



City of St. Albert
CITY COUNCIL POLICY

Investment

AUTHORITY	APPROVED	Res. No.	mm dd	REVISED	Res. No.	mm dd
City Council		C487-2003	09 02		C187-2005	05 02
					C159-2008	03 17
					C522-2009	09 21
					C560-2010	09 27
					C584-2011	09 19

Purpose

The purpose of this policy is to outline the City of St. Albert's Investment Policy.

Policy

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.

Scope

The City of St. Albert investment policy applies to all investment transactions involving the financial assets and activities of the City. The City Manager has the authority to invest all funds externally or use the funds to finance internal projects.

Standards

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.

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.

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. Officials shall disclose to the City Manager 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.

Objectives

The investment policy has the following objectives listed in the order of their priority:



1. Capital Preservation

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 principal. To assist in achieving this objective the City will ensure that sufficient diversification exists within its investment portfolio.

2. Maintenance of Liquidity

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. For the purposes of this policy the City defines liquidity as the ability to convert an investment into cash with minimum risk associated with loss of principal or accrued interest. The General Manager of Corporate Services must approve any investment with a maturity date one to three years from the date the investment was purchased and any investments longer than three years must be approved by the City Manager.

3. Rate of Return

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.

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.

The investment portfolio will be considered as two separate parts, ratio indicators outlined in Schedule I and Schedule II are to be considered within the parameters of their separate parts.

Part 1: Cash and Short-term Investments

This will consist of cash and short-term 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 short-term secure investments of one year 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. Cash and Short-term investments are restricted from investments in Corporate Commercial Paper and Asset Backed Commercial Paper created by Schedule 1 Chartered Banks.

Part 2: Investment Fund Portfolio

The purpose of Investment Fund Portfolio 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 City Manager. The custodian is required to fulfill the regular duties of a Custodian as required by law.

The City will provide funds to the custodian periodically through a comprehensive analysis of the City's long-term cash flow forecasting requirements. The transfer of these funds is to be approved by the City Manager or delegate. 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 two components.

Mid-Term, investment horizon one to five years.

This component should achieve potentially higher returns than what money market instruments provide while maintaining a reasonable degree of liquidity. The investment fund portfolio will contain a maximum of 75% Mid-Term.

Long-Term, investment horizon of five to ten years.

This component should potentially achieve higher returns than Mid-Term, while this type of investment will be less liquid capital preservation is still high priority. The investment fund portfolio will contain a maximum 75% Long-Term.

Investment funds may be invested in short-term secure investments to allow for investment opportunities that will arise in the not too distant future.

Schedule II identifies the approved investments and applicable limits for the investment fund portfolio.

Responsibilities

Management responsibility for the investment program is hereby delegated to the City Manager. The City Manager is responsible for the control, administration and management of the City's investments in accordance with this investment policy approved by Council. The City Manager may delegate the administration of the investment program but will still ensure an adequate level of control through periodic review of the program's status.

Custody

The City Manager shall ensure:

1. That all investment certificates issued to the City of St. Albert are in the name of or held in the name of the City of St. Albert.
2. Negotiable Securities are held in one of two ways:
 - a. In a safekeeping compartment with the City's banker.
 - b. Held by a third party custodian 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 investment file at St. Albert Place.



Reporting

The City Manager will report to Council on the investment activities undertaken by the City of St. Albert on a quarterly basis. Information provided to Council will include, but not be limited to:

1. Total assets within the investment portfolio.
2. Specific holdings within the investment portfolio.
3. Effective rate of return for the investment portfolio.
4. Evaluation of portfolio performance.

Portfolio Performance

The investment portfolio will be designed to obtain a market average rate of return during budgetary and economic cycles, taking into account 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 annually by Administration with any changes being recommended to Council for approval.

Cross References: Policy C-CAO-04, CAO Limitations on Financial Planning and Budgeting; Policy C-CAO-05, CAO Limitations on Financial Conditions and Activities; C-CAO-07, CAO Limitations on Asset Protection



Schedule I
Approved Investments - Cash and Short-Term Investments

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

* 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 guaranteed and the Government of Alberta will ensure this guarantee is carried out



**Schedule II
Approved Investments - Investment Fund Portfolio**

	Maximum Percentage per component	Minimum Percentage per component	DBRS Minimum Rating (Money Market)	DBRS Minimum Rating (Bond Market)
Government:	* 100%	* 30%		
Securities issued or guaranteed by:				
The Government of Canada	100%		R1 (L)	A
Provincial Governments within Canada	100%		R1 (L)	A
Municipal Governments within Canada	50%		R1 (M)	AA
Schedule I Chartered Banks:				
Obligations of, or guarantees of:				
Per any Financial Institution	75%		R1 (M)	AA
Provincially Guaranteed Financial Institutions				
Province of Alberta Treasury Branches	75%		R1 (L)	A
Other Financial Institutions:				
Obligations of, or guarantees of:				
Rated Schedule II Banks, Trust Companies, and Credit Unions	75%		R1 (M)	AA
Non-rated Schedule II Banks, Trust Companies and Credit Unions	75%			1
Corporations				
Securities issued by Canadian Corporations		2		
Commercial Paper	30%		R1(M)	
Corporate Bonds	40%			AA

