	<h2 style="text-align: center;">Municipality of Crowsnest Pass Policy</h2>
<p>Policy No.: Policy Title: Approval Date: Revision Date: Supersedes Policy: Department:</p>	<p>1708-01 Investment Policy July 5, 2017 Finance</p>

1.0 POLICY PURPOSE

The purpose of this policy is to document the governance framework for the prudent management of the Municipality of Crowsnest Pass' investment portfolio within an acceptable investment risk tolerance level. Adherence to the Investment Policy will ensure compliant and effective investment management and assist in achieving the strategic goals and growth objectives of the Municipality of Crowsnest Pass.

2.0 DEFINITIONS

“Credit Risk” is the risk that an issuer of debt securities or a borrower may default on its payment obligations

“Liquidity Risk” Liquidity risk is the risk that the Municipality of Crowsnest Pass will not be able to meet its financial obligations as they become due.

“Interest Rate Risk” is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Municipality of Crowsnest Pass will be exposed to interest rate risk through its investments.

“Securities” as defined by the MGA includes: bonds, debentures, trust certificates, guaranteed income certificates or receipts, certificate of deposit, deposit receipts, bills, notes and mortgages of real estate or leaseholds and rights or interest in respect of a security.

“IIROC” means Investment Industry Regulatory Organization of Canada

“CAO” means the Chief Administrative Officer of the Municipality of Crowsnest Pass

“Credit Rating” is an assessment of the creditworthiness of a security issuer.

“Credit Rating Agency” is a company that assigns credit ratings that rate a debtors' ability to pay back debt by making timely investment payments and likelihood of default

3.0 POLICY STATEMENTS

The Municipality of Crowsnest Pass 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. Municipal funds shall be invested in a manner that will meet the following objectives in order of importance:

3.1 Safety of investment principal

- a. The Municipality of Crowsnest Pass recognizes its fiduciary responsibility for the stewardship of funds it has been entrusted. Therefore, the prime objective of this policy is to ensure the principal amount of each investment is insulated from losses due to market conditions and issuer default. The objective will be to mitigate credit and interest rate risks.
 - i. Credit Risk:
 - a) Limiting investments to safer types of securities
 - b) Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Corporation does business
 - c) Diversifying the investment portfolio so that potential losses on individual securities will be minimized
 - d) Setting dollar limits on the size of portfolio investments in asset sectors
 - ii. Interest Rate Risk:
 - a) Structuring the investment portfolio so that securities mature to meet ongoing cash flow requirements, thereby reducing the need to sell securities on the open market prior to maturity
 - b) Investing operating funds primarily in shorter-term securities or approved liquid investment pools
 - c) Diversifying longer-term holdings to mitigate effects of *interest rate* volatility
- b. In order to mitigate these risks, the Municipality of Crowsnest Pass will invest only in securities that are Authorized Investments as defined and described by sections 250(1) and (2)(a)-(d) of the Municipal Government Act (MGA) RSA 2000 Chapter M-26.
- c. The allowable investments are as follows:
 - i. *Securities* issued or guaranteed by either the Crown in the right of Canada, or an agent of the Crown or
 - ii. *Securities* issued or guaranteed by either the Crown in the right of a Province or Territory or an agent of a province or territory (Section 250 (2) (a) MGA)
 - iii. Securities of a Canadian Municipality, school division, school district, hospital district, health region under the Alberta Health Services or regional services commission in Alberta (Section 250 (2) (b) MGA);
 - iv. *Securities* that are issued or guaranteed by a Canadian bank, treasury branch, credit union or trust corporation (Section 250 (2) (c) MGA);
 - v. Units in pooled funds of all or any of the investments described in 1-4 above (Section 250 (2) (d) MGA);

3.2 Liquidity of investment

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by:

- a. Structuring the portfolio so that *securities* mature concurrent with cash needs to meet anticipated demands.
- b. Investing in securities with active secondary or resale markets. Since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets, this will allow the Municipality to meet any unanticipated cash flow requirements.

3.3 Return on investment

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, considering the investment risk constraints and liquidity needs.

Return on investment is of secondary importance compared to the safety and liquidity objectives described above. To provide competitive investment returns, the Municipality of Crowsnest Pass will:

- i. Only purchase investments that provide the highest rate of return given the risk and cash flow restrictions of this policy.
- ii. Securities shall generally be held until maturity with the following exceptions:
 - a) Unanticipated liquidity needs of the portfolio require that the security be sold.
 - b) A security with declining credit may be sold early to minimize loss of principal;
 - c) Selling a security and reinvesting the proceeds that would improve the quality, yield, or target duration in the portfolio may be undertaken;

4.0 CREDIT RATING & PORTFOLIO DIVERSIFICATION

- 4.1 The *credit ratings* of two recognized credit rating agencies will be utilized to determine where to invest municipal funds. Dominion Bond Rating Service (DBRS), Moody's Investors Service or Standard & Poor's (S & P) will be utilized. At least one rating must be A- (or its equivalent) or higher.
- 4.2 Investments rated below A- or equivalent at the time of purchase will not be permitted. If the security credit rating falls below A- after time of purchase, it shall be removed from the portfolio as soon as practical

Debt Rating Category	Portfolio Limit
BBB or Lower	0%
A	50%
AA	100%
AAA	100%

4.3 Not more than 20% of the portfolio shall be invested in any single security

4.4 Not more than 35% of Long Term Investment (more than 1 year) shall be invested in any single issuer, except for securities issued by the Government of Canada or a province in Canada

5.0 STANDARD OF CARE

5.1 Prudence

Investments shall be made with judgement and care under circumstances then prevailing. All reasonable steps shall be taken to ensure that the management of Municipality of Crowsnest Pass investment portfolio is in accordance with this policy.

