



TOWN OF THREE HILLS

POLICY # 560

INVESTMENT POLICY

Adopted by Council on: June 22, 2020
Resolution No.: 318-2020

1. PURPOSE

- 1.1. The purpose of the Investment Policy is to invest public funds in a manner which will provide the highest Investment return with the maximum security, while meeting the Town's daily Cash Flow requirements and conforming to all provincial and other statutes governing the Investment of public funds.

2. AUTHORITY

- 2.1. The authority for this Policy is by resolution of the Council of the Town of Three Hills.
- 2.2. The CAO is accountable and responsible for the development, evaluation and implementation of this Policy.
- 2.3. The CAO reserves the right to exercise appropriate managerial judgement to take such actions as may be necessary to achieve the intent of this Policy.
- 2.4. The authority to manage the Town's Investment program is derived from the following:
 - 2.4.1. Section 250 of the *Municipal Government Act*;
 - 2.4.2. The Town Council's resolutions;
 - 2.4.3. Investment Regulations of the *Municipal Government Act*;
 - 2.4.4. Muni Fund Investment Regulations of the *Municipal Government Act*.

3. DEFINITIONS

- 3.1. Whenever the singular masculine gender is used in this Policy, the same shall include the feminine and neutral gender whenever context requires.
- 3.2. In this Policy, unless the context otherwise requires:
 - 3.2.1. "CAO" shall mean Chief Administrative Officer for the Town of Three Hills or his designate.
 - 3.2.2. "Cash Flow" means the movement of money into and out of a business or as affecting Liquidity.

- 3.2.3. “Council” shall mean the body of elected officials who govern the Town.
- 3.2.4. “Investment” shall mean a monetary instrument that generates a rate of return for the Town which is included in the Investment Portfolio.
- 3.2.5. “Investment Portfolio” shall mean the Town’s Investment register which includes all of the monetary instruments that are generating rates of return at any given time.
- 3.2.6. “Liquidity” shall mean an asset that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be sold at those quotes.
- 3.2.7. "Securities" as defined by the *Municipal Government Act* shall include: bonds, debentures, trust certificates, guaranteed income certificates or receipts, certificate of deposit, deposit receipts, bills, notes and mortgages of real estate or leaseholds and rights or interest in respect of a security.
- 3.2.8. “Town” shall mean the Town of Three Hills.

4. SCOPE

- 4.1. This Investment policy applies to all funds of the Town on deposit or invested in Investment Securities.
- 4.2. The funds include:
 - 4.2.1. Operating Funds
 - 4.2.2. Reserve Funds
 - 4.2.3. Any new fund created by the Town, unless specifically exempted.

5. POLICY STANDARDS

5.1. Prudence

- 5.1.1. Investments are to be made with the same good judgment and care – under circumstances then prevailing - that persons of prudence, discretion and intelligence would exercise in the management of their own affairs, considering the probable safety of their capital as well as the probable income to be derived.
- 5.1.2. The standard of prudence to be used by Investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall Portfolio. Investment officers acting in accordance with written procedures and Investment policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

5.2. Investment Objectives

- 5.2.1. The primary objectives, in order of priority, of the Town's Investment activities, shall be:
- i. Safety
 - a. Investments for the Town shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall Investment Portfolio.
 - ii. Liquidity
 - a. The Town's Investment Portfolio will remain sufficiently liquid to enable the Town to meet all operating and capital requirements, which might be reasonably anticipated.
 - iii. Return on Investment
 - a. The Town's Investment Portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the Town's Investment risk constraints and the Cash Flow characteristics of the Investment Portfolio.

5.3. Investments

- 5.3.1. Investments shall be restricted to those outlined in Schedule "A" of this Policy. No Investment in instruments other than those indicated as acceptable in this Policy shall be executed unless specifically approved by Council.
- 5.3.2. The types of Investments are further limited to those authorized under section 250 of the *Municipal Government Act*.

5.4. Custody and Segregation

- 5.4.1. Investments shall be held either directly in the name of the Town of Three Hills or held in bulk segregation in accounts in the name of the Town of Three Hills.

5.5. Diversification

- 5.5.1. The Town shall diversify its Investments by security issuer and by security type. Maximum percentages of the Investment Portfolio that may be invested with any single issuer or within any Investment type are outlined in Schedule "A".

5.6. Investment Terms

- 5.6.1. To the extent possible, the Town will conduct its Investment activities in a manner that best provides appropriate cash to fund its anticipated operating and capital expenditure requirements.

5.7. Investment Manager

5.7.1. The Town shall not engage the services of an external Investment Manager to provide advice and/or Investment management services with respect to the Town's Investment Portfolio.

5.8. Performance Evaluation

5.8.1. Given that the primary funds available for Investment are a mix of capital reserves and intra year operating cash surpluses/deficits, and that preservation of capital and Liquidity have higher priorities than return on Investment, no predetermined performance targets are set in this Policy. When longer term, more stable levels of surplus funds become available, then suitable performance targets for those funds may be determined at that time

5.9. Reporting

5.9.1. The Director of Finance will provide regular reports to the CAO. The CAO will report quarterly, at a minimum to Council, noting Investments on hand, activity during period, and income or losses on Investments.

6. PRIOR POLICY

6.1. This policy shall supersede and replace all prior policies, oral or written, regarding Investments within the Town of Three Hills.

6.2. This policy repeals Policy F085 – Fiscal Procedural Policy.

6.3. This Policy repeals Policy I074 – Investment Policy.

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SCHEDULE A

| <u>Approved Investments</u> | | |
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| Security (Securities denominated in Canadian Dollars ONLY) | Maximum % per Institution | Maximum % per Investment Type |
| Government | | |
| Securities issued or guaranteed by: | | |
| The Government of Canada | 100% | 100% |
| Alberta Government | 100% | 100% |
| Other Provincial Governments within Canada | 30% | 50% |
| Municipal Governments within Canada | 5% | 5% |
| Banks | | |
| Securities issued or guaranteed by: | | |
| Major Banks - Includes ONLY the following banks: Bank of Montreal, Royal Bank, TD Bank, CIBC, ScotiaBank | 100% | 100% |
| Other Banks | 5% | 5% |
| Alberta Treasury Branches (ATB) | 100% | 100% |
| Credit Unions | | |
| Securities issued or guaranteed by: | | |
| Alberta Credit Unions | 100% | 100% |
| Other Credit Unions | 5% | 5% |
| Trust Companies | | |
| (Securities issues or guaranteed by) | 5% | 5% |
| School Divisions, School Districts, Hospital District, Health Region, Regional Service Commissions | | |
| | 0% | 0% |
| Pooled Funds | | |
| In accordance with the <i>Municipal Government Act</i> and related documents | 100% | 100% |
| Corporations | | |
| Shares | 0% | 0% |
| *The percentage requirement must be met when the Investment is made. | | |