Policy:	C26 – Investment
Policy Department(s):	Financial and Business Planning Services
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Policy Purpose

To establish the County's objectives, standard of care, eligible investments, reporting requirements and responsibilities to prudently manage public funds held as investments while ensuring transparency.

Policy Statement

It is the policy of the County to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands and conforming to the Municipal Government Act and all other provincial statutes and regulations governing the investment of municipal funds.

Definitions

"County" means the municipality of the County of Grande Prairie No. 1 having jurisdiction under the Municipal Government Act and other applicable legislation.

Policy Guidelines

1. Scope

This investment policy applies to all funds of the County on deposit or invested in investment securities, but excludes funds on deposit required for daily operations, which are subject to a banking services agreement.

The funds are accounted for in the County's Annual Audited Financial Statements and include:

- 1.1. Operating and capital funds
- 1.2. Deferred revenue, trust accounts or restricted cash funds
- 1.3. Reserve funds
- 1.4. Any new fund created by the County Council, unless specifically exempted.

2. Prudence

Investments shall be made with judgement and care under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

3. Objective

The primary objectives, in order of priority, of the County investment activities, shall be:

3.1. Compliance with the Municipal Government Act – All investment activities will be governed by the Municipal Government Act, RSA, 2000 C.M-26, Section 250.

3.2. Capital Preservation – Safety of principal is the foremost objective of the investment program. Investments of the County shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. This will be achieved through diversification of funds by investing funds among a variety of securities offering independent returns and financial institutions.

3.3. Maintenance of Liquidity – The portfolio will be structured to maintain a proportionate ratio of short and long term maturities to remain sufficiently liquid to meet all operating or cash flow requirements which might be reasonably anticipated.

3.4. Rate of Return – The 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 in this policy.

4. Authority

Authority to manage the County's investment program is derived from Section 250 of the Municipal Government Act and County council resolutions. Management responsibility for the investment program is hereby delegated to the General Manager of Financial and Business Planning Services, who shall establish procedures for the management of the investment program consistent with this investment policy.

The General Manager of Financial and Business Planning Services shall have the authority to retain the services of an external investment manager to provide advice and/or investment management services.

5. Investment Manager

A designated external investment manager must be accredited by the Canadian Investment Regulatory Organization and shall be governed by this investment policy. The County shall retain the option to invest funds in-house.

The financial institutions eligible to act as investment manager on the portfolio must:

5.1. Be a member of the Canadian Investor Protection Fund;

5.2. Be able to invest the funds in securities from at least five (5) different security issuers within the guidelines of the Municipal Government Act.

5.3. Provide online access to the General Manager of Financial and Business Planning Services or designate on all account balances and investment details updated daily.

5.4. Prepare quarterly portfolio reviews for the General Manager of Financial and Business Planning Services and if requested, present directly to Council on an annual basis detailing:

5.4.1 Rate of return summaries and comparisons to appropriate benchmarks

5.4.2 A summary of the investment portfolio held by the investment manager, including investment amounts, interest rates, maturity dates, and maturity amounts

6. Authorized Investments

6.1. The types of investments are further limited to those authorized under Section 250 of the Municipal Government Act.

6.2. Investments shall be restricted to those outlined in Schedule A. No investment instruments other than those indicated as acceptable in this policy and described on Schedule B shall be executed unless specifically approved by County Council.

7. Diversification

Safety of principle is obtained by diversification among institutions where possible and by credit worthiness. Schedules A and B outline the maximum amount of each portfolio which may be invested with each institution.

8. Custody and Segregation

Investments may be held by the financial institution in bulk segregation in accounts in the name of the County.

9. Maximum Maturities

To the extent possible the County will attempt to match its investments with anticipated cash flow requirements. The maximum investment term within the portfolio is fifteen (15) years unless specifically approved by Council motion.

10. Performance Evaluation

The investment portfolio will be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cashflow needs. The performance will be measured using multiple benchmarks and performance indicators.

