CITY OF ST. ALBERT

CITY COUNCIL POLICY

NUMBER	TITLE
C-FS-02	Investments
ORIGINAL APPROVAL DATE	**DATE LAST REVISED**
September 2, 2003	December 17, 2024

Purpose

To establish the goals and parameters under which financial investments can be made for the City of St. Albert.

Policy Statement

The City of St. Albert shall invest its funds in a prudent manner, provide optimum investment returns within the prescribed limits, meet the City's cash-flow requirements, and conform to all other appropriate City policies, provincial statutes and regulations.

Definitions

"Bearer Form" means an instrument that can be redeemed by whoever has actual physical custody of the instrument. These instruments are not in the name of the owner and usually have a clause on the actual instrument that states something such as "Pay to the Bearer".

"DBRS" means Dominion Bond Rating Service. This is a company that investigates and reports on the credit worthiness of governments and corporations issuing securities in the Canadian financial markets. A short-term debt rated R-1 (middle) is of superior quality as entities with this rating are considered strong credits which typically exemplify above average strength in key areas of consideration for debt protection. Bonds rated "AA" are also of superior credit quality and protection of interest and principal is considered high.

"Diversification" means a fundamental investment principle that reduces risk by diversifying the maturity terms and the types of investments held within the portfolio.

"Government of Canada Treasury Bill" means the Bank of Canada, as agent for the Government of Canada, calls for tenders at noon each Tuesday for a specified amount of Treasury bill. These are short-term promissory notes issued by the Government of Canada that are 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 choice.

“Government of Canada Bond Rate” means the interest rate at which the Government of Canada bonds pay. Government of Canada, Provincial & Municipal Bonds are instruments that are essentially interest-bearing debt that is secured by the assets of the Government of Canada, the issuing Province or Municipality. 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 the other government securities these instruments are activity traded and generally considered high quality investments and low risk.

“Treasury Bill Rate” means the yield received for investing in a Government of Canada Treasury bill.

“Liquidity” means the ability of an organization 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.

“Market Value” means the price at which a security is currently trading and therefore presumably purchased or sold for.

“Portfolio” means a collection of securities owned by the investor which, for the purpose of this policy, will be considered as two parts, (1) Cash & Short-Term Investments (2) Investment Fund Portfolio.

“Rate of Return” means the yield obtained on a security based on its purchase price or its current market value.

“Investment Official” means employees directly involved with oversight and advice with respect to investments in accordance with this investment policy.

Responsibilities

1. Council shall:

    a. Be responsible for all purchase and sale decisions for investments in land.

2. The Chief Administrative Officer shall:

    a. Be responsible for the control, administration and management of the City’s investments in accordance with this investment policy approved by Council.

Service Standards/ Expectations

1. All investment certificates issued to the City of St. Albert are held in the name of the City of St. Albert.

2. Negotiable Securities are held in the name of the City of St. Albert and evidenced by safekeeping receipts and monthly statements.

3. Non-negotiable cash and short-term investment certificates are maintained in the appropriate electronic investment file.

4. Investment activities undertaken by the City of St. Albert shall be reported to council on a quarterly basis. Information provided to Council will include, but not be limited to:

    a. Total assets within the investment portfolio.
    b. Holdings by term and financial institution within the investment portfolio.
    c. Effective average rate of return for the investment portfolio.

5. Investments shall be made with judgment and care, under 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.

6. Investment officials exercising due diligence and acting in accordance with procedures consistent with this investment policy shall be relieved of personal responsibility for market price changes or the credit risk of a certain investment, provided that appropriate action is taken to control adverse developments and that such developments are reported on a timely basis.

7. Investment officials shall refrain from personal business activity that could conflict with the proper execution of their responsibilities or could impair their ability to make impartial investment decisions. Investment Officials shall disclose to the Chief Administrative Officer any material interests in financial institutions with whom the City of St. Albert invests. In addition, they shall subordinate their personal investment transactions to those of the City of St. Albert, particularly with regard to the timing of purchases and sales.

8. Custodian Managed Funds are managed by fund managers who will maintain strict adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct and the CFA Institute Asset Manager Code of Professional Conduct.

9. The investment portfolio will be managed as two separate components: City Managed Funds and Custodian Managed Funds.

10. Capital Preservation (Priority 1) - The City of St. Albert recognizes its fiduciary responsibility for the stewardship of public funds with which it has been entrusted. The prime investment objective is therefore to ensure the safety of the principal. To assist in achieving this objective the City will ensure that sufficient diversification exists within its investment portfolio.

    Maintenance of Liquidity (Priority 2) - The City of St. Albert will maintain an investment portfolio that will be sufficiently liquid in order to meet its operating cash flow requirements that might be reasonably anticipated in the short and longer term.

11. Rate of Return (Priority 3) - The City of St. Albert's investment 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 within this policy. The City recognizes however that even in a diversified portfolio occasional losses may occur and must be considered in light of the overall rate of return of the portfolio.

12. Authorized Investments

    No investment in instruments other than those indicated as acceptable in this policy shall be executed unless specifically approved by City Council providing that any investment approved by Council complies with legislation as outlined in the Municipal Government Act.

    a. Part 1: City Managed Funds

        This will consist of cash and investments to be administered by City treasury staff as part of the cash operating requirements of the City. The primary goal is liquidity and capital preservation by investing in secure investments of 5 years or less. The Dominion Bond Rating Service will be used to determine the credit worthiness of these investments. Schedule I identifies the approved investments and applicable limits.

        City Managed Funds may be invested for terms up to 5 years by the investment official with oversight and approval by the Director most responsible for Finance.

