



Town of Cochrane Policy

Policy No.:	1704-01
Policy Title:	Investment Policy
Approval Date:	June 25, 1996
Revision Date:	
Department:	Corporate Services

Policy Statement:

The Town of Cochrane will provide guidelines for the investment of municipal funds, at the highest possible rate of return and within the confines of Section 250 of the Municipal Government Act, Statutes of Alberta 2000, Chapter M-26, and amendments and Regulations thereto. Particular attention must be given to the municipality's financial obligations, liquidity requirements and the objectives of preservation of principal.

1. Reason for Policy

- 1.1 To ensure the prudent investment of municipal funds

2. Related Information

- 2.1 Municipal Government Act, Revised Statutes of Alberta 2000, Chapter M26
 - 2.1.1 Alberta Regulation 66/2000, Municipal Government Act, Investment Regulation

3. Definitions

- 3.1 Credit Rating means a rating of a government or corporate entity issued by Dominion Bond Rating Services, Canadian Bond Rating Services, Standard and Poor's or Moody's.
- 3.2 Diversification means the division of investment monies among a variety of securities offering independent rates of return. May be diversified by asset, term, corporation, country or currency.
- 3.3 Investment Manager means an investment professional who will administer the Town's investment portfolio.
- 3.4 Liquidity means a liquid asset that can be converted easily and quickly into cash.

- 3.5 Market Value means the price at which a security is trading and could presumably be purchased or sold.
- 3.6 Portfolio means consolidation of investments by an Investment Manager.
- 3.7 Preservation of Principal means the avoidance of potential losses on the principal sum invested in a security. This will be accomplished by adhering to the policy and diversifying the investment portfolio.
- 3.8 Prudent Person Principal of Investment Management means the standard of prudence to be applied by the Investment Manager in the context of managing the overall portfolio. The “Prudent Person” must act in all matters regarding investments with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The “Prudent Person” must diversify the investment of the portfolio so as to minimize the risk of losses, unless under the circumstances it is clearly not prudent to do so.
- 3.10 Rate of Return means the yield obtained on a security based on purchase price and term only.
- 3.11 Securities means Bonds, Notes, Debentures, Commercial Paper, Promissory Notes, Coupon and Residuals, Units in Pooled Funds and other debt securities of Federal and Provincial Governments or Corporations, including their agencies and debt securities guaranteed by same. Cash and demand deposits, Term Deposits and Guaranteed Investments Certificates of federally insured Canadian financial institutions.

4. Responsibilities

4.1. Town Council to:

- 4.1.1 Approve by resolution this policy and any amendments.

4.2 Chief Administrative Officer to:

- 4.2.1 Implement this policy any approve procedures.
- 4.2.2 Ensure policy and procedure reviews occur and verify the implementation of policies and procedures.

4.3 Director of Corporate Services:

- 4.3.1 Ensure implementation of this policy and procedure.
- 4.3.2 Ensure that this policy and procedure is reviewed every three years.
- 4.3.3 Make recommendations to the Chief Administrative Officer of necessary policy or procedure amendments.
- 4.3.4 Review, process and sign agreements for Investment Management services.
- 4.3.5 Review and monitor detailed investment policy and procedures.
- 4.3.6 Review and monitor portfolio performance and related reports on holdings.
- 4.3.7 Review and validate Investment Manager's statements and transaction reports.
- 4.3.8 Ensure, in consultation with the Investment Manager, that prudent diversification of assets is maintained within the parameters set out by this policy.
- 4.3.9 Keep the Investment Manager advised on the forecasted annual cash requirements of the municipality.

4.4 All Employees to:

Understand and adhere to this policy and procedure.

4.6 Investment Manager to:

- 4.6.1 Develop the appropriate investment strategies for the overall portfolio including the investment performance objectives, credit rating quality guidelines and reporting requirements for the Director of Corporate Services' approval.
- 4.6.2 Prepare and present a quarterly report to the Director of Corporate Services on the financial position, investment performance, compliance status of the portfolio, and any other relevant information.
- 4.6.4 Review the current asset mix and take any action necessary to ensure compliance with this policy.