11. Reporting

The County's designated external investment manager will report investment activity and returns to Council on an annual basis. The General Manager of Financial and Business Planning Services will provide Council with a quarterly investment report while delivering quarterly financial reports.

Attachments

Schedule A – Approved Investments

Schedule B – Approved Investments Instruments

Schedule C – Investment Terminology

References

Legal Authorities	Municipal Government Act, RSA 2000, c M-26, Section 250
Related Plans, Bylaws, Policies, etc.	Policy B1 – Policy Development
Other	Investment Program Procedures

Revision History

Review Date	Description
December 16, 2024	Reviewed and Amended CM20241216.024
July 11, 2022	Reviewed and Amended CM20220711.007
June 25, 2018	Reviewed and Amended CM20180625.1013
June 14, 2010	Reviewed and Amended 06-632-10
September 22, 2008	Reviewed and Amended 09-1218-08
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Schedule A – Approved Investments

	Approved Investments (see Schedule B for a listing of approved investment instruments)	Maximum Amount*	DBRS Minimum Rating (Short Term)	DBRS Minimum Rating (Long Term)
Government – Federal	Securities issued or guaranteed by, including crown corporations: The Government of Canada	Unlimited	R1 (M)	AA
Government – Provincial	Securities issued or guaranteed by, including crown corporations: Provincial Government within Canada	50%	R1 (M)	A(low)
Portfolio Guaranteed Financial Institution	Obligations of, or guarantees of: Province of Alberta Treasury Branches	50%	R1 (M)	A(low)
Chartered Banks	Obligations of or guarantees of: Schedule 1 Chartered Banks - Bank of Montreal - Bank of Nova Scotia - Toronto Dominion Bank - Royal Bank of Canada - Canadian Imperial Bank of Commerce - National Bank	50%	R1 (M)	A(low)
Other Financial Institutions	Obligations of or guarantees of: Alberta Registered Credit Unions	50%	R1 (M)	A(low)

*Per Issuer. Based on entire portfolio amount at the time of booking the investment.

Schedule B – Approved Investments

1. Bank Bearer Deposit Notes
These are non interest-bearing securities that are sold at a discount and redeemed at face value upon maturity. They are issued by Schedule I and II banks for general funding purposes and constitute general obligations or direct liabilities of the issuing bank.

2. Federal and Provincial Crown Corporate Notes
These investments are guaranteed by the Government of Canada or the issuing Province and are secured by the assets of the issuing Crown. These securities can range in term and can be either discounted or interest bearing. These investments are very liquid and yield approximately the same yield as the other Federal or Provincial obligations.

3. Government of Canada and Provincial Bonds
These instruments are interest bearing debt which is secured by the assets of the Government of Canada or the issuing Province. These securities have a maturity that is greater than one year and form part of the money market only when the long-term debt approaches maturity. As with other government securities these instruments are actively traded and generally considered high quality investments. Organizations such as municipalities usually acquire these instruments for the purposes of retaining them until maturity.

4. Government of Canada Treasury Bills
The Bank of Canada, as agent for the Government of Canada, calls for tenders at noon each Tuesday for a specified amount of treasury bills. These are short term promissory notes issued by the Government of Canada and used to finance ongoing expenditures. Treasury bills are issued in bearer form only and are sold at a discount to mature at a stated par value. There is no risk of default, and they are extremely liquid and considered a prime investment vehicle.

5. Provincial Treasury Bills and Notes
These securities are issued periodically by most provinces in Canada and are actively traded in the money markets. These instruments are very liquid and are usually issued in bearer form. These instruments can be interest bearing or sold at a discount and are considered to be prime investment vehicles due to minimal risk associated with default.

6. Term Receipts
These instruments have various labels including Certificates of Deposits (CD's), Term Deposits, Fixed Term Deposits, Guaranteed Investment Certificates (GIC's), Term Deposit Certificates, Deposit Receipts, etc. These instruments are generally fully registered, nontransferable, interest-bearing notes. Terms range from one to six years. While some of these instruments do have call features which allow them to be liquidated on demand most tend to be non-liquid investments. These instruments are direct obligations of the issuing bank.

