

INVESTMENTS

Policy:

Mountain View County endeavours to manage investments to the best advantage of the County and in keeping with the Municipal Government Act. The purpose of this policy is to provide a framework for Mountain View County for the management of the investment assets of the Municipality.

Regulations:

Mountain View County maintains both an Operating Portfolio for current operation requirements and a Non-Operating Portfolio for non-current operating requirements. The current portfolio represents funds used to meet month-to-month cash flows for normal operations while the non-current portfolio represents funds that are held for specified purposes.

1. Portfolio Objectives:

a) Operating Portfolio

- i) Liquidity* - This portfolio shall be defined as funds necessary to meet the projected cash flow requirements of operating expenses and capital purchases for up to one (1) year. The primary objective of the Operating Portfolio is to ensure the current cash flow requirements are met. The investments will be primarily money market in nature with maturities of less than one year (i.e. Government of Canada Treasury Bills, banker's acceptances, term deposits, etc.).
- ii) Income Generation* - The rate of return for this portfolio should be maximized within the constraints on these funds.
- iii) Security of Capital* - The funds in this portfolio are earmarked for specific expenditures; therefore, safety of capital is paramount. The portfolio must be managed in such a way as not to expose it to undue risk of loss or impairment.

b) Non-Operating Portfolio

- i) Liquidity* - This portfolio, although non-operating and longer term in nature, may be subject to requests for additional funds to meet the cash flow or capital expenditure requirements of Mountain View County. Therefore, highly liquid investments such as government bonds will be favoured over investments where the capital is locked in (i.e. Guaranteed Investment Certificates).
- ii) Income Generation* - The rate of return for this portfolio should be maximized within the constraints on these funds.
- iii) Security of Capital* - This is a public fund and as such, the Investment Portfolio shall be managed in such a way so as not to expose it to undue risk of loss or impairment.

Mountain View County shall adhere to prudent investment standards in making investment decisions. Prudent investment standards are those that, in the overall context of an investment portfolio, a reasonable and prudent person would apply to investments made on behalf of another person with whom there exists a fiduciary relationship.

c) Legal Considerations

The investments of the Operating Portfolio and the Non-Operating Portfolio are limited to those investments permitted by the Municipal Government Act of Alberta.

d) Community Position

Investments will not be knowingly made in companies which could damage the reputation or role of Mountain View County or which could be construed to be in conflict with the objectives of Mountain View County.

2. Asset Mix

- a) *Operating Portfolio* - The portfolio will be invested in short term, cash equivalent securities.
- b) *Non-Operating Portfolio* - These funds will not normally be required to meet regular operating expenditures, and as such, the longer time horizon and objective of a fair competitive return indicates that this portfolio should be invested in longer term securities. The portfolio will be invested in bonds and cash equivalent investments, according to the following asset mix ranges, which will allow for Mountain View County to take advantage of prevailing market conditions:

| | Asset Mix Range | |
|------------------|------------------------|-------------|
| | Min. | Max. |
| Cash Equivalents | 0.0 | 50.0 |
| Bonds | 50.0 | 100.0 |

3. Diversification

All components of the portfolios will be broadly diversified to reduce risk.

- a) *Cash Equivalents* - No more than 15% of cash equivalents will be invested in any one issuer other than investments guaranteed by the Government of Canada or any province.
- b) *Bonds* - No more than 15% of the portfolio will be invested in any one corporate issuer. The bond portion of the portfolio will be laddered to stabilize income flows and reduce investment rate risk.

4. Quality and Nature of Securities

- a) *Cash Equivalents* - All securities will be rated "R-1" or "A-1" or higher by the Canadian Bond Rating Service (CBRS) or the Dominion Bond Rating Service (DBRS).

- b) *Bonds* - all federal, provincial and corporate bonds will carry a rating of "A" or higher by CBRS or DBRS.

5. Payment and Safekeeping

A dealer or financial institution will hold securities purchased in safekeeping.

6. Finance Committee

- a) The Investment Policy will be implemented and monitored by a Finance Committee.
- b) The Finance Committee will implement, review and monitor these regulations, and must recommend changes to Council for approval.

7. Reporting

Periodic investment reports shall be prepared for and distributed to the members of the Finance Committee. These reports shall contain the following information:

- a) *Quarterly: A Valuation and Performance Measurement Report*
- Complete inventory of all portfolio investments and percentage breakdown by each type of credit rating.
 - Average term to maturity and duration of the portfolio.
- b) *Annually: An Annual Compliance Review*
- Compliance with the Municipal Government Act of Alberta

8. Policy Review

This policy shall be reviewed annually by the Finance Committee to ensure that it remains consistent with the overall objectives of the Municipality and prudent and conservative investment practices.

Date approved: October 25, 2000