

INVESTMENT POLICY

The purpose of this Policy is to document a governance framework for the prudent management of the City of Dawson Creek's investment portfolio "Fund" within an acceptable investment risk tolerance level.

It is the policy of the City to invest public funds in a manner which will provide the optimal blend of investment returns and principal protection while meeting the daily cash flow and liquidity demands of the City and complying with statutory requirements of the *Community Charter*.

1. Scope

This Policy applies to the investment of all cash and short-term assets and reserved funds monies of the City.

2. Objectives

a. Principal Protection

- i. Preservation of capital 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 Fund. The goal is to manage credit risk and interest rate risk.

b. Liquidity

- i. The investment portfolio shall remain sufficiently liquid to meet all operating and capital requirements that 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 be considered mainly for the short-term investments.

c. Return on Investment and/or Yield

- i. The Fund shall be constructed with the objective of attaining, at minimum, a benchmark rate of return throughout varying budgetary and economic cycles, considering the City's investment risk constraints, the Municipal Government Act of approved investments, and the cash flow characteristics of the portfolio. Cash reserved should be pooled and invested together whenever doing so would increase the market rate return. An investment may be sold early to:
 - Minimize loss of principal,
 - Improve the quality, yield, or target duration in the portfolio;
 - Release funds needed to meet unanticipated or changed operating or capital cash flow requirements, or

- Improve liquidity, i.e., the liquidity needs of the portfolio require that the security be sold.

Return on investment is of secondary importance compared to the preservation of capital and liquidity objectives.

3. Standard of care

a. Prudence

- i. 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, considering the probable safety of their capital as well as the probable income to be derived.
- ii. Those persons acting in accordance with the 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 sales of securities are carried out in accordance with this policy.

b. Internal Controls

- i. Management shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the independent auditor. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties.

4. Ethics & Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activity with the same individual(s) with whom business is conducted on behalf of the City. Individuals involved with the investment process shall refrain from personal business activity that could conflict with proper execution and management of the investment program or impair their ability to make impartial investment decisions.

Individual Responsibilities

1. Delegation of Authority

Authority to manage the City's investment program is derived from *Section 149 of the Community Charter* and *Municipal Financial Authority Act* (Section 16). Fund Management responsibilities have been allocated as follows:

a. Council

- i. Receive annual reports from the Chief Administrative Officer and Chief Financial Officer on the performance of the portfolio in the second quarter of the following year.

b. Officers Responsibilities

- i. Calculate the rates of return on the entire Fund, based on book and market value.
- ii. Review the Policy periodically and if appropriate make recommendations to the City's Council for changes.
- iii. Select investment dealers and institutions (the "Brokers") to assist the Manager in meeting performance objectives for the Fund.
- iv. Review the Fund's performance on a regular basis and provide a report to the City's Council annually in the second quarter of the year.
- v. Select specific investments for the Fund, recognizing the quality and diversification requirements established in this Policy, and subject to approved signing authority.
- vi. Ensure that the sum of all cash, the current account, money market securities, and coupon income expected from the fixed income instruments (i.e. bonds, GICs etc.) in a year are sufficient to cover the disbursements expected to be paid from the Fund in that year.
- vii. Seek to maximize and preserve the investment return on the Fund, after ensuring that the foregoing liquidity, quality and diversification requirements have been satisfied.
- viii. Manage the securities held by the Fund in accordance with this Policy and applicable legislation.
- ix. The Officers of the City may from time to time engage consultants or other advisors to assist them in fulfilling their responsibilities

2. Authorized Investment Dealers and Financial Institutions

To ensure proper diversification of the portfolio of the funds, an approved list by the Council of at least five dealers/investment companies will be maintained by the CFO.

Investment Opportunities

1. The following are the investments permitted in the Fund.
 - a) Eligible Securities as defined in *Section 183* of the *Community Charter* and *Section 16* of the *Municipal Finance Authority Act*.
 - b) Investments in internally financed projects.
 - c) All investments must be denominated in Canadian dollars or U.S. dollars. U.S. dollar investments are not to exceed 5% of the total portfolio.
 - d) Investments in shares, warrants, or other equities, convertible debt securities, derivatives, swaps, options or futures are prohibited, and all investment categories that are not explicitly permitted are prohibited

Ratings And Constraints

1. Risk Tolerance

- a) All securities must be readily marketable.
- b) Investment held in the Fund must be rated by at least one rating agency, namely Moody's, Standard & Poor's (S&P) or Dominion Bond Rating Service (DBRS). All investments must be Investment Grade (at least BBB by S&P, or equivalent by DBRS or Moody's.). In the case where a security is rated by more than one agency listed, the higher ratings will apply.
- c) Investments in Credit Union are preferred in the Credit Union in British Columbia and any other province that are covered under the CUDIC (Credit Union Deposit Insurance Corporation).
- d) Due to market fluctuations, maximum percentages may be exceeded at a point in time. Securities need not be liquidated to rebalance the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

2. Portfolio Constraints

- a) The primary constraints relate to safety of invested capital and maintaining the liquidity of the portfolio.
- b) All securities held in the portfolio shall have a maturity of five-years or less. Overall, the total portfolio shall have an average term to maturity of no greater than five years.

3. Other Constraints

- a) The Fund shall not borrow funds to acquire securities or otherwise deal in margin trading.
- b) All investments are to follow the above listed constraints laid out per this Investment Policy. An exception can be made when an investment opportunity that lies outside the constraints governing this policy and eligible under the investment defined in *Section 183* of the *Community Charter* and is approved by the Council.

Reporting

1. Reporting

The Chief Financial Officer will provide an annual report to Council on the performance of the portfolio during the second quarter of the following year.

2. Department Investment Policy Adoption

The City's Investment Policy shall be approved by the Council and included in the Council's Policy. The policy shall be reviewed periodically as required due to changes in the economy or the City's requirements and any modifications made thereto must be approved by the Chief Administrative Officer.

APPROVED BY COUNCIL:

DATE: _____