County of Wetaskiwin No. 10 Municipal Policy

Department:	Policy No.
12.3 Financial Management	12.3.1

Title Investment Policy

1. **Policy Statement:**

   1.1. The purpose of this Policy is to provide general investment principles, rules, and delegated authority for managing and monitoring the investments of the County. The primary objectives of the County with regards to investment activities will be to preserve capital, ensure sufficient liquidity is available to cover potential operating shortfalls, and obtain a consistent market rate of return throughout budgetary and economic cycles.

   1.2. Investments made by the County must conform to the guidelines and procedures listed below, as well as follow the scope and spirit of legislative requirements under Section 250 of the *Municipal Government Act*.

   1.3. This Policy, as well as the guidelines and procedures listed below, are applicable to all funds managed by the County and all affiliates and subsidiaries.

2. **Responsibilities:**

   2.1. It shall be the responsibility of the Chief Administrative Officer (CAO) to:

      a. Make investments on behalf of the County in accordance with the procedures and guidelines laid out in this Policy, and in conjunction with the Director of Finance.

   2.2. It shall be the responsibility of the Director of Finance to:

      a. Make investments on behalf of the County in accordance with the procedures and guidelines laid out in this Policy, and in conjunction with the CAO.

      b. Report to Council on an annual basis on the performance of all investments. This 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.

3. **Guidelines:**

   3.1. The County recognizes its fiduciary responsibility for the stewardship of the funds it has been entrusted with. To ensure that the principal amount of any and all investments are insulated from losses due to market conditions and issuer default, the County shall maintain minimum quality standards for all individual investments held and will mandate sufficient diversification within the portfolio itself.

3.2. For investments that address short term requirements such as working capital or cash flow requirements, the following credit ratings used by Dominion Bond Rating Services (DBRS) in Appendix A shall be considered.

3.3. Short-term investments rated below "R-1(Low)" or equivalent at the time of purchase are not permitted. If a security's credit rating falls below "R-1(Low)" after time of purchase, it shall be removed from the portfolio as soon as practical.

3.4. For long-term investments, the following credit ratings used by Dominion Bond Rating Services (DBRS) in Appendix: B shall be considered.

3.5. Long-term investments rated below "A" or equivalent at the time of purchase are not permitted. If a security's credit rating falls below "A" after time of purchase, it shall be removed from the portfolio as soon as practical.

3.6. To ensure sufficient diversification, not more than 20% of the total investment portfolio shall be invested in any single security, and not more than 35% of the total investment portfolio shall be invested with any single issuer.

3.7. If, at any point during the investment period, a security's rating falls below acceptable standards, it shall be divested from the portfolio as soon as is practical.

3.8. Permitted issuers for investments undertaken by the County shall be limited to the following:

a. The Federal Government of Canada (including crown corporations);

b. Any Provincial Government body or entities guaranteed by such province (i.e. Alberta Treasury Branch); and

c. Any obligations fully guaranteed by one of the Schedule 1 Chartered Banks in Canada, as listed by the Canadian Bankers Association and as amended from time to time.

3.9. To evaluate whether acceptable short-term market yields are being achieved, the FTSE/TMX 91-day T-Bill index will be used as a benchmark measure. Investments will be reviewed in the event of under-performance and adjusted, if necessary, by the CAO or the Director of Finance.

3.10. To evaluate whether acceptable long-term market yields are being achieved, the FTSE Canada Fixed Income/Corporate AA Bond will be used as a benchmark measure. Investments will be reviewed in the event of under-performance and adjusted, if necessary, by the CAO or the Director of Finance.

3.11. Individuals granted authority under this Policy to make and manage investments on behalf of the County shall refrain from any personal business activity that could conflict with the proper execution of their responsibilities, or which could impact their ability make impartial investment decisions.

3.12. Investments in the portfolio will ensure preservation of capital and adhere to the following credit quality restrictions:

Debate Rating Category	Minimum	Maximum
"BBB" or lower	0%	0%
"A"	0%	75%
"AA" or higher	25%	100%

3.13. Strict adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct and the CFA Institute Asset Manager Code of Professional Conduct.

4. **Definitions:** are found in the Definition Index

5. **Related Documents**

5.1. CFA Code and Standards

Previously Signed
Scott MacDougall, CAO

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Council Resolution

Appendix: A

Short-Term Credit Rating (DBRS)	Explanation
R-1 (High)	Highest credit quality; the capacity for the payment of short-term financial obligations is exceptionally high; unlikely to be adversely affected by future events.
R-1 (Middle)	Superior credit quality; the capacity for the payment of short-term financial obligations is very high; unlikely to be significantly vulnerable to future events.
R-1 (Low)	Good credit quality; the capacity for the payment of short-term financial obligations is substantial, but not as strong as higher ratings; may be vulnerable to future events.
R-2 (High)	Upper end of adequate credit quality; the capacity for the payment of short-term financial obligations is acceptable; may be vulnerable to future events.
R-2 (Mid)	Adequate credit quality; the capacity for the payment of short-term financial obligations is acceptable; may be vulnerable to future events and other factors.
R-2 (Low)	Lower end of adequate credit quality; the capacity for the payment of short-term financial obligations is acceptable; may be vulnerable to future events, and likely to be impacted by other factors.
R-3	Lowest end of adequate credit quality; capacity exists to pay short-term financial obligations; likely to be vulnerable to future events.

Appendix: B

Long-Term Credit Rating	Explanation
AAA	Highest credit quality; the capacity for the payment of financial obligations is exceptionally high; unlikely to be adversely affected by future events.
AA	Superior credit quality; the capacity for the payment of financial obligations is very high; unlikely to be significantly vulnerable to future events.
A	Good credit quality; the capacity for the payment of financial obligations is substantial, but not as strong as higher ratings; may be vulnerable to future events.
BBB	Adequate credit quality; the capacity for the payment of financial obligations is acceptable; may be vulnerable to future events.
BB	Speculative, non-investment grade credit quality; the capacity for the payment of financial obligations is uncertain; vulnerable to future events.
B	Highly speculative credit quality; capacity for payment is uncertain.
CCC and lower	Very highly speculative credit quality; danger of defaulting on financial obligations.