

		<h1 style="margin: 0;">Investments</h1>
Procedure No.: CS-FIN-8	Council Resolution No.: N/A	
Department: Corporate Services	Authority: Chief Administrative Officer	
Effective Date: March 9, 2020	Revision Date:	
Review Date: March 2020	Repealed Date:	
Supersedes: Investment Policy NO. 1		
Related Policy No.: CS-FIN-8		
Related Policy Name: Investments		

Purpose

To provide general investment principles, rules, and delegated authority for managing and monitoring the investments of the Town of Taber. The primary objectives of the Town 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.

Operating Guidelines

Definitions

- 1) "Benchmark" means a standard against which the performance of an investment portfolio can be measured which often includes a market index;
- 2) "Investment, long-term" means any investment product held by the Town with a maturity of greater than twelve (12) months.
- 3) "Investment, short-term" means any investment product held by the Town with a maturity of less than or equal to twelve (12) months.
- 4) "Liquidity" means the ability to convert an investment into cash with minimal risk associated with loss of principal or accrued interest, taking into consideration any costs associated with converting investments into cash.
- 5) "Securities" means a generic term used to describe stocks, bonds, money market securities (e.g. treasury bills) and other instruments representing the right to receive future benefits under a set of stated conditions.

Scope

All those involved with the management of the Town of Taber's investments are required to comply with the contents of this procedure.



The Chief Administrative Officer (or designate) and the Director of Finance (or designate) will implement the Investment Policy and Procedure. All investments transactions must be approved by both parties.

1) Capital Preservation

- a. The Town of Taber recognizes its fiduciary responsibility for the stewardship of funds it has been entrusted. Therefore, the prime objective of this procedure is to ensure that the principal amount of each investment is insulated from losses due to market conditions and issuer default. To accomplish this objective, we will maintain minimum quality standards for all individual investments held, and mandate sufficient diversification within the portfolio itself.

2) Liquidity

- a. The investment portfolio will be sufficiently liquid in order to enable the Town of Taber to meet any projected or sudden cash flow requirement which might reasonably be expected to occur.

3) Permissible Investments / Safety

- a. Security selection is restricted to the authorized investments as defined below.
- b. The portfolio shall not hold derivative securities, real estate, residential mortgages, asset-backed securities or ownership interests in any unincorporated body.

4) Credit Quality

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

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

- b. Investments rated below "A-" or equivalent at 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.
- c. Permitted Issuers: Our investments will be limited to the following issuer guarantees:
 - i. The Federal Government of Canada (including crown corporations)
 - ii. Any Provincial Government body or entities guaranteed by such province (i.e. Alberta Treasury Branch)
 - iii. Any obligations fully guaranteed by one of the Schedule 1 Chartered Banks in Canada.
- d. All ratings refer to the ratings of the Dominion Bond Rating Service Ltd. (DBRS).



- e. In the event that DBRS does not rate a security, ratings from any of the other agencies allowed by the *Municipal Government Act*.
 - f. Securities with a maturity date of less than one year (i.e. money market) must have a minimum rating of R-1 (high) from the date of issue.
- 5) Portfolio Diversification and Restraints – The following constraints shall apply to the portfolio. All percentages used below are based on market value.
- a. Not more than 25% of the portfolio shall be invested in any single security.
 - b. Not more than 35% of Long Term Investments (maturities greater than one year) shall be invested in any single issuer, except for securities of or fully guaranteed by the government of Canada or a province of Canada.
 - c. Not more than 35% of Short Term Investments (maturities one year or less) shall be invested in any single issuer, except for securities of or fully guaranteed by the government of Canada or a province of Canada having at least a "AA" rating. If the Short Term investment portfolio becomes non-compliant as investments mature over time, the percentage at the time when the investments were purchased shall be used for purpose of evaluating compliance to procedure.
- 6) Short Term Investments – Return and Performance Standards
- a. The FTSE/TMX 91 day T-Bill index will be used as the benchmark to determine whether acceptable short-term market yields are being achieved. Investments will be reviewed in the event of under-performance and adjusted if necessary by the Investment Advisor.
- 7) Safekeeping and Custody
- a. All investment certificates shall be issued in the name of the Town of Taber.
 - b. Investment certificates may be held for safekeeping by the financial institution.
 - c. Responsibility for the safekeeping of assets, income collection, settlement of investment transactions, and accounting for investment transactions is delegated to a trust company custodian duly registered in Canada.
- 8) Procedure Review
- a. This procedure may be modified at any time based on issues related to the administration of this procedure, or fundamental changes in the overall investment objectives, (etc. social, economic or political change).
- 9) Prudence
- a. Investments are to be made with judgment and care, under prevailing circumstances, which persons of discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital and income to be derived.



- b. Investment officers acting in accordance with this procedure and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations are reported in a timely fashion and appropriate action is taken to control adverse developments.

10) Conflict of Interest / Ethics

- a. Officers, employees and persons involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of their responsibilities, or which could impair their ability to make impartial investment decisions. Officers and employees shall disclose to their manager any material interests in financial institutions that conduct business with the Town of Taber, and they shall subordinate their personal investment transactions to those of the Town of Taber, particularly with regard to the timing of purchases and sales.
- b. Investments will not be knowingly made in companies which could damage the reputation or role of the Town of Taber or which could be constructed to be in conflict with the objectives of the Town of Taber.
- c. This guideline also extends to any external investment management firms utilized by the Town of Taber to manage its portfolio.
- d. Strict adherence to the *Municipal Government Act*.



CHIEF ADMINISTRATIVE OFFICER

Acting CAO

March 25, 2020

DATE

