



TOWN OF HIGH RIVER POLICY

Policy Number:	POL-16-101-02
Policy Name:	Investment Policy
Related Procedure Number:	n/a
Related Procedure Name:	n/a
Approval Date:	October 15, 1996
Revision Date:	September 24, 2012
Policy Category:	Investment
Responsible Department:	Financial Services

Policy Statement:

The Town of High River shall invest its funds in a prudent manner, provide optimum investment returns within the prescribed limits while ensuring the safety of capital, meet the Town's cash flow requirements and conform to all appropriate Town policies, Provincial statutes and regulations.

Purpose:

The primary purpose of the Town's investment activities shall be the preservation of capital, risk mitigation and investment returns.

Preservation of Capital	Safety of principal is a primary objective. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall <i>Portfolio</i> .
Risk Mitigation	The Town will manage risk by ensuring there is sufficient <i>Diversification</i> among the assets in the <i>Portfolios</i> . Additional risk control is provided by the constraints on the permitted investments.
Investment Returns	The Town shall maximize the <i>Rate of Return</i> earned on each <i>Portfolio</i> without compromising the other objectives and with giving consideration to each type of fund, its investment horizon, <i>Liquidity</i> requirements and financial obligations.

Scope:

This policy applies to all investment transactions involving the financial assets and activities of the Town.

Definitions:

<i>Capital Markets</i>	Composed of individual markets, each with their own characteristics, such as markets for short or long term debt <i>Securities</i> , commercial paper and publicly traded stock markets.
<i>Diversification</i>	A risk-management technique that mixes a wide variety of investments within a <i>Portfolio</i> . The rationale behind this technique contends that a <i>Portfolio</i> of different kinds of investments will, on average, yield higher returns and pose a lower risk than any individual investment found within the <i>Portfolio</i> . <i>Diversification</i> strives to smooth unsystematic risk events in a <i>Portfolio</i> so that the positive performance of some investments will neutralize the negative performance of others. Therefore, the benefits of <i>diversification</i> will hold only if the <i>Securities</i> in the <i>Portfolio</i> are not perfectly correlated.
<i>Investment Officials</i>	Any employee of the Town who is responsible for, or delegated responsibility for, the management of the investment program or making investments on behalf of the Town.
<i>Liquidity</i>	The degree to which an asset or security can be bought or sold in the market without affecting the asset's price. <i>Liquidity</i> is characterized by a high level of trading activity.
<i>Market Value</i>	The price at which a security is trading in the open market.
<i>Money Market</i>	A wholesale financial market specializing in low risk, highly liquid instruments with term to maturity generally less than one year.
<i>Portfolio</i>	Collection of assets held by an investor.
<i>Rate of Return</i>	The gain or loss of an investment over a specified period, expressed as a percentage increase over the initial investment cost. Gains on investments are considered to be any income received from the security, plus realized and unrealized capital gains.
<i>Securities</i>	Bonds, Debentures, Treasury bills, Commercial Paper, <i>Repurchase Agreements</i> , Promissory Notes, Coupons and Residuals, asset backed <i>Securities</i> , common stock, preferred shares, convertible debentures partially paid shares, warrants or rights, publicly traded on a recognized Stock Exchange.
<i>Town</i>	Means the corporation of the Town of High River and includes all lands within its jurisdictional boundaries.

Responsibilities

- a. Town Council to:
 - i. Approve by resolution this policy and any amendments.
 - ii. Consider the allocation of resources for successful implementation of this policy in the annual budget process.
 - iii. Receive for information the quarterly investment report.

- b. Chief Administrative Officer to:
 - i. Implement this policy.
 - ii. Lead Administration in carrying out implementation plans for this policy.
 - iii. Reviews and approves relationships with external managers, actuaries, custodians, performance measurement advisor and other service providers.
 - iv. Approve any exceptions to this policy.

- c. Director of Legislative and Administrative Services to:
 - i. Maintain a complete original copy of this policy.
 - ii. Ensure this policy is accessible to all departments and interested parties in a timely manner.
 - iii. Ensure this policy is reviewed in accordance with Policy PRO-08-100 – Developing Policies and Procedures.

- d. Chief Financial Officer to:
 - i. Make recommendations to the Chief Administrative Officer of necessary policy amendments.
 - ii. Guide implementation of selected asset mix and investment implementation strategies.
 - iii. Implement the selected asset mix and investment mandate and report to the CAO.
 - iv. Supervise all investment operations including ensuring appropriate guidance, staffing and training, equipment and technologies, policies, processes, procedures, management practices and controls are in place to invest, monitor, account, report and safeguard the Town's funds.

- e. External Managers to:
 - i. Manage funds under specific investment mandate for which they were engaged, complying with all guidelines and policies as identified in their engagement contracts.
 - ii. Provide regular reporting to the Town.
 - iii. Provide information and guidance on topics as requested.

- f. Internal Managers to:
 - i. Manage funds under specific investment mandate, complying with all guidelines, policies and procedures.

- g. Custodian and Bankers to:
 - i. Account for safekeeping of marketable *Securities* and cash belonging to the Town.

- ii. Provide reports on operations and results as appropriate and as required.

Objectives:

1. Safety

The Town recognizes its fiduciary responsibility for the stewardship of public funds with which it has been entrusted. The prime investment objective is to ensure safety of principal. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall *Portfolio*. The objective will be to mitigate credit risk and interest rate risk.

