

## **Investments:**

**Date Approved by Board:** 2011.11.17  
2016.09.22

**Resolution No.:** 11 113  
16 121

**Lead Role:** GM

**Replaces:**

**Last Review Date:** 2016.09.14

**Next Review Date:** 2019.09.22

## **Policy Statement**

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It is the policy of Beaver Municipal Solutions to invest funds in a prudent manner that will provide optimum investment returns with the maximum security while meeting BMS/BRWMSC's cash flow requirements and conforming to all provincial statutes and regulations governing the investment of municipal funds.

### **Objectives**

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

#### **1. Capital Preservation**

BMS/BRWMSC recognizes its fiduciary responsibility for the stewardship of funds with which it has been entrusted. Therefore, the prime objective of this policy is to ensure that the principal amount of each investment is safe from losses due to market conditions and issuer default. To accomplish this objective BMS/BRWMSC will ensure that sufficient diversification exists within its investment portfolio.

#### **2. Maintenance of Liquidity**

BMS/BRWMSC's investment portfolio will be sufficiently liquid in order to enable BMS/BRWMSC to meet its operating cash flow requirements which might be reasonably anticipated in the short and longer term. For the purposes of this policy the BRWMSC defines liquidity as the ability to convert an investment into cash with minimum risk associated with loss of principal or accrued interest.

#### **3. Rate of Return**

BMS/BRWMSC'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.

#### **4. Compliance with the Municipal Government Act**

BMS/BRWMSC will ensure that all investments purchased and owned by BMS/BRWMSC are in accordance with the Municipal Government Act, RSA 2000, c. M-26 (Section 250 – 2a to 2d).

## **Guidelines**

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### **1. Authority**

The GM is ultimately responsible and accountable for the control, management, and administration of BMS/BRWMSC's investments in accordance with the investment policy approved by the Board. The GM may delegate the responsibility of managing day-to-day investment requirements to the CFO or Controller.

### **2. Responsibilities of the GM**

The GM shall establish appropriate guidelines, procedures, and internal controls;

- a) To ensure the achievement of the objectives identified within this policy.
- b) For authorizing officers, employees and persons to engage in investment activities.
- c) For purchasing and selling investments.
- d) For custody and safekeeping of investments.
- e) For the accounting and reporting of investment activities.

### **3. Authorized Investments**

The following schedule identifies the securities that the GM or designate can purchase on behalf of and in the name of BMS/BRWMSC:

- a) Schedule I - Schedule of Approved Investments

### **4. Procurement and Custody**

The GM shall ensure that:

- a) The method of procurement achieves and maximizes the objectives of this policy. Investment activities may be undertaken utilizing internal resources or external (contract) resources or a combination of internal and external resources. The utilization of external resources (or outsourcing) shall be based on service provider's credentials and proven track record of investment performance. The appointment of an external service provider needs to be approved by the Board.
- b) All investment certificates issued to BMS/BRWMSC are in the name of or held in the name of Beaver Municipal Solutions.

- c) Negotiable securities are held in one of two ways:
  - 1) In a safekeeping compartment with BMS' banker.
  - 2) Held by a third party custodian in the name of BMS/BRWMS and evidenced by safekeeping receipts and monthly statements.
- d) Non-negotiable investment certificates are maintained in an appropriate investment file at the BMS office.

## 5. Prudence

Investments shall be made with judgement and care under circumstances then prevailing. All reasonable steps shall be taken to ensure that the management of BMS/BRWMS's investment portfolio is in accordance with this policy. Officers, employees, and persons involved in investment activities shall exercise the degree of care, diligence, skill, and prudence that a reasonable person would exercise in the administration of his own affairs and in doing so shall attempt to maximize the investment earnings of the portfolio within the parameters of the objectives established within this policy.

## 6. Ethics & Conflict of Interest

Officers, employees, and persons involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of their responsibilities, or which could impair their ability to make impartial investment decisions. Officers and employees shall disclose to the GM/CFO any material interests in financial institutions that conduct business with BMS, and they shall subordinate their personal investment transactions to those of BMS particularly with regard to the timing of purchases and sales.

