

INVESTMENT POLICY

BACKGROUND

The Town of Redcliff at times has surplus/reserve funds on deposit at the Bank and it is important for The Town to invest these funds in a prudent manner that will provide optimum investment returns with maximum security, while meeting the Town’s cash flow requirements. The investments must conform to the policies and guidelines set forth below, as well as operate within the language and spirit of legislative requirements under the Municipal Government Act (Section 250, Investments).

POLICY

Purpose:

To provide general investment principles, rules and delegation of authority for managing and monitoring the investments of the Town of Redcliff. Adherence to the investment Policy will ensure compliant and effective investment management and assist in achieving the strategic goals and growth objectives of the Town of Redcliff.

Objectives:

1. Credit Quality

The Town’s investments will be limited to the following securities issued or guaranteed by:

- a) The Federal Government of Canada (including crown corporation)
- b) Any Provincial Government body or entities guaranteed by such province (i.e. Alberta Treasury Branch)
- c) Any securities that are issued or fully guaranteed by the Chartered Banks in Canada, treasury branch, credit union or trust corporation
- d) Securities with a maturity date of less than one year (i.e. money market) must have a minimum rating of R-1 (high) from the date of issue
- e) Investments in the portfolio will ensure preservation of capital and adhere to the following credit quality restrictions:

Debt Rating Category	Minimum	Maximum
“BBB” or lower	0 %	0 %
“A”	0 %	50 %
“AA” or higher	50 %	100 %

- f) Investments rated below “A-” or equivalent at time of purchase are not permitted. If a security’s credit rating falls below “A-” after time of purchase, it shall be removed from the portfolio as soon as practical.
- g) All ratings refer to the ratings of the Dominion Bond Rating Service Ltd. (DBRS).
- h) In the event that DBRS does not rate a security, ratings from any of the other agencies allowed by the Municipal Government Act.

2. Liquidity

- a) The investment portfolio will be sufficiently liquid in order to enable the Town of Redcliff to meet any projected or sudden cash flow requirement which might reasonably be expected to occur.
- b) For the purpose of this policy, the Town defines liquidity as the ability to convert an investment into cash with minimal risk associated with loss of principal or accrued interest, taking into consideration any costs associated with converting investments into cash.

3. Return and Performance Standards

The Bank of Canada 91 day T-Bill index will be used as the benchmark to determine whether acceptable short-term market yields are being achieved. Investments will be reviewed in the event of underperformance and adjusted if necessary by the Director of Finance and Administration.

4. Authority

The authority to invest surplus/ reserve funds will be as follows:

- a) Short Term Investment (maturity term less than one year), the Municipal Manager and/or Director of Finance and Administration
- b) Long Term Investment (maturities greater than one year), Town Council

For assistance in determining what investments to consider the following definitions are provided:

SECURITIES - Includes bonds, debentures, trust certificates, guaranteed investment certificates or receipts, certificates of deposit, deposit receipts, bills, notes and mortgages of real estate or leaseholds and rights or interests in respect of a security.

BANKERS' ACCEPTANCES - A commercial draft drawn down by a borrower for payment on a specified date, accepted or guaranteed by the borrower's bank. The bank's acceptance is signified by their counter signature on the draft. Once the draft has been co-signed, it becomes a "Banker's Acceptance" backed by the credit of the accepting bank.

TREASURY BILLS - Short term government debt, issued in large denominations and sold chiefly to large institutional investors. Treasury bills do not pay interest but are sold at a discount and mature at par (100). The difference between the issue price and par at maturity represents the lenders income in lieu of interest.