Officers, employees, and persons involved in investment activities shall exercise the degree of care, diligence, skill, and prudence that a reasonable person would exercise in the administration of their own affairs and in doing so shall attempt to maximize the investment earnings of the portfolio within the parameters of the objectives established within this policy.

6.0 ETHICS & CONFLICTS OF INTEREST

Officers, employees and persons involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Municipality.

7.0 DELEGATION OF AUTHORITY

7.1 Authority to manage the investment program is granted to the Director of Finance who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy.

7.2 No person may engage in an investment transaction except as provided under the terms of this policy.

- 7.3 The Director of Finance shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, employees and agencies and shall exercise control over them.
- 7.4 The Director may delegate responsibility for the day-to-day management of the portfolio within established guidelines.

8.0 SAFEKEEPING AND CUSTODY

- 8.1 The Director of Finance is responsible for the safekeeping of securities. The Finance Department under the direction of the Director will ensure appropriate and accurate systems and accounts are maintained for book-based securities, and that a reputable custodian accurately maintains physical securities.
- 8.2 All investment certificates must be issued to the Municipality of Crowsnest Pass or held in the name of the Municipality of Crowsnest Pass
- 8.3 All investments will be held by a third-party custodian as evidenced by monthly reporting

9.0 SELECTION AND APPROVAL OF INVESTMENT FIRMS AND REPRESENTATIVES

- 9.1 The Municipality of Crowsnest Pass will maintain a listing of investment firms and representatives authorized to provide investment services and/or advice. This authorization will be determined by the Director of Finance or designate
- 9.2 The approval of investment firms and representatives for investment transactions will be determined after reviewing the following information:

a. Investment Firm's:

- i. Audited Financial Statements
- ii. Proof of registration through Canadian Securities Administrators national registration search
- iii. Proof of provincial and/or federal registration membership in the Canadian Investor Protection Fund, or guaranteed/insured by an applicable provincial credit union corporation
- iv. Confirmation of membership in good standing in the *IIROC*
- v. References from public and private sector organizations

b. Investment firm representatives

- i. Proof of registration through Canadian Securities Administrators national registration search
- ii. Confirmation of membership in good standing in the *IIROC*
- iii. Confirmation of having read and understood and agreeing to comply with this investment policy

10.0 REPORTING

- 10.1** The Director of Finance shall submit an investment report to Council on a semi-annual basis. The investment report will include the following:
- a. Listing of individual securities held at the end of the reporting period
 - b. Listing of investment by maturity date
 - c. Percentage of the total portfolio which each type of investment represents
 - d. A record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale price of each security

11.0 RESPONSIBILITIES

11.1 Council to:

- a. Approve by resolution this policy and any amendments

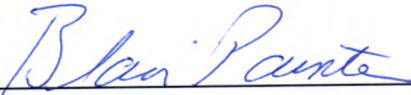
11.2 C.A.O to:

- a. Implement this policy and approve procedures
- b. Ensure policy and procedure reviews occur periodically

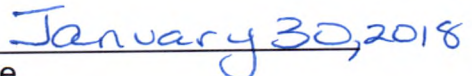
11.3 Director of Finance to:

- a. Ensure implementation of this policy and procedure.
- b. Ensure that this policy and procedure is reviewed every three years.
- c. Make recommendations to the CAO of necessary policy or procedure amendments.
- d. Review, process and sign agreements for Investment Management services.
- e. Review and monitor detailed investment policy and procedures.
- f. Review and monitor portfolio performance and related reports on holdings.
- g. Review and validate investment statements and transaction reports.
- h. Develop the appropriate investment strategies for the overall portfolio including the investment performance objectives, credit rating quality guidelines and reporting requirements for the CAO and Council.
- i. Prepare and present a quarterly report to the CAO and Council on the financial position, investment performance, compliance status of the portfolio, and any other relevant information.
- j. Review the current asset mix and take any action necessary to ensure compliance with this policy.
- k. Strictly adhere, as a minimum, to the Code of Ethics and Standards of Professional Conduct as adopted by the Canadian Securities Institute

MUNICIPALITY OF CROWSNEST PASS



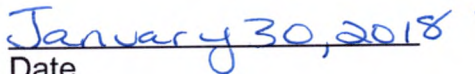
Mayor



Date



Chief Administrative Officer



Date