

COUNCIL POLICY



Document Name: Investment
Department Name: Financial Services
Document Number: FIN-140

Effective Date: ~~October 18, 2016~~ July 10, 2024 Next Revision Date: ~~October 18, 2019~~ July 10, 2027

STRATEGIC PLAN LINKAGE

~~This Policy safeguards the appropriate use and accounting of Municipal funds, in line with the Municipality's vision of "building a responsible government" by demonstrating principles of accountability, integrity, and transparency.~~

Fiscal Responsibility

PURPOSE AND OBJECTIVE POLICY STATEMENT

The Regional Municipality of Wood Buffalo (the "Municipality") will invest public funds in a prudent manner that ~~will~~ provides optimum investment returns with ~~the~~ maximum security while meeting the cash flow requirements of the Municipality. All investments must ~~conform to~~ comply with ~~the policies and guidelines set forth below, as well as operate within the language and spirit of~~ legislative requirements under the Municipal Government Act (~~Section 250~~) and ~~applicable any relevant~~ regulations.

The purpose of ~~this the~~ Investment Policy (the "Policy") is to ~~provide outline~~ general investment principles, ~~and rules, and~~. The Policy establishes delegated authority for managing and monitoring the Municipality's surplus cash position, trust, and reserve funds. ~~Adherence to the Investment Policy will~~ This helps ensure compliant and effective ~~investment~~ management of municipal investments and supports achievement of ~~assist in achieving the~~ strategic goals and growth objectives of the Municipality.

GENERAL PRINCIPLES

1. Definitions:

- 1.1. "A" means the bond rating of satisfactory credit quality, indicating substantial protection of interest and principal.
- 1.2. "AA" means the bond rating of superior credit quality, indicating high protection of interest and principal.
- 1.3. "AAA" means the bond rating of highest credit quality, indicating exceptionally strong protection for the timely payment of principal and interest and the establishment of a creditable track record of superior performance.

- 1.4. “Bond Rating Service” means a corporation whose primary business mandate is to analyze the creditworthiness of debt securities issued by all levels of government and corporations and make recommendations as to the risk level of such debt.
- 1.5. “Investment Advisory Committee ~~or IAC~~” means a committee comprised of the ~~GAO Chief Financial Officer and the Chief Administrative Officer or the Deputy Chief Administrative Officer, the Chief Financial Officer, the Director of Financial Services.~~
- 1.6. “Investment Manager” means an external person or organization who is not an employee that makes investments in portfolios of securities on behalf of the Municipality, in accordance with the investment objectives and parameters of the Municipality.
- 1.7. “R-1 Low” means the money market rating of satisfactory credit quality, indicating considerations for debt repayment are still respectable.
- 1.8. “Rate of Return” means the time-weighted, total return on an investment over a specified period. ~~Total return, which~~ includes the income received during the measurement period plus realized and unrealized capital gains, expressed as a percentage of beginning market value.
- ~~1.9. “Rating Definitions” means ratings in this Policy are based on Dominion Bond Rating Service definitions rating scale (DBRS). However, comparable Standard & Poor’s (S&P) and Moody’s rating scales may apply.~~
 - ~~1.9.1. Money Market Ratings:
 - 1.9.1.1. High – highest credit quality, unquestioned ability to repay current liabilities as they fall due.
 - 1.9.1.2. Middle – superior credit quality, above average strength in key areas of consideration for debt protection.
 - 1.9.1.3. R-1 Low – satisfactory credit quality, considerations for debt repayment still respectable.~~
 - ~~1.9.2. Bond Ratings:
 - 1.9.2.1. AAA – highest credit quality, exceptionally strong protection for the timely payment of principal and interest; establishment of a creditable track record of superior performance.
 - 1.9.2.2. AA – superior credit quality and protection of interest and principal is considered high; they differ from bonds rated AAA only to a small degree.
 - 1.9.2.3. A – satisfactory credit quality as protection of interest and principal is still substantial; the degree of strength is less than with AA rated entities.~~

2. Responsibilities:

2.1. Council to:

- 2.1.1. Approve this Policy and ~~all any~~ amendments, as required; and
- 2.1.2. review and approve annual investment reports, when appropriate.

