

Policy statement

To provide for the investment of Leduc County funds in a prudent manner while meeting all related statutory requirements. The policy defines the parameters within which funds are to be invested and formalizes the framework for investment activities by establishing consistent standards and guidelines for the investment of public funds.

Definitions

Chartered Banks are financial institutions that are regulated under the Bank Act.

Custodian is an independent third party carrying legal responsibility for an investor’s securities which includes administrative services and safekeeping.

Designate for the purpose of this policy, designate refers to the Director of Finance or any other employee specifically assigned by the County Manager and/or the Director of Finance.

Diversification is a risk management technique that mixes a variety of investments. Diversification of an investment portfolio strives to smooth unsystematic risk events so that the positive performance of some investments will neutralize the negative performance of others.

DBRS Morningstar (formerly Dominion Bond Rating Service Ltd) is a global credit rating agency that rates the credit-worthiness of borrowers and issuers by rating their debt and other securities.

External manager is an organization hired by Leduc County, through an RFP process, to manage the investments of the County.

Fiduciary responsibility is the duty to act in a manner that is in the best interest of the County.

Liquidity refers to the ability to convert the security on short notice into cash without a substantial loss of principal or accrued interest.

Portfolio is a collection of assets held by an investor.

Prudent means acting with or showing care and thought for the future.

Rate of return is the gain or loss of an investment over a specified period expressed as a percentage increase over the initial investment; gains on investments are considered any income received from the security.

Safekeeping occurs when a banker or broker hold securities that are registered in the investors name; provides for the physical protection and makes them readily available to sell upon the investors instruction.

Schedule I Chartered Bank is a designation in the Bank Act that refers to Canadian-owned banks where no single owner holds more than 10% of shares. (ie. RBC, TD, CIBC, BNS, BMO)

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Securities generally refers to financial instruments issued by a government agency or corporation offered for purchase to investors. Securities, for the purpose of this policy, are outlined in Section 250 (1) of the Municipal Government Act.

Stewardship means the conducting, supervising, or managing of something; especially the careful and responsible management of something entrusted to one’s care.

Volatility is the degree of variation of a trading price over time.

Policy authority

Legislative implications:

- *Municipal Government Act, RSA 2000, c. M-26 (Section 250(1 and 2))*

Policy implications:

- FM-01 Financial Management Policy

Policy standards

1. Preservation of investment capital
 - The County recognizes its fiduciary responsibility for the stewardship of public funds with which it has been entrusted. Therefore, the primary investment objective is to ensure the preservation of capital in the overall portfolio.
2. Risk mitigation
 - To ensure that all investments purchased and owned by Leduc County are in accordance with the MGA, and that there is sufficient diversification among the assets in the portfolio.
3. Liquidity
 - To ensure that Leduc County’s investment portfolio will be liquid in order to enable the County to meet its operating cash flow requirements.
4. Standard of care
 - Prudence and stewardship
 - All investment transactions shall be reviewed using judgment and care. Designates involved in investment activities shall exercise the degree of care, diligence, skill and prudence that a reasonable person would exercise in the administration of their own affairs and in doing so shall attempt to maximize the investment earnings of the portfolio within the parameters of the objectives as established within this policy.
 - Safekeeping and custody
 - All investment certificates must be issued to Leduc County or be held in the name of Leduc County; all investments will be held by a third party custodian as evidenced by safekeeping receipts and monthly reporting.
 - Ethics and conflict of interest
 - All participants in investment activities shall seek to act responsibly as custodians of the public trust. No officer or designate may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

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- Designates shall refrain from personal business transactions that could conflict with the proper execution of their responsibilities, or which may impair their ability to make impartial investment decisions. Designates shall disclose, to the County Manager, any material interests in financial institutions that conduct business with the County, and they shall separate their personal investment transactions from those of the County.
5. Credit quality
- Investments in the portfolio will adhere to credit quality restrictions as rated by DBRS Morningstar for short and long-term investments. Should a security’s credit rating fall below the approved initial investment rating, it shall be removed from the portfolio as soon as practical.
6. Reporting
- The County Manager or designate shall provide a quarterly investment report with corporate quarterly reporting to Council. The investment report shall include the following:
 - A listing of total investments held at the end of the reporting period;
 - A statement about the performance of the investments during the period covered by the report.

