
 - (i) Permitted investments include all categories allowed in the *Municipal Government Act* under section 250;
 - (ii) Neither the internal or external investment persons/managers may pledge or otherwise encumber in any way the assets of any fund.
- (h) Reporting: The CAO, or their delegate, shall present quarterly reports to Council that provides a clear picture of the status of the current investment portfolio.

(3) Portfolio Diversification and Restraints

- (a) Credit Quality: Investments in the portfolio will ensure preservation of capital and adhere to the following credit quality restrictions:

Temporary and Short-term (up to two years):

Debt Rating Category (DBRS or equivalent)	Min Portfolio Allocation	Max Portfolio Allocation
R-1 low	100%	100%

Mid/Long-term (more than two years and up to 10 years):

Debt Rating Category (DBRS or equivalent)	Min Portfolio Allocation	Max Portfolio Allocation
	0%	0%
1.1 BBB HIGH		
A low	0%	70%
AA low	30%	100%

- (b) Investments rated below the permitted credit rating allocation at time of purchase are not permitted. If a security's credit rating falls below "A low" after time of purchase, it shall be removed from the portfolio as soon as practical.
- (c) All percentages are based on book value at the time of purchase.

Schedule of Approved Investments – Temporary and Short-term (up to two years)

	*Max per institution	Total portfolio limit	DBRS Minimum Rating	Max Term of Maturity
Government:				
Securities issued or guaranteed by:				
The Government of Canada	Unlimited	Unlimited	R1 low	2 years
Provincial Governments within Canada	Unlimited	Unlimited	R1 low	2 years
Schedule I Chartered Banks:				
Obligations of, or guarantees of:				
Per any Financial Institution	Unlimited	Unlimited	R1 low	2 years
Other Financial Institutions:				
Provincially Guaranteed Financial Institutions	Unlimited	Unlimited	R1 low	2 years
Rated Schedule II Banks, Trust Companies and Credit Unions	20%	40%	R1 low	2 years

* Based on the entire portfolio and original settlement amounts at the time of booking the investment.

Schedule of Approved Investments – Mid/Long term (up to 10 years)

	*Max per institution	Total portfolio limit	DBRS Minimum Rating	Max Term of Maturity
Government:				
Securities issued or guaranteed by:				
The Government of Canada	Unlimited	Unlimited	A low	10 years
Provincial Governments within Canada	35%	Unlimited	A low	10 years
Schedule I Chartered Banks:				
Obligations of, or guarantees of:				
Per any Financial Institution	35%	Unlimited	A low	10 years

Other Financial Institutions:				
Provincially Guaranteed Financial Institutions	35%	35%	A low	10 years
Rated Schedule II Banks, Trust Companies and Credit Unions	20%	40%	A low	10 years

* Based on the entire portfolio and original settlement amounts at the time of booking the investment.

Policy Review

Within four (4) years from date adopted / amended / reviewed.

For administrative use only:

Previous Policy Number: (prior to July 24, 2019)	10.12.02
Related Documentation: (plans, bylaws, policies, procedures, etc.)	Bylaw: Chief Administrative Officer Bylaw CAO Delegation Order Alberta Municipal Government Act, R.S.A 2000, c. M-26 (section 250) CFA Institute Code of Ethics and Standards CFA Institute Asset Manager Code

Date Adopted:

Resolution No:

Date Reviewed₍₀₁₎:

Resolution No: