



Investment Policy

Policy 3-7 / Resolution #178-22

Effective 2022 July

CASTLEGAR

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1 Purpose

To document a governance framework for the prudent management of the City of Castlegar's treasury portfolio within an acceptable risk tolerance. The City recognizes that cash resources are essential to maintain municipal operations, so it is undertaking the responsibility to invest its surplus funds in a manner that will achieve an optimal blend of principal protection, liquidity and investment returns in compliance with the *Community Charter*.

2 Scope

This Policy applies to the investment of all cash, short-term and long-term assets of the City. The City's invested funds will be divided into operating requirements and the investment component.

3 Objectives

- 3.1 **Principal Preservation and Protection:** Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall fund whilst managing credit risk and interest rate risk.
- 3.2 **Liquidity:** Investment portfolio must remain sufficient liquid to meet all operating requirements that may be reasonably anticipated i.e., the portfolio should be structured in a way where maturities coincide with cash requirements as much as possible.
- 3.3 **Return on Investment:** The funds will be designed with the objective of maximizing returns subject to the investment risk constraints and liquidity needs of the City.

4 Standard of Care

- 4.1 Investments shall be made with judgement and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs. Investments will not be made for speculation. Foremost will be consideration for the safety of capital. Staff must be aware of reasonably foreseeable risks, trends, and fluctuations in the market, and be able to recognize unreasonable risks whilst ensuring the liquidity of the investment portfolio.
- 4.2 Where external manager(s) are engaged to perform investment activities on behalf of the City, the external manager(s) will be required to exercise the degree of care, diligence, and skill that a prudent investment counsel would exercise in similar circumstances.
- 4.3 The Chief Financial Officer, Investment Manager(s) or any staff involved in the investment process will refrain from any personal business activity that could conflict with proper execution of the investment program, or that could impair the ability to make impartial investment decisions.

5 Authority and Responsibilities

- 5.1 Statutory authority to manage the City's investment program is granted to the Chief Financial Officer and is derived from Section 149 of the Community Charter.
- 5.2 The Chief Financial Officer is the portfolio administrator and has the ultimate responsibility for the prudent investment of the portfolio. The Chief Financial Officer may retain a

professional investment manager or professional investment managers to provide investment advice and carry out the instructions of the Chief Financial Officer.

5.3 The Chief Financial Officer will:

- a) administer the Policy;
- b) review the Policy annually, which will include a reassessment of the fund's objectives, the benchmark of the portfolio, and the impact of any changes in liquidity requirements if necessary;
- c) select the Investment Manager(s);
- d) regularly review the quantitative and qualitative performance of the Investment Manager(s), including an evaluation of the rates of return, an analysis of the areas where the Investment Manager(s) added or reduced value, and a review of the Investment Manager(s) in the context of the criteria for their selection;
- e) be responsible for regularly monitoring the asset mix of the portfolio and taking the necessary action to correct any breach of applicable legislation or permitted asset mix ranges set out in this Policy;
- f) provide information on significant cash flow changes to the Investment Manager(s);
- g) be responsible for the oversight of any professional Investment Manager(s); and
- h) have the authority to appoint and terminate the Investment Manager(s).

5.4 The Investment Manager(s) will:

- a) provide the Chief Financial Officer with quarterly reports of actual portfolio holdings, detailing each class of assets and how they comply with policy maximums as reference in section 8;
- b) present to the Chief Financial Officer a quarterly review of investment performance, including an explanation of any shortfalls in investment results compared to the investment objectives;
- c) provide estimates of future returns on investments and review proposed investment strategies that may be used to meet the objectives;
- d) attend a meeting with the Chief Financial Officer at least once each year to review the results they have achieved;
- e) inform the Chief Financial Officer promptly of any element in the Policy that could prevent attainment of the Plan's objectives; and
- f) report all investment transactions quarterly to the Chief Financial Officer;

6 Authorized Investment Dealers and Institutions

Any Investment Manager(s) hired by the City must be registered and be in good standing with a regulated securities commission such as Investment Industry Regulatory Organization of Canada or the Mutual Fund Dealers Association of Canada. They will be responsible for maintaining a list of approved financial institutions and brokers/dealers authorized to provide investment services. The Investment Manager(s) will review this list annually, whereupon the recommendations for any additions and deletions, will discuss and seek approval from, the Chief Financial Officer.

7 Permitted Investments

- 7.1 Under the Community Charter Section 183, a municipality may invest money that is not immediately required in one or more of the following:
- securities of the Municipal Finance Authority
 - pooled investment funds under section 16 of the Municipal Finance Authority Act
 - securities of Canada or of a province
 - securities guaranteed for principal and interest by Canada or by a province
 - securities of a municipality, regional district or greater board
 - investments guaranteed by a chartered bank
 - deposits in a savings institution, or non-equity or membership shares of a credit union
 - other investments specifically authorized under this or another Act

8 Credit Rating and Portfolio Diversification

- 8.1 The credit ratings of any of the following agencies will be utilized to determine where to invest municipal funds: Dominion Bond Rating Service (DBRS), Moody's Investors Service or Standard & Poor's (S & P). Investments must have a rating of A (or its equivalent) or higher from at least one of these agencies.
- 8.2 Investments rated below A or equivalent at the time of purchase will not be permitted. If the security credit rating falls below A after time of purchase, it shall be removed from the portfolio as soon as practical.
- 8.3 The table below indicates in more detail the credit ratings required for investments.

Moody's	Standard & Poor's	DBRS
<i>Long-Term</i>	<i>Long-Term</i>	<i>Long-Term</i>
Aaa	AAA	AAA
Aa1	AA+	AA (high)
Aa2	AA	AA
Aa3	AA-	AA (low)
A1	A+	A (high)
A2	A	A
<i>Short-Term</i>	<i>Short-Term</i>	<i>Short-Term</i>
P-1	A-1+	R-1 (high)
P-1	A-1	R-1 (high)
P-1	A-1	R-1 (middle)
P-1	A-1	R-1 (middle)
P-1	A-2	R-1 (low)
P-1	A-2	R-1 (low)

8.4 The portfolio makeup of short-term investments must respect the following guidelines:

Up to 100% of investment rating of P-1, A-1+ or R-1 (high)

Up to 100% of investment rating of P-1, A-1, or R-1 (middle)

Up to 50% of investment rating of P-1, A-2, or R-1 (low)

8.5 The portfolio makeup of long-term investments must respect the following guidelines:

Up to 100% of investment rating of Aaa or AAA

Up to 100% of investment rating of Aa, or AA

Up to 50% of investment rating of A

8.6 No more than 30% of the portfolio shall be invested in any single security

8.7 No more than 35% of long-term investment (investments whose term to maturity is one year or more) shall be invested in any single issuer, except for securities issued by the Government of Canada, where there is no limit, or by a province in Canada.

9 Reporting

9.1 The Chief Financial Officer will prepare an investment report on a quarterly basis to Council. The report will provide a summary of the securities held at the end of the reporting period, including issuer diversification and market values.

9.2 Any Investment Manager(s) hired by the City will conduct at a quarterly review of the portfolio, including strategy employed, duration, liquidity, and a forecast of upcoming market conditions.