Policy guidelines

1. Investment decisions
- The Director of Finance will recommend investment transactions.
 - Approval is required from both the County Manager and the General Manager – Financial and Corporate Services.
2. Investment objectives
- The County will seek to maximize the rate of return earned on its investments while aligning with its risk tolerance and adhering to prudent investment principles.
 - **Temporary and short-term portfolios (Less than 1 year)**
 - Generate current interest income at a competitive rate of return while preserving capital and providing liquidity for County cash flow requirements.
 - **Medium term portfolios (Between 1 - 10 years)**
 - Meet or exceed the standard rate of return while preserving capital and maintaining low volatility and proper diversification.
 - **Long term portfolios (10+ Years)**
 - Meet or exceed the standard rate of return from a longer-term portfolio while preserving capital and maintaining low volatility and proper diversification.

TEMPORARY & SHORT-TERM PORTFOLIO (Less than one year)				
Investment Type	Minimum Credit Rating (DBRS)	Institution Limit	Portfolio Limit	Maximum Term of Maturity
Government:				
<i>Securities issued or guaranteed by:</i>				
Federal Government	R-1 (L)	Unlimited	Unlimited	1 Year
Provincial Governments	R-1 (L)	Unlimited	Unlimited	1 Year
Crown Corporations	R-1 (L)	50%	75%	1 Year
Municipal Governments	R-1 (L)	35%	50%	1 Year
Financial Institutions:				
<i>Securities issued or guaranteed by:</i>				
Schedule I Chartered Banks	R-1 (L)	50%	Unlimited	1 Year
Provincial Treasury Branches and Credit Unions	R-1 (L)	50%	50%	1 Year

MEDIUM TERM PORTFOLIO (1 to 10 Years)				
Investment Type	Minimum Credit Rating (DBRS)	Institution Limit	Portfolio Limit	Maximum Term of Maturity
Government:				
<i>Securities issued or guaranteed by:</i>				
Federal Government	A (L)	Unlimited	Unlimited	10 Years
Provincial Governments	A (L)	Unlimited	Unlimited	10 Years
Crown Corporations	A (L)	50%	75%	10 Years
Municipal Governments	A (L)	20%	50%	10 Years
Financial Institutions:				
<i>Securities issued or guaranteed by:</i>				
Schedule I Chartered Banks	A (L)	35%	Unlimited	10 Years
Provincial Treasury Branches and Credit Unions	A (L)	25%	50%	5 Years

Investment Type	Minimum Credit Rating (DBRS)	LONG TERM PORTFOLIO (Greater than 10 Years)		Maximum Term of Maturity
		Institution Limit	Portfolio Limit	
Government:				
<i>Securities issued or guaranteed by:</i>				
Federal Government	A (L)	Unlimited	Unlimited	30 Years
Provincial Governments	A (L)	Unlimited	Unlimited	30 Years
Crown Corporations	A (L)	50%	75%	30 Years
Municipal Governments	A (L)	20%	35%	30 Years
Financial Institutions:				
<i>Securities issued or guaranteed by:</i>				
Schedule I Chartered Banks	A (L)	50%	75%	15 Years

Policy responsibilities

Council responsibilities:

Council will,

- Approve the policy.

Administration responsibilities:

County Manager will,

- Direct administration to develop the necessary administrative directives and procedures to implement this policy.
- Provide oversight, be responsible and accountable for the control, management and administration of all investment activities undertaken by the designate.
- Ensure adequate insurance coverage to guard against any losses that may occur due to misappropriation, theft, or other acts of fraud with respect to the municipality’s financial assets.

Director of Finance will,

- Transact investments on behalf of Leduc County in accordance with this policy.
- Establish procedures and internal controls for investment operations consistent with this policy.
- Execute documents relating to the establishment and maintenance of investment accounts with investment brokers and qualifying financial institutions.
- Report quarterly to Council on investment activities.
- Provide the external manager with a copy of the Investments Policy.

External manager (if applicable) will,

- Manage funds under a specific investment mandate for which they are engaged, complying with all guidelines and policies as identified in their contracts and code of ethics:
 - CFA Code of Ethics and Standards of Professional Conduct
 - CFA Institute Asset Manager Code of Professional Conduct
- Provide regular monthly (at a minimum) reports to the County.

Monitoring and updating

- This policy will be posted on Leduc County’s website.
- This policy will be reviewed at least once every four years.

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