

 Town of <b>CANMORE</b>	<b>Council Policy</b>
<b>Policy Title:</b>	<b>Investment</b>
<b>Policy Number:</b>	FIN-004
<b>Date in Effect:</b>	June 27, 2017
<b>Current as of:</b>	July 6, 2021

**POLICY STATEMENT**

1. It is the policy of the Town of Canmore (the Town) to invest cash reserves, until they are needed, in a manner that will meet cash flow requirements and conform with Municipal Government Act (MGA) provisions regarding authorized investment of public funds. In this way, the Town looks beyond taxation and user fees to other sources of revenue, such as interest revenue, to help fund its programs.

**PURPOSE**

2. This policy is established to ensure that funds which the Town may receive by way of cash flows, surpluses, grants, reserves, or any other source are considered for investment purposes, and if so chosen, to provide optimal returns after due consideration of risk, yield, term, diversification, and security.

**DEFINITIONS**

3. "Cash Reserves" means unspent grant funds and money the Town keeps on hand to meet its medium to long-term and emergency funding needs and to fund its Reserves. Cash reserves do not include money needed to fund operating and capital expenditures anticipated to occur within the next 90 days.
4. "Credit Risk" is the chance that a borrower may not repay a loan and that the lender may lose the principal of the loan and/or the interest associated with it.
5. "Fixed Term Securities" are those investments with a set term and yield that if cashed in before maturity, accrued interest up to that date is forfeited.
6. "Interest Rate Risk" is the chance that an unexpected change in interest rates will negatively affect the value of an investment.
7. "Investment Ladder" means an investment technique that involves the purchase of multiple financial products with different maturity dates which, preferably, match projected cash flow requirements.

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8. "Liquidity" means the ability of an investment to be converted into cash with minimal loss of principal or interest.
9. "Market Rate of Return" is the rate of interest that is readily accepted by borrowers and lenders based on the risk level of the transaction. It is the standard interest accepted in an industry for a specific type of transaction. Since interest rates depend on market and economy conditions, risk, and desired rate of return, the market interest rate tends to fluctuate over time and among industries.
10. "Short-Term Investments" means debt or equity securities that are expected to be sold or converted into cash in the next 3 to 12 months and are permitted investments under Alberta's Municipal Government Act (MGA).

**AUTHORITY**

11. The Town's investment program is subject to the following:
  - a) Section 250 of the Municipal Government Act, and
  - b) Town Council resolutions and bylaws.
12. Management responsibility for the investment program is hereby delegated to the Chief Administrative Officer (CAO), who may further delegate authority to the Manager of Financial Services.
13. The Manager of Financial Services in conjunction with the Investment Advisor(s) shall be responsible for all transactions undertaken and shall establish a system of controls to regulate their approval.
14. No person may engage in an investment transaction on behalf of the Town except as provided under the terms of this policy.

**SCOPE**

15. This policy applies to all cash reserves.

**ETHICS AND CONFLICTS OF INTEREST**

16. Officers and employees involved in the investment process shall:
  - a) refrain from personal business activity that could conflict with the proper execution and management of the investment program,
  - b) refrain from personal business activity that could impair their ability to make impartial decisions,
  - c) disclose any material interests in financial institutions with which they conduct business,
  - d) disclose any personal financial/investment positions that could be related to the performance of the Town's investment portfolio, and

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- e) refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Town.