1 Includes only those investments offered by any financial institution, not rated by DBRS, but where the investments are guaranteed and the Government of Alberta will ensure this guarantee is carried out

2 Includes only investments of this type that are approved by the minister as per the MGA section 250 (2)(e) or by Alberta Regulation 66/2000, Municipal Government Act, Investment Regulation

* A minimum of 30% of each component must be invested in Provincial and Federal Government Securities



Schedule III

Glossary of Terms and Investment Instruments

1. Banker's Acceptances

This instrument is essentially a commercial draft drawn by a borrower for payment on a specified date and accepted, or guaranteed by the borrower's bank. A counter signature on the draft signifies the bank's acceptance. Once a draft of this nature has been co-signed, it becomes a "Banker's Acceptance" and is backed by the credit of the accepting bank. These instruments are actively and openly traded in the money markets and as a result are extremely liquid.

2. Bearer Deposit Notes

These securities are short-term promissory notes that are issued by a bank. They are direct obligations of the specific issuing bank and generally have a term that ranges from one week to one year. They are liquid in nature and yield approximately the same as a banker's acceptance.

3. Commercial Paper

These instruments are short-term unsecured promissory notes that are issued by major Canadian Corporations. These notes are backed by the general credit of the issuing corporation and are usually unsecured. These instruments are traded actively in the money markets and usually have a maturity of less than one year. The notes may be interest bearing or issued at a discount and are issued in either bearer or fully registered form.

4. Corporate Bonds

These instruments are interest bearing debt which are secured by the assets of the issuing Corporation. These securities generally have a maturity that is greater than one year and form part of the money markets only when the long-term debt approaches maturity. These instruments are actively traded within the markets and do have some degree of liquidity.

5. Debentures

Debentures are similar to bonds and represent interest bearing debt, however, debentures are secured only by the general credit of the issuing organization. Typically these instruments are offered by organizations that have exhausted their ability to issue bonds or by organizations that have a high enough credit standing that they are not required to pledge any specific assets. These instruments have a reasonable degree of liquidity and usually have a yield that is higher than similar bonds.

6. Federal and Provincial Crown Corporation Notes

These investments are guaranteed by the Government of Canada or the issuing Province and are secured by the assets of the issuing Crown. These securities can range in term and can be either discounted or interest bearing. These investments are very liquid and yield approximately the same as other Federal or Provincial obligations.



7. Government of Canada, Provincial & Municipal Bonds

This instrument is essentially an 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 actively traded and generally considered high quality investments.

8. Government of Canada Treasury Bills

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.

9. Provincial Treasury Bills & Notes

These securities are issued periodically by the major provinces in Canada and are actively traded in the money markets. These instruments are very liquid and are usually issued in bearer form. These instruments can be interest bearing or sold at a discount and are considered to be prime investment vehicles due to the minimal risk associated with default.

10. Term Receipts

These instruments have various labels including Certificate of Deposits (CD's), Term Deposits, Fixed Term Deposits, Guaranteed Investment Certificates (GIC's), Term Deposit Certificates, Deposit Receipts, etc. These instruments are generally fully registered, nontransferable, interest bearing notes. Terms range from one day to six years. While some of these instruments do have call features which allow them to be liquidated on demand most tend to be non-liquid investments. These instruments are direct obligations of the issuing bank.

11. Units of Pooled Funds

Also known as Mutual Funds. Pooled funds exist to combine or pool the funds of several investors to purchase securities. The types of securities the fund will purchase and the investment objectives are set out in the fund's prospectus. Pooled funds can range from very conservative to speculative based on the investment objectives. Units of the fund are purchased and sold at prices based on the net assets of the fund.



Schedule IV

1. Bank of Canada Rate (Bank Rate)

The bank rate is the interest rate that the Bank of Canada charges for advances made to the Canadian chartered banks. The bank rate is set at the upper limit of the Bank of Canada's operating band for the overnight financing rate. This is the rate at which major participants in the money market borrow and lend one-day funds.

2. Basis Point

A basis point is 1/100 of a percentage point.

3. Bearer Form Securities

A negotiable security that can be redeemed by whoever has actual physical custody of the security. These securities are not in the name of the owner and usually have a clause on the actual security that states something such as "Pay to the Bearer".

4. DBRS

Dominion Bond Rating Service 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.

5. Liquidity

In the context of a firm, liquidity is the ability 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.

6. Market Value

The price at which a security is currently trading and therefore presumably purchased or sold for.

7. Portfolio

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

8. Diversification

A fundamental investment principle that reduces risk by diversifying the maturity terms and the types of investments held within the portfolio.



9. Prime Rate

The rate of interest that chartered banks charge for advancements made to select organizations and individuals that are considered by the bank to be a “prime” customer.

10. Rate of Return

The yield obtained on a security based on its purchase price or its current market value.