7. Schedule 1 Chartered Bank Bonds
   These instruments are interest-bearing debt which are issued by Schedule 1 Chartered Bank. These securities generally have a maturity which is greater than one year. These instruments are actively traded within the markets and do have some degree of liquidity. Investments in Schedule 1 Chartered Bank issued bonds will be limited to bonds, stripped-coupon bonds, accrual notes, and step-up notes unless otherwise approved by Council.

Schedule C – Investment Terminology

1. Bank of Canada Rate (Bank Rate)
The bank rate is the interest rate that the Bank of Canada charges for advances made to the Canadian chartered banks. The bank rate is set every Tuesday and is set at 25 basis points above the average yield received from the auction or tendered sale of Government of Canada three-month treasury bills.

2. Basis Point
A basis point is 1/100 of a percentage point.

3. Bearer Form Securities
A negotiable security that can be redeemed by whoever has actual physical custody of the security. These securities are not in the same of the owner and usually have a clause on the actual security that states something such as “Pay to the Bearer”.

4. Chartered Banks
Banks which are chartered receive their charter from the Canada Bank Act and are named under two different schedules in the Act. Schedule I banks are widely held (no single person or corporation may control more than 10% of the voting stock and foreign ownership is limited to 25%). Schedule II banks are closely held (ownership is more concentrated). Many Schedule II banks are foreign-owned, and their size is controlled by the federal government, excluding United States of America owned Schedule II banks whose size is not controlled in accordance with the Free Trade Agreement.

5. Dominion Bond Rating Service (DBRS)
Dominion Bond Rating Service. A company that investigates and reports on the credit worthiness of Government and Corporations issuing securities in Canadian Financial Markets. There are two different scales for rating short term (less than one year) and long term (one year or more) obligations or debt.

6. Delivery vs. Payment
There are two methods of delivery of securities: delivery verses payment and delivery versus receipt. Delivery verses payment is the delivery of money for securities. Delivery verses receipt is the delivery of securities with an exchange of a signed receipt for the security.

7. Financial Markets
Financial Markets encompass the institutions and procedures that are involved in the process of buying or selling various securities and assets. They are usually classified by the type of securities traded and the maturities. Examples include Money Markets (short term debt), Bond or Capital Markets (long term debt), Equity Markets (preferred shares, common shares), Euro Market (foreign debt, currencies).

8. Liquidity
In the context of a firm, liquidity is 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.

9. Market Value
The price at which a security is currently trading and therefore presumably purchased or sold for.

10. Portfolio
Collection of securities held by an investor.

11. Portfolio Diversification
A fundamental investment principle that reduces risk by diversifying the maturity terms and types of investments held within the portfolio.

12. Prime Rate
Prime rate is the rate of interest that chartered banks charge for advancements made to select organizations and individuals that are considered by the bank to be a "prime customer".

13. Rate of Return
The yield obtained on a security based on its purchase price or its current market price.

14. Ratings – Short Term Debt (Money Market) – Dominion Bond Rating Service
    14.1. R-1 (H)
    Money market R-1 (H) (high) rating by DBRS for short-term rated debt is of the highest credit quality and indicates an entity possessing unquestioned ability to repay current liabilities as they fall due. Entities rated in this category normally maintain strong liquidity positions, conservative debt levels, and profitability that is both stable and above average.

    14.2. R-1 (M)
    Short-term debt rated R-1 (M) (middle) is of superior credit quality and ratings in this category differ from R-1 (H) credits by only a small degree.

    14.3. R-1(L)
    Short-term debt rated R-1 (L) (low) is of satisfactory credit quality. The overall strength and outlook for key liquidity, debt, and profitability ratios is not normally as favorable as with higher rating categories, but these considerations are still respectable.

15. Ratings – Bond and Long-Term Debt – Dominion Bond Rating Service
    15.1. AAA
    Prime maximum security, best quality and smallest degree of investment risk.

15.2. AA+, AA, AA
High grade, high quality.

15.3. A+, A, A-
Upper medium grade, factors giving security to principal and interest are considered adequate.