### INVESTMENT OBJECTIVES

17. The primary objectives, in order of priority, concerning the Town's investment activities, shall be:

- a) **Safety of principal.** 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 capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk:
  - i) **Credit Risk** will be minimized by limiting investments to those listed as approved under the Municipal Government Act (MGA) s250, and diversifying the investment portfolio so that potential losses on individual securities will be minimized.
  - ii) **Interest Rate Risk** will be minimized by structuring the investment portfolio so that fixed-term securities mature to meet cash requirements for ongoing operations thereby avoiding the need to sell these securities on the open market prior to maturity, and structuring the investment portfolio in the form of an investment ladder so that investments mature at differing points in time and thus pay a range of interest rates.
- b) **Liquidity.** Liquidity of the investment portfolio must be such that it remains sufficient to enable the Town to meet all operating and capital funding requirements which might be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Fixed-term securities shall only be considered for short-term investments.
- c) **Return on Investment and/or Yield** of the investment portfolio shall be designed with the objective of attaining a market rate of return, taking into account the Town's investment risk constraints, the Municipal Government Act list of approved investments, and the cash flow characteristics of the portfolio. Cash reserves should be pooled and invested together whenever doing so would increase the market rate of return. An investment may be sold early to:
  - i) minimize loss of principal,
  - ii) improve the quality, yield, or target duration in the portfolio; i.e., through swapping securities,
  - iii) release funds needed to meet unanticipated or changed operating or capital cash flow requirements, or
  - iv) improve liquidity; i.e., the liquidity needs of the portfolio require that the security be sold.

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**PRUDENCE**

- 18. The standard of care to be used by officers and employees involved in the investment process, shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. 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.
  
- 19. Those persons acting in accordance with this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

**INVESTMENT ADVISOR**

- 20. The CAO and Manager of Financial Services shall select an Investment Advisor(s) to provide investment advice in accordance with the Designated Officers Bylaw.
  
- 21. The financial institutions eligible to act as Investment Advisor must:
  - a) be able to tender investments that meet the requirements of this policy,
  - b) be a member of the Canadian Investor Protection Fund (CIPF), and
  - c) be a member of the Investment Industry Regulatory Organization of Canada (IIROC).

**CUSTODY AND SEGREGATION**

- 22. Investments may be held by the financial institution in bulk segregation, in accounts in the name of the Town.

**MAXIMUM INVESTMENT TERMS**

- 23. To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements. Cash reserves with no anticipated cash flow requirement may be invested in securities with no set maximum maturity dates, as long as the security has an active secondary market or can be cashed in after an initial 90 days without loss of accrued interest.

**RESPONSIBILITIES**

- 24. *Repealed 176-2021*
  
- 25. The CAO, or Manager of Financial Services if so delegated, is responsible for ensuring adherence to the Town's investment policy and ensuring investment activity is accurately reported to the Finance Committee on at least an annual basis.
  
- 26. The CAO is responsible for establishing and maintaining an internal control framework designed to ensure that the assets of the Town are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that:

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- a) the cost of a control should not exceed the benefits likely to be derived, and
  - b) the valuation of costs and benefits requires estimates and judgments by management.
27. External controls concerning custodial safekeeping, transaction and recording/reporting controls, etc., shall be under the purview of the Investment Advisor(s) and the broker used within that investment arm of the organization. The internal controls shall address the following points:
- a) separation of transaction authority from accounting and recordkeeping, and
  - b) clear delegation of authority to subordinate staff members.

**SAFEKEEPING AND CUSTODY**

28. Safekeeping and custody of the investment certificates and records of transactions shall be the responsibility of the Town's Investment Advisor(s).

**PERFORMANCE EVALUATION**

29. The performance benchmarks to ensure productivity of the accounts shall be:
- a) three-month Government of Canada T-Bill Index, and
  - b) CIBC Canadian Short-Term Bond Index Fund, which invests in managed short-term bonds where preservation of capital is the prime concern while providing for a high level of income and some capital growth.

**POLICY REVIEW**

30. This policy will be reviewed by Council on or before July 30, 2025.


**RELATED DOCUMENTS**

- 31. Municipal Government Act
- 32. Reserves Policy

**REPEALS POLICY:** 288-2012 Investment Policy

**AUTHORIZATION:**

  
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John Borrowman  
Mayor

  
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Cheryl Hyde  
Municipal Clerk

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**REVISION HISTORY**

<b>Action</b>	<b>Date</b>	<b>Council Motion</b>	<b>Notes</b>
Approved	2017-06-27	54-2017FIN	Policy approved by the Finance Committee
Amended	2021-07-06	176-2021	Amend approval from Finance Committee to Council; update formatting and numbering

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