## 7. Reporting

The GM will report to the Board quarterly (as part of MDA) on the investment activities undertaken by Beaver Municipal Solutions.

The GM will review the following information on a regular basis:

- a) Total assets within the investment portfolio.
- b) Specific holdings within the investment portfolio.
- c) Effective rate of return on the investment portfolio.
- d) Evaluation of portfolio performance.

## 8. Review and Amendment Procedures

Beaver Municipal Solutions' investment policy shall be reviewed annually by the GM with any changes being recommended to the Board for approval.

**Related Policies: BRD-002**

**Schedule I - Schedule of Approved Investments**

<b>Approved Investments – Operating Portfolio</b>				
Investment Description	Approved Institution Limit	Total Portfolio Limit	DBRS Minimum Rating	Maximum Term of Maturity
<b>Government:</b>				
Securities issued or guaranteed by:				
Federal Government	Unlimited	Unlimited	R-1 (M)	1 year
Alberta Government	70 %	70 %	R-1 (M)	1 year
Crown Corporations	40 %	Unlimited	R-1 (M)	1 year
Other Provinces	40 %	Unlimited	R-1 (M)	1 year
<b>Chartered Banks:</b>				
Securities issued or guaranteed by:				
Schedule "1" Chartered Banks	30 %	75 %	R-1 (M)	1 year
<b>Other Financial Institutions:</b>				
Securities issued or guaranteed by:				
ATB Financial	50%	50%	R-1 (M)	1 year
Servus Credit Union	50%	50%	R-1 (M)	1 year
<ul style="list-style-type: none"> <li>• The above two financial institutions' deposits are 100 % guaranteed by the Government of Alberta.</li> <li>• Should the guarantee change, the holdings will be immediately reassessed to determine their DBRS credit rating and allowable percentages within the portfolio.</li> <li>• If the minimum credit rating does not meet R1 (M-mid) status, the investments will be disposed of within one month.</li> </ul>				
<b>Canadian Corporate Commercial Paper:</b>				
<u>Commercial Paper, asset backed paper created by Schedule "1" Chartered Banks</u>	<u>10 %</u>	<u>20 %</u>	<u>R-1 (H)</u>	<u>1 year</u>

**Schedule I - Schedule of Approved Investments**

**Schedule of Approved Investments – Mid-Term Portfolio**

<u>Investment Description</u>	<u>Approved Institution Limit</u>	<u>Total Portfolio Limit</u>	<u>S&amp;P Minimum Rating</u>	<u>Maximum Term of Maturity</u>
<b><u>Government:</u></b>				
<u>Bonds issued or guaranteed by:</u>				
<u>Federal Government</u>	<u>Unlimited</u>	<u>Unlimited</u>	<u>A-</u>	<u>10 years</u>
<u>Alberta Government</u>	<u>70 %</u>	<u>70 %</u>	<u>A-</u>	<u>10 years</u>
<u>Crown Corporations</u>	<u>40 %</u>	<u>Unlimited</u>	<u>A-</u>	<u>10 years</u>
<u>Other Provinces</u>	<u>40 %</u>	<u>Unlimited</u>	<u>A-</u>	<u>10 years</u>

**Schedule of Approved Investments – Long-Term Portfolio**

<u>Investment Description</u>	<u>Approved Institution Limit</u>	<u>Total Portfolio Limit</u>	<u>S&amp;P Minimum Rating</u>	<u>Maximum Term of Maturity</u>
<b><u>Managed Bond Portfolio:</u></b>				
<b><u>Government:</u></b>				
<u>Bonds issued or guaranteed by:</u>				
<u>Federal/Provincial Governments including Crown Corporations</u>	<u>Unlimited</u>	<u>Unlimited</u>	<u>A-</u>	<u>30 years</u>
<b><u>Corporate Bonds:</u></b>				
<u>Bonds issued or guaranteed by:</u>				
<u>Canadian Corporations</u>	<u>10 %</u>	<u>25 %</u>	<u>A-</u>	<u>30 years</u>