- 2.2. **Chief Administrative Officer (CAO) ~~or designate to:~~**
- 2.2.1. ~~recommend amendments to this Policy;~~
 - 2.2.2. ~~Support the implementation of this Policy; and~~
 - 2.2.3. ~~Monitor investment activities to ensure compliance with investment parameters.~~
- 2.3. **Chief Financial Officer (CFO) ~~or designate to:~~**
- 2.3.1. ~~Establish and maintain a system of internal controls designed to prevent loss of funds; and~~
 - 2.3.2. ~~finalize annual investment reports and present to Council for review and approval.~~
- 2.4. **Investment Advisory Committee (IAC) to:**
- 2.4.1. ~~Oversee and implement the management process for investments;~~
 - 2.4.2. ~~Ensure funds are managed in accordance with this Policy; and~~
 - 2.4.3. ~~Report annually as part of Fiscal Management Strategy documentations and part of the annual financial statement report for Council and the public.~~
 - 2.4.3. ~~meet at least four times annually to carry out IAC responsibilities.~~
- 2.5. **Investment Managers to:**
- 2.5.1. ~~Manage funds in accordance with this Policy;~~
 - 2.5.2. ~~Manage all activities associated with client portfolios, including but not limited to, buying and selling securities on a daily basis, portfolio-monitoring portfolios, settlement-of-settling transactions, measuring performance, measurement-and completing regulatory and client reports reporting; and~~
 - 2.5.3. ~~Abide by the Chartered Financial Analyst Institute's Code of Ethics and Standards of Professional Conduct and the Asset Manager Code of Professional Conduct as established by the Chartered Financial Analyst Institute or the equivalent.~~

3. **General Procedures:**

~~3.~~ 3.1. **Investment Objectives:**

- ~~3.1.~~ 3.1.1. ~~In priority order, the primary objectives, in priority order, of investment activities shall be are:~~
 - ~~3.1.1.~~ 3.1.1.1. ~~Safety -- Investments shall be undertaken in a manner that seeks to ensure the preservation of capital.~~
 - ~~3.1.2.~~ 3.1.1.2. ~~Liquidity -- The investment portfolio shall remain sufficiently liquid to meet all operating and capital cash requirements that may be reasonably anticipated.~~
 - ~~3.1.3.~~ 3.1.1.3. ~~Return -- Investments of funds shall be structured with the objective of attaining a total return commensurate with the respective portfolio benchmarks as defined in this Policy.~~

~~4.~~ 3.2. **Governing Legislation:**

- ~~4.1.~~ 3.2.1. ~~The investments of funds are is regulated by the following legislation:~~

- ~~4.1.1.~~ 3.2.1.1. Municipal Government Act, RSA 2000, c. M-26, ~~s.250~~, as amended; and
- ~~4.1.2.~~ ~~Investment Regulation, AR 66/2000, as amended, and~~
- ~~4.1.3.~~ 3.2.1.2. Trustee Act, ~~RSA 2000 SA 2022~~, c. T-8.1, ~~ss. 2 and 3~~, as amended.

~~5.~~ 3.3. **Standard of Care:**

- ~~5.1.~~ 3.3.1. Investment Managers, employees, and any other persons involved in the investment process shall ~~Ex~~ercise the degree of care, diligence, and skill that a person of ordinary prudence would exercise in dealing with the property of another person.
- ~~5.2.~~ 3.3.2. Without limiting the generality of section ~~3.4~~ 3.3.1, persons who possess or ought to possess, a particular level of knowledge or skill relevant to their responsibilities of the funds, shall apply that particular knowledge or skill set to ~~the~~ investment activities and administration of ~~the investment~~ funds.

~~6.~~ 3.4. **Ethics and Conflicts of Interest:**

- ~~6.1.~~ 3.4.1. Investment Managers involved in investment activities of funds shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions.
- 3.4.2. Investment Managers shall disclose to both the CFO and CAO any ~~M~~material interests in financial institutions with which they conduct business and any personal financial/ or investment positions that could be related to the performance of the investment portfolio ~~shall be disclosed to both the Chief Financial Officer and the Chief Administrative Officer. Adherence to relevant Municipal Policies and Directives such as Conflict of Interest Discipline (HRM 610) and Code of Conduct (HRM 600).~~
- ~~6.2.~~ 3.4.3. Investment Managers shall refrain from undertaking any personal investment transactions with the same individual or company with whom business is conducted on behalf of the Municipality.
- 3.4.4. Investment Managers shall adhere to relevant municipal policies, including, but not limited to, the Conflict of Interest Administrative Directive HRM 610-D and the Code of Conduct Administrative Directive HRM-600-D.
- 3.4.5. All employees involved in the investment process shall abide by the Chartered Financial Analyst Institute's Code of Ethics and Standards of Professional Conduct and the Asset Manager Code of Professional Conduct.

~~7.~~ 3.5. **Selection of Investment Managers ~~Qualification and Selection:~~**

- 3.5.1. The Municipality shall select Investment Managers at minimum every five years.
- ~~7.1.~~ 3.5.2. Investment Managers ~~who handling~~ the Municipality's investments must be registered with the Alberta Securities Commission and ~~have a~~ be members in good standing ~~membership~~ with the ~~Canadian Investment Industry~~ Regulatory Organization ~~of Canada~~ (CIRO).
- ~~7.2.~~ ~~The selection of Investment Managers authorized to provide investment services to the Municipality shall be conducted at least every five years.~~

8. 3.6. Safekeeping and Custody:

- ~~8.1.~~ 3.6.1. Fund investments will be held by a third-party custodian that is selected ~~and approved~~ by the IAC or by each respective Investment Manager with approval from the IAC.
- ~~8.2.~~ 3.6.2. Third-party custodians are responsible for managing investments based on priorities ~~outlined set forth~~ in ~~S~~section 3.1.