- 4.6.5 Review this policy whenever a major change is necessary, or at least annually, and recommend changes for the consideration of the Director of Corporate Services.
- 4.6.6 Strictly adhere, as a minimum, to the Code of Ethics and Standards of Professional Conduct as adopted by the Canadian Securities Institute

5. Exclusions

6. Special Situations

7. Appendix

8. End of Policy

	<h1>Town of Cochrane Procedure</h1>
Policy No.: Policy Title: Department:	1704-01 Investment Policy Corporate Services

1.1 The primary objectives of this policy are:

- 1.1.1 To maximize investment returns at an acceptable level of risk.
- 1.1.2 To effectively utilize the assets that have accumulated.
- 1.1.3 To meet the expectation that the original capital value of the portfolio is maintained.
- 1.1.4 That a long term view with respect to the investment of a portion of the portfolio is appropriate in order to maximize the long term sufficiency of the assets. Shorter term volatility of return is also a concern and the policy is designed to provide an acceptable balance between short term volatility and long term growth. Risk and volatility must be minimized by matching cash flow and liabilities to investments and assets in a manner that does not imprudently expose a significant mismatch of the two.
- 1.1.5 Regardless of periodic cost to market value fluctuations of the investments held in the portfolio, the intent to match the Town's liabilities with assets as required is to be met.

1.2 Ratings Quality

- 1.2.1 All short term securities with a maturity date not exceeding one (1) year must carry a Dominion Bond Rating Service (DBRS) credit rating of "R-1" or equivalent. In the event a short term security is not rated it will only be eligible for investment if the issuer has a minimum long term credit rating of "AA" or equivalent or the security is unconditionally guaranteed by the parent company which has a minimum long term credit rating of "AA" or equivalent.

1.2.2 All long term debt securities shall carry a minimum DBRS credit rating of “A” or equivalent for government entities and “AA” or equivalent for corporate entities.

1.2.3 In the event the rating of a security is downgraded below the minimums set out in this policy, the Investment Manager will sell the position during a reasonable period of time, giving full consideration for market conditions and the liquidity and price level of the security.

1.3 Categories of Investment

1.3.1 The Investment Manager may invest in any or all of the following asset categories and subcategories of Investment provided they comply with this policy:

- Securities of the Town of Cochrane, when and if issued.
- Securities issued or guaranteed by the Crown in right of Canada or an agent of the Crown.
- Securities in right of a Province or an agent of a Province.
- Securities of a municipality, school division, school district or regional services commission in Canada.
- Bonds, Debentures, Mortgages, Mortgage Backed securities, notes or other debt investment of government or corporations including those denominated in non Canadian currencies.
- Guaranteed investment contracts or equivalent financial instruments of treasury branches or credit unions.
- Securities that are issued or unconditionally guaranteed by a bank, treasury branch, credit union, trust company or corporation.
- Private debt placements of governments and corporations.

1.4 Diversification and Asset Allocation

1.4.1. Risk of price fluctuation within asset classes and the uncertainty of future economic and investment scenarios dictate prudent diversification through investment in asset classes whose expected return provides overall longer term risk reduction of the funds.

1.4.2 The Investment Manager will ensure there is a prudent level of diversification within each class subject to the following debt instrument limits which are based on market value:

- not more than 10% of the portfolio shall be invested in the debt of a single issuer other than in debt issues fully guaranteed by the Government of Canada or any provincial
- government whose long term debt credit rating is “A” or higher
- not more than 20% of the portfolio shall be denominated of payment in non Canadian currency.

1.4.3 The Investment Manager shall ensure:

1.4.3.1 that immediate liquidity requirements up to one year will be met through short term investments equal to 120% of the requirements.

1.4.3.2 that a portion of the portfolio held in securities with a term greater than one year will reflect the term of liabilities which might be reasonably anticipated.

1.5 Loans and Borrowing

1.5.1 No part of the portfolio shall be invested in any person, partnership, association corporation or government except as identified as eligible investments described in Section 264 of the Municipal Government Act, Revised Statutes of Alberta, 2000 Chapter M-26 and amendments and Regulations thereto.

1.5.2 Neither the Investment Manager nor the Town of Cochrane may pledge, hypothecate or otherwise encumber, in any way, the assets of the portfolio.

1.6 Valuation of Investments

1.6.1 Investments in publicly traded securities shall be valued monthly.

1.6.2 If a market valuation of the investment is not readily available, then a fair value shall be determined by the Investment Manager. For such non traded investment, an estimate of fair value shall be supplied to the Director of Corporate Services no less frequently

than monthly. In all cases, the methodology must be applied consistently over time.

2 End of Procedure

Approval



Julian deGocq, C.A.O.

January 22 2008
Date