        Schedule I identify the approved investments and applicable limits for the City Managed Funds.

        Investments must meet these parameters at the time of purchase.

b. Part 2: Custodian Managed Funds

The purpose of Custodian Managed Funds is to maintain capital preservation while maximizing investment returns by accessing investment funds managed by professional fund managers.

The custody and administration of the funds will be the responsibility of a Custodian such as a broker or intermediary as approved by the Chief Administrative Officer. The custodian is required to fulfill the regular duties of a Custodian as required by law. The City may choose more than one custodian at its sole discretion.

The City will provide funds to the custodian through a comprehensive analysis of the City's long-term cash flow forecasting requirements. The investment of these funds is to be approved by the Chief Administrative Officer. The Custodian must provide the City with monthly and quarterly reporting no later than two weeks after the end of the reporting period. These reports will include the following at minimum transactions during the reporting period, including fees, purchases, redemptions, transfers and market values at the end of the reporting period.

The investment funds to be managed by the Custodian will be comprised of the following components.

Short-Term, investment horizon of one to five years.
This component should achieve potentially higher returns than what money market instruments provide while maintaining a reasonable degree of liquidity.

Mid-Term, investment horizon of five to ten years.
This component should potentially achieve higher returns than Short-Term, while this type of investment will be less liquid capital preservation is still high priority.

Long-Term, investment horizon greater than 10 years.
This component should achieve potentially higher returns than mid-term funds, investments in Long-Term Funds must maintain capital preservation as a priority. The Custodian of the funds will not place long-term investments without the approval of the Chief Administrative Officer.

Schedule II identifies the approved investments and applicable limits for the Custodian Managed Funds.

Investments must meet these parameters at the time of purchase.

13. Portfolio Performance

    The investment portfolio will be designed to obtain a market average rate of return considering the City's investment risk constraints and cash flow needs. The three-month Federal Treasury Bill rate and the three-year and seven-year Government of Canada Bond rate will be used as the performance measure to determine whether market yields are being achieved.

Policy Review

This policy will be reviewed in accordance with the corporate review schedule.

Legal References

Municipal Government Act (section 250)

Cross References

Attachments

Schedule I – Approved Investments City Managed Funds
Schedule II – Approved Investments Custodian Managed Funds

DATE REVIEWED	NEXT REVIEW DATE	REVISIONS
December 17, 2024 – Finance & Strategic Services	**2029 – Finance & Strategic Services**	**May 2, 2005 – C187-2005** **March 17, 2008 – C159-2008** **September 21, 2009 – C522-2009** **September 27, 2010 – C560-2010** **September 19, 2011 – C584-2011** **May 27, 2013 – C230-2013** **July 15, 2013 – C335-2013** **September 14, 2015 – C426-2015** **September 11, 2017 – POL-17-009** **January 21, 2019 – AR-19-003** **November 4, 2019 – CB-19-018**

Schedule I
Approved Investments – City Managed Funds

	*Maximum Percentage per institution	Total Cash & Short-Term Portfolio Limit	DBRS Minimum Rating (Money Market)	DBRS Minimum Rating (Bond Market)
Government:				
Securities issued or guaranteed by:				
The Government of Canada	100%	Unlimited	R1(L)	A
Provincial Governments within Canada	50%	Unlimited	R1(L)	A
Municipal Governments within Canada	20%	75%	R1(M)	AA
Schedule I Chartered Banks:				
Obligations of, or guarantees of:				
Per any Financial Institution	50%	Unlimited	R1(M)	A
Provincially Guaranteed Financial Institutions:				
Province of Alberta Treasury Branches	50%	Unlimited	R1(L)	A
Other Financial Institutions:				
Obligations of, or guarantees of:				
Rated Schedule II Banks, Trust Companies, and Credit Unions	50%	Unlimited	R1(M)	AA
100% Provincially Guaranteed				
Non-rated Schedule II Banks, Trust Companies and Credit Unions	50%	25%	**1**	N/A

* Based on the entire portfolio and the original settlement amounts at the time of booking the investment.

1 Includes only those investments offered by any financial institution, not rated by DBRS, but where the investments are 100% guaranteed by the appropriate provincial government.

2 A and AA is a category which includes A low to A high and AA low to AA high

Schedule II
Approved Investments – Custodian Managed Funds

	*Maximum Percentage per institution	Total Financial Investment Portfolio Limit	DBRS Minimum Rating (Money Market)	DBRS Minimum Rating (Bond Market)
Government:				
Securities issued or guaranteed by:				
The Government of Canada	100%	Unlimited	R1(L)	A
Provincial Governments within Canada	50%	Unlimited	R1(L)	A
Municipal Governments within Canada	20%	75%	R1(M)	AA
Schedule I Chartered Banks:				
Obligations of, or guarantees of:				
Per any Financial Institution	50%	Unlimited	R1(M)	A
Provincially Guaranteed Financial Institutions:				
Province of Alberta Treasury Branches	50%	Unlimited	R1(L)	A
Other Financial Institutions:				
Obligations of, or guarantees of:				
Rated Schedule II Banks, Trust Companies, and Credit Unions	50%	Unlimited	R1(M)	AA
100% Provincially Guaranteed				
Non-rated Schedule II Banks, Trust Companies and Credit Unions	50%	25%	**1**	N/A

* Based on the entire portfolio and the original settlement amounts at the time of booking the investment.

1 Includes only those investments offered by any financial institution, not rated by DBRS, but where the investments are 100% guaranteed by the appropriate provincial government.
2 A maximum per security limit of 15% shall apply.
3 A and AA is a category which includes A low to A high and AA low to AA high

Credit Quality

All Custodian Managed Funds will 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%

1 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.