9. 3.7. Permitted Investments:

- ~~9.1.~~ 3.7.1. ~~The Municipality's Municipal~~ funds shall be invested in ~~two general types of either short-term investments or medium- and long-term investments~~.
- ~~9.1.1.~~ 3.7.2. Short-term investments ~~which~~ are used to fund general operating requirements of the Municipality and have a maturity date of one year or less.
- ~~9.1.2.~~ 3.7.3. Medium- and long-term investments ~~which~~ are surplus funds that are not expected to be used within one year and have a maturity date that exceeds one year.
- ~~9.2.~~ 3.7.4. Permissible investments ~~of funds~~ will be restricted to fixed income securities that meet the investment parameters defined in this Policy.
- ~~9.3.~~ 3.7.5. ~~Categories of investments~~ that are not permissible include, but are not limited to:
- 3.7.5.1. investments in equities;
 - 3.7.5.2. commodities;
 - 3.7.5.3. precious metals;
 - 3.7.5.4. derivatives;
 - 3.7.5.5. repurchase agreements;
 - 3.7.5.6. asset backed securities;
 - 3.7.5.7. hedge funds;
 - 3.7.5.8. real estate in the form of direct property ownership; and
 - 3.7.5.9. collectibles.

10. 3.8. Investment Parameters for Short-term Portfolios:

- ~~10.1.~~ ~~Investments must meet the following credit rating limits, issuer limits, term limits and exposure limits:~~
- ~~10.2.~~ ~~Short-term Portfolio:~~
- ~~10.2.1.~~ 3.8.1. ~~The~~ An R-1 Low rating is the minimum money market rating for short-term securities ~~is R1 (low)~~.
- ~~10.2.2.~~ 3.8.2. ~~The~~ Maximum holdings of the short-term investment portfolio ~~by credit rating~~ are 100% for AAA, AA, and A ratings; ~~and~~
- ~~10.2.3.~~ 3.8.3. ~~By issuer, the~~ Maximum holdings of the short-term investment portfolio ~~are by issuer:~~
- ~~10.2.3.1.~~ 3.8.3.1. 100% for federal issues and guarantees;
 - ~~10.2.3.2.~~ 3.8.3.2. 100% for provincial issues and guarantees;

~~40.2.3.3.~~ 3.8.3.3. 40% for municipal issues; and

~~40.2.3.4.~~ 3.8.3.4. 40% 60% for corporate issues.

~~40.2.4.~~ 3.8.4. The Mmaximum term limits for the short-term investment portfolio ~~are is~~ one-year weighted average.

~~40.2.5.~~ 3.8.5. No more than ~~2%~~ 5% of the cost value of the entire investment portfolio may be invested in a single security with the exception of securities issued by the Government of Canada and guarantees, or a provincial government and guarantees with an A- rating ~~or higher~~ at time of purchase. The Municipality will advise the dollar limits associated with the ~~2%~~ 5% ceiling ~~annually on an annual basis~~.

40.3. 3.9. Investment Parameters for Medium- and Long-term Portfolios:

~~40.3.1.~~ 3.9.1. An A rating is ~~T~~the minimum rating for the medium- and long-term securities ~~is single A~~.

~~40.3.2.~~ 3.9.2. By credit rating, the Mmaximum holdings of the medium- and long-term investment portfolio ~~by credit rating~~ are 100% for AAA, AA, and A ratings.; ~~and~~

10.3.3. 3.9.3. By issuer, the Mmaximum holdings of the medium- and long-term portfolio ~~by issuer~~ are:

~~40.3.3.1.~~ 3.9.3.1. 100% federal issues and guarantees;

~~40.3.3.2.~~ 3.9.3.2. 100% for provincial issues and guarantees;

~~40.3.3.3.~~ 3.9.3.3. 50% for municipal issues; and

~~40.3.3.4.~~ 3.9.3.4. 40% 60% for corporate issues.

~~40.4.~~ 3.9.4. Maximum term limits for the medium- and long-term investment portfolio are ten years weighted average.

~~40.5.~~ 3.9.5. No more than ~~2%~~ 5% of the cost value of the entire investment portfolio may be invested in a single security with the exception of securities issued by the Government of Canada and guarantees, or a provincial government and guarantees with an A- rating or higher at time of purchase. The Municipality will advise the dollar limits associated with the ~~2%~~ 5% ceiling ~~annually on an annual basis~~.