The Town will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the types of *Securities* identified in this Investment Policy and diversifying the investment *Portfolio* so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

The Town will minimize interest rate risk, which is the risk that the market value of *Securities* in the *Portfolio* will fall due to changes in market interest rates, by structuring the investment into operating and non-operating *Portfolios*.

1.1. Operating *Portfolio*

The objective of the operating *Portfolio* represents funds used to meet the projected cash flow requirements of operating expenses and capital purchases for up to one (1) year. Funds will be invested with the purpose of achieving the highest level of safety of principal and *Liquidity* and instruments will be primarily *Money Market* in nature with maturities of less than one year (i.e. Government of Canada Treasury bills, banker's acceptances, term deposits, etc.) The *Rate of Return* for this *Portfolio* should be maximized within the constraints on these funds and will be measured against the 91-day Treasury Bill Rate.

1.2. Non-operating *Portfolio*

The non-operating *Portfolio* represents funds from restricted surpluses, is longer term in nature and may be subject to requests for additional funds to meet the cash flow of capital expenditure requirements of the Town.

Funds will be invested in highly liquid investments such as government bonds versus other investments where the capital is locked in (i.e. guaranteed investment certificates). The *Rate of Return* for this *Portfolio* will be measured against the RBC *Capital Markets* Index. This return is the combined measurement for income flows as well as realized and unrealized capital gains and/or losses.

Standards of Care:

1. Prudence

The Town shall adhere to the prudent investment standards in making investment decisions. Prudent investment standards are those that, in the overall context of an investment *Portfolio*, a reasonable and prudent person would apply to investments made on behalf of another person with whom there exists a fiduciary relationship.

Investment Officials exercising due diligence and acting in accordance with this Investment Policy shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that appropriate action is taken to minimize adverse developments and that such developments are reported on a timely basis.

2. Ethics and Conflict of Interest

Investment Officials shall refrain from personal business activity that could conflict with the proper execution of and management of the investment program, or that could impair their ability to make impartial decisions. *Investment Officials* shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Town. They shall disclose annually to the Chief Administrative Officer any interests in financial institutions that the Town invests with. They shall further disclose any personal financial/investment positions that are related to the performance of the investment *Portfolio*. Additional disclosure of gifts and/or entertainment is required.

3. Delegation of Authority

Authority to manage the investment program is granted to the Chief Administrative Officer. Responsibility for the operation of the investment program is hereby delegated to the Chief Financial Officer. The Chief Financial Officer may further delegate the authority to manage the investment program and to make investments on behalf of the Town to members of the Financial Services Department.

Eligible Investments:

- Eligible investments must conform to the requirements of the Municipal Government Act and to any applicable Investment Regulations.
- Investments will not be knowingly made in companies which could damage the reputation or role of the Town or which could be construed to be in conflict with the objectives of the Town.
- This investment policy strictly prohibits the Town from engaging in any non-business related investment activity that would be considered speculative according to the generally accepted principles of conservative investment management.

Asset Mix:

Operating *Portfolio*

The operating *Portfolio* will be invested in bonds and cash equivalent investments, according to the following asset mix ranges, which will allow for the Town to take advantage of prevailing market conditions, preserve the value of the principle while maintaining *Liquidity*.

Investment Type	Maximum % of Portfolio
Cash and cash equivalents	100%
Bonds	15%

Non-operating *Portfolio*

The non-operating *Portfolio* will be invested in bonds and cash equivalent investments, according to the following asset mix ranges, which will allow for the Town to take advantage of prevailing market conditions, minimize exposure to short term volatility while maintaining *Liquidity*.

Investment Type	Maximum % of Portfolio
Cash and cash equivalents	20%
Bonds	80%
Managed funds	25%

Diversification:

The Town will invest only in instruments rated R-1 Low or higher by the Dominion Bond Rating Service, or A and higher by the Canadian Bond Rating Services for investment terms of 120 days or less and R-1 Mid for investment terms of greater than 120 days.

Investments must be diversified by security type and institution.

Investments of appropriate credit quality may be made subject to the following limits:

Investment Type	Maximum % of Portfolio	Maximum % per issuer
Federal/Provincial Government obligations	80%	Unlimited
Municipal Governments	50%	25%
Canadian chartered banks	50%	25%
Corporate commercial paper	25%	25%
Corporate bonds	25%	25%
Managed funds	25%	25%

The investments will be made with the intention of holding the security to maturity and to the extent possible.

The Town shall attempt to match its investments with anticipated cash flow requirements.

Safekeeping:

The Chief Financial Officer shall ensure:

- That all investment certificates issued to the Town are in the name of or held in the name of the Town.
- Investments are held either in a safekeeping compartment with the Town's banker or in the possession of the financial institution or brokerage house where the investment transaction was made for the account of the Town.

Reporting:

The Chief Financial Officer will prepare and submit an investment report on the investment activity and income earned to Council quarterly in April, July, October and January.

End of Policy

Approval

This policy shall come into force and effect upon adoption by Council at a Regular or Special Meeting.

**Adopted October 15, 1996 Meeting of Council
Resolution #471/96**

**Amended June 23, 1997 Meeting of Council
Resolution #270/97**

**Amended September 24, 2012 Meeting of Council
Resolution #468/2012**

MAYOR/DEPUTY MAYOR

CHIEF ADMINISTRATIVE OFFICER/
DIRECTOR OF LEGISLATIVE AND ADMINISTRATIVE SERVICES

DATE