

Purpose:

- 1 To provide the City with a high level of safety and security while achieving the best investment return, meeting cash flow requirements and conforming to applicable legislation for securities with a maturity date that does not exceed one year.

Policy Statement(s):**2 Investment Principles:**

- (1) **Safety:** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of all funds invested. The objective will be to mitigate credit risk and interest rate risk by investing only in creditworthy institutions and instruments, and by maintaining portfolio diversification. Diversification is required to maximize the yield from a blend of financial products and terms.
- (2) **Liquidity:** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.
- (3) **Yield:** The investment portfolio shall be designed with the objective of attaining at a minimum a market rate of return, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

3 Standards/Requirements:

- (1) Investments shall be reported or paid in Canadian currency only, to avoid exposure to currency exchange fluctuations.
- (2) Security selection is restricted to the authorized investments as defined in the Alberta Municipal Government Act and Alberta Regulation(s).
- (3) The portfolio shall not hold asset-backed investments unless they are guaranteed by a bank.
- (4) Exceptions approved to this policy shall be reviewed by the Chief Financial Officer, at minimum annually. Exception reporting shall occur at each meeting of the Audit Committee.
- (5) Funds shall not be invested with a third party without authorization of an Investment Officer.
- (6) The following rules apply to the short-term assets managed by the Investment Officer:
 - (a) **Liquidity:**
 - (i) Short-term investments shall be managed to meet the operating needs of the organization.
 - (b) **Credit Quality:**
 - (i) Securities must have a minimum credit rating of R-1(low) or equivalent or be guaranteed by the Government of Canada or a province of Canada.
 - (ii) At the time of purchase the credit quality of the issuer must have: a minimum credit rating of R-1(low) or equivalent for short term deposits/commercial paper; or be guaranteed by the Government of Canada or a province of Canada.

(7) Portfolio Diversification and Restraints:

- (a) At the time of purchase, current holdings of the security plus the proposed investment:
 - (i) can represent 100% of the total securities if issued by a financial institution fully guaranteed by the Government of Canada or a province of Canada, or;
 - (ii) shall not represent more than 30% of the total securities if issued by a Canadian Schedule I bank, or;
 - (iii) shall not represent more than 25% of the total securities if issued by another financial institution not covered in i or ii above.
- (b) At the time of purchase, current holdings of the financial institution plus the proposed investment:
 - (i) can represent 100% of short term investments if the financial institution is fully guaranteed by the Government of Canada or a province of Canada, or;
 - (ii) shall not represent more than 30% if the financial institution is a Canadian Schedule I bank, or;
 - (iii) shall not represent more than 25% if the financial institution is not covered in i or ii above.

(8) Return/Performance Standards:

- (a) The DEX 91 day T-bill index shall be used as the benchmark to determine whether acceptable short-term market yields are being achieved.

4 Safekeeping and Custody:

- (1) All investment certificates issued to The City shall be in the name of The City of Red Deer.
- (2) Investment certificates may be held for safekeeping by the financial institution.

5 Conflict of Interest/Ethics:

- (1) Nobody involved with the management of The City's investments may act on the knowledge of The City's investments to the detriment of The City's investments.
- (2) No one may personally act upon knowledge derived from investments for personal gain.
- (3) Investments are to be made with judgement 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.
- (4) Deviations are to be reported in a timely fashion and appropriate action is taken to control adverse developments.

6 Delegation:

- (1) The City Manager delegates authority to investing surplus funds as the Investment Officer to the Chief Financial Officer (Financial Services Manager).

Definitions:

- 7 Investment Officer: The following individuals are authorized to make investments on behalf of the City:

- (1) Chief Financial Officer (Financial Services Manager)
- (2) Corporate Controller – Budget & Investments
- (3) Corporate Controller – Risk & Procurement

- 8 Short Term: The investment matures in one year or less.
- 9 Surplus Funds: The funds forecasted not to be spent within the short term. Surplus funds are cash assets held in various funds of the City.

References/Links:

- 1 Alberta Investment Regulation 66/2000
- 2 Canada Business Corporations Act (Canada)
- 3 Credit Union Act
- 4 Municipal Government Act, Sec 250
- 5 Regional Health Authorities Regulation (15/1995)

Scope/Application:

- 1 All Investment Officers responsible for the management of The City's investments are required to comply with the contents of this and any associated policy, procedure(s), statutes, and regulations.

Inquiries/Contact Person:

- 1 Corporate Controller – Budget & Investments
- 2 Corporate Controller – Risk & Procurement
- 3 Chief Financial Officer

Policy Monitoring and Evaluation:

- 1 The Short Term Investment policy shall be reviewed one year from the date of approval, a review may occur prior to this date.

Document History:

Date:	Approved/Reviewed By:	Title:
Approved: August 12, 2005		
Revised: December 13, 2006	"Norbert Van Wyk"	City Manager
Revised: September 20, 2010	"Craig Curtis"	City Manager
Revised: October 30, 2012	"Craig Curtis"	City Manager
Revised: July 13, 2020	"Allan Seabrooke"	City Manager

Appendix A: Credit Rating

Investment Grade	Moody's	Standard & Poors	DBRS Short-Term and Commercial Paper	DBRS Long Term	Fitch Short Term and Commercial Paper	Fitch Long Term
Highest Quality (extremely strong)	Aaa	AAA	R-1 (high)	AAA	R-1 (high)	AAA
High Quality (very strong)	Aa1 to Aa3	AA+ to AA-	R-1 (middle)	AA	R-1 (middle)	AA+ to AA-
Upper Medium Grade (strong)	A-1, A	A+ to A-	R-1 (low)	A	R-1 (low)	A+ to A-
Medium Grade (good)	Baa-1, Baa	BBB+ to BBB-	R-2 (high)	BBB	R-2 (high)	BBB
Lower Medium Grade (somewhat speculative)	Ba	BB+ to BB-	R-2 (middle)	BB	R-2 (middle)	BB
Low Grade (speculative/weak)	B	B+ to B-	R-2 (low)	B	R-2 (low)	B
Poor Quality (may default/very weak)	Caa	CCC to CCC-	R-3 (high)	CCC	R-3 (high)	CCC
Most Speculative	Ca	CC	R-3 (middle)	CC	R-3 (middle)	DDD
No interest Being Paid or Bankruptcy Petition Filed	C	R	R-3 (low)	C	R-3 (low)	DD
In Default	C	D	D	D	D	D