44. 3.10. Performance Standards:

~~44.1.~~ 3.10.1. The following market benchmarks are generally accepted measures for relative performance assessment purposes. ~~However, specialty mandates may require and are to be used to ensure a customized equivalent common benchmark to be established by across all Investment Managers and the Municipality.~~

Category Performance Benchmarks

Short-term Investments (< 1 year) FTSE TMX 91 Day Treasury Bill Index

Medium-term Investments (< 5 years) FTSE TMX Government Short-Term Bond Index

Long-term Investments (> 5 years) FTSE TMX Government Mid-Term Bond Index

Investment Category	Performance Benchmarks
Money Market (< 1 Year)	FTSE TMX 91-Day Treasury Bill Index
Short-term Government (1 to 5 year)	FTSE TMX Government Short-Term Bond Index
Medium-term Government (5 to 10 years)	FTSE TMX Government Mid-Term Bond Index
Long-term Government (> 10 years)	FTSE TMX Government Long-Term Bond Index
Short-term Financials (1 to 5 year)	FTSE TMX Government Short-Term Financial Index

3.10.2. If required, Investment Managers shall seek approval from the Municipality to establish a customized equivalent benchmark.

12. 3.11. Reporting:

~~42.1.~~ 3.11.1. The ~~Director of Financial Services or designate~~ CFO shall prepare a quarterly report ~~for to be presented to the IAC who shall visit during their quarterly for~~ performance review visits.

3.11.2. At minimum, ~~T~~the report shall include, ~~at a minimum,~~ the following:

~~42.1.1.~~ 3.11.2.1. ~~F~~financial market and economic update;

~~42.1.2.~~ 3.11.2.2. Rates of Return for the total fund and individual categories; ~~and~~

3.11.2.3. benchmarks for the prior one month, three months, ~~and~~ one year; ~~and~~

3.11.2.4. benchmarks for annualized periods and fiscal year to date; and

~~42.1.3.~~ 3.11.2.5. ~~I~~investment exceptions report detailing investment activities that breached an investment parameter, ~~including~~ reasons for the breach and action plan.

13. 3.12. Investment Governance:

~~43.1.~~ 3.12.1. The governance structure ~~established for investments~~ is designed to ensure that the Municipality's investment is managed prudently, appropriately, and in compliance with applicable legislation and this Policy.

3.12.2. ~~The T~~three principal levels of responsibility are ~~described as the following:~~

~~43.1.1.~~ 3.12.2.1. Council ~~shall approve~~ is responsible for approving all investment policies;

~~43.1.2.~~ 3.12.2.2. Council ~~shall review~~ is responsible for reviewing and accepting investment reports ~~update(s) annually as part of Fiscal Management Strategy documentation on an annual basis;~~ and

~~43.2.~~ 3.12.2.3. IAC ~~shall provide~~ is responsible for providing oversight ~~to~~ for the governance and management of the Municipality's investments.

~~43.3. IAC shall meet at least four times annually.~~

4. Rescind and Replace

This Policy rescinds and replaces the Investment Policy FIN-140, dated October 18, 2016.

APPROVAL

This Policy was approved by Council. It will be reviewed ~~not later than~~ its next Revision Date to determine its effectiveness and appropriateness. It may be assessed before that time, as necessary ~~to reflect organizational change~~.

Sandy Bowman, Mayor

Jade Brown, Chief Legislative Officer

Date

SUPPORTING REFERENCES AND POSITION RESPONSIBLE

Legal References: Municipal Government Act, RSA 2000, c. M-26, ~~as amended;~~
~~Investment Regulation, AR 66/2000, as amended;~~ and
Trustee Act, RSA 2000, c. T-8.1, ~~ss. 2 and 3, as amended.~~

Cross References: Code of Conduct ~~Procedure Administrative Directive HRM-600-D;~~ and
Conflict of Interest ~~Disclosure Procedure Administrative Directive~~
HRM-610-D.

Position Responsible: ~~Director, Financial Services~~ Chief Financial Officer

COUNCIL POLICY DETAILS AND REVISION HISTORY

Date	Action	Description
October 12, 2004	Introduction	New Investment Policy FIN-140 rescinded the Short Term Investment Policy FIN 020.001.
November 27, 2012	Revisions – Substantive	Revised clauses related to performance benchmarks, investment parameters, degree of care, authorized financial institutions, ethics, and conflict of interest.
May 27, 2014	Revisions – Substantive	Revised all sections of the Policy.
October 18, 2016	Revisions – Minor	Changed review cycle from one year to three years.
July 10, 2024	Revisions – Substantive	Revised all sections of the Policy and reformatted the Policy to align with the current template.